

MPC WEEKLY FRIDAY REPORT

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 TO: DIRECTORS & MEMBERS
 FROM: KEVIN ABERNATHY, GENERAL MANAGER
 PAGES: 6



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MPC FRIDAY MARKET UPDATE

CHICAGO CHEDDAR CHEESE		CHICAGO AA BUTTER		NON-FAT DRY MILK	
Blocks	- \$.1000	\$2.2800	WEEKLY CHANGE	+.0275	\$2.8775
Barrels	-.0525	\$2.2950	WEEKLY AVERAGE	+.0865	\$2.8825
WEEKLY AVERAGE CHEDDAR CHEESE		DRY WHEY		WEEK ENDING 05/21/22	
Blocks	-.0580	\$2.3160	DAIRY MARKET NEWS	W/E 05/27/22	\$.5900
Barrels	-.1015	\$2.3115	NATIONAL PLANTS	W/E 05/21/22	\$.6760
				LAST WEEK ENDING 05/14/22	
				NAT'L PLANTS	\$1.8168 19,204,212
				NAT'L PLANTS	\$1.8247 15,398,671

CALIFORNIA FEDERAL MILK MARKETING ORDER PRICE PROJECTIONS

PRICE PROJECTIONS	CLASS I ACTUAL (RANGE BASED ON LOCATION)	CLASS II PROJECTED	CLASS III PROJECTED	CLASS IV PROJECTED
MAY 27 EST	\$27.05 - \$27.55	\$25.85	\$25.19	\$25.07
LAST WEEK	\$27.05 - \$27.55	\$25.86	\$25.09	\$25.04



Milk, Dairy and Grain Market Commentary

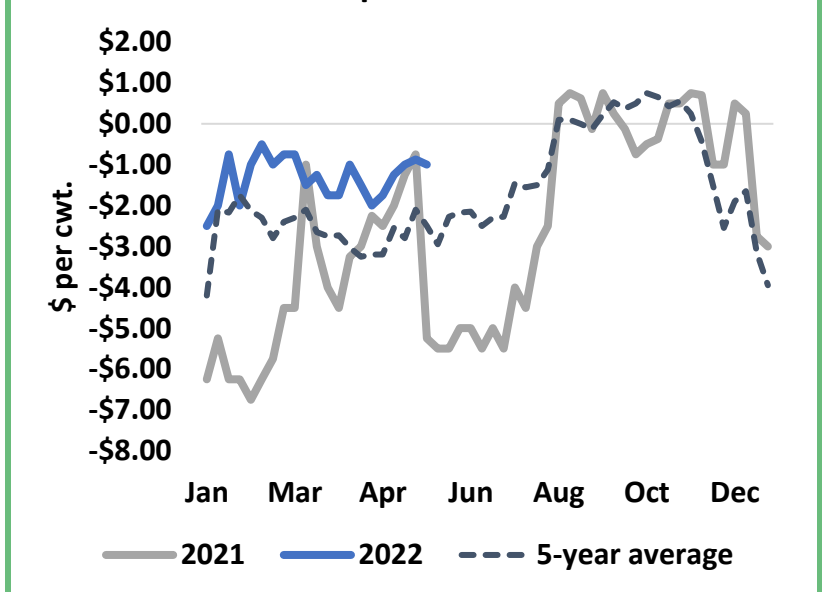
By Sarina Sharp, Daily Dairy Report
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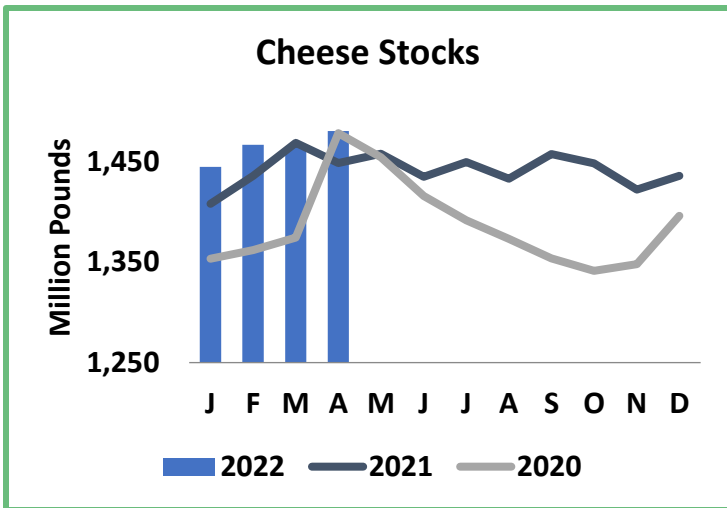
Milk & Dairy Markets

The mercury is rising in the Southwest, and the cows in Texas, New Mexico, and Arizona are suffering in triple digit temperatures. But in the rest of the nation, the weather is pleasant, and milk is flowing. Meanwhile, many dairy processors continue to operate below capacity as labor issues and supply chain snarls remain frustratingly commonplace. USDA's *Dairy Market News* reports that, just ahead of summer, ice cream makers in the Southeast have canceled some cream orders because they haven't been able to source other key ingredients, including sweeteners.

Despite the season and the problems at the

Midwest Spot Milk vs. Class



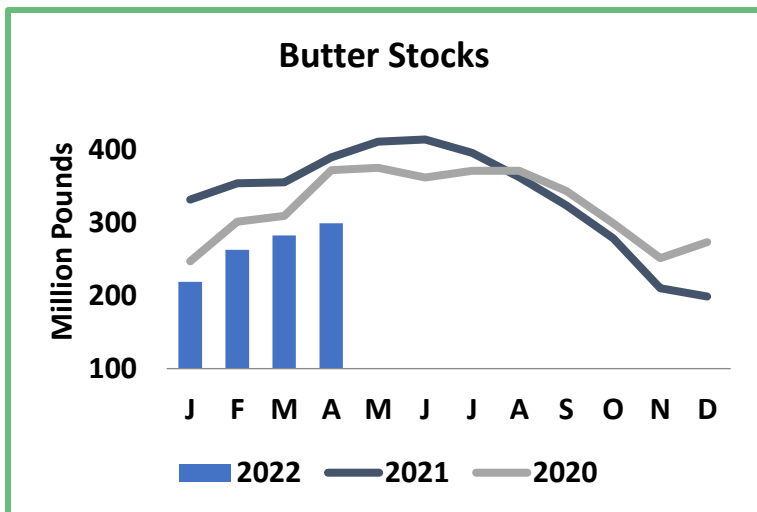


plants, the spring flush has not overwhelmed. Cheesemakers in the Midwest are able to buy quite a bit of spot milk at around \$2 below Class III, but in some areas, they're paying as much as 75¢ over the market. It's unusual to see premiums at this time of year, and it's raising concerns about summer supplies. If driers and cheese vats aren't full to the brim amid mild May temperatures, how much will output slow in the July and August heat?

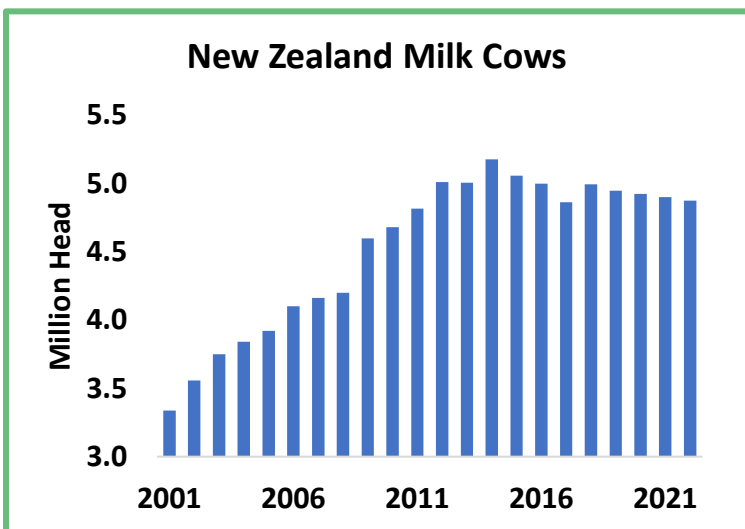
Still, there is more than enough cheese to go around. There were 1.48 billion pounds in cold storage on April 30, edging just past April 2020

to set an all-time high. Exports are strong, but high prices are starting to chip away at domestic sales at the margins. That weighed on sentiment in Chicago this week. CME spot Cheddar barrels fell 5.25¢ to \$2.295 per pound. Blocks closed a dime lower at \$2.28.

Butter stocks grew seasonally from March to April, but the month-to-month stock build was about half as large as normal. There were 299.6 million pounds of butter in refrigerated warehouses at the end of last month, down 23.2% from the prior year and the lowest April tally since 2017. Sticker shock continues to trim sales, but the trade is apparently unconcerned. *Dairy Market News* reports that "expectations are anything but bearish." Spot butter rallied once again this week, climbing 2.75¢ to \$2.8775.

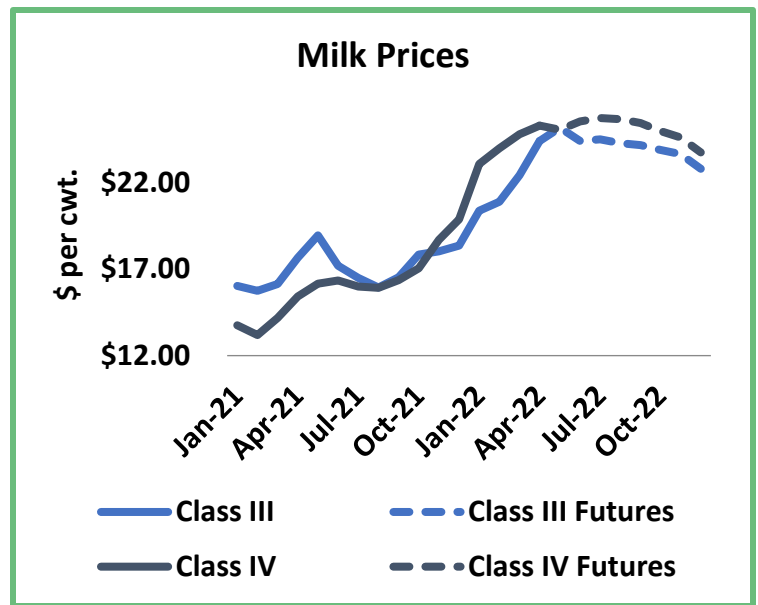


The powders climbed as well. CME spot nonfat dry milk (NDM) jumped 6¢ to \$1.86. Manufacturers in the Central region report that NDM is "somewhat tight," and that loads are moving out of storage just weeks after production, which is unusual for this time of year. Similarly, processors in the East tell *Dairy Market News* that supplies are limited and demand is "more competitive."



Whey is plentiful thanks to robust cheese production. But as it traded below 50¢ once again Monday and Tuesday, the market may have overestimated the oversupply and attracted some buyers in the bargain. That lifted prices later in the week. Spot whey closed at 52.25¢, up 1.5¢ from last Friday. U.S. whey and NDM are both selling at huge discounts to foreign product. But the markets remain concerned about export prospects given economic issues in China.

As long as buyers are not deterred by strained budgets, U.S. dairy exports are likely to stay strong due to a lack of competition from the other major dairy suppliers. USDA describes European milk supplies as “relatively tight.” In New Zealand, milk collections continue to disappoint. April output dropped to just 1.43 million metric tons (3.15 billion pounds), down 5.6% from a year ago. On a milk solids basis, kiwi milk output is down 3.9% for the season to date with just one month to go. If the weather cooperates, milk production could improve next season, but rapid growth is unlikely. Tightening environmental restrictions have capped cow numbers, and most dairy producers would rather stomach low milk yields than pay through the nose for supplemental feeds.



The trade remains anxious that high energy costs and lofty dairy product prices will erode consumer’s appetites – and ability to pay – for dairy. But they shook off those concerns and largely shrugged off the decline in the spot Cheddar markets too. Class III futures finished mostly higher for the week, although the July contract took a small step back. Class IV futures surged to life-of-contract highs. Most contracts added between 50 and 70¢ this week. May through October Class IV futures are standing strong at \$25 per cwt. or higher.

Grain Markets

Farmers toiled from sunrise to sunset and into the night to get their crops in the ground over the past couple of weeks, and their hard work has paid off. As of May 22, they’d planted 72% of corn acreage, putting the planting pace just seven points behind the five-year average. Emergence also lagged but was catching up quickly, thanks to the recent heat spell. There were bouts of sunshine and some wet days in the major growing areas this week, but fieldwork continued. The forecast for next week calls for more of the same.

With the first major hurdle of the corn season largely in the tractor’s rearview mirror, the grain markets sold off early in the week. Geopolitics added further pressure. A Russian official said that to assuage humanitarian concerns, Russia would magnanimously consider allowing exports of Ukrainian food, if the West would simply roll back its sanctions. That is a laughable prospect, but the wheat markets sold off nonetheless, and corn futures followed. July corn dipped to \$7.55 per bushel on Wednesday, a seven-week low. December corn futures dropped as low as \$7.07. But the grain markets came roaring back today amid rumors that China was buying U.S. corn for fall delivery. The rumors seem unfounded, given that Brazilian corn is a better bargain. But the bulls pranced anyway. July corn settled at \$7.7725, down just 1.5¢ from last Friday. December corn closed at \$7.30, down 2¢ for the week.

Half of the soybean crop was in the ground by Sunday. Although that’s just five points behind the average pace, there is still a lot of work to be done. With that in mind, soybean futures climbed once again this week. July soybeans headed into the long weekend at \$17.3225 per bushel, up 27¢ this week to the highest closing price since 2012. July soybean meal added another \$2.40 this week and reached \$432.30 per ton.

Producer Review Board Meeting June 6 in Modesto

Courtesy of the [California Department of Food and Agriculture](#)

The California Department of Food and Agriculture (CDFA) today announced that a meeting of the Producer Review Board will be held on **Monday, June 6 at 10 a.m.** at the Stanislaus County Ag Commissioner's Office, Harvest Hall – Room D&E, 3800 Cornucopia Way, Suite B, Modesto.

Agenda topics include updates about the Quota Implementation Program (QIP), legal actions and petitions received. See the complete agenda and meeting announcement [here](#).

More Water Now Initiative Needed Now More Than Ever

Written by [Edward Ring](#), [More Water Now](#)

With the benefit of hindsight, there is little we would have changed in the [More Water Now initiative](#) that we carefully crafted last summer and spent the Fall of 2021 and Winter of 2022 attempting to qualify for the November 2022 state ballot. The proof is in recent events, both meteorological and political.



From a meteorological perspective, California is about to endure what may be the driest summer in its history. Water allocations to many urban and agricultural water districts from the State Water Project have been reduced to as little as 5 percent of the normal allocation.

In Las Virgenes Municipal Water District, which [spans most of the coastal mountain](#) communities west of Los Angeles, over 3,000 households that have incurred “multiple violations” are having “water reduction devices will considerably slow water flow” [forcibly installed on their property](#).

In Santa Clara County, residents that don't submit to water rationing [face fines up to \\$10,000](#), and the water district is encouraging residents to turn in their neighbors.

Farmers in the Sacramento Valley who may have thought their location north of the Delta and closer to the big northern rivers protected them are receiving a rude awakening. This year California's rice crop is expected to be cut to [half its normal size](#).

From a political perspective, why is the wealthiest, most innovative state in America subjecting its citizens to water rationing, when solutions to water scarcity are everywhere? Why is a state that is home to some of the most productive farmland in this hungry world deliberately reducing its capacity to grow food?

Continue reading this article and parts 1-7 of Ring's 15-part series, “The Abundance Choice,” [here](#).

CDRF Research Brief: Byproducts as Feeds; Good News for Dairy Intake

Courtesy of the [California Dairy Research Foundation](#)

In its most robust year yet, the California Dairy Research Foundation (CDRF) completed 11 research projects and science-based education and outreach programs in 2021. These included several research endeavors focused on methane mitigation; a nutritional study that sourced information from nearly 400 healthy Californians regarding their dairy intake habits and overall gut health; and a byproducts study which showed just how unique California dairy feeds are along with demonstrating the benefits of using up-cycled byproducts to producers, animals, and the environment.

A brief summary of two of the projects are included below. **See the full 2021 Annual Projects report [here](#).**

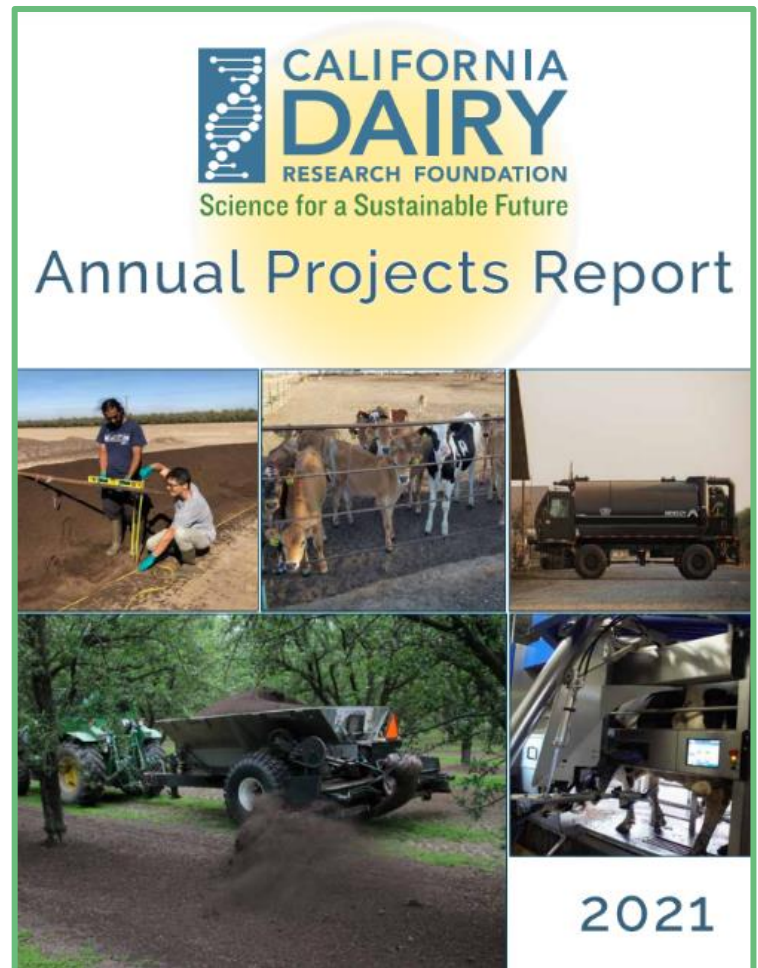
Benefits of California Dairies Using Byproducts as Feeds

Recently completed research explored the symbiotic relationship between California dairies and local crop producers that substantially reduces the waste from both industries and saves land and water resources for food production. Results of the authors' survey of California dairies showed that 95% of respondents used byproducts in feed. California dairies feed cows a vast range of products, including items like carrots, grape pomace, and brewers' spent grains. More than 70 distinct byproducts were named, most of which are produced in California.

Dairy Intake not Associated with Gastrointestinal Inflammation

Reaching into the consumer and nutrition marketplace, our research must address misinformed claims made by the expanding milk-alternatives market, which has led some consumers to perceive dairy as being pro-inflammatory and a cause of gastrointestinal discomfort. A recently completed CDRF-funded study put those assertions to the test.

In 2018 the [USDA Western Human Nutrition Research Center](#) conducted an observational cross-sectional study of nearly 400 adult Californians to determine diet-health associations. The next year, with support funding from CDRF, the researchers extended the original study to measure additional and novel markers of gastrointestinal health and address hypotheses related specifically to dairy consumption. **This three-year project not only successfully demonstrated that dairy intake is not associated with gastrointestinal inflammation but demonstrated that dairy has the potential to improve gastrointestinal health.** The results demonstrate unequivocally that there is no association with total dairy intake, fluid milk intake, cheese intake, or yogurt intake with markers of gastrointestinal inflammation in a healthy Californian cohort.



NMPF Update: Canadian Trade Games; Removal of China Tariffs

*By Jim Mulhern, President & CEO
National Milk Producers Federation*

As Canada Continues Same Old Dairy Trade Games, U.S. Renews TRQ Complaint

The U.S. government this week [called for new consultations](#) to press our case that Canada remains out of compliance with its dairy market concessions in the USMCA.

NMPF and the U.S. Dairy Export Council (USDEC) [applauded the action](#), in light of Canada's continued attempts to limit Canadian consumers' access to U.S. dairy products under the U.S.-Mexico-Canada pact.

This action comes after the first USMCA dispute panel that we requested had determined in January that Canada was in violation of the agreement's dairy tariff-rate quota (TRQ) provisions. NMPF and USDEC rejected the cosmetic fixes offered this spring by Canada, and now the USTR is seeking more action – which could entail a second dispute settlement panel – to address the ongoing problems presented by Canada's revised approach.

If the U.S. and Canada cannot come to an agreement to resolve differences in the next 30 days, the U.S. can request a new dispute resolution panel under the provisions of the USMCA agreement.

Canada's revised TRQ system continues to block key stakeholders in the Canadian food and agriculture sector, including retailers and foodservice, from using the TRQs in a way that gives U.S. exporters a foothold there. We have also told the USTR and USDA that the U.S. must be prepared to impose retaliatory measures against Canada if the status quo doesn't change.

NMPF, Farm Groups Back Removal of China Tariffs

NMPF joined 40 other food, agriculture and shipping groups Thursday in urging the Biden Administration to suspend, reduce or eliminate Section 301 tariffs on China, in an effort to increase our export opportunities there.

The [coalition letter](#) to U.S. Trade Representative Katherine Tai explains how a tariff reduction will increase commerce and reduce inflationary pressures throughout our economy. The groups also asked that tariffs imposed on other trading partners be reduced or eliminated to stimulate exports and reduce food and ag shortages that are increasing inflation.

