MPC Weekly Friday Report

Date: June 18, 2021
To: Directors & Members
From: Kevin Abernathy, General Manager
Pages: 7

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MPC Friday Market Update

Chicago Cheddar Cheese			Chicago AA Butter			Non-Fat Dry Milk		
Blocks	*- $.0075*	$1.4925	Weekly Change	*- $.0075*	$1.7850	**Week Ending 06/12/21**		
Barrels	*- $.1300*	$1.5425	Weekly Average	*+ $.0215*	$1.8045	Nat'l Plants	**$1.2676**	18,280,841
Weekly Average Cheddar Cheese			**Dry Whey**			**Prior Week Ending 06/05/21**		
Blocks	*+ $.0200*	$1.5005	**Dairy Market News**	w/e 06/18/21	**$.6325**	Nat'l Plants	$1.2680	12,019,970
Barrels	*+ $.0060*	$1.6140	**National Plants**	w/e 06/12/21	**$.6565**			

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
June 18 Est	**$19.89 - $20.39**	**$16.76**	**$17.33**	**$16.48**
Last Week	**$19.89 - $20.39**	**$16.71**	**$17.25**	**$16.56**

May 2021 CA FMMO Statistical Uniform Price Announcement

May '21 Final	Class I	Class II	Class III	Class IV	Statistical Uniform Price (Blended Price)	Net Price After Quota Assessment*
Minimum Class Price	**$18.70 (Tulare) $19.20 (L.A.)**	**$16.22**	**$18.96**	**$16.16**	**$16.23 (Tulare) $16.73 (L.A.)**	**$15.865 (Tulare) $16.365 (L.A.)**
Percent Pooled Milk	**19.1%**	**6.3%**	**1.2%**	**73.4%**	**100% (2.03 billion lbs. pooled)**	

**Quota rate of $0.365/cwt. as of June 2020 milk*

Milk, Dairy and Grain Market Commentary

By Sarina Sharp, Daily Dairy Report
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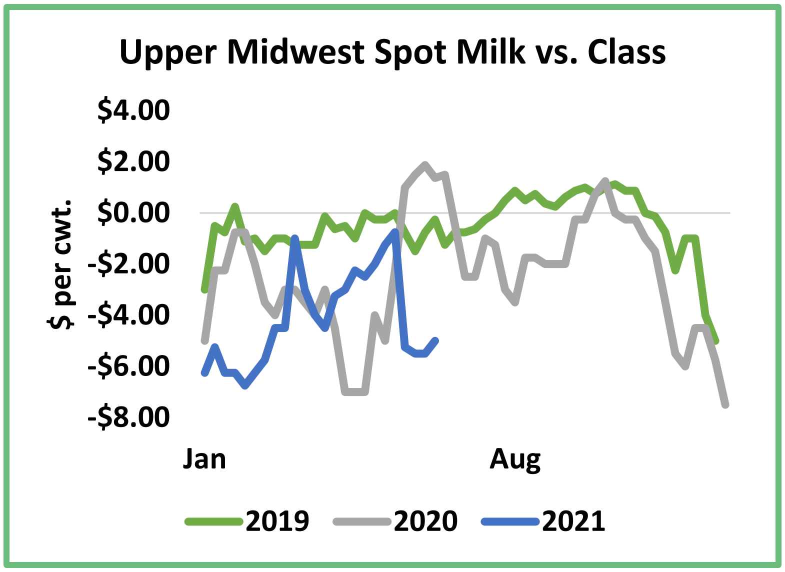
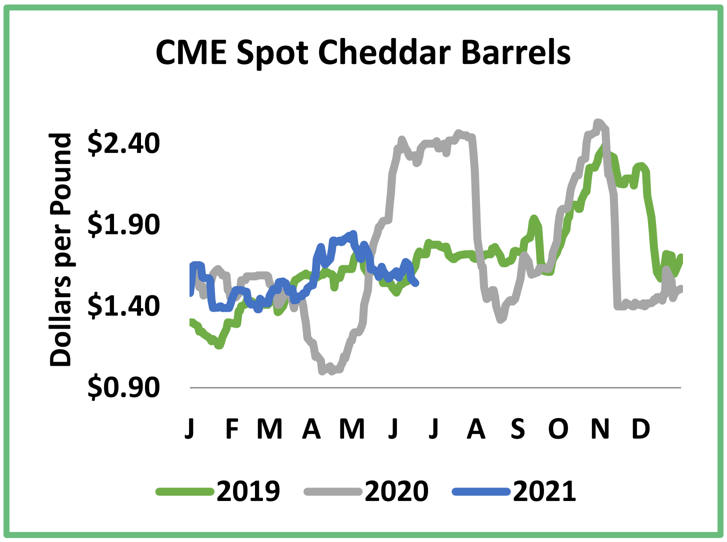
Milk & Dairy Markets

The dairy markets were awash in red ink this week. June Class III milk gained a little ground, but all other Class III and Class IV contracts finished sharply lower. July Class III lost 81¢ and closed at $16.72 per cwt. The August contract plummeted $1.18. Most Class IV contracts lost between 25 and 45¢.

For months, high feed costs have propped up second-half futures, based on the theory that poor margins would reduce milk output eventually. Now, the trade seems to be questioning that theory – and with good reason, given the size of the dairy herd – and concentrating on more immediate supply issues. There is milk in abundance, and it's weighing on dairy product prices.

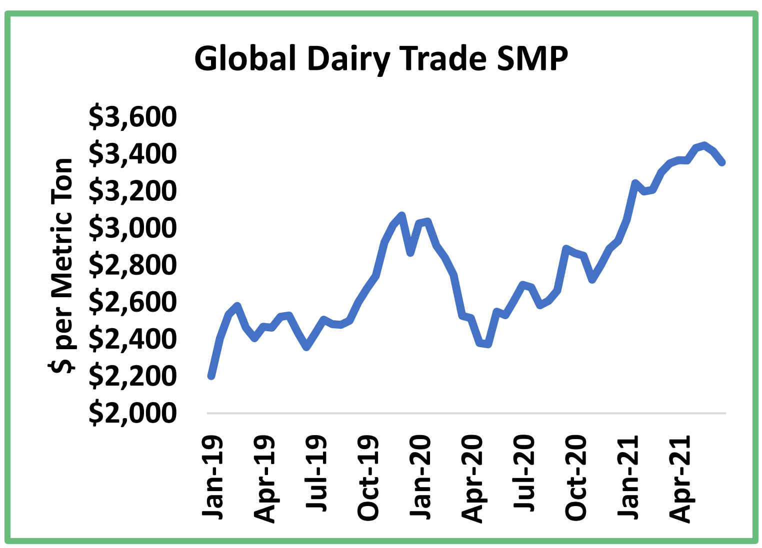


After a few hot weeks, stress is starting to sap milk yields. Nevertheless, there is more milk than manufacturers can accommodate in the Southwest and mountain states despite supply management programs. In the Upper Midwest, dairy producers have added cows sufficient to fill up new cheese processing capacity and then some. Excess milk is selling in the region for $4 to $6 under class. In the rest of the nation, there is still no shortage, and cooler weather is on the way nearly everywhere except California.



The cheese markets are looking especially weighed down by overproduction. Traders exchanged 56 loads of fresh Cheddar in Chicago this week, pushing a lot of product through the market of last resort. CME spot Cheddar blocks slipped 0.75¢ to $1.4925 per pound. Barrels fell 13¢ to $1.5425. Cheap milk is pushing some Midwest cheese plants to run at "max capacity," according to USDA's *Dairy Market News*. Meanwhile, "demand is mixed."

Under pressure from abroad, CME spot nonfat dry milk (NDM) fell 3.5¢ this week to $1.265. Powder values faded at the Global Dairy Trade auction, where skim milk powder (SMP) dropped 1.7% to the equivalent of (NDM) at $1.62 per pound. Big moves in the currency markets also weighed on the most export-dependent of the U.S. dairy commodities. On Wednesday, Federal Reserve officials offered a more optimistic economic outlook and hinted at the possibility of a slightly tougher stance on inflation. That prompted a dramatic turnaround in the dollar, which had been languishing at multi-year lows. Over the past three trading sessions, the U.S. dollar index rallied 1.9% against a basket of foreign currencies, a massive move in the generally stolid forex market. The stronger dollar makes U.S. NDM more expensive when priced in weaker foreign currencies. The snarled supply chain is not helping matters.



The container shortage and port backlogs continue to slow exports, while a lack of truck drivers has delayed domestic shipments.

Ever the contrarian, the whey market softened early in the week but made a strong showing on Friday. Still, CME spot whey finished 1.75¢ lower than it was last Friday at 61¢. Buyers continue to balk when prices top 60¢, but stocks are tight, and sellers feel no pressure to lower their sights. High-protein whey products continue to sell at a good clip, mostly to foreign buyers. Although the strong dollar may trim whey exports at the margins, it is less of an issue for whey than for many other products, because China's yuan is strengthening even more quickly than the greenback.

Butter started strong but faded throughout the week. It closed today at $1.785, down 0.75¢. Cream is plentiful and churns are running. Retail orders are starting to fade, but foodservice demand remains strong. European butter prices also softened, especially when adjusting for the currency effect. While benchmark German butter prices fell 1.7% in euro terms this week, they fell 3.7% when converted to dollars.

Grain Markets

This week on LaSalle Street was one for the record books. Dragged down by soybean oil, the soy complex spent Monday through Thursday deep underwater. On Thursday, July soybeans capped off a seven-session losing streak by plummeting $1.1875 per bushel, the largest single-session setback ever. The strong dollar and a Chinese crackdown on inflation weighed on commodities in general. The weather forecast – which promises some relief after a hot, dry stretch – pummeled the already weakened crop markets.

But the majority of the growing season still lies ahead, and there are some real trouble spots. As of last Sunday evening, USDA rated 68% of the corn crop in good or excellent condition, down four points from the previous week. In South Dakota, just 45% of the crop was in good or excellent condition, and ratings are sure to drop again next week after scant rains in the Northern Plains.

Today's weather maps promised a bit less rain for the Corn Belt than previous iterations, and the crop markets came roaring back. But crop values are still much lower than they were last week after several days of red ink. July corn closed at $6.5525, down 29.25¢. New crop December corn was off 43.5¢ at $5.6625. July soybeans dropped $1.125 to $13.96. July soybean meal fell almost $10 to $373.40 per ton.

Demand for feed remains strong, and the world is hoping for a big crop. It's going to be a long, volatile summer in the grain pits.

USDA Announces Pandemic Aid for Dairy Farmers – and a Suggestion

By Geoff Vanden Heuvel, Director of Regulatory and Economic Affairs
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On June 15, 2021, USDA announced its intention "to address a number of gaps and disparities in previous rounds of aid" with remaining funds allocated by Congress for Coronavirus Relief. Relative to dairy, three initiatives were mentioned. The first is $400 million for the Dairy Donation Program. The second is $580 million for enhancements to the Dairy Margin Coverage program, which is targeted to a dairy farmer's first 5 million pounds of production per year. The third and most interesting initiative is **"Additional pandemic payments targeted to dairy farmers that have demonstrated losses that have not been covered by previous pandemic assistance."**

During the pandemic, a couple of government actions, done with the best of intentions, created huge disparities in what different dairy farmers got paid for their milk. Back in 2019, Congress instructed USDA to change the Class I formula. The base Class I price went from using the "higher of" either the Class III (cheese/whey) or Class IV (butter/powder) values, to a formula using the "average of" the Class III and IV values, plus an adjuster that was designed to make the change "revenue neutral." When Class III prices skyrocketed about mid-year in 2020 due to massive government stimulated purchases of cheese for the Farmers to Food Box program, Class I prices lagged behind because they were now based on the "average of" instead of the "higher of." The resulting lower Class I values generated hundreds of millions of dollars less in Class I revenue than the "higher of" formula would have produced. Cheese plants and the cooperatives who supplied them, for the most part, dropped out of the Federal Order pools, deciding to keep the money instead of sharing it. This contributed to massive negative Producer Price Differentials and very different milk prices for farmers in the same market depending on where their milk was sold. This magnitude of milk price disparity is very destabilizing in the dairy producer community.

While USDA announced their intention to make targeted additional pandemic payments, there were no details given by USDA this week for how these additional targeted pandemic payments would be calculated. But recently, USDA received a written suggestion from Florida dairy farmer Joe Wright that deserves serious consideration. The dairy farmers most hurt by the milk price disparities of the pandemic were dairy farmers who participated in the Federal Orders. Handlers kept almost all the high cheese milk dollars out of the Federal Order pools while the producers who provided the rest of the milk stayed in the Federal Order pools. Those who stayed in bore the brunt of the low Class I prices. USDA keeps records of which producers associate with the Federal Order pools each month. It is also possible to calculate the difference between what Class I prices would have been under a "higher of" formula as opposed to the "average of" Class I formula that was in place. Industry estimates put that number at close to $750 million.

> ***"It seems then that one approach USDA should take is to provide a mechanism for producers to make a claim for additional pandemic payments based on the milk they pooled in the Federal Order during the pandemic period."***

It seems then that one approach USDA should take is to provide a mechanism for producers to make a claim for additional pandemic payments based on the milk they pooled in the Federal Order during the pandemic period. In this way, the additional pandemic payments would be targeted to those who were most impacted by the lower

Class I prices and missed out on the benefit that the massive government stimulated purchases of cheese created. Targeting the payments to those who stayed in the pool would go a long way toward righting an inequity, that while unintentional, was very consequential and destabilizing in the dairy community.

NRCS Allocates $22.7 Million to Conservation Incentive Contracts for California Agricultural Projects – July 12 Deadline to Apply

Courtesy of Dairy Cares

Carlos Suarez, State Conservationist for USDA's Natural Resources Conservation Service, briefed agricultural leaders and other stakeholders on Monday regarding a new, very time-limited program NRCS is offering, called Conservation Incentive Contracts (CICs).

NRCS is offering $22.7 million in funding to California, **but applications must be completed by July 12**. Specific pots of money are allocated to subregions of California, including the San Joaquin Valley. CIC is being described as a bridge between the well-known Environmental Quality Incentives Program (EQIP) and the longer-term Conservation Stewardship Program (CSP).

The newly available funds are focused on projects that respond to drought resiliency (such as groundwater recharge), are climate smart, or create pollinator habitat. The new program adds an additional $200,000 to the funding cap an individual farmer can receive during the current Farm Bill ($450,000 for EQIP, $200,000 for CIC and $200,000 for CSP). Instead of a minimum one-year contract as in EQIP, CIC projects are a five-year contract minimum and include funds not just to build the project but also for ongoing maintenance.

Producers who are interested in applying for the new funds should contact their local NRCS office immediately to make an appointment. As of June 14, all offices are open at 50 percent capacity and by appointment only. Learn more about CIC here.

Cal/OSHA Webinars on COVID-19 Regulations for Employers and Supervisors

Courtesy of Cal/OSHA

The Cal/OSHA Emergency Temporary Standards (ETS) for COVID-19 was updated on June 17, 2021 and became effective immediately via a Governor Executive Order. These two-hour webinars will cover the changes to the ETS.

If you have any questions on COVID-19 webinars, please email SFVConsultation@dir.ca.gov.

Date	Time	Zoom Link
Tuesday, June 22	9 to 11 a.m.	Register for June 22
Friday, June 25	1 to 3 p.m.	Register for June 25
Tuesday, June 29	1 to 3 p.m.	Register for June 29
Thursday, July 1	9 to 11 a.m.	Register for July 1

Calgren Dairy Fuels, Local Dairy Families Win National Sustainability Award

Courtesy of Dave Natzke, Editor
Progressive Dairy

Note from Kevin Abernathy, MPC General Manager

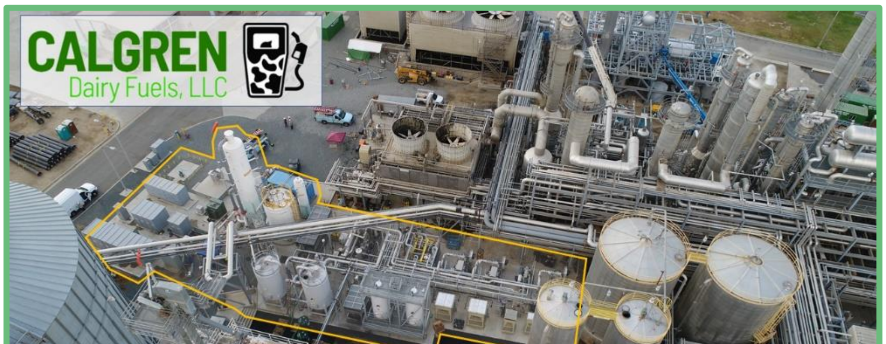
MPC extends **CONGRATULATIONS** to Calgren Dairy Fuels, Maas Energy Works (an MPC Allied Member) and the 15 Central Valley dairy families who were recently awarded a U.S. Dairy Sustainability Award in the area of "Outstanding Community Impact" by the Innovation Center for U.S. Dairy! This groundbreaking project and partnership delivers significant economic, social and environmental benefits to local residents, dairy customers and global stakeholders. Cheers on your well-deserved recognition and leadership!

Excerpt from Progressive Dairy

Early last decade, California dairy farmers and their milk handlers began discussions with their customers about the need to reduce greenhouse gas (GHG) emissions. That conversation gained volume and urgency in 2016, when a state law mandated a reduction in dairy manure-based methane emissions by 40% below 2013 levels by 2030.

MPC member Robert Vander Eyk & Sons Dairy supplies dairy biogas from its covered manure lagoon digester to Calgren Dairy Fuels, one of 15 dairy families supplying biogas to the Pixley-based energy supplier. (Photo courtesy Calgren Dairy Fuels)

That was followed in 2017, when the California Department of Food and Agriculture allocated funds in its annual budget for the Dairy Digester Research and Development Program (DDRDP), providing competitive grants to awardees who could demonstrate long-term methane emission reductions. The funding opened the door for dairy farmers to be meaningful partners in meeting the state's ambitious climate goals.



Calgren Dairy Fuels' facility where dairy biogas is upgraded to renewable compressed natural gas (R-CNG) and then injected into Southern California Gas Company's pipeline. (Photo courtesy Calgren Dairy Fuels)

The California Air Resources Board's (CARB) then approved amendments to its Low Carbon Fuel Standard (LCFS), creating the potential for carbon credit payments for fuels with low carbon intensity scores, adding financial incentives.

The convergence of interests across regulatory, dairy customer and renewable fuel market landscapes provided the catalyst for the nation's largest dairy state to address environmental, economic and social goals.

Continue reading at ***Progressive Dairy*** *here.*

NMPF President's Update: Senate Action Required for Ag Labor Reform

Courtesy of Jim Mulhern, President & CEO
National Milk Producers Federation

Ag Labor Reform Advocates Press for Senate Action

NMPF and other agricultural producer organizations, along with farmworker groups, called for Senate action on farm labor reform at a roundtable discussion Wednesday with Agriculture Secretary Tom Vilsack and Senators Michael Bennet (D-CO) and Mike Crapo (R-ID). The senators announced earlier this year that they would work together to develop their own immigration reform legislation as a complement to the Farm Workforce Modernization Act (FWMA), the ag workforce reform bill which passed the House of Representatives in late March.

The two senators have been meeting with stakeholders – including NMPF – to discuss how to improve upon FWMA in the Senate, and we are hopeful that this week's forum will provide momentum for the introduction of new legislation. At Wednesday's roundtable session, both Senators Crapo and Bennet made clear their commitment to introduce a measure that builds and improves upon FWMA. The House bill provides legal protection to current workers and reforms the H-2A agricultural guestworker program, including granting dairy employers access to H-2A. Secretary Vilsack pledged to prioritize the farm labor issue within the Biden Administration to generate momentum for the measure.