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		
Blocks	*+ $.1775*	$1.8125
Barrels	*+ $.1400*	$1.4500
Weekly Average Cheddar Cheese		
Blocks	*+ $.1190*	$1.7540
Barrels	*+ $.1015*	$1.4115

Chicago AA Butter		
Weekly Change	*+ $.0225*	$1.6700
Weekly Average	*+ $.0285*	$1.6740
Dry Whey		
Dairy Market News	w/e 08/13/21	$.5525
National Plants	w/e 08/07/21	$.5810

Non-Fat Dry Milk		
Week Ending 08/07/21		
Nat'l Plants	$1.2677	12,170,751
Prior Week Ending 07/31/21		
Nat'l Plants	$1.2375	26,203,969

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
Aug 13 Est	**$18.50 - $19.00**	**$16.47**	**$16.19**	**$15.75**
Last Week	**$18.50 - $19.00**	**$16.26**	**$16.01**	**$15.55**

July 2021 CA FMMO Statistical Uniform Price Announcement

Jul '21 Final	Class I	Class II	Class III	Class IV	Statistical Uniform Price (Blended Price)	Net Price After Quota Assessment*
Minimum Class Price	**$19.02 (Tulare) $19.52 (L.A.)**	**$16.83**	**$16.49**	**$16.00**	**$16.44 (Tulare) $16.94 (L.A.)**	**$16.075 (Tulare) $16.575 (L.A.)**
Percent Pooled Milk	**20.7%**	**6.1%**	**5.4%**	**67.7%**	**100% (1.84 billion lbs. pooled)**	

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

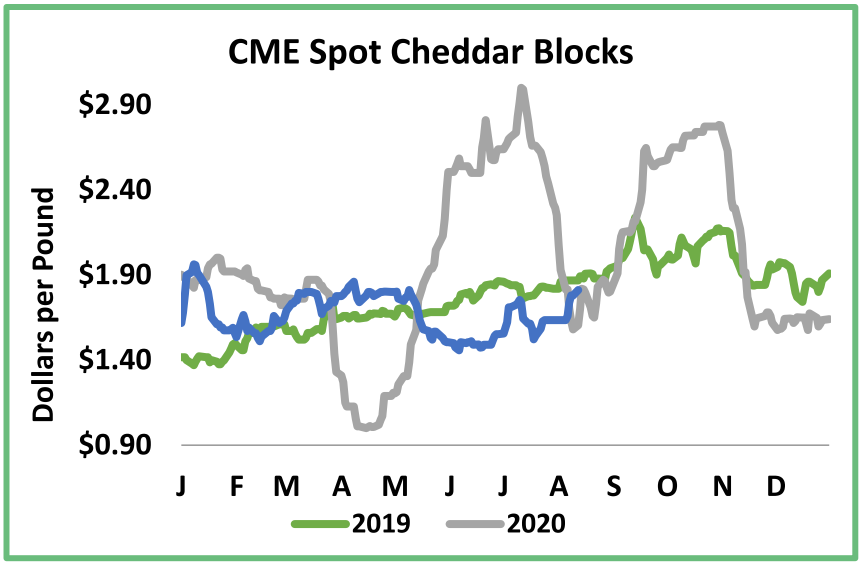
Milk, Dairy and Grain Market Commentary

By Monica Ganley, Daily Dairy Report
Monica@DailyDairyReport.com

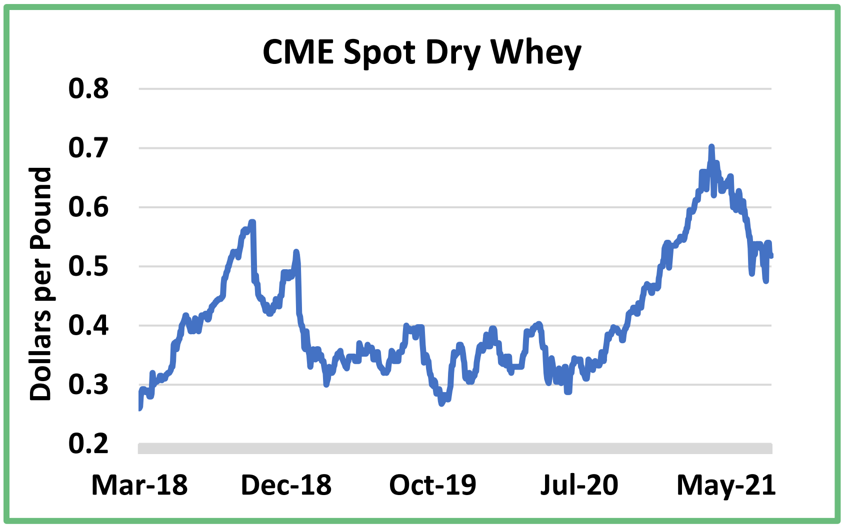
Milk & Dairy Markets

After remaining unchanged at $1.635/lb. for nine consecutive sessions, the spot Cheddar block market found the gas pedal this week, moving convincingly upward. Spot block prices closed higher than the previous session on four out of the week's five trading days, ultimately settling on Friday at $1.8125/lb. This represents the highest price since mid-May and is a full 17.75¢ above last

Friday's price. After no product moved last week, nine loads traded hands this week. Not to be left behind, Cheddar barrels also moved upward, ending Friday's trade at $1.45/lb., 14¢ higher than last week. The block-barrel spread yawned to as wide as 37¢, the largest gap since last November.



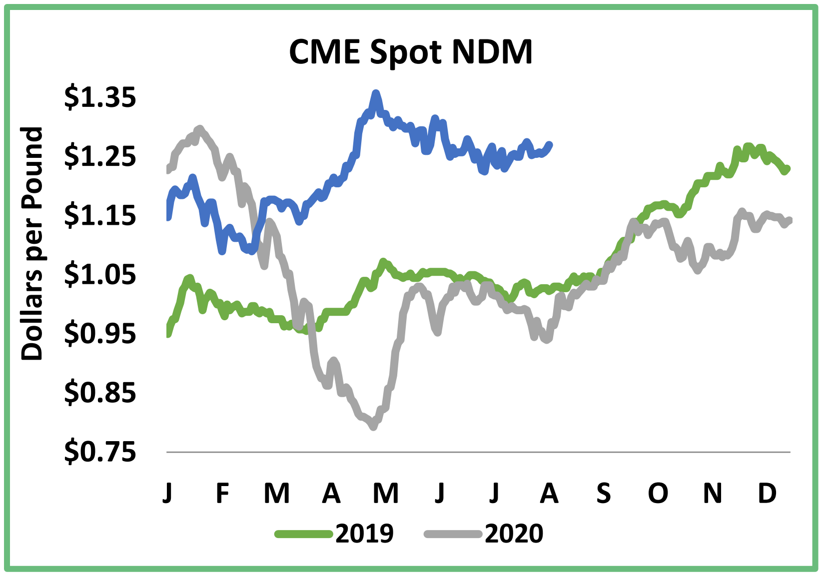
According to market participants, cheese demand has remained robust from both domestic and international sources. Even as the Delta variant threatens to bring about new restrictions, consumers have continued to visit foodservice outlets while the return of summer fairs and festivals has also boosted demand. At the same time, a seasonal decline in milk production combined with increased demand from bottlers has left less milk available for cheese manufacturers. Dairy Market News cites that barrels are relatively more available than blocks, contributing to the widening spread.



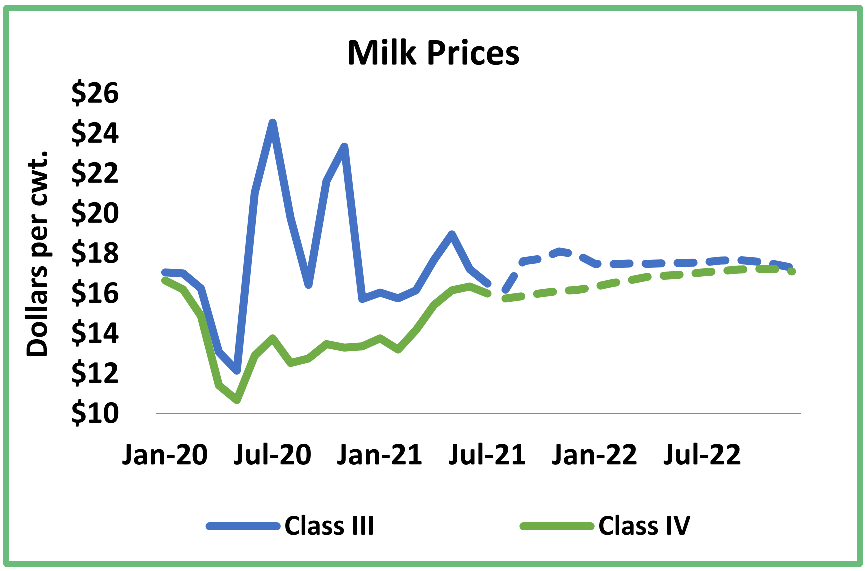
Yet, as cheese prices moved up at the CME this week, dry whey prices moved down. Though nowhere near as dramatic as the precipitous drop seen last week, the spot market gave up 2¢ on Wednesday and another quarter cent on Friday to end the week at 51.75¢/lb., a decline of 2.25¢ compared to last Friday. Spot loads of dry whey are purportedly available for purchase and raw whey is still accessible, but dryers are noticing a decline in supplies as milk production contracts seasonally. Furthermore, robust demand from abroad and a continued pull of the whey stream toward higher value products could reduce the availability of dry whey, keeping upward price pressure on the market in the coming weeks.

Movements among the Class IV products were more subdued. Cream availability has waned, but as ice cream production has also declined, butter churns are still able to get their hands on necessary cream supplies, albeit at higher multiples. Foodservice demand for butter has remained steady in spite of building concern around the Delta variant. Retail sales have also remained reasonable for the time of year and are expected to increase in the coming weeks as home bakers turn their ovens back on for the autumn season. During Monday's spot session, butter rose by 3.25¢ as 11 loads traded hands. The spot price bobbled between $1.67/lb. and $1.68/lb. over the rest of the week, finally closing Friday's trade at $1.67/lb., up 2.25¢ from last Friday.

Nonfat dry milk (NDM) markets also found a nugget of strength over the course of the week, adding a penny and a half to end the week at $1.27/lb. with 11 loads moving. Domestic demand for NDM has improved, particularly from cheesemakers who are fortifying as milk supplies drop. International interest has been mixed as logistics issues continue to hound exporters of NDM and other dairy ingredients.



The tranquility of the butter and NDM markets translated into a relatively quiet week for Class IV futures. By the end of the week, most nearby contracts had shifted just a few cents with SEP21 seeing the largest gain, an increase of 24¢ on Friday versus Monday's settlement. The Class III markets were full of action, however, as dramatic movements in the spot Cheddar price played out in the milk futures market. Remaining 2021 contracts moved decisively upward on Monday and Tuesday with SEP21 rising by the 70¢ limit on Tuesday. Wednesday and Thursday brought price moderation but another upward leap on Friday led nearby contracts to settle substantively higher on Friday. For example, the SEP21 contract added $1.04 over the week to settle on Friday at $17.62/cwt.



Across the country milk volumes are declining seasonally. At the same time, students are returning to school, increasing demand from Class I, especially in the Southeast. Taken together, this has meant less spot milk available for manufacturing needs. Although cheese manufacturers and balancing plants are no longer running such full schedules, market participants comment that the break has taken some pressure off operators who have been coping with labor shortages, logistical challenges, and other COVID-related issues for months now.

Grain Markets

On Thursday the USDA released its World Agricultural Supply and Demand Estimates report infusing some excitement into the grain markets. On the corn balance sheet, USDA reduced the expectation for U.S. corn yields by 2.7% versus last month's estimate to 174.6 bushels per acre. The decrease was greater than what most analysts had expected and led to a 415-million-bushel decline in U.S. corn production. Even as some use categories were also decreased the balance pushed ending stocks down by 190 million bushels and caused futures prices to rally.

The estimates released for soybeans were significantly more measured. Yield expectations were also lowered, but by just 1.6% to 50 bushels per acre. The resulting 66 million bushel drop in production was partially offset by a larger carryover increase in beginning stocks. A lower crush estimate and slower exports reduced estimated use, ultimately leaving ending stocks unchanged at 155 million bushels. The soybean futures markets failed to get too excited over the report with only minimal changes in the nearby contracts.

Do Your Homework (MPC Will Help You) Before Signing Up for State's Back-up Generator Program to Reduce Energy Demand

By Kevin Abernathy, General Manager
Kevin@MilkProducers.org

A handful of MPC members informed me they have been contacted by someone from the Governor's office regarding a temporary state program that will pay energy users to fire up in-house generators, thereby reducing the load on the state's energy grid during declared emergencies and warnings. The measure is one of many in the state's Demand Reduction Programs to address Governor Newsom's Proclamation of a State of Emergency related to electrical dependability from July 30 to October 31, 2021.

The financial incentive to participate is fetching: $2 for each kilowatt-hour avoided on the grid, much higher than the going rate consumers or industrial customers pay for electricity. However, there are a number of additional compliance notification, tracking and reporting responsibilities that come with participation in the program. Failure to meet these requirements with the San Joaquin Valley Air Pollution Control District, the California Air Resources Board and the California Energy Commission may trigger permit violations and a whole set of new – and costly – issues for dairy families.

Contacted by State of California to participate in the "Back-up Generator" Program?

Contact Kevin Abernathy at MPC for a site-specific review of your permit to ensure compliance.

Like any complicated program, the devil is in the details. I recommend you contact me if you're approached by someone from the State of California to participate in a Demand Reduction Program. MPC will do a review of your specific permit conditions and help you through the process to ensure you remain in compliance while participating in the program. Please contact me at Kevin@MilkProducers.org.

If you're interested in more background about why the State of California is taking this measure, read "California Will Pay You Handsomely to Stay off the Grid" by Liam Denning on Bloomberg.com.

More detailed information from the Air District regarding compliance is available here.

Cal/OSHA Reminds Employers to Protect Workers From Unhealthy Air Due to Wildfire Smoke

Courtesy of Department of Industrial Relations

Cal/OSHA is reminding employers that California's protection from wildfire smoke standard requires them to take steps to protect their workers from unhealthy air due to wildfire smoke. Harmful air quality from wildfire smoke can occur anywhere in the state on short notice, so employers must be prepared before a wildfire event occurs.

If the air quality index (AQI) for PM2.5 is 151 or greater, employers must take the following steps to protect employees:

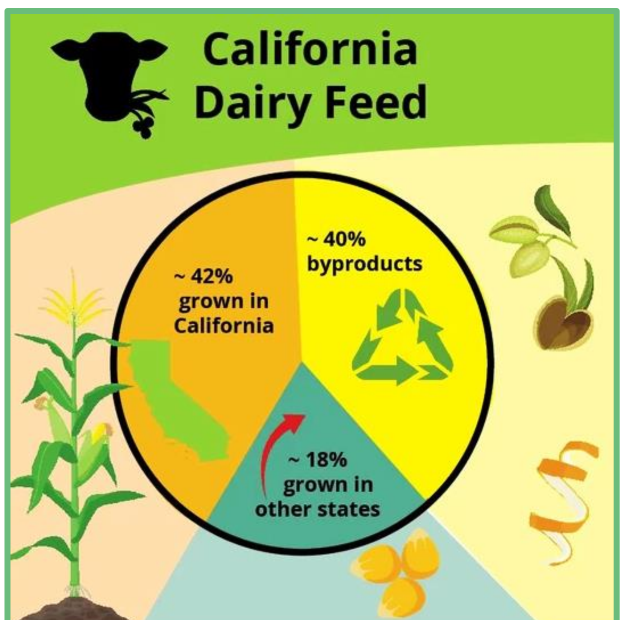
- **Communication** – Inform employees of the AQI for PM2.5 and the protective measures available to them.
- **Training and Instruction** – Provide effective training and instruction to all employees on the information contained in section 5141.1 Appendix B.
- **Modifications** – Implement modifications to the workplace, if feasible, to reduce exposure. Examples include providing enclosed structures or vehicles for employees to work in, where the air is filtered.
- **Changes** – Implement practicable changes to work procedures or schedules. Examples include changing the location where employees work or reducing the amount of time they work outdoors or exposed to unfiltered outdoor air.
- **Respiratory protection** – Provide proper respiratory protection equipment, such as disposable respirators, for voluntary use.
    - To filter out fine particles, respirators must be labeled N-95, N-99, N-100, R-95, P-95, P-99, or P-100, and **must be labeled as approved by the US National Institute for Occupational Safety and Health (NIOSH).**

Employers with questions on requirements may contact: InfoCons@dir.ca.gov, or call your local Cal/OSHA Consultation Office.

Advancing Water-Smart Dairy

Courtesy of Dairy Cares

Water is an increasingly scarce resource, an issue exacerbated by severe drought conditions facing California and most of the western U.S. The state's family dairy farmers are doing their part to preserve and protect this precious resource. Through innovative, water-smart management practices and participation in local drinking water programs, they are further advancing water conservation and ensuring clean water supplies for all residents.



Feeding byproducts to dairy cows (about 40% of California dairy rations) further reduces the water footprint of dairy feed. (Data from 2020 Journal of Dairy Science study)

A Shrinking Water Footprint

For California dairies, smart water use includes reuse, conservation, research and innovation, and ongoing efficiency gains. The amount of water used to produce each gallon of California milk has **decreased more than 88 percent over the past 50-plus years**. This is primarily due to improved feed crop production, use of byproducts as feed, and water use efficiency.

Reducing the need for in-state water resources is a key strategy for dairy farmers. **Roughly 40 percent of feed ingredients used on California dairies today are byproducts** from other agricultural production streams, such as almond hulls, cotton seed, and citrus pulp. Of the remaining feed ingredients—crops that are grown to be used as dairy feed—an estimated 18 percent are grown in other states. This further limits in-state water use. For feed crops that are grown here in

California, innovative technologies and practices are being adopted to further improve water conservation and protection.

Continue reading here.

National Milk Producers Federation Update

By Jim Mulhern, President & CEO
National Milk Producers Federation

NMPF Questions FDA on Lack of Labeling Enforcement, Inconsistent Standards
After nearly a year of silence from the Food and Drug Administration ombudsman's office following NMPF's request for action on fake dairy food labeling, we renewed our request in another letter this week again asking for help from the agency's ombudsman. Our letter urges that the agency enforce existing standards on the proper labeling of imitation dairy foods – and also chides FDA for the inconsistency of its labeling interpretations when it comes to the new yogurt standards.

In the yogurt standards regulation released in June, FDA stressed the importance of dairy standards of identity. FDA touts that its new rule "modernizes the yogurt standard to allow for technological advances while preserving the basic nature and essential characteristics of yogurt and promotes honesty and fair dealing in the interest of consumers."

In our letter this week, we challenged the agency about how it can tout the importance of standards while continuing "to turn a blind eye to the deliberate unlawful labeling practices perpetrated by plant-based food companies. In our opinion, there is clearly no way under this rule that a plant-based product can bear the name 'yogurt' in any context unless the ingredients are yogurt or are derived from yogurt. What holds for yogurt is true for all other plant-based dairy imitators that do not contain dairy ingredients or ingredients derived from dairy."

The NMPF letter reiterates our long-standing concern that allowing unlawfully labeled plant-based imitation dairy foods to proliferate poses an immediate and growing risk to public health – and FDA's lack of enforcement is a dereliction of its duty to enforce federal law and agency regulations.