

# MPC WEEKLY FRIDAY REPORT

DATE: OCTOBER 1, 2021  
 TO: DIRECTORS & MEMBERS  
 FROM: KEVIN ABERNATHY, GENERAL MANAGER  
 PAGES: 8



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## MPC FRIDAY MARKET UPDATE

<b>CHICAGO CHEDDAR CHEESE</b>		<b>CHICAGO AA BUTTER</b>		<b>NON-FAT DRY MILK</b>	
Blocks	+ \$.1425	\$1.8500	WEEKLY CHANGE	+ \$.0200	\$1.7475
Barrels	+ \$.1450	\$1.7450	WEEKLY AVERAGE	+ \$.0085	\$1.7535
<b>WEEKLY AVERAGE CHEDDAR CHEESE</b>		<b>DRY WHEY</b>		<b>WEEK ENDING 09/25/21</b>	
Blocks	+ \$.0740	\$1.7970	DAIRY MARKET NEWS	w/E 10/01/21	\$ .5575
Barrels	+ \$.0950	\$1.6910	NATIONAL PLANTS	w/E 09/25/21	\$ .5352
				<b>PRIOR WEEK ENDING 09/18/21</b>	
				NAT'L PLANTS	\$1.3045 16,030,314
				NAT'L PLANTS	\$1.2902 20,316,265

## 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
OCT 1 EST	\$18.68 - \$19.18	\$17.07	\$18.13	\$16.93
SEP '21 FINAL	\$18.19 - \$18.69	\$16.89	\$16.53	\$16.36



### Milk, Dairy and Grain Market Commentary

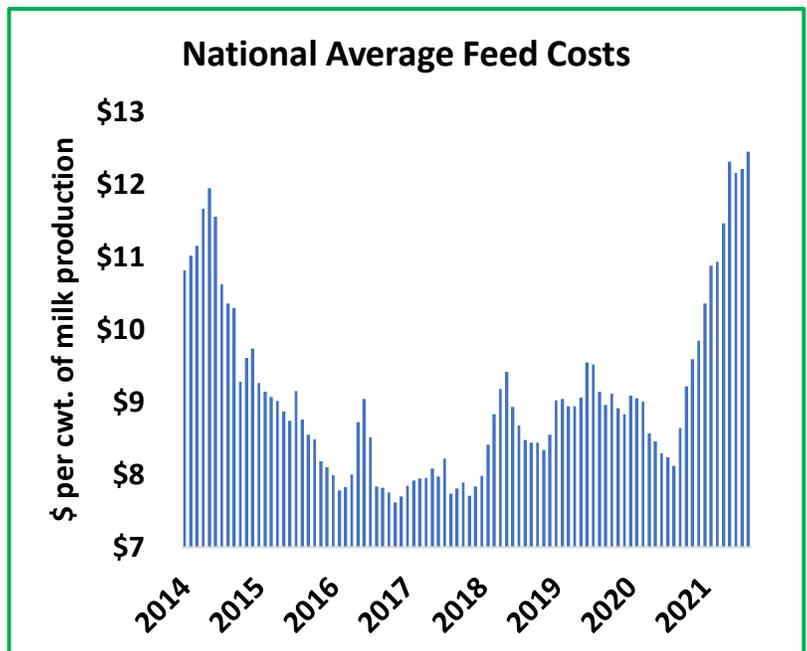
By Sarina Sharp, Daily Dairy Report  
[Sarina@DailyDairyReport.com](mailto:Sarina@DailyDairyReport.com)

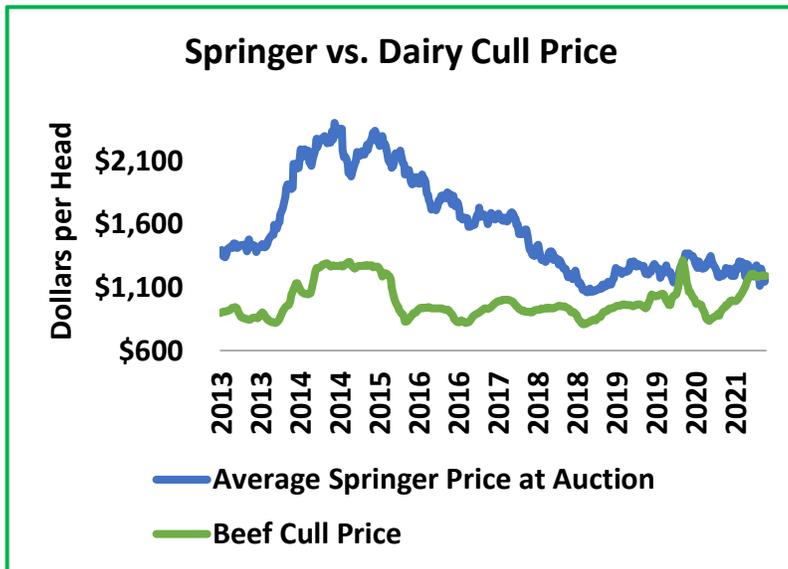
#### Milk & Dairy Markets

The bulls were put out to pasture this summer, grazing in paddocks far from LaSalle Street. But fall is here, and they are back home, enjoying a high energy ration. They frolicked through the dairy pits this week, pushing several markets to their highest price in months.

Costs are on the rise, which is weighing on farm margins and starting to slow growth in milk production. According to the Dairy Margin Coverage program's income over feed calculation, the average dairy producer spent \$12.45 on feed to produce 100 pounds of milk in August. That's the highest national average feed cost since 2013, on the heels of the devastating 2012

#### National Average Feed Costs





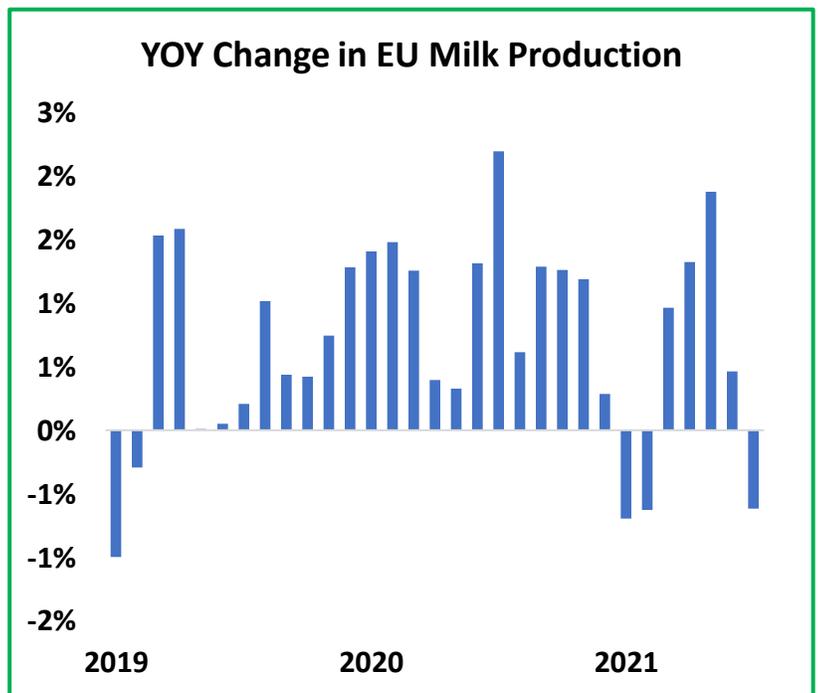
drought. Even at eight-year highs, the index likely understates feed costs because it fails to account for this year’s stiff markups due to regional scarcity and expensive freight. Other costs are higher too. Wages and fuel are taking an especially big bite out of dairy producer incomes.

Rising expenses are pushing dairy producers to take a hard look at their less productive cows, and high beef prices make culling more attractive. Today, the beef check from a heavy cull cow will generally cover the cost of a springer to fill her stall. Dairy cow slaughter volumes are high and likely to remain so, which will continue to chip away

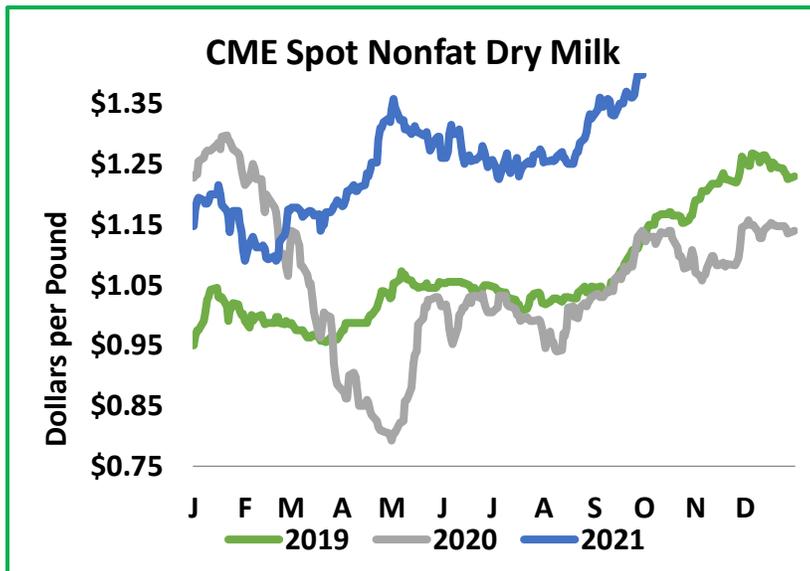
at the massive milk-cow herd. That could slow growth in milk production in the months to come. But the weather has turned and milk yields are once again strong.

In Europe and Oceania, milk output has fallen short of year-ago volumes. European milk collections dropped 0.6% year-over-year in July, as the top five dairy nations logged deficits. Italy, Ireland, and Spain – ranked sixth, seventh, and eighth, respectively – are making more milk than last year, but they could not fully offset declines in Western Europe. The weather is partly to blame for the summer slowdown, but there are structural issues too. In Germany, France, and the Netherlands, some dairy producers are aging out of the business, and their younger peers are less inclined to expand amid higher costs and increasingly strict environmental regulations.

The season is getting off to a slow start down under. Australian milk collections fell 3.5% short of last year in July and dropped 3.7% in August. Across the Tasman Sea, New Zealand milk output was surprisingly weak in August, with collections down 4.2% year over year. Together, the Aussie-Kiwi deficit more than offset the increase in U.S. milk output in August. But New Zealand’s milk output likely improved in September, and South American production is going strong.



Hiccups overseas have made more room for U.S. dairy exports, which is keeping a bid under the milk powder market. CME spot nonfat dry milk (NDM) jumped 3.75¢ this week to \$1.3975 per pound, a seven-year high. USDA’s *Dairy Market News* reports that exporters expect higher prices will deter demand at some point, but it hasn’t happened yet. Although NDM is historically pricey, American milk powder is eminently affordable compared to foreign skim milk powder.



Butter makers are keeping product moving as retailers stock up for the holiday baking season. After scaled-down celebrations in 2020, Americans may feel a little more festive this year, which could boost cream, butter, and cheese sales. CME spot butter bounced back this week, climbing 2¢ to \$1.7475, smack-dab in the middle of the recent trading range. Advances in butter and milk powder lifted the Class IV markets. Fourth-quarter contracts closed at their highest values since June.

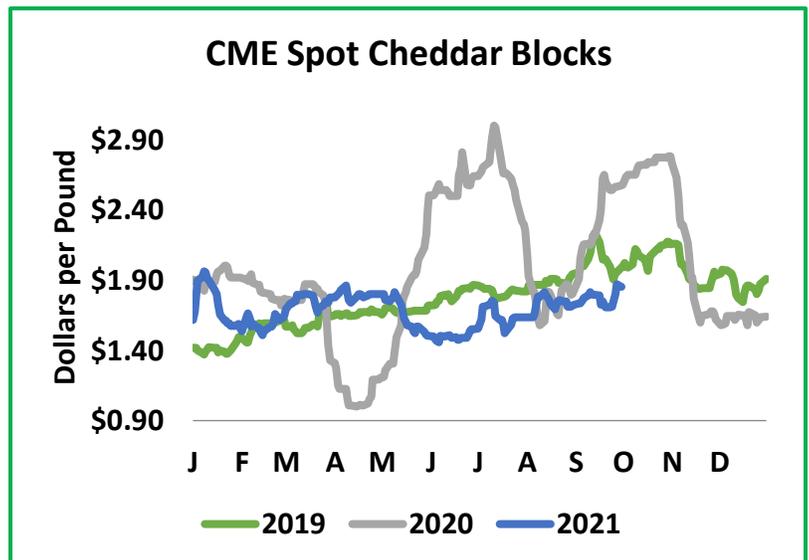
While the bulls had free rein of the whole dairy complex this week, they seemed

especially lively in the cheese markets. CME spot Cheddar blocks leapt 14.25¢ this week to \$1.85 per pound. For the past four months, blocks have not been able to hold above \$1.80 for more than a day or two at a time, but they logged three days above that mark this week. Barrels were similarly strong. They vaulted 14.5¢ higher to \$1.745.

As the *Daily Dairy Report* notes, “The strength in the cheese market is a bit surprising because stocks abound.” Inventories of American-style cheeses, including Cheddar, topped 823 million pounds on August 31, the largest August stockpile since 1985, when the government purchased surplus American cheese for donation. The surge in the spot market signals that fresh cheese supplies are much tighter, likely reflecting ongoing headaches in the dairy supply chain. Staffing issues continue to slow production at the margins.

CME spot whey powder rallied another 0.75¢ this week and reached 58¢, a three-month high. Robust demand for high-protein whey products has limited the share of dry whey available for the dryer.

With cheese climbing quickly and whey inching higher, the Class III markets surged. November Class III closed today at



\$18.20 per cwt., up an impressive \$1.24 since last Friday. The other contracts moved sharply higher as well. That’s good news for dairy producers because expenses are climbing too.

### Grain Markets

The corn markets shrugged off a bearish USDA report and rallied back toward their recent highs. The December contract settled at \$5.415 per bushel, up nearly 15¢ this week. USDA reported corn stocks on September 1, the first day of the 2021-22 crop year, at just shy of 1.24 billion bushels. That was larger than the trade expected, and larger than USDA had penciled in for end-of-season corn stocks. The miss signals that demand slumped in the final three months of the 2020-21 season.

But after a summer of extremely steep corn prices, end users are scraping the bottom of their storage bins and the back of their feed bays. They need to replenish, which has put a firm bid under the nearby corn market. Deferred corn prices are holding strong too. Sky-high natural gas prices have curtailed fertilizer production in Europe, while China has slowed potash production due to a shortage of coal. Closer to home, fertilizer facilities at the Gulf were damaged by Hurricane Ida. 2022 corn futures must stay high enough to cover fertilizer expenses or farmers will consider other crops.

The soybean market collapsed under the weight of much larger-than-expected stocks. End-of-season inventories were still extremely tight, but soybeans were not scarce enough to justify a \$13 price tag. November soybean futures settled today at \$12.465, down nearly 40¢. December soybean meal dropped \$12.10 to \$326.90 per ton, an 11-month low.



## **CDFA Forms a Manure Recycling and Innovative Products Task Force**

*By Geoff Vanden Heuvel, Director of Regulatory and Economic Affairs  
[Geoff@MilkProducers.org](mailto:Geoff@MilkProducers.org)*

All California dairy farms operate with permits issued by water quality regulators. One of the major issues those permits are designed to manage is making sure that manure produced on the dairy is handled in such a way as to not impair water quality. The primary way most dairies in the state comply with those water quality regulations is to utilize the manure as fertilizer for growing crops. Getting that balance right, for all dairies everywhere in the state, is a huge challenge. Competing uses for crop land and now the limits to pumping groundwater as a result of the Sustainable Groundwater Management Act have heightened the attention to the fact that there is very likely a manure surplus on many California dairies.

California Agriculture Secretary Karen Ross has just appointed a multi-disciplinary task force made up of dairy farmers, and industry representatives along with the fertilizer and soil amendment industry, university researcher representation, agronomists, various sustainable farming, and water quality interests as well as government agencies with air, climate and water regulating responsibilities to tackle this issue head on. The two co-chairs of the task force will be J.P. Cativiela, Administrator of the Central Valley Dairy Representative Monitoring Program, and Ryan Flaherty from Sustainable Conservation. The Task Force goals are ambitious but important. They include:

- Increase the understanding of the scale and distribution of nitrogen surplus on dairies and potential demand from other crops for nitrogen and other manure nutrients.
- Identify research, technical and policy actions that encourage innovations to recycle surplus nutrients for use in agriculture; creating a circular fertilizer/soil amendment economy that builds healthy soils, conserves and protects water, and makes the state's agriculture more sustainable.
- Organize short-, mid- and long-term potential solutions and create a roadmap for continued progress, including estimates of time and resources necessary to achieve

research, policy, technological development, and educational/outreach objectives.

- Identify realistic and obtainable market-based outcomes to incentivize legislative action and investment.

Having CDFA put its official stamp on this task force as well as dedicating state time and resources to addressing the manure challenge for the California dairy industry is a very important step. As we look forward as an industry, finding an economically viable answer to handling surplus manure is a crucial part of enabling the flourishing of the California dairy industry over the long term. MPC applauds Secretary Ross for this action and looks forward to being a constructive partner in this effort.

## **Nominations for CVDRMP Board of Directors due October 25**

*Courtesy of the Central Valley Dairy Representative Monitoring Program*

The Central Valley Dairy Representative Monitoring Program (CVDRMP) is seeking nominations for candidates for election to its Board of Directors. Nomination forms were mailed to current members the week of September 27 and must be returned to the CVDRMP office by October 25, 2021. Nomination forms are also available at [CVDRMP.org/Election](https://cvdrmp.org/Election).

A total of seven seats are available for nominations, one for each CVDRMP "B" district seat, one for the "B" at-large seat, and one for the currently vacant "A" District 5 seat. Following the call for nominations, an election by mail-in ballot will be held in December 2021. Director terms are two years in length and begin in 2022.

Current "B" seats up for election and current seat holder:

District 1 (Darren Dias)  
District 2 (Jeff Troost)  
District 3 (Janie Sustaita-de Raadt – *not seeking reelection*)  
District 4 (Tony Ott)  
District 5 (Rien Doornenbal)  
At-large (Scott Wickstrom)

The CVDRMP is a not-for-profit group of more than 1,200 Central Valley dairies and bovine operations, organized and overseen by directors elected from its membership. Any member in good standing who owns or operates a dairy or bovine facility is eligible for nomination.

CVDRMP's purpose is to reduce regulatory compliance costs for members by administering a representative groundwater monitoring program for permitted dairy and bovine facilities operating within the Central Valley Regional Water Quality Control Board region, and by assisting all members in complying with the Central Valley Water Board's recently implemented Nitrate and Salt Control Programs. Membership in this voluntary coalition satisfies individual groundwater monitoring regulatory requirements included in the Dairy General Order and requirements of the Salt and Nitrate Control Programs.

For more information, please visit [CVDRMP.org](https://cvdrmp.org) or contact the CVDRMP office at 916-594-9450 or by email at [cvdrmp@gmail.com](mailto:cvdrmp@gmail.com).

**REMINDER**

## Virtual One-Stop Truck Event: October 7, 2021

*Courtesy of California Air Resources Board*

The California Air Resources Board (CARB) will host a free Virtual One-Stop Trucking event on October 7. Attendees can access one-on-one assistance, exhibitors, and hear presentations on regulatory compliance, financial assistance, and new technology options.

Presentations topics for this online event will include:

- On-Road and Off-Road Regulations
- Vehicle and Engine Certification and Compliance Program
- CARB's Medium- and Heavy-Duty Zero-Emissions Programs
- Heavy-Duty Inspection and Maintenance Program
- New Vehicle Technology and How to Electrify a Fleet
- CARB Enforcement Inspection Demonstration
- California Highway Patrol's Basic Inspection of Terminals
- Heavy-Duty Pilot and Demonstration Projects
- Funding Opportunities

**One-on-one assistance and exhibitors will be available after the presentations.** *The final schedule will be shared before the event so you can plan your time around which presentations you wish to hear. Additional information regarding the event can be found at the [TruckStop Training and Events page](#).*

**Date:** October 7, 2021  
**Time:** 8:15 a.m. to 4:30 p.m.  
**Location:** Virtual Webinar

## "Managing Manure" Webinar: October 7, 2021

*Courtesy of the California Dairy Quality Assurance Program*

Interested in increasing manure exports? Join CDQAP for a live webinar on "Keeping More Solids out of Lagoons" on October 7, the second in a series of webinars hosted by CDQAP on alternative manure management practices. Registration is required for the event, but registration is free for producers. You can register [here](#).

The webinar will teach producers how to use AMMP funds to improve manure handling and reduce methane emissions.

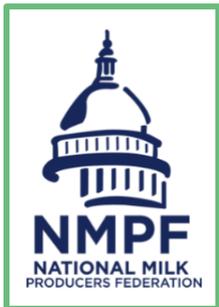


- Hear from a consultant and producer who applied for and implemented innovative manure handling technologies.
- Learn how projects funded through the Alternative Manure Management Program (AMMP), including automated scrapers and advanced separators, have helped dairies make the most out of manure solids.

- Watch a video of these technologies at work on North Coast and Central Valley dairies, and find out how dairies are managing these systems.
- Participate in a live Q & A with individuals who prepared AMMP applications or who operate equipment.

For more information about the webinar, click [here](#).

**Date:** October 7, 2021  
**Time:** 4:00 p.m. to 4:30 p.m.  
**Location:** Virtual Webinar



## National Milk Producers Federation Update: Congress Avoids Shutdown

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

### **Congress Avoids Shutdown; Delays Vote on Infrastructure Spending Bill**

In the midst of this week's complicated congressional agenda lawmakers successfully tackled one must-do action yesterday, as both the House and Senate passed a short-term spending bill to keep the government funded past today's start of the new fiscal year.

The House adopted the stopgap bill in a 254-175 vote on Thursday afternoon, shortly after the Senate approved the bill 65-35. The continuing resolution bill maintains most FY 2021 spending levels until Dec. 3rd, at which point lawmakers will either need to finalize official spending levels for FY 2022 or adopt another short-term measure.

Beyond avoiding a shutdown, this week's measure also provides \$10 billion for the Wildfires and Hurricanes Indemnity Program Plus (WHIP+) to reimburse farmers for crop losses due to natural disasters in 2020 and 2021. **Importantly for dairy, NMPF secured a provision to include milk in the program and ensure dairy cooperatives are eligible to deliver the payments to farmers.** Dairy farmers in some parts of the country suffered significant losses earlier this year on account of deep freezes and related power outages, and since the program did not cover milk losses when it was first created, we felt it important to make clear in the legislation that milk was eligible.

In addition, the measure ensures USDA can continue its livestock price reporting system; helps communities affected by hurricanes, wildfires and droughts; and allows USDA to increase fruits and vegetables in the WIC food package. This [fact sheet](#) summarizes the various ag provisions funded with the continuing resolution.

**The bigger Capitol Hill drama this week was whether the House would vote on the Senate-passed bipartisan infrastructure bill.** The \$1 trillion physical infrastructure bill's fate is intertwined with that of a larger spending package that Democrats have been planning to pass using the budget reconciliation process without Republican votes. While the smaller bill has broad backing, House progressives have refused to vote for that measure without a clear commitment from moderate Democrats to also support passage of the larger bill that will pay for many Democratic priorities, but

which will have to pass the Senate on a party-line vote. Progressive House members are concerned that if they pass the infrastructure bill, moderates, including two key Democratic Senators, will abandon the larger bill.

As I write this, the House is still expecting to vote on the smaller bill sometime in the next few days, but it's a touch and go situation depending on negotiations between the House, Senate and White House. And to make matters even more complicated, Congress must also raise the debt ceiling to avoid a government default in mid-October.

**Reconciliation Package Does NOT Target Livestock Methane** – Adding to the confusion over this whole process, a false rumor was started recently that the larger reconciliation bill, which contains several greenhouse gas mitigation programs to address climate change, also contains a methane tax targeted at livestock. Last week, Rep. Markwayne Mullin (R-OK) published a column criticizing the spending bill and asserting it includes a methane emissions fee on agricultural emissions. He stated that this fee will cost “\$6,500 per dairy cow, \$2,600 per head of cattle, and \$500 per swine each year.” This piece has since been amplified online, and we’ve received a number of inquiries asking if it’s accurate.

**To put it simply, it is not accurate.** The House’s current draft of the spending bill does not include any sort of fee or tax on methane emissions from agriculture. It does, however, require the imposition of a fee on methane from petroleum and natural gas systems. This provision falls under the jurisdiction of the House Energy & Commerce Committee, on which Rep. Mullin serves, but does not pertain to agricultural emissions. There are several other references to methane within the larger bill, but nothing to levy a fee on emissions from farmers. We will continue to closely monitor this topic as the legislative process moves further along.

