

# MPC WEEKLY FRIDAY REPORT

DATE: JUNE 4, 2021

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	-\$0.0300	\$1.5000	WEEKLY CHANGE	-\$0.0350	\$1.7750
Barrels	+\$0.0450	\$1.6150	WEEKLY AVERAGE	-\$0.0190	\$1.7900
<b>WEEKLY AVERAGE CHEDDAR CHEESE</b>		<b>DRY WHEY</b>		<b>WEEK ENDING 05/29/21</b>	
Blocks	-\$0.0380	\$1.5050	DAIRY MARKET NEWS	W/E 06/04/21	\$0.6412
Barrels	-\$0.0124	\$1.5931	NATIONAL PLANTS	W/E 05/29/21	\$0.6481
				<b>WEEK ENDING 05/29/21</b>	
				NAT'L PLANTS	\$1.2595 21,552,548
				<b>PRIOR WEEK ENDING 05/22/21</b>	
				NAT'L PLANTS	\$1.2439 12,439,000

## 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 4 EST	\$19.89 - \$20.39	\$16.69	\$17.31	\$16.48
MAY '21 FINAL	\$18.70 - \$19.20	\$16.22	\$18.96	\$16.16



## Milk, Dairy and Grain Market Commentary

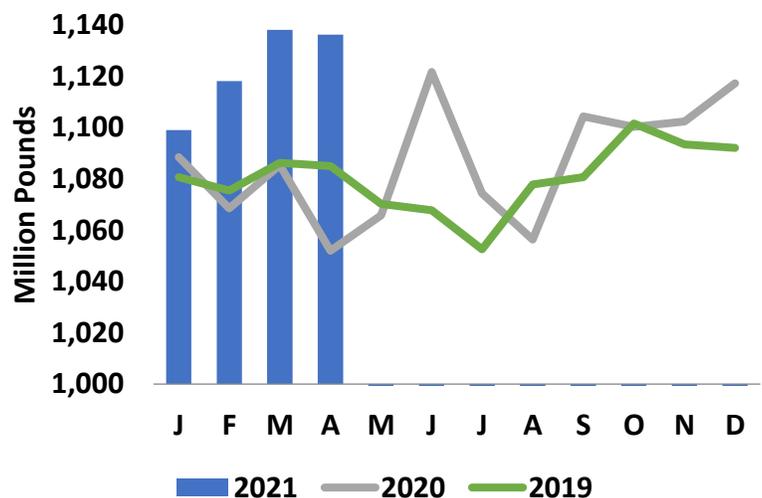
By Sarina Sharp, Daily Dairy Report  
[Sarina@DailyDairyReport.com](mailto:Sarina@DailyDairyReport.com)

### Milk & Dairy Markets

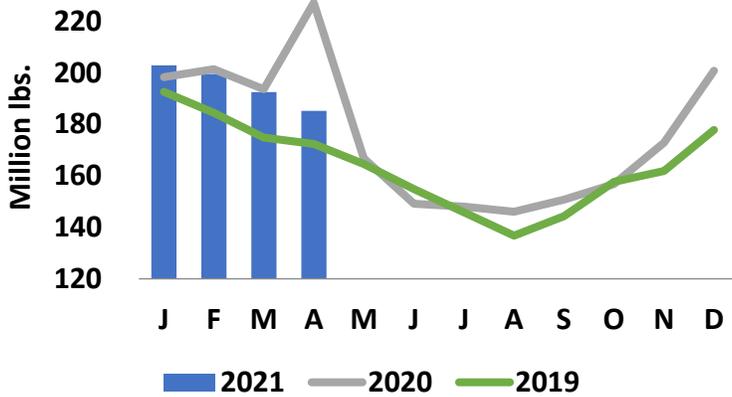
The dairy markets dropped again this week. CME spot Cheddar blocks fell 3¢ to \$1.50 per pound, a one-year low. By any measure, blocks are a bargain, and they're likely attracting some foreign buyers. Barrels are a bit pricier. They climbed 4.5¢ this week to \$1.615.

Exports will be an important outlet for a market that is heavy with product. There is plenty of milk, and cheese plants are running full throttle. USDA reported cheese production at nearly 1.14 billion pounds in April, up 8% from the somewhat depressed volumes of a year ago. This makes the month-to-month

U.S. Cheese Production (30-day Months)



### Butter Production (30-day Months)



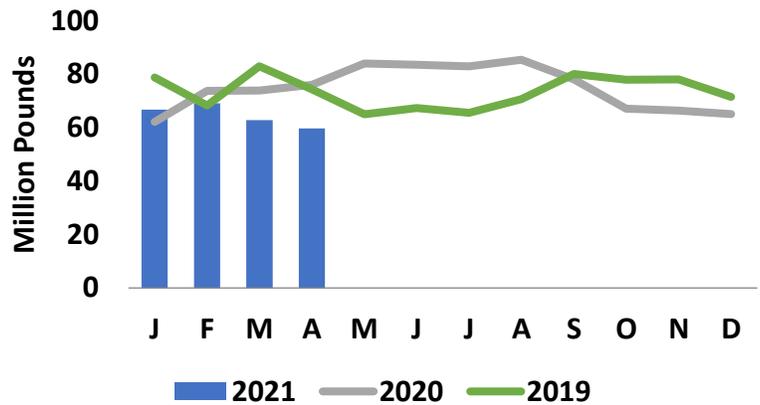
decline in cheese inventories all the more impressive, implying that manufacturers were able to keep product moving as restaurants reopened this spring. Steep discounts on spot milk and commentary from processors suggest that cheese output remains formidable, and that stocks are beginning to pile up.

Last April, butter churns ran at a frantic pace, to prevent the industry from dumping any more cream than was absolutely necessary. This year, operations returned to normal. April butter output totaled 185.2 million pounds, down a

whopping 18.5% from a year ago. However, excluding last year’s massive output, this was the strongest April butter production on record. The fact that stocks did not balloon this spring implies healthy demand. More recently, butter makers tell USDA’s *Dairy Market News* that retail demand is fading a bit, while foodservice orders are climbing in fits and starts. CME spot butter slipped 3.5¢ this week to \$1.775. That’s about a dime lower than the recent highs but still on the upper end of the 2020 and 2021 trading range.

After sprinting straight upward all spring, the powder markets found themselves alone at the peak. Buyers who had climbed with them step-for-step much of the way showed no inclination to linger with nonfat dry milk (NDM) above \$1.30 or dry whey in the mid-60s. So the powders have taken a few steps back to more accommodating elevations. CME spot whey retreated 2¢ this week to 60.25¢. NDM fell 3.25¢ to \$1.26. At the Global Dairy Trade (GDT) auction on Tuesday,

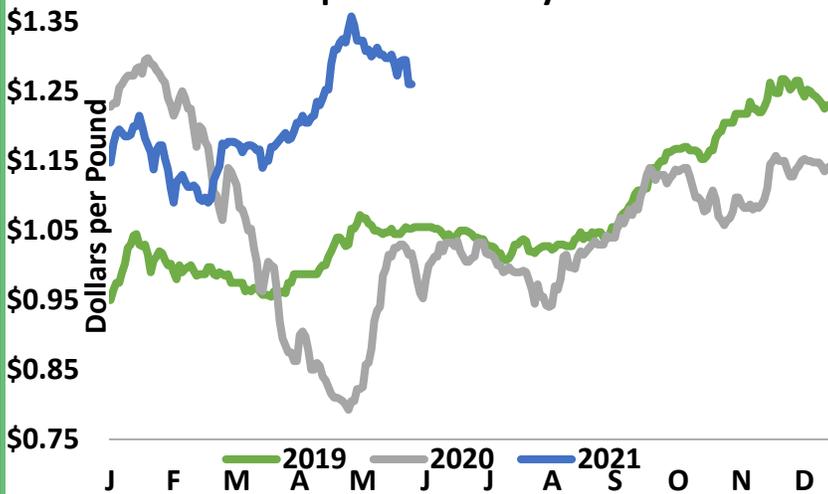
### Dry Whey Stocks



both skim milk powder (SMP) and whole milk powder lost 0.5%. Adjusted for protein, GDT SMP is roughly equivalent to NDM at \$1.65.

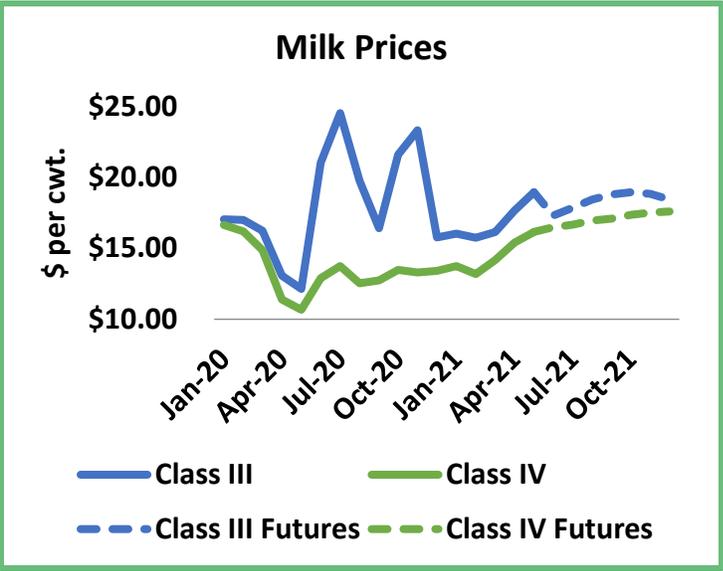
Demand for protein remains hearty. Despite a huge uptick in cheese production, dry whey output fell 1% from the prior year as manufacturers directed whey into higher protein concentrates and isolates. Whey stocks moved lower once again in April and now stand 21.5% below prior-year levels, thanks to strong demand from China.

### CME Spot Nonfat Dry Milk



Driers ran at a good clip in April, but, like butter churns, they fell short of the frenzied pace set last year at the height of the pandemic shutdowns. Combined production of NDM and SMP totaled 236 million pounds, down 7.1% year-over-year but still high by historic standards. Nonetheless, manufacturers' stocks of NDM dropped in April, signaling strong demand. We likely have exports to thank for keeping milk powder stocks in check.

Low slaughter volumes, an immense milk cow herd, and formidable dairy product output all point to the possibility of lower prices in the months to come. Indeed, both Class III and Class IV futures took another step back this week. Compared to last Friday, most Class III contracts settled about a dime lower, while Class IV contracts dropped 30¢ on average. Cheddar block values are starting to strain under the weight of unprecedented production. But the other dairy markets look relatively resilient. They climbed a bit too high and suffered a small setback, but they seem stable. Milk and dairy product output is strong, but, thankfully, so is demand.



USDA announced the May Class III price at \$18.96 per cwt., up \$6.82 from the unbearably low depths plumbed a year ago. At \$16.16, May Class IV was \$5.49 higher than that of May 2020 and the highest Class IV price since February 2020, just before the pandemic began to sicken the market. The futures promise continued improvement in Class IV values, a welcome relief to those dairy producers who suffered watered down milk checks and punishing producer price differentials for the past 14 months.

**Grain Markets**

The temperature rose this week and so did the grain markets. July corn jumped 26¢ to \$6.8275 per bushel. December corn rallied an astounding 46¢ to \$5.915. Amid a global shortage of vegetable oils, soybean oil futures reached their highest level since 2008. That propelled July soybean futures up more than 50¢ this week, to \$15.8375. The soybean meal market was calm in comparison. July soybean meal added just 70¢ this week and reached \$396.20 per ton.

Most of the corn crop is off to a great start. In its first assessment of the season, USDA rated 76% of the crop in good or excellent condition, one of the highest initial ratings on record. But while conditions are lush in the heart of the Corn Belt, they are dry at the fringes. USDA reports that 24% of the corn crop and 23% of soybeans are in an area experiencing drought. Farmers in the Northern Plains and around the Great Lakes would love a good soak. For the foreseeable future, the weather forecast will determine which way things go on LaSalle Street.



**California Creamery Operators Association Virtual Meeting Will Cover a Plethora of Important Dairy Issues**  
*By Geoff Vanden Heuvel, Director of Regulatory and Economic Affairs*  
[Geoff@MilkProducers.org](mailto:Geoff@MilkProducers.org)

The California Creamery Operators Association (CCOA) will host its [121st Annual Meeting](#) as a virtual event on June 28-30. The three half-days are packed with informative and engaging keynotes and panel discussions. A line-up of more than 20 expert speakers will be sharing

the latest insights on federal policies, consumer trends, dairy innovation, exports and international markets, water scarcity, and more. The event's theme is Innovation in An Era of Challenges and Opportunities. See the conference agenda [here](#).

I'm excited to moderate a panel at the conference titled, "Surviving Increased Water Scarcity in California." I look forward to engaging with this esteemed panel of Golden State water thought leaders (see below).

If you're interested in tuning into the conference, there are a number of complimentary registrations available to dairy farmers. Please contact Jennifer Bingham at [jbingham@westcoastadvisors.com](mailto:jbingham@westcoastadvisors.com) if you're interested.



**CALIFORNIA CREAMERY OPERATORS ASSOCIATION**  
Virtual Event- June 28-30

## Surviving Increased Water Scarcity in CA

Wednesday, June 30, 2021 | 9:00 am PT

	<p><b>Matthew Swanson</b> Vice Chair, CA Water Commission CEO, Associated Feed</p>		<p><b>Ellen Hanak</b> Vice President and Director, Public Policy Institute of CA, Water Policy Center</p>
	<p><b>Jason Gianquinto</b> General Manager Semitropic Water Storage District</p>		<p><b>Geoffrey Vanden Heuvel</b> Director of Regulatory/Economic Affairs Milk Producers Council <i>Moderator</i></p>

## Ag Burning Webinar for San Joaquin Valley Farmers on June 11

*Courtesy of [Agricultural Council of California](#)*

With the phase-out of agricultural burning in the San Joaquin Valley approaching in 2025, farmers are invited to an "Informational Webinar about Upcoming Agricultural Burning Prohibitions" on June 11, 2021 at 10 a.m. to learn about the upcoming prohibitions.

The webinar will cover the proposed phase-out schedule for all ag operations by 2025. In addition, the webinar will highlight incentive funding available to agricultural operations in the San Joaquin Valley to chip or shred agricultural material.

### BACKGROUND

In 2003, Senate Bill 705 (Florez) mandated the phase-out of agricultural burning in the San Joaquin Valley. Every five years since the bill's passage, the San Joaquin Valley Air Pollution Control District

(District) must provide recommendations to the California Air Resources Board (CARB) regarding the prescribed phase-out of agricultural burning. On February 25, 2021, CARB approved the District's recommendations and provided additional criteria for the phase-out of agricultural burning. The District then included this criteria into a supplemental report.

More information about the District's Staff Report and Recommendations on Agricultural Burning, including incentive funding, can be found [HERE](#).

**Register for the June 11 informational webinar hosted by the San Joaquin Valley Air Pollution Control District [here](#).**

## **Standards Board Readopts Revised Cal/OSHA COVID-19 Prevention Emergency Temporary Standards**

*Courtesy of the Department of Industrial Relations*

The Occupational Safety and Health Standards Board on June 3 readopted Cal/OSHA's revised COVID-19 prevention emergency temporary standards.

The standards apply to most workers in California not covered by Cal/OSHA's Aerosol Transmissible Diseases [standard](#). Notable revisions include:

- **Face Coverings:** Fully vaccinated workers without COVID-19 symptoms do not need to wear face coverings in a room where everyone else is fully vaccinated and not showing symptoms. Fully vaccinated and unvaccinated workers without symptoms do not need to wear face coverings outdoors except when working at "outdoor mega events" with over 10,000 attendees, which may include events or theme parks. Indoors, all workers – regardless of vaccination status – will continue to be required to wear a face covering.
- **Physical Distancing:** When the revised standards take effect, employers can eliminate physical distancing and partitions/barriers for employees working indoors and at outdoor mega events if they provide respirators, such as N95s, to unvaccinated employees for voluntary use. After July 31, physical distancing and barriers are no longer required (except during outbreaks), but employers must provide all unvaccinated employees with N95s for voluntary use.
- **Prevention Program:** Employers are still required to maintain a written COVID-19 Prevention Program but there are some key changes to requirements:
  - Employers must review the California Department of Public Health's [Interim guidance for Ventilation, Filtration, and Air Quality in Indoor Environments](#).
  - COVID-19 prevention training must now include information on how the vaccine is effective at preventing COVID-19 and protecting against both transmission and serious illness or death.
- **Exclusion from the Workplace:** Fully vaccinated workers who do not have COVID-19 symptoms no longer need to be excluded from the workplace after a close contact.
- **Special Protections for Housing and Transportation:** Special COVID-19 prevention measures that apply to employer-provided housing and transportation no longer apply if all occupants are fully vaccinated.



## Got Methane Reduction?

Courtesy of [Dairy Cares](#)

California has shown that dairy farms can deliver much needed short-term methane reductions. The annual report of [California Climate Investments](#) continues to demonstrate that the state's two dairy methane reduction programs are among the state's most cost-effective tactics for reducing greenhouse gas (GHG) emissions. The significant reductions being achieved will provide short-term climate benefits and are a key part of the dairy sector's and the state's overall climate strategy.

The UN environmental program (ENep)'s [recent global assessment](#) highlights that “reducing human-caused methane emissions is one of the most cost-effective strategies to rapidly reduce the rate of warming and contribute significantly to global efforts to limit temperature rise to 1.5°C.” California's Dairy Digester Research and Development Program ([DDRDP](#)) and the Alternative Manure Management Program ([AMMP](#)) will collectively reduce 2.3 million metric tons of GHGs (MTCO<sub>2e</sub>) per year. Reductions are achieved by installing technologies and adopting new manure management practices, including anaerobic digesters, solid separators, and vacuum trucks. The DDRDP and AMMP complement one another, helping reduce emissions on farms of all sizes. The state has invested a total of \$289 million to date for both programs, with more than \$422 million provided in matching private funds. These investments are already paying off with significant climate benefits that are helping to mitigate the harmful, long-lasting impacts of carbon dioxide (CO<sub>2</sub>).

### Proving to be Cost-Effective Strategies

The state's dairy digester incentive program is achieving more GHG reductions than any other climate program. Of California's 71 climate programs, 46 are currently implemented and demonstrating quantifiable GHG emission benefits. **The digester program (DDRDP) alone is delivering 29% of the total GHG reductions across all programs, while being allocated just 1.3% of the total funds invested by the state.** At a cost of \$9 per ton of GHG reduction, the program is the most cost-effective effort in the fight against climate change. At a cost of \$60 per ton of GHG reduction, the AMMP is also among the top ten most cost-effective programs and has achieved 2% of the total reductions achieved to date.

**California's digester program is delivering 29% of total GHG reductions, while being allocated 1.3% of funding.**

Continue reading [here](#).

## California Dairy Quality Assurance Program Update: Nutrient Management in Drought

Courtesy of [CDQAP](#)

CDQAP recently released its latest Quality Assurance Update. Read the entire update [here](#).

### Nutrient Management in Drought

By Deanne Meyer, Ph.D., Livestock Waste Management Specialist, UC Davis, Dept. of Animal Science

Here we are again, DRY. Let's dust off key nutrient management tips during drought. Work with your certified crop adviser (CCA) to be sure the Nutrient Budgets are up-to-date for your current cropping pattern. When Regional Water Quality Control Board staff are out doing inspections, they will focus on budgets and manure applications to fields where crops are growing. Continue reading [here](#).

