

# MPC WEEKLY FRIDAY REPORT

DATE: OCTOBER 29, 2021  
 TO: DIRECTORS & MEMBERS  
 FROM: KEVIN ABERNATHY, GENERAL MANAGER  
 PAGES: 6



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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	<b>-\$ .1350</b>	\$1.6750	WEEKLY CHANGE	<b>+\$ .1050</b>	\$1.9400
Barrels	<b>-\$ .0425</b>	\$1.8200	WEEKLY AVERAGE	<b>+\$ .1125</b>	\$1.9230
<b>WEEKLY AVERAGE CHEDDAR CHEESE</b>		<b>DRY WHEY</b>		<b>WEEK ENDING 10/23/21</b>	
Blocks	<b>-\$ .0145</b>	\$1.7495	DAIRY MARKET NEWS	W/E 10/29/21	<b>\$.5725</b>
Barrels	<b>+\$ .0130</b>	\$1.8370	NATIONAL PLANTS	W/E 10/23/21	<b>\$.5559</b>
				<b>PRIOR WEEK ENDING 10/16/21</b>	
				NAT'L PLANTS	<b>\$1.3845</b> 19,625,098
				NAT'L PLANTS	\$1.3548 17,360,347

## 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 29 EST	\$18.68 - \$19.18	<b>\$17.06</b>	<b>\$17.85</b>	\$17.05
LAST WEEK	\$18.68 - \$19.18	\$17.09	\$17.87	\$17.05



### Milk, Dairy and Grain Market Commentary

By Sarina Sharp, Daily Dairy Report  
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#### Milk & Dairy Markets

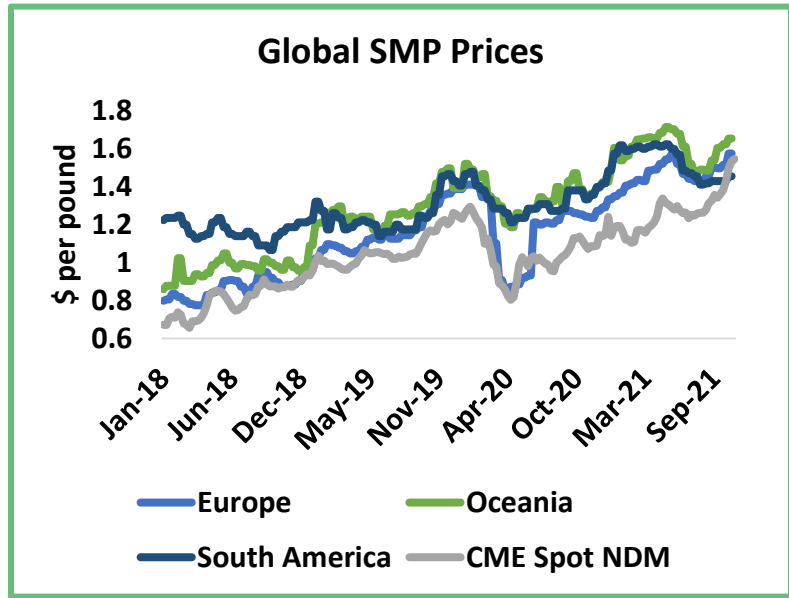
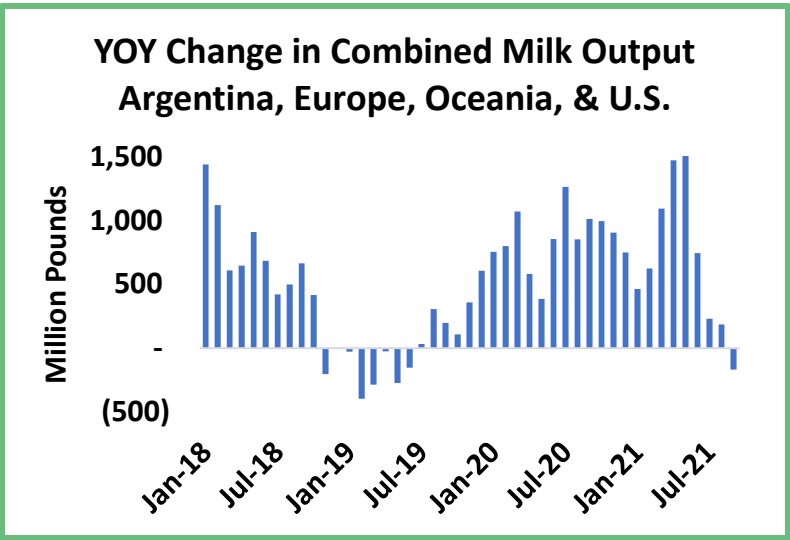
Global milk supplies are tightening. The U.S. dairy herd is much smaller than once thought, and milk production barely grew at all in September. Early indications suggest milk output is once again below year-ago levels in Europe. Most of the continent has yet to report for September, but Dutch milk collections dropped 4.1% year over year, the steepest Dutch decline since January 2019. USDA's *Dairy Market News* reports that milk output in Western Europe is "at or below last year's levels," and "milk supplies are tight."

In Oceania, collections are underwater. Australian milk output in September dropped 2.9% below year-ago levels, to the lowest September volume in decades. In the first month of the season that matters, New Zealand milk solids collections dropped 4% below year-ago volumes. Wet weather has dampened milk output in both Australia and New Zealand, but volumes are expected to pick up later this year as the sun breaks through the clouds.

Argentina is the only major dairy exporter to report significant growth in milk output last month. Argentine milk collections topped the prior year by 4.6% in September. Latin American dairy analyst Monica Ganley notes that rising milk prices have kept pace with escalating feed costs, which has helped to preserve on-farm margins. Argentine milk output is likely to remain strong.

Global milk production has clearly shifted into a lower gear. Growth among the top-five dairy exporters was minimal in July and August. Assuming European milk output was steady with year-ago levels in September, top-five milk collections flipped into reverse last month. If so, that would be the first aggregate deficit since June 2019. High feed costs will likely deter a quick rebound in milk output. Meanwhile, demand is running nearly full throttle.

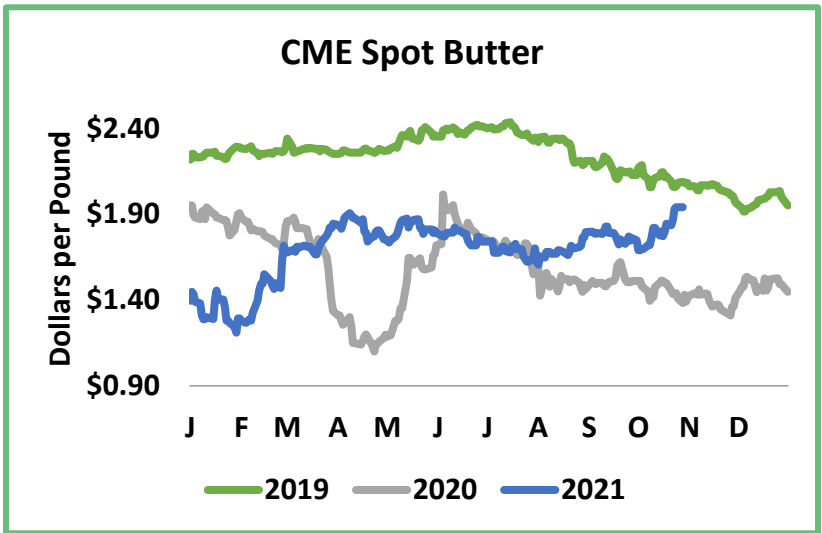
So far this year, China has imported record-shattering volumes of dairy products. Milk powder has piled up in China, raising concerns that imports will come to an abrupt halt. And Chinese dairy product imports did slow in September, at least relative to the staggering levels of the rest of 2021. But for most categories, Chinese imports were still noticeably higher than September 2020, and all other Septembers for that matter. China has imported so much milk powder this year that they've nearly depleted Oceania's inventories. Last month, New Zealand and Australia accounted for just 20% of China's skim milk powder (SMP) imports, their second-lowest monthly share in the last two decades. That made room for the United States to become China's top SMP supplier for the first time in eight years.

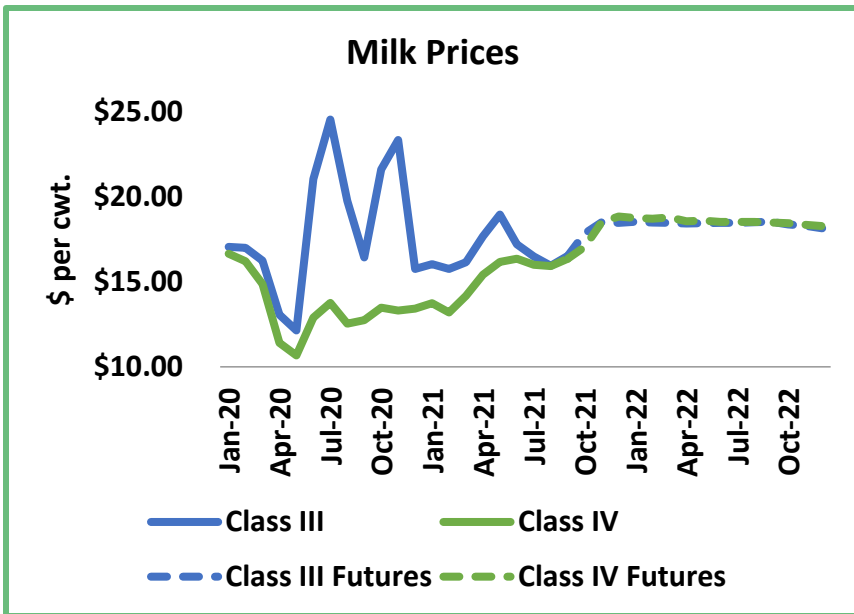


again this week. CME spot nonfat dry milk climbed 2¢ to \$1.5575 per pound, a fresh seven-year high.

Spot butter leapt 10.5¢ this week to \$1.94, its highest price since June 2020. Butter production has slowed due to fierce competition for cream. Cheesemakers are using far more milk and cream than they did in years past, and Class II manufacturers are ramping up production of whips and dips for the holidays. As milk continues to flow toward Class II and III and away from Class IV, butter and NDM prices are likely to remain strong.

Weighed down by heavy supplies, cheese





prices dropped. CME spot Cheddar blocks plummeted 13.5¢ this week to \$1.675. Barrels fell 4.25¢ to \$1.82.

CME spot whey added another 2.75¢ this week and reached 63¢. Demand for high-protein whey products remains formidable, keeping whey powder production in check despite onerous cheese output.

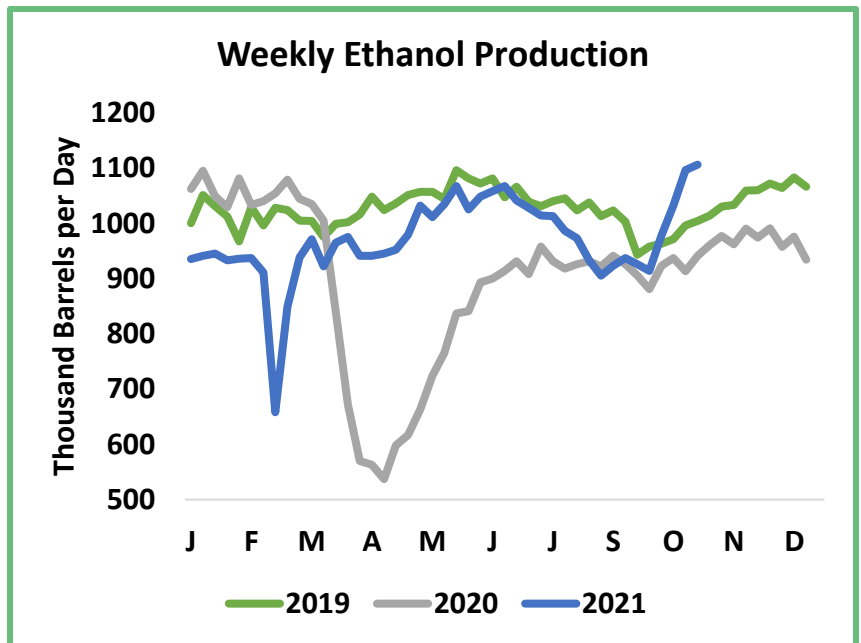
The setback in spot cheese dragged down nearby Class III futures. The November contract plunged \$1.11 this week and closed at \$18.50 per cwt. December futures lost nearly a dollar. But from February onward, Class III

futures settled at life-of-contract highs. The trade clearly believes that U.S. cow numbers will continue to drop, exports will remain strong, and prices will hold above \$18.

Aside from the expiring October contract, every Class IV future on the board also logged life-of-contract highs this week. The spread between Class III and IV is extremely narrow, which suggests milk will remain in the pool and Class I revenues will climb. These high prices are welcome news for dairy producers. As feed costs soar, they will need every penny.

### Grain Markets

Heavy rains brought the harvest to a halt this week, and seasonal sellers stepped away from the crop markets. Corn prices inched upward Monday and Tuesday and then jumped Wednesday after the Energy Information Administration reported a steep increase in ethanol output. Ethanol prices are climbing along with the energy markets, and, flush with new-crop corn, ethanol makers rose to the challenge. Last week U.S. ethanol production reached its second-highest volume on record, and output is likely to remain high. It's unusual to see demand for corn rise in the face of sharply higher prices, but \$80 oil makes ethanol processors almost numb to corn costs.



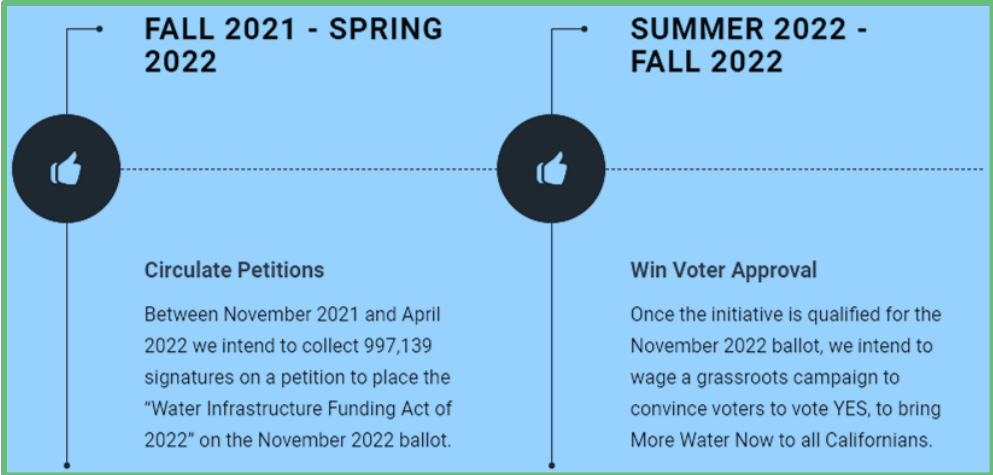
Sensing an opportunity to capitalize on commodity market inflation, investment funds bought a lot of corn this week. The December contract settled today at \$5.6825 per bushel, up more than 30¢ from last Friday. The soy complex followed corn higher. January soybeans rallied 18.75¢ to \$12.495. December soybean meal added more than \$5 and reached \$332.60 per ton.



**Here is a Plan to Create More Water for California**  
*By Geoff Vanden Heuvel, Shawn Dewane,  
 Edward Ring, Stephen Sheldon, and Wayne Western Jr.*  
 Guest commentary published in [Cal Matters October 29, 2021](#)

As I’ve written about in [previous](#) MPC Friday Reports, the “More Water Now” initiative seeks to change California’s decades-old status quo of doing very little to develop new water for its residents. The proposal takes an all-of-the-above approach for projects eligible for funding, ranging from ground- and surface water storage to desalinization and conservation, with the focus rightfully on the end goal – the creation of five million acre-feet of additional annual water for Californians. As I’ve also noted in past articles, I’m one of the [legal proponents of the initiative](#).

A guest commentary written by the proponents of the initiative was published today in [Cal Matters](#) (see below). We’re working strategically to [get the message out about this initiative](#), which will require nearly one million valid signatures to appear on the November 2022 ballot. Learn more about “The Water Infrastructure Funding Act of 2022 at [MoreWaterNow.com](#).



**[Here is a plan to create more water for California](#)**

Re “[California should create more water – much more](#)”; Commentary, Oct. 28, 2021

There is an answer to Jim Wunderman’s position that “state and federal governments should commit to creating 1.75 million acre feet – about 25% of California’s current urban water use – of new water from desalination and wastewater recycling by the end of this decade”: the [Water Infrastructure Funding Act of 2022](#), a constitutional initiative proposed for the November 2022 state ballot.

This initiative, submitted in August, has been [analyzed by the Legislative Analyst’s Office](#), which predicted “increased state spending on water supply projects and potentially less funding available for other state activities.” Notwithstanding the multibillion-budget surplus California’s Legislature currently enjoys, this redirecting of spending for water projects is what the initiative proponents intend. The state of California has neglected its water infrastructure for decades.

This initiative requires 2% of the state’s general fund be used to construct new water supply projects, and it doesn’t sunset until new projects add 5 million acre feet per year to the state’s water supply. That would be about 2 million acre feet coming from recycling and desalination, another 1 million from conservation programs, and the rest from runoff capture into off-stream reservoirs and aquifers. It also revises the California Environmental Quality Act and the Coastal Act to streamline project approval.

Continue reading [here](#).

## Central Valley Water Board Certified Letter Coming Soon

Update from the [California Dairy Quality Assurance Program](#)

Central Valley dairy producers will soon be receiving a certified letter from the Regional Water Quality Control Board (Water Board). The letter requires two things of dairy producers:

- 1. Submit a technical report that contains ALL Assessor's Parcel Numbers (APNs) that a producer is including under the Reissued General Order (and therefore not under the Irrigated Lands Regulatory Program). Due July 1, 2022.**
- 2. Include ALL of these parcels as part of your Nutrient Management Plan (NMP) as well as in your Annual Report going forward. Start January 1, 2022.**

The Water Board is trying to sort out which parcels (APNs) of agricultural land are regulated under its different regulatory programs to ensure that all parcels are covered. Land covered in the Irrigated Lands Regulatory Program (ILRP) is tracked by parcel number and the Water Board has been comparing APNs covered in the ILRP with parcels covered in their other regulatory programs, such as the dairy program. The Water Board has found that not all APNs are currently covered in one of their programs.

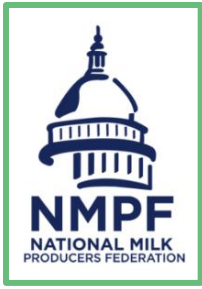
Therefore, the Water Board has decided to send out letters directing dairies to ensure that all of their parcels are covered under one of the existing programs. This means that dairies must decide which program they want to have their parcels enrolled under. Land near the dairy where forage crops are grown and liquid manure is applied must be included under the Dairy WDR, but land growing almonds (or other crops not receiving manure water) can be in either the dairy order or the ILRP. It is up to the dairy where they want to cover their individual parcels.

All parcels being covered under the dairy order must be identified in this technical report and included in the NMP and Annual Report every year regardless of whether they receive manure in that year. The technical report is due July 1, 2022, along with the normal Annual Report. Producers must include all acreage in their NMP starting January 1, 2022, but the actual report is filed later.

Some reasons why APNs may not be included or have been entered incorrectly into an annual report include:

- A field consisting of multiple APNs is entered into the annual report under only one of the APNs.
- The parcel numbers are entered into the report incorrectly.
- The numbers are entered into the report in the wrong format. The report may have extra spaces that need to be filled by place holders correctly (the Water Board wants an "x" as the place holder so that it is not confused with the zeros in the APN).

According to the Water Board, dairies should be receiving this letter sometime early this fall. When you get the letter, you can contact the person that prepares your annual report to make sure that they address all requirements of the letter for you. If you have questions, you can also contact your trade association representative or UCCE Dairy Advisor.



## National Milk Producers Federation Update: Biden Administration Releases Framework of “Build Back Better” Bill

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

The White House released a [framework](#) Thursday of the Build Back Better Act that includes significant funding for agricultural, forestry and child nutrition provisions – not quite as much as first envisioned, but still a significant investment in these programs, particularly those enlisting the help of the ag sector in fighting climate change.

Although the version unveiled yesterday has a price tag half the size of the original plan, the \$1.75 trillion bill allocates \$555 billion to climate-related investments, including clean energy spending for “buildings, transportation, industry, electricity, agriculture, and climate-smart practices across lands and waters.” This includes \$27 billion in conservation spending, including \$25-per-acre annual payments to farmers for cover crops, and sizable increases to most of the major farm bill conservation programs, including the Environmental Quality Incentives Program and new Conservation Innovation Grants funding targeted toward reducing enteric emissions.

Earlier in the week, **Senate Agriculture Committee Chairwoman Debbie Stabenow predicted that the ag climate provisions would be funded at close to their original price tag, and [she thanked](#) NMPF for our support** of measures that will encourage farmers to continue investing in sustainability practices that help deliver on the industry’s Net Zero Initiative commitment by 2050.

Democratic Hill leaders worked intensively this week to wrap up negotiations on the bill so that President Biden can attend a climate summit of world leaders in Scotland next week with a new U.S. pledge supporting greenhouse gas mitigation programs. In addition to the climate-smart farming provisions, the Build Back Better Act would fund universal pre-kindergarten, extend an expanded child tax credit and expand health care coverage. Other earlier priorities, including free community college and prescription drug pricing reforms, didn’t make the cut.

Negotiations continue on a number of elements of the larger package, which has yet to garner the needed votes to clear the House and Senate.

For more on the stakes for agriculture in the Build Back Better legislation, **our latest *Dairy Defined* podcast examines how this social safety net bill in Congress would help climate-smart agriculture** move forward by targeting USDA conservation programs toward approaches that aid dairy in its Net Zero Initiative goal of being carbon neutral or better by 2050. Paul Bleiberg, NMPF’s Senior Vice President for Government Relations, discusses the measure’s potential impact for the dairy sector in this [Dairy Defined podcast](#).

