MPC Weekly Friday Report

Date: July 9, 2021
To: Directors & Members
From: Kevin Abernathy, General Manager
Pages: 7

P.O. Box 4030, Ontario, CA 91761 • (909) 628-6018
2328 Jonathon Court, Escalon, CA 95320 • (209) 691-8139
Office@MilkProducers.org • www.MilkProducers.org • *Fax (909) 591-7328*

MPC Friday Market Update

Chicago Cheddar Cheese			Chicago AA Butter			Non-Fat Dry Milk		
Blocks	+ $.1700	$1.7250	Weekly Change	- $.0650	$1.6750	Week Ending 07/03/21		
Barrels	+ $.0800	$1.5800	Weekly Average	- $.0430	$1.7075	Nat'l Plants	$1.2626	23,421,856
Weekly Average Cheddar Cheese			Dry Whey					
Blocks	+ $.1484	$1.6919	Dairy Market News	w/e 07/09/21	$.5975	Prior Week Ending 06/26/21		
Barrels	+ $.0595	$1.5550	National Plants	w/e 07/03/21	$.6218	Nat'l Plants	$1.2682	19,852,344

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
Jul 9 Est	$19.02 - $19.52	$16.83	$16.85	$15.93
Last Week	$19.02 - $19.52	$16.88	$16.79	$16.13

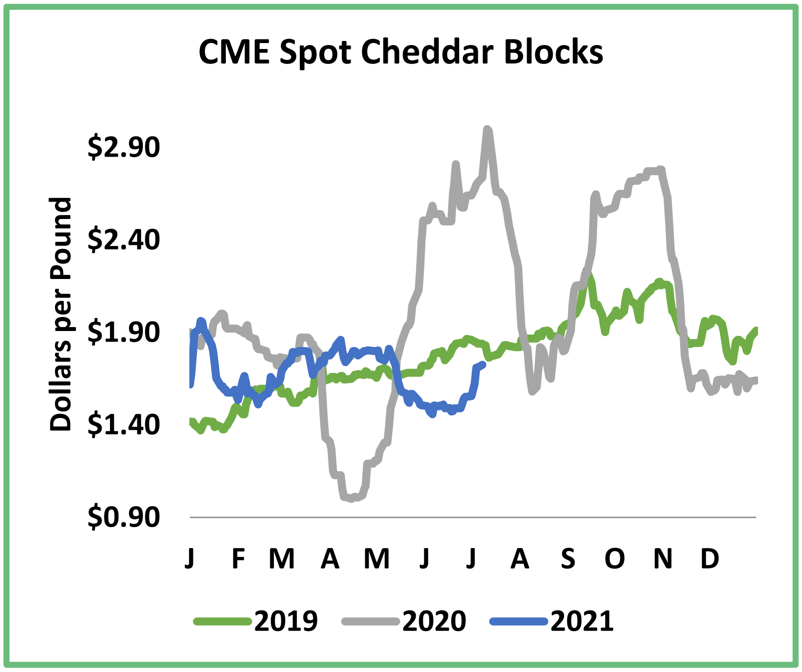
Milk, Dairy and Grain Market Commentary

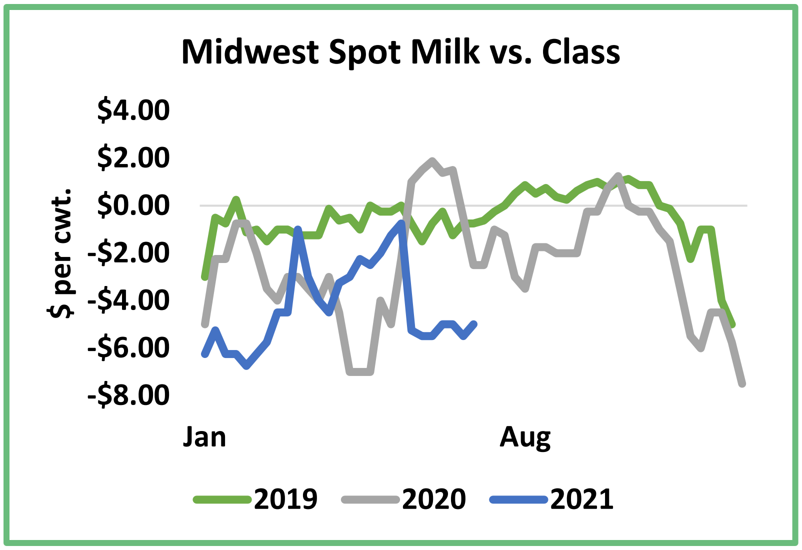
By Sarina Sharp, Daily Dairy Report
Sarina@DailyDairyReport.com

Milk & Dairy Markets

The cheese markets came roaring back. CME spot Cheddar blocks jumped 17¢ this week to $1.725 per pound, a nearly two-month high. Barrels climbed 8¢ to $1.58. The rebound propelled Class III values higher. The July contract inched up 6¢ to $16.85 per cwt., while August vaulted 83¢ to $17.54. Gains down the board were modest, but fourth-quarter contracts held above $18.

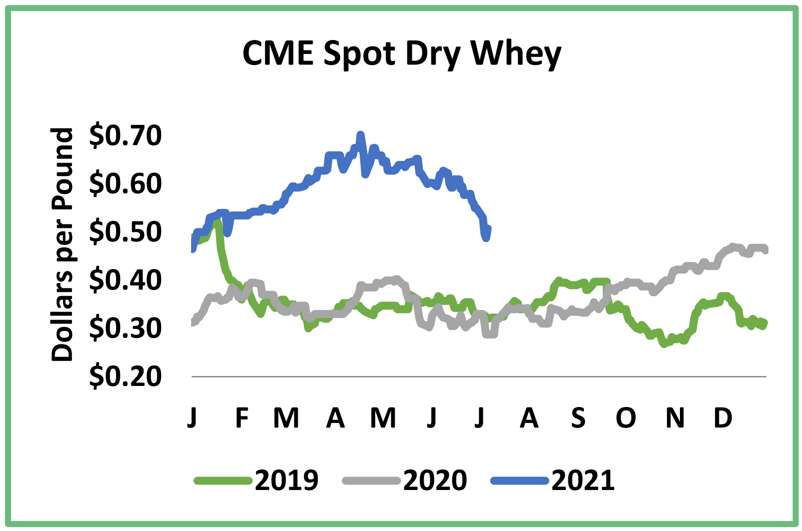
USDA's *Dairy Market News* reports that domestic cheese demand is "healthy." Although inquiries from foreign buyers have likely slowed at these prices, exporters are busy moving product they contracted to sell



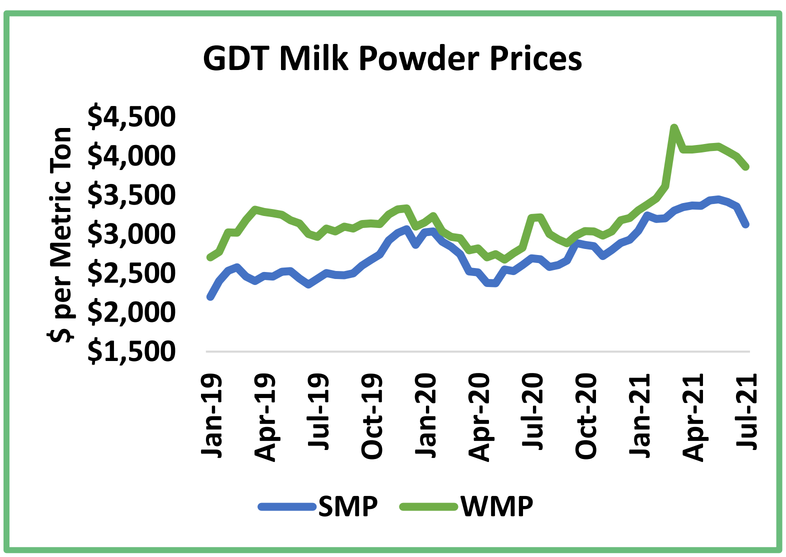


last month, when prices were lower. That's helping to tighten the supply of fresh cheese available for sale in Chicago.

There is more than enough milk to go around, particularly in the Midwest, where excess loads of spot milk are moving at $4 to $6 under class. Cheesemakers are going hard, but shortages are causing headaches. Some processors have had trouble finding enough help to keep their plants running at optimal volumes. Meanwhile, the boxes that hold 640-lb. blocks have gotten scarce, and plants that can't switch to other sizes or varieties have been forced to trim output. After numerous expansions, overall U.S. cheese processing capacity is still much larger than it was a year ago. But these issues have trimmed potential production at the margins.



The other dairy markets dropped. CME spot whey fell another 4.25¢ this week to 50.75¢, its lowest value since January. That's still historically high, but it's down noticeably from late-April, when spot whey briefly traded above 70¢. For every penny the whey market declines, the Class III market gives up roughly 6¢, so this setback has been costly. Still, dairy producers are much better off with the current whey price than they were a year ago, when whey languished below 30¢. According to the *Daily Dairy Report*, the impact of the whey price on other milk solids values added about $1 per cwt. to Class III milk prices in 2019 and 2020. But so far this year, other solids have contributed far more, with the additional revenue ranging from $1.53 in January to $2.64 in May.



Seventy-cent whey was clearly unsustainable. After prices climbed, domestic whey consumption dropped to just 23 million pounds in May, the lowest monthly disappearance since 2014. But prices now stand at more palatable levels, and the fundamentals are sound. Exports remain strong, stocks are not burdensome, and demand for high protein products is directing most of the whey stream away from the drier.

The milk powder market took another step back. CME spot nonfat dry milk (NDM) slipped 0.75¢ to $1.25. The cheese processing issues likely spilled over into the Class IV space, as every load of milk that was turned away from the cheese vat likely found its way to a drier. Overseas milk powder markets retreated as well. At the Global Dairy Trade (GDT) auction, skim milk powder (SMP) fell 7%, to the equivalent of NDM at $1.59 per pound after adjusting for protein. GDT whole milk powder prices dropped 3%.

CME spot butter closed at $1.675, down 6.5¢ to its lowest price since March. Domestic demand is stable. The big-time butter buyers are mostly on the sidelines. They had plenty of opportunity to stock up in January and February, when butter was historically cheap, and they are less inclined to buy today.

With both butter and powder in the red, Class IV futures settled lower across the board. Losses ranged from 20 to 40¢. The futures promise scant returns on this year's Class IV milk, with August at $15.86 and December peaking at $16.51.

The heat has abated in much of the Midwest, and milk output remains high. But in the rest of the country, summer is in full swing. Humidity has dampened milk yields in the South and East. Record-smashing heat sapped milk production in the Pacific Northwest and in Idaho. In central California, the cows weathered their first bout of summer weather relatively well, but there are more triple digit temperatures in the forecast, and the stress is starting to show. Dairy producers are putting less milk in the bulk tank than they did last month. But, given the size of the dairy herd, we won't be short of milk anytime soon.

Grain Markets

The feed markets continue to move violently back and forth as the trade struggles to assess the size of this year's crops. Last week, amid anxiety about drought and acreage, the bulls ruled LaSalle Street. But this week widespread rains swept through the Corn Belt, and the bulls fled to escape the downpour. In the parched Dakotas and parts of Minnesota, the rains came too late to help corn meet its historic potential, but they certainly helped to stave off disaster. In the rest of the Corn Belt, the crop is looking lush as it heads into the make-or-break pollination stage.

There are still plenty of reasons for concern. Stocks are tight, and some of Brazil's second corn crop suffered from frost damage, which will push more importers to the U.S. The feed markets will remain volatile until the crop is safely in the bin.

September corn settled today at $5.295 per bushel, down more than 60¢ since last Friday. August soybeans fell more than 50¢ to $13.7925. At $354.10 per ton, August soybean meal lost a hefty $27.40 during the holiday-shortened trading week.

Deadline for NRCS Conservation Incentive Contracts Extended to July 14; Call Your Local USDA Office by Wednesday!

By Kevin Abernathy, General Manager
Kevin@MilkProducers.org

The deadline for applying for the Natural Resources Conservation Service's (NRCS) new Conservation Incentive Contract program has been extended to Wednesday, July 14. **At minimum, producers need to call their USDA Service Center by this coming Wednesday to maintain eligibility for these new funds** (see map and contact information). Taking this simple step establishes a producer's submission date by the July 14 deadline. No paperwork or planning is required prior to Wednesday, July 14; conservation planning will happen in consultation with an NRCS representative following this date.

Through this program, NRCS is offering more than $22 million to landowners for drought-related conservation practices. Examples of practices and enhancements eligible for incentive funding include crop rotation, no- or reduced-tillage, and cover cropping. See the complete list of practices here.

More information about the program is available on the NRCS website here.

CALL YOUR USDA SERVICE CENTER BY WEDNESDAY, JULY 14 TO BE ELIGIBLE FOR NEW INCENTIVE FUNDING

CDQAP Advisory: Heat Stress & Mortality Management

Courtesy of the California Dairy Quality Assurance Program

The National Weather Service has issued a warning for excessive heat throughout California, extending into next week. Highs could reach up to 20 degrees above average throughout the region. Particularly concerning is that overnight lows in many areas may remain in the mid to upper 70s, temperatures that don't allow for night time thermal recovery of livestock.

Producers are understandably concerned about the effects of high environmental temperatures on both their livestock and their employees. Provided below are resources that might be helpful to producers during the upcoming heat wave.

Heat Stress in Dairy Cows
Cows are more sensitive to heat stress than humans, with production losses (at low humidity) starting in the low 80 degrees. Water intake may double during times of heat stress and water should always be available free choice. Water consumption can also be encouraged by water troughs which are shaded and easily available after exiting the parlor, when cows consume half their daily intake. *Continue reading*.

Heat Stress in Dairy Employees
Heat stress can affect not only cattle but employees as well. Environmental heat stress will not impact all individuals in the same way. Age, physical condition, use of medications, ambient temperature, wind, exertion, alcohol use, acclimatization, and water consumption all contribute to an individual's response to heat stress.

A 150-pound man working moderately in warm weather can lose about 3/4 quart of water – or 1 percent of his body weight – per hour. *Continue reading*.

Mortality Management During Heat Events
Heat events stress not only dairy workers and cattle, but rendering equipment and logistics as well. CDQAP and industry trade groups are working hard with CDFA to develop short-term and long-term solutions to rending service disruptions.

The agency works closely with the rendering companies during extended heat waves to monitor their status and provide frequent updates. Currently all three major rendering companies are anticipating normal operations during the event.

If rendering service disruptions do occur, producers are advised to contact both their trade organization and CDFA's newly created Rendering Disruption Emergency Call Number at 916-900-5261. *Continue reading*.

Water Commissioner Full of Hope for New Storage and for Dairy's Future

By Brad Hooker, Agri-Pulse

Matthew Swanson, the California Water Commission's agricultural member, expects water storage projects to begin construction soon, as the commission looks to allocate more water bond money. Swanson, who runs a major dairy feed provider in Turlock, is also optimistic the industry will defy expectations in adapting to less water availability in the future under a changing climate and more stringent environmental policies.

Speaking in a panel discussion at the annual meeting for the California Creamery Operators Association last week, Swanson shared the commission's progress in delivering the $2.7 billion in water storage investments that was approved by voters with the Proposition 1 water bond in 2014. As a funding agency, the commission has "essentially" allocated that money to seven projects that are going to provide more than 2.7 million acre-feet of new storage, he said. Project managers are expected to present their final documents to the commission in January 2022 to move forward with construction.

Continue reading.

Watch the entire water panel discussion moderated by MPC's Geoff Vanden Heuvel here.

Dairy Delivers Methane Reduction

Courtesy of Dairy Cares

California's climate policies are ambitious. More than $13.8 billion has been allocated to date, to support a wide variety of projects that accelerate progress towards deep decarbonization and carbon neutrality across all economic sectors. Of these investments, California's dairy methane reduction programs are delivering the most greenhouse gas (GHG) reductions to the state, providing significant contributions toward climate goals. While the progress to date is substantial, more work needs to be done to achieve the dairy and livestock sector's methane reduction target.

With digesters and other technologies, California dairy farms are delivering significant reductions in methane emissions.

The California Air Resources Board (CARB) recently released a draft analysis of progress to date. The target (established in 2016 by Senate Bill 1383) is a 40 percent reduction of manure methane from the state's livestock sector by 2030. Key takeaways from the draft analysis and other recent reports from the Newsom Administration include:

- According to the annual California Climate Investments report, the Dairy Digester Research and Development Program (DDRDP) alone is achieving more GHG (CO_2e) reductions than any other climate investment, achieving 29% of total GHG reductions while being allocated just 2.1% of the funds implemented to date.
- At a cost of just nine dollars ($9) per ton of CO_2e reduced, the DDRDP is California's most cost-effective investment in the fight against climate change.
- Both the DDRDP and the Alternative Manure Management Program (AMMP) are oversubscribed, documenting the need for additional funds.
- To date, the state's family dairy farms have achieved more than half of the reductions needed to meet the 2030 target. However, California cannot and will not achieve its methane and overall GHG reduction targets without additional investments in dairy digesters.
- The availability of public funding has been insufficient. Additional incentive funds of up to $75 million per year are needed. *Continue reading*.

Agricultural Organizations Demonstrate Alternatives to Burning

By Kevin Abernathy, General Manager
Kevin@MilkProducers.org

The California Air Resources Board (CARB) earlier this year approved a plan to phase out all open agricultural burning by December 31, 2024. While this action will have limited direct impact on our dairy farming operations, many of our dairy families are also farmers of other crops. MPC recently participated in a demonstration pilot project at a vineyard in Madera County to display alternatives to agricultural burning. The event was organized by the Nisei Farmers League, an organization MPC routinely works with on issues that affect all farmers throughout the Central Valley.

Finding economical alternatives to agricultural burning has become a top priority for many agricultural organizations, which are working with the San Joaquin Valley Air Pollution Control District and CARB to locate and distribute funds for these alternative methods. All the alternatives demonstrated are many times more expensive than open burning because of the additional labor and equipment needed, making incentive and grant funding even more necessary as farmers will be required to move away from traditional open field burning.

Read more about the demonstration day here.