

MPC WEEKLY FRIDAY REPORT

DATE: DECEMBER 17, 2021
 TO: DIRECTORS & MEMBERS
 FROM: KEVIN ABERNATHY, GENERAL MANAGER
 PAGES: 5



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MPC FRIDAY MARKET UPDATE

CHICAGO CHEDDAR CHEESE		CHICAGO AA BUTTER		NON-FAT DRY MILK	
Blocks	+ \$.0225	\$1.8875	WEEKLY CHANGE	-.0300	\$2.0925
Barrels	-.0500	\$1.6300	WEEKLY AVERAGE	+.0205	\$2.0805
WEEKLY AVERAGE CHEDDAR CHEESE		DRY WHEY		WEEK ENDING 12/11/21	
Blocks	+.0745	\$1.9230	DAIRY MARKET NEWS	W/E 12/17/21	\$.6762
Barrels	-.0225	\$1.6520	NATIONAL PLANTS	W/E 12/11/21	\$.6307
				LAST WEEK ENDING 12/04/21	
				NAT'L PLANTS	\$1.5278 16,453,728
				NAT'L PLANTS	\$1.5109 18,096,782

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
DEC 17 EST	\$20.77 - \$21.27	\$19.88	\$18.48	\$19.78
LAST WEEK	\$20.77 - \$21.27	\$19.87	\$18.60	\$19.78

NOVEMBER 2021 CA FMMO STATISTICAL UNIFORM PRICE ANNOUNCEMENT

NOV `21 FINAL	CLASS I	CLASS II	CLASS III	CLASS IV	STATISTICAL UNIFORM PRICE (BLENDED PRICE)	NET PRICE AFTER QUOTA ASSESSMENT*
MINIMUM CLASS PRICE	\$19.58 (TULARE) \$20.08 (L.A.)	\$18.40	\$18.03	\$18.79	\$18.26 (TULARE) \$18.76 (L.A.)	\$17.895 (TULARE) \$18.395 (L.A.)
PERCENT POOLED MILK	20.3%	6.0%	47.7%	26.0%	100% (2.075 BILLION LBS. POOLED)	

*QUOTA RATE OF \$0.365/CWT. AS OF JUNE 2020 MILK



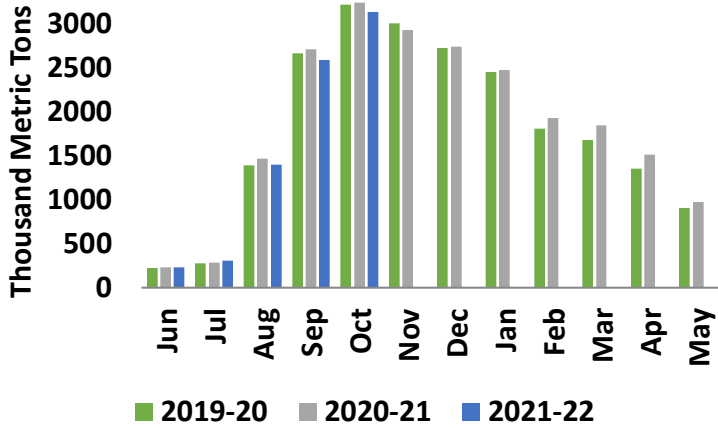
Milk, Dairy and Grain Market Commentary

By Sarina Sharp, Daily Dairy Report
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Milk & Dairy Markets

Global milk output is slowing, supporting dairy product values all around the world. Foreign prices for butter, milk powder, cheese, and whey have been climbing for months, and they continue to rise. In recent weeks, gains have accelerated, as milk production shortfalls move to the fore.

New Zealand Milk Production

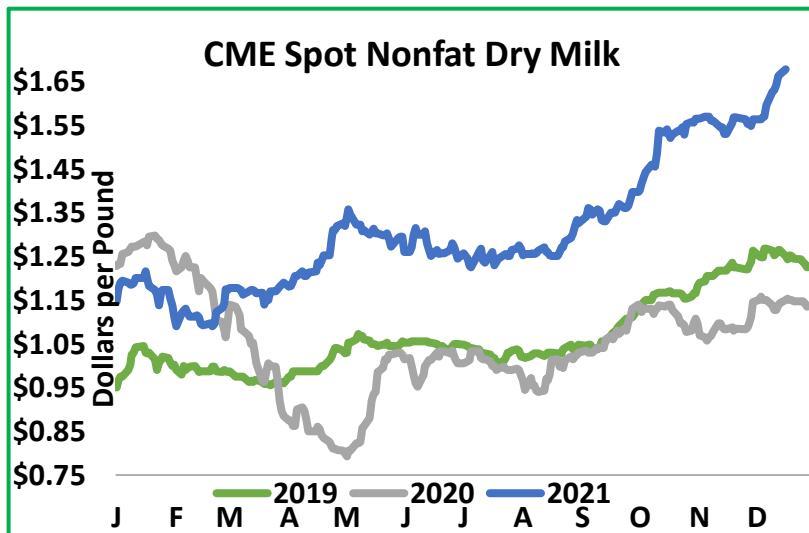


In Australia and New Zealand, the peak of the season has passed and milk output continues to disappoint. Through October, Aussie milk production is down 2.9% for the season to date. In New Zealand, June through October milk collections lag last year by 3.4%. Australian milk output is expected to improve. In New Zealand, November milk output also likely fell short of last year, and it will be difficult to make up for lower peak-season milk output as production gradually fades in the coming months.

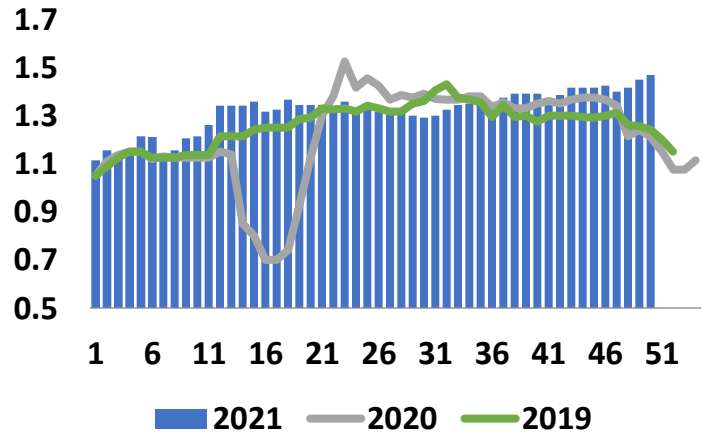
In Europe, a few countries have yet to publish milk output data for October, but the year-over-year deficit is widening in the nations

that have reported. October collections in Europe’s seven largest dairy countries fell 1.1% below year-ago volumes, the steepest decline since January 2017, when some governments paid producers to restrict output.

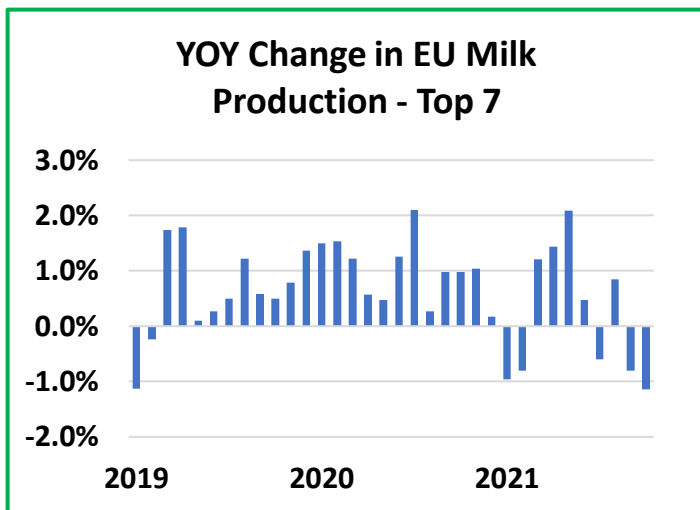
Lower milk production abroad will make more room for U.S. dairy product exports, even if the global appetite for dairy products fades modestly. The market is primarily concerned that China has overstocked its larder, and that it will need less foreign dairy in the year to come. USDA’s analyst in Beijing believes that China will indeed import 6% less whole milk powder (WMP) in 2022 than it did this year, due to higher domestic production and ample stocks. But the USDA attaché expects Chinese skim milk powder (SMP) imports to keep climbing into 2022, and she calls for China’s overall dairy imports to rise again next year, after reaching all-time highs in 2021. If Chinese SMP imports do fade, demand from other markets is likely to remain firm, as some buyers were pushed to the sidelines by China’s aggressive purchases this year or simply went hand-to-mouth in hopes of lower prices that never came. They have given up waiting and are buying now. USDA’s *Dairy Market News* reports that demand from Mexico is particularly strong.



Weekly Cream Multiples - East



Waning global output and hearty demand lifted powder prices once again this week. CME spot nonfat dry milk (NDM) jumped 5.25¢ to \$1.6775 per pound, a fresh seven-year high. *Dairy Market News* describes the NDM market as “resolutely bullish.” Spot whey powder added another 1.75¢ and



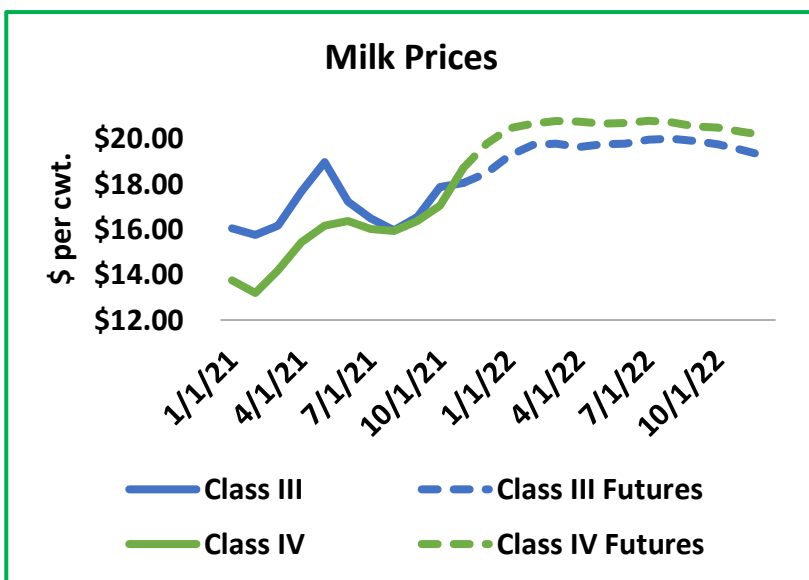
reached 73¢, its highest price in a relatively short run at the CME. Manufacturers continue to focus on high-protein whey products, leaving less for commodity whey. Exports remain strong despite headaches at the ports. Every penny increase in the whey market adds 6¢ to Class III values.

Bring on the egg nog and pour one out for all the appetizers and desserts that will go unassembled and unbaked this Christmas due to the much-publicized cream cheese shortage. Bakers honed their skills in 2020 and they're putting them to good use this year as families and friends gather for the holidays. Demand for cream in all forms is

frenzied and multiples are well above average. Churns are last in line for cream and butter output is running light. That is likely to keep butter values firm, although they lost a little ground this week compared to last Friday's frothy levels. CME spot butter slipped 3¢ to a still-high \$2.0925.

Cheese prices were mixed. CME spot Cheddar blocks advanced 2.25¢ to \$1.8875. Barrels lost a nickel and closed at \$1.63. Although milk supplies are tighter, cheese production remains active, as Class IV manufacturers do without. Demand is healthy, but supplies are plentiful.

After a brief foray over the \$20 mark, nearby Class III futures retreated to safer climes. January Class III settled today at \$19.25 per cwt., down 57¢ from last Friday. February dropped 26¢ to \$19.70. Down the board, Class III futures continued to rise. The March through December contracts added another 24¢ this week, on average. Since Thanksgiving, 2022 Class III contracts have rallied an average of 89¢.



Class IV futures just keep rising. This week the gains ranged from 10¢ in January to 50¢ in July and August. Every Class IV contract on the board scored fresh life-of contracts. Next year's futures promise an average of \$20.58 for Class IV.

Grain Markets

The feed markets moved higher as well, albeit with less fervor. March corn climbed 6¢ this week to \$5.90 per bushel. January beans added 7¢ and reached \$12.7425. Meal gained \$8.20 and closed at \$366.80 per ton. USDA updated its monthly crop balance sheets but made no changes to U.S. corn and soybean supply and demand estimates. The agency will likely tweak its production estimates in January, but by then, all eyes will be on the South American crop. The forecast holds plentiful rains for crops in central Brazil, and lighter totals in southern Brazil and much of Argentina. The market has factored in a huge weather risk premium already, but December and January rains will be crucial for South American crops and global feed prices.

Thank You to Our MPC Associate Members

By Kevin Abernathy, General Manager
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From all of us at MPC, we extend our appreciation to the following Associate Members for their support over the past year. Your contribution strengthens MPC's ability to effectively represent and promote the interests of our California dairy families, and helps bring timely dairy-related news and analysis to readers of our weekly *MPC Friday Report*. Thank you for your investment in our dairy families and we wish you and yours a Merry Christmas and happy New Year.



2021 Milk Producers Council Associate Members

<i>AL Gilbert - Farmers Warehouse</i>	<i>Genske, Mulder & Co, LLP</i>
<i>California Bioenergy, LLC</i>	<i>Innovative Ag Services</i>
<i>CALM MGT</i>	<i>Jack & Bea Moons</i>
<i>Citizens Business Bank</i>	<i>Kellogg Supply Inc</i>
<i>Corona Cattle Inc</i>	<i>Laird Manufacturing - Isaac Isakow</i>
<i>Dairy Gross Margin, LLC</i>	<i>Model T Farms</i>
<i>Darling International</i>	<i>Rico Trucking</i>
<i>D V O, Inc</i>	<i>O K Cattle - Sam Sousa</i>
<i>Mrs. Englesma</i>	<i>Schull & Associates Real Estate</i>
<i>Farm Credit - West</i>	<i>Stiles Animal Removal, Inc</i>
<i>Frazer LLP</i>	

Interested in Becoming an MPC Associate Member?

Contact MPC General Manager Kevin Abernathy
at Kevin@MilkProducers.org to learn more and sign up.

NMPF President's Update

By Jim Mulhern, President & Chief Executive Officer, National Milk Producers Federation

NMPF Offers Explanatory Materials on Dairy Margin Coverage Program – With USDA opening the window this week for 2022 enrollment in the Dairy Margin Coverage program, NMPF has created a series of informational materials for farmers to better understand the recent improvements in the program. [This page](#) on our website has a variety of resources, including a Q&A discussion at the bottom of the page that we will continue to update until the sign-up period closes on February 18.

We also conducted a webinar on Monday walking through the enhancements to the program and how farmers will benefit from larger payments. A recording of the presentation is [available here](#). As a reminder, the DMC enrollment window runs until Friday, February 18.

Administration Rolls Out New Trucking Initiative – The Biden Administration announced [a new initiative](#) yesterday to address the commercial driver shortage by improving worker recruitment and retention in the trucking industry. The Departments of Transportation and Labor are partnering on a 90-day plan to work with industry organizations, drivers, and other stakeholders to enhance pay, attract new drivers to the industry and retain those already working as truckers.

The White House will provide \$30 million to help states expedite the processing of commercial drivers licenses, as well as bring younger drivers into the industry through apprenticeship programs.

NMPF Meets with Administration Officials on School Meals Rule – Yesterday, NMPF staff met by phone with officials from the White House Office of Management and Budget to discuss a USDA proposal that the agency is currently reviewing to determine school meal standards for the 2022-23 and 2023-24 academic years. While the rule is still being finalized, NMPF is urging USDA and OMB to continue to allow schools to serve low-fat (1%) flavored milk, which is consistent with the current Dietary Guidelines for Americans and therefore required by current law.

NMPF-led statutory language to give schools the ability to offer low-fat flavored milk is currently in effect and poised to be extended once Congress completes work on the Fiscal Year 2022 appropriations process, which must be addressed by February 18, 2022.

During the call with OMB we were joined by colleagues from IDFA to present a united industry view. In addition to the discussion on low-fat flavored milk, NMPF also raised concerns with sodium reduction targets that would undermine consumption of nutrient-rich cheeses in schools and emphasized the important food safety role salt plays in cheese. Following completion of this temporary rulemaking, USDA may begin work on a longer-term school nutrition standards rulemaking based on the 2020 Dietary Guidelines for Americans. NMPF will continue to engage in that process to ensure key dairy and nutrition priorities are reflected in the outcome.

Volunteer to Help the 'More Water Now' Ballot Initiative Today!



The petition process to qualify the [More Water Now](#) initiative for the November 2022 ballot is officially underway. **Signatures from 1.5 million registered voters must be gathered by April 15, 2022**, just five short months from now. This initiative provides an opportunity to make a substantial – and long overdue – investment in California's water supply infrastructure, with funding put in place until five million acre-feet of new water is developed. Learn more about volunteering at [MoreWaterNow.Com/Volunteer](#).