

# MPC WEEKLY FRIDAY REPORT

DATE: JULY 2, 2021

TO: DIRECTORS & MEMBERS

FROM: KEVIN ABERNATHY, GENERAL MANAGER

PAGES: 4

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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	+ \$.0650	\$1.5550	WEEKLY CHANGE	+ \$.0225	\$1.7400
Barrels	+ \$.0100	\$1.5000	WEEKLY AVERAGE	+ \$.0110	\$1.7505
<b>WEEKLY AVERAGE CHEDDAR CHEESE</b>		<b>DRY WHEY</b>		<b>WEEK ENDING 06/26/21</b>	
Blocks	+ \$.0600	\$1.5435	DAIRY MARKET NEWS	W/E 07/02/21	\$ .6075
Barrels	+ \$.0095	\$1.4955	NATIONAL PLANTS	W/E 06/26/21	\$ .6421
				<b>PRIOR WEEK ENDING 06/19/21</b>	
				NAT'L PLANTS	\$1.2682 19,852,344
				NAT'L PLANTS	\$1.2751 15,786,705

## 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 2 EST	\$19.02 - \$19.52	\$16.88	\$16.79	\$16.13
JUN '21 FINAL	\$19.89 - \$20.39	\$16.66	\$17.21	\$16.35



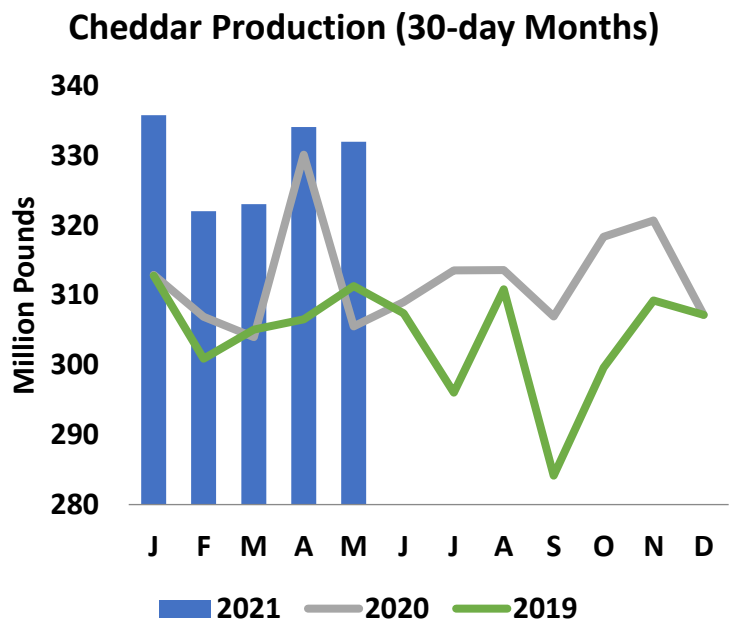
## Milk, Dairy and Grain Market Commentary

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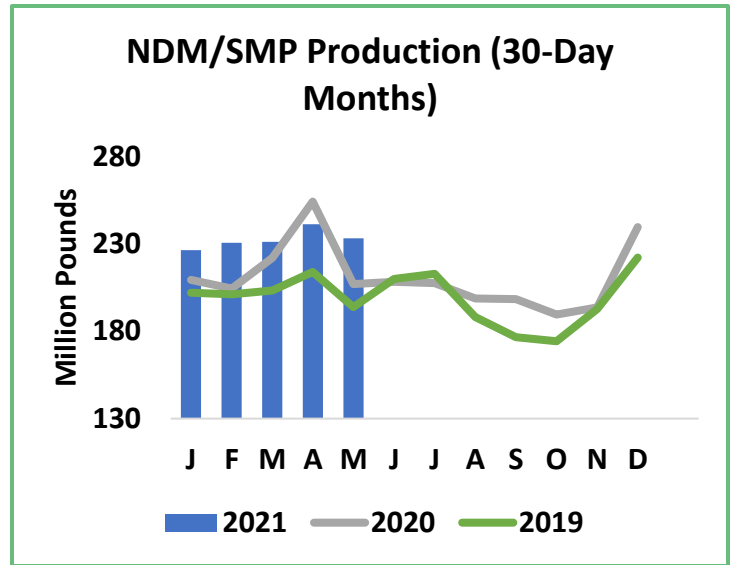
### Milk & Dairy Markets

The dairy trade checked out early and the markets coasted into the long holiday weekend. Class III and Class IV futures settled today not far from where they finished last Friday. Class III futures range from \$16.71 to \$18.24 per cwt. in 2021. Class IV contracts sit comfortably above \$16. Those prices are generally disappointing for dairy producers, particularly as feed costs and other on-farm expenses rise. But they are not low enough to significantly slow milk output. The dairy herd is massive, and it's likely to stay that way for a while.

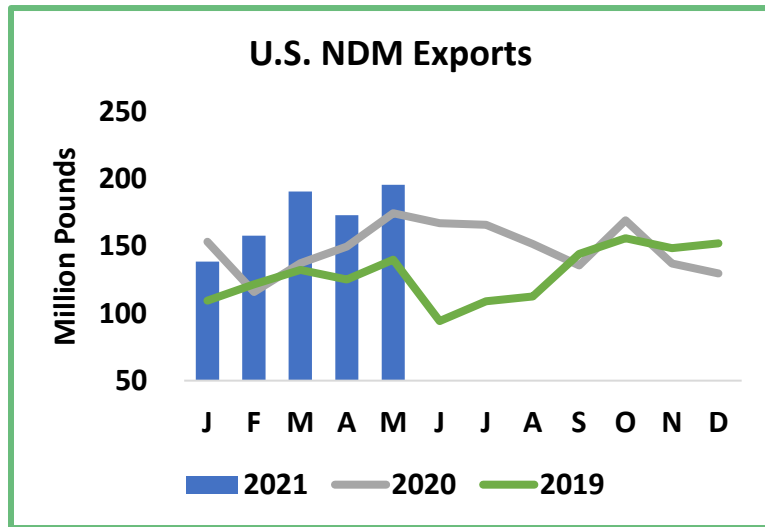
Formidable milk production added up to a mountain of dairy products in May. Year-over-year comparisons are skewed by all the



dumped milk and processing headaches the industry suffered a year ago. But the broader trends are clear. New cheese processing capacity has boosted Cheddar output, which tops that of the first five months of 2020 by 5.6%. Total cheese production bested May 2020 by 5%. Although butter output fell short of the unusually high volumes of the prior year in March and April, it remains historically high and exceeded May 2020 production by 7.6%. Driers ran hard in May, and combined production of nonfat dry milk (NDM) and skim milk powder reached 241 million pounds, the highest May total on record and 12.7% more than the prior year. Dry whey production remains in the doldrums.



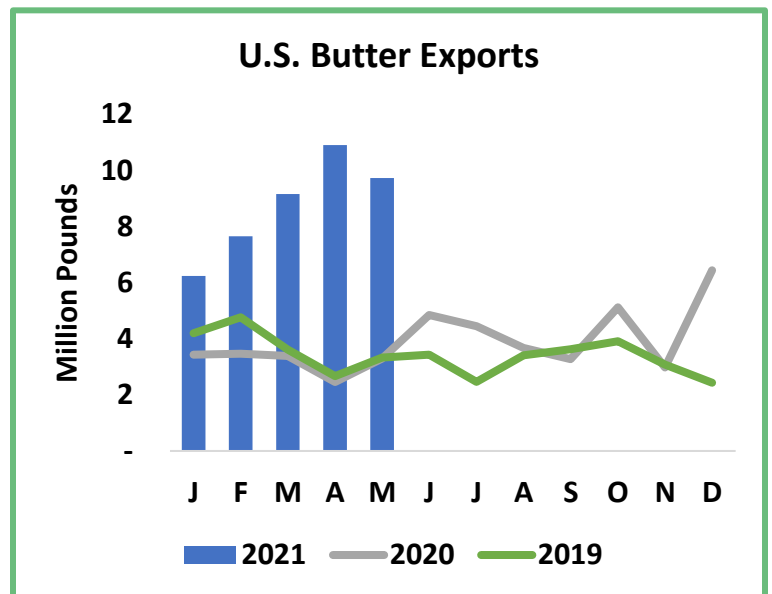
Thankfully, exports have provided an outlet. Despite port backlogs, a container shortage, and a lack of

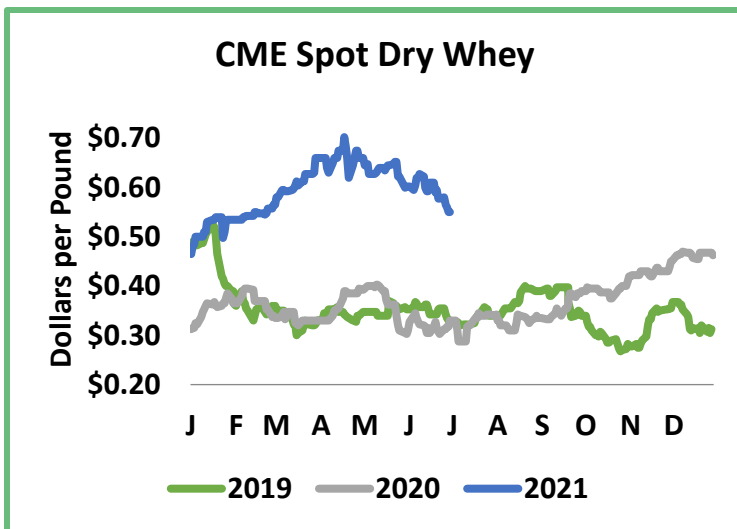


truckers, dairy exports soared in May. The weak dollar and competitive pricing helped to keep product moving. U.S. NDM exports accelerated to an all-time high of 196 million pounds thanks to big shipments south of the border and to Southeast Asia. An uptick in milk powder exports to Algeria, where Europe typically dominates, suggests that European stocks are scant and the U.S. may continue to gain global marketshare. Dry whey exports were strong too, up an impressive 30% from May 2020. For the year to date, whey exports are running at their best pace since 2014. Cheese exports faltered, but butter sales climbed. So far this year the U.S. has sent

slightly more butter abroad than it has taken in, marking its first major stretch as a net butter exporter since 2014.

Strong exports buoyed the powder markets all spring, but values retreated this week. Domestic buyers are quick to back off as asking prices climb, driving the market downward despite reliable demand. It's hard to argue for higher prices with so much milk to go around. CME spot NDM slipped 0.75¢ this week to \$1.2575 per pound. Spot whey powder fell 2.75¢ to 55¢. That's a significant decline in a market that has helped to prop up Class III values for months. Despite modest dry whey production and booming exports for whey powder and NDM, stocks of both products grew in May.





Cheese and butter bounced back this week. CME spot butter rallied 2.25¢ to \$1.74. Barrels added a penny and reached \$1.50. Blocks staged a more impressive comeback, rising 6.5¢ to \$1.555. Still, cheese is inexpensive, reflecting onerous output.

### Grain Markets

USDA shocked the feed markets on Wednesday with its annual assessment of the acreage mix. Amid unusually high corn prices this spring, the grain trade expected that farmers had stepped up corn seedings to nearly 94 million acres. But, according to USDA, farmers planted 92.7 million acres of corn this spring. That is 1.6

million acres more than they intended to plant in the March Prospective Plantings report and the highest corn acreage since the 2016-17 crop year. But it was significantly lower than the trade had penciled in to its balance sheets, and the location of the new acres will not help matters. Farmers shifted 100,000 acres away from corn and into soybeans in Iowa, the nation’s most productive corn state. Nebraska ranks second in average corn yield; plantings dropped by 200,000 in the Cornhusker State. Farmers in the drought-stricken Dakotas and Minnesota added a combined 1 million corn acres, but the harvest is likely to disappoint. Demand remains daunting, and the new acreage figures leave little room for error on crop yields. Meanwhile, frost damage in southern Brazil and Paraguay shrunk the exportable crop in South America. As we head into the critical pollination season, the grain markets are primed to react violently to the tiniest shifts in the forecast.

USDA trimmed 40,000 acres from soybean area, relative to March intentions. The trade had expected a modest uptick. Projected soybean stocks were historically tight even before this adjustment. Much depends on the size of this crop.

The grain and oilseed markets soared on Wednesday but faded today. September corn settled today at \$5.92 per bushel, up more than 60¢ since last Friday. August soybeans added an astounding \$1.305 and closed at \$14.3325. After a big setback last week, August soybean meal regained all that it lost and then some. It closed today at \$381.50 per ton, up \$32.60.



### Referendum to Sunset Quota Program Fails

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

Late this afternoon, the California Department of Food Agriculture (CDFA) [announced](#) that the referendum proposing to sunset the Quota Implementation Plan on March 1, 2025 failed to achieve the necessary votes for adoption. CDFA reports that 78.56% of eligible milk producers voted in the election, clearing the requirement for a valid election. Voting in favor of the referendum were 49.25% of producers representing 54.47% of the total voting milk. Passage of the referendum required a “yes” vote from 65% of the voters producing 51% of the voting milk or 51% of the voters producing 65% of the voting milk.

The Quota program in California will continue in its current form. Read the detailed results of the referendum vote [here](#).

## Dairies and Drought, Mental Health Resources Available: California Dairy Quality Assurance Program

Courtesy of [CDQAP](#)

Below are highlights from the California Dairy Quality Assurance Program's (CDQAP) June update. Read the entire update [here](#).

### Dairies and Drought:

**There's no silver bullet, but there may be actions you can take to prepare for the future.**

*By Dr. Michael Payne, UC Davis, School of Veterinary Medicine and CDQAP Director*

Although not yet as punishing as last decade's 5-year drought, more than 85% of the state is in [severe drought](#). California's snowpack is virtually gone. Water deliveries have been slashed or suspended altogether. For California dairy producers, water scarcity, water uncertainty, periodic drought, and reduced water allocations are the new normal for the foreseeable future. Depending on a producer's location, facilities, and innovation, however, there may be avenues which could help mitigate some of the worst consequences of both future droughts and future groundwater regulations.

Continue reading [here](#).

### Feeling Stressed Out? Overwhelmed? Mental Health Resources are Available

Whether it is managing employees or price fluctuations or other issues, there is never a shortage of stressors in the dairy industry. If you, your employees, or someone else you know needs support, the CDQAP has resources to help.

Continue reading [here](#).

