

MPC WEEKLY FRIDAY REPORT

DATE: AUGUST 27, 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	+\$0.0575	\$1.7500	WEEKLY CHANGE	+\$0.0450	\$1.7075
Barrels	-\$0.0750	\$1.4025	WEEKLY AVERAGE	+\$0.0190	\$1.7010
WEEKLY AVERAGE CHEDDAR CHEESE		DRY WHEY		WEEK ENDING 08/21/21	
Blocks	+\$0.0015	\$1.7520	DAIRY MARKET NEWS	W/E 08/27/21	\$.5525
Barrels	-\$0.0270	\$1.4660	NATIONAL PLANTS	W/E 08/21/21	\$.5536
				PRIOR WEEK ENDING 08/14/21	
				NAT'L PLANTS \$1.2768 16,303,159	
				NAT'L PLANTS \$1.2579 15,822,030	

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
AUG 27 EST	\$18.50 - \$19.00	\$16.59	\$16.98	\$15.94
LAST WEEK	\$18.50 - \$19.00	\$16.46	\$16.01	\$15.75



Milk, Dairy and Grain Market Commentary

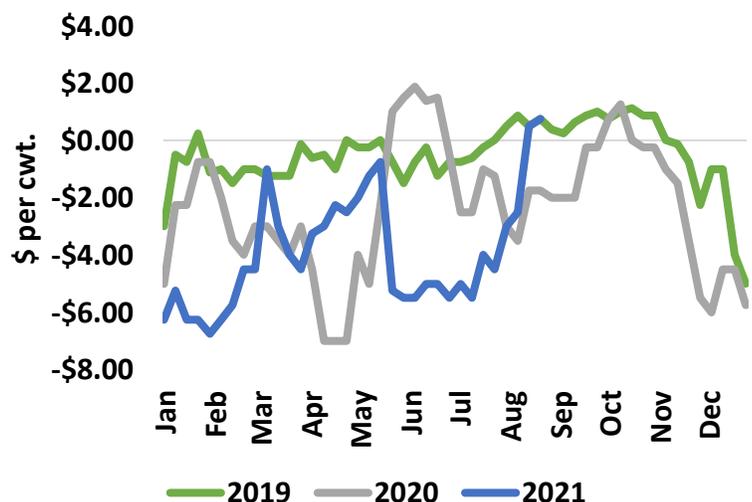
By Sarina Sharp, Daily Dairy Report

Sarina@DailyDairyReport.com

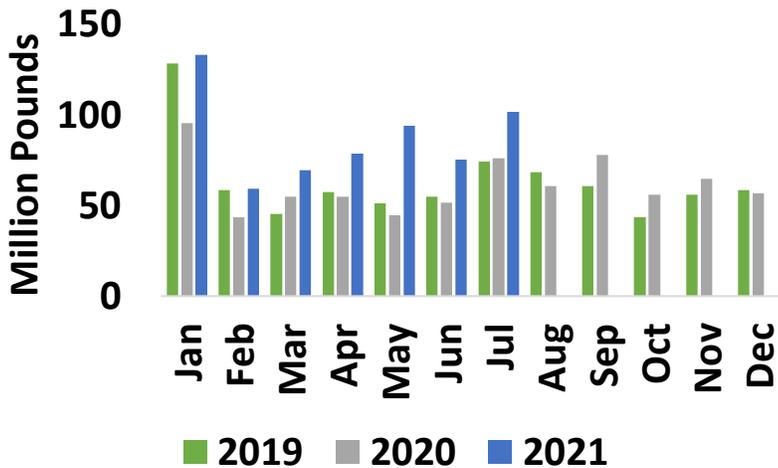
Milk & Dairy Markets

Heat, humidity, and smoke are sapping milk yields around the nation. Meanwhile, students are back in school. Most are learning in person, and all are eligible for free lunches with a carton of milk on the side. On Monday, USDA announced that it will spend another \$400 million to donate produce, meat, and dairy products through the Emergency Food Assistance Program. Last week, the agency changed the formulas used to calculate the amount of Supplemental Nutrition Assistance Program (SNAP) benefits, effectively raising monthly food stamp payments 27% from pre-pandemic levels. Congress had already boosted food stamp

Midwest Spot Milk vs. Class



Chinese Skim Milk Powder Imports



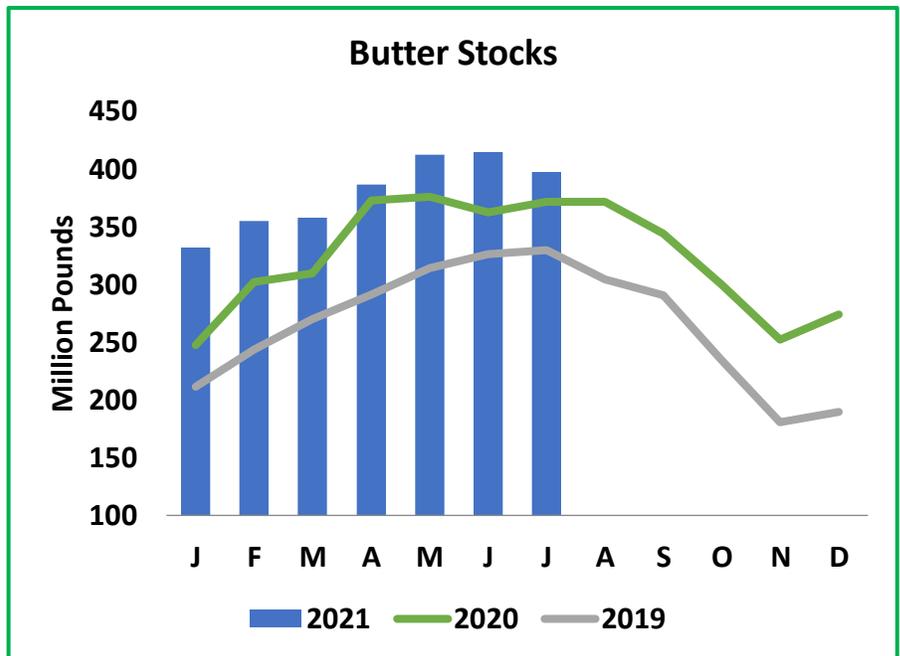
payments by 15% during the pandemic, but this pandemic aid is set to expire next month. The 27% increase is permanent.

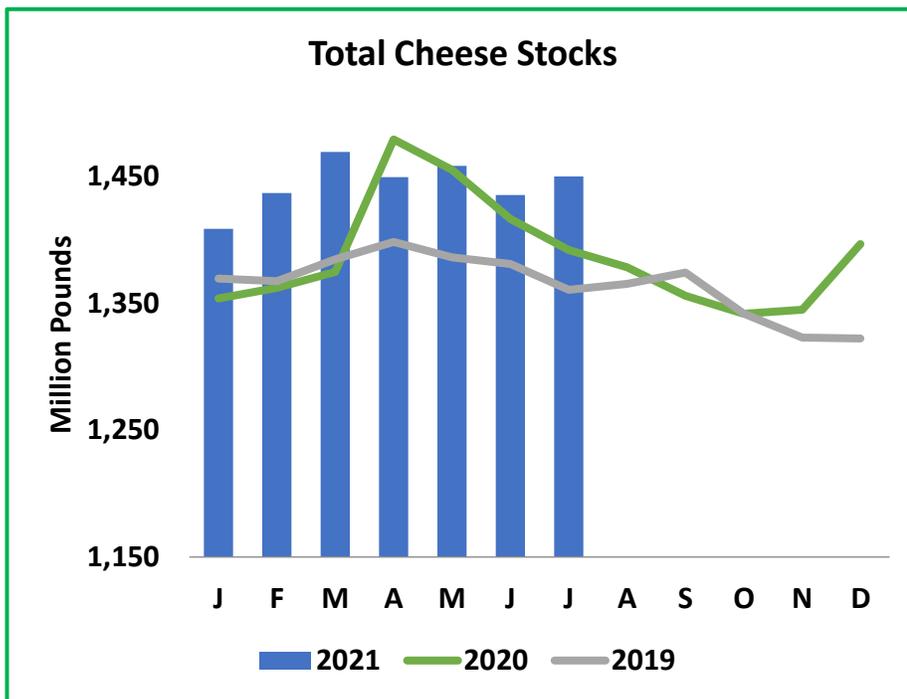
The back-to-school rush and government generosity have clearly boosted demand for milk. USDA’s Dairy Market News cites higher Class I sales from coast to coast. This, coupled with sweltering temperatures, has tightened milk supplies noticeably. In the Southwest, “balancing is active, but not stressed.” In the Midwest, driers are running on fumes, and “cheese makers are selling spot milk back into bottlers” for the first time in two years. Spot milk in the region is trading at a premium to Class III, up from a \$5 discount for most

of the summer. The shift in milk supplies was most startling in the Mountain States. Dairy Market News reports, “Idaho spot milk, which was ubiquitous and discounted as recently as last week, is no longer available.”

Tighter milk supplies may trim cheese production at the margins. If fresh cheese becomes tight, it could create some fireworks in the spot cheese market, a hot, bright flash that quickly fades. The lasting impact – more akin to the glow of a fire with a steady supply of new wood – will warm up the milk powder markets. Nearly every pound of milk lost to the heat or poured into a school milk carton will reduce dryer volumes in the United States. Skim milk powder (SMP) inventories in Europe are already lean, and New Zealand has sent most of its milk powder abroad. Stocks are growing in China, but the Chinese are still buying. They’ve purchased more SMP and whole milk powder (WMP) this year than in any other, and July imports shattered previous records for the month. Closer to home, cheese makers are adding NDM to their vats, because there is no cheap milk available. Prices are rising accordingly. CME spot NDM jumped 4.25¢ this week to \$1.2925 per pound, the highest price since early June.

Spot butter also gained some ground, climbing 4.5¢ to \$1.7075. Cream supplies are tightening, and manufacturers continue to face headaches as they seek to source inputs, run their plants, and move goods out in an extremely tight labor market. Butter output is beginning to slow, but there is plenty on hand to last a while. There were 397 million pounds of butter in cold storage





warehouses on July 31, up 7% from a year ago and the highest July total since 1993. The bulls were cheered to see that stocks declined more than 17 million pounds from June to July, an earlier-than-typical start for the seasonal drawdown.

Demand is on the rise as restaurants reportedly step-up butter orders despite an acute staffing shortage. Black Box Intelligence estimates that full-service restaurants are operating with 6.2 fewer employees in the kitchen and 2.8 fewer wait staff than they had, on average, in 2019. The quality of restaurant service has suffered, but it beats doing the dishes. Americans are clearly tired

of eating at home, and they're willing to wait for a table.

Amid heavy production, cheese piled up last month, and stocks reached 1.45 billion pounds, an increase of 4.1% from July 2020. Domestic demand is steady, and exporters are booking new sales. However, they struggle to get the cheese from warehouses to ports and out to sea. CME spot Cheddar prices diverged this week. Blocks rallied 5.75¢ to \$1.75. Barrels slumped 7.5¢ to \$1.4025.

Spot whey fell 3¢ this week to a half-dollar. Buyers are getting pickier about price, and the market is softening just a little. With both barrels and whey in decline, Class III futures took another step back. The September and October contracts settled well below \$17 per cwt. The November contract dropped to \$17.04, its lowest price so far this year. In contrast, Class IV futures rallied, reducing the odds of depooling and a punishing producer price differential. Most Class IV contracts added roughly 30¢ and stand in the mid-\$16s. Those prices are uninspiring – especially given higher feed costs – but the trend is encouraging.

Grain Markets

After a very poor finish last Friday, the grain markets rallied back this week. December corn settled at \$5.5375 per bushel, up 16.75¢. November beans climbed 32.5¢ to \$13.2325. However, December soybean meal closed at \$350.40, down \$4.50.

The market will continue to debate the size of the crop until every bin is full and every field is bare. The consensus calls for a corn yield that is a little below trend, with huge crops in the East offsetting some of the losses in the Northern Plains. Regular rains this week and into next week will likely help corn to finish well, and the moisture could offer a big boost to bean yields.

Brazilian farmers will begin planting next month, and they're expected to plant more corn than last year. They're also expected to spend more on inputs in hopes of higher yields. The trade is watching carefully to see whether the predicted La Niña will negatively impact Brazil's corn crop as it did last year, but it's simply too soon to tell.



USDA Announces Significant Dairy Product Donation Program

By Geoff Vanden Heuvel, Director of Regulatory and Economic Affairs

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This week, USDA provided updated details on a program that reimburses dairy farmers, cooperatives and processors who donate consumer-sized dairy products through nonprofit feeding organizations for distribution to food insecure populations. The 2018 Farm Bill previously established a Milk Donation Reimbursement Program, but it had a very limited use because the reimbursement rates only covered a small fraction of the cost of the milk slated for donation – and it only applied to fluid milk. This program covers **all dairy products** in consumer-sized packaging and reimburses the cost of the milk as well as the cost to manufacture and transport the finished product to the distribution site.

This program is essentially a replacement for the Farmers to Food Box Program, which was used extensively during the worst of the pandemic. Hopefully this effort will be effective in both providing needed nutrition to food insecure people while providing a valuable outlet for a wide variety of dairy products.

USDA is initially allocating \$400 million to this program – a significant expenditure, with reimbursements retroactively eligible for donations made on or after January 1, 2020.

More details about the program are available [here](#).

Water Infrastructure Funding Act of 2022 Initiative Submitted to State

By Geoff Vanden Heuvel, Director of Regulatory and Economic Affairs

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This week, a citizen initiative was submitted to the California Attorney General’s office for review and “title and summary” designation. The initiative, which would have to achieve well over a million signatures to be placed on the ballot, proposes to *“Require the transfer of two percent (2%) of the State’s General Fund Revenue each and every year into a trust account until the State certifies that water projects funded, in whole or in part, have created a minimum increase of five million acre-feet (5,000,000 AF) of additional annual water supply that can be reliably delivered to Californians every year thereafter.”*

When it comes to funding eligibility for water supply development projects, this proposal takes an “all-of-the-above” approach. Specifically cited is expansion of groundwater and surface water storage, improved conveyance, water reuse and recycling projects and desalinization of brackish and ocean water along with conservation.

The very first declaration in the initiative is:

“The People of the State of California find and declare all of the following:

- (A) Pure, plentiful and affordable water is fundamental to our quality of life and key to the economic development of our community. Previous Constitutional Amendments have prioritized spending for public education, public safety and transportation.

(B) It is long-past time for Californians to prioritize spending to increase California’s storage and supply of clean, safe drinking water for homes and businesses, water for agricultural use, and treatment, purification, reclamation of stormwater and wastewater, while responsibly protecting the environment. The answer to drought is to increase the supply of water, through surface and subsurface storage, waste water treatment, and desalinization, including ocean and inland brackish water.”

This initiative is at the beginning stages of the process. The Attorney General’s office has a couple of months to review it and give it a title and summary. Then there will be about a six-month period to gather the one million plus signatures it will take to get it on the ballot and then of course a campaign and vote of the people, hopefully in November of 2022. It will take a lot of effort and money to get this to the finish line, but the vulnerability of our water supply has never been clearer to so many Californians as it today. Here is an opportunity to do something significant about it. For full disclosure, I am one of the five official proponents of the initiative. You can read the whole initiative [here](#).

California Dairy Quality Assurance Program Update: Manure Saves Money

Courtesy of [CDQAP](#)

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

Fertilizer Costs Money: Use Manure

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

Nitrogen applied to crops that goes unused can leach to groundwater. Crop growth is stunted without enough nitrogen. And leached nitrate can impair groundwater. None of these are the desired outcome. Continue reading [here](#).

COVID-19: What to Do About Employee Vaccination?

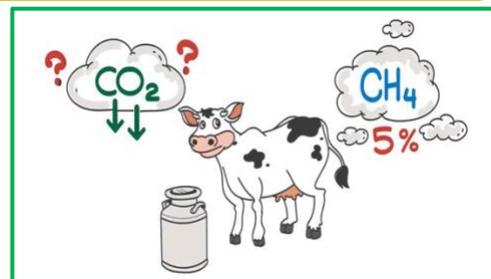
By Dr. Michael Payne, UC Davis, School of Veterinary Medicine and Director, CDQAP

Producers certainly care about their workers’ health, both for the sake of their employees and for business continuity. Recent California data revealed that persons that are not vaccinated are 29 times more likely to be hospitalized than those who are fully vaccinated, making vaccination a powerful tool in keeping businesses fully staffed and running smoothly. Continue reading [here](#)

Ask a Farmer: Combat Greenhouse Gases

Courtesy of the San Joaquin County Farm Bureau

Last month – in honor of National Dairy Month – the San Joaquin County Farm Bureau released their latest “Ask a Farmer” video series about how dairy producers are combatting greenhouse gas emissions. Click [here](#) to view the video.



Holy Cow: Dairy Milk Makes Comeback for ‘Hot Girls’ and NYC Coffee Shops

Courtesy of the New York Post

Got (real) milk?

Moo-ve over almonds and oats, it’s time for cow’s milk to shine.

In recent years, alternatives have been [milking the dairy industry](#) as American consumer habits shifted to become more [pro plant-based](#).

But now, cow’s milk is back in a coffee shop near you.

In an udder-ly unbelievable turn of events, cow’s milk is making its triumphant return as plant-based alternatives hit the hay, [according to a Grub Street article](#).

Author Emily Sundberg reflected on food habits while abroad, writing: “The *real* international delight, I realized, is pouring whole, full-dairy milk into your coffee; it is perhaps the most civilized activity in which a person can partake.”

On Twitter, fellow cow-milk enthusiasts are drinking up the lack of plant-based alternatives at their local haunts.

“The real reason I like [Abraco](#) is they ONLY have half and half, no fancy milk,” [tweeted](#) Kaitilin Phillips. “Incredible!”

A user replied, “Obsessed with them not having any non-dairy alternatives in 2021.”

Read the full article [here](#).

