

MPC WEEKLY FRIDAY REPORT

DATE: SEPTEMBER 24, 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	-\$.0850	\$1.7075	WEEKLY CHANGE	-\$.0625	\$1.7275
Barrels	+\$.0900	\$1.6000	WEEKLY AVERAGE	-\$.0625	\$1.7450
WEEKLY AVERAGE CHEDDAR CHEESE		DRY WHEY		NAT'L PLANTS \$1.2902 20,316,265	
Blocks	-\$.0765	\$1.7230	DAIRY MARKET NEWS	W/E 09/24/21	\$.5400
Barrels	+\$.1070	\$1.5960	NATIONAL PLANTS	W/E 09/18/21	\$.5259
PRIOR WEEK ENDING 09/11/21 NAT'L PLANTS \$1.2716 15,339,787					

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
SEP 24 EST	\$18.19 - \$18.69	\$16.95	\$16.53	\$16.40
LAST WEEK	\$18.19 - \$18.69	\$17.00	\$16.61	\$16.40



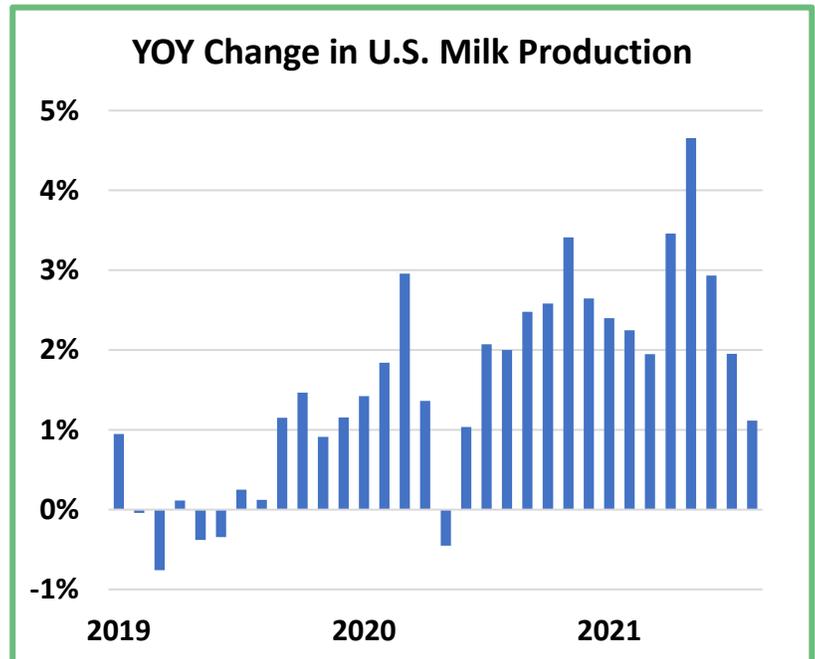
Milk, Dairy and Grain Market Commentary

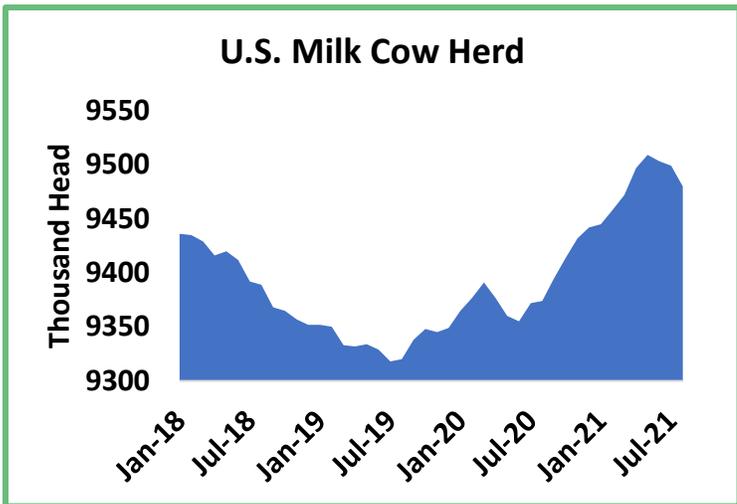
By Sarina Sharp, Daily Dairy Report
Sarina@DailyDairyReport.com

Milk & Dairy Markets

Global milk production is slowing down. Milk output in Australia and Europe fell short of the prior year in July, more than offsetting advances in New Zealand and Argentina. Combined milk collections among these four major exporters dropped into the red for the first time in two years.

In the U.S., milk production totaled 18.8 billion pounds in August, up 1.1% from last year. That's the smallest year-over-year growth since June 2020, when the pandemic crippled processors and some dairy producers were forced to slam on the brakes. Soaring temperatures in much of the country and unusually humid





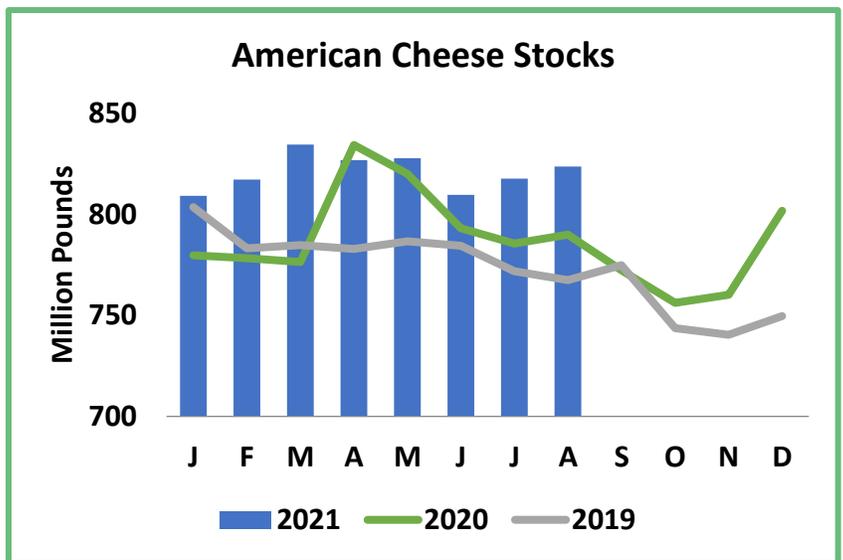
conditions in the Southwest added up to a lot of stress. National average milk yields fell short of year-ago levels, an exceptionally rare occurrence.

The dairy herd remains large, driving the modest gains in milk output. There were 9.48 million cows giving milk in the United States last month, 106,000 more than there were in August 2020. But dairy producers are quickly sizing down the herd. They milked 19,000 fewer cows in August than in July, the steepest month-to-month decline in nearly three years. Slaughter volumes suggest that the contraction

continues as poor margins and high beef prices incentivize dairy producers to cull aggressively.

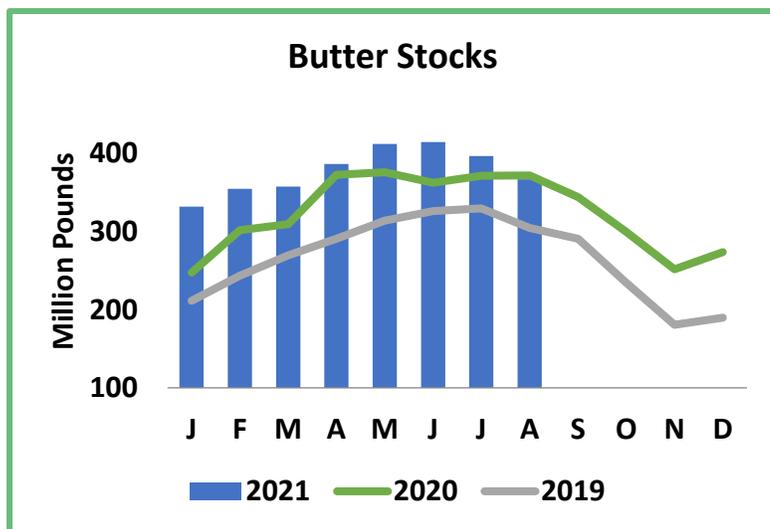
Slower growth in milk output on both sides of the Atlantic will support dairy product prices in the long run, particularly if cow numbers continue to decline. But now that fall has arrived, it would be foolish to expect milk yields to remain depressed. In the Upper Midwest, spot milk prices are starting to slip, signaling that milk is not as tight as it was a couple weeks ago.

Even at the height of the summer heat wave, there was clearly plenty of milk for cheese vats. Cheese stocks typically decline from July to August, and this year they dropped 21 million pounds. But that's less than the typical August decline, and stocks are extremely high.



There were just shy of 1.43 billion pounds in cold storage warehouses at the end of last month, 4% more than in August 2020 and the highest August tally on record. Inventories of American-style cheeses climbed from July to August,

as expanded Cheddar production capacity in Michigan and the Northern Plains caused cheese to pile up in those regions. At the CME spot market, Cheddar barrels shrugged of the news of the surplus stocks. They jumped 9¢ Monday to \$1.60 per pound and held their ground. Blocks, on the other hand, succumbed to the pressure. They fell 8.5¢ this week and closed at \$1.7075.

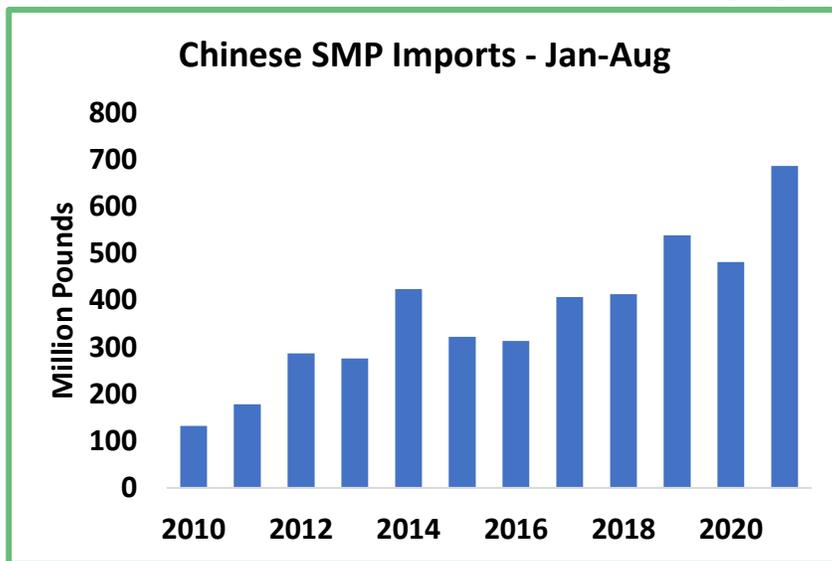


Butter supplies are less burdensome. There were 367 million pounds in cold storage at the end of last month, nearly 30 million pounds less than at the end of July. The butter drawdown season got off to an early start this

year, with stocks falling by a larger-than-typical margin in both July and August. Last month, butter inventories dropped 1.2% below year-ago levels. However, they remain much higher than they were before the pandemic, and there is plenty of butter to keep bakers well supplied through the holidays. Traders at the CME spot market certainly aren't worried about scarcity. They exchanged 48 loads this week and pushed prices down 6.25¢ to \$1.7275.

The powders moved higher. CME spot dry whey jumped 3.75¢ to 57.25¢, the highest value in nearly three months. Demand for high-protein whey concentrates remains formidable, which is keeping dry whey inventories in check.

Spot nonfat dry milk climbed to \$1.37 on Thursday, the highest price in nearly seven years. It closed today at \$1.36, matching the previous 2021 high and up a penny from last week. USDA's Dairy Market News reports that demand from Latin American buyers is firm, and that cheesemakers continue buying NDM to fortify production. But Dairy Market News also notes that some foreign buyers are less enthusiastic with prices at these heights.



Perhaps the most important factor in the milk powder markets is whether – or when? – China will stop buying. China has been importing skim milk powder (SMP) in unusually large volumes for a year, and stocks are climbing. But they haven't slowed yet. In August, China brought in 74.5 million pounds of SMP, an all-time high for the month. They also imported 163 million pounds of whole milk powder (WMP), 70% more than the previous August record. China is ravenous for dairy of all sorts. So far this year, they have imported more WMP, SMP, ultra-high temperature milk, whey powder, and cheese than in any January to August in history. Butter imports aren't record high, but they're still quite good. U.S. dairy producers benefit from China's healthy appetite, but not nearly as much as their peers. Aside from whey, U.S. dairy products face stiffer tariffs at Chinese ports than goods from most of our competitors due to our lack of free trade agreements and punitive taxes left over from the trade war.

After much back and forth the milk futures markets finished the week not far from where they began. Class III contracts ranged from 14¢ lower to 12¢ higher than last Friday's settlements. The trade in Class IV was narrower still, with most contracts moving only a few cents. The markets have converged in the low \$17 range. Given rising expenses, this is unexciting territory.

Grain Markets

The corn market is trapped in a trading range. End users are quick to bid whenever December corn futures slip toward \$5.15 per bushel. Farmers seem ready to sell when the market tops \$5.30. December corn settled today at \$5.2675, just a half-cent lower than last Friday. Soybeans were similarly stoic. The November contract closed at \$12.85, up a penny for the week. December soybean meal finished at \$339 per ton, down \$3.20.

As the harvest accelerates, the feed markets could be pushed out of their comfort zones if yields disappoint or impress. Barring that, things could stay quiet until the trade can better assess crop prospects in South America, where farmers are just getting ready to plant.



Governor Newsom Vetoes AB 616; Protects Integrity of Secret Ballot Process for Union Elections

By Kevin Abernathy, General Manager
Kevin@MilkProducers.org

On Wednesday, Governor Gavin Newsom vetoed Assembly Bill 616, which would have allowed farmworkers to participate in union elections via mail-in ballot. MPC worked with a broad coalition of agriculture groups in Sacramento to oppose passage of the bill and we applaud the Governor for taking a stand to uphold the integrity of the secret ballot process for our agricultural employees.

In his [veto message](#), the Governor wrote:

“AB 616 creates a new process for agricultural employees to elect a labor representative through a ballot card election. This bill contains various inconsistencies and procedural issues related to the collection and review of ballot cards. Significant changes to California’s well-defined agricultural labor laws must be carefully crafted to ensure that both agricultural workers’ intent to be represented and the right to collectively bargain is protected, and the state can faithfully enforce those fundamental rights.” – September 22, 2021

For a deeper dive on the provisions of AB 616, you can listen to the July 30, 2021 episode of the [“Capitol Farm Connection” podcast from the Agricultural Council of California](#). MPC is an Allied Member of [Ag Council](#), which represents more than 15,000 California farmers on legislative- and regulatory-related issues in Sacramento.



First Seasonal Outlook from WeatherAG

By WeatherAg Chief Meteorologist Scott Borgioli
Courtesy of [California Citrus Mutual](#)

The 2020-21 rainfall year (July 1-June 30) ended within the top 3-5 driest years since 1935 across the valley. Now dissipated, La Nina peaked in the low end “moderate” category, but mostly remained at a “weak” strength or borderline weak/moderate. Historically, weak La Nina’s are associated with below average precipitation across California whereas moderate strength La Nina’s typically result in above average precipitation from about Sacramento northward with below average to the south. You’ve all seen the reports and numbers, so I’ll move along here. Generally speaking, a La Nina has no effect on temperatures (locally).

Prospects of another La Nina:

La Nina is expected to form again across key portions of the Equatorial Pacific. This is not all that unusual. In fact, we have a meteorological term to describe it: “double-dip La Nina.” I’ve been monitoring this closely and watching sea surface temperature trends over the Equatorial Pacific. Overall, probabilities of another La Nina are nearly at 80%:

Continue reading the full seasonal outlook [here](#).



California Milk Advisory Board Producer Moosletter: Marketing & Promotional Campaigns | Farmer Influencers

Courtesy of the [California Milk Advisory Board](#)

The California Milk Advisory Board (CMAB) recently released its Summer Producer “Moosletter,” which provides an overview of some of the organization’s 2021 events and campaigns. Read the entire newsletter [here](#).

2021 Excelerator to Spotlight Performance and Recovery Product Innovation

The 3rd Annual Real California Milk Excelerator Dairy Innovation Competition has kicked off with \$650,000 in marketing support available for dairy products that offer performance and/or recovery attributes. The competition promotes dairy product innovation using Real California Milk, while focusing on the consumer prioritization of personal health and wellness in response to the pandemic.



Real California Milk Breakfast Stories Highlight Importance of Family & Breakfast

During months together at home during the pandemic, families rediscovered breakfast as an occasion to spent time together before the busy day. To encourage families to continue this time with breakfast (and, by association, with dairy) the CMAB created Real California Milk Breakfast stories, an extension of “The Day Can Wait” breakfast campaign.



“Snack Happy This Summer” With Real California Milk

While snacking is always popular, consumers took their snacking to a new level during the past year and nothing pairs with snacking like California dairy products. As consumers emerged outdoors to enjoy warm weather and social gatherings, the CMAB rolled out a retail campaign to capture summer snacking with Real California dairy.

Pete Vander Poel, Sr., Former MPC Chairman, League of California Milk Producers Director, Passes at 85 Years Old

By Bob Feenstra, Former MPC Executive Director



Pete Vander Poel was a Director at MPC for 30 years and Chairman for 20 years. I had the honor of working with him closely during that time and he had the keen ability to lead the industry on a variety of major key issues, including the inception of milk pooling and its various revisions. He was well recognized and respected by elected leaders and state officials. Pete was a true gentleman who worked tirelessly for the interest of the dairy industry in California. Not only was he my Director for many years, but he became a very close personal friend and he will be missed and remembered for his many years of service.

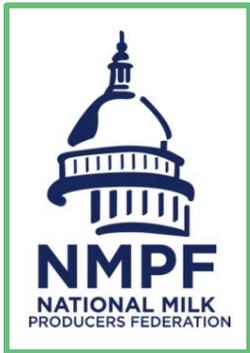
Obituary from *Visalia Times Delta*

Pete Vander Poel passed away on September 18th 2021 at the age of 85.

Pete is survived by his wife of 62 years, Jeanne Vander Poel. Together they had seven children. Cynthia of Chino, Jacquelyn and Joe Horchak of Tucson AZ, Brenda and Jeff Scott of Chino, William and Christie Vander Poel of Visalia, Mark and Gina Vander Poel of Tulare and Michael and Paula Vander Poel of Tulare. He was preceded in death by his eldest son Pete Vander Poel Jr. He is survived by 21 grandchildren and 20 great grandchildren.

Pete was a dairyman for all of his adult life. He served in the U.S. Army Reserves. He was a member of the Chino Valley Unified School District School Board, ran for California State Assembly and was President of the Milk Producers Council. Pete loved boating and deep sea fishing. He was still active working on his dairy as well as maintaining his beautiful yard and roses.

Pete's Celebration of Life will be held on Tuesday, September 28th in Tulare. For info email PeteVP2021@yahoo.com. A private Mass and burial will be held at a later date. In lieu of flowers, donations can be made to the individuals preferred church or charity in memory of Pete.



National Milk Producers Federation Update: Financial Incentives for Reducing Greenhouse Gases

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

Climate Smart Funding in Works, House Ag Panel Reviews Carbon Markets Congress is close to finalizing the specifics of significant new funding for conservation programs, with billions for climate smart agricultural practices included in the spending package Democrats are preparing to vote on this fall.

Last month, NMPF and the National Council of Farmer Cooperatives led a coalition of 12 agricultural and conservation organizations in a letter urging support for conservation funding that will help dairy and other farmers build on their ongoing environmental stewardship practices. This effort has important potential to help us fulfill the goals of the Net Zero Initiative. NMPF is optimistic that funds will be targeted toward working lands programs that hold the most environmental mitigation potential for dairy producers.

One key to making progress on NZI is the establishment of financial incentives for reducing greenhouse gases. Toward that end, the House Agriculture Committee held a [hearing](#) yesterday to review how carbon markets would benefit farmers. Reps. Jim Costa (D-CA) and Jim Baird (R-IN) highlighted important practices that could aid in dairy's use of these markets. Witnesses included the Ecosystem Services Market Consortium, which brings together a wide array of stakeholders and is piloting programs in several states. NMPF works closely with ESMC in tandem with Newtrient and the Innovation Center for U.S. Dairy.

Following the hearing, Ag Committee Chairman David Scott (D-GA) indicated that the panel would at some point vote on the Senate-passed Growing Climate Solutions Act. This bipartisan NMPF-backed bill would enable USDA to informally endorse technical service providers that help farmers implement practices that can generate carbon and other environmental credits.