MPC Weekly Friday Report

Date: June 11, 2021
To: Directors & Members
From: Kevin Abernathy, General Manager
Pages: 7

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MPC Friday Market Update

Chicago Cheddar Cheese		
Blocks	*N.C.*	$1.5000
Barrels	*+ $.0575*	$1.6725
Weekly Average Cheddar Cheese		
Blocks	*- $.0245*	$1.4805
Barrels	*+ $.0149*	$1.6080

Chicago AA Butter		
Weekly Change	*+ $.0175*	$1.7925
Weekly Average	*- $.0070*	$1.7830
Dry Whey		
Dairy Market News	w/e 06/11/21	$.6250
National Plants	w/e 06/05/21	$.6530

Non-Fat Dry Milk		
Week Ending 06/05/21		
Nat'l Plants	$1.2680	12,019,970
Prior Week Ending 05/29/21		
Nat'l Plants	$1.2595	21,552,548

California Federal Milk Marketing Order Price Projections

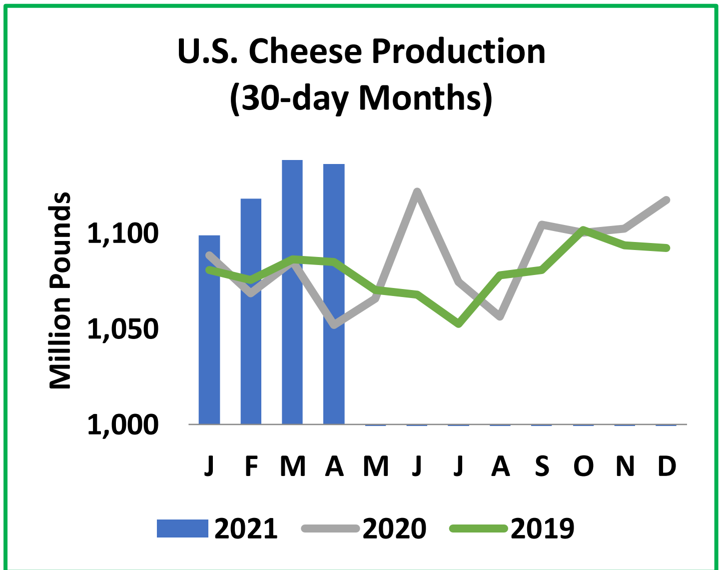
Price Projections	Class I Actual *(range based on location)*	Class II Projected	Class III Projected	Class IV Projected
June 11 Est	$19.89 - $20.39	$16.71	$17.25	$16.56
Last Week	$19.89 - $20.39	$16.69	$17.31	$16.48

Milk, Dairy and Grain Market Commentary

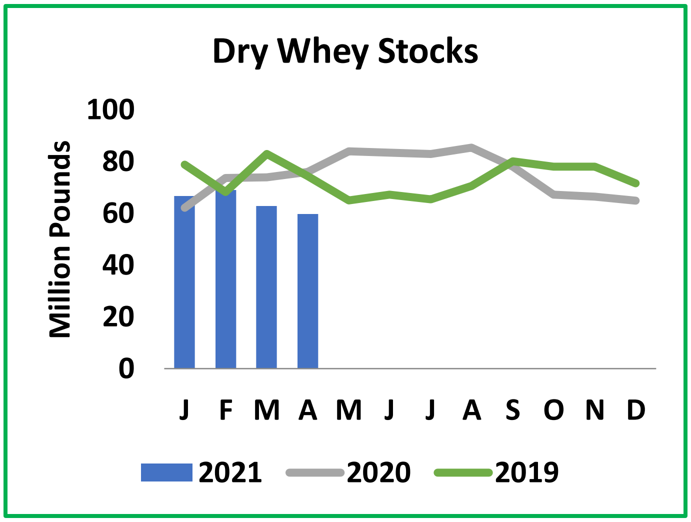
By Sarina Sharp, Daily Dairy Report
Sarina@DailyDairyReport.com

Milk & Dairy Markets

Although summer is off to a sweltering start in much of the nation, there is still plenty of milk. In the Upper Midwest, excess tankers are selling at $5 to $6 under class, and cheese plants are running full throttle. Thankfully, demand is strong. Retailers continue to place big orders, and foodservice demand is generally steady. Exports are booming. The U.S. sent a record-shattering 89.1 million pounds of cheese abroad in April, up 51% from a year ago. USDA's *Dairy Market News* reports that lower prices today are attracting more orders, and Asian buyers are particularly happy to bargain shop.

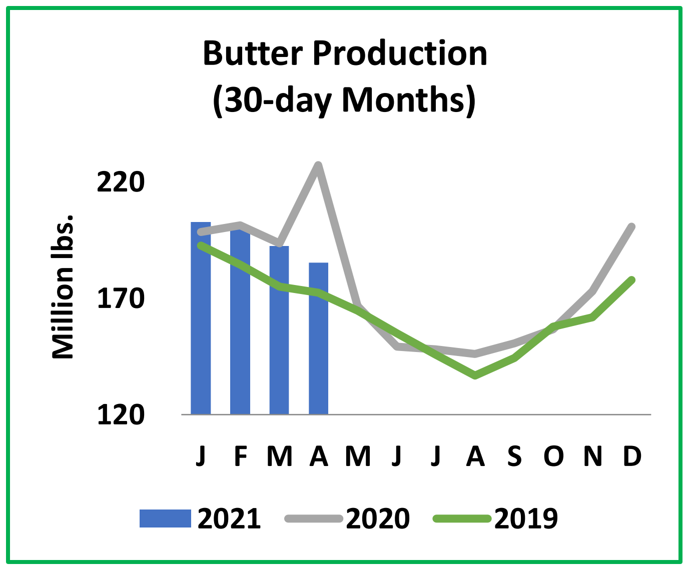


Still, there is plenty of fresh cheese to be had. Processors unloaded 52 cars at the CME spot market this



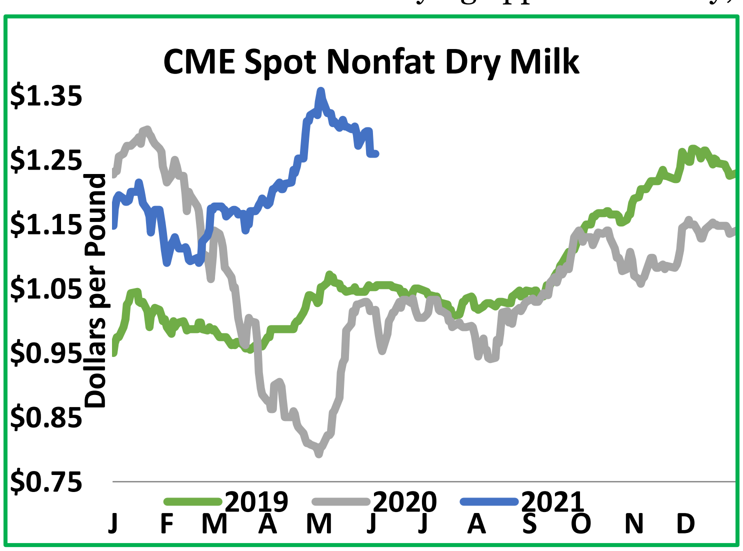
week. Blocks held steady near 13-month lows at $1.50 per pound. Barrels ascended again. They added 5.75¢ from Friday to Friday and reached $1.6725. The futures were unimpressed. There is quite a gap between the CME spot Cheddar average and July cheese futures. Spot Cheddar will have to strengthen to forestall a selloff in nearby cheese and Class III futures.

CME spot whey powder bounced back this week, climbing 2.5¢ to 62.75¢. Demand for high-protein whey products remains robust, which is keeping dry whey output in check despite formidable cheese production. U.S. whey protein concentrate exports are off to their strongest start on record, and shipments of whey protein isolates to foreign buyers jumped 13.3% from 2020 in January through April. But whey exports are starting to slow. Backups at the ports, a shortage of shipping containers, and stiffer competition from Europe are taking a toll. Closer to home, some buyers have balked at historically high prices. However, whey powder stocks remain tight.

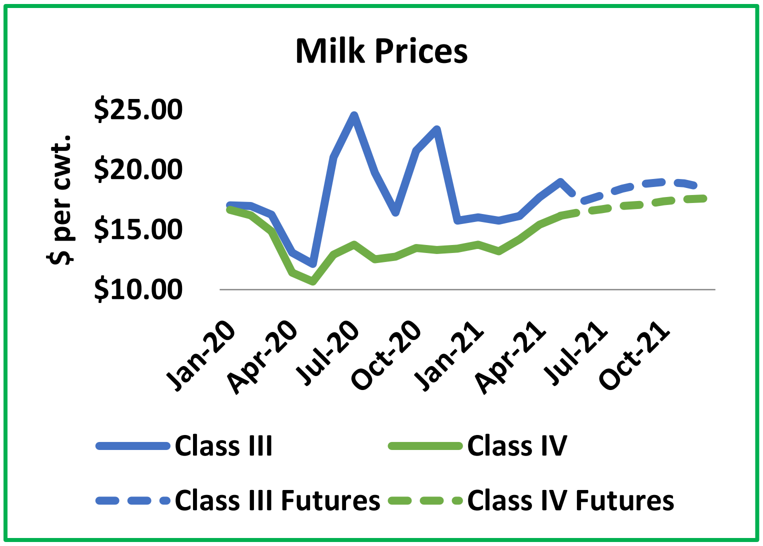


The Class IV products moved higher. CME spot butter rallied 1.75¢ to $1.7925. Cream is plentiful, particularly in the West. Foodservice orders continue to climb, but retail butter demand has softened. U.S. butter exports leapt more than three-fold in April to the highest monthly volume in nearly seven years. That helped the U.S. to flip to a net butter exporter in April, although, at 1.85 million pounds, the trade surplus remains relatively small.

CME spot nonfat dry milk (NDM) jumped 4¢ this week to $1.30. As usual, the tail end of the spring flush has collided with the summer slowdown in school milk programs, and dryers are running hard. Domestic users have been buying opportunistically, stepping up purchases when the price ticks down, and then backing off again as values rise. U.S. NDM exports fell short of the record volumes set in March but were still 16% greater than those of April 2020. China remains hungry for foreign milk powder, and shipments to Mexico accelerated. Industry contacts suggest that NDM sales to Mexico are likely to remain strong.



Nearby Class IV futures moved a little higher this week, and the September contract jumped 27¢. The futures project that Class IV values will inch higher through the rest of the year. Prices range from $16.56 per cwt. in June to $17.70 in December. Class III futures fell back, helping to close some of the gap between the low spot cheese market and loftier futures. Most contracts lost just a few cents, but the July contract fell 33¢ to $17.53. August through December futures are trading well north of $18.



In a normal year, $17 and $18 milk is more than enough to pay the bills. But amid higher feed costs, rising wages, and a trucker shortage, expenses are adding up quickly. Losses are accumulating, especially for those producers who suffered from last year's depooling and this year's spike in feed costs. In recent weeks there have been noticeably more heifers for sale, and more chatter about dairy producers ready to exit the business, either due to their own fatigue or at the behest of their banker. But there are also expansions underway, and dairy producers in regions with onerous supply management programs stand ready to fill any vacuums left by their peers who sell out. In some cases, the cows will simply move a few miles down the road, and the milk will keep flowing. In others, dairy producers who have been held back by base programs will be given the opportunity to step up milk yields incrementally as their neighbor makes room. We're likely to hear of more sellouts in the near future, but the U.S. dairy herd is massive, and it will take many months of red ink to push milk production noticeably downward.

Grain Markets

Like a fairgoer on a bungee trampoline, the old crop corn market shot breathlessly higher, dropped with stomach-churning speed, and then did it all over again. But, just like all carnival riders, corn futures ended up right back where they started, albeit a little sweaty and full of adrenaline. July corn closed today at $6.845 per bushel, up less than 2¢ from last Friday. New crop futures strengthened. The December contract closed at $6.0975, up 18.25¢.

Exactly a year ago, USDA projected that we would end the 2020-21 crop year with an extra 3.3 billion bushels of corn, nearly a quarter of annual demand. That would have been the highest end-of-season stocks to use ratio in nearly three decades. But corn acreage was significantly lower than USDA had anticipated, and the derecho and other crop issues dragged on yields. Farmers grew 14.2 billion bushels of corn last year, well short of USDA's June 2020 projection of nearly 16 billion bushels. Meanwhile, exports soared and total demand ballooned to a record-shattering 15 billion bushels. With the benefit of hindsight, USDA is now calling for end-of-season corn stocks at just 1.1 billion bushels and a stocks to use ratio of just 7.4%, a 25-year low. July corn futures are holding near $7 per bushel, and cash corn values are not expected to drop anytime soon.

Hopefully, we'll grow a bumper crop this year, which will ease the shortage and weigh on corn prices in the fall. Later this month, USDA will revise its acreage forecasts, and the industry is counting on a significant increase in corn area. Yields are harder to predict. The crop is off to a great start in much of the Corn Belt and in the Southeast, but it's dishearteningly dry in the Dakotas and the crop in the northern states is looking parched. Next week's rains will be crucial.

Soybean futures plummeted. The July contract fell more than 75¢ to $15.085. Concerns about a potential slowdown in soybean oil usage for biofuels weighed heavily on the soy complex. Soybean meal futures also moved lower. The July contract lost nearly $13 and settled at $383.30 per ton.

Madera County Groundwater Sustainability Agency Makes a Big Decision

By Geoff Vanden Heuvel, Director of Regulatory and Economic Affairs
Geoff@MilkProducers.org

During the last big drought in 2014, the California Legislature passed the Sustainable Groundwater Management Act (SGMA). This historic law mandated that all groundwater in California come under the jurisdiction of the government (California was the last western state to adopt regulations for the pumping of groundwater).

The purpose of the law is basically to eliminate overdraft, that is, the pumping of more water out of the ground than the amount that is recharged, either naturally or intentionally. The law wisely places the primary responsibility for regulating groundwater in the hands of local government entities, with the state reserving authority to step in if the locals fail to do the job. It also recognized that it would take a long time to bring the groundwater resources of California into sustainable balance. The target deadline for sustainability is the year 2040, however steady progress must be demonstrated in the meantime.

A lot has been accomplished in the last six years. During that time, all of California's groundwater was covered by hundreds of newly formed Groundwater Sustainability Agencies (GSAs). All the subbasins designated as "critically overdrafted" by the state submitted legally required Groundwater Sustainability Plans (GSPs) by the January 31, 2020 deadline. The GSAs are now implementing those plans, and the impact of those plans on local farmers is directly proportional to the amount of surface water available to that local area. As areas formed GSAs, there was a tendency by water districts with surface water rights to form a GSA that covered just their jurisdiction, leaving undistricted land to fend for itself. In some areas – Madera County being a prime example – the land not in surface water districts ended up being bunched together in a GSA with the county government responsible for providing SGMA coverage.

The Madera County GSA encompasses about 233,000 acres in three subbasins. It has 185,000 acres in the Madera Subbasin of which 85,000 acres are irrigated. It has 45,000 acres in the Chowchilla Subbasin of which 38,000 are irrigated and there are 3,000 acres in the Delta Mendota Subbasin of which 2,100 are irrigated. The Madera County GSA has been granted 90,000 acre-feet of annual "sustainable yield" in the Madera Subbasin and 22,500 acre-feet of annual sustainable yield in the Chowchilla Subbasin. In addition, the GSP grants access to "transition water" in each subbasin. Transition water is overdraft that is allowed as the GSA moves to a sustainable condition by 2040. It is a declining amount of water that, for a fee, will be available to farmers to cushion the curtailing of groundwater pumping.

The issue the Madera County Board of Supervisors – acting as the governing board of the Madera County GSA – had to deal with this week is how to allocate the sustainable yield and the transition water to the acres in the GSA. Would they allocate it to every acre or just to the irrigated acres? In the Madera Subbasin portion of the GSA, there are about 100,000 acres of unirrigated land in addition to the 85,000 acres of irrigated land. Allocating groundwater to the unirrigated lands would greatly reduce the amount of water available to the irrigated lands and would necessitate the establishment of a mechanism to enable that allocated water to be transferred to the irrigated acres that need it.

Representatives of the unirrigated lands made their case to the Board that fairness dictated that everyone should get a share of the water allocation. Others made the case that the purpose of the transition water is to soften the economic impact irrigated agriculture faces in ramping down groundwater usage to sustainable levels. It was a very tough political call for the Supervisors. A motion was made to allocate the sustainable yield and the transition water to irrigated acres only, with some instructions to county staff to work with the dairy industry in providing some timing flexibility to the ramp down schedule. This was noted due to the reality that dairies operate under Nutrient Management Plans tied to specific farmable acres and a reduction of those acres will cause permit compliance issues with the Central Valley Water Quality Control Board.

The motion passed unanimously. It was a very hard decision for the Board to make – politicians do not like votes that will displease some of their constituents. SGMA forces local officials to either make these decisions or the state will come in and take over. Now that the decision has been made to allocate pumping amounts to irrigated farming, making a water supply budget becomes possible and creating the opportunity to receive groundwater credits for supplemental recharge projects also becomes possible.

SGMA is a game changer in the Central Valley. Very dry years add pressure and stress to an already difficult situation. A lot has changed since the last drought. We have a plan and communities are working to implement their plans. It requires more infrastructure to capture more water when we have wet years and a steady calm when the inevitable dry period comes our way. Droughts are to be expected in California. We must do better in the wet times to get us through the dry times. That is the message we need our leaders to understand. This week, it was the Madera County GSA's turn to make a courageous and difficult decision. They met the moment.

Golden State Dairy Newsletter

Courtesy of the University of California Agriculture and Natural Resources

University of California Agriculture and Natural Resources recently released its latest Golden State Dairy Newsletter. Excerpts are below and you can read the entire update here.

Almond Hulls: A Valuable, yet Highly Variable, Byproduct Feedstuff

By: Ed DePeters, Katie Swanson, Hannah Bill – UC Davis Animal Science; Jed Asmus – January Innovation & Jennifer Heguy – UCCE Merced, Stanislaus & San Joaquin Counties

Field weight at almond harvest is 23% nuts, 14% shells, 13% debris and 50% hulls. Shells are often used for bedding material. Hulls are an excellent byproduct feedstuff that are fed to lactating dairy cows because of their high sugar content. However, because the hulling process cannot remove all of the sticks and shells from the nutritious hull fraction, almond hulls are highly variable in nutrient and energy composition.

The aim of our research was to determine the chemical composition of almond hulls and the impact of total debris (sticks and shells) contamination on the chemical composition (quality) of almond hulls. There is surprisingly little information on the composition of almond hulls. The information that is available has not identified the contribution and impact of total debris on feeding value of commercial almond hulls.

Nutrient Content of Vacuumed Manure
By: Nicholas Clark – UCCE Kings, Tulare & Fresno; Dr. Anthony Fulford – UCCE San Joaquin, Stanislaus & Merced; Joy Hollingsworth – UCCE Fresno, Madera, Kings & Tulare & Dr. Deanne Meyer – UC Davis & UCANR

Would you consider using a vacuum to collect manure? This is an option for producers who want to reduce manure loading to lagoons or move manure nutrients off-site. Vacuums used in California come in two basic models: self-propelled or attach to a tractor.

Vacuumed manure is a slurry. It does not stack. Data from a current project funded by the California Dairy Research Foundation provide insight to the nutrient content of vacuumed manure.

Calf and Herd-Level Passive Immunity: New Industry Guidelines
By: Dr. Noelia Silva-del-Río - UC Davis & UCANR; Rúbia Branco Lopes - UC Davis; Laura Latorre - Universidad Nacional de Colombia & Jennifer Heguy - UCCE Merced, Stanislaus & San Joaquin Counties

Calves are born without maternal immunity; the bovine placenta prevents transfer of immunoglobulins, such as IgG, from the dam to the fetus. Thus, immunity must be acquired passively from colostrum.

Providing newborn calves with adequate IgG supply from colostrum is an essential management practice. For decades, industry guidelines defined failure of transfer of passive immunity (FTPI) as when calves had serum IgG concentrations below 10 g/L at 24 to 48 h of life. Calves with FTPI are not only at greater risk of illness and death during the preweaning period, but they will also have lower feed efficiency and milk yield as mature cows.

Vacancy on Central Valley Dairy Representative Monitoring Program Board

Courtesy of the Central Valley Dairy Representative Monitoring Program (CVDRMP)

The Central Valley Dairy Representative Monitoring Program (CVDRMP) is seeking interested owner/operators of Central Valley dairies, beef feedlots, calf or heifer ranches to serve on CVDRMP's Board of Directors. The Board currently has a vacancy through the end of 2022 in District 5 (San Joaquin County and all Central Valley counties to the north).

CVDRMP's 12-member board includes 10 directors who serve in defined geographical districts and two at-large positions. CVDRMP directors govern the activities of this not-for-profit coalition of dairy producers and cattle operators, which was formed in 2010 to provide a lower-cost alternative to meet groundwater monitoring requirements for dairies in the Central Valley. To qualify for this appointment to the Board, interested parties must be a CVDRMP member in District 5.

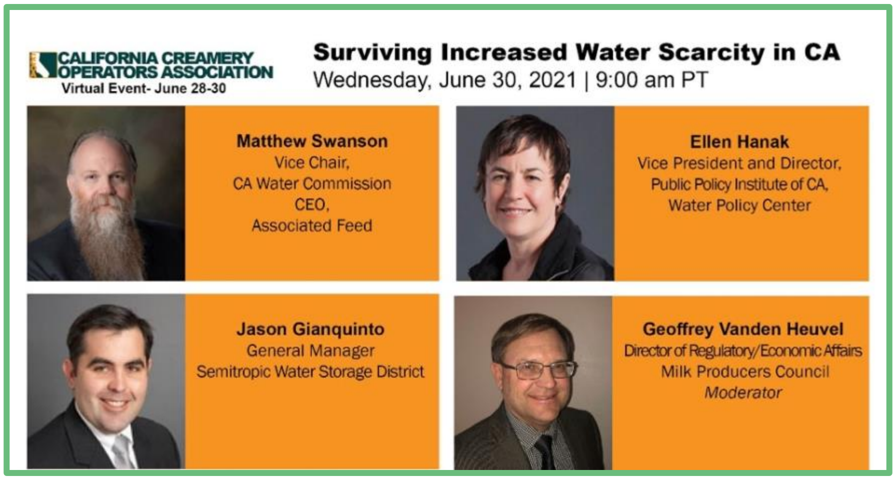
Interested parties should submit brief biographical information (especially where and how long the applicant has owned or operated a qualifying facility) and contact information to cvdrmp@gmail.com. Please include the words "board vacancy" in the subject line.

More information about CVDRMP is available here.

Reminder: Limited Number of Free Registrations Available for California Creamery Operators Association Meeting

By Geoff Vanden Heuvel, Director of Regulatory and Economic Affairs
Geoff@MilkProducers.org

There are still a few **complimentary registration** spots available for dairy farmers to tune-in to the California Creamery Operators Association Meeting, which will be held virtually June 28-30. The agenda includes more than 20 speakers who will discuss federal dairy policy, water, consumer trends, international markets and more.



On June 30 at 9 a.m., I will moderate a panel of California water thought leaders who will discuss how our state and industry will navigating increasing water scarcity. MPC is proud to be a sponsor of this conference and we encourage our members to take advantage of the limited complimentary registrations by contacting Jennifer Bingham at jbingham@westcoastadvisors.com.