

MPC WEEKLY FRIDAY REPORT

DATE: JULY 23, 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	- \$.0300 \$1.5850	WEEKLY CHANGE	+ \$.0175 \$1.6950	WEEK ENDING 07/17/21	
Barrels	- \$.0375 \$1.4025	WEEKLY AVERAGE	+ \$.0125 \$1.7085	NAT'L PLANTS \$1.2501 19,632,188	
WEEKLY AVERAGE CHEDDAR CHEESE		DRY WHEY		PRIOR WEEK ENDING 07/10/21	
Blocks	- \$.1270 \$1.5700	DAIRY MARKET NEWS	W/E 07/23/21 \$.5850	NAT'L PLANTS \$1.2557 15,042,354	
Barrels	- \$.1680 \$1.3965	NATIONAL PLANTS	W/E 07/17/21 \$.5968		

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 23 EST	\$19.02 - \$19.52	\$16.82	\$16.59	\$15.96
LAST WEEK	\$19.02 - \$19.52	\$16.83	\$16.68	\$15.93



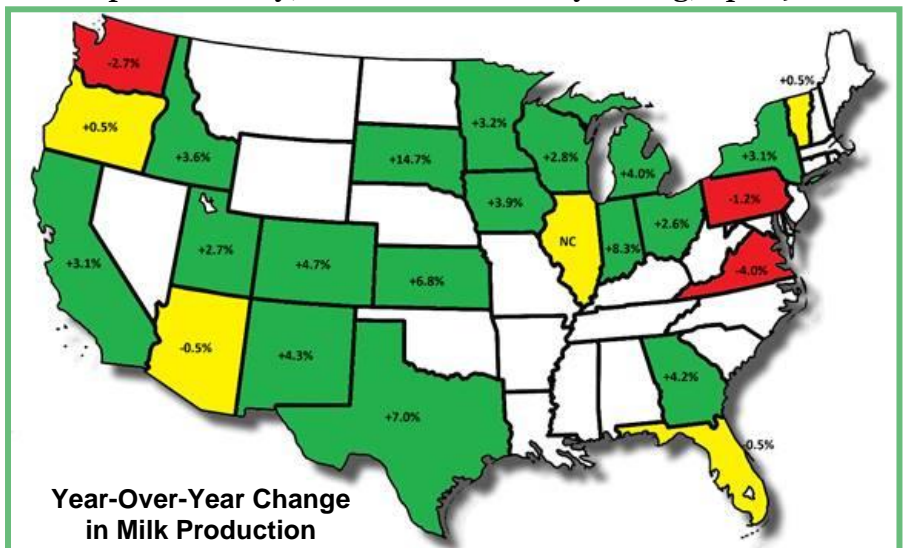
Milk, Dairy and Grain Market Commentary

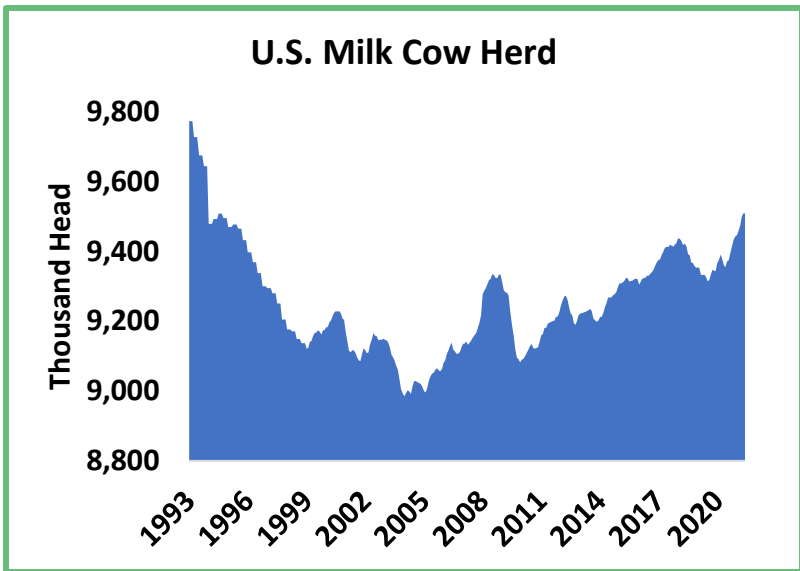
By Sarina Sharp, Daily Dairy Report

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Milk & Dairy Markets

Milk abounds. U.S. milk output reached 18.955 billion pounds in June. While that is down from the peak volumes reported in April and May, it is still historically strong, up 2.9% from June 2020. The heat wave sapped production in the Pacific Northwest last month, and the region has suffered even higher temperatures and greater stress in July. Industry consolidation has reduced output in some Eastern states, as cows move to states with better margins. But in the rest of the nation, milk output grew noticeably. California made a strong showing, with output up 3.1% from a year ago. The increase was driven entirely by higher milk yields. Second-ranked Wisconsin was not far behind, posting a 2.8% gain. In



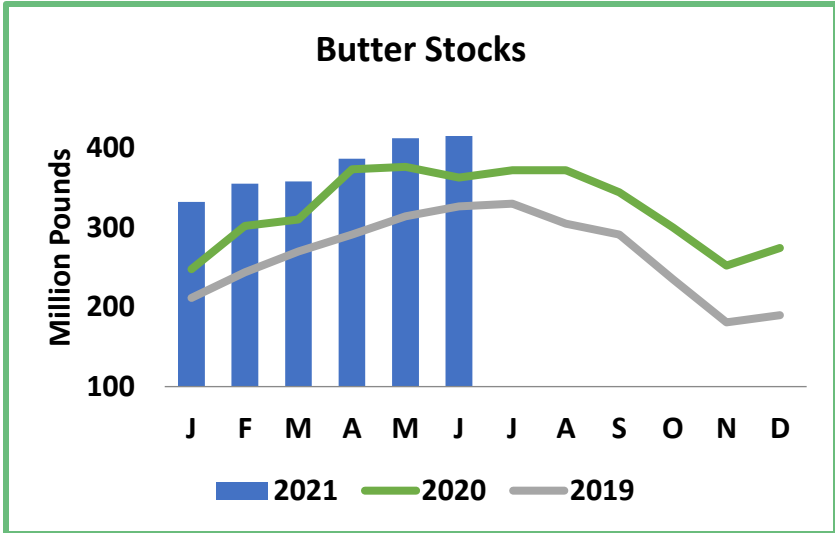
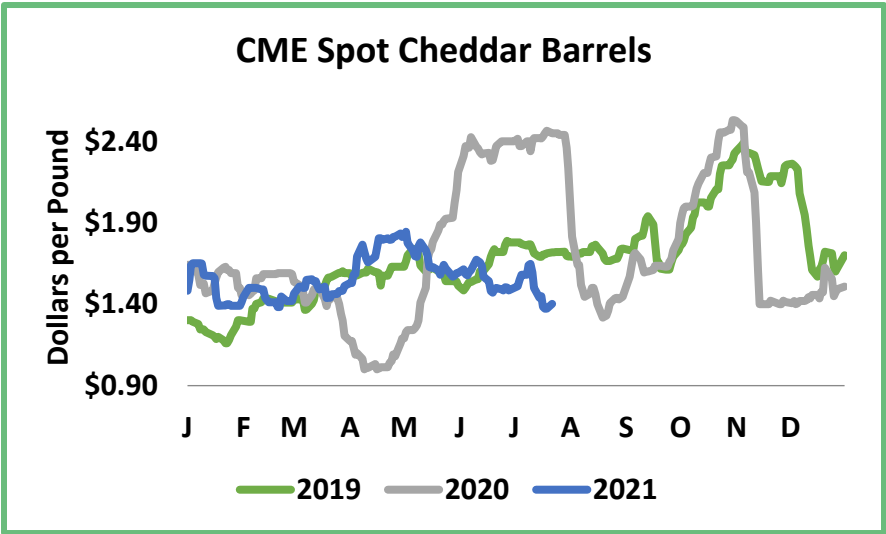


Texas and Idaho, production climbed 7% and 3.6%, respectively. It's hard to imagine how much milk would be pouring through these states in the absence of onerous supply management programs. In the Northern Plains and Midwest, dairy producers are quickly adding cows and milk to fill up new cheese capacity.

For the first time in a year, dairy producers scaled back the dairy herd in June. But the decline was modest, at just 1,000 head. The herd is still massive. Dairy producers collectively milked 9.508 million cows last month. That's up 153,000 from last year and – excluding May 2021 – it's the largest

dairy herd since 1993. Slaughter volumes in recent weeks have been a bit higher than normal for mid-summer, but nowhere close to a liquidation pace. It's going to be hard to slow milk output significantly with this kind of cow power. Meanwhile, fluid milk sales are in the summer doldrums. That's left plenty for manufacturers, who are topping up vats and running churns. Despite the heat, there are long lines at the drier.

USDA's *Dairy Market News* cites strong demand for cheese across the nation. The Cold Storage report confirmed this, showing a 23-million-pound decline in cheese stocks from May to June. Still, at 1.435 billion pounds, June 30 cheese inventories were up 1.3% from a year ago, marking the highest mid-year cheese stockpile on record. Heavy inventories and strong output continued to weigh on pricing this week. On Wednesday, CME spot Cheddar barrels fell to an 11-month low at \$1.3725 per pound. After a partial comeback, barrels finished at \$1.4025, down 3.75¢ from last Friday. Blocks dropped 3¢ this week to \$1.585. Prices have fallen low enough to attract the notice of importers, particularly from Asia. Despite all the headaches of international shipping in a world bogged down by shortages, exports remain a bright spot and a vital outlet for an industry flush with excess.



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Butter inventories typically decline from May to June, but this year they grew,

which suggests that output is outpacing demand. At 414.5 million pounds, butter inventories are larger than they've been in any month since 1993, and they topped those of June 2020 by more than 14%. Buttermakers tell USDA's *Dairy Market News* that sales are starting to soften. Nonetheless, the spot market rallied. CME spot butter finished at \$1.695, up 1.75¢ from last Friday.

Spot milk powder held steady this week at \$1.2525 per pound. But manufacturers report sales at lower values, and international orders are beginning to slow. At the Global Dairy Trade auction on Tuesday, both whole

milk powder (WMP) and skim milk powder (SMP) prices dropped for the fourth consecutive event, and the losses were significant. Compared to the previous auction, WMP prices fell 3.8%, while SMP values plummeted 5.2%. The selloff suggests that international demand for milk powder has waned. But the data show that China, the world's largest buyer, remained hungry for product through June. Last month China purchased far more SMP and more WMP than during any other June on record. For the year to date, Chinese SMP imports are up 47% from last year and up 29% from the record set in 2019. China's WMP imports inched just ahead of the record pace set in 2014 and are 30.3% greater than the first half of 2020. Has China overstocked, or is their appetite truly insatiable? The answer will have a huge impact on the nonfat dry milk and Class IV markets.

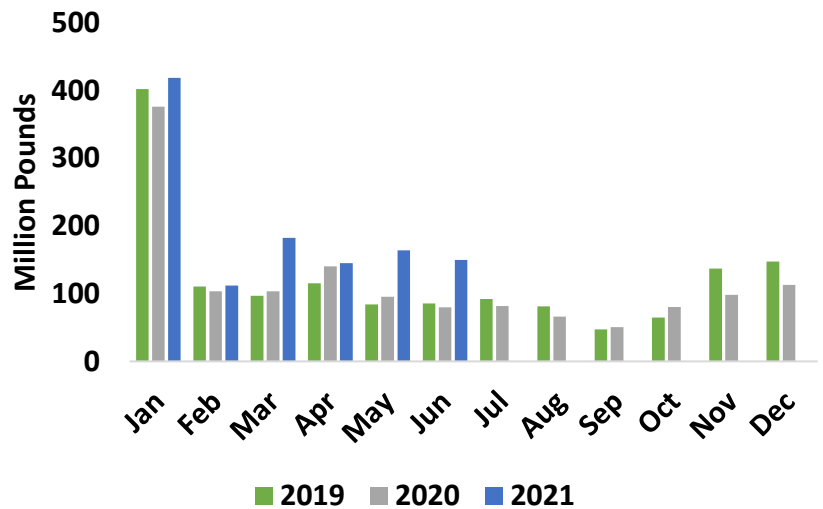
Class IV futures shook off the relatively positive moves in the spot market. They finished mostly lower than last week, with third quarter contracts holding just south of \$16.00 per cwt. Despite a late-week rally, Class III futures also settled in the red. The August contract fell 32¢ to \$16.47. These values are certainly uninspiring for dairy producers, but they're likely not low enough to foster a major shift from expansion to contraction. We've got a lot of cows that will give a lot of milk for the rest of the year.

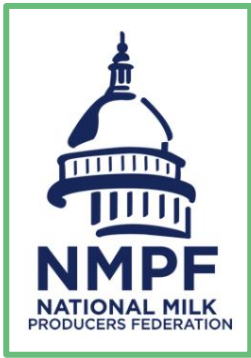
Grain Markets

The corn market leapt to a three-week high on Wednesday, but then faded. September corn closed today at \$5.4725 per bushel, almost a dime lower than last Friday. August soybean meal finished at \$353.60, down nearly \$10 per ton.

After several weeks of good rains, the corn crop in the central and eastern Corn Belt is pollinating under excellent conditions. To the west, soil moisture is less ideal, and much of Minnesota and the Dakotas are downright parched. But, by and large, the market expects a lot of corn come harvest. Meanwhile, there are indications that demand might not be as massive as once thought. Weekly corn and soybean export sales have slowed of late. And legislators are discussing modifications to the Renewable Fuels Standard. Some hope to end the ethanol blending mandate altogether now that greener alternatives are viable. If enacted, this change would surely reduce corn for ethanol demand. But bureaucracy moves slowly, and headlines are not policy. Supplies are still tight, and the weather matters more than Washington at the moment.

Chinese Whole Milk Powder Imports





National Milk Producers Federation Capitol Hill Update

By Jim Mulhern, President & CEO
[National Milk Producers Federation](#)

Senate Committee Explores Importance of Immigrant Farm Workers

The Senate Judiciary Committee heard Wednesday from a variety of stakeholders – including a former dairy farmer – about the urgent need to reform immigration policy.

Illinois farmer Linnea Kooistra, whose family sold their dairy cows three years ago in part because of concerns about the availability of farm labor, said that the situation continues to worsen for farm employers, and that domestic workers “just aren’t there, even with good pay and good benefits.” We collaborated with Linnea and echoed her comments [in a statement](#) supporting efforts to create a guestworker program that dairy farmers can access.

Agriculture Secretary Tom Vilsack told the committee that USDA supports an update to farm labor laws, and the panel also heard from farmers of other commodities. However, several Republicans on the Judiciary Committee expressed lack of support for efforts such as the Farm Workforce Modernization Act, a bill that would grant legal status to undocumented workers, until the Biden Administration makes more progress in securing the southern border against an influx of immigrants. “You don’t provide amnesty first and hope people don’t keep coming. You secure the border and then you provide legal status,” said Sen. Lindsey Graham (R-SC), who has given support in the past to aspects of immigration reform.

Senate Democrats are reportedly considering using the budget reconciliation bill to pass some elements of immigration reform if they can’t achieve bipartisan agreement.

Vote Delays, Doesn’t Derail Infrastructure Spending Package

Talks in the Senate on the bipartisan, \$579 billion infrastructure deal will continue despite a vote Wednesday against a procedural step by Senate Majority Leader Chuck Schumer to move the bill forward. The motion, which needed 60 votes to pass, failed 49-51.

Republican senators, including those who were part of the negotiations on the package, told Schumer that until the detailed bill text is made available, they wouldn’t support moving to consider the bill. After further wrangling yesterday over pharmaceutical prices, the holdup appeared to ease, with senators saying they hope to have final text and a budget score on the plan by Monday. Schumer is also working to build support from fellow Democrats for the budget resolution to pave the way for the much larger, \$3.5 trillion spending package that the Senate is expected to tackle later this year.

House Leaders Introduce School Milk Nutrition Act

Reps. Joe Courtney (D-CT) and Glenn ‘GT’ Thompson (R-PA) this week reintroduced their bipartisan bill, H.R. 4635, to allow schools the option of offering low-fat flavored milk. This legislation, if passed, will codify into law the regulatory allowance that USDA has given school systems in recent years.

NMPF has worked with the bill’s lead sponsors to secure a total of nearly 40 bipartisan cosponsors, including key members in both parties on the Education & Labor Committee, which maintains jurisdiction over the issue, as well as numerous members of the Agriculture and Ag Appropriations panels.

The House's Fiscal Year 2022 Agriculture-FDA Appropriations measure (H.R. 4356) contains the provision NMPF secured last year to temporarily extend the low-fat flavored option, but this Courtney-Thompson bill helps position the dairy sector to secure a long-term fix within child nutrition legislation that hopefully both the House and Senate will consider in the coming months.

Senate Bill Introduced to Advance NMPF Investment Tax Credit Proposal

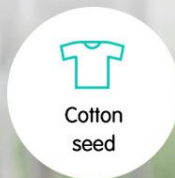
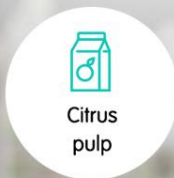
Senators Sherrod Brown (D-OH) and John Thune (R-SD) this week reintroduced the NMPF-developed legislation to provide a 30 percent Investment Tax Credit to cover the upfront capital costs of biogas and nutrient recovery technologies – a development crucial to help advance the goals of the dairy industry's Net Zero Initiative.

The language of the Agriculture Environmental Stewardship Act, S. 2461, is already included in Senate Finance Chairman Ron Wyden's (D-OR) Clean Energy for America Act (S. 2118), a larger energy tax package approved by the Finance Committee earlier this summer. While we are hopeful that this larger package will be inserted into infrastructure legislation currently under development, we welcome the introduction of this specific bipartisan marker bill to position the provision for inclusion in other vehicles as well. Reps. Ron Kind (D-WI) and Tom Reed (R-NY) introduced this measure in the House last month.

Cows that eat byproducts HELP SAVE WATER



Around **40%** of a California dairy cow's diet consists of byproducts from food and fiber production — meaning less water (**1.3-trillion gallons** of water a year) and other resources used for cow feed.





The **amount of water** used to produce each gallon of California milk has decreased more than



↓ **88%**

over the past 50-plus years, primarily due to:



improved feed
crop production



use of byproducts
as feed



water use
efficiency

California's **WATER USAGE NUMBERS**

50%

Environment

wild and scenic,
bay-delta outflow
and managed wetlands

"Fifty percent of the water in California goes to protect the environment. Forty percent goes to agriculture and about 10 percent goes to urban and commercial uses."

— Gov. Jerry Brown, 2015

40%

Agriculture

food and fiber production

10%

Urban and suburban

Source: Department of Water Resources

