

# MPC WEEKLY FRIDAY REPORT

DATE: FEBRUARY 4, 2022  
 TO: DIRECTORS & MEMBERS  
 FROM: KEVIN ABERNATHY, GENERAL MANAGER  
 PAGES: 6



P.O. Box 4030, Ontario, CA 91761 • (909) 628-6018  
[Office@MilkProducers.org](mailto:Office@MilkProducers.org) • [www.MilkProducers.org](http://www.MilkProducers.org) • Fax (909) 591-7328

## MPC FRIDAY MARKET UPDATE

<b>CHICAGO CHEDDAR CHEESE</b>		<b>CHICAGO AA BUTTER</b>		<b>NON-FAT DRY MILK</b>	
Blocks	+ \$.1100	\$1.9000	WEEKLY CHANGE	-\$ .0400	\$2.5000
Barrels	+ \$.1525	\$1.8950	WEEKLY AVERAGE	-\$ .1280	\$2.4855
<b>WEEKLY AVERAGE CHEDDAR CHEESE</b>		<b>DRY WHEY</b>		<b>WEEK ENDING 01/29/22</b>	
Blocks	+ \$.1085	\$1.8695	DAIRY MARKET NEWS	W/E 02/04/22	\$ .7900
Barrels	+ \$.1200	\$1.8325	NATIONAL PLANTS	W/E 01/29/22	\$ .7380
				<b>LAST WEEK ENDING 01/22/22</b>	
				NAT'L PLANTS	\$1.6813 21,380,288
				NAT'L PLANTS	\$1.6655 18,252,722

## 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
FEB 4 EST	\$23.24 - \$23.74	\$23.04	\$20.70	\$23.45
JAN `22 FINAL	\$21.31 - \$21.81	\$22.83	\$20.38	\$23.09



### Milk, Dairy and Grain Market Commentary

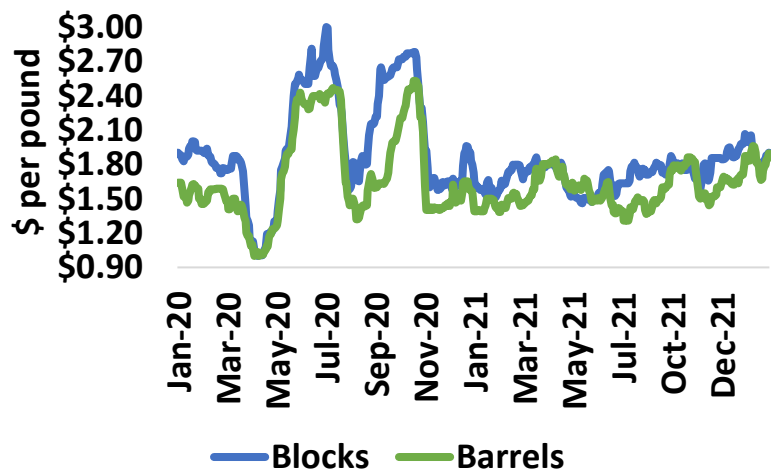
By Monica Ganley, Daily Dairy Report  
[Monica@DailyDairyReport.com](mailto:Monica@DailyDairyReport.com)

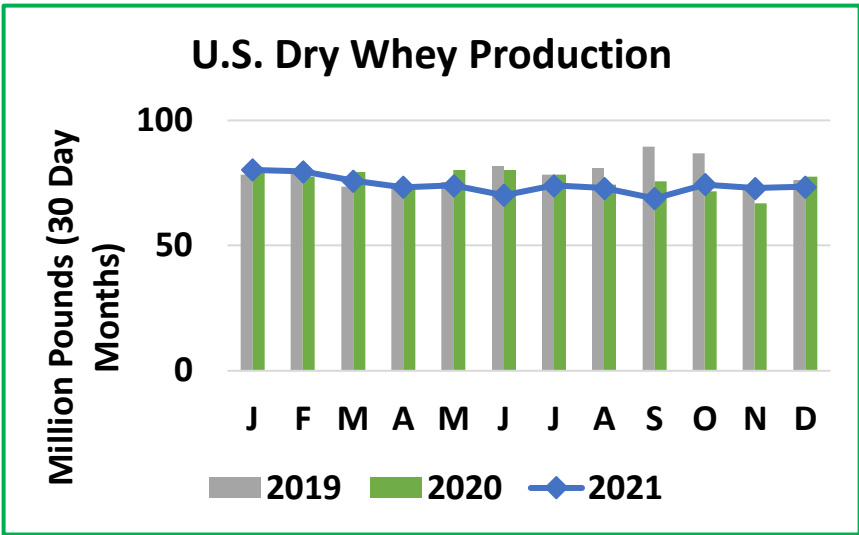
#### Milk & Dairy Markets

As January faded into February, price strength persisted in the dairy markets this week. The phenomenon is certainly not limited to the United States. Market observers watched the Global Dairy Trade index climb on Tuesday by 4.1%, the third consecutive increase, with the index reaching the highest level seen since February 2014. Meanwhile in Europe, sustained concerns about shrinking milk volumes have kept prices for key commodities like cheese, butter, and milk powder trading at historically high levels.

Closer to home, there is evidence that milk supplies are loosening. However, worries about scarce milk production are being supplanted by other

#### CME Spot Cheddar





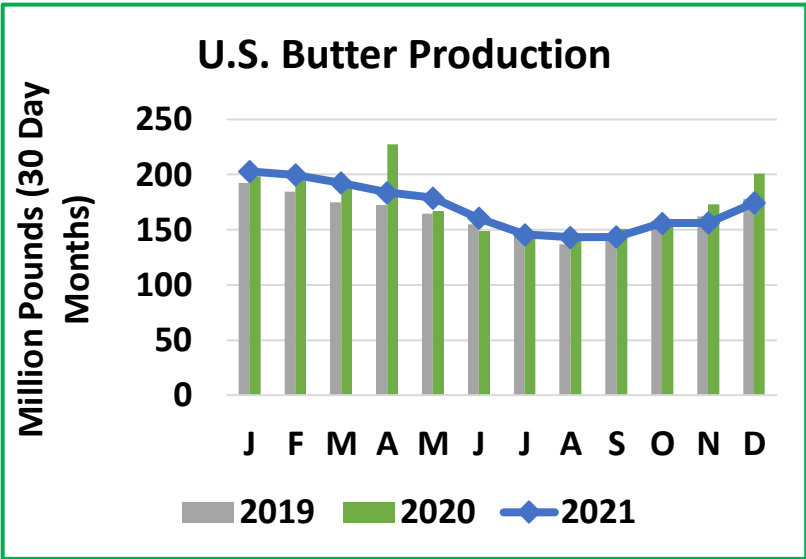
challenges. Winter storms are blanketing parts of the Central and Northeastern regions with snow and ice, causing road closures and further exacerbating logistical challenges. The truck driver shortage appears to be intensifying. Across the nation manufacturers report that raw milk, cream, and condensed skim are available, but that they struggle to find available haulers to move the loads to their plants.

After losing ground last week, the cheese markets perked up over the last

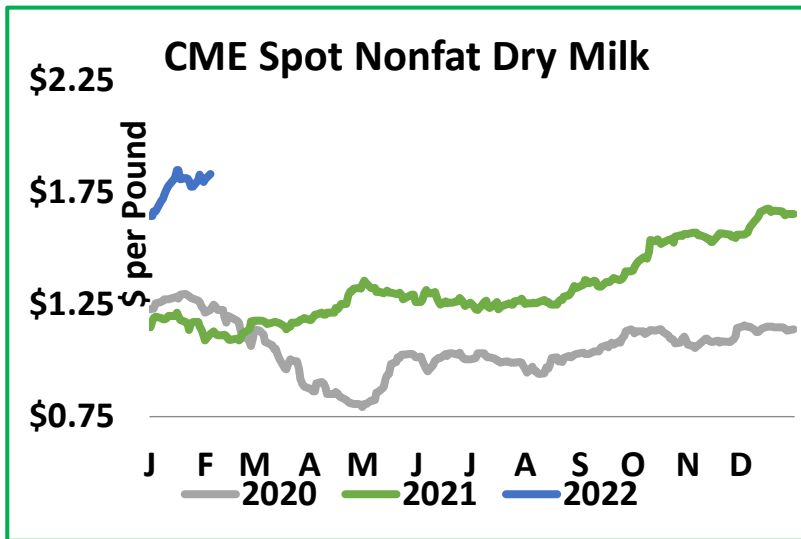
few days. Cheddar blocks ticked steadily upward over the course of the week, ending today's trade at \$1.90 per pound, up 11¢ from last Friday. Volumes were light with only one load trading hands. In the barrel market, prices moved up 15.25¢ during the week to end today's session at \$1.895 per pound. Even though milk supplies are available, cheese manufacturers insist that staffing issues are preventing them from operating as heavily as they would like. Cheese demand is reportedly steady from retail channels, while foodservice demand has softened as customers eschew dining out over Covid-19 concerns. Participants indicate that inventories are ample.

USDA's Dairy Products report, released Friday, showed that total cheese production in December was comparable to last year's levels. Total cheese production for the month reached 1.156 billion pounds, an increase of 0.1% year over year. Curiously, production of both American and Italian varieties fell, with volumes down 1.2% and 1.3%, respectively. However, important increases in the output of less prevalent varieties like cream cheese, Swiss, and Hispanic types propped up the total figure.

Dry whey prices continued their upward campaign this week, reaching ever new heights. Spot dry whey at the CME set records on Monday, Tuesday, and Wednesday before staying put for the remainder of the week. Ultimately, the market reached 85.75¢ per pound, up 1.75¢ from last Friday. Despite a healthy stream of raw whey, production of dry whey continues to lag. December production of dry whey for human consumption slipped to 75.9 million pounds, down 5.3% compared to the same month last year. Manufacturers continue opting to produce higher margin products like whey protein concentrates and isolates while steady domestic and international demand keeps upward pressure on dry whey prices.



The tones in the butter market are mixed. Last week's Cold Storage report that disclosed an important decline in butter stocks during December, was reinforced by the Dairy Products report which showed

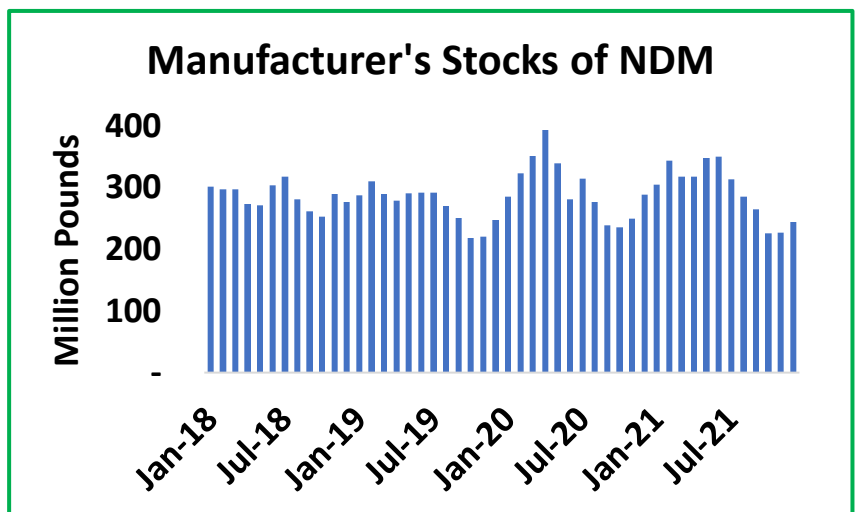


that butter production fell to 180.1 million pounds during the month, down 13.2% compared to last December's record high figure. Yet more recently, this tightness, which likely drove the butter market to multi year highs, has been replaced by an easier relationship between supply and demand.

Growing cream supplies have pushed multiples downward and churns are working as hard as personnel and transportation constraints will allow. Butter demand appears to have softened somewhat, but manufacturers are

generally welcoming the opportunity to rebuild their inventories. Following a dramatic dive that began on January 20<sup>th</sup>, the spot butter price appeared to find its footing this week. A price drop of 8.75¢ between Monday and Wednesday was answered with an increase of nearly a nickel on Friday as 12 loads traded hands. As a result, the market closed at \$2.50 per pound on Friday, down 4¢ relative to last week with 18 loads moving in total.

The nonfat dry milk (NDM) market also wobbled early on, before gaining some traction mid-week. The spot NDM price fell to \$1.7975 per pound on Wednesday before finding its legs and rising during Thursday and Friday's trade. The NDM market closed the week at \$1.8325 per pound, an increase of 2.75¢ compared to last Friday. Activity was spritely during the week with 28 loads changing hands. Slower butter production in December also resulted in lighter powder output with combined production of NDM and skim milk powder down 21% year over year to 204.4 million pounds.



Condensed skim is increasingly available for dryers, but labor and transportation problems are preventing it from being utilized as efficiently as possible. International demand for NDM remains particularly robust and while port congestion issues persist, sustained demand from Mexican buyers is helping to clear product. Healthy demand has kept NDM inventories tight. At the end of December, manufacturers' stocks of NDM were 15.3% lower than last December though they grew compared to November's figures

Despite the strength displayed by both spot cheese and spot whey during the week, performance in the Class III milk futures markets were mixed with prices ebbing and flowing over the course of the week. After gaining ground on Friday, MAR22 through SEP22 Class III contracts are sitting above \$21 per cwt. Class IV prices continue to outpace those of Class III with FEB22 through JUN22 Class IV contracts settling on Friday in excess of \$23 per cwt.

## Grain Markets

The corn markets eased during the week as high ethanol stocks and lower Chinese import expectations weighed on the market. Nevertheless, prices remain elevated, and Friday's settlements included MAR22, MAY22, and JLY22 contracts at \$6.2050, \$6.2175, and \$6.1850 per bushel. Meanwhile, the bulls found their way to the soybean markets. Despite a small dip on Thursday, the futures prices for soybeans increased meaningfully over the week with the nearby contracts adding more than 60¢ per bushel. Elevated feed costs continue to challenge producer profitability with little relief expected in the coming months.



### MPC at the 2022 High Plains Dairy Conference

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

If you're attending the 2022 High Plains Dairy Conference in Amarillo, I'll be presenting along with Ryan Miltner, Scott Brown and Jeremy Witte on the **Impact of Federal Farm Policies on Western Dairies**.

If you would like to attend and haven't signed up already, early bird registration rates (\$325) are still available. More information about registration can be found at <http://highplainsdairy.org>. After February 21, the general registration fee increases to \$375. We hope to see you there!



### The New Milk Producers Council Website is Live

By Kevin Abernathy, General Manager  
[Kevin@MilkProducers.org](mailto:Kevin@MilkProducers.org)

We launched a brand new website this week that we hope you'll check out at [MilkProducersCouncil.org](http://MilkProducersCouncil.org). The site includes the many articles and news items about water, economics, quota and dairy markets that have appeared in MPC *Friday Reports* over the years. We'll continue to add more content over the next few weeks. Let us know what you think.

## More Water Now Campaign Looks to 2024 to Qualify Water Infrastructure Funding Initiative

*Courtesy of More Water Now*

On February 1, the [More Water Now campaign](#) announced an end to its efforts to qualify [The Water Infrastructure Funding Act of 2022](#) for the November state ballot. Despite crafting an initiative that would *solve* California's challenge of chronic and worsening water scarcity, and despite recent polling that indicates over 70 percent of California's voters support increased state spending on water infrastructure, the campaign has been unable to attract the financial support necessary to gather the required 1.0 million signatures.



The priority for the campaign now shifts to 2024. Our steering committee members, all volunteers, remain in contact with hundreds of donors and volunteers who are urging us to try again.

While looking ahead to 2024, the campaign is grateful to everyone who supported our efforts, including the Ag community, water agencies statewide, the California Latino Water Coalition and the National Latino Ranchers and Farmers Association. We thank the Central Valley Taxpayers Association and the Los Angeles County Business Federation, and many others for their support. In all, 27 cities, counties, agencies and organizations formally endorsed our initiative, and dozens more were on the way.

Assemblyman Devon Mathis, who has long recognized that the only way to adequately fund water infrastructure investments is via a long-term legislative commitment to allocate a percent of the state budget to water supply projects, remains an avid supporter. Mathis, along with a growing, bipartisan group of lawmakers who agree with this approach, is now advancing The Water Infrastructure Funding Act in the state assembly.

Read the full release [here](#).

## California Dairy Quality Assurance Program Update: Antibiotic Stewardship on Track on California Dairies

*Courtesy of [CDQAP](#)*

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

**Antibiotic Stewardship on Track on California Dairies**  
*By Dr. Michael Payne, UC Davis, School of Veterinary Medicine; Director, CDQAP*



The federal Food and Drug Administration is poised to require nation-wide veterinary oversight of the use of medically important antibiotics in all livestock. The new requirement will be enacted probably by mid-2023. *Continue reading [here](#).*

## Hold the Date: Golden State Dairy Management Conference

The University of California Golden State Dairy Management conference will take place on Wednesday, March 23 at the Stanislaus County Ag Center. Stay tuned for more information. *Continue reading [here](#).*

## California Dairy Sustainability Summit: April 12-14, 2022

The next virtual California Dairy Sustainability Summit will take place online on April 12-14. Registration for dairy farmers is \$25 and is now open. Talk to your trade organization or field representative about potential opportunities for complimentary registration. *Continue reading [here](#).*

## CDQAP Certified Facilities: Confirm Your Water Board Fee Invoice Includes Discount!

Annual invoices have been mailed from the State Water Quality Control Board for the Dairy General Order. CDQAP certified facilities in good standing enjoy a 50% discount in fees. A small percentage of certified facilities were not credited for the discount in their invoice this year due to a computer error. *Continue reading [here](#).*

