MPC Weekly Friday Report

Date: September 17, 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	+ $.0025	$1.7925	Weekly Change	+ $.0050	$1.7900	**Week Ending 09/11/21**		
Barrels	+ $.0325	$1.5100	Weekly Average	+ $.0206	$1.8075	Nat'l Plants	$1.2716	15,339,787
Weekly Average Cheddar Cheese			**Dry Whey**			**Prior Week Ending 09/04/21**		
Blocks	+ $.0370	$1.7995	Dairy Market News	w/e 09/17/21	$.5400	Nat'l Plants	$1.2621	20,041,858
Barrels	+ $.0221	$1.4890	National Plants	w/e 09/11/21	$.5370			

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 17 Est	$18.19 - $18.69	$17.00	$16.61	$16.40
Last Week	$18.19 - $18.69	$16.93	$16.59	$16.40

August 2021 CA FMMO Statistical Uniform Price Announcement

Aug '21 Final	Class I	Class II	Class III	Class IV	Statistical Uniform Price (Blended Price)	Net Price After Quota Assessment*
Minimum Class Price	$18.50 (Tulare) $19.00 (L.A.)	$16.51	$15.95	$15.92	$16.09 (Tulare) $16.59 (L.A.)	$15.725 (Tulare) $16.225 (L.A.)
Percent Pooled Milk	16.1%	4.6%	32%	47.2%	100% (2.54 billion lbs. pooled)	

**Quota rate of $0.365/cwt. as of June 2020 milk*

Milk, Dairy and Grain Market Commentary

By Sarina Sharp, Daily Dairy Report
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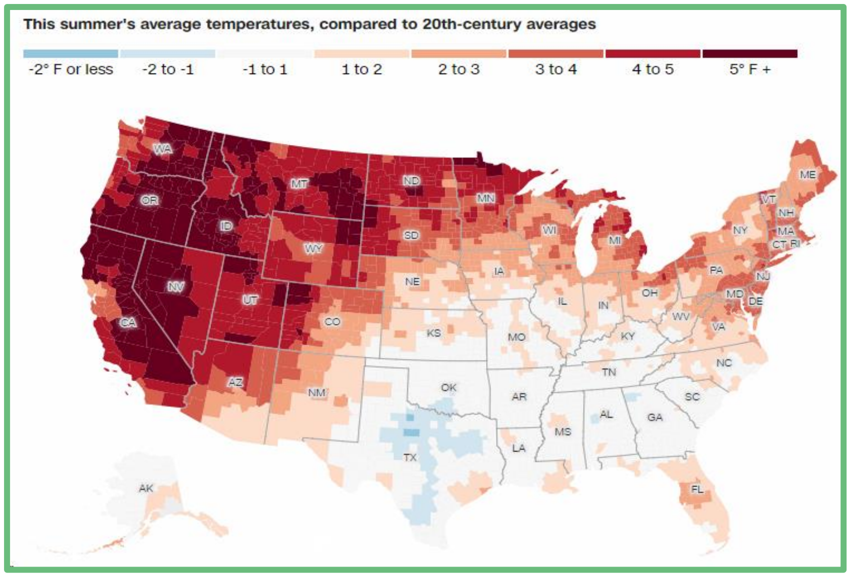
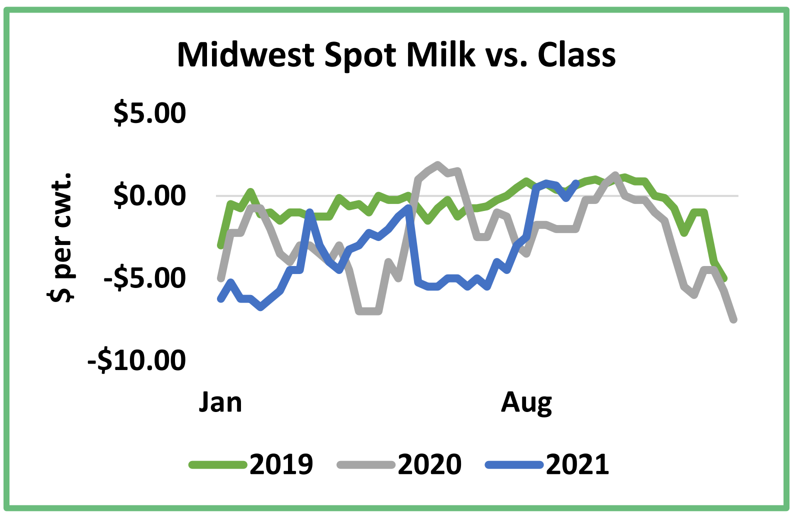
Milk & Dairy Markets

It's official. The United States – and the 9.5 million dairy cows who reside there – just suffered its hottest summer ever, according to the National Oceanic and Atmospheric Administration. Average temperatures just barely topped the previous June, July, and August record



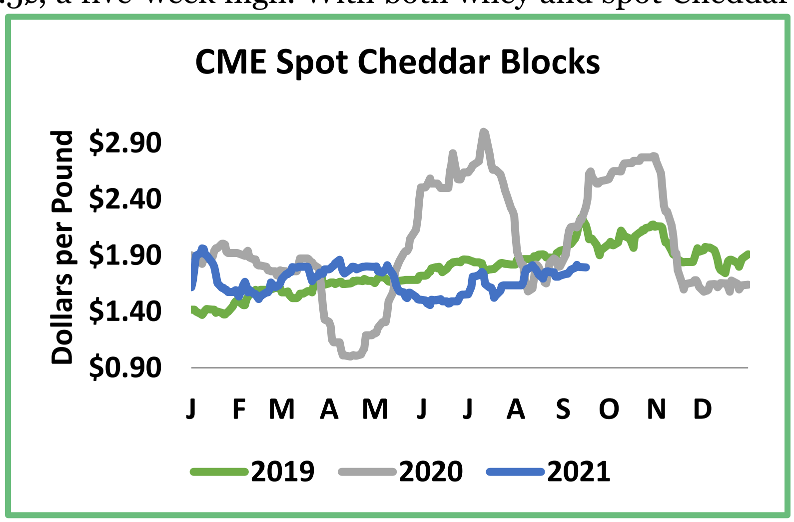
set in the Dust Bowl summer of 1936. Heat was especially oppressive in the West, but the mercury also climbed unusually high in the Northern Plains, Upper Midwest, and the Northeast. Among the major dairy states, only Texas escaped the heat wave.

Soaring temperatures surely weighed on milk yields and tightened supplies as heat stress accumulated late in the summer and into September. Meanwhile, the school lunch program continues to pull more milk away from cheese vats and driers and into cartons and bottles. Cheesemakers tell USDA's Dairy Market News that after a brief reprieve over the holiday weekend, spot milk offers are once again scarce. Manufacturers in search of uncontracted milk paid premiums of 50¢ to $1.00 over Class III this week, an about-face from last year, when spot milk sold for as much $4 under the market.

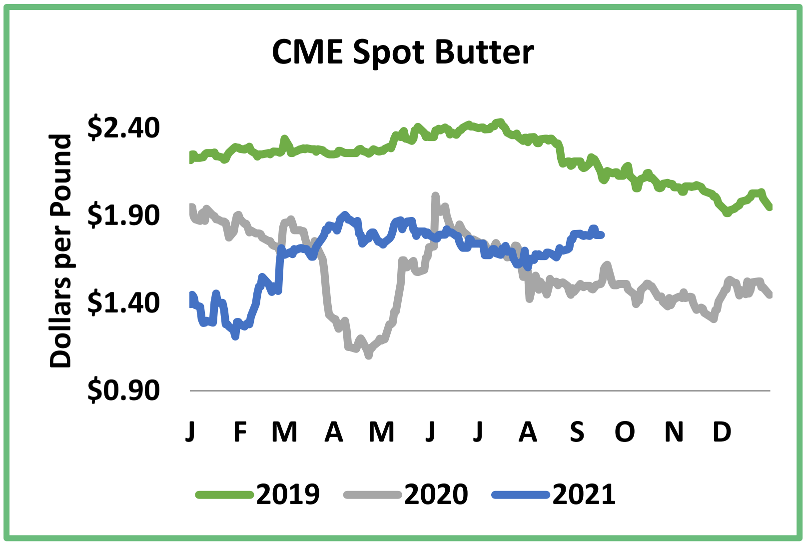


Fiercer competition for milk has likely reduced the supply of fresh cheese available in Chicago, particularly for blocks. On Monday, Cheddar blocks jumped to $1.815 per pound, their highest value since April. They closed today at $1.7925, up a quarter-cent for the week. Trading volumes also suggest limited availability. Merchants exchanged just four loads of blocks at the spot market this week. Barrels are more widely available. Traders moved 19 loads at the exchange. Nevertheless, barrel values climbed noticeably. They added 3.25¢ this week and reached $1.51.

Spot whey powder advanced a half-cent to 53.5¢, a five-week high. With both whey and spot Cheddar on the rise, September Class III futures inched up 2¢. But deferred contracts moved lower. The market has not forgotten that there are still a lot of cows and a lot of milk in the nation, and there is more cheese production capacity than ever before. October Class III settled today at $17.18 per cwt., down 16¢ since last Friday. The November contract fell 32¢ to $16.98, its lowest close so far in 2021.



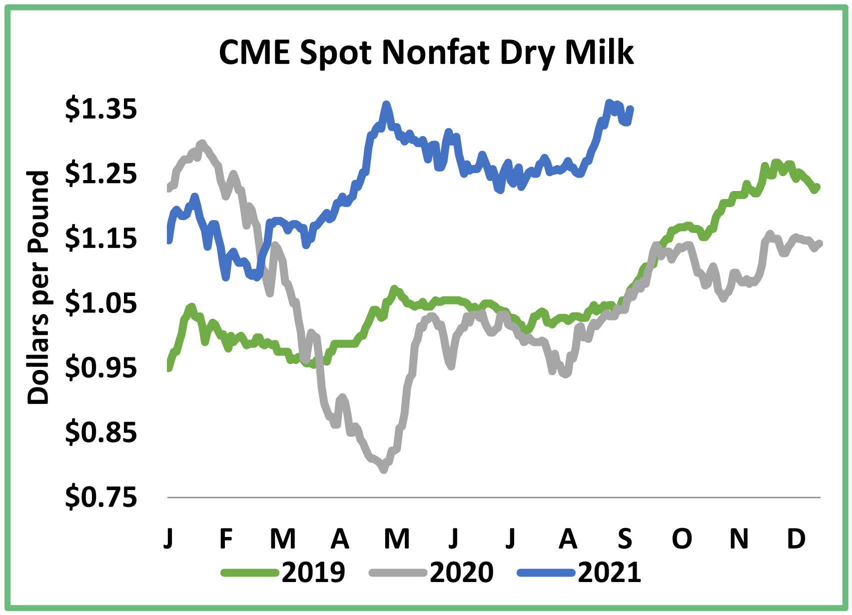
Similarly, Class IV futures shrugged off a quiet rally in the butter market and finished



in the red. The October contract slipped 6¢ to $16.81. November Class IV fell 21¢ to $16.93. Notably, November Class IV futures are within a nickel of Class III, a narrow spread that will benefit dairy producers who sell Class I milk.

CME spot butter spent the first half of the week above $1.80 per pound, an important psychological barrier on the road to higher prices. In some areas, pricey cream has slowed churning activity. But inventories abound.

CME spot nonfat dry milk (NDM) slipped from last week's highs but remains at historically lofty levels. NDM closed today at $1.35, down 0.75¢ from last Friday. Indications of regional prices moved higher across the board. Demand remains high, although manufacturers expressed concerns that higher prices could reduce orders from buyers in Mexico.



Grain Markets

December corn futures tested the waters below $5 last Friday, but they didn't stay in the depths for long. Their quick return above the $5 mark convinced traders that the market had no business going lower, so it moved higher instead. December corn settled today at $5.2725 per bushel, up nearly a dime from last Friday.

November soybeans finished at $12.84, down 2.5¢ for the week. Soybean exports have slowed and the trade is concerned that it will not push beans through the port quickly enough, which could encourage importers to turn their attention to South America. Soybean meal futures slipped. The December contract closed at $342.20 per ton, down 30¢ from last Friday.

NMPF
NATIONAL MILK PRODUCERS FEDERATION

National Milk Producers Federation Update: Stepped-up Tax Basis, Milk Pricing Hearing, DMC Payments Resume

By Jim Mulhern, President & CEO
National Milk Producers Federation

House Committee Preserves Stepped-up Tax Basis

The House Ways and Means Committee on Wednesday approved its portion of the House budget reconciliation bill containing a variety of revenue raising provisions. We are pleased that the committee's version does not alter the timing or valuation basis for taxing capital gains on inherited assets, meaning our effort to preserve the current policy of taxing capital gains on a "stepped-up basis" has made it over the first hurdle in the reconciliation process.

As many of you know, various ideas and proposals have been discussed about how to pay for the federal spending package that could amount to $3.5 trillion. The House considered both changing when capital gains on inherited assets are taxed, as well as altering the basis for evaluating the amount of capital gains to be taxed. NMPF and other farm groups have been working to prevent these proposed changes from becoming law, most recently successfully keeping them out of the reconciliation process currently being used to pay for the larger package. Even though we see the House Ways and Means measure as an initial victory, NMPF will continue to pay close attention to other tax policies in the House version as well as the work currently being done in the Senate Finance Committee, which may take a different approach than the House.

Meanwhile, **the House Agriculture Committee approved its reconciliation measure, recommending expenditures for rural development, climate change research, biofuel investment and forestry**. The proposal now goes to the House Budget Committee, which will integrate various committee products into one large plan for consideration on the House floor. The conservation and climate-smart funding provisions still haven't been clearly defined and are expected to be added when the reconciliation measure goes to the House floor. Negotiations are still ongoing, however, as the House may need to whittle down the current package to reduce its projected cost from roughly $3.5 trillion to an amount more likely to be approved by both chambers.

Senate Agriculture Committee Examines Milk Pricing

The challenges of the dairy pricing system, particularly those exacerbated by last year's pandemic-induced supply chain disruptions, drew scrutiny this week from the Senate Dairy and Livestock Subcommittee. During Wednesday's hearing, the senators on the panel agreed that the Federal Milk Marketing Order (FMMO) system, and especially its Class I mover, should be changed, but not many specifics were offered up. The hearing primarily offered a high-level discussion on the importance of FMMOs and the need to ensure they meet producer needs, rather than a discussion of detailed reform proposals.

The hearing was led by Sen. Kirsten Gillibrand (D-NY), the chair of the subcommittee, who was joined by Sen. Cindy Hyde-Smith (R-MS), the ranking Republican. Gillibrand pushed for reforming the Class I mover and questioned witnesses on how to improve the system, such as whether to include a make allowance for farmers that would cover their cost of production. Sen. Roger Marshall (R-KS) emphasized the need to fit payment programs to all farmers, calling attention to the five-million-pound cap in the new Pandemic Market Volatility Assistance Program.

The farmer panelists generally defended using a federal pricing system as a way to stabilize milk revenues, but agreed that the Covid pandemic, and in particular, USDA's emphasis on purchasing cheese last year to bolster markets, created unintended consequences across the classified pricing system. Catherine de Ronde, NMPF member Agri-Mark's vice president for economic and legislative affairs, did a great job in her testimony, making clear that additional work must be done to ensure dairy farmers are fairly compensated for losses they incurred last year on account of the change made to the Class I mover. In her testimony, de Ronde spoke to the urgent need to revisit current pricing policy and highlighted the work of the NMPF Economic Policy Committee, on which she serves.

The hearing concluded without indications of a specific next step; we are not anticipating any major imminent developments, as the Senate's focus is on the budget reconciliation process. In our statement, we thanked the committee leaders for conducting the hearing and pledged to work with lawmakers on solutions that benefit the farmer community.

USDA Resumes DMC Payments

We learned earlier this week that the temporary delay affecting DMC payments was indeed just that, and payment processing resumed last Friday. Producers eligible for payments will still receive them after the short-term delay, which apparently was the result of USDA temporarily exhausting available funding under the program due to an internal apportionment glitch.

Virtual One-Stop Truck Event: October 7, 2021

Courtesy of California Air Resources Board

The California Air Resources Board (CARB) will host a free Virtual One-Stop Trucking event on October 7. Attendees can access one-on-one assistance, exhibitors, and hear presentations on regulatory compliance, financial assistance, and new technology options.

Presentations topics for this online event will include:

- On-Road and Off-Road Regulations
- Vehicle and Engine Certification and Compliance Program
- CARB’s Medium- and Heavy-Duty Zero-Emissions Programs
- Heavy-Duty Inspection and Maintenance Program
- New Vehicle Technology and How to Electrify a Fleet
- CARB Enforcement Inspection Demonstration
- California Highway Patrol's Basic Inspection of Terminals
- Heavy-Duty Pilot and Demonstration Projects
- Funding Opportunities

One-on-one assistance and exhibitors will be available after the presentations. *The final schedule will be shared before the event so you can plan your time around which presentations you wish to hear. Additional information regarding the event can be found at the TruckStop Training and Events page.*

Date: **October 7, 2021**
Time: **8:15 a.m. to 4:30 p.m.**
Location: **Virtual Webinar**