

# MPC WEEKLY FRIDAY REPORT

DATE: JUNE 30, 2023  
 TO: DIRECTORS & MEMBERS  
 FROM: KEVIN ABERNATHY, GENERAL MANAGER  
 PAGES: 7



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## MPC FRIDAY MARKET UPDATE

<b>CHICAGO CHEDDAR CHEESE</b>		<b>CHICAGO AA BUTTER</b>		<b>NON-FAT DRY MILK</b>	
Blocks	- \$.0700	\$1.3350	WEEKLY CHANGE	+ \$.0200	\$2.4400
Barrels	- \$.1550	\$1.3450	WEEKLY AVERAGE	+ \$.0416	\$2.4160
<b>WEEKLY AVERAGE CHEDDAR CHEESE</b>		<b>DRY WHEY</b>		<b>WEEK ENDING 06/24/23</b>	
Blocks	- \$.0646	\$1.3335	DAIRY MARKET NEWS	W/E 06/30/23	\$ .3012
Barrels	- \$.1234	\$1.3835	NATIONAL PLANTS	W/E 06/24/23	\$ .3109
				<b>LAST WEEK ENDING 06/17/23</b>	
				NAT'L PLANTS \$1.1760 14,105,994	
				NAT'L PLANTS \$1.1728 17,815,118	

## 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
JUN '23 FINAL	No Change	No Change	\$14.91	\$18.26
LAST WEEK	\$19.61 - \$20.11	\$18.83	\$14.94	\$18.12



### Milk, Dairy and Grain Market Commentary

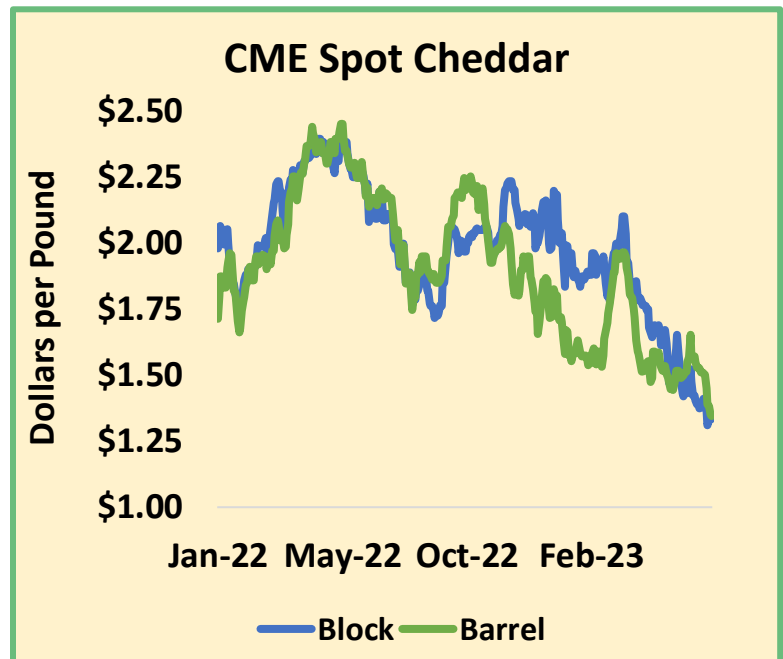
By Monica Ganley, Quarterra

[Monica.Ganley@QuarterraGlobal.com](mailto:Monica.Ganley@QuarterraGlobal.com)

#### Milk & Dairy Markets

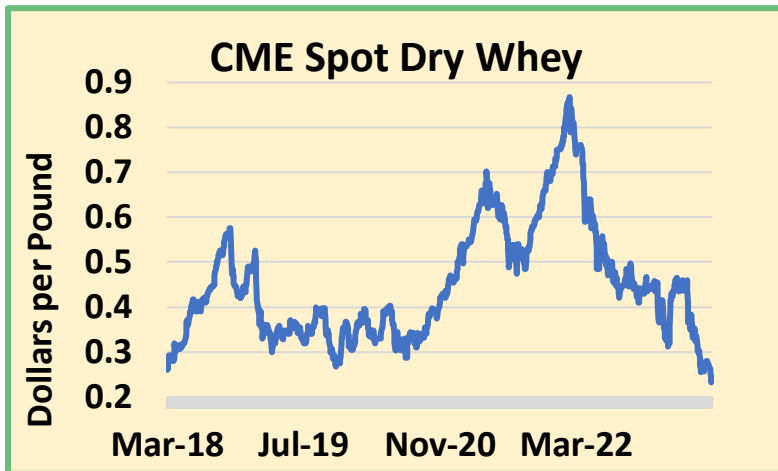
The Class III complex came under significant pressure this week as the realities of current market conditions set in. In particular, the spot price for cheese and whey sank to multi year lows reflecting milk that continues to flow while demand remains tepid.

Despite falling milk prices and tightening margins, milk supplies remain ample in most parts of the country. Elevated summer temperatures and humidity are starting to weigh on cow comfort and negatively impact output, but only in parts of the nation. Other geographies, such as the upper Midwest and



Pacific Northwest are enjoying seasonally mild temperatures, which are helping to support milk supplies. Water availability varies drastically across the country. While the central region of the country copes with persistent drought, producers in California have sufficient water supplies for the first time in years. According to data collected by *Dairy Market News*, California’s reservoirs are at 118% of historical levels and there are currently no restrictions on crop irrigation.

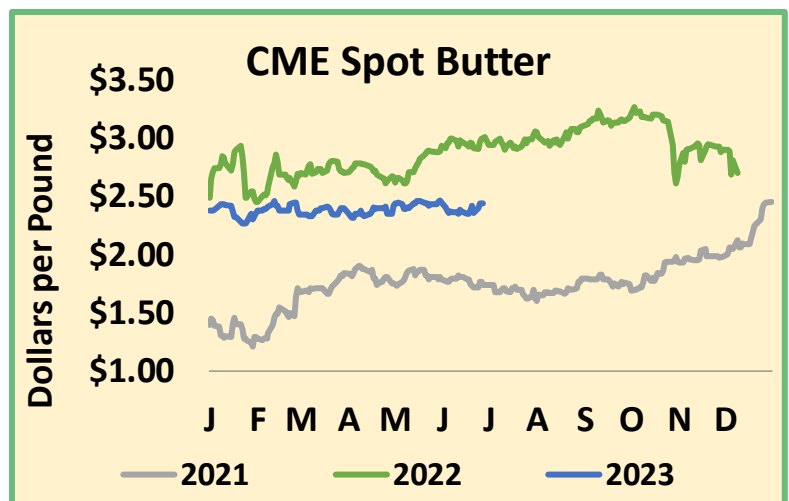
Much of the excess milk is being routed into cheese vats, especially in the Midwest. Cheesemakers report that production has been active and that spot loads of milk can be obtained at competitive prices. Meanwhile domestic demand has remained surprisingly resilient, particularly within foodservice channels. However, international buying remains light, and it appears that interest in U.S. product has not yet picked up despite the recent decline in spot cheese prices.

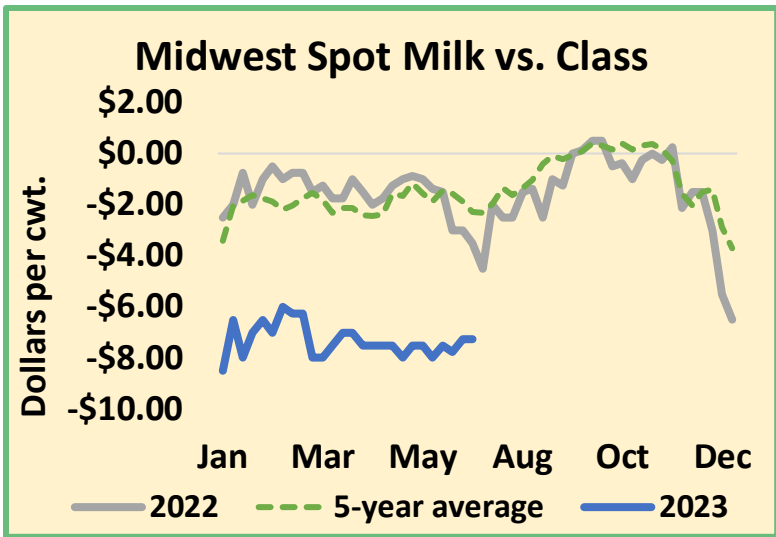


Cheese prices took a tumble at the spot market this week. Blocks gave up 4.25¢ and 5.25¢ on Monday and Tuesday, falling as low as \$1.31/lb., the lowest price seen since May 2020. The market staged a modest recovery later in the week, but it was insufficient to overcome the losses and blocks finished the week at \$1.335/lb., a decline of 7¢ compared to the prior Friday. Barrels had an even more pronounced trajectory, losing value every day of the week and ultimately sinking to \$1.345/lb., a decrease of 15.5¢ versus last Friday and the lowest price since August 2021. It was a very active week for trading with 49 loads of blocks and 56 loads of barrels changing hands.

Similar challenges are complicating the other side of the Class III complex. The spot market for dry whey descended during the first four days of the week, falling as low as 23.25¢ per pound. This represents the lowest price seen in this market since trading began in March 2018. During today’s session prices moved up .75¢ but it was again insufficient to make up the losses and the price closed the week at 24¢ per pound, a decline of 2.5¢ compared to last Friday. Even at such low prices, whey traders were busy moving product as 62 loads moved during the week. Plentiful cheese production is throwing off an ample whey stream, much of which is being dried. Meanwhile demand from domestic and international sources remained lackluster.

By comparison, the Class IV markets were subdued over the past week. The spot butter market tumbled by 6¢ on Monday but recovered with 4¢ gains on Tuesday and Thursday to cap off the week at \$2.44/lb., a net increase of two cents compared to last Friday. Cream is readily available and butter



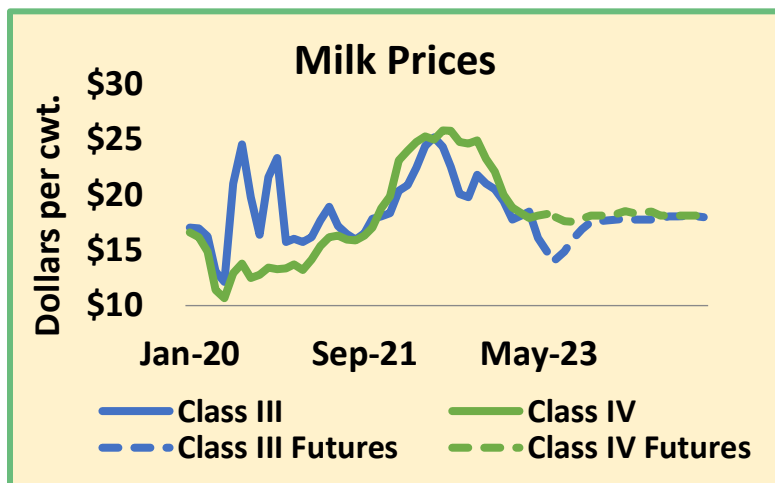


manufacturers indicate that they are keeping busy. Butter demand is purportedly healthy and some churns indicate that they are freezing butter to help manage their inventories. Strong demand from Class II manufacturers is also helping to use up cream supplies, especially ahead of the Independence Day holiday. Meanwhile ice cream demand appears to be mixed.

Balancing operations indicate that while supplies are starting to decline, for the moment there is plenty of condensed skim

available for milk dryers. Nonfat dry milk (NDM) demand is lackluster as both domestic and international buyers are biding their time to see how much further prices will fall before stepping back into the market. The spot market for NDM was relatively quiet, moving by fractions of a cent over the week. Today's session ended at \$1.1175/lb., a decrease of 1.5¢ compared to last Friday.

The decline in spot prices and the overall bearish tone of the market weighed on milk futures during the week. Class III contracts bore the brunt of the force and by Friday every contract through OCT23 settled below \$17/cwt. with the JUL23 contract at just \$14.18/cwt., down nearly 70¢ from Monday's settlement. Class IV futures also lost value, but the degree of decline was much smaller. The JUL23 Class IV contract settled on Friday at \$17.98/cwt. For many producers these prices are insufficient, and production could begin to contract in the near future as a result.



### Grain Markets

USDA released its much-anticipated Acreage report this afternoon. In the report USDA increased its expectations for corn acreage to 94.1 million acres, an increase of 6.2% or 5.5 million acres compared to last year and a 2-million-acre increase compared to the Prospective Plantings report estimate released in March. At the same time USDA dropped its estimate of soybean acres to 83.5 million acres, a decrease of 3.9 million acres or 4.5% versus last year. Soybean acres were also about 4 million less than what was anticipated in USDA's last report.

Both the increase in corn and decline in soybean acreage outpaced analysts' expectations and had a significant impact on prices. Corn prices fell on the news with the SEP23 and DEC23 contract falling to \$4.885/bu. and \$4.9475/bu., respectively. Meanwhile, soybean prices appreciated with the NOV23 contract rising 77.5¢ to \$13.4325/ton. Rains this week helped to relieve some pressure but drought concerns remain front and center in the grain markets and continue to undermine crop conditions.



## Near-term Actions to Capture Diversions, Recharge Groundwater

By Geoff Vanden Heuvel, Director of Regulatory and Economic Affairs

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[Paul Gosselin](#), the Department of Water Resources (DWR) official in charge of implementing SGMA for the state, recently held a webinar where he discussed actions to capture excess flood flows and recharge groundwater. You can view the presentation [here](#).

According to DWR, the current total recharge capacity estimates for this year is 3.8 million acre-feet. To date, 92,410 acre-feet has been diverted for recharge on 88,362 acres and DWR estimates that there are another 2.1 million acre-feet in active recharge projects, water banks and surface water diversions.

DWR also discussed its "Rip & Chip" program designed to clear land of crops, such as almonds, walnuts and vines, so diversions can occur timely to capture this past winter's historic precipitation and runoff.

Gosselin outlined the following:

- DWR has an existing \$2 million (available Prop 1 funding) that must be used consistent with the Agricultural Water Management Planning Act – agricultural water use efficiency activities
- Approximately 1,000 acres of “Rip and Chip” activities to clear lands of crops (almond and walnut trees and vines) so that diversions with temporary pump/turn-outs and greater recharge can occur
- These lands will need to remain permanently fallowed and dedicated to groundwater recharge if receiving this funding

### Temporary Flood Diversion Equipment & Recharge Enhancement



#### Active: 30 Pumps, 1 Siphon, for a total of 247 CFS

1. Fresno ID	Kings River	1 Pump (5 cfs), 1 Siphon (5 cfs)
2. Kings County WD	Kings River	5 Pump at 10 cfs
3. James ID	James Bypass	1 Pump at 26 cfs
4. Tulare ID	Kaweah River	4 Pump at 35 cfs
5. Kaweah Delta WCD	Kaweah River	3 Pump at 25 cfs
6. McMullin GSA, TerraNova	Kings/James Bypass	16 Pump at 141 cfs

**Transition: Ramp down pumps (as flooding recedes) while continuing Rip & Chip efforts, local outreach and coordination for next/future flood events**

#### ➤ Rip and Chip efforts (>1,000 Acres Overall Goal)

- Consolidated ID – 200 acres
- McMullin GSA – 80 acres
- Kaweah Delta WCD – 65 acres
- City of Visalia – 160 acres
- East Kaweah GSA – 150 acres
- Fresno ID – 100 acres

Interestingly, the Chip & Rip program is available for public agencies to apply for, so landowners who want to participate in the program must coordinate with such entities to receive the funding.

These near-term actions by DWR support the longer-term next steps of the SGMA program, which I wrote about previously [here](#).

## Water Blueprint for San Joaquin Valley Receives \$1 Million Grant

By Don A. Wright

[WaterWrights.net](http://WaterWrights.net)

The Water Blueprint for the San Joaquin Valley has been growing. Its efforts to make rational recommendations in the midst of water turmoil is beginning to pay off. This past Friday on June 23<sup>rd</sup> the Bureau of Reclamation announced an award of about \$1 million to help the California Water Institute and Water Blueprint for the San Joaquin Valley develop and integrate subregional water management efforts and local projects into a unified water plan for the San Joaquin Valley.

“Reclamation is committed to looking towards the future relative to sustainable resource management and we are excited to partner and support efforts spearheaded by CWI and the Water Blueprint,” said **Adam Nickels**, Reclamation’s chief of resources management and planning. “Under this effort, information will be gathered by a diverse cross-section of the American public and stakeholders and will be used by resource decision-makers and stakeholders.”

“Everybody is excited and encouraged to receive this funding from the Bureau of Reclamation,” said **Austin Ewell**, executive director of the [Blueprint](#). “We’ll be able to utilize and capitalize on the expertise of stakeholders representing all sectors of the Valley.”

The water plan report will leverage information from counties, cities, and groundwater sustainability agencies. “I’m excited to work with all of the different agencies and evaluate their needs and find a connection between all of them,” said **Laura Ramos**, [CWI](#) research and education division interim director. “Being able to take a look at the entire area will give us a really good visual of what the San Joaquin Valley needs.”

The two-year project will look at existing and future conditions and consider various aspects of the plans, including water quality, supply, conveyance, reliability, conservation efforts, flood control and population growth.

“This is an excellent partnership and furthers our mission to provide common sense solutions for a prosperous Central Valley,” said Ramos and Ewell in a joint statement.

Continue reading [here](#).

## Dairy PLUS Program Workshop July 13; Grant Applications Due August 28

Courtesy of the [California Dairy Research Foundation](#)

The California Dairy Quality Assurance Program and California Dairy Research Foundation will host a workshop on **July 13 from 10 a.m. to noon** regarding the new Dairy PLUS Program. **Register [here](#).**

**The Dairy Plus Program is now accepting grant applications until 5:00 P.M. PT on Monday, August 28, 2023.**

The application platform and documents are listed [HERE](#).

The Dairy PLUS Program is funded by a USDA Partnerships for Climate-Smart Commodities Grant awarded to CDRF and partners, and will be administered through CDFA. Up to \$85M to Support Advancements in California Dairy Sustainability.

**All are invited to attend. Our goal is to ensure assistance is available to support interested producers in applying for these funds.** For questions, please contact Denise Mullinax, CDQAP-CDRF at (209) 585-6744 or [mullinax@cdrf.org](mailto:mullinax@cdrf.org).

### **NMPF Update: Lofgren, Newhouse Reintroduce Farm Workforce Modernization Act**

*Courtesy of Jim Mulhern, President & CEO  
[National Milk Producers Federation](#)*

Supporters of farm labor reform on Capitol Hill are taking another run at a solution to the ag worker crisis. Reps. Zoe Lofgren (D-CA) and Dan Newhouse (R-WA) have reintroduced the Farm Workforce Modernization Act (FWMA). The bill text will be the same as in the last session of Congress, which NMPF backed as a vehicle to provide dairy employers with access to the H-2A visa program. The lawmakers are still in the process of gathering co-sponsors; Congress is out of session this week and next week for the Independence Day recess.

The FWMA, while in need of further improvements, previously enjoyed strong bipartisan support, as it passed the House in 2021 by a margin of 247-174. However, a similar bill in the Senate didn't achieve a critical political mass before the end of 2022. The new bill comes as NMPF is recruiting Republican signers for a letter to House Majority Leader Steve Scalise (R-LA) to pass ag labor reform legislation that stabilizes our existing workforce, allows year-round sectors access to H-2A, and reforms the H-2A wage structure. The prospects for moving ag labor legislation in this Congress remain challenging, but NMPF will continue working with legislative champions on both sides of the aisle to advance all possible paths forward.



MY JOB DEPENDS ON  
**WATER**  
Farming in the SGMA Era

# GROWER EVENT

Hosted by the Kaweah Subbasin Groundwater Sustainability Agencies



**Thursday, July 13th, 2023 | 7:30 AM - 1:30 PM**

**BBQ LUNCH PROVIDED**

Reserve your lunch by July 6th  
at [ekgsa.org/rsvp](http://ekgsa.org/rsvp)  
or call 559-697-6095



**International Agri-Center in Tulare  
in the Banquet Hall**  
4500 S. Laspina St.  
Tulare, CA 93274

<b>7:30 AM</b>	Check-in begins
<b>7:30 AM – 8:30 AM</b>	Vendor fair, coffee & donut social
<b>8:30 AM – 11:00 AM</b>	Kaweah and Friant water supply updates, Kaweah Subbasin SGMA coordination, irrigation tools & funding for growers
<b>11:00 AM – 1:30 PM</b>	BBQ lunch, vendor presentations, vendor fair, and raffle

The Kaweah Subbasin GSAs are partnering to equip growers with tools and expert advice on water management for their farms. Join us for a CVP water supply issue briefing from Friant Water Authority CEO Jason Phillips, catch up on groundwater management from your GSA leaders, and learn from other experts on grant funding for growers and the status of water in your area.

- **EQIP & SWEEP grant funding for growers**
- **Surface water supply issue briefing**
- **SGMA and groundwater updates**



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