

MPC WEEKLY FRIDAY REPORT

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 TO: DIRECTORS & MEMBERS
 FROM: KEVIN ABERNATHY, GENERAL MANAGER
 PAGES: 7



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MPC FRIDAY MARKET UPDATE

CHICAGO CHEDDAR CHEESE		CHICAGO AA BUTTER		NON-FAT DRY MILK	
Blocks	N.C. \$1.8800	WEEKLY CHANGE	+\$.0550 \$2.4300	WEEK ENDING 02/18/22	
Barrels	-\$.0075 \$1.5400	WEEKLY AVERAGE	-\$.0290 \$2.3925	NAT'L PLANTS \$1.2480 27,003,727	
WEEKLY AVERAGE CHEDDAR CHEESE		DRY WHEY		LAST WEEK ENDING 02/11/22	
Blocks	+\$.0570 \$1.9375	DAIRY MARKET NEWS	W/E 02/24/23 \$.4187	NAT'L PLANTS \$1.2415 26,616,866	
Barrels	+\$.0200 \$1.5725	NATIONAL PLANTS	W/E 02/18/22 \$.3985		

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 24 EST	\$22.38 - \$22.88	\$20.82	\$17.86	\$18.86
LAST WEEK	\$22.38 - \$22.88	\$20.85	\$17.90	\$18.90

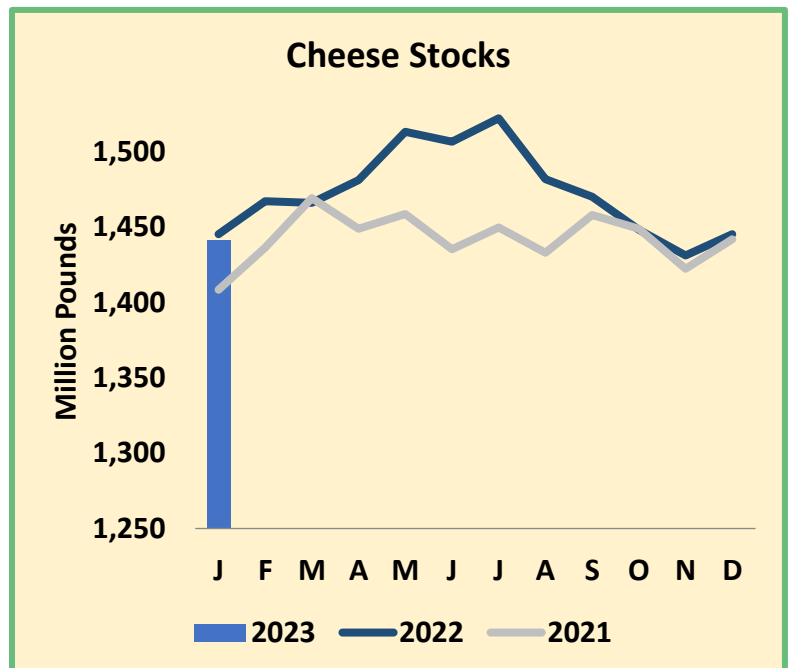


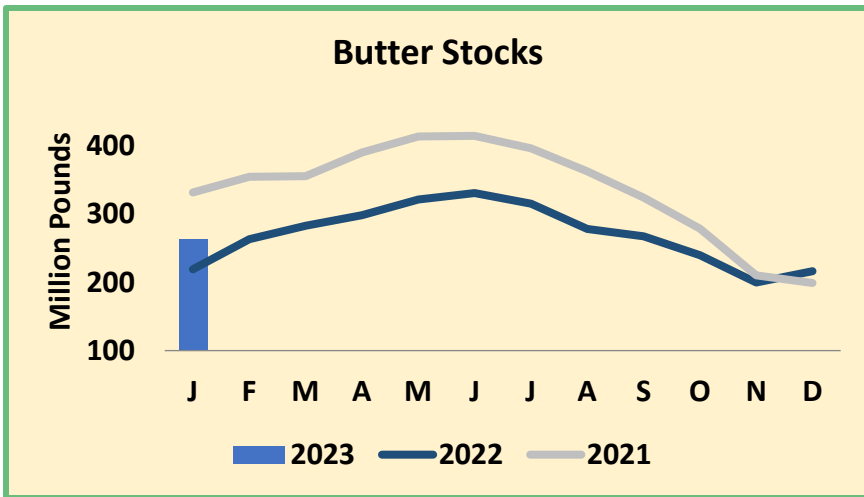
Milk, Dairy and Grain Market Commentary

By Sarina Sharp, Daily Dairy Report
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Milk & Dairy Markets

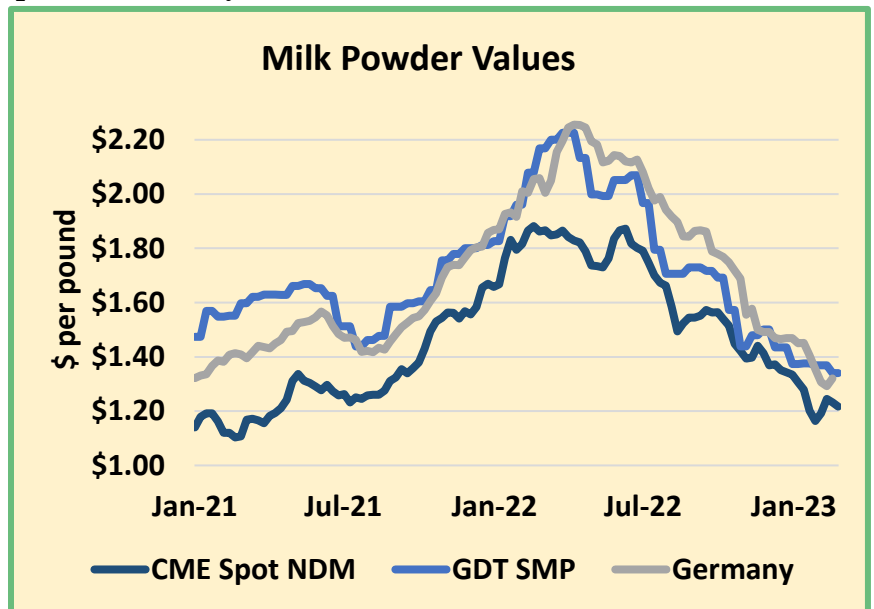
Rested up after a long weekend, the cheese markets came charging out of the gates. CME spot Cheddar blocks leapt 8¢ on Tuesday. But they gave it all back later in the week and closed today at \$1.88 per pound, right where they started. Barrels followed a similar path. They finished at \$1.54, down 0.75¢. Milk remains cheap in the cheese states, with some spot loads selling at \$10 discounts for a 10th straight week. This should, in theory, result in higher cheese production, but severe weather forced some plants to take downtime. Indeed, weather issues, labor shortages, and mechanical problems have slowed cheese





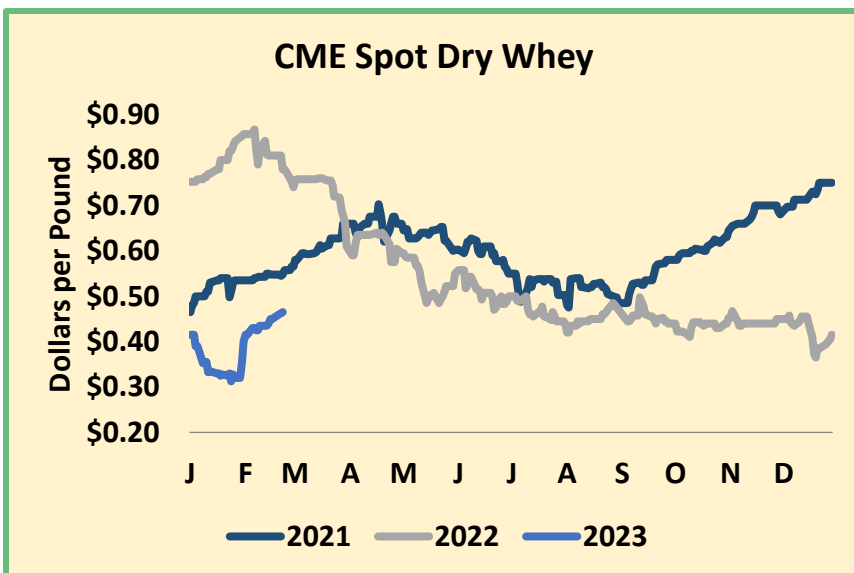
0.3% from a year ago. January 31 inventories of American-style cheeses, including Cheddar, were down 2.2% year over year. The Cold Storage report was clearly bullish of cheese values, and it landed after the closing bell today, so it is likely to give the Class III markets a little boost next week.

But the Cold Storage report is likely to weigh on butter prices. USDA reported January 31 butter stocks at 262.7 million pounds. That's up a whopping 19.7% from the unusually low volumes of a year ago. Stocks grew at a typical rate in January, but the trade had penciled in a much smaller increase. Cheap cream incentivized churns to run hard last month, while pricey butter likely continued to weigh on demand. Nonetheless, spot butter gained 5.5¢ this week and reached \$2.43.



production all year, creating a chicken-and-egg conundrum. These reductions to processing capacity help to explain why there is so much cheap excess milk in the first place.

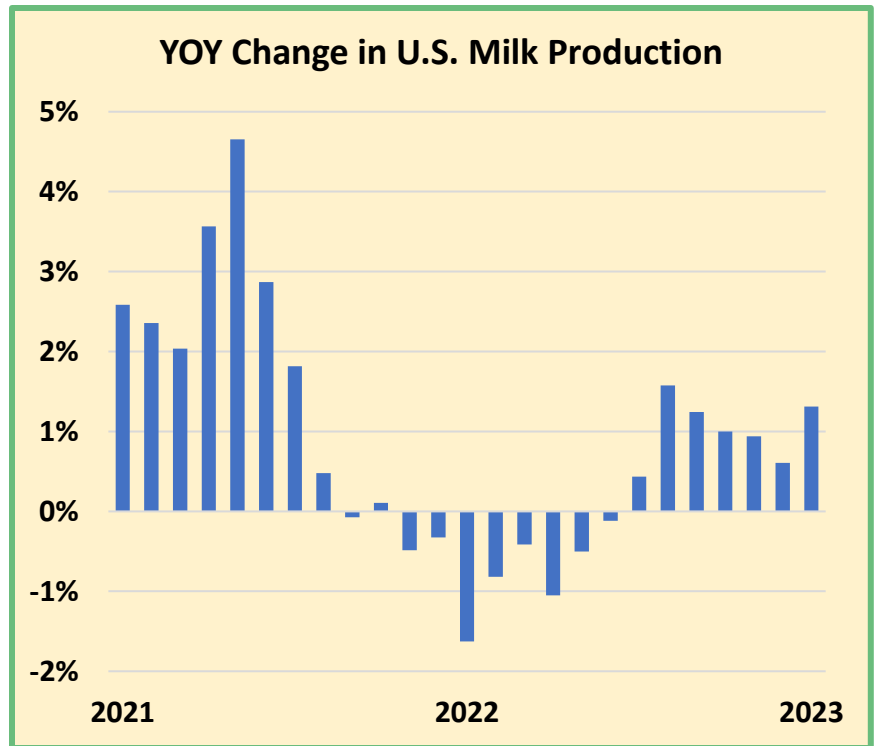
The Cold Storage report also hints that slower cheese production is contributing to all the milk sloshing around the Midwest. Cheese stocks declined unexpectedly in January, slipping to 1.44 billion pounds, down



Driers are running hard, which is sure to boost U.S. milk powder supplies. Exports to Mexico remain strong, and trade between China and Oceania remains robust. But suppliers around the world are dropping prices to keep product moving. Milk powder values fell back at the Global Dairy Trade (GDT) auction on Tuesday, with whole milk powder down 2% and skim milk powder off 2.4%. In Chicago, spot nonfat dry milk (NDM) slipped a half-cent to \$1.215.

Whey continued to gain ground, confirming that proteins simply got too cheap in January. Spot whey powder climbed 1.5¢ this week to 46.5¢, the highest price in nearly four months. That helped March Class III futures to hold their head above water. They settled at \$17.72 per cwt., up 7¢. But the other Class III contracts lost about a dime. Most Class IV futures finished higher. March held steady at \$18.80, while April added 12¢ and closed at \$18.97.

U.S. milk production reached 19.3 billion pounds in January. That was 1.3% greater than the very poor showing in January 2022, when milk



output dropped 1.6% year-over-year. Muddy pens pushed milk yields slightly lower in the Golden State. Although California milk production was steady with last year, it was still 1.9% lower than in January 2021. The weather also took a toll on milk production in the Pacific Northwest. But output continued to climb in the Plains and the Midwest.

While the milk production numbers did not surprise, USDA’s changes to cow numbers were unexpected. The agency lowered its estimate of the fourth quarter milk-cow herd but reported a 9,000-head increase in January. That’s a sizeable jump given hefty dairy cow slaughter last month. There are now 9.405 million cows in U.S. milk parlors, 38,000 more than there were a year ago. But that’s likely to change soon as dairy producers are selling out at a steady clip. At the annual Agricultural Outlook Forum, USDA’s dairy and livestock analyst called for cow numbers to slip below year-ago levels in the second quarter, with accelerated contraction in the back half of the year. High feed costs and tight heifer supplies are setting the stage for another year with only modest growth in U.S. milk production.

Grain Markets

At its annual Outlook Forum, USDA called for farmers to plant more wheat this year than in any year since 2016. The surprisingly high production outlook put pressure on wheat futures, and the funds rushed to add to their short positions. Comments from Chinese officials also dragged on grain values. China’s Foreign Ministry expressed support for the Black Sea export corridor. Such a rare public statement from Russia’s most important ally increases the likelihood that Russia will not interfere with the flow of grain out of Ukraine. Once wheat values began to fall, the selloff fed on itself. Both wheat and corn prices crashed through key chart points, prompting technical traders to sell even more. March wheat dropped 30¢ today and March corn closed at \$6.50 per bushel, down 27.75¢ from last Friday. The soy complex held basically steady. March soybeans settled at \$15.29, up a couple cents on the week. Soybean meal remains stubbornly high at \$497.10 per ton, up \$6 since last Friday.



Good News on the Water Front

By Geoff Vanden Heuvel, Director of Regulatory and Economic Affairs
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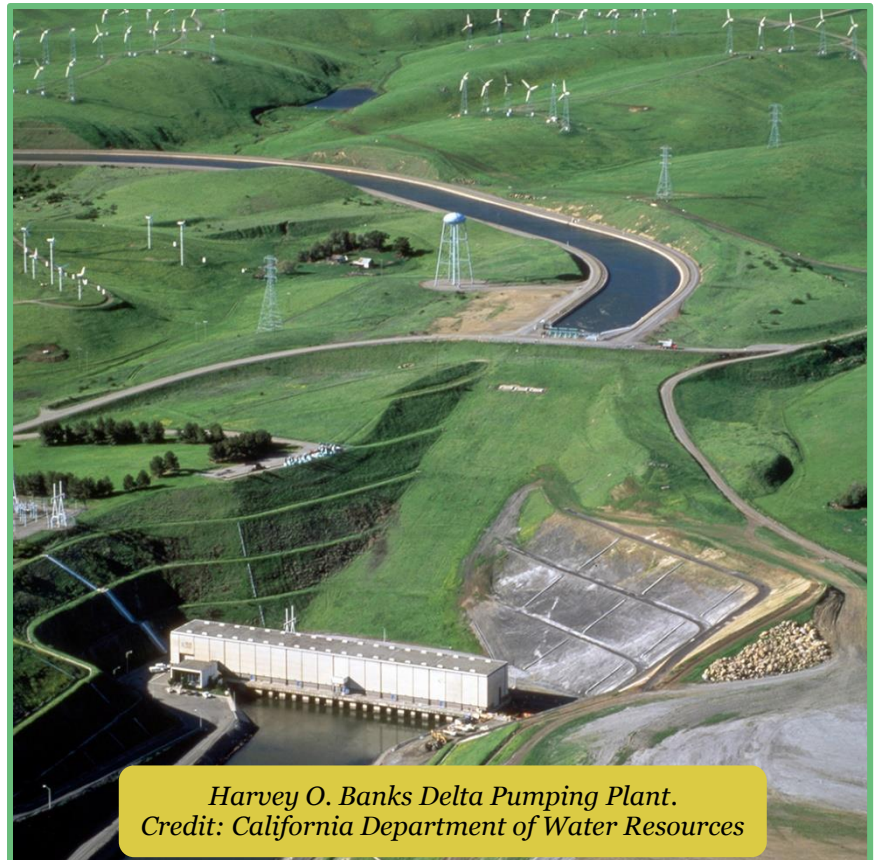
[Last week we reported](#) that Governor Newsom had issued an Emergency Order that paved the way for the State Water Board to consider a [Temporary Urgency Change Petition](#) (TUCP) submitted by the operators of the State Water Project and the Central Valley Project for relief from a regulation that required large amounts of stored water to be sent to the ocean. Late Tuesday the State Water Board granted that petition.

To approve a TUCP, the State Water Board must find that:

- (1) There is an urgent need for the proposed changes;
- (2) The changes will not injure any legal user of water;
- (3) The changes will not result in unreasonable effects to fish and wildlife; and
- (4) The changes are in the public interest.

In addition, the State Water Board must protect public trust resources to the extent feasible and in the public interest. In a [37-page document](#), the State Board outlined the reasons and justifications consistent with these requirements for granting the petition. While the State Board had the legal authority to grant this petition, it is the action of Governor Newsom that made this possible. The effect of this decision is to save thousands of acre-feet of water in storage for use later this year. It was a good decision and Governor Newsom deserves our thanks.

Also, this week the water supply allocations for the Central Valley Project were raised to 35% for the West side districts. Exchange Contractors were allocated 100% as were the Friant Class 1 contractors. Friant Class 2 contractors were allocated 20%, which will likely go up. And the State Water Project contractors were allocated 35%. These all could be raised as the water year progresses.



Harvey O. Banks Delta Pumping Plant.
Credit: California Department of Water Resources

Valley Air District Launches Expanded Grants for Small Ag Operations

Courtesy of the San Joaquin Valley Air Pollution Control District

Note from Kevin Abernathy, General Manager

The San Joaquin Valley Air District just announced a new grant program aimed at small farmers. For any of our members who farm less than 500 acres, you are eligible for a grant for the “Agricultural Tractor Replacement Program.” Grants are also available for the District’s “Alternatives to Open Burning Incentive Program.” More details are available [here](#).

- **Agricultural Tractor Replacement Program:**

- Operations of 100 acres or less can now receive up to 80% off the cost of eligible new, latest certified equipment.
- Operations between 101 and 500 acres can now receive up to 70% off the cost of eligible new, latest certified equipment.
- Operations of 100 acres or less can now receive up to 80% funding to replace old equipment with certified *pre-owned* Tier 3 or cleaner equipment.

Mid-Kaweah GSA Crop ET Data

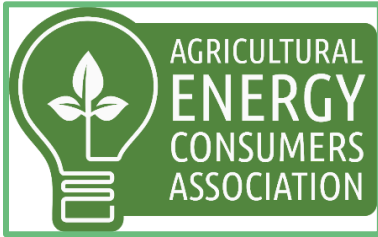
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The chart at the right was prepared by the Mid-Kaweah Groundwater Sustainability Agency (GSA). It shows water consumption for 2022 for the various crops grown in its GSA. This table uses evapotranspiration (ET) data gathered by satellites and trued-up with the use of field observations and local weather stations. We’ve shared crop ET data from other GSAs previously and like to pass this information along as it becomes available.

Table 1. Total average ET by crop type per year in the MKGSA**	Annual ET WY2022 [ft]	Total Area [acres]	Number Fields [# fields]
Pears-Bartletts*	3.9	5	1
Alfalfa	3.8	9156	178
Almonds	3.6	9261	237
Walnuts	3.6	4821	200
Prunes*	3.4	4	3
Pecans	3.4	477	22
Plums*	3.3	23	4
Cherries	3.2	234	14
Pistachios	3.1	8402	254
Grapes	3.1	502	16
Double Crop	3.0	13645	330
Citrus Fruits	2.7	169	18
Bush Berries	2.7	102	7
Mixed Grasses*	2.6	74	1
Cotton	2.4	2408	65
Sugar Beets	2.3	125	4
Field Corn	2.3	5059	113
Grains Sorghums*	2.0	39	1
Strawberries*	1.7	6	4
Truck Crops*	1.7	4	3
Farmstead	1.6	235	61
Wheat	1.5	1771	69
Native Pasture	1.2	1732	156
Oats	1.2	227	6
Idle Crop Land	0.7	2666	124
Basin	0.7	784	24
Residential	0.7	522	39
Young Perennials	0.6	853	29
Commercial	0.6	732	46

Western Energy Regionalization Under Discussion, Again

Courtesy of the [Agricultural Energy Consumers Association](#)



MPC has been a long-time member of the Agricultural Energy Consumers Association (AECA), which shared this report with its membership regarding recent legislation introduced in the State Capitol.

In 2018, Assemblymember Chris Holden (D, Pasadena) introduced legislation to create a new Western wholesale energy trading market. The bill faced significant opposition at the time and failed passage. After the energy crisis of Labor Day Weekend, Assm. Holden has re-introduced the concept in AB 538. The legislation would direct CAISO's Board of Governors to develop and submit to the CEC a governance proposal for a regional transmission organization.

The proposal would be reviewed by CEC leadership and would require retention of “a state’s leadership over energy procurement, resource planning and transmission siting and investment.” It would prohibit a centralized capacity market, ensure California’s climate policies would be retained and establish equitable transmission cost-allocation rules.

Regional markets are already functioning in the West. CAISO’s recent FERC approval to bring its extended day-ahead market across the regional footprint of the Western Energy Imbalance market is seen as a move to a more effective and expansive regional market.

Environmentalists are split on the matter, some (Food and Water Watch) are concerned California will import energy generated from fossil resources like coal from other states, while others (Natural Resources Defense Council) think regionalization is critical to achieving the state’s ambitious climate goals.

Labor was very against the idea back in 2018, and has recently voiced concerns with the current proposal.

AECA will be following the proposal, but generally supports regional cooperation as an effective hedge on rising rates.

NMPF Update: FDA Releases Voluntary Plant Food Labeling Guidance, Seeks Nutritional Disclosures by Fake “Milks”

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

In what appeared to be a classic bureaucratic “split the baby” approach, the Food and Drug Administration announced new “guidance for industry” this week on the use of dairy terms on plant-based imitation beverages.

The FDA’s voluntary [guidance document](#) would allow the term “milk” to be used, in most cases, on plant-based copycats – but the front labels of the packages also would have to inform consumers how the product differs from real milk on a number of key nutrients.

FDA Commissioner Robert Califf and Dr. Susan Mayne, director of FDA’s Center for Food Safety and Applied Nutrition, met with Clay Detlefsen and me prior to the announcement to discuss the proposed industry guidance which has been in the works for the better part of the last year.

I told them we were disappointed that they did not adopt our request to simply enforce current standards of identity which would require the use of the terms “imitation”, “substitute” or “alternative” on any plant-based beverages mimicking fluid milk. But short of that, establishing this new labeling policy is at least a step toward labeling integrity, I told them in our discussion.

In a major victory for NMPF’s ongoing campaign to highlight the public confusion about the nutritional deficiencies of the fake products, the FDA noted that “While consumers appear to understand that plant-based milk alternatives are distinct products from milk, several consumer studies... indicate that consumers, including consumers who purchase plant-based milk alternatives, do not understand the nutritional differences between milk and plant-based milk alternatives.”

That’s the message we have been hammering with regulators, lawmakers and the media for more than six years.

In response to this concern, the FDA recommends that plant-based milk alternatives with a nutrient composition that varies from real milk “bear an additional nutrient statement on the product label describing how it is nutritionally different.” In virtually every case, this means that the imitators should proclaim they are inferior in composition to the broad and deep nutritional profile of cow’s milk.

As we noted in [our statement](#), FDA’s proposed guidance is meaningless without action or a mechanism to enforce the label disclaimers. Thus, NMPF will continue our work in Congress to pass the DAIRY PRIDE Act, which would direct FDA to enforce its own rules and clarify that dairy terms are for true dairy products, not plant-based imposters. **We will also prepare comments on this guidance and ask our members in the coming weeks to join in that effort** to further reinforce the need for implementation of the draft FDA guidance even as we continue to pursue a legislative mandate.

While not everything we want, this announcement is a major policy change that highlights milk’s nutritional superiority and puts pressure on the fake milk marketers. That’s a significant change in the status quo, and one that we need to solidify with finalization of this draft guidance.

