

MPC WEEKLY FRIDAY REPORT

DATE: MARCH 17, 2023

TO: DIRECTORS & MEMBERS

FROM: KEVIN ABERNATHY, GENERAL MANAGER

PAGES: 7

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Special Note from Kevin Abernathy to our Dairy Families

If you need help – with anything – due to the flooding in the southern San Joaquin Valley please call me: 209-678-0666. The MPC staff and our partners stand ready to assist. We know that many producers are facing dire situations on their farms, having to evacuate animals, employees and their families due to flooding. I've spent the last three days on the phone working with local, state and federal agencies to help get producers support and relief, not just in the short-term, but for the foreseeable future as the ramifications of these flooding events will be felt for many months to come. You can see the gravity of the situation our dairy families are dealing with in the picture.



The California Dairy Quality Assurance Program (CDQAP) has also prepared a document titled, "Emergency Flooding Advisory: Tulare & Central Valley Counties" which you can read [here](#).

Summary

- The current storm patterns have caused historic flooding throughout the state, resulting in forced evacuation of dairies and property damage, including catastrophic feed losses.
- Most transportation needs for evacuating livestock has been organized by dairy trade organizations. State and federal resources are available.
- CDFA and county milk inspection agencies are providing expedited equipment inspection for producers that are evacuating to an empty dairy or who are returning home.
- Water Board staff requests that producers notify them of evacuation, to answer citizen and media questions with reassurance about water protection efforts.
- Significant increases in livestock mortality have not been reported, but flooding and road closures may delay routine pickups. Resources are available.
- Recovery funding will be available. Producers should begin documentation of disaster related expenditures immediately.
- CDQAP has produced a number of flood-related references and checklists.



MPC FRIDAY MARKET UPDATE



CHICAGO CHEDDAR CHEESE		CHICAGO AA BUTTER		NON-FAT DRY MILK	
Blocks	+\$.2175	\$1.9975	WEEKLY CHANGE	+\$.0675	\$2.4000
Barrels	+\$.1900	\$1.9600	WEEKLY AVERAGE	+\$.0510	\$2.3880
WEEKLY AVERAGE CHEDDAR CHEESE		DRY WHEY		WEEK ENDING 03/11/22	
Blocks	+\$.0965	\$1.9290	DAIRY MARKET NEWS	W/E 03/17/23	\$.4400
Barrels	+\$.1725	\$1.8740	NATIONAL PLANTS	W/E 03/11/22	\$.4246
					NAT'L PLANTS \$1.2146 19,980,241
					LAST WEEK ENDING 03/04/22
					NAT'L PLANTS \$1.2016 31,480,778

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
MAR 17 EST	\$20.59 - \$21.09	\$19.48	\$18.07	\$18.39
LAST WEEK	\$20.59 - \$21.09	\$19.40	\$17.71	\$18.30

FEBRUARY 2023 CA FMMO STATISTICAL UNIFORM PRICE ANNOUNCEMENT

FEB '23 FINAL	CLASS I	CLASS II	CLASS III	CLASS IV	STATISTICAL UNIFORM PRICE (BLENDED PRICE)	NET PRICE AFTER QUOTA ASSESSMENT*
MINIMUM CLASS PRICE	\$22.38 TULARE \$22.88 L.A.	\$20.83	\$17.78	\$18.86	\$18.60 TULARE \$19.10 L.A.	\$18.326 TULARE \$18.826 L.A.
PERCENT POOLED MILK	16.2%	4.1%	57.8%	21.9%	100% (2.36 BILLION LBS. POOLED)	

*QUOTA RATE OF \$0.274/CWT. AS OF AUGUST 2022 MILK



Milk, Dairy and Grain Market Commentary

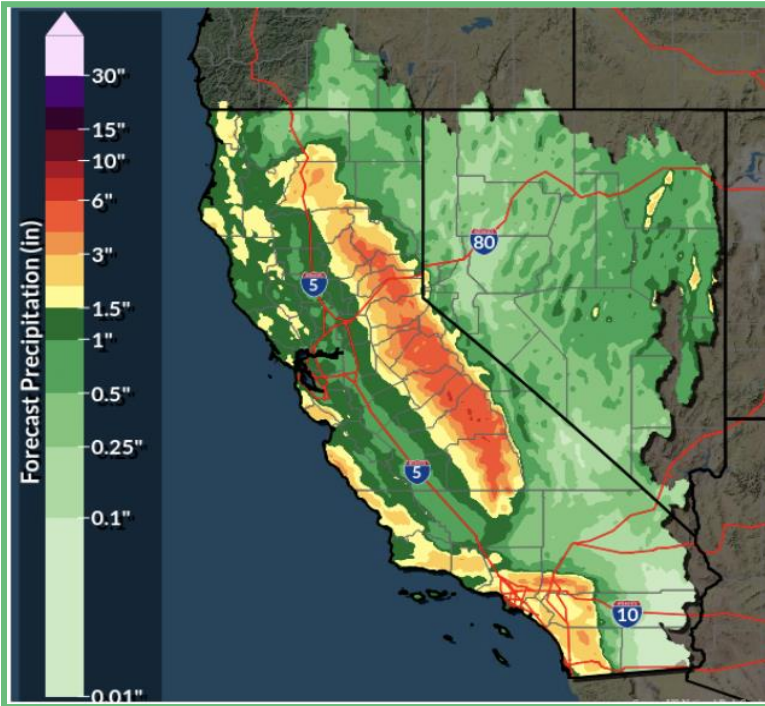
By Monica Ganley, Quarterra

Monica.Ganley@QuarterraGlobal.com

Milk & Dairy Markets

The official start of spring is right around the corner and milk volumes are responding accordingly. Output is steady to higher in most parts of the country as the spring flush rolls in. Bouts of extreme weather have popped up across the nation and are challenging the production and transportation of milk. Producers in parts of the northeast are digging themselves out from under several feet of snow while those in California slog through seemingly unending rain. Flooding is causing cow comfort and animal health concerns and, in the most severe cases, is forcing producers to evacuate their herds to higher ground. With more rain expected to fall, fears are mounting that critical infrastructure such as levees will fail, further exacerbating the situation. While increased precipitation has helped to refill reservoirs and could provide some relief to California's water crisis, for the moment attention is focused on dealing with the immediate impacts of the flooding.

Forecast Precipitation
Friday, March 17 - Thursday, March 23

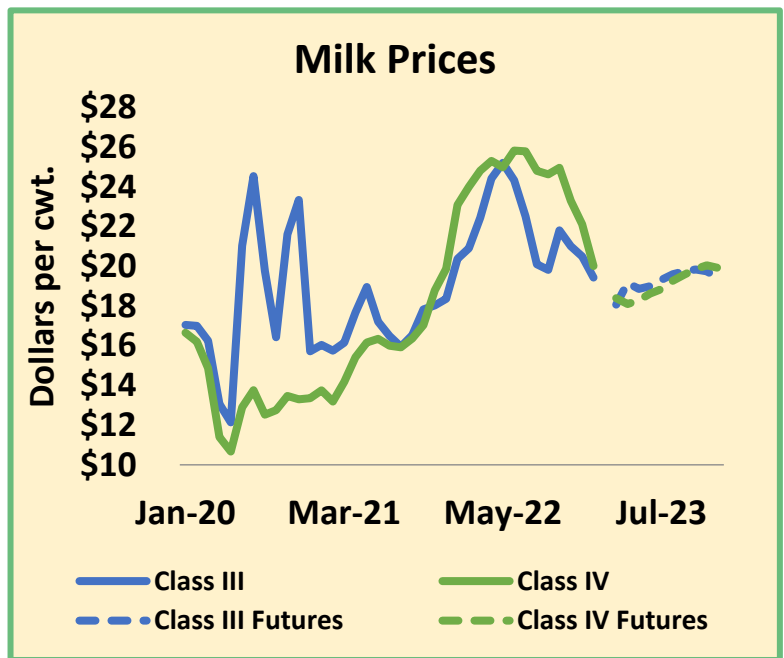


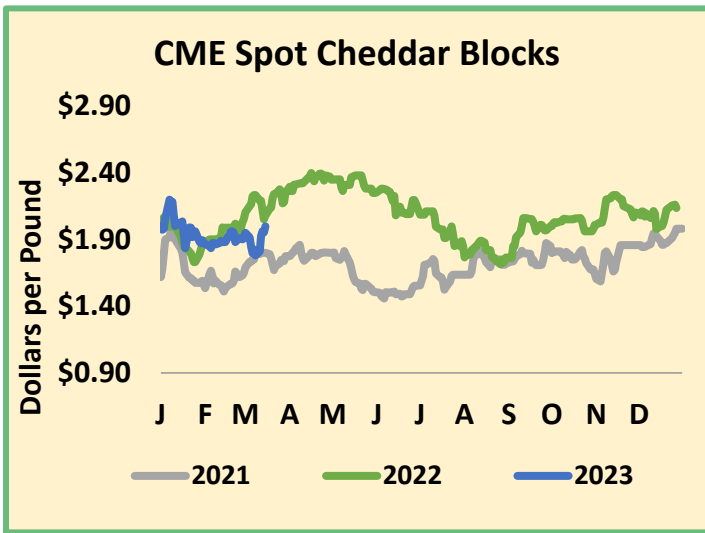
As students excitedly look forward to their spring breaks, demand from bottlers has softened. This has freed up even more milk for manufacturing uses, which was already oversubscribed. Balancing operations are stepping up milk intake where possible, but they remain constrained by a variety of factors including labor complications. As a result, spot milk can be obtained at extreme discounts. Dairy Market News once again reported that in the Central region, spot milk can be picked up for as little as \$12 under Class III pricing. Meanwhile, milk futures followed the commodity markets upward this week. On Friday, every 2023 Class III contract except MAR23 and MAY23 settled above \$19/cwt. Nearby Class IV contracts fell slightly over the course of the week.

The spot market found surprising traction

this week as every commodity ended Friday's trade at a higher price than at the end of Monday's session. The Cheddar markets, in particular, vaulted higher. Except for a .75¢ decline on Thursday, Cheddar blocks saw the price move upward each day, including a 11.5¢ leap on Tuesday. Ultimately, blocks ended the week at \$1.9975/lb., an increase of 21.75¢ compared to last Friday's close. Not to be left behind, barrels staged their own comeback this week, including a 7.25¢ jump on Friday as 16 loads traded hands. Barrels ended the week at \$1.96/lb., an increase of 19¢ compared to last week and bringing the block-barrel spread to 3.75¢.

With cheap milk readily available, cheese vats have been full across the country. Market participants indicate that inventories have been steady. Even so, demand appears to be strong enough to at least provide some lift to Cheddar prices, as witnessed in the market this week. Demand from both retail and foodservice channels has been perky with demand for barrels especially pronounced. The pull from the export market has been mixed as some traders report keen interest from global buyers while others emphasize that U.S. product has lost competitiveness compared to other international sources.

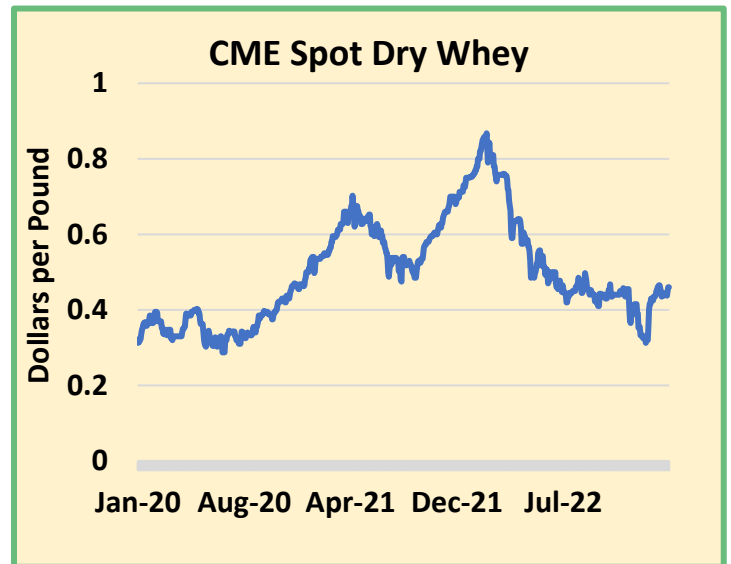




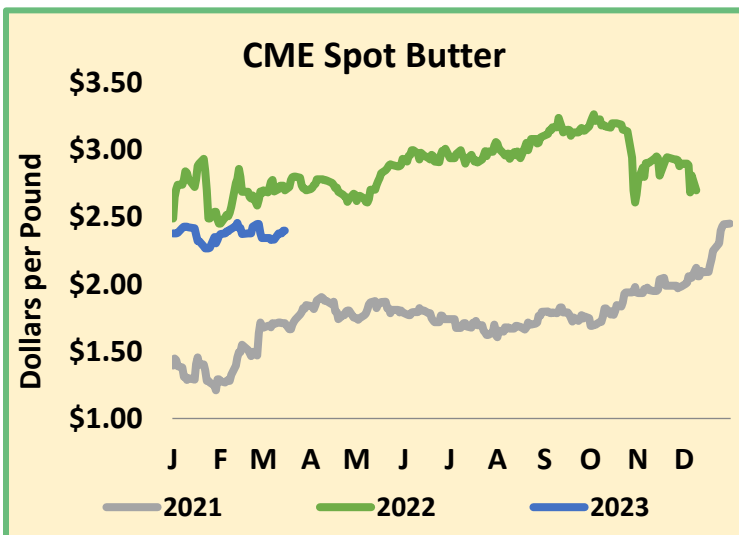
The spot dry whey market gave up a quarter of a cent on each Monday and Tuesday before more than compensating with a 1.25¢ and 1¢ gain on Wednesday and Thursday, respectively. After remaining unchanged on Friday, the market closed out the week at 46¢ per pound, an increase of 1.75¢ compared to last Friday. Heavy cheese production has kept a steady whey stream available for processors. Price signals are pulling the whey stream toward the production of dry whey at the expense of higher protein products. Even so, demand is reportedly mixed. While interest has improved from some international

buyers, product from alternative supply regions, especially Europe, is very competitively priced.

Cream availability varies across the country. In the Western states cream supplies remain long while Dairy Market News reports that the market is significantly tighter in the Eastern states. Despite the regional differences, the overarching message is that churns continue to run busy schedules. Butter inventories are healthy and some of the butter being produced today is being immediately frozen for later use. With the spring holidays rapidly approaching, demand for butter and other Class II products has increased considerably which should keep tension in the markets in the coming weeks.



The spot butter market rose in fits and starts this week. After kicking off the week with a 4.75¢ increase on Monday, the spot price remained unchanged on Tuesday and Wednesday. Another two penny increase on Thursday lifted the price to \$2.40/lb. where it remained during Friday's session. A total of six loads of butter traded hands during the week.



On the other side of the Class IV complex, market movements were more mixed. The spot nonfat dry milk (NDM) price kicked off the week with a half penny loss on Monday, followed by another dip on Wednesday. These declines were countered by a 1.5¢ gain on Tuesday and another .75¢ increase on Friday. When the dust settled, the NDM market ended the week at

\$1.1875/lb., up 1.25¢ compared to last Friday. Ample milk supplies are keeping dryers working hard and supplies are reported to be readily available. Meanwhile, demand is mixed on both the international and domestic fronts. Mexican buyers appear intermittently while some domestic buyers are swapping NDM out for WPC34 as prices in that market fall.

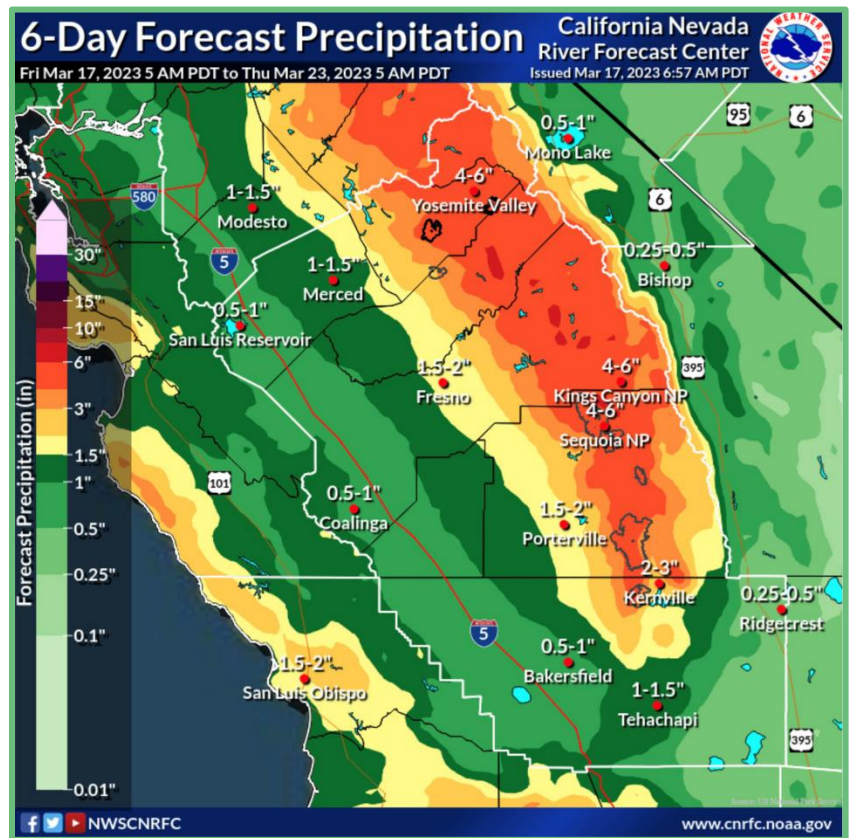
Grain Markets

Elevated feed prices seem poised to continue negatively impacting producer profitability. The corn markets rose this week with the MAY23 contract settling on Friday at \$6.3450/bu. Concerns about global supplies persist, especially given intensifying heat and drought in Argentina. Meanwhile soybean meal prices slipped with the MAY23 contract settling on Friday at \$466/ton. In USDA's North American Grain and Oilseed Crushing Summary published on Monday, the agency estimated that U.S. soybean crushing was up 2.6% in 2022 to 65.856 million tons.

Commentary on Potential Upcoming Major Flooding in San Joaquin Valley

Courtesy of Johnny Gailey, [Delta View Water Association](#)

There are already a number of animal facilities that have been evacuated and more of them are doing everything in their power to try and keep the water out. We have been praying for rain and wow, has God ever delivered. Unfortunately, we do not have the storage capacity for these once in a lifetime events. Lake Success and Lake Kaweah are both running over the spillways after last week's storms. Now with 4-6 more inches forecast for next week in the Kaweah and Tule watersheds there will be no regulating the outflows. It is possible that portions of the city of Visalia and Goshen may experience some flooding by Wednesday of next week. Pine Flat dam on the Kings River still has around 300,000 AF of space before it spills out and is also fully uncontrolled. This is expected to happen in the next 30 days with the massive snowpack above.



Dam Level Hourly Reports

Kaweah: <https://www.spk-wc.usace.army.mil/fcgi-bin/hourly.py?report=trm>

Success: <https://www.spk-wc.usace.army.mil/fcgi-bin/hourly.py?report=scc>

Pine Flat: <https://www.spk-wc.usace.army.mil/fcgi-bin/hourly.py?report=pnf>

What this all means is that the flooding that we have seen so far is just the pre-game show to what we will be seeing for the next 4+ months. You can add to the equation that all facilities to store water on the Kern River are projected to be at capacity by July.

Welcome back Tulare Lake! It might not be in the exact location it used to be due to the mind-boggling amount of subsidence that has occurred, but it will reform in the same general area.

In making decisions about whether to evacuate livestock, not only do you need to consider whether or not they will flood, but will roads be open for feed, milk trucks, and employees to actually care for the animals.

Please stay safe and remember that God does always answer prayers, just not always in ways that you might expect!

CARB Smog Check Workshops in Southern California for Heavy Trucks

Courtesy of the [California Air Resources Board](#)

Do you own, operate, or dispatch heavy-duty trucks in or to California? Then you need to know about the California Air Resources Board's (CARB) upcoming requirement to regularly test the emission control system of nearly every truck operating within California, regardless of where the truck's owner lives or where the truck is based. The new requirements are more commonly known as a heavy-duty truck smog check and will become effective over the next couple of years. If your vehicles are not compliant, you need to know what the current and future requirements are. If your vehicles are compliant, you may need to regularly test and report to remain compliant. This course gives you information about how to comply with the HD I/M program and how to report to continue operating legally in 2022 and beyond.

Date: March 29, 2023 (**Offered in-person & via Zoom webinar**)
Time: 9:00 a.m.
[In-Person Registration](#) (Browse for MS510)
Location: Clark's Nutrition & Natural Foods Market
[12835 Mountain Ave., Chino](#)
Webinar: [Zoom Registration](#)

Date: April 4, 2023 (**Offered in-person & via Zoom webinar**)
Time: 1:00 p.m.
[In-Person Registration](#) (Browse for MS510)
Location: County Operations Center,
[5560 Overland Ave. - Training Room 124, San Diego](#)
Webinar: [Zoom Registration](#)

CDQAP Update: Manure Management Funding Coming in Spring

Courtesy of the [California Dairy Quality Assurance Program](#)

The California Dairy Quality Assurance Program recently published its latest update, which you can read in its entirety [here](#).

Start Preparing Now! Manure Management Funding Coming in Spring



Beginning this spring CDFA will offer millions of additional dollars of “Climate Smart” grants to California producers through USDA funding secured by its partnership with the California Dairy Research Foundation and the CA dairy industry. The new “Dairy Plus” grant program will provide financial assistance to adopt advanced manure management practices that reduce both methane emissions and nitrogen surplus. Go to CDRF’s Climate Smart webpage to learn more about the program and sign up for funding alerts.

NMPF, Ag Groups Seek Additional Farm Bill Funding

Courtesy of Jim Mulhern, President & CEO

[National Milk Producers Federation](#)

NMPF joined a diverse coalition of 400 farm groups this week in asking Congress for more money for the next farm bill. The groups signing the letter ranged from the American Farm Bureau Federation to the National Farmers Union and included most major commodity and livestock groups.

In [a letter](#) to leaders of the House and Senate budget and agriculture committees, the groups wrote, “Sufficient budgetary resources will be needed to craft a new bipartisan, multi-year, comprehensive, and meaningful piece of legislation. As you work to build the federal budget for fiscal year 2024, we seek your support for providing sufficient resources to the committees to craft the next farm bill.”

The shared concern in this coalition is that the current baseline is not sufficient to address the many stakeholder needs across all of agriculture. As an example, any significant changes to the Dairy Margin Coverage program or risk management tools would require additional funding.