

MPC WEEKLY FRIDAY REPORT

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 TO: DIRECTORS & MEMBERS
 FROM: KEVIN ABERNATHY, GENERAL MANAGER
 PAGES: 6



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MPC FRIDAY MARKET UPDATE

CHICAGO CHEDDAR CHEESE		CHICAGO AA BUTTER		NON-FAT DRY MILK	
Blocks	+\$.1125	\$1.6500	WEEKLY CHANGE	-\$.0150	\$2.7450
Barrels	+\$.0800	\$1.5500	WEEKLY AVERAGE	+\$.1490	\$2.7720
WEEKLY AVERAGE CHEDDAR CHEESE		DRY WHEY		WEEK ENDING 01/20/24	
Blocks	+\$.1330	\$1.6450	DAIRY MARKET NEWS	W/E 02/02/24	\$.4500
Barrels	+\$.0790	\$1.5380	NATIONAL PLANTS	W/E 01/27/24	\$.4365
				LAST WEEK ENDING 01/13/24	
				NAT'L PLANTS	\$1.2124 16,315,765
				NAT'L PLANTS	\$1.2118 15,646,202

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 2 EST	\$19.59 - \$20.09	\$20.57	\$16.27	\$20.00
JAN '24 FINAL	\$20.08 - \$20.58	\$20.04	\$15.17	\$19.39



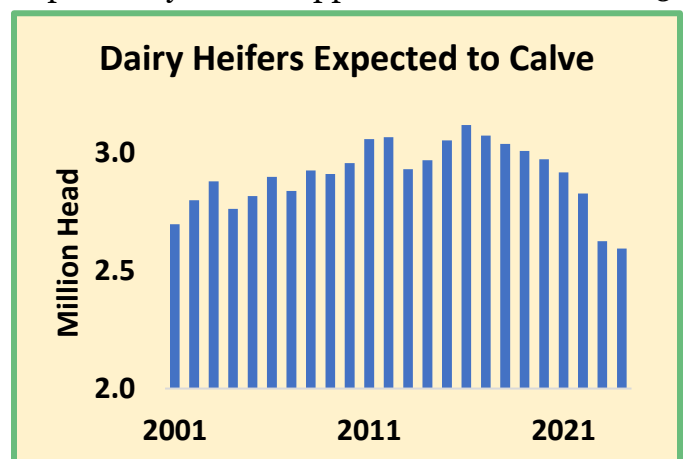
Milk, Dairy and Grain Market Commentary

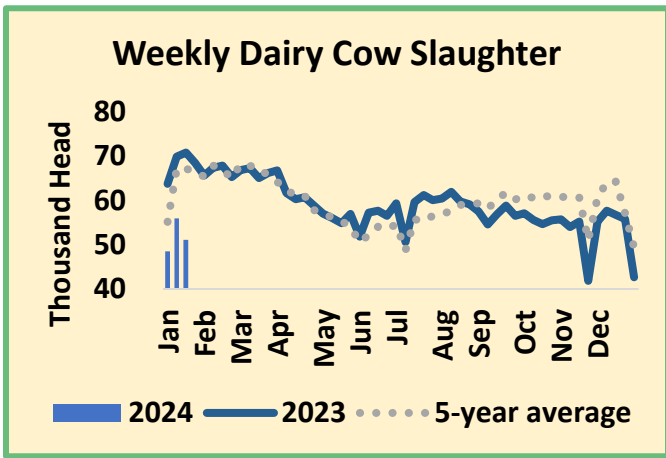
By Sarina Sharp, Daily Dairy Report
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Milk & Dairy Markets

With the benefit of hindsight, USDA now believes there were many fewer dairy heifers on hand at the beginning of 2023 than previously thought. In its biannual Cattle Inventory Report, the agency slashed its estimate of the dairy heifer headcount on January 1, 2023, by 263,600 head. The revised figure shows a steep 367,000-head drop in dairy heifer supplies from 2022 to 2023. The agency reported a modest decline in the heifer head count from early 2023 to January 1, 2024, pegging the U.S. dairy heifer herd at less than 4.06 million head, a 20-year low. USDA also cut its 2023 estimate of dairy heifers ready to calve and enter the milking parlor within the year and reported a further decline for 2024, assessing the maturing heifer herd at just 2.59 million head, the lowest – by far – since the agency began tracking this figure in 2001.

The cost to raise heifers to maturity and rising beef

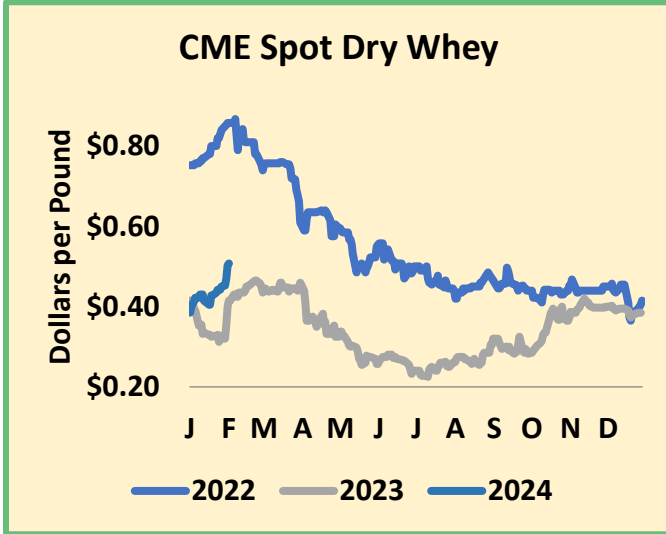
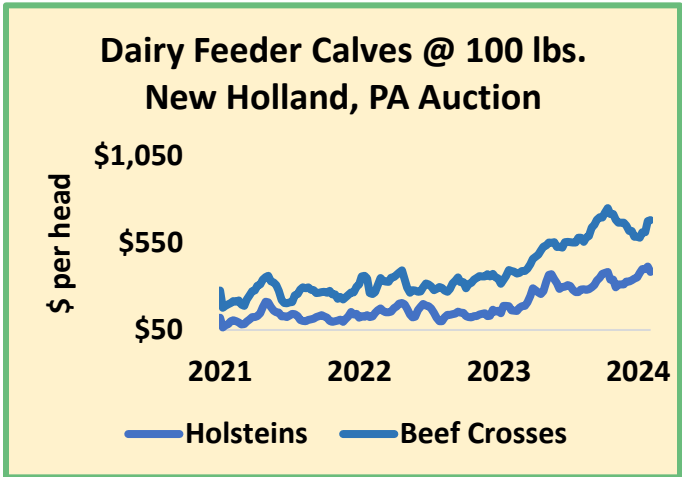




prices have prompted more and more dairy producers to introduce beef genetics into their breeding programs. The consequences are obvious. The industry has completely erased the glut of heifers created by the prevalence of sexed semen in the mid-2000s and the pendulum has swung to the other extreme. Tight heifer supplies forced dairy producers to rein in cull rates beginning in September, and dairy slaughter volumes have remained well below normal. In the first three weeks of the year, they lagged the 2023 pace by an astounding 24%. Every week for the

past three months, dairy producers sent about 8,000 fewer cows to the packer than they did in the same week the year before. And yet, the dairy herd shrunk by 23,000 head from September to December.

If dairy producers began to shift back to a more conventional breeding program, it would take several years before today's breeding decisions would result in more mature heifers ready to enter the milk parlor. And there is no incentive for producers to begin making that switch. Although heifer prices have climbed, many dairy producers are still better off buying heifers rather than raising them. Meanwhile, crossbred calves are more lucrative than ever. At this week's livestock auction in New Holland, Pennsylvania, newborn Holstein bull calves sold for an average of \$351.77 per head. But crossbred bull calves commanded \$625, and crossbred heifer calves sold at a similar price. If these margins persist, a 1,000-cow dairy that produces crossbred bull calves can expect to earn about \$100,000 more in 2024 than it would selling Holstein bull calves, before accounting for any revenue from crossbred heifers. The dairy industry is likely to struggle through short heifer supplies for years, which will limit dairy producers' ability to expand milk output in a hurry.

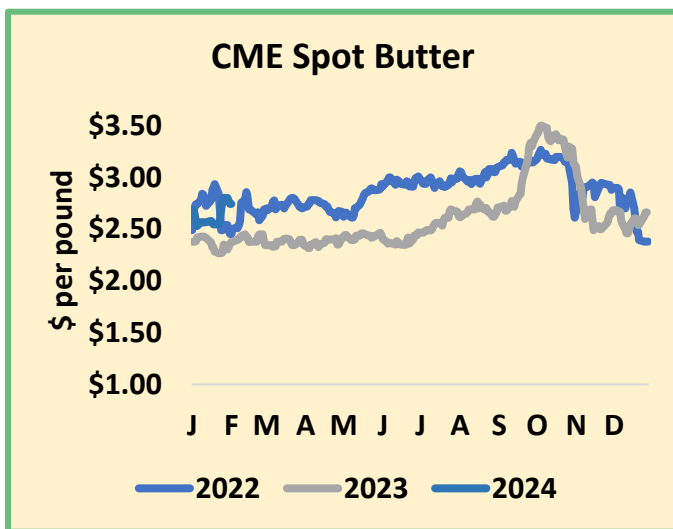


Buoyed by yet another report promising restraints on growth in U.S. milk output, the dairy markets moved enthusiastically upward this week, led by a sizable leap in the whey market. CME spot whey powder jumped 6.5¢ to 50.75¢ per pound, its highest price since June 2022. The spot whey market advanced 15% in this week alone and has climbed 32% since the year began. Every penny increase in the whey price adds 6¢ to Class III, so the year-to-date gain has boosted dairy producers' potential Class III revenue by 73.5¢ per cwt.

Whey processors tell USDA's *Dairy Market News* that whey powder inventories are "tightening," and that "a growing number of processors has not been drying sweet whey but using whey solids for whey protein concentrate (WPC) manufacturing." Production of the highest-protein WPCs has topped year-ago volumes since March, and output of whey protein isolates, which are even more concentrated, began to climb in October. U.S. whey export prospects remain cloudy, but domestic demand for high-protein whey ingredients is firm, and it's offering a big lift to whey and Class III values.

The cheese markets moved higher too. Cheddar blocks surged 11.25¢ to \$1.65. Barrels advanced 8¢ to \$1.55. Cheese has been cheered by news that exports are starting to accelerate. But an export-driven rally may be short-lived, as higher U.S. prices could prompt foreign buyers to look elsewhere. That may explain why both CME spot Cheddar and nearby Class III futures settled well off their highs today. Nonetheless, Class III futures gained considerable ground this week. The March and April contracts jumped more than 80¢ and settled at \$17.38 and \$17.70 per cwt., respectively. Those are values that won't inspire a lot of excitement, but they are far better than the \$15.17 January Class III price.

The butter market is starting to look a little topy. Last week's Cold Storage report propelled butter sharply higher, reigniting fears that winter and spring butter production will not be adequate to meet demand later this year. But cream has gotten cheaper and butter churns are running hard. CME spot butter retreated 1.5¢ this week. However, with spot butter at \$2.745, prices are still lofty.



Tighter milk supplies and the smaller dairy herd continue to support milk powder values. But the market remains nervous about demand, and the bulls are treading lightly. CME spot nonfat dry milk added a half-cent this week and reached \$1.225. That was enough to lift most Class IV contracts by a dime or so. They're hovering around the \$20 mark, a level that is sure to cheer the plurality of producers who earn some Class IV revenue.

Grain Markets

The row crop markets took another step back. Brazil's bin-busting 2023 harvest continues to drag prices downward. Brazil is home to the cheapest corn and soy in the world, and they are winning most soybean export orders. Although the season got off to a dry start, Brazilian farmers are now enjoying excellent weather, raising expectations for another good crop. The situation is reversed in Argentina, where spring and early summer conditions have given way to a hot, dry stretch. Still, Argentine farmers are hoping for a decent harvest with rains in the forecast by late next week. The global soybean stockpile is not large, so any further issues could send prices upward. But for now, the trade is not terribly concerned about soybean inventories. And there is more than enough corn. March corn futures slipped another 3.25¢ this week to \$4.4275 per bushel. March soybeans fell 21.25¢ to \$11.885. After a massive selloff, soybean meal futures regained a little ground. They closed today at \$356.80 per ton, up \$7.80 for the week.



It's a Wrap for the Federal Milk Marketing Order Hearing

By Geoff Vanden Heuvel, Director of Regulatory and Economic Affairs
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With a smile, The Honorable Judge Jill Clifton ended the Federal Milk Marketing Order Hearing (FMMO) on Tuesday, January 30, 2024, at 10:18 a.m. Eastern Standard Time. The hearing started on August 23, 2023, and consisted of 49 days of testimony and over 500 exhibits numbering well over 10,000 pages of written material.

While the schedule did allow for a full week of testimony this week, by Monday mid-day, sentiment was strong that the hearing was close to finished. There was a little drama right at the end of the hearing. Danny Munch, an economist for the American Farm Bureau Federation (AFBF) took the witness stand to read a letter from AFBF to USDA Secretary Tom Vilsack with the heading: "Request for Emergency Return to "Higher-of" Class I Mover." Immediately, both processor groups' attorneys objected to having Danny read the letter. Their objection was based on it coming into the hearing at the last minute with this "emergency" request. Other participants did not object and the USDA staff did not object and the Judge allowed the letter to be read into the record. You can read it [here](#).

Judge Jill Clifton closes the Federal Milk Marketing Order Hearing at 10:18 a.m. on Tuesday, January 30.



It was interesting that Danny Munch was the last witness. He is 27 years old and represents the next generation of dairy industry leaders. He had some very nice and appropriate things to say about the Judge and the staff of USDA that sat through this marathon process. He mentioned how much he respected and learned from the other hearing participants.

There certainly was huge effort put in by the professionals. Nicole Hancock is the attorney for National Milk Producers Federation and did a terrific job. Ryan Miltner represented Select Milk Producers and added much to the quality of the cross examination of witnesses. Steve Rosenbaum represented the International Dairy Foods Association, the national processor group very professionally, and Chip English and Ashley Vulin represented the Milk Innovation Group well. Roger Cryan, senior economist for the AFBF, although not a lawyer, added much to the hearing. Also, behind the scenes, but always present, was long time producer cooperative leader Jim Sleper who came out of retirement nearly three years ago to coordinate NMPF's huge effort to put a unified producer position together for this hearing. Jim was also there for all 49 days.

While the hearing testimony phase is over, this process is far from over. The participants have until April 1 to file post-hearing briefs. The Judge has to certify the transcript of the hearing sometime over

the next month or so. And then USDA has about three months to make a recommended decision. There is then a comment period on that recommended decision. USDA has some months to respond to those comments and issue a final decision that the producers must then vote on. We are probably about 10-12 months away from the results of this hearing actually taking effect. It does take a long time to make this kind of major change in the FMMO system. But the time and the opportunity for everyone to participate and have their views known and tested does give stability to the rules when they are finally established. If you have any interest in digging in further, you can check out USDA's hearing webpage [here](#).

Producer Review Board Meeting: 10 a.m. Monday, February 5 in Modesto

Courtesy of the [California Department of Food and Agriculture](#)

The next Producer Review Board (PRB) meeting will be held at **10 a.m. Monday, February 5 at the Stanislaus County Ag Commissioner's Office, Harvest Hall – Room D & E, 3800 Cornucopia Way, Suite B, Modesto**. This will be an in-person meeting only; no teleconference option will be available. CDFA today released the meeting agenda packet, which is available [here](#).

NMPF Update: Tax & Border Talks; FDA Feed Ingredient Review Process

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

Tax, Border Talks Focus on Hill This Week

As has been the case for most of 2024 so far, the focus on Capitol Hill this week has been taxes and border security. Earlier this week, the House passed a bipartisan tax bill, featuring \$78 billion worth of cuts for individuals and businesses. A key feature of the bill is an expanded child credit, along with a restoration of the 100% bonus depreciation through 2025 and expansion of the existing Section 179 expensing allowance.

The measure so far has received a lukewarm reaction in the Senate, where 60 votes will be needed if the tax package is to pass. Many Senate Republicans are demanding the chance to offer amendments when the Senate takes up the bill.

The Senate, meanwhile, has been haggling over a border security measure that also contains funding to help Ukraine, Israel, and Taiwan. A Senate deal on this measure may be made public as soon as this weekend, but a final enacted law looks increasingly dicey because of election-year politics. Because the details of the measure have yet to be made public, Republican and Democratic negotiators have asked their peers to hold off on passing judgement until the facts are known.

FDA Moves Toward Improved Feed Ingredient Review Process; Farmers Needed to Build Support for Bipartisan Legislation

In an important step to modernize its review and approval of animal feed ingredients, the Food and Drug Administration [announced](#) today that it is withdrawing long-standing policy that classifies animal

feed ingredients as animal drugs if making claims on production, environment, or food safety-related benefits. NMPF has long advocated for FDA to rescind this policy in order to pave the way for expeditious review and approval of animal feed ingredients that can reduce enteric methane emissions.

However, FDA also made clear that it supports the legislative authority embodied in the NMPF-backed Innovative FEED Act (H.R. 6687, S. 1842), which will provide clear direction to the agency to review enteric-reducing and other products using its Food Additive Petition process. To complete our work and get this bill passed, we're asking for your help in winning sponsors for the Innovative FEED Act. This legislation is critical to speeding FDA approval of Elanco's 3-NOP (Bovaer) and similar future products.

You can use [this NMPF advocacy alert](#), containing a pre-drafted message, to contact your House member, seeking their endorsement of the legislation. By joining our call-to-action campaign, you can stand up for America's dairy farmers and help them compete in a global market and deliver on our industry commitments to reduce greenhouse gas emissions.

California Dairy Sustainability Summit March 26 in Davis, CA

Courtesy of [Dairy Cares](#)

The fourth [California Dairy Sustainability Summit](#) will be held as a one-day event on **March 26, 2024, at the UC Davis Conference Center**. The Summit brings together the dairy community, along with policymakers, regulators, researchers, supply chain partners, and other stakeholders to discuss the sustainability of California's family dairy farms. [Conference registration is now open](#). For those unable to come in person, [virtual registration](#) is complimentary for all dairy farmers using the code DAIRYFARMER. Virtual registration is also complimentary for all students (code DFASStudent), courtesy of Dairy Farmers of America.



The banner features a green and white color scheme. At the top left is the logo for the California Dairy Sustainability Summit, which includes a cow silhouette and a leaf. To the right of the logo, the text reads "California Dairy Sustainability Summit" and "March 26, 2024 UC Davis Conference Center". A large green banner across the middle contains the text "Register Today!" in white. Below this is a photograph of a black and white cow in a field with solar panels and farm buildings in the background. At the bottom, under the heading "Hosted by:", are logos for Dairy Cares, California Dairy Quality Assurance Program, California Dairy Research Foundation, Dairy Council of California, and Real California Milk.