

MPC WEEKLY FRIDAY REPORT

DATE: DECEMBER 15, 2023
 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	- \$.0600 \$1.5200	WEEKLY CHANGE	- \$.1800 \$2.4900	WEEK ENDING 12/09/23	
Barrels	- \$.1050 \$1.4500	WEEKLY AVERAGE	- \$.1755 \$2.4970	NAT'L PLANTS \$1.2129 17,424,848	
WEEKLY AVERAGE CHEDDAR CHEESE		DRY WHEY		LAST WEEK ENDING 12/02/23	
Blocks	- \$.0235 \$1.5740	DAIRY MARKET NEWS	W/E 12/15/23 \$.4250	NAT'L PLANTS \$1.1946 11,946,000	
Barrels	- \$.0770 \$1.5010	NATIONAL PLANTS	W/E 12/09/23 \$.4183		

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
DEC 15 EST	No Change	\$19.71	\$16.15	\$19.08
LAST WEEK	\$21.36 - \$21.86	\$19.76	\$16.20	\$19.20

NOVEMBER 2023 CA FMMO STATISTICAL UNIFORM PRICE ANNOUNCEMENT

NOV '23 FINAL	CLASS I	CLASS II	CLASS III	CLASS IV	STATISTICAL UNIFORM PRICE (BLENDED PRICE)	NET PRICE AFTER QUOTA ASSESSMENT*
MINIMUM CLASS PRICE	\$21.35 TULARE \$21.85 L.A.	\$21.21	\$17.15	\$20.87	\$18.07 TULARE \$18.57 L.A.	\$17.722 TULARE \$18.222 L.A.
PERCENT POOLED MILK	20.5%	5.3%	71.7%	2.6%	100% (1.95 BILLION LBS. POOLED)	

*QUOTA RATE OF \$0.348/CWT. AS OF NOVEMBER 2023 MILK

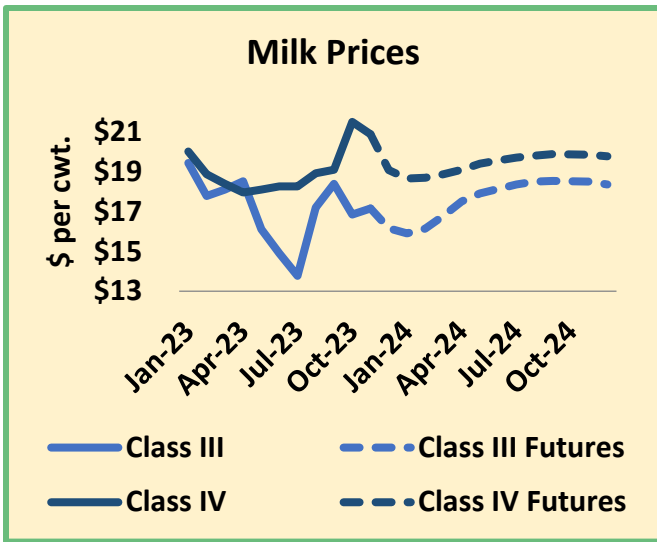


Milk, Dairy and Grain Market Commentary

By Sarina Sharp, Daily Dairy Report
Sarina@DailyDairyReport.com

Milk & Dairy Markets

Ink ran red on LaSalle Street this week. January Class III futures dipped below the \$16 mark, a level signaling plenty of red ink on the farm as well. When the closing bell rang, first quarter Class III contracts were roughly a half-dollar lower than where they began the week, with January at

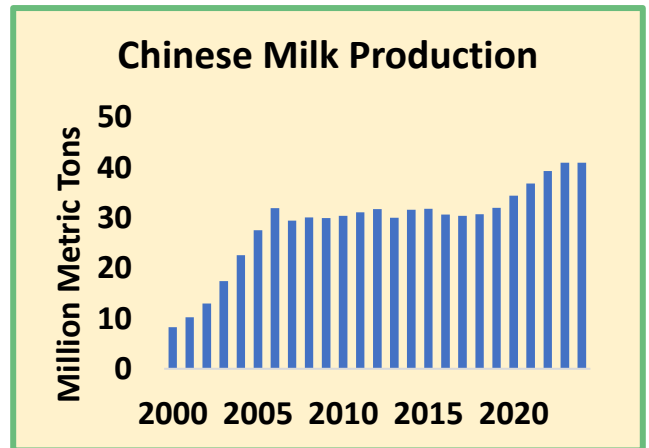


\$15.90 per cwt., February at \$16.14, and March at \$16.78. But after a bleak midwinter the futures promise better revenue, with April and May in the high \$17s and late 2024 futures at \$18 or better. Class IV futures also took a big step back, but they are holding in the \$18s and \$19s, prices that comport with much better profitability than the comparable Class III contracts.

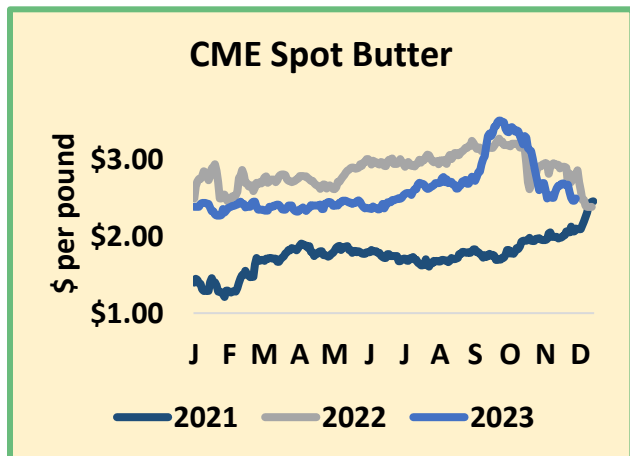
Unfortunately, Class III prices will have a greater influence on most milk checks. Ever-expanding cheese production capacity, lower milk powder output, and depooling will water down the share of dairy producer revenue derived from the higher Class IV market. Feed costs are coming down, but milk revenues are falling even faster. Financial strain on the farm will likely reduce U.S. milk production prospects into the new year.

European milk output is similarly constrained. USDA’s *Dairy Market News* reports “tight milk supplies and healthy cheese demand,” which is boosting European dairy product prices. German Edam values stand at their highest level since January.

In China, milk output is expected to stall after five years of robust growth. USDA’s analysts in Beijing predict that Chinese milk output will total 41 million metric tons (~90.4 billion pounds) in both 2023 and 2024, 33% higher than it was in 2018. Global dairy exporters will cheer the shift toward stagnation, but China will still have enough milk to keep milk powder imports in check in 2024.



While Chinese stocks remain ample, milk powder inventories are shrinking in the U.S. and Europe. That’s helping to put a firm floor under global prices. Whole milk powder perked up at this week’s Global Dairy Trade (GDT) Pulse auction. Skim milk powder took a small step back compared to last week’s broader GDT auction, but it remains 3% higher than its last showing at the Pulse auction two weeks ago. In Chicago, milk powder prices remain relatively stable. CME spot nonfat dry milk slipped a half-cent to \$1.165 per pound.

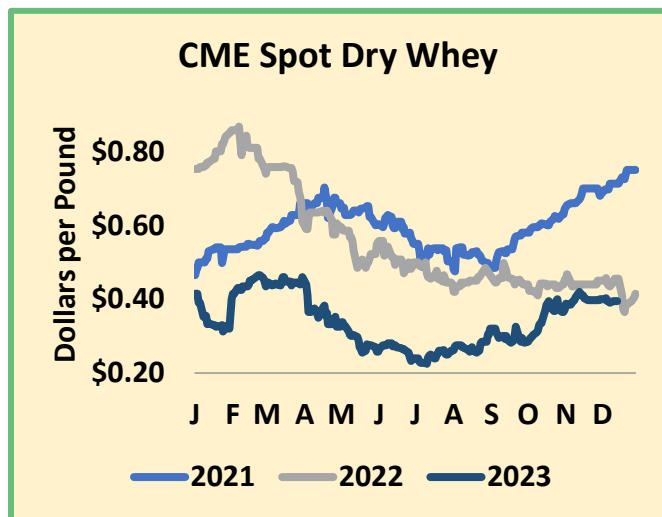


Grocers, restaurants, and commercial bakers clearly have all the butter they need to get through the holidays, and they’re now looking ahead to lighter demand in January, when consumers commit to flatter stomachs

and tighter budgets. CME spot butter plummeted 18¢ this week to \$2.49.

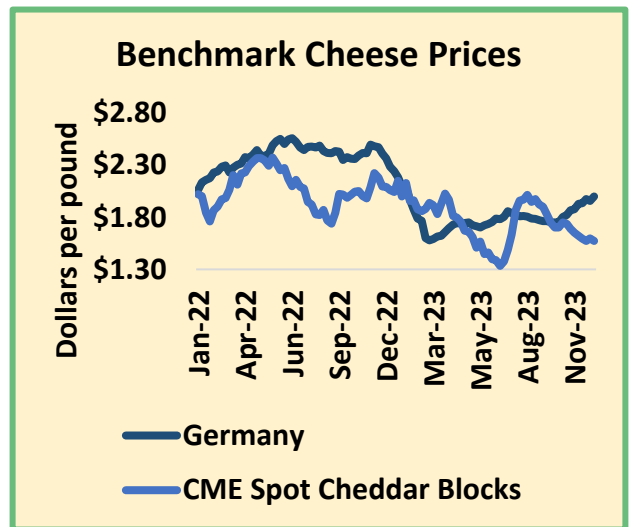
The cheese markets also took a big step back. Spot Cheddar blocks dropped 6¢ to \$1.52, tied for the lowest price since July. Barrels finished a dime lower than last Friday at \$1.45. The last time that cheese was this cheap, in mid-November, the invisible hand worked quickly. Low prices attracted new buyers and prices rebounded. Today, soft U.S. cheese prices, a weaker dollar, and rising cheese values in Europe should help to boost exports and, eventually, prices.

The whey market was characteristically stolid. It closed right where it began at 39.5¢. Domestic demand for high protein whey products remains robust, which is helping to keep whey away from the dryer. *Dairy Market News* reports that dry whey stocks “remain tight,” a stark turnaround from burdensome inventories this summer. But exports remain soft, and they will likely remain in the doldrums until China’s pork industry sees better profits.



Argentina’s new libertarian president lost no time implementing the big changes he’d promised on the campaign trail. President Javier Milei was inaugurated Sunday, and by Tuesday his economic minister had cut the exchange rate roughly in half. The new exchange rate – at about 800 pesos per dollar – brings the peso closer to the blue market rate, which previously reflected the peso’s real outside of government controls. The weaker official currency makes Argentina’s commodities much cheaper for foreign buyers, who have always paid the official rate, and it is likely to push soybean and soybean meal importers back to Buenos Aires. However, after last year’s severe drought, Argentina doesn’t have a lot of crops left to ship in the near term. The Milei government also raised the export tax on corn and wheat to 15%, modestly offsetting the currency effect. While the new regime in Argentina is likely bearish of crop prices in the long run, for now, the impact is limited.

Perhaps more importantly, heavy rains are falling in Argentina, bringing relief to parched soils and reviving yield prospects. But it’s hot and dry in central Brazil, and so the weather gave a little boost to soybean prices this week. The January contract closed at \$13.1575, up 11.75¢. January soybean meal rallied 90¢ to \$405.60 per ton.



Grain Markets

The corn market moved back and forth in its well-trodden trading range. March corn futures settled at \$4.83 per bushel, down 2.5¢ from last Friday. The soybean market offered a little more excitement as the trade tried to determine the impact of dramatic changes to Argentine fiscal and agricultural policy.

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Water Policy in California: Lots of Activity; Not Much Clarity

By Geoff Vanden Heuvel, Director of Regulatory and Economic Affairs

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There is a lot going on in California water right now and I will mention a number of things in today's update. So much of it is a work in progress, with some encouraging signs, along with some murkiness and concern.

Groundwater Recharge

The big picture success has to be the wet winter of this past year and the early reports of huge amounts of groundwater recharge that occurred. I heard an estimate this week that 3.8 million acre-feet of water was recharged in the Central Valley this year. That number likely underestimates the positive "change in storage" calculations that will be reported to the Department of Water Resources (DWR) by the Groundwater Sustainability Agencies (GSAs) when they make their required annual reports on April 1. This is because in addition to recharge, a lot of irrigation demand that is often met with groundwater was provided by surface water this past year. Also good news is the fact that most of the state's storage reservoirs are above normal with a couple of caveats. The flood control lakes have to be drawn down this time of year to get ready to receive flood waters in the coming winter. And San Luis Reservoir, the huge storage lake located south of the Delta, is holding somewhat less water because more freshwater outflow to the ocean was needed this fall to push back a "[King Tide](#)" that induced a saltwater intrusion surge into the Delta. For now, the new water year is off to a slow start with below average precipitation through the first 2.5 months, but precipitation forecasts for this winter are optimistic.

Sustainable Groundwater Management Act (SGMA)

On the policy/regulatory side, there are six subbasins deemed by DWR to have "inadequate" Groundwater Sustainability Plans (GSPs) and have therefore been referred to the State Water Resources Control Board for further state action. The State Board staff in October issued a recommendation to place the first of those six, the Tulare Lake Subbasin, into "probationary" status.



About 300 people attended the State Water Board Workshop in Hanford on November 8. Photo credit: Don A. Wright

Since October, there have been a few public meetings with the State Board staff and lots of private meetings, as well as lots of meetings and work being done to address the shortcomings of the GSP.

The other "inadequate" subbasins (Delta Mendota, Chowchilla, Kaweah, Tule and Kern) are also working hard to revise their plans. One of the frustrations the GSAs have is that the State Board staff recommendation for "probation" for Tulare Lake was based on the GSP submission the subbasin made in July of 2022. There has been a

lot of work done since that time to address the concerns that were identified as deficiencies in the 2022 plan, but it seems clear that until the subbasins formally adopt revisions to those GSPs with those changes, the State Board will evaluate only what is officially adopted. Each one of these subbasins is working diligently to update their official GSP, but given the amount of work involved and the challenging, very costly decisions that have to be made by these local agencies, it will probably be late March 2024 at the earliest that new, updated GSPs can be formally adopted. The question then is, will the State Board take the time to evaluate the updated GSPs and postpone any probation hearing until they have taken the time to fully evaluate the new plan. Certainly, that would be the fair and right thing to do.

Kern River

Adding to the uncertainty in the Kern Subbasin is a court decision and subsequent acquiescence by the City of Bakersfield to a very significant change in usage of Kern River water. A number of environmental groups sued the City of Bakersfield with the goal of maintaining sufficient flow in the Kern River to sustain a fishery. The [court granted a preliminary injunction](#) that sided with the environmental groups, and the City of Bakersfield negotiated an interim agreement with them that has the effect of reducing Kern River supplies for a number of Kern water districts with very senior water rights. This action creating new conflict at the same time that all the Kern Subbasin GSAs are updating their GSPs to avoid going into State Board “probation” is creating a significant challenge.

The Delta

On the state side, so much of the imported water that makes agriculture and cities possible in Central and Southern California originates as precipitation in the northern part of California and is transported south through the San Joaquin-Sacramento River Delta region to the California Aqueduct and the Delta-Mendota Canal. Right now, there are two major regulatory processes going on that are evaluating that system with the goal of “updating” the regulations to meet various water quality and endangered species protection criteria. Read more about these updates [here](#) and [here](#).



*Delta-Mendota Canal.
Photo credit: California Department of Water Resources*

Both processes threaten to greatly reduce the amount of water that can be exported through the Delta. This past week a third major Delta related item was added to the mix in the long-anticipated [release of the Environmental Impact Report](#) for the Delta Conveyance plan, better known as the Delta Tunnel Project. The idea of building a facility to transport at least some of the water exported out of northern California from a spot upstream of the Delta has been advanced in various iterations ever since the projects were first conceived in the early 20th century. A Delta by-pass facility has not been built because it is very controversial and now very expensive. There is no clarity at this point how all these various processes are going to turn out. But, of course, uncertainty and change are not new to California water.

USDA Livestock Roadshow January 17

Courtesy of [USDA-RMA](#)



Livestock Roadshow

In-Person Session

January 17, 2024
9 am - 12 pm PT
Davis Regional Office
430 G St
Davis, CA 95616



What is This?

From beef to dairy to pork...being a livestock producer comes with inherently unique and difficult challenges, and you want to make sure you know what options are available to best protect your operation. Buying a livestock insurance policy is one risk management option. Producers should always carefully consider how a policy will work in conjunction with their other risk management strategies to insure the best possible outcomes.

To help livestock producers know what insurance resources are out there and answer any questions, RMA is hosting a series of workshops for producers to learn about updates and improvements to several livestock risk management products. The improvements and expansions are based on feedback from America's livestock producers.

Topics for RMA's Livestock Roadshow sessions include:

- Dairy Revenue Protection
- Livestock Gross Margin
- Livestock Risk Protection
- Pasture, Rangeland and Forage

Virtual Session

January 17, 2024
7 pm - 10 pm PT tentatively
Additional information and link coming soon



Visit <https://www.rma.usda.gov/en/Topics/Livestock-Roadshow> or scan the QR code for more information.

To find an agent, please visit [rma.usda.gov/en/Information-Tools/Agent-Locator](https://www.rma.usda.gov/en/Information-Tools/Agent-Locator).

USDA is an equal opportunity provider, employer, and lender.

House Passes Whole Milk in Schools Bill

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

In a year when the House of Representatives has been riven by political discord, the spirit of bipartisanship manifested itself this week on Capitol Hill, as members of Congress overwhelmingly agreed that school children should have a wider range of milk options.

By a margin of greater than three to one, the House Wednesday approved the Whole Milk for Healthy Kids Act ([H.R. 1147](#)), legislation that we helped develop with the bill's lead sponsors, Reps. Glenn 'GT' Thompson (R-PA) and Kim Schrier (D-WA). This legislation expands the milk options schools can choose to serve in federal school meal programs to include 2% and whole milk, in addition to the non-fat and 1% varieties currently allowed. The vote was 330 to 99. All Republicans except for Rep. Matt Gaetz of Florida voted for the bill, while 112 Democrats voted for it and 98 voted against.

As we noted in [our statement](#), since a law Congress passed in 2010 eliminated whole milk from school lunch menus, the science on the benefits of milk at all fat levels, as well as evidence of increased food waste from current limited lunch choices, has helped us make a compelling case that it was a mistake to restrict school milk choice.

The legislative focus on the whole milk campaign now moves to the Senate, where a similar measure awaits action. Sens. Roger Marshall (R-KS) and Peter Welch (D-VT) are leading the Senate version of the measure. That bill is not likely to receive a standalone vote, but instead we are looking at opportunities to attach it to a spending bill or possibly the Farm Bill next year, as we work to build additional support for the measure in the meantime.

Thanks to everyone – our member cooperatives, state dairy associations, and individual farmers – who worked to promote the bill in the House leading up to this week's successful outcome. This vote is a great early Christmas present for supporters of milk choice, and, on a personal note, I am overjoyed that my last legislative effort as head of NMPF is the positive culmination of years of work to reinstate whole milk in school meals. The work is not yet complete, but this is a major step forward, especially with the broad bi-partisan support we achieved this week. NMPF will continue efforts next year to pass this into law.