MPC Weekly Friday Report

Date: May 19, 2023
To: Directors & Members
From: Kevin Abernathy, General Manager
Pages: 6

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MPC Friday Market Update

Chicago Cheddar Cheese		
Blocks	*+ $.0050*	$1.5350
Barrels	*- $.0200*	$1.4700
Weekly Average Cheddar Cheese		
Blocks	*- $.0985*	$1.5100
Barrels	*- $.0535*	$1.4580

Chicago AA Butter			
Weekly Change		*+ $.0600*	$2.4600
Weekly Average		*+ $.0455*	$2.4510
Dry Whey			
Dairy Market News	w/e 05/19/23	**$.3800**	
National Plants	w/e 05/13/23	**$.3905**	

Non-Fat Dry Milk		
Week Ending 05/13/23		
Nat'l Plants	**$1.1519**	28,363,134
Last Week Ending 05/06/23		
Nat'l Plants	$1.1681	19,666,601

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
May 19 Est	**$21.17 - $21.67**	**$19.07**	**$16.19**	**$18.10**
Last Week	**$21.17 - $21.67**	**$19.03**	**$16.25**	**$18.01**

Milk, Dairy and Grain Market Commentary

By Sarina Sharp, Daily Dairy Report
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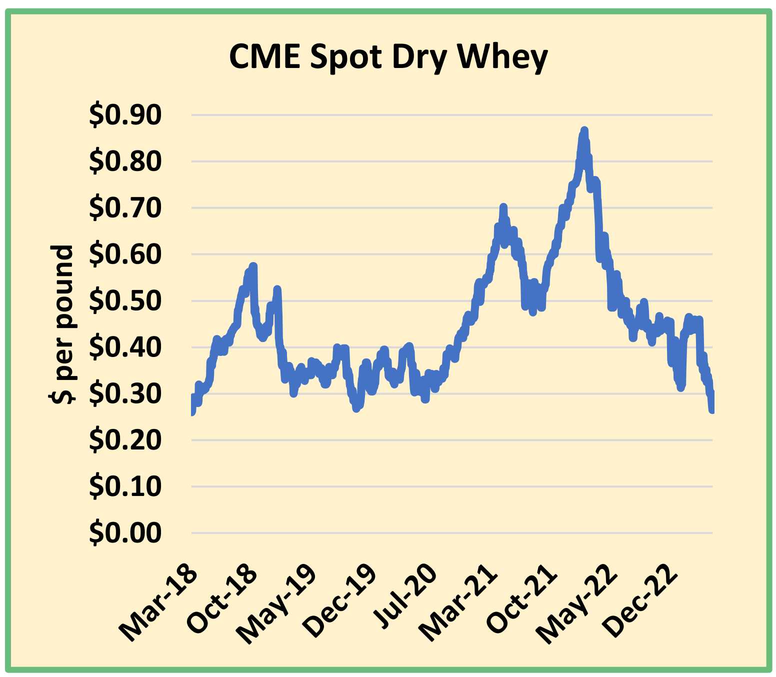
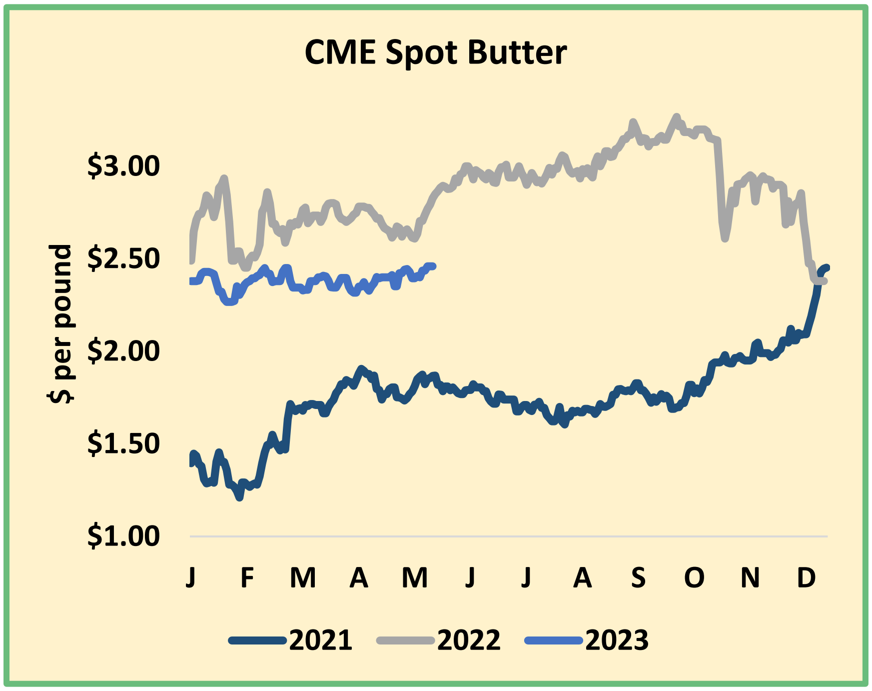
Milk & Dairy Markets

The dairy markets dropped again, and whey led the way lower. CME spot whey powder fell 3.75¢ to 26.5¢ per pound. Spot whey has traded lower than this only twice, in its first two days at the CME spot market in March 2018. Whey has not spent much time below 30¢ without extreme events to explain the depression. In 2019, African swine fever devastated China's hog herd and throttled Chinese imports of feed-grade whey. U.S. whey was further disadvantaged by the U.S.-China trade war, which levied punitive tariffs on U.S. whey products. Spot whey also dipped below 30¢ in 2020, when the pandemic closed nearly every gym in the nation and



demand for protein drinks plummeted. Today, the cause is much less dramatic. Processors are simply making more whey powder than the market needs. Buyers are biding their time. According to USDA's Dairy Market News, "Customers are aware of the availability of dry whey, the pressured high protein concentrates market, and limited exports into Southeast Asian markets. Therefore, they are not rushed to purchase outside of near-term needs." Their reticence is pushing more whey to the market of last resort in Chicago. Processors dumped 75 loads of whey on LaSalle Street this week.

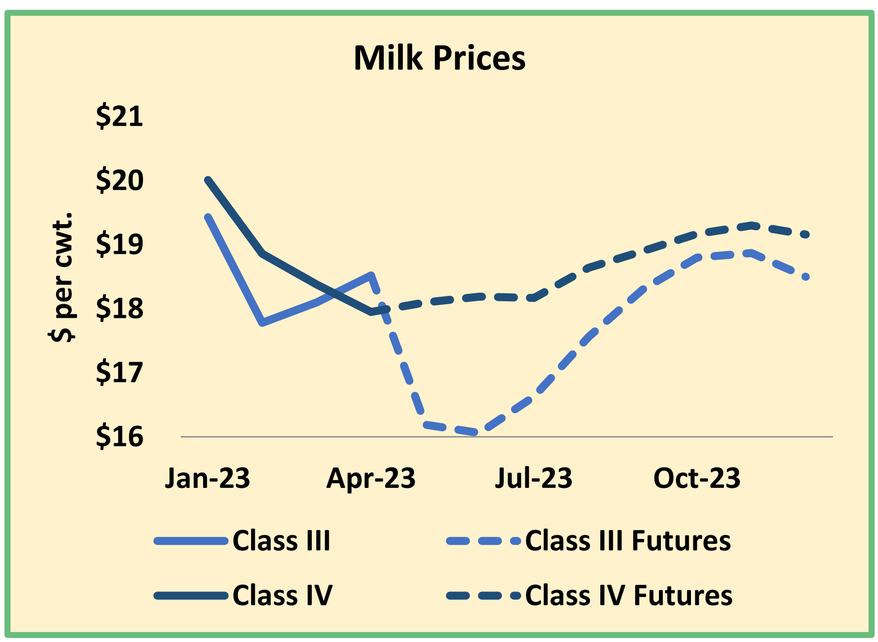
Milk powder output is also strong, as befits the season. But domestic demand is steady, and Mexico keeps buying. That's helped to forestall a steeper selloff in the powder market. Still, spot nonfat dry milk slipped 1.75¢ this week to $1.1525. At the Global Dairy Trade (GDT) auction, skim milk powder values dropped 1.6% but whole milk powder climbed 0.3%.



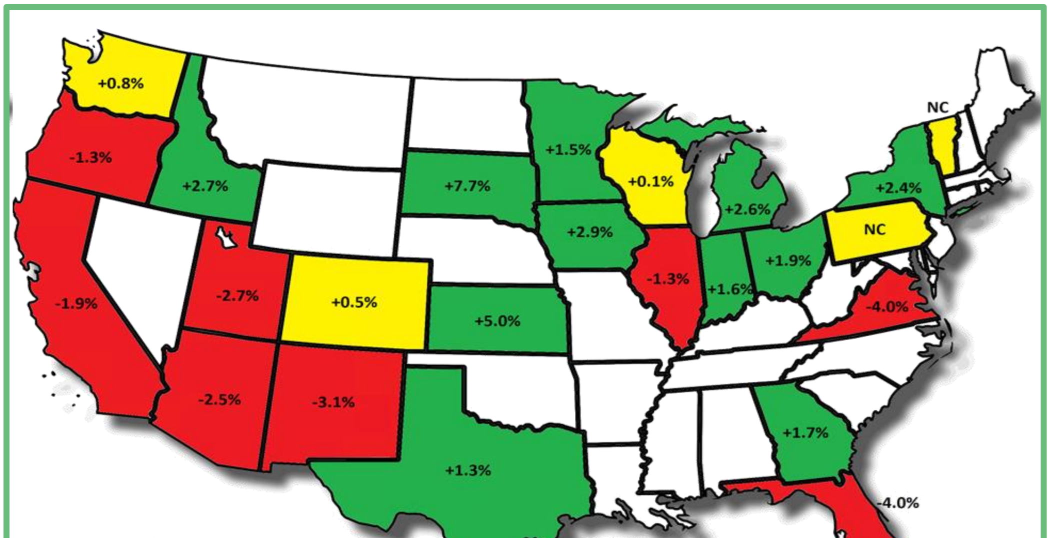
Cheese vats are full, and inventories are growing. Retail demand for cheese is strong, but orders from restaurants and foodservice are backing off as customers react to higher prices. Anecdotal reports about export activity are mixed. The spot Cheddar markets diverged this week. Cheddar blocks climbed a half-cent to $1.535. Barrels fell 2¢ to $1.47.

Butter bucked the trend and jumped 6¢ to $2.46, a new 2023 high. Churns are running hard, but retail demand has perked up, which is keeping a floor under this surprisingly strong market.

The setback in the powders and the wide gap between spot cheese prices and nearby futures weighed heavily on milk values. June Class III fell 51¢ to $16.06 per cwt. The July contract plunged 83¢ to $16.63. Deferred contracts logged losses ranging from 38¢ in November to 67¢ in August. June Class IV milk slipped 2¢ to $18.19, while deferred contracts lost around 30¢.

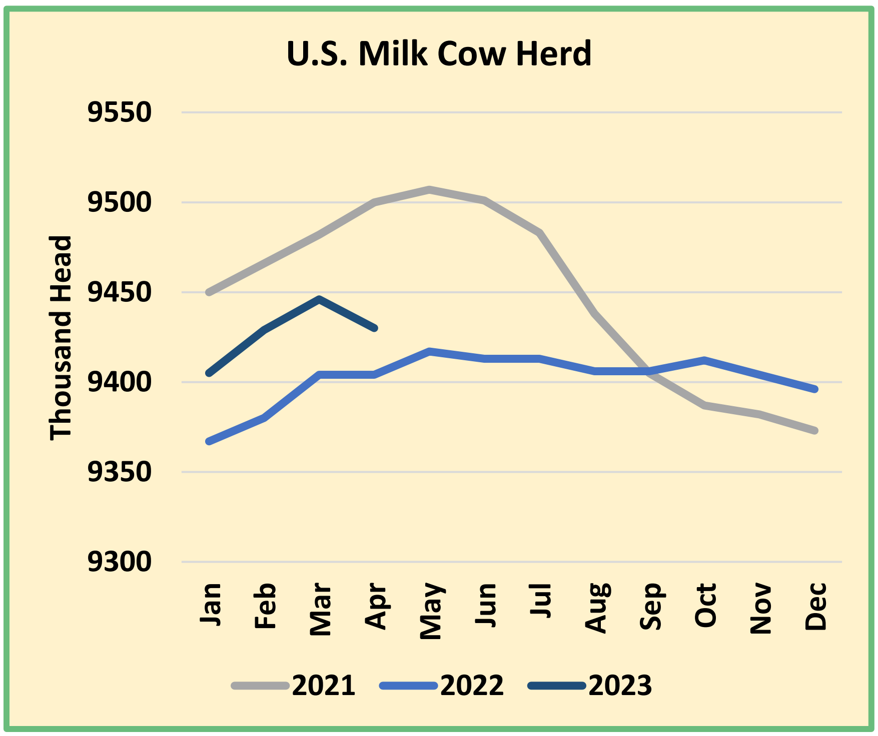


These numbers simply won't work for dairy producers. This harsh reality is finally starting to show up in the cow



Year-Over-Year Change in Milk Production

counts. USDA revised its estimate of the March milk cow herd sharply higher. By the latest assessment, dairy producers added 22,000 cows in February and 17,000 in March. But then the dairy herd contracted 16,000 head in April. Most of the decline can be attributed to a 15,000-cow decline in Texas from March to April, due to the devastating fire there last month. But there are signs of trouble elsewhere too. Milk-cow numbers dropped slightly in California, Iowa, and Wisconsin last month. In the months to come, cow numbers are likely to decline at a more rapid rate as punitively low milk prices take their toll on the industry. For now, though, we're making a little more milk than last year, and much more than we need. April milk output topped year-ago volumes by 0.3%. That's a relatively modest increase, but it was enough of a surplus to push dairy product values sharply lower this spring.



Grain Markets

The feed markets retreated once again, thanks to another week of slow exports and fine weather. July corn closed at $5.545 per bushel, down 32¢ to a 16-month low. December corn futures tested the waters below $5 but ultimately finished right at that mark, down 8.75¢ for the week. July soybeans plummeted 83¢ to $13.0725. And July soybean meal dropped back to $409.10 per ton, down $23.80 since last Friday.

The weather has been quite good, with a lot of sunshine in the Corn Belt and moisture in the parched Southern Plains. Farmers are putting seeds in the ground at a rapid pace. But there is a lot of weather risk between now and harvest, and the market is already worried that today's clear skies will make for thirsty crops in June. Fears that the forecast will worsen are likely to forestall further declines, at least for a while. But if crops are as large as trendline yields would suggest, prices could be much lower at harvest.

Colorado River Update

By Geoff Vanden Heuvel, Director of Regulatory and Economic Affairs
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The precipitation this winter has significantly increased the anticipated inflow to the Colorado River system, particularly into Lake Powell, the upper storage lake located on the Utah-Arizona border.

Lake Powell located in southern Utah on the Colorado River
Credit: Andy Pernick, Bureau of Reclamation

Last September the prediction for inflow into Lake Powell done by the Bureau of Reclamation was 8.3 million acre-feet or 86% of average. In April the forecast went to 14.47 million acre-feet or 151% of average. The probability of Lake Powell dropping in 2024 to a critically low elevation declaration went from a 37% probability in January to a 0% probability in April. The 2025 estimate also went to zero probability from a 30% prediction in January. This improvement does take some of the most drastic responses off the table for how to handle the long-term mismatch between Colorado River demands and supplies.

There continue to be active discussions between the seven states that share the Colorado River. There are provisions in the Law of the River to deal with shortages, but those provisions have not been tested at the critically low elevation levels the system was facing just a few months ago.

Here are two articles for further information:

- **The Impact of Reclamation's SEIS alternatives on Metropolitan's Colorado River Supplies; Abundant precipitation refills storage** – *Maven's Notebook*

- **States near historic deal to protect Colorado River** – *The Washington Post*

Dairy Regulatory Consultant, Allied Industry Workshop for New CDFA Dairy PLUS+ Program May 22

Courtesy of the California Dairy Quality Assurance Program & California Dairy Research Foundation

CDQAP-CDRF Workshop on the New CDFA Dairy PLUS+ Program
Monday, May 22, 10 a.m. – 12 p.m.
REGISTER HERE

CDQAP-CDRF is offering this workshop to discuss the new program that will be offered by CDFA starting this spring. **The first solicitation is expected in June of this year.**

CDRF has received a large $85M grant from USDA on behalf of the California dairy industry. CDRF, CDFA, the University of California, Dairy Cares, and numerous others all worked collaboratively to pursue these grant dollars to support our industry in furthering our sustainability efforts.

The USDA Partnerships for Climate Smart Commodities Grant will provide cost-share incentive dollars to dairy producers for the implementation of advanced manure management practices. Dollars will be offered through CDFA, similar to their AMMP and DDRDP programs.

The workshop will provide information about the grant scope of work plus key details about the Dairy PLUS+ Program opportunities. Our goal is to ensure assistance is available to support interested producers in applying for funds.

Dairy consultants and key allied industry members are invited to attend the workshop to better understand the program and potential benefits to their clientele. Presentations will be provided by CDRF and CDFA staff; a Q & A session will follow.

Registration is required here. *For questions, please contact Denise Mullinax, CDQAP-CDRF at (209) 585-6744 or* ***mullinax@cdrf.org***

California Dairy Sector Poised for Climate Neutrality by 2030, per UC Davis Researchers

Courtesy of the California Dairy Research Foundation

QUICK FACTS:

- California is the leading dairy producer in the United States and is mandated to reduce methane emissions by 40% by 2030.
- Unlike carbon dioxide, which persists for hundreds of years, methane is a short-lived flow gas that warms at a high level for 12 years.
- Scientists at University of Oxford have developed a new metric – known as GWP* – that more accurately depicts the warming potential of methane.
- GWP* can help measure methane's impact on temperature, which other metrics have been unable to do.
- GWP* shows the California dairy sector can go beyond climate neutrality before 2030, assuming the sector can cut emissions significantly.
- Appropriately characterizing methane's impact on temperature can help fuel continued mitigation.

Researchers at University of California, Davis, have a stunning prediction
In a peer-reviewed paper recently published by CABI Biological Sciences, Conor McCabe, Hamed El-Mashad and Frank Mitloehner argue that California's dairy sector can reach climate neutrality in the coming years with aggressive methane mitigation, something few, if any, other sectors can achieve.

Understanding the nature of methane – that is, its warming potential and life cycle – is integral to following their discussion. Methane, the dairy sector's primary greenhouse gas, is a potent, but short-lived greenhouse gas that has a lifespan of about 12 years. After that time, it is broken down to carbon dioxide and water vapor by an atmospheric radical. Hence, it is always being destroyed as it's being added and continually being taken out of the atmosphere as it is emitted.

"If the dairy sector can continue to decrease methane, it can reduce its warming contribution," said Frank Mitloehner, an animal scientist and air quality specialist, and director of the CLEAR Center at UC Davis. "Other sectors of society can't do that as easily, but dairy can because the main greenhouse gas it produces is methane. If we reduce that methane, not only can we reach climate neutrality, but we can also chip away at historical emissions, and the sector can become part of a climate solution."

In other words, if methane emissions are constant, no additional warming is being added. If methane emissions can be reduced, more is taken out than is being emitted, and that can offset past warming contributions.

Recent technologies, including feed additives, dairy digesters and alternative methods of manure management, are helping to reduce the sector's methane emissions in a much more sustainable way. California's policymakers are boosting the implementation of new technology via incentives to producers, something Mitloehner called "a model for the rest of the United States."

Continue reading here.

Texas Dairy Farm Blaze Caused by Engine Fire in Manure Hauler

Courtesy of the Associated Press

A fire and explosion at a dairy farm in the Texas Panhandle that injured one person and killed an estimated 18,000 head of cattle was an accident that started with an engine fire in a manure vacuum truck cleaning part of the massive barn, according to state investigators.

A State Fire Marshal report of the April 10 fire at the Southfork Dairy Farm about 50 miles (80 kilometers) southwest of Amarillo did not determine what caused the engine fire, but found there was "no intentional act to cause a failure." The April 24 report said the investigation was closed.

A worker driving the truck through a section of the 2 million-square-foot barn told investigators he noticed what he first thought was steam coming from the engine compartment. He tried to drive out of the barn when he realized it was a fire, but couldn't make it.

Continue reading here.