

MPC WEEKLY FRIDAY REPORT

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 TO: DIRECTORS & MEMBERS
 FROM: KEVIN ABERNATHY, GENERAL MANAGER
 PAGES: 8



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MPC FRIDAY MARKET UPDATE

CHICAGO CHEDDAR CHEESE		CHICAGO AA BUTTER		NON-FAT DRY MILK	
Blocks	-\$.0025	\$1.7000	WEEKLY CHANGE	-\$.1425	\$3.3600
Barrels	+\$.0675	\$1.6450	WEEKLY AVERAGE	+\$.0075	\$3.4430
WEEKLY AVERAGE CHEDDAR CHEESE		DRY WHEY		NAT'L PLANTS	
Blocks	NC	\$1.7015	DAIRY MARKET NEWS	W/E 10/13/23	\$.3400
Barrels	+\$.0660	\$1.6190	NATIONAL PLANTS	W/E 10/07/23	\$.3052
				LAST WEEK ENDING 09/30/23	
				NAT'L PLANTS \$1.0999 25,927,963	

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
OCT 13 EST	No Change	\$22.08	\$16.84	No Change
LAST WEEK	\$21.07 - \$21.57	\$22.25	\$16.86	\$21.59

SEPTEMBER 2023 CA FMMO STATISTICAL UNIFORM PRICE ANNOUNCEMENT

SEPT '23 FINAL	CLASS I	CLASS II	CLASS III	CLASS IV	STATISTICAL UNIFORM PRICE (BLENDED PRICE)	NET PRICE AFTER QUOTA ASSESSMENT*
MINIMUM CLASS PRICE	\$20.50 TULARE \$21.00 L.A.	\$19.98	\$18.39	\$19.09	\$18.70 TULARE \$19.20 L.A.	\$18.413 TULARE \$18.913 L.A.
PERCENT POOLED MILK	17.2%	4.9%	65.6%	12.3%	100% (2.25 BILLION LBS. POOLED)	

*QUOTA RATE OF \$0.287/CWT. AS OF JULY 2023 MILK



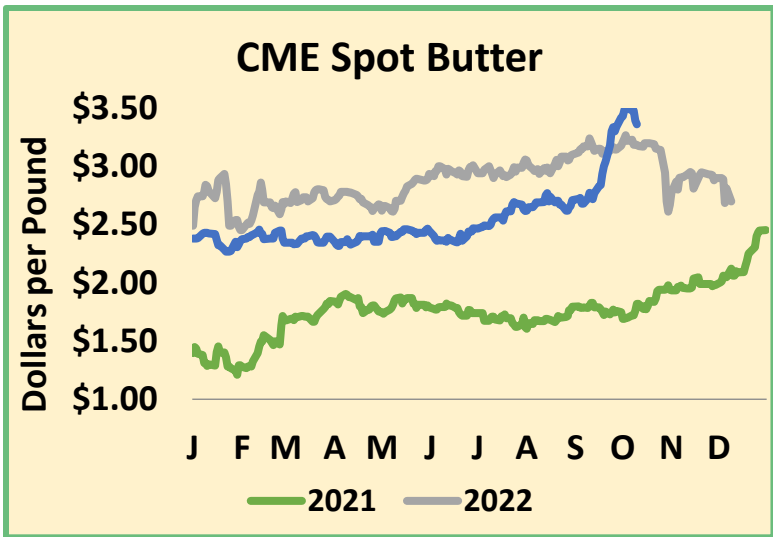
Milk, Dairy and Grain Market Commentary

By Monica Ganley, Quarterra

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Milk & Dairy Markets

Whether or not black cats or broken mirrors were involved, the butter market's luck has changed dramatically. After repeatedly setting record highs since late September, the market descended in dramatic fashion this week. A quarter cent loss on Monday was followed by another two-

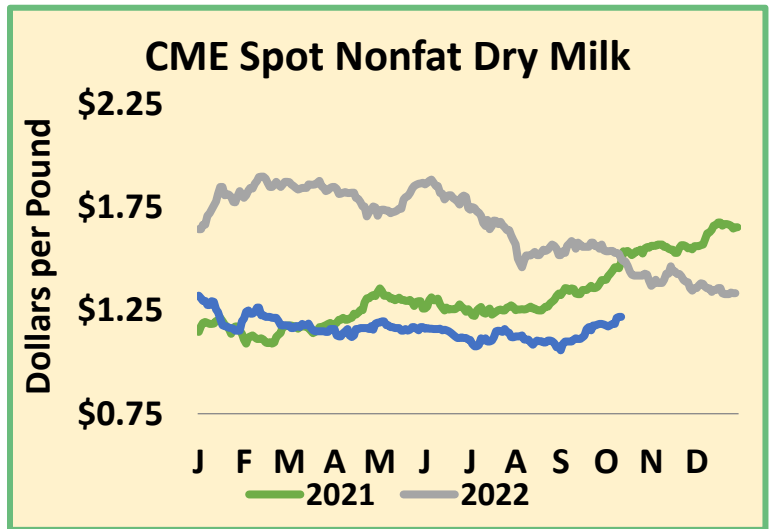


cent decline on Tuesday. After taking a breather on Wednesday, another 8.5¢ loss on Thursday and 3.5¢ decline on Friday ultimately pulled the price down to \$3.36/lb. at the end of today’s trading session. Cumulatively, the market lost 14.25¢ compared to last week. Lower prices helped to facilitate trading as eight loads moved during the week.

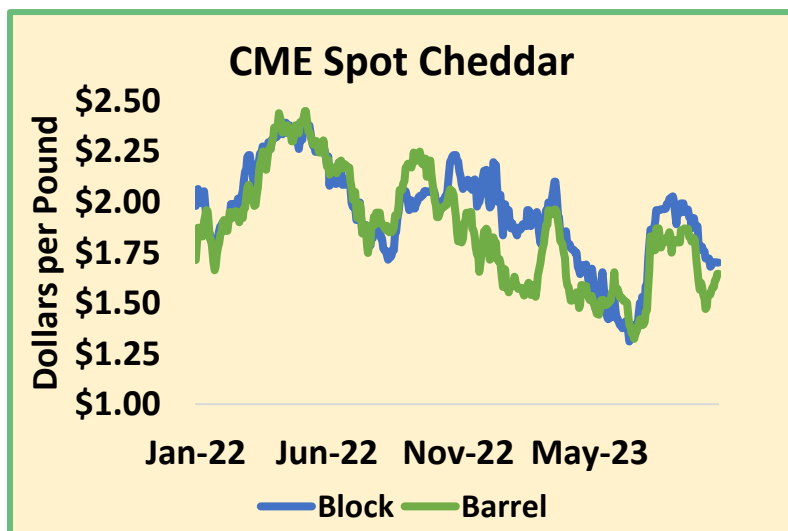
Despite the decline, butter prices remain historically strong as cream is tight and buyers are making their final orders ahead of

the holiday season. But while the fundamentals hold, nobody wants to be stuck holding expensive inventories if prices fall further, in some cases leaving buyers and sellers in a standoff. Export demand remains understated while the pull from retail is steady to lighter, depending on the region, according to *Dairy Market News*.

On the heels of the weak production figures disclosed in last week’s *Dairy Products* report, nonfat dry milk (NDM) markets found the traction to move higher this week, busting through the \$1.20/lb. threshold for the first time since the end of February. Half-cent increases on Monday and Thursday were complemented by a 3¢ gain on Wednesday that ultimately lifted prices to \$1.22/lb., up 4¢ compared to last week. A total of 14 loads moved during the week.



After listing sideways for months, the NDM market seems to have found the conviction to move higher,

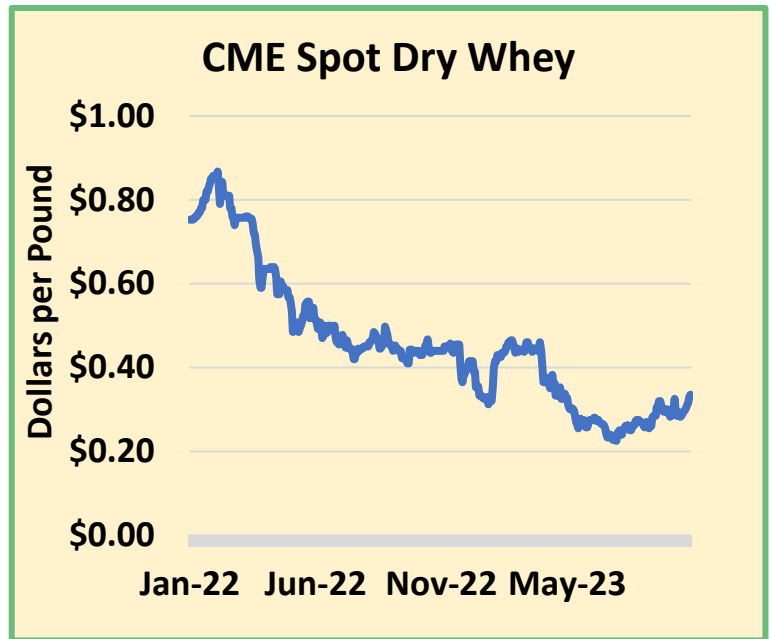


albeit in a measured way. Several market participants indicate that Mexican demand remains robust and, remarkably, could even be strengthening. Logistical bottlenecks at the border threaten to slow the movement of product, but they have not yet been severe enough to affect market sentiment. After months of lackadaisical activity, demand from other global regions is also appearing to perk up. Domestic demand for milk powders is healthy. Meanwhile, condensed skim is relatively available, but *Dairy Market News* mentions that several dryers

are performing regular maintenance which will curtail throughput and could fuel additional market gains.

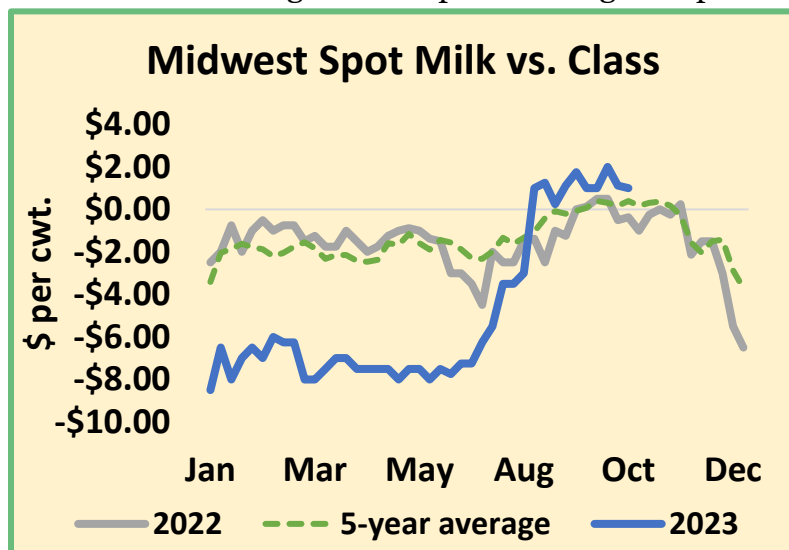
Within the Class III complex, most of this week's drama was found with dry whey. The spot dry whey market appreciated every day this week, adding a total to 3.75¢ to the price. At the end of today's session, the price stood at 33.5¢ per pound, the highest dry whey price seen since early May. Not only were the gains impressive but the market was thrumming with activity as 70 loads traded hands.

Dry whey prices appear to be tracking the entire whey portfolio up as manufacturers of whey protein concentrates and whey protein isolates are also seeing the value of their products increase. Domestic whey demand is healthy while export demand is at least steady. Cheesemaking remains active but as spot milk is now consistently priced at a premium, the whey stream is not excessive. With a limited whey stream and healthy demand for lucrative higher protein products, dry whey production is likely to slip around the edges, keeping support under prices in the coming months.



The cheese markets were relatively subdued again this week as they waited for a signal to push them one way or the other. Cheddar blocks were mostly unchanged except for a quarter cent loss on Thursday as two trades were made which pulled the price down to \$1.70/lb. Barrels were somewhat busier, notching gains on Tuesday, Wednesday, and Thursday, lifting the price to \$1.645/lb. an increase of 6.75¢ compared to last Friday. This narrowed the block barrel spread to 5.5¢, the slimmest it has been since late July.

For the moment, cheese seems to have struck a balance between supply and demand. Cheesemaking remains active though several plant managers reported to *Dairy Market News* that their facilities are



down for maintenance, potentially slowing production. Domestic demand is steady to higher, with particularly upbeat retail demand reported in the Northeast. While current price levels should be sufficient to generate some additional export activity, most stakeholders report that meaningful new international sales have yet to materialize.

Cooler autumn temperatures have improved cow comfort in many parts of the country and have boosted yields as a result. Milk and

cream availability have increased somewhat though processors are still paying a premium to get their hands on spot milk for manufacturing. Bottlers remain active, placing additional pressure on spot milk supplies. Class IV milk futures markets largely dismissed the weakness seen in the spot butter market as prices remained resilient. On Friday, the NOV23 Class IV settled at \$20.88/cwt. The Class III markets were mixed as nearby contracts lost a few cents while contracts later in 2024 mostly appreciated. The NOV23 Class III contract settled Friday at \$17.41/cwt.

Grain Markets

USDA trimmed yield expectations for the 2023/24 corn and soybean crops in its *World Agricultural Supply and Demand Estimates* report, released Thursday. The agency dropped corn yields to 173 bu./acre, slightly lower than most analysts' expectations, in turn reducing production by 70 million bushels. Soybean yields were reduced to 49.6 bu./acre, also modestly lower than the average trade estimate. Both corn and soybean futures moved up on the news though they retreated today. DEC23 corn futures settled Friday at \$4.9325/bu. while DEC23 soybean meal futures settled at \$390/ton.



Federal Milk Marketing Order Hearing Report – Week Eight

By Geoff Vanden Heuvel, Director of Regulatory and Economic Affairs
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The proposal to update and raise Class I differentials in all 3,100 counties of the continental United States by National Milk Producers Federation (NMPF) was the topic consuming the three full days of testimony this week. The hearing is now on pause until Monday afternoon, November 27, when it will pick up right where it left off and continue for another two weeks (providing there is not a government shutdown). NMPF's line up of witnesses includes separate testimony from nearly 20 people, all of whom have some expertise on this issue. The way this works is that witnesses read prepared testimony, and then are subjected to cross examination on their testimony from anyone in attendance.

As you might imagine, the processors do not want to pay any more for milk and their attorneys are grilling a number of the cooperative witnesses. Jeff Sims from Lone Star Milk Producers was the chairman of the NMPF task force that developed the Class I differential proposal, and he had the responsibility to give the introduction and justification of the proposal. His prepared testimony was 51 pages, which you can read [here](#).

After he read his prepared testimony into the record, he was cross examined for 6 hours by one processor attorney alone. Mr. Sims spent nearly 12 hours on the witness stand over the better part of three days. Mr. Sims held up well, as did the other NMPF witnesses this week.

Calvin Covington again testified on the specifics of the Florida and Southeast market. Dr. Eric Erba, from Dairy Farmers of America in Ohio, someone who we know well from the 10 years he spent as a dairy economist for the California Department of Food and Agriculture and 10 years he spent as a senior Vice President for California Dairies, Inc., testified about proposed changes in the Mideast part of the county. He also had the task of detailing producers' costs to create and maintain a Grade A permit for

their dairy. Federal Milk Marketing Orders only cover Grade A milk and the cost to maintain a Grade A license is relevant to the establishment of an appropriate Class I Differential. He testified with detailed justification that the ongoing cost to maintain a Grade A license is \$1.46 per cwt. As you can imagine, Eric was cross examined for hours as well, including being quizzed on the cost of maintaining a toilet facility for the milking barn, which is part of the Grade A requirement. Dr. Erba did a great job under intense pressure. You can read his testimony [here](#).



Dr. Eric Erba, Senior Vice President of Membership and Strategy at Dairy Farmers of America, testifies during the Federal Milk Marketing Order hearing in Carmel, Indiana.



Rob Vandenneuvel, Senior Vice President of Member and Industry Relations at California Dairies, Inc., testifies during the Federal Milk Marketing Order hearing in Carmel, Indiana.

Rob Vandenneuvel, Senior Vice President of Member and Industry Relations at CDI (and former General Manager of Milk Producers Council), also testified. He covered the specifics of the Class I differential changes being proposed for the Western U.S. He too was subjected to cross examination, but was able to finish before the end of the day on Wednesday. Rob also made his father proud. You can read his testimony [here](#).

There are still about a dozen NMPF witnesses to go with this proposal. Then there will be rebuttal witnesses. Following

that will come Proposal 20 by the Milk Innovation Group to reduce all the current Class I differentials by \$1.60. And finally, Proposal 21 by the American Farm Bureau, which seeks to raise the Class II differential from \$0.70 cents to \$1.56, will be heard.

USDA has indicated that they have facilities lined up for two weeks of testimony when the hearing resumes. They would like to get finished by then. If they don't get finished, they will recess again and start back up in 2024.

CDQAP Update: Successes in Dairy Stewardship; Fall Record Keeping Hints; Producer Wellness Webinar; Dairy Biosecurity Survey
Courtesy of the [California Dairy Quality Assurance Program](#)

The California Dairy Quality Assurance Program (CDQAP) recently published its latest update, which is available in its entirety [here](#). Red excerpts of the CDQAP update below.

California Successes in Dairy Stewardship

By Dr. Michael Payne, UC Davis, School of Veterinary Medicine, and Director of CDQAP

For dairy producers, there seems no shortage of aggravating news. Milk prices are down, activist activity is up, and new water quality regulations are on the horizon. Perhaps now is a good time to reflect on the California dairy producers' enormous success in leading the nation in environmental stewardship.

Central Valley Groundwater Protection

The dairy industry has installed an expansive [network of monitoring wells](#), continuously sampling Central Valley groundwater. Working with regulatory agencies, the data, along with additional data from other industries, is being used to develop [long-term solutions](#) to nitrate and salt accumulation resulting from human activities, including use of crop fertilizer, manufacturing and municipal waste management. Virtually every Central Valley producer is participating in the State's [Nitrate Control Program](#), ensuring that Valley residents will continue to have access to safe water now and into the future. Farmers and other water users in the program's Priority 1 [Management Zone](#) have already registered and those covered under Priority 2 zones are signing up now.

Continue reading [here](#).

Fall Record Keeping Housekeeping Hints

By Deanne Meyer, Ph.D., Livestock Waste Management Specialist, Department of Animal Science, UC Davis and UC ANR

Wet winter. Mild spring. Forage harvest is in full swing throughout the Central Valley. With all this activity it's important to remember to take representative samples and keep records. This starts with a conversation between you and your environmental consultant. Review the sampling and analysis plan for your facility to identify all samples needed.

DO:

- record weight of forage removed from each field,
- take representative samples of forage for each field where manure was applied,
- check to see which fields need soil samples (every 5 years),
- record weight and sample solid manure applied to fields,
- record volume and sample liquid manure applied to each field, and
- look over summer irrigations to be sure all irrigations are recorded.

Continue reading [here](#).

Save the Date!

October 26 Webinar Exploring Best Practices for Assisting Stressed Farmers

There are an enormous number of things out of producers' control. Fluctuations in weather and milk prices, supply chain issues, and more can stress the most stoic farmer. To assist those of us supporting producers, CDQAP is partnering with the experts from Wisconsin, Colorado, Washington State, and

California on the most current advice for producer wellness. You'll hear from a producer and a producer's wife on their experiences and how successful programs are being implemented in other states. You'll learn about training available to field staff and allied industry, as well as resources available in California. The webinar will be held from 9 – 11 am Thursday, October 26th. A flyer with logon information will be sent to all CDQAP partners.

Help CDFA and UCD Measure Dairy's Biosecurity Needs

Take a short online survey [here!](#)

Foreign Animal Diseases outbreaks like Foot and Mouth Disease, Avian Influenza and Newcastle Disease have cost California producers millions. CDQAP and UC Davis are partnering with USDA and CDFA on several grants to assist in planning and outreach to prevent and mitigate such incidents. Baseline understanding of producer biosecurity knowledge and practices will help advance the effort, and we are requesting producers and industry staff complete a 10-minute survey. You can click [here](#) to fill out the survey, which can be completed anonymously. Any questions can be directed Dr. Sara Garcia at <mailto:sargarcia@ucdavis.edu>.

Tulare County Lobbies to Save Dairy Digester Funds

*By [John Lindt](#)
[The Sun Gazette](#)*

A local supervisor is lobbying the state to continue its funding for dairy digesters, which help reduce greenhouse gasses while creating a renewable fuel; but critics claim they contribute to the use of fossil fuels polluting nearby communities.

Tulare area Supervisor Pete Vander Poel traveled to Sacramento earlier this month to lobby the California Air Resources Board (CARB) to continue funding for dairy digester projects, especially in Tulare County, the nation's top milk-producing county.

Cow manure is filled with methane, a highly potent greenhouse gas with a global warming impact estimated at more than 80 times that of carbon dioxide over 20 years. California law requires dairy and livestock operations to reduce methane emissions by 40% of 2013 levels by 2030.

Vander Poel says an annual survey in Tulare County measures how dairy digesters and other measures are cutting emissions – proof enough that the state funding effort underway since 2014 is making progress. Vander Poel hails from a dairy family and is well aware of the benefit the California Department of Food and Agriculture (CDFA) offers to help dairies afford to install these systems, allowing them to continue producing milk even as the air is cleaner and greenhouse gasses decline.

Not everyone is a fan of the state program, however. CARB has been criticized by some anti-dairy advocates and may vote to do an early phase out of the program despite its success. Sam Wade, director of public policy at the Coalition for Renewable Natural Gas, believes the program is working but that

has not “stopped a small but passionate band of anti-dairy interest groups from pushing CARB to end (avoided) methane crediting immediately in 2024.”

“The production of and reliance on factory farm gas pollutes communities and, thus, it must not be funded or receive favorable treatment as a low-carbon fuel or a clean fuel,” the organization said in a May statement on the Governor’s 2023-24 budget.

Continue reading [here](#).

House GOP Continues Search for Consensus Speaker Following Scalise Withdrawal

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

In another turbulent week on Capitol Hill, House Majority Leader Steve Scalise (R-LA) withdrew yesterday from the race to succeed former Speaker Kevin McCarthy (R-CA), leaving the chamber without a permanent leader and with a limited ability to move any legislation.

On Wednesday Scalise had eked out a narrow victory over Rep. Jim Jordan (R-OH) within the Republican caucus to be the nominee for the speaker’s position. He subsequently dropped out of contention just a day later as the speakership vote was about to shift to the full House. Scalise had won a narrow majority of the GOP votes during Wednesday’s election, but he determined he was short of the 217 needed to officially clinch the position on the floor and apparently did not see a path to victory.

With Scalise’s withdrawal, Jordan, the Judiciary Committee Chairman, remains a potential candidate with support from some in the Republican conference. Earlier this afternoon, Rep. Austin Scott (R-GA) also joined the contest. Other members may enter the race as well, but it is unclear who can win both a majority of the GOP members and then a full majority of the House.

What this means is that other policy decisions, including funding for the government in the new fiscal year along with the consideration of the 2023 farm bill, will remain on the back burner until the House leadership issue is settled.