MPC WEEKLY FRIDAY REPORT

DATE: MARCH 15, 2024
TO: DIRECTORS & MEMBERS
FROM: KEVIN ABERNATHY, GENERAL MANAGER
PAGES: 8

Like us on Facebook!

P.O. Box 4030, Ontario, CA 91761 • (909) 628-6018
Office@MilkProducers.org • www.MilkProducers.org • *Fax (909) 591-7328*

MPC FRIDAY MARKET UPDATE

CHICAGO CHEDDAR CHEESE			CHICAGO AA BUTTER			NON-FAT DRY MILK		
Blocks	+ $.0100	$1.4700	WEEKLY CHANGE	+ $.0200	$2.8225	WEEK ENDING 03/09/24		
Barrels	- $.0450	$1.4425	WEEKLY AVERAGE	+ $.0175	$2.8290	NAT'L PLANTS	$1.2000	18,422,137
WEEKLY AVERAGE CHEDDAR CHEESE			DRY WHEY			LAST WEEK ENDING 03/02/24		
Blocks	- $.0425	$1.4495	DAIRY MARKET NEWS	W/E 03/15/24	$.5000	NAT'L PLANTS	$1.2031	20,761,669
Barrels	- $.1490	$1.4370	NATIONAL PLANTS	W/E 03/09/24	$.4823			

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 15 EST	No Change	$20.97	$16.43	No Change
LAST WEEK	$20.40 - $20.90	$20.94	$16.57	$19.98

FEBRUARY 2024 CA FMMO STATISTICAL UNIFORM PRICE ANNOUNCEMENT

FEB '24 FINAL	CLASS I	CLASS II	CLASS III	CLASS IV	STATISTICAL UNIFORM PRICE (BLENDED PRICE)	NET PRICE AFTER QUOTA ASSESSMENT*
MINIMUM CLASS PRICE	$19.59 | TULARE $20.09 | L.A.	$20.53	$16.08	$19.85	$16.91 | TULARE $17.41 | L.A.	$16.562 | TULARE $17.062 | L.A.
PERCENT POOLED MILK	19.4%	5%	72.9%	2.7%	100% (1.95 BILLION LBS. POOLED)	

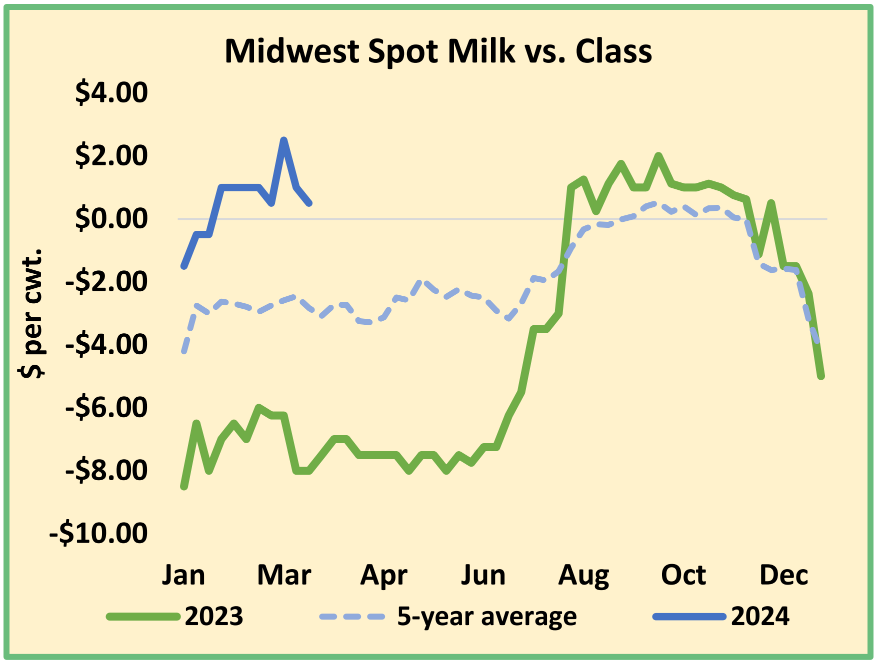
**QUOTA RATE OF $0.348/CWT. AS OF NOVEMBER 2023 MILK*

Milk, Dairy and Grain Market Commentary

By Monica Ganley, Quarterra
Monica.Ganley@QuarterraGlobal.com

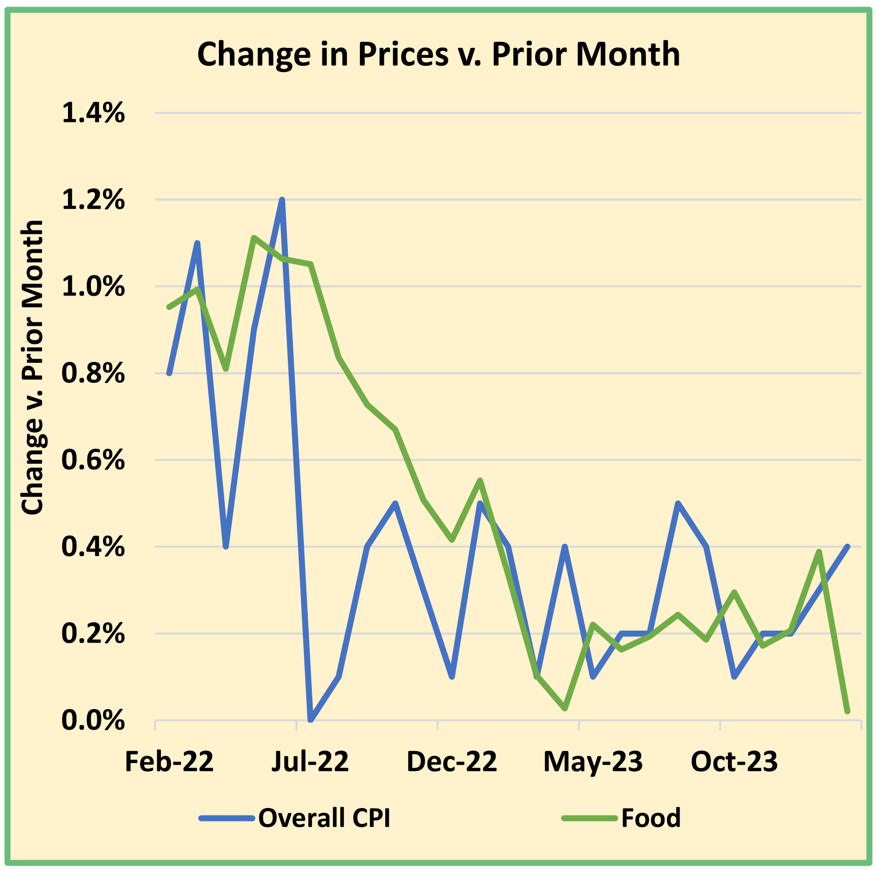
Milk & Dairy Markets

Indecision continued to pervade the dairy markets this week as the price of most products waffled close to recent levels. While the market tone is certainly not one of desperation, both



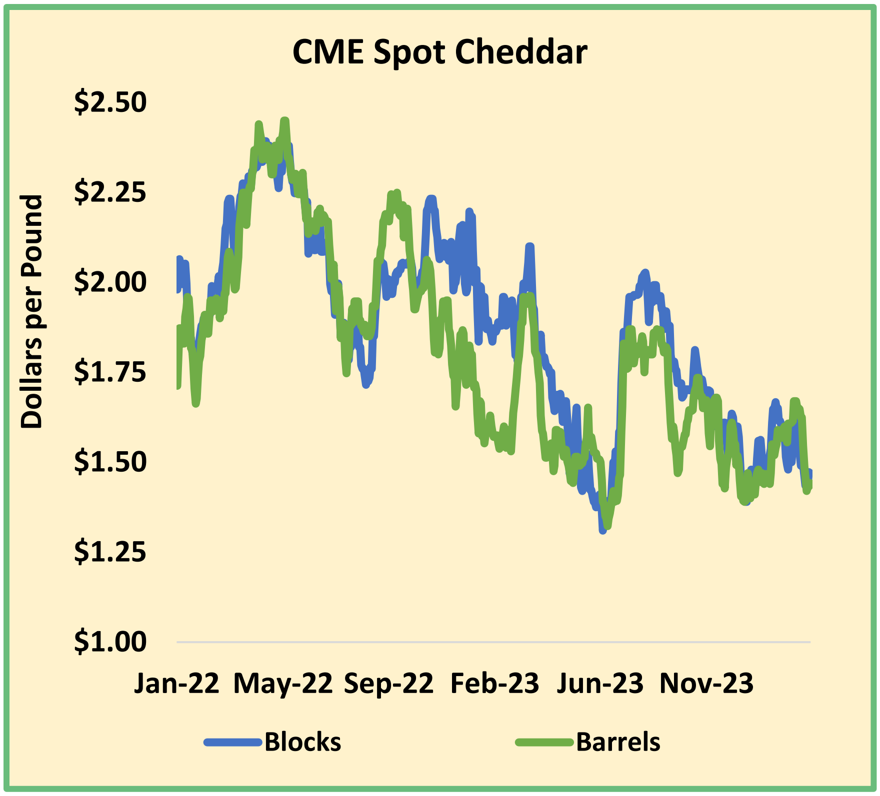
supply and demand leave something to be desired with the two market forces going head-to-head to see which will exert more influence on prices.

On the supply side, milk production is expanding seasonally though idiosyncratic issues in parts of the country are keeping a lid on output in some places. Perhaps most concerning, USDA reports that respiratory issues are affecting cattle in Texas following recent fires in the state, putting downward pressure on volumes. Class I demand is steady to lighter as schools are beginning to move toward spring breaks, reducing bottling demand. Generally, there is enough milk available for processing and while the range of spot prices for manufacturing in the Midwest remains similar to last week, commentary in *Dairy Market News* suggests that deeper discounts could be on the horizon.



Meanwhile, a new batch of price data was released by the Bureau of Labor Statistics, showing that inflation persists at elevated levels. The BLS reported that the Consumer Price Index (CPI) rose 0.4% in February compared to the prior month, bringing annualized inflation to 3.2%. The food cost data was slightly more encouraging, remaining virtually unchanged compared to the prior month. Even so, food prices are 2.2% higher than at the same time last year and are almost certainly taking a bite out of consumers' budgets and confidence.

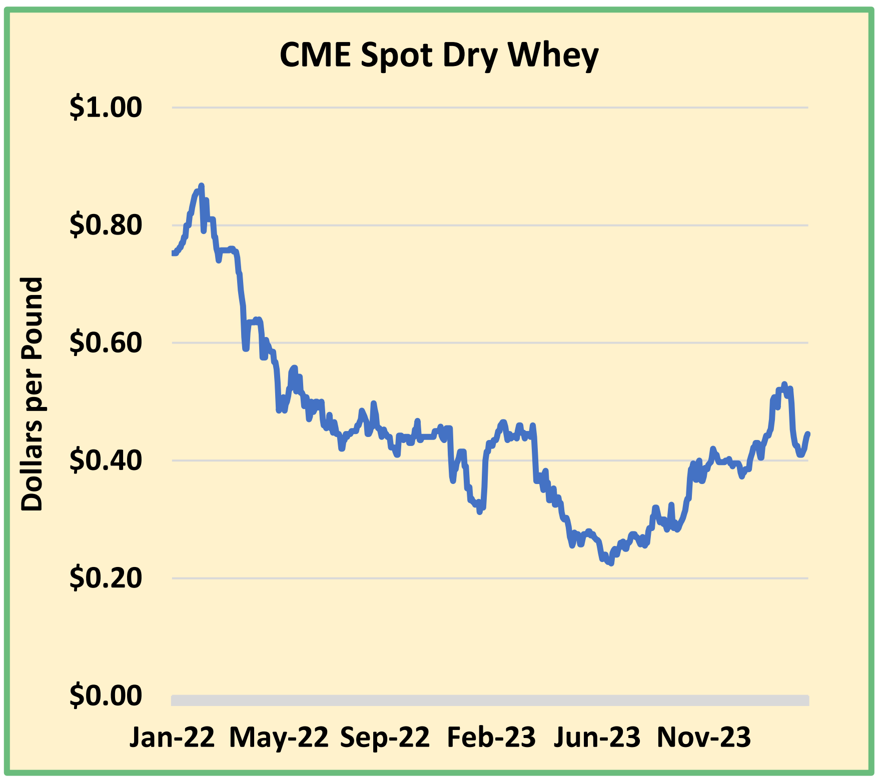
Consumer demand for cheese remains steady through both retail and foodservice channels. With the spring holidays approaching, cheese sellers are optimistic that demand will begin to tick upward in the coming weeks. In any case, cheese remains readily available, and production is upbeat although it is notable that several cheese plants have been



taking downtime for maintenance. Lower cheese prices should be generating additional export demand but anecdotally this has been slow to materialize.

At the CME, the Cheddar markets righted themselves as barrels moved back below blocks this week for the first time since early February. Blocks lost ground on Monday and Friday, but a 3.75¢ increase on Thursday was sufficient to deliver a penny gain for the week, raising the price to $1.47/lb. as 13 loads traded hands. Meanwhile barrels gave up ground on a busy Monday and Tuesday while gains during the back half of the week couldn't compensate for the loss. Ultimately Cheddar blocks closed the week at $1.4425/lb., down 4.5¢ compared to the previous Friday. A total of 23 loads of barrels moved during the week.

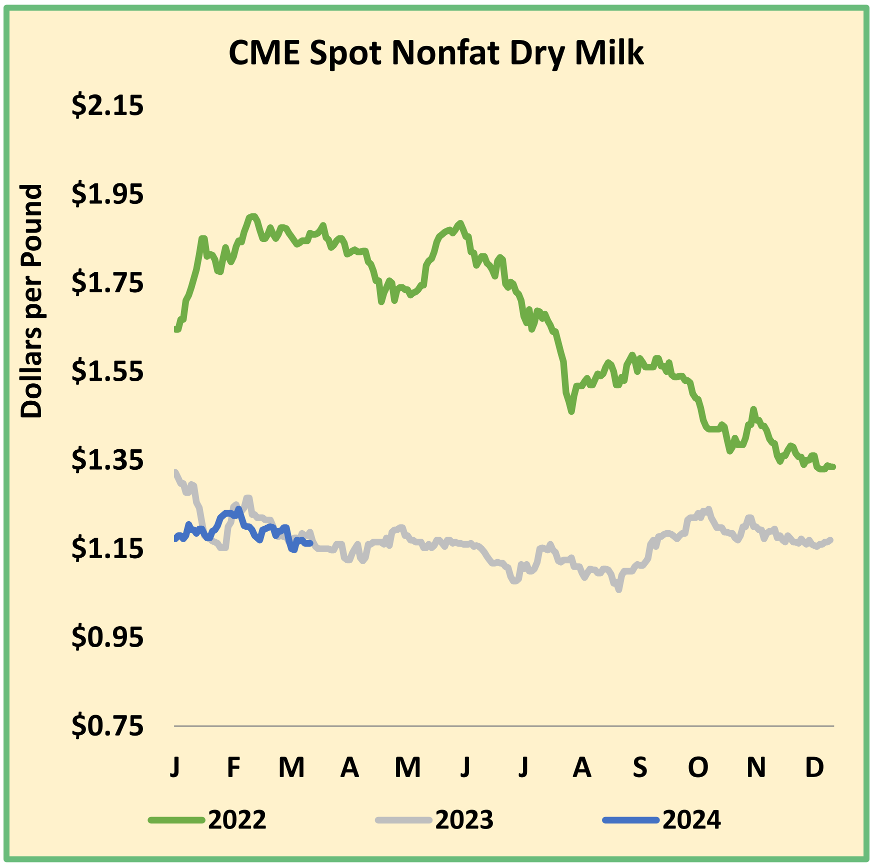
On the other side of the Class III complex, whey markets showed more conviction than any other product, adding value each day. After ending last Friday at 41¢ per pound, the whey market added 3.5¢ over the week, rising to 44.5¢ per pound by the conclusion of trading today. Activity was notably muted during the week as not a single load of whey traded hands. Price increases at the spot market were especially interesting given that market participants continue to describe the dry whey market as bearish. Upbeat cheese production is throwing off a plentiful whey stream while demand is understated from both domestic and international sources. Regardless, it appears that higher prices will be necessary to clear volume at the exchange.



Butter also notched an increase at the CME this week. Following a quiet Monday, a 3¢ gain on Tuesday was followed by more modest increases on Wednesday and Thursday. A

2.5¢ loss on Friday took some of the wind out of butter's sails, but even so, the spot market ended the week at $2.8225/lb. up 2¢ compared to last Friday as 8 loads changed hands.

For the moment, cream availability remains steady though demand from Class II manufacturers is ticking upward in anticipation of the spring holidays. Stronger component values in raw milk have helped to ensure cream availability, even in geographies where milk production is slipping. Most butter manufacturers continue to operate busy schedules and are reportedly building inventories for later in the year. Seemingly spooked by two years of shortages and record high prices, butter churns are adjusting production plans to ensure that they will have supplies come autumn. Butter demand is steady, but most market participants expect the pull from consumers to increase in the coming weeks.



The nonfat dry milk (NDM) market remained mostly steady this week, giving up just .75¢ to close the week at $1.1625/lb., well within the range that the market has inhabited over the last several months. A total of 11 loads traded hands, including 9 on Thursday alone, when the price remained unchanged. Dryers report that condensed skim supplies are readily available due to the seasonal uptick in milk supplies combined with downtime at certain cheese facilities. Domestic demand remains lackadaisical while there has been some rising interest from key export destinations, especially Mexico. According to *Dairy Market News*, however, many of these inquiries are seeking lower prices than what is currently on offer from U.S. suppliers. NDM inventories are notably scant and could provide a floor to prices once demand improves in earnest.

Grain Markets

All eyes in the grain market are trained on the South American crop and weather events that could affect final production figures. Updated figures from Brazil's supply agency moved estimates of corn and soybean production downward while the USDA continues to forecast much higher production from the country. Meanwhile, long-awaited rains arrived in Argentina this week and after some initial concerns that they could flood fields, the precipitation is largely thought to have been favorable for soybean production. MAY23 corn futures settled on Friday at $4.3675/bu. while MAY24 soybeans ended the week at 11.9825/bu.

California's Dubious Megaprojects

Courtesy of Edward Ring, Director of Water and Energy Policy, California Policy Center

It would be inaccurate to suggest that California's state legislature can no longer think big. They can, and as such they are carrying on a tradition that two generations ago gave us the best universities in the world, expressways and freeways that helped catalyze a boom that lasted for decades, and the most remarkable system of water storage and transfers ever built, anywhere. Today, California still thinks big. We aim to lead by example, and show the world how to design an economy that has achieved "net zero" and still functions. To that end, four megaprojects are in the works or already underway; high speed rail, offshore wind, the Delta tunnel, and the new kid on the block, carbon capture and sequestration.

These projects, assuming they are all completed, will cost tens of billions, if not hundreds of billions. The money will come from taxpayers and ratepayers, baked into public budgets and utility pricing to pay down bonds issued to finance construction. Once they are operating, their earnings will not be enough to pay back their construction costs. They will be a permanent, massive drain on California's economy.

For a briefing on California's proposed offshore wind projects, refer to WC #14, published last October. That report is rich on quantitative details overlooked by most observers, and those details may perhaps excuse the title, where offshore wind is delicately referred to as a "catastrophic scam." For information on the proposed "Delta Conveyance," refer to WC #30, "The Opportunity Cost of the Delta Tunnel," and WC #28, "Comparing the Delta Tunnel versus Desalination." Both of those were published in early 2024, and as well are rich in quantitative details that ought to compel consideration of alternative ways to spend hundreds of billions of dollars — but this is California.

Which brings us to High Speed Rail. Of the fantastic four megaprojects under review in this analysis, it is the furthest along. Which isn't saying much. California's high speed rail project will go down in history as a financial, environmental, and social trainwreck, to use the appropriate metaphor. Here is an update.

High Speed Rail was originally sold to voters in 2008 as a marvelous antidote to automobile transportation. The train was supposed to travel at 220 miles per hour and get built at a total cost of $33.6 billion. The original 2008 "business plan" wisely refrained from estimating a completion date, and that's about the only thing they got right. Some of the claims they made reveal eye-watering levels of delusion.

According to the initial plans, laying track from San Francisco to Los Angeles would "alleviate the need to build about 3,000 miles of new freeway plus five airport runways and 90 departure gates over the next two decades." The entire project was envisioned to extend north to Sacramento and south all the way to San Diego. Fat chance.

Continue reading here.

California Dairy Sustainability Summit March 26 in Davis

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 DFAStudent), courtesy of Dairy Farmers of America.

Register here.

California Dairy Sustainability Summit Speakers

Frank Mitloehner
Professor & Air Quality Specialist
University of California, Davis

Angela Anderson
Director of Sustainable Dairy
Starbucks

Jeff Simmons
President and CEO
Elanco Animal Health

Betty Crocker
Director of Child Nutrition Services
Lodi Unified School District

Mary Ledman
Global Strategist- Dairy
Rabobank

Patrick Pulupa
Executive Director
Central Valley Water Board

Secretary Karen Ross
California Department of
Food and Agriculture

Mark van Nieuwland
VP Bovaer
dsm-firmenich

Donald Moore
Executive Director
Global Dairy Platform

Pedro Pajares
CEO
H2B2 USA, LLC

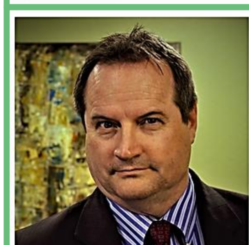
Virginia Jameson
Deputy Secretary for Climate and
Working Lands, CDFA

Steve Rowe
President
BioFiltro

Jim Ed Beach
US Commercial Lead – Sustainable
Solutions, Netafim

Amy Hughes
Director, Markets & Finance, Climate-Smart Ag
Environmental Defense Fund

John Talbot
CEO
California Milk Advisory Board



J.P. Cativiela
Regulatory Director, Dairy Cares
Administrator, CVDRMP

Jason Prapas
Founder and CEO
Fyto

Charles Brooke
Program Lead, Enteric Methane
Spark Climate Solutions

Justin Gioletti
Dairy Farmer
Robert Gioletti & Sons, Inc.

Darrin Monteiro
VP, Sustainability & Member Relations
California Dairies, Inc.

Spencer Diamond
Principal Investigator
University of California – Berkeley

Michael Boccadoro
Executive Director
Dairy Cares

White House Releases 2025 Federal Budget That Boosts USDA Funding

Courtesy of Gregg Doud, President & CEO
National Milk Producers Federation

Just days after signing into law the USDA's Fiscal Year 2024 appropriation, the White House this week released its overall budgetary framework for the new fiscal year that starts October 1. This is an annual exercise by the Executive Branch that is more about signaling priorities than actual governance as these annual budget proposals are, without exception, dead on arrival on Capitol Hill.

That said, under this proposal, the USDA's discretionary budget would be funded at $31.6 billion for the next year, an increase of about 8% over FY 24. The new funding will cover departmental operations as well as agricultural research, conservation technical assistance and other programs. The annual budget does not include commodity programs, crop insurance, school meals or SNAP funding, which are mandatory categories beyond the annual approval process.

The budget blueprint emphasizes a number of items that are farm bill priorities for the Biden Administration. These include additional investments in conservation, climate-smart agriculture and forestry, and clean energy. The FY25 budget proposes spending $6.01 billion on research, conservation assistance and climate programs, up from the $5.04 billion in FY2023, but less than the $7 billion the White House had requested for FY24.

Agriculture Secretary Tom Vilsack will be testifying next Thursday on the budget before the House Agriculture-FDA Appropriations Subcommittee.