

MPC WEEKLY FRIDAY REPORT

DATE: JANUARY 6, 2023
 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	-\$0.0800	\$2.0550	WEEKLY CHANGE	+\$0.0025	\$2.3825
Barrels	-\$1.1325	\$1.7250	WEEKLY AVERAGE	+\$0.0006	\$2.3806
WEEKLY AVERAGE CHEDDAR CHEESE		DRY WHEY		WEEK ENDING 12/31/22	
Blocks	-\$1.1500	\$2.0013	DAIRY MARKET NEWS	W/E 01/06/23	\$4350
Barrels	-\$1.1325	\$1.7263	NATIONAL PLANTS	W/E 12/31/22	\$4371
				LAST WEEK ENDING 12/24/22	
				NAT'L PLANTS \$1.4322 11,701,160	
				NAT'L PLANTS \$1.4381 13,820,566	

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
JAN 6 EST	\$24.01 - \$24.51	\$21.11	\$19.31	\$19.60
DEC '22 FINAL	\$24.18 - \$24.68	\$23.11	\$20.50	\$22.12



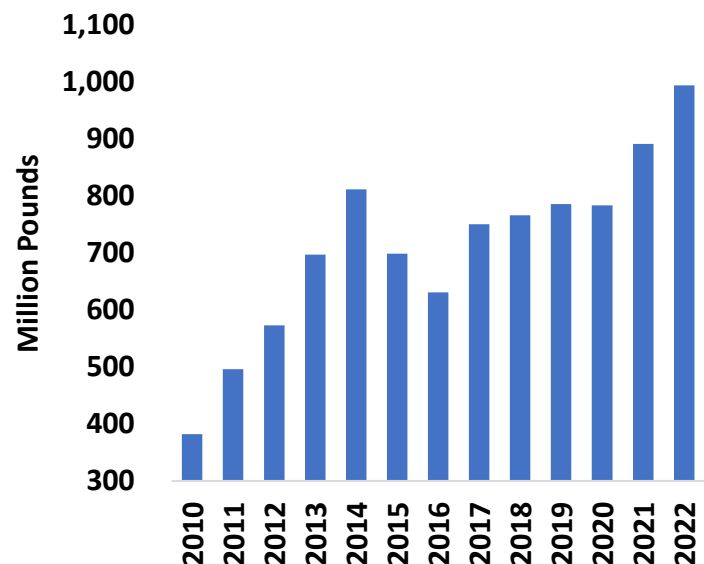
Milk, Dairy and Grain Market Commentary

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

Milk & Dairy Markets

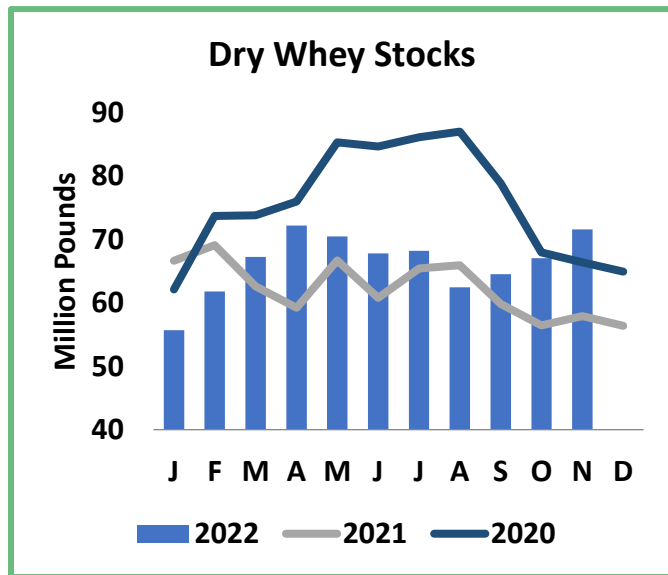
The holiday hangover hit hard this year. The cheese markets got off to a particularly rough start, with big losses both Tuesday and Wednesday. But after a few nights of better rest and healthier habits, they recovered well. CME spot Cheddar barrels mitigated their early-week losses but finished 2¢ lower than last Friday, at \$1.725 per pound. Blocks gained 5.75¢ and closed at \$2.055. Cheese output was robust throughout 2022, and November was no exception. November cheese production totaled just shy of 1.15 billion pounds, up 1.6% from a year ago. Cheese output will continue to grow this year, as another plant will be up and running soon.

U.S. Cheese Exports



Nonetheless, cheese prices are near year-ago levels, suggesting that demand has kept pace with strong production. We can thank our foreign customers for that. The U.S. exported 82.7 million pounds of cheese and curd in November, 11.9% more than the prior year and the highest November volume ever. With one more month of data to count, U.S. cheese exports in 2022 have already surpassed the previous annual high. But the gap between U.S. and European cheese prices has narrowed considerably in the past few weeks. As European milk output recovers, the U.S. may soon face stiffer competition for exports. Closer to home, cheese demand is steady at best after the holidays. Cheese and Class III prices will likely remain under pressure.

The whey market gave back nearly all the ground it gained between the holidays. Spot whey powder closed today at 39¢, down 2.5¢ since last Friday. Dry whey output fell 1.7% short of year-ago volumes in



November, as manufacturers continued to direct much of the whey stream into high-protein concentrates. Nonetheless, whey stocks grew, which explains why whey values fell under so much pressure in late 2022.

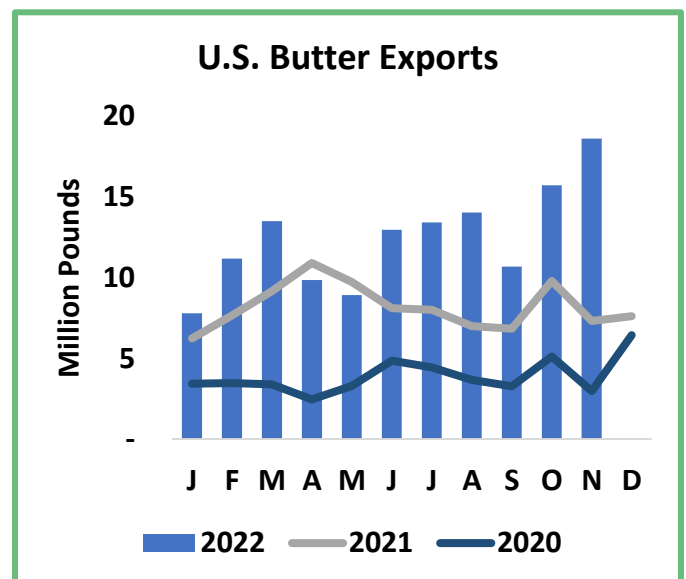
Whey exports were healthy in November. Shipments of dry whey and whey permeates to foreign buyers topped the prior year by 17.4%. However, year-to-date exports were still slightly behind the 2021 pace. In 2023, global demand for whey will likely depend, once again, on the unpredictable profitability of China’s hog industry. Domestic whey demand has waned. But with the new year, many Americans will

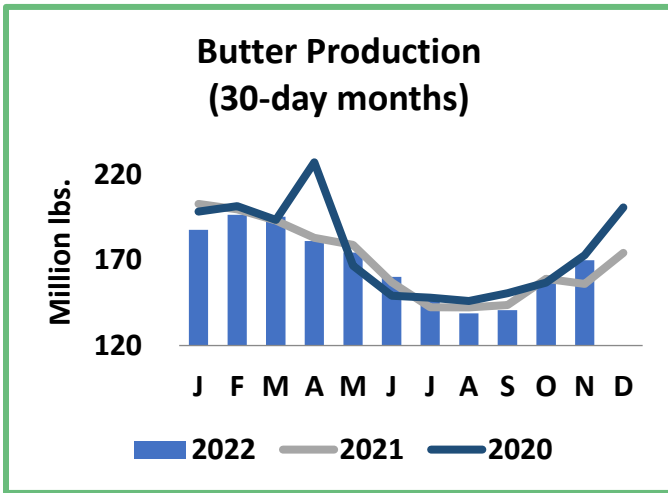
focus on fitness, which could make whey proteins popular.

Class III futures put in a mixed performance this week. Lower spot whey values and cheaper barrels dragged the January contract down 25¢ to \$19.36 per cwt. But February managed to inch a little higher. Still, Class III futures are nothing to get excited about. Most first-half contracts sit below \$19.

Despite extremely high butter values throughout the summer and fall, the U.S. sent 18.6 million pounds of butter outside our borders in November, the highest monthly volume since 2013. Canada took the lion’s share, and Canadian butter imports are likely to remain high. Butter stocks in Canada are extremely tight, and, as of August 2022, U.S. exports enjoy greater tariff-free access under the U.S.-Mexico-Canada free trade agreement.

But exports are a vanishingly small part of overall butter demand. And high prices have clearly made some shoppers think twice in the dairy aisle,





prompting the steep setback in butter prices late last year. Higher output also played a role in the selloff. Butter production totaled 169.9 million pounds in November, up 8.9% from the unusually low volumes of November 2021, when expensive cream and widespread labor issues slowed churn rates. In January 2022, U.S. butter output was an astounding 12.7% lower than the prior year. The year-to-date deficit narrowed to 8.2% in February and 5.1% in March. By November, it stood at a much slimmer 1.2%.

Almost no one bothered to show up to trade butter. Spot butter closed at \$2.3825 today, up 0.25¢ since last Friday. Not a single load changed hands.

Prices moved lower across the board at Tuesday’s Global Dairy Trade auction. Whole milk powder (WMP) fell 1.4% from the previous event. Skim milk powder (SMP) dropped 4.3% to the equivalent of NDM at \$1.37 per pound. That emboldened the bears in Chicago. CME spot NDM fell every day this week and closed at \$1.2975, down 2.5¢ to a 16-month low.

U.S. milk powder output remains well below year-ago levels, but the trade is clearly concerned about demand, as it eyes China’s pandemic problems and Europe’s rising milk output. Despite lighter U.S. NDM production, stocks climbed modestly from October to November and are now 12.9% higher than they were in November 2021. U.S. milk powder exports were strong in November, but they fell 7.9% below the record-breaking volumes of 2021. That’s the same pattern we’ve seen all year. Year-to-date NDM exports are the second-highest ever, but they’re 8.5% behind the blistering 2021 pace.

January Class IV futures managed to climb 3¢ this week to \$19.60. But the other first-half contracts lost roughly 40¢. The trade is a bit on edge, as it tries to determine how to value dairy products in a world where trade volumes are merely healthy rather than exceptional.

Grain Markets

Feed proteins got even more pricey. January soybean meal topped \$500 per ton this week, and the benchmark March contract climbed another \$6.60 to \$477.60 per ton. The trade is concerned that drought will shrivel soybeans in Argentina and southern Brazil, although any losses there will be partially offset by a bumper crop in Brazil’s primary row crop regions to the north. U.S. weather also propped up protein prices. Several weeks of storms and bone-chilling cold throttled ethanol production, and DDG output plummeted. The storms also bogged down the railways, slowing the flow of trains from the Corn Belt to the West. Some dairy producers in California, Washington, and Idaho struggled to get feed on time and paid steep mark-ups to boot.

The storms had the opposite impact on corn futures. Lower demand from ethanol plants and another week of slow exports weighed on prices. March corn closed today at \$6.54 per bushel, down 24¢ for the week.



MPC in D.C. This Week

By Kevin Abernathy, General Manager
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I just returned from a trip to Washington, D.C. where I met with elected representatives and their staff to discuss dairy issues and build relationships. As I noted in our [December 2 Friday Report](#), MPC looks forward to working with the 118th Congress – and probably to everyone’s surprise – the U.S. House of Representatives can’t even begin its work until it elects a Speaker. However, it looks like this political drama is nearing a close as I write this update, with Bakersfield Representative **Kevin McCarthy** saying he now has enough votes to win the speakership.

During my time in the nation’s capital, I was able to visit the offices of **Kevin McCarthy**, **Jim Costa** (*special thanks to Mr. Costa for personally fixing my tie during our meeting; I guess it’s that obvious I don’t know how to tie one*), **David Valadao**, **Doug La Malfa**, **John Garamendi**, **Josh Harder**, **Jimmy Panetta** and **John Duarte**. During these visits, I either met directly with the Member or his staff. It’s worth noting that building good working relationships with Congressional Members’ staff is extremely important, for they are working and researching issues everyday.

I also coordinated with National Milk Producers Federation (NMPF) staff members **Claudia Larson** and **Paul Bleiberg** to strategize priorities for the new Farm Bill. Thank you both for discussing the issues important to California dairy families and representing the U.S. dairy industry in the halls of Congress. You can read more about NMPF’s policy priorities in today’s report in the article by President and CEO **Jim Mulhern**.

This trip marked the nineteenth year I have visited Washington, D.C. to represent California dairy families in some form or fashion. To our MPC members, thank you for giving your staff the tools and support to be your voice and advocate.



Congressman David Valadao with his Washington, D.C. and District staff.

In closing, I thought I'd share a scene I witnessed on the U.S. Capitol steps just because it's cute, and just maybe, it foreshadows some good policy progress for dairy this year. As Congressman Valadao was taking official photos on the Capitol steps with his family, staff and guests, he took a brief timeout for an impromptu game of catch with the son of a new Congressional Member. This little boy ran all the way up the Capitol steps (without a care or concern for the chain barriers or police presence) and on his descent, he decided to throw the stuffed animal he was carrying – a Holstein cow – to Congressman Valadao – the only dairy farmer in Congress. What are the odds?!?



Congressman Valadao found himself in an unscheduled game of stuffed cow catch on the U.S. Capitol steps.

CDQAP Advisory: Flooding Resources for Dairy Producers

By Dr. Michael Payne, DVM, PhD

[California Dairy Quality Assurance Program](#)

In light of the state's recent and anticipated heavy rainfall, the CDQAP has updated the following guidance: [California Dairies: Coping with Flooding and Evacuation](#) and [Action-Items for Emergency Flood Evacuation for a Dairy](#).

HIGHLIGHTS: Flooding Resources for Dairy Producers

While the prediction of additional rainfall this week in our drought-ravaged state is welcome, it may present challenges for some producers. Some dairymen may be having to address mud management, something they haven't had to deal with in more than four years. Some facilities, particularly in flood prone areas or protected by state or private levies, may merit additional water quality management and/or emergency planning. Below are some tips and links for producers as we await additional precipitation.

Mud Management for Dairy Producers

Local flooding and ponding on the farm is a manageable problem. Dairy cattle housed in extremely muddy pens for long periods experience a decrease in production and an increase in disease. Most corrals can be maintained throughout the year with attention to corral slope, rain water diversion and regular scrapping. Correcting mud problems during the winter however can be difficult, after the soil has been saturated by rain. During a true emergency producers may need to stabilize soil with wood chips, gravel, road base, or provide alternative travel paths in order to keep cattle moving to their feed bunks. CDQAP has produced a webpage [Managing Mud on Dairies](#) which details the most cost-effective management options available to producers.

Water Quality Management for Dairy Producers

During periods of heavy rainfall and associated runoff, it is critical to remember that any rainfall that contacts dairy manure (liquid and/or dry) or silage leachate must be maintained on your property and diverted to the pond for collection. In the unfortunate circumstance an offsite discharge it is advised and required that producers contact their Regional Water Quality Control Board within 24 hours and follow-up with a written report of the incident within 2 weeks. The dairy's Nutrient Management Emergency Plan developed in CDQAP classes and located in your binder provides key contact information for site specific contacts for your dairy depending on the type of discharge. In addition to your environmental consultant and/or field representatives, these include the local Sheriff's Office, County Use Permit Office, Regional Water Quality Control Board and local Fish and Game Warden. A [previous article](#) prepared by Dr. Deanne Meyer addresses preparing for heavy winter storms.

Flooding Emergencies for Dairy Producers

Unlike localized farm flooding, facility inundation (due to catastrophic flooding from creeks and rivers or levy failure) is extraordinarily rare. The [Farm's Emergency Response Plan](#) (a document required by the F.A.R.M program) can be invaluable in those situations. In addition CDQAP and the University of California-Davis have produced a brochure [Flooding and Livestock Owners](#) for producers preparing for or facing an extreme flooding event. A dairy-specific emergency flood [dairy evacuation check-list](#), reviewed by the California Department of Food and Agriculture, is available.

Using FEMA Maps to Determine Your Flood Risk

One quick, easy resource to help determine what your flood risk is, as well as potential evacuation routes, is the FEMA Flood Map Service Center at www.msc.fema.gov/portal/search.

Major Flooding: Bomb Cyclone Storm Causing Havoc to California Dairy Farmers

*By [Karen Bohnert](#)
[Dairy Herd Management](#)*

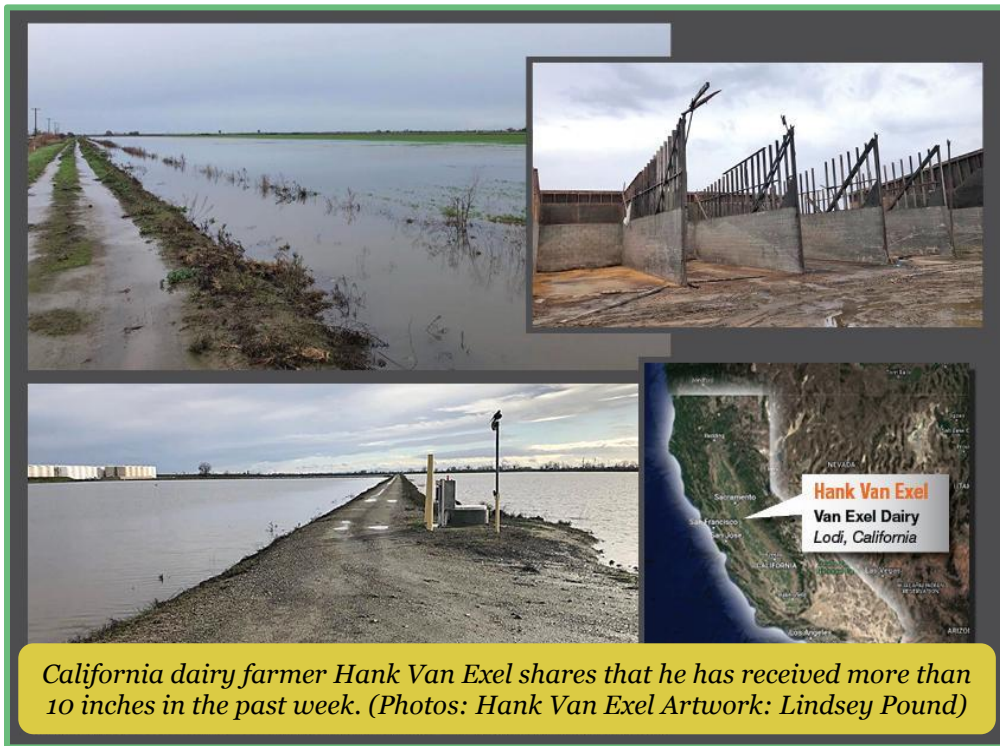
*Note from Kevin Abernathy: Thank you to MPC members **Hank Van Exel** and **Steve Maddox** for taking time to be interviewed for this story.*

While normally any moisture to the Golden State would be welcomed with open arms by farmers, the massive "Bomb Cyclone" storm hitting California is far from normal. A "Bomb Cyclone," by definition, is a low-pressure system that experiences a fall in pressure of 24 millibars in 24 hours.

High winds, heavy rain and snow, and power outages have impacted California this week. Dairy farmer Hank Van Exel shares that he has received more than 10 inches in the past week. And, it is still raining at his farm in Lodi, located 40 miles south of Sacramento.

"It has been pouring for the last couple of hours," he stated yesterday afternoon. "I'm sure we'll have another inch and a half today."

Van Exel says massive flooding is occurring around his farm, as well as in areas north.



“I have about 500 acres under water,” he shares. “Most of which we have drained out, but it is all filling up again. It remains to be seen how much feed I will lose but it doesn’t look good.”

In addition to the rain, 49- to 60-mph winds have hit Lodi, causing Van Exel to re-bed freestalls over and over.

“We use rice hulls for the calves and the area to the north where we get that from is flooded,” he says.

California dairy farmer Hank Van Exel shares that he has received more than 10 inches in the past week. (Photos: Hank Van Exel Artwork: Lindsey Pound)

Van Exel counts himself fortunate, as so far, his farm has not lost power. Neighboring farms have not fared so well, many of which have been out of power for 24 hours.

“A lot of dairyman have flooded corals and have had to move [cows] out,” he says.

Gov. Gavin Newsom signed a statewide emergency declaration earlier this week to help agencies send aid and resources where needed.

Dams Needed

Geoff Vanden Heuvel, the director of regulatory and economic affairs with the California Milk Producer Council, shared on a 2022 National Milk Producers Federation (NMPF) podcast that the California water issue is complex and long-standing. The state was developed without any regulations on groundwater. He also states that between 85% to 90% of California’s milk supply hails from the Central Valley.

“It’s a vast groundwater basin, millions and millions of acre feet of water reside under the ground, and it was never regulated,” he shares. “Dairyman found large tracks of ground that were available and as long as there was water underneath you, you could put wells in and construct the dairy and began to milk cows and grow feed around the dairy and all was well. California always depended on the Central Valley, a combination of groundwater and surface water.”

Vanden Heuvel says that surface water mainly comes from the rain and snow that occurs in the Sierra Nevada mountains, which is directly to the east of the Central Valley.

Continue reading [here](#).

2023 Promises Policy Progress

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

A Washington truism is that the period that occurs after an election cycle is complete, but the next one hasn't yet overtaken everyone's attention, is when policy gets done. That makes it important for this industry to push for significant progress in 2023, as the 118th Congress convenes and clear policy challenges lie ahead.

High on NMPF's priorities is leading the way toward federal adoption of a modernized Federal Milk Marketing Order system for producers that promotes a stable industry and provides fairer, more-up-to-date pricing for the nutritious and necessary products dairy farmers and their cooperatives provide. We made tremendous progress on this issue in 2022, driving a consensus approach that gathered many of this industry's smartest minds and, through more than 100 committee and task force meetings of NMPF Board members and producers, and marketing experts from our member cooperatives, from all regions of the country, arrived at a proposal unanimously endorsed at our annual meeting in October. That's a lot.

But there's much more required to bring these efforts to fruition – much, much more. NMPF's proposal itself isn't quite complete – an important part of the plan, recommendations on updates to the nation's Class I price surface, are expected this month. From there, we will seek a final endorsement that prepares the way for us to request a USDA federal order hearing. That also will require extensive preparation, as the national consensus we've built among NMPF members will then form the basis of a conversation in which the entire industry will participate.

We welcome that conversation, which undoubtedly will include some good and not-so-good ideas from multiple interests. But throughout that conversation – and the hearing, and ultimately a producer vote – it will be critical to transcend narrow self-interest and work in a spirit of good faith to ensure that FMMO modernization is truly in the best interests of all producers. NMPF has kept that goal throughout; by crafting the most thoroughly researched, discussed, vetted and voted-upon of all proposals, we are in a strong position to meet the leadership challenge that falls to us as the nation's dairy producer organization. We look forward to meeting this challenge, which will benefit all of dairy for years to come.

At the same time the FMMO discussions advance, we will be very active in shaping the farm bill due later this year, along with engaging in other legislative opportunities (and challenges) that come dairy's way.

Continue reading [here](#).

