

# MPC WEEKLY FRIDAY REPORT

DATE: JULY 26, 2024  
 TO: DIRECTORS & MEMBERS  
 FROM: KEVIN ABERNATHY, GENERAL MANAGER  
 PAGES: 6



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## MPC FRIDAY MARKET UPDATE

<b>CHICAGO CHEDDAR CHEESE</b>		<b>CHICAGO AA BUTTER</b>		<b>NON-FAT DRY MILK</b>	
Blocks	+ \$.0650	\$1.9300	WEEKLY CHANGE	+ \$.0150	\$3.0900
Barrels	+ \$.0575	\$1.9700	WEEKLY AVERAGE	-\$ .0295	\$3.0845
<b>WEEKLY AVERAGE CHEDDAR CHEESE</b>		<b>DRY WHEY</b>		<b>NAT'L PLANTS</b>	
Blocks	+ \$.0580	\$1.9210	DAIRY MARKET NEWS	W/E 07/26/24	\$ .4850
Barrels	+ \$.0620	\$1.9600	NATIONAL PLANTS	W/E 07/20/24	\$ .4497
				<b>LAST WEEK ENDING 07/13/24</b>	
				NAT'L PLANTS	\$1.2007 14,865,834

## 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
JUL 26 EST	No Change	\$21.85	No Change	\$21.43
LAST WEEK	\$22.71 - \$23.21	\$21.82	\$19.84	\$21.41



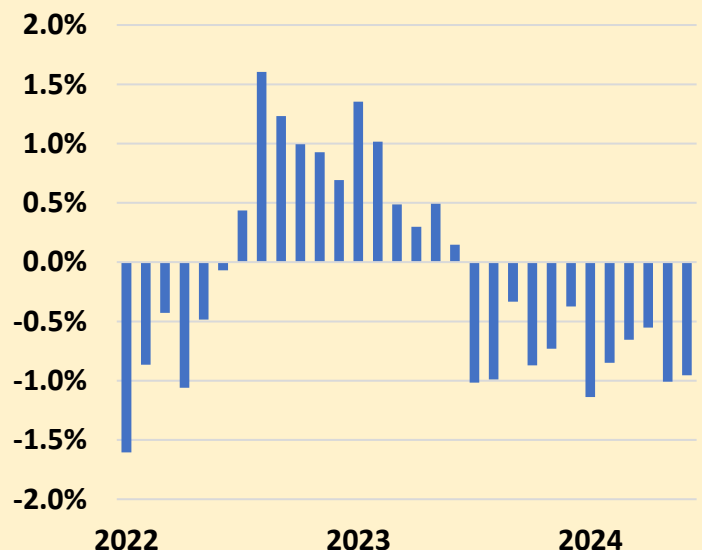
### Milk, Dairy and Grain Market Commentary

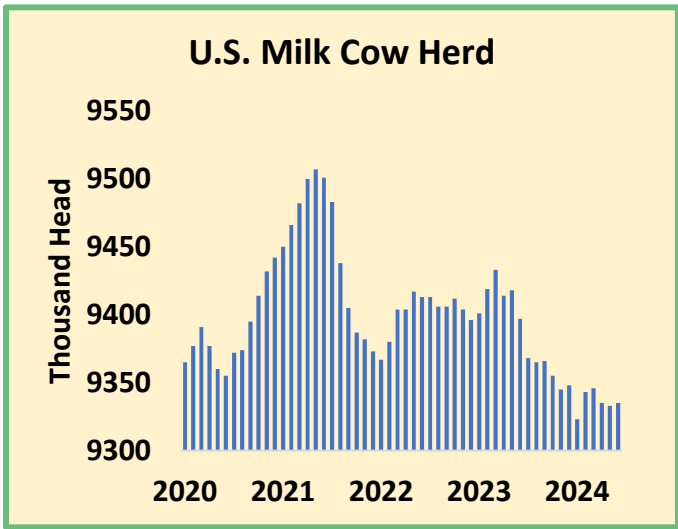
By Sarina Sharp, Daily Dairy Report  
[Sarina@DailyDairyReport.com](mailto:Sarina@DailyDairyReport.com)

#### Milk & Dairy Markets

As befits the season, the dairy markets heated up this week. The trade is becoming increasingly concerned that milk will remain tight, as a hot summer, avian influenza, and the heifer shortage overpower market signals to make more milk. U.S. milk output totaled 18.8 billion pounds in June, down 1% from the year before. In the first half of the year, the U.S. dairy industry made 0.9% less milk than in the first six months of 2023 and marked its lowest first-half production since 2020. Of course, thanks to higher components, U.S. milk solids and butterfat output continues to outpace year-ago volumes, but not by enough to satisfy U.S. dairy processors.

#### YOY Change in U.S. Milk Production

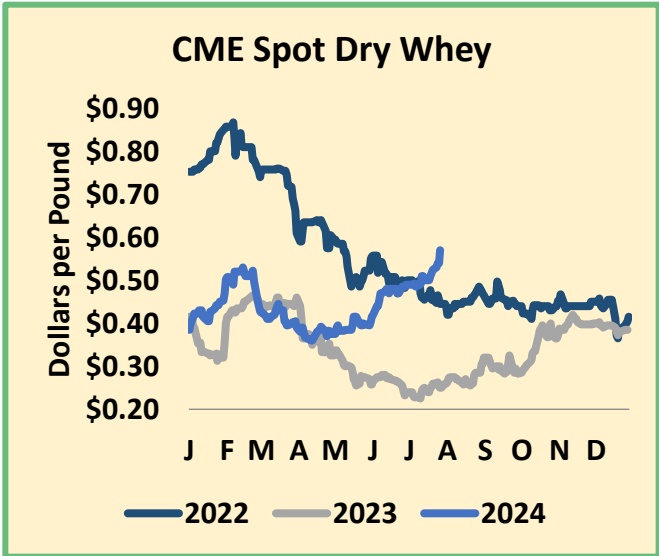




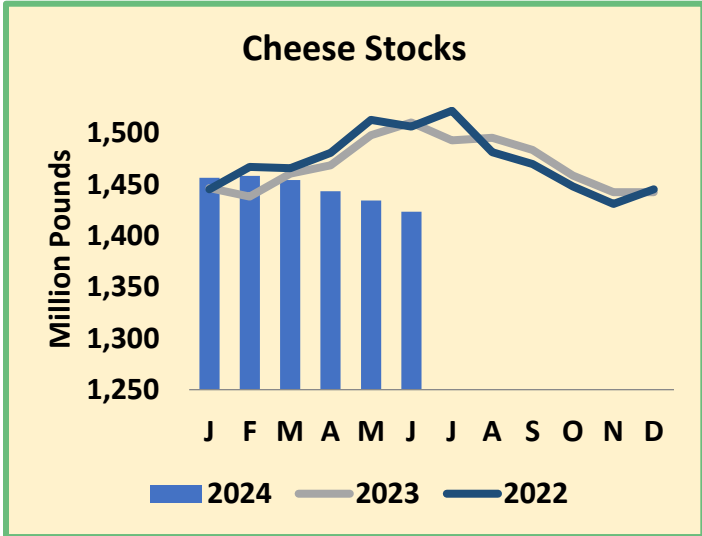
Production was down hardest in states that suffered from a June heat wave or the bird flu. June temperatures were the highest on record in Arizona and New Mexico, and overnight lows were the hottest ever in Colorado and California’s Central Valley. Sweltering conditions and a shrinking dairy herd dragged down milk production in Arizona (-3.9%), California (-1.8%), Colorado (-1.1%) and New Mexico (-12.5%). Dairy producers in Colorado also had to contend with avian influenza, as did their peers in Idaho (-1%) and Michigan (-0.9%). But many states that faced neither a heat wave nor the bird flu also saw lower milk yields. That’s likely

because dairy producers are keeping older, less productive cows in the herd to avoid buying pricey heifers. Indeed, the dairy herd hasn’t grown in several months despite the steep pullback in dairy cow slaughter. Persistently low cull rates suggest that the dairy herd will become older and less productive, and U.S. milk yields may not grow much from prior-year levels even after the heat wave abates.

Tighter milk supplies are taking a toll on dairy product output despite higher component levels. And, surprisingly, greater bottling demand is too. January through May fluid milk sales were 0.6% greater than the first five months of 2023, after adjusting for leap day. That’s a small win, but a victory nonetheless for a sector of the industry that has been in decline for decades.



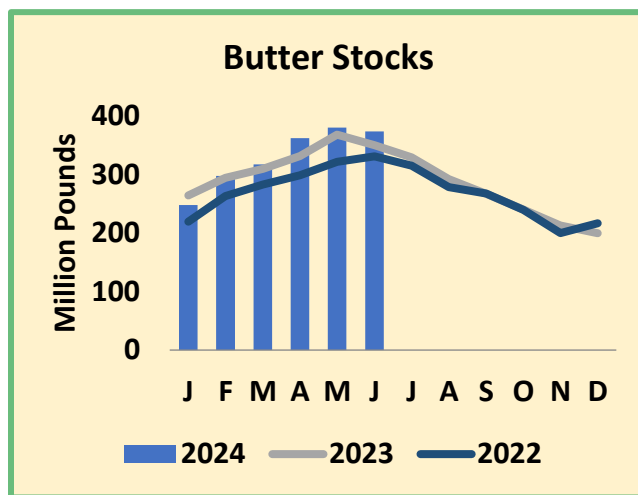
Confirmation of lower milk production and prospects for even lower milk output in July – when heat was more severe and more widespread – enlivened the bulls this week. Prices moved higher across the board at the CME spot market. Whey powder was particularly strong. It leapt 5.25¢ to 57¢ per pound, a more than 10% increase. CME spot whey powder now stands at its highest price in more than two years. Formidable domestic demand for high-protein whey products and tighter milk supplies in some cheese regions have chipped away at commodity whey supplies, and boosted prices. Strength in the whey market is a huge boon for Class III values. Every penny increase in the whey price adds roughly 6¢ to nearby Class III futures. CME spot whey averaged nearly 7¢ higher in June



and July than in January through May. That seemingly modest shift has added 40¢ to Class III pricing.

Cheese prices also climbed. CME spot Cheddar barrels rallied 5.75¢ to \$1.93. Blocks jumped 6.5¢ to \$1.93. USDA's *Dairy Market News* described U.S. cheese output as "steady to lighter." Cheese inventories declined in June, as they often do. But this year, thanks to counter-seasonal declines in March through May, cheese stocks look a little snug. There was 5.8% less cheese in cold storage warehouses on June 30 than there was at mid-year 2023. A combination of lower cheese output and record-shattering exports has helped to tighten U.S. cheese supplies and raise cheese prices. But lower supplies will have to do the heavy lifting going forward. Export sales are fading and, while domestic demand is stable, it's probably not strong enough to push cheese above the \$2 mark.

Butter stocks also inched downward in June. But there is still 6.8% more butter in storage than there was in June 2023 and 12.9% more than in June 2022. That is apparently not enough to quell butter merchants' fears that the grocery cases will be bare in November. CME spot butter added 1.5¢ this week and closed at \$3.09.



After months of marching over the same well-trod ground, the spot milk powder market finally explored some new territory and pushed into the mid-\$1.20s. It closed today at a five-month high of \$1.2325, up 3.5¢ for the week. U.S. milk powder inventories are scant after months of sharply lower output. But competition for exports is fierce with China on the sidelines. New Zealand's new milk production season is off to a slow start, but output is inching upward in Europe. Milk collections topped year-ago volumes by 0.4% in April and 0.6% in May. Eventually, the rebound in European milk output is likely to translate to greater milk powder offerings, to the detriment of U.S. exports.

Stronger spot markets and a greater appreciation of the barriers to growth in U.S. milk output pushed the futures upward. Class III was especially lively this week. The September contract leapt 84¢ to \$21.42. Class IV futures added about 20¢ this week and settled well north of \$21.

### Grain Markets

Political turmoil temporarily paused the decline in the feed markets this week as the trade attempted to parse the likelihood of a second Trump term – and a renewed trade war with China – in a competition against Vice President Harris rather than the aging President Biden. The mere possibility of a tighter matchup was enough to reduce the implied odds of a geopolitical spat that could throttle U.S. soybean exports to the world's most important market. November soybean futures rallied more than 40¢ early in the week, and December corn futures rebounded 16¢. But by Friday the market was once again focused on the size of the crops in the field and those that remain in the bin. Grain is abundant and likely to be cheap. December corn closed today at \$4.10 per bushel, up a nickel from last Friday. November soybeans finished 11¢ higher, at \$10.46. December soybean meal closed at \$324 per ton, still up \$19 from last Friday's multi-year low.

## **CDFA Accepting Grant Applications for Dairy and Livestock Methane Reduction Programs**

*Courtesy of the [California Department of Food and Agriculture](#)*

The California Department of Food and Agriculture (CDFA) is now accepting grant applications from commercial dairies and livestock operations for the installation of equipment and implementation of practices that result in long-term methane emissions reductions and maximize environmental co-benefits. Since 2015, CDFA's dairy and livestock methane programs have funded 308 incentive projects that will result in the reduction of more than 25.9 million metric tons of carbon dioxide equivalent (MMTCO<sub>2e</sub>) once completed. This is equivalent to removing a total of 6.2 million gasoline powered cars from the road.

CDFA is offering both of its flagship dairy and livestock methane reduction grants: the **Alternative Manure Management Program (AMMP)** and the **Dairy Digester Research and Development Program (DDRDP)**. AMMP has approximately \$17.4 million available, and DDRDP has approximately \$8 million available for awards.

CDFA is also opening a second grant-round for its Dairy Plus Program, a collaborative effort between the CDFA and the California Dairy Research Foundation (CDRF) funded by the USDA Partnerships for Climate Smart Commodities program. The Dairy Plus Program offers the opportunity to amplify the reach and scope of traditional AMMP and DDRDP projects through the implementation of advanced manure management practices that reduce greenhouse gas emissions and address nitrogen and salts surplus. The program already awarded 14 projects in 2023 and has \$58 million in funding available for additional grants. New AMMP and DDRDP applicants, as well as previous AMMP and DDRDP recipients with in-progress or completed projects, are eligible to apply to the Dairy Plus Program.

The application deadline for all three programs is **Friday, October 18, 2024, by 5:00 PM PT**. Prospective applicants can find individual program details below:

### **Alternative Manure Management Program (AMMP)**

Detailed information including eligibility, application process and requirements, application assistance workshops conducted by CDFA, and availability of free technical assistance for prospective applicants provided by CDFA-funded Technical Assistance Providers and UC ANR Climate Smart Agriculture Community Education Specialists is available at [www.cdfa.ca.gov/oefi/AMMP](http://www.cdfa.ca.gov/oefi/AMMP).

### **Dairy Digester Research and Development Program (DDRDP)**

Detailed information including eligibility, application process and requirements, application assistance workshops conducted by CDFA, and community outreach resources is available at [www.cdfa.ca.gov/oefi/ddrdp](http://www.cdfa.ca.gov/oefi/ddrdp).

### **Dairy Plus Program**

Detailed information including eligibility, application process and requirements, and application assistance workshops conducted by CDFA is available at <https://www.cdfa.ca.gov/oefi/dairyplus/>.

## Reminder: CDFA Announces Public Forums and Hearing Related to Proposed Changes to Quota Implementation Plan

*Courtesy of the [California Department of Food and Agriculture](#)*

CDFA will hold a series of public forums and a public hearing related to proposed changes to the Quota Implementation Plan. See details about the upcoming meetings below. You can also read the official notice [here](#), which CDFA will be mailing to all dairy farmers of record. If you need to update your information with CDFA, please contact the Quota Administration Program at [pooling@cdfa.ca.gov](mailto:pooling@cdfa.ca.gov) or 916-900-5012.

Date and Time	Location
<b>July 29, 2024</b> Beginning at 10:00 a.m.	<b>Public Forum – In person</b> Sonoma County Ag Commissioner’s Office: <a href="#">133 Aviation Blvd #110, Santa Rosa, CA 95403</a>
<b>August 8, 2024</b> Beginning at 10:00 a.m.	<b>Public Forum – In person</b> Stanislaus County Ag Commissioner’s Office Harvest Hall – Room D & E: <a href="#">3800 Cornucopia Way, Suite B, Modesto, CA 95358</a>
<b>August 9, 2024</b> Beginning at 10:00 a.m.	<b>Public Forum – In person</b> Tulare County Ag Commissioner’s Office: <a href="#">4437 S Laspina Street, Tulare, CA 93274</a>
<b>August 15, 2024</b> Beginning at 10:00 a.m.	<b>Public Hearing – via Zoom</b> Teleconference Information: <b>Join by Zoom:</b>  <a href="https://us02web.zoom.us/j/84248601086">https://us02web.zoom.us/j/84248601086</a> <b>Meeting ID:</b> 842 4860 1086  <b>Passcode:</b> 4^5WBjb*  <b>Join by Telephone:</b> 1-669-444-9171  <b>Meeting ID:</b> 842 4860 1086  <b>Passcode:</b> 04670783

## **NMPF and Members Join Large Coalition to Make Pitch for 2024 Farm Bill**

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

As I've reported since January, prospects for passing a farm bill this year are challenging. Nevertheless, we joined with dozens of other farm and ag groups this week [in asking Congress](#) to focus its limited time and attention on approving a new farm bill before the end of the year. Many thanks to our member cooperatives and state dairy associations for joining us in this effort.

The letter, sent on Monday to congressional leadership and agriculture committee leads, noted that because of the “significant legislative, and possibly administrative, duties of a new Congress...and other essential actions during the first months of the 119th Congress, we have concerns that it may not be logistically or politically feasible to advance a new farm bill early in the next Congress. As committed stakeholders and beneficiaries of the farm bill, we cannot continue to wait for updated policies, provisions, initiatives and critical funding that support our collective interests.”

Unfortunately, but not unsurprisingly, the legislative agenda in 2024 continues to slip. The House decided on Wednesday to begin its summer recess a week earlier than planned because of the inability to find the necessary votes to pass many of the chamber's fiscal year 2025 spending bills. On Monday, House leaders pulled from consideration the USDA-FDA FY 2025 bill, due to disagreements over spending levels and abortion-related policy.

Lawmakers return after Labor Day for a three-week session, meaning that when the House returns on Sept. 9, attention will immediately turn to writing a continuing resolution to keep the government open past Sept. 30. House Agriculture Committee Chairman GT Thompson, R-PA, is hoping for September floor action on his committee's farm bill. After September, Congress is scheduled to break until after the Nov. 5 elections, when they will have to return to Washington to finalize annual spending bills – and possibly the farm bill.