

MPC WEEKLY FRIDAY REPORT

DATE: NOVEMBER 17, 2023
 TO: DIRECTORS & MEMBERS
 FROM: KEVIN ABERNATHY, GENERAL MANAGER
 PAGES: 6



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MPC FRIDAY MARKET UPDATE

CHICAGO CHEDDAR CHEESE		CHICAGO AA BUTTER		NON-FAT DRY MILK	
Blocks	N.C. \$1.6000	WEEKLY CHANGE	-\$.1100 \$2.4900	WEEK ENDING 11/11/23	
Barrels	-\$.0900 \$1.5600	WEEKLY AVERAGE	-\$.1785 \$2.6225	NAT'L PLANTS \$1.1815 14,796,998	
WEEKLY AVERAGE CHEDDAR CHEESE		DRY WHEY		LAST WEEK ENDING 11/04/23	
Blocks	-\$.0315 \$1.6535	DAIRY MARKET NEWS	W/E 11/10/23 \$.4000	NAT'L PLANTS \$1.1757 18,738,933	
Barrels	+\$.0440 \$1.6530	NATIONAL PLANTS	W/E 11/04/23 \$.3828		

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
NOV 17 EST	No Change	\$20.87	\$17.13	\$20.60
LAST WEEK	\$21.35 - \$21.85	\$20.83	\$17.08	\$20.70

OCTOBER 2023 CA FMMO STATISTICAL UNIFORM PRICE ANNOUNCEMENT

OCT '23 FINAL	CLASS I	CLASS II	CLASS III	CLASS IV	STATISTICAL UNIFORM PRICE (BLENDED PRICE)	NET PRICE AFTER QUOTA ASSESSMENT*
MINIMUM CLASS PRICE	\$21.07 TULARE \$21.57 L.A.	\$21.95	\$16.84	\$21.49	\$18.10 TULARE \$18.60 L.A.	\$17.813 TULARE \$18.313 L.A.
PERCENT POOLED MILK	20.0%	5.6%	71.9%	2.5%	100% (2.02 BILLION LBS. POOLED)	

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



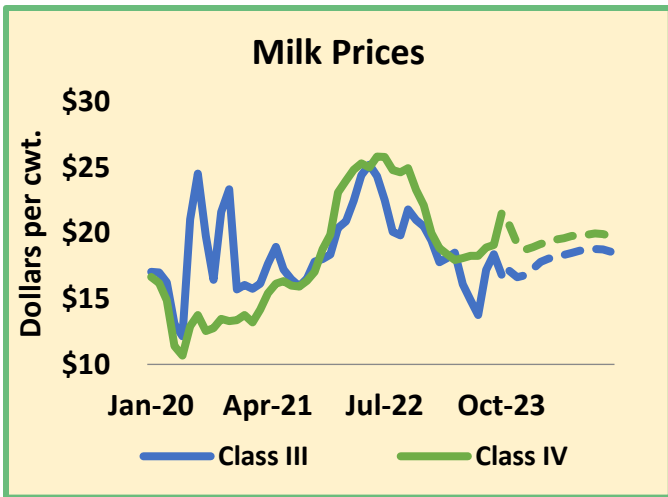
Milk, Dairy and Grain Market Commentary

By Monica Ganley, Quarterra

Monica.Ganley@QuarterraGlobal.com

Milk & Dairy Markets

The holiday season is upon us, but the dairy markets haven't been feeling particularly festive. Nearly all products lost value over the course of the week as plentiful supply and understated demand collided to pull prices downward. Lower spot prices have put some pressure on

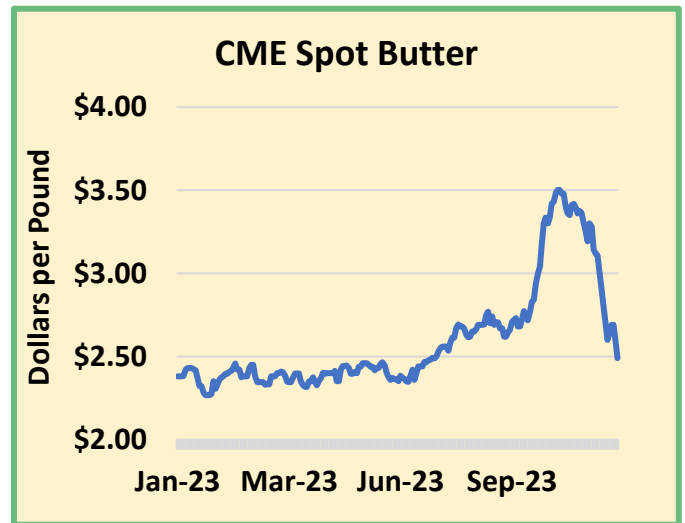


milk futures with both Class III and Class IV moving modestly lower through the week. DEC23 Class III futures settled at \$16.64/cwt. on Friday while the DEC23 Class IV contract fell to \$19.16/cwt.

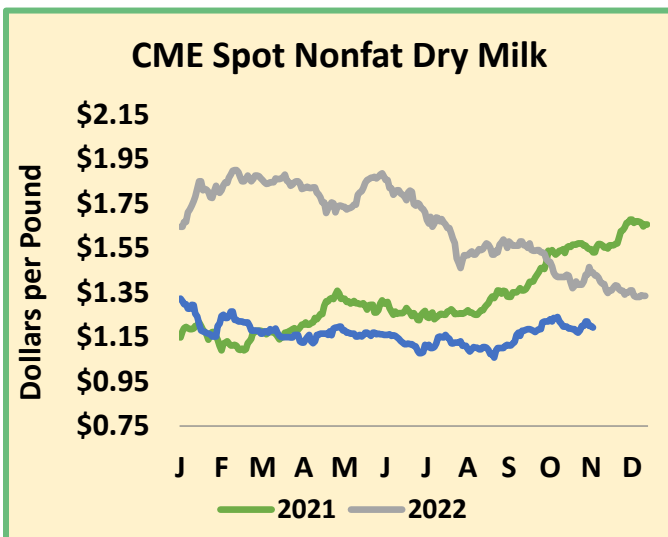
Across most of the country milk volumes and component levels are rising as autumn sets in and temperatures cool. The largest exception is in parts of the Southwest where the mercury has remained persistently high and as a result, milk production has not expanded materially. Bottling demand has begun to slow as institutions prepare for the Thanksgiving

holiday and stakeholders are anticipating a further increase in spot load availability next week as some manufacturing plants take downtime.

The CME spot butter market continued to put on a show this week. Gains of 4.5¢ on both Monday and Tuesday took the price up to \$2.69/lb. The market took a breather on Wednesday before losing 9.25¢ on Thursday and another 10.75¢ on Friday. When the dust settled, the butter market closed this week at \$2.49/lb., a loss of 11¢ compared to last week and the lowest price seen since July.



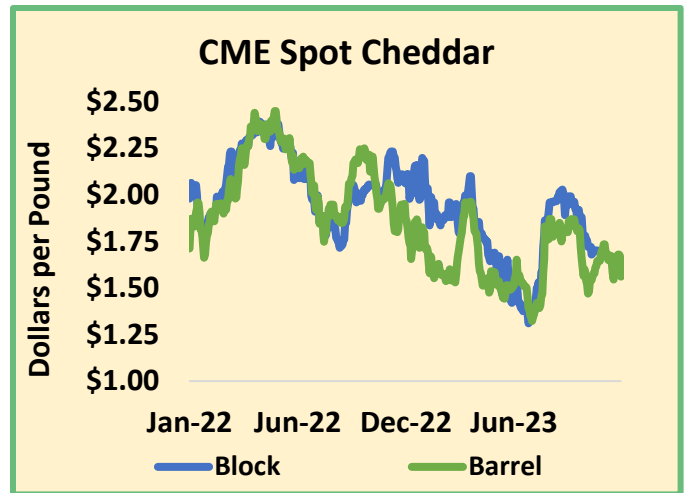
Ample cream supplies are weighing on the butter price. Multiples have fallen for several weeks in a row and while churns are not enthusiastic about building inventories, many are willing to convert affordable cream into butter that will be frozen for future needs. With holiday purchasing largely in the rearview mirror, butter demand has softened somewhat compared to recent weeks. Nevertheless, demand remains seasonally respectable and market stakeholders suspect that lower butter prices will be sufficient to generate additional interest.



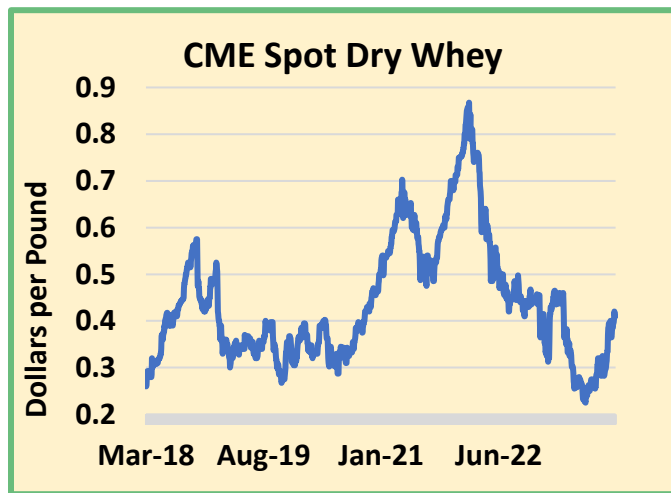
In sharp contrast to butter's volatility, the nonfat dry milk (NDM) market has been remarkably stable. The CME spot NDM price lost just .75¢ over the week, wrapping up Friday's session at \$1.1925/lb. Condensed skim supplies are plentiful and growing, but dryers have maintained active schedules and demand has been sufficient to keep the market in check. Firming signals from the international arena have also likely helped to prevent NDM prices from falling more dramatically. At this week's Global Dairy Trade Pulse auction, skim milk powder prices moved upward, extrapolating the increase seen at last

week's full auction. *Dairy Market News* reports that Mexican interest is mixed but suggests that the pace of buying may slow as the holidays approach.

Growing supplies have also increased the amount of milk available to cheese vats, though spot milk prices remain resilient. Current spot supplies are running at a premium of between 25¢ and \$1 over Class III prices, driving many cheesemakers to fortify with milk powder. Cheese demand is mixed. The foodservice channel continues to suffer as high menu prices are spooking customers. On the other hand, retail demand has remained robust and is expected to remain so through the coming weeks. Data collected by *Dairy Market News* indicates the number of cheese advertisements recorded last week increased by 60% compared to the prior period. Traders and key players suggest that U.S. cheese continues to be priced uncompetitive with international alternatives, which is expected to stifle export sales.



At the CME, spot Cheddar prices started off strong but deteriorated in the second half of the week. Blocks gained 4.25¢ and .5¢ on Monday and Tuesday but would see these gains wiped out, ultimately closing the week at \$1.60/lb., unchanged from last Friday. Barrels gained a more modest 3¢ early in the week before losing a penny on Thursday and 11¢ on Friday, pulling the price down to \$1.56/lb., 9¢ less than last Friday's close. After holding a premium to blocks for six sessions, Friday's loss pulled barrels back below blocks with a 4¢ spread.



While other markets slumped, dry whey defied the trend and managed to eke out some gains at the spot market this week. Increases on Monday and Tuesday were partially offset by losses on Wednesday and Thursday. Even so, the spot price ended the week at 41¢ per pound, up 1.25¢ from last Friday as 10 loads moved. Raw whey supplies are available but not excessive as cheesemakers still face a premium for spot milk. Market participants indicate that they are in the midst of negotiations for early next year and are finding resistance at the 40¢ price level.

Grain Markets

A mixture of weather news out of South America has caused fluctuations in the grain markets this week as alternating swaths of excessive heat and torrential rains have moved across the region in recent days. Recent precipitation should have helped to get Argentina planting back on track while Brazil continues to face significant challenges. Despite headwinds, MAR24 corn futures settled on Friday at \$4.8525/bu., down a few cents from Monday's settlement. Meanwhile JAN24 soybean meal capped the week at \$436.50/ton, down about \$17 from Monday.



Producer Review Board Has Another Meeting; Votes to Recommend Referendum on QIP Termination Petition

By Geoff Vanden Heuvel, Director of Regulatory and Economic Affairs
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At 11:15 a.m., Producer Review Board (PRB) chairman Art Van Beek called the November 17, 2023 meeting to order. The venue was the Tulare Ag Commissioner's office, which does have the capacity to host virtual participation. It looked like at one point there were at least 25 participants online, including 6 PRB Board members. There were also more folks in the audience than usually attend.

The CDFA staff gave updates on various QIP budget questions. At the last PRB meeting on October 30, CDFA staff reported that the \$5.5 million in leftover

Equalization Funds from the State Quota program had been in the Quota Payment Fund since the start of the program in November of 2018, and that this was producer money. This fact will influence decisions about the appropriate level of assessment. CDFA said they needed more time to fully vet this and so they were not asking for any additional adjustment in the assessment at this meeting.

CDFA also gave a legal update. The Judge in the Gordon vs. Ross case issued a final ruling that the QIP is not an illegal taking of property because the producer does not have to surrender his milk. PRB member Craig Gordon gave his thoughts on this issue and obviously has a different view. The CDFA attorney was asked if all the legal authorities are in place to operate the QIP program. His answer was yes. Therefore, CDFA staff said nothing changes from the current situation in the operation of the QIP.

There was a reminder that nominations are still open for PRB positions. The deadline for submitting a nomination is November 30.

Item 6 on the agenda was the QIP 5-year Effectiveness Survey Follow Up. The main correction to the survey report was to clarify that surveys were sent to 842 eligible producers, not 930 as was reported originally. All of the responses, findings and conclusions remain the same. At the October 30 meeting, the PRB had passed a motion which acknowledged the roughly 50/50 split in support for the QIP from the respondents to the survey and asked the Department to provide technical assistance for financial analysis and facilitation to revisit the mechanics of the QIP. In a letter from Secretary Ross dated today, she approved that request and asked the PRB to provide additional details regarding the scope of the



The Producer Review Board meets in Tulare on November 17, 2023.

Dairy farmers at the November 17, 2023, PRB meeting.



analysis they wish to pursue. See the letter [here](#). This stimulated a robust discussion about the purpose and goal of the study, and the next step.

Here is a sampling of the discussion: There is an opinion by some on the PRB that the QIP is subject to the same 5-year review/referendum provision that applies to the California Milk Advisory Board (CMAB). CDFA staff pointed out that the legal authority for the QIP is in a different part of the law that does not have the same requirements as the law that authorizes the CMAB. There was then a motion to recommend to the Secretary that a reapproval referendum of

the QIP be conducted, which would have to pass with a super majority to allow the QIP to continue. CDFA pointed out that if this motion passed it would still be subject to legal review and the ultimate decision would be made by the Secretary. The motion failed: 4 yes - 10 no.

There was also a discussion about what constitutes a “hardship.” In the state quota program, “hardship” was narrowly defined to pertain to the rules and regulations governing the purchase and transfer of quota. Here again some on the PRB look at the specific words in the QIP that define a hardship as: *“Hardship’ means a challenge to the management and operation of a dairy due to the operation of this Plan”* and want to expand the traditional understanding of a hardship to consider paying assessments as a hardship. CDFA attorneys have put out a memo on this issue that you can read [here](#).

There was also a comment that there should be room for making some improvements in the QIP. There was a reminder to the group of a presentation PRB member Frank Konyn had made at the PRB meeting in July about the fact that Class I revenue in California has been on a downward trend and no longer comes anywhere close to providing differential revenue equal to what the QIP mandated \$1.70 per cwt. requires. There was a suggestion by a PRB member that the survey pointed out some lack of understanding of what Regional Quota Adjusters are, what hardships are, what the rules are on quota transfers and whether there were limits on who could purchase quota. CDFA staff said they could provide more clarity on these topics on the [CDFA website](#). Finally, there was a commitment by the PRB chairman that these issues would be further discussed at the next meeting of the PRB, which is planned for January.

Item 7 was for the PRB to review the STOP QIP petition for referendum which seeks to immediately terminate the QIP. The petition process has a signature threshold, which this petition reached. The petition had 243 valid producer signatures out of 842 producers in California (28.9%) and the signatories represented 1,299,762,945 pounds of a total produced in May 2023 of 3,626,101,504 pounds (35.8%).

There was a motion made and supported that the PRB recommends the STOP QIP termination petition goes forward to a referendum. That motion passed: 10 yes - 4 no.

California Milk Advisory Board Meeting December 6-7 in Santa Barbara

Courtesy of the [California Milk Advisory Board](#)

The California Milk Advisory Board (CMAB) will host its next Board of Directors Meeting on:



Wednesday, December 6, 2023 – 7:30 a.m.
Thursday, December 7, 2023 – 8 a.m.

Hilton Santa Barbara
633 E Cabrillo Boulevard
Santa Barbara, CA 93103

The CMAB Board meeting is open to any California dairy producer. If interested in attending, please RSVP to Tracy Garza at tgarza@cmab.net or 209-690-8252.

Farm Bill Extension Clears Congress

Courtesy of Jim Mulhern, President & CEO

[National Milk Producers Federation](#)

As part of the legislative package to keep the government funded into early next year, the House and Senate this week passed [a one-year extension](#) of the 2018 farm bill. The overall stopgap continuing resolution also extends funding for some departments and agencies, including USDA and FDA, to Jan. 19, 2024, at fiscal 2023 levels.

The remaining federal departments and agencies are funded until Feb. 2. Congress has not yet passed any of its individual fiscal year 2024 appropriations bills. The funding measure was just signed by President Biden, averting a government shutdown this weekend.

The farm bill extension, through next September, extends the Dairy Margin Coverage safety net for 2024 and incorporates the 2019 production history update, previously known as Supplemental Dairy Margin Coverage, into the underlying DMC. This important adjustment ensures that the production history update will be carried over into the upcoming farm bill next year.

The extension also contains funding for those programs that expired Sept. 30, including the Foundation for Food and Agriculture Research. The extension effectively gives lawmakers until the end of 2024 to pass a farm bill, although that timeframe becomes more complicated as the fall election season looms larger. For that reason, the leaders of the House and Senate Ag committees have indicated they will prioritize passing the farm bill early next year.



The MPC Board of Directors and staff wish you and your families a happy Thanksgiving!
The next MPC Friday Report will be published December 1, 2023.