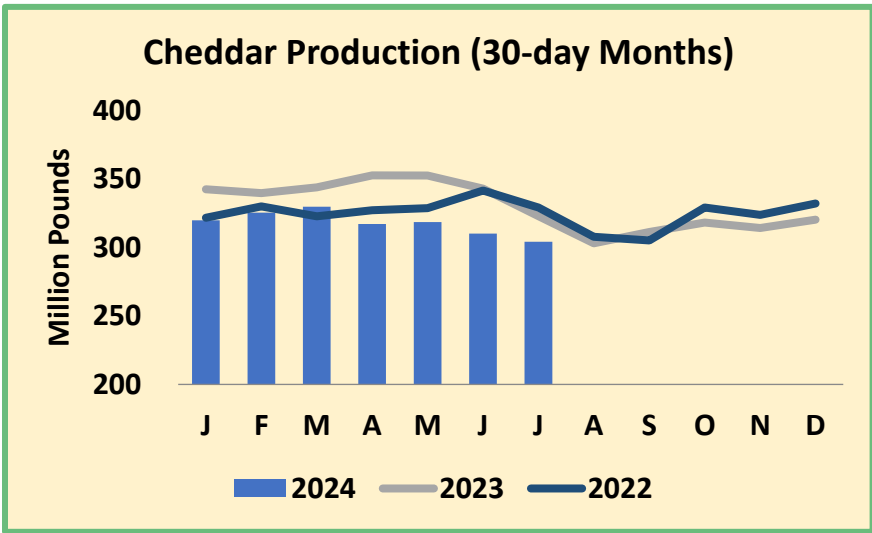
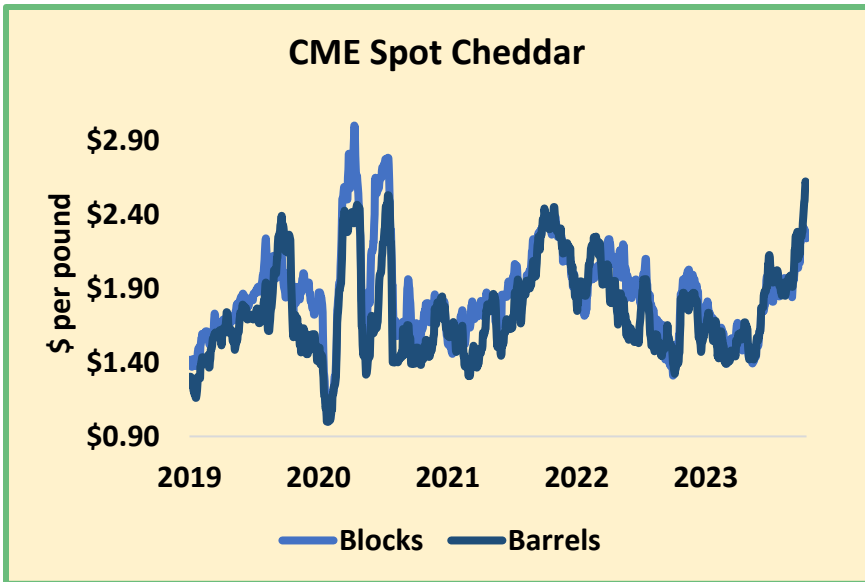


the South and West. A two-year comparison strips out some of the weather impact and makes clear the effect that the heifer shortage has had on dairy productivity. National average milk yields fell below the same month two years before in June, July, and August. That stands in sharp contrast to the typical two-year growth of around 2%. Dairy producers are trying to keep their barns full and make more milk, but waning milk yields are undermining those efforts. The prevalence of older milk cows with a lower genetic profile than their younger peers has also slowed gains in milk component levels.



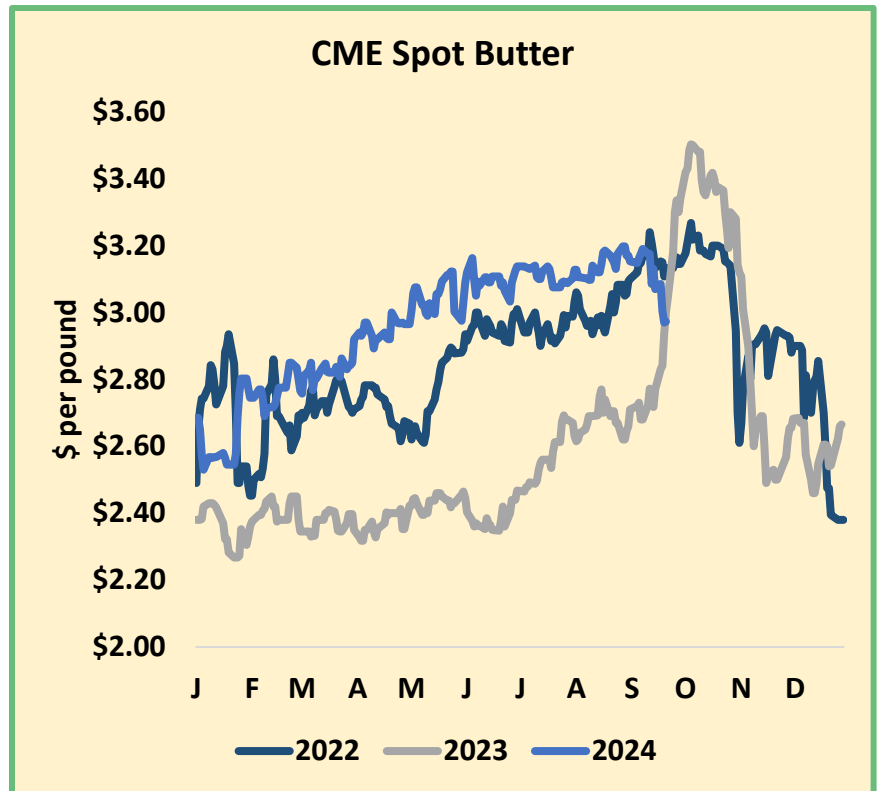
Tighter milk supplies have raised the premiums on spot milk. In years when spot milk is abundant and cheap, Cheddar barrel output typically climbs, because barrel manufacturing is one of the most efficient ways to push as much milk as possible



through cheese plants. In years like this one, when spot milk is tight and expensive, barrel production often declines. Booming exports in the first half of the year also weighed on barrel output as several cheese processors tuned their vats to make Mozzarella, which many importers favor, rather than making Cheddar barrels. Through July, U.S. Cheddar production has slumped 7.2% from year-ago volumes. That's created a clear shortage. CME spot Cheddar barrels touched an all-time high on Wednesday at \$2.6225

per pound. That pushed barrels to their widest-ever premium over blocks, trading 37.75¢ above the spot Cheddar block price on the same day. Barrels finished today a few cents off the high at \$2.59, still up 10.5¢ for the week. Meanwhile, blocks fell 3.75¢ to \$2.2375.

The other dairy products also retreated. Spot whey powder dropped 1.75¢ to 58.75¢. Despite gains in milk powder prices at Tuesday's Global Dairy Trade auction, CME spot nonfat dry milk (NDM) slipped 1.25¢. And butter took a big step back, falling 15.75¢ to \$2.9725, marking spot butter's first foray below \$3 since May. Butter makers spent all spring and summer making sure they had enough on hand to get through the holiday baking season, hoping to avoid a painful spike in prices like those they suffered in 2022 and 2023. This week's steep selloff suggests they may have succeeded. We'll know for sure in a few weeks.



Butter makers spent all spring and summer making sure they had enough on hand to get through the holiday baking season, hoping to avoid a painful spike in prices like those they suffered in 2022 and 2023. This week's steep selloff suggests they may have succeeded. We'll know for sure in a few weeks.

The dairy markets remain well supported by some very strong fundamentals. The heifer shortage, avian influenza, and bluetongue disease will continue to restrain growth in milk output and tighten dairy product supplies. But there is a limit to how far prices can climb without throttling demand, and the trade seems to have bumped into the ceiling for now. A few Class III contracts gained ground this week, but the October through March contracts finished in the red. October Class III settled at \$23.90 per cwt., down 12¢ from last Friday and 56¢ lower than the life-of-contract high it set just this morning. Most Class IV futures contracts posted double-digit losses. The October contract descended 46¢ to \$22.31. While they're not as high as last week, these are still prices that will put a smile on dairy producers' faces and add some cash to their bank accounts.

### Grain Markets

Feed prices fell back this week. Farmers are starting to combine their corn and soybeans, and early results confirm that this will be a big harvest. But prices have already fallen low enough to win new export sales and boost domestic demand from livestock feeders, ethanol distillers, and soy crushers. Concerns about a dry start to the South American crop year and the decline in the U.S. dollar index have also lifted export prospects. As it seeks a balance between big crops and rising demand, the market will likely continue to bounce around in its recent trading range. December corn futures settled today at \$4.015 per bushel, down 12.25¢ from last Friday. November soybean closed at \$10.135, up 7¢. December soybean meal closed at \$320.20 per ton, down a couple bucks on the week.



## **Subsidence Issues Cost Tule Subbasin Landowners & Farmers**

*By Geoff Vanden Heuvel, Director of Regulatory and Economic Affairs*

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The Tule Subbasin probationary hearing took place this past Tuesday, September 17 at the State Water Board in Sacramento. An article by [SJV Water](#) does a good job of summarizing the hearing (see next article). The bottom line is the State Water Board voted to put the Tule Subbasin in probation – but there is more to this story. As I have [mentioned in the past](#), there are some unique issues in the Tule Subbasin that relate to the impact of groundwater pumping on subsidence (the sinking of ground levels).

The major issue is the impact of groundwater pumping in the Eastern Tule GSA (ETGSA) on the Friant-Kern Canal. The Friant Water Authority that operates the canal encouraged the State to put the Tule Subbasin in probation because they claim that the ETGSA has been too slow in restricting groundwater pumping that continues to impact the canal. The Friant-Kern Canal just opened a new section to replace about 10 miles of canal that had sunk due to subsidence. This \$300 million fix has been financed by local, state, and federal dollars. Unfortunately, the subsidence is continuing and this has caused a major dispute between ETGSA and Friant that spilled over into this probation hearing.

But that is not the whole story of this hearing. The State Board staff did make some adjustments and clarifications to the positions that they had taken last April when the Tulare Lake Subbasin was put on probation. A significant change was the openness to granting exclusions to some parts of the Subbasin. Two of the GSAs, Delano Earlimart Irrigation District and Kern Tulare Irrigation District were excluded from the pumping fees requirements of probation, and another two GSAs, the Lower Tule River Irrigation District and the Pixley Irrigation District, also seem poised to possibly be granted an exclusion. In addition, the State Board clarified that GSAs could do the pumping reporting on behalf of their members and clarified that alternative measuring methods like satellite evapotranspiration can be used to report pumping.

There is a lot of dairy farming in the Lower Tule River Irrigation District and the Pixley Irrigation District. Avoiding some of the requirements of probation will not avoid the real pain that the GSAs have imposed on themselves in their updated Groundwater Sustainability Plans submitted in order to satisfy the requirements imposed by the State Board in their interpretation of SGMA.

It is too early to determine how all this will play out over time. But the pain of SGMA is real and starting to be felt big time in the Tule Subbasin.

## **State puts Second San Joaquin Valley Groundwater Basin on Probation, with Two Exceptions**

*By [Lisa McEwen](#) and [Jesse Vad](#), SJV Water*

Farmers in southern Tulare County will face greater pumping scrutiny after the state placed the region on probation following a lengthy hearing in Sacramento on Tuesday.

State Water Resources Control Board members acknowledged a new groundwater plan submitted by water managers in August had made great strides in many areas. But the big sticking point was subsidence, or land sinking.

Calling the situation a “crisis,” State Water Resources Control Board members voted unanimously to put the [Tule groundwater subbasin](#) on probation based on a staff report that showed subsidence continues to plague the region, causing ongoing damage to the vital Friant-Kern Canal.

As part of its vote for probation, the Water Board also adopted a clarified path for water agencies that are complying with the Sustainable Groundwater Management Act to get out of probation on the so-called “good actor” clause.

Though Water Board members said the region’s problems over all are “urgent” and in need of much more aggressive actions, they also voted to exempt the Delano-Earlimart Irrigation District and Kern-Tulare Water District groundwater sustainability agencies (GSAs) from pumping reporting requirements and fees.

And they left the door open for two other agencies, the Lower Tule River and Pixley irrigation district GSAs, to possibly also be exempted from reporting and fees in 60 days.

Though other agencies asked for similar exemptions during Tuesday’s hearing, Water Board members held off on further exclusions until state staff can thoroughly review the region’s new plan.

At the hearing Tuesday, a panel of community members from small towns in the subbasin made compelling arguments for greater oversight through probation.

Christina Velasquez, a resident of Pixley for 24 years, said her water often comes out brown and there is very little water pressure in her home. She said she spends a lot of money buying bottled water and filters and won’t let her children or grandchildren drink the water at her home.

Continue reading [here](#). SJV Water is an independent, nonprofit news site covering water in the San Joaquin Valley, [www.sjwater.org](http://www.sjwater.org). Email at [sjwater@sjwater.org](mailto:sjwater@sjwater.org)



*On the hot seat. Representatives of the Tule subbasin, Don Tucker, left, consultant Tom Harder, and David De Groot, answer questions by the state Water Resources Control Board at a hearing Tuesday on whether to put the region on probation. Probation is the first step toward a possible state pumping take over. Jesse Vad / SJV Water*



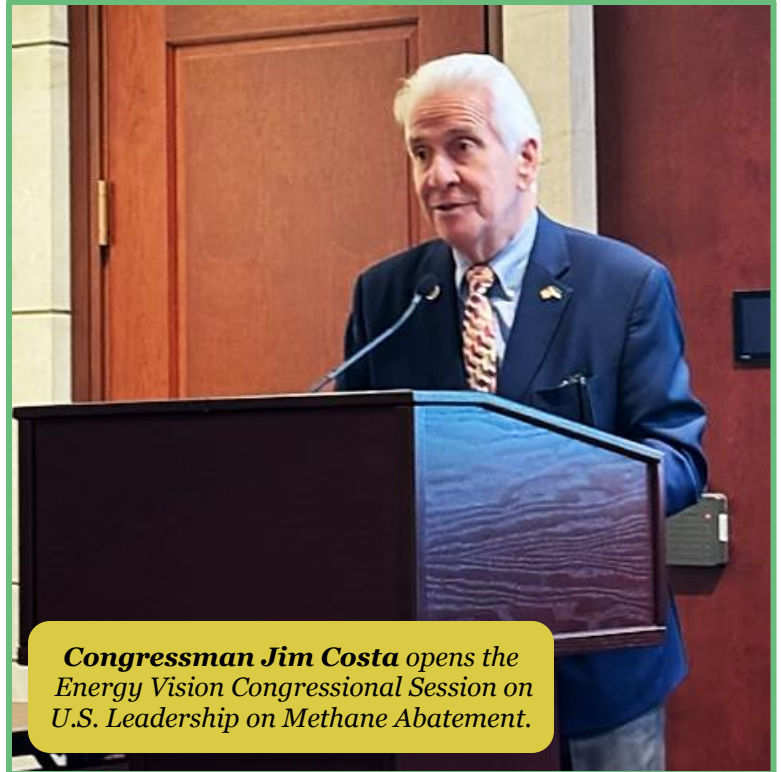
## MPC in D.C. Yesterday & Today

By Kevin Abernathy, General Manager

[Kevin@MilkProducers.org](mailto:Kevin@MilkProducers.org)

I report to you today from our nation's capital, where I just wrapped up a presentation at a briefing sponsored by [Energy Vision](#) about U.S. leadership on methane abatement. The briefing was intended to provide Congress with information about methane emissions sources beyond oil and gas, and how we can leverage them for clean energy and climate benefits. My job was easy – I described the successful efforts by our dairy families to reduce methane emissions and the proven voluntary, incentives-based strategy the State of California put in place to allow dairy digester and alternative manure management projects to flourish.

**Congressman Jim Costa** kicked off the session this morning, noting the progress and leadership of California dairy families to reduce methane emissions through digester development. He discussed a piece of federal legislation he's co-sponsoring called the "Converting Our Waste Sustainably" or COWS Act, which aims to reduce greenhouse gas emissions, and improve air and water quality, and soil health, through alternative management practices. Specifically, the COWS Act will:

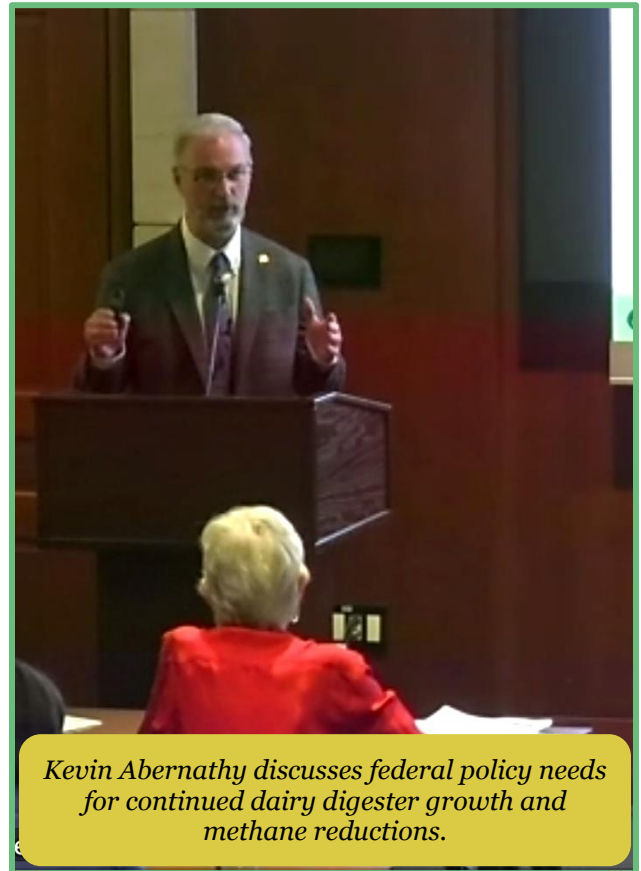


- **Establish an Alternative Manure Management Program** to award dairy or livestock producers grants to install equipment and infrastructure for pasture-based management; alternative treatment and storage practices; solid separation systems; and scrape technologies.
- **Make composting eligible** under the Environmental Quality Incentives Program and the Conservation Stewardship Program.
- **Provide technical assistance and training to aid** in the implementation of eligible manure management and composting measures.
- **Authorize \$1.5 billion from FY 2024-FY 2028.** Prioritize grants for beginning farmers and ranchers, and for projects to improve air or water quality near low-income or underserved communities.

You can read more about the COWS Act [here](#), which is endorsed by MPC, the National Milk Producers Federation, California Dairies, Inc., and others.

In my presentation, I noted the success we've had here in California, specifically:

- California dairy farmers reduce more than **2.4 million metric tons per year** of CO<sub>2</sub>e or **24 million metric tons** over 10 years.
- California dairy farms power more than 15,000 vehicles daily and California digesters have the equivalent impact of **removing over 500,000 gasoline cars from the road.**
- California's dairy digester program **achieves 20% of the greenhouse gas reductions** from all climate programs invested in by the state, with just **1.5% of the total funds awarded.** *(This is my favorite statistic. Is it any surprise dairy families operate at an efficient level, providing the public its biggest bang for its buck?)*



*Kevin Abernathy discusses federal policy needs for continued dairy digester growth and methane reductions.*

I also noted the key steps we need the federal government to take in order to further our progress. This includes dairy's participation in hydrogen tax credits, maintaining the Avoided Methane Value for crediting purposes, and fostering an environment for private-public partnerships, such as we have here in California. You can see my entire presentation [here](#).

While in D.C., I took the opportunity to make Congressional office visits yesterday to update our California delegation on issues, such as:

- Highly Pathogenic Avian Influenza;
- Air quality improvements and incentive funding partnerships;
- Methane emissions reductions;
- SGMA;
- Surface water regulations;
- U.S. Farm Bill dairy priorities;
- FMMO revisions; and
- Water quality regulations.

Thank you to these Congressional members and their staffs for meeting with me yesterday:

- **Congressman Doug LaMalfa** ([R-1](#))
- **Congressman Tom McClintock** ([R-5](#))
- **Congressman John Garamendi** ([D-8](#))
- **Congressman Josh Harder** ([D-9](#))
- **Congressman John Duarte** ([R-13](#))
- **Congressman Jimmy Panetta** ([D-19](#))
- **Congressman Vince Fong** ([R-20](#))
- **Congressman Jim Costa** ([D-21](#))
- **Congressman David Valadao** ([R-22](#))
- **Congresswoman Norma Torres** ([D-35](#))
- **Congressman Ken Calvert** ([R-41](#))

Overall, it was a successful quick trip to D.C. I also want to thank our partners [California Bioenergy](#) and [Dairy Cares](#) for helping me prepare for today's briefing on methane abatement.

## FDA Releases Plant-Based “Milk” Labeling Timeline

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

During last week's congressional hearing where dairy supporters on the House Energy and Commerce Committee asked the Food and Drug Administration for more information on its actions against fake milk products, FDA Deputy Commissioner Jim Jones pledged to provide a timeline on next steps on the matter. This week, Jones's office shared a timetable for when FDA intends to move forward with its guidance for the labeling of plant-based milk alternatives (PBMA), which was first issued back in February 2023.

During the comment period for that proposal last summer, the agency received over 5,400 comments – including NMPF's perspective that the guidance is illegal and should be withdrawn. The FDA indicated in the draft proposal that it would continue allowing plant products to use the term milk in their names, but also ask the imitators to explain prominently how their nutrient composition is different than real milk.

Jones said this week that based on feedback to the draft guidance, FDA plans to conduct additional focus groups to further test labeling statements. While the focus groups are being conducted, FDA anticipates the release of the 2025-2030 Dietary Guidelines Advisory Committee Report (DGAC) by the end of 2024, which may contain new information on milk imitators. Given the time needed for the additional testing and clearance, FDA now expects the guidance to be published at the end of 2025.

