MPC Weekly Friday Report

Date: March 31, 2023
To: Directors & Members
From: Kevin Abernathy, General Manager
Pages: 7

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	- $.2500	$1.8500	Weekly Change	+ $.0525	$2.3975	Week Ending 03/25/22		
Barrels	- $.1550	$1.8075	Weekly Average	+ $.0035	$2.3815	Nat'l Plants	$1.2204	20,553,292
Weekly Average Cheddar Cheese			Dry Whey			Last Week Ending 03/18/22		
Blocks	- $.0605	$1.9685	Dairy Market News	w/e 03/31/23	$.4350	Nat'l Plants	$1.2249	20,087,753
Barrels	- $.0535	$1.9000	National Plants	w/e 03/25/22	$.4375			

California Federal Milk Marketing Order Price Projections

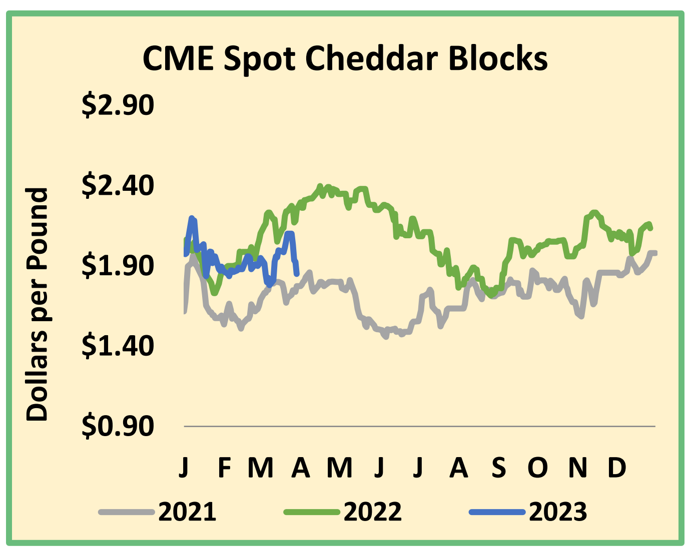
Price Projections	Class I Actual (range based on location)	Class II Projected	Class III Projected	Class IV Projected
Mar 31 Est	$20.59 - $21.09	$19.50	$18.06	$18.45
Last Week	$20.59 - $21.09	$19.51	$18.10	$18.42

Milk, Dairy and Grain Market Commentary

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

Milk & Dairy Markets

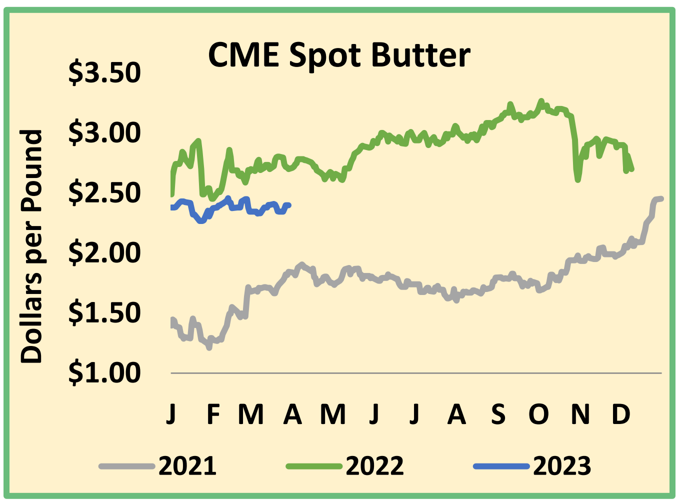
For the last few weeks, the Cheddar markets have seemingly defied the odds. Despite plentiful milk supplies and only lukewarm demand, cheese prices moved progressively higher. Last Friday, the spot Cheddar block market closed at $2.10/lb., the highest price in over two months. This week, however, the trajectory shifted dramatically. After holding steady on Monday, the Cheddar block market gave up ground the other four days of the week. When the dust settled after Friday's spot session, blocks sat at $1.85/lb., a full 25¢ lower than last Friday's price.



Barrels followed a similar, if less dramatic, path. Stability on Monday was followed by declines the balance of the week, ultimately bringing the spot Cheddar barrel price on Friday to $1.8075/lb., a decline of 15.5¢ versus prior week, and delivering a block-barrel spread of 4.25¢. Activity was relatively subdued with only 3 loads of blocks and 8 loads of barrels trading hands over the course of the week.

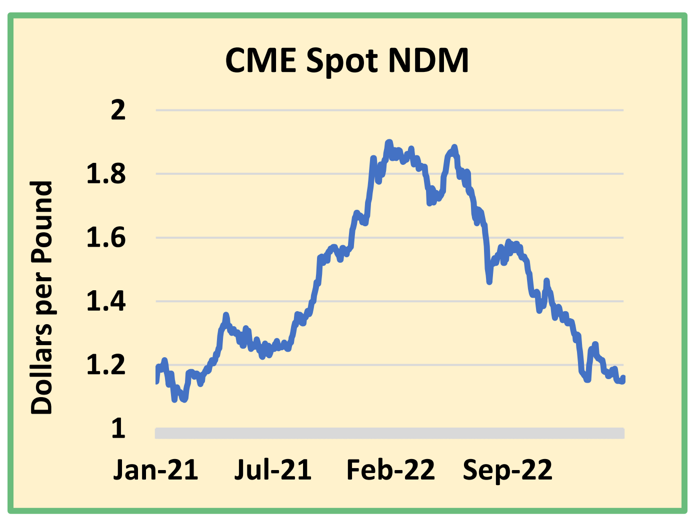
It appears that fundamentals may have caught up with the Cheddar market and ushered in the decline. Cheese manufacturers continue to run busy schedules and with milk production expanding seasonally, output is ample. Higher prices have likely choked off some international demand, as U.S. Cheddar has lost competitiveness with other international suppliers. However, there has been some evidence of improved domestic demand, which could help to curb the price decline.

While the Cheddar markets captured most of the attention this week, on the other side of the Class III complex, whey made more modest movements. The spot dry whey price held firm on Monday and Tuesday before losing a quarter cent on both Wednesday and Thursday. A .75¢ rebound on Friday was enough to erase that loss and deliver a .25¢ increase for the week. Ultimately, the spot dry whey market closed at 44.75¢ per pound as one load moved.

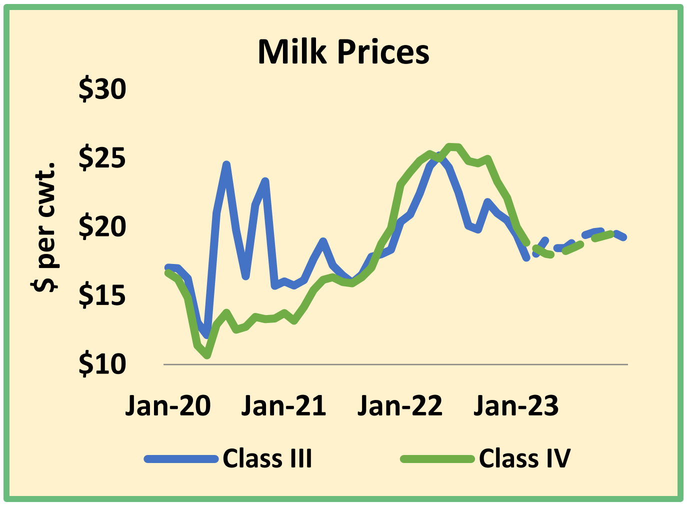


Market participants indicate that the whey market is relatively balanced. Demand for dry whey is healthy but supplies are also robust. Not only is strong cheese production throwing off an abundant whey stream, but lower prices for whey protein concentrates are encouraging dryers to increase the manufacture of dry whey. Export demand is subdued as international customers seem to be in a holding pattern.

The Class IV commodities saw prices appreciate this week. The CME spot butter price added 2.5¢ and 2.75¢ on Tuesday and Wednesday lifting the price to $2.3975/lb. Trading was active with 18 loads changing hands. Cream supplies remain readily available in many parts of the country and are priced competitively enough that churns are operating at a steady clip. *Dairy Market News* reports that labor and maintenance issues continue to affect some butter manufacturers and are curtailing production as a result. Nevertheless, the impact doesn't appear to be felt by the broader market. The demand picture for fats is mixed. While retail butter orders for the spring holiday have passed, as summer nears cream demand from ice cream makers and other Class II manufacturers is creeping upward.



As cream heads to churns there has been plenty of condensed skim available for dryers to turn into nonfat dry milk (NDM). Again, *Dairy Market News* notes that some manufacturing complications are preventing dryers from running as hard as they might like. Even so, NDM remains plentiful. Demand is subdued as some buyers are waiting to see if the price will fall further before stepping in and



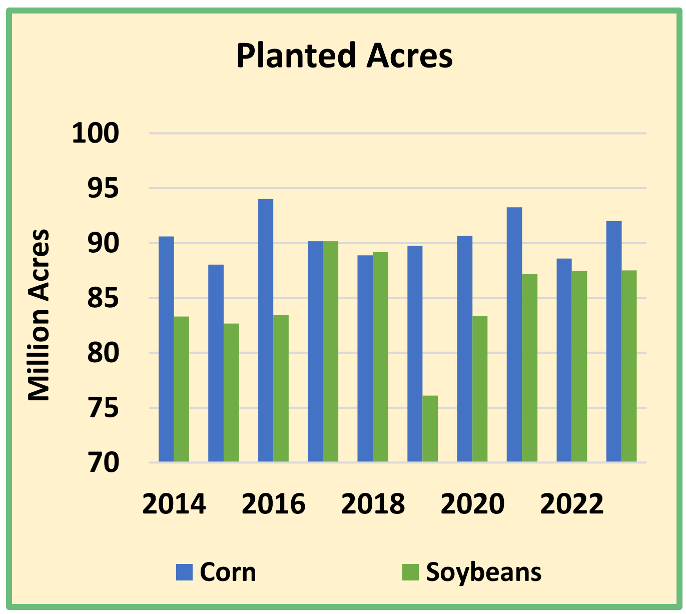
increasing their purchases. Despite the bearish tones dominating the NDM market, the spot price managed to eke out a penny gain at the CME this week. A quarter cent loss on Wednesday was countered by a 1.25¢ increase on Friday. Ultimately the price closed at $1.16/lb. with 4 loads changing hands.

Even with continued weather challenges including persistent rains in California and snowstorms in the Midwest, milk production continues to expand seasonally. As the peak approaches, milk remains available to cover needs and deep discounts exist on spot milk loads picked up by manufacturers. In the Midwest, *Dairy Market News* reports spot loads with discounts as large as $11/cwt. below class III, though they note that the situation is beginning to tighten. With educational institutions moving through spring holiday breaks, some bottling demand has declined.

The United States is not the only geography with growing milk supplies. Data from the European Union and the United Kingdom show that milk production there expanded by 1% in January, representing the fifth consecutive month of growth and a strong departure from the contractionary trend felt over much of last year. Producers in New Zealand increased production by 2.3% in February, albeit over a very weak comparable. Cumulative production for the New Zealand season continues to trail the year by 1.6%. Meanwhile persistent drought pushed Argentina's milk production down by 1.3% in February.

Grain Markets

In a report-heavy day, USDA published its Prospective Plantings, Grain Stocks, and Agricultural Prices report today. The Prospective Plantings report indicates that producers intend to increase corn acreage by 3.9% to 91.996 million acres this year. Meanwhile, intended soybean acreage is expected to stay virtually unchanged, falling by just 55,000 acres to 87.505 million acres. The quarterly Grain Stocks report indicated that on March 1, corn inventories were 7.4 billion bushels, a decline of 4.6% compared to the same time last year and the lowest in nine years. Soybean stocks also fell to 1.685 billion bushels as of March 1, a decrease of 12.8% versus last year and the lowest figure in six years.



Combined, the information drove futures prices for soybeans higher across the board. The MAY23 contract increased the most, rising 31¢ to $15.055/bu. Every contract through AUG24 added at least a dime with more modest gains seen further out. In the corn market, nearby contracts appreciated on the stocks data while the expanded acreage information pushed contracts in DEC23 and beyond downward.

Our Time to Shine

By Geoff Vanden Heuvel, Director of Regulatory and Economic Affairs
Geoff@MilkProducers.org

The illustrated map on the next page was part of a presentation given by state officials this week to bring attention to the tremendous opportunity that exists right now to recharge vast amounts of surface water into the San Joaquin Valley groundwater aquifer. The numbers that stand out to me are these:

- The Southern Sierra mountains show nearly **3.5 million acre-feet** of projected runoff anticipated to flow through the Southern San Joaquin Valley over the next several months.

- **Groundwater depletion** in the last two years has been over **7 million acre-feet** in the Valley. There is a lot of room for this surplus flood water to fill up the aquifer if we can slow the water down and disperse it over the landscape, hopefully in an organized and safe way.

- The Central Sierra mountains are predicted to generate nearly **9 million acre-feet** of projected runoff. Here too, the last couple of years have seen groundwater overdraft and this is the year to recharge the aquifer.

The fact that we have wet and dry cycles is normal for California. We have had the dry years; now we have this unbelievable opportunity with this incredible wet year. As the Groundwater Sustainability Agencies (GSAs) wrote their sustainability plans over the past several years, all of those plans depend upon recharging surface water in the wet years to get through the dry years. The BIG UNKNOWN has been when those opportunities arise – and they are here now – **what will farmers do?**

The greatest opportunity to change the water future of the Valley is if we can maximize the recharge of these wet year flows. We are about to find out what we are capable of. If you are in a position to take water onto your farmland and let it percolate into the ground, **now is the time to act.** If you are in a GSA with a water allocation and you want a groundwater credit for your recharge, you will need to call your local GSA for instructions. Most of them have adopted recharge policies and they can direct you to what you need to do to earn recharge credits. If you are in a GSA where there is not a groundwater allocation yet, then you are probably in an area where your access to groundwater is less threatened in the near term, but certainly your action to recharge the aquifer will keep your area closer to sustainability and soften pumping restrictions in the future.

Governor Newsom did issue an Executive Order that helped to facilitate the diversion of this flood water. In many areas in the Southern San Joaquin Valley, the local water districts and conservation districts already had authority to divert this water and did not need the Executive Order to facilitate its capture. But other areas of the Valley are benefiting greatly from the Governor's order. Contact your GSA to find out what the rules are in your area. Remember, whatever water is not captured will be lost.

California's Snowpack: Flood Considerations and Opportunities for Recharge

Recent storms have brought a record-tying snowpack to the Sierra Nevada mountains. Downstream surface water reservoirs are being managed to capture as much runoff as possible, but the majority of those flows will continue down to valley rivers and their flood control systems. Flood managers are closely monitoring the system of levees, weirs, and bypasses.

Bridging the snowpack surplus and worsening Central Valley groundwater deficits, coordinated efforts can help maximize the diversion of high flows into existing local and federal groundwater recharge facilities. Drought-impacted frontline communities with high incidences of reported dry drinking water wells would benefit from many of these actions.

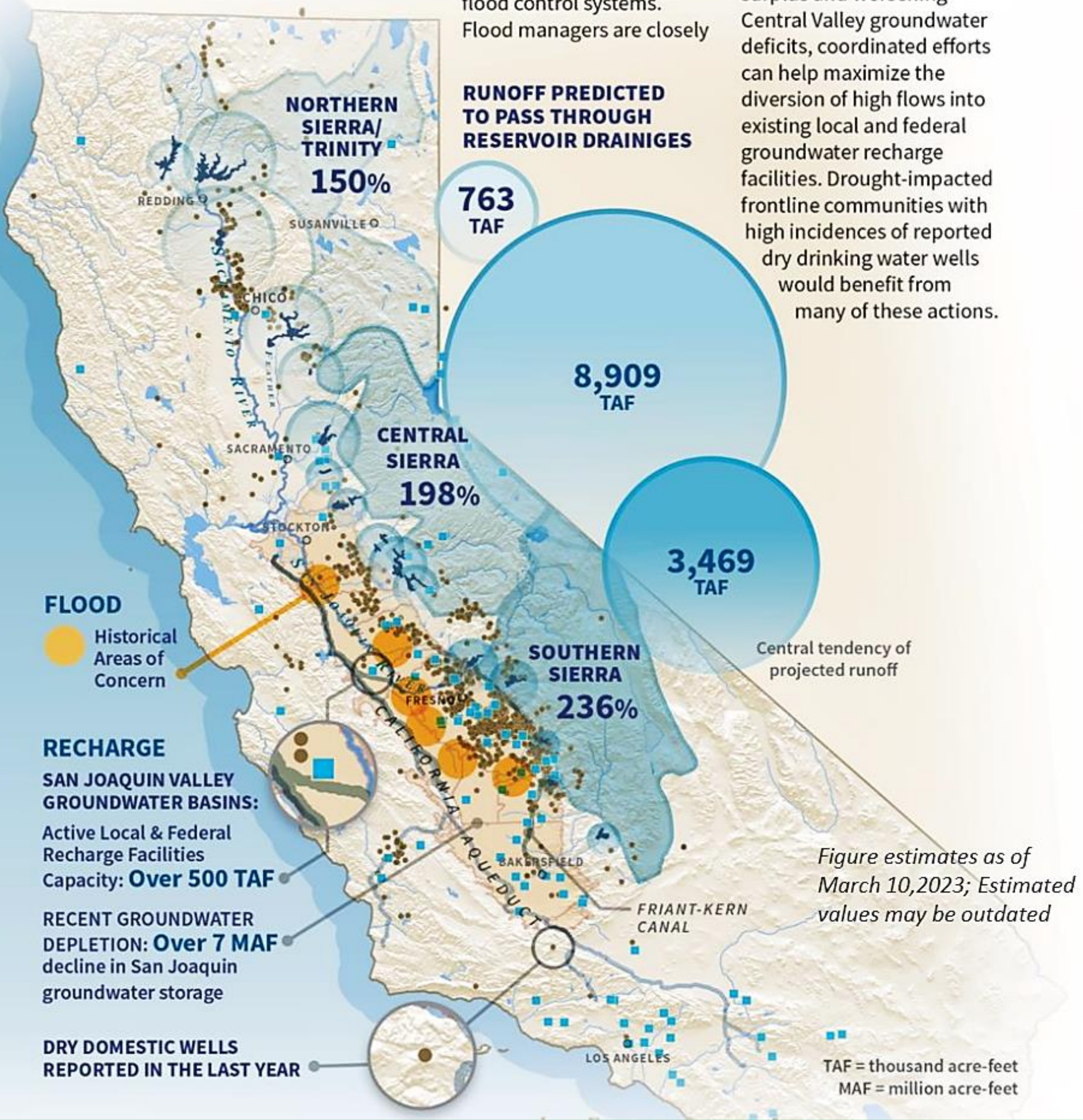


Figure estimates as of March 10,2023; Estimated values may be outdated

Reminder: Report Your Flood Damages & Losses to County Ag Commissioner

By Kevin Abernathy, General Manager
Kevin@MilkProducers.org

If you've been impacted by flooding, take some time to report your flood damages and monetary losses to your county **Ag Commissioner**. This information from the local level is needed to activate FEMA aid and other resources.

Flood Damage & Loss Reporting Contacts

Kings County Ag Commissioner Jimmy Hook

- Office Contact: **559-852-2830** | Agstaff@co.kings.ca.us
- Call Center for Livestock Operations: **559-852-2010**
- Property Damage Report Form: Click here

Tulare County Ag Commissioner Tom Tucker

- Office Contact: **559-713-3768** | aginfo@tularecounty.ca.gov
- Flood Hotline: **559-802-9791**
- Property Damage Report Form: Click here
- Ag Commissioner Crop/Livestock Damage Estimates Form: Click here
- Property Tax Relief Information: Click here

Kern County Ag Commissioner Glenn Fankhauser

- Office Contact: **661-868-6300** | agcomm@kerncounty.com
- Report of Loss Form: Click here

April 13 Webinar: How to Bring Skilled Professionals to Your Farm Using Visa Programs

Courtesy of Fred Hall, Dairy Specialist, Iowa State University Extension and Outreach
fredhall@iastate.edu

The I-29 Moo University 2023 Dairy Webinar Series continues Thursday, April 13 from 12 noon to 1 p.m. CDT (10 a.m. to Noon Pacific) with a focus on how to bring skilled professionals to your farm using the visa programs. The program will be presented by Miguel Rangel, DVM.

"Listeners will gain a better understanding of what visas are available to them when hiring qualified employees," said Fred Hall, dairy specialist with ISU Extension and Outreach.

Miguel Rangel, DVM will discuss the process of using the U.S. visa programs to bring skilled professionals to U.S. dairy operations from foreign countries. This discussion will cover the most common visas available for dairy producers and will include: in which situations each visa may be used, who qualifies for the visa, the benefits of various visas, and the requirements to qualify for different visas. Dr. Rangel will also discuss the application process, rights and responsibilities of employers and employees, and will clarify common misconceptions.

There is no fee to participate in the webinar; however, preregistration is required at least one hour before the webinar. Preregister online at: https://go.iastate.edu/TQ86YG

NMPF Asks Biden to Intervene in West Coast Labor Talks

Courtesy of Jim Mulhern, President & CEO
National Milk Producers Federation

NMPF joined more than 230 other agriculture and business groups this week in urging the White House to intervene in the ongoing West Coast port labor negotiations between dockworkers and port facilities' owners.

As the letter notes, the workers' labor contract expired over eight months ago. Negotiations have been ongoing for over ten months, with little to no progress toward a new long-term agreement. For the sake of dairy exporters and others who rely on shipping capacity in key West Coast ports, we are urging the administration to work with the parties to quickly reach a new agreement and ensure there is no disruption to port operations and cargo fluidity. The groups also asked the administration to appoint a new Biden administration point person on the labor dispute because of the recent departure of former Secretary of Labor Marty Walsh.