MPC Weekly Friday Report

Date: May 12, 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		
Blocks	*- $.0750*	$1.5300
Barrels	*- $.0600*	$1.4900
Weekly Average Cheddar Cheese		
Blocks	*- $.0540*	$1.6085
Barrels	*- $.0455*	$1.5115

Chicago AA Butter		
Weekly Change	*- $.0375*	$2.4000
Weekly Average	*- $.0155*	$2.4055
Dry Whey		
Dairy Market News	w/e 05/12/23	$.3950
National Plants	w/e 05/06/23	$.4110

Non-Fat Dry Milk		
Week Ending 05/06/23		
Nat'l Plants	$1.1681	19,666,601
Last Week Ending 04/29/23		
Nat'l Plants	$1.1219	54,458,890

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
May 12 Est	$21.17 - $21.67	$19.03	$16.25	$18.01
Last Week	$21.17 - $21.67	$19.02	$16.57	$17.99

April 2023 CA FMMO Statistical Uniform Price Announcement

Apr '23 Final	Class I	Class II	Class III	Class IV	Statistical Uniform Price (Blended Price)	Net Price After Quota Assessment*
Minimum Class Price	$20.45 | Tulare $20.95 | L.A.	$19.20	$18.52	$17.95	$18.12 | Tulare $18.62 | L.A.	$17.846 | Tulare $18.346 | L.A.
Percent Pooled Milk	14.6%	4.3%	26.0%	55.1%	100% (2.52 billion lbs. pooled)	

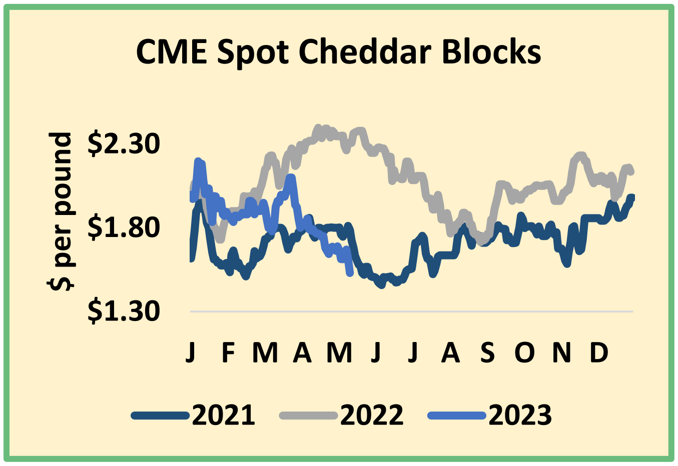
**Quota rate of $0.274/cwt. as of August 2022 milk*

Milk, Dairy and Grain Market Commentary

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

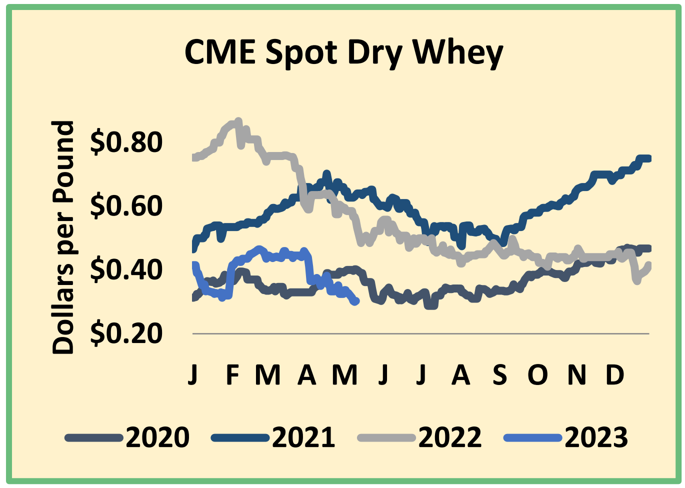
Milk & Dairy Markets

The bears prowled LaSalle Street this week, and the bulls were nowhere to be found. Spot dairy product values slumped, and milk futures followed them lower. The cheese market led the way downward. CME spot Cheddar blocks plummeted 8.25¢ to $1.53 per pound, their lowest mark in



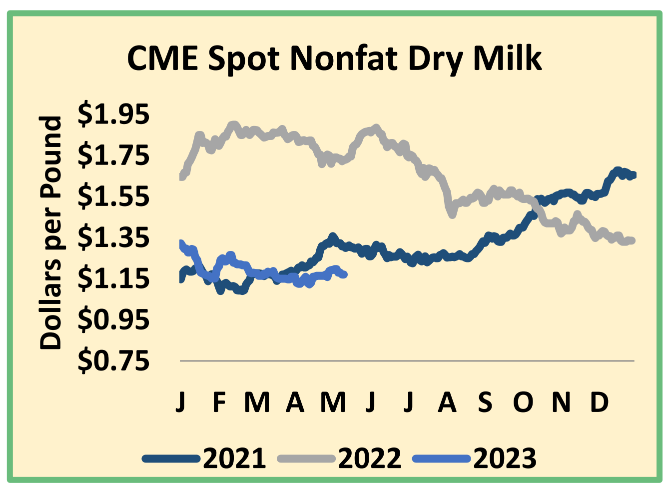
nearly two years. Barrels dropped back to $1.49, down 4¢ this week. These are prices that should attract some opportunistic importers, but USDA's Dairy Market News reports that export sales are "softening." Meanwhile, domestic demand is steady, which is not enough to keep inventories in check amid seasonally heavy output.

Whey prices also plumbed multi-year lows. CME spot whey powder touched 30¢ for the first time since the summer of 2020, when nearly every gym in America was closed and protein shakes sat on the shelves. Spot whey closed today at 30.25¢, down 2.5¢ for the week and 16.25¢ lower than the recent peak set in February. Every penny decline in the whey price takes 6¢ from Class III milk, so the spring setback has cut roughly a dollar from dairy producers' projected Class III revenue. According to the Daily Dairy Report, "International demand has remained elevated, but short of exceptional, compared to historical standards. Dry whey exports were up year over year through March but have likely softened in recent weeks." Deteriorating profitability in China's hog sector may have slowed the flow of whey products to Southeast Asia, leaving more product in U.S. warehouses. But low prices may soon cure themselves, as U.S. whey is now extremely competitive. Even as U.S. values fade, benchmark European prices are starting to perk up.



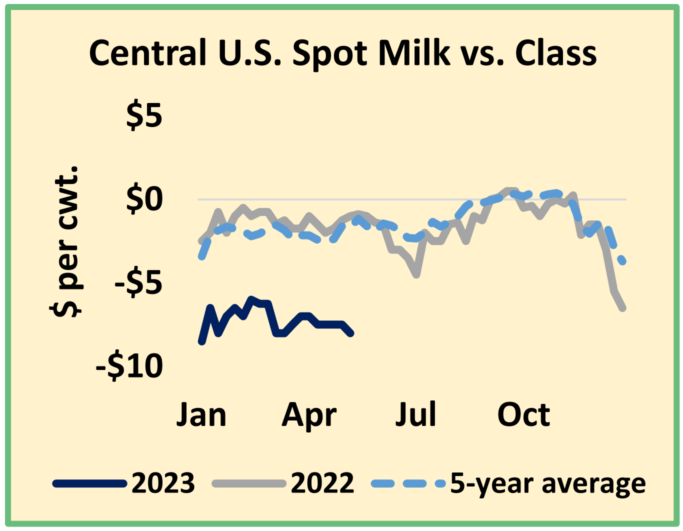
Butter prices took a step back as well. CME spot butter lost 4.5¢ and closed at $2.40. Cream supplies are starting to tighten as ice cream manufacturers ramp up production. But there is still plenty left over for churns, at least for now.

The milk powder market remains rangebound. This week it retreated 2.75¢ to $1.17. Whenever prices drop toward the $1.12, buyers are quick to appear, but they back away from the market as values approach the $1.20 mark.

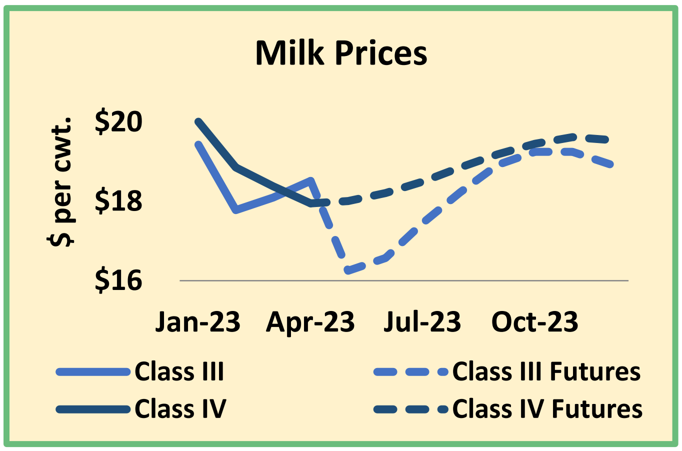


As befits the season, driers are running hard. In addition to clearing all the excess milk that comes with the spring flush, driers have been forced to pick up the slack from other processors who continue to run below peak efficiency. Once again this week, USDA cataloged complaints about mechanical issues, labor shortages, and freight delays. All of these problems push more milk to balancing plants, and the summer slowdown in milk bottling will soon add to the excess.

Spot milk continues to sell at steep discounts. This week, processors in the Upper Midwest bought milk at prices ranging from $4 to $12 below class, and even these deductions were not enough to find buyers for every load. As the Daily Dairy Report notes, "Based on today's futures, dairy producers who ship to an oversupplied cooperative will be paid $16.25/cwt. for their share of contracted volumes sold to a Class III plant, between $4.25 and $12.25 for spot milk, and $0 for dumped milk. For many producers, the May mailbox milk price will be well below today's futures."



Even before those discounts, Class III futures are unpalatably low. The June contract dropped 42¢ this week to $16.57. Deferred contracts also posted double-digit losses, but August through December futures are still well north of $18. Class IV milk also lost ground, but it started at a higher elevation. June Class III settled at $18.21, and fourth-quarter futures are holding above $19.



The bright side – if you can call it that – is that lower prices today will speed the transition to slower milk production and higher prices. The market is doing its awful work, pushing dairy producers to cull harder or sell out altogether. Unless we see a decisive uptick in foreign demand for dairy, we'll have to suffer through months of low prices to cure these low prices.

Grain Markets

Fortunately, dairy producers will see some modest relief in feed costs, thanks to massive crops in Brazil. In today's monthly update to USDA's World Agricultural Supply and Demand Estimates, the agency raised its assessment of Brazil's corn crop to an all-time high of 130 million metric tons, up 5 million metric tons (~182 million bushels) from their April estimate. Brazil simply cannot handle gargantuan corn and soybean crops all at once, and they are moving cargoes out the door as quickly as possible. Cheap Brazilian soybeans and corn are undercutting U.S. exports, which will result in higher end-of-season stocks. USDA also anticipates record-breaking corn and soy yields in the U.S. this year, as long as the weather cooperates.

Outside of the parched Southern Plains, the season is off to a good start, with a pleasant mix of showers and sunshine to boost soil moisture and allow for planting progress. Optimism about the nascent crop pushed December corn futures down near $5 per bushel. But supplies of corn ready to be consumed today are much tighter. July corn futures closed at $5.8625 per bushel, about a dime lower than last Friday but still at a price that suggests some scarcity. July soybeans plunged 46.5¢ to $13.90, their lowest close since October. Nearby soybean meal regained some ground and finished at $432.90 per ton, up $6.80 for the week.

Governor Announces Funds to Address Flood Impacts

Courtesy of Agricultural Council of California

On May 11, Governor Newsom announced $290 million in funding for flood proposals, as well as funds to raise the Corcoran Levee in the Tulare Basin. The governor released the flood infrastructure package ahead of releasing the May budget revision today.

The funding will go toward flood response and projects, as described in the governor's announcement:

- $125 million to support preparedness, response and recovery connected to the 2023 storms, with dollars moved from drought efforts to flood contingency;
- $75 million to support local flood control projects;
- $25 million to expand the California Small Agricultural Business Drought Relief Grant Program for direct assistance to eligible agriculture-related businesses affected by the storms;
- $25 million for potential disaster relief and response costs in this fiscal year for urgent needs;
- $40 million for the San Joaquin Floodplain restoration

The $290 million for flood investments is in addition to the $202 million proposed in January.

Corcoran Levee

In addition, funding will be provided to raise the Corcoran Levee in the Tulare Basin to provide for public safety and protect critical infrastructure. The state dollars will allow the local flood control district to raise the levee to 192 feet.

The governor's press release stated the funds "will be contingent upon on locals' ability to meet a set of criteria to ensure the work is done efficiently and at the lowest possible cost to taxpayers."

Capturing Floodwater

Governor Newsom's budget also contains proposed legislation that would codify executive orders to allow for the diversion of flood flows for groundwater recharge purposes. The legislation details conditions around which floodwater could be diverted without permits while not impacting water rights.

Continue reading on the Governor's website here.

PG&E Non-Residential Rates Webinar May 24
Courtesy of the Agricultural Energy Consumers Association

Save the Date

Rates Webinar Hosted by PG&E

PG&E Supplemental Electric and Gas Rates Update

Hear updates on Non-Residential rates from Pacific Gas and Electric Company:

Electric rates forecast
•
Gas rates forecast
•
Net Billing Tariff and Solar Billing Plan update

Webinar Details

Learn more about the recent rate updates
and the impacts to your business at:

PG&E Non-Residential Rates Update

Wednesday, May 24, 2023
10:00-11:00 A.M. Pacific Daylight Time
Join us as an anonymous attendee on the Teams live platform
Join Now »

If you are unable to attend the live event,
a recording of the webinar will be available **here**.

NMPF Update: Farm Bill, Ag Labor Updates

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

Farm Bill Prospects Focus of White House Meeting

President Biden welcomed Agriculture Secretary Tom Vilsack and the four leaders of the House and Senate ag committees yesterday to a White House meeting to discuss the prospects for the 2023 Farm Bill. The meeting was reportedly high level and did not delve into specific issues but affirmed the administration's interest in working with Congress to complete a bill in 2023.

Following Thursday's meeting, Senate Agriculture Committee Chairwoman Debbie Stabenow (D-MI), Ranking Member John Boozman (R-AR), House Agriculture Committee Chairman Glenn "GT" Thompson (R-PA) and Ranking Member David Scott (D-GA), issued a joint statement pointing out that the agriculture committees "have a long tradition of bipartisan cooperation, and we look forward to continuing that tradition through our work on the 2023 Farm Bill." A follow up meeting is likely later in the spring.

House Advances Mandatory E-Verify Bill; Leadership Commits to Work on Ag Labor Legislation

The House of Representatives passed the Secure the Border Act (H.R. 2) yesterday, a border security package that includes mandatory E-Verify for employers. NMPF and our coalition partners in the Agricultural Workforce Coalition have been working to protect agriculture from the significant harm that would be caused by mandating E-Verify use, without first addressing ag's workforce crisis. The bill has no chance of passage in the Senate and no support from the Biden Administration.

NMPF has been working with Congressman Dan Newhouse (R-WA) and other congressional champions to ensure House majority support for moving ag labor reforms to protect current workers, allow year-round sectors to access H-2A, and reform the H-2A wage. Prior to the vote, Rep. Newhouse spoke about the need to both secure the border and ensure that American agriculture is not devastated by the labor shortages that could result from mandatory E-Verify use. Rep. Newhouse stated that employers need reforms that will stabilize our current workforce, provide year-round sectors access to H-2A, and reform the H-2A wage to be more market based.

Majority Leader Steve Scalise (R-LA) then addressed Rep. Newhouse and his concerns, committing to working with him on ag labor reform legislation that addresses producers' needs. The House bill also contains language indicating congressional concern over mandatory E-Verify's effects on agriculture, providing a "Sense of Congress" that the Department of Homeland Security should consider the impacts its enforcement activities under E-Verify will have on ag.

Undoubtably, the bill's Sense of Congress language is not sufficient to protect agriculture from the harmful impacts of mandatory E-Verify without corresponding ag workforce reform. However, the leadership commitment to work with Newhouse on reform legislation may provide an opening for further House efforts on ag labor.

Like us on Facebook!

Follow Milk Producers Council on Facebook [here](#)!