

MPC WEEKLY FRIDAY REPORT

DATE: MARCH 10, 2023
 TO: DIRECTORS & MEMBERS
 FROM: KEVIN ABERNATHY, GENERAL MANAGER
 PAGES: 7



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MPC FRIDAY MARKET UPDATE

CHICAGO CHEDDAR CHEESE		CHICAGO AA BUTTER		NON-FAT DRY MILK	
Blocks	-\$.1700	\$1.7800	WEEKLY CHANGE	-\$.0125	\$2.3325
Barrels	+\$.1950	\$1.7700	WEEKLY AVERAGE	-\$.0570	\$2.3370
WEEKLY AVERAGE CHEDDAR CHEESE		DRY WHEY		WEEK ENDING 03/04/22	
Blocks	-\$.0835	\$1.8325	DAIRY MARKET NEWS	W/E 03/10/23	\$.4300
Barrels	+\$.1340	\$1.7015	NATIONAL PLANTS	W/E 03/04/22	\$.4086
				LAST WEEK ENDING 02/25/22	
				NAT'L PLANTS	\$1.2016 31,480,778
				NAT'L PLANTS	\$1.2297 23,133,403

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 3 EST	\$20.59 - \$21.09	\$19.40	\$17.71	\$18.30
FEB '23 FINAL	\$20.59 - \$21.09	\$19.28	\$17.75	\$18.51

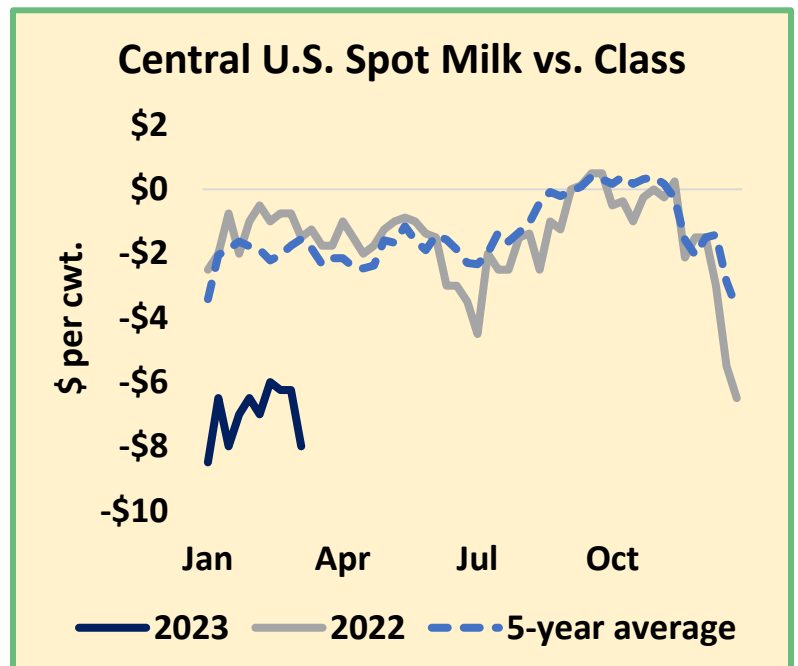


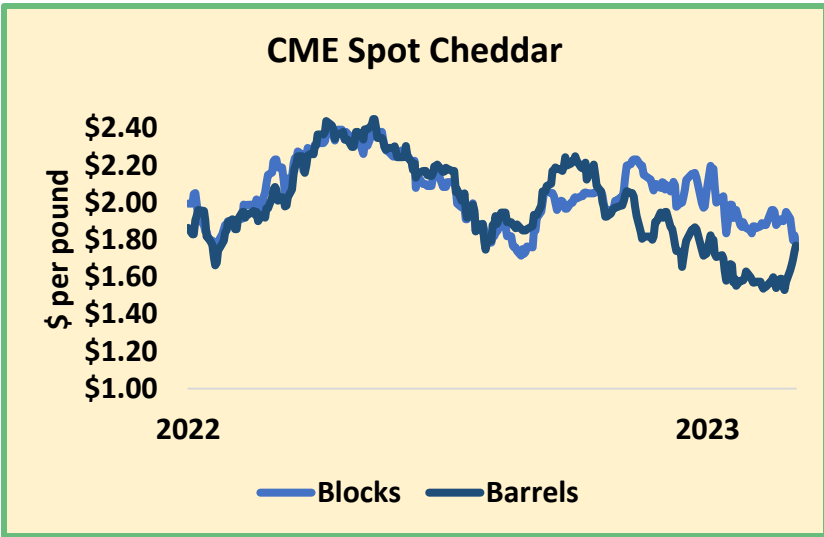
Milk, Dairy and Grain Market Commentary

By Sarina Sharp, Daily Dairy Report
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Milk & Dairy Markets

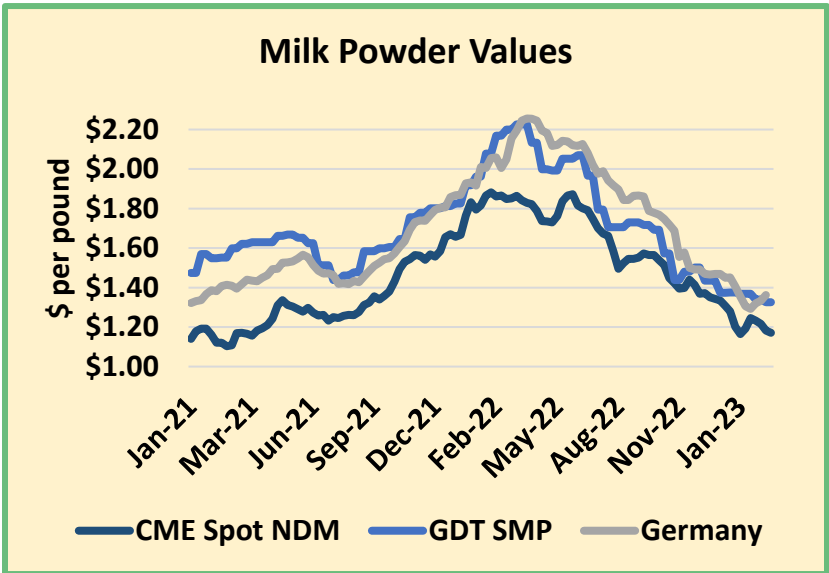
The spring flush is just getting started, but the nation is already drowning in milk. Dairy processors in the Central region were able to buy spot milk at prices ranging from \$4 to \$12 under class, an unprecedented discount for a non-holiday week. Rapid expansion in the region, slower pull from bottlers ahead of spring break, and unplanned plant shutdowns have all contributed to the excess. Even at \$12 under, some plants are not running as hard as they might have in the past, because processors are understaffed and afraid to push their workforce too hard. USDA's *Dairy Market News* described



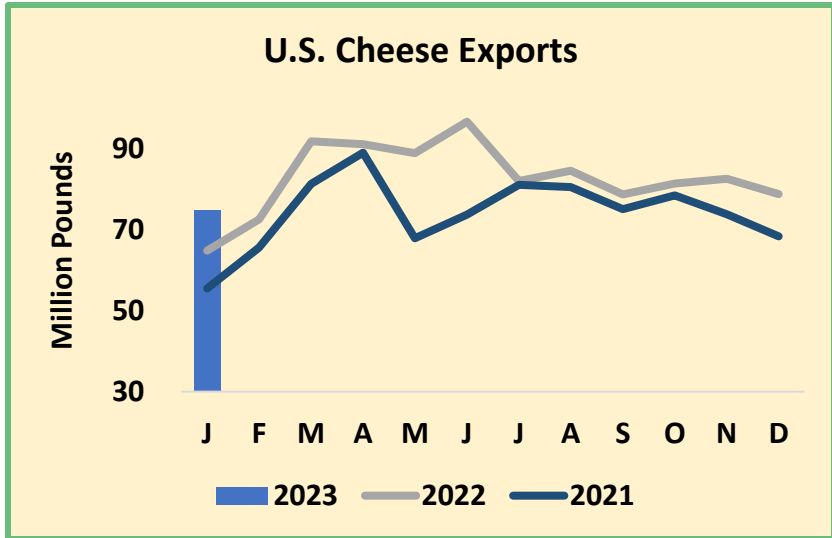


the roughly 35¢ spread between blocks and barrels that has been stubbornly in place nearly all year. No longer. CME spot Cheddar blocks plummeted 17¢ this week to \$1.78 per pound. And barrels came up to meet them, jumping 19.5¢ to \$1.77. Blocks now sit at a six-month low, with barrels at a two-month high, and there is only a penny between them.

The other spot products retreated, but the losses were modest. Spot butter slipped 1.25¢ to \$2.3325. Spot whey powder and nonfat dry milk (NDM) dropped 0.25¢ apiece. That put whey at 44.25¢. NDM closed at \$1.175.

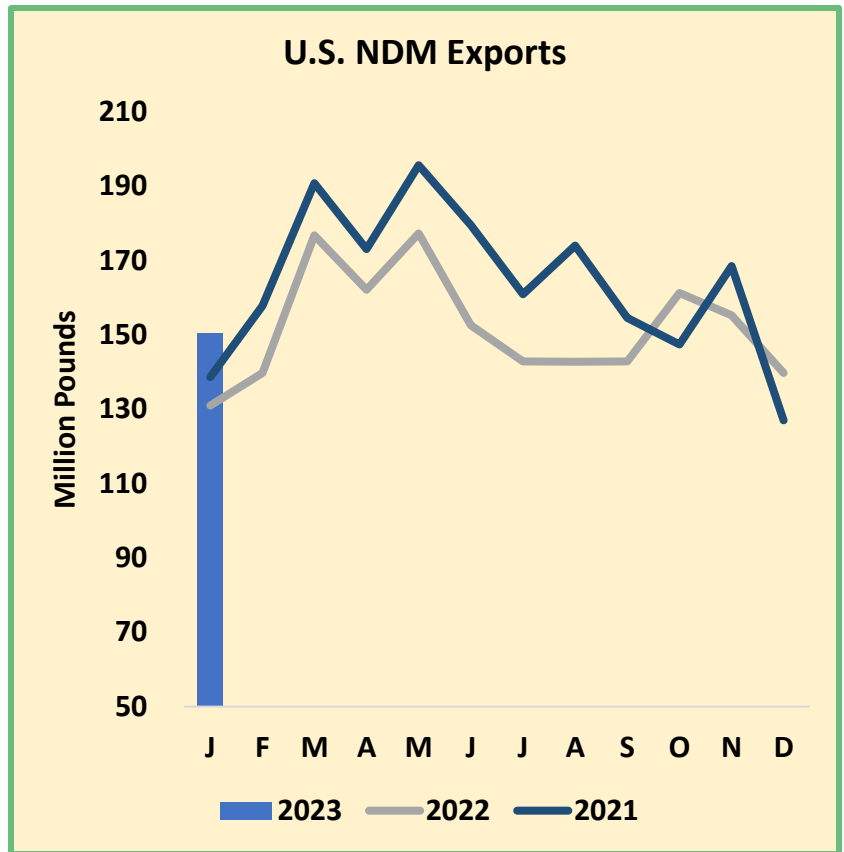


The value of butterfat products dropped at Tuesday’s Global Dairy Trade (GDT) auction, and Cheddar plunged 10.2%. Skim milk powder (SMP) prices fell 1.1% to roughly \$1.33 per pound. But GDT whole milk powder (WMP) prices perked up just a little this week, and benchmark European prices for cheese, whey, and SMP also improved. There is plenty of milk, and dairy product output is surely on the rise. But at home and abroad, it feels like prices may have fallen far enough for now, and international buyers are bidding for dairy.



formidable. Cheese exports set a new record for the month, up 15.6% from a year ago. Whey exports were also strong, up 11.9% year over year. Shipments of NDM abroad jumped 14.8% to 150.4 million pounds, the second-highest volume ever in January. It may be difficult to sustain this pace, but, for now, exports represent a vital outlet for U.S. dairy. Without them, dairy stocks would be larger, and prices much lower.

Spring Class III milk prices bounced back after last week's selloff. The April contract climbed 17¢ to \$17.70 per cwt. Down the board, most contracts posted small losses. Class IV futures fell back once again. Most first-half contracts settled about 30¢ lower than last Friday. April Class IV finished at \$18.09.



At these prices, dairy producers are losing several dollars per cwt. In the short run, that's likely to mean more milk, as producers try to boost revenues by stepping up milk volumes. However, producers who are constrained by production bases will not be able to limit losses in this way. Red ink on the farm will slowly translate to less milk and higher prices. The process is already underway in the West, where base programs are common and auctioneers are announcing dispersals with increasing frequency. High beef prices and tight heifer supplies will help to accelerate the transition from today's excess to tighter milk supplies down the road. Even so, the shift will be painfully slow.

Grain Markets

Grain got cheaper once again this week. Corn futures dropped straight through price levels that had previously offered a firm floor. Technical traders rushed to sell at this sign of weakness, and losses picked up speed. The May contract came surprisingly close to the \$6 mark this week, and closed today at \$6.1725 per bushel, down another 22¢. Corn futures have fallen more than 60¢ in less than three weeks. Exports are slow, and USDA trimmed its forecast for U.S. corn exports in its March update to crop balance sheets. However, that's not enough to explain the steep decline in corn values.

Meanwhile, it's wickedly hot and still dry in Argentina. USDA slashed its estimate of Argentine corn and soybean production this week. The market had expected the agency to take a more gradual approach, but it agrees with USDA's assessment. Argentina's grain exchange and private analysts continue to publish harvest projections that are even lower than USDA's much-diminished outlook. Brazil is filling the gap for now, but the U.S. may soon need to step up exports to make up for Argentina's shortfall. May soybean futures followed corn lower. They settled at \$15.07, down 11.75¢ this week. But soybean meal prices stood firm. They closed at \$485.90 per ton, up \$5.90 from last Friday.

CDFA Releases Manure Recycling and Innovative Products Task Force Report

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

Note from Kevin Abernathy, MPC General Manager

For the past two years, MPC participated in and supported a CDFA-led process known as the Manure Recycling and Innovative Products (MRIP) Task Force. You can read more about its make-up and goals in a 2021 article by Geoff Vanden Heuvel [here](#).

CDFA convened the task force “to develop recommendations on how to recapture and enhance the value of dairy manure while supporting healthy soils, protecting water quality, and reducing agriculture’s carbon footprint in California.” The report released today is an important step that will help researchers and policy makers understand the challenges we face in the dairy community related to nitrogen management, and most importantly, help drive research, innovation and funding to solve these challenges, while returning value back to our dairy families.

CDFA Releases Manure Recycling and Innovative Products Task Force Report

Report documents multiple approaches to help California reach climate goals

The California Department of Food and Agriculture (CDFA) has released [the final report](#) from the Manure Recycling and Innovative Products Task Force (MRIP).

The workgroup was comprised of dairy farmers and other members of the dairy industry, representatives of academia, state and federal government agencies, and non-governmental organizations with interests in sustainable farming, water quality protection, and environmental justice.

Recommendations for addressing nitrogen surplus are grouped into conventional strategies, compost strategies, denitrification and treatment, and nitrogen capture.

In close alignment with this effort, CDFA funded research conducted by the California Biomass Collaborative (CBC) at the University of California, Davis. The findings provide an overview of the amount and location of surplus nutrients within California’s dairy sector and evaluate selected manure treatment technologies capable of recovering manure nutrients in useful form or otherwise safely reducing surpluses.

The CBC’s completed report, [Manure Nutrient Recovery, Removal, and Reuse on California Dairies](#) includes topics for additional research and development needed and suggestions for quantitative assessment of technologies.

Looking ahead, the MRIP Task Force plans to continue its efforts in collaboration with CDFA to utilize its recommendations and monitor progress.

DairyVoice Podcast: Geoff Vanden Heuvel Discusses California Water Issues

Courtesy of [DairyVoice.com](https://dairyvoice.com)

MPC's Geoff Vanden Heuvel was a featured guest on the latest episode of the DairyVoice podcast, where he discussed California water issues and their impact on our state's dairy farmers. Listen to the episode [here](#).



Managing Dairies During Heavy Rainfall

By Dr. Michael Payne and Denise Mullinax, [California Dairy Quality Assurance Program](#)



Any producer who's wrestled with local flooding, corral ponding and mud knows it's easier to take preventative measures before the storms than it is to address them once they've begun. Every year CDQAP provides [Tips for Water Board Inspections](#) and every fall highlights [Dairy Winterizing Checklists](#). But what can be done after the rains have already

started? Here are some things to think about while it is calm between storms.

Property Perimeter

Water Board staff advise that during and after storm events all dischargers (including non-dairy facilities) should check for threatened off-site discharge. Visually surveying the property perimeter provides final confirmation that manure infrastructure is working. This includes that tailwater berms are intact, pumps in settling basins and storage ponds are functioning, transfer pipes are not clogged and pathways for clean-water runoff have not been obstructed with debris.

Lagoons

Softened by prolonged rain and stressed by increased hydrostatic pressure, full earthen dams, levees and ponds can experience catastrophic failure. This is why dry-season prevention of weed roots and rodent holes is so important. During storm season producers should carefully monitor the integrity of lagoon and berm walls.

Lagoons are required to have adequate freeboard (2' for above ground ponds and 1' for in ground ponds) to maintain structural integrity. Lagoon water spilling over the top of containment walls can create erosion gullies, weakening wall structure. This ["overtopping"](#) phenomenon is also one of the most common cause of dam and levee failure and can progress rapidly to a crisis. Under no circumstances should a lagoon be



Repairs on the Cosumnes River in Sacramento County.
Credit: [Fred Greaves/Reuters](#)

allowed to spill over. If evidence of threatened overtopping, seepage or boils is present, producers should seek professional assistance immediately.

Levees

Producers whose property contains or is adjacent to a public or private levee may have obligations to maintain or at least not harm levee integrity. For both farm safety and legal reasons producers should monitor nearby levees and report threatened structures to county emergency management immediately.

Continue reading this story [here](#).

NMPF Board Backs Comprehensive Milk Pricing Package

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

The NMPF Board of Directors [voted unanimously](#) Tuesday to approve a proposal to modernize the Federal Milk Marketing Order (FMMO) system, the result of more than 15 months of in-person and virtual meetings, the review of thousands of charts and tables, and a tremendous display of collaboration and compromises to achieve national consensus in our membership.

As I said when we began this process, no one would get everything they wanted, precisely as they wanted it, but working together in good faith we would be able to develop a strong plan to update and modernize federal milk marketing orders for the first time in nearly a quarter century.

You have done just.

I want to thank our Board, our Economic Policy Committee, and our special task force of economic experts from our co-op staffs for the yeoman's work they did in getting us to this point. The scope and breadth of this comprehensive package is quite impressive.

The proposal's changes to the Federal Milk Marketing Order System include:

- Returning to the "higher of" Class I mover;
- Discontinuing the use of barrel cheese in the protein component price formula;
- Extending the current 30-day reporting limit to 45 days on forward priced sales on nonfat dry milk and dry whey to capture more exports sales in the USDA product price reporting;
- Updating milk component factors for protein, other solids and nonfat solids in the Class III and Class IV skim milk price formulas;
- Developing a process to ensure make-allowances are reviewed more frequently through legislation directing USDA to conduct mandatory plant-cost studies every two years;

- Updating dairy product manufacturing allowances contained in the USDA milk price formulas; and
- Updating the Class I differential price system to reflect changes in the cost of delivering bulk milk to fluid processing plants, resulting in higher Class I differentials in most of the more than 3,100 U.S. counties.

We are now moving toward finalizing the proposal and submitting it to USDA as the basis for an FMMO hearing in 2023. NMPF and IDFA leadership will meet on Monday to discuss potential areas of agreement, and we are also continuing to engage with other stakeholders, including the American Farm Bureau Federation.

