

MPC WEEKLY FRIDAY REPORT

DATE: DECEMBER 8, 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	+ \$.0600 \$1.5800	WEEKLY CHANGE	+ \$.0150 \$2.6700	WEEK ENDING 12/02/23	
Barrels	+ \$.0350 \$1.5550	WEEKLY AVERAGE	+ \$.0725 \$2.6725	NAT'L PLANTS \$1.1946 11,946,000	
WEEKLY AVERAGE CHEDDAR CHEESE		DRY WHEY		LAST WEEK ENDING 11/25/23	
Blocks	+ \$.0235 \$1.5975	DAIRY MARKET NEWS	W/E 12/08/23 \$.4400	NAT'L PLANTS \$1.2074 17,829,945	
Barrels	+ \$.0955 \$1.5780	NATIONAL PLANTS	W/E 12/02/23 \$.4122		

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
DEC 8 EST	No Change	\$19.76	\$16.20	\$19.20
LAST WEEK	\$21.36 - \$21.86	\$19.84	\$16.12	\$19.24

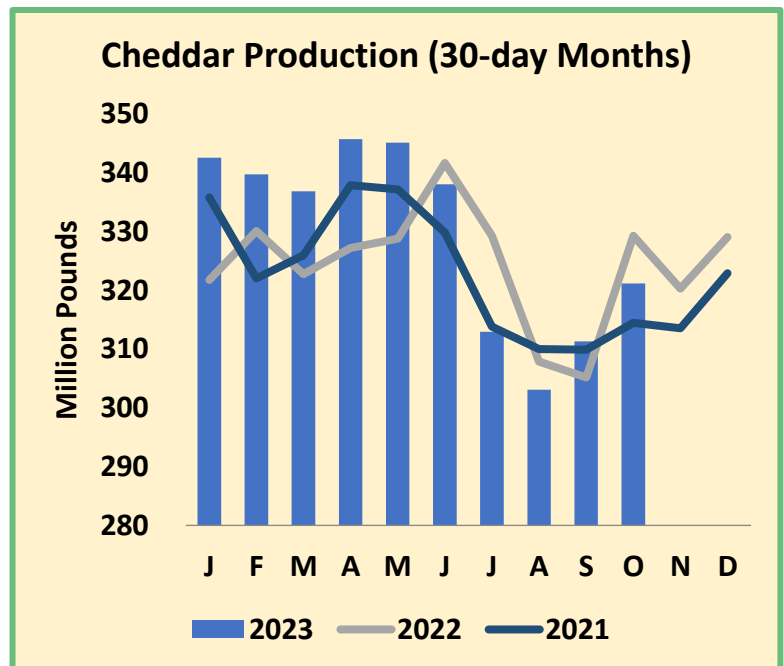


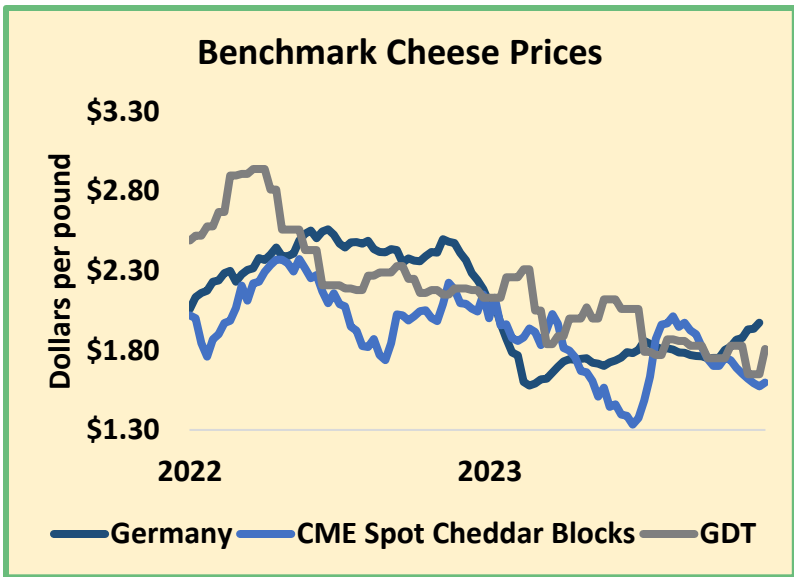
Milk, Dairy and Grain Market Commentary

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

Milk & Dairy Markets

Cheese vats remain full, despite lower milk output. U.S. cheese production reached 1.19 billion pounds in October, up 0.8% from the year before. Given the continued investment in U.S. cheese production capacity, cheese output is likely to grow for the foreseeable future, to the detriment of U.S. cheese and Class III prices. But the details of U.S. cheese production offered some fodder for the bulls. In October, cheesemakers shifted milk into fresh cheeses like cream cheese and Neufchatel (+6.8% year-over-year), cottage cheese (+13%), Hispanic cheeses (+5.7%), ricotta (+12.2%) and Mozzarella (+2.3%). Unlike Cheddar,



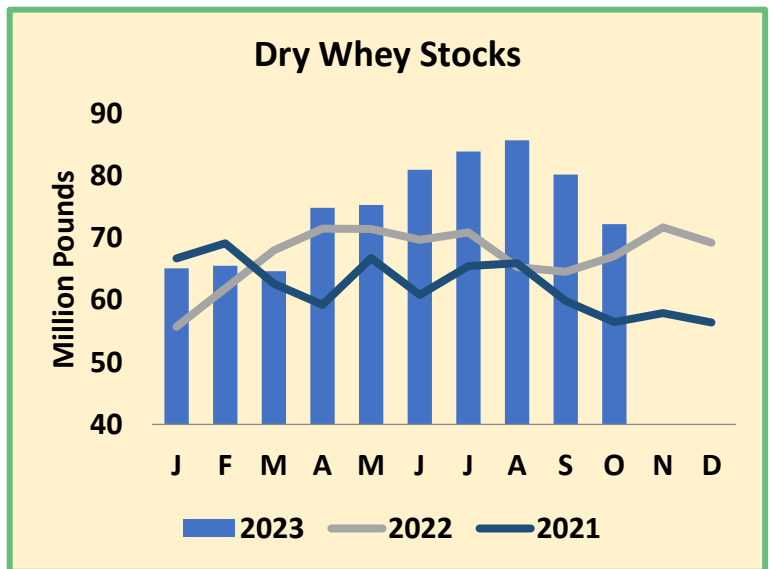


fresh cheeses are made to be consumed immediately. They won't show up on a Cold Storage report or at the CME spot market in Chicago. Stronger output of these cheeses hints at better domestic demand and greater export prospects for Mozzarella after a cruel summer of slower orders. The focus on these cheese varieties allowed U.S. cheesemakers to turn out 2.5% less Cheddar in October than they did the year before.

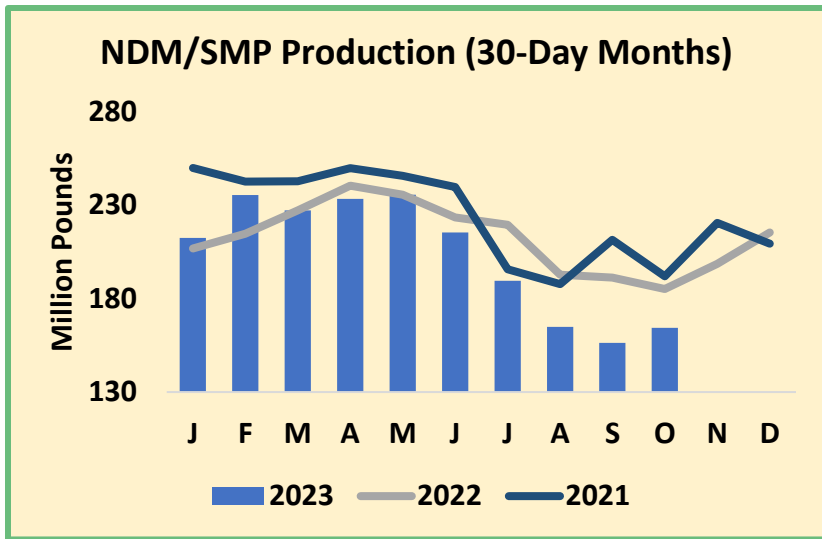
While the latest production data and reports of lower milk and cheese output in Europe fueled hopes for a rebound in U.S. cheese

exports, shipments in October remained soft. The U.S. sent just 76 million pounds of cheese abroad in October, 3.4% less than the year before. Shipments to Mexico set a new high for the month, but sales to key buyers in Asia faltered, as cheaper European product dominated those markets. Despite the disappointing export data, U.S. cheese prices climbed this week, boosted by continued strength in European pricing and an impressive jump at Tuesday's Global Dairy Trade (GDT) auction. CME spot Cheddar blocks rallied 6¢ this week to \$1.58 per pound. Barrels advanced 3¢ to \$1.55.

The Dairy Products report confirmed that whey processors have finally shifted more of the whey stream to whey protein concentrates and isolates, leaving less for the drier. Dry whey output slumped 1.2% below year-ago volumes in September and October output was down 2.6% year over year. Whey stocks waned, but they remain above year-ago levels for now, and exports are soft. Dry whey exports fell to 30.8 million pounds in October, down 37.6% from a year ago. U.S. whey exports are likely to struggle until Chinese hog producers are back in the black, and that may not happen until the Chinese economy finds its footing. Whey prices are holding above the summer lows, but they're not climbing. This week CME spot whey slipped to 39.5¢, down a half-cent from last Friday.



Milk powder prices also retreated, despite convincing rebounds in both skim milk powder (SMP) and whole milk powder (WMP) values at the GDT auction. CME spot nonfat dry milk (NDM) lost 1.5¢ this week and dropped to \$1.165, the lowest price since September. U.S. milk powder output remains in the doldrums, as cheesemakers continue to pull milk and cream away from the dryer and the butter churn. Combined production of NDM and SMP totaled 169.1 million pounds, down 12.9% from October 2022. Manufacturers' stocks of NDM dropped to 223.6 million pounds, down 10.8% year over year to the lowest stockpile since November 2019. But whittling down

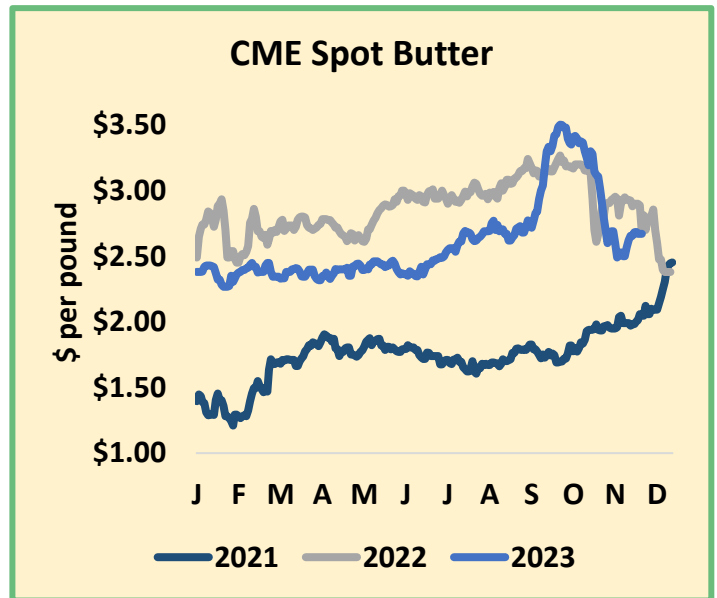


inventories through industry attrition is not enough to lift prices any further. We'll need better global demand for milk powder or even steeper declines in milk powder output from Europe before prices can climb. For now, U.S. exports are too slow to provide much support. U.S. milk powder exports lagged last year's volumes by 11.8% in October.

Butter production totaled 160.6 million pounds in October, down 0.9% from a year ago. Exports are abysmal, but it doesn't

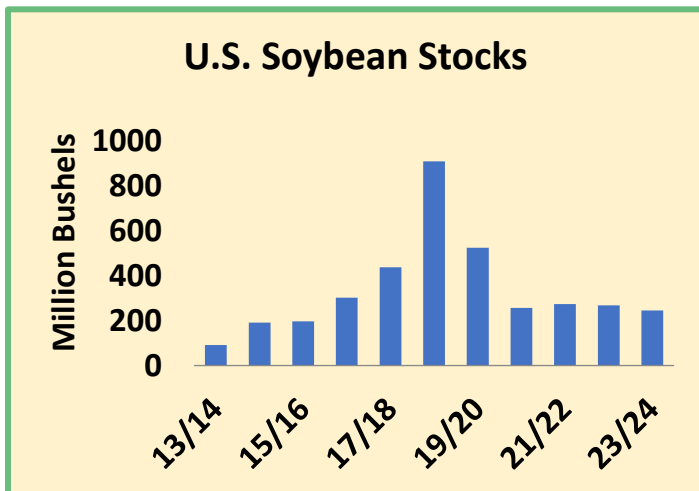
matter. The U.S. has a butterfat deficit, and butter prices remain well supported. CME spot butter rallied 1.5¢ this week to \$2.67. That's down significantly from the pre-holiday peak, but it's still a pretty hefty price.

The setback in the milk powder market weighed on nearby Class IV futures. The December contract slipped 4¢ to \$19.20 per cwt., and January Class IV futures tumbled 28¢ to \$18.94. But deferred Class IV contracts gained a little ground this week and so did most Class III futures. However, Class III prices remain dishearteningly low. December Class III settled at \$16.20 and January finished at \$16.34. Further down the board, prices look more promising, but there will be plenty of red ink between here and there.



Grain Markets

The corn market held in a relatively tight range. March corn futures settled today at \$4.855 per bushel, up a fraction of a cent from last Friday. The soy complex continued to retreat. January beans closed at



\$13.04, down 41.5¢ for the week. January soybean meal finished at \$404.70 per ton, down another \$8. There were no surprises in USDA's monthly update to crop balance sheets. The agency confirmed that U.S. and global corn supplies are plentiful, while soybean and soybean meal stocks are tighter. The United States is going to crush a record volume of soybeans into oil and meal in the 2023-24 crop year. But soybean meal exports will also set a new all-time high, so U.S. dairy producers and livestock growers will have to pay up to keep their share of U.S. soybean meal at home.



FMMO Hearing Report Week 10

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

Early in this full week at the Federal Milk Marketing Order (FMMO) hearing, National Milk Producers Federation witnesses wrapped up their testimony about the regional details of their proposal that seeks to update the Class I differentials in each of the 3,100 counties in the 48 contiguous states. Then mid-week, NMPF put up dairy industry economist Dr. Scott Brown from the University of Missouri to talk about his modeling of the impact of the various NMPF proposals on milk prices. My summary of Dr. Brown's findings: some pluses, some minuses, slightly positive initially, and eventually a wash. You might wonder, if in the end this is all a wash, why change it? Fair point but remember the purpose of the regulation is to mimic what the free market would produce if a free market were possible in the dairy industry. But since milk is highly perishable and dairy farmers must sell milk every day to a processor who does not have to buy it every day, a truly free market between a willing seller and willing buyer is impeded. Because having an adequate supply of fresh and wholesome milk at affordable prices is in the national interest, Congress has authorized the government to play the role of a referee between producers and processors. In a well-constructed regulation, it is the market that determines winners and losers not the referee. But that regulation, from time to time, needs its various elements updated to reflect changes in market conditions and costs. That is why we need this hearing. That Dr. Brown's analysis shows that over time the changes wash out is to be expected if the regulation is properly designed.

But of course, the processors have their role to play in this drama. So, they put on a number of witnesses including a well-paid economist from Purdue University (when asked in cross examination how much he was paid for his participation in the hearing by the processors, he responded \$37,000). There were also various representatives of processor companies testifying that raising Class I differentials would harm them. Dr. Mark Stephenson also made another appearance to give more specifics about the economic Class I price surface model that forms the basis of the NMPF Class I differential proposal. The testimony on Friday started with a Class II processor from Wisconsin opposing Proposal 21 by American Farm Bureau to raise the Class II price. This was followed by a couple more processor rebuttal witnesses who were still on the stand when time ran out.

The hearing will resume on Tuesday, January 16, 2024, and run for the remainder of that week. It will then skip a week and resume on January 29 and hopefully wrap up by Friday, February 2, Groundhog Day. How ironic.

Congressman Valadao Introduces Legislation to Help Dairy Producers Impacted by Flooding

Courtesy of [Congressman David Valadao](#)

Note from Kevin Abernathy, General Manager

Well folks, MPC worked hard on this one and we thank our partners at NMPF and CDI for helping us bring this issue to Congressman Valadao. From the moment the March flood waters hit the Tulare

Lake Basin, we went to work to help affected producers get support for the economic losses they incurred (and still are). Lots of calls, letters and meetings with local, state and federal agencies followed, and I was routinely told that Congressional action would be needed to help producers. So, I went to Capitol Hill to start that process. Congressman Valadao's introduction of legislation yesterday is the fruition of many months' worth of work and I thank him for taking the lead on this issue. Now the work begins to get this bill through the House and Senate and onto the President's desk. Read my official statement below and the release from Congressman Valadao.

Milk Producers Council strongly supports and endorses the "Emergency Assistance for Dairy Producers Act." This legislation can't come soon enough for our producers who experienced catastrophic losses due to the historic flooding in the Tulare Lake Basin in 2023. Time is of the essence to get financial support to individual dairy farmers who have lost years of feed supplies due to flooding, and are buying corn, wheat, alfalfa and other total mixed ration (TMR) ingredients on the open market. This legislation will also provide critical relief for our producers in the Tulare Lake Basin who were under county evacuation orders, but had no viable opportunities to relocate thousands of cows. Sheltering in place was the only option they had to protect the health and well-being of their cows, and it came at an enormous expense, with them working 24 hours a day, 7 days a week, as the flood waters rose.

Congressman Valadao Introduces the Emergency Assistance for Dairy Producers Act
Yesterday, Congressman David G. Valadao (CA-22) introduced the Emergency Assistance for Dairy Producers Act. This legislation aims to ensure dairy producers impacted by California's historic storms this year can qualify for Commodity Credit Corporation emergency assistance funds.

“This year's storms and flooding had a severe impact on parts of the Central Valley. Ensuring our communities have the resources needed to recover has continued to be one of my top priorities,” **said Congressman Valadao.** “Property damage, feed losses, and transportation costs from moving livestock during the flooding were devastating to Central Valley dairy farmers, but there are limited options for them to be reimbursed for these costs. The Emergency Assistance for Dairy Producers Act will ensure California's dairy farmers can access available federal dollars to help offset some of these losses.”

“We commend Representative David Valadao for authoring the Emergency Assistance for Dairy Producers Act. California dairy farm families endured major challenges this year from storms that displaced families and cattle, damaged farms and feed supplies, and severely impacted crops being grown to feed the state's dairy cows. Nobody understands these unique challenges better than Rep. Valadao, whose legislation points the way toward providing needed emergency resources to help California dairy producers recover from their losses,” **said Jim Mulhern, president and CEO, National Milk Producers Federation.**

Background

California's agriculture industry was hit hard by this year's historic storms, with the total cost of damage and losses still yet to be realized. Currently, there are limited avenues available to assist dairy producers impacted by natural disasters. The Emergency Assistance for Dairy Producers Act aims to address this

gap by amending the Commodity Credit Corporation Charter Act to authorize the use of Commodity Credit Corporation (CCC) funds for emergency assistance to dairy producers in the case of livestock relocation and feed crop losses due to natural disasters and ensures the Secretary of Agriculture has the proper explicit authorities to assist dairy producers using CCC funds.

Read the full text of the bill [here](#).

Thank You for All You Do
Courtesy of Jim Mulhern, President & CEO
[National Milk Producers Federation](#)

Note from Kevin Abernathy, General Manager

Jim Mulhern at National Milk Producers Federation (NMPF) is set to retire at the end of the year. MPC has been an associate member of NMPF for many years and we appreciate Jim's leadership tackling many tough issues facing our dairy producers. We wish Jim all the best!

CEO's Corner by Jim Mulhern

Throughout my career, whether I was working on Capitol Hill or consulting for Fortune 500 companies, I found myself returning, in various ways, to dairy. And it was always because of the people.

Those who produce our food literally make life possible for all of us. But there's something special about this dairy community. I've long felt dairy's uniqueness is in its daily harvest – the ability to see in real time the fruits of your labor reflected in the health of your animals and the quality and quantity of milk they produce. It gives dairy a different character than other agricultural operations, producing people committed to nourishing our bodies with nutrient-rich milk and dairy products harvested through work that is hard and honest, and never lacking in integrity.

That's what I will miss after more than four decades working in and near dairy. And that's why the most important words I've been saying as I approach my final weeks at NMPF are "thank you" – to everyone from NMPF Chairman Randy Mooney and the many dairy-industry leaders who I've been fortunate to work with, to the farmers and staff who have supported and advanced our important work at NMPF. And I also need to say, "I'm proud of this industry" for all the successes we've seen, and for how that success will help position everyone who cares about dairy for further gains to come – from the farmers and cooperatives I have represented to the entire industry.

I've had the opportunity to be part of nearly every major dairy policy debate since the early 1980s – from the establishment of the national dairy checkoff program in 1983, the very first dairy issue I worked on Capitol Hill, to the USDA Federal Milk Marketing Order modernization effort currently under way.

No achievements are ever static: The checkoff has become an incredibly vital instrument for our industry, and it continues to evolve, showing strong leadership in critical areas. Our Federal Order system is evolving as well – for the better, I predict, after our modernization proposal becomes the basis

for a comprehensive USDA plan next year. The changes we are advocating, if approved, will strengthen the program's ability to aid producers and improve orderly marketing of milk. And that change will happen because of the leadership, engagement, and hard work of all of NMPF's dairy cooperative members.

Other examples of which we should all be proud – and confident in our future success – includes our sustainability journey. We recognized the climate issue as a looming challenge more than 15 years ago. We knew that our opponents would try to position dairy as part of the problem. But we vowed to be part of the solution. I was fortunate to be involved in those early efforts as the checkoff program engaged key stakeholders, conducted a carbon Life Cycle Assessment of fluid milk – the first-ever on a U.S. agricultural product – and helped develop the science to establish our industry's baseline.

From there, we have identified numerous opportunities for dairy to reduce greenhouse gas emissions and contribute to climate improvements. NMPF has focused on programs and policies that provide voluntary incentives to assist farmers in these improvements and prevent onerous, costly regulations. We are seeing the fruits of these efforts, as federal programs are beginning to provide funding to enable on-farm technologies to mitigate emissions and help facilitate our U.S. dairy industry goal to be Net Zero by 2050. There is much yet to be done, but with the right policies and approaches I am fully confident we will achieve our goal even before then.

Continue reading [here](#).

House to Vote on School Milk Bill Next Week

Courtesy of Jim Mulhern, President & CEO

[National Milk Producers Federation](#)

In an exciting development in our efforts to expand milk choices in schools, next week the House is expected to vote on the Whole Milk for Healthy Kids Act ([H.R. 1147](#)). This bipartisan bill will expand the milk options schools can choose to serve in federal school meal programs to include 2% and whole milk, in addition to the non-fat and 1% varieties currently allowed. The House measure is being led by Ag Committee Chairman Glenn “GT” Thompson (R-PA) and pediatrician Kim Schrier (D-WA). The bill was approved by the House Education & Workforce Committee with a bipartisan vote in June, and it has 134 cosponsors.

While it appears there is sufficient support to pass the bill, we are still working to get as many Democratic members as possible to vote “Yes” to help send the clear message that returning 2% and whole milk to schools has widespread, bipartisan support. A strong message of support will be useful in our Senate efforts to move the companion bill ([S. 1957](#)), as well as ongoing efforts to protect and expand dairy in nutrition programs via the USDA rulemaking process.

In that vein, we have been working closely with the House bill sponsors to coordinate and support a vote whipping effort. **You can bolster kids' access to milk's vital nutrients by [urging your member](#) of Congress to vote “Yes” on this important nutrition legislation** when the House votes this month.