MPC Weekly Friday Report

Date: July 14, 2023
To: Directors & Members
From: Kevin Abernathy, General Manager
Pages: 6

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MPC Friday Market Update

Chicago Cheddar Cheese			Chicago AA Butter			Non-Fat Dry Milk		
Blocks	+ $.0875	$1.4800	Weekly Change	+ $.0700	$2.5500	Week Ending 07/08/23		
Barrels	+ $.0125	$1.3925	Weekly Average	+ $.0390	$2.5115	Nat'l Plants	$1.1787	13,414,751
Weekly Average Cheddar Cheese			Dry Whey			Last Week Ending 07/01/23		
Blocks	+ $.1110	$1.4860	Dairy Market News	w/e 07/14/23	$.3000	Nat'l Plants	$1.1535	16,438,203
Barrels	+ $.0499	$1.4005	National Plants	w/e 07/08/23	$.2765			

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
Jul 14 Est	No Change	$19.10	$13.82	$18.17
Last Week	$18.92 - $19.42	$18.92	$13.90	$18.05

June 2023 CA FMMO Statistical Uniform Price Announcement

Jun '23 Final	Class I	Class II	Class III	Class IV	Statistical Uniform Price (Blended Price)	Net Price After Quota Assessment*
Minimum Class Price	$19.61 | Tulare $20.11 | L.A.	$18.83	$14.91	$18.26	$15.92 | Tulare $16.42 | L.A.	$15.646 | Tulare $16.146 | L.A.
Percent Pooled Milk	18.3%	5.2%	74.1%	2.3%	100% (1.98 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
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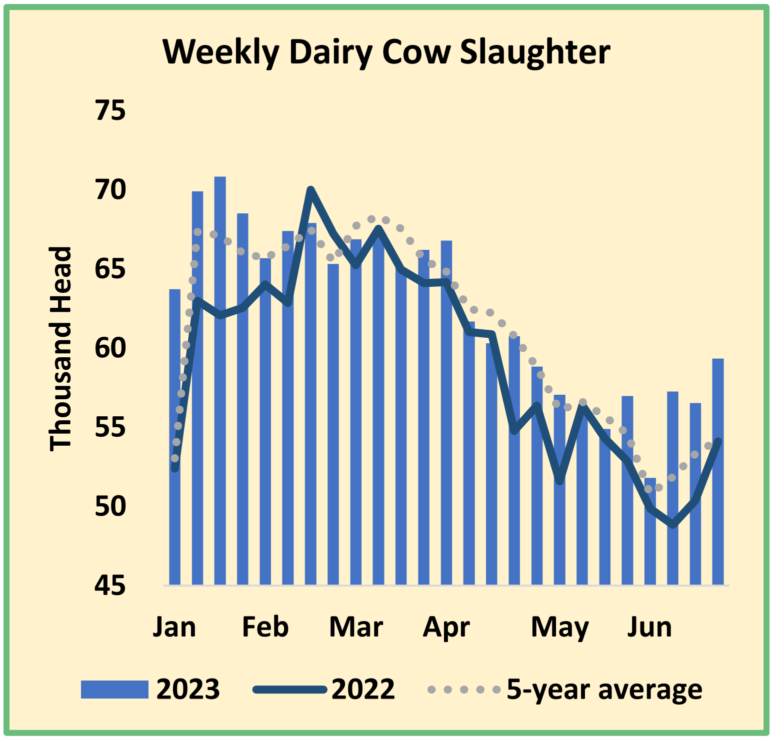
Milk & Dairy Markets

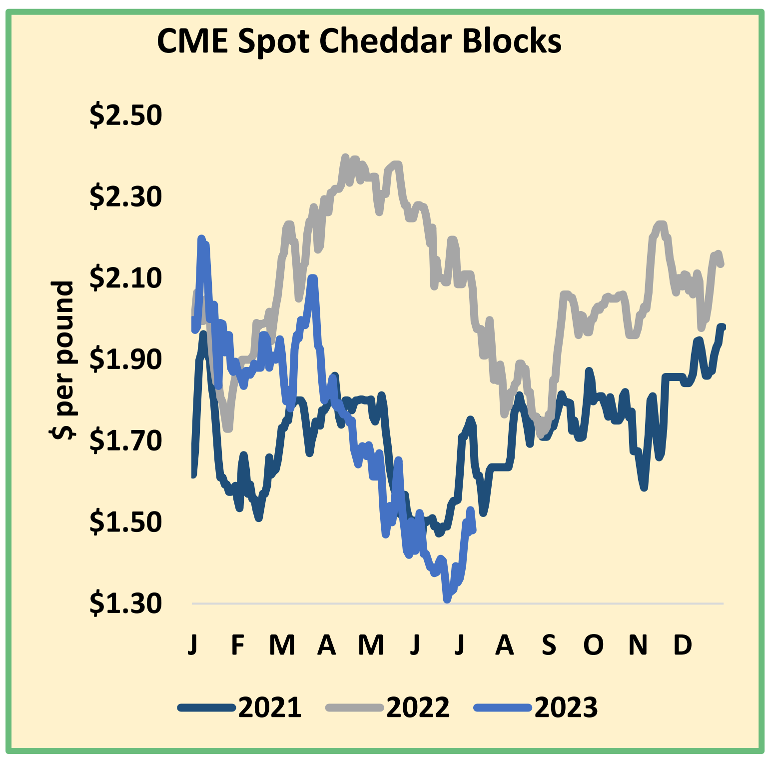
The dairy markets bounced off the bottom this week, hinting that prices may have finally fallen far enough to stimulate demand. They are certainly low enough to begin reducing supplies. Every day, more dairy producers succumb to the tidal wave of red ink that is swamping the industry. In

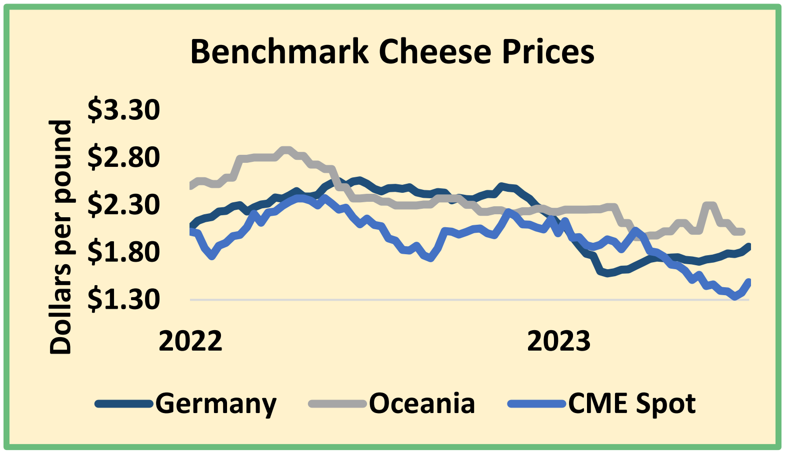


the week ending July 1, dairy producers sent 59,332 cows to slaughter, the highest late-June head count since 2009. Over the past five weeks, dairy producers sent 27,800 more cows to slaughter than they did over the same period in 2022, an 11% increase. High slaughter volumes are likely to continue throughout the summer, as producers confront a seasonal decline in milk yields, even greater strains on cash flow, and record-high beef prices. Beef packers and cattle feeders are among the most well-funded buyers at dairy dispersal auctions these days. Months ago, most dairy cows and heifers sold at auction simply moved from one freestall to another. Today, many are headed for a pasture, feedlot, or packing plant.

Eventually, the U.S. milk-cow herd will shrink enough to tighten milk supplies. The process is already underway in the Southwest, where sellouts, base programs, and punishing heat have crimped milk production, reducing milk powder and butter output in the region. But it will take a while for lower milk supplies to reduce cheese production. Cheese processors generally have first dibs on the milk in their region, and the Upper Midwest cheese states continue to grapple with oversupply. Some loads of spot milk traded at $11 under class once again this week, and even that was not enough to prevent milk from being dumped. As long as excess milk is essentially free, cheese output isn't likely to slow down. In fact, it could grow further as a new facility comes online.

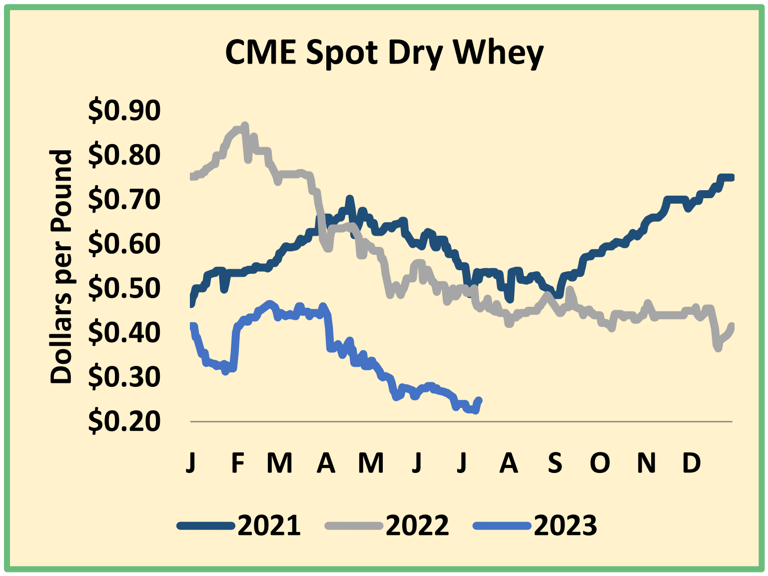
Formidable cheese output is nothing new. Through May, U.S. cheese production was just 0.5% greater than the massive volumes made in 2022. For much of the past year, hearty pizza sales and record-setting cheese exports were sufficient to clean up the excess. But inexpensive European cheese began to eat into U.S. export prospects in early 2023, reducing shipments in the past few months and pushing more cheese to Chicago. Now, inexpensive U.S. cheese and a much weaker dollar are making U.S. exports more viable, which could help to mop up some of the excess later this year. That may be what inspired the rebound in the spot markets this week. CME spot Cheddar barrels inched up 1.25¢ this week to $1.3925 per pound. Barrels leapt 8.75¢ to $1.48.



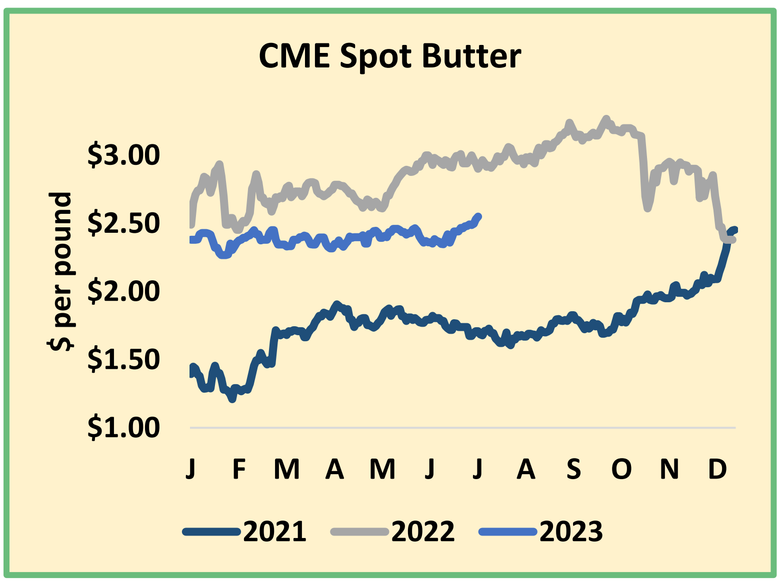


CME spot whey scored a new all-time low, dipping to just 22.5¢ on Wednesday. That may finally be cheap enough. Spot whey moved decisively higher Thursday and closed at 24.75¢ today, up 2¢ for the week. USDA reports that commodity whey demand is "stabilizing," but with milk powder also in the doldrums, buyers have their pick of inexpensive dairy proteins and carbohydrates.

The milk powder market followed a similar path. CME spot nonfat dry milk (NDM) slipped to $1.0775 on Monday, its lowest price since November 2020. But it finished at $1.105, up 1.75¢ for the week. U.S. milk powder could enjoy a boost in export sales thanks to the stronger dollar. However, global milk powder prices continue to slip as demand remains tepid, particularly in Asia. An uptick in demand would smooth the path to higher prices, but lower production is the more likely route.



While most dairy markets are clawing their way out of the chasm, butter is hiking the ridgeline, moving easily from one peak to another. This week CME spot butter advanced another 7¢ to $2.55, a new 2023 high. The strength in the butter market is curious. January through May output is up 4.5% from a year ago, and stocks are healthy. The U.S. is importing cheaper butterfat from abroad. Nonetheless, prices continue to rise.



The spot market comeback provided quite a boost to milk prices. July class III slipped 8¢ this week to $13.82 per cwt. But the other contracts moved decisively higher, led by a 57¢ gain for August Class III. Still, third quarter futures average a painfully low $14.94. Fourth quarter prices look much better, at an average of $17.45. But they'll still be inadequate to cover costs for most dairy producers.

Class IV values rallied with greater enthusiasm. The July contract added 12¢ and reached $18.17. Down the board, gains ranged from 52¢ in August to 82¢ in November. Class IV futures are hovering a little north of $18.

Grain Markets

USDA rattled the feed markets on Wednesday, with the latest update to the monthly crop balance sheets. The agency incorporated the findings from the June 30 Acreage Report, showing higher corn acres and sharply lower soybean area than previously thought. The agency also trimmed its estimate of the national average corn yield by 4 bushels per acre. Amid widespread drought and poor crop conditions, the trade had been expecting a deeper cut. USDA made no changes to soybean yields, deeming it too early to assume damage to a crop with so much of the growing cycle still to come. The agency also slashed its outlook for 2023-24 soybean exports, resulting in higher end-of-season stocks than the trade had anticipated. That pushed grain and oilseed prices sharply lower Wednesday. But after a night to think it over, the trade shrugged off USDA's assessment, likely concluding that the famously plodding agency would have to cut its yield estimates further in future reports.

The weather pattern has shifted, and showers are now passing through the Corn Belt with greater regularity. Still, some 64% of corn production and 57% of soybeans are currently grappling with drought, and the week ahead looks a little drier than the two in the rearview mirror. At the same time, the weaker dollar is raising expectations for U.S. corn exports. After a sizeable setback on Wednesday, the corn market regained all it lost and then some. December corn settled today at $5.1375 per bushel, up 14.25¢ from last Friday. November soybeans closed at $13.7075, up 53¢. August soybean meal closed at $423.80 per ton, up $21.

Producer Review Board Meeting July 31

Courtesy of the [California Department of Food and Agriculture]

The next meeting of the Producer Review Board will be held from **10 a.m. to noon on July 31, 2023** at the **Stanislaus County Ag Commissioner's Office, Harvest Hall – Room A, B & C, 3800 Cornucopia Way, Suite B, Modesto.** This meeting is in-person only; no teleconference option will be offered.

Representatives from the vendor conducting the QIP Survey (Research America Inc.) will attend the meeting to review the survey questions and details. This meeting will be limited in scope to the QIP Survey, and the final agenda will be published next Friday, July 21st.

UDSA Farm and Food Worker Relief Grant Program Webinar July 19

Courtesy of the [California Department of Food and Agriculture]

The USDA Agricultural Marketing Service (USDA-AMS) and the California Department of Food and Agriculture (CDFA) are partnering to co-host a webinar for California Agricultural Employers on **Wednesday, July 19, 10-11 a.m. on the UDSA Farm and Food Worker Relief Grant Program**.

Please join us for an opportunity to learn more about the program and how it works in California to assist farm and food workers. There will be time for discussion and Q&A. The California based grant recipient organizations are invited to attend as well.

Farm and Food Worker Relief Grant Webinar Agenda – Wednesday, July 19, 10 am PST

Invitees: California based agricultural employers

Speakers: USDA Under Secretary for Marketing and Regulatory Programs, Jenny Lester Moffitt; and Melissa Bailey and Betsy Rakola, USDA Agricultural Marketing Service

- Program overview
- Outreach tools
- Payment controls and integrity
- Information sharing and communication

Join Zoom Meeting

- https://us02web.zoom.us/j/6861325291
- Meeting ID: 686 132 5291
- Passcode: Cdfa!220

California's Water-Smart Dairy Farmers Double Down on Resiliency

Courtesy of Dairy Cares

Water scarcity is one of the greatest challenges facing California. State leaders and stakeholders are taking important actions to improve water resilience. Dairy farmers are also doing their part to understand how climate change and the path toward groundwater sustainability will impact their farms and communities, and what opportunities exist to improve smart water use.

Dairy Cares and the California Cattle Council commissioned an economic assessment of the Sustainable Groundwater Management Act (SGMA) on the San Joaquin Valley dairy and cattle industries. The report—performed by ERA Economics and released on February 3—analyzed local-level data and documented a total anticipated economic loss of $2.2 billion to the state's dairy and beef sectors, with 388,000 acres fallow, and 7,530 jobs lost by 2040. Recognizing how these changes are likely to occur—primarily through higher feed costs—dairy farms and allied businesses are aiming to alleviate the expected impacts.

One key finding in the economic report is that dairy feed crops are economically significant per unit of water used. When silage and hay production are recognized as inputs to milk and dairy foods, these crops are equivalent in value to commonly cited "high value" crops such as nuts and vegetables.

Growing some of their own nutritious animal feed is an effective strategy for family dairy farms that aim to ensure economic sustainability. Furthermore, dairy feed crops play an important role in the San Joaquin Valley economy, in addition to their contribution to ecosystems, and ultimately in supporting the health and nutrition of people. Part of the value to society is that milk and dairy products are one of the most cost-effective sources of under-consumed nutrients—including potassium, calcium, and vitamin D. Therefore, as competition for water increases and acres are fallowed, dairy forages remain an important crop in California.

The report recognized that SGMA will impact San Joaquin Valley farms disproportionately, depending on local access to and availability of surface water. Furthermore, last week, the Department of Water Resources determined that the Groundwater Sustainability Plans for six of the twelve local basins will need to do more to assure state agencies that their efforts are on track to achieve groundwater sustainability. This represents another bump in the road as farmers and other stakeholders continue working diligently to make difficult decisions with the goal of long-term water sustainability and resilience.

Continue reading here.