

MPC WEEKLY FRIDAY REPORT

DATE: APRIL 5, 2024
 TO: DIRECTORS & MEMBERS
 FROM: KEVIN ABERNATHY, GENERAL MANAGER
 PAGES: 9



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MPC FRIDAY MARKET UPDATE

| | | | | | |
|--------------------------------------|--------------------|-------------------|-----------------------------|---|--|
| CHICAGO CHEDDAR CHEESE | | D | | NON-FAT DRY MILK | |
| Blocks | + \$.0975 \$1.5150 | WEEKLY CHANGE | + \$.0975 \$2.9400 | WEEK ENDING 03/30/24 | |
| Barrels | + \$.1025 \$1.5300 | WEEKLY AVERAGE | + \$.0722 \$2.9160 | NAT'L PLANTS \$1.1402 23,674,146 | |
| WEEKLY AVERAGE CHEDDAR CHEESE | | DRY WHEY | | LAST WEEK ENDING 03/23/24 | |
| Blocks | + \$.0361 \$1.4555 | DAIRY MARKET NEWS | W/E 04/05/24 \$.4900 | NAT'L PLANTS \$1.1969 22,932,817 | |
| Barrels | + \$.0347 \$1.4635 | NATIONAL PLANTS | W/E 03/30/24 \$.4621 | | |

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 |
|-------------------|---|--------------------|---------------------|--------------------|
| APR 5 EST | \$20.78 - \$21.28 | \$21.18 | \$15.57 | \$20.06 |
| MAR '24 FINAL | \$20.40 - \$20.90 | \$21.12 | \$16.34 | \$20.09 |



Milk, Dairy and Grain Market Commentary

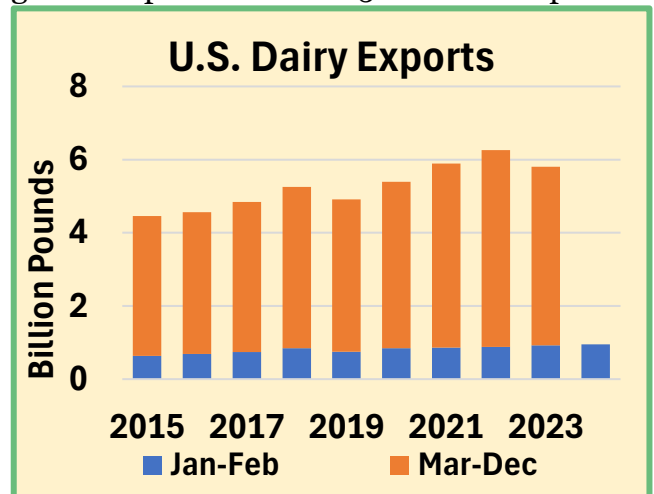
By Monica Ganley, Quarterra

Monica.Ganley@QuarterraGlobal.com

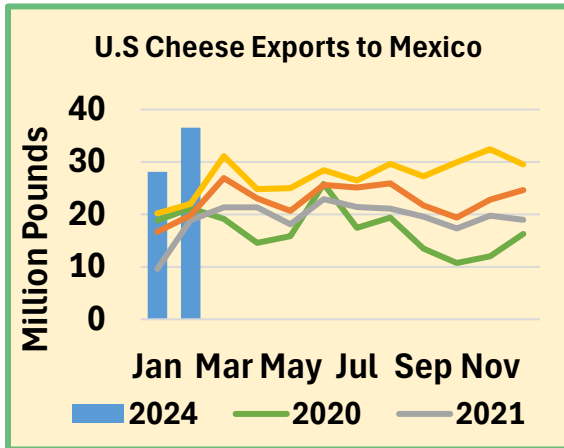
Milk & Dairy Markets

U.S. dairy exports have struggled for the past year as weak global demand and uncompetitive prices caused exports to trail prior year levels for a full year. But February data, released earlier this week, suggests that the tides may be changing. U.S. exporters moved 501.1 million pounds of dairy products offshore during February, 5.5% more than in the same month last year after accounting for the leap day. Persistent demand from Mexico combined with improvement in Southeast Asia underpinned the export growth even as demand from other key destinations such as China and Canada faltered.

Cheese shipments were particularly impressive during February as exporters moved 95.6 million pounds of cheese during the month. This is the second highest

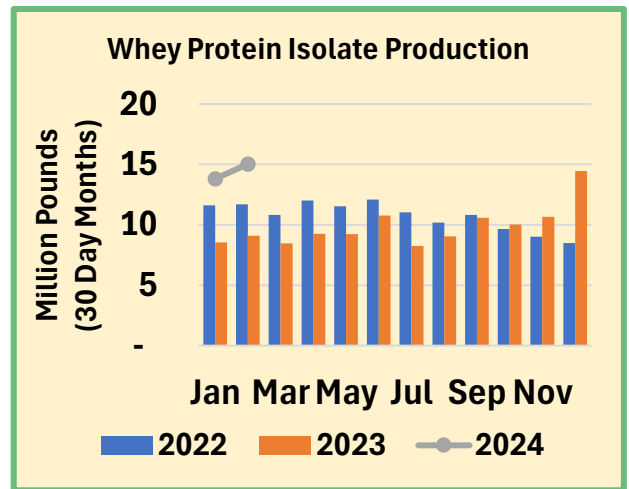


volume of any month ever and represents an adjusted 27.3% increase over the same month last year. A record high 36.6 million pounds of cheese were sent to Mexico in February, lending strength to the total figure. Strong export sales were likely a reflection of the increased competitiveness of U.S. cheese as the CME spot price dipped last year. Spot Cheddar prices found some traction this week, and especially on Friday, as blocks gained 9.75¢ to end the week at \$1.515/lb. while barrels added 10.25¢, rising to \$1.53/lb. Despite the increase, U.S. cheese remains competitive against international competitors, which bodes well for future export activity.



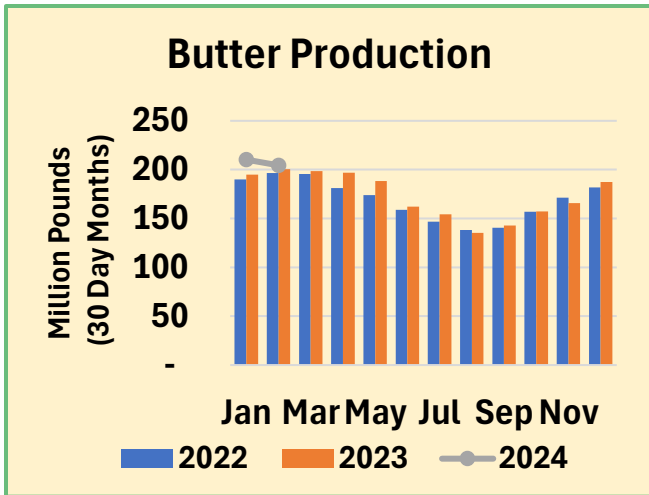
Upbeat cheese exports have helped to balance out more tepid domestic demand and have likely helped cheese from accumulating in storage. Cheese production totaled 1.133 billion pounds in February, down 0.6% compared to last year after accounting for the extra day. Manufacturers favored the production of Italian types which saw volumes grow by 0.8% while Cheddar output collapsed, falling by 7.2%. Spot milk supplies have remained widely available in recent weeks which has likely lent some support to cheese production.

Meanwhile, whey manufacturers continue to show a preference for higher protein products. Output of whey protein isolates shot up by 65.2% year over year while whey protein concentrates with concentrations between 50% and 89.9% saw volumes rise by a more modest 6.5%. Dry whey increased by 2.8% during February. Similar trends were reflected in February’s exports, as shipments of WPC increased by 50.5% and were sufficient to compensate for slower exports of dry whey which fell by 5.7% during the month. Weaker demand from China has weighed on total U.S. exports of whey though stronger shipments to other destinations have been sufficient to overcome China’s losses.



Dry whey was the only product that lost ground at the CME this week as the price fell 1.25¢ to 39¢ per pound. It was a relatively quiet week as only four loads changed hands though multiple bids and offers were left on the board after trading closed. Market participants indicate that manufacturers remain confident that strong cheese production will continue to create an ample whey stream to meet their needs.

Butter prices continued to inch higher this week, climbing as high as \$2.94/lb. on Wednesday and Friday, the highest price seen since early November last year. Prices are historically elevated for this time of year, but trading remains active as 33 loads of butter moved at the spot market this week. Domestic demand is respectable, but it seems that the desire to squirrel away inventories to use later in the year is keeping tension in the markets, as well.

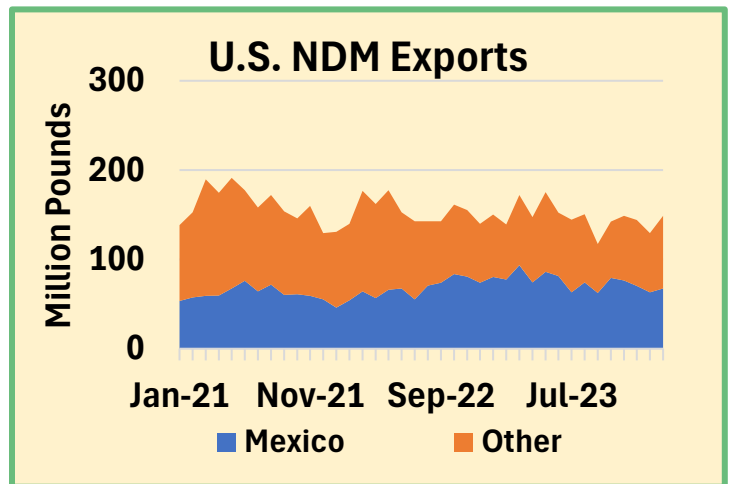


Cream is relatively available and stronger component values have helped to prop up cream availability even as overall milk production has been shrinking. Butter production totaled 197.619 million pounds in February, up 1.9% year over year. As butter prices have soared, international interest has also deteriorated. Butter exports fell by 35.3% year over year in February, falling to 5.1 million pounds.

Meanwhile, nonfat dry milk (NDM) and skim milk powder (SMP) exports rebounded in February, rising 3.4% year over year to 148.9 million pounds. The

increase in milk powder exports was principally due to recovering demand in Southeast Asia, and especially in Indonesia and Vietnam where exports rose by 16.8% and 446% compared to the same month last year. Exports to Mexico, however, fell by 16.2% during the month.

Combined production of NDM and SMP crashed by 19.3% in February with manufacturers showing a relative preference for SMP, likely reflecting improving export demand. Meanwhile, manufacturer’s stocks of NDM continued to decrease, falling to 209.589 million pounds in February, down 106.231 million pounds from the same month last year and down 2.661 million pounds since last month. Despite shifts in both supply and demand, the spot NDM market has remained remarkably stable. The market added 1.25¢ this week, rising to \$1.1325/lb. as 12 loads moved. While the market has enjoyed balance thus far, shifts on either side of the ledger could push the market out of this range.



Highly Pathogenic Avian Influenza (HPAI) continues to plague the industry as new cases have been found in multiple states and one person is believed to have contracted the virus. While health officials continue to update their guidance on the situation, they remain clear that food safety protocols, including pasteurization will protect the safety of the U.S. food supply. Milk production is generally trending higher seasonally and while some parts of the country have faced inclement weather these conditions have generally been isolated and are not expected to undermine overall production. Class I demand is beginning to bounce back as institutions return from spring holiday breaks.

Grain Markets

The grain markets were subdued this week as participants sought clues that might give the market some directionality. MAY24 corn futures ended the week at \$4.3425/bu. while DEC24 corn settled at \$4.725/bu. Meanwhile MAY24 soybean meal finished out the week at \$333.1/ton as DEC24 soybean meal ended at \$340/ton. If prevailing prices hold, USDA’s Dairy Margin Coverage Decision Tool suggests that this year producers will face the lowest feed costs they have seen since 2020.

Information Evolving on Mystery Texas Dairy Disease

Courtesy of the [California Dairy Quality Assurance Program](#)

Note from Kevin Abernathy, General Manager

As our members know, I have been providing regular updates via direct email for the past couple of weeks regarding the cattle health situation that originated in Texas. We've learned a lot, but there are still a lot of unknowns about the Highly Pathogenic Avian Influenza (HPAI) that has now infected cows in Texas, New Mexico, Kansas, Idaho, Michigan, and Ohio. As of this writing, we are not aware of any cases in California, Arizona, Oregon, or Washington.

Last week, our State Veterinarian Dr. Annette Jones developed a set of protocols for dairy producers to follow on their farms. I forwarded those protocols to our members last week. I also shared the following in a memo last Friday:

*The best recommendation we have heard thus far is to focus on your bio-security plan. Make sure you keep good records, including who is coming onto the dairy. If possible, limit the amount of traffic onto the dairy, and above all else, **know where your cattle are coming from**. Also make sure your milking equipment cleaning protocols are up-to-date and being adhered to.*

Effective yesterday, Dr. Jones issued an official Order that states:

1. ORDER

All dairy breed cattle originating from any state(s) where Bovine Associated Influenza A (H5N1) Syndrome** has, or have been diagnosed, must be accompanied by a Certificate of Veterinary Inspection (CVI) and signed by an accredited veterinarian within seven (7) days of transport that includes the following statement:

"All animals identified on this Certificate of Veterinary Inspection (CVI) have been inspected and do not originate from a premises with a confirmed detection of Bovine Associated Influenza A (H5N1) Syndrome or that is currently under investigation as a suspect premises."**

** Signs of Bovine Associated Influenza A (H5N1) Syndrome in cattle include:

- Drop in milk production
- Loss of appetite
- Changes in manure consistency
- Thickened or colostrum-like milk
- Low-grade fever

2. PURPOSE

In an attempt to mitigate potential transmission from affected premises and dairy cattle to susceptible livestock in California, the duration of time that CVIs for dairy cattle are valid from date of veterinary inspection originating from any state that has a confirmed, or presumptive diagnosis of Bovine Associated Influenza A (H5N1) Syndrome** shall be reduced to 7 days.

The California Dairy Quality Assurance Program (CDQAP) also released the [update](#) below last Friday following the publication of the MPC Friday Report. In addition to the thorough and relevant information provided by Dr. Michael Payne, I would add that producers focus on their milking and hygiene protocols to minimize potential cross contamination.

Information Evolving on Mystery Texas Dairy Disease

By Dr. Michael Payne, UC Davis, School of Veterinary Medicine and Director of CDQAP

Most California producers are keenly aware of reports of dairy herds in Texas, Kansas and New Mexico experiencing a transient but abrupt drop in milk production. With USDA's [announcement](#) that the [High Path Avian Influenza virus](#), HPAI, was isolated from cattle on several affected herds, an important new avenue of investigation has opened up.

Regardless of how it pans out, learning that Avian Influenza has been documented for the first time in cattle could be upsetting. That said, there is at least some amount of good news that can be gleaned from USDA's announcement and other published literature.

There are no food safety concerns.

Because sick cattle and their milk are prevented from entering the human food supply and because pasteurization kills the influenza virus, we can reassure dairy consumers of complete food safety.

Human risk of contracting Avian Influenza appears negligible.

While sample analysis continues, initial laboratory [testing](#) has not yet detected changes in the virus making it more transmissible to humans. In addition, HPAI infection in mammals is a relatively [rare event](#) and affected mammals are typically thought of as "dead-end hosts"; they rarely directly transmit the virus to other animals. For instance, in the current U.S. HPAI poultry outbreak involving some 60 million birds, there have been no [cases](#) identified of mammal-to-human or human-to-human transmission.

Within the herd, the disease appears to be self-limiting.

HPAI in poultry flocks can kill hundreds of thousands of birds in a matter of days. Regardless of whether or not HPAI is confirmed as the sole disease agent in affected herds, illness seems limited to about 5 to 10% of the milking herd and direct mortality has not been reported. Symptoms have not been reported in calves, growing heifers or dry cows. With routine support, especially hydration, cattle with clinical signs are reported to recover

Affected dairies can recover.

While a terrible event for involved producers, many affected herds have reported a return to near-normal production within 3 weeks.

State animal health officials are on alert.

The disease syndrome has not been identified on any cattle premise in California. CDFA animal health experts are closely monitoring the situation and are in constant communication with state and federal officials in affected states. Border agricultural stations in California are on alert to check that haulers

meet requirements for interstate movement, which includes a [Certificate of Veterinary Inspection](#) (CVI or “health papers”) and entry permits. Persons facilitating movement of livestock into California that carry disease or originating from an affected premise may face criminal penalties (including jail) and administrative fines of up to \$1,000/head/day.

There are currently no plans to close California borders.

Exposure of cows to infected wild birds (or their droppings) seems to be the most likely route of exposure to HPAI, although recent cases in ID and MI suggest cow to cow spread can also play a role. For now, precautions already in place reduce the risk of direct introduction into dairies in California and these import requirements will continue to be enforced by California’s Agricultural Border Stations. If you are shipping youngstock between California and affected states, it remains critical that you know the status of the herd of origin and insist on a valid CVI. If it’s determined that a disease poses a significant threat to California cattle that cannot be adequately controlled through the current interstate movement requirements and farm level biosecurity, aggressive regulatory action will be taken.

Currently, California producers need only focus on basic biosecurity procedures.

Review source of replacements – During the current situation, it would be prudent to inquire about the movement, housing and health history of the animals to be transported, and their potential exposure to infected premises. Trailers transporting cattle from affected states should be thoroughly cleaned with a power washer and appropriate disinfectant prior to use.

Isolate new arrivals – The most important backstop precaution a producer can take is rigid adherence to an isolation period for new arrivals of at least two weeks. The isolation area should not allow nose-to-nose contact with other cows or share a water source. Such isolation requirements may be difficult to achieve on the home dairy and use of alternative isolation location may be necessary.

Report unusual symptoms – As always, in order to implement early mitigation that limits within-herd spread, as well as prevent spread to other herds, its important producers report unusual disease symptoms to their veterinarian immediately. Right now, this is particularly true if observing multiple animals exhibiting reduced feed intake and rumination or a falling herd-level milk production. While fever and diarrhea have been reported, most premises are reporting tacky to dry manure. The most severely affected cows may stop milking completely or have thickened milk almost resembling colostrum.

Review farm biosecurity – Now’s a good time to schedule a review of your farm’s [everyday biosecurity](#) procedures with your herd veterinarian. If subsequent investigations confirm HPAI infection as the causative agent in the present syndrome, producers may wish discuss their on-farm wild bird [mitigation](#) efforts. UCD produced this introductory [video](#) on pest management strategies.



Animal Rights Groups Active in Legislative Campaigns

By Emily Ellis, [Animal Agriculture Alliance](#)

Courtesy of [Hoard's Dairyman](#)

Animal rights groups are increasingly using legislative campaigns to further their agenda to eliminate animal agriculture and consumer choice. These groups are using the legislative process to introduce bills and attempt to push them across the finish line. They're also using ballot campaigns and local initiatives to force change. However the groups choose to achieve their goal, they all seem to agree that legislative initiatives are a key tactic.

One of the most notable ballot measures to pass in recent years was California's Proposition 12 which set certain animal housing requirements for farmers and ranchers within California and those that wished to sell their products in the state. The Humane Society of the United States (HSUS) was a primary proponent of the measure and is continuing to promote similar pieces of legislation in other states. This was noted at the 2023 Animal & Vegan Advocacy Summit when Kate Brindle, senior specialist of farm animal protection animal policy at HSUS, stated the [Supreme Court's decision](#) to uphold Proposition 12 "essentially gave a judicial green light so that we can keep working in the legislatures to free animals from suffering and extreme confinement."

We [predicted](#) this as a trend to look out for in 2024, and we're seeing it come to fruition already as several legislatures are battling similar initiatives. [In Maryland](#), HSUS announced it would spend six figures advocating for a cage-free egg bill. The group estimates that the bill would impact 2 million birds in the state and another 4 million birds outside of the state since Maryland imports more eggs than it produces. If it passes, the group claims this will be "the most influential piece of animal welfare legislation ever passed in Maryland, just based on the sheer number of animals impacted," highlighting HSUS' true intentions to interfere with interstate commerce. Illinois, New York, and Oklahoma are facing similar bills this year.

Continue reading [here](#).

Sacramento's War on Water and Energy

Courtesy of [Edward Ring](#), Director of Water and Energy Policy, California Policy Center

After the deluges of 2022-23, and the [rainfall season so far this year](#) delivering an above normal snowpack and above normal rain, the drought in California is over. Even the situation on the dry Colorado is much improved, with Lake Powell and Lake Mead collectively at [42 percent of capacity](#), up from only 32 percent of capacity at this time last year.

The reservoirs are full, and there's snow in the mountains, but California's farmers are [still getting squeezed](#). The federal allocation to farmers in California's vast Central Valley is held to 35 percent of the contracted amount, and the state water project allocation is only at 30 percent. As a result, millions of acres of farmland are going to remain fallow this year.

California has historically delivered [50 percent of the total fruit and vegetables](#) produced in the entire country. But consumers in California are increasingly finding [imported food products](#) in their grocery store aisles, including produce easily grown here: avocados from Mexico, apricots and grapes from Chile. In 2020, imports of agricultural products into California [reached nearly \\$10 billion](#), against exports of \$13.4 billion.

While California so far can at least claim to be a net food exporter, it lost self-sufficiency in energy decades ago. Despite impressive reserves of natural gas and crude oil, California [imports 74 percent of its crude oil](#) and over [90 percent of its natural gas](#). California's annual [in-state production of crude oil](#) is less than one-third of what it was in 1985.

It isn't as if we don't need this fuel. After decades of exhausting attempts to push renewables, in 2021, [according to the US EIA](#), the state still derives 45 percent of its energy from petroleum products and another 31 percent from natural gas. Those percentages would be even higher, but included in the denominator is another 9 percent of total energy consumption represented by [electricity imported from other states](#).

With agriculture, Sacramento's indifference to the plight of farmers can be explained economically. "Agriculture, Forestry, Fishing and Hunting" represents a paltry [1.5 percent of California's \\$3.0 trillion GDP](#). Not a ton of clout there, and that explains a lot.

The same argument can be made for oil and gas. According to an authoritative [2019 report](#) from the Los Angeles County Economic Development Corporation, the oil and gas industry in California "generated \$152.3 billion in total economic output, making up 2.1 percent of California's overall gross state product in 2017."

Numbers matter. Farming and logging, 1.5 percent of GDP. Oil and gas, 2.1 percent of GDP. Who cares?

Continue reading [here](#).

Bird Flu Diagnosed in Additional Cattle Herds; NMPF Coordinating Industry Responses with State, Federal Officials

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

Last week, we had just discovered that we were dealing with the advent of bird flu (highly pathogenic avian influenza) in dairy cattle. This week, state and federal authorities have stepped up their investigations into herds with cattle displaying the symptoms of HPAI-related illness and found additional evidence of infections in herds across six states.

NMPF has been coordinating information sharing among academic and governmental organizations, helping educate a range of stakeholders about the virus, how to keep it out of the cattle population, and

how to prevent its spread to humans, especially those working on farms. Toward that end, we hosted a terrific webinar this week that offers valuable information; [click here](#) to access the recording. In addition, USDA's Animal and Plant Health Inspection Service also released [recommendations](#) for dairy farmers, veterinarians and state animal health officials. We are also sharing information with customers, both domestic and international, about the virus, how it affects cattle, and how we continue to keep our milk supply safe.

It goes without saying that the situation is changing daily, so to help the industry stay abreast of developments and centralize resource materials, we've created a special web page at www.nmpf.org/hpai for more information and a full listing of HPAI and biosecurity-related resources. Our FARM Program also offers [this website](#) with a range of biosecurity materials.