

MPC WEEKLY FRIDAY REPORT

DATE: SEPTEMBER 29, 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	-\$0.0600	\$1.7200	WEEKLY CHANGE	+\$0.3000	\$3.3000
Barrels	-\$1.1200	\$1.4800	WEEKLY AVERAGE	+\$0.3560	\$3.2310
WEEKLY AVERAGE CHEDDAR CHEESE		DRY WHEY		NAT'L PLANTS	
Blocks	-\$0.0755	\$1.7465	DAIRY MARKET NEWS	W/E 09/29/23	\$0.3350
Barrels	-\$1.1125	\$1.5185	NATIONAL PLANTS	W/E 09/23/23	\$0.3014
				LAST WEEK ENDING 09/16/23	
				NAT'L PLANTS \$1.1207 14,489,502	
				NAT'L PLANTS \$1.1207 18,024,919	

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
SEPT 29 EST	No Change	\$19.88	\$18.38	No Change
LAST WEEK	\$20.50 - \$21.00	\$19.82	\$18.41	\$18.84

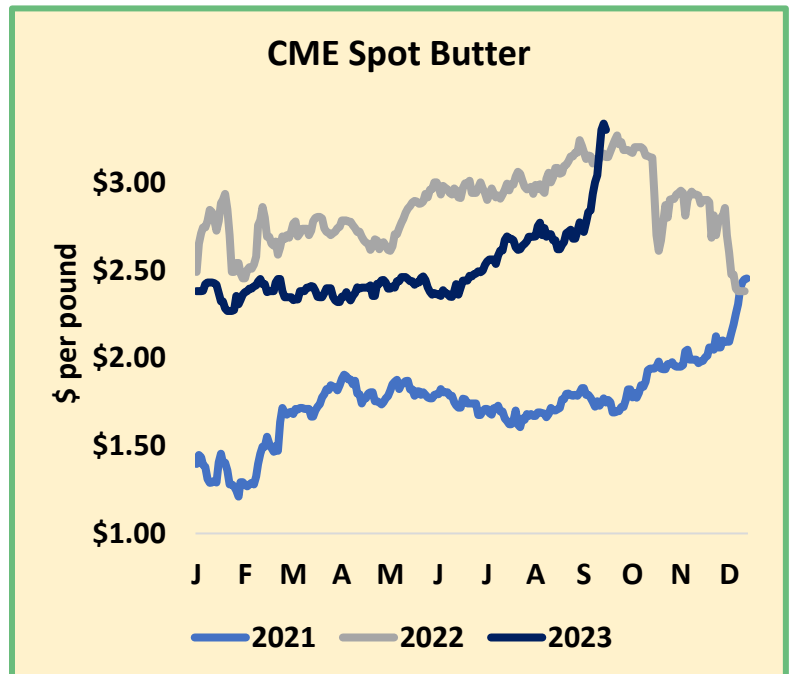


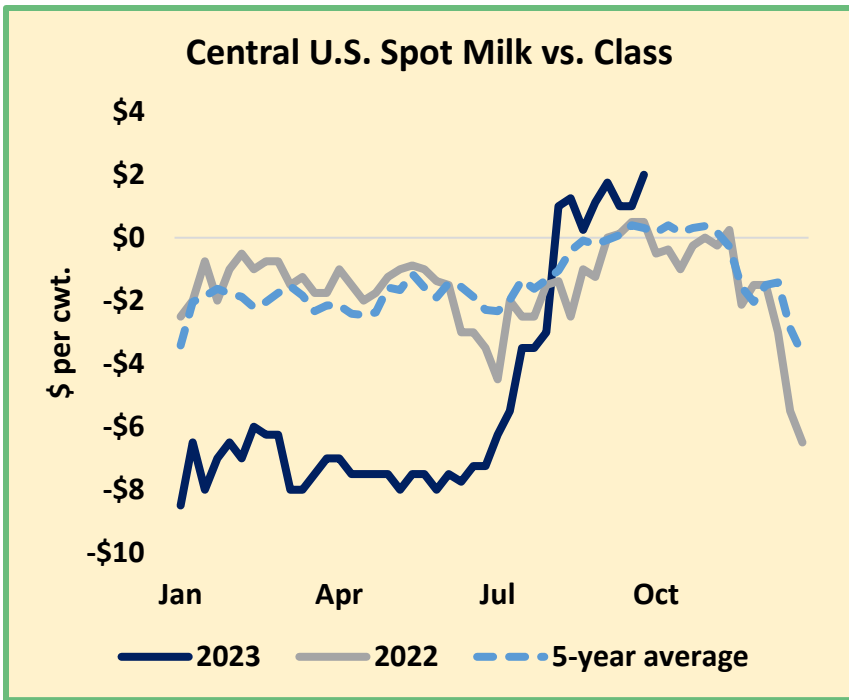
Milk, Dairy and Grain Market Commentary

By Sarina Sharp, Daily Dairy Report
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Milk & Dairy Markets

The U.S. butter market took off like a rocket. It soared 30¢ this week and closed at \$3.30 per pound, just shy of the all-time high set yesterday. The meteoric strength caught the market by surprise. U.S. butter output in January through July was record large, up 4% from the scant volumes of 2022. But domestic demand was even stronger, up 8% during the same period. USDA showed August 31 butter stocks at 289 million pounds. While that is 3.9% higher than last year, it is still tight. Butter stocks typically decline in the summer, and this June, July, and August they dropped at more than twice the normal rate. Cream is





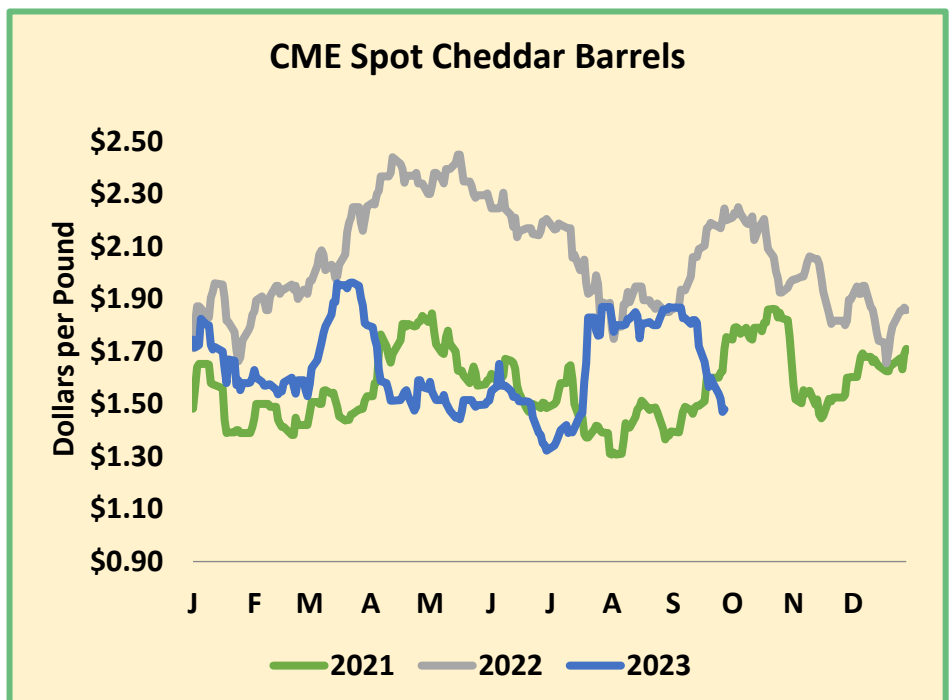
expensive, and butter churns are not running hard. Butter buyers are heading into the fall baking season with painful memories of last year. They're hoping for lower prices, but they're also making sure they get their hands on some product, despite the jarring expense. Butter is likely to remain expensive until butter buyers are confident they'll have enough product to stock shelves for the holidays.

Milk powder prices also rallied. CME spot nonfat dry milk (NDM) finished the month at \$1.1825 per pound, up 1.5¢ this week to its highest price since May. The powder markets are cheered by

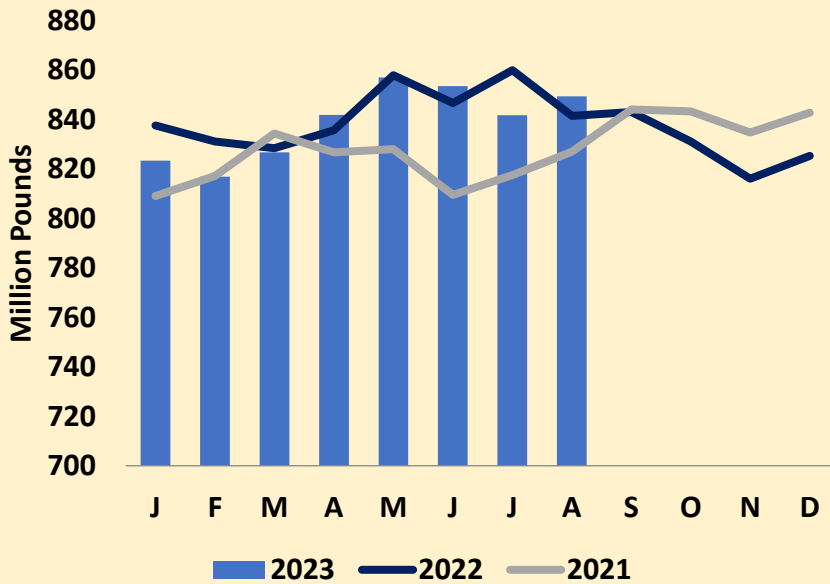
slower milk output and higher prices abroad. Whole milk powder (WMP) inched upward at the Global Dairy Trade's Pulse auction this week, and European skim milk powder (SMP) futures advanced. Although fall temperatures have boosted milk yields, spot milk prices suggest that processors continue to compete for milk in the Midwest, and driers are the last in line. Loads of spot milk commanded a \$2 premium this week, a mark-up not seen since 2016.

Strength in the spot butter and powder markets helped to lift nearby Class IV futures. The October contract leapt 60¢ this week to \$20.80 per cwt., and November Class IV topped \$20 as well. But 2024 futures slipped, likely due to concerns that U.S. milk production is not contracting as quickly as it once did. The heat has abated and slaughter has slowed.

Barrel prices continued to tumble down the cliff. This week they dropped 12¢ to \$1.48. Blocks fell 6¢ to \$1.72. There is simply too much Cheddar. USDA reported August 31 cheese stocks at 1.49 billion pounds, up 0.5% from last year. Cheese stocks typically decline from July to August, but this year's drawdown was minimal, clocking in at less than 3.5 million pounds. Inventories of American-style cheeses, including Cheddar, increased last month, bucking the seasonal trend. Domestic demand is



American Cheese Stocks



reportedly steady. It's likely that slower exports are causing cheese to pile up, and prices are dropping accordingly.

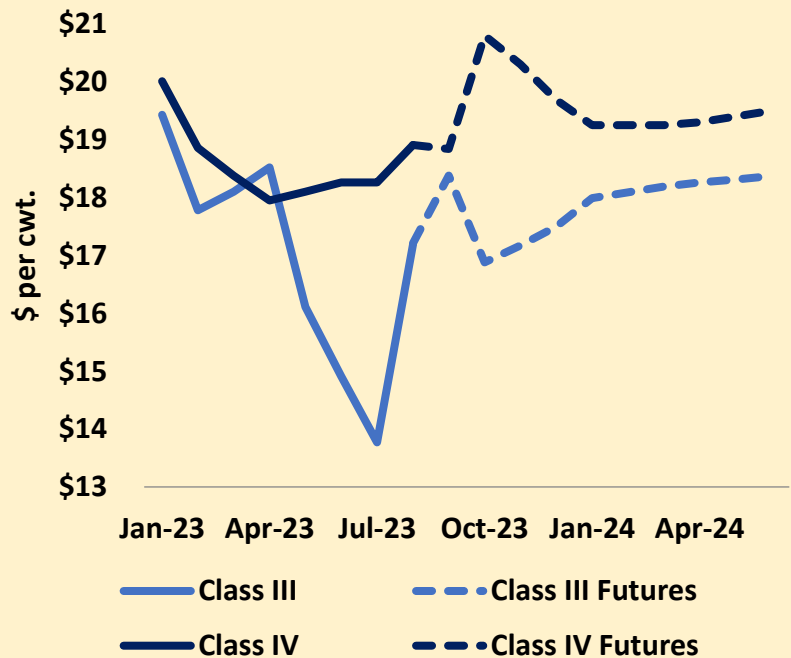
Whey prices also retreated this week. CME spot whey powder slipped 1.5¢ to 29¢. Industry stakeholders continue to report better demand for whey protein concentrates and slower whey output. Nonetheless, the whey market has struggled to find its footing as it digs itself out of the massive stockpile that accumulated this summer.

With both cheese and whey in the red, Class III prices took a sizeable step back. October Class III fell 28¢ to \$16.88 per cwt., a level that is sure to disappoint dairy producers. Operations that depend on Class III revenue are facing the prospect of more red ink, despite falling feed costs.

Grain Markets

Corn futures spent much of the week moving higher, but they fell back Friday with a little help from the latest USDA data. The agency reported lower September 1 corn stocks than the trade had expected, which should have invigorated the bulls. But USDA also called for a surprisingly large 2023 wheat crop. December wheat futures dropped hard, and corn followed them lower. December corn futures settled today at \$4.7675 per bushel, down just a half-cent from last Friday.

Milk Prices



USDA unexpectedly raised its estimate of September 1 soybean inventories, dragging the soy complex deeper into the red. November soybeans closed at \$12.75, down another 21.25¢ this week. December soybean meal settled at \$381.20 per ton, down \$4.60 from last Friday.



Federal Milk Marketing Order Hearing Report – Week Six

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

When I tuned in to the hearing at 5 a.m. Pacific time on Monday morning, I heard a different voice come through my earbuds. Judge Jill Clifton, who had presided over the California FMMO hearing in Clovis in 2017, and whose manner and voice are very distinctive, reported that Judge Channing Strother, who had presided from the beginning of the hearing in August, had come down with COVID and was sick in bed. Judge Clifton is a delightful lady who injects motherly advice, makes encouraging comments (after a cross examination finished, she made the following observation, “excellent questions and the responses were stunning”), and generally seeks to lighten up this long and tedious process that is the FMMO price hearing.

The week was a slog. NMPF introduced proposal 13, which is to return the Class I base price to being set on the “higher of” either Class III or Class IV instead of the current “average of” method. There was a lot of cross examination and rebuttal testimony on the value of hedging and whether Class I can be hedged under a “higher of” scenario. Tim Doelman, a co-founder and current CEO of fairlife, gave very interesting testimony about the history of fairlife, which started in 1998, and also insights into how they created their products and how they market them. He was in favor of keeping an “average of” but was sympathetic to the concern of farmers about missing out on revenue when the “average of” plus 74 cents generate a lower Class I price than the “higher of” would provide. Interestingly IDFA and the Milk Innovation Group, which is also made up of processors, are proposing an “average of” modification that adjusts the 74 cents upward in the future to account for any shortfall the “average of” plus 74 cents creates. There is still the problem that Federal Orders are essentially voluntary for non-Class I milk. The decision to pool or not pool can be made monthly in most orders. Even if, on average, Class I prices can be made to match what the “higher of” formula would produce in revenue, if the “average of” produces a lower Class I price in a particular month, de-pooling is incentivized to the detriment of the system.

There was also testimony from the Wisconsin Cheesemakers about make allowances. They are proposing a big increase. But interestingly to me was the observation by John Umhofer, their executive director, that we needed to establish policy to make sure there was still an incentive to make specialty cheese. I certainly agree with that, but wonder if we raise make allowances to the extent the processors want, won't making commodity cheese be so profitable that it removes the margin pressure to make higher value cheese?

As usual, on Friday dairy farmers were able to testify virtually. This week two co-op dairy farmer leaders from California were among the 10 dairy farmers to testify. Perry Tjaarda from DFA and Simon Vander Woude, the chairman of the CDI board.



California dairy farmers Perry Tjaarda (left) and Simon Vander Woude (right) provide testimony during the FMMO hearing.

The hearing next week, if it happens (the government may shut down on Saturday night if Congress does not pass a new budget), will be more base Class I price testimony. There are proposals to remove advanced pricing from Class I and II, (both NMPF and IDFA oppose this) as well as proposals to base Class I only off of Class III. If we get through this topic, then we will move to the last issue for the hearing which is Class I and II differentials. That item will involve dozens of witnesses. So, we are nowhere near the end of this marathon.

View the hearing or, you may listen only, via cellular phone or landline

To view the webinar: <https://www.zoomgov.com/j/1604805748>

Or One tap mobile: +16468287666,,1604805748#

Or Telephone: +1 669 254 5252 Enter Webinar ID: 160 480 5748

If you have any technical difficulties, please email FMMOHearing@usda.gov.

SGMA Happens

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

The Kern Subbasin GSAs – and there are about 17 of them – have agreed on a common approach to setting minimum thresholds. A lack of coordination between these GSAs in their originally submitted plans was a big reason for their subbasin being deemed “inadequate” by the Department of Water Resources and thereby moving the Kern Subbasin into a relationship with the State Water Resources Control Board. Getting to this agreement amongst themselves was a huge accomplishment. What remains to be seen is if the State Board accepts this common approach as an acceptable path forward. Time will tell, but getting agreement among the Kern GSAs was a very positive step.

The Kaweah Subbasin is working on a common approach to minimum thresholds as well. They seem to be making progress on that front but are struggling with a sharp difference of opinion between the GSAs on the allocations of overdraft that is part of the ramp down of groundwater pumping as the subbasin moves toward sustainability in 2040. The two of the three GSAs in the subbasin have Central Valley Project surface water rights. The third GSA has some land with local Kaweah River water rights but a significant amount of land that is groundwater only dependent. This difference in circumstance leads to differences in perspectives and of course the stakes are high for everyone. Kaweah is a place where neighbor helping neighbor could make a big difference in easing the coming pain that reaching sustainability will cause. Hopefully, the parties will work positively toward that outcome.

District Rule 4702 Emission Standards for Agricultural Operators

Courtesy of [San Joaquin Valley Air Pollution Control District](#)

Note from Kevin Abernathy, General Manager

Any producers that have existing natural gas ag pumps onsite for irrigation, or any other purposes, need to make sure they have an Authority to Construct (ATC) in place if an additional control device needs to be added to your Johnson MurCal SCR. The emissions limits have been lowered to meet more

stringent air quality requirements at the state and federal levels for PM 2.5. Please call MPC if you'd like to discuss or need assistance.

Compliance Assistance Bulletin

District Rule 4702 was amended on August 19, 2021 to reduce NOx, CO, and VOC emissions from spark-ignited internal combustion engines. The rule amendment includes a requirement for agricultural engine operators to submit an Authority to Construct application, Emission Control Plan, or Permit Exempt Equipment Registration to the District.

Agricultural operators of spark-ignited engines that have not yet submitted their Authority to Construct (ATC) application form, Emission Control Plan (ECP), or Permit Exempt Equipment Registration (PEER) form must do so immediately.

Links to the Compliance Assistance Bulletin, ATC/ECP application form, PEER application form, and Rule 4702 are provided below.

- [Compliance Assistance Bulletin](#)
- [ATC/ECP Application Form](#)
- [PEER Application Form](#)
- [Rule 4702](#)

Producer Review Board Meeting on QIP Assessment Rate October 2

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

The Producer Review Board will hold its next meeting on **October 2, 2023 at 10 a.m.** There will be no in-person option for this meeting and the meeting will be limited in scope to the QIP Assessment rate revision. The meeting agenda is available [here](#). See the next page for meeting sign on details.

Meeting Link

<https://us02web.zoom.us/j/86411281129?pwd=S1I3SzQwdzlwFdxVHNUNVdoWXVHQTo9>

To join the meeting, please click on the link provided above.

Meeting ID: **864 1128 1129**

Password: **94uUs*du**

To join by Phone, dial **669 900 6833** and follow the instruction provided.

Meeting ID: **864 1128 1129**

Passcode: **86109464**

Nominations for CVDRMP Board of Directors Due October 25

Courtesy of [Central Valley Dairy Representative Monitoring Program](#)

The Central Valley Dairy Representative Monitoring Program (CVDRMP) is seeking nominations for candidates for election to its Board of Directors. Nomination forms were mailed in mid-September to current members and must be returned to the CVDRMP office by October 25, 2023. Nomination forms are also available at [CVDRMP.org/Election](https://cvdrmp.org/Election).

A total of seven seats are available for nominations, one for each CVDRMP "B" district seat listed below and an additional vacant "A" seat in District 5 to complete the 2023-25 term. Following the call for nominations, an election by mail-in ballot will be held in December 2023. Director terms for "B" seats are two years in length and begin in 2024.

Current "B" seats up for election and current seat holder:

- District 1 | Tulare County | Vacant
- District 2 | Merced & Madera counties | Jeff Troost
- District 3 | Kern, Fresno & Kings counties | Perry Tjaarda
- District 4 | Stanislaus County | Vacant
- District 5 | San Joaquin County & north | Rien Doornenbal
- At-large | All counties in Central Valley Water Board area | Scott Wickstrom

The CVDRMP is a not-for-profit group of more than 1,200 Central Valley dairies and bovine operations, organized and overseen by directors elected from its membership. Any member in good standing who owns or operates a dairy or bovine facility is eligible for nomination.

CVDRMP's purpose is to reduce regulatory compliance costs for members by administering a representative groundwater monitoring program for permitted dairy and bovine facilities operating within the Central Valley Regional Water Quality Control Board region. CVDRMP also assists all members in complying with the Central Valley Water Board's recently implemented Nitrate and Salt Control Programs. Membership in this coalition satisfies individual groundwater monitoring regulatory requirements included in the Dairy General Order and requirements of the Salt and Nitrate Control Programs. More background about CVDRMP's activities and its work to make compliance easy for its members can be found [here](#).

Want to make sure your dairy or bovine operation is in good standing through 2023? Contact the CVDRMP office at cvdrmp@gmail.com and include your facility address and name. You can also call the CVDRMP office at 916-594-9450.

