

# MPC WEEKLY FRIDAY REPORT

DATE: AUGUST 11, 2023  
 TO: DIRECTORS & MEMBERS  
 FROM: KEVIN ABERNATHY, GENERAL MANAGER  
 PAGES: 7



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## MPC FRIDAY MARKET UPDATE

<b>CHICAGO CHEDDAR CHEESE</b>		<b>CHICAGO AA BUTTER</b>		<b>NON-FAT DRY MILK</b>	
Blocks	+ \$.0025 \$1.9900	WEEKLY CHANGE	+ \$.0700 \$2.6900	<b>WEEK ENDING 08/05/23</b>	
Barrels	+ \$.500 \$1.8250	WEEKLY AVERAGE	+ \$.0260 \$2.6690	NAT'L PLANTS	\$1.1407 23,127,438
<b>WEEKLY AVERAGE CHEDDAR CHEESE</b>		<b>DRY WHEY</b>		<b>LAST WEEK ENDING 07/29/23</b>	
Blocks	+ \$.0095 \$1.9705	DAIRY MARKET NEWS	W/E 08/11/23 \$2.950	NAT'L PLANTS	\$1.1276 24,710,018
Barrels	-.0365 \$1.8055	NATIONAL PLANTS	W/E 08/05/23 \$2.469		

## 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
AUG 11 EST	No Change	\$19.88	\$17.32	\$18.95
LAST WEEK	\$18.22 - \$18.72	\$19.65	\$17.20	\$18.75

## JULY 2023 CA FMMO STATISTICAL UNIFORM PRICE ANNOUNCEMENT

JUL '23 FINAL	CLASS I	CLASS II	CLASS III	CLASS IV	STATISTICAL UNIFORM PRICE (BLENDED PRICE)	NET PRICE AFTER QUOTA ASSESSMENT*
<b>MINIMUM CLASS PRICE</b>	\$18.92   TULARE \$19.42   L.A.	\$19.12	\$13.77	\$18.26	\$15.03   TULARE \$15.53   L.A.	\$14.743   TULARE \$15.243   L.A.
<b>PERCENT POOLED MILK</b>	17.3%	5.5%	72.8%	4.3%	100% (2.01 BILLION LBS. POOLED)	

\*QUOTA RATE OF \$0.287/CWT. AS OF JULY 2023 MILK



### Milk, Dairy and Grain Market Commentary

By Monica Ganley, Quarterra

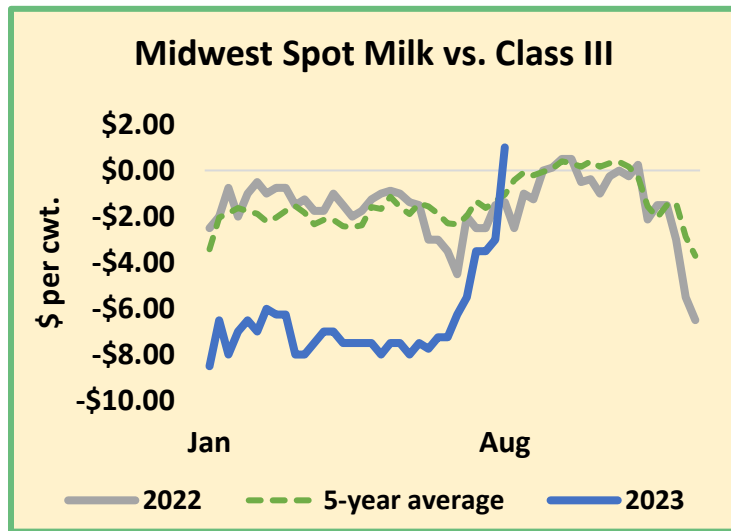
[Monica.Ganley@QuarterraGlobal.com](mailto:Monica.Ganley@QuarterraGlobal.com)

#### Milk & Dairy Markets

A strange calm pervaded the dairy markets this week. Juxtaposed with the recent fireworks, the spot markets may have seemed downright boring to some as prices moved mostly sideways with just a few flashes of activity. Buyers and sellers appeared content to bide their time, as they wait for information that will push the markets one way or the other.

Milk is tightening up considerably across the country. Scorching temperatures continue to depress production and even in parts of the country where the worst of the heat has passed, persistent summer conditions are weighing on volumes. Seasonal impacts are compounding structural shifts in the market as dairy slaughter remains elevated. For the week ending July 29, national dairy slaughter was 7.3%, or 4,100 head, greater than in the same month last year. The biggest slaughter increases were seen in the West and Southwest.

Many schools are preparing to welcome their students back in the coming weeks and Class I orders have increased as a result. A stronger pull from bottlers combined with the overall slowdown in

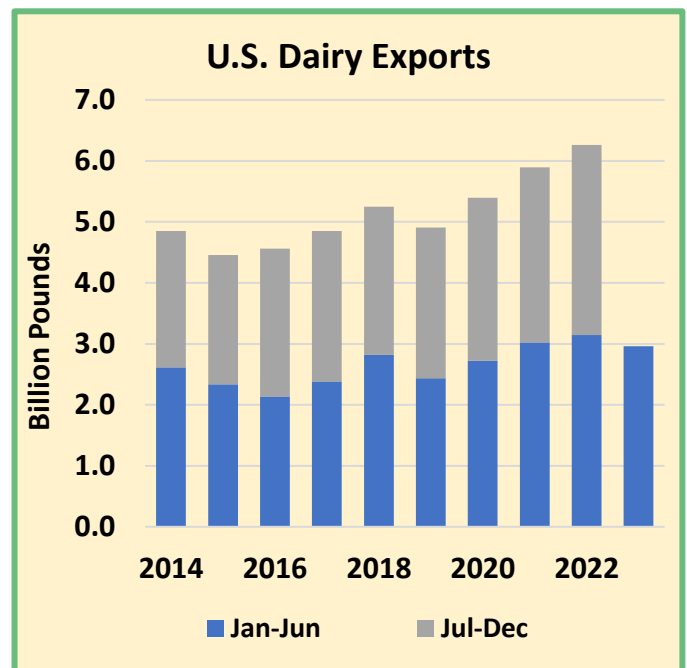


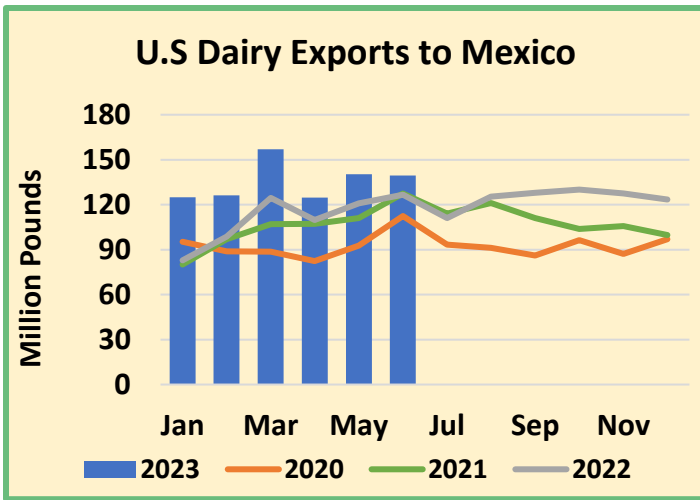
production has significantly reduced the amount of spot milk available for manufacturers with discounts evaporating as a result. According to *Dairy Market News*, ‘cheesemakers in the Midwest, for the first time in 2023, reported no spot milk prices below class.’ Some manufacturers are reporting that without cheap spot milk they suddenly have excess processing capacity available.

June export data was released earlier this week. Totalling 485.7 million pounds for the month, U.S. dairy exports were down 13.7% year over

year and posted the lowest volumes for the month of June since 2019. While the weak numbers were not necessarily surprising, they did reinforce the notion that the international market did little to help clear dairy product volumes during the month. It is important to remember that the product reflected in these figures, which physically moved offshore in June, was likely booked several months earlier when U.S. prices were still uncompetitively strong compared to international alternatives.

Slower shipments to Asia, and especially China, weighed on the overall export numbers. U.S. dairy exports to China fell to 71 million pounds, a decrease of 27.6% compared to the same month last year. Exports to Canada were also down 20.3% year over year, falling to 40.5 million pounds. Notably, buying from Mexico remained robust. June exports to Mexico set a record for the month at 139.4 million pounds, an increase of 10.1% over June 2022. Continued buying from Mexico has been a bright spot in an otherwise worrying export scenario. Cumulative exports to Mexico were up 22.4% over the first half of the year as buyers capitalized on an increase in purchasing power imbued by a peso that sits at an eight-year high.

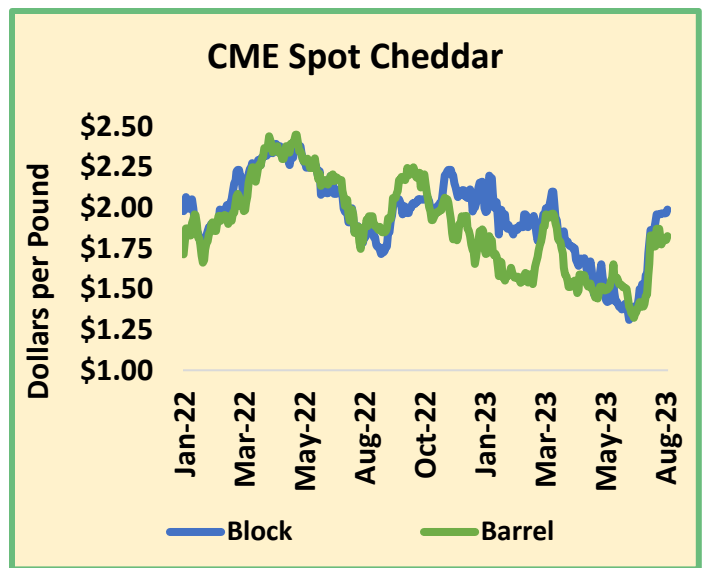




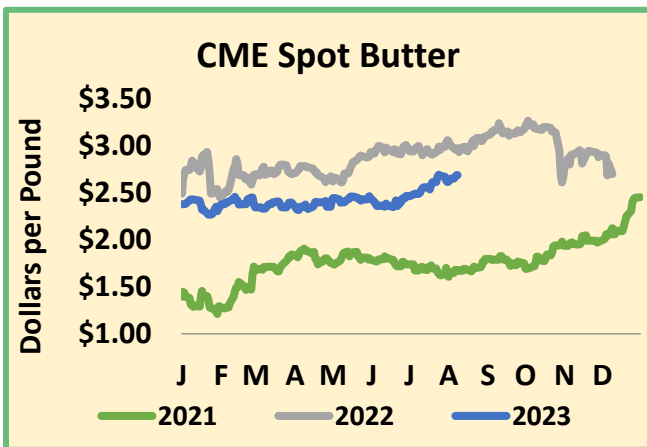
Mexican cheese demand remained strong in June, rising 10.8% year over year. But even that was insufficient to overcome significant losses in other markets. In particular, cheese shipments to South Korea fell to their lowest level in any month in over a decade. Total cheese exports dropped to just 78.8 million pounds during June, a decrease of 19% year over year. Almost certainly, weaker export volumes contributed to the accumulation of cheese at the CME which pushed prices into the \$1.30s during June. After the dramatic rally seen in July, spot cheddar prices have remained quiet. This

week blocks sat unchanged on Monday, Tuesday, and Wednesday before making modest gains on Thursday and a more notable jump on Friday. Blocks ended the week at \$1.99/lb., an increase of 2.5¢ from last week with 4 loads moving while barrels wrapped up Friday's session at \$1.825/lb. up a nickel as 4 loads traded hands. The supply of young Cheddar, eligible to trade at the spot market, is reportedly tight.

On the whey side of the Class III complex, export markets also did very little to help move volumes earlier this summer. June exports of dry whey fell to 27.1 million pounds, the weakest June value since 2004 and the lowest number in any month since October 2019. While spot dry whey prices have bounced off the lows seen in early July, they have so far been unable to break through the 28¢ per pound threshold. Over this week, the dry whey spot price lost a quarter cent closing the week at 27¢ per pound as 17 loads moved. Uninspiring dry whey prices is likely pushing manufacturers to divert the



whey stream towards higher protein products like whey protein concentrates though demand for these products is also tepid.



Hot summer temperatures have tightened up cream supplies and spot loads have become meaningfully more expensive. *Dairy Market News* reports that many churns are using exclusively contracted cream volumes and some butter manufacturers are even whittling down their inventories to meet customer needs. Shifting conditions lent a bit of strength to the

spot butter market this week as prices rose 7¢ to \$2.69/lb. with 18 loads moving. Domestic demand from both retail and foodservice channels remains healthy while international demand has been anemic. U.S. butter exports in June were down 60.3% year over year to 5.1 million pounds.

The nonfat dry milk market (NDM) came under moderate pressure this week, giving up 1.5¢ to end the week at \$1.11/lb. in a relatively active week with 27 loads moving. While tighter milk supplies should help to firm up the market, international milk powder markets remain under significant pressure. June exports of NDM were up year over year for the first time in five months, rising 2.1% to 152.2 million pounds. Strong Mexican demand continues to underpin NDM exports. Cumulative NDM exports to Mexico over the first half of the year were up 39%.

### **Grain Markets**

USDA released its World Agricultural Supply and Demand Estimates report today and reduced expectations for corn and soybean production on the back of lower yields. The agency reduced corn production expectations by 1.4% to 15.111 billion bushels and projected soybean output by 2.2% to 4.205 billion bushels, compared to last month's estimate. Reduced output is expected to underpin higher grain prices and will likely put upward pressure on producer feed costs.



### **Brief Update on the Progress of the Inadequate SGMA Subbasins**

*By Geoff Vanden Heuvel, Director of Regulatory and Economic Affairs*  
[Geoff@MilkProducers.org](mailto:Geoff@MilkProducers.org)

In making the rounds of public meetings of [Inadequate Subbasin Groundwater Sustainability Agencies](#) (GSAs) over the past couple of weeks, I have heard reports about the meetings these Subbasins have had with the State Water Resources Control Board staff recently. The reports indicate that in those meetings State Board staff has been much clearer and more specific about their concerns and expectations.

One theme I heard from a number of GSAs is that adoption of groundwater pumping allocations needs to be “Plan A.” There are a few Subbasins that have already adopted groundwater allocations, the Tule and the Kaweah being two. But there are others who were hoping to put that off. The hope was that projects to bring in more surface water would be successful, and if those projects didn't materialize or didn't produce as much water as hoped for, only then would groundwater allocations be considered. The State Board seems to be communicating that getting a groundwater allocation program in place needs to be a higher priority. Just this week there were at least three GSAs that began that allocation conversation with their boards. There are dairies in all three of those GSAs.

The other topics getting attention from the State Board are minimum groundwater level thresholds and domestic well mitigation programs funded by the GSAs to address the wells that will go dry if groundwater levels continue to drop. Universally, GSAs were frustrated in the past by a lack of guidance from the Department of Water Resources (DWR) as they were writing their plans. In DWR's defense, regulating groundwater was a completely new law of the State and local control was a primary policy directive in the law. So, DWR was reluctant to give direction. With many approved plans under their belt, the State Board staff appears now to have a better idea of what they want, and they are communicating those expectations more clearly. Lots of difficult conversations are happening. Soon decisions will have to be made. I remain optimistic that all of these Inadequate Subbasins are moving in a positive direction.

## CDFA Suspends Quota Administration Fee for One Year

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

The California Department of Food & Agriculture (CDFA) yesterday announced a one-year suspension of the Quota Program administration assessment, effective September 1, 2023. An excerpt of the notice letter from Kathy Diaz-Cretu, Director of the CDFA Marketing Services Divisions, states:

*The California Food and Agricultural Code (FAC) section 62757 provides that should a federal milk marketing order be established in California; the Secretary of Food and Agriculture is authorized to establish a stand-alone quota program. It allows for the program to be funded by an assessment on milk produced in the state (FAC 62757; QIP Article 9). The California Department of Food and Agriculture (CDFA) Quota Administration Program administers such quota program pursuant to the QIP.*

*FAC section 62757 and Article 9 of QIP provide for a quota program administration assessment to cover the cost of administering the QIP. Since November 1, 2018, the rate has been set at **\$0.0030 per hundredweight**. That rate has generated more reserves than needed to administer the QIP; accordingly, at its meeting on July 31, 2023, the Producer Review Board (PRB or Board), as an advisory body to the CDFA, voted to recommend to the CDFA that the assessment rate be **suspended for 1-year effective September 1, 2023**.*

Read the entire letter [here](#) and the official order [here](#).

## Reminder: Dairy PLUS Program Grant Applications Due August 28

Courtesy of the [California Dairy Research Foundation](#)



The California Department of Food & Agriculture is soliciting applications for the Dairy PLUS Program, the producer co-funding program to encourage implementation of advanced manure management practices. Applications are due **August 28, 2023, by 5 p.m.** Information about the program and the solicitation can be found on [CDFA's website for the program](#) and can also be found on [CDRF's Climate-Smart webpage](#).

## CDRF Dairy Research Bulletin: Published Research Review

Courtesy of the [California Dairy Research Foundation](#)

Each month CDRF Chief Science Officer, [Dr. Kevin Comerford](#), reviews emerging scientific articles that may have an impact on our industry, specifically from a California perspective. See what's new in dairy research across topics such as environmental health, nutrition and human health effects, dairy economics, animal health and genetics, and food safety and security.



The CDRF Dairy Research Bulletin delivers a brief synopsis of the most current Human, Animal, and Environmental dairy research that is going on in the world, and also that which is of special interest to California dairy producers and consumers alike.

Topics in the July Research Bulletin include:

- [Policy Analysis of CO<sub>2</sub> Capture and Sequestration with Anaerobic Digestion for Transportation Fuel Production.](#)
- [Effect of anaerobic digestion on odor and ammonia emission from land-applied cattle manure.](#)
- [Effects of the Breeding Strategy Beef-on-Dairy at Animal, Farm and Sector Levels.](#)
- [Evaluation of Cow-Side Meters to Determine Somatic Cell Count in Individual Cow Quarter and Bulk-Tank Milk Samples.](#)
- [Harnessing the Magic of the Dairy Matrix for Next-Level Health Solutions: A Summary of a Symposium Presented at Nutrition 2022.](#)
- [Towards sustainable Cleaning-in-Place \(CIP\) in dairy processing: Exploring enzyme-based approaches to cleaning in the Cheese industry.](#)

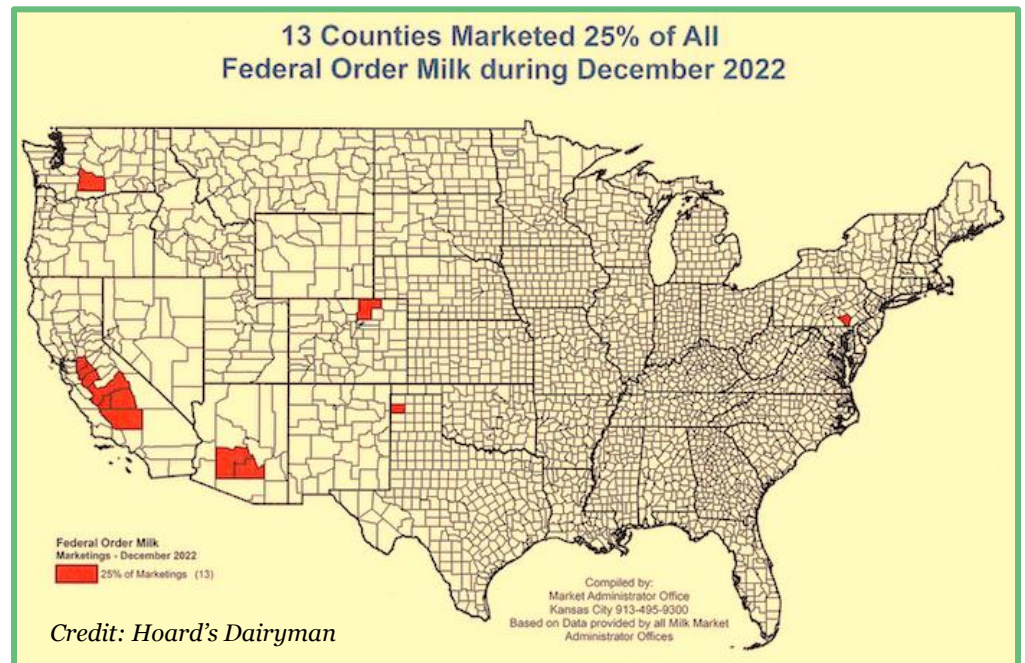
Read the entire bulletin [here](#).

## Six States Make One-Quarter of the Milk

By [Abby Bauer, Senior Associate Editor](#)  
[Hoard's Dairyman](#)

A baker's dozen of counties produced one-fourth of the nation's federal order milk that was marketed last year. Those are the same 13 counties that led this list in 2021 as well.

According to data shared by the staff at Central Order No. 32 of the Federal Milk Marketing Order (FMMO) system, California is home to seven of those counties that combine to make 25%



of the nation's milk. The counties included on that list are Fresno, Kern, Kings, Merced, San Joaquin, Stanislaus, and Tulare.

Two of the 13 counties are in Arizona: Maricopa and Pinal. Also located in the western half of the country are Yakima County in Washington, Hartley County in Texas, and Weld County in Colorado.

There was just one county east of the Mississippi that made this short list, and that is Lancaster County in southeastern Pennsylvania. The Keystone State ranks second in the nation in number of dairy farms, and about one-fourth of the state's dairies are in Lancaster County.

Continue reading [here](#).

## Ag Committee Leaders Attempting to Head Off Farm Bill Fight

*Courtesy of Jim Mulhern, President & CEO*

[National Milk Producers Federation](#)

Congress is out of session for another month, but summer storm clouds are blowing around Capitol Hill this August where the Farm Bill is concerned. At issue is how swiftly both chambers can pass respective versions of the 2023 Farm Bill – and then negotiate a single compromise package that can also be approved by the House and Senate – yet this year. While some farm bill programs begin to expire on September 30, most of the core programs are either written in permanent law or do not expire until December 31, giving Congress time to work out a bill this fall before needing to pass a short-term extension.

This week, House Ag Committee Democrats [sent a letter](#) to Speaker Kevin McCarthy, stressing the need for a bipartisan approach to the bill, and warning against an extended battle over nutrition programs, particularly food stamp eligibility. Republicans won new measures to restrict SNAP benefits in the debt ceiling agreement enacted earlier this year. That measure raised the age limit for SNAP eligibility from 49 to 54, with certain exemptions.

But some members hope to revisit the food stamp issue in the farm bill, unless congressional leaders can divert budding efforts to further tighten SNAP work rules. House Ag Committee Chairman Rep. Glenn “GT” Thompson (R-PA) is in close touch with his colleagues this month, stressing the need for bipartisanship in getting the Farm Bill over the finish line.

Related to nutrition policy, NMPF backed the new bipartisan Dairy Nutrition Incentives Program Act of 2023 (H.R. 5099), introduced recently by House Ag Committee members Reps. Jim Costa (D-CA) and Nick Langworthy (R-NY). This bill would scale up the Healthy Fluid Milk Incentive projects created in the 2018 Farm Bill to incentivize dairy product purchases among SNAP participants. It is a companion to NMPF-endorsed Senate legislation introduced this spring by Sens. Amy Klobuchar (D-MN) and Roger Marshall (R-KS).

