

MPC WEEKLY FRIDAY REPORT

DATE: APRIL 28, 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	-\$0.0625	\$1.6875	WEEKLY CHANGE	-\$0.0475	\$2.3525
Barrels	+\$0.0375	\$1.5900	WEEKLY AVERAGE	+\$0.0090	\$2.3930
WEEKLY AVERAGE CHEDDAR CHEESE		DRY WHEY		WEEK ENDING 04/22/23	
Blocks	-\$0.0865	\$1.6705	DAIRY MARKET NEWS	W/E 04/28/23	\$0.4125
Barrels	+\$0.0040	\$1.5350	NATIONAL PLANTS	W/E 04/22/23	\$0.4613
				LAST WEEK ENDING 04/15/23	
				NAT'L PLANTS	\$1.1650 19,150,599
				NAT'L PLANTS	\$1.1753 26,278,902

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 28 EST	\$20.45 - \$20.95	\$19.19	\$18.62	\$17.98
LAST WEEK	\$20.45 - \$20.95	\$19.18	\$18.63	\$17.98



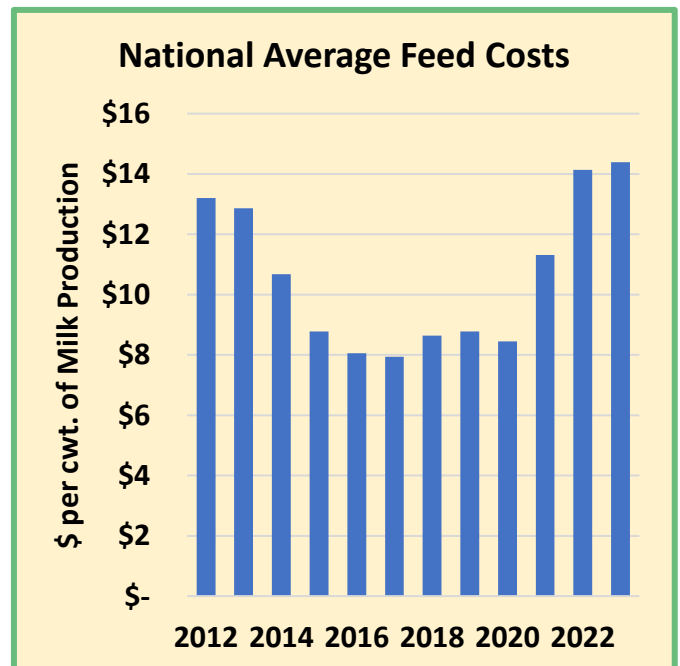
Milk, Dairy and Grain Market Commentary

By Sarina Sharp, Daily Dairy Report
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Milk, Dairy & Grain Markets

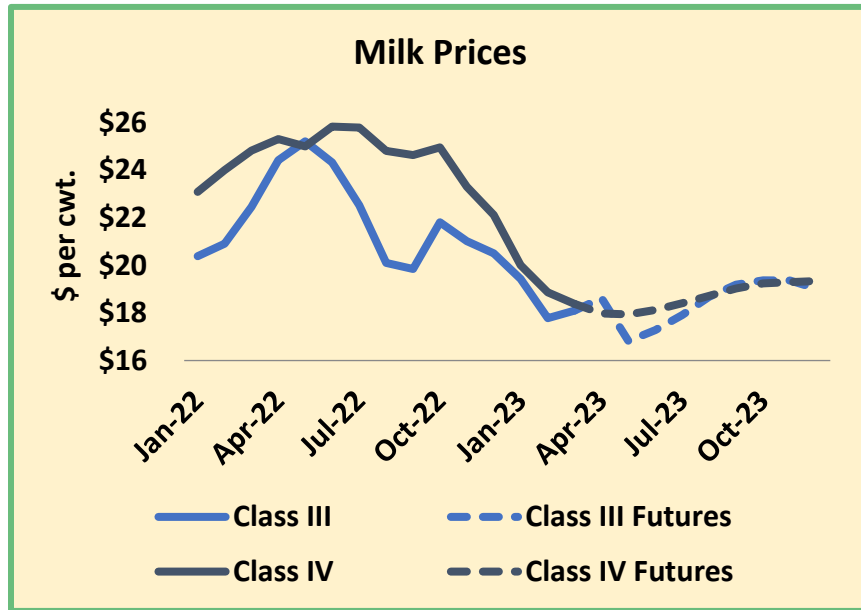
The feed markets tumbled once again this week. July corn futures notched their lowest price in nearly a year and closed today at \$5.85 per bushel, down 30¢ from last Friday. July soybeans lost just as much ground and settled at \$14.1925. July soybean meal lost another \$11 and finished at \$432.40 per ton.

Dairy producers can thank Brazilian farmers for the setback. The market is growing increasingly confident that Brazil will harvest a massive second – or safrinha – corn crop. Brazil typically sends nearly all safrinha corn for export, but this year's safrinha harvest comes hot on the heels of a large first corn crop and a record-breaking soybean crop to boot. Brazil lacks the



infrastructure to hold this year's bin-busting production, so farmers and commercial elevators are rushing to get crops out the door. Brazilian soybeans outprice U.S. soy by such a wide margin, two ships with Brazilian soybeans will hit the U.S. Southeast coast this week.

U.S. corn and soy exports were already moving at a languid pace, but now they are practically going backward. China cancelled two orders for U.S. corn this week, and China will presumably switch even



more of its business to South America. U.S. corn export commitments to foreign markets other than China stand at their second-lowest level in two decades, behind the 2012-13 crop year. As the *Daily Dairy Report* notes, “Slow U.S. grain exports could help speed the transition from today’s scarcity to anticipated abundance this fall.” Farmers are expected to plant more corn this year, and stocks are likely to climb. Optimism about this year’s crop prospects weighed heavily on summer and fall corn futures this week.

Dairy producers will surely welcome the big selloff in feed prices. But the transition from lower futures to cheaper rations could be painfully slow as producers work their way through on-farm inventories and contracted feed priced at much higher values. According to the Dairy Margin Coverage program’s formula, feed expenses used up \$14.65/cwt. of milk revenue on the typical U.S. dairy operation in March, leaving just \$6.45 to cover all other expenses. In Texas, the formula calculates feed costs equal to \$16.60/cwt. last month, which is obviously unendurable. Pain on the farm is going to get worse before it gets better, as the recent decline in feed prices has been more than offset by dramatic drops in milk values.

This week, May through August Class III futures scored fresh life-of-contract lows. The May contract is truly in the doldrums. It closed today at a punishingly low \$16.81 per cwt., down 51¢ from last Friday. The June contract dropped 79¢ this week to \$17.22. Deferred contracts also posted double-digit losses. Class IV contracts fared much better, with slight gains nearby and modest losses down the board.

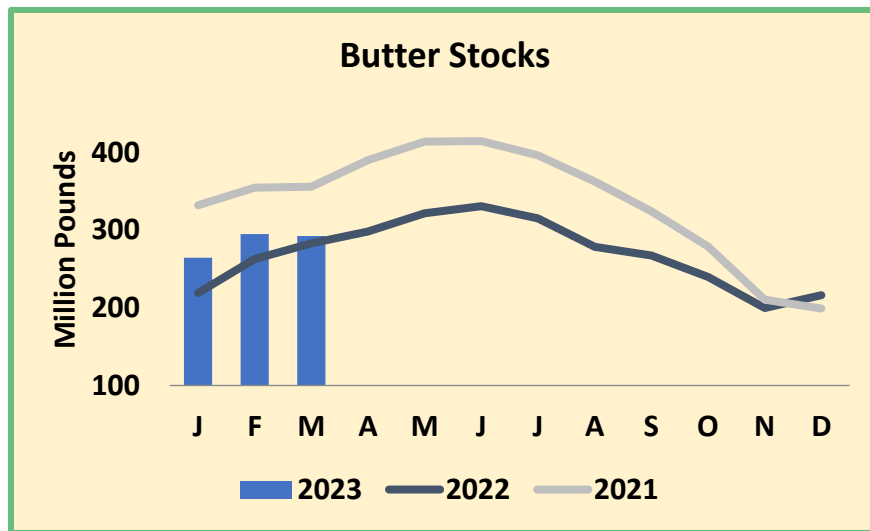
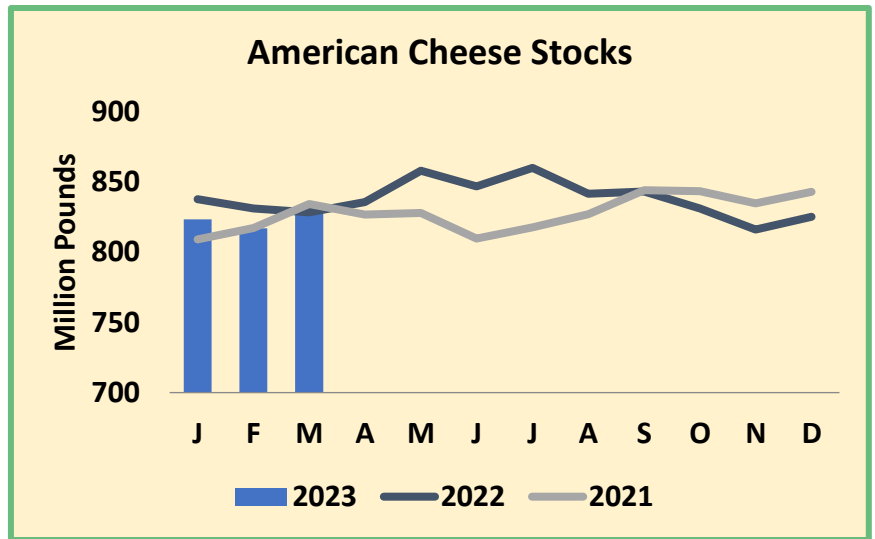
Class III values got no help from the whey market this week. CME spot whey powder slipped a penny to 35.25¢. Meanwhile, cheese prices diverged. CME spot Cheddar barrels finally sunk low enough to deter would-be sellers, while buyers continued to snap up cheese in Chicago. After spending two days below \$1.50, barrels bounced back to \$1.59 per pound, up 3.75¢ for the week. But blocks fell another 6.25¢ to \$1.6875, a 17-month low.

Despite the abundance of milk in the cheese states, cheese stocks grew at the typical seasonal rate in March. They reached 1.46 billion pounds on March 31, 0.4% below prior-year levels. However, inventories of American-style cheeses grew at a heady pace last month. They stood at 832 million

pounds, topping year-ago volumes for the first time since August. Heavy American cheese stocks and the spring flush will likely continue to weigh on Cheddar values in the near term.

Curiously, butter stocks did not grow at all last month. In fact, they fell 2.3 million pounds to 606 million pounds. March 31 stocks were still 3.5% greater than the unusually tight supplies of early 2022, but they were notably smaller than end-of-March inventories in 2020 or 2021. The shrinking stockpile helps to explain why butter prices have remained resilient,

but the industry will have to wait for the Dairy Products report and the latest trade data to determine

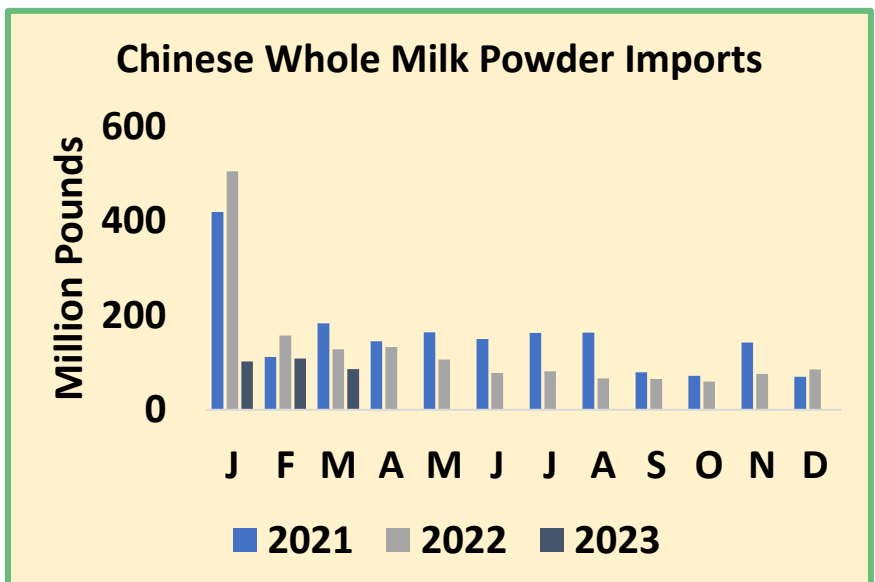


why butter inventories were so modest last month. The spot market hinted that supplies may be growing now. CME spot butter fell 4.75¢ this week to \$2.2325.

Milk powder prices managed to add another half-cent. CME spot nonfat dry milk (NDM) closed at \$1.17 per pound. Whole milk powder (WMP) prices also inched upward at Tuesday's GDT Pulse auction. However, the market remains anxious about

Chinese demand. Chinese WMP imports disappointed once again in March, a clear sign that China has enough WMP on hand, and it is not yet hungry for imported product. China is buying WMP at its slowest average rate since 2018. On the other hand, China bought skim milk powder and whey at a gallop and it purchased cheese at a trot.

If China – or any other foreign buyers – step up dairy product purchases to take advantage of today's lower prices, dairy product supplies could tighten up in a hurry. But for now, there is plenty of milk, cheese, butter, and milk powder to go around, and prices remain low.



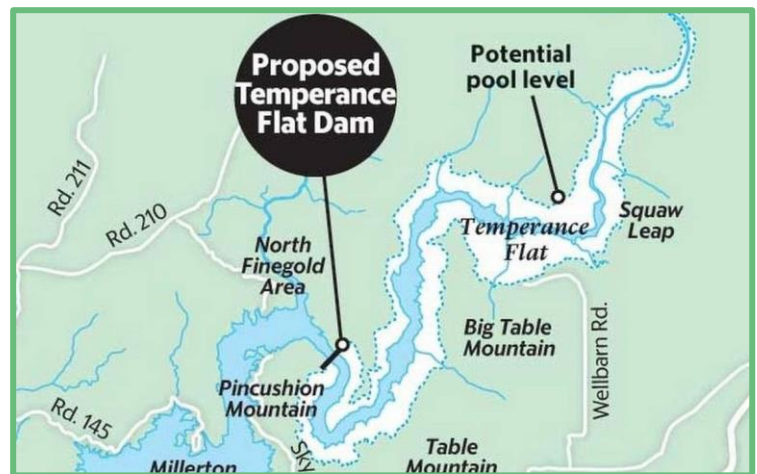


Lots of Water; No Place to Put It

By Geoff Vanden Hewel, Director of Regulatory and Economic Affairs
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An enormous amount of water is flowing out of the Delta into the ocean. The two pumping plants that export water to the California Aqueduct and the Delta Mendota Canal are not restricted by regulations at the moment and yet are not running at full capacity because there is no place for the water to go. The one major surface water storage facility south of the Delta is the San Luis Reservoir and it is full. Irrigation season has not yet started, so demand from farmers is low. The Sierra rivers are all full and what is not headed to Tulare Lake is headed to the Delta as the flood control dam operators are maximizing releases to make space in the flood control lakes for the huge inflows expected from the melting of the incredible snowpack that accumulated this winter. As a result, millions of acre-feet of fresh water are flowing out of the Golden Gate into the ocean.

This is the challenge of our day. What infrastructure can we build that can capture these flows and store them for later. The obvious reality is that very wet periods occur infrequently and like this one, show up in different places at different rates. The Southern Sierra snowpack is over 336% of normal, while the Northern Sierra is 219% of normal. The flood control lakes in the Southern Sierra are small: Lake Success is 84,000 acre-feet and Lake Kaweah is 186,000 acre-feet. The Central and Northern Sierra lakes are much larger: Pine Flat Lake (Kings River) is 1 million acre-feet, Lake McClure (Merced River) is 1 million acre-feet, Don Pedro Lake (Tuolumne River) 2 million acre-feet and New Melones Lake (Stanislaus River) is 2.4 million acre-feet. The one undersized lake in the Central Sierra is Millerton Lake on the San Joaquin River at 520,000 acre-feet. This is where an additional dam has been proposed above Millerton at [Temperance Flat](#), which would add another 1.2 million acre-feet of storage to the San Joaquin River. The Temperance Flat project was actively promoted a decade ago, but the costs to build it was calculated at over \$3 billion and the average annual increased water supply was not huge because these wet winters are so infrequent. The project was basically shelved in 2020.



So, what else can we do? It seems that on-farm recharge and increased dedicated recharge basins are things that make economic sense. The Groundwater Sustainability Plans are full of these types of recharge projects. What we are seeing this year is that more and better conveyance to get the water moved and dispersed over the Valley floor is absolutely critical to taking advantage of the recharge opportunities. There are also significant flood control benefits that can be obtained through better conveyance infrastructure. Making these improvements is a huge task, expensive and complex. But clearly there are times when the Good Lord provides bountiful precipitation, and we need to be good stewards of those resources. There is a lot to learn from this year's events and a lot of work to do to make things better. But clearly there are opportunities for progress that should not be missed.



Navigating the Bureaucracies

By Kevin Abernathy, General Manager

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I want to thank all our dairy families for reaching out over past several weeks to share their experiences in working with various agencies related to flood relief. I hear you – it’s frustrating. Many of you are getting conflicting answers or being shuffled between local, state and federal agencies. Some of the conversations both you and I have had are a bit like the old Abbott and Costello bit, “Who’s on First?” – but this isn’t funny. It appears nobody knows sometimes.

The MPC staff will keep talking to our agency partners, and there’s a lot of them. One of the challenges we’re facing at this time is the lack of a central command center to coordinate the various resources and activities. We’re doing our best, turning over every rock, and I’m pleased to say that we’re seeing some progress. One thing that has been extremely helpful from you our members are the facts you have shared related to your economic and property damages. That kind of information helps us make the case for resources for you.

As always please reach out to me directly if you have any questions or need assistance.

NRCS California Allocates \$2 Million to Assist Farmers Recover from Floods

Courtesy of [Natural Resources Conservation Service](#)

The USDA Natural Resources Conservation Service (NRCS) in California is setting aside \$2 million in federal financial assistance to help California’s agricultural producers recover from recent flooding. This funding is in addition to recent USDA funding allocated through the USDA Emergency Watershed Protection Program (administered by NRCS) and the USDA Emergency Conservation Program (administered by the USDA Farm Service Agency).



This funding applies to resource concerns that threaten the ongoing agricultural operation or create an imminent threat to agricultural operations. Eligible emergency practices primarily fall into four categories of **repairing or stabilizing animal waste structures**, **irrigation equipment**, forestry improvement, or **vehicle access**.

Eligible counties include Alameda, Alpine, Amador, Butte, Calaveras, Colusa, Contra Costa, Del Norte, El Dorado, **Fresno**, Glenn, Humboldt, Imperial Inyo, **Kern**, **Kings**, Los Angeles, **Madera**, Marin, Mariposa, Mendocino, **Merced**, Modoc, Monterey, Napa, Nevada, Placer, Plumas, **Sacramento**, San Benito, San Diego, San Francisco, **San Joaquin**, San Luis Obispo, San Mateo, Santa Barbara, Santa Clara, Santa Cruz, Shasta, Sierra, Siskiyou, Solano, Sonoma, **Stanislaus**, Sutter, Tehama, Trinity, **Tulare**, Tuolumne, Ventura, Yolo and Yuba.

Eligible Practice Damaged by Natural Disaster

- For damaged practices installed and certified under an active Environmental Quality Incentive Program (EQIP) contract that has not yet expired, the contract may be modified allowing participant to re-install the damaged practice(s).
- For damaged practices installed and certified under a past EQIP contract, producers may sign up for EQIP to re-install the practice(s) at the current payment rates.
- For damaged practices that were never certified by NRCS through any conservation program, producers may sign up for EQIP to install NRCS practices as long as all EQIP eligibility requirements are met.

Other Requirements for NRCS Practices

- All installed practices must meet NRCS practice standards including: design and specifications.
- Practices installed or work performed prior to an approved engineering design or practice plan is not eligible for EQIP.
- Practices approved for EQIP-Disaster funding do not overlap with the Farm Service Agency's Emergency Conservation Program (ECP). Producers should seek assistance either through ECP or EQIP depending on the type of practice(s) that was damaged.

The deadline to apply for this disaster assistance funding is June 16, 2023. Please visit your local NRCS service center to apply, which can be found at [here](#).

Ghost Lake Reemerges in California

Courtesy of [ABC News](#)

*MPC member **Peter De Jong** is featured in an ABC News special about the return of Tulare Lake. Watch [here](#).*

