

# MPC WEEKLY FRIDAY REPORT

DATE: AUGUST 18, 2023  
 TO: DIRECTORS & MEMBERS  
 FROM: KEVIN ABERNATHY, GENERAL MANAGER  
 PAGES: 6



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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	<b>+\$0.0375</b>	\$2.0275	WEEKLY CHANGE	<b>+\$0.0100</b>	\$2.7000
Barrels	<b>-\$0.0175</b>	\$1.8075	WEEKLY AVERAGE	<b>+\$0.0515</b>	\$2.7205
<b>WEEKLY AVERAGE CHEDDAR CHEESE</b>		<b>DRY WHEY</b>		<b>WEEK ENDING 08/12/23</b>	
Blocks	<b>+\$0.0445</b>	\$2.0150	DAIRY MARKET NEWS	W/E 08/18/23	<b>\$3100</b>
Barrels	<b>+\$0.0080</b>	\$1.8135	NATIONAL PLANTS	W/E 08/12/23	<b>\$2630</b>
			<b>LAST WEEK ENDING 08/05/23</b>		
			NAT'L PLANTS <b>\$1.1357</b> 19,589,126		
			NAT'L PLANTS <b>\$1.1407</b> 23,127,438		

## 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 18 EST	No Change	<b>\$19.89</b>	<b>\$17.27</b>	<b>\$18.90</b>
LAST WEEK	\$18.22 - \$18.72	\$19.88	\$17.32	\$18.95

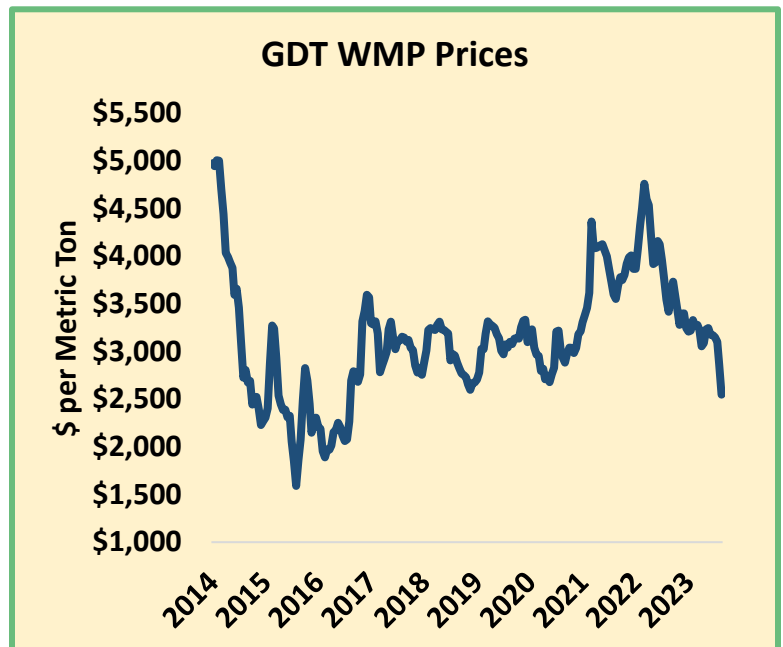


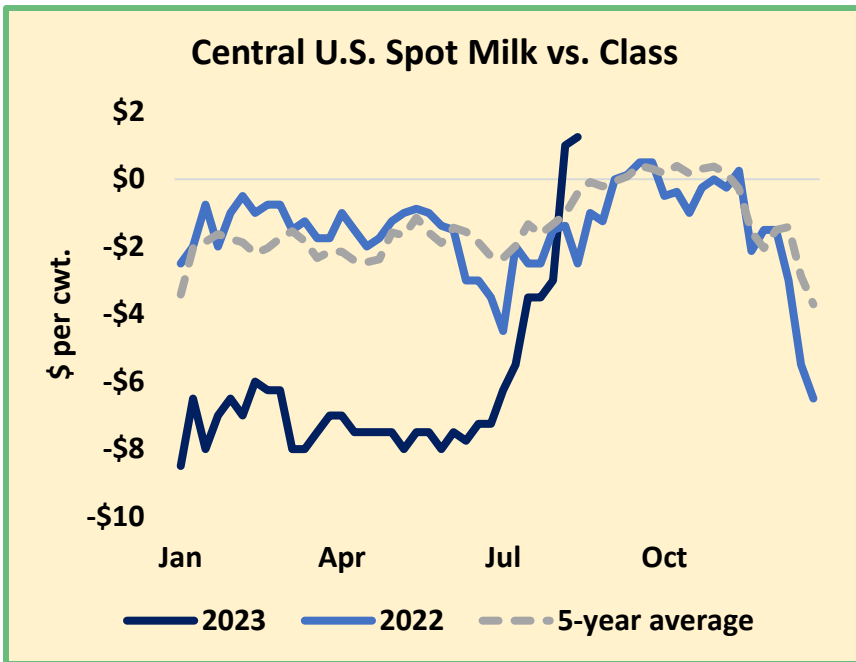
### Milk, Dairy and Grain Market Commentary

By Sarina Sharp, Daily Dairy Report  
[Sarina@DailyDairyReport.com](mailto:Sarina@DailyDairyReport.com)

#### Milk & Dairy Markets

Milk powder prices plummeted at Tuesday's Global Dairy Trade (GDT) auction. Whole milk powder (WMP) plunged 10.9% to a seven-year low. Skim milk powder (SMP) values dropped 5.2% to their lowest level since early 2019. The GDT was so weak that it forced Fonterra to lower its 2023-24 milk price forecast for the second time in just two weeks. In its press release, New Zealand's largest dairy cooperative said it is still counting on better Chinese demand for WMP in the second half of the 2023-24 season. However, "we do expect the pace of demand growth to be subdued relative to





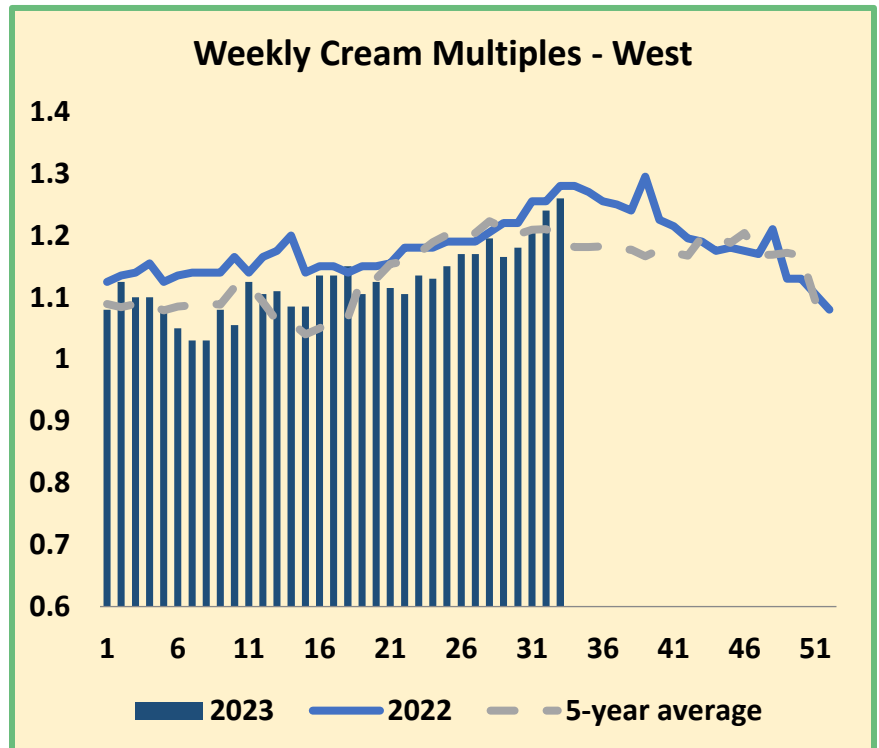
initial expectations.” Bargain pricing did prompt buyers in China and the Middle East to purchase a little more GDT powder, but not nearly enough to forestall the steep setback.

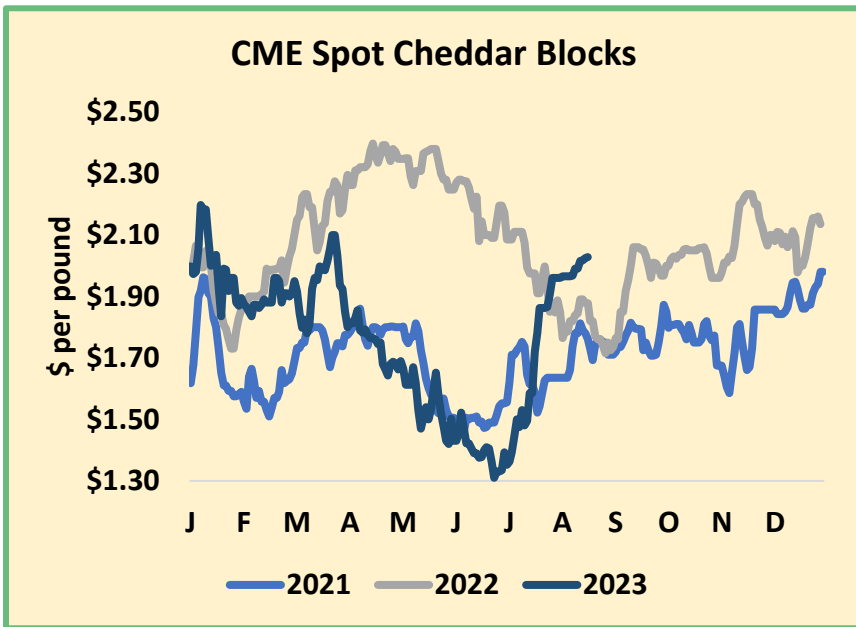
The poor showing at the GDT put pressure on U.S. powder prices, and CME spot nonfat dry milk (NDM) slipped to a five-week low Wednesday. It made a modest comeback later in the week and finished today at \$1.105 per pound, down a half-cent from last Friday. The U.S. milk powder market is navigating very choppy waters. For some time now, the prevailing winds of

poor Chinese demand and growing Kiwi supplies have pushed global milk powder prices southward. But domestic forces now offer countervailing gusts. Terribly low on-farm margins, high beef prices, a sweltering heat wave, and the back-to-school milk rush have created a perfect storm, tightening milk supplies with shocking speed. The Midwest milk surplus evaporated nearly overnight, and processors in the region now face premiums on extra loads. Many processors are operating well below capacity, especially driers.

Churns are running lighter as well. The heat wave zapped components and cream is getting hard to come by. USDA’s *Dairy Market News* says butter supplies are “somewhat snug” and demand is “hearty.” Butter prices aren’t quite as lofty as they were last year, but they’re within shouting distance, which is making some buyers nervous. They snapped up 98 loads at the CME spot market, the highest weekly volume since 2004. Spot butter prices swung sharply higher and then fell back today. They closed at \$2.70, a penny above last Friday’s close.

In contrast, *Dairy Market News* notes that cheesemakers are “running regular schedules on internally sourced and contracted milk volumes.” Nonetheless, the cheese markets remain relatively strong, likely helped by export deals made months ago, when milk was cheaper. Spot Cheddar blocks topped the \$2 mark and closed



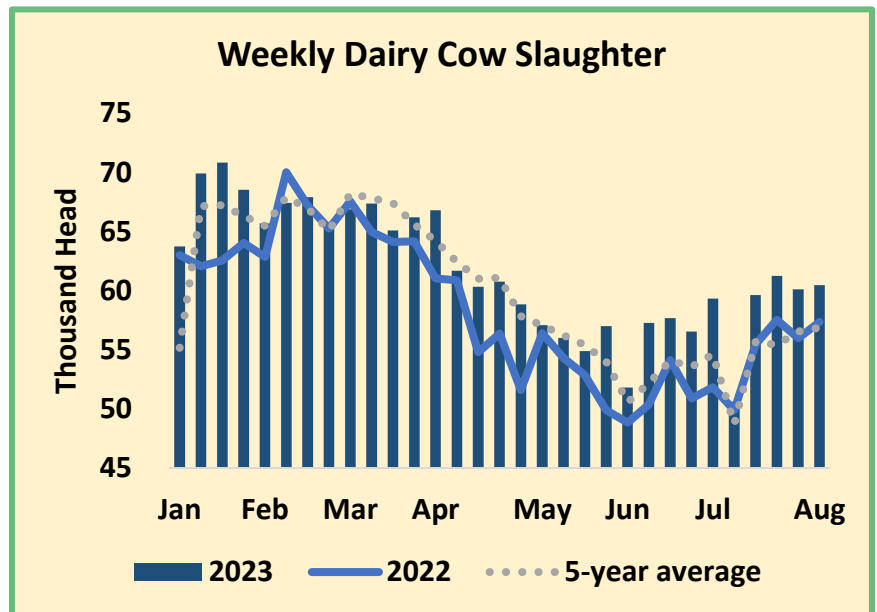


at \$2.0275, up 3.75¢ for the week. Barrels are more volatile. They whipped wildly back and forth and finished 1.75¢ lower at \$1.8075.

They remained characteristically cheap and stable. It finished today right where it started the week at 27¢. Steady whey pricing and stronger blocks propelled September Class III up 51¢ to \$18.49 per cwt. That's markedly better than the sub-\$16 the futures promised just a month ago. Deferred Class III lost a little ground this week. Fourth quarter futures now average \$18.10.

Class IV futures continued to climb. The September contract rallied 24¢ to \$19.25.

Dairy producers have just cashed a very small July milk check and, if they've done any culling recently, they've probably been pleasantly surprised at the size of their beef cow revenue. That's a recipe for quicker contraction, and slaughter volumes suggest that the dairy herd is in decline. Dairy cow slaughter has topped year-ago levels and the historic average in every week since late May. Unless margins improve considerably, slaughter is likely to remain elevated. The futures don't promise widespread prosperity, but they do offer much better prices this fall than those that disappointed so deeply this summer. Until global dairy demand improves, that brighter outlook depends on continued declines in U.S. milk production.



**Grain Markets**

Grain traders are struggling to assess the size of the nation's corn and soybean crops after a very strange growing season. Widespread drought in the spring and early summer gave way to cooler, wetter conditions in July and early August. This week the crop visibly improved, and USDA rated 59% of both corn and soybeans in good or excellent condition. For corn, that was two percentage points better than last week, while soybeans advanced by an impressive five points. But next week looks dry, and prices are bouncing off the lows. They got a little help from news overseas regarding smaller wheat crops in Argentina, Australia, and India. Strong demand for vegetable oils also boosted soybean oil and soybean prices, allowing soybean meal to retreat. November soybeans settled today at \$13.5325 per bushel, up 45.75¢. September soybean meal fell \$6.40 to \$403.90 per ton. December corn regained 5.25¢ and closed at \$4.93.



## Long Awaited FMMO Hearing to Start Next Week

By Geoff Vanden Heuvel, Director of Regulatory and Economic Affairs  
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On August 23 in Carmel, Indiana, near Indianapolis, USDA will begin a hearing to consider 21 industry proposals for adjustments/modifications to the 11 Federal Milk Marketing Orders (FMMOs) in the United States. USDA has grouped the proposals into five topic areas. The first topic is Milk Composition, the second topic is Surveyed Commodity Products, the third topic is Class III and Class IV formula factors, the fourth topic is the Base Class I skim milk price, and the final topic is Class I and Class II differentials.

I have written a brief summary of the proposals and their potential impact on milk prices, which is posted on the Milk Producers Council website [here](#).

USDA has published a schedule of when written testimony from the proponents of each proposal must be submitted to the hearing officer. That schedule indicates that this hearing is likely to last at least 6 weeks. Audio and video of the hearing will be provided on the internet. Dairy farmers will be allowed to testify virtually. The instructions for how to participate can be found [here](#).

USDA has established a web page with lots of hearing information. You can access that [here](#).

There is another USDA website that has all of the original hearing petitions and USDA's responses to those petitions. You can access that website [here](#).

The Milk Producers Council Board of Directors has reviewed the hearing proposals and is supportive of the package of proposals submitted by the National Milk Producers Federation. That package seeks to modernize outdated factors in the various milk pricing formulas. Some of those changes increase milk prices and some of them decrease milk prices. MPC recognizes that there has not been a change in the FMMO formulas for more than 15 years. The integrity of the FMMO system, which provides the foundation for stability in the dairy industry, is undermined if formulas become too outdated.

You can read a summary of the NMPF proposals [here](#).

As the hearing progresses we may hear arguments and evidence of other proposals that MPC will want to consider. Fasten your seatbelts. We are in for a bit of a ride.





# CDFA Regulatory Alignment Study Listening Session August 24

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

As part of its [Regulatory Alignment Study](#), the California Department of Food & Agriculture (CDFA) will host a virtual listening session on **Thursday, August 24 at 9:30 via Microsoft Teams**.



## Regulatory Alignment Study Overview

The California Department of Food and Agriculture (CDFA) contracted with Crowe LLP (Crowe) to conduct a [Regulatory Alignment Study](#). Crowe, in collaboration with CDFA and the Water Boards, is evaluating food safety and water quality regulatory requirements as part of an effort to streamline the administrative processes and optimize information collected by the state.

### Key Regulatory Programs Being Evaluated as Part of the Study:

1. Produce Safety Program
2. Irrigated Lands Regulatory Program
4. Dairy / Confined Animal Facilities Program
5. Stormwater Industrial General Permit
6. State and Regional Winery Programs

## How to Get Involved?

Crowe recognizes stakeholder input is crucial for identifying the streamlining opportunities available to the agricultural community, interested parties, and tribes when it comes to food safety and water quality regulatory requirements.

- Listening sessions will be conducted throughout 2023 to help identify potential streamlining opportunities within the areas of food safety and water quality.
- Crowe is available to meet in-person or virtual.
- Crowe can accommodate meeting with individuals or groups.
- Crowe seeks to be inclusive and hear from all interested parties.

Email [RegulatoryAlignmentStudy@crowe.com](mailto:RegulatoryAlignmentStudy@crowe.com) to schedule a listening session.

## What's the Benefit to You?

- Opportunity to provide direct and confidential input on food safety and water quality regulatory requirements.
- Opportunity to contribute input to streamlining food safety and water quality regulatory administrative processes and reporting requirements.
- Opportunity to support the economic vitality of California's largest industry.

## August 24 Meeting Information

**Join on your computer, mobile app or room device**

[Click here to join the meeting](#)

Meeting ID: 214 411  
168 721  
Passcode: rey3hv

[Download Teams](#) |  
[Join on the web](#)

**Or call in (audio only)**

[+1 312-763-9891-459848808#](tel:+13127639891459848808)  
United States, Chicago

Phone Conference  
ID: 459 848 808#

## 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](#).

## EPA Rejects CAFO Positions, Forms Committee

Courtesy of Jim Mulhern, President & CEO

[National Milk Producers Federation](#)

As detailed in our [Member Alert](#) sent earlier this week, on Tuesday the Environmental Protection Agency (EPA) [denied two](#) petitions from environmental groups calling for stricter regulation of Confined Animal Feeding Operations (CAFOs) and instead established an Animal Agriculture and Water Quality subcommittee to hear feedback from stakeholders, including dairy farmers, on ways to effectively and efficiently reduce pollutants generated from CAFOs.

NMPF was encouraged by the decision and looks forward to continuing its work with EPA to support science-based, economically viable water quality standards. As part of its work, our staff have met numerous times with EPA officials to discuss the importance of science-based standards, including an open dialogue in March between NMPF's Environmental Issues Committee and Senior Advisor to the EPA Agriculture Advisor, Venus Welch-White, Ph.D.

