

MPC WEEKLY FRIDAY REPORT

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 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	-\$0.0475	\$1.4300	WEEKLY CHANGE	+\$0.0150	\$2.4450
Barrels	+\$0.0225	\$1.5125	WEEKLY AVERAGE	+\$0.0143	\$2.4488
WEEKLY AVERAGE CHEDDAR CHEESE		DRY WHEY		NAT'L PLANTS	
Blocks	-\$1.1199	\$1.4456	DAIRY MARKET NEWS	W/E 06/02/23	\$3550
Barrels	-\$0.0032	\$1.5038	NATIONAL PLANTS	W/E 05/27/23	\$3418
				LAST WEEK ENDING 05/20/23	
				NAT'L PLANTS \$1.1494 24,344,181	

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
JUN 2 EST	\$20.11 - \$20.61	\$18.83	\$15.29	\$18.18
MAY '23 FINAL	\$21.17 - \$21.67	\$19.11	\$16.11	\$18.10

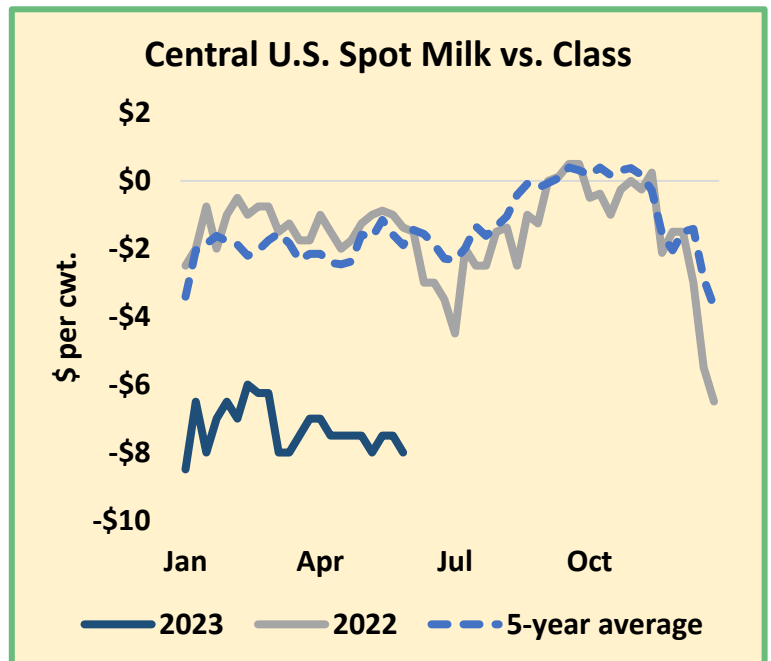


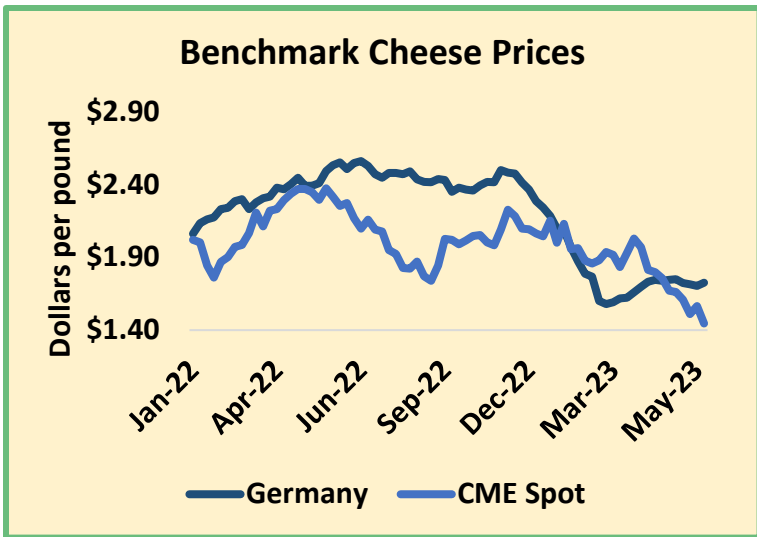
Milk, Dairy and Grain Market Commentary

By Sarina Sharp, Daily Dairy Report
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Milk & Dairy Markets

There is simply too much cheese. USDA's *Dairy Market News* reports that cheese production schedules are "steady to stronger" and, for some cheesemakers, "limited warehouse space is becoming a concern." Meanwhile, there is plenty of milk, especially now that bottlers are slowing down intakes for summer break. Spot milk prices in the Upper Midwest ticked back down this week, with some sales as low as \$12 under Class III. A few cheesemakers offered their workforce a long weekend, but others worked straight through the Memorial Day holiday. And, unlike earlier in the year, there are very few plants taking downtime for maintenance,



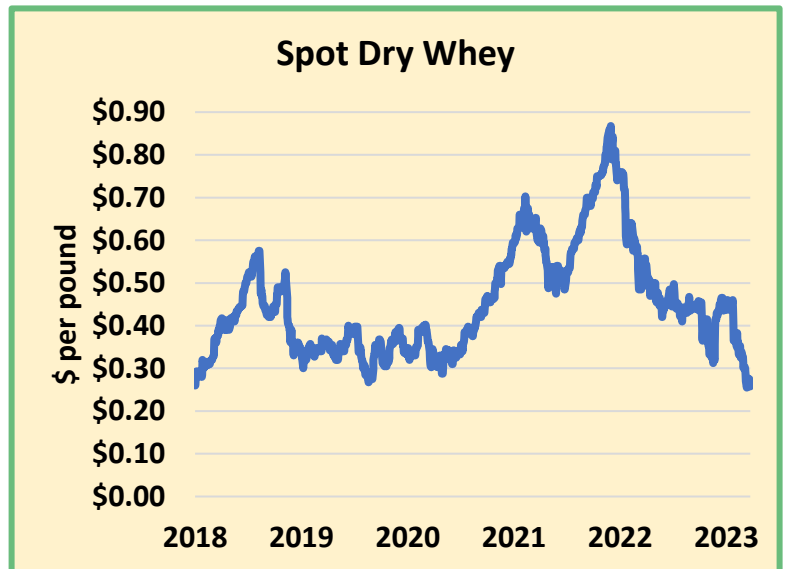


so today’s steep discounts reflect a milk surplus that cannot be blamed on underutilized production capacity. By all accounts, the vats are full. USDA reports that some cheesemakers are turning away spot milk because they simply can’t hold anymore.

The excess weighed heavily on the cheese markets. CME spot Cheddar blocks plummeted to \$1.42 per pound on Wednesday, their lowest value since May 2020, at the height of the pandemic panic. Blocks made a partial recovery and closed today at \$1.43, still

down 4.75¢ for the week. Barrels fared a little better. They closed today at \$1.5125, up 2.25¢ since last Friday. Those prices are probably low enough to attract a bit more export business, but demand is clearly not keeping pace with production.

More cheese means more whey, and most of it is being dried. Demand for higher protein whey concentrates is finally starting to perk up, which could shift more of the whey stream into concentrates down the road. But for now, dry whey output is heavy and so are stocks. CME spot whey prices slipped further this week, closing at 25.75¢, just a fraction of a cent above last week’s all-time low and down 1.75¢ from last Friday.

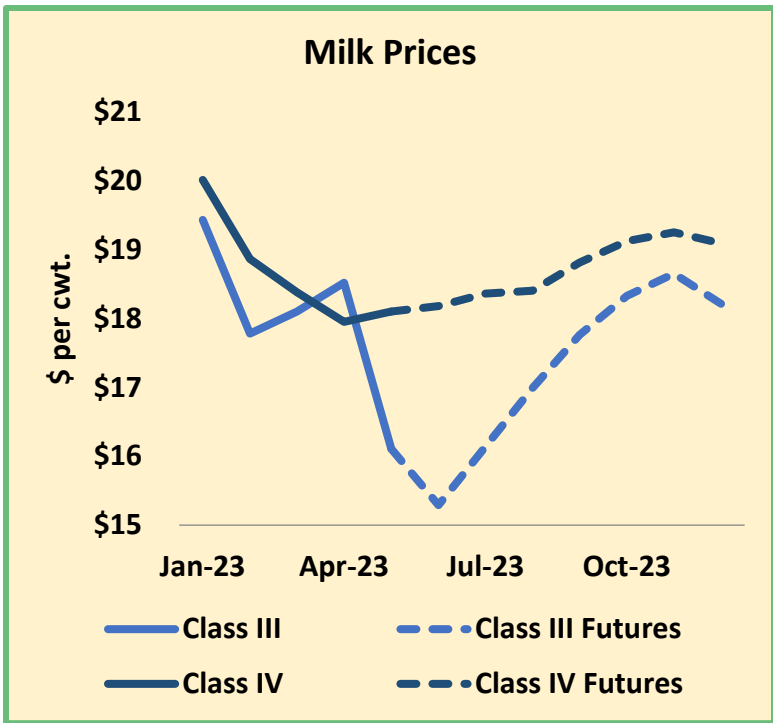


Once again, the Class IV products held within their well-established trading ranges. CME spot nonfat dry milk (NDM) finished right where it started at \$1.17. Spot butter regained half of the ground it lost last week, climbing 1.5¢ to \$2.445.

Dairy Market News describes the NDM market as “balanced,” thanks to decent demand from Mexico. Still, driers are running hard to balance milk supplies in the back half of the spring flush. High temperatures have taken a toll on components, but nights are cool and milk yields are still only a little below the recent peak.

Churns are running, but butter output is expected to slow soon as the heat saps cream production and boosts ice cream sales. For now, though, butter production is going strong and manufacturers are putting away product for later this year.

USDA announced the May milk price at a paltry \$16.11 per cwt., down \$2.41 from April and \$9.10 lower than May 2022. At \$18.10, May Class IV milk was 15¢ higher than April but \$6.89 lower than the

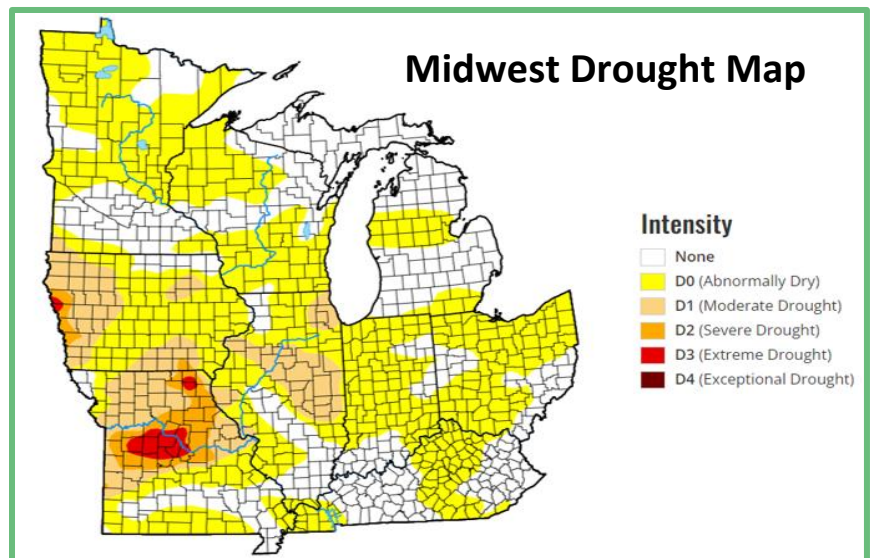


astoundingly high price set last year. The futures promise steady or better prices ahead for Class IV. Unfortunately, Class III milk is projected to be even cheaper in the near term. Most Class III contracts lost about 50¢ this week, and June Class III slumped to an untenable \$15.29. July is a little better at \$16.14, but that is still well below the cost of milk production. Deferred prices look a bit better, in the \$17s and \$18s, but that is still not enough to pay the bills on most operations. Class IV prices were characteristically stable this week, with modest gains in June and July and slight losses down the board. The futures project prices in the low \$18s nearby, climbing above \$19 in the fourth quarter.

At these values, dairy producers are suffering painful financial losses, and the number of sellouts is on the rise. However, dairy slaughter volumes are not all that high, which suggests that, for now, most cattle are simply moving to a new home. With lofty beef prices and low milk prices, that’s likely to change very soon. But until it does, the dairy markets will remain under pressure.

Grain Markets

Heavy rains are helping to relieve the multi-year drought in the Southern Plains, but it's hot and dry in the Corn Belt and the forecast calls for more of the same, with the hope of showers more than a week away. The U.S. Drought Monitor rates two-thirds of the Corn Belt as abnormally dry or worse, with 15% officially in drought. Young crops are starting to show signs of stress. Prolonged dryness will chip away at yield potential, although the impact is much less severe today than it would be in mid-summer when the crop pollinates. On the other hand, exports remain tepid. The opposing fundamentals pushed prices back and forth, but ultimately, concerns about the weather won out, and a strong Friday rally signaled that the bulls had the upper hand heading into the weekend. July corn closed at \$6.09, up a nickel for the week. December corn climbed 6.75¢ to \$5.4125. July soybeans climbed another 15.25¢ to \$13.525. However, soybean meal prices dropped again. The July contract lost \$5.40 and settled at \$397.80 per ton.



**CDQAP Update: Dairy Plus+ Program Funds;
Central Valley Water Board Reports Due July 1**
Courtesy of the [California Dairy Quality Assurance Program](#)

The California Dairy Quality Assurance Program (CDQAP) released this week its June 2023 update. You can read the entire update [here](#).

CDFA Announcement of Dairy Plus+ Program Funds Anticipated this Month!

By Denise Mullinax, Executive Director, California Dairy Research Foundation

Dairy producers interested in applying for the new Dairy Plus+ Program grant dollars should watch for CDFA announcements in their trade association, processor newsletters and other communications this month.

CDFA will offer millions of additional dollars of “climate smart” grants to California producers through USDA funding secured by its partnership with the California Dairy Research Foundation and the CA dairy industry. This spring will be the first round of this funding opportunity.

The new grant program will provide financial assistance to adopt advanced manure management practices that reduce both methane emissions and nitrogen surplus. Practices eligible in the year’s solicitation will include:

- Vermifiltration
- Weeping walls (with 3 cells or more)
- Advanced solids separation with flocculation and/or bead filters
- Subsurface drip irrigation/fertigation (plus one of the practices above)
- Aerated composting (plus one of the practices above)

Continue reading [here](#).

RB-5 Annual Reports Due July 1st.

Dairies located in the Central Valley Regional Water Quality Control Board (RB-5) region must have their annual reports submitted by July 1.

**California Dairy’s Path Toward Advanced Manure Recycling: Innovation,
Partnership Worms, and More**
Courtesy of [Dairy Cares](#)

The California dairy sector is on a mission to innovate how manure is recycled—boosting water quality outcomes and soil health. An initial roadmap has been drawn. Several projects are already under way. Millions of additional public and private investments will soon support the adoption of more advanced manure management practices on California dairy farms.



Vermifiltration is one of several approaches the California dairy is exploring as it aims to improve the recycling and use of manure nutrients. (Photo via Royal Dairy)

Dairy manure is a valuable resource. However, many dairies have more manure than they can use to grow their crops. This surplus creates both a challenge and an opportunity that the dairy sector is working to address. The California Department of Food and Agriculture (CDFA) convened a [Manure Recycling and Innovative Products \(MRIP\)](#) Task Force—a collaboration of farmers, academia, and public partners. The task force’s report suggests concrete steps to guide innovation and advancement.

“The [MRIP] Task Force has succeeded in developing recommendations for strategies to capture and enhance the value of dairy manure,” wrote Secretary Karen Ross in the forward of the report. “The value highlighted by these strategies includes building healthy soils and sequestering

carbon, offsetting industrial fertilizer use, protecting water and air quality, and reducing agriculture’s carbon footprint in California. These benefits impact not just farmers, but the state, our consumers, and our environment.”

The [report](#) outlines a comprehensive game plan—to explore how conventional strategies and cutting-edge or emerging technologies can all be tapped into as solutions. MRIP will continue to meet this year and into the future to discuss progress and identify more ways to innovate. Today, California dairy farms apply liquid or solid manure nutrients to forage fields. One goal is to develop pathways for these nutrients to be transformed into valuable products, such as soil amendments that can be used to nourish other crops across California’s rich agricultural landscape.

As Forbes recently described it, one strategy that’s in motion is to “[send in the worms](#).” Vermifiltration was first demonstrated on a dairy in Hilmar in 2014 and has since been demonstrated on another dairy in Washington state. Essentially, these farms use worm beds to filter liquid manure effluent. The worms absorb the water, and the bacteria in their guts convert the nitrogen into nitrogen gas (N₂) which is a harmless gas that makes up about 78 percent of our atmosphere. Worm castings and decomposed wood chips from the beds offer potential value as fertilizer and soil amendments. The CDFA’s Alternative Manure Management Program (AMMP) has provided funding support for another dairy vermifiltration project that’s under way, aiming to further demonstrate the potential of worms.

Another method being explored is the use of an algae raceway system. The system has been piloted on a California dairy, where it works in conjunction with a digester to both reduce methane, remove nitrogen, and purify remaining water. Like with vermifiltration, algae raceways show great promise for improving water quality outcomes.

Continue reading [here](#).

The Revolt of the Farmers

By [Jamie Blackett](#)
[The Free Press](#)

The Dutch have a particular horror of fascism. They bravely resisted the Nazis during the Second World War, as the German occupation of the Netherlands cut off food and fuel shipments. During the “[Hunger Winter](#),” which lasted from 1944 until the Allied liberation in 1945, at least 22,000 Dutch people died from malnutrition.

That experience branded the national character with a strongly libertarian streak. It also explains why, post-war, the Netherlands created the most successful agricultural economy on the planet out of the ruins.



Farmers drive their tractors on the A35 motorway as they protest near Bornebroek, in July 2022. (Sem Van Der Wal via Getty Images)

Though smaller than the state of West Virginia, they became the world’s [second-biggest exporter](#) of food after the United States. And despite the temperate climate, farmers have developed a thriving fruit and vegetable industry, including growing [bananas](#) in greenhouses. Not even their damp lands have held them back; Dutch engineering has allowed productive farming to flourish below sea level. There’s a [floating dairy farm](#) in Rotterdam Harbor that provides the city with milk, butter, and yogurt while shoring up flood resistance. As a dairy farmer myself, in Scotland, I’m inspired by what my fellow farmers have pulled off.

The Netherlands’ particular history also explains why, at least initially, the Dutch were [enthusiastic early members](#) of what became the European Union; they were driven by a determination that a war on the continent should never happen again.

But now Dutch farmers are turning against the EU—and their own prime minister—in a bid to fight for their most basic liberties.

That’s because EU climate laws have led the Dutch government to commit to [reducing nitrogen emissions](#) by 50 percent by 2030. To achieve this, the government has [threatened to withdraw](#) farmers’ licenses to farm because of their high nitrogen emissions, mainly stemming from cow dung and fertilizers. Without their licenses, farmers won’t be able to borrow money, putting many in financial peril. Farmers feel [they are being scapegoated](#) even though they farm efficiently. Nitrogen emissions in the Netherlands have fallen [50 percent](#) since 1990—while airlines and other emitters show little restraint in the face of climate change.

Continue reading [here](#).

NMPF Update: FMMO Petition; Whole Milk Bill

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

USDA Announces FMMO Action Plan Based on NMPF's Petition

June Dairy Month got off to a great start yesterday as we received welcome news that the U.S. Department of Agriculture is moving ahead with a process to update the Federal Milk Marketing Order system. USDA [announced Thursday](#) that it is considering initiation of a rulemaking proceeding that would include a public hearing to collect evidence on NMPF's [five proposed changes](#) to the FMMO system.

While our package is not yet officially granted a USDA hearing, the agency is taking formal steps in that direction. USDA has never issued a FMMO action plan, as they did yesterday, without subsequently going to a hearing.

USDA is soliciting additional proposals as part of its action plan and has asked for updates to those recommendations previously submitted. All of those are due in mid-June, after which the agency will announce a decision, expected in late July, on whether to hold a national hearing to consider the various ideas [it has received](#). USDA's plan suggests a tentative hearing start date of August 23, after which it will process the testimony presented, and formulate changes to FMMOs that will have to be voted on by farmers in the 11 Federal Order regions.

I fully expect USDA to take the next steps to commence the hearing process this summer, using our petition as the focal point of discussion. I again thank all of our members for their contributions to the process so far, including discussions with USDA about how to make the marketing system work better for farmers and cooperatives. Much more work lies ahead, but yesterday's announcement is a heartening sign that the spade work completed so far should lead to positive outcomes for NMPF's members.

House Committee To Consider Whole Milk Bill

Next week, the House Education and Workforce Committee [will consider](#) the bipartisan Whole Milk for Healthy Kids Act (H.R. 1147) authored by House Agriculture Committee Chairman GT Thompson (R-PA) and Rep. Kim Schrier (D-WA). NMPF has backed this legislation to permit schools to offer all varieties of milk, including whole milk, under the National School Lunch Program.

The bill requires USDA to increase the allowable average saturated fat content of a meal to account for the addition of whole milk to school lunches. NMPF has worked to build cosponsors for the bill and will be sending a letter of support for the legislation with signatures from dairy cooperatives and associations.

