

MPC WEEKLY FRIDAY REPORT

DATE: FEBRUARY 17, 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	+ \$.0175	\$1.8800	WEEKLY CHANGE	-\$.0375	\$2.3750
Barrels	-\$.0275	\$1.5475	WEEKLY AVERAGE	+\$.0235	\$2.4215
WEEKLY AVERAGE CHEDDAR CHEESE		DRY WHEY		WEEK ENDING 02/11/22	
Blocks	+\$.0220	\$1.8805	DAIRY MARKET NEWS	W/E 02/17/23	\$.4025
Barrels	-\$.0275	\$1.5525	NATIONAL PLANTS	W/E 02/11/22	\$.3988
				LAST WEEK ENDING 02/04/22	
				NAT'L PLANTS	\$1.2415 26,616,866
				NAT'L PLANTS	\$1.3102 21,872,998

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
FEB 17 EST	\$22.38 - \$22.88	\$20.85	\$17.90	\$18.90
LAST WEEK	\$22.38 - \$22.88	\$20.85	\$17.94	\$18.95

JANUARY 2023 CA FMMO STATISTICAL UNIFORM PRICE ANNOUNCEMENT

JAN '23 FINAL	CLASS I	CLASS II	CLASS III	CLASS IV	STATISTICAL UNIFORM PRICE (BLENDED PRICE)	NET PRICE AFTER QUOTA ASSESSMENT*
MINIMUM CLASS PRICE	\$24.01 TULARE \$24.51 L.A.	\$21.61	\$19.43	\$20.01	\$20.00 TULARE \$20.50 L.A.	\$19.726 TULARE \$20.226 L.A.
PERCENT POOLED MILK	18.1%	4.3%	59.6%	18.1%	100% (2.33 BILLION LBS. POOLED)	

*QUOTA RATE OF \$0.274/CWT. AS OF AUGUST 2022 MILK



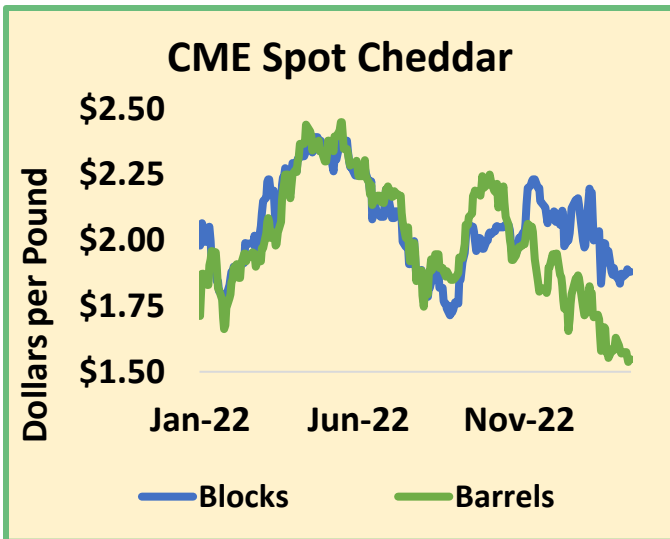
Milk, Dairy and Grain Market Commentary

By Monica Ganley, Quarterra

Monica.Ganley@QuarterraGlobal.com

Milk & Dairy Markets

Activity at the spot market in Chicago was mixed this week as prices moved modestly up and down, testing new boundaries. Milk remains plentiful in most parts of the country, especially

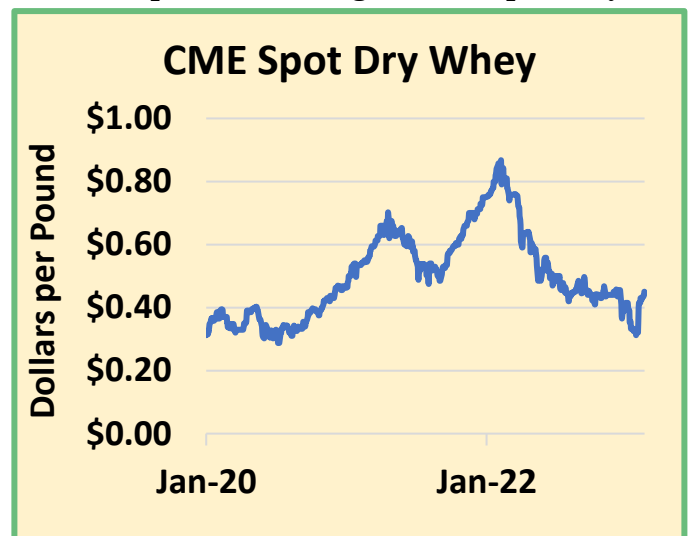


the Midwest, but lower commodity prices appear to be doing the legwork of generating additional customer interest.

The Cheddar markets were split as blocks moved higher and barrels moved lower over the course of the week. The block market gained a penny on Monday and another 1.75¢ on Tuesday as 6 loads traded hands, the busiest day since last September. By Wednesday, however, the wind came out of the sails and the market fell a cent to \$1.88/lb. where it remained the balance of the week. By comparison, the barrel market was lively with 45 trades completed

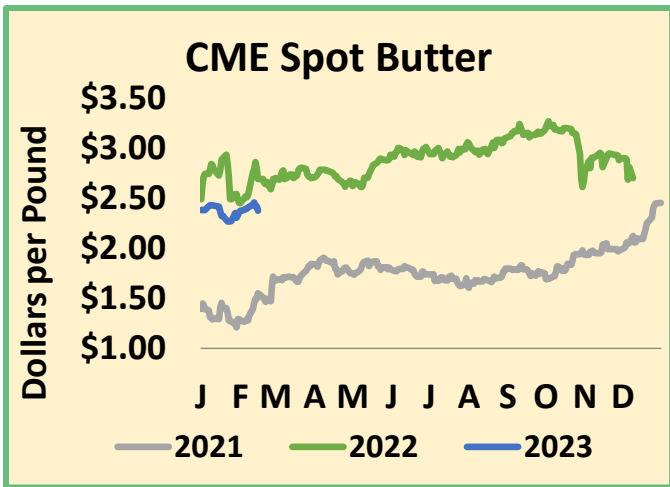
during the week. A quiet Monday was followed up by losses on Tuesday and Wednesday that were only partially erased by a penny gain on Thursday. No changes during today’s session meant that the barrel market finished the week at \$1.5475/lb., a decrease of 2.75¢ compared to last Friday.

Cheese production is active as milk remains readily available for Class III manufacturers. The Midwest continues to garner attention as cheese manufacturers in some parts of the region are reportedly still scooping up spot loads of milk for discounts as large as \$10 under class. While discounts this deep are not available across the country, milk for cheese production is relatively cheap and production schedules remain active despite persistent labor and logistical challenges. Cheese is moving through both foodservice and retail channels at a steady clip and while demand is short of robust, it is at least stable from both international and domestic customers.



Even as significant cheese production is throwing off a plentiful whey stream, the dry whey market has managed to find some strength, rejecting the low prices seen in recent weeks. Renewed interest from international buyers, especially those in Southeast Asia, is purportedly propping up the market. Market stakeholders report that prices for higher protein products have also softened in recent weeks which has led whey manufacturers to emphasize production of dry whey. This dynamic is likely to keep a ceiling on dry whey prices in the near future. At the CME, the dry whey spot market rode increases on Monday, Thursday, and Friday to close the week at 45¢ per pound, up 2.5¢ compared to last Friday. Activity was subdued as only one load traded hands.

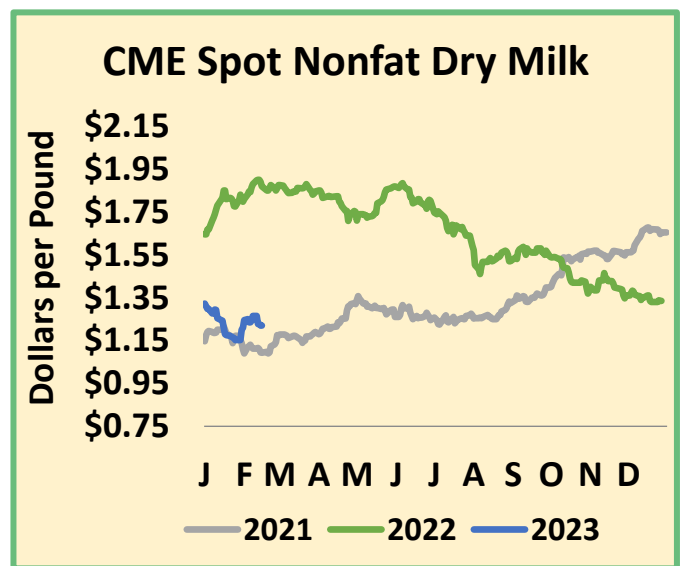
Tones were comparatively bearish within the Class IV complex. Gains in the butter spot market seen on Monday and Tuesday were wiped out by larger losses on Wednesday and Friday. Ultimately, the



spot market closed the week at \$2.375/lb., a decrease of 3.75¢ compared to last Friday. Cream is plentiful, and churns across the country are capitalizing on available supplies to implement active schedules. Inventories are comfortable, as sufficient demand is helping to keep stocks in check. Retailers are looking forward to the spring holidays, which should provide a boost to butter demand in the coming weeks.

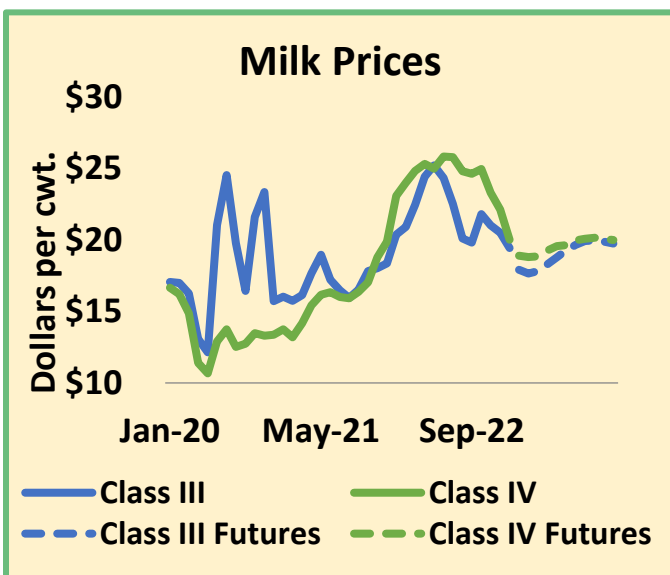
While cream flowed into butter churns, ample condensed skim has also kept dryers working hard. Inventories of nonfat dry milk (NDM) are readily

available and likely placed some downward pressure on spot prices this week. The NDM spot market sank by 3.75¢ on Tuesday and another .75¢ on Thursday as 5 and 4 loads traded hands, respectively. Ultimately, the spot market ended the week at \$1.22/lb., a decrease of 4.5¢ compared to last Friday. Despite having moved up modestly from the lows seen late last month, prices are still attractive enough to generate interest from end users. *Dairy Market News* suggests that Mexican buyers are more active while other international customers are turning to U.S. NDM as international prices for skim milk powder appreciate.



With spring around the corner, milk volumes are expanding seasonally. However, a complicated operating environment has encouraged producers to cull less productive animals from their herds. Accelerated slaughter rates are likely to slow producers' ability to expand once milk prices and margins improve. Nevertheless, market participants report that improved yields and generally mild weather is

continuing to support milk production and keep milk available for bottlers and manufacturers. Bottling demand remains seasonally typical though it slowed modestly in some areas this week as schools prepared for the President's Day holiday. Class III milk futures for the entirety of 2023 settled below \$20/cwt. on Friday while Class IV milk futures settled below the same threshold through AUG23.



Grain Markets

The Mexican government partially backtracked on its plans to ban imports of genetically modified corn on Tuesday after the U.S. indicated that it would take action against Mexico on the basis that this would

violate the rules laid out under the United States Mexico Canada trade agreement. While the original ban was supposed to affect all corn imports, including corn used for animal feed, the adjusted rule will now only ban genetically modified corn that is destined for human consumption.

Feed prices remain elevated for dairy producers and are continuing to place significant pressure on producer operating margins. On Friday corn futures for MAY23 settled at \$6.7750/bu. while the DEC23 contract settled at \$5.9575. The MAY23 and DEC23 soybean meal futures settled at \$474.9/ton and \$419.8/ton, respectively.



Complicated, but Significant Positive News on the Water Front

By Geoff Vanden Heuvel, Director of Regulatory and Economic Affairs

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With the imminent threat of [losing hundreds of thousands of acre-feet of stored water](#) to the ocean, Governor Newsom on Monday issued an Emergency Order seeking to stop that from happening. In his [State of Emergency Proclamation](#), the Governor ordered the State Water Board to consider modifying requirements for reservoir releases. The proclamation also suspended some provisions of the Water Code to make this possible. Later in the day on Monday, the Department of Water Resources, together with the Federal Bureau of Reclamation, [filed a Temporary Urgency Change Petition \(TUCP\)](#) with the State Water Board to get relief from the ocean outflow requirement. Despite the order from the Governor, the five governor-appointed State Water Board members have the power to grant, modify or deny the petition. It is very encouraging to see the Governor use his considerable emergency powers in an effort to do something significant for water supply, but we need the State Water Board to follow through by granting the petition.

There is of course, opposition to this move by the radical environmentalists. Reading their statements can be infuriating. [John McManus of the Golden State Salmon Association](#) paints this as the Governor doing the bidding of wealthy ag interests against the interests of salmon fishermen. First off, some of this water is being preserved so there will be cold water later this year to help salmon smolts during spawning season. Second, the saved water will help millions of Californians who depend on these supplies to sustain their lives. Third, some will go to agriculture, but there are thousands of farmers who need the water, not just a few wealthy ones. Finally, I find great irony in salmon fishermen – who kill fish on purpose – criticizing water policies that seek to balance the environment and water supply for people.

The Governor's proclamation also made an important modification to a provision in a previous water emergency order. The March 2022 order instructed the Department of Water Resources and the State Water Board to maximize the extent to which winter precipitation recharges underground aquifers. This new order adds the Department of Fish and Wildlife to the instruction to collaborate on expediting the



*Sacramento-San Joaquin Bay Delta
Credit: California Department of Water Resources*

permitting of recharge. This is an important addition. The Department of Fish and Wildlife regulations can be a severe barrier to keeping channels maintained and facilitating the recharge of wet winter flows into the ground. The Governor seems to recognize that and is taking steps to address this issue.

Dairy Cares yesterday submitted a letter to the Governor and key agency staff, imploring his administration to work with federal regulators to find creative and flexible solutions to store future available supplies of water. The letter also supports the [Water Blueprint for the San Joaquin Valley's proposed resiliency projects](#). You can read the letter [here](#).

And finally, I'd like to highlight an article about California water published today in [National Review](#), which was written by [Ed Ring](#). I got know Ed through the More Water Now initiative process, which he headed up. He is one of the most insightful observers and thoughtful leaders when it comes to water policy in California and he demonstrates it in his article, "How California Can Solve the Colorado Water Deficit."

"The reason the government subsidized water projects during the great waves of dam and aqueduct construction in the 1930s and again in the 1950s and '60s is because affordable and abundant water lowers the overall cost of living and doing business. It lowers the cost of food. It lowers the cost of housing. It lowers utility bills. This is an economic ripple effect that has no rival. Affordable and abundant water is a core enabler of economic prosperity." – Ed Ring

I strongly recommend you give this article a read, which you can find [here](#).

Members of Congress Discuss the Future of the Farm Bill with Farmers

By Vania Patino & Amy Pachla
[23 ABC Bakersfield](#)

Note from Kevin Abernathy, General Manager

The Farm Bill Listening Session held this past Tuesday at the World Ag Expo was a success – and a breath of fresh air to see bipartisan collaboration among the Congressional delegation. Dairy farmers were well represented, with several providing testimony during the listening session. MPC Board Member **Brad Bosch** made the following public comments:

"The dairy industry is working hard to reach a consensus on the Federal Milk Marketing Order improvements that will be submitted to USDA for consideration in a national federal order hearing. Of most importance is returning to the higher of Class I mover. The



MPC Board Member Brad Bosch makes comments during the Farm Bill Listening Session at the World Ag Expo in Tulare.

current formula is blamed for a nearly \$1 billion loss over the last few years. Discussions in the industry are also focused on potential changes to the make allowance. While make allowance changes will also go through a federal order process, the industry lacks the data to make good decisions on this issue. I hope that the next farm bill will include language giving USDA to authority to conduct mandatory plant cost studies so that we better understand the real cost of dairy manufacturing.”

MPC extends its thanks to Congressman **David Valadao** and Speaker **Kevin McCarthy** for hosting the Farm Bill session and House Agriculture Committee **Chairman Glenn “GT” Thompson** of Pennsylvania for making the trip to California. Thank you also to Representatives **Jim Costa**, **John Duarte**, **Jimmy Panetta** and **Doug LaMalfa** for engaging with the California dairy families in attendance.

From 23 ABC Bakersfield

The future of agriculture was the talk of the town on the first day of the World Agricultural Expo in Tulare today. A bipartisan group of 10 members of Congress, including California Congressman David Valadao and House Speaker Kevin McCarthy, welcomed farmers and key ag industry players to the first-ever Farm Bill Listening Session.

With a big chunk of Kern County dedicated to farmland, it is no surprise the agribusiness industry brings in [billions of dollars every year](#). Making sure that continues despite a changing landscape and economy was a key theme in [Tuesday's listening session](#).

"Our task, and our job here, is to bring members of Congress to listen to them, so yes, we can make American energy independent again. We can provide the storage to store the water in the wet years, so we can provide the resources to be able to plant, to have the food for the future that is safe and secure," said McCarthy.

The [members of Congress](#) on the panel pointed to the Farm Bill legislation as a way to accomplish the goals McCarthy spoke of. It essentially covers a wide range of agriculture and food programs, and is up for re-authorization every 5 years.



With the current version of the Farm Bill set to expire this September, the Congress members spent 2 hours listening to farmers and organizations who are impacted by the bill.

Continue reading [here](#).

California Milk Advisory Board Meeting March 8-9 in Fresno

Courtesy of the [California Milk Advisory Board](#)

The California Milk Advisory Board (CMAB) will host its next Board of Directors Meeting on:

Wednesday, March 8, 2023 – 7:30 a.m.
Thursday, March 9, 2023 – 8:00 a.m.

DoubleTree by Hilton Hotel Fresno Convention Center
2233 Ventura Street
Fresno, CA 93721



The CMAB Board meeting is open to any California dairy producer. If interested in attending, please RSVP to Tracy Garza at tgarza@cmab.net or 209-690-8252.

**Don't Miss Your Last Chance to
Win a 1952 Chevy Truck**
Courtesy of the [California FFA Foundation](#)

A \$100 donation to the California FFA Foundation could make you the owner of this 1952 Chevy Truck. You can request tickets at calaged.org/truckraffle. Ticket requests and payments must be received by March 1. One lucky winner will be chosen at the 95th Annual State FFA Leadership Conference in March (need not be present to win). With just over 550 raffle tickets sold, your chance of driving home this beautifully maintained classic truck looks pretty good!

