

# MPC WEEKLY FRIDAY REPORT

DATE: APRIL 26, 2024  
 TO: DIRECTORS & MEMBERS  
 FROM: KEVIN ABERNATHY, GENERAL MANAGER  
 PAGES: 8



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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	+ \$.0700	\$1.7500	WEEKLY CHANGE	+ \$.0500	\$2.9700
Barrels	+ \$.1125	\$1.7725	WEEKLY AVERAGE	+ \$.0500	\$2.9750
<b>WEEKLY AVERAGE CHEDDAR CHEESE</b>		<b>DRY WHEY</b>		<b>NAT'L PLANTS</b>	
Blocks	+ \$.1345	\$1.7500	DAIRY MARKET NEWS	W/E 04/26/24	\$ .4700
Barrels	+ \$.1580	\$1.7705	NATIONAL PLANTS	W/E 04/20/24	\$ .4275
				<b>LAST WEEK ENDING 04/13/24</b>	
				NAT'L PLANTS	\$1.1746 19,912,096

## 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 26 EST	No Change	\$21.21	\$15.53	\$20.17
LAST WEEK	\$20.78 - \$21.28	\$21.22	\$15.57	\$20.14

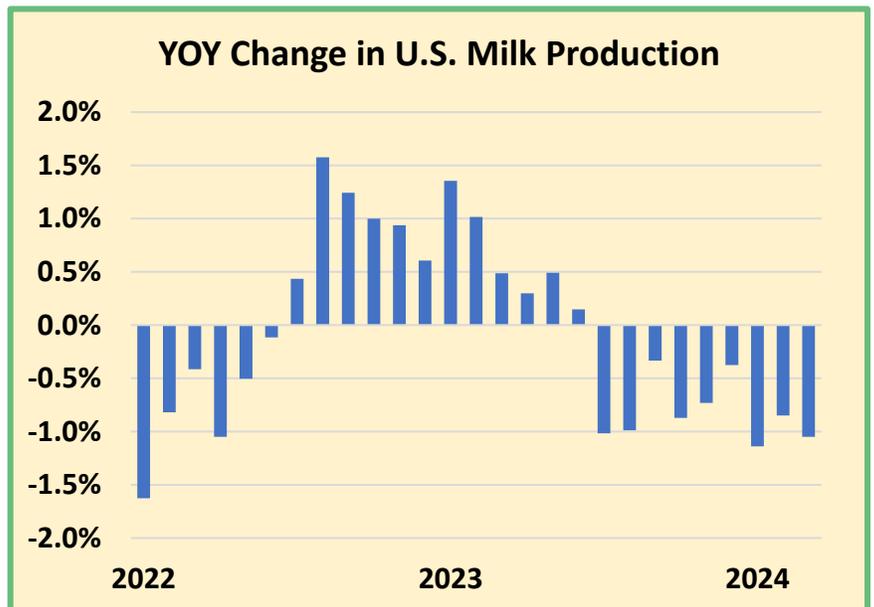


### Milk, Dairy and Grain Market Commentary

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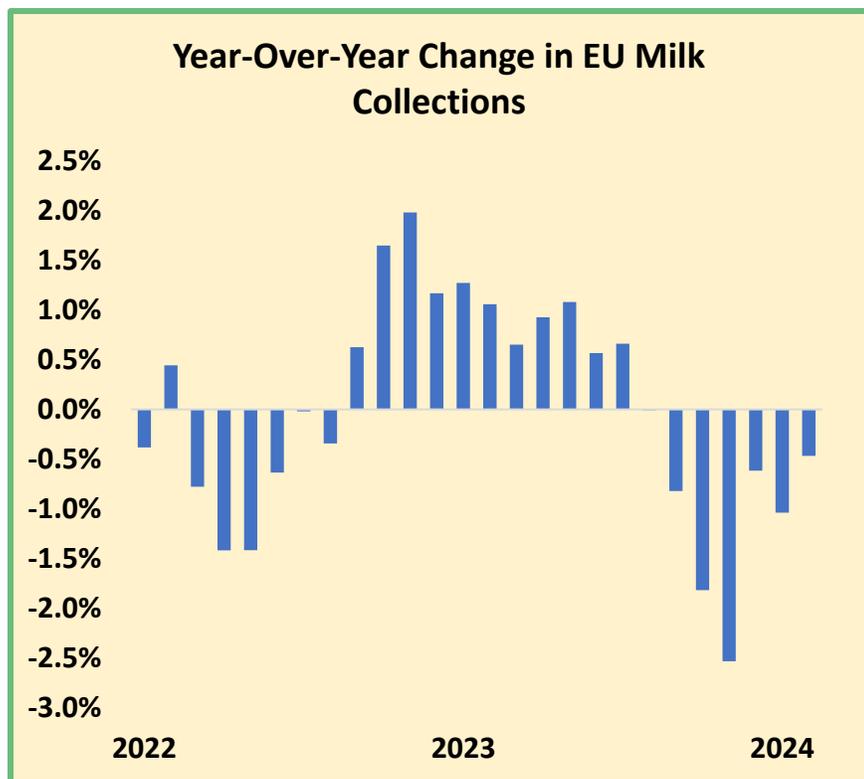
#### Milk & Dairy Markets

The dairy markets swung wildly back and forth this week as they digested a slew of data and headlines. Monday's Milk Production report showed that milk output declined for a ninth straight month, falling 1% from March 2023. Milk production fell short of year-ago volumes in most major dairy states but climbed in top-ranked California (up 0.7%) and Wisconsin (up 1%). Production fell noticeably in Texas (down 5.1%) and Kansas (off 2.7%). Milk output was already slipping in the



Southwest before avian influenza began to impact dairy herds there this spring, but it seems likely that the illness exacerbated the decline.

After surveying producers, USDA revised its estimates of the milk cow herd higher in January and February. According to the agency's latest assessment, milk cow numbers rebounded in February as months of low cull rates allowed for modest expansion. But the herd contracted by 7,000 head from February to March. At the end of last month, cow numbers stood at 9.335 million head, down 98,000 from March 2023. That's the steepest one-year decline in cow numbers since 2010, and it suggests that milk output will continue to fall short of 2023 volumes.



Across the pond, milk production is starting to stabilize. February milk collections in the EU-27 were down just 0.1% from the prior year. Once the United Kingdom is included, however, daily average milk output in the region dropped 0.5% from February 2023 volumes. Extremely wet weather could put a damper on the spring flush in Western Europe. In New Zealand, milk solids collections dropped 1.2% in March compared to the year before. Season-to-date collections are still up 0.8% from the 2022-23 season, but dry weather is taking a toll on milk yields as the industry heads toward the off-season. Production continues to plummet in Argentina. Milk collections in February plunged 17.8% from the

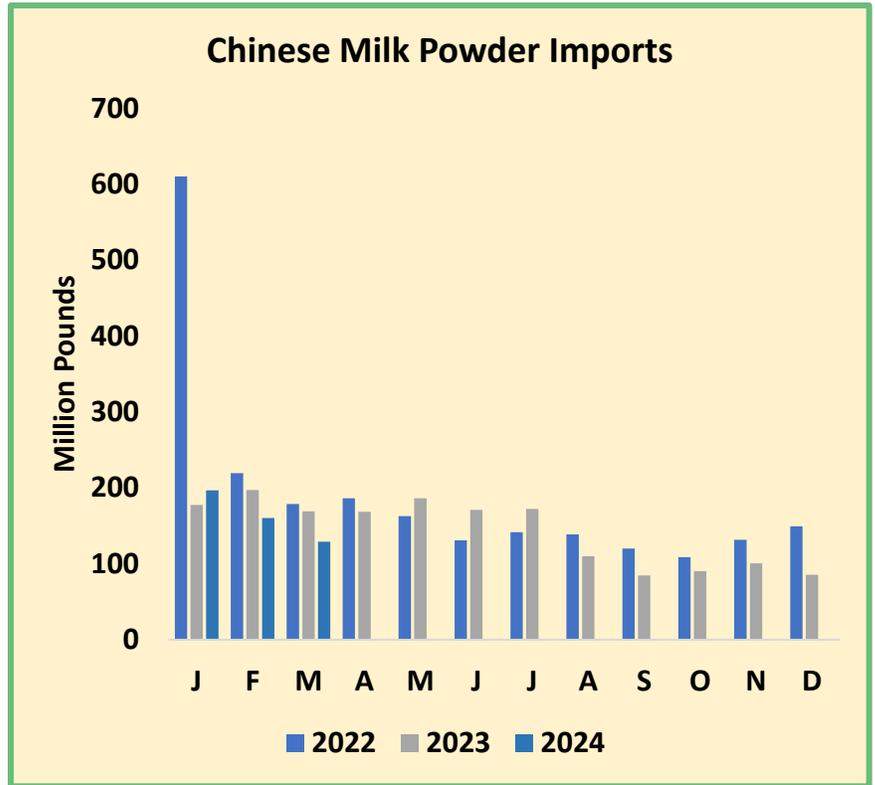
prior year as hot, humid weather throttled milk yields.

Lower production among the world's major dairy exporters continues to put a floor under milk and dairy product prices. But demand remains poor. China imported 14.5% less whole milk powder (WMP) in March than it did last year, and Chinese imports of skim milk powder dropped 32% from March 2023's record-setting tally. China's January through March milk powder imports haven't been this small since 2015. Chinese imports of other dairy products also fell short. China brought in 14% less whey than it did in March 2023.

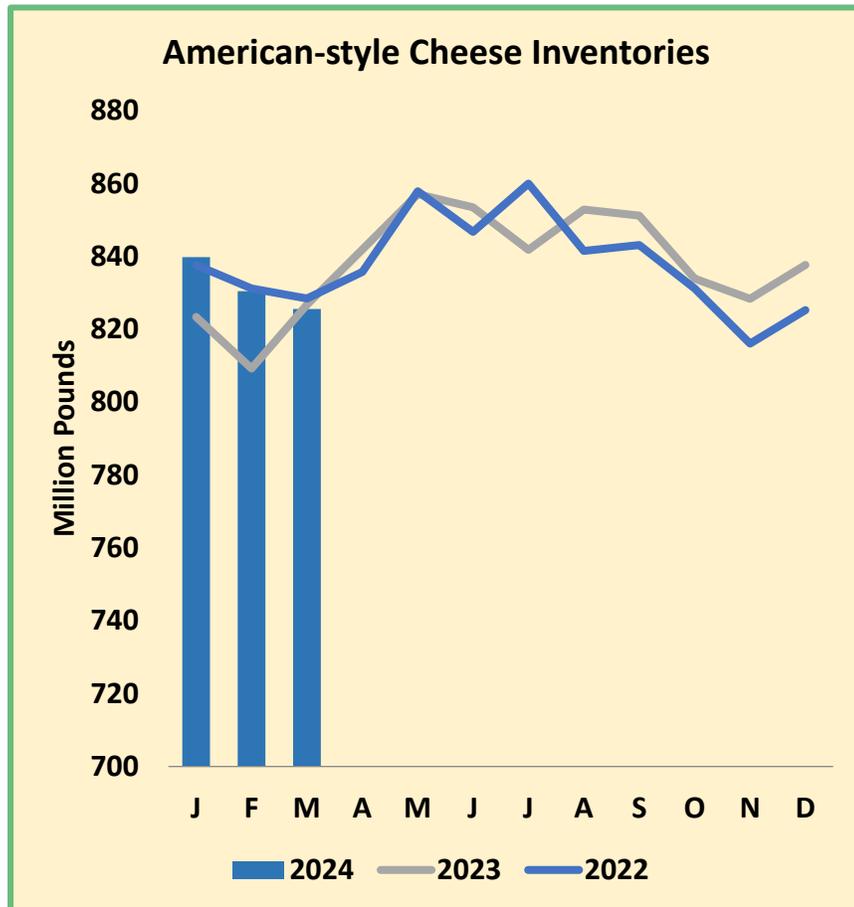
While Chinese demand languishes, Mexican demand remains formidable. Additionally, international bargain shoppers snap up U.S. cheese whenever the price falls low enough to attract their attention. That has helped to keep U.S. inventories in check. USDA's Cold Storage report showed that cheese stocks barely moved from February to March, bucking the seasonal tendency for an early-spring increase. Stocks of American-style cheeses declined in both February and March, which helps to explain recent strength at the CME spot market. Total cheese stocks were 0.1% lighter on March 31 than they

were a year ago. In contrast, butter stocks grew at an unusually strong rate in January, February, and March, and they are now 2.3% greater than they were in March 2023.

Nonetheless, strong demand for butter continues to prop up the market. CME spot butter hit \$3 on Monday, a price never before seen in the spring. It finished today at \$2.97 per pound, a nickel higher than last Friday. Cheese prices also gained considerable ground this week, reaching six-month highs at the spot market. CME spot Cheddar blocks rallied 7¢ to \$1.75, and barrels leapt 11.25¢ to \$1.7725. The powders took a small step back. Spot nonfat dry milk lost a penny and closed at \$1.11. Spot whey powder also dropped a penny to 38.25¢.



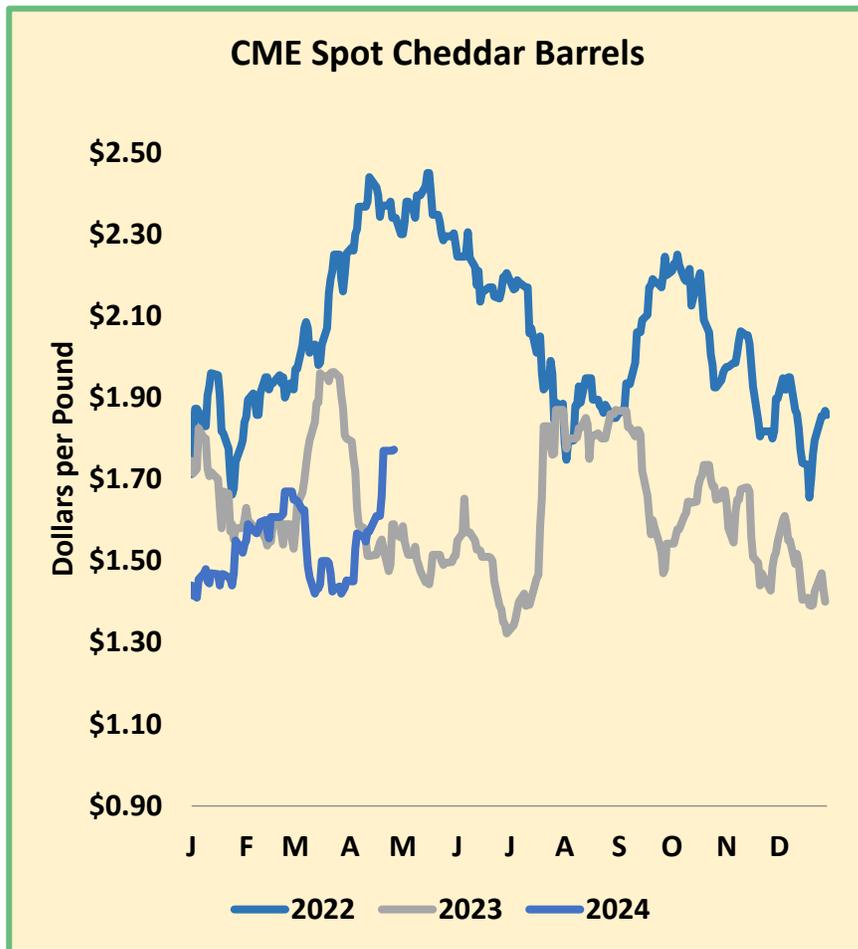
Milk futures were whipsawed by the volatile spot markets and by an onslaught of headlines about the



by an onslaught of headlines about the bird flu. The Food and Drug Administration (FDA) sampled milk from grocery stores and reported that it found genetic material of the inert H5N1 virus in roughly 20% of the milk it sampled. Pasteurization reliably kills influenza and other viruses, and the FDA does not expect to find live H5N1 virus in pasteurized milk. Indeed, researchers from other food safety organizations have searched for the live virus in retail milk and found none. But the FDA is still conducting time-consuming tests looking for remnants of viable virus and, until it has those results, the agency will not state categorically that there is no live virus in milk. The FDA’s announcement piqued consumers’ concerns. Google Trends showed Americans searched for “bird flu in milk” 10 times more often

on Wednesday than they did in late March when the story first started to gain traction in the press.

The FDA samples suggest that the flu is more widely spread than USDA's official count of 33 herds in eight states, although the FDA also noted that genetic remnants of H5N1 were particularly common in areas where the flu was already known to infect dairy cows. USDA is trying to get a better handle on the prevalence of the virus and to support industry efforts to control its spread. On Wednesday it announced that, effective Monday, lactating dairy cows cannot cross state lines without a negative H5N1 test from a USDA-approved laboratory. That's likely to slow down the flow of fresh heifers from off-site raising facilities to milk parlors. It could also create big headaches for producers who ship cull cows to packers in another state. As of Friday afternoon, the industry was still waiting for USDA guidance on whether lactating cull



cows will be exempt from the testing requirements. If producers are required to test cull cows before moving them out of state, it would significantly increase the number of tests processed at USDA labs, and it could create a bottleneck due to the limited number of veterinarians accredited to administer the tests on farm and the lab capacity required to analyze them in a timely manner.

If the dairy industry had plenty of heifers, dairy producers impacted by the bird flu could simply buy local replacements to keep their barns full. But amid an acute heifer shortage, the flu is reducing producers' ability to move cows efficiently and keep barns running optimally. It's likely not taking a huge toll on milk production in the short run, but it matters at the margins. Concerns about the bird flu's impact on milk supplies and consumer demand pushed milk futures back and forth this week. May Class III closed at \$18 per cwt., up 20¢ from last Friday. Most other Class III futures posted modest gains. Class IV futures lost a dime or more. The May contract finished at \$20.10.

### Grain Markets

The grain markets got a boost from an unlikely source. Spurred upward by dwindling stocks in India and dry weather in Russia, the long-beleaguered wheat market jumped 56¢ this week. That prompted a 7¢ rally in July corn, which closed at \$4.50 per bushel. July soybeans climbed 10¢ to \$11.77. July soybean meal closed at \$344.20 per ton, down 80¢ on the week.



## Producer Review Board Meeting Next Week

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

The Producer Review Board (PRB) will be meeting **Wednesday, May 1, 2024, at 10 a.m.** at the **Tulare County Ag Commissioner's office, 4437 S Laspina Street, Tulare, CA.** On the [agenda](#) are some updates on the Quota Administration Program, consideration of some hardship requests, and most significantly, a proposal from PRB Board Member Frank Konyn related to follow-up of the QIP 5-year Effectiveness Survey.

At the February 5, 2024, PRB meeting, there was extensive discussion about the relationship between the quota differential, currently \$1.70 per cwt. of quota milk, and how much Class I revenue is generated in the California Federal Milk Marketing Order, which Frank Konyn calculated as less than \$1.00 per cwt. This discussion led to a motion being made, supported, and passed by the PRB.

From the February 9, 2024, MPC Friday Report:

“After a lot of robust discussion, a motion was made to move in the direction of changing the quota differential to be tied to California Class I revenue and eliminate the difference in quota prices caused by the RQAs. This motion passed with 9 yes votes and 3 no votes. Encouragement was given to Frank and Will to work together to understand the different approaches for calculating California Class I revenue and report back to a future meeting of the PRB. This motion represents significant concessions by both sides of the producer divide on quota. Quota holders acknowledge that quota payments should be tied to Class I revenue and non-quota producers on the PRB accepted that Class I revenue should go to quota holders. This represents a very significant step in hopefully finding a resolution to this issue which has so divided the California producer community.” *Read the entire PRB report from February 9 [here](#).*

The agenda for the May 1 meeting states that a specific proposal will be made by PRB Board Member Frank Konyn for the PRB to consider. As of Friday morning, April 26, the specifics of that proposal have not been distributed. But it is likely that Frank will propose that the PRB recommend to the Secretary that a producer referendum be held to change the quota differential in the QIP to \$1.00 per cwt. and eliminate the different regional quota adjusters, which would have the effect of equalizing the quota differential at \$1.00 per cwt. throughout California. This proposal would be consistent with the motion the PRB adopted at their February 5 meeting.

The coming May 1 PRB meeting will be the most significant PRB meeting since the PRB meetings in 2017 that created the Quota Implementation Plan in the first place, paving the way for California to come into the Federal Milk Marketing Order system.

## USDA Releases Guidance on Dairy Cattle Movement and Reporting Requirements

Courtesy of [National Milk Producers Federation](#)

### **Note from Kevin Abernathy**

On Wednesday, USDA released an order requiring **mandatory testing for interstate movement of dairy cattle**. Just today, that guidance was updated regarding **dairy cull cattle moved directly to slaughter**:

- **Nonclinical lactating dairy cattle** moving interstate direct to slaughter **are not required** to have a premovement test but must move on a **certificate of veterinary inspection** or other documentation of movement approved by the sending and receiving state animal health officials and provided to the sending and receiving state animal health officials.
- Clinical lactating dairy cattle are ineligible for interstate movement or movement to slaughter.

Guidance and requirements from USDA will continue to be updated at these helpful links:

- [USDA: Frequently Asked Questions](#)
- [USDA: APHIS Requirements and Recommendations for State Animal Health Officials, Accredited Veterinarians and Producers](#)
- [CDC: Highly Pathogenic Avian Influenza A \(H5N1\) Virus in Animals: Interim Recommendations for Prevention, Monitoring, and Public Health Investigations](#)

I will also be sending correspondence directly to our MPC members via email with the latest information from the CDFA Cattle Health Advisory Task Force.

### **Additional Information Courtesy of National Milk Producers Federation**

USDA's Animal and Plant Health Inspection Service this afternoon released [guidance](#) following its Wednesday announcement of a [Federal Order](#) to prevent the continued spread of Highly Pathogenic H5N1 Avian Influenza. Starting Monday, April 29, the rule requires premovement testing for lactating dairy cattle traveling between states and reporting positive H5N1 test results to USDA.

The virus that was first detected in dairy cattle has recently been found in poultry, indicating that affected dairy herds may pose a risk to poultry farms. USDA is taking action to limit the risk of virus spread to protect dairy workers, dairy herds and poultry facilities.

NMPF continues to closely monitor this issue and is working with federal and state partners to share updates as they become available. NMPF is also discussing areas of concern with USDA, including the

turnaround time for test results, and the cost and availability of veterinarian services for sample collection and health certificate generation.

Visit [www.nmpf.org/hpai](http://www.nmpf.org/hpai) for more information and a full listing of HPAI and biosecurity-related resources.

### **WHAT CATTLE ARE AFFECTED BY THE INTERSTATE MOVEMENT REQUIREMENTS?**

Lactating dairy cattle, or dairy cattle in one of the lactation phases of their current production cycle, are required to meet the requirements below to move from state-to-state.

Nonlactating dairy cattle – including heifers, dry cows and bull calves – are not currently subject to testing for interstate movement due to their risk profile.

### **WHAT ABOUT DAIRY CATTLE MOVING DIRECTLY TO SLAUGHTER?**

Nonclinical lactating dairy cattle moving interstate direct to slaughter are not required to have a premovement test, but must move on a Certificate of Veterinary Inspection (CVI) or other documentation of movement approved by the sending and receiving state animal health officials and provided to the sending and receiving state animal health officials.

Lactating cull cows crossing state lines that will go to a sale barn before slaughter will still be required to meet the movement requirements described below. Lactating cull cows that go to an in-state sale barn and then will be transported across state lines to slaughter will also be required to meet the movement requirements. If a slaughterhouse is not the destination on the CVI, lactating cows will require testing under the Federal Order.

Clinical lactating dairy cattle are ineligible for interstate movement or movement to slaughter.

### **WHAT ARE THE INTERSTATE MOVEMENT REQUIREMENTS?**

Prior to interstate movement, lactating dairy cattle are required to receive a negative test for Influenza A virus at an approved [National Animal Health Laboratory Network \(NAHLN\)](#) laboratory using an [approved PCR test](#).

State-specific guidance for moving cattle must also be followed.

### **WHAT SAMPLES ARE REQUIRED?**

Samples must be collected by an accredited veterinarian, state licensed veterinarian or a collector approved by the state animal health official.

Samples to be collected include milk/udder secretions from individual cows. Each quarter is sampled and combined into one sample for submission to the laboratory. Submissions must be between 3-10 ml of milk per animal.

For groups/lots of 30 or fewer animals moving interstate, all animals being moved must be tested. If more than 30 animals are moving interstate, then only 30 animals total must be tested.

## California Milk Advisory Board Meeting May 8-9 in Visalia

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

Sample collection and testing must take place no more than seven days prior to interstate movement. The California Milk Advisory Board (CMAB) will host its next Board of Directors Meeting on:

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



**Wednesday, May 8, 2024 – 7:30 a.m.**  
**Thursday, May 9, 2024 – 8 a.m.**

Visalia Marriott  
300 S. Court Street  
Visalia, CA