

MPC WEEKLY FRIDAY REPORT

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 TO: DIRECTORS & MEMBERS
 FROM: KEVIN ABERNATHY, GENERAL MANAGER
 PAGES: 8



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MPC FRIDAY MARKET UPDATE

CHICAGO CHEDDAR CHEESE		CHICAGO AA BUTTER		NON-FAT DRY MILK	
Blocks	-\$0.0625	\$1.8375	WEEKLY CHANGE	-\$0.0250	\$2.6700
Barrels	-\$0.0025	\$1.8675	WEEKLY AVERAGE	+\$0.0080	\$2.6895
WEEKLY AVERAGE CHEDDAR CHEESE		DRY WHEY		NAT'L PLANTS	
Blocks	-\$0.0375	\$1.8725	DAIRY MARKET NEWS	W/E 11/01/24	\$0.5850
Barrels	-\$0.0260	\$1.8825	NATIONAL PLANTS	W/E 10/26/24	\$0.5647
				LAST WEEK ENDING 10/19/24	
				NAT'L PLANTS	\$1.3487 14,280,491

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
NOV 1 EST	\$24.13 - \$24.63	\$21.63	\$20.12	\$21.06
OCT '24 FINAL	\$24.77 - \$25.27	\$21.01	\$22.85	\$20.90

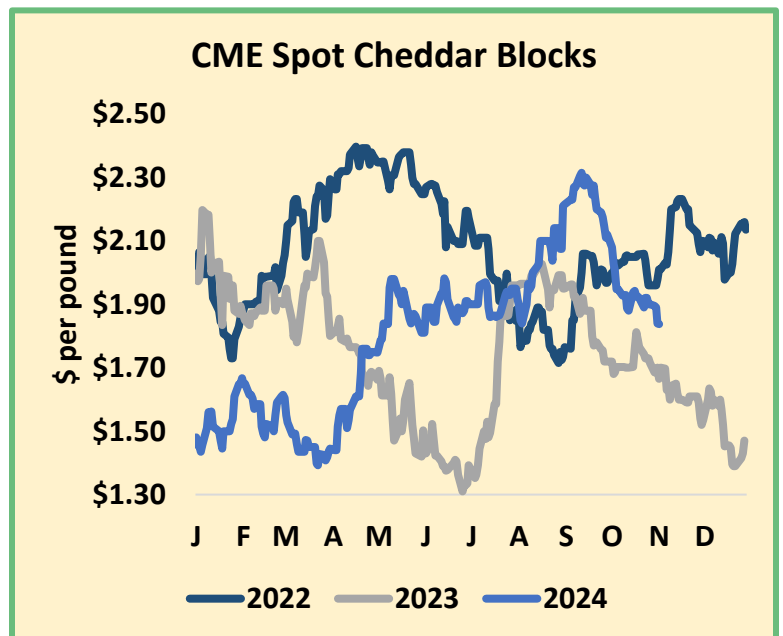


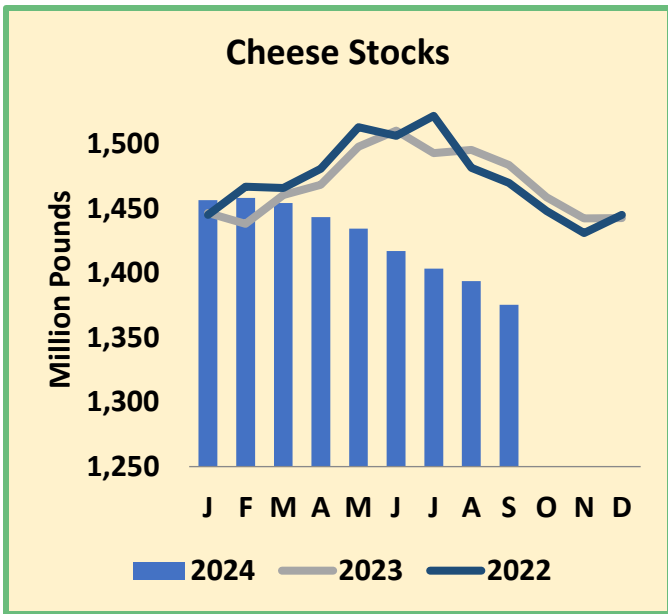
Milk, Dairy and Grain Market Commentary

By Sarina Sharp, Daily Dairy Report
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Milk & Dairy Markets

It was an eerily quiet week on LaSalle Street, with no major reports for the dairy markets to digest. So, the trade ruminated on some old news. Last week's Cold Storage report showed an impressive decline in cheese stocks from March to September. That implies excellent demand for U.S. cheese, driven by spectacular exports. But the Milk Production report showed that U.S. milk output has stabilized. The trade is left to assume that cheese output will step upward several times over the next few months as new and expanded plants start making product. If demand falters, supplies

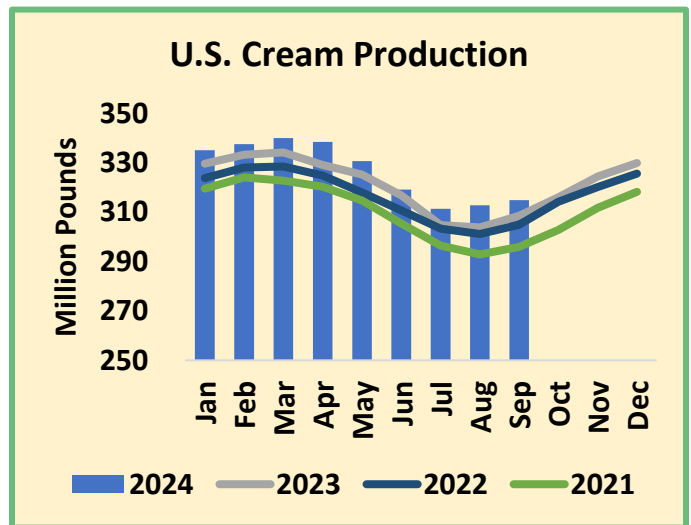




could grow quickly. That prospect spooked the markets this week. CME spot Cheddar blocks dropped 6.25¢ this week to \$1.8375 per pound, the lowest price since May. Barrels slipped a quarter-cent to \$1.8675.

Butter retreated as well. CME spot butter dropped 2.5¢ to \$2.67. After more than two years of anxiety, butter buyers are finally confident that the larders are full heading into the holiday baking season. But when the price drops low enough, they're quick to stock up, as evidenced by record-setting trading volumes in mid-October. This week, just nine loads changed hands.

The dairy markets are awash in cream thanks to relentless increases in butterfat component levels. Through September, the U.S. dairy herd made 0.7% less milk than in the first nine months of 2024. But over the same period, butterfat output jumped 1.9% year over year. That's made a huge difference in the value of cream. From coast to coast, cream multiples are trading below their seasonal averages. Opportunistic cream users, like butter churns, will find cream a more attractive purchase. U.S. butter output was already at all-time highs, up 5.3% year over year in January through August. Waning cream multiples suggest that U.S. butter production will continue to grow.



The powder markets went nowhere at all. CME spot whey powder traded at 60.5¢ for its seventh straight trading session. Spot nonfat dry milk advanced 0.25¢ this week to \$1.3775. Milk powder production remains depressed as more tankers head to bottlers and cheese vats. And whey manufacturers are focusing most of their capacity on high-protein concentrates and isolates, leaving less whey for dryers. Low output is enough to keep prices supported, but not enough to propel them sharply higher. Amid poor demand from China and concerns about global consumers' propensity to spend, competition for exports is fierce. And it's likely to remain so as global milk output recovers.

Combined milk production among the world's top five dairy exports fell short of prior-year volumes for 12 straight months. But the losing streak ended in August. Year-over-year gains in Australia, New Zealand, and the United States were more than enough to offset deficits in Argentina and Europe, outpacing August 2023 by 0.2%. However, August 2024 production was still lower than August 2021 and 2022 on a fluid basis, highlighting the depth of the milk production downturn in 2022 and late 2023. The shift back to growth suggests that global dairy product values may not climb much further, particularly if China's imports remain soft. Prices are already high enough to spur continued gains in



State Water Board Releases Draft Delta Water Quality Control Plan

By Geoff Vanden Heuvel, Director of Regulatory and Economic Affairs
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It is no secret that the two major surface water supply systems that transport water from Northern California to the Central and Southern part of the state use the delta region as the “valve” through which that water passes. The delta is large, about 700,000 acres. It is the mixing zone between the fresh water coming from the two major rivers that drain the San Joaquin Valley and the Pacific Ocean.

The delta is the home of a number of native fish species that are protected as endangered, and it is also intensively farmed. There are many state, federal and local government entities that have overlapping jurisdiction governing activities in the delta. One of the most powerful entities is the State Water Resources Control Board which regulates all of the surface water running in and through the delta according to the Delta Water Quality Control Plan. The current plan was adopted in 2006 and is in the process of being updated. In October, the State Board [released a draft of potential updates](#) to the water quality control plan for public review and comment.



The major public water agencies are evaluating those proposals now and will soon communicate their thoughts. But the reality is that over the past 30 years, the plan carried out by the State Board, in conjunction with the state and federal agencies in charge of recovering endangered fish species, greatly reduced the surface water delivered by the State Water Project and the Central Valley Project to people and farms in Central and Southern California. Moreover, the endangered fish these water restrictions were supposed to save were not recovered. In essence we have the worst of both worlds – massive water and economic costs to people and farms and declining fish populations.

The California Constitution specifically outlaws waste of water and requires that water be put to beneficial use.

California Constitution Article X - Water Section 2.

It is hereby declared that because of the conditions prevailing in this State the general welfare requires that the water resources of the State be put to beneficial use to the fullest extent of which they are capable, and that the waste or unreasonable use or unreasonable method of use of water be prevented, and that the conservation of such waters is to be exercised with a view to the reasonable and beneficial use thereof in the interest of the people and for the public welfare. Read the complete text of Article X, Section 2 [here](#).

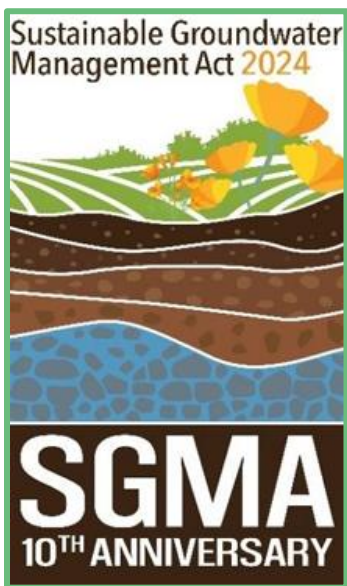
It is correct for the State Board to evaluate changes to the Delta Water Quality Control Plan. A lot of scientific work has been done over the past decade to discover the full range of factors that have led to declining native fish populations. Just sending more water to the ocean has not worked and doing more of the same is not a strategy for success. Fortunately, there is strong support for a different approach called the [Healthy Rivers and Landscapes proposal](#). This proposal outlines many other actions besides just sending more water to the ocean that would greatly enhance the survival and recovery of the endangered fish. Hopefully, this approach can be embraced.

It will be important for those impacted by delta water policies to weigh in with the State Board as they evaluate the Delta Plan Update. For the San Joaquin Valley, reduced surface water deliveries led to greater reliance on groundwater pumping, which led to overdraft, which is leading to huge falling and financial impacts in our communities. The economic and social costs to the people of California as a result of the current delta policies must be part of what the State Board considers as they move forward in the process of updating the Delta water plan. The Water Blueprint for the San Joaquin Valley exists to make sure that needs of people, communities and farms are considered in these important decisions. You can learn more about the Blueprint [here](#), and sign up to get on the contact list for the Blueprint [here](#).

The Road to Sustainability: 10-Year Anniversary Event in Sacramento November 18

Courtesy of the [California Department of Water Resources](#)

The California Department of Water Resources will host “**The Road to Sustainability: SGMA 10-Year Anniversary Event**” on Monday, November 18 at the California Natural Resources Agency, 715 P Street, Sacramento. There is no charge to attend in-person or virtually. Registration information is available [here](#).



The Sustainable Groundwater Management Act was signed into law in 2014. The law has the goal of bringing the use of groundwater in the state of California into a sustainable condition by the year 2040. Up until 2014, groundwater extraction was unregulated by the state.

In addition to important keynote addresses, including one by former Governor Jerry Brown, there will be three panel discussions. Panel 1 is titled, “Where did it all begin?” Panel 2 is titled, “Where are we now?” Panel 3 is “Where are we headed?” **Geoff Vanden Heuvel** from **Milk Producers Council** will be a speaker on Panel 3.

You can see a full draft agenda [here](#).

On-Farm Conservation Funding Assistance Available for Producers

Courtesy of the [Natural Resources Conservation Service](#)

The USDA Natural Resources Conservation Service (NRCS) in California announced Fiscal Year 2025 (October 1, 2024 through September 30, 2025) federal assistance opportunities for agricultural producers, including through the [Environmental Quality Incentives Program](#) (EQIP). While NRCS accepts applications for these programs year-round, interested applicants should apply no later than **November 15, 2024**, for the first application cutoff period.

Through EQIP and the Inflation Reduction Act, more than \$100 million is available for conservation practices and initiatives, including but not restricted to,

- National Air Quality Initiative (NAQI) to assist farmers in replacing outdated engines with new and cleaner-burning technology.
- Activities that support wildlife habitat creation and enhancement on farms and ranches.
- NRCS and Bureau of Reclamation WaterSmart partner projects to help improve water infrastructure, delivery, and application on farms.
- National Water Quality Initiative for targeted conservation actions to improve water quality.
- Joint Chief's Landscape Restoration Partnership to collaborate with agricultural producers, forest landowners, tribes and public land managers to mitigate wildfire risk, improve water quality, and restore forest ecosystems.

Applying for Assistance

To find out more about the application process or to begin an application, please contact your local NRCS Service Center by visiting [here](#).

Voters and Data Support Continuation of Dairy Climate-Smart Efforts

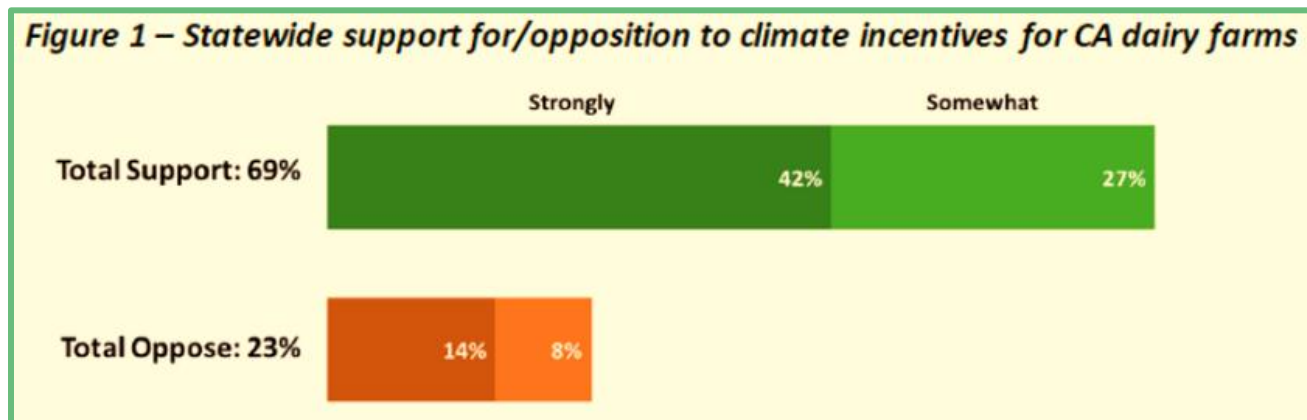
Courtesy of [Dairy Cares](#)

Those who work on California dairy farms and live nearby can tell you that methane reduction efforts are working, and that is due in large part to the existing incentive-based approach. Collectively, the state's dairy efforts are expected to achieve annual reductions of more than 6.6 million metric tons (MMTCO₂e). More projects are already in the works and are expected to add significantly to the total. The dairy sector—essential to both community health and local economies—continues to make unmatched climate progress, while also improving the protection of air quality and water resources.

The latest [analysis](#) performed by the California Air Resource Board (CARB) staff again confirms that the current incentive-based approach for methane mitigation is working. In line with the findings, the public has demonstrated that they too see value in the incentives.

Voters support incentives and recognize food production’s importance

A recent voter survey by Sextant Strategies revealed that 69 percent of all voters and 80 percent of Democrats statewide continue to support climate incentives for dairy farms.



That same survey showed that 86 percent of statewide voters rated farming and food production as “very important” to the California economy. If these climate incentives to California dairy farms were to end, 64 percent of voters believe their food prices would increase. This is especially significant because 68 percent of voters describe the cost of food as either a crisis (30 percent) or a very serious problem (38 percent)—second only to their concern about the cost of housing. Concern about the cost of food is even higher among voters in the San Joaquin Valley, with 77 percent describing it as a crisis or very serious problem.

Food insecurity is a significant issue, which is why California dairy farmers support [several initiatives](#) to help end hunger, including pilot projects that deliver product and refrigeration resources to food banks and programs that improve food access for families. In 2023, California dairy organizations collectively donated more than 3.6 million pounds of dairy products to local food banks. Much of these efforts occur in the San Joaquin Valley, where the majority of dairy farms and product processing facilities are located.

Continue reading [here](#).

USDA Announces Enhanced HPAI Milk Testing Program

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

Agriculture Secretary Tom Vilsack [announced this week](#) that the department will soon implement an expanded testing program searching for evidence of the highly-pathogenic avian influenza virus in milk. The testing process will target milk silos, as opposed to individual farms, with additional testing at the farm level if necessary, until herds in an area are determined to be free of the virus. USDA will begin sampling milk in the coming week in states where dairy cattle have contracted bird flu. The department is working with state and private veterinarians to iron out the final details of implementation, and

USDA's Animal and Plant Health Inspection Service will then share guidance documents with the dairy community.

The avian influenza in dairy cattle has infected 404 herds in 14 states since the end of the winter, but has been confined to California, Idaho and Utah in the last 30 days. Vilsack also told reporters this week that the USDA continues to work on an H5N1 vaccine. Two vaccine candidates have been approved at this point for field safety trials.

In a somewhat coincidental development, the USDA said this week that it found a form of the H5N1 virus in a backyard pig in Oregon, but the strain there differs from the H5N1 viruses found in dairy cattle and poultry. The agency is attempting to verify how the pig became infected, although poultry on the farm, which shared water sources and housing with other animals, first tested positive for H5N1 on Oct. 25.

