

# MPC WEEKLY FRIDAY REPORT

DATE: MAY 5, 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	-\$0.0750	\$1.6125	WEEKLY CHANGE	+\$0.0900	\$2.4450
Barrels	-\$0.0600	\$1.5300	WEEKLY AVERAGE	+\$0.0280	\$2.4210
<b>WEEKLY AVERAGE CHEDDAR CHEESE</b>		<b>DRY WHEY</b>		<b>NAT'L PLANTS</b>	
Blocks	-\$0.0080	\$1.6625	DAIRY MARKET NEWS	W/E 05/05/23	\$4.000
Barrels	+\$0.0220	\$1.5570	NATIONAL PLANTS	W/E 04/29/23	\$4.263
				<b>LAST WEEK ENDING 04/22/23</b>	
				NAT'L PLANTS \$1.1219 54,458,890	
				NAT'L PLANTS \$1.1650 19,150,599	

## 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
MAY 5 EST	\$21.17 - \$21.67	\$19.02	\$16.57	\$17.99
APR '23 FINAL	\$20.45 - \$20.95	\$19.20	\$18.52	\$17.95



### Milk, Dairy and Grain Market Commentary

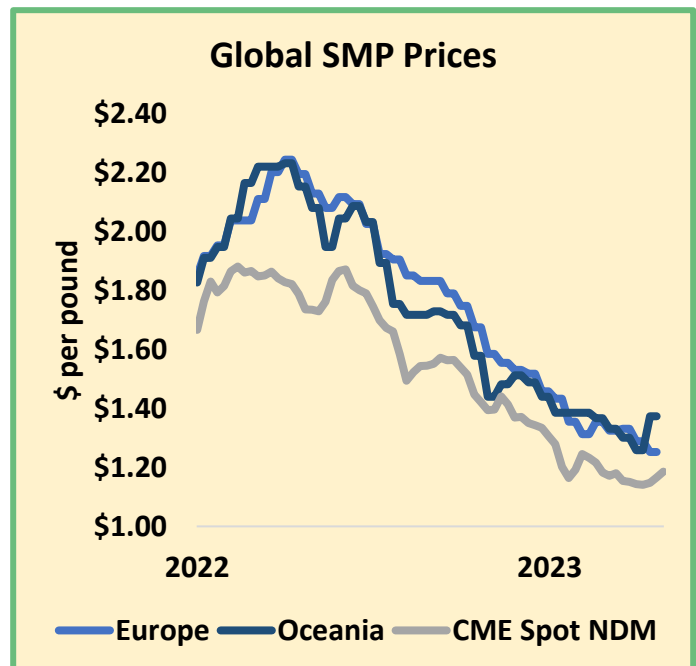
By Sarina Sharp, Daily Dairy Report

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#### Milk & Dairy Markets

After a long decline, the global milk powder market is tentatively on the mend. Both skim milk powder (SMP) and whole milk powder (WMP) prices climbed at each of the last two Global Dairy Trade (GDT) auctions. Compared to early April, GDT SMP prices are 8.1% higher and WMP values are up 5.8%. In Chicago, spot nonfat dry milk (NDM) is knocking on the door of \$1.20 for the first time since February. CME spot NDM closed today at \$1.1975 per pound, up 2.75¢ this week.

By all accounts, there is still plenty of milk and driers are running hard. In March, U.S. output of NDM and SMP reached 236 million pounds, up 0.6% from a year ago. Stocks inched up slightly to



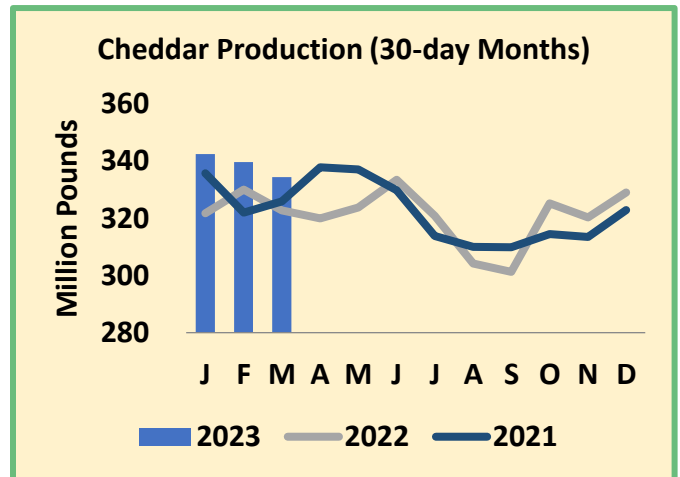


319 million pounds, a relatively heavy tally for March. Inventories are now 10.8% greater than they were a year ago.

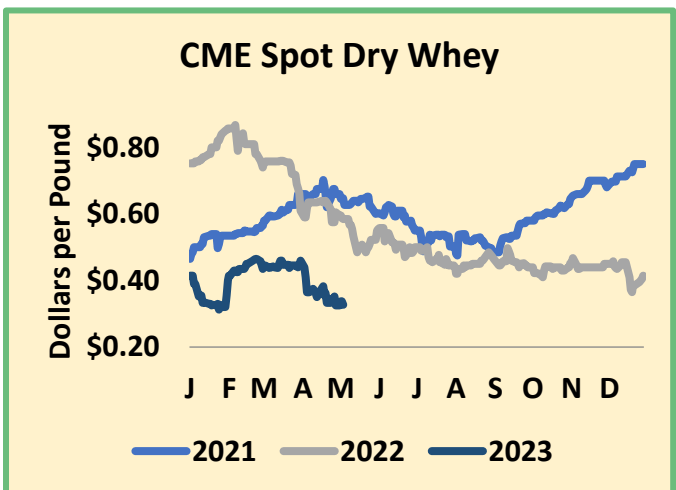
The flush is in full swing and spot milk is still selling at steep discounts throughout the Midwest. European milk output continues to top prior-year levels. And the trade remains anxious about soft Chinese WMP demand. But prices appear to have fallen far enough to entice bids from other markets. Middle Eastern buyers were notably enthusiastic at

the late-April GDT, and Southeast Asian merchants stepped up purchases at Tuesday’s auction. India, the world’s largest dairy market, may struggle to be self-sufficient in milk production, setting the stage for SMP imports later this year. Brazil is already importing dairy at a breakneck pace, keeping Argentine exports close to home. The Mexican peso notched a 5.5-year high against the dollar this week, making U.S. dairy products more affordable south of the border. U.S. NDM exports to Mexico reached an all-time high in March. All told, the U.S. sent 172 million pounds of NDM abroad in March, just 2.7% less than the unusually strong volumes of March 2022.

U.S. cheese exports to Mexico also set a fresh high in March. The U.S. sent 91.6 million pounds of cheese and curd to foreign buyers, the second-highest March tally ever. U.S. cheese production totaled 1.229 billion pounds, down 0.2% from the hefty volumes of the prior year. Slower cheese output helps to explain the light growth in cheese stocks in March. It also reveals just how much processors have struggled to maintain a stable workforce and run plants efficiently. Despite months of cheap spot milk, cheese output was lower than the prior year in the Atlantic and Central regions. But Cheddar output was heavy. Spot cheese prices began to retreat in late-March and continued to deteriorate last month. This week, spot Cheddar blocks fell another 7.5¢ and finished at \$1.6125. Barrels dropped 6¢ to \$1.53. The prolonged setback in



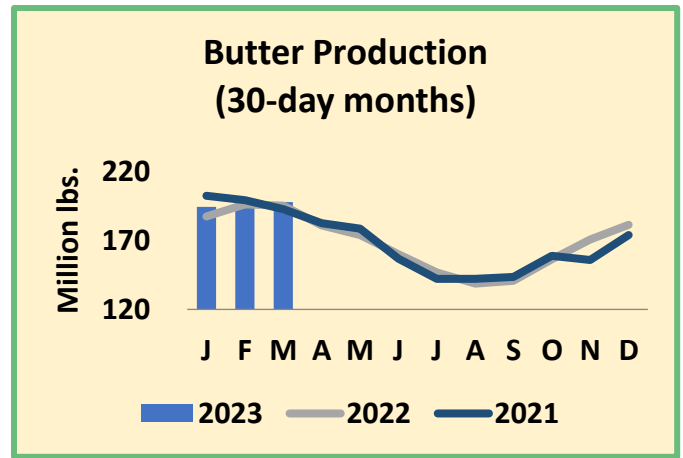
cheese values suggests that demand is soft, and that U.S. cheese must remain discounted to keep product moving. If that’s the case, the futures have some big adjustments to make. While spot Cheddar barrels are probably winning some business in the low \$1.50s, importers are likely to look elsewhere for deferred bookings with July cheese at \$1.85.



Mimicking cheese, whey output was also on the lighter side. Production of whey for human consumption was 3.5% below year-ago levels as whey processors stepped up production of whey protein

concentrates. Exports were healthy, thanks to strong demand from China. Whey powder shipments jumped 8.3% from year-ago volumes. With that, whey stocks dropped from February to March and fell 5.3% below year-ago levels. Nonetheless, whey remains cheap. This week it slipped 2.5¢ to 32.75¢.

Butter output was surprisingly robust. Clocking in at 205 million pounds, March butter output was 1.4% greater than the prior and the highest March tally on record. The U.S. was a net butter importer in March, taking in record-setting volumes from Ireland and additional butterfat from New Zealand. This week's data only add to the puzzle presented in last week's Cold Storage report. Despite robust production and a trade deficit, butter stocks dropped in March, implying that, like Altoids, domestic demand for butter is curiously strong. Spot butter values held steady throughout March and April, and they've started May on a decisive upswing. This week spot butter leapt 9.25¢ to \$2.445.



The recovery in the powder market and resilience in butter values pushed Class IV futures higher once again. May Class IV rallied a nickel to \$17.99 per cwt., and the June contract climbed 22¢ to \$18.35. Deferred contracts added about 40¢ apiece. Meanwhile, nearby Class III retreated. May Class III fell 24¢ to an unpalatable \$16.57. The June through August contracts also posted double-digit losses, while fourth-quarter Class III milk added a few cents.

These prices are discouragingly low, especially given today's cost of milk production. Dairy slaughter volumes remain high, auction houses are busy, and the dairy herd is expected to shrink eventually. But for now, there is plenty of milk and prices remain under pressure.

### Grain Markets

The corn market took a dive about two weeks ago and just kept dropping. This week, it finally found the bottom. July corn futures dipped briefly below \$5.70 and then shot immediately back up to the surface. They closed today at \$5.965 per bushel, up 13.5¢ since last Friday.

All the same bearish factors that drove prices downward are still in play. It's extremely dry in the Southern Plains, but the rest of the Farm Belt features a pleasant mix of showers and warmer temperatures that will allow for planting progress and benefit young crops. Brazil's ports are busily moving corn and soybeans abroad, undercutting U.S. export prospects. But U.S. corn supplies remain tight for now, and end users must pay up to coax the remaining grain out of farmers' bins. Grain prices also got a boost this week from the ever-volatile wheat market. The drone attack on the Kremlin exacerbated tensions between Ukraine and Russia, calling into question how long the Black Sea grain export corridor can remain open. The current agreement expires in a couple weeks, and Russia is threatening to let the pact lapse.

Soybean prices followed the grains higher. July soybeans settled at \$14.365, up 17.25¢ this week. But soybean meal values continued to slip. They fell \$6.30 to \$426.10 per ton.



## Finally, an FMMO Petition from the National Milk Producers Federation

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

When California joined the Federal Milk Marketing Order (FMMO) program in November of 2018, it was widely believed that an update of the FMMO's milk pricing formulas would soon follow. The last update had been done in 2008. Unlike the California State Order, where changes to the milk pricing formulas often happened multiple times every year, changes to the FMMO program have always happened infrequently. There is a reason for that – and it is a good reason.

The FMMO hearing process is long, and when changes are proposed and USDA grants a hearing, all sides get to give testimony. That testimony is then tested by cross examination, not just by USDA officials, but also other industry stakeholders. When USDA makes a preliminary hearing decision, there is then an opportunity for review and comment by the industry before a producer vote is taken. Then after considering that input when USDA publishes a final decision, it is producers who vote yes or no on whether the new rules take effect. Producers must weigh their vote carefully because a no vote ends the FMMO and leads to deregulation. So, getting a modernization proposal right during this lengthy process is very important, and if done right, it also leads to a more stable and long-lasting result. Building a strong consensus, particularly among producers, is critical. This is what takes time, and the National Milk Producers Federation (NMPF) has taken the time to do this right.

NMPF is the trade association of the cooperatives in the United States. Their CEO Jim Mulhern said this week in a [column](#):

*“More than 150 meetings over nearly two years, with many of the industry’s best minds, including producers of all sizes and in all regions of the country, as well as the cooperative-led processing community, has generated a strong consensus among producers that portends well for the [proposal we’ve presented](#) USDA. The Federal Milk Marketing Order system is, in the end, focused on farmers – and we’ve gained unanimity among our producer-leaders in backing this proposal.”*

These meetings included sessions with state dairy associations, including Milk Producers Council, where we were able to give input and feedback into the process of developing this proposal.

It is a strong and balanced proposal from my perspective. It has five major elements that must be considered as a package. There are increases in make allowances for butter, nonfat dry milk, cheese and dry whey in the proposal. The proposal discontinues the use of barrel cheese in the protein component price formula. It returns the Class I mover to the “higher of” either the Class III value or the Class IV value. It updates the component factors in the skim milk price formula and it updates the Class I differential pricing surface throughout the U.S., which has not been comprehensively updated since 2000.

Taken as a package, the impact on producer milk checks will be small if at all. But by updating these formulas, some out of date portions of the pricing formulas will be modernized and defensible, thereby strengthening the FMMO program for the long-term.

I recently had a conversation with a producer who had attended his co-op annual meeting where the report was that the co-op's manufacturing plants were not able to cover their costs with the current make allowances leading to losses for the co-op bottom line. While no one likes to hear that, given that particularly energy and labor costs have gone up substantially since the make allowances were last adjusted in 2008, it should not be surprising. But what I reminded my friend was that if we had remained in the California State Order, where make allowances were constantly adjusted upward to keep our manufacturing plants profitable, the milk price would be substantially lower. As I have demonstrated in [prior articles](#), the mailbox milk prices in California are at least \$1 per cwt. higher under the FMMO than they were under the California State Order. The California milk price discount that we lived under for so many decades is over. As part of the FMMO program we are now on a level playing field with producers in the rest of the country. This is an important point to keep in mind as USDA considers the NMPF proposal. Whatever changes end up being made will be applied to all FMMOs not just California.

I deeply appreciate the work and care NMPF has put into developing this proposal. We look forward to a USDA hearing where the FMMO can be successfully updated so it can continue its vital role in providing a stable marketing environment for our industry to prosper.

## **CDQAP Update: Remembering George Salsa** *Courtesy of the [California Dairy Quality Assurance Program](#)*

The [California Dairy Quality Assurance Program](#) (CDQAP) recently published its May update, which you can read in its entirety [here](#).

### **George Salsa 1947-2023**

George Salsa passed away on Monday, May 1 of natural causes. That day the dairy industry and the CDQAP family lost one of their truest friends and greatest assets. The grief we share in the partnership is palpable.

George's long career with the dairy industry started back in 1986, when he was hired by CDFA as a [Registered Dairy Inspector](#), conducting food safety inspections at dairy farms and milk processing plants throughout the Central Valley.



*George Salsa (right) presenting CDQAP signage to Carl Vieira, Arlinda Holsteins.*

George established a reputation of being a highly approachable state regulator, and he always related extremely well with members of the dairy industry and his fellow inspectors. In 2000, George was promoted to Regional Supervisor for the Stockton region and was responsible for overseeing about 12 dairy inspectors working in the North Valley.

“George was a great guy and always a pleasure to be with,” said Dr. Richard Breitmeyer, past State Veterinarian. “Dairy was in his genes, and he always related so well with producers and staff.”

George retired from CDFA in 2009 after 23 years of dedicated service, but his partnership with CDQAP was just beginning. In 1998, prior to George retiring from CDFA, CDQAP was developing a third-party evaluation and [certification program](#), one that ensured certified producers followed all federal, state, and local environmental regulations.

“We needed to find someone who knew dairies and could relate to producers,” said Dr. Deanne Meyer, UCCE Livestock Waste Management Specialist and CDQAP Environmental Stewardship Module Director. “He also had to immerse himself in dairy environmental regulation, which was beyond his extensive food safety training at CDFA.”

Using grant money from the US EPA, CDQAP purchased some of George’s time and that of some of his colleagues to be trained on dairy regulations.

In 2000, the first evaluations were made on [CDQAP’s first 12 dairies](#), with George leading the CDQAP evaluation team. Inspectors from the State and Central Valley Regional Water Quality Control Boards followed up to ensure that nothing was missed, and the academic/regulatory/industry third-party certification program was born. As the program grew George and his team conducted additional evaluations throughout the state.

“George had a unique way of explaining to producers, in a firm but friendly way, changes that had to be made to meet the complex web of regulations,” said Denise Mullinax, Executive Director of the California Dairy Research Foundation, CDQAP’s parent organization.

Over the next 23 years, George visited and evaluated most of the state’s 1,200 dairies, evaluating current practices, engaging in practical manure management discussions, and assisting producers in improving their farm stewardship and sustainability. Not all initial conversations were easy, but George’s good-natured, straight-forward attitude supported producers in continued improvement and environmental compliance. Over the years he performed about 1,900 evaluations, with his last being on January 24 of this year.

I can think of no higher praise for any person than that he was well loved and made the world a better place,” said Dr. Michael Payne, Director of the CDQAP. “George was all that and more.”

George is survived by his wife Carol, daughter Susie, and sons George, Michael, and Albert.

Memorial donations can be made to the Gustine Unlimited Scholarship Trust Organization ([GUSTO](#)), his church, the [Shrine of Our Lady of Miracles](#), or the [Gustine Fire Department](#).

Funeral Services will be held Friday May 12 at 10:00 a.m. at the Shrine of Our Lady of Miracles at 370 Linden Ave, Gustine. A reception will follow at Mission de Oro, 13070 S. Hwy 33, Santa Nella.

## NRCS Hiring for Soil Conservationist Positions

Courtesy of [Natural Resources Conservation Service](#)

The Natural Resources Conservation Service (NRCS) is hiring soil conservationists in the western U.S. The positions provide assistance in the development, planning, contracting and application of land conservation practices and programs consistent with NRCS policy and procedures. More information is available [here](#).

