

MPC WEEKLY FRIDAY REPORT

DATE: APRIL 21, 2023
 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	-\$0.0250	\$1.7500	WEEKLY CHANGE	+\$0.0725	\$2.4000
Barrels	+\$0.0400	\$1.5525	WEEKLY AVERAGE	+\$0.0345	\$2.3840
WEEKLY AVERAGE CHEDDAR CHEESE		DRY WHEY		NAT'L PLANTS	
Blocks	-\$0.0420	\$1.7570	DAIRY MARKET NEWS	W/E 04/21/23	\$0.4150
Barrels	-\$0.0405	\$1.5310	NATIONAL PLANTS	W/E 04/15/23	\$0.4481
				LAST WEEK ENDING 04/08/23	
				NAT'L PLANTS \$1.2009 21,369,551	

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 21 EST	\$20.45 - \$20.95	\$19.18	\$18.63	\$17.98
LAST WEEK	\$20.45 - \$20.95	\$19.18	\$18.62	\$17.98



Milk, Dairy and Grain Market Commentary

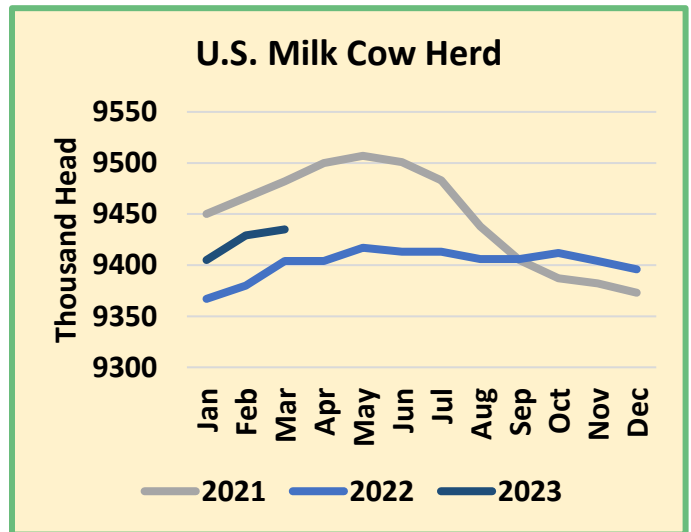
By Sarina Sharp, Daily Dairy Report

Sarina@DailyDairyReport.com

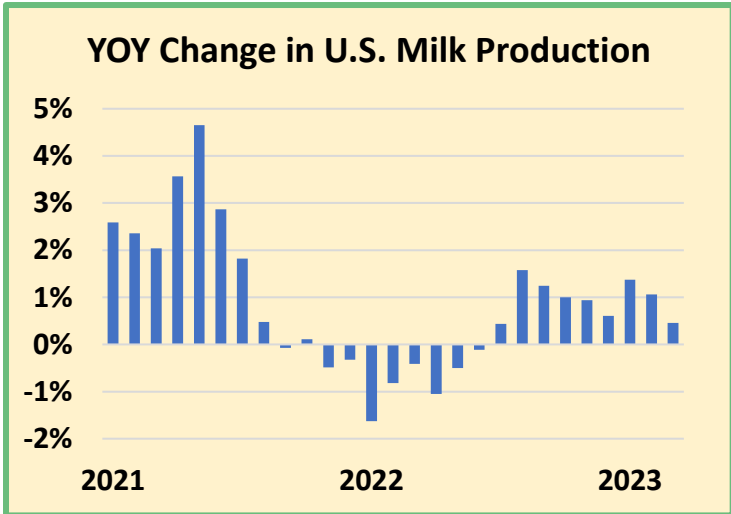
Milk & Dairy Markets

Milk prices are woefully inadequate to cover today's stubbornly high feed costs. With poor margins and rising beef values, dairy producers are culling harder. Through early April, dairy cow slaughter volumes were 3.7% ahead of the 2022 pace. And a growing number of producers are calling it quits. Each of the major livestock auctions features a new dairy sale every couple weeks. Nonetheless, according to USDA's latest assessment, dairy producers added 9,000 cows in January, 24,000 in February and 6,000 in March. The national milk-cow herd now stands at 9.435 million head, larger than in any month since August 2021 and up 31,000 cows from March 2022.

At first glance, the increase seems curious. But a look at the state-level changes suggests that USDA's best guess is at least plausible. The agency estimates that dairy producers added a net of 7,000 cows in



Texas and 4,000 head in Kansas in the first quarter, which aligns well with expansions meant to supply new dairy processors in those states. Dairy producers started milking cows in some new barns in South Dakota and Idaho early this year, and USDA reports growth of 4,000 head and 7,000 head, respectively, in those states. Several states added a net of a few thousand cows, as dairy producers filled up new facilities or crowded their barns to try to boost milk revenues. For now, new or expanded dairies are adding cows more quickly than their competitors are losing them, delaying the transition from low prices to tighter milk supplies, and pushing the eventual recovery in milk prices farther into the future.

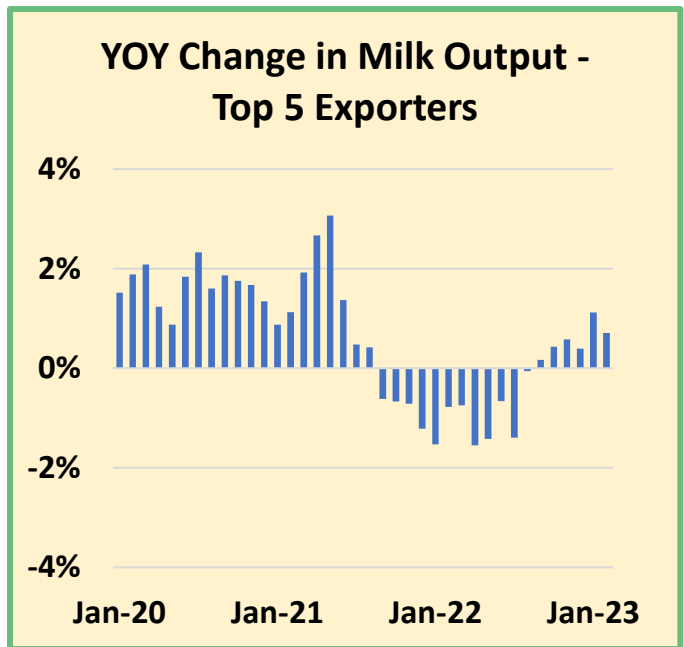


With more cows in the barn, milk production climbed, but the increase was far from formidable. U.S. milk output reached 19.8 billion pounds in March, up 0.5% from a year ago. Milk yields did not impress, topping March 2022 by just 0.14%. In California, where cows have spent months in the mud, milk yields suffered. Last month they were 2.1% below March 2022.

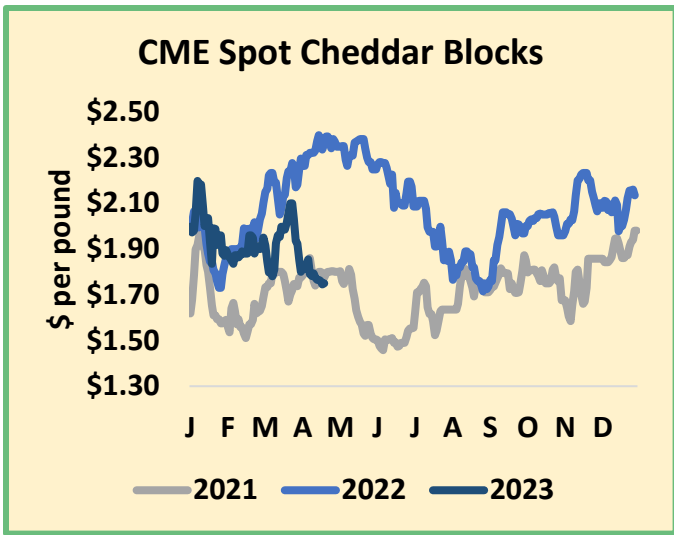
Our competitors overseas also reported modest growth. New Zealand milk solids collections topped March 2022 by 1%. With just two months

to go, season-to-date milk solids collections are still in a deficit, down 0.9% from the 2021-22 season. In Europe and the United Kingdom, milk output exceeded February 2022 by 0.7%.

With growth in milk output at or below 1% among the world’s largest dairy exporters – and negative in second-tier nations like Australia and Argentina – dairy product supplies should be tightening. Global dairy demand typically grows between 1% and 2% annually. However, demand is falling short too. The main culprit is China. The world’s largest dairy importer has backed away from purchasing whole milk powder (WMP), pushing dairy processors in New Zealand to direct milk they might have dried into WMP into skim milk powder (SMP) and butter instead. Meanwhile, in the Midwest, there is plenty of milk to keep cheese vats full. USDA’s *Dairy Market News* reports that spot milk continues to trade at discounts ranging from \$4 to \$11 under Class III, and this week’s offers are skewed more heavily toward the lower end of the range.



Strong cheese production has pushed prices sharply lower. CME spot Cheddar blocks fell another 2.5¢ this week to \$1.75 per pound, its weakest showing since September. But low prices are doing their job and attracting buyers. *Dairy Market News* reports that domestic demand is “steady to strong,” and Asian importers are reportedly taking advantage of today’s bargain prices. However, orders from

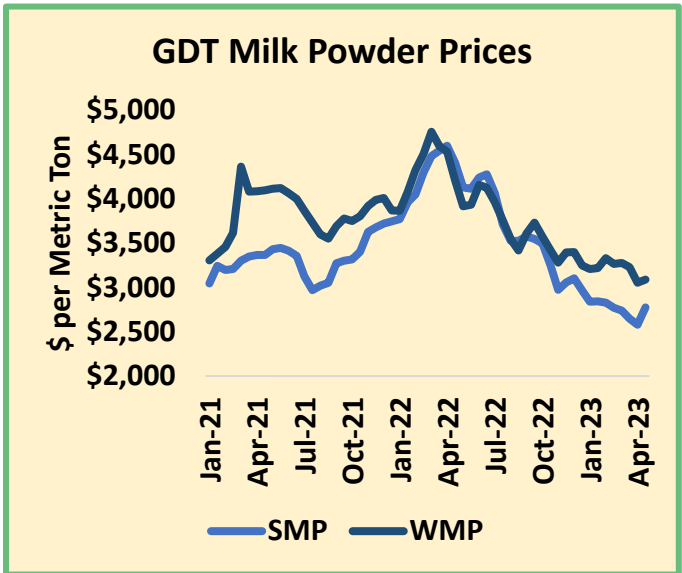


Mexico and Europe are more sporadic. Spot Cheddar barrels remain inexpensive enough to keep product moving. They rallied 4¢ this week to \$1.5525, and traders exchanged an astounding 85 loads of barrels in Chicago this week.

Chinese buyers didn't purchase much at this week's Global Dairy Trade (GDT) auction, but other importers stepped up, pushing prices higher for the first time since early February. WMP prices climbed 1% and SMP values leapt 7% to the equivalent of nonfat dry milk (NDM) at \$1.34 per pound. Butterfat and cheese prices also jumped. Strength at the GDT

helped to prop up prices in Chicago. Spot NDM rallied 3.5¢ to \$1.165. Spot butter added 7.25¢ and reached \$2.40, toward the high end of the recent trading range. Whey powder held steady at 36.25¢.

Cheap cheese dragged May Class III futures straight downward. They dropped 37¢ this week and closed at \$17.32 per cwt., a life-of-contract low. The other contracts fared much better, notching slight gains. Most Class IV contracts posted 20¢ or 30¢ increases. That lifted May Class IV to \$17.86. For both classes of milk, the futures project prices above \$18 in June and July, with more \$19s in the back half of the year.



Grain Markets

It was a wild week in the grain pits, with strong gains early in the week and big losses to finish. July corn closed at \$6.1525 per bushel, down 20¢. July soybeans dropped by a similar margin to \$14.49. July soybean meal fell \$13 to \$443.60 per ton.

Once again, the fireworks started in the wheat market and then spread to the broader grain complex. Russia is growing increasingly frustrated with the impact of sanctions and the lack of firms willing to insure Russian ships, so it is once again threatening to upend the agreement that allows grain exports out of three Ukrainian ports. Meanwhile, Ukraine's neighbors are upset that grains moving into Europe via truck and rail are depressing their markets, and Poland, Hungary, Slovakia, and Bulgaria have banned imports of agricultural foods from Ukraine. Yet another hurdle to Ukrainian grain exports propped up wheat prices. But feed futures made an about-face later in the week, and the whole board finished in the red.

The forecast calls for some rain in the Southern Plains, which might help to revive the dying wheat crop, or at least set the stage for better summer crops. Planters are rolling, and the market will now turn its focus to the impact of spring weather on the U.S. acreage mix.

Dairy Revenue Protection Workshop 10 a.m. April 25 in Tulare

Courtesy of [AgWest Farm Credit](#)



Join us for an in-person dairy market update with Dr. Marin Bozic

Tuesday, April 25th from 10 am to Noon

International Agri-Center
Heritage Complex – Social Hall
4500 S Laspina St., Tulare, CA
Tulare Branch: 559.684.1478

Lunch will follow the program

Dr. Bozic, a nationally popular speaker on dairy topics such as policy, outlook, exports, risk management and consumer trends will give an in-person presentation that will allow you to get perspective and insight on important dairy factors and marketplace indicators. You will also have an opportunity to get your specific questions answered by this industry expert.

We are pleased to announce that new risk management tools are now available from AgWest Farm Credit Insurance Agency, including Dairy Revenue Protection (DRP) coverage. Derek Gerratt, Ag West SVP of insurance will cover risk management strategies for dairy operations and demo AgWest's exclusive DRP Analyzer.

CA License #4267641

Lunch is provided;
Please scan the code to RSVP by April 17



Do not need to be an AgWest customer to attend.



Dr. Marin Bozic is the founder and CEO of Bozic LLC, a global provider of technology solutions for commodity markets analytics and risk management with clients on four continents. Bozic LLC owns intellectual property rights to three major livestock insurance programs in the United States and is the co-creator of the DRP program.

Dr. Bozic also currently serves on faculty in the Department of Applied Economics at the University of Minnesota. Marin's research program covers dairy markets and policy and livestock risk management.

Free Disaster Assistance Workshop for Dairy Producers 1:30 p.m. April 25

*Courtesy of [Tulare County Agricultural Commissioner/Sealer](#),
[California Citrus Mutual](#), [Tulare County Farm Bureau](#)*

Disaster Assistance Workshops for Farmers and Dairy Producers

Hosted by: Tulare County Agricultural Commissioner/Sealer
Co-hosts: California Citrus Mutual and Tulare County Farm Bureau

Two opportunities to meet agencies that will be assisting farmers and dairy producers with recovery efforts.



April 19, 2023

6:00 pm to 8:00 pm

**Exeter Memorial Building
324 N. Kaweah Ave, Exeter**

April 25, 2023

1:30 pm to 3:30 pm

**Tulare Co. Agriculture Building
Auditorium
4437 S. Laspina, Tulare**



- Learn about completing your Tulare County disaster damage surveys
- Learn about enrollment eligibility for USDA-FSA recovery programs
- Talk with local FSA and NRCS specialists
- Hear from a Crop Insurance Specialist
- Ask questions about flood recovery to Tulare County Departments



CDQAP: Update on Dairy Flood Recovery; Checking in with Government During Floods

Courtesy of the [California Dairy Quality Assurance Program](#)

The California Dairy Quality Assurance Program (CDQAP) today released its April update, which you can read in its entirety [here](#).



Update on Dairy Flood Recovery

By Dr. Michael Payne, UC Davis, School of Veterinary Medicine; Director CDQAP



Producers impacted by historic storms are [still struggling to recover](#), even as they face the continued threat of flooding from spring snow melt. On April 11, USDA and CDFA delivered a webinar summarizing assistance programs that might benefit farmers and their employees. Producers who were unable to attend can view a recording of the [presentations](#) and the subsequent [Q&A webinar](#). USDA disaster assistance programs, however, are numerous and complex. Two resources available which can help guide producers are the online [Disaster Assistance Discovery Tool](#) and the [Disaster Assistance-at-a-Glance fact sheet](#).

The most efficient path to assistance, however, is contacting one of USDA's local offices. The Natural Resources Conservation Service ([NRCS](#)), Farm Services Agency ([FSA](#)) and Rural Development ([RD](#)) are USDA sister-agencies, and are frequently co-located in the same service centers. Contact and local address information for the various USDA agencies can be found using the [USDA's service center](#) locator. The agencies can assist producers via in-person meetings, phone, or email. Record keeping for the system (the USDA [Farm Number](#)) is typically managed by FSA, so producers may wish to make that agency their first stop.

Continue reading [here](#).

Checking in with Government During Floods

By Dr. Michael Payne

For weeks, producers, aided by friends and neighbors, have struggled night and day to keep livestock alive and operations intact. It's understandable that keeping in touch with the government hasn't been a top priority. Still, there are good reasons to touch base with various agencies when time and circumstances allow.

Regional Water Board – RB-5 understands that movement of animals was an unavoidable consequence of the recent flooding. Notifying board staff now however, of how many cows were moved and to which locations, can help prevent regulatory problems in the future. South Valley producers (Madera and south) can call 559-445-5975. North Valley producers can call 916-464-4724.

Dairy Inspection – To keep Grade A permits uninterrupted, producers moving cows into either a

mothballed facility or repopulating the home dairy need to have facilities inspected. Producers should either contact their [county milk inspection](#) service or their [regional milk inspection](#) office. Offices are making these inspections a priority.

Mortality Disposal Problems – Baker Industries has been working overtime to find [ways to remove carcasses](#) from dairies impacted by flooding. If regular disposal services can't cope, CDFA wants to know so they can develop alternate disposal options. South Valley producers (Madera and south) can call CDFA's district office at 559-331-3669. North Valley producers can call 209-491-9350.

Notify County of Losses – The more data the state and its counties have on real losses, the more ammunition they have to seek expanded disaster funding. Tulare County asks that producers take a few minutes to complete two short forms, one for the [Ag Commissioner](#) and another for [Tulare County](#) proper. Producers needing assistance can call the Call Center at 559-802-9791 during working hours.



SoCalGas Shareholders Win, Ratepayers Lose *Courtesy of the [Agricultural Energy Consumers Association](#)*

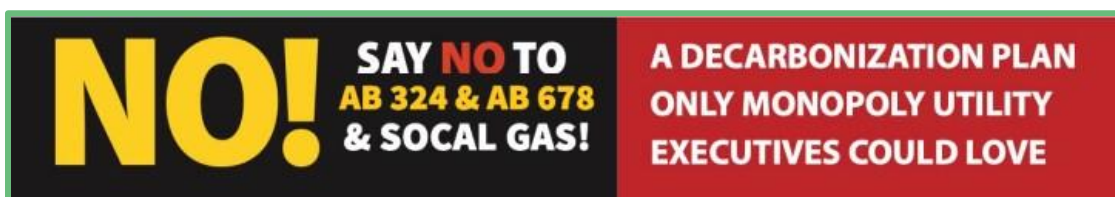
MPC has been a longstanding member of the Agricultural Energy Consumers Association, which recently shared this update regarding high natural gas prices.

Californians are understandably irate over skyrocketing natural gas bills that have left many homeowners unable to pay their utility bills. Consumer groups are calling for [investigations into SoCalGas](#) and their unregulated parent company, Sempra Energy, that profited handsomely all at ratepayer expense. The [CPUC just opened an investigation](#) as to why natural gas costs are 3-4 times higher in California than most other parts of the United States. Adding insult to injury, SoCalGas is seeking a massive **46% rate increase** that will **cost ratepayers more than \$4.9 billion** over the next few years, and nearly \$2 billion per year, every year thereafter.

But even that is not enough. SoCalGas and Sempra Energy have proposed two measures in the California Legislature that will drive natural gas costs and consumer utility bills even higher.

- **AB 324 (Pacheco)** would require procurement of highly expensive and highly volatile hydrogen for injection into the state's existing natural gas pipelines.
- **AB 678 (Alvarez)** would further increase natural gas costs in California for all ratepayers by requiring additional biomethane procurement. Biomethane is very expensive, easily costing five to ten times more than conventional gas.

Continue reading [here](#).



NMPF Update: Debt Ceiling Extension; Ag Labor Reform

Courtesy of Jim Mulhern, President & CEO

[National Milk Producers Federation](#)

McCarthy Seeks Food Stamp Work Requirements in Debt Ceiling Extension

The biggest development regarding Capitol Hill priorities this week happened on Wall Street, when House Speaker Kevin McCarthy unveiled a House GOP proposal to extend the debt ceiling for one year – if it contains significant budget cuts as well as added work requirements for beneficiaries of the SNAP program. Negotiations between House Republicans and the White House over the approaching debt ceiling have not commenced in earnest, but McCarthy laid down a marker this week in his speech at the New York Stock Exchange.

The House GOP's plan for food stamps would expand work requirements for able-bodied adults without dependents participating in SNAP, raising the age range of recipients from 18-49 to 18-55. Democrats in the House and Senate rejected the proposal, while the White House has maintained that any action to keep the government from defaulting on its debt should not have provisions such as the SNAP change attached to it. McCarthy plans to bring the legislation to the House floor soon, possibly next week. The nation's debt ceiling limit may be reached by June.

This has implications for the 2023 Farm Bill, because if the effort to tighten SNAP program work requirements is not addressed in any action on the debt ceiling, it increases the likelihood that an argument over food stamp and other nutrition funding will be a major point of contention in the farm bill now under development. The 2018 Farm Bill is set to expire on September 30th.

NMPF, AWC Lead Call for Prioritizing Ag Labor Reform Before E-Verify

On Wednesday, the House Judiciary Committee approved the Border Security and Enforcement Act of 2023 (H.R. 2640), an immigration control package that includes the mandatory use of E-Verify to identify undocumented workers. In past agricultural labor reform negotiations, agriculture has agreed to mandatory E-Verify industrywide, but only after the ag labor system is reformed.

NMPF has been meeting with House Judiciary Committee members, explaining why mandatory E-Verify would cause significant harm to the agriculture sector, especially dairy employers who do not have access to H-2A visas to help replenish their workforce after potentially losing employees under the E-Verify system. Several offices have agreed to work with us to find a way to make reforms to the ag labor system in conjunction with the movement of the mandatory E-Verify bill, should it advance.

NMPF is encouraged by interest from some on the Judiciary Committee who are willing to work with us, but still felt it necessary to work with the Agriculture Workforce Coalition (AWC) to send a strongly-worded letter to the committee voicing our significant concerns with the consideration of E-Verify without ag labor reform. Although it is unclear whether the border security package will advance to the House floor, NMPF will continue our work helping lead agriculture labor reform efforts on Capitol Hill.