

# MPC WEEKLY FRIDAY REPORT

DATE: JUNE 16, 2023  
 TO: DIRECTORS & MEMBERS  
 FROM: KEVIN ABERNATHY, GENERAL MANAGER  
 PAGES: 6



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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	-\$0.0475	\$1.3750	WEEKLY CHANGE	+\$0.0025	\$2.3650
Barrels	-\$0.0450	\$1.5250	WEEKLY AVERAGE	-\$0.0075	\$2.3670
<b>WEEKLY AVERAGE CHEDDAR CHEESE</b>		<b>DRY WHEY</b>		<b>NAT'L PLANTS</b>	
Blocks	-\$0.0650	\$1.3965	DAIRY MARKET NEWS	W/E 06/16/23	\$0.3350
Barrels	-\$0.0420	\$1.5400	NATIONAL PLANTS	W/E 06/10/23	\$0.3186
				<b>WEEK ENDING 06/10/23</b>	
				NAT'L PLANTS \$1.1696 18,673,262	
				<b>LAST WEEK ENDING 06/03/23</b>	
				NAT'L PLANTS \$1.1549 21,371,815	

## 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
JUN 16 EST	No Change	\$18.80	\$14.94	No Change
LAST WEEK	\$20.11 - \$20.61	\$18.70	\$15.11	\$18.11

## MAY 2023 CA FMMO STATISTICAL UNIFORM PRICE ANNOUNCEMENT

MAY '23 FINAL	CLASS I	CLASS II	CLASS III	CLASS IV	STATISTICAL UNIFORM PRICE (BLENDED PRICE)	NET PRICE AFTER QUOTA ASSESSMENT*
MINIMUM CLASS PRICE	\$21.17   TULARE \$21.67   L.A.	\$19.11	\$16.11	\$18.10	\$17.16   TULARE \$17.66   L.A.	\$16.886   TULARE \$17.386   L.A.
PERCENT POOLED MILK	19.3%	5.5%	72.7%	2.6%	100% (2.04 BILLION LBS. POOLED)	

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



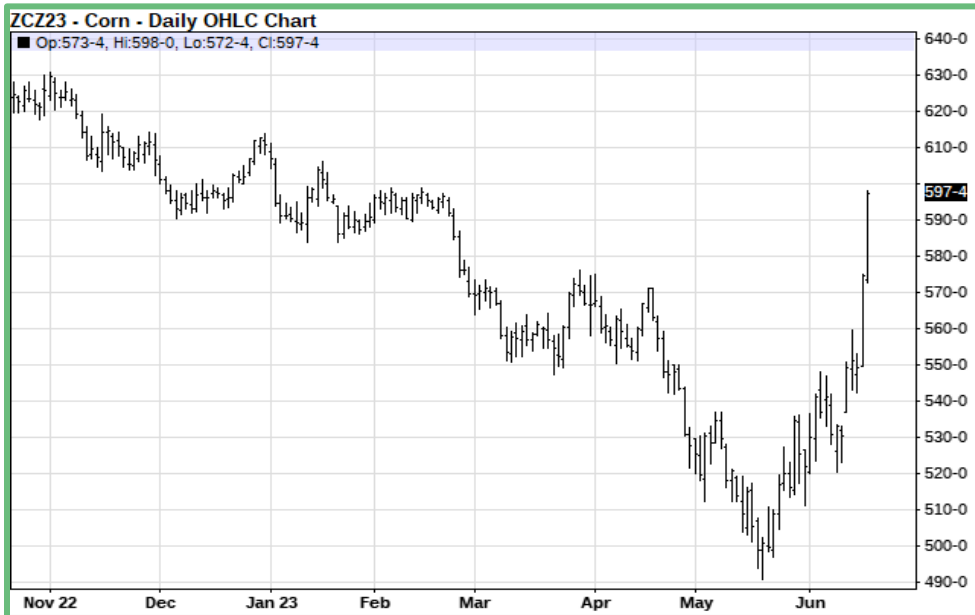
### Milk, Dairy and Grain Market Commentary

By Sarina Sharp, Daily Dairy Report  
[Sarina@DailyDairyReport.com](mailto:Sarina@DailyDairyReport.com)

#### Grain, Milk & Dairy Markets

The long-awaited rains have disappointed so far. A weekend drizzle and sporadic showers over the past few days have not added up to much, and soils are parched in the Corn Belt. USDA estimates that 57% of U.S. corn production is currently struggling through drought. The

University of Nebraska's Drought Monitor rates 89% of the Midwest as abnormally dry or worse, with 49% in moderate to extreme drought, up from just 7% three months ago. Conditions are even more dire to the west, with 20% of Nebraska and 44% of Kansas in extreme or exceptional drought, the worst

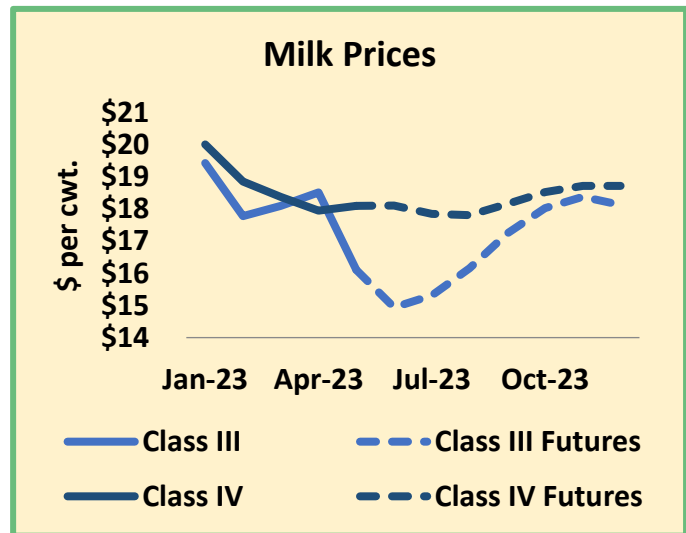


categories in the Drought Monitor index. Cool, cloudy days have helped to mitigate some of the impact, but more rain is sorely needed. The forecast calls for some showers in the Central Plains tomorrow, while the Corn Belt faces another mostly dry week.

A record-large corn crop is already out of reach, but a decent crop is still possible if rains arrive soon. If they don't, grain supplies will be painfully

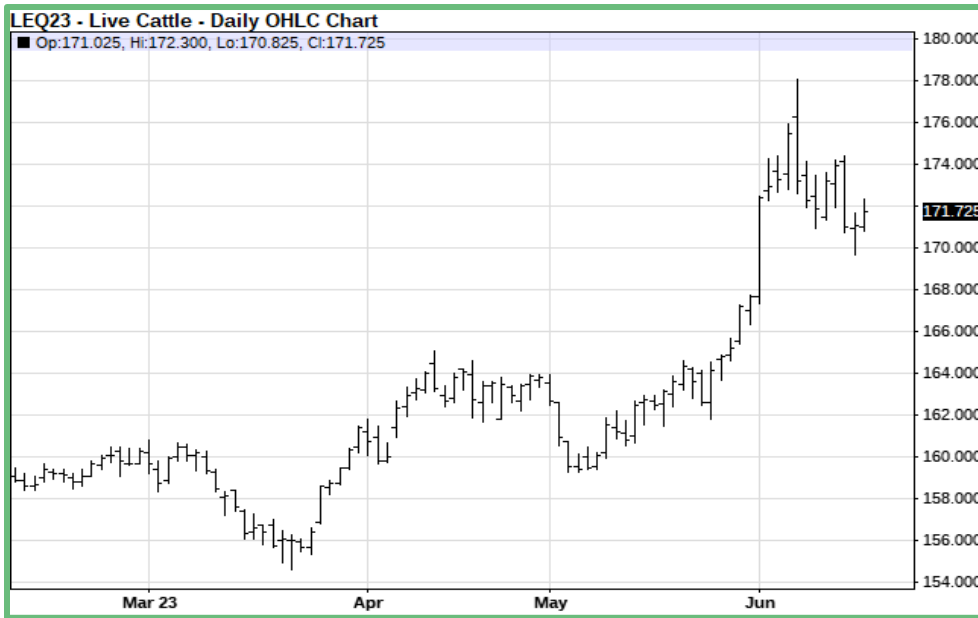
tight in the season to come. The market is currently hedging its bets, pricing in significant weather risk but not gambling on an all-out disaster. New-crop December corn futures leapt 67.5¢ this week to \$5.975 per bushel. That's more than a dollar higher than the mid-May lows. July corn futures, which determine today's feed expenses, jumped 36¢ this week to \$6.4025.

Soybean futures had been a bit more complacent about the weather, as the dry conditions probably didn't damage soy seedlings as badly as they did young corn plants in late May. But now dry soils are starting to matter and the soy market is following corn higher. The November contract closed today at \$13.4225, up \$1.38 in just a week. July soybean meal climbed nearly \$20 to \$416.40 per ton.



The dairy markets took another big step back this week. June Class III fell 17¢ to an excruciating \$14.94 per cwt., the lowest Class III price since May 2020, at the height of the pandemic panic. July dropped 66¢ to \$15.31. Prices aren't nearly as bad for producers outside the cheese states. June Class IV held steady this week at \$18.11. But the deferred futures continued to retreat, led by a 44¢ decline in the September Class IV contract.

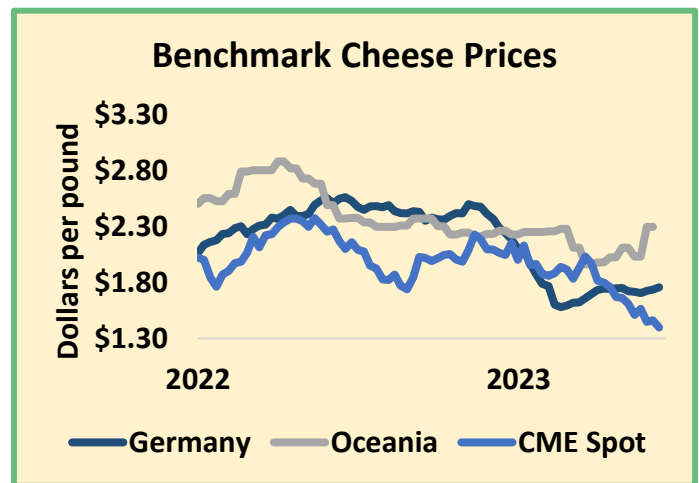
Dairy producers are about to cash a small May milk check, and an even smaller one in June. The markets are all but shouting at dairy producers to rein in milk production, and high beef prices are amplifying the message. The beef industry is short of cattle and it is trying to fill the gap with dairy



livestock. That means that more dairy calves – including heifers – are going to beef feedlots, there is a packer at every auction ready to send dairy cows and heifers to slaughter, and dairy producers are incentivized to cull harder to boost cash flows. Beef prices were already lofty early this year, but now they are sky high, which is likely to push more dairy cows to packing houses and accelerate the decline in the dairy herd this

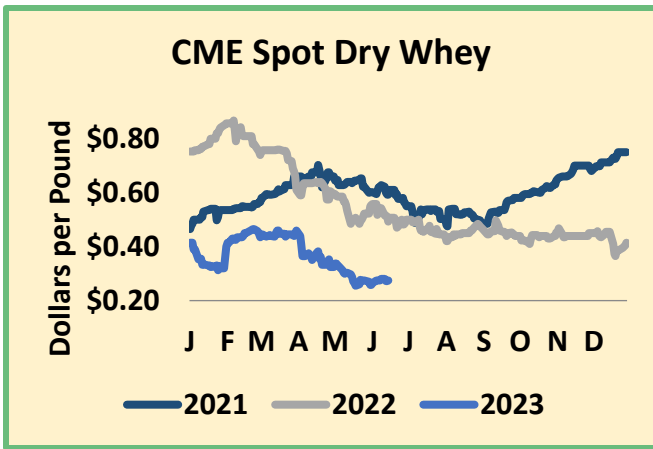
summer. Eventually, this will result in less milk and higher prices, but it's going to take some time.

For now, prices are low. Amid heavy milk flows in the Midwest, CME spot Cheddar blocks are downright depressed. They dropped another 4.75¢ this week to \$1.375, the cheapest price in Chicago since May 2020. Barrels fell 4.5¢ to \$1.525. That should be low enough to win back some of the exports we ceded to Europe earlier this year. But domestic demand is so-so thanks to a decline in orders from restaurants. The persistently tight labor market has resulted in poorer service at a higher cost, and consumers are dining out less frequently. That has cut into orders for Italian-style cheeses, forcing cheesemakers to make more Cheddar.



Butter was characteristically quiet. Spot butter climbed 0.25¢ to \$2.365. Churns are still running, storing up product for later this year. But the market seems unfazed by the possibility of ample stocks for the fall baking season.

The powders are still on sale. CME spot nonfat dry milk (NDM) slipped a quarter-cent this week to \$1.1575. Most NDM futures scored life-of-contract lows. Supplies are ample, and competition in the international markets is fierce. China's diminished appetite for imported whole milk powder (WMP) has pushed New Zealand to make more skim milk powder (SMP) and butter. Outside of Mexico, the U.S. has lost marketshare to both New Zealand and Europe. That may start to change, though, as the euro is gaining on the dollar, making U.S. product more attractive. Closer to home, NDM faces competition from cheap whey protein concentrates. While wholesale prices are low, retail prices are not. Premium whey protein powders are starting to look pricey to consumers adjusting their budgets,



and demand is fading. That is pushing more of the whey stream to the drier. CME spot whey powder held steady this week at 27.5¢, just a couple cents above the all-time low.

Hopefully, today's low prices will start to attract some new demand. But the real work will likely be done on the supply side. \$14 to \$15 milk is simply untenable for U.S. dairy producers, and the industry is likely to contract significantly in the second half of this year. Today's financial losses are arguably worse than the

industry has ever suffered before. The only consolation is that the pain is widespread, and that steeper losses today will speed up the reckoning and set the stage for better days ahead.



**Additional FMMO Hearing Proposals Submitted; PRB Recommends a Survey Contractor**  
*By Geoff Vanden Heuvel, Director of Regulatory and Economic Affairs*  
[Geoff@MilkProducers.org](mailto:Geoff@MilkProducers.org)

June 14 was the deadline for additional interested parties to submit proposals for consideration by USDA as it decides whether to call a Federal Milk Marketing Order (FMMO) hearing. Twelve organizations submitted a total of 38 proposals by the deadline. The proposals deal with almost all aspects of the FMMO regulations, and each proponent was able to explain from a technical standpoint what they have in mind at a Zoom meeting on June 16. USDA said that if there is a hearing it will start on August 23 and be held in a suburb of Indianapolis, Indiana. If it decides to hold a hearing, the actual hearing notice and the scope of the hearing will be announced sometime over the next few weeks.

The Producer Review Board (PRB) met this week to review proposals from a contractor to conduct the five-year review of producer opinions on the operation of the Quota Implementation Program. Despite a public notice seeking proposals, in the end, there was only one contractor who submitted a proposal to do the survey. The PRB reviewed and scored that proposal and then decided to recommend its adoption to the Secretary. There will be another PRB meeting later in July to meet with that contractor to give input into the details of the survey.



**Action Needed Now: Approval of eRINs Pathway by EPA**  
*By Kevin Abernathy, General Manager*  
[Kevin@MilkProducers.org](mailto:Kevin@MilkProducers.org)

**Milk Producers Council (MPC) urges the Biden Administration and the Environmental Protection Agency (EPA) to make final its proposed eRINs Pathway.** Taking this action will create additional value for EPA's Renewable Fuel Standard (RFS) program by accelerating the adoption of electricity as a renewable transportation fuel, reducing

greenhouse gas and particulate matter emissions, and driving technology innovation and local job creation.

Currently, Renewable Identification Numbers (RINs) are traded on the open market and purchased by refiners or importers of gasoline or diesel fuel to meet RFS regulations. RINs have been important incentive in developing transportation biofuels from cellulosic (ethanol) or biomass-based sources, **which we believe should also be extended to the generation of electricity for use as transportation fuel.**

Many of our MPC members are now playing a vital role in the transportation fuel sector by supplying renewable compressed natural gas (RCNG) from dairy biogas captured in methane digesters. However, if a dairy takes the next step to convert that dairy biogas to electricity for use as a transportation fuel, RINs are not available under the current RFS program. **EPA’s proposed eRINs Pathway will ensure that electric fuel and RCNG will be treated the same going forward, allowing dairy biogas to be used where it’s needed – and in what form – in the future.**

In California, we know that future is envisioned as all-electric. The [Governor’s Executive Order N-79-20](#) mandates the California Air Resources Board (CARB) to develop and propose strategies to achieve 100% zero-emissions from medium and heavy-duty on-road vehicles in the State by 2045 where feasible and by 2035 from drayage trucks. Producers Dairy in Fresno, in partnership with the San Joaquin Valley Air Pollution Control District, is testing that future out.

Thanks to the District’s “Zero Emissions Truck Demonstration Pilot,” which was funded through CARB and the District, Producers Dairy is hauling milk using advanced electric technology under real-world conditions. What’s more, when the truck picks up milk from [MPC member Bar 20 Dairy in Kerman](#), it can charge up on combustion-



free electricity generated from methane captured in the dairy’s digester. Learn more about Bar 20 Dairy’s methane digester and fuel cell technology in this newly released BBC feature [here](#).

**MPC, along with Bar 20 Dairy and Producers Dairy, thanks the Air District’s leadership for piloting this program and looks forward to wider adoption of this technology upon EPA’s approval of its eRINs Pathway.**

**Last Chance to Register for  
California Creamery Operators Association 2023 Meeting**  
*Courtesy of the [California Creamery Operators Association](#)*

The California Creamery Operators Association (CCOA) welcomes you to South Lake Tahoe June 26-27 for a two-day program that provides opportunities to learn, relax, network, and recharge. Since 1900, the CCOA convention has served as an important forum for **dairy farmers, processors, academics, allied industry members**, and other partners. This year's theme is **California Dreaming: A Vision for Continued Leadership and Financial Success**. Topics include:

- Dairy's Global Economic Outlook and Implications for California
- Meeting Customer and Consumer Demands
- Advancing Sustainable Dairy Processing
- Federal Order Modernization
- Farm Bill Update
- California's Climate Transformation and the Path to Climate Neutral Dairy
- Transportation Transformation: The Path to Zero Emissions
- Innovation in California Dairy
- And more! Download the [program overview](#). [Register to attend](#).

## 'California Dreaming' in South Lake Tahoe

[123rd Annual Meeting](#) of the

**California Creamery Operators Association**

**June 26-27, 2023**

**Harrah's, South Lake Tahoe**

Current CCOA members and California dairy farmers are eligible for the discounted member registration rate.

**June 19th is the last day to register.**



**20+ expert speakers talking about the future of California dairy**

**Relax, network, and recharge**

**Golf, cruise, raffle prizes, fun!**

123<sup>rd</sup> Annual Meeting  
CALIFORNIA CREAMERY OPERATORS ASSOCIATION

