MPC Weekly Friday Report

Date: April 14, 2023
To: Directors & Members
From: Kevin Abernathy, General Manager
Pages: 6

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MPC Friday Market Update

Chicago Cheddar Cheese			Chicago AA Butter			Non-Fat Dry Milk		
Blocks	*- $.2075*	$1.7750	Weekly Change	*+ $.0100*	$2.3275	Week Ending 04/08/23		
Barrels	*- $.0550*	$1.5125	Weekly Average	*+ $.0214*	$2.3495	Nat'l Plants	$1.2009	21,369,551
Weekly Average Cheddar Cheese			**Dry Whey**					
Blocks	*- $.0154*	$1.7990	Dairy Market News	w/e 04/14/23	$.4150	Last Week Ending 04/01/23		
Barrels	*- $.1941*	$1.5715	National Plants	w/e 04/08/23	$.4606	Nat'l Plants	$1.1474	40,230,765

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 14 Est	$20.45 - $20.95	$19.18	$18.62	$17.98
Last Week	$20.45 - $20.95	$19.06	$18.69	$17.90

March 2023 CA FMMO Statistical Uniform Price Announcement

Mar '23 Final	Class I	Class II	Class III	Class IV	Statistical Uniform Price (Blended Price)	Net Price After Quota Assessment*
Minimum Class Price	$20.59 | Tulare $21.09 | L.A.	$19.52	$18.10	$18.38	$18.29 | Tulare $18.79 | L.A.	$18.016| Tulare $18.516| L.A.
Percent Pooled Milk	14.9%	3.7%	49.7%	31.7%	100% (2.83 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
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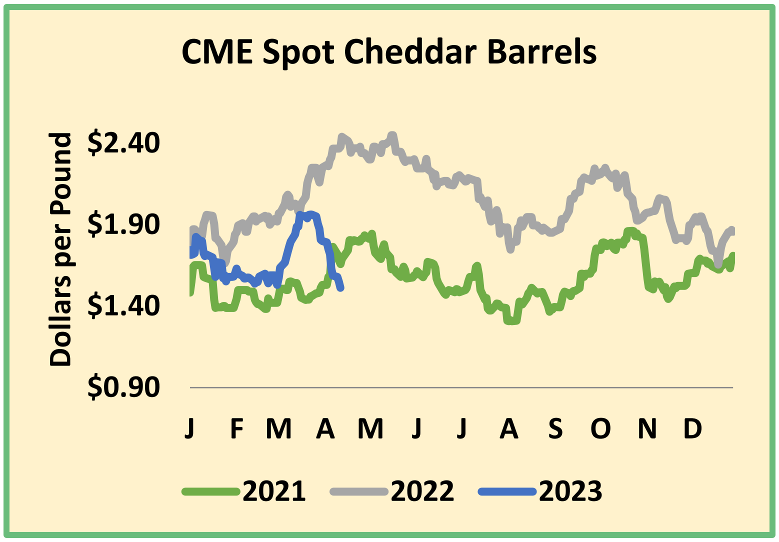
Milk & Dairy Markets

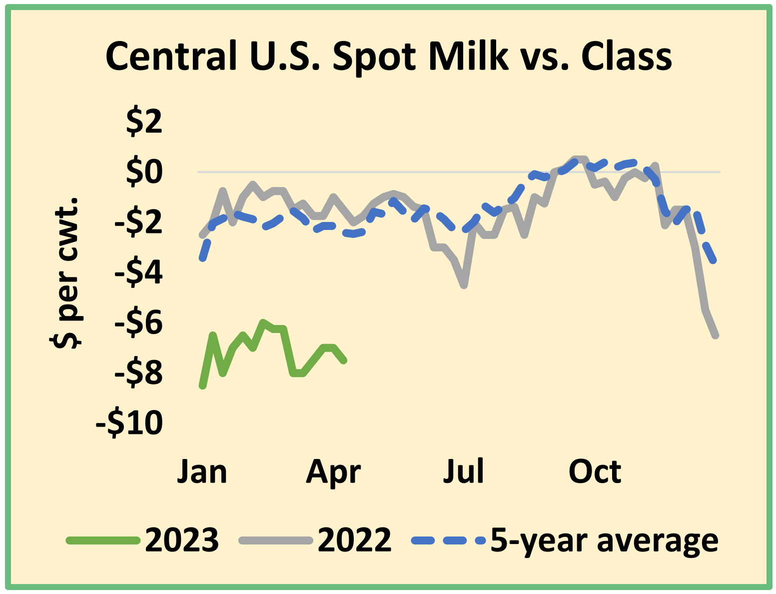
The dairy industry laments the loss of 18,000 cows at a dairy in the Texas panhandle, where an equipment fire spread quickly through two crossvent barns, leaving horrific destruction in its wake. Our prayers are with all who are affected. Although Texas milk production will



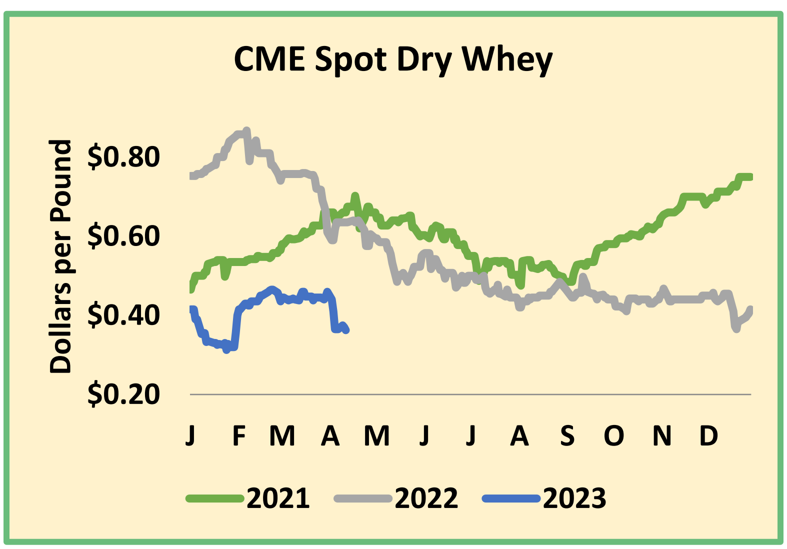
drop as a result, the short-term impact on dairy product output will be minimal, as the region was regularly dumping milk before the tragedy.

Ink ran red on LaSalle Street this week, led by a precipitous decline in barrels. CME spot Cheddar barrels plummeted 20.75¢ to $1.5125 per pound, its lowest mark since November 2021. The selloff attracted buyers, and cheese purveyors were ready to meet them. An impressive 70 loads of barrels changed hands in Chicago this week. Blocks lost ground too, but their decline was not nearly so dramatic. They fell 5.5¢ to $1.775, a seven-month low.

Milk remains abundant throughout the Central region, and, for the 17th straight week, cheesemakers could snag a load or two of milk for more than $10 below Class III. Steep discounts on spot milk have encouraged heavy cheese output for four months, and production surely won't slow down as the flush accelerates. In the Northeast, persistent downtime at a major dryer pushed even more milk to cheese vats. Today's cheap cheese prices may stir up some additional export sales, but, absent a surge in demand, product is likely to pile up.

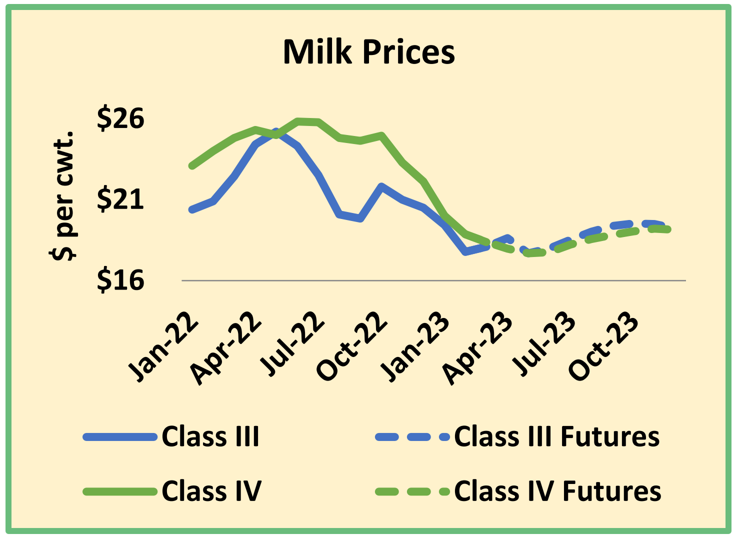


More cheese means more whey, and the protein market is under pressure. Slower demand for whey protein concentrates is pushing a greater share of the whey stream to powder. After a big setback last week, CME spot whey powder slipped another 0.25¢ to 36.25¢. Even lower prices may entice China to stock up on U.S. whey, as they did in January. But, barring that, inventories are likely to remain heavy.



With both cheese and whey in the red, nearby Class III futures tumbled. The May contract fell 26¢ to $17.69 per cwt. Over the past two weeks, May through August Class III futures have taken turns establishing new life-of-contract lows.

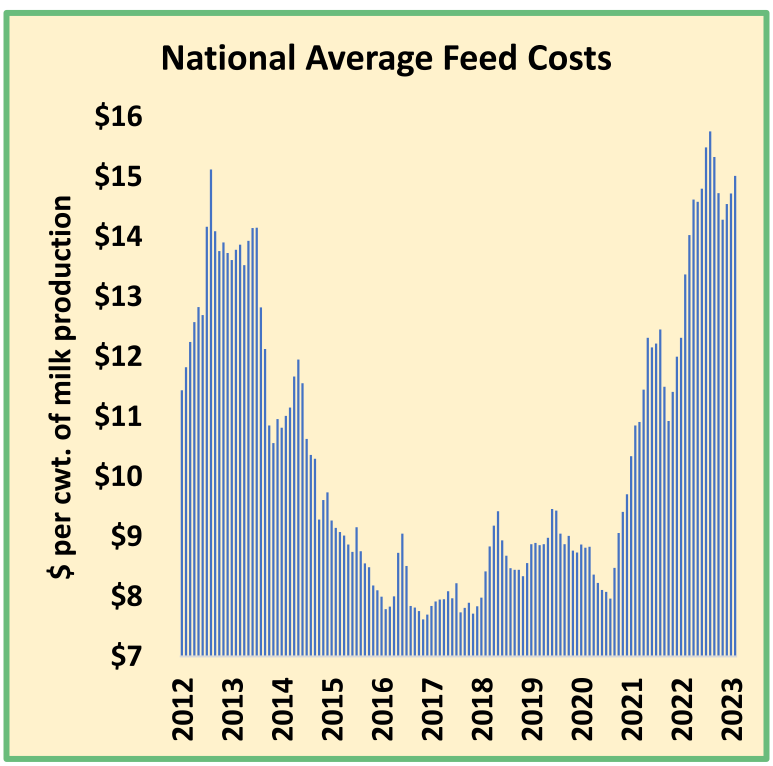
Class IV prices looked resilient in comparison. Most contracts finished a little higher than they did last week. May Class IV gained a dime and settled at $17.69 per cwt. At the spot market, both butter and nonfat dry milk (NDM) started strong, but they fell back today. Early-week gains more than offset the Friday losses. Spot butter added a penny and reached $2.3275. NDM climbed a half-cent to $1.13.



With eight or ten weeks left in the flush, the industry is bracing for even more milk. That will prompt continued discounts in the spot market and on some producers' milk checks. It also hints at greater butter and milk powder production, as cheese vats are already running full.

At some point, though, milk production will have to slow down. Both Class III and Class IV futures are now south of $18 in May and June. That's simply not enough to pay the bills, especially for producers suffering discounts on top of low milk prices. The Dairy Margin Coverage Program's Income-Over-Feed Index calculated that feed expenses ate up $15.02 per cwt. of milk revenue in February, leaving precious little to cover other costs. The Index is a national average that does not account for the stiff markups that dairy producers in feed deficit states are paying to bring in grain and protein meals. Negative margins and high beef prices will encourage contraction in the dairy herd, but it's going to take a while before that translates into higher milk prices.

Grain Markets



Feed costs climbed this week, led by a 16¢ rally in the wheat markets today. Severe drought persists in the Plains, and USDA rated just 27% of the national wheat crop in good or excellent condition, tying for the lowest rating in 40 years. There is no rain in the forecast, and now there is the threat of frost as well.

Corn futures followed wheat higher, and they were helped along by news that – after months of focus in Brazil – China is buying U.S. corn. Brazil's crop agency slightly raised its estimate of full-season corn production, thanks to a massive first harvest. But they trimmed their outlook for the second crop, and further cuts would create an export vacuum that U.S. corn is likely to fill. There will be no help from Argentina, where drought ravaged both corn and soy prospects. USDA cut its estimate for both Argentine crops this week. The agency now expects Argentina to harvest 37 million metric tons (MMT) of corn and 27 MMT of soybeans. Those figures are down sharply from USDA's September outlook, which called for 55 MMT of corn and 51 MMT of beans. The shortfall in Argentina is the main catalyst for today's disappointingly pricey soybean meal. May soybean meal futures added another $5.40 this week and reached $459.70 per ton.

Feed costs are likely to remain high for the foreseeable future, but there is some hope of lower costs down the road. The government's Climate Prediction Center is officially on El Niño watch, putting the odds of El Niño conditions in May, June, or July at more than 60%, up from less than 40% just a month ago. La Niña weather patterns contributed to sub-par corn yields in the past three seasons. In contrast, El Niño typically brings cooler and wetter summer conditions in much of the Corn Belt, which is more conducive to trend-line or even above-trend corn yields. A big crop would be welcomed. We're going to need every bushel.

Washington, D.C. Comes to Tulare

By Geoff Vanden Heuvel, Director of Regulatory and Economic Affairs
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It is not every day that seven U.S. Congressional Members come to Tulare to listen to the concerns of the public, but that is what happened this past Tuesday. The House Natural Resources Committee held a field hearing at the Ag Center Tuesday afternoon. In the morning, the Representatives toured the Friant Dam above Fresno and visited the Dykstra Dairy in Tipton, which has been severely impacted by flooding.

The stated focus of the hearing was to take testimony on two water bills that have been introduced in Congress: HR 215 - The WATER for California Act by Congressman David Valadao, which seeks to address a number of water policy problems facing the Valley; and HR 872 - The FISH Act by Congressman Calvert, which seeks to have the Department of Interior take over authority for enforcement of endangered salmon fish recovery programs. HR 2419 - The Canal Capacity Restoration Act by Congressman Jim Costa, which seeks to increase federal funding for repairing existing San Joaquin Valley conveyance facilities was also mentioned as an important bill for Congress to consider.

MPC member Tony DeGroot provides testimony to the House Subcommittee on Water, Wildlife and Fisheries. Watch the full hearing here. Hearing starts at 13:27.

The hearing featured a number of well-known Valley citizens, including MPC member Tony De Groot who shared his recent experiences with flooding and dealing with SGMA as a landowner in a groundwater-only dependent area. He pointed to the need for long term solutions and specifically mentioned the value of the San Joaquin Valley Water Blueprint as a vehicle to bring about improvements. You can read Tony's entire testimony here.

Jason Philips, the CEO of Friant Water Authority, made the important observation that despite no changes in law, the Valley has lost millions of acre-feet of surface water supply due to interpretations of old laws done by regulators who are unaccountable to the public. These decisions to restrict water supplies have significant impacts on society and are being made, not by elected officials who answer to voters, but by unelected and unaccountable regulators and judges.

Congressional members hear testimony in Tulare from MPC member Tony De Groot and local water managers.

Interestingly, the federal and state officials who hold this regulatory power were invited to this Congressional hearing but declined to attend and sent in letters opposing HR215 and HR872. There was some bipartisanship on the hearing panel with Congressman Costa, a Democrat, but also a long time Valley political leader and a problem solver pointing out that these issues are complex and, while difficult, it is necessary to find common ground to make progress. Costa also called out the San Joaquin Valley Blueprint as an important vehicle for the Valley to make progress on improving our situation.

We thank California Congressmen Valadao, Duarte, McClintock, LaMalfa and Costa, as well as Natural Resources Subcommittee on Water, Wildlife and Fisheries Chairman Cliff Bentz from Oregon and Natural Resources Committee Chairman Bruce Westerman from Arkansas for coming to Tulare to hear directly from us about the water challenges we are facing. You can get more information about the hearing as well as watch a video of the event here.

AGRICULTURAL ENERGY CONSUMERS ASSOCIATION

SB 709 Eliminates CA's Most Effective Climate Investment

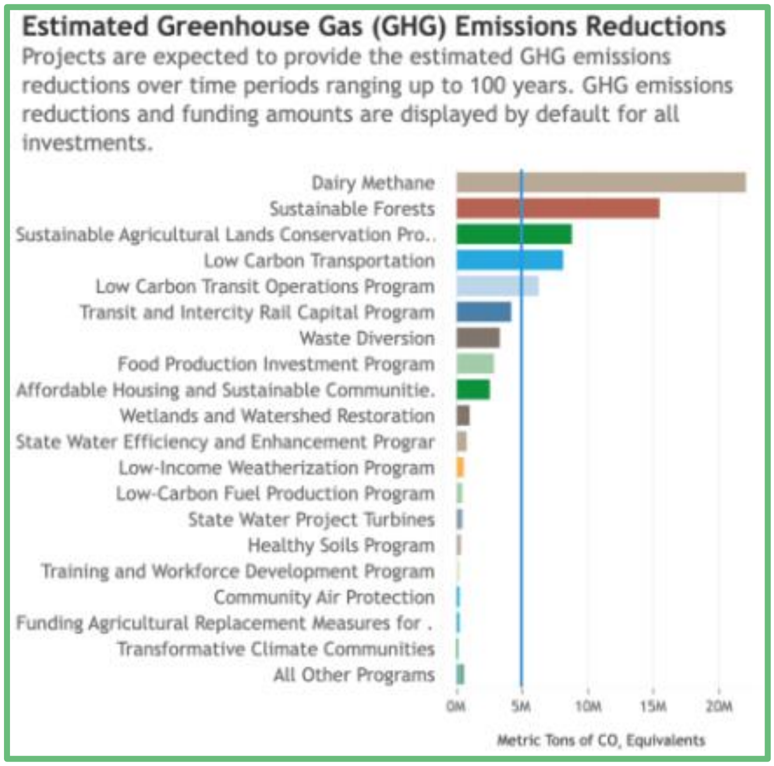
Courtesy of the Agricultural Energy Consumers Association

MPC has been a longstanding member of the Agricultural Energy Consumers Association, which recently shared this update regarding legislation that would reverse funding for dairy digesters.

Senate Bill 709 is a major step in the wrong direction, undermining the state's climate strategies, programs, and policies.

Senate Bill 709 (Allen) will eliminate the dairy sector's ability to continue reducing methane emissions as well as undermine the state's short-lived climate pollutant reduction strategy.

Reducing methane emissions is a key short-term climate policy priority for California and other jurisdictions. Unfortunately, SB 709 will:



- Eliminate the state's most effective climate program;
- Undermine the state's short-lived climate pollutant strategy;
- Sabotage the state's ability to achieve recently adopted 2030 and 2045 climate goals;
- Strand more than $2 billion in dairy digester methane reduction project assets, including more than $700 million in state climate, utility ratepayer, and taxpayer funding; and
- Reverse more than 2.2 million metric tons of GHG (CO2e) reductions annually.

Continue reading here.

Labor Struggles Continue at Southern California Ports

Courtesy of Jim Mulhern, President & CEO
National Milk Producers Federation

Dairy exporters still face several supply chain challenges, including the ongoing labor dispute by port workers in California – mostly resulting from the lack of an approved contract between the longshoremen's union and West Coast port operators. The last contract expired on July 1, 2022.

On Monday, the International Longshoreman and Warehouse Union (ILWU) delayed the dispatch of workers at most of the marine terminals at the ports of Los Angeles and Long Beach. While this led to a late opening of the terminals' operations, cargo operations did ultimately proceed, in contrast with work stoppages that occurred last week.

USDEC and NMPF joined more than 200 groups representing importers, exporters, and others throughout the shipping supply chain in sending a March 24 letter urging the Biden administration to take a more active role in resolving the West Coast port labor dispute so goods continue to flow through the ports without disruptions.