

# MPC WEEKLY FRIDAY REPORT

DATE: AUGUST 25, 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	- \$.0825 \$1.9450	WEEKLY CHANGE	-\$ .0300 \$2.6700	<b>WEEK ENDING 08/19/23</b>	
Barrels	-\$ .0075 \$1.8000	WEEKLY AVERAGE	-\$ .0185 \$2.7020	NAT'L PLANTS <b>\$1.1395</b> 16,828,111	
<b>WEEKLY AVERAGE CHEDDAR CHEESE</b>		<b>DRY WHEY</b>		<b>LAST WEEK ENDING 08/12/23</b>	
Blocks	-\$ .0680 \$1.9470	DAIRY MARKET NEWS	W/E 08/25/23 <b>\$.3200</b>	NAT'L PLANTS \$1.1357 19,589,126	
Barrels	-\$ .0090 \$1.8045	NATIONAL PLANTS	W/E 08/19/23 <b>\$.2683</b>		

## 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
<b>AUG 25 EST</b>	<b>No Change</b>	<b>No Change</b>	<b>\$17.21</b>	<b>\$18.91</b>
<b>LAST WEEK</b>	<b>\$18.22 - \$18.72</b>	<b>\$19.89</b>	<b>\$17.27</b>	<b>\$18.90</b>

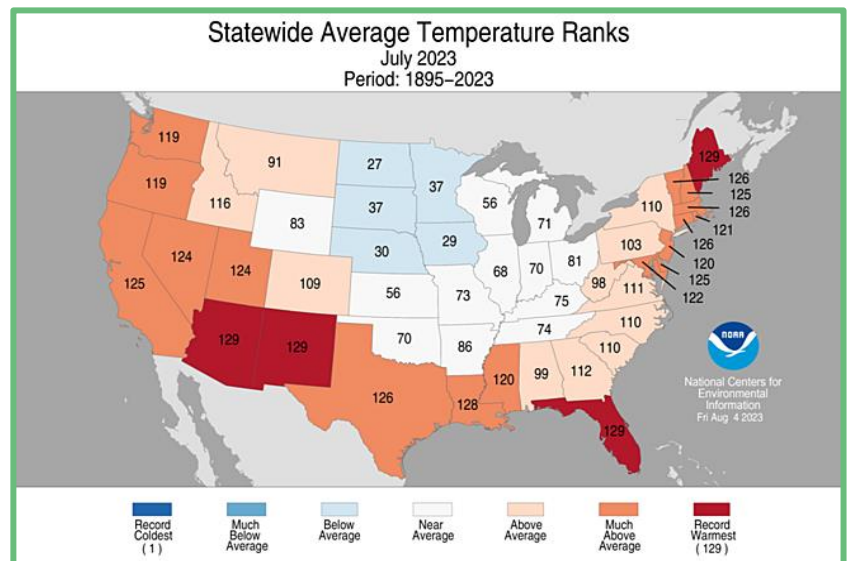


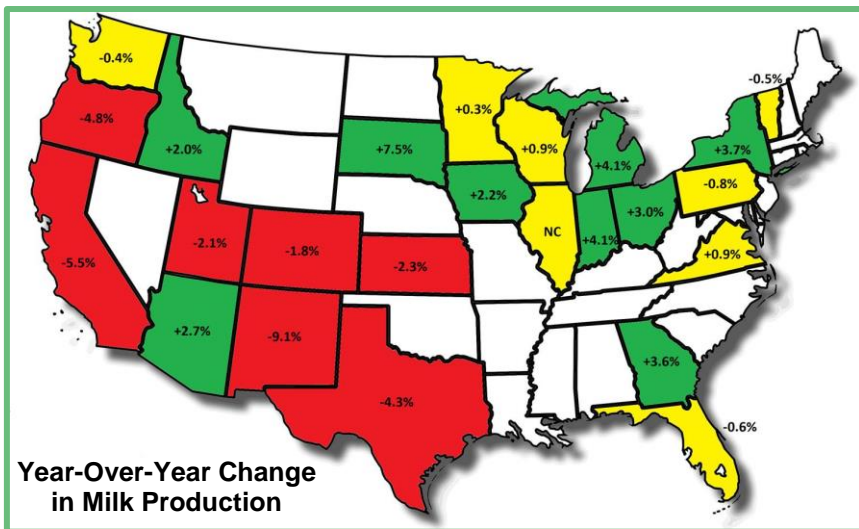
### Milk, Dairy and Grain Market Commentary

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

#### Milk & Dairy Markets

U.S. milk output turned negative in July, as the heat took a terrible toll on milk yields. Milk output totaled 19.08 billion pounds last month, down 0.5% from July 2022. The milk production map and the July weather maps look nearly identical. Simply put, milk output was down hardest where it was hottest. The August weather map – and presumably the milk production map – will look much different. Tropical Storm Hilary brought unusually mild temperatures to the West Coast, but the Upper Midwest is scorching. Through much of the summer, dairy producers in the



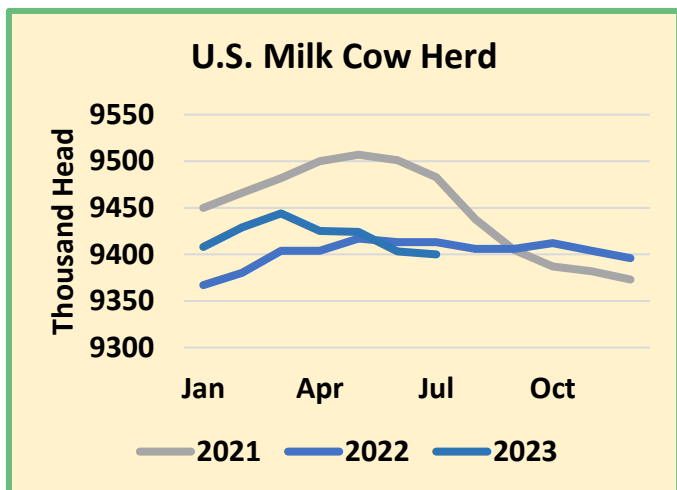


heartland reported only modest declines in milk yields relative to the spring peak. But the bulk tanks are not as full today.

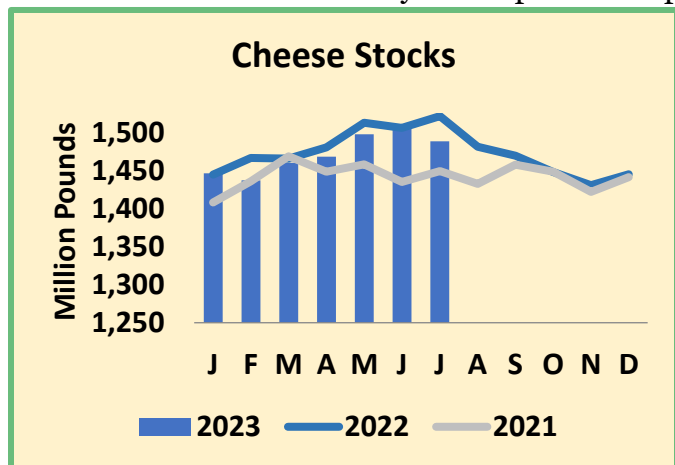
Dairy producers cashed a paltry milk check and some surprisingly large beef checks in July, and they culled hard. But the dairy herd barely budged. USDA estimates the dairy herd shrank by only 3,000 head in July. But the agency cut another 5,000 head from its estimate of the June milk-cow head

count, bringing the May-to-June decline to a steep 21,000 head. There were 9.4 million cows in U.S. milk parlors last month, 13,000 fewer than there were a year ago. A steeper setback in cow numbers is likely in August. Setting aside slaughter volumes in 1986 during the cow-kill program, dairy slaughter volumes have been record-high for this time of year in four of the last seven weeks.

Both cheese and butter stocks tightened in July, which helps to explain the strong showing for both commodities in the spot markets last month. Butter inventories dropped 20.4 million pounds from June to July, an unusually steep decline. There were 347.5 million pounds of butter in cold storage warehouses last month. That's 5% more than the very small volumes reported a year ago but considerably less than the mountain of butter in storage in July 2021.



In recent years, cheese stocks have typically grown from June to July, so this year's 21.75-million-pound setback surprised. Cheese inventories tipped the scales at 1.489 billion pounds last month. That's a lot of cheese, to be sure, but it's 2.2% less than last year. The month-to-month decline suggests that export deals booked earlier in the year helped to keep product moving this summer. But today, with prices

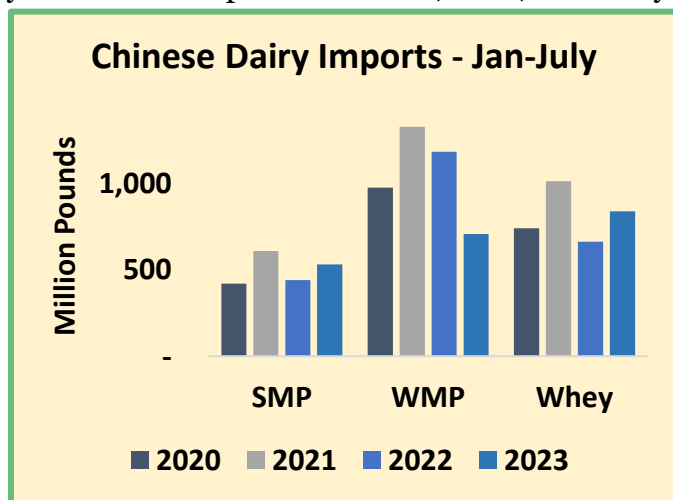
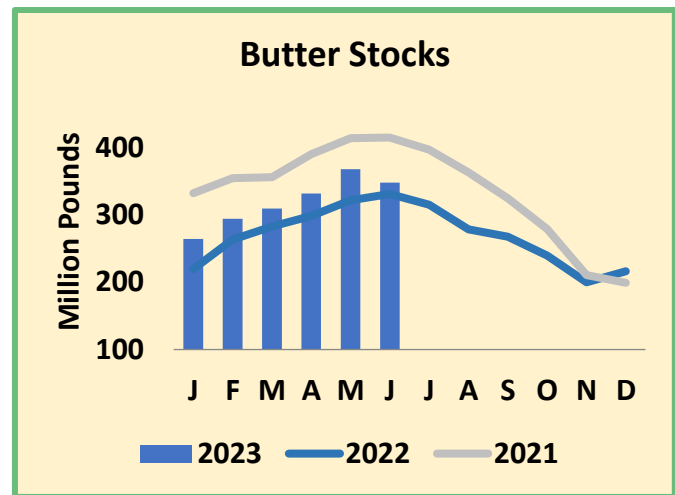


much higher, there are likely few buyers willing to return U.S. cheese exporters' calls. After topping \$2 last week, CME spot Cheddar blocks retreated, falling 8.25¢ to a still lofty \$1.945 per pound. Barrels slipped 0.75¢ to \$1.80. Butter also fell back from the recent highs, dropping 3¢ to \$2.67.

As always, the milk powder market took its cues from abroad. Whole milk powder (WMP) prices lost a little more ground at Tuesday's Global Dairy Trade Pulse auction, and U.S. nonfat dry milk (NDM) values

faded early in the week. Then after European and Kiwi skim milk powder (SMP) futures strengthened, CME spot NDM bounced back. It closed the week at \$1.105, on par with last Friday.

The milk powder trade is desperately searching for any sign that Chinese WMP imports are set to improve. If you squint, the data look a little less troubling than they once did. Chinese WMP imports topped year-ago volumes in May, June, and July. On its own, the monthly figures seem encouraging, with July WMP imports up 22.5% from a year ago. But a wider view paints a different picture. China is simply not importing WMP at the pace required to make up for this year's very slow start. Chinese WMP imports are down 40.3% from last year to the lowest January through June total since 2016. Chinese imports of other dairy products look much better, with year-to-date imports of cheese, SMP, and whey at their second-highest totals on record, behind 2021.



Whey prices finally firmed this week. Spot whey climbed a penny to 28¢, their best showing in more than two months. USDA's *Dairy Market News* explains, "Limited milk availability for cheese processing, along with recently firming high protein blend markets have created a slightly bullish safety net for a market that has been struggling to gain traction for the better part of the calendar year."

Spot market action did not imply big gains for the dairy markets this week. But heat in the cheese states and a friendly Cold Storage report propelled Class III futures sharply higher. The September contract climbed 45¢ to \$18.94 per cwt. October Class III jumped 66¢ to \$18.65. The Class IV markets were less exuberant. September Class IV fell 35¢ to \$18.90, and deferred contracts lost a little ground as well.

### Grain Markets

The Corn Belt heat wave and the *ProFarmer* crop tour gave the grain trade a lot to chew on this week. After taking corn and soybean samples in seven states, the tour pegged the national average corn yield at 172 bushels per acre, below USDA's August estimate of 175.1 bushels but comfortably near the market consensus. *ProFarmer* assessed the soybean yield at 49.7 bushels per acre, also below USDA's August figure at 50.9 but slightly above last year's tour average at 49.5.

The trade assumes that the soaring temperatures will not help either row crop, but, judging by the calendar, the impact will be much more severe for soybeans than for corn. With that in mind, November soybeans surged 34.5¢ this week to \$13.8775 per bushel and December soybean meal jumped \$26 to \$415 per ton. December corn futures bounced around but ultimately finished at \$4.88, a nickel lower than last Friday.



## Federal Milk Marketing Order Hearing Gets Started

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

How would you report on the first mile of a 26-mile marathon where the race results will not be known until months after the race is finished? That is where we are with the Federal Milk Marketing Order (FMMO) hearing that started this week in Carmel, Indiana.

There was a bit of conflict at the beginning of the hearing on Wednesday as a couple of organizations, whose submitted proposals were not accepted for inclusion into this hearing, formally objected to USDA's exclusion of their proposals. Those objections were noted and entered into the record by the Administrative Law Judge who is presiding over the hearing. USDA asked for a number of days to prepare an official response to the objections and so it goes.

The first hearing topic is Milk Composition. The National Milk Producers Federation and National All Jersey witnesses were able to submit their proposals and justifications and were subject to cross-examination. One of the areas of questioning concerns the ability of fluid milk handlers to recover the value of higher components in the skim milk portion of fluid milk. The proposed delay of the implementation of higher standard components and how often those components would be adjusted in the future was also raised in testimony and cross-examination. There is now a widely used dairy crop insurance product which uses the FMMO formulas as part of their process. The Dairy Revenue Protection program allows milk price coverages to be purchased for time periods in excess of 15 months into the future. Changes to the formulas, which are implemented in a timeframe shorter than that, could cause indemnities to be incurred due to regulatory changes as opposed to market or other changes (e.g., weather/pandemic). These are all concerns USDA will have to consider as they analyze the proposals and the testimony that is gathered through this hearing process.

The Federal Order hearing process is long, but thorough, and I would argue fair. Any interested party can testify, and anyone is free to cross-examine witnesses as long as they are physically in the room. A FMMO hearing is not entertainment, but that does not mean it is not interesting or important. The one exception to the in-person rule is that USDA has provided a special opportunity for actual dairy farmers to testify virtually. You can learn how to participate [here](#).

This hearing is expected to continue until early October, so there is a lot of road yet to travel.

### **View the hearing or, you may listen only, via cellular phone or landline**

To view the webinar: <https://www.zoomgov.com/j/1604805748>

Or One tap mobile : +16468287666,,1604805748#

Or Telephone: +1 669 254 5252 Enter Webinar ID: 160 480 5748

To turn on automatic closed captioning, click the button at the bottom right of your Zoom screen:  
Request Captions (CC logo).

If you have any technical difficulties, please email [FMMOHearing@usda.gov](mailto:FMMOHearing@usda.gov).



## Quota Implementation Program 5-Year Survey Mailed to Producers This Week

Courtesy of the [California Department of Food & Agriculture](#)

**ATTENTION!** CDFA this week mailed a new survey to ALL Market Milk Producers in August. Please check your mail, and mail that may go to your dairy address, for this survey. Your opinion is important and we urge you to complete the survey as quickly as possible. If you do not receive this letter shortly, please contact: David Ko at [David.ko@cdfa.ca.gov](mailto:David.ko@cdfa.ca.gov) or 916-900-5012. The survey closes on **September 10, 2023**.

## Friant Water Authority Board Meeting August 31 with Special Guest Paul Souza of U.S. Fish and Wildlife Service

Courtesy of the [Friant Water Authority](#)

The Friant Water Authority (FWA) will hold its next Board of Directors meeting Thursday, August 31 in Visalia. **Paul Souza, Regional Director of the Southwest Region of the U.S. Fish and Wildlife Service**, will be attending the meeting to provide an update and answer questions on activities that his agency is working on that directly affect water supply in California.

Mr. Souza has been an experienced and influential figure on many water issues in recent years, including the development of the 2019 biological opinions, which set certain rules for how water is managed and moved through the state. The 2019 biological opinions are now being revised based on direction provided by the Biden administration in early 2021. Mr. Souza's update will begin following the open session commences at 10 a.m. More information about Mr. Souza's background is available [here](#).



### FWA Board of Directors Monthly Meeting

**Thursday, August 31**

Bello Vita event venue

4211 W. Goshen Ave

Visalia, CA

**8:30 a.m.**

*Closed Session – FWA BOD, General Managers, and District Counsel only*

**10 a.m.**

*Open Session – All interested parties welcomed*

## California Milk Advisory Board Meeting September 13-14 in Merced

Courtesy of the [California Milk Advisory Board](#)

The California Milk Advisory Board (CMAB) will host its next Board of Directors Meeting on:



**Wednesday, September 13, 2023 – 7:30 a.m.**  
**Thursday, September 14, 2023 – 8 a.m.**

University of California, Merced – Conference Center  
5200 Lake Road  
Merced, CA

The CMAB Board meeting is open to any California dairy producer. If interested in attending, please RSVP to Tracy Garza at [tgarza@cmab.net](mailto:tgarza@cmab.net) or 209-690-8252.

## Reminder: Dairy PLUS Program Grant Applications Due August 28

Courtesy of the [California Dairy Research Foundation](#)



The California Department of Food & Agriculture is soliciting applications for the Dairy PLUS Program, the producer co-funding program to encourage implementation of advanced manure management practices. Applications are due **August 28, 2023, by 5 p.m.** Information about the program and the solicitation can be found on [CDFA's website for the program](#) and can also be found on [CDRF's Climate-Smart webpage](#).

## NMPF, Other Ag Organizations Call on Presidential Candidates to Open New Markets

Courtesy of Jim Mulhern, President & CEO  
[National Milk Producers Federation](#)

The pursuit of new export agreements that benefit America's farmers hasn't been a focus so far of the presidential election process, prompting NMPF this week to appeal to presidential candidates to seek out new trade pacts. In [a letter](#) to all of the announced 2024 presidential candidates, NMPF and other members of Farmers for Free Trade implored those running for the White House to prioritize new market access trade agreements as a means to strengthen U.S. agriculture and decrease reliance on China. The organizations also called on the presidential candidates to hold China accountable in a responsible manner that does not endanger U.S. agriculture's largest export market.

