MPC Weekly Friday Report

Date: November 10, 2023
To: Directors & Members
From: Kevin Abernathy, General Manager
Pages: 8

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MILK PRODUCERS COUNCIL
Serving the Dairy Industry Since 1949

MPC Friday Market Update

Chicago Cheddar Cheese			Chicago AA Butter			Non-Fat Dry Milk		
Blocks	- $.0650	$1.6000	Weekly Change	- $.5075	$2.6000	**Week Ending 11/04/23**		
Barrels	+ $.0100	$1.6500	Weekly Average	- $.3890	$2.8010	Nat'l Plants	$1.1757	18,738,933
Weekly Average Cheddar Cheese			**Dry Whey**			**Last Week Ending 10/28/23**		
Blocks	- $.0365	$1.6535	Dairy Market News	w/e 11/10/23	$.4000			
Barrels	- $.0490	$1.6090	National Plants	w/e 11/04/23	$.3554	Nat'l Plants	$1.1723	19,281,147

California Federal Milk Marketing Order Price Projections

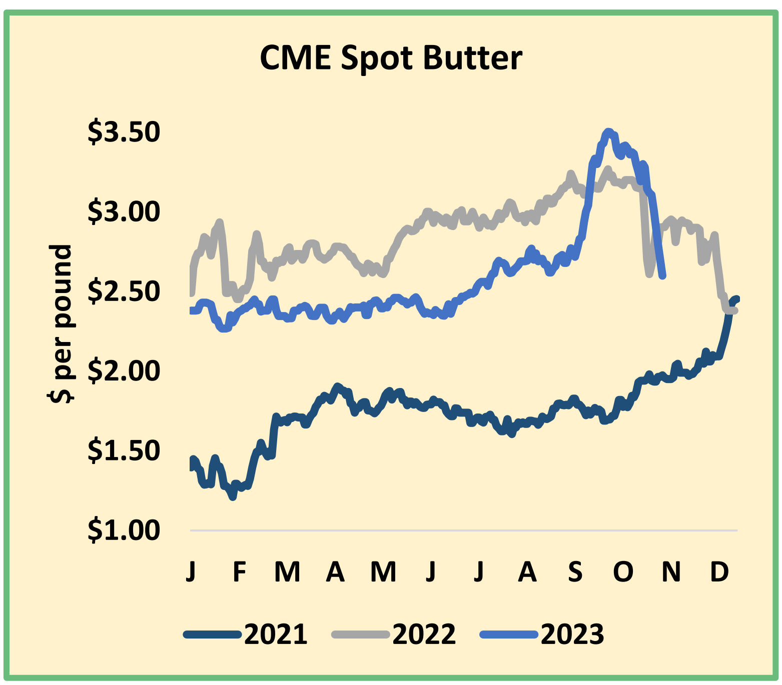
Price Projections	Class I Actual (range based on location)	Class II Projected	Class III Projected	Class IV Projected
Nov 3 Est	No Change	$20.83	$17.08	$20.70
Last Week	$21.35 - $21.85	$21.14	$17.33	$20.75

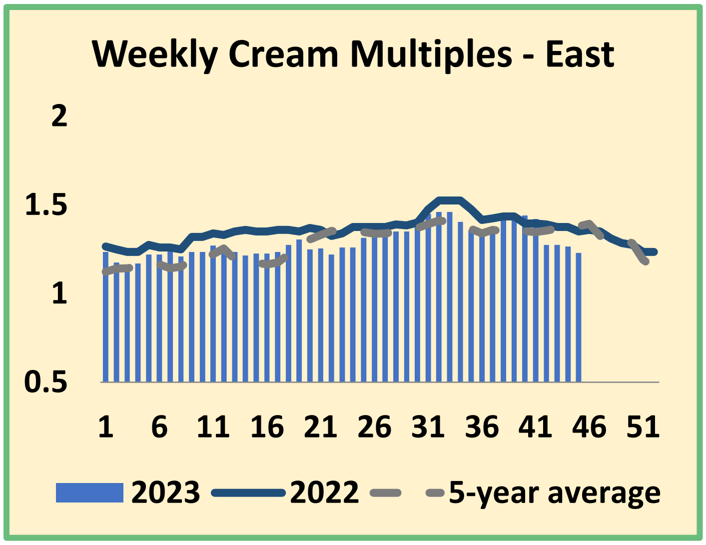
Milk, Dairy and Grain Market Commentary

By Sarina Sharp, Daily Dairy Report
Sarina@DailyDairyReport.com

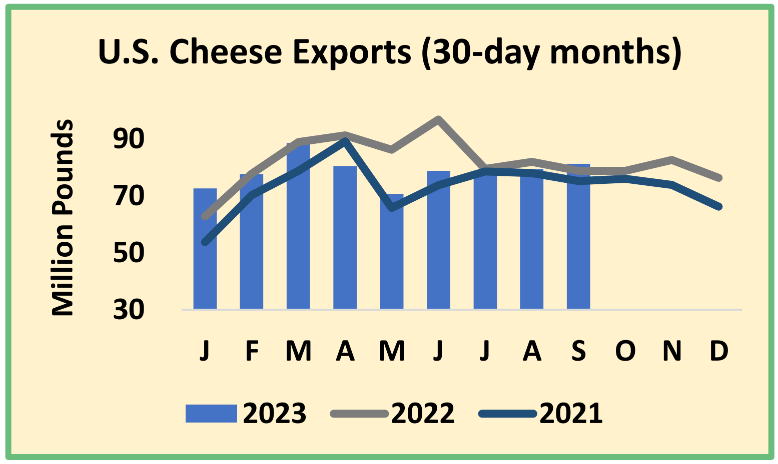
Milk & Dairy Markets

After more than a month in the stratosphere, the butter market plummeted back to earth. CME spot butter crash-landed today at $2.60 per pound, down 50.75¢ from last Friday and more than 90¢ lower than the all-time high set five weeks ago. Cooler weather has boosted milk production and component levels, and cream is more widely available. In the East and Central regions, cream multiples have lagged seasonal averages for four straight weeks, which has prompted churns to ramp up production. Stocks are still a little snug, but butter buyers clearly feel they have enough product to get through the holidays.



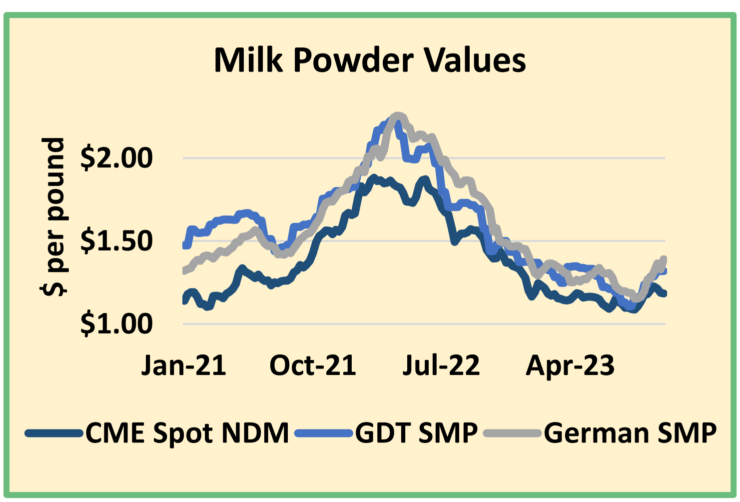


The cheese markets were mixed. CME spot Cheddar blocks fell 6.5¢ to $1.60. Barrels rallied a penny to $1.65. Domestic demand is mediocre, and restaurants note that consumers are growing increasingly weary of the high cost of dining out. Cheese exports set a new high for the month of September, clocking in at 81.3 million pounds, up 4.3% from a year ago. Shipments south of the border remain stellar. U.S. cheese exports to Mexico jumped 27.5% from a year ago. Cheap cheese this summer has helped to keep product moving abroad, but industry stakeholders tell USDA's *Dairy Market News* that prices today are not competitive enough to attract a lot of new export orders. The combination of slower restaurant demand and pessimism about exports is likely pushing cheese manufacturers to make less Mozzarella and more Cheddar. Heavy Cheddar output is a drag on cheese and Class III values.

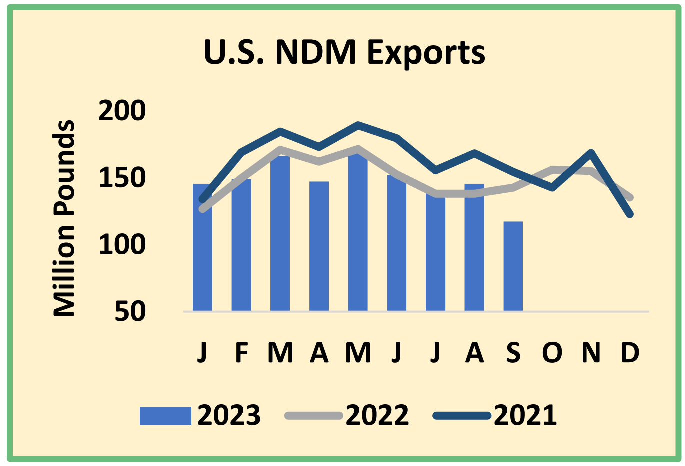


The powder markets perked up. Skim milk powder (SMP) enjoyed an unexpectedly strong showing at Tuesday's Global Dairy Trade (GDT) auction. The average winning price for SMP climbed 2.3% from the mid-October event and it was a whopping 8.4% better than last week's GDT Pulse price. Whole milk powder (WMP) prices retreated, falling 2.7% from where they stood at the mid-October auction. That was enough to drag the GDT Index down 0.7%, snapping a two-month winning streak. But the surprising strength in SMP prices propelled CME spot nonfat dry milk (NDM) back to $1.20, up 1.5¢ this week.

The gap between U.S. and foreign milk powder prices widened, which suggests some opportunity for exports in the months to come. But in September, after a summer of depressed global milk powder prices, exports fell short. The U.S. sent just 117 million pounds of NDM and SMP abroad in September, the lowest volume for the month since 2018 and 20.1% less than the prior year. Shipments to Mexico dropped 15.7% from September 2022, and exports to Asia tumbled. Reduced milk output in the late summer and early fall throttled milk powder production and allowed U.S. milk powder stocks to decline despite the setback in exports. But, unless exports bounce back, it will be difficult to push milk powder and Class IV prices much higher.



Strong demand for whey protein concentrates continues to limit production of whey powder, and stocks are shrinking. That is enough to lift whey prices back toward the 40¢ mark, but contacts tell *Dairy Market News* that buyers are largely unwilling to pay more than 40¢, at least for now. CME spot whey advanced one cent this week to 39.75¢. It may take some time to convince the industry that additional rallies are warranted.



Cheaper Cheddar dragged Class III prices lower once again. The November contract dropped 25¢ this week to $17.08 per cwt. December Class III notched a life-of-contract low and fell 38¢ to $16.89, a number that simply doesn't pencil for most dairy producers. The red ink permeated the whole board, with double-digit losses in Class III futures through October 2024. Class IV futures were mixed, and most contracts finished the week close to where they started. But the collapse in the spot butter market dragged December Class IV futures down 28¢. Still, dairy producers should be happy with their Class IV revenue prospects. The November contract held relatively firm at $20.70 and other contracts stood in the high $18s and low $19s.

Grain Markets

For weeks, farmers have tweeted and gossiped about better-than-expected corn yields, and yesterday USDA made it official. The agency revised its estimate of the national average corn yield up 1.9 bushels from its October guesstimate, pegging it at 174.9 bushels per acre. The combination of massive acreage and adequate yield was enough to make this year's corn crop the largest ever, and USDA projects a big jump in corn inventories in the 2023-24 season. The news pushed December corn futures down to $4.64 per bushel, down 13.25¢ this week. Aside from a brief dip in August, this marks the lowest close for the benchmark corn contract in nearly three years.

USDA also boosted its estimate of soybean yields, albeit by a more modest fraction of a bushel. Still, the trade had expected soy yields to hold steady, and the increase pressured the soy complex. January soybeans settled today at $13.475, down roughly a nickel from last Friday. But last year's paltry soybean crop in Argentina continued to prop up U.S. soybean meal export prospects. The January soybean meal contract closed at $434.90 per ton, up $2.70 from last Friday. The trade is counting on big crops in South America, but the season is off to a dry start in central Brazil and Argentina which could set the stage for a rebound in corn prices and continued strength in soybean meal unless the weather improves.

It was an unusually exciting week in the grain pits, but the cattle complex was home to the biggest drama on LaSalle Street. Last week's Cattle on Feed report showed that there are more cattle in U.S. feedlots today than there were a year ago. That's likely to lead to an even more acute cattle shortage in the years to come, because we're feeding heifers for slaughter rather than breeding them to rebuild the herd. But for today, it means more beef and lower beef prices. December live cattle closed today at $174.20 per cwt., down $9.65 in only a week. Lower cattle prices will trim dairy producers' cull cow and beef calf revenue, but they're not likely to reduce cull rates. Dairy producers have already done that on their own.

Producer Review Board Meeting November 17 in Tulare; Teleconference Option Also Available

Courtesy of the California Department of Food & Agriculture

CALIFORNIA DEPARTMENT OF FOOD & AGRICULTURE
Karen Ross, Secretary

MEETING AGENDA

PRODUCER REVIEW BOARD
By IN-PERSON & TELECONFERENCE

November 17, 2023 - 11:00 am

Tulare County Ag Commissioner's Office
Auditorium
4437 S Laspina Street - Tulare, CA 93274

Zoom Meeting Link:
https://us02web.zoom.us/j/85898897510?pwd=SWltVFlaNkFSa2lyWElRajdEWWFldz09
Meeting ID: 858 9889 7510
Password: 3#se1ed5
To Join By Phone: 669 444 9171
Meeting ID: 858 9889 7510
Password: 86812836

The Board will call for public comment following each agenda topic*

(1) Call to Order

(2) Roll Call / Establish Quorum

(3) CDFA - Quota Administration Program (QAP) Updates
   a. QAP Admin Fund Condition Update
   b. QIP Fund Condition Update
   c. Litigation Update
   d. Correspondence

(4) QIP Assessment Rate: Recommendation to Adjust

(5) Equalization Fund Discussion

(6) QIP 5-Year Effectiveness Survey Follow-Up

(7) QIP Petition: Petition to Terminate the QIP #5

(8) Public Comments - Comments are reserved for items not appearing on the agenda and are not for Board deliberation.

(9) Adjournment

** Meetings of the Producer Review Board are open to the public and comply with the Bagley-Keene Open Meeting Act (Act). The Act allows for public comment on all agenda items. Materials presented and distributed during the meeting with a matter subject to discussion or consideration are disclosable public records under the California Public Records Act and shall be made available upon request without delay.*

CDFA Quota Administration Program • 1220 N Street • Sacramento, California 95814
Telephone: 916.900.5012 • Fax: 916.900.5341 • www.cdfa.ca.gov/dairy

State of California
Gavin Newsom, Governor

Tulare Lake Subbasin State Board Workshop November 9, 2023

By Don A. Wright
WaterWrights.net

Note from Geoff Vanden Heuvel, MPC Regulatory and Economic Affairs

My good friend, Don Wright of WaterWrights.net, wrote a thorough piece yesterday recapping the State Water Board Workshop held in Hanford on Wednesday. He provides a great summary of the workshop conducted by the State Board staff, which is part of the ongoing consideration of placing the Tulare Lake Subbasin on probation for failure to submit an adequate Groundwater Sustainability Plan under SGMA.

MPC member Tony de Groot provides public comment during the State Water Board SGMA workshop on November 8 in Hanford.

Tulare Lake Subbasin State Board Workshop November 9, 2023

By Don A. Wright

About 300, motivated people showed up Wednesday evening November 8th at the beautiful and historic Hanford Civic Center to hear the State Water Resources Control Board staff talk about putting the Tulare Lake Subbasin into probation by April 2024. This will cost the area an immediate $30 million fine when it happens – if it happens. This is all part of how the Sustainable Groundwater Management Act is playing out in the San Joaquin Valley. On October 12th staff sent out a 176-page notice of the workshop scheduled on this topic. Folks showed up, listened and then responded.

How We Got There

But how did we get to a place where an unelected state agency has the power to come into an area and remove $30 million from an ag based economy? It started decades ago when surface water supplies to the San Joaquin Valley were repeatedly reduced in the name of environmental causes in the Delta. Despite numerous stressors in the Delta, like 90 percent of out-migrating juvenile salmon being eaten by nonnative stiped bass and the City of Sacramento discharging not fully treated sewage into the Delta – the culprit was targeted as water exports to the San Joaquin Valley.

Farming in the San Joaquin Valley was initiated as conjunctive use. That meant snow and rain captured in the reservoirs would be used to flood irrigate farmland, not only watering the crops but percolating into the aquifer and later used as groundwater. Surface water would become groundwater and then be reused after being pumped.

As water supplies tightened farmers opted to plant less acres of the far more flexible seasonal crops and

About 300 people attended the State Water Board Workshop in Hanford on November 8. Photo credit: Don A. Wright

more expensive permanent crops such as fruit and nut orchards. To further stretch their surface water supply they deployed the far more effective micro irrigation. However, although micro irrigation conserves water – and some estimates show more than 90 percent of the Valley uses micro irrigation – it doesn't recharge aquifers.

Eventually with the reduced supply of surface water growers had to become more dependent on pumping groundwater to keep their permanent crops alive. More water is pumped from the aquifer than is being replenished. By the 2010s something had to be done to prevent many parts of the Valley's aquifer from collapsing upon itself and other problems from over pumping.

SGMA

In 2014 two pieces of legislation were passed; SGMA – the Sustainable Groundwater Management Act and the Proposition One water ballot initiative. Prop One dedicated $2.7 billion to increased surface water storage. Now, nine years later not a single new reservoir has been built and no new surface water supplies have been made available to the San Joaquin Valley. And that's about all there is to say about Prop One. SGMA however has rolled on.

Advocates for SGMA say California was one of the last developed places in the first world that didn't regulate its groundwater. Denmark is a country almost wholly dependent on its groundwater. Denmark studied the problem for a decade and then wrote laws and regulations. Arizona studied the problem for five years and then wrote laws and regulations.

Two urban California legislators wrote SGMA and gave farmers three years to create an entirely new bureaucracy known as Groundwater Sustainability Agencies (GSA) geographically based within hydrological subbasins. Then in 2017 after all of the required GSAs were established within the deadline, they had three more years to figure out a Groundwater Sustainability Plan (GSP) to bring their area into groundwater balance by 2040. No one had ever written a GSP before but all of the subbasins were able to submit their plans by the 2020 deadline at the cost of tens of millions of dollars. But the carrot to go with SGMA's stick was the promise of local control.

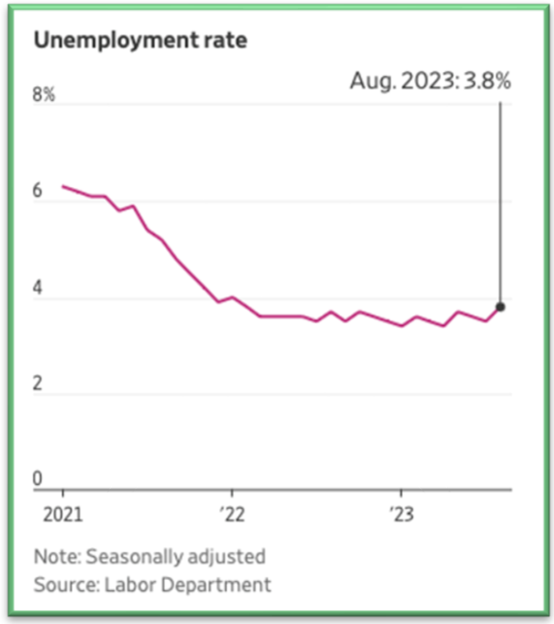
GSPs

SGMA doesn't state how to write a GSP as much as it states how not to. GSPs are meant to be plans to avoid six undesirable results.

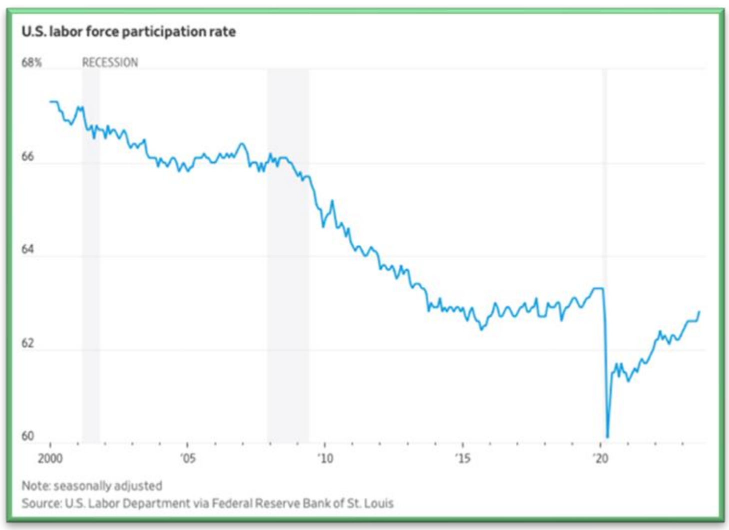
Continue reading [here](#).

Why a Continued Focus on Automation & Robotics in Ag and Dairy is an Absolute Must

Courtesy of Robert Hagevoort Ph.D.
Extension Dairy Specialist at the Ag Science Center at Clovis, New Mexico



A recent WSJ (Sep. 25) article *"Why America Has a Long-Term Labor Crisis"* depicted clearly the future of the labor market, something the dairy industry needs to continue to keep in mind as our industry for now continues to be labor intensive, and with jobs that continue to be physically challenging. The current unemployment rate of under 4% is not just a pandemic re-hiring remnant, but a phenomenon which has been brewing for decades: *"Work experts have warned for years that the combination of baby boomer retirements, low birthrates, shifting immigration policies and changing worker preferences is leaving U.S. employers with too few workers to fill job openings. While the labor market is softening, none of those factors are expected to change dramatically in the coming years"*. A key quote in the article: *"It is a talent supply chain, and you have to think about it that way, except in this case, talent has a choice."*



Workers are choosing arrangements such as part-time, flexible or remote work, prompting employers to adapt to fill roles. This could be one of the key drivers explaining why despite the increased immigration numbers, we are not seeing many of them show up to seek jobs in agriculture and dairy, as we may have seen in past immigration fluxes. This magnifies the importance of talent management: once you have recruited and developed the talent, making sure that talent doesn't leave becomes critical, and the cost associated with turnover increases as good workers decide to leave.

Have you spent any time learning about and developing a plan how to develop and retain talent for your dairy? There are many good resources available online, even for agriculture, and most of it points at the need to focus on the person vs. the position, and developing talent from within. It speaks about changing from a "hunter & gatherer" environment (hire the guy with the right talent), to a "homegrown" philosophy, or recognizing, developing and nurturing homegrown talent within the operation.

Continue reading here.

Farm Bill Consideration Recedes Into 2024

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

After a modest degree of speculation that the House of Representatives, under newly-installed Speaker Mike Johnson (R-LA), might move a farm bill yet this year, reality has set in and plans to advance the measure have now been kicked into 2024. The acknowledgment that there is no time to pass a major measure like the farm bill – while also dealing with a looming government shutdown just seven days from now – was affirmed this week by the principals of the House and Senate Agriculture committees, who are discussing the scope and duration of an extension of current farm policy.

The ag panel lawmakers are focused on passing a 10-month extension of the 2018 bill, until October 2024. As expected, congressional leaders are targeting the upcoming stop-gap government funding measure that presumably will be voted on in both chambers next week as the legislative vehicle to pass the extension. Parts of the current farm bill expired Sept. 30, with a larger number of farm safety net programs set to expire as of Jan. 1, 2024.