

MPC WEEKLY FRIDAY REPORT

DATE: AUGUST 23, 2024
 TO: DIRECTORS & MEMBERS
 FROM: KEVIN ABERNATHY, GENERAL MANAGER
 PAGES: 9



P.O. Box 4030, Ontario, CA 91761 • (909) 628-6018
Office@MilkProducers.org • www.MilkProducers.org • Fax (909) 591-7328

MPC FRIDAY MARKET UPDATE

CHICAGO CHEDDAR CHEESE		CHICAGO AA BUTTER		NON-FAT DRY MILK	
Blocks	-\$0.0625	\$2.0375	WEEKLY CHANGE	-\$0.0500	\$3.1300
Barrels	-\$0.1550	\$2.1000	WEEKLY AVERAGE	+\$0.0180	\$3.1590
WEEKLY AVERAGE CHEDDAR CHEESE		DRY WHEY		WEEK ENDING 08/17/24	
Blocks	+\$0.0325	\$2.0820	DAIRY MARKET NEWS	W/E 08/23/24	\$5450
Barrels	+\$0.0410	\$2.2250	NATIONAL PLANTS	W/E 08/17/24	\$4925
				LAST WEEK ENDING 08/10/24	
				NAT'L PLANTS	\$1.2230 17,646,731
				NAT'L PLANTS	\$1.2204 17,556,532

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
AUG 22 EST	No Change	No Change	\$20.67	No Change
LAST WEEK	\$22.92 - \$23.42	\$22.14	\$20.58	\$21.66



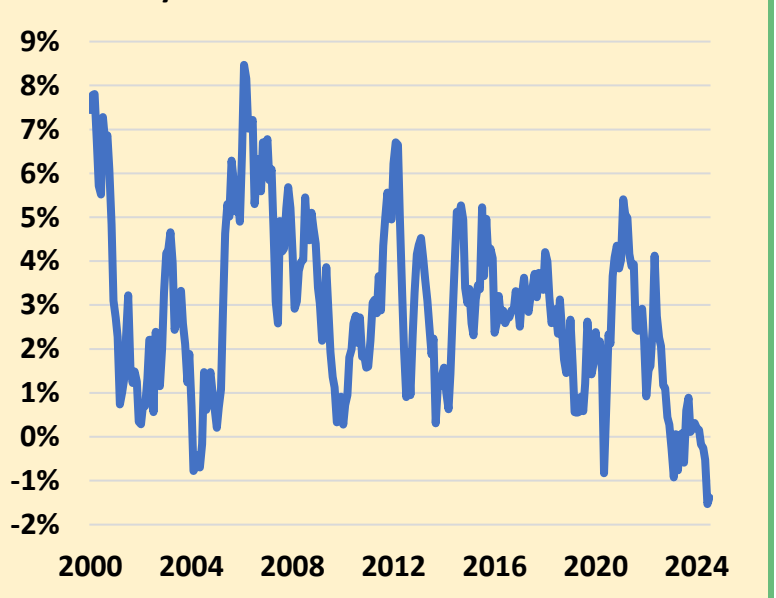
Milk, Dairy and Grain Market Commentary

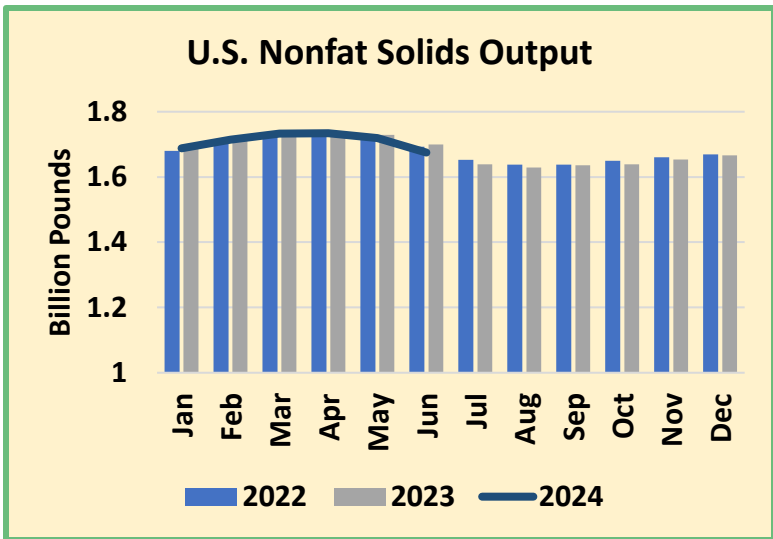
By Sarina Sharp, Daily Dairy Report
Sarina@DailyDairyReport.com

Milk & Dairy Markets

U.S. milk output has trailed prior-year volumes for 13 straight months. In Wednesday's Milk Production report, USDA slashed its initial estimate of June milk output. The agency now reports a 1.7% drop in milk production during the tail end of the flush. The deficit was much narrower in July, with milk output down 0.4% year over year. But the comparison is misleading, as milk production started to retreat last July. Compared to two years ago, U.S. milk output dropped 1.5% in June and 1.4% in July, marking the steepest two-year declines in decades. Higher component levels helped to offset some of this drop, but not all

Two-year Growth in U.S. Milk Production





of it. While butterfat output continued to top year-ago volumes, protein and milk solids output trailed the prior year in May, June, and likely in July too. In fact, U.S. nonfat milk solids output in June 2024 was the lowest total for the month since 2020.

Milk production will climb seasonally when cooler temperatures arrive, but there simply aren't enough cows to power significant growth. USDA revised its estimate of the June milk-cow herd down sharply from last month's assessment. While the agency's

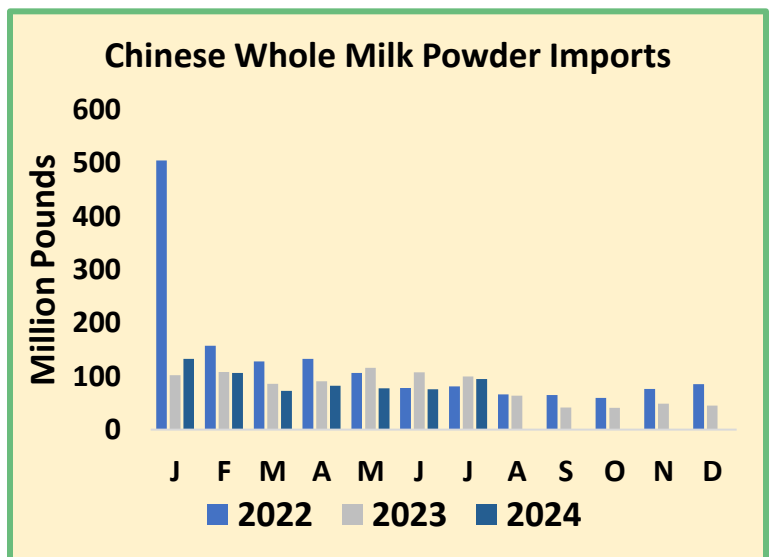
initial estimate shows a modest uptick in head counts in July, the dairy herd remains much smaller than it was even earlier this year. USDA estimates that 9.325 million cows set foot in U.S. milk parlors in July, down 21,000 head from the recent peak in March and down 43,000 head from July 2023. Dairy producers are reining in cull rates and striving to fill every stall. But the herd is still trending lower and getting older and less efficient to boot.

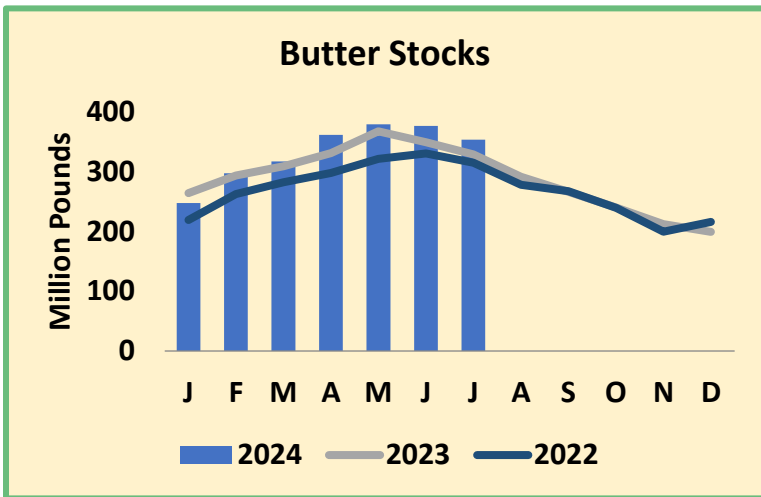
Milk is tight and likely to remain so. Spot milk traded at steep premiums this week, ranging from \$2.25 to \$3.00 per cwt. over Class III in the central region. Bottlers are pulling hard on milk supplies for school meal programs, and other processors are running lighter. The lineup at dryers is short, and prices are climbing. CME spot nonfat dry milk (NDM) climbed 2.75¢ this week to \$1.2825 per pound, its highest price since January 2023.

Milk powder prices moved higher at Tuesday's Global Dairy Trade (GDT) auction. Whole milk powder (WMP) leapt 7.2% to its highest average since October 2022. Skim milk powder (SMP) rebounded 4%. After more than a year of conspicuously light purchases, Chinese buyers were active participants at both the August GDT auctions, hinting at lower milk powder stocks in China. Trade data from July suggests that China still has plenty of SMP, but Chinese imports of WMP perked up a bit. They trailed July 2023 volumes by only 4.6%.

Chinese whey imports topped year-ago volumes by 13.2% in July, their second straight month of year-over-year increases. Improved Chinese interest and formidable domestic demand for high-protein whey products lifted spot whey powder 1.5¢ this week to 56.5¢.

While the powders climbed, the other dairy products faltered. CME spot butter lost a nickel this week and closed at \$3.13. Butter inventories shrunk at a faster-than-typical rate in July, but there was still 7.4% more butter on



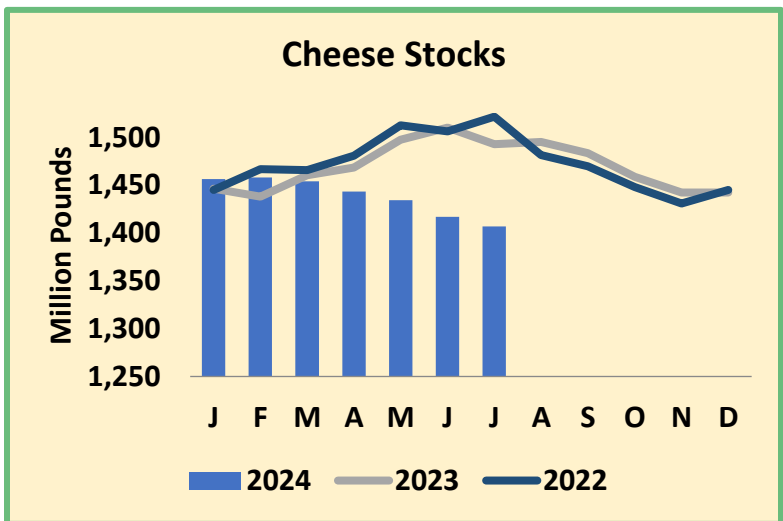


hand at the end of last month than there was the year before. Nonetheless, butter buyers remain anxious. They exchanged more than 100 loads in Chicago last week and snapped up another 54 cars at the spot market this week.

In a typical year, U.S. cheese stocks are about 30 million pounds greater at the end of July than at the end of February, even after some summer drawdowns. But this year, they're 50 million pounds lower. U.S. cheese inventories began to shrink in March and they haven't

stopped. There were 1.4 billion pounds of cheese in cold storage on July 31, the smallest end-of-month inventory since late 2020. Cheese stocks are 5.8% lower than they were a year ago, and prices are sharply higher.

After last week's Olympic-worthy uphill sprint, the cheese markets had enough energy left for one last climb. But when they reached the peak at midweek, they didn't pause to catch their breath. They leapt off the cliff and plummeted. After a dramatic selloff, CME spot Cheddar barrels closed at \$2.10 per pound, down 15.5¢ since last Friday. Blocks tumbled 6.25¢ to \$2.0375.



Class III prices followed cheese up and then back down. When the closing bell rang, prices were not all that far from where they stood last week, with September Class III at \$21.76 and October at an impressive \$22.19. If these prices hold, the September and October Class III milk checks will be the largest in two years. Class IV futures were much quieter this week, but 2025 contracts gained some ground. Most contracts stand at \$21 or \$22 per cwt.

Grain Markets

The grain markets faded again, as the trade grew increasingly confident that there are big crops in the fields. Scouts crisscrossed the Corn Belt, taking samples for the annual ProFarmer crop tour. The tour found lush fields in most areas, but spring flooding in Minnesota and parts of South Dakota limited potential in those states. With another week of benign weather in the books, prices drifted lower. December corn closed at \$3.9125 per bushel, down a penny from last Friday. November soybeans finished at \$9.3725, a nearly 20¢ retreat. December soybean meal climbed \$3 to \$304.70 per ton.

These prices are low enough to attract new demand. After a very slow summer, export sales are accelerating. But the United States can afford to export a lot of corn and beans. There will be plenty left over.



MPC Members Provide Dairy, Digester & Farming Education to California Air Resources Board Members, Staff

By Kevin Abernathy, General Manager

Kevin@MilkProducers.org

Two days ago, one of the most consequential events of my professional 30-year career working with dairy families took place at Bar 20 Dairy Farms in Kerman. The **Shehadey family**, **Milk Producers Council**, and **Dairy Cares** organized and hosted a dairy tour on Wednesday for members of the **California Air Resources Board** (CARB), along with CARB and **San Joaquin Valley Air Pollution Control District** staff. The tour preceded a critically important public workshop hosted yesterday in Fresno by CARB, where it shared its latest work to evaluate the dairy community's emissions trends and heard public comment from stakeholders, including dairy farmers and environmental activists.



Steve Shehadey of Bar 20 Dairy Farms and his daughter, Bonney, welcome California Air Resources Board members and staff to their family dairy farm.

Many factors made Wednesday's dairy tour so significant. The audience we hosted is directly responsible for regulating our farms on greenhouse gas emissions, such as methane, as well as air quality pollutants, such as oxides of nitrogen (NOx) and volatile organic compounds (VOCs). For some on the tour, whether CARB Board Members or staff, this was their first time visiting a dairy. There's no substitute for actually showing them what our dairy families do on a daily basis. Thanks to the Shehadey family, we were able to showcase a variety of sustainable technologies on a single dairy, which we noted are being employed on many dairies throughout the San Joaquin Valley. Our regulator audience learned about animal care, carousel milking parlors, weeping walls, nutrient management, digesters, fuel cells, electric feed-mixing wagons, feeding byproducts, solar panels, as well as hydrogen production from dairy biogas. They also enjoyed some delicious chocolate milk, courtesy of Producers Dairy!

Tour members get an up-close look at an all-electric milk hauler that transports milk from the farm to Producers bottling facility in Fresno.

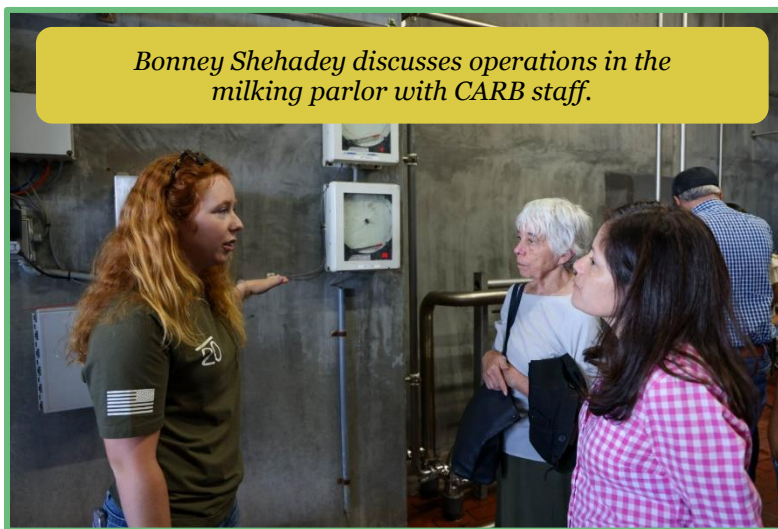


A major goal for our industry on Wednesday was to be transparent, answer any questions, and talk about the science and values that drive decisions on a dairy farm. It's no secret that our dairy families

are under tremendous regulatory pressure related to water, air, and greenhouse gas issues. It's also no secret that dairy families have answered the State of California's call on methane reduction targets. We're more than halfway toward meeting the State's 2030 goal of reducing manure methane emissions by 40% from 2013 levels, and according to expert analysis by CARB, we will hit that mark.



How have California dairy families achieved this impressive milestone? Collaboration. Thanks to CARB's voluntary, incentive-based approach, our dairy families have significantly reduced greenhouse gas emissions from the atmosphere, all while creating renewable energy and carbon-negative transportation fuel.



Unfortunately, for anti-dairy activists, delivering tangible methane reductions for the benefit of the environment, our neighbors, and local economies isn't good enough. These activists distort dairy farmers' efforts and investments, and they knowingly put forth false narratives about how dairies operate – especially as it relates to CARB's successful strategy for mitigating methane from dairy sources.

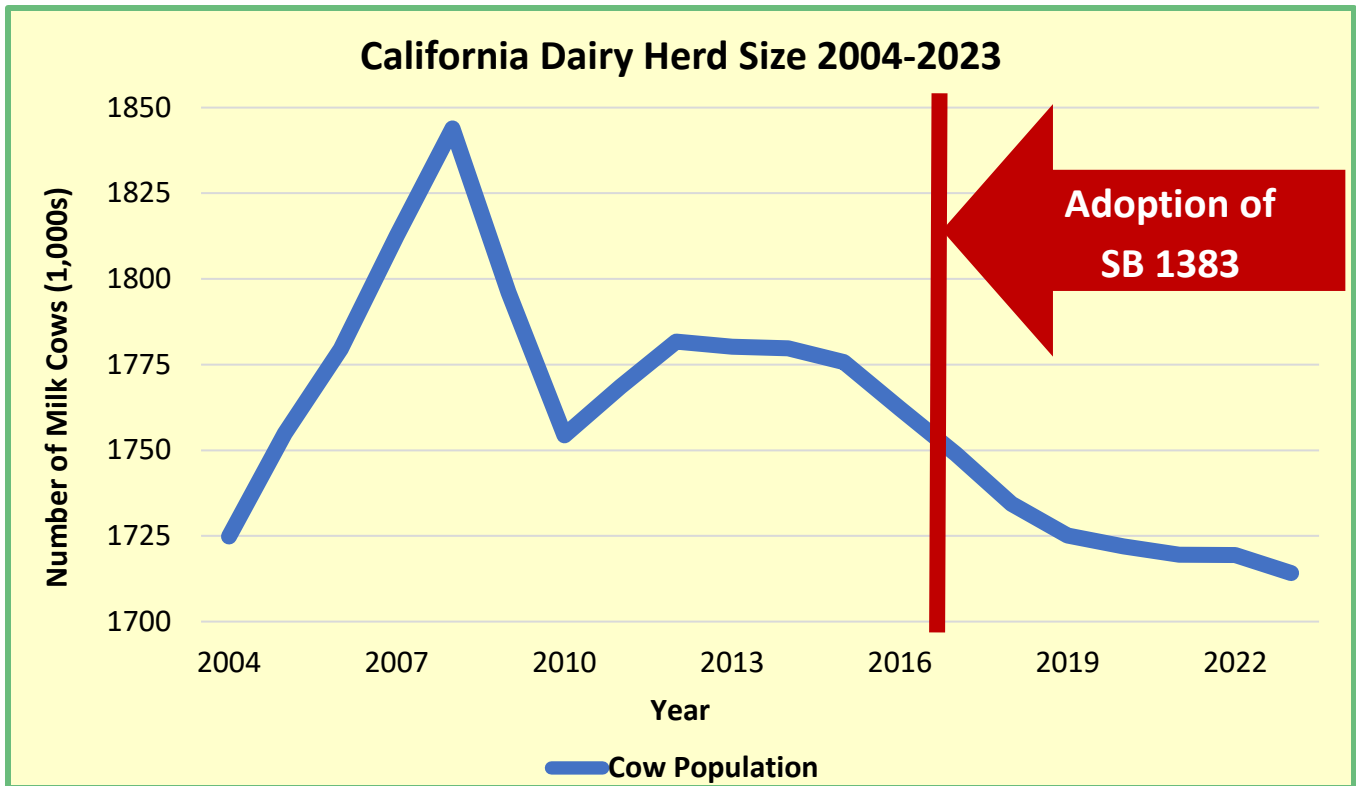
Here are just three examples of misrepresentations by anti-dairy activists.

MYTH #1

The California dairy industry is growing due to incentive-based programs to install digesters.

FACT

If you're done laughing (or crying), here are the numbers. More than 1,000 dairy farms have gone out of business in California over the past 20 years. But surely you're thinking those cows just went to other dairies so that the total California herd size remained the same, and according to activists, probably even grew so digesters could be built, right?!? Nope. Look at the graph below. You'll see that since the adoption of SB 1383 to regulate methane, the California milk cow population has been in steady decline. And now for the icing on the cake. At the hearing in Fresno on Thursday, CARB staff reported that an **“analyses of dairy trends suggest that there has not been any relationship between the installation of digesters and dairy growth rates.”** That's from CARB's own detailed analysis from years of work to accurately quantify California's herd size.



MYTH #2

Lagoon manure-holding ponds are being built on dairies just because of digesters.

FACT

Lagoons have been an integral part of California dairy farming since the 1980s. **Their advent – and prevalence today – has nothing to do with dairy digesters or methane.** In short, lagoons were designed to promote cow health, improve manure management, and protect water quality. Lagoons help keep cows clean, thanks to a gravity flush system that removes manure from barn floors with recycled water. This flush water is stored in the lagoon where it is recycled throughout the year as a nutrient-rich fertilizer to grow feed for cows. Having a lagoon on a dairy also provides stormwater protection to ensure that all water used on the farm stays on the farm, where it can be recycled multiple times.

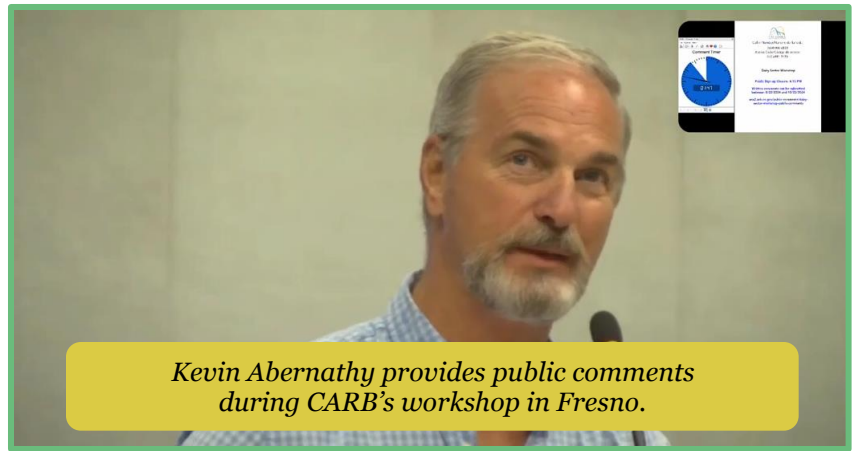
MYTH #3

Dairies are actively working to maximize methane production from manure due to the installation of digesters.

FACT

Dairies – including those with digesters – are doing the opposite. As we showed our tour guests on Wednesday, the Shehadey family is avoiding methane production from manure thanks to its use of a weeping wall **in front of its digester**. Conservatively, the weeping wall is reducing methane emissions by 60%. Many dairies are using some type of mechanical solids separator in front of a digester, which can reduce methane emissions from manure by up to 30% before hitting the digester.

Between our tour at Bar 20 Dairy Farms and the CARB public workshop in Fresno, I feel like we provided a positive, earnest, and fact-based education to our regulatory partners. To sum up what I said during the public comment portion of yesterday's workshop, we hope that CARB will continue its incentive-based strategy for regulating methane because it works. We also know what doesn't work: command-and-control regulatory schemes. You can watch my comments [here](#).



A lot of work went into preparing for this tour and public workshop, and I want to thank the many people who made it possible.

First, thank you to the CARB Board members who joined us on the tour: **Chair Liane Randolph, Susan Shaheen, Dr. John Balmes, and Diane Takvorian**, and thank you to the nearly 20 CARB staff members who also joined us.

Thank you to **Samir Sheikh, Sheraz Gill, Ryan Hayashi** and the many Air District staff that also joined us on the tour.

Thank you to **Steve Shehadey, Bonney Shehadey, Sal Rodriguez, Sarah Dean**, and the entire team at Bar 20 Dairy Farms for hosting such a large group of people on the farm and answering any question that was asked of you.



Thank you to the panel of dairy farmers that presented at yesterday's public workshop: **Jeff Troost, Jenn De Boer, Sal Rodriguez, Brian Pacheco, and Andre Brasil**. Your personal stories and experiences put a face on our industry and I'm thankful to be able to work with you.

Thank you to all the dairy farmers and allied industry folks who attended in-person or online to make comments.

Thank you to **Michael Boccadoro, Jennifer Bingham**, and the whole team at **Dairy Cares**. As a dairy community, we work best when we work together, and Dairy Cares is the epitome of that statement.



Big Water Decision Coming Up This Week

By Geoff Vanden Heuvel, Director of Regulatory and Economic Affairs
Geoff@MilkProducers.org

Over 350,000 acre-feet of stored northern California surface water is at stake in a decision that will be made by state and federal water and environmental agencies this next week. The City of San Diego uses 175,000 acre-feet of water per year, so 350,000 acre-feet is twice the annual water consumption of a major California city. The issue is a regulation designed to help the endangered delta smelt in the operating plans that govern the export of surface water to southern and central California. That regulation is called the Fall X2 requirement. This is a regulation that requires extra surface water to be released to the ocean in the Fall (September and October) in wet and above normal years for the purpose of helping the delta smelt. Multiple scientific studies released in the past year have demonstrated that extra releases of water to the ocean in the Fall have no positive impact on the delta smelt. In other words, there is zero scientific evidence that this release of valuable surface water helps the delta smelt at all.

One of the principles governing delta regulations is that while species protection is a top priority, the operators of the system do have the authority to adapt and modify their actions in light of new information and data. This week, the public water agencies who are negatively impacted by the Fall X2 regulation, sent a letter to the regulators requesting a suspension of this regulation and its over 350,000 acre-feet in lost supply. You can read that letter [here](#). In addition, the Water Blueprint for the San Joaquin Valley, which represents a broad cross-section of the Central Valley stakeholders, including community groups, cities, counties, farm commodity groups, businesses, GSAs and water agencies, together with the Southern California Water Coalition, which represents similar constituencies in the eight county Southern California area, sent a letter to Governor Newsom and Secretary of the Interior Haaland also requesting a temporary suspension of the Fall X2 regulation. You can that letter read [here](#). What we have here is really a test of whether the millions of Californians who depend on the surface water supplies provided by the State and Federal water systems can believe that the often-promoted idea of adaptive management – the idea that science – matters. Will the regulators recognize scientific reality and modify their planned behavior in light of new facts?

The stakes here are huge. The 2024 water year was rated as an above normal precipitation year and yet the Central Valley project is only delivering a 50% water supply, and the State Water Project is only delivering a 40% water supply. We have had two good water years in a row. It is highly likely that there will be a dry year or two or three coming up soon. There is a lot of talk about the value of democracy in America. The governor is elected to represent all of us. In the wet year of 2023, Governor Newsom issued very favorable executive orders that allowed enormous amounts of flood waters to be recharged into the groundwater basins. We are hoping he again uses his authority this coming week to stop the useless waste of a huge amount of fresh water to the ocean.

You might think about adding your voice to this request. The governor's office can be contacted [here](#).

Update: Kings County Farm Bureau Lawsuit Against the State Water Resources Control Board

By Geoff Vanden Heuvel, Director of Regulatory and Economic Affairs
Geoff@MilkProducers.org

The court this week continued until September 13 the Temporary Restraining Order that prohibits the State Board from implementing probationary actions against the groundwater users in the Tulare Lake Subbasin. Don Wright from WaterWrights.net has a good article explaining the issue, which you can read [here](#). You can read the actual Kings County Farm Bureau complaint [here](#).

REMINDER: Webinar on Dairy PLUS Thursday, August 29

Courtesy of the California Dairy Quality Assurance Program

The California Dairy Quality Assurance Program (CDQAP) will host a webinar on the Dairy PLUS Program next **Thursday, August 29 from 3-5 p.m.**

More information about this year's solicitation is available on the [CDFA Dairy PLUS](#) and [CDRF websites](#). Both CDFA and CDQAP are hosting informational webinars this month. Producers and industry interested in learning more about this year's program and tips for application prep are encouraged to attend. The CDQAP webinar is coming up soon. [Recordings are available](#) from CDFA's webinars held earlier this month.

