

MPC WEEKLY FRIDAY REPORT

DATE: JANUARY 20, 2023
 TO: DIRECTORS & MEMBERS
 FROM: KEVIN ABERNATHY, GENERAL MANAGER
 PAGES: 10



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MPC FRIDAY MARKET UPDATE

CHICAGO CHEDDAR CHEESE		CHICAGO AA BUTTER		NON-FAT DRY MILK	
Blocks	-\$.1650	\$1.8350	WEEKLY CHANGE	-\$.0800	\$2.3225
Barrels	-\$.1275	\$1.5800	WEEKLY AVERAGE	-\$.0689	\$2.3581
WEEKLY AVERAGE CHEDDAR CHEESE		DRY WHEY		WEEK ENDING 01/14/22	
Blocks	-\$.1731	\$1.9569	DAIRY MARKET NEWS	W/E 01/20/23	\$.4150
Barrels	-\$.1134	\$1.6581	NATIONAL PLANTS	W/E 01/14/22	\$.4453
			LAST WEEK ENDING 01/07/22		
			NAT'L PLANTS \$1.4074 17,909,277		

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
JAN 20 EST	\$24.01 - \$24.51	\$21.50	\$19.49	\$19.81
LAST WEEK	\$24.01 - \$24.51	\$21.42	\$19.46	\$19.75



Milk, Dairy and Grain Market Commentary

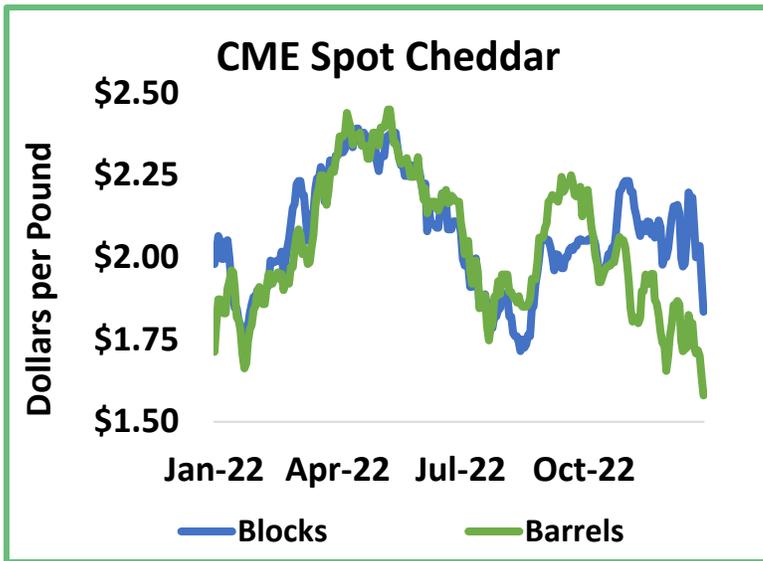
By Monica Ganley, Quarterra

Monica.Ganley@QuarterraGlobal.com

Milk & Dairy Markets

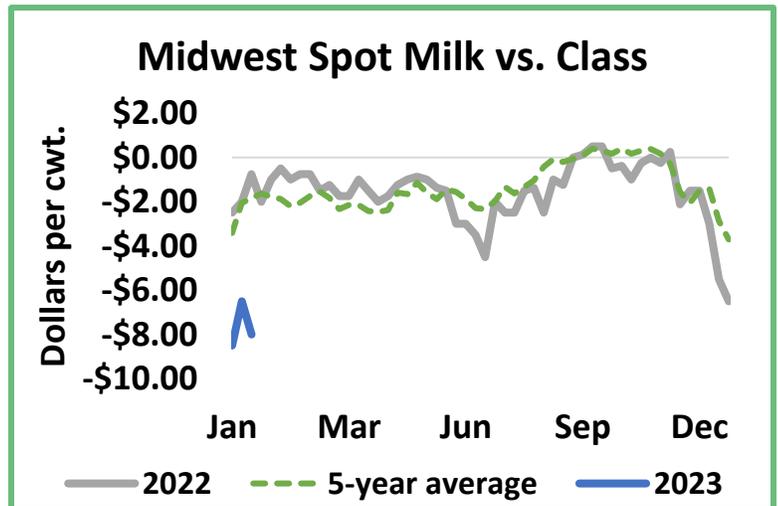
The bears were out in force this week, pressuring the dairy markets to new lows as supplies accumulated and global demand prospects dimmed. Though risks and challenges persist, milk production has generally been strong across the U.S. Mild winter conditions in most parts of the country have supported output while the excessive rains in California seem to have only trimmed production around the edges. Strong volumes in the U.S. have been compounded by robust output in Europe where a mild winter has pushed production up among some major producers. For example, the Netherlands, Germany, and the United Kingdom saw year over year production rise by 5.1%, 3.9%, and 3.2%, respectively, in November, easing concerns about global supply availability.

Meanwhile, anxieties about international demand have intensified. China announced earlier this week that its population declined last year for the first time in 60 years, sparking concerns about economic prospects of the world's largest dairy importer. Furthermore, economists continue to express pessimism about the 2023 outlook with 63% of the chief economists surveyed by the World Economic Forum expecting that this year will bring a global recession.



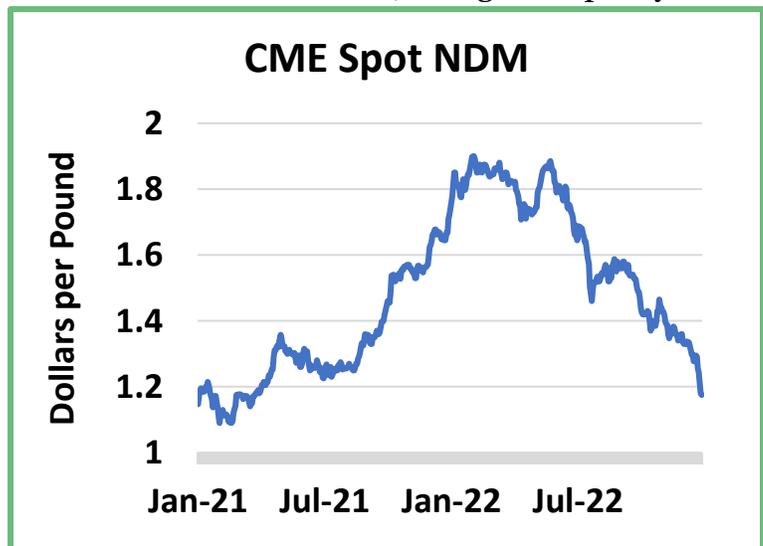
As the markets weigh supply and demand factors, dairy prices moved lower, and the deterioration of the cheese markets was particularly pronounced. After modest gains on Tuesday and Wednesday, the Cheddar block market plummeted by 10.5¢ and 9.5¢ on Thursday and Friday, ending the week at \$1.835/lb., 16.5¢ less than last week and the lowest price since early September. Barrels followed a similar, if less dramatic, trajectory sacrificing 12.75¢ over the week to end today's trade at \$1.58/lb., the lowest price since November 2021.

Most regions report that retail demand is at least steady while football playoffs have contributed to increased pizza demand, and thus, mozzarella consumption. Cheese exports have been stable but as U.S. product runs up against more competitively priced international alternatives, manufacturers expect that shipments will wane. While demand is mixed, supply is strong. Spot milk is readily available and inexpensive, especially in the Midwest. For the second week in a row, spot milk in the Midwest was available at up to \$10 under Class III prices. Much of this milk is likely to flow into cheese vats, causing further accumulation of inventories and potentially putting further pressure on cheese prices.



On the other side of the Class III complex, dry whey has not fared much better. Spot dry whey prices continued to slide this week, losing a half penny on Wednesday and Friday to end the week at 32.5¢ per

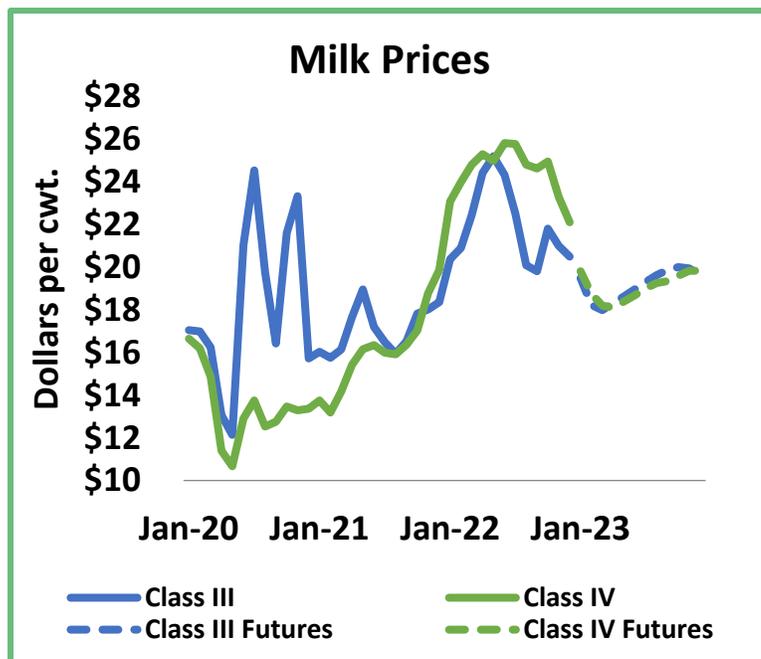
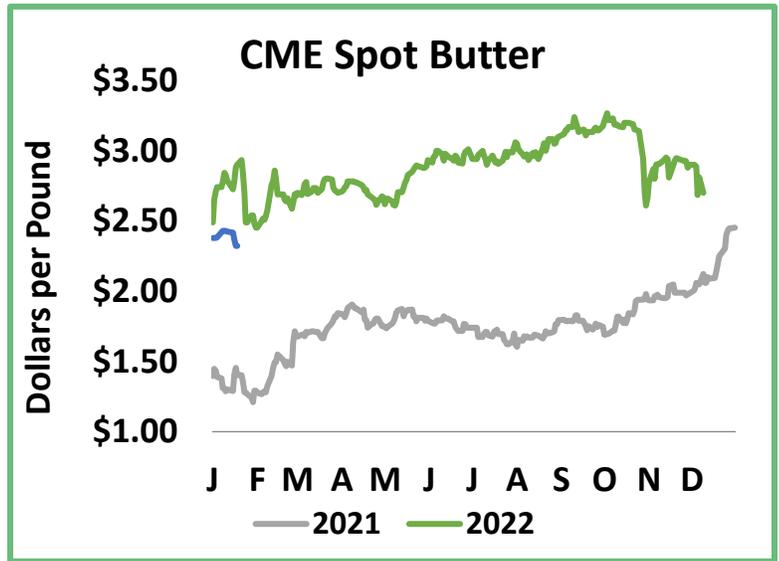
pound, the lowest price since August 2020. It was a relatively active week as 16 loads traded hands, including 10 on Tuesday alone. Plentiful cheese production has resulted in an ample whey stream and market stakeholders report that supplies are plentiful. Domestic demand is purportedly weak while lackluster economic news out of China has dampened export prospects.



Nonfat dry milk (NDM) prices continued to descend this week as buyers bide their time and wait to see how far prices will fall. Drying

remains active as milk is available and with demand from both domestic and international sources slowing, much of this powder is being placed in inventory. *Dairy Market News* reports that in the Central region, “storage has become a growing concern among contacts, as domestic end users are aware of the situation, and are waiting for potentially further price decreases.” These dynamics led the spot NDM market to give up 8¢ over the week, closing Friday’s trade at \$1.175/lb., the lowest price in 21 months.

After occupying the spotlight for much of the last few months, the butter market was somewhat more subdued this week, though it also lost ground. With cream readily available, churns are running hard. Demand is generally strong, especially as retailers stock up for the spring holidays, but most stakeholders report that production is in excess of demand with inventories growing as a result. Higher stock levels likely weighed on the spot butter market this week as prices slipped 10.25¢ compared to last Friday, with the market closing at \$2.3225/lb. in today’s trade, the lowest price in more than a year.



The milk futures markets felt the weight of the lower commodity prices as they lost value over the course of the week. The Class III markets saw the biggest dips on Wednesday and Thursday. Even though Friday’s settlements were mixed, the MAR23 contract fell below the \$18/cwt. threshold, settling at \$17.99/cwt. Class IV markets lost ground through Thursday, but ended the week with some modest gains. Even so, FEB23 through JUN23 contracts settled below \$19/cwt, down from prior week. Once producers feel the weight of these prices, and the squeeze on profitability that they are likely to produce, it seems likely that production will begin to contract.

Grain Markets

Expensive feed continues to threaten producer margins. South American weather remains a concern while lighter than expected ending stock data propped up prices, especially for corn. Corn futures prices moved up convincingly on Tuesday before shedding a few cents each day over the balance of the week with nearby contracts ultimately settling within a few cents of last week. Soybean meal followed a similar trajectory albeit with larger declines, pulling contracts down relative to prior week. MAR23 corn settled today at \$6.7625/bu. while MAR23 soybean meal ended the week at \$463.7/ton.



Delta Pumping Up 400% Since January 9; Water Blueprint Submits Letter to State Leaders

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

Some good news to report this week on the water front. Exports scheduled today from the state pumps are 9,500 cubic feet per second (cfs), a dramatic increase from the 1,900 cfs pumped on January 9. The rise in Delta pumping comes after regulators met the [“first flush” rule](#), which is mandated by the federal biological opinions and requires two weeks of reduced pumping after the start of the first winter storms. While not pumping at full capacity, this rate will help move a significant amount of water south of the Delta into San Luis Reservoir for use later in the season.



Clifton Court Pumping Station
Image: Sacramento Bee

Yesterday, the [Water Blueprint for the San Joaquin Valley](#) (MPC is a huge supporter and I sit on the Board of Directors) sent a letter to Governor Newsom, Natural Resources Agency Secretary Crowfoot and Department of Water Resources Director Nemeth regarding projects to better manage California water resources. Below is the text of the letter, which is worth reading in its entirety.

From the Water Blueprint letter

The Newsom administration has been proactive when tackling difficult water issues in California, as evidenced by the Governor’s Water Resilience Portfolio and Water Supply Strategy. We commend the state’s leadership for taking this initiative, and we hope to be a partner in the next steps of its implementation.

Many Californians, particularly those who reside in the San Joaquin Valley, have had their health and livelihoods impacted during the current multi-year drought. This drought exacerbates the negative impacts the Valley’s residents experienced during the 2012-2016 drought. This drought has also demonstrated how the limitations of California’s water conveyance system have prohibited effective utilization of the existing pumping capacity at a time when California is experiencing atmospheric river conditions and wide-spread flooding. Some estimates indicate that the recent storm event has resulted in approximately 300,000 acre-feet of water flowing out to the ocean per day, which only highlights how far we still have to go to achieve the co-equal goals of providing a more reliable water supply for California and protecting, restoring, and enhancing the Delta ecosystem. Clearly, the recent storm system reinforces the need to improve California’s existing water conveyance and storage infrastructure, particularly to meet California’s needs under the changing hydrologic conditions California has experienced over the last twenty years.

The Water Blueprint for the San Joaquin Valley has identified a set of 10 resiliency projects that we believe will advance this administration's water agenda. The projects support the Governor's Water Resilience Portfolio. Many of the projects are already being promoted by the Natural Resources Agency and its various departments. However, there are a few to which we would like to draw your attention because they will resolve two of the most confounding water issues currently before us.

Reliable deliveries of surplus water, conveyed through the Delta, are paramount to the future of California's water reliability. Recent hydrology has demonstrated that not being able to convey floodwater through the Delta into surface and subsurface storage should be a thing of the past. Adapting to our new climate reality demands a focused solution to this challenge that has vexed California for so many decades – to improve conveyance and storage while operating under scientifically grounded adaptive water operations that are responsive to the intra- and interannual variances in California's hydrology. We urge your team to take every opportunity to support regulations and infrastructure that allow for adaptive management of the current water system to improve water resilience, consistent with current scientific understanding, and capture surplus water during the times it is available.

California is a leader in technological advancement and has one of the most modern and efficient agricultural systems in the world. Given this technological expertise, we can improve the way we divert water. One such improvement may be to change how water is diverted. There is technology that allows water to be diverted from under the bottom of the water column, at very slow rates. This technology has not been applied to the Delta. The Blueprint has proposed a project – Environmentally Friendly Water Diversions – to implement this technology in the Delta, and we would like the administration's support to explore its implementation. If successful, the implementation of that technology could change water management in California. No longer will there be a need to slow down the pumps when we have high Delta outflow. This technology has the capability to usher in a new era where we can fully utilize our precious water resources without impacting fish. By diverting just a small proportion of the high Delta outflows, tens of millions of people on the Central Coast, in Southern California, the South Bay, and in the San Joaquin Valley will benefit.

Once our reservoirs south of the Delta are filled, the additional water diverted with Environmentally Friendly Water Diversions will need a home. The Water Blueprint has identified a Southern San Joaquin Water Resiliency Project – a new bidirectional canal, feeding the center of the Valley, supporting rural communities and wildlife refuges, and connecting to groundwater recharge projects throughout the Valley, thereby providing sustainability to groundwater basins. But the potential for the benefits from that project does not stop there. The bidirectional canal could support potentially tens of millions of acre-feet of groundwater storage, some of which can be developed into groundwater banking programs – long-term resiliency to urban areas and improved water supplies to rural areas.

These projects, in conjunction with the great projects identified previously in the Governor's Water Resilience Portfolio and Water Supply Strategy, will change California. Floods on the back of severe

droughts have created great awareness of the water crisis in people's minds. The resiliency projects offer a real, comprehensive, long-lasting solution.

We believe that together, we can implement a strategy for a resilient, dynamic, and balanced water management approach for our state and communities.

Online Training for Employers January 25: AB 2183 Card Check

Courtesy of the [California Farm Bureau](#)

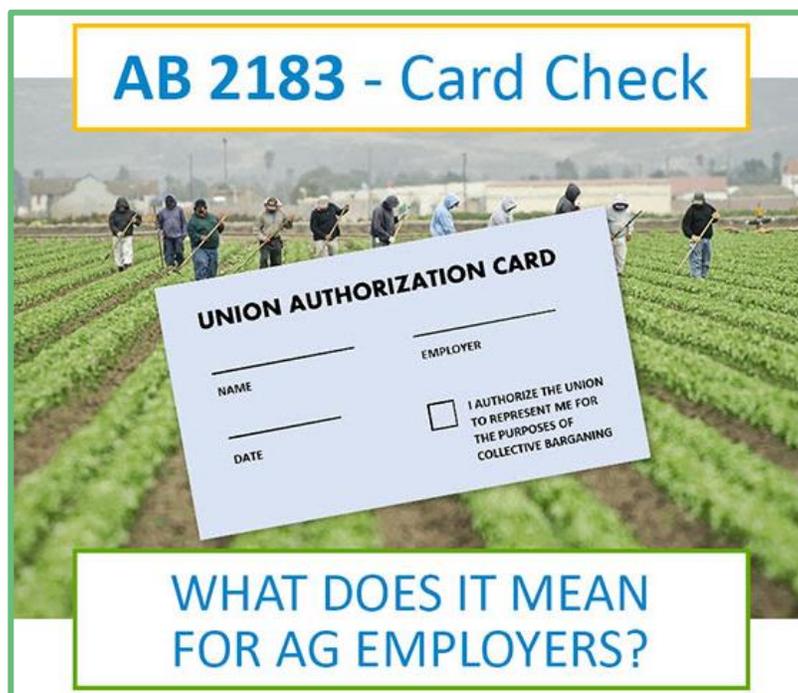
Note from Kevin Abernathy, MPC General Manager

Many of you have asked for an online option rather than in-person training for Card Check. Here's your chance without leaving your office!

NEW! How to Prepare for Card Check

AB 2183 (Stone), agricultural employee unionization card check legislation goes into effect on January 1, 2023. This online seminar by Barsamian and Moody, Attorneys at Law, will walk through the statutory changes to the Agricultural Labor Relations Act, including what is card check, labor peace elections, the administrative penalties, and appeal bond requirements in the new law. The seminar is intended for owner-operators, managers, human resources personnel, and farm labor contractors (FLCs) FLC representatives are encouraged to attend. AB 2183, the agricultural employee unionization card check legislation that goes into effect on January 1,

2023. Spanish language interpretation and devices will be available for attendees. If you will need Spanish language translation, please indicate the Spanish language option to ensure enough listening headsets can be provided. (Please note that the content of the seminar will not constitute legal advice or counsel.) RSVPs are required to attend these seminars.



Date: January 25

Time: 1:30 p.m.

Link: [Registration Link](#)

(free registration code: 23FELS)

Pre-2010 Diesel Big-Rig Engines Banned From California Roads

By [Lawrence Hodge](#)
[Jalopnik.com](#)

Note from Kevin Abernathy, MPC General Manager

This is a great synopsis of the conversations I have had with members regarding the new Diesel Truck Rule that went into effect this year. The article does note that particulate matter filters can be installed on engines to provide more time to change to newer models. However, this only applies to a very small portion of California and is not an option in the Sacramento, San Joaquin Valley and South Coast air quality districts where the vast majority of our dairies are located. Many members may be participating in the low-mileage exemption, where you can keep your pre-2010 truck as long as you don't exceed 1,000 miles. Please note that if you're in this low-mileage category, you still have to participate in the "Heavy Duty Inspection and Maintenance Program" (see next story).

If you own a [diesel-powered commercial truck](#) that's over 10 years old in the state of California, it's now illegal to drive it on the roads, thanks to a [new law](#) that went into effect January 1 of this year.

The California law has been a long time coming. In 2008, California Air Resources Board (CARB) approved [legislation](#) to

curb emissions from old trucks and buses within the state. This legislation was updated in 2014 that banned engines manufactured in 2006 and earlier. At the end of 2022, the ban was extended to include diesel engines manufactured before 2009.

Continue reading [here](#).



Image: Noah Berger (AP)

CARB Online Course for Smog Check for Heavy Trucks: The Heavy Duty Inspection and Maintenance Program – NEW!

Courtesy of the [California Air Resources Board](#)

Do you own, operate, or dispatch heavy-duty trucks in or to California? Then you need to know about the California Air Resources Board's (CARB) upcoming requirement to regularly test the emission control system of nearly every truck operating within California, regardless of where the trucks owner lives or where the truck is based. The new requirements are more commonly known as a heavy duty

truck smog check and will become effective over the next couple of years. If your vehicles are not compliant, you need to know what the current and future requirements are. If your vehicles are compliant, you may need to regularly test and report to remain compliant. This course gives you information about how to comply with the HD I/M program and how to report to continue operating legally in 2022 and beyond.

Date: **February 15**
Time: **9 a.m.**
Link: [Zoom Registration](#)

Date: **February 16**
Time: **9 a.m.**
Link: [Zoom Registration](#)

In Memoriam: John Shehadey, Bar 20 Dairy
Courtesy of the Shehadey Family

Note from Kevin Abernathy, MPC General Manager

With the passing of John Shehadey, all of us at MPC extend our condolences to Steve, Amy and the rest of the Shehadey family. John was the type of person that left an indelible mark on your soul and consciousness. Every time I think of him, I can't help but smile. Decked out in his trademark shorts and Hawaiian shirt, he always had a story and life lesson to share with you.

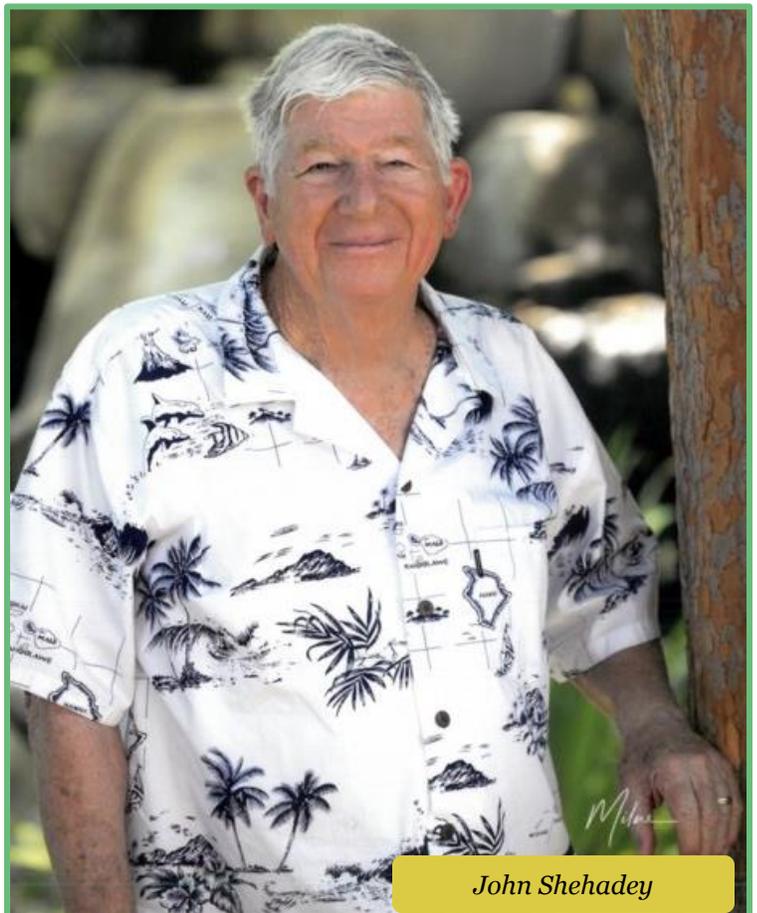
A funeral service will be held at 11 a.m. Monday, January 30 at New Covenant Community Church, 1744 E. Nees Avenue, Fresno.

Obituary

John Shehadey, businessman, developer, entrepreneur, athlete, dairyman, farmer, thinker, husband, father, and friend extraordinaire died January 4, 2023.

John was born in San Francisco, the first son of Larry and Elayne Shehadey. When he was 10, the young family moved to Fresno when his father bought into a small dairy. His work ethic began early while still in grade school, sweeping the loading dock in return for ice cream cones. To gain experience as a teenager, he spent a summer working for a dairy in Vallejo delivering milk in glass bottles. His day began at 4:00 a.m.

Although John left us far too soon, he packed as much as he could into the time he had. Growing up in Fresno he loved mountains, boating, skiing, and hiking, and later added a



John Shehadey

passion for hunting and Alaskan fishing trips. He earned his Eagle Scout designation and credited scouting for helping him become the man he was. On family trips to Aptos, before a license was required, he became a scuba diver. Later, at age 72, he qualified at a Maui dive shop, becoming the oldest diver ever certified there. He marked his 80th birthday sky diving and talked of making another jump at age 90.

Graduation from Fresno High 1957 led to a year at Fresno State, then the University of Southern California where he graduated. He earned his master's from Fresno State's very first MBA graduate program, going on to also graduate from San Joaquin College of Law. In between, he served on a Coast Guard cutter during the Cuban Missile Crisis (he remembered being the only crewmember not seasick during a near-hurricane).

Mid-life, John left his sales job at Producers and struck out on his own, working at Sears, in Ernest Kinney's law office, and selling law books to fellow students. Eventually, John returned to the family business to make a going concern of the Shop N Go stores. Putting his MBA to work he franchised and partnered with McDonalds and various oil companies, which leveraged into the purchase of Red Triangle Oil Company and Cal Fresno. With the help of sons Jim and Tom, he became an oil jobber and one of Valero's largest west coast distributors. His sons joined him on a variety of projects including shopping centers and a mixed-use development in a disadvantaged area of Fresno which will bring housing, retail, and a branch of City College to that neighborhood.

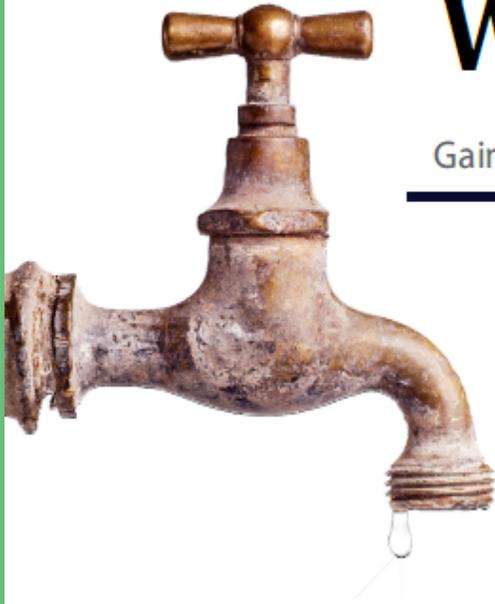
The original Bar 20 Dairy Ranch, built by his dad in the 50s, grew old, outmoded, and too small. With will and determination and the help of his son Steve, he built the mammoth, new, state-of-the-art facility just across the street. It not only prospered but won several coveted awards, including the national and international sustainability award for the space-age science used to remove methane gas from animal waste and convert it into renewable energy. The dairy lives on, complete with a wildlife sanctuary, a testament to his vision. Farmer John liked to say, "We're raising a new variety of grapes at the ranch, we call them almonds." The family farms produce not only almonds but ground crops to feed the herd.

He thrived on helping make Fresno better. John was one of the original members of Big Brothers Big Sisters, and The Visitors and Convention Bureau. He loved the downtown YMCA and began his run from there each day for decades. When the Y faced bankruptcy, he acted as CEO, and along with Paul Caprioligio and Steve Simonian, tried to keep the Y camps open. Their efforts added 7 years of life for Y members. For years John was a fixture on the Redwoods in Yosemite Board, even serving as president. He was the driving force that twice quashed attempted government take overs of the homes there.

Running was another passion, first local races, marathons, then ultra-marathons. He twice completed the deadly 147-mile run across Death Valley, The Badwater. In 1993, after finishing The Badwater, he set out immediately to climb Mt. Whitney. He succeeded and came back with stories to tell.

Continue reading [here](#).

California Dairy Water Update



Gain insights on water supply issues and mitigation:

- Find out how the Sustainable Groundwater Management Act (SGMA) is being implemented in dairy communities.
- Hear findings from the recent economic assessment of SGMA's impacts on the state's dairy and cattle sectors.
- Learn the latest from the Water Blueprint for the San Joaquin Valley, a coalition working to advance common-sense water scarcity solutions.

**THURSDAY, FEBRUARY 2
1:30 - 3:30 PM**

TULARE VETERANS MEMORIAL DISTRICT AUDITORIUM

1771 E Tulare Ave, Tulare, CA 93274

PLEASE CLICK HERE TO REGISTER.

<https://CADairyWater.eventbrite.com>

Registration is FREE to all dairy farmers, industry members, students, and allied industry professionals.

Questions? Contact Jennifer Bingham at 916-717-9456 or jbingham@westcoastadvisors.com

SPEAKERS:

Dr. Michael McCollough
Professor of Agribusiness
Cal Poly, San Luis Obispo

Dr. Scott Hamilton
Technical Committee Chairman
Water Blueprint for the San Joaquin Valley

Geoffrey Vanden Heuvel
Dir. of Regulatory & Economic Affairs
Milk Producers Council

Co-Hosted By:

