

MPC WEEKLY FRIDAY REPORT

DATE: OCTOBER 4, 2024
 TO: DIRECTORS & MEMBERS
 FROM: KEVIN ABERNATHY, GENERAL MANAGER
 PAGES: 8



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MPC FRIDAY MARKET UPDATE

CHICAGO CHEDDAR CHEESE		CHICAGO AA BUTTER		NON-FAT DRY MILK	
Blocks	-\$.1625	\$1.9475	WEEKLY CHANGE	-\$.0450	\$2.6875
Barrels	-\$.3425	\$1.9550	WEEKLY AVERAGE	-\$.1240	\$2.7205
WEEKLY AVERAGE CHEDDAR CHEESE		DRY WHEY		WEEK ENDING 09/28/24	
Blocks	-\$.1275	\$2.0365	DAIRY MARKET NEWS	W/E 10/04/24	\$.5750
Barrels	-\$.3480	\$2.1040	NATIONAL PLANTS	W/E 09/28/24	\$.5460
				LAST WEEK ENDING 09/21/24	
				NAT'L PLANTS	\$1.3111 17,235,714
				NAT'L PLANTS	\$1.2965 15,462,303

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
OCT 3 EST	\$24.77 - \$25.27	\$21.24	\$22.89	\$20.98
SEPT '24 FINAL	\$23.20 - \$23.70	\$22.40	\$23.34	\$22.29



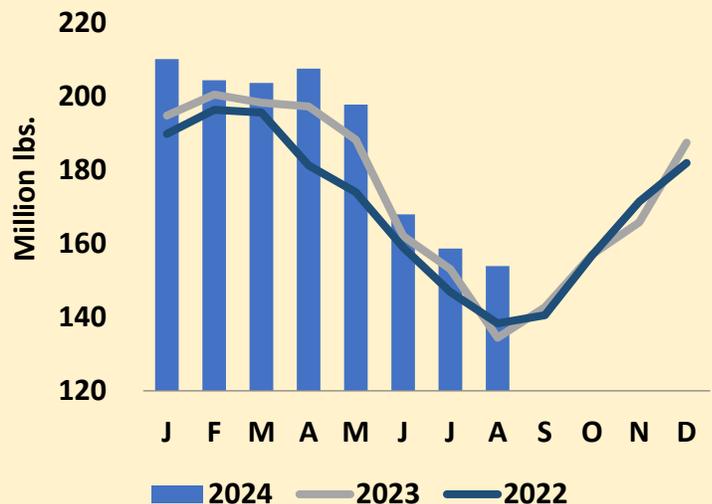
Milk, Dairy and Grain Market Commentary

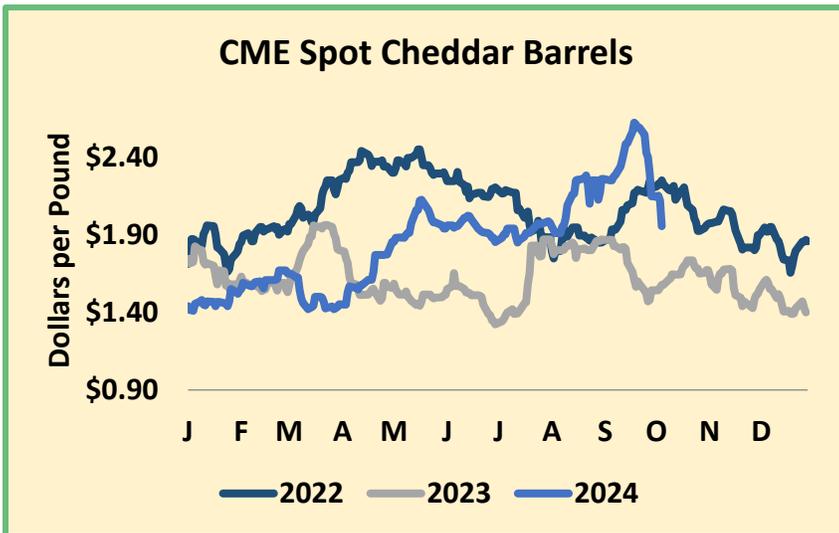
By Sarina Sharp, Daily Dairy Report
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Milk & Dairy Markets

The dairy markets have once again proven the old trading adage that the best cure for high prices is high prices. After a spring and summer of exceptionally expensive trades, the butter market put the fall in fall. CME spot butter closed today at \$2.6875 per pound. That's nearly 30¢ lower than it was two weeks ago, thanks to this week's 4.5¢ decline. Butter buyers seem confident that they have enough product to keep cases stocked through the holidays, and the data suggests they're right. Plentiful cream and pricey butter kept churns running unusually hard through the summer. August

Butter Production (30-day months)



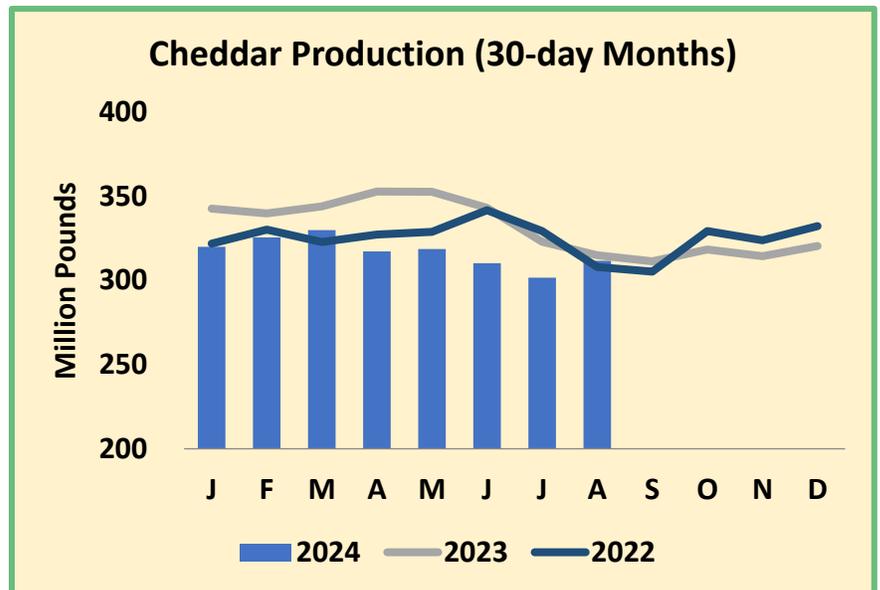


butter production topped 159 million pounds, up 14.5% from a year ago. That’s the highest-ever August output by a wide margin.

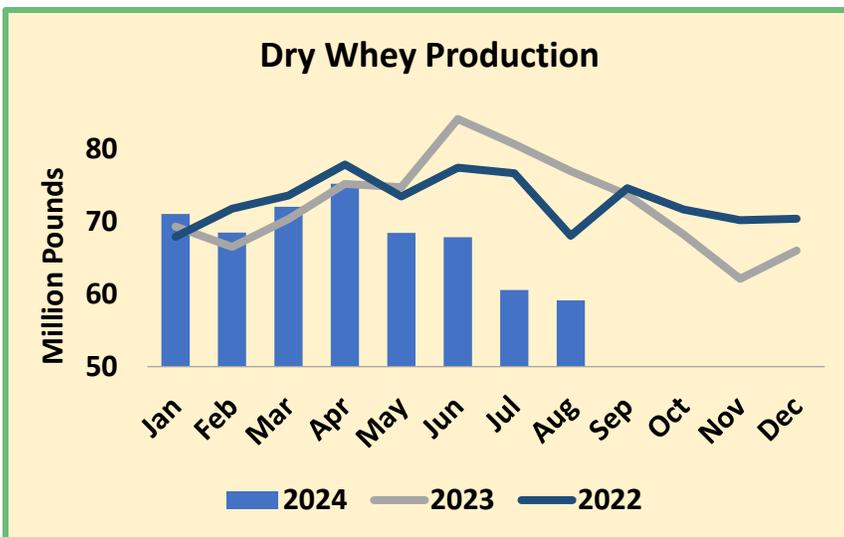
The cheese market’s dramatic September spike was eclipsed by its October collapse. Spot Cheddar blocks dropped 16.25¢ this week to \$1.9475. Barrels plummeted 34.25¢ to \$1.955. In just two weeks, barrels lost 63.5¢ as sticker shock pushed would-be cheese buyers to the sidelines. USDA’s *Dairy*

Market News reports, “Current cheese price points have dissuaded some customers, and demand is quiet.” However, the agency also notes that barrel Cheddar supplies remain tight.

Today’s Dairy Products report offered a look backward. Total cheese output reached nearly 1.2 billion pounds and outpaced August 2023 by 1.7%, driven by strong Mozzarella production. Cheddar output fell below year-ago volumes once again in August, but the deficit narrowed to just 1%. As new cheese production capacity comes online over the next six months, Cheddar output is likely to grow, and the futures project that cheese prices will fade.



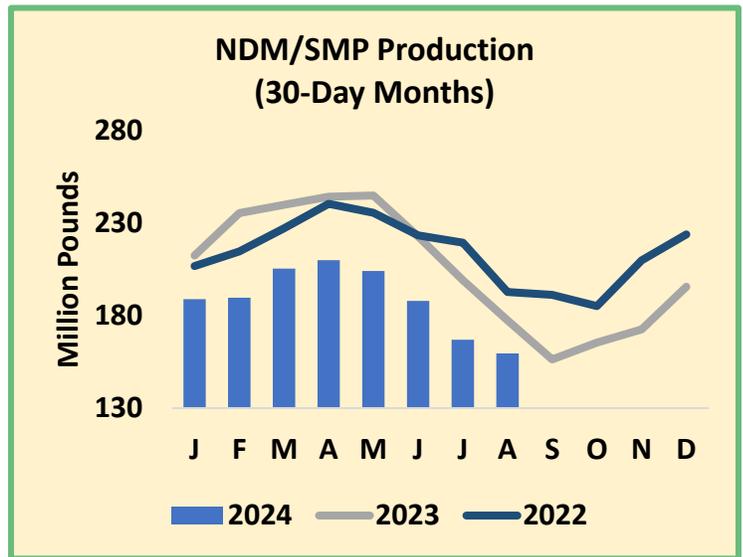
Once again, manufacturers directed much of the whey stream into whey protein concentrates (WPCs) and isolates (WPIs), leaving less for dryers. Production of WPC with 50% to 89.9% protein topped August 2023 volumes by 4.4%, while WPI output leapt 35.1% above year-ago levels. Meanwhile, whey processors made 23.9% less whey powder than in August 2023, and whey powder stocks declined to their lowest level since January 2022, down 34.8% from a year ago. Slower output and tighter stocks have put a firm floor under U.S. whey values. CME



spot whey powder rallied 0.75¢ this week to 60.5¢.

Tighter milk supplies and competition from other manufacturers restrained milk powder output. Combined production of nonfat dry milk (NDM) and skim milk powder (SMP) totaled 164.9 million pounds, down 10.1% compared to August 2023. Manufacturers' stocks of NDM retreated from July to August and dipped back below prior-year volumes. Milk powder output and NDM stocks haven't been this low in August since 2016.

Milk powder production has lagged the prior year by a significant margin in every month since July 2023. The deficit is likely to widen as new cheese processing capacity pulls even more milk away from dryers. The futures anticipate this shift. While the summer cheese shortage lifted Class III futures above Class IV contracts in September through November, the relationship is expected to change by early next year. The futures forecast that heavy cheese production will push Class III futures below \$20/cwt. by February. At the same time, Class IV futures stand at \$21 or higher from February to November 2025. Disease pressure and a greater focus on cheese production is likely to restrict milk powder output on both sides of the Atlantic, putting a firm floor under the global NDM and SMP markets. If Chinese milk powder demand improves, prices could soar. Chinese buying helped to boost whole milk powder prices at Tuesday's Global Dairy Trade auction, but SMP values retreated slightly. In Chicago, CME spot NDM fell a half-cent to \$1.3525.



Dairy producers are about to cash some very big September milk checks. USDA announced the September Class III price at \$23.34 per cwt., up \$4.95 from September 2023 and the highest Class III price in over two years. September Class IV was also lofty, at \$22.29. The futures project that milk revenues won't top the September high for the foreseeable future. But in such a volatile market, it's hard to rule out the possibility of a return to the recent peak. This week, though, most Class III and Class IV contracts followed the cheese and butter markets downward.

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Grain Markets

Wheat futures soared after a key farming region in Russia declared a state of emergency due to drought. An extremely dry summer has reduced summer grain yields in Russia and Ukraine and sown anxiety about the winter wheat crop. It's also disconcertingly dry in central Brazil and Argentina, which could delay planting efforts as farmers wait for moisture. The forecast calls for showers next week, but if rainfall disappoints, corn and soybean futures will likely climb. This week, December corn rallied 7¢ and closed at \$4.25 per bushel, nearly a dime below the mid-week high. November soybeans faded throughout the week and finished at \$10.3775, down nearly 30¢. Soybean meal dropped \$14 to \$344.10 per ton. Grain and oilseed futures are higher than they were in the dog days of summer, but they're still much lower than at any other point in the past three years. Dairy producers are prospering thanks to an often-elusive combination of cheap feed and lucrative milk and beef.

Start of 2025 Water Year is a Reminder of the Need for Caution and Preparedness

Courtesy of the [Bureau of Reclamation](#)

California’s 2025 water year begins with relatively good conditions in major [Central Valley Project](#) reservoirs, with 7.43 million acre-feet of water in storage, about 120% of the 15-year average. Shasta, the anchor of the CVP and California’s largest reservoir, is at a robust 2.78 million acre-feet of water, 113% of the 15-year average. The water year annually begins Oct 1. and concludes Sept. 30.

The 2024 water year began with more than 8 million acre-feet of storage in CVP reservoirs, the result of a wet 2023-2024 winter that helped erase several years of drought. However, precipitation totals in 2024 began slowly and conditions were well below average at the time of the Feb. 1 water supply forecast.

The water year did improve after that point, with close to average annual precipitation totals across the Sierra Nevada, but the transition from spring to summer ushered in record-setting warm weather. According to the National Oceanic and Atmospheric Administration, August 2024 was the Earth’s hottest August in the agency’s 175-year climate record, and the Central Valley of California felt this trend.

The record heat and the recent experience of drought in California means Reclamation must be nimble and ready to react and respond quickly.

“California’s unpredictable and changing climate continues to challenge us as we aim to fulfill Reclamation’s mission of providing water and power for people, the economy and the environment,” said **California-Great Basin Regional Director Karl Stock**. “We must continue to invest all available resources in ensuring we are prepared for the most challenging impacts of climate change.”

Reclamation is responding with a broad portfolio of innovative investments and actions aimed at providing resilience in the face of water supply disruptions caused by extreme conditions. From improved forecasting methods to investments in aging infrastructure and additional water storage, Reclamation is taking actions to protect and improve our water supply and delivery systems.

Comparison of Previous End-of-Year Storage in Major CVP Reservoirs (Million Acre-Feet)

Year	2024	2023	2022	2021	2020	2019	1977 (Driest Year)	1983 (Wettest Year)
Total	7.43	8.17	3.6	3.21	6.01	9.02	1.5	9.8

The CVP is the largest single source of irrigation water in California, typically supplying water to about 3 million acres of agricultural land in the San Joaquin and Sacramento valleys. The CVP also provides urban water for millions of people and industrial water, including that essential to the San Francisco Bay Area’s economy. Water from the CVP is also vital for the environment, wildlife and fishery restoration, including providing water to 19 refuges in the Central Valley, and hydroelectric power production.

DWR Modifies Fall X2 Action

Courtesy of the [Department of Water Resources](#)

From Geoff Vanden Heuvel, MPC Director of Regulatory & Economic Affairs

As regular readers of the Friday Report know, I've written about the Fall X2 regulation a couple of times. You can read those articles [here](#) and [here](#). In short, the implementation of the Fall X2 regulation would result in 350,000 acre-feet of water running unfettered to the ocean, rather than pumping it out of the Delta for use by Californians. DWR announced this week that it will modify the fall flows, saving this water from being flushed out to sea.

Statement by DWR

The operators of the [State Water Project](#) and [Central Valley Project](#), working with federal and state wildlife protection agencies, have agreed to modify fall flows for endangered Delta smelt fish species.

Throughout September, the water projects have been implementing actions to decrease salinity and increase food availability to support the critically endangered Delta smelt in the Sacramento/San Joaquin Delta. One of these actions includes increasing delta outflow to decrease salinity in the delta, also referred to as “Fall [X2](#).” The other main action included the Department of Water Resources (DWR) operating gates in the Suisun Marsh to maximize suitable habitat for the endangered fish to improve conditions in areas of the delta where Delta smelt are most likely to exist.

The Fall X2 action is included in the 2019 U.S. Fish and Wildlife Service (USFWS) [Biological Opinion](#) and California Department of Fish and Wildlife (CDFW) 2020 [Incidental Take Permit](#) to improve low-salinity habitat for Delta smelt during September and October in wet and above normal years. Fall X2 is achieved through a combination of State Water Project and Central Valley Project reservoir releases and reduced exports to move the location of the [low-salinity zone](#) downstream of the Delta. The intention of the flow action is to provide Delta smelt habitat in Suisun Bay, where it was hypothesized the fish species would have improved access to food supply and less stressful water temperatures. The 2019 Biological Opinion provides for [adaptive management](#) actions based on changing scientific data.

USFWS modeling indicates that October implementation of “Fall X2” is not a critical driver of Delta smelt survival. Reclamation and DWR will off-ramp from the Fall X2 action in October in consideration of the September voluntary gate action. Analysis concludes that these actions taken together will provide similar or greater protection compared to a September/October outflow action only. A gate operation in September and off-ramping in October provides conditions to allow scientists to test hypotheses about the efficacy of the Fall X2 action.

Reclamation and the Fish and Wildlife Service conclude that this action will provide similar or better protection for the Delta smelt and could allow for the delivery of as much as 150,000 acre-feet of additional water supply as compared to the alternative of providing Fall X2 flows only, during both September and October. CDFW has approved a minor amendment to the 2020 Incidental Take Permit submitted by DWR for this action. DWR, which manages the State Water Project, and Reclamation, which manages the Central Valley Project, will continue to work with the state and federal fish agencies to carry out this adaptive management proposal in October.

CDQAP Update: Preventing & Responding to Bird Flu; Dairy PLUS is Different!

Courtesy of the [California Dairy Quality Assurance Program](#)

The California Dairy Quality Assurance Program (CDQAP) recently published its September newsletter, which is excerpted below. You can read the full report [here](#).



Preventing and Responding to Bird Flu

By Dr. Michael Payne, UC Davis, School of Veterinary Medicine, Director, CDQAP

As of this writing, 41 California dairies (now 56 dairies) had been [confirmed](#) as infected with HPAI. A handful of additional herds will likely be confirmed this week. A single Merced [turkey farm](#) has also been infected and depopulated.

As the number of infected herds climbs, producers are understandably concerned, wanting to know how to prevent the disease from entering their herd and how to best manage the disease if it does. On Thursday, September 26, CDQAP, UCCE, and CMAB brought both disease control experts and dairy practitioners together to discuss Managing Cattle Through HPAI. The webinar was recorded and can be made available to dairy producers and industry partners by contacting CMAB.

Dr. Natalie Ward from CDFA provided a status update on the outbreak. Dr. Jason Lombard from Colorado State, the foremost veterinary epidemiologist on the subject, shared information on how the virus is transmitted and what biosecurity steps are believed to be effective. Finally, two leading private dairy practitioners from the Central Valley, Dr. Maxwell Beal and Dr. Murray Minnema, focused on managing infected herds and treating sick cows.

Continue reading [here](#).

Dairy PLUS is Different!

By Deanne Meyer, Ph.D. Livestock Waste Management Specialist, Department of Animal Science, UC Davis, UC ANR

Dairy PLUS is part of a Partnerships for Climate Smart Commodities grant from USDA. For California, the purpose of Dairy PLUS is to reduce greenhouse gas emissions AND improve nitrogen management on farms. The program is open to all producers, including those who have previously implemented or are currently “in progress” implementing improved manure management through Alternative Manure Management Program (AMMP) or installed an anaerobic digester to capture biogas (Dairy Digester Research and Development Program). Hence the name Dairy PLUS ... going beyond AMMP and anaerobic digesters.



Continue reading [here](#).

Ballots for QIP Referendum to be Issued in Next Two Weeks

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

CDFA is expected to issue ballots to producers in the next two weeks for the upcoming QIP referendum. CDFA will also post the transcript of the public hearing it held about quota on September 9, along with its findings, by close of business Monday, October 7. Once posted, you can access the transcript and findings [here](#).

Your Input is Welcome! Survey to Explore Farmers' Perception, Behavior Toward Changes in Climate

Courtesy of [UCLA-POLIMI](#)

California is home to the largest and most diverse agricultural industry in the United States, with over 76,000 farms and ranches leading the production of the nation's vegetables, fruits, nuts, and dairy products. However, this industry is heavily reliant on water availability and favorable weather conditions. Consequently, the state faces significant risks if climate variability and the increasing frequency and intensity of extreme weather events are not effectively addressed.

The FRISBE project (*Reinforcing Climate Risk Management from Farmers' Behavior and User-Driven Indicators*) aims to gather farmers' knowledge on climate variability and its effects on crops and livestock. Farmers are uniquely positioned to provide first-hand observations of climate extremes and their impacts, thereby contributing to understanding the local reality more accurately and efficiently. Coordinated by Professor Alvar Escriva-Bou (University of California, Los Angeles) and Professor Sandra Ricart (Polytechnic University of Milan, Italy), the project developed an online survey to capture farmers' experiences and expertise on perceived impacts, implemented adaptation measures, and identified barriers. This survey addresses the increasing frequency, intensity, and duration of heat extremes, which lead to higher growing season temperatures, more volatile precipitation patterns, reduced winter chill hours, diminished snowpack, and accelerated soil erosion.

This information will be utilized to enhance our understanding of farmers' perspectives and needs, including the potential heterogeneity among their experiences and practices. It will also help estimate the socio-economic consequences of the perceived impacts and proposed actions, thereby contributing to the transition toward more resilient, robust, and climate-proof decisions at the local scale to reduce the vulnerability of farming systems.

Use the QR code to take the survey or go [here](#).



Port Strike Ends After Tentative Agreement Reached

*Courtesy of Gregg Doud, President & CEO
[National Milk Producers Federation](#)*

Dockworkers along the East and Gulf coasts agreed to end their two-day strike last night after coming to a tentative agreement on wages with the United States Maritime Alliance, averting what could have been a damaging work stoppage for farm exports and imports. The two sides have extended their current contract and will keep negotiating until Jan. 15 to finalize a new one. The tentative deal did not resolve other difficult issues such as automation and container royalties.

As we noted this morning [in a statement](#) with USDEC, the resumption of port activity is a crucial step in ensuring that U.S. dairy products can continue to reach international customers. The dairy industry was facing significant disruptions, as \$1.7 billion in dairy exports flow through the East and Gulf coast ports each year. The three-day work stoppage has had ripple effects throughout the export supply chain, with dairy exporters reporting cancelled sales and added time and costs to reroute products. Yesterday, before the deal was reached, [NMPF called on](#) the Biden Administration to immediately intervene in the port labor strike.

