MPC Weekly Friday Report

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To: Directors & Members
From: Kevin Abernathy, General Manager
Pages: 10

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MPC Friday Market Update

Chicago Cheddar Cheese			Chicago AA Butter		
Blocks	+ $.1900	$1.9800	Weekly Change	- $.0850	$2.9900
Barrels	+ $.0325	$1.9125	Weekly Average	+ $.0080	$3.0215
Weekly Average Cheddar Cheese			**Dry Whey**		
Blocks	+ $.1495	$1.9180	Dairy Market News w/e 05/10/24		$.4600
Barrels	+ $.0490	$1.8975	National Plants w/e 05/04/24		$.4117

Non-Fat Dry Milk		
Week Ending 05/04/24		
Nat'l Plants	$1.1341	20,272,377
Last Week Ending 04/27/24		
Nat'l Plants	$1.1190	33,448,416

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
May 10 Est	No Change	$21.34	$18.64	$20.35
Last Week	$20.78 - $21.28	$21.41	$18.32	$20.22

Milk, Dairy and Grain Market Commentary

By Sarina Sharp, Daily Dairy Report
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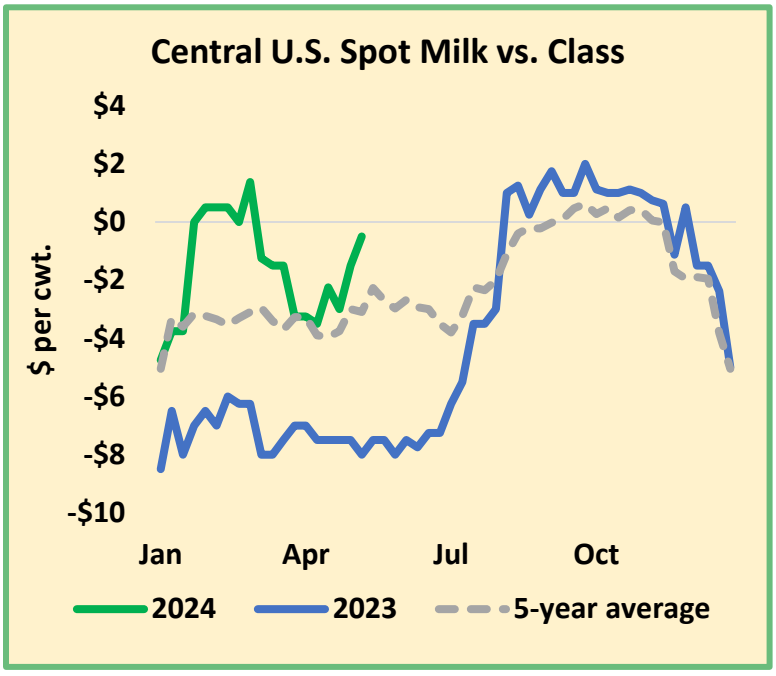
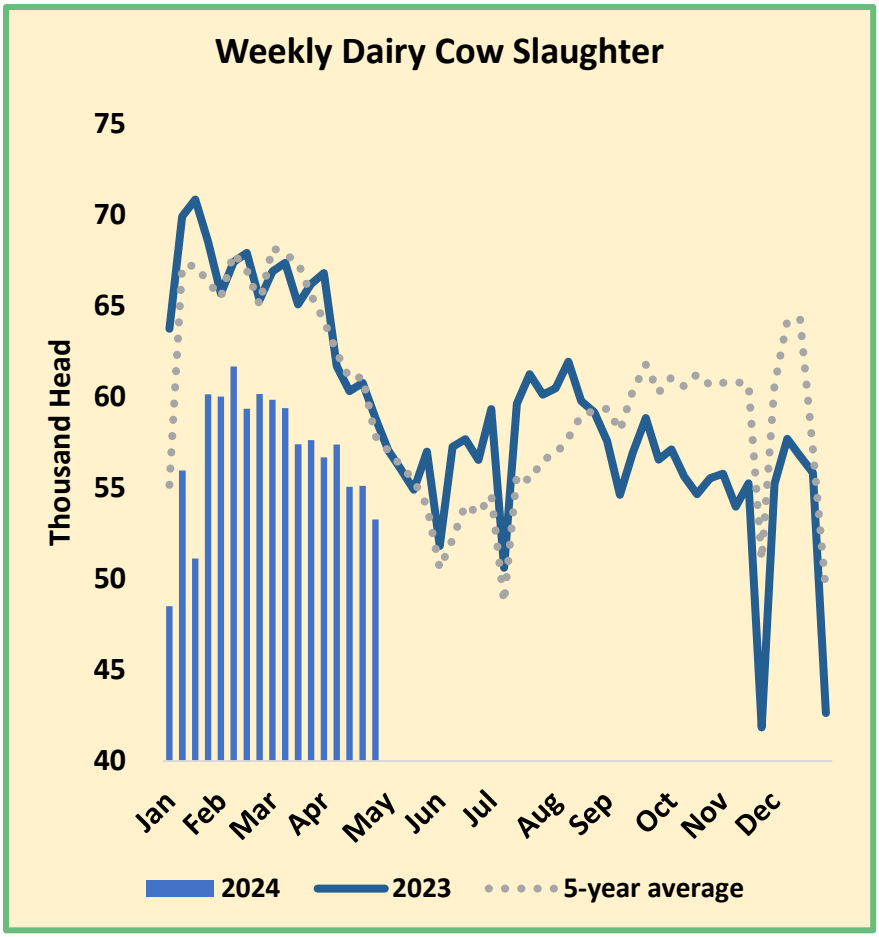
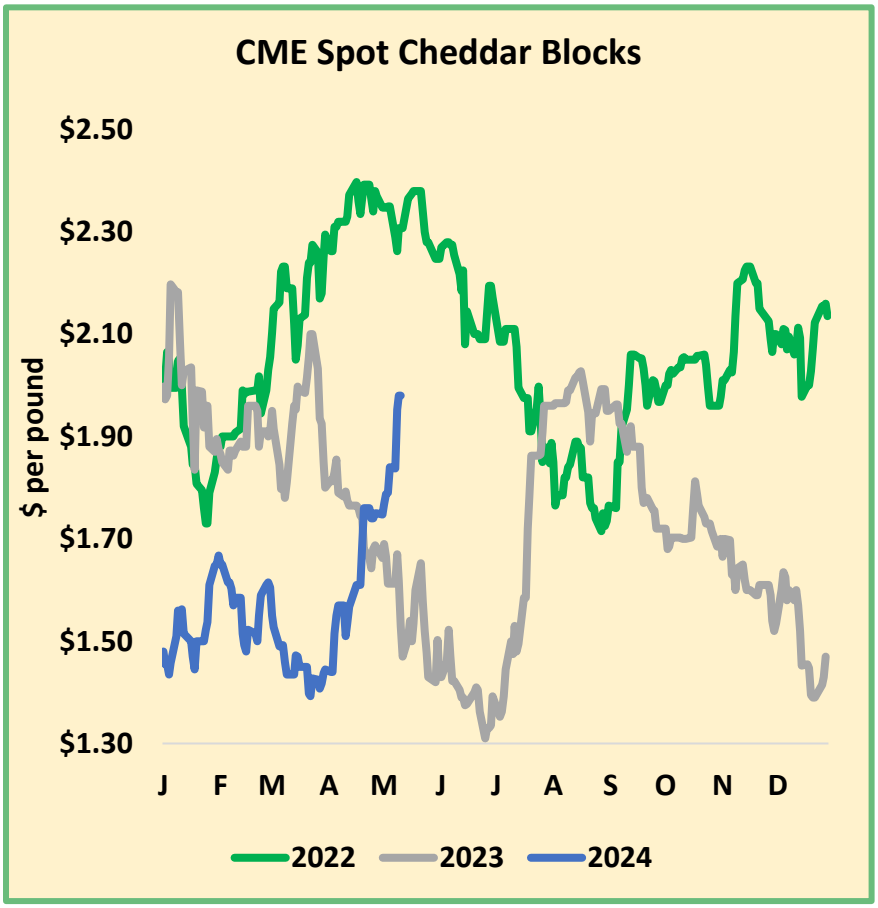
Milk & Dairy Markets

Spring is in full swing. Family calendars are packed with end-of-the-school year concerts, field days, and parties. Farmers are dodging showers to get their crops in the ground. Cows are enjoying green pastures, mild temperatures, and cool breezes. Milk should be plentiful and cheap. But this is not a typical year for the dairy industry. USDA reports processors bought spot milk in the Midwest at prices ranging from $1.50 under to 50¢ over Class III. Spring premiums are atypical, and the midpoint of the range, at -50¢, is unusually high for this time of year. The five-year average spot price in early May is -$3.10. A year ago, spot milk







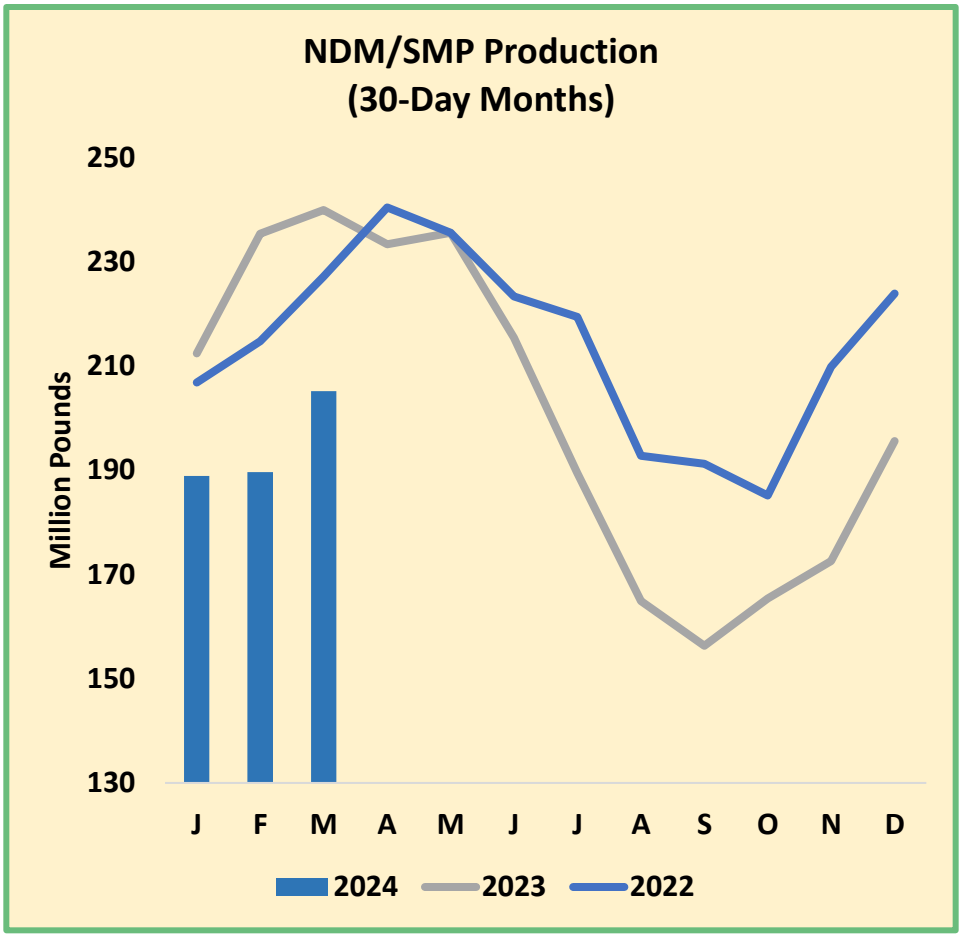
ranged from $12 to $4 under Class III. USDA notes, "Despite school milk demand slowdowns, a growing number of contacts expect a tightening milk supply later this spring and into the summer."

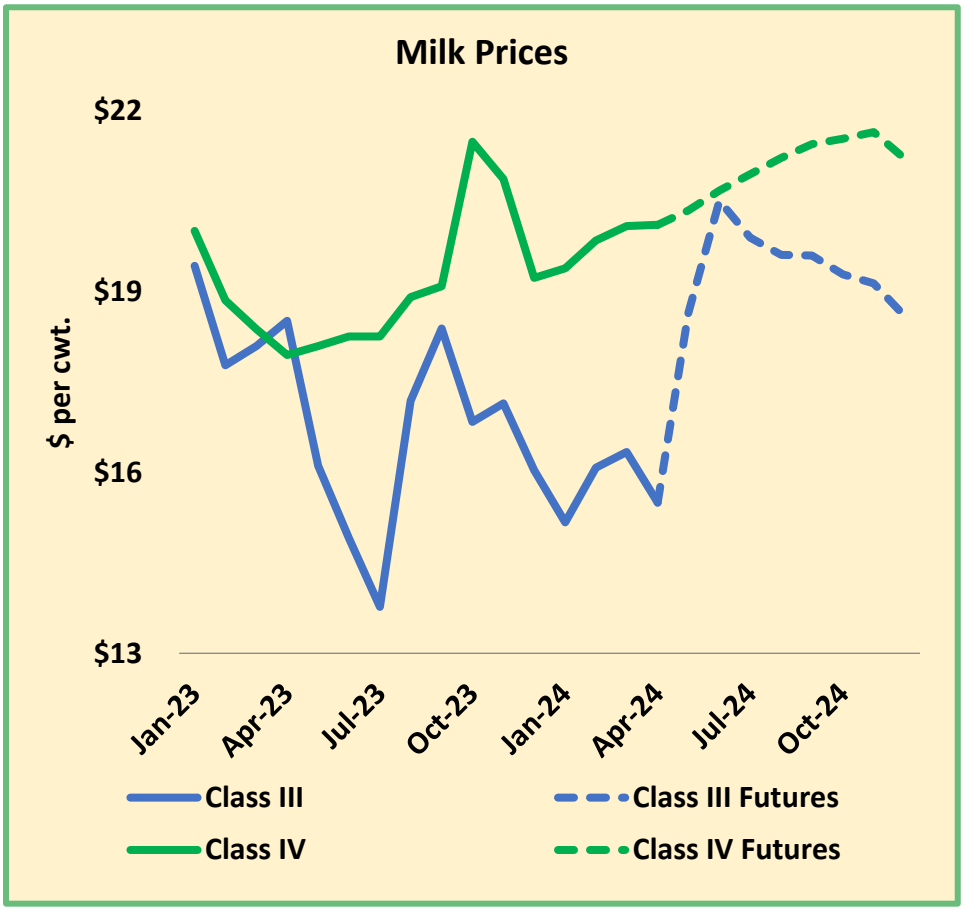
A year of depressed Class III milk prices and steep discounts took a toll on dairy producer finances, and there were nearly 100,000 fewer milk cows in March than the year before. The industry has also faced the ravages of bird flu, which has reduced milk output in several regions and forced producers to cull cows they would have liked to keep in the herd. But there has been no discernible uptick in dairy cow slaughter volumes due to red ink or avian influenza. In fact, since September, dairy cow slaughter has lagged the historic average by about 6,400 head per week. It's clear that dairy producers are finding replacement heifers too scarce or expensive. At an auction this week, fresh heifers traded as high as $3,750 per head. Rather than paying more than $3,000 for replacements, many producers are slamming the brakes on cull rates to keep the barn full. That likely means that lower-production cows are staying in the parlor rather than heading to the packer. The national average milk yield is likely to climb more slowly thanks to the heifer shortage.

Slower milk output kept cheese and milk powder production in check in March. Cheese output was just 0.1% higher than the year before, and cheese processors focused on Mozzarella,

which is either sold fresh or frozen for export. Mozzarella typically does not spend much time in a refrigerated warehouse boosting the national cheese stockpile and weighing on prices. Cheddar production fell 3.4% from prior-year volumes, the sixth straight year-over-year deficit. Slower Cheddar production, massive exports, and talk that one major cheese processor has found milk difficult to source launched the cheese markets skyward this week. CME spot Cheddar blocks soared 19¢ to $1.98 per pound, an eight-month high. Cheddar barrels climbed 3.25¢ to $1.9125. These prices are sufficiently lofty to throttle the export sales that helped to lift the market to these heights, so they may prove fleeting. But they offer dairy producers a great opportunity to lock in adequate milk prices through the Dairy-Revenue Protection program.

Milk powder output climbed seasonally in March, but production remains well below prior-year volumes. Combined output of nonfat dry milk (NDM) and skim milk powder (SMP) was 14.5% lighter than in March 2023 and the smallest total for the month since 2019. Manufacturers' stocks of NDM grew in March as exports disappointed. But stocks were still 20% lower than they were in March 2023. Prices moved sharply higher at this week's





Global Dairy Trade (GDT) auction despite China's conspicuous absence from the event. Chinese demand for foreign milk powder remains depressed, but other buyers are stepping up. GDT whole milk powder prices jumped 2.4% and SMP values bounced 0.4%. CME spot NDM climbed 2.25¢ to $1.1525, a two-month high.

The whey market continues to hold in the high-30s. This week it slipped a penny to 38.5¢. Despite stagnant cheese output and firm demand for high-protein whey products, whey powder production outpaced March 2023 volumes by 2.4%. Whey stocks also climbed as exports failed to impress.

Butter prices remain astoundingly high, but they took a step back this week, falling 8.5¢ to $2.99. U.S. butter output is record large, and, while milk is relatively tight, butterfat is abundant thanks to high components. For now, it matters not. Butter buyers are anxious to avoid paying sky-high prices to keep shelves stocked during the holiday baking season, and they continue to bid enthusiastically despite the nearly $3 price tag.

Class IV futures didn't move much this week. May through July contracts are north of $20 per cwt. and August through December Class IV held in the mid-$21 range. All the fireworks were in the Class III complex, where the June contract jumped $1.27 to $20.51 per cwt. The July contract also spent some time above the $20 mark, although it finished at $19.90, still up 62¢ for the week. These prices represent a dramatic change in fortune for dairy producers. Just one month ago, June Class III hovered below $16.50. Tighter milk supplies are finally translating to higher prices for both Class III and Class IV. However, the industry increasingly depends on exports, which could make it difficult to sustain cheese prices near $2.

Grain Markets

The trade had grown too complacent about U.S. corn inventories and South American production prospects. Funds that were leaning heavily short in U.S. farm commodities rushed to cover their positions amid multiple weather scares. Sub-freezing temperatures may have damaged some wheat in Russia and Ukraine, undermining supplies from the world's cheapest exporter. Wet weather in France likely hurt the wheat crop there as well. Dry conditions in central Brazil, flooding in Rio Grande do Sul, Brazil, and a bug infestation in Argentina are reducing crop production potential at the tail end of the South American growing season. USDA made substantial cuts to its assessment of Brazilian and Argentine corn production in today's monthly World Agricultural Supply and Demand Estimates report. It also trimmed its outlook for Brazilian soybean production. While South American crops are not going to be as large as previously thought, they are still bin busters, setting a new high for combined output for both corn and soybeans.

Closer to home, farmers in parts of the Corn Belt are watching the rain and worrying about getting into muddy fields before the ideal planting window closes. There is plenty of corn in the bin and stiff competition for exports. Feed prices are likely to drift lower in the long run. But this week was a reminder that big crops are not assured, and the futures need to price in the risk of adverse weather. July corn finished at $4.685 per bushel, up 8.5¢ from last Friday. July soybean meal closed at $372.50 per ton, up 30¢.

The Numbers are in; 2023 Water Year was Fantastic

By Geoff Vanden Heuvel, Director of Regulatory and Economic Affairs
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About 90% of California's dairy industry operates in the San Joaquin Valley. When California passed the Sustainable Groundwater Management Act (SGMA) in 2014, most of the Valley groundwater basins were designated as critically overdrafted. The Turlock and Modesto subbasins are the exception to that; they are designated as medium priority basins whereas the rest of the subbasins in the Valley are designated as high priority.

The goal of SGMA is to eliminate the "undesirable results" from the overpumping of groundwater by the year 2040. There were major milestones along the way that the law prescribed to carry out this paradigm-shifting change in public policy. The first milestone was to get the entire state with groundwater beneath it (mountain areas do not have alluvial groundwater and are not regulated by SGMA) organized into locally controlled Groundwater Sustainability Agencies (GSAs). This was largely accomplished by 2017. Then those GSAs located in critically overdrafted basins were required to produce a Groundwater Sustainability Plan (GSP) by January 31, 2020. Those GSPs were required to explain in detail how that particular subbasin would achieve sustainability by 2040. This requirement was also achieved. All the critically overdrafted basins did submit those plans. The Department of Water Resources then reviewed those plans and many of them were accepted and a few of them were not, particularly in the Southern San Joaquin Valley. The subbasins with "inadequate" plans are now under the jurisdiction of the State Water Resources Control board and all of them are working extremely hard to revise their GSPs with the goal of having them approved by the State Board and returning the GSAs to local control.

An incredibly significant, but often unappreciated result of SGMA is the collection and public reporting of annual data about water usage, groundwater pumping and changes in groundwater storage. Each GSA has to report annually to the Department of Water Resources. Those reports can be found here. I have been following these reports of the subbasins in the San Joaquin Valley that have a dairy presence for a number of years. This reporting began in the 2020 water year that runs from October 1, 2019-September 30, 2020, for the high priority basins and began a year later for the medium priority basins. I have created the table below that summarizes the "Change in Groundwater Storage" numbers that each subbasin has reported. Change in Groundwater Storage is really the best general indicator of overdraft in a particular subbasin. If the number is negative, more water came out of the ground than was recharged and if the number is positive, then more water was put into the ground than was extracted. As you can see from the table, all subbasins in the Valley had a negative change in groundwater storage in water years 2020, 2021 and 2022. This is not really surprising since those were drought years. The 2023 numbers were just posted and all subbasins are positive and the collective positive change in storage is enormous.

While the wet year obviously provided the water, it was the actions of farmers who in unprecedented numbers took on the flood waters and actively turned their fields into recharge locations. Governor Newsom issued an emergency order that allowed diversions of these flood waters for recharge and the

Department of Water Resources took actions to provide pumps and funding that facilitated a part of this increase in recharge. A lot was learned during 2023 about what can be done and what investments need to be made to further enhance wet-year recharge beyond what was done during the 2023 water year.

As you can see, the negative changes in groundwater storage from the previous three years was not made up in one wet year, but absent the wet year and the actions folks took to capture that water, the reality we would be facing today would be profoundly serious. In effect, the Good Lord has provided us with some breathing room and a path forward to sustainably manage this precious resource.

DWR Annual SGMA Report Summary				
	Change in Storage in Acre Feet			
Subbasin Annual Reports	Oct 19-Sep 20	Oct 20-Sep 21	Oct 21-Sep 22	Oct 22-Sep 23
Kern	-788,078	-1,812,211	-1,740,468	2,239,354
Tule	-180,000	-343,000	-167,000	535,700
Kaweah	-418,000	-520,000	-359,000	996,000
Tulare Lake	-25,506	-143,089	-115,759	188,635
Kings	-550,000	-890,000	-680,000	1,280,000
Madera	-102,113	-113,153	-193,905	74,864
Chowchilla	-40,516	-104,422	-149,624	48,402
Merced	-157,094	-318,880	-261,986	166,067
Eastern San Joaquin	-213,000	-157,000	-122,000	69,500
Turlock	No Report	-294,700	-274,600	251,100
Modesto	No Report	-132,500	-172,300	77,800
Total Change in Storage	(2,474,307)	(4,828,955)	(4,236,642)	5,927,422

CDQAP Update: Bird Flu on Dairies; Wild Bird Control

Courtesy of the California Dairy Quality Assurance Program

The California Dairy Quality Assurance Program (CDQAP) released its May update, which is excerpted below. You can read the full report here.

Update: Bird Flu on Dairies

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

As disease investigations continue, additional dairy herds affected with Highly Pathogenic Avian Influenza (HPAI or "Bird Flu") have been identified. As of this writing, there have been laboratory confirmations of HPAI infection in 36 herds in nine states, including Texas, Kansas, Michigan, New Mexico, Idaho, Ohio, South Dakota, North Carolina, and Colorado.

The disease syndrome has not been reported in California, nor in beef cattle in any state. As new laboratory and epidemiologic data are released, we are gaining a better picture of the disease and how it might be spread.

Pasteurization kills the HPAI virus in dairy products.

The FDA's national milk sampling study of 297 commercial retail dairy products from 38 states demonstrated the presence of viral fragments in about 1 in 5 retail samples. However, subsequent testing of positive samples using the "gold standard" Embryonated Egg Inoculation Test demonstrated that no live virus survives the pasteurization process. Additional sampling of powdered infant and toddler formations also contained no live virus. Separately, a survey of retail ground beef samples in affected states all have tested negative for the virus.

The disease is potentially passed by asymptomatic cattle or contaminated equipment.

Dairy herds in Idaho, Michigan, Ohio, and North Carolina reported to have recently received animals from affected herds or states, suggesting potential "lateral transmission" from transported asymptomatic cows. Genetic analysis suggests that the outbreak likely began in Texas when the virus jumped from wild birds on a single dairy and subsequently spread to other herds via either clinically normal cows or potentially contaminated trailer equipment.

This highlights the importance of pressure washing and disinfecting trailers that have been used to transport potentially infected cattle. This also reinforces the importance of knowing the history of herd additions and completing segregation ("quarantine") of new arrivals for at least 30 days. Producers should be aware that there is evidence that infected dairy herds have transmitted the virus to previously uninfected nearby commercial poultry flocks.

Testing is now required for interstate movement of lactating dairy cattle.

A new Federal Order issued by USDA requires mandatory testing of lactating dairy crossing state lines.

Continue reading here.

Wild Bird Control on Dairies

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

Editor's Note: A recent analysis of NIH data suggests that the HPAI outbreak may have started with a single viral transfer from a bird to a cow, with subsequent cases resulting from cow-to-cow or equipment-to-cow spread. If accurate, the analysis would support a recommendation that producers prioritize other aspects of farm biosecurity first, before expending time and money on wild bird control.

Epidemiologic and laboratory studies have led to the consensus that wild birds were the original source of the introduction of the HPAI virus into the Texas dairy community. It follows that if such a bird-to-cow viral transfer could occur in Texas, the same introduction could potentially occur on the West Coast.

On April 18, CDQAP partnered with CDFA and USDA to bring bird deterrence experts together and provide producers with actionable information on wild bird control on California dairies. Recordings and slides of the webinar presentations are available. Below are some of the highlights.

Wild Bird Flyways, Migration and Disease

Krista E. Dilione is a wildlife biologist working for the USDA's National Wildlife Disease Program. Dilione described the migration flyways that serve as "Avian Superhighways," in which wild birds may move thousands of miles over several continents.

Different parts of the county experience peak migration at different times and producers can check the BirdCast website for local predictions. About 80% of migration occurs at night, so early morning is a good time to spot waterfowl when they are looking for a place to rest after a long night of flying.

Since the initial detection of the current HPAI H5N1 in 2021, the program has been tracking the prevalence of the virus in wild birds. During this time the program has tested over 84,000 wild bird samples and has found that viral detection peaks during the fall (north-to-south) migration. This potentially could be due to younger, disease-naïve birds flying for the first time in the fall.

Right now, during the south-to-north spring migration, positive viral samples from wild birds are infrequent. Since early March the program has tested over 1,600 samples across the U.S. and only 12 have been positive. Importantly however we can expect an increase in viral detection starting around September.

Wild Bird Deterrence on Dairies

Brian Popper is a wildlife biologist and a District Supervisor for USDA's Wildlife Services, a program that helps with issues involving problem wildlife. His central message was that there was no "Silver Bullet" for nuisance birds.

Continue reading here.

Learn if one of these Dairy PLUS-funded practices is right for your farm.

DairyPLUS PROGRAM

CDQAP to Host
Dairy PLUS Practice Field Days

SEE TECHNOLOGIES IN OPERATION

Join Us for the Field Days: 10 AM - 12 PM, Lunch to Follow

- May 16 – **Subsurface Drip Irrigation**, Merced County - **REGISTER**
- May 23 – **Vermifiltration**, Fresno County - **REGISTER**
- May 30 – **Weeping Wall**, Tulare County - **REGISTER**

Access all 3 links here:

Registration is required. The cost is $20 (reimbursed with attendance).
Locations of field days will be provided upon registration and verification.
HPAI Precautions: please wear freshly washed clothes. Plastic booties will be provided.

The next CDFA Dairy PLUS solicitation for project funding is expected in June. Field days will help you be prepared to apply within the 90-day window.

- See technology installations in the field.
- Hear about management, operations & economics from dairy producers/operators.
- Ask questions to evaluate if the technology is for your farm.

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NMPF Update: USDA Clarifies HPAI Cattle Testing Rule; House Ag Committee Farm Bill Framework

Courtesy of Gregg Doud, President & CEO

USDA Clarifies Cattle Testing Requirement for HPAI Virus

In this second week following USDA's testing requirement for the interstate transportation of lactating cattle, APHIS released technical notes that clarify its April 24 testing mandate.

USDA's notes on transport requirements supplement the guidance and recommendations and frequently-asked-questions resources USDA previously released. The notes state that the interstate movement of all lactating dairy cattle must be accompanied by a Certificate of Veterinary Inspection (CVI). The receiving state(s) will continue to use CVIs to track the interstate movement of lactating dairy cattle. All cattle on the CVI must have individual official identification, and the individual official identification must be recorded on the CVI. The CVI must include a statement that the cattle are both free from, and have not been exposed to, a known contagious and infectious disease, including H5N1. The main APHIS webpage has more information on the policy.

On Wednesday, *Politico* reported that the Agriculture Department is requesting that companies manufacturing livestock pharmaceuticals consider developing and manufacturing vaccines for avian influenza in cattle. The request for information from USDA's Center for Veterinary Biologics is part of USDA's effort to consider all possible responses to addressing the spread of the virus.

NMPF continues to closely monitor this issue and is working with federal and state partners to share updates as they become available. Visit www.nmpf.org/hpai for more information and a full listing of HPAI and biosecurity-related resources.

House Ag Committee Releases Detailed Farm Bill Framework as Discussions Continue

As the House Agriculture Committee prepares to mark up its farm bill on May 23, House Agriculture Committee Chairman GT Thompson, R-PA, released today a detailed framework outlining the bill's contents. NMPF is reviewing the full document, which includes a number of key dairy priorities such as restoring the previous "higher of" Class I mover; requiring mandatory plant cost studies every two years; updating the Dairy Margin Coverage program's production history calculation; maintaining robust funding for conservation programs; and boosting funding for the Market Access Program and Foreign Market Development Program. The plan also includes language based on the NMPF-led SAVE Act to ensure protections for the use of common food names in global markets.

Thompson was slated to meet yesterday with Senate Agriculture Committee Chairwoman Debbie Stabenow, D-MI, to evaluate where both committees agree and continue to discuss areas where more work is needed to iron out differences. House Agriculture Committee Democrats met Wednesday to have a broad discussion on Thompson's forthcoming legislation, including on which amendments Democrats may pursue during the bill markup later this month. House Ag Democrats are slated to meet next week with Stabenow and House Minority Leader Hakeem Jeffries, D-NY, to discuss overall Democratic farm bill priorities.