

# MPC WEEKLY FRIDAY REPORT

DATE: MAY 31, 2024  
 TO: DIRECTORS & MEMBERS  
 FROM: KEVIN ABERNATHY, GENERAL MANAGER  
 PAGES: XXXXX



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## MPC FRIDAY MARKET UPDATE

<b>CHICAGO CHEDDAR CHEESE</b> Blocks <b>-\$0.0600</b> \$1.8100 Barrels <b>-\$0.0400</b> \$1.9400 <b>WEEKLY AVERAGE CHEDDAR CHEESE</b> Blocks <b>-\$0.0469</b> \$1.8231 Barrels <b>-\$0.0805</b> \$1.9550		<b>CHICAGO AA BUTTER</b> WEEKLY CHANGE <b>-\$0.0325</b> \$3.0900 WEEKLY AVERAGE <b>-\$0.0881</b> \$3.0244 <b>DRY WHEY</b> DAIRY MARKET NEWS W/E 05/31/24 <b>\$0.4500</b> NATIONAL PLANTS W/E 05/25/24 <b>\$0.4083</b>		<b>NON-FAT DRY MILK</b> WEEK ENDING 05/25/24 NAT'L PLANTS <b>\$1.1411</b> 18,941,526 LAST WEEK ENDING 05/18/24 NAT'L PLANTS \$1.1619 20,329,916	
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## 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 31 EST	No Change	<b>\$21.43</b>	No Change	No Change
LAST WEEK	\$20.06 - \$20.56	\$21.48	\$18.57	\$20.57

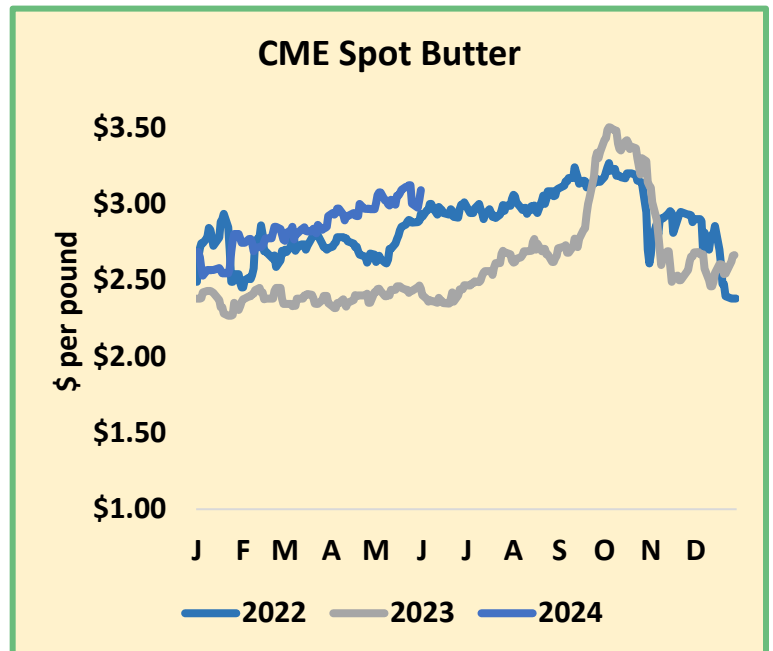


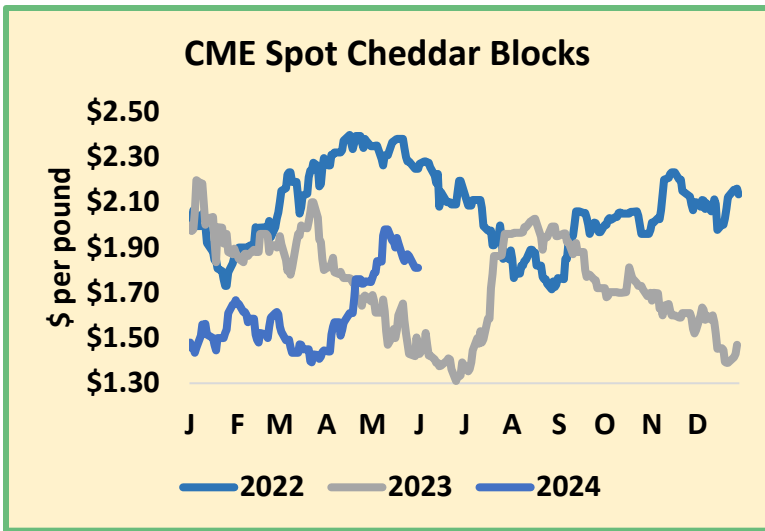
### Milk, Dairy and Grain Market Commentary

By Sarina Sharp, Daily Dairy Report  
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#### Milk & Dairy Markets

After notching a new spring high last Friday, butter values plunged early this week. The trade spent the long weekend considering whether prices should outpace prior years when today's production, imports, and stocks are all notably higher than they were in 2022 and 2023. The Tuesday morning selloff was steep but ultimately short-lived. By Thursday, butter buyers were once again bidding with enthusiasm, determined to pay \$3 or more today to avoid the possibility of paying \$3.50 this fall. Spot butter rallied most of the way back to last Friday's lofty perch. It finished at \$3.09, down 3.25¢ for the week.

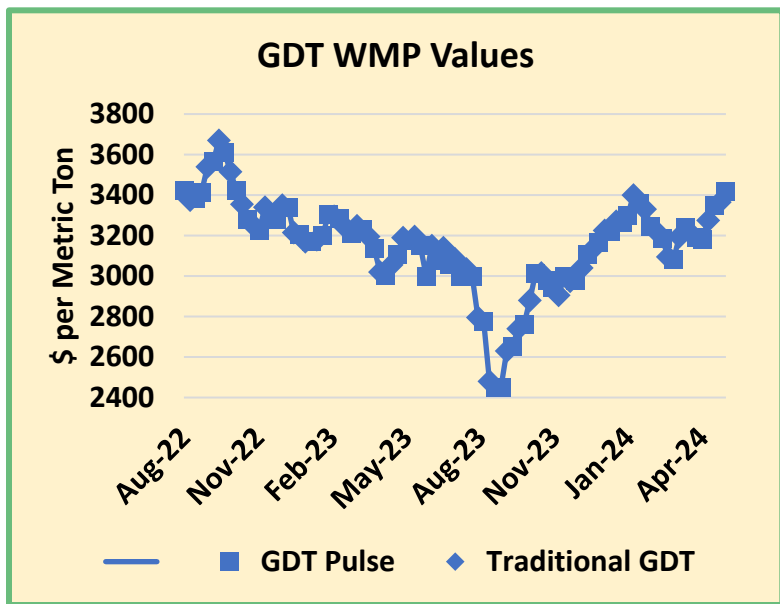




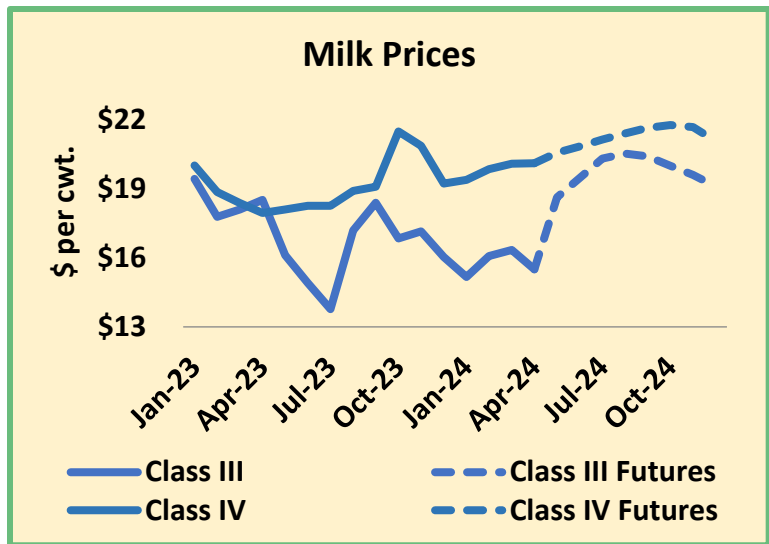
Cheese prices also retreated from their recent peaks. Domestic demand has improved considerably as major retailers are promoting the cheap cheese they bought earlier this year. Exports were formidable in February and March, and they likely remained strong in April and May. That has helped to keep cheese inventories in check. But the trade is understandably concerned that \$2 cheese would stymie future export sales, and it is seeking a price that will keep product moving. The cheese market is likely to remain well above where it stood in January through

April, but a modest correction is warranted. CME spot Cheddar blocks fell 6¢ this week to \$1.81. Barrels slipped 4¢ to \$1.94.

Prices were mixed at Tuesday’s Global Dairy Trade (GDT) Pulse auction. The pared-down, off-week GDT Pulse featured another increase in whole milk powder (WMP) values, pushing the benchmark WMP contract to its highest price since October 2022. However, skim milk powder (SMP) prices took a small step back after big gains at last week’s event. CME spot nonfat dry milk followed a similar path, retreating 0.75¢ to \$1.1675. The futures market continues to forecast that tighter milk supplies and sharply lower milk powder output will translate to a steady increase in NDM values. While the June contract is close to the spot market at \$1.17, fourth-quarter futures are in the mid-\$1.20s, and the market projects \$1.30 milk powder by early 2025. Supplies are light, but the



trade continues to await better demand to spark a big rally.

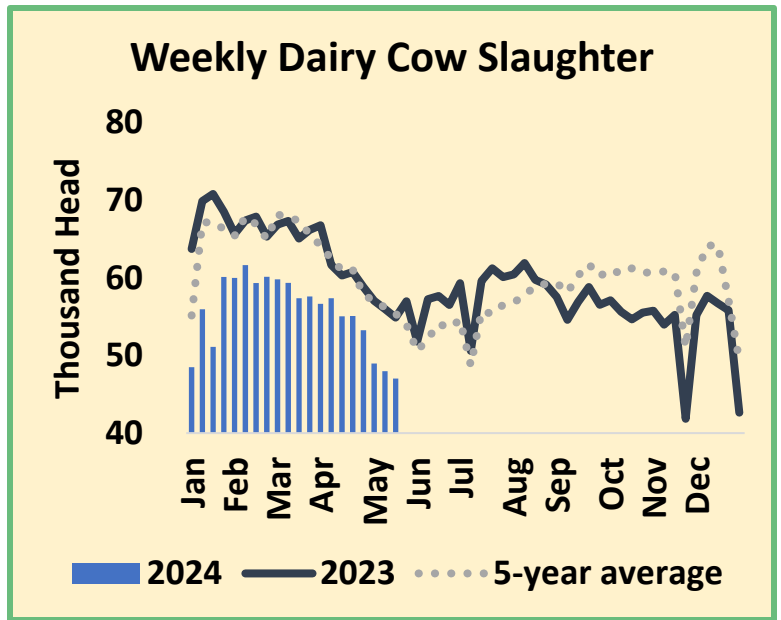


Once again, they bucked the trend. CME spot whey powder climbed 1.5¢ this week to 41.5¢, tying a two-month high. Processors are prioritizing high-protein whey products to meet firm domestic demand. That means less whey for dryers, and modestly higher prices nearly across the board in the whey complex.

Class IV futures fell back from the highs this week. Most contracts settled about 60¢ lower

than they did last Friday. That put May and June Class IV in the high \$20s, with July through December contracts north of \$21 per cwt. The setback in the cheese markets pushed June Class III down 41¢ to \$19.47, a price that will still make dairy producers smile after seven months of inadequate Class III revenues. The other Class III contracts continued to climb, with most contracts adding between 20 and 60¢ this week. July through October Class III futures call for \$20 milk.

The intersection of the spring flush, a holiday weekend, and the drop-off in school milk orders means there is plenty of milk for processors today. But higher prices reflect concerns that supplies may tighten quickly. USDA’s *Dairy Market News* summarized the consensus. “Last summer, milk was spread somewhat thin with more tankers moving from the Midwest and Mid-Atlantic states into the southern states. That same situation is expected in the summer of 2024, but overall milk access throughout much of the current year has been quite a bit lighter than it was during the first half of 2023. With a growing amount of extenuating circumstances that lead contacts and analysts to expect lighter milk output mid-term, there are clearly more questions than answers as to what milk and dairy markets will look like in the second half of 2024.”



Those extenuating circumstances include the bird flu, which continues to infect numerous herds in Idaho and Michigan, states that rank third and sixth, respectively, in U.S. milk output. The flu is starting to spread in the Northern Plains as well. The heifer shortage is also a factor. Dairy producers are clearly trying to keep their barns and bulk tanks full, but there are only so many replacement heifers to go around. Sky-high cattle values have prompted a few producers to sell any extra heifers, but the demand is outpacing the supply. Dairy cow slaughter volumes have plummeted as producers hold onto low-production milk cows in order to maintain or grow their head counts. More cows will mean more milk, but growth will be much slower if it depends on keeping the least efficient cows in the herd for longer than planned.

**Grain Markets**

Intermittent sunshine allowed farmers just enough time in the fields to get caught up to the historic average corn planting pace. They’ll continue to dodge showers and storms as they finish up fieldwork, and some farmers in fringe areas may switch to other crops. In the wettest climates, a few may choose to collect prevented planting insurance rather than risk getting stuck in the fields to plant corn that is likely to bring them far less than \$5 per bushel. The trade will continue to gauge the impact of the wet spring on yield potential and acreage. But for now, it is breathing a sigh of relief that most of the work is done. And, in the long run, the moisture will probably be welcomed as we head toward a summer that may feature the hot and dry conditions that often accompany a La Niña. With that in mind, July corn futures fell nearly 20¢ this week to \$4.46 per bushel. Soybean meal plummeted \$21 to \$364.70 per ton.



## **Water Blueprint for the San Joaquin Valley Builds Momentum**

*By Geoff Vanden Heuvel, Director of Regulatory and Economic Affairs*

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When the state of California began to implement and enforce the Sustainable Groundwater Management Act some nine years ago, it became clear that without change, there will not be enough sustainably available groundwater to support all of the irrigated acres that are currently in production. With that decline in agriculture, the businesses, communities and tax base that depends on those farms would be very negatively impacted as well. This reality prompted a wide variety of interests in the San Joaquin Valley to form a “coalition of the willing” that came to be known as the Water Blueprint for the San Joaquin Valley (Blueprint). The dairy industry was one of those interests. Over 90% of California milk production is located in the San Joaquin Valley, much of which is designated by the State as “critically overdrafted.” On behalf of Milk Producers Council, I have been involved with the Blueprint from the beginning. Here is an update on the progress of the Blueprint.

There are four major efforts that the Blueprint is working on. First, the Blueprint has identified that improved conveyance and recharge infrastructure in the Valley could increase the amount of wet year recharge from the local Sierra watershed by over 900,000-acre feet per year. The Blueprint, in combination with the California Water Institute at Fresno State, is developing a Unified Water Plan for the San Joaquin Valley. This effort is leveraging the information developed and projects proposed and planned by various Groundwater Sustainability Agencies, water districts, counties and other local governments into a report that will be delivered to the Bureau of Reclamation and then ultimately to Congress as the foundation for federal infrastructure investments in the Valley. The Bureau of Reclamation has provided a \$1 million grant to finance this undertaking.

The second major effort of the Blueprint is to evaluate where the broad group of stakeholders that make up the Blueprint can add valuable input into the two regulatory review processes that will impact operations of the Central Valley Project and the State Water Project (collectively, “Projects”) and associated water supply availability from the Delta. Surface water supplies from Northern California play a significant role in balancing the available water supply and demand in the Valley.

That water must pass through the Sacramento-San Joaquin Bay Delta and right now the federal fishery agencies are reevaluating policies that will impact operations of the Projects for the protection of listed species. At the same time, the California State Water Resources Control Board is considering new water quality standards for the Delta, which will also have operational impacts to the Projects.

Our water agencies have invested millions of dollars and years of time in doing scientific studies to inform all of us on how the current policies have performed and to provide recommendations on ways to improve or maintain current levels of species protection while improving operational flexibility of the Projects. The Blueprint supports efforts to achieve regulatory alignment in these processes using the best available science to better balance species protection and water supply. Blueprint has contracted with a consulting firm that has extensive experience in this area to evaluate and recommend where a Blueprint voice might be helpful in influencing how these regulations come out.



The third major effort is to focus on what groundwater storage opportunities there might be in the Valley. This effort seeks to identify those locations, what conveyance infrastructure might be needed to move surface water to those locations and who might be interested in partnering with us in the effort.



*From L to R: Adan Ortega, Board Chair Metropolitan Water District; Austin Ewell, Blueprint Executive Director; Adel Hagekhalil, CEO Metropolitan Water District; Dr. Eddie Ocampo, Board Chair Blueprint. Surrounded by Blueprint and Metropolitan Board Members.*

There are a number of urban water agencies who are extremely interested in participating with the Blueprint in this effort. In fact, two weeks ago the Blueprint signed a Memorandum of Understanding (MOU) with the Metropolitan Water District of Southern California to begin investigating mutually beneficial opportunities to expand water banking storage projects in the Valley. Read more about the MOU signing [here](#).

The fourth effort is a Blueprint sponsored Delta/San Joaquin Valley Farmer-to-Farmer Summit process. This effort brought together a dozen farmers, half from the Delta and half from the Valley. Over two, two-day sessions, one in the Delta in November and another one in February in the Valley, these farmers, with the assistance of a facilitator, and some subject matter area experts, discussed the challenges and opportunities in their respective areas. The conversations were very constructive, and some significant common ground was identified. The group met again in May and decided to formalize their effort as an on-going process and work on specific projects and initiatives that are mutually beneficial to both regions.

As you can see, the Blueprint has some real momentum. These are long-term initiatives that will require constant and consistent effort and support to produce positive results. I am thankful for these encouraging signs that this “coalition of the willing” can make a real difference in shaping the future of the Valley.

## Free PPE Available for Dairy Employees: Application Deadline June 9, 2024

By Dr. Michael Payne, Director, [California Dairy Quality Assurance Program](#)

### Summary

CDFA is working with the California Department of Public Health (CDPH) for a one-time distribution of Personal Protective Equipment (PPE) for dairy farmworkers and others handling raw milk, as well as slaughterhouse and poultry workers. Because “Bird Flu” in dairy cattle has not yet been recognized in California, there are currently no requirements for use of additional PPE for the State’s dairy employees.

This PPE distribution is intended to allow for 30 days of PPE to be stored on the farm, ready for use in the event that a California dairy tests positive. The distribution is free and is coming from existing public health stockpiles, however **the deadline for ordering is June 9.**

### How Much PPE to Ask For?

The intention is to store 30 days of PPE for employees who handle raw milk. In our case this could be milkers, certainly hospital pen workers and potentially calf feeders. Which employees are relevant and which PPE to request could be discussed with your herd veterinarian.

One example for a dairy with 10 relevant workers could be:

- 300 disposable N95 masks. (30 days x 10 employees X 1mask/day)
- 600 disposable nitrile gloves (30 x 2/pair x 10 employees)
- 10 goggles (one personal set of goggles for every employee potential with exposure. Not to be shared.)
  - Given that the only two cases of HPAI in dairy workers have been eye infection, (potentially from splashes or touching the eyes with hands contaminated with milk) goggles or face shields may be the most protective of the requested PPE items.

The above is only an example. Each farm’s PPE needs may be different, and may vary from [CDC’s farm worker recommendations](#). There are other options available, including face shields and disposable bouffant caps. Unless human risk profiles in this disease change, producers will probably want to avoid Power Air Purifying Respirators (PAPRs) which require batteries and fit testing. Producers with questions can consult their herd veterinarian, their local CDFA veterinary medical officer or CDQAP.

### How to Request Free PPE

**See the 2-page PPE Ordering Instructions [here](#).** To place your PPE order, have one representative from your farm reach out to your local Medical Health Operational Area Coordinator (MHOAC). A list of local contacts for MHOAC program is [here](#). The MHOAC representative will want a shipping address for the dairy, the number of employees in need of PPE and the total amount of PPE being requested.

If you have additional questions, you can contact your local CDFA representative or [Dr. Michael Payne](#).

## FDA Paves Way for Bovaer to Move Forward as Climate-Friendly Dairy Feed Additive

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

After more than a year of extensive regulatory and congressional advocacy by NMPF, the Food and Drug Administration this week confirmed the safety and efficacy of methane-reducing feed ingredient Bovaer, sponsored in the U.S. by Elanco Animal Health, in lactating dairy cows. This is a long-sought victory for America's dairy farmers. As we noted [in a statement](#), the dairy community has the potential to reduce its carbon emissions by 30% with adoption of the product – creating a way for farmers to be financially compensated for a smaller greenhouse gas footprint.

The main ingredient in Bovaer was developed by Royal DSM in the Netherlands, with whom Elanco has a licensing agreement for sales in the U.S., Canada and Mexico. In all, it is available for use commercially in 58 countries. We are still working with Congress to pass the bipartisan Innovative FEED Act to give FDA new authority to expedite the approval of products added to animal feed which have environmental or food safety benefits.

