

MPC WEEKLY FRIDAY REPORT

DATE: NOVEMBER 22, 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	-\$0.0475	\$1.6450	WEEKLY CHANGE	-\$0.0900	\$2.5400
Barrels	-\$0.0350	\$1.6500	WEEKLY AVERAGE	-\$0.0595	\$2.5610
WEEKLY AVERAGE CHEDDAR CHEESE		DRY WHEY		WEEK ENDING 11/16/24	
Blocks	+\$0.0010	\$1.6945	DAIRY MARKET NEWS	W/E 11/22/24	\$6000
Barrels	+\$0.0220	\$1.7040	NATIONAL PLANTS	W/E 11/16/24	\$5980
				LAST WEEK ENDING 11/09/24	
				NAT'L PLANTS	\$1.3838 18,700,212
				NAT'L PLANTS	\$1.3662 16,588,636

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
NOV 21 EST	No Change	No Change	\$19.87	No Change
LAST WEEK	\$24.13 - \$24.63	\$21.48	\$19.90	\$21.05

OCTOBER 2024 CA FMMO STATISTICAL UNIFORM PRICE ANNOUNCEMENT

OCT '24 FINAL	CLASS I	CLASS II	CLASS III	CLASS IV	STATISTICAL UNIFORM PRICE (BLENDED PRICE)	NET PRICE AFTER QUOTA ASSESSMENT*
MINIMUM CLASS PRICE	\$24.77 TULARE \$25.27 L.A.	\$21.01	\$22.85	\$20.90	\$20.97 TULARE \$21.47 L.A.	\$20.622 TULARE \$21.122 L.A.
PERCENT POOLED MILK	25.4%	9.4%	5%	60.2%	100% (1.62 BILLION LBS. POOLED)	

*QUOTA RATE OF \$0.348/CWT. AS OF NOVEMBER 2023

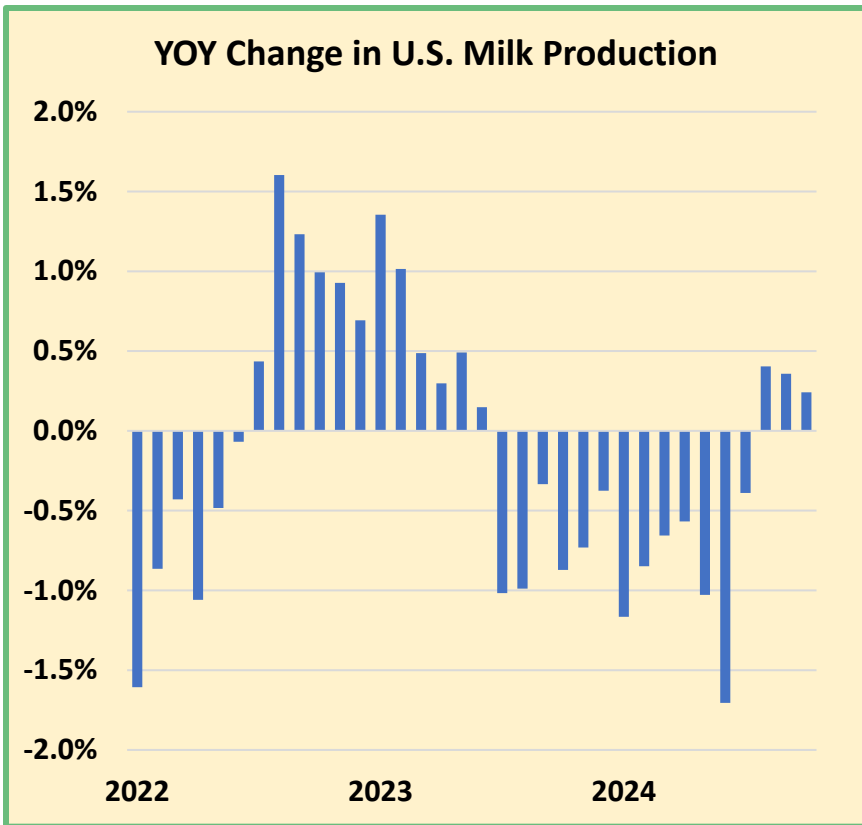


Milk, Dairy and Grain Market Commentary

By Sarina Sharp, Daily Dairy Report
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Milk & Dairy Markets

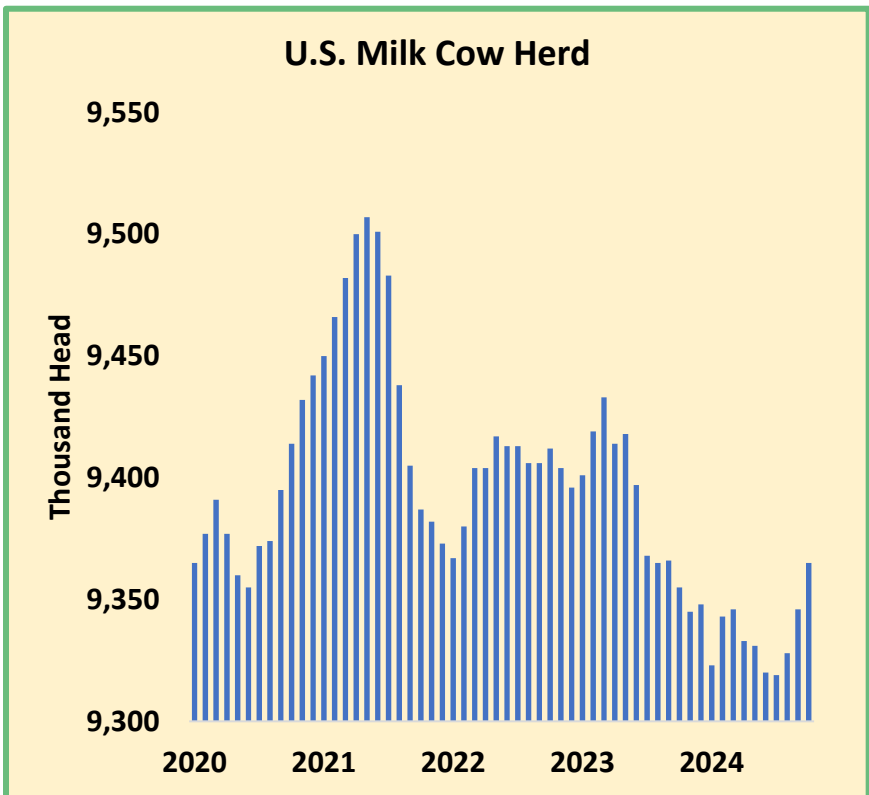
Never doubt the power of the profit motive in a free market. In the face of a devastating virus and a systemic heifer shortage, American dairy producers nevertheless found a way to add cows and boost milk production. In fact, they expanded the herd and grew milk output at a faster



clip than previously thought. USDA revised its estimate of September milk production upward. The agency now shows September milk output up 0.4% from the year before, on par with growth in August. And, according to the latest figures, dairy producers added 18,000 cows from August to September, up sharply from an initial estimate that showed no month-to-month change. The growth continued in October, with milk production up a modest 0.2% year over year and an additional 19,000 cows setting hoof in the milk parlor. That put the dairy herd at 9.365 million head, outpacing year-ago numbers for the first time since May 2023.

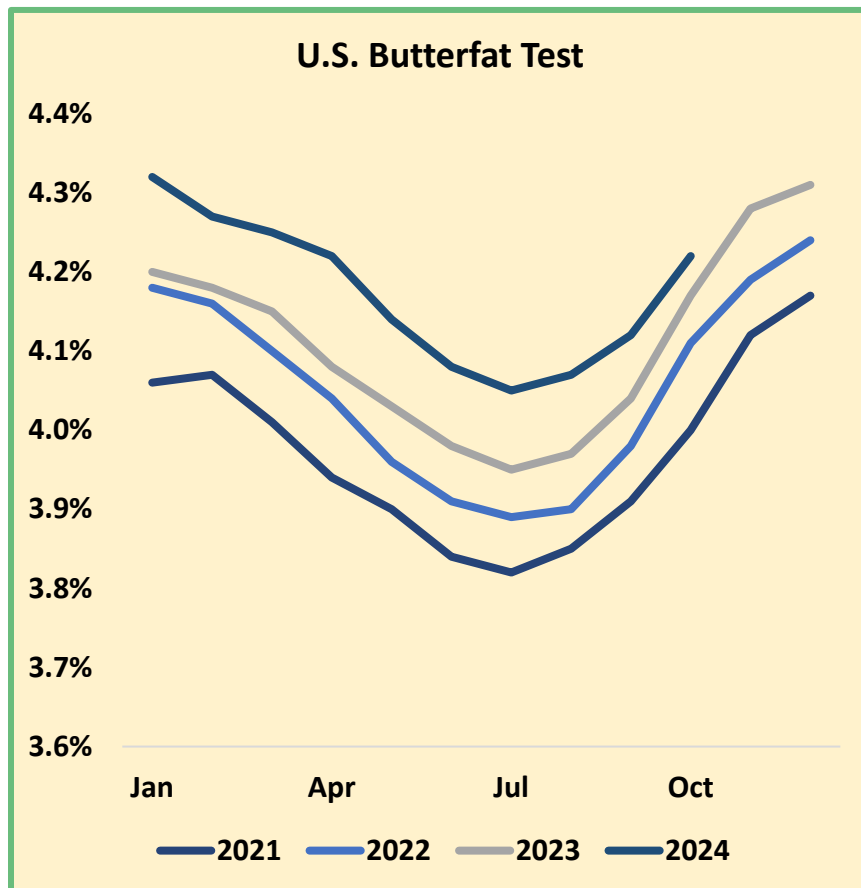
How did they do it? Over the past 12 months, dairy producers sent 380,000 fewer cows to slaughter than they did, on average, during the preceding five years. That was enough to push the milk-cow herd up 10,000 head from where it stood a year ago, a 0.1% increase. But growth in milk production remains slow as avian influenza and the older dairy herd continues to weigh on milk yields. Milk production per cow fell short of 2022 levels in June, July, and October. The dairy herd has made huge gains in butterfat output and modest advancements in protein production. But on a fluid milk basis, today's cows have not improved on the performance of their peers from two years ago.

Milk output fell hard in the Golden State. The bird flu ravaged herds in the Central Valley, dragging California milk output down 3.8% from October 2023 levels. The illness continues to infect new herds in the nation's most concentrated milk shed. But these losses were more than offset by huge gains in Texas (8.8%), South Dakota (+9.6%) and Kansas (+4.2%). The new Kansas cheese plant is now taking in milk and filling its vats. There are 8,000 more cows in the Sunflower State than there were a year ago. Over



the same period dairies added 17,000 cows in South Dakota and 40,000 in Texas. They're getting ready to fill significant expansions to cheese production capacity in those states. Producers who are signed up to supply the new cheese vats have had years to boost their head counts, and several major dairy producers adjusted their breeding programs, forgoing lucrative beef calf income to ensure they could populate their barns by this winter or next spring.

The industry is acutely aware that the additional milk is destined for cheese plants. USDA's confirmation of higher milk output packed a huge punch in the cheese market. CME spot Cheddar fell 4.75¢ to a fresh seven-month low at \$1.645 per pound. Barrels fell 3.5¢ to \$1.65, also the lowest mark since April. It's likely that these lower prices will attract at least some new demand, but the road to balanced supplies is likely to be a bumpy one.



Through October, U.S. milk output was down 0.5% compared to the first 10 months of 2023. But thanks to relentless gains in butterfat tests, U.S. milkfat output was up 1.9% over the same period. Here too, the data show evidence that low cull rates are not the ideal way to boost milk and component production. For milk sold within the Federal Milk Marketing Order, butterfat tests averaged 4.22% in October. That's impressively high, to be sure. But it's only 0.05 percentage points above October 2023, the narrowest year-over-year increase in the butterfat test in 19 months.

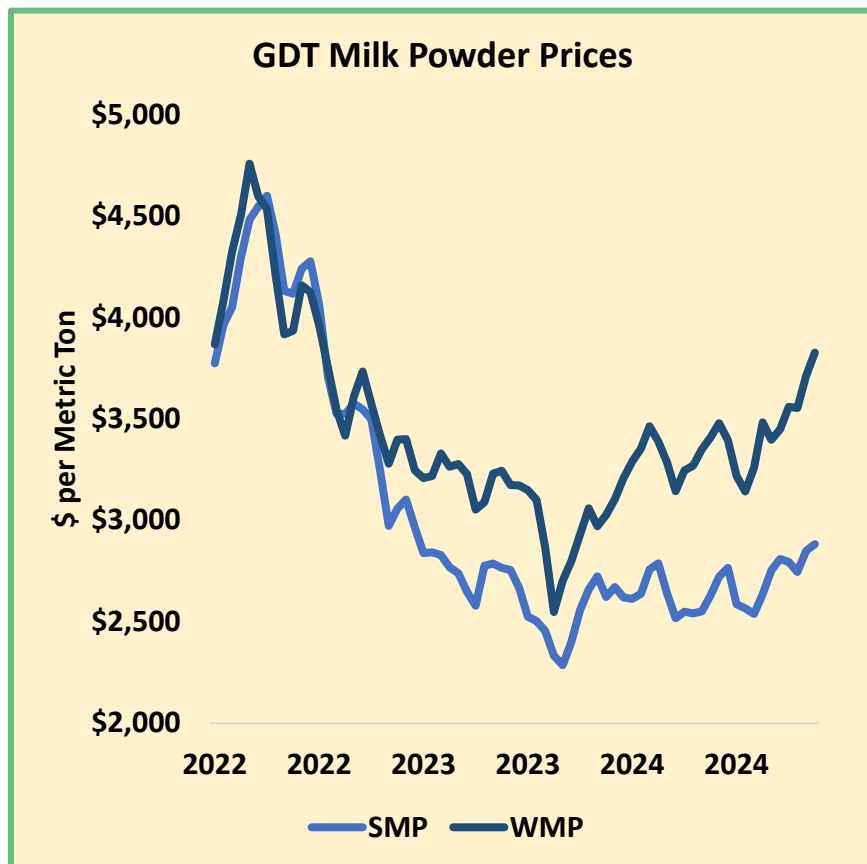
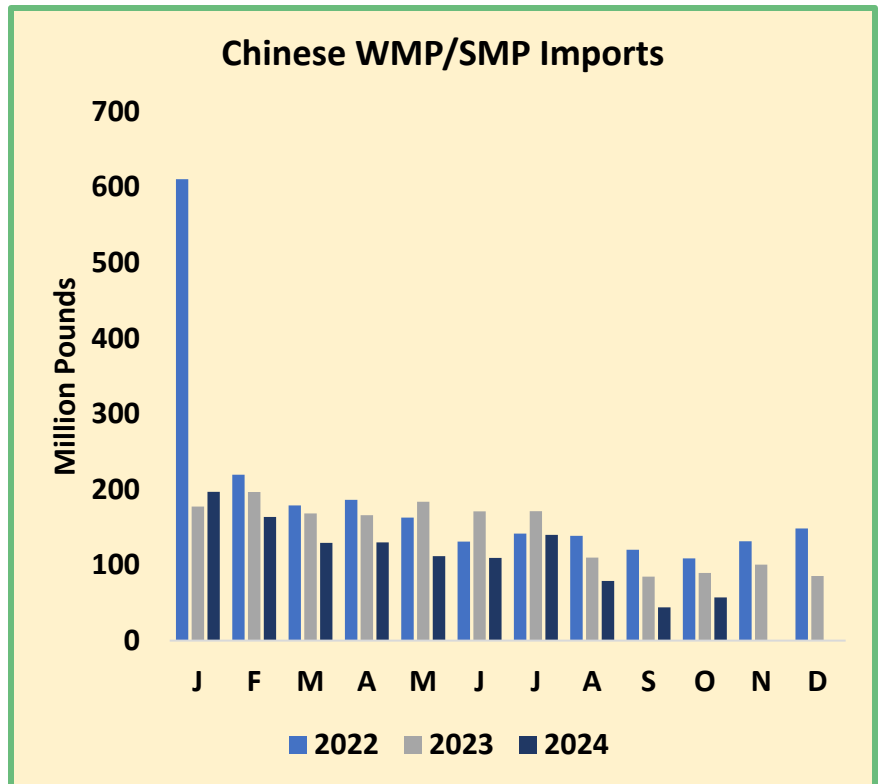
But slower growth is still growth. There is more than enough butterfat to go around. Holiday production of dips and whips is in full swing, and churns are running hard too. Robust butter output continues to weigh on the price. CME spot butter fell a dime this week to \$2.53, matching its lowest price so far this year.

U.S. milk powder prices also took a step back on the heels of the Milk Production report. CME spot nonfat dry milk (NDM) dropped 3.25¢ to a one-month low at \$1.3675. USDA's *Dairy Market News* suggests that cheap cheese is weighing on U.S. NDM export values. The agency notes, "Typically, ahead of the holiday lull, Mexican importers are active on the NDM markets to fulfill holiday and Q1 needs. However, this year, Mexican interests have not been noticeably robust. Some contacts suggest bearish U.S. cheese market prices have given Mexican end users less incentive to add to NDM supplies, which would go into cheese fortification south of the border." Mexican importers may help the U.S. dairy

industry to strike a balance between heavy cheese output and lower milk powder production, as they adjust their purchases accordingly.

China imported very little milk powder in October, with volumes only slightly better than the multi-year lows set in September. The poor showing caught the trade by surprise, as China has been an active buyer at the Global Dairy Trade (GDT) auction this fall. At this week's auction, decent demand from China pushed GDT milk powder prices to nearly two-year highs.

Once again, the whey market bucked the trend. Insatiable demand for high-protein whey products continues to limit drying. Meanwhile, Chinese whey product imports topped year-ago volumes for the fourth time in five months. The outlook is positive, unless U.S. whey shipments become a casualty of the looming U.S.-China trade war. CME spot whey powder added another half-cent this week and reached 66¢, the highest price since March 2022.



That wasn't enough to stop the bleeding in the Class III markets. December Class III fell 31¢ to \$18.45 per cwt. The January contract dropped 66¢ this week. The red ink abated in deferred contracts, but most Class III futures are now sitting well below the \$19 mark. December through March Class IV futures also took a big step back. Most contracts stand between \$20 and \$21.

Grain Markets

The feed markets didn't move much. March corn finished close to where it began the week at \$4.355 per bushel. January soybean meal held steady at \$292.30 per ton.

DWR's Road to Sustainability 10-Year SGMA Anniversary Event

By Geoff Vanden Heuvel, Director of Regulatory and Economic Affairs

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In late 2014, Governor Jerry Brown signed a package of bills passed by the Legislature that for the first time put in place a statewide law regulating groundwater. This law has come to be known by the acronym SGMA, or the Sustainable

Groundwater Management Act. It has been the law for 10 years now. The Department of Water Resources put together a full-day event on November 18 to focus first on where it began, secondly, on where we are now, and thirdly, on where we are headed. I was honored to be part of the third panel.



The entire event is recorded (including breaks) and can be viewed [here](#). The third panel starts at about hour 5.

CDQAP Update: Water Quality Regulations to Change; Winter Rain Prep

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

The California Dairy Quality Assurance Program (CDQAP) recently published its November Update, which can be read in its entirety [here](#).



Water Quality Regulations to Change

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

After more than a decade of legal discussions and analyses, the State Water Resources Control Board issued its [remand draft Order](#) for the Central Valley Dairy General Waste Discharge Requirements on October 1, 2024. Public comments are due Dec 6, 2024. Included in the document are two eye catching phrases: “monumental shift in policy” and “fundamental operational changes.” The document provides insight into the State Water Resources thought processes.

Who is impacted? Although most of the information and instructions are directed at the Central Valley Regional Board (who will modify its Dairy Order), “specific components of the regulatory framework” are made precedential, meaning other Regional Boards will need to modify their Dairy Orders to include new directives.

What will change? The draft document focuses on nitrogen management to reduce the adverse impact of nitrate to underlying groundwater. The framework establishes key concepts in land application of manure, waste retention ponds, and provisions for providing alternative water supplies. The attention to nitrogen management will lead to additional reporting requirements likely statewide. As drafted, those who participate in nitrate management zones will comply with the alternative water supply component through their management zone's plan and others who impact groundwater will need to find a pathway to compliance on alternative water supply.

What comes next? The public review and comment process has begun. The State Water Resources Control Board hosted a workshop on October 30 to review the remand. Numerous dairy industry groups, consultants, and University of California Cooperative Extension Advisors and Specialists are working on technical comments. The Environmental Justice groups are expected to comment as well. The State Water Resources Control Board staff will review comments and modify the document where appropriate. A modified document will again be made available to the public for additional comment. This iterative version will be reviewed again or go before the Board for adoption. Once adopted by the State, the Central Valley Regional Water Quality Control Board will roll up their sleeves and work on modifications of the Dairy General Order. This process will take time and require public review. When the Central Valley Dairy Order is adopted, then the other Regional Water Quality Control Boards will begin their process.

Continue reading [here](#).

Winter Rains are Coming

By Deanne Meyer, Ph.D.

The trucks are hauling solids and slurry to fields. Be sure to sample manures as they are applied, and record how much went onto each field. These results are essential to calculate nitrogen application to each field and to prevent Notices of Violation, either during an inspection or when your Annual Report is reviewed.

Look around the production area to be sure all the winterization is finished. As facilities are winterized it's time to carefully review each area of the dairy:

- Gutters cleaned with downspouts repaired, installed, or flexible hose put in place
- Receiving area for roof runoff ready
- Corrals scraped and manure hauled off-site or to fields
- Manured areas cleaned to minimize rain infiltration into manure or soil where manure was stored
- Stockpiled manure outside of corrals covered to prevent rain contact
- Bedding stored outside of corrals covered to prevent rain contact
- Corrals groomed and low spots filled to prevent ponding and enhance drainage
- Feed center reviewed for rainy day protocols

Continue reading [here](#).

MPC's Kevin Abernathy Appointed to USDA Task Force on Agricultural Air Quality Research

Courtesy of the [United States Department of Agriculture](#)

The U.S. Department of Agriculture (USDA) this week announced the selection of 27 new members to its [Task Force on Agricultural Air Quality Research](#). The Task Force examines the intersection of agricultural production and air quality, and advises the secretary on scientifically sound, cost-effective, federally supported agricultural solutions that can help improve air quality. The Task Force members are from diverse backgrounds, including agricultural producers, agricultural industry representatives, researchers, scientists and members of health and regulatory organizations, who have an interest and expertise with agriculture air quality issues. The newly selected members will serve a term of up to two years.

The Task Force on Agricultural Air Quality Research continues to promote USDA research efforts and identifies cost-effective ways the agriculture industry can improve air quality. Focus areas of the Task Force may include:

- Providing recommendations for needed research related to agricultural air quality issues.
- Ensuring that implementation of USDA practices, programs and research for air quality and climate change promote environmental justice goals and exploring opportunities for improving the environment for all.
- Addressing reactive nitrogen emissions, including ammonia from agricultural sources, especially in relation to nitrogen deposition, greenhouse gas impacts and ammonia's role as a precursor to fine particulate matter formation.
- Discussing agricultural greenhouse gas and carbon sequestration topics, including climate-smart agriculture and forestry options and sustainable solutions.
- Providing guidance and recommendations to the secretary regarding the impact on agriculture from U.S. Environmental Protection Agency rules and research, including the National Ambient Air Quality Standards and emissions estimating methodologies for livestock and poultry operations.
- Discussing state and local air quality regulations related to agriculture and the potential impact on agricultural operations in those areas.

Created by the 1996 Farm Bill, the Task Force on Agricultural Air Quality Research works to address agricultural air quality issues. It also helps better coordinate activities and resources among USDA agencies and other federal partners, including the Environmental Protection Agency.

Chaired by USDA's Natural Resources Conservation Service Chief, this is the 12th Task Force since its launch in 1997.

Stabenow Releases Democratic Farm Bill, But Focus Now is on Extension

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

Senate Agriculture Committee Chairwoman Debbie Stabenow, D-MI, released the text of a farm bill on Monday that expanded on a framework she released earlier in the year, but the focus now on Capitol Hill is on extending current policy into next year, rather than trying to pass a last-ditch bill in December. House and Senate Republicans indicated that given the short timeframe remaining they are preparing to pass another one-year extension of the bill before Dec. 31, followed by a coordinated effort next year to pass a bill.

The House and Senate are out next week, but when their lame duck session resumes in December, they'll need to wrap up discussions on funding the government into 2025, and with that, we expect them to pass another year-long extension of current farm programs.

The Next MPC Friday Report will be Published on December 6, 2024

