

MPC WEEKLY FRIDAY REPORT

DATE: JUNE 14, 2024
 TO: DIRECTORS & MEMBERS
 FROM: KEVIN ABERNATHY, GENERAL MANAGER
 PAGES: 5



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MPC FRIDAY MARKET UPDATE

CHICAGO CHEDDAR CHEESE		CHICAGO AA BUTTER		NON-FAT DRY MILK	
Blocks	+ \$.1250 \$1.9700	WEEKLY CHANGE	-.0025 \$3.0900	WEEK ENDING 06/08/24	
Barrels	+.0650 \$2.0200	WEEKLY AVERAGE	-.0100 \$3.0940	NAT'L PLANTS \$1.1664 20,497,939	
WEEKLY AVERAGE CHEDDAR CHEESE		DRY WHEY		LAST WEEK ENDING 06/01/24	
Blocks	+.0785 \$1.9445	DAIRY MARKET NEWS	W/E 06/14/24 \$.4600	NAT'L PLANTS \$1.1305 22,723,166	
Barrels	+.0510 \$2.0060	NATIONAL PLANTS	W/E 06/08/24 \$.4106		

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
JUN 7 EST	No Change	\$21.56	\$19.89	No Change
LAST WEEK	\$21.68 - \$22.18	\$21.60	\$19.50	\$21.15

MAY 2024 CA FMMO STATISTICAL UNIFORM PRICE ANNOUNCEMENT

MAY '24 FINAL	CLASS I	CLASS II	CLASS III	CLASS IV	STATISTICAL UNIFORM PRICE (BLENDED PRICE)	NET PRICE AFTER QUOTA ASSESSMENT*
MINIMUM CLASS PRICE	\$20.06 TULARE \$20.56 L.A.	\$21.50	\$18.55	\$20.50	\$18.90 TULARE \$19.40 L.A.	\$18.552 TULARE \$19.052 L.A.
PERCENT POOLED MILK	18.9%	5.2%	73.2%	2.7%	100% (2.1 BILLION LBS. POOLED)	

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

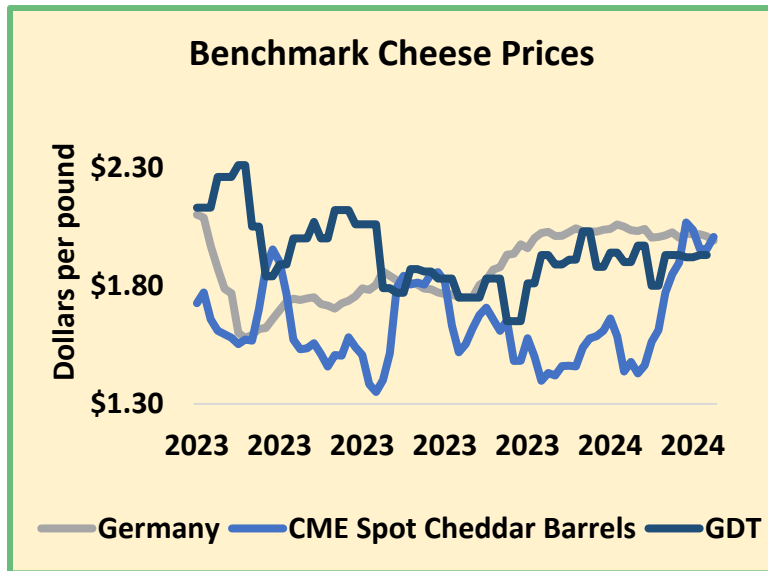


Milk, Dairy and Grain Market Commentary

By Sarina Sharp, Daily Dairy Report
Sarina@DailyDairyReport.com

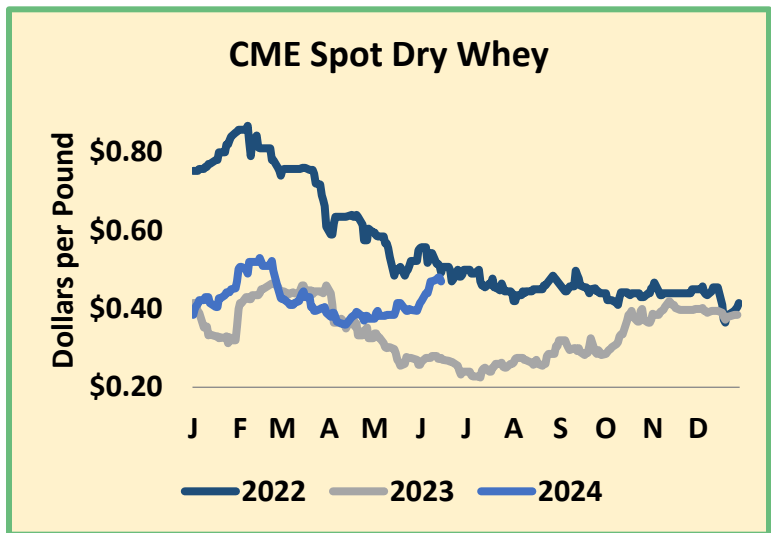
Milk & Dairy Markets

Strong domestic cheese demand propelled Class III futures to fresh life-of-contract highs this week. On Thursday, third-quarter contracts settled at an average of \$21.28 per cwt., an astoundingly lofty value considering U.S. cheese production capacity and fierce competition for exports.

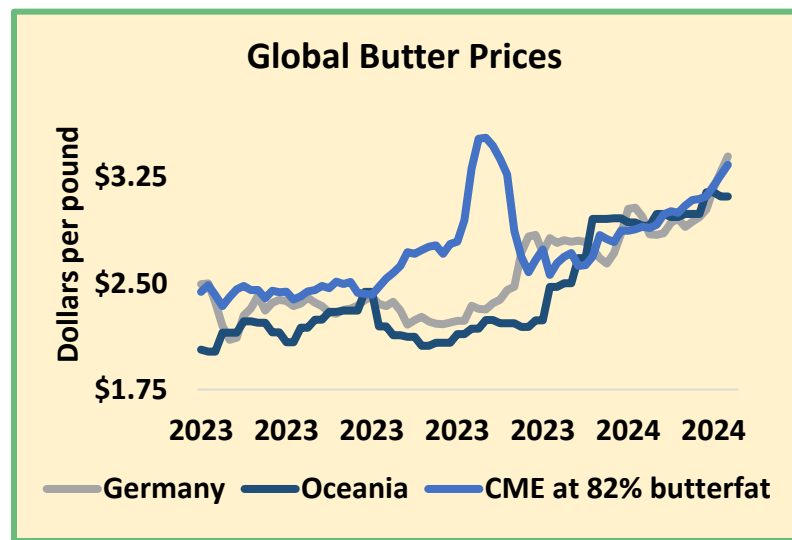


major retailers promoting the cheap cheese they bought earlier this year. Fresh Cheddar is likely to be hard to come by this summer. Sweltering temperatures in California and the Southwest have trimmed milk production there, and the forecast calls for unusually hot weather in the Midwest throughout the rest of June. All these factors lifted cheese prices in Chicago once again. CME spot Cheddar barrels climbed 6.5¢ to \$2.02 per pound. Blocks leapt 12.5¢ to \$1.97.

Whey prices held steady, near the high end of their recent trading range. CME spot whey powder closed at 47¢. Exports continue to disappoint, but domestic demand for high-protein whey products has boosted the whole complex.



Firm whey prices and a rally in the cheese markets lifted Class III futures to new heights. Despite a Friday selloff, the July and August contracts added roughly 75¢. That put July Class III at \$20.67 with August at \$21.13. However, Class IV futures retreated. Most contracts finished around 30¢ below where they began the week. But they are still at levels that will benefit dairy producers' bottom lines. All 2024 contracts stand north of \$21.



Indeed, USDA's on-the-ground analysts in Europe, New Zealand, and Australia forecast that processors in all three nations plan to up cheese output this year as fluid milk demand wanes and milk powders offer slimmer profit margins. Today's U.S. cheese prices are not likely to win a lot of new business, and exports will certainly fade later this year. In the long run, that's likely to weigh on cheese and Class III values. But for today, the bulls have plenty to chew on. Record-shattering cheese exports in November through April helped to clean up U.S. cheese inventories, and domestic demand has further chipped away at supplies, with

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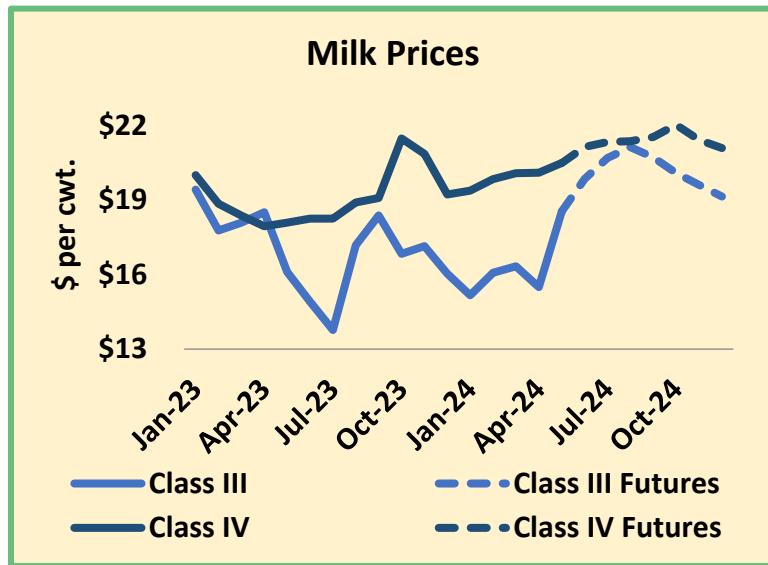
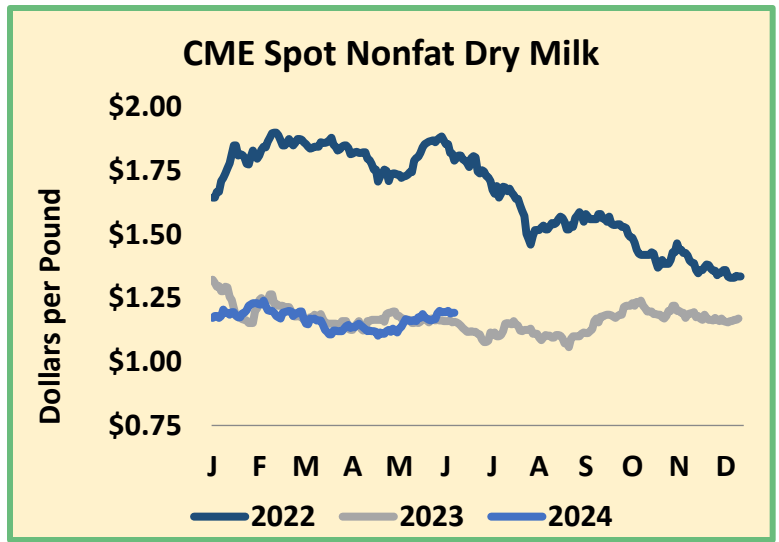
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The global appetite for butterfat remains insatiable. Massive increases in butterfat components have not been enough to satisfy our desire for cream-laden products. U.S.

butter prices have been so high for so long, they've lifted markets around the world. German and Dutch butter values now stand at their highest prices since October 2022, at the peak of pandemic scarcity. Butter reached a two-year high at last week's Global Dairy Trade auction, and topped \$3 per pound. On LaSalle Street, butter inched down slightly, slipping 0.25¢ to a still-buoyant \$3.09.

The milk powder markets are similarly stable. CME spot nonfat dry milk (NDM) finished at \$1.1925, down an inconsequential 0.25¢ from where it began the week. Prices are climbing in Europe, Oceania, and South America thanks to lower production and better demand from buyers in key markets outside of China. Higher cheese prices and tighter milk supplies could also boost demand for NDM to fortify cheese vats in the U.S. and Mexico.



The late-week selloff in Class III futures hints that prices may have reached levels that will stymie demand. And dairy producers will surely do all they can to make as much \$20 milk as possible. Extremely low slaughter volumes and high heifer prices confirm that they're doing just that. But the lack of replacement heifers, the continued spread of avian influenza throughout the Midwest and mountain states, and a looming heat wave suggest that any gains in milk production will be hard-won. Slower growth in U.S. and global milk output may allow for milk and dairy

product prices to remain high for much longer than they typically do in an industry so often characterized by booms and busts.

Grain Markets

USDA's monthly update to its crop balance sheets bored the market, and the futures barely budged. July corn futures held steady at \$4.485 per bushel. July soybean meal climbed \$7.70 to \$360.60 per ton. The agency made no changes at all to its estimate of U.S. corn production, supply, and demand. It trimmed its assessment of U.S. soybean meal production, acknowledging the extensive downtime that several major crushers took this spring when margins were thin. And it cut its projections for global wheat output due to adverse weather in the Black Sea region. None of this is news, and the trade will continue to focus on U.S. weather. The forecast calls for heavy rains in the Western Corn Belt, with high temperatures and sunshine in the rest of the heartland. Regular spring rains have recharged soil moisture reserves and crops are heading into summer in great condition. Feed prices are relatively low and likely to remain so.



Milk Excelerator Competition Returns

Courtesy of the [California Milk Advisory Board](#)

The [California Milk Advisory Board](#) (CMAB) last week announced the return of the [Real California Milk Excelerator](#) competition, in partnership with innovation advisory [VentureFuel](#), for a 6th year with an emphasis on Health & Wellness startups. The competition, which focuses on accelerating value-added products using real milk, features an immersive mentorship program and access to non-dilutive capital and an innovation ecosystem for brand growth. The 2024 program also will feature a new Future of Dairy Expo event during the final pitch to bring together past winners and other industry leaders to showcase how real dairy fits the needs of the modern consumer.

The 6th RCM Excelerator taps into the thriving Health & Wellness market, which has grown significantly since the pandemic and is projected to reach over \$8.47 trillion by 2027, according to [Statista](#). Given real dairy's natural versatility of benefits and functionality, from nutrition and flavor to texture and chemical composition, this approach encourages innovation across product categories, all leveraging the versatility of the California dairy ecosystem.

The largest global dairy accelerator, the program is on the hunt for any company building innovative products – made with at least 50 percent real milk or dairy – that leverage the benefits of dairy to promote health, wellness, and general well-being. This includes, but is not limited to, better-for-you formulations, digestive health, cognitive function, functional ingredients, hydration, portion control, self-care, and anything in between. This year's competition offers a value of up to \$500,000 in prize and program value for products that introduce novel applications in any form and drive utilization of Real California dairy.

“Innovation is the lifeblood for all industries. Our investment in the Excelerator and the California Dairy Innovation Center continues to introduce new products and innovators/founders into the pipeline and relationship with Real California Milk,” said John Talbot, CEO of the CMAB. “With an overall market value of more than \$5 trillion, the health and wellness focus make sense and allows us to hone in on startups that are leveraging the natural goodness of milk and its myriad benefits. Wellness for consumers is an everyday pursuit – whether physical or mental – and real dairy delivers. This is an exciting time to create products and we look forward to connecting with founders to take them to the next level.”

Over the past 5 years, the Real California Milk Excelerator has worked with more than 50 startups across categories as diverse as food, beverage, direct-to-consumer platforms, textiles, and personal care. Representing nearly 40 percent of states across the U.S., program alumni have gone from idea to distribution with organizations such as UNFI and KeHE; and many can now be found on the shelves of retailers like Walmart, Safeway, Kroger, Amazon, and Whole Foods.

Continue reading [here](#).

Senate Republicans Introduce Farm Bill Proposal

Courtesy of Gregg Doud, President & CEO

[National Milk Producers Federation](#)

Senate Agriculture Committee Ranking Member John Boozman, R-AR, unveiled Senate Republicans' farm bill proposal this week, aligning with the farm bill draft approved by the House Agriculture Committee last month, but drawing a clear contrast with the version that Senate Agriculture Committee Democrats have already proposed. The full framework can be viewed [here](#).

The Senate GOP legislative framework outlines various dairy priorities but does not contain bill text. It contains several items important to dairy farmers, including:

- Extending the Dairy Margin Coverage program through 2029, as well as allowing producers to update their production history and continuing the 25% premium discount for those locking in multi-year coverage;
- Requiring USDA to conduct mandatory dairy plant cost surveys every two years;
- Directing USDA to modify the Class I mover to improve pricing formulas under FMMOs; and
- Advancing NMPF-led bipartisan bills to restore the option of whole and reduced-fat milk in schools, protect the use of common food names, and expedite approval of innovative feed ingredients.

The measure also extends the new conservation funding enacted in the Inflation Reduction Act, but the removes climate-smart guardrails, which Senate Democrats do not favor. As we noted [in our statement](#), Boozman's proposal helps advance the Farm Bill process, although it doesn't appear that final action will occur on a bill before the election. Senate Agriculture Committee Chairwoman Debbie Stabenow, D-MI, told Agri-Pulse this week that she doesn't believe the House Ag Committee's bill can pass the full House, given the narrow margins in that chamber, as well as in the Senate.

