

# MPC WEEKLY FRIDAY REPORT

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 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	+ \$.0575	\$1.7000	WEEKLY CHANGE	+ \$.0525	\$2.5450
Barrels	+ \$.0850	\$1.6900	WEEKLY AVERAGE	+ \$.0318	\$2.5285
WEEKLY AVERAGE CHEDDAR CHEESE		DRY WHEY		NAT'L PLANTS	
Blocks	-.0030	\$1.6745	DAIRY MARKET NEWS	W/E 12/06/24	\$ .6300
Barrels	+.0227	\$1.6510	NATIONAL PLANTS	W/E 11/30/24	\$ .6079
				LAST WEEK ENDING 11/16/24	
				NAT'L PLANTS \$1.3838 18,700,212	

## 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
DEC 5 EST	\$23.03 - \$23.53	\$21.32	\$18.79	\$20.75
LAST WEEK	\$24.13 - \$24.63	\$21.52	\$19.86	\$21.12

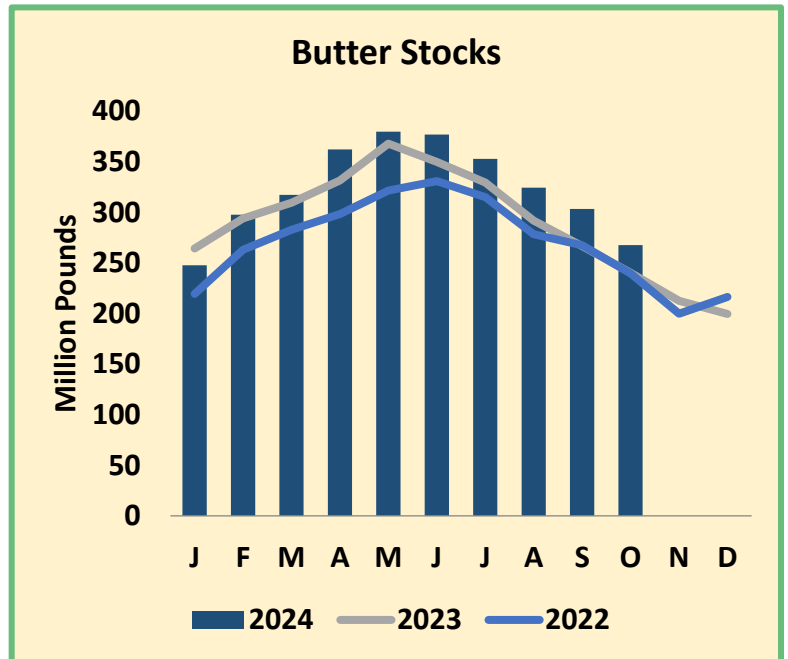


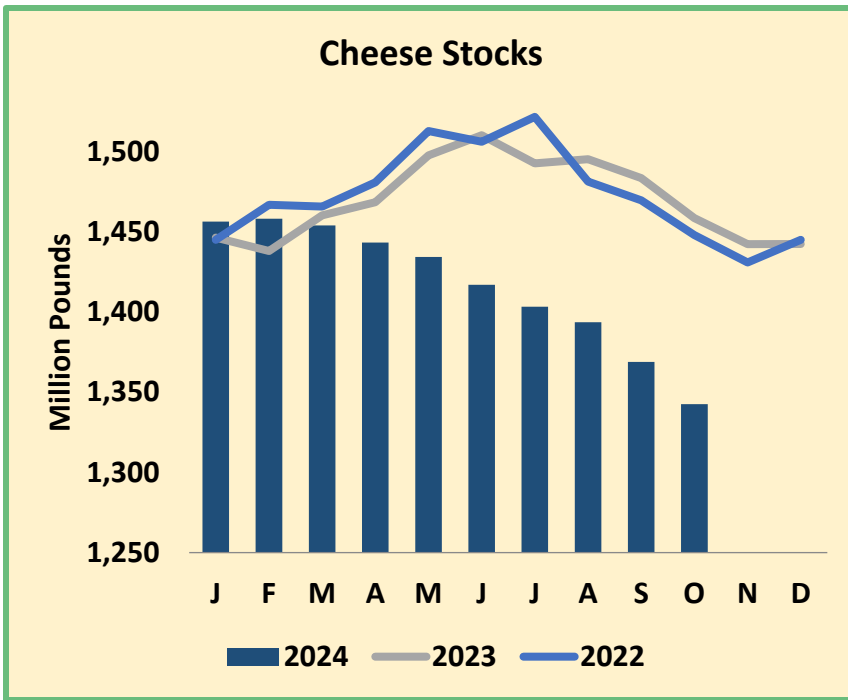
### Milk, Dairy and Grain Market Commentary

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

The dairy markets had a lot of data to digest along with their turkey. While Americans topped their mashed potatoes and slathered their rolls with butter, dairy analysts chewed on data showing October butter output and inventories well above year-ago levels. Demand is great, up 4% from 2023 for the year to date. But American dairy producers have been a little too successful in boosting their butterfat output. October butter output was 3.1% greater than the previous October. There were 267.5 million pounds of butter in cold storage warehouses on October 31, 11.4% more than the year before and the largest



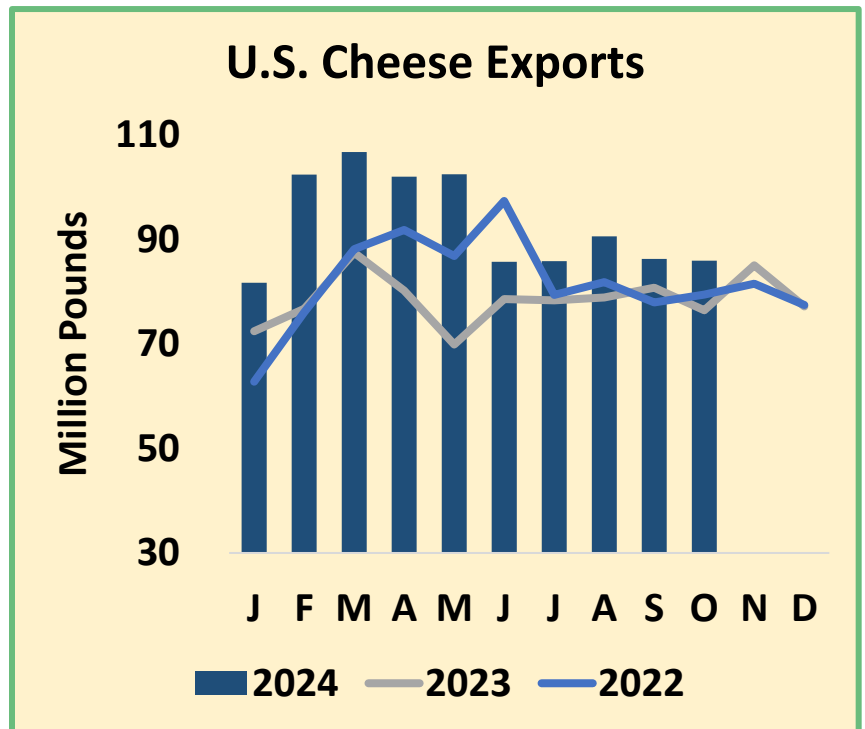


October tally since 2021. We simply have too much butter to justify a \$3 price tag. However, it appears that prices have fallen far enough for now. CME spot butter dipped briefly below \$2.50 per pound last week, but it closed today at \$2.545, up 1.5¢ over the past two weeks and up 6¢ from the pre-Thanksgiving low.

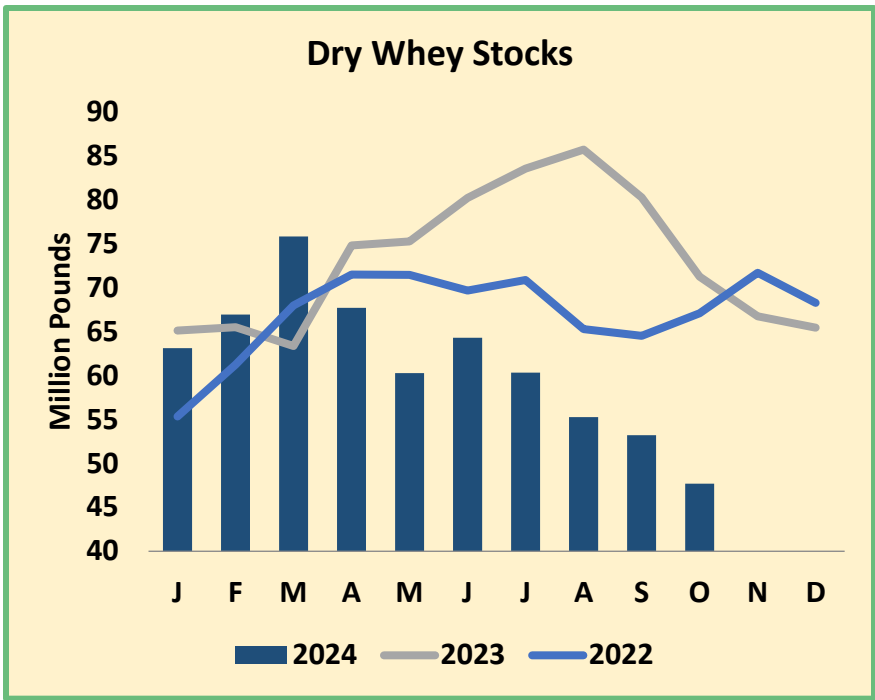
U.S. cheese production outpaced the prior year by 1% in October, driven by a 1.6% jump in mozzarella output. Cheddar production fell 3.1% short of October 2023, marking the 12<sup>th</sup> straight year-over-year decline in Cheddar output. That's a boon for dairy producer

incomes because spot Cheddar helps determine the price of Class III milk.

Exporters sent nearly 86 million pounds of cheese abroad, the highest October volume on record. Cheese inventories declined for the eighth straight month, pushing stocks down 8% from last year to their lowest October level since 2020, when the government bought massive volumes of cheese to give away in food boxes. The trade remains anxious that, as new capacity comes online, U.S. cheese output will overwhelm demand. But for now, production is not much above year-ago volumes and the larder is surprisingly bare. U.S. cheese is priced to move, and exports are expected to remain strong, barring headwinds from a potential trade war. The cheese markets bounced back from six-month lows. CME spot Cheddar blocks rallied 5.5¢ over the past two weeks and closed today at \$1.70. Barrels climbed 4¢ to \$1.69.



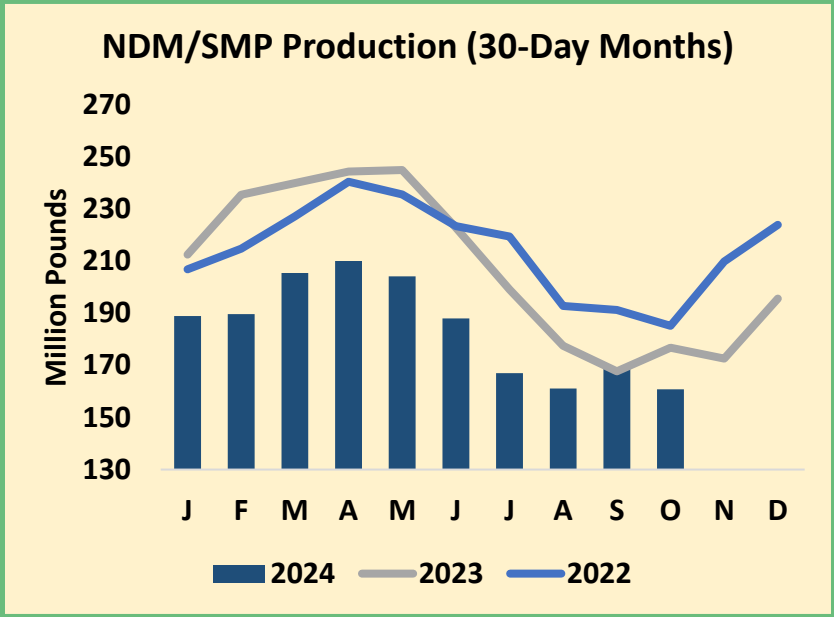
CME spot nonfat dry milk (NDM) advanced 2.25¢ in two weeks. It closed today at \$1.39, just a penny shy of the two-year high. Combined production of NDM and skim milk power (SMP) totaled 166 million pounds, down 9% from a year ago and the lowest October volume since 2015. Although manufacturers' stocks of NDM declined seasonally, they're 8.1% larger than the unusually light stockpile of October 2023. U.S. milk powder exports looked a little light in October. At 137 million pounds they were 4.3%



below year-ago volumes. Shipments to Mexico climbed to a 17-month high, but the U.S. lost business in Southeast Asia.

After a year of low global milk powder output, there is a firm floor under the market. But there’s also a low ceiling, thanks to strong milk output in Oceania and uncertainty about Chinese demand. SMP notched a two-year high at the late-November Global Dairy Trade GDT, but at this week’s event, SMP took a small step backward.

holiday cheer. The story is the same, but the latest data add a little sparkle. U.S. manufacturers are working to compress all the whey they can into high-protein concentrates (WPCs) and isolates (WPIs). They’re making WPIs at a record-shattering pace, with year-to-date output up 48% from the first ten months of 2023. There was enough whey leftover to make just 62 million pounds of whey powder, the lowest October output since 1984. Dry whey inventories dwindled to a 12-year low. And whey prices just keep climbing. CME spot whey powder finished at 71¢, up a nickel from where it stood two weeks ago. That’s enough to add 30¢ to Class III values in a fortnight.



The whey markets are aglow with

Relentless strength in the whey market and the rebound in cheese pushed Class III prices sharply higher. The December contract added back 42¢ over the past two weeks and reached \$18.87 per cwt. January Class III rallied \$1.13 over the same period, and first-quarter futures closed around \$19.45. Class IV futures were mixed, with most contracts in the neighborhood of \$20.75.

**Grain Markets**

Despite the strong dollar, U.S. corn is currently the cheapest in the world, and foreign buyers have taken notice. U.S. exporters are busily booking sales and rushing to get corn off our shores before potential tariffs reduce U.S. competitiveness. But corn is plentiful, so the impact of this new demand is limited. Over the past two weeks March corn futures climbed 4¢ to \$4.40 per bushel. Over the same period January soybeans rallied 9¢ to \$9.95 and January soybean meal fell 5¢ to \$287.40 per ton.



## First, Do No Harm

By Geoff Vanden Heuvel, Director of Regulatory and Economic Affairs  
[Geoff@MilkProducers.org](mailto:Geoff@MilkProducers.org)

I had the privilege of being a panel member at the 10-year anniversary event of the Sustainable Groundwater Management Act, which was sponsored by the California Department of Water Resources last month. The moderator of my panel [asked this question](#): “In the next 10 years, what is it that the State needs to focus on to support the implementation of SGMA? What do we need to get right?”

In my opinion, the first answer to that question needs to be do no harm. And yet, doing more harm is exactly on the agenda of the State Water Resources Control Board (Water Board) as they consider updates to the Water Quality Control Plan for the San Francisco Bay/Sacramento-San Joaquin Delta Watershed (“Bay-Delta Plan”). The Central Valley Project (CVP) and the State Water Project (SWP) are the two major surface water delivery systems that make the California we know today possible. Both systems are heavily dependent on the delta region as the hub through which the water passes for people, farms and the environment (wildlife refuges in the Valley receive CVP water) of the Central Valley. The operation of these systems is regulated by the Water Board, and there is a formal process going on right now to update the Bay-Delta Plan. This plan regulates how much water can be exported and how much water needs to be sent to the ocean.

The Water Board is faced with a fundamental policy choice:

1. Amend the Bay-Delta Plan by adopting an **unimpaired flow objective, which is being proposed by the Water Board’s own staff**; or
2. Amend the Bay-Delta Plan by approving the **Voluntary Agreements (also known as Healthy Rivers and Landscapes) proposed in March 2022 by numerous state agencies, the federal Bureau of Reclamation, and numerous public water agencies, with the support of Governor Newsom**.

The Water Board staff report that recommends the unimpaired flow approach admits that this approach will reduce water exports to the Central Valley and Southern California by **786,000 acre-feet** in above normal water years, **1.125 million acre-feet** in below normal years and **1.325 million acre-feet** in dry years. Even in wet years, there would be a **350,000 acre-feet** reduction in exports. These are additional reductions from the current reductions imposed on the projects over the past 30 years. The Sacramento Valley is also hit hard by the Water Board staff unimpaired flows recommendation. The hit to the Sacramento Valley is a reduction of **182,000 acre-feet** in wet years to a reduction of more than **800,000 acre-feet** in dry years.

It is hard to fathom the economic, agricultural, and environmental harm that will take place in California if the Water Board staff unimpaired flow recommendation is adopted. Any reasonable effort to bring about groundwater sustainability through the recharge of surface water will be stymied by this

approach. Suffice to say that the answer to the question, “What do we need to get right?” is for the Water Board to **REJECT** adoption of its staff’s recommended unimpaired flow approach.

The Healthy Rivers and Landscapes proposal is the alternative. This approach scraps the outdated idea that healthy fish populations just need more water to thrive and addresses other factors, such as loss of habitat, control of alien species and updated treatment of wastewater discharges that limit the abundance of native fish species. Taking this alternative will result in reduced water costs and will provide equivalent, if not better, protection for native fish.

There has been much talk recently about the importance of democracy. It is hard to understand how we got to a place where five unelected members of the State Water Resources Control Board have come to wield such considerable power, enabling them to make a decision that will have a devastating impact on the 39 million people who call California home.

## Finding Water for the San Joaquin Valley

By [Edward Ring](#), Director of Water and Energy Policy, [California Policy Center](#)

*Note from Geoff Vanden Heuvel*

Ed Ring is absolutely spot-on in his latest piece about water for the San Joaquin Valley!

### Finding Water for the San Joaquin Valley

Farmers in the San Joaquin Valley require roughly 15 million-acre feet of water per year to irrigate their crops. In return they produce more than half of [all California’s agricultural output](#). But everything is changing.

Since 2000 the amount of water the farmers receive from the State Water Project and the Central Valley Project has been cut in order to protect fish, and in response the farmers increased groundwater pumping. This in turn triggered the enactment of the state’s [Sustainable Groundwater Management Act](#) (SGMA) in 2014, which limits how much groundwater farmers can use.

Also during the past two decades two major water supply projects, both [approved by voters in 2014](#), have failed to begin construction. The Sites Reservoir, off-stream and just west of the Sacramento River, was to have the capacity to store up to 2 million-acre feet (MAF) of water. Subject to interminable delays with a design scaled back to 1.5 MAF of storage, nobody knows if Sites will ever get built. Temperance Flat, a 1.3 MAF reservoir proposed for the San Joaquin River upstream of the existing Friant Dam, was defunded and is effectively canceled.

With less water from the aqueducts, less water from the aquifers, and no new water supply projects, farmers in the San Joaquin Valley now face losing up to 20 percent of their 4.5 million acres of irrigated farmland.

The passage of SGMA was necessary, even if implementation [has been challenging](#). The estimated deficit per year in the San Joaquin Valley between aquifer withdrawals and aquifer recharge was

averaging nearly 2 million acre-feet per year. But the justification for regulations that lowered water deliveries in order to leave more water in the rivers to help the fish is not beyond debate. Along with maintaining flows, other variables that decisively affect fish survival include habitat restoration, control of alien predators, hatchery expansion and innovation, and upgraded treatment of wastewater discharges. Is that entirety of causes being addressed?

The State Water Resources Control Board (SWRCB) is currently updating the “[Water Quality Control Plan](#) for the San Francisco Bay / Sacramento-San Joaquin Delta Watershed.” [Hearings for public comment](#) are being held and a final version should be released early in 2025. The impact of the update hinges on which of two options are chosen by the SWRCB; the “voluntary agreements,” or the “unimpaired flows.” The former, painstakingly negotiated with valley water districts, incorporates commitments to working on all variables affecting fish survival, with mandatory flows into and through the delta agreed upon and flexible depending on how successful the overall efforts are in protecting threatened species. The latter, with strong support within some segments of the state water bureaucracies, mandates a percentage of river flow to run unimpaired into the delta regardless of whether or not that is making a positive difference in species survival.

Sources familiar with the Bay-Delta Plan claim that the difference between implementing the “voluntary agreements” option versus implementing the “unimpaired flows” option is about one million acre-feet of water per year. They also are careful to clarify that there was nothing “voluntary” about the so-called voluntary agreements, but believe that option will not only result in far more water left available for the valley’s farms and cities, but will also incentivize a more comprehensive strategy to protect threatened species and preserve and restore aquatic habitat.

Continue reading [here](#).

## California Milk Advisory Board Meeting December 11-12 in Huntington Beach

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

The California Milk Advisory Board (CMAB) will host its next Board of Directors Meeting on:



**Wednesday, December 11, 2024 – 7:30 a.m.**  
**Thursday, December 12, 2024 – 8 a.m.**

Hyatt Regency  
21500 Pacific Coast Highway  
Huntington Beach, CA

The CMAB Board meeting is open to any California dairy producer. If interested in attending, please RSVP to Tracy Garza at [tgazra@cmab.net](mailto:tgazra@cmab.net) or 209-690-8252.

# HPAI Disaster Assistance for Dairies

Courtesy of the USDA Farm Service Agency

*Note from Kevin Abernathy: Producers with confirmed cases of HPAI are eligible for disaster assistance through USDA's Farm Service Agency (FSA). Producers with an existing relationship with their county FSA staff can reach out to them to start the process of applying. If you do not have an existing relationship, please contact me and I will put you in touch with the appropriate county representative. More information is available [here](#).*



## DISASTER ASSISTANCE - DAIRY

### ELAP - Highly Pathogenic Avian Influenza (H5N1)

Emergency Assistance for Livestock, Honeybees and Farm-Raised Fish Program

#### Overview

Authorized by the 2018 Farm Bill, the Emergency Assistance for Livestock, Honeybees and Farm-Raised Fish Program (ELAP). ELAP provides emergency assistance to eligible producers of livestock, honeybees and farm-raised fish. The program covers losses due to an eligible adverse weather or other qualifying loss condition. ELAP is administered by the USDA's Farm Service Agency (FSA).

Effective for the 2024 program year, FSA has updated ELAP eligibility regulations to include:

- Milk losses due to the Highly Pathogenic Avian Influenza (HPAI) H5N1 virus in dairy herds with H5N1 Infection supported by at least one positive test confirmed by USDA Animal & Plant Health Inspection Service (APHIS) at National Veterinary Services Laboratory (NVSL).
- Eligible producers must have had reduced milk production as a result of removal of adult dairy cows from the milking herd due to H5N1 infection.

#### Applying for Assistance

Producers can apply to receive ELAP assistance at local FSA service centers. For 2024 program year losses, the application period will end Jan. 30, 2025.

To apply, producers need to submit the following to FSA:

- Proof of herd infection through a confirmed positive H5N1 test (based on USDA's APHIS H5N1 case definition) on individual animal or bulk tank samples confirmed by APHIS at NVSL;
- A notice of loss indicating the date when the loss is apparent, which is the sample collection date for the positive H5N1 test; and
- An application for payment certifying the number of eligible adult dairy cows removed from production, the month the cows were removed from production, and the producer's share in the milk production.

The final date to file a notice of loss and application for payment for eligible losses is 30 days after the end of the prior calendar year, which is January 30.



#### Eligibility

ELAP eligible losses must be the direct result of H5N1 and must include a confirmed positive H5N1 test from APHIS at NVSL.

**Eligible producers** must provide:

- A positive H5N1 test at the time the application for payment is filed; and
- Current and prior year milk production records and herd inventory records if requested by FSA, in addition to any other records necessary to substantiate the information provided on the producer's application, including the number of eligible adult dairy cows and producer's share of the milk production.

**Eligible adult dairy cattle** must be:

- Part of a herd that has a confirmed positive H5N1 test from APHIS at NVSL;
- Initially removed from commercial milk production during the 14-day time period prior to the sample collection date for the positive H5N1 test date through 120 days after the sample collection date for the positive H5N1 test.
- Milk-producing, currently lactating; and
- Maintained for commercial milk on the beginning date of the eligible loss condition.

## USDA Announces Implementation of New H5N1 Testing

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

Earlier this afternoon, the Agriculture Department [released more details](#) about the highly-pathogenic avian influenza (HPAI) bulk tank and silo testing program that's been under development for months and will commence next week. NMPF staff continues to work with USDA, FDA and state milk regulators on the implementation process for this mandatory nationwide milk testing program for the H5N1 virus in dairy cattle.

Testing under what's being called the National Milk Testing Strategy will begin immediately in six states: California, Colorado, Michigan, Mississippi, Oregon and Pennsylvania. The plan is to expand the testing to all 48 states within the next few weeks. Note that Michigan, Colorado and Pennsylvania already have implemented testing programs.

USDA will immediately begin testing of milk silos at dairy processing facilities. This national sample will allow USDA to identify where the disease is present, monitor trends, and help states identify potentially affected herds. Importantly, the locations of processors and silos will not be recorded for the purposes of HPAI monitoring. Any communication about the results of silo monitoring will be reviewed by USDA and shared with the National Conference on Interstate Milk Shipments (NCIMS), and the FDA prior to public release. USDA will cooperate with states and producers to provide the maximum protection provided by law for this information.

Building on the results of silo monitoring, in collaboration with states, USDA will also start bulk tank sampling programs that will identify herds that are affected with H5N1. Positive results will result in a series of further biosecurity actions, until ongoing testing no longer detects the virus in a given state.

Secretary Vilsack told stakeholders today that the department is also shepherding the development of seven potential HPAI vaccine candidates, with study results expected in the next few months.