MPC WEEKLY FRIDAY REPORT

DATE: JANUARY 17, 2025
TO: DIRECTORS & MEMBERS
FROM: KEVIN ABERNATHY, GENERAL MANAGER
PAGES: 7

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MPC FRIDAY MARKET UPDATE

CHICAGO CHEDDAR CHEESE		
Blocks	+ $.0700	$1.8900
Barrels	+ $.0400	$1.8900
WEEKLY AVERAGE CHEDDAR CHEESE		
Blocks	- $.0150	$1.8825
Barrels	+ $.0085	$1.8740

CHICAGO AA BUTTER			
WEEKLY CHANGE		- $.0700	$2.5300
WEEKLY AVERAGE		- $.0260	$2.5640
DRY WHEY			
DAIRY MARKET NEWS	W/E 01/17/25	$.7350	
NATIONAL PLANTS	W/E 01/11/25	$.7084	

NON-FAT DRY MILK		
WEEK ENDING 01/11/25		
NAT'L PLANTS	$1.3913	13,438,195
LAST WEEK ENDING 01/04/25		
NAT'L PLANTS	$1.4020	8,358,985

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
JAN 16 EST	No Change	$21.64	$20.30	$20.96
LAST WEEK	$21.98 - $22.48	$21.71	$20.42	$20.98

DECEMBER 2024 CA FMMO STATISTICAL UNIFORM PRICE ANNOUNCEMENT

DEC '24 FINAL	CLASS I	CLASS II	CLASS III	CLASS IV	STATISTICAL UNIFORM PRICE (BLENDED PRICE)	NET PRICE AFTER QUOTA ASSESSMENT*
MINIMUM CLASS PRICE	$23.03 | TULARE $23.53 | L.A.	$21.28	$18.62	$20.74	$19.49 | TULARE $19.99 | L.A.	$19.142 | TULARE $19.642 | L.A.
PERCENT POOLED MILK	23.3%	5.3%	68.9%	2.5%	100% (1.77 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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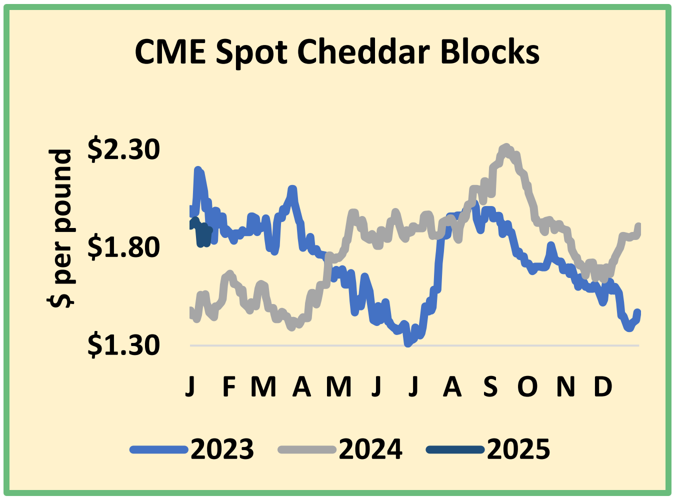
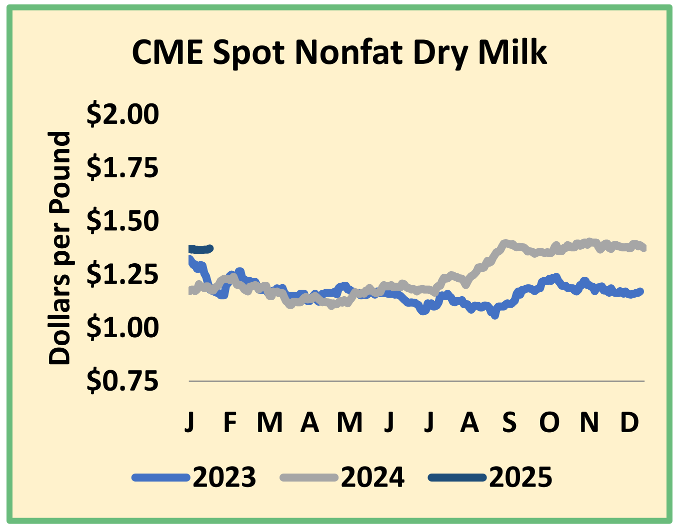
Milk & Dairy Markets

The cheese markets are searching for direction. In the rearview mirror, booming exports and a steep drop in U.S. cheese stocks argue for higher prices. On the horizon, a potential trade war, a strong dollar, and shiny new cheese plants have set the stage for a setback. Product from the new



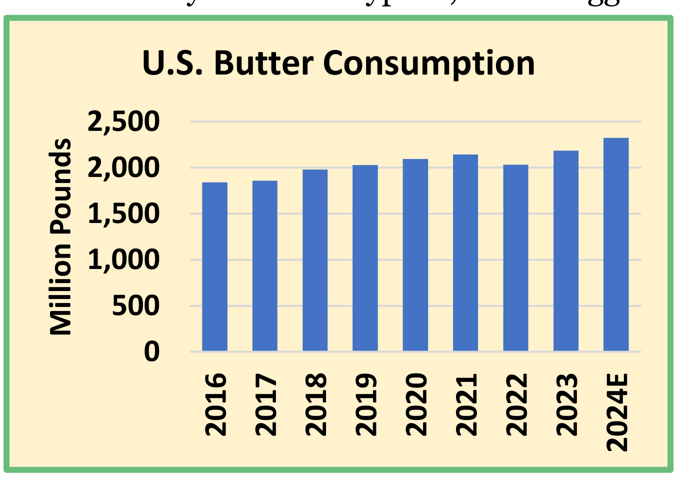
Kansas plant is starting to hit the market in size, and a mozzarella manufacturer in Lubbock, Texas, took in its first loads of milk on Wednesday. But milk remains snug, which suggests that other cheese makers might not be filling their vats as often as they did in the era of steep spot milk discounts. The spot market reflects uncertainty as the market transitions from tight supplies to the possibility that output will overwhelm demand. Earlier this month, CME spot Cheddar blocks jumped to a three-month high at $1.94 per pound. By last Friday, they'd fallen to $1.82. They opened on Monday near the recent high at $1.91, only to plunge to $1.8225 by midweek. They closed today at $1.89, near the high end of the recent trading range and up 7¢ for the week. Barrels followed a less circuitous route to the same $1.89 value, up 4¢ since last Friday.



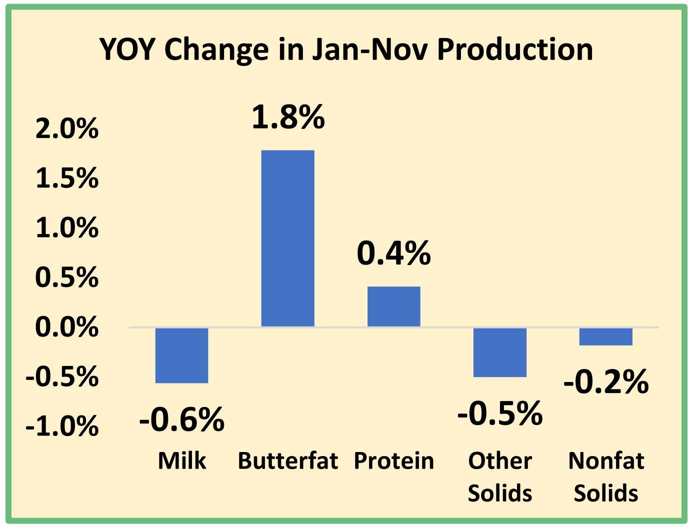
Whey prices remain stable as new year's resolutions and GLP-1s prop up demand for protein. CME spot whey slipped 0.25¢ this week to 73.75¢.

Milk powder values are also quite steady. CME spot nonfat dry milk (NDM) rebounded 0.75¢ to $1.3725. Dryers are running slow thanks to the tight milk market and the lingering downturn in California milk output. Demand has fallen step-for-step with production.

Butter prices caved under the weight of a heavy cream market. CME spot butter fell 7¢ this week to a one-month low at $2.53. In uncharacteristically descriptive prose, USDA's *Dairy Market News* reports, "Drivers are hustling all over the East region with trucks brimming with cream." The agency also notes that churns are running hard because they are "teeming with affordable cream." Milk may be tight, but high butterfat components assure that milkfat is not. Some butter makers are building stocks much earlier in the year than is typical, which suggests that we will have plenty on hand for the holiday baking season. But demand is formidable. Americans consumed – or at least purchased – 241 million pounds of butter in November, 22% more than in November 2023 and the highest domestic demand ever.



Red ink in the butter market dragged most Class IV contracts lower. The February through April futures fell 45¢ this week to around $20.60 per cwt. But the May contract bucked the trend, posting steep gains on Thursday. Similarly, May Class III futures climbed 27¢ this week to $19.58. Most other Class III contracts finished roughly a dime lower.



May milk prices rallied after USDA announced that at least two-thirds of dairy producers representing at least two-thirds of regional milk production voted in favor of federal milk marketing order reforms in all 11 orders. The agency announced that four of the five proposed changes will take effect June 1, while increases in component levels in skim milk pricing formulas will be implemented December 1. Ahead of USDA's announcement, most of the trade surmised that changes would start to impact milk pricing formulas in either May or June. The fact that May futures began swimming upstream after a May start was off the table implies that dairy traders believe that higher make allowances and other reforms will drop minimum pay prices by around 30¢ per cwt. However, that will not result in a penny-for-penny decline in milk revenues thanks to official recognition of higher standardized components. And producers in the Southeast can expect much higher pay prices due to changes in Class I differentials that reward milk production in regions where milk is tight and bottling demand is high.

Disease pressure continues to upend the dairy industry. Dairy producers in Germany were alarmed to learn that foot and mouth disease (FMD) killed three water buffalo in Brandenburg, outside Berlin. German officials quickly euthanized the other 11 buffaloes in the herd, along with all cloven-hoofed animals within one kilometer. For 90 days, Germany will not be able to issue veterinary certificates assuring the safety of meat and dairy for export. Such certificates are not required for exports within the EU-27, and, under the bloc's regionalization policy, even meat and dairy products from outside Brandenburg could move across the border. However, many European importers could eschew German products until they are confident the virus has been eradicated. A German farming cooperative estimates that even these minimal bans will cost German agriculture around €1 billion.

Until last week, there had not been a case of FMD in Europe since 2011. Anxiety about the unexplained infection is rippling well beyond Germany. The Netherlands determined that 125 Dutch farms had recently imported dairy calves from Brandenburg. France and Poland are stepping up livestock tracking protocols. Like their peers across the Atlantic, many European dairy producers raise young stock offsite and then move them to milk parlors at maturity. Temporary disruptions in cattle movement may not cut deeply into European milk output, but they won't make it easier to make milk on a continent already struggling with other disease pressures, onerous regulations, and underinvestment.

Grain Markets

Corn prices just kept climbing this week as the trade came to grips with the reality of a smaller crop. March corn jumped another 13¢ to $4.85 per bushel. March soybeans added a dime and reached $10.35. Once again, soybean meal futures dropped. This week they lost another $1 and closed at $297.40 per ton.

USDA Announces June 1 Implementation of New FMMO Formulas

By Geoff Vanden Heuvel, Director of Regulatory and Economic Affairs
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It took more than two years, but the update of the Federal Milk Marketing Order (FMMO) formulas is going to be implemented on June 1, 2025. A referendum of producers in the 11 FMMOs took place in December. The votes were tabulated by USDA and the changes were approved in all orders. Two important things to remember about the referendum; first, the vote is between the new order and NO order, not between the the new order and the old order. Second, cooperatives can (and mostly do) vote on behalf of all of their members. Given the huge percentage of production in the orders that is under cooperative control, there are not that many votes to count.

The main changes to the formulas will be:

Increases in the make allowances in the Class III and Class IV formulas, which will decrease the Class III formula price by about 90 cents per cwt. and the Class IV price by about 85 cents per cwt.

The Class III formula will now be based entirely on the national average 40# block cheddar price instead of a combination of the block and cheddar barrel price.

The Class I price will now be based on the "higher of" either the Class III formula price or the Class IV formula price instead of the current "average of." However, Extended Shelf Life milk will have an "average of" mover that will be adjusted over time to pay out what the "higher of" formula produces.

Class I differentials, which is the value per cwt. that is added to the monthly base price for fluid milk, are going up by between 60-70 cents per cwt. in California.

On December 1, 2025, the announced Class III and IV prices will be calculated based on more pounds of protein and other solids in standardized milk. This will not change the per pound prices for protein, other solids, and solids nonfat in the Class III and IV formulas, but it will change the announced Class III and IV cwt. prices because each cwt. will contain more pounds of protein and other solids than they do currently. This increase in the announced prices will impact Class I because that price is indexed to the announced cwt. values for Class III and IV.

Bottom line: Announced Class III and IV as well as Class II milk prices for June 2025 be lower than they would have been under the current formulas, and Class I prices will be higher. But who knows what will happen to the underlying prices for block cheese, butter, dry whey and nonfat dry milk upon which all these formulas depend. The formulas had not been changed since 2008 and an update was due. The FMMO system provides the essential framework for balancing market power between producers who have to sell milk every day and processors who do not have to buy every day. The government is the referee. They have done their best to take everyone's point of view into consideration. Ultimately it is the market that determines milk prices.

Delta Smelt Fire Drill

By Geoff Vanden Heuvel, Director of Regulatory and Economic Affairs
Geoff@MilkProducers.org

The devastating fires in Los Angeles County, fairly or unfairly, have put a spotlight on California water policy. This attention has a constructive side in as much as folks are paying closer attention to California water management decisions.

It's complicated, but this week the massive pumps that move northern California water out of the Delta into the aqueducts for conveyance to the people and farms in central and southern California were throttled back because of increased turbidity in the Delta caused by some high winds that stirred the water up. Apparently, endangered Delta smelt like turbid water, and when turbid water shows up in the Delta, it is assumed that the smelt are attracted to it, and so the rules require the pumps to throttle back to keep the turbid water away, theoretically preventing the smelt from getting too close to the pumps. This rule has existed for about 15 years, and the newest version of the rule adopted last month shortens the time the pumps need to be throttled back from a minimum of five days to a minimum of two days, therefore reducing the loss of water from this action. The Newsom administration put out a press release this week touting this improvement, which you can read here.

It is true that losing less water is better than losing more water, but the question is does this turbidity restriction have any material impact on the endangered Delta smelt at all? There is increasing scientific evidence that there are few, if any, native Delta smelt still in existence. There is a program to grow Delta smelt in a hatchery and release them into the Delta, but recent water surveys have found zero Delta smelt for a number of years now. This reality begs the question about why we are continuing regulations that reduce water supply, but clearly have not worked to save the Delta smelt. The increased public scrutiny of this issue is long overdue.

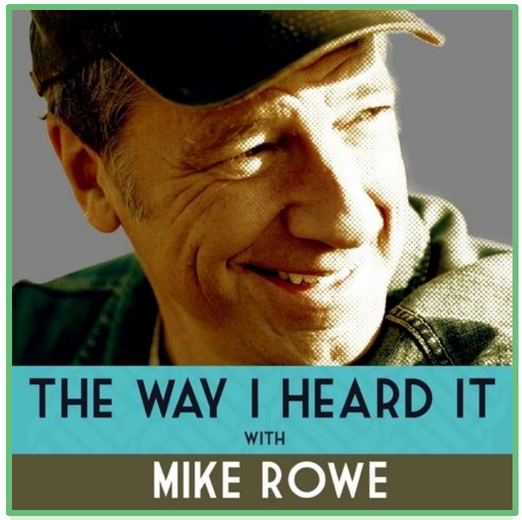
The Water Blueprint for the San Joaquin Valley issued a statement yesterday calling for the State and Federal governments to avoid water supply cuts that provide uncertain short-term benefits in favor of a long-term solution for the endangered Delta smelt.

It was reported that by Friday, January 17, the water cleared up and the pumps have resumed normal operations.

The Fire Next Time

Courtesy of Edward Ring, Director of Water and Energy Policy
California Policy Center

Given our mission to review and recommend water and energy policies and projects, it would be negligent to ignore the horrific firestorms that have torn through Los Angeles County. And before beginning, we must acknowledge that no amount of preparation can entirely prevent tragic outcomes when 100 MPH winds turn the urban canyons of Southern California into a blast furnace. But here are some ideas local elected officials and other individuals in positions of local and regional influence may consider to make their neighborhoods and cities better prepared for the fire next time.



Ed Ring was featured on Mike Rowe's podcast this week, where he discussed the southern California wildfires.

Listen here.

1 – Contact state legislators and urge them to support legislation that streamlines the approval process for projects that deliver more water, and to repeal legislation that deters investment in more water infrastructure. In particular, urge state legislators to either repeal the California Environmental Quality Act (CEQA) altogether, or at the least, take away the right of 3rd party private attorneys to file lawsuits pursuant to CEQA.

2 – Urge legislators to repeal SB 1157 and related legislation that enforces permanent water rationing on California's households and businesses. It's bad enough that this intrusive law will squander an estimated $7 billion to save a scant 440,000 acre feet of water per year. But its ultimate impact will be to slow if not stop efforts by urban water districts to increase their supply capacity. And that is dangerous. Under countless disaster scenarios for which we may have no advance notice, stripping all surplus out of our capacity to store, treat, and distribute water can have devastating consequences.

3 – Work with local fire department officials to identify fire prone neighborhoods and adjacent open space and send crews in once per year to clear out overgrown fuel. The procedures to do this are well established; we just haven't done enough of it. Fast track the approval process (hours, not months) for applications to perform the work. To secure ample funds to do this, year after year, replace "permanent supportive housing" programs with cost-effective congregate shelters. That should free up millions, if not billions. Then use all available tools and techniques to reduce overgrown vegetation – goats and other grazing animals, prescribed burns, and mechanical thinning.

4 - Bury the power lines. All of them. Everywhere. Secure state and federal funds to help pay for it.

5 – Revise building codes to improve the many standards that already exist to protect homes against wildfires. Eliminate combustible exteriors, install windows with tempered glass, require fire resistive roof underlayment, non-combustible fences and decks, closed attics, or attics with ember-resistant vents that are sprayed with fire retardant interior coating. And so on.

6 – Encourage private residential pool construction with the condition that they include, as one well prepared homeowner recommends, "a 3–inch suction line in the deep end with a standpipe at the street to allow firefighters a guaranteed source of water."

Continue reading here.

USDA Reminds Livestock Producers of Disaster Assistance Application Deadline for 2024 Losses

Courtesy of USDA Farm Service Agency

Dairy Producers with Milk Loss Due to H5N1 are Eligible to Apply Before January 30, 2025, Deadline.

The U.S. Department of Agriculture's (USDA) Farm Service Agency (FSA) reminds producers, including **dairy producers** impacted by H5N1, that the deadline to apply for financial assistance through the Emergency Assistance for Livestock, Honeybees and Farm-raised Fish Program (ELAP) is **January 30, 2025**, for losses due to specific adverse conditions that occurred in 2024.

Dairy H5N1 Eligibility

Dairy producers are reminded eligible adult dairy cattle under this new H5N1 provision of ELAP must be maintained for commercial milk production and be currently lactating. Assistance is available for up to 120 days after the sample collection date for the positive H5N1 test. Producers submitting an application for assistance under this provision, if their 120-day impact period starts in 2024 and extends into 2025, will need to submit a notice of loss and application for payment by January 30, 2025, for the days impacted in 2024, and then submit a notice of loss and application for payment for the remainder of the 120 days that occur in 2025.

For more ELAP information, visit ELAP for H5N1-impacted dairies.

House Members to Reintroduce Whole Milk Legislation

Courtesy of Gregg Doud, President & CEO
National Milk Producers Federation

To bolster our continuing campaign to increase the range of milk options available to school children, House Agriculture Committee Chairman Rep. GT Thompson (R-PA) and Rep. Kim Schrier (D-WA) will reintroduce next week their bipartisan Whole Milk for Healthy Kids Act, which passed the House in December 2023 by an overwhelming vote of 330-99. Senators Roger Marshall (R-KS) and Peter Welch (D-VT) are reintroducing companion legislation in the Senate as well.

NMPF has already begun reaching out to past supporters of the bill in the last session of Congress, seeking their backing for the new version of the legislation. This bill would expand the milk options schools can choose to serve in federal school meal programs to include reduced fat (2%) and whole milk, in addition to the skim and low-fat (1%) varieties currently allowed. The scientific report issued by the 2025 Dietary Guidelines Advisory Committee states that only 12 percent of all individuals are meeting or exceeding recommended amounts of dairy consumption.