

Heavy Rains Hurt Global Output

Dairy producers in Australia, New Zealand, and California likely agree that recent rainfall could qualify as too much of a good thing. Changing climate has caused intermittent bouts of longer-term persistent drought in these regions, making rain always



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welcome, but record rainfall in recent weeks and months damaged infrastructure, soaked and flooded pastures, and left dry-lot dairies mud bogs, and in some cases lakes. Most of the producers in these regions have stopped short of criticizing the weather because reservoirs are recovering from record-low levels, and drought conditions are abating. However, most also expect the recent rains to slow milk production in the short term as farms deal with higher rates of mastitis, dysentery, overcrowded paddocks, and damaged feed.

California rains affected dairy counties in the northern Central Valley more so than in the counties stretching from Modesto to Visalia. The storms produced an astounding amount of rain. Since the beginning of the year, Modesto has received nearly 5.2 inches of rain, Merced and Clovis more than 6 inches, and Fresno over 4.6 inches, whereas Davis received nearly 9 inches of rain from the storms and rainfall for areas around San Francisco was almost double that. In a typical rain season from October to September, the Fresno area will receive an average of 10.99 inches of rain, making 11.09 inches of season-to-date rainfall remarkable and well ahead of 2021-22's seasonal rainfall of 6.06 inches. This rain will help restore pasturelands and reduce alfalfa use. In recent years, alfalfa use increased as drought depleted grazing lands. While revived pasturelands could help dairy producers, rain has made movement of feed, including alfalfa, more complex. High winds, downed power lines

that resulted in power outages, and flooded roadways complicated milk pick-up and delivery. In addition, muddy, wet conditions can lead to dysentery and mastitis flare ups and create problems for overloaded dairy lagoons. It will take time to repair and replace infrastructure.

As news of damage caused by the atmospheric rivers worsened, spot and futures markets moved modestly

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Ken's Corner



*by Ken Meyers
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Extreme weather, or at least more of it, appears to be the norm. According to NASA, 2022 was the fifth warmest year on record. Global temperatures last year were 1.6° F. above the average NASA baseline period from 1951 to 1980. A few years earlier, the 12 months ending in April 2019 were the wettest 12-month period in the United States since recordkeeping began in 1895. The average rainfall of 36.2 inches during that period broke the previous 12-month rainfall record of 35.78 inches set between April 2015 and March 2016.

When much of the country was getting drenched, the West was battling a megadrought that continues to grip the region today. In 2021, one of the driest years on record, scientists declared the then 22-year-long megadrought in the American West the worst in 1,200 years. Today, California remains under two simultaneous states of emergency, one for flooding and one for drought.

Going forward, producers and processors who expect and prepare for extremes in weather are likely to do better than those who don't. Likewise, the countries that expect and plan for weather-related emergencies also will be better positioned to feed the world by keeping both agricultural production flowing and supply chains moving. **MCT**

First Month of 2023 Ends Undecided

Dairy markets gyrated wildly as the International Dairy Foods Association's Dairy Forum was in full swing in

late January. While meeting participants were mostly optimistic about long-term growth prospects for U.S.

dairy, some warned that over the short-term, prices could be poised to move lower. That's because slackening demand has collided with an expanding milk supply, but the milk supply has started to show signs of slowing. As a result, markets in late January were left to sort through mixed data, which resulted in larger-than-expected swings as the first month of the year came to a close. **MCT**

MCT Forecast

	Block*	Barrel*	Class III	Butter*	Class IV	Whey**	NFDM**
Jan	1.9925	1.7000	18.17	2.3775	19.88	0.4375	1.3875
Feb	1.7950	1.5975	16.54	2.2525	18.47	0.4150	1.2850
Mar	1.8000	1.6275	16.67	2.2075	17.38	0.4100	1.1800
Apr	1.8375	1.6725	16.95	2.2425	17.59	0.3900	1.1875
May	1.9175	1.8325	17.98	2.2025	17.58	0.3700	1.2050
Jun	1.9475	1.8825	18.31	2.3300	18.44	0.3500	1.2425

* CME prices.

**NASS prices.

...rain and clouds also slow pasture growth

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higher. Even before the storms hit, production in California was starting to slow, with year-over-year December output up only 0.3%. Some Golden State dairy producers said daily milk production fell during the storm, while others said the cool, wet weather lifted milk components, leaving market participants to ponder the mixed signals. Given that most of California's milk comes from counties only moderately affected by the storms, it seems likely that January milk production will not be as severely impacted as markets originally forecast when the storms were occurring. Longer term, ample rain and snowpack will help recharge depleted reservoirs, but few expect California water districts to increase water for irrigation because years with above-average rainfall are now fewer and farther apart than they were just decades ago.

Australia and New Zealand also received significant rainfall in late spring and early summer, slowing milk production in Oceania. While New Zealand's South Island received below-average rainfall, a massive amount of rain once again fell on the North Island, leaving pastures waterlogged and infrastructure

damaged. According to one report, Auckland has had only 28% of its usual sunlight for this time of year, and insufficient sunlight slows pasture growth. Soggy pastures, in turn, become damaged the longer cows are left on them. Recent rains in Australia left some dairies underwater, and a burst levy turned one dairy into a lake. After three years of La Niña, saturated soils in eastern Australia have struggled to absorb water, but La Niña has started to weaken and could end by June.

At the other end of the extreme, a massive European drought hampered milk production from Portugal to Italy last summer, and the Alps hardly received any snowfall this winter until a significant snowstorm arrived on January 15. Snowfall over the next 10 weeks, however, will be critical to ensure adequate water for agriculture this summer.

As with other commodities, climate will continue to impact global dairy production as farmers struggle with too much heat, cold, rain, drought, and everything in between. Going forward, extreme weather will increase volatility in dairy markets, but for now, slower global demand and ample milk supplies have mitigated weather-related declines in milk production. **MCT**



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