October 26, 2023

MCT DAIRIES est. 1983

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Sustainability Tough to Measure

Sustainability was one of the top subjects discussed at the International Dairy Federation's World Dairy Summit (WDS), which was recently held in the United States for the first time in 30 years. Over the next six years, the global dairy industry must make strides toward 2030 carbon-neutral commitments. Consensus exists that something needs to be done, but how to do it, how to measure it, and how to value it will be far more challenging. While the details still need to be worked out, they will influence where milk is produced and how it is produced, and they will extend through and impact the global dairy supply chain.

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A speaker from Dairy Farmers of America suggested using a 40-35-25 rule that the cooperative along with a cadre of other cooperatives and businesses use that work in countries like Tanzania to help provide best practices for expanding milk production and processing in these markets. The rule assumes that 40% of sustainability goals can be met by implementing best practices more effectively and frequently, 35% can be completed by introducing technology like digesters at the farm level, and finally, 25% will be addressed by future technologies that may or may not be available to the market today.

While the targets appear reasonable, a panelist from the Dairy Companies Association of New Zealand (DCANZ) noted that measuring and valuing these targets are more challenging. For instance, New Zealand's government legislated a cap-and-trade scheme to address the nation's Paris Climate Accord goals, but even that hasn't proven easy to implement. Aside from greenhouse gas (GHG) capture using technologies like digesters, how small dairies will be able to demonstrate sustainability using practices like cover crops, reforestation, and similar activities remains uncertain.

Some processors and farms are looking closely at transportation, from farm to plant and plant to customer, as an opportunity to reduce GHG emissions. Last

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Ken's Corner

by Ken Meyers
President, MCT Dairies Inc.

Global food production accounts for more than 25% of GHG emissions, and 54% of consumers in a 2023 Kearney survey say food manufacturers should be driving faster adoption of environmentally friendly food options.

European consumers consider the climate impact of food and beverages important when making purchasing decisions, yet most find it difficult to know which foods are actually climate friendly. A new study by Yara International shows that 76% of Europeans would like a food product's carbon footprint clearly visible on its label.

Even amid rising food prices, a growing number of consumers are making sustainable choices when buying food. According to the Kearney survey, a record 42% always or nearly always consider the environmental impact when buying food, up from 24% last year. Taste and cost are more important than the environment when making purchasing decisions, but cost is becoming less of a barrier, with 46% of consumers saying sustainable food products are too expensive, down from 50% a year earlier.

Clearly, consumers want transparency when making purchasing decisions, and they expect quality sustainable products for a reasonable cost. Companies that can provide that going forward will likely gain the competitive edge as the industry inches closer to carbon neurtality. **MCT**

Holiday Sales Could be Ho Hum

Given the geopolitical climate, market sentiment is somewhat bearish in terms of demand prospects for the pending holiday season and the beginning of next year. Cheese markets remain under pressure, with reports that cheese is unusually plentiful. Higher butter prices are finally taking a toll on cream demand, and cream moving to churns has picked up. Nonfat dry milk and whey appear to be the only products that have been able to shake off the doldrums as price expectations for these products lift into this year's final months. **MCT**

MCT Forecast

	Block*	Barrel*	Class III	Butter*	Class IV	Whey**	NFDM**
Oct	1.7300	1.6425	16.35	3.3650	22.08	0.3175	1.1575
Nov	1.7600	1.6800	16.59	2.9025	20.51	0.3350	1.2025
Dec	1.7325	1.6550	16.38	2.7350	19.97	0.3550	1.2225
Jan	1.7075	1.5400	15.70	2.5000	19.19	0.3725	1.2475
Feb	1.6875	1.5325	15.57	2.4275	18.96	0.3775	1.2550
Mar	1.7100	1.6400	16.26	2.4375	19.06	0.3875	1.2650

** CME prices.*
***NASS prices.*

...carbon leakage one of the biggest challenges

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year, Fonterra launched Milk-E, or milk trucks that run on batteries. Fair Oaks Farms is experimenting with methane-fueled trucks in the United States to power 42 daily runs from farm to plant. That change "displaced more than 1.5 million gallons of diesel per year," according to Agproud. Other farms use methane digesters to generate electricity and then sell it to the grid to power surrounding homes and businesses. During his WDS keynote speech, Secretary of Agriculture Tom Vilsack noted that USDA has provided $3 billion in funding for projects that help U.S. producers invest in digesters and similar technology.

Two of the biggest challenges are carbon leakage and managing the expectations of businesses and end-users. For instance, data from USDA's Foreign Agricultural Service's *Dairy: World Markets and Trade* report released in July, suggests that the 9.415 million dairy cows in the United States will produce an estimated 103.6 million metric tons (228 billion pounds) of milk this year. That equates to approximately 24,258 lbs. per cow annually. While some U.S. dairies certainly produce below that average, even they compare positively to the EU-27's 15,794 lbs. and China's 13,095 lbs. per cow. Average output per cow in the EU-27 and China is substantially higher than it is in other top-producing dairy countries, such as India at 3,596 lbs. and Brazil at 3,165 lbs. per cow. Certainly, opportunities exist to increase output per cow to reduce GHG emissions per pound of U.S. milk produced, but shifting output to other regions could cause leakage, meaning more GHGs would be emitted to produce additional milk because output-per-cow in these regions is less than it is on most U.S. dairy farms.

While the time to implement sustainability policies is close, the global dairy industry still has plenty of work to do. The approaches and methodologies used around the world vary as much as the global industry itself. Some climate-smart agricultural products lend themselves to easy measurement, but others are much more difficult to measure. In all cases, it will be necessary for the industry to address carbon neutrality because the majority of consumers have said that environmental practices influence their purchasing decisions—a figure that climbs every year. **MCT**

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