

# MPC WEEKLY FRIDAY REPORT

DATE: SEPTEMBER 16, 2022  
 TO: DIRECTORS & MEMBERS  
 FROM: KEVIN ABERNATHY, GENERAL MANAGER  
 PAGES: 7



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## MPC FRIDAY MARKET UPDATE

<b>CHICAGO CHEDDAR CHEESE</b>		<b>CHICAGO AA BUTTER</b>		<b>NON-FAT DRY MILK</b>	
Blocks	+ \$.1425	\$2.0600	WEEKLY CHANGE	-.0375	\$3.1325
Barrels	+ \$.1575	\$2.0900	WEEKLY AVERAGE	+.0382	\$3.1845
<b>WEEKLY AVERAGE CHEDDAR CHEESE</b>		<b>DRY WHEY</b>		<b>WEEK ENDING 09/10/22</b>	
Blocks	+ \$.1821	\$2.0265	DAIRY MARKET NEWS	W/E 09/16/22	\$5300
Barrels	+ \$.1322	\$2.0510	NATIONAL PLANTS	W/E 09/10/22	\$4895
				<b>LAST WEEK ENDING 09/03/22</b>	
				NAT'L PLANTS	\$1.5916 14,004,404
				NAT'L PLANTS	\$1.5933 25,419,136

## 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
SEPT 16 EST	\$25.22 - \$25.72	\$26.46	\$19.88	\$24.75
LAST WEEK	\$25.22 - \$25.72	\$26.62	\$19.79	\$24.50

## AUGUST 2022 CA FMMO STATISTICAL UNIFORM PRICE ANNOUNCEMENT

AUG '22 FINAL	CLASS I	CLASS II	CLASS III	CLASS IV	STATISTICAL UNIFORM PRICE (BLENDED PRICE)	NET PRICE AFTER QUOTA ASSESSMENT*
MINIMUM CLASS PRICE	\$26.73   TULARE \$27.23   L.A.	\$26.91	\$20.01	\$24.81	\$21.88   TULARE \$22.38   L.A.	\$21.606   TULARE \$22.106   L.A.
PERCENT POOLED MILK	21.8%	5.9%	69.7%	2.6%	100% (1.84 BILLION LBS. POOLED)	

\*QUOTA RATE OF \$0.274/CWT. AS OF AUGUST 2022 MILK



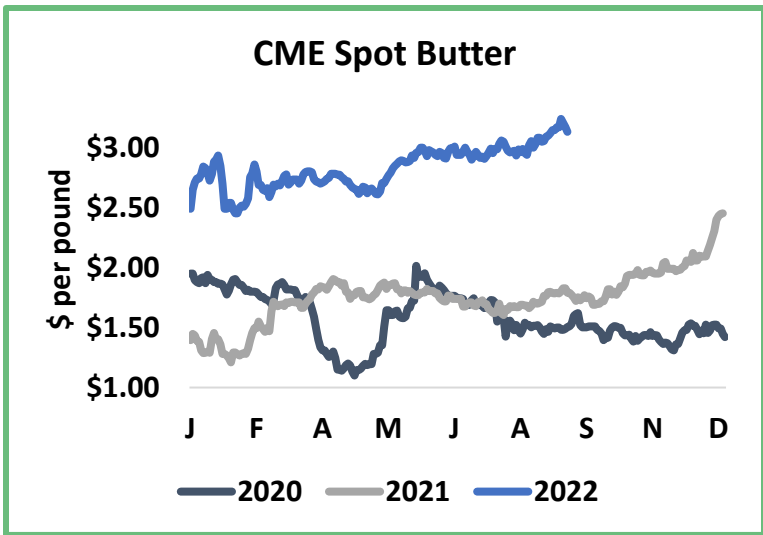
### Milk, Dairy and Grain Market Commentary

By Sarina Sharp, Daily Dairy Report

[Sarina@DailyDairyReport.com](mailto:Sarina@DailyDairyReport.com)

#### Milk & Dairy Markets

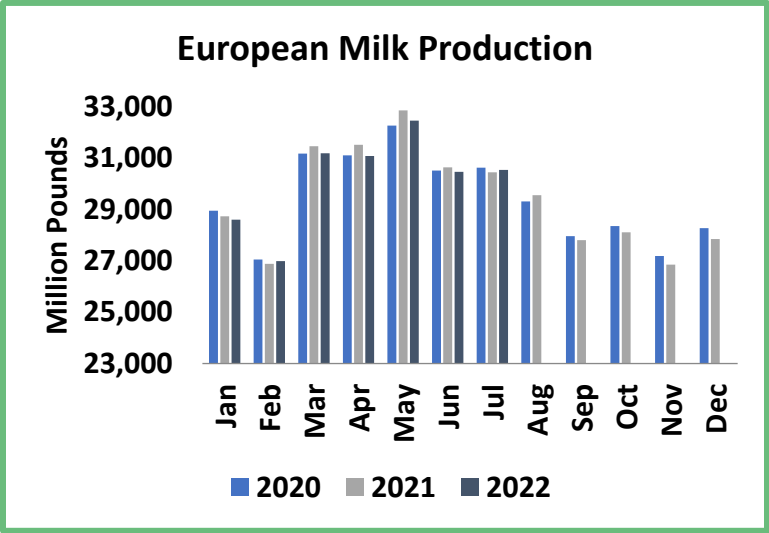
Butter conquered unexplored elevations this week, and it made the trek look easy. On Tuesday CME spot butter jumped 7¢ to \$3.24 per pound, a shockingly lofty price for a market that was \$1.79 a year ago. After a brief stay at the peak, butter journeyed back downhill, but not before it



logged the four highest trading sessions in history. Spot butter closed today at \$3.1325, down more than a dime from the Tuesday high and down 3.75¢ from last Friday.

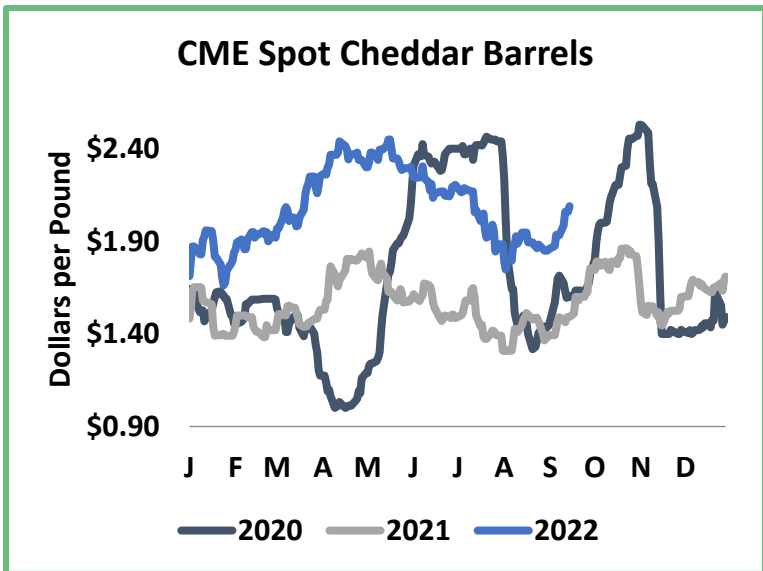
All the same factors that drove butter to these prices remain in play. Grocers are scrambling to secure enough product for the holiday baking season, and they will keep buying for another few weeks. Cream is expensive, and churn rates are low. But these high prices will likely cure themselves in the months to come. Sticker shock may reduce sales, and U.S. butter imports are already on the rise.

CME spot nonfat dry milk (NDM) slipped a half-cent this week to \$1.57. Despite the modest setback, U.S. milk powder prices remain near the high end of the recent trading range. But they're still low enough to attract foreign buyers. Exporters report more sales south of the border, and there is plenty of room for U.S. shipments to more far-flung destinations, thanks to slower sales from Europe. In July, European skim milk powder (SMP) exports fell 16% below year-ago volumes, and whole milk powder (WMP) shipments plunged almost 38%, worsening a long string of year-over-year shortfalls.



European milk collections did manage to top year-ago volumes in July. Milk output in the 25 reporting EU nations plus the United Kingdom totaled 30.54 billion pounds, up 0.3% from July 2021. Strong growth in the Netherlands (+3.5%) and Poland (+5.8%) drove the increase. Even so, the bloc's downtrend remains intact. European and British milk output has exceeded

the prior year just twice in the past 11 months, in February and July. Both times, the increase can be attributed to base effects, because European milk output was unusually soft in February and July 2021. In the first seven months of the year, Europe and the United Kingdom logged essentially no growth compared to the same period in 2020. Looking ahead, the bloc may be able to post additional year-over-year increases from time to time, but output is likely to grow more slowly than demand, which will continue to chip away at European dairy product exports.



The Class III products gained ground this week. CME spot dry whey advanced 0.25¢ to

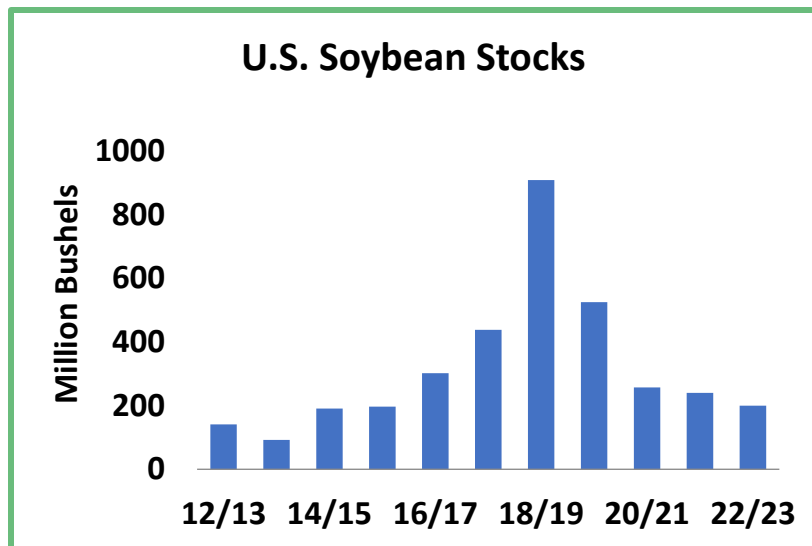
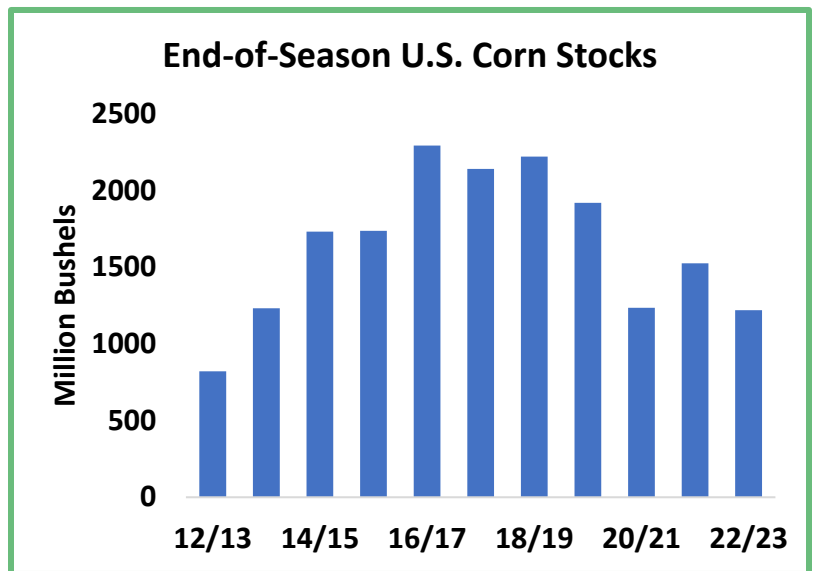
4¢. Whey production remains strong, but demand is starting to improve. The cheese markets vaulted higher again this week. Spot Cheddar blocks jumped 14.25¢ to \$2.06. Barrels did even better, leaping 15.75¢ to \$2.09. Like whey, cheese output remains strong, but demand has perked up. And inventories of fresh cheese available for sale at the spot market in Chicago appear to be tight.

Strength in the spot Cheddar market helped to lift nearby Class III futures. The September contract gained 9¢ this week and closed at \$19.88 per cwt. October Class III rallied 5¢ to \$21.45, the highest weekly close in two months. But deferred contracts moved a little lower, emphasizing that, while fresh cheese may be a little scarce, there is still plenty of cheese in cold storage.

Class IV futures were similarly mixed. September through November contracts posted double-digit gains, but futures around the turn of the dipped into the red. Class IV prices remain historically high, with September at \$24.75 and October at \$24.58.

**Grain Markets**

Feed costs remain high too. USDA’s latest assessment calls for a slightly smaller corn crop and a significantly smaller bean harvest than the August estimate. The agency now estimates the corn yield at 172.5 bushels per acre, which was in line with the trade’s expectations ahead of the report on Monday. But the trade did not expect USDA to make a big cut to its corn acreage estimates. The agency surprised the trade, trimming its harvested area projection by 1 million acres to a seven-year low at 80.8 million acres. That change pushed corn output just below 14 billion bushels, to a three-year low. End-of-season corn stocks are now expected to be only slightly larger than they were in the 2020-21 crop year, when cash corn prices reached \$8 in the summer of 2021. Grain traders have been pessimistic about the size of the corn crop ever since the ProFarmer crop tour, so this week’s report had little impact on the market. December corn futures closed today at \$6.7725 per bushel, down 7.75¢ from last Friday.



In contrast, USDA’s crop reports lit a fire under the soybean market. November soybeans jumped 36.25¢ this week to \$14.485. December soybean meal regained nearly all the ground it lost last week, climbing \$6.90 to \$421.70 per ton. USDA cut its estimate of soybean harvested area by 600,000 acres to 86.6 million acres. They also trimmed soybean yields unexpectedly, taking them down 1.4 bushels to 50.5 bushels per acre. The combination pushed end-of-season soybean stocks to a painfully tight 200 million bushels, a seven-year low.

## Tight Water Supplies Challenge California Dairies

By [Carol Ryan Dumas](#)  
[Capital Press](#)

Drought, groundwater depletion and regulation are all playing into water shortages for California's farmers and dairy producers.

California's Central Valley, where 85% to 95% of the state's milk is produced, has always depended on a combination of groundwater and surface water, said Geoff Vanden Heuvel, director of regulatory affairs for Milk Producers Council.

The water crisis is a combination of natural droughts and man-made droughts, he said during the latest "Dairy Defined" podcast.

"As overregulated as California is on everything, it never regulated its groundwater on a statewide basis," he said.

Then in the early 1990s, the Central Valley Project Improvement Project Act repurposed about a million acre-feet of the project's water shares to the environment and restoring some fisheries. About the same time, the Endangered Species Act resulted in more water going to the ocean and less water being diverted to agriculture, he said.

"The net effect of that was a couple of million acre-feet a year reduced surface water supplies coming to central and southern California," he said.

Connecting the dots, if surface supplies are reduced and groundwater isn't regulated, people pump more groundwater, he said.

Throw in some drought years, and groundwater resources become unsustainable. Something had to be done, and the state passed the Sustainable Groundwater Management Act in 2014, he said.

Any land that sits over groundwater had to be part of a Groundwater Sustainability Agency. Those agencies in critically overdrafted basins, which is most of the Central Valley, had to have a plan showing how the area was going to become sustainable by 2040, he said.

One thing about the water situation is it's very site specific, he said.

Continue reading [here](#).

A graphic for the NMPF Dairy Defined podcast. It features the NMPF logo (National Milk Producers Federation) at the top, which includes a stylized dome of the California State Capitol. Below the logo, the text "DAIRY DEFINED" is written in large, bold, white letters on a black background. Underneath the text is a green play button icon inside a circle. At the bottom of the graphic, there is a green box containing white text: "Hear Geoff Vanden Heuvel, MPC Director of Regulatory & Economic Affairs, on NMPF's Dairy Defined podcast. Listen or read a transcript [here](#)."



## Thank You to MPC's Associate Members!

By [Kevin Abernathy](#), MPC General Manager

On behalf of all of us at Milk Producers Council, we thank you for reading our Friday Report. Whether you are a dedicated weekly reader or view it on occasion at your leisure, we appreciate you being a loyal subscriber and trusting in MPC to bring you timely dairy news every week.

We also thank our hard-working dairy families, who dedicate their livelihoods to producing top-quality dairy products in the most efficient, economically sound, and sustainable way. Their persistence is admired by all and helps make what we do at MPC possible. We especially thank our Associate Members. Their investment in MPC allows us to work on behalf of our members and bring you these weekly reports.

If you are not yet an Associate Member, I strongly encourage you to consider signing up today. Committing as an Associate Member demonstrates your support of our organization and our grander mission of providing dairy farmers with the resources they need to stay up-to-date on local, state, and national issues and help make their jobs easier. If you are interested in becoming an Associate Member, please contact me at [Kevin@MilkProducers.org](mailto:Kevin@MilkProducers.org) or (209) 678-0666. You can also visit [MilkProducersCouncil.org](http://MilkProducersCouncil.org) to sign up online. Simply click on the Allied Industry Associate Membership Application, fill it out, and send it in. We will contact you once it has been received.



*Thank You*

### 2022 Milk Producers Council Associate Members

<i>Adsum SJV Inc.</i>	<i>Gordon Hay</i>
<i>A.L. Gilbert - Farmers Warehouse</i>	<i>Innovative Ag Services</i>
<i>California Bioenergy, LLC.</i>	<i>Jack &amp; Bea Moons</i>
<i>CALM Management</i>	<i>J&amp;D Star Dairy</i>
<i>Citizens Business Bank</i>	<i>Kellogg Supply Inc.</i>
<i>Corona Cattle Inc.</i>	<i>Laird Manufacturing -</i>
<i>Dairy Gross Margin, LLC.</i>	<i>Isaac Isakow</i>
<i>Darling Ingredients</i>	<i>Maas Energy Works, Inc.</i>
<i>D V O, Inc.</i>	<i>Model T Farms</i>
<i>Mrs. Englesma</i>	<i>Rico Trucking</i>
<i>Farm Credit West</i>	<i>O K Cattle - Sam Sousa</i>
<i>Frazer LLP.</i>	<i>Schuil &amp; Associates Real Estate</i>
<i>Genske, Mulder &amp; Co, LLP.</i>	<i>Stiles Animal Removal, Inc.</i>

*We appreciate your support!*



## California Dairy Research Foundation Awarded \$85 Million from USDA for Partnerships for Climate-Smart Commodities Project

Courtesy of the [California Dairy Research Foundation](#)

Agriculture Secretary Tom Vilsack announced that the U.S. Department of Agriculture (USDA) is investing up to \$2.8 billion in projects selected under the first pool of the [Partnerships for Climate-Smart Commodities](#) funding opportunity. Applicants submitted more than 450 project proposals; 70 were selected for funding.

The California Dairy Research Foundation (CDRF), in partnership with more than 20 other dairy organizations, was among the recipients. CDRF's grant partners include California governmental organizations, corporations and cooperatives, universities, producer organizations, environmental organizations, and others. The USDA has established an estimated funding ceiling of \$85 million for this project to advance climate-smart dairy farming; the final award will be granted in the coming months.



“CDRF is extremely pleased to have received this grant on behalf of the entire collaborative team. The project brings together organizations throughout the value chain to the benefit of our hard-working dairy producers and the environment. We look forward to working with the California Department of Food and Agriculture (CDFA), the California Milk Advisory Board (CMAB), Dairy Cares, the universities and others to implement this advanced climate-smart ag project in California’s dairy industry,” said CDRF’s Executive Director Denise Mullinax.

Over the next five years, the project, *“Partnering to Invest in and Build Markets for California’s Climate-Smart Dairy Producers,”* will work to build climate-smart dairy markets and provide financial incentives for California dairy producers to adopt climate-smart manure management practices to reduce both methane emissions and nitrogen surplus and will leverage matching funding from non-federal sources.

“This funding represents the next critical installment and chapter in California’s world-leading dairy methane reduction efforts,” said Michael Boccadoro, Executive Director of Dairy Cares. “On-farm projects will be designed to not only reduce methane but will significantly improve water quality outcomes, ensuring broad benefits for our rural farm communities.

Partnerships for Climate-Smart Commodities is part of USDA’s broader strategy to position agriculture and forestry as leaders in climate change mitigation through voluntary, incentive-based, market-driven approaches.

“Dairy families in California continue to step up to ensure the agriculture sector contributes to climate change mitigation and adaptation,” said Karen Ross, Secretary of the California Department of Food and Agriculture. “The partnership between the State and dairy families has resulted in significant methane emission reductions making California a national and international leader in supporting on-farm livestock methane reductions using climate-smart agricultural management approaches and other environmental benefits, including improved water quality from dairy farms”.

## NMPF Update: Climate-Smart Project Funding; FDA Feed Additive Approvals

*Courtesy of Jim Mulhern, President & CEO  
National Milk Producers Federation*

### USDA Announces Nearly \$3 Billion in Climate-Smart Projects

In a major development that will benefit our entire dairy community, USDA announced this week it is allotting \$2.8 billion for pilot projects that will improve climate-smart farming practices and help develop markets for commodities grown and raised using such applications. As we noted in [our statement](#), the collective impact of these projects will help advance the U.S. dairy industry in its quest to achieve net zero greenhouse gas emissions in the decades ahead.



The [70 projects](#) announced Wednesday by Agriculture Secretary Tom Vilsack were submitted by a wide range of farm and environmental groups. Dairy cooperatives, including NMPF members DFA, Land O'Lakes, California Dairies, and Maryland-Virginia Milk Producers, all had projects accepted. In addition, a number of state agencies and universities that proposed projects involving dairy production were also funded. The projects were given awards of up to \$95 million each, and another \$700 million for smaller projects will be awarded later. The department had received 1,050 applications for nearly \$20 billion in total funding requests.

### NMPF Asks White House to Work with FDA on Feed Additive Approvals

Given the Biden Administration's interest in climate change mitigation strategies, we sent [a letter](#) this week to the White House, urging the Administration to expedite the approval of cattle feed additives that can help reduce greenhouse gas emissions. At issue is the way the Food and Drug Administration (FDA) processes approvals for compounds such as Elanco's Bovaer, which reduces enteric methane. Categorizing it as an animal drug will necessitate a much lengthier approval process, rather than assessing it as an animal food ingredient, which would allow for an expedited review and approval. The product is already cleared for use in Australia, Brazil, and Europe.

We will continue pressure on the FDA to find the necessary resources and approval channels to enable dairy farmers to utilize feed ingredients that will advance our efforts reduce greenhouse gas emissions in the dairy sector. To date, the FDA has not approved any feed additives to meet this need.

