

MPC WEEKLY FRIDAY REPORT

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 TO: DIRECTORS & MEMBERS
 FROM: KEVIN ABERNATHY, GENERAL MANAGER
 PAGES: 7



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MPC FRIDAY MARKET UPDATE

CHICAGO CHEDDAR CHEESE		CHICAGO AA BUTTER		NON-FAT DRY MILK	
Blocks	-\$0.0975	\$1.9600	WEEKLY CHANGE	-\$0.0600	\$3.1400
Barrels	-\$0.1650	\$1.9250	WEEKLY AVERAGE	-\$0.0380	\$3.1555
WEEKLY AVERAGE CHEDDAR CHEESE		DRY WHEY		WEEK ENDING 10/22/22	
Blocks	-\$0.0495	\$2.0035	DAIRY MARKET NEWS	W/E 10/28/22	\$0.4950
Barrels	-\$0.1830	\$1.9790	NATIONAL PLANTS	W/E 10/22/22	\$0.4880
				LAST WEEK ENDING 10/15/22	
				NAT'L PLANTS	\$1.5887 13,581,926
				NAT'L PLANTS	\$1.5862 14,492,713

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
OCT 28 EST	\$24.31 - \$24.81	\$25.81	\$21.83	\$24.97
LAST WEEK	\$24.31 - \$24.81	\$25.76	\$21.82	\$24.88



Milk, Dairy and Grain Market Commentary

By Sarina Sharp, Daily Dairy Report
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Milk & Dairy Markets

Global milk output has been in decline for a full year, muffling anxieties about the impact of sky-high dairy prices and a strong dollar. But now, with U.S. milk output back in the black and signs of recovery in Europe, the summers' whispered query has grown into a shout. "What about demand?"

USDA's *Dairy Market News* summed up the shift in sentiment in Europe. "The market talk is switching from whether there will be enough dairy products available to fill customer needs to whether demand will be present to take up the available dairy products." The summer heat has faded and milk output is finally on the mend in Germany and France, leaving more milk for driers. But European milk powder is too pricey to attract foreign buyers. "Without the added orders to take up the SMP, production is outpacing demand, and inventories are growing," according to *Dairy Market News*. If stocks keep piling up, European manufacturers will likely drop the price to clear product overseas, adding further pressure to the global milk powder market.

Through August, European SMP output fell 2.1% short of 2021, and it lagged 2020 and 2019 by even



wider margins. Inventories are not likely to become burdensome anytime soon. But the combination of rising European stocks and lower Asian demand looms large over the market.

In September, China imported 16.2% less whole milk powder (WMP) and 17.8% less SMP than it did in September 2021. China’s year-to-date SMP and WMP imports are both down nearly 17% from the record-breaking volumes of 2021. But last year’s unsustainably aggressive pace skews the

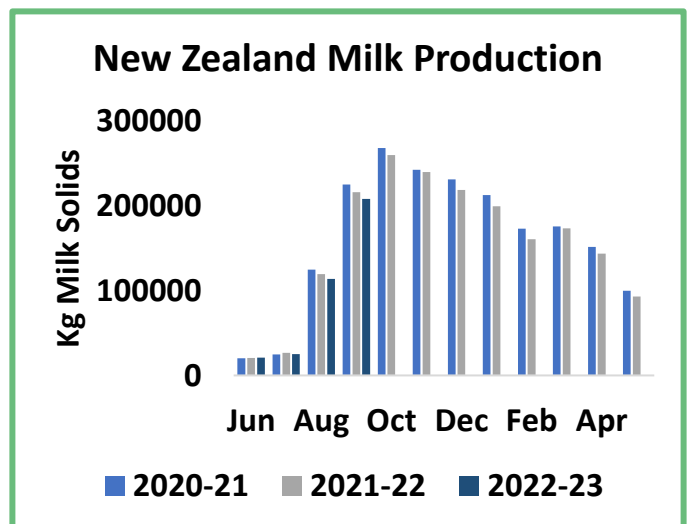
comparison. Excluding 2021, China imported more WMP last month than any September on record. For the year to date, China’s WMP imports were the second highest ever, behind only 2021, and its SMP imports were the third largest, behind 2021 and 2019.

China’s milk powder imports are relatively healthy, but its economy is not. Rolling Covid-19 lockdowns and an ailing real estate sector are weighing on consumer spending, prompting concerns about dairy demand. Earlier this week, China’s yuan dropped to its lowest level against the dollar in nearly 15 years, reducing China’s purchasing power for U.S. goods. So far this year, the dollar has gained 14% against the yuan, 20% vs. the South Korean won, and 28% vs. the Japanese yen. That suggests that Asian dairy imports could fall back in the months to come, making a return to record-high dairy product prices less likely. But there are some reasons for optimism. Chinese imports of U.S. whey powders and permeates reached an all-time high last month, and Chinese imports of butter and cheese topped year-ago volumes.

There is also little reason to expect a flood of milk and dairy products. U.S. milk output is now growing at a historically normal rate, but there are many barriers to more rapid expansion, including onerous feed costs and self-imposed supply management restrictions. It’s possible that European milk output will top year-ago volumes in October, but not by a wide margin.

In New Zealand, dairy producers continue to struggle with cold, wet weather. September milk solids collections fell 3.8% from September 2021, and *Dairy Market News* described October conditions as “unfavorable.” Soggy pastures are not making enough grass, and supplemental feed supplies are “nearly exhausted.” However, the forecast calls for more sunshine and better grass growth in November.

With concerns about demand top of mind, global milk powder prices took another step back this week. But in Chicago, CME spot nonfat dry milk (NDM) regained a penny and reached \$1.43 per pound. U.S. milk powder is still the cheapest in the world, so



when buyers return, the U.S. will likely win some business. CME spot dry whey gave back 1¢ this week and slipped to 43¢.

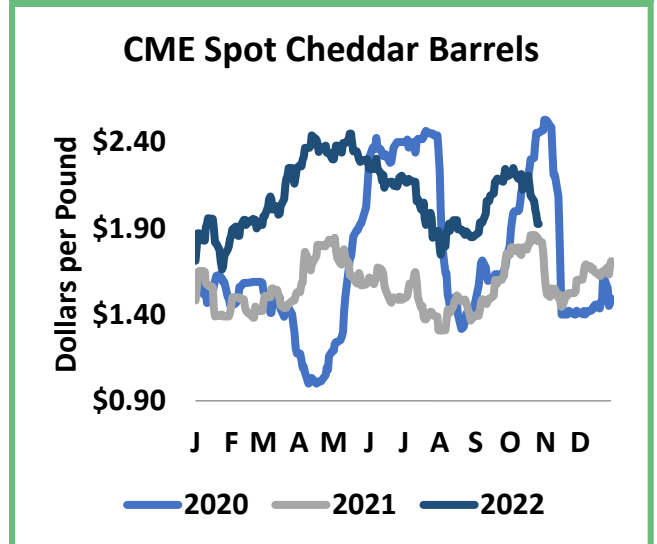
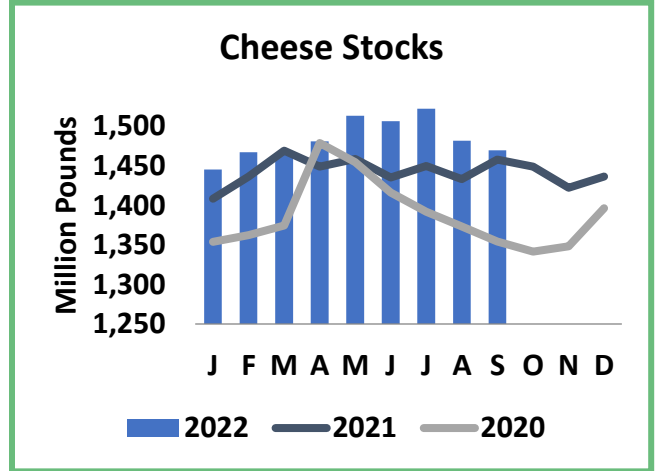
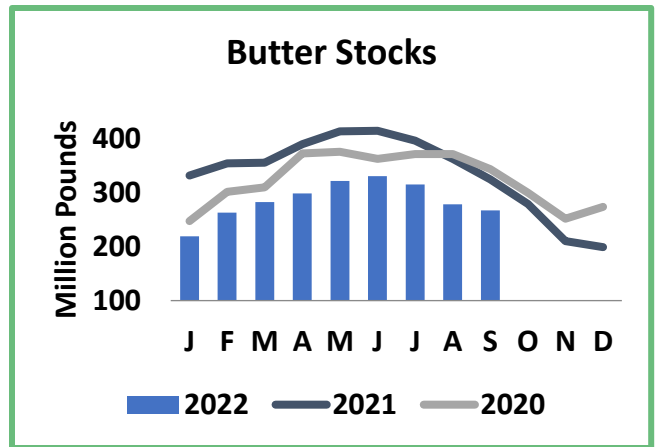
There were just 267 million pounds of butter in cold storage warehouses on September 30, 17.6% less than the year before. That was the lowest September stockpile since 2017, when U.S. butter consumption per capita was 14% smaller than it is today. It's easy to see why spot butter values jumped to all-time highs this month. But now grocers have bought all they need to get through the holidays, and the price is fading. CME spot butter fell 6¢ this week to \$3.14. The futures foretell steeper declines ahead.

Cheese inventories declined from August to September, implying hearty demand. Stocks totaled nearly 1.47 billion pounds, up a mere 0.8% from a year ago, but still the highest September tally on record. Commensurate with large stocks and formidable production, spot Cheddar took a sizeable step back this week. Blocks fell 9.75¢ to \$1.96. Barrels plummeted 16.5¢ to \$1.925. That was enough to drive December and January Class III futures below \$19 per cwt. for the first time in nine months. These prices simply don't pencil on most farms today. November Class III settled at \$20.21, down 93¢ from last Friday. Class IV futures lost ground as well. The November contract slipped just 2¢ to \$23.65, but deferred contracts dropped about 25¢ apiece.

Grain Markets

The feed markets didn't move much. Supplies are tight, and there are reasons to fear that grain shipments from Ukraine will slow. Brazil's crops are off to a great start, but Argentina remains painfully dry. However, the strong dollar and logistics headaches are making it difficult for the United States to capitalize on the opportunity and export grains and oilseeds at the typical harvest pace. The Mississippi River is unusually low, and barge traffic is restricted. That's slowing the flow of corn and beans to the Gulf. Weekly corn export sales dropped to their lowest tally for this time of year since 2012.

December corn futures closed today at \$6.8075 per bushel, down 3.5¢ from last Friday. November beans finished at \$13.8775, down 7.75¢. December soybean meal jumped \$7.50 to \$425.40 per ton.





National Milk Producers Federation Agrees on a Path Forward for Updating Federal Milk Marketing Order

By Geoff Vanden Heuvel, Director of Regulatory and Economic Affairs
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This past week National Milk Producers Federation, which represents most of the dairy farmer-owned cooperatives in the country, announced that its Board of Directors unanimously voted to propose a set of adjustments to the Federal Milk Marketing Order (FMMO) formulas. NMPF plans to submit these recommendations to USDA for consideration in a FMMO hearing sometime next year.

In a press release, NMPF noted it had conducted more than 100 meetings with its members and others in the industry as they developed this proposal. Milk Producers Council participated in a meeting in Chicago with more than twenty other state dairy associations in July where NMPF presented where they were at that time, which is consistent with what they announced this week.

These are the main points NMPF put forward:

- Returns to the “higher of” Class I mover;
- Discontinues including barrel cheese in the protein component price formula;
- Extends the current 30-day reporting limit to 45 days on forward priced sales on Nonfat Dry Milk and dry whey to capture more exports sales in the USDA product price reporting;
- Updates milk component factors for protein, other solids and nonfat solids in the Class III and Class IV skim milk price formulas;
- Develops a process to ensure make-allowances are reviewed more frequently through legislation directing USDA to conduct mandatory plant-cost studies every two years; and
- Updates dairy product manufacturing allowances contained in the USDA milk price formulas.

A couple of weeks ago the American Farm Bureau (AFB) hosted a national dairy meeting, and after that event, a [joint statement](#) from NMPF and AFB stated the following:

“We support the federal milk marketing order (FMMO) system as key to fair market-based farmer milk pricing and recognize the importance of periodically updating the program to reflect changes in the dynamic U.S. dairy industry. With the last major update to the FMMO system occurring in 2000, we believe it is time to consider improvements that better reflect today’s milk markets.”

For California producers, the implementation of a Federal Milk Marketing Order has had a very significant and positive impact on mailbox milk prices in California as compared to the California mailbox milk prices under the previous State Order.

USDA Mailbox Milk Price Data Series

Average California mailbox milk price since beginning of CA FMMO
November 2018 to July 2022 (45 months)

\$18.63 per cwt.

Average National FMMO mailbox milk price since the beginning of the CA FMMO
November 2018 to July 2022 (45 months)

\$18.65 per cwt.

Difference = \$0.02 per cwt.

Average California mailbox price in the last 45 months of the State Order
February 2015 to October 2018

\$15.29 per cwt.

Average National FMMO mailbox price in the last 45 months of the State Order
February 2015 to October 2018

\$16.49 per cwt.

Difference = \$1.20 per cwt.

Over the 45 months since California implemented the FMMO, producers have seen a \$1.18 per cwt. improvement in the California mailbox milk price. That is real money.

Clearly the FMMO program is of great benefit to California producers and we look forward to working with NMPF and AFB in consideration of improvements to strengthen the program to assure its continuance for the long-term.

CDQAP Update: Preparing for Public Safety Power Shutoffs; CDRF Receives \$85 Million USDA Grant

Courtesy of the [California Dairy Quality Assurance Program](#)

Preparing for Public Safety Power Shutoffs

By Dr. Michael Payne, UC Davis, School of Veterinary Medicine; Director, CDQAP

In California, Public Safety Power Shutoffs (PSPS's) occur most often from September to November, when fall brings high winds during times of low moisture. PSPS actions in October 2019 affected over 3 million state residents, including dairy farmers. Because transmission lines frequently travel through high-fire-risk foothill areas, even low-risk valley areas can be affected.



Most producers have already invested in standby generators for the milking parlor, but during extended outages, there may be challenges powering other systems, such as feed mixing, irrigation, and housing fans. Customers typically have at least 24 to 48 hours' notice prior to power loss, and there are several useful actions producers can take during the interim.

Continue reading [here](#).

CDRF Receives \$85M USDA Grant: Dollars for CA Dairy Producers to Install Advanced Climate-Smart Manure Management Practices

By Denise Mullinax, Executive Director, CDRF; Assistant Director, CDQAP



The California Dairy Research Foundation (CDRF), in partnership with more than 20 other dairy organizations, received a USDA Partnerships for Climate Smart Commodities Grant with an estimated funding ceiling of \$85 million for a project to advance climate-smart dairy farming. The 5-year project brings together organizations throughout the value chain including California governmental organizations, corporations and cooperatives, universities, producer organizations, environmental organizations, and others. Key project partners include the California Department of Food and Agriculture (CDFA), the California Milk Advisory Board (CMAB), Dairy Cares, universities, and others.

California dairy producers have made significant progress in reducing greenhouse gases and managing manure nitrogen. These funds will enable the industry to continue moving forward in climate-smart dairying.



Continue reading [here](#).

Free Grant Writing Workshop for Farmers & Ranchers
*Courtesy of the USDA Office of Partnerships & Public Engagement and
Fresno State University Jordan College of Agriculture*
Register [here](#)

USDA Office of Partnerships & Public Engagement (OPPE) in partnership with the
Fresno State University Jordan College of Agriculture and Division of Research and Graduate Studies



FARMER & RANCHER GRANT WRITING WORKSHOP

THURSDAY | DECEMBER 1, 2022
10:00 AM - NOON PDT VIA ZOOM

REGISTER HERE!



For more info, please contact Juan.Alvarez@usda.gov
USDA is an equal opportunity provider, employer, and lender.

USDA Office of Partnerships & Public Engagement (OPPE) with the Fresno State University Jordan College of Agriculture and Division of Research and Graduate Studies presents this two-hour workshop that is targeted towards farmers and ranchers, including veteran and beginning farmers/ranchers, and will cover information ranging from but not limited to the following:

- * How to register on grants.gov
- * Proposal development process
- * Submission requirements
- * Workplan
- * Partnerships
- * Grant Writing Tips

