

MPC WEEKLY FRIDAY REPORT

DATE: NOVEMBER 4, 2022
 TO: DIRECTORS & MEMBERS
 FROM: KEVIN ABERNATHY, GENERAL MANAGER
 PAGES: 6



P.O. Box 4030, Ontario, CA 91761 • (909) 628-6018
Office@MilkProducers.org • www.MilkProducers.org • Fax (909) 591-7328

MPC FRIDAY MARKET UPDATE

CHICAGO CHEDDAR CHEESE		CHICAGO AA BUTTER		NON-FAT DRY MILK	
Blocks	+ \$.0500	\$1.9750	WEEKLY CHANGE	-\$.3675	\$2.7725
Barrels	+ \$.0500	\$2.0100	WEEKLY AVERAGE	-\$.4165	\$2.7390
WEEKLY AVERAGE CHEDDAR CHEESE		DRY WHEY		NAT'L PLANTS	
Blocks	-\$.0200	\$1.9835	DAIRY MARKET NEWS	W/E 11/04/22	\$.4862
Barrels	-\$.0145	\$1.9645	NATIONAL PLANTS	W/E 10/29/22	\$.4800
				LAST WEEK ENDING 10/22/22	
				NAT'L PLANTS \$1.5887 13,581,926	

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
NOV 4 EST	\$25.69 - \$26.19	\$24.05	\$20.88	\$22.66
OCT '22 FINAL	\$24.31 - \$24.81	\$25.73	\$21.81	\$24.96

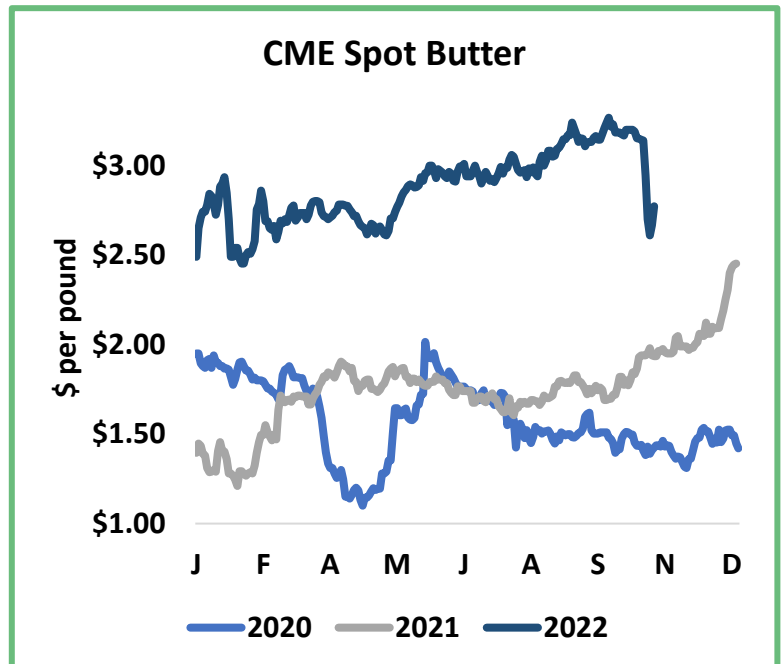


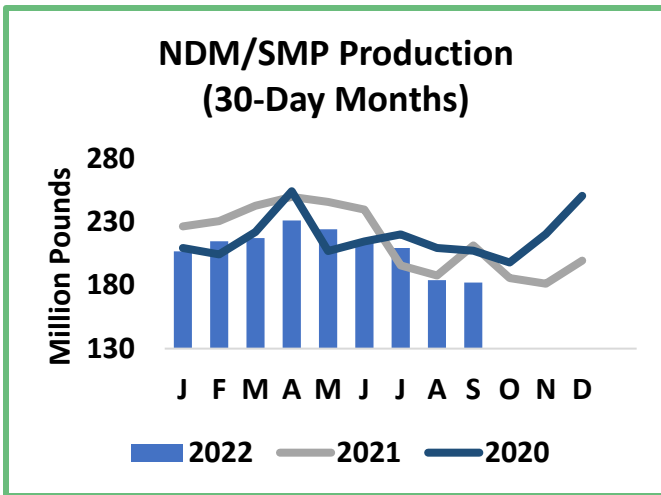
Milk, Dairy and Grain Market Commentary

By Sarina Sharp, Daily Dairy Report
Sarina@DailyDairyReport.com

Milk & Dairy Markets

Sky-high prices scared away buyers, and the CME spot butter market plummeted on Halloween, dropping below \$3 per pound for the first time in more than two months. The trade was still spooked on Tuesday and Wednesday. Spot butter fell 53¢ in just three days. But that was enough, for now. Butter battled back on Thursday and Friday and closed today at \$2.7725, up more than 16¢ from Wednesday's low but still down 36.75¢ for the week. The meltdown in the butter market dragged November Class IV down 99¢ this week to \$22.66 per cwt. Most other Class IV contracts logged modest losses.





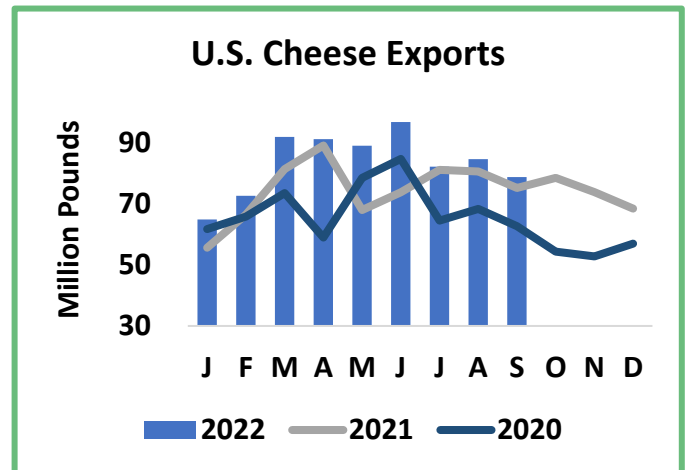
Pricey cream discouraged churns from running hard in early September, and butter output totaled 141.6 million pounds, down 1.4% from a year ago. Cream has gotten cheaper since then, and butter makers have surely stepped up the pace. But the market makes clear that butter supplies remain tight.

Much like butter, CME spot nonfat dry milk (NDM) fell back early in the week and regained some ground on Thursday and Friday. Spot NDM finished today at \$1.40, down 3¢ from last Friday. Another poor showing at Tuesday’s Global Dairy Trade (GDT)

auction weighed on sentiment. Skim milk powder (SMP) prices plunged 8.5% to a 15-month low, roughly equivalent to NDM at \$1.44 per pound. That’s inexpensive enough to put Kiwi SMP within striking distance of U.S. NDM for the first time in years. Despite lower milk output in New Zealand, the United States is likely to face stiffer competition for milk powder exports in the months to come. In September, U.S. milk powder exports were healthy, but they fell 7.6% short of the record-setting volumes of 2021. Shipments to Mexico were especially strong, up 24% year over year.

U.S. milk powder output was unusually light in both August and September. Combined production of NDM/SMP was 182.2 million pounds, down 13.9% from September 2021. Stocks declined seasonally.

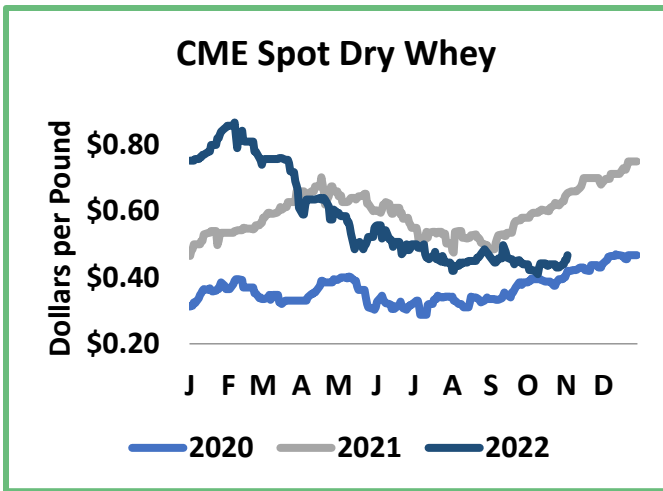
On the heels of two very rough weeks, the Class III markets staged quite a comeback. CME spot Cheddar blocks and barrels gained a nickel apiece. That put blocks at \$2.01 and barrels at \$1.975. Spot whey powder jumped 3.75¢ to 46.75¢. Every 1¢ increase in whey translates to a 6¢ advance for Class III milk, so those pennies can add up quickly. This week’s strong showing in Chicago helped to drive Class III futures sharply higher. November Class III closed at \$20.88 per cwt., up 67¢. December jumped \$1.54 to \$20.35.



Cheesemakers topped up their mozzarella vats in September, a sign of strong pizza sales. That left less milk for Cheddar. Compared to September 2021, mozzarella production was up 4%, but Cheddar output lagged by 1.7%. Total cheese output reached 1.14 billion pounds, up a modest 0.4% from the year before.

Exports are helping to keep the cheese stockpile from growing any larger. The United States sent 78.8 million pounds of cheese abroad in September, the highest total ever for the month and 4.8% more than in September 2021. But there are hints that we won’t be able to sustain this breakneck pace. Shipments were notably lower than the highs set in March through June.

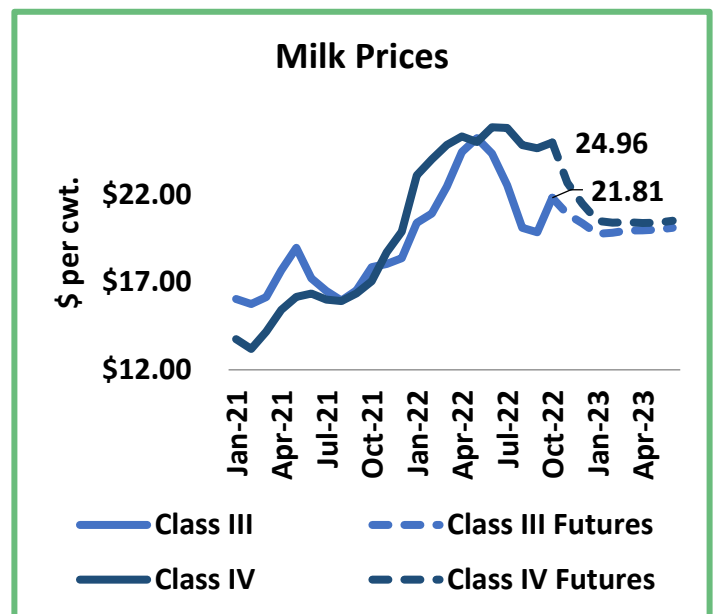
After curiously low output in August, dry whey production jumped in September to 77.7 million pounds,



up 5.3% from the prior year. Output of high-protein whey products was even stronger. Nonetheless, whey powder stocks inched lower from August to September, thanks to robust exports. The United States sent more dry whey, permeates, and whey protein concentrates abroad in September than any other September on record.

Dairy producers are looking forward to cashing another very large milk check. USDA announced the October Class III milk price at \$21.81, up \$1.99 from September and up \$3.96 from a year ago. At \$24.96,

the Class IV price was up just 33¢ from September’s already-high value but up an astounding \$7.91 from a year ago. The futures suggest that this will be the last of the shockingly high milk payments dairy producers will receive. After 10 months in the mid-\$20s, Class IV milk is projected to hover around \$21, still a hefty price by historic standards. Class III milk is holding close to \$20, which is likely just enough for some producers to scrape by. Dairy producers would obviously like the good times to continue, but the more modest expectations could help to stymie rapid growth in U.S. milk production, hopefully forestalling the boom-bust cycle that has so often plagued the industry.



Grain Markets

Feeling threatened by Ukraine’s growing military capabilities, Russian President Vladimir Putin closed the grain export corridor in the Black Sea last weekend, renewing fears of a global grain shortage. Wheat prices soared, and December corn futures tried and failed to top \$7 per bushel. But Ukraine called Russia’s bluff, essentially daring it to blockade the Black Sea by force. The Russian military is already stretched thin and likely cannot spend its resources – or its dwindling geopolitical capital – enforcing a blockade that will keep grains away from a hungry world. By midweek, the export agreement was back on track, and grain prices retreated.

Meanwhile, the United States continues to deal with logistics issues of its own. Low water levels on the Mississippi River have forced barge traffic to a crawl, slowing the flow of grains and especially soybeans from the Corn Belt to the Gulf. This plus the strong dollar represent major headwinds to U.S. crop exports during harvest, when exports should be at their peak. Nonetheless, soybean futures climbed this week, likely due to concerns about dry soils and a disappointing forecast for Argentina and southern Brazil. November soybeans closed at \$14.515 per bushel, up more than 60¢. December soybean meal was \$420.40 per ton, down \$5. At \$6.81, December corn finished up just 0.25¢ from last Friday.

Real California Milk Excelerator: Open Innovation Selects Four Winners for \$200,000 in Grants to Grow California Businesses

Courtesy of [California Milk Advisory Board](#)

Startups dosa by DOSA, Pariva, Tres Lecheria and Wheyward Spirit claimed victory last night at the 2022 Real California Milk Excelerator: Open Innovation Final Pitch Event. Created by the [California Milk Advisory Board](#) (CMAB) and innovation advisory [VentureFuel](#), the competition is designed to identify, curate and accelerate innovation in dairy-based products, from consumer food and beverages to textiles and beyond. The four cohort winners will each receive \$50,000 in resources and funding to scale their products in California and will compete for an additional \$100,000 in support based on continued performance.

In its fourth year, the 2022 Real California Milk Excelerator advances innovation in its truest state: open. As one of the biggest dairy competitions in the world, the program sought early-stage applicants with high-growth potential that create a 50% cow's milk-based product or working prototype.

Eight finalists participated in the November 2nd live pitch event where they presented to judges from companies representing retail, consumer packaged goods, food distribution and media before a live and virtual audience of key stakeholders. The support the four winning startups will receive is to grow and expand their product in California. After 12 months, one of the participating companies will unlock an additional \$100,000 grand prize by establishing their presence in California and achieving the most significant growth. The total value of competition awards is half a million dollars.



Continue reading [here](#).



1952 Chevy Truck Raffle; Proceeds Benefit California FFA

Courtesy of the [California FFA Foundation](#)

The poster features a green 1952 Chevy truck parked on a dirt road. The background is a blue sky with green trees. The text is arranged as follows: at the top, 'CALIFORNIA FFA FOUNDATION' in white on a blue background; below that, 'Chevy Truck Raffle' in a white cursive font; a blue box on the left contains 'Grand Prize: 1952 CHEVY TRUCK Valued at \$25,000'; the FFA logo is on the right; at the bottom left, 'Tickets available! DONATION: \$100'; and at the bottom right, 'ENTER TO WIN!' followed by 'Drawing to be held at the 95th Annual State FFA Leadership Conference March 16-19, 2023 in Ontario, California'.

Win a beautifully maintained classic Chevy truck! Now, thanks to a generous donation from American AgCredit, you have an opportunity to own a piece of American history.

The California FFA Foundation is selling raffle tickets to win this 1952 Chevy truck. Tickets are \$100 each and can be purchased at upcoming events including:

- Auto Club NHRA Finals - Pomona
- Blue Diamond Growers Annual Meeting - Modesto
- California Farm Bureau Annual Meeting - Monterey
- The Almond Conference - Sacramento
- World Ag Expo - Tulare

You can also request tickets by [completing this form](#). Tickets cannot be sold online. The drawing will take place during the 95th Annual State FFA Leadership Conference, March 16-19, 2023, in Ontario, California. You must be 18 or older to purchase a ticket and do not need to be present to win. For complete raffle rules, view the official [terms and conditions](#).

Learn more by visiting www.calaged.org/truckraffle.

NMPF Update: Rail Strike Prospect; DMC Signup

Courtesy of Jim Mulhern, President & CEO

[National Milk Producers Federation](#)

NMPF Urges Congress to Act if Rail Strike Materializes

The prospect of a rail workers' strike is looming larger as we near the holiday season, and the threat of additional supply chain disruptions led NMPF this week to urge Congress to intervene, if necessary, in the ongoing rail dispute. A work stoppage could start as soon as November 19, unless 12 rail unions approve their contracts, and two already have voted no. Four other unions are still reviewing the agreement.



As part of the Agriculture Transportation Working Group, [NMPF sent a letter](#) Thursday to House and Senate leaders, urging Congress to be prepared to quickly prevent a rail service shutdown when the chambers arrive back in session on November 14. The letter is similar to one we sent to the White House last week. A rail workers' strike or lockout, combined with existing challenges at our ports, with trucking services, and with record low water levels on the Mississippi River, would be catastrophic for the agriculture and the broader U.S. economy.

Second DMC Payment Triggered; Signup Window Open for 2023 Coverage

For the second month in a row, the Dairy Margin Coverage (DMC) program will issue payments to those at higher coverage levels, the USDA [said this week](#). USDA's Farm Service Agency announced that September's DMC income over feed costs margin is \$8.62/cwt., generating a payment of \$0.88 for those insured at the \$9.50 coverage level. The September margin is slightly better than the August DMC margin of \$8.08/cwt., which triggered the first DMC indemnity payment in 2022 at the \$9.50, \$9.00 and \$8.50 coverage levels.

The USDA [opened](#) a six-week signup window last month for DMC coverage in calendar year 2023; the deadline to obtain or adjust coverage next year is December 9. DMC is one of several government-backed risk management tools, including the Dairy Revenue Protection (DRP) program and the Livestock Gross Margin for Dairy Producers (LGM-Dairy) program.

