

MPC WEEKLY FRIDAY REPORT

DATE: NOVEMBER 18, 2022
 TO: DIRECTORS & MEMBERS
 FROM: KEVIN ABERNATHY, GENERAL MANAGER
 PAGES: 6



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MPC FRIDAY MARKET UPDATE

CHICAGO CHEDDAR CHEESE		CHICAGO AA BUTTER		NON-FAT DRY MILK	
Blocks	+ \$.0325	\$2.2325	WEEKLY CHANGE	-.0950	\$2.8100
Barrels	-.1350	\$1.9275	WEEKLY AVERAGE	+.0380	\$2.9145
WEEKLY AVERAGE CHEDDAR CHEESE		DRY WHEY		WEEK ENDING 11/12/22	
Blocks	+.1350	\$2.2260	DAIRY MARKET NEWS	W/E 11/18/22	\$4850
Barrels	-.0075	\$2.0090	NATIONAL PLANTS	W/E 11/12/22	\$4812
				LAST WEEK ENDING 11/05/22	
				NAT'L PLANTS \$1.5471 16,044,559	

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 18 EST	\$25.69 - \$26.19	\$24.69	\$21.01	\$23.35
LAST WEEK	\$25.69 - \$26.19	\$24.38	\$20.98	\$23.14

OCTOBER 2022 CA FMMO STATISTICAL UNIFORM PRICE ANNOUNCEMENT

OCT '22 FINAL	CLASS I	CLASS II	CLASS III	CLASS IV	STATISTICAL UNIFORM PRICE (BLENDED PRICE)	NET PRICE AFTER QUOTA ASSESSMENT*
MINIMUM CLASS PRICE	\$24.31 TULARE \$24.81 L.A.	\$25.73	\$21.81	\$24.96	\$22.38 TULARE \$22.88 L.A.	\$22.106 TULARE \$22.606 L.A.
PERCENT POOLED MILK	19.8%	5.1%	71.8%	3.3%	100% (2.0 BILLION LBS. POOLED)	

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



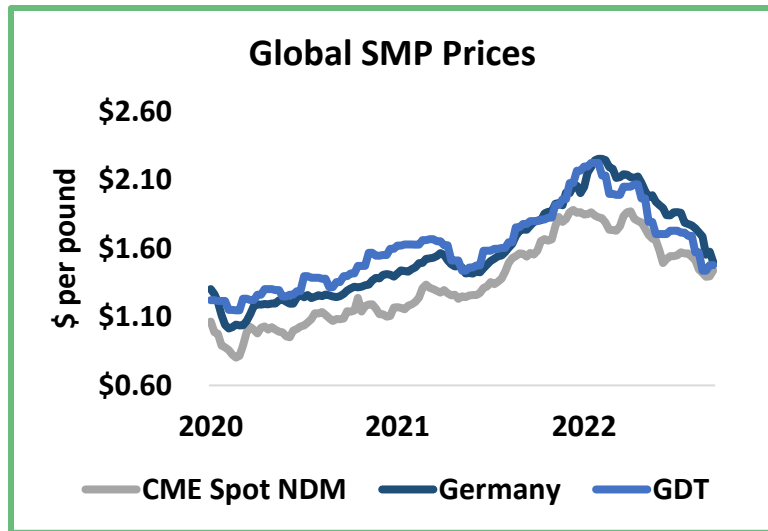
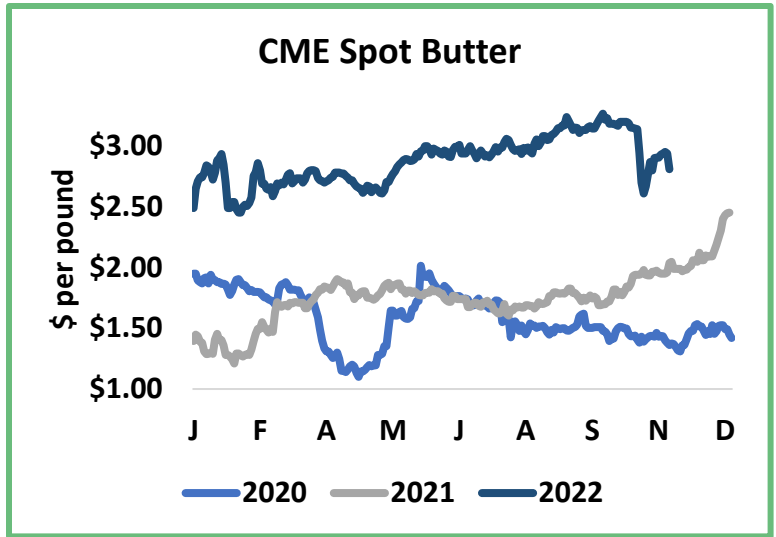
Milk, Dairy and Grain Market Commentary

By Sarina Sharp, Daily Dairy Report
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Milk & Dairy Markets

After sprinting straight uphill last week, the dairy markets paused to catch their breath and, in some cases, to retreat to less rugged elevations. CME spot butter managed to keep climbing through Wednesday before it finally turned back. It closed today at \$2.81 per pound, down

9.5¢ from last Friday. Although spot butter is down more than 40¢ from last month's high, it is still holding at the second-highest price ever for mid-November. Butter's resilience has taken the market by surprise. Retailers bought butter aggressively in September and October to stock up for the holidays. In a normal year, that would set the stage for a steep selloff once grocers had enough butter on hand. And the futures continue to forecast a 30¢ drop in butter values from November to December. But this year industry stakeholders tell USDA's *Dairy Market News*, "Sales are meeting or beating expectations and on par with previous (pre-Covid) years." And butter churns likely ran slow in October, when cream was expensive. Although churns are now picking up the pace, stocks

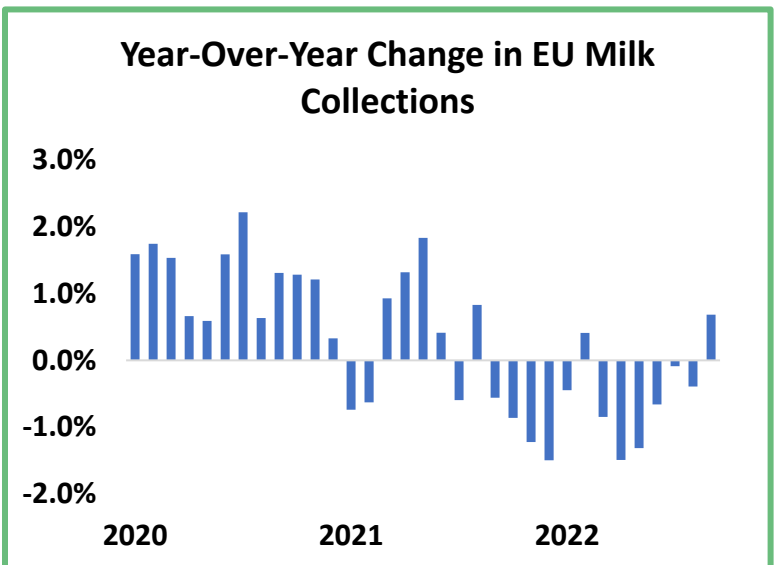


are still tight. That's prompted butter buyers to reassess their outlook. According to *Dairy Market News*, butter industry contacts now "expect markets to be in a more definitive return to strength, as opposed to a mere market correction." However, their tune might have changed after today's stomach-churning 13¢ drop.

Milk powder prices bounced back at Tuesday's Global Dairy Trade (GDT) auction. Both whole milk powder (WMP) and skim milk powder (WMP) advanced 3.1%, their first

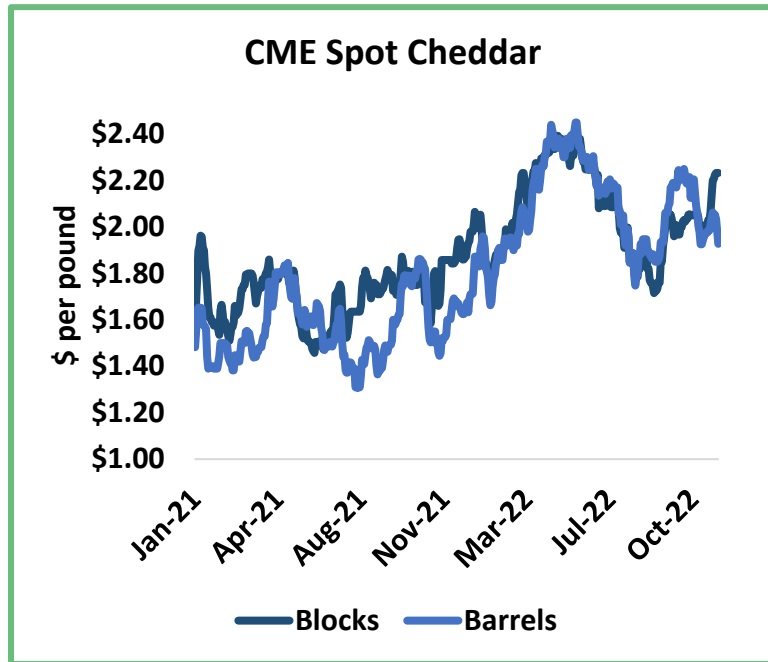
increase since September. That puts GDT SMP at the rough equivalent of nonfat dry milk (NDM) at \$1.48 per pound. The GDT recovery put a little pep in the CME spot NDM market on Tuesday, but the bounce was short-lived. Spot NDM closed today at \$1.4275, down a quarter-cent from last Friday. Meanwhile, benchmark German SMP retreated. On paper, U.S. milk powder remains the cheapest in the world, but only by the barest of margins. Going forward, Europe may recoup some of the marketshare it ceded to the United States when the bloc was short of milk powder.

While Oceania milk output – and, presumably, milk powder production – continues to lag year-ago volumes, Europe is



back in the black. That's partly because it's easy to beat the 0.6% milk production deficit Europe reported in September 2021. But growth is growth. Combined milk output in Europe and the United Kingdom reached nearly 28 billion pounds in September, up 0.7% from the year before. Driers are lapping up the modest excess. After lagging noticeably in the first half of the year, European SMP output topped the prior year in both July and September, and it came close in August.

Newton's First Law of Motion states that an object at rest will remain at rest unless an outside force acts on it. There are no outside forces to be found at the moment, and the whey market is lounging. It

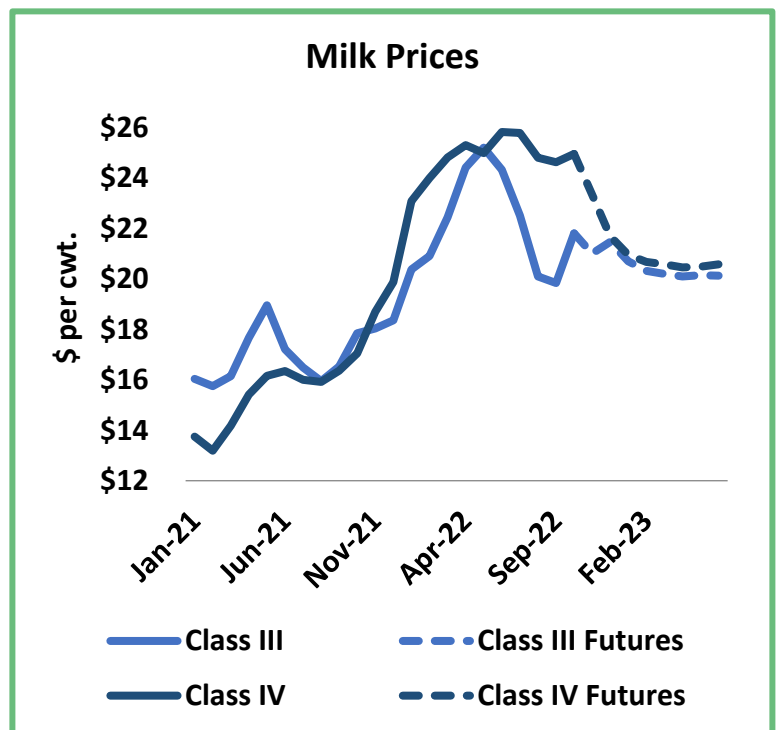


has held steady at 44¢ for six consecutive trading sessions. USDA says whey is “in search of direction.” Both domestic and export demand are stable, with better sales to Mexico offsetting a decline in shipments to China.

The cheese market demonstrates the other half of Newton's First Law: an object in motion will remain in motion, at a constant speed in a straight line. Although the pace was not constant, CME spot Cheddar blocks traced a straight line upward this week, while barrels went straight down. Barrels closed today at \$1.9275, down 13.5¢ from Friday to Friday. Blocks climbed 3.25¢ to \$2.2325. The 30.5¢ spread is the widest so far in 2022, and it

highlights that blocks are much tighter than barrels, in stark contrast to the preceding four months. The restaurant and foodservice industry is stepping up cheese demand, and exports are booming. Cheese output remains strong.

Dairy producers with exposure to Class IV milk just cashed one of their largest milk checks ever. The futures suggest that November milk revenues will also be high, with Class III around \$21 cwt. and Class IV at \$23.35. But after that, the shine wears off pretty quickly. While nearby Class III and Class IV contracts gained some ground this week, deferred contracts retreated. 2023 milk futures are hovering just a little above \$20. That's historically high, but it won't be enough to settle the feed, energy, and labor bills on many dairies. While U.S. milk output is likely to top year-ago volumes, it's not likely to surge anytime soon with margins like these.



Grain Markets

On Tuesday, the grain markets dropped to the lowest level in nearly three months. Slow exports and a decent harvest pressured the trade to see just how low prices could go in a world that is short of feed. But then came the news that a missile had struck Poland, raising fears that the war in Ukraine might drag other nations into an already horrific conflict. Wheat and corn prices shot higher, and the appetite to test new harvest lows evaporated. Thankfully, officials in Poland and in other NATO countries remained calm, and they took the time to determine that the missile strike was likely a tragic accident. But the incident reminded grain traders that they cannot become complacent. March corn settled at \$6.70 per bushel, up nearly 15¢ this week. January soybeans went in the opposite direction, falling 21.75¢ to \$14.2825. January soybean meal climbed a few dollars to \$406.10 per ton.

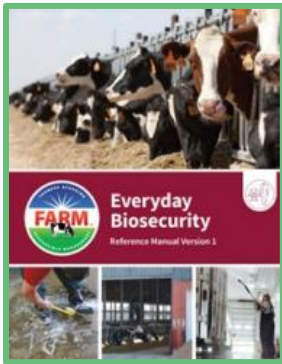
CDQAP Update: FARM Program Releases Biosecurity Manual; Industry, Law Enforcement Partner on Cyberattack Prevention

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

The California Dairy Quality Assurance Program (CDQAP) today published its November update, which can be read in its entirety [here](#).

FARM Program Releases Everyday Biosecurity Manual

By Miquela Hanselman, Manager, Regulatory Affairs, National Milk Producers Federation



The National Dairy Farmers Assuring Responsible Management (FARM) Program has released the first Everyday Biosecurity manual. The manual outlines small, routine steps dairy farmers can take to protect the health of their herds and employees. FARM Biosecurity, launched in 2021, is FARM's newest program area and encompasses both every day and enhanced biosecurity practices for voluntarily participation. Funded through USDA's National Animal Disease Preparedness and Response Program (NADPRP), FARM Biosecurity focuses on increasing awareness of biosecurity throughout the dairy industry by providing practical and effective steps to further promote cattle health. It complements the animal health and husbandry recommendations included in the FARM Animal Care, Drug Residue Prevention, and Environmental Stewardship Programs.

Biosecurity is a multi-step process and everyday biosecurity is the first step. Producers can get started by following simple measures outlined in the manual. There are seven areas to focus on—animal health and disease monitoring, animal movements and contact, animal products, vehicles and equipment, personnel, cleaning and disinfection, and a line of separation. *Continue reading [here](#).*

Industry and Law Enforcement Partner on Cyberattacks

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

Cyberattacks traditionally involve a wide variety of targets. Schools and hospitals, retail and manufacturing companies, financial services and government agencies are all frequent victims. One

report cited that in 2021 alone there were 2,566 U.S. ransomware victims, with an average demand for \$2.2 million.

With increasing frequency however, agriculture has also become a target for cyber and ransomware attacks. Schreiber Foods dairy processing in Wisconsin experienced a \$2.5 million dollar ransomware attack in 2021. That same year JBS meat packing paid \$11 million dollars in ransom to REvil, a Russian-based ransomware group. Also in 2021, the Dairy Farm Group, one of the largest dairy retailers in Asia, suffered a ransomware attack demanding \$30 million dollars. This year in the U.S., western dairy processing facilities also experienced cyberattacks. *Continue reading [here](#).*



Bar 20 Dairy Farm Recognized at U.S. Dairy Sustainability Awards Ceremony

By Kevin Abernathy, General Manager
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On Tuesday in Glendale, Arizona, MPC member Bar 20 Dairy and the Shehadey family of Kerman were recognized at an awards ceremony hosted by the [Innovation Center for U.S. Dairy](#). The Shehadey family won the U.S. Dairy Sustainability Award in the category of “Outstanding Dairy Farm Sustainability” earlier this year for the innovative fuel cell technology installed on the dairy. Tuesday’s formal presentation of the award was attended by more than 200 people from across the dairy supply chain, including awards program sponsors DeLaval, Shell, Starbucks, Syngenta and Zoetis.

The U.S. Dairy Sustainability Awards program — celebrating its eleventh year — recognizes and honors outstanding dairy farms, businesses and partnerships for socially responsible, economically viable and environmentally sound practices. These practices, large and small, are steps that add up to promote the health and well-being of consumers, communities, cows, employees, the planet and businesses.

An independent panel of judges, which included leading experts on the economic and environmental issues and opportunities of today’s dairy industry, evaluated nominations on the following criteria:



Bar 20 Dairy of Kerman, California earns top honors at the U.S. Dairy Sustainability Awards Ceremony in Glendale, Arizona. From L to R: Kevin Abernathy, MPC; Amy Shehadey, Bar 20 Dairy; Steve Shehadey, Bar 20 Dairy; Jennifer Giamboni, California Milk Advisory Board; James Garner, Cogent Consulting & Communications.

Program or project results as measured by triple bottom line success: economic, environmental and social; evidence of shared learning, innovation and improvement; and potential for adoption by other dairy farms and businesses.

Congratulations to Steve, Amy and the entire Shehadey family on earning this prestigious national award and thank you to the California Milk Advisory Board for nominating Bar 20 Dairy!

You can read more about Bar 20 Dairy's award [here](#).

NMPF Update: Hill Committee Leadership Clearer as Most Congressional Races Finalized

*Courtesy of Jim Mulhern, President & CEO
[National Milk Producers Federation](#)*

House Republicans this week eked out victories in enough congressional races to achieve the 218-seat majority needed to give them control of the House next year. The Senate will remain in Democratic control, as the December Georgia runoff election won't change the partisan balance regardless of the outcome.

This means that Sen. Debbie Stabenow (D-MI), who is current chair of the Senate Agriculture Committee and helmed the panel during the writing of the 2014 Farm Bill, will remain chair as the next bill is written. NMPF has worked well with Sen. Stabenow in the past as her committee has improved the Dairy Margin Coverage program and other safety net programs for farmers, as well as provided funding for climate smart agriculture initiatives important to dairy producers. Sen. John Boozman of Arkansas will be the ranking Republican on the ag panel next year, as he has been in this Congress.

On the House side of Capitol Hill, the slender GOP majority will elevate Rep. GT Thompson (R-PA) to become House Agriculture Committee chair. He has been the ranking minority leader on the committee in the current Congress. With GOP control of the House, Republicans may push for a debate over the scope of nutrition programs and take a close look at funding levels for climate smart agriculture in the next Farm Bill. Like Stabenow, Thompson is a vocal supporter of the dairy community and will be looked to by others in Congress for his expertise in dairy policy.

The ranking Democratic member of the House Ag Committee is expected to be Rep. David Scott of Georgia, the current committee chairman. The complete composition of the agriculture committees in both chambers won't be known until the beginning of next year.

