

MPC WEEKLY FRIDAY REPORT

DATE: AUGUST 26, 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	-\$.0800	\$1.7400	WEEKLY CHANGE	+\$.1425	\$3.0825
Barrels	-\$.0125	\$1.8825	WEEKLY AVERAGE	+\$.0720	\$3.0385
WEEKLY AVERAGE CHEDDAR CHEESE		DRY WHEY		NAT'L PLANTS	
Blocks	-\$.1010	\$1.7700	DAIRY MARKET NEWS	W/E 08/26/22	\$.4900
Barrels	-\$.0580	\$1.8790	NATIONAL PLANTS	W/E 08/20/22	\$.5109
				WEEK ENDING 08/20/22	
				NAT'L PLANTS	
				LAST WEEK ENDING 08/13/22	
				NAT'L PLANTS	

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
AUG 26 EST	\$26.73 - \$27.23	\$26.98	\$20.13	\$24.81
LAST WEEK	\$26.73 - \$27.23	\$26.96	\$20.08	\$24.65



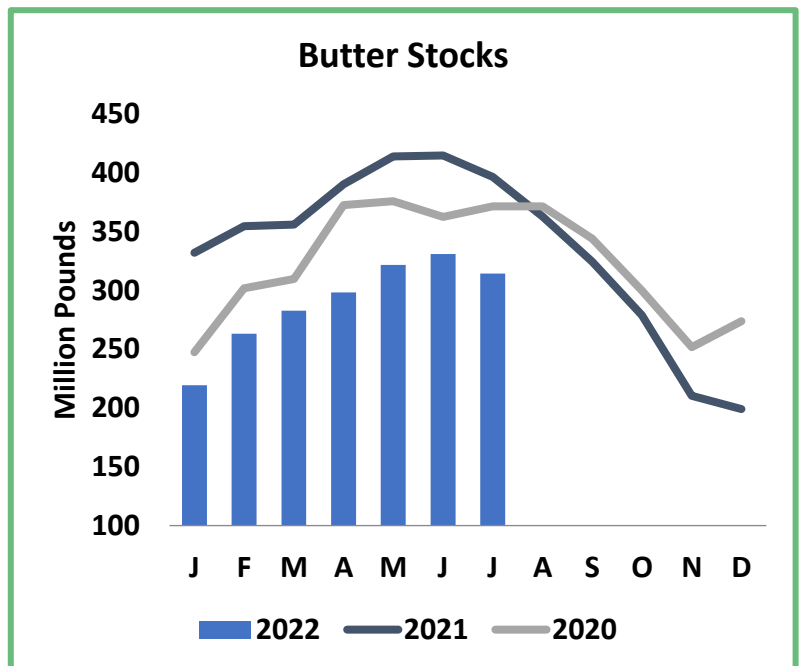
Milk, Dairy and Grain Market Commentary

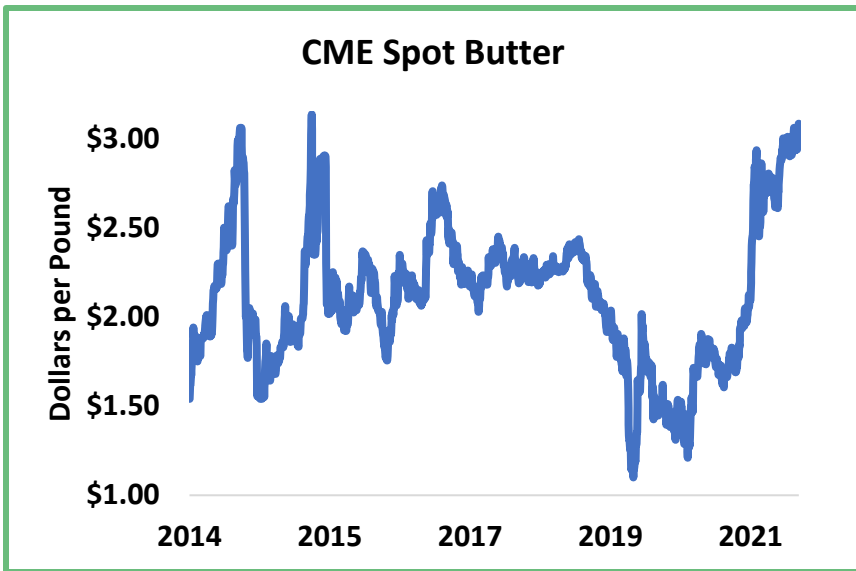
By Sarina Sharp, Daily Dairy Report
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Milk & Dairy Markets

Butter buyers are anxious. There were just 314.4 million pounds of butter in cold storage at the end of July, 5.4% less than a year ago and the lowest mid-summer total since 2017. Butter production is always scant in the summer, but it was especially so this year. Cream multiples are sky-high, pushing butterfat to other users. And the fall baking season looms large. CME spot butter leapt 14.25¢ this week to \$3.0825 per pound, the loftiest price since 2015 and within a few cents of the all-time highs.

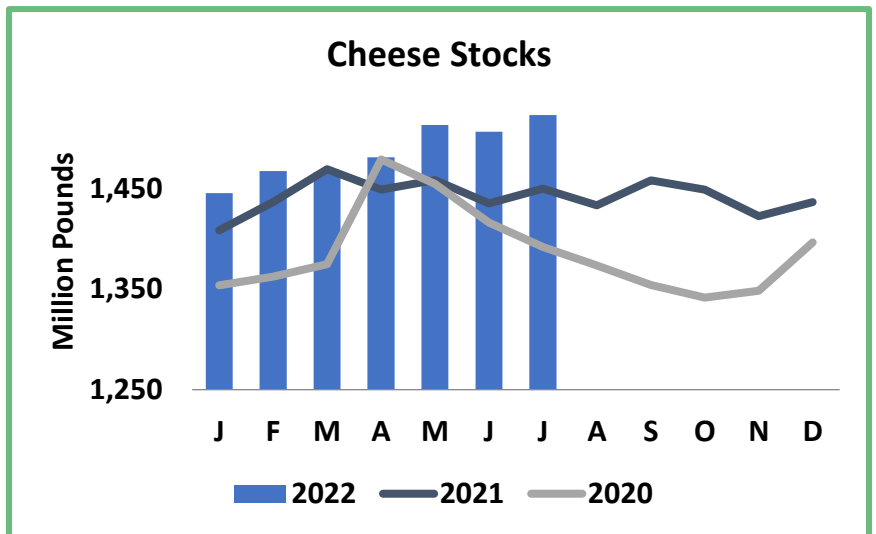
In contrast, the cheese market is weighed down with oversupply. There were 1.52 billion pounds of cheese in refrigerated





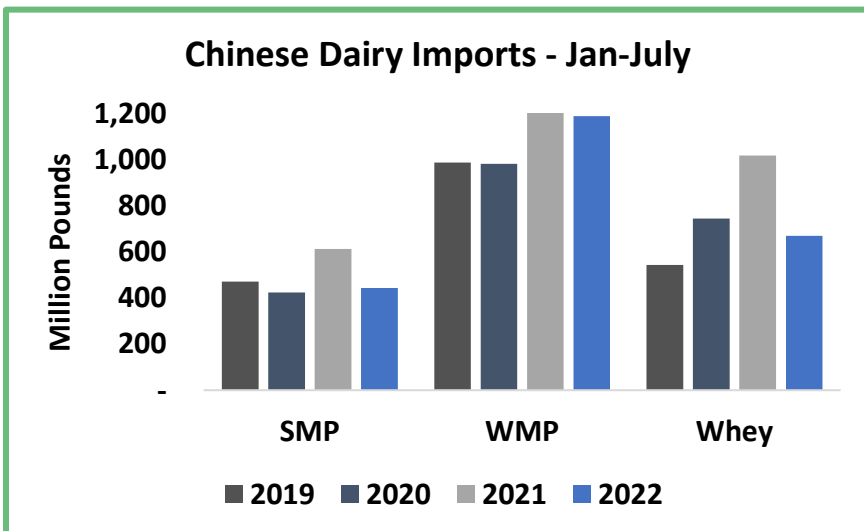
warehouses on July 31, the largest stockpile ever. Cheese inventories were 5.1% greater than the already ample volumes of a year ago. Meanwhile, cheese output remains strong as high freight keeps milk close to home. USDA's *Dairy Market News* characterizes domestic demand as "steady to lower." Thankfully, U.S. cheese is a bargain to foreign buyers, and exports are helping to keep product from piling up even further. CME spot Cheddar barrels slipped 1.25¢ this week to \$1.8825. Blocks dropped 8¢ to \$1.74, just a penny above the 2022 low.

The powders moved higher. Whole milk powder (WMP) prices inched upward at the new Global Dairy Trade (GDT) Pulse auction on Tuesday, bouncing back from a poor showing at last week's traditional GDT auction. The GDT will still feature the full array of dairy products twice per month, while the Pulse auction will offer a look at a single delivery period for Fonterra WMP in the off weeks. At the CME spot market, nonfat dry milk rallied 4¢ to \$1.56.



The market remains concerned that large stockpiles and economic malaise will weigh on Chinese dairy demand. China's July import data was not strong enough to silence the bears, but it was a little better than feared. Across all categories, China imported far less than the record-shattering volumes of last year.

Chinese milk powder imports were especially soft. Compared to the prior July, China imported 50% less WMP and 41% less skim milk powder (SMP).



However, if last year's unsustainably high imports are pushed to the side, China's milk powder imports look far less disappointing. For the year to date, China's WMP and SMP imports are the third-highest ever.

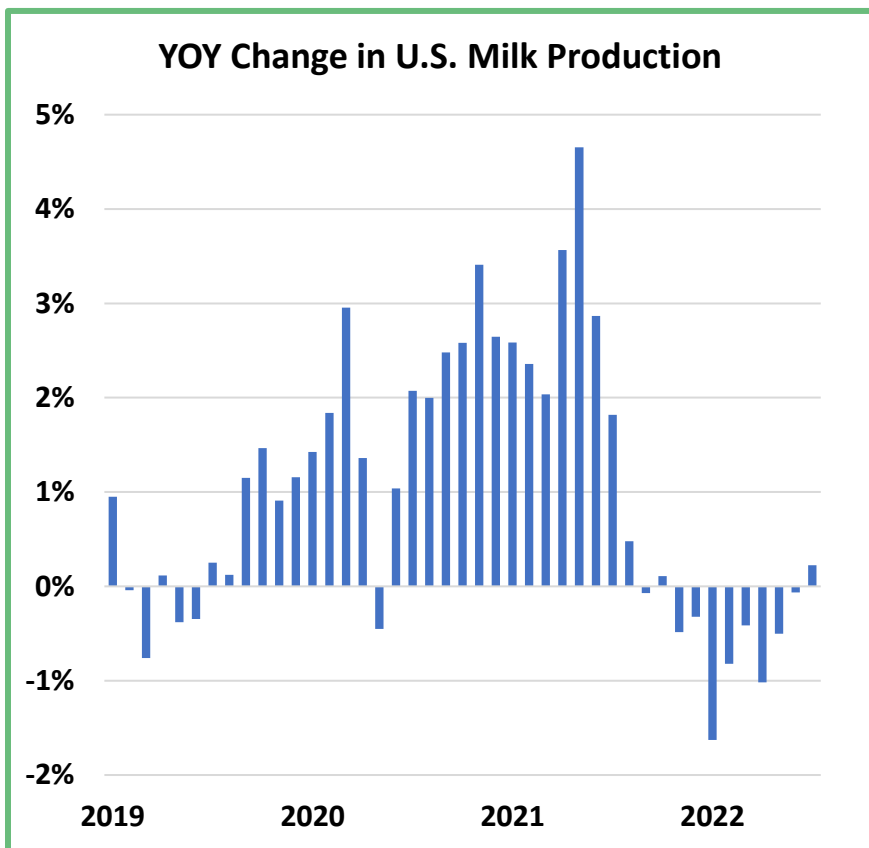
China imported 119.5 million pounds of whey products in July, 17% less than the year before. Still, this is the highest monthly total since September. For most of this year, Chinese hog growers operated in the red, and they cut back on expensive feeds including whey for piglets. But now they're back in the

black and including more whey in the ration. U.S. whey is priced to move and gaining marketshare. The United States accounted for 59.3% of Chinese whey product imports in July, its highest share since the U.S.-China trade war heated up in 2018.

Better exports, a recovery in U.S. infant formula production, and rising NDM prices have helped to spur a rebound in U.S. whey prices. CME spot dry whey climbed 2¢ this week to 47¢ per pound, a one-month high. But whey prices are down nearly 40¢ from the February peak, a slump that has sapped more than \$2 per cwt. from the Class III milk price.

USDA fine-tuned its June milk production estimates and reported that, in contrast to its initial assessment, milk production *did not* top year-ago levels in June, and dairy producers *didn't* add cows. June milk output fell 0.1% from the prior year, and the dairy herd shrunk 4,000 head from May to June. For July, USDA's Milk Production report showed national milk output at 19.14 billion pounds, up just 0.2% from the prior year. The dairy herd grew a modest 1,000 head from June to July and is still 67,000 head smaller than it was a year ago. Both milk production and cow numbers were on the low end of expectations and they prompted much higher prices in Chicago.

Despite the selloff in the spot cheese market, September Class III futures jumped 51¢ this week to \$20.24 per cwt. The October contract added 76¢, and deferred contracts added at least a dollar. Class IV futures were even stronger. October Class IV jumped \$1.72 to \$24.20.



Grain Markets

Dairy producers will need milk prices to stay high to keep up with rising feed costs. The trade has grown increasingly concerned about global grain supplies amid worsening drought in Europe and in China's rice belt. Closer to home, ProFarmer crop scouts pegged the national average corn yield at 168.1 bushels per acre, well below USDA's latest estimate of 175.4. ProFarmer often posts a lower yield than USDA's September assessment, so the market shouldn't count on the agency whacking seven bushels off in its next Crop Production report. However, the tour made it clear that the crop in the Eastern Corn Belt is good but not record large, and it's not big enough to make up for variable yields in Iowa and a truly terrible crop in the Plains.

The bean crop is in better shape, thanks to August rains that fell during the peak of soy pollination. ProFarmer put the soybean yield at 51.7 bushels per acre, just a little shy of USDA's August guess at 51.9. Nonetheless, the soy complex followed the grains higher this week. November soybeans closed today at \$14.6125 per bushel, up 57.25¢ from last Friday. October soybean meal jumped more than \$26 per ton to \$434.10. December corn futures rallied 41¢ to \$6.6425.

San Joaquin Valley Blueprint Reaches Out to Southern California Water Coalition

By Don A. Wright
WaterWrights.net

Note from Geoff Vanden Heuvel, Director of Regulatory and Economic Affairs

Milk Producers Council's trademark approach to addressing big issues that face our members is active collaboration with others. That is why MPC was an early and enthusiastic participant in the establishment of the [Water Blueprint for the San Joaquin Valley](#). For nearly 30 years, MPC has also been an active participant in the [Southern California Water Coalition](#) (SCWC). Recently, MPC was able to facilitate the collaboration between the SJV Blueprint and the SCWC. What follows is a very informative article written by Don Wright, the publisher of [Water Wrights](#). The article is well worth reading.

The **Water Blueprint for the San Joaquin Valley** has come a long ways since its formation. Last month it took its place amongst 17 other water organizations from across the state by cosigning a letter to Governor **Gavin Newsom** and legislative leaders requesting the massive state budget surplus be responsibly spent on water related needs.



The July 12, 2022 letter outlined \$1.35 billion in 2022-2023 funding priorities with: \$750 million for water recycling projects, \$500 million for Proposition One adjustments and \$100 million for dam safety and reservoir operations. The other signing organizations were a diverse group of heavy hitters including: the Bay Area Council, Metropolitan Water District, Santa Clara Valley Water District, the Orange County Business Council and the Southern California Water Coalition. It's a mark of progress for the Blueprint to be recognized as a viable partner.



*Members of the Southern California Water Coalition and Water Blueprint for the San Joaquin Valley met in July to share information and resources.
Photo credit: Southern California Water Coalition.*

Southern California Water Coalition

The SCWC is like the Blueprint only more mature as an organization. It was formed in 1984 and is a nonprofit, nonpartisan, partnership of more than 175 members located in eight Southern California counties. Diverse interest groups from business, regional and local government, agriculture, labor, environmental, water agencies and the general public are all involved. Members representing the agricultural sector has some names familiar to the Valley: **Jason Gianquinto** of Semitropic Water Storage District, former California Secretary of

Agriculture **A.G. Kawamura** and **Geoff Vanden Heuvel** of the Milk Producers Council.

On July 22, 2022 the SJVW Blueprint's Voluntary Executive Director **Austin Ewell** and Chair of the

Blueprint's Technical Committee **Scott Hamilton** spoke at the **Southern California Water Coalition's** board meeting held at the Long Beach Yacht Club.

While the SCWC had some knowledge of the Blueprint the presentation gave more detail and information. SCWC President **Charlie Wilson** thanked SCWC board member and Blueprint board member Vanden Heuvel for helping bring the two organizations together.

Ewell told the two dozen or so attendees the Blueprint is a coalition of the willing coming together with the goal of growing the San Joaquin Valley's water future – therefore the future of everyone living in the Valley whose communities and livelihoods depend on the production of food and those who eat – which is everyone, a much less exclusive group.

Ewell explained the Blueprint is made up of community leaders, businesses, water agencies, environmental and social groups, and agricultural interests working together to find solutions to water shortage problems taking place in the present and to plan for the future. The Blueprint is a nonprofit with a board and works collaboratively with state and federal water agencies and contractors, environmental organizations and wildlife refuges and others including Self Help Enterprises serving the unmet water needs of rural and disadvantaged communities and the California Department of Water Resources.

Continue reading [here](#).

Real California Milk Selects Final Cohort of Eight Dairy Startups

Courtesy of the [California Milk Advisory Board](#)



The [California Milk Advisory Board](#) (CMAB) announced recently eight finalists in the Real California Milk Excelerator, a partnership with innovation consultancy VentureFuel. The program is focused on identifying, curating, and accelerating dairy-based products – including traditional consumer food and beverage items, textiles and beyond. The competition will award up to \$500,000 in prizes for startups that introduce novel benefits and drive use of California milk and dairy in formulations.

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 seeks early-stage applicants with high-growth potential that create a 50% cow's milk-based product or working prototype.

“We launched the Excelerator to foster a culture of innovation in support of California dairy and this year's contestants certainly delivered on our high expectations. Our ‘Open Innovation’ finalists’ focus on themes important to the next generation of consumers: sustainable sourcing and use of upcycled materials; clean labels and benefits from convenience to function; and global flavors and ingredients,” said John Talbot, CEO of the CMAB. “It's exciting to take the next step with each of these candidates in preparation for the final pitch event.”

The eight members of the 2022 Real California Milk Excelerator cohort are:

1. Dosa by DOSA (Chico, Calif.) – Indian yogurt Lassi drinks.
2. Board at Home (Chico, Calif.) – E-commerce company, offering an experience of artisanal crafted cheeses and products shipped directly to consumers' homes.
3. Goon with the Spoon (Danville, Calif.) – Specialty super premium ice cream from hip-hop artist, entrepreneur, and chef Earl “E-40” Stevens.
4. Mi Terro (City of Industry, Calif.) – A first-of-its kind, venture-backed synthetic biology and advanced material company that engineers biomass waste into compostable biomaterials to end microplastic.
5. Neutral Foods (Gustine, Calif.) – Organic Half and Half product that has a carbon neutral footprint.
6. Pariva (Boston, Mass.) – Spreadable marinated yogurt bites.
7. Tres Lecheria (La Habra, Calif.) – Traditional and flavored Tres Leches cakes.
8. Wheyward Spirit (Sonoma, Calif.) – A clear, specialty spirit upcycled and distilled from whey.

Continue reading [here](#).

