

# MPC WEEKLY FRIDAY REPORT

DATE: SEPTEMBER 9, 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	+ \$.1525 \$1.9175	WEEKLY CHANGE	+ \$.0700 \$3.1700	<b>WEEK ENDING 09/03/22</b>	
Barrels	+ \$.0750 \$1.9325	WEEKLY AVERAGE	+ \$.0703 \$3.1463	NAT'L PLANTS	\$1.5933 25,419,136
<b>WEEKLY AVERAGE CHEDDAR CHEESE</b>		<b>DRY WHEY</b>		<b>LAST WEEK ENDING 08/27/22</b>	
Blocks	+ \$.1064 \$1.8444	DAIRY MARKET NEWS	W/E 09/09/22 \$1.5150	NAT'L PLANTS	\$1.5862 27,599,662
Barrels	+ \$.0653 \$1.9188	NATIONAL PLANTS	W/E 09/03/22 \$1.5014		

## 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 9 EST	\$25.22 - \$25.72	\$26.62	\$19.79	\$24.50
LAST WEEK	\$25.22 - \$25.72	\$26.28	\$19.75	\$24.02

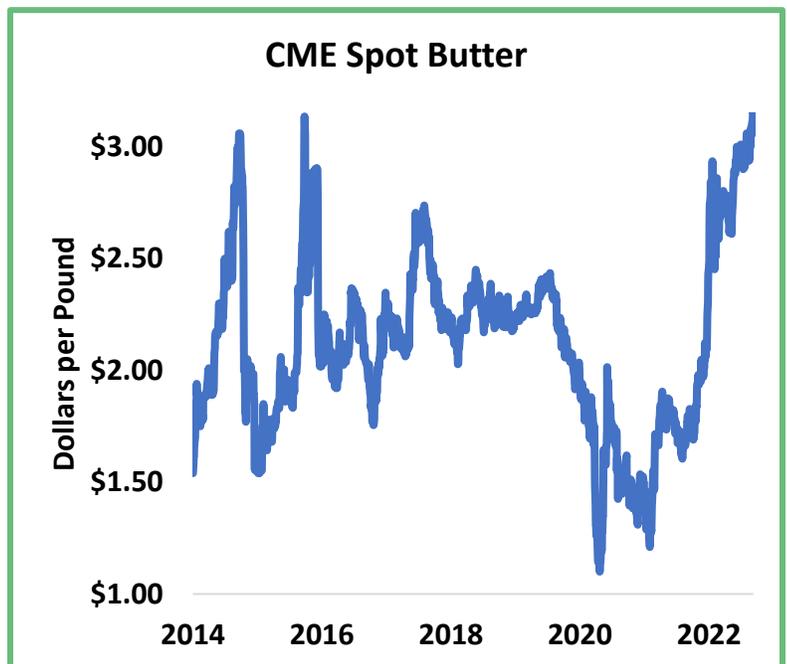


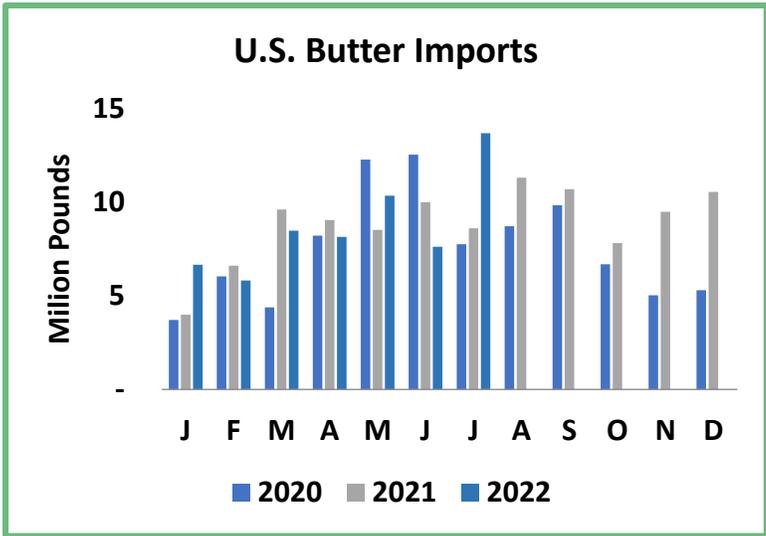
### Milk, Dairy and Grain Market Commentary

By Sarina Sharp, Daily Dairy Report  
[Sarina@DailyDairyReport.com](mailto:Sarina@DailyDairyReport.com)

#### Milk & Dairy Markets

The butter market leapt to an all-time high Wednesday and just kept climbing. CME spot butter closed today at \$3.17 per pound, up 6.5¢ since last Friday. Lofty values didn't scare away buyers. Traders exchanged 17 loads in Chicago in just four trading sessions this week, and there were two bids left on the board at the closing bell. The holiday baking season is right around the corner, and grocers are anxious to avoid empty dairy cases. Domestic supplies are low, but the United States is importing butter at a record clip. Importers brought in 13.68 million pounds of butter in July, 59% more than in July 2021. Ireland accounted for 83% of the total. Expect more foil-wrapped sticks of Kerrygold at your local

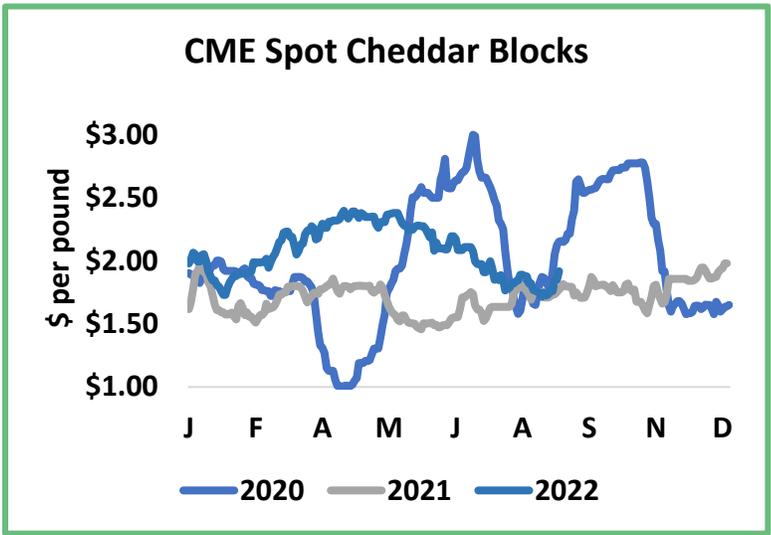




supermarket in the months to come. High prices are likely to attract more imports, but it's going to be hard to spur U.S. production until cream prices retreat. The futures suggest that butter supplies will remain tight until consumers are taking down their Christmas trees and making New Year's resolutions. But the last time that butter prices were even close to this high, the selloff was swift.

After months in the doldrums, the cheese markets livened up this week. CME spot Cheddar barrels climbed 7.5¢ to \$1.9325. Blocks jumped 15.25¢ to \$1.9175, a one-month high. Cheese output remains heavy, but

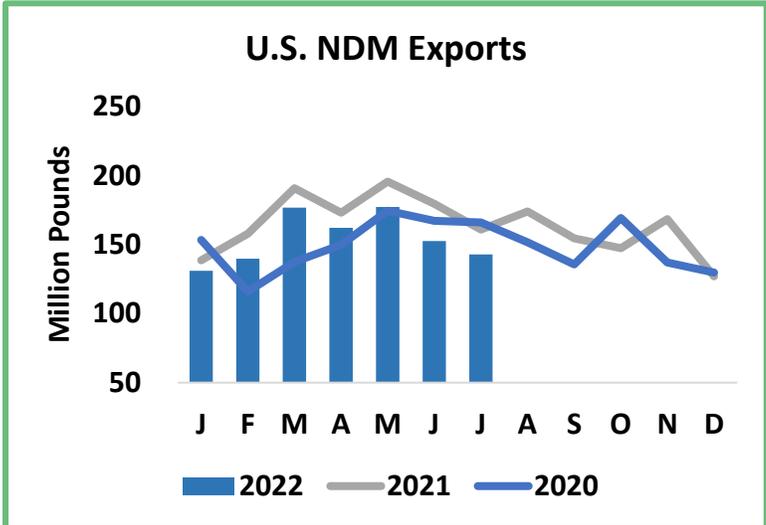
demand is strong. Football season is here, and pizza sales are rushing higher. Cheese exports remain hefty, although they were noticeably smaller than the record-setting volumes of March through June. Still, at 82 million pounds, U.S. cheese exports were 1.3% greater than the already-strong shipments of July 2021, and they helped to move over 7% of the month's cheese production offshore.



Milk powder prices perked up too. CME spot nonfat dry milk (NDM) rallied a nickel to \$1.57. At the Global Dairy Trade (GDT) auction, skim milk powder (SMP) advanced 1.5% from the previous event and averaged roughly \$1.73 per pound after adjusting for protein. Whole milk powder (WMP) prices vaulted 5.1% higher. The milk powder market is unsettled as the trade tries to assess the impact of two scenarios with the potential to upend the current balance between supply and demand.

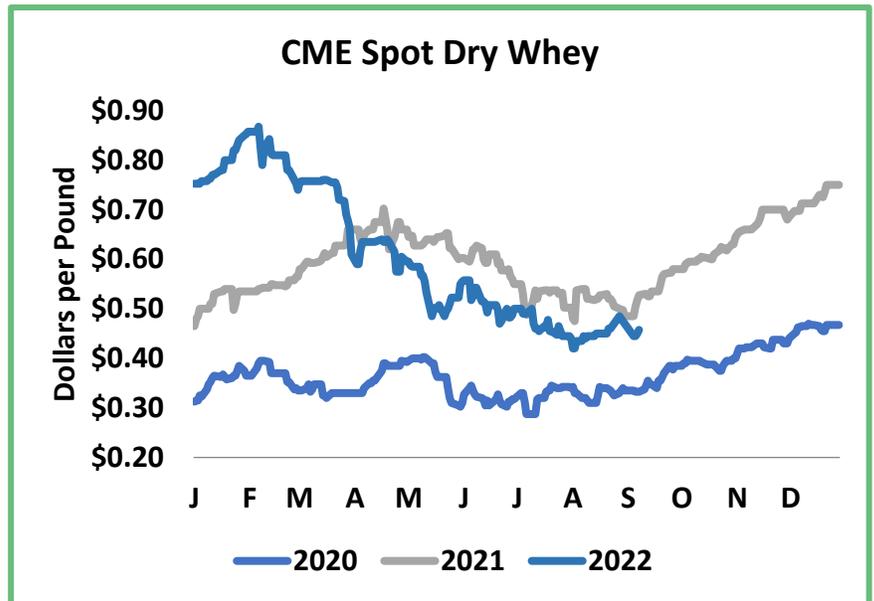
On the one hand, the market is concerned that China may suddenly stop buying milk powder. Covid lockdowns, upheaval in the real estate market, and extreme weather have all weighed on Chinese economic growth. And China spent at least 18 months stockpiling milk powder. How much should milk powder prices fall if the world's largest importer takes a big step back?

On the other hand, there are reasons to believe that milk powder supplies will slip. European milk output remains below year-ago levels, and the industry is already sending all the milk it can to cheese vats at the expense of churns and driers. In the 12 months that ended in June, European cheese production was steady with year-ago levels, while WMP



output dropped 7.3% year over year and SMP production fell 6.8%. Going forward, the milk powder deficit may get worse as unprecedented energy expenses make manufacturers think twice about running their driers. Lower European milk powder production would make room for more U.S. exports and would surely support prices.

For now, though, U.S. milk powder exports are mediocre. The U.S. sent 142.8 million pounds of milk powder abroad in July, 11.2% less than in July 2021. Sales to Mexico have been sporadic, but the trade expects better shipments this fall, as lower prices have attracted buyers south of the border.



The whey market is mixed. CME spot dry whey slipped 0.75¢ this week to 45.75¢. But some other indications of domestic whey prices moved higher. Whey product exports were strong, with July shipments at over 43 million pounds, the highest monthly volume since March 2021. Lower prices seem to be stimulating demand and laying the groundwork for a modest recovery in whey values.

Milk futures moved sharply higher, encouraged by the strong spot markets. Scorching temperatures in California also boosted prices, as the September heat wave took a significant toll on milk production. October Class III settled today at \$20.93 per cwt., up 99¢ from last Friday. Deferred Class III futures finished 40¢ to 75¢ higher than last Friday. October Class IV climbed 77¢ this week to \$24.40. The other Class IV contracts posted similar gains.

### Grain Markets

The feed markets climbed too, catalyzed by Russian President Vladimir Putin’s threats to put a stop to Ukrainian grain exports. A tenuous agreement between Russia and Ukraine has allowed for surprisingly swift shipments of Ukrainian grain through the Black Sea over the past six weeks, and the market is counting on more to come. It’s hard to tell if the Russians will follow through on their threats, or if this is simply bluster, but the possibility was enough to send wheat prices straight upward. December wheat settled at \$8.695 per bushel, up nearly 60¢ from last Friday.

The trade is positioning itself ahead of USDA’s monthly Crop Production and World Agricultural Supply and Demand Estimates reports on Monday, and this week’s rally suggests that grain traders are pessimistic about the corn crop. The average pre-report guess puts the corn yield at 172.5 bushels per acre, down from 175.4 in last month’s report. The trade expects a national average soybean yield at 51.5 bushels per acre, down only slightly from the August estimate of 51.9 bushels. If crop yields are better than feared, feed prices will sag. But, given the already tight balance sheets, if yields disappoint, prices will shoot even higher.

December corn closed at \$6.85, up almost 20¢ from last Friday. November soybeans slipped 8¢ this week to \$14.1225, reflecting stable crop conditions. October soybean meal fell another \$9 this week. But, at \$414.80 per ton, it’s far from a bargain.

# Colorado River Webinar October 6

Courtesy of [Southern California Water Coalition](#)

*Milk Producers Council is a long-time member of the Southern California Water Coalition. This free webinar will give you an opportunity to learn what is happening with the Colorado River.*



## SCWC's What Matters Webinar Series

October 6 | 10:30 a.m. to noon



# A Collaborative Approach TO COLORADO RIVER Management

The Colorado River is in crisis, creating serious challenges for water managers and the communities that rely upon it. Our panel of diverse stakeholders will discuss efforts to find collaborative solutions Basin-wide and how this could shape the future of Western water for years to come. This is the first in what is anticipated to be a series on the Colorado River.

### Register Today

**Michael Cohen**  
Senior Associate,  
Pacific Institute



**Sandy Kerl**  
General Manager, San Diego  
County Water Authority



**Adel Hagekhalil**  
General Manager,  
Metropolitan Water District  
of Southern California



**Henry Martinez**  
General Manager,  
Imperial Irrigation District



**Chris Harris**  
Executive Director, Colorado  
River Board of California



**David Palumbo,**  
Deputy Commissioner –  
Operations, U.S. Bureau of  
Reclamation (invited)



**Thomas Tortez, Jr.**  
Tribal Chairman,  
Torres Martinez Desert Cahuilla Indians



### WEBINAR SPONSORS








### FOUNDING SPONSORS














## Robotic Milking System Field Day October 11-12

Courtesy of [University of California Cooperative Extension](#)

Save the Date

# RMS FIELD DAY

OCTOBER 11 - 12, 2022



Greetings, dairy enthusiasts!  
Welcome to **Robotic Milking System Field Day!**

You are invited to attend the **Robotic Milking System Field Day** hosted by the University of California Cooperative Extension and the University of California Davis. This Field Day is open to dairy farmers interested in learning more about this system. Participants will have the opportunity to know and share the experience of two large dairies that had implemented robotic milking:

- **Diamond H Dairy**
  - October 12th
- **Fred Rau Dairy**
  - October 11th

- Time: 10 am - 1 pm (Lunch provided)
- Address provided upon registration confirmation

You can participate in the Field Day in one or both locations. There is **NO** registration cost.

Come tour the farm, talk about managing cows under a robotic milking system, enjoy lunch provided, socialize with other farmers, and learn from each other.

**Limited capacity!**  
**Join us in this adventure!**

**[Register Here!](#)**

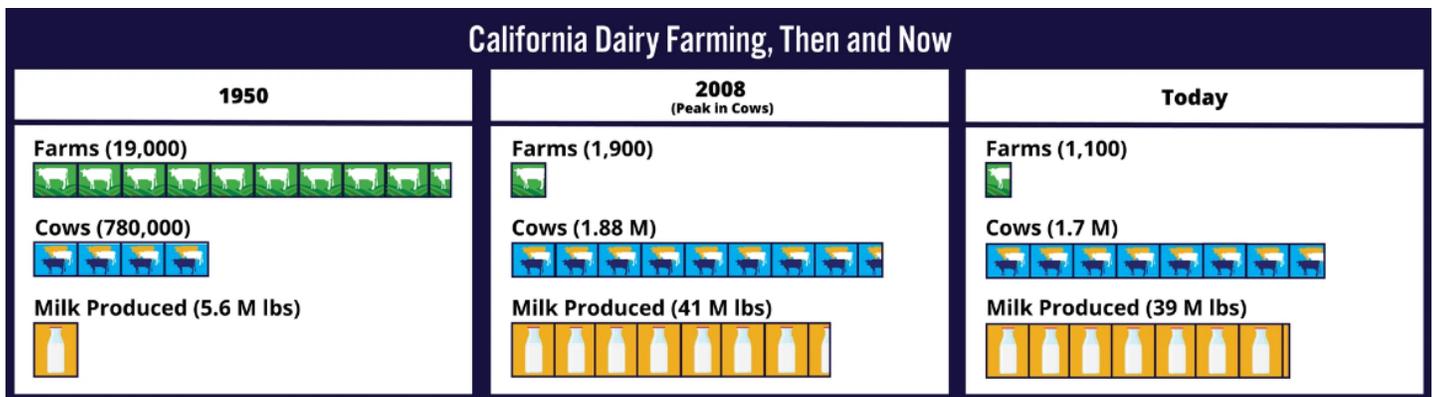


## Keeping Cows in California is Good for People and Planet

Courtesy of [Dairy Cares](#)

For generations, dairy farming families have made the Golden State their home, caring for their cows, and contributing to the economy and culture, especially in rural communities. The state's dairy farms and processing facilities are leading the way in efforts to nourish people and protect our planet. California's dairy farm families continue to meet a growing demand for dairy products using increasingly planet-smart practices; however, the number of dairy farms in our state continues to steadily decline, which should be a concern for all.

The number of dairies in California has decreased by 94 percent over the past 70-plus years. The number of milk cows in California has also declined some since its peak of 1.88 million cows in 2008 to just over 1.7 million cows today. Despite this drop in cow numbers over the past 14 years, California milk production has remained relatively steady—thanks to continued efficiency gains and advancements in animal care and nutrition. The most drastic and constant trend in California dairy farming has been the consolidation of smaller family farms into larger family farms.



The evolution of dairy farming in California has largely resulted in improved environmental sustainability—45 percent less carbon emissions, 88 percent less water used, and 89 percent less land used per gallon of milk produced over the past 50-plus years. Producing more milk with fewer cows is good for the environment. But, when California cows pack their bags—as farming families decide to either relocate or close down and sell cows to dairies in other states—that's not good. **As explained recently in *The Press Enterprise*, California leads the nation in climate-smart dairy farming, and cows leaving results in a “leakage” of methane emissions.** This is just one critical reason why fewer cows and fewer family farms is a big loss for the state. Here's seven more reasons why keeping cows in California is good for people and planet:

### 1. Dairy is a huge economic contributor.

Dairy is California's most valuable agricultural commodity, and milk production helps generate an estimated \$57.7 billion in annual dairy-related economic activity. The California dairy sector provides 180,000 year-round, high-quality jobs. Many of the jobs are in the San Joaquin Valley and are a critical source of employment to disadvantaged communities. Moreover, development of dairy methane reduction projects is creating hundreds of local construction jobs and ongoing operations and maintenance employment. With continued technological innovation occurring on farms and in processing facilities, the dairy community supports many industries. Additionally, dairy processors are at the cutting edge of product innovation, developing new, value-added products and more sustainable packaging, and partnering with colleges and universities to promote workforce development.

Continue reading [here](#).

## NMPF Update: Digester Funding; Rail Strike

*Courtesy of Jim Mulhern, President & CEO*

*[National Milk Producers Federation](#)*

### NMPF Pushes Back on Senate Criticism of Digester Funding

After Congress passed and President Biden signed into law legislation that included \$20 billion in funding for ag climate activities, a small group of Democratic senators wrote to USDA Secretary Tom Vilsack requesting that the new funds not be used to support manure digesters on large farms.

NMPF countered this week with a [letter](#) explaining why government support for such technologies is critically important to helping address climate change by enabling dairy farmers of all sizes to fulfill their environmental stewardship goals. At issue is money allocated in the recently passed Inflation Reduction Act for USDA's Environmental Quality Incentives Program (EQIP), which can help fund digesters on dairy and other livestock operations.

In their letter, Sens. Cory Booker (D-NJ), Kirsten Gillibrand (D-NY), Bernie Sanders (I-VT), Elizabeth Warren (D-MA) and Edward Markey (D-MA) [urged](#) USDA and the Environmental Protection Agency (EPA) not to direct any federal funds toward digesters, which they believe will fuel the growth of industrial livestock operations to the detriment of smaller farms.

Although NMPF is confident that USDA and EPA understand manure digesters' importance to dairy's overall sustainability work, we felt it important to weigh in with both agencies. The letter we sent this week, co-signed by the American Biogas Council, highlights the important attributes that digesters offer dairy farms seeking to manage their manure, reduce methane emissions and with it, climate change.

We advised that effective greenhouse gas mitigation "necessitates a full suite of options for small, medium, and large producers and should not be limited by size or nature of the farm. Such limitations would undermine dairy farmers' ability to be an environmental solution." We also shared the letter with the leaders of the House and Senate Agriculture Committees and other key allies.

### NMPF Asks Congress to Help Avert Rail Strike

With the possibility that a labor strike may cripple America's freight railroads during the fall harvest season, NMPF and a coalition of ag groups [urged Congress](#) to prepare to intervene, if necessary, to prevent a rail stoppage of any duration. In a letter this week to the chairs of the House Transportation and Commerce committees, the Ag Transport Coalition told lawmakers that they must be prepared to act if the railroads and their unions don't reach an accord by Sept. 17. The White House recognizes the high stakes at issue, and has asked Labor Secretary Marty Walsh to participate in a meeting next week between the National Mediation Board, the country's largest rail carriers and eight unions in hopes of preventing a strike.

