

MPC WEEKLY FRIDAY REPORT

DATE: OCTOBER 7, 2022
 TO: DIRECTORS & MEMBERS
 FROM: KEVIN ABERNATHY, GENERAL MANAGER
 PAGES: 5



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MPC FRIDAY MARKET UPDATE

CHICAGO CHEDDAR CHEESE		CHICAGO AA BUTTER		NON-FAT DRY MILK	
Blocks	+ \$.0550	\$2.0225	WEEKLY CHANGE	+ \$.0725	\$3.2175
Barrels	+ \$.0250	\$2.2250	WEEKLY AVERAGE	+ \$.0740	\$3.2225
WEEKLY AVERAGE CHEDDAR CHEESE		DRY WHEY		WEEK ENDING 10/01/22	
Blocks	+ \$.0265	\$2.0150	DAIRY MARKET NEWS	W/E 10/07/22	\$5000
Barrels	+ \$.0290	\$2.2270	NATIONAL PLANTS	W/E 10/01/22	\$4891
				LAST WEEK ENDING 09/24/22	
				NAT'L PLANTS	\$1.5670 25,379,617
				NAT'L PLANTS	\$1.5657 25,379,617

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 7 EST	\$24.31 - \$24.81	\$25.72	\$22.11	\$24.85
SEPT '22 FINAL	\$25.22 - \$25.72	\$26.51	\$19.82	\$24.63

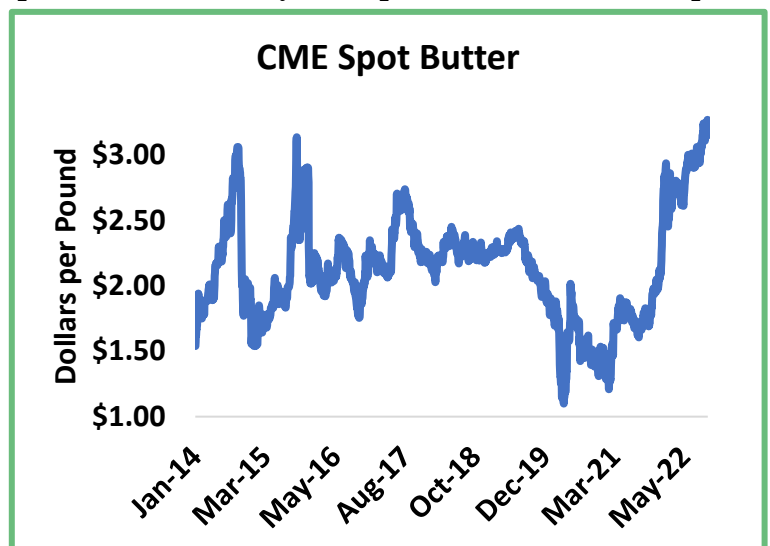


Milk, Dairy and Grain Market Commentary

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

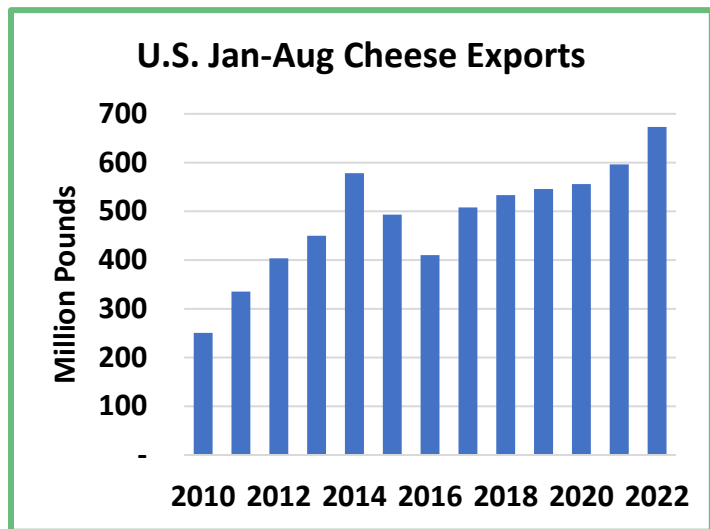
Milk & Dairy Markets

The butter market has outdone itself once again. On Wednesday it climbed to \$3.24 per pound, matching the all-time high set in September. Yesterday it leapt to \$3.2675, a new peak. Today it closed at \$3.2175, down a nickel from the day before but still among the loftiest butter prices ever recorded and up 7.25¢ since last Friday. Traders exchanged 35 loads of butter in Chicago, evidence that high prices have not yet killed buyers' appetite. Grocers are still worried about empty shelves and willing to pay whatever it takes to get their hands on more butter. But in just a few weeks they will be done stocking up for the holiday baking season, and prices are expected to plummet. October butter settled today at \$3.19, while the December contract was \$2.765.



August production and trade data explain why butter stocks are so low. August butter output dropped to 144 million pounds, down 2% from a year ago and 4.5% lower than August 2020. Cream remained unusually pricey in September, suggesting that churns ran slow last month as well. Meanwhile, butter and milkfat exports climbed to an eight-year high, and imports shrank. August exports reflect deals that were negotiated months before, when U.S. butter was the cheapest in the world. In a month or two, the U.S. is likely to become a net butter importer, but that won't help shore up stocks today.

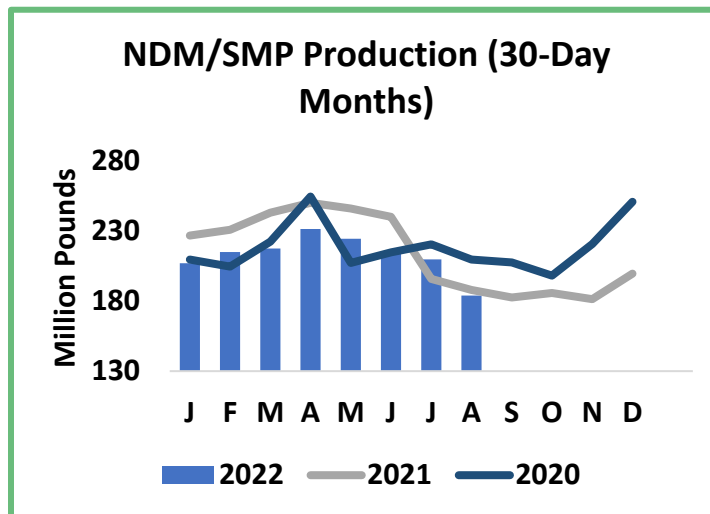
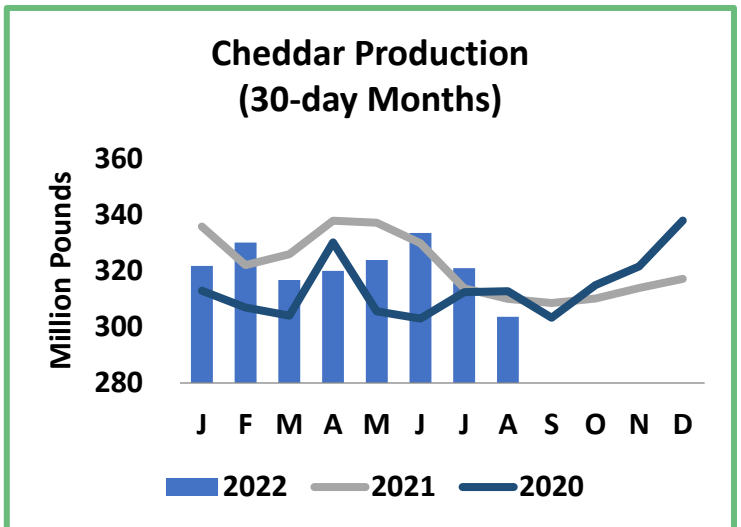
Nearly everything about the cheese market – production, stocks, and, thankfully, trade – is at record highs. Exporters sent 84.6 million pounds of cheese and curd abroad in August. That's the highest total ever for the month, and 4.9% more than the already hefty volumes from August 2021. U.S. cheese exports reached all-time highs in 2021, and we are currently 13% ahead of last year's impressive pace.



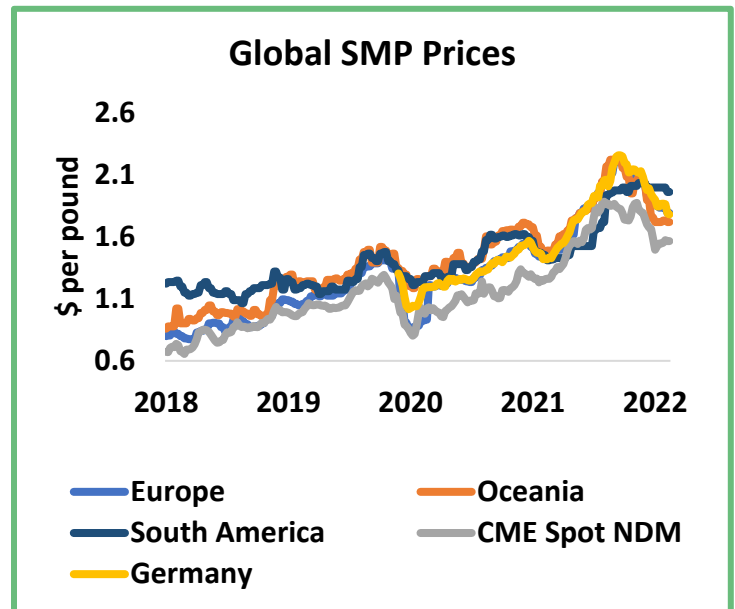
August cheese output reached 1.15 billion pounds, up a curiously small 0.1% from the year before. Mozzarella production was robust, up 3.1% from August 2021. Americans are clearly hungry for pizza. Cheddar output was surprisingly low at less than 314 million pounds, down 2.1% from last year. And it's likely that the majority of that Cheddar was pressed into blocks rather than barrels. There is no shortage of aged cheese, but fresh Cheddar barrels eligible for sale at the CME spot market are in short supply. Spot barrels climbed 2.5¢ this week to \$2.225. Blocks jumped 5.5¢ to \$2.0225. Those prices seem a bit rich for such a heavily-laden market. But as long as U.S. cheese prices remain competitive for exports, values can stay high.

The powders retreated this week. Spot whey fell 1.75¢ to 42.25¢. Exports were strong and production faltered in August, but the price and anecdotal reports suggest that orders have slowed since then. According to USDA's *Dairy Market News*, "Dry whey supplies are not overwhelming, but demand is subdued."

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CME spot nonfat dry milk (NDM) fell 3¢ this week to \$1.54. The powders came under pressure at the Global Dairy Trade (GDT) auction as well, with skim milk powder (SMP) down 1.6% and whole milk powder (WMP) off 4% from the previous event. Combined production of NDM and SMP totaled 190 million pounds in August, down 2.1% from the year before. Manufacturers' stocks of NDM declined seasonally from July to August, but they were still up 9.5% from a year ago. Exports did not impress, and USDA's *Dairy Market News* reports that Mexican buyers have gone quiet. U.S. milk powder is the cheapest in the world, and it's especially affordable when priced in pesos. Nonetheless, with concerns about the global economy rising to the fore, buyers on both sides of the border are hoping for another setback in the milk powder market before they step back in.



USDA announced the September Class IV price at \$24.63 per cwt., down 18¢ from August and up an astounding \$8.27 from a year ago. At \$19.82, September Class III was 28¢ lower than August but still up \$3.31 from September 2021. That's the first time Class III prices have dropped below \$20 in 2022, and it's likely to be a one-time event. Stubbornly high barrels helped to lift October Class III to \$22.11 today, up 36¢ to the highest weekly close since early July. November Class III futures jumped \$1.22 this week and the December contract was nearly a dollar higher. Class IV futures gained around 35¢ on average this week. The October contract finished at \$24.85, a four-month high.

Grain Markets

Corn futures have settled into a well-trod range between \$6.70 and \$6.90 per bushel. The December contract closed today at \$6.8325, up 5.5¢ from last Friday. The trade is trying to fine-tune its estimate of the corn crop ahead of next week's Crop Production update. Reports from farmers are mixed, with some surprisingly good yields in the eastern Corn Belt and lots of disappointing readings in the Northern Plains.

November soybeans finished at \$13.67, up 2.25¢. December soybean meal fell another \$2.30 to \$400.70 per ton. The soy complex remains under pressure as harvest picks up speed. Low water levels on the Mississippi River have grounded the barges needed to move the crop from the Corn Belt to the Gulf, likely slowing soybean exports in the vital post-harvest window. The strong dollar and weak Argentine peso are also making U.S. soy product exports less competitive at a crucial juncture. The U.S. exports more than half of its soybeans between October and January. Exports typically drop hard in February when South American crops hit the market. If exports drag in the coming months, the U.S. could lose some sales to Argentina, Brazil, and Paraguay. However, it's another La Niña year and weather will be the final arbiter. A poor crop in South America would result in more opportunities for U.S. exports and sharply higher prices.



The Producer Review Board has a Meeting

By Geoff Vanden Heuvel, Director of Regulatory and Economic Affairs
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On Monday, October 3, the Producer Review Board (PRB) met in Modesto and tackled a significant agenda. Normally approving the minutes is non-controversial, but at this week's meeting there was a challenge by one of the board members as to how the minutes of the June 6, 2022, meeting were written. The minutes were not approved and will come back to a future meeting.

There were a number of reports from California Department of Food and Agriculture (CDFA) staff explaining how the assessment money is physically collected and paid out. They also reported on the status of building up an auditing team and mentioned that there would be an internal CDFA audit of the fund in the near future. The reduction in the assessment on August 1 has begun the drawdown of excessive balance in the QAP fund. That balance peaked at \$20,466,000 in July and dropped by \$2.5 million with August assessment and payouts. The plan is to have a lower QAP assessment for 7 months and then readjust the assessment back to a rate that more closely approximates the payouts.

The requirement in the QIP for a 5-year review was discussed. CDFA intends to put out a Request for Proposals asking outside firms with expertise in surveys to make proposals to do this review. The PRB members expressed a strong desire to have another board meeting or meetings soon that would focus specifically on this issue. Indications are that those meetings would be public and virtual and would give the board members an opportunity to weigh in on what types of questions a review survey should ask.

There was discussion about the upcoming nominations for PRB board membership. CDFA sent a notice out to producers soliciting nominations for six board seats that are up for consideration. A report was also given on various department communications that had occurred over the past few months.

Another topic the PRB spent some time discussing was a hardship request from a producer who recently downsized his operation significantly. The producer was asking for financial relief from the effect of the over collection of assessments that led to the big balance in the QAP and the method being used to reduce that balance, which is a reduced per cwt. assessment for seven months. The argument of the producer in the hardship request was that he contributed to the accumulation of the surplus at an assessment rate on a much larger volume of milk than he will receive in benefit from the lower rate for the next 7 months. Under the state pooling plan, quota related hardship requests dealt primarily with producers potentially losing their quota or being prevented from selling their quota because of rules requiring Grade A production or the length of time you had to own quota before selling it. When the QIP was written in 2017, a hardship definition was included that states: "Hardship' means a challenge to the management and operation of a dairy due to the operation of this plan." The PRB wrestled with the request and in the end denied it and asked the department to do a legal review of hardship considerations prior to working on any potential changes to the hardship definition.

CDQAP Update: Winterizing Reminders, National Dairy FARM Program Update, Robotic Milking System Field Day

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

Winterizing Reminders

It's that time of year again! Summer is winding down and we are heading into California's "rainy season." Hopefully we will get some good rain this season as we certainly need it. When the rains come, it is important to be ready. Use this short winterizing checklist to ensure that manure collection and storage areas have been addressed. *See the checklist [here](#).*

National Dairy FARM Program Update

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

Since its beginning in 2009, the national [Dairy FARM Animal Care Program](#) has served to coordinate efforts, education and messages used across the industry. Virtually all of California's producers participate in the program through their cooperative or processor. Beside fostering improvement in animal care, this partnership provides important assistance for processor marketing programs, providing documentation of care practices to corporate customers.

Recent Metrics – As of July of this year, 13, 231 U.S. dairy facilities have had a second-party animal care evaluation conducted under [Version 4.0](#) animal care standards. These evaluations provide a wealth of information useful for producers, their processors and their customers. For instance, using [animal-based measures](#), 97% of farms are meeting industry lameness standards, 98% are demonstrating good body condition scores, and 99% of herds are meeting the knee injury score. Relative to calf care, 92% are disbudding calves prior to 8 weeks of age and 96% meet calve hygiene standards. Constant improvement is an important theme of the program, with 88% of herds providing continuing education annually to dairy employees. There is a rich selection of print and video training materials available for employees in both English and Spanish at the program's [Animal Care Training Resources webpage](#).

Continue reading [here](#).



Save the Date

RMS FIELD DAY

OCTOBER 11 - 12, 2022

UC CE UNIVERSITY OF CALIFORNIA Agriculture and Natural Resources Cooperative Extension
UC DAVIS VETERINARY MEDICINE

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!

CALIFORNIA DAIRY RESEARCH FOUNDATION Science for a Sustainable Future
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