

# MPC WEEKLY FRIDAY REPORT

DATE: SEPTEMBER 30, 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	+ \$.0075	\$1.9675	WEEKLY CHANGE	+ \$.0125	\$3.1450
Barrels	+ \$.0150	\$2.2000	WEEKLY AVERAGE	+ \$.0140	\$3.1485
<b>WEEKLY AVERAGE CHEDDAR CHEESE</b>		<b>DRY WHEY</b>		<b>WEEK ENDING 09/24/22</b>	
Blocks	-.0310	\$1.9885	DAIRY MARKET NEWS	W/E 09/30/22	\$ .5150
Barrels	+ \$.0335	\$2.1980	NATIONAL PLANTS	W/E 09/24/22	\$ .4889
				<b>LAST WEEK ENDING 09/17/22</b>	
				NAT'L PLANTS	\$1.5887 25,379,617
				NAT'L PLANTS	\$1.5887 23,680,504

## 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 30 EST	\$25.22 - \$25.72	\$26.46	\$19.85	\$24.55
LAST WEEK	\$25.22 - \$25.72	\$26.44	\$19.87	\$24.65



### Milk, Dairy and Grain Market Commentary

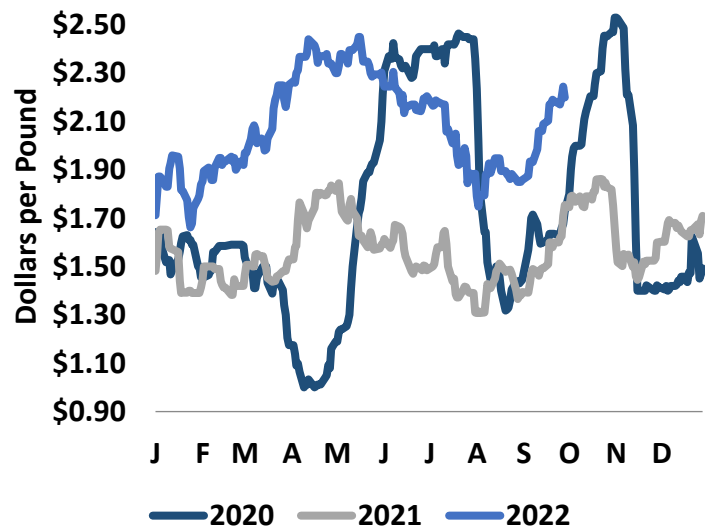
By Sarina Sharp, Daily Dairy Report  
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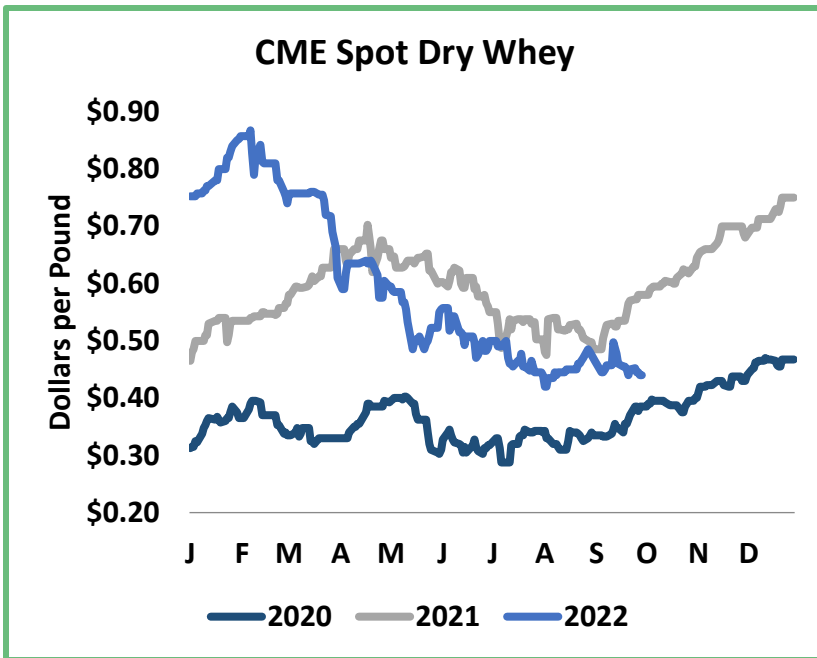
#### Milk & Dairy Markets

Football season is in full swing, and fans are enjoying their favorite game with a feast of queso and nachos. Demand for fresh, commodity-style cheeses is formidable, and barrels eligible for delivery to Chicago are in short supply. CME spot Cheddar barrels added another 1.5¢ this week and reached \$2.20 per pound. They gained an impressive 35¢ in September. Blocks are notably lower than barrels, but they also inched upward this week, advancing 0.75¢ to \$1.9675. For the month, blocks are up 24.25¢.

Fresh Cheddar may be tight, but there is plenty of cheese in storage. Cheese processors continue to complain of labor shortages in the West. In the Midwest, tighter milk supplies

#### CME Spot Cheddar Barrels





mean there is no discounted milk available, so cheesemakers are not motivated to run overtime. Cheese production may fall short of potential, but output will still be ample.

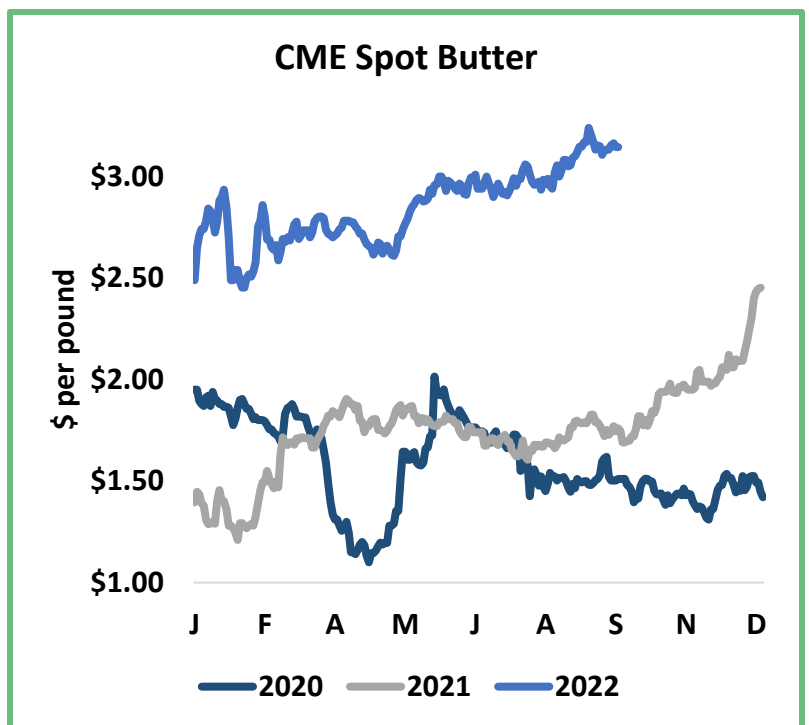
High prices are starting to weigh on cheese sales at retail. Fancy cheeses have been hit hardest. Consumers continue to put cheese in their carts, but many have shifted down to lower price points. Concerns about demand going forward weighed on the futures. Higher spot cheese prices helped to lift October Class III 85¢ this week to \$21.75 per cwt., on the high end of the recent trading range. But deferred contracts finished slightly lower than last Friday.

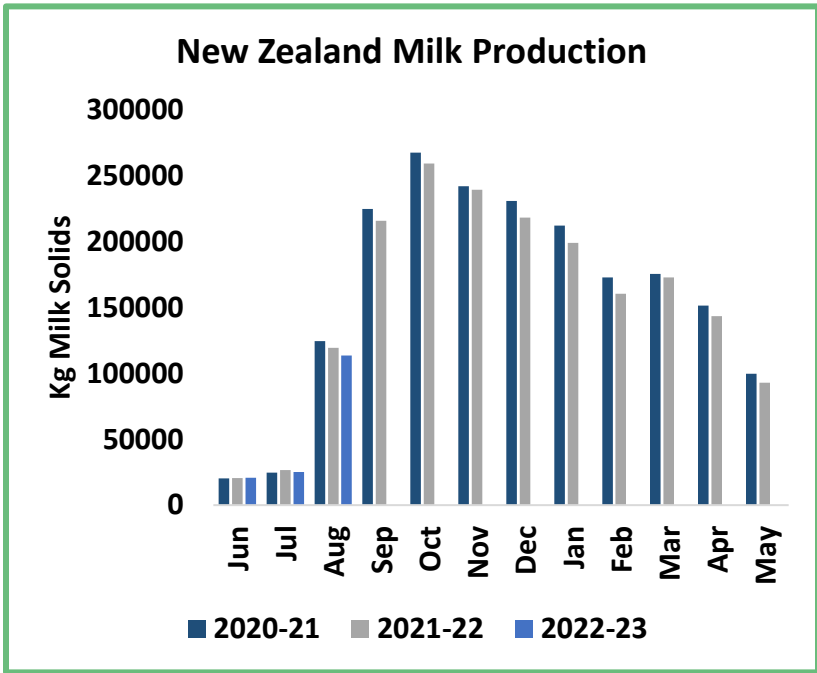
More cheese inevitably means more whey. USDA’s *Dairy Market News* confirms, “Dry whey availability has clearly grown in recent months. Chinese interests have waned which has kept larger inventories within the domestic market.” That’s given buyers confidence to wait for lower prices, and the market has rewarded their patience. CME spot whey slipped a penny this week to 44¢. Spot whey lost 3.5¢ in September.

CME spot nonfat dry milk (NDM) also closed a penny lower this week at \$1.57. That was up 2¢ for the month. Driers are running below capacity in much of the nation, and demand is good. Mexican buyers are active, catching up after a slow summer. But concerns about the economy and about China’s appetite for foreign milk powder hang heavy on the market.

CME spot butter bounced back this week, climbing 1.25¢ to \$3.145. Butter gained 9¢ in September. The fundamentals are unchanged. Despite sky-high prices, *Dairy Market News* describes butter demand as “hearty,” an apt adjective for butter appetites in autumn. Cream is a little easier to come by, but cream cheese and egg nog makers are ramping up output, so that could change faster than you can say flannel.

The split spot market generated mixed results for Class IV futures. The October contract rallied 6¢ to \$24.36. November held steady and December climbed a nickel. But first-quarter contracts moved sharply lower. A violent selloff on Wall Street and anxiety about the economy likely contributed to the red ink in 2023 dairy futures.



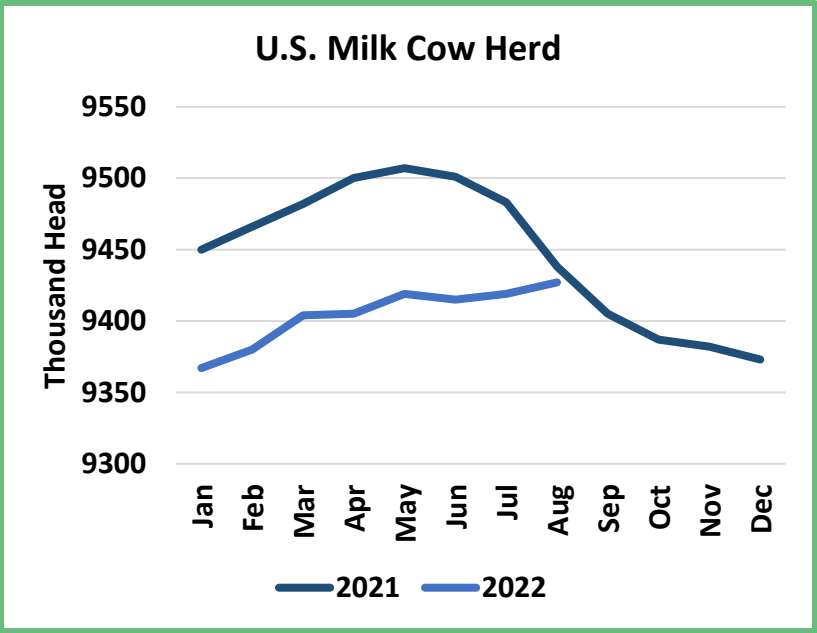


A recession never bodes well for global dairy demand. But slow growth in milk production among our competitors – and even outright declines – will likely make room for U.S. dairy exports to remain respectable. After a very rough summer, European milk collections are improving modestly relative to last year. But in New Zealand, milk output continues to disappoint. A wet spring slowed grass growth, and dairy producers in many regions are still complaining about soggy conditions as they head into October, the peak of the milk production season. Collections totaled less than 1.33 million metric tons in August, the lowest volume for the month since 2017. Season-to-date output is down 4.2% on a milk solids basis.

Closer to home, milk output is almost sure to top year-ago volumes going forward, as the U.S. dairy herd is likely holding steady, in contrast to rapid contraction in the last few months of 2021. But unpalatable feed costs, tight heifer supplies, and strict supply management programs will likely prevent a sizable jump in U.S. milk production.

**Grain Markets**

Corn futures dropped hard on Monday and stayed down for much of the week. The strong dollar trimmed U.S. export prospects by making U.S. crops cost more when priced in foreign currencies. And combines rolled under clear skies, putting some seasonal harvest pressure on grain prices.



But today, USDA surprised the market, reporting that corn inventories on September 1, just ahead of the new harvest, totaled only 1.377 billion bushels. That was 148 million bushels smaller than USDA’s previous end-of-season stocks estimate. With smaller carryover inventories, corn users are going to have to cut back in the 2022-23 crop year, or, by this time next year, supplies could fall to their lowest level since the 2012 drought. With that, December corn shot back up to \$6.775 per bushel. But, after Monday’s setback, it was up less than a penny for the week.

USDA’s quarterly Grain Stocks report had the opposite effect in the soy complex. The agency reported higher-than-expected soy inventories, and the futures plummeted. November soybeans closed at \$13.6475, down 51¢. December soybean meal dropped more than \$20 to \$403 per ton. Based on the latest figures, U.S. soybean supplies are not as tight as once feared, but they are far from abundant.

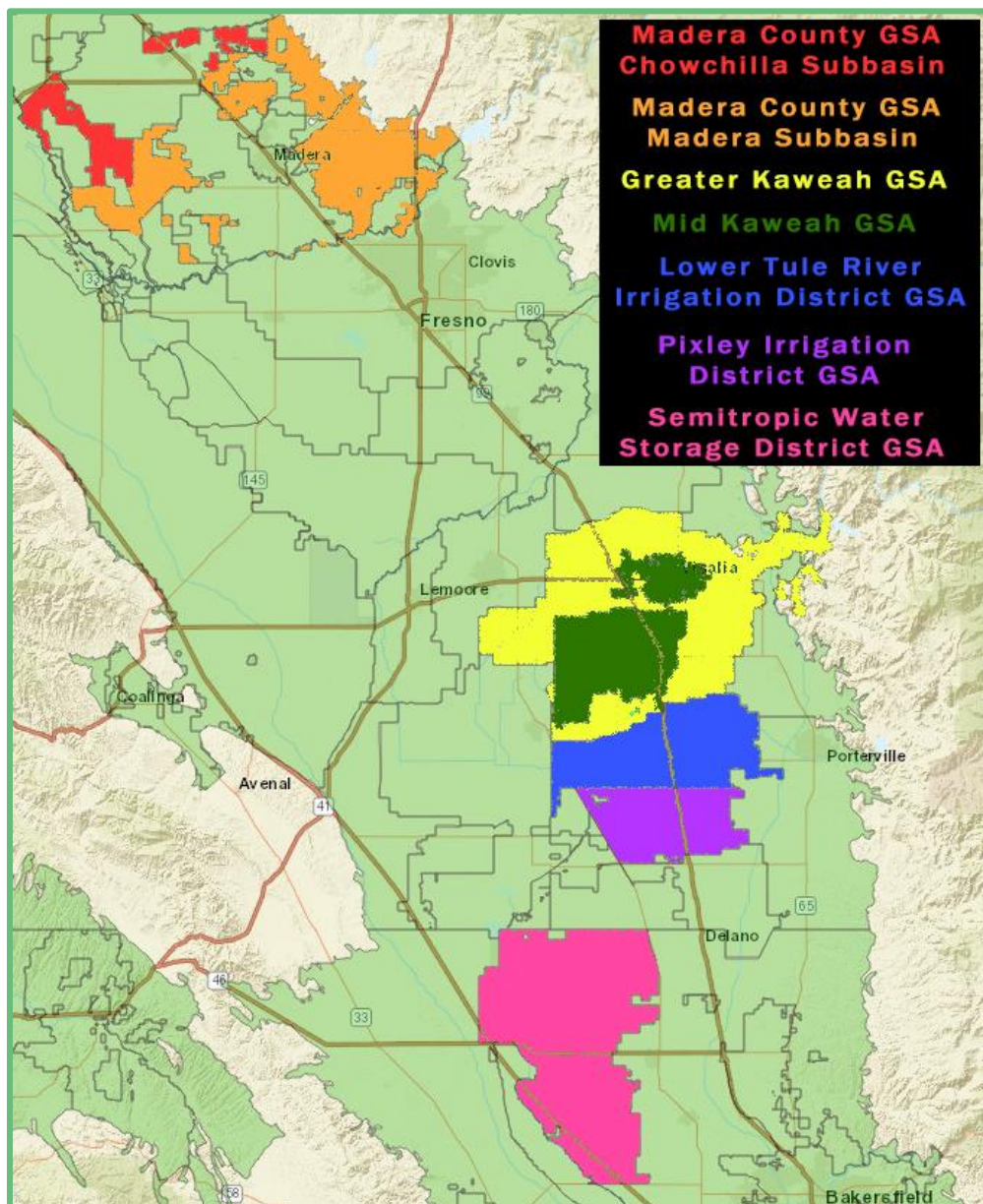


## Greater Kaweah Groundwater Sustainability Agency Board Adopts a Groundwater Allocation

By Geoff Vanden Heuvel, Director of Regulatory and Economic Affairs  
[Geoff@MilkProducers.org](mailto:Geoff@MilkProducers.org)

This week, the Board of the Greater Kaweah Groundwater Sustainability Agency (GSA) adopted a groundwater allocation for landowners, which will take effect on October 1. With this action, seven GSAs governing a substantial amount of the land where there is dairy production in the Southern San Joaquin Valley have imposed groundwater allocations. These seven GSAs will restrict groundwater pumping along with charging fees for accessing that water.

All seven of these areas are using satellite evapotranspiration as the measuring system to track water consumption. While there are some similarities in approach, there are some significant differences as well. Below, I outline fees associated with each GSA, *which are accurate to the best of my knowledge based on my research and participation in each of these GSAs.*



**Semitropic Water Storage District is in northern Kern County.** The part of this district that does not have surface water access from the State Water Project (which is most of the dairy land) was allocated 3.89 acre-feet per acre in 2022 and that will decline to 3.73 acre-feet per acre in 2023. This allocation will decline every year until it flat lines in 2040 at 1.06 acre-feet per acre. The annual fee to be covered under the Semitropic GSA is \$139.40 per acre per year.

**The Pixley Irrigation District GSA is in southern Tulare County.** It allocated 1.35 acre-feet per acre based on precipitation, native yield and district allocated groundwater credits. Landowners pay a \$70 per acre fee to operate the district. In addition, 10 acre-feet of transition water was allocated over the five-year period from 2020-2024. The fee to access the transition water is \$90 per acre-foot for the first five acre-feet and \$180 per acre-foot for the next five acre-feet.

**The Lower Tule River Irrigation District GSA is located in Tulare County, just to the north of the Pixley Irrigation District.** This GSA allocated 1.79 acre-feet per acre based on precipitation, native yield and district allocated groundwater credits. Landowners pay a \$50 per acre fee to operate the district. In addition, 10 acre-feet of transition water was allocated over the five-year period from 2020-2024. The fee to access the transition water is \$90 per acre-foot for the first five acre-feet and \$180 per acre-foot for the next five acre-feet.

**Mid Kaweah GSA is in Tulare County and makes up the cities of Tulare, Visalia and the Tulare Irrigation District (TID).** There is quite a bit of dairy in this GSA. TID does have access to significant surface water supplies, but they have also imposed a groundwater pumping cap on their landowners. Approximately 10 inches or 0.83 acre-feet per acre is allocated as native yield with no charge. An additional tier 1 allocation of 0.83 acre-feet is available for a fee of \$10 per acre-foot. A tier 2 allocation of another 0.83 acre-feet costs \$10 per acre-foot for a total of 2.5 acre-feet per acre allocation. An additional 1 acre-foot per acre of relief pumping is available for \$260 per acre-foot. Pumping over 3.5 acre-feet per acre will result in a penalty of \$500 an acre-foot. Almost all Mid Kaweah GSA farmers are in TID, where they pay an additional fee of \$67 per acre. This fee is escalating annually.

**Greater Kaweah GSA is in Tulare County and covers ground both west and east of the cities of Tulare and Visalia.** There are a lot of dairies in Greater Kaweah and much of this GSA is dependent exclusively on groundwater. The allocation just passed by the GK GSA Board and taking effect on October 1, allocates each landowner 0.83 acre-feet (10 inches) per acre of native yield at no cost. In addition, there is a tier 1 allocation of another 0.83 acre-feet per acre for a fee of \$125 per acre-foot and a tier 2 allocation of 1.04 acre-feet per acre for a fee of \$250 per acre-foot. The total of these allocations is 2.7 acre-feet per assessed irrigated acre. Groundwater consumption in excess of the 2.7 acre-feet per acre will be penalized with a fee of \$500 per acre-foot and a reduction in the next year's allocation.

**Madera County GSA – Madera Subbasin.** The Board of supervisors of Madera County is the governing body of this GSA, which covers most of the ground in the area that is not part of a surface water district. This GSA has imposed an allocation of 28 inches per acre for 2022 and 27.7 inches per acre for 2023. A fee of \$246 per acre for 2023 was adopted, although there has recently been a request to the Board of Supervisors to lower that fee. In addition, an administrative fee of \$23 per acre is charged to all the irrigated acres in the GSA. Groundwater consumption over the allocation results in a \$100 per acre-foot penalty, which will increase to \$200 for the following year.

**Madera County GSA – Chowchilla Subbasin.** The Madera County Board of Supervisors is also the governing body for this area. The groundwater consumption allocation in the Chowchilla Subbasin

portion was 26.3 inches per acre in 2022, going down to 25.9 inches in 2023. The Madera County GSA had proposed a \$204 per acre fee for the Chowchilla Subbasin portion, but the landowners mounted a successful protest campaign which prevented the GSA from adopting the fee. Discussions are now ongoing with landowners about forming a new water entity which would be funded by the landowners and eventually take over management of this area from the county. The allocations are still in effect. A penalty of \$100 per acre-foot increasing to \$200 per acre foot the following year will be imposed on groundwater consumption over the allocation. This area also pays a \$23 per acre administrative fee and will pay a \$1,000 per entity fee if the landowners do not put up a significant amount of money in the next few months to cover essential parts of their groundwater sustainability plan.

<b>GSA</b>	<b>2023 Allocation</b>	<b>Fees</b>
<b>Semitropic</b>	3.73 acre-feet per acre	\$139.40 per acre
<b>Pixley</b>	1.35 acre-feet	\$70 per acre
	2 acre-feet transition	\$90/\$180 acre-foot
<b>Lower Tule</b>	1.79 acre-feet	\$50 per acre
	2 acre-feet transition	\$90/\$180 acre-foot
<b>Mid Kaweah</b>	0.83 acre-feet	\$67 per acre
	0.83 transition/0.83 transition	\$10 per acre-foot
	1 acre-foot relief consumption	\$260 per acre-foot
<b>Greater Kaweah</b>	0.83 acre-feet	\$10 per acre-foot
	0.83 acre-feet transition	\$125 per acre-foot
	1.04 acre-feet	\$250 per acre-foot
	over 2.7 acre-foot	\$500 penalty plus loss of allocation
<b>Madera County - Madera</b>	27.7 inches per acre	\$246 plus \$23 per acre
	over 27.7 inches	\$100 per acre-foot penalty
<b>Madera County - Chowchilla</b>	25.9 inches per acre	\$0-? Per acre plus \$23 per acre admin fee

## Producer Review Board Meeting October 3; Nomination Period for Board Seats Open Until October 31

*Courtesy of the California Department of Food and Agriculture*

The next meeting of the Producer Review Board will be held at 10 a.m. on Monday, October 3, 2022, at the Stanislaus County Ag Commissioner's Office, Harvest Hall, Room D&E, 3800 Cornucopia Way, Modesto. The meeting agenda and materials, which includes information on quota sales, can be viewed [here](#).

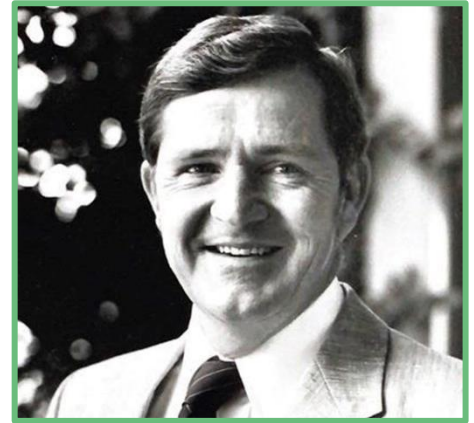
CDFA today also announced a call for nominations for six positions on the Producer Review Board. Producers should be receiving notice in the mail regarding nominations. You can view the letter and nomination form [here](#).

## Remembering Thomas Sawyer

*Courtesy of [DairyBusiness.com](http://DairyBusiness.com)*

### **Note from Kevin Abernathy, MPC General Manager**

*I knew Tom Sawyer for decades and always admired his industry leadership. He and his family produced magnificent purebred cattle out of Diamond S Ranch and Tom was part of the MPC family. Godspeed, Tom.*



### **Thomas (Tom) Howard Sawyer was born August 22, 1934**

**in Modesto, CA,** and moved with his parents to the Diamond S Ranch in Roberts Ferry, east of Waterford, when he entered 8th grade at Roberts Ferry Elementary School. He attended Oakdale High School and the University of California, Davis. After graduating from U.C. Davis, he returned to the ranch where he and his wife Linda (Gordon) joined his mother and father Wesley and Maida Sawyer in a business that would eventually become one of the premier purebred Holstein dairies in America. Having a strong desire to give back to the industry, and to support young people who were interested in farming and livestock, Tom was well known for providing local 4-H youth with project animals to be shown at the fair.

Throughout his life, he was recognized many times for outstanding service and accomplishments, including being named California State Chamber of Commerce Livestock Man of the Year in 1988. He also received the U.C. Davis College of Agriculture and Environmental Sciences Award of Distinction in 1992. The Dairy Council of California was a board he served on for nearly twenty years because he believed in the importance of nutrition education, and the value of dairy products in a healthy diet. Tom lived a full life on and off of the farm. He loved jazz. In fact, it was jazz that brought Tom and Linda together, as they first met in "Rec Hall" on the campus of U.C. Davis, where Tom and his dance band practiced. The band played around the Yolo County area. Throughout their 66 year marriage, family meals were not complete without the radio tuned to KFAT, or jazz music from his extensive record collection playing on his always state of the art stereo system.

Remembrances and donations can be made to Modesto Salvation Army, P.O. Box 580480, Modesto, California 95358. A Celebration of Life will be held at a future date.

Continue reading [here](#).

