

MPC WEEKLY FRIDAY REPORT

DATE: NOVEMBER 11, 2022
 TO: DIRECTORS & MEMBERS
 FROM: KEVIN ABERNATHY, GENERAL MANAGER
 PAGES: 7



P.O. Box 4030, Ontario, CA 91761 • (909) 628-6018
Office@MilkProducers.org • www.MilkProducers.org • Fax (909) 591-7328

MPC FRIDAY MARKET UPDATE

CHICAGO CHEDDAR CHEESE		CHICAGO AA BUTTER		NON-FAT DRY MILK	
Blocks	+ \$.1900	\$2.2000	WEEKLY CHANGE	+ \$.1325	\$2.9050
Barrels	+ \$.0875	\$2.0625	WEEKLY AVERAGE	+ \$.1375	\$2.8765
WEEKLY AVERAGE CHEDDAR CHEESE		DRY WHEY		WEEK ENDING 11/05/22	
Blocks	+ \$.1075	\$2.0910	DAIRY MARKET NEWS	W/E 11/11/22	\$.4800
Barrels	+ \$.0520	\$2.0165	NATIONAL PLANTS	W/E 11/05/22	\$.4826
				LAST WEEK ENDING 10/29/22	
				NAT'L PLANTS	\$1.5471 16,044,559
				NAT'L PLANTS	\$1.5729 19,225,319

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 11 EST	\$25.69 - \$26.19	\$24.38	\$20.98	\$23.14
LAST WEEK	\$25.69 - \$26.19	\$24.05	\$20.88	\$22.66



Milk, Dairy and Grain Market Commentary

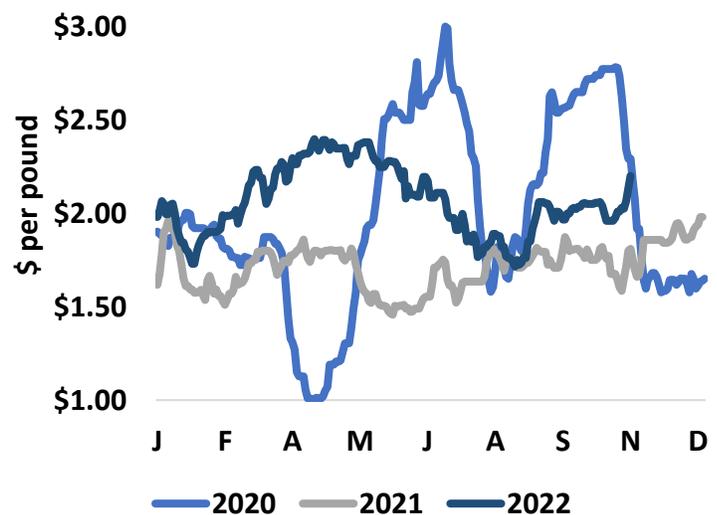
By Sarina Sharp, Daily Dairy Report
Sarina@DailyDairyReport.com

Milk & Dairy Markets

The bulls are back in town. Class III milk futures leapt to their highest values in a month or more, and Class IV contracts staged a decisive comeback. December Class III settled at \$21.58 per cwt., up \$1.23 from last Friday. December Class IV climbed 16¢ to \$21.63, and the other Class IV contracts gained roughly 40¢.

The cheese markets led the charge. On Tuesday, USDA announced plans to spend nearly \$1 billion to purchase a variety of proteins – including “dairy, meat, and poultry items” – for food banks. The announcement didn’t offer a lot of new

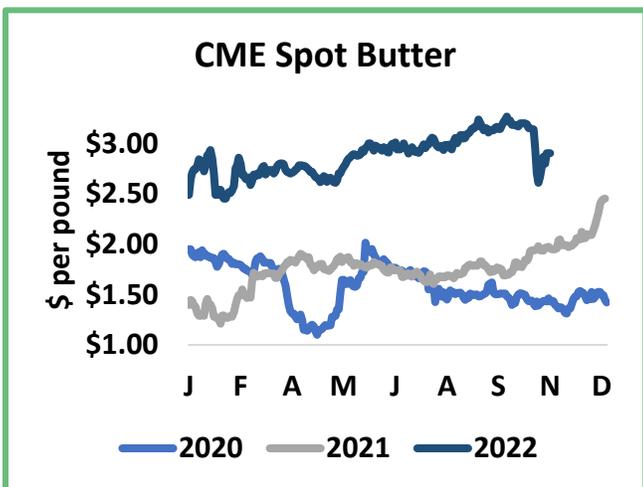
CME Spot Cheddar Blocks



information. USDA had already earmarked the funds for this purpose months ago, and they promised to start buying “soon” with deliveries spread out over an “indefinite” period. The industry’s best guess is that this means the government will buy a few million pounds of cheese per month with purchases moving at a bureaucratic pace. But, after 2020, having “government”, “donations” and “cheese” in the same paragraph was enough to push traders to buy first and ask questions later. CME spot Cheddar blocks vaulted 19¢ to \$2.20 per pound, their highest price since June. Barrels rallied 8.75¢ to \$2.0625.

Some cheesemakers continue to struggle with labor shortages and supply chain issues, according to USDA’s *Dairy Market News*, which is reducing output at the margins. But there is still plenty of cheese to go around, and sales to retailers are slowing seasonally. Thankfully, exports remain strong and Americans are eating a lot of pizza. That’s pushing more milk into mozzarella vats, leaving less for Cheddar.

After a big meltdown in late October, the butter market is heating back up. CME spot butter jumped 13.25¢ to \$2.905. The futures climbed as well. Stocks remain tight and a few buyers are still scrambling

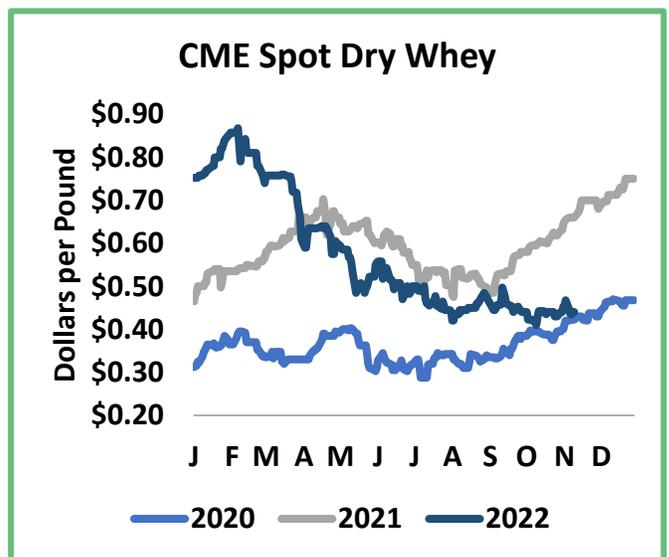


to stock up ahead of the holidays. But the market is likely to alleviate the scarcity soon. Production, inventory, and trade data imply that high prices weighed heavily on domestic butter demand in September. Commercial disappearance was 18.4% lower than in September 2021. High prices are also attracting foreign butterfat, which will add to U.S. supplies. Meanwhile, cream multiples are slipping, and butter churns are ramping up output.

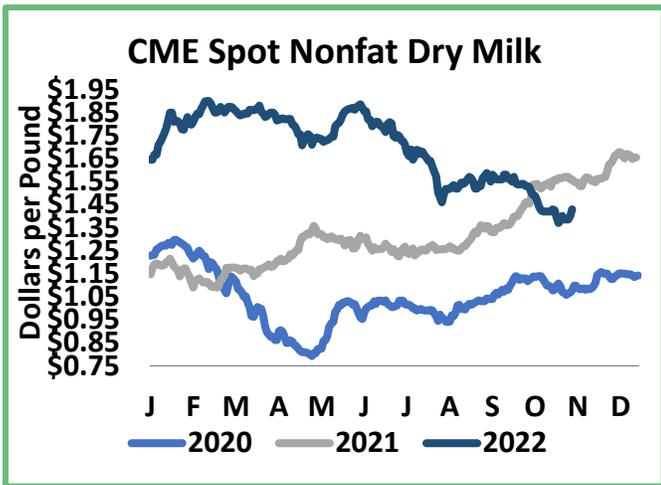
CME spot dry whey gave back much of the ground it gained last week. It closed today at 44¢, comfortably

within the recent trading range, but down 2.75¢ from last Friday. USDA used a lot of boring adjectives to describe the whey market, including “steady,” “stable,” and “unchanged.”

Global milk powder prices continue to fall. German skim milk powder (SMP) plumbed a one-year low this week. At the Global Dairy Trade’s weekly Pulse auction, the whole milk powder (WMP) contract fell 0.8%, its seventh straight week-to-week decline. But in Chicago, prices bounced back. CME spot nonfat dry milk (NDM) gained 3¢ this week to \$1.43. The late-week rally coincided with two news items that suggest better export prospects going forward.



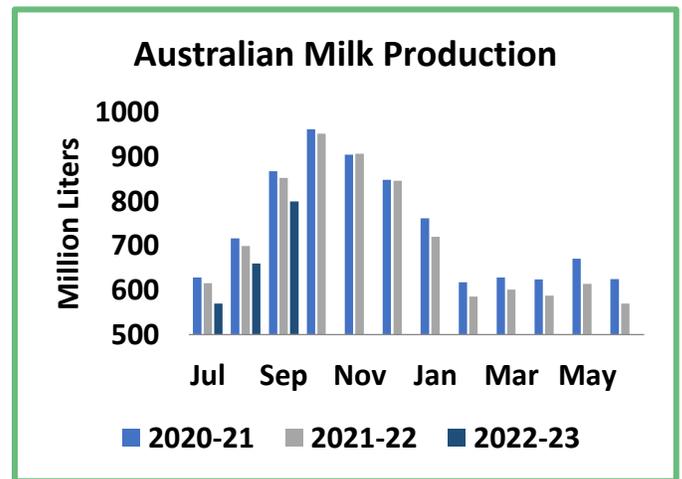
The Bureau of Labor Statistics reported that inflation in October cooled off just a little from September, and Wall Street hoped this would clear the way for



the Fed to stop raising interest rates at their current, aggressive pace. Whether that was enough to convince the Central Bank to soften its hawkish stance remains to be seen, but the dollar moved sharply lower against other currencies, boosting U.S. export opportunities. At the same time, China’s Communist Party will try to lessen the economic impact of its Zero-Covid policy by reducing quarantine times and easing a few other restrictions. It’s unclear how much difference these marginal changes will have on China’s struggling economy, which will still face some of the most onerous Covid

restrictions in the world. But any shift in the direction of greater personal and economic freedom is welcomed.

If China does begin to import more dairy – and that is a big if – the United States stands to benefit. European dairy product output continues to lag the prior year. New Zealand’s milk output is in decline, so they won’t be able to significantly step up exports to China without stepping back from other markets. The same is true in Australia. The dairy industry down under displaced New Zealand to become China’s top SMP supplier in September. But Aussie milk output has fallen short of the prior year in 10 straight months. September milk collections fell 6.2% below last year, and October production was likely abysmal due to floods in the nation’s top dairy state. Labor shortages in Australia, environmental regulations in New Zealand and Europe, and high feed costs everywhere will continue to rein in growth in global milk output. That’s likely to put a high floor under the dairy markets as long as demand can hold up under the strain of lofty prices and economic headwinds.



Grain Markets

The feed markets dropped hard this week. Corn futures fell four days in a row before reclaiming a little ground today. The December contract closed at \$6.5325 per bushel, nearly 30¢ lower than last Friday. January soybeans settled at \$14.50, down 12.25¢. December soybean meal finished at \$407.40 per ton, off \$13.

USDA may have granted the trade permission to sell. The agency raised its estimate of corn and soybean yields by 0.4 bushels each compared to its October assessment. Modest increases in production translated into only slight improvements in projected end-of-season stocks, as the agency raised its estimate of corn used for livestock feed and soybeans sold to crushers. USDA made no change to its export forecasts, but it may have to down the road. Weekly reports show that corn exports are anemic.

With low water levels slowing barge traffic on the Mississippi, elevators have prioritized shipping beans down the river, keeping more corn at home. That's good news for the U.S. livestock industry, as cattle growers, hog feeders, and dairy producers are paying exorbitant prices for grain. Nonetheless, corn remains in relatively short supply. This week's selloff may be a good opportunity for feed buyers to lock in some slightly more palatable prices.



Groundwater Sustainability Agency Tidbits

By *Geoff Vanden Heuvel, Director of Regulatory and Economic Affairs*
Geoff@MilkProducers.org

There is a lot of activity going on right now in the Groundwater Sustainability Agencies (GSAs) I cover for Milk Producers Council. I thought I would give you a sampling of that activity.

In the Merced Subbasin GSA, they are in the middle of collecting bids from their landowners for a temporary groundwater fallowing program. They will be collecting bids for another few weeks and then making their selection for who they will pay to fallow their land. You can read a very informative FAQ document on the Merced program [here](#). The Merced board also authorized a framework document that outlines how landowners can receive recharge credits to be used in the future. The Merced Subbasin GSA anticipates establishing an individual landowner groundwater usage allocation in the year 2026. So, to encourage landowner-initiated recharge now, they are establishing a policy for landowners to create and bank credits for surface/flood water that they recharge now that can be used as credit in the future when an allocation program is put in place. You can read a draft of that policy [here](#).

In the Chowchilla Subbasin, it is the landowners that are scrambling. Madera County GSA, which covers a big part of the non-Chowchilla Water District land in the Subbasin, has adopted a landowner pumping limit and a modest penalty fee for exceeding it. They also had a substantial plan to build recharge ponds, fund a land fallowing program, pay for domestic well mitigation and buy into a small portion of the new Sites Reservoir water supply. To do all those things a fee of \$204 per acre per year was submitted to the landowners in a Proposition 218 election. The landowners voted down the fee and are now in the process of forming a formal body that can take on the GSA responsibilities. It is very late in the game and time will tell if they can avoid state intervention.

In the Madera Subbasin the landowners narrowly approved the Madera County GSA fee, which covered the same items as the Chowchilla plan. The fee in the Madera Subbasin portion of the Madera County GSA is \$246 per acre and the landowners there have requested that the GSA lower that fee since their neighbors in Chowchilla are paying no fee. The Madera County Board of Supervisors is the governing body of the Madera County GSA and they will have two new elected members out of five next month who may have their own ideas.

In the North Fork Kings GSA, the policy subcommittee will be discussing a roadmap to groundwater allocations. You can read the draft proposal [here](#) and a landowner recharge credit program draft [here](#).

The McMullin Area GSA (MAGSA) obtained a USDA NRCS EQIP Water Smart grant that is available to individual landowners in MAGSA. The GSA is facilitating participation for the landowners. You can learn more about this program [here](#).

Mid Kings River GSA is just starting a mandatory well registration policy. All well owners in the GSA are required to register their wells and will soon be required to install flow meters.

Greater Kaweah GSA is in the middle of adopting a landowner groundwater allocation program. The initial policy provoked a strong backlash from the landowners (read [here](#)). To its credit, the GKGSA board has held a number of meetings and formed an ad hoc committee of board and stakeholders to come up with a new penalty rate and land fallowing program to meet the goal of the GSP to reduce overdraft. More to come from this GSA.

Mid Kaweah GSA had adopted an emergency allocation policy last May. Results showed that landowners reduced pumping by about 16% during the 2022 irrigation season. This positive result prompted the board to renew the allocation at the same level for the 2023 season.

The Lower Tule Irrigation District GSA and the Pixley Irrigation GSA are managed by the same office. They recently received funding from an NGO group for a fallowing program. The two GSAs decided to supplement those funds and solicited fallowing bids from landowners. The districts accepted bids for 1,500 acres for a cost of about \$700,000.

The Chino Basin Watermaster governs groundwater usage in the Chino area. I still serve on the Agricultural Pool committee in Chino. Their groundwater plan is a court judgement originally established in 1977. In that plan, agriculture is allocated 82,800 acre-feet per year of groundwater pumping. Last year farmers and dairymen pumped 21,000 acre-feet and for no charge, transferred over 61,000 acre-feet of unpumped groundwater right to the cities for urban use. If cities use more than their allocation, the replenishment rate the cities have to pay is \$811 per acre foot. You can see what a benefit it is to the Chino Valley cities to be able to receive 61,000 acre-feet from Chino Basin agriculture free of charge.

If you have any questions or comments, or you are interested in talking about these issues, please reach out. There is a lot going on, this is just a sampling of what I learned this week. I am always happy to chat.

UC Dairy Tech Update: Robotic Milk System Field Day Highlights

Courtesy of University of California Agricultural & Natural Resources

By Thaisa Marques

On these two amazing days, over 50 people had the opportunity to see how the robots work in person! Dairies' owners talked about their dairy's history and the process of transitioning to AMS. During the tour, participants had a chance to ask lots of good questions about managing cows, labor, water, and electricity consumption under a robotic milking system. Farmers, industry representatives,

consultants, professors, and researchers could socialize and learn from each other when lunch was served. *Continue reading [here](#).*

California Dairies and Partners Nationally Recognized for Saving Billions of Gallons of Water

Courtesy of [Dairy Cares](#)

California's most precious resource today is water. Making every drop go further couldn't be more important. Water conservation has been an ongoing endeavor for the state's dairy farmers, who have reduced the water footprint of a glass of milk by more than 88 percent over the last 50-plus years. One newer strategy that California dairy farmers are adopting is helping to save billions of gallons of irrigation water. The effort has been nationally recognized as a partnership that's making a splash in water efficiency and conservation, among other significant environmental benefits.

A growing number of dairy farms are saving about 36 percent of the water needed to grow feed crops by using a Subsurface Drip Irrigation system to apply dairy effluent (known as SDI-E). Using this method, dairy farmers apply a mix of fresh water and manure-nutrient water directly to the plant's roots via drip lines. The approach increases the nutrient use efficiency of crops, meaning more of the applied fertilizer makes it into the plant, better



Manure-nutrient water from a storage lagoon goes through an advanced filtration system and is mixed with fresh water before being applied to feed crops via sub-surface drip line.

protecting groundwater. Already, 26 California dairy farms are implementing the system on one or more fields, resulting in a collective annual water savings of more than 1.3 billion gallons of water.

The innovative irrigation model allows dairy farmers to tap into an existing resource and use it most efficiently. California dairy farms use recycled water to flush manure from barn floors, and finally to irrigate feed crops. Combining the advantages of a traditional sub-surface drip irrigation system with dairy effluent applications required some work. The technology was developed through a pilot project and further [proven through a three-year commercial demonstration](#), which led to eligibility for federal cost-share opportunities to promote on-farm adoption.

The significance of this water-saving effort has not gone unnoticed. This July, the national [Irrigation Association \(IA\)](#) recognized the SDI-E project as the winner of its Vanguard Award, aimed to pay tribute to innovation in efficient irrigation. Project partners include the technology provider, [Netafim USA](#), along with dairy farms and others, including [Sustainable Conservation](#), a nonprofit that works with farms and other businesses around the state.

Continue reading [here](#).

California Milk Advisory Board Meeting
November 30-December 1 in Palm Springs
Courtesy of the [California Milk Advisory Board](#)

The California Milk Advisory Board (CMAB) will host its next Board of Directors Meeting on:



Wednesday, November 30, 2022 – 7:30 a.m.
Thursday, December 1, 2022 – 8:00 a.m.

JW Marriott Desert Springs
74-855 Country Club Drive
Palm Desert, CA 92260

The CMAB Board meeting is open to any California dairy producer. If interested in attending, please RSVP to Tracy Garza at tgarza@cmab.net or 209-690-8252.



My nephew, Staff Sergeant Austin Byrne, shared these pictures with me and I thought they were worth sharing on this Veterans Day. Thank you to all of our military men, women and their families for your service to our nation. ~ Kevin Abernathy, General Manager

