

MPC WEEKLY FRIDAY REPORT

DATE: DECEMBER 16, 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	- \$.1175	\$1.9775	WEEKLY CHANGE	+ \$.0425	\$2.8550
Barrels	-\$.2100	\$1.7400	WEEKLY AVERAGE	-\$.0510	\$2.7860
WEEKLY AVERAGE CHEDDAR CHEESE		DRY WHEY		WEEK ENDING 12/10/22	
Blocks	-\$.0295	\$2.0630	DAIRY MARKET NEWS	W/E 12/16/22	\$.4775
Barrels	-\$.1240	\$1.8135	NATIONAL PLANTS	W/E 12/10/22	\$.4682
				NAT'L PLANTS \$1.4780 18,204,112	
				LAST WEEK ENDING 12/03/22	
				NAT'L PLANTS \$1.4553 23,268,054	

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
DEC 16 EST	\$24.18 - \$24.68	\$23.40	\$20.50	\$22.26
LAST WEEK	\$24.18 - \$24.68	\$23.07	\$20.50	\$21.82

NOVEMBER 2022 CA FMMO STATISTICAL UNIFORM PRICE ANNOUNCEMENT

NOV '22 FINAL	CLASS I	CLASS II	CLASS III	CLASS IV	STATISTICAL UNIFORM PRICE (BLENDED PRICE)	NET PRICE AFTER QUOTA ASSESSMENT*
MINIMUM CLASS PRICE	\$25.69 TULARE \$26.19 L.A.	\$24.67	\$21.01	\$23.30	\$21.85 TULARE \$22.35 L.A.	\$21.576 TULARE \$22.076 L.A.
PERCENT POOLED MILK	20.7%	4.8%	70.5%	4.1%	100% (1.98 BILLION LBS. POOLED)	

*QUOTA RATE OF \$0.274/CWT. AS OF AUGUST 2022 MILK

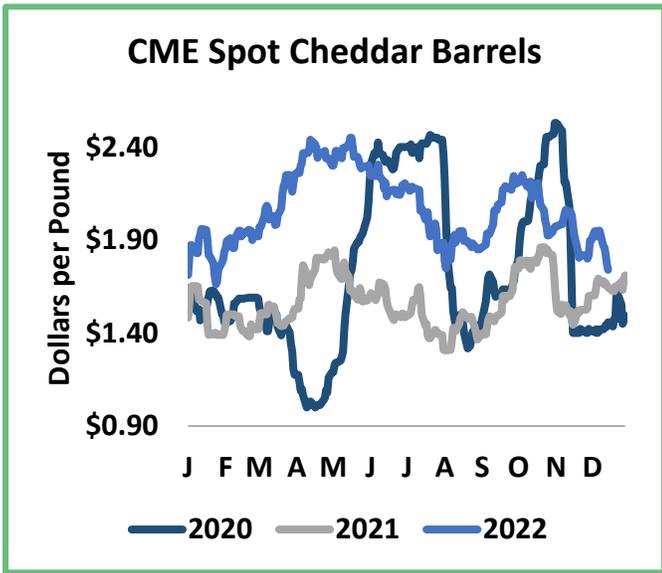


Milk, Dairy and Grain Market Commentary

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

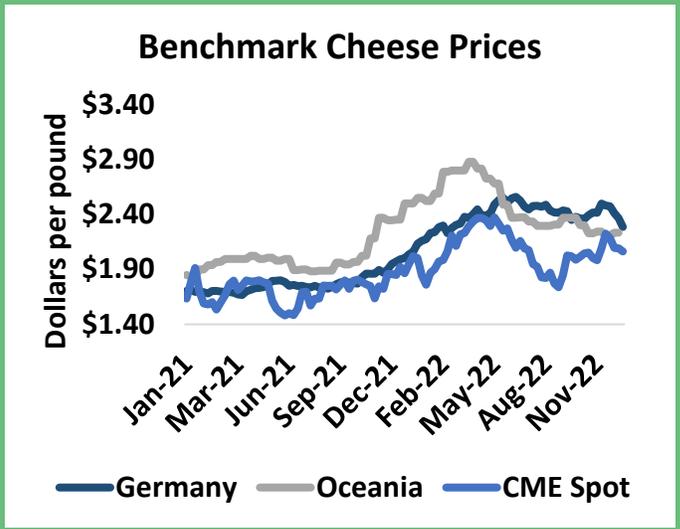
Milk & Dairy Markets

Like a sack of gifts down a chimney flue, the cheese markets landed with a thud. CME spot Cheddar blocks dropped 11.75¢ to \$1.9775 per pound, their first foray below \$2 since early November. Barrels fared worse. They plummeted 21¢ to \$1.74, the lowest price since January. Cheese

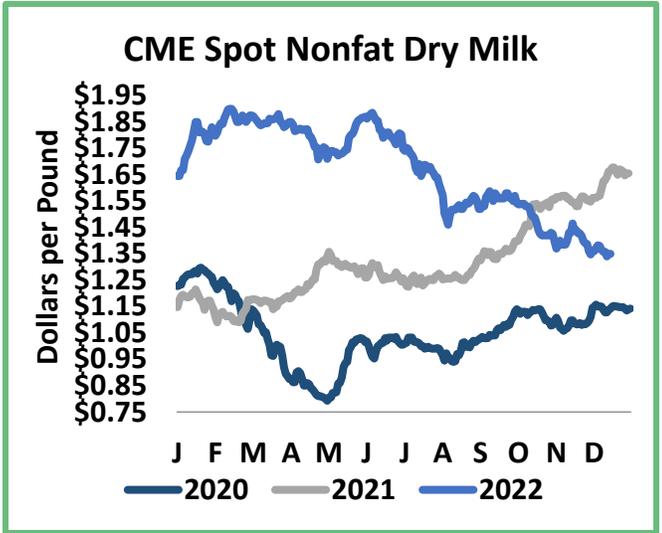


output remains strong, and there are fears that demand will no longer keep pace. Domestic cheese sales are mixed. Industry stakeholders tell USDA’s *Dairy Market News* that foodservice orders are holding steady. However, some retailers are buying a little less. And international buyers are not calling as frequently as they once did. This year, record-breaking exports kept cheese from piling up, but next year U.S. cheese output will be even larger. It will be difficult to match the current export pace, especially if the global economy weakens. Although American cheese is still the least expensive in the world, the gap is narrowing. Benchmark German cheese prices dropped to an eight-month low this week.

Foreign markets are also pressuring milk powder values. German skim milk powder (SMP) prices dropped to their lowest level in more than a year. With China buying less whole milk powder (WMP), manufacturers in both Europe and Oceania are making less WMP and more SMP and butter. USDA’s analyst in Wellington expects that, despite lower milk production, New Zealand will make 6% more butter and SMP this year than it did in 2021. Similarly, European SMP and butter output began to outpace prior-year volumes in July.

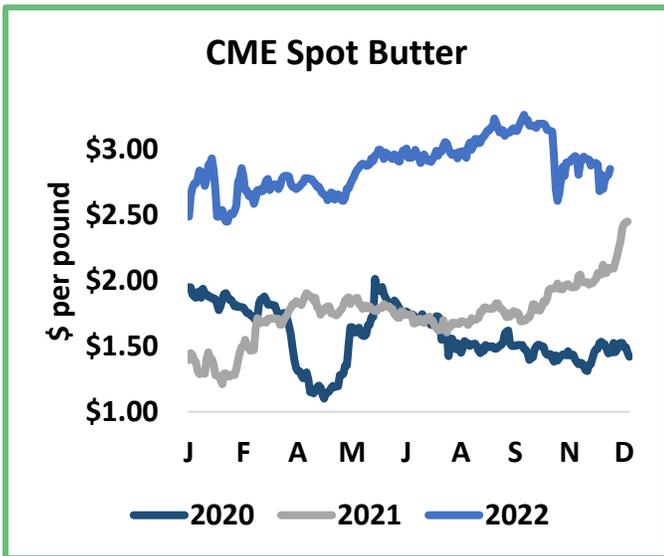


Closer to home, milk powder output has lagged 2021 volumes for months. Nonetheless, USDA reports, “demand is not keeping up with the supplies, as buyers/end users are leery of taking on extra volumes so close to the new year.” Mexican buyers are still active, but other importers have already checked out for the holidays. Prices slipped in Chicago. CME



spot nonfat dry milk (NDM) touched a new 2022 low at \$1.34 and closed at \$1.35, down 1.5¢ this week.

Spot whey powder bounced back this week, rallying 2¢ to 45.5¢. But other indications of value, including USDA’s “mostly” price series, continued to decline, and USDA’s whey market commentary tilted bearish. The agency described demand as “sluggish” in the Central region and “steady” in the West. USDA also noted that discount milk is widely available in the cheese states, which is sure to prop up cheese – and, by extension, whey – production over the next few weeks. Thankfully, manufacturers continue to focus

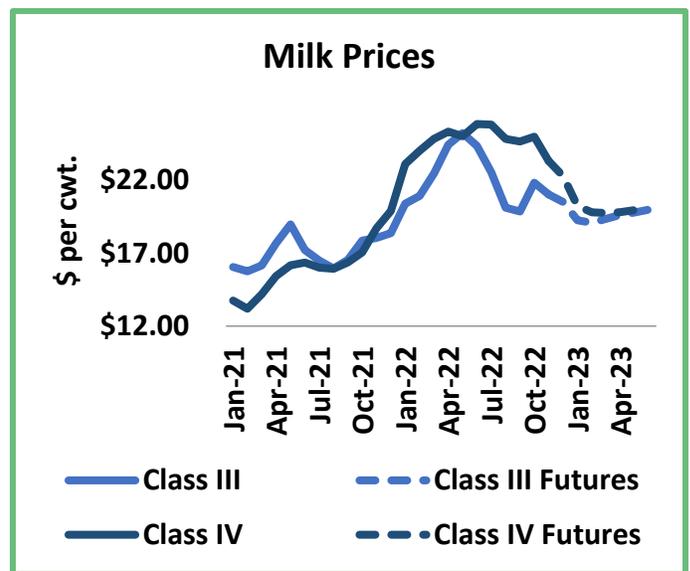


on higher protein whey concentrates and permeates, which will make dry whey output less burdensome.

Spot butter remains stubbornly strong. It climbed 4.25¢ this week to \$2.855. Orders from retailers and food service outlets held up for longer than expected, but they are finally starting to slow, as they always do at this time of year. High prices are sure to ding demand and attract imports eventually, but that will be a concern for 2023, apparently. The butter market seems determined to finish out 2022 with the same kind of bullish resilience and flair for drama that has characterized the trade all year.

The diverging butter and powder markets added up to a mixed finish for Class IV futures. December Class IV rallied 44¢ to \$22.26 per cwt., its strongest showing since mid-November. January Class IV added 16¢ this week and reached \$20.23. But most other 2023 contracts lost a little ground and closed below the \$20 mark.

Nearby Class III futures went nowhere at all. The December contract closed at \$20.50 and January was \$19.24, steady with last Friday. Deferred contracts lost a dime or two and settled in the \$19s. These prices are too low to entice dairy producers to expand, given the immense capital and interest expense required to build a new facility today. But \$19 and \$20 milk is not low enough to force a lot of contraction, especially after the big milk checks many producers enjoyed this summer and fall. The dairy herd is likely to stagnate here, allowing for modest growth in milk output driven by consistent improvement in milk yields.



Grain Markets

Soybean meal prices fell back from last week’s lofty perch, but they remain shockingly high. The January contract closed at \$463 per ton, down just \$8.60 this week. The trade is anxious about the Argentine drought and the possibility that the rush to make renewable biodiesel will not produce as much soybean meal in 2023 as the industry once hoped. Still, today’s values look overpriced. Further declines are likely unless there is fresh news to support the market.

Grain prices rebounded. Corn exports are still slow, but they perked up just a bit this week. And the wheat market regained a little ground, snapping a six-week losing streak. That helped to push March corn to \$6.53 per bushel, up 9¢.



Preliminary Injunction Issued in Madera County GSA; Authority for County to Impose a Per Acre Fee Paused

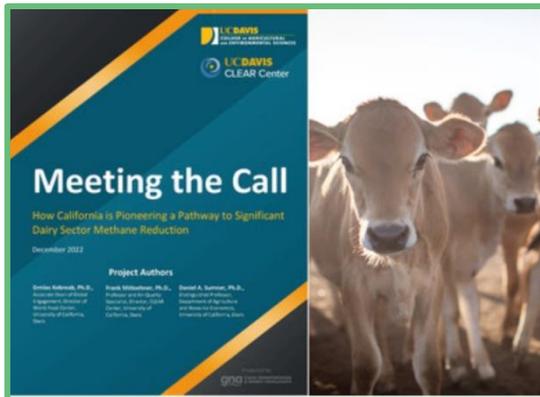
By Geoff Vanden Heuvel, Director of Regulatory and Economic Affairs
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Landowners in the Madera Subbasin portion of the Madera County Groundwater Sustainability Agency (GSA) had narrowly approved allowing the GSA to impose up to a \$246 per acre annual fee to fund various projects. The first installment of the fee is on the current property tax bill for landowners in that jurisdiction and would have been due December 12. However, a group of landowners filed a lawsuit against the Madera County GSA and a Madera County Superior Court judge issued a pre-trial preliminary injunction on December 6, halting the assessment of the fee for now. Landowners who already paid the fee will receive a refund.

This issue will be further litigated and we will provide updates as developments unfold. For background on this issue, you can read an article I wrote on June 24 about the situation in the Madera County GSA [here](#).

New Report: California is Pioneering a Pathway to Significant Dairy Methane Reduction

Courtesy of the [California Dairy Research Foundation](#)



The California Dairy Research Foundation (CDRF) and University of California, Davis CLEAR Center today announced the release of a new analysis of methane reduction progress titled *Meeting the Call: How California is Pioneering a Pathway to Significant Dairy Sector Methane Reduction*. [The paper](#), authored by researchers at UC Davis concludes that efforts are on track to achieve the state’s world-leading target for reducing dairy methane emissions by 40% by 2030.

The report, written by distinguished professors of livestock emissions and agricultural economics, takes a comprehensive look at progress and projections, expanding upon the [analysis](#) previously conducted by the California Air Resources Board. By documenting achievements to date, additional reduction efforts already funded, historic and current economic trends, and the projected availability of new solutions, the analysis lays out a workable path toward meeting California’s goal. The pathway shows California dairy farms are on track to achieve the full 40% dairy methane reduction goal and will reach “climate neutrality” by 2030. Climate neutrality is the point in which no additional warming is added to the atmosphere.

“This analysis shows that California’s dairy sector is well on its way to achieving the target that was established by SB 1383 in 2016,” said CDRF’s Executive Director Denise Mullinax. “With much

important work still ahead, a clear understanding of this pathway helps dairy farmers, policy makers, researchers, and other partners make decisions to strategically press forward.”

The report outlines the need for continued implementation of California’s four-part strategy for dairy methane reduction: farm efficiency and herd attrition, methane avoidance (alternative manure management), methane capture and utilization (digesters), and enteric methane reduction. Continued alignment of state and federal climate-smart agricultural approaches and incentives will also be critical to maintaining progress.

“Milk demand is growing, and California is among the world’s low-cost suppliers of dairy products. It follows that effective California policy to reduce dairy greenhouse gas emissions must recognize that measures that cause milk production to exit the state do not mitigate global climate change,” said study coauthor Daniel Sumner, Distinguished Professor in the Department of Agriculture and Resource Economics at UC Davis. “Therefore, measures to help off-set mitigation costs provide positive incentives for adoption of low-cost emission-reducing practices and help stimulate innovation in methane reduction, are the economically efficient approaches.”

Continue reading [here](#).

NMPF Update: Bennet Moves Forward with Senate Ag Labor Bill

*Courtesy of Jim Mulhern, President & CEO
[National Milk Producers Federation](#)*

Note to readers: MPC and the Western States Dairy Producers Association signed on to NMPF’s letter supporting Senator Bennet’s “Affordable and Secure Food Act.”

As the lame duck session continues, NMPF remains focused on the narrow window to pass an ag labor reform measure. Sen. Michael Bennet (D-CO), who had been negotiating with Sen. Mike Crapo (R-ID) on the parameters of a bipartisan Senate complement to the House-passed Farm Workforce Modernization Act, has decided to introduce his own measure, with the hope of attaching it to the year-end spending package expected to be adopted this coming week. Bennet and Crapo were unable to reach a joint agreement.

NMPF has reviewed the Bennet bill, dubbed the “Affordable and Secure Food Act,” and is supporting this effort to achieve a positive outcome on farm labor reform. We are sending a letter today to the Senate in support of the legislation.

The bill does not improve on the House’s Farm Workforce Modernization Act as much as we had hoped. But given the need to make progress on this issue as the clock ticks down to the end of this Congress, we are urging Senators to support the proposal as it addresses NMPF’s two key objectives: granting legal status to our current workers and their families and providing dairy access to the H-2A program by expanding it to include year-round jobs.

