

MPC WEEKLY FRIDAY REPORT

DATE: SEPTEMBER 23, 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	- \$.1000	\$1.9600	WEEKLY CHANGE	NO CHANGE	\$3.1325
Barrels	+ \$.0950	\$2.1850	WEEKLY AVERAGE	- \$.0500	\$3.1345
WEEKLY AVERAGE CHEDDAR CHEESE		DRY WHEY		WEEK ENDING 09/17/22	
Blocks	- \$.0070	\$2.0195	DAIRY MARKET NEWS	W/E 09/23/22	\$.5425
Barrels	+ \$.1135	\$2.1645	NATIONAL PLANTS	W/E 09/17/22	\$.4890
				LAST WEEK ENDING 09/10/22	
				NAT'L PLANTS	\$1.5887 23,680,504
				NAT'L PLANTS	\$1.5916 14,004,404

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 23 EST	\$25.22 - \$25.72	\$26.44	\$19.87	\$24.65
LAST WEEK	\$25.22 - \$25.72	\$26.46	\$19.88	\$24.75



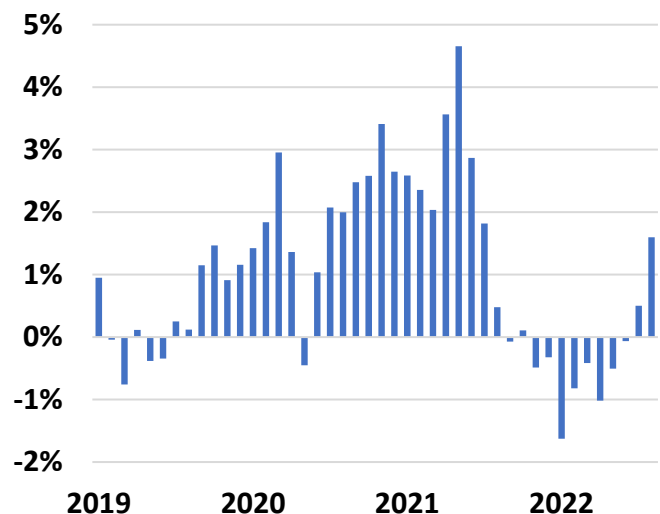
Milk, Dairy and Grain Market Commentary

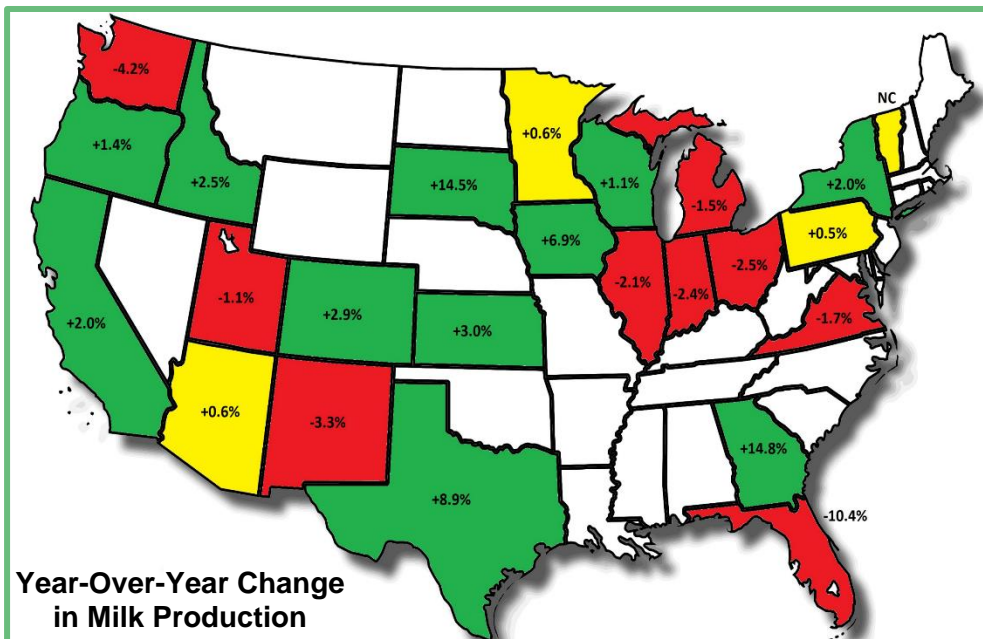
By Sarina Sharp, Daily Dairy Report
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Milk & Dairy Markets

U.S. milk output grew decisively last month, at least in comparison to the very low production reported in August 2021. Output jumped 1.6% year-over-year in August, to 19.02 billion pounds. USDA also revised upward its estimates of July milk production and the milk-cow herd, signaling a bit stronger growth than previously reported. According to USDA's latest assessment, dairy producers added 4,000 cows in July and another 6,000 in August, which seems like a pretty big lift given relatively tight heifer supplies. There were 9.427 million milk cows in August, 11,000 fewer than the year before. It's likely that today's milk-cow herd is already slightly larger than it was in September 2021. Milk production climbed in every region of the country except the Great Lakes states.

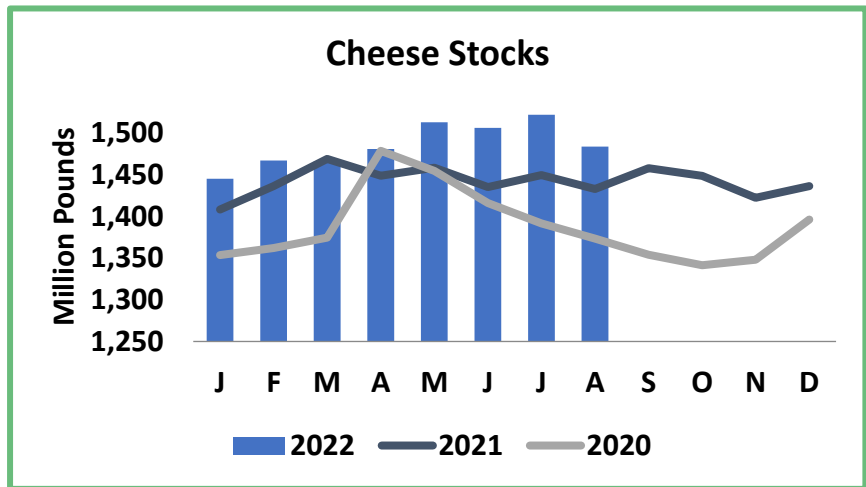
YOY Change in U.S. Milk Production



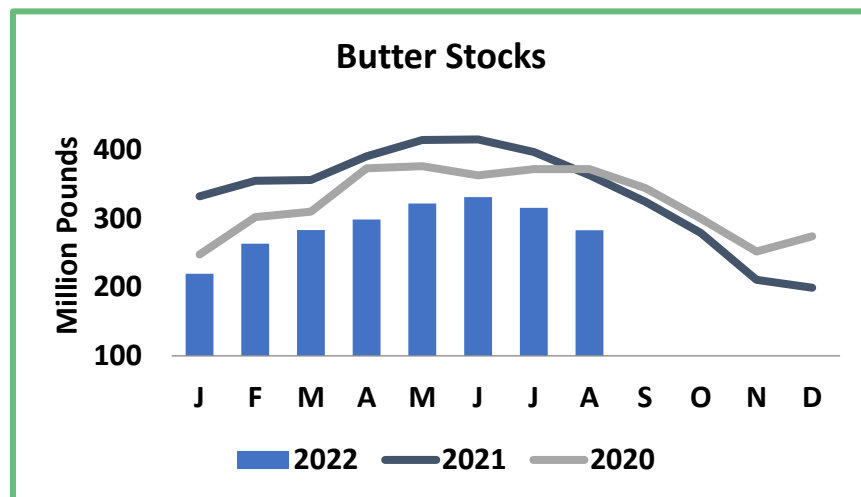


There is an abundance of cheese but a shortage of fresh Cheddar barrels. In Chicago, CME spot Cheddar barrels jumped another 9.5¢ this week and reached \$2.185 per pound, their highest value since early July. USDA's *Dairy Market News* reports that buyers anticipate strong holiday demand for barrels, and they are rushing to stock up. Pizza makers continue to buy lots of mozzarella, and exports remain strong. That helped to keep cheese inventories in check in August. At the end of last

month there were 1.48 billion pounds of cheese in cold storage warehouses, notably less than at the end of July, but still 3.6% more than the prior year. More recently, U.S. consumers have begun to balk at high prices, and retail sales have started to slip. Concerns about the economy and its impact on demand weighed heavily on spot Cheddar blocks this week. They dropped a dime to \$1.96.



The butter market was uncharacteristically stable. CME spot butter finished right where it started, at \$3.1325. USDA's Cold Storage report confirmed that butter supplies remained tight in August, but that did not come as a surprise to a market that recently scored all-time highs. There were 282.6 million pounds of butter in refrigerated warehouses at the end of August, 22.1% less than the year before. That's the lowest August tally since 2017, and butter



demand has grown considerably in the five years since.

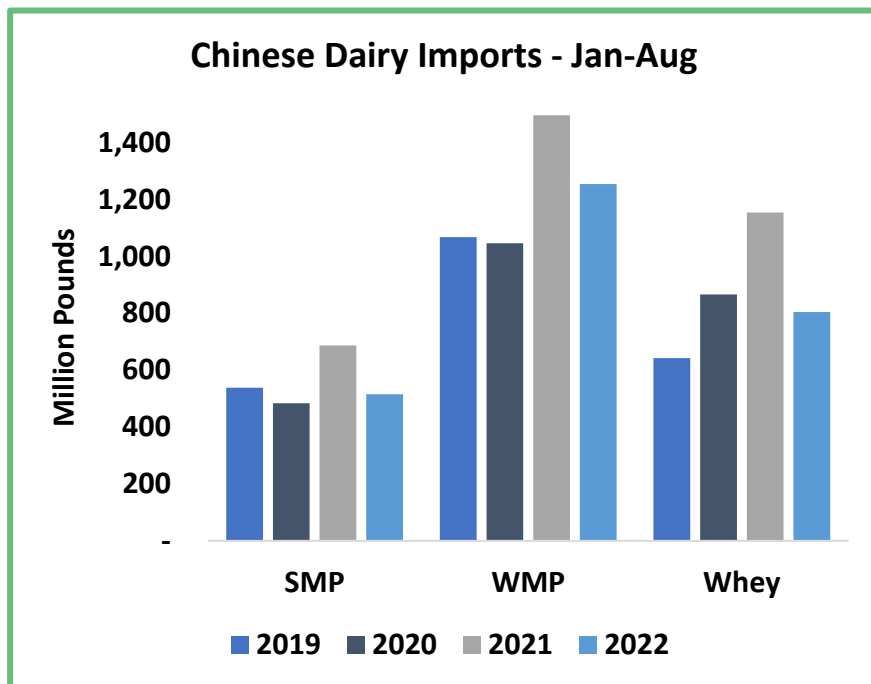
Spot whey slipped a penny to 45¢ per pound. *Dairy Market News* reports that domestic buyers are well aware that strong cheese production points to plentiful whey, and they are getting picky about the price. But exports remain strong. China brought in 138.5 million pounds of whey in August, its highest import volume ever for the month. The United States continues to

gain marketshare. U.S. dry whey exports to China have topped prior-year volumes for five straight months.

Chinese skim milk powder (SMP) imports improved to a seven-month high in August. Still, they were 2.4% lower than in August 2021. And whole milk powder (WMP) imports dropped hard. China imported just 66 million pounds of WMP in August, the lowest monthly volume in nearly two years and 59.5% less than in August 2021. China spent 18 months storing away WMP for food reserves, and it looks like their pantries are full.

WMP prices jumped once again at the Global Dairy Trade (GDT) auction. They were up 3.7% from the early-September GDT auction and up 2.9% from the comparable contract at the GDT Pulse last week. However, GDT SMP prices slipped 0.7% to the equivalent of nonfat dry milk

(NDM) at \$1.72 per pound. Closer to home, CME spot NDM added a penny this week and reached \$1.58. American milk powder remains a bargain, and exports are starting to accelerate.



Although there was some sunshine in the spot markets, the futures were gloomy. Sharply higher interest rates and economic anxiety cast dark clouds over Wall Street and LaSalle Street. Class III futures lost between 40¢ and \$1.07 this week. October Class III settled today at \$20.90 per cwt. Class IV futures fared a little better, with losses ranging from 25¢ to 63¢ compared to last Friday. October Class IV was \$24.30, but deferred contracts slipped below \$22.

Grain Markets

Fearless Ukrainian troops have regained a lot of ground in the past few weeks, and Russian President Vladimir Putin is desperate to save face. In an angry speech this week, the invader vowed that Russia would use any means necessary to protect its “territorial integrity.” The world fears that an embarrassed Putin will resort to nuclear weapons rather than admit defeat. The threat of nuclear war in Europe’s bread basket lifted the wheat market to three-month highs, and corn followed. December corn futures neared \$7 per bushel on Wednesday. But after the panic subsided, wheat prices fell back and corn did too.

Meanwhile, the U.S. dollar index climbed to a 20-year high. The strong dollar raises the price of U.S. corn and soybeans relative to crops from other nations, making South American supplies more attractive to foreign buyers. That could trim U.S. exports at the margins, especially if South America produces a strong harvest. Farmers in Brazil are heading into spring with adequate soil moisture, but in Argentina, back-to-back La Niñas have created the worst spring drought in three decades.

December corn futures settled today at \$6.7675 per bushel, down a half-cent from last Friday. November beans closed at \$14.2575, down 22.75¢. December soybean meal closed at \$423.30 per ton, up \$1.60 for the week.

Listen to The Milk Check Podcast: Talking California Water and Regional Production with Geoff Vanden Heuvel & Sarina Sharp

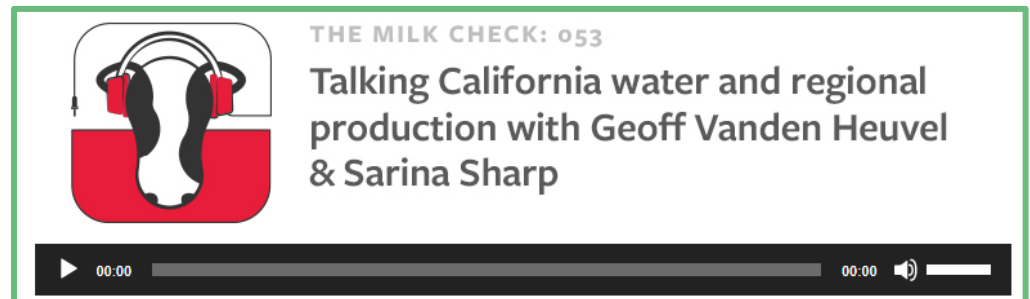
Courtesy of [Jacoby](#)

Geoff Vanden Heuvel of [Milk Producers Council](#) and Sarina Sharp of [Ag Business Solutions](#) and [Daily Dairy Report](#) joins T3, Gus and Ted Jr. for a discussion on California water today and moving forward.

Geoff enlightens the group on localized production cost challenges and shares some anecdotes about farmers dealing with expensive feed. Sarina and Gus talk about regional challenges to expansion and the adverse economics limiting dairy in much of the eastern U.S.

T3 sees cause for Class IV prices to stay high, and, after a lively conversation, the group shares a healthy laugh at Ted Jr.'s expense.

LISTEN HERE



Another California Exodus: Dairy Cows Leave for Greener Pastures in Texas, Arizona as Farms Squeezed

By *Summer Lin*
[Los Angeles Times](#)

Michael Oosten's grandparents were dairy farmers in the Netherlands and immigrated to California in the 1920s, starting their own dairy farm in Paramount in 1945 before relocating to bigger farms in Artesia and Bellflower.

In the early 1970s, they moved their farm to Chino, but decided to sell it in 2001 to a trucking company next to an Amazon warehouse, which was built on land comprised of two other dairy farms.

Oosten, who for 18 years has owned Marvo Holsteins — a dairy farm in the unincorporated Riverside County area of Lakeview that supplies milk to Land O'Lakes — said [dairy farming has declined](#) in California since the industry's peak in 2008. The industry has been hurt by shrinking real estate in Southern



Michael Oosten at his family's dairy farm in Lakeview, an unincorporated area of Riverside County. (Luis Sinco/Los Angeles Times)

California, more affordable land in other states, rigorous permitting processes and the [shortage of water](#) and other natural resources.

“Economics is the biggest driver of farmers leaving to go out of state,” Oosten said. “Milk pricing tends to be very competitive in other states; the feed prices are lower and the regulatory environment is better.”

Real estate, in particular, has played a significant role in more dairies choosing to leave California, he said.

“As urban expansion came in and got close to the farm, developers would come in and buy the land and convert it into housing or commercial buildings,” he said. “That’s the [progression of what’s happened](#) in the California dairy industry. More recently in the last 20 years, a lot of people have started to move out of state.”

Marvo Holsteins is one of about 1,200 dairies left in California, a significant drop from the roughly 2,100 farms in 2001 and 20,000 farms in 1950, according to Michael Boccadoro, executive director of sustainability nonprofit Dairy Cares.

Although the number of dairies in the state has declined by 94% in the last 70 years, farmers have been able to make up for the difference through increased milk production and [improved cow comfort](#) and breeding, Boccadoro said.

“The idea that we’re building new dairies or increasing production in California is a nonstarter,” he said. “We haven’t built a new dairy in six to seven years. It’s just not a good place if you’re getting into the milk production business.”

The state went from housing about 1.88 million dairy cows in 2008 to about 1.72 million today — a decrease of about 160,000 cows in 14 years, Boccadoro said. The number of cows in the state has reduced by about half a percent to 1% every year.

Instead of staying in California, dairy cows are being shipped to Texas, South Dakota, Arizona, New Mexico, Idaho and Kansas — states not typically known for their dairy production. Boccadoro said a shrinking demand for fluid milk and increased demand for cheese, yogurt, butter, whey protein and other milk-related products have pushed milk production to the Midwestern states. Demand for dairy has increased by 200% since the pandemic began in 2020.

Continue reading [here](#).

NMPF Presses Senate for Vote on McKalip’s Confirmation

Courtesy of Jim Mulhern, President & CEO

[*National Milk Producers Federation*](#)

Because the U.S. agriculture sector risks losing more ground to our international competitors without a strong voice in the Biden Administration advocating for more export opportunities, NMPF this week called on the Senate to confirm Doug McKalip as the chief ag negotiator in the U.S. Trade Representative’s office.

We helped garner more than 100 other NGOs and companies this week [on a letter](#) to Senate Majority Leader Chuck Schumer and Minority Leader Mitch McConnell, urging them to schedule a confirmation vote for McKalip. It's been two weeks since the Senate Finance Committee unanimously voted to approve McKalip as the ag advocate in the USTR's office.



As our letter notes, the global trade landscape, as demonstrated by USDA's latest projections, is moving quickly away from the United States. More competitive export nations are negotiating new, long-term deals while the U.S. is currently not pursuing any market access-expanding trade negotiations.

Meanwhile, the Senate Agriculture Committee held a confirmation hearing Thursday for three USDA nominees, including Alexis Taylor to be undersecretary of agriculture for trade and foreign agricultural affairs. The USDA ag trade position, like the USTR ag trade slot, has been vacant since the start of last year, and needs to be filled ASAP to help keep USDA focused on expanding agricultural trade opportunities.

The members of the Senate Ag panel gave Taylor broad bipartisan support during this week's hearing, and committee chair Sen. Debbie Stabenow (D-MI) pledged a quick vote on the nomination. Taylor was deputy undersecretary for farm and foreign agricultural services at USDA during the Obama administration before leading the Oregon Department of Agriculture.

