

# MPC WEEKLY FRIDAY REPORT

DATE: OCTOBER 14, 2022  
 TO: DIRECTORS & MEMBERS  
 FROM: KEVIN ABERNATHY, GENERAL MANAGER  
 PAGES: 5



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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	+ \$.0275	\$2.0500	WEEKLY CHANGE	-\$ .0425	\$3.1750
Barrels	-\$ .1000	\$2.1250	WEEKLY AVERAGE	-\$ .0305	\$3.1920
<b>WEEKLY AVERAGE CHEDDAR CHEESE</b>		<b>DRY WHEY</b>		<b>WEEK ENDING 10/08/22</b>	
Blocks	+ \$.0305	\$2.0455	DAIRY MARKET NEWS	W/E 10/14/22	\$5.000
Barrels	-\$ .0440	\$2.1830	NATIONAL PLANTS	W/E 10/08/22	\$4.892
				<b>NAT'L PLANTS \$1.5808</b> 17,892,874	
				<b>LAST WEEK ENDING 10/01/22</b>	
				NAT'L PLANTS \$1.5670 24,100,953	

## 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 14 EST	\$24.31 - \$24.81	\$25.72	\$21.77	\$24.77
LAST WEEK	\$24.31 - \$24.81	\$25.72	\$22.11	\$24.85

## SEPTEMBER 2022 CA FMMO STATISTICAL UNIFORM PRICE ANNOUNCEMENT

SEPT '22 FINAL	CLASS I	CLASS II	CLASS III	CLASS IV	STATISTICAL UNIFORM PRICE (BLENDED PRICE)	NET PRICE AFTER QUOTA ASSESSMENT*
MINIMUM CLASS PRICE	\$25.22   TULARE \$25.72   L.A.	\$26.51	\$19.82	\$24.63	\$21.30   TULARE \$21.80   L.A.	\$21.026   TULARE \$21.526   L.A.
PERCENT POOLED MILK	21.5%	5.1%	70.7%	2.7%	100% (1.84 BILLION LBS. POOLED)	

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



### Milk, Dairy and Grain Market Commentary

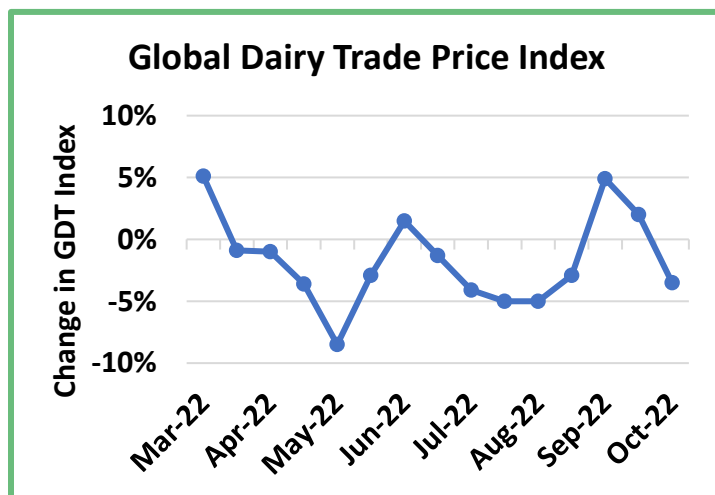
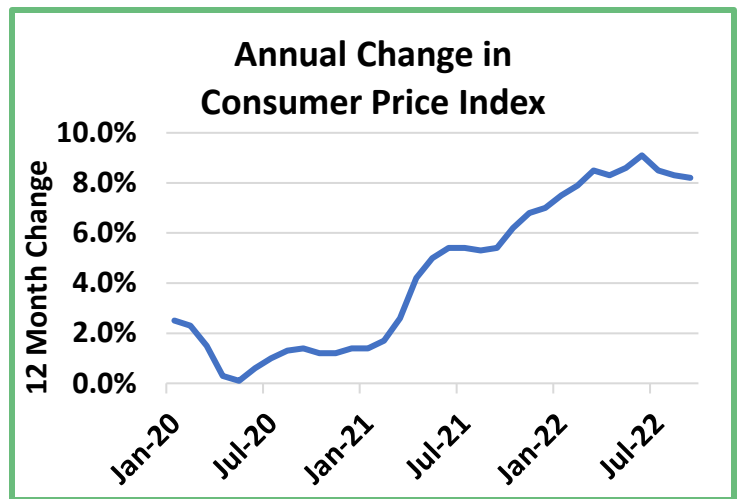
By Monica Ganley, Quarterra  
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#### Milk & Dairy Markets

Another sizzling inflation report from the Bureau of Labor Statistics suggests that U.S. consumers are feeling pinched from all sides. Annualized inflation was up 8.2% in September. Although this was down modestly from the August figure, after stripping out food and energy prices, inflation was up by the highest rate since 1982. Compared to prior month, prices of all items were up

by 0.4%. The category of Dairy and Related Products saw an increase of 0.3% in September versus prior month.

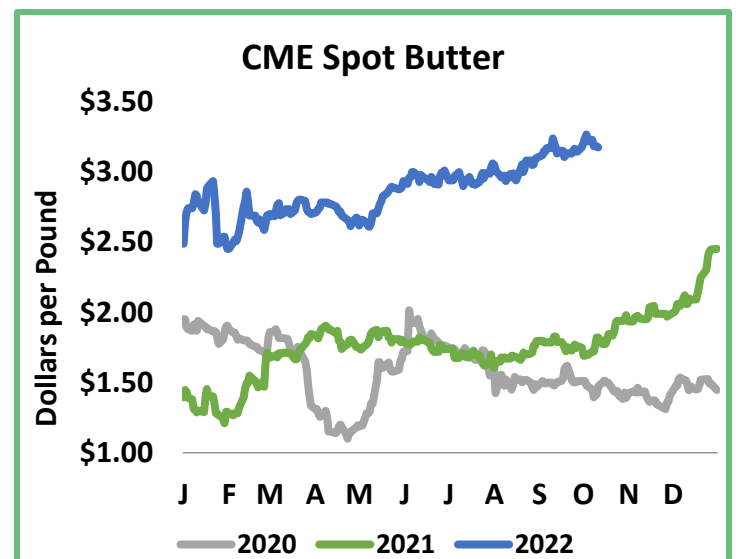
As consumers cope with higher prices, they are likely to rationalize demand. Until now dairy demand has stayed remarkably robust, though the longer that inflation persists, the less likely consumers are to maintain their pace of purchases. Economic challenges are not limited to the United States, of course. In its most recent economic forecast also released this week, the International Monetary Fund trimmed its global GDP forecast for 2023 to 2.7% and warned that the upcoming year is likely to be a challenging one the world over.



The economic headwinds will paint a challenging backdrop for the dairy markets at home and abroad in the coming months. Some of these dynamics were foreshadowed by declines at last week’s Global Dairy Trade auction where the index fell by 3.5%, after increasing during both the previous two events. Every product lost ground at the auction, though the biggest declines were seen by butter, buttermilk powder, and whole milk powder, which saw prices fall by 7%, 4.4%, and 4%, respectively.

It was a challenging week for butter at the CME. After reaching a record high earlier this month and notching a small increase on Monday, spot butter prices descended on Tuesday and Friday to finish the week at \$3.175/lb., a decrease of 4.25¢ compared to last Friday. The rate of buying was also slower, particularly during the final three days of the week, when no product traded hands.

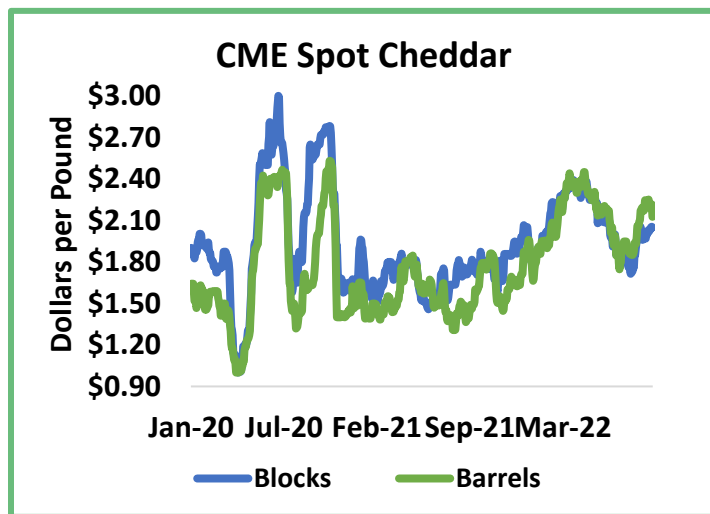
Opinions are mixed regarding future movements in the butter market. Market participants generally express that demand has remained robust, but there is significant speculation that retail buyers have filled their holiday needs or will do so in the very near future, thus reducing demand. Export demand, which has also helped to keep stocks in check is likely to dissipate as the U.S. loses its competitive advantage abroad, both due to a strengthening dollar and falling prices



among competitors. Meanwhile cream availability is increasing but utilization by Class II products is also on the rise, keeping the availability for churns in check.

Nonfat dry milk (NDM) markets have been relatively muted as both international and domestic demand remains soft. Spot prices fell at the CME every day this week with the exception of Tuesday, when prices were unchanged. Ultimately, spot NDM finished the week at \$1.49/lb., 5¢ lower than last week. International buyers, and especially those from Mexico, have not yet returned to the market in a substantive way and appear to still be waiting to see how much lower prices will fall before stepping back in to fill their needs.

Movements were more varied in the cheese market this week. Spot block Cheddar prices found some traction, rising on Monday, Wednesday, and Thursday. Despite a half cent dip in Friday's session, prices

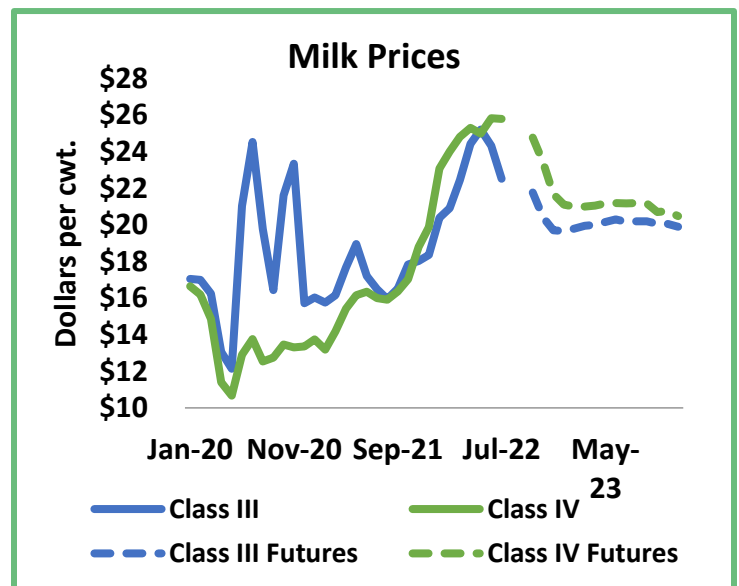


finished the week at \$2.05/lb. up 2.75¢ compared to last Friday. After moving to and fro early in the week, barrel prices crumbled on Friday, falling by 9¢. When the dust settled, barrels finished the week at \$2.125/lb., down 10¢ compared to last week. The block-barrel spread remains inverted but narrowed to 8¢ following the movements on Friday.

Cheese production remains active, and cheesemakers express that despite the occasional maintenance or labor issue, throughput has been strong. Until now demand has kept pace with

production, but cracks are beginning to appear. Processors indicate that demand has remained strong from foodservice channels but that retail buyers are beginning to trade down to smaller pack sizes or private label product as persistent high prices discourage demand. U.S. cheese remains competitively priced compared to global competitors and export sales have stayed strong as a result.

On the other side of the Class III complex, whey prices seem to have bottomed out, sinking as low as 41¢ per pound on Tuesday before bouncing back. Ultimately, spot dry whey finished the week at 44.25¢ per pound, an increase of 2¢ compared to last Friday. Export demand for dry whey has remained perky while domestic demand has been mixed. In any case, supply has been healthy as robust cheese production is throwing off a plentiful whey stream for dryers.



Cooler temperatures are helping to restore milk volumes and component levels in most areas of

the country. Class I sales have been steady but there is still plenty of milk available for manufacturing uses. Milk futures lost value over the course of the week. Class IV contracts through the first half of 2023 remain just above \$21/cwt. while the DEC22 through MAR23 Class III contracts settled below \$20/cwt. on Friday.

### **Grain Markets**

USDA released its World Agricultural Supply and Demand Estimates report on Wednesday, trimming yield expectations for both corn and soybeans. As a result, the forecast for corn production fell to 13.895 billion bushels, a 7.8% decline compared to last year's figure. Lower production and other trade headwinds, namely unfavorable currency dynamics and logistical challenges on the Mississippi River, led USDA to reduce its export forecast. Some of the shortfall is expected to be made up by increased exports from Ukraine. The trade was largely unimpressed with USDA's edits and futures settled with only minor adjustments on the report's release. Larger losses on Friday pulled the MAR23 and MAY23 contracts below \$7/bu.

Lower soybean yields resulted in a production forecast of 4.313 billion bushels, a 3.4% decline compared to prior year. Similar trade complications are expected to curtail U.S. exports though larger than expected volumes from South America will make up some of the difference. Soybean futures moved up on the news with nearby contracts adding between 10¢ and 20¢ the day the report was released.

## **Nominations for CVDRMP Board of Directors due October 25**

*Courtesy of the [Central Valley Dairy Representative Monitoring Program](#)*

The Central Valley Dairy Representative Monitoring Program (CVDRMP) is seeking nominations for candidates for election to its Board of Directors. Nomination forms were mailed earlier this month to current members and must be returned to the CVDRMP office by October 25, 2022. Nomination forms are also available at [CVDRMP.org/Election](http://CVDRMP.org/Election).

A total of seven seats are available for nominations, one for each CVDRMP "A" district seat listed below and an additional vacant "B" seat in District 1 to complete the 2022-24 term. Following the call for nominations, an election by mail-in ballot will be held in December 2022. Director terms for "A" seats are two years in length and begin in 2023.

### **Current "A" seats up for election and current seat holder**

- District 1 | Tulare County | Trevor Freitas
- District 2 | Merced & Madera counties | Greg Hooker
- District 3 | Kern, Fresno & Kings counties | Rodney Kamper
- District 4 | Stanislaus County | Justin Gioletti
- District 5 | San Joaquin County & north | Vacant
- At-large | All counties in Central Valley Water Board area | Lucy Areias

The CVDRMP is a not-for-profit group of more than 1,200 Central Valley dairies and bovine operations, organized and overseen by directors elected from its membership. Any member in good standing who owns or operates a dairy or bovine facility is eligible for nomination.

CVDRMP's purpose is to reduce regulatory compliance costs for members by administering a representative groundwater monitoring program for permitted dairy and bovine facilities operating within the Central Valley Regional Water Quality Control Board region. CVDRMP also assists all members in complying with the Central Valley Water Board's recently implemented Nitrate and Salt Control Programs. Membership in this coalition satisfies individual groundwater monitoring regulatory requirements included in the Dairy General Order and requirements of the Salt and Nitrate Control Programs. More background about CVDRMP's activities and its work to make compliance easy for its members can be found [here](#).

Want to make sure your dairy or bovine operation is in good standing through 2022? Contact the CVDRMP office at [cvdrmp@gmail.com](mailto:cvdrmp@gmail.com) and include your facility address and name. You can also call the CVDRMP office at 916-594-9450.

## 2022 Excelerator to Spotlight Dairy Food and Beverage Product Innovation

*Courtesy of the [California Milk Advisory Board](#)*



The California Milk Advisory Board will host its 4<sup>th</sup> Annual Real California Milk Excelerator Open Innovation Final Pitch on Wednesday, November 2. This year's event offers audience members the ability to attend in person or watch online.

RSVP today to save your seat (registration is required to attend); learn more about the eight entrepreneurs highlighting dairy as an ingredient in everything from biomaterials and textiles to global foods and beverages; and witness live as this year's judges select four winners who will go on to scale their dairy-based innovations in the state of California.

## Real California Milk Excelerator: Open Innovation Final Pitch Event

Wednesday, November 2, 2022

Domenico Winery

1697 Industrial Road

San Carlos, CA

5:45 to 8:15 p.m.

Doors open at 5 p.m.

*Sample the products, meet the founders & watching the judging live!*

**Register at [RealCAMilkExcelerator.com](https://RealCAMilkExcelerator.com)**