MPC Weekly Friday Report

Date: February 14, 2025
To: Directors & Members
From: Kevin Abernathy, General Manager
Pages: 9

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MPC Friday Market Update

Chicago Cheddar Cheese		
Blocks	*+ $.0600*	$1.9200
Barrels	*+ $.0375*	$1.8175
Weekly Average Cheddar Cheese		
Blocks	*+ $.0455*	$1.9140
Barrels	*+ $.0245*	$1.8215

Chicago AA Butter		
Weekly Change	*- $.0025*	$2.3775
Weekly Average	*- $.0115*	$2.3985
Dry Whey		
Dairy Market News	w/e 02/14/25	**$.6600**
National Plants	w/e 02/08/25	**$.7281**

Non-Fat Dry Milk		
Week Ending 02/08/25		
Nat'l Plants	**$1.3691**	14,502,317
Last Week Ending 02/01/25		
Nat'l Plants	$1.3617	19,966,324

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
Feb 13 Est	**No Change**	**$20.93**	**$20.32**	**$19.72**
Last Week	**$22.87 - $23.37**	**$21.00**	**$20.37**	**$20.00**

January 2025 CA FMMO Statistical Uniform Price Announcement

Jan '25 Final	Class I	Class II	Class III	Class IV	Statistical Uniform Price (Blended Price)	Net Price After Quota Assessment*
Minimum Class Price	**$21.98 | Tulare** **$22.48 | L.A.**	**$21.58**	**$20.34**	**$20.73**	**$20.45 | Tulare** **$20.95 | L.A.**	**$20.102 | Tulare** **$20.602 | L.A.**
Percent Pooled Milk	**19.1%**	**5.0%**	**56.2%**	**19.7%**	**100% (2.18 billion lbs. pooled)**	

**Quota rate of $0.348/cwt. as of November 202*

Milk, Dairy and Grain Market Commentary

By Monica Ganley, Quarterra
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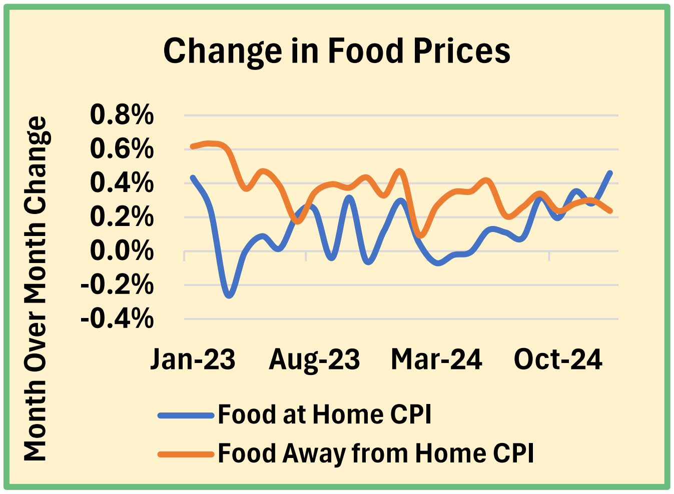
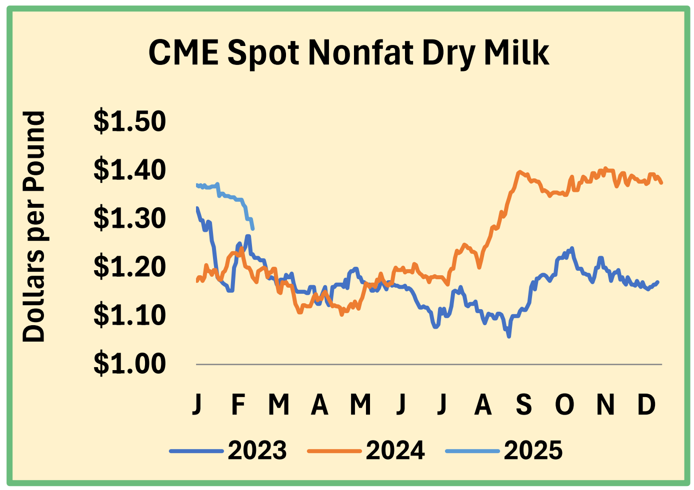
Milk & Dairy Markets

Love is in the air. And while folks across the country may be looking forward to preparing a special date night dinner for their sweetheart this Valentine's Day, that romantic meal may take a bite out of their budget. Grocery prices rose 0.5% in January compared to prior month, according



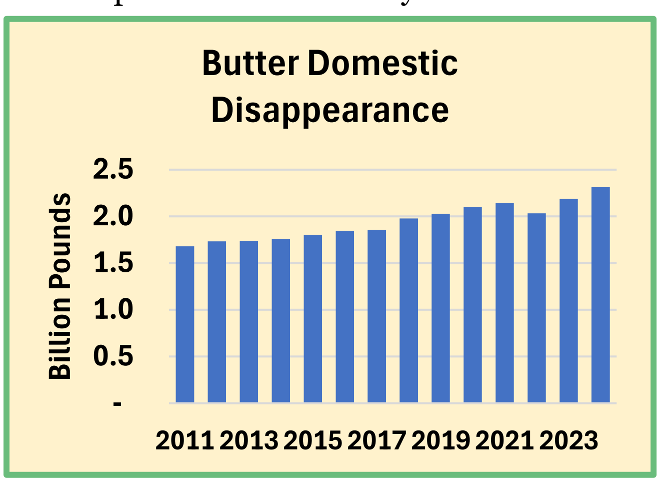
to data published this week by the Bureau of Labor Statistics. However, couples that celebrate by going out to eat are likely to see a more modest price increase. Restaurant prices were only up 0.2% for the month, though menu prices are still 3.4% higher than at the same time last year.

Price relief doesn't appear imminent, especially as the Trump administration revealed several new actions this week, further straining U.S. trade relationships. On Monday, the administration announced an expansion of steel and aluminum tariffs in a bid to reduce the trade deficit and protect domestic industry. As of mid-March, both steel and aluminum imports will face a 25% tariff and previously exempted partners such as Canada and the European Union will lose their privileged status.



The administration also announced that it will implement a series of reciprocal tariffs intended to equalize trade with other countries. Over the next month and a half, the Office of Management and Budget will review the relationship with each trading partner, considering both tariff and nontariff barriers. The administration will then review these reports and define the reciprocal tariff for each market. Additional levies implemented by the U.S. will almost certainly result in further tariffs placed on U.S. exports, which could impact dairy products. However, at this point the situation is evolving, and there is little clarity about which products and markets may be most affected.

A potential trade war is particularly worrisome for the cheese sector, which has come to depend increasingly on the export market to absorb production. According to USDA's Supply and Utilization data, total domestic cheese disappearance fell by 17.3 million pounds in 2024, dragged down by weaker consumption of American style cheeses. Over the same period, however, exports grew by 170.2 million pounds, more than compensating for slow domestic demand and preventing stock accumulation, which would likely have put downward pressure on prices.

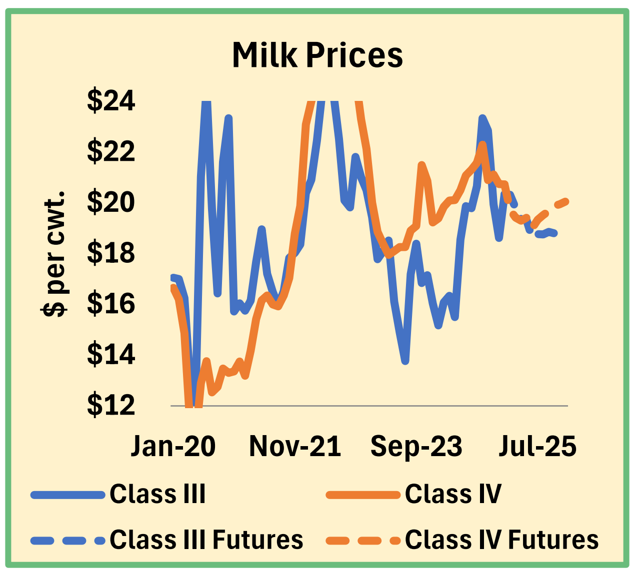


Despite the swirling threats of a trade war and looming new production volumes, the cheese market was able to find enough traction to move upward this week. At the CME spot market, Cheddar blocks gained 6¢ between Monday and Wednesday, rising to $1.92/lb. where the market remained over the balance of the week. Barrels moved steadily up and despite a slight loss on Friday, ended the week at $1.8175/lb., up 3.75¢ from last Friday's close. The tone in the cheese market is mixed as participants offer divergent perspectives about milk availability and activity levels.

Cheese was the sole source of gains at the spot market as every other product lost value. On the other side of the Class III complex, the dry whey market continued its downward march, giving up another 3.25¢ this week to end Friday's session at 55¢ per pound. While upbeat cheese production continues to throw off an ample whey stream, a persistent preference for the production of higher value protein products has kept the market for dry whey snug. Even so, buyers appear to be rejecting the elevated prices seen at the turn of the year.

Dry whey's descent was only surpassed by that of nonfat dry milk (NDM) which lost a nickel over the week. After giving up a final 2¢ during Friday's trade, the market ended the week at $1.28/lb., the lowest price seen since last August. A total of 15 lots traded during the week, all of them on Tuesday. Lower NDM prices will help increase the competitiveness of U.S. product abroad. This week's Pulse auction run by Global Dairy Trade witnessed a very minor decline for the skim milk powder price, which fell to $2,835/MT. After adjusting for protein content this is within a penny of the U.S. spot NDM price.

Butter prices appeared poised to stage a rally early in the week, posting a 5¢ increase on Tuesday as 12 loads traded hands. But if there was any doubt about butter availability, it was quickly addressed the following day as 31 loads were traded and the price gave up 2.5¢. The rest of the week featured more measured losses, bringing the spot butter price down to $2.3775/lb. by Friday, a quarter cent lower than the prior week and the lowest price seen since June 2023. Domestic butter disappearance rose 5.7% in 2024, and demand remains robust. But cream is abundant and multiples are falling which is likely to keep the market well supplied.



While not nearly as excessive as the cream situation, spot milk supplies are also relatively available. Manufacturers in the Midwest who acquired spot milk for manufacturing last week paid a discount to Class III prices for the first time since early January. However, the situation varies by milkshed as manufacturers and bottlers compete for supplies. Milk volumes are trending higher in many parts of the country though frigid temperatures and harsh winter conditions are creating challenges for some producers in the east.

Grain Markets

USDA released its World Agricultural Supply and Demand Estimates report on Tuesday. The agency largely left the domestic balance sheets untouched but made dramatic cuts to South American production expectations. Corn production in Argentina and Brazil was dropped by 1 million metric tons (MMT) each as unfavorable weather has delayed crop progress. However, the largest decrease was seen on the soybean balance sheet as USDA slashed production expectations for Argentina to 49 MMT, down 3 MMT from last month's estimate. The trade was unimpressed by the cut, however as soybean futures trended downward on both Tuesday and Wednesday.

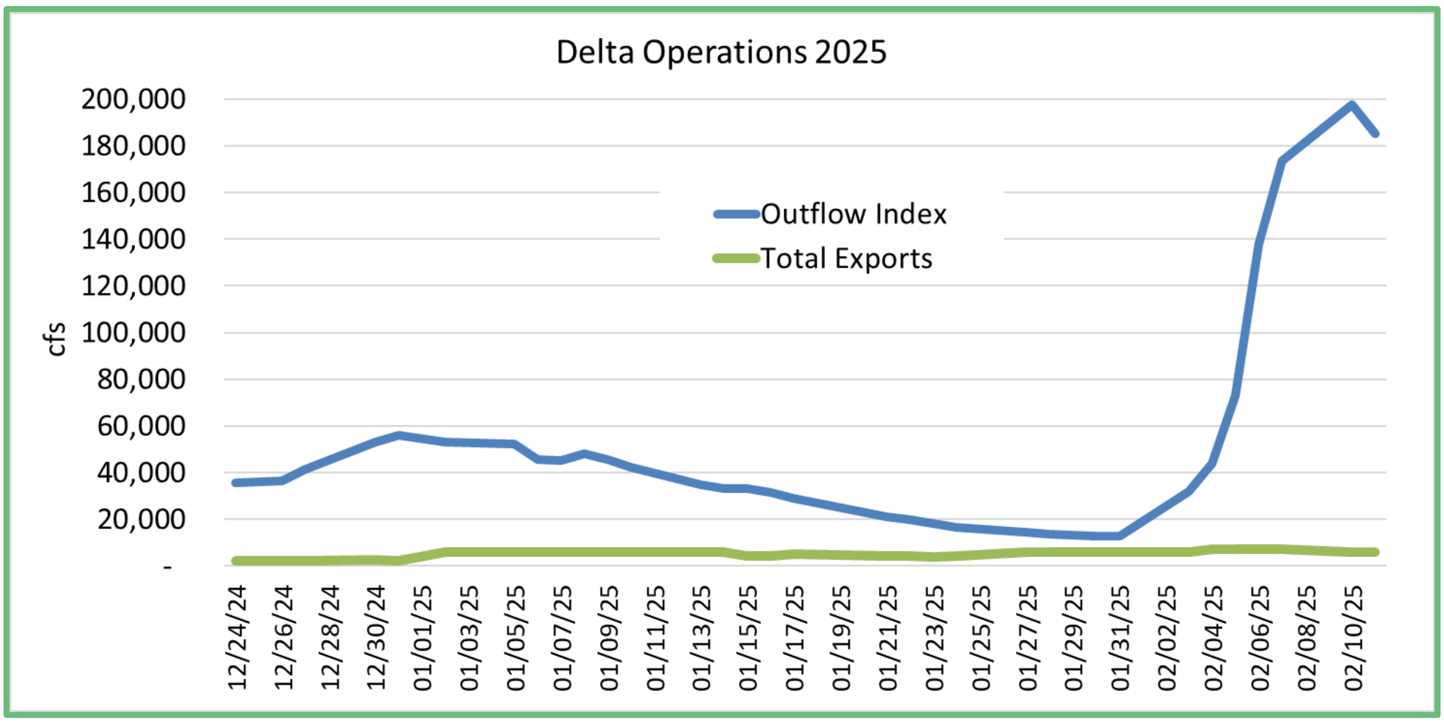
Pumping 1/100th of Available Water: A Case Study in Regulatory Constraints

By Scott Hamilton, President, Hamilton Resource Economics

Note from Geoff Vanden Heuvel, MPC Director of Regulatory and Economic Affairs

I wrote about this issue in [last week's edition of the Friday Report](). In the article below, Dr. Scott Hamilton provides additional analysis about the current Delta outflows. In addition to being a trained economist, Dr. Hamilton is an expert on the delta smelt, and has published several peer-reviewed articles in scientific journals about the issue.

On February 10, 2025, flows from the Sacramento River through the Delta were increasing following a series of storms in Northern California. Delta outflow—flows out to the Pacific Ocean on that day were estimated by the Department of Water Resources to be 197,700 cfs. On that same day, the State Water Project pumps were operating at 1,800 cfs. SWP operations achieved the unique distinction of pumping less than 1/100th of the water that was flowing out to the ocean. Why? It wasn't due to physical capacity — the pumps were capable of moving 5.5 times that amount. It wasn't a permitting issue either, as they were authorized to pump 3.5 times that volume. And it wasn't a lack of downstream storage—San Luis Reservoir was not yet full and even if it were, huge volumes could be sent to groundwater recharge facilities.



The anomaly was driven by two factors. First, a restriction on flows heading to the pumps. To protect endangered fish, flows toward the State and Federal pumps are capped at 5,000 cfs during the first half of the year. During very wet periods this restriction is not necessarily limiting because the San Joaquin flows are usually high, and the pumps can operate at their permitted capacity by pumping San Joaquin

River water which does not count against the 5,000 cfs limit. In this particular case, however, the storms hit Northern California and not the watershed of the San Joaquin River. Flows on the San Joaquin River into the Delta were a meager 1,300 cfs.

Ironically, on January 31, 2025, Governor Newsom issued an executive order to maximize the capture of stormwater. Specifically, the order said:

"The Department of Water Resources is directed to take all feasible and appropriate action to maximize diversions of excess flows that become available as a result of the anticipated winter storms, and other winter storms, to storage, including storage in San Luis Reservoir."

Newsom went on to direct his resource agencies to identify obstacles hindering this objective and to promptly report barriers to his office.

While DWR had identified flows toward the pumps as limiting exports, it was not specific as to which species was their immediate concern. Presumably, it was delta smelt. That is problematic for three reasons. Delta inflows of this magnitude will push most of the delta smelt westward, away from the pumps. Second, this winter, only 9 delta smelt were detected at the pumps —all at the federal pumps and none at the state pumps. The actual loss of delta smelt is likely much higher, maybe 30 times higher, because many delta smelt are lost to predators before reaching salvage facilities. Third, the delta smelt population is now being sustained by hatchery fish. One hundred thousand delta smelt were added to the estuary this winter. Therefore, the loss of 300 fish at the pumps is being mitigated with 100,000 introduced fish.

Why then is pumping being limited to reduce the take of hatchery fish when they are so easily replaced?

The governor's executive order received predictable opposition from environmental organizations claiming the Newsom's approach threatens to harm vulnerable fish species and the deteriorating ecosystem of the Sacramento-San Joaquin Delta. If that claim sounds empty, it is.

Four hundred-thousand-acre-feet of water per day are flowing out into the ocean. So, how does pumping 4/100ths of the Delta outflow harm the Delta ecosystem? Extensive measures, including population supplementation with hatchery fish, are being implemented to help native fish populations. The environmentalist position lacks balance and damages their credibility. Certainly, improvements in the Delta are needed to sustain native fish. Promoting ridiculous positions on resource management is not one of them.

What is at stake? ["The Ripple Effect"] from CalChamber highlights how water policy impacts Californians' standard of living. Read it [here].

Kern Subbasin Probationary Hearing Scheduled for February 20

By Geoff Vanden Heuvel, Director of Regulatory and Economic Affairs
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I attended two separate Kern Subbasin GSA board meetings this past week. The Kern folks are ready for their hearing. A tremendous amount of work has been done by this more than 1 million acre subbasin. There are 22 different GSAs, but they are very coordinated in their submitted Groundwater Sustainability Plans. They have done the work of modifying their plans and worked closely with the State Board members and staff in anticipation of the hearing next week. While the final State Board staff report released in January does recommend putting the Kern Subbasin into probation, this past week an Alternative Draft Resolution was released for the State Board members to consider at the hearing. The Alternative Resolution recognizes the progress Kern has made in fixing the deficiencies and continues the probationary hearing until September 17, 2025, at which time presumably Kern will have fully addressed the deficiencies, and the State Board members could vote to return oversight of the Kern Subbasin to the Department of Water Resources.

There are no guarantees going into next week's hearing that the alternative resolution will be the one adopted. The original resolution puts Kern into probation, but there was guarded hope in the meetings I attended that with a little more time, the Kern Subbasin might be able to get over the finish line.

See the agenda for the Kern County Subbasin Probationary Hearing and details about how to watch and participate here.

California Dairy Sustainability Summit March 25 in Visalia

Courtesy of Dairy Cares

Sustainable Ag Land Conservation Workshops in Porterville, Tipton, Tulare

Courtesy of the Tri-County Water Authority

Register [here](#).

Dairy Risk Management Meetings with Marin Bozic in Visalia, Bakersfield February 26-27

Courtesy of [AgWest Farm Credit]

House Panel Approves Whole Milk Bill, Teeing up Floor Action

Courtesy of Gregg Doud, President & CEO
National Milk Producers Federation

The House Education & Workforce Committee on Wednesday approved the bipartisan Whole Milk for Healthy Kids Act (H.R. 649) by a vote of 24-10. The bill, sponsored by House Agriculture Committee Chairman GT Thompson, R-PA, and Rep. Kim Schrier, D-WA, would allow schools to serve whole and reduced-fat milk varieties, in addition to the currently allowed low-fat and skim varieties.

This bill provides a much-needed solution to the continued underconsumption of dairy and its key nutrients, which was most recently highlighted in the Dietary Guidelines Advisory Committee's Scientific Report released in December 2024.

The committee's passage sets the bill up for a vote on the House floor in the coming weeks. The House initially passed this bill in December 2023 on a wide bipartisan vote of 330-99, and we are hopeful for a similar vote this go-around. To help make that happen, we urge all NMPF members to continue using our Advocacy Alert to urge their House members and Senators to cosponsor the bill and boost its chances of enactment.