MPC Weekly Friday Report

Date: January 3, 2025
To: Directors & Members
From: Kevin Abernathy, General Manager
Pages: 6

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MPC Friday Market Update

Chicago Cheddar Cheese		
Blocks	*+ $.0475*	$1.9200
Barrels	*+ $.0625*	$1.8300
Weekly Average Cheddar Cheese		
Blocks	*+ $.0518*	$1.9131
Barrels	*+ $.0719*	$1.8219

Chicago AA Butter		
Weekly Change	*- $.0225*	$2.5525
Weekly Average	*- $.0150*	$2.5544
Dry Whey		
Dairy Market News	w/e 01/03/25	$.7200
National Plants	w/e 12/28/24	$.6630

Non-Fat Dry Milk		
Week Ending 12/28/24		
Nat'l Plants	$1.3994	8,952,814
Last Week Ending 12/21/24		
Nat'l Plants	$1.3968	15,083,317

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
Jan 2 Est	$21.98 - $22.48	$21.47	$20.36	$20.94
Dec '24 Final	$23.03 - $23.53	$21.28	$18.62	$20.74

Milk, Dairy and Grain Market Commentary

By Monica Ganley, Quarterra
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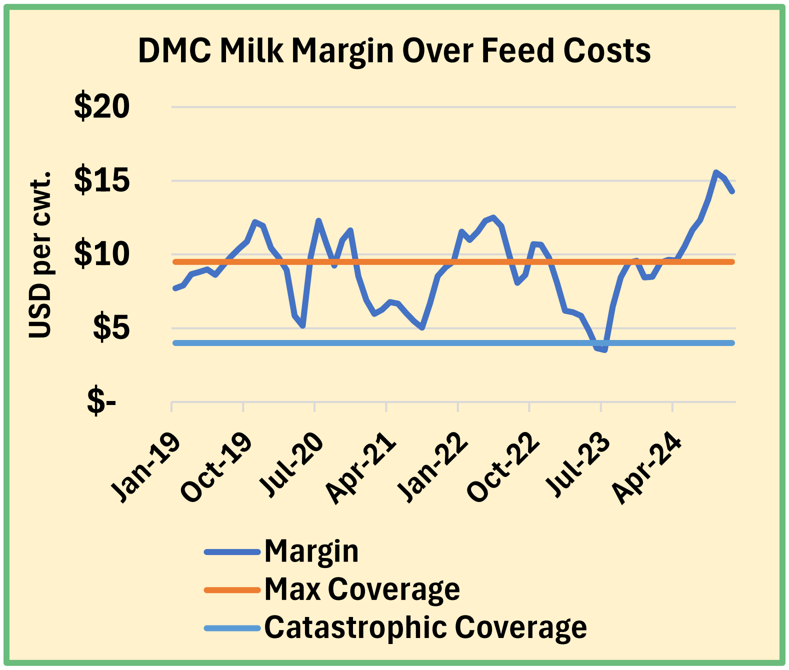
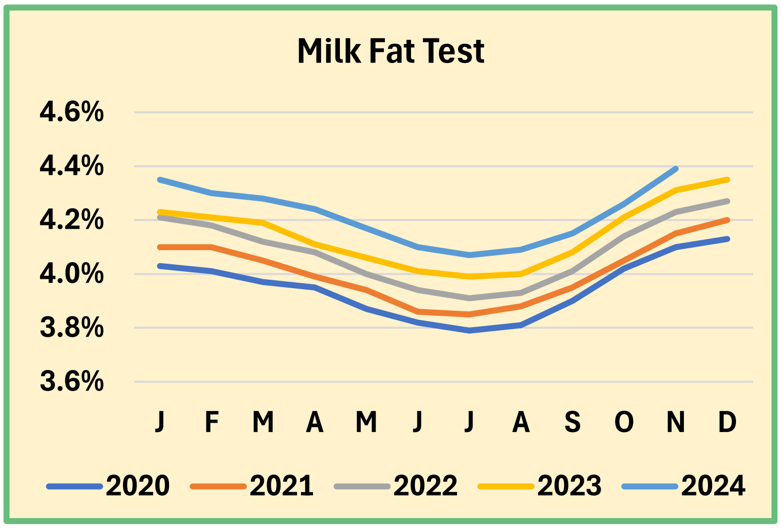
Milk & Dairy Markets

As the new year unfurls before us, dairy producers and other industry stakeholders are preparing for the opportunities and challenges that 2025 will bring. For the moment, most parts of the country report that milk production is improving, facilitated by mostly mild winter conditions. However, with more frigid temperatures forecast for the coming days and weeks, inclement weather could have a negative impact on the sector. Production in California continues to struggle under the weight of animal health issues though slower processing schedules during the holiday season have eased tensions in the state.

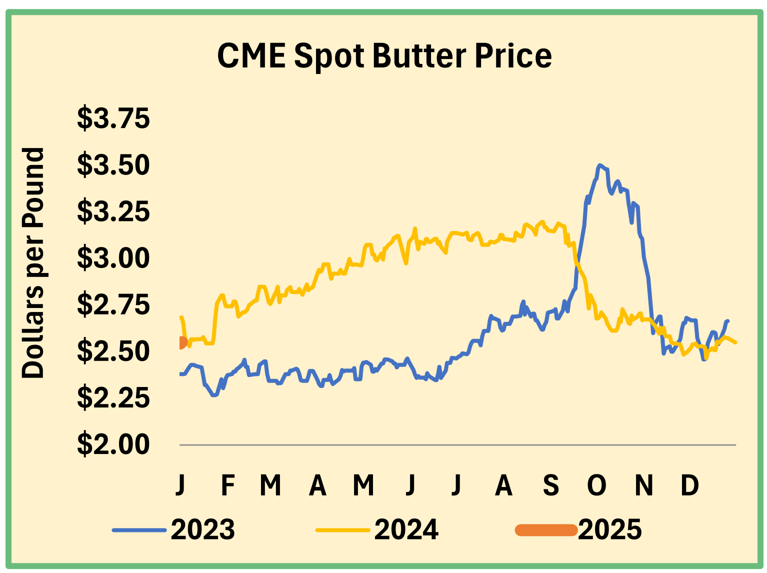


Producer profitability remains strong and should promote additional output in the coming months. November's milk margin over feed cost calculated as part of the Dairy Margin Coverage (DMC) program was announced at $14.29/cwt. While this indeed represented an 88¢ decline compared to October's figure, margins remain at the highest levels seen since the program was started in 2019. Feed costs stayed modest as the margin dip was due to a lower All-Milk price, which was reported at $24.20/cwt. in November, down one dollar from the prior month. Despite the decrease, milk prices are healthy by historical standards.

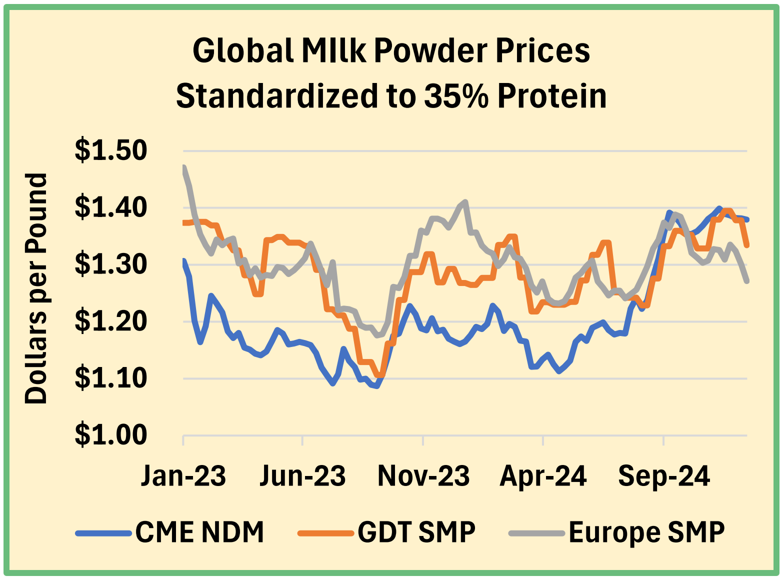
One of the major trends that characterized milk production in 2024 was rising component levels in raw milk. In particular, fat tests have soared to staggering heights as producers have embraced genetic advancements and management strategies that optimize milk solids content. Even as milk production wavered last year in liquid terms, higher component levels boosted dairy product output. This trend has increased the efficiency of the sector and is expected to persist in the coming months.



Rising fat levels have created an abundance of cream. At the same time, churning has slowed in recent weeks due to the winter holidays. This combination has rendered cream even more available and has put downward pressure on multiples. However, butter demand remains steady through both retail and foodservice outlets and manufacturers expect that production schedules should return to normal in the coming weeks. The CME spot butter price rode plentiful supply downward, falling 2.25¢ over the course of the shortened trading week to end Friday's session at $2.5525/lb. A total of 16 loads traded hands with all the movement occurring on Thursday and Friday.

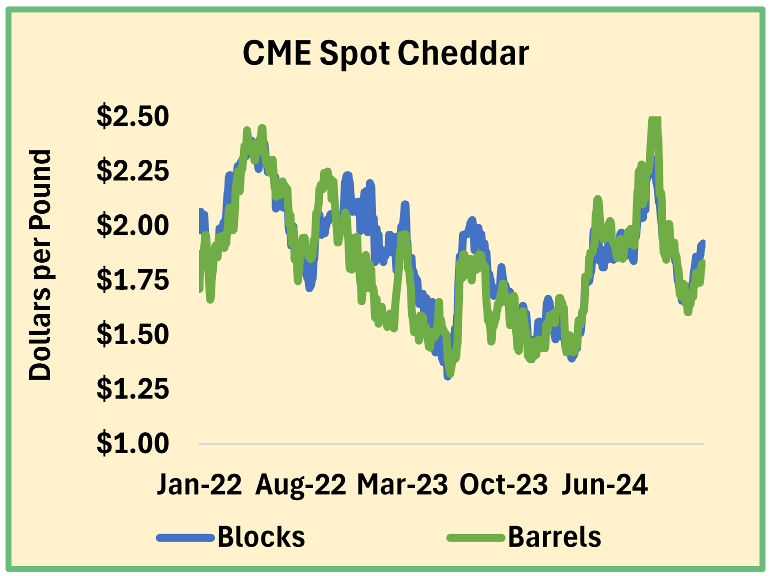


On the other side of the Class IV complex, nonfat dry milk (NDM) also saw prices descend, bringing U.S. powder closer in line with the levels of international competitors. Spot prices at the CME dipped by a fraction of a cent in each of the four days of trading with losses totaling 2¢. NDM ended the week at $1.3675/lb. This is within a few cents of the most recent Global Dairy Trade auction result for skim milk powder (SMP), after adjusting for protein content, but remains about a dime above European values.



While lower prices should make U.S. product more competitive on the global market, strong Class III manufacturing demand in 2025 is expected to pull milk away from dryers and keep NDM supplies tight.

The cheese market found a bit of strength moving into the new year as both blocks and barrels gained ground at the CME. Cheddar blocks added 4.75¢ over the week to close out today's spot session at $1.92/lb., the strongest price seen in two months. Meanwhile barrels rose by 6.25¢, including a 4¢ increase on Monday, to end the week at $1.83/lb. Activity was moderate as 7 loads of blocks and 5 loads of barrels were exchanged. The winter holidays have kept retail demand for cheese robust, while foodservice demand has slackened somewhat. However, cheese production has slowed in recent weeks as manufacturers have adjusted their schedules to accommodate the holidays. *Dairy Market News* comments that cheese availability is mixed, depending on variety. Looking ahead to 2025, with significant cheese capacity forecast to come online or ramp up, the U.S. appears poised to see meaningful gains in cheese production.



Increased cheese production is expected to throw off an ample whey stream. However, extrapolating the trends experienced in 2024, it seems probable that the majority of this whey will be routed toward the output of products with high levels of protein. This will likely come at the expense of dry whey production, which is expected to keep dry whey prices supported into the new year. For now, the dry whey market appears to have found stability as the spot price remained unchanged at 75¢ per pound with only one load moving during today's session.

Grain Markets

Dairy producers benefitted from modest feed costs over much of 2024. The composite feed price reported for DMC dipped in November, falling 12¢ to $9.91/cwt. Soybeans were key in driving the ration cost lower. Soybean meal prices tumbled to $316.18/ton, down $26.67/ton as improved production prospects in South America coaxed the market lower. Premium alfalfa hay also contributed to lower feed prices, falling $1 to $235/ton. The declines in soybean meal and hay were partially offset by higher corn prices, which rose 8¢ to $4.07/bu. If current conditions hold, feed should remain plentiful and help to support producer margins over the near term. The grain futures markets inched upward for most of this week, but losses during Friday's session appear to have undone these gains.

Water Shorts

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

The first snow survey of the season took place this week. The snowpack is well ahead of last year at this time and slightly higher than average for this time of year. The State Water Project increased its projected allocation from an initial 5% to 15%. The federal Central Valley Project makes allocation announcements later in February. The state's major reservoirs are currently at 121% of average. It is early, but so far so good.

On the Colorado River, the Imperial Irrigation District conducted a large temporary land fallowing program this past fall. To qualify for a payment, a farmer had to not irrigate their fields for 49 days from August 11 until September 30. In total, 154,140 acres of alfalfa, Bermuda grass and Klien grass participated in the program and received $49,600,000 for the resulting water savings of 172,277 acre-feet calculated at the Colorado River intake to the All-American canal, which serves the Imperial Valley (farmer payment = $322 per acre for a reduction of 1.12 acre feet per acre). This program was funded by the federal government as part of a plan to enhance the water levels in Lake Mead. Farmers were willing to participate because of the low market prices for hay right now, particularly for low quality late summer cuttings. Time will tell whether the plants can survive this approach and comeback to productivity when irrigation returns over the winter.

In the Kaweah Subbasin, a new public water district is being proposed. The Consolidated Water District would comprise some 80,000 acres of currently undistricted land contained within the Greater Kaweah Groundwater Sustainability Agency (GSA). The formation of the new district is being spearheaded by the private ditch companies in that area that have very significant surface water rights to the Kaweah River and the St. Johns River. These private ditch companies were not able to form a GSA because the SGMA law stipulated that GSAs could only be formed by public agencies. The ditch company representatives have been actively engaged with the Greater Kaweah GSA but decided to form a public agency to facilitate the more efficient development of transmission and recharge infrastructure to utilize the very significant surface water rights they control. The new public water agency will encompass adjacent lands to those that currently hold ditch company "stock," enabling those lands to have access to surface water. Becoming a public agency also gives the new district access to new financing and funding opportunities as well as enhancing water purchase and sale prospects. The proposal has been approved by the Tulare County Local Agency Formation Commission and the Tulare County Board of Supervisors has approved submitting the proposal to a vote of the landowners. That mail-in ballot will be held in May. See a map of the proposed Consolidated Water District here.

Reminder: Quota Referendum Ballots Due Thursday, January 9, 2025

By Geoff Vanden Heuvel, Director of Regulatory and Economic Affairs
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As a reminder, ballots for the current quota referendum must be postmarked by **January 9, 2025**. Prior to Christmas, CDFA had reported it was about 30 ballots short of meeting the 51% quorum requirement of eligible producers casting a vote for the referendum to be valid. If that requirement is met, then either 65% of the voting producers who produce 51% of the milk must vote yes, or 51% of the voting producers who produce 65% of the milk must vote yes for the referendum to pass.

If you want to confirm that your ballot has been received by the CDFA, you can contact David Ko at David.Ko@cdfa.ca.gov or 916-900-5011.

Farm Focused California Dairy Sustainability Summit March 25 in Visalia

Courtesy of Dairy Cares

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We appreciate your support!

We appreciate the support of our Associate Members! Along with our member dairy families, they help fund the work MPC does throughout the year – especially the weekly publishing of this report. We look forward to once again partnering with these companies and individuals in 2025. And if you're a business or individual that supports the California dairy community, we would appreciate your support in the New Year. You can complete an MPC Associate Membership application here or contact Kevin Abernathy at Kevin@MilkProducers.org to learn more.