MPC Weekly Friday Report

Date: March 7, 2025
To: Directors & Members
From: Kevin Abernathy, General Manager
Pages: 8

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MPC Friday Market Update

Chicago Cheddar Cheese		
Blocks	*- $.1525*	$1.6225
Barrels	*- $.1500*	$1.6300
Weekly Average Cheddar Cheese		
Blocks	*- $.2170*	$1.6380
Barrels	*- $.0940*	$1.7005

Chicago AA Butter		
Weekly Change	*- $.0350*	$2.3100
Weekly Average	*- $.0505*	$2.2975
Dry Whey		
Dairy Market News	w/e 03/07/25	$.6000
National Plants	w/e 03/01/25	$.6211

Non-Fat Dry Milk		
Week Ending 03/01/25		
Nat'l Plants	$1.3071	27,381,382
Last Week Ending 02/22/25		
Nat'l Plants	$1.3345	16,475,545

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
Mar 6 Est	**$22.62 - $23.12**	**$20.30**	**$18.29**	**$18.71**
Feb '25 Final	**$22.87 - $23.37**	**$21.08**	**$20.18**	**$19.90**

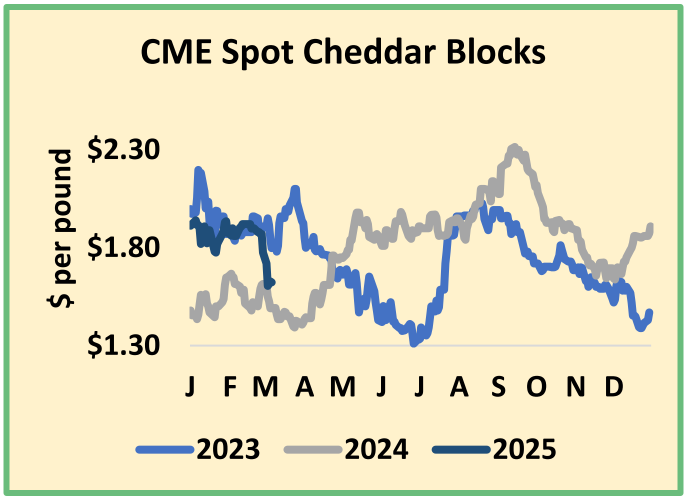
Milk, Dairy and Grain Market Commentary

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

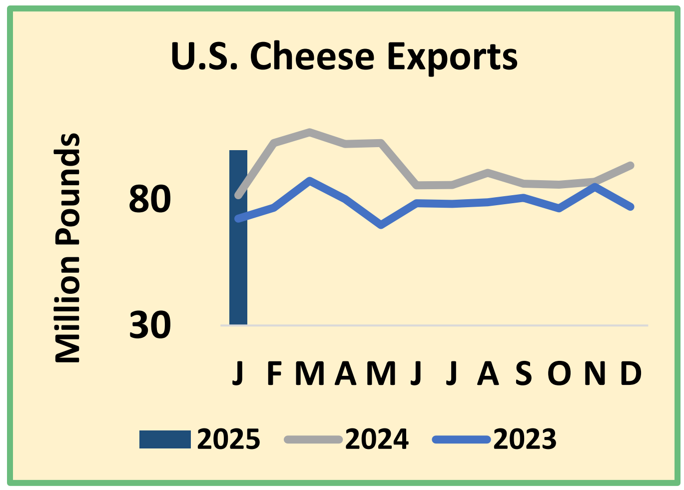
Milk & Dairy Markets

Like a teenager in a bad relationship, U.S. tariffs on goods from Canada and Mexico are on-again, off-again, and then changing their status to "it's complicated." The commodity and equity markets are like the teenager's parents, reluctantly pulled into the emotional ups and downs, and desperately trying to restore calm. But this week it was all drama.

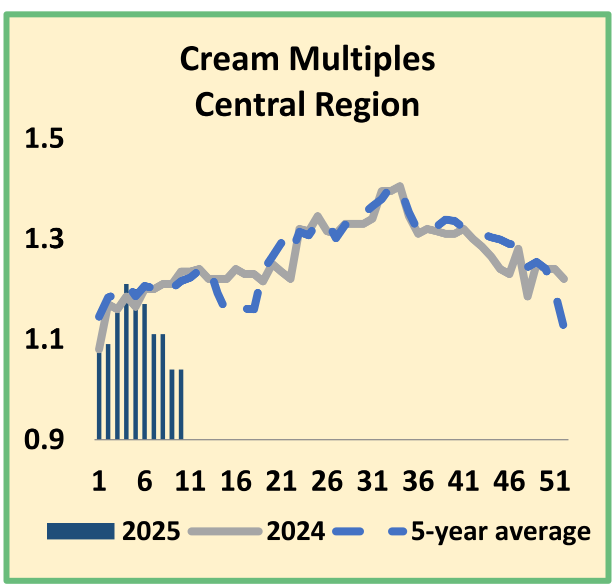
The situation may have changed by the time you read this, but for now, here's the status of the relationship: The U.S. will not impose tariffs on goods covered under the U.S.-Mexico-Canada Agreement (USMCA). However, while most agricultural and auto-industry goods will be protected from tariffs through their USMCA status, many businesses had opted out of the complicated and expensive process of certifying that their products are USMCA-compliant. Those goods will now be subject to the zero- or low-tariff rates already in place before the trade spat plus the new 25% tariff. Trade Partnership Worldwide estimates that about 40% of U.S. imports from Canada and Mexico were not officially certified as USMCA compliant but crossed the border duty-free, and they'll now face a 25% markup. An additional 22% of Canadian exports and 10% of Mexican imports paid small tariffs in the past and will now face a much larger border tax. It's unclear whether the exemption for USMCA-compliant goods is a permanent pass, as stated in the Executive Order, or merely a pause until April 2, as stated repeatedly by members of the Trump administration. In early April, the Trump administration will also impose "reciprocal tariffs" on goods from the rest of the world. The U.S. now levies tariffs on Chinese imports that are 20% higher than they were in January, and China will begin taxing U.S. dairy imports – excluding dry whey and lactose – at a 10% markup from previous tariff levels.



The back-and-forth on U.S. trade policy and a well-supplied milk market weighed heavily on U.S. dairy values this week. The bears were particularly bold in the cheese markets. CME spot Cheddar blocks plunged to an 11-month low at $1.6050 on Tuesday, but they clawed their way back to $1.6225 per pound, still down 15.25¢ for the week. Barrels fell 15¢ to $1.63.

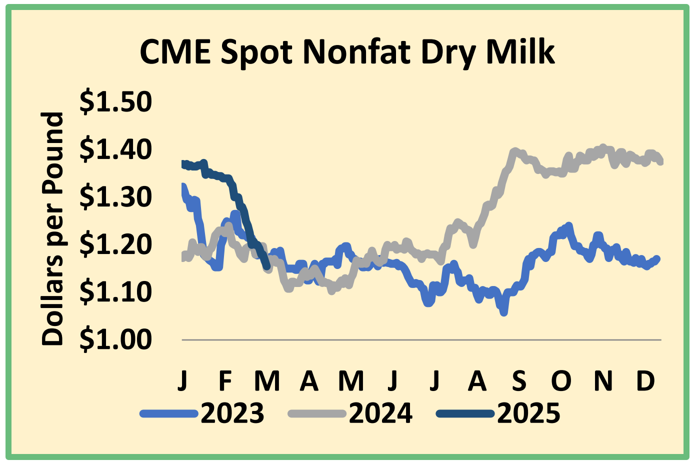


This week's dairy data was relatively friendly for cheese. U.S. cheese output reached 1.2 billion pounds in January, up 0.8% from the year before. But, once again, manufacturers focused on Mozzarella output. Cheddar production fell 1.4% year over year to the lowest January tally since 2020. That could limit the volume of cheese available for delivery in Chicago in the near term. Meanwhile, exports boomed. The U.S. sent nearly 100 million pounds of cheese abroad in January, 22% more than in January 2024. But the forward-looking futures market is anxious about new cheese capacity, slowing consumer demand, and the impacts of a potential trade war.

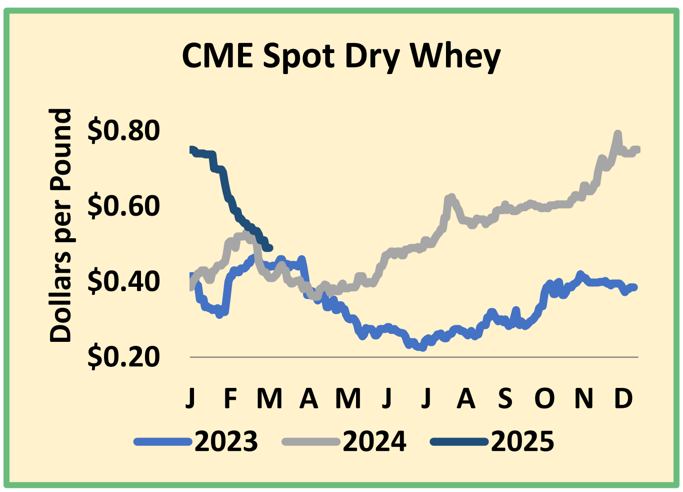


Thanks to higher components, there is simply too much cream. The glut has dragged down cream multiples to their lowest levels since the dark days of 2020. Class II manufacturers took advantage of cheap cream in January, making 20% more hard ice cream, 18% more full-fat cottage cheese, 5.3% more yogurt, and 4.3% more sour cream than they did the year before. But there was still enough cream left over to allow for a 0.5% uptick in butter output. U.S. butter is extremely cheap, which spurred a big jump in U.S. butter and cream exports in January. But there's still more than enough butter around. On Tuesday CME spot butter regressed to $2.25, its lowest price since 2021. It closed today at $2.31, down 3.5¢ for the week.

Powder prices continued to drop. CME spot nonfat dry milk (NDM) fell 4.5¢ this week to a nine-month low at $1.155. Combined production of NDM and skim milk powder (SMP) totaled 189 million pounds, down 3.2% year over year and the lowest January output since 2016. Manufacturers showed a strong preference for NDM, which is primarily sold domestically or to buyers in Mexico. SMP production dropped 37.6% from January 2024, reflecting concerns that U.S. milk powder would fail to compete in foreign markets. That appears to be the right strategy. U.S. milk powder exports slowed to a crawl in January, falling below 100 million pounds for the first time in over five years. Shipments to Mexico topped January 2024, but powder exports to Southeast Asia hit eight-year lows in December 2024 and January 2025. Milk powder that might have gone to the Philippines or Vietnam went into storage instead. U.S. milk powder stocks jumped to nearly 300 million pounds, their highest level since May 2023.



To meet consumers' appetite for protein, manufacturers made 20% more whey protein isolates (WPIs) in January than they did the year before, when WPI output was already running hot. That left less whey for whey protein concentrates (WPCs) and powder. Dry whey output fell 10.3% from year-ago levels.



Whey powder stocks grew slightly from December to January but remained well below January 2024 volumes. Whey powder exports topped January 2024 shipments, and almost half of them went to China. The steep drop in whey prices could encourage greater exports going forward. China was careful to exempt whey powder from its 10% retaliatory tariff on U.S. dairy products. However, China will exact a higher border tax on imports of U.S. WPIs and WPCs. American WPI and WPC values will have to retreat to offset the tariffs or lose market share to Germany. Spot whey powder prices lost ground again this week. They closed at an eight-month low of 49¢, down 2¢ since last Friday.

The red ink flowed directly from the spot market to milk futures. April Class III plummeted more than a dollar to $17.21 per cwt. Most other Class III contracts suffered double-digit losses and settled in the $17s and $18s. Class IV futures lost around 30¢. While most contracts held well above the $18 mark, June Class IV closed at $17.93. Dairy profit margins are fading quickly.

Grain Markets

The feed markets went in circles this week. Volatility reigned, but May corn and soybeans finished right where they started, at $4.69 and $10.25 per bushel, respectively. Soybean meal rallied $4.50 to $304.50 per ton. U.S. soybean meal demand likely surged temporarily due to the brief tariff on canola imports.

MPC in D.C. This Week

By Kevin Abernathy, General Manager
Kevin@MilkProducers.org

I returned home yesterday after a whirlwind trip to our nation's capital, where I met with elected representatives, their staff, and federal agency officials to discuss key dairy issues and build important relationships. While my Capitol Hill meetings took place on Tuesday, most of the behind-the-scenes work and heavy lifting started last summer at the onset of the Highly Pathogenic Avian Influenza (HPAI) crisis. Since last summer, MPC members have provided me firsthand accounts of issues they have encountered related to HPAI, and we have been coordinating with Congressional offices and federal agencies to clear roadblocks our producers have encountered.

The most recent issue our producers faced related to HPAI was the freeze on approval of ELAP applications and payments for milk losses due to HPAI. The order for the cessation of payments apparently came from the national office in D.C., so I began coordinating with Congressional representatives, particularly **Congressman Jim Costa** and **David Valadao**, to see if we could get action to restore these much needed payments to our producers. I want to thank Congressman Costa and Valadao, and especially their staff, for all the work they did to help restore payments, which included Congressman Costa coordinating with USDA Secretary **Brooke Rollins**. Congressman Costa also addressed this issue in his opening remarks this week at the U.S. House Agriculture Livestock, Dairy, and Poultry Subcommittee Hearing, which I attended in person. You can watch the hearing here. Mr. Costa also entered into the record a letter MPC submitted regarding the impact HPAI has had on California producers and the need for swift action to restore ELAP payments. You can read that letter here.

Congressman Jim Costa addresses the hardships dairy producers are facing due to the Highly Pathogenic Avian Influenza at Tuesday's House Agriculture Subcommittee hearing.

Interestingly, I spoke to one of our MPC members yesterday who said he received his ELAP payment for his dairy in Texas and received notice on Tuesday that his ELAP payment will be made for his California dairy. It appears that the Office of Management and Budget has released funds to restore ELAP payments. This dairyman told me, "I'm calling my bank to get them off my back!" Again, thank you to our Congressional leaders for making this issue a priority for our dairy producers. **For our producers, I would be interested if you heard any news this week regarding your ELAP application – either that it was approved, denied, or delayed. Please drop me a note at *Kevin@MilkProducers.org*.**

In addition to addressing the ELAP situation, I had the chance to brief several California representatives and their staff on issues such as the need to update the H-2A visa program, capturing more water for farms, communities, and businesses, and the need to preserve the voluntary, incentives-based approach for regulating dairy methane emissions.

Congressman Adam Gray and Kevin Abernathy met this week in Washington, D.C.

Thank you to these House Representatives and their staff for affording me the time to discuss dairy farming issues: **Doug La Malfa**, **John Garamendi**, **Josh Harder**, **Adam Gray**, **Jimmy Panetta**, **Vince Fong**, **Norma Torres**, and **Ken Calvert**. A special thanks goes out to Congressman Gray for allowing me use of his office for another meeting with staff from Senator **Alex Padilla's** office. And thank you to staff from Senator **Adam Schiff's** office for meeting with me as well. It was a pleasure to discuss the importance of dairy farming and agriculture to California's economy with representatives of our state's U.S. senators.

Thank you also NRCS California State Conservationist **Carlos Suarez** and NRCS West Regional Conservationist **Astor Boozer** for arranging a meeting with NRCS Acting Chief **Louis Aspey** and Acting Associate Chief **James Tillman, Sr**. at NRCS headquarters. NRCS oversees important programs for our dairy farmers, such as EQIP and the Conservation Stewardship Program, so it was great to discuss how these programs can continue to serve dairy farmers efficiently and effectively.

This trip marked the 21st year I have visited Washington, D.C. to represent California dairy families in some form or fashion. To our MPC members, thank you for giving your staff the tools and support to be your voice and advocate.

Registration Ends March 20 for Farmer-Focused California Dairy Sustainability Summit in Visalia

Courtesy of [Dairy Cares]

Don't miss your chance to attend the California Dairy Sustainability Summit in Visalia on March 25! The registration deadline is March 20 – DON'T WAIT!

Dairy farmer registration is $50. You can also inquire about getting connected with a complimentary pass. Some are available thanks to sponsors and event partners. Email Jennifer Bingham at Dairy Cares (jbingham@wescoastadvisors.com). All participants **must be registered by March 20**. Register here. To see the agenda and speaker roster, visit cadairysummit.com.

This year's event will equip California dairy farmers and employees with information to further enhance and future-proof farming operations. Registration includes full access to sessions, breakouts, the Expo Hall, breakfast, lunch, and the closing reception. Enjoy a full day of learning and networking together as we continue to lead the way in nourishing lives through sustainable dairy farming.


California Dairy
Sustainability
Summit
Panel Spotlight
Tackling Water Scarcity:
Evolving policies & strategies
for improving water availability
Thomas Harter, PhD
Distinguished Professor
University of CA, Davis
David DeGroot
CFO & COO
4Creeks, Inc./
California Bioenergy, LLC
Moderator
Geoffrey Vanden Heuvel
Director of Regulatory &
Economic Affairs
Milk Producers Council
March 25, 2025 | Visalia Convention Center


California Dairy
Sustainability
Summit
Breakout Spotlight
Sustainable Feed Solutions:
Cool new models for
growing & delivering
high-quality feed
March 25, 2025 | Visalia Convention Center
CADairySummit.com
Jack de Jong
Co-Founder, CEO, Chair
Forever Feed Technologies,
River Ranch Farms
Danny Martins
Owner
Martins Farms LP
Jason Prapas
Founder & CEO
FYTO
Moderator
Michael Boccadoro
Executive Director
Dairy Cares

Sustainability. It's Our Future.
Why I'm Speaking at the California Dairy Sustainability Summit

By Jared Fernandes, Tulare County Dairy Farmer
Courtesy of Dairy Cares

Frank, Jared, and Josh Fernandes partner in owning and operating Legacy Ranches in Tulare County.

I was recently asked to speak at the California Dairy Sustainability Summit, on a panel about who's driving sustainability. My initial response was that I'm not sure I'm your guy.

I like to joke that the dairy farmer perspective on sustainability is, "It's all bull#$@!" I don't mean that manure management is a key part of the equation, although that's true too. I mean that it gets to be a lot to sort through as a dairy farmer.

Sustainability is more than a buzzword. It seems like everyone today is watching us and wanting to measure how "sustainable" our farms are. We've got sustainability goals as an industry, customers who have goals for us, and we also have all of California's environmental policies. There's a lot to sustainability (efficiency, climate, air quality, water use and groundwater protection, soil health, etc.). It's complicated.

When I step back and think of the big picture, it is clear that as California dairy farmers, we are leaders in sustainability. And in all seriousness, dairy sustainability isn't a joking matter for us. It's about being able to carry on the traditions of our ancestors, to continue the work that we love and that nourishes lives, and to pass our farms down to the next generation. We can't do these things without both sustainable practices and sound financial strategies.

My beliefs on sustainability are skewed heavily toward farm economics. I farm in partnership with two of my brothers, and I'm the numbers guy. While Josh's passion is cows, Frank's is farming the land, and I'm the one in the office crunching numbers. We're part of a third-generation dairy family. Our legacy began when our grandfather immigrated to California from the Azores islands, Portugal, around 1920, working on farms and eventually starting his own dairy.

We've got enough of a family history to know that economic resilience is what keeps the dream alive.

Continue reading here.

New Tariffs Implemented, Then Adjusted; Retaliatory Measures Expected to Impact Dairy Sales

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

After speculation about a possible last-minute reprieve before implementation on Tuesday, the Trump Administration this week announced the imposition of 25 percent tariffs on Mexican and Canadian exports. Just two days later, the White House then reduced the range of products affected by those tariffs, meaning that any Canadian and Mexican exports that are covered by the USMCA agreement will not be subject to the new levies.

This pause is until reciprocal tariffs are announced on April 2 and – based on current USMCA patterns – will cover about half of U.S. imports from Mexico and about 38% of imports from Canada. Tariffs on any potash from Canada that is not USMCA-compliant will be reduced to 10%.

To add to this uncertainty, the President as well as the Secretary of Commerce both have made specific comments about Canada's failure to respect the USMCA dairy title, continuing to charge the U.S. with 200 percent tariffs. It is unknow what actions the Trump Administration will take regarding Canada's dairy access, but it may come prior to April 2nd.

The White House also issued a new Executive Order Tuesday imposing an additional 10 percent tariff on Chinese goods. That increase was not affected by yesterday's tariff adjustments. China responded by retaliating with higher tariffs of their own. Most dairy products we have been exporting to China will be subject to an additional 10 percent retaliatory tariff. Products shipped before March 10 and arriving in China between March 10 and April 12 will not be subject to the additional tariffs.

As we noted in our statement on Tuesday, we are asking our North American neighbors to take the President's concerns about border security and fentanyl issues seriously. We need to iron out those issues quickly so we can focus on bolstering these critical trade relationships.