MPC Weekly Friday Report

Date: February 28, 2025
To: Directors & Members
From: Kevin Abernathy, General Manager
Pages: 9

P.O. Box 4030, Ontario, CA 91761 • (909) 628-6018
Office@MilkProducers.org • www.MilkProducers.org • *Fax (909) 591-7328*

MPC Friday Market Update

Chicago Cheddar Cheese		
Blocks	*- $.1250*	$1.7750
Barrels	*- $.0200*	$1.7800
Weekly Average Cheddar Cheese		
Blocks	*- $.0494*	$1.8550
Barrels	*- $.0074*	$1.7945

Chicago AA Butter		
Weekly Change	*- $.0700*	$2.3450
Weekly Average	*- $.0739*	$2.3480
Dry Whey		
Dairy Market News	w/e 02/28/25	**$.6200**
National Plants	w/e 02/22/25	**$.6548**

Non-Fat Dry Milk		
Week Ending 02/22/25		
Nat'l Plants	**$1.3345**	16,475,545
Last Week Ending 02/15/25		
Nat'l Plants	$1.3464	17,062,583

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 27 Est	**No Change**	**$21.01**	**$20.21**	**$19.78**
Last Week	**$22.87 - $23.37**	**$21.00**	**$20.32**	**$19.74**

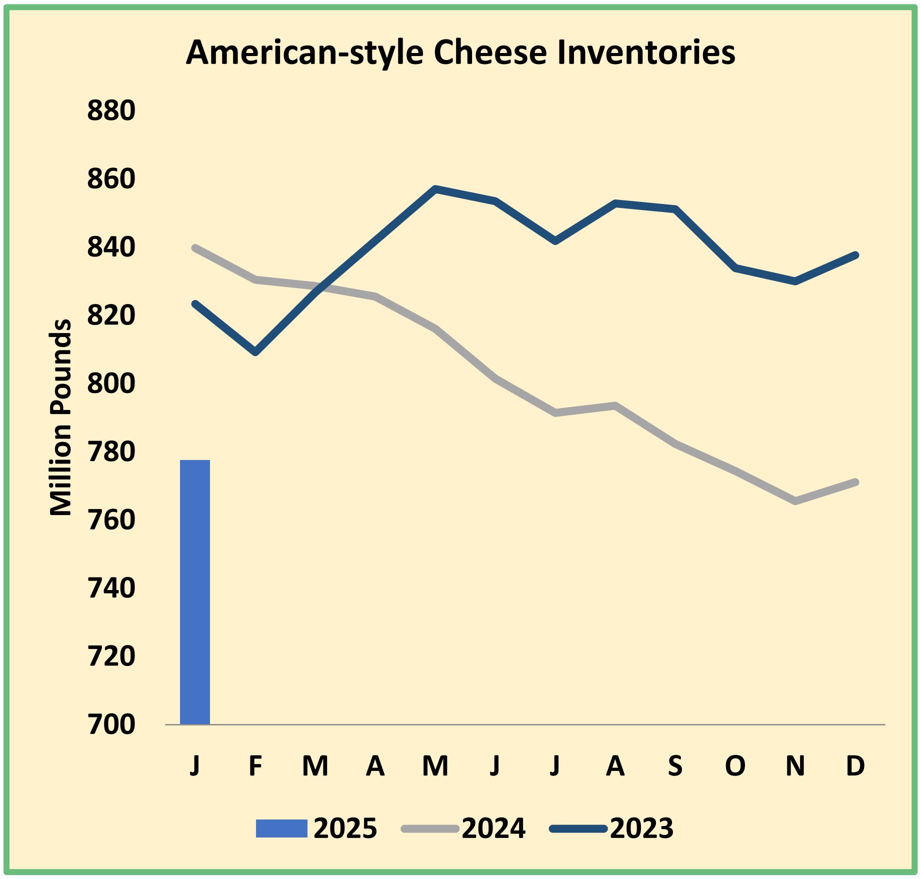
Milk, Dairy and Grain Market Commentary

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

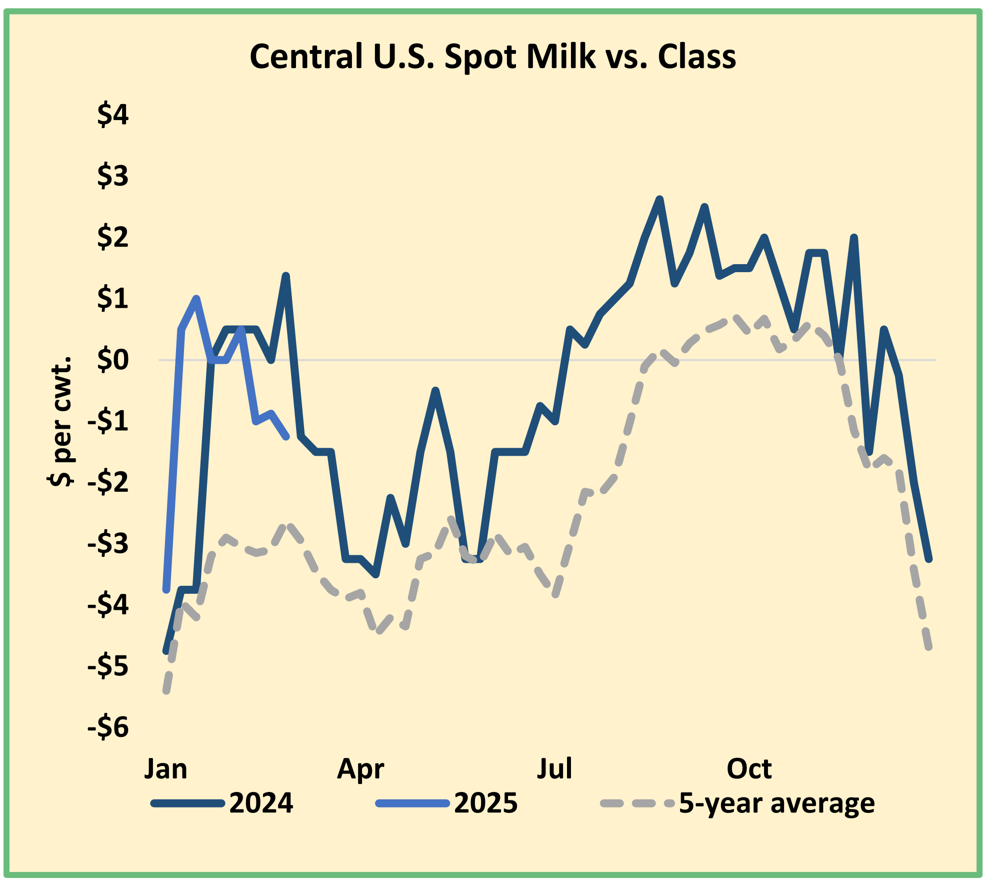
Milk & Dairy Markets

Red ink flooded Chicago this week. The dairy markets suffered a deluge of data and news that invigorated the bears. The trade war heated up, while USDA highlighted abundance in its monthly Cold Storage report and at its annual Outlook Forum.

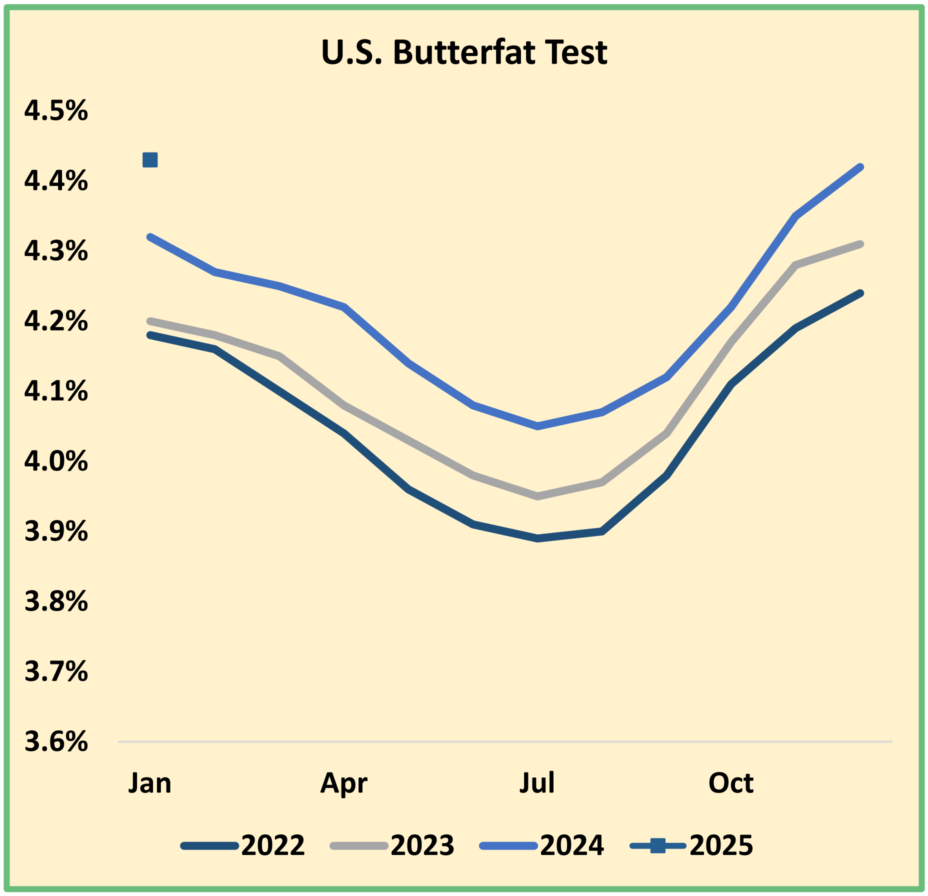
On Thursday, President Trump cleared up some confusion about the timing of a proposed 25% tariff on all U.S. imports from Canada and Mexico. He vowed on Truth Social that “the proposed TARIFFS scheduled to go into effect on MARCH FOURTH will indeed, go into effect, as scheduled.” President Trump also announced another 10% tariff on Chinese imports, on top of a 10% tariff hike that took effect March 4, and tariffs ranging from 10% to 25% on many Chinese products implemented during the first Trump administration. China responded to the February 4 tariffs with targeted tax hikes that did not hit U.S. agriculture. Beijing is expected to retaliate with more tariffs next week, which has put U.S. crop and livestock markets on edge. Mexico and Canada rushed to make a show of cooperation with U.S. efforts to combat fentanyl trafficking and illegal immigration, which won them a 30-day reprieve from the initial tariff threat. But this time around, retaliatory tariffs are reportedly on the table if the Trump tariffs take effect next week. That would not be good news for the U.S. dairy industry. The top markets for U.S. dairy exports are Mexico, China, and Canada.



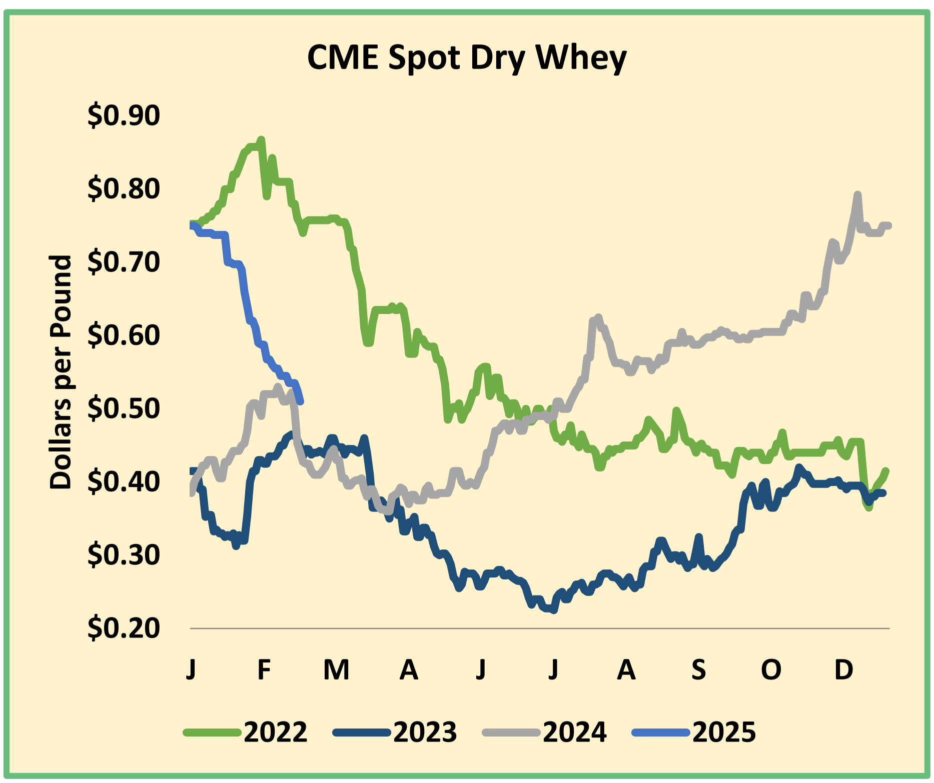
For most of the week, the cheese markets tried to stand their ground against the tide of negativity. But by Friday, they succumbed. CME spot Cheddar blocks plunged 12.5¢ to $1.775 per pound. Barrels fell 2¢ to $1.78. U.S. cheese supplies are relatively tight, thanks to record-shattering exports in both 2023 and 2024. There were 1.37 billion pounds of cheese in refrigerated warehouses on January 31, 5.7% less than there were a year ago. Stocks of American-style cheese trailed year-ago volumes by 7.4%, notching the lowest January volume since 2018. But the forward-looking futures market remains concerned that new cheese processing capacity could quickly boost U.S. cheese supplies. While milk output is up only modestly from the very low levels of early 2024, there is more than enough for cheese vats, and spot milk is trading at a discount in the cheese states. In this environment, a setback in U.S. cheese exports to Mexico could be disastrous.



"Contacts who have spent noteworthy years in the dairy industry" tell USDA's *Dairy Market News* that "recent milkfat levels are like nothing they have ever witnessed." The average butterfat from all milk sold through Federal Milk Marketing Orders in January reached an all-time high of 4.43%. USDA also noted that "cream suppliers are under significant pressure to find homes" for cream, "butter plants are backed up," and delays at the churn "still exceed post-holiday levels of inflows." Even in the West, where the bird flu continues to drag on California milk production, cream multiples stand at their lowest level since the darkest days of 2020. Butter churns are running hard, but the larder is already pretty full. There were 270.28 million pounds of butter in cold storage at the end of January, up 26% in just 31 days. Stocks were 9.2% higher than in January 2024. Demand is strong, but output is even stronger. CME spot butter fell 7¢ this week to $2.345 per pound, touching its lowest price since April 2023.



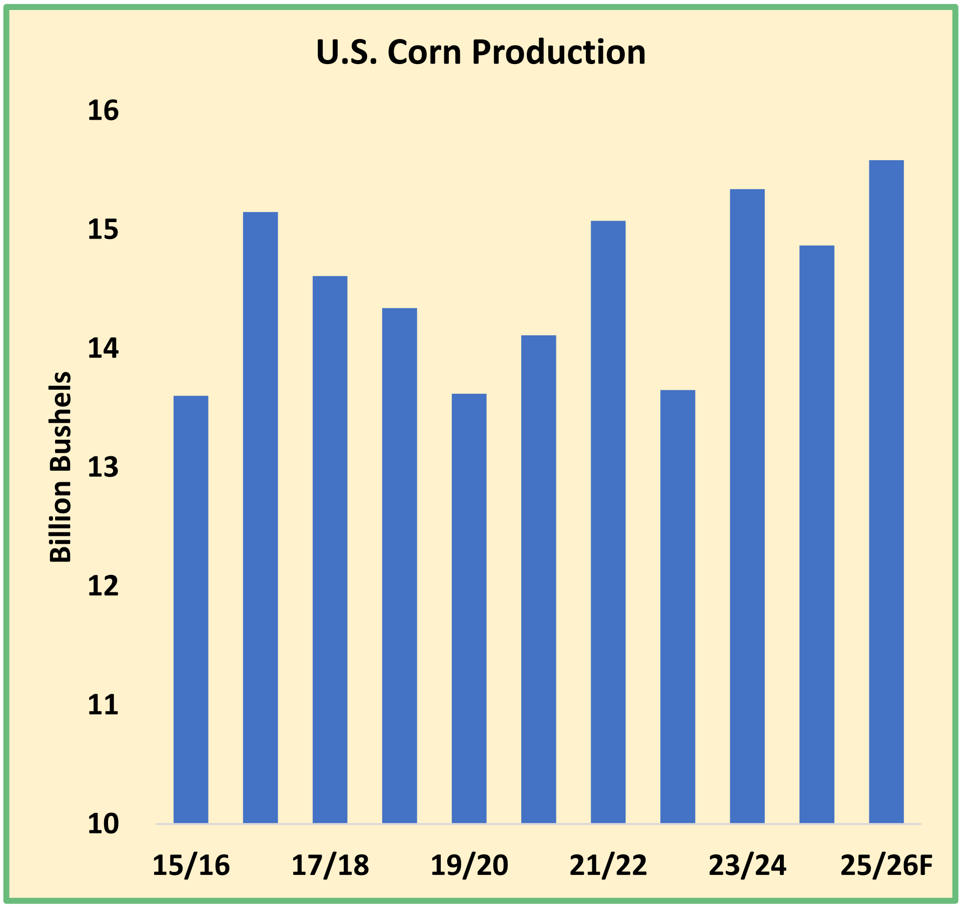
The powders just keep dropping. CME spot nonfat dry milk (NDM) retreated 4¢ this week to $1.20, its lowest price since July 2024. Milk powder users on both sides of the border are buying on a hand-to-mouth basis, betting that the uncertainty around U.S. trade policy means even lower prices ahead.



CME spot whey fell 3.5¢ to 51¢. It also scored a seven-month low. Market participants tell *Dairy Market News* that demand for whey powder is "moderate." Consumers remain hungry for high-protein concentrates and isolates, but production of those products is nearly maxed out. Greater cheese output means more whey available to be dried into powder, and prices are dropping accordingly.

The setbacks in Chicago and the flurry of news out of Washington, D.C., weighed heavily on milk futures this week. Most Class III and IV contracts lost between 25 and 50¢ this week. Class III futures faded to the low $18s, with the June contract at $17.88. Class IV milk traded in the high $18s and low $19s.

Grain Markets
The corn markets finished last week at a seven-month high, but their stay at the peak was brief. Big rains in Argentina and an improved harvesting pace in central Brazil allayed anxiety about the size of South America's crops. The funds held huge net long positions in the grain markets, and they were quick to take profits at the first sign of weakness. Once the selling began, it was difficult to stop. USDA's Outlook Forum and heightened trade tensions injected the bears with steroids on Thursday, and the red ink continued to flow on Friday. May corn closed at $4.695 per bushel, down more than 35¢ for the week. May soybeans plunged 32¢ to $10.25. The May soybean meal contract closed at $300 per ton, down $4 this week.



USDA projects that farmers will plant 94 million acres of corn this spring, up significantly from 90.6 million acres last year. Actual acreage will almost certainly differ from the February estimate, but if USDA is in the ballpark this would be among the highest corn seedings in the past decade. Using a trendline yield at a record-high 181 bushels per acre, U.S. corn production in the 2025-26 crop year is tentatively predicted to reach nearly 15.6 billion bushels, which would be the largest harvest on record, by far.

Farmers aren't all that excited to plant corn at today's prices, which are not as high as those that prevailed last spring, when corn acreage was relatively light. But they're even less thrilled about soybeans. The February average price for November soybeans is 10% lower than it was in February 2024. USDA predicts that farmers will plant 84 million acres of soybeans this spring, down from 87.1 million in 2024. In a year of high input costs and somewhat low crop prices, farmers on the fringes of the Corn Belt will probably give a second look to forages and specialty crops. In a normal year, lower acreage might give soybean futures a boost. But with big inventories from last year's harvest, another massive Brazilian harvest on the horizon, and the threat of a trade war with some of our most important foreign buyers, feed prices are likely to languish.

CDFA Announces Plans for Referendum to Terminate QIP

Courtesy of the California Department of Food and Agriculture

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

On February 21, the California Department of Food and Agriculture (CDFA) announced that it is their intention to schedule a referendum on the termination petition received from STOP QIP. This petition was filed last fall and did have sufficient signatures to be considered by the Producer Review Board (PRB). The PRB voted on December 17, 2024, to recommend to the Secretary that a referendum be held, but they asked that action be delayed on the referendum until the results of the referendum to reduce the quota differential were known. Those results were released last Friday, and that referendum failed to pass. With this notice, the Department is letting the industry know that it intends to proceed with the termination referendum. The notice estimates that voting will begin in late spring. Read the notice from CDFA here.

How February's Atmospheric Rivers Affected California's Water Supply

By Public Policy Institute of California

Note from the Water Blueprint for the San Joaquin Valley

*As the Public Policy Institute of California (PPIC) reminded us this week, capturing peak water flows when they are abundant is a key strategy for the state. The four atmospheric rivers in the first two weeks of February provided much needed but mostly missed opportunities. The state's two largest reservoirs – Shasta and Oroville – quickly filled and released more than **2 million acre-feet** of water. All total, a massive **5.4 million acre-feet** flowed into the Delta during this period and the state and federal projects were able to capture just 234,000 acre-feet, or **4%** of the inflow. **5.1 million acre-feet** flowed out to the ocean uncaptured. **California can and needs to do better!***

How February's Atmospheric Rivers Affected California's Water Supply

By Jeffrey Mount and Greg Gartell, Public Policy Institute of California

After a bone-dry January, California experienced four atmospheric rivers in the first two weeks of February. This was a welcome development—January is typically the state's wettest month and crucial for water supply, and the lack of rain and snow was deeply concerning to many across the state.

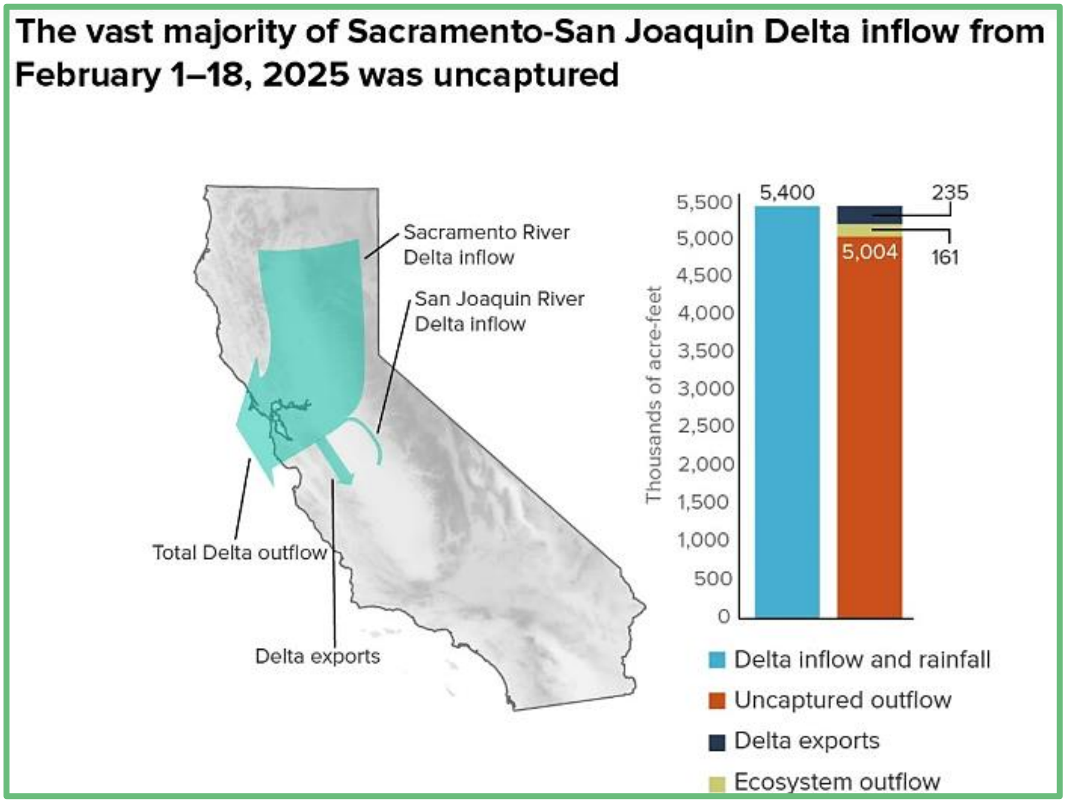
California relies heavily on atmospheric rivers to build snowpack, fill reservoirs, and recharge groundwater. This water feeds into one of the world's most elaborate conveyance systems, which moves water hundreds of miles to cities and farms throughout the Central Valley, the Bay Area, and Southern California.

But even during this recent period of abundance, there are constraints on how much can be stored or moved around. Addressing these bottlenecks in the system to take better advantage of wet periods will be essential to cope with a changing climate. But it will not be easy, and all approaches are likely to involve costly and controversial trade-offs.

The February storms illustrate some of the challenges the state faces.

Most of early February's precipitation fell north of Sacramento, with runoff flowing into reservoirs that were at or above their historic averages thanks to two preceding wet years.

Large reservoirs in the Central Valley are operated to meet water supply *and* flood control objectives.



Rather than storing all the water they can, during the winter reservoir operators are required to maintain enough space in their reservoirs to capture high inflows and reduce the risk of flooding downstream.

When the February storms arrived, the surge of water into the state's two largest reservoirs—Shasta and Oroville—quickly filled the flood reserve space. Because the winter flood season is far from over, dam operators had no choice but to let the water go to make space for possible future floods.

And they let go a lot of water. Between February 1 and 18, those two reservoirs alone released more than 2 million acre-feet of water into the Sacramento and Feather Rivers to maintain space for future stormwater. That is a year's supply for six million homes or 700,000 acres of farmland.

Continue reading here.

The Easy Impossible Paths to Water Abundance

Courtesy of Edward Ring, California Policy Center

Note from Geoff Vanden Heuvel

Once again, Edward Ring of the California Policy Center points out that it is human decisions made by bureaucrats and litigators that prevent California from achieving water abundance for its people.

The Easy Impossible Paths to Water Abundance

By Edward Ring, California Policy Center

Coming up with a plan to find sufficient water to maintain 100 percent of existing irrigated farm acreage in the San Joaquin Valley the next time a multi-year drought strikes is not impossible. We can pipe water from Lake Roosevelt in Washington all the way down to Lake Mead in Nevada. From there, modest expansion of already existing canals and storage facilities can get Los Angeles, Orange, and San Diego counties, along with Imperial Valley farms and the Salton Sea, all the water they need. After all, the Colombia River has an average annual flow of nearly 200 million acre feet. So why not divert 10 million acre feet a year, a mere 5 percent of its flow?

This will free up about 1.5 million acre feet per year that currently goes over the Tehachapis to Los Angeles to stay in the San Joaquin Valley for farm irrigation.

While this proposal has earned ridicule every time it's come up in recent decades, it's a project that could have been realized back in the 1950s. If we can build a 400 mile long canal, we can build a 1,000 mile long canal. If we can lift water 3,000 feet to pump it over the Tehachapis in California, we can do the same in Oregon and Nevada. If we could commit six times more money than our general fund budget was in 1957 to implement the State Water Project, we could find the money today for a similarly massive undertaking.

The reason to bring this up is not just to point out that we've lost the ability to think big. It's to explore the real obstacles to this, or any project, even if it isn't a mega-project. And here they are, courtesy of a skeptic, who, just a few years ago, opined on his perceived absurdity of a Colombian River diversion scheme. He wrote:

> "Consider the multiple billions it would cost, the innumerable permits that would be needed, the challenges of engineering, financing and construction, the impacts to Columbia and Snake river fish, both upriver and in the estuary, including more than a dozen species listed as threatened or endangered, the inevitable massive amount of litigation, and the unlikely acquiescence of Columbia River states, tribes, irrigators and municipalities to give up their rights to Columbia River water."

Continue reading here.

Speaker Agenda Announced for California Dairy Sustainability Summit March 25 in Visalia

Courtesy of [Dairy Cares]

California Dairy Sustainability Summit

Farm Focus - **March 25, 2025**
Visalia Convention Center

Program Agenda

Updated on Feb 27.
Exact details still subject to potential changes.

7:00 AM	*Continental Breakfast in the Expo Hall*
8:00 AM	*General Session in the Expo Hall* **Welcome Remarks** Karen Ross, Secretary, California Department of Food and Agriculture **Dairy's Opportunities in a Shifting Landscape** Gregg Doud, President and CEO, National Milk Producers Federation **Unprecedented Leadership and Success: California dairy's sustainability journey** Frank Mitloehner, Ph.D., Professor and Air Quality Specialist, Director, UC Davis CLEAR Center **Who's Driving Dairy Sustainability? (and What's in Store for the Road Ahead)** Moderator: Michael Boccadoro, Executive Director, Dairy Cares • Daniel Peerless, Global Sustainable Sourcing Lead for Dairy, Meat, Poultry and Eggs, Nestlé • Polina Surina, Senior Strategic Sourcing Manager, Mars • Darrin Monteiro, SVP of Sustainability & Member Relations, California Dairies, Inc. • Hansel New, AVP of Sustainability Strategy & Programs, Dairy Farmers of America • Jared Fernandes, Dairy Farmer, CEO, Legacy Ranches **Nourishing a Sustainable Future: Dairy protein delivers** Mitch Kanter, Ph.D., Owner, Kanter Health and Nutrition Insights, LLC.
10:30 AM	*Networking and Refreshment Break in the Expo Hall*
11:00 AM	*Breakout Sessions* Fighting to Feed People: How Sonoma County farmers wrote the playbook for local food production advocacy Genomic Testing: A successful tool for dairy herd sustainability Tackling Water Scarcity: Evolving policies & strategies for improving water availability
12:00 PM	*Lunch and Exhibits in the Expo Hall*
1:40 PM	*Breakout Sessions* Protecting the Herd: Proactive animal care in the H5N1 era Manure Subsurface Drip: Exploring water conservation & incentive opportunities The Ongoing Role of Digesters: Market outlook and long-term success
2:30 PM	*10-min Refreshment Break*
2:40 PM	*Breakout Sessions* Reducing Enteric Methane: status of feed additives, selective breeding & more Making the Most of Manure: Improving nutrient management & groundwater protection Sustainable Feed Solutions: Cool new models for growing & delivering high-quality feed
3:30 - 5:30	*Reception and Exhibits in the Expo Hall*

For more information, visit cadairysummit.com. REGISTER HERE at myaglife.com

Doud Testifies Before House Ways and Means Panel

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

Earlier this week, I used an appearance before the House Ways and Means Trade Subcommittee to stress the importance of export markets to the present and future health of America's dairy farmer community. Amid all the talk about what is fair and unfair in trade policy, the fact remains that we need access to growing global markets in order to keep our dairy sector thriving.

This is particularly true in light of the fact that our export competitors, primarily in the European Union and New Zealand, continue to work on their own trade deals around the world – and we don't want to cede those markets to other exporters. In my testimony, I outlined specific areas for the U.S. government to prioritize greater enforcement, including:

- Fixing the United States' deeply imbalanced agricultural trade relationship with the European Union.
- Ensuring Canada holds up its end of the bargain on dairy in USMCA by fixing both the export issues into Canada and the excessive offloading of artificially low-price Canadian dairy protein into the U.S. and global markets.
- Following through with China on increasing its purchases of U.S. dairy products, ensuring timely facility listing updates, and providing protection for common names.
- Resolving India's longstanding high tariffs and unscientific certification requirements.

I also added that we are pleased with President Trump's Jan. 20 Executive Order on an America First trade policy, which includes a directive to USTR to make recommendations on countries with which the United States can pursue bilateral or sectoral agreements. We see this as a key step toward helping bridge the growing tariff gaps facing U.S. exporters.