MPC Weekly Friday Report

Date: April 18, 2025
To: Directors & Members
From: Kevin Abernathy, General Manager
Pages: 8

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MPC Friday Market Update

Chicago Cheddar Cheese			Chicago AA Butter			Non-Fat Dry Milk		
Blocks	*+ $.0900*	$1.8350	Weekly Change	*- $.0050*	$2.3425	Week Ending 04/12/25		
Barrels	*+ $.0350*	$1.8400	Weekly Average	*+ $.0245*	$2.3450	Nat'l Plants	**$1.1902**	19,441,385
Weekly Average Cheddar Cheese			Dry Whey					
Blocks	*+ $.0945*	$1.8075	Dairy Market News	w/e 04/18/25	**$.5100**	Last Week Ending 04/05/25		
Barrels	*+ $.1053*	$1.8638	National Plants	w/e 04/12/25	**$.5050**	Nat'l Plants	$1.2089	15,187,779

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
Apr 17 Est	**No Change**	**$19.21**	**$17.37**	**$17.94**
Last Week	**$21.17 - $21.67**	**$19.24**	**$17.24**	**$17.87**

Milk, Dairy and Grain Market Commentary

By Sarina Sharp, Daily Dairy Report
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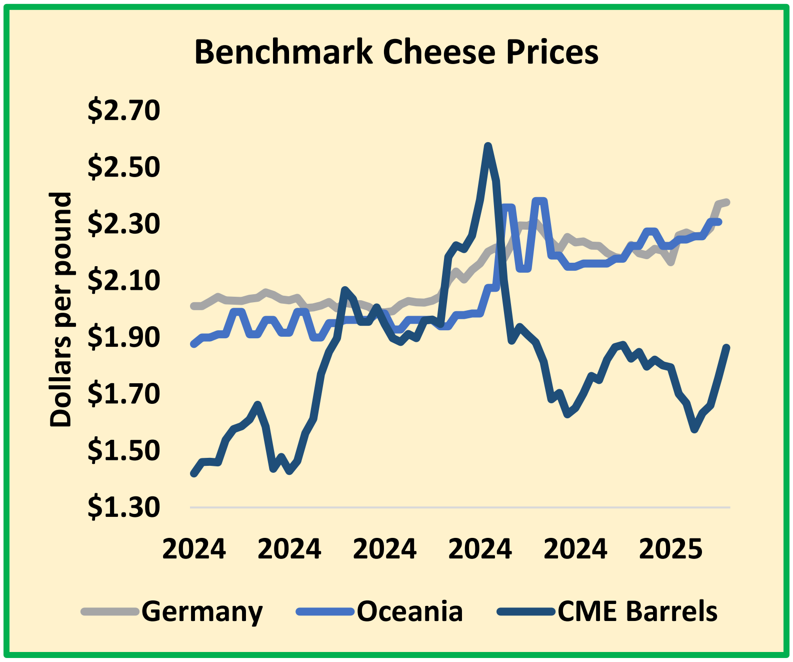
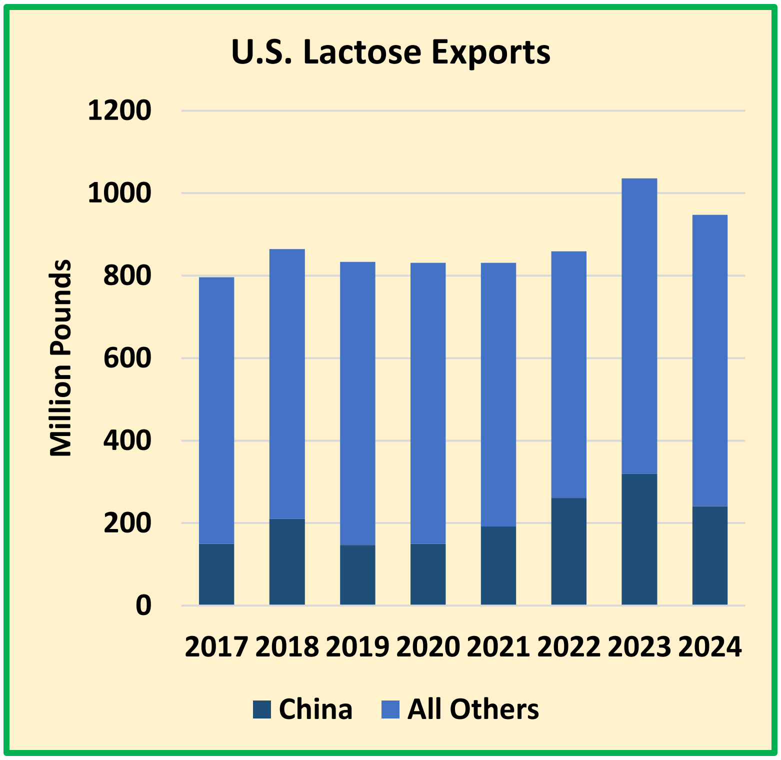
Milk & Dairy Markets

The cheese markets moved from strength to strength after the early-spring selloff energized exports. U.S. cheese is the cheapest in the world, and shipments to key markets – including Mexico and South Korea – remained formidable through February. USDA's *Dairy Market News* reports that, more recently, export orders have been stronger than expected, as Mexican buyers have not been deterred by trade war uncertainty. American exporters are hustling to move cheese abroad, which has tightened domestic supplies. That propelled CME spot Cheddar



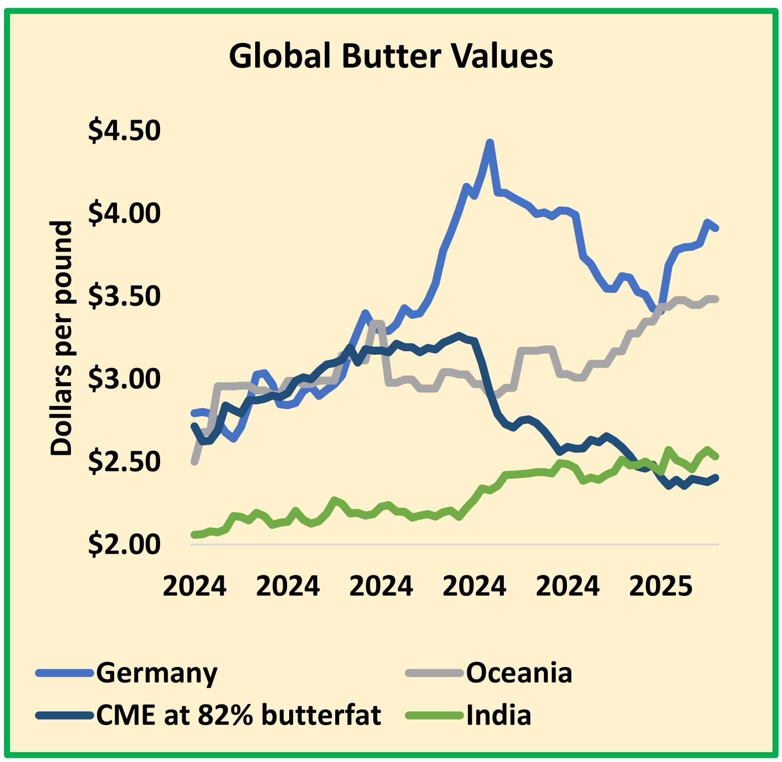


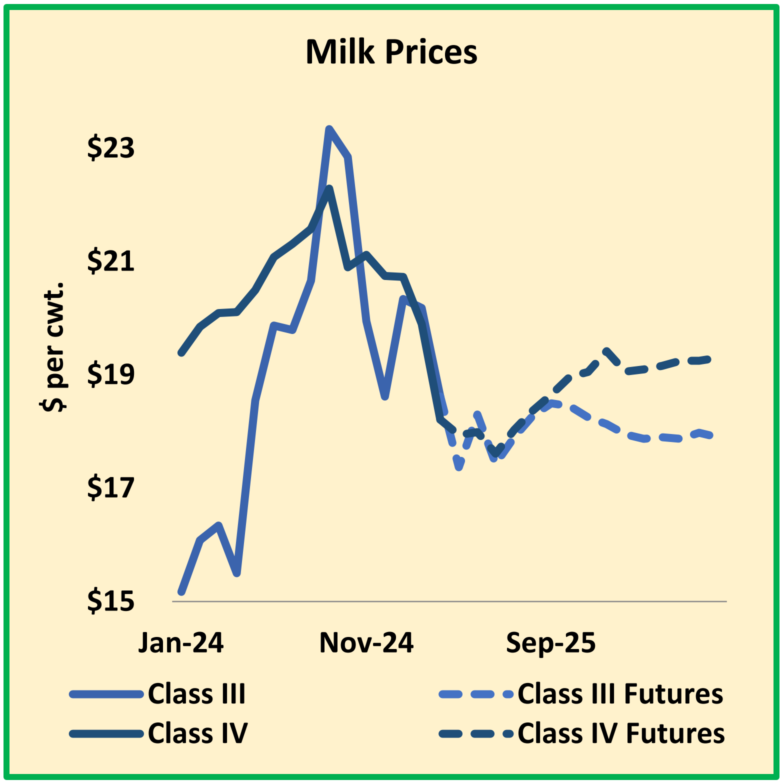
blocks up 9¢ this week to $1.835 per pound. Barrels climbed 3.5¢ to $1.84. But the export euphoria may be short-lived. Domestic demand is so-so, and the restaurant industry is flashing warning signs. Restaurant traffic fell short of year-ago levels in February, and the Restaurant Performance Index dropped into contraction territory. Most restauranteurs tell the National Restaurant Association that they're worried about keeping their tables full in the coming months. Meanwhile, cheese output is high and rising. With the spring flush underway, cheesemakers in the Upper Midwest were able to buy some loads of spot milk at $6 under the Class III market.

The whey market also gained ground this week. CME spot whey powder advanced 1.75¢ to 48.25¢. *Dairy Market News* described the whey market as "quiet" but warned that stakeholders are "shifting in a bearish trajectory due to the expectations on global trading dynamics." Domestic demand for high-protein whey products remains strong, but exports of all forms of dairy proteins and carbohydrates face new hurdles. While China initially exempted U.S. whey and lactose from retaliatory tariffs, it allowed those exemptions to lapse last month. Now, U.S. dry whey faces a 127% border tax in China, while food-grade whey products will incur a 140% tariff. China will levy a 130% tax on U.S. lactose exports, endangering the more than $100 million in annual U.S. lactose shipments to China.

The trade war has withered U.S. whey exports, as China typically accounts for about 40% of all U.S. whey sales abroad. U.S. cheese and whey manufacturers will seek new markets, but the short-term disruption could be severe. And costly. This week some dairy producers began feeding deeply discounted whey to their cattle. Those discounts will be passed on to producers throughout the region in the form of smaller milk checks.

Milk powder prices perked up slightly this week. CME spot nonfat dry milk (NDM) added a half-cent and reached $1.1725. Dryers are running hard, as they always do during the

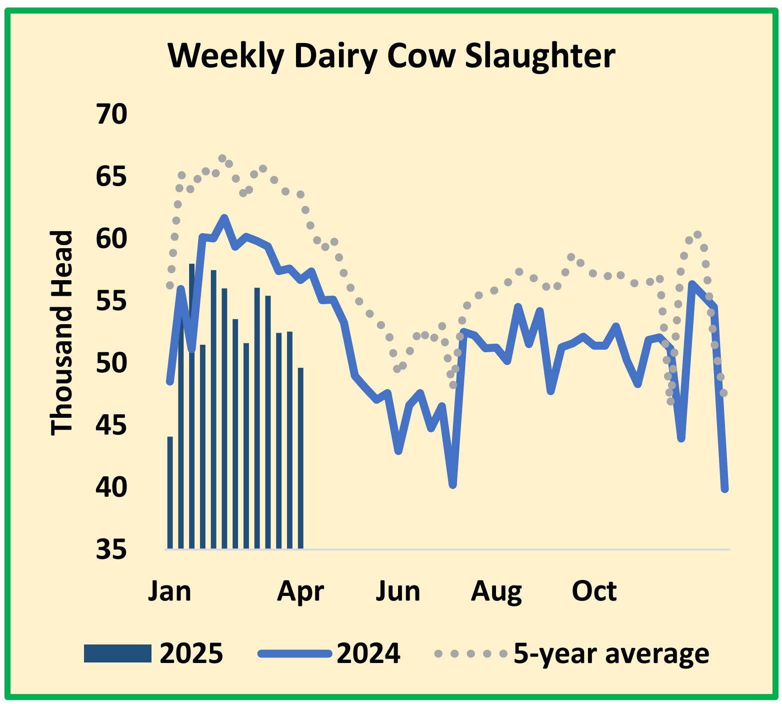




spring flush. Inventories are climbing seasonally. Manufacturers consistently describe the milk powder market as "quiet" and "uncertain."

Butter prices took a small step back this week. CME spot butter fell 0.5¢ to $2.3425. Like cheese, U.S. butter is winning international business after a winter selloff. Unlike cheese, American butter has some company in the bargain basement. Indian butter is also cheap enough to attract foreign buyers. This competition will make it harder for exports to give a meaningful lift to U.S. butter values, unless global demand is great enough to sop up the surplus in both America and India. Meanwhile, cream is cheap and the churns are running hard.

The cheese rally gave a big boost to the Class III markets. The May contract closed at $18.30 per cwt., up more than a dollar this week to its highest price since February. All other Class III – and most Class IV – contracts posted double-digit gains. For both milk classes, prices are hovering near break-even in the $17 to $18 range. That's enough to pay the bills for many producers, but not for those in the Pacific Northwest suffering a $4 deduction. And for producers who have been considering retirement for years, slim margins and high cow values offer a lucrative exit ramp. The auction docket is growing, which could allow producers to buy replacements and boost cull rates. Eventually, that could shrink the dairy herd. But for now, slaughter volumes remain low and milk output is on the rise.



Grain Markets

The corn market took a small step back this week. The July contract settled at $4.9025 per bushel, down 7¢ from last Friday. Soybean meal values also took a small step back. July soybean meal closed at $303.10 per ton, down $2.80 this week.

Planters are starting to roll, which means it's time to watch the weather. Soils are in good shape in the Eastern Corn Belt thanks to spring rains. But dust is flying in Iowa, Minnesota, and the Plains. That will make fieldwork easy, but farmers will be praying for rain after they park the planter in the shed.

Ways to Rein in the California Coastal Commission

By Edward Ring, California Policy Center

Note from Geoff Vanden Heuvel, MPC Director of Regulatory & Economic Affairs
While Ed Ring's column is not directly connected to the dairy industry, it is an instructive piece on what can be done to return government to what President Abraham Lincoln described as a "government of the people, by the people and for the people." It is a column worth reading.

There is a growing bipartisan consensus even here in California that environmentalist restrictions have gone too far. It would be a dishonest oversimplification to pretend environmentalists have outlived their usefulness, or that many of the accomplishments of environmentalists over the past 50 years weren't magnificent and necessary. But when special interests define and exploit environmentalism in order to consolidate industries, destroy small competitors, raise the cost of living, create scarcity for profit, deny upward mobility, and lower the quality of life for everyone apart from themselves and their elite counterparts, a restructuring is in order.

A prime candidate for restructuring is the California Coastal Commission, a state agency that wields an astonishing degree of control over how any homeowner or business operating within five miles of the Pacific Ocean can manage their property. For people who had not previously thought environmentalist regulations went too far, the fires that destroyed thousands of homes in Pacific Palisades and Malibu were a clarifying moment. But even if Newsom's executive orders prevent the Coastal Commission from stopping rebuilding in this one case, a bright light now shines on the Coastal Commission's entire long history of abusing its authority.

It would be easy enough to focus on all the examples of this, from attempting to restrict Space X launches out of Vandenberg AFB in 2024, or denying final approval for a desalination plant in Huntington Beach in 2022, to the years spent harassing homeowners who just wanted to build a rock wall to protect their homes from storms. The whole premise of the Coastal Commission is flawed – they favor "managed retreat" from the coast, as if erosion and storms haven't been managed on coasts since the dawn of civilization.

If the Coastal Commission were founded a century earlier, there wouldn't be any homes occupied by middle class residents along the coast. A handful of powerful corporations and billionaire investors would own whatever developments were permitted. Nobody else could have possibly navigated the process. But if you're one of the growing millions in California who now recognize the Coastal Commission is a problem, let's focus on solutions. Here are some ways to attenuate their power.

Starting with the state, the Coastal Act can be amended by the Legislature. They can:

- Narrow the scope of "development" as defined by the Coastal Act to classify minor repairs, agricultural operations, accessory structures, and seawalls, as exempt from permitting.

- Place firm deadlines on Commission staff for processing permits, deeming them approved if they aren't processed within 90 days.

- Require the Commission to submit an annual property rights impact report, and to issue cost-benefit analyses to justify any denied permits, subject to appeal.

- Exempt from permitting any projects that are already approved by local governments pursuant to certified Local Coastal Programs (LCP).

- Tie administrative funding to measurable performance, such as permit processing times, appeals backlog reduction, and LCP update approvals.

- Introduce a constitutional amendment, subject to voter approval, that would read as follows "No state agency may condition the use, development, or enjoyment of private property in the Coastal Zone in a manner that constitutes a regulatory taking without just compensation or clear legislative authority."

- Add a 10 year sunset provision to the Coastal Act, requiring joint oversight hearings where commissioners would have to justify their broad authority in order to obtain legislative reauthorization.

- Transfer Appellate Authority to the Office of Administrative Hearings (OAH) in order to remove the Commission's ability to act as both regulator and judge. Instead, require that permit appeals or enforcement proceedings go before neutral administrative law judges under OAH.

- Reconfigure the Commission into a purely advisory or planning body, stripped of direct permitting authority and instead limited to an oversight role focused on plan reviews, LCP certification, and environmental data.

And then there are actions the federal government can take. California's own Congressman Kevin Kiley has introduced legislation to amend the US Coastal Zone Management Act in order to "limit the scope of state authority to review certain activities, including national security-related activities, critical infrastructure projects, and activities with high economic impact, including post-disaster recovery and rebuilding." If Kiley's bill becomes federal law, it will make a difference.

But there is an even more transformative reform that can be done immediately by the Trump Administration without requiring an Act of Congress.

One of the roles of the California Coastal Commission is to implement the US Coastal Zone Management Act (CZMA), which applies to all coastal states.

Continue reading here.

May 5 in Modesto: Public Hearing Related to Petition to Terminate the Quota Implementation Plan

Courtesy of the California Department of Food and Agriculture

TO ALL INTERESTED PARTIES:

The California Department of Food and Agriculture (Department) has scheduled a public hearing to receive comments from the California market milk producers and the general public on a petition titled "Petition to Terminate the QIP #5" resubmitted by Stop QIP to terminate the Quota Implementation Plan (Plan or QIP). The proposal in the petition was to ask the Secretary to call a referendum to immediately terminate the QIP.

The referendum process will begin with a public hearing scheduled as follows:

Date and Time Location

Monday
May 5, 2025
Beginning at 10:00 a.m.

Stanislaus County Ag Commissioner's Office
Harvest Hall – Room D&E
3800 Cornucopia Way, Suite B
Modesto, CA 95358

***No teleconference option will be available.**

BACKGROUND

On August 6, 2024, the Department received a petition to terminate the QIP entitled "Petition to Terminate the QIP #5". A copy of the petition may be viewed here.

The Department performed a review of the petition signatures and their respective reported volume and determined that the twenty-five (25%) threshold had been achieved. Per standard procedures, the petition was referred to the Producer Review Board (PRB) for consideration. At the meeting held on December 17, 2024, the PRB reviewed and discussed the merits of the petition and passed a motion recommending to the Secretary that the petition go to an industry referendum. After due consideration, the Secretary reviewed the PRB's recommendation and approved it.

The referendum process will begin with a hearing to give producers the opportunity to provide input about the proposal.

NMPF: Tariff Negotiations; Fees on Chinese Ships; Revamping Climate Smart Ag Program

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

Tariff Negotiations Begin Between White House, Other Nations
We saw more signal and less noise this week on the matter of U.S. trade relations, as the White House began talks with key U.S. trading partners to avert full-on conflicts in the coming months.

In the case of one of our major markets, Japan, a delegation arrived this week from Tokyo to negotiate a possible deal to lower reciprocal tariffs that were to be implemented earlier this month, but that were suspended until early July. Meanwhile, Italian Prime Minister Giorgia Meloni also came to Washington this week to spearhead an effort to smooth relations between the U.S. and the European Union. Afterward, President Trump expressed confidence that the U.S. and the 27 EU nations could reach an accord. And South Korea's finance minister is expected in Washington next week for talks on bilateral trade.

We continue to support these talks, and also this week, co-signed a letter, with 30 other agriculture and food organizations, to the Republican and Democratic leaders of the Senate Finance Committee and House Ways and Means Committee, asking lawmakers to support the U.S. membership in the World Trade Organization. The letter notes that while the WTO is not without its flaws, it is foundational to our existing trading system and includes rules and principles that are critical to the food sector.

Trump Administration Raises Fees on Chinese Ships
The U.S. Trade Representative's office released a plan yesterday to increase fees on Chinese ships based on vessel capacity, in an effort to bolster the domestic shipping sector. The fee structure is not as high as initially feared, but concerns about added costs led NMPF and USDEC to file comments in March explaining the impact that additional fees would have on dairy exporters. We will continue to highlight how these added costs are a potential impediment to reaching foreign customers. Additional information can be found in Annex I of the USTR Federal Register notice.

USDA Revamping Climate Smart Ag Program
The USDA announced this week that it is revamping and rebranding the Biden-era Partnerships for Climate-Smart Commodities program into an initiative dubbed the Advancing Markets for Producers program, but we expect this new effort will still provide resources to farmers who previously committed to climate-friendly farming practices.

Agriculture Secretary Brooke Rollins said that under the previous program, USDA's contracts with producers were "overburdened by red tape, had ambiguous goals, and required complex reporting." The new effort will change aspects of the Biden program to align the initiative with current Trump administration priorities.

The review of existing projects will emphasize three priorities:

- A minimum of 65% of federal funds must go to producers;
- Grant recipients must have enrolled at least one producer as of 12/31/2024;
- Grant recipients must have made a payment to at least one producer as of 12/31/2024.

USDA will contact current partners individually to provide information about their future participation. USDA will honor all eligible expenses incurred prior to April 13, 2025. This effort will utilize existing funding, with no new funding made available for these partnerships.