MPC Weekly Friday Report

Date: March 28, 2025
To: Directors & Members
From: Kevin Abernathy, General Manager
Pages: 11

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MPC Friday Market Update

Chicago Cheddar Cheese			Chicago AA Butter		
Blocks	+ $.0325	$1.6350	Weekly Change	+ $.0475	$2.3500
Barrels	+ $.0850	$1.6350	Weekly Average	+ $.0405	$2.3385
Weekly Average Cheddar Cheese			**Dry Whey**		
Blocks	+ $.0250	$1.6345	Dairy Market News	w/e 03/28/25	$.5250
Barrels	+ $.0580	$1.6330	National Plants	w/e 03/22/25	$.5548

Non-Fat Dry Milk		
Week Ending 03/22/25		
Nat'l Plants	$1.2066	23,760,120
Last Week Ending 03/15/25		
Nat'l Plants	$1.2394	20,046,362

California Federal Milk Marketing Order Price Projections

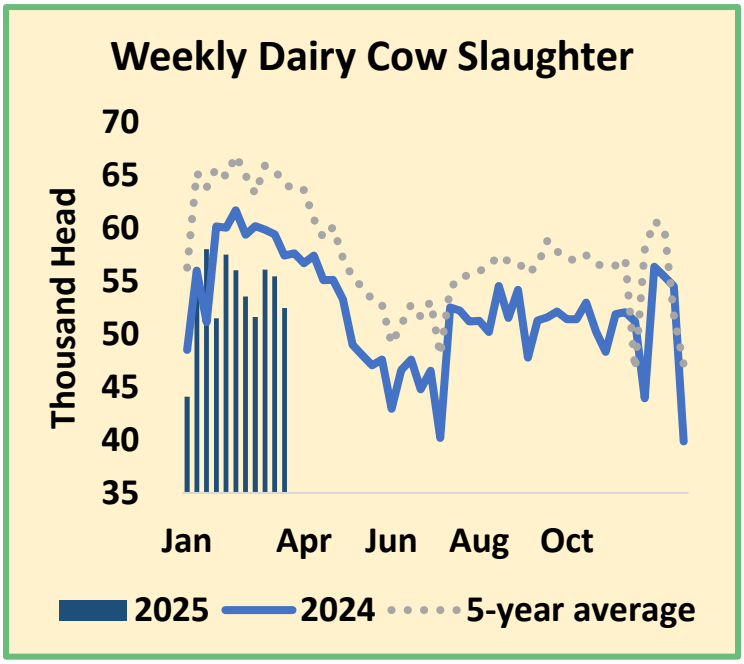
Price Projections	Class I Actual *(range based on location)*	Class II Projected	Class III Projected	Class IV Projected
Mar 27 Est	No Change	$20.15	$18.66	$18.37
Last Week	$22.62 - $23.12	$20.22	$18.53	$18.43

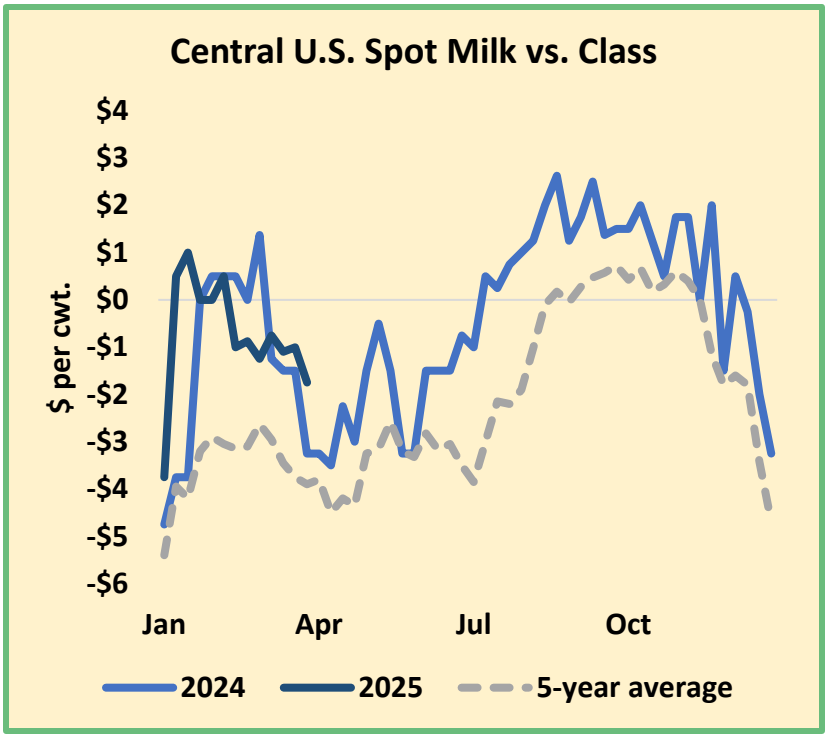
Milk, Dairy and Grain Market Commentary

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

Milk & Dairy Markets

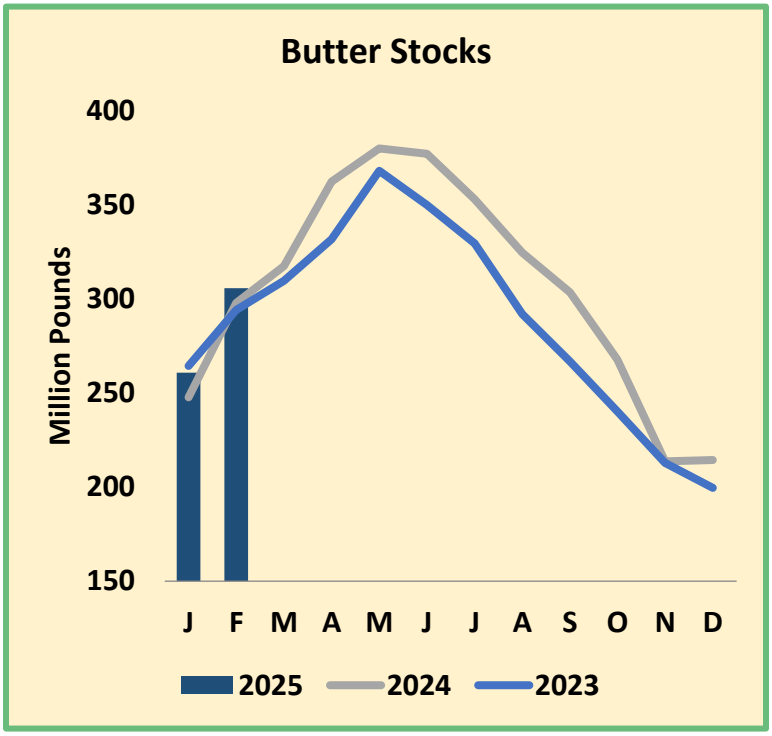
Dairy producers are doing all they can to keep their barns and milk tanks full, and it shows. In the week ending March 15, they sent just 52,431 milk cows to beef packers, the lowest mid-March tally since 2008. In the first 11 weeks of 2025, the industry culled roughly 109,000 fewer cows than the historic average, helping to raise head counts despite the heifer shortage. More cows mean more milk, especially during the flush. Meanwhile, some dairy processors are taking downtime. Milk is sloshing around the heartland. This week, spot milk traded as much as $4 below class, while most loads changed hands at a $1.75 discount.





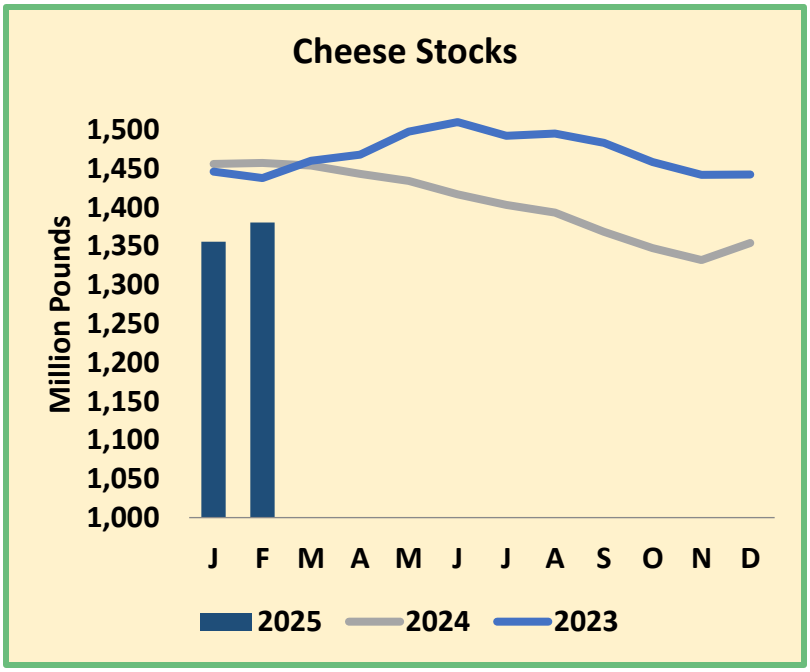
Cream remains abundant and cheap. That prompted an increase in ice cream manufacturing, but butter churns are also running hard. And there's already plenty of butter in the larder. On February 28, stocks reached 305.5 million pounds, up 2.6% from the year before. That was the highest February tally since 2021, when inventories piled up due to Covid-era shutdowns. Setting aside 2021 as an anomaly, this was the largest February butter stockpile since 1993. However, the month-to-month increases in January and February were not as large as expected given formidable butter production. This implies that demand was strong to start the year.

Cheese stocks also grew seasonally in February. But, after more than a year of impressive exports, inventories remained well below year-ago levels. There were 1.38 billion pounds of cheese in cold storage warehouses at the end of last month, 5.3% less than in February 2024.



More recent indications of dairy demand are mixed. USDA's *Dairy Market News* notes that retailers are stepping up orders for cheese and butter ahead of the spring holidays. But sales to restaurants are "lackluster," hinting that consumers are weary of high menu prices or wary of their economic prospects. Whatever the reason, they're expected to dine out less, and that's bearish. For every dairy category, *Dairy Market News* notes that American products are priced to win new export business. However, some international buyers are passing up these bargains due to uncertainty about U.S. trade policy.

The world's biggest dairy buyer remained disappointingly quiet in early 2025. China imported just 109 million pounds of skim milk powder (SMP) in January and February, 8% less than in the first two months of 2024. That's the slowest start for Chinese SMP imports since 2015. Similarly, Chinese imports of whole milk powder (SMP) in January and February slumped to 226 million pounds, down 4% from last year and the worst two-month sales since 2012. China imported more cheese, butter, and whey than it did the year before, and the U.S. accounted for a solid share of China's whey imports. While

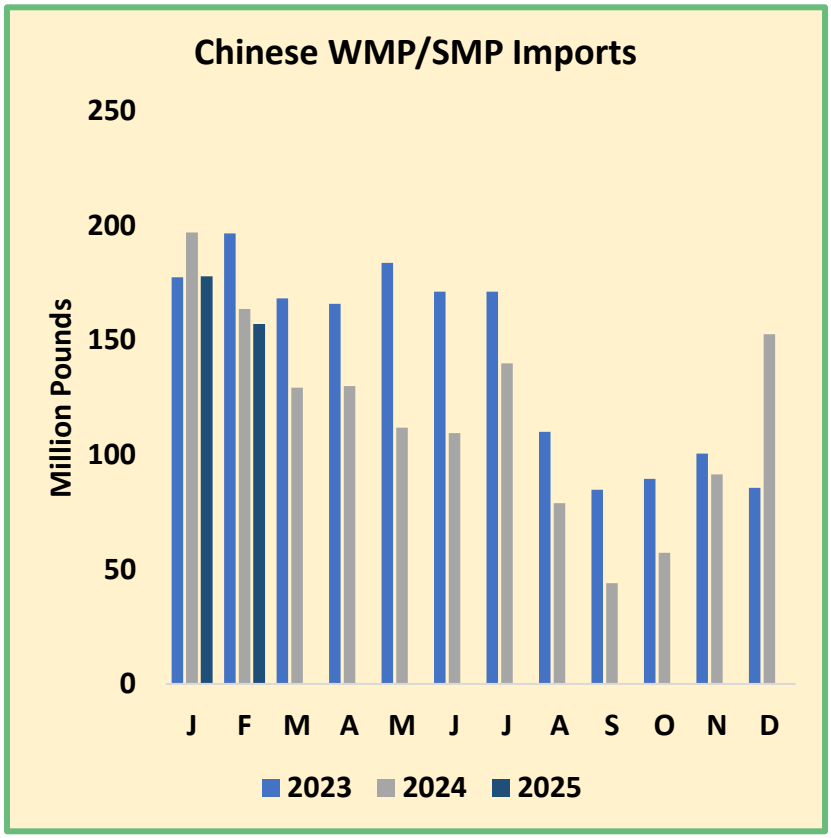


China recently increased its tariff on U.S. dairy imports by 10 to 15 percentage points, Beijing did not raise the border tax on American dry whey.

The dairy markets are still on edge about a potential economic setback, the risks of a trade war, and rising milk output. But prices are low enough for now. This week CME spot whey held its ground at 50¢ per pound. Spot butter bounced 4.75¢ and reached $2.35. CME spot Cheddar blocks rallied 3.25¢ and barrels jumped 8.5¢. Both varieties of CME spot Cheddar finished the week at $1.635. CME spot nonfat dry milk (NDM) climbed 1.75¢ to $1.1625. Milk prices were generally steady to higher. April Class III settled at $17.14 per cwt., up 26¢ for the week. April Class IV finished right where it started, at $18 per cwt.

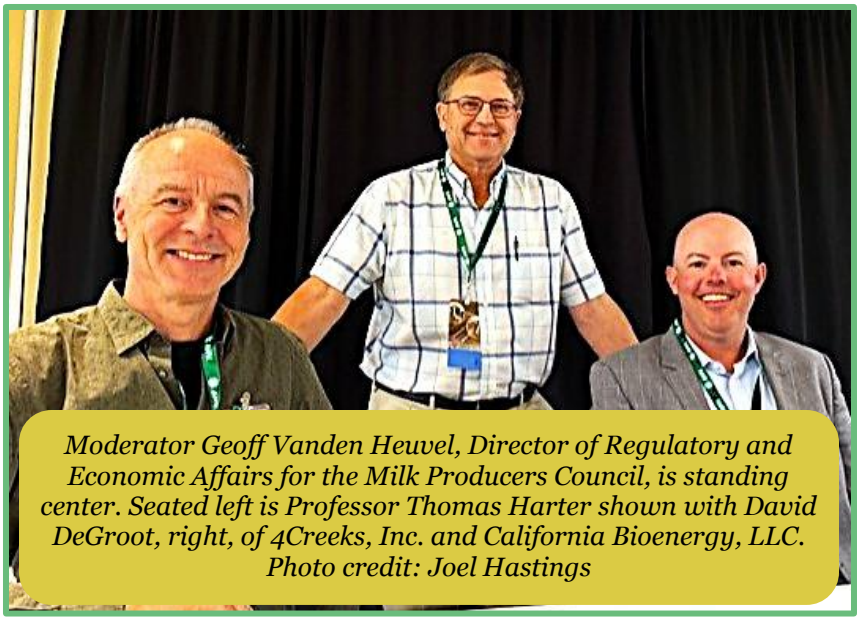
Grain Markets

The grain markets took a big step back this week. May corn dropped a dime to $4.53 per bushel. Wheat futures also retreated. Already hefty Russian wheat exports and news that the U.S. will help Russia export more wheat and fertilizer dragged on global grain prices. The trade assumes that Monday's much-anticipated Prospective Plantings report will show a big shift to corn acres as farmers try to avoid losing money planting soybeans. Threats of steep fees on Chinese vessels also sparked new concerns in the grain pits. A study by Trade Partnership worldwide found that if the Trump administration follows through on proposed port fees, any U.S. goods loaded on Chinese-made ships – which make up nearly half of the global shipping fleet – would incur extra costs to make the stop worthwhile. Trade Partnership Worldwide found the fees could result in a 42% drop in U.S. soybean exports, while wheat exports could dive 64%. The trade is also anxiously awaiting details ahead of the reciprocal tariffs the U.S. plans to levy on April 2. Despite these headwinds, the focus on spring acreage gave a boost to soybean values. May soybeans rallied 10¢ this week to $10.22. May soybean meal fell $7 to $293 per ton.



California Dairy Sustainability Summit Includes Dairy Water Panel

By Joel Hastings



Moderator Geoff Vanden Heuvel, Director of Regulatory and Economic Affairs for the Milk Producers Council, is standing center. Seated left is Professor Thomas Harter shown with David DeGroot, right, of 4Creeks, Inc. and California Bioenergy, LLC. Photo credit: Joel Hastings

A well-attended panel discussion on water for dairy operations was part of the program for the California Dairy Sustainability Summit, held March 25 in Visalia. Over 500 attended the conference, including dairy producers and processors along with a wide range of dairy agri-service personnel, university Extension staff and students. This fifth annual conference was hosted by Dairy Cares, California Dairy Quality Assurance Program, California Dairy Research Foundation, Dairy Council of California and the California Milk Advisory Board. Over 30 commercial firms and dairy organizations exhibited at the trade show providing additional financial support allowing milk producers to attend at no charge. Milk Producers Council was a supporting organization as well.

CDFA Secretary Karen Ross opened the general session at 8 a.m. followed by Gregg Doud, President of the National Milk Producers Federation who gave an international perspective on opportunities for U.S. dairy. Dr. Frank Mitloehner, widely known air quality specialist at UC Davis, presented a most encouraging talk on how California is meeting and will meet the required goal of reducing dairy methane by 40 percent by 2030. Next, a panel with executives from two major food companies, two dairy cooperatives and a dairy farmer responded to questions from Michael Boccadoro, executive director of Dairy Cares. A presentation on the importance of dairy protein concluded the opening session.

Dairy Water Panel

One of three breakout sessions in the final hour of the morning was entitled *Tackling Water Scarcity: Evolving policies & strategies for improving water availability*. A standing room only audience heard panel moderator Geoff Vanden Hevel, MPC's director of regulatory and economic affairs, lead a discussion with David DeGroot, water engineer and dairy producer, and Thomas Harter, PhD, professor at UC Davis.

Introducing himself, Vanden Heuvel explained that after a 39-year career as a dairyman in Chino, he retired from dairying when his leased farm was sold and moved to Tulare where he accepted the job with the Milk Producers Council. He had been active with MPC and also involved in water issues in Southern California. In this role, he has become what he terms the eyes and ears of the dairy industry as SGMA (Sustainable Groundwater Management Act) has been implemented.

Providing more background, he said that SGMA was the first ever statewide attempt at regulating groundwater. Pointing out that surface water has been extensively regulated for over a century, he said SGMA requires that groundwater must be brought into balance by 2040 by local entities. He said over 250 local groundwater sustainability agencies or GSAs have been formed to carry this out. He said the most critically overdrafted areas needed to have groundwater sustainability plans (GSPs) to stop taking more water out than can be replenished. Almost the entire San Joaquin Valley is termed critically overdrafted, from Stockton to Bakersfield, with the exception of the areas around Modesto and Turlock, which are one level better.

He went on to explain that dairy has been involved for decades in water quality and air quality issues, but not much in water supply. With so much dairy located south of Merced in these overdrafted areas, it became clear that SGMA would have an impact as aggressive GSPs were completed by 2020. Five years in, these plans are "starting to bite," with reduced water allocations and new fees imposed. He said areas without surface water are treated much differently than areas with surface water, which is land within irrigation districts. Areas with no surface water are now dependent on weather, and a few atmospheric rivers can make a big difference.

"Long term, we are fundamentally out of balance between water we have access to and water we consume in agriculture," he concluded.

Vanden Heuvel then introduced his two panel members who were on stage with him. He said David DeGroot is a 'dairy kid,' a civil engineer and partner in the family dairy. DeGroot is CFO/COO of the engineering firm 4Creeks, Inc., and California Bioenergy, LLC. His firm provides consulting services for at least four GSAs giving him firsthand experience with SGMA.

Dr. Harter is Distinguished Professor on the faculty at UC Davis, with much experience in the issues of nitrates in water and groundwater recharge, that is, how to get more fresh water into the ground.

DeGroot began by saying it is crucial to define a problem in order to find solutions. He said the ag community and dairy in particular continue to be increasingly regulated, especially around water quality and now water quantity. He said SGMA has made ground water extremely complicated. He said as GSAs began work, they could not allow ground water levels to continue to drop, they must preserve domestic and community wells, they must prevent land subsidence, and they must maintain water quality. The State Board (State Water Resources Control Board) put several GSAs on probation for not having plans that meet these objectives.

He said for individual dairy farms it is critical to understand your water budget. That is, how much water do you use, how much do you need and how much do you have. He said water use on cropland is being measured by enviro-transpiration (ET) by satellite. But he said on a dairy facility, you don't have water that can be measured by ET. Net consumption involves water used for milk cooling, washing, flushing, cow cooling and manure but with much of this water recycled for reuse, with the exception of milk that leaves the dairy. He said on the dairy facility itself - barns, milking facilities and other structures – it appears that water use amounts to about ½ acre foot per acre. He said he's been doing a three-year study which is nearly finished that confirms this average figure.

He said dairy producers should try to avoid having their water touch manure, because that's when it becomes regulated. He said there are ways to manage nutrients to do that, especially if you don't need it all for crops. He says it will be important to create value for these unused nutrients. He said producers have to be able to store water and that recharge is one way to build a "bank." Storing feed for more than one year is another way to accomplish this.

Dr. Harter said two big issues for dairy producers are determining the budget for water and nutrients. He said we need to maximize additional water recharge to minimize groundwater pumping, which is being reduced. He said the first thing needed for recharge is the water itself, "and that water doesn't sit around in California." He said most surface water in canals and reservoirs is spoken for by irrigation districts. The water not spoken for is flood water that only comes once in every ten years in the South Valley and farther north, every five or six years and still further, every three years.

He said that in SoCal and the Bay Area, recharge basins have been built to prevent salt water from intruding into ground water. He said recharge basins have been important for the Central Valley too, with Fresno and smaller cities using them to capture storm flow run-off.

He said flood water comes over short periods of time based on snow melt and the one place that can take that water is the agricultural landscape, much of which has already been prepared for irrigation. He said the challenges are how to get the water to those areas, and since that space is already used to grow crops which must be protected. He continued saying the use of pesticides, fertilizer and manure create the concern that recharge will put those substances into the groundwater and flow downstream to populated areas impacting groundwater used for drinking.

He said in dairy areas, or dairyMAR – managed aquifer recharge – there is the additional legacy of manure which has caused fairly high nitrate concentrations in shallow groundwater. The concern here by regulators and environmental groups is that flooding this cropland will cause more pollution than can be allowed.

He said that he and colleagues are studying that to do both recharge and preserve water quality, can enough water be placed to accomplish recharge and dilute nitrogen concentrations. He described a controlled one-acre study in Stanislaus County growing a winter mix forage crop with groundwater depth of only 20 feet. He said that first seven feet of water and then four feet of water were applied with soils and water samples measured. The early results show that in both agMAR and dairyMAR there is a decrease in salinity. He said if recharge can be done on dairyMAR that protects or even improves water quality, GSAs are looking for more places to put water. It's even possible dairy owners might receive recharge credits, even in areas around municipal and domestic water supplies.

Vanden Heuvel pointed out that in 2023 during the really wet spring, the Governor issued an emergency order allowing recharge with flood water and fewer restrictions, but language in the order directed where you could put it. Then it looked like dairy ground would be a problem. Out of five million irrigated acres in California, only 500,000 are associated with dairy.

Speaking of the nitrogen budget for dairy, Harter pointed out that the quality standard for a domestic

well is less than 45 milligrams of nitrate per liter of water. If an acre has more than 27 lbs. of nitrogen applied, that becomes too high for drinking water. He said getting to balance with fertilizer on crops is a tough challenge. Manure from 1.5 million cows being applied to dairy cropland totaling 300,000 to 400,000 acres is way more manure than needed.

DeGroot also pointed out that land subsidence is a big concern of the Department of Water Resources (DWR) which monitors GSPs. He said the big dairy areas in the South Valley [and farther north] are experiencing subsidence which impacts lots of infrastructure. He said you can be sustainable and still have subsidence, depending on where you're drawing water. You have to put water into the area where groundwater is being taken. And that's a challenge for the next several years.

With a few minutes left in the allotted hour, Vanden Heuvel opened the floor to audience questions. The first concerned the impact of dairy beef on a dairy's water budget. DeGroot replied that the half acre foot per acre measurement applied to all dairies on average, large and small, strictly on the dairy facilities portion of the operation, pumping water out of the ground but reusing it many times. Dairy Cares is supporting completion of this scientific "white paper and it looks like these numbers will be confirmed he said.

Vanden Heuvel said we have built these tremendous surface water projects at both the state and federal level, but the Endangered Species Act protecting several species of fish has required the diversion of up to two million acre feet of water per year from these projects. That's what's happened no matter how you might argue. He continued saying that in the state, some 1.6 million acres of cotton have been converted to almonds and pistachios, and while they have more value, they also take more water. He said with less surface water and more ground water demanded, it's no surprise we're out of balance.

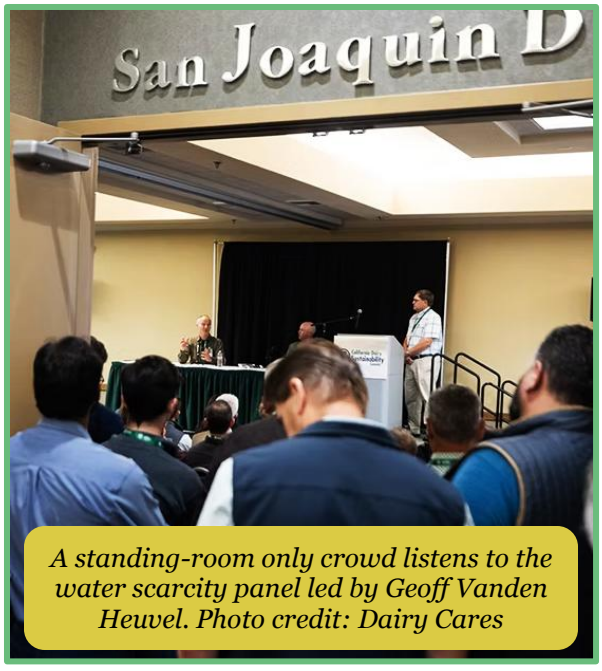
He said that when he started attending GSA meetings saying he was the 'dairy guy,' it was thought that dairy was in worse shape from SGMA. But, he said, trees need water every year while dairy has more flexibility. He said he hauled in feed and hauled out manure every year he was in Chino. He said we may have to dairy differently.

He also pointed out that Dr. Harter is leading a short course on SGMA for all who are interested. *(See sign-up information on page 10 of this report).*

One more question concerned manure and Vanden Heuvel replied, "It's pretty clear we have a significant nitrogen surplus we need to deal with. Half the fertilizer in the Valley could be provided by our manure."

This glass half full, half empty thought brought the session to a close.

Based in Madera, Calif., the author is editor emeritus of DairyBusiness News *and a reporter for* WaterWrights.net.



A standing-room only crowd listens to the water scarcity panel led by Geoff Vanden Heuvel. Photo credit: Dairy Cares

Water Woes, Labor Limitations and Regulatory Restrictions Put California's Dairy Industry at a Crossroads

By Karen Bohnert, AgWeb.com

Note from Kevin Abernathy, MPC General Manager

The California Dairy Sustainability Summit was held this past Tuesday at the Visalia Convention Center. In the previous article, Joel Hastings provided a great overview of the event and topics covered, including a deep dive on Geoff's water panel. I want to thank all the organizations and people that made this event happen – and special thanks to our dairy farmers for attending. My guess is that there were over 100 dairy farmers present and it was great to connect with so many of you in person once again. The following article highlights some of the other issues discussed on Tuesday and perspectives on challenges from producers who attended.

From L to R: Kevin Abernathy, MPC; Dr. Jason Lombard, Colorado State University; Dr. Annette Jones, California State Veterinarian; Denise Mullinax, California Dairy Research Foundation

Water Woes, Labor Limitations and Regulatory Restrictions Put California's Dairy Industry at a Crossroads

The California dairy industry, renowned for its significant contributions to agriculture, is navigating a series of challenges that demand substantial adaptation to ensure future success. Water scarcity, stringent labor laws and complex permitting regulations top the list of challenges in the Golden State, the nation's largest milk producer and home to 1.71 million milk cows.

Regulatory and Economic Pressures

Karen Ross, secretary of the California Department of Food and Agriculture, emphasizes the need to support the state's farmers during these challenging times.

"What we would like to do is focus on smart incentives because, over the years, the cumulative effect of so many regulatory agencies is adding to the complexity … as well as the cost of compliance," Ross said in a one-on-one interview with Farm Journal during the California Dairy Sustainability Summit. "We're engaged in a very small pilot project with the state water board to see if it's possible to cut through some of that [complexity], find ways to ease the burden [on producers] and educate agencies about how complex and costly regulations are."

In addition to the regulatory challenges in California, Ross is concerned about market disruptions and stresses the importance of compensation strategies to ensure dairy operations can look to the future.

Continue reading here.

Western Dairy Management Conference March 31-April 3 in Reno

Courtesy of the University of California Agriculture and Natural Resources

Scan the QR code or visit WDMC.org to register.

Speakers and Topics:

• "Armstrong's Folly": The Development of the Saudi Barn and Evaporative Cooling for the Southwest Dairy Industry | **Dr. Robert Collier**

• How Health and Wellness, Product Science, and Technology Will Drive Dairy Innovation and Sales Growth | **DMI panel members - Paul Ziemnisky and Eve Pollet moderated by Stan Erwin**

• Understanding How the U.S. Fits Into Global Dairy Developments | **Dr. Torsten Hemme**

• How U.S. Dairy Processing Has Evolved and Where Is It Going? | **Corey Geiger**

• Needle-less Injection Systems for Managing Hormonal Synch Protocols | **Dr. Don Niles**

• Where Will My Workers Come From? | **Dr. Richard Stup**

• Domestic Investments in Dairy, Future Is Still Bright | **Gregg Doud**

• Group Feeding Economics – Milking the Feed Margin | **Dr. Albert DeVries**

• Factors Affecting Heifer Completion Rate and the Impact on Replacement Herd | **Dr. Michael Overton**

• Real-time Measurements, Monitoring Tools and Using Forage in Large Silage Piles | Dr. Hugo Ramirez • Building an Effective Management Team for Your Dairy | **Dr. Greg Bethard**

• Unlock Forage Potential with Precision Chewing Management | **Dr. Richard Grant**

• Feeding for Milk Fat…How Can We Continue to Increase Milk Fat Yields? | **Dr. Adam Lock**

• Equipping Employees with Effective, Humane, and Efficient Cow Handling Techniques | **Dr. Jennifer Van Os**

• Beef on Dairy: From Conception to Harvest | **Dr. Pedro Carvalho**

• Using Genomics to Optimize Breeding Decisions for Beef and Sexed Semen | **Dr. Francisco Peñagaricano**

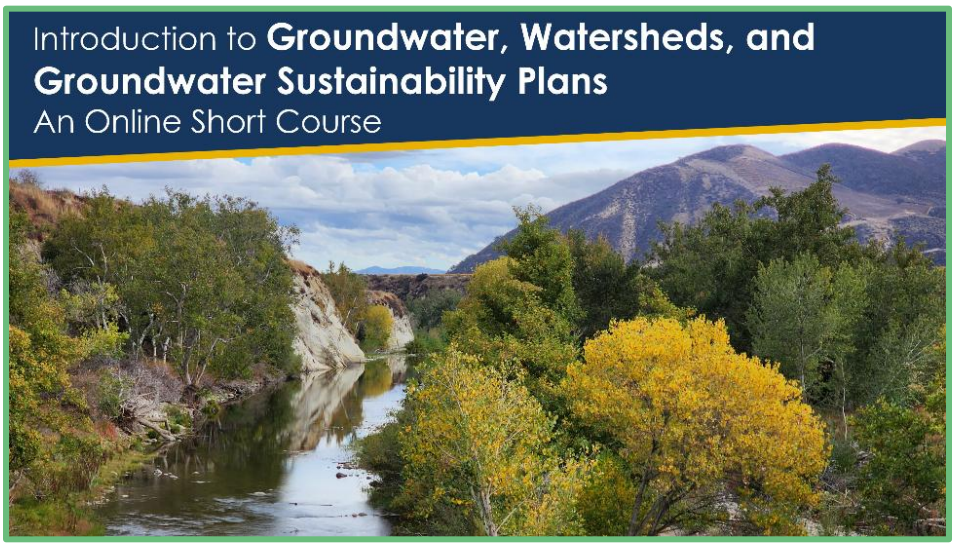
• Improving Dairy Herd Health Monitoring and Management Using Automated Monitoring Technologies | **Dr. Julio O. Giordano**

• How Will Soybean Production and Biodiesel Impact Protein Nutrition of Dairy Cattle? | **Dr. Paul Kononoff**

• Precision Management of Dairy Calves | **Dr. Melissa Cantor**

Introduction to Groundwater, Watersheds, and Groundwater Sustainability Plans: Online Short Course

Courtesy of University of California Agriculture and Natural Resources



Understanding groundwater and watersheds and how we monitor, assess, and sustainably manage these resources remains critical and integral to California Groundwater Sustainability Plan (GSP) implementation and other water management programs. Private citizens, professionals, decision makers, executives, agency employees, and stakeholders with diverse backgrounds and in a wide variety of private, non-profit, and government responsibilities are increasingly engaged in the sustainable management and assessment of groundwater and surface water.

This online short course will review the fundamental principles of groundwater and watershed hydrology, water budgets, water quality, and water law and regulation in an intuitive, highly accessible fashion. Through real world examples, participants learn about the most common tools for measuring, monitoring, and assessing groundwater and surface water resources. We then review the key steps and elements of assessing groundwater sustainability and implementing projects and management actions (see Program for details).

Thursdays: April 3, 17, May 1, 15, and 29, 2025
9:00am – 12:00pm PDT
Cannot make it every time? Signed up later?
Video recordings of past lectures will be available to all participants (including new registrants).

Registration: $100/$70 (includes textbook); **Register here.**

Reduced fees ($70) are available to members of California Groundwater Sustainability Agencies (board, staff, advisory committees), to California state employees and to participants of the WEF Water 101 Workshop, April 10, 2025 and the GRA SGMA Implementation Summit, June 2025 (TBD).

For reduced fee coupon and questions please contact: GroundwaterUCD@gmail.com

NMPF: 199A Deduction; Whole Milk Legislation; Reciprocal Tariffs

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

NMPF Advocates for Permanent Section 199A Deduction

NMPF joined a coalition of more than 100 farmer and cooperative organizations this week in urging lawmakers to permanently extend the expiring Section 199A provision contained in the Tax Cuts and Jobs Act of 2017. The Section 199A deduction is one of several eight-year-old tax breaks that will expire at the end of this year without congressional action.

The joint letter to House and Senate leaders, signed by NMPF and most of its members, noted that "Section 199A has been essential in keeping co-ops and their farmer members competitive with corporations that benefited from the permanently reduced corporate tax rate in the 2017 Act. Each year, farmer cooperatives pass roughly 95% of the benefit totaling over $2 billion directly back to farmers across rural America. The deduction has fueled job creation, economic growth, and rural investment. It has been instrumental in helping producers navigate unprecedented challenges, including a pandemic, global instability, prolonged periods of low commodity prices, and the highest inflation in a generation."

NMPF and several of its members also joined a Section 199A fly-in on Tuesday and Wednesday spearheaded by the National Council of Farmer Cooperatives. Work on Section 199A continues as part of the overall discussion in the House and Senate on the tax and budget reconciliation bill, which is likely to continue through the spring and summer.

Senate to Hold Hearing Next Week on Whole Milk Legislation

The role of real milk – in multiple varieties – in promoting public health will be the subject of a Senate hearing next week. Next Tuesday at 10:00 AM, the Senate Agriculture, Nutrition, and Forestry Committee will hold a legislative hearing on the Whole Milk for Healthy Kids Act, legislation we have worked with sponsors in the House and Senate to pass so that schools have more options to serve whole as well as 2% milk to their students. The witness list encompasses representatives from the school nutrition and medical community.

Reciprocal Tariff Increases Coming Next Week?

We are closely watching the extent to which the Trump Administration raises tariffs next week on key trading partners, including Canada, Mexico, China, and many European nations. This past week, Treasury Secretary Scott Bessent indicated that these initial "reciprocal" tariffs could focus on 15 countries with persistent trade deficits with the U.S. The idea is that the tariffs will be based on the trade barriers other countries use to restrict the sales of U.S. goods. In addition, this past Wednesday, the president announced a 25% tariff rate on imported autos.

President Trump indicated earlier this week that the reciprocal tariffs may be more lenient than some expect. As always, I believe we must take a wait and see approach to how this will affect U.S. dairy exports, as we see how other nations negotiate rates or sector-specific exemptions.