MPC Weekly Friday Report

Date: October 10, 2025
To: Directors & Members
From: Kevin Abernathy, General Manager
Pages: 8

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MPC Friday Market Update

Chicago Cheddar Cheese Blocks		Chicago AA Butter				Non-Fat Dry Milk		
Weekly Change		Weekly Change		- $.1450	$1.6050	Week Ending 09/27/25		
- $.0900	$1.7000	Weekly Average		- $.0950	$1.6440	Nat'l Plants	$1.1805	20,910,892
Weekly Average		Dry Whey						
- $.0045	$1.7365	Dairy Market News	w/e 10/10/25		$.5950	Last Week Ending 09/27/25		
		National Plants	w/e 10/04/25		$.5831	Nat'l Plants	$1.1695	31,534,835

California Federal Milk Marketing Order Price Projections

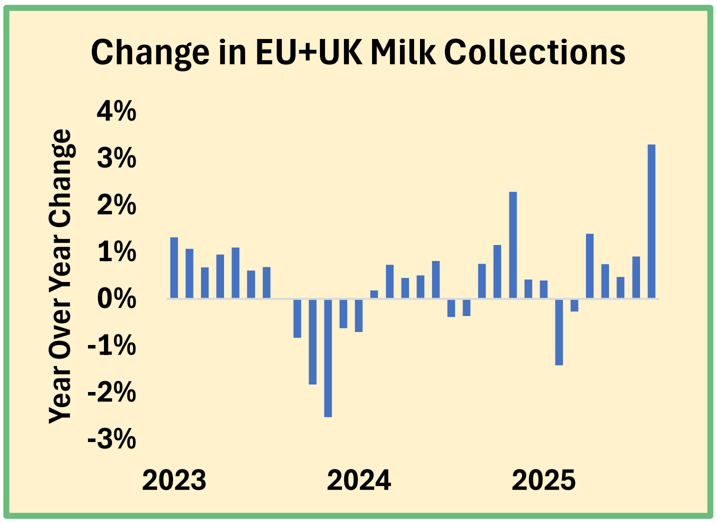
Price Projections	Class I Actual *(range based on location)*	Class II Projected	Class III Projected	Class IV Projected
Oct 9 Est	No Change	$15.96	$17.02	$14.34
Last Week	$20.34 - $20.84	$16.34	$17.37	$14.76

Milk, Dairy, and Grain Market Commentary

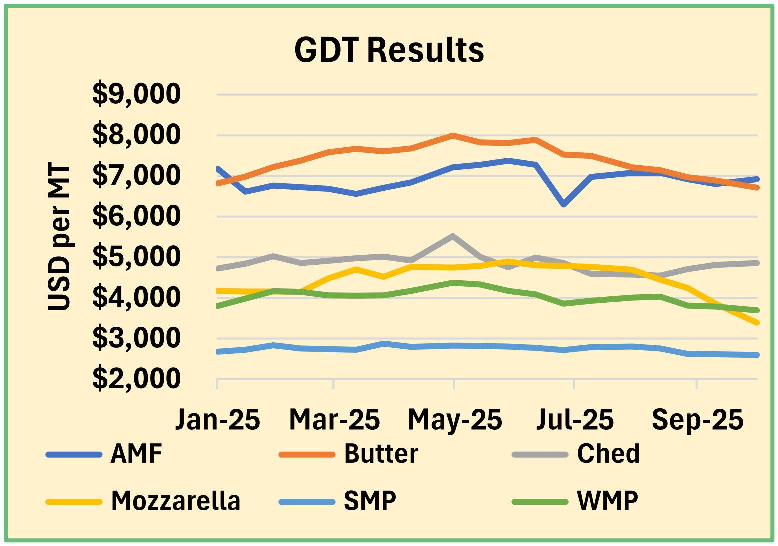
By Monica Ganley, Quarterra
Monica.Ganley@QuarterraGlobal.com

Milk & Dairy Markets

As the government shutdown stretches into its second week, the dairy industry continues to operate without access to key data. To this point, the main information gaps for the dairy sector include numbers for trade and dairy product output. However, if the shutdown persists, upcoming reports on milk production and inventories will also be missed, further obfuscating stakeholders' understanding of market drivers.

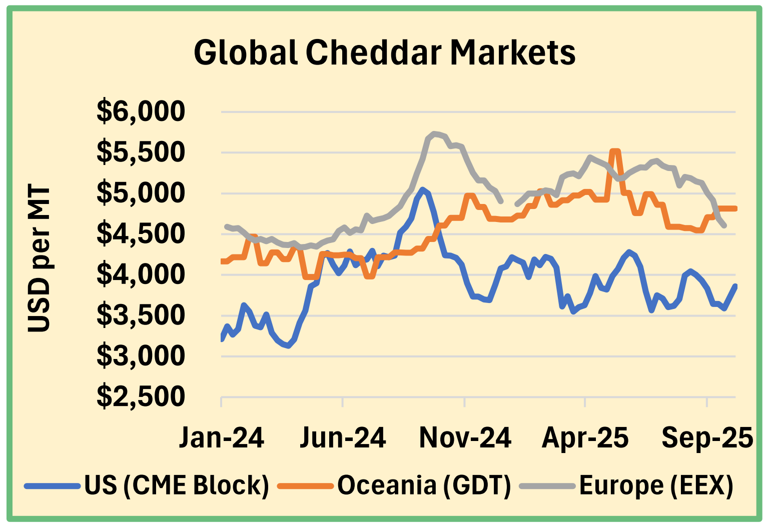


But even though data was scarce, that doesn't mean that the markets were dull. Dairy markets, both in the U.S. and around the world continue to lean bearish as they digest the status of supply and demand. Milk production remains hefty the world

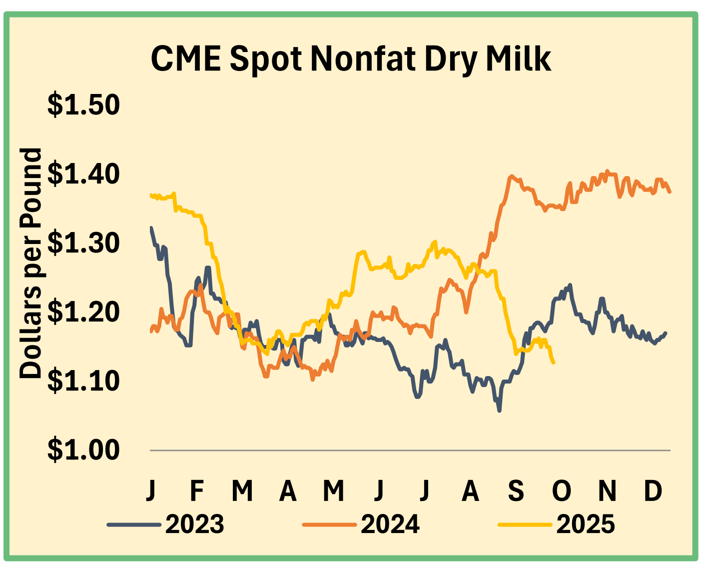


over. Volumes in the European Union and the U.K. were up 3.3% in August as strong milk prices and favorable weather supported production. While animal health issues remain present, they have so far not derailed growth. European gains come on top of upbeat production in the U.S., New Zealand, and South America, further contributing to a world that is awash in milk.

The global appetite for dairy products is stable to slightly stronger, but current demand is no match for the onslaught of supply. Dairy markets continue to buckle under the pressure of current milk volumes with prices for most commodities moving downward. In recent weeks we witnessed dramatic downward price movements in the U.S. and Europe. This week the Global Dairy Trade (GDT) auction was added to that list as the GDT Price Index fell 1.6% with lower prices seen across nearly every product except Cheddar and anhydrous milk fat. However, no product saw losses as large as mozzarella which plummeted 11.8%.

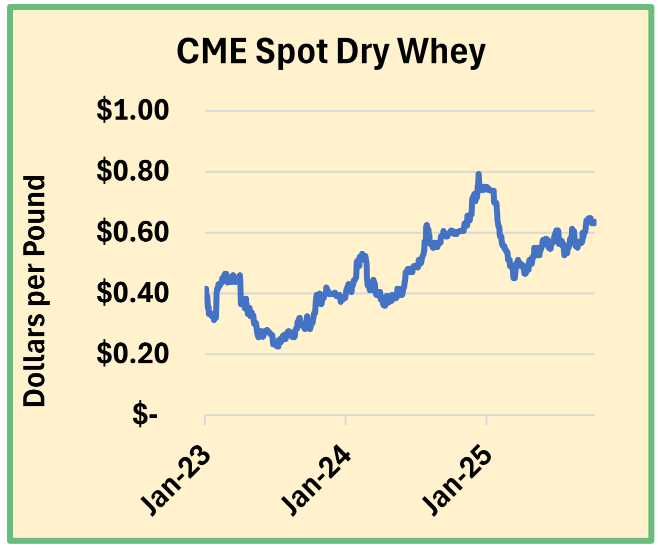


Dramatically lower prices in Oceania and Europe have brought convergence to the cheese markets. The U.S. has enjoyed an important price advantage for its cheese throughout this year which has played a key role in boosting exports. However, this competitive edge is rapidly disappearing, and U.S. prices may need to move lower in order for new deals to be inked that will keep product moving offshore.



The CME cheese markets gave into this pressure moving downward over the week. The block Cheddar price decreased by 9¢, ending today's session at $1.70/lb. Barrels also moved lower, wrapping up the week at $1.71/lb., down 6¢ compared to last Friday. It was a somewhat active week for blocks with 18 loads trading hands while activity in the barrel markets remains subdued as no trades were made.

Reports indicate that several important cheese facilities, especially in the Western U.S., have endured disruptions to production. This hiccup in output has caused headaches for milk haulers and may be lending a bit of support to the market as buyers scramble to compensate for lost volumes. Nevertheless, overall demand remains flat with weaker foodservice demand continuing to cause anxiety for the sector.



After a brief respite the butter market resumed its downward slide this week. The market continues to respect the $1.60 threshold which it has not yet broken, although it has come awfully close. The market slid as low as $1.6025/lb. on Thursday before staging a slight rebound on Friday. Ultimately the market closed at $1.605/lb., down 14.5¢ from last week as 47 loads traded hands.

If milk production is long, cream is longer as the fat content of raw milk continues to rise. Cream multiples remain weak, and butter churns are well supplied. With all evidence pointing to an abundance of milkfat, the incentive to produce milkfat at the farm is dissipating. Some producers are considering reformulating feed rations to reduce the emphasis on fat production but with component gains baked into genetic improvements, fat supplies are likely to be plentiful for the foreseeable future.

On the other side of the Class IV complex, prices are also slipping. Milk powder markets have shown enormous stability in recent months trading in only a very narrow range. However, the spot market for nonfat dry milk (NDM) has succumbed to overall weakness in the dairy markets and spent this past week moving downward. Prices closed Friday's session at $1.1275/lb., down 3.25¢ from last week and notching the lowest price seen since May 2024. Demand for milk powders is tepid from both domestic and international sources and balancing plants maintain relatively light schedules as milk is largely routed to other uses.

The exception to the bear market tendency continues to be whey. Whey demand, particularly for high value products like whey protein isolates and whey protein concentrates with 80% protein remains insatiable. Even record high prices have done little to dampen this demand or encourage reformulation. With the whey stream largely prioritizing production of these value-added products, the amount of raw whey available for dry whey production remains limited, keeping prices supported. The CME spot dry whey price ended the week at 63.5¢ per pound, up a half cent from last Friday with 12 trades completed, including 10 on Tuesday alone.

Grain Markets

As the dairy markets coped with a lack of data, so it was in the grain markets, which did not receive this week's scheduled World Agricultural Supply and Demand Estimates report. Markets remained relatively stable, with heavy supplies expected that are keeping prices under pressure. DEC25 corn settled at $4.1825/bu. on Thursday while DEC25 soybean meal settled the same day at $276.90/ton. Low feed prices are going to be crucial for maintaining dairy producer profitability as milk prices follow dairy commodity prices downward.

State Water Contractors Outline Needed Policy Actions to Governor Newsom

Courtesy of the State Water Contractors

Note by Geoff Vanden Heuvel, MPC Director of Regulatory & Economic Affairs

The State Water Project is a major surface water delivery system in California. It brings surface water that originates as rain and snow in Northern California and transports it over 400 miles through the delta into the California Aqueduct for delivery to 27 million Californians and 750,000 acres of farmland, primarily on the Central Coast, Southern San Joaquin Valley and the South Coast part of the state. In addition to delivering water, the SWP generates and consumes a large percentage of California's electrical energy.

There are 27 public water agencies who receive, deliver and pay for this water. Those 27 agencies make up an association named the State Water Contractors who wrote an important letter to Governor Newsom on October 1 outlining a number of critical policy and legislative actions affecting water and energy that need his immediate attention.

This letter was prompted by the reality that while California had near average precipitation in 2025 and our reservoirs are at or above historical average levels, water deliveries by the State Water Project were at 50% of their contracted amounts. There are a number of factors that caused this reduction in deliveries, all of them results of regulations that the Governor can influence. I encourage you to read the letter. Many thanks to the State Water Contractors for clearly identifying the impediments and threats to our state's water and energy supplies.

Letter from State Water Contractors to Governor Gavin Newsom

Dear Governor Newsom:

Today marks the beginning of the 2026 water year. Your tenure as Governor has been instrumental in highlighting the importance of managing water and making key investments in water infrastructure to carry our State through its next 100 years, especially in the face of climate change. However, several ongoing legislative and administrative actions have the potential to undermine those efforts. We seek your and the legislature's leadership in 2026 to address the issues outlined in this letter to ensure water supply reliability and affordability for the vast majority of the State.

The State Water Project (SWP) was built to be a foundational water supply, flood control, and green energy generating system, and also now provides significant environmental and water quality management benefits, the costs of which are almost entirely borne by the members of the State Water Contractors (SWC) organization and their ratepayers. The members of the SWC deliver drinking water to 27 million Californians throughout the State and serve 750,000 acres of productive farmland. Constructed in the 1960s, the SWP played a vital role in the State's growth into the 4th largest economy in the world. Every year, the SWP protects millions of people and billions of dollars in property from flooding; provides rare recreational opportunities in rural areas throughout the State; supports the State's ability to meet affordable housing goals; and provides food security to the State and nation. The

SWP is the fourth largest generator of clean hydropower in California and is called upon nearly every year by the California Independent System Operator to keep the lights on and prevent rolling blackouts. This clean energy is generated at places like the SWP's Oroville Dam, the maintenance of which is $200 million annually and is paid for by the members of the SWC and their ratepayers.

Despite these enormous benefits that accrue to the entire State, legislative and administrative actions continue to drive up costs, and reduce SWP water supply reliability and affordable clean energy, ultimately hurting every Californian. The SWP exemplifies a modern case of 'death by a thousand cuts,' gradually undermined by countless seemingly small challenges over time. The good news is that we can fix the challenges facing the SWP using sound government decision making based on science and through prudent leadership. The SWC's need this sound decision making and prudent leadership to resolve the following issues.

Water Supply Reliability and Mitigation Costs
Your Executive Order N-16-25 (CA EO) signed on January 31, 2025, retained states of emergency throughout many California counties due to drought conditions and sought to maximize opportunities for drought relief. The findings state that compliance with various statutes and regulations would prevent, hinder, and delay mitigation of the drought state of emergency. The EO at paragraph 4 directs the Department of Water Resources (DWR), the State Water Resources Control Board (SWRCB), the Natural Resources Agency, and the Environmental Protection Agency:

...to identify obstacles that would hinder efforts to maximize diversions to storage of excess flows that become available as a result of the anticipated winter storms, to remove or minimize such obstacles wherever possible, and to promptly report to my office any additional statutory or regulatory barriers that should be considered for suspension.

There are many opportunities to more robustly apply emerging scientific information to decisions being made about permits, species listing, and adaptive management over the course of a season to maximize water supply when it is available while minimizing the impacts to the environment.
The issues and potential opportunities are as follows:

1. **Assembly Bill 1319 (Schultz)**
   AB 1319, which is currently on your desk for consideration, would give nearly carte blanche authority for CDFW to list species as "provisional candidates" under the California Endangered Species Act with no opportunity for public comment and no requirement that the determination be based on science. This legislation would make the provisional candidate listing like that which currently exists for white sturgeon (described below) even easier because the current modest prerequisite of some scientific support for the listing would be removed. Such listings will undoubtedly include Central Valley steelhead and green sturgeon, which will require DWR to immediately seek incidental take coverage, giving CDFW another opportunity to demand more money and more water from the SWP, and ultimately the public. **We strongly urge you to veto AB 1319.**

Continue reading here.

QIP Referendum Update - Notice of Voting Period Extension

Courtesy of the California Department of Food and Agriculture

cdfa CALIFORNIA DEPARTMENT OF FOOD & AGRICULTURE
Karen Ross, Secretary

October 8, 2025

QIP Referendum for Petition #5
Notice of Voting Period Extension for Select Producers

To All California Market Milk Producers and Interested Parties:

The California Department of Food and Agriculture (Department) recently conducted a referendum among California Market Milk Producers to consider whether the Quota Implementation Plan (QIP) should be terminated. The deadline to vote in the referendum was September 10, 2025.

On September 9, 2025, prior to the end of the voting period for the referendum, over 50 ballots were hand-delivered to the Department by a third party. Visual inspection upon receipt confirmed that the ballots had been removed from their sealed envelopes. Due to these unusual circumstances, the Department has decided to reissue the affected ballots and grant a special extension to vote to the producers whose ballots were received open. These new ballots are going out in the mail today; only properly completed and signed ballots, postmarked or otherwise received by the Department in a sealed envelope no later than October 24, 2025, will be counted.

The Department will announce and notify all California Market Milk producers of the referendum results following tabulation of the ballots. Tabulation of ballots will not begin until the special extension period for receiving ballots has concluded.

A copy of the notice to industry regarding the "Petition to Terminate the QIP #5" resubmitted by StopQIP on August 6, 2024 can be viewed here: https://www.cdfa.ca.gov/dairy/pdf/notices/2025_QIP_Petition_for_Referendum_Notice.pdf.

The current QIP can be viewed here: https://www.cdfa.ca.gov/dairy/pdf/QuotaImplementationPlan.pdf.

If you have any questions regarding the referendum, please contact the Quota Administration Program at pooling@cdfa.ca.gov or (916) 900-5012.

Sincerely,

Kathy Diaz

Digitally signed by Kathy Diaz
Date: 2025.10.08 08:38:00 -07'00'

Kathy Diaz, Director
Division of Marketing Services

Is Biodiesel Sustainable?

Courtesy of Ed Ring, Director of Water and Energy Policy at the California Policy Center

For the most part, California's farmers grow food, not fuel. But the fuel required to operate farm equipment is diesel fuel, increasingly refined from food grown on America's great plains.

Digging into this reveals a rabbit hole of such depth and complexity that I'll skip to the conclusion before evaluating just a few critical details. The California Energy Commission, in collaboration with the California Air Resources Board, needs to produce and publicize a report, at least once per year, that offers by percentages a concise breakdown of what raw materials are going into the state's diesel fuel supply. That information is surely available, but it is not easy to find. It needs to be clear, easy to understand, preferably displayed on a simple table that is included in a widely promoted press release. Energy policy should not drift into the carbon neutral nirvana of biofuel without eyes wide open.

According to the California Energy Commission, during the 12 months through the end of September 2025, 3.35 billion gallons of diesel fuel were produced in California, and 48 percent of those gallons were "renewable diesel." We can also infer, based on data from the Public Policy Research Institute and compilations based on USDA reports on fuel requirements per acre in the American Southwest, that not quite 10 percent of all diesel fuel produced in California is used by farmers. That's a rough estimate. The actual percentage is probably greater than 10 percent.

Before going further, consider the indispensability of diesel technology. Skeptics are invited to watch the YouTube video "Can We Ever Ditch Big Diesels?," which offers a reality check for anyone who thinks we can ditch them anytime soon. Diesels do the heavy work of civilization. Big, durable, powerful machines, unique in their simplicity, longevity, energy density, and low maintenance.

According to the U.S. Dept. of Energy, renewable diesel is defined as "made from fats and oils, such as soybean or canola oil." Again, it would be helpful to know how much of California's renewable diesel comes from animal fats, and where those animal fats are sourced, and to what degree such a procurement chain could scale if America adopted California's renewable fuel standards. But for the moment, let's focus on soybeans as a raw material for diesel fuel.

According to multiple sources – Penn State, Purdue, University of Idaho, and the University of Arkansas – the best biodiesel yield to expect from soybeans is 75 gallons per acre. So let's suppose just 20 percent of California's 3.35 billion gallons per year of diesel fuel used soybean oil. That would equate to a 8.9 million acres planted in soy crops, nearly 14,000 square miles.

Before getting carried away, it's relevant to acknowledge that over 85 million acres of soybeans are harvested each year in the United States, and these farmers, along with their corn ethanol brethren (another 87 million acres), are delighted to collect biofuel subsidies and ship increasing percentages of their harvests to California refineries.

Continue reading here.

Government Shutdown Enters Day 10; Newsom Bans "Ultra-processed" Foods from California Schools

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

Government Shutdown Enters Day 10

The federal government shutdown has entered day 10 due to lawmakers' failure to pass a funding bill. This shutdown has resulted in the suspension of non-essential services and the furlough of approximately 750,000 federal employees. In the Senate, voting has repeatedly failed to break the impasse. Yesterday, the Senate held a seventh round of votes on dueling funding bills – testing whether either side could reach the 60-vote threshold needed to advance the legislation – but ultimately failed again. The Senate is out of session today, thus punting the next vote to Tuesday, October 14, since Monday is a federal holiday.

The stalemate centers largely on Democrats' demand to include an extension of Affordable Care Act premium tax credits while Republicans insist on reopening the government before negotiating on healthcare. NMPF is eager for the government to reopen so we can resume the fullest extent of our advocacy work with federal agencies and hill offices on priority issues for our member cooperatives. In the meantime, we remain diligent in ensuring our farmers' immediate needs are being met.

Governor Newsom Bans "Ultra-processed" Foods from California Schools

On Wednesday, Governor Gavin Newsom signed legislation phasing out "ultra-processed" foods from California schools by 2032. This is the first state law of its kind banning "ultra-processed" foods and likely not the last with the Make America Healthy Again Commission's release of its Make Our Children Healthy Again Strategy last month. The CA bill defines it as any food or beverage that contains flavor or color enhancers and that is high in saturated fats, sodium or specific added sugars or sweeteners.

On the federal level, FDA and USDA have issued a request for information to develop a uniform definition of ultra-processed foods. NMPF will be submitting comments later this month, emphasizing the nutritional benefits of dairy and the important role processing plays in keeping our food supply safe. Additionally, the House introduced a bill in April which would prohibit schools participating in the National School Lunch Program from including "ultra-processed" foods. You can keep track of all federal legislation relevant to our member cooperatives using NMPF's Bill Tracker.