MPC Weekly Friday Report

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To: Directors & Members
From: Kevin Abernathy, General Manager
Pages: 11

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MPC Friday Market Update

Chicago Cheddar Cheese			Chicago AA Butter			Non-Fat Dry Milk		
Blocks	+ $.0575	$1.8175	Weekly Change	No Change	$2.3300	Week Ending 05/03/25		
Barrels	+ $.0150	$1.7700	Weekly Average	+ $.0405	$2.3305	Nat'l Plants	$1.1722	18,506,670
Weekly Average Cheddar Cheese			Dry Whey			Last Week Ending 04/26/25		
Blocks	+ $.0745	$1.8075	Dairy Market News	w/e 05/09/25	$.5100	Nat'l Plants	$1.1559	26,649,032
Barrels	+ $.0675	$1.7870	National Plants	w/e 05/03/25	$.5016			

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
May 8 Est	No Change	$18.68	$18.56	$18.02
Last Week	$19.97 - $20.47	$18.62	$18.40	$17.93

Milk, Dairy and Grain Market Commentary

By Sarina Sharp, Daily Dairy Report
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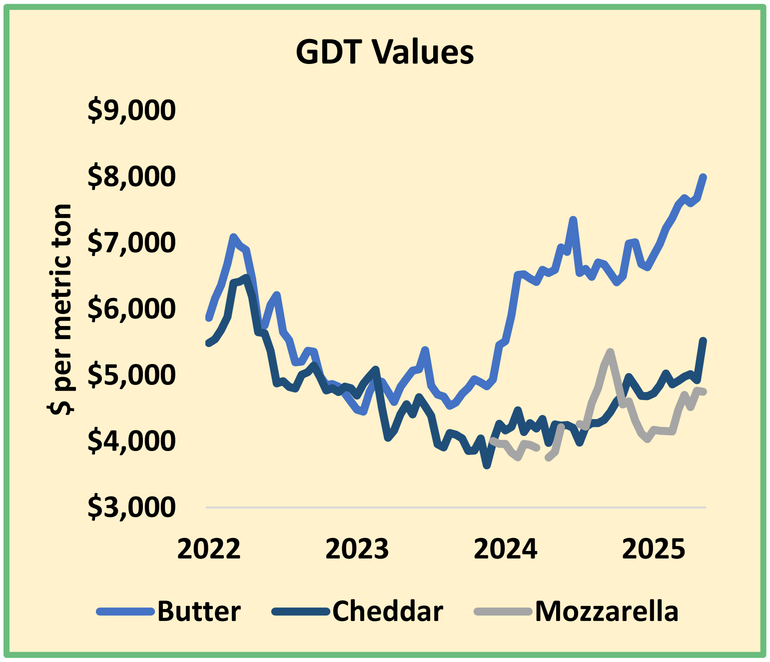
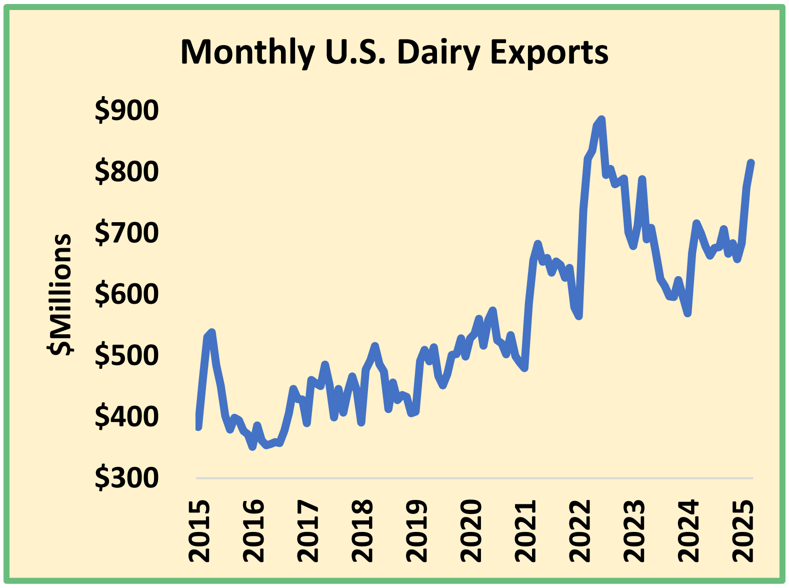
Milk & Dairy Markets

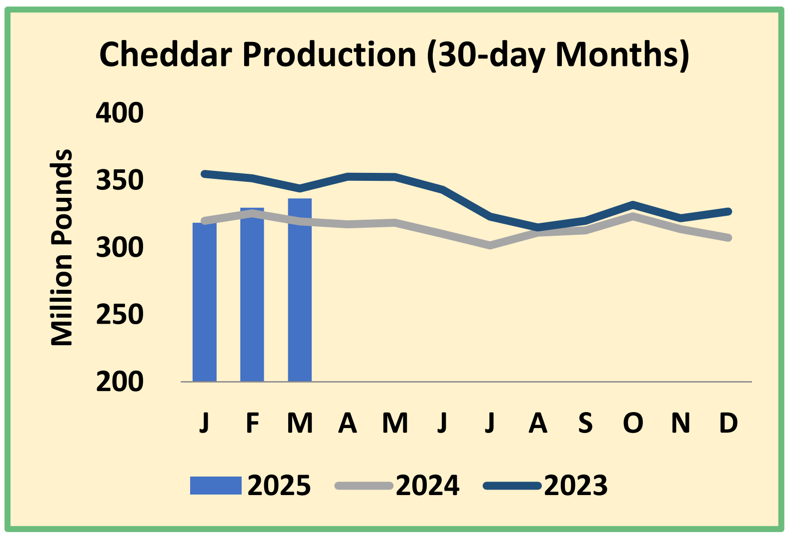
The bulls feasted this week on news of booming U.S. dairy exports and signs that American dairy remains attractive to foreign buyers. Tuesday's Global Dairy Trade (GDT) auction served as an appetizer. Buyers bid up nearly all products. Compared to the late-April auction, whole milk powder prices climbed 6.2% while Cheddar jumped 12%. Both products notched three-year highs. Not to be outdone, butter rallied 3.8% to its highest-ever price at the GDT. And lactose values leapt 16.8%, as buyers snapped up European lactose to avoid American tariffs. These gains highlighted the growing chasm



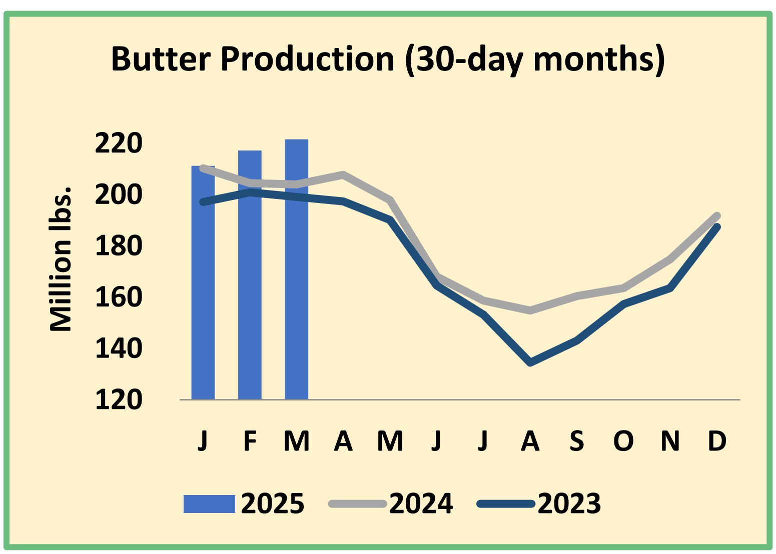


between U.S. and international dairy values, hinting that U.S. exports will continue to win sales thanks to their steep discounts.

The main course arrived just in time for lunch on Tuesday, as trade data confirmed that U.S. dairy products are leaving our shores at a brisk pace. The value and volume of U.S. dairy exports reached two-year highs in March. U.S. cheese exports fell just short of their record-shattering pace set in March 2024, and shipments to Japan set an all-time high. The United States sent 53 million pounds of butter and milkfat abroad in the first three months of the year, the strongest first-quarter sales since 2014. U.S. whey product exports easily topped 2024 volumes, but in some categories, they fell short of 2023's pace. And, after a slow start in January and February, U.S. milk powder exports recovered, slightly exceeding March 2024 shipments.



The future looks bright for U.S. cheese, butter, and milk powder exports, as a weak dollar and relatively low American dairy values continue to attract foreign buyers. The trade situation is more precarious for whey and lactose, which depend on robust sales to China. Under the new tariff regime, Chinese buyers are likely to look elsewhere, and suppliers in Oceania and Europe are delighted to fill the vacuum. European lactose and high-protein whey products now command their highest-ever premium to U.S. prices. Thanks to new sales and rising product values, many dairy processors in Australia, New Zealand, and Europe are starting to lift farmgate milk prices.



The dairy market bulls gorged themselves early in the week, but after they polished off the GDT and trade data, the meal began to look a little picked over. On Tuesday afternoon, USDA published its monthly Dairy Products report, which showed that modest growth in milk output and strong components provided more than enough raw material for dairy processors. U.S. manufacturers made

1.4% more cheese – including 5.4% more Cheddar – and 8.6% more butter than they did in March 2024. Booming exports have helped to restrain – but not prevent – growth in U.S. cheese and butter stocks. But output may overwhelm demand if exports falter. Domestic consumption appears lackluster. Several pizza and burger chains reported disappointing sales in the first quarter and expressed concerns about slowing traffic in April and May.

Manufacturers continued to focus on output of whey protein isolates, leaving less whey for dryers. Whey powder production fell 11.7% below March 2024 volumes. Nonetheless, stocks inched upward. Similarly, greater cheese output pulled milk solids away from dryers, and combined production of nonfat dry milk (NDM) and skim milk powder dropped 9.6% behind year-ago volumes, logging the lowest March milk powder output since 2013. Milk powder stocks grew modestly from February to March, and manufacturers' stocks of NDM were 12.8% greater on March 31 than they were the year before. But the milk powder stockpile is not nearly as large as USDA first believed it to be. In its annual survey of milk powder inventories, the government found February stocks at 250 million pounds, sharply lower than its initial assessment of 329 million pounds. USDA officials told *Daily Dairy Report* analysts that milk powder inventories were also overstated in other months, but government rules prevent them from publishing those revisions until the next annual survey in April 2026. The upshot is that milk powder supplies have been tighter – and domestic demand better – than previously reported.

Despite a Thursday and Friday selloff, the dairy markets finished the week much higher than where they began it. CME spot Cheddar blocks jumped 5.75¢ to $1.8175 per pound and Cheddar barrels rallied 1.5¢ to $1.77. Spot NDM climbed 1.25¢ and reached $1.2075. Spot whey powder added 2.25¢ and closed at 54.25¢. Meanwhile, butter held steady at $2.33. Most Class III and IV milk contracts added between 30 and 40¢ and settled in the $18s and $19s. In uncertain times, these prices offer an excellent opportunity for dairy producers to protect milk income using the Dairy Revenue Protection program or similar hedging tools.

Grain Markets

Beef revenues are also on the rise. Live and feeder cattle futures both hit new all-time highs, lifting the value of dairy cull cows, beef calves, and all other on-farm livestock. Meanwhile, feed costs dropped. Spring is off to an excellent start, with a good mix of sunshine and rain. However, to maintain ideal conditions, farmers in the Northern Plains and western Corn Belt would like to see a few more showers. Good weather in the U.S. and South America dragged corn futures to five-month lows on Thursday, but prices bounced back Friday. July corn finished at $4.4975 per bushel, down nearly 20¢ this week. July soybeans settled at $10.52, 6¢ lower than last Friday. July soybean meal dropped $2.90 to $294 per ton.

Quota Hearing & Producer Review Board Meeting Recap

By Geoff Vanden Heuvel, Director of Regulatory and Economic Affairs
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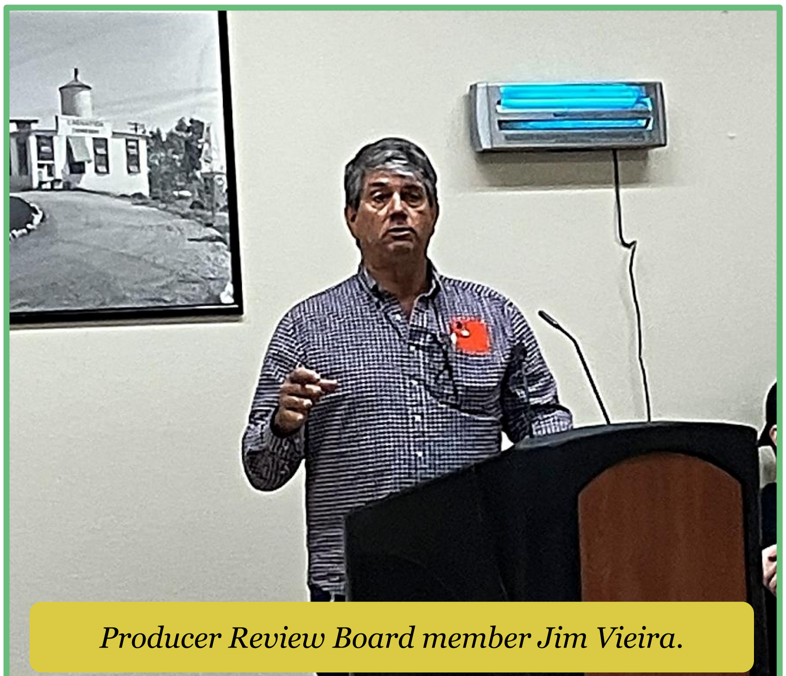
There were two meetings held about quota on Monday, May 5, 2025, in Modesto. The first meeting at 10 a.m. was a hearing called by the California Department of Food and Agriculture (CDFA) to receive testimony on the STOP QIP Petition #5, which seeks to hold a referendum to terminate the Quota Implementation Plan (QIP). The second meeting at 1 p.m. was a Producer Review Board (PRB) meeting.

The hearing started with the introduction of the hearing officer and the other state employees who made up the hearing panel. Officials from the milk marketing department of CDFA entered all of the relevant background material into the hearing the record by way of reference. Then came the opportunity for the proponents of the petition to testify. Craig Gordon, the leader of the STOP QIP organization, presented his testimony.

Craig Gordon of the STOP QIP organization.

Gordon outlined the objections of STOP QIP to the current quota program. The first objection is that the QIP was not properly adopted. The second objection is that it is not a good program. The third objection is that QIP is a tax that non-quota holders have to pay, but receive nothing in return. The fourth objection is that the PRB is not representative of the quota holding makeup of the California producer community. Craig is a colorful character and spiced up his testimony with passion and conviction. Dairyman and PRB member Jim Vieira followed Craig's testimony with his version of the history of quota. He pointed out that the five-year survey that was conducted to evaluate California producer's attitudes toward the quota program showed huge divisiveness among producers toward the program. These two witnesses provided testimony as the proponents of the petition. One question that was asked by the hearing panel was, "what would happen if QIP is terminated by this referendum." The



Producer Review Board member Jim Vieira.

response by the proponents was that this is a zero sum game to the industry as a whole. But it was acknowledged that to individual producers, the quota holders would lose, and the non-quota holders would gain.


Past Producer Review Board Chairman Rodney Kamper.

After the proponents had their time, a number of producers testified. Rodney Kamper is a producer and was the chairman of the PRB in 2017 when the QIP was developed. He shared his perspective on the context and reasons why the QIP was adopted. Dairyman Rich Wagner testified next and shared his perspective that eliminating quota without compensation is not American. Dairyman Johnnie De Jong testified about his business decision to buy quota over the past 20 years. He expressed some willingness to look at a buyout of the system. Dairyman and new member of the PRB Alex De Jager testified about his family's decision to invest in quota as well as land. He said that quota was a critical part of the family decision to continue an operation in California while expanding their operations outside of California. He too opened the door to consider a buyout of quota as a possible path forward.

The hearing was closed and the department indicated that the ballots for the referendum will likely be distributed in early June with a 90-day voting period.

The Producer Review Board meeting started at 1 p.m. There was a roll call, and an introduction of new board members. New board members Alex De Jager from Chowchilla and Dominic Assali from Ceres were seated as was the new alternate member Darlene Lopes from Gustine. William Dyt from Corona was elected chairman and Tony Nunes III from Tulare was elected Vice-chairman. Also present were board members Fred Fagundes from Merced, James Vieira from Turlock, Jarrid Bordessa from Valley Ford and Frank Konyn from Escondido.


Producer Review Board Chairman Will Dyt.

There are two vacancies that emerged on the PRB since the last round of nominations was completed in December. CDFA staff decided to solicit nominations at this meeting from the current PRB members. Ten names were nominated by the PRB members and then the group voted to forward these names to the Secretary for her consideration for appointment to fill the two vacancies.

The next item was a motion to approve the minutes. That motion did pass, but not without a PRB member pointing out that he had asked a question at the December meeting about how to get out of paying the QIP assessment and the answer received was to stop producing milk. This member wanted the minutes to reflect that question and answer, but the minutes that were approved were not changed.

Producer Review Board Vice Chair Tony Nunes III.

CDFA then gave a number of updates. They reviewed the results of the 2024 QIP referendum. That referendum failed (see referendum results [here](#)). The next item reported on was the fact that an audit of the program finances has been delayed due to a shortage of auditors at CDFA. An audit should be completed later in 2025. CDFA also reported that the computer accounting system that is being used is old and needs an update which is moving forward. CDFA legal reported that the department had won a case in lower court where a claim was made that the QIP was a “takings.” CDFA legal said that case could be appealed, so it was not a done deal yet. On a report on correspondence, CDFA reported that the department was approached by a couple of quota holders and a banker representing them to request information about the mechanics that would be involved if the State of California were to issue a bond for the purpose of retiring quota. CDFA did some research on this question and decided to share their thinking with the PRB first before getting back to the requesters. The general steps that would be involved in having CDFA issue a state bond would involve hiring an attorney that specializes in government bonds, hiring a municipal advisor to work on the financial details associated with the proposal, and making the required amendments to the QIP.

CDFA went on to say that it should be noted that since the issuance of a bond would involve the State of California putting its credit rating on the line, pursuing this concept would require approval by multiple agencies and levels of state government. The department’s position is that since the PRB is charged with the responsibility of assisting the department with the administration of quota, any request to formally explore this concept should be directed to the PRB for analysis and consideration. There was a brief discussion at the meeting about the idea, but no action was taken.

Next CDFA gave a financial update. The current assessment rate seems to be adequate for now in funding the payments without unduly increasing reserves. There was a discussion about having a reserve policy and CDFA was given direction by the PRB to draft a proposed reserve policy for consideration at a future meeting.

There was then a discussion about the upcoming referendum. There continues to be concerns about the transparency of the vote counting. CDFA was asked how many ballots were received but ruled invalid in the recent 2024 referendum. The answer was that there were 21 ballots that were deemed to not be valid, almost all of them because the signature did not match an eligible voter for that dairy. The question was asked if CDFA let those producers whose ballots were invalid know. The answer was no. The PRB requested CDFA to contact those producers and let them know what was wrong. There were various suggestions about how to make producers aware of a problem with their ballot so they could potentially cure the problem. CDFA did commit to contacting the 20 producers who had invalid ballots in the 2024 referendum to tell them what was wrong.

The final major topic for the PRB meeting was dealing with seven hardship requests. The first request was reconsideration of a hardship request that was turned down by the PRB in December 2024. The Secretary asked for more information from the applicant about their losses which were associated with the flooding in Tulare County in 2023. [The agenda package] for this meeting contained a lot more information about losses the dairyman had experienced and the PRB again considered the request. The dairyman making the request was at the meeting and able to respond to questions. A motion was made and seconded to grant 9 years and 4 months of relief from paying QIP assessments. That term was determined by a calculation of how much relief would be needed to compensate for the losses. There were lots of questions about losses and their validity and it was noted that granting this relief would set a precedent that could open the door to a lot of hardship requests, which, if granted, would undermine the financial viability of the QIP program. CDFA legal staff had provided some written guidance on hardship considerations by the PRB. You can read that document [here]. A vote was taken on the motion, and it failed with 7 in opposition and to 2 in support. A subsequent motion to grant 36 months of relief was made and seconded and it too failed, 7 in opposition to 2 in the affirmative. There were six remaining hardship requests. The producers making some of those requests were present and they were passionate about their need for relief. They observed that the makeup of the PRB seems weighted strongly in favor of the those who own quota. The PRB then considered each of the first four hardship requests and for each one a motion was made to deny the request and votes were 7-1 in each case, except the request that came from a PRB member who could not vote on his own request. In that case the vote was 7-0 to deny. As for the other two hardship requests, one withdrew and the other asked for it to be tabled. Passions were running high.

Clearly producers are divided on the issue of quota. Several ideas for change have made it to referendum but have failed to receive the supermajority support necessary to be adopted. The new PRB does seem to have less sympathy for the non-quota position. But there were five absent members at the PRB meeting and there are now two vacancies as well, so it is hard to know exactly what the makeup of the whole Board will be when it is at full strength. The real challenge is that because the issue of quota is so divisive, none of the organizations that producers have created over the years to represent their interests, from cooperatives to trade associations, will get involved because of the split opinions on their governing boards. The path forward is murky at best. Clearly non-quota holders think the vague hardship language in the QIP is a loophole they would like to slip through. Those interested in upholding the integrity of the QIP program see this as well, and so far, have been able to prevent that loophole from opening. Plugging that loophole was part of the proposal that the 2024 referendum was designed to close, but that failed. So now we face another referendum, this time to terminate the QIP.

MPC in D.C.

By Kevin Abernathy, MPC General Manager
[Kevin@MilkProducers.org]

I spent the last couple of days in Washington, D.C. for the NMPF State Dairy Association Summit. MPC has been a trade group member of NMPF for many years, and it's been a great partnership to work on issues that affect our dairy families in California. A lot of ground was covered during the meeting on topics such as the Farm Bill, the Whole Milk for Healthy Kids Act, bird flu, milk production trends and market impacts, nutrition and labeling, trade, and labor. One statistic from the meeting that had me leaving feeling positive about the future of dairy farmer is the fact that more than $10 billion in new processing capacity investments will have been made across the U.S. from 2023 to 2027. Notably, some of that investment is being made in the Central Valley by California Dairies, Inc., Valley Milk, LLC, and Saputo.

In addition to the NMPF meeting, I had a chance to connect with our legislative leaders and their staff members on Capitol Hill about dairy-related issues. Thank you to Congressional Members **David Valadao, Jim Costa, Vince Fong, Adam Gray,** and **Josh Harder** for the opportunity to share information with your office about issues our California dairy families are facing.

In addition to the usual issues we discuss, such as labor, trade, and water, I took this opportunity to highlight a couple of timely issues with our legislative partners, including proposed cuts to the **Natural Resources Conservation Service (NRCS)** and changes to the **Endangered Species Act**.

On May 2, the Trump Administration released its fiscal year 2026 budget recommendations, which included a proposed $754 million cut to the USDA NRCS' Private Lands Conservation Operations. This would effectively eliminate funding for *conservation technical assistance*—a critical service that helps farmers and ranchers voluntarily improve soil health, water quality, and productivity on working lands. I made the point that there are many advantages to offering planning assistance on a voluntary basis, however the Trump Administration's budget proposes to eliminate a significant portion of this assistance and instead rely on local and state governments to provide the service. Shifting responsibility to state and local governments undermines the reliability, consistency, and availability of these services to our farmers and ranchers. We believe that continued federal investment ensures that they have access to trusted, qualified advisors who understand both the science of conservation and the realities of production agriculture. These relationships are built on years of collaboration and trust—and cannot be quickly or easily replaced.

As Geoff Vanden Heuvel noted in his [April 25 article], the Fish and Wildlife Service and National Oceanic and Atmospheric Administration submitted a [formal proposal] to update the definition of "harm" in the federal Endangered Species Act. MPC partnered with the [Family Farm Alliance] to develop a one-page issue brief about this important update for our Congressional members. In it, we noted that in administering the ESA, the government should be required to clearly identify actual harm to species where they are found, not some vague, attenuated potential impact, or overall change in ecological condition. We also recommended that the government should make clear that "harm" requires a showing of objectively discernible, negative physical impact to one or more identified members of a species. We strongly support the proposed rule to restore common sense and bring federal executive branch implementation of the Endangered Species Act more in line with the law and Congressional intent. MPC and the Family Farm Alliance will continue to work together on this issue by leading the development of a coalition comment letter signed by organizations representing famers and ranchers, businesses, communities, and local and regional public water agencies that supply municipal water to millions of western urban, suburban, and rural residents.

While in our nation's capital, I also got to attend an annual soccer match where members of Congress take the field in support of local youth programs. The evening was a fun, bipartisan event that raised funds for local children's charities and programs.

Congressman David Valadao and his Washington D.C. staff, also known as Team Valadao, on the field after a charity soccer match.

Representative **David Valadao** took the field and played a great game. I can only assume his speed and agility was developed as a youngster chasing loose calves on the dairy!

AECA Update: Net Energy Metering Bill; Canal-Covered Solar Project; Stricter Fuel Standards by CARB

Courtesy of the [Agricultural Energy Consumers Association]

NEM Bill Significantly Amended While Advancing in CA Assembly

AB 972 (Calderon, D-Los Angeles) is the latest attempt by the IOUs and their labor-union backers to decimate the Net-Energy Metering program. As originally proposed, the measure would have shortened the "grandfathering period" for NEM 1.0 and NEM 2.0 customers to 10 years. Meaning if a customer was on the NEM 1.0 or 2.0 tariff for 10 years or more, they would automatically be moved to the newest NEM tariff, currently the Net Billing tariff (NBT or NEM 3.0).

Additionally, the bill would require a transfer to the newest tariff if a property is sold.

AECA and other ag associations vehemently opposed the bill along with a strong contingent of California residents who showed up in committee to voice their concerns on the bill. Members of the committee said that they have gotten more calls on this bill from constituents than any other bill.

To pass out of the Utilities & Energy Committee, the author was forced to amend the bill to remove the first provision, requiring a transition after 10 years. The second provision of the bill remains, requiring a migration at point of sale. Additionally, the bill prohibits any NEM customer from receiving the CA Climate Credit. Notably, only residential and some very small business customers receive the climate credit. It does NOT go to agricultural, commercial or industrial customers.

The measure will now go to the Assembly Appropriations Committee. AECA is continuing to seek for ag to be excluded from the point of sale requirement as well, and remain hopeful about that amendment.

First Canal-Covering Solar Project Underway; Data Being Collected

California's first solar canal pilot, Project Nexus, is halfway complete, enabling researchers to study the integration of solar energy and water conservation. The project, located in Turlock Irrigation District, involves installing solar canopies over irrigation canals to reduce water evaporation, limit algae growth, and generate clean energy. Led by USC's California Solar Canal Initiative (CSCI) in collaboration with Solar AquaGrid, the study builds on 2021 research from UC Merced and includes comparisons to other projects in India and Arizona.

Early testing includes iron flow battery storage, panel performance, and construction design. When finished, Project Nexus will produce over 1 MW of power, with potential applications in reducing grid demand and water pumping costs.

Researchers are evaluating economic viability, energy output, and environmental benefits such as reducing evaporation by up to 63 billion gallons annually, improving water quality, and increasing panel efficiency due to canal cooling.

Beyond energy, benefits include preserving open land, skipping CEQA processes, and potentially replacing diesel irrigation pumps, improving air quality. The $20 million state-funded pilot is a proof of concept, with hopes for expanded research and future scaling.

CARB Presses on with Stricter Fuel Standards

The California Air Resources Board (CARB) is moving forward with revisions to its Low Carbon Fuel Standard (LCFS) following a disapproval from the Office of Administrative Law (OAL), which cited clarity issues. The amendments aim to align with CARB's 2022 Scoping Plan and address OAL's feedback without altering the regulation's core implementation. Key changes include easing hydrogen fuel requirements, allowing hydrogen with carbon capture and storage (CCS) to count toward renewable targets, and removing a credit allocation option for equipment manufacturers, instead directing those credits to utilities for clean fuel incentives.

Critics argue the changes may raise gasoline prices, while supporters say they support low-carbon hydrogen investment and zero-emission vehicle deployment. CARB also adjusted hydrogen station credit formulas to improve financial stability and included electric motorcycles in its Clean Fuel Reward program. Public comments were due April 21, after which CARB will review and resubmit the updated rules to OAL. CARB maintains the changes don't affect the environmental conclusions of the original rulemaking.

NMPF: House Ag Committee to Tackle Budget Bill; Whole Milk Legislation

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

House Ag Committee to Tackle Budget Bill Next Week
The House Agriculture Committee is going to tackle its portion of the "big, beautiful" GOP budget bill next week, as committee members are expected to receive a copy of their portion of the planned reconciliation bill by this weekend and then mark up the legislation on Tuesday and Wednesday.

The committee is expected to consider including key farm bill programs, including higher commodity reference prices, in the legislation, but the main point of controversy will be making reductions in the Supplemental Nutrition Assistance Program, with the goal of cutting net agriculture spending by $230 billion over ten years. That food stamp reduction is expected to focus on some combination of tighter eligibility restrictions as well as a shift in funding to state governments. The latter will be particularly controversial, so the committee will have to balance the politics of the issue, as will the entire House of Representatives when the ag portion of the reconciliation measure is included in the overall bill this summer.

Opportunity Grows to Pass Whole Milk for Healthy Kids Bill
Also regarding nutrition legislation, we are enthused this spring by the growing momentum behind the Whole Milk for Healthy Kids Act, which is the topic of my May *CEO's Corner* column. The measure, which expands milk options available in school lunches, passed the House two years ago, but stalled in the Senate. This time, Senate prospects are stronger, as the Senate Agriculture Committee reviewed the bill at a legislative hearing earlier this spring.

We are hopeful for action in the Senate Agriculture Committee soon. After that, the next step is the floor in both chambers. With overwhelming bipartisan support in the House and Senate, this legislation is a chance for both parties to agree on something – and that's too good of an opportunity for Congress to pass up.

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