MPC WEEKLY FRIDAY REPORT

DATE: APRIL 4, 2025
TO: DIRECTORS & MEMBERS
FROM: KEVIN ABERNATHY, GENERAL MANAGER
PAGES: 8

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MPC FRIDAY MARKET UPDATE

CHICAGO CHEDDAR CHEESE		
Blocks	+ $.0050	$1.6400
Barrels	+ $.0250	$1.6600
WEEKLY AVERAGE CHEDDAR CHEESE		
Blocks	+ $.0110	$1.6455
Barrels	+ $.0275	$1.6605

CHICAGO AA BUTTER		
WEEKLY CHANGE	- $.0550	$2.2950
WEEKLY AVERAGE	- $.0095	$2.3290
DRY WHEY		
DAIRY MARKET NEWS	W/E 04/04/25	$.5150
NATIONAL PLANTS	W/E 03/29/25	$.5148

NON-FAT DRY MILK		
WEEK ENDING 03/29/25		
NAT'L PLANTS	$1.1829	24,009,467
LAST WEEK ENDING 03/22/25		
NAT'L PLANTS	$1.2066	23,760,120

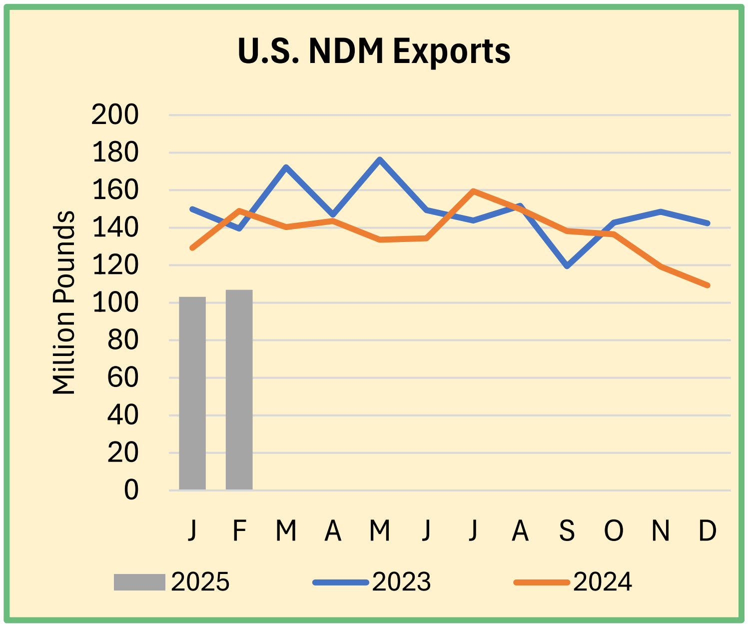
CALIFORNIA FEDERAL MILK MARKETING ORDER PRICE PROJECTIONS

PRICE PROJECTIONS	CLASS I ACTUAL (RANGE BASED ON LOCATION)	CLASS II PROJECTED	CLASS III PROJECTED	CLASS IV PROJECTED
APR 3 EST	$21.17 - $21.67	$19.22	$16.98	$17.96
MAR '25 FINAL	$22.62 - $23.12	$20.12	$18.62	$18.21

Milk, Dairy and Grain Market Commentary

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

Milk & Dairy Markets

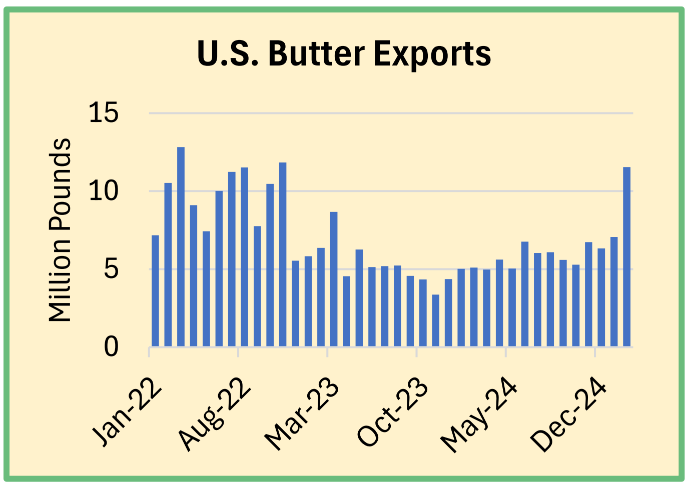


Tariff drama took center stage again this week as the long-awaited "Liberation Day" arrived. Speaking from the Rose Garden, President Donald Trump announced sweeping tariffs on more than 180 countries and territories. Positioned as "reciprocal tariffs" designed to counteract tariff and non-tariff barriers the U.S. faces in shipping product to other countries, the administration appears to have in fact used the trade deficit in each relationship as the basis for its tariff calculation. The tariffs were significantly more aggressive than most analysts had expected, and the financial markets have tumbled in the wake of the announcement.

Notably, Canada and Mexico were not on the list of countries affected. However, many other key markets for U.S. dairy products were included. It is expected that countries will begin to implement their own retaliatory tariffs in response to Wednesday's announcement. China, a key market for U.S. dairy exports, today announced that it would respond in kind by levying 34% tariffs on U.S. products, mirroring the percentage laid out in the administration's list. This will come on top of tariffs that were already in place due to earlier conflicts.

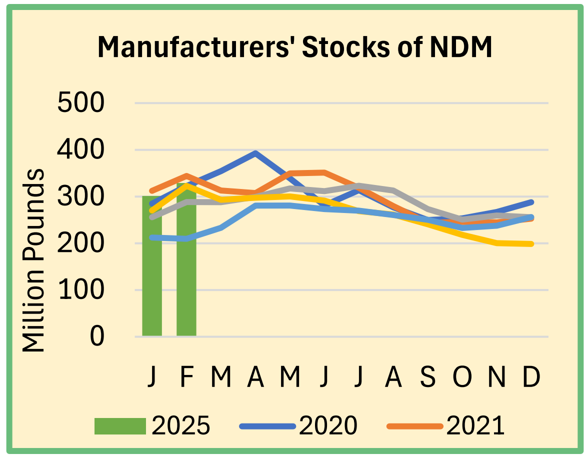
An intensifying trade war is likely to further complicate the outlook for U.S. dairy exports, which had already come under pressure. During February, U.S. exporters sent 463 million pounds of product abroad, 4.3% less than in the same month last year after adjusting for the leap day. The bulk of the decline came from milk powder with shipments of nonfat dry milk (NDM) and skim milk powder falling to the lowest volume seen for the month since 2016. Dramatically weaker sales to Southeast Asia weighed heavily on milk powder exports. Whey exports also dipped by 2.7% year over year due especially to slower shipments of whey protein concentrate with less than 80% protein.

The news wasn't all bad as cheese exports continued their upward campaign. Cheese exports rose to 99 million pounds for the month, an increase of 7.3% year over year and notching the largest February volume ever recorded. Growth across a broad swath of markets compensated for a 5.9% drop in cheese exports to Mexico. In addition to cheese, butter and milkfat exports also enjoyed a stellar month in February with butter exports rising 134.2% while anhydrous milkfat shipments soared to 7.5 million pounds, nearly ten times the volume shipped in February 2024.

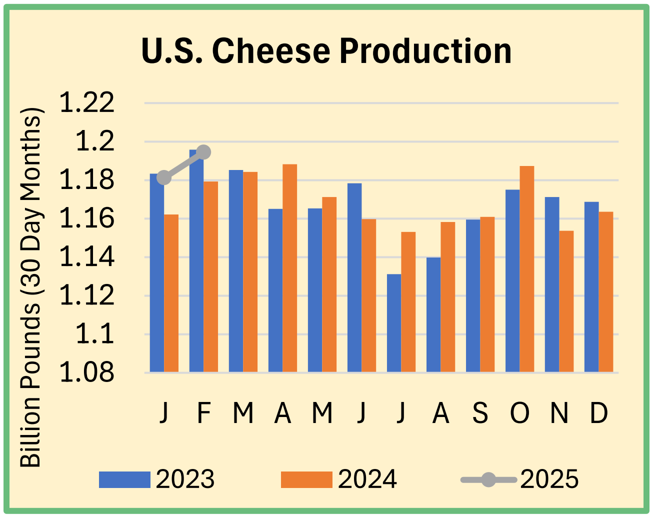


U.S. butterfat is very competitively priced compared to the global market and this dynamic appears poised to persist. Fat levels of raw milk continue to rise. In Monday's *Ag Prices* report, USDA indicated that fat tests rose to 4.43% in February, up 0.13% compared to the same month last year. Plentiful fat availability has kept churns busy and in February, butter production rose again, totaling 202.8 million pounds for the month, 6.3% more than in the same month last year. The butter spot market came under pressure this week, giving up ground on Monday, Thursday, and Friday. Ultimately the price settled at $2.295/lb. on Friday, down 5.5¢ from prior week as 28 loads traded hands. With butter production and stocks plentiful, exports will be critical to prevent the market from deteriorating further. But with trade tensions brewing and U.S. butter often not a perfect match for international tastes, obstacles persist.

NDM also moved down during the week, albeit by a more modest margin. After gaining a penny on Tuesday, losses during Thursday and Friday's spot session brought the price to $1.1575/lb. a half a cent below last Friday's close. As milk production has recovered, milk powder production has improved. Combined production of NDM and SMP totaled 177.36 million pounds in February, 0.2% more than in the same month last year. But as production grows, demand from both domestic and international sources remains anemic, causing inventories to accumulate. At the end of February, manufacturers' stocks of NDM totaled 329.14 million pounds, up a whopping 57% from the same time last year.



Dry whey also gave up a penny over the course of the week, falling to 49¢ per pound at the conclusion of Friday's session. Manufacturers continue to show a preference for making higher protein products. In February, production of whey protein isolate rose by 14.2% year over year while dry whey production for human consumption fell 10.3% to 57.35 million pounds. However, subdued export prospects, which have dimmed further as the trade conflict with China escalates, have provided the market with little traction to move upward.

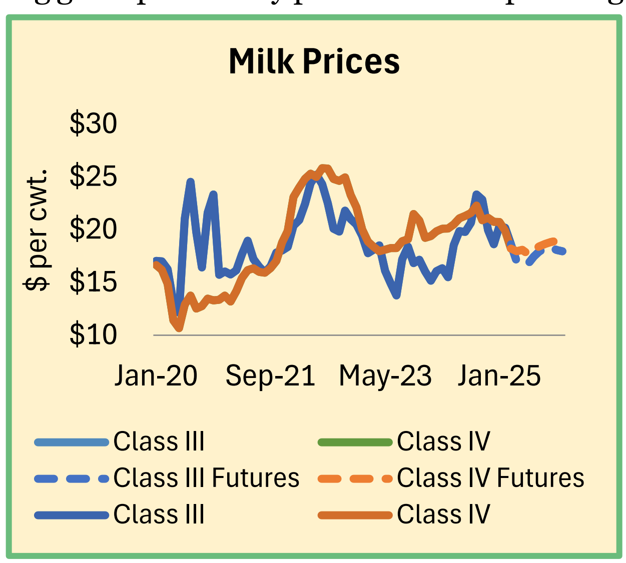


The cheese markets escaped the weak remarkably unscathed, though challenges may lurk in the future. Cheddar blocks defended their ground, rising a half cent to $1.64/lb. as 47 loads moved including 24 on Tuesday alone. Cheddar barrels gained 2.5¢, rising to $1.66/lb. and inverting the block barrel spread. Total cheese production moved up by 1.3% year over year in February, rising to 1.115 billion pounds. Output of both American and Italian varieties improved though the 3.2% increase in Mozzarella production outpaced the 1% gain in Cheddar volumes.

While movements in the spot market this week were measured, the building trade war cast a long shadow over dairy futures. Class III futures through August have dipped below $18/cwt. Lower milk prices will not be welcome news for dairy producers that have already seen margins squeezed. February's milk margin over feed cost calculated as part of the Dairy Margin Coverage program fell to $13.12/cwt., down 73¢ compared to prior month. While falling grain prices may provide some operating cost relief, the future is looking increasingly fraught.

Grain Markets

Dairy products aren't the only agricultural goods caught up in the trade war. Given that the U.S. is a critical exporter of grains and oilseeds, these markets also reacted to the week's events. Soybeans were particularly affected following the Chinese announcement of retaliatory tariffs. By this afternoon MAY25 soybean futures had fallen to $9.7725/bu. while MAY25 corn was at $4.605/bu. Lower feed prices will be of some solace to dairy producers who are likely to see milk prices come under pressure from diminishing dairy export prospects.



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.

Fast-Track Dredging to Save the Delta

By Edward Ring, [California Policy Center]

Governor Newsom's priority constituency is now located outside of California and shaded purple, and a new team occupies the White House that is as red as red can be. So it is probably safe to say that even here in deep blue California, many of the policies governing energy and water are about to be reviewed and revised. One of these policy shifts, we may hope, will be to fast track expanded dredging operations in the Sacramento-San Joaquin Delta.

Compared with most water project proposals, the price tag to resume dredging in the delta is surprisingly low. At about $10 million per mile, dredging 75 miles of delta channels comes in at $750 million, and these days, any big water project that comes in under $1.0 billion is a bargain.

The immediate benefit of dredging choke points throughout the delta is more reservoir storage. Most of California's reservoirs are never filled, in order to always leave them with the capacity to absorb heavy rainfall or rapid snow melt to prevent downstream flooding. But if dredging were to restore the capacity of the delta channels to safely allow heavier storm and snowmelt flows to make it into the San Francisco Bay without breaching the levees, California's reservoirs could retain an additional million acre feet per year. In terms of construction cost divided by annual yield, at $1,000 per acre foot, nothing comes close. The financial case for dredging is compelling.

Another reason to dredge the delta channels is to increase the volume of water in those channels. This has multiple benefits. With many of the silted up channels only 3-4 feet deep, when the delta pumps operate it can easily overwhelm the downstream flow. Water exports using the pumps can lower the water level by 1-2 feet. But if these channels are 10-12 feet deep, there is so much more water in them that it takes commensurately more pumping to lower the water level or reverse the flow.

Increasing the volume of water in the delta channels via dredging is also a way to reduce salinity. During high tide, salt water from the San Francisco Bay pushes into the delta, but if there is a higher preexisting volume of fresh water in the delta channels, as the level of fresh water upstream rises, it increases the capacity to withdraw water from the delta for urban and agricultural use. And, in general, if the flow capacity of delta channels is increased, heavy winter and spring flows can more efficiently flush out salinity coming from municipal discharge and irrigation runoff.

Ever since the delta levees were constructed over a century ago, and islands and channels replaced a vast marshland, local agencies and private landowners routinely dredged the channels and maintained the levees to preserve navigation and prevent flooding. But starting in the 1970s, two things happened. First, by then the State Water Project and the federally-owned Central Valley Project were pumping millions of acre feet every year out of the delta and into aqueducts to serve farms and cities in the San Joaquin Valley and Southern California. Second, and less discussed in terms of the impact it has had, is that with only a few exceptions, regular dredging ceased.

Continue reading here.

Chino Basin Offers Lessons in Groundwater Management

Courtesy of Natalie Willis, [Valley Ag Voice]

While the San Joaquin Valley continues to adjust to the Sustainable Groundwater Management Act, others, like the Chino Basin in Southern California, have long operated under a different system — adjudicated groundwater rights.

The Chino Basin in San Bernardino County was one of California's first groundwater basins to be adjudicated in 1978. Geoff Vanden Heuvel, Director of Regulatory and Economic Affairs at the Milk Producers Council, served on the Chino Basin Watermaster Board for 20 years and explained that before SGMA, managing a basin came down to adjudication.

"In the Chino Basin, you know, it became pretty clear already in the 70s that more water was being extracted than was being replenished. And so, [how] an adjudication works is, basically, some entity decides to take responsibility and sues everybody who's pumping water because collectively that's causing damage," Vanden Heuvel said. "So, anybody who's pumping water is contributing to the damaging of this resource."

Thus, an overdraft in the 1970s prompted a lawsuit from the Chino Basin Municipal Water District, now known as the Inland Empire Utilities Agency. According to Vanden Heuvel, as the regional water purveyor, the agency got special legislation from the state legislature that enabled them to charge all landowners within its jurisdiction a fee of $2 per acre. This assessment aimed to fund studies to determine the amount of available water in the area.

Engineers were then hired to determine the amount of water that could be extracted from the basin annually without causing an undesirable result—overdraft. Based on those findings, the 1978 court judgement for Chino Basin Municipal Water District v. City of Chino et al., San Bernardino Superior Court determined the safe yield for the Chino Basin was 140,000-acre-feet per year, which is allocated among three pools of water rights holders — overlying agriculture with 82,800 afy, overlying non-agriculture with 7,366 afy, and the appropriative pool with 49,834 afy.

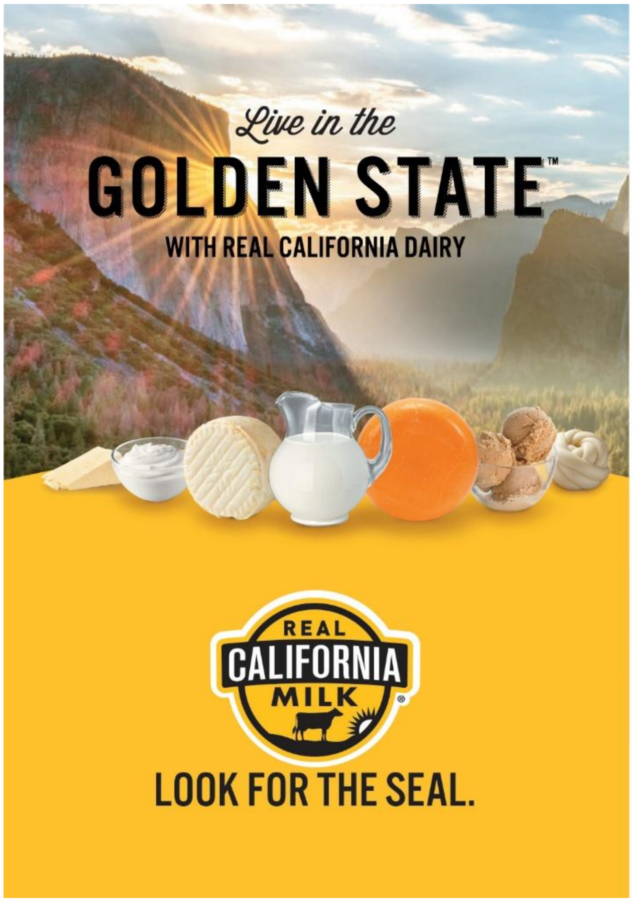
According to Edgar Tellez Foster, water resources management and planning director for the Chino Basin Watermaster, the safe yield is meant to be reassessed every 10 years. However, the first reassessment was not conducted until 2017 and finalized in 2019. It was conducted again in 2020, and Foster noted that the basin is currently in the process of recalculating again.

"Our safe yield is calculated on a prospective 10-year basis. So, we evaluate the conditions, and we estimate what the safe yield would be for the next 10 years," Foster said. "And there's checks and balances in there, so, if we think that the safe yield has changed substantially from what we originally estimated, the watermaster has the obligation to go back to the court and request that the safe yield be changed."

Continue reading here.

California Milk Advisory Board Annual Dinner Meetings

Courtesy of the [California Milk Advisory Board]



2025 ANNUAL

DINNER MEETING

Hello Dairy Producers!

The California Milk Advisory Board's marketing team looks forward to joining you in your districts for our 2025 Annual Producer Meetings this April. We hope you'll join retiring CMAB CEO John Talbot and our incoming CEO Bob Carroll as well as industry partners and fellow dairy farmers for dinner and discussions around CMAB's programs and for the vision for 2025 and beyond. You are welcome to attend any meeting that fits with your schedule, we only ask that you RSVP no later the indicated date to the event of your choice.

These meetings will highlight the many ways your CMAB marketing team has been busy putting nutritious California dairy products made with your milk into the hands of consumers in California, across the U.S. and around the world. We're excited to roll out some new directions in 2025 while also highlighting the ongoing work of our marketing teams in the retail, foodservice and export market spaces, share exciting updates from our processor partners and discuss how our communication and advertising strategies creates a relevant path for these initiatives.

To prepare for dinner, we request that you RSVP for the meeting you plan to attend. Please see the enclosed schedule and RSVP via one of the several convenient methods: Return the enclosed card by mail, scan the provided QR Code, use our handy RSVP link, email promotions@cmab.net or call/text Melissa Lema at (209) 690-8248.

2025 Meeting Schedule and Locations

DISTRICT	DATE	Venue/Address	RSVP BY:
5	Tuesday, April 22	**BELLO VITA HALL** - 4211 W Goshen Avenue, Visalia, CA	Apr 15
6	Wednesday, April 23	**LUIGI'S** - 725 E 19th Street, Bakersfield, CA	Apr 15
4	Thursday, April 24	**GREENS ON 10TH** - 953 10th Street, Modesto, CA	Apr 15
3	Tuesday, April 29	**AMARIS BANQUET HALL** - 709 5th Street, Orland CA	Apr 20
1	Wednesday, April 30	**THE BARN BY FERNBRIDGE** - 26 Goble Lane, Ferndale, CA	Apr 20
2	Thursday, May 1	**HERMANN SONS HALL** - 860 Western Avenue, Petaluma, CA	Apr 20
7	Tuesday, May 13	**CENTRO BASCO** - 13432 Central Ave, Chino, CA	May 1

All events begin with Real California Cheese Social at 5:30 PM, followed by Dinner at 6:30 PM

Please join us for an annual meeting.
We request that you RSVP by the date indicated for the meeting you plan to attend.

Please provide the following information: Name, name of business, number of guests and location of meeting you plan to attend

RSVP via one of the several convenient methods:

- Return the enclosed card by mail
- Scan the QR Code and use our handy RSVP link
- Email promotions@cmab.net
- Call/Text Melissa Lema at (209) 690-8248

Across the Board Tariff Increases Announced by White House

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

The Trump Administration this week made good on a campaign pledge to raise tariffs across the board on imports, announcing the imposition of a 10% tariff on all foreign goods* along with higher rates for most other exporters of products to the U.S.

At a White House rose garden event on Wednesday, President Trump outlined a plan for universal tariffs on all nations, coupled with higher rates on a country-by-country basis. The new duties include a 34 percent tariff on China, 26 percent on India, 25 percent on South Korea, 24 percent on Japan and 20 percent on the 27-nation European Union. These tariffs, which go into effect April 9, are based on the average level of tariff and nontariff barriers that other nations impose on U.S. goods.

(*However, the Administration did not further raise tariffs on USMCA goods from Canada and Mexico, our largest trading partners, whose tariffs were adjusted earlier this year.)

As we noted in a joint statement with the U.S. Dairy Export Council, tariffs are a tool that can help reset relationships with key partners, which is what we hope this initiative will do, particularly in addressing protectionist practices by the EU and India. We hope that these higher costs of doing business are the means to an end, not the end game itself.

The current strategy of reciprocal tariffs needs to be looked at holistically, as part of an overall approach to tax, regulatory, trade, fiscal and monetary policy, all of which revolve around one key question: What do we need to do to compete with the rest of the world? With more than $8.5 billion in investment in new U.S. dairy processing, dairy has a bright future. Part of that success will depend on our government's ability to give us the tools we need to be competitive domestically and globally.

But we need proper policies to compete, and as for tariffs and other trade-related issues, we simply need a level playing field. Right now, we have this in some key markets, but we definitely do not in others. Steps our government is taking for positive change are long overdue, and we look forward to engaging in an offensive strategy toward achieving our objectives.