MPC WEEKLY FRIDAY REPORT

DATE: AUGUST 1, 2025
TO: DIRECTORS & MEMBERS
FROM: KEVIN ABERNATHY, GENERAL MANAGER
PAGES: 9

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MPC FRIDAY MARKET UPDATE

CHICAGO CHEDDAR CHEESE BLOCKS		CHICAGO AA BUTTER			NON-FAT DRY MILK		
WEEKLY CHANGE		WEEKLY CHANGE	**- $.0200**	$2.4450	WEEK ENDING 07/19/25		
+ $.0650	$1.7050	WEEKLY AVERAGE	**+ $.0220**	$2.4785	NAT'L PLANTS	**$1.2787**	14,555,815
		DRY WHEY					
WEEKLY AVERAGE		DAIRY MARKET NEWS	W/E 08/01/25	$.5900	LAST WEEK ENDING 07/12/25		
+ $.0365	$1.6790	NATIONAL PLANTS	W/E 07/26/25	**$.5615**	NAT'L PLANTS	$1.2719	13,423,994

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
JUL 31 EST	**$21.23 - $21.73**	**$19.40**	**$17.13**	**$18.99**
JUL '25 FINAL	**$21.12 - $21.62**	**$19.31**	**$17.32**	**$18.89**

Milk, Dairy, and Grain Market Commentary

By Sarina Sharp, Daily Dairy Report
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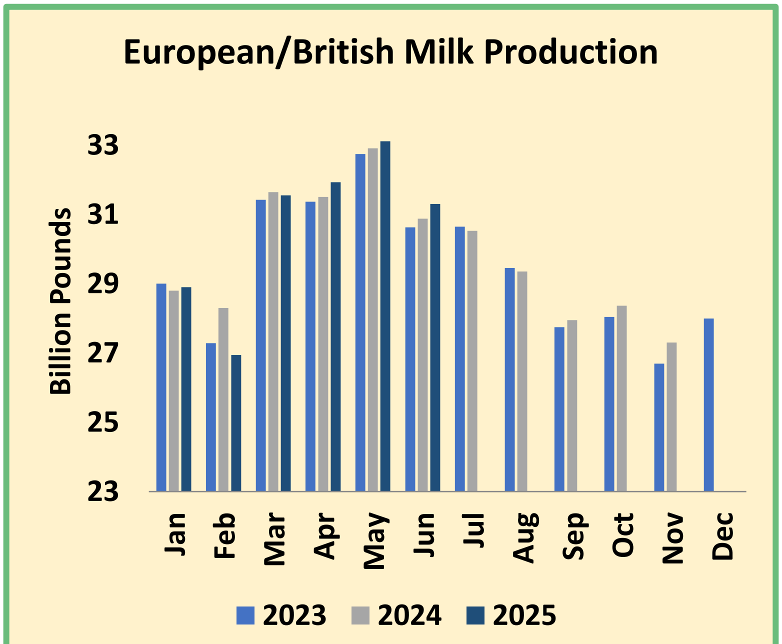
Milk & Dairy Markets

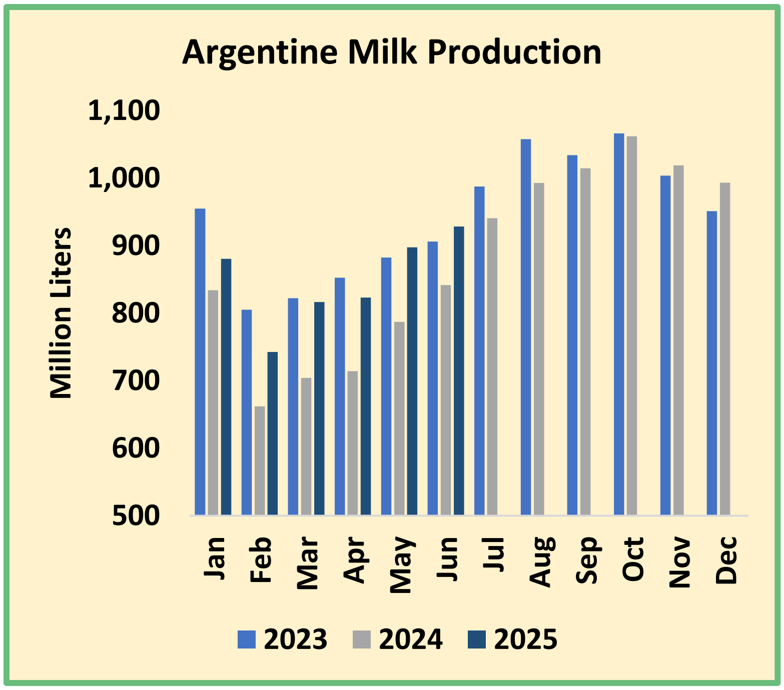
The dairy markets are showcasing the colorful – and somewhat morbid – Wall Street adage: "Even a dead cat will bounce if it falls from a great height." This week milk futures managed a modest recovery, briefly interrupting the dramatic downtrend. Most Class III futures contracts added just a few cents, but the September contract rallied 21¢ to $17.73 per cwt. Most Class IV futures climbed roughly a nickel. The September contract closed at $19.10.

Amid rapid growth in milk production and more than enough processing capacity to turn

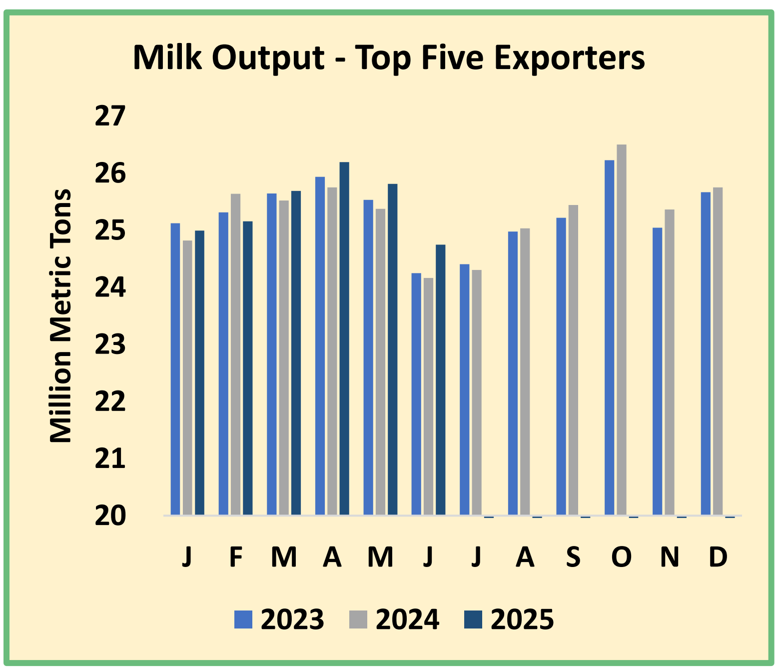


that milk into storable dairy products, American dairy product prices must stay low enough to attract international buyers. Domestic demand for cheese, butter, and milk powder is ho-hum. Exports are increasingly vital. The weak dollar and lack of retaliatory tariffs have helped to keep U.S. dairy front and center on the global stage. But competition may be heating up.

European milk collections got off to a slow start this year, but they improved in the second quarter. Milk collections squeaked out a 0.1% year-over-year increase in May, as strong growth in Ireland (+6.8%) and France (+1.8%) overcame deficits in Germany (-1.6%), the Netherlands (-0.5%), and Poland (-0.4%). Preliminary and often-revised data from the European Commission and CLAL.it point to a more robust increase in June. Assuming steady production trends from the four minor players who have yet to report, June milk output in the EU-27 likely topped the prior year by 0.8%. Adding the United Kingdom into the mix pushes the year-over-year expansion to 1.4%.

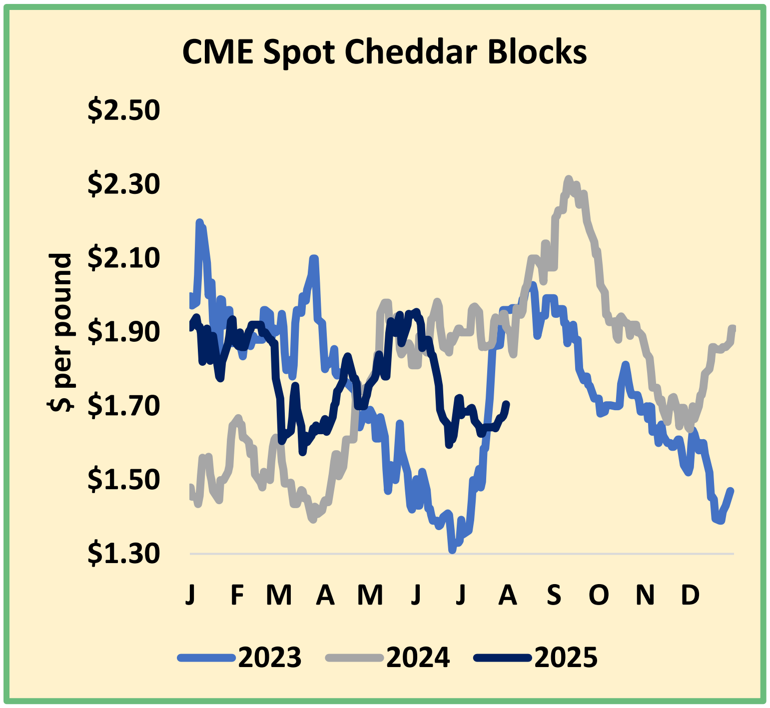


But growth may be harder to achieve in the third quarter. European dairy producers are sweating through the continent's hottest summer on record, and disease continues to plague some cattle. Bluetongue disease contributed to sustained declines in Dutch and German milk output in the first half of the year. More recently, Italy and France reported outbreaks of lumpy skin disease. Despite these challenges, the European Commission projects that 2025 milk output will be slightly higher than 2024, allowing for notable increases in cheese and butter production.



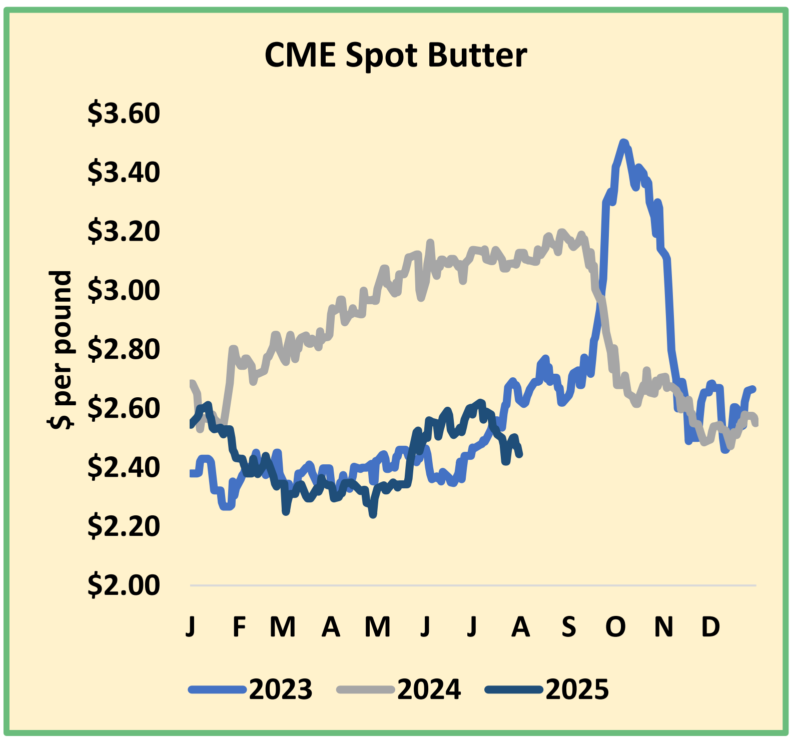
Production is also on the rise in New Zealand. The 2025-26 season got off to a very strong start with the highest June milk collections on record. Off-season milk collections can be misleading, and the weather is always a big factor in Oceania milk production. But strong margins are clearly incentivizing producers to do what they can to boost milk output. Kiwi imports of palm kernel cake are up 40% for the year to date. Dairy producers often use this to supplement their pasture-fed cows to lift milk yields, and they seem to be preparing for a big 2025-26 milking cycle. Across the Tasman Sea, production is roughly steady in Australia.

Output is also sharply higher in Argentina, with milk collections up an astounding 12% in the first six months of the year. However, last year's decline was so severe that first-half milk volumes were still lower than they were in 2021, 2022, and 2023. Fortunately, domestic demand for dairy has improved as the economy has stabilized, so Argentina is not expected to export the entire surplus.



With most of the major dairy exporters – and especially the United States – in growth mode, global dairy supplies are on the rise. In the first few months of the year, combined milk output among the top five dairy exporters fell short of 2023 volumes. But since April, when the U.S. shifted into a higher gear, milk production among these major players has set new highs.

In the long run, more milk will likely mean lower prices. But for now, inventories are relatively balanced after years of production deficits. And summer heat or a surge in exports can make supplies feel temporarily tight. And eventually, markets slump to levels that attract demand and allow for a rebound. That was likely the cause of the recovery in the spot markets this week. CME spot Cheddar blocks rallied 6.5¢ to $1.705 per pound. Dry whey climbed a penny to 55¢. Nonfat dry milk held steady at $1.2875. And spot butter dropped 2¢ to $2.445, toward the low end of its summer trading range.



Grain Markets

The Corn Belt feels like a greenhouse and crops continue to thrive. There are issues here and there, of course. A derecho devastated some farms in the Northern Plains and northwest Corn Belt. The high winds snapped or bent corn stalks in the storm's path. And some agronomists are worried that tightly wrapped tassels will impinge on yields. But for the most part, row crops continue to impress. USDA now rates 73% of corn and 70% of soybeans in good or excellent condition. Consensus is growing that this year's corn crop will be the largest ever, and prices are falling accordingly. December corn futures settled at $4.11 per bushel, down 8¢ this week. December soybean meal inched down to $280.40 per ton.

California Water History in a Minute – Subsidence

By Geoff Vanden Heuvel, Director of Regulatory and Economic Affairs
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The California Department of Water Resources (DWR) recently released a document on subsidence and how to stop it. When groundwater is pumped, particularly from wells deep underground, the ground above can sink, as the clays between the aquifer and the ground surface compress. This phenomenon of the ground surface sinking is called subsidence.

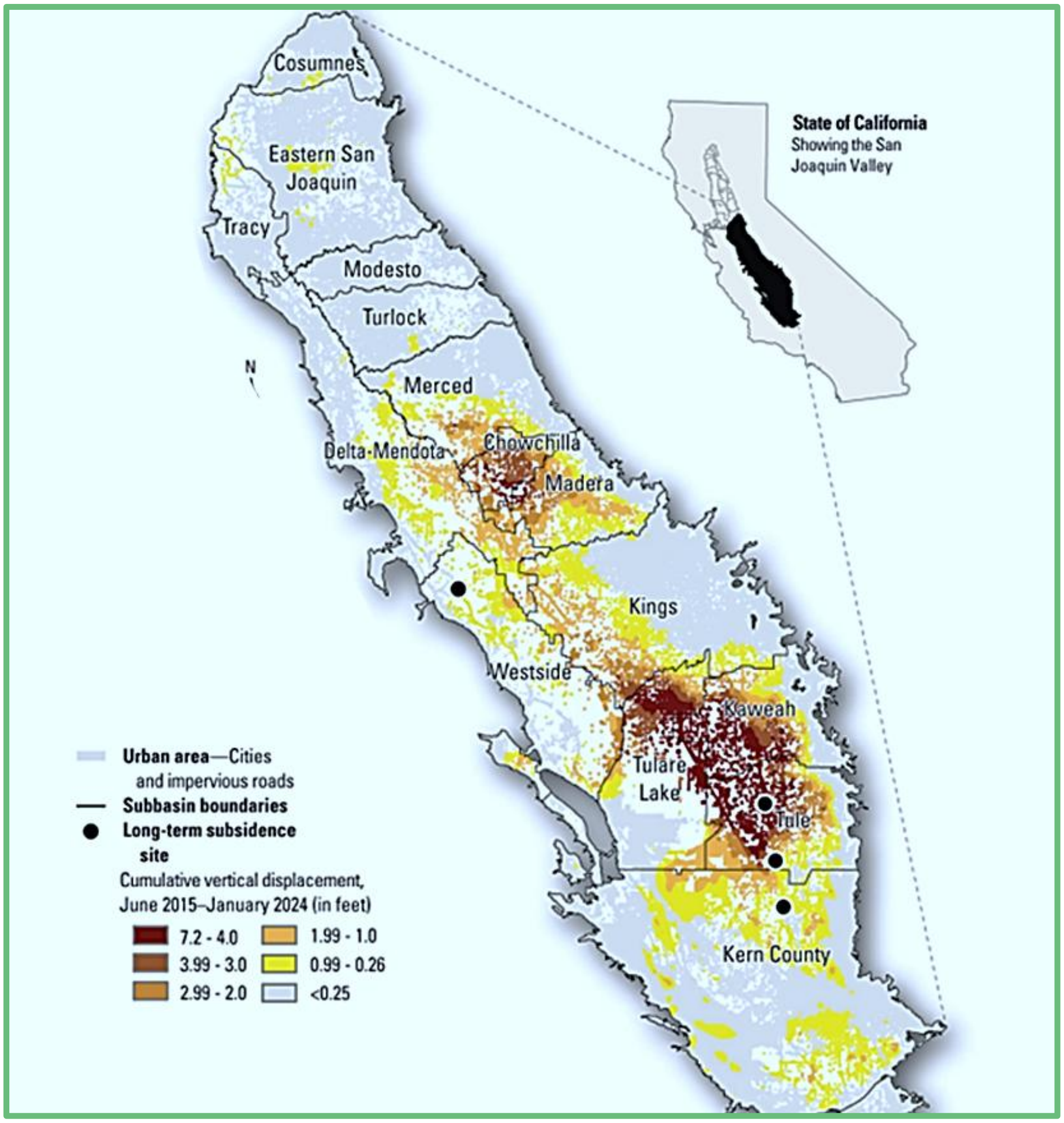
Subsidence has been a problem in California ever since we began using large capacity wells to do irrigation. The DWR document describes the history this way:

> "From 1926 to 1970, an area in the Central Valley southwest of Mendota had documented subsidence of more than 28 feet. Construction of the Central Valley Project began in the late 1930s to address water supply and distribution in California's Central Valley. ***The introduction of Central Valley Project surface water imports via the Friant-Kern and Delta-Mendota Canals in the 1950s, and Central Valley Project and State Water Project surface water imports via the California Aqueduct in the 1970s, significantly reduced groundwater reliance, initiated groundwater level recoveries, and slowed—and even reversed—subsidence in some areas of the San Joaquin Valley*** [emphasis added].
>
> However, expansions of agricultural acreage and drought periods between 2000 and 2023 ***coincided with reduced surface water availability*** [emphasis added], resulting in increased groundwater pumping, which resulted in accelerated subsidence rates of more than 1.0 ft/year in parts of the San Joaquin Valley and more than 0.5 ft/year in parts of the Sacramento Valley."

DWR does not describe what caused reduced surface water availability during that period, but we know that major environmental regulations implemented in the mid-1990s diverted millions of acre feet of surface water away from farms and people and sent it to the ocean. Because groundwater was unregulated, much of that diverted surface water was replaced by groundwater. It really is not a surprise that subsidence again emerges as a major problem to be addressed.

The problem is real and, in this document, DWR outlines Best Management Practices for how to slow it down and ultimately eliminate it. Unfortunately, the only way to stop subsidence is to stop lowering groundwater levels and in fact increase those levels above what DWR describes as "critical head." Critical head is the groundwater level below which permanent compaction begins. See this video for more information on critical head.

As you can see from the map below, the dark areas have subsided between 4-7 feet in just the last nine years with the rate of subsidence showing no signs of slowing up. The subsidence issue is the most challenging problem facing a number of Groundwater Sustainability Agencies (GSAs). To simply stop



pumping groundwater would cause massive economic, environmental (dust, weeds) and societal problems. What GSAs need to do is greatly increase their knowledge of where, and at what groundwater level, wells are producing in their areas. Without that knowledge, the pumping restrictions necessary to address subsidence will be broader and more restrictive than they need to be.

While we can observe the effects of subsidence from above ground, there is a lot we do not know about what is actually going on underground. There is an urgent need for much more data about what is happening underground. DWR has provided good guidance in this Best Management Practice document and has a role to play in helping to provide funding and expertise to assist the GSAs in getting the data necessary to develop effective but efficient subsidence management plans.

The government should also recognize that regulations that diverted surface water away from farms and people significantly contributed to this problem and addressing those regulations to get more surface water as well as facilitating the maximizing of local wet year water for recharge is also part of the fix. The Water Blueprint for the San Joaquin Valley is on the right track with its latest release today.

Water Blueprint for the San Joaquin Valley Urges Federal Action on Water Infrastructure

The Water Blueprint for the San Joaquin Valley today announced it has sent formal letters to both the San Joaquin Valley Congressional Delegation and U.S. Secretary of the Interior Doug Burgum, urging significant federal investment in California's water infrastructure. These letters underscore the urgent need to advance immediate and longer-term solutions to the Valley's growing water supply crisis and advocate for strategic investments that will protect agriculture, rural communities, and the environment.

The Blueprint's outreach follows the recent passage of the *One Big, Beautiful Bill Act*, which includes $1 billion in federal funding for specific types of water infrastructure investments —a critical first step toward addressing an estimated $12 billion funding need for projects of these types necessary to modernize California's water system.

Key Points from the Letters:

- **Acknowledgment of Federal Support:** The Blueprint thanked Valley lawmakers for securing $1 billion in the *One Big, Beautiful Bill Act*, recognizing it as a vital down payment on broader water infrastructure needs in California.

- **Call for Additional Investment**: The letters emphasize the need for further federal funding to support conveyance repairs on the Friant-Kern Canal, Delta-Mendota Canal, San Luis Canal, and California Aqueduct, as well as expanded water storage projects.

- **Economic and Environmental Urgency**: Citing the UC Davis study *Inaction's Economic Cost for California's Water Supply Challenges*, the Blueprint highlighted the potential loss of up to 9 million acre-feet of water annually by 2050, with projected economic damages of up to $14.5 billion and the fallowing of 3 million acres of farmland.

- **Appeal to Secretary Burgum**: The Blueprint urged the Department of the Interior to prioritize California's water infrastructure in federal planning and funding decisions, and to support collaborative, science-based solutions that benefit both people and ecosystems.

A Voice for the Valley

"The Blueprint represents a united voice for the San Joaquin Valley—farmers, water agencies, communities, and conservationists—working together to secure a sustainable water future," said Eddie Ocampo Chair of the Water Blueprint. "We are grateful for the progress made, but we must keep pushing forward. The future of our region depends on it."

Learn more about the Water Blueprint for the San Joaquin Valley at WaterBlueprintCA.com.

Recognizing Water Quality Progress

Courtesy of [Dairy Cares]

California's Central Valley is one of the most productive agricultural regions in the world, but it has its share of environmental challenges. For more than 150 years, human and naturally occurring contaminants have been impacting groundwater. Protecting the quality of groundwater is essential to preserving a world-class agricultural economy and the rural communities that depend upon it. Fortunately, progress is being made.

On June 30, more than 300 people attended a CV-SALTS online summit to learn about latest achievements on ongoing efforts. The Central Valley Water Board initiated CV-SALTS in 2006, as a collaborative initiative among business, government, and community organizations to address nitrate and salt accumulation affecting water supplies. The Central Valley Salinity Alternatives for Long-Term Sustainability (CV-SALTS) mission includes: 1) taking immediate action to provide safe drinking water and, 2) working toward longer-term solutions to improve groundwater quality. One way this is done at a local level is through entities called Nitrate Management Zones.

Ensuring Safe Water Supplies

Over the past few years, local farms, businesses, and others have come together to create and execute systems for providing free well testing and drinking water where needed. Much effort has also been made to perform outreach and encourage rural residents who rely on private well water to apply. The program continues to expand, and is currently being offered in 15 groundwater basins, encompassing many of the Valley's rural communities.

Since 2021, more than 3,200 wells in these basins have been tested. More than 4.3 million gallons of free replacement drinking water, through free bottle-filling stations and via direct delivery to more than 2,000 households with impacted wells.

"It's been rewarding to see the milestones over the years," said Stanislaus County dairy farmer Justin Gioletti, who has been involved in his community's efforts from the beginning. "From the first well testing in 2021, first drinking water deliveries in 2022, to the continued expansion of the program into more rural communities—this work is making a difference."

Gioletti serves as chair of the Valley Water Collaborative, a non-profit organization that manages activities in several Nitrate Management Zones. Immediate efforts have focused on drinking water, but management zones are also working to address root causes of water quality issues—efforts that are already returning benefits and will continue to strengthen in coming years.

"It's our goal as dairy farmers to nourish people, and we care a lot about the communities we live in," said Gioletti. "It's encouraging to see that efforts are making a difference for people's health and quality of life today, especially as the work ahead remains challenging."

Continue reading here.

NMPF: Tariffs; USDA Reorganization; DAIRY PRIDE Act

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

Higher Tariffs Announced for Next Week; Deals with EU, South Korea Reached

The tariff wars between the U.S. and dozens of other countries got rather more complicated last night, when President Trump announced new, higher tariff rates for more than 50 countries – although the implementation deadline for those was pushed from Aug. 1 to Aug. 7.

Trump set one of the highest rates on Canada, which will take effect today – although products previously covered by the USMCA agreement (which are most of those involved in commerce between the two countries) are exempt. He also granted Mexico a 90-day reprieve from the Aug. 1 deadline, extending the current tariff level while negotiations continue between the two nations. Meanwhile, Brazil is set to face a 50% tariff on Wednesday, as per a separate executive order published this week.

In a last-minute set of deals, the U.S. agreed to impose 15% tariffs on South Korea, while last weekend, he agreed with European Commission President Ursula von der Leyen to impose a flat 15% tariff on European Union exports, in exchange for European purposes of U.S. energy products.

It's been a dizzying last few weeks on the trade front, particularly with last night's announcement, but one metric to keep in mind is that among the top 10 U.S. export markets, the ones that have not yet secured new agreements are only Canada, Taiwan and India, along with Mexico, where talks will continue for the rest of the summer. The Trump Administration is also continuing discussions with China ahead of a separate Aug. 12 deadline – another major export market for U.S. farm products.

Appeals Court to Decide on White House Tariff Powers

As the tariff turf wars continued this week, the U.S. Court of Appeals for the Federal Circuit heard arguments Thursday about the legality of how the Trump Administration imposed tariffs using presidential emergency powers. The case centers on two lawsuits challenging Trump's use of the 1977 International Emergency Economic Powers Act to reorder the international economy by imposing tariffs on dozens of countries. The Court of International Trade ruled the tariffs unlawful in May, but the Federal Circuit stayed the order, leaving them in place. If the President loses this case at the appeals court, the issue is certain to go to the Supreme Court for a final opinion.

Senate Ag Committee Examines USDA Reorganization Plans

The Trump Administration's plan to relocate a significant portion of USDA staff outside of Washington and consolidate organization functions was the focus of a Senate hearing this week, featuring testimony from newly approved Deputy Secretary Stephen Vaden. The reorganization plan includes moving 2,600 of the 4,600 USDA positions in the National Capital Region outside Washington.

Vaden walked members of the Senate Agriculture Committee through the details of a memorandum released last week outlining plans to shrink the USDA footprint in the Washington region. He argued that the plan will eliminate unnecessary management layers, consolidate redundant or duplicative functions and allow USDA to deliver on its mission within the bounds of its available financial resources.

Under the plan, certain USDA functions will be transferred to regional offices in five cities: Raleigh, North Carolina; Kansas City, Missouri; Indianapolis, Indiana; Fort Collins, Colorado; and Salt Lake City, Utah. USDA will vacate and return to the General Services Administration the South Building along the National Mall, its nutrition-focused office in Alexandria, Virginia, and the Beltsville Agricultural Research Center in Maryland.

Some members of the committee expressed concern that the quality of service to farmers may decline as staff are relocated out of Washington. Vaden said the USDA will consult with members of Congress to facilitate the transition, a process which started this week.

Senators Reintroduce DAIRY PRIDE Act

On Tuesday, Senators Tammy Baldwin, D-WI, Jim Risch, R-ID, Susan Collins, R-ME, and Peter Welch, D-VT, reintroduced their bipartisan DAIRY PRIDE Act (S. 2507). This legislation would compel the Food and Drug Administration to enforce dairy product standards of identity, a long-standing NMPF public health and truth in labeling priority. NMPF hopes that this year presents an opportunity to make progress with FDA on this critical issue, and the continued pressure from Congress through the DAIRY PRIDE Act is a helpful tool in the toolbox. This bill took incremental steps forward with a hearing in the House last year, and we expect it to be introduced in that chamber once again this fall.