MPC Weekly Friday Report

Date: September 5, 2025
To: Directors & Members
From: Kevin Abernathy, General Manager
Pages: 7

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MPC Friday Market Update

Chicago Cheddar Cheese Blocks		Chicago AA Butter				Non-Fat Dry Milk		
Weekly Change		Weekly Change	- $.0225	$2.0225		Week Ending 08/30/25		
- $.0850	$1.6900	Weekly Average	- $.1054	$2.0156		Nat'l Plants	$1.2794	14,678,763
		Dry Whey						
Weekly Average		Dairy Market News	w/e 09/05/25	$.5750		Last Week Ending 08/23/25		
- $.0455	$1.7375	National Plants	w/e 08/30/25	$.5750		Nat'l Plants	$1.2822	15,783,597

California Federal Milk Marketing Order Price Projections

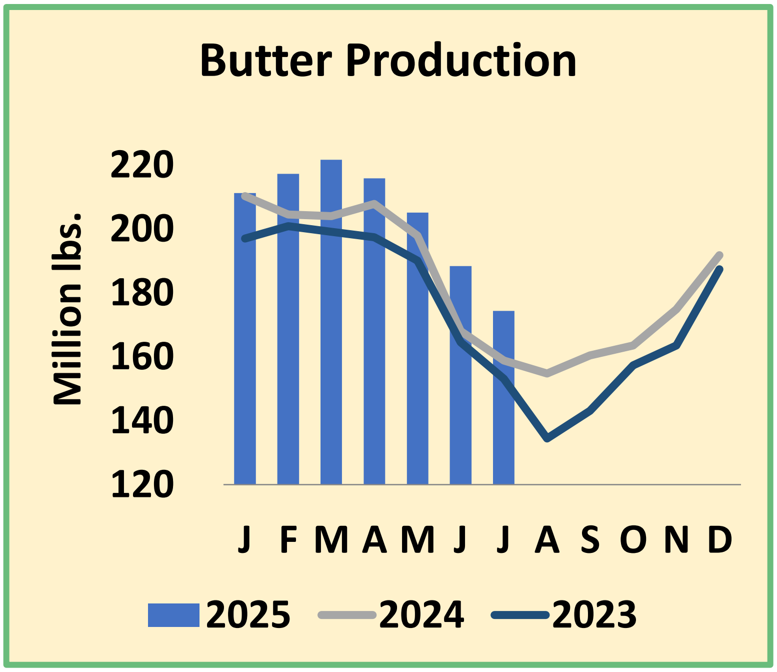
Price Projections	Class I Actual (range based on location)	Class II Projected	Class III Projected	Class IV Projected
Sept 4 Est	$21.00 - $21.50	$19.25	$17.77	$17.10
Aug '25 Final	$21.23 - $21.73	$19.18	$17.24	$18.50

Milk, Dairy and Grain Market Commentary

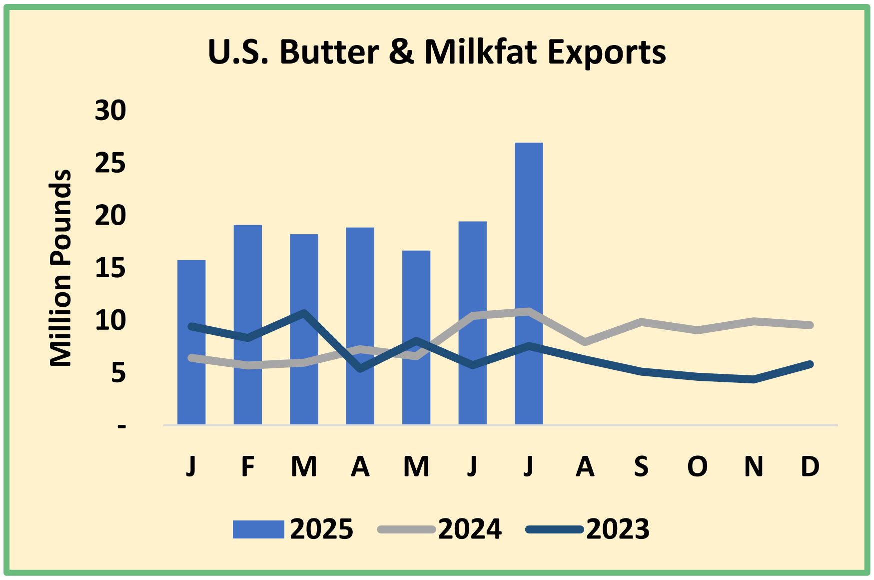
By Sarina Sharp, Daily Dairy Report
Sarina@DailyDairyReport.com

Milk & Dairy Markets

The selloff continued on LaSalle Street this week. Robust production of high-component milk is keeping churns and vats full and weighing on dairy product prices. After the close today, USDA detailed how processors are divvying up the growing milk supply with its monthly update to the Dairy Products report.

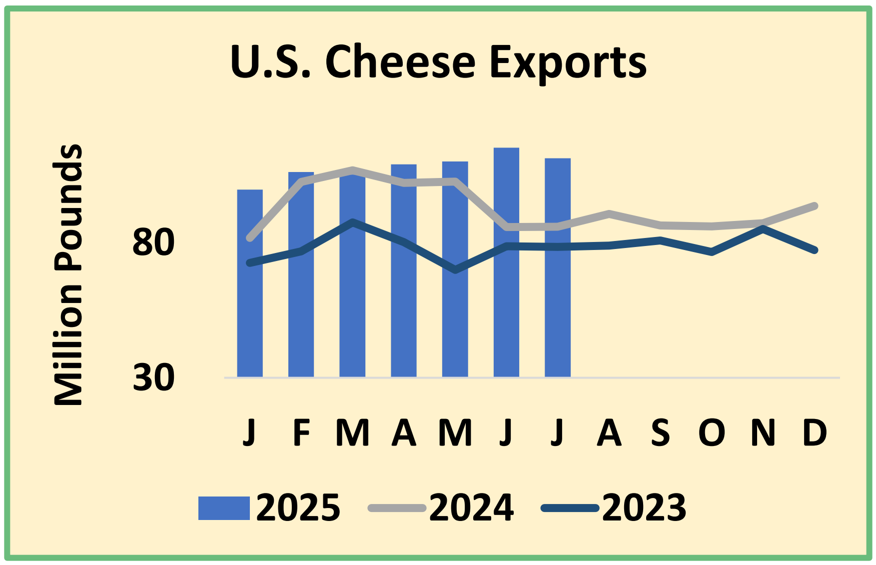


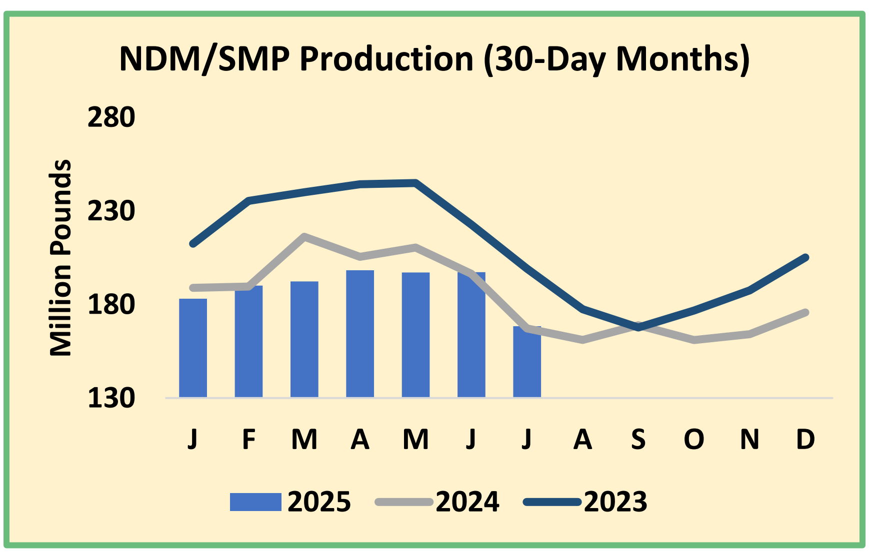
Heavy cream output kept churns running through the offseason. Butter output reached 180.1 million pounds, the highest July volume since 1942. That was 9.8% greater than already-high output in July 2024. Exports are booming, with net exports at 10.4 million



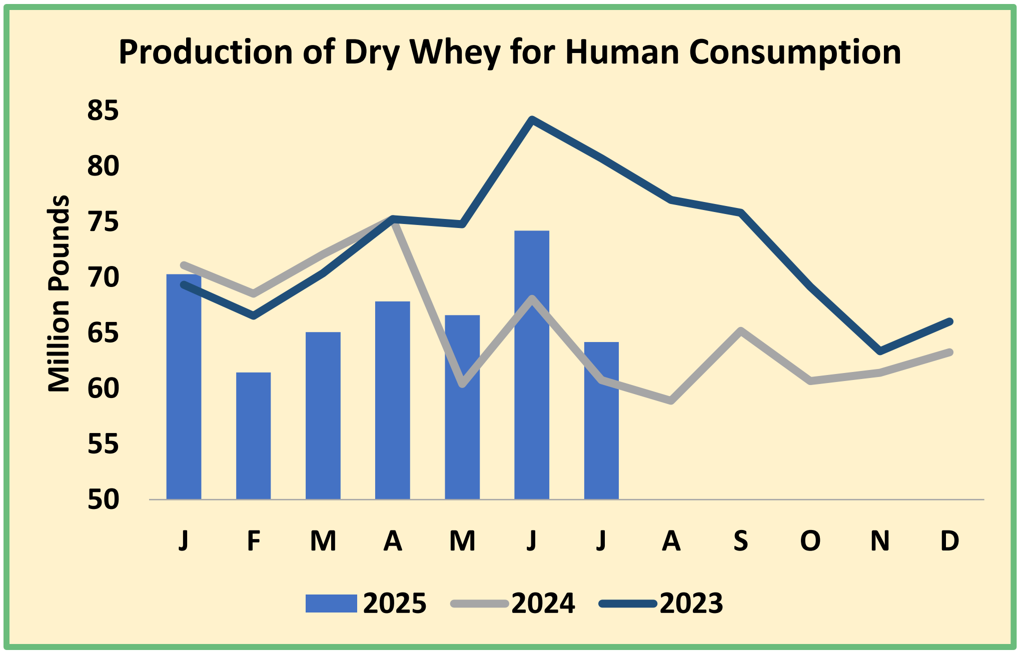
pounds. The U.S. is sending a lot of cream and anhydrous milkfat abroad as well. But the trade remains concerned that exports will not be enough to keep the industry from drowning in butterfat, especially as butter makers focus most of their churning on American-style butter. USDA's *Dairy Market News* reports that supplies of 82% unsalted butter are tight, but "salted 80% butter production is outpacing demand" and "manufacturers are building inventories." With that, CME spot butter edged closer to the $2 mark, slipping another 2.25¢ to $2.0225 per pound.

Cheese production topped 1.2 billion pounds in July, outpacing the prior year by 2.1%. Cheddar production reached 316.5 million pounds, up 6.7% from the very low volumes of July 2024. Mozzarella production outpaced last year's already lofty levels by 3.1% and notched a fresh record for July output. Thankfully, exports were also the highest-ever for the month and just a few million pounds shy of the all-time record set in June. Exports have provided a vital outlet for new cheese and butter production. However, prices must remain low enough to keep winning new business. To that end, CME spot Cheddar blocks fell 8.5¢ this week to $1.69.





The powder markets came under pressure Tuesday after a poor showing at the Global Dairy Trade auction. New Zealand's dairy season is off to a strong start, and Chinese milk powder consumption remains depressed. Amid fierce competition for marketshare, U.S. milk powder exports fell 17.2% short of July 2024 volumes. Thankfully, with cheese plants and other dairy processors taking on more milk, U.S. milk powder production is not heavy. It was just 0.7% greater than the prior year in July, and year-to-date output is off to its slowest start since 2013. But if milk output keeps climbing as expected, the lineup at driers will grow as well, which will drag prices down further. This week CME spot nonfat dry milk fell 4¢ to $1.22, its lowest price since May.



Whey remains the shining star in the dairy universe. Production of high-protein concentrates and isolates is record high, restraining output of lower-value whey powder. So far this year, whey powder output stands at the lowest January to July tally since 1984. But while May, June, and July output were light by historic standards, they still outpaced 2024 volumes. The industry is nearing its capacity for high-protein whey products. As cheese output climbs, so will whey powder production. Perhaps with that in mind, CME spot whey powder slipped a half-cent this week to 56.5¢.

With all products in the red, milk futures took a big step back this week. September Class III futures dropped 50¢ to $17.65 per cwt. The October contract plunged nearly a dollar to $16.87. Deferred contracts posted double-digit losses and most settled in the low-$17s. Class IV futures lost between 20 and 50¢ and ranged from $16.90 to $18.49. With low feed costs and high beef revenues, many dairy producers can make these numbers work. But they won't be excited when their monthly milk checks arrive.

Grain Markets

Corn futures hovered near the high end of their recent trading range throughout the holiday-shortened trading week. But after a selloff in the final few hours before the closing bell, December corn futures dropped to $4.18 per bushel, down 2¢ from last Friday. Early harvest results are not quite as large as the trade had expected, and exports are booming, reducing the likelihood that the market will wander back down below the $4 mark. But there is no doubt that farmers will reap a massive crop this year, and on Friday afternoon S&P Global reminded the market of that reality when it predicted that USDA will raise its corn yield estimate to an astounding 189.1 bushels per acre in next week's Crop Production report. A month-to-month increase seems unlikely after a very dry August, but S&P Global asserted that it is not an impossibility.

The soy markets retreated from last week's highs. November soybeans closed at $10.2675, down 26¢ in just four trading sessions. December soybean meal settled at $283.70 per ton, down $5 for the week.

State Water Board Staff Conditionally Recommends Returning Control of Kern Subbasin to Department of Water Resources

By Geoff Vanden Heuvel, Director of Regulatory and Economic Affairs
Geoff@MilkProducers.org

On September 17, 2025, the State Water Resources Control Board will consider placing the Kern Subbasin on Probation. Last February, the State Board considered this issue and decided there was enough progress being made to give the Kern GSAs a little more time. They set a date of September 17 to reconsider the issue.

The Kern Subbasin is by far the largest in the state. It encompasses over 1 million acres and has a complex water system and history, not to mention a large oil extraction industry. There are 20 different GSAs in Kern, and initially, coordination between them was an issue that the Department of Water Resources (DWR) and then the State Board identified as needing to be solved if the Kern Subbasin was going to be successful in reaching sustainability.

The Kern Subbasin is home to some of the oldest water rights and water disputes in California. Because there is very little native groundwater, the huge agricultural productivity of the area was made possible by developing surface water systems. These include full utilization of the Kern River, which in wet years can produce millions of acre feet of supply but in dry years, produces almost nothing. The Kern Subbasin also receives significant Friant water that originates in Fresno and Madera Counties and State Water Project water that originates in Plumas County in the Northern part of California. Almost all of the irrigated agriculture in Kern is in a water district which has the advantage of having access not only to surface water, but also governance and management expertise. Another important feature unique to Kern is the hosting of several large water banks that are utilized by Southern California and Bay Area urban water districts.

The downside of having all of these water districts is that historically they have not always gotten along. But the threat of State intervention, and from my observation, the stepping up of terrific leadership by the various water district elected officials and managers led to unprecedented coordination and cooperation by the Kern Subbasin entities. They, along with an excellent consulting team, addressed all of the issues the State Board staff threw at them. It now appears from the staff report that they are very close to being sent back to DWR. Below are the remaining conditions the State Board staff are recommending. The Kern entities will have between now and September 17 to address these. My opinion is that having come this far, they should be able to close the gap and get over the finish line. The negative consequences to not only the Kern parties, but really to large segments of the rest of the state that would result from putting Kern in probation, would be a catastrophic failure. It would undermine all of the good work that has been done and put a huge cloud over the status of the nearly 2 million acre-feet of water stored in Kern water banks. The Kern GSAs have done their job. The State Board staff has done its job. The State Board now needs to do its job and send jurisdiction over the Kern Subbasin back to DWR.

State Board Staff Recommendations

"Board staff concludes that the GSAs have substantially, though not completely, resolved the previously identified deficiencies and that with the substantial resolution of deficiencies the GSPs are likely to achieve the sustainability goal for the basin. Therefore, Board staff recommends that the Board return the Kern County Subbasin to DWR for review of the updated GSPs pursuant to Water Code section 10733.4 if the GSAs resolve three of the remaining issues:

(1) providing an adequate mitigation program for drinking water wells impacted by any constituent for which a minimum threshold is established in the GSPs, including 1,2,3-TCP, where groundwater activities cause concentrations to exceed those minimum thresholds.

(2) providing an adequate mitigation program for state small water system wells (or domestic wells with more than four service connections) impacted by groundwater management activities; and

(3) eliminating the Kern Non-Districted Land Authority GSA Joint Exercise of Powers Agreement May 2026 sunset provision, which would result in unmanaged areas of the subbasin that are a potential basis for state intervention."

REMINDER: Voting Period for QIP Referendum Ends September 10; 48% of Ballots Received by CDFA

MPC News Update

CDFA staff reported that as of September 2, 48% of the ballots mailed for the current Quota Implementation Plan (QIP) referendum have been received. The total number of valid ballots received will be determined when the envelopes are opened to tally, following the **September 10 voting deadline**.

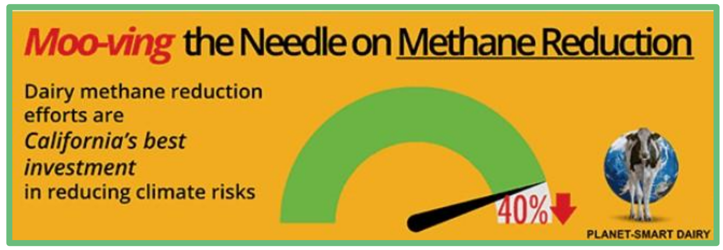
As a reminder, a "yes" vote would immediately terminate the QIP. A "no" vote will result in no change to the existing QIP. CDFA created a QIP 2025 Referendum page with various referendum materials for producers to review, including the official notice, exhibits, frequently asked questions, ballot checklist, and hearing findings. See these materials here. **If you would like to check if your ballot was received by CDFA, please contact David.Ko@cdfa.ca.gov.**

California's Best Investment: Moo-ving the Needle on Methane Reduction

Courtesy of Dairy Cares

Methane is a potent greenhouse gas with a significantly higher global warming potential than carbon dioxide over a 20-year timescale, making its rapid reduction a critical step in addressing climate change.

Fortunately, California's dairy farms are making remarkable progress.



The state's dairy farms have achieved an estimated annual reduction of **5 million metric tons of methane (CO_2e/year)**.

However, California's ambitious goal to reduce methane by 40% by 2030 will not be met without continued investment, particularly in cost-effective but highly underfunded dairy methane reduction programs.

California's dairy sector leads the nation in milk production, in addition to methane reduction efforts. Achieving 5-million-tons of annual reduction means the state's family dairy farms are more than two-thirds of the way to delivering their share of California's world-leading target: to reduce livestock methane emissions by 40 percent below 2013 levels by 2030. The state is the only jurisdiction with such a target set in statute, established by SB 1383, passed in 2016. Given methane's powerful warming effect and short-lived nature, reducing methane is critical to near-term slowing of global warming.

California dairy farms have achieved methane reduction through several ongoing strategies:

- **Methane Capture and Utilization**- California has 168 dairy digesters operating with about 75 more projects in development. Digesters capture methane from manure storage and put it to productive use as carbon-negative transportation fuel or other renewable energy needs. As projects under development come online, methane from manure will be captured from 270 dairy farms, creating either renewable electricity, renewable natural gas, or hydrogen fuel. **Estimated total annual reductions from projects operating to date are 2.53 million MTCO2e.** (Source: CDFA DDRDP)

- **Methane Avoidance**- California dairy farms have implemented more than 128 alternative manure management projects, with another 65 projects funded and in development. Projects include manure separators, compost pack barns, manure scrape and vacuum systems, and other practices that avoid methane creation from manure management operations. **Estimated total annual reductions from projects operating to date are 254,000 MTCO2e.** (Source: CDFA AMMP)

- **Milk Production Efficiency/Herd Attrition**- California dairy farms continue to shrink their environmental footprint by producing more milk (or consistent total milk volume) with fewer cows. Milk production efficiencies continue to be gained in many ways, including improved animal nutrition, selective breeding, and enhanced animal care and comfort. Overall, while total milk production has remained relatively stable, the number of dairy cows in California has continued to shrink, resulting in far fewer emissions. **Estimated total annual reductions achieved to date (2013 to 2022) are 2.13 million MTCO2e.** (Source: CARB California Dairy & Livestock Database)

Continue reading here.

California Milk Advisory Board Meeting September 10-11 in Merced

Courtesy of the California Milk Advisory Board

The California Milk Advisory Board (CMAB) will host its next Board of Directors Meeting on:

Wednesday, September 10 – 7:30 a.m.
Thursday, September 11 – 8 a.m.

UC Merced Conference Center
5200 North Lake Road
Merced, CA 95343

The CMAB Board meeting is open to any California dairy producer. If interested in attending, please RSVP to Tracy Garza at tgarza@cmab.net or 209-690-8252.

Congress is Back: Funding, Farm Bill on To-Do List

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

The House and Senate reconvened on Tuesday after a month-long August recess. Lawmakers have just over three weeks to avert a government shutdown Oct. 1. The House and Senate have each passed three of their fiscal year 2026 funding measures, but Republicans and Democrats are not close to a full-year funding deal. A short-term funding bill of some duration will be needed, but the length has not been determined.

Congress also needs to enact a "skinny farm bill" by the end of the calendar year to stave off a reversion to permanent farm law. While many farm bill programs and priorities were funded in the One Big Beautiful Bill Act enacted in July, Congress must still address a range of expiring authorities and policy items in a separate measure. House Agriculture Committee Chairman GT Thompson, R-PA, is interested in advancing a bill through his committee as soon as possible; it remains to be seen whether a law can be passed by the end of the year, or whether an extension will be needed.

While these debates play out, NMPF will seek to pass the Whole Milk for Healthy Kids Act through the Senate and then the House to finally return to schools the ability to offer students whole and reduced-fat milk, the two most popular U.S. varieties. We also will be urging action as soon as possible on ag labor reform. With legislative and administrative actions to increase border security on the books, now is the time to advance legislation that gives dairy farmers long-term workforce certainty.