MPC Weekly Friday Report

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To: Directors & Members
From: Kevin Abernathy, General Manager
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P.O. Box 4030, Ontario, CA 91761 • (909) 628-6018
Office@MilkProducers.org • www.MilkProducers.org • Fax (909) 591-7328

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
Jun 18 Est	No Change	$22.92	$16.07	$20.76
Last Week	$24.38 - $24.98	$23.02	$16.02	$20.99

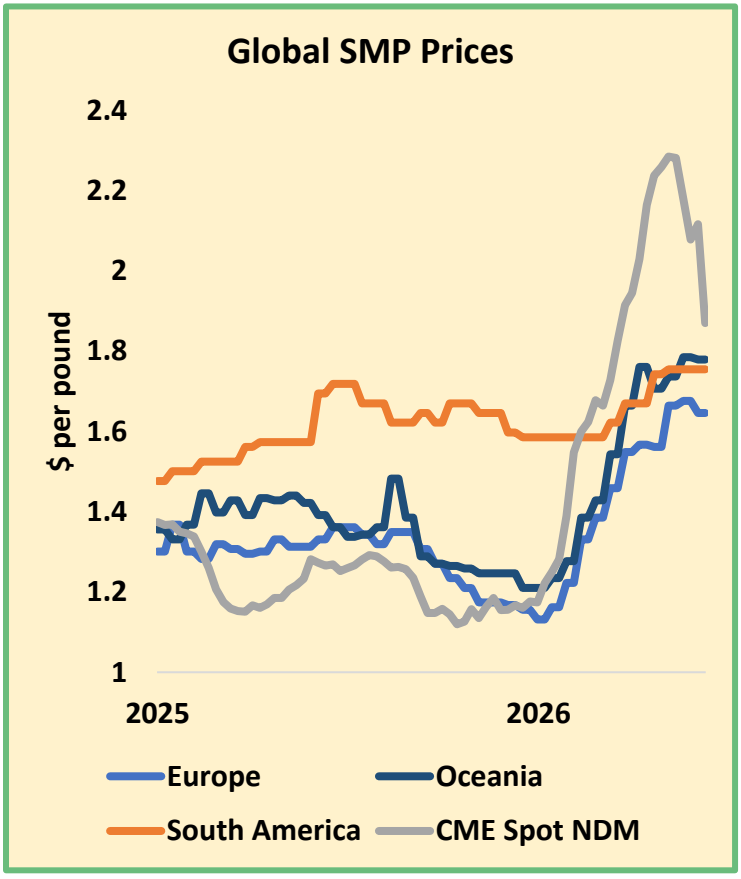


Milk, Dairy and Grain Market Commentary

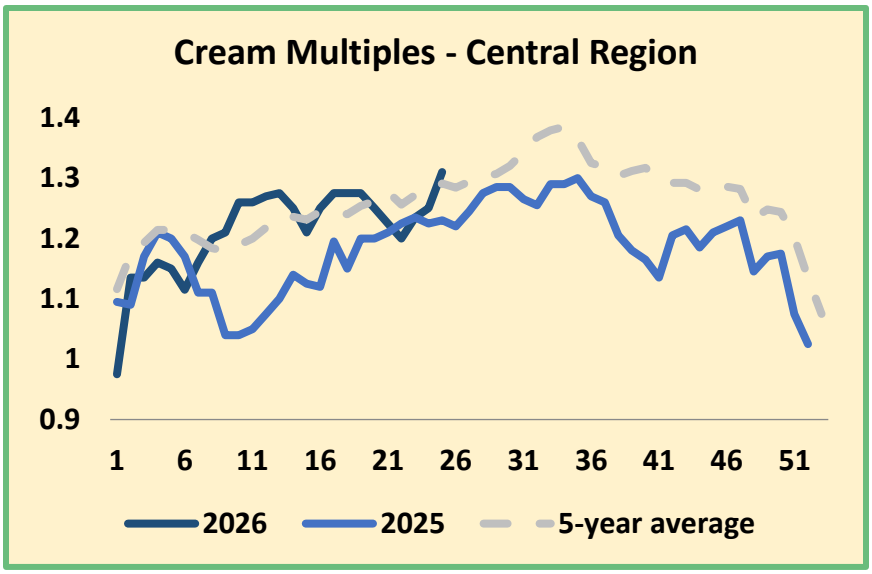
By Sarina Sharp, Daily Dairy Report
Sarina@DailyDairyReport.com

Milk & Dairy Markets

The ink ran red on LaSalle Street once again this week. The milk powder market led the retreat, with dramatic declines in CME spot nonfat dry milk (NDM) Monday, Tuesday, and Wednesday. But the bulls evinced some cautious optimism on Thursday, the last trading day of this holiday-shortened week, when spot NDM found a toehold and inched up slightly. Spot NDM finished the week at $1.64 per pound, down 14.5¢ from last Friday.

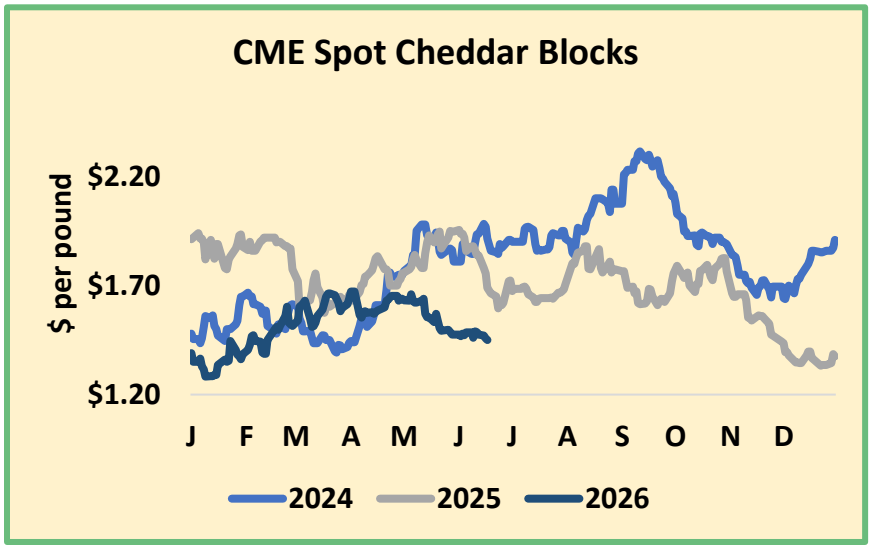


The U.S. milk powder market is hurrying to close the gap between American and international pricing. But the steep drop in U.S. milk powder values is weighing on powder prices around the world, making it harder for the U.S. to win the race to the bottom. Global Dairy Trade (GDT) skim milk powder (SMP) peaked in May, matching the shape – if not the record-smashing price – of the spot NDM market. It fell at each of

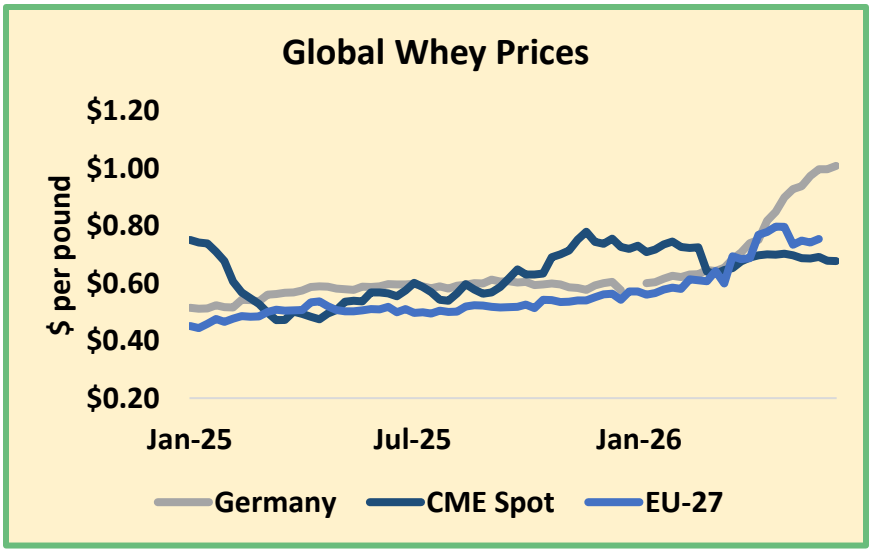


the past two auctions, including a 3.6% setback on Tuesday. After adjusting for protein, GDT SMP was roughly $1.63 per pound, still a little below the U.S. spot market. Demand for U.S. milk powder has dropped accordingly. USDA's *Dairy Market News* says that U.S. merchants "report light demand in domestic and international markets, and some say they are having a little success moving loads to Mexico." The futures predict NDM will retreat to the low $1.50s by August.

Butter prices dropped hard this week. They fell 11.25¢ to $1.555 per pound. Trading was active at the CME spot market, where participants exchanged 51 loads in just four sessions. Output is heavy in the West, and *Dairy Market News* reports churns there are running "at or close to full capacity." It's been unseasonably cool in the Midwest. Nonetheless, components are not quite as strong as they once were, and cream supplies are tightening. Ice cream makers are ramping up output, and cream multiples are on the rise.



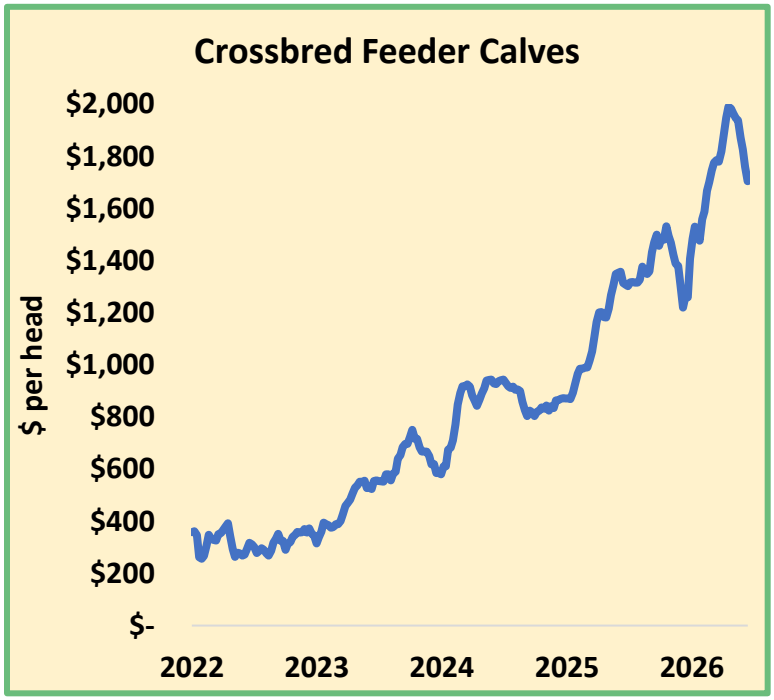
The cheese market also lost some ground. CME spot Cheddar blocks fell 3.75¢ to $1.46, a fresh four-month low. Domestic demand is lackluster at best. Cash-strapped consumers are spending more at the pump and less at restaurants. And cheese lacks the health halo that has boosted demand for many other products in the dairy case. Exports were strong through the first half of the year, and they'll need to remain so to prevent cheese from piling up. But anecdotal reports suggest that international buyers aren't calling as often as they once did, despite the recent declines in U.S. cheese prices. At Tuesday's GDT, Mozzarella prices dropped 5%, hinting at greater European competition for international sales.



The whey market held steady at 68¢. The fundamentals remain the same. Output is rising along with cheese production, but supplies remain balanced. Consumers simply can't get enough protein, and whey concentrates and isolates offer the macronutrient in one of its most palatable and flexible forms. When American buyers balk at the price, U.S. manufacturers simply call the next customer, and increasingly that means ringing up a contact in Europe. While U.S. whey powder prices have gone nowhere at all for nearly three months, over the same period German whey has jumped 52%.

Stability in the whey market was not enough to stave off the decline in milk futures. The June Class III contract regained a little ground but most other contracts lost 20 to 30¢. The futures forecast $16 Class III milk in June through August, with $17 milk thereafter.

With both butter and powder in decline, Class IV futures fell hard again. July and August lost more than a dollar, and deferred contracts dropped roughly 50¢. Dairy producers will enjoy one last month of big Class IV revenues, with June at $20.66 per cwt. Second-half futures are hovering in the $17s.



Thankfully, beef revenues are staying strong. Beef demand is resilient despite record-high prices, and cattle remain in short supply. Dairy producers are cashing massive checks every time they sell a load of cull cows or crossbred calves. But there are signs that those prices may be topping. At the weekly auction in New Holland, Pennsylvania, crossbred calves averaged about $1,700 per head, down from around $2,000 a month ago. And there's a little less competition for dairy cull cows among beef packers in the East and Midwest. This week JBS slowed to half-speed at its Souderton, Pennsylvania, facility, where it processes beef cattle and dairy cull cows. It plans to fully shut down the nation's oldest major beef plant by mid-August. The partial closure has already rippled through the cull cow markets in the region. There are fewer packers bidding on cattle at dairy auctions, and dairy producers can expect steeper discounts on cull cows. Beef incomes remain lofty, but these developments hint that it's going to be difficult to push them much higher.

Grain Markets

The grain markets bounced back from the recent lows. This looks to be a case of too much bearishness, too soon. Crops are mostly in good shape, but there are some soggy spots in the Corn Belt and some parched ground in the Plains. And there's a lot of growing season left. But the fundamentals still point to plentiful corn and soybean supplies. July corn futures regained 4.5¢ this week and closed at $4.175 per bushel. July soybeans rallied 9¢ to $11.22. July soybean meal inched down to $300.80 per ton.

CDFA and CDRF Open $34M in Funding for Dairy Plus Projects

Courtesy of the California Department of Food and Agriculture

California dairy facilities are now invited to apply for the Dairy Plus Program (DPP) to implement advanced manure management solutions on farms across the state - reducing methane emissions, improving water quality, and addressing nitrogen and salt surpluses through innovative, sustainable projects.

The California Department of Food and Agriculture's (CDFA) Office of Agricultural Resilience and Sustainability (OARS), in partnership with the California Dairy Research Foundation (CDRF), is opening the third grant solicitation of the Dairy Plus Program.

Funded through the U.S. Department of Agriculture's Advancing Markets for Producers initiative, DPP has approximately $34 million available to invest in projects that support advanced manure management practices with several environmental benefits.

Since 2023, DPP has funded 34 projects across California. These projects are expected to reduce more than 1.5 million metric tons of carbon dioxide equivalent from manure management – equal to removing approximately 355,000 gasoline-powered cars from the road- and provide significant improvements in nitrogen management and water quality.

Eligible DPP projects include advanced approaches such as vermifiltration, advanced solid-liquid separation assisted by flocculants or beads, and mechanical and non-mechanical separation of manure solids from water. By supporting these next-generation manure management practices now, DPP can help accelerate practical solutions to strengthen environmental stewardship and long-term dairy sustainability in California and beyond.

How to Apply

Eligible applicants include:

Previous AMMP and DDRDP awardees

Dairy producers who have not received AMMP or DDRDP funding but have implemented, or are currently implementing, approved AMMP or DDRDP practices using private or alternative funding sources.

Application Deadline

Applications must be submitted by **Monday, September 14, 2026, at 5:00 p.m. PT**.

More Information

For complete details on eligibility requirements, application materials, awarded projects, and approved practices, visit CDFA's **Dairy Plus Program** webpage.

How Much Flow Preserves the Delta?

By Edward Ring, California Policy Center

Note from Geoff Vanden Heuvel, Director of Regulatory and Economic Affairs
Our friend Ed Ring continues to do great work putting forward important context for policy makers in California. Since the early 1990s, multiple layers of regulations have been imposed to comply with a wide variety of different environmental laws, severely constricting the flow of water through the delta – the heart of California's water delivery system. This article by Ed Ring takes a step back and asks a question that as a society we need to be asking. It is worth the read.

When choosing what policies and projects might best ensure abundant water for California's ecosystems, farms, and cities, the role of the delta is central. Even if large scale desalination were to someday deliver over a million acre feet of water per year to California's coastal cities, how we manage the delta affects many times that amount.

The numbers easily reveal the scale of the opportunity. When comparing how much water flowed into the San Francisco Bay versus how much water was exported via the state and federal pumps, here is the data for the last seven water years (10/01 through 9/30 of the following year):

2020 – 7.0 MAF to bay, 3.5 MAF exported
2021 – 4.1 MAF to bay, 1.5 MAF exported
2022 – 6.0 MAF to bay, 2.1 MAF exported
2023 – 27.2 MAF to bay, 5.2 MAF exported
2024 – 18.1 MAF to bay, 4.2 MAF exported
2025 – 18.6 MAF to bay, 4.8 MAF exported
2026 (through 6/15) – 12.9 MAF to bay, 2.7 MAF exported

Regardless of how one may assess the many restrictions that govern how much water can be pumped into the aqueducts, and when, it is reasonable to accept that total exports are going to be lower in dry years than during wet years. This is reflected in the data.

But during wet years, shouldn't a statewide water strategy recognize some maximum amount of flow from the delta into the SF Bay necessary to preserve ecosystem health? And if so, couldn't we consider any outflow beyond that amount simply overkill, and therefore wasted if it isn't diverted?

The implications of agreeing on such an assessment aren't trivial. If, for example, 15 million acre feet was chosen as the magic number, the discussion could then turn to what projects could be developed that could safely remove 100 percent of any flow in excess of that amount. And what if that was state water policy, and what if those projects existed?

Over the most recent three full water years, if we had managed to harvest all delta flow in excess of 15 million acre feet in any given year, we could have exported 33.1 MAF over the three year period. That's more than twice the amount that was actually exported during that time period, 14.2 MAF.

Nuances the size of Lake Tahoe abound, of course, when engaging in such uninhibited speculation. But none of them change the facts or decisively undermine the potential. We need a combination of more storage upstream from the delta, greater capacity to safely withdraw water from the delta, and more storage downstream along the aqueducts. And if we did that, not millions of acre feet, but tens of millions of additional acre feet of water would be available.

When it comes to storage, new instream and off-stream reservoirs are possibilities. Underground storage solutions are less controversial and offer limitless capacity. In many cases the percolation basins can also serve as flood bypasses and valuable seasonal habitat. At a percolation rate of 0.5 feet per day, which is a moderate to high-permeability site, if 20,000 acres were inundated for 100 days, they could store a million acre feet. Drop the rate by half, to 3 inches per day, which is a common soil type, and up the goal to 2 MAF in a single winter, and you would have to allocate 80,000 acres for percolation. That's less than 2 percent of the total irrigated farmland in the San Joaquin Valley. And why stop there?

Getting water out of the delta and moved south during high flow is the toughest challenge. The first step is to restore capacity to the aqueducts. If the Delta Mendota and California aqueducts, along with the pumps that feed them, both operated at 100 percent of capacity for 100 days, and at 40 percent of capacity the other 265 days, they could move 6.2 million acre feet a year. We could start right there. But how could water be more safely extracted from the delta?

Continue reading here.