

# 2025 Dairy Outlook

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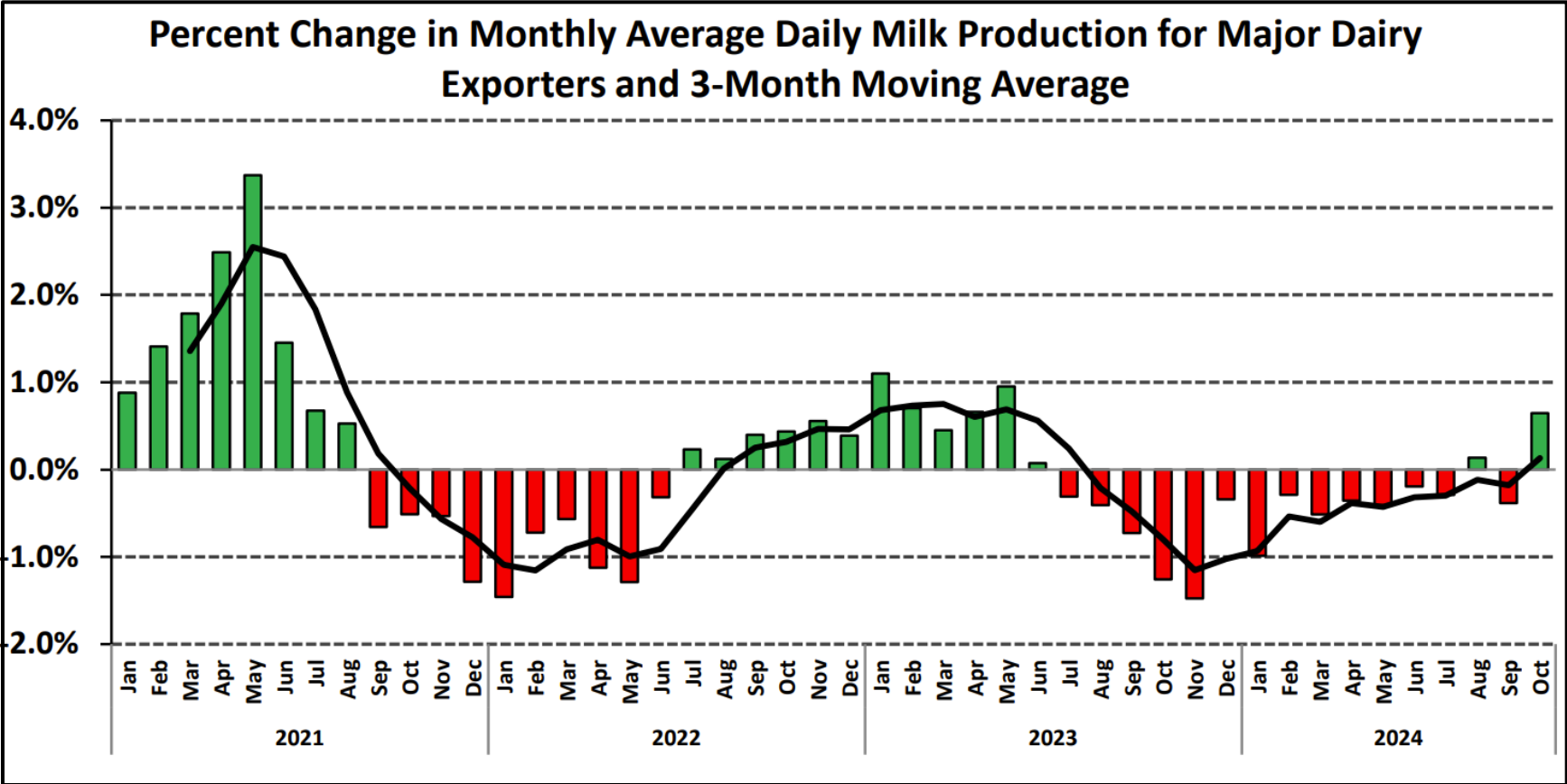
# Outline

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1. Recent trends in dairy sector
2. Key Drivers of Risk and Change: Final Decision on Federal Milk Marketing Orders
3. Future Outlook: Dairy Prices and Margins

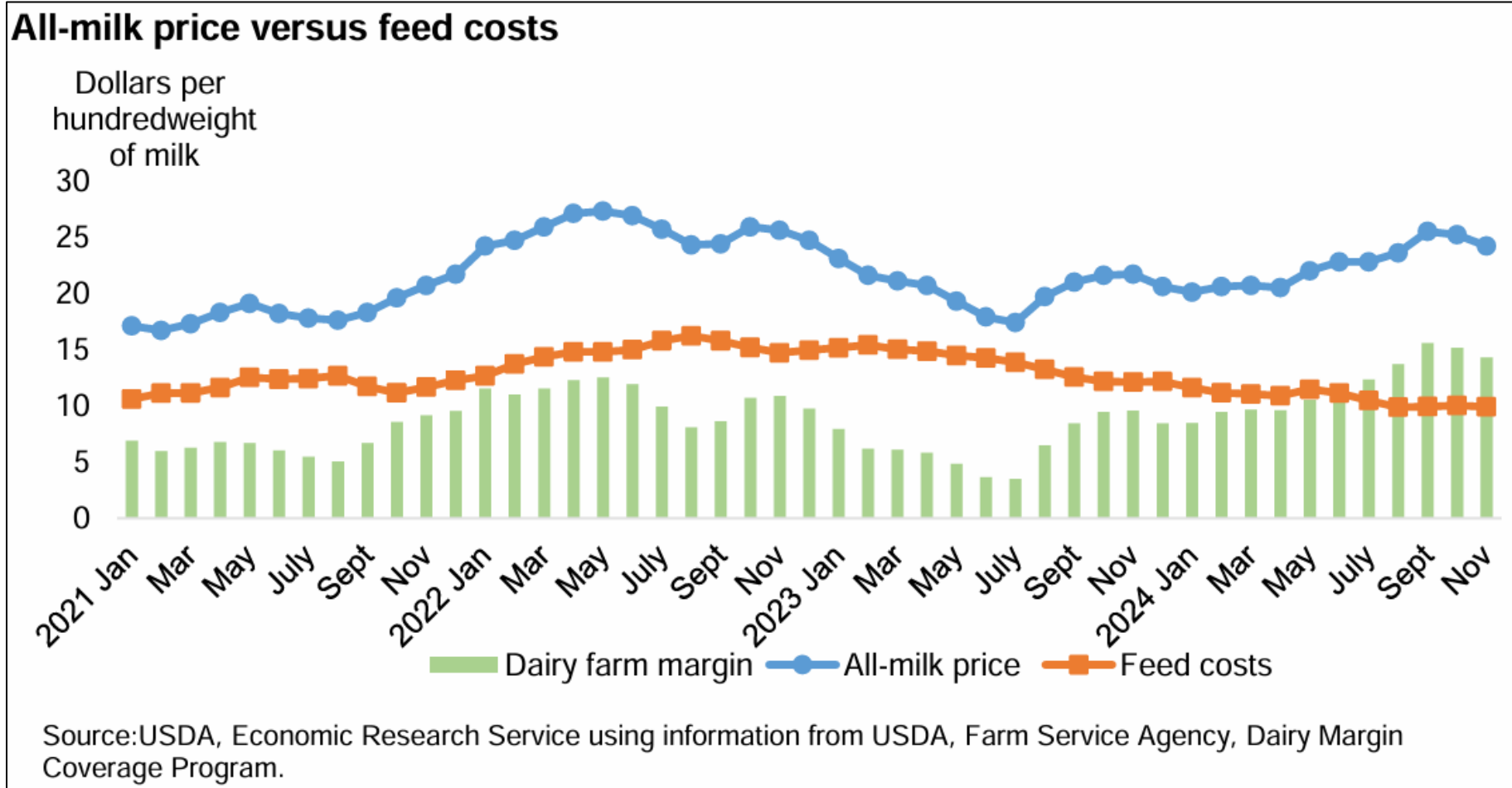
# Recent trends in the dairy sector

# Worldwide milk supply is slowly returning



Note: --Includes Argentina (MinAg), Australia (Dairy Australia), EU (EuroStat), New Zealand (DCANZ), and U.S (NASS).

# Last year- Margin recovering with lower feed costs



# Dairy herd, production slowly increasing

Years Quarters	2023	2024					2025				
	Annual	I	II	III	IV	Annual	I	II	III	IV	Annual
Milk cows (thousands)	9,386	9,337	9,330	9,331	9,370	9,340	9,380	9,385	9,395	9,390	9,390
Milk per cow (pounds)	24,118	6,100	6,150	6,008	5,910	24,170	6,045	6,160	6,020	5,975	24,200
<b>Milk production (billion pounds)</b>	226.4	57.0	57.4	56.1	55.4	225.8	56.7	57.8	56.6	56.1	227.2
Farm use	1.0	0.2	0.2	0.3	0.3	1.0	0.2	0.2	0.3	0.3	1.0
Milk marketings	225.4	56.7	57.1	55.8	55.1	224.8	56.5	57.6	56.3	55.9	226.2
<b>Milk prices (dollars/hundredweight) <sup>1</sup></b>											
All milk	20.34	20.47	21.77	23.97	24.20	22.60	23.40	22.90	22.70	23.20	23.05
Class III	17.02	15.86	17.97	21.26	20.47	18.89	20.25	19.95	19.50	19.05	19.70
Class IV	19.12	19.78	20.56	21.73	20.92	20.75	20.55	20.60	21.05	20.95	20.80

## USDA 2025 forecasts:

- + 0.5% more milk cows
- + 0.1% milk per cow
- +0.6% milk production
- +2% in all milk price

# Key Drivers of Risk and Change

Impact of Final Decision on Federal Milk Marketing Orders

# Federal Milk Marketing Orders (FMMO)

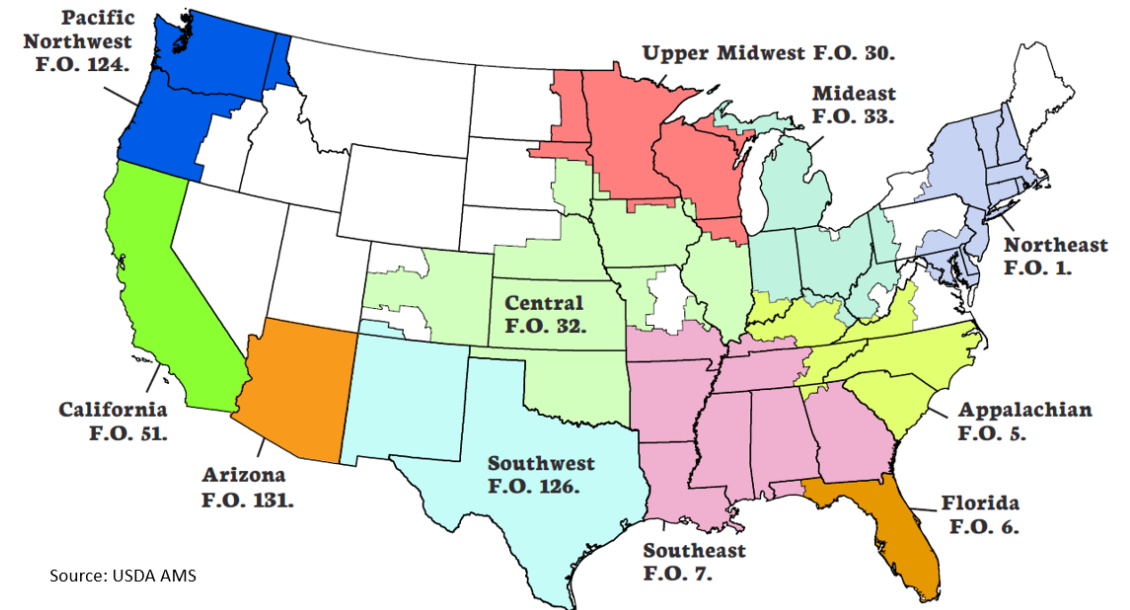
FMMOs:

- Promote Orderly Marketing Conditions
- Improve Dairy Farmers' Income
- Balance Bargaining Power
- Ensure Consumer Access to Quality Milk

**FMMOs establish minimum prices for milk**

Changes in formulas were announced on January 16 and will be implemented in June and December 2025.

## Federal Milk Marketing Order Areas

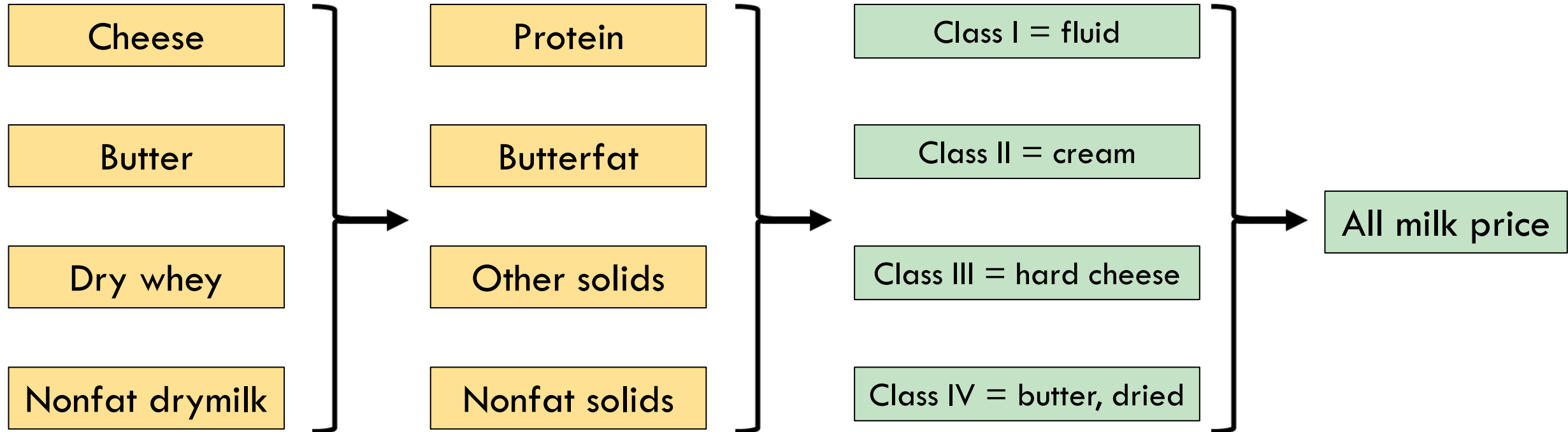


# Classified price system

Product prices \$/lb

Component price \$/lb

Class milk prices \$/cwt



# #1 Skim milk composition factors increased

Skim Milk Composition Factor	Current	Final
Protein	3.10%	3.30%
Other Solids	5.90%	6.00%
Nonfat Solids	9.00%	9.30%

Why is it good for producer?  
Because milk is paid for its components!

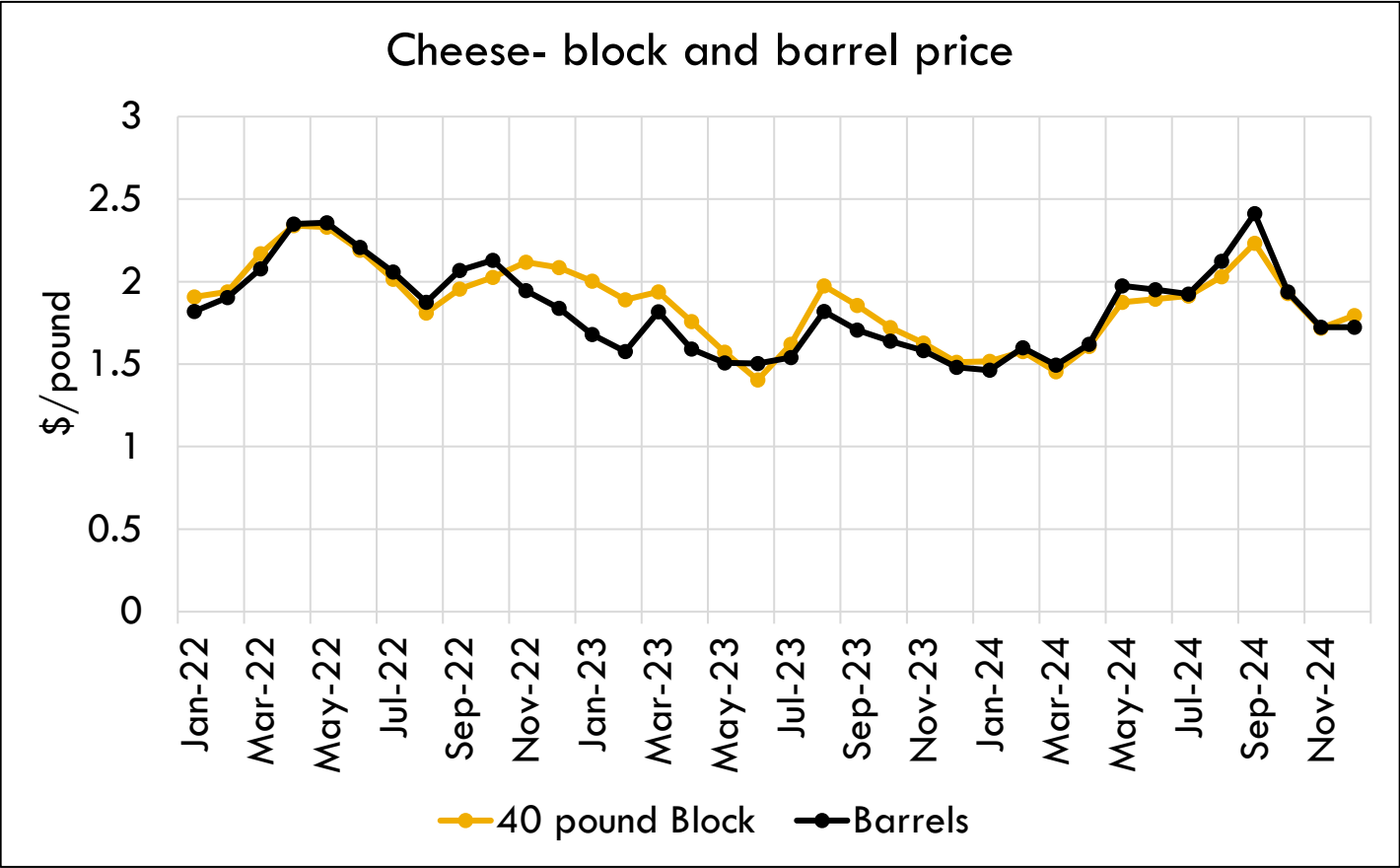
## #2 Make allowances increased

Allowance (\$/pound)	Current	Final
Cheese	\$0.20	\$0.25
Butter	\$0.17	\$0.23
Nonfat Dry Milk	\$0.17	\$0.24
Dry Whey	\$0.20	\$0.27

**Price of the component = (Product price – Allowance) \* yield**

- Butter price = \$2.59/lb
- Allowance = \$0.17/lb
- Yield = 1.211 lb butter/lb butterfat
- **Butterfat price (current) = (2.59 – 0.17) \* 1.211 = \$2.93/lb**
- **Butterfat price (new) = (2.59 – 0.23) \* 1.211 = \$2.86/lb**

# #3 barrel cheddar cheese prices removed from formulas



2022 to 2024	Block (\$/lb)	Barrels (\$/lb)	Difference (\$/lb)
<b>Mean</b>	1.87	1.83	0.04
<b>Minimum</b>	1.40	1.46	-0.18
<b>Maximum</b>	2.34	2.41	0.32

# #4 Class I skim milk price formula changed

Current:

- Class I skim milk = **Average of Class III and Class IV skim milk + 0.74**

Final:

- Class I skim milk = **Higher of Class III and Class IV skim milk**

2022 to 2024	Current	Final	Higher of - Average of
Mean (\$/cwt)	21.12	21.57	0.45
Minimum (\$/cwt)	16.76	18.10	-0.60
Maximum (\$/cwt)	26.17	25.87	1.67

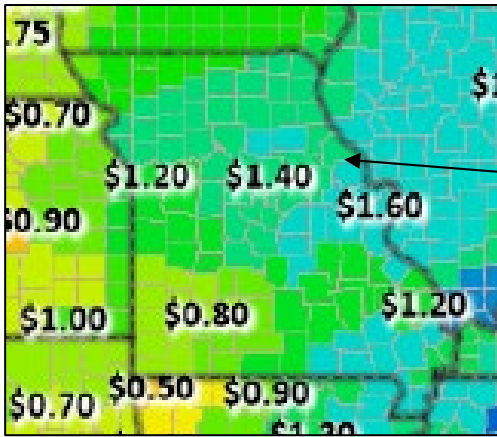
# #5 Class I extended shelf life (ESL) adjustment

- ESL products: milk undergoes additional processing, such as ultra-pasteurization or microfiltration, to extend its shelf life beyond regular pasteurized milk.
- Two Class I skim milk prices:
  - Class I skim : higher of formula
  - Class I ESL: higher of + ESL adjustment
    - $\text{ESL adjustment} = \text{“higher of”} - \text{“average of”} + \text{24-month rolling average adjuster with a 12-month lag.}$

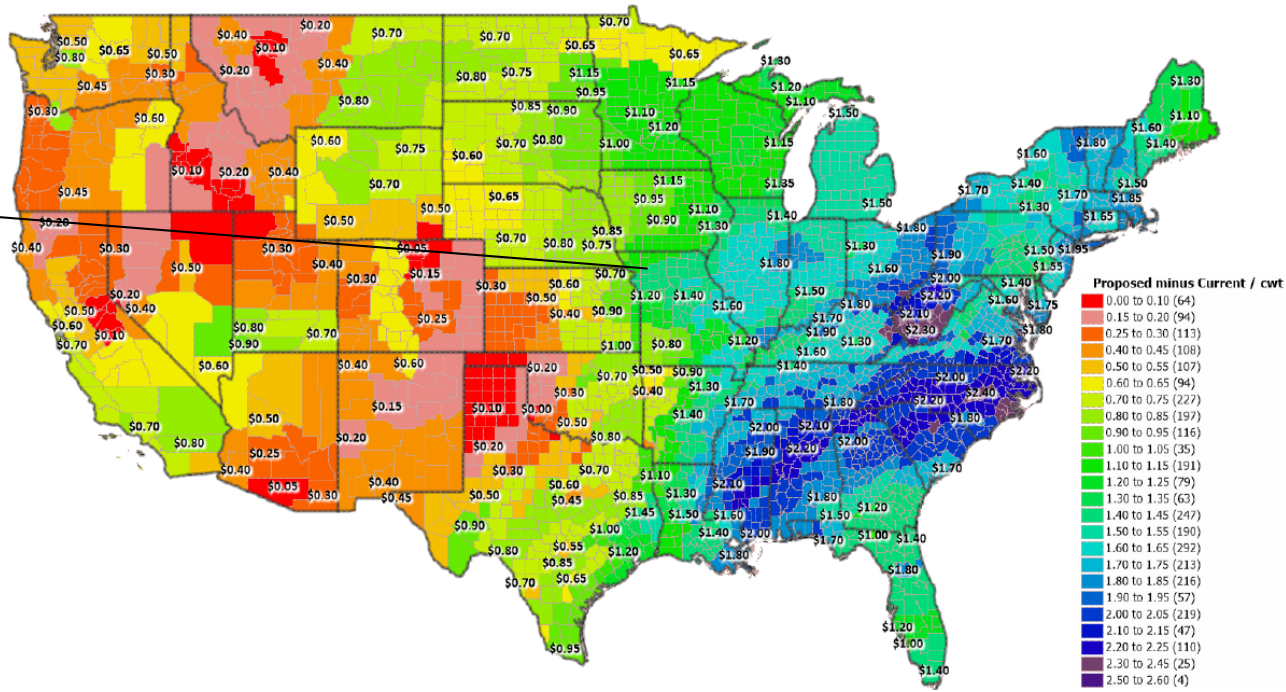
# #6 Class I differential increased

Class I Price = Base price + Differential

Approved Changes in Class I Differential



Good for the producer!



# Amendments to the FMMO

- #1. Skim milk composition factors increased **Impact +**
- #2. Make allowances increased **Impact -**
- #3. 500-pound barrel cheddar cheese prices removed from formulas **Impact +**
- #4. Class I skim milk price formula changed **Impact +**
- #5. Class I extended shelf life (ESL) adjustment for all ESL products. **Impact +**
- #6. Class I differential values updated **Impact +**

Valid after June 1, 2025. Except #1, which will start Dec. 1, 2025.

# Amendments to the FMMO- Impact on prices for MO

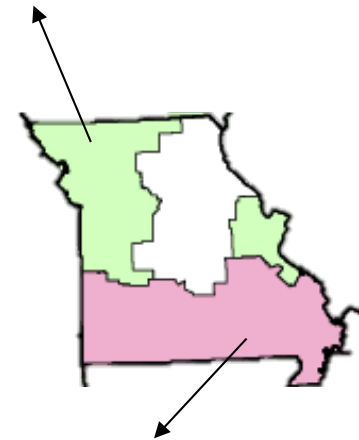
Price component	Current*	Final Decision*
Butterfat price (\$/lb)	2.93	2.86
Protein Price (\$/lb)	1.93	1.83
Nonfat solids price (\$/lb)	1.22	1.15
Other Solids Price (\$/lb)	0.43	0.36
Class IV skim milk price (\$/cwt)	10.95	10.66
<b>Class IV price (\$/cwt)</b>	<b>20.82</b>	<b>20.30</b>
Class III Skim Milk Price (\$/lb)	8.54	8.23
<b>Class III Price (\$/cwt)</b>	<b>18.50</b>	<b>17.97</b>
Class II Skim Milk Price (\$/cwt)	11.65	11.36
<b>Class II Price (\$/cwt)</b>	<b>21.52</b>	<b>21.00</b>
Base Class I Skim Milk Price (\$/cwt)	10.48	10.66
<b>Base Class I Price (\$/cwt)</b>	<b>20.37</b>	<b>20.30</b>
Class I differential- average for MO (\$/cwt)	2.01	3.38
<b>Class I price (\$/cwt)</b>	<b>22.38</b>	<b>23.68</b>

\* Using Jan. 2025 product prices

	Class I	Class II	Class III	Class IV
<b>F.O. 32</b>	31%	10%	40%	20%

Current: \$20.44/cwt

Final: \$20.48/cwt



	Class I	Class II	Class III	Class IV
<b>F.O. 7</b>	70%	17%	5%	7%

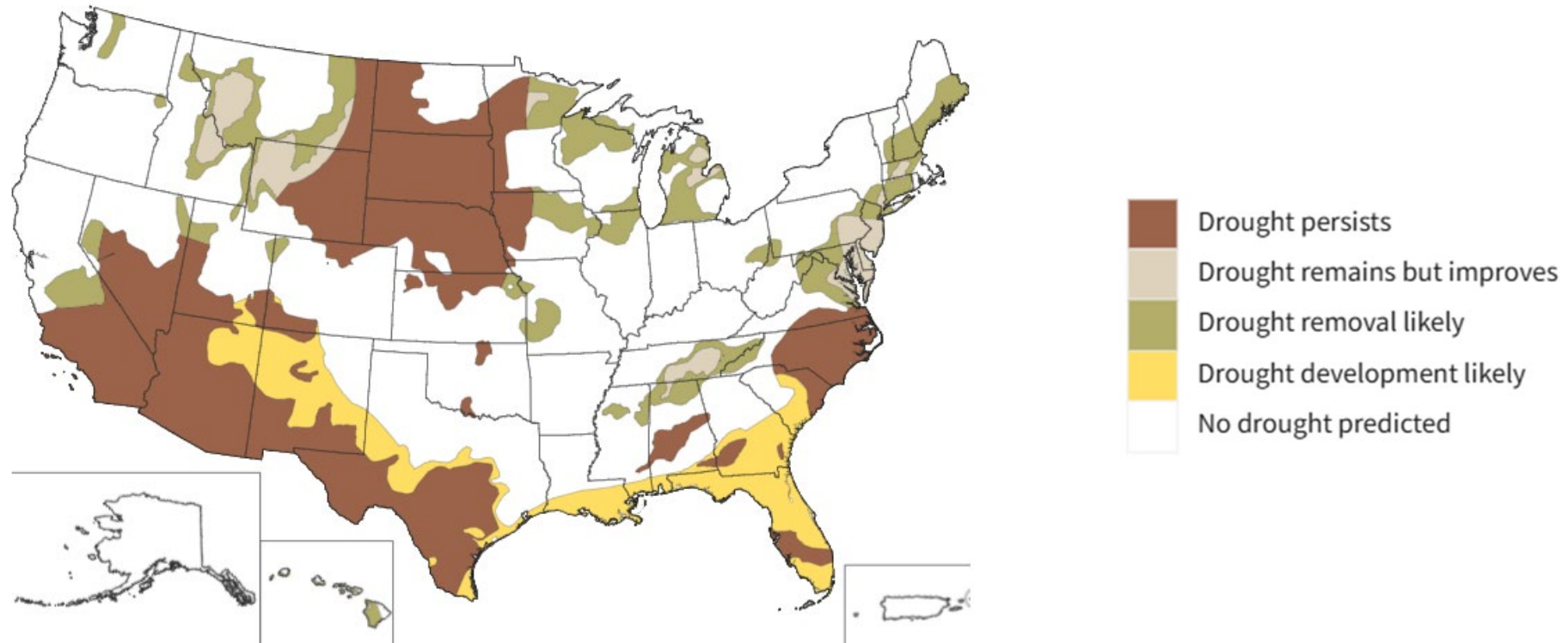
Current: \$21.93/cwt

Final: \$22.69/cwt

# Future Outlook

# 3-month Seasonal Drought Outlook- Looks fine

## U.S. Seasonal (3-Month) Drought Outlook



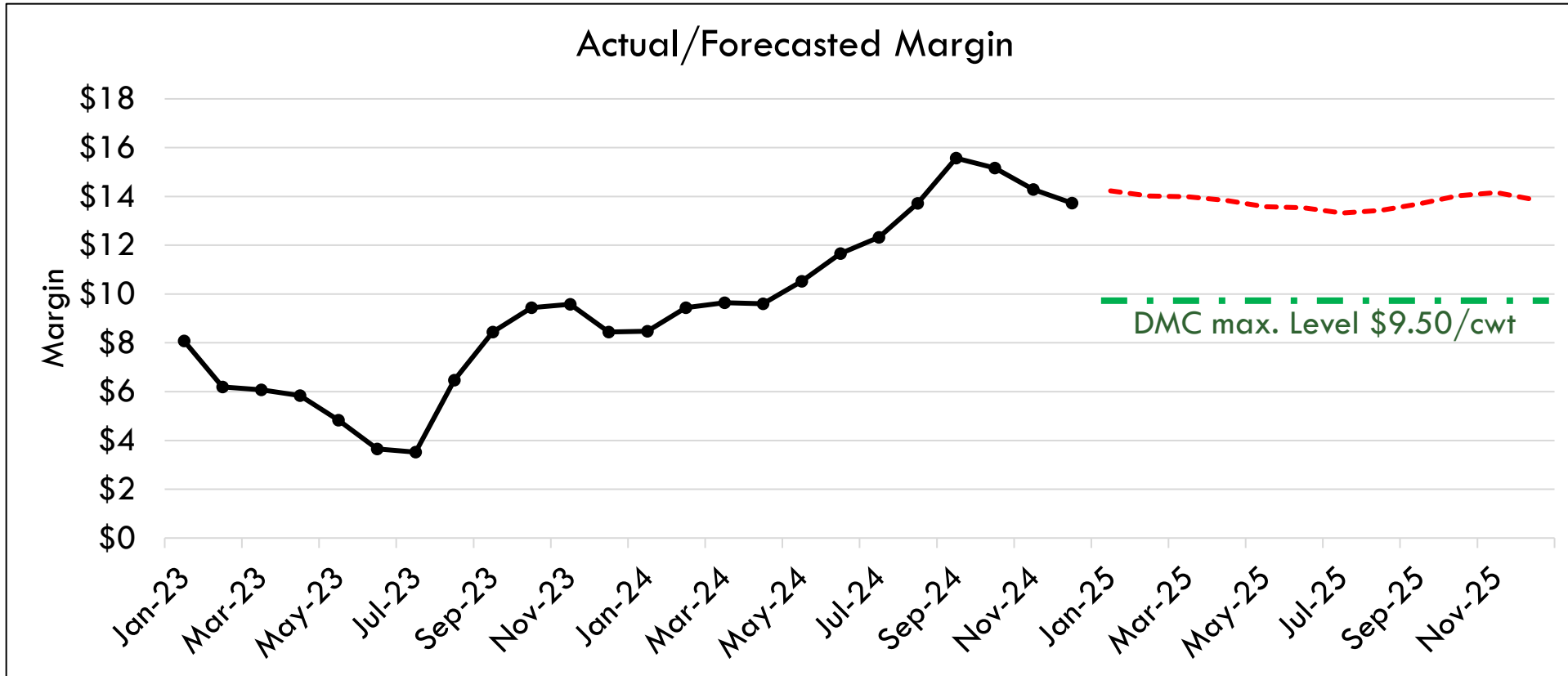
Source: [U.S. Seasonal Drought Outlook](#) | [Drought.gov](#). Updated in January, 2025.

# Future markets for 2025- Milk and feed



Source: [CME quotes](#), 02/04/2025.

# USDA Dairy Margin Forecast- seems promising and stable



Enrollment into USDA Dairy Margin Coverage for 2025 = January 29-March 31, 2025, at FSA Office.

Source: [Dairy Markets & Policy](#) and [Dairy Margin Coverage Program \(DMC\) | Farm Service Agency](#).

# Summary

- **Supply:** Milk production steady; weather risks not high in first 3 months.
- **Demand:** Slower domestic growth; export to Mexico, Canada, and China might be impacted by new tariffs
- **Margins:** Lower milk prices forecasted (CME); slightly rising feed costs, but still manageable.
- **Amendments to the FMMO- impact (using Jan. 2025 prices):**
  - negative on Class II, III, and IV;
  - positive on Class I.
- **Key Strategy:** Focus on component yields (butterfat, protein) to offset price declines.

# Questions?

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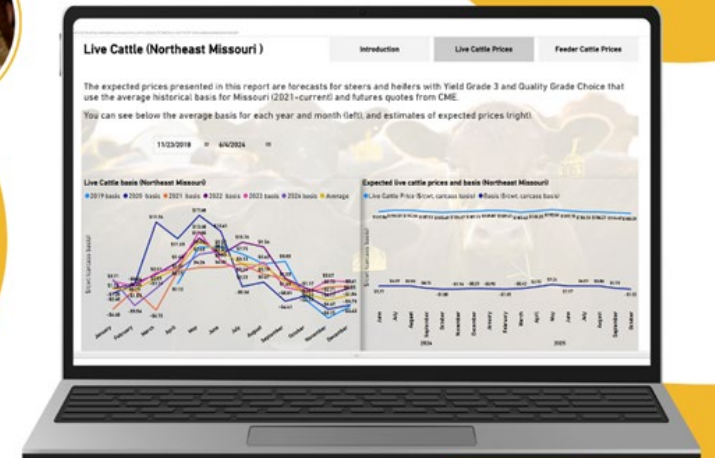
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