



WEEKLY DAIRY OUTLOOK

January 13th, 2025

This short weekly newsletter provides you with a summary of current dairy prices, translates product prices into component prices, and summarizes major dairy related news.

Table 1. Spot dairy products prices on Friday January 3rd and Friday January 10th, and their implied component prices.

| | Jan 3, 2025 | Jan 10, 2025 | Change | Month to date |
|------------------------------------|-------------|-----------------------|---------|---------------|
| CME cheddar cheese | | | | |
| - blocks (\$/lb) | 1.9200 | 1.8200 | -0.1000 | 1.8700 |
| - barrels (\$/lb) | 1.8300 | 1.8500 | +0.0200 | 1.8400 |
| CME butter (\$/lb) | 2.5525 | 2.6000 | +0.0475 | 2.5763 |
| CME Dry whey (\$/lb) | 0.7500 | 0.7400 | -0.0100 | 0.7450 |
| CME Nonfat dry milk (\$/lb) | 1.3675 | 1.3650 | -0.0025 | 1.3638 |
| | | Implied Prices | | |
| Butterfat (\$/lb) | 2.88 | 2.94 | +0.06 | 2.91 |
| Protein (\$/lb) | 2.41 | 2.22 | -0.19 | 2.31 |
| Other solids (\$/lb) | 0.57 | 0.56 | -0.01 | 0.56 |
| Class III (\$/cwt) | 20.53 | 20.10 | -0.43 | 20.32 |
| Class IV (\$/cwt) | 20.41 | 20.59 | +0.18 | 20.50 |

Comments

In spite of a significant decline in cheese production reported for November (see *Dairy Products Report* later in this newsletter), both the cash and futures cheese markets were down last week. Meanwhile, butter prices were up in both markets despite a reported 4.4% increase in butter production in November. Traders seem focused on the 3 large new cheese plants to soon be in production on the cheese side, and the HPAI outbreak in California on the butter side.

Table 2. Six-month strip of dairy futures at closing time last Friday, and changes in their 6-month averages from the prior Friday closings¹.

| | Cheese (\$/lb) | Butter (\$/cwt) | Dry Whey (\$/cwt) | NDM (\$/cwt) | Class III (\$/cwt) | Class IV (\$/cwt) |
|----------------------|----------------|-----------------|-------------------|--------------|--------------------|-------------------|
| January | 1.878 | 264.000 | 71.500 | 139.125 | 20.23 | 20.98 |
| February | 1.869 | 271.500 | 72.250 | 137.250 | 20.27 | 21.10 |
| March | 1.849 | 276.625 | 72.000 | 134.425 | 20.02 | 21.00 |
| April | 1.856 | 278.000 | 71.000 | 132.725 | 19.65 | 20.95 |
| May | 1.855 | 280.000 | 69.525 | 132.850 | 19.31 | 20.50 |
| June | 1.870 | 282.000 | 67.500 | 134.000 | 19.20 | 20.64 |
| Average | 1.863 | 275.354 | 70.629 | 135.063 | 19.78 | 20.86 |
| Weekly Change | -0.024 | +4.408 | +1.073 | -1.088 | -0.14 | +0.05 |

¹ Futures prices on the Chicago Mercantile Exchange

Based on the next 6-month futures, the implied 6-month prices of milk components used in Class III and nonfat solids used in Class I, II, and IV pricings are reported in Table 3.

Table 3. Translation of futures dairy product prices into futures component prices.

| | Butterfat (\$/lb) | Protein (\$/lb) | Other Solids (\$/lb) | Nonfat Solids (\$/lb) |
|---------------|----------------------|--------------------|-------------------------|--------------------------|
| January | 2.99 | 2.26 | 0.53 | 1.21 |
| February | 3.08 | 2.13 | 0.54 | 1.19 |
| March | 3.14 | 2.00 | 0.54 | 1.16 |
| April | 3.16 | 2.01 | 0.53 | 1.15 |
| May | 3.18 | 1.98 | 0.51 | 1.15 |
| June | 3.21 | 2.00 | 0.49 | 1.16 |
| Average | 3.13 | 2.06 | 0.52 | 1.17 |
| Weekly Change | +0.05 | -0.13 | +0.01 | -0.01 |

- Table 4 reports price quotations for butter, skim milk powder/nonfat dry milk (SMP/NDM), whole milk powder (WMP), and cheddar from the top three exporting blocks of countries (the European Union taken as a whole) in early January and their relative biweekly price changes.

Table 4. World price quotations of 4 major dairy commodities as of January 5th, 2025.

| | US\$/lb | | | Biweekly Change (%) | | |
|---------|---------|---------|------|---------------------|---------|------|
| | E.U. | Oceania | U.S. | E.U. | Oceania | U.S. |
| Butter | 3.58 | 2.98 | 2.55 | -2.0 | -0.8 | +1.4 |
| SMP/NDM | 1.22 | 1.27 | 1.37 | -0.2 | -1.3 | -0.4 |
| WMP | 2.06 | 1.75 | 2.27 | +0.1 | -1.6 | +0.9 |
| Cheddar | 2.18 | 2.16 | 1.91 | +1.1 | n.c. | +3.4 |

- The USDA released its *Dairy Products report* for the month of November. Unlike the USDA report, in this newsletter all production data are expressed *on a daily basis* to properly compare months with different number of days.

Total cheese output stood at 38.392 million lbs/day in November, down 1.7% from November 2023, and also down by 3.0% compared to October 2024. Daily production of American-style cheese was down 4.9% compared to November of last year, and also down 5.0% compared to October of this year. More importantly, daily production of cheddar cheese – the one and only cheese whose price is used for component pricing in the FMMOs – was way down compared to both November of last year and October of this year.

On the powder side, daily production of NDM and SMP combined was down 10.9% compared to November of last year, but up 3.9% compared to October of this year.

Overall, daily butter production was up when compared to both November 2023 and October 2024. This was rather surprising considering that California, the largest butter producing state (over 30% of the national butter production) reported a 12.8% year-over-year decline in production. The *Dairy Products report* details production from only

2 states (CA and PA) because all other states have fewer than 3 plants reporting. The increase butter production occurred primarily in the central region (+13.3% year-over-year).

Daily dry whey production was substantially down in November compared to November of last year, but marginally up compared to October of this year.

The balance of the USDA report is summarized in Table 5.

Table 5. USDA Dairy Products Report, November 2024 (amounts are in million pounds *per day*).

| | Nov 2024 (million lbs/d) | % Change from Nov 2023 | % Change from Oct 2024 |
|--------------------------|-----------------------------|---------------------------|---------------------------|
| <i>Cheese</i> | | | |
| Total Cheese | 38.392 | -1.7 | -3.0 |
| American-style | 14.932 | -4.9 | -5.0 |
| Cheddar | 10.359 | -3.4 | -3.8 |
| Italian-style | 16.422 | +1.1 | -0.4 |
| Mozzarella | 12.905 | +1.8 | -1.5 |
| <i>Butter</i> | 5.693 | +4.4 | +4.4 |
| <i>Dry Milk Products</i> | | | |
| Nonfat Dry Milk | 4.004 | +2.8 | -1.0 |
| Skim Milk Powder | 1.568 | -33.5 | +18.6 |
| Combined | 5.573 | -10.9 | +3.9 |
| <i>Whey Products</i> | | | |
| Dry whey – total | 2.205 | -3.5 | +3.1 |
| Lactose – total | 2.823 | +0.8 | -4.4 |
| Whey Protein Concentrate | 1.313 | -4.6 | +0.4 |

- Overseas, the Global Dairy Trade index went **down 1.4%** at the GDT auction held January 7th. Butter, cheddar and mozzarella prices were up from the prior session, but both SMP and WMP prices were down. The index went down simply because SMP and WMP drive over 80% of the index. Average prices and changes from the prior session were as follows:
 - Anhydrous milkfat: US\$ 3.25/lb - 1.6%
 - Butter: US\$ 3.09/lb +2.6%
 - Cheddar: US\$ 2.14/lb +1.0%
 - Lactose US\$ 0.41/lb - 2.4%
 - Mozzarella: US\$ 1.89/lb +3.6%
 - Skim milk powder: US\$ 1.22/lb - 2.2%
 - Whole milk powder: US\$ 1.73/lb - 2.1%
- The U.S. is exporting cheese at a record pace: 87 million pounds of cheese were exported in November, up 2.4% from November 2023. Cumulatively for the first 11 months of 2024, cheese exports were up 17.5% compared to 2023, which itself was a record year. U.S. cheese prices are currently priced below those prevailing in the E.U. and Oceania, creating opportunities for additional exports. Currently, we are exporting around 7.5% of our cheese production. Mexico is by far the largest importer of U.S. cheese, accounting

for over 37% of all U.S. cheese exports. However, U.S. cheese exports could be severely affected if the U.S. entered into a tariff war that likely would result if the new administration proceeds with its intent to raise import tariffs.

- The USDA is forecasting the U.S. all-milk price to average \$22.55/cwt in 2025. This forecast is based on a forecast of **\$18.80/cwt for Class III** and **\$20.40 for Class IV**. These last two forecasts are significantly less than the current futures markets, which average **\$19.39/cwt for Class III** and **\$20.72 for Class IV** for all of 2025. Based on how well the USDA and the futures markets were able to forecast prices 12 month ahead in the past, I wouldn't wager a lot of money on their accuracy. We'll see.