



WEEKLY DAIRY OUTLOOK

February 3rd, 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 24th and Friday January 31st, and their implied component prices.

	Jan 24, 2025	Feb 31, 2025	Change	Month to date
CME cheddar cheese				
- blocks (\$/lb)	1.8325	1.8775	+0.0450	1.8680
- barrels (\$/lb)	1.8200	1.8100	-0.0100	1.8400
CME butter (\$/lb)	2.5300	2.4325	-0.0975	2.5290
CME Dry whey (\$/lb)	0.6925	0.6400	-0.0575	0.7130
CME Nonfat dry milk (\$/lb)	1.3475	1.3450	-0.0025	1.3585
		Implied Prices		
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Butterfat (\$/lb)	2.86	2.74	-0.12	2.85
Protein (\$/lb)	2.28	2.46	+0.18	2.37
Other solids (\$/lb)	0.51	0.45	-0.06	0.53
Class III (\$/cwt)	19.74	19.53	-0.21	20.10
Class IV (\$/cwt)	20.14	19.70	-0.44	20.24

Comments

On the CME cash markets, block cheese price went up last week while block price went down a trivial 1¢/lb. Prices of all other dairy commodities went down. Futures markets exhibited the same profile of changes in prices: the six-month strip of cheese futures remained essentially unchanged while those of all other dairy commodities were down. The drops in butter and whey prices were particularly acute. Cash and six-month strip of butter prices dropped 3.8% and 2.9%, respectively; cash and six-month strip of whey prices dropped 8.4 and 8.5% respectively.

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	1.889	260.700	72.100	138.250	20.38	20.73
February	1.871	252.850	68.200	133.600	19.94	20.29
March	1.842	254.075	63.075	130.750	19.36	20.00
April	1.845	258.500	61.000	130.075	19.25	20.10
May	1.846	262.000	60.750	130.775	19.16	20.34
June	1.880	266.000	60.500	132.000	18.65	19.57
Average	1.862	259.021	64.271	132.575	19.46	20.17
Weekly Change	+0.004	-7.821	-5.938	-2.396	-0.28	-0.47

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	2.95	2.34	0.54	1.20
February	2.85	2.38	0.50	1.16
March	2.87	2.27	0.44	1.13
April	2.92	2.22	0.42	1.12
May	2.97	2.18	0.42	1.13
June	3.01	2.24	0.42	1.14
Average	2.93	2.27	0.46	1.15
Weekly Change	-0.09	+0.11	-0.06	-0.02

- 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 mid-January and their relative biweekly price changes.

Table 4. World price quotations of 4 major dairy commodities as of January 19th, 2025.

	US\$/lb			Biweekly Change (%)		
	E.U.	Oceania	U.S.	E.U.	Oceania	U.S.
Butter	3.48	3.06	2.56	-2.8	+2.7	+0.4
SMP/NDM	1.20	1.25	1.37	-1.8	-1.8	-0.4
WMP	2.02	1.72	2.26	-2.3	-1.6	-0.4
Cheddar	2.24	2.18	1.88	+2.8	+0.8	-1.6

- This coming week, the USDA will be releasing component and minimum class prices in effect in the Federal Milk Marketing Orders (FMMOs) for the month of January. Of course, we do not know precisely what these prices will be, but based on the current information the following prices are expected:
 - Butterfat: \$2.90 to \$3.00/lb (up \$0.04/lb from last month)
 - Protein: \$2.25 to \$2.35/lb (up \$0.33/lb from last month)
 - Other Solids: \$0.52 to \$0.56/lb (up \$0.09/lb from last month)
 - Nonfat Solids: \$1.18 to \$1.23/lb (down \$0.01/lb from last month)
 - Class III: \$20.11 to \$20.41/cwt (up \$1.64/cwt from last month)
 - Class IV: \$20.64 to \$20.94/cwt (up \$0.05/cwt from last month)
- The new U.S. administration announced new tariffs of 25% on imports from Canada and Mexico, and of 10% on imports from China. It is likely that reciprocal tariffs will be imposed by the 3 above mentioned countries on their imports from the United States. Unfortunately for our dairy industry, (1) the U.S. now exports a significant proportion of its annual milk solids production, and (2) a substantial proportion of U.S. dairy exports have been to Canada, Mexico, and China. Table 5 reports the proportion of the national

production of major dairy products that was exported from January through November 2024, and the proportion of the exports that was destined to Canada, Mexico, and China combined. Clearly, the decision by our new administration regarding import tariffs could have a significant effect on our domestic prices due to a reduction in total demand (i.e., domestic and foreign) if Canada, Mexico and China decide to retaliate in a tit for tat that clearly would affect our volume of exported dairy products. Much has been written that the imposed tariffs would potentially increase prices paid by consumers for products imported from the 3 countries, but little has been written on the effects that retaliatory tariffs would have on domestic prices for those products that the U.S. is exporting to the 3 countries that are its 3 largest trading partners.

The new tariffs are scheduled to take effect on Tuesday.

Table 5. Total U.S. production of cheese, SMP+NFD, dry whey powder, and whey protein concentrate from January to November 2024, proportion of U.S. production that was exported, and proportion of exports that was exported to Canada, Mexico, and China.

	Jan-Nov '24 Production (MT)	Exported (% of Production)	Exported to Canada, Mexico and China (% of Exports)
Cheese	5,920,165	7.5	45.4
SMP+NFD	925,900	75.1	53.6
Dry whey powder	360,167	130.6 ¹	56.0
Whey protein concentrate	202,714	39.8	47.7
Whole milk powder	45,362	52.0	36.4

¹ Dry whey powder production is from the USDA January 6th, 2025 Dairy Products Report stating a total production from January to November 2024 of 793,988,000 lbs (360,167 MT). The amount of dry whey exported (470,270 MT) during the same period is from the U.S. Dairy Export Council. Either the U.S. exported a large amount of dry whey that was in storage prior to January 2024, or one of the two reported figures is wrong. Or else I have gone senile and can no longer do elementary algebra.