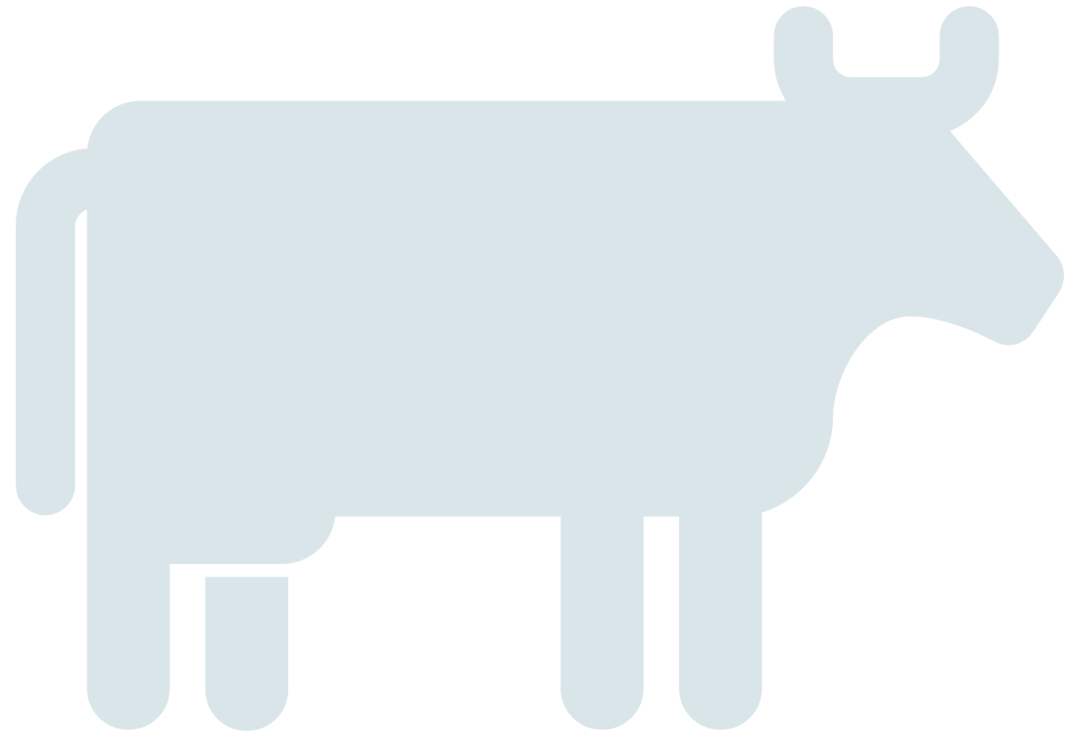


Dairy Economic Outlook

December 6, 2024

**New York Milk Marketing
Advisory Council**



Agenda



Federal Milk Marketing Orders – Jodi Smith Krzysiak, UNC



Milk market outlook – Catherine de Ronde, AMI



Producer profitability – Ed Gallagher, DFA

Federal Milk Marketing Order

Jodi Smith Krzysiak, Upstate Niagara

USDA Recommends Changes to Federal Orders

FIVE MAJOR CHANGES

- Removing 500lb Barrels from the NDPSR and Cheese Price Calculation
- Update Processor Make Allowances
- Updating Skim Composition Factors
- Revert to the Higher Of plus addition of ESL adjustment that returns ESL processors to an average mover to facilitate Risk Management.
- Updating Class I Location Differentials



Make Allowance Adjustments:

(\$/lb.)	Current	Recommended	Final	Change from Current	Change from Recommended
Cheese	\$0.2003	\$0.2504	\$0.2519	+0.0516	+0.0015
Butter	\$0.1715	\$0.2257	\$0.2272	+0.0557	+0.0015
NFDM	\$0.1678	\$0.2268	\$0.2393	+0.0715	+0.0125
Dry Whey	\$0.1991	\$0.2653	\$0.2668	+0.0677	+0.0015



USDA: Class I Mover

- base Class I skim milk price that is the higher of the advanced Class III or Class IV skim milk prices for the month.
- the decision includes a rolling monthly Class I Extended Shelf Life (ESL) adjustment to provide for more orderly marketing of ESL
 - use a specific processing technology that is different from other Class I products
 - Ultra-pasteurization as defined in the PMO



Calculating ESL Adjustment

The Equation for the ESL Adjustment:

Current month AO

+ [HO - AO], for each of the preceding 13-36 months, averaged

- Current month HO

= Class I Skim Milk ESL Adjustment

Put into words:

Adjust the HIGHER OF price announced by the 24-month rolling average of the difference between the AVERAGE OF and the HIGHER OF Advanced Class III & Class IV Skim Milk prices. The adjustment will be announced 12 months before its application and released with the Class I price for the month.

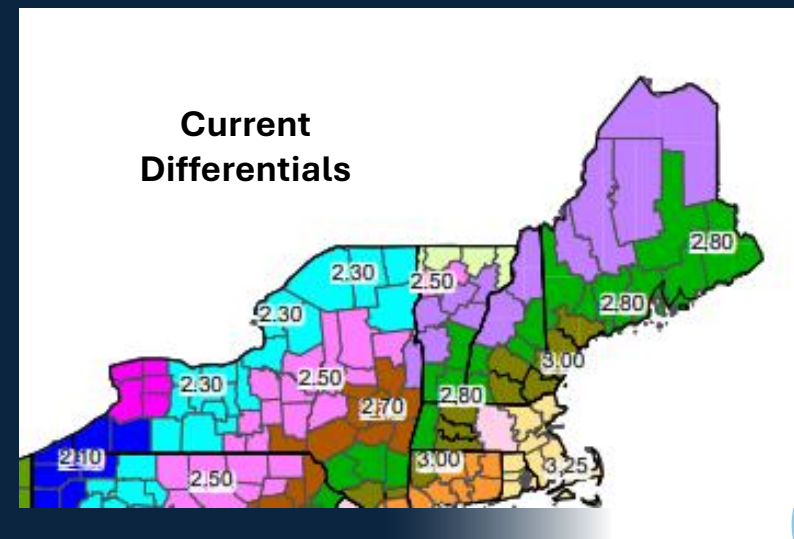


USDA: Update Class I Differentials

USDA elected to use the USDSS Model May Results as the basis for updating the Differentials.

Minimal changes were made to address:

- “Geography”
- “Handler Equity”
- “Producer Equity”



Impact of Regulatory Changes

Table 5: Weighted SUP @ Test by FMMO \$/cwt (January 2019 - December 2023)

FMMO	Original	Final Decision	Difference (Final Decision - Original)
Northeast	\$ 21.27	\$ 21.62	\$ 0.35
Appalachian	\$ 22.05	\$ 23.95	\$ 1.90
Florida	\$ 23.63	\$ 25.06	\$ 1.43
Southeast	\$ 22.14	\$ 23.94	\$ 1.80
Upper Midwest	\$ 20.01	\$ 19.88	\$ (0.13)
Central	\$ 20.10	\$ 20.62	\$ 0.52
Mideast	\$ 20.05	\$ 20.55	\$ 0.50
California	\$ 19.76	\$ 19.49	\$ (0.27)
Pacific Northwest	\$ 20.71	\$ 20.66	\$ (0.05)
Southwest	\$ 21.05	\$ 21.12	\$ 0.07
Arizona	\$ 19.56	\$ 19.45	\$ (0.11)
Orders Combined	\$ 20.52	\$ 20.78	\$ 0.26

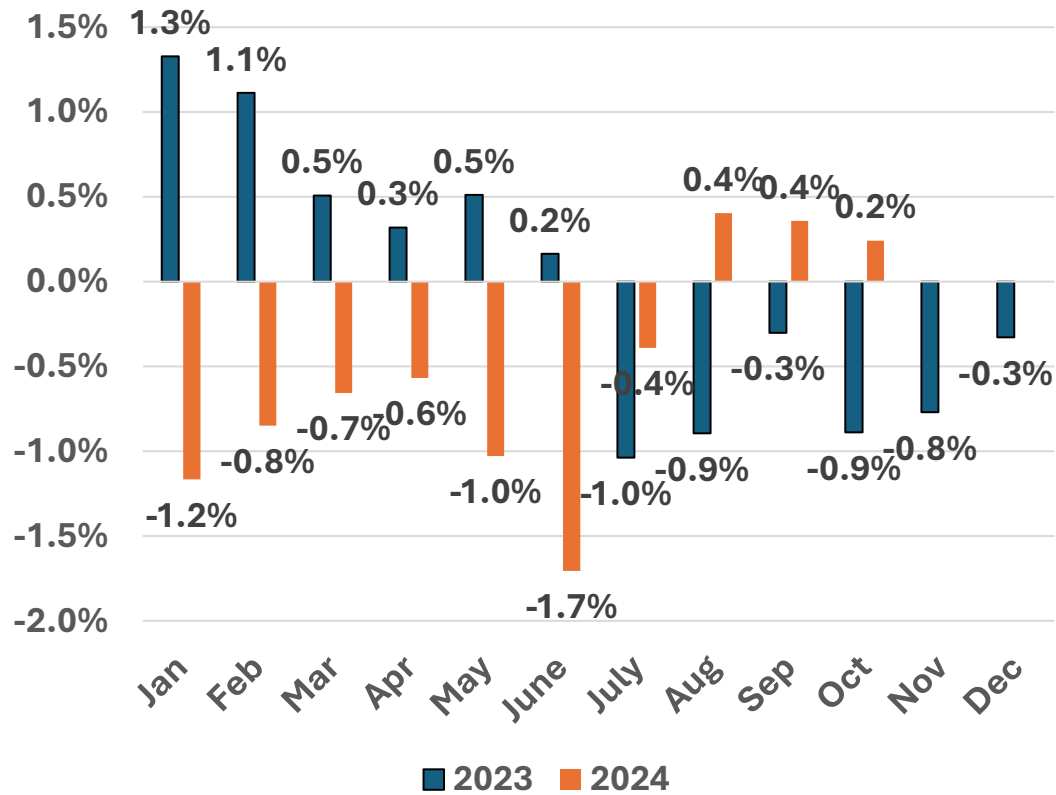
2025 Milk Market Outlook

Catherine de Ronde, Agri-Mark

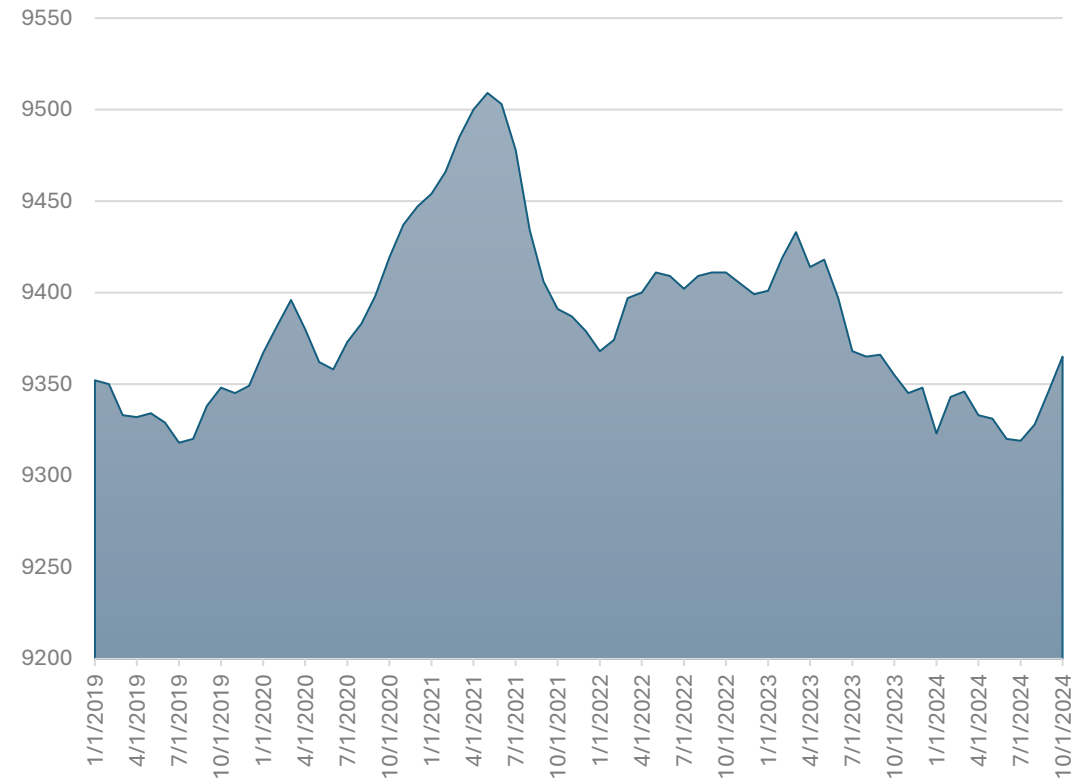
Milk Supply

- Milk production increasing after a year of declines
- October milk +0.2% YOY (cow numbers +0.1%, milk per cow +0.5%)

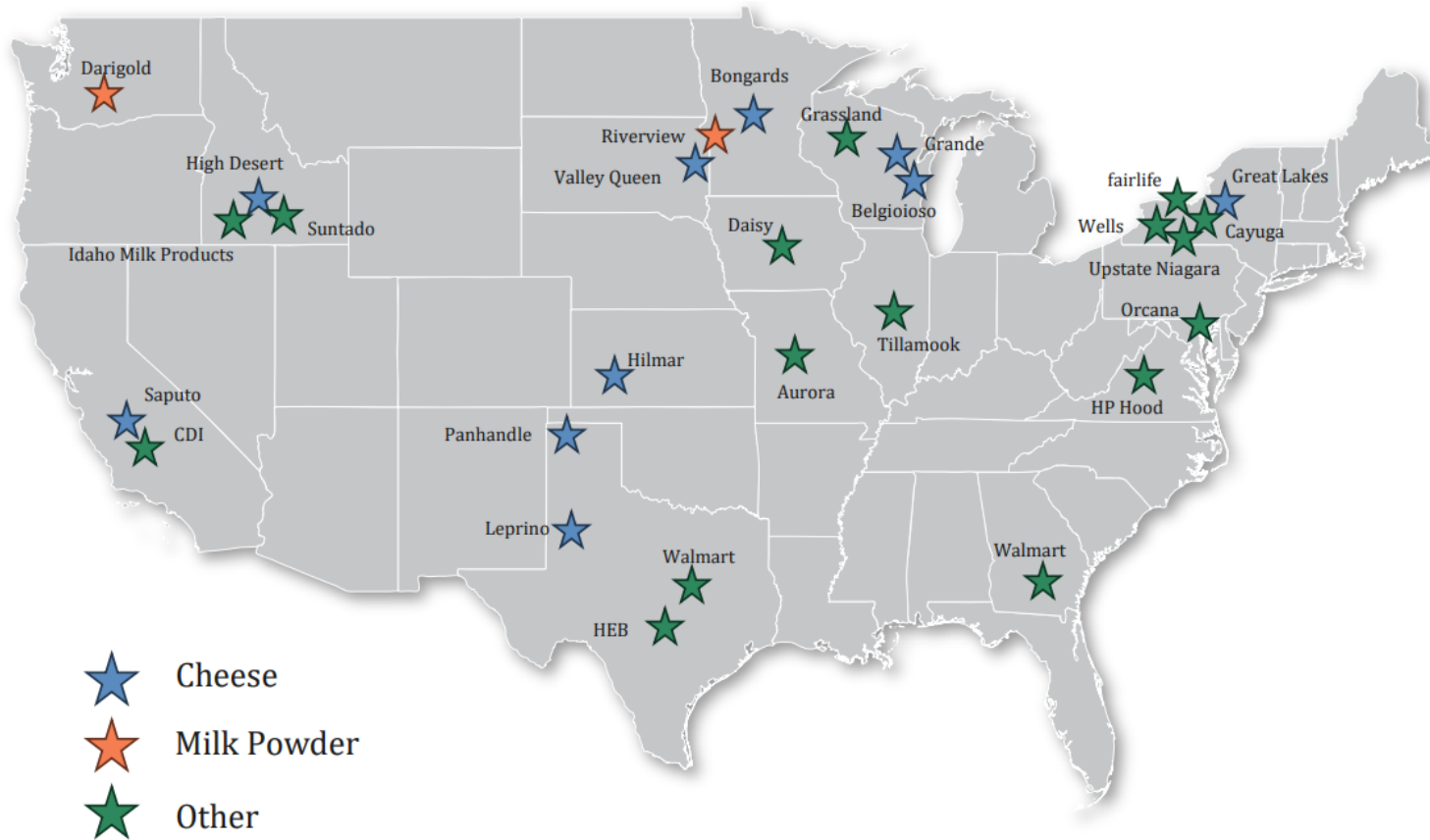
National Milk Production Growth



Total Dairy Herd Size 2019 - 2024



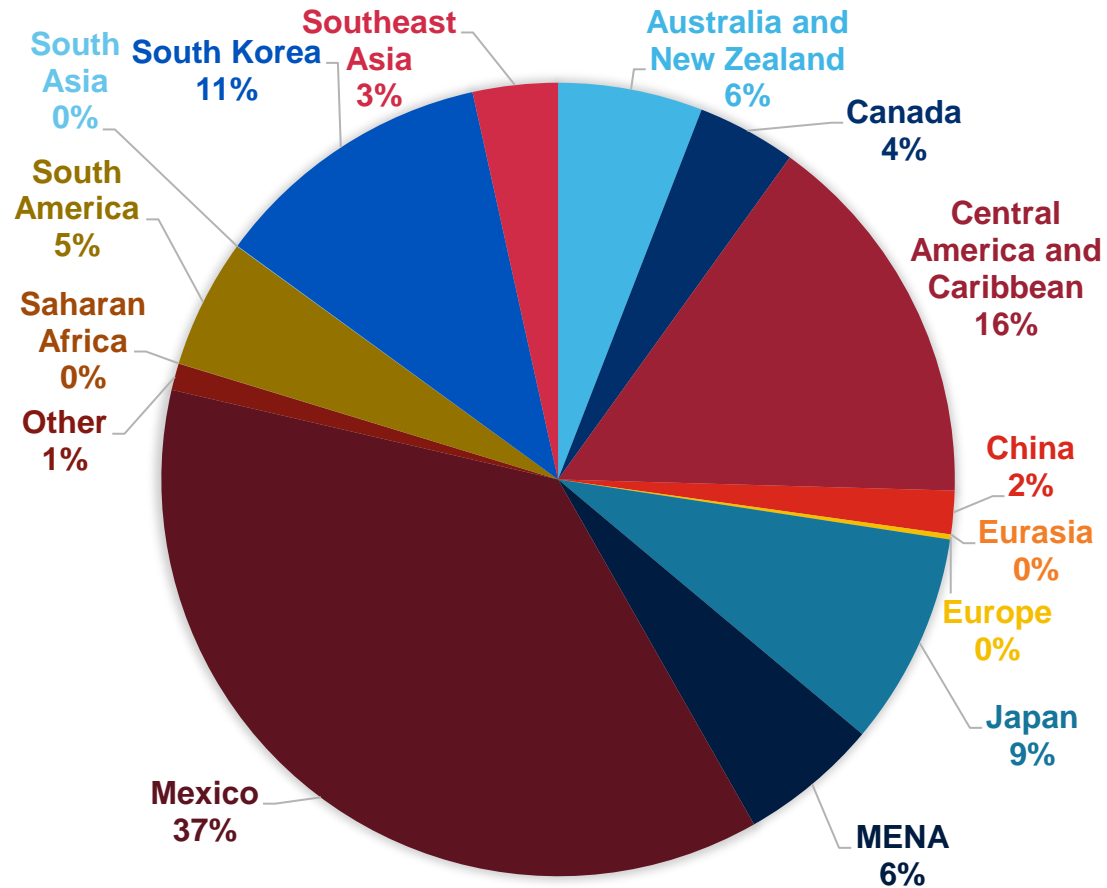
Plenty of New Capacity



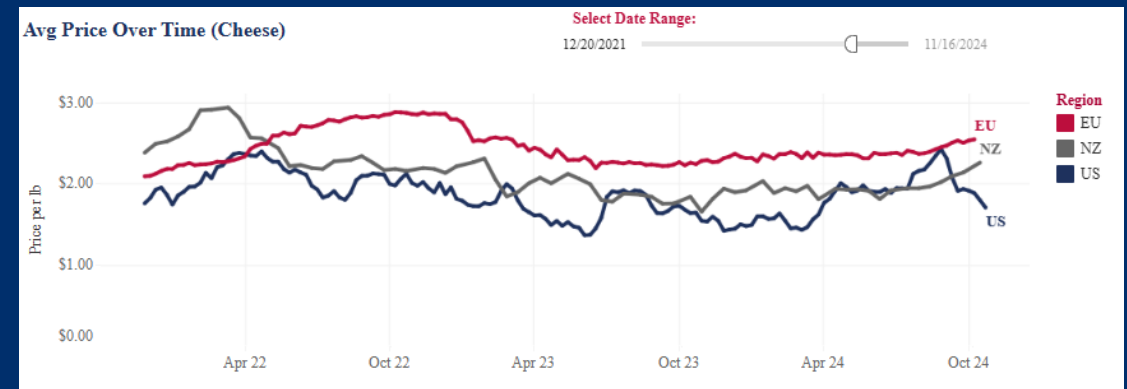
Source: NMPF

- Enough milk?
- Cheese market imbalance
- Class III and IV
 - Milk flows
 - Pricing

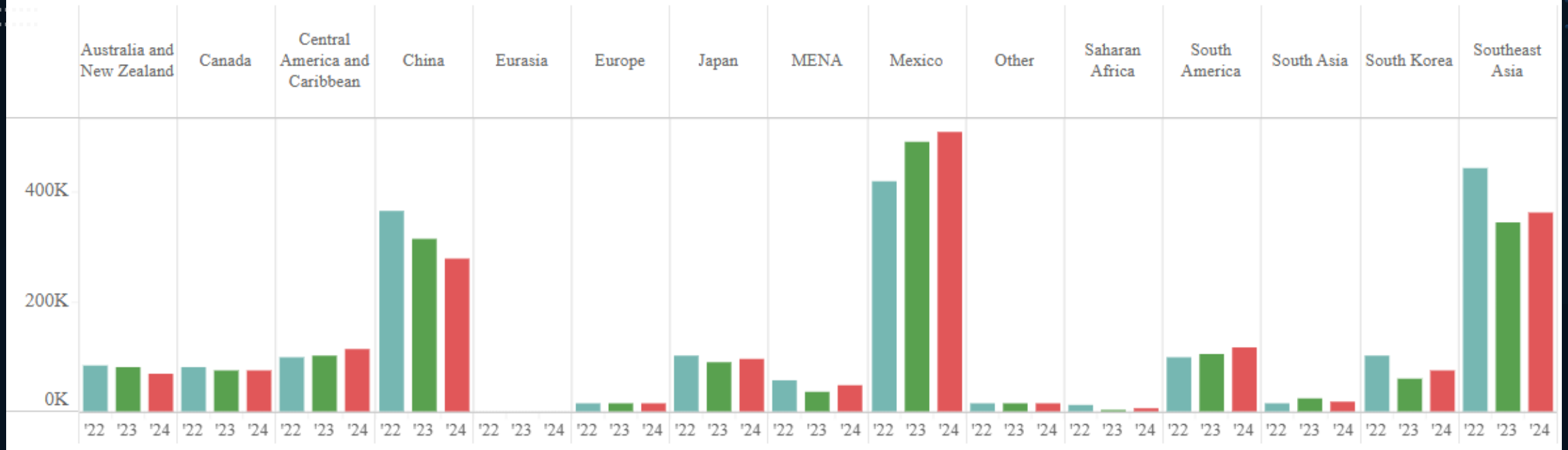
U.S. Cheese Exports



Competitive price needed to maintain necessary export success.



All Exports by Volume by Market, YTD - September



Exports

Trump has stated 25% tariff on Mexico and Canada, and an additional 10% on China

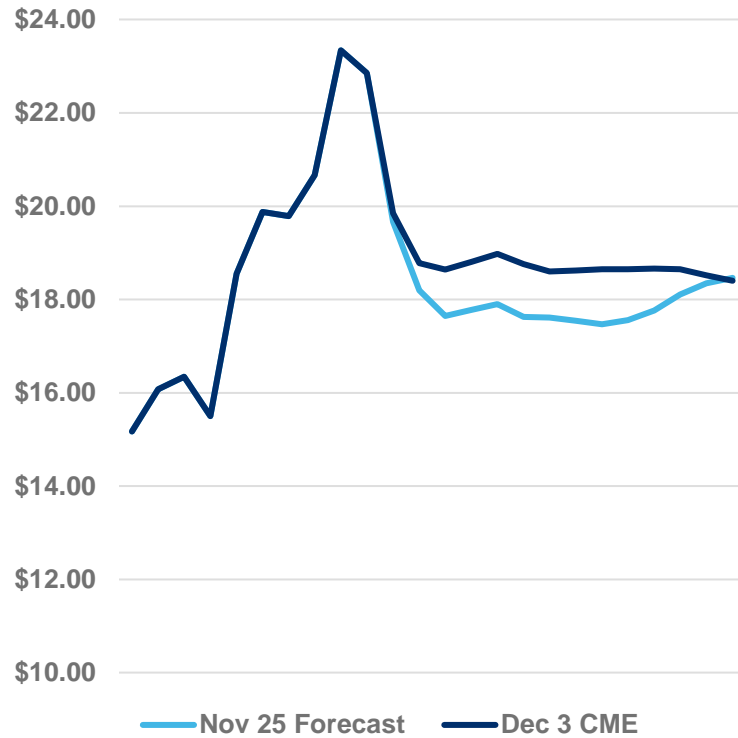
Mexico, Canada and China represent 50% of US exports by volume

Mexico: 50% NFDM exports, 37% cheese

China: 40% dry whey, 30% WPC

Class III

Class III Futures



Spot Cheese

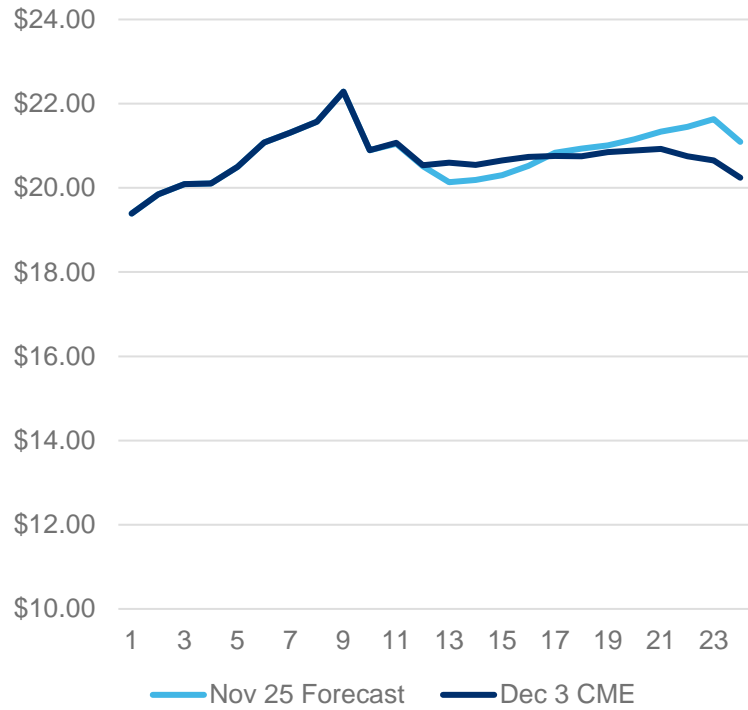


Spot Dry Whey



Class IV

Class III Futures



Spot Butter



Spot NFDM





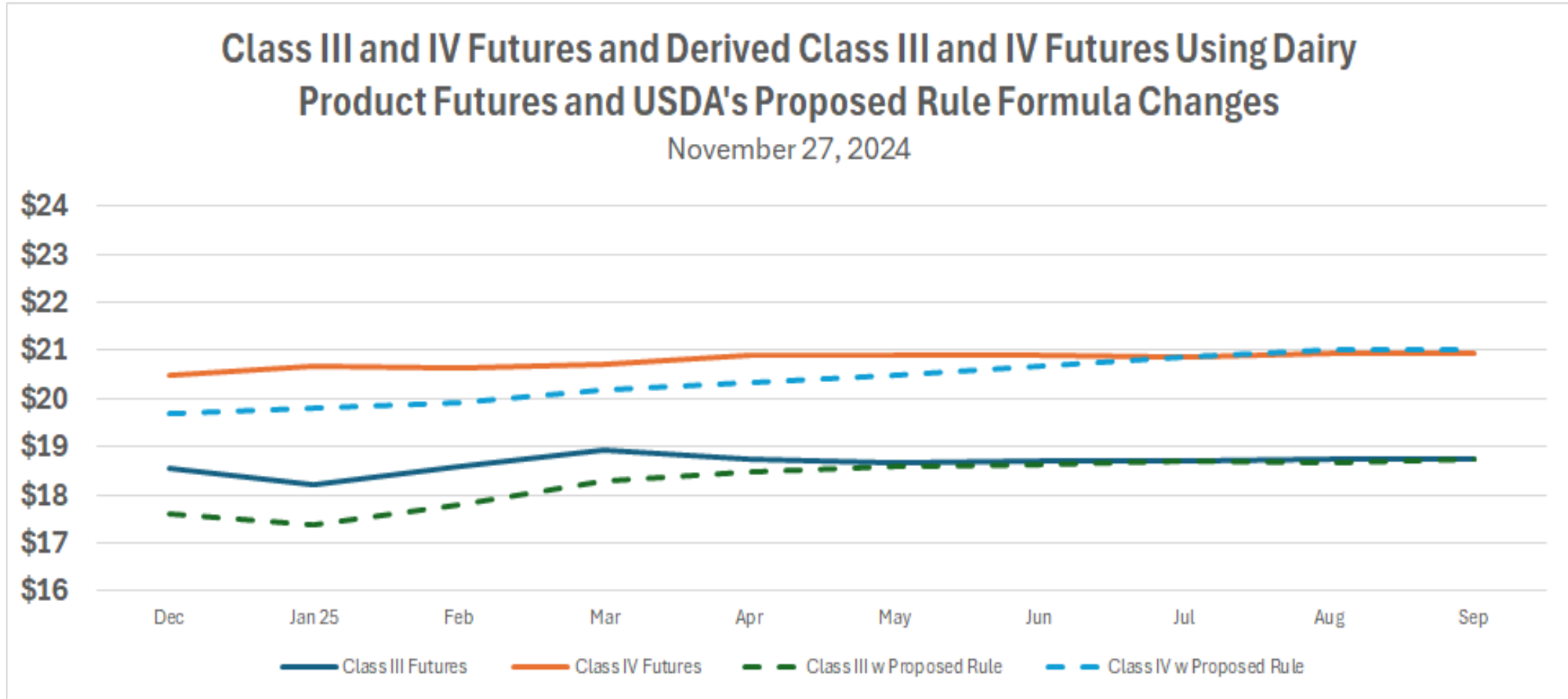
FMMO Blend Price Outlook

- Wildcards
 - HPAI
 - Immigration
 - Tariffs

Producer Profitability

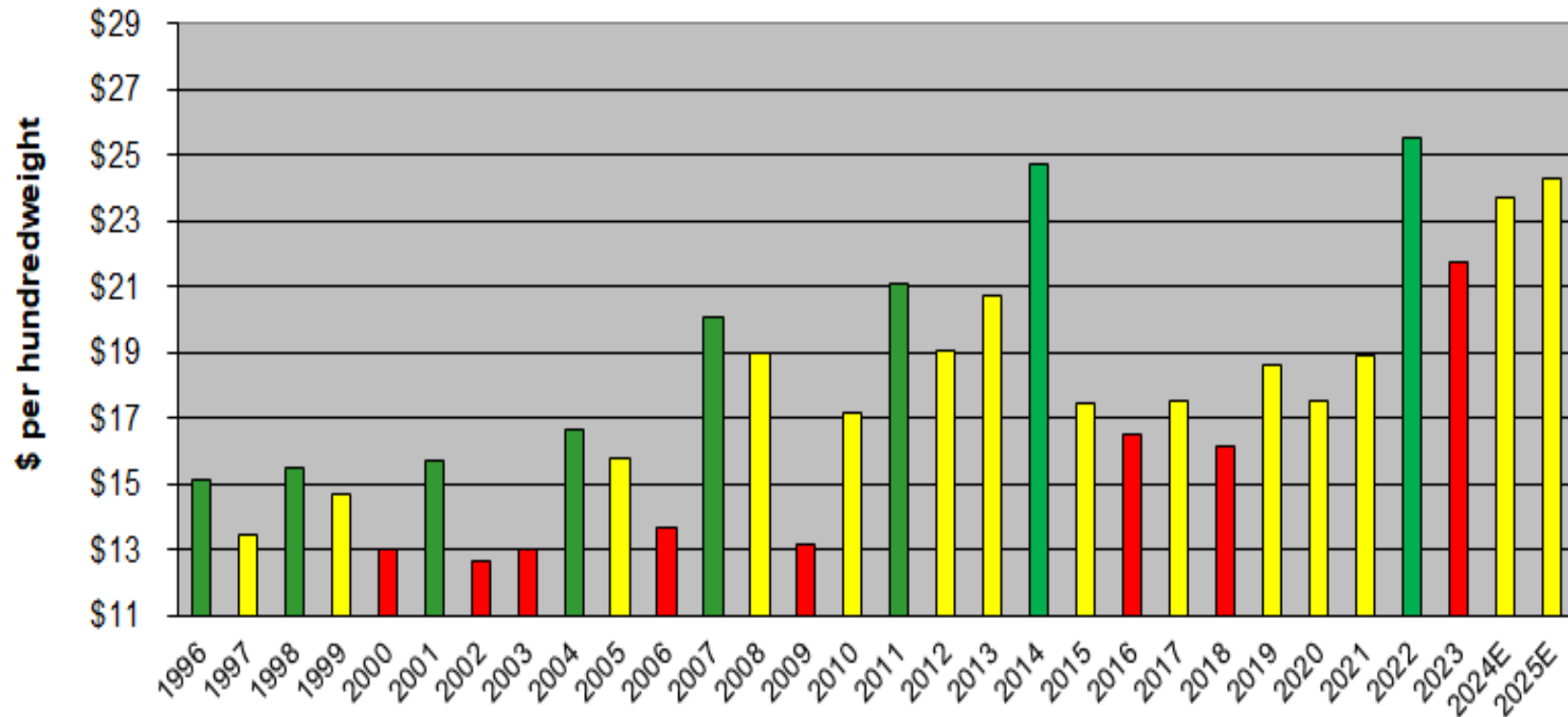
Ed Gallagher, DFA

Futures markets price in FMMO pricing formula changes



Northeast milk prices look to remain strong

Estimated CNY/NPA/NVT Annual Average Gross Milk Price 1996-2025e



- FMMO pricing changes will have a modestly negative price impact throughout Northeast
- Most farms can protect descent profit margins for 2025

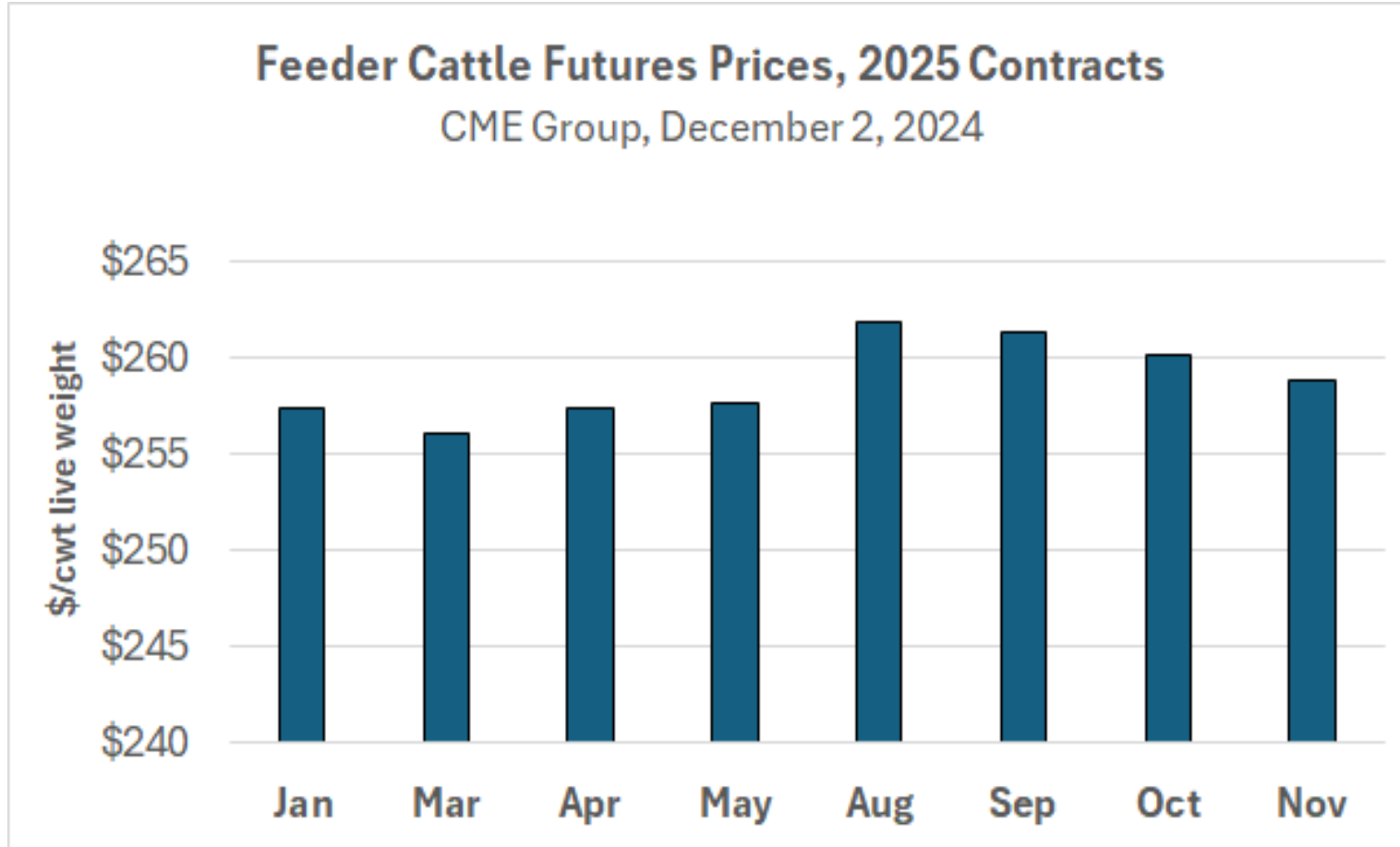
Feeder Cattle futures price, Jan 2025 contract

Published on TradingView.com, Dec 02, 2024 12:57 UTC-6

Feeder Cattle Futures (Jan 2025), 1D, CME O259.575 H261.200 L255.575 C257.100 -2.375 (-0.92%)
Vol 8.8K



Feeder Cattle futures through 2025



- Feeder cattle prices linked to US beef prices
- Calf born today would hit feeder cattle weight in the fall

Questions & Answers