Dairy Market Outlook

May 27, 2025

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Market Outlook

- Agenda
  - Review of Dairy Market Fundamentals
    - Key Drivers
    - Farm-Level Production of Total Solids
    - Record Setting Butterfat Tests
    - Export Performance YTD
    - Outlook for Producer Pay
  - Federal Order Modernization Implementation
  - Review of Macro-Economic Trends Shaping the Dairy Landscape

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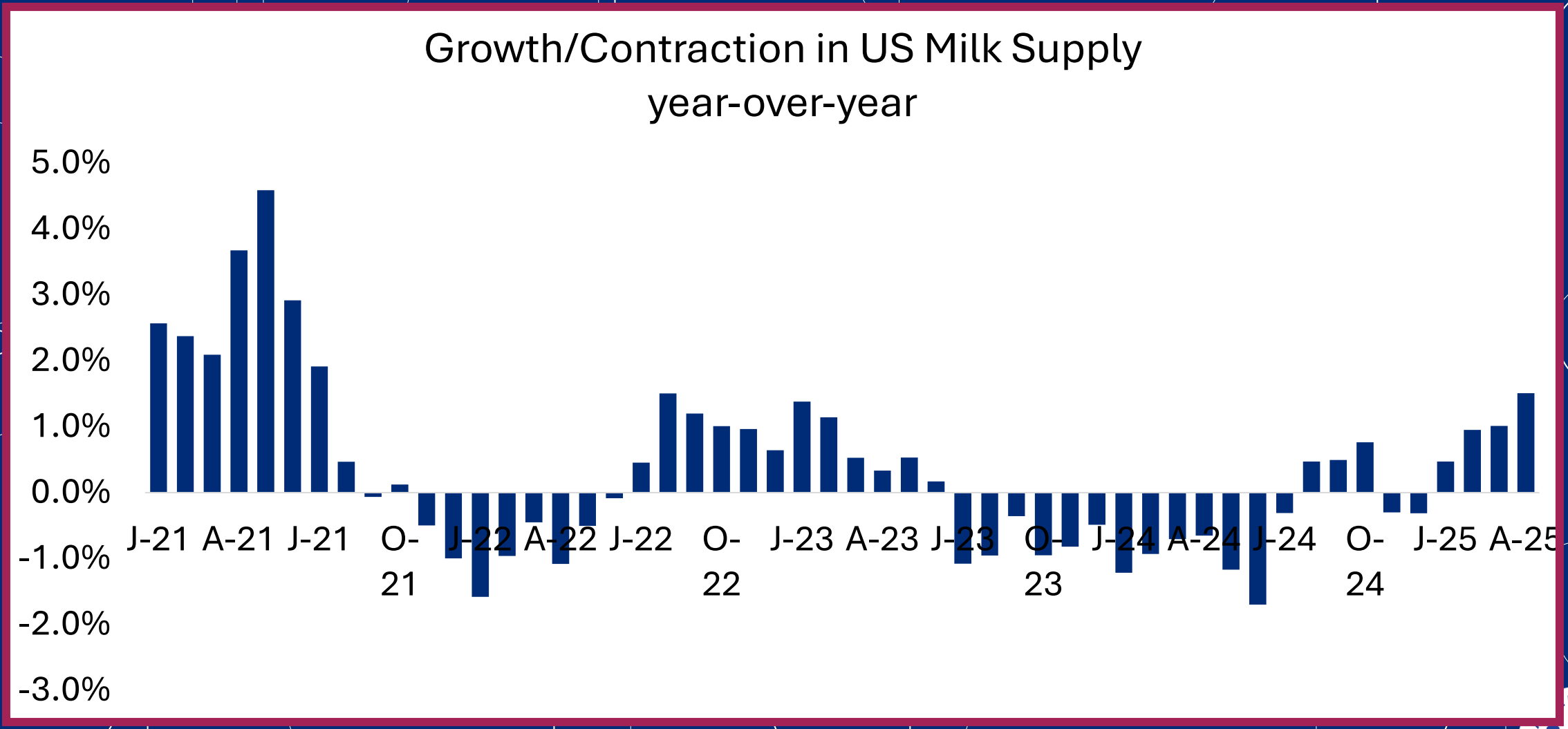
US Milk Production



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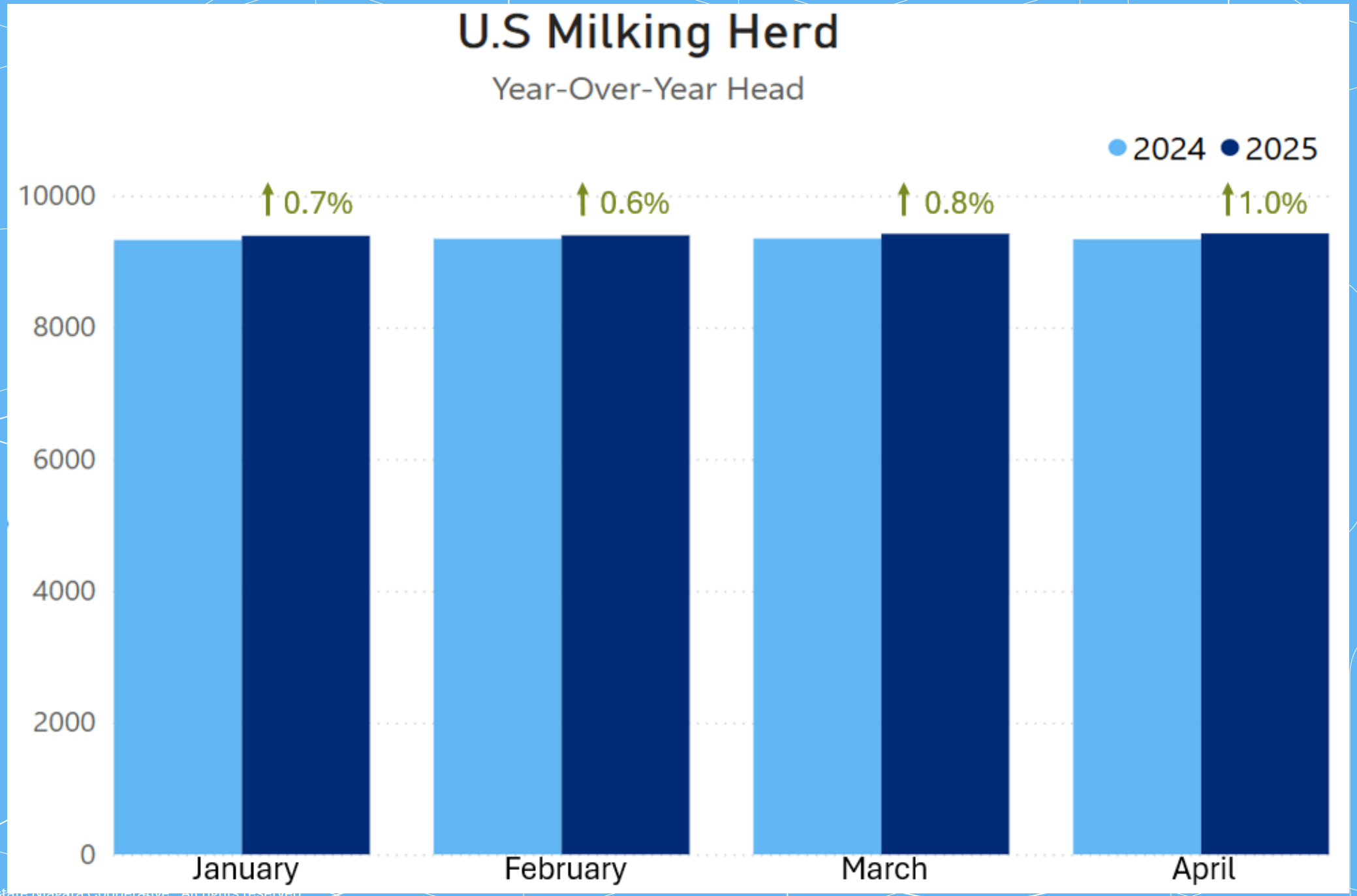

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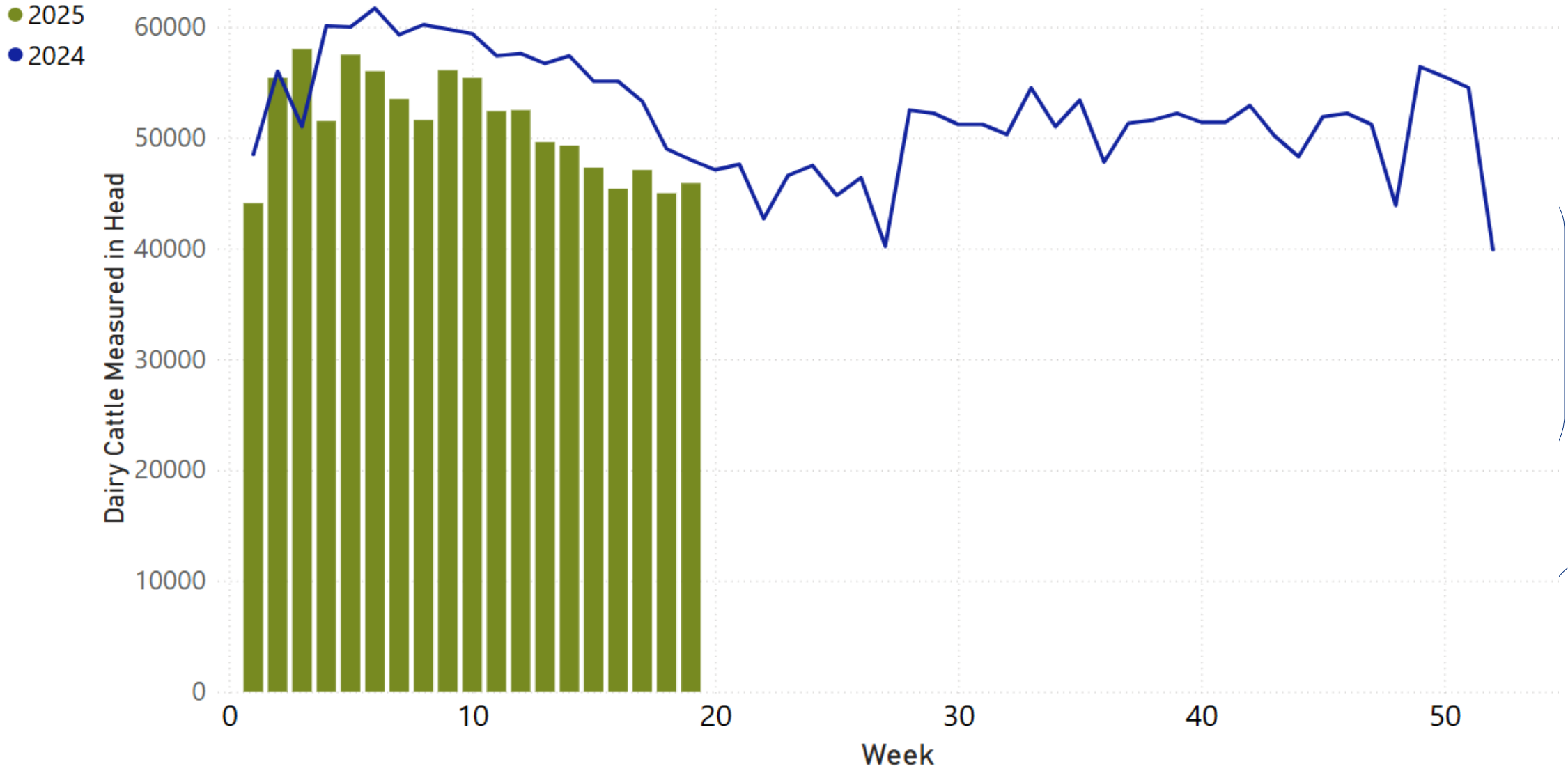
2025 Weekly Dairy Cattle Slaughter

Year-Over-Year



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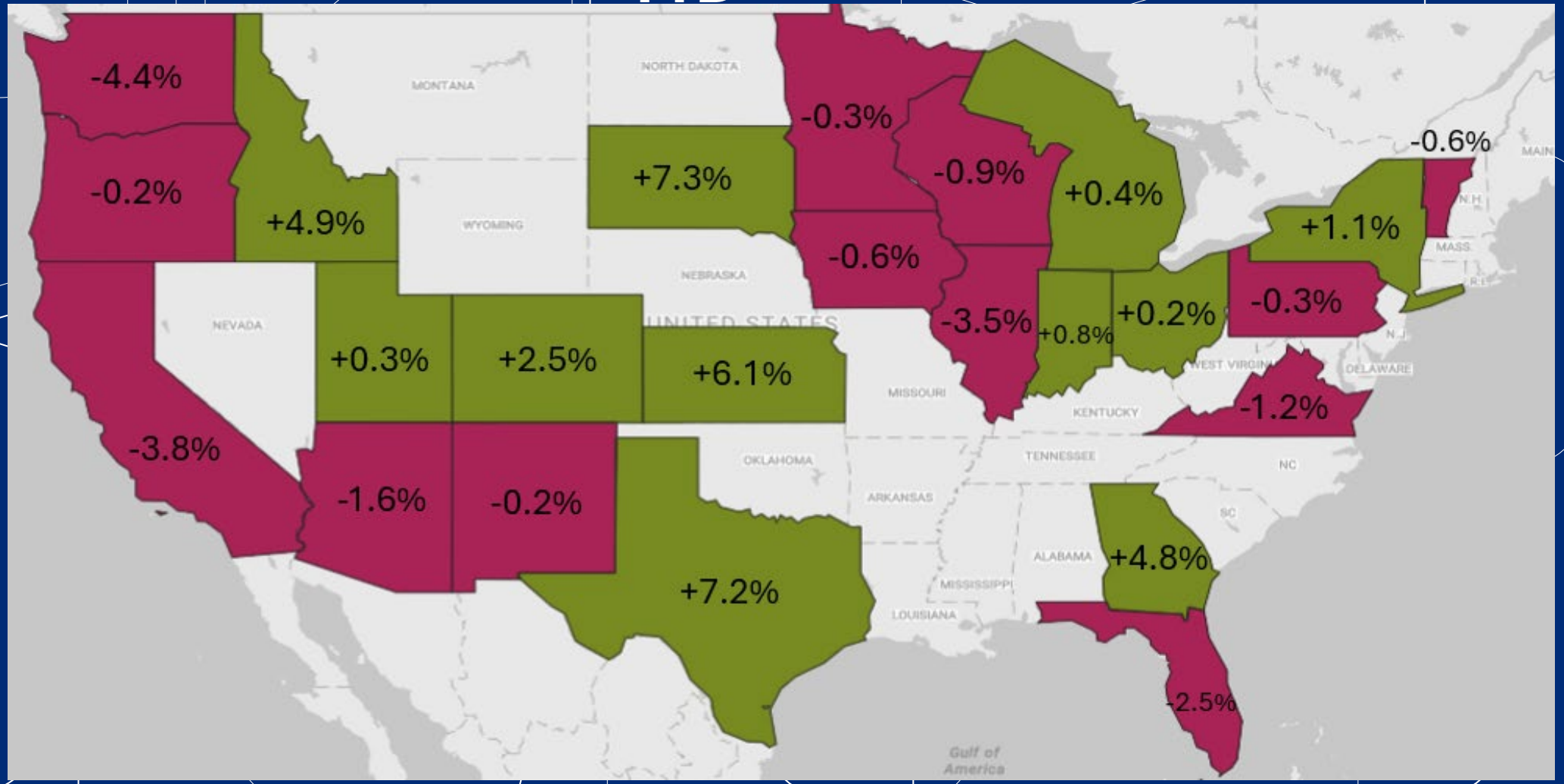
24-State Milk Production Year-Over-Year % Change YTD



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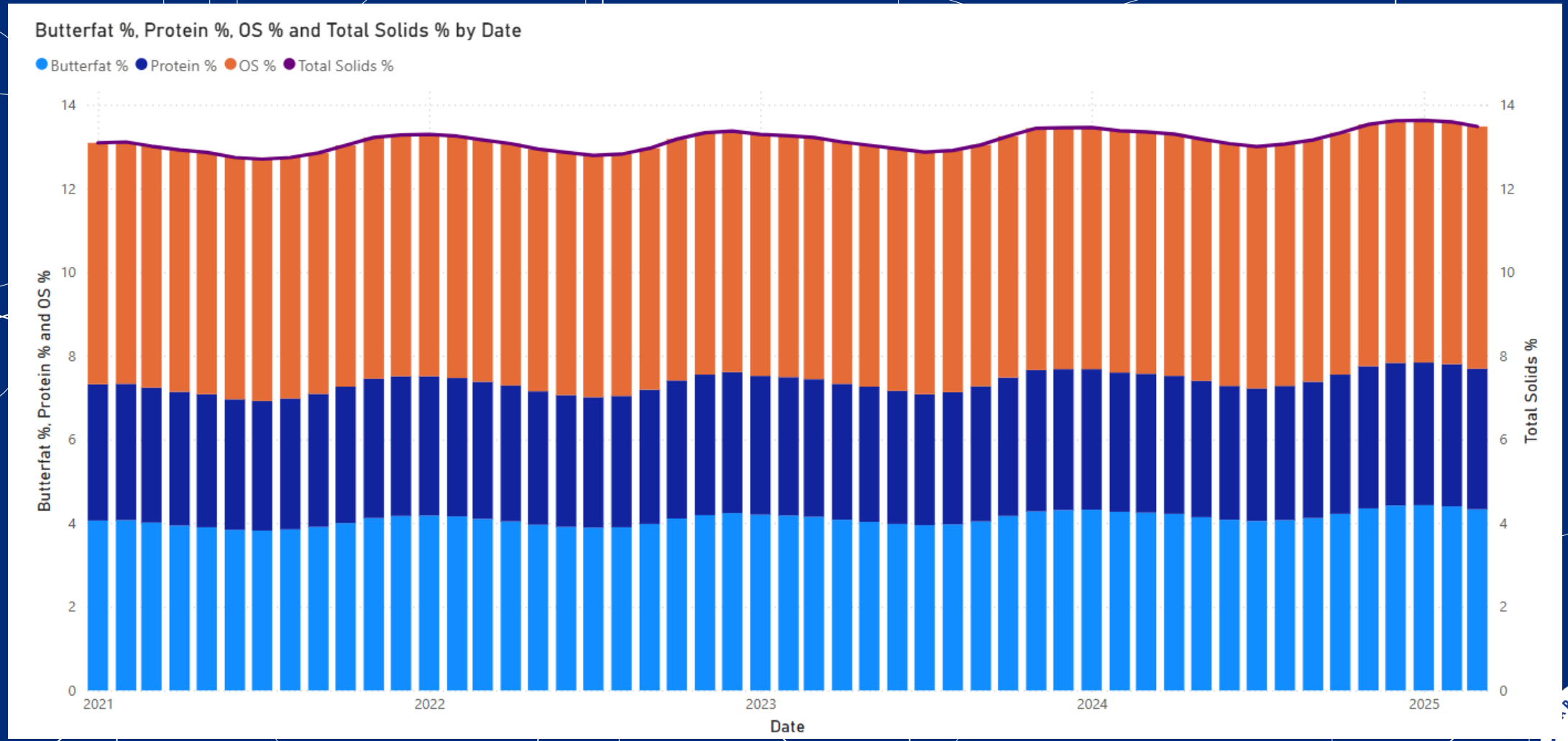
Total Solids Growth Offset Milk Production Woes



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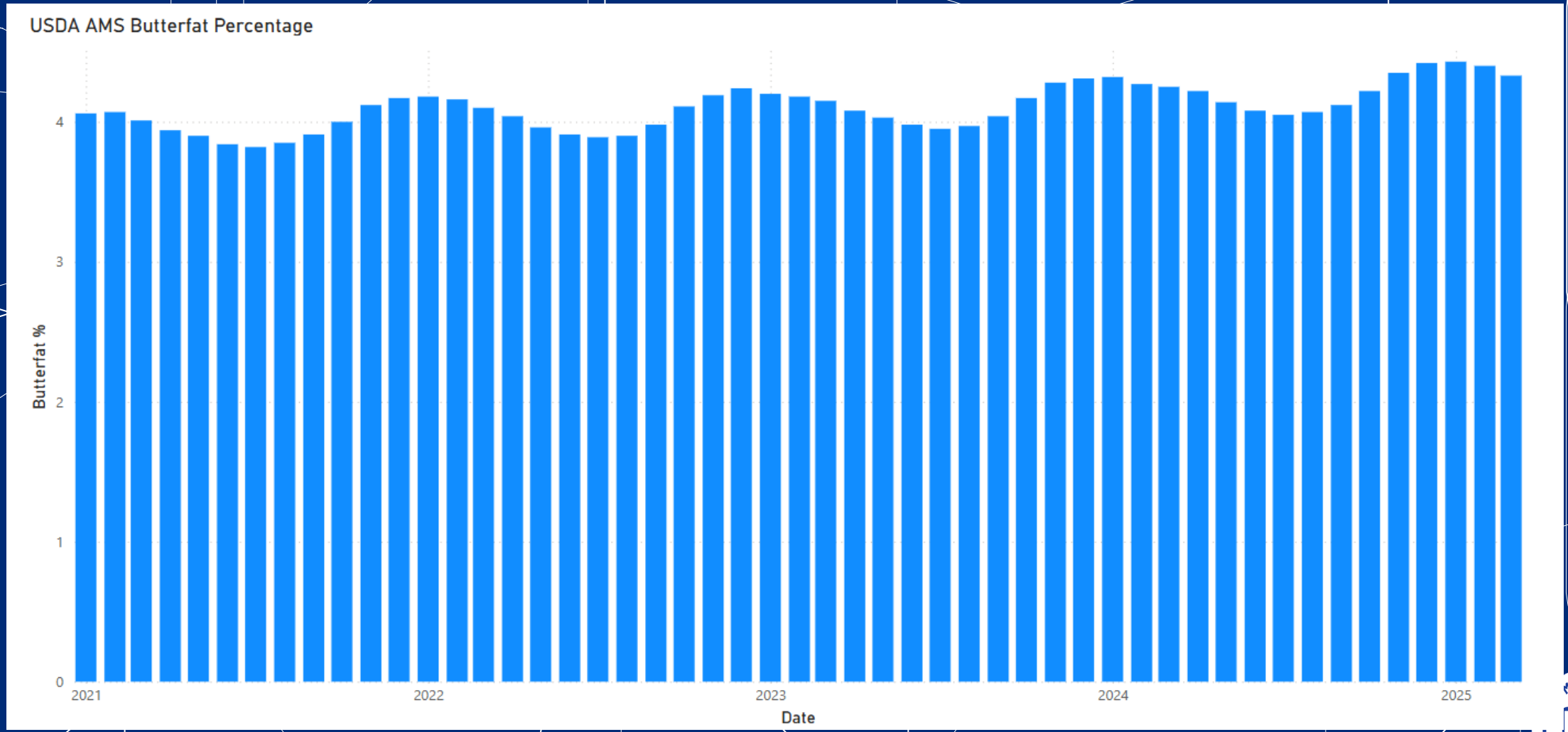
Milk Fat Test



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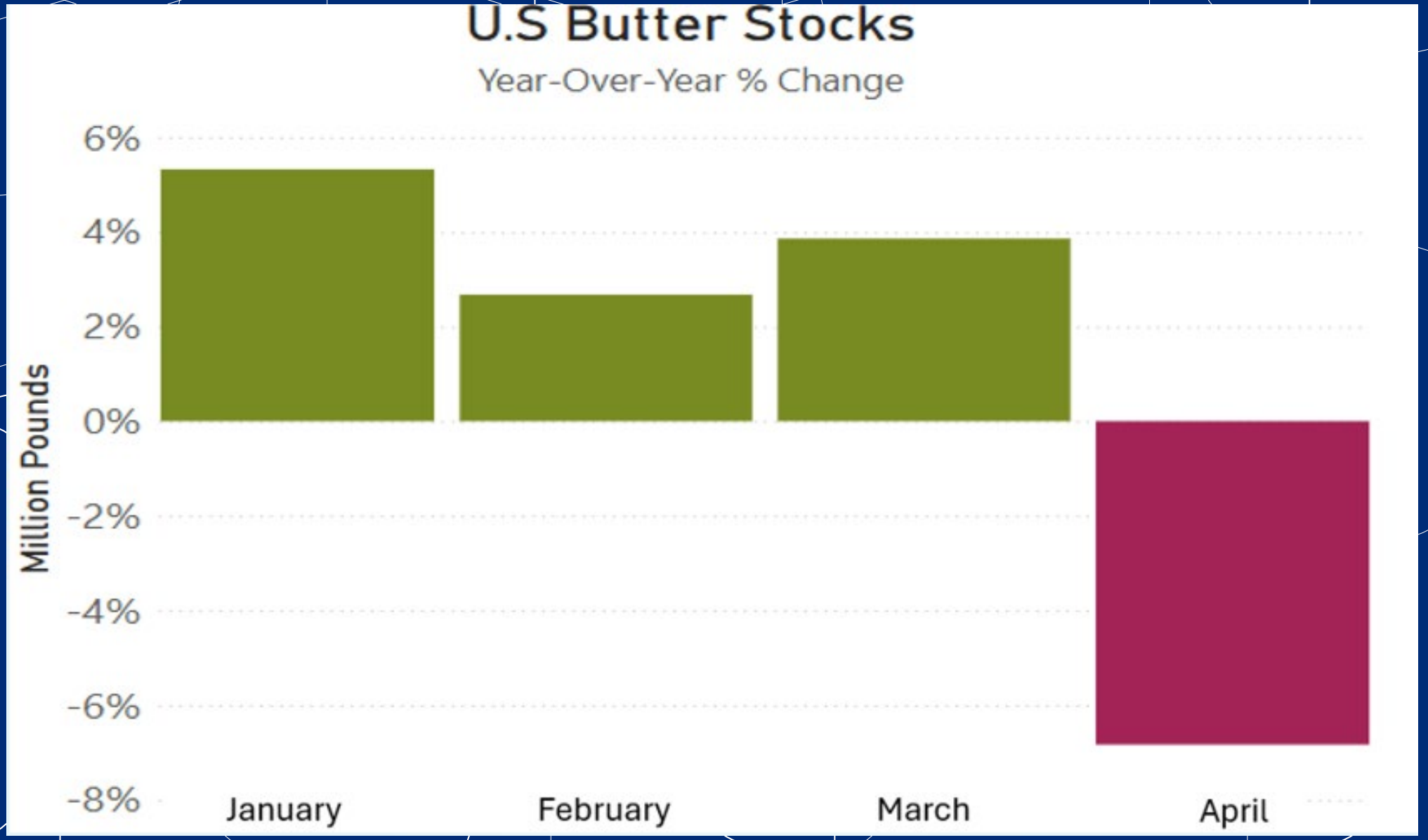

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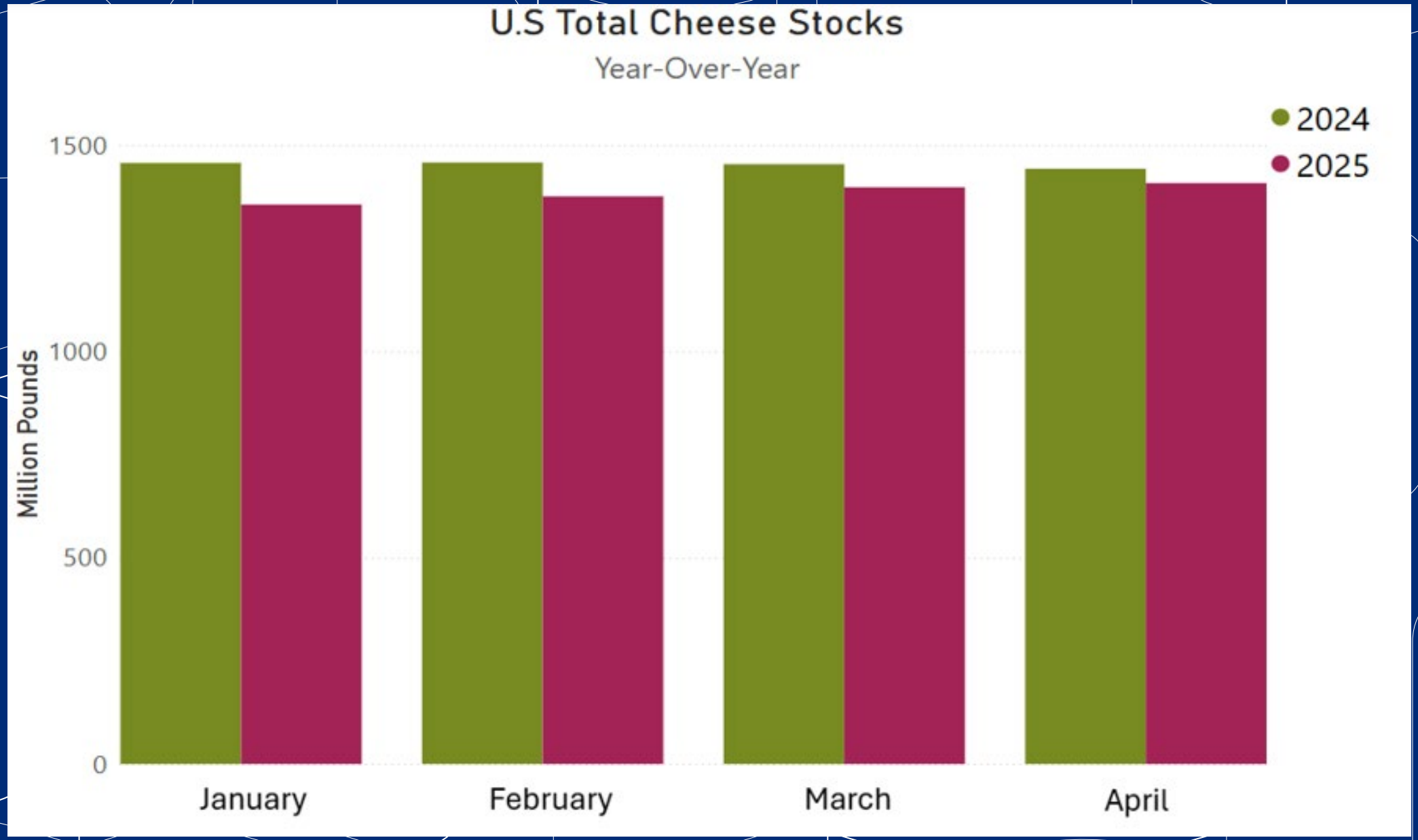

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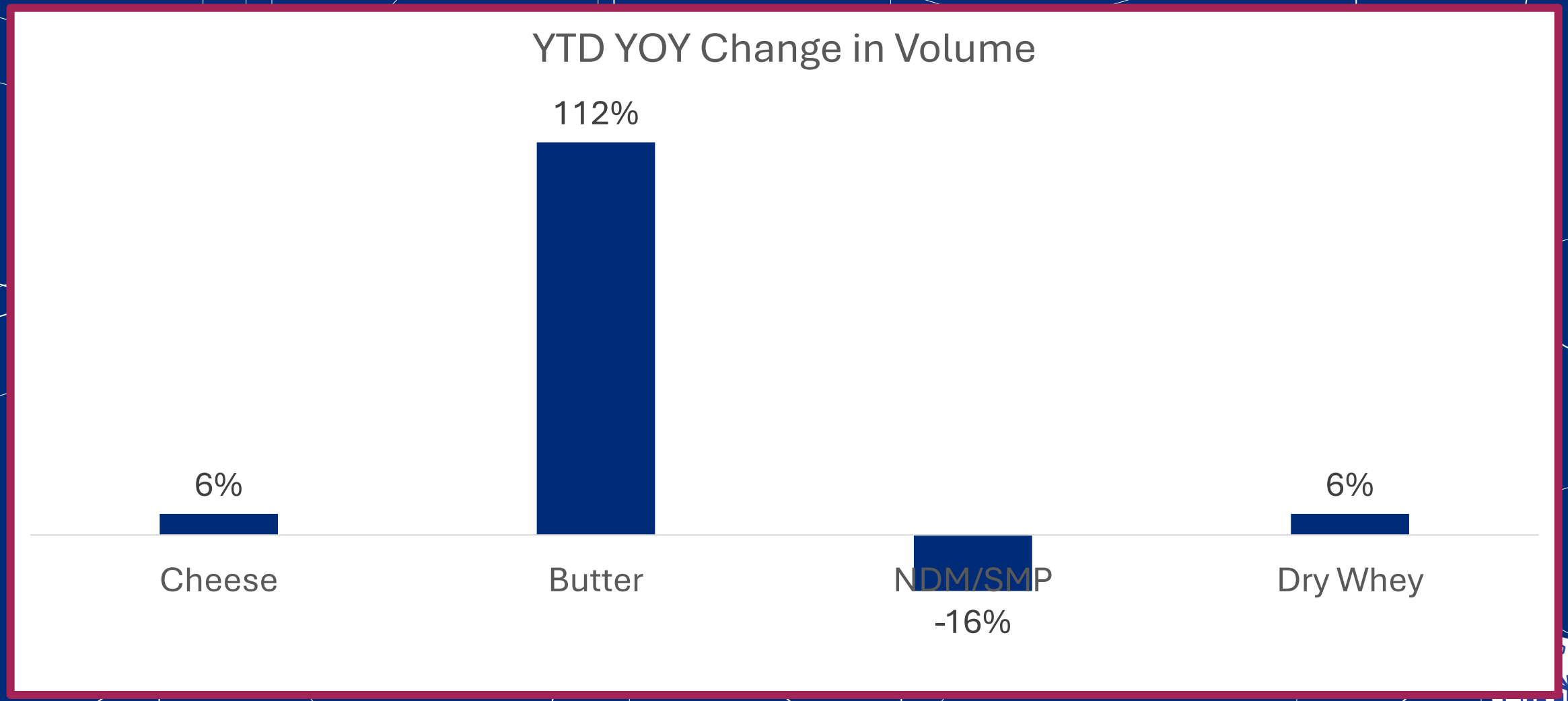
Export Performance Strong Despite Tariff Uncertainty



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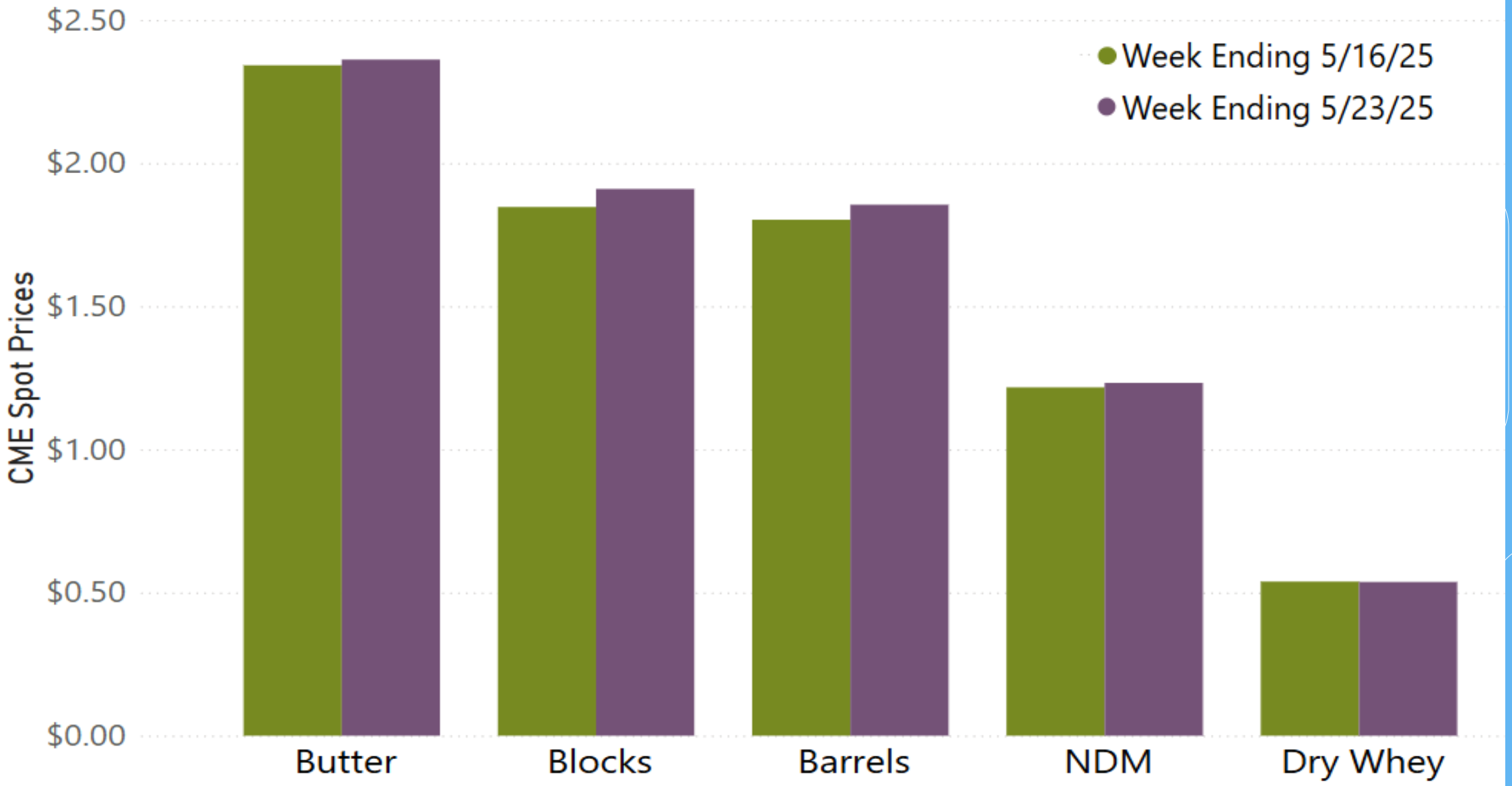
CME Spot Weekly Average Prices

Week-Over-Week Comparison



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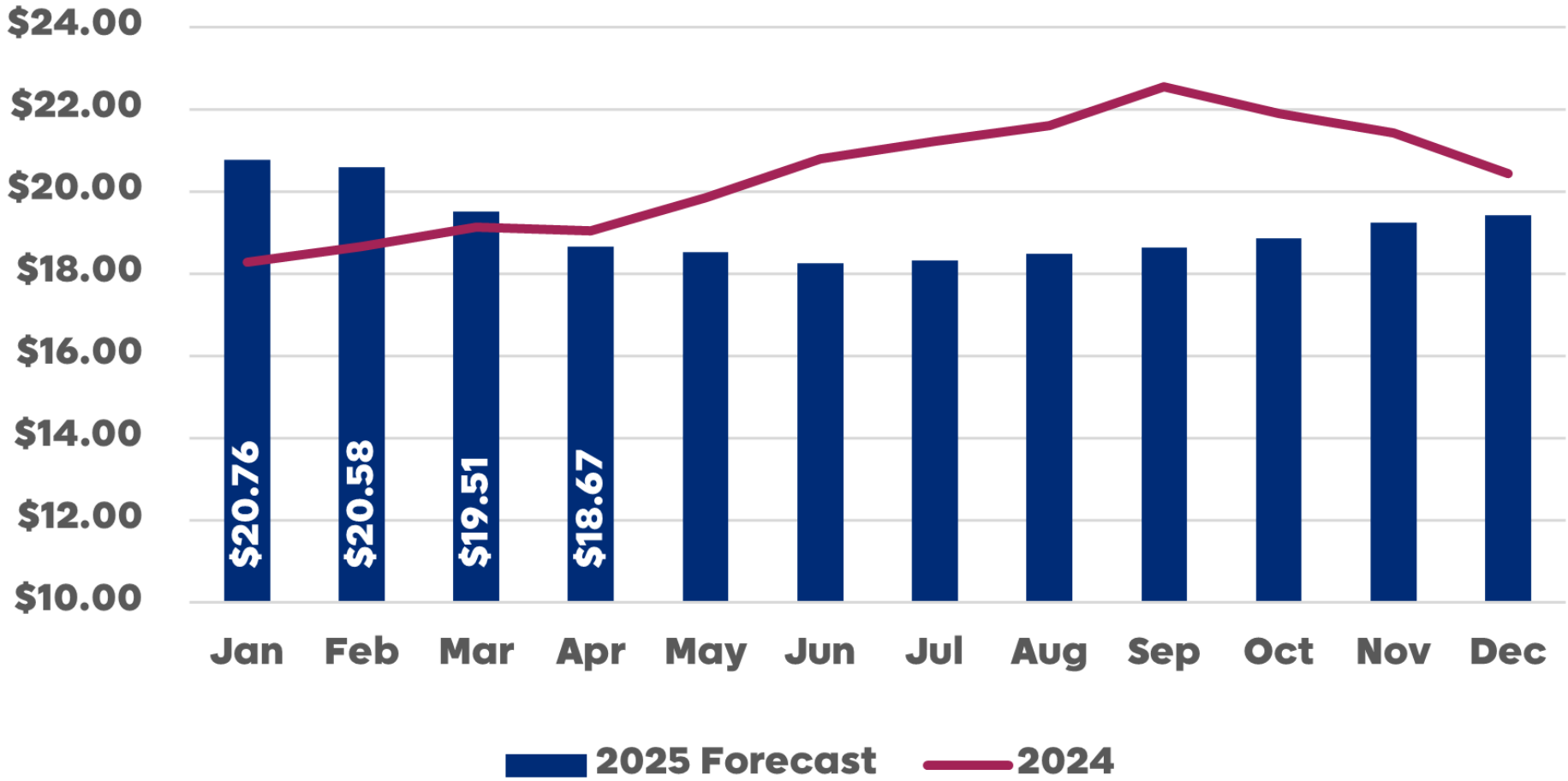
WNY Producer Pay Prices ($/cwt)

(forecasted & actual)



Prices Displayed Statistical Test – 3.5% BF

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Federal Milk Marketing Order

Final Rule

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Federal Order Amendment Timeline

Federal Order Amendment Timeline

Jan 16, 2025

Final Amended Orders Published with all Orders being Approved

January 20, 2025

Inauguration of President Trump and signing of Executive Orders

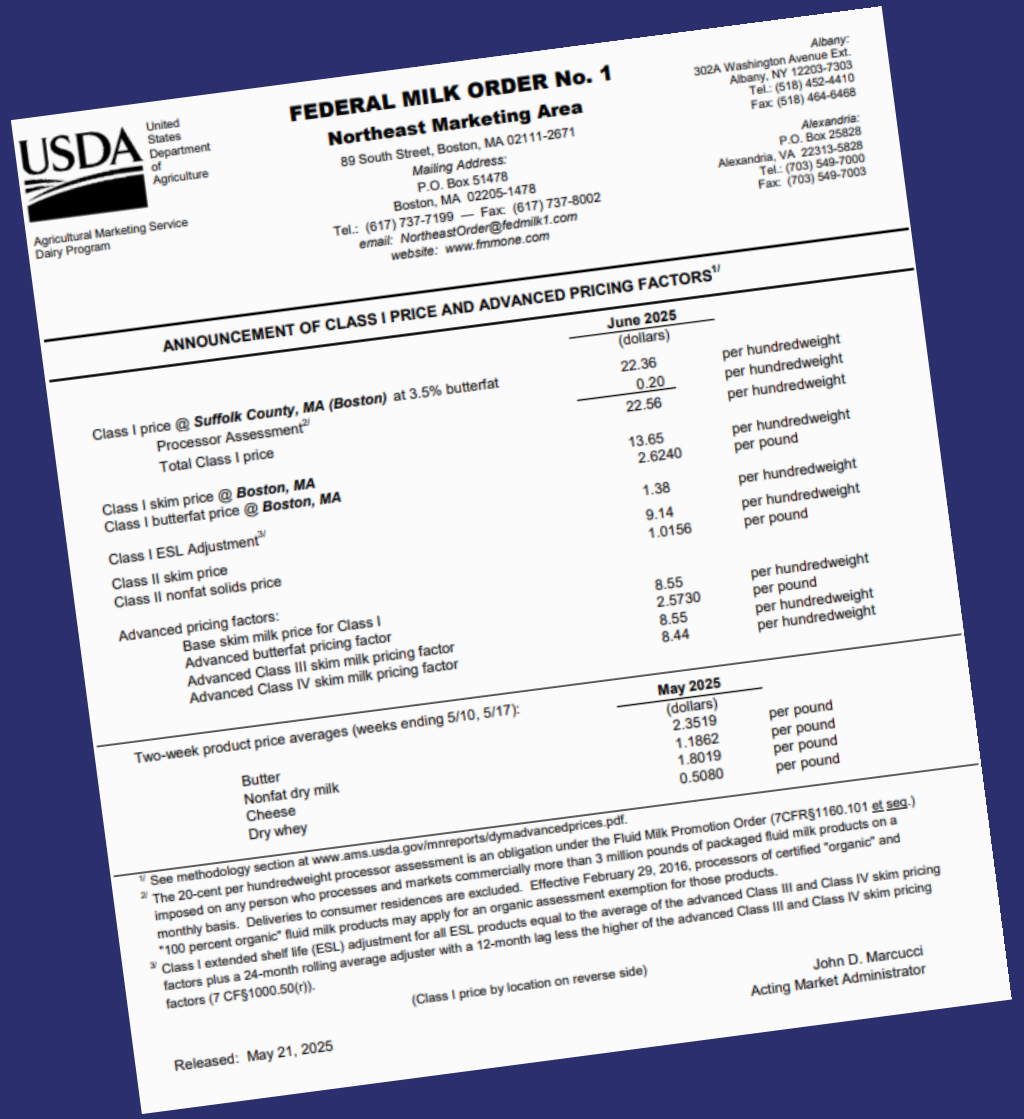
June 1, 2025

USDA implements Amended Orders except for the Skim Component Changes

December 1, 2025

Skim Component changes go into effect

FMMO Implementation is here!



USDA United States Department of Agriculture
Agricultural Marketing Service
Dairy Program

FEDERAL MILK ORDER No. 1
Northeast Marketing Area

89 South Street, Boston, MA 02111-2671
Mailing Address:
P.O. Box 51478
Boston, MA 02205-1478
Tel.: (617) 737-7199 — Fax: (617) 737-8002
email: NortheastOrder@fedmilk1.com
website: www.fmmone.com

Albany:
302A Washington Avenue Ext.
Albany, NY 12203-7303
Tel.: (518) 452-4410
Fax: (518) 464-6468

Alexandria:
P.O. Box 25828
Alexandria, VA 22313-5828
Tel.: (703) 549-7000
Fax: (703) 549-7003

ANNOUNCEMENT OF CLASS I PRICE AND ADVANCED PRICING FACTORS[1/]

	June 2025 (dollars)	
Class I price @ ***Suffolk County, MA (Boston)*** at 3.5% butterfat	22.36	per hundredweight
Processor Assessment[2/]	0.20	per hundredweight
Total Class I price	22.56	per hundredweight
Class I skim price @ ***Boston, MA***	13.65	per hundredweight
Class I butterfat price @ ***Boston, MA***	2.6240	per pound
Class I ESL Adjustment[3/]	1.38	per hundredweight
Class II skim price	9.14	per hundredweight
Class II nonfat solids price	1.0156	per pound
Advanced pricing factors:		
Base skim milk price for Class I	8.55	per hundredweight
Advanced butterfat pricing factor	2.5730	per pound
Advanced Class III skim milk pricing factor	8.55	per hundredweight
Advanced Class IV skim milk pricing factor	8.44	per hundredweight

Two-week product price averages (weeks ending 5/10, 5/17):	May 2025 (dollars)	
Butter	2.3519	per pound
Nonfat dry milk	1.1862	per pound
Cheese	1.8019	per pound
Dry whey	0.5080	per pound

1/ See methodology section at www.ams.usda.gov/mnreports/dymadvancedprices.pdf.
2/ The 20-cent per hundredweight processor assessment is an obligation under the Fluid Milk Promotion Order (7CFR§1160.101 et seq.) imposed on any person who processes and markets commercially more than 3 million pounds of packaged fluid milk products on a monthly basis. Deliveries to consumer residences are excluded. Effective February 29, 2016, processors of certified "organic" and "100 percent organic" fluid milk products may apply for an organic assessment exemption for those products.
3/ Class I extended shelf life (ESL) adjustment for all ESL products equal to the average of the advanced Class III and Class IV skim pricing factors plus a 24-month rolling average adjuster with a 12-month lag less the higher of the advanced Class III and Class IV skim pricing factors (7 CF§1000.50(r)).

(Class I price by location on reverse side)

John D. Marcucci
Acting Market Administrator

Released: May 21, 2025

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**

Thank You

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Market Perceptions and Farm Economics

Edward Gallagher

Special Advisor

Dairy Farmers of America

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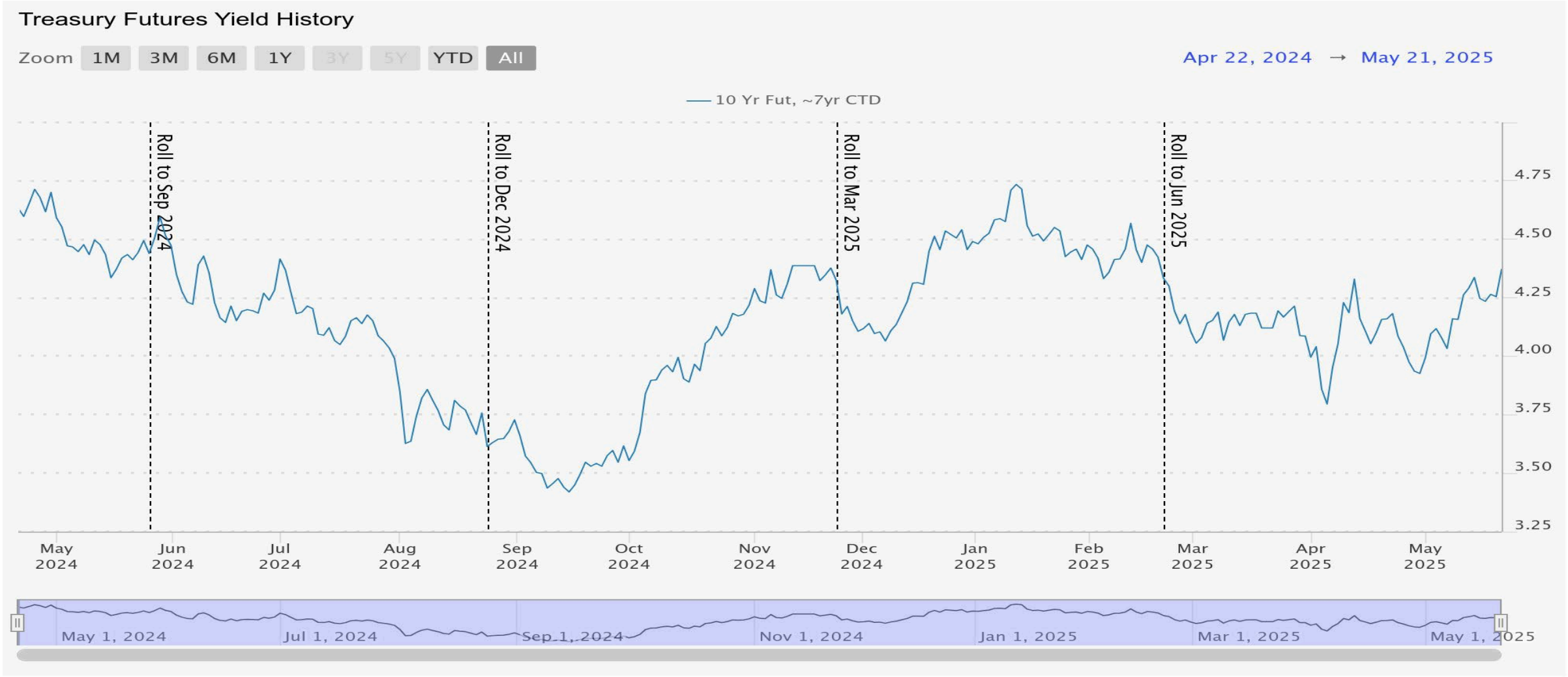
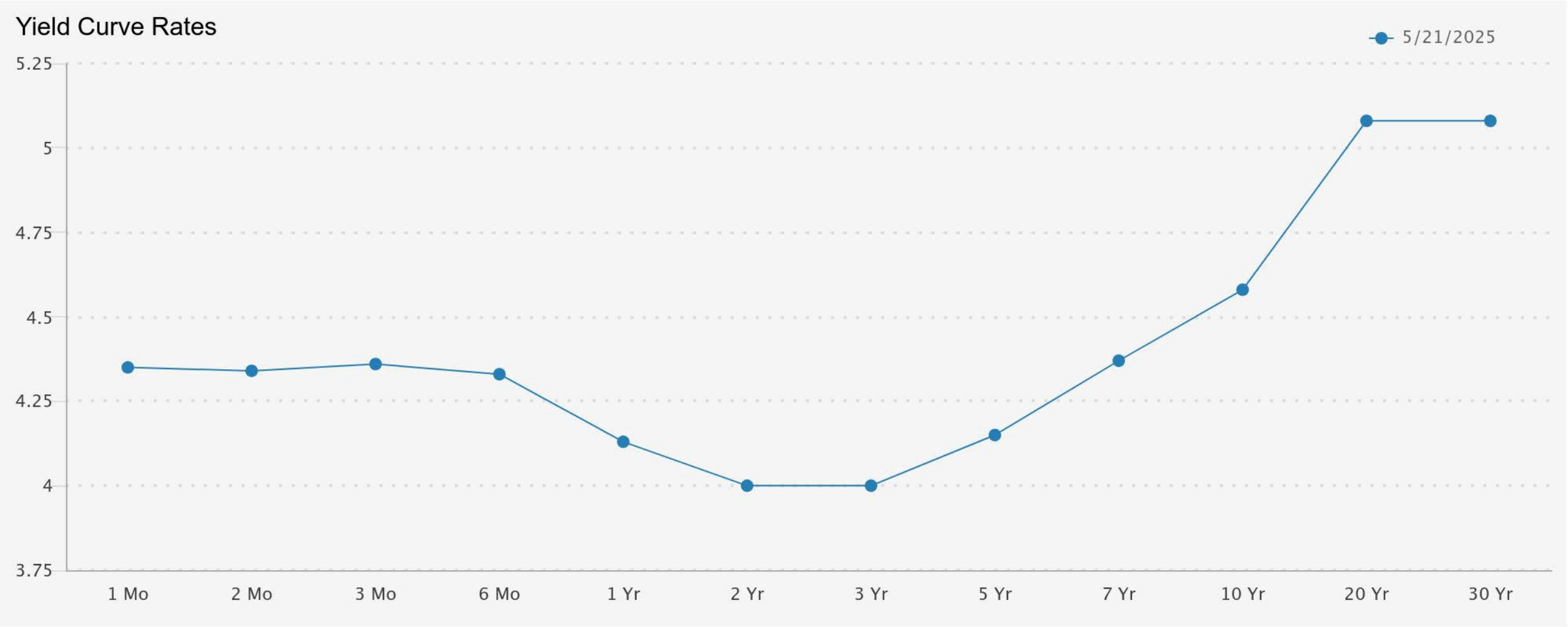
Tariffs and Growing Deficits Undermining Near Term US Economic Growth but having an Outsized Impact on Consumer Expectations

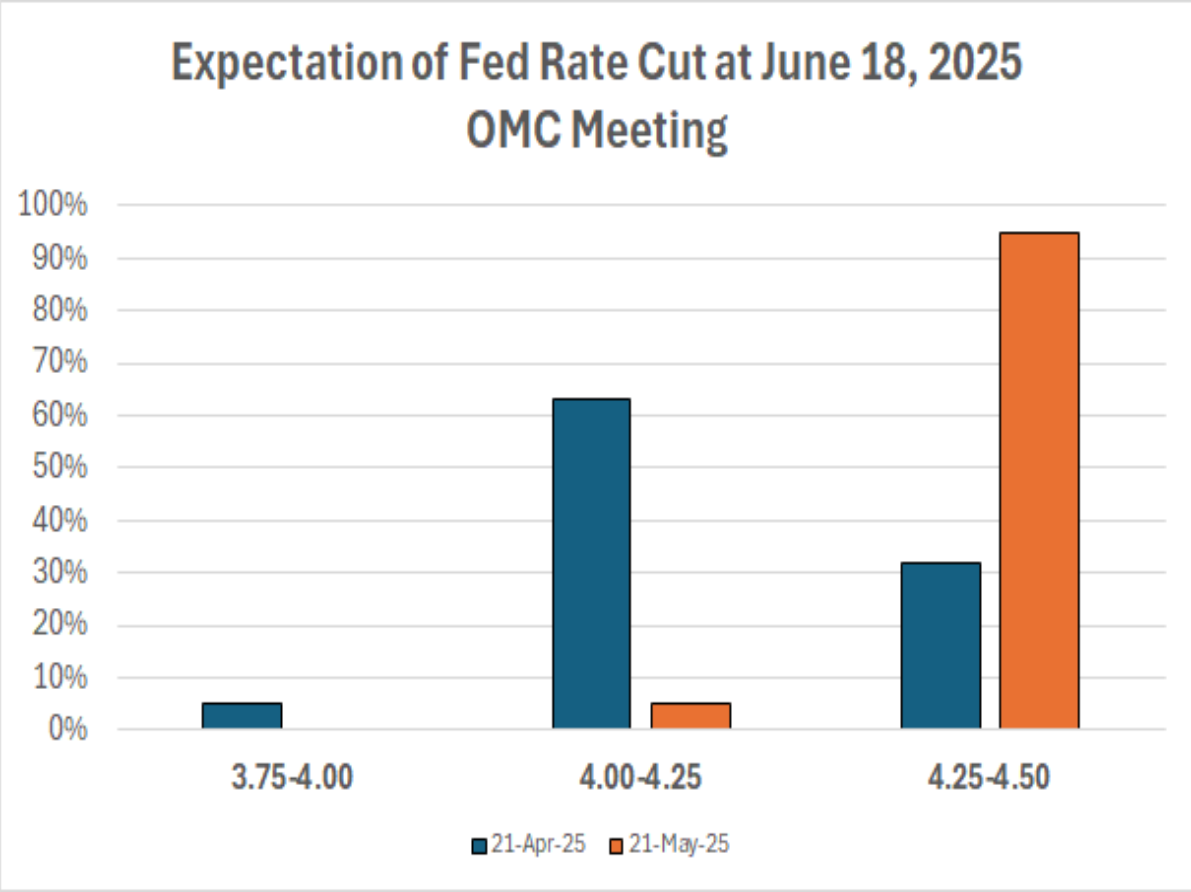
CME Group 10-year Treasury Note Futures Spot Month Yield History, May 21, 2025



US Treasury Yield Curve by Bill, Bond and Note Type, May 21, 2025



Fed Rate Cut Expectations



CME Futures Group Fed Watch, May 21, 2025						
Fed Meeting	3.00-3.25	3.25-3.50	3.50-3.75	3.75-4.00	4.00-4.25	4.25-4.50
18-Jun-25					5%	95%
30-Jul-25				1%	29%	70%
17-Sep-25			1%	17%	52%	30%
29-Oct-25			10%	36%	40%	14%
10-Dec-25		7%	29%	39%	21%	4%
30-Jan-26	3%	16%	33%	32%	14%	2%

Data sources: CME Group

US inflation expectations

Median Short-Run and Long-Run Projections for Inflation (Annualized Percentage Points)

	Headline CPI		Core CPI		Headline PCE		Core PCE	
	Previous	Current	Previous	Current	Previous	Current	Previous	Current
Quarterly								
2025:Q2	2.8	3.1	2.9	3.4	2.4	3.2	2.5	3.1
2025:Q3	2.7	3.5	2.9	3.8	2.4	3.4	2.4	3.4
2025:Q4	2.7	3.2	2.8	3.2	2.3	3.0	2.3	2.8
2026:Q1	2.6	2.9	2.7	3.0	2.3	2.7	2.3	2.7
2026:Q2	N.A.	2.6	N.A.	2.7	N.A.	2.4	N.A.	2.5
Q4/Q4 Annual Averages								
2025	2.8	3.3	2.9	3.5	2.4	3.2	2.4	3.3
2026	2.6	2.7	2.6	2.7	2.3	2.5	2.3	2.5
2027	2.3	2.4	2.3	2.4	2.0	2.1	2.1	2.1
Long-Term Annual Averages								
2025-2029	2.40	2.51	N.A.	N.A.	2.20	2.30	N.A.	N.A.
2025-2034	2.30	2.35	N.A.	N.A.	2.11	2.20	N.A.	N.A.

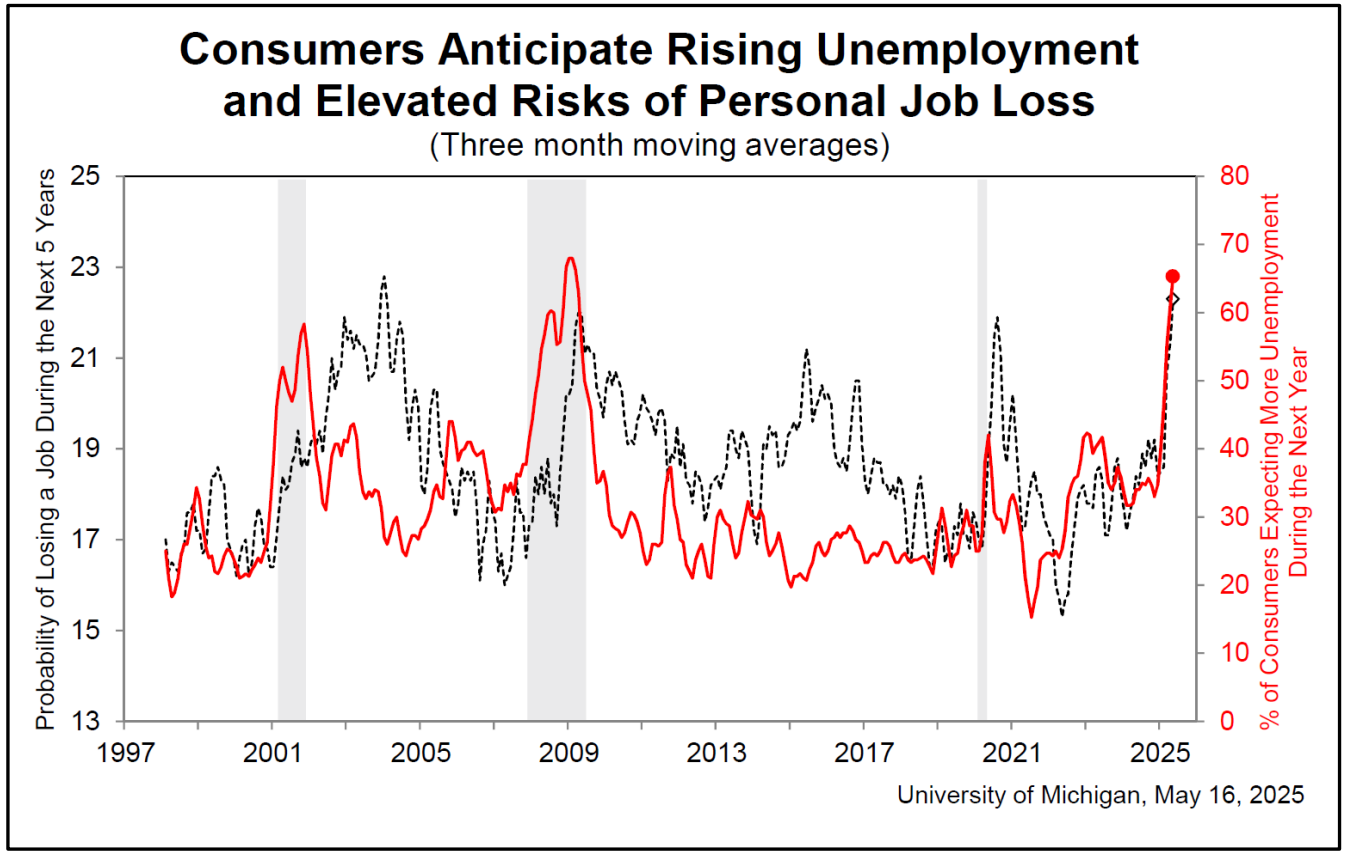
Data source: Philadelphia Federal Reserve Survey of Professional Forecasters, median forecasts, May 16, 2025. “Previous” from February 14, 2025 release.

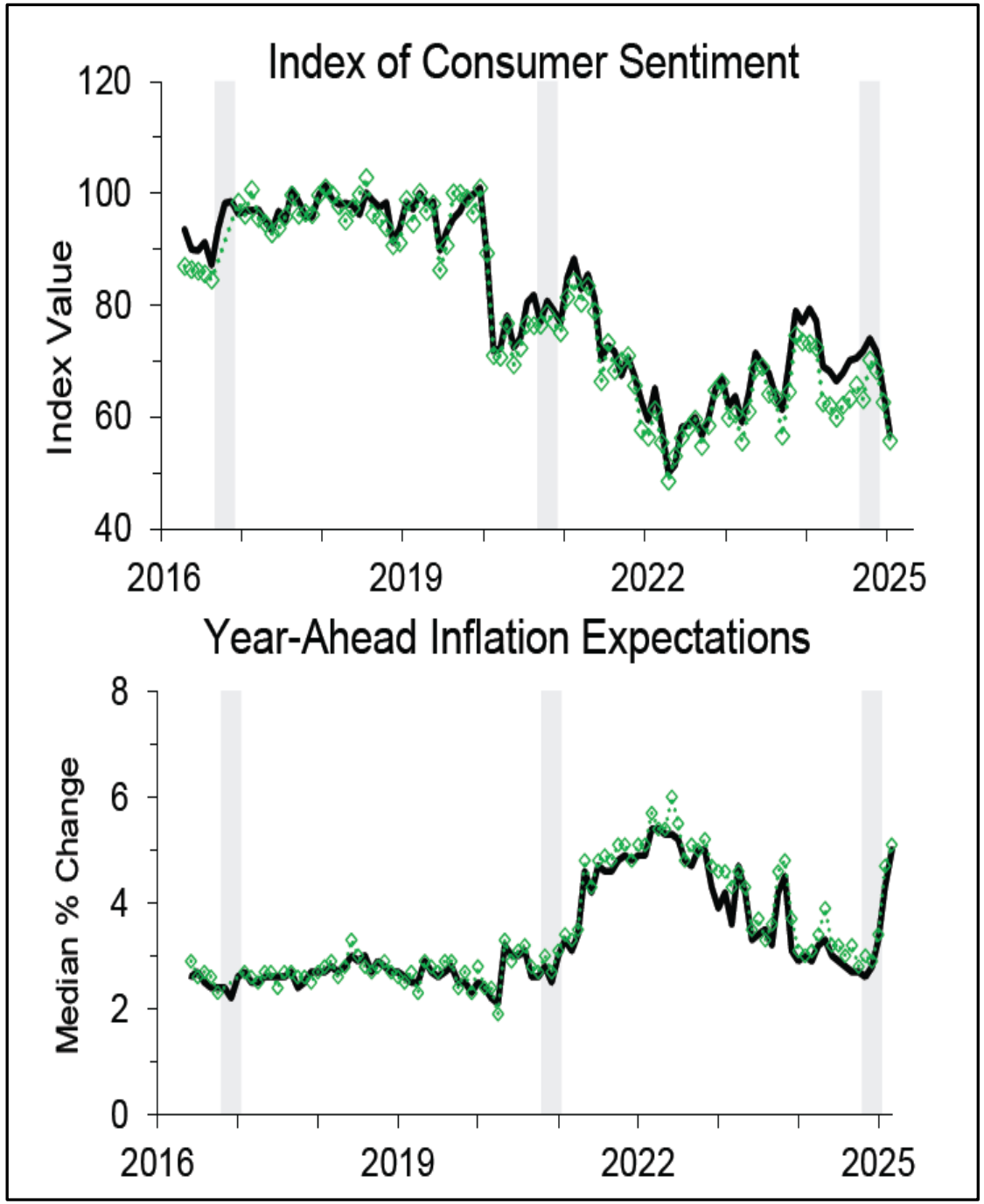
US GDP and Unemployment Expectations

	Real GDP (%)		Unemployment Rate (%)	
	Previous	New	Previous	New
Quarterly data:				
2025:Q2	2.1	1.5	4.2	4.2
2025:Q3	2.0	0.9	4.2	4.3
2025:Q4	2.1	1.4	4.3	4.5
2026:Q1	2.2	1.7	4.3	4.5
2026:Q2	N.A.	1.9	N.A.	4.5
Annual data (projections are based on annual-average levels):				
2025	2.4	1.4	4.2	4.3
2026	2.2	1.6	4.2	4.5
2027	1.8	2.2	4.3	4.6
2028	2.0	2.0	4.3	4.4

Data source: Philadelphia Federal Reserve Survey of Professional Forecasters, median forecasts, May 16, 2025. “Previous” from February 14, 2025 release.

University of Michigan Consumer Confidence Survey, May 2016





Implications

- Not sure if this has much of an impact to US demand for dairy
  - Demand changes will be determined by US export capabilities
- Consumers will react to how they feel
- Bottom 3 income quintiles are likely struggling
  - Top income quintile is supporting the US economy
- Evidence of down switching on restaurant choices and buy down to more at home meals
  - Follow mozz sales for implications to dairy markets
- Not sure when this may balance out
  - Tariff issues need to be settled and stabilized
  - Consumers need to feel that their jobs are safe and wages will increase

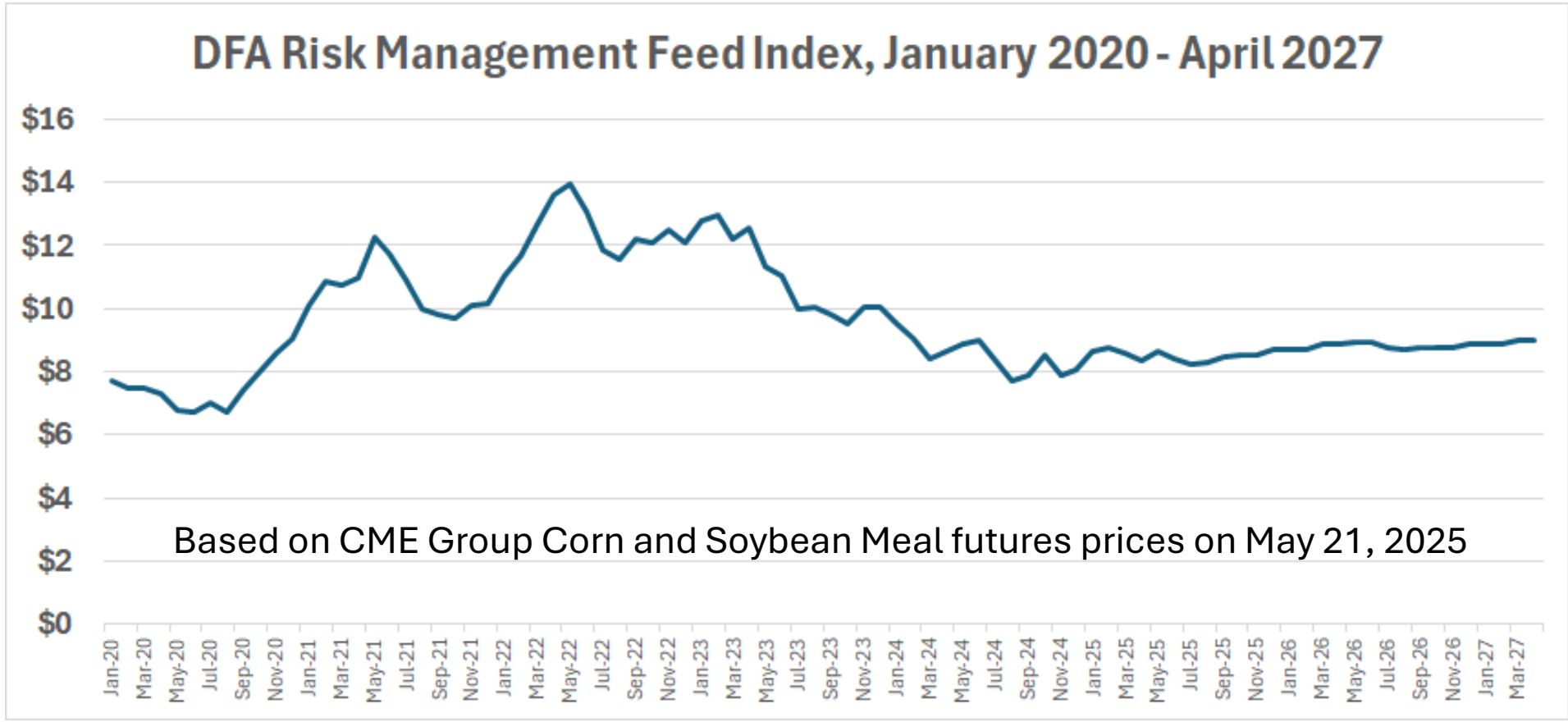
At best, modest tariff reductions from here; but lots of risk of higher tariffs continue

Production inflation is mixed…

USDA Producer Price Index (2011 = 100)			
	Mar-24	Mar-25	YoY Inflation
PPITW (All)	140.7	147.4	4.8%
PPITW (Livestock Sector)	143.9	152.5	6.0%
PPITW (Crop Sector)	137.6	142.4	3.5%
Key Components:			
Feed	117.5	115.8	-1.4%
Livestock and Poultry	185.8	212.9	14.6%
Seeds	133.8	133.8	0.0%
Fertilizer	102.6	105.2	2.5%
Chemicals	116.5	117.1	0.5%
Fuels	94.6	87.9	-7.1%
Supplies and Repairs	145.2	146.4	0.8%
Services	147.0	153.4	4.4%
Rent	137.6	141.7	3.0%
Interest	158.0	149.6	-5.3%
Wage rates	174.2	170.8	-2.0%

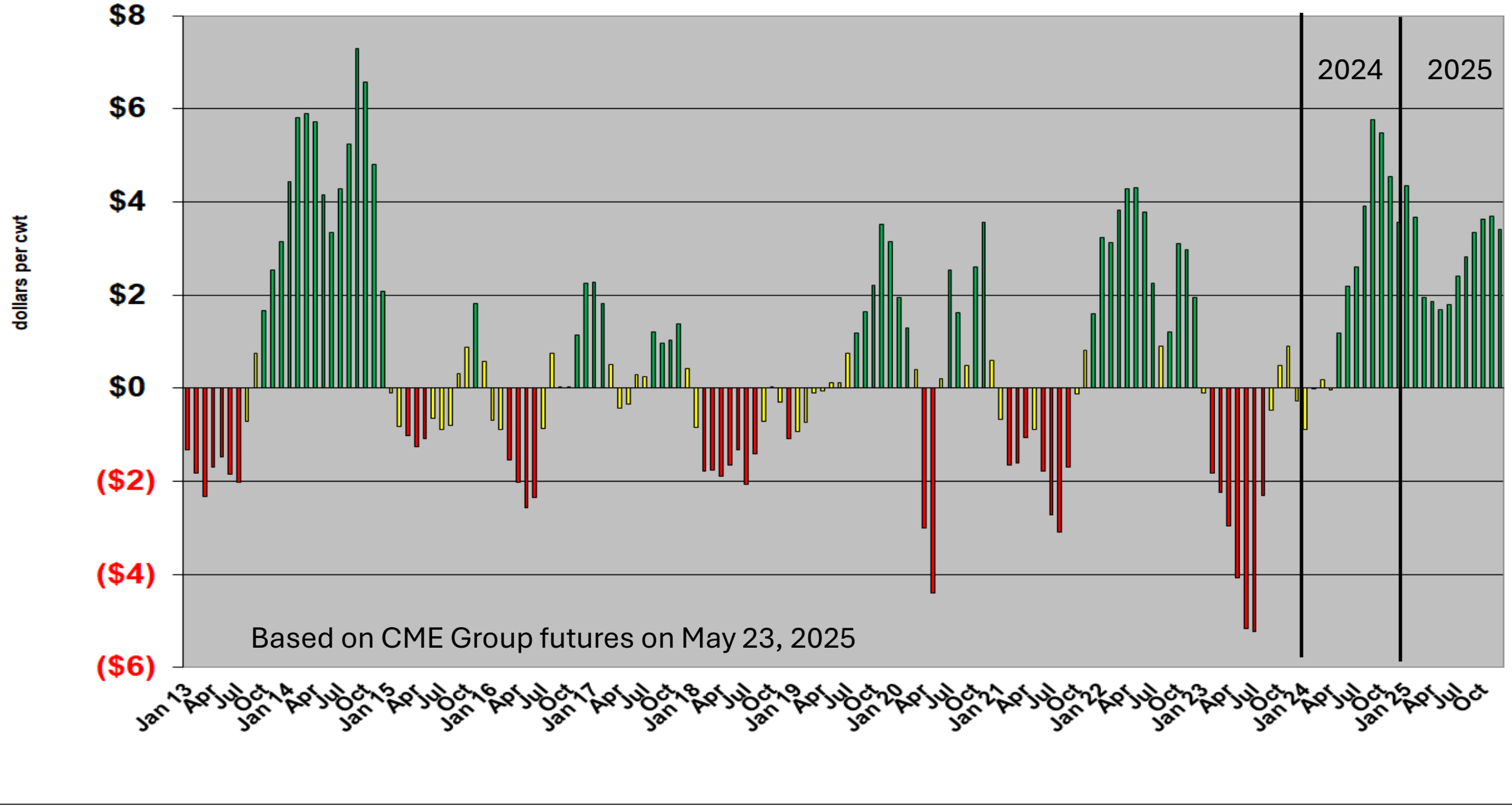
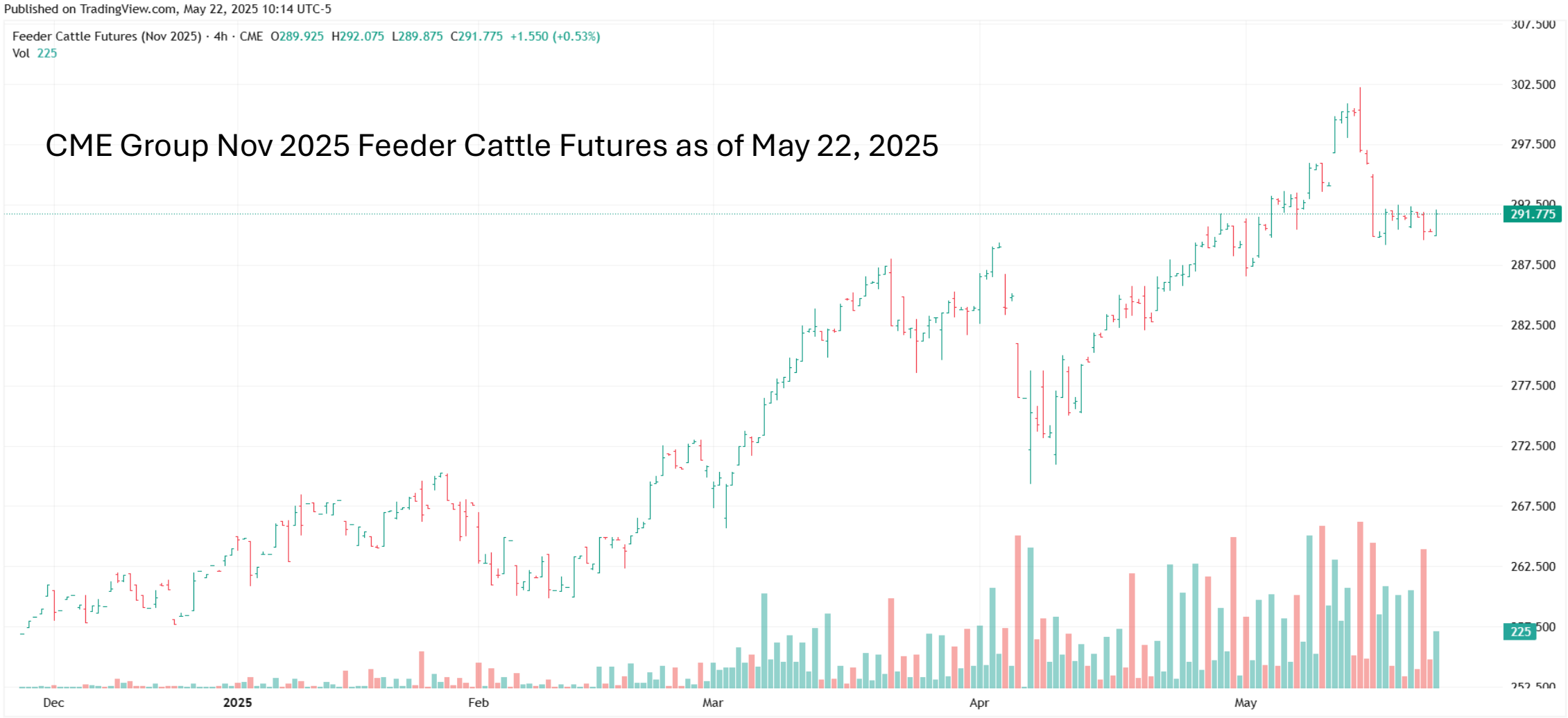
Data source: USDA Agricultural Prices, April 30, 2025

Livestock feed markets have moderated, and the outlook is stable….



US Dairy Farm Average Net Margins

Estimated, Jan 2013 - Dec 2025



Cattle markets remain strong