APPALACHIAN MARKETING AREA
FEDERAL ORDER 5

THE COURIER

Monthly Newsletter

February 2025

Dairy Outlook

Dairy Forecasts for 2025

Based on recent data indicating a smaller-than-expected dairy herd size in 2024 and fewer replacement heifers as of January 1, 2025, the forecast for the 2025 dairy herd has been revised downward by 15,000 head, bringing the total to 9.375 million for the year. The yield per cow remains unchanged from the previous month's forecast at 24,200 pounds of milk per cow. As a result, the revised milk production forecast for 2025 stands at 226.9 billion pounds, a reduction of 0.3 billion pounds from the previous month's estimate but an increase of 1.0 billion pounds compared to 2024.

Dairy imports for 2025 are projected to decline, reflecting recent trade data from 2024. On a skim-solids basis, imports are expected to decrease to 7.2 billion pounds, down by 0.1 billion pounds. On a milk-fat basis, the forecast has been lowered to 8.9 billion pounds, a reduction of 0.4 billion pounds from the previous forecast. The reductions are primarily attributed to lower expected infant formula and ice cream imports, which are expected to outweigh increases in cheese and butter imports.

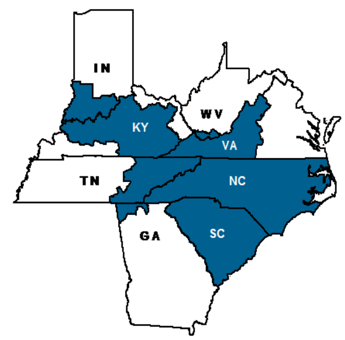
The dairy export forecast for 2025 has also been reduced compared to the previous month's projection. On a milk-fat basis, the export forecast has been revised downward by 0.1 billion pounds to 11.8 billion pounds. On a skim-solids basis, exports are forecast at 48.7 billion pounds, down by 0.4 billion pounds. Expected decreases in shipments of dry whey products and dry skim milk products are anticipated to more than offset projected growth in cheese and lactose exports.

Domestic dairy use for 2025 is forecast to exceed 2024 levels but has been revised downward compared to last month's projections. On a milk-fat basis, the forecast has been lowered by 0.8 billion pounds, bringing the total to 223.0 billion pounds. On a skim-solids basis, the forecast stands at 184.0 billion pounds, a decrease of 0.1 billion pounds. The downward revision reflects lower expected domestic demand.

Price forecasts for major dairy products, excluding Cheddar cheese, have been adjusted downward from previous projections. The updated forecast for Cheddar cheese stands at $1.880 per pound, an increase of 1.5 cents. The dry whey price forecast is $0.605 per pound, down by 3.5 cents. The butter price is forecast at $2.645 per pound, 5.0 cents lower, while the nonfat dry milk (NDM) price forecast has been lowered to $1.295 per pound, a reduction of 4.5 cents.

Milk price forecasts account for new updated Federal Milk Marketing Order (FMMO) formulas to take effect in June and December 2025. Despite higher cheese prices, lower dry whey prices and higher FMMO manufacturing allowances are expected to result in a reduction of the Class III milk forecast to $19.10 per cwt, $0.60 below the previous estimate. Lower butter and NDM prices, along with higher FMMO manufacturing allowances have led to a revised Class IV milk forecast of $19.70 per cwt, $1.10 below the previous projection. The all-milk price for 2025 is now forecast at $22.60 per cwt, down $0.45 from last month's estimate.

Dairy Outlook, cont'd on pg. 3



Jason Nierman
Market Administrator

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Appalachian Statistical Summary

	JANUARY 2025	DECEMBER 2024	JANUARY 2024
PRICES: (Base Zone)			
Uniform Price	$23.26	$23.43	$21.10
Class I Price	23.78	24.83	21.88
Class II Price	21.58	21.28	20.04
Class III Price	20.34	18.62	15.17
Class IV Price	20.73	20.74	19.39
Uniform Skim Milk Price	$13.38	$13.40	$10.97
Class I Skim Milk Price	13.89	14.38	11.64
Class II Skim Milk Price	11.65	11.47	9.95
Class III Skim Milk Price	10.39	8.74	4.92
Class IV Skim Milk Price	10.80	10.94	9.30
Uniform Butterfat Price	$2.9557	$3.0003	$3.0054
Class I Butterfat Price	2.9647	3.1281	3.0431
Class II Butterfat Price	2.9530	2.9174	2.9835
Class III Butterfat Price	2.9460	2.9104	2.9765
Class IV Butterfat Price	2.9460	2.9104	2.9765
PRODUCER MILK:			
Class I	342,608,883	318,864,711	344,517,325
Class II	56,091,634	72,522,742	70,151,813
Class III	26,493,633	41,771,898	27,920,893
Class IV	24,743,926	29,679,013	32,591,479
Total Producer Milk	**449,938,076**	**462,838,364**	**475,181,510**
PERCENT PRODUCER MILK IN:			
Class I	76.15	68.89	72.50
Class II	12.47	15.67	14.76
Class III	5.89	9.03	5.88
Class IV	5.49	6.41	6.86

Prices subject to location adjustments per §1005.51 and §1005.75

F.O. 5 STATS FOR January 2025:

The Uniform Price
for January 2025 was $23.26 per cwt., an increase of $2.16 from January 2024.

Total Class I Milk
for January 2025 was 342.6 million pounds, an increase of 23.7 million pounds compared to December 2024.

Class I Utilization
was 76.15 percent for January 2025, an increase of 7.26 percentage points from December 2024.

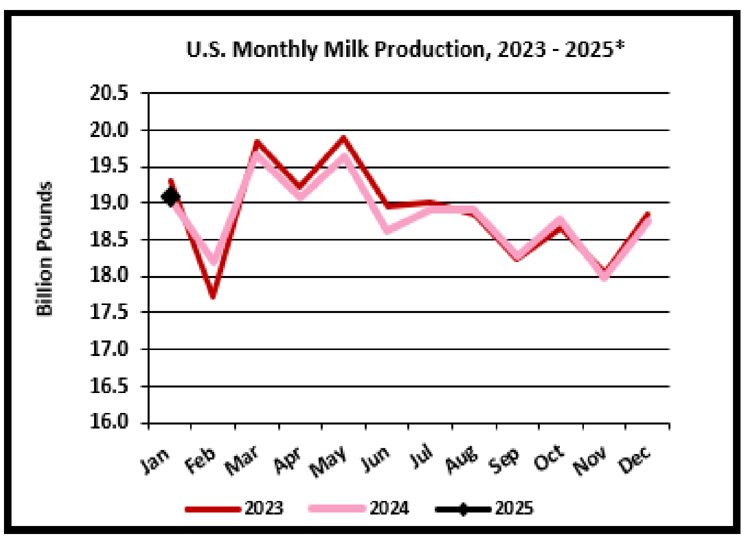
Total Producer Milk
for January 2025 was 449.9 million pounds, a decrease of 12.9 million pounds compared to December 2024.

January Milk Production Up 0.2%

Milk production in the 24 major States during January totaled 18.3 billion pounds, up 0.2 percent from January 2024. December revised production, at 18.0 billion pounds, was down 0.2 percent from December 2023.

Production per cow in the 24 major States averaged 2,054 pounds for January, 8 pounds below January 2024.

The number of milk cows on farms in the 24 major States was 8.93 million head, up 54,000 head from January 2024, and up 9,000 head from December 2024.



*Based on entire U.S. production

Dairy Outlook, cont'd from pg. 1

2024 Dairy Recap

In 2024, U.S. dairy farmers benefited from both higher farm-gate milk prices and lower costs for the main feed inputs (corn, soybean meal, and alfalfa hay). The national milking herd continued to shrink in 2024 with dairy farmers adopting reduced slaughter rates to compensate for tight replacement dairy heifer inventories. With a higher number of older dairy cows in the national herd, milk per cow was only marginally year-over-year higher. Moreover, the discovery of Highly Pathogenic Avian Influenza (HPAI) in dairy cows in early March and its increased prevalence after September reduced milk production growth. Consequently, total milk production in 2024 was fractionally smaller than in 2023. However, because the percentage of milk components per fluid volume of milk increased, total skim-solids production decreased at a slower rate than total milk production total and total milk-fat production actually increased (after adjusting for the leap year). Driven by year-over-year higher wholesale prices, domestic use of dairy products declined both on milk-fat and skim-solids milk-equivalent bases. The bright stars of 2024 U.S. dairy exports were total shipments of cheese, which achieved record-high levels, and butter exports which increased significantly.

The all-milk price in 2024 averaged $22.61 per hundredweight (cwt), $2.27 higher than 2023. Using the proxy used by USDA, National Agricultural Statistics Service (NASS) to calculate the milk-feed ratio, the feed-price proxy decreased by 26 percent from 2023 to 2024.

In 2024, the farm milk margin above the feed costs reported by the Dairy Margin Coverage Program (DMC) was above the $9.50 per cwt threshold that triggers payments for dairy producers who choose the highest levels of coverage for most of the year, except for January and February when it was slightly below this level. Moreover, since August the DMC margins achieved the highest levels in the program's history. The evolution of DMC margins in 2024 comes in stark contrast to 2023, when they dipped below the catastrophic level of $4.00 for 2 months and below the $9.50 threshold for another 9 months.

Milk production in 2024 totaled 225.9 billion pounds, a decrease of 0.5 percent from 2023 (adjusted for leap year). The milk cow herd continued its mostly downward trend that began in early spring of 2022, reaching the low point for the year at 9.317 million head in July. From July to October, the number of dairy cows climbed, reaching a peak in October of 9.366 million head before declining in November and December. However, after several quarters of year-over-year declines, the fourth-quarter dairy herd was 0.1 percent above the fourth quarter of 2023, suggesting farmers' intentions to expand the dairy herd. Milk per cow averaged 24,185 pounds in 2024, almost unchanged from 2023 (adjusted for leap year).

Milk components continued to test at higher levels. The milk-fat test as reported by USDA, National Agricultural Statistics Service (NASS) averaged 4.24 percent in 2024, a 2.2 percent year-over-year increase, while the skim-solids test reported by USDA, Agricultural Marketing Service (AMS) averaged 9.08 percent, a 0.4 percent year-on-year increase. The recent trends in the annual production of milk components indicate that dairy farmers continue to focus on adopting genetic traits that increase the component levels, offsetting the slower growth in milk per cow.

Livestock, Dairy, and Poultry Outlook, LDP-M-368, February 18, 2025,
USDA, Economic Research Service

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Federal Milk Marketing Order Statistics - January 2025

	Federal Order	Producer Deliveries Million Pounds	Class I Producer Receipts Million Pounds	Class I Utilization Percent	Statistical Uniform Price $/cwt
1	Northeast	2,315.6	695.8	30.0	21.81
5	*Appalachian*	*449.9*	*342.6*	*76.2*	*23.26*
6	Florida	227.0	188.8	83.2	25.04
7	Southeast	303.3	241.8	79.7	23.79
30	Upper Midwest	2,226.4	172.7	7.8	20.47
32	Central	1,167.0	374.1	32.1	20.50
33	Mideast	1,620.4	638.1	39.4	20.85
51	California	2,188.8	417.2	19.1	20.95
124	Pacific Northwest	596.4	129.9	21.8	20.63
126	Southwest	1,176.7	358.9	30.5	21.36
131	Arizona	389.5	120.9	31.0	21.42
	All Orders	12,660.9	3,680.9	29.1	21.23

[1/] Weighted average uniform prices at 3.5% butterfat at announced locations.