

# CDE DAIRY MARKETS & MANAGEMENT UPDATE

All prices — DEC. 18, 2024 — except where noted

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## Cheese Exports.

It gets talked about all the time, and it is an ever more important feature in the US dairy market as we ship about 4% of our milk in the form of cheese on a protein basis into the international market. But we often don't take the time to break down the who, what, and where of U.S. cheese trade.

Let's start with Mexico. It is the largest US trading partner with cheese purchases year-to-date through October, reaching 352 million pounds and accounting for 37% of export shipments to date — reaching the largest market share since 2009. To put that into perspective, that's almost as much cheese as Pennsylvania made over the same period with the state's cheese output totaling 388 million pounds. Can Mexico keep up that buying pace into next year? Watch the Peso. Since Mexico's Presidential election in June, the Peso has fallen under significant pressure. Though it seems to have had limited impact on cheese purchases so far, a weaker Peso means reduced purchasing power out of the country. Will a persistent weak currency start to chip away at demand for US products into 2025?

While Mexico is the U.S.'s best bud when it comes to cheese trade, we continue to see U.S. exporters make headway across the rest of the world. South Korea and Japan sit as the second and third largest importers of US cheese with year-to-date volume reaching a combined 85 million pounds and accounting for about 20% of U.S. export market share. However, as competition from European products has ratcheted up, we see more shifting from one supplier to the next as buyers look for the best deal. We see similar jockeying in regions like the Middle East. Europe has a clear freight advantage into the region, but buyers historically give U.S. exporters a look for the right price.

As the year comes to a close, why is cheese trade top of the topic list? First and foremost, trade will be increasingly important to U.S. dairy — particularly U.S. cheese — going forward. With new cheese plants ramping up quickly in 2025, manufacturers will need an outlet for the additional product coming online. In our estimation, cheese exports will need to grow by about 25% between 2024 and 2025 — on top of an anticipated record high in 2024 — to keep the cheese market from a surplus state.

Price competitiveness will be critical to keeping the cheese export pie growing as the year unfolds. We suspect that the U.S. likely needs more than a 25-cent gap between U.S. and EU cheese prices to win. Here in the second half of 2024, that price gap has been wide enough at times on a spot basis for exporters to make some plays into contested markets like South Korea and Japan, but 2025 futures prices have been far from a slam dunk. With that in mind, if we continue to see weaker cheese prices out of Europe and potentially more competition out of New Zealand, we may see ripple effects in the U.S. cheese price.

Tariffs are another key watch factor in 2025 with plenty of discussion about trade with Mexico, Canada and China from President-elect Trump. At this point, talk is just talk but it is worth noting that the USMCA free trade agreement was already scheduled for a planned review in 2026.

In an environment with rapidly increasing cheese production, "headline risk" around tariffs, and a greater reliance on price competitiveness to find sales outlets, we expect the 2025 cheese and Class III market will be far from stable. With that in mind, don't let recent Class III price strength lull you to sleep on your risk management plan. Second quarter Dairy Revenue Protection Class III floors are available at around \$18.30 per hundredweight — right in line with the five-year average for the quarter. Similarly, Class IV floors for the quarter are sitting near \$19.30 per hundredweight, a dollar over the five-year average.

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Prices change daily. This market information is an example for educational purposes. The market data shown below are compiled weekly by Farmshine, via CME & USDA reports.

## CME DAILY FUTURES & OPTIONS TRADING — DEC. 18, 2024 AT THE CLOSE

	DEC-24	JAN-25	FEB-25	MAR-25	APR-25	MAY-25	JUN-25	JUL-25	AUG-25	SEP-25	OCT-25	NOV-25	TREND												
<b>CLASS III MILK FUTURES (\$/CWT) vs. wk ago:</b> Dec24 dn \$0.05; Jan25 up \$0.50; Feb25 up \$0.05; Mar-May25 dn \$0.05-0.10; Jun-Jul25 steady; Aug-Nov25 dn \$0.15-0.30. <b>12-Month Avg. 19.10</b> ↓↓	18.72	20.06	19.64	19.52	19.30	19.15	18.99	18.96	18.80	18.80	18.67	18.53	↓↓												
<b>CLASS IV MILK FUTURES (\$/CWT) vs. wk ago:</b> Dec24 firm; 2025 down \$0.15-0.40, except Apr25 up \$0.10 and Nov25 dn \$0.05. <b>12-Month Avg. 20.49</b> ↓↓	20.75	20.68	20.50	20.50	20.58	20.32	20.30	20.35	20.50	20.52	20.45	20.45	↓↓												
<b>MILK BASIS (MAILBOX minus CLASS 3 \$/CWT) 2018-23 AVG FOR NORTHEAST &amp; MIDEAST STATES OF PA, NY, NEW ENGL., OH vs. NAT'L AVERAGE - YOUR INDIVIDUAL BASIS WILL VARY</b>																									
Mailbox	20.25	19.64	19.22	18.75	18.82	18.25	18.96	18.48	18.64	18.27	18.52	18.15	18.68	18.38	18.65	18.35	18.62	18.41	19.27	18.75	20.20	19.76	20.58	20.17	
Class III	17.30	17.30	16.81	16.81	16.03	16.03	16.98	16.98	17.31	17.31	17.33	17.33	18.16	18.16	18.16	18.16	18.16	17.59	17.59	17.60	17.60	18.72	18.72	19.07	19.07
BASIS	2.95	2.34	2.41	1.94	2.79	2.22	1.98	1.50	1.33	0.96	1.19	0.82	0.52	0.22	0.49	0.19	1.03	0.82	1.67	1.15	1.48	1.04	1.51	1.10	

	MAR-25	MAY-25	JUL-25	SEP-25	DEC-25	MAR-26	MAY-26	JUL-26	SEP-26	DEC-26	JUL-27	SEP-27	TREND					
<b>CORN FUTURES (\$/BU)</b>	4.370	4.434	4.470	4.290	4.326	4.436	4.500	4.530	4.422	4.426	4.522	4.582	↓↓					
<b>SOYMEAL FUTURES (\$/TON)</b>	280.0	286.5	292.2	297.6	298.9	299.4	299.8	302.6	303.9	304.9	306.6	309.1	↓↓					
<b>U.S. AVG PREMIUM ALFALFA &amp; ALFALFA/GRASS HAY 20-22% CP - Source: USDA Monthly National Dairy Comprehensive Report</b>																		
AUG-23	243.50	238.50	217.82	240.41	231.70	254.85	224.50	205.02	220.17	175.00	211.69	185.21	196.44	199.57	206.63	*NOV-24	192.20	↓↓

DMC	JUN-23	JUL-23	AUG-23	SEP-23	OCT-23	NOV-23	DEC-23	JAN-24	FEB-24	MAR-24	APR-24	MAY-24	JUN-24	JUL-24	AUG-24	SEP-24	OCT-24	*NOV-24
<b>DMC OFFICIAL GROSS MARGINS per cwt(USDA All-Milk, com, alfalfa &amp; Ill. soybean, feed for ALL CLASSES of dairy cattle on farm)</b>	3.65	3.52	6.46	8.44	9.44	9.58	8.44	8.48	9.44	9.65	9.60	10.52	11.66	12.33	13.72	15.57	*15.17	↓↓
ALL MILK	17.90	17.40	19.70	21.00	21.60	21.70	20.60	20.10	20.60	20.70	20.50	22.00	22.80	22.80	23.60	25.50	*25.20	↓↓
FEED \$	14.25	13.88	13.24	12.56	12.16	12.12	12.16	11.62	11.16	11.05	10.90	11.48	11.14	10.47	9.88	9.93	*10.03	↑↑

DAIRY COMMODITIES - GLOBAL BIWEEKLY Internet Auction (\$/LB) 12/17/24	U.S. CME SPOT DAILY (\$/LB) 12/18/24	U.S. WEEKLY USDA NDPSR (\$/LB) WK ENDING 12/14/24*
<b>Weighted Avg. 1 to 6 mo. FORWARD CONTRACTS per metric ton converted to \$/LB</b>	Prev. 5 day Lds	FMMO PROD
NEXT GDT AUCTION 01/07/25	Spot price	MIL. LBS
SKIM POWDER (SMP) 1.2509 ↑↑ 2.9%	Weekly Avg	WTED AVG \$
BUTTER 3.0008 ↓↓ 0.6%	NFDN 24 1.3725 ↓↓ 1.3767 ↑↑	NFDN 17.3 1.3991 ↑↑
ALL-PRODUCT INDEX 1.8820 ↓↓ 2.8%	BUTTER 20 2.5100 ↓↓ 2.5100 ↑↑	BUTTER 2.4 2.5978 ↑↑
MILK FAT (AMF) 3.2972 ↓↓ 3.8%	CHEDDAR-40 19 1.8600 ↑↑ 1.8475 ↑↑	CHEDDAR-40 10.4 1.7389 ↓↓
BUTTER MILK POWDER N/A N/A	CHEDDAR-500 12 1.7850 ↑↑ 1.7667 ↑↑	CHEDDAR-500 13.7 1.7176 ↓↓
MOZZARELLA (BULK) 1.8298 ↓↓ 1.8%	DRY WHEY 14 0.7500 ↑↑ 0.7467 ↑↑	DRY WHEY 7.5 0.6251 ↑↑
WHOLE POWDER (WMP) 1.7649 ↓↓ 2.9%		

ANNOUNCED FEDERAL ORDER PRICES (\$/CWT) NASS ALL-MILK					CURRENT FEDERAL ORDER VALUES (\$/LB) * = NEW					
CL I ADV ↓↓	CL II ↑↑	CL III ↓↓	CL IV ↑↑	ALL-MILK-U.S.	ALL-MILK-PA	*WEIGHTED AVG. 4-WK NOV. 1-30, 2024	NOV. 2024			
*20.38(JAN)	22.52(NOV)	19.95(NOV)	21.12(NOV)	25.20(OCT) ↓↓	25.40(OCT) ↓↓	PRODUCT	VALUE	MAKE	ALLOW	NET
MONTH AGO					COMPONENTS					
21.43	21.01	22.85	20.90	25.50 4.15F	25.70 4.11F	CHEESE	1.9198	0.2003	1.7195	↓↓
YEAR AGO					PROT 2.3160 ↓↓					
18.48	21.21	17.15	20.87	21.60 4.21F	22.80 4.08F	BUTTER	2.7002	0.1715	2.5287	↓↓
					B.FAT 3.0623 ↓↓					
					N.FAT 1.1974 ↑↑					
					OTHER 0.4049 ↑↑					

U.S. AVG. BRED COWS & HEIFERS (3rd trimester) per head as reported by USDA Monthly National Dairy Comprehensive Report										
OCT-23	NOV-23	DEC-23	JAN-24	FEB-24	MAR-24	APR-24	MAY-24	JUN-24	JUL-24	AUG-24
1741	2108	N/A	1635	N/A	N/A	N/A	2115	2016	N/A	N/A
U.S. AVG. MILKING COWS per head as reported by USDA Monthly National Dairy Comprehensive Report										
1643	1830	1988	N/A	1792	N/A	N/A	2120	2254	1624	N/A

CATTLE - DAIRY PURPOSES (\$/HD) USDA and other East and Midwest auction reports combined 4-week rolling average as of DEC, 2024										
*MILK COWS (NASS) U.S. Avg.	FRESH	HEIFERS: Springing	Bred	Beef x	OPEN: 300-600 lbs	Beef X	600-900 lbs	Beef X	900-1100 lbs	BULLS (800-1300 lbs)
*\$2600 SEP-24 ↑↑ \$2300 JUL-24	3300	2800	2200	2200	900	1200	1300	N/A	1800	1800
YEAR AGO										
\$1850 SEP-23	\$1760 JUL-23	2075	2100	1650	1400	625	N/A	975	N/A	1350
PA Auction Markets Dec. 12-17, 2024										
CULL MARKET COWS (\$/CWT LIVELWEIGHT)										
Premium White	Breakers	Boners	Lean	FED STEERS (\$/CWT LIVE)						
				Choice & Prime 1250-1550 lb	Holstein	Beef-X-Dairy	WK AGO	YR AGO		
				550.00 ↓↓	183.50 ↑↑	172.50	180.60	159.10	N/A	
				625.00 ↓↓	875.00 ↓↓	625.00	850.00	315.00	590.00	
				70-85 lbs	625.00 ↓↓	900.00 ↑↑	700.00	950.00	365.00	
				BULL CALVES: No. 1 & 2, 90-130 lbs						
									635.00	
				WEEK AGO						
				120.25	115.85	105.85				
				YEAR AGO						
				96.75	87.00	80.10				