

STATE ^{OF THE} DAIRY INDUSTRY

2025 REPORT

**DATA AND INSIGHTS ON
THE PRESENT AND FUTURE**

- Diversifying Revenue Streams
- A Future of Tech Synergy
- Navigating Challenges

FARM JOURNAL





EDITOR'S LETTER

Embrace the Opportunities in 2025: A Bright Future for Dairy Farmers

As we step into 2025, uncertainty looms like the turning of a new page. With a new administration at the helm and ongoing discussions around tariff regulations, it's understandable if current news headlines make those who run a business uneasy. This sense of anxiety is nothing new to many. Yet, within the agricultural community, particularly among dairy farmers, there exists perpetual optimism riding on the tides of hope.

Every spring, seeds are sown with a hopeful expectation that Mother Nature will fulfill her role, culminating in a bountiful harvest in the fall. Dairy farmers especially share this hopeful outlook despite dealing with perishable products like milk, which can't be stored indefinitely like other crops. Market fluctuations affect their income variably, but the commitment and resilience among dairy farmers remain unwavering for the long haul.

DAIRY'S MOMENT TO SHINE

Fortunately, positive news stirs within the dairy industry: leaders everywhere affirm that dairy's time is now. With an increasing demand for diets rich in protein, dairy products are ideally positioned to satisfy this growing need. In addition, the prevailing low cattle inventory, the lowest in more than 60 years, creates favorable conditions for beef-on-dairy operations, indicating a potential boom as we move forward.

Scan the QR code for more information on the state of the dairy industry.



CHART THE COURSE FORWARD

However, the crucial question remains: Are you ready to propel your operation forward through the uncertain fog toward the rainbow beyond?

In this era, technology increasingly influences dairy operations. Are these innovations part of your strategic plan? Engaging in these conversations within your family and farming business is essential sooner rather than later.

In the following pages, you'll find insights from our 2025 Farm Journal State of the Dairy Industry report. We asked producers about their future investments, and this report embodies optimism, primarily due to the incredible dairy farmers we are fortunate to have – those who help feed the world.

By embracing change and capitalizing on evolving opportunities, dairy farmers can chart a course toward a prosperous future within this ever-changing landscape.

KAREN BOHNERT
Dairy Editorial Director



Tune in the week of May 19 for special coverage of the State of the Dairy Industry 2025 Report. To watch and listen online, visit AgWeb.com/AgDay or AgWeb.com/AgriTalk.

DAIRY'S TIME IS NOW

A transformation is unfolding with geographic shifts, milk solids and revenue streams



PHOTO: MAGEN TOL

By Karen Bohnert

When glancing at the U.S. Milk Production Report, changes might not immediately grab your attention year-over-year. However, delve into the core of the country, and you'll witness a thriving dairy revolution. The migration of dairies to the central states is a noticeable trend. According to Gregg Doud from the National Milk Producers Federation (NMPF), the area within a 300-mile radius around Amarillo, Texas, now accounts for more than 1,100 semi loads of milk daily.

BUTTERFAT AND PROTEIN ON THE RISE

Beyond migration shifts, the very components of milk leaving farms are undergoing transformation. The USDA's National Agricultural Statistics Service reports that butterfat

levels have consistently hit record highs over the past four years, reaching an average of 4.23% nationally in 2024. Similarly, protein content has also broken records each year from 2016 to 2024, with an average of 3.29% in 2024, according to the Federal Milk Marketing Order data.

BEYOND THE MILK CHECK

One of the most exciting developments in the industry is the discovery of innovative revenue streams beyond the traditional milk check. A standout opportunity is the significant value in beef-on-dairy calves. Doud highlighted, "What an enormous value that is," referring to the \$800 to \$900 price tag for a day-old black calf. This opportunity showcases the dynamic nature and evolving economic possibilities available to today's dairy farmers.

The anticipated gains in milk processing infrastructure signal enormous potential for the U.S. dairy industry. These advancements are not just vital for addressing the burgeoning domestic demand but are also crucial for capturing a larger segment of the international market. This period could mark a pivotal juncture for U.S. dairy, presenting a chance to expand and innovate – with sustainability and prosperity as guiding principles.

The U.S. dairy industry stands on the brink of significant evolution, driven by strategic geographic shifts, changing milk components and innovative revenue strategies. For dairy farmers and stakeholders alike, the current landscape offers immense opportunities to adapt and thrive. As we look to the future, embracing these changes could ensure the industry remains robust, sustainable and globally competitive.

SHIFTING TIDES OF MILK PRODUCTION

Growth, innovation and
export opportunities await

By Karen Bohnert

When examining milk production in the U.S. over recent years, there's more at play than what meets the eye. The number of milk cows has remained relatively constant, but there are significant changes occurring that shape the future of the dairy industry.

KEY CHANGES IN MILK COMPONENTS

One of the most notable changes is the shift in milk component levels, which is crucial for both producers and processors. Over 80% of the U.S. milk supply is directed into manufactured dairy products that depend on butterfat and protein content. The demand for these components is climbing, with more than \$8 billion worth of new dairy processing capacity expected to come online by 2027.



Butterfat levels have set new records for four consecutive years, with 2024 seeing an average of 4.23% nationwide, according to USDA's National Agricultural Statistics Service. Protein content is also on the rise, with new records set each year from 2016 to 2024. The average protein content of U.S. milk reached 3.29% in 2024, based on Federal Milk Marketing Order data.

EVOLUTION OF THE COW HERD

The structure of the cow herd is also shifting. Data from the February U.S. Milk Production Report indicates there are 8.96 million milk cows on farms across 24 major U.S. states, marking a significant increase. This growth of 75,000 head from the year prior represents the largest milking herd since May 2023.

Phil Plourd, president of Ever.Ag Insights, notes the significance of this increased cow power, suggesting it could possibly contribute to robust milk production growth in the coming months.

Michael Dykes, CEO of the International Dairy Foods Association,

U.S. MILK PRODUCTION

	DEC. 2024 - FEB. 2025	DEC. 2023 - FEB. 2024	YOY CHANGE
Cows (1,000 head)	9,383	9,335	▲0.5%
Per Cow (pounds)	5,931	6,006	▼0.1%
Total Milk (million pounds)	55,639	56,071	▼0.4%
Total Milk Solids (million pounds)	7,593	7,549	▲1.7%
Total Skim Milk Solids (million pounds)	5,117	5,119	▼1.1%
Total Milkfat (million pounds)	2,476	2,430	▲3.0%

CHARTS SOURCE: NATIONAL MILK PRODUCERS FEDERATION; PHOTO: DAIRY MANAGEMENT INC.



stresses the industry’s eagerness for growth among both dairy producers and processors.

“Our farmers want to grow, and so do our processors. If we aren’t growing, if we aren’t looking toward the future, we’re going to get surpassed by others,” Dykes explains.

EXPANSION OF U.S. DAIRY EXPORTS

U.S. dairy exports have shown a 2% increase, reaching \$8.297 billion in 2024. This is second only to the \$9.655 billion that was garnered in 2022. Krysta Harden, who serves as the CEO of the U.S. Dairy Export Council, points to the ongoing uncertainties surrounding U.S. government tariffs as a potential challenge. But at the same time, she emphasizes the strong global standing of U.S. dairy products.

“We have such a reputation for producing really high-quality, consistent products that customers are able to count on,” Harden explains.

As the industry continues to evolve, it carries a reputation for quality. This makes U.S. dairy products well-positioned to expand their influence in global markets, even amid changing economic conditions.

U.S. DAIRY EXPORTS

	DEC. 2024 - FEB. 2025	DEC. 2023 - FEB. 2024	YOY CHANGE
(Metric Tons)			
Butter	11,314	6,571	▲74%
Anhydrous Milk/Fat/Butteroil	8,744	1,613	▲448%
Total Cheese	135,433	118,169	▲16%
Dry Skim Milk	144,817	191,552	▼24%
Whole Milk Powder	5,902	5,047	▲18%
Dry Whey	43,529	44,752	▼2%
Whey Protein Concentrate/Isolate	53,129	56,120	▼4%
Lactose	102,224	109,753	▼6%
Percent of U.S. Milk Solids Exported	15.2%	15.9%	▼3%

A PROMISING HORIZON FOR U.S. DAIRY



Results from Farm Journal's State of the Dairy Industry 2025 report shine hope

By Karen Bohnert

Farm Journal's State of the Dairy Industry 2025 report provides a comprehensive overview of the current state and outlook of the dairy industry. The report surveyed 400 dairy producers across the U.S., focusing on those with cow herds that exceed 100 cows. The survey aimed to understand producers' future plans, the challenges they face and their overall sentiment toward the industry.

The results of the survey have revealed an air of optimism among dairy operators. The biggest takeaway was their increased confidence as compared to a year ago. Financial and attitudinal indicators suggest a positive trend, with producers generally anticipating more profits this year compared to last. Furthermore, there is an increased consensus among surveyed producers that they hold an optimistic view for the future of the industry. Many are confident about the milk market's potential as well.

THE ROAD AHEAD

While the path forward is not without its challenges, it seems that the dairy industry is preparing to tackle these with a renewed sense of optimism. The sentiments captured in the survey indicate that operators are adapting and planning strategically for continued success.

This survey followed a similar format to that of the 2024 report, allowing for comparison and identification of trends over the past year. The purpose was to understand not only the current

THE BIG PICTURE

57%

are optimistic about the future of the dairy industry

56%

are confident in the future of our existing milk market

74%

anticipate profits for 2025

44%

plan to expand operations in the next five years



PHOTO: DAIRY MANAGEMENT INC.

challenges but also the direction in which the industry is headed.

As the industry continues to navigate through its current challenges, producers continue to embrace innovative practices and unlock further opportunities for growth. There is a promising horizon ahead for the dairy industry, and if these trends continue, it could lead to a more sustainable and prosperous future.

Farm Journal's State of the Dairy Industry 2025 report underscores the resilience and the adaptability of dairy producers, further strengthening the industry's foundation for the years to come.

400 SURVEY PARTICIPANTS

TOTAL HEAD

1 to 499

500 to 1,999

2,000+

37%

38%

25%

NUMBER OF SITES

1 site

2 sites

3+ sites

74%

15%

12%

PERCENT OF FEED GROWN

<75%

75 to 99%

100%

41%

46%

13%



2025 BRINGS CAUTIOUS OPTIMISM

PHOTO: DAIRY MANAGEMENT INC.

The dairy industry is no stranger to change, and if you ask a farmer the same question on different days, you'll likely get different answers. This trend was evident in the 2025 Farm Journal State of the Dairy Industry report. Many dairy operators are anticipating profitability and growth, despite ongoing challenges. In a significant shift from 2024, approximately three-quarters of dairy farmers expect to be profitable in 2025.

PROFITABILITY AND GROWTH: A POSITIVE OUTLOOK

This reflects a sense of renewed confidence in the industry's future, spurred by innovative solutions and improved management tools. Greg Moes of MoDak Dairy in Goodwin, S.D., shared an interesting strategy at the Milk Business Conference.

"Beef-on-dairy carried us when the milk prices were low," he says, highlighting a growing trend among larger operations. This strategy is just one example of how farmers are diversifying to weather financial challenges.

The industry's renewed confidence is not unwarranted. It is driven by younger operators who are unafraid to embrace innovations, improved herd management and dive into other strategic solutions. These key indicators suggest dairy operators feel more optimistic about 2025 compared to the previous year. Not only are operators expecting improved profit margins, but a significant number are also contemplating scaling their operations. Specifically, 44% of surveyed producers

intend to expand over the next five years, a testament to their belief in the industry's trajectory.

EVOLVING CHALLENGES AND SOLUTIONS

What's more heartening is the reduced producer concern about industry trends such as the pressure to lower environmental impact, scrutiny over animal welfare and increased consumer demand for sustainable practices. While these are still important considerations, the level of apprehension surrounding them seems to have decreased.

2025 appears to be a pivotal year for the dairy industry, with widespread optimism surrounding financial gains and strategic plans for expansion on the farm. As operators work to navigate the promising landscape ahead, their collective efforts will undoubtedly shape a resilient and thriving industry for years to come. Dairy operators and stakeholders alike should keep a close eye on these developments, as they signal a positive shift in the industry's fortunes.

"Not only are operators expecting improved profit margins, but a significant number are also contemplating scaling their operations."

A FUTURE OF TECH SYNERGY

Technology has woven itself into the fabric of various industries, and the dairy sector in particular stands as a beacon of how it can be harnessed to modernize operations. This transformation is not merely about enhancing productivity but also animal welfare and a more sustainable future for the industry.

“As an early believer in genomics, I followed technology. I graduated college, and I told myself, ‘We’ve got to follow technology. We’ve got to lead technology for the industry’. We drove right into it,” says Tim Rauen, GenoSource CEO and 2024 Milk Business Leader in Technology award recipient. Rauen’s commitment to adding technology into dairy farming has made GenoSource a leader in agricultural innovations.

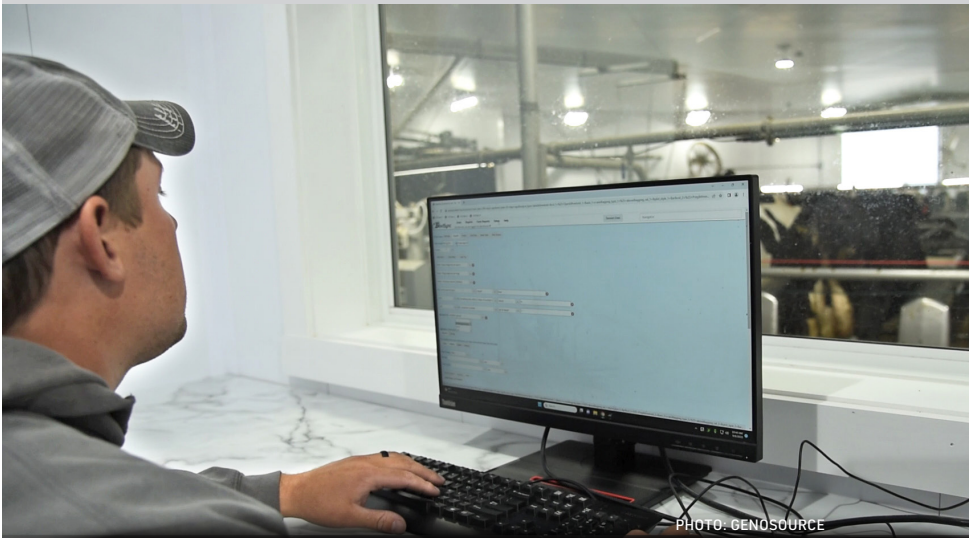
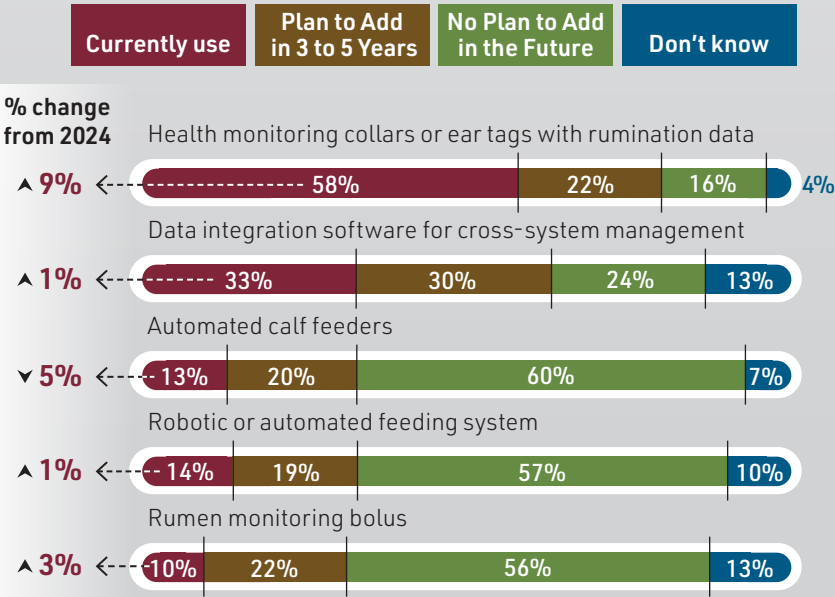
CURRENT TRENDS IN TECH

Our survey revealed two-thirds of dairies now use at least one form of feeding technology, with health monitoring collars and ear tags being the most widespread. In fact, there has been a notable uptick in the use of health monitoring technology over the past year. However, the usage of automated calf feeders and rumen monitoring bolus has seen a decline compared to 2024.

Survey data shows a preference for collars and tags equipped with individual data tracking, software for monitoring health events and surveillance cameras. These tools are invaluable in herd health tech, with the majority of operators (83%) leveraging at least one form of technology primarily for monitoring and tracking the health of individual animals. While some areas, such as automated injection systems and youngstock monitoring, remain underutilized, there’s clear evidence of substantial adoption across other areas.

Only two-in-five operators are employing technology specifically aimed at monitoring milk production and quality. Data integration software that facilitates cross-system

Which of the following do you use on your operation?



GenoSource, the 2024 Milk Business Leader in Technology winner, relies on a variety of technologies to drive their Iowa operation forward.

management is the leading tool, currently used by 27% of operators, with an additional 30% planning to implement it in the next three to five years. Despite this, there is a notably low interest in adopting real-time sensors and technologies designed to monitor udder health and detect mastitis.

As operators adopt and adapt to new technologies, the potential benefits to productivity, animal welfare and sustainability are boundless. With leaders like Tim Rauen at the helm of innovation, the future of dairy farming will be equipped to face the challenges of tomorrow with cutting-edge solutions.

DIVERSIFIED REVENUE STREAMS

In recent years, dairy producers have faced a fluctuating roller coaster of milk prices, making it increasingly difficult to maintain profitability. However, many have managed to navigate these turbulent times by diversifying their income sources. By tapping into alternative revenue streams such as beef-on-dairy operations, agri-tourism, on-farm processing and carbon markets, producers have found innovative ways to stay in the black despite lackluster mailbox prices.

Our survey indicates approximately one-quarter of dairy producers have implemented alternative land or dairy add-on revenue streams. This shift is a testament to the agility and adaptability within the industry, as producers explore various avenues for profitability. Although there is considerable interest in these alternative revenue streams, most dairy operators do not have immediate plans to expand their businesses in this direction over the next three to five years.

A POPULAR CHOICE: BEEF-ON-DAIRY

Not surprising, among the diverse strategies being employed, beef-on-dairy practices have emerged as a popular choice. With the U.S. beef cattle herd reaching its smallest size in 64 years thanks to persistent drought and strong cattle prices that discourage retaining heifers, dairy farmers are meeting the call to produce beef-on-dairy crossbreds to satisfy growing demand.

Nearly three-quarters of operators are engaged in at least one beef-on-dairy practice, with breeding and raising being the most prevalent methods. Despite a decline in the number of producers raising animals under their beef-on-dairy operations in the past year, there is an increase in the sale of branded beef products.

National Association of Animal Breeders reported beef-on-dairy semen sales grew by about 317,000 units in the U.S. in 2024. Phil Plourd, president of Ever.Ag Insights, highlighted the economic rationale behind these developments. He notes the \$900 price for a day-old beef calf presents a much more reliable

How are you currently using beef-on-dairy in your operation?

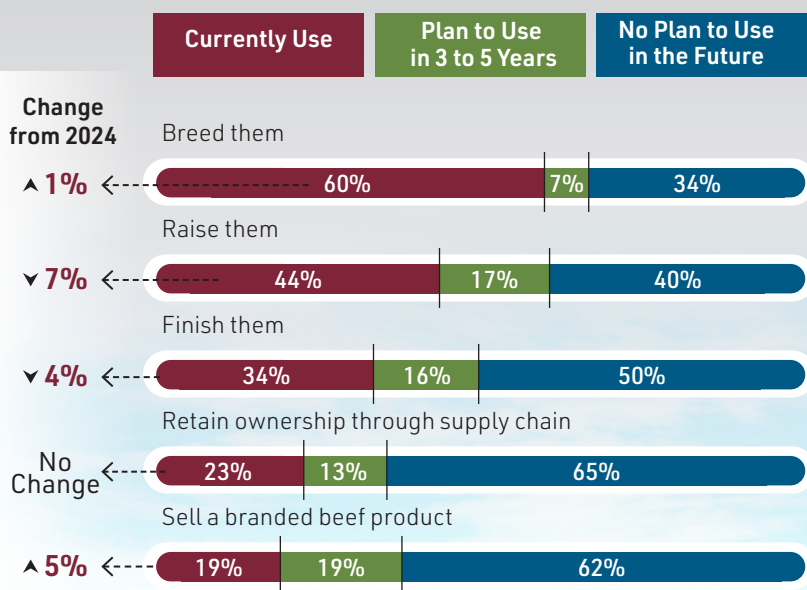


PHOTO: WYATT BECHTEL

investment than the inherent risks and unpredictability associated with raising a dairy heifer. This is a significant consideration for producers, especially given the record-high dairy replacement prices observed in 2025.

Dale Woerner with Texas Tech shared at the Milk Business Conference he believes beef-on-dairy crossbreds have added immense value to the beef supply chain and should be seen as a long-term solution.

"Beef-on-dairy crossbreds have added enough value to the beef supply chain that we should never change what we're doing. We should continue creating these crossbred cattle for the future," he said.

STRATEGIES FOR SUCCESS

The survey reveals the majority of producers selling beef-on-dairy calves do so within the first week of birth, with many also opting to raise them on-site. This approach allows producers to capitalize on early sales and effectively manage resources.

The dairy industry is witnessing a notable shift toward alternative revenue streams as producers seek stability and growth amid uncertain market conditions. By embracing innovative practices such as beef-on-dairy, agritourism, on-farm processing and carbon markets, they are not only ensuring their current economic well-being but are also setting the stage for sustainable future growth. As these practices gain traction, it will be interesting to observe their long-term impact on the overall dynamics of the dairy sector.

Through diversification and innovative strategies, producers are not just navigating present challenges but are also building a resilient and sustainable future for the industry.



PHOTO: TREY CAMBERN

NAVIGATING CHALLENGES

The dairy industry has recently been riding a wave of cautious optimism, as producers work tirelessly to steer through a myriad of complex challenges. Despite the sunny optimism, underlying issues such as rising operational costs, labor shortages, regulatory conundrums and unpredictable markets pose significant threats to the industry's sustainability.

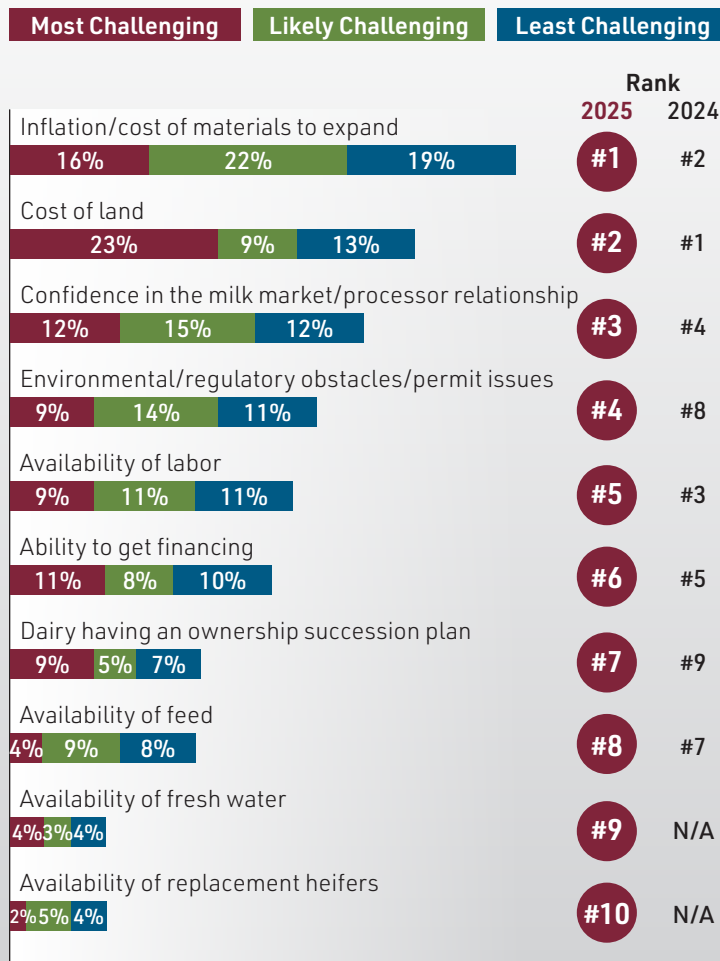
RISING COSTS AND MATERIAL CONCERNS

When we surveyed producers, obstacles such as inflation and the escalating costs of materials emerged as top concerns. These financial pressures, alongside sharply rising land costs, loom large over the potential for growth and expansion. Increased operational expenses, including those related to labor, equipment and inputs, stand as formidable barriers that must be navigated as producers strive toward future prosperity. ➤



PHOTO: KAREN BOHNERT

When determining how or when to expand your operations, rank the factors that influence your decision to do so.



LABOR SHORTAGES: A PERSISTENT CHALLENGE

While the concern regarding availability of labor has slipped a bit in ranking, the issue remains significant. Frequent shortages and labor force hurdles are continually cited as obstacles preventing the achievement of growth milestones. With many dairy operations relying on non-family labor for at least half of their workforce, the challenge of finding and maintaining a dependable labor pool is a pressing issue that cannot be overlooked.

REGULATORY AND ENVIRONMENTAL HURDLES

Another growing concern in the dairy industry is the maze of environmental and regulatory obstacles that dairy operators must traverse. Feedback from respondents highlighted increasing anxieties over inconsistent and burdensome regulations, particularly those surrounding environmental practices, labor laws and immigration. The impact of such obstacles is clear: They create uncertainty and heighten operational stress, which in turn hampers growth and expansion potential.

MARKET VOLATILITY

Confidence in the milk market has emerged as a prominent challenge for growth. Producers express frustration over the volatile nature of milk prices, especially when coupled with rising input and operating costs.

Despite these challenges, there has been little change over the past year in anticipated investments for the next three to five years. Nearly half of the producers plan to replace or improve facilities and acquire additional acreage for growing crops. This trend signals a cautious, yet optimistic, outlook toward the future growth of the dairy industry.

PAST, PRESENT AND FUTURE: SUSTAINABLE EFFORTS AT WORK

Sustainability has transcended its roots as a mere buzzword, becoming an essential practice. One farmer spearheading these efforts is Jared Fernandes, Legacy Ranches in Tipton, Calif. He emphasizes the importance of caring for the land, cattle and agricultural legacy left behind.

ADOPTION AND AWARENESS

While there is a positive trend in adopting sustainable practices, there's a palpable gap in program awareness. As environmental regulations grow stricter and market demand for sustainable products rises, carbon credits and Environmental, Social and Governance (ESG) practices can offer both financial and reputational advantages.

More than half of the respondents (63%) reported involving themselves in at least one sustainable practice. Notably, larger operations are more likely to practice sustainability, particularly in the Western region.

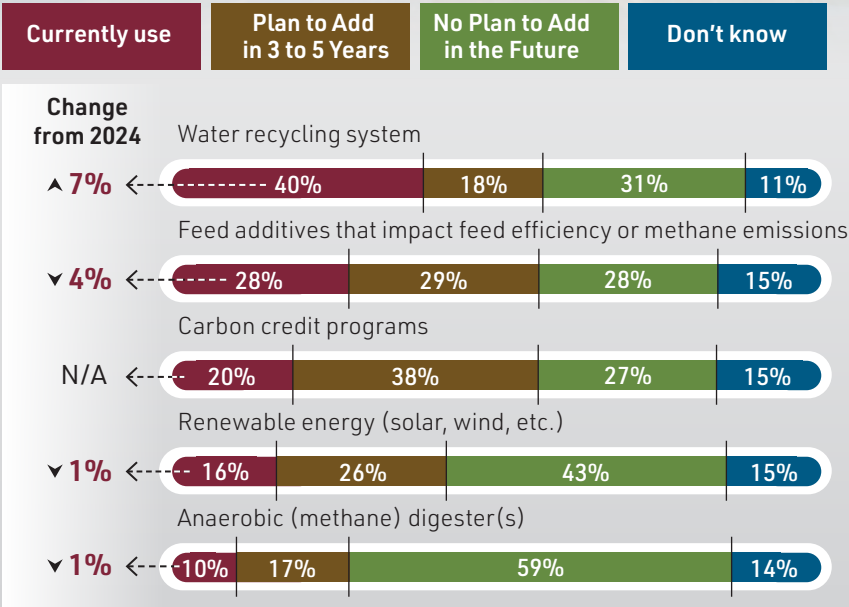
UNTAPPED POTENTIAL

Despite potential benefits, only 20% of respondents currently participate in carbon credit programs – though 38% plan to begin within the next three to five years. The top reasons for non-participation include a lack of awareness and insufficient compensation. Interestingly, philosophical and attitudinal opposition are the main hurdles for the one-quarter who have decided against participation.

In the words of one skeptical respondent, "I think carbon credits are a fad and may go away with a struggling economy."



Which of the following sustainability practices or technologies do you currently use or plan to implement?



LEADING SUSTAINABLE PRACTICES

The most commonly used sustainability practices include water recycling and feed additives for improving efficiency and reducing methane emissions. However, three in five respondents are unaware of two major industry programs promoting sustainability – Scope 3 and ESG programs.

Gaps in awareness, consumer demand and regulatory changes are ongoing challenges in the journey toward sustainability. Yet, with continued effort and awareness, agricultural businesses can ensure a healthy and sustainable future.

LABOR CHALLENGES: A CALL FOR CHANGE AND INNOVATION

Though a staggering 97% of U.S. dairy farms are family-owned and operated, the industry holds a critical dependency on immigrant labor, as more than two-thirds of the country's 9.36 million dairy cows are milked by immigrant workers. It's an urgent issue woven into the fabric of American agriculture.

BEFORE AND AFTER THE PANDEMIC

Labor challenges are not new to dairy farmers. The COVID-19 pandemic only exacerbated these struggles, and the discourse around mass deportation adds another layer of complexity to this issue, affecting not only individual farms but reverberating throughout the U.S. economy.



PHOTO: TREY CAMBERN

EVER-PRESENT LABOR SHORTAGES

A recent survey underscores the dairy industry's growing dependency on non-family labor, indicating it represents at least 50% of the workforce for many respondents.

In response, numerous farmers have turned to technology to reduce reliance on human labor. Although hiring and retaining workers remain challenging, there have been notable changes in labor-related aspects over the past year.

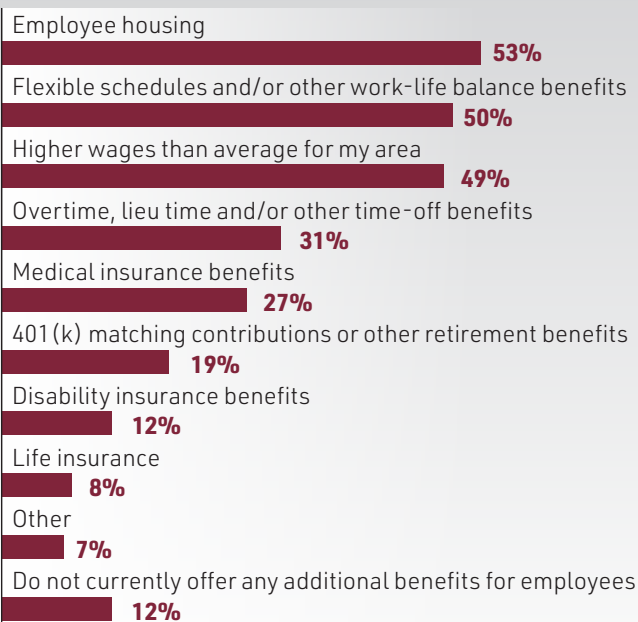
BOOST EMPLOYEE INCENTIVES

Escalating labor expenses compound the difficulties faced by dairy farmers. One survey respondent observed, "Labor expenses continue rising, and our state isn't allowing us to remain competitive with farmers in other states."

To mitigate these issues, many farms have introduced incentives to bolster retention, including employee housing, flexible work schedules and wages surpassing the industry average. Over half of the survey participants provide housing for workforce stability and motivation.

The labor challenges afflicting the dairy sector are far from resolved. While innovative strategies and improved employee benefits offer temporary respite, deeper systemic changes are imperative. As the dairy industry contends with these formidable challenges, the call is for collective action and policy reforms that prioritize sustainability and security, ensuring a resilient future for U.S. agriculture.

Which benefits do you offer to support recruitment and retention of employees for your operation?



PASSING THE BATON: THE IMPORTANCE OF A PLAN

The future of the dairy industry faces significant challenges as a large portion of its operators approach retirement without having formalized succession plans in place. Our survey documented that a quarter of operators plan to retire within the next five years. This trend is understandable as 22% of these operators are over the age of 65, and 28% are aged between 55 to 64 years old. The next generation's involvement is crucial, yet only 56% of operators under 45 are considering adding a family member as a partner in the coming years.

INDUSTRYWIDE CHALLENGE

Despite its critical nature, only two in five operators have a defined succession plan, with larger operators more likely to have such plans. The lack of plans to transfer critical operational knowledge and business practices to successors is alarming. According to recent data, 59% of operators either lack or are unsure about having a defined succession plan. However, there is a silver lining: the percentage of operators with a defined plan has increased by six points since 2024, indicating a rising awareness of the importance of strategic planning.

EYE ON EXPANSION AND THE FUTURE

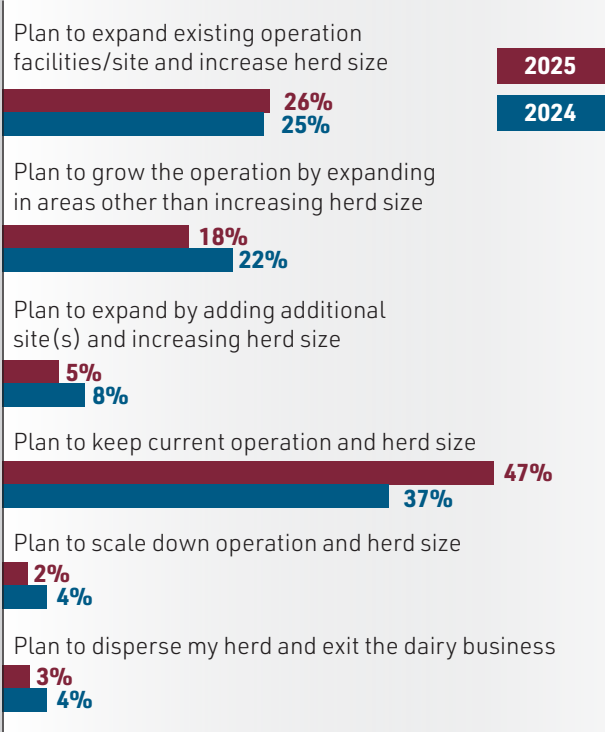
Looking ahead, nearly half of the operators plan to expand their operations within the next five years, whereas a similar proportion intend to maintain their current herd size. Compared to last year, fewer operators are planning to expand by adding additional sites. Interestingly, only 5% intend to reduce their herd size, with a small fraction, about 3%, planning to exit the business entirely from a lack of profitability or successors. One respondent admitted, "No one in the family wants to take over." Another cited the difficulty of handing over the operation to the next generation as a significant barrier.

The evolving demographics within the dairy industry show the importance of robust succession planning. As the industry grapples with the imminent retirement of many of its operators, it must address the gap in succession plans to safeguard its future. By prioritizing these discussions and plans, the industry can ensure a seamless transition that maintains stability and continues the long-standing tradition of passing on family farms to the next generation.



2023 Milk Business Young Producer winner, Ben Smith (right), alongside his wife, Dana, and father, Ken.

Which of the following best describes your growth goals for your dairy operation(s) in the next five years?





GUEST COMMENTARY: PHIL PLOURD

Navigate the Unpredictable Waters of the Year Ahead

Given a lot of new cheese capacity, solid chances for improving milk production and lethargic domestic demand, we figured exports would be critical for the U.S. dairy industry in 2025. Call it ironic, call it foreboding or call it tragicomic, but that's the road we're on as the year unfolds.

GLOBAL DAIRY DYNAMICS

Strong pricing in Europe and New Zealand created openings for U.S. dairy products to move out of the country without requiring significant downward price movement.

Cheese exports increased by 22 million pounds in January and February, up 16%. Meanwhile, in the first quarter, CME spot block cheddar prices averaged \$1.81 per pound, up 20% from the same period last year. That's a win. The butter story has similarities. Exports increased by more than 8 million pounds in January and February, an 84% increase. CME spot prices were lower in the first quarter but not in a devastating fashion.

Prevailing price gaps favor more movement in the months ahead, with U.S. cheese and butter trading at large enough discounts to keep the purchase orders rolling.

POTENTIAL TRADE WAR TENSIONS

An unfolding trade war potentially complicates things, of course. We don't know how the story will end. Mexico is the pivotal player for cheese and nonfat dry milk. If things don't get ugly, that will go a long way toward steadying the price boat. South Korea and Japan are also important players in

the cheese arena. China looks like it's going to be a sore spot, with major implications for the U.S. whey complex. A significant portion of U.S. whey, permeate and lactose exports move into China. If tariffs remain high, market prices could struggle, ding other solids values in U.S. producer milk checks.

A CAUTIOUS APPROACH TO HEIFER DEMAND

The other big story for 2025 (and beyond) also features many moving pieces and unknowns. When will we begin to

see replacement heifer availability turnaround? Beef-on-dairy breeding has become so widespread that we've run down dairy heifer inventories. At face value, the incentives continue to point in that direction. High beef prices and low cattle numbers keep pushing up the value for day-old dairy cross beef calves. The bird in hand, a \$900 check for a day-old animal, sure seems to be more appealing than the two in the bush.

Yet, we wonder if more producers are starting to zag while everyone else is zigging? Are they backing off beef on dairy to ensure their ability to grow their own operations? Are some shifting breeding even a little, betting the potential rewards for raising dairy heifers are worth the risks?

The conversation is as fascinating as it is consequential, but it will be some time before we know if, and how much, the trend is shifting.

This is the 2025 dairy industry. Short on certainty. Long on volatility. Sharp management is more crucial than ever.

“Welcome to the 2025 dairy industry. Short on certainty. Long on volatility. Sharp management is more important than ever.”

Phil Plourd is president of Ever.Ag Insights. *The risk of loss trading commodity futures and options can be substantial. Investors should carefully consider the inherent risks in light of their financial condition. The information contained herein has been obtained from sources to be reliable; however, no independent verification has been made. The information contained herein is strictly the opinion of its author and not necessarily of Ever.Ag Insights and is intended for informational purposes. Past performance is not indicative of future results.*