

# Castor-Oil Dairy Outlook for Trade Wars, Deportations

## Read with Caution

**The following article is perhaps the most troubling ever printed in this publication's nearly 46 years. Dr. Chuck Nicholson's projections about the negative impacts upon dairy of various intended policies of the Trump administration ought to spur rational discussions.**

**No amount of government checks can offset these policies' negative impacts upon dairy farms, dairy processors, rural communities, and the stability of our nation's food supply.**

by Pete Hardin

Make that castor oil with a shot of turpentine added for increased indigestion.

At the University of Wisconsin Agricultural Outlook Forum on January 21, economist Chuck Nicholson delivered a grim outlook analyzing the impact of three major Trump administration initiatives: import tariffs and mass deportations of undocumented aliens, and sharp funding cuts for federal nutrition programs.

[Due to adverse weather (windchills around -25 degrees), *The Milkweed* editor was not able to attend that event held on the UW-Madison campus.]

To see a video of Dr. Nicholson's presentation, go to:

[Renk.aae.wisc.edu/2025-wisconsin-agricultural-outlook-forum/](http://Renk.aae.wisc.edu/2025-wisconsin-agricultural-outlook-forum/)

We will summarize Nicholson's disturbing projections:

### Import tariffs' impact

Nicholson projects the potential negative economic impacts following a 25% import tariff levied

against the top three destinations for U.S. dairy exports: Mexico, Canada and China. Last year, those three countries received 40% of the total dollar value of our dairy exports. Nicholson projects that 25% import tariffs imposed by the United States would spur similar tariffs on dairy by those three nations. His conclusions:

- A loss of \$2.4 billion in U.S. dairy farm income.
- Loss of \$34,000 in annual income for the average-sized dairy farm in Wisconsin.
- A decline of \$1.24/cwt. in the Class III (cheese) milk price. That drop would yield a \$0.83/cwt. drop in milk prices received by Upper Midwest dairy producers. (Note: This projection does not include a separate \$0.80-0.85/cwt. decline in milk prices in the Upper Midwest due to pending changes in the federal milk order program.)
- Loss of \$20.3 billion in total U.S. dairy exports.
- Lower costs for retail milk prices paid by consumers, down 15 cents per gallon.
- Wholesale prices of cheese would decline by an estimated 5 cents per pound.

### Deporting undocumented dairy farm employees

In 2023, a UW-Madison study found that 70% of the hired workers at the state's dairy farms are undocumented aliens. Nicholson estimates that policies resulting in mass deportations of undocumented aliens would result in the following outcomes:

- A \$4.4 billion decline in net income for U.S. dairy farms.
- A loss of \$150,000 gross income for the average Wisconsin dairy farm.
- A \$.05/cwt. decline in the Class III price. But Nicholson projects a \$0.23/cwt. increase in the U.S. All Milk Price.
- Loss of \$5.7 billion in U.S. dairy exports
- A 16-cent per gallon increase in retail milk prices.

### Nutrition program cutbacks???

Dr. Nicholson also modeled projected cuts in federal nutrition programs, such as the Supplemental Nutrition Assistance Program (SNAP, formerly Food Stamps) and the school meals programs. His estimates include a 50% reduction in those programs. Because these proposed budget cuts are theoretical at this time, *The Milkweed* gives far less weight to this portion of Dr. Nicholson's presentation. Important to note: Nicholson estimates that 10% of Class I sales go to school meals programs.

### Estimated cumulative impact: Ugh.

Combining all of his models – tariffs, deportation of undocumented dairy farm labor and cuts in federal nutrition programs – Nicholson projects the following net outcomes:

(We report what he projects. We do not understand why the individual outcomes do not add up to correlate with Nicholson's cumulative impacts.)

- A \$5.5 billion loss in U.S. dairy farm income.
- A \$145,000 loss in "cumulative income" for the average Wisconsin dairy farm.
- A \$1.47/cwt. decline in Class III prices, resulting in a \$0.99/cwt. decline in overall milk prices in the Upper Midwest.
- Loss of \$19.2 billion in U.S. dairy exports.
- A 2-cent per gallon decline in retail milk prices.
- A 5-cent decline in wholesale cheese prices.

### Right or wrong ... stimulus for debate

Like his numbers or not, credit Nicholson with trying to analyze current events threatening to spill negative volatility across the nation's dairy industry. The time for cheering the new administration is past. Honest, critical looks at some major policy proposals – trade wars, deportation of undocumented immigrants, and possible funding cutbacks for federal nutrition programs are due.

## 2024: U.S. Dairy Cheese & Butter/Cream Exports vs. Imports

Recently released data by the USDA's Foreign Agriculture Service shows both exports and imports for various dairy products in 2025.

Interestingly, the U.S. exported far more cheeses than it imported in 2025. But in the "Butter and Cream" category, imports literally "creamed" exports.

### Cheese

Exports totaled 1.125 billion lbs. last year. Mexico was the major outlet, buying 424.6 million lbs. Rounding out the top 5 cheese export destinations were: South Korea (123.8 million lbs.), Japan (91.0 million lbs.), Australia (61.7 million lbs.), and Canada (46.4 million lbs.). During 2024, Mexico and South Korea showed big increases in cheese imports from the United States — +30% and +24%, respectively.

On the imports side of the ledger, a total of 473.3 million lbs. of cheese entered the United States last year. That volume represented a 12% increase, compared to 2023's total. Italy, with 90.3 million lbs. of imports to the U.S., was the top importer. Other leading importers and their volumes were: France (53.1 million lbs.), Spain (45.3 million lbs.), Netherlands (41.9 million lbs.) and Ireland (27.8 million lbs.) All cheese importing nations showed nice gains in 2024 (vs. 2023).

Imports totaled 42% of U.S. cheese exports last year.

### Butter & Milk fat

Despite domestic butter prices that often during 2024 were far below Western Europe's, the United States attracted huge volumes of butter imports last year. In fact, 2024's total pounds of imported butter and milk fat was 40% higher than in 2023. That's a head-scratcher.

For 2024, butter and milk fat exports totaled 99.7 million lbs. – an increase of 27%. However, the export figure was dwarfed by 224.9 million lbs. of imports (+40% vs. 2023). Imports outweighed exports by right around 125%.

Our leading export destinations for U.S. butter and milk fat were: Canada (60.9 million lbs.), Mexico (10.9 million lbs.), South Korea (5.0 million lbs.), The Dominican Republic (3.8 million lbs.) and Panama (2.3 million lbs.).

The top five sources for butter and milk fat imports were: Ireland (127.5 mil. lbs.), New Zealand (38.1 mil. lbs.), India (13.9 mil. lbs.), Mexico (13.7 mil. lbs.), and Argentina (9.7 mil. lbs.).

(Question: Why is the United States importing butter from India, a nation with a history of Foot and Mouth Disease?)

### Nonfat Dry Milk

During 2024, the United States exported 1.642 billion lbs. of nonfat dry milk. That figure raises

questions, since this nation produced 1.667 billion lbs. of nonfat in 2024, according to the revised Dairy Products report issued February 7, 2025. There are at least two possibilities: either large volumes of nonfat produced prior to 2023 were included in 2024's export data; or else the export data is inaccurate.

According to the data reported on page 5 of Dairy Market News' February 7, 2025 issue. Mexico imported 860.2 million lbs. — 52% of nonfat exported during 2024. Other top recipients of nonfat last year were The Philippines (193.9 mil. lbs.), Indonesia (107 mil. lbs.), Malaysia (70.5 mil. lbs.) and Vietnam 61.9 mil. lbs.).

Important to note: total nonfat exports in 2024 fell 8% below 2023's figure.

### 2024 Cull Cows Down 11.9%

USDA data for dairy cull cows processed in federally inspected meat slaughter facilities in 2024 fell 11.9% below the prior year's figure.

Through the week ending December 28, 2024, the USDA reported a total of 2.708 million dairy cull cattle went to slaughter. This number does not include mortalities suffered on the farm. In 2023, the total number of culls was 3.075 million.

Scarce numbers of replacement heifers forced some dairies to pull back from normal discretionary culling decisions in 2024. Dairy cull cow numbers fell despite sky-high prices offered for meaty animals.

Many of the same factors influencing culling decisions in 2024 remain in place for 2025. Two great unknowns:

- What impact will the threatened trade wars with Mexico and Canada have on cull prices? Large volumes of feeder cattle have historically come in from Mexico (until November '24). Canada provides large volumes of beef, — slaughter cattle and boxed beef. If tariffs are imposed on imports of beef (in various forms) from Mexico and Canada, short-term, U.S. prices for beef – on the hoof through to the supermarket meat case – could go even higher. However, that short-term gain would come at the expense of pushing back consumers' demand.

- Will still-rising beef prices eventually dissuade consumers from current levels of strong demand?

## Mexican Peso Erodes (v. US\$) During 2024's Second Half

During the second half of 2024, the Mexican peso declined by 12.39%, relative to the U.S. dollar.

The peso's decline in relative purchasing power is one more factor that Mexico's savvy dairy importers must weigh ... as they prepare for the contingency of a tariff-driven trade war with the United States. If, on March 1 as threatened, the Trump administration invokes a 25% import tariff against Mexican goods, then Mexico will likely respond in kind.

Mexico is our largest export destination for U.S. dairy products, especially cheese. In 2024, Mexico purchased the equivalent nearly 5% of total U.S. farm milk production, including 38% of total cheese exports.

If a trade war ensues, then Mexico's dairy importers would face significantly higher cost increases for U.S. dairy goods, compared to mid-2024. (Important to note: since that point U.S. commodity butter prices have sharply declined.)

Using quotes from the *Wall Street Journal* (reported in the USDA's Dairy Market News), here's a breakdown of the Mexican peso's value compared to the U.S. dollar during the past seven months:

July 1, 2024: 1 US\$ = 18.3820 pesos  
Oct. 11, 2024: 1 US\$ = 19.2678 pesos  
Dec. 30, 2024: 1 US\$ = 20.672 pesos