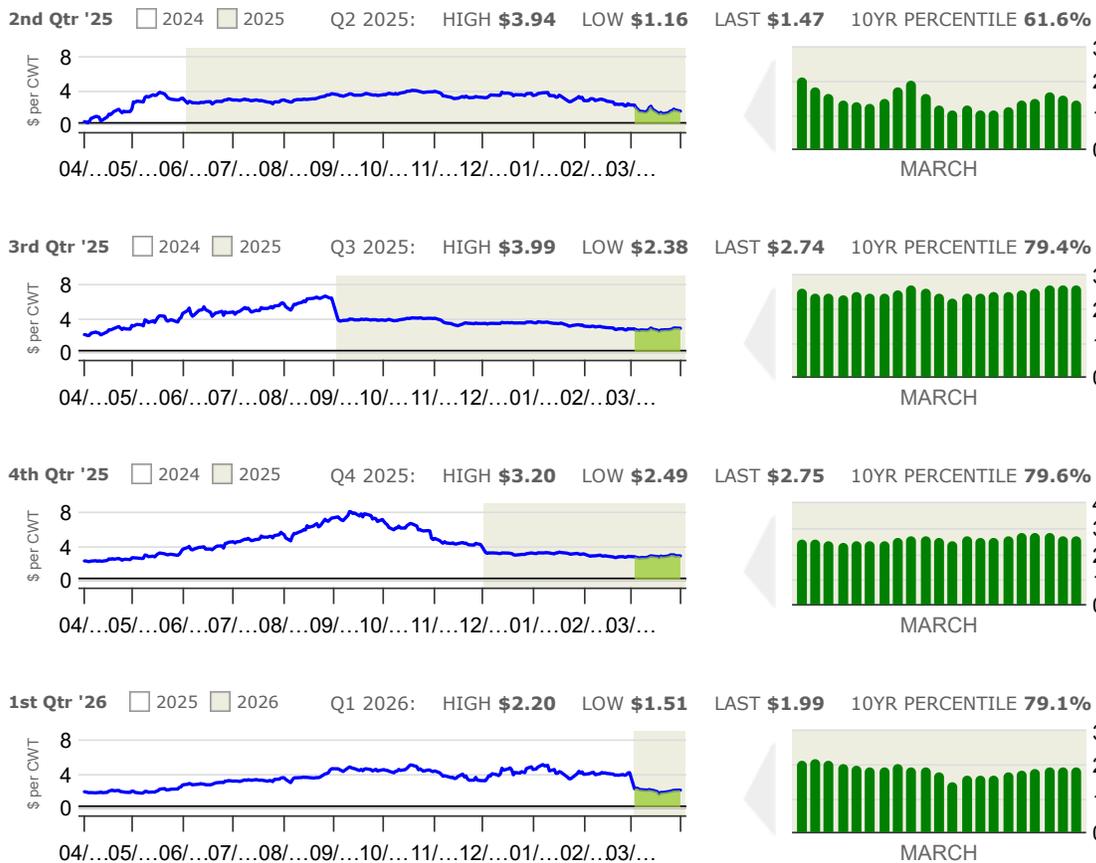


Dairy margins improved slightly over the last half of March as milk futures held steady while the feed markets continued to sell off. USDA's monthly Milk Production report showed expanding milk output in February driven largely by an increasing dairy cow herd. February milk production totaled 17.725 billion pounds, up 1% from last year after adjusting for leap day and represented the largest year-over-year increase in milk output since February 2023. USDA revised the January milking herd higher by 25,000 head compared to the initial figure last month to 9.39 million head and estimated that producers added another 15,000 cows in February to bring the U.S. milking herd to 9.405 million head. This is up 62,000 head from February 2024 and the highest monthly total since May 2023. Milk production per cow increased 0.3% from last year with yields remaining under pressure in California due to ongoing challenges with bird flu. California yields dropped 3.8% from last year after adjusting for leap day. Increasing component levels also added to production. February cream production increased by 12.7 million pounds or 4% above last year while milk protein production increased by 3.1% during the month and nonfat solids were 2.3% higher than February 2024. USDA's Cold Storage report showed butter inventories at the end of February totaled 305.53 million pounds, up 2.6% from last year and the highest February total since 2021. Total cheese inventories of 1.38 billion pounds were down 5.3% from last year with American-style cheese stocks 5.7% below 2024. Our clients continue monitoring targets to add margin coverage in deferred marketing periods with flexible strategies.



The Dairy Margin calculation assumes, using a feed price correlation model, that for a typical dairy 62.4 lbs of corn (or equivalent) and 7.34 lbs of meal (or equivalent) are required to produce 100 lbs of milk (includes dry cows, excludes heifers not yet fresh). Additional assumed costs include \$0.90/cwt for other, non-correlating feeds, \$1.65/cwt for corn and meal basis, and \$8.00/cwt for non-feed expenses. Milk basis is \$0.00/cwt and non-milk revenue is \$1.00/cwt.

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