

Dairy margins were relatively flat over the first half of June except for the spot period due to continued strength in Class III Milk. Strong cheese demand continues to support the market along with renewed strength in whey. CME spot whey prices reached the highest level since February as tighter whey powder inventories have pushed prices up around 30% or 11 cents in less than 2 months which has been responsible for about 66 cents of the gain in Class III futures during that span. Strong demand from Mexico has supported U.S. dairy product prices, particularly cheese. USDA reported total U.S. dairy exports to Mexico in April of 142.9 million pounds, up 18.3 million from last year. This was the second highest level of monthly exports on record to Mexico, with cheese exports of 38 million pounds setting a new record, besting the previous high in February. Nearly 30% of total U.S. dairy exports go to Mexico and their demand has been key to keeping demand and prices from eroding as shipments to China and Southeast Asia have slowed since early 2023. There is concern moving forward following Claudia Sheinbaum's recent presidential win to succeed Andres Manuel Lopez Obrador that socialist policies will erode the Mexican Peso's value which dropped 5% in just 2 days to the lowest level since October 2023 following the landslide victory. Butter output in April totaled 207.8 million pounds, up 5.3% from a year ago while cheese output of 1.187 billion pounds was up 1.8% from 2023. Mozzarella production was up 6.1% from last year but Cheddar output declined 8.6% from a year ago. Our clients have continued extending coverage in deferred marketing periods with new positions to take advantage of historically strong margins at or above the 90th percentile of the previous decade.



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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