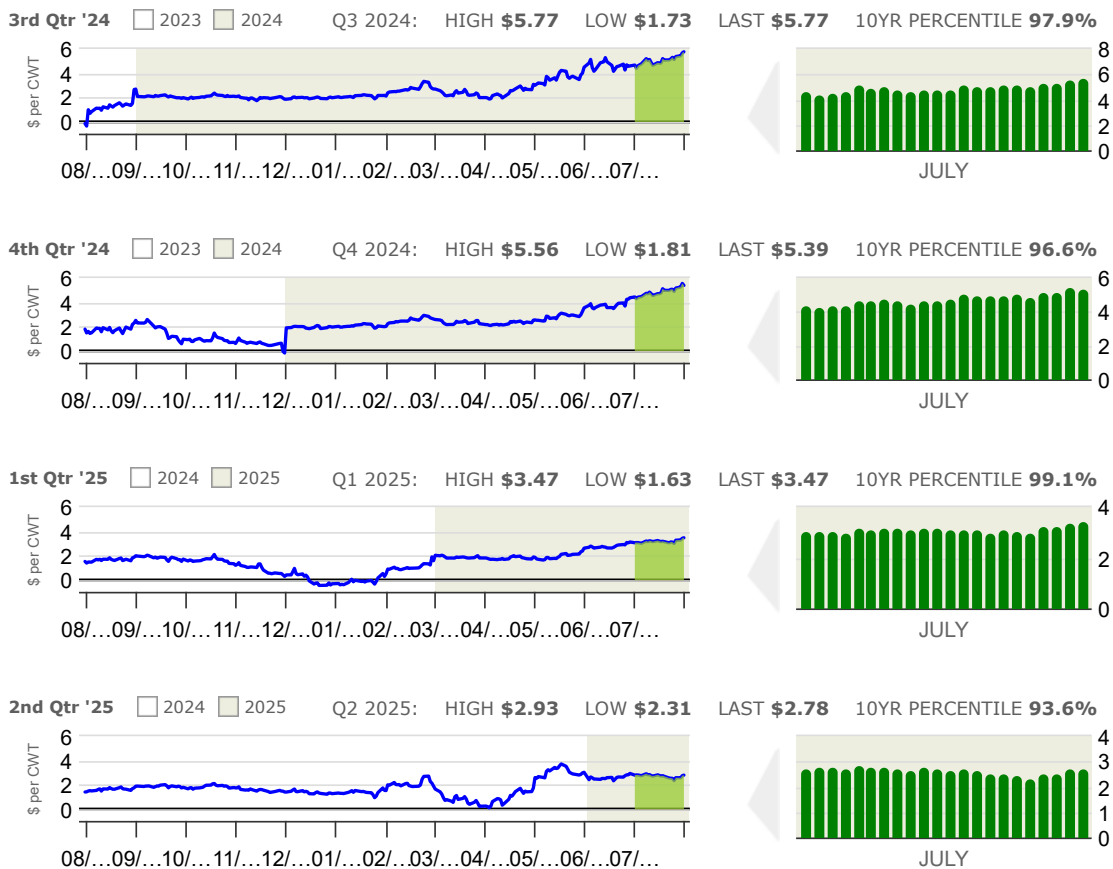


Dairy margins improved over the last half of July with higher milk prices as feed costs held steady. CME Class III Milk futures have been supported recently by strength in the whey market, with USDA reporting that China's June whey imports were up 6.2% from 2023 and shipments from the U.S. up 33.9% from last year. CME cash whey finished the month at a new 15-year high for this point in the calendar year at \$0.62/lb. which is up \$0.225/lb. or 57% from the end of May. Each \$0.01 increase in the price of whey adds about \$0.06 to the Class III Milk price, so whey has been a significant contributor to recent strength in the market. USDA reported June Milk Production at 18.8 billion pounds, down 1% from last year with total production in the first half of 2024 down 0.9% from 2023. USDA made significant revisions to the dairy herd, estimated at 9.335 million head at the end of June, down 62,000 from last year and 9,000 lower than May. Due to limited availability, heifer replacement calves are fetching over \$3,000 so dairy producers are holding onto their cows longer which is impacting yields. USDA reported milk yield at or below a year ago in two-thirds of the largest 24 dairy states, including states that did not suffer from a heat wave or avian influenza during June. USDA's Cold Storage report showed total cheese stocks of 1.423 billion pounds, down 0.8% from May and 5.8% below last year. Butter stocks of 373.5 million pounds at the end of June were down 1.6% from May but 6.8% higher than last year and the largest June butter stocks figure since 2021. Our clients have continued extending coverage in deferred marketing periods with new positions to take advantage of historically strong margins.



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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