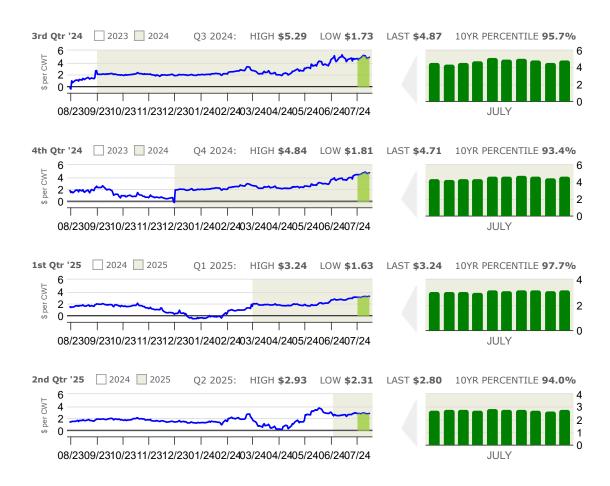
## Dairy Margin Watch: July



Dairy margins were largely flat over the first half of July with both milk prices and feed costs holding steady. USDA's July WASDE report estimated new-crop corn production in line with analysts' expectations at 15.1 billion bushels, up 240 million based on larger planted and harvested area. Usage was also increased though for both the old and new-crop balance sheets such that projected 2024-25 ending stocks were down 5 million bushels from June at 2.097 billion bushels. Soybean ending stocks declined 20 million bushels from June to 435 million, but within the range of estimates. Milk prices continue to be supported by limited spot supply availability and strong demand for cheese. The combination of heat stress, avian influenza, and limited heifer supply has constrained milk output with USDA reporting that "multiple cheesemakers relayed receiving zero spot offers for milk," which is almost unheard of during a holiday week. May cheese production increased 0.7% from last year to just over 1.2 billion pounds, with Mozzarella production up 7.1% year-over-year while production of American varieties declined 5.7% from last year, with tighter cheddar supplies likely driving up Class III prices during May. In addition, May cheese exports increased 46.6% from the prior year to 105.9 million pounds, the highest volume ever recorded for the month with record-high cheese exports to Mexico of 40.4 million pounds. Also, U.S. cheese exports have set a record for 7 straight months after adjusting for seasonal trends, and domestic demand has been record-large in 10 of the past 17 months. 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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