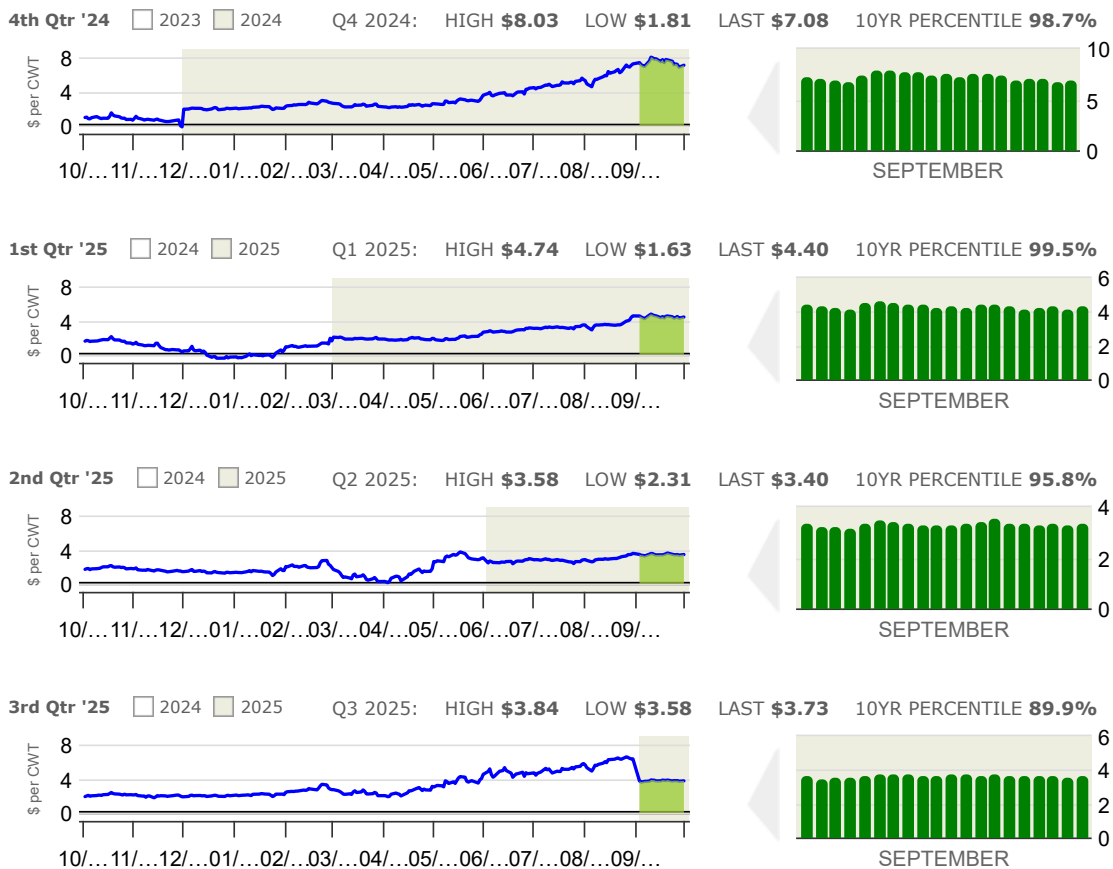


Dairy margins were steady over the second half of September with rising milk prices and increasing feed costs roughly offsetting one another. USDA's monthly Milk Production report continued to highlight declining year-over-year output, with 18.8 billion pounds produced in August down 0.1% from last year and the fourteenth consecutive month of lower year-ago comparisons. The milking cow inventory held steady from July to August at 9.325 million head, down 40,000 from August 2023. While the average national milk yield bested last year's low bar, productivity has slowed as the milking herd ages with heifer replacements increasingly expensive and harder to come by. USDA's Cold Storage report showed total cheese stocks at the end of August were 1.4 billion pounds, down 0.2% from July and 6.4% lower than last year. Cheese stocks have contracted for six consecutive months even as cheese production during that period has expanded which is a testament to strong exports and domestic demand. American cheese stocks were up 1.1% month-over-month but 6.2% lower than last year while other cheese varieties were down 2% from July and 6.8% lower than last year. Both cheddar block and barrel prices collapsed in the second half of the month following barrel prices soaring to new all-time highs above \$2.60/lb. A preference to produce Italian-variety cheeses at the expense of American style cheese has helped support the spot cheddar market at the CME all summer. Our clients continue to add new margin coverage in deferred marketing periods with flexible strategies to both take advantage of historically strong margins and allow for further potential margin improvement over time.



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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