

Dairy margins strengthened over the first half of December as milk prices rose sharply in nearby expirations while feed costs were steady to slightly higher. Class 3 Milk in particular has been supported by strong whey prices. U.S. whey powder inventories declined to 47.7 million pounds in October which was down 33.1% from a year ago and the lowest stocks level since 2012. Manufactures continue to direct historically high volumes of whey from strong cheese production into high protein concentrates and isolates, leaving less product available to dry into powder. As a result, production of dry whey powder for human consumption has declined with only 62.7 million pounds produced in October, the lowest volume since 1984. Dry whey cash prices at the CME spot call market have climbed to 79.25 cents/lb., a new 15-year high for this time of year and not far from the all-time high of 85.95 cents/lb. While total dairy exports during October declined 1.9% from last year to 478.3 million pounds, total cheese exports of 88.8 million pounds were up 12.4% from 2023, with 38.1 million pounds shipped to Mexico during the month representing 40% of the total and 27.2% higher than last year as well as the third largest month of cheese sales ever recorded south of the border. In other news, the USDA passed a federal order mandating bulk testing of the U.S. milk supply for HPAI. USDA's Animal Plant Health and Inspection Service (APHIS) will work with states to execute the testing, with states placed in one of five stages based on disease prevalence. The corn market rose slightly as USDA cut U.S. corn ending stocks 200 million bushels based on increased demand projections. Our clients continue to establish coverage in deferred periods with flexible strategies 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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