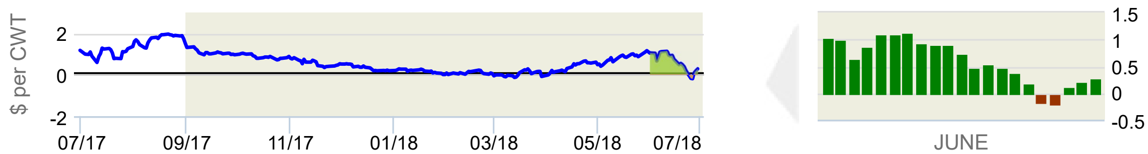
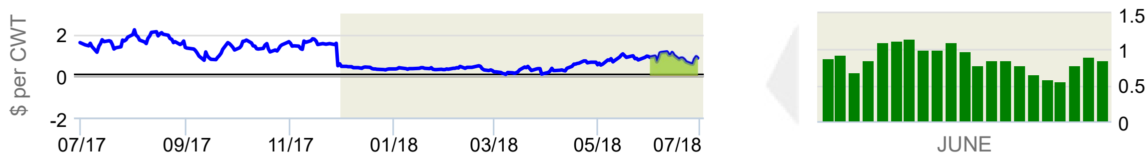
Dairy Margin Watch: June

Nearby dairy margins continued to deteriorate the balance of June, while the deferred margins held a bit steadier. Trade relations between the U.S. and China, as well as the NAFTA partnership, continue to suffer as the early July deadlines for retaliatory tariffs are set to commence on multiple products including cheese and many dairy products, as well as meats and oilseeds. There has not been any reported progress amongst the partners, and it is likely the proposed tariffs will all take place. Mexico has elected a new leader, President elect Andres Manuel Lopez Obrador, who will take office in December. This week President Trump indicated his intentions to reset the NAFTA talks after the U.S. mid-term elections this fall, in line with the new Mexican administration. May milk production in the U.S. was estimated at 19.1 billion pounds, an increase of 0.8% from 2017 levels, while production per cow was 15 pounds greater than last year at 2,031 pounds. The Cold Storage report indicated continued robust levels of both butter and cheese. Butter inventories were reported to be 338.8 million pounds, a 10.2% increase from last month, and 8.0% greater than last year. While cheese inventories were again record high at 1.386 billion pounds, 2.1% greater on the month, and 5.9% higher on the year.

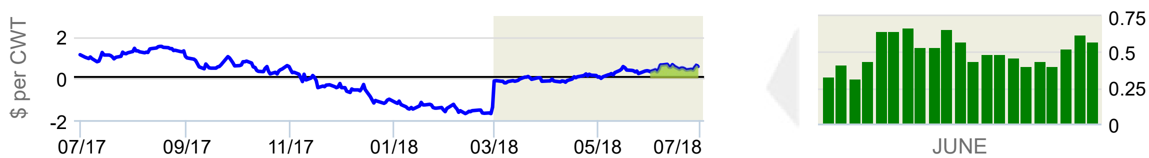
3rd Qtr '18 ☐ 2017 ☐ 2018 Q3 2018: HIGH **$1.35** LOW **($0.20)** LAST **$0.29** 10YR PERCENTILE **46.6%**



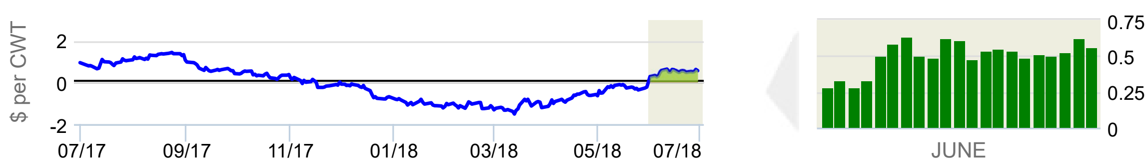
4th Qtr '18 ☐ 2017 ☐ 2018 Q4 2018: HIGH **$1.15** LOW **$0.08** LAST **$0.85** 10YR PERCENTILE **59.8%**



1st Qtr '19 ☐ 2018 ☐ 2019 Q1 2019: HIGH **$0.68** LOW **($0.21)** LAST **$0.58** 10YR PERCENTILE **72.1%**



2nd Qtr '19 ☐ 2018 ☐ 2019 Q2 2019: HIGH **$0.64** LOW **$0.28** LAST **$0.56** 10YR PERCENTILE **72.3%**



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, $2.65/cwt for corn and meal basis, and $8.00/cwt for non-feed expenses. Milk basis is $0.75/cwt and non-milk revenue is $1.00/cwt.