

Daily Dairy

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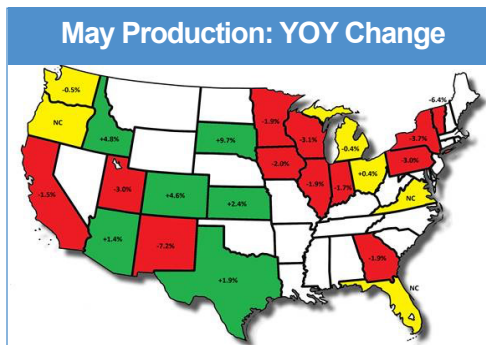
REPORT

Milk Production Tumbles in May

Dairy producers heeded market signals in May, cutting production by 1.1% year over year to 18,840 million pounds, according to USDA's much anticipated Milk Production report released today. May's decline was the steepest year-over-year drop since October 2009, and the most aggressive decreases were seen in the Northeast, Upper Midwest, and New Mexico. A drop in milk yields drove the majority of the contraction, which was in excess of many analysts' predictions.

Production per cow for the month rang in at 2,010 lbs., 31 lbs. or 1.5% less than the same month last year. Under pressure to reduce production, dairy producers pursued a number of strategies to reduce yields in May, including ration substitutions and reducing milking frequency.

Some producers also elected to cull animals to reduce output, leading to an 11,000-cow reduction vs. April. Despite the 15,000-cow decline seen since coronavirus impacts began to be felt in March, the U.S. dairy herd remains 0.4% larger than in May



2019. Data in the Milk Production report complement weekly slaughter data, which show that after accelerating in April, the number of dairy cows slaughtered retreated in May and early June and is currently running behind prior-year levels. Without a fundamental contraction in the size of the dairy herd, there are renewed concerns about an oversupply of milk resurfacing in the second half of the year. The recent rally in dairy commodity prices and resulting increase in milk prices, however, have

encouraged producers to walk back the measures they took in April and May to contain yields, with many now aggressively expanding production.

Cheddar barrels lost 5¢ in today's spot session, trading below \$2.30/lb. for the first time in two weeks. Blocks held constant at \$2.50 for the fourth day in a row. The rest of the complex was mixed with nonfat dry milk ceding a penny while butter and dry whey moved slightly higher.

CME Spot Prices

CME Spot Prices (\$/lb.)	Close	Chg. ¢	Trades
Butter	\$1.8075	+0.75	0
Cheddar Block	\$2.5000	NC	0
Cheddar Barrel	\$2.2800	-5.00	1
NDM Grade A	\$1.0200	-1.00	5
Dry Whey	\$0.3175	+1.25	8
Corn Futures (JUL)	\$3.3100	+0.75	NA
Soybean Futures (JUL)	\$8.7300	+1.75	NA
Soybean Meal Futures (JUL)	\$288.80	+100.00	NA
Live Cattle Futures (AUG)	\$96.100	-75.00	NA

June 18 Trading Activity

	CME Futures (United States)												NZX Futures (New Zealand)				EEX Futures (Europe)		
	Class III \$/cwt.	chg. ¢	Class IV \$/cwt.	chg. ¢	Cheese ¢/lb.	chg. ¢	Whey ¢/lb.	chg. ¢	Butter ¢/lb.	chg. ¢	NDM ¢/lb.	chg. ¢	WMP \$/MT	SMP \$/MT	AMF \$/MT	Butter \$/MT	SMP €/MT	Butter €/MT	Whey €/MT
JUN20	20.92	+17	13.34	-1	220.80	+1.30	35.75	+0.95	175.50	+1.48	92.80	-1.70	-	-	-	-	2,190	3,200	750
JUL	20.43	+64	14.82	-37	216.20	+6.70	34.75	+1.00	190.48	+0.98	103.00	-1.25	2,885	2,620	4,050	3,650	2,187	3,300	750
AUG	18.54	+45	15.35	-10	195.90	+3.80	34.50	+0.30	194.93	+2.93	107.50	-0.68	2,885	2,570	4,000	3,600	2,198	3,350	755
SEP	17.74	+28	15.73	+7	187.60	+4.10	35.05	+0.05	195.50	+4.00	111.00	-0.78	2,885	2,515	4,000	3,550	2,201	3,350	753
OCT	17.22	+21	15.99	+6	182.10	+2.20	35.25	+0.75	192.00	NC	112.55	-0.95	2,900	2,600	4,050	3,575	2,230	3,350	780
NOV	16.88	+7	16.00	NC	179.00	+1.50	35.25	+1.13	194.50	NC	114.75	-0.70	2,825	2,545	4,050	3,575	2,247	3,344	790
DEC	16.46	+12	16.21	NC	174.30	+2.30	34.70	+0.68	194.50	+1.50	116.00	-1.05	2,810	2,570	4,050	3,575	2,263	3,347	800
JAN21	16.15	+4	16.25	NC	169.60	+0.60	35.00	NC	194.23	NC	117.00	-0.40	2,800	2,595	4,050	3,700	2,276	3,425	-
FEB	16.16	+14	16.36	NC	169.00	NC	35.48	NC	195.33	NC	117.20	-0.70	2,800	2,595	4,100	3,700	2,276	3,425	-
MAR	16.06	NC	16.21	NC	170.30	NC	35.50	NC	196.48	NC	117.63	-0.88	2,800	2,615	4,100	3,700	2,277	3,450	-
APR	16.21	+11	16.00	NC	171.40	+0.40	37.38	NC	197.70	NC	117.65	-0.65	2,805	2,625	4,100	3,550	2,300	3,500	-
MAY	16.18	NC	16.00	NC	172.30	+0.60	36.53	-0.48	198.00	NC	117.70	-0.55	2,805	2,630	4,100	3,550	2,300	3,500	-

May 2020 milk prices (with chg. vs. prior month): Class III \$12.14 (-\$0.93); Class IV \$10.67 (-\$0.73)

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