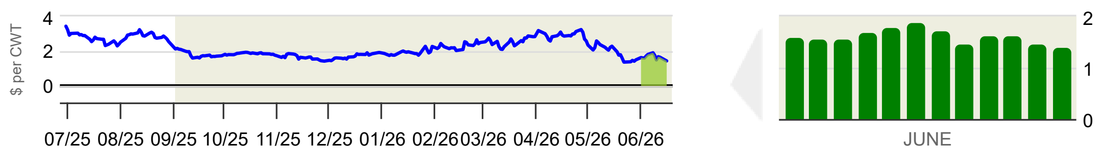
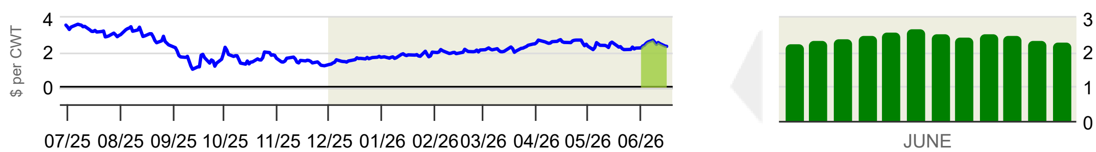
Dairy Margin Watch: June

Dairy margins were relatively flat over the first half of June as lower milk prices and feed costs were largely offsetting. With expanding milk production, there has been a significant boost in dairy product output although strong exports are helping to limit a surge in inventories. USDA's Dairy Products report showed April butter production was up 4.5% from last year, with cottage cheese output up 16% and full-fat ice cream up 5.5% from 2025. Total cheese output was 1.7% higher than April 2025, with Cheddar production down 3.5% from last year but Mozzarella production up 2.1%. April milk powder output was the highest since 2023 at 216.9 million pounds, with combined NDM and SMP production up 9.4% from last year. Total powder inventories increased 25 million pounds from March to 253.4 million pounds, though that was still down 6.9% from April 2025. While milk powder inventories were relatively tight in February and March, which helped contribute to the strong price surge, stocks were no longer tight by April due to increased production and a slowdown in exports. USDA also reported strong dairy product exports in April, with volumes increasing across nearly every product and growth to several destinations. Cheese exports hit a new monthly record of 141.5 million pounds, up 29.9% from last year with shipments to Mexico up 28.2% and South Korea up 69%. Butter exports were 103.9% higher than April 2025 to 21.4 million pounds, with strong shipments to Saudi Arabia, South Korea, Australia and Mexico. U.S. NDM and SMP exports were also up 9.5% from 2025 to 124.3 million pounds. Our clients have maintained dairy margin hedges while strengthening feed coverage after a recent sharp drop in prices.

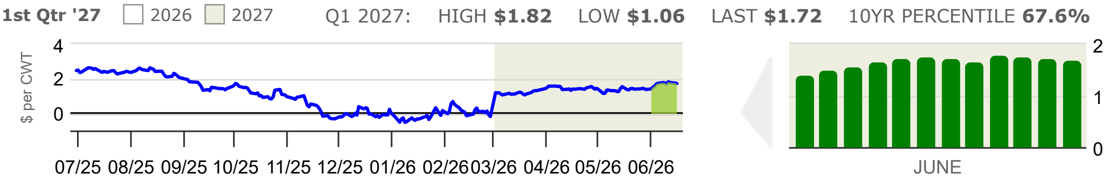
3rd Qtr '26 2025 2026 Q3 2026: HIGH **$3.24** LOW **$1.34** LAST **$1.41** 10YR PERCENTILE **26.7%**



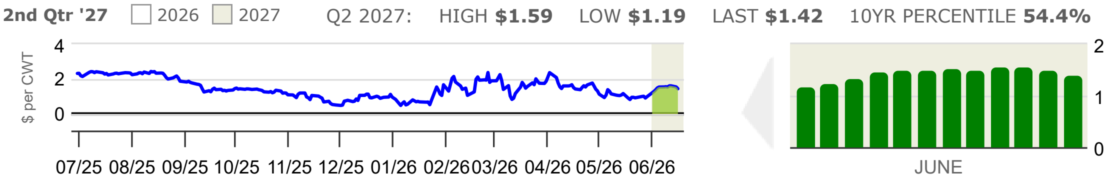
4th Qtr '26 2025 2026 Q4 2026: HIGH **$2.73** LOW **$1.30** LAST **$2.34** 10YR PERCENTILE **62.6%**



1st Qtr '27 2026 2027 Q1 2027: HIGH **$1.82** LOW **$1.06** LAST **$1.72** 10YR PERCENTILE **67.6%**



2nd Qtr '27 2026 2027 Q2 2027: HIGH **$1.59** LOW **$1.19** LAST **$1.42** 10YR PERCENTILE **54.4%**



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.

Commodity & Ingredient Hedging, LLC
120 South La Salle St, Suite 2200 ▪ Chicago, IL 60603 ▪ 1.866.299.9333