

DAIRY

- **U.S. milk production growth declined .3%** versus last year in June according to milk production statistics released by USDA. The dairy herd continues to decline in the U.S. with a loss of 10k dairy cows versus last month. The milk production trend in the U.S. is generally supportive prices.
- **Nonfat dry milk production grew 1.9%** versus last year in May according to the USDA Dairy Products report. This was the first month in 2019 that nonfat dry milk production was positive versus prior year. Prices for nonfat have remained firmly over \$1.00 in both the futures market and the CME cash call as well as the National Dairy Products Sales Report.
- **Dry whey prices are trying to find a direction.** Whey prices started the month on a downward trajectory but recovered and moved higher into the end of the month. The ongoing trade war with China has taken a major export market for U.S. whey out of the picture, and has contributed to the inability of whey to sustain a rally.
- **I read an old saying once:** "bulls climb up the stairs, and bears jump out the window." This aptly applies to the butter market during July. Butter prices spent May and June laboring higher, continually testing new highs. Then, over the course of two weeks, butter futures on the CME fell 10 cents and gave back two months of gains. Butter fundamentals have been price supportive throughout the year; production has been lower year-over-year each month in 2019 after January, and stocks have been lower year-over-year every month thus far in 2019. A catalyst for the sharp decline was a surprise stock build for June - stocks rose 4% versus prior month according to the June USDA Cold Storage Report. The selloff appears a bit overdone at this point considering other bullish fundamentals.

