

Wet Weather Could Shave Output

Dairy markets have been moving higher this year due to supply-side contraction that has significantly reduced the amount of milk available to processors in the United States and to some degree in Europe and Oceania. After adjusting for leap day, U.S.



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milk production in March fell below the prior-year level for the first time since December 2013, breaking a 62-month expansion streak. Most of the declines were the result of a contracting U.S. milking herd. As of April 2019, the U.S. dairy herd was 90,000 head lower than it was a year earlier. Until March, modestly higher output per cow more than offset lower cow numbers to keep 2019 milk output ahead of the previous year. However, spring has been a challenge for U.S. farmers. Unseasonably wet, overcast, and cold weather has persisted across large swaths of the country, which could cut into milk production for both those who grow feed and those who buy it.

The National Weather Service reported that the 12 months ending April 2019 were the wettest in recorded history, and May rains did little to change

the current trend. Farmland throughout the Midwest and Corn Belt was more than 90% saturated as of May 14, and standing water and muddy fields have kept farmers from planting. For the week ending May 26, USDA reported that corn planting for the top 18 corn-producing states was 58% complete, compared to 90% for the comparable week from 2014 to 2018. Soybeans were in worse shape, with only 29% planted compared to the 66% five-year average. Those who were able to get corn and/or soybeans planted are now contending with cold weather and driving rain that has stunted corn development, compared to the past few

seasons. As of May 26, only 32% of the corn had emerged compared to 69% for the five-year average.

In addition, the drama of this year's crops is "prevent plant" insurance that comes due in upcoming weeks. Prevent plant is a type of insurance that pays out when farmers are unable to plant their crops. Unlike last year,

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Ken's Corner



*by Ken Meyers
President, MCT Dairies Inc.*

Just like crop farmers, U.S. dairy producers have shown resilience. While not all producers have long-term staying power, many have proven they can increase output per cow even when operating in the red. This ability to continually increase milk yields could mitigate future contractions in

U.S. milk production.

The U.S. dairy industry has long been a leader in genetics, but today U.S. dairy producers and dairy scientists also excel at genomics, the study of an animal's complete set of DNA. Genetics looks at specific genes. Over the past decade, lifetime net merit, an index that predicts the total economic value of dairy animals has doubled due to advancements in these areas. U.S. dairy producers can now make selection decisions using DNA genotypes on very young animals.

Future advancements in genomics could include selecting for genotypes that predict health and production at different altitudes, matching feeding and health care programs with an animal's genotype, and selecting for genotypes that boost certain components in milk. Genomics-based selection has also started to address common health issues, including displaced abomasum, milk fever, ketosis, mastitis, metritis, and retained placenta. As genomics becomes more widely adopted, no doubt, milk yields will continue to improve. **MCT**

Higher Prices Ahead

Dairy demand from China was remarkable at the start of 2019—sufficient enough to lift and support

nearby prices. China's recent buying could even be a harbinger of things to come. China's buying tends to run in cycles. When it slows, no other global buyer—at least not at this time—is able to offset the drop in demand. For now, though, the trend points to higher prices through the end of this year and possibly into the start of 2020. After that, markets could dip should demand wane. **MCT**

MCT Forecast

	Block*	Barrel*	Class III	Butter*	Class IV	Whey**	NFDM**
May	1.6800	1.6375	16.45	2.3350	16.34	0.3850	1.0200
Jun	1.6550	1.6300	16.33	2.3600	16.81	0.3700	1.0475
Jul	1.7075	1.6975	16.45	2.4375	17.32	0.3500	1.0775
Aug	1.7775	1.7450	17.05	2.4550	17.82	0.3425	1.1200
Sep	1.8375	1.7725	17.53	2.4125	18.10	0.3475	1.1625
Oct	1.7775	1.7300	17.72	2.4175	18.39	0.3450	1.1900

* CME prices.

**NASS prices.

...aid package could change planting plans

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some farmers have prevent-plant insurance this year. Based on the market prices of just a few weeks ago, it made sense to let fields go unplanted. But rebounding markets and the Trump administration's \$16 billion aid package for U.S. farmers hurt by the ongoing U.S.-China trade dispute have suddenly put farmers' margin calculations in flux, a point not lost on grain and oilseed markets. On May 28, September corn futures closed at \$4.295/bu., a new life-of-contract high.

Lack of available feed could become a tipping point for small to mid-sized producers accustomed to growing their herd's feed, particularly for those nearing retirement age and/or in regions that have experienced the worst of the rains. When faced with inadequate feed supplies, these farms could choose to exit rather than purchase feed.

For those who buy feed, higher prices could squeeze on-farm margins. At the start of the month, the gap between milk and feed prices looked highly favorable, but by late May, milk prices were flat to

lower and feed prices had increased between 4% and 13% over the same time.

Moreover, the crops going into the ground today will likely have lower yields and poorer quality than crops planted earlier. Late planted crops are also more vulnerable to early frosts. And with alfalfa left uncut due to wet conditions, concerns are growing that the quality of alfalfa could deteriorate. Dairy producers also worry that corn and corn silage this year will under-perform nutritionally.

With a large portion of this year's crops still unplanted, concerns have escalated regarding what could happen to output per cow if feed is substandard or feed prices continue to rise. All of these issues could negatively impact output per cow—the one factor that has kept U.S. milk production hovering above prior-year levels. But farmers have demonstrated remarkable resilience in the past for getting late crops planted quickly. For now, though, Mother Nature continues to test them. **MCT**



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