



The T.C. Jacoby Weekly Market Report

WEEK ENDING JUNE 21st, 2019

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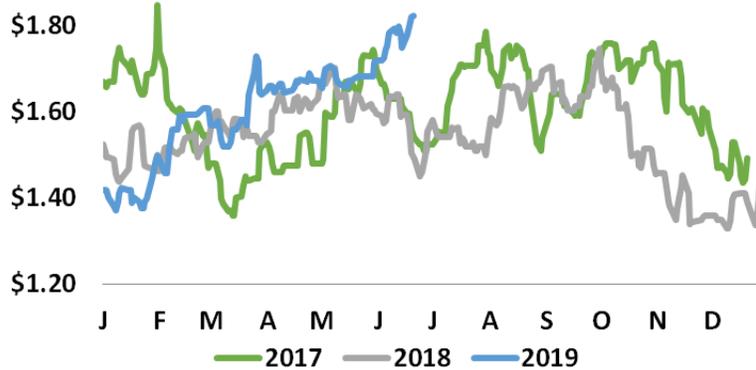


CME Spot Market for the Week			WHEY		
			Avg Price	Qty Traded	4 wk Trend
6/17/2019 to 6/21/2019			\$ 0.345	11	
CHEESE BLOCKS			CHEESE BARRELS		
Avg Price	Qty Traded	4 wk Trend	Avg Price	Qty Traded	4 wk Trend
\$ 1.796	19		\$ 1.680	31	
BUTTER			NON-FAT		
Avg Price	Qty Traded	4 wk Trend	Avg Price	Qty Traded	4 wk Trend
\$ 2.379	8		\$ 1.047	6	

The cheese markets are heating up, and this time barrels are not left out in the cold. CME spot Cheddar barrels jumped 13.25¢ this week to \$1.7375 per pound, within a tick of the 2019 high. Blocks rallied 4.25¢ from last Friday and closed at \$1.825, their highest price since February 2017. Despite a 2¢ drop in CME spot whey, June Class III futures inched upward, and all other 2019 and 2020 Class III contracts

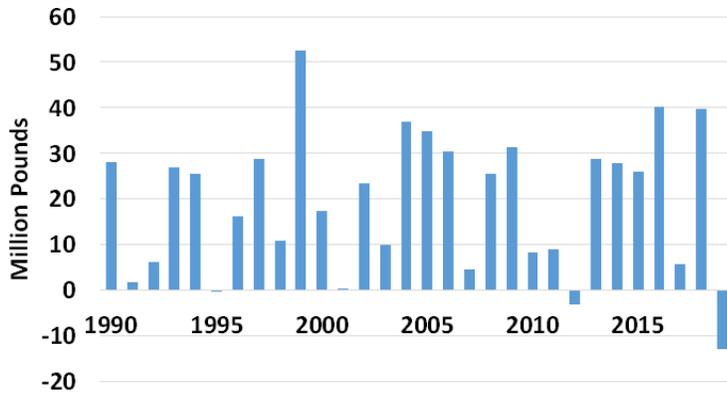
scored new highs. July through December Class III futures now sit comfortably above \$17 per cwt. They gained more than 17¢ on average this week.

CME Spot Cheddar Blocks



USDA published its Cold Storage report after the close today, and the contents might give the cheese rally a little more oomph when the markets reopen next week. Despite the season, cheese is becoming less plentiful. There were 1.39 billion pounds of cheese in inventory on May 31, up just 0.1% from a year ago and 12.8 million pounds less than on April 30. That is by far the largest April-to-May drawdown on record and only the fourth time cheese stocks have fallen

April-to-May Cheese Stock Build



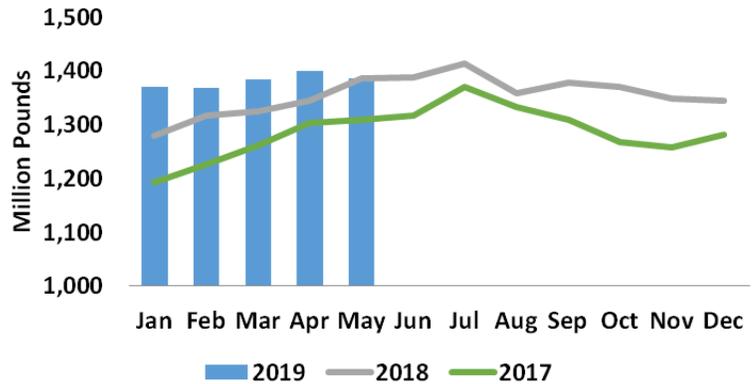
from April to May in more than 100 years of USDA statistics. Inventories of American-style cheese, including Cheddar, have been essentially flat since February, a period in which stocks typically grow substantially. American-style cheese stocks are now 2.4% below year-ago levels.

they were a year ago. The April-to-May stock build was on par with historic volumes. Butter buyers may be getting anxious that butter will be scarce later this year, but foreign butterfat remains relatively inexpensive for now.

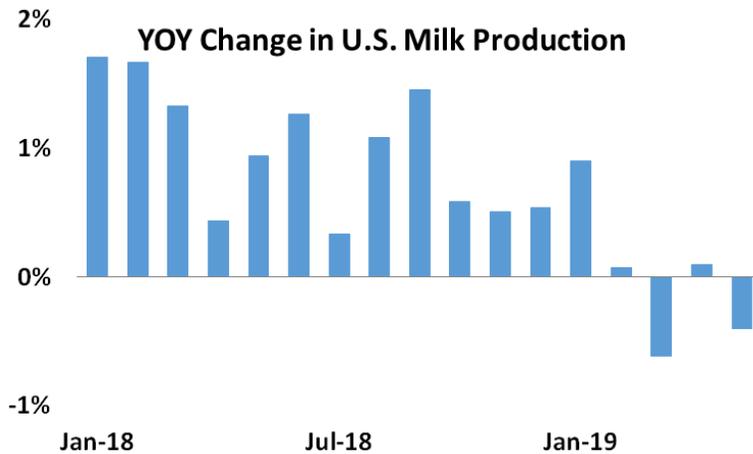
At just shy of 314 million pounds, butter stocks are 7.2% lower than

CME spot butter gained 2.5¢ this week and closed at \$2.39. Spot nonfat dry milk (NDM) fell 0.75¢ to \$1.045. Most Class IV contracts finished about 15¢ in the red. Milk powder prices retreated at Tuesday's Global Dairy Trade (GDT) auction as well. Skim milk powder (SMP) dropped 3.5% to the equivalent of NDM at \$1.14 per pound. Whole milk powder (WMP) lost 2.2%, and both SMP and WMP slumped to their lowest GDT averages since January.

Cheese Stocks



U.S. milk production declined in May to 19.06 billion pounds, down 0.4% from the prior year. The deficit was greater than expected, and the markets rallied in the wake of Tuesday's Milk Production report. Milk output continues to drop in the Northeast, Southeast, and Midwest,



with widening deficits in a few Southwestern states as well. Milk yields are starting to slip in some areas, reducing growth in the Western states. There are 30,000 more cows than there were a year ago in Texas; the Lone Star State boosted milk output by 5.4%, or 61 million pounds. In California, milk output was up 1.3% from a year ago, but there were 7,000 fewer cows than in May 2018.

Dairy producers sent 258,100 cows to slaughter in May. That's 13,000 head, or 5.8%, more than in May 2018 and the largest total for any May on record aside from 1986, the year of the cow-kill program. At this rate, the dairy herd is surely shrinking. Nonetheless, USDA reported that the dairy herd averaged 9.333 million head in May, down 89,000 cows from a year ago but 5,000 cows more than in April.

The increase is unfathomable. Slaughter volumes remain high, and milk output continues to slow.

Despite lower production in the Midwest and Northeast, milk seems to be widely available. It is June, after all. There are more spot loads moving at a steeper discount than in weeks past. Cheap spot milk has encouraged cheese processors to top up their vats. But demand is growing too.

USDA's Dairy Market News reports that orders from all sectors – "retail accounts, food service, and export" – have been "steady or better than average" despite the recent uptick in prices.

