



The T.C. Jacoby Weekly Market Report

WEEK ENDING AUGUST 30TH, 2019

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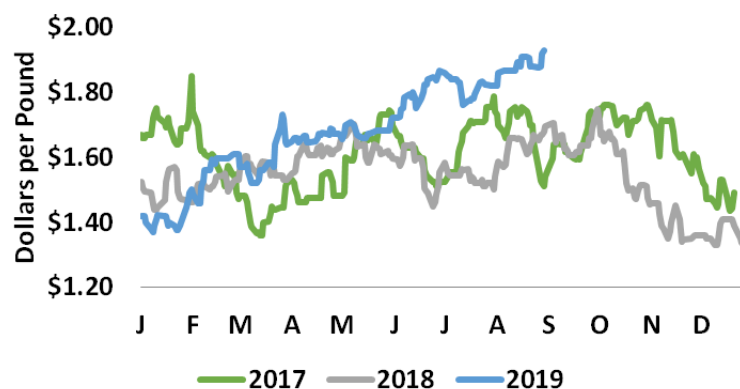
CME Spot Market for the Week 8/26/2019 to 8/30/2019			WHEY		
			Avg Price	Qty Traded	4 wk Trend
			\$ 0.392	0	
CHEESE BLOCKS			CHEESE BARRELS		
Avg Price	Qty Traded	4 wk Trend	Avg Price	Qty Traded	4 wk Trend
\$ 1.898	22		\$ 1.693	36	
BUTTER			NON-FAT		
Avg Price	Qty Traded	4 wk Trend	Avg Price	Qty Traded	4 wk Trend
\$ 2.199	40		\$ 1.042	39	

Summer is winding down, but the cheese markets are still sizzling. CME spot Cheddar blocks jumped a nickel this week to \$1.93 per pound, the highest value since November 2016. Barrels climbed 7.25¢ to \$1.7375. Gains of this size in an already lofty market are truly impressive. Last week's Cold Storage report showed an astounding drawdown in cheese inventories, and the spot markets suggest that fresh supplies are tight. USDA's *Dairy Market News* reports that demand for cheese "is strong in the Midwest and West, stable and gradually improving in the Northeast."

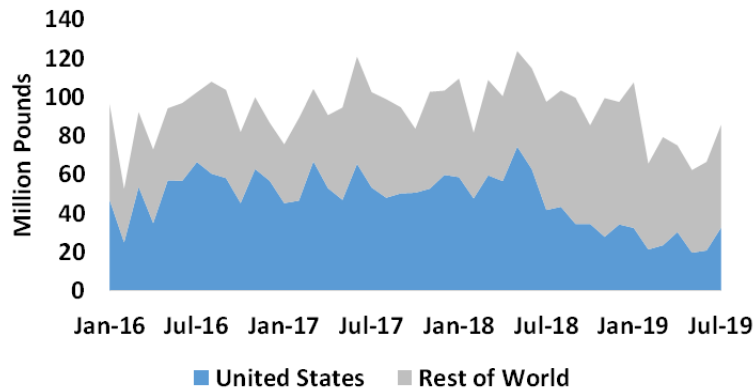
CME spot whey moved a half-cent lower to 39¢. But whey prices in the National Dairy Product Sales Report and *Dairy Market News* inched upward. Whey futures moved higher this week, and so did Class III values. Buoyed by spot cheese, September Class III futures climbed 41¢ to \$17.63 per cwt. Fourth-quarter contracts added around 20¢, while 2020 futures finished roughly a nickel higher.

Whey is a bargain, and it is starting to attract buyers. Manufacturers' inventories have declined this year, but this may reflect a shift in ownership rather than an increase in consumption. Exports remain depressed as African swine fever sweeps through the world's largest hog herd. China imported 85.8

CME Spot Cheddar Blocks



Chinese Whey Imports



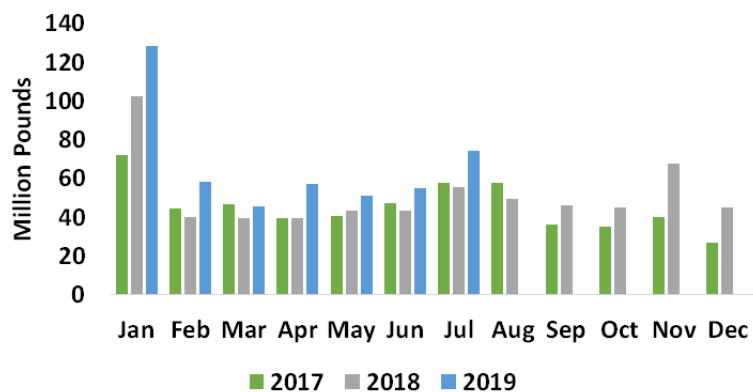
million pounds of whey in July, including 32.8 million pounds from the U.S. Both the overall and U.S. total are the best showing since January, but they are well below prior-year volumes. Chinese whey imports are down 26.4% for the year to date, and shipments from the U.S. are down 54.8%.

Chinese demand for milk powder, on the other hand, is superb. Last month China imported 74.4 million pounds of skim milk powder (SMP) and 92.2

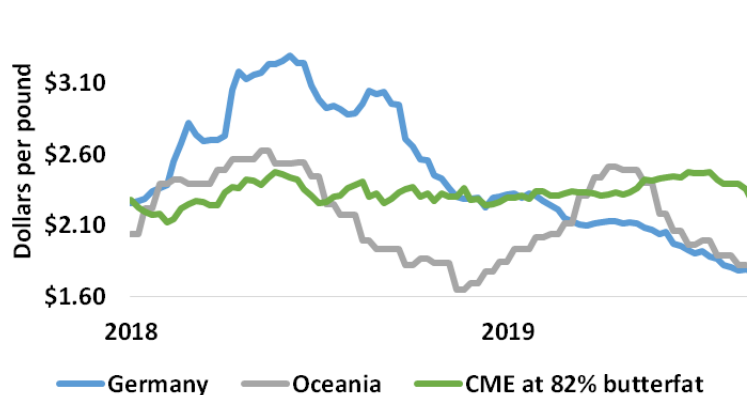
million pounds of whole milk powder (WMP). China's year-to-date milk powder imports are 28.2% greater than in the first seven months of 2018. China's appetite for foreign SMP is particularly voracious. The July total was the largest ever for the month, and year-to-date imports exceeded even the staggering volumes of 2014.

China has stepped up imports from Europe, which is likely helping to use up the SMP that was once housed in the Intervention storage program. SMP prices in Europe stand near calendar-year highs, but they haven't gained much ground when priced in U.S. dollars. In Chicago, prices are holding firm. CME spot nonfat dry milk (NDM) added a quarter-cent and closed at \$1.04.

Chinese Skim Milk Powder Imports

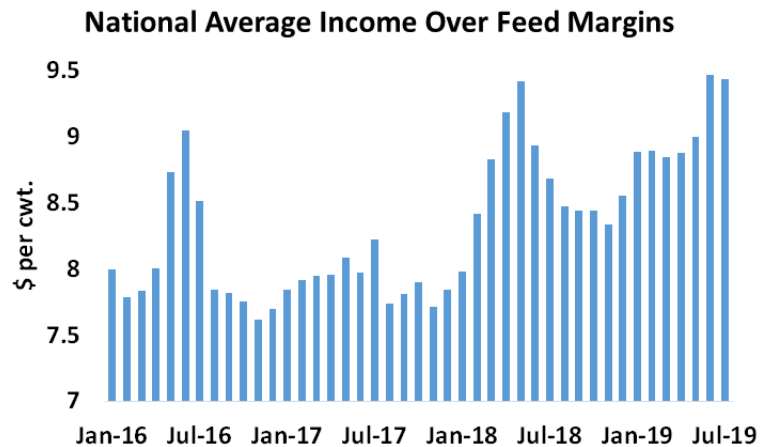


Global Butter Prices



The butter market is in retreat. CME spot butter fell Thursday to a new low for the year at \$2.185. It closed today at \$2.19, down 3.75¢ from last Friday. Stocks are more than adequate to accommodate holiday demand, and cream has gotten cheap. *Dairy Market News* notes that in the Central Region "some manufacturers cannot use any more cream," and "churning schedules have increased in all regions." Foreign butter remains cheap. With butter and powder values diverging, Class IV futures barely moved this week.

Dairy producers' profits have stabilized in recent months. As expressed in the Dairy Margin Coverage program, national average income-over-feed margins reached \$9.47 per cwt. in June, up 47¢ from May. Margins slipped 4¢ from June to July, as higher cash corn prices offset a 60¢ increase in the national All-milk price. Despite larger milk checks, dairy producers are still strapped for cash. Slaughter volumes remain high, suggesting that the dairy herd continues to contract. In the week ending August 17, dairy producers sent 61,637 cows to the packer, the highest weekly volume since April. Year-to-date slaughter is 3.9% ahead of the 2018 pace, no small feat given the much smaller milk-cow herd and the aggressive culling that took place last year. With smaller heifer supplies and still-high cull rates, growth in U.S. milk output is likely to remain tepid. This should provide firm support for dairy product prices.



The grain markets are simply marking time until the harvest reports begin to roll in. After a cool, cloudy summer, the combines will sit in the shed a week or two longer than normal. Even those crops that were planted on time are likely to finish late, making much of the crop vulnerable to a killing frost. There are no freezing temperatures in the forecast, but if a frost arrives in late September or early October, it would ding crop yields noticeably.

Field surveys make it clear that this year's crop will be smaller than last year's harvest, and that USDA's August assessment was likely a little too high. But stockpiles are large and demand has fallen short of expectations. Corn futures are going nowhere fast. In the Eastern Corn Belt, where spring was particularly difficult, a sky-high basis has lifted cash corn prices for end users. December corn futures settled today at \$3.6975 per bushel, up 2¢ for the week. The soybean market was more volatile, bandied about by the latest emotional consensus about the status of the trade war. November soybeans closed at \$8.69, up 12.25¢ from last Friday.

Cheese

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