



The T.C. Jacoby Weekly Market Report

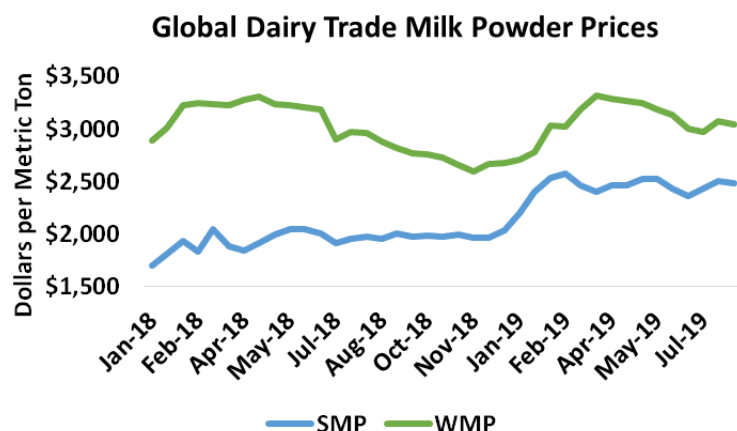
WEEK ENDING AUGUST 9th, 2019

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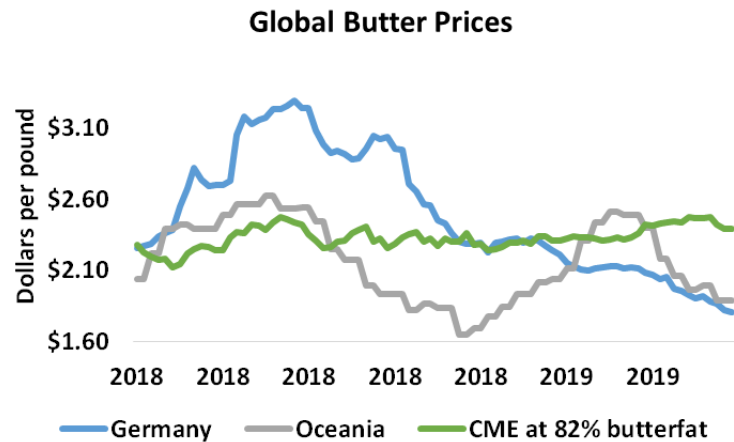
CME Spot Market for the Week 8/5/2019 to 8/9/2019			WHEY		
			Avg Price	Qty Traded	4 wk Trend
			\$ 0.349	1	
CHEESE BLOCKS			CHEESE BARRELS		
Avg Price	Qty Traded	4 wk Trend	Avg Price	Qty Traded	4 wk Trend
\$ 1.866	7		\$ 1.708	11	
BUTTER			NON-FAT		
Avg Price	Qty Traded	4 wk Trend	Avg Price	Qty Traded	4 wk Trend
\$ 2.332	26		\$ 1.024	12	

The dairy market bulls stood their ground this week in the face of enormous outside pressure. The stock market suffered its worst losses of the year on Monday; the Dow closed more than 700 points in the red. The Chinese have opened up a new front in the trade war, deliberately devaluing their currency to encourage exports. The U.S. Treasury quickly returned fire, labeling China a currency manipulator. The U.S. is preparing a new list of Chinese goods to tariff, and China has reportedly told importers to cancel their orders for U.S. agricultural goods. Both sides have entrenched, preparing for a long, damaging stalemate. Farm exports are the nation's most obvious casualty. A protracted trade war could drag the global economy toward recession, further hampering demand, including for farm products.

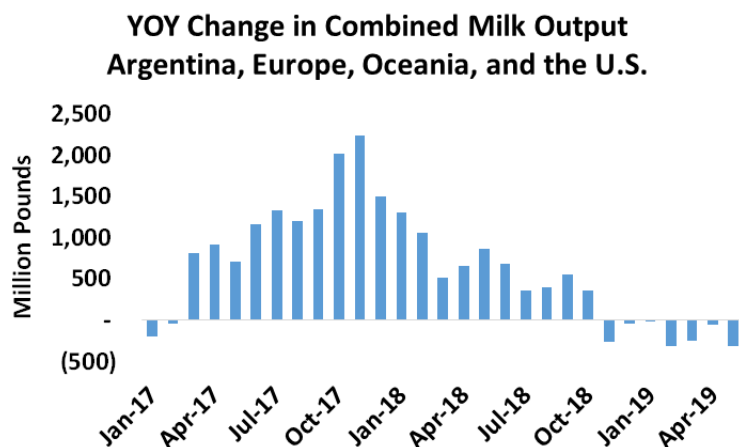


With the equity and commodities markets in freefall on Monday, CME dairy futures opened lower but Class III contracts settled higher. They followed up this impressive performance with a higher close on Tuesday as well, shrugging off a flood of red ink at the Global Dairy Trade (GDT) auction. The GDT Index fell 2.6%, enduring its fifth decline

in the past six events. Butterfat values slumped; both butter and anhydrous milkfat lost more than 5%. Cheddar dropped 2% from the previous auction. Whole milk powder (WMP) prices slipped 1.7%. Skim milk powder (SMP) prices fell 1.6% to the equivalent of nonfat dry milk (NDM) at \$1.20 per pound, still a steep premium to CME spot NDM. In Europe, cheese values held, but butter prices continue to slip. Benchmark butter prices in Germany and the Netherlands stand at their lowest value since August 2016.



The weakness in overseas pricing is out of harmony with global milk production trends. In the first five months of this year, combined milk output in Europe, the United States, Oceania, and Argentina was 1.7 billion pounds less than in January through June 2018, a decline of 0.6%. In the months since, Southern Hemisphere milk output has waned seasonally. Cows in the Northern Hemisphere have sweltered amidst a series of heat waves. July was the hottest month in recorded



history, and temperatures were particularly extreme in Western Europe, where few dairies are equipped with adequate cooling. Milk yields have surely suffered.

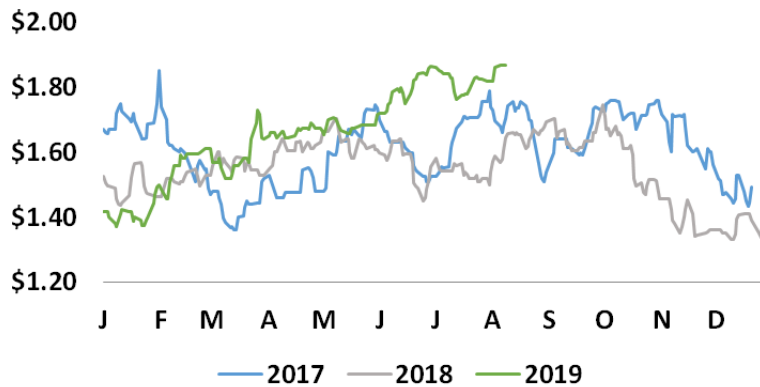
As the *Daily Dairy Report* highlights, "Sustained downturns in global milk production are rare, and this one, coupled with shrinking stockpiles and brisk international trade, should translate into higher dairy product

prices around the world." But, for now at least, the major dairy exporters' markets are playing disparate tunes. Europe's anemic butter prices strike a particularly dischordant note. Lower butterfat values in Europe have boosted U.S. butterfat imports, preventing a further decline in churning volumes. Eventually, restrained production and robust exports should reverse the downtrend in continental butterfat values. If that occurs, will the international dairy markets all sing with one bullish voice?

The U.S. dairy markets remain firmly supported as milk tightens. At the CME spot market, NDM climbed 0.75¢ to \$1.0275. Butter slipped a half-cent to \$2.315. Spot Cheddar blocks reached a fresh multi-year high at \$1.8675, up 4.75¢ from last Friday. Barrels added 2.75¢ and reached \$1.72. Dry whey was 1.5¢ higher. Compared to last Friday, August Class III futures jumped 30¢, while

most Class III futures were a nickel or so higher. Class IV futures were mixed, with small losses in nearby contracts and small gains down the board.

CME Spot Cheddar Blocks



The feed markets climbed this week. September corn settled at \$4.1025 per bushel, up more than a dime from last Friday. Soybeans closed at \$8.7375, up nearly 20¢. The strength is surprising in the face of a renewed assault on U.S. agricultural trade prospects. Crop conditions improved modestly. Cooler than average temperatures are a mixed blessing. The lack of extreme heat during pollination will allow the grain to reach its full potential. However, the late-planted crop is abnormally immature, and these cooler days are not helping it to catch up. Harvest will be delayed, and an early frost would cap corn yields far below historic trends.

On Monday, USDA will publish its much-anticipated Acreage and Crop Production reports. The agency resurveyed farmers to assess the size of this year's record-breaking prevented planting acreage. Next week could be volatile.

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