



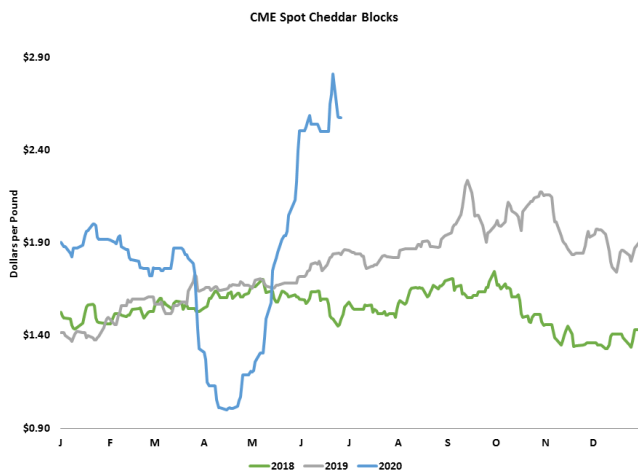
# The T.C. Jacoby Weekly Market Report

WEEK ENDING JUNE 26TH, 2020

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CME Spot Market for the Week 6/22/2020 to 6/26/2020			WHEY		
			Avg Price	Qty Traded	4 wk Trend
			\$ 0.310	24	
CHEESE BLOCKS			CHEESE BARRELS		
Avg Price	Qty Traded	4 wk Trend	Avg Price	Qty Traded	4 wk Trend
\$ 2.649	14		\$ 2.379	6	
BUTTER			NON-FAT		
Avg Price	Qty Traded	4 wk Trend	Avg Price	Qty Traded	4 wk Trend
\$ 1.793	9		\$ 1.029	17	

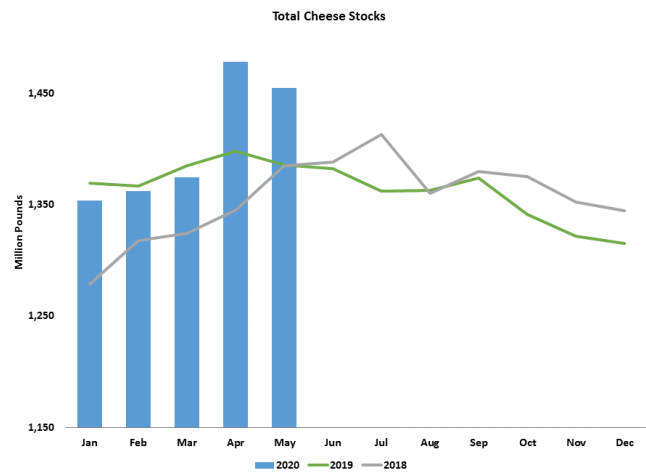


The fireworks boomed on LaSalle Street a week ahead of schedule. CME spot Cheddar blocks rocketed to an all-time high at \$2.81 per pound. Then they flamed out, fading to \$2.575, down more than 12¢ from the highs and 7.5¢ lower than last Friday. Barrels rallied 11.5¢ this week to \$2.40, only 2.5¢ off the record high set earlier this month. Fears that the meteoric rise was all sparkle and no substance were doused by buyer's willingness to step in and make a purchase, rather than sit on the sidelines and let the selloff run its course. Four loads of blocks

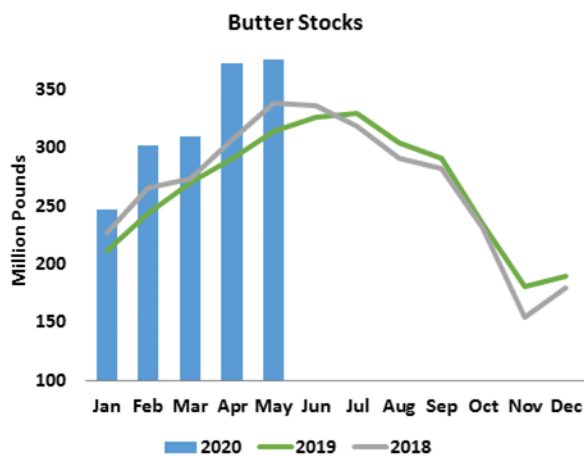
changed hands on Thursday and Friday at \$2.575, confirming that end users are still ready to pay historically high prices for cheese. The mid-week highs lifted the weekly Cheddar block average 11.85¢ above the already lofty values established the week before. Weekly average spot values help to set the final price for July Class III milk.

Cheese inventories typically grow in the spring, but this year they fell 1.6% from April 30 to May 31 thanks to the strong draw from retailers and from restaurants readying to reopen. Still, at 1.45 billion pounds, cheese inventories were 5% greater than in May 2019. There is a mountain of aging cheese in storage, and there are signs that the fresh cheese shortage is starting to ease.

While at least one buyer stepped into the fray of the spot markets, others were more reticent. Meanwhile, milk is noticeably easier to come by in the Upper Midwest. Cheesemakers paid steep premiums for spot milk in the first three weeks of June, but now they are buying at a discount, which suggests they have all the milk they need even as some plants run seven-day work weeks. Across the nation, processors are fortifying with powders to boost throughput. The industry is likely to have more than enough cheese later this year.



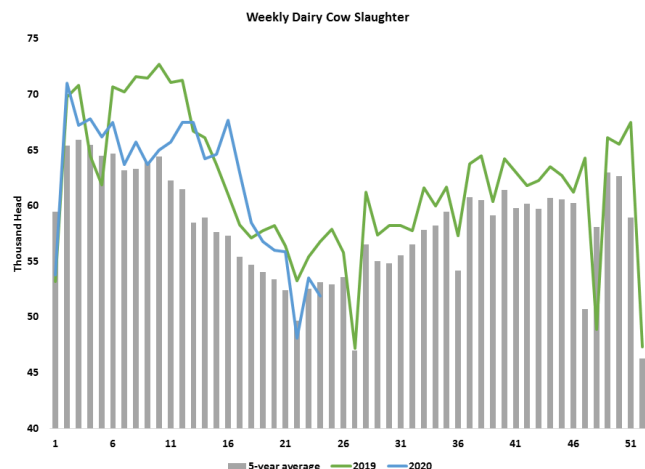
With cheese vats full to the brim, whey output is going strong and inventories are building. CME spot whey slipped 1.5¢ this week to 31.25¢. Most Class III futures finished deep in the red. However, the July contract cheered the spot market spectacle and climbed 46¢ this week to \$21.64 per cwt.



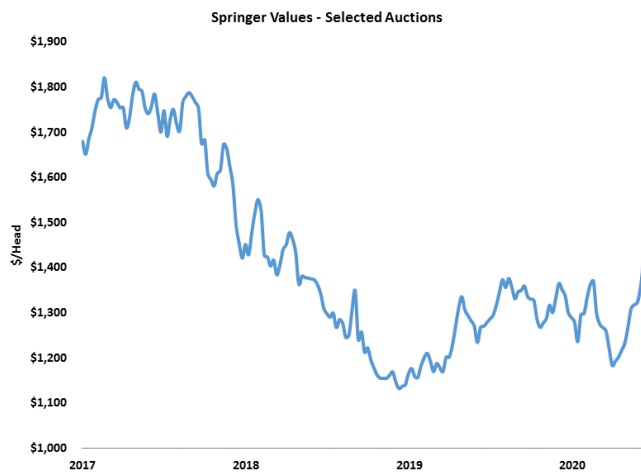
The other spot markets fizzled. Spot butter tumbled 8.5¢ to \$1.765. There were 380.2 million pounds of butter in cold storage on May 31, 21.2% more than the prior year and the highest monthly total since 1993. Butter makers are trying to pare down stocks by cutting and wrapping blocks into retail-friendly packaging, as food service demand for bulk butter is limited. Churns are mostly idle as ice cream and cream cheese production is keeping cream values out of reach.

CME spot nonfat dry milk (NDM) dropped 1.25¢ to \$1.02. Milk powder buyers seem inclined to wait for prices to break before stepping up their purchases. With both butter and powder losing ground, Class IV slumped. Second-half futures contracts lost an average of 56¢ this week. June, July, and August futures are floundering below \$15.

It is difficult to slam on the brakes in the spring and then open the throttle in the summer. But \$20 milk is a powerful motivator, and dairy producers are doing their darnedest. Whatever they did to reduce milk output – feeding a cheaper ration, drying early, culling aggressively, or



milking less frequently – they are undoing today. The industry cannot fill the parlor and the bulk tank immediately, but the impact of this new trajectory will surely add up to more cows and more milk over time. In the three weeks ending June 13, dairy slaughter volumes have fallen 12% behind the 2019 pace, an about-face from April and early May, when slaughter accelerated to a



34-year high. Springers are selling for the highest values in more than two years, which suggests that dairy producers are anxious to fill every stall. Processing capacity and heifer inventories are likely to put a ceiling on expansion eventually, but the industry is clearly leaning in that direction. After another dismal spring, dairy producers have surely earned the thrill of a big summer milk check, and they should milk it for all its worth. But it seems likely that the industry will overdo it, and wake up from this celebratory season with a harrowing hangover.

The grain markets took a big step back this week. September corn futures dropped 18¢ this week to \$3.1925 per bushel, near the life-of-contract low. August soybeans settled at \$8.60, down 16¢. After widespread rains, crops are thriving. The Corn Belt's two-week forecast looks nearly ideal. Meanwhile, demand is in question. The U.S. and China are at odds on international diplomacy, and Beijing has tacitly warned U.S. officials that this could put Phase One agricultural purchases in jeopardy. China has already cleaned out Brazil's soy stocks and will have to shop in the U.S. eventually. But these geopolitical disagreements give China every incentive to slow purchases to gain leverage. The feed markets are caught in the crossfire.