



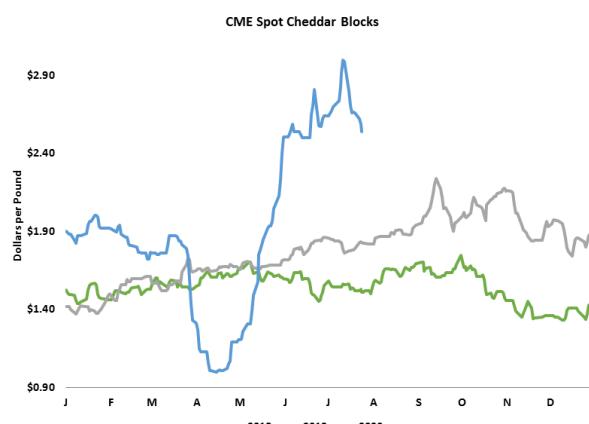
# The T.C. Jacoby Weekly Market Report

WEEK ENDING JULY 24TH, 2020

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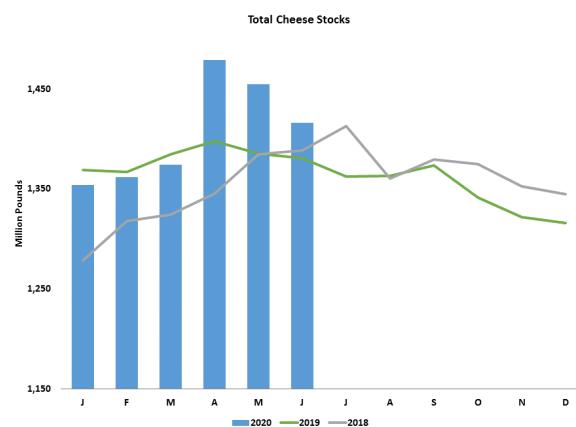
CME Spot Market for the Week			WHEY		
7/20/2020 to 7/24/2020			Avg Price	Qty Traded	4 wk Trend
\$ 0.340	1				
CHEESE BLOCKS			CHEESE BARRELS		
Avg Price	Qty Traded	4 wk Trend	Avg Price	Qty Traded	4 wk Trend
\$ 2.614	16		\$ 2.453	23	
BUTTER			NON-FAT		
Avg Price	Qty Traded	4 wk Trend	Avg Price	Qty Traded	4 wk Trend
\$ 1.690	18		\$ 0.993	13	



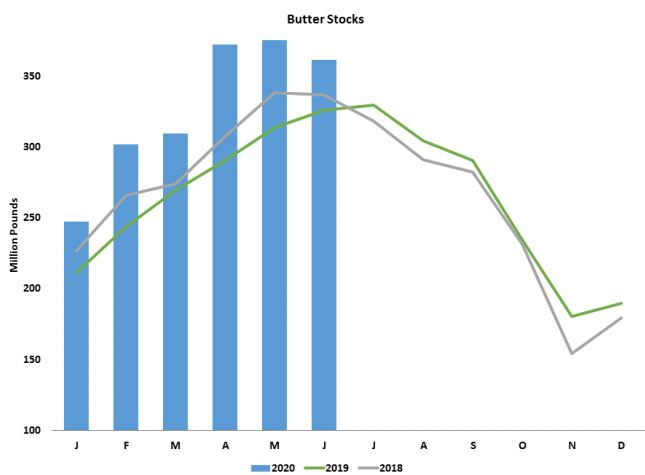
2.6% higher than last year. The month-to-month drawdown was unusually large in June, likely reflecting the impact of strong retail sales, restaurant re-openings, and food box donations. Still, there is more than enough cheese to meet demand, even if manufacturers dug into inventories last month. Cheesemakers report that restaurants are using large volumes of Italian-style cheese, while retailers have taken a

CME spot Cheddar blocks continued to tumble. They have lost ground every day since they topped out at \$3 less than two weeks ago. Today they slumped to \$2.54 per pound, down 12¢ from last Friday. Barrels kept climbing, narrowing the block-barrel spread. Barrels closed at a nearly six-year high of \$2.45, up 2¢ for the week.

There is plenty of cheese to be had. USDA reported June 30 cheese stocks at 1.42 billion,



small step back from their formidable orders in the spring and early summer.

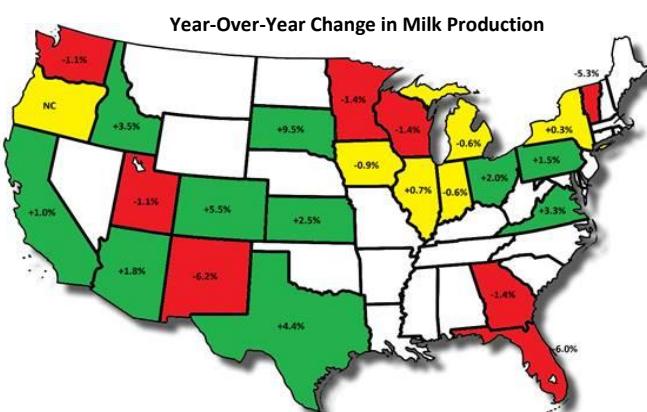


powder advanced 0.6%, but skim milk powder (NDM) at \$1.30 per pound. CME spot nonfat protein concentrate is keeping a lid on domestic milk powder sales to some end users, but NDM is still popular among cheesemakers and commercial bakers. U.S. milk powder is priced to move quickly abroad, and the weakening U.S. dollar is helping to keep values competitive.

U.S. milk production reached 18.3 billion pounds in June, up 0.5% from the prior year. USDA also revised its assessment of May milk output significantly upward, reporting a year-over-year deficit of 0.5%, compared to an initial estimate of a 1.1% decline. The dairy industry was rife with strife this spring, but the decline in milk output was all too brief. Milk production remained lower than the prior year in much of the Midwest and Southeast in June, but most other states returned to growth.

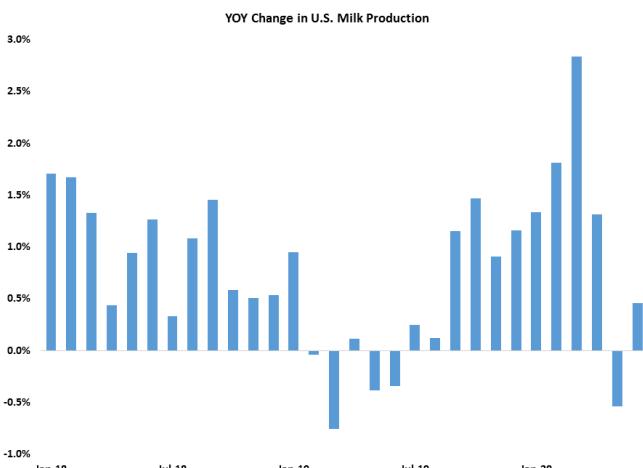


Month	Year	Growth Rate (%)
Jan	18	0.6
Feb	18	0.6
Mar	18	0.6
Apr	18	0.6
May	18	0.6
Jun	18	0.6
Jul	18	0.6
Aug	18	0.6
Sep	18	0.6
Oct	18	0.6
Nov	18	0.6
Dec	18	0.6
Jan	19	0.6
Feb	19	0.6
Mar	19	0.6
Apr	19	0.6
May	19	-0.7
Jun	19	-0.7
Jul	19	0.1
Aug	19	0.1
Sep	19	0.1
Oct	19	0.1
Nov	19	0.1
Dec	19	0.1
Jan	20	0.1



Butter stocks also declined at a faster-than-normal clip in June. Month-end inventories dropped to 361.6 million pounds, more than 14 million pounds lower than at the end of May. Still, butter stocks are 10.8% greater than they were a year ago. And churns are reportedly making a bit more butter even though ice cream season is still going strong. At the CME spot market, butter rallied 4¢ this week to \$1.73.

Powders diverged at the Global Dairy Trade (GDT) auction on Tuesday. Whole milk



USDA dropped its estimate of the May milk cow herd by another 10,000 head. After the revision, the May herd was 15,000 head smaller than it was in April, and USDA reported a further 10,000-head decline in milk-cow numbers in June. Still, at 9.35 million, there are 23,000 more cows than there were in June 2019, and low slaughter numbers – and \$24 milk – suggest that the dairy herd is growing once again.

Across the Atlantic, milk output also slumped in May. Milk collections in the 27 nations of Europe and the United Kingdom fell 0.3% from May 2019. That marks the first year-over-year deficit in European milk production since February 2019. Combined, the U.S. and Europe made about 210 million pounds less milk in May than during the prior year, equal to one month's production in Florida.

Class III futures got off to a strong start this week. The September and October contracts traded limit up on Monday, and climbed again on Tuesday. But with Cheddar blocks in retreat from unsustainably high prices, Class III futures quickly reversed course. August and September Class III futures closed 75¢ in the red today, at their lower daily trading limit. August Class III futures finished 74¢ lower this week, but Monday's strong performance propelled most other Class III contracts to settle a little higher than last Friday. Class IV futures continued to lose ground. Most contracts dropped 30¢ to 45¢ this week. The wide gap between Class III and IV persists. August Class III is \$21.75 per cwt., while August Class IV is a paltry \$13.76. Despite lofty Class III values, dairy producers in regions with high Class IV usage could face disappointing milk checks throughout the summer and fall.

The feed markets took different paths this week. Soybeans continue to gain ground, as the trade hopes that China will keep buying beans. Corn futures slipped. Further Chinese corn purchases would likely require Beijing to waive punitive tariffs. China has largely used up its state-owned corn reserves, and there is a sizable margin for corn imports if they drop the tariff. If Beijing does eliminate the border tax, it would boost U.S. grain prices immediately. But it's more likely that China will do nothing, in which case there will be a lot of U.S. corn looking for a home. Crops have made it through much of the pollination period largely without an issue. Unless the weather worsens, corn futures are likely to continue to fade. September corn futures settled today at \$3.2625 per bushel, down 6.75¢. August soybeans marched another 6.75¢ higher, to \$9.0475.