



The T.C. Jacoby Weekly Market Report

WEEK ENDING JUNE 30TH, 2023

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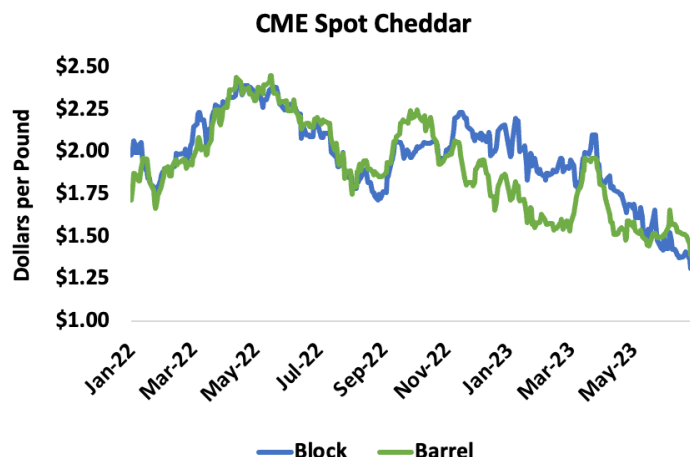


CME Spot Market for the Week 6/26/2023 to 6/30/2023			WHEY		
			Avg Price	Qty Traded	4 wk Trend
			\$ 0.2465	62	
CHEESE BLOCKS			CHEESE BARRELS		
Avg Price	Qty Traded	4 wk Trend	Avg Price	Qty Traded	4 wk Trend
\$ 1.3335	49		\$ 1.3835	56	
BUTTER			NON-FAT		
Avg Price	Qty Traded	4 wk Trend	Avg Price	Qty Traded	4 wk Trend
\$ 2.4160	9		\$ 1.1195	17	

The Class III complex came under significant pressure this week as the realities of current market conditions set in. In particular, the spot price for cheese and whey sank to multi year lows reflecting milk that continues to flow while demand remains tepid.

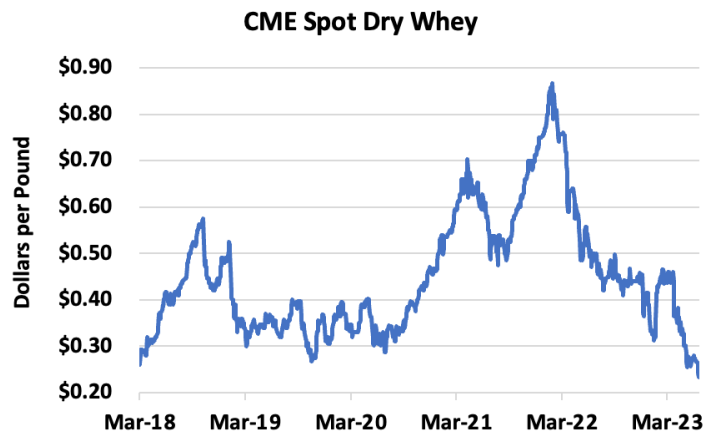
Despite falling milk prices and tightening margins, milk supplies remain ample in most parts of the country. Elevated summer temperatures and humidity are starting to weigh on cow comfort and negatively impact output, but only in parts of the nation. Other geographies, such as the upper Midwest and Pacific Northwest are enjoying seasonally mild temperatures, which are helping to support milk supplies. Water availability varies drastically across the country. While the central region of the country copes with persistent drought, producers in California have sufficient water supplies for the first time in years. According to data collected by *Dairy Market News*, California's reservoirs are at 118% of historical levels and there are currently no restrictions on crop irrigation.

Much of the excess milk is being routed into cheese vats, especially in the Midwest. Cheesemakers report that production has been active and that spot loads of milk can be obtained at competitive prices. Meanwhile domestic demand has remained surprisingly resilient, particularly within foodservice channels. However,



international buying remains light, and it appears that interest in U.S. product has not yet picked up despite the recent decline in spot cheese prices.

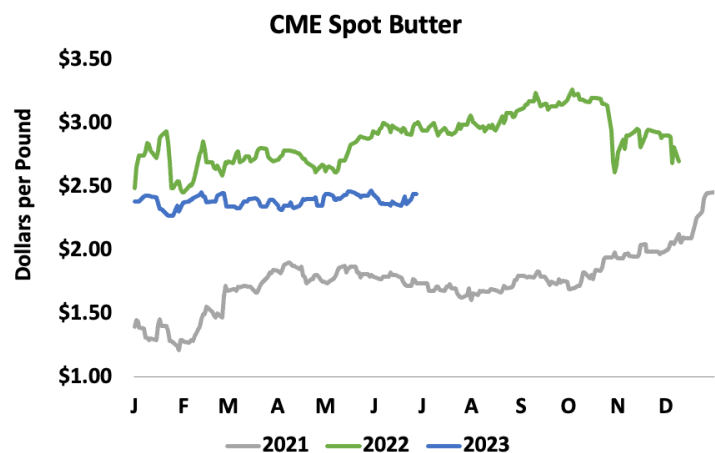
Cheese prices took a tumble at the spot market this week. Blocks gave up 4.25¢ and 5.25¢ on Monday and Tuesday, falling as low as \$1.31/lb., the lowest price seen since May 2020. The market staged a modest recovery later in the week, but it was insufficient to overcome the losses and blocks finished the week at \$1.335/lb., a decline of 7¢ compared to the prior Friday. Barrels had an even more pronounced trajectory, losing value every day of the week and ultimately sinking to \$1.345/lb., a decrease of 15.5¢ versus last Friday and the lowest price since August 2021. It was a very active week for trading with 49 loads of blocks and 56 loads of barrels changing hands.



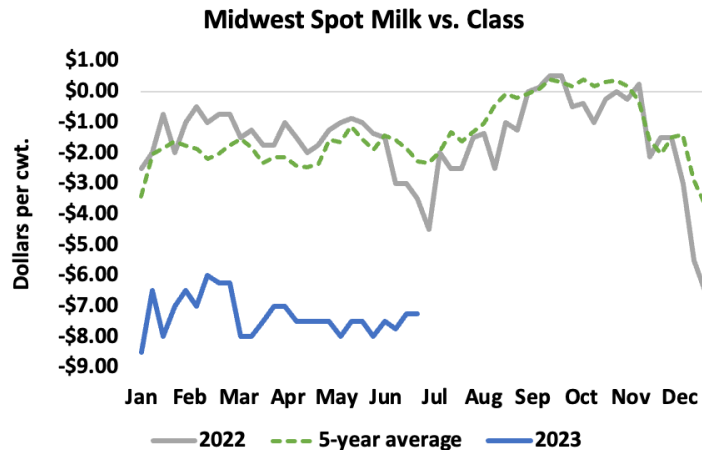
Similar challenges are complicating the other side of the Class III complex. The spot market for dry whey descended during the first four days of the week, falling as low as 23.25¢ per pound. This represents the lowest price seen in this market since trading began in March 2018. During today's session prices moved up .75¢ but it was again insufficient to make up the losses and the price closed the week at 24¢ per pound, a decline of 2.5¢ compared to last Friday. Even at such low prices, whey traders were busy moving product as 62 loads moved during the week. Plentiful

cheese production is throwing off an ample whey stream, much of which is being dried. Meanwhile demand from domestic and international sources remained lackluster.

By comparison, the Class IV markets were subdued over the past week. The spot butter market tumbled by 6¢ on Monday but recovered with 4¢ gains on Tuesday and Thursday to cap off the week at \$2.44/lb., a net increase of two cents compared to last Friday. Cream is readily available and butter manufacturers indicate that they are keeping busy. Butter demand is purportedly healthy and some churns indicate that they are freezing butter to help manage their inventories. Strong demand from Class II manufacturers is also helping to use up cream supplies, especially ahead of the Independence Day holiday. Meanwhile ice cream demand appears to be mixed.



Balancing operations indicate that while supplies are starting to decline, for the moment there is plenty of condensed skim available for milk dryers. Nonfat dry milk (NDM) demand is lackluster as both domestic and international buyers are biding their time to see how much further prices will fall before stepping back into the market. The spot market for NDM was relatively quiet, moving by fractions of a cent over the week. Today's session ended at \$1.1175/lb., a decrease of 1.5¢ compared to last Friday.



The decline in spot prices and the overall bearish tone of the market weighed on milk futures during the week. Class III contracts bore the brunt of the force and by Friday every contract through OCT23 settled below \$17/cwt. with the JUL23 contract at just \$14.18/cwt., down nearly 70¢ from Monday's settlement. Class IV futures also lost value, but the degree of decline was much smaller. The JUL23 Class IV contract settled on Friday at \$17.98/cwt. For many producers these prices are insufficient, and production could begin to contract in the near future as a result.

USDA released its much-anticipated Acreage report this afternoon. In the report USDA increased its expectations for corn acreage to 94.1 million acres, an increase of 6.2% or 5.5 million acres compared to last year and a 2-million-acre increase compared to the Prospective Plantings report estimate released in March. At the same time USDA dropped its estimate of soybean acres to 83.5 million acres, a decrease of 3.9 million acres or 4.5% versus last year. Soybean acres were also about 4 million less than what was anticipated in USDA's last report.

Both the increase in corn and decline in soybean acreage outpaced analysts' expectations and had a significant impact on prices. Corn prices fell on the news with the SEP23 and DEC23 contract falling to \$4.885/bu. and \$4.9475/bu., respectively. Meanwhile, soybean prices appreciated with the NOV23 contract rising 77.5¢ to \$13.4325/ton. Rains this week helped to relieve some pressure but drought concerns remain front and center in the grain markets and continue to undermine crop conditions.

