

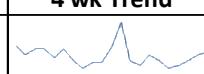


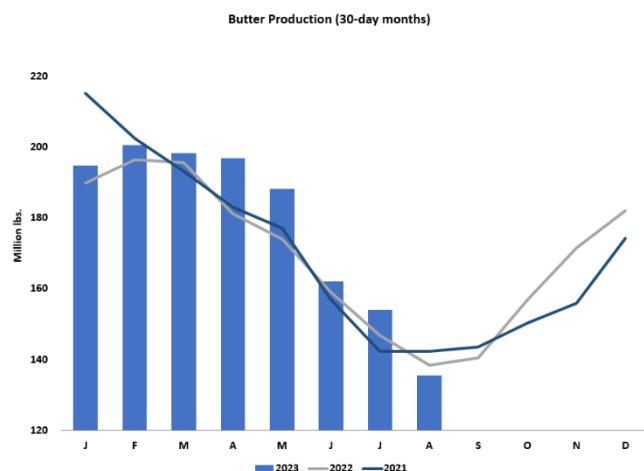
The T.C. Jacoby Weekly Market Report

WEEK ENDING October 6th, 2023

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CME Spot Market for the Week			WHEY		
10/2/2023 to 10/6/2023			Avg Price	Qty Traded	4 wk Trend
\$ 0.2900		55			
CHEESE BLOCKS			CHEESE BARRELS		
Avg Price	Qty Traded	4 wk Trend	Avg Price	Qty Traded	4 wk Trend
\$ 1.7015	24		\$ 1.5530	20	
BUTTER			NON-FAT		
Avg Price	Qty Traded	4 wk Trend	Avg Price	Qty Traded	4 wk Trend
\$ 3.4355	1		\$ 1.1795	10	



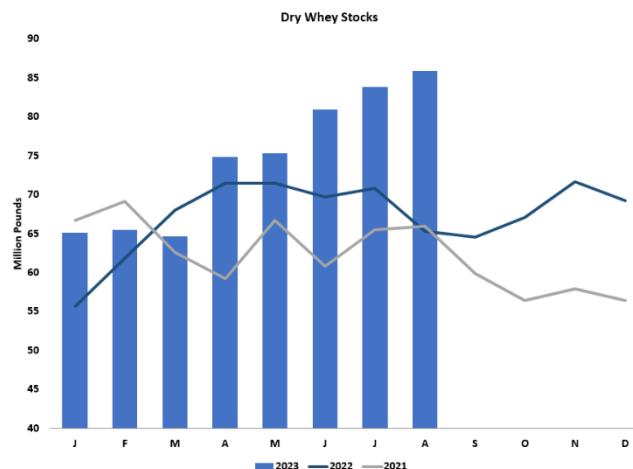
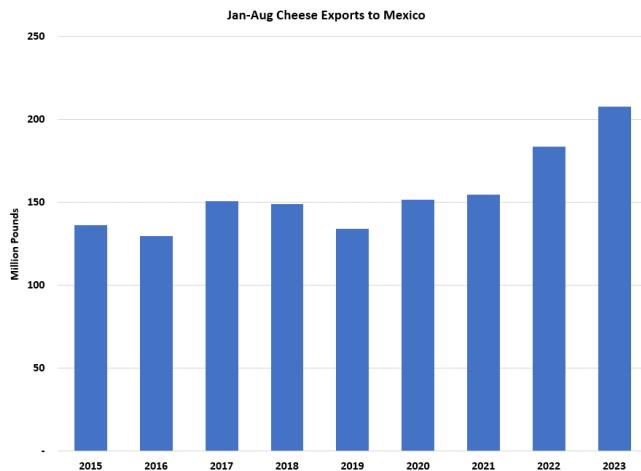
Like a mountaineer surveying Everest from K2, the butter market is exploring new heights. CME spot butter scaled a previously unconquered peak last week, and it didn't stop there. This week it ascended another 20.25¢ to a fresh all-time high at \$3.5025 per pound. U.S. butter output topped year-ago production by wide margins in January through July. But in August, the heat sapped milk production and Class II processors sucked up a lot of cream. Butter output slipped 2.1% below already scant August 2022 volumes, marking the lowest production for the month since 2018. Butter output has picked up seasonally, but

churns are still running relatively light. Cream multiples are lofty and the futures curve is deterring production. Butter makers are not inclined to buy cream based on \$3.50 butter when they face the prospect of selling it for \$2.50 a few months from now. Butter is showing no signs of altitude sickness so far, but at this elevation, it may be tough to keep a clear head and firm footing.

Cheese production also fell short of year-ago volumes in August. The price of spot milk in the Upper Midwest shifted from steep discounts to persistent premiums during the month, and cheesemakers responded accordingly. August cheese output fell short of last year in Iowa, Minnesota, and South Dakota, but Wisconsin cheesemakers kept their vats full. Cheese output also dropped hard in

New Mexico, as large-scale dairy sellouts continued in the Land of Enchantment. Still, the U.S. cranked out 1.15 billion pounds of cheese in August, just 0.2% shy of the record-setting volumes of August 2022.

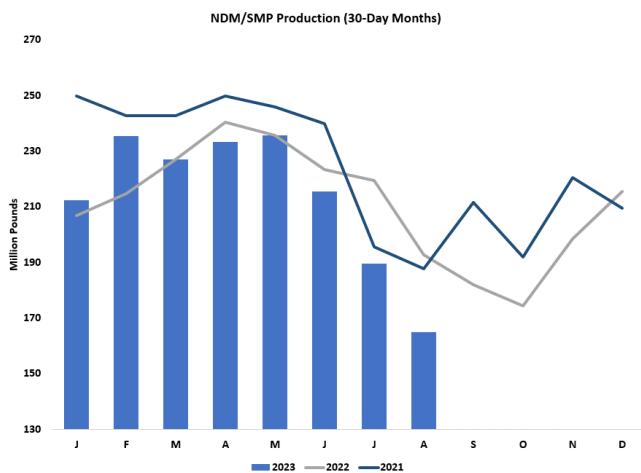
Meanwhile, exports continued to fall a little short of last year's record-high pace. The U.S. sent 79.45 million pounds of cheese abroad. That was 3% less than last August, but otherwise the greatest August volume ever. The U.S. has grown increasingly dependent on strong exports south of the border. Shipments to Mexico were record large, up 14.2% from August 2022. Year-to-date cheese exports to Mexico are 13% greater than last year. But that's not enough to support prices amid massive output. The cheese market is feeling around for a price that will allow for even better export volumes to keep cheese from piling up. This week CME spot Cheddar blocks slipped 1.75¢ to \$1.7025. Barrels climbed 9.75¢ to \$1.5775.



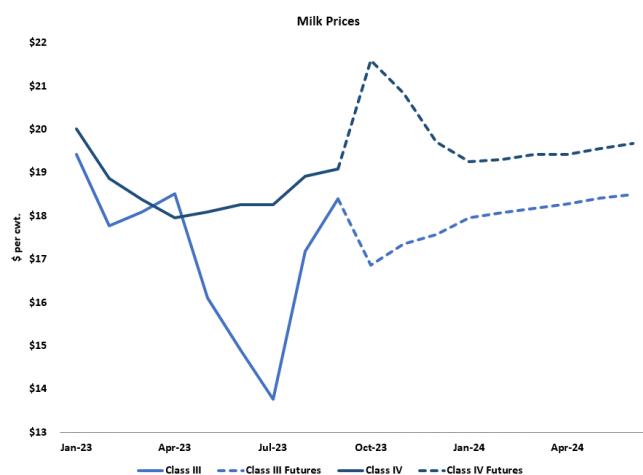
The whey market is heavy with product. Dry whey production topped year-ago levels by an astounding 13.4% in August. The increase is baffling given lower cheese output and stronger whey protein concentrate production. Exports disappointed once again. Dry whey shipments fell 37.6% from August 2022, bringing year-to-date exports down 16.8%. Stocks are high and rising, which explains why the whey market has had so much trouble getting up off the mat. CME spot whey powder added 0.75¢ this week, but, at 29.75¢ per pound, it remains historically cheap.

The U.S. milk powder market is holding near the recent peak, but it is not quite ready to climb to new heights. CME spot nonfat dry milk (NDM) slipped a half-cent this week to \$1.18. Milk powder prices rallied at Tuesday's Global Dairy Trade (GDT) auction. Whole milk powder advanced 4.8% and skim milk powder (SMP) jumped 6.6% to the rough equivalent of NDM at \$1.24 per pound. But the market had expected even greater gains, and spot NDM lost ground after the GDT.

U.S. milk powder production has slowed noticeably. In August, combined production of NDM and SMP sunk to 170.6 million pounds, down 14.4% from last year and the lowest daily average production since



2018. NDM exports were 5.5% larger than last year in August, helped by strong shipments to Mexico. Stocks are now 15% lower than they were a year ago. Tighter U.S. supplies have put a firm floor under the milk powder market, but further upside depends on robust export opportunities. Mexican demand remains formidable, but supply chain issues could ensnarl U.S. shipments in the future. In an effort to draw attention to the crisis at the border, the Texas Department of Public Safety has stepped up the number of inspections it is conducting in El Paso, forcing 10,000 trucks to wait to cross into Juarez, Mexico. The majority of U.S. NDM shipments to Mexico typically pass through El Paso. For now, exporters are redirecting these trucks to Laredo and Calexico to avoid the backlog, but the industry is watching carefully to see if politics will damage the U.S.'s status as Mexico's most reliable dairy supplier.



USDA announced the September Class III price at \$18.39 per cwt., up \$1.20 from August. At \$19.09, September Class IV was 18¢ higher than the month before. Looking ahead, dairy producers can expect much better Class IV revenue. The October contract jumped 79¢ this week to \$21.59. Class III prices are less exciting. The October contract slipped 2¢ to a disappointingly low \$16.86. It's difficult to push Class III prices above dairy producers' breakevens when whey is cheap, and cheese must be priced low enough to attract export orders. Cooler weather has added to the pressure, as milk yields are climbing.

Meanwhile, slaughter volumes have slowed, which is also adding to milk supplies. Dairy cow slaughter fell below the historic average in each of the past three weeks. It's likely that dairy producers who culled hard through the summer had fewer unhealthy or low-production cows to send to the packer in September. And the hope of better milk prices probably diminished producers' appetite to keep cull rates high. Whatever the cause, the market assumes that slower slaughter means more milk, and Class III prices are struggling accordingly.

The grain markets gained ground this week, as Russian attacks on Ukraine's ports dashed hopes that Ukraine would find ways to move its grain via sea routes. After plumbing two-year lows, December wheat futures leapt 26.75¢ and corn followed wheat higher. The corn market also got a boost from news of export sales to China and unseasonably strong demand from the ethanol sector. The December contract closed at \$4.92 per bushel, up 15.25¢ this week. Despite projections for another year of tight stocks, soy product prices continued to drop. November soybeans settled at \$12.66, down 9¢. December soybean meal dropped \$9.10 to \$372.10 per ton.