The T.C. Jacoby Weekly Market Report

WEEK ENDING NOVEMBER 10TH 2023

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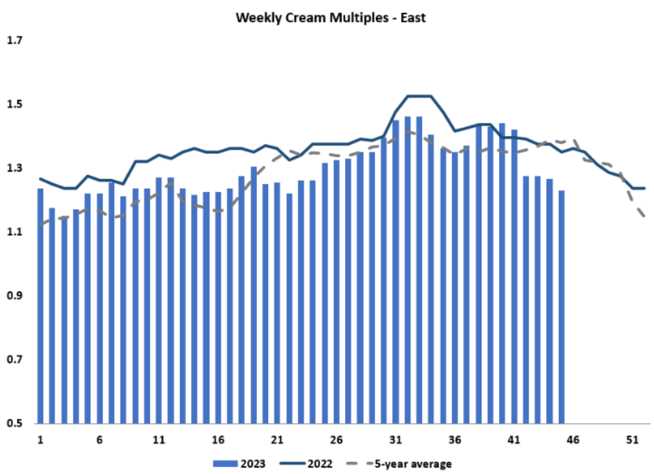
CME Spot Market for the Week			WHEY		
11/6/2023	to	11/10/2023	Avg Price	Qty Traded	4 wk Trend
			$ 0.3910	12	

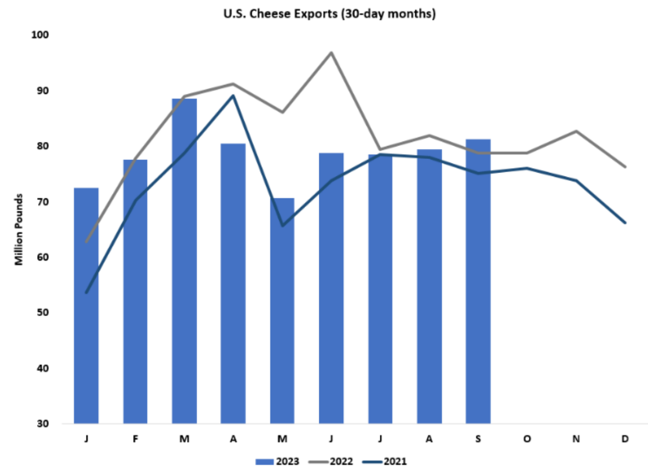
CHEESE BLOCKS			CHEESE BARRELS		
Avg Price	Qty Traded	4 wk Trend	Avg Price	Qty Traded	4 wk Trend
$ 1.6535	15		$ 1.6090	20	

BUTTER			NON-FAT		
Avg Price	Qty Traded	4 wk Trend	Avg Price	Qty Traded	4 wk Trend
$ 2.8010	31		$ 1.1850	5	

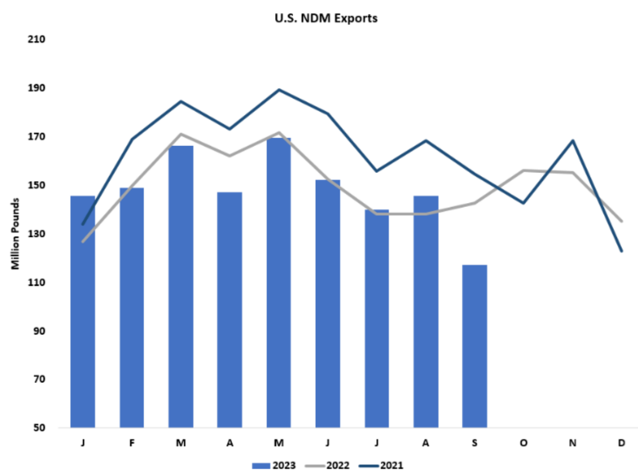


After more than a month in the stratosphere, the butter market plummeted back to earth. CME spot butter crash-landed today at $2.60 per pound, down 50.75¢ from last Friday and more than 90¢ lower than the all-time high set five weeks ago. Cooler weather has boosted milk production and component levels, and cream is more widely available. In the East and Central regions, cream multiples have lagged seasonal averages for four straight weeks, which has prompted churns to ramp up production. Stocks are still a little snug, but butter buyers clearly feel they have enough product to get through the holidays.

The cheese markets were mixed. CME spot Cheddar blocks fell 6.5¢ to $1.60. Barrels rallied a penny to $1.65. Domestic demand is mediocre, and restaurants note that consumers are growing increasingly weary of the high cost of dining out. Cheese exports set a new high for the month of September, clocking in at 81.3 million pounds, up 4.3% from a year ago. Shipments south of the border remain stellar. U.S. cheese exports to Mexico jumped 27.5% from a year ago. Cheap cheese this summer has helped to keep product moving abroad, but industry stakeholders tell USDA's *Dairy Market News* that prices today are not competitive enough to attract a lot of new export orders. The combination of slower restaurant demand and pessimism about exports is likely pushing cheese manufacturers to make less Mozzarella and more Cheddar. Heavy Cheddar output is a drag on cheese and Class III values.

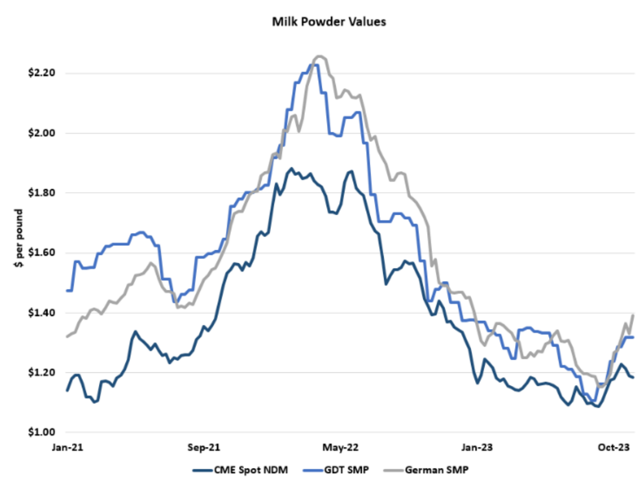


The powder markets perked up. Skim milk powder (SMP) enjoyed an unexpectedly strong showing at Tuesday's Global Dairy Trade (GDT) auction. The average winning price for SMP climbed 2.3% from the mid-October event and it was a whopping 8.4% better than last week's GDT Pulse price. Whole milk powder (WMP) prices retreated, falling 2.7% from where they stood at the mid-October auction. That was enough to drag the GDT Index down 0.7%, snapping a two-month winning streak. But the surprising strength in SMP prices propelled CME spot nonfat dry milk (NDM) back to $1.20, up 1.5¢ this week.

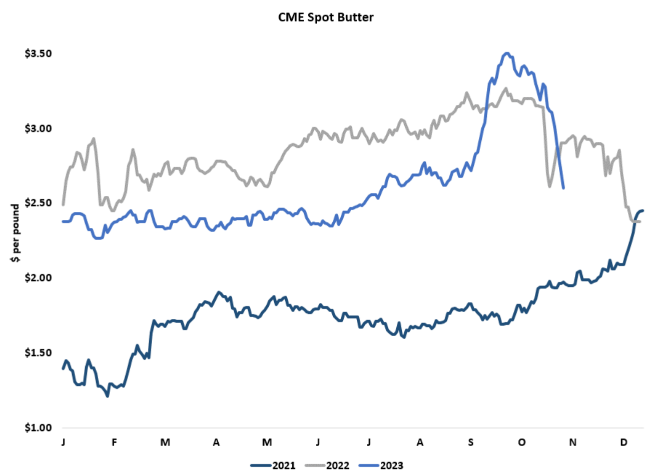


The gap between U.S. and foreign milk powder prices widened, which suggests some opportunity for exports in the months to come. But in September, after a summer of depressed global milk powder prices, exports fell short. The U.S. sent just 117 million pounds of NDM and SMP abroad in September, the lowest volume for the month since 2018 and 20.1% less than the prior year. Shipments to Mexico dropped 15.7% from September 2022, and exports to Asia tumbled. Reduced milk output in the late summer and early fall throttled milk powder production and allowed U.S. milk powder stocks to decline despite the setback in exports. But, unless exports bounce back, it will be difficult to push milk powder and Class IV prices much higher.

Strong demand for whey protein concentrates continues to limit production of whey powder, and stocks are shrinking. That is enough to lift whey prices back toward the 40¢ mark, but contacts tell *Dairy Market News* that buyers are largely unwilling to pay more than 40¢, at least for now. CME spot whey advanced one cent this week to 39.75¢. It may take some time to convince the industry that additional rallies are warranted.



Cheaper Cheddar dragged Class III prices lower once again. The November contract dropped 25¢ this week to $17.08 per



cwt. December Class III notched a life-of-contract low and fell 38¢ to $16.89, a number that simply doesn't pencil for most dairy producers. The red ink permeated the whole board, with double-digit losses in Class III futures through October 2024. Class IV futures were mixed, and most contracts finished the week close to where they started. But the collapse in the spot butter market dragged December Class IV futures down 28¢. Still, dairy producers should be happy with their Class IV revenue prospects. The November contract held relatively firm at $20.70 and other contracts stood in the high $18s and low $19s.

For weeks, farmers have tweeted and gossiped about better-than-expected corn yields, and yesterday USDA made it official. The agency revised its estimate of the national average corn yield up 1.9 bushels from its October guesstimate, pegging it at 174.9 bushels per acre. The combination of massive acreage and adequate yield was enough to make this year's corn crop the largest ever, and USDA projects a big jump in corn inventories in the 2023-24 season. The news pushed December corn futures down to $4.64 per bushel, down 13.25¢ this week. Aside from a brief dip in August, this marks the lowest close for the benchmark corn contract in nearly three years.

USDA also boosted its estimate of soybean yields, albeit by a more modest fraction of a bushel. Still, the trade had expected soy yields to hold steady, and the increase pressured the soy complex. January soybeans settled today at $13.475, down roughly a nickel from last Friday. But last year's paltry soybean crop in Argentina continued to prop up U.S. soybean meal export prospects. The January soybean meal contract closed at $434.90 per ton, up $2.70 from last Friday. The trade is counting on big crops in South America, but the season is off to a dry start in central Brazil and Argentina which could set the stage for a rebound in corn prices and continued strength in soybean meal unless the weather improves.

It was an unusually exciting week in the grain pits, but the cattle complex was home to the biggest drama on LaSalle Street. Last week's Cattle on Feed report showed that there are more cattle in U.S. feedlots today than there were a year ago. That's likely to lead to an even more acute cattle shortage in the years to come, because we're feeding heifers for slaughter rather than breeding them to rebuild the herd. But for today, it means more beef and lower beef prices. December live cattle closed today at $174.20 per cwt., down $9.65 in only a week. Lower cattle prices will trim dairy producers' cull cow and beef calf revenue, but they're not likely to reduce cull rates. Dairy producers have already done that on their own.

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