



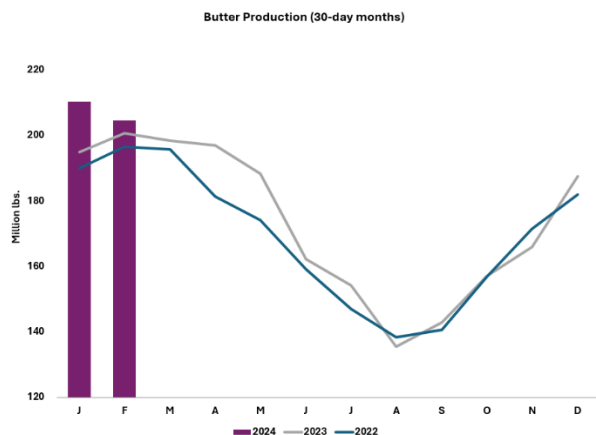
The T.C. Jacoby Weekly Market Report

WEEK ENDING APRIL 12TH, 2024

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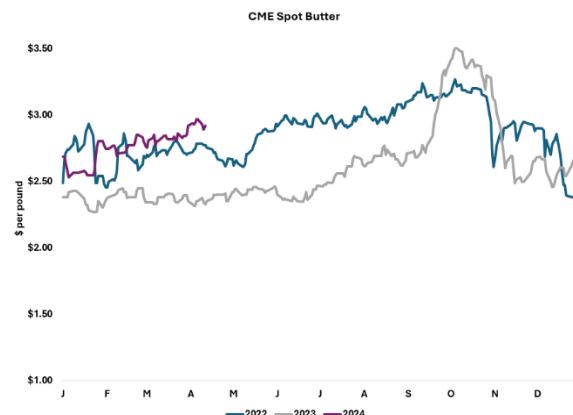
CME Spot Market for the Week 4/8/2024 to 4/12/2024			WHEY		
			Avg Price	Qty Traded	4 wk Trend
			\$ 0.3665	26	
CHEESE BLOCKS			CHEESE BARRELS		
Avg Price	Qty Traded	4 wk Trend	Avg Price	Qty Traded	4 wk Trend
\$ 1.5470	44		\$ 1.5620	20	
BUTTER			NON-FAT		
Avg Price	Qty Traded	4 wk Trend	Avg Price	Qty Traded	4 wk Trend
\$ 2.9365	14		\$ 1.1420	9	

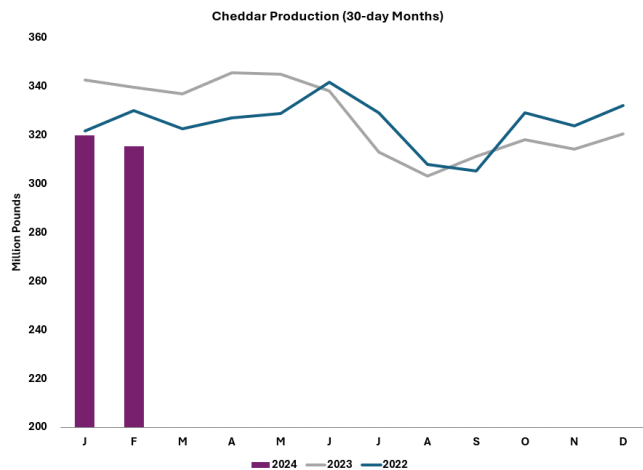


and even the most anxious butter users decided not to push spot butter all the way up to \$3 just yet. Spot butter finished well off the peak at a still lofty \$2.92, down 2¢ from last Friday.

Spot Cheddar also came charging out of the gates. Blocks sprinted upward Monday and Tuesday, reaching a six-week high at \$1.57. They finished a little below that mark at \$1.535, up 2¢ for the week. Barrels showed a little more staying power. They closed today at \$1.5725, up 4.25¢ from last Friday. Despite massive

The dairy markets got off to a strong start this week, led by a historic move in butter. CME spot butter traded thrice at \$2.97 per pound on Monday. That marks the highest spring butter price on record. Butter output is notably larger than it was in early 2022 or 2023, and cream multiples have slipped, which suggests churns will continue to run hard. But demand is formidable and butter buyers have been willing to pay up now to assure they don't pay sky-high prices ahead of the holiday baking season. But there are enough pages on the calendar between now and the holidays to allow for a little patience,

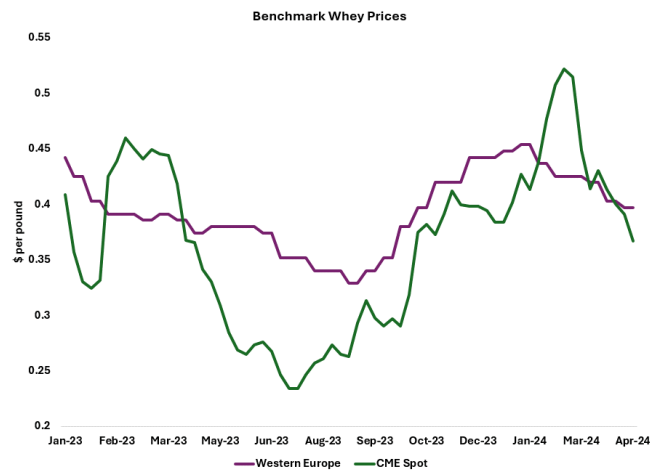




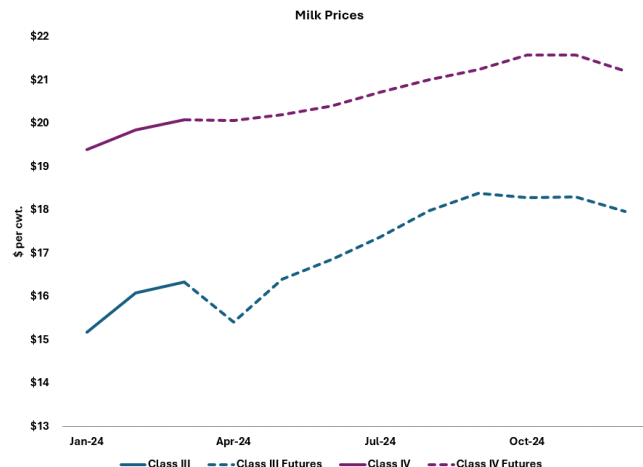
investments in cheese processing capacity, cheese output fell short of prior-year volumes in December through February, and Cheddar output lagged year-ago volumes for the past five months. That's likely because spot milk is not as egregiously cheap or plentiful as it was in early 2023, so cheese plants have less incentive to run overtime. Softer domestic demand is also a factor. According to *Daily Dairy Report* estimates, U.S. demand for American-style cheeses, including Cheddar, was nearly 6% lower in January and February than it was in the first two months of 2023. USDA's *Dairy Market News* reports that foodservice demand remains light. It

seems that high restaurant prices, dissatisfying service, reduced access to food stamp benefits compared to the Covid era, and the prevalence of appetite-suppressing drugs like Ozempic have taken a toll on U.S. cheese consumption. Prices have slumped accordingly.

Whey prices slipped again. CME spot whey fell 3¢ this week to 36¢. *Dairy Market News* reports that processors are offering loads at lower prices to compete with product from overseas. Indeed, European whey was cheaper than U.S. offerings through most of the first quarter, but the recent selloff should put U.S. whey products in contention once again.



Milk powder prices rallied at last week's Global Dairy Trade (GDT) auction, and they continued to climb at this week's pared down GDT Pulse auction. That gave a modest boost to U.S. nonfat dry milk (NDM) prices. They gained a penny and closed at \$1.1425. The outlook for milk powder prices – and dairy prices in general – is cloudy. Lower milk output in the U.S. and Europe should eventually translate to tighter inventories and rising markets. But poor demand has kept would-be advances in check. Mexican imports of U.S. milk powder are healthy, but they have fallen short of the prior-year's record-setting pace in every month since October. Consumer spending on milk powder and other discretionary purchases remains soft in China and Southeast Asia. With milk production and cow numbers in decline, a more vibrant economic recovery in Asia could ignite a fierce rally in the dairy markets.



After a turbulent week, milk futures ended up not too far from where they began. According to preliminary settlements (CME Group now waits until midnight to report official settlements), May Class III closed at \$16.41 per cwt., on par with last Friday. The April and June through August Class III contracts lost some ground this

week, while most deferred contracts settled a little higher. For Class IV, May through August futures took a small step back, while deferred prices inched upward.

The wide spread between Class III and IV persists. Class III producers are bracing for another pitifully small milk check, with April Class III at just \$15.41 per cwt. The futures promise somewhat better times ahead, with Class III in the \$16s, \$17s, and \$18s, but these are not enough to make up for months of heavy losses and steep discounts. In contrast, Class IV values offer prosperity for the minority of dairy producers who earn them. First-half Class IV contracts stand at \$20 or higher, with most second-half contracts well north of \$21.

The novel cow virus has a new name. The American Association of Bovine Practitioners has stopped calling it highly pathogenic avian influenza (HPAI). The veterinary organization proposed that Bovine Influenza A Virus is a more accurate title, because, while HPAI is often deadly for birds, it is not highly pathogenic for dairy cattle. The illness continues to spread among dairy herds here and there, but on most farms operations are normal, and any milk production impact has been masked by the seasonal increase in milk yields. There has not been a major consumer backlash against beef or dairy products, and the story has largely left the headlines. In the long run, though, an illness that saps milk production in some cows and increases cull rates is likely to exacerbate the heifer shortage and reduce U.S. milk production potential.

The grain markets vacillated within their well-trod trading range. While a strong U.S. dollar argued against export prospects, news of bug infestations stunting some corn in Argentina helped to offset those concerns. USDA's updates to its monthly supply and demand balance sheets held no surprises for the corn market, and May corn closed at \$4.3475 per bushel, within a penny of last Friday's close.

USDA's report offered a little more excitement for the soy complex. The agency trimmed its estimates of soybean exports and two less-followed categories of domestic demand, resulting in higher projected end-of-season soy stocks. That pressured soybean values, and the May contract dropped to \$11.72, down 13¢ this week.

However, USDA did not change its estimate of the U.S. soybean crush from last month's figure. The trade had assumed that the industry would funnel any beans that were not exported into soy crushing facilities. While USDA projects that the 2023-24 soy crush – and soybean meal output – will be much higher than in previous years, they did not raise their estimate from their March assessment. That prompted a steep rally in soybean meal futures. They jumped more than \$10 this week to \$343.80 per ton.