The T.C. Jacoby Weekly Market Report

WEEK ENDING APRIL 19TH 2024

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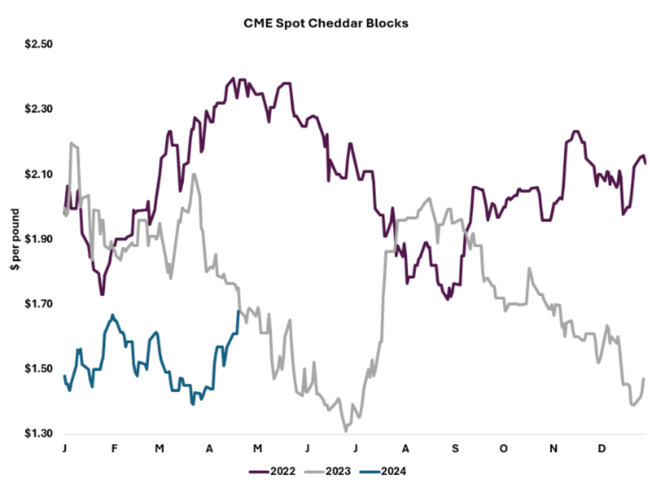
CME Spot Market for the Week			WHEY		
			Avg Price	Qty Traded	4 wk Trend
4/15/2024	to	4/19/2024	$ 0.3800	28	
CHEESE BLOCKS			CHEESE BARRELS		
Avg Price	Qty Traded	4 wk Trend	Avg Price	Qty Traded	4 wk Trend
$ 1.6155	23		$ 1.6125	23	
BUTTER			NON-FAT		
Avg Price	Qty Traded	4 wk Trend	Avg Price	Qty Traded	4 wk Trend
$ 2.9250	8		$ 1.1250	16	



Class III futures came roaring back this week, led by a sizable rally in the cheese markets. USDA's *Dairy Market News* reports that domestic cheese demand is perking up. Grocery shoppers have embraced the advent of grilling season with shopping carts full of ground beef and all the fixings for cheeseburgers. However, cheese orders from foodservice outlets remain lackluster. Mexican importers continue to buy U.S. cheese at a healthy clip. But because nearby cheese futures are much lower than deferred contracts, importers continue to book only enough to satisfy short-term needs. Long-term sales commitments are largely off the table. All told, demand is looking a little livelier and there are anecdotal reports that a major cheese processor is short of milk. That was enough to propel CME spot Cheddar blocks to a year-to-date high at $1.68 per pound, up 14.5¢ since last Friday. Barrels jumped 8.75¢ to $1.66.

Whey moved higher too. CME spot whey powder climbed 3.25¢ to 39.25¢. Firm demand for higher-protein whey concentrates continues to divert some liquid whey away from driers. But whey powder stocks are ample and export orders remain slow. Other indications of whey powder prices around the nation retreated this week. The spot market rally looks more like a rebound from the lows rather than the start of a more sustained ascent.

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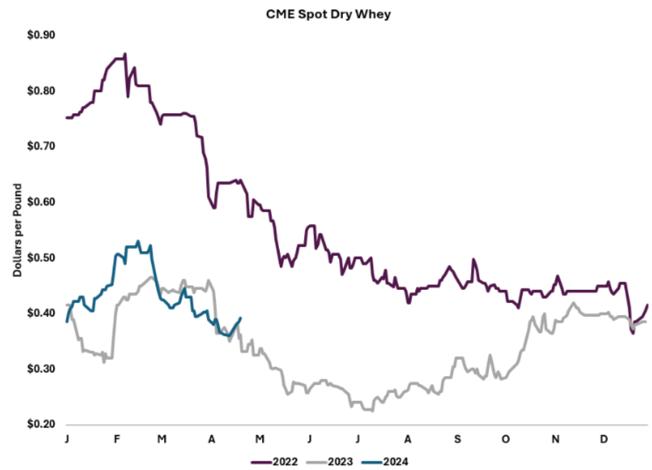
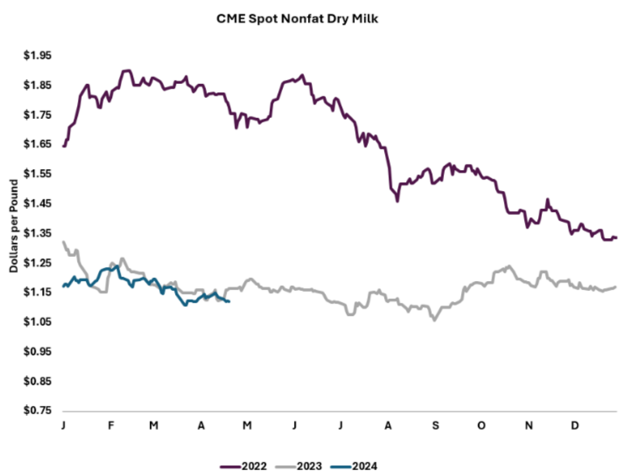
Milk powder retreated. CME spot nonfat dry milk (NDM) fell 2.25¢ to $1.12, on the low end of the 2024 trading range. Driers are ramping up production to absorb the spring flush, but output remains well below year-ago volumes. According to USDA's *Dairy Market News*, "Demand is not robust, but some contacts are suggesting that Mexican interests are expected to pick up later in the month or early May." Pared-back production and lower stocks should support milk powder prices eventually, but until demand improves, that is only enough to provide a firm floor under the milk powder market.



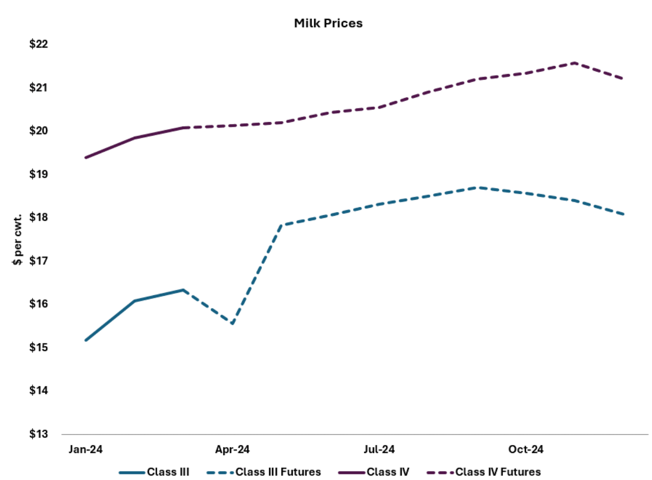
The butter market was uncharacteristically boring. CME spot butter finished right where it started at $2.92. Churns are running hard, and both butter makers and butter buyers are trying to put away product ahead of the holiday baking season. Prices are historically high across the butter futures board.



Class IV futures went nowhere at all this week. They are holding strong at levels that promise prosperity for the minority of dairy producers who benefit from Class IV revenue. Second-quarter Class IV milk averaged $20.26 per cwt., and second-half contracts averaged $21.13.

Class III futures staged a huge recovery. The April contract climbed a modest 16¢ to a paltry $15.57. But May leapt $1.45 to $17.84 and June jumped $1.30 to $18.07. Second-half contracts also posted strong gains. The rebound in the cheese markets is welcome news for dairy producers around the country who have been struggling with low Class III prices and steep discounts.

According to the official count from USDA, there are bird flu infections in 28 dairy herds in eight states. Unofficially, there are assuredly more. Now that dairy producers know how to treat infected cows, they have little incentive to get state or federal officials involved. Without a reliable count of infections, it's difficult to assess the impact of the flu on milk production. But it is certainly not positive. Dairy producers who combat the virus suffer a steep – albeit temporary – drop in milk production and are forced to cull cows that don't bounce back. Amid tight heifer supplies,



culling these cows will almost inevitably reduce the dairy-cow head count. For uninfected herds, the mere threat of the virus is having a chilling effect on milk production as some dairy producers let stalls set empty rather than fill them with heifers raised in areas where the sickness is prevalent.

Low Class III prices, tight heifer supplies, and the bird flu are all weighing on U.S. milk production prospects. If demand cooperates, milk prices could move sharply higher.

The feed markets moved back and forth this week, but when the closing bell rang, prices were lower than they were last Friday. The strong dollar and big South American crops are working against U.S. export prospects and emboldening the bears. But the bulls point to adverse weather in Brazil and a corn stunting disease in Argentina, arguing that, while South America is sure to harvest a large crop this year, it's not as big as it was presumed to be a few months ago.

July corn closed today at $4.43, down a few cents for the week. July soybeans finished at $11.655, more than 20¢ below last Friday's close. July soybean meal slipped a dollar to $343 per ton.