



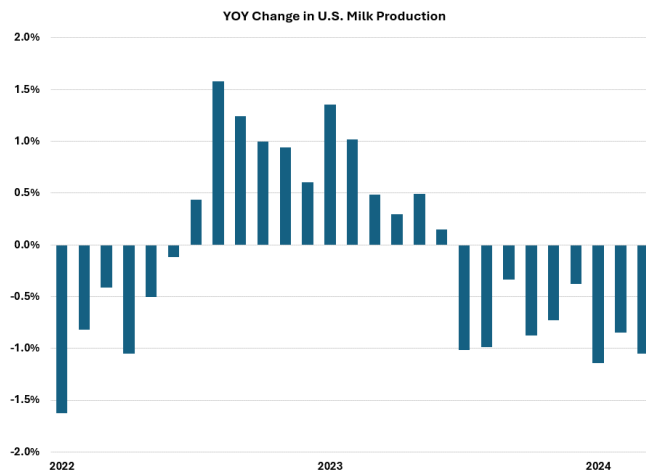
The T.C. Jacoby Weekly Market Report

WEEK ENDING APRIL 26TH, 2024

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CME Spot Market for the Week 4/22/2024 to 4/26/2024			WHEY		
			Avg Price	Qty Traded	4 wk Trend
			\$ 0.3810	7	
CHEESE BLOCKS			CHEESE BARRELS		
Avg Price	Qty Traded	4 wk Trend	Avg Price	Qty Traded	4 wk Trend
\$ 1.7500	3		\$ 1.7705	9	
BUTTER			NON-FAT		
Avg Price	Qty Traded	4 wk Trend	Avg Price	Qty Traded	4 wk Trend
\$ 2.9750	35		\$ 1.1130	12	

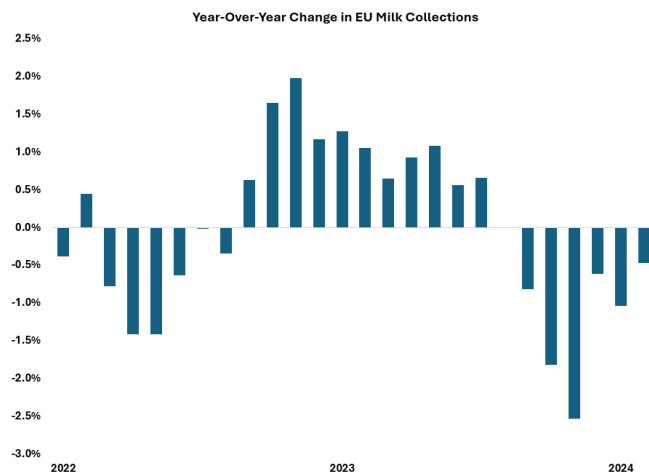


The dairy markets swung wildly back and forth this week as they digested a slew of data and headlines. Monday's Milk Production report showed that milk output declined for a ninth straight month, falling 1% from March 2023. Milk production fell short of year-ago volumes in most major dairy states but climbed in top-ranked California (up 0.7%) and Wisconsin (up 1%). Production fell noticeably in Texas (down 5.1%) and Kansas (off 2.7%). Milk output was already slipping in the Southwest before avian influenza began to impact dairy herds there this spring, but it seems likely that the illness exacerbated the decline.

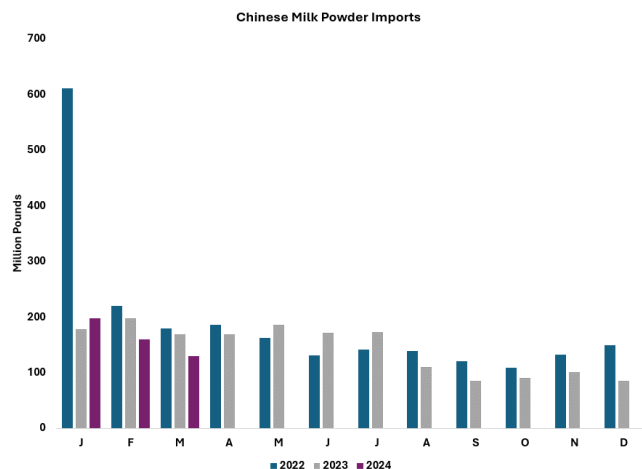
After surveying producers, USDA revised its estimates of the milk cow herd higher in January and February. According to the agency's latest assessment, milk cow numbers rebounded in February as months of low cull rates allowed for modest expansion. But the herd contracted by 7,000 head from February to March. At the end of last month, cow numbers stood at 9.335 million head, down 98,000 from March 2023. That's the steepest one-year decline in cow numbers since 2010, and it suggests that milk output will continue to fall short of 2023 volumes.

Across the pond, milk production is starting to stabilize. February milk collections in the EU-27 were down just 0.1% from the prior year. Once the United Kingdom is included, however, daily average

milk output in the region dropped 0.5% from February 2023 volumes. Extremely wet weather could put a damper on the spring flush in Western Europe. In New Zealand, milk solids collections dropped 1.2% in March compared to the year before. Season-to-date collections are still up 0.8% from the 2022-23 season, but dry weather is taking a toll on milk yields as the industry heads toward the off-season. Production continues to plummet in Argentina. Milk collections in February plunged 17.8% from the prior year as hot, humid weather throttled milk yields.



Lower production among the world's major dairy exporters continues to put a floor under milk and dairy product prices. But demand remains poor. China imported 14.5% less whole milk powder (WMP) in March than it did last year, and Chinese imports of skim milk powder dropped 32% from March 2023's record-setting tally. China's January through March milk powder imports haven't been this small since 2015. Chinese imports of other dairy products also fell short. China brought in 14% less whey than it did in March 2023.



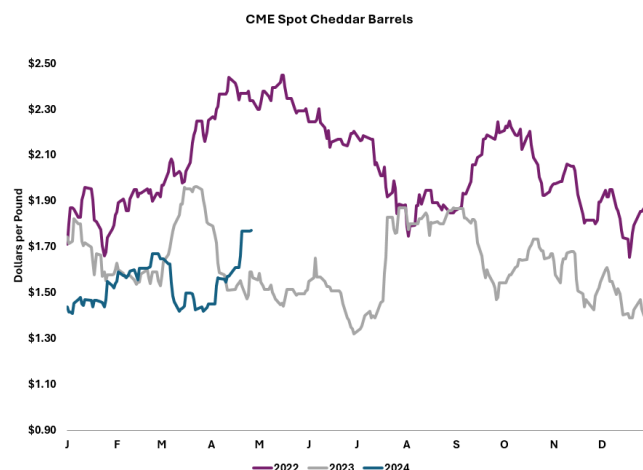
While Chinese demand languishes, Mexican demand remains formidable. Additionally, international bargain shoppers snap up U.S. cheese whenever the price falls low enough to attract their attention. That has helped to keep U.S. inventories in check. USDA's Cold Storage report showed that cheese stocks barely moved from February to March, bucking the seasonal tendency for an early-spring increase. Stocks of American-style cheeses declined in both February and March, which helps to explain recent strength at CME spot market. Total cheese stocks were 0.1% lighter on March 31 than they were a year ago. In contrast, butter stocks grew at an unusually strong rate in January, February, and March, and they are now 2.3% greater than they were in March 2023.

Nonetheless, strong demand for butter continues to prop up the market. CME spot butter hit \$3 on Monday, a price never before seen in the spring. It finished today at \$2.97 per pound, a nickel higher than last Friday. Cheese prices also gained considerable ground this week, reaching six-month highs at the spot market. CME spot Cheddar

American-style Cheese Inventories

Month	2022 (Million Pounds)	2023 (Million Pounds)	2024 (Million Pounds)
J	840	840	840
F	830	830	830
M	830	830	830
A	840	840	
M	860	860	
J	850	850	
J	860	860	
A	840	840	
S	840	840	
O	830	830	
N	820	820	
D	830	830	

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blocks rallied 7¢ to \$1.75, and barrels leapt 11.25¢ to \$1.7725. The powders took a small step back. Spot nonfat dry milk lost a penny and closed at \$1.11. Spot whey powder also dropped a penny to 38.25¢.

Milk futures were whipsawed by the volatile spot markets and by an onslaught of headlines about the bird flu. The Food and Drug Administration (FDA) sampled milk from grocery stores and reported that it found genetic material of the inert H5N1 virus in roughly 20% of the milk it sampled. Pasteurization reliably kills influenza and other viruses, and the FDA

does not expect to find live H5N1 virus in pasteurized milk. Indeed, researchers from other food safety organizations have searched for the live virus in retail milk and found none. But the FDA is still conducting time-consuming tests looking for remnants of viable virus and, until it has those results, the agency will not state categorically that there is no live virus in milk. The FDA's announcement piqued consumers' concerns. Google Trends showed Americans searched for "bird flu in milk" 10 times more often on Wednesday than they did in late March when the story first started to gain traction in the press.

The FDA samples suggest that the flu is more widely spread than USDA's official count of 33 herds in eight states, although the FDA also noted that genetic remnants of H5N1 were particularly common in areas where the flu was already known to infect dairy cows. USDA is trying to get a better handle on the prevalence of the virus and to support industry efforts to control its spread. On Wednesday it announced that, effective Monday, lactating dairy cows cannot cross state lines without a negative H5N1 test from a USDA-approved laboratory. That's likely to slow down the flow of fresh heifers from off-site raising facilities to milk parlors. It could also create big headaches for producers who ship cull cows to packers in another state. As of Friday afternoon, the industry was still waiting for USDA guidance on whether lactating cull cows will be exempt from the testing requirements. If producers are required to test cull cows before moving them out of state, it would significantly increase the number of tests processed at USDA labs, and it could create a bottleneck due to the limited number of veterinarians accredited to administer the tests on farm and the lab capacity required to analyze them in a timely manner.

If the dairy industry had plenty of heifers, dairy producers impacted by the bird flu could simply buy local replacements to keep their barns full. But amid an acute heifer shortage, the flu is reducing producers' ability to move cows efficiently and keep barns running optimally. It's likely not taking a huge toll on milk production in the short run, but it matters at the margins. Concerns about the bird flu's impact on milk supplies and consumer demand pushed milk futures back and forth this week. May Class III closed at \$18 per cwt., up 20¢ from last Friday. Most other Class III futures posted modest gains. Class IV futures lost a dime or more. The May contract finished at \$20.10.

The grain markets got a boost from an unlikely source. Spurred upward by dwindling stocks in India and dry weather in Russia, the long-beleaguered wheat market jumped 56¢ this week. That prompted a 7¢ rally in July corn, which closed at \$4.50 per bushel. July soybeans climbed 10¢ to \$11.77. July soybean meal closed at \$344.20 per ton, down 80¢ on the week.