



The T.C. Jacoby Weekly Market Report

WEEK ENDING APRIL 5TH, 2024

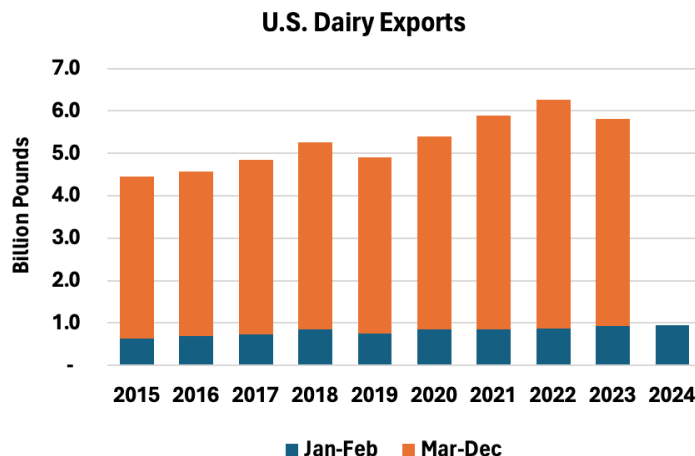
By Monica Ganley, Market Analyst for the Daily Dairy Report
monica.ganley@quartrraglobal.com



CME Spot Market for the Week 4/1/2024 to 4/5/2024			WHEY		
			Avg Price	Qty Traded	4 wk Trend
			\$ 0.3910	4	
CHEESE BLOCKS			CHEESE BARRELS		
Avg Price	Qty Traded	4 wk Trend	Avg Price	Qty Traded	4 wk Trend
\$ 1.4555	42		\$ 1.4635	29	
BUTTER			NON-FAT		
Avg Price	Qty Traded	4 wk Trend	Avg Price	Qty Traded	4 wk Trend
\$ 2.9160	33		\$ 1.1335	12	

U.S. dairy exports have struggled for the past year as weak global demand and uncompetitive prices caused exports to trail prior year levels for a full year. But February data, released earlier this week, suggests that the tides may be changing. U.S. exporters moved 501.1 million pounds of dairy products offshore during February, 5.5% more than in the same month last year after accounting for the leap day. Persistent demand from Mexico combined with improvement in Southeast Asia underpinned the export

growth even as demand from other key destinations such as China and Canada faltered.



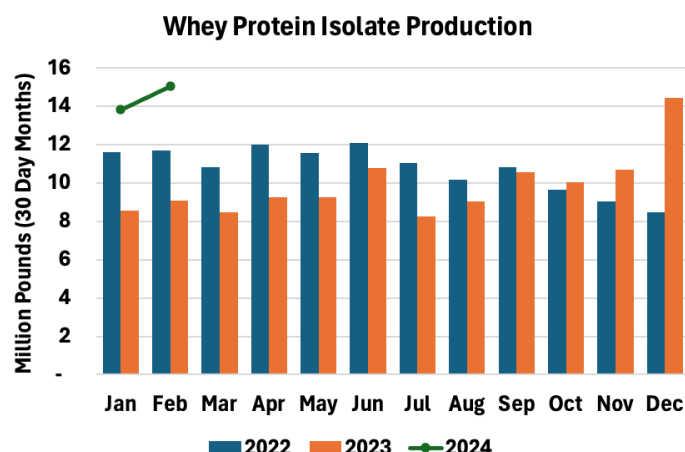
Cheese shipments were particularly impressive during February as exporters moved 95.6 million pounds of cheese during the month. This is the second highest volume of any month ever and represents an adjusted 27.3% increase over the same month last year. A record high 36.6 million pounds of cheese were sent to Mexico in February, lending strength to the total figure. Strong export

sales were likely a reflection of the increased competitiveness of U.S. cheese as the CME spot price dipped last year. Spot Cheddar prices found some traction this week, and especially on Friday, as blocks gained 9.75¢ to end the week at \$1.515/lb. while barrels added 10.25¢, rising to \$1.53/lb. Despite the increase, U.S. cheese remains competitive against international competitors, which bodes well for future export activity.

Upbeat cheese exports have helped to balance out more tepid domestic demand and have likely helped cheese from accumulating in storage. Cheese production totaled 1.133 billion pounds in February, down 0.6% compared to last year after accounting for the extra day. Manufacturers favored the production of Italian types which saw volumes grow by 0.8% while Cheddar output collapsed, falling by 7.2%. Spot milk supplies have remained widely available in recent weeks which has likely lent some support to cheese production.



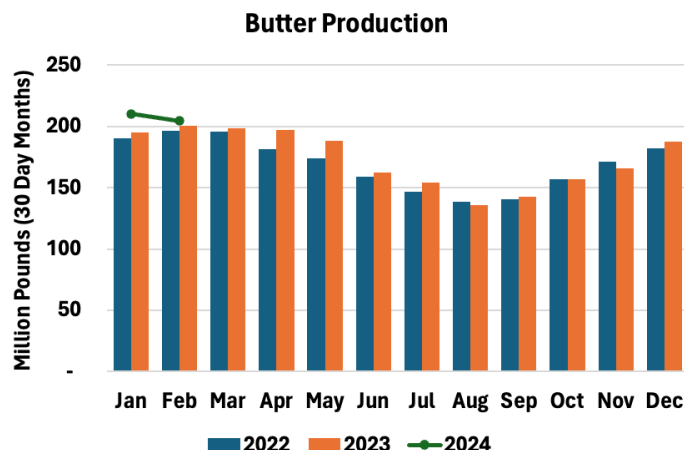
Meanwhile, whey manufacturers continue to show a preference for higher protein products. Output of whey protein isolates shot up by 65.2% year over year while whey protein concentrates with concentrations between 50% and 89.9% saw volumes rise by a more modest 6.5%.



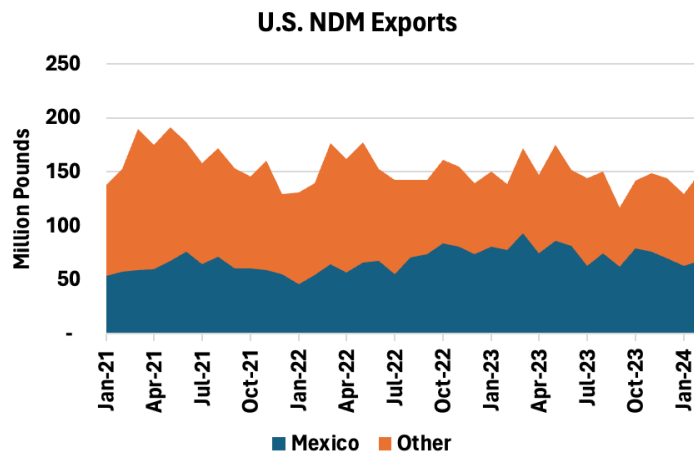
Dry whey increased by 2.8% during February. Similar trends were reflected in February's exports, as shipments of WPC increased by 50.5% and were sufficient to compensate for slower exports of dry whey which fell by 5.7% during the month. Weaker demand from China has weighed on total U.S. exports of whey though stronger shipments to other destinations have been sufficient to overcome China's losses.

Dry whey was the only product that lost ground at the CME this week as the price fell 1.25¢ to 39¢ per pound. It was a relatively quiet week as only four loads changed hands though multiple bids and offers were left on the board after trading closed. Market participants indicate that manufacturers remain confident that strong cheese production will continue to create an ample whey stream to meet their needs.

Butter prices continued to inch higher this week, climbing as high as \$2.94/lb. on Wednesday and Friday, the highest price seen since early November last year. Prices are historically elevated for this time of year, but trading remains active as 33 loads of butter moved at the spot market this week. Domestic demand is respectable, but it seems that the desire to squirrel away inventories to use later in the year is keeping tension in the markets, as well.



Cream is relatively available and stronger component values have helped to prop up cream availability even as overall milk production has been shrinking. Butter production totaled 197.619 million pounds in February, up 1.9% year over year. As butter prices have soared, international interest has also deteriorated. Butter exports fell by 35.3% year over year in February, falling to 5.1 million pounds.



Meanwhile, nonfat dry milk (NDM) and skim milk powder (SMP) exports rebounded in February, rising 3.4% year over year to 148.9 million pounds. The increase in milk powder exports was principally due to recovering demand in Southeast Asia, and especially in Indonesia and Vietnam where exports rose by 16.8% and 446% compared to the same month last year. Exports to Mexico, however, fell by 16.2% during the month.

Combined production of NDM and SMP crashed by 19.3% in February with manufacturers showing a relative preference for SMP, likely reflecting improving export demand. Meanwhile, manufacturer's stocks of NDM continued to decrease, falling to 209.589 million pounds in February, down 106.231 million pounds from the same month last year and down 2.661 million pounds since last month. Despite shifts in both supply and demand, the spot NDM market has remained remarkably stable. The market added 1.25¢ this week, rising to \$1.1325/lb. as 12 loads moved. While the market has enjoyed balance thus far, shifts on either side of the ledger could push the market out of this range.

Highly Pathogenic Avian Influenza (HPAI) continues to plague the industry as new cases have been found in multiple states and one person is believed to have contracted the virus. While health officials continue to update their guidance on the situation, they remain clear that food safety protocols, including pasteurization will protect the safety of the U.S. food supply. Milk production is generally trending higher seasonally and while some parts of the country have faced inclement weather these conditions have generally been isolated and are not expected to undermine overall production. Class I demand is beginning to bounce back as institutions return from spring holiday breaks.

The grain markets were subdued this week as participants sought clues that might give the market some directionality. MAY24 corn futures ended the week at \$4.3425/bu. while DEC24 corn settled at \$4.725/bu. Meanwhile MAY24 soybean meal finished out the week at \$333.1/ton as DEC24 soybean meal ended at \$340/ton. If prevailing prices hold, USDA's Dairy Margin Coverage Decision Tool suggests that this year producers will face the lowest feed costs they have seen since 2020.