



The T.C. Jacoby Weekly Market Report

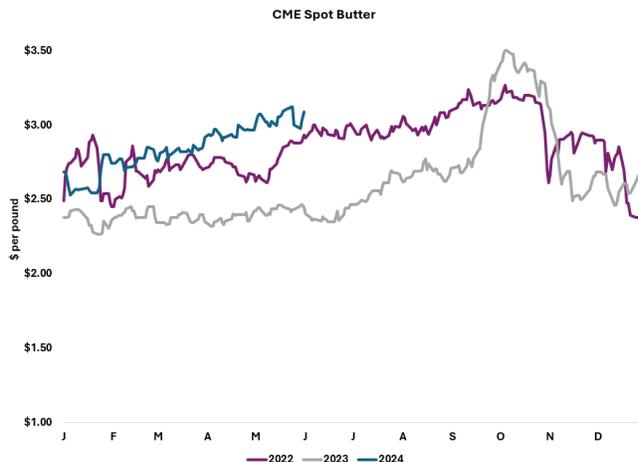
WEEK ENDING MAY 31st, 2024

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CME Spot Market for the Week			WHEY		
			Avg Price	Qty Traded	4 wk Trend
5/27/2024 to 5/31/2024			\$ 0.4031	11	
CHEESE BLOCKS			CHEESE BARRELS		
Avg Price	Qty Traded	4 wk Trend	Avg Price	Qty Traded	4 wk Trend
\$ 1.8231	14		\$ 1.9550	8	
BUTTER			NON-FAT		
Avg Price	Qty Traded	4 wk Trend	Avg Price	Qty Traded	4 wk Trend
\$ 3.0244	9		\$ 1.1663	9	

After notching a new spring high last Friday, butter values plunged early this week. The trade spent the long weekend considering whether prices should outpace prior years when today's production, imports, and stocks are all notably higher than they were in 2022 and 2023. The Tuesday morning selloff was steep but ultimately short-lived. By Thursday, butter buyers were once again bidding with enthusiasm, determined to pay \$3 or more today to avoid the possibility of paying \$3.50 this fall. Spot butter rallied most of the way back to last Friday's lofty perch. It finished at \$3.09, down 3.25¢ for the week.

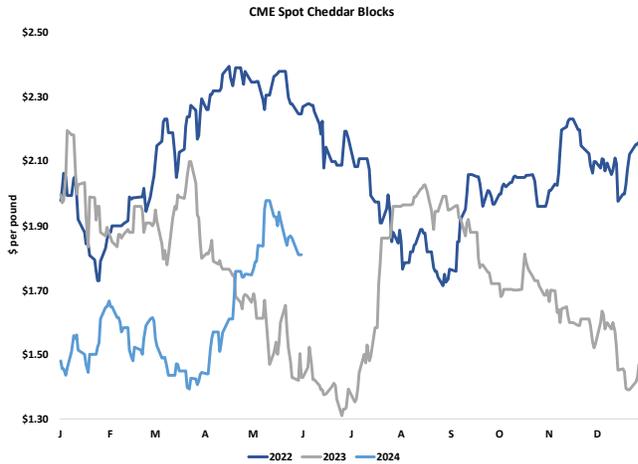


Butter prices also retreated from their recent peaks. Domestic demand has improved considerably as major retailers are promoting the cheap cheese they bought earlier this year. Exports were formidable in February and March, and they likely remained strong in April and May. That has helped to keep cheese inventories in check. But the trade is understandably concerned that \$2 cheese would stymie future export sales, and it is seeking a price that will keep product moving. The cheese market is likely to remain well above where it stood in January through April, but a modest correction is warranted. CME spot Cheddar blocks fell 6¢ this week to \$1.81. Barrels slipped 4¢ to \$1.94.

Prices were mixed at Tuesday's Global Dairy Trade (GDT) Pulse auction. The pared-down, off-week GDT Pulse featured another increase in whole milk powder (WMP) values, pushing the benchmark WMP

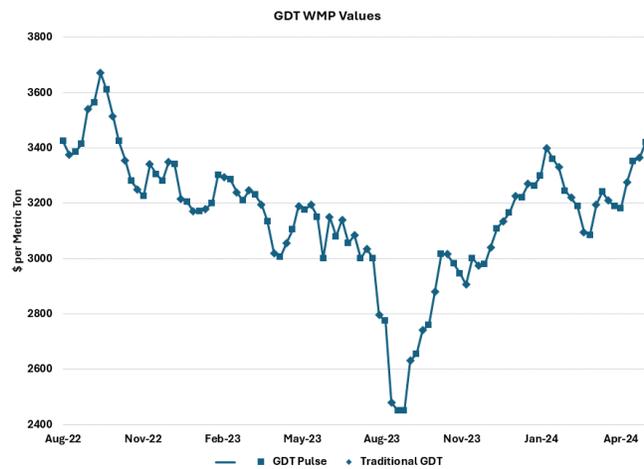
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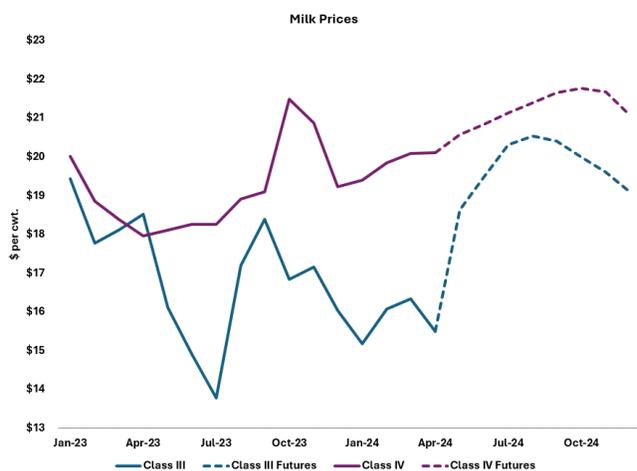
contract to its highest price since October 2022. However, skim milk powder (SMP) prices took a small step back after big gains at last week's event. CME spot nonfat dry milk followed a similar path, retreating 0.75¢ to \$1.1675. The futures market continues to forecast that tighter milk supplies and sharply lower milk powder output will translate to a steady increase in NDM values. While the June contract is close to the spot market at \$1.17, fourth-quarter futures are in the mid-\$1.20s, and the market projects \$1.30 milk powder by early 2025. Supplies are light, but the trade continues to await better demand to spark a big rally.

Once again, they bucked the trend. CME spot whey powder climbed 1.5¢ this week to 41.5¢, tying a two-month high. Processors are prioritizing high-protein whey products to meet firm domestic demand. That means less whey for dryers, and modestly higher prices nearly across the board in the whey complex.



Class IV futures fell back from the highs this week. Most contracts settled about 60¢ lower than they did last Friday. That put May and June Class IV in the high \$20s, with July through December contracts north of \$21 per cwt. The setback in the cheese markets pushed June Class III down 41¢ to \$19.47, a price that will still make dairy producers smile after seven months of inadequate Class III revenues. The other Class III contracts continued to climb, with most contracts adding between 20 and 60¢ this week. July through October Class III futures call for \$20 milk.

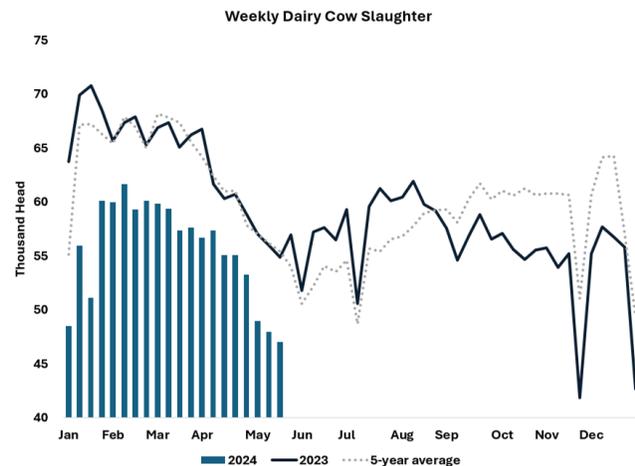
The intersection of the spring flush, a holiday weekend, and the drop-off in school milk orders means



there is plenty of milk for processors today. But higher prices reflect concerns that supplies may tighten quickly. USDA's *Dairy Market News* summarized the consensus. "Last summer, milk was spread somewhat thin with more tankers moving from the Midwest and Mid-Atlantic states into the southern states. That same situation is expected in the summer of 2024, but overall milk access throughout much of the current year has been quite a bit lighter than it was during the first half of 2023. With a growing amount of extenuating circumstances that lead contacts and analysts to expect lighter milk

output mid-term, there are clearly more questions than answers as to what milk and dairy markets will look like in the second half of 2024.”

Those extenuating circumstances include the bird flu, which continues to infect numerous herds in Idaho and Michigan, states that rank third and sixth, respectively, in U.S. milk output. The flu is starting to spread in the Northern Plains as well. The heifer shortage is also a factor. Dairy producers are clearly trying to keep their barns and bulk tanks full, but there are only so many replacement heifers to go around. Sky-high cattle values have prompted a few producers to sell any extra heifers, but the demand is outpacing the supply. Dairy cow slaughter volumes have plummeted as



producers hold onto low-production milk cows in order to maintain or grow their head counts. More cows will mean more milk, but growth will be much slower if it depends on keeping the least efficient cows in the herd for longer than planned.

Intermittent sunshine allowed farmers just enough time in the fields to get caught up to the historic average corn planting pace. They’ll continue to dodge showers and storms as they finish up fieldwork, and some farmers in fringe areas may switch to other crops. In the wettest climes, a few may choose to collect prevented planting insurance rather than risk getting stuck in the fields to plant corn that is likely to bring them far less than \$5 per bushel. The trade will continue to gauge the impact of the wet spring on yield potential and acreage. But for now, it is breathing a sigh of relief that most of the work is done. And, in the long run, the moisture will probably be welcomed as we head toward a summer that may feature the hot and dry conditions that often accompany a La Niña. With that in mind, July corn futures fell nearly 20¢ this week to \$4.46 per bushel. Soybean meal plummeted \$21 to \$364.70 per ton.