



# The T.C. Jacoby Weekly Market Report

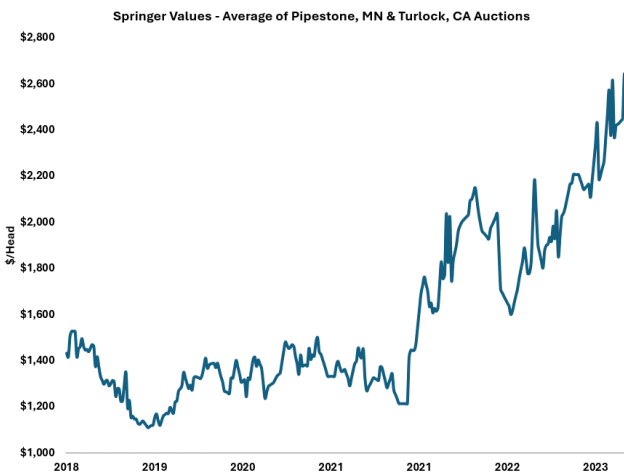
**WEEK ENDING MAY 24th, 2024**

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CME Spot Market for the Week 5/20/2024 to 5/24/2024			WHEY		
			Avg Price	Qty Traded	4 wk Trend
			\$ 0.4010	12	
CHEESE BLOCKS			CHEESE BARRELS		
Avg Price	Qty Traded	4 wk Trend	Avg Price	Qty Traded	4 wk Trend
\$ 1.8700	37		\$ 2.0355	19	
BUTTER			NON-FAT		
Avg Price	Qty Traded	4 wk Trend	Avg Price	Qty Traded	4 wk Trend
\$ 3.1125	5		\$ 1.1740	24	

The markets are screaming at dairy producers to make more milk, but there are formidable barriers to expansion. Producers who have relied on extra heifers from their neighbors or the latest dispersal auction



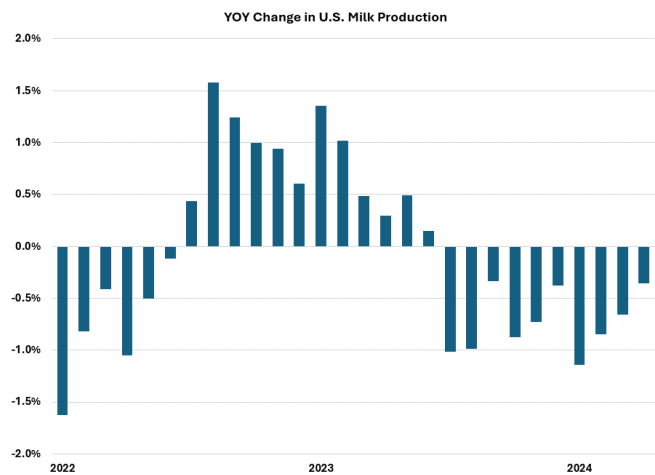
find they are increasingly scarce and expensive. At last week's monthly auction in Pipestone, Minnesota, the top 25 springers ranged from \$2,550 to \$2,900 per head. But with Class III milk near \$20 per cwt., many producers are paying what they must to keep the barn full. They're also keeping lower-end milk cows in the herd for longer, which could weigh on national average milk yields. Slaughter volumes have been depressed since September, but in the first two weeks of May – when Class III prices pushed convincingly over \$19 for the first time – cull rates dropped even further. The decline is especially impressive because it is accelerating

even as avian influenza forces some producers to send a portion of their herds to the packer after the infection has run its course. The bird flu is circulating in Idaho and the Great Lakes states, boosting cull rates and curtailing milk production in these major milk sheds.

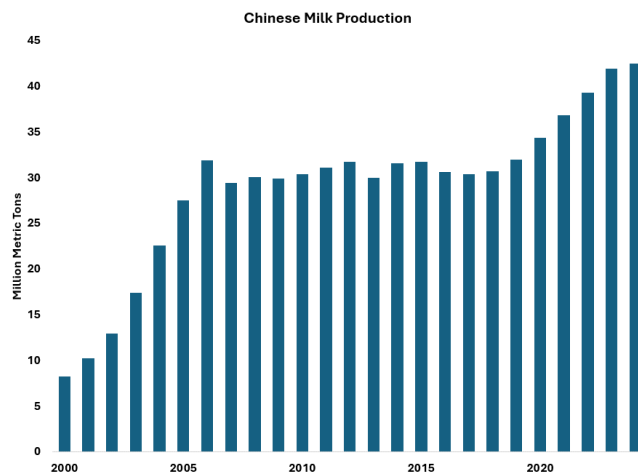
Milk output remained below year-ago levels in April, but the deficit narrowed to -0.4%. USDA also revised its estimates of March milk production and cow numbers, showing a smaller year-over-year decline in milk production than previously reported. The agency now believes that cow numbers bounced back in March before slipping again in April. The dairy herd stood at 9.34 million head, down 74,000 from April

2023. Dairy dispersals and the bird flu continued to restrain milk output in the Southwest, while modest growth persisted in the Midwest last month.

Milk and dairy product futures swung wildly back and forth once again this week. When the closing bell rang, nearby Class III futures settled significantly lower than where they began the week, but they were still much higher than the prices that have prevailed for the past 18 months. The June contract closed at \$19.88 per cwt., down \$1.58 from last Friday's life-of-contract high. Deferred Class III futures were little changed. Most Class IV contracts added 20¢ to 30¢ this week. Class IV futures range from \$20.57 in May to \$22.47 in November.



Most international milk and dairy product prices are perking up, although global cheese values are flat. At Tuesday's Global Dairy Trade (GDT) auction, whole milk powder prices climbed 2.9% and skim milk powder rallied 3.5% to the equivalent of nonfat dry milk (NDM) at \$1.27 per pound, after adjusting for protein. Once again, China bought very little milk powder at the GDT, but buyers from other markets bid up prices nearly across the board.



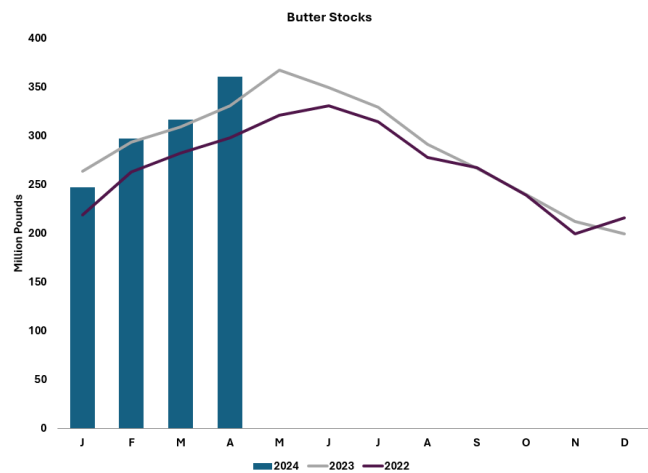
Chinese imports of milk powder and whey once again trailed year-ago volumes by sizable margins. Through April, Chinese SMP imports were off to their slowest start since 2018. The global dairy industry has been closely watching for signs of a recovery in China's appetite for imported dairy, which would likely kickstart a steep rally in dairy product prices. But the latest trade data suggests that dairy exporters must continue to cultivate buyers in other markets.

Chinese consumers have pared back spending or turned to domestic dairy. USDA's on-the-ground analysts in Beijing raised their estimates

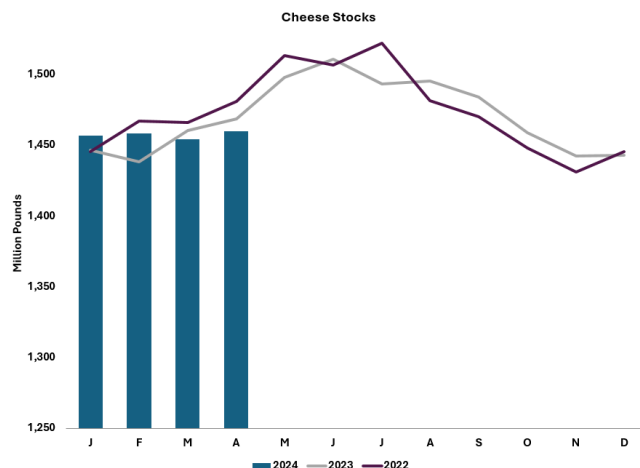
of Chinese milk output. They now show roughly 7% growth in Chinese milk production every year from 2020 through 2023 and project Chinese milk output to grow another 1.3% in 2024.

At the CME spot market, NDM added a penny this week and reached \$1.175 per pound, its highest price in nearly three months. Spot whey powder slipped 1.5¢ to 40¢. Anxiety about milk supplies continues to support milk powder prices, and USDA's *Dairy Market News* reports that "there are growing concerns regarding late spring/summer milk volumes for Class III" as well. But for now, whey exports to China are slow and U.S. whey inventories are ample.

Butter just keeps climbing. CME spot butter added another 5.25¢ this week and reached \$3.1225, a record-shattering price given the season. But perhaps this afternoon's Cold Storage report will reassure butter buyers that there will be plenty of product later this year, and they can stop bidding so aggressively. Butter inventories leapt 44 million pounds from March to April, the steepest April increase since 2020, when restaurant closures throttled butter demand. There were 361 million pounds of butter in cold storage warehouses at the end of last month, 9% more than in April 2023. Cream is relatively inexpensive, and churns are spinning.



The cheese markets fell back from last week's astoundingly lofty prices. CME spot Cheddar barrels plummeted 14.5¢ to a still high \$1.98. Blocks dropped 7.25¢ to \$1.87. Domestic cheese demand is on the



rise as retailers feature cheese at prices more palatable to consumers. And cheese that importers bought months ago is moving out of our ports today, chipping away at inventories. There were 1.46 billion pounds of cheese in storage at the end of last month, 0.6% less than in April 2023. Tighter cheese stocks in April helped to propel the cheese market north of \$2 for a time, but now that U.S. cheese prices are less competitive for international orders, the market is seeking a price that better reflects the tenuous supply and demand balance.

A big rally in wheat futures prompted an echo in the other crop markets. July corn climbed

12.75¢ this week to \$4.65 per bushel. July soybeans rallied 21.5¢ to \$12.495. July soybean meal jumped \$20 per ton to \$387.80. The wheat market is climbing amid increasing evidence that Russia will have a smaller crop than it did in 2022 and 2023, when cheap, plentiful Russian exports dragged the global price downward.

In the Corn Belt, some farmers have parked their planters and are watching young corn plants emerge in muddy fields. Others have more work to do, as regular showers and locally heavy rains have kept them out of the field. It's going to be a wet holiday weekend, but they're hoping to make progress later next week.