



The T.C. Jacoby Weekly Market Report

WEEK ENDING MAY 3RD, 2024

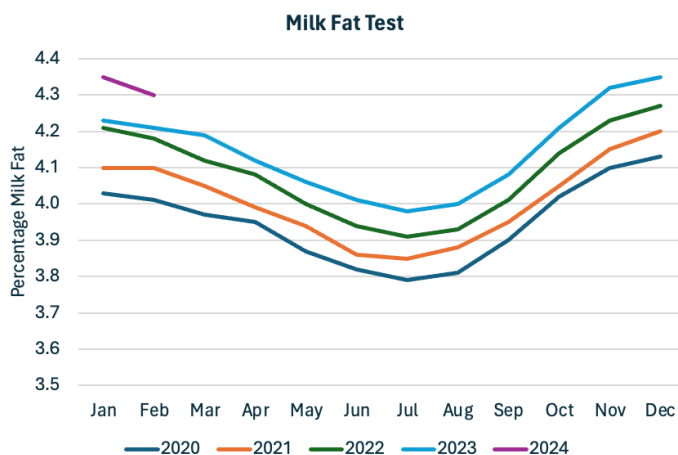
By Monica Ganley, Market Analyst for the Daily Dairy Report
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CME Spot Market for the Week 4/29/2024 to 5/3/2024			WHEY		
			Avg Price	Qty Traded	4 wk Trend
			\$ 0.3820	11	
CHEESE BLOCKS			CHEESE BARRELS		
Avg Price	Qty Traded	4 wk Trend	Avg Price	Qty Traded	4 wk Trend
\$ 1.7685	2		\$ 1.8485	9	
BUTTER			NON-FAT		
Avg Price	Qty Traded	4 wk Trend	Avg Price	Qty Traded	4 wk Trend
\$ 3.0135	43		\$ 1.1205	12	

Milk and Dairy Markets

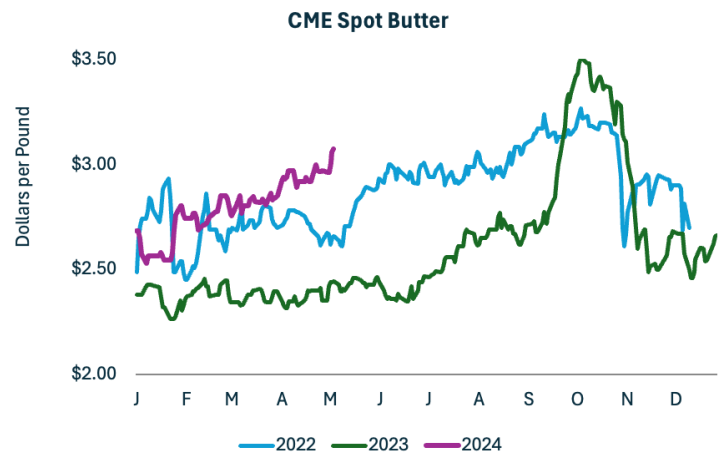
Folks from across the dairy industry gathered this week in Chicago for the annual meeting of the American Dairy Products Institute. This event provides a setting for traders and other stakeholders to chew over market information and revise expectations for the months ahead. While every commodity gained ground at the CME this week, it remains clear that individual products each are confronting their own set of challenges, and that the markets remain shrouded in uncertainty from both supply and demand.



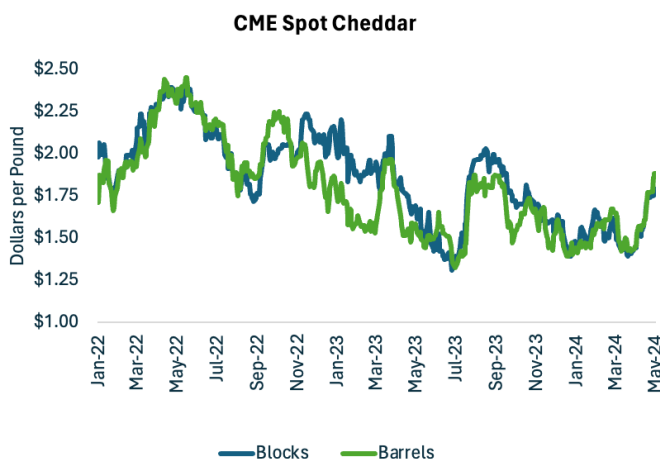
One major theme that has come up repeatedly is the availability of milk. Volumes are at, or are close to, seasonal peaks though most parts of the country report that output trails prior year on a liquid basis. Rising component levels have helped to counteract some of the volume decline. Even so, there remains significant concern about how supply will evolve going forward. Producer margins are still under pressure, particularly in Class III heavy areas, and

tight heifer supplies are constraining the expansion ability of producers who wish to grow. Furthermore, concerns about Highly Pathogenic Avian Influenza (HPAI) are sending shivers across the industry though the fallout on both the producer and consumer fronts has been contained, for now.

Perhaps no market has gotten as much attention as the butter market in recent weeks. Despite a mildly bearish *Cold Storage* report last week, the butter market wasted no time in setting fresh highs. The CME spot butter price ran up to a new spring record of \$3.0575/lb. on Thursday as 23 loads traded hands, before besting itself again on Friday, reaching \$3.075/lb. All told, the market gained 10.5¢ this week with a total of 43 lots moving.



The sustained high prices would suggest that butter buyers feel it is necessary to acquire butter stocks now in order to avoid paying higher prices during the peak demand season later in the year. However, the market fundamentals are a bit mixed. Last week's *Cold Storage* report suggested that butter stocks are accumulating slightly faster than normal. Demand has been healthy, particularly at retail, though not excessive. One characteristic that might help explain the behavior is a divergence between industrial and retail butter. In any case, the butter market has offered no shortage of fireworks, and we will all stay tuned to see what happens next.

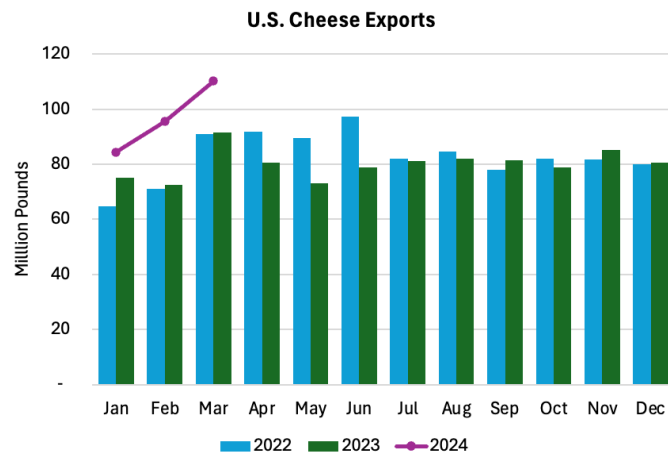


Not to be left out, the cheese market has also enjoyed its fair share of attention. Cheese demand seems to be turning a corner. Domestically, retail cheese sales remain upbeat while foodservice demand continues to falter, a dynamic which is disproportionately weighing on sales of Italian style cheeses. But the big news came from export sales which soared to a record high 110.3 million tons in March, up 20.5% year over year. This is the first time that U.S. cheese

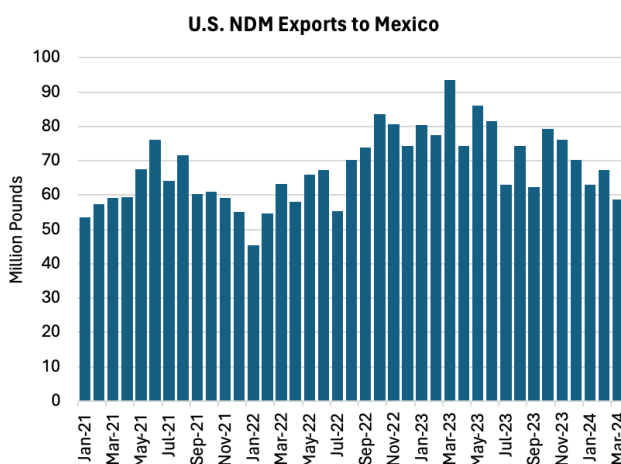
exports have ever exceeded 100 million pounds. Strong demand from Mexico, which was up 8.2% year over year, supported the monthly gain but recovering demand in other key markets like South Korea and Japan, was also encouraging.

Cheese markets have responded to the uptick in demand by bounding gleefully upward. Cheddar barrels had an exceptionally strong week at the CME spot market, soaring to \$1.88/lb. on Thursday where they stayed through Friday's trade. This marked a 10.75¢ increase versus last week and the highest price seen since March 2023. Blocks were also strong, and though they didn't show quite as much exuberance as barrels, also managed to add 4¢ to end the week at \$1.79/lb. Two loads of blocks and nine loads of barrels moved over the course of the week. The increase in Cheddar prices has brought the U.S. market more in line with international competition and market participants are concerned that prices at these levels could kill off export demand.

While cheese exports soared in March, shipments of nonfat dry milk (NDM) and skim milk powder tumbled. NDM exports totaled just 140.4 million pounds in March, down 18.4% compared to the same month last year and marking the lowest volume for the month since 2020. Dramatically slower buying from Mexico weighed heavily on the figure as U.S. exports to that destination fell 37% year over year. Stronger domestic milk production combined with a reduced need to fortify cheese vats has likely discouraged Mexican NDM purchases. Meanwhile, exports to Southeast Asia were mixed.



Reduced export demand has kept the domestic NDM market in check as the CME spot



price continues to move comfortably within the range established in January 2023. This week the market gained 2¢, rising to \$1.13/lb. on Friday as 12 loads traded hands during the week. This price stability indicates that the market is in check but with NDM production down significantly in recent months and manufacturers' stocks sitting at multi-year lows, it wouldn't take much from the demand side to breathe some life into the market.

The dry whey market has also seemed content at current levels. At the CME this week, dry whey prices added 1.25¢ to end the week at 39.5¢ per pound with 11 loads changing hands. Domestic dry whey demand is steady while export demand appears to be faltering. March dry whey exports were down 22.3% year over year to 36.4 million pounds, due especially to slower demand from China. Exports of whey protein concentrates also faltered during March, dropping 6.4% to 30.3 million pounds.

Feed & Grain Markets

The grain markets rode a bid for most of this week with corn and soybeans moving higher. Rain that slowed planting in parts of the Midwest combined with a search for equilibrium with other commodity markets likely led the complex higher. Even so, planting progress remains on or ahead of schedule and grain remains available. These factors should keep a lid on the grains markets unless fundamentals change materially. The trade is waiting for the next installation of USDA's *World Agricultural Supply and Demand Estimates*, which will be released next Friday.