



The T.C. Jacoby Weekly Market Report

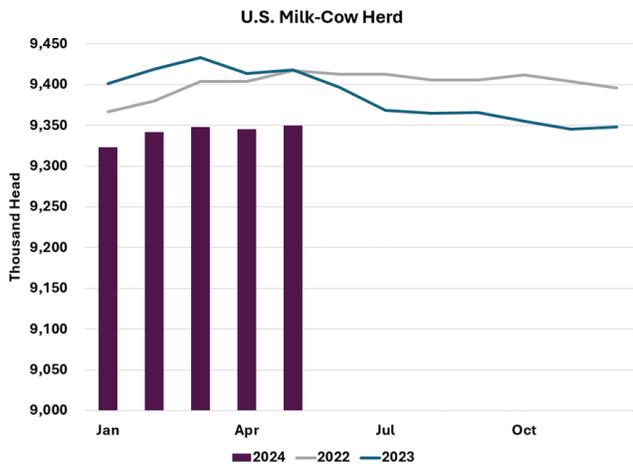
WEEK ENDING JUNE 21st, 2024

By Sarina Sharp, Market Analyst for the Daily Dairy Report
 Sarina@DailyDairyReport.com



CME Spot Market for the Week			WHEY		
6/17/2024 to 6/21/2024			Avg Price	Qty Traded	4 wk Trend
			\$ 0.4775	2	
CHEESE BLOCKS			CHEESE BARRELS		
Avg Price	Qty Traded	4 wk Trend	Avg Price	Qty Traded	4 wk Trend
\$ 1.8681	34		\$ 1.9475	24	
BUTTER			NON-FAT		
Avg Price	Qty Traded	4 wk Trend	Avg Price	Qty Traded	4 wk Trend
\$ 3.0963	12		\$ 1.1988	6	

Dairy producers did everything they could to keep their barns full last month after milk prices soared. They paid \$3,000 or more for springers, and – despite record-high beef prices – they lowered their standards on the milk yields required to keep a cow in her stall rather than sending her to the packer. Dairy cow slaughter dropped to just 216,100 head in May, an eight-year low. With cull rates in the basement, the herd started to grow. In today’s Milk Production report, USDA raised its estimate of the April milk-cow herd by 5,000 head compared to its initial guess – although the report still shows a modest March-to-April decline – and the agency reported that the dairy herd expanded by 5,000 head in May. There were 9.35 million cows in U.S. milk parlors in May, the highest count in seven months but still 68,000 head fewer than in May 2023.



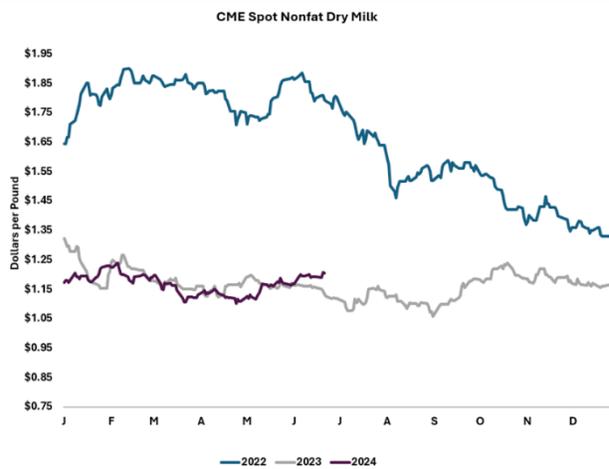
There were 9.35 million cows in U.S. milk parlors in May, the highest count in seven months but still 68,000 head fewer than in May 2023.

It's hard to meaningfully lift milk production when a growing share of the dairy herd is past its prime, a task made doubly difficult amid a heat wave and avian influenza. While producers in the mountain states and Pacific Northwest enjoyed a cool spring, May was unusually warm in California, the Southwest, and throughout the eastern United States, with record-high overnight temperatures in Florida and much of the Northeast. While the weather wasn't a problem in Idaho in May, the bird flu clearly was. Milk output fell 0.6% year-over-year in the Gem State, a stark turnaround from a 0.3% gain in April. National average milk yields dipped below prior-year volumes, and overall milk output slipped to 19.68 billion pounds, down 0.9% from the year before. USDA

also trimmed its estimate of April milk output, showing a 0.6% decline rather than the 0.4% deficit the agency reported a month ago.

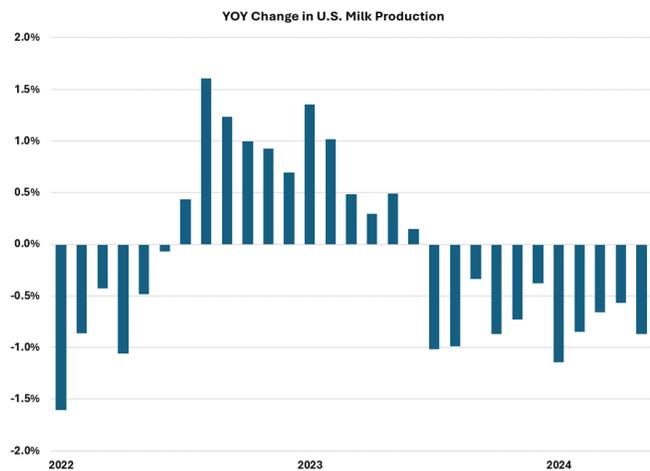
The conditions that weighed down milk yields in May have only worsened this month, with both the heat wave and the bird flu spreading to new areas. Avian influenza remains a problem in Idaho and Michigan and is now circulating in Colorado and the I-29 corridor as well. Despite dairy producers' best efforts, milk supplies could tighten considerably this summer, which is likely to further reduce milk powder production. That assumption helped to lift CME spot nonfat dry milk (NDM) to a four-month high.

It closed today at \$1.205 per pound, up 1.25¢ from last Friday. U.S. NDM prices got a small boost from Tuesday's Global Dairy Trade (GDT) auction, where skim milk powder (SMP) prices climbed 0.7%. But whole milk powder (WMP) prices fell back, thanks to the conspicuous absence of the world's largest WMP buyer.

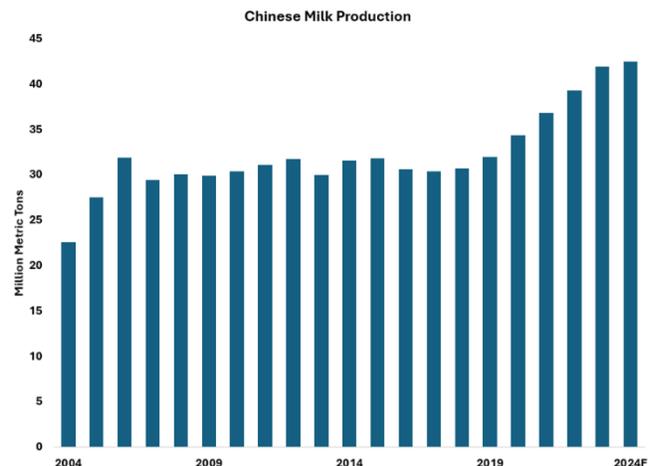


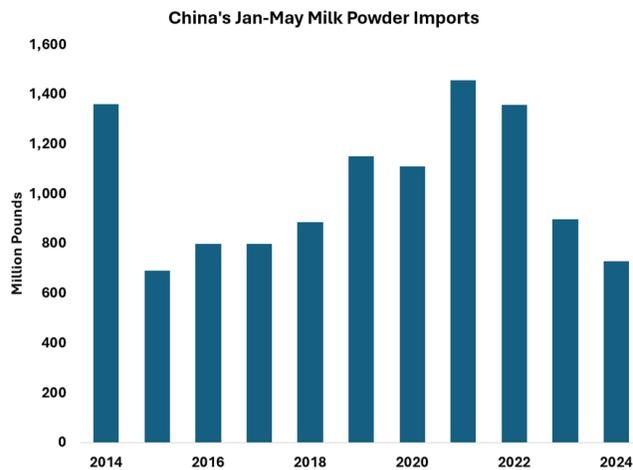
lightest volume for any month since 2016. China's year-to-date milk powder imports are off to their slowest start in nine years. The steep setback in Chinese milk powder imports in 2023 and 2024 has pushed dairy processors around the world to make more cheese and less WMP and to compete more aggressively for a greater share of other key markets. Thus, China's stronger milk output has weighed heavily on global dairy product prices even as China remains a major dairy importer.

China doesn't make a lot of cheese, so its dramatic increase in milk production has not displaced whey imports. However, waning birth rates and red ink in the hog sector have reduced consumption of whey for infant formula or animal feed. Chinese whey imports fell 9.4% last month compared to May 2023. The U.S. accounted for more than half of Chinese whey product imports in March through May, but we've been



Over the past five years, China has boosted its domestic milk production by around 23 billion pounds, adding the equivalent of Texas and Idaho's combined annual milk output to its homegrown supplies. That seismic shift has displaced imports of all sorts, but especially fresh milk and milk powder. Last month, China imported 77.7 million pounds of WMP, down 33% from May 2023 and the lowest May tally since 2017. Chinese SMP imports plunged to 34 million pounds, down 52% year over year and the





winning a larger piece of a smaller pie. Chinese imports of U.S. whey products lagged prior-year volumes in 11 of the past 12 months.

While exports to China continue to disappoint, domestic demand for high-protein whey remains strong. That has helped to keep dry whey inventories in check and prices firm. CME spot dry whey held steady this week at 47¢.

The hot weather is boosting ice cream sales and tightening cream supplies. Butter churning has slowed. But demand remains strong and so do prices. GDT butter notched an all-time high after more than a decade at the auction. CME spot

butter finished the week right where it started, at \$3.09.

Cheese bucked the trend this week, and prices moved decisively lower. CME spot Cheddar blocks plummeted 12.5¢ to \$1.845. Barrels fell a dime to \$1.92. Domestic cheese demand is excellent but new export sales are difficult to find with prices near the \$2 mark.

Weakness in cheese translated to lower Class III values in the third quarter. The June contract fell 81¢ to a still-high \$19.86 per cwt. Fourth-quarter contracts inched upward. Class IV futures didn't move much. They averaged an enticing \$21.43.

Rain makes grain, as they say on LaSalle Street. A wet spring recharged soil moisture throughout the Corn Belt, and heavy rains continued this week west of the Mississippi River. But in many areas, this was clearly too much of a good thing. Some fields are fully underwater and there are flood warnings in Nebraska, Iowa, South Dakota, and Minnesota. To the east, it's been hot and mostly dry. Crops have been in excellent condition, but they're starting to show signs of stress, with more heat on tap for next week. A big crop is still likely, but this week's weather wasn't all that helpful. But the trade seems largely unconcerned. July corn futures dropped 13¢ to \$4.35 per bushel and the December contract – the best indicator of new-crop supplies – fell to a four-month low at \$4.53. Meanwhile, July soybean meal rallied a couple bucks to \$362.50 per ton.