



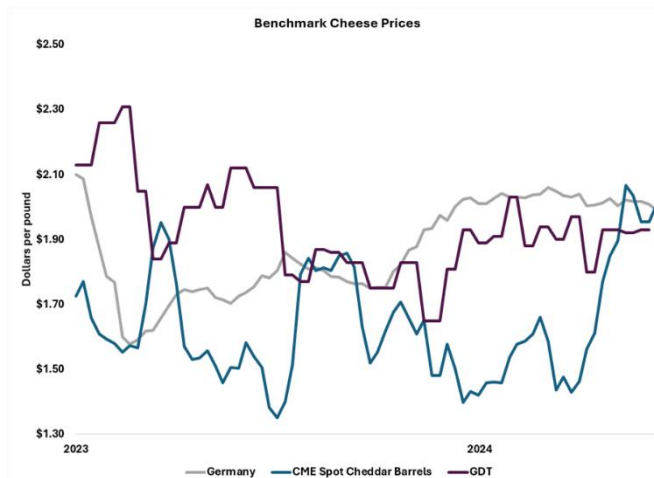
# The T.C. Jacoby Weekly Market Report

WEEK ENDING JUNE, 14<sup>th</sup> 2024

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CME Spot Market for the Week 6/10/2024 to 6/14/2024			WHEY		
			Avg Price	Qty Traded	4 wk Trend
			\$ 0.4750	3	
CHEESE BLOCKS			CHEESE BARRELS		
Avg Price	Qty Traded	4 wk Trend	Avg Price	Qty Traded	4 wk Trend
\$ 1.9445	17		\$ 2.0060	13	
BUTTER			NON-FAT		
Avg Price	Qty Traded	4 wk Trend	Avg Price	Qty Traded	4 wk Trend
\$ 3.0940	10		\$ 1.1940	26	

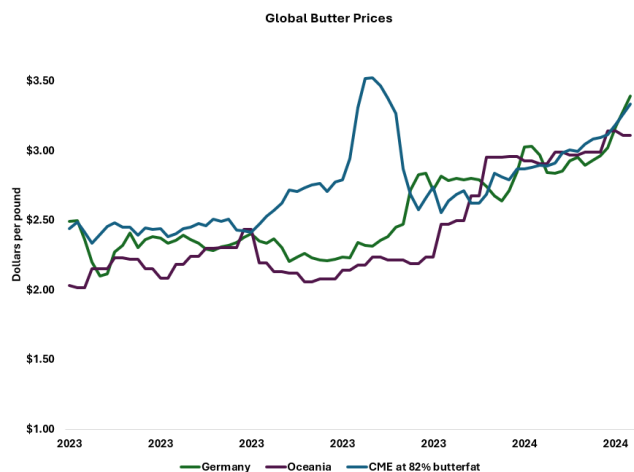
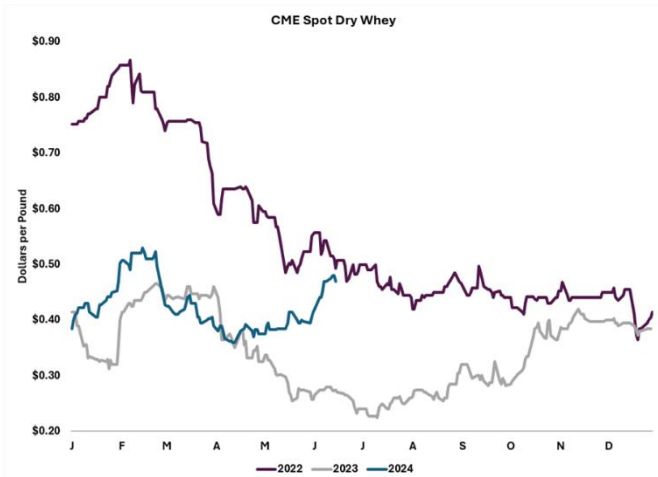


Strong domestic cheese demand propelled Class III futures to fresh life-of-contract highs this week. On Thursday, third-quarter contracts settled at an average of \$21.28 per cwt., an astoundingly lofty value considering U.S. cheese production capacity and fierce competition for exports. Indeed, USDA's on-the-ground analysts in Europe, New Zealand, and Australia forecast that processors in all three nations plan to up cheese output this year as fluid milk demand wanes and milk powders offer slimmer profit margins. Today's U.S. cheese prices are not likely to win a lot of new business, and exports will certainly fade later

this year. In the long run, that's likely to weigh on cheese and Class III values. But for today, the bulls have plenty to chew on. Record-shattering cheese exports in November through April helped to clean up U.S. cheese inventories, and domestic demand has further chipped away at supplies, with major retailers promoting the cheap cheese they bought earlier this year. Fresh Cheddar is likely to be hard to come by this summer. Sweltering temperatures in California and the Southwest have trimmed milk production there, and the forecast calls for unusually hot weather in the Midwest throughout the rest of June. All these factors lifted cheese prices in Chicago once again. CME spot Cheddar barrels climbed 6.5¢ to \$2.02 per pound. Blocks leapt 12.5¢ to \$1.97.

Whey prices held steady, near the high end of their recent trading range. CME spot whey powder closed at 47¢. Exports continue to disappoint, but domestic demand for high-protein whey products has boosted the whole complex.

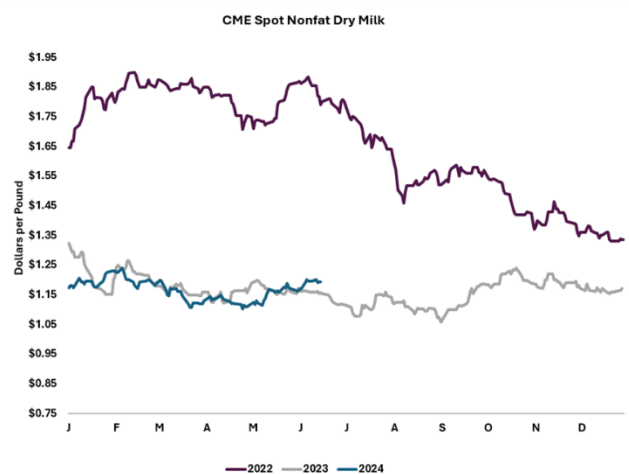
Firm whey prices and a rally in the cheese markets lifted Class III futures to new heights. Despite a Friday selloff, the July and August contracts added roughly 75¢. That put July Class III at \$20.67 with August at \$21.13. However, Class IV futures retreated. Most contracts finished around 30¢ below where they began the week. But they are still at levels that will benefit dairy producers' bottom lines. All 2024 contracts stand north of \$21.

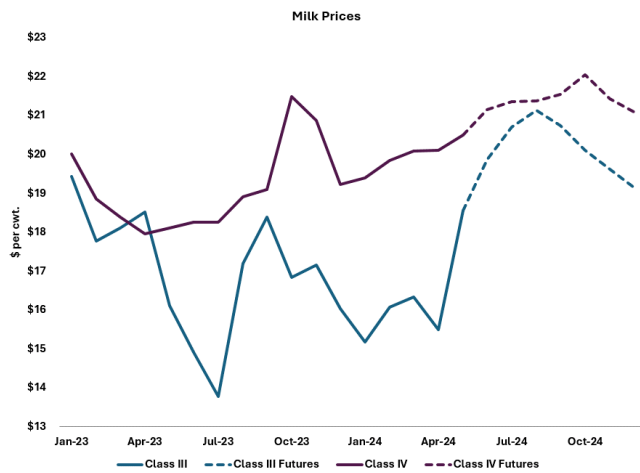


The global appetite for butterfat remains insatiable. Massive increases in butterfat components have not been enough to satisfy our desire for cream-laden products. U.S. butter prices have been so high for so long, they've lifted markets around the world. German and Dutch butter values now stand at their highest prices since October 2022, at the peak of pandemic scarcity. Butter reached a two-year high at last week's Global Dairy Trade auction, and topped \$3 per pound. On LaSalle Street, butter inched down slightly, slipping 0.25¢ to a still-buoyant \$3.09.

The milk powder markets are similarly stable. CME spot nonfat dry milk (NDM) finished at \$1.1925, down an inconsequential 0.25¢ from where it began the week. Prices are climbing in Europe, Oceania, and South America thanks to lower production and better demand from buyers in key markets outside of China. Higher cheese prices and tighter milk supplies could also boost demand for NDM to fortify cheese vats in the U.S. and Mexico.

The late-week selloff in Class III futures hints that prices may have reached levels that will stymie demand. And dairy producers will surely do all they can to make as much \$20 milk as possible. Extremely low slaughter volumes and high heifer prices confirm that they're doing just that. But the lack of replacement heifers, the continued spread of avian influenza throughout the Midwest and mountain states, and a looming heat wave suggest that any gains in milk production will be hard-won. Slower growth in U.S. and global milk





output may allow for milk and dairy product prices to remain high for much longer than they typically do in an industry so often characterized by booms and busts.

USDA's monthly update to its crop balance sheets bored the market, and the futures barely budged. July corn futures held steady at \$4.485 per bushel. July soybean meal climbed \$7.70 to \$360.60 per ton. The agency made no changes at all to its estimate of U.S. corn production, supply, and demand. It trimmed its assessment of U.S. soybean meal production, acknowledging the extensive

downtime that several major crushers took this spring when margins were thin. And it cut its projections for global wheat output due to adverse weather in the Black Sea region. None of this is news, and the trade will continue to focus on U.S. weather. The forecast calls for heavy rains in the Western Corn Belt, with high temperatures and sunshine in the rest of the heartland. Regular spring rains have recharged soil moisture reserves and crops are heading into summer in great condition. Feed prices are relatively low and likely to remain so.