



# The T.C. Jacoby Weekly Market Report

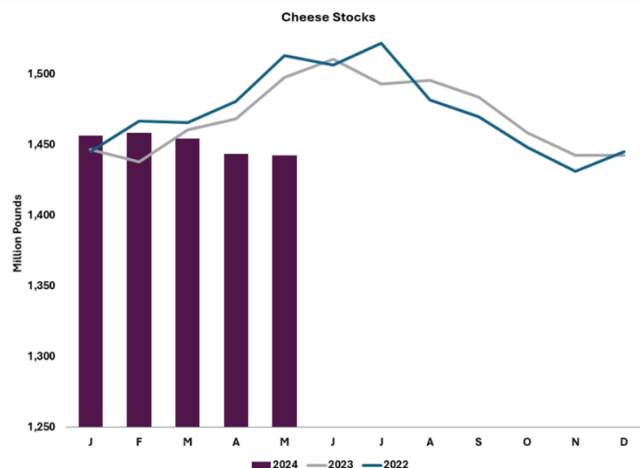
WEEK ENDING JUNE 28th, 2024

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| CME Spot Market for the Week<br>6/24/2024 to 6/28/2024 |            |            | WHEY           |            |            |
|--|------------|------------|----------------|------------|------------|
|  |            |            | Avg Price      | Qty Traded | 4 wk Trend |
|  |            |            | \$ 0.4830      | 2          |            |
| CHEESE BLOCKS  |            |            | CHEESE BARRELS |            |            |
| Avg Price  | Qty Traded | 4 wk Trend | Avg Price      | Qty Traded | 4 wk Trend |
| \$ 1.8925  | 7          |            | \$ 1.8970      | 5          |            |
| BUTTER   |            |            | NON-FAT        |            |            |
| Avg Price  | Qty Traded | 4 wk Trend | Avg Price      | Qty Traded | 4 wk Trend |
| \$ 3.0840  | 17         |            | \$ 1.1855      | 24         |            |

Cheese stocks typically grow throughout the spring, as the flush pushes more cheap milk to cheese processors, and demand ebbs. But this year, spot milk wasn't all that cheap, both export and domestic

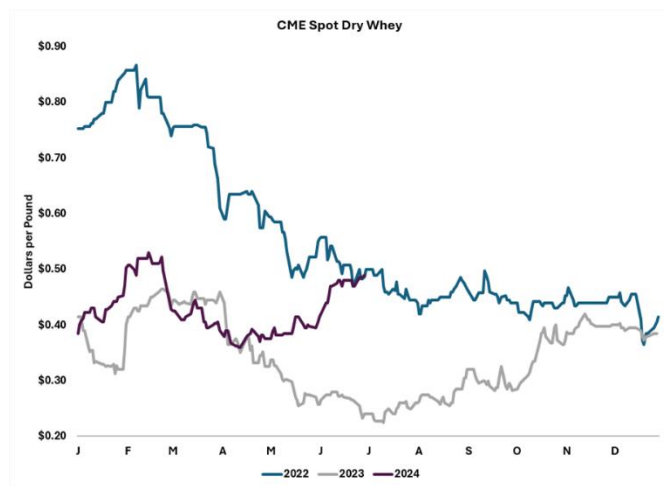


demand soared, and cheese stocks shrank. The supply of cheese in cold storage warehouses declined in March, April, and May. At the end of last month, cheese inventories totaled 1.44 billion pounds, 3.7% less than in May 2023 and the lowest May tally since 2019. That helps to explain why cheese prices climbed so high in April and May, but it was not enough to push them higher in June. At these prices, it's difficult to win new export business, and mozzarella sales are slowing. But domestic demand for other cheeses remains strong. USDA sums up the sentiment from industry stakeholders, saying, "Cheese markets are not bullish or

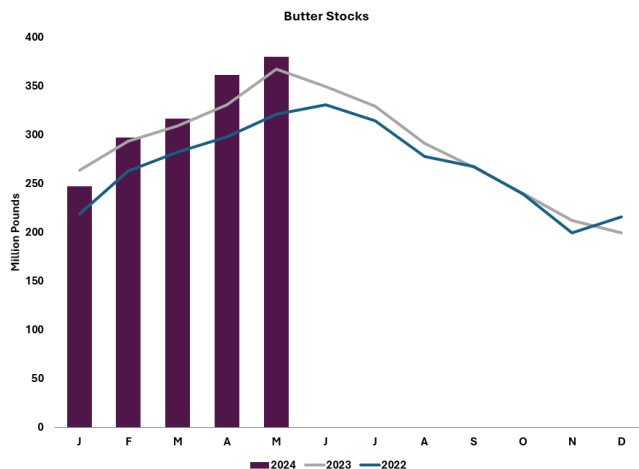
bearish, but indecisive." That uncertainty was on full display on LaSalle Street. CME spot Cheddar blocks climbed 6.5¢ to \$1.91 per pound. Barrels fell 4¢ to \$1.88.

Strong domestic demand continues to support the whey product market, while exports languish. USDA notes that loads meeting specific brand or protein distinctions are trading "at and above the \$0.45/lb. mark, while loads marked for export are still being reported in the upper-\$0.30s." Firm demand at home helped to lift CME spot whey powder 2¢ this week to a four-month high at 49¢.

Butter stocks grew at an above-average pace in January through April, and they grew seasonally in May. On May 31 there was 380 million pounds of butter in refrigerated warehouses, 3.4% more than the year before. In fact, aside from 2020, when Covid shutdowns decimated commercial butter use, this represents the highest May butter inventory since 1993. But even that was not enough to assuage fears that we will run short later this year. Hot weather and rising cream prices lifted CME spot butter to \$3.125, up 3.5¢ this week.



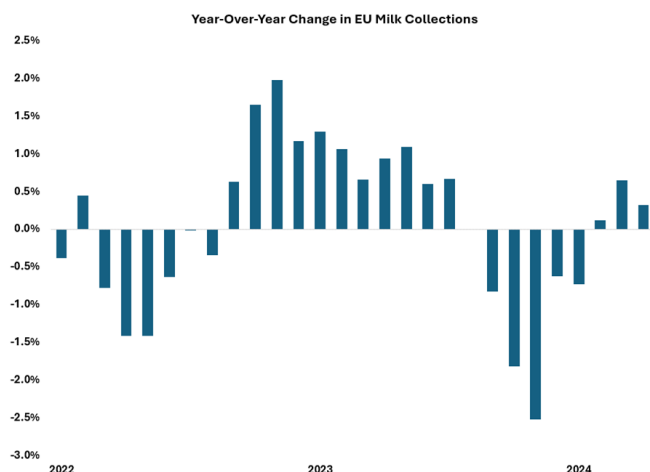
The milk powder market retreated, following a setback at the Global Dairy Trade Pulse auction. CME spot nonfat dry milk fell 2.25¢ to \$1.1825. U.S. milk powder output remains light, but it's difficult to rally milk powder prices amid soft global demand.

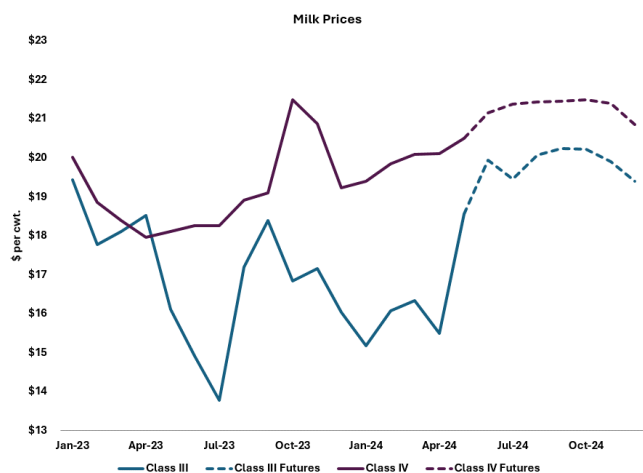


Competition for cheese and milk powder exports is heating up. The strong dollar puts U.S. product at a disadvantage, and Europe is ramping up production. European milk output topped year-ago volumes in February, March, and April, albeit modestly. Europe and the United Kingdom made nearly 31.5 billion pounds of milk in April, 0.3% more than in April 2023. Output grew slightly in Germany and France while cool, wet weather held down production in Ireland and the United Kingdom. Production leapt 5.4% year over year in Poland. European farmers hope that the recent election will slow the pace of legislation restricting agricultural output to meet

the bloc's climate commitments. But the new legislators are unlikely to undo much of the new laws that are already on the books, and milk cow numbers are likely to continue their steady decline. Meanwhile, time has run out on Dutch farmers' multi-year exemption from manure derogation laws. Now that Dutch dairy producers must meet the same commitments as other producers under the EU Nitrate Directive, they'll have to spread manure farther afield. USDA reports that more than 40% of Dutch farmers can't find enough land on which to spread their manure production, so they'll have to reduce head counts. Dutch milk output fell 1.3% year over year in April.

With slower production at home and stiffer competition from abroad, the dairy markets are searching for direction. After a volatile week, third-quarter Class III futures retreated. The July contract was hardest hit. It fell 81¢ to \$19.46 per cwt. Fourth-quarter Class III futures and most Class IV contracts finished a little higher than





where they began the week. Class III milk is in the \$19 to \$20 range, and Class IV is in the mid-\$21s. Those prices will put a smile on dairy producers' faces, especially as feed costs retreat.

December corn futures dropped to a three-year low today on the heels of USDA's annual Acreage and quarterly Grain Stocks reports. The much-anticipated Acreage report showed that farmers sowed 91.5 million acres of corn, 1.5 million acres more than they had planned to plant, according to the early-spring Planting Intentions survey. Soybean acreage slipped 400,000 acres to 86.1 million acres, according to USDA's

updated estimate. USDA also reported that June 1 corn inventories were sharply higher than anticipated, while wheat and soybean stocks came in slightly larger than analysts had expected.

The combination of a larger stockpile and greater corn acres pushed September corn futures down 32¢ to \$4.085 per bushel. The December contract, which reflects expectations of the supply and demand balance after harvest, also fell 32¢ to \$4.215. The trade will continue to debate the impact of flooding in the Northern Plains, the potential for yields to fall short of USDA's trendline projections, and the prospects for bigger demand at these lower prices. But there's plenty of corn on hand and a lot in the fields. Feed costs are low and likely to stay that way.