



The T.C. Jacoby Weekly Market Report

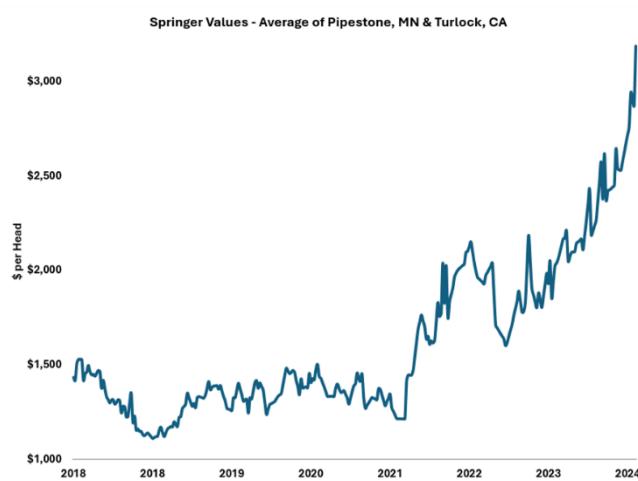
WEEK ENDING JULY 19TH, 2024

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CME Spot Market for the Week			WHEY		
7/15/2024 to 7/19/2024			Avg Price	Qty Traded	4 wk Trend
\$ 0.5055	2				
CHEESE BLOCKS			CHEESE BARRELS		
Avg Price	Qty Traded	4 wk Trend	Avg Price	Qty Traded	4 wk Trend
\$ 1.8630	23		\$ 1.8980	22	
BUTTER			NON-FAT		
Avg Price	Qty Traded	4 wk Trend	Avg Price	Qty Traded	4 wk Trend
\$ 3.1140	69		\$ 1.1795	10	

Dairy producers have just cashed a very big milk check, and they're looking forward to similarly lucrative payments for the rest of the summer and fall. Beef revenues – from the sale of cull cows and bull or crossbred beef calves – are further padding the bottom line. Meanwhile, feed costs are low and falling. In a normal year, this kind of boom would set the stage for a rapid uptick in milk production and an inevitable bust in milk prices. But the heifer shortage has stymied dairy producers' efforts to quickly ramp up milk output. Elevated interest rates, sweltering summer temperatures, and the bird flu are also reining in growth in milk production.



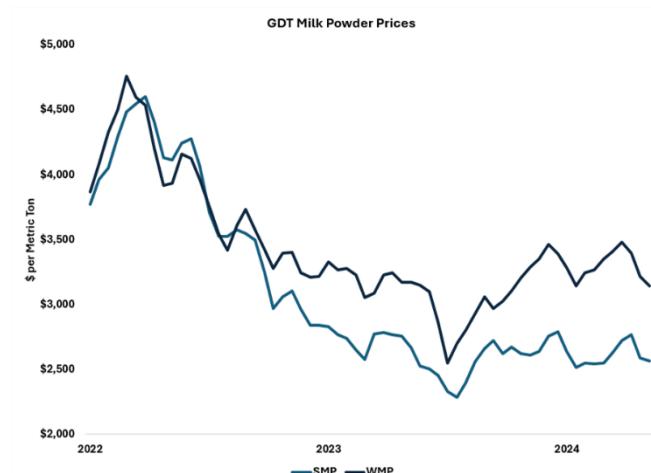
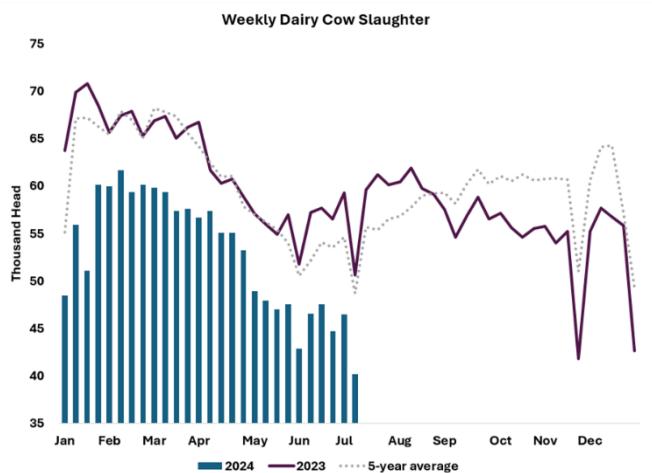
Dairy producers are clearly doing all they can to keep their barns full. Heifer prices are through the roof. Last week, the Turlock Livestock Auction Yard's monthly video sale featured Holstein springers changing hands from \$2,850 to \$3,300 per head. At the monthly auction in Pipestone, Minnesota, this week, the top 25 springers brought \$3,150, on average. Meanwhile, cull rates continue to drop. In the week ending July 6, dairy cow slaughter plunged to 40,189 head, the lowest total in any week since Christmas 2009. The Independence Day holiday obviously contributed to the unusually depressed kill rate, but this is still an

astoundingly low number. It is 20.6% lower than the same week in 2023, when the holiday was also a factor. With cull rates in the basement, dairy cow head counts are likely to climb, and milk output could

too. But milk yields will probably suffer as producers retain lower-production cows that they would have culled if there were more heifers available to replace them.

While oversupply is not likely to bust this market, poor demand might. Cheese consumption has been strong, as domestic retailers feature products and exporters ship cargoes priced several months back, when cheese was much cheaper. Record-shattering exports helped to whittle down cheese inventories throughout the spring, but export volumes are sure to fade in the second half of the year. Domestic cheese sales are harder to predict, but any slowdown would likely weigh on prices. The spot market reflects this uncertainty. CME spot Cheddar barrels climbed 6.25¢ this week to \$1.9125 per pound. But spot Cheddar blocks fell 2.5¢ to \$1.865.

The market appears more decisive. CME spot whey powder added another 0.75¢ this week and reached 51.75¢, its highest price since February. While exports have not impressed, robust domestic demand for high-protein whey products has helped to reduce dry whey output. Lower production whittled down stocks in May, and the price suggests that stocks have continued to shrink this summer. USDA's *Dairy Market News* confirms that supplies are scarce. It characterizes availability in the Midwest as "snug to zero" and some manufacturers tell USDA that they are sold out through the rest of the month, with August loads offered north of 50¢.

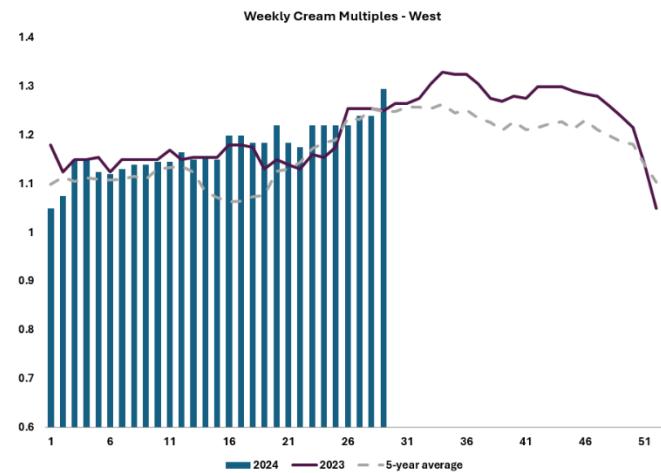


Consistent shortfalls in U.S. milk powder output have also put a firm floor under nonfat dry milk futures, but disappointing export prospects have constructed a low ceiling. Milk powder prices retreated at Tuesday's Global Dairy Trade (GDT) auction. Skim milk powder (SMP) fell 1.1% from the early July auction, and whole milk powder slumped 1.6%. CME spot nonfat dry milk (NDM) initially followed GDT SMP downward, but it bounced back late in the week and closed today at \$1.1975, up 1.75¢ since last Friday.

The hot weather has crimped milk production and taken a toll on butterfat levels. Cream prices jumped in the East and West regions, but they held steady in the Central region thanks to less oppressive conditions. Butter output is down in the West. Nonetheless, butter prices took a sizeable step back this week amid a flurry of trades in Chicago. The structure of the butter market – with relatively steady prices projected for August through October – encourages butter makers to sell product as soon as it's churned, rather than hold it and accumulate storage costs. There were plenty of merchants ready to sell butter at the CME spot market this week. An impressive 69 loads changed hands, the highest weekly trading volume

in nearly a year. Despite high prices and the market structure, butter buyers are still bidding. They just can't shake off the fear that they'll run short of butter later this year.

The strong whey and Cheddar barrel markets gave a boost to 2024 Class III futures. The August contract rallied 28¢ this week to \$19.97 per cwt. The September and October contracts added roughly 50¢ and settled in the mid-\$20s. Class IV futures remain lofty, around \$21.50, but most contracts lost about a dime this week. These are prices that should cover the bills with enough left over to pay down debt or prepare for tougher times.



Feed costs just keep dropping. While there are some spots that are excessively wet or a little too dry, much of the Corn Belt has enjoyed a mix of rain and sunshine throughout the season. Most of the crop is in great shape. USDA rated 68% of corn and soybeans in good or excellent condition, an unusually high rating for this time of year, when the strains of summer temperatures and crop maturity start to show. While it's been extremely hot west of the Rockies and throughout the Southeast, July has been a bit cooler than normal in the Corn Belt. And the forecast calls for temperatures to remain several degrees below normal through the end of the month. Corn is acutely sensitive to temperature during pollination, and U.S. corn yields have typically impressed in years with cooler midsummers. The prospect of good yields dragged September corn futures into the \$3s, while the December contract closed at \$4.055 per bushel, down 9¢ since last Friday. While a return to hotter temperatures in August could stress the soybean crop during its peak pollination period, the market has grown increasingly confident in soybean supplies as well. November soybeans fell 30¢ this week to \$10.355 per bushel, and December soybean meal dropped \$6.70 to \$307.40 per ton. The markets are offering dairy producers an excellent chance to lock in feed costs at multi-year lows and to use the Dairy Revenue Protection (DRP) program or futures and options to ensure historically high dairy margins.

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