



The T.C. Jacoby Weekly Market Report

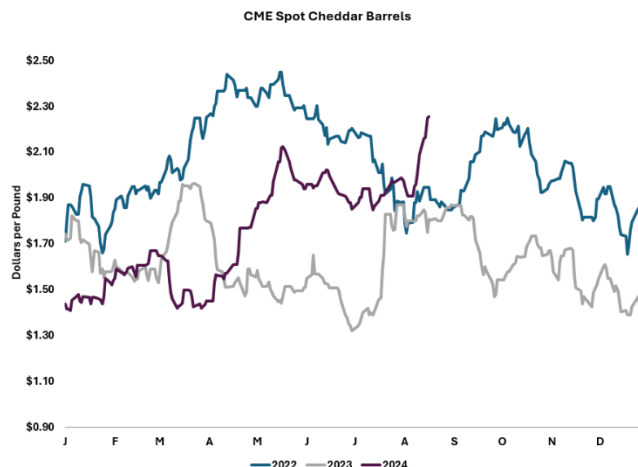
WEEK ENDING AUGUST 16th, 2024

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CME Spot Market for the Week 8/12/2024 to 8/16/2024			WHEY		
			Avg Price	Qty Traded	4 wk Trend
			\$ 0.5590	3	
CHEESE BLOCKS			CHEESE BARRELS		
Avg Price	Qty Traded	4 wk Trend	Avg Price	Qty Traded	4 wk Trend
\$ 2.0495	21		\$ 2.1840	8	
BUTTER			NON-FAT		
Avg Price	Qty Traded	4 wk Trend	Avg Price	Qty Traded	4 wk Trend
\$ 3.1410	103		\$ 1.2380	19	

Like Katie Ledecky in a Paris pool, the dairy spot markets hit one milestone after another. But perhaps the pole vault and high jump serve as a better metaphor for this week's truly impressive feats. CME spot Cheddar barrels gave a standout performance, soaring 25¢ to \$2.255 per pound, their highest perch in more than two years. Blocks jumped 14.25¢ to \$2.10, tied for their highest mark since January 2023. Butter leapt 8.25¢ to \$3.18, its loftiest value since last October, near the peak of the pre-holiday panic. Traders

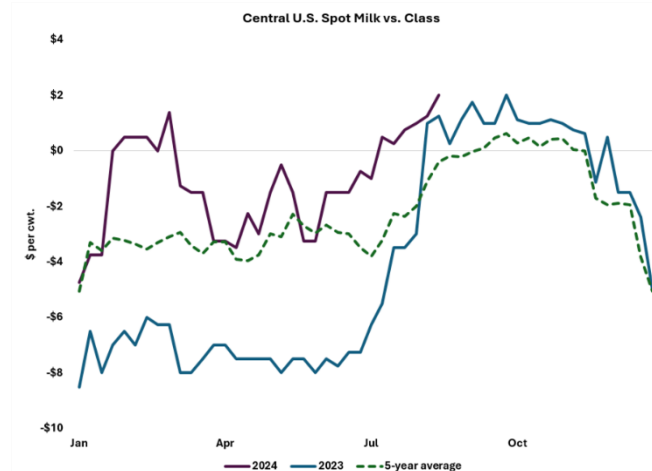
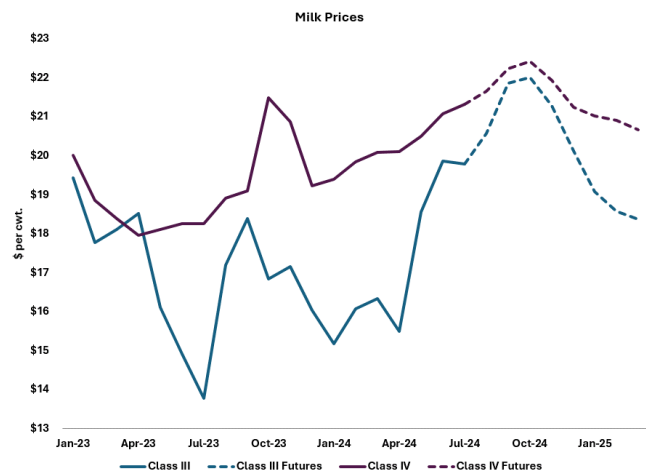


were once again undeterred by the fact that butter has never been this expensive at this time of year. They exchanged 103 loads this week, including 51 on Thursday alone, the highest single-day volume since daily trading began in 2006. Spot nonfat dry milk (NDM) climbed 5.5¢ to clear the bar at \$1.255 for the first time in 18 months. Only whey powder missed the mark. It slipped 1.25¢ from last Friday. But, while 55¢ whey isn't setting any records, it's notably higher than the prices that have prevailed for much of the past two years.

The strong cheese market propelled September through January Class III futures to notch life-of-contract highs on Thursday, although they stumbled a bit at the finish line on Friday. September Class III closed at \$21.81 per cwt., up \$1.13 for the week. The October contract advanced 84¢ to \$22. The other 2024 contracts posted modest gains. Class IV futures kept a steadier pace, with small, consistent advances throughout the week. But slow and steady was

enough to finish well. September Class IV rallied 53¢ to \$22.22, and the October contract climbed 67¢ to \$22.41. After a full year of wide disparities, Class III and Class IV are now running neck and neck.

Tight milk supplies have driven prices upward. Some of the scarcity is seasonal. Cows are suffering through the accumulated stress of a hot summer, and bottlers are taking on more milk as students head back to school and enjoy a carton of milk with their cafeteria lunch. But for several reasons, milk is uniquely tight this year. Avian influenza continues to circulate in the center of the country, reducing milk output dramatically in a small but not insignificant share of the nation's dairy herds. And while dairy producers are fighting with all their might to increase milk production, they have struggled to keep their barns and milk tanks full. Heifers are expensive and hard to find. Dairy producers

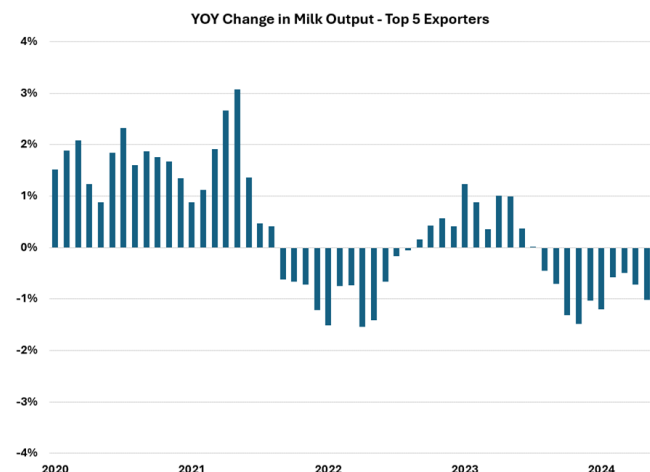


continue to cull as few cows as possible, but that has only been enough to stabilize – not grow – the dairy head count. And milk yields are slipping as the average cow is increasingly older and less productive than the heifer that might have taken her place. The markets are begging for producers to make more milk, but biology is limiting their ability to respond. That's why processors are paying as much as \$3.50 above an already-high Class III price for spot milk, the steepest premium ever reported in mid-August. The shortage also explains why cheese prices have climbed so high, so fast. Cheese processors are running a little slower, and Cheddar

production is particularly light. The supply of fresh Cheddar available for sale in Chicago has dried up, prompting the sudden surge in the barrel market. Dryers are feeling the shortage even more acutely, and U.S. milk powder output continues to run well below year-ago volumes.

Milk output is not burdensome in the rest of the world either. Production among the world's five largest dairy exporters has fallen short of prior-year volumes in every month since August 2023. But output appears to be stabilizing in Oceania and Europe, and both regions are fighting for milk powder marketshare as the lack of Chinese imports reshuffles the trade maps.

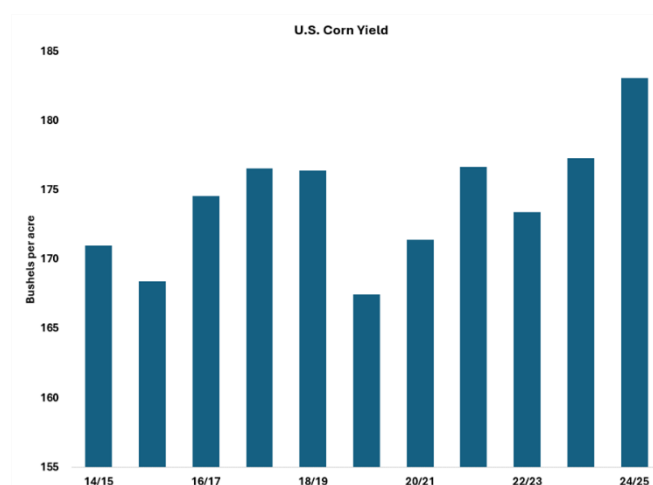
While the supply story is clearly bullish, the demand outlook is hazy. Butter demand is formidable, which explains why that market has been almost impervious to downside pressure. But cheese, whey, and milk powder must compete for



international business, and higher prices will discourage exports. European dairy product prices have perked up recently, but they've jogged well behind the American sprint.

Lost exports will cap dairy prices eventually, but for now, values are high and likely to remain so. Dairy producers will be thrilled with the size of their late summer milk checks, especially as feed costs continue to retreat.

The dairy markets and Olympic athletes weren't the only ones to set records. American farmers are also expected to score new personal bests. In the August update to the World Agricultural Supply and Demand Estimates, USDA confirmed that it expects farmers will harvest a bumper crop. The agency pegged both



the corn and soybean yields at all-time highs, with an expected corn yield at 183.1 bushels per acre. However, USDA cut its estimate of corn acreage, acknowledging the troubles this spring in the Northern Plains and Minnesota. This year's crop is expected to be sizable but slightly smaller than the 2023 harvest, when yields were sub-par but acreage was unusually high. USDA also raised its demand estimates, as \$4 corn is likely to attract importers, encourage livestock growers to put on a few more pounds, and entice ethanol makers to distill as much as possible. With those tweaks, USDA's ending stocks forecast was a little lighter than the trade

had expected, and corn prices staged a small rally. But the reality of a big crop and hefty stocks soon dragged the markets back downward. December corn futures closed at a multi-year low of \$3.9225 per bushel, down a few cents from last Friday.

For beans, projections for a 53.2-bushel yield were enough to push production to a new high by a wide margin. And export prospects look dim, with stiff competition from South America and diplomatic tensions with China. Soybean and soybean meal values moved straight south after the report. November soybeans closed at \$9.5525, nearly 50¢ lower than last Friday. December soybean meal fell \$8.50 to \$301.90 per ton.