



The T.C. Jacoby Weekly Market Report

WEEK ENDING AUGUST 9th, 2024

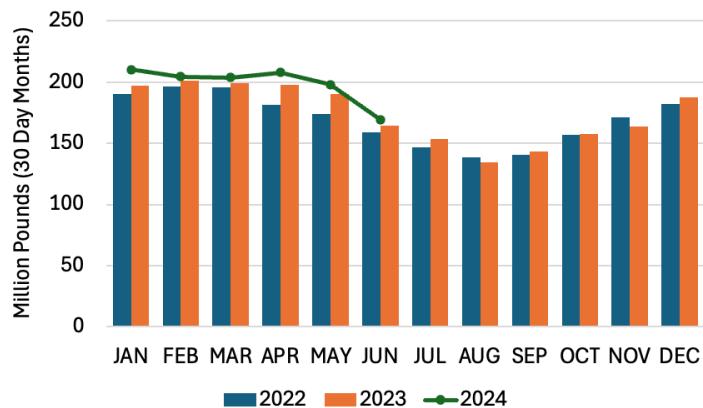
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CME Spot Market for the Week			WHEY		
8/5/2024 to 8/9/2024			Avg Price	Qty Traded	4 wk Trend
\$ 0.5865	10				
CHEESE BLOCKS			CHEESE BARRELS		
Avg Price	Qty Traded	4 wk Trend	Avg Price	Qty Traded	4 wk Trend
\$ 1.9220	17		\$ 1.9470	7	
BUTTER			NON-FAT		
Avg Price	Qty Traded	4 wk Trend	Avg Price	Qty Traded	4 wk Trend
\$ 3.1010	11		\$ 1.2225	27	

As summer enters its final stretch, milk production conditions have mostly returned to seasonal norms. Hot temperatures continue to challenge output in some areas, but the suffocating heat and humidity seen in recent weeks has largely subsided. Even so, spot milk remains tight, and manufacturers are paying a premium to get their hands on extra loads. *Dairy Market News* reported this week that in the Central U.S., spot premiums averaged \$1.25 over Class III prices, up a quarter from last year. Additional pressure on the market is coming from bottling operations which are expected to increase activity in the coming weeks to prepare for the beginning of the school year.

U.S. Butter Production



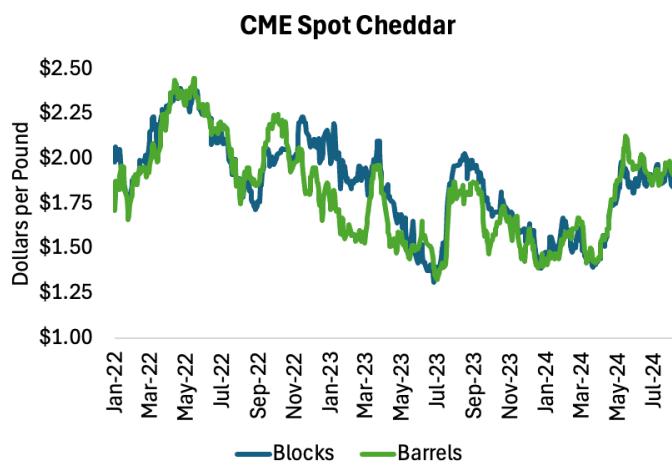
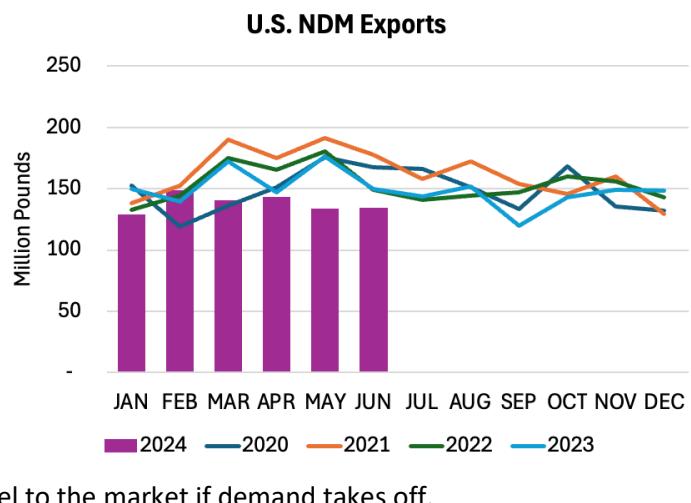
Summer conditions have kept cream supplies relatively snug, even as the butterfat content of the milk supply continues to rise. Higher component levels helped to propel butter production in June up 2.8% year over year to 169.2 million pounds. Even so, butter makers in most parts of the country report that they would happily take on additional cream loads, if they could find them. Instead, stakeholders are increasingly employing strategies such as micro fixing to fulfill their commercial obligations. Despite the seasonal slowdown

in production, the butter market defended its position at the CME this week with the spot price giving up just 0.75¢ during the week to finish Friday's session at \$3.0975 as 11 loads moved, all of them on Thursday.

While the butter price remains mostly stable, doubts about demand persist. For the moment, demand has been steady but retail activities for the upcoming baking and holiday season have not yet ramped up. As fall approaches, the market will be watching closely to see how well retailers are stocked and whether they will need to come to the spot market to pick up additional product. Export demand for fat was surprisingly strong in June with exports of both butter and anhydrous milkfat rising. Butter exports increased to 6.8 million pounds in June, up 31.8% year over year due especially to a pop in demand from Canada.

As butter exports rose, shipments of nonfat dry milk (NDM) continued to lag. During June, U.S. exporters sent 134.4 million pounds of NDM abroad, 10% less than in the same month last year and the lowest June volume since 2019. Milk powder shipments have struggled so far this year. Over the first half of 2024 exports were 11.6% less than last year. However, there are some points of optimism as exports in June were up 4% versus prior month on an average daily basis and shipments improved to several destinations in Southeast Asia.

Demand for NDM is indeed weak, but so is supply. Combined production of NDM and skim milk powder totaled just 188.3 million pounds in June, 15.1% less than in the same month last year. The collision of underwhelming supply and demand has kept the spot price for NDM rangebound. After last week's attempt at a rally, the NDM spot price lost value on four of five trading days, giving up 4¢ on the week as it retreated to \$1.20/lb. During the week, 27 loads of powder traded hands, including 17 on Tuesday, the one day that the price did not change. Manufacturer's stocks of NDM remain light and could provide fuel to the market if demand takes off.



In sharp contrast to NDM, the cheese markets found the traction to bounce back this week. Amid the meltdown in the global equities markets, the Cheddar block price sank to \$1.84/lb. on Monday, the lowest price seen since May. The decline was short lived however, as gains later in the week ultimately lifted the spot price for Cheddar blocks to \$1.9575/lb. on Friday, up 10.75¢ from prior week. Barrels also appreciated following a dip on Monday, rising to \$2.005/lb., an increase of 7.5¢ compared to last Friday. A total of 17 loads of blocks and 7 loads of barrels changed hands during the week.

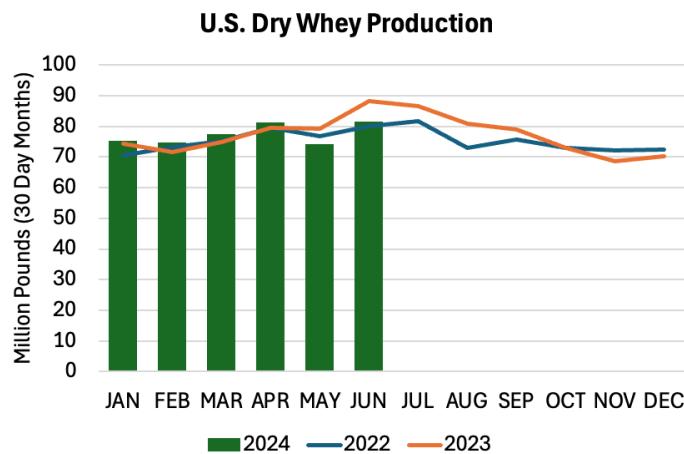
Cheese has demonstrated staying power at current price levels, even as higher prices threaten to crimp demand. Exports of cheese began to slow in June, likely reflecting the increase in prices seen a couple months earlier when this product was booked. U.S. exporters sent 85.7 million pounds of cheese abroad.

While this figure is still up 9.1% year over year, it is markedly lower than the record highs seen in recent months. Mirroring the overall trend, cheese exports to Mexico remained upbeat by historical standards at 31.6 million pounds, but also fell relative to the all-time high of 40.4 million pounds shipped in May. Tighter milk supplies have put pressure on cheese production, which fell 1.4% year over year in June to 1.161 billion pounds. The bulk of the decline was borne by American types of cheese, and especially Cheddar, while Italian varieties fared better.



The dry whey market retreated from the multi-year highs reached last week as the spot price lost ground every day between Tuesday and Friday. When the dust settled, the price came down to 56.25¢ per pound, a 4.75¢ decrease from last Friday. Despite the decline, tension remains in the whey market as slower cheese production has reduced the whey stream.

Furthermore, manufacturers continue to favor the production of high protein products. In June, output of whey protein isolates rose 34% year over year while dry whey production fell 7.5%. Export demand for whey was also strong in June, as recovering pork prices in China are once again encouraging hog breeding and increasing the demand for dry whey and permeate for piglet feed.



soybeans both settled higher on the day. The rally was short lived however, as both commodities lost value over the balance of the week. DEC24 corn futures settled on Thursday at \$3.97/bu., down about a nickel from last Friday's close. In the soybean markets, Thursday's settlement of \$10.0825/bu. was nearly 20¢ lower than last Friday. Moderated grain and feed prices should help to prop up producer margins in the coming weeks and months.

The market chaos on Monday ushered money into grain futures as corn and