The T.C. Jacoby Weekly Market Report

WEEK ENDING August 30th, 2024

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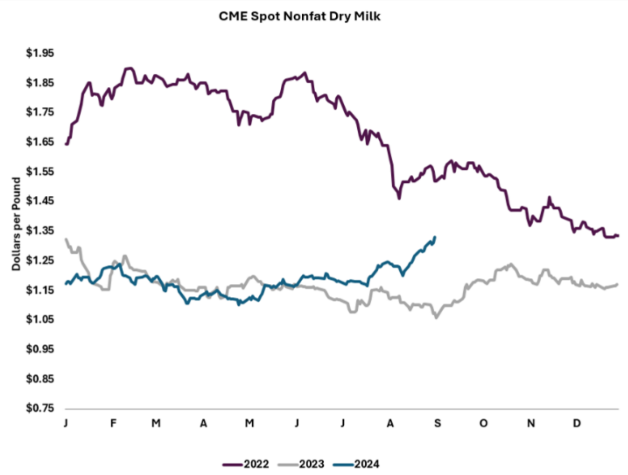
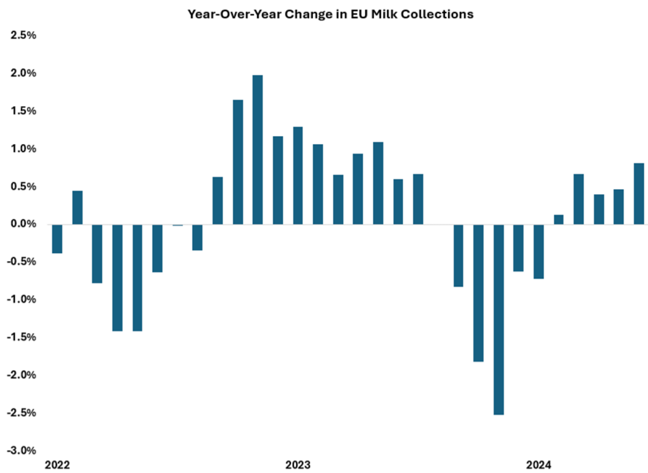
CME Spot Market for the Week			WHEY		
			Avg Price	Qty Traded	4 wk Trend
8/26/2024	to	8/30/2024	$ 0.5605	9	
CHEESE BLOCKS			CHEESE BARRELS		
Avg Price	Qty Traded	4 wk Trend	Avg Price	Qty Traded	4 wk Trend
$ 2.1280	16		$ 2.2115	5	
BUTTER			NON-FAT		
Avg Price	Qty Traded	4 wk Trend	Avg Price	Qty Traded	4 wk Trend
$ 3.1820	42		$ 1.3115	40	

The bears went into hibernation a little early this year, and the bulls enjoyed raucous celebrations on LaSalle Street. Milk and dairy product futures soared to life-of-contract highs amid continued barriers to growth. Despite the best profit margins in years, the heifer shortage has limited U.S. dairy producers' ability to add cows and rapidly expand milk production. And disease is further restricting milk output on both sides of the Atlantic. Blue tongue disease afflicts cattle in Europe, while avian influenza continues to circulate in the United States. This week, the California Department of Food and Agriculture announced that it has tested three herds in the San Joaquin Valley for avian influenza, with results expected next week. The trade presumes that bird flu is present in the region, which is home to an astounding concentration of the nation's dairy cattle.

The eight counties that make up California's San Joaquin Valley are home to 200,000 more cows than Wisconsin, accounting for 16% of the U.S. milk-cow herd. The top four counties in the region, an area the size of Hawaii or Massachusetts, make one out of every 10 tankerloads of U.S. milk. Last year, California accounted for 18% of U.S. milk and cheese production, while claiming a 32% share of U.S. butter output and contributing a whopping 42% of U.S. nonfat dry milk (NDM) production.

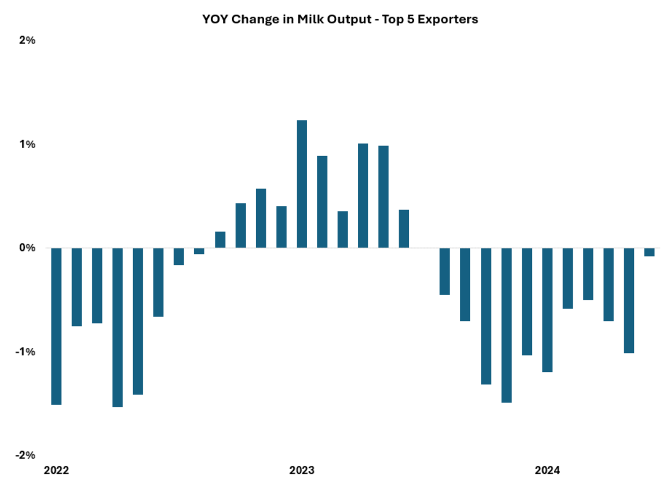


Avian influenza has already taken a hefty toll on U.S. milk output. Bird flu infections in Idaho and the Central Plains have crimped cheese production, making fresh Cheddar scarce and fueling a steep rally at the spot market. Avian influenza is one of many factors that has tightened milk supplies and reduced U.S. milk powder output. Combined production of NDM and skim milk powder (SMP) lagged prior-year volumes by 15% in the first half of 2024. If bird flu is indeed cropping up in the San Joaquin Valley, it will threaten dairy product output in the nation's top milkshed.

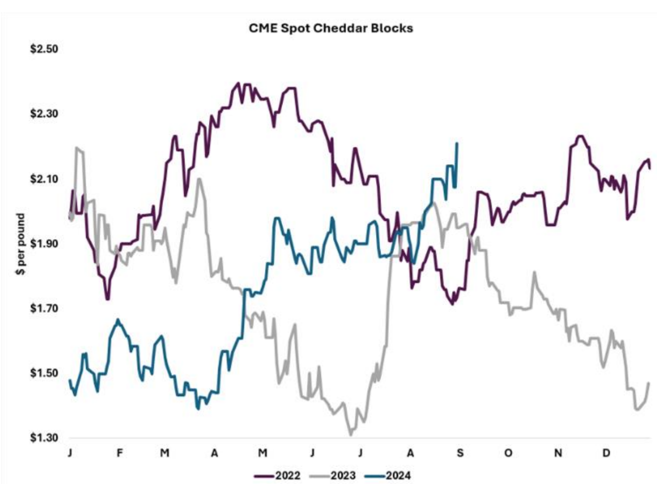


European milk output outpaced year-ago volumes by 0.9% in June, marking its strongest year-over-year increase since May 2023. Even with a little boost from Australia, that was not quite enough to erase the significant setbacks in Argentine and American milk production. Combined milk collections among the world's five largest dairy exporters trailed the prior year by 0.1% in June, the 11th straight monthly decline.

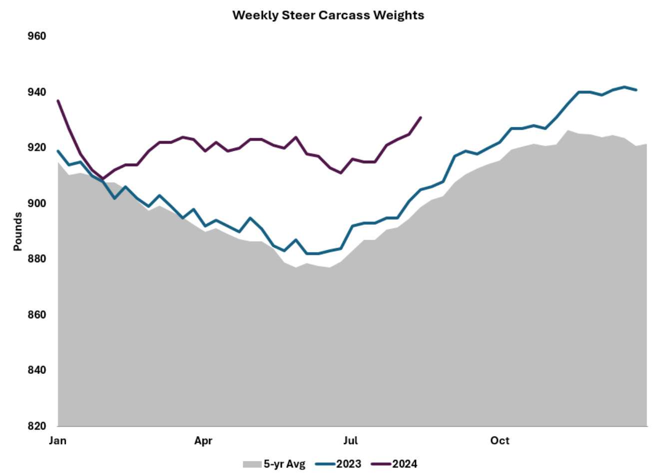
Since early summer, temperatures have climbed and blue tongue has spread to more of the continent. USDA's *Dairy Market News* reports that the weather "has stifled milk production and component levels" in France, Germany, and the Netherlands and introduced uncertainty about milk and dairy product supplies in the remainder of the year.



Anxiety about scarcity lit a fire under the dairy markets this week. CME spot Cheddar blocks jumped 17.25¢ to $2.21 per pound, a 21-month high. Barrels leapt 16¢ to $2.26. Butter rallied 4¢ to $3.17 and established a fresh year-to-date high on Tuesday. For 400 straight spot sessions, NDM hovered between $1.05 and $1.27, but last week it busted out of that range and this week it climbed another 4.75¢ to $1.33, its loftiest perch since late 2022. Only whey powder faltered. It fell a half-cent to 56¢.



The futures moved enthusiastically higher. September Class III jumped 61¢ to $22.40 per cwt. October Class III briefly traded above the $23 mark. After months of cool complacency in 2025 contracts, the long-term implications of the potential shortage finally fanned the flames for deferred futures as well. January Class III climbed $1.54 to $20.54. Most Class IV contracts added around 50¢, with prices ranging from the mid-$21s to low-$23s. These are values that will surely restrain demand, but the bulls are too jubilant to worry about that for now.



The feed markets dropped to levels that attracted international buyers, and prices promptly bounced. The fact that corn was below $4 per bushel and beans dropped well below $10 was probably enough to pique some interest, and the weak U.S. dollar made U.S. crops an even greater bargain. Both Mexico and China purchased new crop corn and soybeans this week. Cheap feed is also boosting domestic demand. The average steer sent to slaughter is 3% heavier than his peer was a year ago. July and August ethanol output was up 8% from the five-year average. Feed is plentiful and likely to remain cheap, but the market may have dropped far enough to entice buyers to use more, trimming stocks at the margins.

After a brief foray below $3.90 corn rallied back above the psychologically crucial $4 mark. It closed at $4.015 per bushel, up a dime for the week. November soybeans jumped 26¢ to $9.99. December soybean meal regained $8 and finished at $312.60 per ton.