



# The T.C. Jacoby Weekly Market Report

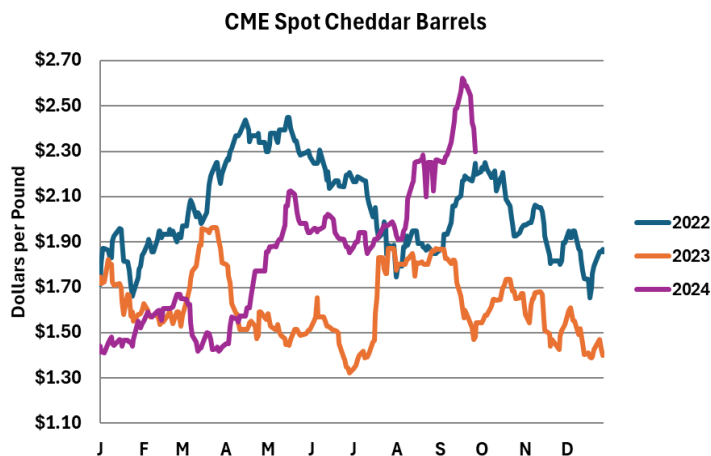
**WEEK ENDING September 27, 2024**

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CME Spot Market for the Week 9/23/2024 to 9/27/2024			WHEY		
			Avg Price	Qty Traded	4 wk Trend
			\$ 0.5935	7	
CHEESE BLOCKS			CHEESE BARRELS		
Avg Price	Qty Traded	4 wk Trend	Avg Price	Qty Traded	4 wk Trend
\$ 2.1640	8		\$ 2.4520	0	
BUTTER			NON-FAT		
Avg Price	Qty Traded	4 wk Trend	Avg Price	Qty Traded	4 wk Trend
\$ 2.8445	38		\$ 1.3725	35	

## Milk and Dairy Markets

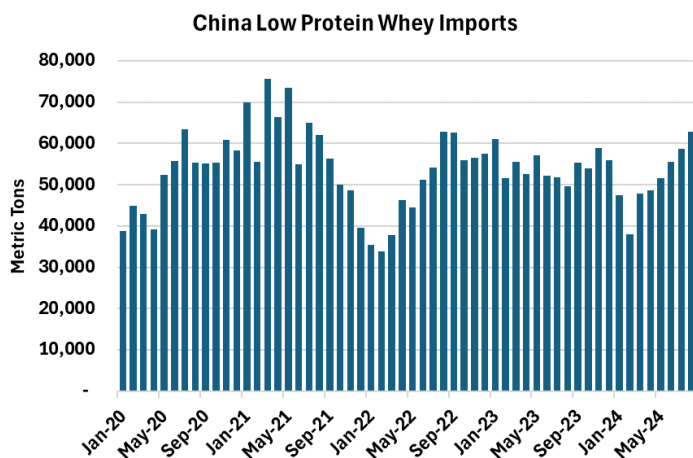
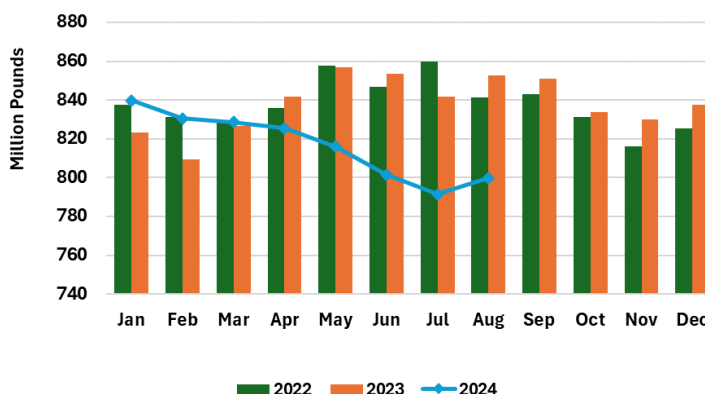


After the fireworks of last week, the cheese markets have spent the past few days coming back to earth. Barrels distanced themselves from the all-time high notched on Wednesday of last week, giving up 29.25¢ since last Friday to end the week at \$2.2975/lb. Blocks also moved downward, albeit more modestly, finishing today's session at \$2.11/lb., down 12.75¢ from a week ago. Despite the declines, the block-barrel spread remains inverted, but has narrowed to 18.75¢.

Despite the downward price movement, activity in the market was muted as only eight loads of blocks and no loads of barrels exchanged hands over the course of the week. Cheese is not exactly scarce, but relatively tight milk supplies and the decision of some plants to take downtime is keeping tension in the market. At the end of August there were 1.4 billion pounds of cheese in storage, 0.2% less than at the end of July. It is common that cheese stocks dip between July and August as milk volumes begin to wane but the 3.105-million-pound decline was far less than the five-year average loss of 13.693 million pounds. Even so, cheese inventories have been whittled down over the last six months, in sharp contrast to the standard seasonal trend and were 6.4% lighter at the end of August than at the same time last year.

Curiously, even though Cheddar production has lagged over the summer and recent price strength suggest tightness in the market, inventories of American style cheeses ticked modestly upward in August. Stocks rose to 799.925 million pounds at the end of the month, up 1.1% versus the July figure but still down 6.2% compared to prior year. Meanwhile stocks of other styles of cheese, which is largely made up of Italian varieties, fell 2% compared to prior month and are down 6.8% year over year. Export demand for cheese remains robust though higher prices could dampen the enthusiasm of international buyers. Domestic demand is getting a boost from meal deals in the fast food and quick service restaurant segment as chains battle to get consumers back in the door.

**U.S. American Type Cheese Stocks**

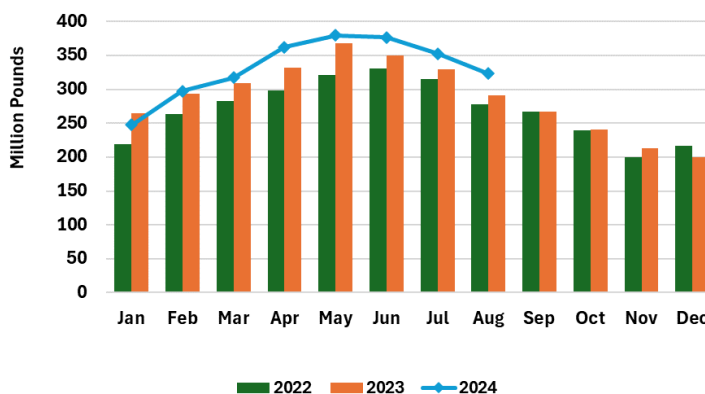


As cheese production presses ahead, there is ample whey available for processing. However, a sustained preference among manufacturers for the production of higher protein products such as whey protein isolate is limiting the availability of dry whey. While supplies are relatively fixed, demand has been robust, especially from the export sector. Chinese dry whey demand has risen dramatically recently as recovery in the country's pork sector has increased the need for whey products that are typically incorporated into piglet feed.

Low protein whey imports into China from all suppliers jumped to 62,855 metric tons (MT) in August, up 26.5% from the same month last year. At the CME, dry whey prices remained supported over the week, rising a penny to 59.75¢ per pound as seven loads traded hands.

Even as peak holiday and baking season loom on the horizon, spot prices for butter moved emphatically downward at the CME this week. The price dipped to \$2.7325/lb. on Friday, the lowest price since February and a 24¢ decline compared to last Friday. Activity was upbeat with 38 loads trading hands over the course of the week, including 18 on Friday alone. The price decline suggests that

**U.S. Butter Stocks**



manufacturers and retailers feel comfortable with current inventory levels and confident that they will be able to meet their commercial commitments through the final quarter of the year. At the end of August, butter inventories totaled 323.284 million pounds. Although this is 8.4% less than prior month, in line with typical seasonal trends, stocks were 10.8% larger than at the same time last year. While overall milk production remains tight, butterfat tests in milk have been particularly strong and have boosted cream availability and butter production in recent months. Market participants comment that cream supplies remain available and that multiples have declined as a result.

On the other side of the Class IV complex, nonfat dry milk (NDM) has not experienced the same production benefit and milk powder output remains tight. Demand from international sources has improved with Mexico stepping back into the picture to procure powder for cheese vat fortification as well as to supplement ailing domestic milk production. In addition, buyers in Southeast Asia and the Middle East have also been active, providing a boost to suppliers in the U.S. and around the world. Despite constrained supply, improving demand, and rising international prices, the spot market finished the week at \$1.3575/lb., a decrease of 2.25¢ from last Friday as 35 loads were traded.

The market for spot milk remains unsettled but seems to have eased considerably in recent weeks. Last week's Milk Production report showed that output continued to trail prior year on a liquid basis. However, the year over year decline has narrowed and, combined with persistently strong component values, manufacturers are having less trouble locating milk and cream to meet their processing needs. Class I demand remains steady. While U.S. production seems to be moving in the right direction, European milk production has come under pressure from bluetongue disease, which is spreading across the continent. Meanwhile New Zealand production increased substantively in August though it remains early in their production cycle.

## Feed & Grain Markets

According to the values included in today's Agricultural Prices report released by USDA, the average feed costs calculated by the Dairy Margin Coverage (DMC) program dipped to \$9.88/cwt. in August. This is a 59¢ decline from last month and represents the first time since 2020 that feed costs have dipped below \$10/cwt. Combined with an 80¢ increase in the All-Milk price, which rose to \$23.60/cwt., the margin calculated by the DMC program stretched to \$13.72/cwt., the strongest value recorded since the program's inception in 2019. Grain futures moved up modestly this week but remain subdued by historical standards.

