



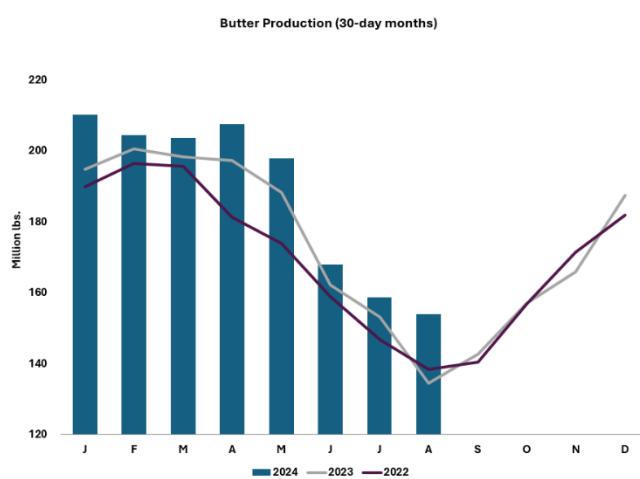
The T.C. Jacoby Weekly Market Report

WEEK ENDING October 4, 2024

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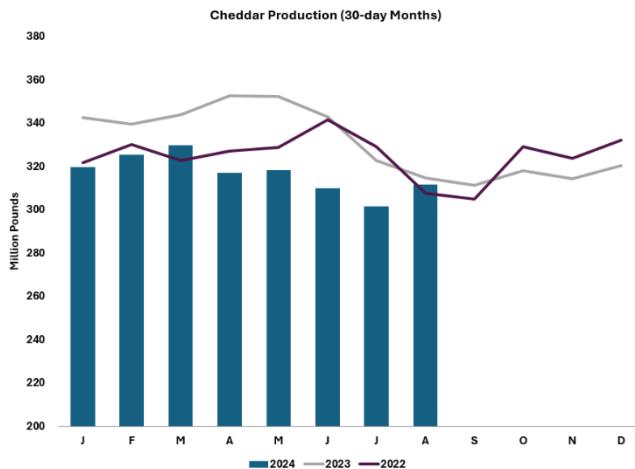
CME Spot Market for the Week			WHEY		
9/30/2024 to 10/4/2024			Avg Price	Qty Traded	4 wk Trend
			\$ 0.6030	12	
CHEESE BLOCKS			CHEESE BARRELS		
Avg Price	Qty Traded	4 wk Trend	Avg Price	Qty Traded	4 wk Trend
\$ 2.0365	12		\$ 2.1040	4	
BUTTER			NON-FAT		
Avg Price	Qty Traded	4 wk Trend	Avg Price	Qty Traded	4 wk Trend
\$ 2.7205	59		\$ 1.3545	18	



The dairy markets have once again proven the old trading adage that the best cure for high prices is high prices. After a spring and summer of exceptionally expensive trades, the butter market put the fall in fall. CME spot butter closed today at \$2.6875 per pound. That's nearly 30¢ lower than it was two weeks ago, thanks to this week's 4.5¢ decline. Butter buyers seem confident that they have enough product to keep cases stocked through the holidays, and the data suggests they're right. Plentiful cream and pricey butter kept churning unusually hard through the summer. August butter production topped 159 million pounds, up 14.5% from a year ago. That's the highest-ever August output by a wide margin.

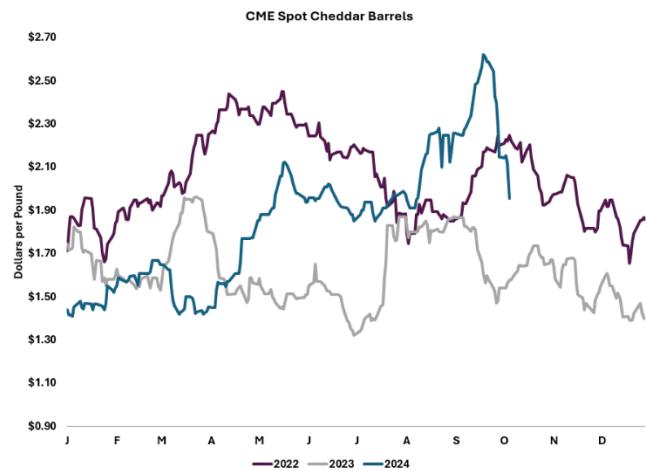
The cheese market's dramatic September spike was eclipsed by its October collapse. Spot Cheddar blocks dropped 16.25¢ this week to \$1.9475. Barrels plummeted 34.25¢ to \$1.955. In just two weeks, barrels lost 63.5¢ as sticker shock pushed would-be cheese buyers to the sidelines. USDA's *Dairy Market News* reports, "Current cheese price points have dissuaded some customers, and demand is quiet." However, the agency also notes that barrel Cheddar supplies remain tight.

Today's Dairy Products report offered a look backward. Total cheese output reached nearly 1.2 billion pounds and outpaced August 2023 by 1.7%, driven by strong Mozzarella production. Cheddar output fell below year-ago volumes once again in August, but the deficit narrowed to just 1%. As new cheese production capacity comes online over the next six months, Cheddar output is likely to grow, and the futures project that cheese prices will fade.

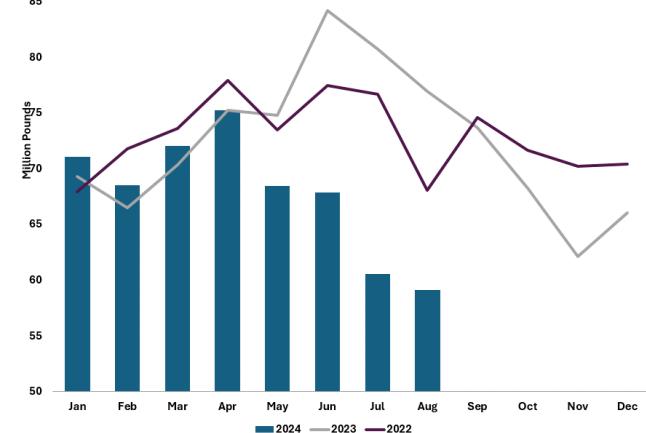


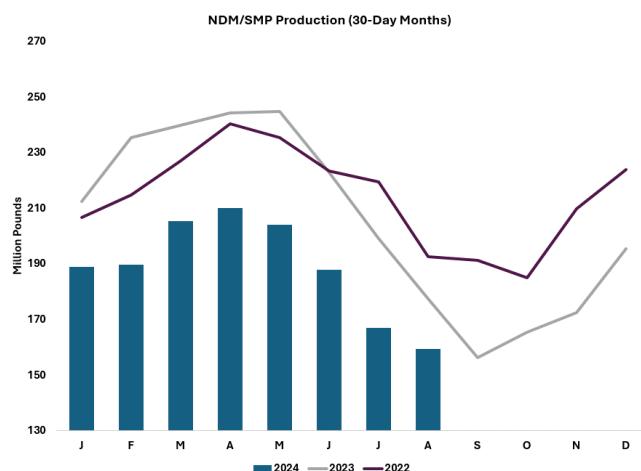
Tighter milk supplies and competition from other manufacturers restrained milk powder output. Combined production of nonfat dry milk (NDM) and skim milk powder (SMP) totaled 164.9 million pounds, down 10.1% compared to August 2023. Manufacturers' stocks of NDM retreated from July to August and dipped back below prior-year volumes. Milk powder output and NDM stocks haven't been this low in August since 2016.

Milk powder production has lagged the prior year by a significant margin in every month since July 2023. The deficit is likely to widen as new cheese processing capacity pulls even more milk away from dryers. The futures anticipate this shift. While the summer cheese shortage lifted Class III futures above Class IV contracts in September through November, the



Once again, manufacturers directed much of the whey stream into whey protein concentrates (WPCs) and isolates (WPIs), leaving less for dryers. Production of WPC with 50% to 89.9% protein topped August 2023 volumes by 4.4%, while WPI output leapt 35.1% above year-ago levels. Meanwhile, whey processors made 23.9% less whey powder than in August 2023, and whey powder stocks declined to their lowest level since January 2022, down 34.8% from a year ago. Slower output and tighter stocks have put a firm floor under U.S. whey values. CME spot whey powder rallied 0.75¢ this week to 60.5¢.





but SMP values retreated slightly. In Chicago, CME spot NDM fell a half-cent to \$1.3525.

Dairy producers are about to cash some very big September milk checks. USDA announced the September Class III price at \$23.34 per cwt., up \$4.95 from September 2023 and the highest Class III price in over two years. September Class IV was also lofty, at \$22.29. The futures project that milk revenues won't top the September high for the foreseeable future. But in such a volatile market, it's hard to rule out the possibility of a return to the recent peak. This week, though, most Class III and Class IV contracts followed the cheese and butter markets downward.

Wheat futures soared after a key farming region in Russia declared a state of emergency due to drought. An extremely dry summer has reduced summer grain yields in Russia and Ukraine and sown anxiety about the winter wheat crop. It's also disconcertingly dry in central Brazil and Argentina, which could delay planting efforts as farmers wait for moisture. The forecast calls for showers next week, but if rainfall disappoints, corn and soybean futures will likely climb. This week, December corn rallied 7¢ and closed at \$4.25 per bushel, nearly a dime below the mid-week high. November soybeans faded throughout the week and finished at \$10.3775, down nearly 30¢. Soybean meal dropped \$14 to \$344.10 per ton. Grain and oilseed futures are higher than they were in the dog days of summer, but they're still much lower than at any other point in the past three years. Dairy producers are prospering thanks to an often-elusive combination of cheap feed and lucrative milk and beef.

relationship is expected to change by early next year. The futures forecast that heavy cheese production will push Class III futures below \$20/cwt. by February. At the same time, Class IV futures stand at \$21 or higher from February to November 2025. Disease pressure and a greater focus on cheese production is likely to restrict milk powder output on both sides of the Atlantic, putting a firm floor under the global NDM and SMP markets. If Chinese milk powder demand improves, prices could soar. Chinese buying helped to boost whole milk powder prices at Tuesday's Global Dairy Trade auction,