



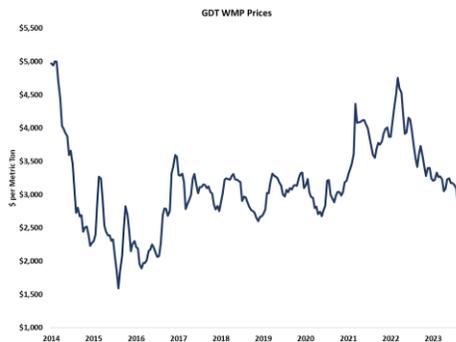
The T.C. Jacoby Weekly Market Report

WEEK ENDING AUGUST 18TH, 2023

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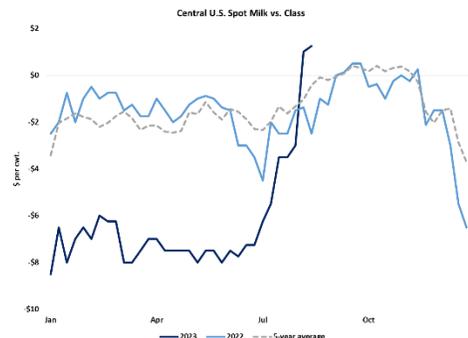


CME Spot Market for the Week			WHEY		
8/14/2023 to 8/18/2023			Avg Price	Qty Traded	4 wk Trend
			\$ 0.2645	16	
CHEESE BLOCKS			CHEESE BARRELS		
Avg Price	Qty Traded	4 wk Trend	Avg Price	Qty Traded	4 wk Trend
\$ 2.0150	4		\$ 1.8135	4	
BUTTER			NON-FAT		
Avg Price	Qty Traded	4 wk Trend	Avg Price	Qty Traded	4 wk Trend
\$ 2.7205	98		\$ 1.0980	12	

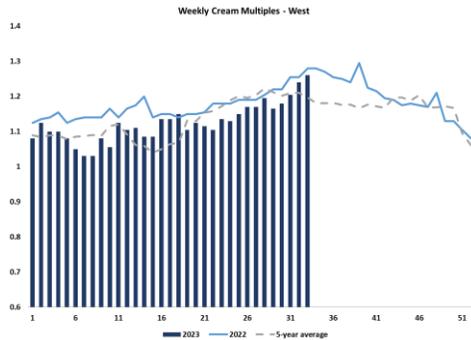


Milk powder prices plummeted at Tuesday's Global Dairy Trade (GDT) auction. Whole milk powder (WMP) plunged 10.9% to a seven-year low. Skim milk powder (SMP) values dropped 5.2% to their lowest level since early 2019. The GDT was so weak that it forced Fonterra to lower its 2023-24 milk price forecast for the second time in just two weeks. In its press release, New Zealand's largest dairy cooperative said it is still counting on better Chinese demand for WMP in the second half of the 2023-24 season. However, "we do expect the pace of demand growth to be subdued relative to initial expectations." Bargain pricing did prompt buyers in China and the Middle East to purchase a little more GDT powder, but not nearly enough to forestall the steep setback.

The poor showing at the GDT put pressure on U.S. powder prices, and CME spot nonfat dry milk (NDM) slipped to a five-week low Wednesday. It made a modest comeback later in the week and finished today at \$1.105 per pound, down a half-cent from last Friday. The U.S. milk powder market is navigating very choppy waters. For some time now, the prevailing winds of poor Chinese demand and growing Kiwi supplies have pushed global milk powder prices southward. But domestic forces now



offer countervailing gusts. Terribly low on-farm margins, high beef prices, a sweltering heat wave, and the back-to-school milk rush have created a perfect storm, tightening milk supplies with shocking speed. The Midwest milk surplus evaporated nearly overnight, and processors in the region now face premiums on extra loads. Many processors are operating well below capacity, especially driers.



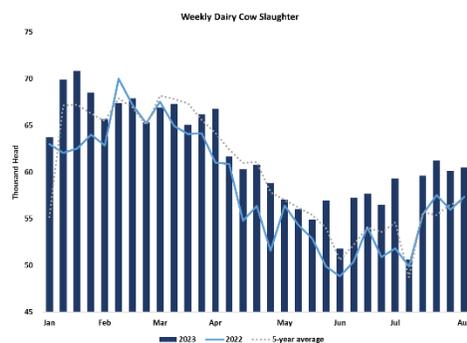
Churns are running lighter as well. The heat wave zapped components and cream is getting hard to come by. USDA's *Dairy Market News* says butter supplies are "somewhat snug" and demand is "hearty." Butter prices aren't quite as lofty as they were last year, but they're within shouting distance, which is making some buyers nervous. They snapped up 98 loads at the CME spot market, the highest weekly volume since 2004. Spot butter prices swung sharply higher and then fell back today. They closed at \$2.70, a penny above last Friday's close.

In contrast, *Dairy Market News* notes that cheesemakers are "running regular schedules on internally sourced and contracted milk volumes." Nonetheless, the cheese markets remain relatively strong, likely helped by export deals made months ago, when milk was cheaper. Spot Cheddar blocks topped the \$2 mark and closed at \$2.0275, up 3.75¢ for the week. Barrels are more volatile. They whipped wildly back and forth and finished 1.75¢ lower at \$1.8075.



They remained characteristically cheap and stable. It finished today right where it started the week at 27¢. Steady whey pricing and stronger blocks propelled September Class III up 51¢ to \$18.49 per cwt. That's markedly better than the sub-\$16 the futures promised just a month ago. Deferred Class III lost a little ground this week. Fourth quarter futures now average \$18.10. Class IV futures continued to climb. The September contract rallied 24¢ to \$19.25.

Dairy producers have just cashed a very small July milk check and, if they've done any culling recently, they've probably been pleasantly surprised at the size of their beef cow revenue. That's a recipe for quicker contraction, and slaughter volumes suggest that the dairy herd is in decline. Dairy cow slaughter has topped year-ago levels and the historic average in every week since late May. Unless margins improve considerably, slaughter is likely to remain elevated. The futures don't promise widespread prosperity, but they do offer much better prices this fall than those that disappointed so deeply this summer. Until global dairy demand improves, that brighter outlook depends on continued declines in U.S. milk production.



Grain traders are struggling to assess the size of the nation's corn and soybean crops after a very strange growing season. Widespread drought in the spring and early summer gave way to cooler, wetter conditions in July and early August. This week the crop visibly improved, and USDA rated 59% of both corn and soybeans in good or excellent condition. For corn, that was two percentage points better than last week, while soybeans advanced by an impressive five points. But next week looks dry, and prices are bouncing off the lows. They got a little help from news overseas regarding smaller wheat crops in Argentina, Australia, and India. Strong demand for vegetable oils also boosted soybean oil and soybean prices, allowing soybean meal to retreat. November soybeans settled today at \$13.5325 per bushel, up 45.75¢. September soybean meal fell \$6.40 to \$403.90 per ton. December corn regained 5.25¢ and closed at \$4.93.