



The T.C. Jacoby Weekly Market Report

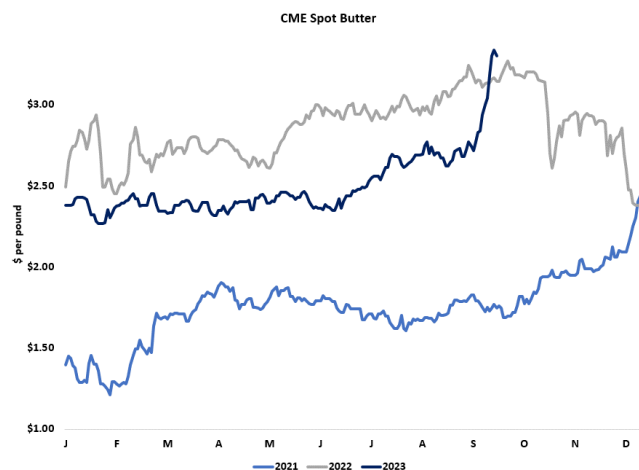
WEEK ENDING SEPTEMBER 29TH, 2023

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CME Spot Market for the Week 9/25/2023 to 9/29/2023			WHEY		
			Avg Price	Qty Traded	4 wk Trend
			\$ 0.2970	54	
CHEESE BLOCKS			CHEESE BARRELS		
Avg Price	Qty Traded	4 wk Trend	Avg Price	Qty Traded	4 wk Trend
\$ 1.7465	2		\$ 1.5185	30	
BUTTER			NON-FAT		
Avg Price	Qty Traded	4 wk Trend	Avg Price	Qty Traded	4 wk Trend
\$ 3.2310	7		\$ 1.1755	9	

The U.S. butter market took off like a rocket. It soared 30¢ this week and closed at \$3.30 per pound, just shy of the all-time high set yesterday. The meteoric strength caught the market by surprise. U.S. butter output in January through July was record large, up 4% from the scant volumes of 2022. But



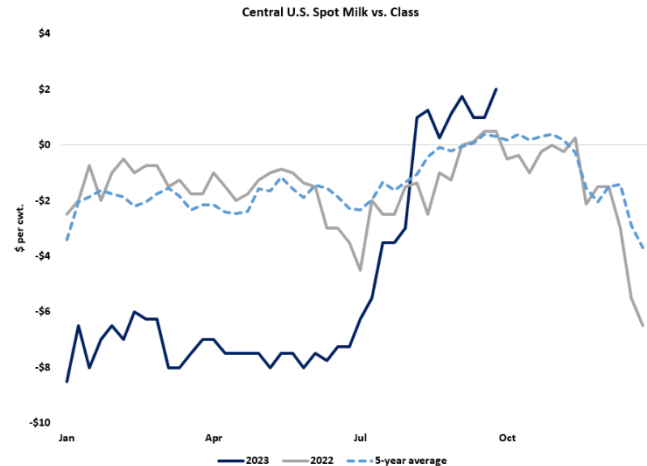
domestic demand was even stronger, up 8% during the same period. USDA showed August 31 butter stocks at 289 million pounds. While that is 3.9% higher than last year, it is still tight. Butter stocks typically decline in the summer, and this June, July, and August they dropped at more than twice the normal rate. Cream is expensive, and butter churns are not running hard. Butter buyers are heading into the fall baking season with painful memories of last year. They're hoping for lower prices, but they're also making sure they get their hands on some product, despite the jarring expense.

Butter is likely to remain expensive until butter buyers are confident they'll have enough product to stock shelves for the holidays.

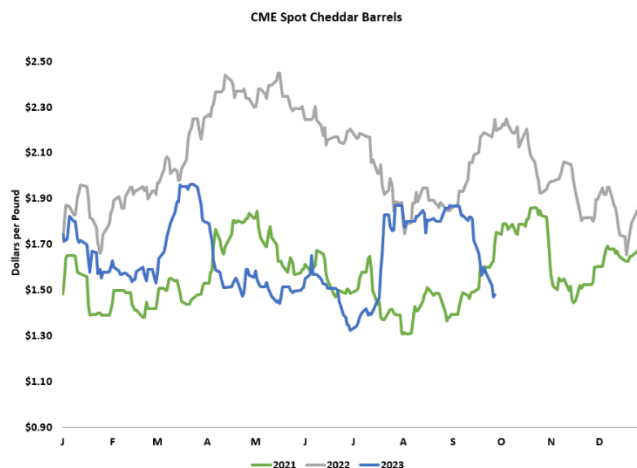
Milk powder prices also rallied. CME spot nonfat dry milk (NDM) finished the month at \$1.1825 per pound, up 1.5¢ this week to its highest price since May. The powder markets are cheered by slower

milk output and higher prices abroad. Whole milk powder (WMP) inched upward at the Global Dairy Trade's Pulse auction this week, and European skim milk powder (SMP) futures advanced. Although fall temperatures have boosted milk yields, spot milk prices suggest that processors continue to compete for milk in the Midwest, and driers are the last in line. Loads of spot milk commanded a \$2 premium this week, a mark-up not seen since 2016.

Strength in the spot butter and powder markets helped to lift nearby Class IV futures. The October contract leapt 60¢ this week to \$20.80 per cwt., and November Class IV topped \$20 as well. But 2024 futures slipped, likely due to concerns that U.S. milk production is not contracting as quickly as it once did. The heat has abated and slaughter has slowed.



Barrel prices continued to tumble down the cliff. This week they dropped 12¢ to \$1.48. Blocks fell 6¢ to \$1.72. There is simply too much Cheddar. USDA reported August 31 cheese stocks at 1.49 billion



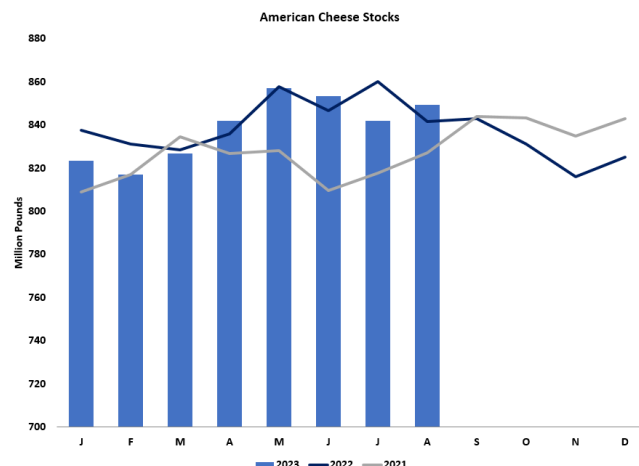
pounds, up 0.5% from last year. Cheese stocks typically decline from July to August, but this year's drawdown was minimal, clocking in at less than 3.5 million pounds. Inventories of American-style cheeses, including Cheddar, increased last month, bucking the seasonal trend. Domestic demand is reportedly steady. It's likely that slower exports are causing cheese to pile up, and prices are dropping accordingly.

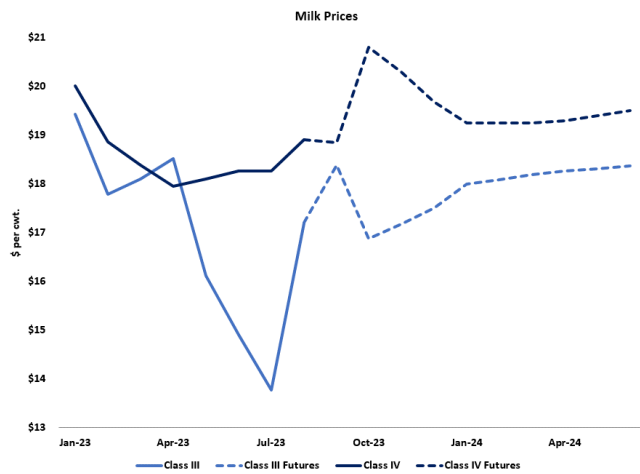
Whey prices also retreated this week. CME spot whey powder slipped 1.5¢ to 29¢. Industry stakeholders continue to report better demand for whey protein concentrates and

slower whey output. Nonetheless, the whey market has struggled to find its footing as it digs itself out of the massive stockpile that accumulated this summer.

With both cheese and whey in the red, Class III prices took a sizeable step back. October Class III fell 28¢ to \$16.88 per cwt., a level that is sure to disappoint dairy producers. Operations that depend on Class III revenue are facing the prospect of more red ink, despite falling feed costs.

Corn futures spent much of the week moving higher, but they fell back Friday with a little help from the latest USDA data. The agency reported lower September 1 corn stocks than the trade had expected, which should have





invigorated the bulls. But USDA also called for a surprisingly large 2023 wheat crop. December wheat futures dropped hard, and corn followed them lower. December corn futures settled today at \$4.7675 per bushel, down just a half-cent from last Friday.

USDA unexpectedly raised its estimate of September 1 soybean inventories, dragging the soy complex deeper into the red. November soybeans closed at \$12.75, down another 21.25¢ this week. December soybean meal settled at \$381.20 per ton, down \$4.60 from last Friday.