



The T.C. Jacoby Weekly Market Report

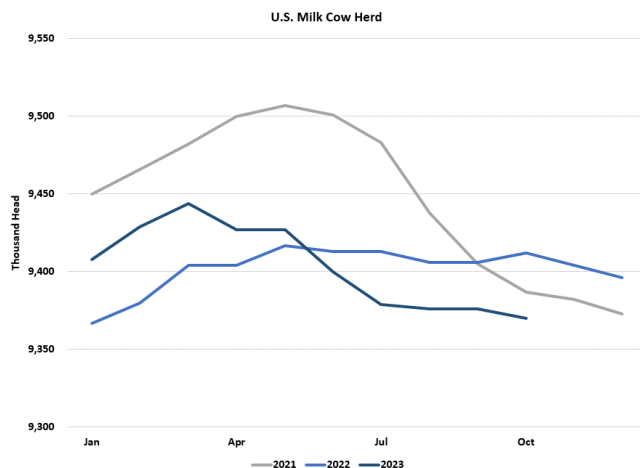
WEEK ENDING DECEMBER 1ST, 2023

By Sarina Sharp, Market Analyst for the Daily Dairy Report
Sarina@DailyDairyReport.com



CME Spot Market for the Week			WHEY		
			Avg Price	Qty Traded	4 wk Trend
11/27/2023 to 12/1/2023			\$ 0.3980	6	
CHEESE BLOCKS			CHEESE BARRELS		
Avg Price	Qty Traded	4 wk Trend	Avg Price	Qty Traded	4 wk Trend
\$ 1.5740	14		\$ 1.4825	16	
BUTTER			NON-FAT		
Avg Price	Qty Traded	4 wk Trend	Avg Price	Qty Traded	4 wk Trend
\$ 2.6000	6		\$ 1.1860	18	

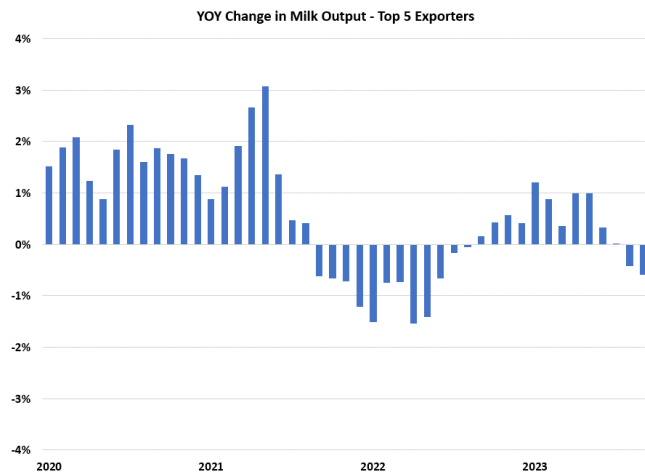
U.S. milk production slumped deeper into the red in October as poor margins and tight heifer supplies trimmed the dairy herd. Milk output totaled 18.71 billion pounds, 0.5% less than in October 2022. Production grew at a healthy clip in the Mideast, and the Midwest and Northeast contributed moderate growth. But output was down hard in the Northwest, Southwest, and California.



The pace of dairy sellouts slowed to a crawl this fall, reducing the volume of milk cows and heifers available at local auctions. Dairy producers had to look elsewhere for replacements, and the sudden lack of heifers for sale forced producers to clamp down on cull rates. Over the past 10 weeks, dairy cow slaughter ran about 8% below the five-year average. Nonetheless, the milk-cow herd shrunk once again in October, falling 6,000 head to 9.37 million. There were 42,000 fewer cows in U.S. milk parlors in October than there were a year ago.

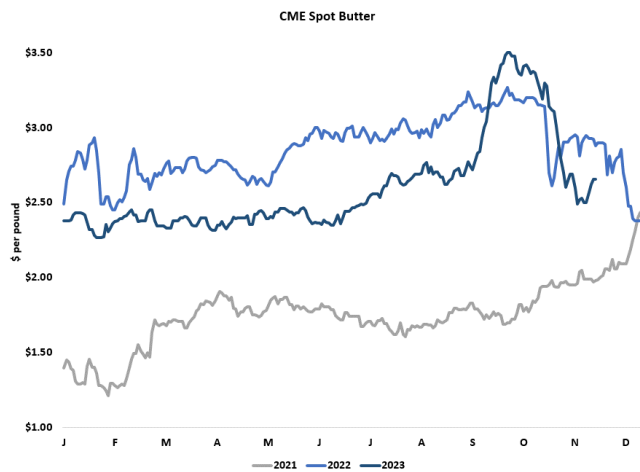
Milk production is also in decline across the Atlantic. EU and British milk output fell to roughly 27.8 billion pounds in September, down 0.8% from the year before. In New Zealand, fluid milk collections remain short of year-ago volumes, but, thanks to strong components, milk solids collections climbed 0.9% from a poor showing in October 2022. Similarly, Australia managed to make 0.5% more milk in September than the year before, clearing a very low bar. Australia's 2022-23 milk output was the lowest in decades.

Meanwhile, poor crops cut into margins in Argentina and milk output deficits worsened in September and October. All told, milk output among the world's five largest dairy exporters was 0.6% smaller than a year ago in September, and the October numbers were likely worse.



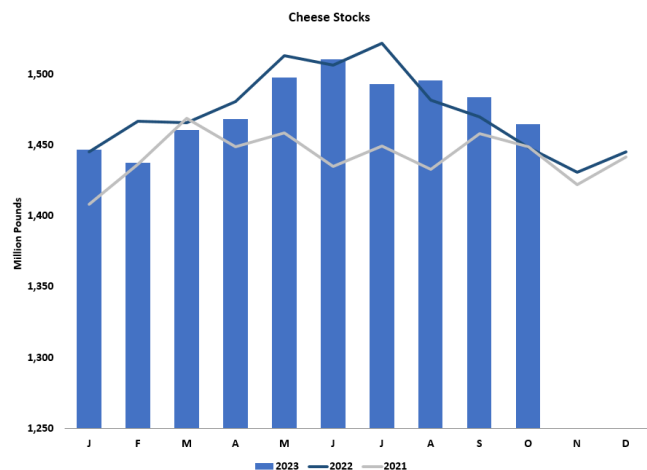
Lower milk output has reduced milk powder production on both sides of the Atlantic, helping to whittle down inventories and shore up milk powder prices despite lackluster global demand. European skim milk powder (SMP) values are climbing. In the U.S., the market is basically holding steady. CME spot nonfat dry milk (NDM) closed today at \$1.18 per pound, down a half-cent from last Wednesday.

Slower milk production has also tightened up cream supplies in the West, reducing butter output in a region responsible for more than half of U.S. production. Butter stocks dropped below the already tight volumes of last year. October 31 inventories slipped to 238.3 million pounds, down 0.6% from October 2022. Butter buyers are no longer rushing to stock up for the holidays, but the market has landed on its feet after its second annual pre-holiday stumble. CME spot butter has rallied 15.5¢ since Thanksgiving. It closed today at \$2.655.



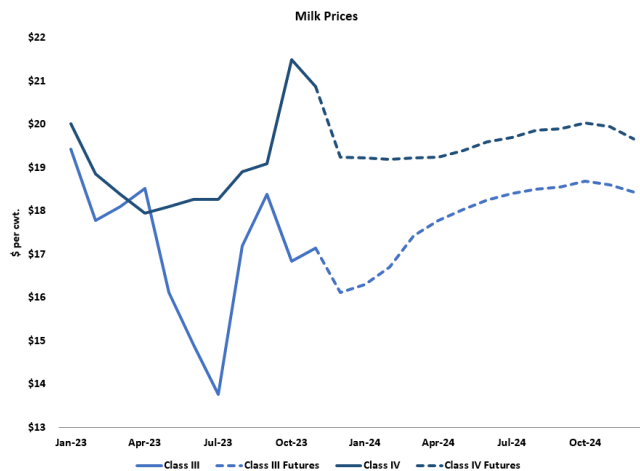
Cheese remains abundant. There were just shy of 1.47 billion pounds of cheese in cold storage warehouses at the end of October, 1.2% more than the year before. Milk output is now strong enough to require new supply management

commitments in the cheese states, and U.S. cheese production capacity continues to grow. The trade remains concerned that the market will make more cheese than it can comfortably sell. Tighter supplies in Europe could provide more export opportunities early next year, but prices will have to stay low enough to attract new business. In Chicago, the cheese markets converged. This week spot Cheddar blocks fell 7¢ and barrels rallied 8¢. Both blocks and barrels settled at \$1.52.



The whey market is well-supported at 40¢, up 0.25¢ since Thanksgiving. Strong domestic demand for whey protein concentrates continues to limit dry whey output. But whey stocks remain heavy, and exports are soft. In June through October, China imported 24% less U.S. whey than it did during the same period in 2022. The strong dollar, weak Chinese yuan, and

red ink on Chinese hog farms all point to slow exports going forward.



USDA announced the November Class III price at \$17.15 per cwt. That's 31¢ higher than the October price, but it's still too low to ensure prosperity. November Class IV clocked in at a more exciting \$20.87, down 62¢ from October. The futures project that the wide spread between Class III and IV will persist. Most Class III contracts finished about a dime lower than where they began the week, and December through February are absolutely unpalatable in the \$16s. Most Class IV futures gained ground, led by a 57¢ increase in the January contract, which now stands at \$19.22. Class IV manufacturers will surely depool as much as

possible, to the benefit of the minority of producers who ship to a co-op with butter or powder facilities and to the detriment of their neighbors, who enjoyed the opposite advantage when Class III manufacturers depooled in the recent past.

Farmers in central Brazil and Argentina welcomed a few good rainstorms, which helped to alleviate fears that dry soils would delay sowing and ding yield prospects. The rains came later than hoped, but they arrived in time to stave off significant harm, and the feed markets retreated. March corn closed today at \$4.8475 per bushel, down 3¢ for the week. January beans fell 11¢ to \$13.455. January soybean meal took a big step back, falling nearly \$25 to \$412.70 per ton. Lower feed costs will help to reduce dairy producers' cost of milk production. But for many producers, the decline in Class III prices has had a bigger impact on the bottom line.