The T.C. Jacoby Weekly Market Report

WEEK ENDING SEPTEMBER 8TH, 2023

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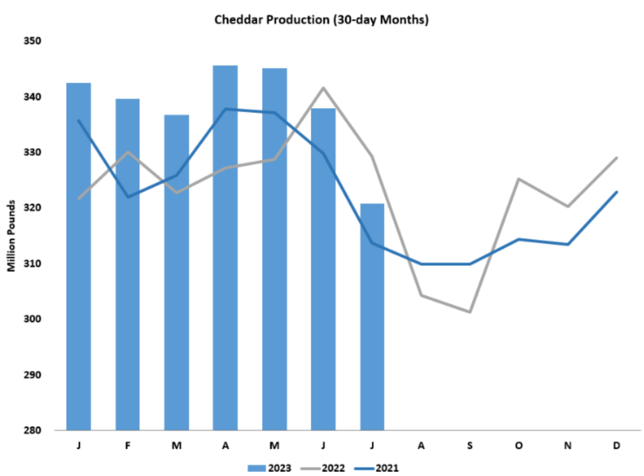
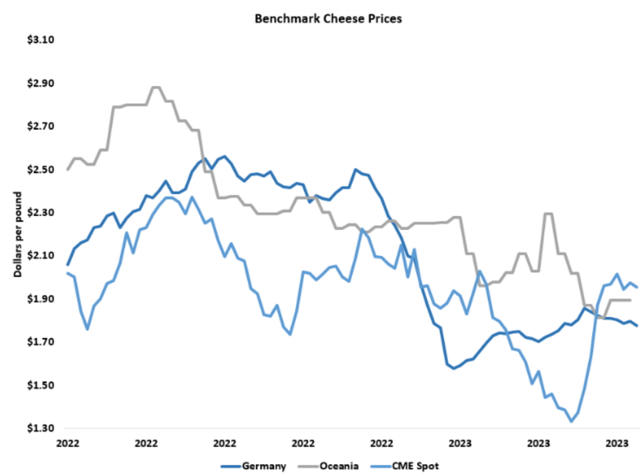
CME Spot Market for the Week			WHEY		
			Avg Price	Qty Traded	4 wk Trend
9/4/2023	to	9/8/2023	$ 0.3131	11	
CHEESE BLOCKS			CHEESE BARRELS		
Avg Price	Qty Traded	4 wk Trend	Avg Price	Qty Traded	4 wk Trend
$ 1.9500	3		$ 1.8575	2	
BUTTER			NON-FAT		
Avg Price	Qty Traded	4 wk Trend	Avg Price	Qty Traded	4 wk Trend
$ 2.7100	49		$ 1.0869	21	

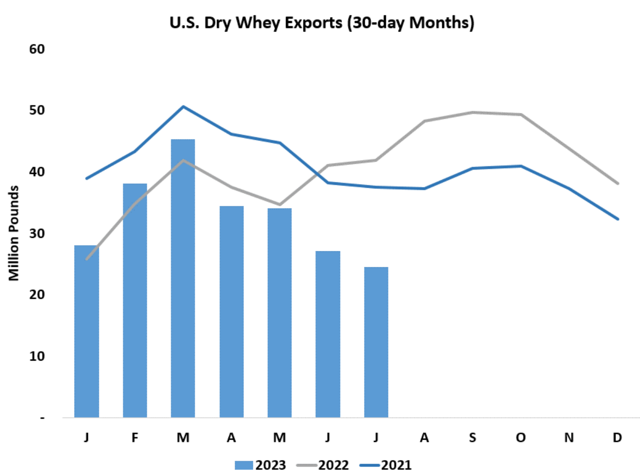
Higher temperatures fired up the dairy markets over the past few weeks, but now the mercury has fallen and so have cheese prices. CME spot Cheddar blocks slipped 2.5¢ this week to $1.925 per pound. Barrels retreated 4.25¢ to $1.8275. Cheese output waned in July to 1.16 million pounds. That was 0.7% less than July 2022, marking the steepest year-over-year drop in U.S. cheese production since August 2020. Cheesemakers scaled back Cheddar production, which helped to tighten up the supply of fresh cheese available in Chicago. But they also made less Mozzarella, signaling either slower U.S. pizza consumption or pessimism about export prospects. U.S. cheese exports fell 1.3% from year-ago volumes in July. At today's prices, U.S. exporters aren't booking a lot of new business, which likely contributed to the late-week setback. But there are also hints that cheese output slowed further in August and September. Spot milk is trading at a premium in the cheese states, and processors in the Northeast complain of lower milk supplies and labor shortages.



Whey processors continued to direct the whey stream to the drier in July, and whey powder production notched its highest level since January 2021, up 2.5% from last year.

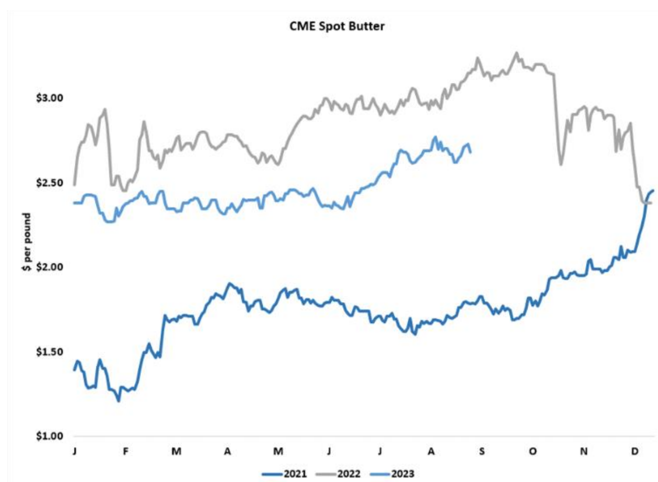
Production of whey protein concentrates (WPC) topped year-ago volumes, but whey protein isolates output continued to languish. Exports slumped to a nearly four-year low, with dry whey shipments down 41.6% compared to July 2022. Shipments to China and Southeast Asia were particularly soft, reflecting poor margins on Chinese hog operations and slowdowns in the regional economy. Disappointing demand from overseas pushed stocks upward and dragged CME spot whey to all-time lows this summer. But there are signs that the market is healing. Some manufacturers are switching WPC 34 into their ingredients mixes, and whey processors are making more concentrates, leaving less whey for the drier. CME spot whey rallied to a four-month high early this week, but it finished at 30.25¢, down a quarter-cent from last Friday.



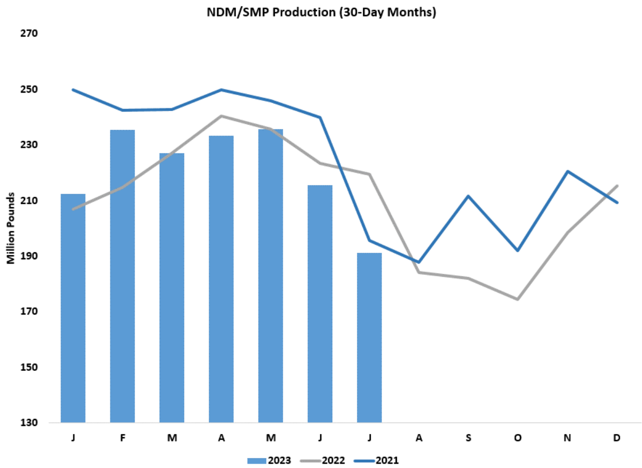


Churns ran relatively hard in July. Butter output reached 157 million pounds, up 3.5% from a year ago to a new high for the month. U.S. butterfat is the most expensive in the world, and exports are largely out of reach. But domestic demand is strong, and prices remain firm. Butter buyers are setting their budgets for 2024, and they seem relieved to be paying less than $3 after stomaching record-breaking prices a year ago. CME spot butter climbed 2¢ this week to $2.68.

The milk powder market is caught between bearish signals from abroad and a more positive setup at home. The market was relieved to see whole milk powder (WMP) prices finally move higher at Tuesday's Global Dairy Trade (GDT) auction. But skim milk powder (SMP) prices continue to lose ground. With China buying less WMP, New Zealand's dairy processors have stepped up SMP production, and they are slashing prices to keep product moving. SMP prices dropped to the equivalent of nonfat dry milk (NDM) at $1.11 per pound at this week's GDT. European milk powder prices also lost some ground, and the strong dollar made U.S. product appear less competitive. U.S. milk powder exports topped year-ago volumes



in July by a narrow margin, but while shipments moved at a trot in the first half of the year, they slowed to a jog in July. And exports to Mexico, our most important market, fell to an 11-month low. Nonetheless, U.S. milk powder supplies are tightening as slower milk output is keeping milk away from driers. Combined production of NDM and SMP fell to 197.4 million pounds in July, down 12.9% from a year ago. Manufacturers' stocks of NDM shrunk. Milk powder output remains in the doldrums and prices are on the rise. CME spot NDM jumped 2.5¢ this week to $1.10.



The dairy markets started strong this week, but they closed deep in the red today. For the most part, early-week gains outweighed the poor Friday finish. September Class III was the exception. It settled at $18.48 per cwt., down 15¢ for the week. The other Class III contracts logged modest gains and closed in the high $18s. Class IV futures finished notably higher, led by an 77¢ increase in the December contract.

Weeks of extremely hot, dry weather took a toll on crops in the Northern Plains and western Corn Belt. According to USDA surveys, 53% of the corn crop is in good or excellent condition, down three points from last week. The national average good/excellent rating is just one point lower than last year, but furnace-like winds wilted crops in some key states. The good/excellent rating is down 24 points from last year for corn in Wisconsin, 23 points in Minnesota, 17 points in Iowa and 14 points in Illinois. In the eastern Corn Belt, where temperatures have been milder, crops look much better than they did last year. Corn condition ratings in Ohio are 22 points better than they were last year, and ratings are up 12 points year over year in Indiana.

Soybeans fared worse than corn. The national average soybean rating fell five points this week to 53% good and excellent. Concerns about the size of the crops kept a firm floor under the feed markets. However, the strong dollar, low Mississippi water levels, and projections for big Argentine crops in the 2023-24 season prompted the market to expect slower corn and soybean exports. The trade is also trying to position itself ahead of next week's monthly update to USDA's Supply and Demand balance sheets, and data from the Farm Service Agency hint that USDA may up its estimates of U.S. corn and soy acreage. These conflicting factors pushed prices back and forth, and they finished not far from where they started. December corn closed today at $4.8375 per bushel, up 2.25¢ from last week. November beans fell another 6.25¢ to $13.63. December soybean meal closed at $401.40 per ton, up $1.80.