



The T.C. Jacoby Weekly Market Report

WEEK ENDING OCTOBER 20TH, 2023

By *Monica Ganley, Market Analyst for the Daily Dairy Report*
monica.ganley@quarterrglobal.com

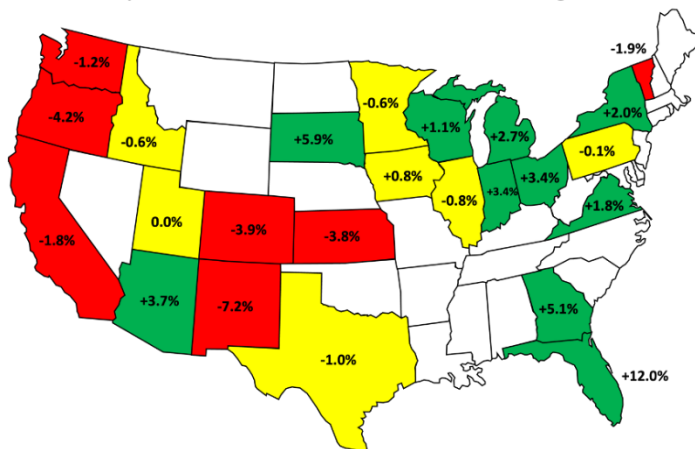


CME Spot Market for the Week			WHEY		
10/16/2023 to 10/20/2023			Avg Price	Qty Traded	4 wk Trend
			\$ 0.3745	30	
CHEESE BLOCKS			CHEESE BARRELS		
Avg Price	Qty Traded	4 wk Trend	Avg Price	Qty Traded	4 wk Trend
\$ 1.7525	29		\$ 1.6760	15	
BUTTER			NON-FAT		
Avg Price	Qty Traded	4 wk Trend	Avg Price	Qty Traded	4 wk Trend
\$ 3.3870	13		\$ 1.2275	18	

USDA released its *Milk Production* report this week, indicating that national output contracted in September for the third month in a row. Production for September totaled 18.21 billion pounds, a decrease of 0.2% compared to the same month last year. Lower production in the West and Southwest

weighed on the national figure as production in California, Idaho, and Texas fell by 1.8%, 0.6%, and 1%. Volumes were stronger in the Midwest and Northeast. Wisconsin saw output rise by 1.1% while Michigan boasted growth of 2.7%. New York posted an increase of 2% compared to the same month last year.

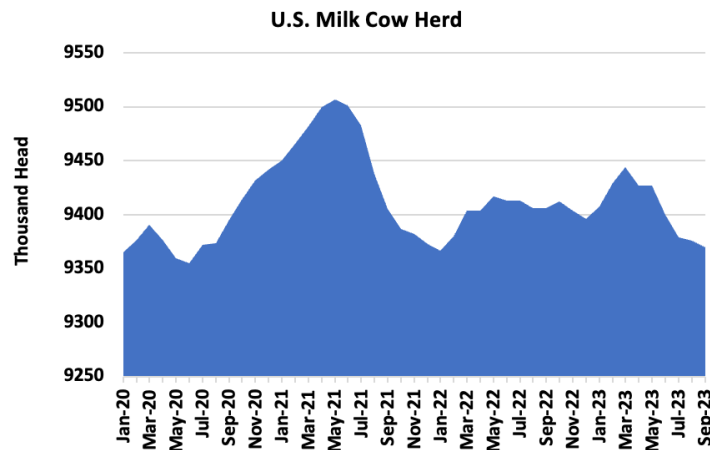
September 2023 Milk Production: Year Over Year Change



While USDA estimated only modest production losses for September, the agency made some important revisions to production in prior months. USDA revised production downward in every month since April with particularly large adjustments made to the August figures. Driven by both lower yields and fewer cows, USDA now estimates that production in August fell by 0.8% year over year, down from the 0.2% indicated last month. July production was also adjusted down to a 0.9% loss from a 0.7% decline in last month's report.

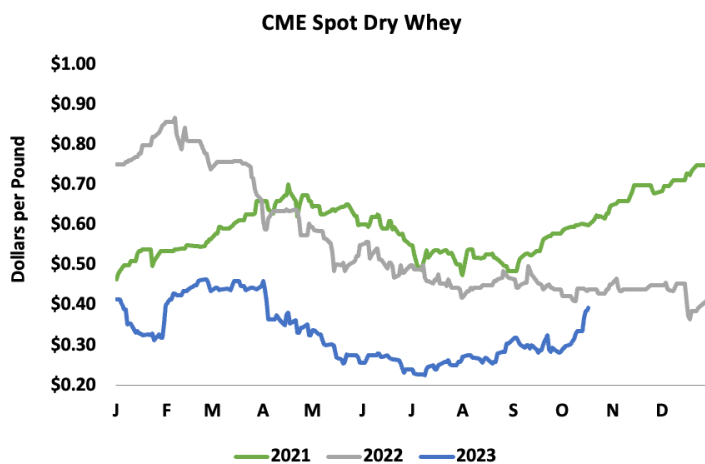
The new data suggests that the dairy herd has been shrinking more quickly than initially believed. This makes sense given the strong dairy slaughter numbers that were posted over the summer months.

USDA now estimates that in September the national dairy herd was composed of 9.37 million head, 6,000 head fewer than in August. Notably, the July and August herd size estimates were revised downward by 11,000 and 14,000 head, respectively. September's herd was 36,000 cows smaller than at the same time last year and represented the lowest cow number figure since January of last year.



Lighter milk production has reduced milk availability for manufacturers, which has put upward price pressure on spot milk in recent weeks. However, the situation appears to be stabilizing. This week in the Central U.S., *Dairy Market News* reports that spot milk could be picked up for a premium of between \$0.25/cwt to \$1.75/cwt. over Class III pricing. The midpoint of the range is unchanged compared to last week, but spot milk is noticeably more expensive than at this time last year when product could be picked up at a discount to class pricing.

Pricier spot milk combined with seasonal maintenance has slowed cheese production. Set against a stable to active demand environment, this has helped to support cheese prices, which bounded upward at the CME this week. Spot Cheddar blocks remained unchanged on Monday then moved solidly upward in the middle of the week. A 2.5¢ loss on Friday couldn't undo the gains seen earlier in the week and the market ultimately closed at \$1.7875/lb., an increase of 8.75¢ compared to prior week as 29 loads changed hands. Barrels also found some strength, moving up every day but Monday and ultimately rising to \$1.71/lb., up 6.5¢ from last week.



The bulls staked their claim in the dry whey market over the last few days. After remaining unchanged on Monday, the dry whey market added price over the remainder of the week, rising to 39.5¢ per pound, up a meaningful 6¢ compared to last Friday's close. While slower than last week's flurry of activity, trading this week was still active as 30 loads of whey moved. Improving global demand prospects combined with continued strength in the higher protein product markets are underpinning gains in dry whey. Stronger whey markets have helped to bolster Class

III prices. Following Friday's trade, all Class III futures contracts between NOV23 and MAR25 settled above \$18/cwt.

Within the Class IV markets, nonfat dry milk (NDM) got a boost this week, following global markets upward. Milk powders rallied at Tuesday's Global Dairy Trade auction with skim milk powder and whole milk powder rising by 4.3% and 4.2%, respectively. Back at home, this increase fueled a penny gain at the CME the same day as ten loads of powder changed hands. Prices bobbed the rest of the week, falling on

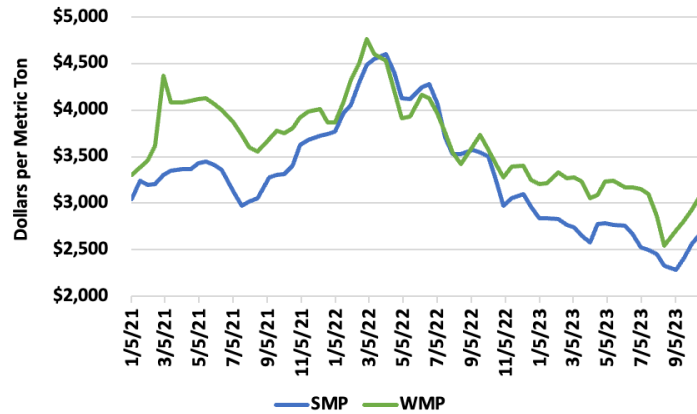
Wednesday and Friday while rising on Thursday. At the end of today's session prices settled at \$1.2325/lb., representing an increase of 1.25¢ compared to last Friday's price. *Dairy Market News* reports that condensed skim availability has improved and that while dryers are nominally busier, plenty of spare capacity exists in the system.

Following a few weeks in the spotlight, butter moved sideways this week. After losing a penny on Monday butter launched a new rally, adding 6¢ on Tuesday. The market quickly ran out of steam, however, and after a modest gain on Wednesday, lost ground on Thursday and Friday. When all was said and done butter finished the week at \$3.36/lb.,

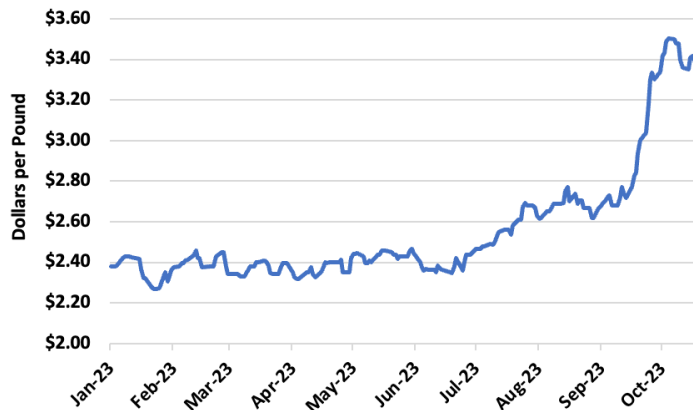
unchanged compared to last week with 13 loads trading hands. Tones in the butter market are mixed as the bears and the bulls grapple with where to take the market next. Class IV prices remain resilient as the NOV23 Class IV futures contract settled at \$21.36/cwt. on Friday.

The corn and soybean harvests are progressing at a pace slightly ahead of last year. In this week's *Crop Progress* report, USDA reports that 45% of corn has been harvested, up from 43% at this time last year and ahead of the 42% five-year average. Meanwhile 62% of soybeans are harvested compared to 60% in 2022 and well ahead of the five-year average of 52%. As harvest progresses many producers are seeing yield prospects improve. Even so, concerns about global supplies are supporting elevated grain prices. On Friday DEC23 corn settled at \$4.955/bu. while DEC23 soybean meal settled at \$423.90/ton.

GDT Milk Powder Prices



CME Spot Butter



unchanged compared to last week with 13 loads trading hands. Tones in the butter market are mixed as the bears and the bulls grapple with where to take the market next. Class IV prices remain resilient as the NOV23 Class IV futures contract settled at \$21.36/cwt. on Friday.

The corn and soybean harvests are progressing at a pace slightly ahead of last year. In this week's *Crop Progress* report, USDA reports that 45% of corn has been harvested, up from 43% at this time last year and ahead of the 42% five-year average. Meanwhile 62% of soybeans are harvested compared to 60% in 2022 and well ahead of the five-year average of 52%. As harvest progresses many producers are seeing yield prospects improve. Even so, concerns about global supplies are supporting elevated grain prices. On Friday DEC23 corn settled at \$4.955/bu. while DEC23 soybean meal settled at \$423.90/ton.