



DSR Market Insights

Week of
July 8, 2024

CATEGORY	NEAR-TERM MARKET PRICING TREND	SUPPLY vs. DEMAND	DSR MARKET INSIGHTS COMMENTARY
Beef (Commodity)	Increasing	Short - Mixed	Packers elected to slow harvest levels early last week (609,000 head) as we enter, July 4th week. Packers won't run on July 4th (Federal Holiday) and there is no market incentive for Packers to run on either Friday or Saturday of this week. Should packers cut kills further, product shortages should be expected coming out of the holiday week, as packers attempt to extend holiday prices to protect margins. Sharp, seasonal price corrections within middle meats are ahead. Packer's hope shorting the market will slow price depreciation and prevent middle meat values from falling to projected levels
Butter	Increasing	Available - Strong	<p>Contacts in the East and West say high temperatures at the start of summer have had a negative impact on milk production. This has contributed to cream volumes tightening throughout the country. In the Central region, contacts say spot loads of cream remain within fiscal reach for butter makers. Contacts in the East say butter production is slowing, but butter production is steady in the West. In the Central region, contacts relay butter demand is slightly better than in prior years. In the West, contacts report softening demand for retail and food service butter. Salted butter is available in the West, but contacts say unsalted inventories are tight.</p> <p>East Region As the summer months roll in, rising temperatures are having a greater impact on milk production. Farm level milk production in the East has begun to decrease, just not at the levels of the rest of the country. Cream levels have started to tighten as temperatures rise and transportation becomes more challenging. As more of the tightening cream supply has moved to Class II and III, butter production has begun to slow. Some butter makers have limited their production in preparation for maintenance and churn rebuilds. Butter makers were prepared for the slowdown. The NASS Cold Storage released on June 25th showed butter stocks on May 31st were just over 380 million pounds up 5% from last month, and up 3% from last year.</p> <p>Central Region Butter makers say demand is slightly better now than during this time in previous years. Customers are conveying a similar tone to butter manufacturers. Bulk butter is available, but as cream supplies continue to decrease, a growing number of contacts expect butter tightness in the near to mid-term. Regarding cream, spot loads are still in the fiscal reach of butter makers, but they have become noticeably more limited than in previous weeks.</p> <p>West Region The start of summer and high temperatures have had a negative impact on milk production and cream volumes in the West. Despite this, butter makers in the region continue to pull heavily on cream supplies to run busy production schedules. Some butter makers in the region say their churns are shutting down this or next week for extended maintenance projects. Retail demand for butter is steady to lighter, but contacts report food service sales have notably softened compared to previous weeks. Spot loads of salted butter are available, while unsalted butter inventories remain tight. The NASS Cold Storage report released on June 25th showed inventories at the end of May were up 5% from the prior month and up 3% from May of 2023.</p> <p>Source: USDA AMS as of June 28</p>
Cheese	Increasing	Available - Steady	<p>Cheese production schedules are mixed throughout the U.S. In the East, contacts relay steady cheese production schedules and steady demand from both retail and foodservice customers. Cheese manufacturers in the Central region share steady production schedules. Some contacts have shared they are refraining from purchasing additional spot loads of milk due to the upcoming Independence Day holiday as some cheese production lines may be down for a four-day weekend. Some contacts share continued strong demand for cheese and limited spot inventory, while others have shared demand is steady but has slowed down from recent weeks and months. Lighter milk production through most of the West has contributed to lighter cheese production schedules. Cheese is available for spot purchasers, but inventories are not loose. Retail demand is strong ahead of the holiday next week. The NASS Cold Storage report released earlier this week revealed total natural cheese stocks on May 31st were down slightly from April but were up 4% from a year ago.</p> <p>East Region Rising temperatures have started to move into most of the East, and milk production for Class III has started to slide down along with much of the country. Even with the slight dip in milk production, cheesemakers have kept steady production schedules. Both retail and food service customers have kept up a steady demand. Cheesemakers note demand, in general, is meeting expectations. Cheese supplies placed into cold storage have remained steady as well.</p> <p>Central Region Cheesemakers are sharing mixed takes on demand in recent weeks. Some say they are turning away new orders, as they are booked solid. Others say summer demand is meeting expectations but has slowed down from a busy late spring season. Some curd makers say seasonal orders are stronger than they were last year. Production remains steady in the region, but both cheesemakers and milk handlers are in preparation for next week's holiday. Milk handlers are concerned that the Thursday holiday will keep some cheese lines down for a potential four-day weekend. On the other hand, some cheesemakers say they are holding off on purchasing extra spot milk loads, which are currently in a similar price range to previous weeks, until next week when neighboring processing plants will likely be on lighter schedules. Cheese markets are not bullish or bearish, but indecisive.</p> <p>West Region Retail demand for cheese has picked up ahead of the Independence Day holiday, and contacts say they anticipate increased food service sales during the summer months. Export demand for cheese is steady, though some contacts say current prices are not competitive with internationally produced loads and are contributing to lighter interest compared to previous months. Cheese is available for spot purchasing, but contacts say inventories are not excessive. Milk output is declining in the West, and some cheesemakers say this has contributed to lighter production. The NASS Cold Storage report released earlier this week revealed total natural cheese stocks on May 31st were down slightly from April but were up 4% from a year ago.</p>
Cocoa/Baking Chocolate	Increasing	Available/Strong	Based on Global weather and crop conditions, the Cocoa Bean crop is limited this pack year. World markets are trading at high prices and that continues to trickle into Foodservice. Expected pricing to remain high on all baking Chocolate and Cocoa products with the potential for more near term increases. This will also impact pricing on finished-goods that contain chocolate as a key ingredient. This situation is expected to prevail through summer months.
Fluid Dairy	Class I - Increasing Class II - Increasing	Class I Available - Steady Class II Short - Strong	July Milk (Class I) significant increase for July. Cultured/Creams (Class II) minimally higher for July.
Canned Vegetables - Whole Potatoes & Whole Beets	Increasing	Short - Strong	Inventories of 6/10 Small or Tiny Whole Potatoes and Whole Beets are exhausted until new pack in late August or early September.



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Oils/Shortening	Steady	Available - Mixed	Soybean oil has traded at higher levels in the stock market in recent days due to increased demand from the Biofuel sector. This may translate to slightly higher prices on commodity Soybean oil products in the coming days, but any change should be minimal at this time. Canola oil prices are holding steady with steady demand. No major changes should occur in Canola products in the coming days. Summer vacation season has caused increased demand in some market areas. However, there is still ample raw materials available and it is not expected that this will cause any major increases as we move through early July.
Pork (Commodity)	Mixed	Available - Mixed	Demand for the butt and sparerib is still strong through the end of June, expect prices to continue to rise in the short term. The boneless loin is out of favor in retail and foodservice so should continue to decline through mid-July.
Pork (Value-Added)	Steady	Available - Steady	42 Trim has stabilized at the current level for the next couple of weeks, 72 Trim will continue to decrease for roughly the same time frame. Bellies will trend up.
Poultry (Chicken)	Mixed	Mixed - Mixed	Pricing on jumbo breast meat decreased this week, while all sizes of wings continued to climb. Tenderloins have remained steady. The back half of the bird remains steady and supply is tight.
Poultry (Turkey)	Steady	Available - Steady	Frozen whole bird pricing remains steady and well below pricing we saw a year ago. Breast meat also remains steady with plentiful availability. Expectation is this will remain the pattern near term.
Produce	Lower - Romaine, Iceberg, Onions & Value-Added Lettuces Steady - Grapes, Strawberries, Apples, Oranges, Russet Potatoes 80s & smaller Higher - Apples [Gala, Pinks, & Golds], Bell Peppers, Avocados, Broccoli, Tomatoes, Lemons, Potatoes 40s - 70s	Improving/Steady - Grapes Good/Steady - Apples, Strawberries, Iceberg, Romaine, Russet Potatoes, Yellow Onions Short/Strong - Tomatoes, Avocados, Oranges, Bell Peppers, Broccoli, Lemons, Red Onions	Apples, Red Del, G. Smith & Fuji plentiful. Pink, Gold, Gala are tight. Avocados supplies tight following USDA suspends MX harvest. Bell Peppers, new production slow to start, pricing high. Quality good. Broccoli, west coast shortage due to weather & quality issues. Iceberg, favorable weather has increased supply. Value-Added/Fresh Cut Lettuce costs declining. Romaine, excellent availability. Quality good. Grapes, supplies are ample, costs softening. Good quality. Tomatoes, markets are escalated through July due to supply gaps. Strawberries, ample suppliers. Nice quality. Oranges, CA Valencias very large. 88/113/138s scarce thru summer. Lemons, CA 165/200/235s scarce thru summer. Imports arriving. Onions, yellows plentiful. Red & White higher due to demand from MX. Russet Potatoes, 40-70sz are limited. 80-120sz and #2s, plentiful, good quality and cheap. Storage crop expected to overlap new crop in Aug. Peaches, Plums, Nectarines & Cherries are in good supply from CA.
Bulk Sugar	Steady	Available - Mixed	The current crops of both beet and cane are fairing well at this point despite a few weather concerns in the Midwest. There is plenty of product available from the current crop based on weak demand earlier this year. Pricing levels are likely to hold similar levels in the coming weeks. All eyes will be on the weather for the upcoming fall crop harvest.
Shell Eggs	Steady	Available - Steady	Consumer demand for shell eggs remains about unchanged and about average for this time of year. Wholesale prices for negotiated trading of loose eggs are reported as barely steady with limited movement and a full range of demand. Spot market offerings remain light with light to moderate supplies. Wholesale breaking stock prices are firm as offerings remain light and supplies light to moderate. Demand is moderate to good on moderate trading. Schedules are full to reduced with next week's July 4th holiday expected to disrupt production schedules. Trading is moderate for available offerings. The preliminary survey of retail outlets indicates a modest increase in activity targeting July 4th celebrations. The average ad price declines on the increased activity. Source: USDA AMS as of June 26 Avian Influenza News: On 5/29 Michael Foods reported a third-party farm in Iowa expects to depopulate 4.5MM hens based on a Highly Pathogenic Avian Influenza (HPAI) outbreak. This follows a report Eggs America on 5/21 that a farm in Minnesota expects to depopulate 1.2MM-1.3MM birds after an HPAI outbreak was confirmed; Michael Foods noted on 5/29 that this same Minnesota farm is a 3rd party supplier of theirs. Michael Foods' 3rd party suppliers support their primary company-owned supply. These reports are in addition to three other recent reports of HPAI in Michigan (4/2 and 4/9) and in Texas (4/2). Though these are the same type of outbreaks that led to widespread flock depopulations in 2022 and subsequent increases in market prices for eggs in 2022 and early 2023, the current scale is not yet to scale of the late-2023 outbreaks. Urner Barry reports increasing spot prices, however pricing is a lagging indicator of supply that will likely be affected by a lower population of hens laying eggs in the future. It is important to remain vigilant regarding local market conditions that may affect supply and spot pricing.



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Wheat (Flour Based Products)	Steady	Available - Mixed	<i>There there is some concern over diminished world wheat supplies in the coming months, domestic prices are expected to remain near curent levels on bulk flour products and finished goods utilizing flour as a main ingredient. Slight demand increases in recent days shoudl not cause any major change in pricing in the near term.</i>