

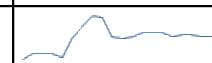
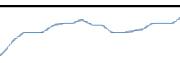
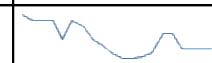


The T.C. Jacoby Weekly Market Report

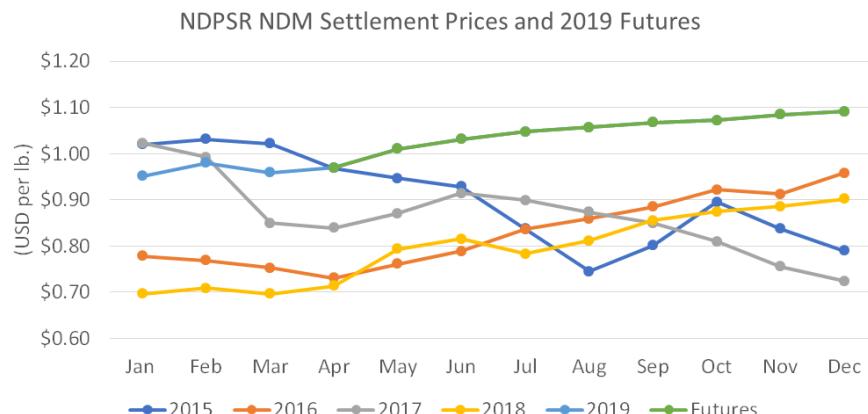
WEEK ENDING APRIL 12, 2019

By Sara Dorland, Managing Partner at Ceres Dairy Risk Management, LLC
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CME Spot Market for the Week			WHEY		
			Avg Price	Qty Traded	4 wk Trend
4/8/2019 to 4/14/2019			\$ 0.354	4	
CHEESE BLOCKS			CHEESE BARRELS		
Avg Price	Qty Traded	4 wk Trend	Avg Price	Qty Traded	4 wk Trend
\$ 1.649	10		\$ 1.596	39	
BUTTER			NON-FAT		
Avg Price	Qty Traded	4 wk Trend	Avg Price	Qty Traded	4 wk Trend
\$ 2.260	1		\$ 0.988	11	

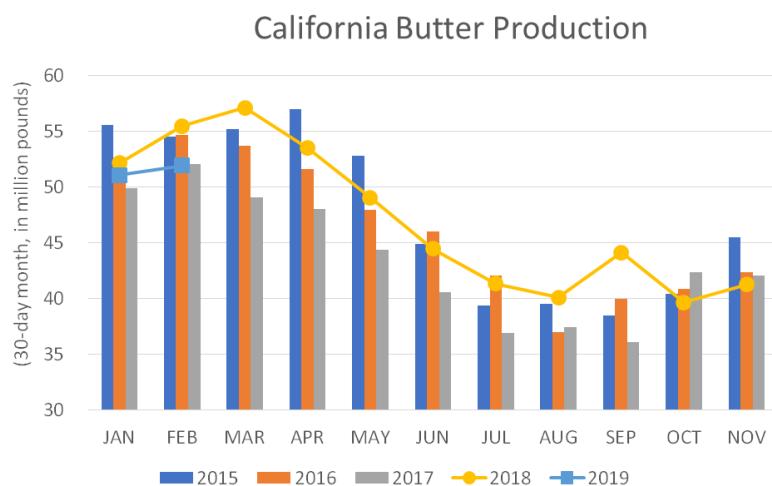
Concerns are growing among nonfat dry milk (NDM) buyers that milk powder prices could reach into the \$1.15 range if not higher later this year. That has supported nearby spot NDM prices and pushed CME Q4 2019 NDM futures to an average of \$1.08/lb. this week. The market sentiment now is that the longer prices remain in the high 90¢ range this spring, the higher prices could move up later this year. This week, the CME spot NDM price averaged 98.75¢, up 1.05¢ compared to the prior week. This year will be the first year in five years that market prices have not been weighed down by an overhang of EU Intervention skim milk powder (SMP) stocks. If the higher NDM price levels materialize, they could result in some of the highest-Class IV milk prices in a long time for western dairy producers, which would be much needed good news. As of the end of this week, CME Class IV milk futures averaged \$16.83/cwt. for the back half of 2019.



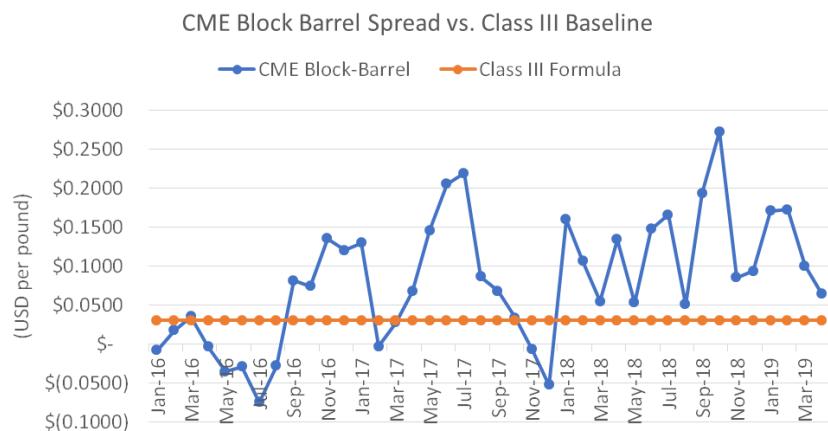
Cheese has been trading in the \$1.60 range and seems unlikely to budge from those levels. Sales across the country have varied ahead of the Easter holiday, with several processors reporting better-than-expected orders. Yet in the same breath, they state that they are not having

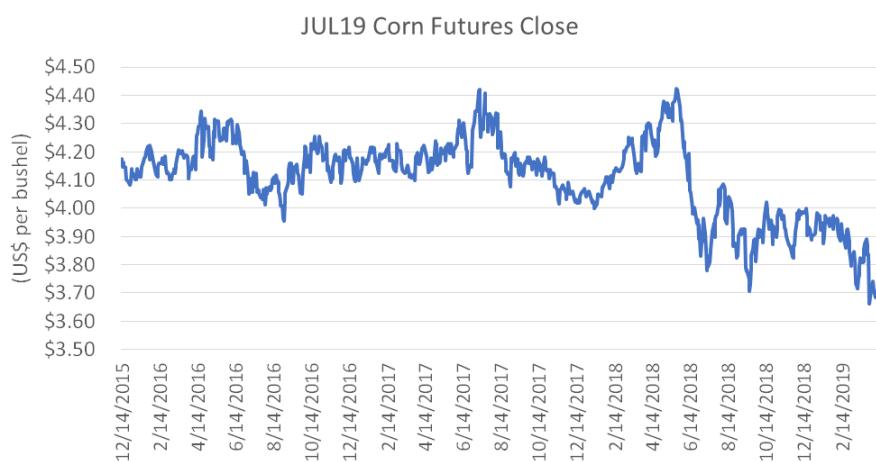
trouble finding most varieties of cheese. Several processors are indicating that Cheddar blocks are harder to come by, and with just 10 loads changing hands at the CME this week, that's likely the case. Barrels are plentiful and readily available, both on and off market. On Friday alone, CME participants exchanged 20 loads of barrels with the price settling at \$1.6175/lb., up 2.25¢ on the day. The block-barrel price spread of 5.35¢ was above the Class III formula's 3¢ assumption, but well below this year's first-quarter average spread of 14.7¢. Whey prices remain in the upper-30¢ range, but continued weakness from Southeast Asia related to African swine fever (ASF) is pressuring both permeate and whey prices, which are showing signs that prices could continue to trend downward for some time. The second-quarter Class III milk futures price average closed at \$15.83/cwt. today, which was much better than the actual first-quarter average of \$14.30 and 88¢ higher than Q1 2018.

While the United States has more butterfat this year, it has less butter, largely driven by production declines in California and Pennsylvania. In February, California produced 51.9 million pounds of butter. Two months into the year, that puts California butter production down 4.3% from the same period in 2018. Last year, Golden State butter output grew steadily until October. Lower butter output in California could be related to last November's federal order expansion into the state, which increased the cost of production for bulk butter by eliminating the freight allowance in the formula. Nationally, USDA's Agricultural Marketing Service reported Class I butterfat utilization at 20.4 million pounds for the first two months of



this year, which is 14.8% higher than the comparable period a year ago. That confirms that consumers are consistently reaching for 2% and whole milk at the retail level more often. As a result, there is less butterfat available to churns this year. That combined with lower milk production on the East Coast could drive volatile cream multiples as ice cream season approaches.





July corn futures remained muted this week as another bomb cyclone hammered the Midwest and northern plains. JUL corn closed at \$3.695/bu. on Friday, a bit higher than earlier in the week, but this week's prices were still some of the lowest since contract inception.

Rumblings intensified that gasoline prices in California could rise above \$4/gallon for the first time in five years due to weather disruptions impacting ethanol processing in the Midwest. However, the latest set of storms appears to have been far less damaging than the original forecast and actual flooding materialize compared to initial expectations. While there are thousands of acres of cropland still underwater or drying out, technology and a few dry weeks could allow fieldwork to commence and planting could be back on schedule by the end of May. For now, markets are keeping weather premiums at bay.

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