



The T.C. Jacoby Weekly Market Report

WEEK ENDING MAY 29TH, 2020

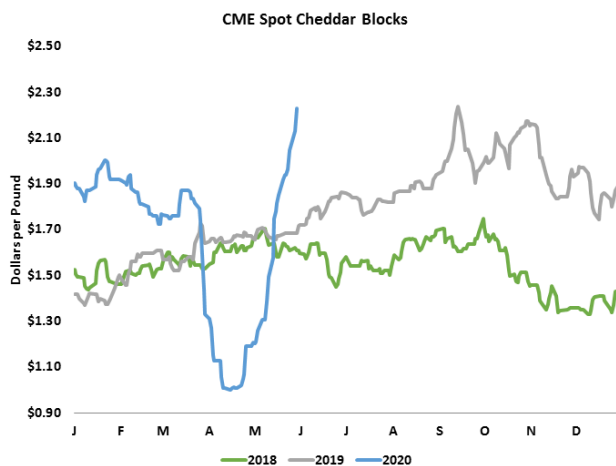
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CME Spot Market for the Week 5/25/2020 to 5/29/2020			WHEY		
			Avg Price	Qty Traded	4 wk Trend
			\$ 0.319	32	
CHEESE BLOCKS			CHEESE BARRELS		
Avg Price	Qty Traded	4 wk Trend	Avg Price	Qty Traded	4 wk Trend
\$ 2.093	0		\$ 1.947	26	
BUTTER			NON-FAT		
Avg Price	Qty Traded	4 wk Trend	Avg Price	Qty Traded	4 wk Trend
\$ 1.602	18		\$ 1.028	15	

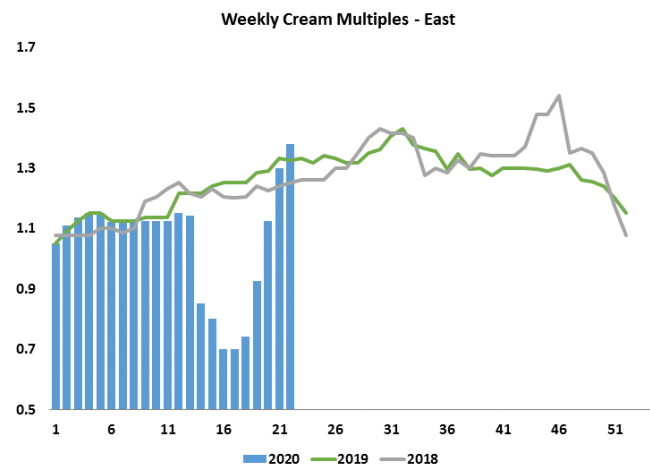
The pandemic sickened the dairy markets in April, creating immense pain on the farm. Dairy producers have cashed a paltry April milk check, and their May revenue will be even more inadequate. But there are better days ahead. The dairy markets made astounding gains this month.

Today, CME spot Cheddar blocks soared to \$2.23 per pound, within a fraction of a cent of the highs made in September 2019. Blocks rallied 29.25¢ this week and a spectacular \$1.0225 since the month began. Barrels closed today at \$2.0225, up 13.25¢ for the week. They are 83.25¢

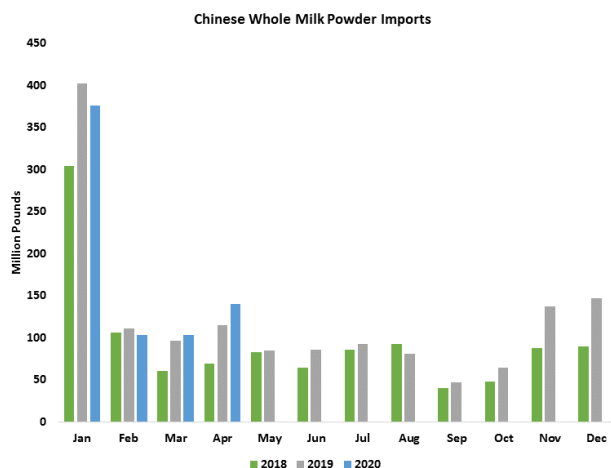


higher than they were on April 30. Cheesemakers are running overtime and fortifying vats with nonfat dry milk (NDM) to meet strong demand from retailers, restaurants, foodbank donors, and exporters. Nonetheless, cheese stocks remain tight and fresh blocks are especially difficult to source. Only 17 loads of blocks traded at the CME spot market in May, with just four loads changing hands in the past two weeks. European cheese is much cheaper than U.S. product, which suggests that the surge in U.S. cheese exports will be short-lived.

Spot butter climbed 46.25¢ this month to \$1.66 per pound. It gained 6.75¢ during the holiday-shortened week. On the other side of the Atlantic, European butter values are also on the rise. U.S. butter churning has slowed considerably as more cream goes to ice cream and other uses. Cream is particularly scarce in the East, where cream multiples have jumped from about 70% of the butter price in mid-April to more than 1.3 times the butter price today. In the West, cream multiples have bounced back but they are still below the values reported in late May in recent years.



Spot NDM is slowly marching higher. It closed today at \$1.03, up 1.75¢ this week to the highest spot value since mid-March. Spot NDM regained 23¢ in May. The tighter milk market has shortened the lineup of trucks at driers, and many balancing plants are running below capacity. Cheesemakers are chipping away at the NDM stockpile, and importers are reportedly stepping in as well, albeit with some caution.

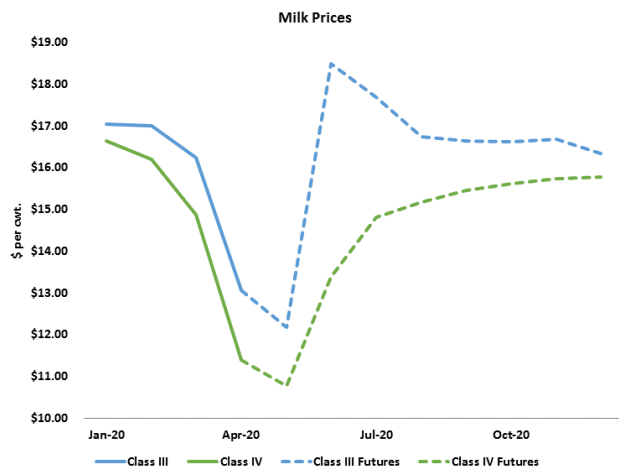


China is helping to keep global milk powder inventories in check. China imported 140.4 million pounds of whole milk powder (WMP) in April, 21.9% more than they did a year ago. Chinese WMP imports got off to a slow start this year, but April's strong tally brought them to within 0.2% of last year. China's year-to-date skim milk powder (SMP) imports are 14.3% below the record-breaking levels set in the first four months of 2019, but they are still higher than every other year, including 2014. Given disruptions in global trade and reports of more milk moving to driers in China during

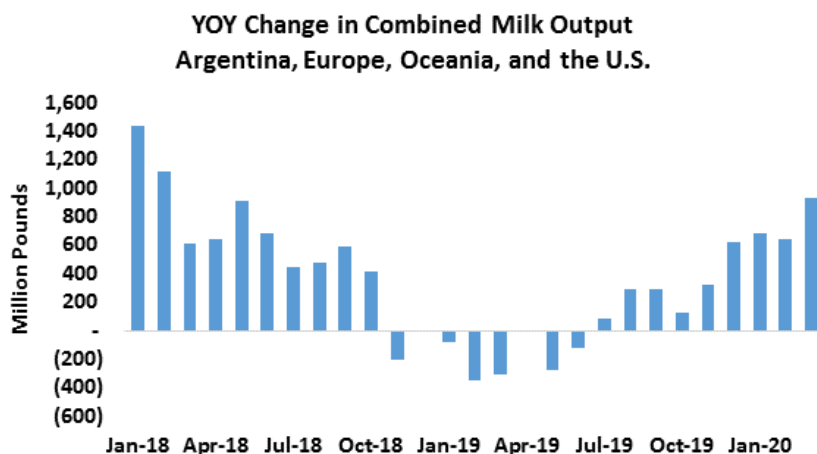
the lockdown, Chinese milk powder imports were stronger than anticipated. It seems likely that China is stocking up while dairy is on sale.

Only the whey market retreated this week. CME spot whey slipped 5.75¢ to 30.5¢, matching the lowest price since November. Dragged down by formidable cheese output, spot whey powder fell 8.75¢ in May, a 22% decline.

Mostly higher dairy product prices translated to a sizeable advance in the futures. June Class III surged \$1.47 this week to \$18.50 per cwt., a new life-of-contract high. July Class III added \$1.24 and the other Class III contracts posted hefty gains. Every contract on the board is at least \$16. Second-half Class IV contracts climbed 76¢ this week, on average. Still, with June Class IV at \$13.39 and July at \$14.82, values are well south of profitability, much less prosperity.



As evidenced by the awe-inspiring May rally, efforts to reduce milk output are clearly working. Slaughter volumes remain elevated. Lower milk yields suggest dairy producers are still focused on cutting costs rather than topping up the tank. Will they reverse course once better prices



arrive? Although demand has improved, there seems to be little reason to boost supplies. Even without the crippling impact of the pandemic, the industry would've likely drowned in milk this spring. Together, the U.S., Europe, Oceania, and Argentina pumped out roughly 935 million pounds more milk in March than the year before, the largest year-over-year

increase since February 2018. The U.S. accounted for 57% of the gain. Growth in U.S. milk production was cut in half in April, and the U.S. dairy herd shrunk by 4,000 cows. In such a shaky global economy there doesn't seem to be a good reason to add them back. We could do with a few less.

After a relatively sedate spring on LaSalle Street, the feed markets livened up this week. July corn settled at \$3.2575 per bushel, up 8.75¢ from last Friday. July soybeans rallied 7.5¢ to \$8.4075. The hot, dry forecast likely helped to heat things up. The cash market fanned the flames. Farmers are unwilling to sell at these prices, but ethanol plants have started to buy corn again. There is plenty of corn to go around, but little for sale in the cash market.

Soybean futures turned lower late in the week as tensions flared between the U.S. and China. The diplomatic relationship is deteriorating quickly, bringing the hard-fought gains of the trade war into question.