



The T.C. Jacoby Weekly Market Report

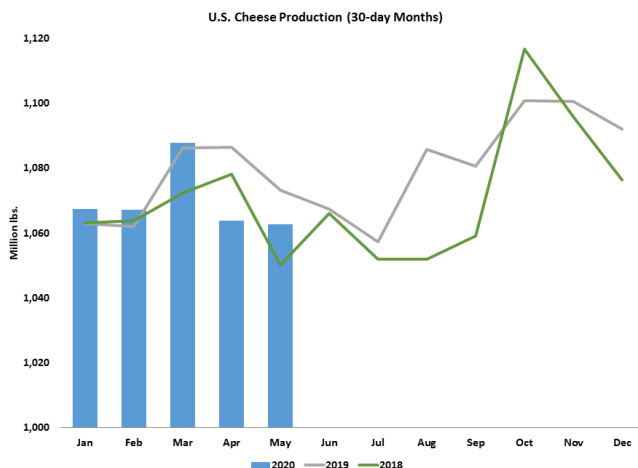
WEEK ENDING JULY 3RD, 2020

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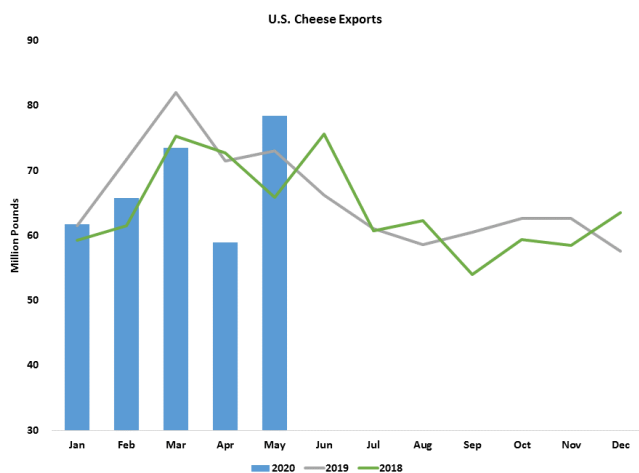
CME Spot Market for the Week 6/29/2020 to 7/3/2020			WHEY		
			Avg Price	Qty Traded	4 wk Trend
			\$ 0.324	18	
CHEESE BLOCKS			CHEESE BARRELS		
Avg Price	Qty Traded	4 wk Trend	Avg Price	Qty Traded	4 wk Trend
\$ 2.644	20		\$ 2.404	6	
BUTTER			NON-FAT		
Avg Price	Qty Traded	4 wk Trend	Avg Price	Qty Traded	4 wk Trend
\$ 1.754	4		\$ 1.008	7	

The cheese markets showed no sign of altitude sickness, as they clambered around with ease at lofty elevations. CME spot Cheddar barrels climbed 1.5¢ this week to \$2.415 per pound, just a penny from the all-time highs. Blocks jumped a dime to \$2.675. Although there is plenty of milk, there is a shortage of fresh cheese, and demand remains resilient despite the price.



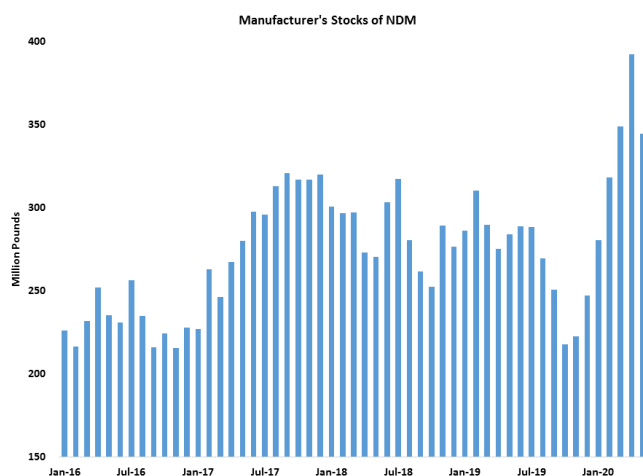
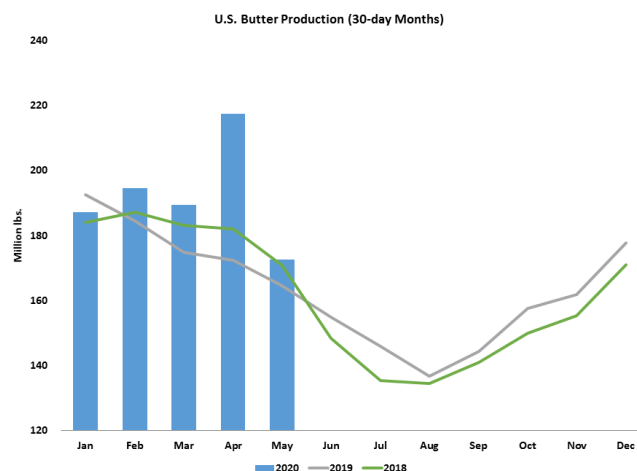
Less milk meant less cheese in May, setting the stage for the summer rally. U.S. cheese output fell short of 1.1 billion pounds in May, down 0.7% from a year ago. Cheesemakers directed more milk to Mozzarella to satisfy consumers' voracious appetite for pizza. Cheddar production fell 0.5% from last year, and manufacturers likely put some of that Cheddar into aging programs, making it unavailable to those seeking cheese in Chicago today.

Exports further tightened supplies. U.S. cheese was a bargain earlier this year, and foreign buyers took advantage. U.S. cheese exports climbed to 78.5 million pounds in May, up 7.5% from a year ago and the third-highest monthly volume on record. Shipments to Southeast Asia ballooned, and South Korea took Mexico's usual place as the top market for U.S. cheese.



High-protein whey products are losing value, and manufacturers are directing more of the whey stream to driers. Despite lower cheese output in May, production of dry whey for human consumption surged 9.1% year over year. Whey powder inventories piled up accordingly. Stocks of dry whey soared 29.3% above year-ago levels. Manufacturers were able to move quite a bit of whey abroad. Dry whey exports jumped 24.7% from last year in May. Still, whey abounds. CME spot whey continues to hover in the low-30¢ range. This week it rallied 1.75¢ to 33¢ per pound.

The butter market lost ground once again. CME spot butter slipped 2.75¢ this week to \$1.7375. Print butter is flying off the shelves as consumers continue to cook and bake at home. But foodservice demand is fitful, and likely to worsen as rising infection rates scare would-be restaurant patrons from dining out. Conferences, concerts, and arena sports remain on hiatus, which means a lot of foregone foodservice sales. Cream is expensive today, and churns are running very slowly, but we made enough butter in April and May to last a while. Butter output totaled 178.3 million pounds in May, up 4.9% from the prior year.



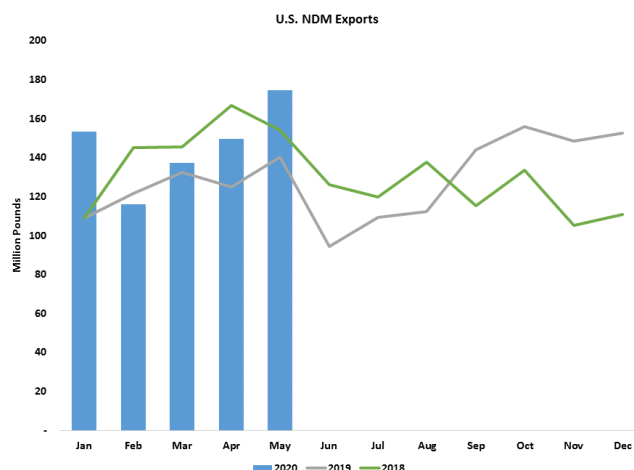
CME spot nonfat dry milk (NDM) slipped a penny this week to \$1.01. The milk powder market seems stable. Dryers ran much slower in May than they did in March and April, in the worst days of the spring surplus. Low milk prices and co-op restrictions clearly accomplished their awful task, bringing milk supplies in line with capacity. Attractive pricing kept NDM moving to end users, and milk powder inventories declined noticeably from April to May. Still, at 344.7 million pounds, stocks remained burdensome in late May. Thankfully, product is still moving

quickly. May NDM exports reached an all-time high of 174.5 million pounds, driven by strong shipments to Southeast Asia. Sky-high cheese prices are also helping to use up milk powder, as

cheesemakers fortify vats. However, some end users are starting to substitute cheap whey protein concentrate in favor of NDM.

Class IV futures finished steady to a little lower than last Friday's settlements, while the strong cheese markets propelled Class III futures straight upward. July Class III soared \$1.33 to a life-of-contract high at \$22.97 per cwt. August Class IV rallied \$1.88 to \$20.95, also a new closing high. Down the board, Class III futures gained considerable ground as well. USDA announced the June Class III

price at \$21.04, up \$8.90 from the paltry value posted in May. At \$12.90, the June Class IV price was still painfully inadequate, but it was \$2.23 higher than May Class IV.



These Class III values will encourage dairy producers to step up milk production, but they could struggle to do so in the middle of the summer. Dairy producers in the Midwest are likely to lose milk as cows face at least two weeks of unusually high temperatures. But low slaughter volumes and high milk values suggest the industry will do its best to make considerably more milk than was expected a couple months ago.

Traders had been leaning hard into massive large short positions, creating a pile of dry tinder for a raging short-covering rally. USDA lit the spark on Tuesday, when it reported a steep drop in corn area in the annual Acreage report. The agency estimates that farmers planted 92 million acres of corn this year, down a steep 5 million acres from the March Planting Intentions survey. Most of the acreage was lost in the Dakotas, where last year's flooding plagued farmers into this season. The 2019 harvest continued well into the spring of 2020 in North Dakota, and farmers who were still combining during the planting window were not inclined to rush to plant a late crop of \$3.00 corn. Despite the hefty decline relative to expectations, farmers still seeded more corn acres than they have in each of the past three seasons. And the crop is off to a great start. But the forecast is hot and dry, which could cap yields below potential. U.S. and global corn stocks are ample, so it will take some real crop issues to fire the market up a lot further.

USDA estimates 2020 soybean area at 83.8 million acres, up just 300,000 acres from the March planting survey. That was lower than expected, and the bean markets got a boost this week as well. August soybeans settled at \$8.9125 per bushel, up 31.25¢ from last Friday. September corn closed at \$3.435, up 15.25¢ for the week.