



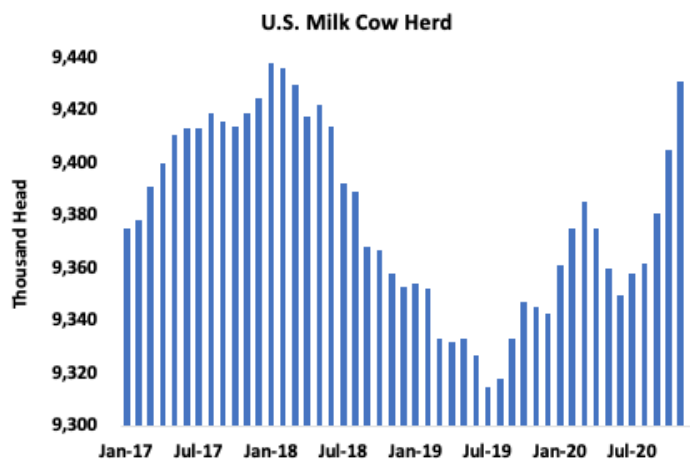
The T.C. Jacoby Weekly Market Report

WEEK ENDING JANUARY 29TH, 2021

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CME Spot Market for the Week 1/25/2021 to 1/29/2021			WHEY		
			Avg Price	Qty Traded	4 wk Trend
			\$ 0.523	7	
CHEESE BLOCKS			CHEESE BARRELS		
Avg Price	Qty Traded	4 wk Trend	Avg Price	Qty Traded	4 wk Trend
\$ 1.589	0		\$ 1.395	21	
BUTTER			NON-FAT		
Avg Price	Qty Traded	4 wk Trend	Avg Price	Qty Traded	4 wk Trend
\$ 1.287	18		\$ 1.162	37	



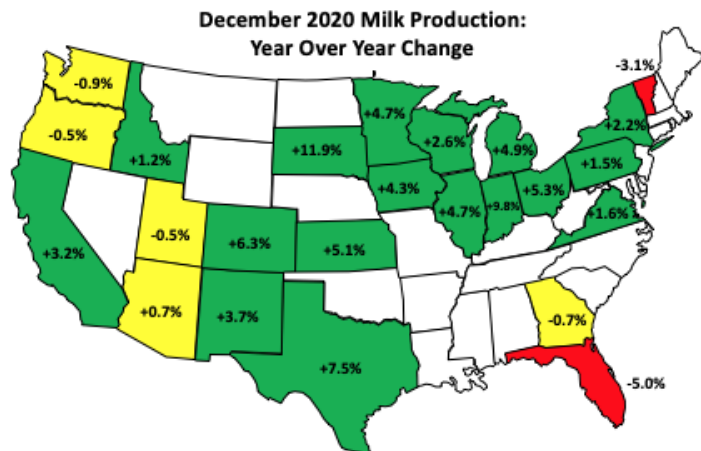
Milk is gushing across the United States. USDA's Milk Production report, released Monday, indicated that milk production in December reached 18.941 billion pounds, 3.1% more than the same month last year. Total production for the year is believed to have grown by 1.9%, after accounting for the leap day. A dramatic expansion in the national dairy herd drove much of the increase. Between June and December, U.S. producers added an astonishing 93,000 cows to the herd, bringing December's cow numbers to the largest figure seen since 1995. Yields also had a hand in the surge,

with U.S. milk per cow breaching 2,000 lbs. in December for the first time ever.

Milk production growth was strong across most of the United States in December, with the West and the Midwest posting particularly convincing figures. California alone increased production by 3.2%, year over year, equivalent to an additional 110 million pounds. Each of the country's top nine dairy states saw output expand by at least 1.2% for the month while only a smattering of states saw production declines. Among them, Florida and Vermont saw production contract by 5% and 3.1%, respectively, while Georgia, Utah, Oregon, and Washington all witnessed more modest drops. Favorable weather is generally believed to have helped support continued milk production growth across most of the country into January.

Though frigid temperatures in the upper Midwest pushed back on production late in the month, the effect is likely to be short lived.

With plentiful milk and the pull from Class I users still underperforming prior years, there is more than enough available for manufacturing uses. In most parts of the country spot milk can be picked up at a discount to class values. USDA reported this week that in the Midwest spot milk for cheese manufacturing could be acquired with discounts as large as \$8.50 to the Class III price. However, even as spot milk remains abundant, there are some signals that the tide may be shifting with manufacturers increasingly reporting that spot loads are becoming less available.

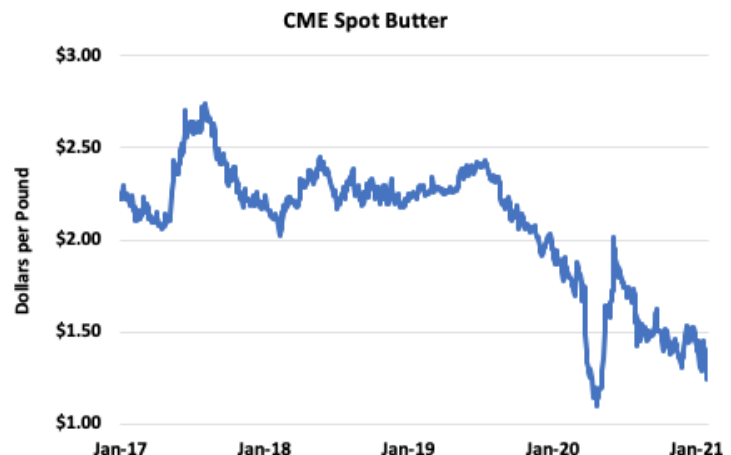


Cheese manufacturers across the country have been running hard. Retail demand has held up in most parts of the country, but foodservice sales remain largely depressed. As a result, much of this production has been routed into storage. In USDA's Cold Storage report, also released Monday, total cheese stocks at the end of the year amounted to 1.398 billion pounds. Between November and December, total cheese inventories grew by over 50 million pounds, nearly 10 times the average increase over this period during the previous five years. Three quarters of the rise was driven by

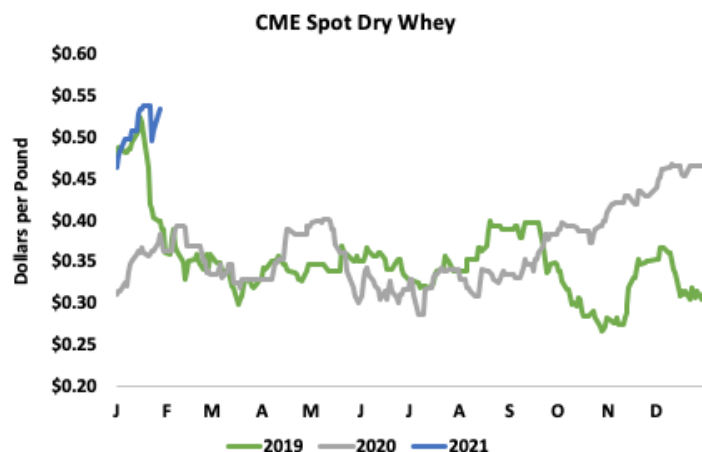
growing American cheese stocks though other cheese styles saw inventories amass as well.

The Cheddar spot markets responded to the slack by moving downward over the course of the week. By Friday, spot block Cheddar prices had sacrificed 3.5¢ to finish the week at \$1.575/lb., the lowest price since May 2020. Barrels demonstrated a bit more resilience. After moving modestly upward on Tuesday, the market once again slid backward, ultimately closing today's spot session at \$1.39/lb., a quarter cent lower than last week. While not a single load of blocks traded hands, 21 loads of barrels managed to move during the week.

Meanwhile, the butter markets featured a more dramatic descent. Also weighed down by excessive supply, CME spot butter markets gave up 15.75¢ since last Friday, closing the week at \$1.245/lb. Churns across the country, but especially in the



West, report that they are working furiously as they try to sop up available cream supplies. Retail interest is at least steady, and the food box program has helped to clear some product, but nevertheless inventories remain heavy. USDA reported that at 273.8 million pounds, butter stocks at the end of December were the strongest they had been at that time of year since 1992. Furthermore, given that any of this product that was manufactured prior to December 1 can only be sold at the CME until the end of February, the market is likely to struggle finding traction in the next couple weeks.



Dry products have posted mixed performance since Monday. Nonfat dry milk (NDM) spot prices descended to \$1.1375/lb. on Tuesday before bouncing back to close the week at \$1.1725/lb., unchanged versus last Friday. Even though product is purportedly plentiful, the buyers were also present in Chicago this week, with 37 loads of NDM moving. Dry whey, which has been bullish of late, stumbled on Tuesday for the first time this year, giving up 4.25¢. The move was short lived, however, and by the next day growth had resumed. Yet, spot whey was unable to

erase the entire loss, and by the time the market closed at 53.5¢/lb. on Friday, it remained half a penny lower than prior week.

Milk futures incorporated the weakness of the spot markets, moving downward over the course of the week. Class III markets softened in particular, with most 2021 contracts losing value early in the week, recovering in the middle, and returning to the red on Friday. FEB21 and MAR21 Class III contracts settled \$1.1 and 90¢ lower than last Friday, respectively. Class IV markets also saw values deteriorate with big declines early in the week and on Friday. Despite some recovery midweek nearby contracts also finished down by about 50¢.

Feed prices are poised to continue threatening producer profitability in the coming months. After settling last Friday on a weaker note, nearby corn futures rallied this week pushing MAR21, MAY21, and JLY21 contracts above \$5.36/bushel. USDA's announcements about large corn exports to China have renewed concerns about grain availability. Soybean futures also moved up through Wednesday, took a breather on Thursday, and bounded upward once more on Friday. The three nearby contracts are all now sitting above \$13.48/bushel.