



The T.C. Jacoby Weekly Market Report

WEEK ENDING FEBRUARY 12TH, 2021

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CME Spot Market for the Week 2/8/2021 to 2/12/2021			WHEY		
			Avg Price	Qty Traded	4 wk Trend
			\$ 0.540	2	
CHEESE BLOCKS			CHEESE BARRELS		
Avg Price	Qty Traded	4 wk Trend	Avg Price	Qty Traded	4 wk Trend
\$ 1.603	16		\$ 1.498	29	
BUTTER			NON-FAT		
Avg Price	Qty Traded	4 wk Trend	Avg Price	Qty Traded	4 wk Trend
\$ 1.314	11		\$ 1.120	16	

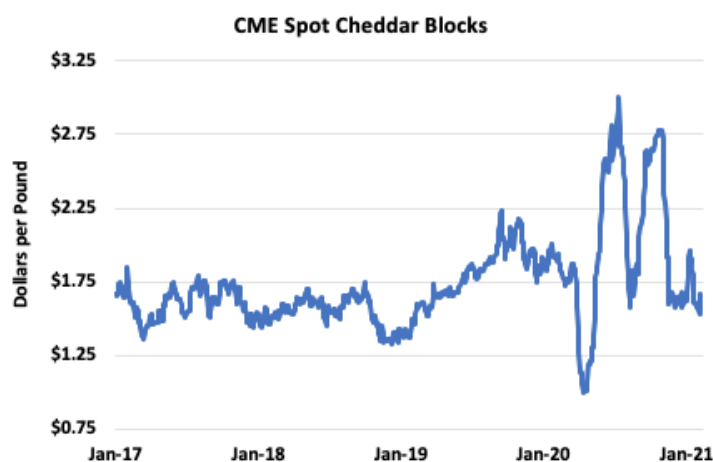
Chinese New Year celebrations may be ushering in the Year of the Ox, but here in the U.S. dairy markets, the bears are still very much present. Milk remains plentiful and manufacturers are picking up heavily discounted spot loads. Meanwhile, inventories for most dairy products remain heavier than typical for this time of year and demand from the foodservice channel continues to limp along. Nevertheless, the situation is evolving, and some developments suggest that tighter markets could be on the horizon.

Though milk yields have exceeded expectations for much of this year, the frigid temperatures and winter precipitation that have set in across large swaths of the Central and Eastern United States are expected to undermine cow comfort and push down on production in these areas. Inclement weather has also complicated logistics as icy conditions threaten the movement of raw milk and finished products in some locations. In other regions, however, milk production continues to forge ahead. Particularly in the West and Southwest, output is increasing seasonally as spring approaches.

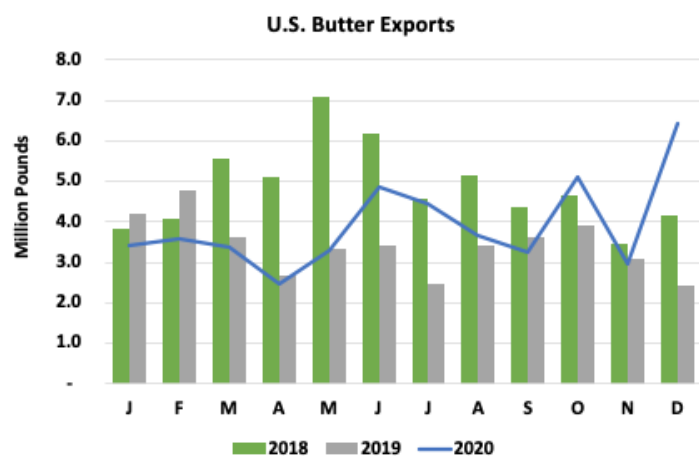
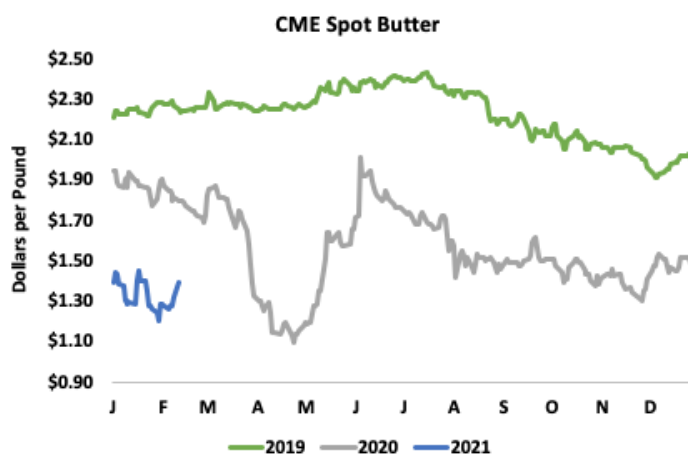
The government is poised to continue levying influence on the dairy markets in the coming months. On Thursday, the House of Representatives Agriculture Committee approved \$16 billion worth of measures for the purpose of supporting American food and agriculture. Within the bill \$4 billion could be used for additional purchases of agricultural goods, including dairy products. Though the bill pertains to the administration's COVID relief package – and is thus subject to the passage of the broader legislation – cheese and class III futures nevertheless bounded upward on the news with some nearby contracts trading limit up.

Overall, the spot Cheddar markets had a relatively subdued week, as the reality of ample supply and lackluster restaurant demand continues to weigh on prices. Cheese manufacturers across the country

emphasize the availability of spot milk and are running hard to absorb as much of it as possible. Following last Friday's rally, CME spot Cheddar blocks opened the week with a modest gain on Monday. The market then lost steam for the remainder of the week, and despite a bounce on Thursday, Cheddar blocks ultimately finished the week at \$1.5575/lb., down 8.25¢ from last Friday. Barrels remained unchanged at \$1.50/lb. for most of the week before giving up a penny on Friday to close at \$1.49/lb. Barrel trade was active with 29 loads changing hands, while 16 loads of blocks moved.



Spot butter prices managed to find some traction this week. With the exception of a dip on Wednesday, CME spot butter prices moved up all week, closing Friday's trade at \$1.395/lb., up 12.75¢ from last week. Market participants indicate that lower prices have helped to generate additional demand, particularly from retailers. As U.S. prices continue to hold a significant discount to global competitors, interest from international buyers is growing, and where possible, manufacturers are adjusting to produce butter that meets international standards. Even with the uptick in demand, cream supplies remain available and with



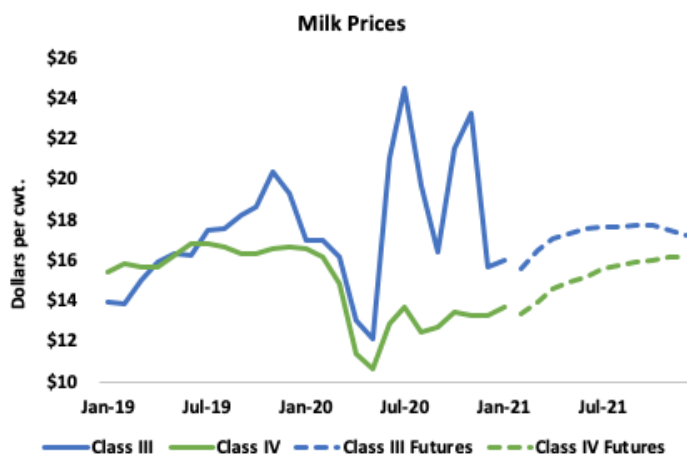
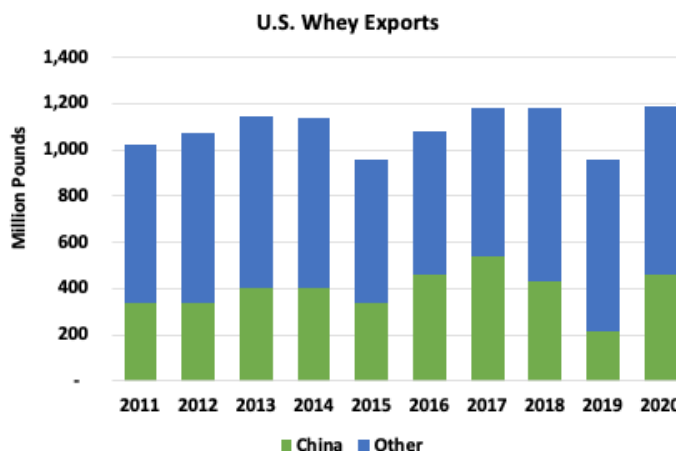
churns running hard, butter inventories are still heavy. Most participants expect the butter market to bounce after March 1, when the shift from old crop to new crop butter occurs.

Nonfat dry milk (NDM) markets were unsettled this week. Inventories are heavy but demand has remained robust from both domestic and international sources, thus helping to keep some tension in the market. Condensed skim for dryers can still easily be obtained but NDM manufacturers indicate that prices have increased modestly. Spot NDM prices lost .75¢ over the course of the

week at the CME, ultimately closing at \$1.1125/lb. with 16 loads trading hands.

The dry whey market continues to demonstrate resilience with prices moving upward on strong exports and a production preference for higher protein products like whey protein concentrates and whey protein isolates. U.S. whey exports hit a record high in 2020, up 23.4% year over year after considering the leap day, and with 38.9% of these exports destined for China. Exporters have reported that Asian demand for U.S. whey has slowed in recent weeks as the Chinese New Year approached, but demand is expected to rebound after the holiday.

CME spot dry whey was able to add .75¢ during the week to close Friday's session at 54.25¢/lb.



Class III milk futures were under pressure for most of the week as they embodied the weakness of the spot Cheddar block market. Thursday's House Agriculture Committee announcement imbued the market with a bit of strength and pushed several nearby contracts limit up. However, the rally was short-lived, and by Friday's settlements nearly all 2021 contracts corrected downward once again. Class IV milk futures remained quiet for most of the week.

In its World Agricultural Supply and Demand Estimates report released on Tuesday,

USDA made no edits to U.S. production estimates for corn or soybeans. However, the agency did increase export estimates by 50 million bushels for corn and 20 million bushels for soybeans, resulting in lower ending stocks. If USDA's current estimates come to fruition, ending stocks of corn and soybeans will be the lowest since the 2013/2014 marketing year. Corn futures fell modestly on the report while soybean futures moved upward.

The trade continues to closely track the South American situation where rainy weather has postponed the soybean harvest and thus delayed planting of the country's second corn crop, known as the safrinha crop. If the delays continue, it could lead to a reduction in Brazil's corn production estimates and put additional pressure on global corn supplies.