



The T.C. Jacoby Weekly Market Report

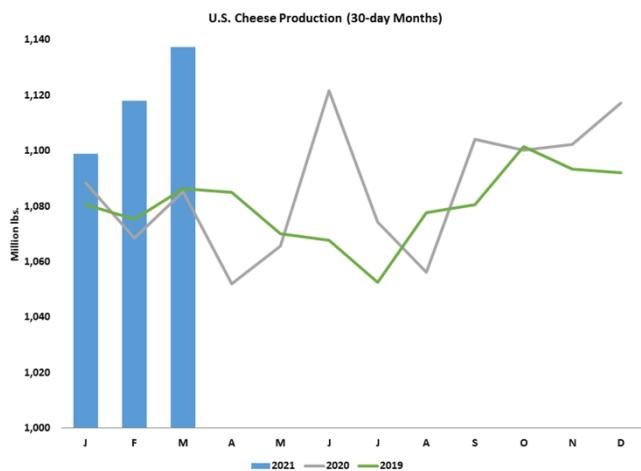
WEEK ENDING MAY 7TH, 2021

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CME Spot Market for the Week			WHEY		
5/3/2021 to 5/7/2021			Avg Price	Qty Traded	4 wk Trend
\$ 0.646			2		
CHEESE BLOCKS			CHEESE BARRELS		
Avg Price	Qty Traded	4 wk Trend	Avg Price	Qty Traded	4 wk Trend
\$ 1.782	19		\$ 1.796	12	
BUTTER			NON-FAT		
Avg Price	Qty Traded	4 wk Trend	Avg Price	Qty Traded	4 wk Trend
\$ 1.750	16		\$ 1.337	28	

The U.S. dairy industry has expanded cheese processing capacity noticeably, and it shows. Cheese output soared to an all-time high of 1.18 billion pounds in March, up 4.8% from the prior year. Cheddar production jumped 7.8%. After several months in decline, Mozzarella output also exceeded that of last year, confirming reports of better demand from foodservice. The flush has accelerated since then, and, according to USDA's *Dairy Market News*, cheese makers are "busy."

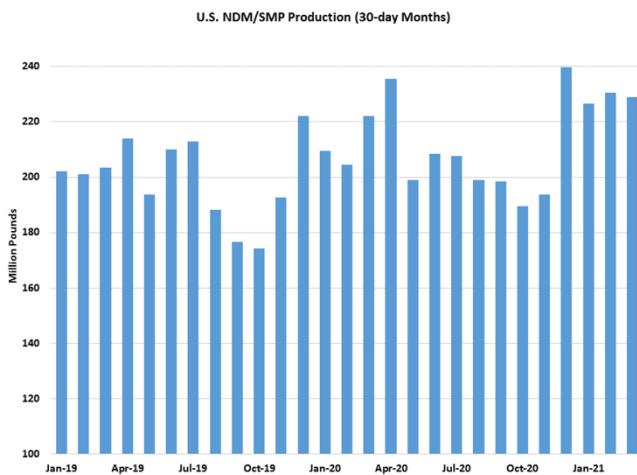


Consumers are hungry for high-protein products, and manufacturers are happy to oblige. They are directing much of the whey stream into whey protein concentrates and isolates, leaving less for the drier. Despite formidable cheese output, dry whey production was only 1% greater than the prior year. Whey powder stocks declined significantly in March and fell 13.7% below year-ago levels.

Sky-high milk production and lofty components added up to a flood of cream. U.S. cream output reached nearly 792 million pounds in March, an all-time high. But a growing share went to ice cream and cheese, leaving less for butter churning. Butter output slipped to 198.9 million pounds, down 0.6% from March 2020.

Churns were also a little less active than usual in the past few weeks. *Dairy Market News* reports that as ice cream makers ramp up, "Cream is tightening, but not tight."

Driers ran hard. Combined production of nonfat dry milk (NDM) and skim milk powder (SMP) reached 236.5 million pounds, the highest March tally on record and 3.1% more than the prior year. But, thanks to massive exports, manufacturers stocks of NDM declined nearly 27 million pounds from February to March, the largest March drawdown since 1952.



Amid rapid growth in milk production, exports are vital to keeping U.S. dairy product inventories from piling up. Thankfully, with stocks in Europe and New Zealand largely committed, the world

is hungry for American goods. Despite the container shortage, a lack of truck drivers, and lineups at the ports, U.S. NDM exports reached an all-time high of 190.8 million pounds, up 38.8% from March 2020. After several slow months, Mexico was back in the game, and shipments to Asia are still going strong. Algeria and Egypt stepped up imports of American milk powder. The fact that we're sending product to North Africa, practically in Europe's backyard, is a testament to the affordability of U.S. product. Global milk powder values

continue to rise and the dollar is weakening, offering support to U.S. prices. At the Global Dairy Trade auction on Tuesday, SMP rallied 2% to the equivalent of NDM at \$1.66 per pound.

Whey powder exports also impressed. They climbed to 52.7 million pounds, up almost 38% year over year. Cheese exports improved to 81 million pounds in March, up 11% from a year ago and the highest monthly volume since June. More recently, *Dairy Market News* relayed increased interest from Chinese buyers for U.S. cheese. Butterfat exports climbed in March, but so did imports.

Butter bounced back at the CME spot market, but the other products faded. Spot butter rallied 1.75¢ this week to \$1.77 per pound. Powder slipped a quarter-cent from last Friday's six-year high and closed today at \$1.3225. Although demand for protein and powders is robust, whey prices faltered. CME spot whey fell 3.25¢ to 62.75¢. Cheddar barrels scored a fresh 2021 high on Wednesday but then dropped precipitously. They closed today at \$1.7275, down 10.75¢ this week. Blocks lost 5.25¢ and finished at \$1.7475.

The spot market setbacks weighed heavily on nearby Class III futures. The June contract fell 97¢ to a still-lofty \$18.89 per cwt. and July Class III settled 66¢ in the red. Most Class IV contracts sustained modest losses. June was hardest hit. It fell 27¢ to \$16.75.

The grain markets just keep climbing. July corn settled today at \$7.3225 per bushel, up another 59¢. July corn futures are up 52% for the year to date, an astounding increase in a relatively short time. Corn export sales remain strong, and shipments have accelerated in the past few weeks. It's still dry in Brazil, and the corn crop is withering. USDA will update its global crop estimates next week, and the trade is penciling in Brazilian corn production at around 103 million metric tons, down from 109 million metric tons less than a month ago.

Beans continue to follow corn higher. July soybeans jumped 54.5¢ to \$15.8975 per bushel. After barely budging last week, soybean meal futures made a decisive move this week. July soybean meal closed at \$441.80 per ton, up \$15.70.

