



The T.C. Jacoby Weekly Market Report

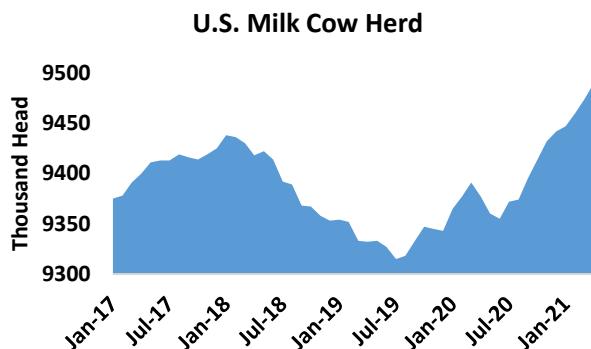
WEEK ENDING MAY 21st, 2021

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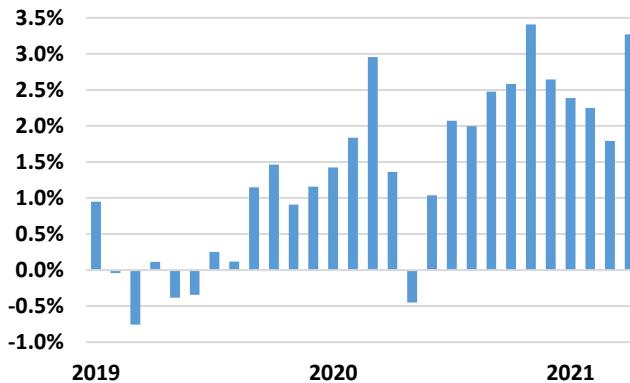


CME Spot Market for the Week 5/17/2021 to 5/21/2021			WHEY		
			Avg Price	Qty Traded	4 wk Trend
\$ 0.641	5				
CHEESE BLOCKS			CHEESE BARRELS		
Avg Price	Qty Traded	4 wk Trend	Avg Price	Qty Traded	4 wk Trend
\$ 1.614	33		\$ 1.638	46	
BUTTER			NON-FAT		
Avg Price	Qty Traded	4 wk Trend	Avg Price	Qty Traded	4 wk Trend
\$ 1.854	15		\$ 1.304	13	

The nation is awash in milk. U.S. milk production reached 19.3 billion pounds in April, up 3.3% from a year ago. Output surged in the Midwest, Plains states, and California. Cheered on by high Class III prices, dairy producers continued to add cows. USDA revised upward its estimate of the March dairy herd, and the new figures show that dairy producers added 13,000 milk cows in February, 14,000 in March, and 16,000 in April. At 9.49 million head, the dairy herd has



YOY Change in U.S. Milk Production



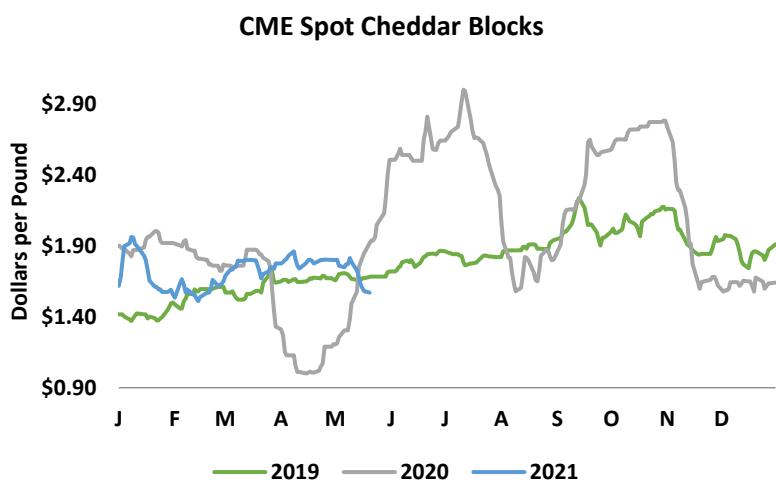
not been this large since 1994. We're milking 113,000 more cows than we did a year ago.

High feed costs may deter further expansion, but with that kind of cow power, the industry is sure to keep milk production well above

prior-year levels for months to come. May output is likely to impress. Amid drought in the West, cattle are comfortable in dry pens, and the weather is unseasonably cool. It's hot in the Midwest and Northeast, so milk yields are starting to slip from their seasonal peak.

The combination of formidable milk output and new vats is adding up to a lot of cheese. Processors tell USDA's *Dairy Market News* that retail demand is solid, and cheese slices are moving well as grilling season begins. But foodservice orders are starting to slacken in the West, as buyers have finished restocking after their COVID hiatus. Heavy supplies weighed on the

CME spot markets this week. Cheddar blocks plummeted 15.5¢ to a three-month low at \$1.57 per pound. Barrels fell 12.25¢ to \$1.6075. The selloff in the cheese market dragged nearby Class III futures down too. June Class III settled at \$18.13 per cwt., \$1.23 lower than last Friday.

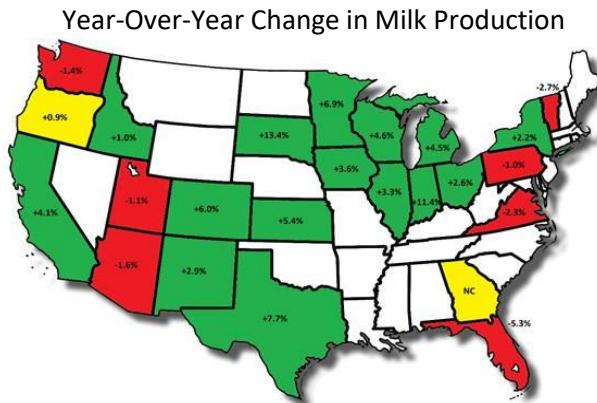


buying aggressively. U.S. milk powder is priced to move as global skim milk powder (SMP) values edge upward. SMP rallied 0.7% at the Global Dairy Trade (GDT) auction on Tuesday, and is now equal to NDM at roughly \$1.67 per pound.

CME spot butter lost a half-cent this week and closed at \$1.87, on the high end of the recent trading range. Foodservice demand varies widely but is generally improving. Retail orders for butter are lackluster. With both butter and milk powder losing ground in Chicago, Class IV values finished mostly lower this week. However, the May contract rallied 12¢ to \$16.33.

While the rest of the dairy complex retreated, whey advanced. CME spot whey powder added a half-cent this week and reached 64.5¢. Demand for high-protein whey products remains lofty, leaving less whey for the drier even as cheese output rises. Strong exports are also helping to keep U.S. whey inventories in check.

China imported more than 146 million pounds of whey in April, 70% more than they did a year ago. The United States accounted for 35% of the total, while Belarus, Turkey, and the European Union gained market share. China is aggressively importing dairy of all types. In the first four



months of the year, China imported record-breaking volumes of cheese, butter, whey powder, ultra-high temperature (UHT) fresh milk, and SMP. China's whole milk powder imports fell short of the sky-high volumes brought ashore in January through April 2014, but they were far greater than all other years. China's voracious appetite is helping to keep global dairy product inventories in check despite rising milk production.

Dust is flying in the Corn Belt as farmers plant row crops at a heady pace. As of last weekend, they had planted 80% of the corn crop and 61% of soybeans. Farmers should finish most of their fieldwork just in time for a nice, soaking rain. That dampened bulls' enthusiasm in the soy complex. July soybeans settled at \$15.2625 per bushel, down 57.75¢ this week. But corn just kept climbing, buoyed by a steady stream of new export sales to China. July corn closed at \$6.595, up 15.25¢.

Chinese Dairy Imports - Jan-Apr



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