



The T.C. Jacoby Weekly Market Report

WEEK ENDING JULY 23rd, 2021

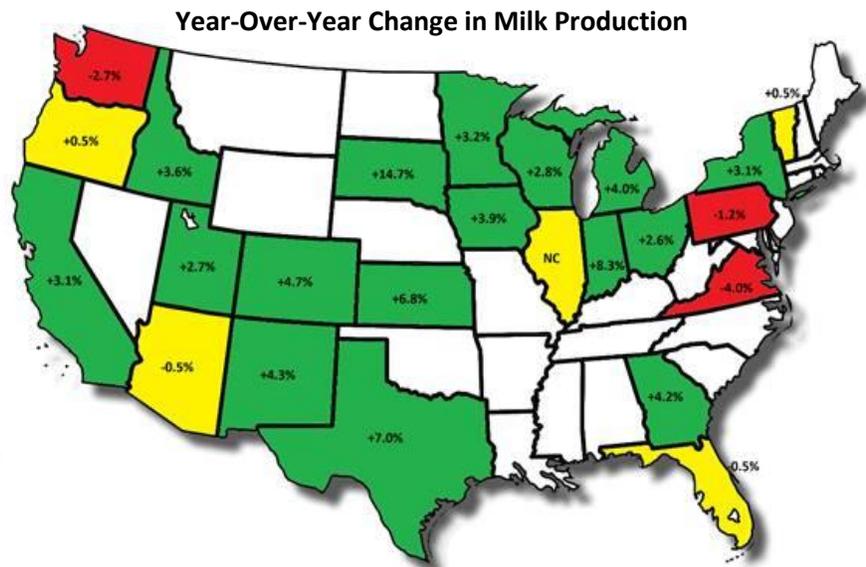
By Sarina Sharp, Market Analyst for the Daily Dairy Report
Sarina@DailyDairyReport.com



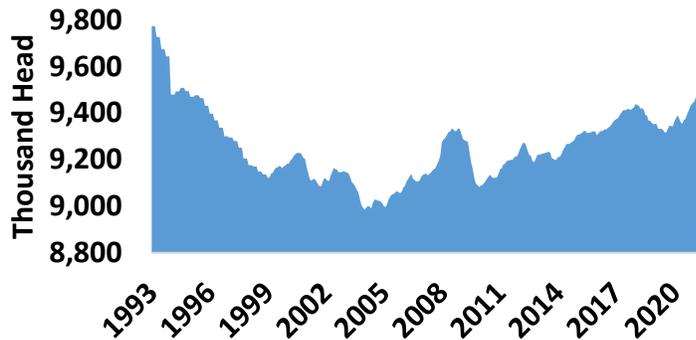
CME Spot Market for the Week			WHEY		
			Avg Price	Qty Traded	4 wk Trend
7/19/2021 to 7/23/2021			\$ 0.5365	3	
CHEESE BLOCKS			CHEESE BARRELS		
Avg Price	Qty Traded	4 wk Trend	Avg Price	Qty Traded	4 wk Trend
\$ 1.5700	1		\$ 1.3965	35	
BUTTER			NON-FAT		
Avg Price	Qty Traded	4 wk Trend	Avg Price	Qty Traded	4 wk Trend
\$ 1.7085	20		\$ 1.2450	10	

Milk abounds. U.S. milk output reached 18.955 billion pounds in June. While that is down from the peak volumes reported in April and May, it is still historically strong, up 2.9% from June 2020. The heat wave sapped production in the Pacific Northwest last month, and the region has suffered even higher temperatures and greater stress in July. Industry consolidation has reduced output in some Eastern states, as cows move to states with better margins. But in the rest of the nation, milk output grew noticeably. California made a strong showing, with output up 3.1% from a year ago. The increase was driven entirely by higher milk yields.

Second-ranked Wisconsin was not far behind, posting a 2.8% gain. In Texas and Idaho, production climbed 7% and 3.6%, respectively. It's hard to imagine how much milk would be pouring through these states in the absence of onerous supply management programs. In the Northern Plains and Midwest, dairy producers are quickly adding cows and milk to fill up new cheese capacity.



U.S. Milk Cow Herd

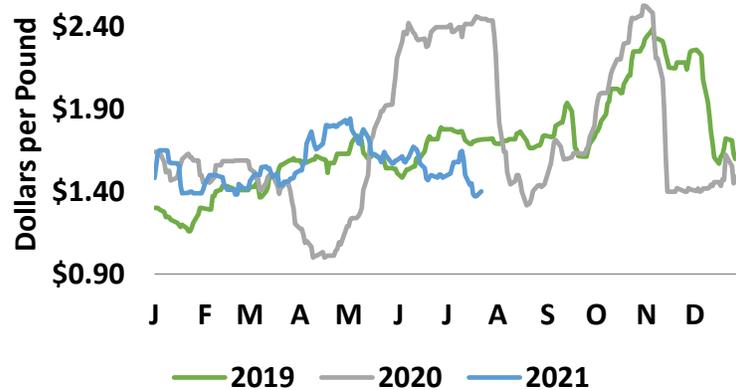


For the first time in a year, dairy producers scaled back the dairy herd in June. But the decline was modest, at just 1,000 head. The herd is still massive. Dairy producers collectively milked 9.508 million cows last month. That's up 153,000 from last year and – excluding May 2021 – it's the largest dairy herd since 1993. Slaughter volumes in recent weeks have been a bit higher than normal for mid-summer, but nowhere close to a liquidation pace. It's going to be hard to slow milk output

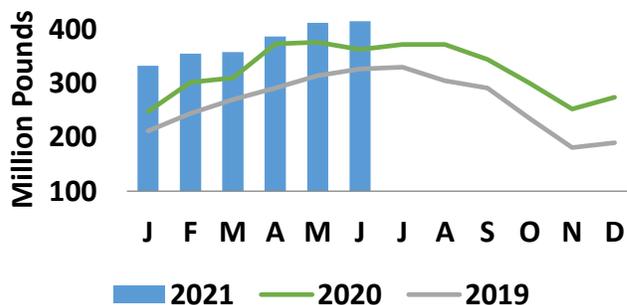
significantly with this kind of cow power. Meanwhile, fluid milk sales are in the summer doldrums. That's left plenty for manufacturers, who are topping up vats and running churns. Despite the heat, there are long lines at the drier.

USDA's Dairy Market News cites strong demand for cheese across the nation. The Cold Storage report confirmed this, showing a 23-million-pound decline in cheese stocks from May to June. Still, at 1.435 billion pounds, June 30 cheese inventories were up 1.3% from a year ago, marking the highest mid-year cheese stockpile on record. Heavy inventories and strong output continued to weigh on pricing this week. On Wednesday, CME spot Cheddar barrels fell to an 11-month low at \$1.3725 per pound. After a partial comeback, barrels finished at \$1.4025, down 3.75¢ from last Friday. Blocks dropped 3¢ this week to \$1.585. Prices have fallen low enough to attract the notice of importers, particularly from Asia. Despite all the headaches of international shipping in a world bogged down by shortages, exports remain a bright spot and a vital outlet for an industry flush with excess.

CME Spot Cheddar Barrels



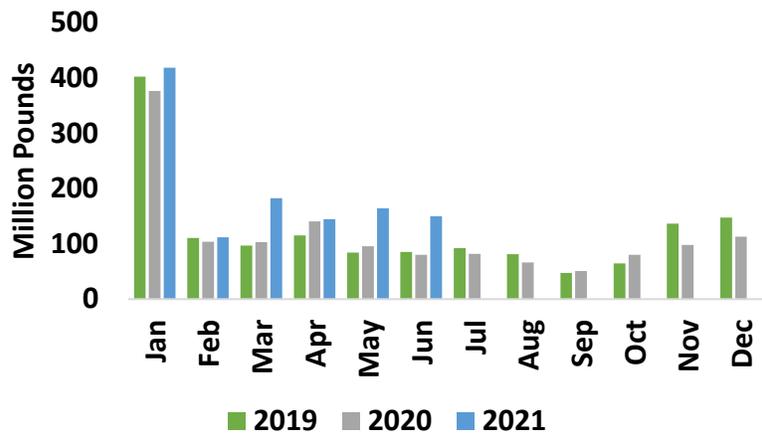
Butter Stocks



Butter inventories typically decline from May to June, but this year they grew, which suggests that output is outpacing demand. At 414.5 million pounds, butter inventories are larger than they've been in any month since 1993, and they topped those of June 2020 by more than 14%. Buttermakers tell USDA's Dairy Market News that sales are starting to soften. Nonetheless, the spot market rallied. CME spot butter finished at \$1.695, up 1.75¢ from last Friday.

Spot milk powder held steady this week at \$1.2525 per pound. But manufacturers report sales at lower values, and international orders are beginning to slow. At the Global Dairy Trade auction on Tuesday, both whole milk powder (WMP) and skim milk powder (SMP) prices dropped for the fourth consecutive event, and the losses were significant. Compared to the previous auction, WMP prices fell 3.8%, while SMP values plummeted 5.2%. The selloff suggests that international demand for milk powder has waned. But the data show that China, the world's largest buyer, remained hungry for product through June. Last month China purchased far more SMP and more WMP than during any other June on record. For the year to date, Chinese SMP imports are up 47% from last year and up 29% from the record set in 2019. China's WMP imports inched just ahead of the record pace set in 2014 and are 30.3% greater than the first half of 2020. Has China overstocked, or is their appetite truly insatiable? The answer will have a huge impact on the nonfat dry milk and Class IV markets.

Chinese Whole Milk Powder Imports



Class IV futures shook off the relatively positive moves in the spot market. They finished mostly lower than last week, with third quarter contracts holding just south of \$16.00 per cwt. Despite a late-week rally, Class III futures also settled in the red. The August contract fell 32¢ to \$16.47. These values are certainly uninspiring for dairy producers, but they're likely not low enough to foster a major shift from expansion to contraction. We've got a lot of cows that will give a lot of milk for the rest of the year.

The corn market leapt to a three-week high on Wednesday, but then faded. September corn closed today at \$5.4725 per bushel, almost a dime lower than last Friday. August soybean meal finished at \$353.60, down nearly \$10 per ton.

After several weeks of good rains, the corn crop in the central and eastern Corn Belt is pollinating under excellent conditions. To the west, soil moisture is less ideal, and much of Minnesota and the Dakotas are downright parched. But, by and large, the market expects a lot of corn come harvest. Meanwhile, there are indications that demand might not be as massive as once thought. Weekly corn and soybean export sales have slowed of late. And legislators are discussing modifications to the Renewable Fuels Standard. Some hope to end the ethanol blending mandate altogether now that greener alternatives are viable. If enacted, this change would surely reduce corn for ethanol demand. But bureaucracy moves slowly, and headlines are not policy. Supplies are still tight, and the weather matters more than Washington at the moment.

Fluid Milk

Our strategy for buying and selling has your best interests in mind.

Jacoby has over 65 years of experience marketing, qualifying, pooling and managing milk supplies. During our history, we've built solid relationships with cooperatives, processors, haulers and regulatory agencies. We take pride in finding the best supply and balancing solutions that benefit your bottom line.

Doing business with the right company affects everything.

Call Anna Donze
anna@jacoby.com
314-822-5955

Call Gregory Scheer
gregory@jacoby.com
314-822-5943

Call Gus Jacoby
gus@jacoby.com
314-822-5963

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