



The T.C. Jacoby Weekly Market Report

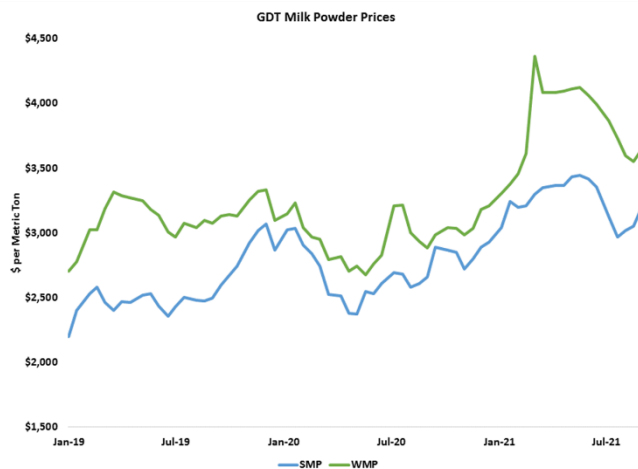
WEEK ENDING SEPTEMBER 10TH, 2021

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CME Spot Market for the Week 9/6/2021 to 9/10/2021			WHEY		
			Avg Price	Qty Traded	4 wk Trend
			\$ 0.5200	4	
CHEESE BLOCKS			CHEESE BARRELS		
Avg Price	Qty Traded	4 wk Trend	Avg Price	Qty Traded	4 wk Trend
\$ 1.7625	0		\$ 1.4669	6	
BUTTER			NON-FAT		
Avg Price	Qty Traded	4 wk Trend	Avg Price	Qty Traded	4 wk Trend
\$ 1.7869	24		\$ 1.3550	12	

Rejuvenated after a long weekend, the dairy markets got off to a very strong start. The Global Dairy Trade (GDT) auction kicked things off with bang. All products gained significant ground, led by a 7.3% jump in skim milk powder (SMP). That propelled CME spot nonfat dry milk (NDM) to \$1.36 per pound, its highest perch since 2014. After a modest setback later in the week, spot NDM finished today at \$1.3575, up 1.75¢ since last Friday.



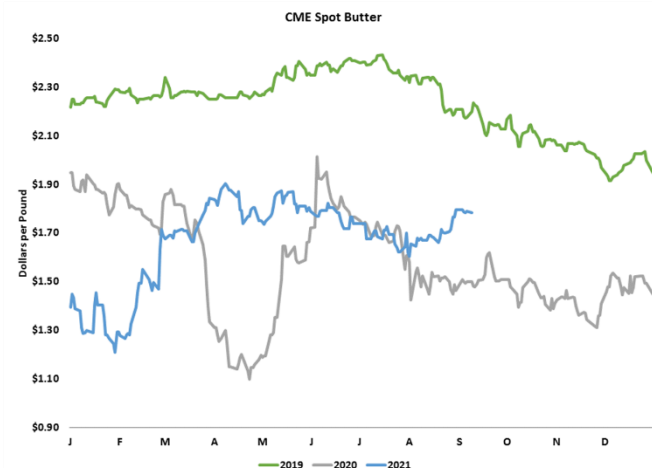
Although the heat has abated, there are fewer trucks lined up at the drier than there were a month ago. Bottlers are busy meeting school orders. Cheesemakers are running at their usual pace, as long as they can find the staff to do so. The expansion in

U.S. cheese processing capacity has prompted a shift away from Class IV manufacturers, and it's become more noticeable now that milk is less plentiful. Meanwhile, demand remains healthy. In the absence of cheap spot milk, cheesemakers are fortifying their vats with NDM. Despite the snarls in the global supply chain, exporters are moving big volumes of milk powder to Mexico and Asia. The fundamentals are friendly, but it may take something more to lift NDM prices from here. The last time that U.S. prices were this high, milk powder stocks were much lower than they are today.

Firm NDM prices buoyed the other protein powders, including dry whey. CME spot whey powder leapt 4.5¢ to 53¢, a 9.3% increase in just four trading sessions. Whey output is high, driven by formidable cheese production. But demand appears up to the challenge, for now.

Spot cheese also climbed this week. Cheddar blocks rallied 5.5¢ to \$1.79. Barrels vaulted 8.5¢ higher and closed at \$1.4775. With both cheese and whey on the rise, Class III futures advanced as well. Fourth-quarter contracts added 28¢ on average, thanks to a strong showing on Tuesday. But a Friday setback for barrels and Class III futures might give the bears the edge when the opening bell rings next week.

CME Spot NDM



Spot butter continues to trade in a well-trodden range from \$1.60 to \$1.80. It closed today at \$1.785, down 1.25¢ since last Friday. Butter appears to be simply marking time until the holiday baking season arrives. Demand is expected to be good, but stocks are heavy.

Class IV futures continued to climb this week. Fourth-quarter contracts added 26¢, on average, extending a substantial six-week rally. Since the end of July, October, November, and December Class IV futures have gained more than a dollar, and 2022 contracts are sharply higher as well. The futures promise \$17 or better from November onward.

But bigger Class IV milk checks have yet to arrive, and costs are high. Beef prices are also lofty, prompting dairy producers to take a second look at their low-production cows. In the week ending August 28, they sent 62,379 dairy cows to slaughter, the highest total since March. Over the past 10 weeks, dairy cow slaughter has averaged 10.6% greater than during the same period in 2020. The dairy herd is shrinking, which is good news for milk prices.

Weekly Dairy Cow Slaughter



The grain markets lost ground once again this week, as reports of good yields weighed on the market. USDA confirmed that the crops are better than feared. The agency raised its estimate of the corn yield by 1.7 bushels to an average of 176.3 bushels per acre. USDA also reported that farmers planted 93.3 million acres of corn, 600,000 more than their August estimate. With more corn in the pipeline likely to weigh on crop values, the agency raised its estimate of corn used for feed and sold for export.

USDA trimmed its estimate of soybean plantings by a 400,000 acres, but raised its yield estimate by 0.6 bushels per acre. All told, USDA reported larger crops and bigger inventories for both corn and soybeans than the market had anticipated. Nonetheless, the markets rallied today after the report, bouncing back from an oversold position after several weeks in decline. News that the lights were back on at export facilities in Louisiana likely lent a little support as well. But the Friday comeback was not enough to offset a big Tuesday selloff. December corn settled at \$5.175 per bushel, down 6.5¢ for the week. November soybeans slipped 5.5¢ to \$12.865. December soybean meal edged higher and closed at \$342.50 per ton, up \$1.50 from last Friday.