

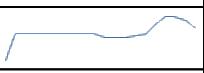
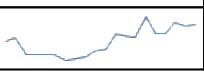
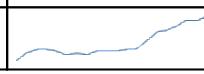


# The T.C. Jacoby Weekly Market Report

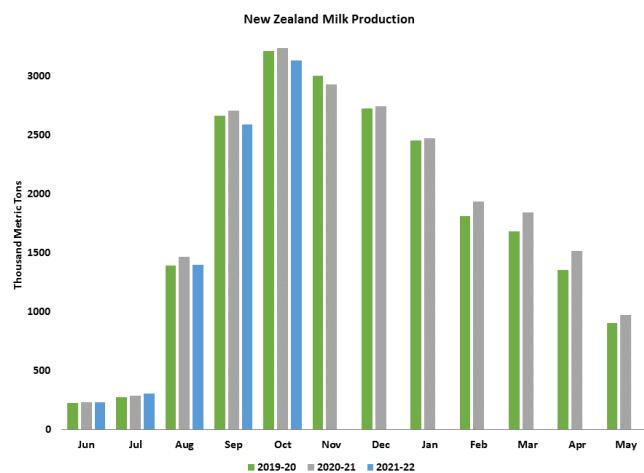
WEEK ENDING DECEMBER 17TH, 2021

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



CME Spot Market for the Week			WHEY		
12/13/2021 to 12/17/2021			Avg Price	Qty Traded	4 wk Trend
\$ 0.7160		1			
CHEESE BLOCKS			CHEESE BARRELS		
Avg Price	Qty Traded	4 wk Trend	Avg Price	Qty Traded	4 wk Trend
\$ 1.9230	9		\$ 1.6520	38	
BUTTER			NON-FAT		
Avg Price	Qty Traded	4 wk Trend	Avg Price	Qty Traded	4 wk Trend
\$ 2.0805	42		\$ 1.6555	8	

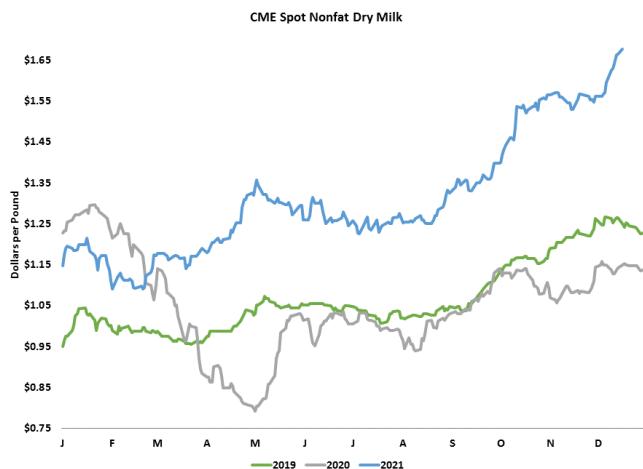
Global milk output is slowing, supporting dairy product values all around the world. Foreign prices for butter, milk powder, cheese, and whey have been climbing for months, and they continue to rise. In recent weeks, gains have accelerated, as milk production shortfalls move to the fore.



In Australia and New Zealand, the peak of the season has passed and milk output continues to disappoint. Through October, Aussie milk production is down 2.9% for the season to date. In New Zealand, June through October milk collections lag last year by 3.4%. Australian milk output is expected to improve. In New Zealand, November milk output also likely fell short of last year, and it will be difficult to make up for lower peak-season milk output as production gradually fades in the coming months.

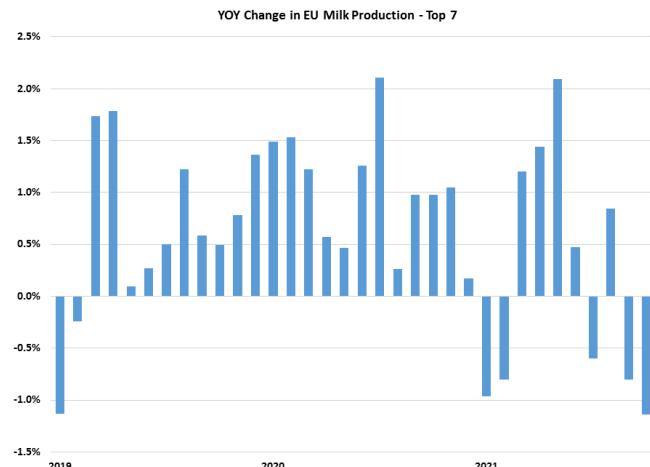
In Europe, a few countries have yet to publish milk output data for October, but the year-over-year deficit is widening in the nations that have reported. October collections in Europe's seven largest dairy countries fell 1.1% below year-ago volumes, the steepest decline since January 2017, when some governments paid producers to restrict output.

Lower milk production abroad will make more room for U.S. dairy product exports, even if the global appetite for dairy products fades modestly. The market is primarily concerned that China has overstocked its larder, and that it will need less foreign dairy in the year to come. USDA's analyst in Beijing believes that China will indeed import 6% less whole milk powder (WMP) in 2022 than it did this year, due to higher domestic production and ample stocks. But the USDA attaché expects Chinese skim milk powder (SMP) imports to keep climbing into 2022, and she calls for China's overall dairy imports to rise again next year, after reaching all-time highs in 2021. If Chinese SMP imports do fade, demand from other markets is likely to remain firm, as some buyers were pushed to the sidelines by China's aggressive purchases this year or simply went hand-to-mouth in hopes of lower prices that never came. They have given up waiting and are buying now. USDA's *Dairy Market News* reports that demand from Mexico is particularly strong.

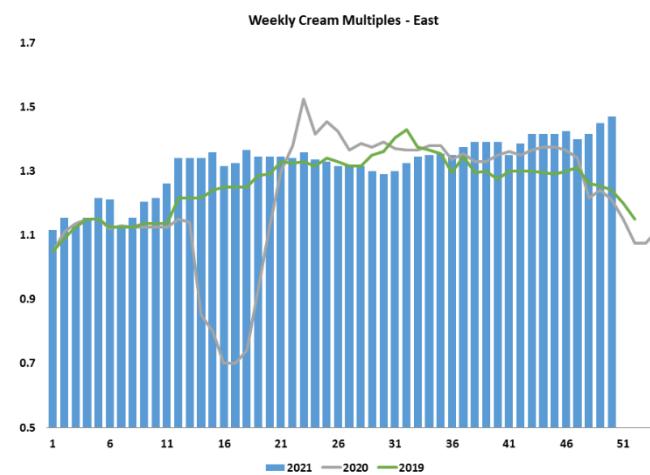


short run at the CME. Manufacturers continue to focus on high-protein whey products, leaving less for commodity whey. Exports remain strong despite headaches at the ports. Every penny increase in the whey market adds 6¢ to Class III values.

Bring on the egg nog and pour one out for all the appetizers and desserts that will go unassembled and unbaked this Christmas due to the much-publicized cream cheese shortage. Bakers honed their skills in 2020 and they're putting them to good use this year as families and friends gather for the holidays. Demand for cream in all forms is frenzied and multiples are well above

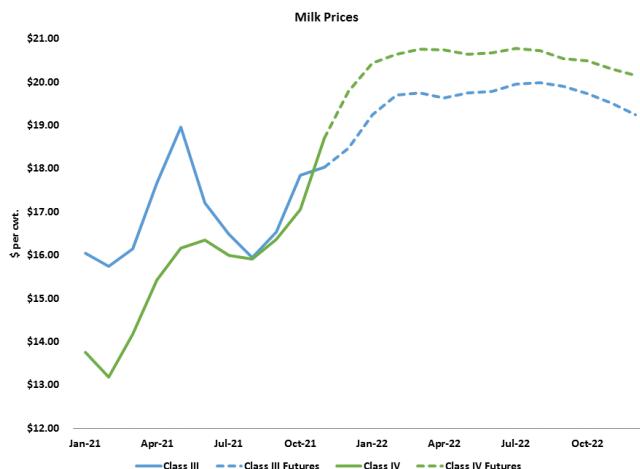


Waning global output and hearty demand lifted powder prices once again this week. CME spot nonfat dry milk (NDM) jumped 5.25¢ to \$1.6775 per pound, a fresh seven-year high. *Dairy Market News* describes the NDM market as "resolutely bullish." Spot whey powder added another 1.75¢ and reached 73¢, its highest price in a relatively



average. Churns are last in line for cream and butter output is running light. That is likely to keep butter values firm, although they lost a little ground this week compared to last Friday's frothy levels. CME spot butter slipped 3¢ to a still-high \$2.0925.

Cheese prices were mixed. CME spot Cheddar blocks advanced 2.25¢ to \$1.8875. Barrels lost a nickel and closed at \$1.63. Although milk supplies are tighter, cheese production remains active, as Class IV manufacturers do without. Demand is healthy, but supplies are plentiful.



in July and August. Every Class IV contract on the board scored fresh life-of contracts. Next year's futures promise an average of \$20.58 for Class IV.

The grain markets are stubbornly high. March corn added another 3.25¢ this week and closed at \$5.9325 per bushel. January beans rallied 11¢ to \$12.8525. Soybean meal gained nearly \$13 and finished at \$379.50 per ton.

The feed markets have already priced in a hefty weather risk premium, but the relatively dry forecast for southern Brazil and Argentina raised alarms – and prices – nonetheless. Crops are thriving in central Brazil, where the weather has been much wetter. It's too soon to panic with most of the growing season still ahead, but the markets are primed to rally at the first sign of trouble.

After a brief foray over the \$20 mark, nearby Class III futures retreated to safer climes. January Class III settled today at \$19.25 per cwt., down 57¢ from last Friday. February dropped 26¢ to \$19.70. Down the board, Class III futures continued to rise. The March through December contracts added another 24¢ this week, on average. Since Thanksgiving, 2022 Class III contracts have rallied an average of 89¢.

Class IV futures just keep rising. This week the gains ranged from 10¢ in January to 50¢