



The T.C. Jacoby Weekly Market Report

WEEK ENDING JANUARY 28TH, 2022

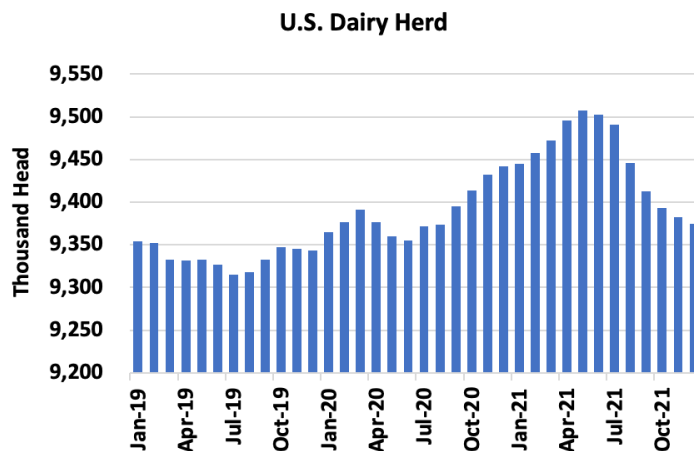
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CME Spot Market for the Week 1/24/2022 to 1/28/2022			WHEY		
			Avg Price	Qty Traded	4 wk Trend
			\$ 0.8220	4	
CHEESE BLOCKS			CHEESE BARRELS		
Avg Price	Qty Traded	4 wk Trend	Avg Price	Qty Traded	4 wk Trend
\$ 1.7610	5		\$ 1.7125	5	
BUTTER			NON-FAT		
Avg Price	Qty Traded	4 wk Trend	Avg Price	Qty Traded	4 wk Trend
\$ 2.6135	24		\$ 1.7945	17	

Milk production continues to trail prior year levels according to USDA's Milk Production report, released on Monday. December output totaled 18.825 billion pounds, a decrease of 0.1% compared to the same month last year. A declining national herd continues to drive the contraction in milk supplies with cow

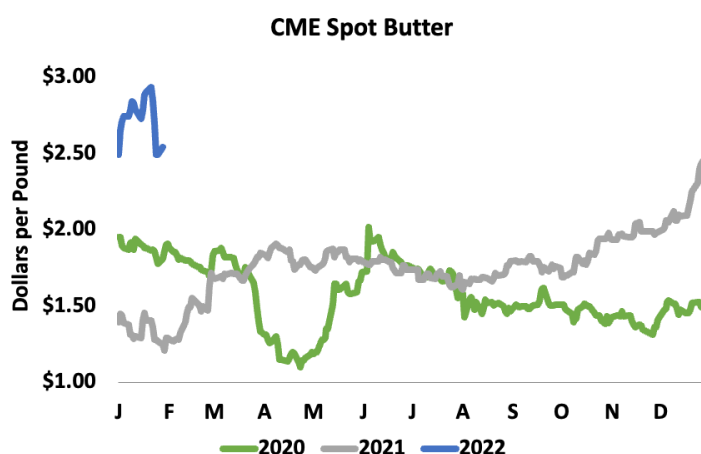
numbers falling by 7,000 head between November and December. U.S. cow numbers have been shrinking since May. Totaling 9.375 million head for the month, December marked the smallest herd since August 2020. The evolution in milk supplies has been uneven across the country with major dairy states such as California, Wisconsin, Idaho, and Texas seeing volumes grow year over year in December, while supply restrictions in other states, such as New Mexico, have stymied output.



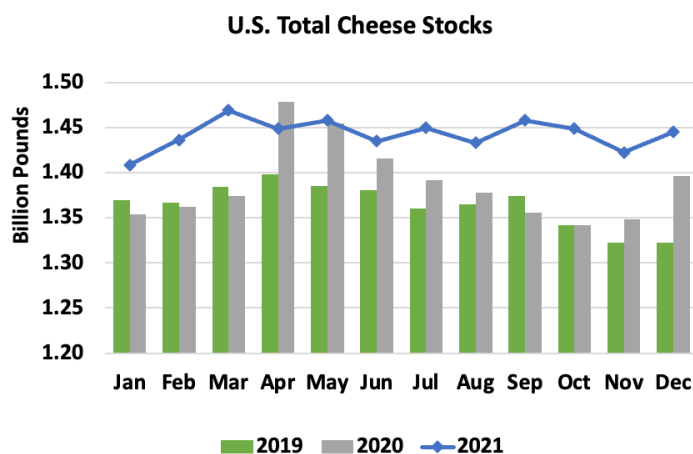
The decline in U.S. milk production mirrors the contraction seen in other global dairy supply regions. European production is trailing prior year levels with some of the greatest losses seen in major dairy nations like Germany and France. In the Southern Hemisphere, the New Zealand milk production season continues to disappoint with December output down 5% compared to prior year. Argentina is still posting strong production figures, but the volumes are modest and logistical challenges are preventing the resulting dairy products from making a dent in global demand. As such, global milk supplies are lacking and are generally expected to support prices at higher than historical levels over the coming months.

Back at home, despite lagging supply, volatility has reigned in the dairy markets. Nearly every product lost ground at the CME as market participants challenged the high product prices seen in recent weeks. However, the butter markets really stole the show. After hitting a multi-year high last Friday, butter more than erased last week's gains by plummeting 44.5¢ between Monday and Wednesday. A modest recovery on Friday brought the price up to \$2.54/lb., still 39.5¢ lower than last week's price. 24 loads of butter moved over the course of the week.

Butter demand has been robust from domestic and international sources though the recent price rally likely caused some buyers to step out of the market as they waited for prices to retreat. Butter is being pulled out of storage at a rapid clip to meet demand. USDA's Cold Storage report, released on Monday, disclosed butter stocks of 199.1 million pounds at the end of December, down 11.4 million pounds versus November and reversing the typical seasonal trend. This is the first time in two years that butter stocks have dipped below 200 million pounds. While cream availability has eased somewhat, shortages of plant operators and truck drivers are preventing churns from running as hard as they might like.



On the other side of the Class IV complex, nonfat dry milk (NDM) markets also lost some ground over the week, though the dips were modest next to those of the butter market. Echoing the concerns of butter manufacturers, dryers report that condensed skim loads can be found, but transporting them remains a challenge. The CME price for NDM retreated between Monday and Thursday before perking up on Friday. NDM prices finished the week at \$1.8050/lb. a decrease of a penny versus prior week. The deterioration of the spot values for butter and NDM weighed on Class IV futures prices. Nevertheless, they remain strong by historical standard with JAN22 through MAY22 contracts settling on Friday at a minimum of \$23/cwt., more than \$1.50 above their Class III counterparts.

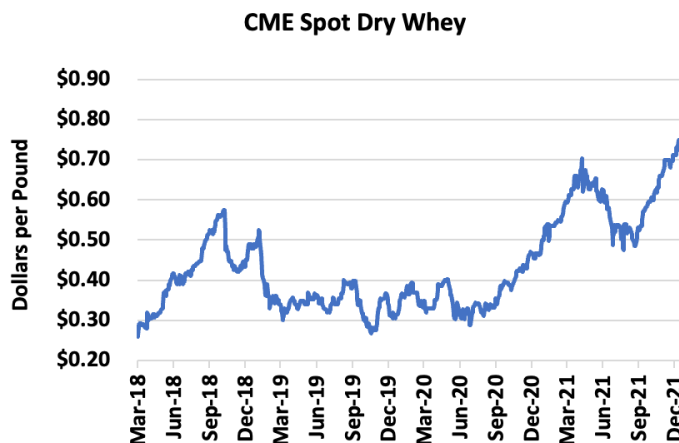


The cheese markets continued their slide this week though the degree of movement was less dramatic than last week. Cheddar blocks lost ground early on before moving up by 6¢ during Friday's trade. Blocks closed the week at \$1.79/lb., a 1.75¢ loss compared to last Friday. Barrels saw more pressure, giving up 7¢ over the course of the week to close today's trade at \$1.7425/lb. Volumes were modest with five loads each of blocks and barrels changing hands.

Cheese demand has softened somewhat, particularly from the foodservice channel. This has led cheese inventories to accumulate. At the end of December, total cheese stocks reached 1.445 billion pounds, an

increase of 1.6%, or 22.8 million pounds, compared to a month earlier. The inventory build was particularly pronounced for American varieties, which saw stocks increase by 11.5 million pounds between November and December. Exporters report that international demand has remained healthy and should play a role in clearing volumes.

Dry whey was the exception this week, with prices continuing to rise seemingly unabated. Dry whey prices set another record on Friday at 84¢/lb. after adding 4¢ over the course of the week. The whey price rally has now bested the prior record set in April 2021 by 13.75¢. USDA's Dairy Market News reports that the dry whey markets have 'bullish undertones' as demand continues to outpace supplies. Even once reticent buyers have stepped in to purchase product at prevailing price levels. Other whey products, such as whey protein concentrates, are also seeing tight markets and higher prices.



The grain markets appreciated this week as geopolitical conflicts, monetary policy, and persistent concerns over South American weather drove price volatility. Despite a dip on Thursday, the MAR22, MAY22, and JUL22 corn contracts all settled on Friday above \$6.25/bu. with the March contract reaching \$6.36, nearly 20¢ higher than last week. Futures prices for soybeans also rose with the nearby contracts settling in excess of \$14.40/bu. High feed prices are poised to continue challenging producer margins during the coming year.