



# The T.C. Jacoby Weekly Market Report

WEEK ENDING FEBRUARY 11TH, 2022

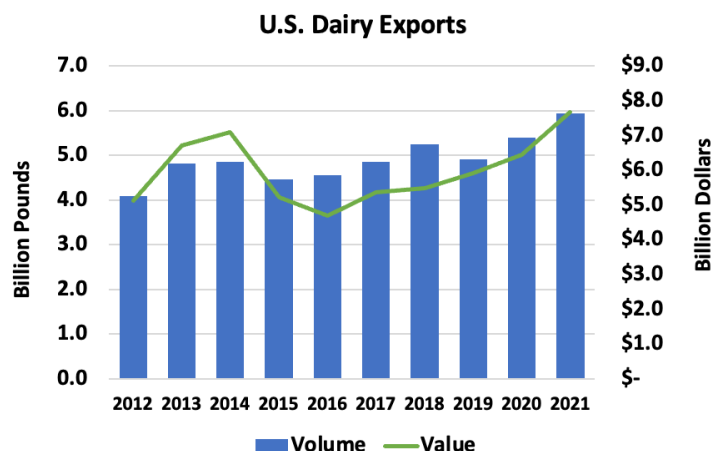
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CME Spot Market for the Week 2/7/2022 to 2/11/2022			WHEY		
			Avg Price	Qty Traded	4 wk Trend
			\$ 0.8330	15	
CHEESE BLOCKS			CHEESE BARRELS		
Avg Price	Qty Traded	4 wk Trend	Avg Price	Qty Traded	4 wk Trend
\$ 1.9015	2		\$ 1.8850	10	
BUTTER			NON-FAT		
Avg Price	Qty Traded	4 wk Trend	Avg Price	Qty Traded	4 wk Trend
\$ 2.5780	8		\$ 1.8660	16	

The dairy markets remained in flux this week as buyers and sellers jockeyed to exert their influence on the trade. Following a few weeks of big swings, the action in the cheese markets was relatively subdued. However, important movements in the nonfat dry milk, whey, and especially butter markets, kept observers on their toes.

Against a backdrop of struggling global milk production, sustained interest from international buyers is one of the key factors that worked to keep markets tight in recent months. U.S. exporters rose to the challenge of meeting global demand in 2021, setting records in the process. Last year, U.S. exporters shipped 5.936 billion pounds of dairy products valued at \$7.7 billion abroad. This represented a record in



both volume and value terms, and bested prior year levels by 10.4% and 19.1%, respectively. Exports to China totaled 966.7 million pounds during the year, an increase of 28.6% versus 2020. At 1.286 billion pounds, shipments to Mexico, the largest trading partner of the U.S., were up 16% versus prior year but failed to beat the record 1.349 billion pounds set in 2018.

Despite the annual performance, however, December's exports were lighter than prior year, suggesting that port congestion and supply chain complications limited exporters' ability to move product during

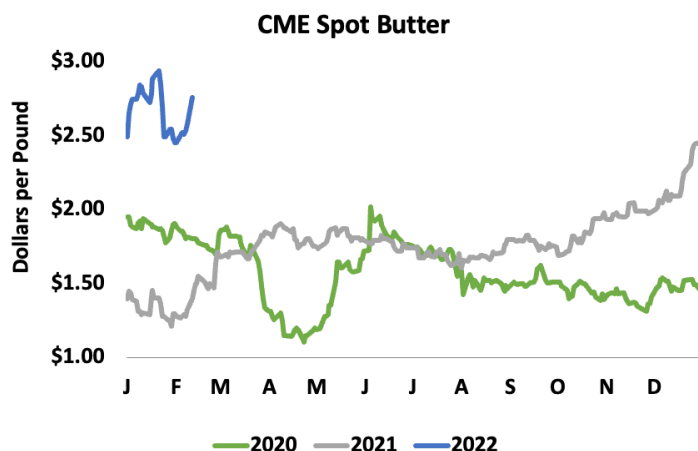
the month. At 416.3 million pounds, December dairy exports were down 2.6% versus December 2020, representing the first year over year decline since January.

Seemingly tuckered out by swings in prior weeks, the CME Cheddar block market remained unchanged between Monday and Thursday before adding a modest .75¢ during Friday's trade to end the week at \$1.9075 per pound. Barrels demonstrated a bit more zest, losing just over a nickel during the first half of the week before bouncing back. Friday's trade closed at \$1.91 per pound, up 1.5¢ compared to last Friday and inverting the block barrel spread. Demand is reportedly chipper, particularly from retail channels as consumers gear up for this weekend's Superbowl. In addition, the pull from international customers remains robust. Cheese exports were formidable in December, due to particularly strong demand from Mexico. At 68.4 million pounds, total cheese exports were up 20.1% year over year, and lifted cheese exports for the year to 892.1 million pounds, over 80 million pounds more than the prior record set in 2014.

There was more excitement on the other side of the Class III complex. Following weeks of unfettered upward movements, the CME dry whey price notched a new high of 86.75¢ per pound on Tuesday before dropping 4¢ on Wednesday and another 3.75¢ on Thursday. Following these declines, the first seen this year, the whey price was down to 79¢ per pound. Tempted by the lower prices, buyers moved back into the market on Friday, pushing the price up 3.25¢ as 6 loads traded hands. Ultimately dry whey ended the week at 82.25¢ per pound, down 3.5¢ compared to last Friday with 15 loads trading hands.

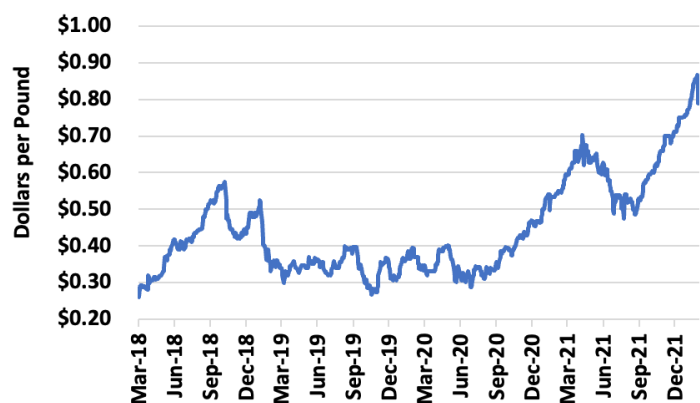
Higher prices are reportedly eating away at international demand. December's exports of all whey products were down 22.8%, due to waning appetite from China. Exports of whey protein concentrates (WPC) dropped considerably during the month. At 18.2 million pounds, WPC exports were the weakest they have been in any month since January 2019.

Yet the movement in dry whey was no match for the action in the butter markets. Following the sharp descent seen in late January, the CME spot butter price had seemed to find balance, trading within a 12.5¢

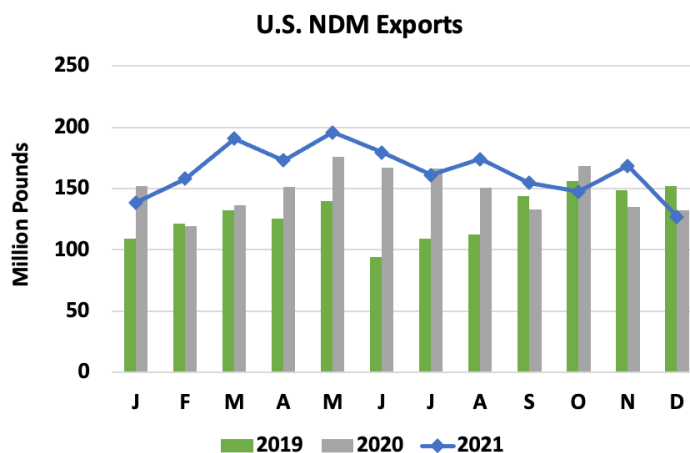


range between January 26 until Thursday. However, butter buyers found their way to LaSalle today, pushing the butter price up by 17.75¢ in a single session with 3 loads trading hands and 10 bids remaining on the board when the session closed. When the dust settled, the butter price closed the week at \$2.755 per pound, up 25.5¢ versus a week ago. The spot result is somewhat surprising considering that cream is ever more available while demand is mixed. Churns however, continue to cite labor and logistical challenges that are constraining production.

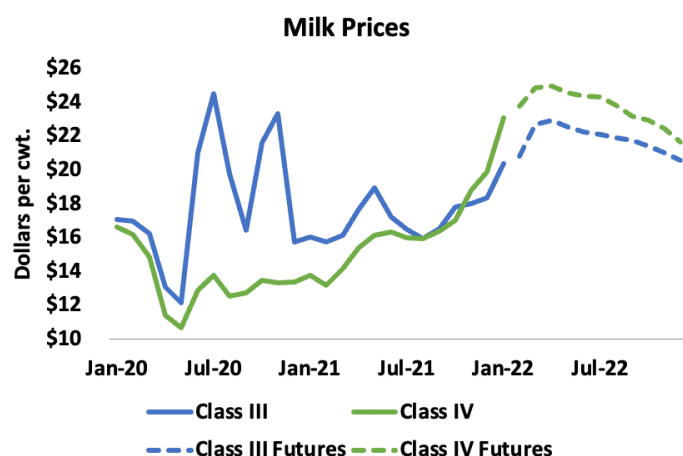
**CME Spot Dry Whey**



Similar complications are plaguing dryers. In particular, a scarcity of truckers is preventing the smooth movement of condensed skim from one region to another. International demand persists but little progress has been made resolving port congestion that is slowing exports. December exports of nonfat dry milk (NDM) totaled 127 million pounds, down 3.9% year over year and the lowest monthly result since February 2020. Despite December weakness however, U.S exporters shipped 1.968 million pounds of NDM during 2021, an increase of 10.4% over last year's record volume. Strength persisted in the spot market as well with the price moving upward in four of the week's trading days. Spot NDM finished the week at \$1.8975 per pound, up 6.5¢ with 16 loads trading hands.



While winter weather persists across the country, conditions have generally been milder over the past



week with snow and ice no longer causing major disruptions. Reports on milk availability have been mixed but continue to be clouded by a lack of truckers and hauling capacity that is preventing loads from being easily moved across the system. Bottling demand has been robust as schools are back in session which has tightened up milk supplies for manufacturing uses. Class III milk futures markets generally moved upward over the course of the week and by Friday the MAR22 contract through the JUL22 contract all settled above \$22 per cwt. Class IV futures also saw green over most of the

week and especially on Friday, emboldened by butter's big move. MAR22 through MAY22 Class IV contracts settled on Friday above \$24.50 per cwt.

USDA's World Agricultural Supply and Demand Estimates report, released Wednesday, left the U.S. corn balance sheet unchanged while only increasing the crushing forecast slightly on the soybean balance sheet. However, USDA did cut its expectations for South American production to reflect the impact of dry weather. USDA reduced its soybean production estimate for Argentina from 46.5 million metric tons (MMT) to 45 MMT. Meanwhile it slashed its expectation for Brazilian soybean production by 3.6% from 139 MMT to 134 MMT. While significant, these cuts were less than what was expected by the trade. Nevertheless, futures prices continued to move upward.