



# The T.C. Jacoby Weekly Market Report

WEEK ENDING FEBRUARY 4TH, 2022

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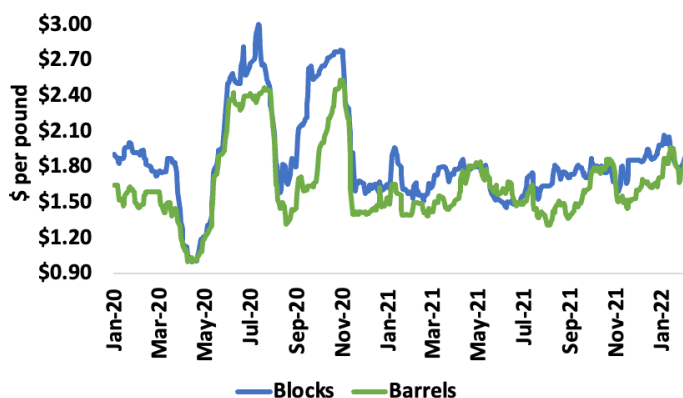


CME Spot Market for the Week 1/31/2022 to 2/4/2022			WHEY		
			Avg Price	Qty Traded	4 wk Trend
			\$ 0.8550	2	
CHEESE BLOCKS			CHEESE BARRELS		
Avg Price	Qty Traded	4 wk Trend	Avg Price	Qty Traded	4 wk Trend
\$ 1.8695	1		\$ 1.8325	7	
BUTTER			NON-FAT		
Avg Price	Qty Traded	4 wk Trend	Avg Price	Qty Traded	4 wk Trend
\$ 2.4855	18		\$ 1.8160	28	

As January faded into February, price strength persisted in the dairy markets this week. The phenomenon is certainly not limited to the United States. Market observers watched the Global Dairy Trade index climb on Tuesday by 4.1%, the third consecutive increase, with the index reaching the highest level seen since February 2014. Meanwhile in Europe, sustained concerns about shrinking milk volumes have kept prices for key commodities like cheese, butter, and milk powder trading at historically high levels.

Closer to home, there is evidence that milk supplies are loosening. However, worries about scarce milk production are being supplanted by other challenges. Winter storms are blanketing parts of the Central and Northeastern regions with snow and ice, causing road closures and further exacerbating logistical challenges. The truck driver shortage appears to be intensifying. Across the nation manufacturers report that raw milk, cream, and condensed skim are available, but that they struggle to find available haulers to move the loads to their plants.

CME Spot Cheddar



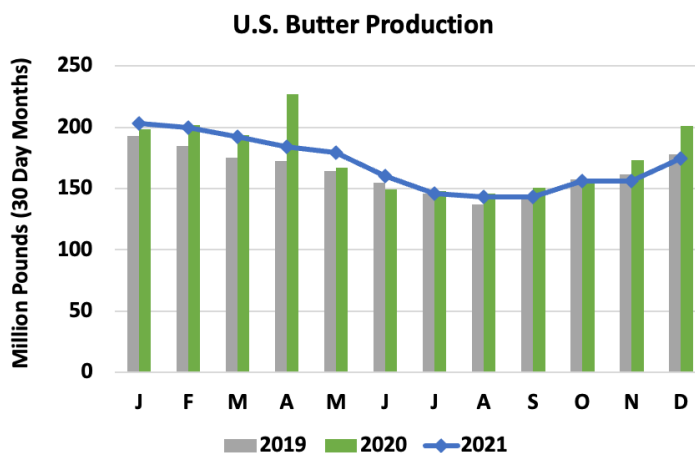
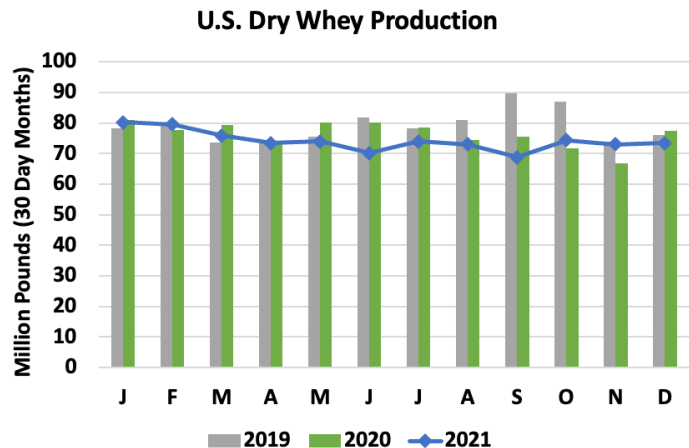
After losing ground last week, the cheese markets perked up over the last few days. Cheddar blocks ticked steadily upward over the course of the week, ending today's trade at \$1.90 per pound, up 11¢ from last Friday. Volumes were light with only one load trading hands. In the barrel market, prices moved up 15.25¢ during the week to end today's session at \$1.895 per pound. Even though milk supplies are available,

cheese manufacturers insist that staffing issues are preventing them from operating as heavily as they would like. Cheese demand is reportedly steady from retail channels, while foodservice demand has softened as customers eschew dining out over Covid-19 concerns. Participants indicate that inventories are ample.

USDA's Dairy Products report, released Friday, showed that total cheese production in December was comparable to last year's levels. Total cheese production for the month reached 1.156 billion pounds, an increase of 0.1% year over year. Curiously, production of both American and Italian varieties fell, with volumes down 1.2% and 1.3%, respectively. However, important increases in the output of less prevalent varieties like cream cheese, Swiss, and Hispanic types propped up the total figure.

Dry whey prices continued their upward campaign this week, reaching ever new heights. Spot dry whey at the CME set records on Monday, Tuesday, and Wednesday before staying put for the remainder of the week. Ultimately, the market reached 85.75¢ per pound, up 1.75¢ from last Friday. Despite a healthy stream of raw whey, production of dry whey continues to lag. December production of dry whey for human consumption slipped to 75.9 million pounds, down 5.3% compared to the same month last year. Manufacturers

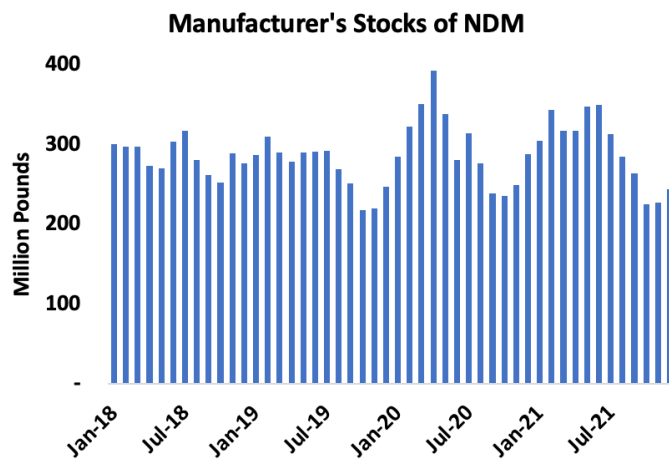
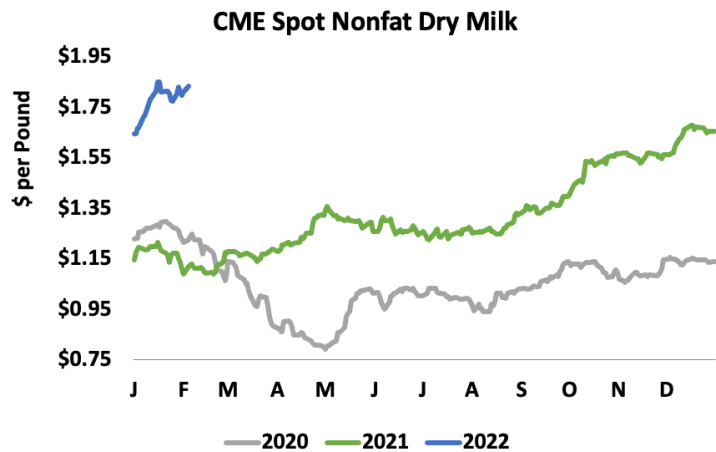
continue opting to produce higher margin products like whey protein concentrates and isolates while steady domestic and international demand keeps upward pressure on dry whey prices.



The tones in the butter market are mixed. Last week's Cold Storage report that disclosed an important decline in butter stocks during December, was reinforced by the Dairy Products report which showed that butter production fell to 180.1 million pounds during the month, down 13.2% compared to last December's record high figure. Yet more recently, this tightness, which likely drove the butter market to multi year highs, has been replaced by an easier relationship between supply and demand.

Growing cream supplies have pushed multiples downward and churns are working as hard as personnel and transportation constraints will allow. Butter demand appears to have softened somewhat, but manufacturers are generally welcoming the opportunity to rebuild their inventories. Following a dramatic dive that began on January 20<sup>th</sup>, the spot butter price appeared to find its footing this week. A price drop of 8.75¢ between Monday and Wednesday was answered with an increase of nearly a nickel on Friday as 12 loads traded hands. As a result, the market closed at \$2.50 per pound on Friday, down 4¢ relative to last week with 18 loads moving in total.

The nonfat dry milk (NDM) market also wobbled early on, before gaining some traction mid-week. The spot NDM price fell to \$1.7975 per pound on Wednesday before finding its legs and rising during Thursday and Friday's trade. The NDM market closed the week at \$1.8325 per pound, an increase of 2.75¢ compared to last Friday. Activity was spritely during the week with 28 loads changing hands. Slower butter production in December also resulted in lighter powder output with combined production of NDM and skim milk powder down 21% year over year to 204.4 million pounds.



Condensed skim is increasingly available for dryers, but labor and transportation problems are preventing it from being utilized as efficiently as possible. International demand for NDM remains particularly robust and while port congestion issues persist, sustained demand from Mexican buyers is helping to clear product. Healthy demand has kept NDM inventories tight. At the end of December, manufacturers' stocks of NDM were 15.3% lower than last December though they grew compared to November's figures

Despite the strength displayed by both spot cheese and spot whey during the week, performance in the Class III milk futures markets were mixed with prices ebbing and flowing over the course of the week. After gaining ground on Friday, MAR22 through SEP22 Class III contracts are sitting above \$21 per cwt. Class IV prices continue to outpace those of Class III with FEB22 through JUN22 Class IV contracts settling on Friday in excess of \$23 per cwt.

The corn markets eased during the week as high ethanol stocks and lower Chinese import expectations weighed on the market. Nevertheless, prices remain elevated, and Friday's settlements included MAR22, MAY22, and JLY22 contracts at \$6.2050, \$6.2175, and \$6.1850 per bushel. Meanwhile, the bulls found their way to the soybean markets. Despite a small dip on Thursday, the futures prices for soybeans increased meaningfully over the week with the nearby contracts adding more than 60¢ per bushel. Elevated feed costs continue to challenge producer profitability with little relief expected in the coming months.