



The T.C. Jacoby Weekly Market Report

WEEK ENDING APRIL 29TH, 2022

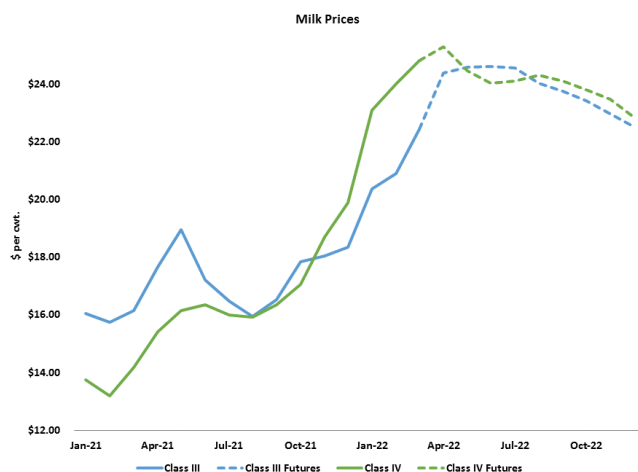
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CME Spot Market for the Week 4/25/2022 to 4/29/2022			WHEY		
			Avg Price	Qty Traded	4 wk Trend
			\$ 0.5890	10	
CHEESE BLOCKS			CHEESE BARRELS		
Avg Price	Qty Traded	4 wk Trend	Avg Price	Qty Traded	4 wk Trend
\$ 2.3695	3		\$ 2.3540	12	
BUTTER			NON-FAT		
Avg Price	Qty Traded	4 wk Trend	Avg Price	Qty Traded	4 wk Trend
\$ 2.6465	9		\$ 1.7370	8	

The dairy markets seem a bit befuddled. They moved this way and that without much conviction this week. Prices are historically lofty, but not high enough to bring on a lot of new milk in a world of \$8 corn and \$2,000 springers. Milk production continues to shrink overseas. With supplies in check, the trade is wrestling with the other side of the equation: At what point do high prices

hinder demand? Some international buyers do seem to be backing away from the market and hoping for lower prices. However, there are no obvious, affordable substitutes. Dairy merchants believe that buyers will be back eventually.

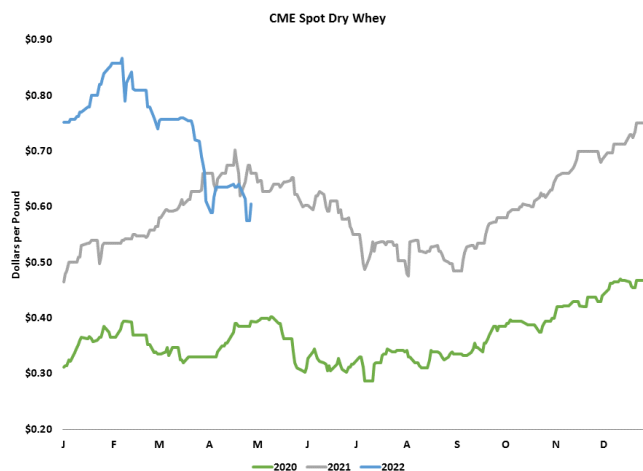
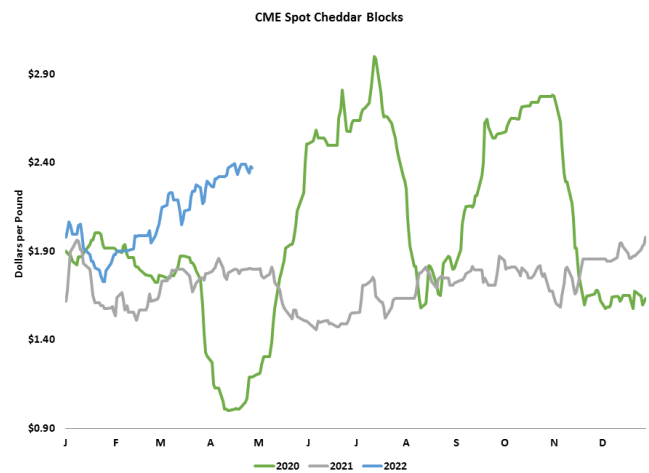


This week Class III and Class IV futures moved mostly lower, although a couple months finished in the green. April through December Class III contracts averaged \$23.86 per cwt. Class IV averaged \$24.12.

After setting new 2022 highs earlier this month, the cheese markets retreated. CME spot Cheddar blocks closed at \$2.37 per pound, down 2.25¢. Barrels closed at \$2.34, down 3¢ since last Friday. Cheesemakers continue to complain that staffing issues are forcing some plants to run below capacity. Nonetheless, production is strong. Fortunately, so is demand. Cheese is moving at a healthy clip through both retail and foodservice outlets. Export sales remain robust. Although

U.S. cheesemakers are frustrated by the headaches required to get product moving through U.S. ports, issues in Europe are reportedly worse. International buyers have taken notice, and the U.S. dairy industry is winning some customers due to its more reliable delivery pace.

Whey prices dropped hard on Tuesday, but they staged a big comeback today. It wasn't enough. CME spot whey closed 3¢ lower than last Friday at 60.5¢. Dry whey output has ticked up a little, thanks to higher cheese production. Domestic demand for whey is steady, and international demand is reportedly improving. However, Chinese whey demand is likely to remain soft. China's agricultural ministry estimates that the nation's pig herd shrunk 5.9% from February to March. Months of red ink have pushed Chinese hog growers to size down their herds. As they seek to cut costs, Chinese hog producers are likely to purchase less whey for piglet rations, shrinking global demand for whey for animal feed.



The butter market shrugged off last week's somewhat bearish Cold Storage report and inched upward. CME spot butter closed at \$2.675 today, up 0.75¢ for the week. Domestic butter demand is steady. USDA's *Dairy Market News* reports that "higher prices for butter may have caused some retail customers to start utilizing some alternatives to butter." Individual grocery shoppers may indeed be checking prices and putting a little less butter in their

shopping baskets. However, a wholesale shift to other cooking fats is unlikely, as vegetable oil prices have soared to all-time highs. Ukrainian sunflower oil exports are obviously in jeopardy, and this week Indonesia announced a ban on palm oil exports in order to rein in domestic food costs. Indonesian palm oil accounts for over 35% of global vegetable oil exports.

The milk powder market meandered back and forth this week. After venturing lower on Tuesday, CME spot nonfat dry milk (NDM) reversed course and followed the same route back uphill. It closed today at \$1.755, exactly where it began the week. Benchmark German skim milk powder (SMP) prices held steady as well, at all-time highs.

Tighter U.S. monetary policy and geopolitical and economic troubles in Europe pushed the euro to a five-year low against the dollar. The currency impact might normally shift SMP buyers toward Europe. However, even after adjusting to dollars, U.S. milk powder is still the most affordable in the world. Furthermore, Europe has very little SMP to spare. USDA's *Dairy Market News* notes

that, after years of waning output, “SMP inventories are generally tight.” They may get tighter still in the months to come. Natural gas prices in Europe are prohibitively high, and this week Russia cut off deliveries to Poland and Bulgaria. Poland has diversified its energy sources and built up a sizeable natural gas inventory, so Polish businesses, including milk processors, will likely be able to access the gas that they need. However, they will surely assess their more energy-intensive activities to determine whether they are worth the cost. And driers use a lot of natural gas.

On this side of the Atlantic, driers should be running hard as the spring flush builds. In some regions, they are. In the Southwest, the flush has collided with labor and processing issues, forcing manufacturers to dump milk whenever plants cannot run at capacity. But in the Mideast, NDM/SMP production is notably lower than seasonal norms. That’s partially because cheese processors can take on more milk than they did in the past. But it also suggests that regional milk output isn’t growing much, if at all, compared to last year. The Mideast is home to some of the least expensive feed in the nation. If \$24 milk can’t entice expansion there, it’s unlikely to elicit a lot of new milk in places where feed costs significantly more.

The forecast calls for heavy rains in the Plains and Western Corn Belt this weekend. That’s great news for parched soils in the region, but it also means the planters will likely have to head back to the shed for a few days. Although there is a lot of time left to get seed in the ground, concerns about the planting pace lifted the corn market significantly higher this week. July corn closed today at \$8.135 per bushel, up nearly 25¢ this week. December corn climbed to \$7.5125, up by a similar margin. July soybeans closed at \$16.8475, down 3.25¢ for the week. July soybean meal plummeted \$20 to \$432.30 per ton.