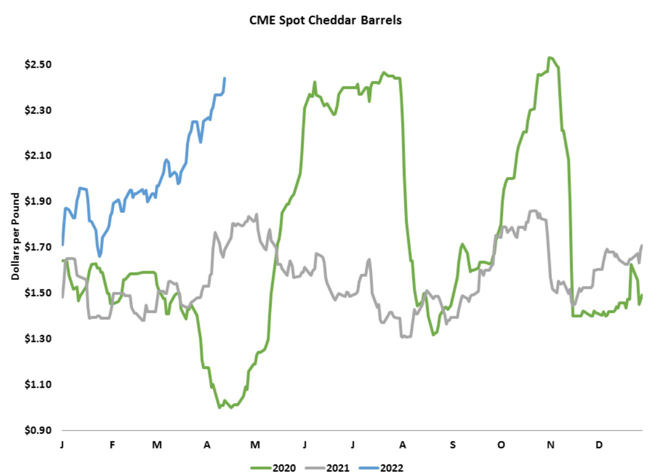
The T.C. Jacoby Weekly Market Report

WEEK ENDING APRIL 15TH, 2022

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

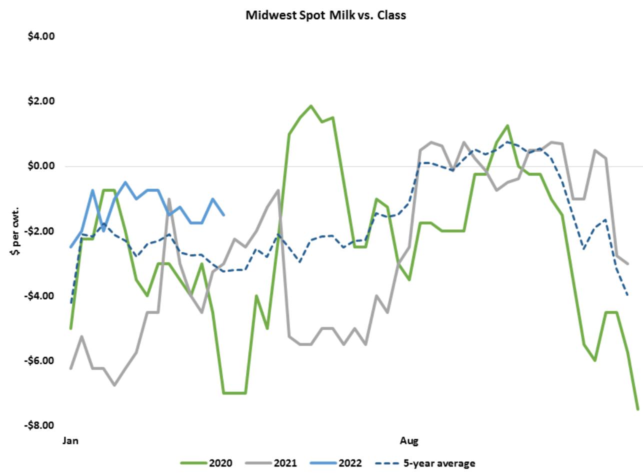
CME Spot Market for the Week			WHEY		
			Avg Price	Qty Traded	4 wk Trend
4/11/2022	to	4/15/2022	$ 0.6350	2	
CHEESE BLOCKS			CHEESE BARRELS		
Avg Price	Qty Traded	4 wk Trend	Avg Price	Qty Traded	4 wk Trend
$ 2.3356	8		$ 2.3888	12	
BUTTER			NON-FAT		
Avg Price	Qty Traded	4 wk Trend	Avg Price	Qty Traded	4 wk Trend
$ 2.7719	5		$ 1.8219	5	

Up and up and up again. CME spot Cheddar barrels gained another 7.25¢ this week and reached $2.44 per pound. That's the highest price since November 2020, when the government was spending billions to push cheese to consumers through the food box program. In the past 80 days, the barrel market has jumped 47%, and blocks have added 37%. Cheddar blocks closed yesterday at $2.3725, up 5.25¢ in the holiday-shortened week.

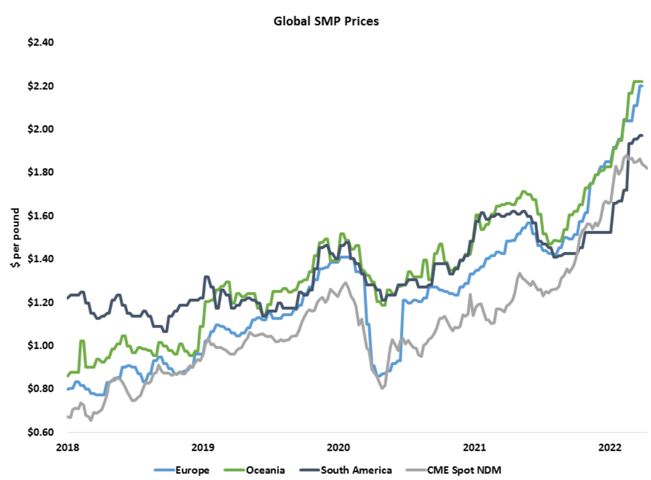


Cheese output continues to outpace every other year on record, but, due to persistent supply chain issues, it is lower than it could be. For months, cheese makers and other dairy processors have struggled to find the materials, truck drivers, and staff they need to run at capacity, and there is no relief in sight. In the Midwest, where milk is tight, plant issues are pushing some milk away from cheese plants to driers, and spot milk is selling at a modest discount. In the Southwest, where the flush is in full swing, unanticipated downtime is straining regional capacity, and some dairy producers have been forced to dump milk.

In this environment, cheese output is healthy but not formidable. Meanwhile, demand is robust. USDA's *Dairy Market News* characterizes domestic cheese demand as "strong" for both retail and food service. Exports are booming, as U.S. cheese is more widely available at better prices than the other dairy hubs can offer. Manufacturers in Europe and Oceania face all the same staffing and trucking headaches that plague the U.S. dairy industry, and they are short of milk besides. That's making more room for U.S. dairy exports despite port backlogs and a very strong dollar.

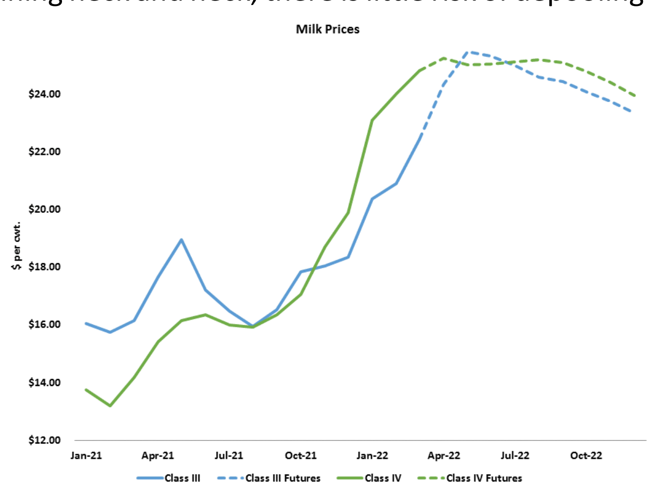


Exports are helping to tighten butter supplies as well. But, in the lull between Easter and ice cream season, cream is getting a little cheaper, which may spur slightly higher churn rates. CME spot butter took a small step back this week, falling 2.75¢ to $2.755.



The powders finished right where they started. CME spot nonfat dry milk (NDM) inched up and then back down to close unchanged at $1.8225. Spot whey went nowhere at all, holding at 63.5¢ for the sixth consecutive session. Although U.S. NDM is cheaper than foreign skim milk powder, exports have slowed. Buyers in Mexico are hoping for a setback before they step back into the market.

The high cheese price propelled Class III futures to new closing highs. The May and June contracts climbed more than 60¢ and settled well north of $25 per cwt. If they close here, they will exceed their Class IV counterparts for the first time since October. Down the board, Class IV contracts are still higher. However, the gap narrowed, as Class IV put in a mixed performance this week. With Class III and IV running neck and neck, there is little risk of depooling or big surprises from producer price differentials. And dairy producers who sell Class I milk will enjoy the highest possible price, the average of two buoyant milk classes and a 74¢ bonus.



Prices are likely to remain high as long as global milk output is in decline. USDA's *Dairy Market News* described the situation in Europe, offering a summary that will surely feel familiar to American dairy producers. "Farmers would like to take advantage of strong milk and dairy prices, but the increased costs of feed, labor, replacement heifers, and other farm inputs make expansion difficult."

The corn market has set one milestone after another. This week, every corn contract on the board established new life-of-contract highs. The most-actively traded July contract reached $7.86 per bushel, its highest price since September 2012. It settled at $7.8375, up 23¢ for the week. December corn futures, which will determine the price of fall silage, climbed nearly 20¢ to $7.3525. Although the market has climbed higher than this in the heat of the summer, corn prices have never run this hot in the spring. The soy complex cooled off a bit this week. July soybeans fell 2.75¢ to $16.6525. Soybean meal lost $6.90 and closed at a still-pricey $455.70 per ton.

With low global wheat stocks, the war in Ukraine, and record-high fertilizer prices, there is good reason for crop values to stay high. But as corn approaches $8, the bears might rouse themselves from a long hibernation. They will point to a significant increase in Indian wheat exports and plentiful rice, which will help to feed a hungry world. Additionally, Brazil's second corn crop is off to a good start, and U.S. farmers will surely do all they can to grow a bumper harvest this year, despite the high cost of inputs. The market is already lamenting the slow start to corn planting this spring, but there is a lot of time to go. The forecast calls for above-normal precipitation in the last week of April. The bulls will complain about another slowdown in sowing, but the bears will rightly celebrate a bout of rain where it is sorely needed. Spring is finally here, and the weather will determine the direction of the crop markets from now until harvest.