



The T.C. Jacoby Weekly Market Report

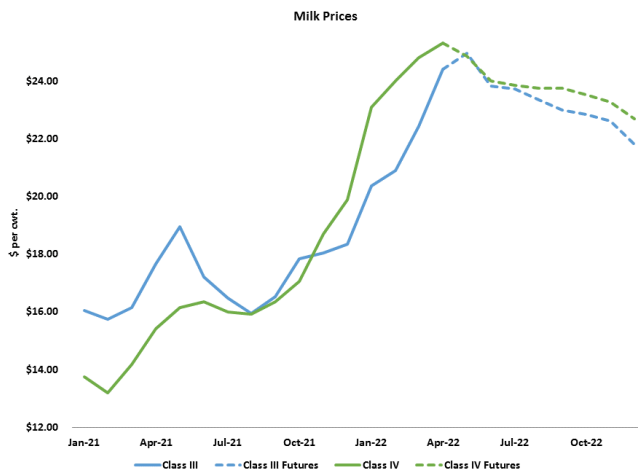
WEEK ENDING MAY 13TH, 2022

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CME Spot Market for the Week 5/9/2022 to 5/13/2022			WHEY		
			Avg Price	Qty Traded	4 wk Trend
			\$ 0.5615	9	
CHEESE BLOCKS			CHEESE BARRELS		
Avg Price	Qty Traded	4 wk Trend	Avg Price	Qty Traded	4 wk Trend
\$ 2.2950	14		\$ 2.3765	2	
BUTTER			NON-FAT		
Avg Price	Qty Traded	4 wk Trend	Avg Price	Qty Traded	4 wk Trend
\$ 2.6540	18		\$ 1.7300	6	

The dairy markets are still concerned about demand. Global milk output is growing slowly, if at all, and dairy product inventories are not burdensome. But tight supplies are not enough to lift



the market when prices are already quite lofty. Consumption must be healthy too. As uncertainties grow, the dairy markets are moving back and forth, searching for the price that puts supply and demand in equilibrium. Class IV futures were mixed, although most contracts leaned higher. May Class IV climbed 32¢ to reach \$24.87 per cwt., and the June contract rallied 15¢ to \$24. Class III futures lost ground across the board. The June contract was weakest. It fell 71¢ to \$23.83.

Cheesemakers continue to struggle with staffing issues, and U.S. cheese processing capacity suffered another blow this week. Storms slammed into the Northern Plains with high winds and heavy rain. Three cheese plants in South Dakota and Iowa are dark today. Together, these plants can process more than 12 million pounds of milk per day. Some producers are dumping milk and the plants will have to discard the cheese they were in the process of making before the weather forced them to shut down. There may be a little less cheese for sale in Chicago over the next 30 days, which could briefly lift the spot Cheddar market.

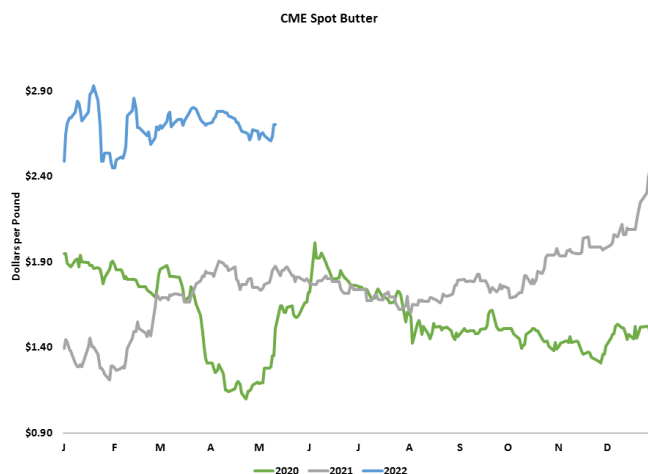
Most cheesemakers tell USDA's *Dairy Market News* that demand remains strong. U.S. cheese is a bargain compared to foreign product, and exports are as vigorous as the supply chain will allow. Orders from foodservice and retail are generally stable. However, in the Northeast, processors mentioned "pockets of slightly softer demand." That is enough to raise doubts about the price, slower output notwithstanding. The cheese markets were mixed this week, highlighting the market's unease. CME spot Cheddar blocks fell 4.25¢ to \$2.3075 per pound. Barrels climbed 1.5¢ to \$2.395.

CME spot nonfat dry milk (NDM) slipped a penny this week to \$1.73. Like cheese, U.S. milk powder is priced to move abroad. However, on the heels of the big GDT selloff last week, some buyers are hoping for a further setback before they step in to buy. Mexican milk powder importers are biding their time, and U.S. exports have likely slowed. The market is also casting a worried eye toward China. With several major cities in lockdown, Chinese economic growth is in peril and consumer spending is in a slump. Starbucks reported a 23% decline in same-store sales in China in the first quarter. Clearly lattes are a luxury that locked-down consumers cannot venture out to buy. Hopefully, China's appetite for more shelf-stable dairy-laden products will fare much better.

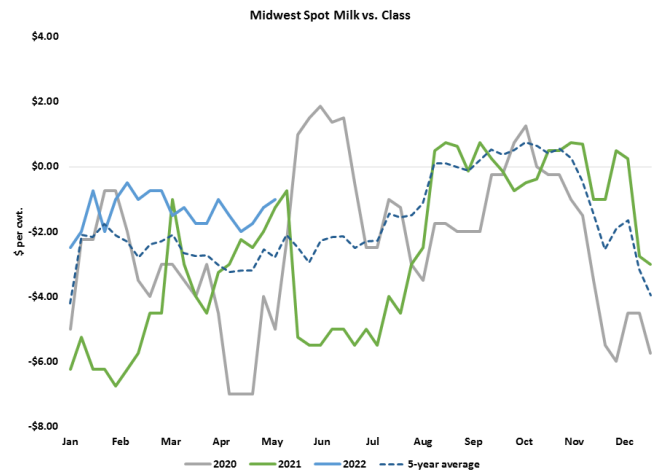
Anxiety about China is top of mind in the whey market. China's hog industry is awash in red ink, and they are purchasing considerably less whey for feed than they did last year. Closer to home, whey for feed demand is expected to climb, given the lack of affordable substitutes. Amid slower exports and seasonal growth in the whey stream, inventories are growing and prices continue to sink. CME spot whey fell another 5.25¢ this week and dropped to an eight-month low at 53.25¢.



After a few weeks in the doldrums, spot butter came roaring back this week. It jumped 6.5¢ to \$2.705. High prices have weighed on demand at retail, but foodservice orders are steady. Cream prices are climbing seasonally as ice cream makers ramp up production, and churn rates are falling accordingly. With the rest of the dairy complex under a bit of pressure, the rally in the butter market is a timely reminder that, while high prices can deter demand, there are good reasons that prices have climbed so high in the first place.

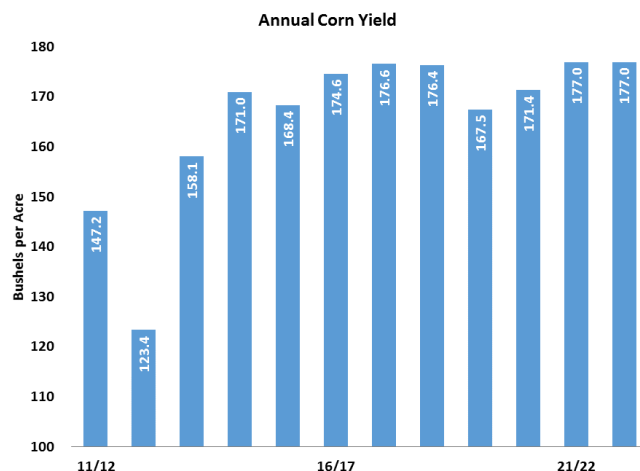


Setting aside the storm-ravaged Northern Plains, the spring flush has not overwhelmed processing capacity, despite all the labor and logistics issues that have reduced throughput. Indeed, although most spot milk is moving at a discount, some cheesemakers in the Upper Midwest paid a small premium for spot milk in each of the past two weeks. *Dairy Market News* reports, “If cheese production were at full clip... milk would be atypically tight during the flush.” The smaller dairy herd, high feed costs, and rising temperatures are stunting growth in milk production. There may be room for further declines in dairy product prices, but the pace of milk output suggests that prices aren’t likely to plummet.



Heavy rains in the Northern Plains kept planters out of the fields yet again this week, and the market is concerned that farmers will abandon some would-be corn acres in the Dakotas and Minnesota. But the sun shone in the rest of the farm belt, and planters were rolling. All eyes will be on the Crop Progress report Monday afternoon to see just how much ground farmers were able to cover.

Typically, USDA assumes a trendline corn yield in the May update to the World Agricultural Supply and Demand Estimates report, because it’s simply too early to say much about crop yields when



much of the seed is not yet in the ground. But on Thursday the agency took the unusual step of lowering its projected corn yield from the trendline of 181 bushels per acre down to 177. That would match last year’s record-high corn yield, but it represents a significant step down from maximum potential, and the world needs those bushels. New crop corn prices soared on Thursday, and then retreated today as the market reflected on the mostly sunny forecast and all the unknowns that could benefit or harm the crop between now and

harvest. December corn futures closed today at \$7.4875 per bushel, still up 28¢ from last Friday. Nearby July corn futures moved back and forth and finished close to where they began the week at \$7.8125.

The soy complex was mixed this week. July soybean futures rallied 24.5¢ to \$16.465, driven by a rebound in soybean oil prices. Soybean meal took another step back. The July contract closed at \$409.30 per ton, down \$4.30 since last Friday.