



The T.C. Jacoby Weekly Market Report

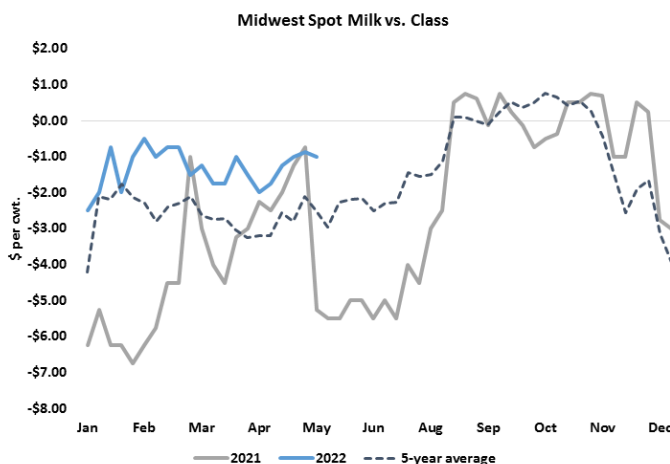
WEEK ENDING MAY 27th, 2022

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CME Spot Market for the Week 5/23/2022 to 5/27/2022			WHEY		
			Avg Price	Qty Traded	4 wk Trend
			\$ 0.5025	10	
CHEESE BLOCKS			CHEESE BARRELS		
Avg Price	Qty Traded	4 wk Trend	Avg Price	Qty Traded	4 wk Trend
\$ 2.3160	3		\$ 2.3115	11	
BUTTER			NON-FAT		
Avg Price	Qty Traded	4 wk Trend	Avg Price	Qty Traded	4 wk Trend
\$ 2.8825	33		\$ 1.8365	26	

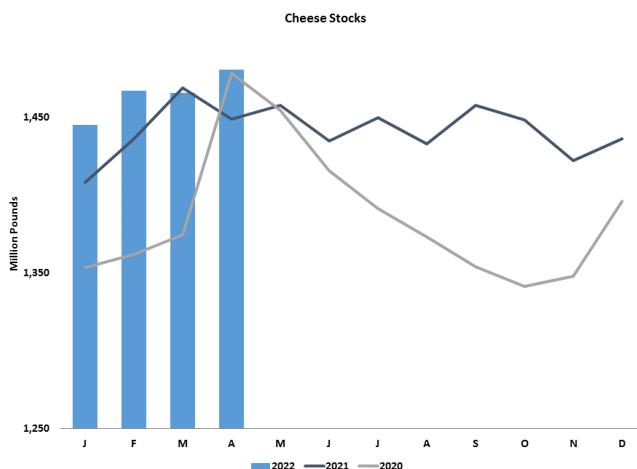
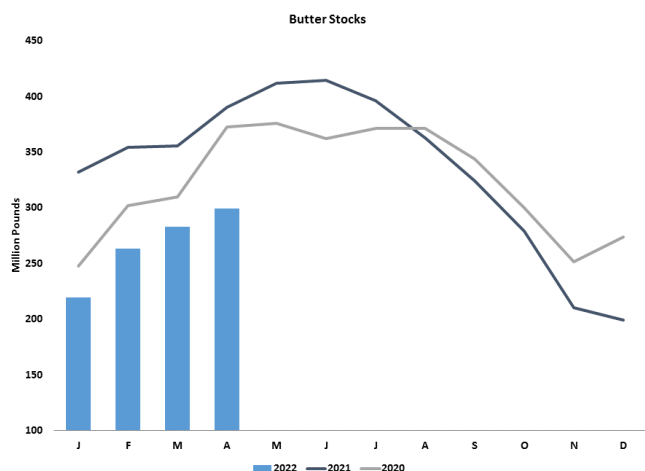
The mercury is rising in the Southwest, and the cows in Texas, New Mexico, and Arizona are suffering in triple digit temperatures. But in the rest of the nation, the weather is pleasant, and milk is flowing. Meanwhile, many dairy processors continue to operate below capacity as labor issues and supply chain snarls remain frustratingly commonplace. USDA's *Dairy Market News* reports that, just ahead of summer, ice cream makers in the Southeast have canceled some cream orders because they haven't been able to source other key ingredients, including sweeteners.



Despite the season and the problems at the plants, the spring flush has not overwhelmed. Cheesemakers in the Midwest are able to buy quite a bit of spot milk at around \$2 below Class III, but in some areas, they're paying as much as 75¢ over the market. It's unusual to see premiums at this time of year, and it's raising concerns about summer supplies. If driers and cheese vats aren't full to the brim amid mild May temperatures, how much will output slow in the July and August heat?

Still, there is more than enough cheese to go around. There were 1.48 billion pounds in cold storage on April 30, edging just past April 2020 to set an all-time high. Exports are strong, but high prices are starting to chip away at domestic sales at the margins. That weighed on sentiment in Chicago this week. CME spot Cheddar barrels fell 5.25¢ to \$2.295 per pound. Blocks closed a dime lower at \$2.28.

Butter stocks grew seasonally from March to April, but the month-to-month stock build was about half as large as normal. There were 299.6 million pounds of butter in refrigerated warehouses at the end of last month, down 23.2%



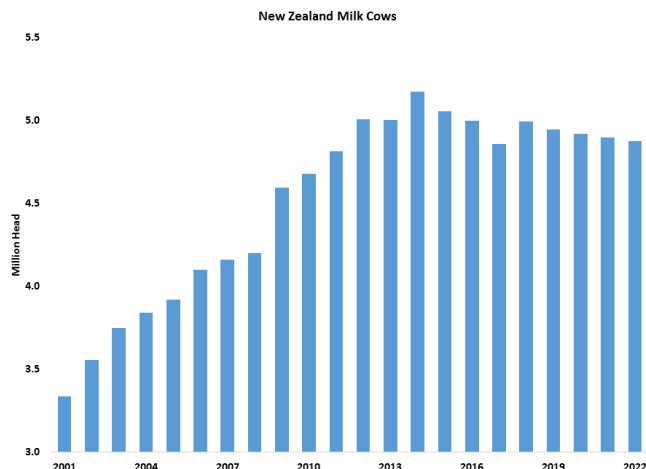
from the prior year and the lowest April tally since 2017. Sticker shock continues to trim sales, but the trade is apparently unconcerned. *Dairy Market News* reports that “expectations are anything but bearish.” Spot butter rallied once again this week, climbing 2.75¢ to \$2.8775.

The powders climbed as well. CME spot nonfat dry milk (NDM) jumped 6¢ to \$1.86. Manufacturers in the Central region report that NDM is “somewhat tight,” and that loads are moving out of storage just weeks after production, which is unusual for this

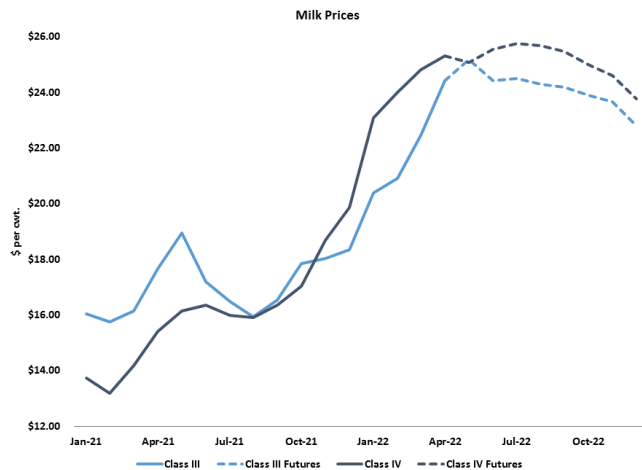
time of year. Similarly, processors in the East tell *Dairy Market News* that supplies are limited and demand is “more competitive.”

Whey is plentiful thanks to robust cheese production. But as it traded below 50¢ once again Monday and Tuesday, the market may have overestimated the oversupply and attracted some buyers in the bargain. That lifted prices later in the week. Spot whey closed at 52.25¢, up 1.5¢ from last Friday. U.S. whey and NDM are both selling at huge discounts to foreign product. But the markets remain concerned about export prospects given economic issues in China.

As long as buyers are not deterred by strained budgets, U.S. dairy exports are likely to stay strong due to a lack of competition from the other major dairy



suppliers. USDA describes European milk supplies as “relatively tight.” In New Zealand, milk collections continue to disappoint. April output dropped to just 1.43 million metric tons (3.15 billion pounds), down 5.6% from a year ago. On a milk solids basis, kiwi milk output is down 3.9% for the season to date with just one month to go. If the weather cooperates, milk production could improve next season, but rapid growth is unlikely. Tightening environmental restrictions have capped cow numbers, and most dairy producers would rather stomach low milk yields than pay through the nose for supplemental feeds.



The trade remains anxious that high energy costs and lofty dairy product prices will erode consumer’s appetites – and ability to pay – for dairy. But they shook off those concerns and largely shrugged off the decline in the spot Cheddar markets too. Class III futures finished mostly higher for the week, although the July contract took a small step back. Class IV futures surged to life-of-contract highs. Most contracts added between 50 and 70¢ this week. May through October Class IV futures are standing strong at \$25 per cwt. or higher.

Farmers toiled from sunrise to sunset and into the night to get their crops in the ground over the past couple weeks, and their hard work has paid off. As of May 22, they’d planted 72% of corn acreage, putting the planting pace just seven points behind the five-year average. Emergence also lagged but was catching up quickly, thanks to the recent heat spell. There were bouts of sunshine and some wet days in the major growing areas this week, but fieldwork continued. The forecast for next week calls for more of the same.

With the first major hurdle of the corn season largely in the tractor’s rearview mirror, the grain markets sold off early in the week. Geopolitics added further pressure. A Russian official said that to would assuage humanitarian concerns, Russia would magnanimously consider allowing exports of Ukrainian food, if the West would simply roll back its sanctions. That is a laughable prospect, but the wheat markets sold off nonetheless, and corn futures followed. July corn dipped to \$7.55 per bushel on Wednesday, a seven-week low. December corn futures dropped as low as \$7.07. But the grain markets came roaring back today amid rumors that China was buying U.S. corn for fall delivery. The rumors seem unfounded, given that Brazilian corn is a better bargain. But the bulls pranced anyway. July corn settled at \$7.7725, down just 1.5¢ from last Friday. December corn closed at \$7.30, down 2¢ for the week.

Half of the soybean crop was in the ground by Sunday. Although that’s just five points behind the average pace, there is still a lot of work to be done. With that in mind, soybean futures climbed once again this week. July soybeans headed into the long weekend at \$17.3225 per bushel, up 27¢ this week to the highest closing price since 2012. July soybean meal added another \$2.40 this week and reached \$432.30 per ton.