



The T.C. Jacoby Weekly Market Report

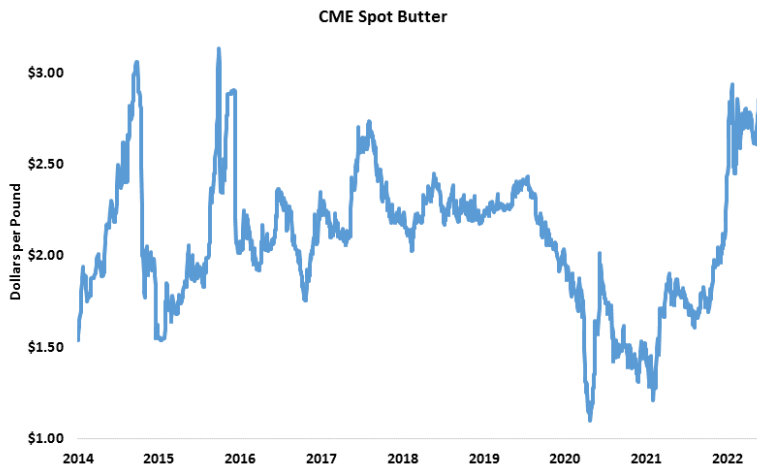
WEEK ENDING JUNE 10TH, 2022

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CME Spot Market for the Week 6/6/2022 to 6/10/2022			WHEY		
			Avg Price	Qty Traded	4 wk Trend
			\$ 0.5370	7	
CHEESE BLOCKS			CHEESE BARRELS		
Avg Price	Qty Traded	4 wk Trend	Avg Price	Qty Traded	4 wk Trend
\$ 2.2730	6		\$ 2.2585	21	
BUTTER			NON-FAT		
Avg Price	Qty Traded	4 wk Trend	Avg Price	Qty Traded	4 wk Trend
\$ 2.9790	28		\$ 1.8720	9	

The butter market sprinted uphill and reached \$3 this week for the first time since 2015. Buyers bought 19 loads of butter in Chicago on Wednesday, including two at the \$3 mark. But the bids dried up Thursday, and prices retreated Friday. Still, CME spot butter finished today at \$2.975 per pound, 6¢ higher than last Friday.



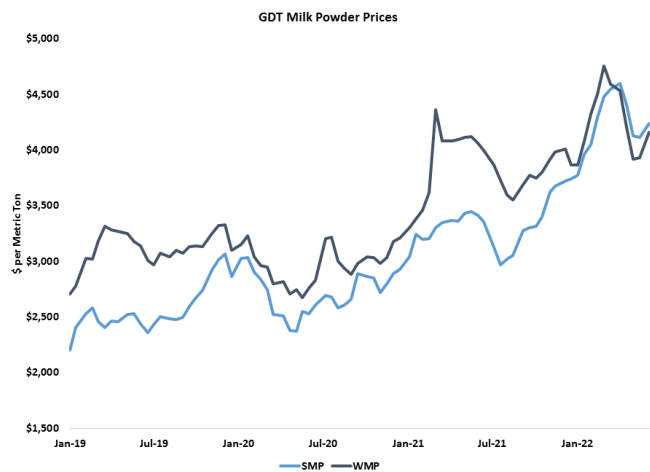
The butter market illustrates the conundrum that besets much of the dairy complex. Stocks are relatively low and production is falling seasonally. Milk and butter output are not rising anywhere that matters. U.S. butter is much cheaper than foreign product, so trade is further eroding supplies. But prices are already quite high,

and demand is starting to slip. Consumers are feeling the strain of high gas prices and rising inflation. Economists warn that a recession could be around the corner. It's difficult to sustain \$3 butter in that environment, so prices took a big step back today.

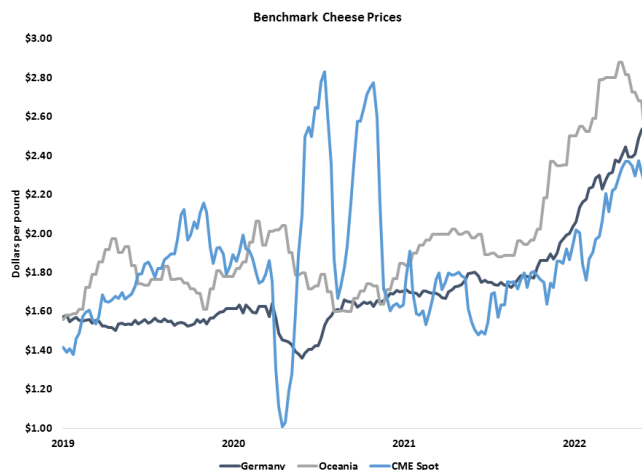
The other dairy markets followed a similar path, but the Friday setback overwhelmed early-week strength. CME spot Cheddar blocks fell 1.5¢ to \$2.255. Barrels slipped 0.25¢ to \$2.2425. Spot

nonfat dry milk (NDM) dropped 0.75¢ to \$1.855. Whey powder closed at 54.25¢, down 1.5¢ for the week.

Overseas markets gained ground. At Tuesday's Global Dairy Trade (GDT) auction all products except Cheddar moved higher, led by a 5.7% increase in the price of whole milk powder (WMP). Skim milk powder (SMP) rallied 3% to the rough equivalent of NDM at \$1.92 per pound. GDT butter prices jumped 5.6%. Compared to goods from Europe and New Zealand U.S. dairy products are competitively priced, despite the very strong dollar.

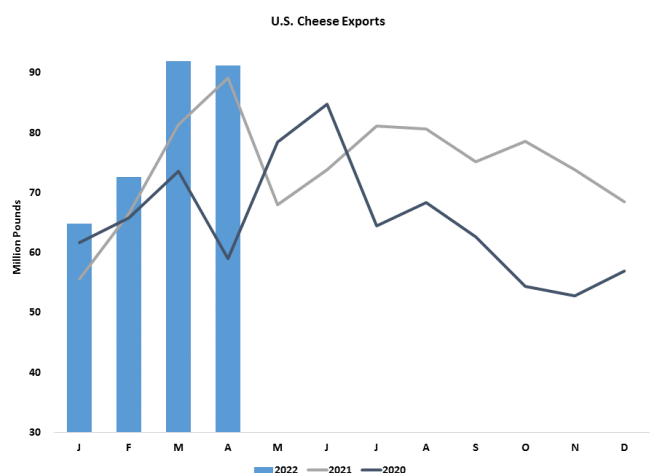


U.S. exporters navigated a shortage of containers, a lack of truck drivers, and a backlog at the ports and managed to send more dairy overseas in April than in any other April on record. U.S.

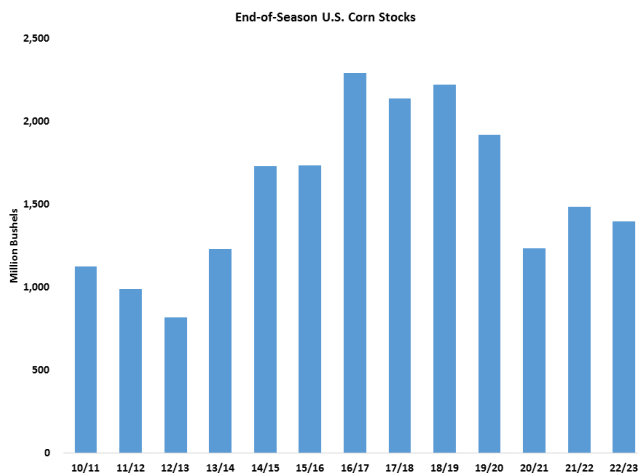


exports of NDM/SMP were healthy, at 162 million pounds, but they fell 6% short of the unusually high volumes of April 2021, when shipments to the Middle East spiked. Cheese exports echoed the strong March showing and topped 91 million pounds, up 2% from a year ago to the greatest volume ever on a daily average basis. Butterfat exports remained strong, driven by a jump in anhydrous milk shipments. However, whey exports remained in the doldrums, weighed down by weak demand from China.

Although domestic demand remains a concern, exports are likely to remain strong, and foreign dairy markets are providing a firm floor under the U.S. dairy complex. Meanwhile, the spring flush is limping to a close, and a heat wave looms in the Southwest and Midwest. Despite the setback in the spot markets, milk futures moved higher again this week. Second-half Class IV futures added 20¢, on average, and the July and August contracts topped \$26 per cwt. Most Class III contracts also posted double-digit gains, and 2023 Class III futures scored life-of-contract highs.



After a big selloff last week, the feed markets zigged and zagged but ultimately finished much higher than last Friday. July soybeans reached life-of-contract highs Thursday. But palm oil futures dropped hard after Indonesia eased the way for more exports. Soybean oil followed palm



oil lower and dragged soy futures down with them. July soybeans closed at a still-high \$17.455 per bushel, up nearly 50¢ from last Friday. July soybean meal advanced nearly \$22 to \$429.10 per ton. July corn futures regained much of the ground they lost last week and settled at \$7.7325, up 46.25¢. December corn added 30.5¢ and reached \$7.205.

Outside of North Dakota and parts of Minnesota, crops are in the ground and enjoying a nice mix of sunshine and rain. But

there is a lot of heat in the forecast and the trade is on edge. USDA's monthly update to its crop balance sheet confirmed that corn and soybean supplies are likely to remain tight, although the agency expects that there will be more corn in 2022 and 2023 than there was last year. Still, grain and oilseed prices are likely to remain high.

The cost of forages varies widely from region to region, but they are pricey too. In the West, lower acreage and severe drought have reduced hay supplies. The drought is a double whammy, because it also limits grazing and boosts hay demand. Central California is home to the greatest concentration of dairies in the country, and it's also the epicenter of the hay shortage. According to the *Hoyt Report*, premium alfalfa is regularly selling for \$420 to \$435 per ton, up from around \$280 per ton a year ago. Dairy producers are cashing some very big milk checks, but feed costs are eating up a huge chunk of that revenue, especially in the West.