



The T.C. Jacoby Weekly Market Report

WEEK ENDING JULY 15TH, 2022

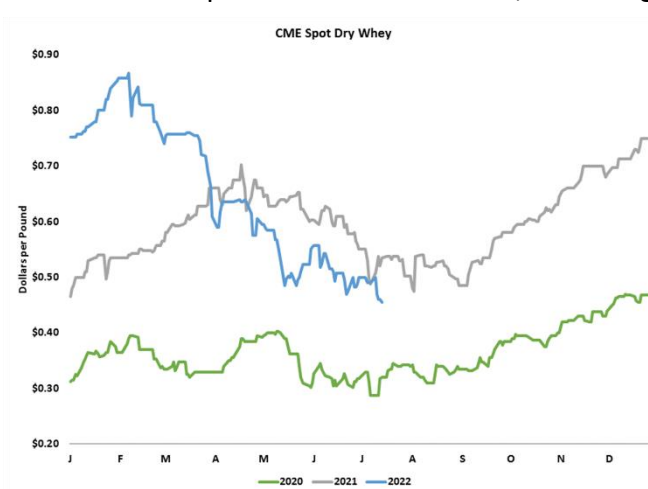
*By Sarina Sharp, Market Analyst for the Daily Dairy Report
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| CME Spot Market for the Week 7/11/2022 to 7/15/2022 | | | WHEY | | |
|--|------------|------------|----------------|------------|------------|
| | | | Avg Price | Qty Traded | 4 wk Trend |
| | | | \$ 0.4690 | 5 | |
| CHEESE BLOCKS | | | CHEESE BARRELS | | |
| Avg Price | Qty Traded | 4 wk Trend | Avg Price | Qty Traded | 4 wk Trend |
| \$ 2.0765 | 4 | | \$ 2.1375 | 17 | |
| BUTTER | | | NON-FAT | | |
| Avg Price | Qty Traded | 4 wk Trend | Avg Price | Qty Traded | 4 wk Trend |
| \$ 2.9470 | 70 | | \$ 1.7000 | 13 | |

The commodity markets reeled this week, battered by growing anxiety about the global economy. The headlines packed one punch after another. U.S. inflation accelerated to 9.1% last month, reducing Americans' purchasing power at the fastest rate since 1981. China's economy grew just 0.4% in the second quarter, its slowest expansion in more than two years. More recently, rising Covid counts prompted China to reinstate some of the lockdown measures that led to such poor performance last quarter, spooking the markets. The European economy is in even worse shape as the war in Ukraine, the energy crisis, and ever stricter regulations hamstringing

industry on the continent. With Europe's economy on the ropes, the euro dropped near parity with the U.S. dollar, at a 20-year low. Crude oil futures fell \$7 per barrel this week as investors retreated to their corners.

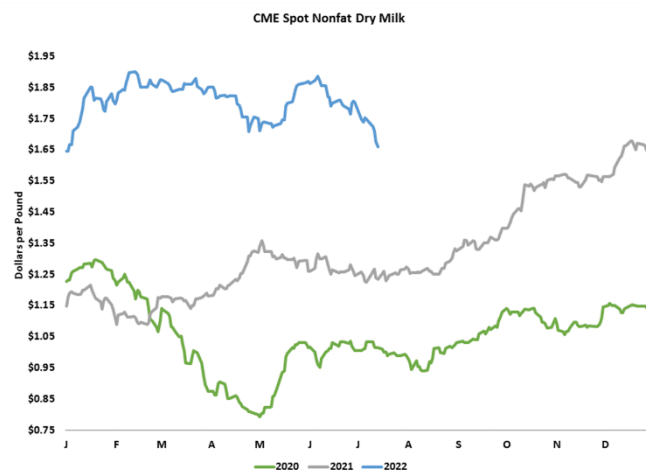
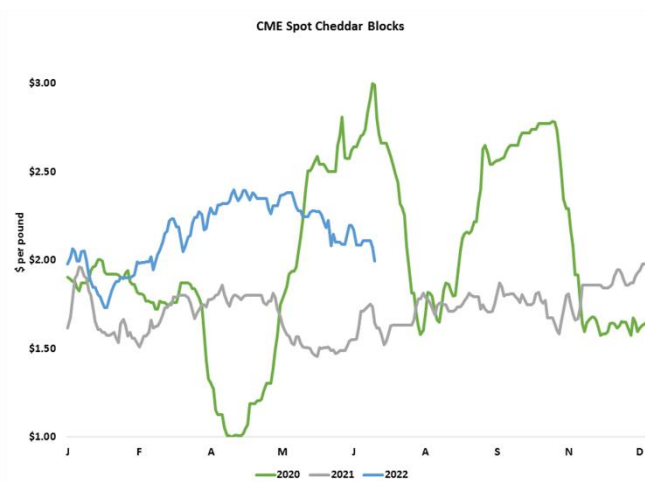


The dairy markets suffered too. CME spot dry whey fell 3.5¢ to 45.5¢ per pound, its lowest price since 2020. For nearly two years, strong demand for high protein whey products and robust exports to China have kept whey stocks in check. But the trade is concerned that the latter is in jeopardy.

Chinese whey imports have slowed noticeably, but U.S. whey is competitively priced. U.S. exporters are likely to capture a larger piece of a shrinking pie.

There is still plenty of milk in the cheese states, and production continues apace. With plentiful supply and concerns about demand, CME spot Cheddar barrels plummeted 11.25¢ this week to \$2.07. Blocks fared even worse, falling 11.5¢ to \$1.995, their lowest price since February.

CME spot nonfat dry milk (NDM) fell 8.75¢ this week to \$1.66, the lowest price in more than six months. Summer temperatures have slowed the flow of milk to driers, and supplies are not burdensome. However, buyers are bearish, and they are waiting for better values before they bid in significant volumes. USDA's *Dairy Market News* describes demand as "lackluster."

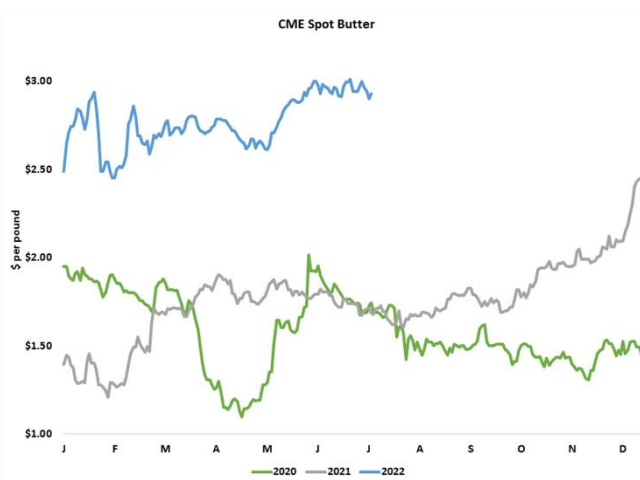


CME spot butter jumped back to \$3.00 on Monday but then spent much of the week on its back foot, falling to \$2.90 on Thursday. Butter battled back and closed today at \$2.93, down just 4¢ since last Friday. Butter inventories are tight, but demand is a bit soft.

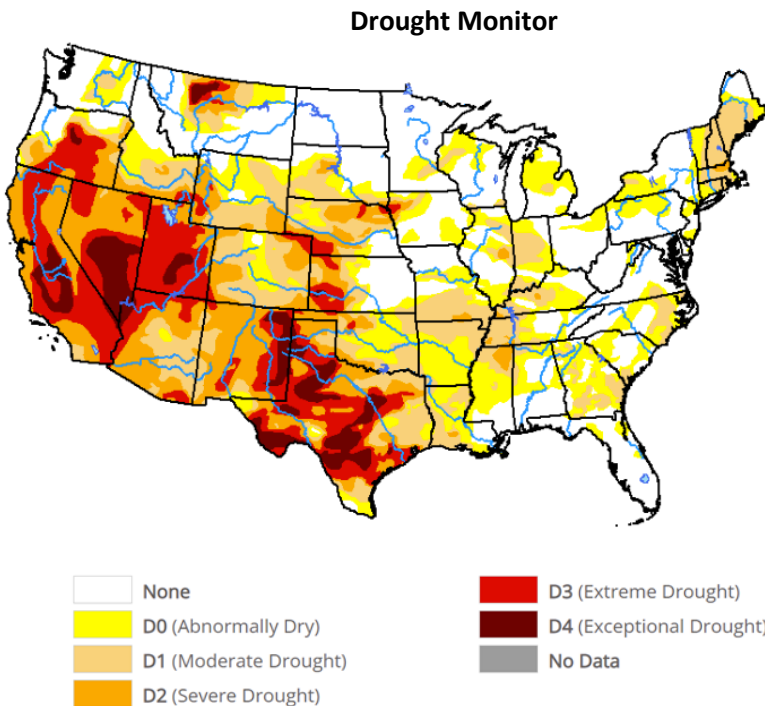
Milk futures finished deep in the red. July Class III fell 27¢ to \$22.52 per cwt. Most deferred futures fell roughly \$1.50, and the September contract lost \$2.10. Class III milk

is trading just north of \$20, a far cry from the \$25 the futures briefly promised earlier this summer. July Class IV climbed 23¢ to \$25.86, but the other contracts lost ground. September through December futures closed \$1.21 to \$1.55 lower than last Friday. Fortunately, feed costs have fallen too.

The grain markets covered a lot of ground this week. September corn ascended to a peak of \$6.67 per bushel on Monday, but on Tuesday it ran straight downhill. Corn spent the rest of the week on the valley floor. The September contract closed today at \$6.0425, down 29¢ this week. December corn finished at \$6.0375, nearly 20¢ lower than last Friday. Soybean futures plummeted, dragged down by the oil market and slow export sales, which fueled



apprehensions about demand. September soybeans closed at \$13.595, down more than \$1.50 in just five trading sessions. Nonetheless, August soybean meal held at \$431 per ton, down just 30¢ from last week.



If the outside markets held less sway, and the feed markets were solely focused on the weather, prices likely would have climbed. Crops are starting to wither in the high-production counties of northwest Iowa and in nearby South Dakota and Minnesota. It's also disappointingly dry in much of Indiana. Conditions are better in most of the central and eastern Corn Belt thanks to heavy rains last week. The forecast calls for more of the same, with rains expected over the weekend in the eastern Corn Belt. The West will remain dry.

USDA updated its crop balance sheets Tuesday, but made no changes to yield estimates. After adjusting planted area to reflect the June 30 Acreage report, the agency showed tighter soybean supplies and more corn than in last month's report.

Russia, Ukraine, Turkey, and the United Nations say they will sign an agreement next week to allow Ukrainian grain to flow through Black Sea ports once again. That's a win for diplomacy, but the execution is still fraught with danger and likely to be slow at best. In order to get grain moving, officials will have to de-mine the deep water routes and exporters will have to struggle with damaged infrastructure at the besieged ports of Mykolaiv and Odessa. Even as the Russians negotiated the terms of the export pact, they launched missiles at those same ports earlier this week.

Meanwhile farming – and everyday life – remains extremely difficult throughout Ukraine. USDA once again trimmed its estimate of Ukrainian wheat production. It's hard to project wartime crop output, let alone exports, with any precision, but USDA's best guess puts Ukrainian corn and wheat production down 30.6 million metric tons from last year, a decline of 41%. We're counting on a big U.S. crop to help make up for the loss, so the grain markets will remain extremely sensitive to the whims of the weather until harvest arrives.