



The T.C. Jacoby Weekly Market Report

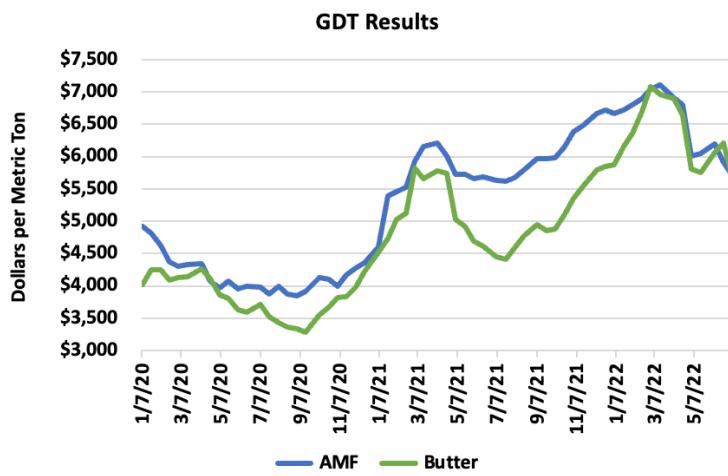
WEEK ENDING JULY 8TH, 2022

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CME Spot Market for the Week			WHEY		
7/4/2022 to 7/8/2022			Avg Price	Qty Traded	4 wk Trend
\$ 0.4925		2			
CHEESE BLOCKS			CHEESE BARRELS		
Avg Price	Qty Traded	4 wk Trend	Avg Price	Qty Traded	4 wk Trend
\$ 2.0913	2		\$ 2.1756	3	
BUTTER			NON-FAT		
Avg Price	Qty Traded	4 wk Trend	Avg Price	Qty Traded	4 wk Trend
\$ 2.9475	47		\$ 1.7469	12	

The bears were out in full force during this holiday-shortened week. Prices for dairy commodities moved lower both at home and abroad as the markets sort through supply and demand dynamics. While production shortages persist among most global dairy suppliers, concerns about economic cooling, inflation, and the resulting impact on dairy demand seems to have been sufficient to push back on pricing.



During Tuesday's trading session, the Global Dairy Trade (GDT) index moved down by 4.1%, weighed on by particularly precipitous losses in fat products. The GDT index has declined in seven of the last eight events, suggesting that global prices are well past their peak. U.S. dairy products continue to move into the international market at a rapid clip. At 579.2 million pounds, U.S. dairy exports set a record in May and were up 4.8% relative to the same month last year. Cumulative exports during the first five months of the year

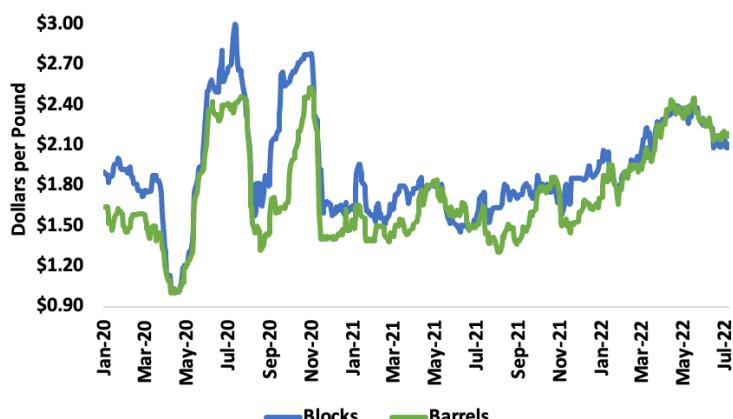
led 2021 by 1.3%, though a strengthening U.S. dollar could challenge this pace in the future.

Spot prices for all products fell at the CME this week, due especially to big losses on Tuesday. In the Cheddar markets, blocks plummeted on Tuesday, losing 8.75¢ during the day before finding their footing and recovering somewhat later in the week. Ultimately, blocks ended Friday's trade at \$2.11/lb., down

6.25¢ compared to last Friday. Barrels followed a similar, if less dramatic trajectory over the week, ultimately finishing today's trade at \$2.1825/lb., 2.25¢ lower than last week. Barrels are carrying a 7.25¢ premium to blocks.

Cheesemakers report that plenty of milk is available for processing. USDA's *Dairy Market News* indicates that spot loads of milk can be picked up for as little as \$6 under Class III prices. Despite the availability of milk, however, complications abound. Labor shortages continue to limit processing capacity while transportation challenges are interrupting the smooth movement of spot loads across the country. Domestic cheese demand appears to have softened through

CME Spot Cheddar



both retail and foodservice channels. Export demand, however, has remained robust and continues to keep tension in the market. U.S. exporters shipped 89 million pounds of cheese in May. While this was down compared to April and especially March's record large 91.9 million pounds of exports, it nevertheless represents an increase of 31% year over year.

U.S. Cheese Exports

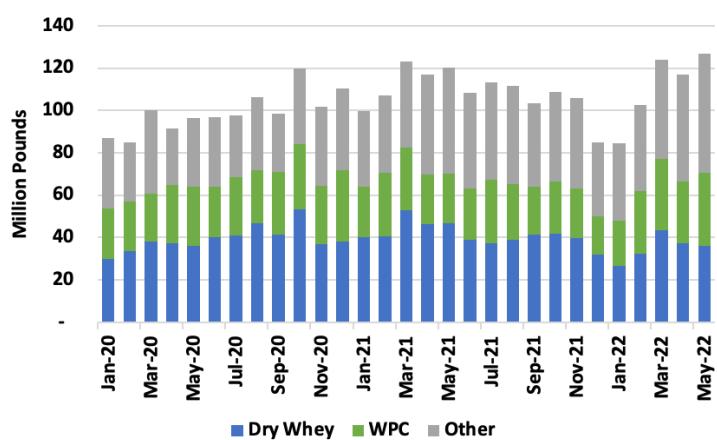


exports and grew year over year for the first time since last September. At 34.8 million pounds, shipments of whey protein concentrate were strong, up 51.1% year over year, and nearly eclipsed dry whey exports, which fell 23.4% year over year to 35.9 million pounds.

Sufficiently strong cheese production has kept a steady whey stream available for whey manufacturers. Market stakeholders indicate that the market is largely in balance while stocks, particularly of dry whey, are comfortable if not abundant. Spot dry whey gave up a penny on Wednesday before holding steady at 49¢/lb. over the remainder of the week.

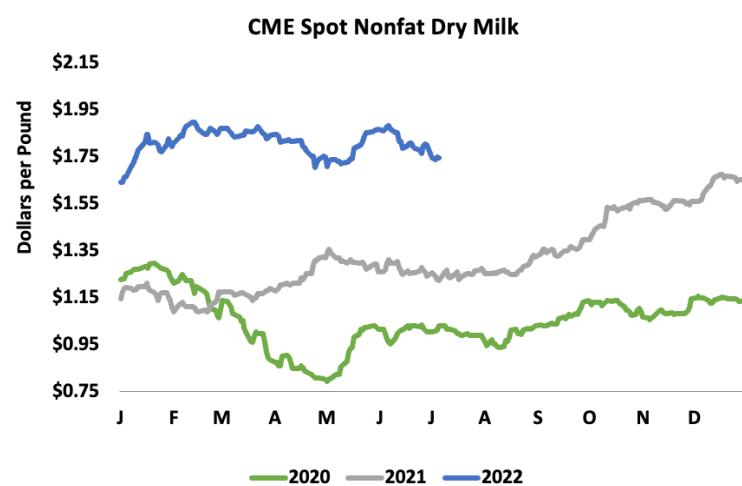
Butter market tones are mixed. The availability of cream varies dramatically from region to region though logistical

U.S. Whey Exports



complications are sometimes preventing spot loads from finding their way to the churns that want them. Cream availability picked up following last week's holiday but as summer wears on, the prevalence of spot loads is anticipated to fall. Processors and retailers are skittish about demand as consumers feel the pressure of inflation on their household budgets. Yet, despite these concerns, butter prices have managed to stay at historically strong levels.

After breaching the \$3/lb. mark last Friday, the highest price since 2015, spot butter prices tumbled by 7¢ on Tuesday at the CME. They held constant at \$2.94 for three days before adding 3¢ during today's session as 22 loads traded hands. Ultimately CME spot butter ended the week at \$2.97/lb. a decline of 4¢ compared to last Friday.



Nonfat dry milk (NDM) markets also came under pressure this week, losing 5.5¢ to end today's trade at \$1.7475/lb. Dryers remain busy but market stakeholders indicate that they are waiting for cues from the international market to see how much further global powder prices may fall. U.S. NDM exports slipped by 9.4% year over year in May, falling to 177.3 million pounds. Lower demand from Mexico weighed on overall powder exports, while NDM shipments to Asia were mixed depending on destination.

The weakness in the spot markets bled into the futures markets for milk. Class III futures markets lost ground on Tuesday and Wednesday before improving on Thursday. In today's settlements, AUG22 through DEC22 Class III contracts finished an average of 60¢ below last Friday. Class IV markets charted a similar course. As summer advances, milk production is declining seasonally in most areas. Weather complications exist but have been isolated, with intensifying heat and humidity weighing on production in parts of the country.

Volatility ruled in the grain markets this week. A decline across the commodity complex on Tuesday pulled prices for corn and soybeans down dramatically. However, improvements over the remainder of the week, and especially on Friday, erased those losses and delivered nearby futures contracts to levels above last week. Today DEC22 corn futures settled at \$6.2350/bu., up 16¢, compared to last week. Meanwhile DEC22 soybean meal settled at \$403.7/ton, an increase of \$14.5 relative to last week.

USDA's Crop Progress report, released Tuesday, supported higher prices as it downgraded the condition of both the corn and soybean crop. Furthermore, a derecho in the Upper Midwest created concerns for crop development in that part of the country.