



# The T.C. Jacoby Weekly Market Report

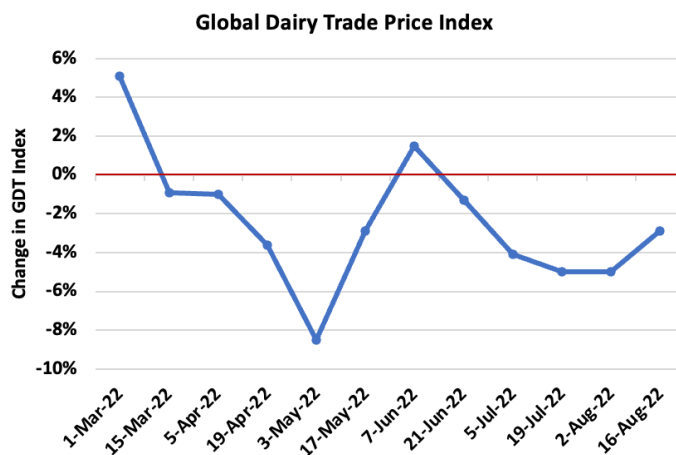
WEEK ENDING AUGUST 19TH, 2022

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CME Spot Market for the Week 8/15/2022 to 8/19/2022			WHEY		
			Avg Price	Qty Traded	4 wk Trend
			\$ 0.4490	2	
CHEESE BLOCKS			CHEESE BARRELS		
Avg Price	Qty Traded	4 wk Trend	Avg Price	Qty Traded	4 wk Trend
\$ 1.8710	3		\$ 1.9370	8	
BUTTER			NON-FAT		
Avg Price	Qty Traded	4 wk Trend	Avg Price	Qty Traded	4 wk Trend
\$ 2.9665	48		\$ 1.5240	13	

Market observers are paying close attention to an evolving global milk production scenario as many key supply regions witnessed a shift in trajectory during June. U.S. production moved into positive territory during the month, rising by a modest 0.2% after months of decline. Similarly, though in the lowest part of the season, milk production in New Zealand was up by 1.1% in June, the first year over year increase since July 2021. Even losses have slimmed in Europe, where production continued to slide in June, albeit by just 0.4%. Seemingly bent on bucking the trend, Argentina also reversed course in June. After seeing production rise for most of this year, output slipped by 0.7% during the month.



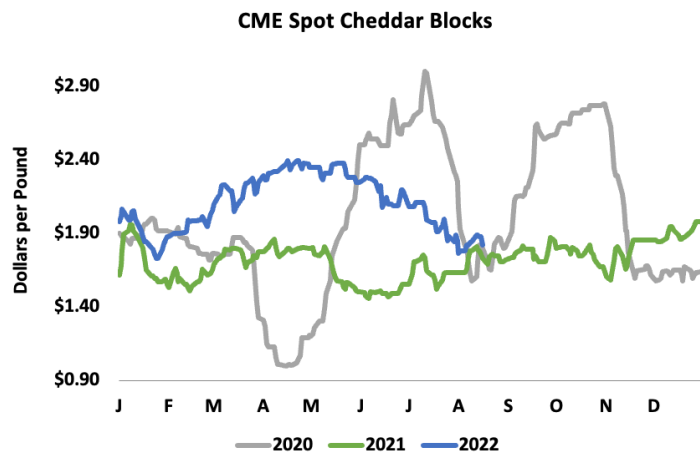
While the shift in global milk production will have important implications for supply availability, demand feels far from robust. Chinese imports have been lackluster and with rumors of economic malaise and heavy inventories it seems unlikely that the situation will change materially in the coming months. These factors are weighing on global dairy prices. The Global Dairy Trade (GDT) index slipped by 2.9% during Tuesday's trading event, the fifth consecutive decline.

The U.S. dairy industry anxiously awaits USDA's next Milk Production report, scheduled for publication on Monday, which will disclose July production. In the meantime, even as the end of August bares down,

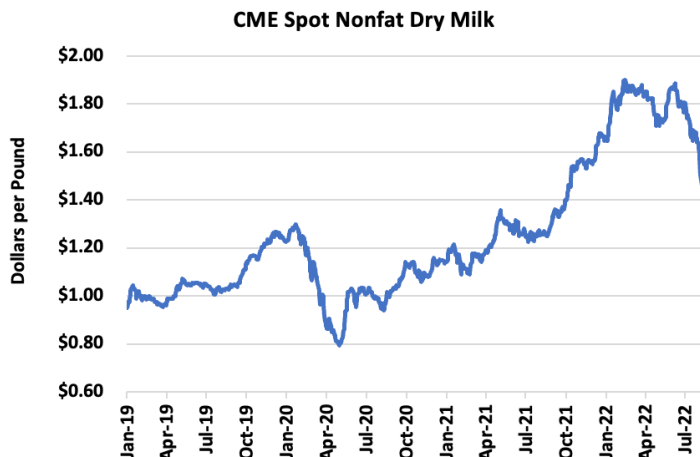
summer doesn't appear to be budging. Hot temperatures have continued to be the norm with parts of the country seeing the mercury regularly top 100 degrees. Sweltering heat has been compounded by humidity in many areas, diminishing cow comfort and weighing on milk production. Drought concerns are also intensifying, especially in the West. Water authorities have implemented severe utilization restrictions on water sourced from the Colorado River as reservoir levels sink to historic lows. The cuts will have significant impacts for agricultural producers in Western states.

Output may be declining, but as students flood back into the classroom, Class I demand is on the rise and reducing the amount of milk that is available for manufacturing use. However, as labor and transportation challenges continue to chaff at the industry, and demand remains questionable, few processors are complaining about a lack of available raw milk supplies.

Performance in the spot market was mixed over the course of this week. Cheese demand has reportedly improved around the edges as lower prices managed to reignite some buyer interest from both domestic and international sources. Yet, manufacturers remain cautious, indicating that stocks are plentiful, and demand is precarious. While the optimism was sufficient to lift the spot Cheddar market on Monday, those gains were reduced, if not erased, later in the week. Blocks ended the week at \$1.82/lb., down 2.5¢ compared to last Friday while barrels added .75¢ to close out today's trade at \$1.895/lb.. The block-barrel spread remains inverted and has stretched to 7.5¢.

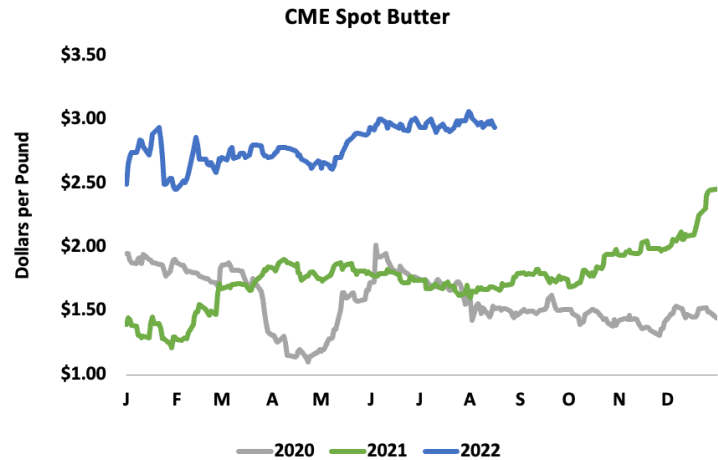


The whey market managed to edge higher this week. Spot dry whey gained a half a penny on Tuesday before holding steady at 45¢/lb. the remainder of the week. As cheese production has remained perky, raw whey supplies have been relatively ample for dryers. Lower prices have helped to revive domestic interest in most parts of the country. However, *Dairy Market News* indicates that international buyers remain resistant, even at lower price levels. Higher protein products are still offering manufacturers better margins, so where possible processors are routing the whey stream toward the production of whey protein concentrates (WPC) and whey protein isolates. WPC34 prices have come under pressure as nonfat dry milk (NDM) markets have declined from their highs earlier this year.

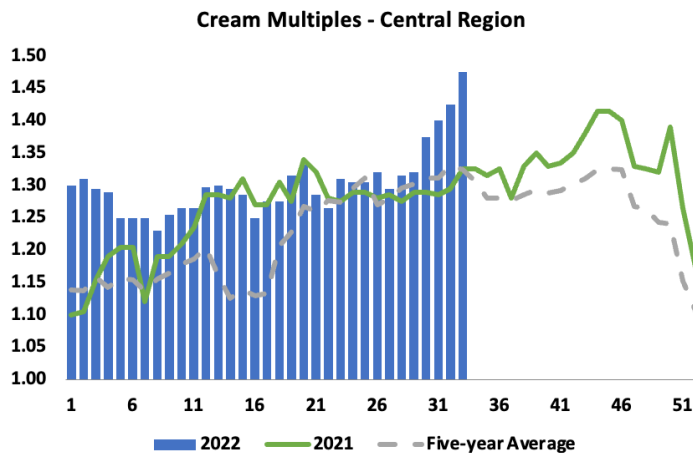


The spot NDM price increased modestly this week, even as the market prices reported by *Dairy Market News* continued to deteriorate. At the CME, 13 loads changed hands as the price added .25¢ over the week, ending Friday's session at \$1.52/lb. Market participants report that stocks are heavy, and that processing has remained surprisingly robust. International buyers, including those from Mexico, have not yet been tempted by lower prices and have not stepped back into the market.

Volatility ruled in the spot butter market this week, with prices rising as high as \$2.99/lb. on Wednesday before sliding backward. When the dust settled, butter finished the week at \$2.94/lb., an increase of .5¢ compared to last Friday's close. During the week 48 loads of butter changed hands in Chicago, including 21 loads on Tuesday alone. Cream is extremely tight across the country and multiples have appreciated significantly. According to USDA, even though increased bottling demand has augmented cream supplies, especially in the East, this volume is quickly being gobbled up by Class II manufacturers. Even with sufficient stocks and mediocre demand, tight cream



markets are expected to underpin elevated butter prices for the foreseeable future.



Persistent drought conditions are also causing concern about the development of the nation's crops. Even as grain costs have come down from the high levels experienced earlier in the year, feed prices are likely to stay elevated and continue to put pressure on producer margins. Following the action from last week's World Agricultural Supply and Demand Estimates report, the futures markets were a bit quieter this week. Both corn and

soybeans lost ground on Monday and Tuesday before compensating later in the week. Even so, contracts through the first half of 2023 generally settled just a few cents lower on Friday than on Monday.