



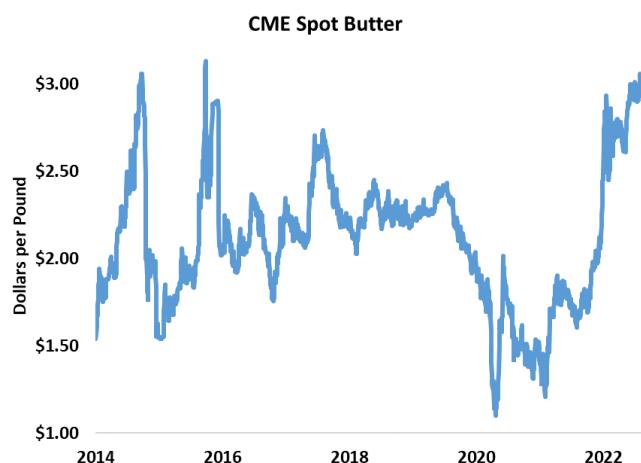
# The T.C. Jacoby Weekly Market Report

WEEK ENDING SEPTEMBER 9TH, 2022

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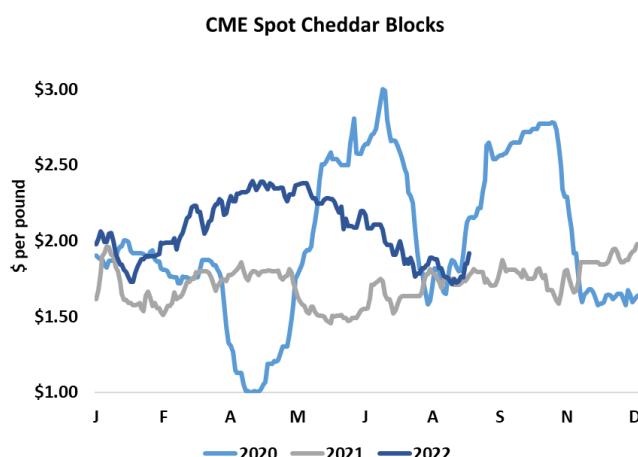
CME Spot Market for the Week			WHEY		
9/5/2022 to 9/9/2022			Avg Price	Qty Traded	4 wk Trend
\$ 1.8444			\$ 0.4494	9	
CHEESE BLOCKS			CHEESE BARRELS		
Avg Price	Qty Traded	4 wk Trend	Avg Price	Qty Traded	4 wk Trend
\$ 1.8444	3		\$ 1.9188	3	
BUTTER			NON-FAT		
Avg Price	Qty Traded	4 wk Trend	Avg Price	Qty Traded	4 wk Trend
\$ 3.1463	17		\$ 1.5519	34	



The butter market leapt to an all-time high Wednesday and just kept climbing. CME spot butter closed today at \$3.17 per pound, up 6.5¢ since last Friday. Lofty values didn't scare away buyers. Traders exchanged 17 loads in Chicago in just four trading sessions this week, and there were two bids left on the board at the closing bell. The holiday baking season is right around the corner, and grocers are anxious to avoid empty dairy cases. Domestic supplies are low, but the United States is importing butter at a record clip. Importers

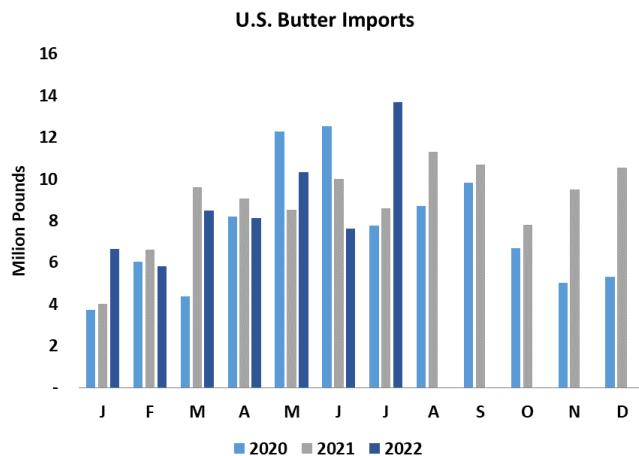
brought in 13.68 million pounds of butter in July, 59% more than in July 2021. Ireland accounted for 83% of the total. Expect more foil-wrapped sticks of Kerrygold at your local supermarket in the months to come. High prices are likely to attract more imports, but it's going to be hard to spur U.S. production until cream prices retreat. The futures suggest that butter supplies will remain tight until consumers are taking down their Christmas trees and making New Year's resolutions. But the last time that butter prices were even close to this high, the selloff was swift.

After months in the doldrums, the cheese markets livened up this week. CME spot Cheddar barrels climbed 7.5¢ to \$1.9325. Blocks jumped 15.25¢ to \$1.9175, a one-month high. Cheese output remains heavy, but demand is strong. Football season is here, and pizza sales are rushing higher. Cheese exports remain hefty, although they were noticeably smaller than the record-setting volumes of March through June. Still, at 82 million pounds, U.S. cheese exports were 1.3% greater than the already-strong shipments of July 2021, and they helped to move over 7% of the month's cheese production offshore.

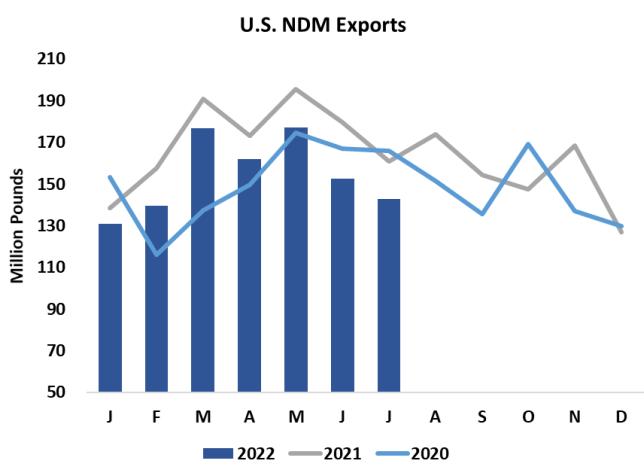


On the one hand, the market is concerned that China may suddenly stop buying milk powder. Covid lockdowns, upheaval in the real estate market, and extreme weather have all weighed on Chinese economic growth. And China spent at least 18 months stockpiling milk powder. How much should milk powder prices fall if the world's largest importer takes a big step back?

On the other hand, there are reasons to believe that milk powder supplies will slip. European milk output remains below year-ago levels, and the industry is already sending all the milk it can to cheese vats at the expense of churrs and driers. In the 12 months that ended in June, European cheese production was steady with year-ago levels, while WMP output dropped 7.3% year over year and SMP production fell 6.8%. Going forward, the milk powder deficit may get worse as

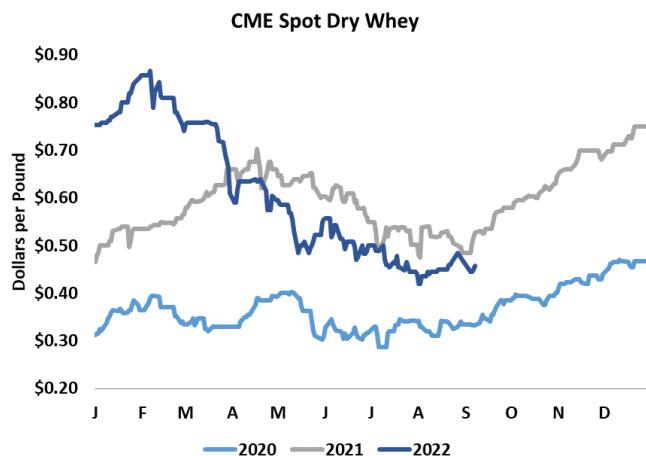


Milk powder prices perked up too. CME spot nonfat dry milk (NDM) rallied a nickel to \$1.57. At the Global Dairy Trade (GDT) auction, skim milk powder (SMP) advanced 1.5% from the previous event and averaged roughly \$1.73 per pound after adjusting for protein. Whole milk powder (WMP) prices vaulted 5.1% higher. The milk powder market is unsettled as the trade tries to assess the impact of two scenarios with the potential to upend the current balance between supply and demand.



unprecedented energy expenses make manufacturers think twice about running their driers. Lower European milk powder production would make room for more U.S. exports and would surely support prices.

For now, though, U.S. milk powder exports are mediocre. The U.S. sent 142.8 million pounds of milk powder abroad in July, 11.2% less than in July 2021. Sales to Mexico have been sporadic, but the trade expects better shipments this fall, as lower prices have attracted buyers south of the border.



The whey market is mixed. CME spot dry whey slipped 0.75¢ this week to 45.75¢. But some other indications of domestic whey prices moved higher. Whey product exports were strong, with July shipments at over 43 million pounds, the highest monthly volume since March 2021. Lower prices seem to be stimulating demand and laying the groundwork for a modest recovery in whey values.

Milk futures moved sharply higher, encouraged by the strong spot markets. Scorching temperatures in California also boosted prices, as the September heat wave took a significant toll on milk production. October Class III settled today at \$20.93 per cwt., up 99¢ from last Friday. Deferred Class III futures finished 40¢ to 75¢ higher than last Friday. October Class IV climbed 77¢ this week to \$24.40. The other Class IV contracts posted similar gains.

The feed markets climbed too, catalyzed by Russian President Vladimir Putin's threats to put a stop to Ukrainian grain exports. A tenuous agreement between Russia and Ukraine has allowed for surprisingly swift shipments of Ukrainian grain through the Black Sea over the past six weeks, and the market is counting on more to come. It's hard to tell if the Russians will follow through on their threats, or if this is simply bluster, but the possibility was enough to send wheat prices straight upward. December wheat settled at \$8.695 per bushel, up nearly 60¢ from last Friday.

The trade is positioning itself ahead of USDA's monthly Crop Production and World Agricultural Supply and Demand Estimates reports on Monday, and this week's rally suggests that grain traders are pessimistic about the corn crop. The average pre-report guess puts the corn yield at 172.5 bushels per acre, down from 175.4 in last month's report. The trade expects a national average soybean yield at 51.5 bushels per acre, down only slightly from the August estimate of 51.9 bushels. If crop yields are better than feared, feed prices will sag. But, given the already tight balance sheets, if yields disappoint, prices will shoot even higher.

December corn closed at \$6.85, up almost 20¢ from last Friday. November soybeans slipped 8¢ this week to \$14.1225, reflecting stable crop conditions. October soybean meal fell another \$9 this week. But, at \$414.80 per ton, it's far from a bargain.