



The T.C. Jacoby Weekly Market Report

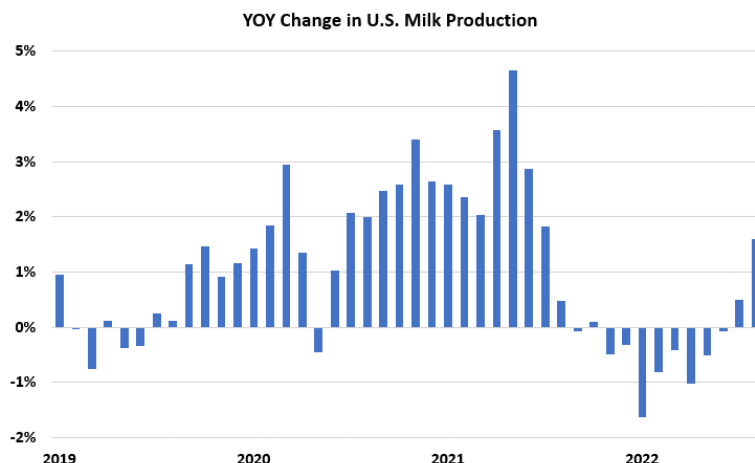
WEEK ENDING SEPTEMBER 23RD, 2022

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CME Spot Market for the Week 9/19/2022 to 9/23/2022			WHEY		
			Avg Price	Qty Traded	4 wk Trend
			\$ 0.4500	4	
CHEESE BLOCKS			CHEESE BARRELS		
Avg Price	Qty Traded	4 wk Trend	Avg Price	Qty Traded	4 wk Trend
\$ 2.0195	12		\$ 2.1645	12	
BUTTER			NON-FAT		
Avg Price	Qty Traded	4 wk Trend	Avg Price	Qty Traded	4 wk Trend
\$ 3.1345	13		\$ 1.5640	3	

U.S. milk output grew decisively last month, at least in comparison to the very low production reported in August 2021. Output jumped 1.6% year-over-year in August, to 19.02 billion pounds. USDA also revised upward its estimates of July milk production and the milk-cow herd, signaling a bit stronger growth than previously reported. According to USDA's latest assessment, dairy producers added 4,000 cows in July and another 6,000 in August, which seems like a pretty big

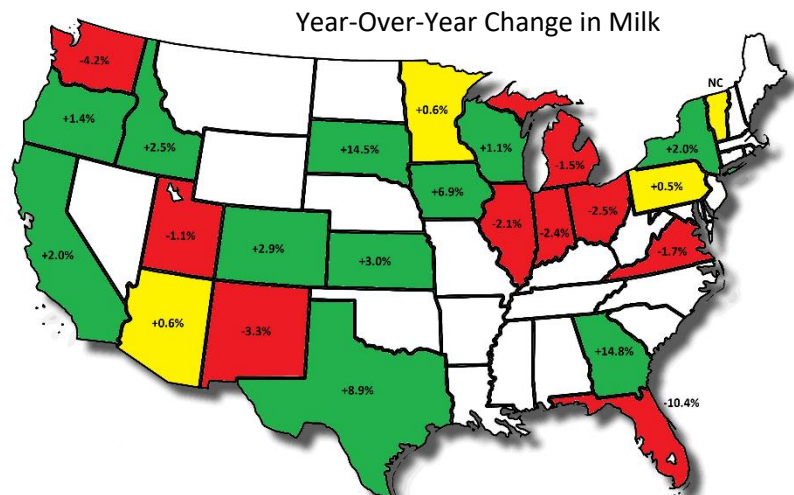


lift given relatively tight heifer supplies. There were 9.427 million milk cows in August, 11,000 fewer than the year before. It's likely that today's milk-cow herd is already slightly larger than it was in September 2021. Milk production climbed in every region of the country except the Great Lakes states.

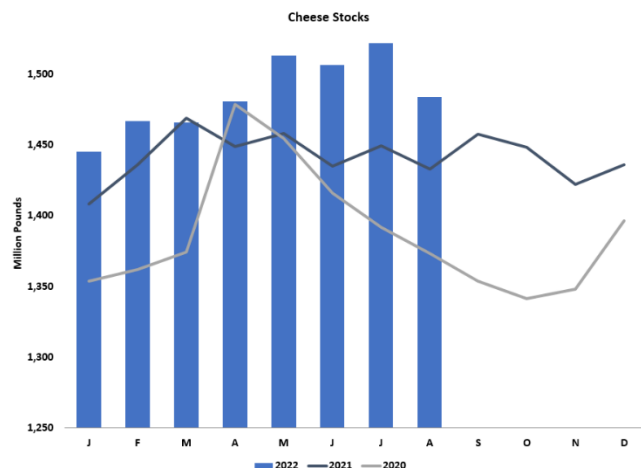
There is an abundance of cheese but a shortage of fresh Cheddar barrels.

In Chicago, CME spot Cheddar barrels jumped another 9.5¢ this week and reached \$2.185 per pound, their highest value since early July. USDA's *Dairy Market News* reports that buyers anticipate strong holiday demand for barrels, and they are rushing to stock up. Pizza makers continue to buy lots of mozzarella, and exports remain strong. That helped to keep cheese

inventories in check in August. At the end of last month there were 1.48 billion pounds of cheese in cold storage warehouses, notably less than at the end of July, but still 3.6% more than the prior year. More recently, U.S. consumers have begun to balk at high prices, and retail sales have started to slip. Concerns about the economy and its impact on demand weighed heavily on spot Cheddar blocks this week. They dropped a dime to \$1.96.



The butter market was uncharacteristically stable. CME spot butter finished right where it started, at \$3.1325. USDA's Cold Storage report confirmed that butter supplies remained tight in

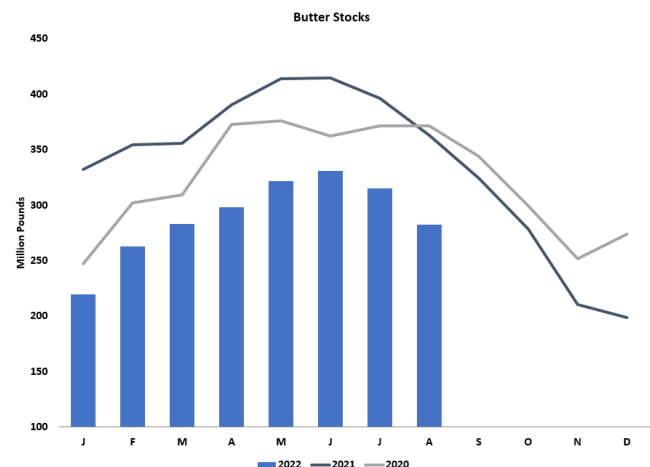


August, but that did not come as a surprise to a market that recently scored all-time highs. There were 282.6 million pounds of butter in refrigerated warehouses at the end of August, 22.1% less than the year before. That's the lowest August tally since 2017, and butter demand has grown considerably in the five years since.

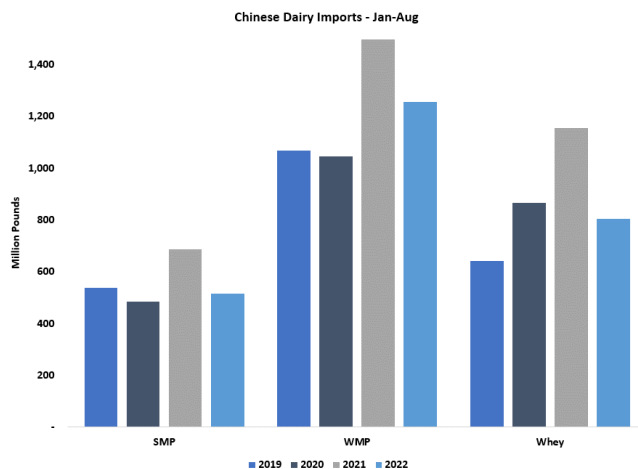
Spot whey slipped a penny to 45¢ per pound. *Dairy Market News* reports that domestic buyers are well aware that strong cheese production points to plentiful whey, and

they are getting picky about the price. But exports remain strong. China brought in 138.5 million pounds of whey in August, its highest import volume ever for the month. The United States continues to gain marketshare. U.S. dry whey exports to China have topped prior-year volumes for five straight months.

Chinese skim milk powder (SMP) imports improved to a seven-month high in August. Still, they were 2.4% lower than in August 2021. And whole milk powder (WMP) imports dropped hard. China imported just 66 million pounds of WMP in August, the lowest monthly volume in nearly two years and 59.5% less than in August 2021. China



spent 18 months storing away WMP for food reserves, and it looks like their pantries are full.



WMP prices jumped once again at the Global Dairy Trade (GDT) auction. They were up 3.7% from the early-September GDT auction and up 2.9% from the comparable contract at the GDT Pulse last week. However, GDT SMP prices slipped 0.7% to the equivalent of nonfat dry milk (NDM) at \$1.72 per pound. Closer to home, CME spot NDM added a penny this week and reached \$1.58. American milk powder remains a bargain, and exports are starting to accelerate.

Although there was some sunshine in the spot markets, the futures were gloomy. Sharply higher interest rates and economic anxiety cast dark clouds over Wall Street and LaSalle Street. Class III futures lost between 40¢ and \$1.07 this week. October Class III settled today at \$20.90 per cwt. Class IV futures fared a little better, with losses ranging from 25¢ to 63¢ compared to last Friday. October Class IV was \$24.30, but deferred contracts slipped below \$22.

Fearless Ukrainian troops have regained a lot of ground in the past few weeks, and Russian President Vladimir Putin is desperate to save face. In an angry speech this week, the invader vowed that Russia would use any means necessary to protect its “territorial integrity.” The world fears that an embarrassed Putin will resort to nuclear weapons rather than admit defeat. The threat of nuclear war in Europe’s bread basket lifted the wheat market to three-month highs, and corn followed. December corn futures neared \$7 per bushel on Wednesday. But after the panic subsided, wheat prices fell back and corn did too.

Meanwhile, the U.S. dollar index climbed to a 20-year high. The strong dollar raises the price of U.S. corn and soybeans relative to crops from other nations, making South American supplies more attractive to foreign buyers. That could trim U.S. exports at the margins, especially if South America produces a strong harvest. Farmers in Brazil are heading into spring with adequate soil moisture, but in Argentina, back-to-back La Niñas have created the worst spring drought in three decades.

December corn futures settled today at \$6.7675 per bushel, down a half-cent from last Friday. November beans closed at \$14.2575, down 22.75¢. December soybean meal closed at \$423.30 per ton, up \$1.60 for the week.