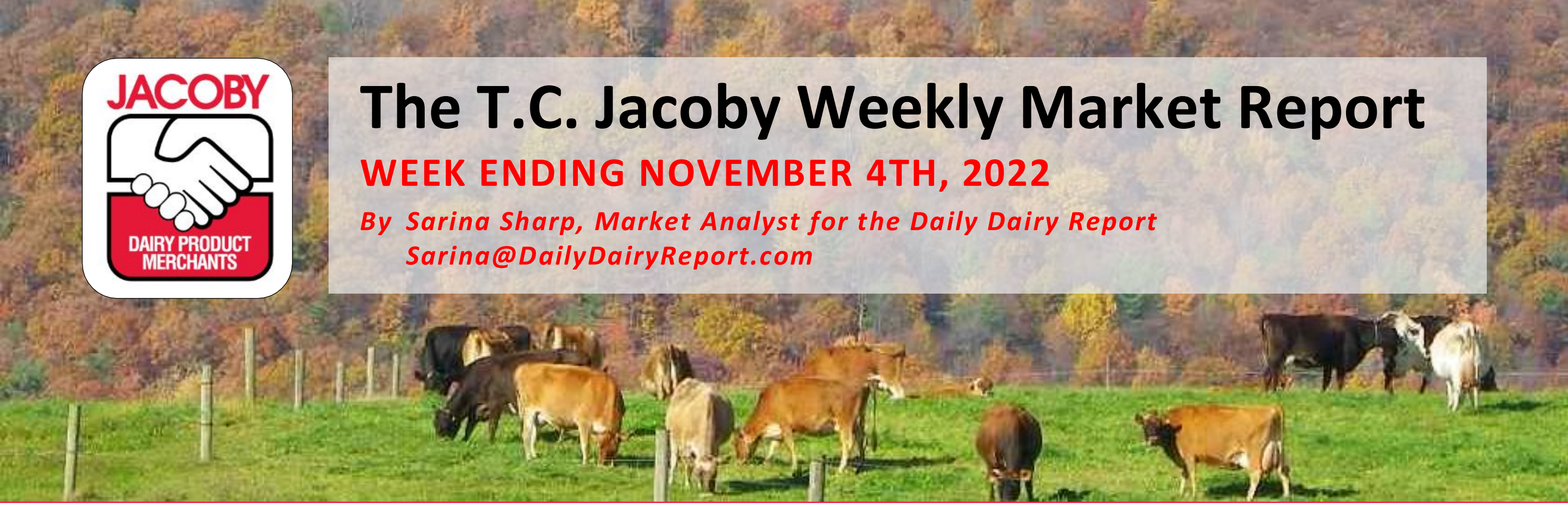


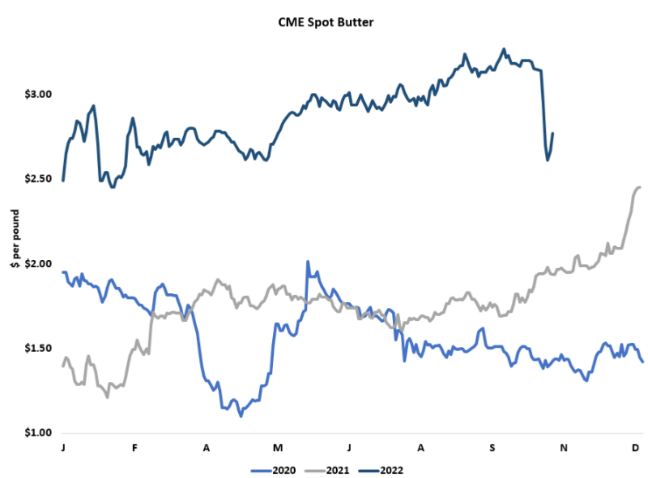
The T.C. Jacoby Weekly Market Report

WEEK ENDING NOVEMBER 4TH, 2022

By Sarina Sharp, Market Analyst for the Daily Dairy Report
Sarina@DailyDairyReport.com

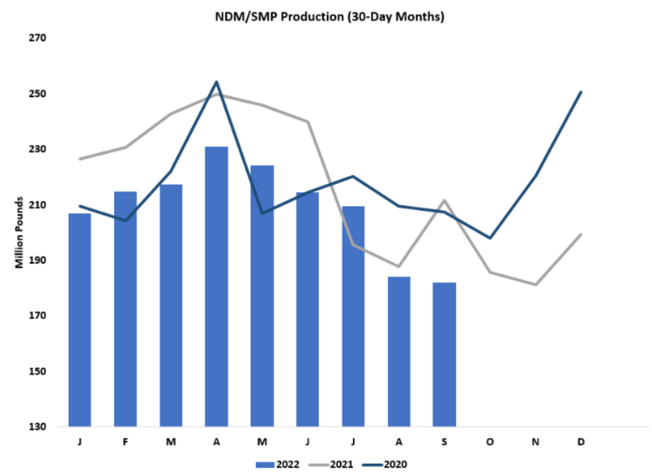
CME Spot Market for the Week			WHEY		
			Avg Price	Qty Traded	4 wk Trend
10/31/2022	to	11/4/2022	$ 0.4505	3	
CHEESE BLOCKS			CHEESE BARRELS		
Avg Price	Qty Traded	4 wk Trend	Avg Price	Qty Traded	4 wk Trend
$ 1.9835	3		$ 1.9645	7	
BUTTER			NON-FAT		
Avg Price	Qty Traded	4 wk Trend	Avg Price	Qty Traded	4 wk Trend
$ 2.7390	27		$ 1.3940	8	

Sky-high prices scared away buyers, and the CME spot butter market plummeted on Halloween, dropping below $3 per pound for the first time in more than two months. The trade was still spooked on Tuesday and Wednesday. Spot butter fell 53¢ in just three days. But that was enough, for now. Butter battled back on Thursday and Friday and closed today at $2.7725, up more than 16¢ from Wednesday's low but still down 36.75¢ for the week. The meltdown in the butter market dragged November Class IV down 99¢ this week to $22.66 per cwt. Most other Class IV contracts logged modest losses.



Pricey cream discouraged churns from running hard in early September, and butter output totaled 141.6 million pounds, down 1.4% from a year ago. Cream has gotten cheaper since then, and butter makers have surely stepped up the pace. But the market makes clear that butter supplies remain tight.

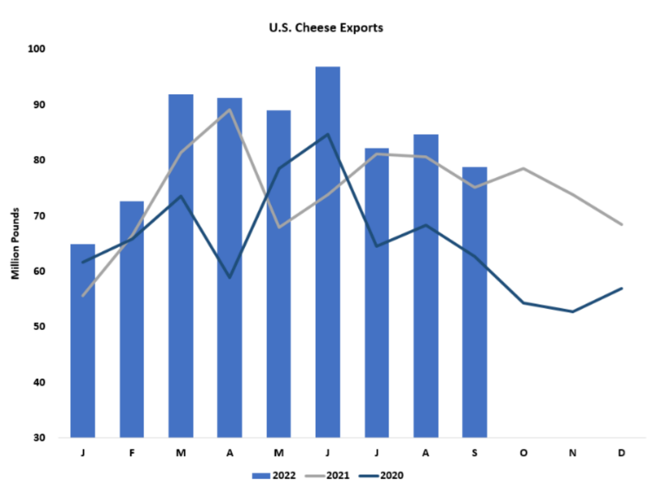
Much like butter, CME spot nonfat dry milk (NDM) fell back early in the week and regained some ground on Thursday and Friday. Spot NDM finished today at $1.40, down 3¢ from last Friday. Another poor showing at Tuesday's Global Dairy Trade (GDT) auction weighed on sentiment. Skim milk powder (SMP) prices plunged 8.5% to a 15-month low, roughly equivalent to NDM at $1.44 per pound. That's inexpensive enough to put Kiwi SMP within striking distance of U.S. NDM for the first time in years. Despite lower milk output in New Zealand, the United States is likely to face stiffer competition for milk powder exports in the months to come. In September, U.S. milk powder exports were healthy, but they fell 7.6% short of the record-setting volumes of 2021. Shipments to Mexico were especially strong, up 24% year over year.



U.S. milk powder output was unusually light in both August and September. Combined production of NDM/SMP was 182.2 million pounds, down 13.9% from September 2021. Stocks declined seasonally.

On the heels of two very rough weeks, the Class III markets staged quite a comeback. CME spot Cheddar blocks and barrels gained a nickel apiece. That put blocks at $2.01 and barrels at $1.975. Spot whey powder jumped 3.75¢ to 46.75¢. Every 1¢ increase in whey translates to a 6¢ advance for Class III milk, so those pennies can add up quickly. This week's strong showing in Chicago helped to drive Class III futures sharply higher. November Class III closed at $20.88 per cwt., up 67¢. December jumped $1.54 to $20.35.

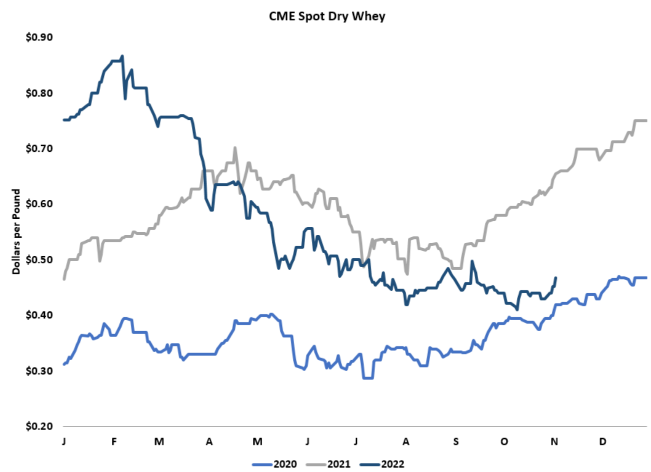
Cheesemakers topped up their mozzarella vats in September, a sign of strong pizza sales. That left less milk for Cheddar. Compared to September 2021, mozzarella production was up 4%, but Cheddar output lagged by 1.7%. Total cheese output reached 1.14 billion pounds, up a modest 0.4% from the year before.



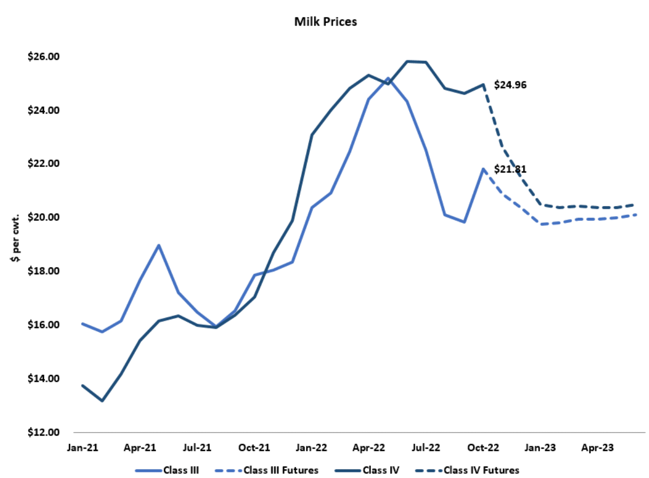
Exports are helping to keep the cheese stockpile from growing any larger. The United States sent 78.8 million pounds of cheese abroad in September, the highest total ever for the month and 4.8% more than in September 2021. But there are hints that we won't be able to sustain this breakneck pace. Shipments were notably lower than the highs set in March through June.

After curiously low output in August, dry whey production jumped in September to 77.7 million pounds, up 5.3% from the prior year. Output of high-protein whey products was even stronger.

Nonetheless, whey powder stocks inched lower from August to September, thanks to robust exports. The United States sent more dry whey, permeates, and whey protein concentrates abroad in September than any other September on record.



Dairy producers are looking forward to cashing another very large milk check. USDA announced the October Class III milk price at $21.81, up $1.99 from September and up $3.96 from a year ago. At $24.96, the Class IV price was up just 33¢ from September's already-high value but up an astounding $7.91 from a year ago. The futures suggest that this will be the last of the shockingly high milk payments dairy producers will receive. After 10 months in the mid-$20s, Class IV milk is projected to hover around $21, still a hefty price by historic standards. Class III milk is holding close to $20, which is likely just enough for some producers to scrape by. Dairy producers would obviously like the good times to continue, but the more modest expectations could help to stymie rapid growth in U.S. milk production, hopefully forestalling the boom-bust cycle that has so often plagued the industry.



Feeling threatened by Ukraine's growing military capabilities, Russian President Vladimir Putin closed the grain export corridor in the Black Sea last weekend, renewing fears of a global grain shortage. Wheat prices soared, and December corn futures tried and failed to top $7 per bushel. But Ukraine called Russia's bluff, essentially daring it to blockade the Black Sea by force. The Russian military is already stretched thin and likely cannot spend its resources – or its dwindling geopolitical capital – enforcing a blockade that will keep grains away from a hungry world. By midweek, the export agreement was back on track, and grain prices retreated.

Meanwhile, the United States continues to deal with logistics issues of its own. Low water levels on the Mississippi River have forced barge traffic to a crawl, slowing the flow of grains and especially soybeans from the Corn Belt to the Gulf. This plus the strong dollar represent major headwinds to U.S. crop exports during harvest, when exports should be at their peak. Nonetheless, soybean futures climbed this week, likely due to concerns about dry soils and a disappointing forecast for Argentina and southern Brazil. November soybeans closed at $14.515 per bushel, up more than 60¢. December soybean meal was $420.40 per ton, down $5. At $6.81, December corn finished up just 0.25¢ from last Friday.

1716 Hidden Creek Court
Suite 200, St. Louis MO 63131
P 314.821.4456
E info@jacoby.com