



# The T.C. Jacoby Weekly Market Report

WEEK ENDING NOVEMBER 18TH, 2022

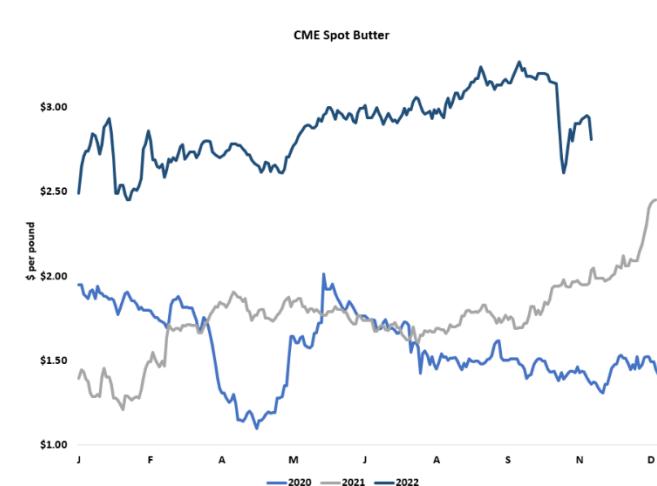
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CME Spot Market for the Week			WHEY		
11/14/2022 to 11/18/2022			Avg Price	Qty Traded	4 wk Trend
\$ 0.4400	2				
CHEESE BLOCKS			CHEESE BARRELS		
Avg Price	Qty Traded	4 wk Trend	Avg Price	Qty Traded	4 wk Trend
\$ 2.2260	0		\$ 2.0090	8	
BUTTER			NON-FAT		
Avg Price	Qty Traded	4 wk Trend	Avg Price	Qty Traded	4 wk Trend
\$ 2.9145	7		\$ 1.4405	16	

After sprinting straight uphill last week, the dairy markets paused to catch their breath and, in some cases, to retreat to less rugged elevations. CME spot butter managed to keep climbing through Wednesday before it finally turned back. It closed today at \$2.81 per pound, down 9.5¢ from last Friday. Although spot butter is down more than 40¢ from last month's high, it is still

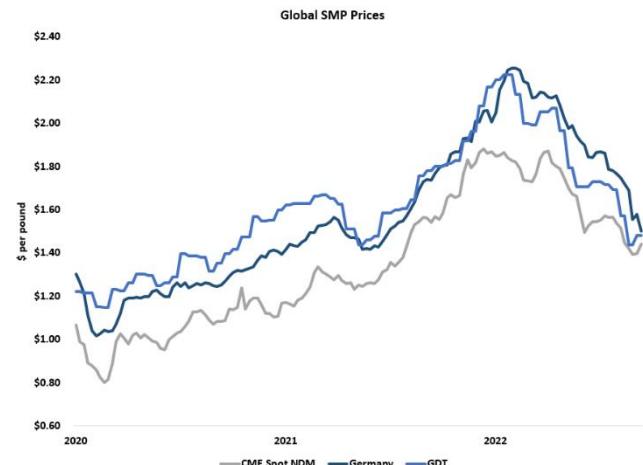
holding at the second-highest price ever for mid-November. Butter's resilience has taken the market by surprise. Retailers bought butter aggressively in September and October to stock up for the holidays. In a normal year, that would set the stage for a steep selloff once grocers had enough butter on hand. And the futures continue to forecast a 30¢ drop in butter values from November to December. But this year industry stakeholders tell USDA's *Dairy Market News*, "Sales are meeting or beating expectations and on par with



previous (pre-Covid) years." And butter churning likely ran slow in October, when cream was expensive. Although churning is now picking up the pace, stocks are still tight. That's prompted butter buyers to reassess their outlook. According to *Dairy Market News*, butter industry contacts now "expect markets to be in a more definitive return to strength, as opposed to a

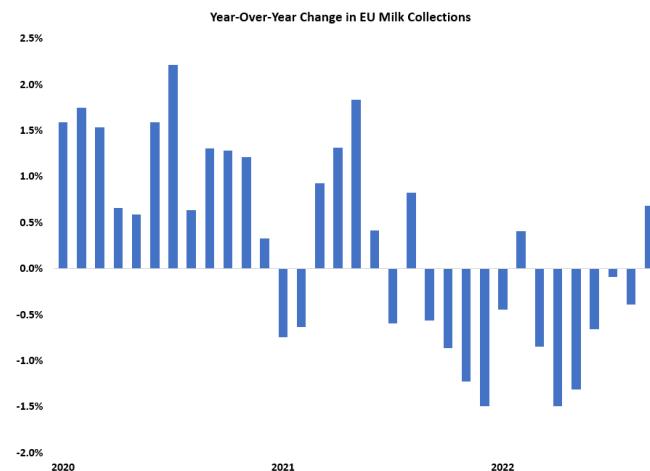
mere market correction." However, their tune might have changed after today's stomach-churning 13¢ drop.

Milk powder prices bounced back at Tuesday's Global Dairy Trade (GDT) auction. Both whole milk powder (WMP) and skim milk powder (WMP) advanced 3.1%, their first increase since September. That puts GDT SMP at the rough equivalent of nonfat dry milk (NDM) at \$1.48 per pound. The GDT recovery put a little pep in the CME spot NDM market on Tuesday, but the bounce was short-lived. Spot NDM closed today at \$1.4275, down a quarter-cent from last Friday. Meanwhile, benchmark German SMP retreated. On paper, U.S. milk powder remains the cheapest in the world, but only by the barest of margins. Going forward, Europe may recoup some of the marketshare it ceded to the United States when the bloc was short of milk powder.



While Oceania milk output – and, presumably, milk powder production – continues to lag year-ago volumes, Europe is back in the black. That's partly because it's easy to beat the 0.6% milk

production deficit Europe reported in September 2021. But growth is growth. Combined milk output in Europe and the United Kingdom reached nearly 28 billion pounds in September, up 0.7% from the year before. Driers are lapping up the modest excess. After lagging noticeably in the first half of the year, European SMP output topped the prior year in both July and September, and it came close in August.



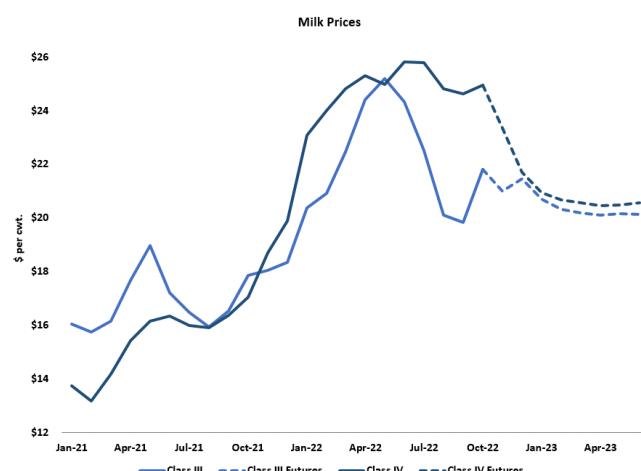
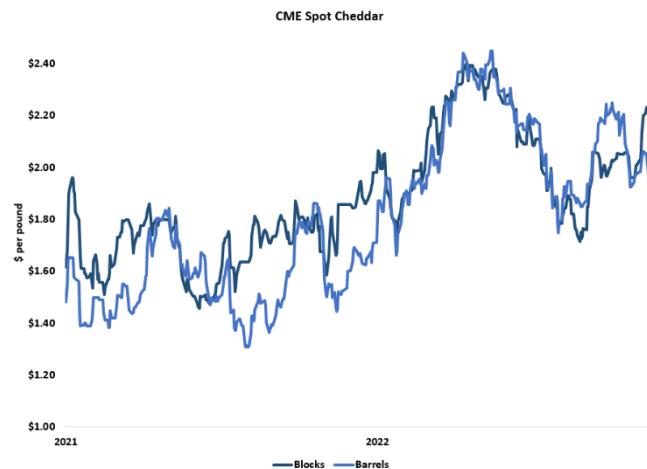
an object at rest will remain at rest unless an outside force acts on it. There are no outside forces to be found at the moment, and the whey market is lounging. It has held steady at 44¢ for six consecutive trading sessions. USDA says whey is "in search of direction." Both domestic and export demand are stable, with better sales to Mexico offsetting a decline in shipments to China.

The cheese market demonstrates the other half of Newton's First Law: an object in motion will remain in motion, at a constant speed in a straight line. Although the pace was not constant, CME spot Cheddar blocks traced a straight line upward this week, while barrels went straight down. Barrels closed today at \$1.9275, down 13.5¢ from Friday to Friday. Blocks climbed 3.25¢ to \$2.2325. The 30.5¢ spread is the widest so far in 2022, and it highlights that blocks are much

Newton's First Law of Motion states that

tighter than barrels, in stark contrast to the preceding four months. The restaurant and foodservice industry is stepping up cheese demand, and exports are booming. Cheese output remains strong.

Dairy producers with exposure to Class IV milk just cashed one of their largest milk checks ever. The futures suggest that November milk revenues will also be high, with Class III around \$21 cwt. and Class IV at \$23.35. But after that, the shine wears off pretty quickly. While nearby Class III and Class IV contracts gained some ground this week, deferred contracts retreated. 2023 milk futures are hovering just a little above \$20. That's historically high, but it won't be enough to settle the feed, energy, and labor bills on many dairies. While U.S. milk output is likely to top year-ago volumes, it's not likely to surge anytime soon with margins like these.



new harvest lows evaporated. Thankfully, officials in Poland and in other NATO countries remained calm, and they took the time to determine that the missile strike was likely a tragic accident. But the incident reminded grain traders that they cannot become complacent. March corn settled at \$6.70 per bushel, up nearly 15¢ this week. January soybeans went in the opposite direction, falling 21.75¢ to \$14.2825. January soybean meal climbed a few dollars to \$406.10 per ton.

On Tuesday, the grain markets dropped to the lowest level in nearly three months. Slow exports and a decent harvest pressured the trade to see just how low prices could go in a world that is short of feed. But then came the news that a missile had struck Poland, raising fears that the war in Ukraine might drag other nations into an already horrific conflict. Wheat and corn prices shot higher, and the appetite to test