

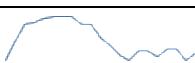
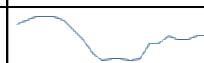
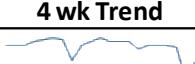


The T.C. Jacoby Weekly Market Report

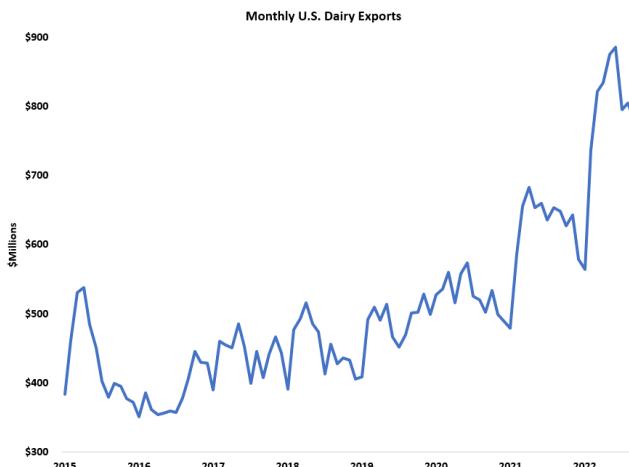
WEEK ENDING DECEMBER 9TH, 2022

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CME Spot Market for the Week			WHEY		
12/5/2022 to 12/9/2022			Avg Price	Qty Traded	4 wk Trend
\$ 0.4445		8			
CHEESE BLOCKS			CHEESE BARRELS		
Avg Price	Qty Traded	4 wk Trend	Avg Price	Qty Traded	4 wk Trend
\$ 2.0925	2		\$ 1.9375	19	
BUTTER			NON-FAT		
Avg Price	Qty Traded	4 wk Trend	Avg Price	Qty Traded	4 wk Trend
\$ 2.8370	18		\$ 1.3720	0	

The dairy markets are in transition. The factors that propelled milk prices above \$25 per cwt. this summer – a sustained global milk production deficit and record-breaking Chinese demand – are no longer in play. But those extremely bullish forces will continue to impact the markets for a little while longer, as exporters fill orders signed months ago, when most U.S. dairy product prices were much more competitive than they are today.



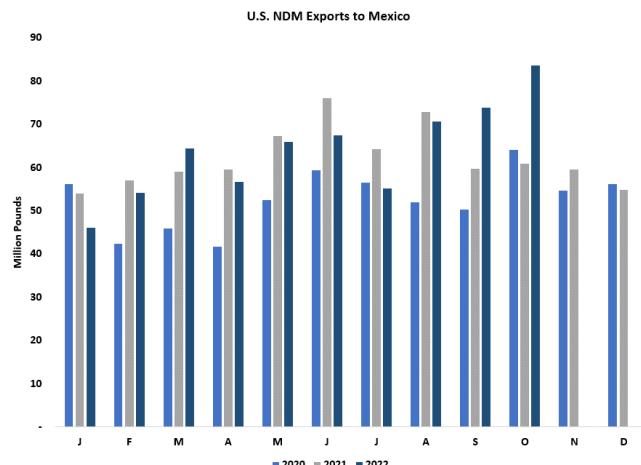
Through October, the United States continued to move massive volumes of dairy products overseas. Exporters sent a hefty 525 million pounds of dairy abroad in October, worth over \$810 million. That was up 25% by value and 8% by volume from the record-breaking tallies of October 2021.

The U.S. shipped out 81.5 million pounds of cheese in October, 3.8% more than the prior year and a new record for the month. Cheese exports are high and likely to remain so, as

U.S. cheese prices remain inexpensive relative to global benchmarks. U.S. cheese is especially attractive in Mexico, our top market, as the peso is one of the few currencies that has gained ground against the dollar this year.

Whey exports also set a new October record, and exports of dry whey topped last year by an impressive 22.2%, helped by a strong showing to China. The forecast for whey exports is a bit murky, as much depends on how China's hog industry fares in the shift away from the nation's onerous zero-Covid policies.

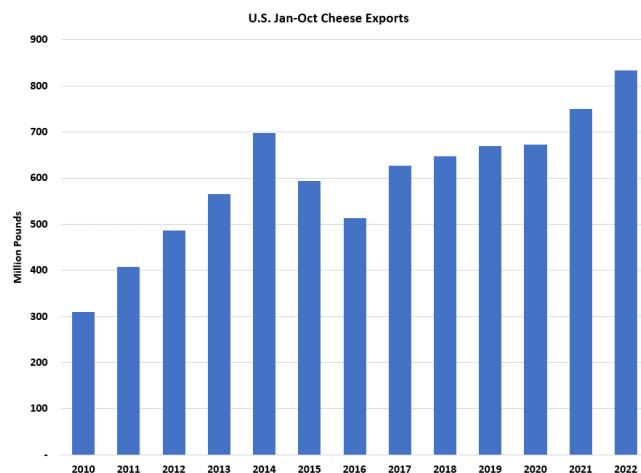
U.S. exports of nonfat dry milk (NDM) and skim milk powder (SMP) improved in October to 161.3 million pounds. They were 10.5% greater than the year before. For the year to date, U.S. NDM exports trail last year's record-shattering pace by 7.2%, but they are healthy in comparison to all other years. Mexican buyers have picked up the pace since August, but other major milk powder importers, including the Philippines, China, and Vietnam, have taken a step back.



Oceania milk production deficit. Indeed, with less cream going to the drier, New Zealand is likely making more butter, and prices in the region are dropping accordingly.

October butter exports were shockingly large, at 15.7 million pounds. That was 62% greater than the prior year and the highest monthly volume since April 2014. Butter exports are sure to be much, much lower in the months to come, as U.S. butter prices are far too high to attract foreign buyers. The U.S. is likely to become a net butter importer once again next year. Meanwhile, domestic butter demand has floundered.

U.S. dairy exports are unlikely to sustain their current pace for much longer. This



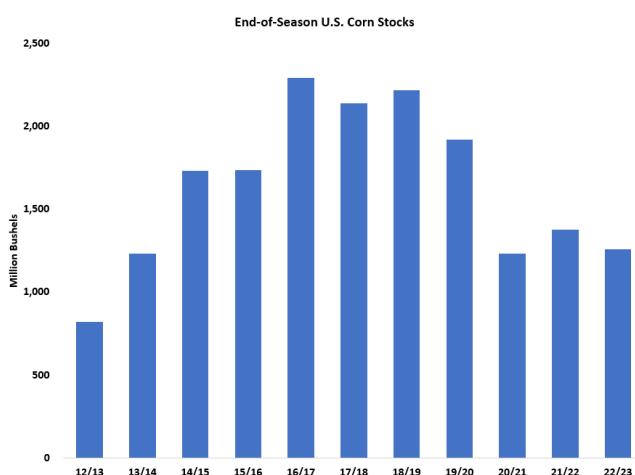
For most of 2021 and the first few months of 2022, China imported milk powder at a breakneck pace. But they shifted into lower gear this summer, after they'd filled up their food reserves. Strong growth in Chinese milk output is also keeping imports in check. This will have huge ramifications for the dairy markets in 2023. Lower Chinese demand for whole milk powder (WMP) is freeing up more milk and cream in Oceania for other uses, and erasing the impact of the



assumption has already dragged the forward-looking milk markets down several dollars. But perhaps they've gone far enough for the nonce. Global milk output is on the mend, but it is certainly not surging, and there is no indication that it will anytime soon. For all the concerns about the global economy, dairy demand is still healthy, despite the setbacks in China. With that in mind, prices moved mostly higher at Tuesday's Global Dairy Trade (GDT) auction. The GDT Index rose a modest 0.6%, building on gains from the mid-November event. WMP prices climbed only 0.1%, but SMP jumped 1.7% from the previous auction. SMP at the GDT is now roughly equivalent to NDM at \$1.50 per pound.

At the CME spot market, NDM rallied a half-cent this week to \$1.365. Cheddar barrels climbed 5.25¢ to \$1.95. The other products moved lower. Cheddar blocks slipped 0.5¢ to \$2.095. Spot whey powder fell 1.5¢ to 43.5¢. Butter plummeted Thursday but came roaring back Friday. It closed today at \$2.1825, down 8.75¢ for the week. December Class III and IV contracts gained some ground this week, closing at \$20.50 and \$21.82 respectively. But 2023 contracts finished deep in the red.

The EPA lit a fire under the soybean meal market last week, and it continues to blaze. The soy industry had assumed that soy crushers would run as hard as possible next year, making renewable diesel for the federal Renewable Fuel Standards mandate. But the agency upended those expectations, calling for a mere 7% increase in biodiesel – including renewable diesel – production over the next three years. Speculators and industry stakeholders who had purchased soybean oil and sold soybean meal are now unwinding those trades, and the market is lowering its estimate of soybean meal output. Soybean meal values climbed relentlessly this week. January soybean meal closed this afternoon at \$471.60 per ton, by far the highest price ever for the contract and nearly \$50 more than it was a week ago. Soybean meal and related products like canola meal occupy a relatively small part of the typical dairy ration compared to grains, but dairy producers will surely feel the impact of a surge of this magnitude.



Grain costs inched lower this week. March corn settled at \$6.44 per bushel, down 2.25¢. USDA made very changes to U.S. crop balance sheets in its monthly update, but the agency acknowledged the slow pace of corn shipments and trimmed its outlook for 2022-23 corn exports. This will result in higher end-of-season corn stocks than previously thought, although corn inventories are still projected to be slightly below those of the 2021-22 crop year.