The T.C. Jacoby Weekly Market Report

WEEK ENDING MARCH 31st, 2023

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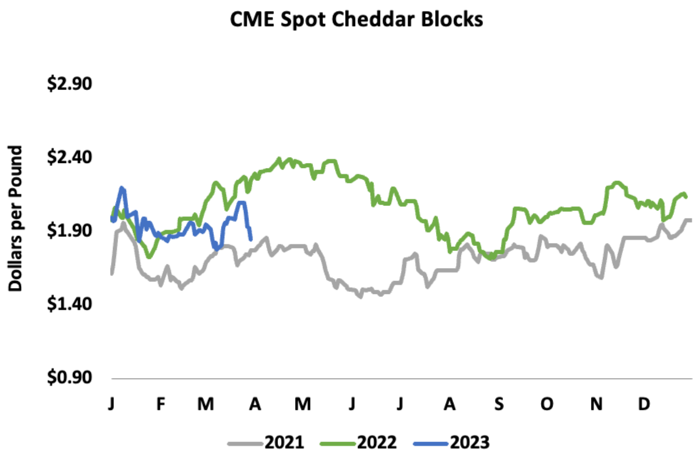
CME Spot Market for the Week			WHEY		
			Avg Price	Qty Traded	4 wk Trend
3/27/2023	to	3/31/2023	$ 0.4440	1	
CHEESE BLOCKS			CHEESE BARRELS		
Avg Price	Qty Traded	4 wk Trend	Avg Price	Qty Traded	4 wk Trend
$ 1.9685	3		$ 1.9000	8	
BUTTER			NON-FAT		
Avg Price	Qty Traded	4 wk Trend	Avg Price	Qty Traded	4 wk Trend
$ 2.3815	18		$ 1.1510	4	

For the last few weeks, the Cheddar markets have seemingly defied the odds. Despite plentiful milk supplies and only lukewarm demand, cheese prices moved progressively higher. Last Friday, the spot Cheddar block market closed at $2.10/lb., the highest price in over two months. This week, however, the trajectory shifted dramatically. After holding steady on Monday, the Cheddar block market gave up ground the other four days of the week. When the dust settled after Friday's spot session, blocks sat at $1.85/lb., a full 25¢ lower than last Friday's price.



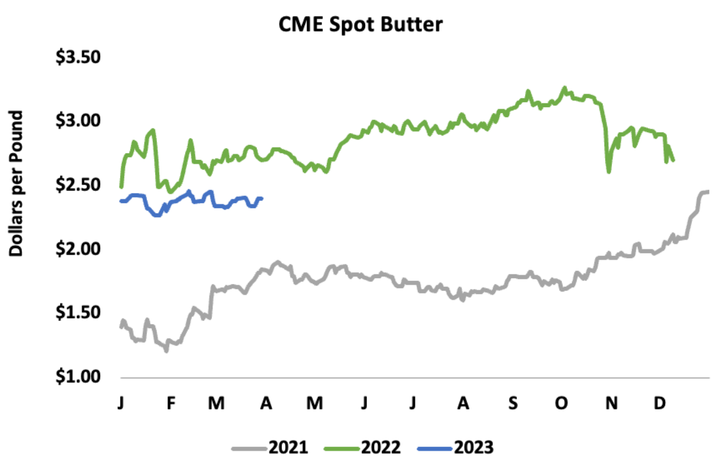
Barrels followed a similar, if less dramatic, path. Stability on Monday was followed by declines the balance of the week, ultimately bringing the spot Cheddar barrel price on Friday to $1.8075/lb., a decline of 15.5¢ versus prior week, and delivering a block-barrel spread of 4.25¢. Activity was relatively subdued with only 3 loads of blocks and 8 loads of barrels trading hands over the course of the week.

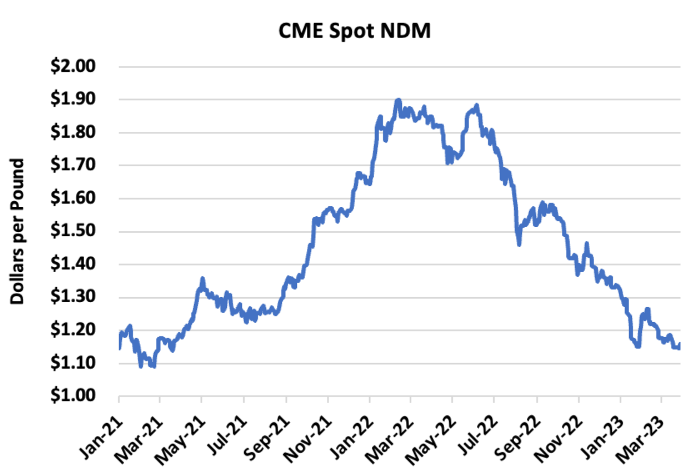
It appears that fundamentals may have caught up with the Cheddar market and ushered in the decline. Cheese manufacturers continue to run busy schedules and with milk production expanding seasonally, output is ample. Higher prices have likely choked off some international demand, as U.S. Cheddar has lost competitiveness with other international suppliers. However, there has been some evidence of improved domestic demand, which could help to curb the price decline.

While the Cheddar markets captured most of the attention this week, on the other side of the Class III complex, whey made more modest movements. The spot dry whey price held firm on Monday and Tuesday before losing a quarter cent on both Wednesday and Thursday. A .75¢ rebound on Friday was enough to erase that loss and deliver a .25¢ increase for the week. Ultimately, the spot dry whey market closed at 44.75¢ per pound as one load moved.

Market participants indicate that the whey market is relatively balanced. Demand for dry whey is healthy but supplies are also robust. Not only is strong cheese production throwing off an abundant whey stream, but lower prices for whey protein concentrates are encouraging dryers to increase the manufacture of dry whey. Export demand is subdued as international customers seem to be in a holding pattern.

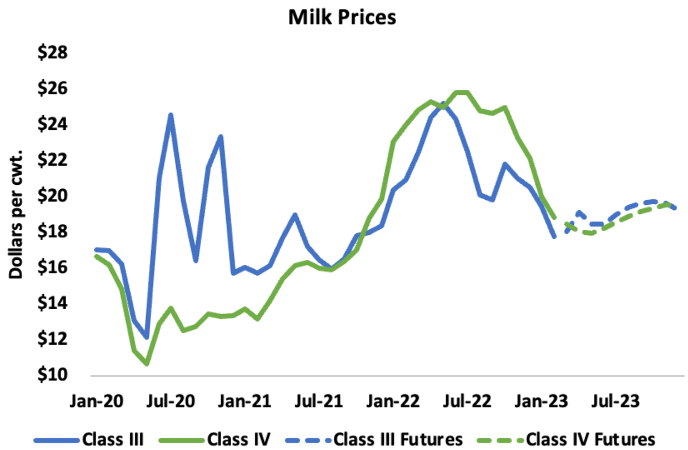
The Class IV commodities saw prices appreciate this week. The CME spot butter price added 2.5¢ and 2.75¢ on Tuesday and Wednesday lifting the price to \$2.3975/lb. Trading was active with 18 loads changing hands. Cream supplies remain readily available in many parts of the country and are priced competitively enough that churns are operating at a steady clip. *Dairy Market News* reports that labor and maintenance issues continue to affect some butter manufacturers and are curtailing production as a result. Nevertheless, the impact doesn't appear to be felt by the broader market. The demand picture for fats is mixed. While retail butter orders for the spring holiday have passed, as summer nears cream demand from ice cream makers and other Class II manufacturers is creeping upward.



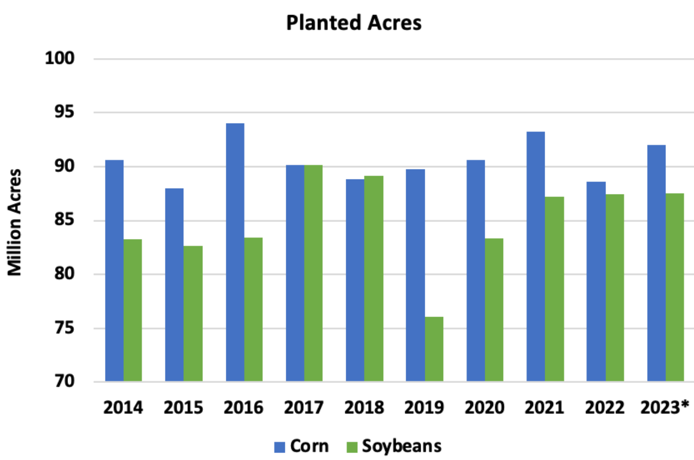


As cream heads to churns there has been plenty of condensed skim available for dryers to turn into nonfat dry milk (NDM). Again, *Dairy Market News* notes that some manufacturing complications are preventing dryers from running as hard as they might like. Even so, NDM remains plentiful. Demand is subdued as some buyers are waiting to see if the price will fall further before stepping in and increasing their purchases. Despite the bearish tones dominating the NDM market, the spot price managed to eke out a penny gain at the CME this week. A quarter cent loss on Wednesday was countered by a 1.25¢ increase on Friday. Ultimately the price closed at \$1.16/lb. with 4 loads changing hands.

Even with continued weather challenges including persistent rains in California and snowstorms in the Midwest, milk production continues to expand seasonally. As the peak approaches milk remains available to cover needs and deep discounts exist on spot milk loads picked up by manufacturers. In the Midwest, *Dairy Market News* reports spot loads with discounts as large as $11/cwt. below class III, though they note that the situation is beginning to tighten. With educational institutions moving through spring holiday breaks, some bottling demand has declined.



The United States is not the only geography with growing milk supplies. Data from the European Union and the United Kingdom show that milk production there expanded by 1% in January, representing the fifth consecutive month of growth and a strong departure from the contractionary trend felt over much of last year. Producers in New Zealand increased production by 2.3% in February, albeit over a very weak comparable. Cumulative production for the New Zealand season continues to trail year by 1.6%. Meanwhile persistent drought pushed Argentina's milk production down by 1.3% in February.



In a report-heavy day, USDA published its Prospective Plantings, Grain Stocks, and Agricultural Prices report today. The Prospective Plantings report indicates that producers intend to increase corn acreage by 3.9% to 91.996 million acres this year. Meanwhile, intended soybean acreage is expected to stay virtually unchanged, falling by just 55,000 acres to 87.505 million acres. The quarterly Grain Stocks report indicated that on March 1, corn inventories were 7.4 billion bushels, a decline of 4.6% compared to the same time last year and the lowest in nine years. Soybean stocks also fell to 1.685 billion bushels as of March 1, a decrease of 12.8% versus last year and the lowest figure in six years.

Combined, the information drove futures prices for soybeans higher across the board. The MAY23 contract increased the most, rising 31¢ to $15.055/bu. Every contract through AUG24 added at least a dime with more modest gains seen further out. In the corn market, nearby contracts appreciated on the stocks data while the expanded acreage information pushed contracts in DEC23 and beyond downward.