

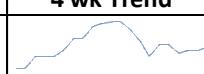
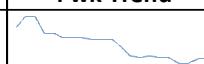


# The T.C. Jacoby Weekly Market Report

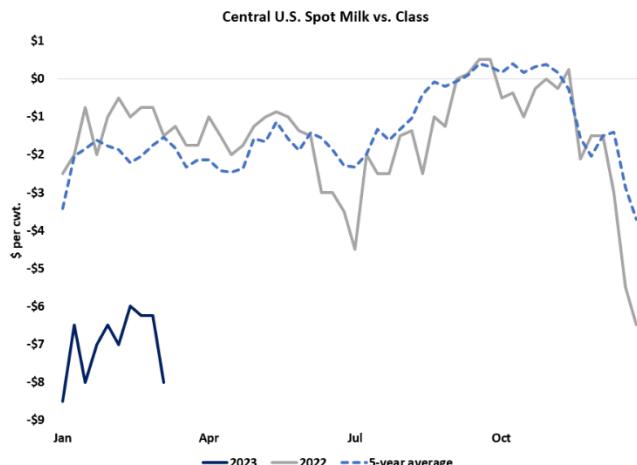
WEEK ENDING MARCH 10TH, 2023

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CME Spot Market for the Week			WHEY		
3/6/2023 to 3/10/2023			Avg Price	Qty Traded	4 wk Trend
			\$ 0.4410	3	
CHEESE BLOCKS			CHEESE BARRELS		
Avg Price	Qty Traded	4 wk Trend	Avg Price	Qty Traded	4 wk Trend
\$ 1.8325	4		\$ 1.7015	50	
BUTTER			NON-FAT		
Avg Price	Qty Traded	4 wk Trend	Avg Price	Qty Traded	4 wk Trend
\$ 2.3370	3		\$ 1.1715	11	

The spring flush is just getting started, but the nation is already drowning in milk. Dairy processors in the Central region were able to buy spot milk at prices ranging from \$4 to \$12 under class, an unprecedented discount for a non-holiday week.



Rapid expansion in the region, slower pull from bottlers ahead of spring break, and unplanned plant shutdowns have all contributed to the excess. Even at \$12 under, some plants are not running as hard as they might have in the past, because processors are understaffed and afraid to push their workforce too hard. USDA's *Dairy Market News* described Midwestern cheese output as "somewhat active." Dairy producers in the Northern Plains who have been forced to dump milk would surely

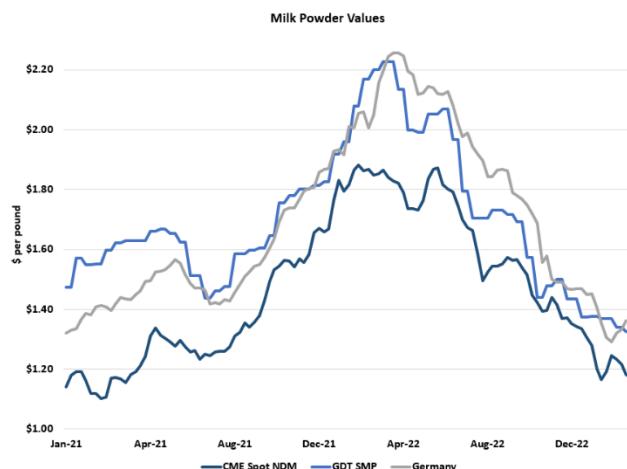
prefer to hear that plants are running full throttle. But the less aggressive increase does have one upside; according to USDA, "cheese stores are not getting ahead of processors."

Cheese prices were dramatically mixed in Chicago. USDA reports that "barrel inventories are strong, whereas blocks... are sparser than barrels." That jibes with the roughly 35¢ spread between blocks and barrels that has been stubbornly in place nearly all year. No longer. CME spot Cheddar blocks plummeted 17¢ this week to \$1.78 per pound. And barrels came up to meet

them, jumping 19.5¢ to \$1.77. Blocks now sit at a six-month low, with barrels at a two-month high, and there is only a penny between them.

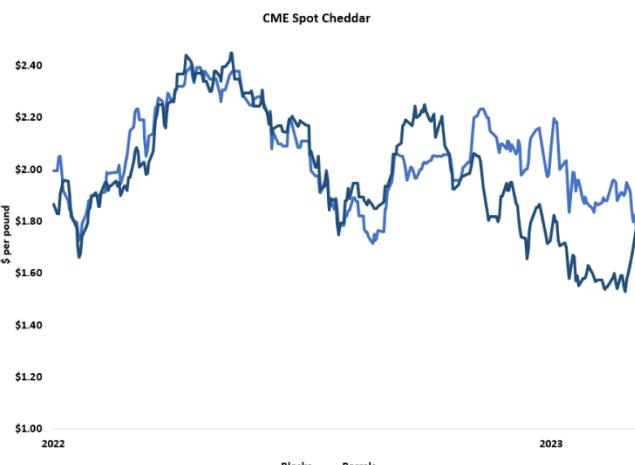
The other spot products retreated, but the losses were modest. Spot butter slipped 1.25¢ to \$2.325. Spot whey powder and nonfat dry milk (NDM) dropped 0.25¢ apiece. That put whey at 44.25¢. NDM closed at \$1.175.

The value of butterfat products dropped at Tuesday's Global Dairy Trade (GDT) auction, and Cheddar plunged 10.2%. Skim milk powder (SMP) prices fell 1.1% to roughly \$1.33 per pound. But GDT whole milk powder (WMP) prices perked up just a little this week, and benchmark European prices for cheese, whey, and SMP also improved. There is plenty of milk, and dairy product output is surely on the rise. But at home and abroad, it feels like prices may have fallen far enough for now, and international buyers are bidding for dairy.

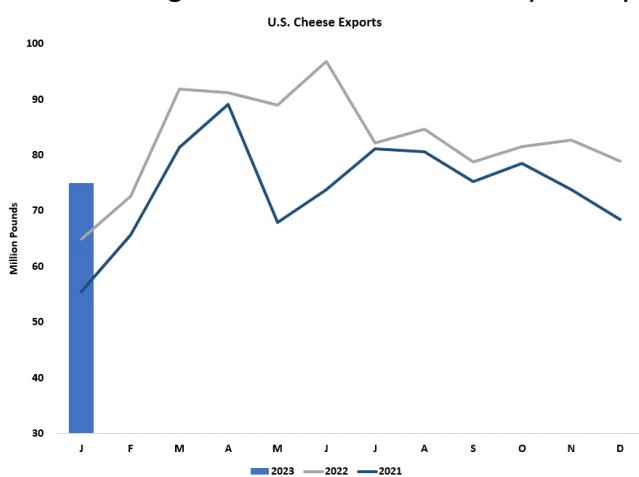


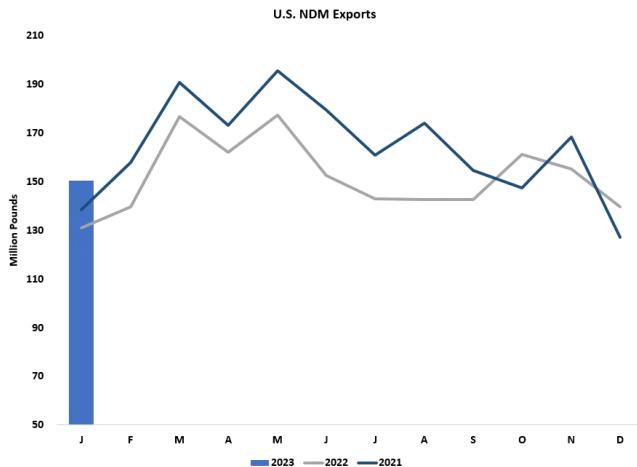
Mexico were especially formidable. Cheese exports set a new record for the month, up 15.6% from a year ago. Whey exports were also strong, up 11.9% year over year. Shipments of NDM abroad jumped 14.8% to 150.4 million pounds, the second-highest volume ever in January. It may be difficult to sustain this pace, but, for now, exports represent a vital outlet for U.S. dairy. Without them, dairy stocks would be larger, and prices much lower.

Spring Class III milk prices bounced back after last week's selloff. The April contract climbed 17¢ to \$17.70 per cwt. Down the board, most contracts posted small losses. Class IV futures fell back once again. Most first-half contracts settled about 30¢ lower than last Friday. April Class IV finished at \$18.09.



U.S. dairy exports impressed once again to kick off the year. The aggregate volume was the highest ever for the month of January, up 13.2% from a year ago. Shipments to





At these prices, dairy producers are losing several dollars per cwt. In the short run, that's likely to mean more milk, as producers try to boost revenues by stepping up milk volumes. However, producers who are constrained by production bases will not be able to limit losses in this way. Red ink on the farm will slowly translate to less milk and higher prices. The process is already underway in the West, where base programs are common and auctioneers are announcing dispersals with increasing frequency. High beef prices and tight heifer supplies will help

to accelerate the transition from today's excess to tighter milk supplies down the road. Even so, the shift will be painfully slow.

Grain got cheaper once again this week. Corn futures dropped straight through price levels that had previously offered a firm floor. Technical traders rushed to sell at this sign of weakness, and losses picked up speed. The May contract came surprisingly close to the \$6 mark this week, and closed today at \$6.1725 per bushel, down another 22¢. Corn futures have fallen more than 60¢ in less than three weeks. Exports are slow, and USDA trimmed its forecast for U.S. corn exports in its March update to crop balance sheets. However, that's not enough to explain the steep decline in corn values.

Meanwhile, it's wickedly hot and still dry in Argentina. USDA slashed its estimate of Argentine corn and soybean production this week. The market had expected the agency to take a more gradual approach, but it agrees with USDA's assessment. Argentina's grain exchange and private analysts continue to publish harvest projections that are even lower than USDA's much-diminished outlook. Brazil is filling the gap for now, but the U.S. may soon need to step up exports to make up for Argentina's shortfall. May soybean futures followed corn lower. They settled at \$15.07, down 11.75¢ this week. But soybean meal prices stood firm. They closed at \$485.90 per ton, up \$5.90 from last Friday.