



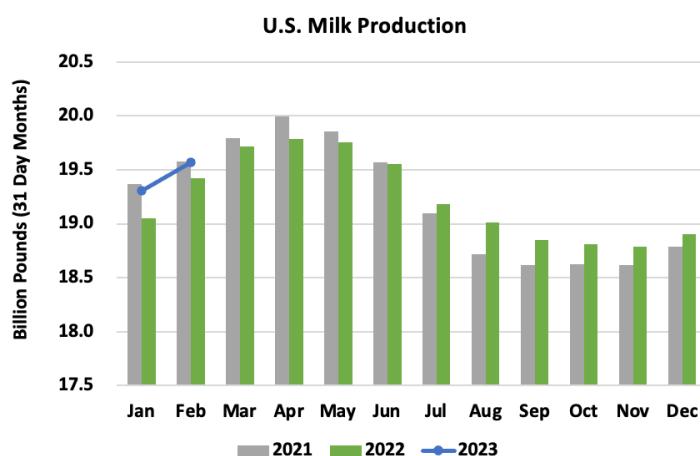
The T.C. Jacoby Weekly Market Report

WEEK ENDING MARCH 24th 2023

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CME Spot Market for the Week			WHEY		
			Avg Price	Qty Traded	4 wk Trend
3/20/2023 to 3/24/2023			\$ 0.4450	5	
CHEESE BLOCKS			CHEESE BARRELS		
Avg Price	Qty Traded	4 wk Trend	Avg Price	Qty Traded	4 wk Trend
\$ 2.0290	14		\$ 1.9535	19	
BUTTER			NON-FAT		
Avg Price	Qty Traded	4 wk Trend	Avg Price	Qty Traded	4 wk Trend
\$ 2.3780	11		\$ 1.1545	3	



Despite significant challenges, milk production continues to grow in the United States. USDA published its monthly *Milk Production* report on Monday, indicating that national output rose to 17.675 million pounds in February, an increase of 0.8% versus the same month last year. Production growth was concentrated in the center of the country while output in most of the Western states struggled. Even though margins are being pressured and slaughter numbers remain elevated, expansion of the milking herd contributed to the increase. At 9.417 million cows, the

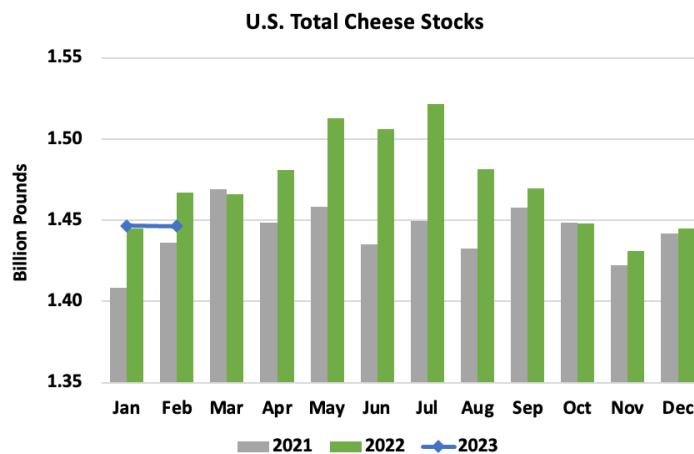
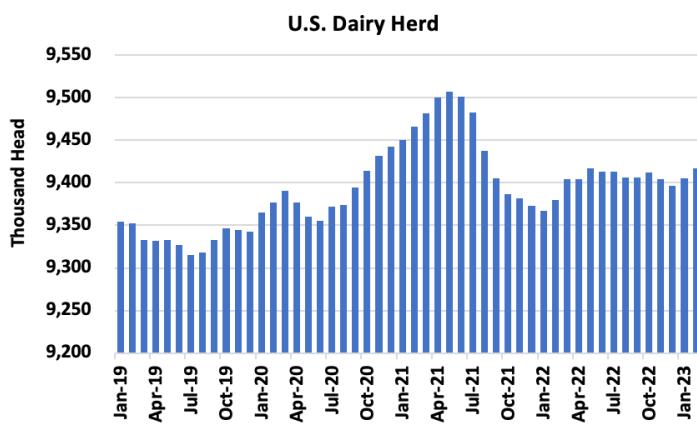
national herd grew by 12,000 head compared to January and was 37,000 head larger than at the same time last year.

Unrelenting rains continued to saturate parts of California over the past week, forcing dozens of producers to evacuate their herds. The risk for future flooding remains high as critical infrastructure is under significant pressure. Furthermore, snowpack levels are more than twice the normal level. Should this snowpack melt at an accelerated rate, it could place additional pressure on California's water management systems. In other parts of the country milk production is nearing seasonal peak levels. In the

Northeast, milder conditions in the run up to spring have helped to bolster output while Dairy Market News reports that “flush levels of milk are expected within the next three weeks”.

Milk remains plentiful and spot loads of milk continue to be available at a significant discount. As a result, Class III and IV manufacturers are working hard to process additional loads. However, at least through the end of February, this additional production did not translate into excessive inventories, especially in the case of cheese.

According to the USDA's *Cold Storage* report, released Thursday afternoon, cheese stocks at the end of February totaled 1.446 billion pounds, virtually unchanged from the prior month. This suggests that even though cheese vats were active during the month, demand improved enough to prevent stock hangover.

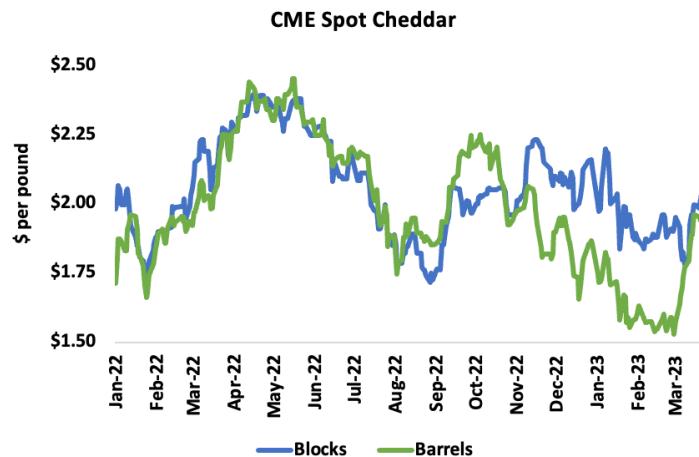


Tuesday, Block prices moved markedly higher the balance of the week, breaking through the \$2/lb. threshold for the first time since January. Ultimately the Cheddar block price ended the week at \$2.10/lb., 10.25¢ higher than last Friday. The Cheddar block rally has been impressive, adding 32¢ in just 11 trading sessions. Barrel prices made more modest gains over the week. Spot Cheddar barrels ended the week at \$1.9625/lb. a quarter cent higher than last Friday with 19 loads changing hands. After narrowing to as little as 3.25¢ on Wednesday, price dynamics have now pulled the block-barrel spread back to 13.75¢.

Activity in the whey market has been more subdued. Spot dry whey gave up 1.5¢ over the week as an increase during today's trade was insufficient to erase losses on Monday and Thursday. Spot dry whey closed the week at 44.5¢ per pound

Much of the demand likely came from the international market and probably reflects exports that were booked when the U.S. boasted a significant price advantage compared to international alternatives – an edge which has now diminished. The domestic demand picture is more mixed and includes supermarket data which suggests that retail cheese demand has been stable. Nevertheless, increased tension between supply and demand this week was sufficient to drive spot Cheddar prices upward at the CME.

Following modest declines on Monday and



as 5 loads traded hands. Market participants report that prices for higher protein products such as whey protein concentrates (WPC) are falling, pushing whey manufacturers to favor the production of dry whey. China remained an important destination for whey products from the U.S. and other suppliers. Between January and February, China imported a cumulative 250 million pounds of whey products. This represents an increase of 61.4% compared to last year but falls 10% short of the 2021 figure. The U.S. was the top supplier, boasting a 49.5% share.

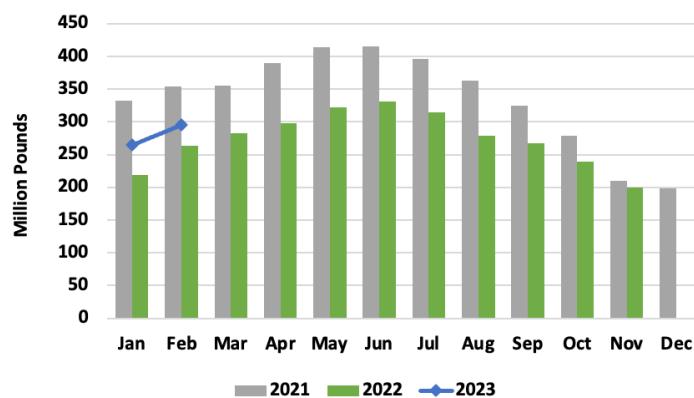
Chinese imports of milk powder were significantly weaker, however. Part of the decline is likely due to shifting trade and tariff rules. Even so, Chinese imports of whole milk powder in January and February tumbled by 68.2% to 210.2 million pounds. Skim milk powder imports fared better, slipping by just 2.1% to 164.7 million pounds with U.S. suppliers claiming 8.1% share.

Closer to home, the spot price for nonfat dry milk (NDM) came under pressure this week. The market declined on Monday, Tuesday, and Wednesday before coming to rest at \$1.15/lb., the lowest price in two years. Activity was muted with only three loads changing hands. Dryers are also keeping busy thanks to ample milk supplies and market participants report that volumes are readily available. Less expensive WPC34 has also reduced NDM demand in some cases.

Cream supplies remain plentiful although there is increasing evidence that the market is beginning to tighten somewhat. Multiples are starting to climb as demand perks up. Manufacturers report that spring holiday orders persist while increased pull from ice cream and Class II manufacturers is also keeping

some tension in the cream markets. Nevertheless, supplies remain ample and butter inventories have been building. At the end of February butter stocks totaled 295 million pounds, up 11.6% or 30.7 million pounds compared to prior month. Butter inventories also remain 12.2% larger than at the same time last year. Healthy stocks may have put some pressure on the spot butter market this week. After adding a penny on Monday, butter prices declined over the rest of the week, falling to \$2.345/lb. a decline of 5.5¢ compared to last Friday.

U.S. Butter Stocks



Nearby corn futures appreciated over the course of the week. The MAY23 contract settled on Friday at \$6.43/bu., up a dime from Monday's settlement while the remaining 2023 contracts saw more modest gains. Soybeans experienced the opposite trajectory, with prices softening during the week. The MAY23 soybean meal contract settled on Friday at \$445.10/ton, \$17.60 lower than Monday's settlement.