



# The T.C. Jacoby Weekly Market Report

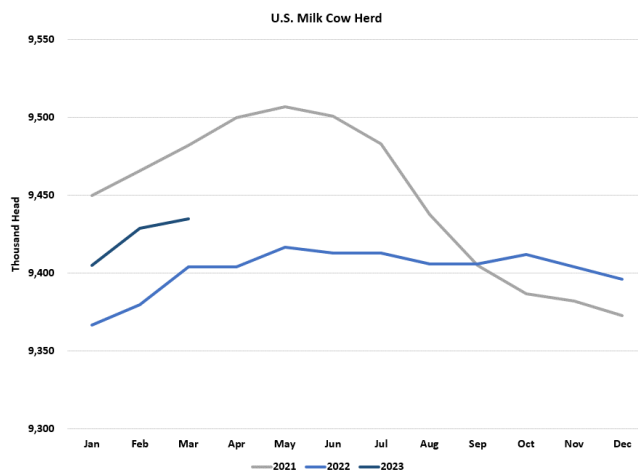
WEEK ENDING APRIL 21<sup>ST</sup>, 2023

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| CME Spot Market for the Week<br>4/17/2023 to 4/21/2023 |            |            | WHEY           |            |            |
|--|------------|------------|----------------|------------|------------|
|  |            |            | Avg Price      | Qty Traded | 4 wk Trend |
|  |            |            | \$ 0.3655      | 35         |            |
| CHEESE BLOCKS  |            |            | CHEESE BARRELS |            |            |
| Avg Price  | Qty Traded | 4 wk Trend | Avg Price      | Qty Traded | 4 wk Trend |
| \$ 1.7570  | 29         |            | \$ 1.5310      | 85         |            |
| BUTTER   |            |            | NON-FAT        |            |            |
| Avg Price  | Qty Traded | 4 wk Trend | Avg Price      | Qty Traded | 4 wk Trend |
| \$ 2.3840  | 16         |            | \$ 1.1475      | 7          |            |

Milk prices are woefully inadequate to cover today's stubbornly high feed costs.



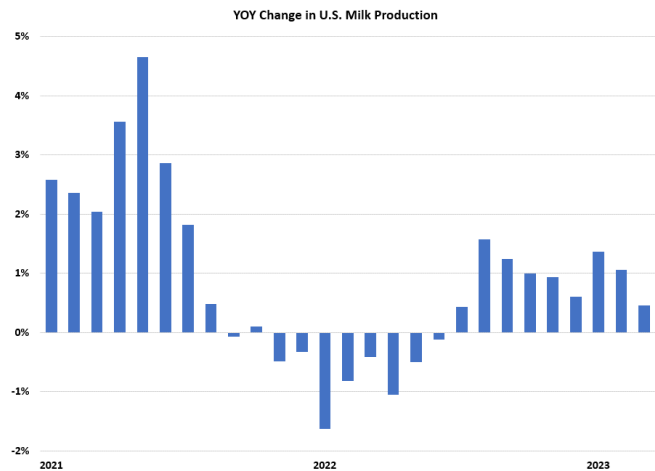
With poor margins and rising beef values, dairy producers are culling harder. Through early April, dairy cow slaughter volumes were 3.7% ahead of the 2022 pace. And a growing number of producers are calling it quits. Each of the major livestock auctions features a new dairy sale every couple of weeks. Nonetheless, according to USDA's latest assessment, dairy producers added 9,000 cows in January, 24,000 in February and 6,000 in March. The national milk-cow herd now stands at

9.435 million head, larger than in any month since August 2021 and up 31,000 cows from March 2022.

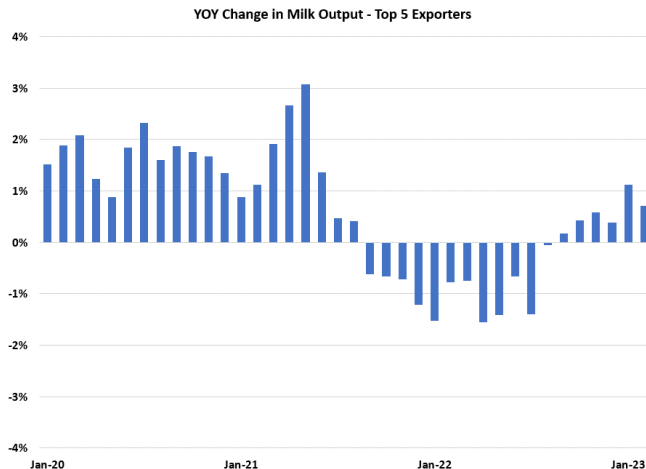
At first glance, the increase seems curious. But a look at the state-level changes suggests that USDA's best guess is at least plausible. The agency estimates that dairy producers added a net of 7,000 cows in Texas and 4,000 head in Kansas in the first quarter, which aligns well with expansions meant to supply new dairy processors in

those states. Dairy producers started milking cows in some new barns in South Dakota and Idaho early this year, and USDA reports growth of 4,000 head and 7,000 head, respectively, in those states. Several states added a net of a few thousand cows, as dairy producers filled up new facilities or crowded their barns to try to boost milk revenues. For now, new or expanded dairies are adding cows more quickly than their competitors are losing them, delaying the transition from low prices to tighter milk supplies, and pushing the eventual recovery in milk prices farther into the future.

With more cows in the barn, milk production climbed, but the increase was far from formidable. U.S. milk output reached 19.8 billion pounds in March, up 0.5% from a year ago. Milk yields did not impress, topping March 2022 by just 0.14%. In California, where cows have spent months in the mud, milk yields suffered. Last month they were 2.1% below March 2022.



Our competitors overseas also reported modest growth. New Zealand milk solids



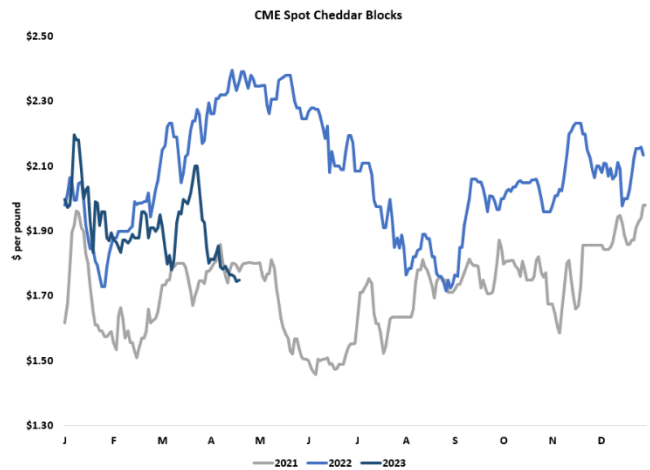
collections topped March 2022 by 1%. With just two months to go, season-to-date milk solids collections are still in a deficit, down 0.9% from the 2021-22 season. In Europe and the United Kingdom, milk output exceeded February 2022 by 0.7%.

With growth in milk output at or below 1% among the world's largest dairy exporters – and negative in second-tier nations like Australia and

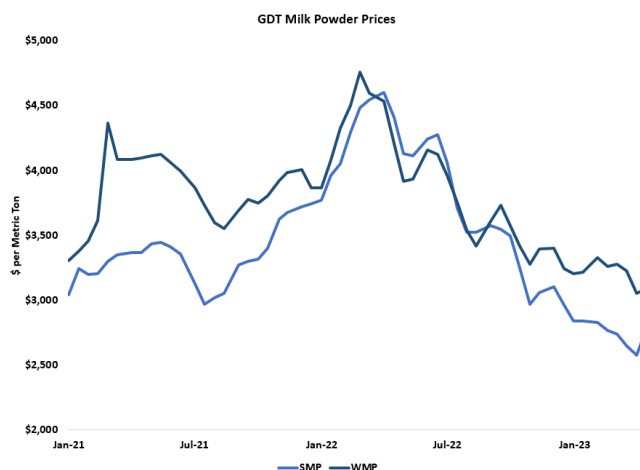
Argentina – dairy product supplies should be tightening. Global dairy demand typically grows between 1% and 2% annually. However, demand is falling short too. The main culprit is China. The world's largest dairy importer has backed away from purchasing whole milk powder (WMP), pushing dairy processors in New Zealand to direct milk they might have dried into WMP into skim milk powder (SMP) and butter instead. Meanwhile, in the Midwest, there is plenty of milk to keep cheese vats full. USDA's Dairy Market News reports that spot milk continues to trade at discounts ranging from \$4 to \$11 under Class III, and this week's offers are skewed more heavily toward the lower end of the range.

Strong cheese production has pushed prices sharply lower. CME spot Cheddar blocks fell another 2.5¢ this week to \$1.75 per pound, its weakest showing since September. But low prices are doing their job and attracting buyers. Dairy Market News reports that domestic demand is “steady to strong,” and Asian importers are reportedly taking advantage of today’s bargain prices. However, orders from Mexico and Europe are more sporadic.

Spot Cheddar barrels remain inexpensive enough to keep product moving. They rallied 4¢ this week to \$1.5525, and traders exchanged an astounding 85 loads of barrels in Chicago this week.



Chinese buyers didn’t purchase much at this week’s Global Dairy Trade (GDT)



auction, but other importers stepped up, pushing prices higher for the first time since early February. WMP prices climbed 1% and SMP values leapt 7% to the equivalent of nonfat dry milk (NDM) at \$1.34 per pound. Butterfat and cheese prices also jumped. Strength at the GDT helped to prop up prices in Chicago. Spot NDM rallied 3.5¢ to \$1.165. Spot butter added 7.25¢ and reached \$2.40, toward the high end of the recent trading range. Whey powder held steady at 36.25¢.

Cheap cheese dragged May Class III futures straight downward. They dropped 37¢ this week and closed at \$17.32 per cwt., a life-of-contract low. The other contracts fared much better, notching slight gains. Most Class IV contracts posted 20¢ or 30¢ increases. That lifted May Class IV to \$17.86. For both classes of milk, the futures project prices are above \$18 in June and July, with more \$19s in the back half of the year.

It was a wild week in the grain pits, with strong gains early in the week and big losses to finish. July corn closed at \$6.1525 per bushel, down 20¢. July soybeans dropped by a similar margin to \$14.49. July soybean meal fell \$13 to \$443.60 per ton.

Once again, the fireworks started in the wheat market and then spread to the broader grain complex. Russia is growing increasingly frustrated with the impact of sanctions and the lack of firms willing to ensure Russian ships, so it is once again threatening to upend the agreement that allows grain exports out of three Ukrainian ports. Meanwhile, Ukraine's neighbors are upset that grains moving into Europe via truck and rail are depressing their markets, and Poland, Hungary, Slovakia, and Bulgaria have banned imports of agricultural foods from Ukraine. Yet another hurdle to Ukrainian grain exports propped up wheat prices. But feed futures made an about-face later in the week, and the whole board finished in the red.

The forecast calls for some rain in the Southern Plains, which might help to revive the dying wheat crop, or at least set the stage for better summer crops. Planters are rolling, and the market will now turn its focus to the impact of spring weather on the U.S. acreage mix.