



The T.C. Jacoby Weekly Market Report

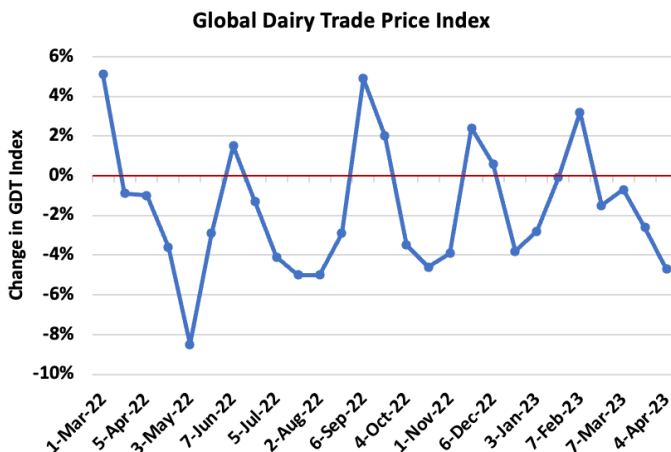
WEEK ENDING APRIL 7th, 2023

By Monica Ganley, Market Analyst for the Daily Dairy Report
monica.ganley@quarerraglobal.com



CME Spot Market for the Week 4/3/2023 to 4/7/2023			WHEY		
			Avg Price	Qty Traded	4 wk Trend
			\$ 0.4188	17	
CHEESE BLOCKS			CHEESE BARRELS		
Avg Price	Qty Traded	4 wk Trend	Avg Price	Qty Traded	4 wk Trend
\$ 1.8144	16		\$ 1.7656	15	
BUTTER			NON-FAT		
Avg Price	Qty Traded	4 wk Trend	Avg Price	Qty Traded	4 wk Trend
\$ 2.3281	7		\$ 1.1438	2	

While the Easter bunny was finalizing preparations for the weekend, the bears were out in force in the dairy markets. Over the holiday shortened week, every commodity lost ground at the CME spot market.



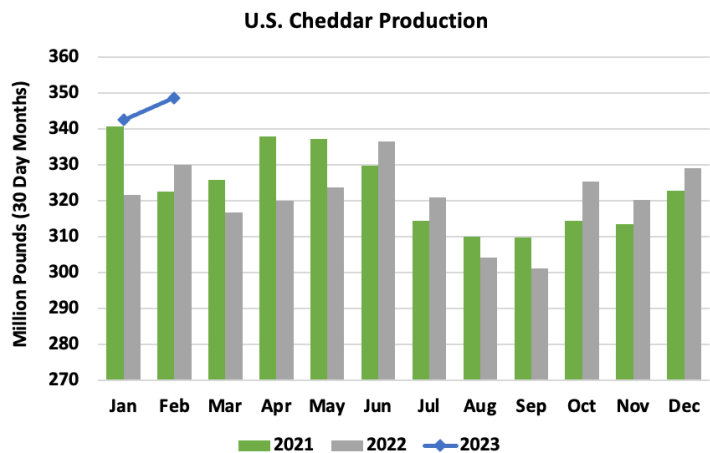
Price declines were not limited only to the United States, however. At Tuesday's Global Dairy Trade (GDT) event the GDT Index fell by 4.7%, weighed down by losses across every product except Cheddar cheese. This was the fourth consecutive loss and suggests that weakness persists across global dairy markets.

Back in the U.S., the Cheddar markets came under pressure. Cheddar blocks opened the week by dropping a nickel on Monday. Despite interchanging modest gains and losses over the rest of the week, the market

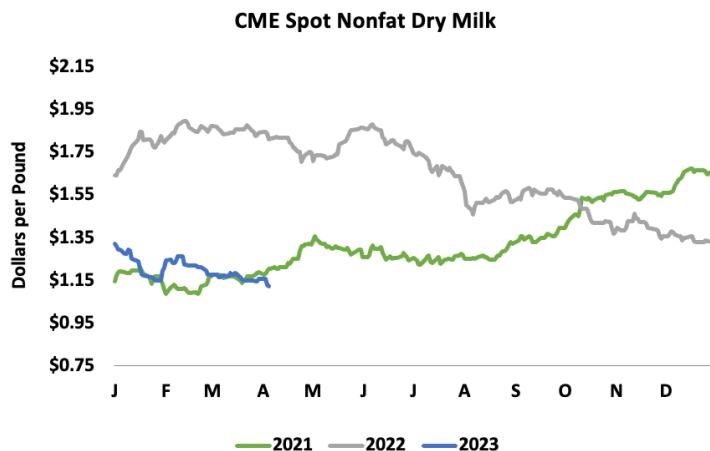
ultimately ended the week down 2¢ at \$1.83/lb. Movements in the barrel market were more definitive with losses seen every day. By the end of Thursday's trade, barrel prices had fallen to \$1.72/lb., a decline of 8.75¢ compared to last Friday and stretching the block-barrel spread to 11¢. Trading was active with 16 loads of blocks and 15 loads of barrels trading hands.

Cheese production is reportedly active as inexpensive spot loads of milk are readily available, especially in the Midwest. In the *Dairy Products* report released this week, USDA indicates that Cheddar production was strong in February, rising year over year by 5.6% to 325.4 million pounds. However, lower production

of Italian style cheeses meant that total cheese production rose just a modest 0.4% compared to February 2022. Cheese exports were limited in February, declining by a slim 0.2% year over year compared to last year's record high number. Taken together, the data implies that cheese has been plentiful and even though domestic demand appears to have been sufficiently strong to prevent excessive inventories from accumulating, it is likely that ample supply has been weighing on the price.



Curiously, even though cheese production was up, albeit modestly, in February, whey production across all key products fell. Dry whey production fell 5.3% to 66.5 million pounds while output of whey protein concentrates (WPC) and whey protein isolates (WPI) also fell by 9.8% and 19.5%, respectively. Despite lower production, manufacturer's stocks of all three products grew relative to prior month and prior year. Whey exports also slowed during the month, falling by 6.2% year over year even as whey exports to China increased by 0.6%.

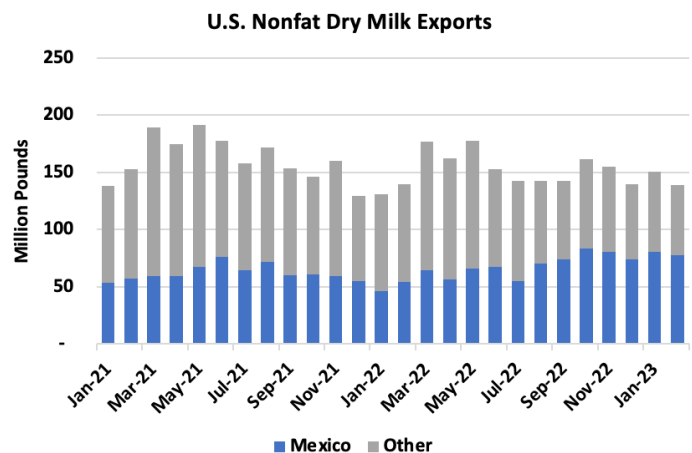


Weak tones in the dry whey market manifested this week as the spot price tumbled. A 1.25¢ increase on Monday was wiped out by losses on Tuesday, Wednesday, and Thursday that pulled the price down to 36.5¢ per pound, a decrease of 8.25¢ compared to last week. Lower prices seemed to spur activity as the spot market had a particularly busy week with 17 loads trading hands.

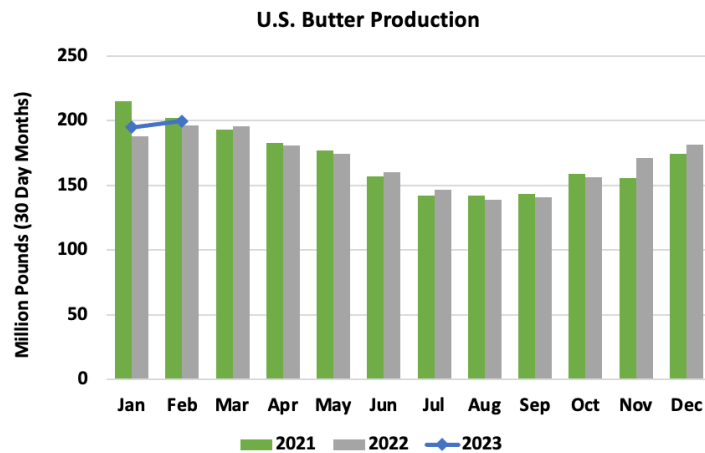
at \$1.16/lb. during the first two days of the week, a 3¢ loss on Wednesday followed by another half penny decline on Thursday, brought the price down to \$1.125/lb. This is the lowest price seen since February 2021. Just two loads traded during the week.

The nonfat dry milk (NDM) spot price also moved downward. After sitting unchanged

Milk powder is plentiful as ample condensed skim supplies have kept dryers busy. Combined production of NDM and skim milk powder (SMP) in February reached 216.7 million pounds, up 8.1% year over year. The 4.5% increase in NDM production was dwarfed by the 28.9% rise in SMP production, suggesting that dryers were manufacturing product for the export market. However, U.S. export data shows that powder exports fell by 0.5% in February to 139 million pounds, due especially to



lower purchasing by customers in Asia. Meanwhile, exports to Mexico, the U.S.' largest powder customer, jumped a dramatic 43.3% to 77.5 million tons in February, a record for the month.



With cream supplies also readily available, butter production increased in February. Churns turned out 186.4 million pounds of butter during the month, an increase of 1.6% compared to February 2022. Butter exports also fell in February, slipping to 7.6 million pounds, a decline of 31.8% year over year. Domestic demand was strong leading up to the spring holidays, but butter remains plentiful, and these ample supplies could continue to weigh on prices. This week at the CME the spot butter price gave up 8¢, falling to \$2.3175/lb. with seven loads moving.

Spot market declines pulled milk futures prices downward. By Thursday, all the 2023 Class III contracts had lost value with the MAY23 contract settling at \$17.95/cwt., 41¢ lower than Monday's settlement. Losses were also pervasive in the Class IV market where the MAY23 contract settled at \$17.59/cwt. on Thursday, down 45¢ from Monday. In most parts of the country milk volumes continue to grow seasonally though weather issues are complicating the production, transportation, and processing of milk in certain areas. Snowstorms in the upper Midwest and the continued impact of flooding in California are creating challenges across the value chain.

Grain markets softened over the week as the market digested the USDA reports released last Friday. MAY23 corn futures settled on Thursday at \$6.435/bu. a decline of 14.25¢ versus Monday's settlements. Soybean meal futures also moved downward, with the MAY23 contract landing Thursday at \$454.3/ton, down nearly \$10 compared to Monday. Inclement weather in the grain belt has created some concerns that plantings will be delayed though most analysts feel that it is too early to be excessively nervous.