



The T.C. Jacoby Weekly Market Report

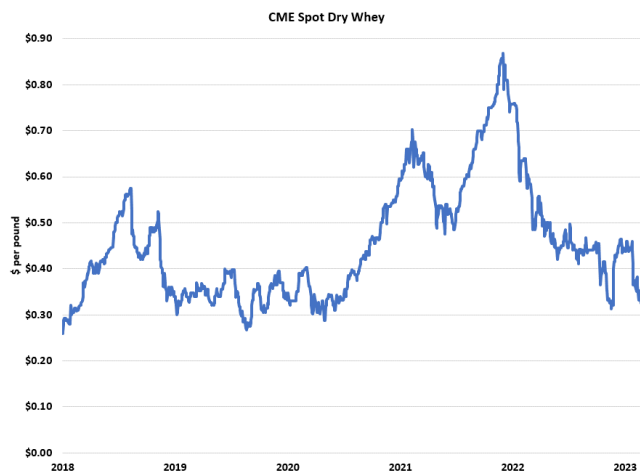
WEEK ENDING MAY 19TH, 2023

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CME Spot Market for the Week 5/15/2023 to 5/19/2023			WHEY		
			Avg Price	Qty Traded	4 wk Trend
			\$ 0.2845	75	
CHEESE BLOCKS			CHEESE BARRELS		
Avg Price	Qty Traded	4 wk Trend	Avg Price	Qty Traded	4 wk Trend
\$ 1.5100	35		\$ 1.4580	54	
BUTTER			NON-FAT		
Avg Price	Qty Traded	4 wk Trend	Avg Price	Qty Traded	4 wk Trend
\$ 2.4510	9		\$ 1.1600	9	

The dairy markets dropped again, and whey led the way lower. CME spot whey powder fell 3.75¢ to 26.5¢ per pound. Spot whey has traded lower than this only twice, in its first two days at the CME spot market in March 2018. Whey has not spent much time below 30¢ without extreme events to explain the depression. In 2019, African swine fever devastated China's hog

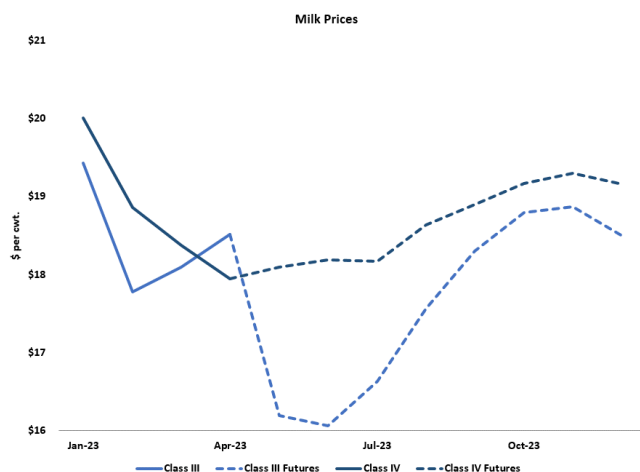
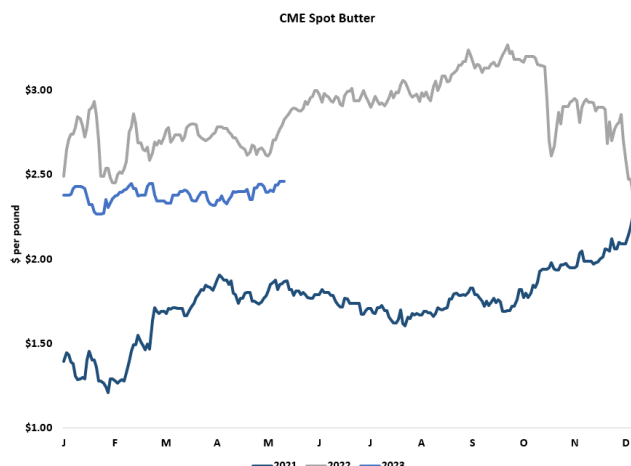


herd and throttled Chinese imports of feed-grade whey. U.S. whey was further disadvantaged by the U.S.-China trade war, which levied punitive tariffs on U.S. whey products. Spot whey also dipped below 30¢ in 2020, when the pandemic closed nearly every gym in the nation and demand for protein drinks plummeted. Today, the cause is much less dramatic. Processors are simply making more whey powder than the market needs. Buyers are biding their time. According to USDA's *Dairy Market News*, "Customers are aware of the availability of

dry whey, the pressured high protein concentrates market, and limited exports into Southeast Asian markets. Therefore, they are not rushed to purchase outside of near-term needs." Their reticence is pushing more whey to the market of last resort in Chicago. Processors dumped 75 loads of whey on LaSalle Street this week.

Milk powder output is also strong, as befits the season. But domestic demand is steady, and Mexico keeps buying. That's helped to forestall a steeper selloff in the powder market. Still, spot nonfat dry milk slipped 1.75¢ this week to \$1.1525. At the Global Dairy Trade (GDT) auction, skim milk powder values dropped 1.6% but whole milk powder climbed 0.3%.

Cheese vats are full, and inventories are growing. Retail demand for cheese is strong, but orders from restaurants and foodservice are backing off as customers react to higher prices. Anecdotal reports about export activity are mixed. The spot Cheddar markets diverged this week. Cheddar blocks climbed a half-cent to \$1.535. Barrels fell 2¢ to \$1.47.



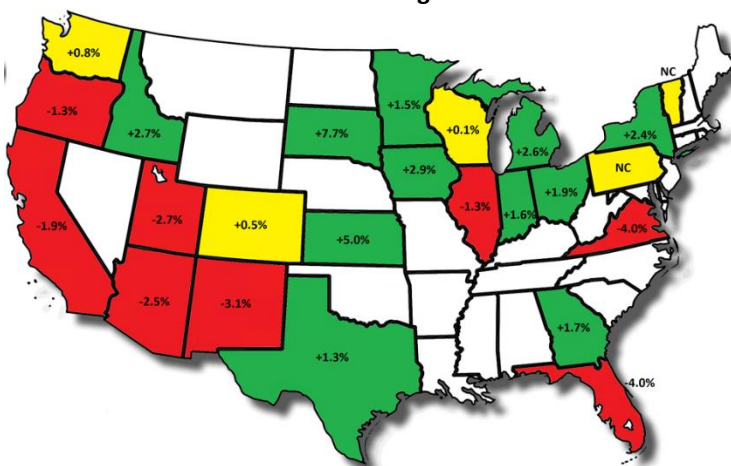
Butter bucked the trend and jumped 6¢ to \$2.46, a new 2023 high. Churns are running hard, but retail demand has perked up, which is keeping a floor under this surprisingly strong market.

The setback in the powders and the wide gap between spot cheese prices and nearby futures weighed heavily on milk values. June Class III fell 51¢ to \$16.06 per cwt. The July contract plunged 83¢ to \$16.63. Deferred contracts logged losses ranging from 38¢ in November to 67¢ in

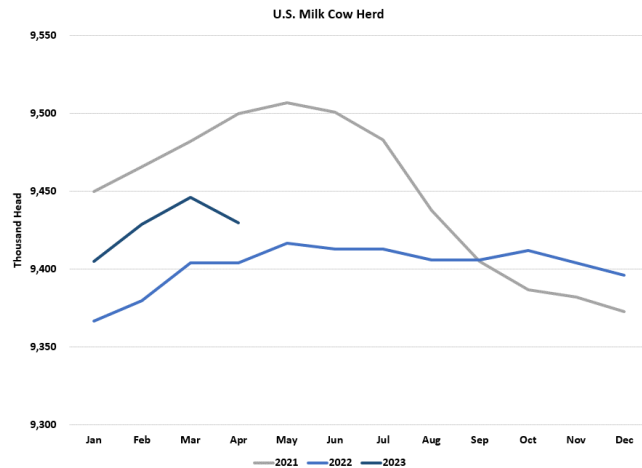
August. June Class IV milk slipped 2¢ to \$18.19, while deferred contracts lost around 30¢.

These numbers simply won't work for dairy producers. This harsh reality is finally starting to show up in the cow counts. USDA revised its estimate of the March milk cow herd sharply higher. By the latest assessment, dairy producers added 22,000 cows in February and 17,000 in March. But then the dairy herd contracted 16,000 head in April. Most of the decline can be attributed to a 15,000-cow decline in Texas from March to April, due to the devastating

Year-Over-Year Change in Milk Production



fire there last month. But there are signs of trouble elsewhere too. Milk-cow numbers dropped



slightly in California, Iowa, and Wisconsin last month. In the months to come, cow numbers are likely to decline at a more rapid rate as punitively low milk prices take their toll on the industry. For now, though, we're making a little more milk than last year, and much more than we need. April milk output topped year-ago volumes by 0.3%. That's a relatively modest increase, but it was enough of a surplus to push dairy product values sharply lower this spring.

The feed markets retreated once again, thanks to another week of slow exports and fine weather. July corn closed at \$5.545 per bushel, down 32¢ to a 16-month low. December corn futures tested the waters below \$5 but ultimately finished right at that mark, down 8.75¢ for the week. July soybeans plummeted 83¢ to \$13.0725. And July soybean meal dropped back to \$409.10 per ton, down \$23.80 since last Friday.

The weather has been quite good, with a lot of sunshine in the Corn Belt and moisture in the parched Southern Plains. Farmers are putting seeds in the ground at a rapid pace. But there is a lot of weather risk between now and harvest, and the market is already worried that today's clear skies will make for thirsty crops in June. Fears that the forecast will worsen are likely to forestall further declines, at least for a while. But if crops are as large as trendline yields would suggest, prices could be much lower at harvest.