



# The T.C. Jacoby Weekly Market Report

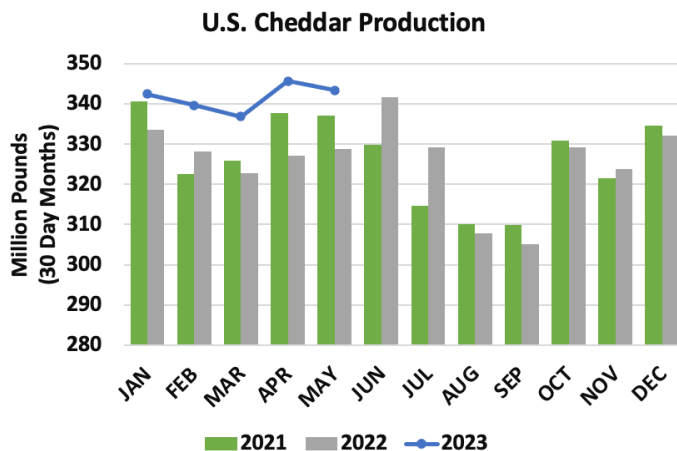
WEEK ENDING JULY 7TH, 2023

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CME Spot Market for the Week 7/3/2023 to 7/7/2023			WHEY		
			Avg Price	Qty Traded	4 wk Trend
			\$ 0.2344	42	
CHEESE BLOCKS			CHEESE BARRELS		
Avg Price	Qty Traded	4 wk Trend	Avg Price	Qty Traded	4 wk Trend
\$ 1.3750	12		\$ 1.3506	93	
BUTTER			NON-FAT		
Avg Price	Qty Traded	4 wk Trend	Avg Price	Qty Traded	4 wk Trend
\$ 2.4725	21		\$ 1.1056	5	

There were plenty of fireworks in the dairy markets during the holiday shortened week. Dairy commodity prices continue to flounder under the pressure of plentiful supplies and, in turn, are weighing on milk prices.



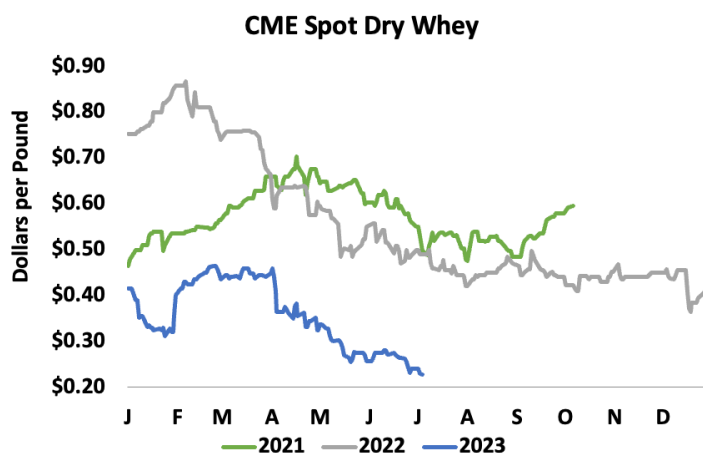
After tumbling during last week's trade, spot Cheddar prices moved modestly higher. Blocks moved up on Monday, Thursday, and Friday and even with a loss on Wednesday finished the week at \$1.3925/lb., an increase of 5.75¢ compared to last Friday. Barrels lost ground on Monday but increased over the balance of the week ultimately rising 3.5¢ to \$1.38/lb. An astonishing 93 loads of barrels changed hands during the four-day week, the largest volume since late 2017.

American cheese manufacturers have been busy. According to USDA's *Dairy Products* report released yesterday, the production of American style cheeses rose 4.2% year over year in May to 508.9 million pounds. Cheddar production alone was up 4.5%. This increase mostly offset losses in the production of Italian varieties which fell by 2.2% versus May 2022. Mozzarella production was up 1% but a 14-million-pound decline in Provolone output pulled the category downward. Total cheese production fell by a modest 0.2% year over year in May to 1.203 billion pounds.

As production moved ahead, demand from international buyers plummeted. The U.S. exported 73.1 million pounds of cheese in May, a decrease of 17.9% or nearly 16 million pounds, compared to the same month last year. Significantly lower purchases from South Korea and other Asian destinations drove the decline while exports to Mexico continue to be a bright spot with cheese exports destined for south of the border up 20.9%. Heavy production and lower international demand have left lots of product available for the domestic market where demand is mediocre at best.



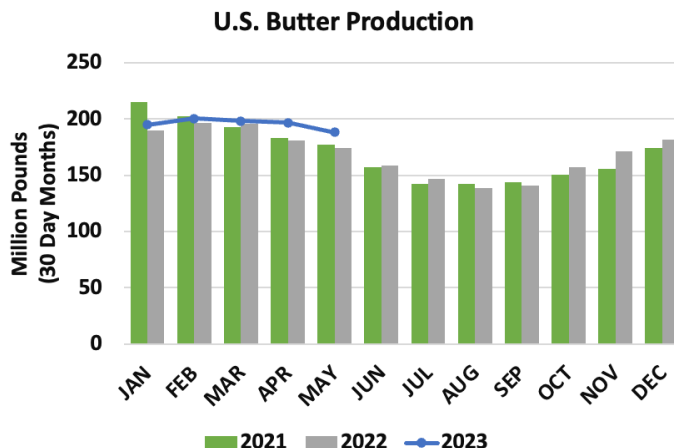
Apparently unsatisfied with the lows achieved last week, the spot dry whey market continued its descent, setting fresh record low prices on Thursday and again on Friday. Once the dust settled after Friday's spot session, dry whey had sunk to 22.75¢ per pound, the lowest price ever seen in that market.



Activity was again upbeat as 42 loads traded hands, including 20 in Friday's session alone. Busy cheese production has kicked off a plentiful whey stream that is keeping the market well supplied while domestic demand remains understated. In May, the production of dry whey for human consumption rose 1.7% year over year to 77.3 million pounds while output of whey protein concentrate (WPC) was up 18%. Whey protein isolates (WPI), however, saw May volumes fall by 18.3%.

Despite plentiful domestic production whey exports fell in May, due especially to lower demand from China. Total whey exports dipped 25.2% year over year to 94.9 million pounds. This represents the lowest volume for the month of May since 2019. Exports of dry whey were down by 1.9% while shipments of whey protein concentrates dipped by 20.8%. Only high protein products of more than 80% protein saw a gain with volumes rising by 16.9%. U.S. exports of whey to China fell to 37.6 million pounds a decline of 31.4% compared to the same month last year.

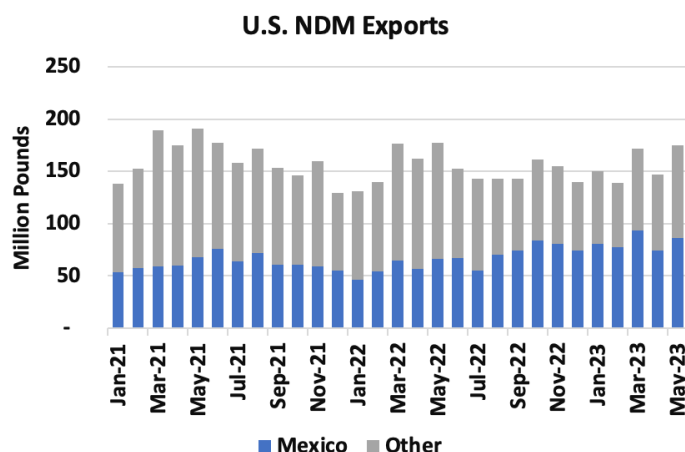
Once again in May plentiful cream supplies fueled elevated butter production. Butter output for the month totaled 194.449 million pounds, an increase of 8.1% year over year. Commentary from *Dairy Market News* suggests that in recent weeks cream supplies have tightened due to a



combination of higher temperatures and elevated demand from ice cream makers and other Class II manufacturers.

Butter Inventories are strong but domestic demand remains steady through both retail and food service channels. International buyers have been little help in clearing product as butter exports in May fell 29.7% year over year to 6.3 million pounds with lower volumes headed to Mexico, South Korea, and the Middle East. At the spot market, butter prices edged up over the week with gains on Monday, Thursday and Friday overcoming a modest loss on Wednesday. Spot butter ended Friday's session at \$2.48/lb. an increase of 4¢ compared to last Friday.

After an unchanged result on Monday, the spot price for nonfat dry milk (NDM) fell during the final three days of trading and breaking through the persistent \$1.10/lb. floor. Ultimately the market ended the week at \$1.0875/lb., down 3¢ from last Friday and notching the lowest price seen since November 2020. Dryers have been busy but there is some indication that as milk supplies begin to fall, condensed skim supplies are tightening up. Combined production of NDM and skim milk powder (SMP) in May fell by 0.8% year over year to 241.5 million pounds. Manufacturers showed a marked preference for making NDM over SMP, likely reflecting sustained weakness from international buyers.



Exports of NDM and SMP were down in May, but only by 1.1%. The relatively respectable result was driven by continued demand for U.S. powder from Mexican buyers. U.S. exports to Mexico were up 30.5% and delivered the strongest result ever for May, besting the next best volume set in 2018 by 12.6 million pounds. Robust exports to Mexico have helped to offset lower exports to other destinations, especially in Southeast Asia, where demand continues to languish.

Summer heat has set in across most of the country with high temperatures causing contraction in milk supplies. The drop will likely be accelerated further by low milk prices. Class III markets continue to fall with the JUL23 contract settling below \$14/cwt. on Thursday and Friday. Class IV also softened during the week with AUG23 through DEC23 contracts settling today at \$17.75/cwt. or below. Lower milk prices are resulting in dismal margins. USDA announced last week that the income over feed cost calculated in May as part of the Dairy Margin Coverage program fell to \$4.83/cwt., the lowest figure seen since the creation of the program.

The grain markets were mixed over the week as traders worked through information proffered by USDA and weather developments. While there was volatility during the week nearby corn contracts remained relatively close to their starting points as the week wrapped up. SEP23 corn settled on Friday at \$4.8725/bu. while DEC23 corn went into the weekend at \$4.945/bu. The soybean markets were a bit more dramatic, falling on Thursday and Friday after rising during the first half of the week. AUG23 soybean meal ended the week at \$402.80/ton, down nearly \$9 from Monday's settlement. Both the soybean and corn crops remain precarious and market participants are closely watching weather developments which could dramatically influence the crops' development.