



The T.C. Jacoby Weekly Market Report

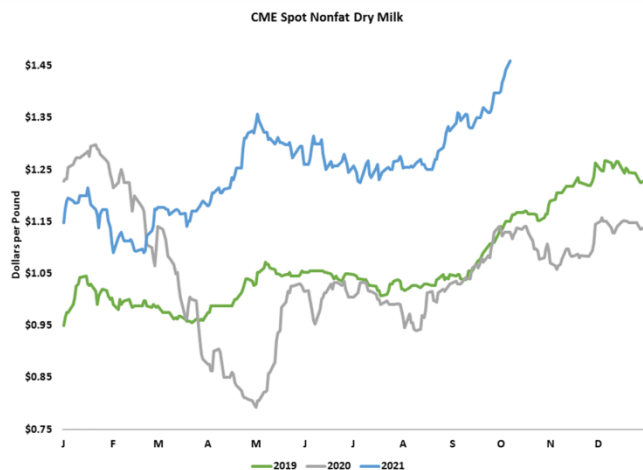
WEEK ENDING OCTOBER 8TH, 2021

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CME Spot Market for the Week 10/4/2021 to 10/8/2021			WHEY		
			Avg Price	Qty Traded	4 wk Trend
			\$ 0.5915	1	
CHEESE BLOCKS			CHEESE BARRELS		
Avg Price	Qty Traded	4 wk Trend	Avg Price	Qty Traded	4 wk Trend
\$ 1.8065	7		\$ 1.7855	9	
BUTTER			NON-FAT		
Avg Price	Qty Traded	4 wk Trend	Avg Price	Qty Traded	4 wk Trend
\$ 1.6990	31		\$ 1.4300	27	

Like a protein-fueled crossfit fanatic, the milk powder markets just keep getting stronger. CME spot nonfat dry milk (NDM) leapt 6.25¢ this week to \$1.46 per pound, a seven-year high. Skim milk powder (SMP) prices continued to climb at the Global Dairy Trade (GDT) auction as well. The average auction price for SMP was 0.5% higher than the previous event.

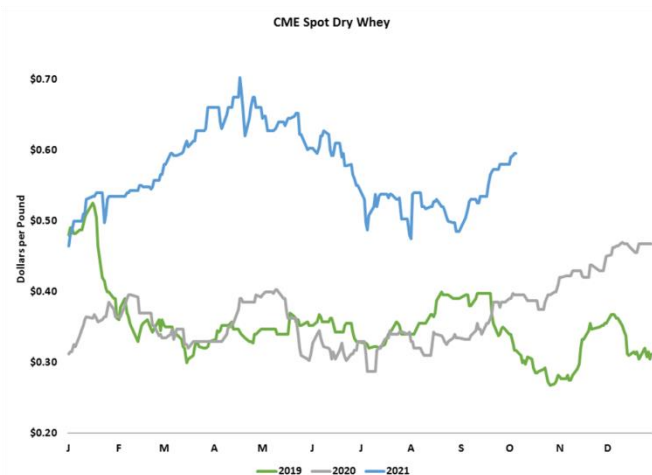
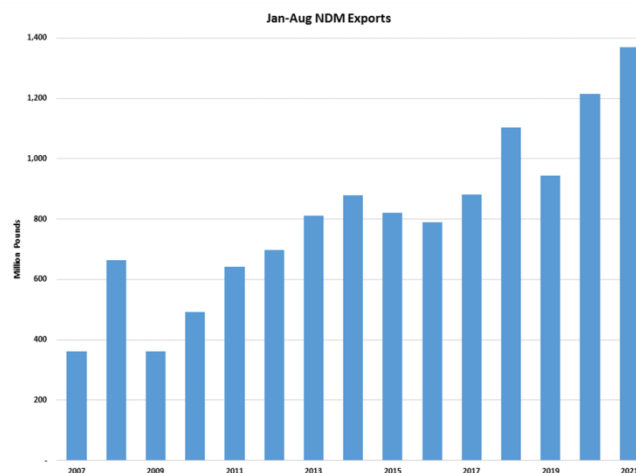


Hot weather weighed on U.S. milk yields and slowed milk powder output in August. Combined production of NDM and SMP slumped to less than 183 million pounds in August, the lowest volume in nearly two years and 15.6% less than in August 2020. As the impacts of the summer heat wave fade and bottlers settle into the school milk routine, there is more milk available for processing. But, like many industries, milk driers have been hampered by staffing shortages.

Despite historically high prices, demand remains strong. USDA's *Dairy Market News* reports that "the overall NDM market tone is resoundingly bullish." In Europe, SMP output has fallen well behind year-ago levels, and manufacturers are selling more product in the domestic market. That has left room for U.S. exports, which jumped to 174 million pounds in August,

accounting for nearly the entire month's output. U.S. NDM exports were record-high in 2020, and 2021 exports are running an impressive 12.4% ahead of that pace. Still, U.S. warehouses are well stocked.

Whey prices are also high and rising. CME spot whey added another 1.5¢ this week and reached 59.5¢, its highest value in almost four months. Manufacturers continue to direct much of the whey stream into high-protein products, leaving less for the drier. Dry whey output in August slipped to 74.9 million pounds, down 2.6% from a year ago. Exports dropped below year-ago levels in August, but year-to-date exports are 13.5% ahead of 2020, thanks to a 59% increase in shipments to China.

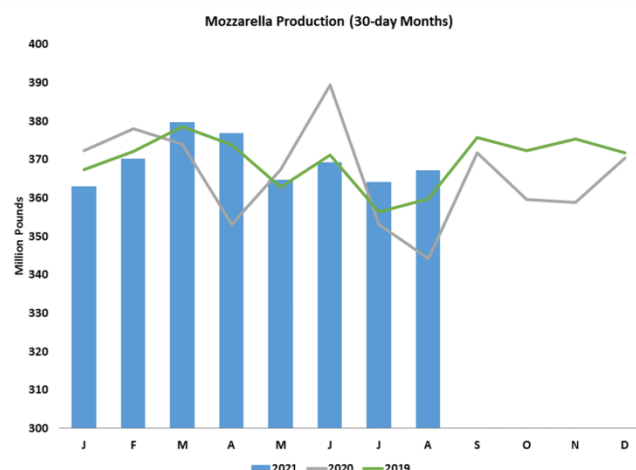


Like the aforementioned crossfitter, whey is doing a lot of heavy lifting to boost the Class III price. So far this year, spot whey has averaged 57¢, compared to 37¢ in 2020 and 35¢ in 2019. If whey values were at 2020 levels, the Class III price would be roughly \$1.23 lower than it has been this year.

U.S. cheese output jumped 4.4% year over year in August and reached 1.14 billion pounds. Surprisingly, Cheddar production fell 1.5% year over year, which limited the

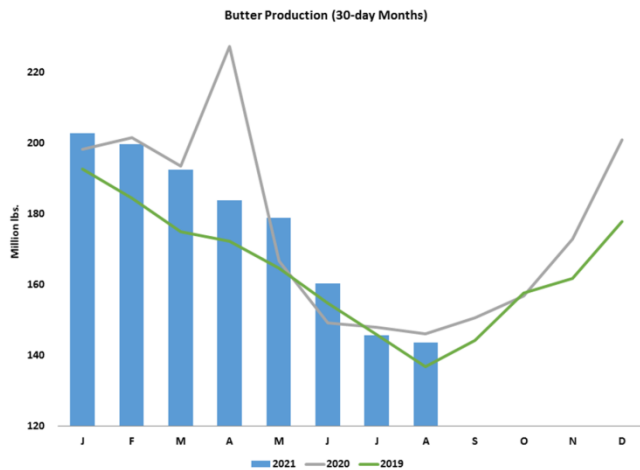
impact of formidable cheese output on prices in Chicago. Cheesemakers made 6.7% more Mozzarella than in August 2020, a sign that consumers were hungry for pizza as they watched football or scrambled to keep up with new school schedules. Cheese exports remain strong. They were 18% greater than the prior year in August. For the year to date, they're up 7.2% from the record-breaking volumes of 2020.

The Cheddar markets diverged this week. CME spot Cheddar blocks fell 4¢ to \$1.81. Barrels added 4.5¢, climbing to \$1.79. Class III futures moved higher again. The November contract advanced 57¢ to \$18.77 per cwt. After big gains this week, 2022 contracts now average \$18.04.



Spot butter took a small step back, retreating 2.75¢ to \$1.72. Butter demand is climbing seasonally, while output remains below prior-year levels. U.S. butter production dropped to just 148.4 million pounds in August, down 1.7% year over year and the lowest daily average production since September 2019. Butter makers are on edge as they work to keep their plants

staffed and acquire packaging materials on time for holiday orders.



Despite the setback in butter, Class IV futures moved convincingly higher. Most contracts finished 20¢ to 30¢ above last Friday's settlements. Class IV futures average \$17.45 in the fourth quarter and \$17.75 next year. That's not enough to cover the rising cost of milk production for many producers, but it's the best Class IV price we've seen in seven years.

The feed markets retreated. December corn closed today at \$5.305 per bushel, down 11¢ for the week. Harvest is well underway, and farmers are presumably selling some of their crop, which puts the market under pressure. Corn prices need fresh news regularly to hold steady at this altitude, and it was simply too quiet this week.

December soybean meal dropped another \$8 to \$318.70 per ton. November soybeans slipped 3.5¢ to \$12.43. The trade expects USDA to raise its estimate of soybean stocks next week due to a combination of higher yields and lower exports. Both corn and soybean futures faded into the closing bell and finished near the lows of the day, which signals that the bears had the upper hand heading into the weekend.