



The T.C. Jacoby Weekly Market Report

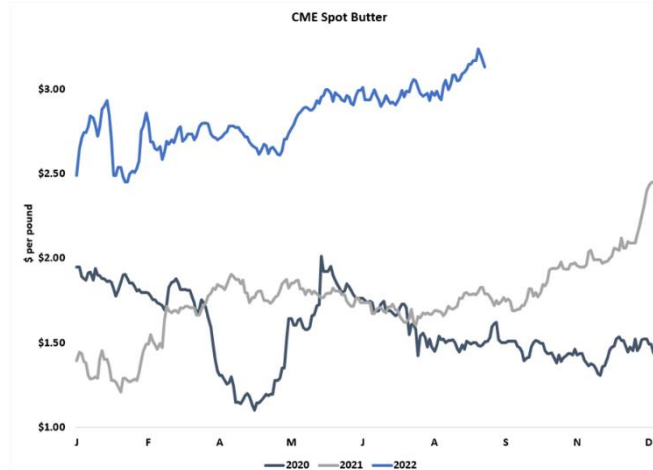
WEEK ENDING SEPTEMBER 16TH, 2022

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CME Spot Market for the Week 9/12/2022 to 9/16/2022			WHEY		
			Avg Price	Qty Traded	4 wk Trend
			\$ 0.4760	3	
CHEESE BLOCKS			CHEESE BARRELS		
Avg Price	Qty Traded	4 wk Trend	Avg Price	Qty Traded	4 wk Trend
\$ 2.0265	3		\$ 2.0510	9	
BUTTER			NON-FAT		
Avg Price	Qty Traded	4 wk Trend	Avg Price	Qty Traded	4 wk Trend
\$ 3.1845	14		\$ 1.5725	25	

Butter conquered unexplored elevations this week, and it made the trek look easy. On Tuesday CME spot butter jumped 7¢ to \$3.24 per pound, a shockingly lofty price for a market that was \$1.79 a year ago. After a brief stay at the peak, butter journeyed back downhill, but not before it



logged the four highest trading sessions in history. Spot butter closed today at \$3.1325, down more than a dime from the Tuesday high and down 3.75¢ from last Friday.

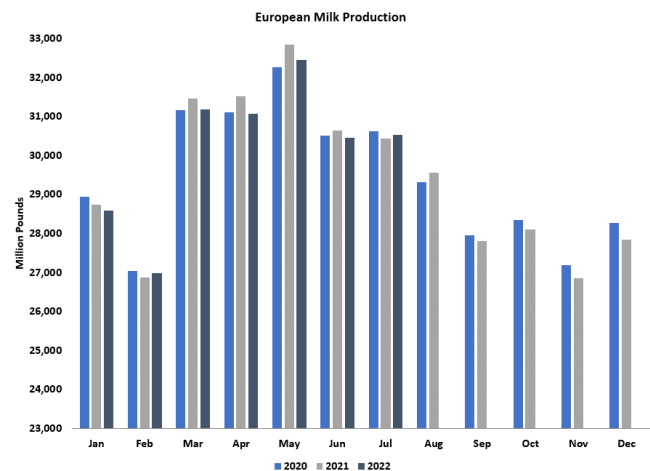
All the same factors that drove butter to these prices remain in play. Grocers are scrambling to secure enough product for the holiday baking season, and they will keep buying for another few weeks. Cream is expensive, and churn rates are low. But these high prices will likely cure themselves

in the months to come. Sticker shock may reduce sales, and U.S. butter imports are already on the rise.

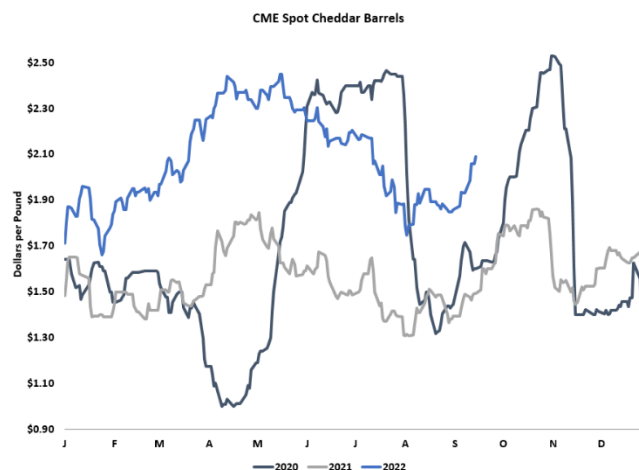
CME spot nonfat dry milk (NDM) slipped a half-cent this week to \$1.57. Despite the modest setback, U.S. milk powder prices remain near the high end of the recent trading range. But they're still low enough to attract foreign buyers. Exporters report more sales south of the border, and

there is plenty of room for U.S. shipments to more far-flung destinations, thanks to slower sales from Europe. In July, European skim milk powder (SMP) exports fell 16% below year-ago volumes, and whole milk powder (WMP) shipments plunged almost 38%, worsening a long string of year-over-year shortfalls.

European milk collections did manage to top year-ago volumes in July. Milk output in the 25 reporting EU nations plus the United Kingdom totaled 30.54 billion pounds, up 0.3% from July 2021. Strong growth in the Netherlands (+3.5%) and Poland (+5.8%) drove the increase. Even so, the bloc's downtrend remains intact. European and British milk output has exceeded the prior year just twice in the past 11 months, in February and July. Both times, the increase can be attributed to base effects, because European milk output was unusually soft in February and July 2021. In the first seven months of the year, Europe and the United Kingdom logged essentially no growth compared to the same period in 2020. Looking ahead, the bloc may be able to post additional year-over-year increases from time to time, but output is likely to grow more slowly than demand, which will continue to chip away at European dairy product exports.



The Class III products gained ground this week. CME spot dry whey advanced 0.25¢ to 46¢. Whey production remains strong, but demand is starting to improve.



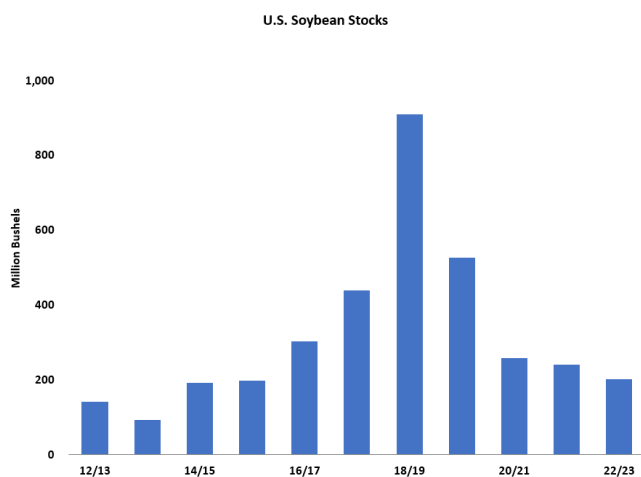
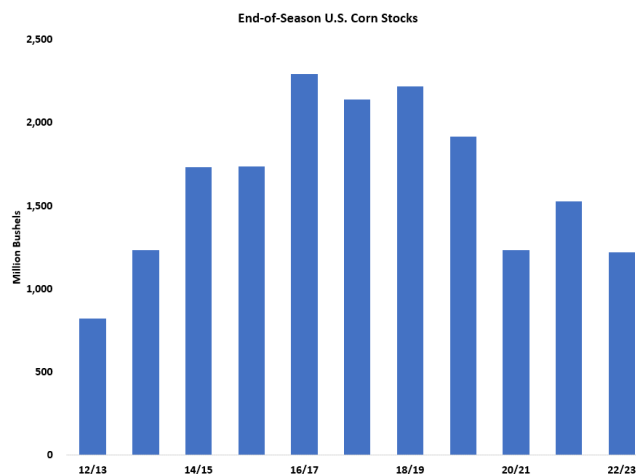
The cheese markets vaulted higher again this week. Spot Cheddar blocks jumped 14.25¢ to \$2.06. Barrels did even better, leaping 15.75¢ to \$2.09. Like whey, cheese output remains strong, but demand has perked up. And inventories of fresh cheese available for sale at the spot market in Chicago appear to be tight.

Strength in the spot Cheddar market helped to lift nearby Class III futures. The September contract gained 9¢ this week and closed at \$19.88 per cwt. October Class III

rallied 52¢ to \$21.45, the highest weekly close in two months. But deferred contracts moved a little lower, emphasizing that, while fresh cheese may be a little scarce, there is still plenty of cheese in cold storage.

Class IV futures were similarly mixed. September through November contracts posted double-digit gains, but futures around the turn of the dipped into the red. Class IV prices remain historically high, with September at \$24.75 and October at \$24.58.

Feed costs remain high too. USDA's latest assessment calls for a slightly smaller corn crop and a significantly smaller bean harvest than the August estimate. The agency now estimates the corn yield at 172.5 bushels per acre, which was in line with the trade's expectations ahead of the report on Monday. But the trade did not expect USDA to make a big cut to its corn acreage estimates. The agency surprised the trade, trimming its harvested area projection by 1 million acres to a seven-year low at 80.8 million acres. That change pushed corn output just below 14 billion bushels, to a three-year low. End-of-season corn stocks are now expected to be only slightly larger than they were in the 2020-21 crop year, when cash corn prices reached \$8 in the summer of 2021. Grain traders have been pessimistic about the size of the corn crop ever since the ProFarmer crop tour, so this week's report had little impact on the market. December corn futures closed today at \$6.7725 per bushel, down 7.75¢ from last Friday.



In contrast, USDA's crop reports lit a fire under the soybean market. November soybeans jumped 36.25¢ this week to \$14.485. December soybean meal regained nearly all the ground it lost last week, climbing \$6.90 to \$421.70 per ton. USDA cut its estimate of soybean harvested area by 600,000 acres to 86.6 million acres. They also trimmed soybean yields unexpectedly, taking them down 1.4 bushels to 50.5 bushels per acre. The combination pushed end-of-season soybean stocks to a painfully tight 200 million bushels, a seven-year low.