



The T.C. Jacoby Weekly Market Report

WEEK ENDING APRIL 28TH, 2023

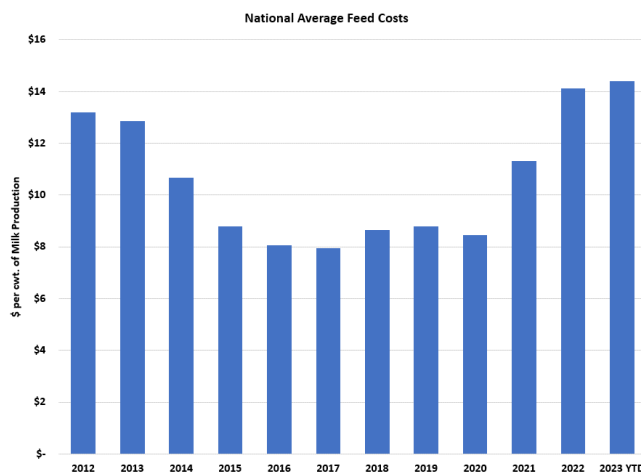
By Sarina Sharp, Market Analyst for the Daily Dairy Report
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CME Spot Market for the Week 4/24/2023 to 4/28/2023			WHEY		
			Avg Price	Qty Traded	4 wk Trend
			\$ 0.3415	43	
CHEESE BLOCKS			CHEESE BARRELS		
Avg Price	Qty Traded	4 wk Trend	Avg Price	Qty Traded	4 wk Trend
\$ 1.6705	21		\$ 1.5350	42	
BUTTER			NON-FAT		
Avg Price	Qty Traded	4 wk Trend	Avg Price	Qty Traded	4 wk Trend
\$ 2.3930	4		\$ 1.1660	2	

The feed markets tumbled once again this week. July corn futures notched their lowest price in nearly a year and closed today at \$5.85 per bushel, down 30¢ from last Friday. July soybeans lost just as much ground and settled at \$14.1925. July soybean meal lost another \$11 and finished at \$432.40 per ton.

Dairy producers can thank Brazilian farmers for the setback. The market is growing increasingly confident that Brazil will harvest a massive second – or safrinha – corn crop. Brazil



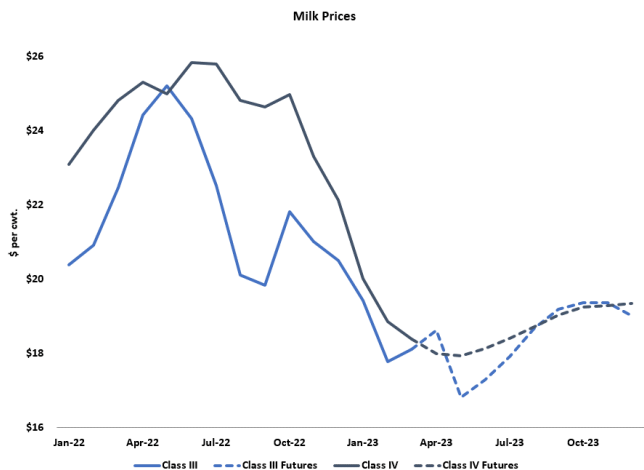
typically sends nearly all safrinha corn for export, but this year's safrinha harvest comes hot on the heels of a large first corn crop and a record-breaking soybean crop to boot. Brazil lacks the infrastructure to hold this year's bin-busting production, so farmers and commercial elevators are rushing to get crops out the door. Brazilian soybeans outprice U.S. soy by such a wide margin, two ships with Brazilian soybeans will hit the U.S. Southeast coast this week.

U.S. corn and soy exports were already moving at a languid pace, but now they are practically going backward. China cancelled two orders for U.S. corn this week, and China will presumably switch even more of its business

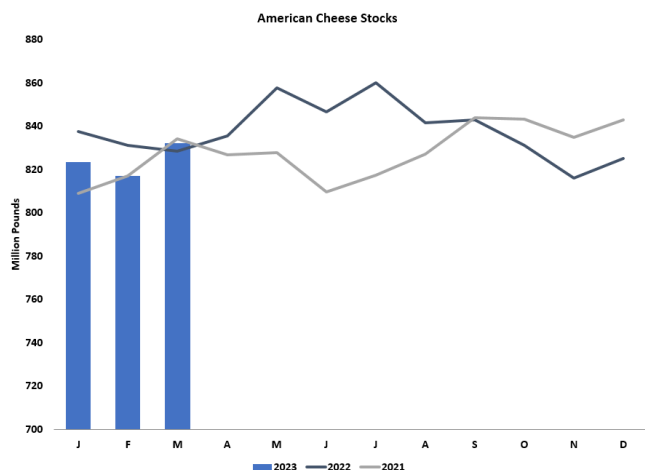
to South America. U.S. corn export commitments to foreign markets other than China stand at their second-lowest level in two decades, behind the 2012-13 crop year. As the *Daily Dairy Report* notes, “Slow U.S. grain exports could help speed the transition from today’s scarcity to anticipated abundance this fall.” Farmers are expected to plant more corn this year, and stocks are likely to climb. Optimism about this year’s crop prospects weighed heavily on summer and fall corn futures this week.

Dairy producers will surely welcome the big selloff in feed prices. But the transition from lower futures to cheaper rations could be painfully slow as producers work their way through on-farm inventories and contracted feed priced at much higher values. According to the Dairy Margin Coverage program’s formula, feed expenses used up \$14.65/cwt. of milk revenue on the typical U.S. dairy operation in March, leaving just \$6.45 to cover all other expenses. In Texas, the formula calculates feed costs equal to \$16.60/cwt. last month, which is obviously unendurable. Pain on the farm is going to get worse before it gets better, as the recent decline in feed prices has been more than offset by dramatic drops in milk values.

This week, May through August Class III futures scored fresh life-of-contract lows. The May contract is truly in the doldrums. It closed today at a punishingly low \$16.81 per cwt., down 51¢ from last Friday. The June contract dropped 79¢ this week to \$17.22. Deferred contracts also posted double-digit losses. Class IV contracts fared much better, with slight gains nearby and modest losses down the board.



Class III values got no help from the whey market this week. CME spot whey powder slipped a penny to 35.25¢. Meanwhile, cheese prices diverged. CME spot Cheddar barrels finally sunk low enough to deter would-be sellers,

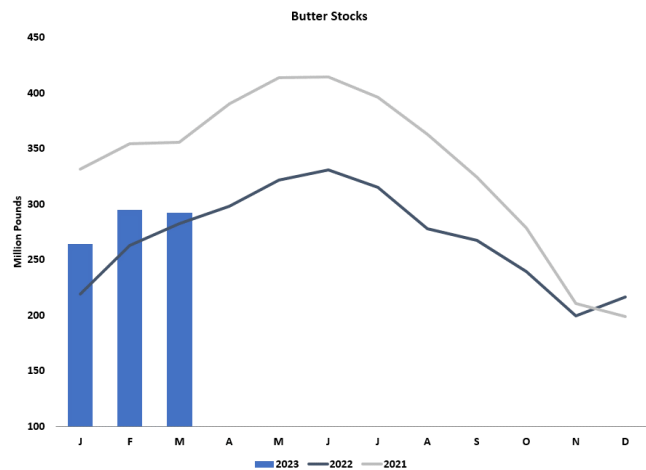


while buyers continued to snap up cheese in Chicago. After spending two days below \$1.50, barrels bounced back to \$1.59 per pound, up 3.75¢ for the week. But blocks fell another 6.25¢ to \$1.6875, a 17-month low.

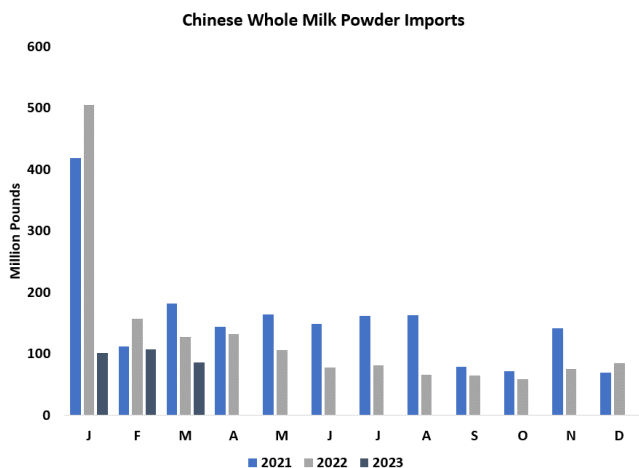
Despite the abundance of milk in the cheese states, cheese stocks grew at the typical seasonal rate in March. They reached 1.46 billion pounds on March 31, 0.4% below prior-year levels. However, inventories of American-style cheeses grew at a heady pace last month. They stood at 832 million

pounds, topping year-ago volumes for the first time since August. Heavy American cheese stocks and the spring flush will likely continue to weigh on Cheddar values in the near term.

Curiously, butter stocks did not grow at all last month. In fact, they fell 2.3 million pounds to 606 million pounds. March 31 stocks were still 3.5% greater than the unusually tight supplies of early 2022, but they were notably smaller than end-of-March inventories in 2020 or 2021. The shrinking stockpile helps to explain why butter prices have remained resilient, but the industry will have to wait for the Dairy Products report and the latest trade data to determine why butter inventories were so modest last month. The spot market hinted that supplies may be growing now. CME spot butter fell 4.75¢ this week to \$2.2325.



Milk powder prices managed to add another half-cent. CME spot nonfat dry milk (NDM) closed at \$1.17 per pound. Whole milk powder (WMP) prices also inched upward at Tuesday's GDT Pulse auction. However, the market remains anxious about Chinese demand. Chinese WMP imports disappointed once again in March, a clear sign that China has enough WMP on hand, and it is not yet hungry for imported product. China is buying WMP at its slowest average rate since 2018. On the other hand, China bought skim milk powder and whey at a gallop and it purchased cheese at a trot.



If China – or any other foreign buyers – step up dairy product purchases to take advantage of today's lower prices, dairy product supplies could tighten up in a hurry. But for now, there is plenty of milk, cheese, butter, and milk powder to go around, and prices remain low.