

## Whey Stays Surprisingly Strong

For months, CME whey futures have been forecasting that prices this fall would drop below 50 cents per pound. The *Dairy Market News* central price series fell below that mark for two weeks but then increased in September. The CME spot price has dipped

below 50 cents in only 13 trading sessions this year. Given the recent strength in spot prices, futures have now postponed their predicted decline until next spring, suggesting that prices at or above 50 cents could persist for more than a year.

Although strong whey prices have been somewhat limited over the past five years, whey prices spent a considerable amount of time at or above 50 cents prior to that. For example, the last time the National Dairy Products Sales Report (NDPSR) whey price exceeded 50 cents per pound for 13 straight weeks was in spring 2017. However, prior to that, the NDPSR whey price went on a run above 50 cents for 136 consecutive weeks between 2012 and 2015.

With the addition of new cheese capacity this year, it was reasonable for the market

to expect that whey prices would decline. But that didn't happen because demand for whey protein concentrate (WPC) with 80% or more protein and whey protein isolate (WPI) was remarkably strong, and it continues to be robust. Prices for WPC-80 are reportedly running near \$4.50/lb., a rather high price compared to last year when prices were trading for less than half the current value.

WPC-80 and WPI suffered from lack of demand during the height of the pandemic. In 2020, sports protein powders consumed 40% of WPC with 50-89.9% protein, and nutrition products consumed another 14%, according to the American Dairy Products Institute's *2020 Dairy*

*Products Utilization and Production Trends* report. WPI's uses were similar, with 44% headed to bars and 16% to nutrition. These categories experienced significant demand declines last year when gyms remained closed for months and consumers opted for cereal for breakfast instead of a protein smoothie on the way out the door.

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### Ken's Corner

by Ken Meyers  
President, MCT Dairies Inc.



Worsening supply chain disruptions, delays, and shortages continue to cloud the whey market outlook. For now, it remains unclear whether today's long shipping delays are motivating China and other Southeast Asian buyers to buy

what they can when they can.

For instance, a lot of U.S. whey that headed to China this year was food grade product, but China appears to be using that product to help feed the country's hogs and piglets, a situation that can't continue much longer. According to CNBC, China's top-five pork producers have tripled their debt load over the past three years.

Many Chinese pork processors have also racked up huge losses this year as the cost to process pork far exceeds its selling price. In July, Reuters reported that New Hope Liuhe, the fourth largest hog producer in China, was expected to lose more than \$540 million during the first half of this year alone.

Adding to these woes, China continues to combat African swine fever outbreaks in various provinces. Thus, USDA is now forecasting a 14% year-over-year decline in China's hog numbers this year, with some industry analysts suggesting the reduction could be as high as 20%. If China pulls back on its purchases of whey, the market could correct quickly. **MCT**

# Prices Poised to Run Higher

CME nonfat dry milk markets recently reached their highest level since October 2014. Since then, spot prices have retreated somewhat, while futures

continue to hover in the mid-to upper-\$1.30 range as buyers remain reluctant to bid the market to \$1.40/lb. China continues to buy, and global exporters who

are watching year-over-year milk production gains slow are becoming apprehensive about where 2022 prices could go should demand continue at current levels. Butter and cheese markets also lifted in September but appear to be settling back. While demand is strong for both products, production remains just as robust, quelling concerns about product availability in fourth quarter. **MCT**

MCT Forecast

	Block*	Barrel*	Class III	Butter*	Class IV	Whey**	NFDM**
Sep	1.7650	1.5125	16.51	1.7875	17.06	0.5350	1.3500
Oct	1.8075	1.5750	17.02	1.8075	17.23	0.5350	1.3600
Nov	1.8200	1.5350	16.75	1.7800	17.22	0.5150	1.3750
Dec	1.7250	1.5475	16.25	1.7300	17.05	0.5000	1.3800
Jan	1.7050	1.4750	15.76	1.6700	16.59	0.4975	1.3550
Feb	1.6750	1.4500	15.45	1.7175	16.48	0.4875	1.3175

\* CME prices.

\*\*NASS prices.

## ... consumers return to old habits

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As life started to look more normal, however, people quickly resumed their old habits like dining out, going to the gym, going into the office, if only part-time, and attending school. Along with these more active lifestyles, consumers once again reached for protein bars, shakes, and smoothies, reversing early pandemic trends and sending orders into hyper drive. WPC-80 prices jumped above \$3/lb. in second-quarter 2021 and continued to push upward throughout third quarter, tacking on another \$1–1.50/lb. These increases came despite a new Michigan WPC-80 plant providing more supply.

In addition, China's imports of WPC-80 rivaled last year's through midyear. Imports have since slowed, but signs indicate that China and other Southeast Asian buyers are loading up on product from the United States and Europe when it becomes available to head off persistent shipping issues that continue to plague agricultural exports. China's imports from the United States accounted

for 35% of this year's volumes, with year-to-date 2021 volumes through August nearly 12% higher than the comparable period last year. These increases are offsetting declines from Europe. Moreover, China is not the only U.S. trading partner to increase volumes. Japan, Canada, South Korea, and Great Britain have also drawn more product, driving year-to-date U.S. exports through July up 49% compared to the same period a year ago. If WPC-80 and WPI continue to draw whey solids away from sweet whey powder production, whey prices could remain higher than they have been over the past five years.

WPC and WPI markets appear poised to maintain their current trajectory through the end of this year, which could keep the whey market elevated into early 2022. How long whey prices stay up, however, will depend on demand for other products and whether demand from China holds. For now, futures markets are taking the safe bet—lower. But that was a bet that didn't pay off this year. **MCT**



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