



The T.C. Jacoby Weekly Market Report

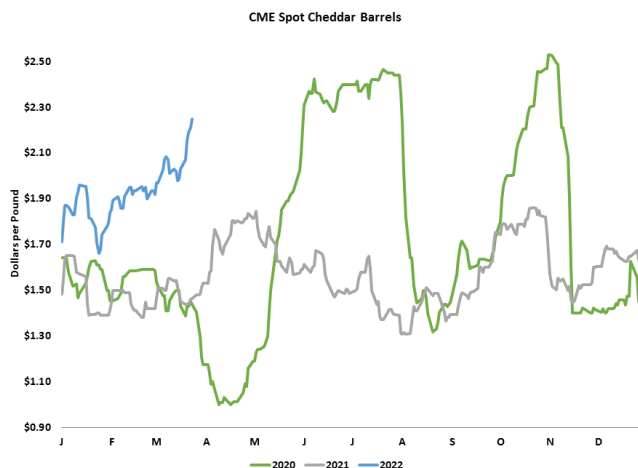
WEEK ENDING MARCH 25TH, 2022

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CME Spot Market for the Week 3/21/2022 to 3/25/2022			WHEY		
			Avg Price	Qty Traded	4 wk Trend
			\$ 0.7460	3	
CHEESE BLOCKS			CHEESE BARRELS		
Avg Price	Qty Traded	4 wk Trend	Avg Price	Qty Traded	4 wk Trend
\$ 2.2205	8		\$ 2.1750	27	
BUTTER			NON-FAT		
Avg Price	Qty Traded	4 wk Trend	Avg Price	Qty Traded	4 wk Trend
\$ 2.7950	7		\$ 1.8650	24	

Rising costs and waning milk output pushed the U.S. dairy markets higher once again this week. Cheese led the way. CME spot Cheddar barrels leapt 22¢ to \$2.25 per pound, the highest price –



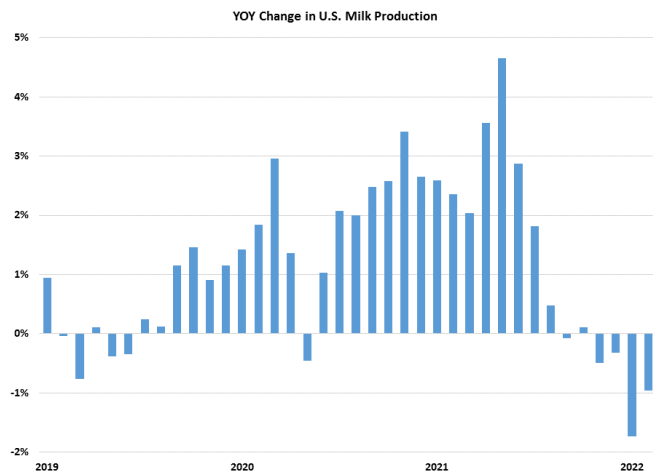
by far – since November 2020. Blocks climbed 14.5¢ to \$2.275, also a 16-month high. Butter rallied 7¢ to \$2.795. The powders slipped. CME spot nonfat dry milk (NDM) fell a fraction of a cent to \$1.8525, a value that is still historically high. Spot whey powder fell 4¢ to 72¢.

Strong cheese and butter prices propelled the futures to new highs. Even after a Friday setback, Class III contracts finished between 14¢ and 94¢ higher than they began the week. May Class III settled at \$25.01 per cwt.

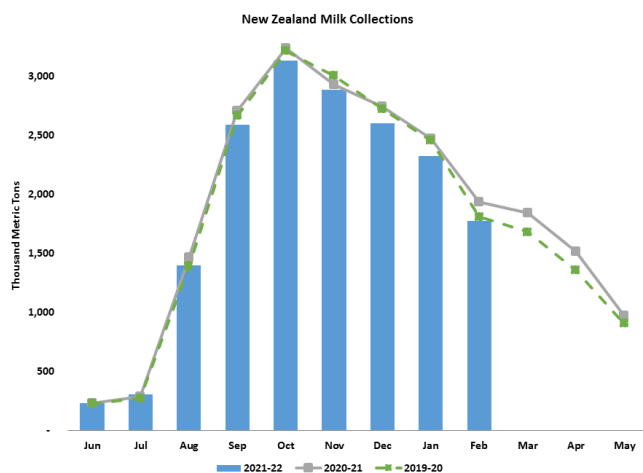
The June and July contracts peaked briefly above the \$25 mark as well. Most Class IV contracts added 30 to 50¢ this week. The April through August contracts all stand comfortably above \$25.

U.S. milk output dropped to just over 17.5 billion pounds in February, 1% less than the year before and the fourth straight year-over-year decline. While some individual states posted strong growth, the Northern Plains is the only region that reported higher milk output than last year.

High milk prices prompted dairy producers to add a few cows. After contracting for eight months, the U.S. dairy herd grew by 3,000 head in February and reached 9.37 million. That is still 96,000 head smaller than it was in February 2021. \$25 milk will surely incentivize dairy producers to step up milk output as much as possible. But high feed prices and low heifer inventories will likely forestall runaway growth.



Month	2021-22	2020-21	2019-20
Jun	250	250	250
Jul	300	300	300
Aug	1400	1400	1400
Sep	2600	2700	2700
Oct	3100	3200	3200
Nov	2900	2900	3000
Dec	2600	2700	2700
Jan	2300	2400	2400
Feb	1800	1900	1800
Mar	-	1800	1700
Apr	-	1500	1400
May	-	1000	900

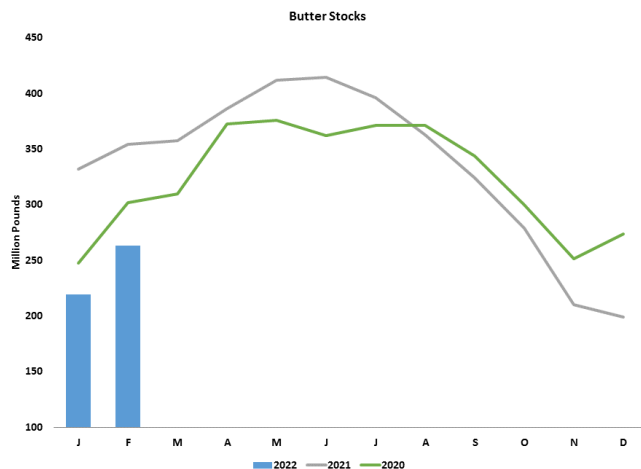


On the other hand, Chinese imports of consumer-facing goods like ultra-high temperature (UHT) fresh milk, cheese, and butter remain healthy, although they felt short of the record-smashing volumes set in January and February 2021. Chinese skim milk powder (SMP) imports in January and February fell 12.6% below prior-year levels, but they were still historically high. More importantly, China continues to import more whole milk powder (WMP) than ever before. Typically, Chinese WMP imports are three to four times as large as Chinese SMP imports, and Chinese milk powder imports dwarf its purchases of other dairy products. China's appetite for

foreign WMP is helping to keep a firm bid under the milk powder markets and assuage fears about a sudden decline in Chinese demand.

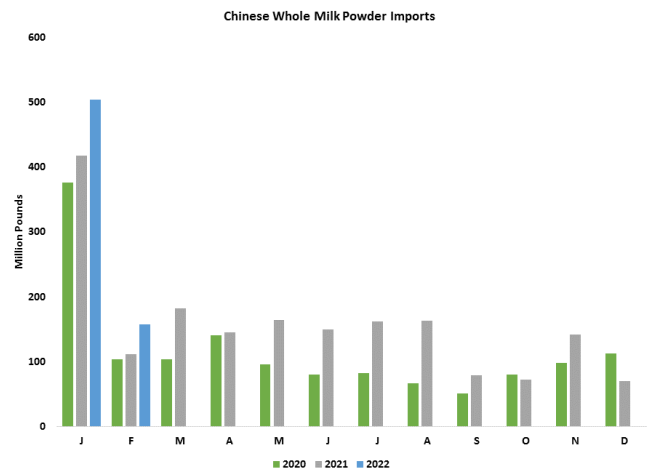
U.S. dairy products are priced to move, and exports remain strong despite the ongoing struggles in the global supply chain. Robust cheese exports incentivized processors to make more cheese for foreign buyers and less commodity Cheddar. That likely contributed to modest month-to-month declines in U.S. stocks of American cheeses in

both January and February. However, inventories of all varieties of cheese grew seasonally to just shy of 1.47 billion pounds, up 2.3% from the already large stockpile on hand in February 2021.



that spring sowing could drop by more than half this year, to around 7 million hectares, or 17.3 million acres. If his estimate is correct, farmers may leave around 8 million hectares, or 19.7 million acres, unplanted, an area equal to the farmland of Nebraska or Minnesota. The *Kyiv Independent* reported that Russian forces are “chaotically” mining Ukrainian territory to deter farmers, and that they “deliberately destroy agricultural machinery... to undermine Ukraine’s sowing campaign.” Farmers who can access their fields and have the diesel to get crops in the ground are likely to focus on small grains with short growing seasons that require few inputs. They will sacrifice bumper corn yields to ensure a quicker boost to the national food supply. The world has relied on Ukrainian grain exports in the past, but it isn’t counting on any this year. Perhaps the trade is too pessimistic. Ukraine’s government has suspended exports of most small grains and meat, but it gave the green light to corn and sunflower oil exports because stocks are “very high.”

Closer to home, U.S. farmers are getting ready to roll. High grain prices might encourage an increase to corn acres, but pricey – and scarce – inputs argue for a shift to soybeans. USDA will publish its much-anticipated Prospective Plantings Report next week. Prices continued to climb



Butter inventories grew at a lively clip in February, but, at 263 million pounds, they are 26% below year-ago levels.

The feed markets climbed once again this week as the brutal war in Europe’s bread basket entered its second month. With Russia and Ukraine at a stalemate, the prospect of a drawn out fight grows increasingly likely. Despite daunting obstacles, Ukrainian farmers have sown the first 150,000 hectares of spring crops. But Ukraine’s agricultural minister told *Reuters*

ahead of the report. May corn closed today at \$7.54 per bushel, up another 12.25¢. Beans closed at \$17.1025, up 42.25¢. Soybean meal added more than \$10 and reached \$487.90 per ton.