



The T.C. Jacoby Weekly Market Report

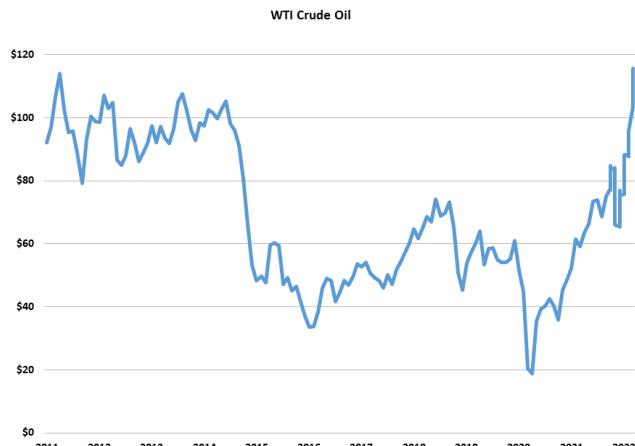
WEEK ENDING MARCH 4TH, 2022

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CME Spot Market for the Week 2/28/2022 to 3/4/2022			WHEY		
			Avg Price	Qty Traded	4 wk Trend
\$ 0.7530		6			
CHEESE BLOCKS			CHEESE BARRELS		
Avg Price	Qty Traded	4 wk Trend	Avg Price	Qty Traded	4 wk Trend
\$ 2.0655	10		\$ 1.9460	21	
BUTTER			NON-FAT		
Avg Price	Qty Traded	4 wk Trend	Avg Price	Qty Traded	4 wk Trend
\$ 2.6770	27		\$ 1.8665	14	

Russia intensified its brutal attacks in Ukraine, and feed and energy prices soared. Crude oil closed today at \$115.68 per barrel, its highest price since 2008. In just the past week, U.S. crude oil prices leapt 26%. Wheat prices climbed even faster. May winter wheat futures settled today at \$12.09 per bushel, up 41% from last Friday.



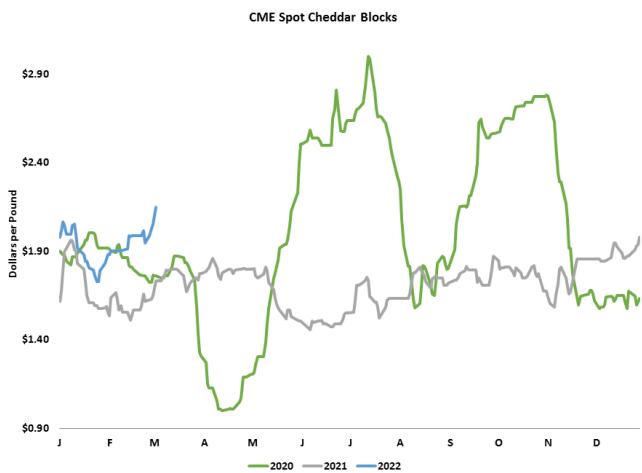
Both Russia and Ukraine are major wheat exporters, and Ukraine is a critical corn exporter as well. Today, farmers in the United States are getting ready for spring planting, assessing their seed and fertilizer stores, and checking their equipment. Ukrainian farmers would like to be making the same preparations, but they face immense hurdles. Even in areas untouched by violence, farmers will likely struggle to access inputs. Ukraine relies on the ports in the war-torn south for many supplies, and much of the nation's

fertilizer comes from Russia. Every day that the war drags on increases the likelihood that Ukraine's corn, wheat, and sunflower crops will fall well short of potential this year, and the world needs every bushel. Concerns about export disruptions and the potential for a much smaller

Ukrainian harvest this fall pushed May corn futures to \$7.5425 per bushel, up nearly a dollar from last Friday, a 15% increase. Nearby soybean and soybean meal futures rallied 4% this week. May soybean meal closed at \$460.40 per ton.

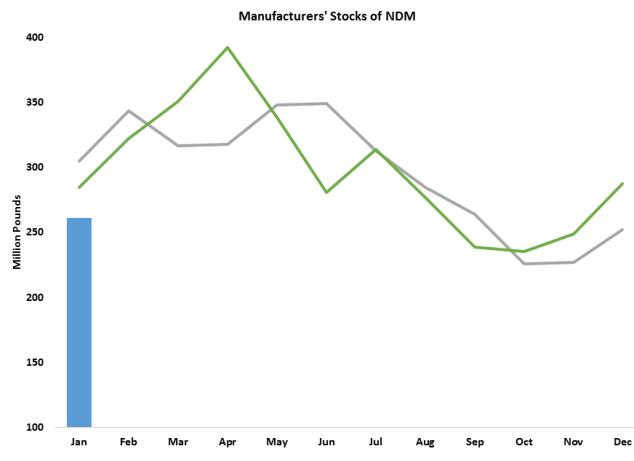
High feed costs and pricey energy will quickly add up on the farm. In the past, dairy producers would have filled their barns to capacity to make more \$22 or \$23 milk. But they will probably think twice before adding a cow that will eat \$7.50 corn. Feed and energy costs are even higher in Europe, which will further deter growth on the continent.

With the exception of whey, the dairy markets moved sharply higher this week, led by a 20.5¢ jump in CME spot Cheddar blocks. At \$2.15 per pound, blocks stand at their highest price since November 2020, when the government was buying huge volumes of cheese for the food box program. Barrels rallied 7¢ this week to \$1.97, also the highest price since 2020. Even at these values, U.S. cheese looks like a bargain compared to foreign product. At the Global Dairy Trade (GDT) auction on Tuesday, Cheddar scored a new all-time high at the equivalent of \$2.90 per pound. Exports of relatively affordable U.S. cheese are booming. But output is robust as well. U.S. cheese production reached 1.17 billion pounds in January, up 2.8% from a year ago. Cheddar production fell 2.7% year over year but remained historically large.



In recent weeks, the weather has improved but milk remains a little tighter than expected, so there is not a lot of cheap milk sloshing around, which would ordinarily motivate cheesemakers to run hard as the flush builds. Processors tell USDA's *Dairy Market News* that labor issues are not quite as bad as they were in January, but they are still restricting output at the margins.

Manufacturers continued to direct more of the whey stream to high-protein concentrates and isolates in January. Output of commodity whey powder fell 6.2% from last year. Dry whey stocks slipped to 55.5 million pounds, down 16.8% from a year ago and the lowest January stocks figure since 2012. Tight stocks propelled the whey market higher in February, but buyers lost their enthusiasm once prices topped 80¢. CME spot whey closed today at 75.75¢ per pound, down 2.25¢ from last Friday.



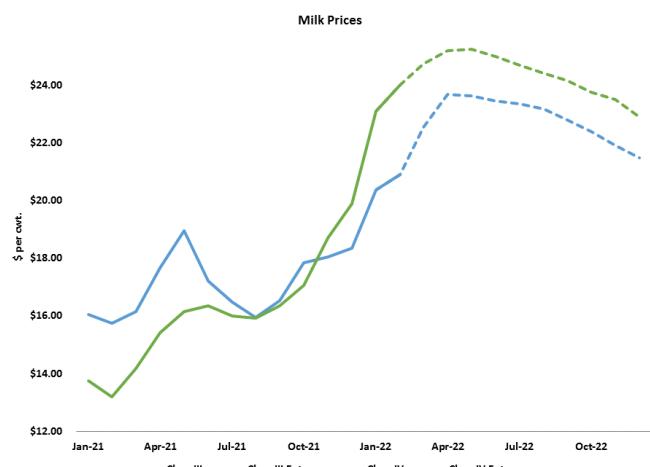
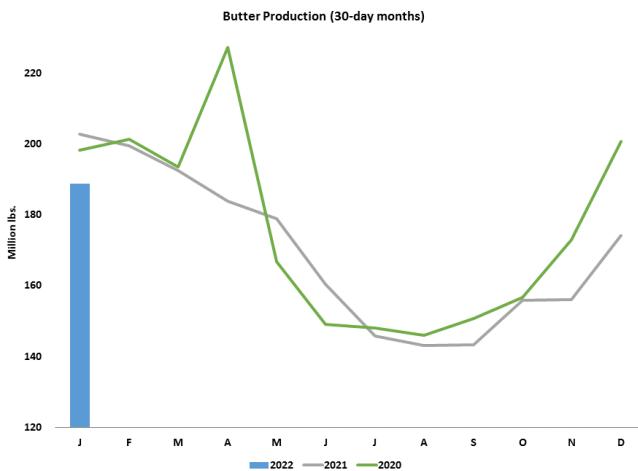
Milk powder prices moved sharply higher at the GDT and in Chicago. GDT skim milk powder (SMP) rallied 4.7% to a fresh seven-year high. SMP at the GDT is roughly equivalent to nonfat dry milk (NDM) at \$2.17 per pound, making U.S. NDM look eminently affordable. CME spot NDM gained 1.25¢ this week to \$1.8725.

Manufacturers dried 214 million pounds of NDM/SMP in January, 8.5% less than a year ago. Stocks climbed seasonally. But, at 261.3 million pounds, they were 14.3%

lower than in January 2021 and noticeably light for this time of year.

Butter bounced back this week, climbing 9.75¢ to \$2.685. Butter churns made 195.2 million pounds of product in January, down 6.9% from a year ago and the lowest January volume since 2018. Manufacturers of cottage cheese, cream cheese, and sour cream bid up the cream price in January, which caused churns to run slower. U.S. butter output has fallen short of year-ago levels for eight straight months.

Dairy producers in Class IV milksheds finally cashed a big milk check last month, and their next check will be even better. USDA announced the February Class III price at \$20.91 per cwt., up 53¢ from January and \$5.16 more than February 2021. At \$24, the February Class IV price is 91¢ higher than January and an astounding \$10.81 higher than February 2021.



Although milk values are lofty, feed and energy costs are high enough to deter growth in milk production and they may be contributing to further declines. With that in mind, the milk markets moved sharply higher this week. 2022 Class III contracts added 99¢, on average, and the April through August contracts now stand well north of \$23 per cwt. Class IV futures gained an average of 71¢ this week. April, May, and June Class IV milk topped \$25.