



The T.C. Jacoby Weekly Market Report

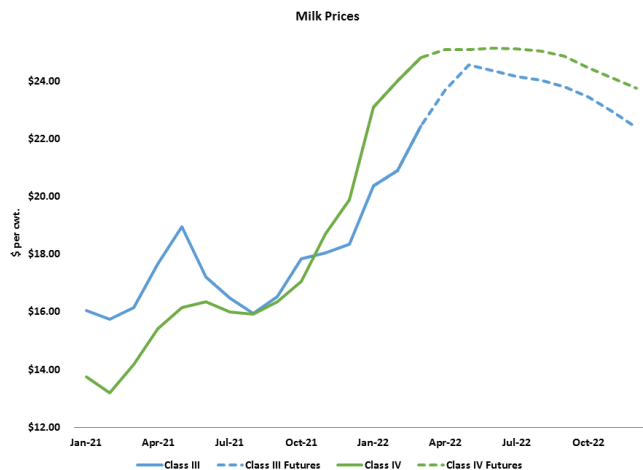
WEEK ENDING APRIL 1st, 2022

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CME Spot Market for the Week 3/28/2022 to 4/1/2022			WHEY		
			Avg Price	Qty Traded	4 wk Trend
			\$ 0.6715	15	
CHEESE BLOCKS			CHEESE BARRELS		
Avg Price	Qty Traded	4 wk Trend	Avg Price	Qty Traded	4 wk Trend
\$ 2.2310	7		\$ 2.2110	30	
BUTTER			NON-FAT		
Avg Price	Qty Traded	4 wk Trend	Avg Price	Qty Traded	4 wk Trend
\$ 2.7155	27		\$ 1.8415	22	

The dairy markets are getting accustomed to the altitude. Last week, Q2 Class III contracts summited briefly above \$25/cwt., while Q3 topped \$24.50 and Q4 approached \$24. But the air was too thin, and they quickly pulled back from the highs. Class III futures spent the first couple



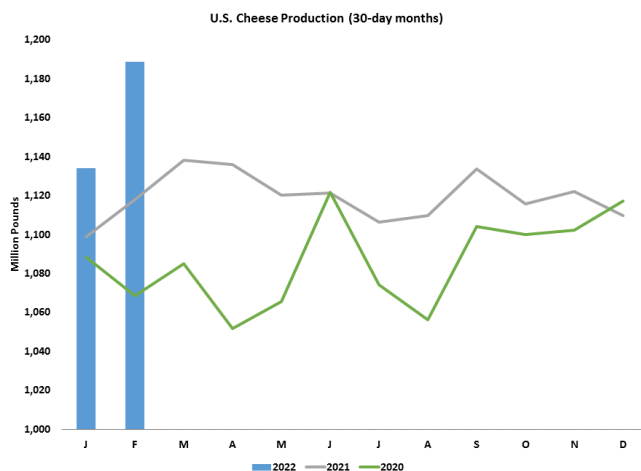
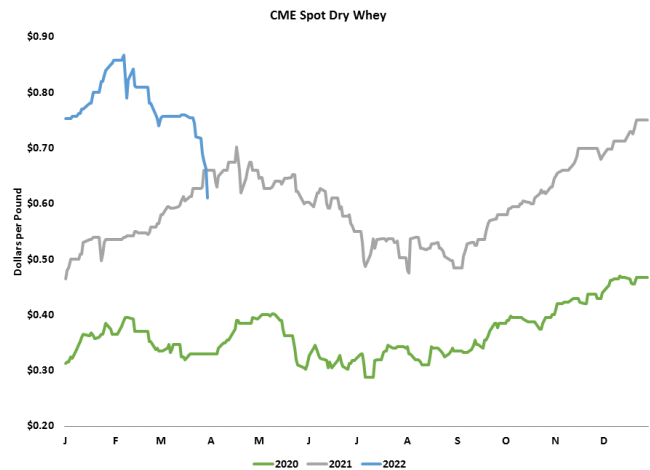
days of this week tumbling, but on Wednesday they found their footing and began to plod upward once again. Both Class III and Class IV contracts finished the week below last Friday's impressive closes, but they looked lively rather than exhausted as they headed into the weekend. Most Class III contracts lost between 15 and 40¢, but April finished 62¢ lower at \$23.68. Most Class IV contracts gave up about 20¢. April through August Class IV futures held their ground above \$25.

USDA announced the March Class III price at \$22.45, up \$1.54 from February and \$6.30 higher than March 2021. At \$24.82, Class IV futures set an all-time high, up 82¢ from February and an astounding \$10.64 above March 2021. Dairy producers can anticipate some very big milk checks in a few weeks.

At the spot market, Cheddar blocks climbed 2¢ to \$2.295 per pound. Barrels added 0.25¢ and reached \$2.2525. But butter and the powders fell. CME spot butter slumped 8.5¢ to \$2.71. Spot nonfat dry milk fell 0.25¢ to \$1.85. Whey plummeted 11¢ to 61¢, a 15% decline in just five trading sessions.

Processors tell USDA's *Dairy Market News* that there is more whey on offer, and buyers have turned coy. Last week, China reported disappointingly low whey import volumes in January and February. Today, USDA reported that commodity whey production was just 0.7% lower than the prior year in February, and whey stocks began to climb after five months in decline.

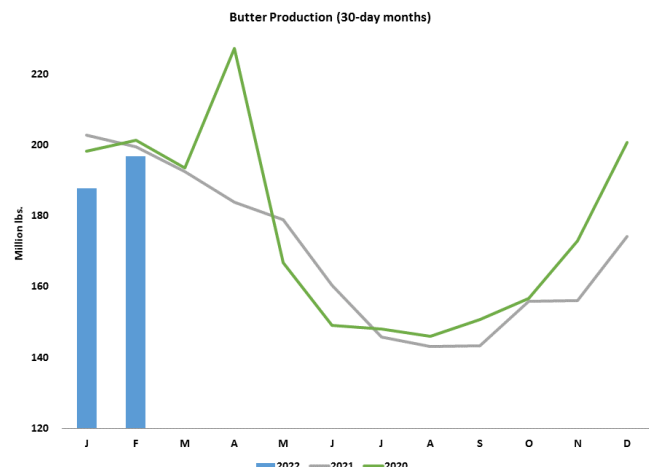
Whey buyers clearly expect that, with stocks on the rise and China backing off, they can bide their time and hope to purchase whey at a bargain. This could have a big impact on milk revenues. Every penny decline in the whey price takes 6¢ off Class III milk.

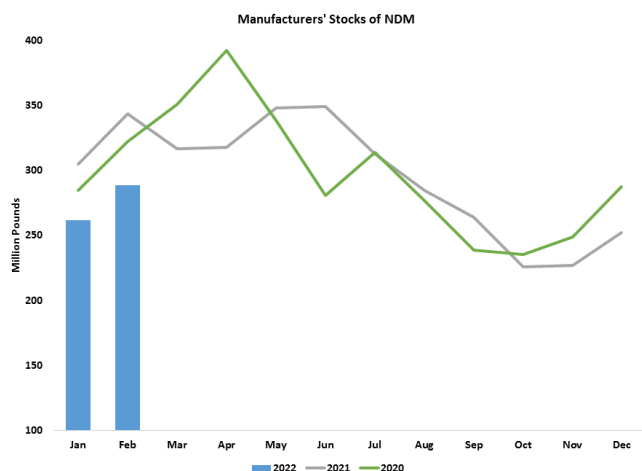


U.S. cheese production topped 1.1 billion pounds in February, up 6.3% from a year ago. For months, issues in staffing and logistics have prevented cheese makers and other dairy processors from running optimally. Nonetheless, daily average cheese production in February reached an all-time high. Production was strong across the board, with Cheddar output up 3.9% from a year ago, and Mozzarella production up 4.4%. Recently, growth in cheese inventories has slowed and prices have

climbed, so today's big cheese production figures imply that the world is hungry for U.S. cheese.

Strong cheese production left less milk for Class IV manufacturers. U.S. butter production totaled 183.6 million pounds in February, down 1.4% from a year ago. Combined production of NDM and skim milk powder (SMP) fell 6.8% year over year to 200.6 million pounds. Manufacturers' stocks of NDM climbed from January to February, but, at 288.8 million pounds they are 16% smaller than they were a year ago and represent the smallest U.S. stockpile for this time of year since 2017. Given lower milk





output in Europe and Oceania, it should not be difficult to keep U.S. milk powder moving abroad, which will continue to support Class IV milk values.

American farmers love to plant corn, but record-shattering fertilizer costs have strained the relationship. Yesterday USDA published its annual Prospective Plantings report, reflecting farmers' intended crop mix in early March. The survey showed that farmers planned to plant fewer than 89.5 million acres of corn, the lowest total since

2018 and a 4.1% drop from last season. In the Corn Belt, farmers intend to switch to soybeans. USDA reported soybean planting intentions at just shy of 91 million acres, up 4.3% from last season. If farmers follow through, this will mark only the third time ever that soybeans take the acreage crown from King Corn. In the South, farmers say they will move away from corn and sorghum acres and into cotton. In the far Northern Plains, farmers plan to plant fewer row crops altogether and switch to more wheat, small grains, and sunflowers.

There is still time for farmers to change their minds, and the new crop futures markets are doing all they can to push them back to corn. December corn futures settled today at \$6.905 per bushel, an all-time high for the benchmark new crop contract ahead of spring planting. December corn futures have climbed 52¢ since USDA took its survey in early March. Over the same period, November soybean futures have fallen more than 60¢. It's likely farmers will shift some fields back from soybeans into corn, but rising fertilizer costs remain a deterrent, and spring weather will also play a big role in the final acreage mix.

The price that dairy producers will pay for feed today took a small step back this week. The strong dollar and falling energy costs weighed on commodity markets of all types. USDA also reported quarterly grain and soy stocks yesterday, and, as expected, both corn and soybean stocks are higher than they were a year ago. It seems that nearby corn and soybean prices are more than expensive enough to deter new export sales, so the futures retreated. May corn closed today at \$7.35 per bushel, down nearly 20¢ from last Friday. May soybeans settled at \$15.8275, down \$1.275. May soybean meal plummeted \$37.90 this week to \$450 per ton.