



The T.C. Jacoby Weekly Market Report

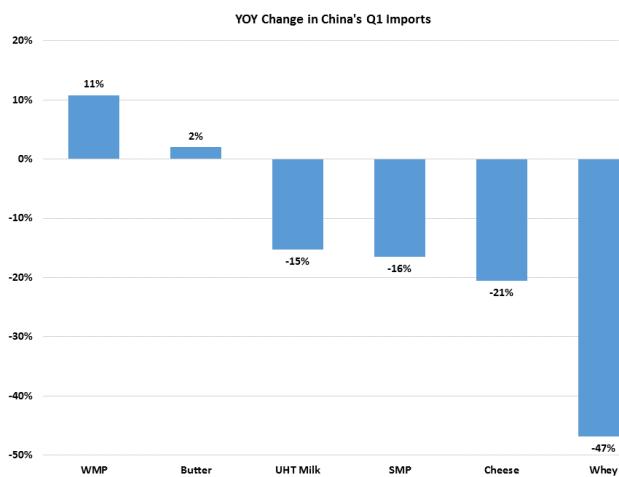
WEEK ENDING APRIL 22nd, 2022

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CME Spot Market for the Week			WHEY		
4/18/2022 to 4/22/2022		Avg Price	Qty Traded	4 wk Trend	
\$ 0.6370		7			
CHEESE BLOCKS			CHEESE BARRELS		
Avg Price	Qty Traded	4 wk Trend	Avg Price	Qty Traded	4 wk Trend
\$ 2.3695	12		\$ 2.3785	23	
BUTTER			NON-FAT		
Avg Price	Qty Traded	4 wk Trend	Avg Price	Qty Traded	4 wk Trend
\$ 2.7070	22		\$ 1.7890	18	

Spring has arrived, and the dairy markets swooned accordingly. Milk powder was especially weak. At Tuesday's Global Dairy Trade (GDT) auction, whole milk powder (WMP) prices fell 4.4%, logging their third straight decline. Skim milk powder (SMP) suffered its first setback at the GDT since July. It fell 4.2% to an average of \$4,408 per metric ton, roughly equivalent to nonfat dry milk (NDM) at \$2.13 per pound. In comparison, U.S. NDM looks like a bargain. CME spot NDM followed GDT SMP lower this week, dropping 6.75¢ to \$1.755, a three-month low.



Powders are under pressure amid concerns that lockdowns in major Chinese cities and backups at Chinese ports will stymie demand. March trade data neither fed nor assuaged those fears. Chinese milk powder imports were still healthy in comparison to most years, but they fell well short of the record-shattering volumes of 2021. China imported 128.1 million pounds of WMP last month, 30% less than the prior year. Still, thanks to an extremely strong showing in January, China's first-quarter WMP imports are up 11% from a year ago, logging the

highest volume of any three-month period on record. Chinese SMP imports fell 27% year over year in March, dragging first-quarter imports down 16% from last year's record-setting pace.

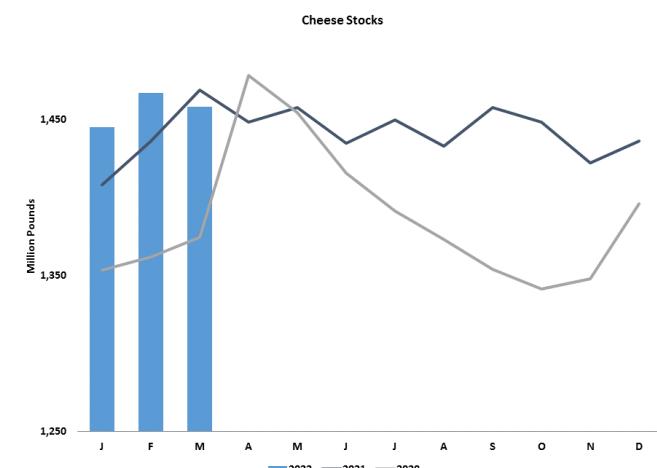
Chinese whey imports once again fell well short of the prior year. January through March whey imports plummeted 47% from the first three months of 2021. Chinese hog growers have been losing money for months, and they are unwilling to spend on whey for their rations.

Although the market will remain on edge about China's appetite for milk powder, supplies are likely to remain tight as long as global milk output is in the doldrums. The European Commission reported a surprising 0.3% year-over-year increase in European milk collections in February, the first sign of growth in Europe in six months. However, commentary from the Commission and USDA's *Dairy Market News* suggests that milk output fell short once again in March and April. In New Zealand, milk solids collections slipped 1.5% from a year ago in March, bringing season-to-date output down 3.8%.

Closer to home, U.S. milk output totaled 19.69 billion pounds in March, down 0.5% from last year. U.S. milk output has fallen short of the prior year for six of the past seven months, its longest such streak since 2009.

Less milk – and ongoing issues at processing plants – may have resulted in lower cheese output in March. Either that, or demand was exceptionally strong. We'll know which cause to celebrate when USDA publishes the Dairy Products report in a couple weeks. Whatever the reason, the monthly Cold Storage report showed that cheese stocks declined 8.9 million pounds from February to March, the first decline

in cheese inventories at this time of year since 2011. The U.S. cheese stockpile was still hefty, at 1.46 billion pounds, but it was 0.7% smaller than in March 2021.

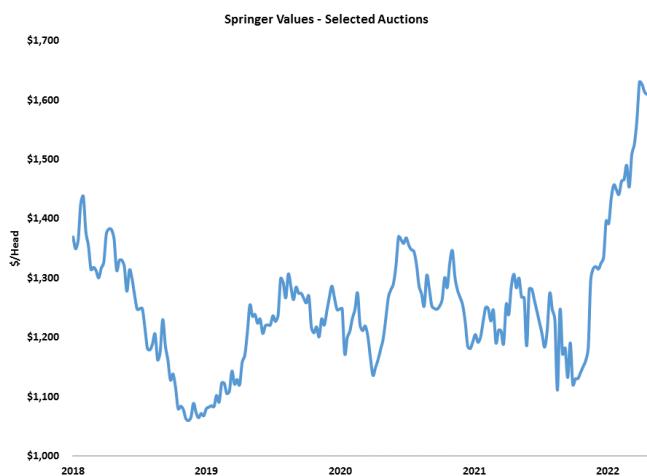


Conversely, butter stocks climbed rapidly in both February and March. At the end of last month there were 283 million pounds of butter in cold storage. That is still considerably below year-ago stock levels, but the deficit has shrunk from 34% in January to 26% in February to 20% in March. Unexpectedly high stocks may

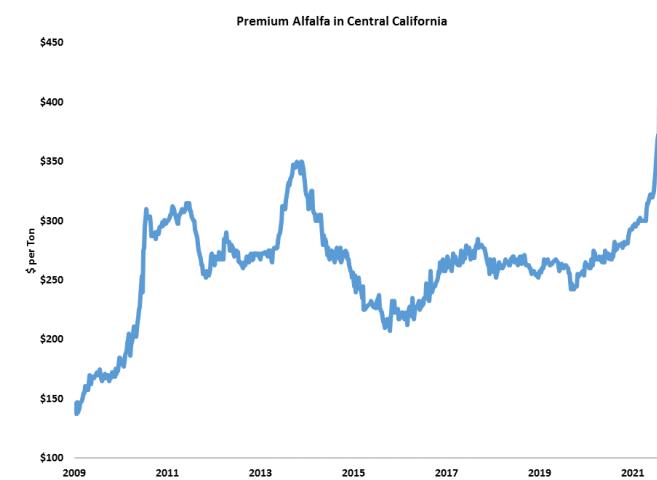
explain why butter prices have fallen in April. This week, CME spot butter dropped another 8.75¢ to \$2.6675 per pound. Cheese prices were mixed. Spot Cheddar blocks rallied 2¢ to \$2.3925, just shy of the 2022 high. Barrels dropped 7¢ to \$2.37. Whey held steady at 63.5¢

According to USDA's latest estimates, sky-high milk prices enticed dairy producers to add 13,000 cows in February and 15,000 in March, bringing the milk-cow herd up to 9.395 million head. That's still down 87,000 head from March 2021.

Dairy producers may add fewer cows in the months to come. Painfully high feed costs are deterring growth, even in the face of massive milk checks and lofty futures prices. There are a few new or newly expanded dairies that will continue to fill their barns in the months to come, but once those expansions are complete, there are not many new dairies on the drawing board. Meanwhile, auction houses around the nation advertise a steady stream of sellouts. Despite these regular sales, heifers are scarce and pricey. At this week's sale in Pipestone, Minnesota, the average price for the top 25 springers exceeded \$2,000 for the first time since 2016. High feed costs and high heifer prices will make dairy producers think twice – or thrice – before they crowd their barns to take advantage of \$24 to \$25 milk.



The corn market forged new multi-year highs once again this week and, once again, settled well below the mid-week peak. July corn closed today at \$7.89 per bushel, up 5.25¢ since last Thursday. December corn futures briefly traded above \$7.50, but they closed at \$7.245, down more than a dime for the week. July soybeans fell hard today, but their close at \$16.88 was up 22.75¢ from last week. July soybean meal futures slipped \$3.60 to \$452.10 per ton. Hay prices are climbing at an alarming rate. According to *The Hoyt Report*, dairy producers in central California paid between \$405 and \$420 per ton for premium quality alfalfa last week.



Planters are just starting to roll in the Corn Belt and the Plains. Cold temperatures and a relatively wet outlook are raising concerns that farmers will not be able to get in their fields as soon as they would like. If the weather hinders fieldwork for long enough, it could push even more acreage away from corn and into soybeans. That would be a real shame. The world is short of grain, and it needs every bushel.