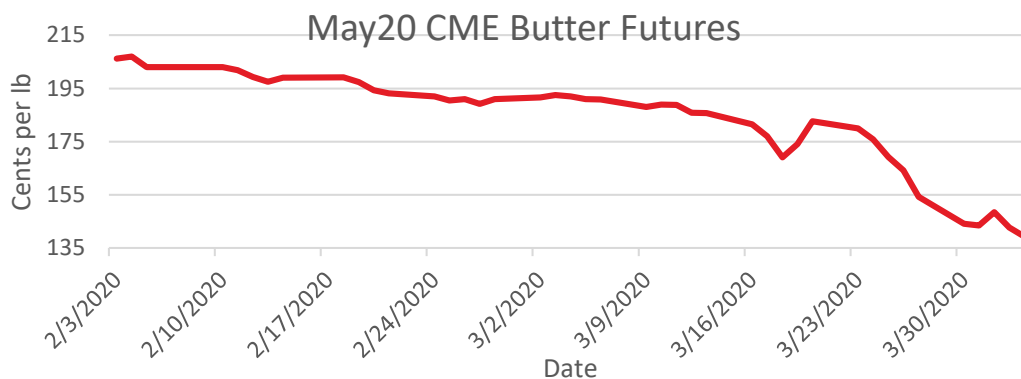


DAIRY

- **Dairy prices continued to fall during March.** May20 Nonfat dry milk futures declined from \$1.1055/lb to \$.8620/lb while May20 butter futures declined from \$1.91/lb to \$1.3925/lb. The outlook is weak for these two main chocolate dairy components moving forward.
- **Nonfat dry milk prices turned sharply lower** after a steady move higher characterized Q4 2019 and January 2020. The onset of the covid-19 virus brought much of the demand driving prices higher to a halt. Most of the country is under 'shelter in place' orders that have closed restaurants for everything but take out - a major blow to dairy product demand.
- **Exports of nonfat dry milk fell sharply from January to February.** The main drop off was seen in Mexico, with exports down 25%. A combination of a substantially weaker peso, the movement of goods between the two nations slowing, and covid-19 fears in Mexico are major reasons for the slowdown. Exports to southeast Asia were mixed with some countries showing increased demand, but in totality was not enough to compensate. Further adding to the bearishness was the Dairy Products report that showed stocks of nonfat dry milk/skim milk powder sit above 317 mil lbs - the largest stock figure in the previous 2.5 years.
- **Butter futures on the CME continued to collapse** in March due to a number of bearish factors. The lack of foodservice demand has hit the butter market particularly hard. The market was already heavy under the weight of a USDA Cold Storage report that showed 54.5 days of butter in storage - much larger than market expectations.
- **Further - February butter production** was the largest February since 2013 according to HighGround Dairy. And unlike nonfat dry milk/skim milk powder, most butter in the U.S. is consumed domestically. So without the export market to alleviate the excess supply concerns, the market is overwhelmed with supply. Even at current low prices U.S. exports are uncompetitive as butter prices around the world fall.



PRODUCTION

CONSUMPTION

WEATHER

MILK/FEED RATIO

* refers to global liquid milk supply and demand