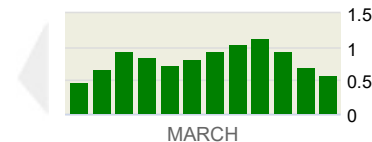
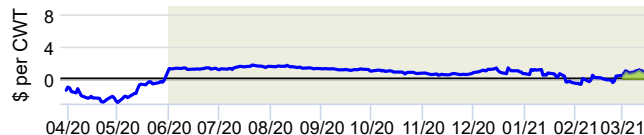
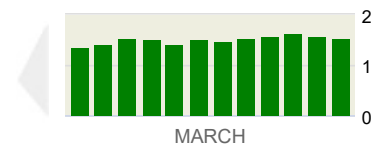
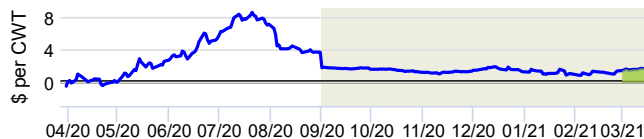


Dairy margins improved further over the first half of March as milk prices continued higher while feed costs held generally steady. Strong export demand is providing support to the market along with ongoing domestic demand from the Farmers to Families Food Box Program. Export shipments have been particularly strong to the Philippines, Vietnam, and China since the beginning of the year. China's demand for U.S. whey products drove January whey exports to 40.3 million pounds, up 40.4% from last year while January butter exports of 6.2 million pounds were up nearly 82% from the previous year and the strongest January since 2014. Meanwhile, strong milk production is also leading to record dairy product output. January butter production of 207 million pounds was up 7% from last year and the largest January butter output on record. Cheese production of 1.1 billion pounds was up 0.5% from 2020 and higher than January 2019's record cheese production. Cheddar cheese production was up 5.7% from last year, drawing support from the continuing Farmers to Families Food Box Program. Nonfat dry milk production also set a January record at 197 million pounds. Meanwhile, a strong spring flush is expected as the dairy cow herd expanded nearly 100,000 head over the past several months supported by historically low interest rates, rising commodity prices and land values. Feed costs have held steady over the past couple weeks as the market looks ahead to the spring planting season, with very few changes noted to the U.S. and world balance sheets in the USDA's March WASDE report. Our clients continue monitoring opportunities to extend margin coverage in 2021 with flexible pricing strategies that would allow for further improvement over time.

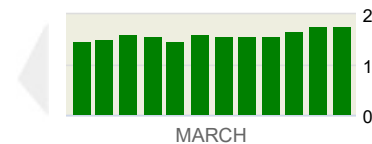
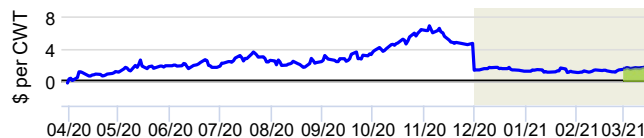
**2nd Qtr '21** 2020 2021 Q2 2021: HIGH **\$1.73** LOW **-\$0.64** LAST **\$0.57** 10YR PERCENTILE **55.6%**



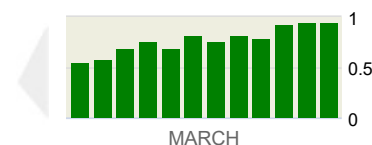
**3rd Qtr '21** 2020 2021 Q3 2021: HIGH **\$1.84** LOW **\$0.77** LAST **\$1.54** 10YR PERCENTILE **65.8%**



**4th Qtr '21** 2020 2021 Q4 2021: HIGH **\$1.78** LOW **\$1.07** LAST **\$1.76** 10YR PERCENTILE **69.7%**



**1st Qtr '22** 2021 2022 Q1 2022: HIGH **\$0.95** LOW **\$0.55** LAST **\$0.95** 10YR PERCENTILE **64.4%**



The Dairy Margin calculation assumes, using a feed price correlation model, that for a typical dairy 62.4 lbs of corn (or equivalent) and 7.34 lbs of meal (or equivalent) are required to produce 100 lbs of milk (includes dry cows, excludes heifers not yet fresh). Additional assumed costs include \$0.90/cwt for other, non-correlating feeds, \$2.65/cwt for corn and meal basis, and \$8.00/cwt for non-feed expenses. Milk basis is \$0.75/cwt and non-milk revenue is \$1.00/cwt.

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