



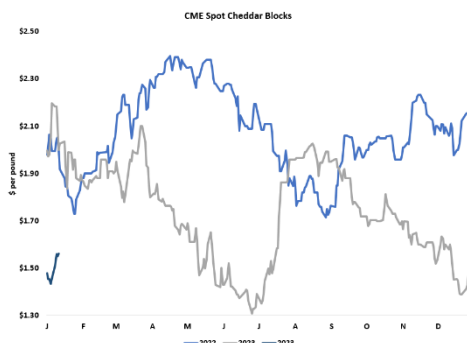
# The T.C. Jacoby Weekly Market Report

WEEK ENDING JANUARY 12<sup>th</sup>, 2024

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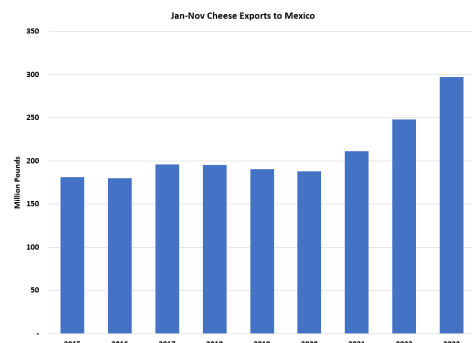
CME Spot Market for the Week 1/8/2024 to 1/12/2024			WHEY		
			Avg Price	Qty Traded	4 wk Trend
			\$ 0.4270	2	
CHEESE BLOCKS			CHEESE BARRELS		
Avg Price	Qty Traded	4 wk Trend	Avg Price	Qty Traded	4 wk Trend
\$ 1.5280	24		\$ 1.4600	42	
BUTTER			NON-FAT		
Avg Price	Qty Traded	4 wk Trend	Avg Price	Qty Traded	4 wk Trend
\$ 2.5595	15		\$ 1.1910	11	



this week to \$1.5625 per pound. Barrels climbed 3.5¢ to \$1.445.

The dairy trade is feeling around for the bottom in the cheese market. Cheese output remains robust, but low prices have finally attracted international attention. U.S. cheese exports topped 85 million pounds in November, the highest-ever volume for the month, up 3% from the previous monthly high, logged in November 2022. Once again, record-setting shipments to Mexico helped to offset softer demand from Japan and South Korea. The trade is hopeful that the trend will continue. USDA's Dairy Market News reports that "domestic cheese demand remains weak," but exports are starting to pick up. That sparked a rebound in Chicago. CME spot Cheddar blocks leapt 12.75¢

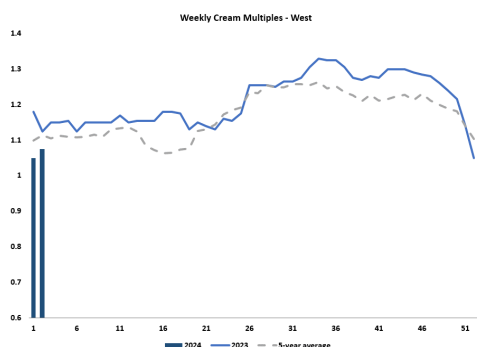
Further upside is possible, but the ceiling is likely far lower than dairy producers would like. Processors from Waupun to Warsaw to Waikato are boosting cheese output. USDA's semi-annual Dairy: World Markets and Trade report notes that New Zealand cheese output surged 7% in 2023 and is likely to hold steady in 2024, even as milk output retreats. In Europe, milk output is also expected to wane this year, but "processors are expected to funnel a larger share of the milk pool toward cheese production, prioritizing it over other dairy products." There will be fierce competition for cheese exports. U.S. cheese prices will have to stay low enough to keep product moving.



Whey exports disappointed in November, falling 13.4% short of year-ago volumes. Slower shipments to China accounted for 97% of the decline. Whey export prospects have not improved since November, but domestic demand looks much better. American consumers are hungry for high-protein whey products, which is keeping more of the whey stream away from the drier. CME spot whey powder rallied 1.75¢ this week to a nine-week high at 43¢.

The strength in the spot markets helped nearby Class III futures to shake off the worst of their recent despair. The February contract jumped 37¢ and March Class III rallied 17¢ this week. Still, at \$15.90 per cwt. February Class III futures remain depressed, and the futures forecast that Class III prices won't be high enough to pay the bills until later this spring.

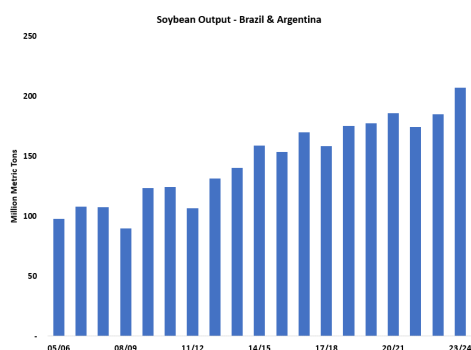
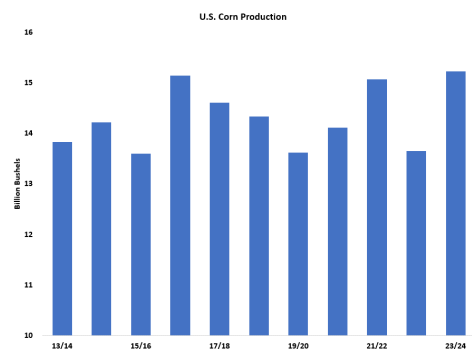
CME spot nonfat dry (NDM) milk gained a little ground this week and closed at \$1.185, up 1.25¢. NDM exports fell 4.1% short of year-ago volumes in November, the third straight month of year-over-year declines. Shipments to Mexico were respectable, notching the second-highest November exports on record. But they fell 5.4% below last year's record-high volumes. For the year to date, U.S. NDM exports to all foreign markets were 2.7% lower than the 2022 pace, but year-to-date exports to Mexico were 18.1% greater than January through November 2022. There's likely room for even stronger U.S. milk powder exports in 2024, as Europe and Oceania are likely to rein in output. That hints at higher prices ahead. But a significant rally would likely require improved demand from China, and there's no sign of that yet.



The butter market took a small step back this week. Spot butter settled at \$2.5675, down 0.75¢ since last Friday. Butter demand is suffering the typical post-holiday hangover. Much of the nation is bracing for powerful winter storms, which will temporarily disrupt demand from foodservice. Cream is widely available and cheap. Churns are running hard and, in some cases, turning away cream because the plants are already full.

Class IV futures fell back, but, at \$19 and higher, they are more than adequate to provide profits for those dairy producers who benefit from Class IV income. The vast spread between Class III and IV values continues to create vast disparities in dairy producers' fortunes.

USDA shocked the market today, raising its estimate of the 2023 corn yield to a new record at 177.3 bushels per acre. That's up 2.4 bushels from USDA's December estimate. USDA also trimmed its estimates for 2022 and 2023 corn acreage but not by enough to offset the impact from the huge jump in yields. Despite widespread drought through much of the growing season, the 2023 corn crop is officially the largest ever at 15.23 billion bushels. Last year's yields are a triumph of crop genetics and other modern farming advancements. Corn prices will certainly rally the next time the forecast looks less than favorable, but the bears will be quick to remind the trade about the surprisingly large harvest of 2023.



USDA also raised its assessment of U.S. soybean yields, which pressured soybean prices. Domestic soybean supplies are not nearly as large as corn inventories, but they are bigger than previously thought. USDA trimmed its estimate of Brazilian corn and soybean production, reflecting concerns that a dry December dinged crop prospects. However, Brazil is still expected to put up a respectable crop, and Argentina's corn and soy output will be much larger than last year's drought-stricken harvest. Thanks to the recovery in Argentina, South America expects its largest corn and soy crops ever, which will put further pressure on global grain and oilseed values.

March corn closed today at a new life-of-contract low of \$4.47 per bushel, down 13.75¢ for the week. March soybeans finished at \$12.2425, down 32¢. March soybean meal plunged \$7.30 to \$368.50 per ton.