



The T.C. Jacoby Weekly Market Report

WEEK ENDING JANUARY 19TH, 2024

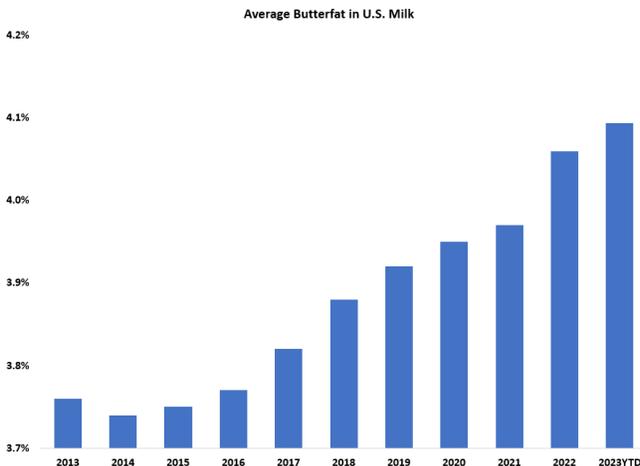
By Sarina Sharp, Market Analyst for the Daily Dairy Report
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CME Spot Market for the Week			WHEY		
			Avg Price	Qty Traded	4 wk Trend
1/15/2024 to 1/19/2024			\$ 0.4131	11	
CHEESE BLOCKS			CHEESE BARRELS		
Avg Price	Qty Traded	4 wk Trend	Avg Price	Qty Traded	4 wk Trend
\$ 1.4825	21		\$ 1.4613	16	
BUTTER			NON-FAT		
Avg Price	Qty Traded	4 wk Trend	Avg Price	Qty Traded	4 wk Trend
\$ 2.5644	33		\$ 1.1869	15	

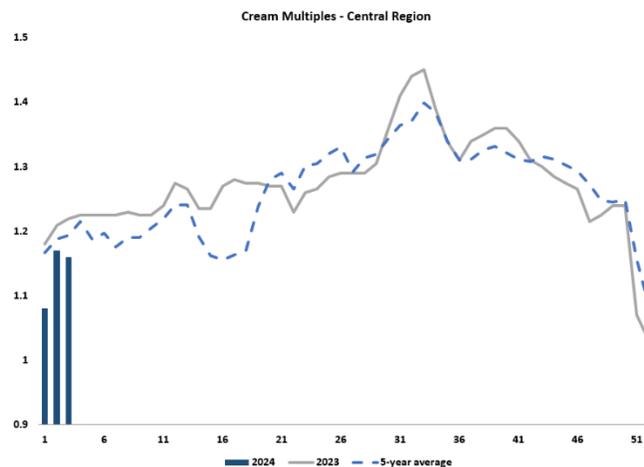
Most Americans are irate about an unwelcome invasion across our unprotected border. I'm talking, of course, about the blast of cold air from Canada, which reached as far south as Texas this week. The weather closed schools, froze pipes, sidelined milk trucks, and disrupted dairy processing. Consumers stocked up on milk, eggs, and bread before they hunkered down, which helped to offset slower demand for milk from school meal programs. Grocery sales likely jumped, but dairy demand from foodservice plummeted along with the temperature.

As bottlers work to refill the dairy case, they're pulling a little milk away from other processors. And the perils of hauling milk on icy roads marginally reduces the volume of milk arriving at cheese, butter, and milk powder plants in much of the nation. Still, we're making more than enough cheese. Thankfully, low prices are starting to attract more exports. That helped to lift barrel prices this week. They rallied 2.25¢ to \$1.4675 per pound. CME spot Cheddar blocks moved in the opposite direction. They plunged 11.75¢ to \$1.445.



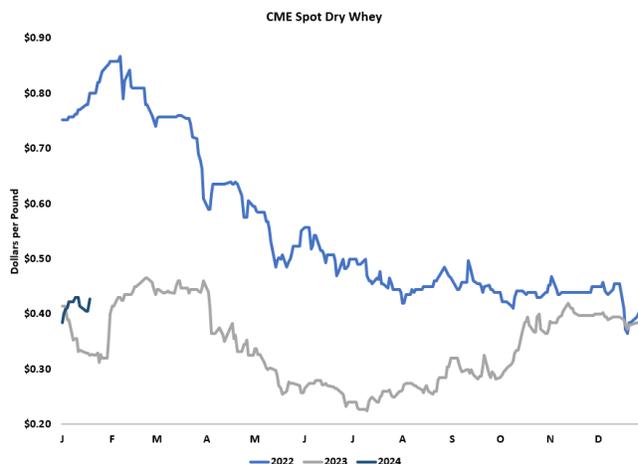
After several years of high butter prices, dairy producers have boosted components noticeably. The average butterfat in U.S. milk reached an all-time high of 4.28% in November. Despite a 0.6% setback in November milk output, the nation's milk cows made 1.6% more cream than they did in November 2022. And it shows. With cheesemakers slowing down a little

for the weather, USDA's *Dairy Market News* reports that cream supplies in the Midwest are "somewhere between abundant and copious." Butter makers are churning hard and "still turning down offers." Elevated churn rates could help to build inventories and reduce the potential for holiday shortages and sky-high prices later this year. But, despite the increase in U.S. cream output, the nation continues to eat more butterfat than it makes, so a steep selloff in the butter market seems unlikely. CME spot butter slipped 2.25¢ this week to \$2.545.



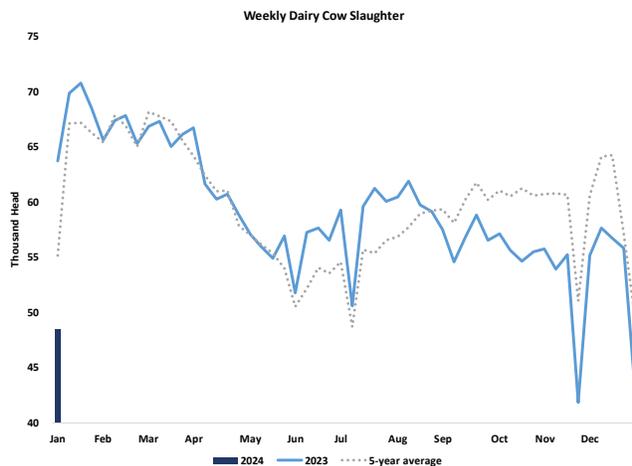
Prices moved upward nearly across the board at the Global Dairy Trade (GDT) auction on Tuesday. The GDT Index leapt 2.3% to its highest level in nearly a year. Whole milk powder prices rallied 1.7% and skim milk powder values gained 1.2%. Demand remained lackluster, and Chinese buyers were coy once again. But global milk powder output continues to drop and stockpiles are shrinking, raising hopes that it will be difficult to push milk powder prices sharply lower. If demand perks up, the milk powder market could soar. But for now, it continues to languish. Despite the gains at the GDT, CME spot nonfat dry milk lost a penny this week and closed at \$1.175.

The whey market is holding firm thanks to strong demand for high-protein concentrates. Export prospects remain dim due to sluggish growth in the Chinese economy. CME spot whey inched down a quarter-cent this week to 42.75¢.

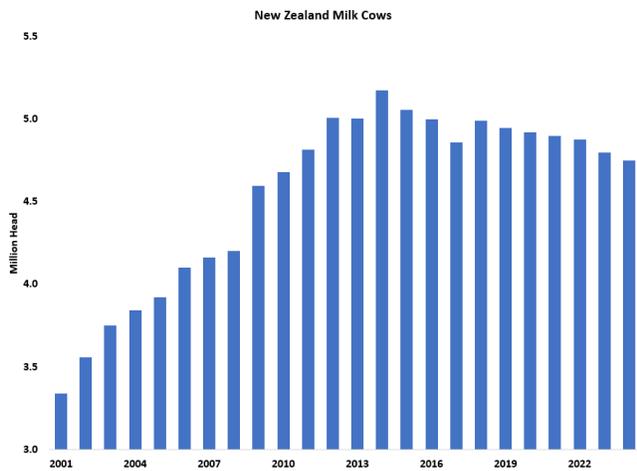


The step decline in the block market dragged most Class III futures lower this week. The February contract fell 11¢ to a paltry \$15.79 per cwt. March through May contracts lost about 25¢. Class IV futures were mixed, with modest losses in March through June and slight gains in the second half of the year. With most contracts at \$19 or higher, Class IV futures promise workable margins for producers who live in the right region and belong to the right co-op. But many dairy producers earn little or no Class IV revenue, and they are really struggling.

Despite the pain on the farm, dairy cow slaughter volumes remain unusually light. Dairy producers sent just 48,498 milk cows to slaughter in the first week of the year, 24% less than in early 2023. This represents the lowest early-January slaughter volume since 2008, when dairy producers were extremely profitable. That's not the case today. Instead, tight heifer inventories are clearly keeping a lid on cull rates. Should milk prices improve enough



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to stoke an appetite for expansion, the heifer shortage will also prevent rapid growth in U.S. milk output. There's no sign that milk output will jump overseas either. The dairy herd continues to shrink in Europe and New Zealand as increasingly strict regulations discourage investment in the industry. Waning milk output will likely prevent milk and dairy product prices from falling appreciably and set the stage for a strong recovery if global demand improves.

Grain prices continued to retreat as the trade considered the implications of the record-large U.S. corn crop. South American weather also

weighed on prices, although the forecast looks less ideal going forward. March corn closed today at \$4.455 per bushel, down 1.5¢ for the week. March soybeans closed at \$12.1325, down 11¢. Soybean meal dropped another \$12 to \$356.50 per ton.