

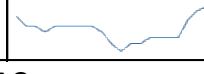
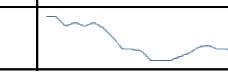
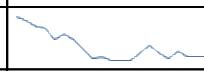
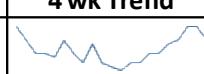


# The T.C. Jacoby Weekly Market Report

WEEK ENDING JANUARY 5TH, 2024

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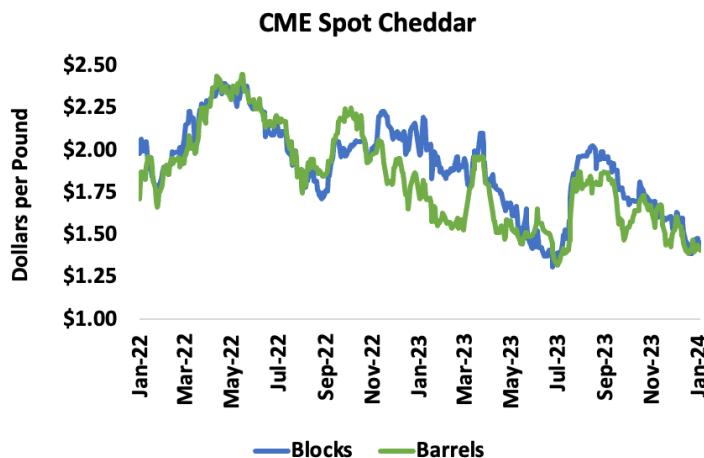


| CME Spot Market for the Week |            |  | WHEY           |   |  |
|------------------------------|------------|--|----------------|---|--|
| 1/1/2024 to 1/5/2024         |            | Avg Price  | Qty Traded     | 4 wk Trend  |  |
| \$ 1.4563                    |            | \$ 0.4013  | 2              |  |  |
| CHEESE BLOCKS                |            |  | CHEESE BARRELS |   |  |
| Avg Price                    | Qty Traded | 4 wk Trend   | Avg Price      | Qty Traded  | 4 wk Trend   |
| \$ 1.4563                    | 4          |   | \$ 1.4200      | 26  |   |
| BUTTER                       |            |  | NON-FAT        |   |  |
| Avg Price                    | Qty Traded | 4 wk Trend   | Avg Price      | Qty Traded  | 4 wk Trend   |
| \$ 2.6488                    | 11         |  | \$ 1.1763      | 19  |  |

The new year has officially begun. But as Auld Lang Syne faded into the background, the dairy markets were unsettled in the first holiday-shortened trading week of 2024. Most products saw prices oscillate without much conviction as buyers and sellers jockeyed to set the tone early in the new year.

Mild winter conditions across most of the country have supported milk production though margins remain thin, especially for producers in the western U.S. Bottling demand has picked up as schools go back into session following the winter break. But despite this pull, milk remains readily available for manufacturers. Spot loads of milk can reportedly be picked up for discounts as deep as \$8 under Class III prices. While that feels like a big discount, it is less than the \$10 discounts available last year at this time and which

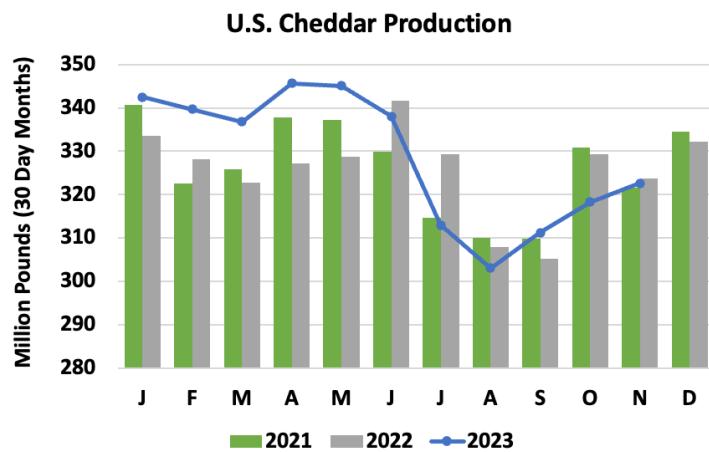
stretched through the first half of the year. *Dairy Market News* reports that, “most [contacts] expect milk prices to move nearer to Class III as the holidays grow more distant in the rearview mirror.”



All in all, milk remains available to cheese processors should they choose to accept it. However, tepid demand is dampening their enthusiasm for moving additional milk volumes through their vats. Market participants indicate that cheese inventories are plentiful, and that retail demand is stable to weak. Some are

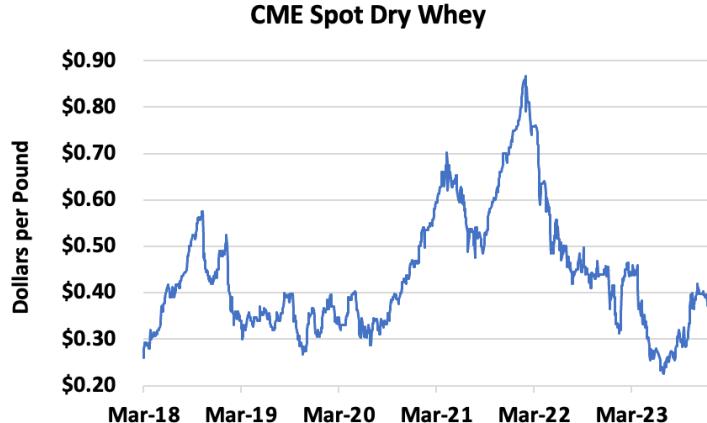
optimistic that football season will encourage additional cheese usage through both foodservice and retail channels.

Cheese production was robust in November, rising 0.7% year over year to 1.163 billion pounds. The increase was particularly notable given the 0.6% decline of milk production during the month. Manufacturers increased production of American varieties at the expense of Italian types, however Cheddar production failed to impress, falling 0.4% year over year to 322.57 million pounds. Robust production of cream cheese, up 5.7% to 91.737 million pounds, helped to boost the overall cheese figure.



The CME spot Cheddar block market reflected the uncertainty of supply and demand, gaining a penny on the first trading day of the new year before giving up ground on Wednesday and Friday to end the week at \$1.435/lb., down 3.5¢ from last week.

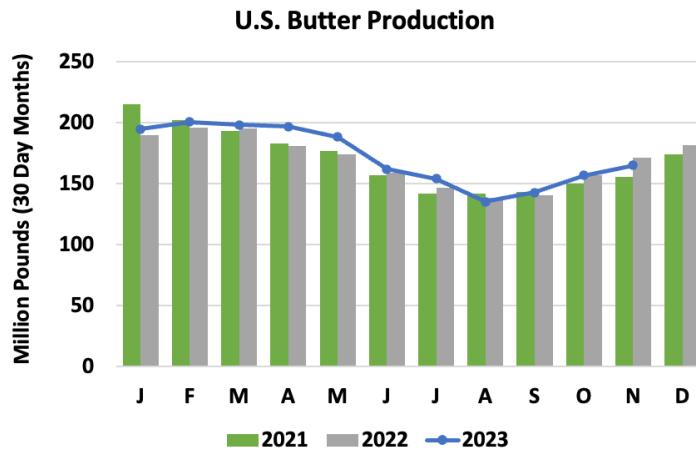
Barrels followed a similar path but a 4¢ gain on Tuesday netted out to a 1¢ gain for the week as Friday's session finished at \$1.41/lb. It was an active week for barrels as 26 load changed hands.



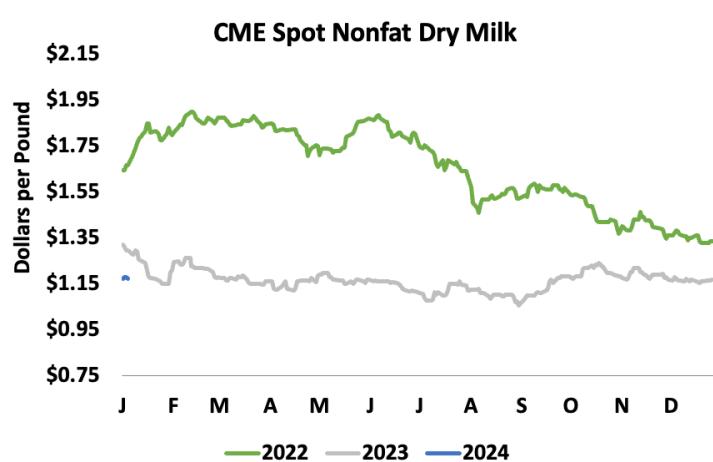
On the other side of the Class III complex, spot dry whey markets showed much more decisiveness, moving steadily upward over the course of the week. Friday's session ended at 41.25¢ per pound, an increase of 2.75¢ compared to last week. Domestic demand is steady and

export demand appears to be improving, especially from Mexican buyers. Whey manufacturers continue to route the whey stream toward the production of high protein products, which is likely helping to put some support under dry whey prices. In November, output of whey protein isolates and whey protein concentrates (WPC) with more than 50% protein rose by 16.4% and 7.5%, while production of dry whey and lower protein WPCs fell by 10.9% and 16.8%, respectively.

Strong cheese production pulled milk away from the manufacture of Class IV products late last year. Butter production declined during November as production fell 3.7% to 165.183 million pounds. Cream supplies are relatively plentiful as component values remain robust. Churns in many parts of the country are capitalizing on available supplies



as operating schedules range from steady to active. Following the holidays, most butter market participants note that demand is understated. These dynamics were reflected at the CME as the spot butter market felt the biggest loss to start the year across all the commodities. A 2¢ increase on Tuesday was again wiped out by larger losses on Thursday and Friday. Butter prices fell to \$2.575/lb. by the end of the week, a decline of 9¢ versus last week as 11 loads traded hands. Despite the decrease, butter prices remain almost 20¢ higher than a year ago.



173.552 million pounds in November, a year over year decline of 17.3%. However, while NDM production tumbled by 28%, SMP production rose 17.8%, perhaps indicating that demand is perking up from export markets. On the demand side, domestic buyers are buying steadily. Participants are optimistic that the new year will bring additional interest from international buyers.

The grain markets saw some modest losses over the course of the week as slower export activity and improving South American weather pushed markets down. MAR23 corn contracts settled on Friday at \$4.6075/bu. while MAR23 soybean meal settled at \$369.4/ton. Lower feed prices will be welcome news to producers, but margins remain tight at the hand of stubbornly low milk prices, particularly for those with high Class III exposure.

Meanwhile the nonfat dry milk (NDM) market continues to move sideways. Modest gains early in the week were mostly eliminated by a decline on Friday that left the price at \$1.1725/lb. up just a quarter cent compared to last week with 19 loads moving. The NDM market spent 2023 in a remarkably narrow range, trading between \$1.0575/lb. and \$1.3225/lb. the entire year. 2024 appears to have begun on the same note as the market looks for direction. Production remains weak as combined output of NDM and skim milk powder (SMP) totaled just