



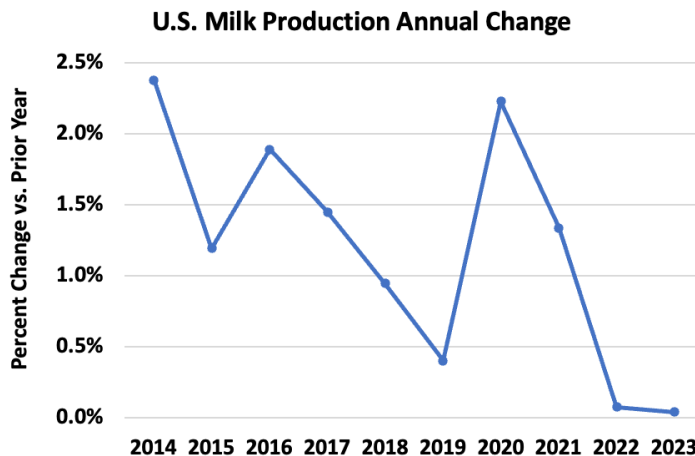
# The T.C. Jacoby Weekly Market Report

WEEK ENDING JANUARY 26TH, 2024

By Monica Ganley, Market Analyst for the Daily Dairy Report  
monica.ganley@quartermaglobal.com



CME Spot Market for the Week 1/22/2024 to 1/26/2024			WHEY		
			Avg Price	Qty Traded	4 wk Trend
			\$ 0.4380	3	
CHEESE BLOCKS			CHEESE BARRELS		
Avg Price	Qty Traded	4 wk Trend	Avg Price	Qty Traded	4 wk Trend
\$ 1.5120	19		\$ 1.4590	12	
BUTTER			NON-FAT		
Avg Price	Qty Traded	4 wk Trend	Avg Price	Qty Traded	4 wk Trend
\$ 2.6230	2		\$ 1.1960	10	



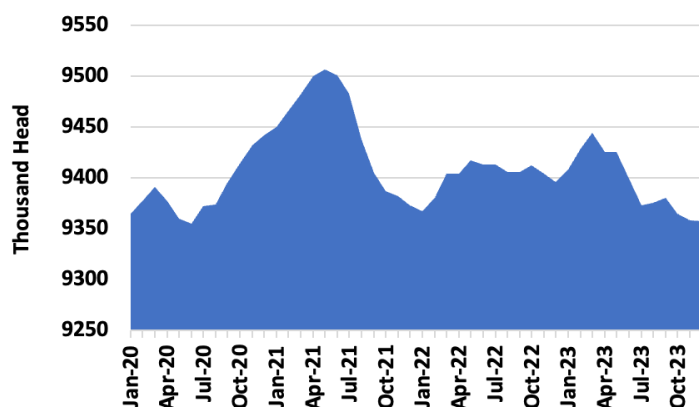
Milk production growth in the U.S. sputtered at the end of 2023, leaving the full year result nearly unchanged from the year prior. After expanding during the first half of the year, volumes contracted between July and December as milk prices remained under pressure. December milk production totaled 18.843 billion pounds, a decrease of 0.3% compared to the same month last year, with notable declines seen in the western states. A shrinking national dairy herd has driven the production drop as December's herd size rang in at 9.357 million cows. This is 39,000 head less than

at the same time last year and represents the smallest herd size since June 2020.

The U.S. is not the only global supplier seeing milk supplies fall. European production has been trending downward with volumes in the European Union and United Kingdom falling by an estimated 2.5% year over year in November. Many of the bloc's largest milk producers, including Germany, France, and the Netherlands saw pronounced declines in November output. Strict environmental regulations in many European countries are likely to interfere with milk production recovery and have sparked high profile protests in the region. In South America, volumes in Argentina recoiled by 7.7% in December as producers confront deep economic and political uncertainty. Oceania, however, is expanding with Australia and New Zealand both posting gains in the most recent month for which data is available.

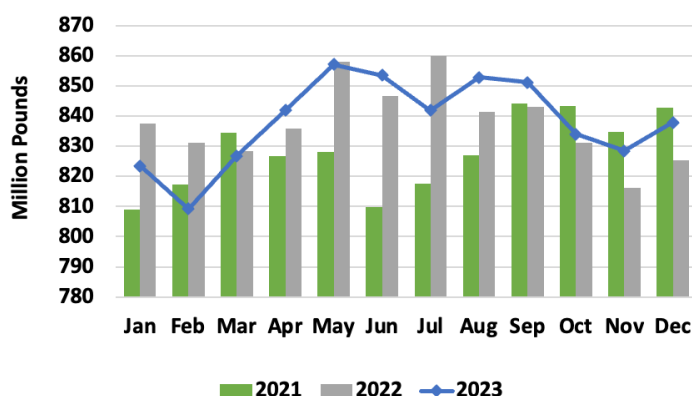
As global milk supplies flag, international demand is also limping along. This week, China released December import statistics, finalizing a disappointing year for the world's largest dairy importer. Whole milk powder, China's most important import in volume terms, had an incredibly weak year with cumulative shipments for 2023 down 38.4% to the lowest volume since 2016. UHT milk, butter, and whey imports were also down on an annual basis while skim milk powder eked out an annual gain despite falling 36.9% year over year in December. Cheese, however, had a standout year as a record 392.8 million pounds were imported, 22.5% more than in 2022.

**U.S. Milk Cow Herd**



The CME spot market boasted a week of gains, but prices for most dairy commodities remain weak. Lower prices in the U.S. should help to encourage additional export sales that will help to clear domestic volumes,

**U.S. American Cheese Stocks**

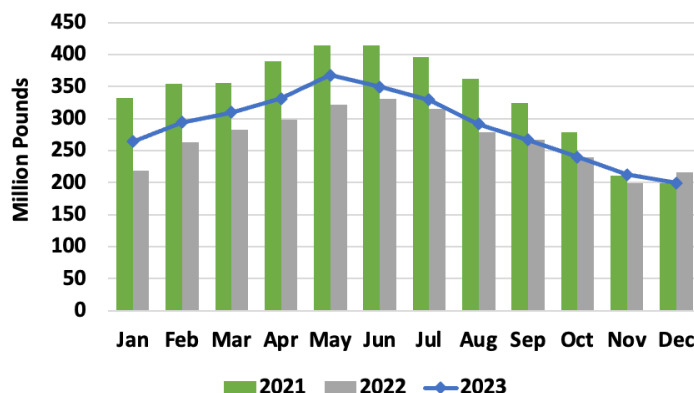


though his dynamic has been slow to materialize. Cheese is readily available as cheesemakers have maintained upbeat production schedules. In the *Cold Storage* report published this week, USDA indicated that total cheese stocks were 0.4% higher at the end of December than at the end of November. While total cheese inventories were actually down 0.2% at the end of 2023 compared to the prior year, most of the decline was driven by other cheese varieties, including Italian types. Stocks of American style cheeses, including Cheddar, were up 1.5% year over

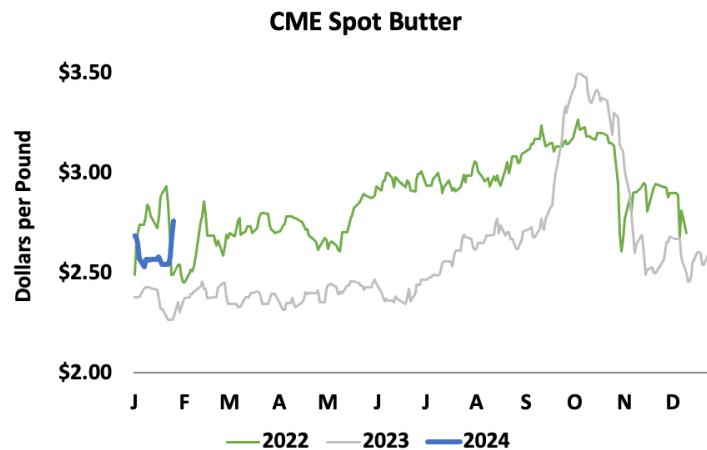
year, totaling 837.795 million pounds.

While plentiful stocks are likely to prevent dramatic appreciation in the Cheddar spot markets, the block price did manage to post an increase this week. Gains on Monday, Thursday, and Friday lifted the price by 9.25¢ to \$1.5375/lb. Meanwhile barrels fluctuated but ultimately moved mostly sideways adding a quarter cent and bringing the price to \$1.47/lb. at Friday's close. The exchange was active as 19 loads of blocks and 12 loads of barrels moved during the week.

**U.S. Butter Stocks**



The big mover was butter, which added 21.5¢ during the second half of the week,



bringing the price to \$2.76/lb. on Friday, the highest price since early November when the market was coming off its record peak. Only two loads traded. Even though cream supplies have reportedly been available, and churns have been busy, there are indications that the market is tightening up. At the end of December, butter stocks totaled just 199.531 million pounds, a 7.8% decline compared to the same point in time last year. Between November and December, butter inventories dropped by 13.1 million pounds, the greatest drawdown seen over this period in in 20 years, in absolute

terms.

On the other side of the Class IV complex, nonfat dry milk (NDM) markets also found some inspiration. After remaining unchanged on Monday, the market made modest gains over the balance of the week. Ultimately the spot NDM price added 4.5¢, rising to \$1.22/lb. as ten loads changed hands. Market tones are mixed from both manufacturers and buyers.

Even as upbeat cheese production spins off a plentiful whey stream, dry whey prices have continued to move steadily upward. Market stakeholders indicate that dry whey demand from both domestic and international sources is steady. Meanwhile, a preference for the manufacture of higher protein products continues to keep some tension in the dry whey markets. Riding these market signals, the dry whey spot market added .75¢ on both Tuesday and Wednesday, quietly lifting the price by a penny and a half to 44.25¢ per pound, the highest price since last April.

The grain markets found traction early in the week on additional, unexpected export sales and concerns about dry weather in South America. The MAR24 corn contract rose as high as \$4.5225/bu. on Wednesday before retreating over the remainder of the week and ultimately settling at \$4.4625 on Friday. Soybean meal followed a similar pattern, with the MAR24 contract finding a high of \$363.30/ton on Wednesday before ending the week at \$349/ton in today's settlements. Market observers are paying close attention to the weather in Brazil and Argentina where a spell of hot temperatures in the coming weeks could negatively impact crop development.