



The T.C. Jacoby Weekly Market Report

WEEK ENDING FEBRUARY 9, 2024

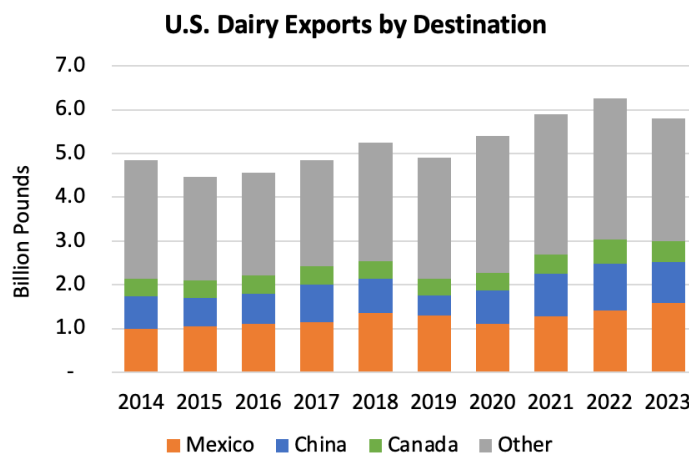
By Monica Ganley, Market Analyst for the Daily Dairy Report
monica.ganley@quartermaglobal.com



CME Spot Market for the Week 2/5/2024 to 2/9/2024			WHEY		
			Avg Price	Qty Traded	4 wk Trend
			\$ 0.5075	3	
CHEESE BLOCKS			CHEESE BARRELS		
Avg Price	Qty Traded	4 wk Trend	Avg Price	Qty Traded	4 wk Trend
\$ 1.6105	2		\$ 1.5770	9	
BUTTER			NON-FAT		
Avg Price	Qty Traded	4 wk Trend	Avg Price	Qty Traded	4 wk Trend
\$ 2.7440	12		\$ 1.2175	20	

After a period of exuberance, the dairy markets ran into some resistance this week. Though milk supplies are far from plentiful, demand for spot milk has stabilized and combined with a lackluster demand picture, there has been little incentive over the last few days to push the markets further upward.

Slower export activity certainly cast some gloom across the markets. December export data landed this week and showed a continuation of many of the trends seen during the year. With the final tallies counted, U.S. exporters shipped 5.806 billion pounds of dairy products in 2023, valued at just over \$8 billion dollars.



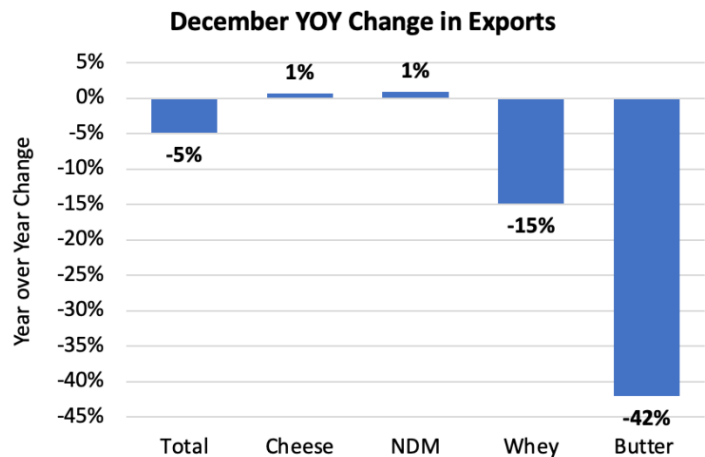
While respectable by historical standards, this nevertheless represents a loss of 7.3% and 15.8% in volume and value terms, respectively, against 2022's record figures. But even as shipments to China and Canada fell relative to prior year levels, the news wasn't all bad. Exports to Mexico, the U.S.' largest trade partner, surged 12.8% to a new all-time high of 1.589 billion pounds.

Despite weak global demand and competition from alternative suppliers, some products were able to post a modest year over year gains in December. Cheese

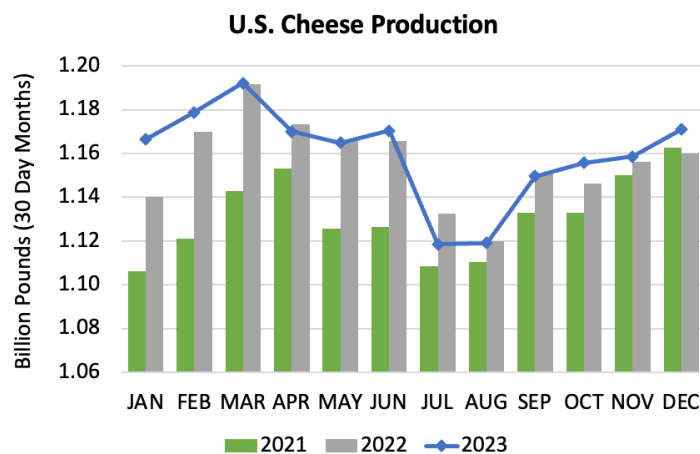
exports increased 0.6% to 80.5 million pounds, the highest volume ever seen in December, due to an especially strong appetite from Mexican buyers. Nonfat dry milk (NDM) exports also rose 0.9% compared to December 2022 as shipments to select destinations in Asia improved. Exports of other products

continued to struggle under the weight of unfavorable international dynamics. U.S. exports of whey products slipped 14.9% year over year in December and butter exports recoiled by 42%.

While the overall tone of global demand remains muted, there is reason to believe the situation could be firming up. At this week's Global Dairy Trade (GDT) auction, the GDT Price Index rose by 4.2% with price increases seen across nearly every product. This is the fifth consecutive auction during which the index increased, rising to levels not seen since late 2022. Fat prices saw particular appreciation with butter, whole milk powder, and anhydrous milkfat posting gains of 10.3%, 3.4%, and 3.3%, respectively, compared to the prior event.



Back at home, the fat markets retreated as the CME butter market continued to inch back from the highs achieved during the final weeks of January. A 2.5¢ increase on Tuesday was erased by losses of 2.5¢ and 5.5¢ on Thursday and Friday. Ultimately this pulled the price down to \$2.69/lb. as 12 loads traded hands over the course of the week. Market participants report that churns are operating busy schedules. USDA's Dairy Products report, published earlier this week, shows that butter production rose 4.4% year over year in December to 196.3 million pounds. This was a surprisingly strong result given the 0.3% decline in milk production seen during the month and the strong pull from other manufacturers. Furthermore, that inventories declined substantially during a month when production impressed suggests that butter demand is robust.



As butter production rose in December, so did cheese production. Cheesemakers manufactured 1.21 billion pounds of cheese during the month, up 0.9% compared to December 2022. Increased output was seen across both American and Italian varieties, up 0.5% and 0.3%, respectively, though Cheddar production fell by 2% year over year. Lower cheddar production may have lent some strength to the spot markets which bounced off lows seen late in December to climb relatively steadily through the first days of February.

The market rally seemed to run out of steam this week, however, at least for blocks. Cheddar blocks saw prices fall on Tuesday, Thursday, and Friday, ultimately giving up 8¢ during the week to fall to \$1.57/lb. Barrels added 2.75¢, rising to \$1.5775/lb. on Friday's close, though prices remain lower than the highs achieved last week.

Bucking the trend seen by other products, the spot dry whey market moved up another 1.25¢ this week, continuing its push upward. Prices ended the week at 52¢ per pound, the highest price seen since mid-2022. Participants indicate that the market for dry whey has tightened up considerably. Part of this has been driven by improving domestic demand but lower production has contributed,

as well. December dry whey production fell 9.2% year over year to 66.062 million pounds. Manufacturers continue to route the whey stream toward products with higher concentrations of proteins. This is placing upward pressure on whey prices and will help to support Class III prices.

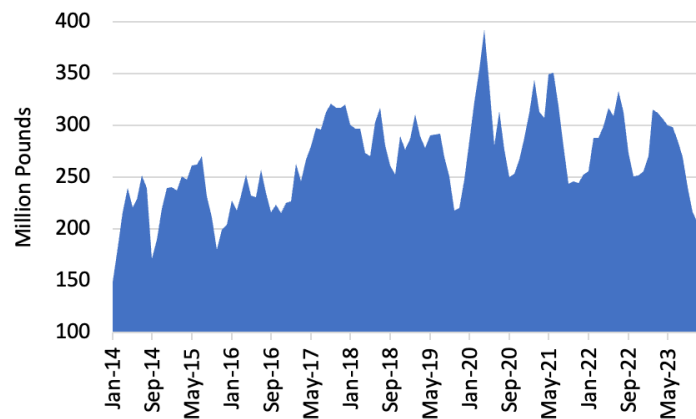
Milk powder production also slipped in December with combined production of NDM and skim milk powder (SMP) falling 15.9% year over year to about 194.8 million pounds. NDM prices have remained stubbornly wedged in a narrow range with little indication that the market is willing to break these boundaries. After rising as high as \$1.24/lb. on Tuesday, the spot price quickly backed off and following losses in the second half of the week, settled at \$1.20/lb. at the conclusion of Friday's trade. With lower production, however, inventories have fallen significantly. At the end of December, manufacturer's stocks on NDM totaled 203.3 million pounds, a 20.5% decline compared to last year and the smallest stock level since 2015.

USDA released its World Agricultural Supply and Demand Estimates report on Thursday with minimal changes to the domestic balance sheets. Corn ending stocks were increased by 10 million bushels to reflect lower domestic use, though the impact on the average farm price was moot. On the soybean balance sheet, a 35-million-bushel reduction in export expectations led the agency to reduce the average farm price by a nickel to \$12.75/bu. USDA left its soybean meal balance sheet unchanged. On the international side, USDA reduced production expectations for both corn and soybeans in Brazil, a nod to some of the challenging weather the region has been facing. Despite these issues, feed prices are sitting at the lowest levels they have been in years.

CME Spot Dry Whey



Manufacturers' Stocks of Nonfat Dry Milk



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