



# The T.C. Jacoby Weekly Market Report

WEEK ENDING FEB. 2<sup>ND</sup>, 2024

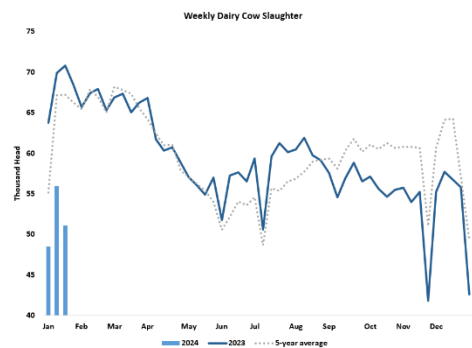
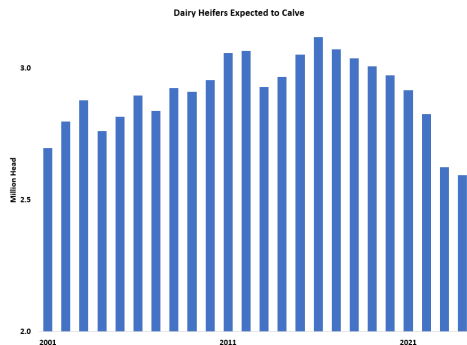
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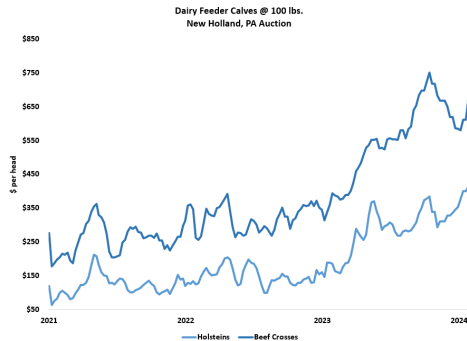
CME Spot Market for the Week 1/29/2024 to 2/2/2024			WHEY		
			Avg Price	Qty Traded	4 wk Trend
			\$ 0.4765	3	
CHEESE BLOCKS			CHEESE BARRELS		
Avg Price	Qty Traded	4 wk Trend	Avg Price	Qty Traded	4 wk Trend
\$ 1.6450	29		\$ 1.5380	24	
BUTTER			NON-FAT		
Avg Price	Qty Traded	4 wk Trend	Avg Price	Qty Traded	4 wk Trend
\$ 2.7720	8		\$ 1.2280	9	

With the benefit of hindsight, USDA now believes there were many fewer dairy heifers on hand at the beginning of 2023 than previously thought. In its biannual Cattle inventory report, the agency slashed its estimate of the dairy heifer headcount on January 1, 2023 by 263,600 head. The revised figure shows a steep 367,000-head drop in dairy heifer supplies from 2022 to 2023. The agency reported a modest decline in the heifer head count from early 2023 to January 1, 2024, pegging the U.S. dairy heifer herd at less than 4.06 million head, a 20-year low. USDA also cut its 2023 estimate of dairy heifers ready to calve and enter the milking parlor within the year and reported a further decline for 2024, assessing the maturing heifer herd at just 2.59 million head, the lowest – by far – since the agency began tracking this figure in 2001.

The cost to raise heifers to maturity and rising beef prices have prompted more and more dairy producers to introduce beef genetics into their breeding programs. The consequences are obvious. The industry has completely erased the glut of heifers created by the prevalence of sexed semen in the mid-2000s and the pendulum has swung to the other



extreme. Tight heifer supplies forced dairy producers to rein in cull rates beginning in September, and dairy slaughter volumes have remained well below normal. In the first three weeks of the year, they lagged the 2023 pace by an astounding 24%. Every week for the past three months, dairy producers sent about 8,000 fewer cows to the packer than they did in the same week the year before. And yet, the dairy herd shrunk by 23,000 head from September to December.

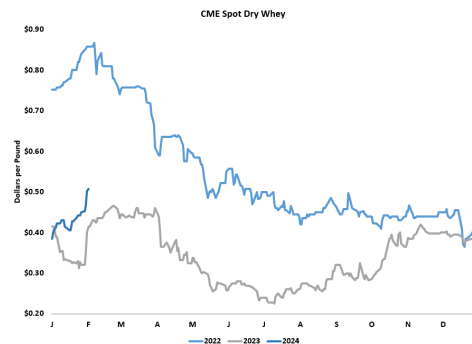


If dairy producers began to shift back to a more conventional breeding program, it would take several years before today's breeding decisions would result in more mature heifers ready to enter the milk parlor. And there is no incentive for producers to begin making that switch. Although heifer prices have climbed, many dairy producers are still better off buying heifers rather than raising them. Meanwhile, crossbred calves are more lucrative than ever. At this week's livestock auction in New Holland, Pennsylvania, newborn Holstein bull calves sold for an average of \$351.77 per head. But crossbred

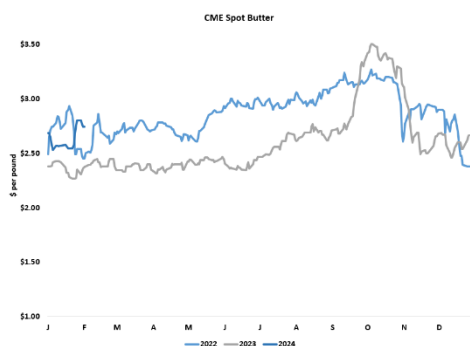
bull calves commanded \$625, and crossbred heifer calves sold at a similar price. If these margins persist, a 1,000-cow dairy that produces crossbred bull calves can expect to earn about \$100,000 more in 2024 than it would selling Holstein bull calves, before accounting for any revenue from crossbred heifers. The dairy industry is likely to struggle through short heifer supplies for years, which will limit dairy producers' ability to expand milk output in a hurry.

Buoyed by yet another report promising restraints on growth in U.S. milk output, the dairy markets moved enthusiastically upward this week, led by a sizable leap in the whey market. CME spot whey powder jumped 6.5¢ to 50.75¢ per pound, its highest price since June 2022. The spot whey market advanced 15% in this week alone and has climbed 32% since the year began. Every penny increase in the whey price adds 6¢ to Class III, so the year-to-date gain has boosted dairy producers' potential Class III revenue by 73.5¢ per cwt.

Whey processors tell USDA's *Dairy Market News* that whey powder inventories are "tightening," and that "a growing number of processors has not been drying sweet whey but using whey solids for whey protein concentrate (WPC) manufacturing." Production of the highest-protein WPCs has topped year-ago volumes since March, and output of whey protein isolates, which are even more concentrated, began to climb in October. U.S. whey export prospects remain cloudy, but domestic demand for high-protein whey ingredients is firm, and it's offering a big lift to whey and Class III values.



The cheese markets moved higher too. Cheddar blocks surged 11.25¢ to \$1.65. Barrels advanced 8¢ to \$1.55. Cheese has been cheered by news that exports are starting to accelerate. But an export-driven rally may be short-lived, as higher U.S. prices could prompt foreign buyers to look elsewhere. That may explain why both CME spot Cheddar and nearby Class III futures settled well off their highs today. Nonetheless, Class III futures gained considerable ground this week. The March and April contracts jumped more than 80¢ and settled at \$17.38 and \$17.70 per cwt., respectively. Those are values that won't inspire a lot of excitement, but they are far better than the \$15.17 January Class III price.



The butter market is starting to look a little topky. Last week's Cold Storage report propelled butter sharply higher, reigniting fears that winter and spring butter production will not be adequate to meet demand later this year. But cream has gotten cheaper and butter churns are running hard. CME spot butter retreated 1.5¢ this week. However, with spot butter at \$2.745, prices are still lofty.

Tighter milk supplies and the smaller dairy herd continue to support milk powder values. But the market remains nervous about demand, and the bulls are trading lightly. CME spot nonfat dry milk added a half-cent this week and reached \$1.225. That was enough to lift most Class IV contracts by a dime or so. They're hovering around the \$20 mark, a level that is sure to cheer the plurality of producers who earn some Class IV revenue.

The row crop markets took another step back. Brazil's bin-busting 2023 harvest continues to drag prices downward. Brazil is home to the cheapest corn and soy in the world, and they are winning most soybean export orders. Although the season got off to a dry start, Brazilian farmers are now enjoying excellent weather, raising expectations for another good crop. The situation is reversed in Argentina, where spring and early summer conditions have given way to a hot, dry stretch. Still, Argentine farmers are hoping for a decent harvest with rains in the forecast by late next week. The global soybean stockpile is not large, so any further issues could send prices upward. But for now, the trade is not terribly concerned about soybean inventories. And there is more than enough corn. March corn futures slipped another 3.25¢ this week to \$4.4275 per bushel. March soybeans fell 21.25¢ to \$11.885. After a massive selloff, soybean meal futures regained a little ground. They closed today at \$356.80 per ton, up \$7.80 for the week.