



# The T.C. Jacoby Weekly Market Report

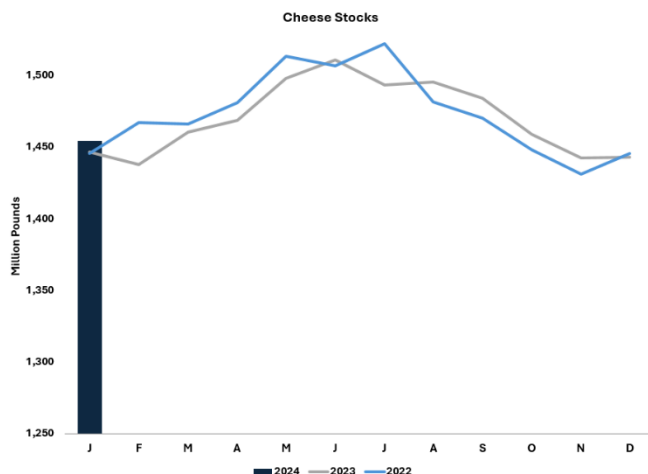
WEEK ENDING MARCH 1st, 2024

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CME Spot Market for the Week 2/26/2024 to 3/1/2024			WHEY		
			Avg Price	Qty Traded	4 wk Trend
			\$ 0.4485	7	
CHEESE BLOCKS			CHEESE BARRELS		
Avg Price	Qty Traded	4 wk Trend	Avg Price	Qty Traded	4 wk Trend
\$ 1.5940	12		\$ 1.6620	16	
BUTTER			NON-FAT		
Avg Price	Qty Traded	4 wk Trend	Avg Price	Qty Traded	4 wk Trend
\$ 2.8015	31		\$ 1.1910	16	

It was a rough week on LaSalle Street. The trade had hoped that lower milk output and a smaller dairy herd would propel the markets upward. And they did, for a time. But mediocre demand continues to plague the dairy complex, quickly capping any significant rallies. Rebounds have been particularly short-lived for Class III, as relentless growth in cheese output undermines the theory that lower milk production

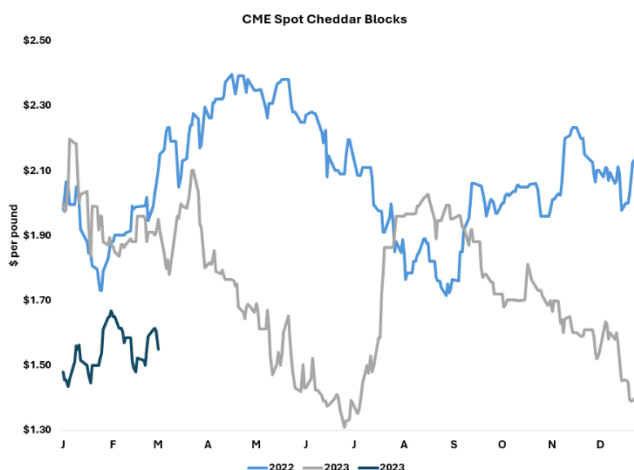


is enough to trim supplies. Cheese inventories grew seasonably in January and topped 1.45 billion pounds at the end of the month, up 0.5% from January 2023. Cheap cheese helped to win some export sales, but the business dried up as soon as prices climbed. Cheese prices must stay low enough to keep product moving abroad, which suggests continued volatility in the well-trodden range between \$1.45 and \$1.70 per pound. This week, after many ups and downs, CME spot Cheddar blocks finished right where they started, at \$1.55. Barrels climbed 3.5¢ to \$1.65.

Whey prices tumbled. CME spot whey powder fell 9.75¢ to 42.5¢, erasing six weeks of hard-won gains and slashing nearly 60¢ from nearby Class III values. Domestic demand for high protein whey concentrates continues to reduce the share of the whey stream destined for the dryer, but greater cheese production portends larger whey output. USDA's *Dairy Market News* reported that Asian buyers have turned to Europe after a recent setback in European whey values. The strong dollar has further undermined U.S. whey export prospects. Since the turn of the year, currency relationships have made dairy products priced

in euros 2% less expensive than the same product sold in dollars, before accounting for any declines in the European whey price. In a world with healthy supplies and tepid global demand, even small price differences can have a big impact.

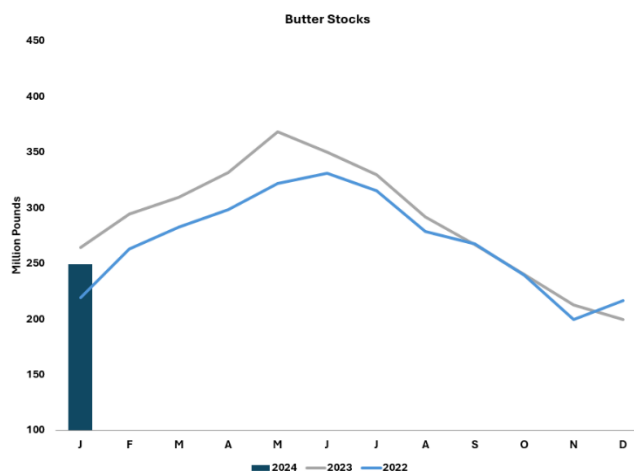
The butter market retreated as well. After notching a year-to-date high, spot butter fell 9.25¢ this week to \$2.7575. There were 249 million pounds of butter in refrigerated warehouses on January 31. That's 5.8% less than last year, but considerably more than there was in January 2022. In both of the last two years, butter makers didn't put away enough inventory in the winter and spring to meet formidable holiday demand. Butter buyers hope that less expensive cream will spur greater output and help them to avoid the staggeringly high prices of the previous holiday seasons. But they're not taking any chances, and they're quick to buy when the market breaks. Despite this week's setback, butter prices are historically lofty and likely to remain so.

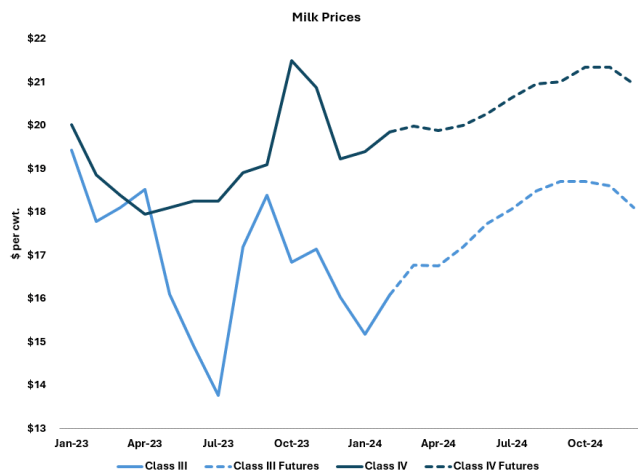


The milk powder market took a small step back. CME spot nonfat dry milk (NDM) slipped a quarter-cent to \$1.1975. Skim and whole milk powder values also pulled back from the highs at the Global Dairy Trade's Pulse auction. Global demand is lackluster, but domestic output is slow, and stocks are waning. *Dairy Market News* describes the market as "more steady than bearish."

USDA announced the February Class III price at \$16.08 per cwt. That is up 91¢ from January's painful lows, but it is still inadequate, especially for producers who continue to suffer steep discounts despite a tighter milk market. The *Daily Dairy Report* states that, amid persistent deficits, some processors and cooperatives "have found ways to pass some of the red ink along to producers in the form of new pricing formulas, lower premiums paid for components, or basis deductions." These discounts and the impact of depooling add up to lower milk revenue than milk futures imply, and Class III futures are already depressed.

The steep setback in whey prices took a big bite out of Class III values this week. The March contract lost 53¢ and dropped back to \$16.78. April Class III fell \$1.10 to \$16.75. Deferred futures also lost considerable ground.





Class IV prices are much better. The February contract went off the board at \$19.85, up 46¢ from January. Class IV futures took a large step back, but they remain elevated, with March and April just shy of \$20 and deferred contracts well above that mark.

Lofty Class IV values, falling feed costs, and record-high beef income will bring some relief, but not nearly enough for dairy producers who are cashing deeply discounted milk checks derived primarily from Class III milk. There is a lot of pain on the farm these days, and the auction line-up is large and growing. The dairy

herd is in decline, and milk-cow head counts are likely to keep dropping. That will put a firm floor under dairy product values, but any further gains in Class III pricing will require better cheese and whey exports.

Feed prices bounced back from last week's steep selloff. Central Brazil is trending a little drier, which could reduce yield prospects for the safrinah – or second – corn crop. The trade is also concerned that farmers will plant fewer acres than they typically do, because prices are simply too low to justify the input costs. Still, global grain stocks are large and South American farmers expect a massive harvest, the issues in central Brazil notwithstanding. The fundamentals do not justify a big rally in crop values. But prices have likely fallen far enough for now. May corn settled today at \$4.2475 per bushel, up 11.25¢ from last Friday's three-year low. May soybean futures closed at \$11.5125, up 10.75¢. May soybean meal finished at \$332.30 per ton, up \$5.10.