



# The T.C. Jacoby Weekly Market Report

**WEEK ENDING OCTOBER 18th, 2024**

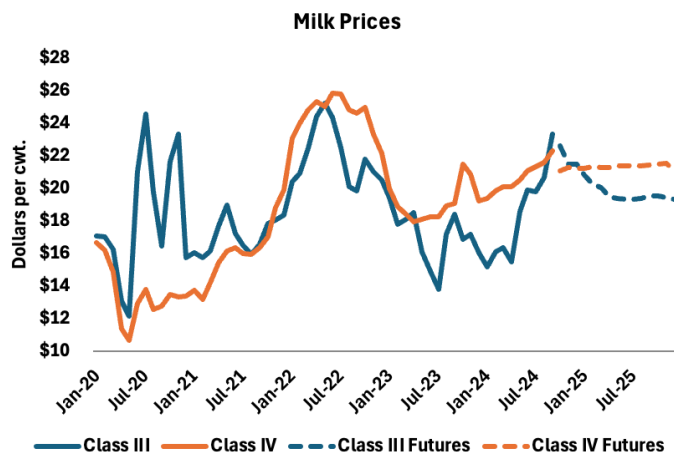
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CME Spot Market for the Week 10/14/2024 to 10/18/2024			WHEY		
			Avg Price	Qty Traded	4 wk Trend
			\$ 0.5970	21	
CHEESE BLOCKS			CHEESE BARRELS		
Avg Price	Qty Traded	4 wk Trend	Avg Price	Qty Traded	4 wk Trend
\$ 1.9220	16		\$ 1.9370	8	
BUTTER			NON-FAT		
Avg Price	Qty Traded	4 wk Trend	Avg Price	Qty Traded	4 wk Trend
\$ 2.6410	161		\$ 1.3590	24	

The dairy markets bounced this week, rejecting the notion that lower prices will be necessary to balance supply and demand. After the dramatic declines seen in late September and early October, every product traded at the CME spot market moved upward this week. While the situation remains precarious, the bulls have clearly found some traction.

Renewed supply concerns have underpinned the rising prices. Additional information is emerging about the impact of avian influenza in California dairy herds and indicates that mortality among infected animals may be higher than originally believed. In addition, high temperatures are persisting in California, which is placing additional pressure on milk production in the country's largest dairy state. Output in other regions is faring somewhat better, particularly in the Midwest where cooler temperatures and high-quality feed are boosting both volumes and milk component levels.

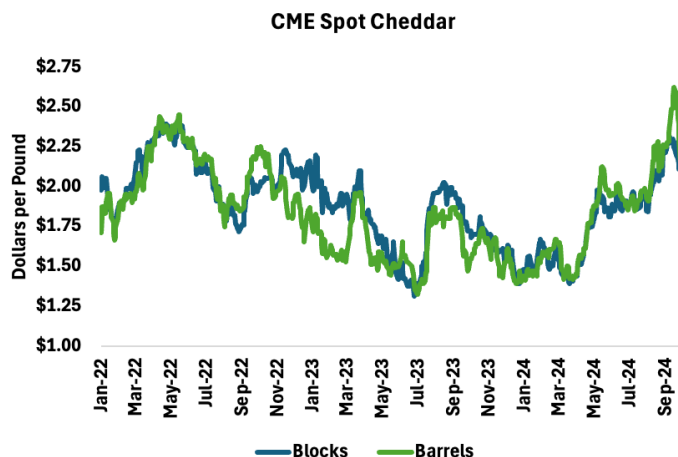


Stronger prices in the spot market helped to buoy futures prices over the course of the week. As of Thursday's settlements, Class III prices were sitting above \$20/cwt. in the first quarter of 2025 while Class IV prices perched above \$21/cwt. over the full year. Operating costs remain moderate, and the resulting strong margins should encourage expansion. While the familiar challenges of heifer availability and processing bottlenecks persist, the prevailing

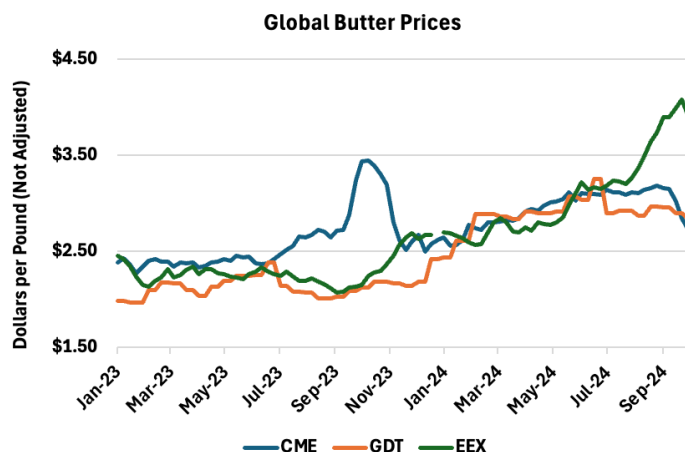
economics should motivate producers to bring more milk to market.

More milk would be welcome by dairy manufacturers, most of whom are paying a premium to procure spot milk. Cheesemakers in many parts of the country have maintained upbeat production schedules to meet demand. International cheese sales continue to be robust, according to market participants. Domestic demand has been mixed, but there have been bright spots as mozzarella sales have continued to impress and the success of meal deals has driven demand for barrel cheddar for processed cheese. Furthermore, the holiday season is around the corner and should support sales in the coming months.

Improved demand has encouraged price increases for spot Cheddar, particularly as U.S. cheese remains competitive against other international suppliers. Barrels saw the largest gains over the week as the price rose nearly every day and moved back above the \$2/lb. threshold. Ultimately, barrel prices ended the week at \$2.01/lb., up 12.25¢ from last week. Blocks made more modest gains, adding 3.75¢ during the week to end Friday's session at \$1.925/lb. as 16 loads traded hands. As a result, the block-barrel spread has once again inverted and stretched to 8.5¢.



But the real flurry of activity occurred in the butter market where an astonishing 161 loads of product traded hands during the week. This was the largest volume ever recorded, handily besting the prior record by 32 loads. Buyers are clearly still active and appear comfortable with current price levels. Despite heavy



buying, the price moved up just 3.5¢, closing the week at \$2.66/lb. Though European prices have relaxed from their recent highs, U.S. butter remains very competitively priced against global competitors. The U.S. is not typically a significant exporter of butterfat, but current market dynamics could push more product offshore.

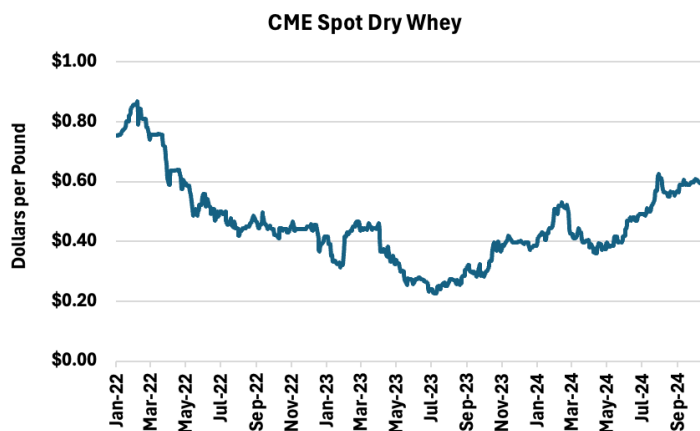
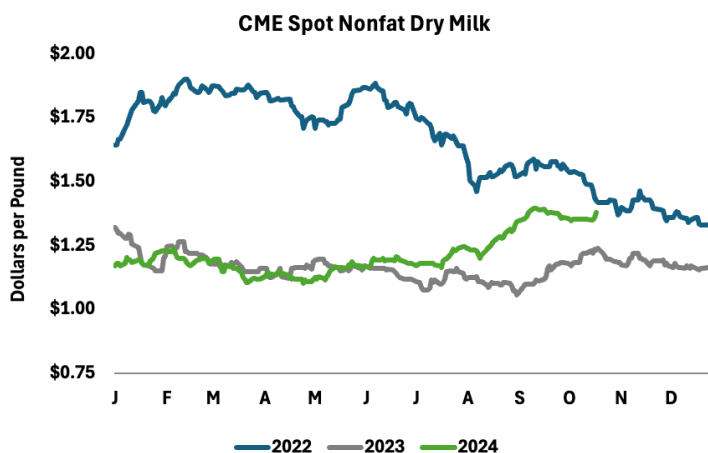
Meanwhile back at home, churns remain active, and butter production is robust. Cream is readily available across the country as strong butterfat tests promote

availability, even in areas where milk production is ailing. Dairy Market News notes that an uptick in cream cheese production in the East has siphoned off some cream supplies, but not enough to seriously restrict cream availability. Butter demand is healthy through retail channels as temperatures drop and baking season approaches. Nevertheless, stocks are ample, and market participants report that butter remains accessible.

On the other hand, production and inventories of nonfat dry milk (NDM) remain notably tighter. Some market participants have expressed concern about future supplies as the milk production issues are

mostly affecting California where a majority of NDM is produced. However, demand has also been weak as the appetite of both international and domestic buyers has reportedly waned. As a result, the spot price of NDM remained relatively stable this week, rising just 2.75¢ to finish Friday's session at \$1.38/lb. as a respectable 24 loads were traded.

Similarly, the spot price of dry whey edged modestly upward as supply and demand seem to be largely in balance. The price landed at 60.25¢ per pound on Friday, up by three quarters of a cent from the prior week. Activity was upbeat with 21 trades completed. While the dry whey market has exhibited enormous stability in recent weeks, trading in just a 7.5¢ range since August 1, market chatter is decidedly bullish. The high protein space continues to exert dominance over



the whey stream, constricting the amount of raw whey available for the production of dry whey. Limited supplies are expected to keep a floor under the dry whey market in the coming months

Activity in the grains markets was mixed over the week but when the dust settled, prices had softened slightly. Favorable weather conditions in major global growing regions eased prices downward, even as attacks on Ukrainian grain storage and shipping infrastructure intensified and threatened to disrupt cereals trade. Corn

and soybean prices remain at multi year lows and are contributing to favorable milk margins over feed costs. On Thursday, MAR25 corn settled at \$4.2125/bu. while JAN25 soybean meal settled at \$314.90/ton.