



The T.C. Jacoby Weekly Market Report

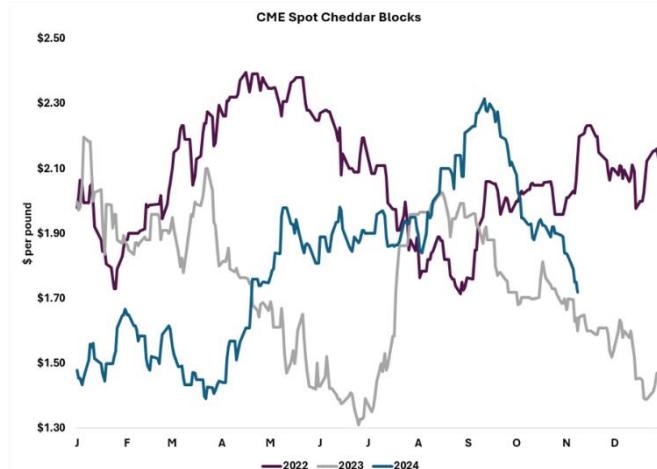
WEEK ENDING NOVEMBER 8th, 2024

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CME Spot Market for the Week			WHEY		
11/4/2024 to 11/8/2024			Avg Price	Qty Traded	4 wk Trend
			\$ 0.6200	10	
CHEESE BLOCKS			CHEESE BARRELS		
Avg Price	Qty Traded	4 wk Trend	Avg Price	Qty Traded	4 wk Trend
\$ 1.7680	5		\$ 1.8135	1	
BUTTER			NON-FAT		
Avg Price	Qty Traded	4 wk Trend	Avg Price	Qty Traded	4 wk Trend
\$ 2.6675	10		\$ 1.3880	11	

The cheese markets took another big step back this week. CME spot Cheddar blocks plummeted 11.75¢ and closed at \$1.72 per pound, their lowest price since April. Barrels lost a dime and finished at \$1.7675, also a six-month low. Cheddar production continued to lag year-ago volumes. In September, Cheddar output tallied 311.8 million pounds, down 2.6% from September 2023. Strong Mozzarella output lifted total cheese production to 1.16 billion pounds, on par with last year.



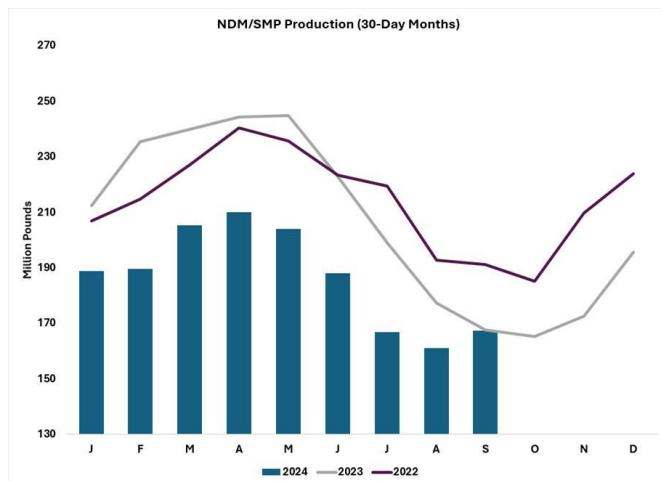
While cheese isn't moving abroad at the breakneck pace set early this spring, exports remain large. In September, cheese exports topped year-ago volumes by 7% and notched a new high for the month thanks to strong shipments to Central and South America.

Mexico's appetite for U.S. cheese appears insatiable. Cheese shipments south of the border are up 33% for the year to date.

Steady output and big exports are not a recipe for a steep setback in cheese prices. But these are not the only ingredients in the mix. Cheesemakers tell USDA's *Dairy Market News* that domestic demand is "steady to lighter." That's simply not good enough for a market bracing itself for several significant jumps in production. New capacity will ramp up over the next six months.

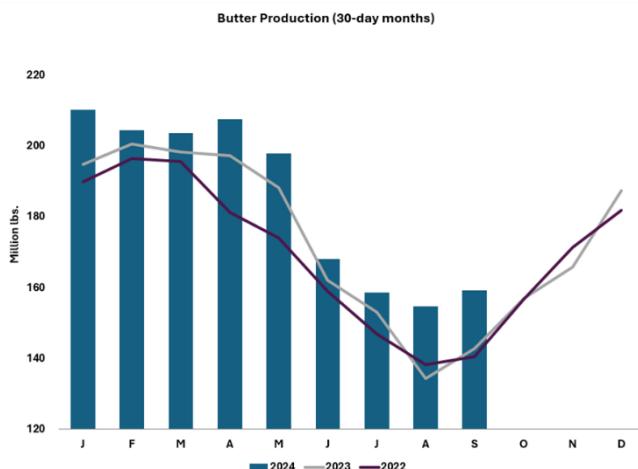
The butter market is also on the back foot. CME spot butter fell 2¢ this week to \$2.65. After two anxious years, butter buyers are entering the holiday season confident that supplies are adequate to fill the dairy case. Butter production bounced to 159 million pounds in September, up 11.6% from a year ago and the highest September output on record. Year-to-date butter production is also record large, up 5.9% from the first nine months of 2023. Butterfat tests remain high, and cream is plentiful and cheap.

U.S. milk powder production has lagged well below year-ago volumes in every month since June 2023. The milk production deficit and competition from other dairy processors kept milk away from dryers. But in September – when milk production topped prior-year levels by 0.1% – milk powder output rebounded to within 0.1% of September 2023 production. U.S. milk powder output is still down 14.1% for the year to date, but the trend may be shifting.



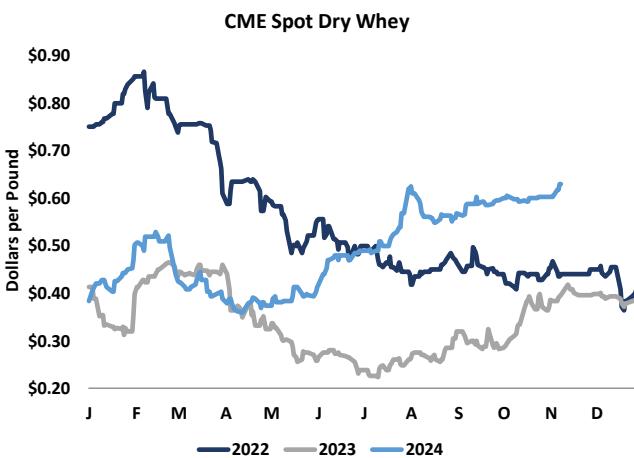
output in New Zealand is likely to stiffen competition in the export market. The surge in the dollar after this week's election also puts U.S. milk powder exports at a disadvantage. Global milk powder prices are climbing, highlighted by 4% gains at this week's Global Dairy Trade auction. But while the bulls were bold in Oceania, they were more cautious in Chicago. CME spot NDM inched up a penny to \$1.3875 per pound.

There is no such reticence in the whey powder market. CME spot dry whey rallied 2.5¢ this week to 63¢, its highest price since April 2022. American demand for protein grows relentlessly. The International Food Information Council's annual survey finds that 71% of adults are actively trying to consume more protein, up from 59% in 2022 and 67% in 2023. The dairy industry is striving to meet that demand, concentrating huge volumes of whey into high-protein concentrates and isolates. In September, production of whey protein isolates

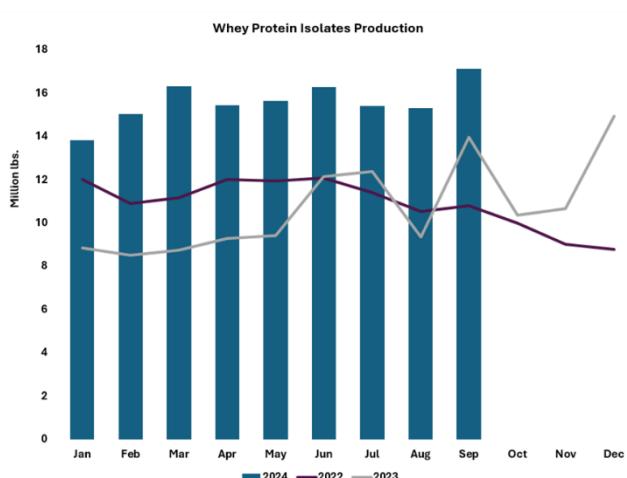


Cheaper NDM in the early half of the year and strong demand from Mexico allowed for decent exports in the third quarter. September NDM shipments were 15.6% higher than the year before, although they fell a little short of September 2021 and 2022 export volumes.

Low milk powder production and waning stocks paved a clear path for a late-summer rally. CME spot NDM climbed about 25¢ above its first-half average. But these higher prices have clouded the outlook. U.S. milk powder is now among the most expensive in the world. And rising milk



(WPIs) soared to an all-time high of 17.1 million pounds. January through September production of WPIs outpaced the prior year by 53%. This steep increase has limited dry whey output. In the first nine months of the year, production of whey powder for human consumption fell 9.9% from 2023 to the lowest year-to-date total since 1985, when U.S. cheese production was nearly three times lower than it is today. Whey powder inventories dropped to an eight-year low in September, setting the stage for continued strength in the whey market. That will pay big dividends for dairy producers. This year's Class III milk price is about 90¢ higher than it would have been had whey values remained at 2023 levels.



futures posted double-digit losses. The December contract fell 63¢ to \$19.05 per cwt. Class IV was mixed with modest losses nearby and steady prices down the board. Most Class IV futures are close to \$21.

The old-timers on LaSalle Street will tell you that "Big crops get bigger." The adage highlights USDA's propensity to take a cautious approach to yield estimates until they can make a full accounting long after the crop is in the bin. But this year's big crops did not "get bigger." In fact, after USDA shocked the market with its record-shattering yield forecasts this fall, it was forced to retreat. In today's monthly update, USDA trimmed its assessment of the corn yield by 0.7 bushels per acre compared to its October estimate. Still, at 183.1 bushels per acre, the national average corn yield is easily the highest ever, topping the record set last year by a convincing 5.8 bushels. There's no shortage of corn. USDA expects there will be 1.94 billion bushels left over when the next harvest arrives, which would be the highest carryover inventory in six seasons.

USDA made deeper cuts to its soybean yield estimate. The agency now pegs the national average soybean yield at 51.7 bushels per acre, down 1.4 bushels from its October estimate, a 2.6% decline. The revised numbers showed the yield tied with 2021 for the highest on record. While previous estimates projected a record-setting crop, the harvest is now expected to be negligibly smaller than the all-time high set three years ago. USDA also reduced its forecast for demand from crushers and foreign buyers. With that, the agency projects end-of-season stocks at 470 million bushels, 80 bushels less than it had forecast in October.

The unexpected declines in USDA's crop production estimates lifted benchmark corn and soybean futures to one-month highs. December corn closed at \$4.3125 per bushel, up 17¢ for the week. January soybeans climbed 37¢ to \$10.31. December soybean meal rallied \$2 to \$297 per ton. But the big picture hasn't changed. Grain and oilseeds are plentiful and inexpensive. The bins are full, and the market must keep prices low enough to entice importers in the face of stiff competition from South America, a strong dollar, and the potential for new trade battles.