



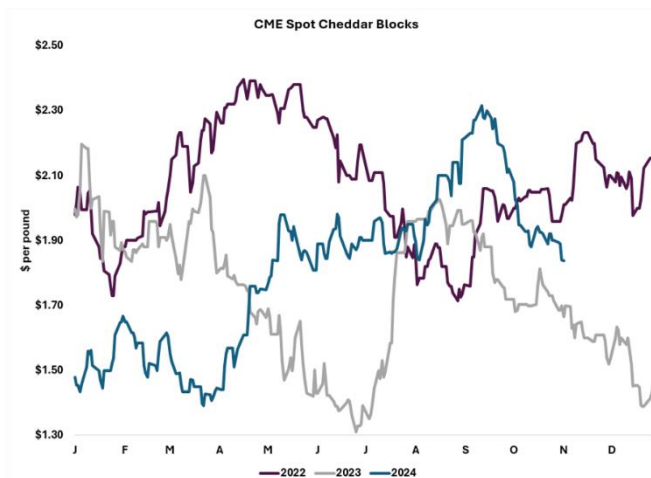
The T.C. Jacoby Weekly Market Report

WEEK ENDING November 1, 2024

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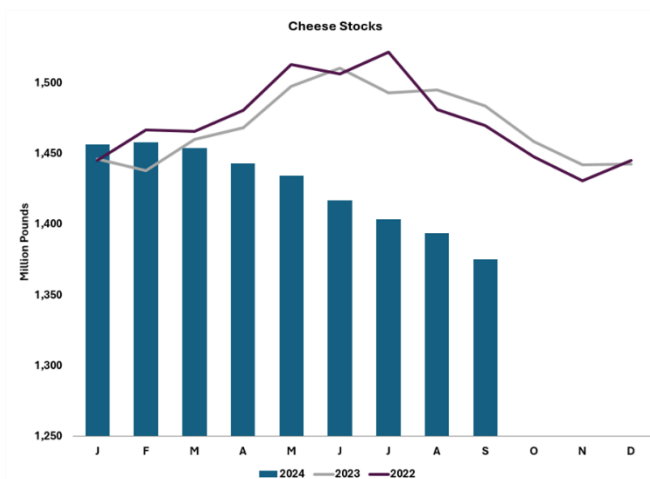
CME Spot Market for the Week 10/28/2024 to 11/1/2024			WHEY		
			Avg Price	Qty Traded	4 wk Trend
			\$ 0.6050	4	
CHEESE BLOCKS			CHEESE BARRELS		
Avg Price	Qty Traded	4 wk Trend	Avg Price	Qty Traded	4 wk Trend
\$ 1.8725	12		\$ 1.8825	4	
BUTTER			NON-FAT		
Avg Price	Qty Traded	4 wk Trend	Avg Price	Qty Traded	4 wk Trend
\$ 2.6895	9		\$ 1.3805	34	



It was an eerily quiet week on LaSalle Street, with no major reports for the dairy markets to digest. So the trade ruminated on some old news. Last week's Cold Storage report showed an impressive decline in cheese stocks from March to September. That implies excellent demand for U.S. cheese, driven by spectacular exports. But the Milk Production report showed that U.S. milk output has stabilized. The trade is left to assume that cheese output will step upward several times over the next few months as new and expanded plants start making product. If demand falters, supplies could grow quickly. That prospect spooked the markets this week. CME

spot Cheddar blocks dropped 6.25¢ this week to \$1.8375 per pound, the lowest price since May. Barrels slipped a quarter-cent to \$1.8675.

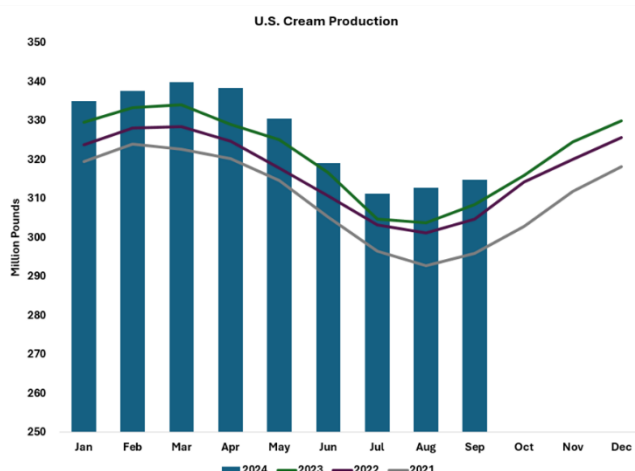
Butter retreated as well. CME spot butter dropped 2.5¢ to \$2.67. After more than two years of anxiety, butter buyers are finally confident that the larders are full heading into the holiday baking season. But when the price drops low enough, they're quick to stock up, as evidenced by record-setting trading volumes in mid-October. This week, just nine loads changed hands.



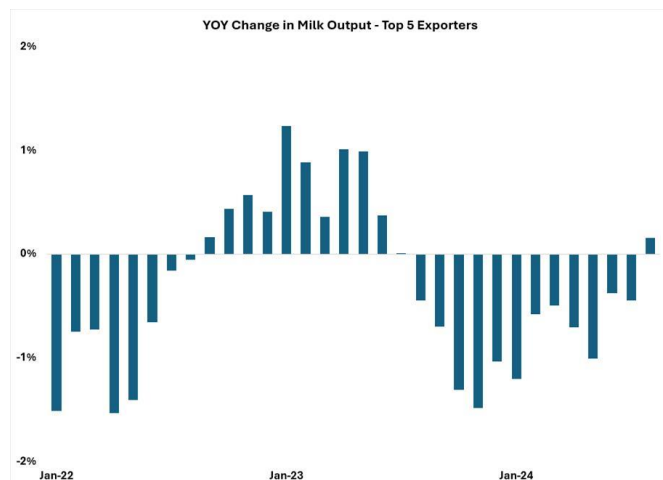
continue to grow.

The powder markets went nowhere at all. CME spot whey powder traded at 60.5¢ for its seventh straight trading session. Spot nonfat dry milk advanced 0.25¢ this week to \$1.3775. Milk powder production remains depressed as more tankers head to bottlers and cheese vats. And whey manufacturers are focusing most of their capacity on high-protein concentrates and isolates, leaving less whey for dryers. Low output is enough to keep prices supported, but not enough to propel them sharply higher. Amid poor demand from China and concerns about global consumers' propensity to spend, competition for exports is fierce. And it's likely to remain so as global milk output recovers.

The dairy markets are awash in cream thanks to relentless increases in butterfat component levels. Through September, the U.S. dairy herd made 0.7% less milk than in the first nine months of 2024. But over the same period, butterfat output jumped 1.9% year over year. That's made a huge difference in the value of cream. From coast to coast, cream multiples are trading below their seasonal averages. Opportunistic cream users, like butter churns, will find cream a more attractive purchase. U.S. butter output was already at all-time highs, up 5.3% year over year in January through August. Waning cream multiples suggest that U.S. butter production will



Combined milk production among the world's top five dairy exports fell short of prior-year volumes for 12 straight months. But the losing streak ended in August. Year-over-year gains in Australia, New Zealand, and the United States were more than enough to offset deficits in Argentina and Europe, outpacing August 2023 by 0.2%. However, August 2024 production was still lower than August 2021 and 2022 on a fluid basis, highlighting the depth of the milk production downturn in 2022 and late 2023. The shift back to

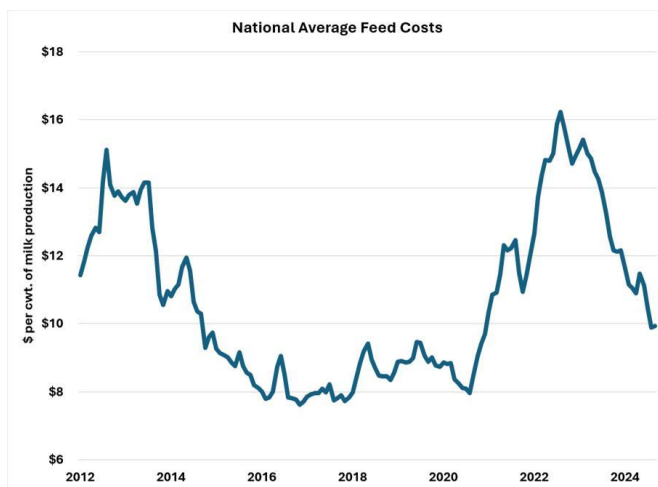


growth suggests that global dairy product values may not climb much further, particularly if China's imports remain soft. Prices are already high enough to spur continued gains in milk output, but rapid increases in European and U.S. milk production are unlikely, as dairy producers on both sides of the Atlantic are restrained by disease pressures and a shortage of breeding heifers.

The bird flu is ravaging dairy herds in California's Central Valley, home to about 16% of U.S. milk output. While the illness has hampered herd

health and milk production on farms in other states, the impact in California has been especially devastating. By most accounts, milk production has fallen harder and cows have suffered more than infected cows elsewhere. That may be because avian influenza is infecting California cows that have already struggled through a very hot summer or because this is a particularly virulent strain. Whatever the cause, milk output is down noticeably in the nation's top dairy state after holding firm in September. But, for now, the dairy markets seem unconcerned.

USDA announced the October milk price at \$22.85 per cwt. That was down 49¢ from the high mark set in September, but it will surely bring a smile to dairy producers' faces and please their bankers as well. October Class IV went off the board at \$20.90, down \$1.39 from September. The futures promise similar values down the road, with October Class IV futures around \$21 as far as the eye can see. But Class III prices are likely to fall well short of the September and October peaks. November Class III closed today at \$20.25, but December and later contracts settled in the mid-\$19s. That's more than enough to pay the bills, but U.S. milk revenues are not likely to be as lucrative as they were in the late summer and early fall.



The weather has been nearly perfect for farmers this autumn. An extremely dry September and October allowed for a rapid harvest with few headaches. Now most of the combines are parked and heavy rains are recharging parched soils. Regular rains are also helping crops in South America. Farmers in Brazil had delayed planting, waiting for spring rains. After an unusually dry winter, soybean planting got off to a slow start. But now that rains have arrived, planters are rolling. Benchmark corn and soybean contracts finished the week very close to where they began it, with December corn at \$4.14 per bushel and January soybeans at \$9.94.

But the soybean meal market took a big step back. December soybean meal closed at \$295 per ton, down another \$10 this week. Dairy rations are cheap and likely to stay that way.