



The T.C. Jacoby Weekly Market Report

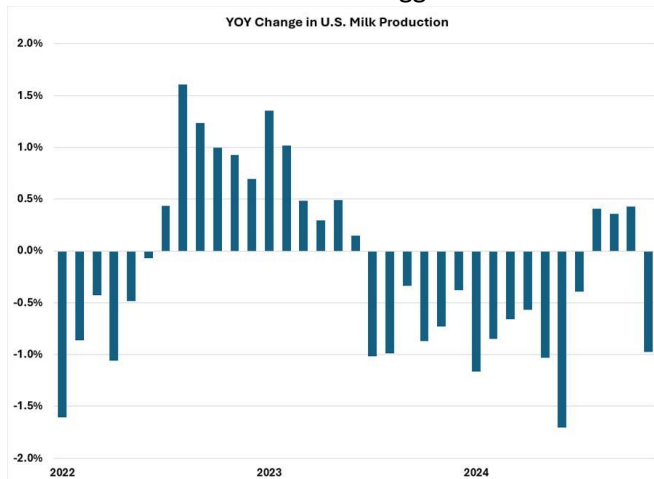
WEEK ENDING December 20, 2024

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CME Spot Market for the Week 12/16/2024 to 12/20/2024			WHEY		
			Avg Price	Qty Traded	4 wk Trend
			\$ 0.7440	11	
CHEESE BLOCKS			CHEESE BARRELS		
Avg Price	Qty Traded	4 wk Trend	Avg Price	Qty Traded	4 wk Trend
\$ 1.8500	13		\$ 1.7640	11	
BUTTER			NON-FAT		
Avg Price	Qty Traded	4 wk Trend	Avg Price	Qty Traded	4 wk Trend
\$ 2.5190	19		\$ 1.3795	15	

Bah! Humbug. California dairy producers are likely expressing their frustration with more colorful – but less festive – epithets as the bird flu ravages the nation’s foremost dairy state. In November, as roughly one in four California dairies struggled with avian influenza, the state’s milk production plummeted 9.2%



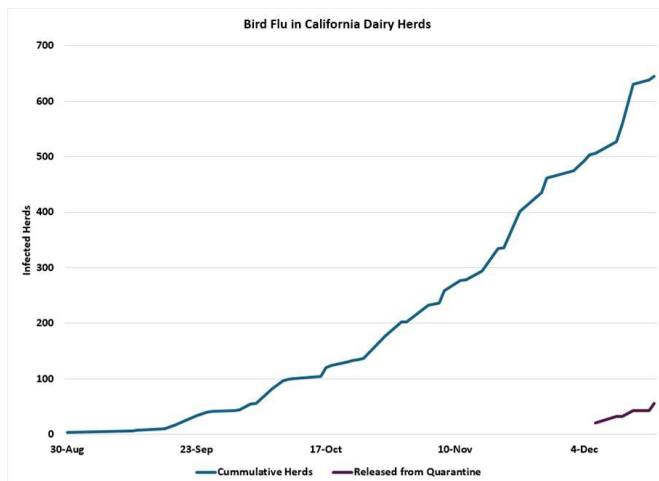
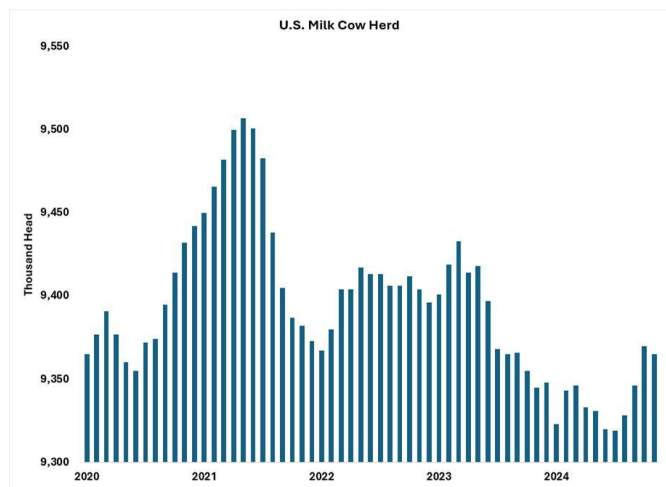
from a year ago, the largest-ever decline in a century of USDA records. The setback was steep enough to offset 0.8% growth in the rest of the nation. The Golden State deficit dragged U.S. milk output down 1% from a year ago to 17.9 billion pounds.

Milk production also dipped in the nation’s second-largest dairy state, with Wisconsin output down 0.3% from November 2023. But production easily topped year-ago volumes in the other major dairy states, led by a 7.3% increase in Texas. Idaho (+2.1%) and New York (+1.2%) rounded out the top five.

USDA revised upward its estimates of October milk production and dairy-cow head counts but reported a 5,000-head decline from October to November. That put the dairy herd at 9.365 million head, up 20,000 head from a year ago. That’s enough cow power to push milk production back to growth in the absence of avian influenza. But for now, the virus continues to weigh heavily on California milk output. The number of herds impacted by avian influenza climbed from 202 at the end of October to 461 at the end of November. By December 17 it leapt to 645 herds, affecting roughly 60% of dairies in the Golden State.

Governor Gavin Newsom declared a state of emergency which will unlock additional funding and encourage cooperation between state and local agencies. But it's unclear how this declaration will help to contain the bird flu when the state's already robust efforts have failed.

Across the pond, European milk output outpaced October 2023 by 0.9%. Bluetongue disease continues to hamper milk output in Germany and the Netherlands, but production climbed in other key milksheds. And on the other side of the world, New Zealand milk output was strong once again in November, up 2.1% from the year before. Kiwi co-ops aren't concerned about the rebound in milk output, thanks to hints that China is finally looking to bring in more dairy.

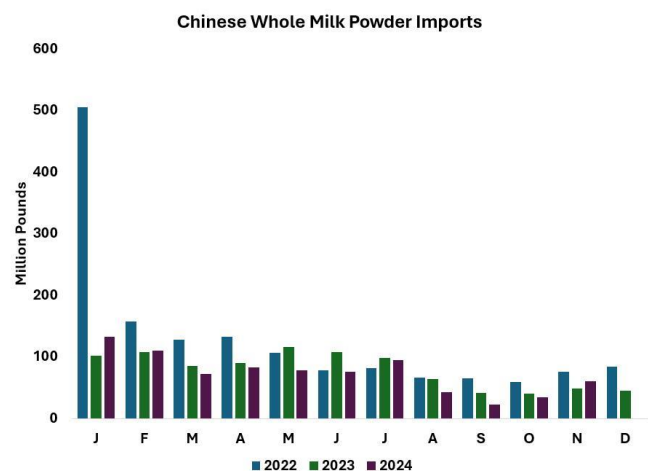


China imported 61 million pounds of whole milk powder (WMP) in November, 25% more than the year before. While it was easy to surpass the decidedly low volumes logged in November 2023, the improvement is noteworthy. This marks the first time that Chinese WMP imports have outpaced 2023 levels since January. Chinese skim milk powder imports once again fell well short of year-ago volumes. But Chinese whey imports climbed to their highest November volume on record, up 3% year over year. As long as a trade war doesn't complicate the U.S.-China trading relationship, better whey

demand increases the likelihood of a prosperous new year for the U.S. dairy industry. The U.S. accounted for 44% of Chinese whey imports in November.

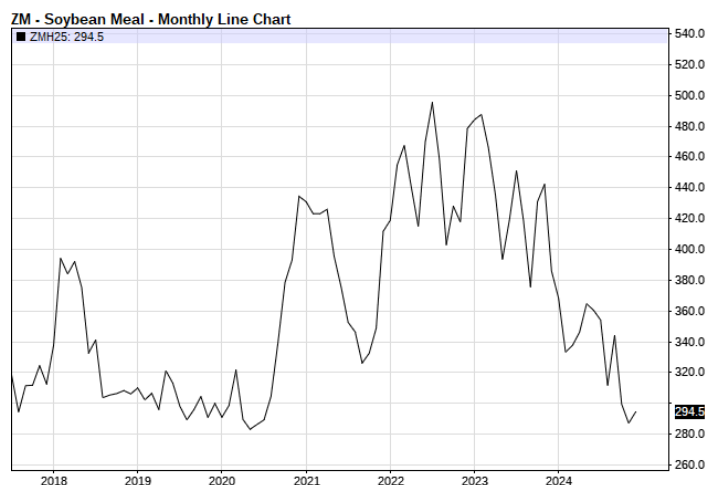
The shockingly low milk production figures had the bulls feeling merry this week. The trade assumes that lower milk output will mean lower milk powder output. Thus, CME spot nonfat dry milk (NDM) rallied 1.5¢ to \$1.3925 per pound, a two-year high. The butter market bounced back in a big way. It rallied 8.25¢ to \$2.555.

The cheese markets dropped hard in October and November, on the premise that new production capacity would overwhelm demand. But the newest plant has struggled with typical start-up issues. There is less cheese looking for buyers than many anticipated. Booming exports have further tightened supplies, and the market feels a bit snug. CME spot Cheddar blocks advanced 5.5¢ this week to \$1.855. Barrels climbed 3.25¢ to \$1.76.



Whey bucked the trend once again. Demand is strong, but prices are already quite lofty. CME spot whey fell 5.25¢ to 74¢.

Despite the sizable comeback in the cheese markets, Class III futures lost ground this week. While fresh cheese is relatively scarce, the forward-looking futures market remains concerned about the looming increase in cheese output. The setback in whey also pulled prices lower. January Class III fell 20¢ to \$19.79 per cwt. In contrast, Class IV futures climbed. Each of the first quarter contracts added 40¢ and closed at \$21. Although on-farm margins are not as thrilling as they were this fall, they are still positive for most producers, especially after accounting for significant beef income.



The feed markets swung wildly back and forth, swayed by the whims of the weather, politicians, and the Federal Reserve. The soy complex plummeted after the proposed – but ultimately failed – budget resolution offered generous handouts for farmers but no additional biofuels tax credits. The more hawkish tone from the Federal Reserve also soured sentiment in the export-dependent commodity markets. And great weather in South America further emboldened the bears. Soybean meal futures touched four-year lows on Thursday. But that was low

enough, apparently. Soybean and soybean meal futures came roaring back on Friday, likely fueled by profit-taking from investment funds who held massive net short positions and were looking to close them out before the end of the year. March soybean meal rallied \$8.80 to \$301.90 per ton. The Friday rebound wasn't enough to overcome early-week losses for soybeans. The March contract settled at \$9.7975 per bushel, down 15.25¢ from last Friday. March corn rallied 4¢ this week to \$4.46.