



# The T.C. Jacoby Weekly Market Report

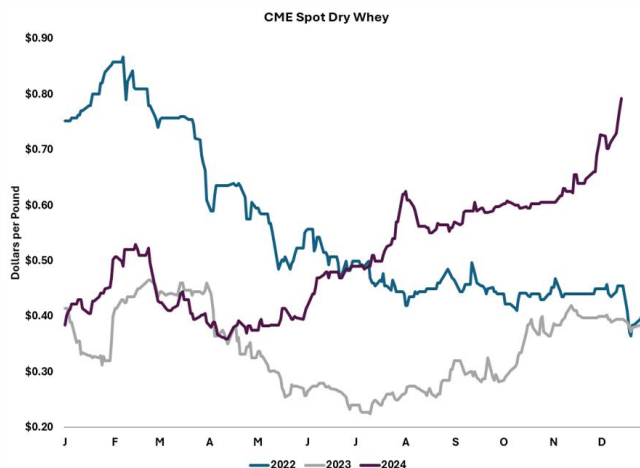
WEEK ENDING December 13, 2024

By Sarina Sharp, Market Analyst for the Daily Dairy Report  
Sarina@DailyDairyReport.com



CME Spot Market for the Week 12/9/2024 to 12/13/2024			WHEY		
			Avg Price	Qty Traded	4 wk Trend
			\$ 0.7510	7	
CHEESE BLOCKS			CHEESE BARRELS		
Avg Price	Qty Traded	4 wk Trend	Avg Price	Qty Traded	4 wk Trend
\$ 1.7595	14		\$ 1.7020	18	
BUTTER			NON-FAT		
Avg Price	Qty Traded	4 wk Trend	Avg Price	Qty Traded	4 wk Trend
\$ 2.5155	30		\$ 1.3815	20	

Class III futures bounced back bigtime this week, led by another strong performance in the whey market. CME spot whey powder rallied 8.25¢, notching a 12% increase in just five sessions. Spot whey now stands



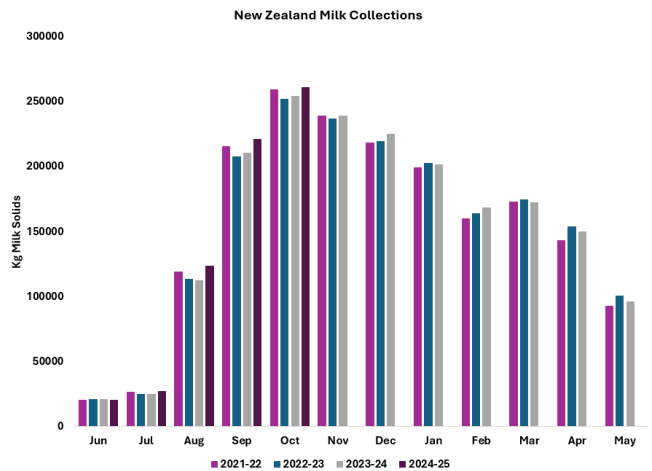
at 79.25¢ per pound, less than a dime from the historic high set in early 2022. While 80¢ whey proved unsustainable last time around, the latest rally may have more staying power. Manufacturers continue to direct as much whey as possible into the highest-protein concentrates and isolates, limiting production of commodity whey powder. Through October, U.S. whey powder output was 10.2% lower than the year before, and production has remained light into December. Whey protein concentrate prices continue to climb, evidence of nearly insatiable domestic demand for protein. The bears argue that new cheese production

capacity could boost whey supplies next year, and the futures reflect these concerns. They project that whey values will drop to a still lofty 70¢ by mid-2025. But for now, the bulls are in charge.

The cheese markets rebounded with surprising enthusiasm. CME spot Cheddar blocks jumped a dime this week to \$1.80, a six-week high. Barrels climbed 3.75¢ to \$1.7275. Milk is widely available, and cheese vats are full. USDA's *Dairy Market News* reports, "Inventories are growing week over week, even as demand is strong." Even after the rally, U.S. cheese is the cheapest in the world, and exports are flowing. The trade appears curiously unconcerned about the impact of new cheese production capacity and the potential for

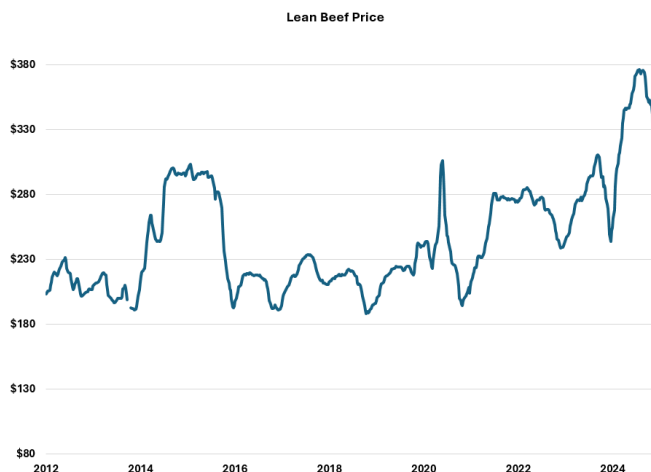
tariffs. The futures curve slopes upward, forecasting even higher prices in the second half of 2025. The market is offering producers the opportunity to lock in decent margins using Dairy Revenue Protection or similar risk management tools.

The Class IV markets took a step back this week. CME spot nonfat dry milk (NDM) inched lower, slipping 1.25¢ to \$1.3775. Global indications of milk powder prices are mixed. Prices retreated from recent two-year highs at the Global Dairy Trade's Pulse auction on Tuesday. But European benchmark milk powder prices inched upward as the weak euro helped European exporters win new business. In Oceania, milk powder merchants are thrilled to be sending more milk powder to China. After years of slow imports, Chinese milk powder inventories have dwindled, and Chinese buyers are once again looking abroad. Fonterra is so confident that Chinese business will continue to improve, they raised their pay-price forecast by 50¢ per kilogram of milk solids. New Zealand's largest cooperative now promises to pay farmers an all-time high of \$10 per kilogram. Fonterra CEO Miles Hurrell observed, "We're seeing a recovery in demand in Greater China as domestic milk production rebalances and demand from Southeast Asia continues to be strong." That's welcome news for Kiwi dairy producers, as milk solids output was 2.8% higher in October than the year before, at the peak of New Zealand's highly seasonal production cycle. For the season to date, New Zealand milk solids output is up 5% year over year, but lower than it was four years ago.



The butter market is suffering from a holiday hangover. Retailers are well stocked and refrigerated warehouses have plenty left over. U.S. butterfat output continues to impress, and we're bringing in record-setting volumes of butter from Ireland. New Year's resolutions are just around the corner, and consumers will soon switch from cookies to smoothies. CME spot butter fell 7.25¢ this week to \$2.4725, a new 2024 low.

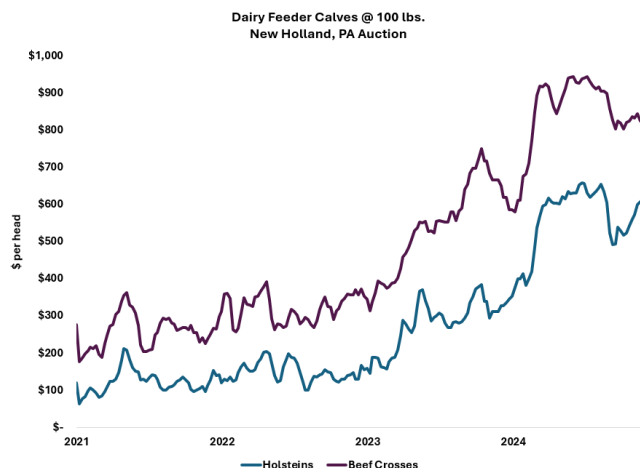
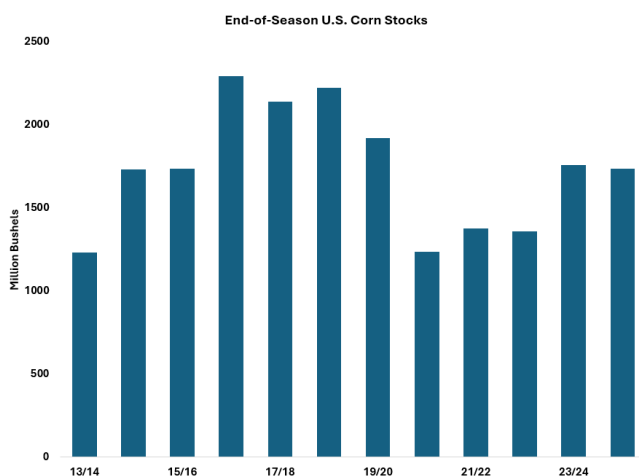
The setbacks in both powder and butter trimmed about a dime from first-quarter Class IV futures. But other Class IV contracts settled steady or even a little higher than last Friday's close, around \$20.60 per cwt. With both cheese and whey prices on the upswing, Class III futures surged. First-quarter futures traded briefly above the \$20 mark, and February through April Class III touched life-of-contract highs. They settled well north of \$19, up roughly 30¢ for the week.



Cattle futures also soared this week. Live cattle futures set an all-time high in June at \$195.65 per cwt. This week, December cattle climbed as high as \$193.825, making December 2024 the second-highest cattle futures contract in history. Dairy cull cow prices aren't nearly as close to their summer peak, due to seasonal declines in lean beef values. But cull cow checks are still much larger than they were at this time

last year or at any other point in history. And bull calf values are perking up from already high levels. Beef income is adding significantly to dairy producers' bottom lines, and the futures promise more of the same.

The old LaSalle Street adage still rings true. Low prices cure low prices. This week USDA acknowledged the healing powers of cheap corn, which has prompted record-setting ethanol production and a surge in exports. The agency raised its estimate of corn used for ethanol or export by a combined 200 million bushels. That was enough to push USDA's



projection for corn stocks on September 1, 2025 slightly below stocks leftover at the end of the previous season. There's still plenty of corn, but greater demand makes supplies feel less abundant. March corn topped \$4.50 per bushel on the heels of USDA's monthly update to its crop balance sheets. But amid concerns that exports may dry up due to a trade war, prices drifted back downward. March corn closed at \$4.425 per bushel, up a couple cents from last Friday. January soybean futures lost 6¢ and finished at \$9.89 per bushel. January soybean meal fell another \$1.40 to \$286 per ton.