



The T.C. Jacoby Weekly Market Report

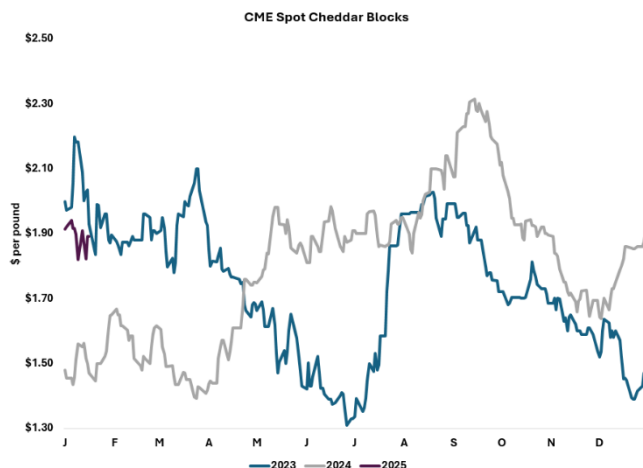
WEEK ENDING January 17, 2025

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CME Spot Market for the Week 1/13/2025 to 1/17/2025			WHEY		
			Avg Price	Qty Traded	4 wk Trend
			\$ 0.7380	4	
CHEESE BLOCKS			CHEESE BARRELS		
Avg Price	Qty Traded	4 wk Trend	Avg Price	Qty Traded	4 wk Trend
\$ 1.8825	13		\$ 1.8740	7	
BUTTER			NON-FAT		
Avg Price	Qty Traded	4 wk Trend	Avg Price	Qty Traded	4 wk Trend
\$ 2.5640	31		\$ 1.3680	6	

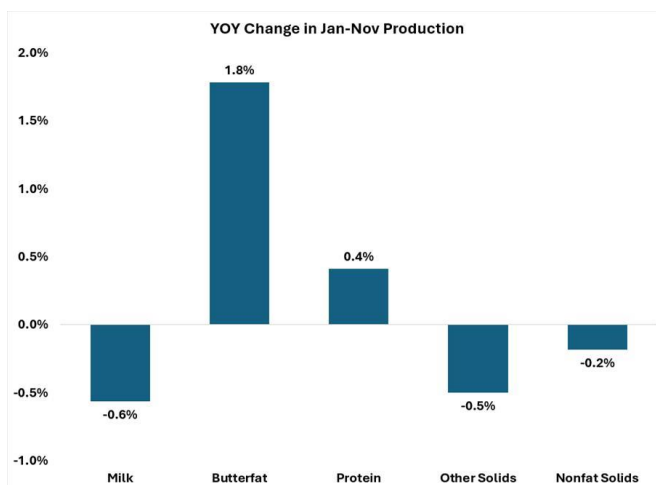
The cheese markets are searching for direction. In the rearview mirror, booming exports and a steep drop in U.S. cheese stocks argue for higher prices. On the horizon, a potential trade war, a strong dollar, and shiny new cheese plants have set the stage for a setback. Product from the new Kansas plant is starting



to hit the market in size, and a mozzarella manufacturer in Lubbock, Texas, took in its first loads of milk on Wednesday. But milk remains snug, which suggests that other cheese makers might not be filling their vats as often as they did in the era of steep spot milk discounts. The spot market reflects uncertainty as the market transitions from tight supplies to the possibility that output will overwhelm demand. Earlier this month, CME spot Cheddar blocks jumped to a three-month high at \$1.94 per pound. By last Friday, they'd fallen to \$1.82. They opened on Monday near the recent high at \$1.91, only to plunge to \$1.8225 by midweek. They closed

today at \$1.89, near the high end of the recent trading range and up 7¢ for the week. Barrels followed a less circuitous route to the same \$1.89 value, up 4¢ since last Friday.

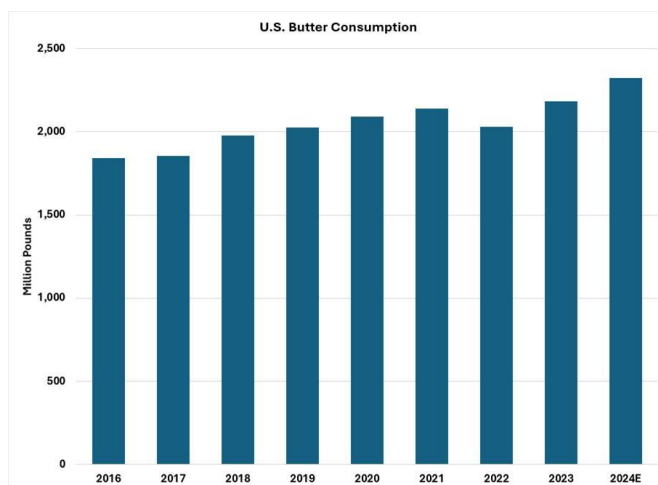
Whey prices remain stable as new year's resolutions and GLP-1s prop up demand for protein. CME spot whey slipped 0.25¢ this week to 73.75¢.



Milk powder values are also quite steady. CME spot nonfat dry milk (NDM) rebounded 0.75¢ to \$1.3725. Dryers are running slow thanks to the tight milk market and the lingering downturn in California milk output. Demand has fallen step-for-step with production.

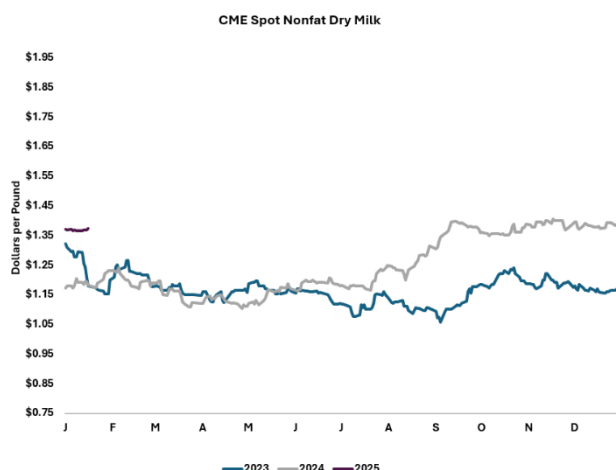
Butter prices caved under the weight of a heavy cream market. CME spot butter fell 7¢ this week to a one-month low at \$2.53. In uncharacteristically descriptive prose, USDA's *Dairy Market News* reports, "Drivers are hustling all over the East region with trucks brimming with cream." The agency also notes

that churns are running hard because they are "teeming with affordable cream." Milk may be tight, but high butterfat components assure that milkfat is not. Some butter makers are building stocks much earlier in the year than is typical, which suggests that we will have plenty on hand for the holiday baking season. But demand is formidable. Americans consumed – or at least purchased – 241 million pounds of butter in November, 22% more than in November 2023 and the highest domestic demand ever.



Red ink in the butter market dragged most Class IV contracts lower. The February through April futures fell 45¢ this week to around \$20.60 per cwt. But the May contract bucked the trend, posting steep gains on Thursday. Similarly, May Class III futures climbed 27¢ this week to \$19.58. Most other Class III contracts finished roughly a dime lower.

May milk prices rallied after USDA announced that at least two-thirds of dairy producers representing at least two-thirds of regional milk production voted in favor of federal milk marketing order reforms in all 11 orders. The agency announced that four of the five proposed changes will take effect June 1, while



increases in component levels in skim milk pricing formulas will be implemented December 1. Ahead of USDA's announcement, most of the trade surmised that changes would start to impact milk pricing formulas in either May or June. The fact that May futures began swimming upstream after a May start was off the table implies that dairy traders believe that higher make allowances and other reforms will drop minimum pay prices by around 30¢ per cwt. However, that will not result in a penny-for-penny decline in milk revenues thanks to official recognition of higher standardized components. And producers in the Southeast can

expect much higher pay prices due to changes in Class I differentials that reward milk production in regions where milk is tight and bottling demand is high.

Disease pressure continues to upend the dairy industry. Dairy producers in Germany were alarmed to learn that foot and mouth disease (FMD) killed three water buffalo in Brandenburg, outside Berlin. German officials quickly euthanized the other 11 buffaloes in the herd, along with all cloven-hoofed animals within one kilometer. For 90 days, Germany will not be able to issue veterinary certificates assuring the safety of meat and dairy for export. Such certificates are not required for exports within the EU-27, and, under the bloc's regionalization policy, even meat and dairy products from outside Brandenburg could move across the border. However, many European importers could eschew German products until they are confident the virus has been eradicated. A German farming cooperative estimates that even these minimal bans will cost German agriculture around €1 billion.

Until last week, there had not been a case of FMD in Europe since 2011. Anxiety about the unexplained infection is rippling well beyond Germany. The Netherlands determined that 125 Dutch farms had recently imported dairy calves from Brandenburg. France and Poland are stepping up livestock tracking protocols. Like their peers across the Atlantic, many European dairy producers raise young stock offsite and then move them to milk parlors at maturity. Temporary disruptions in cattle movement may not cut deeply into European milk output, but they won't make it easier to make milk on a continent already struggling with other disease pressures, onerous regulations, and underinvestment.

Corn prices just kept climbing this week as the trade came to grips with the reality of a smaller crop. March corn jumped another 13¢ to \$4.85 per bushel. March soybeans added a dime and reached \$10.35. Once again, soybean meal futures dropped. This week they lost another \$1 and closed at \$297.40 per ton.