



The T.C. Jacoby Weekly Market Report

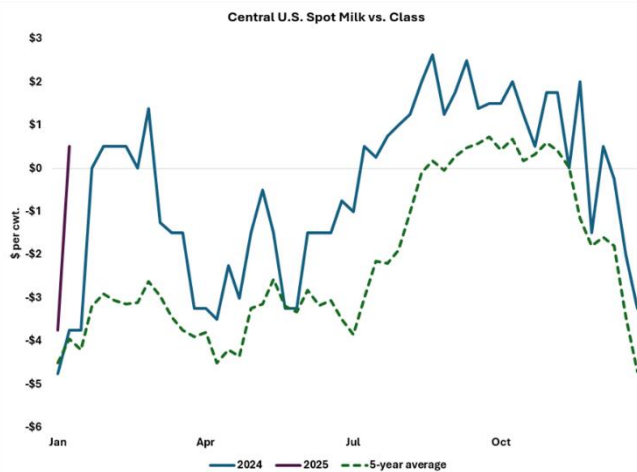
WEEK ENDING January 10, 2025

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CME Spot Market for the Week 1/6/2025 to 1/10/2025			WHEY		
			Avg Price	Qty Traded	4 wk Trend
			\$ 0.7415	3	
CHEESE BLOCKS			CHEESE BARRELS		
Avg Price	Qty Traded	4 wk Trend	Avg Price	Qty Traded	4 wk Trend
\$ 1.8975	19		\$ 1.8655	5	
BUTTER			NON-FAT		
Avg Price	Qty Traded	4 wk Trend	Avg Price	Qty Traded	4 wk Trend
\$ 2.5900	17		\$ 1.3670	34	

The dairy markets are adjusting to the post-Christmas routine. Traders are back at their desks, and milk bottlers are running full throttle. In addition to the typical post-holiday school milk and grocery case



restocks, bottlers are rushing to resupply in the wake of a snowstorm that sent southerners scrambling for milk and eggs. There were snowy streets, French toast breakfasts, and empty dairy cases from Texas to Tennessee. While spot milk often trades at steep discounts in early January, this week processors paid class to \$1 over, signaling that the milk markets are a bit snug.

Meanwhile, cream is abundant and cheap. High components provide plenty of butterfat for churns. In November, California butter production plummeted 12.8% year over year.

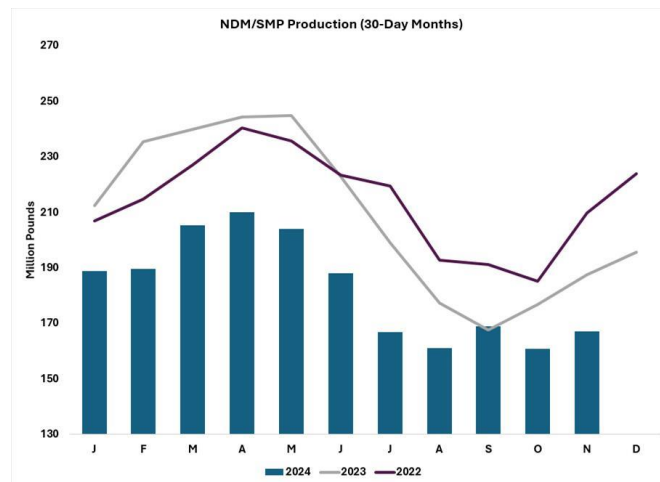
But manufacturers in other states more than made up for it. National butter production reached 170.8 million pounds, up 4.4% from November 2023. Butter makers are reportedly putting product away for later this year, but that hasn't rattled the market. CME spot butter rallied 4.75¢ this week to \$2.60 per pound.

Around the holidays, buyers were looking for cheese, and sellers were hard to find, prompting concerns that cheese was getting scarce. The Dairy Products report stoked those anxieties, as the much-anticipated uptick in U.S. cheese output failed to materialize. In November, U.S. cheese production slipped to 1.15

billion pounds, down 1.7% from the prior year. Cheddar output fell 3.4% compared to November 2023, setting the stage for shortages of fresh cheese eligible to be sold at the CME spot market. Another month of big exports further enlivened the bulls. Exporters sent 87 million pounds of U.S. cheese abroad in November, the most ever for the month and 2.4% more than already high shipments in November 2023. In the first 11 months of 2024, cheese exports were 17.5% ahead of the record set the year before, and shipments to Mexico topped the 2023 high by an astounding 30%. Cheese and Class III futures soared. But when sellers returned to LaSalle Street, fears of a fresh cheese shortage evaporated, and the bulls retreated in a hurry, prompting a steep Friday selloff. CME spot Cheddar blocks dropped a dime this week to \$1.82 per pound. Barrels added 2¢ and reached \$1.85.



As many American resolve to eat healthier in the new year, demand for high-protein whey products remains formidable. In November, production of whey protein isolates set a new high for the month, up 9% from November 2023. Meanwhile, whey powder output fell 1% from November 2023. But there are hints that commodity whey prices will struggle to climb from here. Whey exports fell 11.4% year over year



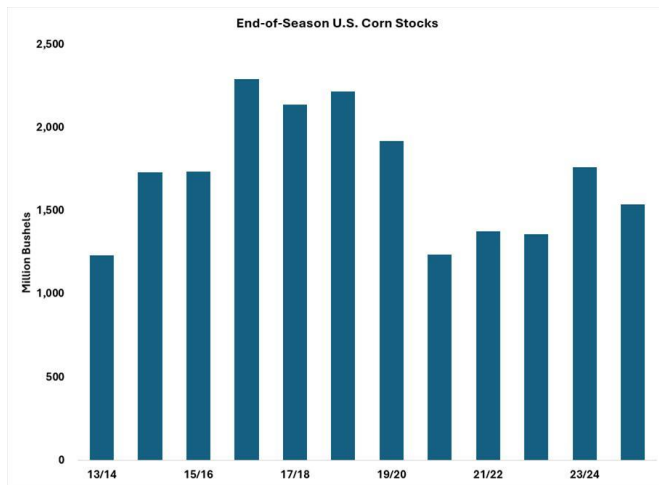
in November, and China shifted some of its considerable buying power in Europe's direction. Slower exports allowed whey powder stocks to rebound from October to November. While whey powder inventories are considerably lower than they were in the past, they've stopped going down, and prices have stopped going up. CME spot whey powder fell a penny this week to 74¢.

Milk powder bore the brunt of the November milk production deficit. Combined production of nonfat dry milk (NDM) and skim milk powder totaled 167 million pounds in November, down 10.9% from the year before and the lowest

November tally since 2013. But exports dropped by an even wider margin, falling 19.7% year over year. Shipments to Mexico fell 8.2% compared to November 2023, while exports to key markets in Southeast Asia dropped 43% year over year. Amid a strong dollar and stable prices, the U.S. is losing some business to its peers in Europe and Oceania. This week, milk powder prices fell roughly 2% at the Global Dairy Trade auction and CME spot NDM inched down 0.25¢ to \$1.365.

The futures were mixed. January through April Class III contracts lost about 20¢ for the week, but they're still relatively lofty, with first-quarter contracts north of \$20 per cwt. Class IV futures were generally steady to a nickel higher. The February contract settled at \$21.10. These are prices that will pay the bills with a little left over. Sky-high beef prices will further pad dairy revenues.

The 2024 harvest was much smaller than once thought. Just four months ago, USDA estimated the national average corn yield at 183.8 bushels per acre and it pegged the soybean crop at 53.1 bushels per acre. But in today's World Agricultural Supply and Demand Estimates (WASDE) and Crop Production reports, USDA published its final assessments of 2024 crop yields with corn at 179.3 bushels per acre and soybeans at 50.7 bushels. That's still the highest corn yield on record, but it's significantly lower than the trade had penciled in last fall. And, because farmers planted fewer corn acres, the 2024 crop was 474 million bushels smaller than the 2023 harvest. Meanwhile, low prices have spurred a boom in demand for U.S. corn from foreign buyers and ethanol processors. Strong demand and a smaller crop have tightened corn stocks considerably. Throughout last spring and



summer, USDA called for end-of-season corn inventories at 2.1 billion bushels. Today, they are forecast at 1.54 billion bushels, down 223 million bushels from the 2023-24 crop year.

As perceptions of U.S. corn supplies shifted from burdensome to merely abundant, prices rallied. December corn futures traded below \$3.90 per bushel in August, but today the March contract closed at \$4.71, up 20¢ for the week. That spells much higher grain costs for dairy producers than they expected this fall or even last Friday. But the overall impact on producers' feed costs will be smaller than the headlines suggest. Most producers priced their corn silage – and perhaps some of their grains too – at harvest, not far from the fall lows. Meanwhile, soybeans remain plentiful. While USDA trimmed its soybean production estimate, the agency raised its outlook for soybean meal production to a record-shattering 57 million tons, up 5.2% from the 2023-24 crop year. March soybean futures jumped 35¢ this week to \$10.265 per bushel. But March soybean meal fell \$10 to \$298.30 per ton, close to a four-year low.

