The T.C. Jacoby Weekly Market Report

WEEK ENDING January 3, 2025

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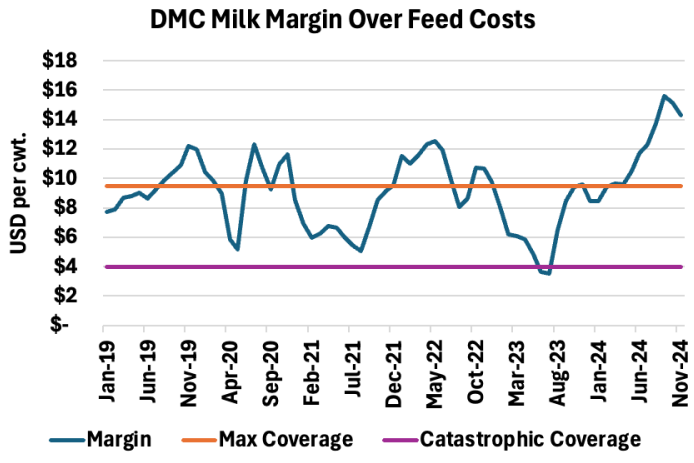
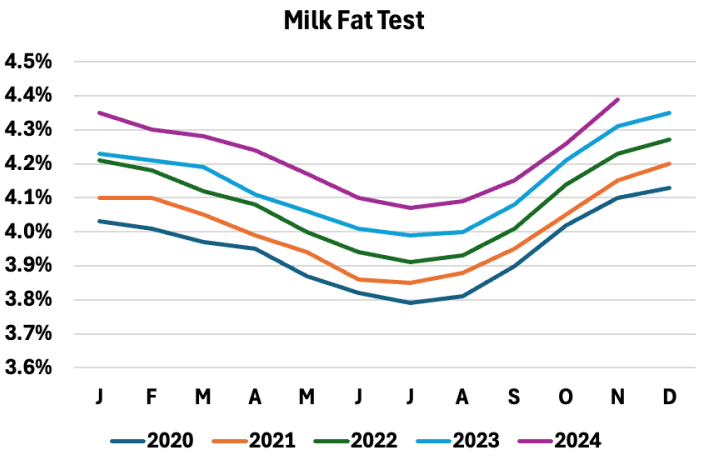
CME Spot Market for the Week			WHEY		
			Avg Price	Qty Traded	4 wk Trend
12/30/2024	to	1/3/2025	$ 0.7500	1	
CHEESE BLOCKS			CHEESE BARRELS		
Avg Price	Qty Traded	4 wk Trend	Avg Price	Qty Traded	4 wk Trend
$ 1.9163	5		$ 1.8275	3	
BUTTER			NON-FAT		
Avg Price	Qty Traded	4 wk Trend	Avg Price	Qty Traded	4 wk Trend
$ 2.5488	16		$ 1.3688	7	

As the new year unfurls before us, dairy producers and other industry stakeholders are preparing for the opportunities and challenges that 2025 will bring. For the moment, most parts of the country report that milk production is improving, facilitated by mostly mild winter conditions. However, with more frigid temperatures forecast for the coming days and weeks, inclement weather could have a negative impact on the sector. Production in California continues to struggle under the weight of animal health issues though slower processing schedules during the holiday season have eased tensions in the state.

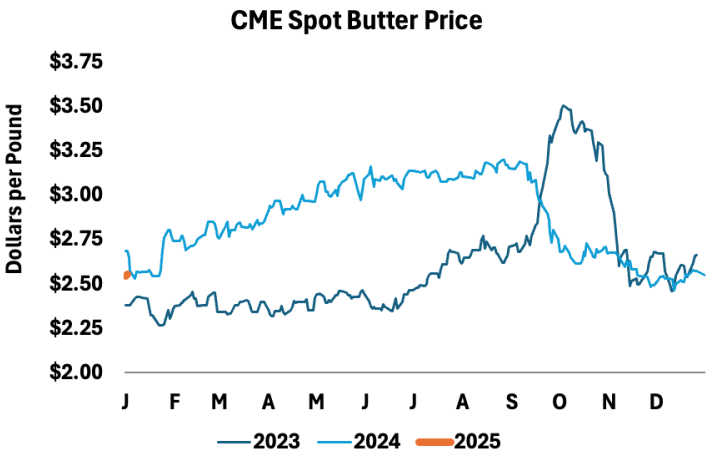


Producer profitability remains strong and should promote additional output in the coming months. November's milk margin over feed cost calculated as part of the Dairy Margin Coverage (DMC) program was announced at $14.29/cwt. While this indeed represented an 88¢ decline compared to October's figure, margins remain at the highest levels seen since the program was started in 2019. Feed costs stayed modest as the margin dip was due to a lower All-Milk price, which was reported at $24.20/cwt. in November, down one dollar from the prior month. Despite the decrease, milk prices are healthy by historical standards.

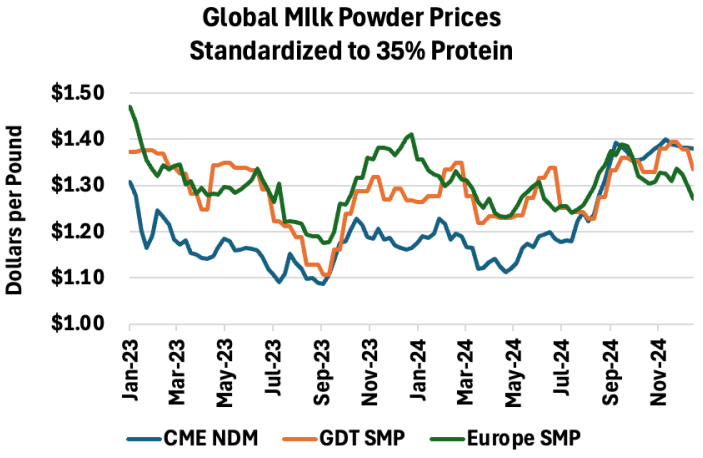
One of the major trends that characterized milk production in 2024 was rising component levels in raw milk. In particular, fat tests have soared to staggering heights as producers have embraced genetic advancements and management strategies that optimize milk solids content. Even as milk production wavered last year in liquid terms, higher component levels boosted dairy product output. This trend has increased the efficiency of the sector and is expected to persist in the coming months.



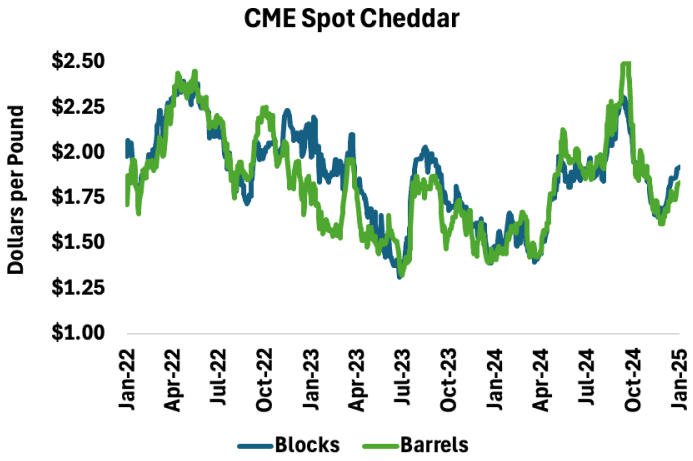
Rising fat levels have created an abundance of cream. At the same time, churning has slowed in recent weeks due to the winter holidays. This combination has rendered cream even more available and has put downward pressure on multiples. However, butter demand remains steady through both retail and foodservice outlets and manufacturers expect that production schedules should return to normal in the coming weeks. The CME spot butter price rode plentiful supply downward, falling 2.25¢ over the course of the shortened trading week to end Friday's session at $2.5525/lb. A total of 16 loads traded hands with all the movement occurring on Thursday and Friday.



On the other side of the Class IV complex, nonfat dry milk (NDM) also saw prices descend, bringing U.S. powder closer in line with the levels of international competitors. Spot prices at the CME dipped by a fraction of a cent in each of the four days of trading with losses totaling 2¢. NDM ended the week at $1.3675/lb. This is within a few cents of the most recent Global Dairy Trade auction result for skim milk powder (SMP), after adjusting for protein content, but remains about a dime above European values. While lower prices should make U.S. product more competitive on the global market, strong Class III manufacturing demand in 2025 is expected to pull milk away from dryers and keep NDM supplies tight.



The cheese market found a bit of strength moving into the new year as both blocks and barrels gained ground at the CME. Cheddar blocks added 4.75¢ over the week to close out today's spot session at $1.92/lb., the strongest price seen in two months. Meanwhile barrels rose by 6.25¢, including a 4¢ increase on Monday, to end the week at $1.83/lb. Activity was



moderate as 7 loads of blocks and 5 loads of barrels were exchanged. The winter holidays have kept retail demand for cheese robust, while foodservice demand has slackened somewhat. However, cheese production has slowed in recent weeks as manufacturers have adjusted their schedules to accommodate the holidays. *Dairy Market News* comments that cheese availability is mixed, depending on variety. Looking ahead to 2025, with significant cheese capacity forecast to come online or ramp up, the U.S. appears poised to see meaningful gains in cheese production.

Increased cheese production is expected to throw off an ample whey stream. However, extrapolating the trends experienced in 2024, it seems probable that the majority of this whey will be routed toward the output of products with high levels of protein. This will likely come at the expense of dry whey production, which is expected to keep dry whey prices supported into the new year. For now, the dry whey market appears to have found stability as the spot price remained unchanged at 75¢ per pound with only one load moving during today's session.

Dairy producers benefitted from modest feed costs over much of 2024. The composite feed price reported for DMC dipped in November, falling 12¢ to $9.91/cwt. Soybeans were key in driving the ration cost lower. Soybean meal prices tumbled to $316.18/ton, down $26.67/ton as improved production prospects in South America coaxed the market lower. Premium alfalfa hay also contributed to lower feed prices, falling $1 to $235/ton. The declines in soybean meal and hay were partially offset by higher corn prices, which rose 8¢ to $4.07/bu. If current conditions hold, feed should remain plentiful and help to support producer margins over the near term. The grain futures markets inched upward for most of this week, but losses during Friday's session appear to have undone these gains.