The T.C. Jacoby Weekly Market Report

WEEK ENDING Febrary 21, 2025

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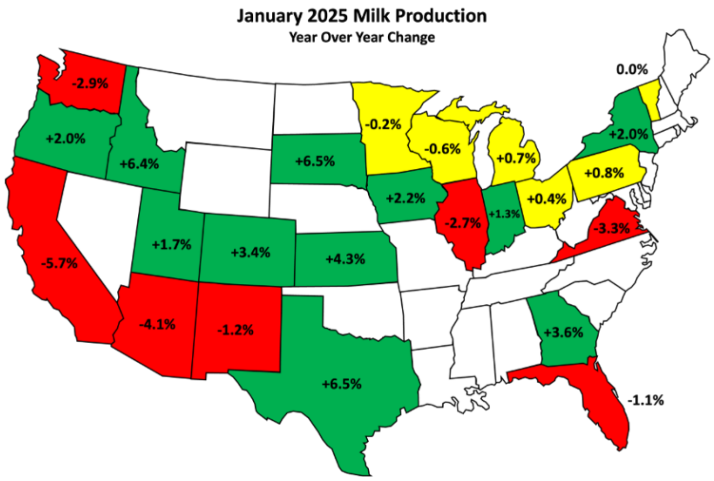
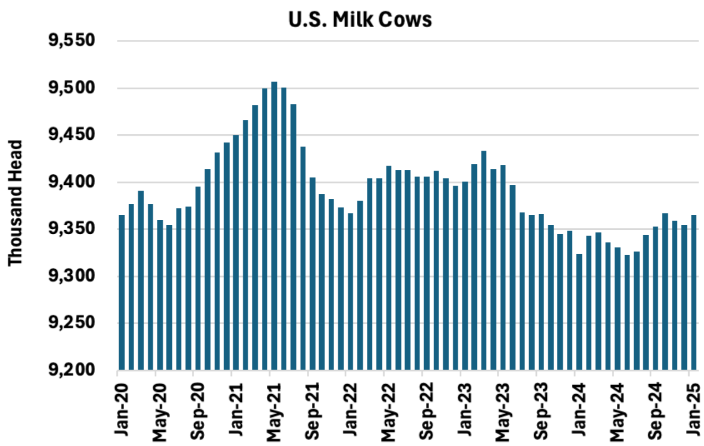
CME Spot Market for the Week			WHEY		
			Avg Price	Qty Traded	4 wk Trend
2/17/2025	to	2/21/2025	$ 0.5475	0	
CHEESE BLOCKS			CHEESE BARRELS		
Avg Price	Qty Traded	4 wk Trend	Avg Price	Qty Traded	4 wk Trend
$ 1.9044	3		$ 1.8019	5	
BUTTER			NON-FAT		
Avg Price	Qty Traded	4 wk Trend	Avg Price	Qty Traded	4 wk Trend
$ 2.4219	38		$ 1.2600	4	

U.S. milk production may have changed its tune. After slipping in the final months of 2024, output appears to have grown in January, rising to 19.1 billion pounds. The 0.1% increase reported in USDA's *Milk Production* report was modest, but nevertheless suggests that producers may now be responding to strong margins and overcoming animal health challenges in order to expand. Results were mixed across the top dairy states. California herds battled the lingering effects of avian influenza in January with yields tumbling and causing production in the state to fall 5.7% below last year's volumes. Production was significantly more upbeat in Texas and Idaho, which saw output rise by 6.5% and 6.4%, respectively.

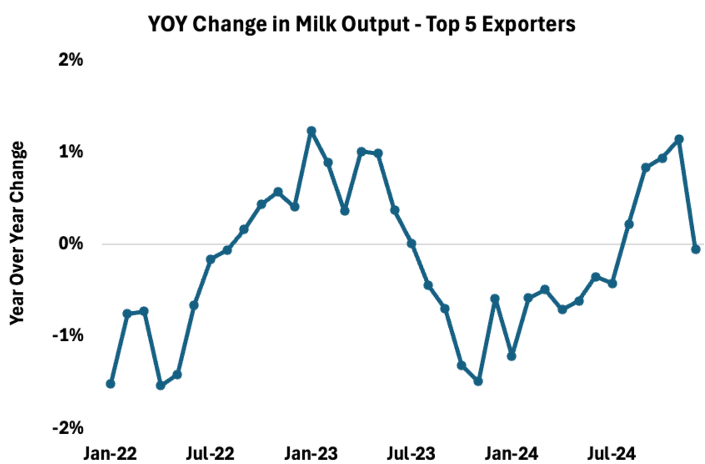


Despite the well-publicized challenges of heifer availability, rising cow numbers played a key role in shifting the trajectory of U.S. milk production. The national herd came in at 9.365 million head in January, representing a 10,000 head increase compared to December and an astonishing 41,000 head increase versus January 2023. Texas alone added 40,000 cows against the year prior, driving the strong production gains seen in the state.

Fluctuations in U.S. milk production during 2024 had an important impact on global supplies. After a volatile year, the gains and losses of global milk production ultimately canceled each other out. Cumulative output across the world's top five dairy exporters was virtually unchanged in 2024, falling just 0.1% compared to prior year. The gains seen late in 2024 evaporated in December, especially due to declines in Europe and the U.S.

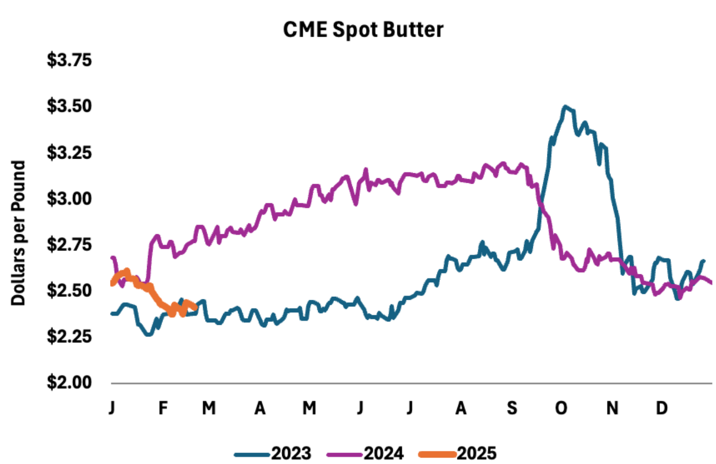


But with 2024 squarely in the rearview mirror, attentions have now turned to 2025. Those regions that have already reported January production have put up impressive figures. Argentina boasted a year over year production gain of 5.6% in January while New Zealand beat analysts' expectations and posted a 2.6% increase for the month. Kiwi production growth was even more impressive in milk solids terms which were up 5% versus prior year. However, questions persist regarding Australian and European performance, both of which struggled in late 2024.



With more milk on the horizon, and global demand relatively stable, prices may struggle to gain traction. After rising during the last two events, the Global Dairy Trade (GDT) Price Index slipped by 0.6% this week. Prices fell across every commodity except butter, which rose by 2.2% and continues to reflect the fat shortage outside of the U.S.

Within the U.S., however, fat remains plentiful and cream multiples persist at historically low levels. Producers continue to increase the component levels of their milk and typical seasonal trends are also contributing to the availability of fat across the country. Activation of new American-style cheese capacity could help to soak up some of this excess butterfat in the coming weeks and months, but market participants expect fat to remain long over the near term. Butter manufacturers have been capitalizing on the availability of cheap spot cream to keep their churns busy and prepare for the spring demand season. But their enthusiasm may be waning as some report that inventories are becoming burdensome.

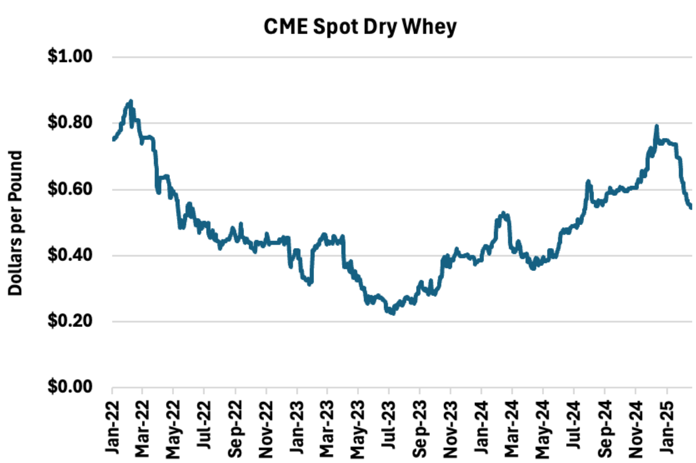


Despite overarching bearish tones, the spot butter market clawed its way upward at the

CME this week. Tuesday and Wednesday brought gains of 3.25¢ and 3¢, respectively as 27 loads of butter were exchanged over the two days. The momentum ran out in the back half of the week, however with losses seen on Thursday and Friday. At the end of Friday's session, the market settled at $2.415/lb., up 3.75¢ from last week with a total of 38 loads moving during the holiday-shortened week.

Butter was the only product to post a gain at the spot market this week as every other commodity lost ground. The most dramatic decrease was seen in the nonfat dry milk (NDM) market which descended the final three days of the week to $1.24/lb., a decrease of 4¢ compared to last Friday. NDM buyers are lackadaisical as demand from both domestic and international sources remains muted. A 2.5% decline in the skim milk power price at Tuesday's GDT event did little to curry additional enthusiasm. However, with this week's decline, U.S. NDM now holds a price advantage over both European and Kiwi product, after adjusting for protein content, which could help to generate some additional interest from export buyers.

The cheese markets remained unsettled this week as buyers and sellers seek direction. Demand is reasonable, with retail sales outpacing those of foodservice. Spot milk is generally available for cheese manufacturers to pick up at a discount to class prices, but winter weather has caused operating challenges in some parts of the country. Mirroring the mixed market tones, Cheddar blocks lost 2.25¢ on Wednesday, before making a modest gain on Thursday, and finally ending the week at $1.90/lb., down 2¢ from prior week. Barrels gave up 1.75¢ over the week to close Friday's session at $1.80/lb.



After sliding dramatically downward since the beginning of the year, the dry whey market took a breather this week. The market lost a penny on Wednesday but made no other movements, closing the week at 54.5¢ per pound with no product changing hands. While higher protein products continue to garner the most attention in the whey world, dry whey production has begun to outpace demand, pushing prices downward.

The grain markets continued to chew on information related to weather in South America, geopolitical developments, and the fallout from a potential trade war. Corn markets didn't interpret the news dramatically as the MAY25 corn contract settled on Thursday at $5.1275/bu., up 4¢ from the prior Friday. Soybeans found a bit more inspiration as the MAY25 futures contract settled at $10.63/bu. on Thursday, up by a little more than a dime compared to the week prior. Feed prices are edging upward but remain modest by historical standards.