



The T.C. Jacoby Weekly Market Report

WEEK ENDING February 7, 2025

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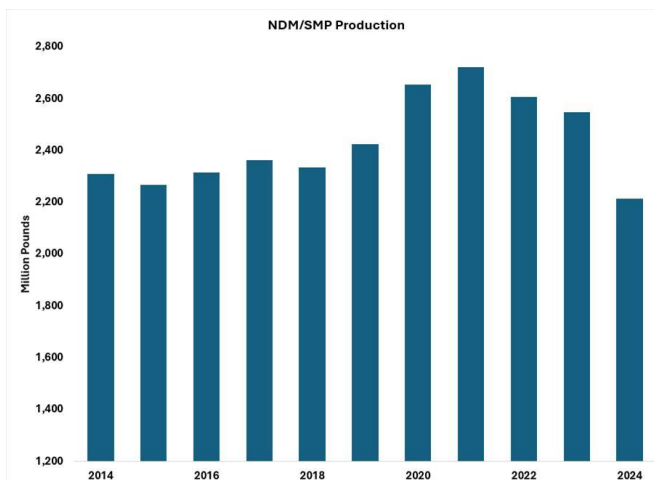


CME Spot Market for the Week 2/3/2025 to 2/7/2025			WHEY		
			Avg Price	Qty Traded	4 wk Trend
			\$ 0.6055	2	
CHEESE BLOCKS			CHEESE BARRELS		
Avg Price	Qty Traded	4 wk Trend	Avg Price	Qty Traded	4 wk Trend
\$ 1.8685	17		\$ 1.7970	7	
BUTTER			NON-FAT		
Avg Price	Qty Traded	4 wk Trend	Avg Price	Qty Traded	4 wk Trend
\$ 2.4100	14		\$ 1.3380	12	

It was a truly wild week on LaSalle Street. The dairy markets swung violently back and forth amid the on-again, off-again trade war. On Monday alone, the March Class III contract lurched more than a dollar from low to high. At its worst, it was 39¢ in the red, compounding a 70¢ loss last Friday. At its best, it was up 71¢ for the day. Milk prices remained mercurial throughout the week even as the trade spat cooled from tense to tepid.

The U.S., Mexico, and Canada agreed to a 30-day détente in exchange for efforts to slow the flow of drugs across our shared borders. There was no such pause for China. The U.S. upped its tariff on Chinese imports by 10% across the board, and China responded with a precision strike. It imposed tariffs on a limited number of U.S. energy products and vehicle imports, and it made some politically targeted sanctions.

Crucially, China did not include soybeans or whey in the list of U.S. products subject to a higher border tax, but it could up the ante and hit those products at any point.

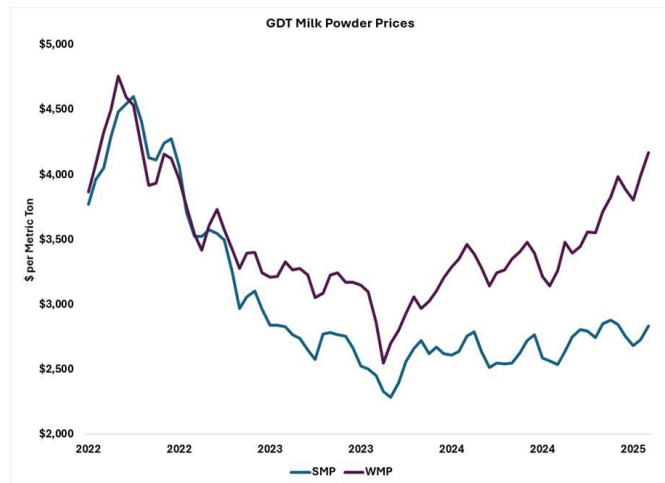


While the reprieve from a trade war with two of our three largest dairy export markets is a relief, the drama is not without consequence. Since the election, some U.S. milk powder exporters have been reluctant to overcommit. USDA's *Dairy Market News* described Mexican demand for U.S. milk powder as "subdued" and noted the chilling effect even on domestic buyers who "are taking a cautious approach in order to

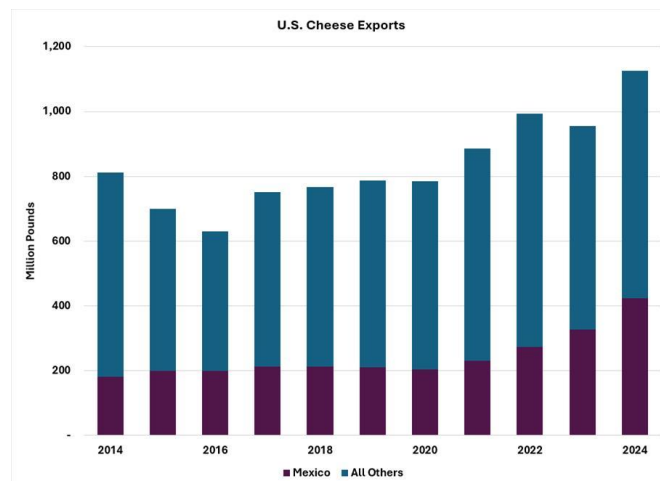
avoid catching the proverbial falling knife.” U.S. milk powder exports were indeed subdued in December. They fell 23% year over year to the lowest December tally since 2016.

U.S. milk powder output remains in the doldrums. December production was 15% lower than the prior year. For all of 2024, milk powder production slumped 13% to the lowest annual total since 2013. Nonetheless, thanks to slower exports, manufacturers’ stocks of nonfat dry milk (NDM) climbed in November and December.

With buyers on the sidelines, CME spot NDM fell 1.5¢ this week to \$1.33 per pound, the lowest price since August. The setback put the U.S. market at odds with global milk powder prices. At this week’s Global Dairy Trade (GDT) auction, whole milk powder (WMP) values jumped 4.1% to their highest showing at the GDT since May 2022. SMP prices leapt 4.7%.



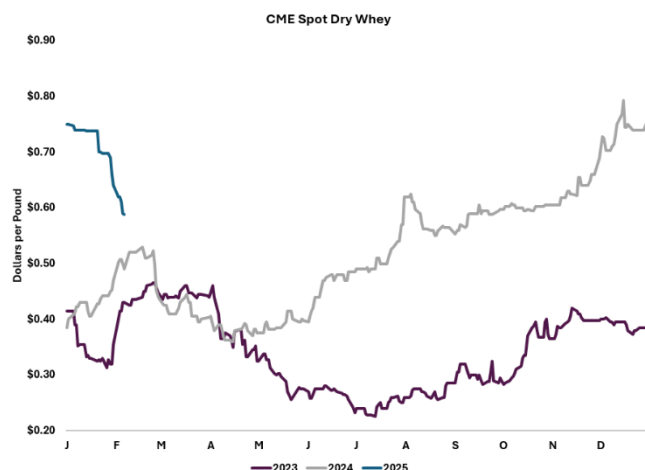
The other spot dairy markets also lost ground. CME spot Cheddar blocks fell 1.75¢ to \$1.86. Barrels dropped 3¢ to \$1.78. Cheese output fell 0.7% year over year in December to 1.2 billion pounds.



Cheesemakers focused on cheeses that are popular with foreign buyers – like Gouda and Mozzarella – or ready to be consumed immediately – Mozzarella, again. They made comparatively little American-style cheese that could sit in storage and drag on prices. In 2024, U.S. Gouda production jumped 30.2% to a record high, while Mozzarella topped the previous 2023 record by 3.6%. Meanwhile, Cheddar output fell 6.1%.

Booming exports cut deep into U.S. cheese supplies. The U.S. sent 97 million pounds of cheese abroad in December, the most ever for the month and 21% more than in December 2023. That lifted the annual tally 178% from the 2023 total. Exports used up 8% of U.S. cheese production in 2024, the most ever. Record-shattering exports to Mexico drove the increase. Shipments outpaced 2023 sales by 30% and accounted for 38% of total cheese exports.

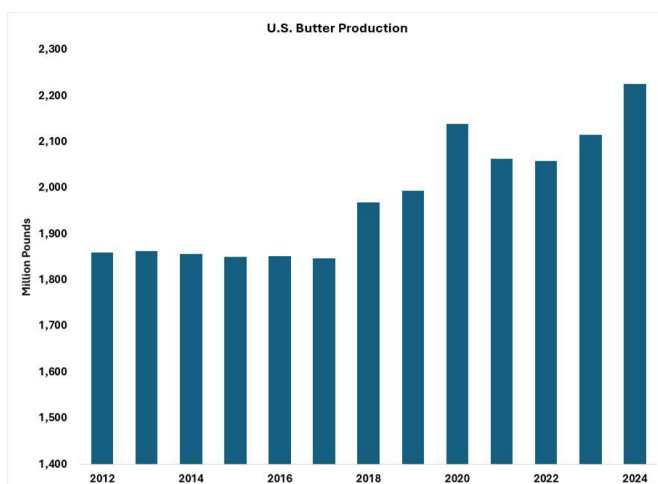
Low Cheddar output and red-hot exports would normally be bullish for cheese prices. But the forward-looking futures market is focused on looming increases in U.S. cheese production and the potential for a drop-off in shipments across the border. Mexico has promised to hit U.S. cheese imports with higher tariffs if the trade war heats back up next month.



Similar concerns about production increases have emboldened the bears in the whey complex. CME spot whey powder fell 5.25¢ this week to 58.75¢. Insatiable demand for high-protein whey products used up much of the whey stream last year, leaving very little raw whey for dryers. Whey powder output plunged to its lowest level since 1985. But U.S. capacity to make more high-protein whey concentrates and isolates is limited. As U.S. cheese output climbs, much of the new whey will be dried, which will likely boost stocks and drag on prices. CME spot whey powder fell 5.25¢ this week to 58.75¢.

High components continue to boost butter output. Last year, the U.S. made 0.5% less milk than in 2023, but it made 1.9% more butterfat and 5.2% more butter. Cream is cheap and churns continue to run hard. CME spot butter dropped 5.25¢ this week to \$2.38. Spot butter has fallen more than 80¢ in the past five months.

After all the back and forth, several nearby Class III contracts gained a little ground this week, while deferred contracts moved lower. Red ink from the spot market spilled over into Class IV futures. Most contracts lost roughly 40¢ and dropped below the \$20 mark. If they finish there, that will mark the first sub-\$20 Class IV price in over a year.



The grain complex was also volatile, trying to discern the whims of the White House. Additionally, the trade is concerned about crop stress in South America after an exceptionally dry January in Argentina and southern Brazil. South American farmers are still expected to put up a big harvest, but, much like U.S. corn and soybean crops in 2024, the final yield may be lower than was once expected. After much to-ing and fro-ing, March corn closed at \$4.865 per bushel, up 5.5¢ from last Friday. March beans rallied 6.5¢ to \$10.485. March soybean meal held steady at \$301.10 per ton.