The T.C. Jacoby Weekly Market Report

WEEK ENDING February 28, 2025

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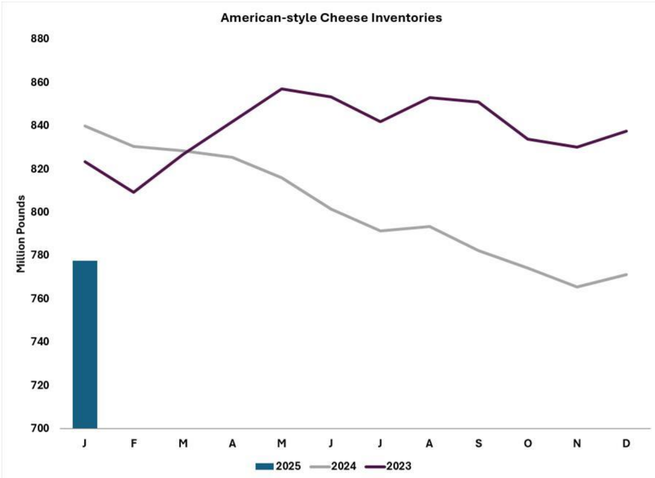
CME Spot Market for the Week			WHEY		
			Avg Price	Qty Traded	4 wk Trend
2/24/2025	to	2/28/2025	$ 0.5280	4	
CHEESE BLOCKS			CHEESE BARRELS		
Avg Price	Qty Traded	4 wk Trend	Avg Price	Qty Traded	4 wk Trend
$ 1.8550	13		$ 1.7945	8	
BUTTER			NON-FAT		
Avg Price	Qty Traded	4 wk Trend	Avg Price	Qty Traded	4 wk Trend
$ 2.3480	33		$ 1.2065	19	

Red ink flooded Chicago this week. The dairy markets suffered a deluge of data and news that invigorated the bears. The trade war heated up, while USDA highlighted abundance in its monthly Cold Storage report and at its annual Outlook Forum.

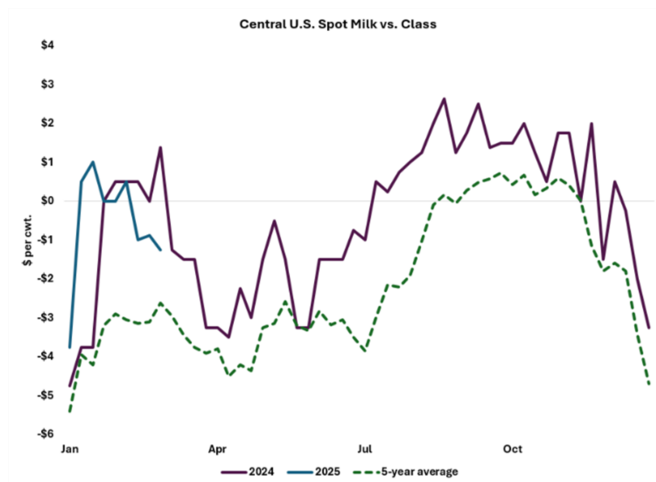
On Thursday, President Trump cleared up some confusion about the timing of a proposed 25% tariff on all U.S. imports from Canada and Mexico. He vowed on Truth Social that “the proposed TARIFFS scheduled to go into effect on MARCH FOURTH will indeed, go into effect, as scheduled.” President Trump also announced another 10% tariff on Chinese imports, on top of a 10% tariff hike that took effect March 4, and tariffs ranging from 10% to 25% on many Chinese products implemented during the first Trump administration. China responded to the February 4 tariffs with targeted tax hikes that did not hit U.S. agriculture. Beijing is expected to retaliate with more tariffs next week, which has put U.S. crop and livestock markets on edge. Mexico and Canada rushed to make a show of cooperation with U.S. efforts to combat fentanyl trafficking and illegal immigration, which won them a 30-day reprieve from the initial tariff threat. But this time around, retaliatory tariffs are reportedly on the table if the Trump tariffs take effect next week. That would not be good news for the U.S. dairy industry. The top markets for U.S. dairy exports are Mexico, China, and Canada.

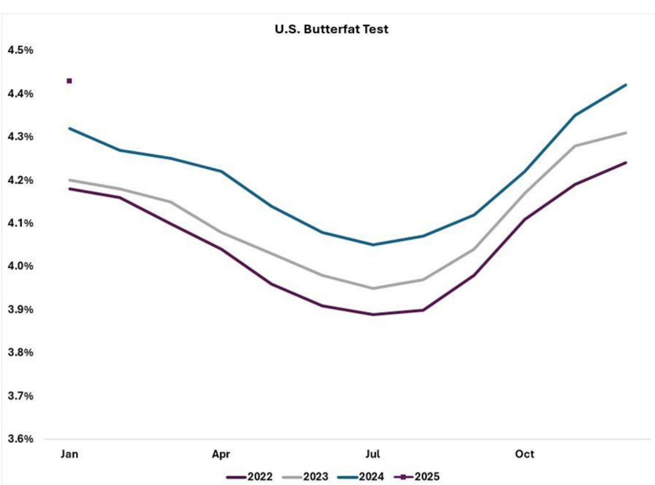
For most of the week, the cheese markets tried to stand their ground against the tide of negativity. But by Friday, they succumbed. CME spot Cheddar blocks plunged 12.5¢ to $1.775 per pound. Barrels fell 2¢ to $1.78. U.S. cheese supplies are relatively tight, thanks to record-shattering exports in both 2023 and 2024. There were 1.37 billion pounds of cheese in refrigerated warehouses on January 31, 5.7% less than there were a year ago. Stocks of American-style cheese trailed year-ago volumes by 7.4%, notching the lowest January volume since 2018.



But the forward-looking futures market remains concerned that new cheese processing capacity could quickly boost U.S. cheese supplies. While milk output is up only modestly from the very low levels of early 2024, there is more than enough for cheese vats, and spot milk is trading at a discount in the cheese states. In this environment, a setback in U.S. cheese exports to Mexico could be disastrous.

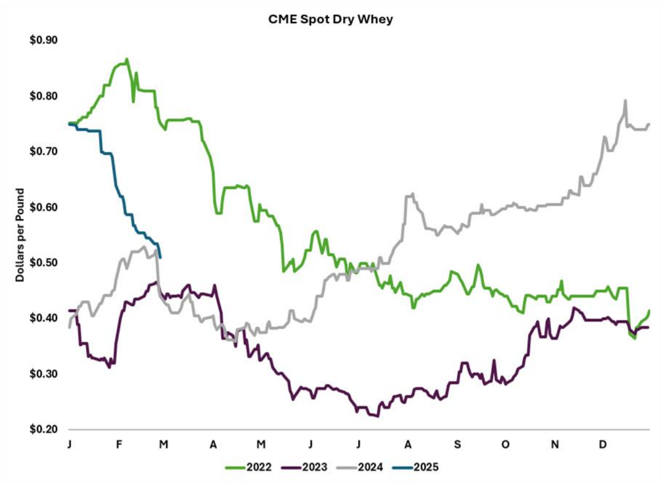
"Contacts who have spent noteworthy years in the dairy industry" tell USDA's *Dairy Market News* that "recent milkfat levels are like nothing they have ever witnessed." The average butterfat from all milk sold through Federal Milk Marketing Orders in January reached an all-time high of 4.43%. USDA also noted that "cream suppliers are under significant pressure to find homes" for cream, "butter plants are backed up," and delays at the churn "still exceed post-holiday levels of inflows." Even in the West, where the bird flu continues to drag on California milk production, cream multiples stand at their lowest level since the darkest days of 2020. Butter churns are running hard, but the larder is already pretty full. There were 270.28 million pounds of up butter in cold storage at the end of January, up 26% in just 31 days. Stocks were 9.2% higher than in January 2024. Demand is strong, but output is even stronger. CME spot butter fell 7¢ this week to $2.345 per pound, touching its lowest price since April 2023.





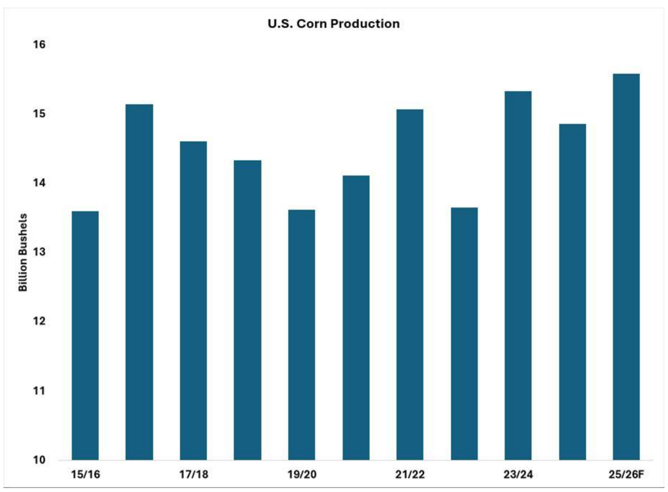
The powders just keep dropping. CME spot nonfat dry milk (NDM) retreated 4¢ this week to $1.20, its lowest price since July 2024. Milk powder users on both sides of the border are buying on a hand-to-mouth basis, betting that the uncertainty around U.S. trade policy means even lower prices ahead.

CME spot whey fell 3.5¢ to 51¢. It also scored a seven-month low. Market participants tell *Dairy Market News* that demand for whey powder is "moderate." Consumers remain hungry for high-protein concentrates and isolates, but production of those products is nearly maxed out. Greater cheese output means more whey available to be dried into powder, and prices are dropping accordingly.



The setbacks in Chicago and the flurry of news out of Washington, D.C., weighed heavily on milk futures this week. Most Class III and IV contracts lost between 25 and 50¢ this week. Class III futures faded to the low $18s, with the June contract at $17.88. Class IV milk traded in the high $18s and low $19s.

The corn markets finished last week at a seven-month high, but their stay at the peak was brief. Big rains in Argentina and an improved harvesting pace in central Brazil allayed anxiety about the size of South America's crops. The funds held huge net long positions in the grain markets, and they were quick to take profits at the first sign of weakness. Once the selling began, it was difficult to stop. USDA's Outlook Forum and heightened trade tensions injected the bears with steroids on Thursday, and the red ink continued to flow on Friday. May corn closed at $4.695 per bushel, down more than 35¢ for the week. May soybeans plunged 32¢ to $10.25. The May soybean meal contract closed at $300 per ton, down $4 this week.



USDA projects that farmers will plant 94 million acres of corn this spring, up significantly from 90.6 million acres last year. Actual acreage will almost certainly differ from the February estimate, but if USDA is in the ballpark this would be among the highest corn seedings in the past decade. Using a trendline yield at a record-high 181 bushels per acre, U.S. corn production in the 2025-26 crop year is tentatively predicted to reach nearly 15.6 billion bushels, which would be the largest harvest on record, by far.

Farmers aren't all that excited to plant corn at today's prices, which are not as high as those that prevailed last spring, when corn acreage was relatively light. But they're even less thrilled about soybeans. The February average price for November soybeans is 10% lower than it was in February 2024. USDA predicts that farmers will plant 84 million acres of soybeans this spring, down from 87.1 million in 2024. In a year of high input costs and somewhat low crop prices, farmers on the fringes of the Corn Belt will probably give a second look to forages and specialty crops. In a normal year, lower acreage might give soybean futures a boost. But with big inventories from last year’s harvest, another massive Brazilian harvest on the horizon, and the threat of a trade war with some of our most important foreign buyers, feed prices are likely to languish.