The T.C. Jacoby Weekly Market Report

WEEK ENDING March 14, 2025

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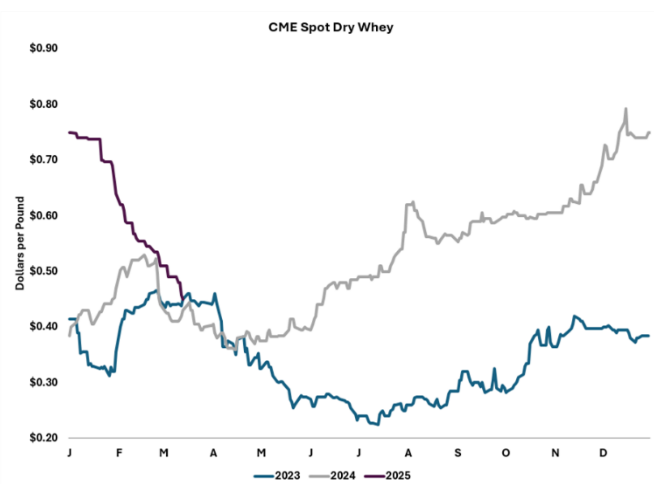
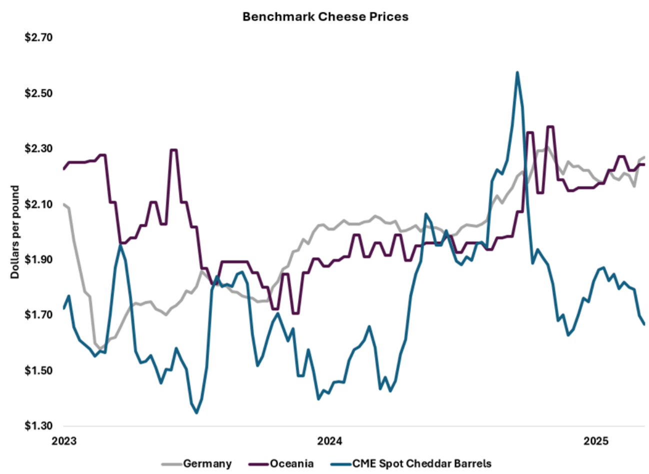
CME Spot Market for the Week			WHEY		
			Avg Price	Qty Traded	4 wk Trend
3/10/2025	to	3/14/2025	$ 0.4715	5	
CHEESE BLOCKS			CHEESE BARRELS		
Avg Price	Qty Traded	4 wk Trend	Avg Price	Qty Traded	4 wk Trend
$ 1.6950	26		$ 1.6680	13	
BUTTER			NON-FAT		
Avg Price	Qty Traded	4 wk Trend	Avg Price	Qty Traded	4 wk Trend
$ 2.3325	38		$ 1.1585	9	

The dairy markets are adjusting to the new regime. Trade threats – and new tariffs on U.S. dairy exports to Canada and China – have spooked the markets and slowed sales. USDA's *Dairy Market News* reports that nonfat dry milk (NDM) buyers "are hesitant to add stocks beyond near-term needs." Importers don't want to speak for milk powder that might face a tariff down the road. And domestic users are also going hand-to-mouth, anticipating further declines in this export-dependent market. Meanwhile, spring has arrived, and milk flows are climbing. The line-up at dryers is getting longer. CME spot NDM market perked up briefly this week, but it quickly retreated to $1.155 per pound, matching the 10-month low set last Friday.

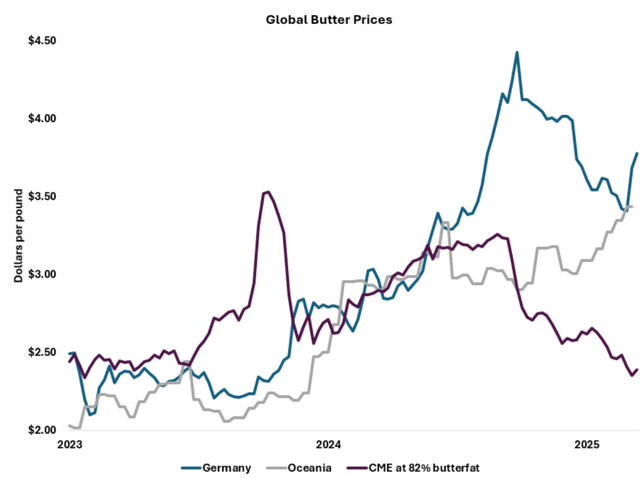


Whey prices just keep dropping. CME spot whey powder fell another 4¢ this week to 45¢, the lowest price since early June. USDA notes candidly, "There are growing concerns among market actors as to what international trading activity will look like over the next few months. Also, domestic end users are aware of market shifts and some report being uninterested in dry whey volumes that are priced above 50¢ per lb." The agency went on to describe the market as bearish "with few indications of the alternative in the near term." Demand for high-protein whey concentrates and isolates remains strong, but there's plenty of whey left over for powder.

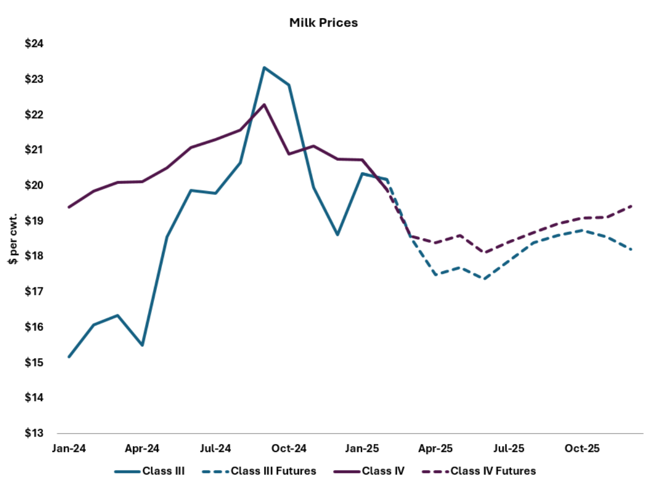


The bears had the run of LaSalle Street for several weeks. But, as it always does when the pendulum swings too far, the invisible hand swooped in to restore balance. While the powders continued to slide, other commodities in the dairy complex found their footing. CME spot Cheddar blocks jumped 7¢ this week to $1.6925. Barrels rallied 6¢ to $1.69. Butter added 3.25¢ and reached $2.3425.

Many of the factors that caused the February collapse are still in play. Cream is abundant and cheap. Churns are running hard. U.S. cheese output is growing. And domestic demand for cheese and butter is lackluster. But prices have fallen low enough to attract some attention. U.S. cheese and butter look especially affordable to foreign buyers. The dollar index is 5% lower than it was in early February, making foreign currencies stretch further when they purchase U.S. products. Meanwhile, dairy product prices in Oceania and Europe are steady to higher, widening the gap between U.S. and international values. Buyers willing to confront unsettled U.S. trade policy can scoop up products at bargain basement prices.



Unfortunately, the dairy industry is – potentially – winning exports by shrinking milk checks. The $19 and $20+ milk that prevailed from June to February has evaporated. This week Class III futures ranged from a June price of $17.36 per cwt. to the promise of $18.75 in October. The futures project Class IV milk from $18.10 to $19.42 this year. The recovery in the cheese and butter markets helped to lift most contracts by about 20¢ from last Friday. But milk revenues will be much lower – and margins much thinner – than they were in the second half of 2024.



It was another volatile week in the grain pits. May corn closed at $4.59, a dime lower than last Friday. The May soybean contract finished at $10.17, down 8¢. May soybean meal added another $1.50 and closed at $306 per ton. Corn and soybean futures are pricing in the risk that a trade war will cut into export prospects. Soybean and soybean oil prices are also under pressure amid concerns that the Trump administration will not reup the renewable tax credits that incentivize refiners to blend soy-based biodiesel and renewable diesel into the fuel supply. The volume of soybean oil used for biofuels dropped unexpectedly in January. If that trend continues, soybean and soybean oil prices could decline further. However, a setback in biodiesel production might cause soybean crushers to slow soybean oil output. That would also reduce U.S. soybean meal production, and tighter supplies could boost U.S. soybean meal prices. While a modest rebound in soybean meal prices is possible, U.S. dairy producers should expect that feed costs will remain moderate.