The T.C. Jacoby Weekly Market Report

WEEK ENDING March 21, 2025

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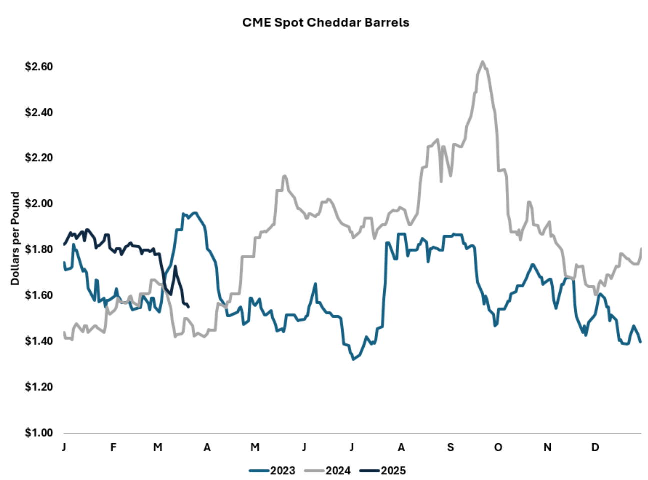
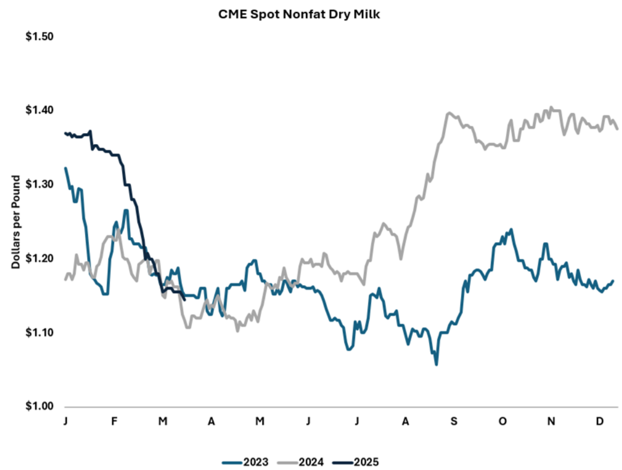
CME Spot Market for the Week			WHEY		
			Avg Price	Qty Traded	4 wk Trend
3/17/2025	to	3/21/2025	$ 0.4720	5	
CHEESE BLOCKS			CHEESE BARRELS		
Avg Price	Qty Traded	4 wk Trend	Avg Price	Qty Traded	4 wk Trend
$ 1.6095	23		$ 1.5750	11	
BUTTER			NON-FAT		
Avg Price	Qty Traded	4 wk Trend	Avg Price	Qty Traded	4 wk Trend
$ 2.2980	24		$ 1.1520	11	

The days are getting longer and milk production is climbing. It's officially spring. The Midwest welcomed in the new season with a few days of sunshine and then a snowstorm. The dairy markets were similarly tempestuous. After a long, cold winter the whey complex was unexpectedly sunny. CME spot whey powder jumped a nickel to 50¢. However, industry stakeholders tell USDA's *Dairy Market News* that demand is "lackluster" and inventories are growing. Buyers are much easier to find when whey is south of 50¢. These comments and rising milk output suggest that the rebound may be temporary. The bears are still circling the whey market.



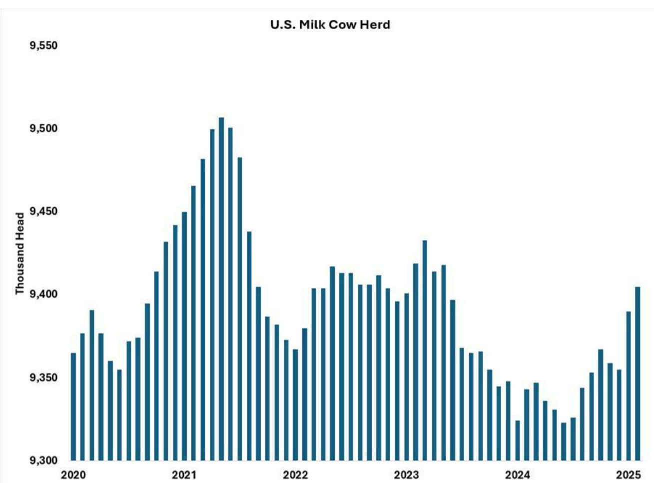
The other dairy products took sizeable steps back this week. CME spot butter fell 4¢ to $2.3025 per pound. Blocks dropped 9¢ to $1.6025. Barrels plummeted 14¢ to an 11-month low at $1.55. Spot nonfat dry milk slipped a penny to $1.145, its lowest price since May 2024.

The spot milk and cream markets reflect the season. Most loads of spot milk are changing hands at a discount, although the deductions are not as steep as they often are in late March. Cream multiples are extremely low, but market signals are working. Ice cream makers and other Class II manufacturers are ramping up production. Still, there's more than enough cream to go around, and USDA's latest Milk Production report suggests milk and cream will remain abundant.



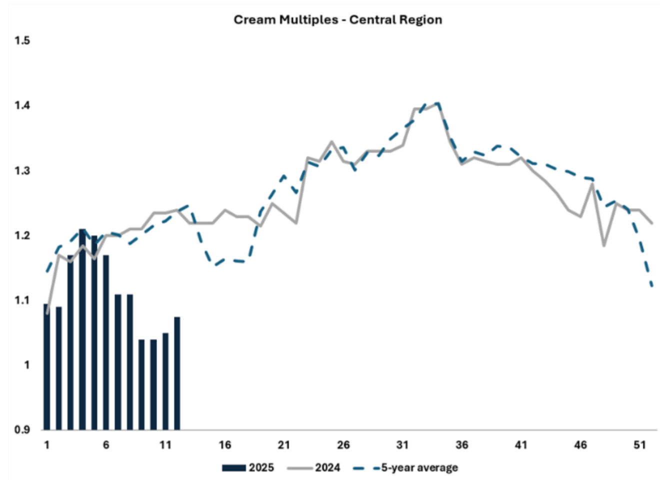
Dairy producers added more cows than previously thought in January. USDA raised its estimate of the January milk-cow herd by 25,000 head compared to last month's initial figure. That put the dairy-cow head count at 9.39 million in January, 35,000 head more than in December 2024. Producers continued to fill their barns in February, adding another 15,000 cows. Last month, the herd stood at 9.405 million head, up 62,000 from February 2024 and the highest monthly total since May 2023.

Lower cull rates have allowed producers to fill their parlors despite the heifer shortage. In the first nine weeks of 2025, they sent 89,000 fewer milk cows to beef packers than they would have at historical slaughter volumes. The increase in cow power boosted U.S. milk output to 17.73 million pounds last month, up 1% from February 2024 after adjusting for leap day. While 1% growth is historically unremarkable, it marks the largest year-over-year increase in U.S. milk output since February 2023.

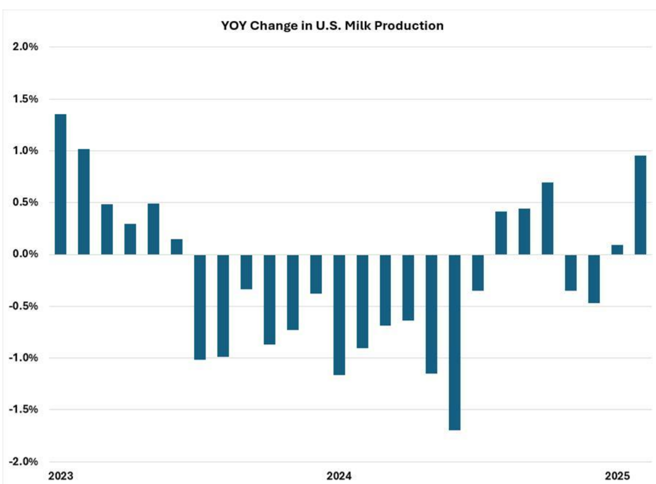


Nearly 18 months of very low cull rates and avian influenza have slowed growth in U.S. milk yields. Milk production per cow was 0.3% greater than in February 2024 and just 0.2% larger than in February 2023. Milk yields remained under duress in California, where most herds have suffered through the bird flu. Milk production and milk yields dropped 3.8% year over year in the Golden State after adjusting for leap day. Milk output also lagged year-ago volumes in Arizona, Illinois, Minnesota, New Mexico, Vermont, Virginia, and Washington. Meanwhile, output continued to grow at a rapid clip in Idaho, South Dakota, and Texas.

Greater milk output added to substantially higher cream production in both January and February. Thanks to higher butterfat tests, U.S. cream output surpassed the already lofty volumes of January 2024 by 9.1 million pounds. February cream output topped the prior year by 12.7 million pounds, a 4% increase. That's enough cream to make an additional 15.5 million pounds of butter. Higher component levels lifted February milk protein production by 3.1%, while output of nonfat solids was 2.3% greater than in February 2024. Dairy processors have plenty of raw material to convert to dairy products.



High milk prices motivated dairy producers to add cows and boost milk production in 2024. But prices are much lower today. This week April Class III dropped 66¢ to an unpalatable $16.90 per cwt. May through July Class III futures settled in the $17s. Most Class IV contracts lost around 30¢ and closed in the low $18s. These are prices that may not pay the bills, especially in the Pacific Northwest, where some producers are suffering very steep discounts to their milk checks.



Most dairy producers will face this latest dairy downturn just as they did the previous ones, by trying to keep the milk tank full and watching costs. They're not likely to cull cows at rates that result in empty stalls and reduce efficiency. However, the number of herds for sale is already starting to climb. Today's high beef and dairy cow values offer an easy exit ramp for those contemplating retirement. And duress in the Evergreen State is pushing cattle to greener pastures. A busier auction docket will allow some dairy producers to cull cows they would have sent to slaughter long ago if they had a heifer ready to fill the stall. Over time, this could result in a smaller dairy herd and, eventually, higher prices.

Better demand could also lift the dairy markets out of the bargain basement. Even after accounting for new tariffs, U.S. dairy products are competitively priced, especially when compared to dairy products priced in euros rather than dollars. The invisible hand will slowly bring U.S. dairy products to new buyers and boost prices, but it could be a slow, painful process.

May corn futures bounced back this week. They rallied 4¢ to $4.63. May soybeans lost another 7¢ and closed at $4.10. Soybean meal dropped a sizeable $6 and closed just shy of $300 per ton. The corn market has been buoyed by big exports. There are a lot of sales on the books. If exports continue at this pace, USDA could raise its estimate of corn demand in the final five months of the 2024-25 crop year. However, anxiety about tariffs remains at the fore. The grain and oilseed markets are in a holding pattern as they await the March 31 Prospective Plantings report and the proposed implementation of reciprocal tariffs on April 2.

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