



The T.C. Jacoby Weekly Market Report

WEEK ENDING May 23, 2025

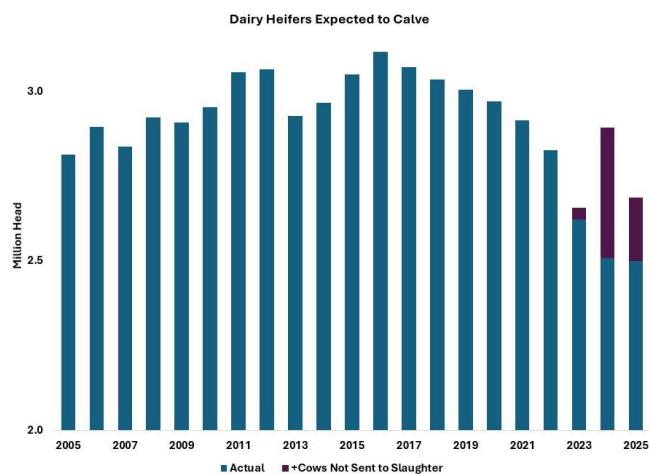
By Sarina Sharp, Market Analyst for the Daily Dairy Report
Sarina@DailyDairyReport.com



CME Spot Market for the Week			WHEY		
5/19/2025 to 5/23/2025			Avg Price	Qty Traded	4 wk Trend
\$ 0.5370	7				
CHEESE BLOCKS			CHEESE BARRELS		
Avg Price	Qty Traded	4 wk Trend	Avg Price	Qty Traded	4 wk Trend
\$ 1.9100	32		\$ 1.8550	13	
BUTTER			NON-FAT		
Avg Price	Qty Traded	4 wk Trend	Avg Price	Qty Traded	4 wk Trend
\$ 2.3620	39		\$ 1.2325	17	

For several years the heifer shortage restrained growth in U.S. milk output. But the invisible hand has proved its might once again. Given enough time and economic incentive, industries can turn scarcity into abundance. Dairy producers have managed this feat by culling significantly fewer cows than they did in the past, reducing their need for replacement heifers. In 2023, U.S. dairy

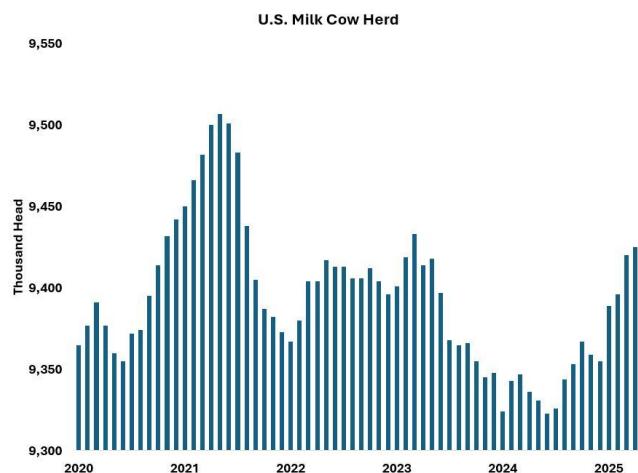
producers culled about 35,000 fewer cows than their average in the five previous years. Last year, despite the ravages of the bird flu, they kept 385,000 cows in the barn that would have gone to a slaughterhouse in a typical year. And so far in 2025, they've sent about 190,000 fewer cows to beef packers than they normally would.



Dairy producers are holding onto more than enough cows to grow the dairy herd. In the latest Milk Production report, USDA revised its estimate of the March milk-cow herd

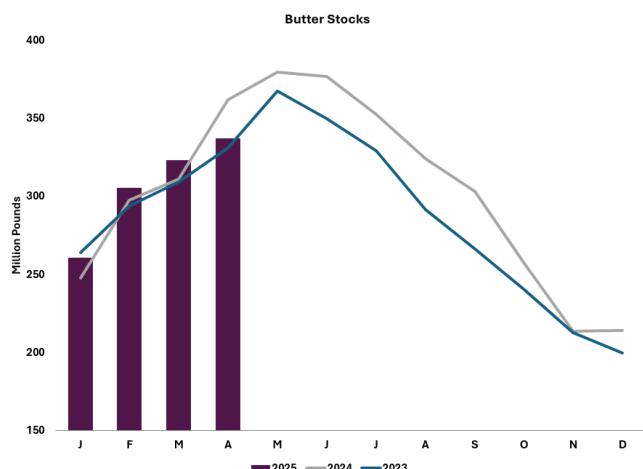
upward by 16,000 head and reported an additional 5,000-head increase from March to April. That puts the April dairy herd at 9.425 million cows, up 89,000 head from a year ago and the highest head count since March 2023.

All that cow power boosted milk output, especially in comparison to April 2024, when the bird flu dragged on production in the Southwest. April milk production reached 19.4 billion pounds, up 1.5% year over year. That's the largest annual growth since August 2022. Once again, production was particularly strong in the states with new cheese processing capacity. Compared to April 2024, milk output was up 11.4% in Kansas, 10.6% in Texas and 9.2% in South Dakota proving the *Field of Dreams* adage, "If you build it, they will come."



Plentiful milk and high components add up to a lot of cream. Churns are running hard. But U.S. butter is among the cheapest in the world, and exports are booming. Domestic consumption is also record high. It was up 3.6% year over year in the first quarter. Insatiable demand for butter helped keep stocks in check. After the closing bell, USDA reported that butter inventories grew just 14 million pounds from March to April, the smallest April stock build since 2014. Butter stocks have topped year-ago volumes in every month since January 2024, but in April they fell 6.8%

below prior-year levels. The butter market anticipated the bullish report. After three months of quiet trading in a tight range, prices surged upward today. CME spot butter rallied to \$2.42 per pound, up 7.75¢ this week to its highest price since February.



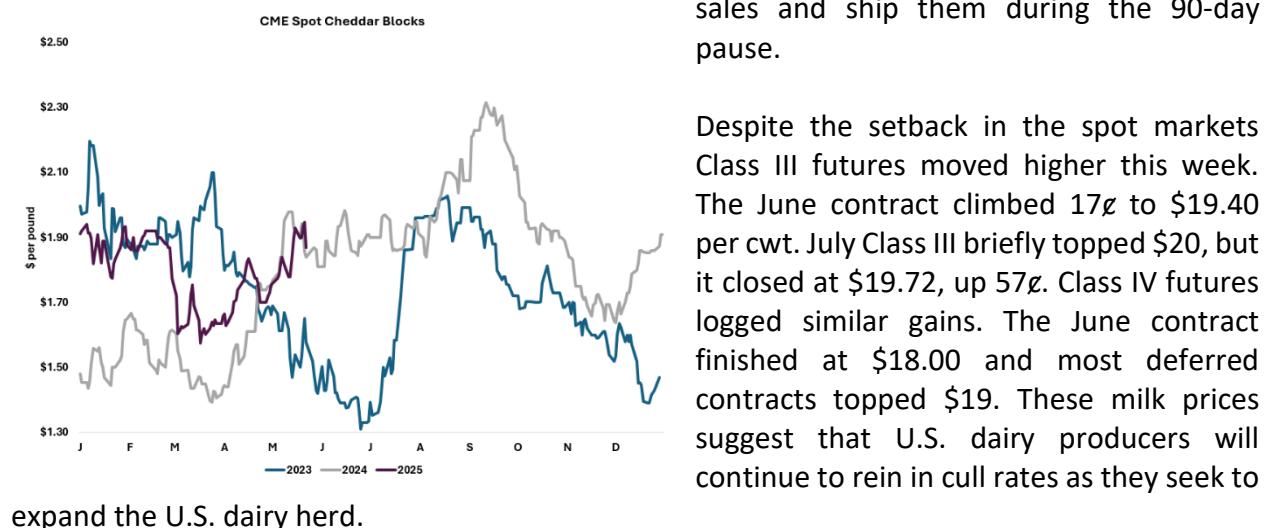
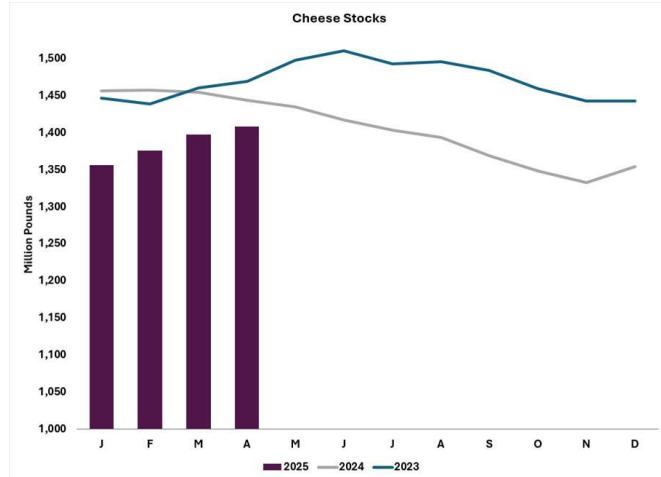
Butter's partner in the Class IV complex also strengthened this week. CME spot nonfat dry milk (NDM) leapt 2.75¢ to \$1.2525, a three-month high. Still, prices are much lower than they were five months ago. CME spot NDM is nearly 12% lower than it was when the year began. Over the same period,

German skim milk powder (SMP) prices are down 6% in euro terms. However, when converted to dollars, German SMP values are up 5% for the year to date. The anemic dollar is helping U.S. milk powder compete abroad. That's boosting export prospects and it's finally starting to prop up U.S. prices.

The cheese markets soared, but they could not hold onto their dramatic gains. CME spot Cheddar blocks reached \$1.9475 per pound on Thursday, their highest price since October. But after a Friday selloff they closed at \$1.87, down 6¢ for the week. Barrels followed a similar trajectory and settled at \$1.8525, down 2.75¢ since last Friday. Cheese output is climbing, and domestic demand is not. But strong exports have helped to maintain normal seasonal growth in cheese

supplies. There were 1.41 billion pounds of cheese in cold storage at the end of April, 2.4% less than there was a year ago. But the deficit has narrowed in each of the past five months.

The whey markets took a small step back this week. CME spot whey powder fell 0.75¢ to 54.25¢. Domestic demand is stable, while exports continue to rise and fall with the whims of the White House. The U.S. accounted for a typical share of China's whey imports in April, as shipments that arrived last month were not subject to the temporary but significant 145% tariff. Chinese importers stocked up on product and China's whey imports outpaced April 2024 by 13.9%. There will likely be fewer ships arriving at Chinese ports this month. But U.S. exporters are now rushing to book sales and ship them during the 90-day pause.



expand the U.S. dairy herd.

The feed markets bounced back from last week's lows. Prices have fallen far enough to stimulate export sales, and it's simply too early in the year to ignore the weather and count on cheap corn and soybeans this fall. Recent rains have helped alleviate concerns about drought in the western Corn Belt. But it's been soggy in Ohio and southern Illinois, and farmers there have a lot more planting to do. Late-planted corn typically suffers some loss in yield potential, so they're hoping for sunny skies soon, but the forecast looks cloudy and cool. July corn closed today at \$4.59 per bushel, up 16¢. July soybeans finished at \$10.61, a dime higher than last Friday. July soybean meal settled at \$296 per ton, up \$4 for the week.

Despite the setback in the spot markets Class III futures moved higher this week. The June contract climbed 17¢ to \$19.40 per cwt. July Class III briefly topped \$20, but it closed at \$19.72, up 57¢. Class IV futures logged similar gains. The June contract finished at \$18.00 and most deferred contracts topped \$19. These milk prices suggest that U.S. dairy producers will continue to rein in cull rates as they seek to