The T.C. Jacoby Weekly Market Report

WEEK ENDING June 20th, 2025

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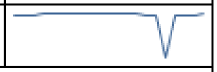
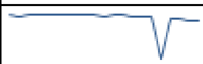
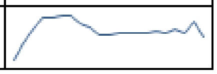
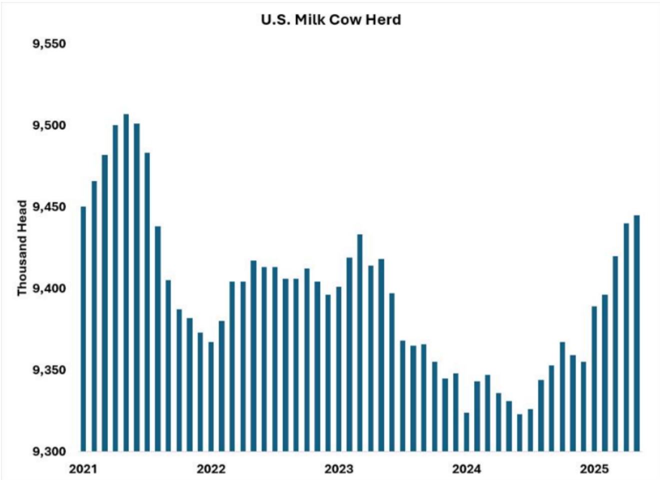
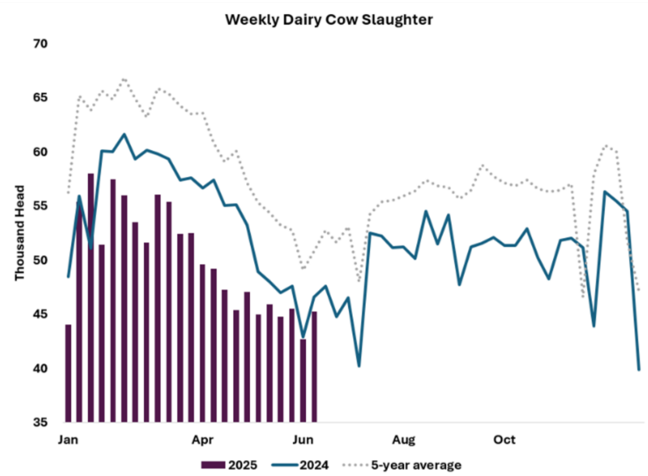
CME Spot Market for the Week			WHEY		
			Avg Price	Qty Traded	4 wk Trend
6/16/2025	to	6/20/2025	$ 0.5544	10	
CHEESE BLOCKS			CHEESE BARRELS		
Avg Price	Qty Traded	4 wk Trend	Avg Price	Qty Traded	4 wk Trend
$ 1.7225	36		$ 1.7269	6	
BUTTER			NON-FAT		
Avg Price	Qty Traded	4 wk Trend	Avg Price	Qty Traded	4 wk Trend
$ 2.5494	31		$ 1.2688	7	

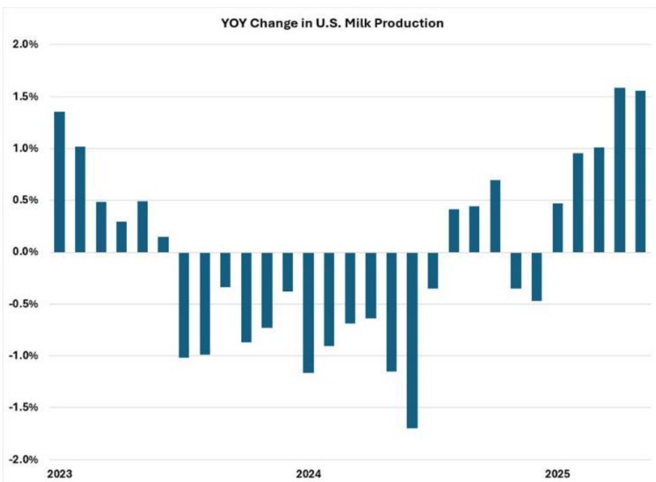
The invisible hand is solving the heifer shortage. Years of decent profits and the promise of more prosperity on the horizon pushed producers to invest in new barns, forgo some beef calf income in favor of dairy calves, and cull as few cows as possible. Those efforts are adding up. USDA revised its estimate of the April milk cow herd. The agency now shows that dairy producers added 20,000 cows – rather than just 5,000 – that month, and they added another 5,000 in May. That puts the U.S. herd at 9.445 million milk cows, the highest head count since July 2021. Dairy producers have added 114,000 cows over the past 12 months and 90,000 head since the turn of the year. The data suggest that cull rates – and not breeding decisions – are the primary source of these "new" cows. January through May dairy cow slaughter was 209,000 head smaller than the five-year average.



The cow power is concentrated in the states with new or expanded processing capacity. Compared to a year ago, dairy cow head counts are up significantly in New York (+8K head), Michigan (+9K), South Dakota (+18K), Kansas (+26K), Idaho (+31K), and Texas (+45K). Dairy producers also added 7,000 head in Colorado, but, with no new processing in the mountain state, some of the additional milk is selling at a discount to the local dryer. Meanwhile, the dairy herd continues to shrink in Washington, as steeply discounted milk revenues push producers to exit the industry.

All that milk is likely to fill up the new cheese vats, with some left over for milk powder dryers, which have been running dry indeed for the past 18 months. Through April, U.S. milk powder production trailed the prior year by 5.8%, and output got off to the slowest start since 2011. But export sales were even further behind 2024 volumes, emphasizing that U.S. milk powder is not priced to attract far-flung buyers in the face of tariffs and uncertainty about U.S. trade policy. U.S. milk powder prices moved lower at the Global Dairy Trade auction Tuesday, and U.S. nonfat dry milk (NDM) had to echo the decline. CME spot NDM fell 0.75¢ this week to $1.26.



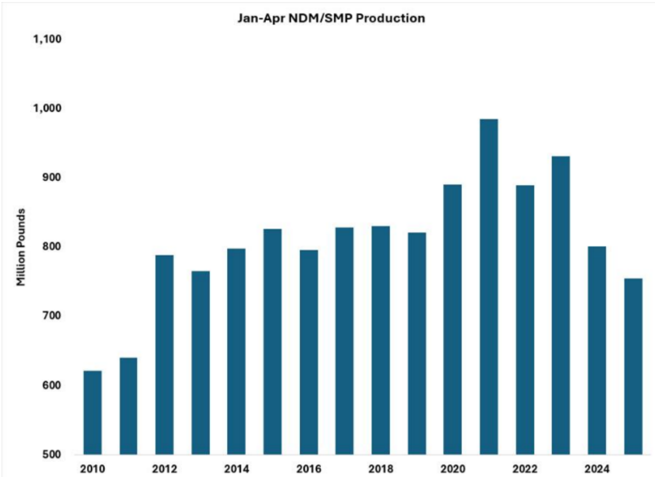


CME spot butter also took a big step back. It fell 6¢ this week to $2.51. U.S. butter and cheese are still a bargain compared to most international markets. But prices climbed high enough to reduce demand at the margins.

A fresh cheese squeeze sent the spot Cheddar markets soaring in May, and prices held firm in early June. But now, new capacity is contributing to significant growth in the supply of Cheddar that meets CME spot specifications. And prices were high enough for long enough to reduce demand. Fresh cheese is now plentiful, and sellers are dropping their prices to keep product moving. CME spot Cheddar blocks plummeted 17.25¢ this week to $1.665 per pound. Barrels dropped even harder. They fell 17.75¢ to $1.6575.

Once again, CME spot whey powder bucked the trend. It climbed 1.75¢ this week to 57¢. High-protein concentrates and isolates continue to use up as much of the whey stream as possible. Whey powder production is reportedly steady and USDA's *Dairy Market News* describes the market as "quiet."

Class III futures took another big step back this week. The July contract, which is most sensitive to moves in the spot market, fell 58¢ to $17.55 per cwt., a price that could put many dairy producers in the red. The dramatic spike to $20 milk is a distant memory. July Class III is down $2.70 from the late-May peak. The other Class III contracts lost roughly 40¢ this week and fell to the mid-$18s. Class IV futures gained a few cents. Most contracts are in the mid-$19 to low-$20 range.



Farmers in the Southern Plains are struggling through a difficult finish to the winter wheat season. Heavy rains, high winds, and hail have damaged crops in Kansas and Oklahoma. Wheat futures jumped more than 20¢ this week. The July contract closed at a three-month high of $5.67 per bushel.

The drama in the wheat market reminded grain traders that it's too soon to stop worrying about the weather. While nearby corn futures took a big step back this week, the December contract held firm at $4.42. But the forecast looks ideal, with heat and humidity fostering greenhouse-like conditions in much of the Corn Belt.

Soybean future continued to climb, thanks to optimism about biodiesel demand under newly proposed renewable fuel standards volumes. November soybeans closed at $10.605, up 6.5¢ this week. Soybean meal took another step back. The December contract closed at $298.30 per ton, down $4.70 since last Friday. Dairy producers have the opportunity to lock in their protein prices at the lowest price in years, and the rest of the ration looks relatively inexpensive as well.