



The T.C. Jacoby Weekly Market Report

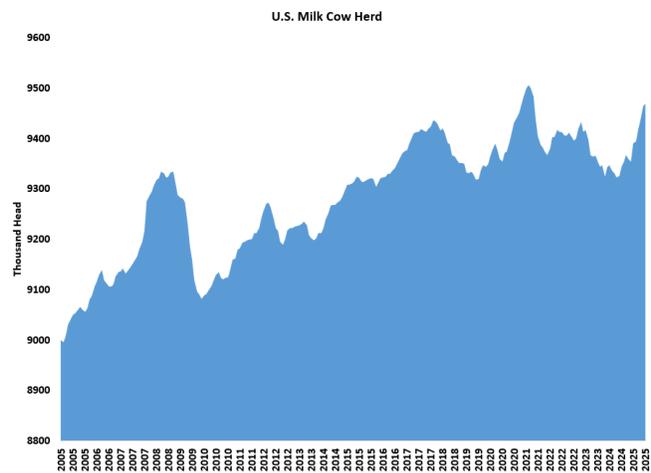
WEEK ENDING July 25th, 2025

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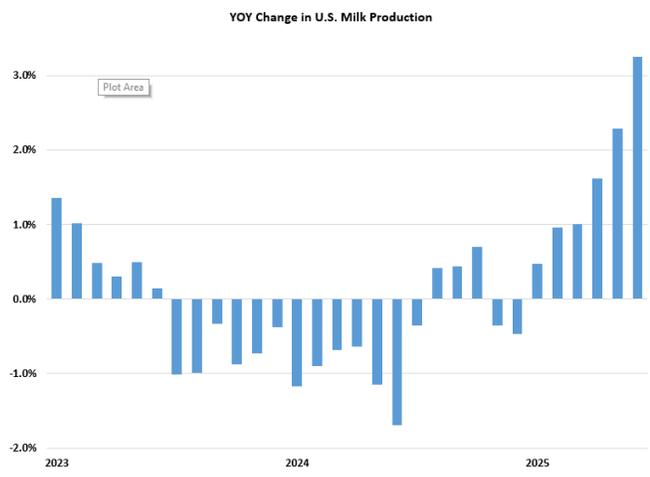
CME Spot Market for the Week			WHEY		
			Avg Price	Qty Traded	4 wk Trend
7/21/2025 to 7/25/2025			\$ 0.5425	13	
CHEESE BLOCKS			CHEESE BARRELS		
Avg Price	Qty Traded	4 wk Trend	Avg Price	Qty Traded	4 wk Trend
\$ 1.6425	9		\$ 1.6530	7	
BUTTER			NON-FAT		
Avg Price	Qty Traded	4 wk Trend	Avg Price	Qty Traded	4 wk Trend
\$ 2.4565	14		\$ 1.2915	21	

U.S. dairy producers are keeping cows in their barns rather than sending them to the slaughterhouse. Through mid-July, dairy producers culled 1.38 million milk cows. That's 310,000 fewer than the 2020 through 2023 average, and it marks the lowest mid-July slaughter since 2008, when depressed cull rates fostered rapid – and ultimately unsustainable – expansion. Heifers are still in short supply. This afternoon, USDA estimated there were 3.5 million dairy heifers on July 1, steady with July 1, 2023, but only after USDA slashed its 2023 estimate. (There was no 2024 mid-year Cattle inventory report due to budget cuts.) So, while the agency's revised figures show no change in dairy heifer inventories in the most recent 24 months, USDA's estimate of dairy heifer supplies is much lower than it was two years ago.

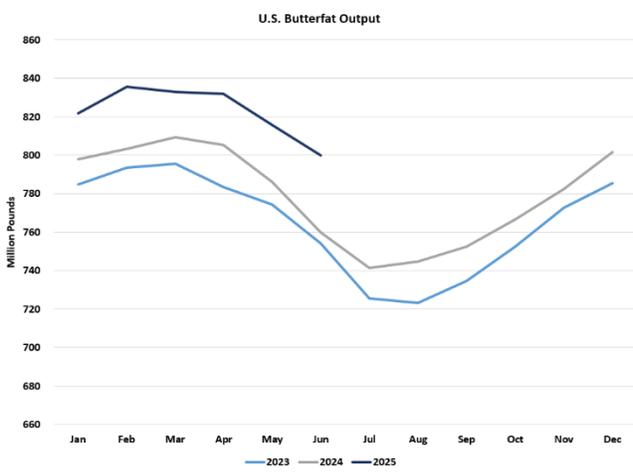


Presuming USDA's figures are correct, the industry is likely encouraged to see heifer head counts stabilize after a long, steep decline. Still, there are not enough heifers to grow the dairy herd. Producers are filling the vacuum by keeping older cows for longer.

And it's working. USDA revised its estimate of May milk production and dairy-cow head counts upward significantly. The agency now shows that dairy producers added 29,000 cows in May and milk output topped the prior year by 2.3%. Dairy producers continued to add cows in June, and milk production soared. Last month, milk output was 3.3% greater than June 2024. That's the largest annual increase since May 2021. Milk production and cow numbers dropped significantly in Washington, where a co-op's red ink is spilling over into producers' milk checks. But other states more than made up for it. Growth is particularly strong in the states with new processing capacity. Milk output exceeded June 2024 by an astounding 19% in Kansas, 11.5% in South Dakota, 9.7% in Idaho, and 9.5% in Texas and Georgia. In Colorado, where milk output surpassed the prior year by 7.8%, there are no new cheese vats, so the extra milk is moving to balancing plants at a discount.



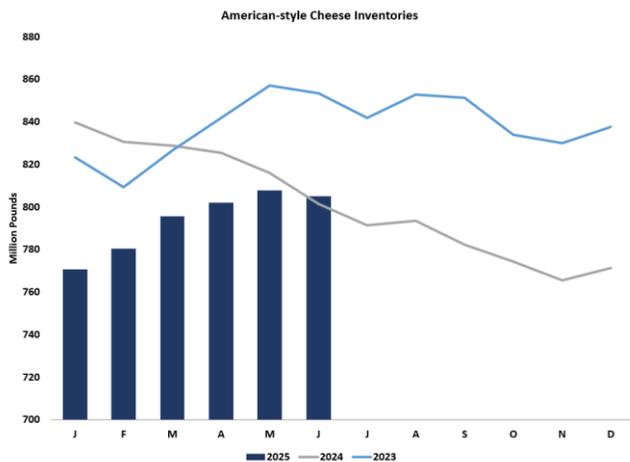
Ever-higher component levels supercharged the already strong growth in milk output. With 3.3% more milk, the U.S. dairy industry made 5.3% more butterfat, 4.9% more protein, and 3.8% more nonfat solids than in June 2024.



Abundant dairy components and impressive cow power weighed heavily on the dairy markets this week. CME spot butter tested a two-month low and plunged 4.75¢ to \$2.465 per pound. But Friday after the close USDA's Cold Storage report showed that butter inventories declined 10 million pounds from May to June, which is faster than the typical June drawdown. Butter inventories stood 6% lower than the prior year at the end of last month. Given abundant U.S. butterfat production, the setback in butter supplies

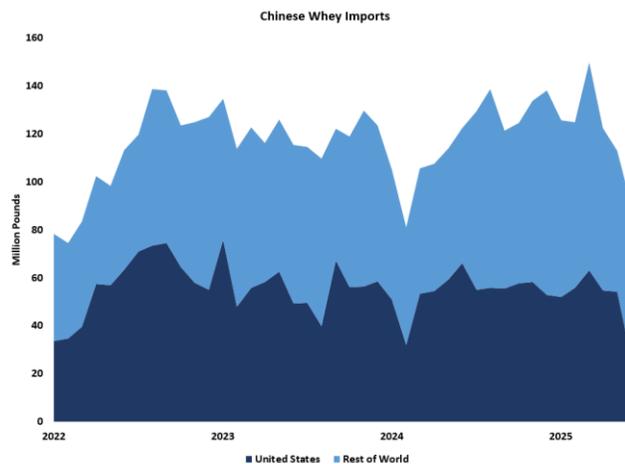
suggests that American's appetite for dairy fats remains robust. Exports likely helped too. After years of butter trade deficits, U.S. butter exports topped imports by 6.1 million pounds in May, the greatest trade surplus since July 2014. Butter is likely to keep flowing abroad, as American butter remains among the least expensive in the global marketplace.

Cheese stocks typically decline from May to June, but this year they grew. The increase was modest, at 2.6 million pounds, but it still signaled that U.S. cheese output exceeds demand. At 1.4 billion pounds, total cheese stocks were 0.4% lower than June 2024, but the gap narrowed for the sixth straight month. American-style cheese stocks tallied 805.1 million



pounds, 0.4% more than June 2024. That marks the first time that American-style cheese inventories topped the prior year since March 2024. Plentiful milk and expanded cheese processing capacity suggest that American-style cheese stocks will continue to exceed year-ago volumes for the foreseeable future, which is likely to weigh on cheese values. This week, CME spot Cheddar blocks inched down just 0.25¢ to \$1.64.

CME spot nonfat dry milk retreated a quarter-cent to \$1.2875 per pound. Spot whey powder fell 1.75¢ to 54¢. The U.S. whey market looked particularly weak after Trade Data Monitor reported that Chinese whey imports plummeted 27% year over year in June. After the imposition of tariffs in mid-May, the U.S. sent less than 26 million pounds of whey powder to China last month, the lowest monthly total since September 2019.



The red ink flowed from the spot market straight to the futures. August Class III fell 56¢ this week to \$17.21 per cwt. The futures promise \$17 milk throughout the third quarter, with prices just north of \$18 in Q4. Class IV milk also took a sizable step back. The July and August contracts slipped to around \$18.95, while September through December promise revenues in the low \$19s. With low feed costs and hefty beef income, these are prices that can pay the bills on many operations, but margins are much thinner than they were just a few months ago. The futures curve promises better times ahead, but dairy producers would be wise to lock in those values using futures, options, or the Dairy Revenue Protection program.

A healthy mix of rains and sunshine continued to favor the Corn Belt. Corn condition ratings held steady, with 74% of the crop in good or excellent condition. That’s an unusually high rating during the critical pollination stage, and it suggests the possibility for above-trend yields. With that, December corn futures fell 9¢ this week to \$4.19 per bushel. November soybeans fell 13¢ to \$10.22. December soybean meal dropped another \$7.10 to \$281.70 per ton.