The T.C. Jacoby Weekly Market Report

WEEK ENDING January 16, 2026

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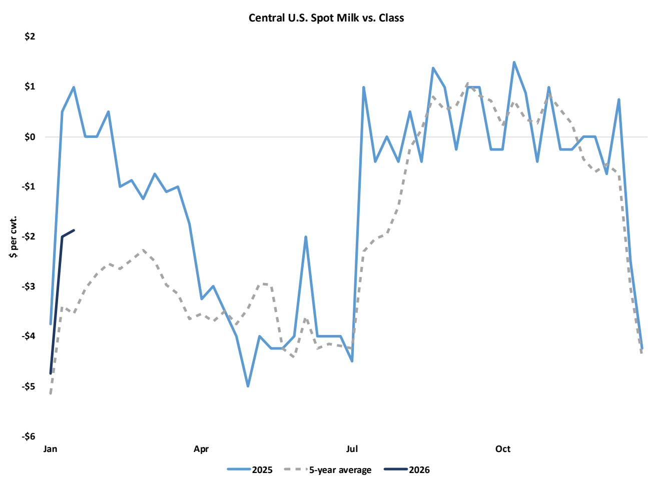
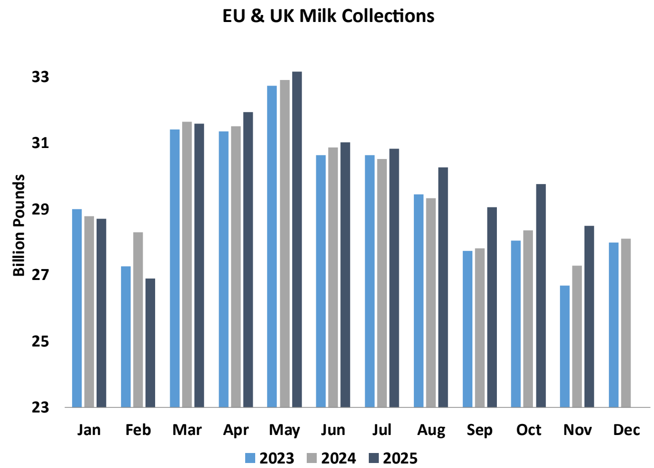
CME Spot Market for the Week			WHEY		
			Avg Price	Qty Traded	4 wk Trend
1/12/2026	to	1/16/2026	$ 0.7170	5	
CHEESE BLOCKS			CHEESE BARRELS		
Avg Price	Qty Traded	4 wk Trend	Avg Price	Qty Traded	4 wk Trend
$ 1.2865	20		$ 1.3590	0	
BUTTER			NON-FAT		
Avg Price	Qty Traded	4 wk Trend	Avg Price	Qty Traded	4 wk Trend
$ 1.3155	51		$ 1.2490	20	

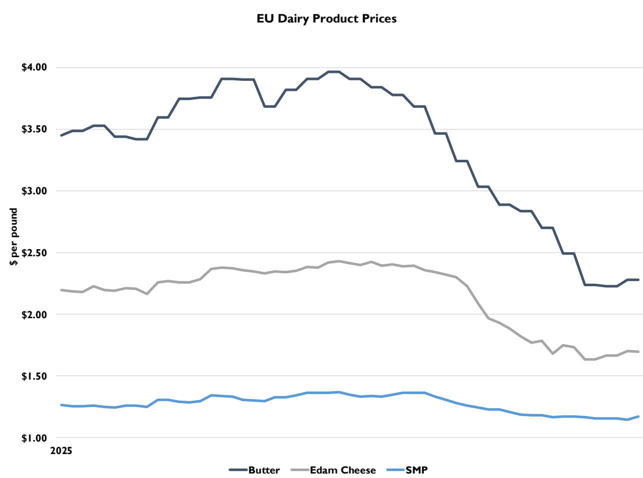
The dairy markets have been swamped under a tidal wave of milk and are now fumbling around for the bottom. After catching a quick breath last week, spot nonfat dry milk (NDM) slipped back under the surface, falling a penny to $1.255. CME spot butter bounced back from multi-year lows, climbing 5.5¢ to $1.355 per pound. And CME spot Cheddar blocks continued to sink, falling 2.5¢ to $1.29. Meanwhile, whey remained buoyant. Spot whey powder rallied 3.5¢ to 73.5¢.



And the milk just keeps coming. USDA's *Dairy Market News* reports that bottling demand has bounced back now that schools are back in session. Butter churns are running "at or near capacity," according to USDA's *Dairy Market News*. Cream is cheap and butter makers are further encouraged to run hard thanks to "strong retail demand." Cheese vats are also full, and *Dairy Market News* reports that some processors are trying to step up production, "ultimately to produce more whey as prices and demand of whey protein concentrates remain high." Even so, cheese manufacturers have enough milk contracted that they don't need extra. Spot milk loads traded as much as $4 under Class III this week, while a few loads changed hands at a slight premium. Milk powder manufacturers are boosting output in some areas, but demand is climbing too, thanks to improved demand from Mexico. Inventories are "tight" and prices are inching upward.

There's plenty of milk on the other side of the Atlantic as well. Assuming steady growth in the Netherlands (which has yet to report its data), November milk collections jumped 4.4% year over year. The EU-27 and United Kingdom made nearly 1.2 billion pounds more milk than they did in November 2024, equivalent to adding all of Michigan's November milk to the global supply, plus a little more. Hefty increases in September, October, and November weighed heavily on European dairy product prices. Benchmark European butter prices are 19% lower than they were in late August. Over the same period, German Edam values plunged 28%, while skim milk powder (SMP) prices dropped 14%. But they may have fallen far enough for now. *Dairy Market News* describes European market conditions as "orderly" and "measured," and values are cautiously higher to begin the year.

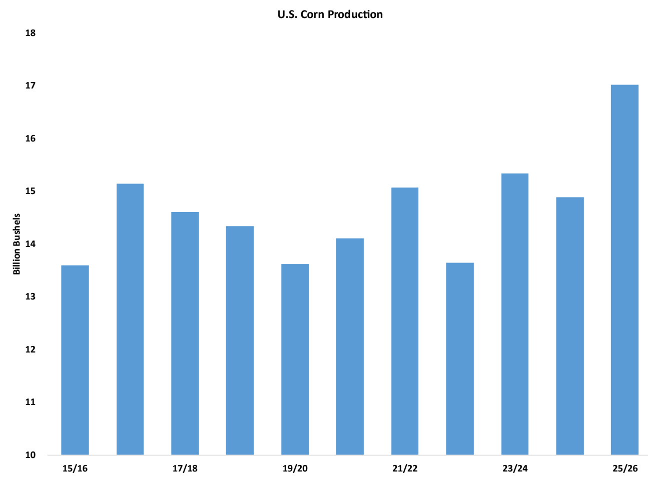


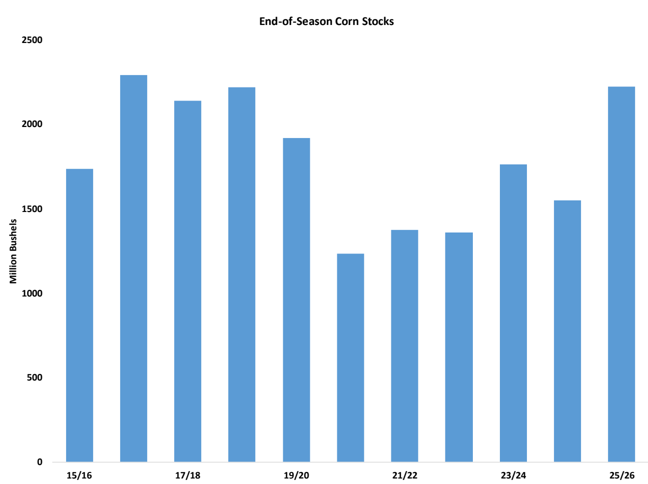


Milk and dairy product output remains strong around the world, but dairy is a bargain, and it is starting to attract some buyers. ONIL, Algeria's national dairy purchase program, is bidding for milk powder again. Chinese buyers are regularly present at the Global Dairy Trade (GDT) auction, and, while Chinese milk powder consumption remains tepid, merchants may need to step up the pace of imports. Chinese SMP inventories waned to a one-year low in November. The U.S. is the least-expensive supplier for cheese and butter, and it is shipping enough product abroad to keep inventories in check, despite record-shattering output. Indeed, *Dairy Market News* reports, "Interest for 82% butterfat butter from international buyers is keeping domestic bulk butter spot loads tight." For cheese, domestic demand is "solid" and export demand is "strengthening."

These bargains are helping to boost demand, but prices have not been low enough for long enough to restrain supplies. Thus, the futures took another step back this week. January through March Class III tested the waters below $14 per cwt., and January through May contracts notched life-of-contract lows. Despite a modest rebound Friday, most Class III futures lost a dime or more this week. The February contract settled at $15.05. Class IV milk followed a similar trajectory, and the February contract closed at a disheartening $13.86, down a nickel for the week.

USDA shocked the market on Monday with its final assessment of the 2025 harvest. LaSalle Street expected the agency to trim corn yields from their December estimate, or perhaps to hold them steady. Instead, USDA raised its corn yield estimate by a half-bushel to a record-shattering 186.5 bushels per acre. The agency doubled down, reporting that, thanks to benign weather, farmers left very little grain in the fields. With fewer acreage lost to flooding, drought, or other insurable disasters, USDA raised its estimate of harvested acreage, further augmenting last year's massive harvest. By this latest count, farmers brought in more than 17 billion bushels of corn in 2025, smashing the previous record by 11%. USDA assumes that the cheap, abundant crop will spur a modest increase in consumption, but, because the balance sheet already accounted for impressive corn usage, most of the increase went to the bottom line. USDA forecasts that there will be 2.23 billion bushels of corn left in the bin on September 1, just before the next harvest. That is sharply higher than in recent seasons and on par with stockpiles in 2016 to 2019, when corn futures averaged roughly $3.50 per bushel. With that, corn futures dropped 20¢ this week. The March contract settled at $4.25.





USDA made only slight changes to the soybean balance sheet, but these too leaned bearish. There are plenty of soybeans to go around, and the soy complex became less hopeful about trade prospects with China as U.S. actions in Venezuela and on the high seas may have indirectly ratcheted up tensions with China, one of the biggest beneficiaries of clandestine crude oil. March soybeans closed today at $10.5625, down 6¢ for the week. March soybean meal settled at $290 per ton, down $13.70.