



The T.C. Jacoby Weekly Market Report

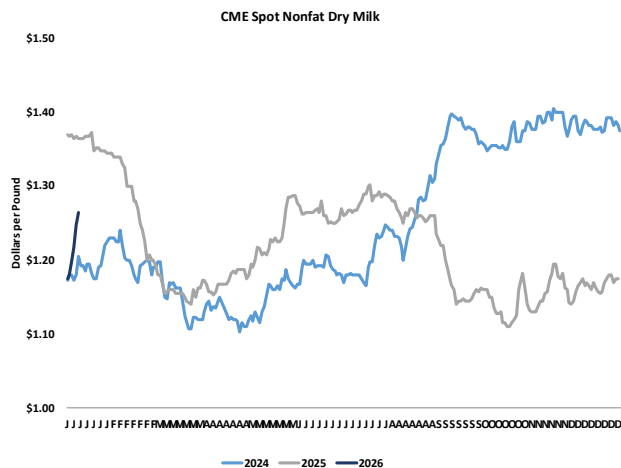
WEEK ENDING January 9, 2026

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CME Spot Market for the Week 1/5/2026 to 1/9/2026			WHEY		
			Avg Price	Qty Traded	4 wk Trend
			\$ 0.7080	2	
CHEESE BLOCKS			CHEESE BARRELS		
Avg Price	Qty Traded	4 wk Trend	Avg Price	Qty Traded	4 wk Trend
\$ 1.3420	33		\$ 1.4000	0	
BUTTER			NON-FAT		
Avg Price	Qty Traded	4 wk Trend	Avg Price	Qty Traded	4 wk Trend
\$ 1.3250	62		\$ 1.2215	18	

The milk powder market is bulking up for the new year. It strengthened every day so far in 2026. The unexpected rally propelled CME spot nonfat dry milk to \$1.265 per pound today, up 9¢ for the week to its highest perch since mid-August. It's unusual to see milk powder prices climb amid



a rapid increase in U.S. milk output. But the dramatic expansion in U.S. dairy processing capacity has reduced the need for balancing. In October, U.S. milk powder output slumped to 148.9 million pounds, the lowest tally in a decade. Production was 9.9% lower than the already light volumes of November 2024. Exports were on par with year-ago volumes, too low to be exciting, but high enough to keep inventories in check. And the market got a boost from a long-awaited recovery in international milk powder prices. At this week's Global Dairy Trade (GDT) auction, skim

milk powder (SMP) added 5.4% and whole milk powder jumped 7.2%. That gave a 6.3% boost to the GDT Index, snapping a five-month losing streak.

But the other dairy markets were weighed down by heavy output. Even whey, the darling of the dairy complex, faltered. CME spot whey powder fell 2.5¢ this week to 70¢, its lowest price since late October. Consumers remain hungry for dairy proteins. If anything, their appetites have

grown thanks to new year's resolutions to hit the gym more often and an official affirmation of the macronutrient. The Health Department's new guidelines nearly double the recommended daily protein intake, with a ringing endorsement of full-fat dairy to boot. But there is a limit to how much dairy processors will pay for an extra load of whey, and inventories are not as tight as they once were. In November, they once again prioritized whey protein isolates and the highest-protein concentrates. But, thanks to robust cheese production, commodity whey powder output outpaced the prior year for the seventh straight month and stockpiles grew.

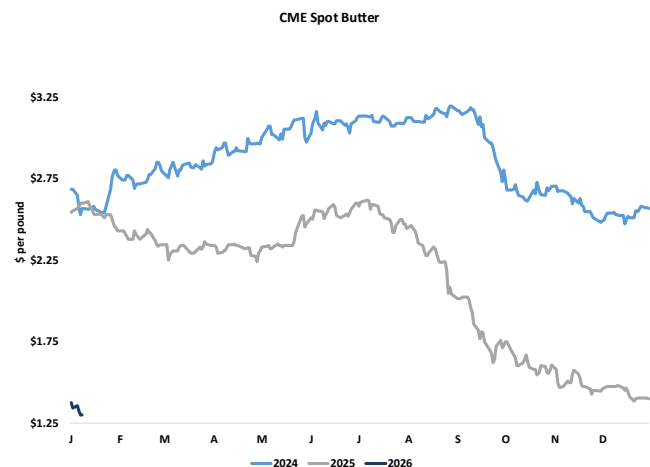
Americans didn't need a new food pyramid to convince them to eat more full-fat dairy. Conventional wisdom had already reached a consensus on that front, and consumers were happy to turn to tastier options. But, while Americans are embracing products with natural fats and protein, they are less inclined to indulge in full-fat options that lack the benefit of protein or dairy cultures. Through November, processors made 1.9% less ice cream and 1.6% less sour cream than in the first 11 months of 2024. Over the same period, cottage cheese output soared 10% and yogurt production jumped 7.7%. In the past, some Class II manufacturers and confectioners might have topped up their mixes with imported butterfat, but today, all of it is homegrown. International food processors are also looking to U.S. butterfat.

In October, butter exports were nearly three times larger than the year before, and exports of anhydrous milkfat jumped 75% year over year. That lapped up a lot of U.S. cream, and cheese manufacturers did their part as well. That resulted in a slower increase in U.S. butter output, but it wasn't quite enough to halt the growth altogether. Butter production reached 180 million pounds in November, up 2.2% from the year before. In a desperate effort to stimulate even more demand, the U.S. butter market dropped again this week, falling 7.5¢ to a fresh multi-year low at \$1.30.



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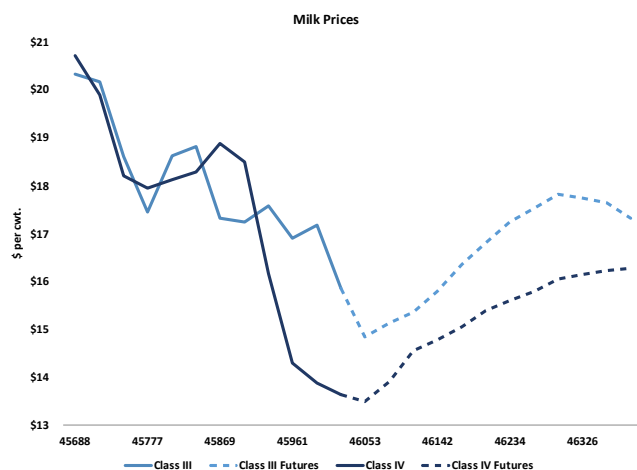
Cheese prices also took a step back, dragged downward by a 5.9% increase in November output and the assumption that production has remained strong in the six weeks since. CME spot Cheddar blocks fell 7.5¢ to \$1.315, the lowest price since June 2023. When cheese was around \$1.60 last spring and



summer, that was enough to spur U.S. cheese exports to set new records in six of seven months, including the most recent data from October. Surely, today's bargain-basement values are attracting international buyers. But even in those stellar six months, net cheese exports absorbed just x.x% of U.S. cheese output. Massive exports have helped to limit growth in U.S. cheese

stocks, but exports of this size depend on competitive pricing, making it difficult for cheese price to climb in the face of robust output.

With both cheese and whey in decline, the Class III markets took a step back. Most contracts lost roughly 20¢. That put the January contract at \$14.85 per cwt. With that, Class III producers are bracing for their smallest milk check since mid-2023. Producers with some Class IV revenue have toughed out paltry milk incomes since September, and they are facing more of the same. The January contract settled this week at a disheartening \$13.49. But producers can take some small consolation in the fact that the milk powder rebound lifted Class IV futures. Most contracts added 30¢ this week.



Historically, \$13 and \$14 milk would force contraction in a matter of months. But this time may be a little different. The invisible hand is still doing its inevitable work, to be sure. But dairy producers – and their lenders – can stomach low milk prices for a little longer than they might have otherwise thanks to record-high beef incomes. And producers who built new facilities and added tens of thousands of cows to supply new processors are not likely to call it quits after less than a year. U.S. dairy cow head

counts may stay higher for longer than expected, despite the abundance of red ink. Meanwhile, these depressed milk and dairy product prices will stir up demand, especially from abroad. It's possible that the international dairy herd could shrink faster and more significantly than U.S. milk-cow head counts.