



The T.C. Jacoby Weekly Market Report

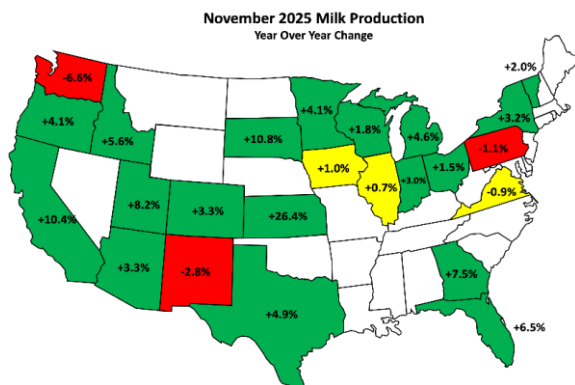
WEEK ENDING January 2, 2026

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CME Spot Market for the Week 12/29/2025 to 1/2/2026			WHEY		
			Avg Price	Qty Traded	4 wk Trend
			\$ 0.7250	2	
CHEESE BLOCKS			CHEESE BARRELS		
Avg Price	Qty Traded	4 wk Trend	Avg Price	Qty Traded	4 wk Trend
\$ 1.3900	10		\$ 1.4000	0	
BUTTER			NON-FAT		
Avg Price	Qty Traded	4 wk Trend	Avg Price	Qty Traded	4 wk Trend
\$ 1.3750	12		\$ 1.1750	0	

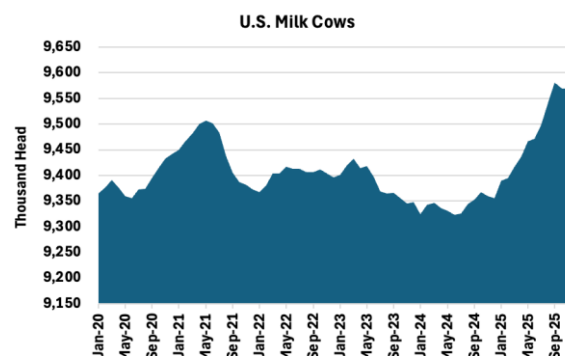
The ball has dropped, the confetti has settled, and the calendar page has officially flipped to 2026. But if you are searching for new year optimism, you may have to look beyond the dairy markets. The market tone remains decidedly bearish as plentiful milk supplies continue to outpace demand.



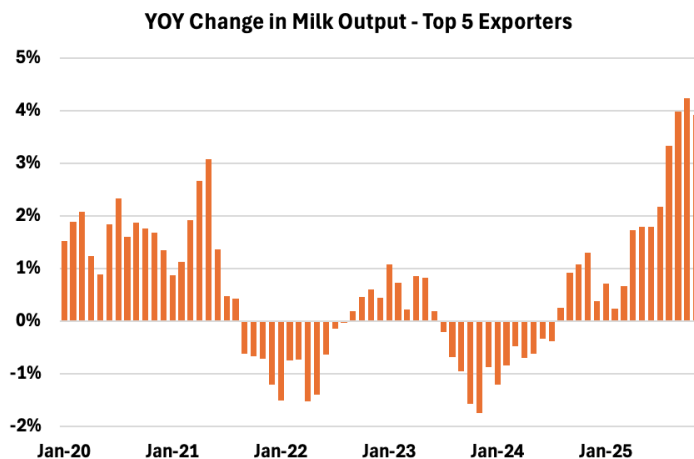
Milk continues to gush across the U.S. Production soared by 4.5% year over year in November though, notably, the month's volume was compared to the H5N1-deflated figure of 2024. California's output jumped by a dramatic 10.4% as the country's largest dairy state lapped last year's poor performance. But other top dairy states also contributed to the overall gain. Production rose by 5.6%, 4.9%, and 3.2% in

Idaho, Texas, and New York, respectively. The national production increase was driven by both a 2.2% gain in yields as well as a dairy herd that has expanded by 211,000 head since the same time last year. However, herd numbers slipped by 11,000 cows in October before holding steady in November, suggesting that perhaps the motivation to grow the herd is dissipating.

While impressive, the U.S. is far from the only place that is demonstrating such a growth trajectory for milk



production. Volumes are rising in nearly every corner of the globe. While complete data is not yet available, cumulative milk production across the top five main dairy exporters - Argentina, Australia, Europe, New Zealand, and the U.S. - likely

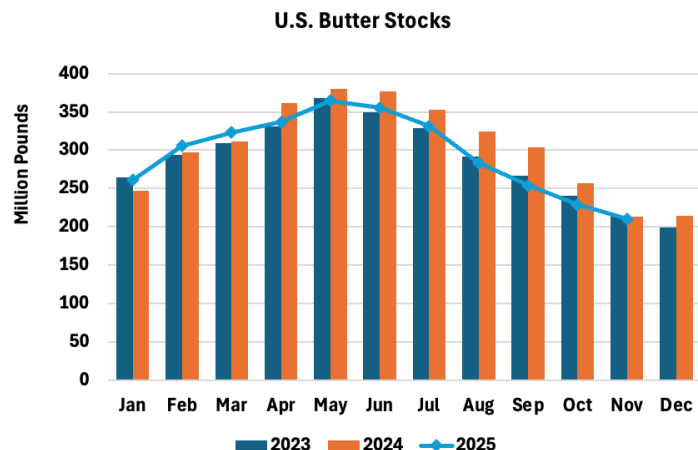


grew by at least 3.5% between September and November, a feat that has not been achieved since 2014. Even though dairy demand has fared better than many expected at the beginning of 2025, it has been insufficient to sop up all this milk, and prices have moved downward in response.

The butter market has been one of the key casualties of this dynamic as abundant cream supplies continue to weigh on markets. The CME spot butter market kicked off the new year by falling to

\$1.375/lb., down 2.75¢ from last Friday and marking the lowest price since February 2021. Importantly, this downward movement has occurred even as butter demand has been robust. Exports have soared and competitive prices have kept butter moving through the supermarket checkout line. As a result, butter has not amassed in storage. By the end of November there were 210.5 million pounds of butter in inventory, 1.5% less than at the same time last year. But the path ahead looks fraught. Once the holiday season has faded in the rearview mirror will consumers keep buying cheap butter? Or are they sated? And with the spring flush on the horizon, which will bring more milk and more cream to the market, what price will be required to achieve equilibrium between supply and demand?

Of course, butter isn't the only product to come under pressure. The cheese market has also struggled under the weight of hefty supplies both domestically and internationally. The CME Cheddar spot market managed to find a bit of lift during this holiday-shortened week, rising 5.5¢ to close today's session at \$1.39/lb. It was an

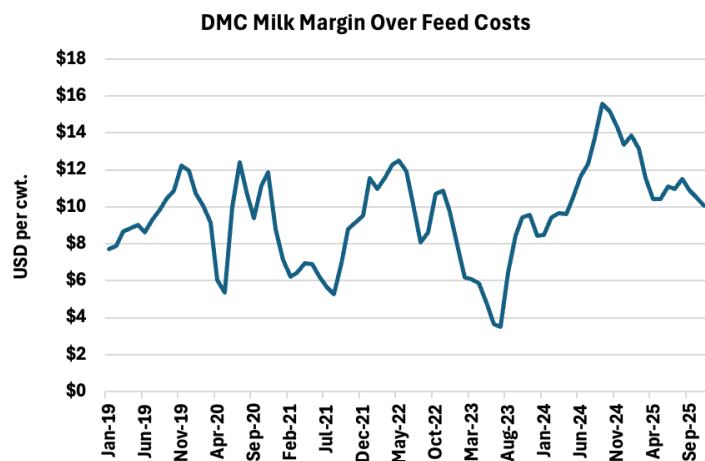


active week with 37 loads trading hands over the four trading days. Though the difference has narrowed, U.S. cheese remains competitively priced against other international suppliers, which should help to support exports that have risen to record high levels. Strong export sales have undoubtedly played a role in keeping inventories trim. At the end of November cheese stocks totaled 1.362 billion pounds. While up 1.8% from last year, cheese stocks remain much lower than the hefty levels reported in 2022 and 2023.

In sharp contrast to the butter and cheese markets, the milk powder market has remained remarkably stable, at least in the U.S. The CME spot price for nonfat dry milk (NDM) gave up just a half cent during the week, wrapping up Friday's session at \$1.175/lb. with three loads moving over the week. Global milk powder prices remain under pressure with skim milk powder prices falling or remaining unchanged for ten consecutive Global Dairy Trade auctions. Back at home in the U.S., however, NDM production remains suppressed as the milk supply is increasingly routed toward other uses. As a result, prices have found support at current levels.

While most of the dairy complex comes under pressure, whey remains the exception with prices continuing to sit at elevated levels. Protein demand is hot and is likely to remain so as GLP-1s become more accessible. Though most protein fortified foods utilize higher value whey ingredients, increased demand for these products has kept the share of the whey stream allocated to the production of dry whey limited. Despite strong fundamentals, the CME spot price for dry whey gave up a half cent this week, falling to 72.5¢ per pound on Friday with three loads changing hands over the course of the week.

Lower commodity prices have fed into lower milk prices for dairy producers. The All-Milk price slipped to \$19.70/cwt. in November, down 30¢ from the prior month and marking the first time since mid-2023 that prices dipped below the \$20 threshold. Feed costs remain modest, but lower top line revenues pushed



the milk margin over feed cost figure reported as part of the Dairy Margin Coverage (DMC) program down to \$10.04/cwt in November, \$4.25 lower than a year ago. While producers are indeed gathering revenue from other sources, such as cattle sales, at some point, lower margins will prompt producers to rein in production.

Feed costs remain low by historical standards though higher values are likely on the horizon. The composite feed cost reported as part of the DMC came in at

\$9.66/cwt. in November, up 18¢ from October but still lower than any value reported in the first half of the year. While current futures markets predict higher ration prices as 2026 progresses, most of the pressure on dairy producer margins is expected to come from lower milk prices, rather than higher feed costs.