



The T.C. Jacoby Weekly Market Report

WEEK ENDING February 20, 2026

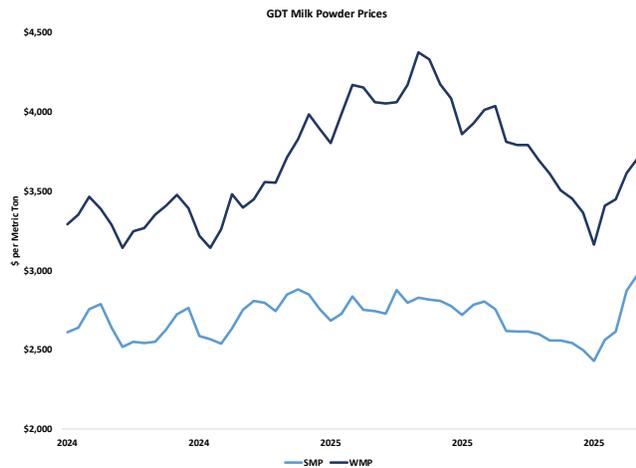
By Sarina Sharp, Market Analyst for the Daily Dairy Report
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CME Spot Market for the Week			WHEY		
			Avg Price	Qty Traded	4 wk Trend
2/16/2026 to 2/20/2026			\$ 0.7250	0	
CHEESE BLOCKS			CHEESE BARRELS		
Avg Price	Qty Traded	4 wk Trend	Avg Price	Qty Traded	4 wk Trend
\$ 1.4894	14		\$ 1.4700	1	
BUTTER			NON-FAT		
Avg Price	Qty Traded	4 wk Trend	Avg Price	Qty Traded	4 wk Trend
\$ 1.7650	38		\$ 1.6238	10	

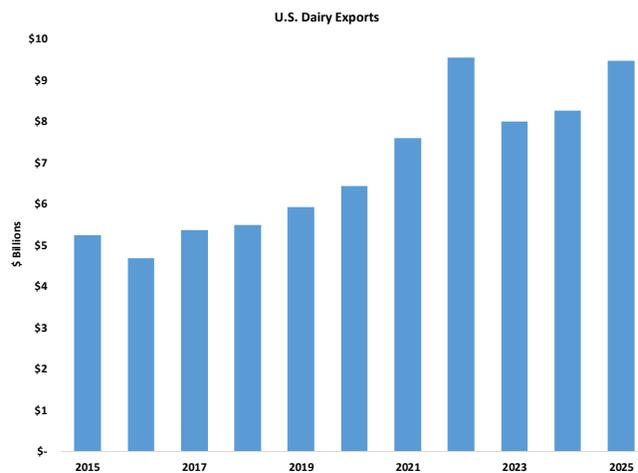
February weather and February trading have been unusually mercurial, with a mix of frigid lows, massive snowstorms, and warm, sunny skies. On LaSalle Street this week the Class III markets ran hot and then cold as traders digested news about international prices, government dairy purchases, and dairy exports. Butter, milk powder, and Class IV futures caught fire and stayed hot all week thanks to almost daily doses of bullish news.

The Global Dairy Trade (GDT) auction warmed things up Tuesday with a fourth-straight increase. Nearly all products moved higher, led by a 10.7% increase in butter. While Cheddar prices retreated, Mozzarella values jumped 5%, putting the GDT benchmark for European cheese well above the U.S. market, helping U.S. cheese to remain internationally competitive despite the recent rally. Skim milk powder (SMP) climbed 3% at the GDT, to its highest prices since late 2022, the equivalent of nonfat dry milk (NDM) at around \$1.44 per pound after adjusting for protein.



On Thursday, the dairy markets got a double-dose of friendly news. Thanks to competitive pricing and a weak dollar, all major dairy product categories topped prior-year export volumes in

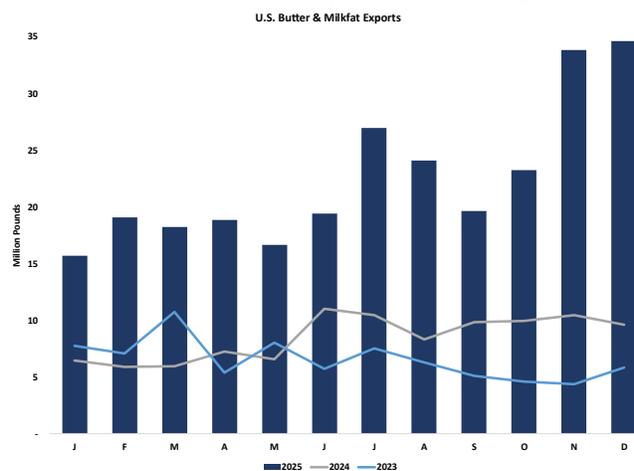
December. Cheese shipments maintained the heady pace set at mid-year, and exports exceeded those of December 2024 by 20.1%. Butterfat exports eclipsed the November record and more



than tripled December 2024 volumes. Milk powder exports were 18% larger than the prior year thanks to very slow December 2024 shipments. Whey product shipments outpaced December 2024 by 4.7%. That was enough to help U.S. dairy exports to their second-largest year on record. The U.S. sent \$9.5 billion in dairy products abroad last year, just shy of the all-time high set in 2022. By volume, exports were 5% greater than 2024, weighing in at nearly 2.8 billion pounds. Cheese and butterfat exports shattered the previous records, and

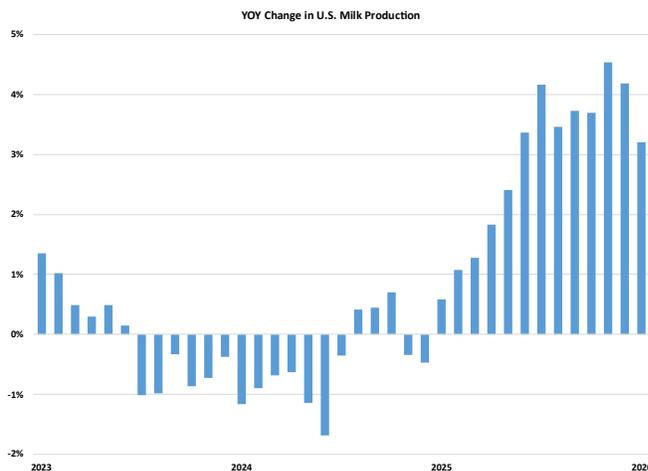
whey product exports eked out a 0.1% year-over-year increase. In contrast, U.S. milk powder imports slumped 9.3% to their lowest annual tally since 2017. But, with milk powder output down to its lowest level since 2013, it was possible to have low exports and tighter supplies.

Also on Thursday, USDA announced that it would spend \$263 million buying food to donate to food banks and nutrition assistance programs under Section 32 of the Depression-era Agricultural Act of 1935. USDA will spend nearly half of the \$148 million allocated for dairy products on butter, with another \$42.5 million for Swiss and Cheddar cheese, and \$30.5 million on conventional and ultra-high temperature milk. Assuming USDA can buy in bulk at wholesale, rather than retail, prices, that amounts to enough butter to satisfy national demand for about four days. It's also about a two-day supply of milk and roughly a half-day of U.S. cheese consumption. The news spurred a short-lived rally in the cheese market and a big lift to butter futures.



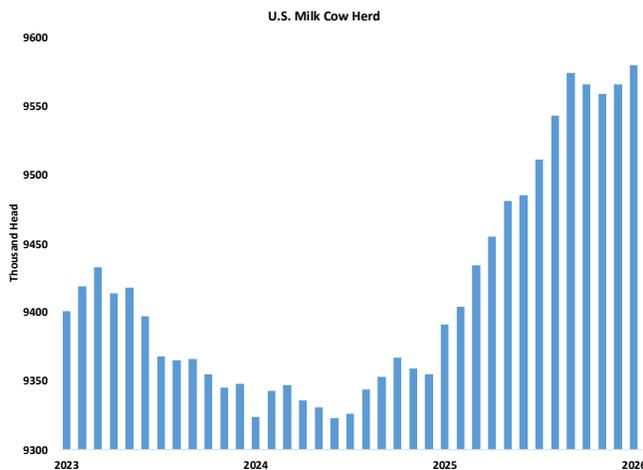
Several butter contracts traded at their upper daily trading limit on Thursday and Friday. Ironically, a program meant to improve affordability and enhance the food safety net could raise prices for consumers. But ultimately, the impact of these purchases will depend on whether USDA rushes to buy – temporarily tightening supplies – or spreads out its purchases leaving little noticeable impact.

After the close on Friday, USDA confirmed that milk production remained strong in January. Milk output reached 19.2 billion pounds, up 3.2% from the year before. Dairy producers were undeterred by a couple months of disappointingly small milk checks. They added 14,000 cows from December to January, and the dairy herd reached 9.58 million head, eclipsing the 32-year



high set in September. The dairy herd is now 189,000 head larger than it was in January 2025. Head counts were steady or higher than January 2025 inventories in every major dairy state except Illinois (-1K), New Mexico (-8K), Pennsylvania (-11K), and Washington (-17K). In each of these states, poor margins pushed cows to more profitable facilities, but most of them didn't go far. Dairy cow head counts climbed significantly in the Great Lakes region and in Texas, New York, and Idaho.

Milk yields also rose, led by a 4.6% increase in California. The nation's largest dairy state struggled with avian influenza in late 2024 and early 2025. There are no active cases of bird flu in the U.S. today. The absence of disease pressure and the increase in cow power suggest U.S. milk production will continue to easily outpace prior-year volumes. Dairy producers have just cashed one of their smallest milk checks in at least five years. In some regions, the January milk check was the smallest in a decade. But the futures point to better times ahead, and record-smashing beef incomes and relatively low feed costs help to cushion the blow.



CME spot Cheddar blocks leapt 11¢ this week to \$1.4975 per pound. Butter fared even better, jumping 16.5¢ to a five-month high at \$1.87. Spot NDM rallied 8.5¢ to \$1.685, its highest perch since July 2022. Whey powder bucked the trend and fell 4¢ to 68¢.

Despite a Friday selloff, Class III futures finished the holiday-shortened week much higher than where they began it. March Class III closed at \$16.49 per cwt., up 61¢ since last Friday. The April contract jumped more than a dollar to \$17.34. Class IV futures gained significant ground each day. Nearby contracts set fresh seven-month highs. April soared \$1.60 in just four trading sessions to \$19.50. Dairy producers will have to endure just one more small milk check. The futures project \$18 and \$19 Class IV through the end of the year.