The T.C. Jacoby Weekly Market Report

WEEK ENDING July 24, 2026

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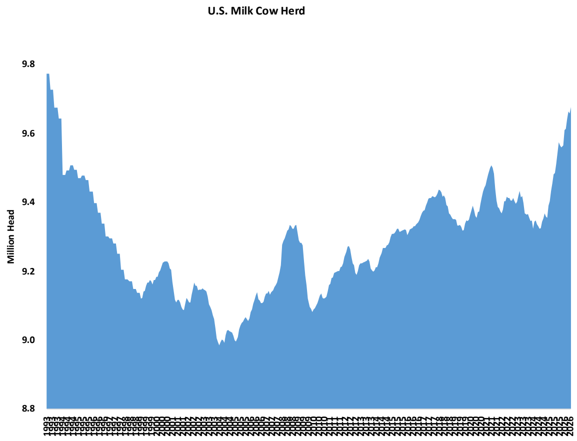
CME Spot Market for the Week			WHEY		
			Avg Price	Qty Traded	4 wk Trend
7/20/2026	to	7/24/2026	$ 0.6925	3	
CHEESE BLOCKS			CHEESE BARRELS		
Avg Price	Qty Traded	4 wk Trend	Avg Price	Qty Traded	4 wk Trend
$ 1.6475	16		$ 1.6285	0	
BUTTER			NON-FAT		
Avg Price	Qty Traded	4 wk Trend	Avg Price	Qty Traded	4 wk Trend
$ 1.5410	77		$ 1.4185	60	

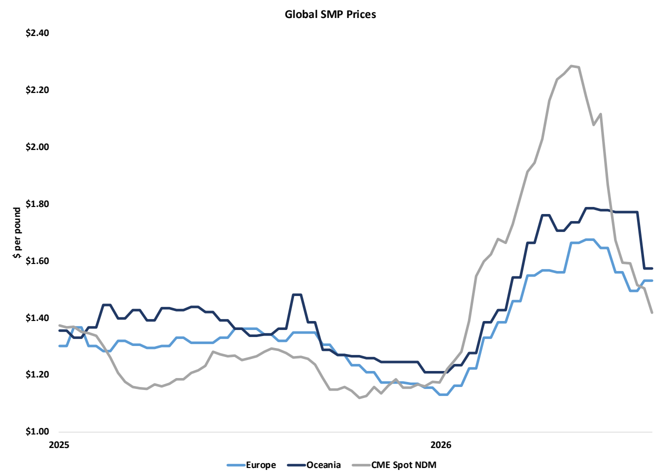
Scorching summer temperatures heated up the Class III markets in the first three weeks of July. But milder Midwest weather and a slew of reports brought a chill to LaSalle Street this week. On Tuesday, USDA's latest Milk Production report confirmed that American dairy producers just keep adding cows. They crowded in another 19,000 cows in June, according to USDA's best guess, and the dairy herd reached 9.677 million head. That's 192,000 more cows than there were a year ago, nearly equivalent to adding the entire dairy industry of Arizona or Indiana to the U.S. herd in a 12-month span. The U.S. dairy herd is larger than it's been since 1993.



While milk yields were only slightly higher than the prior year, all that cow power propelled U.S. milk output to 19.7 billion pounds, up 2.3% from June 2025. Most of the major milksheds contributed significant growth, although production was up just 0.2% year over year in California. Heat in the Southwest did little to rein in production there. Texas milk output jumped 4.9% compared to June 2025.

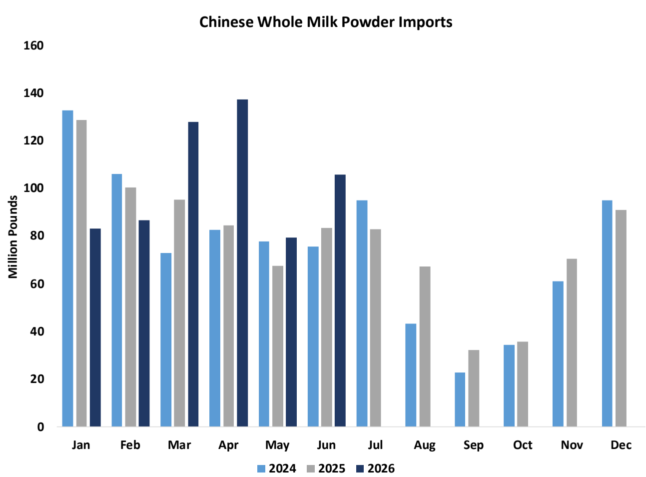
USDA followed up the Milk Production report with its semi-annual Cattle inventory report on Friday, which showed that there were 200,000 more dairy cows and 100,000 more mature dairy heifers on July 1 than there were the year before. The increase in heifer head counts was somewhat expected, but it still marks an important inflection point after years of declines in U.S. dairy heifer supplies.

There was plenty of milk to keep churns, vats, and dryers full throughout the flush before the heat wave knocked back milk yields and components in July. Many dairy manufacturers ran light earlier this month. But, beginning July 10, a 10-day shutdown at fairlife facilities in Arizona, New Mexico, Michigan, and New York pushed milk to other processors, and resulted in greater cheese, butter, and milk powder output than is typical in the dog days of summer. The news weighed heavily on the milk powder market. CME spot nonfat dry milk (NDM) fell 6.75¢ this week to $1.4025 per pound, a nearly six-month low.



The retreat was enough to put U.S. milk powder back into a competitive position on the world stage, especially after a rebound in milk powder prices at the Global Dairy Trade (GDT) auction Tuesday. At this week's event, whole milk powder (WMP) rallied 1.6% and skim milk powder (SMP) prices jumped 2.8%. The U.S. is now better positioned to step up exports after lackluster sales so far this year.

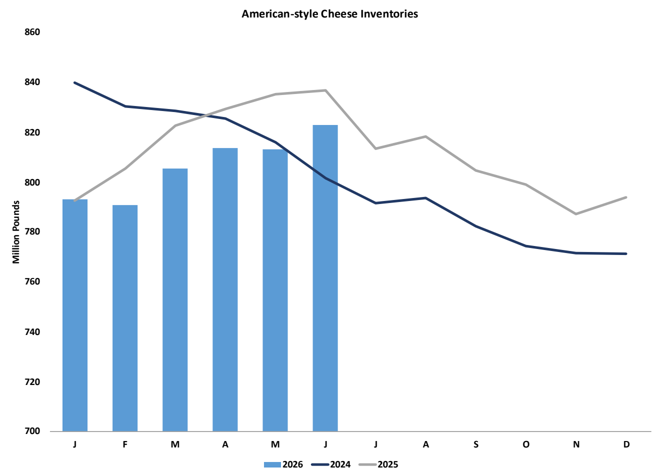
The world's largest powder importer brought in decent volumes of WMP in June while Chinese SMP imports remained anemic. Chinese WMP imports topped June 2025 volumes by 27%, and year-to-date shipments were up 10.7% from the first six months of 2025. Chinese imports of some consumer-facing goods also impressed, with continued gains in butter shipments and the second-highest monthly cheese imports on record. Most important to the U.S. market, Chinese whey powder imports outpaced the very low volumes of June 2025, when the U.S. and China were locked in a heated trade dispute. However, sticker shock deterred Chinese importers from buying much high-protein whey. Chinese imports of whey protein concentrates (WPC) with at least 80% protein dropped to their lowest total since June 2019.



Whey powder continues to plod along with loads changing hands in the high-60s and, occasionally, at 70¢ pound. Excellent demand for dairy proteins and stable prices are welcome in an otherwise volatile dairy complex. This week CME spot whey powder inched up and then back down. It closed at 68¢, off 1.5¢ for the week.

CME spot butter dropped 8.25¢ this week and finished at $1.5075, only a few cents above its six-month lows. Butter supplies began to tighten in June, as they typically do when ice cream churns ramp up production to meet summer demand. But the May-to-June decline was modest, at just 3.2 million pounds. June 30 butter inventories slipped to 332.1 million pounds, down 6.6% from year-ago volumes.

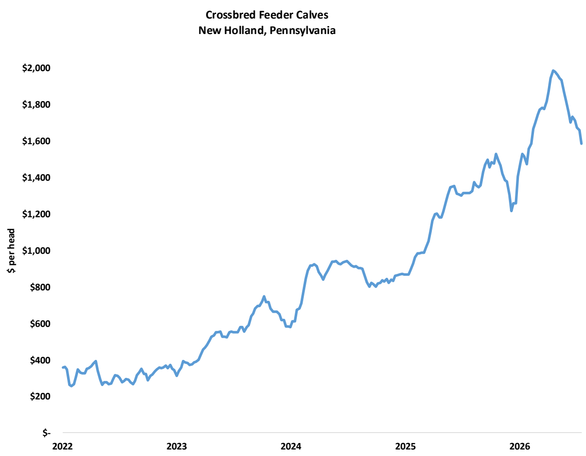
Cheese stocks continued to grow last month. A nearly 10-million-pound jump in American-style cheese inventories pushed total cheese supplies up 16 million pounds from May to June, the largest June increase in a decade. Cheese stocks are now just 0.8% smaller than they were a year ago despite months of record-smashing exports. In the face of mediocre domestic demand, U.S. cheese prices must remain low enough to keep product moving overseas, or inventories will quickly become burdensome. This week CME spot Cheddar blocks slipped 2¢ to $1.6075.



The setbacks in the spot market and the latest round of dairy data took a toll on milk prices. Class III contracts lost between 20 and 62¢ this week, with August through December futures huddled around $17.50 per cwt. Most Class IV contracts plunged roughly 90¢ and settled near $16.75. Those prices are dangerously close to most dairy producers' breakeven costs, especially after the other commodity markets foretold a jump in feed expenses and a drop in beef revenues.

Wheat prices soared to three-year highs this week as drought in the Plains, heat in Europe, and attacks on shipping infrastructure in the Black Sea escalated concerns about global grain supplies and accessibility. And hot, dry conditions stressed much of the nation's corn crop during the key pollination period. USDA still rates 67% of corn in good or excellent condition, but the difference between a decent crop and a bumper harvest can have a huge impact on corn prices. December corn futures jumped 20¢ this week to $4.8725 per bushel. Not to be outdone, December soybean meal futures surged $18.50 to $335.30 per ton.

Cattle futures stabilized this week after a full month of declines. The invisible hand is solving the beef shortage, and prices are down nearly 10% from the spring highs. While the industry still lacks the young livestock necessary to keep all pastures and feedlots full, cattle growers are feeding cattle for longer and, finally, producing more beef. In June, cattle slaughter volumes were 2% lower than the prior year, but beef production was 0.9% greater than June 2025. And record-high prices attracted huge volumes of imported beef to our shores. Meanwhile, high prices pushed consumers toward other proteins. Circana reported a 2% year-over-year decline in U.S. beef sold at retail in June.



This month, wholesale beef prices have dropped seasonally. And a combination of lower slaughter capacity and more finished cattle has given beef packers a little more leverage as they negotiate with cattle feeders. Cash cattle prices have dropped precipitously, and that has rippled through the beef supply chain. Cattle feeders who happily paid $1,800 for beef-on-dairy crossbred calves are now bidding $1,400. That's still a hefty price for calves, to be sure, but the drop in revenues will feel akin to a 50¢ cut in milk prices at a time when margins are looking rather slim.