The T.C. Jacoby Weekly Market Report

WEEK ENDING August 21, 2026

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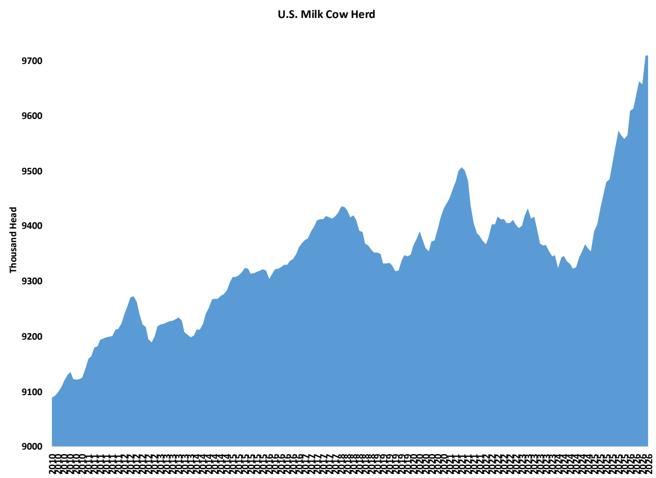
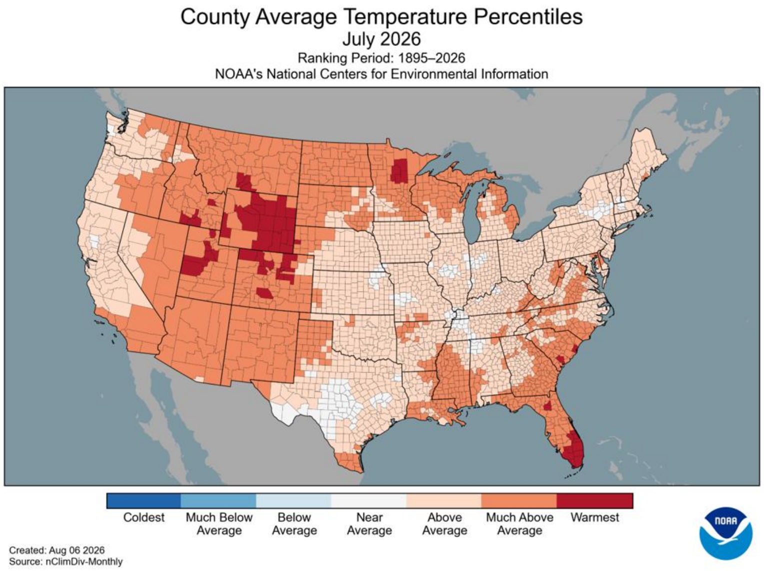
CME Spot Market for the Week			WHEY		
			Avg Price	Qty Traded	4 wk Trend
8/17/2026	to	8/21/2026	$ 0.6975	2	
CHEESE BLOCKS			CHEESE BARRELS		
Avg Price	Qty Traded	4 wk Trend	Avg Price	Qty Traded	4 wk Trend
$ 1.5620	10		$ 1.5650	0	
BUTTER			NON-FAT		
Avg Price	Qty Traded	4 wk Trend	Avg Price	Qty Traded	4 wk Trend
$ 1.4510	60		$ 1.7925	41	

Dairy producers just keep adding cows. After surveying producers, USDA revised its estimate of the June milk-cow herd upward by an astounding 33,000 head, resulting in a 52,000-head increase from May to June. Those cows were not idle. USDA raised its estimate of June milk production as well, from an already strong 2.3% increase to an impressive 3% advance. Dairy producers did not add any cows in July, according to USDA's best guess, but they didn't get rid of any either. The dairy herd held steady at 9.71 million cows, up 199,000 from the year before. The U.S. dairy industry is milking more cows than it has in 33 years, and those cows are making 59% more milk than they did in 1993, the last time the herd was this large, before adjusting for today's super-charged components.

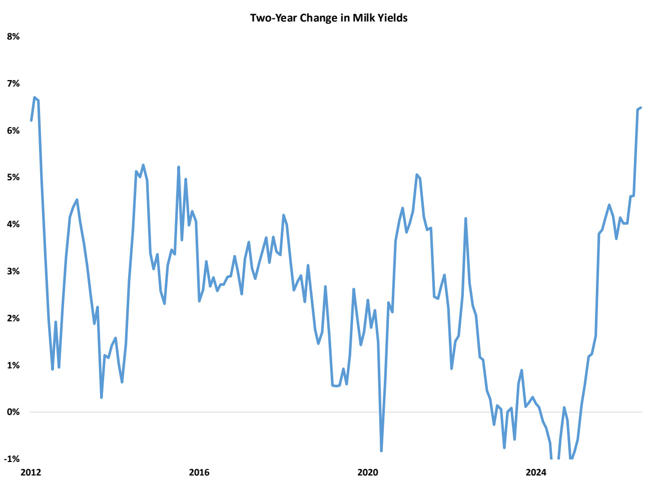


The contiguous 48 states recorded their hottest month on record in July, surpassing the previous mark set in July 1936, during the Dust Bowl. Not a single county posted below-average temperatures during the month. Nonetheless, national average milk yields topped the already strong levels posted in July 2025. Milk yields fell short of year-ago levels in California and Washington, and they held steady in Michigan, Ohio, Oregon, and South Dakota. But they outpaced last year in every other major dairy state.

Heat matters, of course, but dairies continue to invest in cooling technologies, and a growing share of the dairy herd is housed in temperature-controlled crossvent barns. Dairy producers and processors report that milk yields dropped and milk supplies tightened noticeably during the late-July and early-August heat wave, and the summer spike in spot milk prices confirms it. But the milk production data suggest that a sweltering summer may have less of an impact than it did in the past.

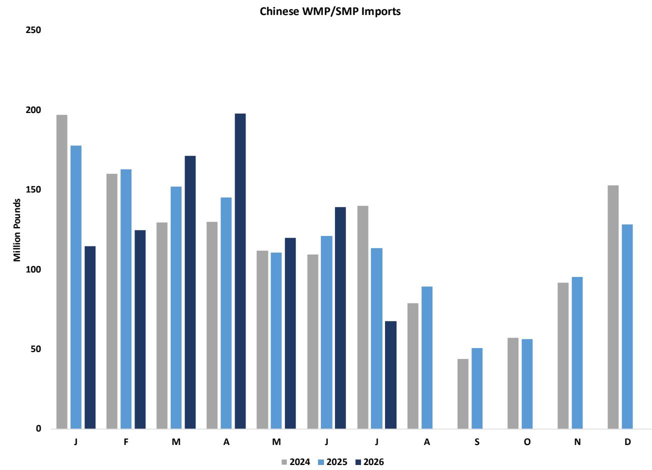


With more cows and better yields, milk production topped July 2025 volumes by 2.2%, compounding the whopping 4.2% growth reported in July 2025. Compared to two years before, milk production grew 6.5% in both June and July, the greatest two-year growth in U.S. milk output since 2012, before adjusting for continued improvements in component levels.



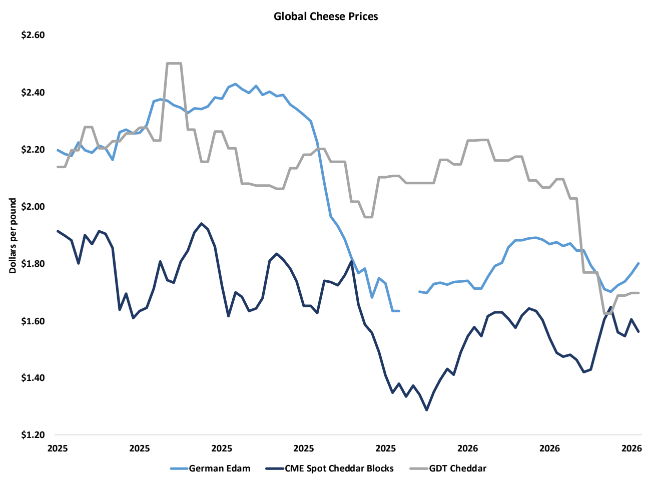
Milk production is growing more quickly than domestic demand for milk and dairy products, and exports are absolutely vital. The U.S. dairy markets are increasingly sensitive to changes in international markets. This week, the dollar index dropped, reflecting concerns about federal fiscal health as the national debt topped $40 trillion. That made U.S. dairy products about 2% more competitive than they would have been if currency relationships held at the levels that prevailed last month. The U.S. milk powder market also benefited from a jump in milk powder prices at Tuesday's Global Dairy Trade (GDT) auction. GDT whole milk powder (WMP) rallied 3%, thanks to improving demand from China. Skim milk powder (SMP) values jumped 7.6% to the equivalent of nonfat dry milk (NDM) at $1.70 per pound. That fueled a rebound in NDM values on LaSalle Street, even though prices were already too lofty to attract much international attention. CME spot NDM advanced 5.5¢ this week to $1.80 per pound.

Whey powder prices got a lift as well. CME spot dry whey climbed 1.25¢ to 70.25¢. Whey processors continue to upgrade their processing capacity, prioritizing high-protein concentrates and making as little whey powder as possible. But massive growth in milk output and cheese production has augmented the whey stream, and dryers remain busy. Domestic whey powder demand is mediocre and exports may be slipping. Chinese whey powder imports fell to a one-year low in July, down 30.6% year over year. Chinese imports of U.S. whey powder were 25% lower than the year before. While Chinese buyers were bidding for powder at this week's GDT auction, backward-looking trade data reflect their absence in the past. Chinese milk powder imports fell 40.3% from year-ago volumes in July, slumping to a 10-month low.



U.S. butterfat supplies are massive, but the market has already priced in the increase. After some modest back-and-forth, CME spot butter inched up 0.25¢ this week to $1.4625. American butter is a bargain, and there's room for a rebound without doing much harm to export prospects.

In the cheese market, on the other hand, competition is fierce. European cheese prices are on the rise, likely reflecting the impact of the summer heat wave. But New Zealand dairy processors are offering cheese at competitive prices for the first time in years. At the late-July GDT, New Zealand Cheddar sold for its lowest price since September 2020. GDT Cheddar prices regained a little ground at the August auctions, but they remained low enough to pressure the U.S. market. This week CME spot Cheddar fell 7.25¢ to $1.5275.



The setback in the cheese market weighed on nearby Class III values. The September contract fell 82¢ to $16.61 per cwt., a life-of-contract low. October Class III dropped more than 40¢ this week. The other Class III contracts and most Class IV contracts finished the week not far from where they began it, with Class III in the mid-$17s and Class IV in the mid- to high-$18s. But the bearish Milk Production report suggests there may be more red ink on Monday morning.

Margins are starting to look slim as milk revenues drop and feed costs climb. On the heels of the *ProFarmer* crop tour, December corn futures hit a life-of-contract high at $5.08 per bushel, up 25¢ from last week. This year's crop will be large, but it will pale in comparison to last year's massive harvest. In its most recent assessment, USDA pegged the corn yield at 180.7 bushels per acre, down 3.1% from last year's record-smashing yield. But the *ProFarmer* scouts called for a

5.2% drop in the corn yield, relative to the tour's 2025 forecast. In a year with record-high corn exports and resilient domestic demand, every bushel matters. A decent crop is no longer good enough to ensure that corn remains cheap. The bulls are getting frisky in Chica

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