



WEEKLY DAIRY OUTLOOK

May 18th, 2026

This short weekly newsletter provides you with a summary of current dairy prices, translates product prices into component prices, and summarizes major dairy related news.

Table 1. Spot dairy products prices on Friday May 8th and Friday May 15th, and their implied component prices.

	May 8 2026	May 15 2026	Change	Month to date
CME Cheddar blocks (\$/lb)	1.6225	1.5550	-0.0675	1.6058
CME Butter (\$/lb)	1.6650	1.6400	-0.0250	1.6333
CME Dry whey (\$/lb)	0.7000	0.6850	-0.0150	0.6942
CME Nonfat dry milk (\$/lb)	2.2900	1.2725	-0.0175	2.2750
		Implied Prices		
Butterfat (\$/lb)	1.74	1.71	-0.03	1.70
Protein (\$/lb)	2.59	2.40	-0.19	2.53
Other solids (\$/lb)	0.45	0.43	-0.02	0.44
Nonfat solids (\$/lb)	2.03	2.01	-0.02	2.01
Class III (\$/cwt)	16.92	16.14	-0.78	16.58
Class IV (\$/cwt)	24.31	24.05	-0.26	24.04

Comments

All dairy commodity prices were down on the CME cash market last week, but except for cheddar the price drops were relatively small. Cash cheddar price has been moving up and down within \$1.55 and \$1.65/lb in the last couple of months, its price volatility partially due to the thinness of the cheese cash market. In total last week, 29 loads of cheddar changed hand on the cash market, which is approximately 1.5 million pounds, or less than 2% of an average week of U.S. cheddar cheese production. This is in contrast to butter where 99 loads changed hands last week, representing about 15% of average U.S. weekly production.

Table 2. Six-month strip of dairy futures at closing time last Friday, and changes in their 6-month averages from the prior Friday closings¹.

	Cheese (\$/lb)	Butter (\$/cwt)	Dry Whey (\$/cwt)	NFDM (\$/cwt)	Class III (\$/cwt)	Class IV (\$/cwt)
May	1.661	166.000	64.000	207.475	16.96	22.37
June	1.660	168.000	65.250	208.400	17.01	22.50
July	1.700	171.000	68.575	191.050	17.62	21.09
August	1.743	173.850	70.750	177.500	18.19	19.99
September	1.778	179.000	71.950	169.250	18.59	19.45
October	1.809	183.000	71.875	164.050	18.91	19.13
Average	1.725	173.475	68.733	186.288	17.88	20.76
Weekly Change	-0.016	+0.333	-0.329	-2.313	-0.17	-0.28

¹ Futures prices on the Chicago Mercantile Exchange

Based on the next 6-month of futures, the implied 6-month prices of milk components used in Class III and nonfat solids used in Class I, II, and IV pricings, Class I Base Skim, and projected Base Class I are reported in Table 3. Note that the May Class I Base Skim and Class I Butterfat prices were released on April 22 (the \$14.12/cwt in Table 3 for skim, and \$1.8649/lb for butterfat, the latter not being reported in the Table, but used to calculate the \$20.15/cwt for the May Base Class I price, which in this instance is not a projection but an actual price since Class I price is forward priced).

Table 3. Translation of futures dairy product prices into implied futures component prices and Class I Base Skim Mover (numbers in italics have already been announced by USDA).

	Butterfat (\$/lb)	Protein (\$/lb)	Other Solids (\$/lb)	Nonfat Solids (\$/lb)	Class I Base Skim (\$/cwt)	Projected Base Class I (\$/cwt) ¹
May	1.74	2.72	0.38	1.82	<i>14.12</i>	<i>20.15</i>
June	1.76	2.69	0.40	1.83	16.90	22.38
July	1.80	2.78	0.43	1.65	16.98	22.55
August	1.83	2.89	0.45	1.52	15.39	21.13
September	1.89	2.93	0.47	1.44	14.14	20.05
October	1.94	2.98	0.47	1.39	13.28	19.54
Average	1.83	2.83	0.43	1.61	15.15	20.97
Weekly Change	+0.00	-0.05	-0.00	-0.02	-0.16	-0.15

¹ Adding the location specific Class I differential to the Projected Base Class I would give a ‘raw’ projected Class I price for a given location. It is a ‘raw’ projection because this does not include any processor assessments and Class I ESL adjustments. Class I is for milk standardized to 3.5% butterfat and 96.5% skim. See <https://www.ams.usda.gov/sites/default/files/media/ProposedClassIDifferentialsMap.pdf> for a map of Class I differentials.

- Table 4 reports price quotations for butter, skim milk powder/nonfat dry milk (SMP/NFDM), whole milk powder (WMP), and cheddar from the top three exporting blocks of countries (the European Union taken as a whole) in mid-May, and their relative biweekly price changes.

Table 4. World price quotations of 4 major dairy commodities as of May 10, 2026.

	US\$/lb			Biweekly Change (%)		
	E.U.	Oceania	U.S.	E.U.	Oceania	U.S.
Butter	2.26	2.81	1.70	-1.4	-6.9	-2.4
SMP/NDM	1.38	1.60	2.24	+2.4	-3.1	+10.2
WMP	1.79	1.66	2.52	+1.6	-1.0	+6.3
Cheddar	1.69	2.19	1.62	+3.4	Nc	+0.7

Source: DG Agri

- The Federal Milk Marketing Order system was created to ensure an orderly marketing of milk in our country. As of now, all it really does is to ensure the orderly marketing of Class I milk. Because milk used to make Class II, III, and IV products does not have to be pooled in an Order, anytime that Class prices are not close to what the system was designed for, some milk gets depooled and producers loose in the process. Case in point, there was only 2.7% of the milk produced in California during the month of April that was pooled in Class IV. We know that CA produced about 3.5 billion pounds of milk in April. Thus, only about 50 million pounds was pooled in Class IV (butter/NFDM). We also know that CA (the number one butter producing State) produced about 61.2 million pounds of butter in April, requiring around 49.6 million pounds of butterfat, or somewhere around 1.2 billion pounds of milk at 4.2% butterfat to make this butter. Class prices and percent utilization in CA for April were: Class I: \$20.86/cwt at Tulare, 21.4%; Class II: \$18.82/cwt, 6.1%; Class III: \$16.82/cwt, 69.9%; and Class IV:

\$20.22/cwt, 2.7%, resulting in a blend price of \$17.92/cwt. We can calculate what the blend price would have been if the 1.2 billion pounds of milk used in Class IV had been pooled. I'll spare you the details, but it would have been around \$18.80/cwt, or \$0.88/cwt higher. On 3.5 billion pounds of milk produced, the loss to CA dairy producers amounted to ~ \$30 million just in April. The actual loss may not be as large, but it must be of this order of magnitude.

Evidently, CA butter-making dairy cooperatives would have made a killing in April by paying blend price for the milk used to make butter and powder and selling those products at wholesale prices. The thinking is that these additional profits are then passed to their members in the form of additional dividends. This line of thinking is analogous to thinking that a dollar in taxes sent to Washington is returned to the states as one dollar of benefits... Wishful thinking...