PERDUE Animal Nutrition

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WEEKLY DAIRY OUTLOOK

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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 July 17th and Friday July 24th, and their implied component prices.

	July 17 2026	July 24 2026	Change	Month to date
CME Cheddar blocks ($/lb)	1.5950	1.6075	+0.0125	1.5456
CME Butter ($/lb)	1.5850	1.5075	-0.0775	1.5950
CME Dry whey ($/lb)	0.7000	0.6800	-0.0200	0.6888
CME Nonfat dry milk ($/lb)	1.5000	1.4025	-0.0975	1.4906
-------	--------	Implied Prices	--------	-------
Butterfat ($/lb)	1.64	1.55	-0.09	1.66
Protein ($/lb)	2.60	2.74	+0.14	2.43
Other solids ($/lb)	0.45	0.43	-0.02	0.44
Nonfat solids ($/lb)	1.25	1.15	-0.10	1.24
Class III ($/cwt)	16.63	16.63	+0.00	16.06
Class IV ($/cwt)	16.96	15.76	-1.20	16.92

Comments

Except for cheese, prices of dairy commodities once again moved in synchrony on the cash and futures markets last week. On the cash market, cheddar blocks gained just a little over a penny per pound on a light trading week with only 16 loads changing hands. Meanwhile, the six-month strip of cheese futures dropped 2.7%. Butter prices lost significant ground on both markets, dropping 4.9% on the cash markets while the six-month strip of butter futures dropped 5.4%. Dry whey prices seem comfortable trading in the $0.65 to $0.70/lb range. The anticipated price correction for nonfat dry milk continued, its price dropping 6.6% on the cash market and 2.6% on the futures market.

Table 2. Six-month strip of dairy futures at closing time last Friday, and changes in their 6-month averages from the prior Friday closings[1].

	Cheese ($/lb)	Butter ($/cwt)	Dry Whey ($/cwt)	NFDM ($/cwt)	Class III ($/cwt)	Class IV ($/cwt)
July	1.536	156.925	65.125	164.950	15.78	18.39
August	1.665	158.425	67.750	146.525	17.20	16.66
September	1.679	162.100	69.500	145.025	17.49	16.58
October	1.682	164.800	70.000	145.550	17.58	16.70
November	1.686	166.500	70.475	145.700	17.63	16.85
December	1.684	169.800	70.400	145.400	17.56	16.95
Average	1.655	163.092	68.875	148.858	17.21	17.02
Weekly Change	-0.046	-9.283	+0.550	-3.922	-0.38	-0.78

[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 August Class I Base Skim and Class I Butterfat prices were released on July 22 (the $13.18/cwt in Table 3 for skim, and $1.7259/lb for butterfat, the latter not being reported in the table, but used to calculate the $18.75/cwt for the August Base Class I price, which in this instance is not a projection but an actual price since Class I milk 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]
July	1.63	2.43	0.40	1.40	*15.91*	*21.33*
August	1.64	2.83	0.42	1.21	*13.18*	*18.75*
September	1.69	2.83	0.44	1.20	11.88	17.22
October	1.72	2.80	0.45	1.20	11.98	17.44
November	1.74	2.80	0.45	1.21	11.93	17.54
December	1.78	2.75	0.45	1.20	11.93	17.54
Average	1.70	2.74	0.43	1.24	12.80	18.32
Weekly Change	-0.11	-0.03	+0.01	-0.04	-0.07	-0.34

[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 late-July, and their relative biweekly price changes.

Table 4. World price quotations of 4 major dairy commodities as of July 19, 2026.

	US$/lb			Biweekly Change (%)		
	E.U.	Oceania	U.S.	E.U.	Oceania	U.S.
Butter	2.01	2.52	1.61	+1.5	-4.7	-4.2
SMP/NDM	1.40	1.47	1.50	+1.0	-11.3	-5.5
WMP	1.69	1.58	2.13	+1.7	-4.5	-1.4
Cheddar	1.72	1.86	1.61	+7.4	-8.6	+12.4

Source: DG Agri

- Overseas, the Global Dairy Trade index went **up 1.5%** at the GDT auction held July 21st. This marked the first time the index has gone up after 3 consecutive down sessions. About 80% of the index is driven by SMP and WMP prices. Cheddar cheese price carries less than a 5% weight on the index, which explains how cheddar price was down 6.5% while the whole index went up.
  - Anhydrous milkfat: US$ 2.91/lb +1.1%
  - Butter: US$ 2.41/lb - 0.6%
  - Cheddar: US$ 1.63/lb - 6.5%
  - Lactose US$ 0.78/lb +2.0%
  - Mozzarella: US$ 1.79/lb +1.3%
  - Skim milk powder: US$ 1.47/lb +2.8%
  - Whole milk powder: US$ 1.58/lb +1.6%

- Last week, the USDA released its June *Milk Production* report.

  Revised Data for May. For the 24 major States, the ***May*** *milk production* stood at 19.7 billion pounds, up 2.2% from May 2025. The revision represented a decrease of 43 million pounds, or 0.2% below the preliminary estimate.

  All 50 States, June 2026. For all 50 States in June, estimated milk production stood at 19.705 billion pounds, *up 451 million pounds or +2.3%* from last year. The number of milk cows in the whole country was estimated at 9.677 million head, 192,000 more than at this time last year, and 19,000 more than what was reported last month. The estimated year-to-year increase in cow number is greater than the margin of error for this statistic (i.e., the USDA never goes out to count cows; the statistic is derived from a survey, which inevitably implies an uncertainty, which is estimated at +/- 19,000 head, which means that the 90% confidence interval is basically +/- 38,000 head). However, this also means that one should be careful at over-interpreting the monthly change in cow number.

  24 Major states, June 2026. Total milk production in the top 24 dairy States was estimated at 18.930 billion pounds**,** *up 441 million pounds (+2.39%)* from June 2025. Twenty-two of the 24 dairy States reported increased production. The 2 states reporting a milk decline were Virginia (-0.9%) and Washington (-0.4%), translating to a combined volume decrease of only 3 million pounds.

  Twenty of the 24 States reported a year-to-year increase in cow number: CO, ID, KS, MI, NY, SD, TX and WI each having added 10,000 or more cows.

  For the 24 States, milk per cow averaged 68.37 lbs/d during the month, up 0.34 lb/day from June 2025. The dairy herd in the 24 major States (9.231 million head) was up an estimated 185,000 head from June 2025. Therefore, about 14% of the production increase came from improved cow productivity and 86% from the increased number of head.

  Relative and absolute changes in milk produced in each of the top 24-States are shown in the next two figures.

  Regional Summaries, June 2026

  - In the Western states, production was down in WA. Production in AZ, ID, and UT was measurably up, and proportionally more so in OR. CA production was also slightly up, adding 8 million lbs of milk from its production in June of last year.

  - In the central region, production was substantially up in all states except NM where production was basically unchanged; up in the 2 digits percentage in KS.

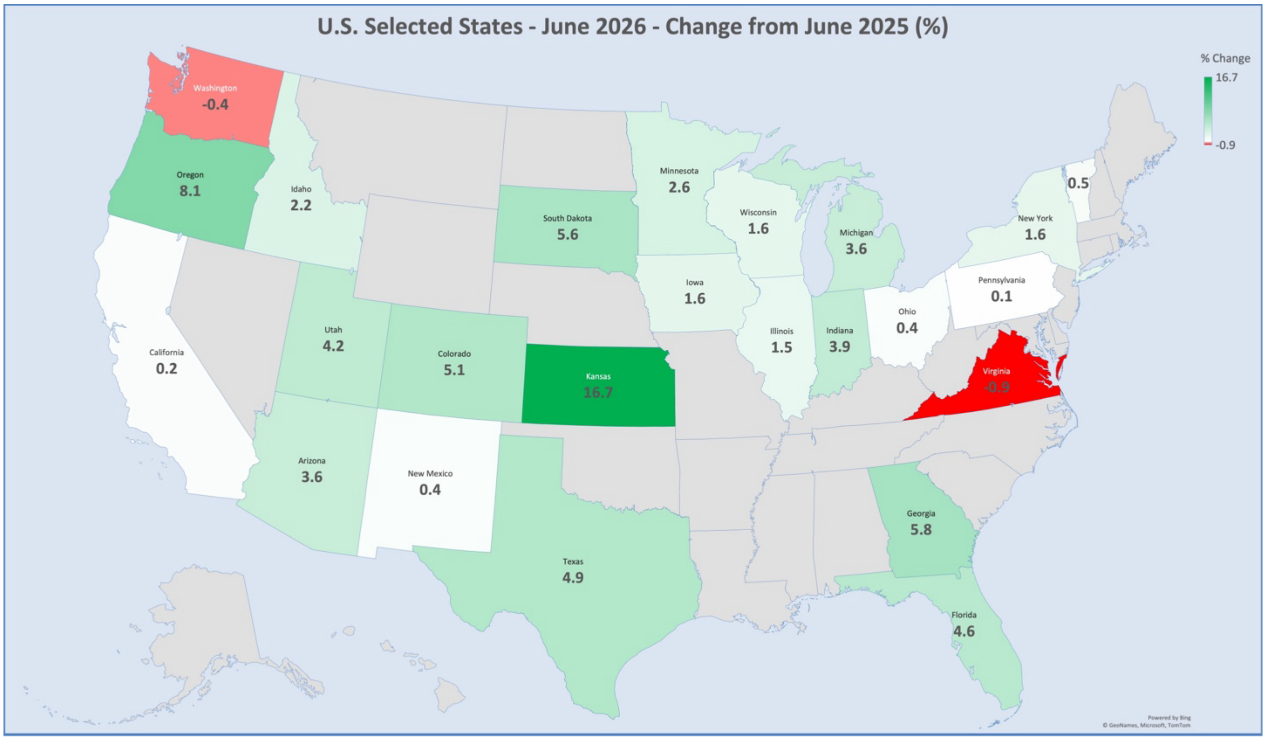
  - Milk production in the Cornbelt was up in all States this last month. Production increases were particularly significant in MI and WI and even MN on a volume basis.

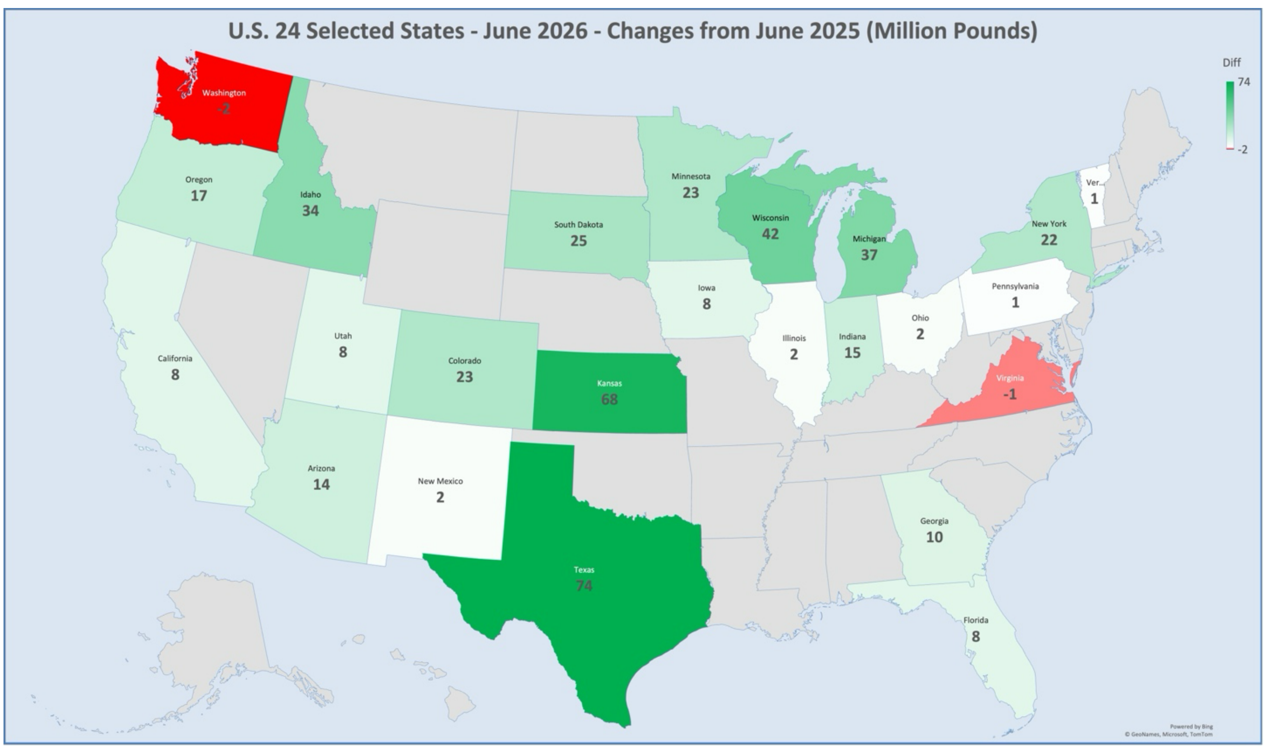
  - In the Northeast, production was up in NY, slightly up in VT (+0.5%), but significantly down in PA. The production decline in PA has been consistent for quite a while. The dairy industry in that State is facing an inherent competitive challenge due to its significantly smaller average herd size compared to NY, and significantly less productive cows.

  - In the Mid-Atlantic and Southeast regions, production was up substantially in Georgia and Florida, but down in Virginia.

  Five largest dairy producing States

In June, the 5 largest dairy producing States (CA, ID, NY, TX, and WI) accounted for 54.4% of the national milk production. Their combined production (10.726 billion pounds) was up 180 million pounds, or 1.7%.





- The USDA *Cold Storage* report for June was released last week. Stocks of American cheese were down 1.7% from June 2025, but up 1.2% from the end of May. Total cheese stocks were down

0.8% from June 2025, but up 1.1% from the end of the previous month. In short, what the *Cold Storage* report is showing is that the additional cheese being produced from the new cheese plants is not piling up in warehouses; it is either sold domestically or exported. Importantly, if there was an overly stockage of cheese, it would principally be in the American-style category because such cheese can be stocked and aged, which is not the case for most of the Italian-style cheeses. Current cheese production is finding a market here and abroad. Field reports, however, indicate that the domestic market is rather soft, which underlines the importance of maintaining strong cheese exports to avoid cumbersome cheese stocks.

As for butter, stocks were considerably down compared to June '25, and also down compared to stocks at the end of May '26. This would normally translate to a rise in butter price, which is not happening because butter exports are dependent on cheaper U.S. butter prices.

Currently, there is much uncertainty on the demand side, both domestic and foreign, at a time of significant increases in milk supply, also both domestic and worldwide. Traders do not like uncertainty and react with a somewhat pessimistic view.

Table 5. USDA June 30, 2026 *Cold Storage* report.

	Stocks in all warehouses (1,000 pounds)			June 2026 as a percent of	
	June 30 2025	May 31 2026	**June 30 2026**	June 2025	May 2026
Butter	355,557	335,341	**332,130**	-6.6	-1.0
Natural cheese					
American	836,865	813,061	**822,805**	-1.7	+1.2
Swiss	22,960	24,928	**24,042**	+4.7	-3.6
Other	585,016	578,900	**586,221**	+0.2	+1.3
Total natural cheese	1,444,841	1,416,889	**1,433,068**	-0.8	+1.1