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 August 28th and Friday September 4th, and their implied component prices.

	August 28 2026	September 4 2026	Change	Month to date
CME Cheddar blocks ($/lb)	1.4825	1.4650	-0.0175	1.4650
CME Butter ($/lb)	1.4625	1.4400	-0.0225	1.4400
CME Dry whey ($/lb)	0.7375	0.7525	+0.0150	0.7525
CME Nonfat dry milk ($/lb)	1.8650	1.8800	+0.0150	1.8800
-------	--------	Implied Prices	--------	-------
Butterfat ($/lb)	1.50	1.47	-0.03	1.47
Protein ($/lb)	2.40	2.37	-0.03	2.37
Other solids ($/lb)	0.48	0.50	+0.02	0.50
Nonfat solids ($/lb)	1.61	1.62	+0.01	1.62
Class III ($/cwt)	15.68	15.58	-0.10	15.58
Class IV ($/cwt)	19.68	19.72	+0.04	19.72

Comments

Dairy commodity prices moved mostly sideways on the CME cash markets last week. This contrasted with the futures markets where the six-month strips of cheese, butter, and nonfat dry milk futures were down 2.9%. 2.2% and 1.8%, respectively. Consequently, the implied six-month strips of fat, protein and nonfat solids were down 2.6%, 3.9%, and 2.0%, respectively. Traders are aware that dairy exports are now inherent to the U.S. dairy industry. Uncertainty as to what will happen to export volumes from tariffs and trade 'wars' is now dominating the mood on the trading floor.

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)
September	1.559	147.000	68.000	179.075	16.13	19.08
October	1.574	150.000	69.500	181.250	16.33	19.35
November	1.592	153.000	71.250	176.000	16.58	19.01
December	1.598	155.500	71.500	169.500	16.69	18.57
January	1.620	158.000	71.500	168.250	16.95	18.52
February	1.641	162.750	71.525	165.750	17.19	18.50
Average	1.597	154.375	70.546	173.304	16.64	18.84
Weekly Change	-0.047	-3.45	-0.155	-3.145	-0.62	-0.33

[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 Base Class I are reported in Table 3. Note that the September Class I Base Skim and Class I Butterfat prices were released on August 20 (the $12.16/cwt in Table 3 for skim, and $1.5164/lb for butterfat, the latter not being reported, but used to calculate the $17.04/cwt for the September 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]
September	1.51	2.64	0.43	1.54	*(12.16)*	*(17.04)*
October	1.54	2.65	0.44	1.56	14.28	19.05
November	1.58	2.67	0.46	1.51	14.48	19.37
December	1.61	2.65	0.46	1.44	14.00	19.03
January	1.64	2.69	0.46	1.43	13.40	18.56
February	1.70	2.70	0.46	1.40	13.29	18.56
Average	1.59	2.66	0.45	1.48	13.60	18.66
Weekly Change	-0.04	-0.11	-0.00	-0.03	-0.24	-0.36

[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-August, and their relative biweekly price changes.

Table 4. World price quotations of 4 major dairy commodities as of August 30, 2026.

	US$/lb			Biweekly Change (%)		
	E.U.	Oceania	U.S.	E.U.	Oceania	U.S.
Butter	2.14	2.35	1.46	+3.4	-2.1	-0.9
SMP/NDM	1.54	1.54	1.83	+4.8	+3.4	+10.2
WMP	1.88	1.61	2.25	+5.9	+2.5	+6.4
Cheddar	1.77	1.75	1.51	+0.2	-0.3	-6.0

Source: DG Agri

- Overseas, the Global Dairy Trade index went **up 0.9%** at the GDT auction held September 1st. This marked the third time in a row that the index has gone up. This time, the increase was almost entirely driven by a 5.3% increase in SMP. Cheddar price took a nosedive, ending at a price very near current U.S. domestic price.
    - Anhydrous milkfat: US$ 2.68/lb - 1.3%
    - Butter: US$ 2.28/lb - 0.8%
    - Cheddar: US$ 1.59/lb - 6.6%
    - Lactose US$ 0.87/lb +2.0%
    - Mozzarella: US$ 1.93/lb +0.3%
    - Skim milk powder: US$ 1.68/lb +5.3%
    - Whole milk powder: US$ 1.63/lb - 0.1%

- Last Wednesday, the USDA released average national dairy product prices, component prices and minimum Class prices in effect in the Federal Milk Marketing Orders (FMMOs) for the month of **August 2026**. Take note that in the following discussion, the label 'time-detrended range' is simply the *linear* time effect on prices over the last 26 years (January 2000 to December 2025). They do not imply that prices should be in these ranges for economic reasons.

  The August butterfat price of $1.51/lb was well below its long-term time-detrended range ($2.78 to $2.88/lb) and stood near the 1st percentile of butterfat prices between January 2021 and December 2025 (… you read this correctly: butterfat price has been less than $1.51/lb in just one month – February 2021 - over the 60 month range).

  The August protein price of $2.83/lb was slightly above its long-term time de-trended range ($2.70 to $2.80/lb) and at the 81st percentile of protein prices between January 2021 and December 2025.

  The August other solids price of $0.41/lb was above its long-term time de-trended range ($0.33-$0.37) and stood near the 75th percentile of other solids prices between January 2021 and December 2025.

  The August nonfat solids price of $1.35/lb was substantially above its long-term time de-trended range ($1.05-$1.11) and was near the 82nd percentile of nonfat solids prices between January 2021 and December 2025.

  At $16.64/cwt, Class III price was well below its long-term time-detrended price range ($19.95 to $20.25/cwt) and near the 26th percentile of Class III prices between January 2021 and December 2025.

  The Class IV price ($17.36/cwt) was below its long-term time detrended range ($19.41 to $19.71/cwt) and near the 24th percentile of Class IV prices between January 2021 and December 2025.

  In short, prices of protein, other solids and nonfat solids were high, price of other solids was high, Class III and Class IV milk prices were low from a historical basis, while price of butterfat was historically abysmal.

Table 5. Minimum Class and component prices in the Federal Milk Marketing Orders during the month of August 2026, and changes from July 2026 and August 2025.

	August 2026	July 2026	Change (Aug vs. July)	August 2025	Change (A '26 vs. A '25)
Cheese Blocks($/lb)	1.620	1.515	+0.105	1.763	-0.143
Butter ($/lb)	1.475	1.604	-0.129	2.575	-1.101
Nonfat Dry Milk ($/lb)	1.599	1.647	-0.049	1.278	+0.320
Dry Whey ($/lb)	0.660	0.652	+0.008	0.567	+0.093
Butterfat ($/lb)	**1.51**	**1.67**	**-0.16**	**2.84**	**-1.33**
Protein ($/lb)	**2.83**	**2.32**	**+0.51**	**1.87**	**+0.96**
Other Solids ($/lb)	**0.41**	**0.40**	**+0.01**	**0.31**	**+0.10**
Nonfat Solids ($/lb)	**1.35**	**1.39**	**-0.05**	**1.03**	**+0.32**
Class III ($/cwt)	**16.64**	**15.52**	**+1.12**	**17.32**	**-0.68**
Class IV ($/cwt)	**17.36**	**18.34**	**-0.98**	**18.89**	**-1.53**

- The USDA released its *Dairy Products report* for the month of July 2026. Unlike the USDA report, in this newsletter all production data are expressed *on a daily basis* to properly compare months with different number of days. Sometimes this is important. For example, the USDA reports that total cheese production in July 2026 was 2.3% above that of June 2026. But July has an

additional day compared to June. On a daily basis, total cheese production in July was 1.0% *below* that of June.

The report confirmed what we expected: daily output of nonfat dry milk powder (which is primarily used domestically and for exports to Mexico) was slightly down from last year while daily output of skim milk powder (exported overseas) was dramatically down.

As for cheese, the daily production of American-style cheeses, including cheddar, was down both compared to last year and last month. Meanwhile Italian-style cheese daily production (and importantly Mozzarella production, which accounts for nearly 80% of Italian-style cheese production) was up also compared to both last year and last month. This is an important set of information. By large, Italian-style cheeses do not age: they must be sold fresh. This additional cheese is finding a market. It is not piling up somewhere.

The balance of the USDA report is summarized in Table 6.

Table 6. USDA Dairy Products Report, July 2026 (amounts are in million pounds *per day*).

	July 2026 (million lbs/d)	% Change from July 2025	% Change from June 2026
Cheese			
Total Cheese	40.775	+2.1	-1.0
American-style	15.477	-1.1	-3.8
Cheddar	10.601	-1.7	-5.2
Italian-style	17.779	+4.1	+2.1
Mozzarella	13.977	+2.9	+3.2
Butter	6.102	+5.5	-11.9
Dry Milk Products			
Nonfat Dry Milk	5.327	+26.6	-2.5
Skim Milk Powder	0.711	-50.3	-25.6
Combined	6.038	+7.0	-5.9
Whey and Lactose Products			
Dry Sweet Whey – Total	2.586	+17.3	-4.4
Whey Protein Concentrate	1.326	-2.2	-4.7
Whey Isolate	0.570	+6.1	-16.5
Lactose	2.999	-4.2	+3.4