

WEEKLY DAIRY OUTLOOK

September 28th, 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 September 18th and Friday September 25th, and their implied component prices.

	September 18 2026	September 25 2026	Change	Month to date
CME Cheddar blocks (\$/lb)	1.3500	1.3075	-0.0425	1.3956
CME Butter (\$/lb)	1.3700	1.4000	+0.0300	1.3950
CME Dry whey (\$/lb)	0.7800	0.8050	+0.0250	0.7744
CME Nonfat dry milk (\$/lb)	2.0800	2.1700	+0.0900	2.0250
-----	-----	Implied Prices	-----	-----
Butterfat (\$/lb)	1.38	1.42	+0.04	1.41
Protein (\$/lb)	2.09	1.91	-0.18	2.20
Other solids (\$/lb)	0.53	0.55	+0.02	0.52
Nonfat solids (\$/lb)	1.82	1.91	+0.09	1.77
Class III (\$/cwt)	14.55	14.26	-0.29	14.99
Class IV (\$/cwt)	21.20	22.12	+0.92	20.82

Comments

Cash nonfat dry milk price surged again on the CME last week and currently far exceeds near futures prices. The opposite is occurring with cheese prices, where spot prices are far below near futures prices. This is primarily a consequence of how contracts are settled on the two markets. Spot prices require physical exchange of products; futures are cash settled. The CME spot market requires buyers to pay the freight minus a hauling adjustment. This adjustment (currently at a maximum of 4.93¢ per pound) is vastly insufficient to cover much greater transportation costs due to high diesel fuel prices. Hence, the additional freight cost is taken out of cash prices by cheese buyers.

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)
September	1.563	145.275	67.000	179.375	16.12	19.08
October	1.463	142.000	69.750	196.500	15.23	20.30
November	1.507	147.000	72.750	194.425	15.89	20.15
December	1.530	151.000	75.500	183.900	16.21	19.60
January	1.548	153.500	75.025	178.250	16.44	19.22
February	1.570	157.250	75.050	174.400	16.79	18.90
Average	1.530	149.338	72.513	184.475	16.11	19.54
Weekly Change	-0.008	+2.504	+0.738	+7.192	-0.05	+0.70

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, base Class I Skim, and base Class I are reported in Table 3. Note that the October base Class I Skim and base Class I Butterfat prices were released on September 23rd (the \$14.12/cwt in Table 3 for skim, and \$1.5024/lb for butterfat, the latter not being reported, but used to calculate the \$18.88/cwt for the October 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 and base Class I (numbers in italics have already been announced by USDA).

	Butterfat (\$/lb)	Protein (\$/lb)	Other Solids (\$/lb)	Nonfat Solids (\$/lb)	Base Class I Skim (\$/cwt)	Projected Base Class I (\$/cwt) ¹
September	1.48	2.67	0.42	1.54	(12.16)	(17.04)
October	1.44	2.39	0.44	1.71	(14.12)	(18.88)
November	1.51	2.47	0.47	1.69	15.89	20.39
December	1.55	2.49	0.50	1.58	15.70	20.42
January	1.58	2.52	0.50	1.53	14.73	19.65
February	1.63	2.54	0.50	1.49	14.21	19.25
Average	1.53	2.51	0.47	1.59	14.47	19.27
Weekly Change	+0.03	-0.06	+0.01	+0.07	+0.51	+0.57

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-September, and their relative biweekly price changes.

Table 4. World price quotations of 4 major dairy commodities as of September 13, 2026.

	US\$/lb			Biweekly Change (%)		
	E.U.	Oceania	U.S.	E.U.	Oceania	U.S.
Butter	2.17	2.31	1.38	+1.4	-1.9	-5.6
SMP/NDM	1.61	1.63	1.93	+4.7	+6.3	+5.6
WMP	2.01	1.62	2.30	+6.9	+0.4	+2.0
Cheddar	1.69	1.63	1.46	-4.3	-7.1	-3.0

Source: DG Agri

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

Revised Data for July. For the 24 major States, the **July** milk production stood at 19.3 billion pounds, up 1.8% from July 2025. The revision represented a *decrease* of 100 million pounds, or 0.5% below the preliminary estimate.

All 50 States, August 2026. For all 50 States in August, estimated milk production stood at 19.900 billion pounds, *up 340 million pounds or +1.7%* from last year. The number of milk cows in the whole country was estimated at 9.710 million head, 167,000 more than at this time last year, and 15,000 more than last month. The estimated year-to-year increase in cow number is much 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 infers an uncertainty, which is estimated at +/- 19,000 head, which implies 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, August 2026. Total milk production in the top 24 dairy States was estimated at 19.172 billion pounds, *up 345 million pounds (+1.83%)* from August 2025. Sixteen of the 24 dairy States reported increased production. The 7 states reporting a milk decline (OH reported no change) were:

Utah (-3.6%), Arizona (-3.1%), Illinois (-0.8%), California (-0.7%), Vermont (-0.5), New Mexico (-0.4), and Washington (-0.2).

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

For the 24 States, milk per cow averaged 66.77 lbs/d during the month, up 0.19 lb/day from August 2025. The dairy herd in the 24 major States (9.264 million head) was up an estimated 151,000 head from August 2025. Therefore, about 10.6% of the production increase came from improved cow productivity and 89.4% from the increased number of head.

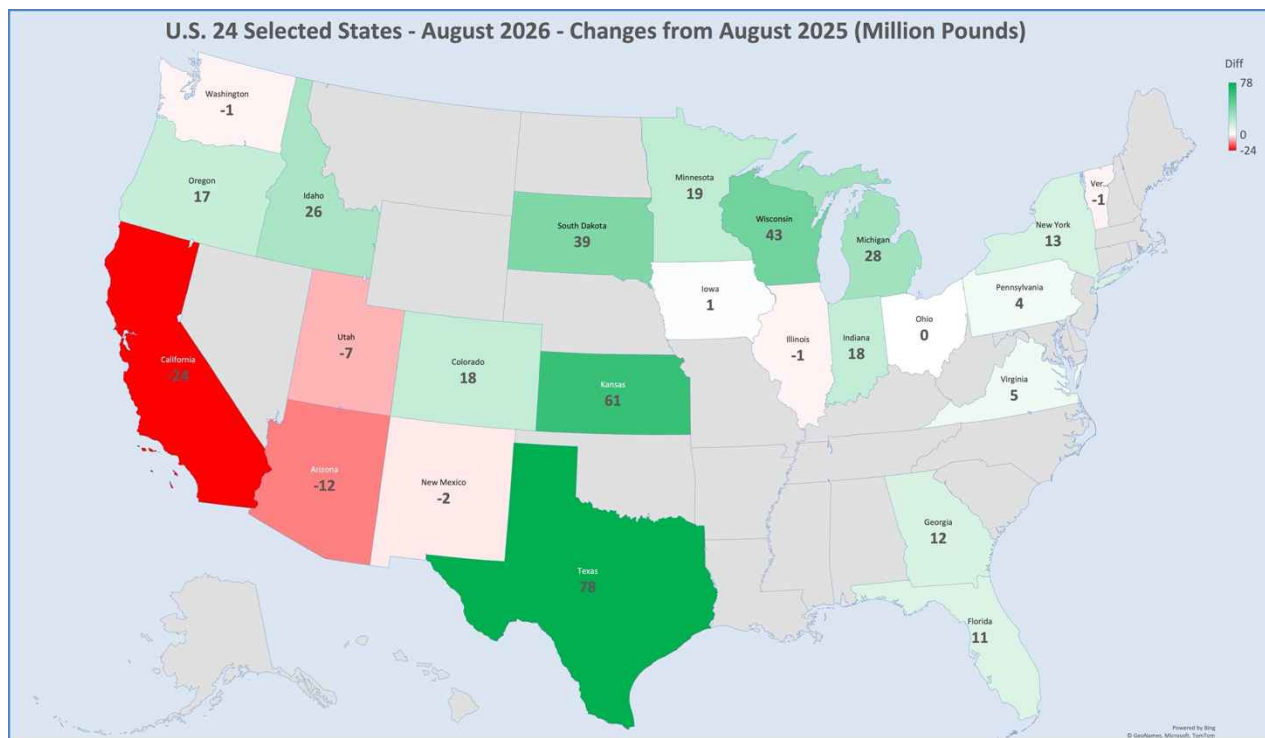
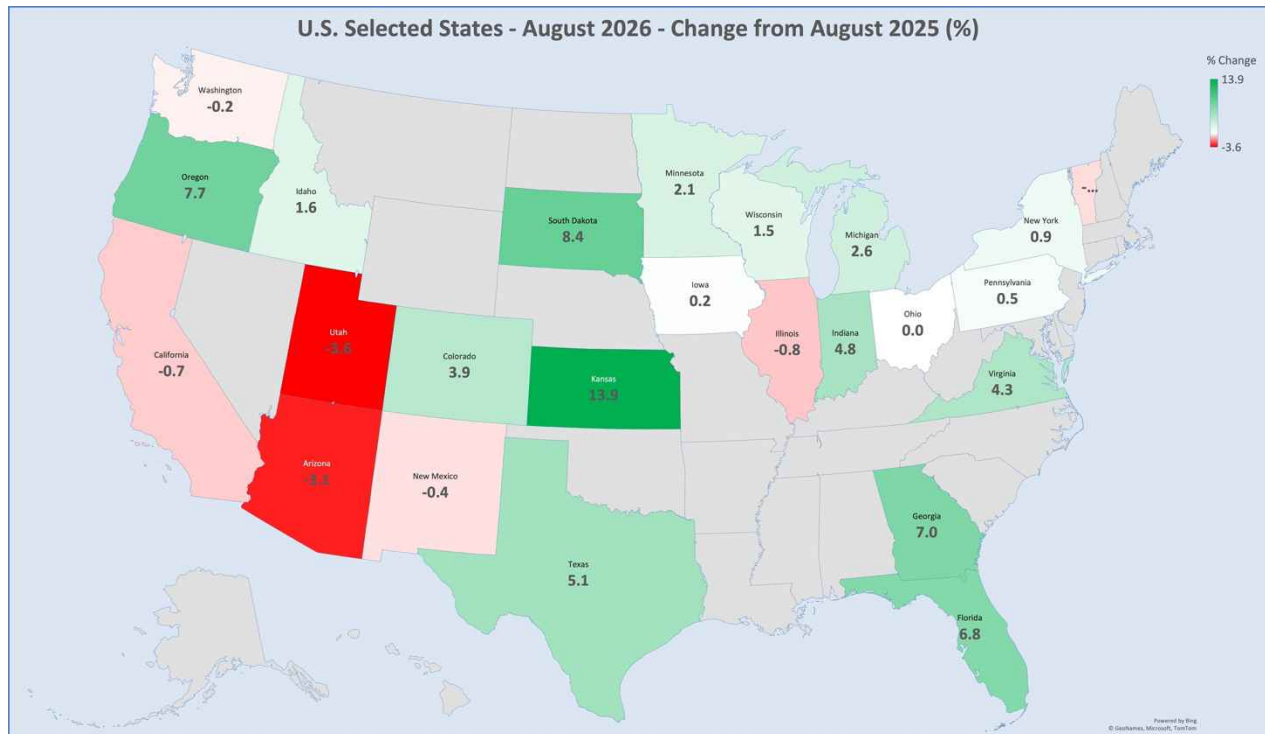
Relative and absolute changes in milk produced in each of the top 24-States are shown in the next two figures.

Regional Summaries, August 2026

- In the Western states, production was substantially down in AZ and UT, modestly down in CA, and WA, and measurably up in OR. On an aggregate, the West was down a meager 1 million pounds y-o-y.
- In the central region, production was up in all states except NM. On an aggregate, the central region was up 194 million pounds y-o-y.
- Milk production in the Cornbelt was up in all States this last month, except for Illinois and Ohio. Production increases were particularly significant in WI, MI, MN, and IN on a volume basis. On an aggregate, the Cornbelt was up 108 million pounds y-o-y.
- In the Northeast, production was up in NY and PA, but slightly down in VT. On an aggregate, the Northeast was up 16 million pounds y-o-y.
- In the Mid-Atlantic and Southeast regions, production was up substantially in FL, GA and also in VA. On an aggregate, the 2 regions combined were up 28 million pounds y-o-y.

Five largest dairy producing States

In August, the 5 largest dairy producing States (CA, ID, NY, TX, and WI) accounted for 54.8% of the national milk production. Their combined production (10.898 billion pounds) was up 136 million pounds, or 1.3%.



- The USDA *Cold Storage* report as of August 31st was released last week. Stocks of American cheese were up from August 2025 and up from the end of July - not by much (+0.3%), but American cheese stocks normally drop in August. Total cheese stocks were *significantly* up 2.3% from August 2025, and up albeit a more modest 0.3% from the end of the previous month. That cheese stocks climbed counter-seasonally in August, which is unusual, definitely caught the attention of traders on the CME.

As for butter, stocks were *markedly* up compared to August '25, but down compared to stocks at the end of July '26. The issue is that the month-to-month drop in butter stocks was less than half what typically happens in August. This is not conducive to a rise in butter price.

Table 5. USDA August 31, 2026 *Cold Storage* report.

	Stocks in all warehouses (1,000 pounds)			August 2026 as a percent of	
	August 31 2025	July 31 2026	August 31 2026	August 2025	July 2026
Butter	286,132	332,404	315,663	+10.3	-5.0
Natural cheese					
American	811,553	813,093	815,526	+0.5	+0.3
Swiss	20,726	23,594	22,845	+10.2	-3.2
Other	578,071	601,608	604,367	+4.5	+0.5
Total natural cheese	1,410,350	1,438,295	1,442,738	+2.3	+0.3

- This coming Wednesday, the USDA will be releasing component and minimum class prices in effect in the Federal Milk Marketing Orders (FMMOs) for the month of September. Of course, we do not know precisely what these prices will be, but based on the current information the following prices are expected:
 1. Butterfat: \$1.44 to \$1.54/lb (**down \$0.02/lb** from last month)
 2. Protein: \$2.63 to \$2.73/lb (**down \$0.15/lb** from last month)
 3. Other Solids: \$0.39 to \$0.43/lb (up \$0.01/lb from last month)
 4. Nonfat Solids: \$1.50 to \$1.55/lb (up \$0.18/lb from last month)
 5. Class III: \$15.99 to \$16.29/cwt (**down \$0.50/cwt** from last month)
 6. Class IV: \$18.73 to \$19.03/cwt (up \$1.52/cwt from last month)
- An economist recently wrote that high whey prices are muting market signals to cheese processors to produce less cheese. Within the Federal Milk Marketing Orders pricing system, this view is highly incorrect. The formulas used to calculate Class and component prices in the FMMOs embed a make allowance for processors to produce four dairy commodities. For cheese, this make allowance is currently set at \$0.2519/lb. Hence, it doesn't matter what the price of Class III or its component prices are: as long as a processor can make cheese for \$0.2519/lb or less, the formula guarantees profits for the processor. Dairy farmers might be losing their shirt with \$14/cwt Class III prices, but cheese processors still make the same amount of money as when Class III is at \$20/cwt. The pricing system is supposed to curtail cheese production by simply curtailing milk production. This thinking may have worked when cheese (and butter/powder) was a simple way to store 'excess' milk for longer term storage compared to fluid milk – which was the case 60+ years ago. This is no longer the case. Cheese plants designed to produce over a million pounds of cheese per day keep producing over a million pounds of cheese per day as long as the milk shows up. They make as much money regardless of milk price. There are no market signals, no incentives for cheese processors to reduce cheese production when cheese prices are low.

The same applies to dry whey production. The FMMO make allowance is \$0.2668/lb of dry whey. So, it doesn't matter what the price of 'other solids' is, as long as whey can be dried for less than \$0.2668/lb, processors have a guaranteed profit. However, there are hidden troublemakers in the whey stream. Whey protein extracted from the whey stream to make whey protein concentrate and especially whey protein isolate is currently sold at a premium, driven by

the current surge in whey protein demand due to GLP-1 users. Processors make more by isolating whey protein than by simply drying the whole whey stream to make sweet dry whey. The end result is that in total, cheese processors make more from processing milk into cheese and whey products than what the FMMO guarantees them. Just another hidden consequence of a government regulated pricing system.