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MMPA

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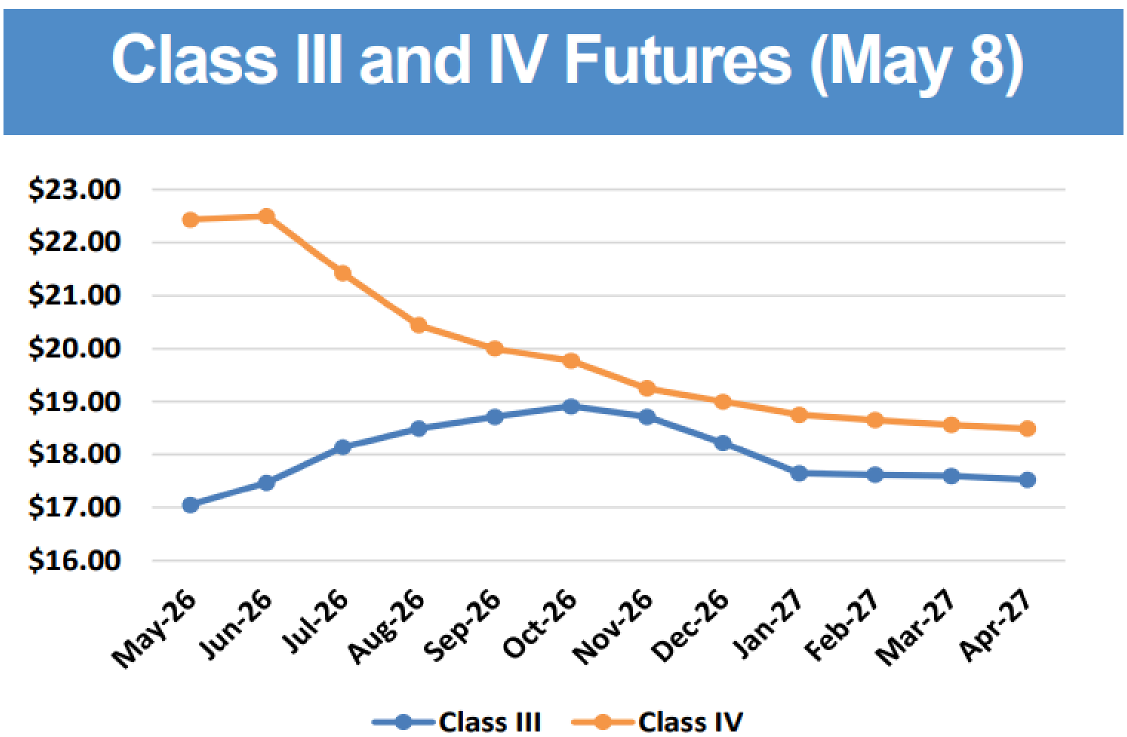
MARKET NEWS

Price Gap Leads to Depooling 🥛

Daily Dairy Report | May 8, 2026

Class III and IV milk prices have diverged dramatically. As of close on May 7, MAY ’26 and JUN’ 26 Class IV futures held a hefty premium of $5/cwt. to Class III futures. In June 2020, when USDA’s Food Box program was active, Class III futures were significantly higher than Class IV contracts by $8.14/cwt., but the current difference between Class IV and Class III is the highest ever. Typically, when one Class of milk has a sizable price advantage, depooling occurs if it is advantageous for the handler.

For Class I processors, who now must pay the higher of the Advanced Class III or IV Skim Milk Pricing Factor and cannot depool, this adds to costs. The all-time high in the Class IV market was set in March 2022 at $24.82/cwt., and markets still have further to go before reaching that level. Still, for fluid milk sellers, the pain is real and may translate into higher milk prices at the grocery store for consumers, particularly given the persistence of the nonfat dry milk (NDM) rally.



Most Class IV users are co-ops, and for some, it may be advantageous to depool the milk to receive the much higher Class IV price or “other solids” price, rather than just a blended pool price. This could affect producers’ milk checks in cheese-centric Federal Milk Marking Orders (FMMOs) such as the Upper Midwest, but also in places where Class IV processors depool to take advantage of the record-high NDM prices. Furthermore, the Class I base price for May, determined by prices in late March and early April, was announced at $20.15/cwt., below the current Class IV MAY 26 contract, indicating producers could face a negative producer price differential.

In the California FMMO the impact of depooling was evident in the March data, where 1.82 billion pounds of milk were pooled, compared to more than 3 billion pounds in March 2025. Moreover, in March 2025, 40% of California's pool was Class III, and 44% was Class IV, but in March 2026, Class III utilization was 68%, and Class IV was just 3%, highlighting the current depooling occurring in the order.

Anytime dairy markets rally, such as the current NDM situation, the pooling and depooling issue can arise, along with negative producer price differentials. When USDA issues advanced prices on May 20 and the All-Milk price on May 29, all eyes will be on the data to see the impact on Class I, II, and IV processors and on dairy producer profitability.

Over half the Continental United States is experiencing drought or drier-than-normal conditions. For the week ending May 5, the U.S. Drought Monitor reported that 75% of the country was under these conditions. Nearly 61% was in drought, with much of this area in the West or Southeast. USDA reported that as of May 5, 47% of the alfalfa acreage and 61% of grazing lands were in drought. However, just 25% of corn acres, 27% of soybeans, and 32% of the dairy area were experiencing drought conditions. For dairies, this is mostly positive news. With much of the Corn Belt receiving adequate moisture, the stage is set for another strong year of corn and soybean production, which will limit costs for operations that buy most of their feed. However, alfalfa hay has been below $250/ton for most of the past two years, and these conditions could push prices higher, slightly decreasing producer margins.

Drought in cattle grazing lands has the potential to shrink an already small beef herd, which is at its lowest level in 75 years. If there is not enough grass for cattle, breeding stock could be culled, rather than retained, as occurred between 2021 and 2023. For dairy producers, this has the potential to push cattle prices even higher, making cull cow and crossbred calf sales more enticing, adding to margins.

NMPF NEWS ALERT

- USDA finalized a rule last week to allow whole and reduced-fat milk to be offered in school nutrition programs, which currently allow low-fat and fat-free milk. NMPF President and CEO Gregg Doud applauded the rule in a press release.

- President Trump will depart D.C. to meet Chinese President Xi Jinping this week, the first U.S. state visit to China since Trump last went in 2017.

Dairy Defined: The Kids are All Right — they trust dairy
NMPF – May 11
Consumers continue to maintain high levels of trust in dairy and its industry, according to the latest Consumer Perceptions Tracker from Dairy Management Inc. The tracker, now in its third year, shows the percentage of consumers giving dairy its top two trust ratings rose to 36% in 2025, one tick up from the previous year.

Bird flu vaccine research aims to protect cattle, farm workers
Wisconsin State Farmer – May 9
Researchers at the University of Nebraska–Lincoln have developed a new vaccine approach that shows strong promise in protecting cattle from H5N1 bird flu, a disease that devastated commercial poultry flocks, and two years ago crossed into dairy herds across the United States.

Fertilizer price debate takes spotlight in U.S. Senate
Agri-Pulse Daybreak (Starts at 00:21) – May 11
The cost and availability of fertilizer will be scrutinized at a Senate Ag Committee hearing on Tuesday. It's the latest attempt by Washington officials to get a stronger grasp on

what's behind higher prices for crop nutrients and how to make the U.S. less reliant on foreign fertilizer markets.

Amid Makary firing talk, FDA announces 10 recalls

The Hagstrom Report – May 11

Amid speculation that President Trump plans to fire Food and Drug Administration Commissioner Marty Makary, the FDA announced 10 voluntary recalls of food products for food safety reasons over the weekend. The Wall Street Journal first reported that Trump is considering firing Makary, but noted the plan is not final. Other news outlets have followed up on the story.

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