

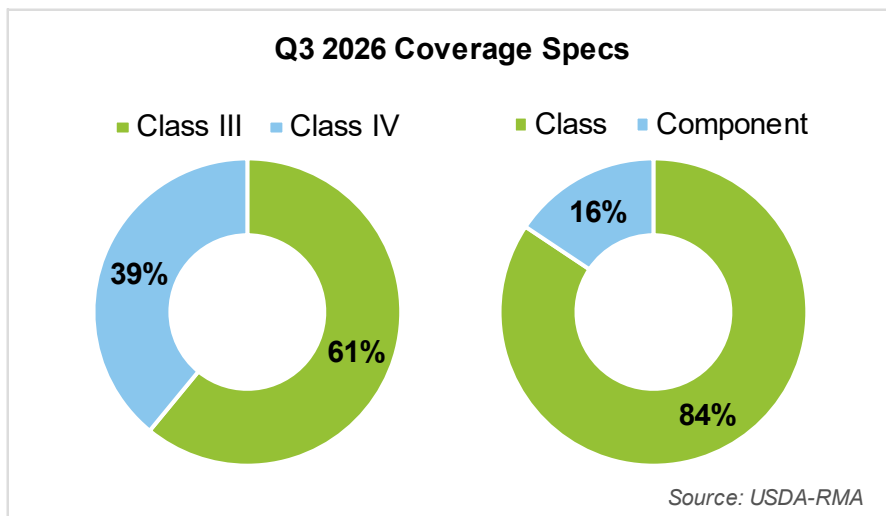
At the time of publishing, Q3 2026 indemnities had not yet been released by USDA-RMA. As such, the most recent quarter's indemnity payments in this report are estimated using announced class and component prices and milk yields.

Overview & Key Points

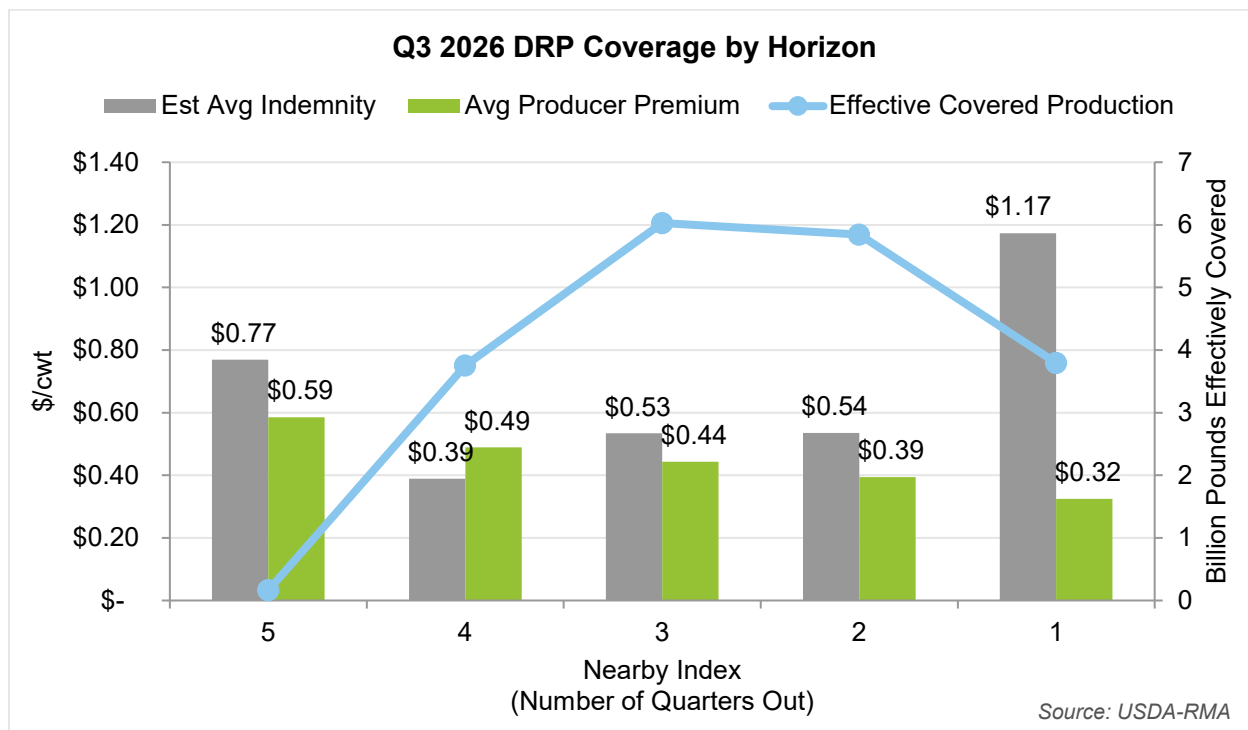
- Estimated indemnities for Q3 2026 averaged \$0.63/cwt, up \$0.54/cwt from last quarter. After factoring in producer premium costs, which averaged \$0.42/cwt, the estimated net to producers was a gain of \$0.22/cwt.
- Just under 19.6 billion pounds of milk were covered under DRP during Q3 2026, the third-largest total for the program. 32.9% of the US milk supply was covered during the quarter.
- Setting aside yield adjustment factors (YAFs) and looking at class pricing alone, both Class III and Class IV endorsements triggered indemnities in Q3 2026. The Class III price settled below the 95% coverage level on 272 of 274 days (99% of the time), whereas Class IV did so on 110 of 272 days (40% of the time).

Total Effective Pounds Covered:	Total Producer Premium:	Estimated Total Indemnities Paid:	Estimated Total Net to Producers:
19.6 billion lbs	\$81.4 million	\$123.9 million	\$42.5 million
Share of U.S. Milk Supply Covered:	Average Producer Premium:	Estimated Average Indemnity Paid:	Estimated Average Net to Producers:
32.9%	\$0.42/cwt	\$0.63/cwt	+\$0.22/cwt

Source: USDA-RMA



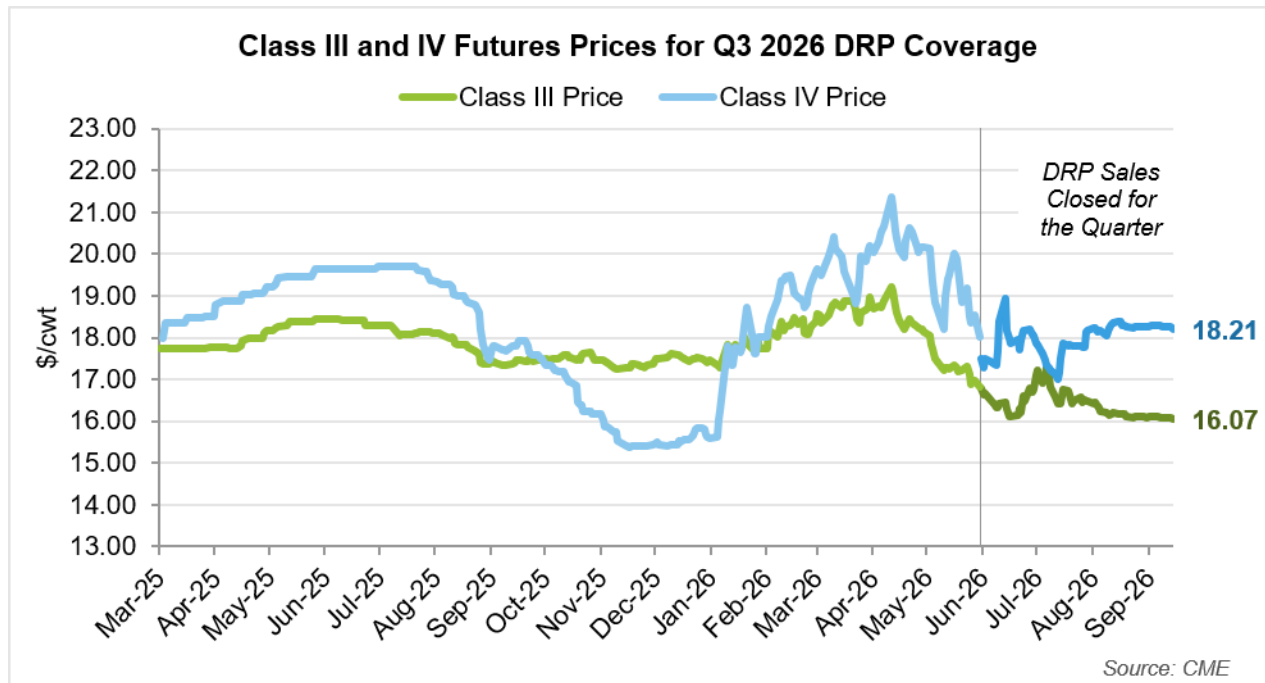
Coverage Performance by Horizon



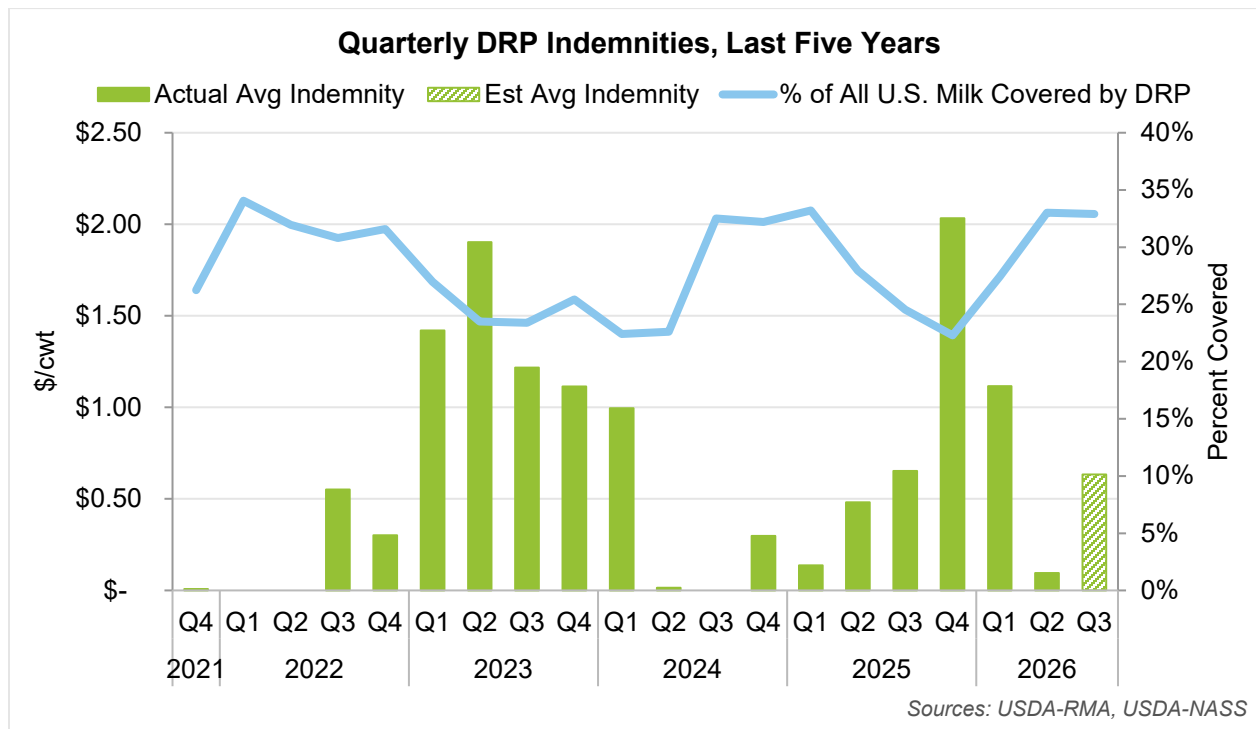
Nearby Index	Effective Covered Production		Class III Price (\$/cwt)			Class IV Price (\$/cwt)		
Number of Quarters Out	Billion Lbs	Share (%)	Min	Max	Avg	Min	Max	Avg
5	0.164	1%	17.74	18.44	18.07	18.00	19.64	19.05
4	3.752	19%	17.37	18.44	17.88	17.51	19.70	18.98
3	6.029	31%	17.24	17.64	17.44	15.37	17.93	16.68
2	5.843	30%	17.28	18.49	17.88	15.42	19.49	17.89
1	3.794	19%	16.82	19.20	18.41	18.01	21.37	19.95

Source: USDA-RMA

Nearby Index	Sales Effective Date Range
5	03/16/25 - 06/15/25
4	06/16/25 - 09/15/25
3	09/16/25 - 12/15/25
2	12/16/25 - 03/15/26
1	03/16/26 - 06/15/26



Participation and Performance



Impact of Yield Adjustments

The Yield Adjustment Factor (YAF) is calculated as the state or pooled production region's actual yield released in USDA's *Milk Production* report divided by the expected yield at the time of coverage. The YAF can have a positive or negative impact on indemnity payments:

- YAF > 1: When the actual yield is greater than the expected yield, the potential indemnity is reduced.
- YAF < 1: When the actual yield is less than the expected yield, the potential indemnity is enhanced.

Q3 2026 Expected and Actual Yields (Pounds)

State	Expected Yield Releases						Actual Yield	Yield Trend
	1	2	3	4	5	6		
California	5,586	5,685	5,755	5,924	5,976	5,874	5,926	
Wisconsin	6,576	6,519	6,558	6,544	6,541	6,513	6,510	
Idaho	6,549	6,558	6,549	6,588	6,584	6,582	6,602	
Texas	6,543	6,489	6,552	6,550	6,538	6,532	6,567	
New York	6,572	6,586	6,524	6,622	6,568	6,541	6,578	
Michigan	7,105	7,022	7,012	7,016	7,028	6,989	7,015	
Minnesota	5,970	5,968	6,019	6,020	6,012	6,001	6,004	
Pennsylvania	5,202	5,254	5,157	5,221	5,196	5,211	5,271	
Iowa	6,185	6,105	6,191	6,182	6,189	6,194	6,207	
New Mexico	6,049	6,065	6,043	6,051	6,033	6,048	6,089	

Source: USDA-RMA

Q3 2026 Yield Adjustment Factors by Release Period

State	Expected Yield Releases						Yield Trend
	1	2	3	4	5	6	
California	1.0609	1.0424	1.0297	1.0003	0.9916	1.0089	
Wisconsin	0.9900	0.9986	0.9927	0.9948	0.9953	0.9995	
Idaho	1.0081	1.0067	1.0081	1.0021	1.0027	1.0030	
Texas	1.0037	1.0120	1.0023	1.0026	1.0044	1.0054	
New York	1.0009	0.9988	1.0083	0.9934	1.0015	1.0057	
Michigan	0.9873	0.9990	1.0004	0.9999	0.9982	1.0037	
Minnesota	1.0057	1.0060	0.9975	0.9973	0.9987	1.0005	
Pennsylvania	1.0133	1.0032	1.0221	1.0096	1.0144	1.0115	
Iowa	1.0036	1.0167	1.0026	1.0040	1.0029	1.0021	
New Mexico	1.0066	1.0040	1.0076	1.0063	1.0093	1.0068	

Source: USDA-RMA

Net to producers is equal to the indemnity paid minus the producer premium. Effective covered milk production is equal to the declared production times the protection factor. Class III versus IV coverage is calculated as the effective covered milk production times the class price weighting factor or the component price weighting factor.

Disclaimer: *HighGround Insurance Group (HGIG) is an agency affiliated with HighGround Dairy (HGD). HGIG is a licensed insurance agency in many US states. HighGround Dairy is a division of HighGround Trading (HGT), an Introducing Broker (IB) registered under United States Laws. Nothing contained herein shall be construed as a recommendation to buy or sell commodity futures or options on futures. This communication is intended for the sole use of the intended recipient. Futures and options trading involves substantial risk and is not suitable for all investors. Past performance is not necessarily indicative of future results.*

About HighGround Dairy

HighGround Dairy launched in 2012 by industry veteran, Eric Meyer. Affiliated with HighGround Trading LLC, HighGround Dairy services all those interested in trading dairy futures and options markets. Through the brokerage division and its related consulting company, HighGround Advisory Group, it specializes in dairy hedging, risk management and market analysis services for farmers & cooperatives, processors, manufacturers, distributors, traders and end-users. *HighGround Dairy is a division of HighGround Trading LLC ("HGT"). HGT is a registered Introducing Broker (IB) with the CFTC and Member of the National Futures Association. HTG makes no representations or warranties regarding the correctness of any information contained herein, or the appropriateness of any transaction for any person. All information, communications, publications, and reports, including this specific material, used and distributed by HGT shall be construed as a solicitation for entering into a derivatives transaction. HTG does not distribute research reports, employ research analysts, or maintain a research department as defined in CFTC Regulation 1.71. **Copying, reproduction, modification, distribution, display or transmission of any of the contents in this document for any purpose without the prior written consent of HighGround Dairy is strictly prohibited.***

HighGround Dairy – 5157 Main St. Suite 200 – Downers Grove, IL 60605 USA – Direct: +1 312 604 3080 – Mobile: +1 312 953 3078
Main Toll Free: (877) 206-4250 - Email: info@highgrounddairy.com - www.highgrounddairy.com