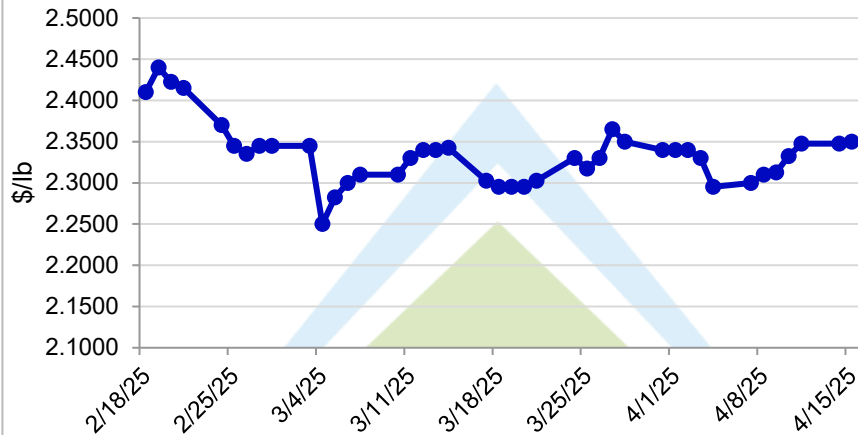




Dairy Producer **MARKET UPDATE**

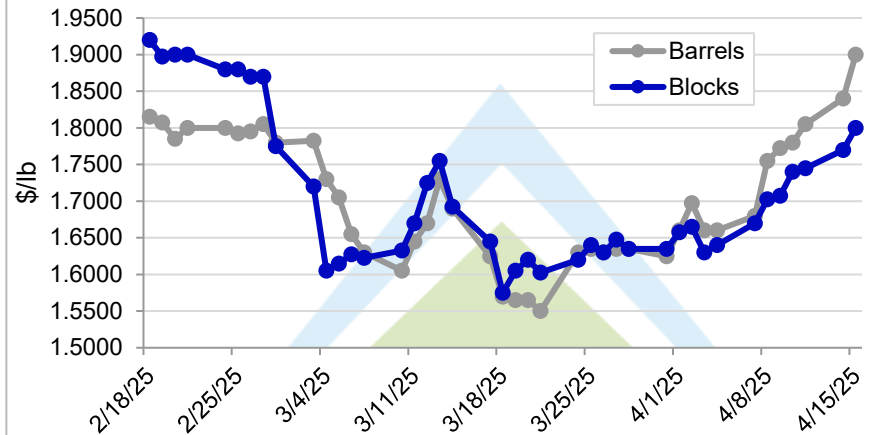
April 16, 2025

CME Spot Butter Prices



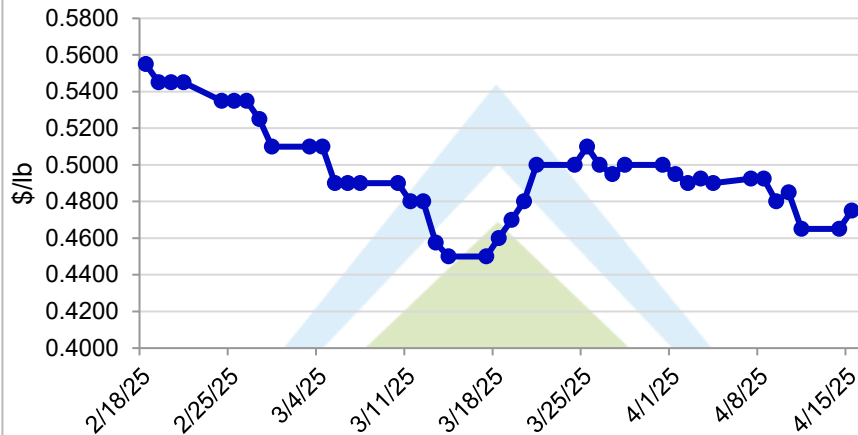
Source: CME

CME Spot Cheese Prices



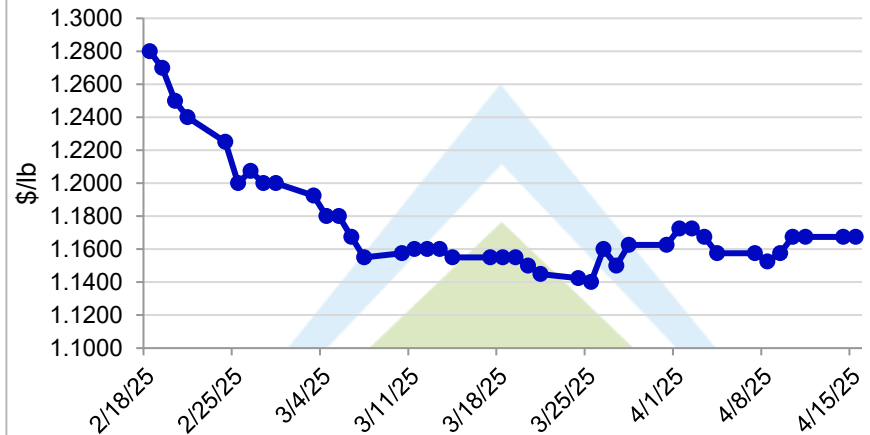
Source: CME

CME Spot Dry Whey Prices



Source: CME

CME Spot Nonfat Dry Milk Prices



Source: CME

CME Futures as of April 15, 2025

	Q2 2025	Q3 2025	Q4 2025	Q1 2026	Q2 2026
Class III (\$/cwt)	17.62	18.21	18.10	17.76	17.89
Vs. Last Month	+0.05	-0.07	-0.36	-0.09	+0.13
10-Yr Percentile	64%	69%	68%	66%	67%
Class IV (\$/cwt)	17.85	18.29	18.95	19.00	18.85
Vs. Last Month	-0.44	-0.32	-0.20	+0.19	+0.62
10-Yr Percentile	66%	69%	73%	73%	72%

Changes shown vs. Mar-14 Settlement Prices

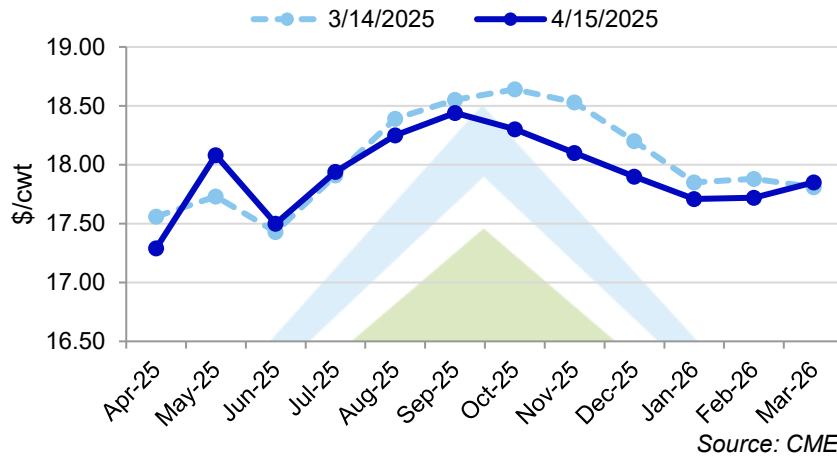
Percentiles compare the quarterly class price to the previous ten years of data. Percentiles are interpreted as: "This price is higher than ___% of months over the last ten years for Class III (or IV)."

Percentile Shading Key:

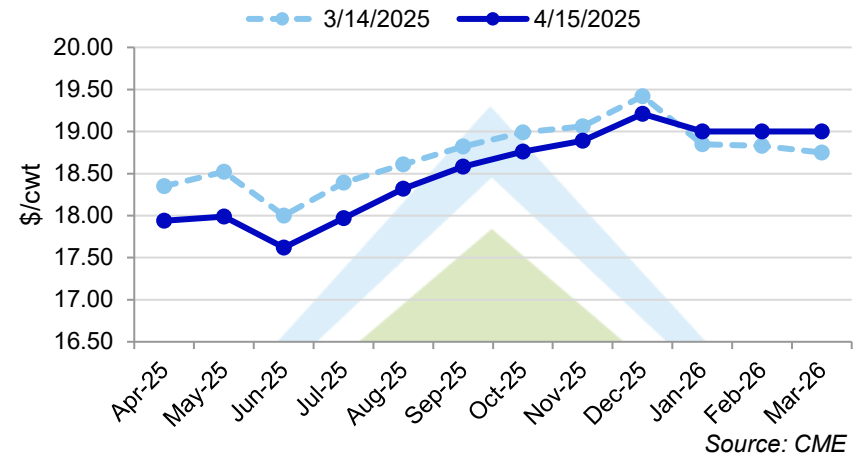
Red: 0 - 25% Brown: 25 - 50% Blue: 50 - 75% Green: 75 - 100%

- CME Class III futures were mixed over the past month. As of April 15th, May through July 2025 contracts saw modest gains compared to last month, supported by a rally in block and barrel Cheddar on the CME spot market. Further out, Class III futures dipped slightly, with losses of less than \$0.45/cwt.
- Meanwhile, CME Class IV futures moved lower across 2025 contracts, pressured by weaker butter and nonfat dry milk (NDM) prices. Despite the decline, prices remain above the 66th percentile relative to historical Class IV values.

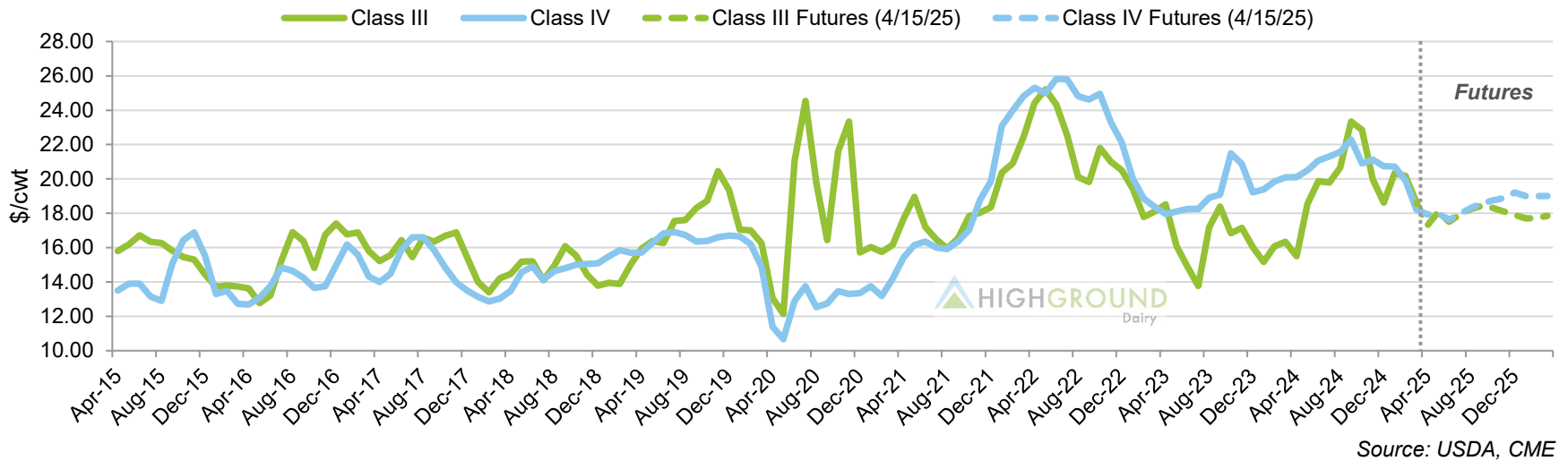
Class III Futures



Class IV Futures



Class III and IV Prices



Year-Over-Year Volumes: Feb-25

	Total Cheese			Dry Whey			Butter			Dry Skim Milk Products		
	Feb-24	Feb-25	YOY	Feb-24	Feb-25	YOY	Feb-24	Feb-25	YOY	Feb-24	Feb-25	YOY
	million lbs		%	million lbs		%	million lbs		%	million lbs		%
Supply												
Beginning Stocks	1,456.5	1,356.1	-6.9%	67.5	59.8	-11.4%	247.6	260.8	5.3%	215.6	309.2	43.4%
Production	1,179.3	1,194.4	1.3%	74.6	64.4	-13.7%	204.4	217.3	6.3%	190.2	190.6	0.2%
Imports	27.6	28.6	3.6%	0.0	0.0	-	12.2	12.1	-0.8%	0.0	0.4	-
Total Supply	2,663.4	2,579.1	-3.2%	142.1	124.2	-12.6%	464.2	490.2	5.6%	405.8	500.2	23.3%
Utilization												
Domestic Disappearance	1,106.9	1,090.4	-1.5%	33.1	24.2	-26.9%	159.6	169.2	6.0%	34.2	47.8	39.6%
Exports	98.8	106.1	7.4%	36.0	37.1	3.0%	5.3	12.3	133.5%	154.0	114.5	-25.6%
Total Utilization	1,205.7	1,196.5	-0.8%	69.1	61.3	-11.3%	164.9	181.5	10.1%	188.3	162.3	-13.8%
Stocks												
Ending Stocks	1,457.6	1,380.8	-5.3%	72.9	62.7	-14.0%	297.7	305.5	2.6%	217.5	336.0	54.5%

Year-To-Date Volumes

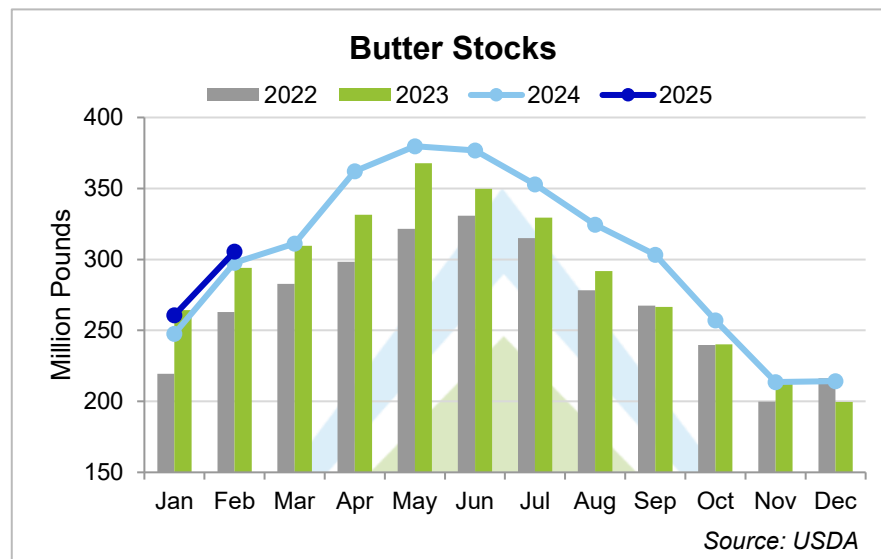
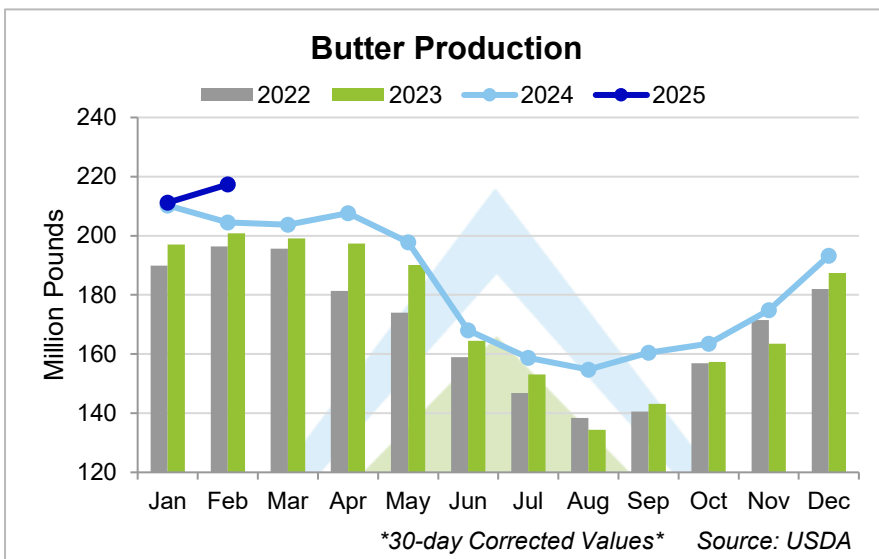
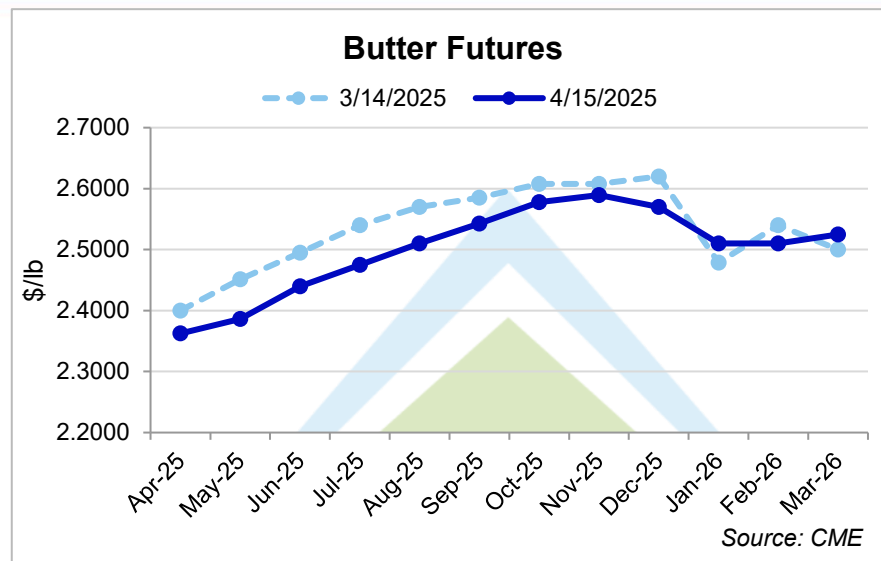
	Total Cheese			Dry Whey			Butter			Dry Skim Milk Products		
	2024	2025	YOY	2024	2025	YOY	2024	2025	YOY	2024	2025	YOY
	million lbs		%	million lbs		%	million lbs		%	million lbs		%
Supply												
Production	2,301.9	2,335.3	1.5%	147.3	132.1	-10.3%	407.9	421.0	3.2%	373.5	367.8	-1.5%
Imports	48.0	53.3	11.1%	0.0	0.0	-	22.5	25.8	14.6%	0.1	0.9	815.3%
Total Supply	2,349.9	2,388.6	1.6%	147.3	132.1	-10.3%	430.4	446.8	3.8%	373.6	368.7	-1.3%
Utilization												
Domestic Disappearance	2,157.9	2,160.0	0.1%	80.3	62.1	-22.7%	324.1	337.1	4.0%	87.8	86.6	-1.4%
Exports	177.0	201.9	14.1%	63.5	67.4	6.1%	9.9	18.6	87.3%	273.6	210.0	-23.2%
Total Utilization	2,334.9	2,361.9	1.2%	143.9	129.5	-10.0%	334.0	355.7	6.5%	361.4	296.6	-17.9%

Dry Skim Milk Products includes NDM, SMP, and dry skim milk for animal use. USDA NASS does not report manufacturers' stocks of SMP.

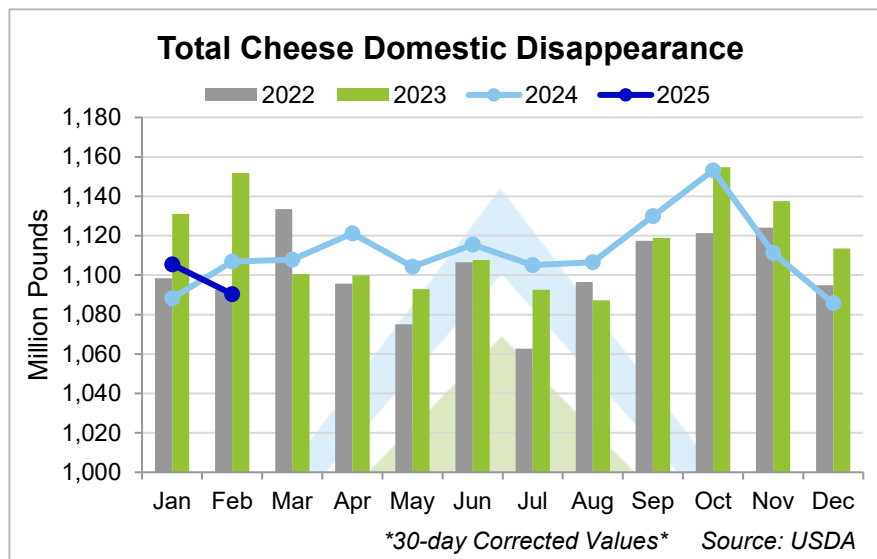
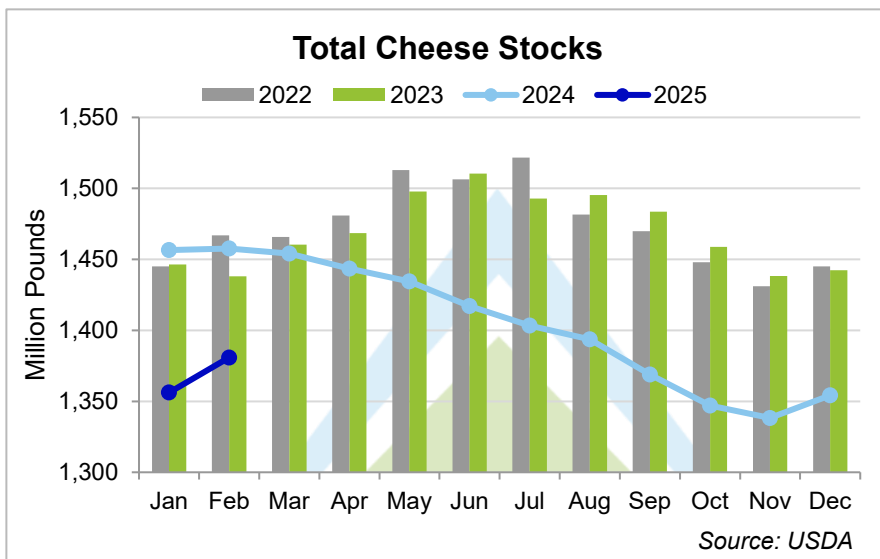
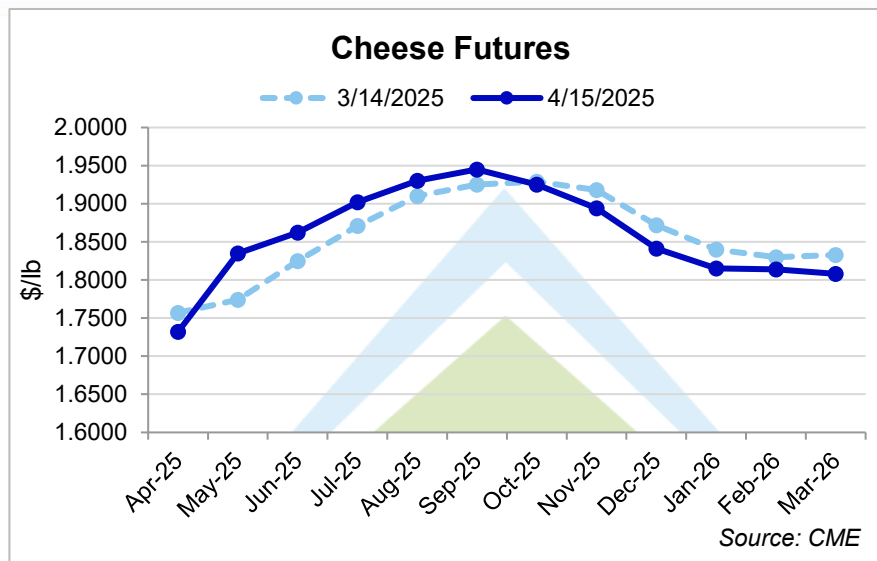
Source: USDA

Monthly volumes adjusted to 30 days to account for leap year. Year-to-date volumes are adjusted to exclude the extra day from leap year.

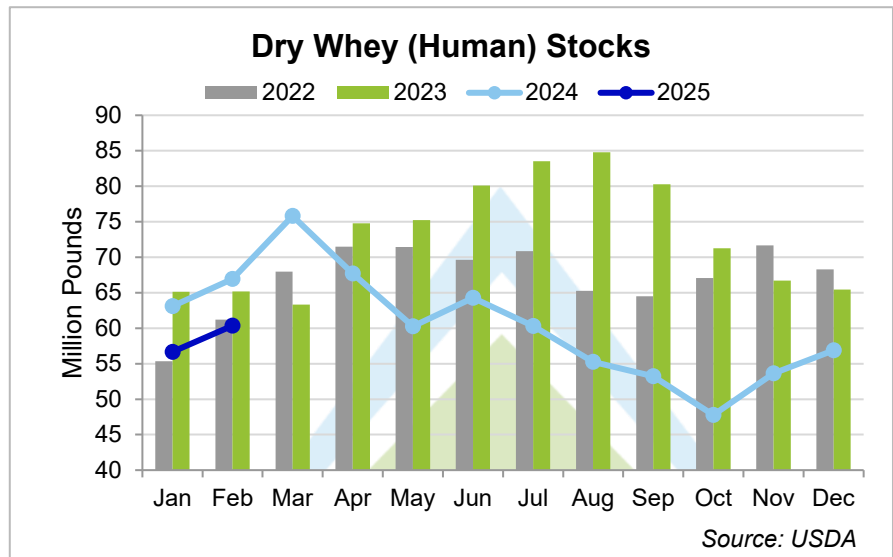
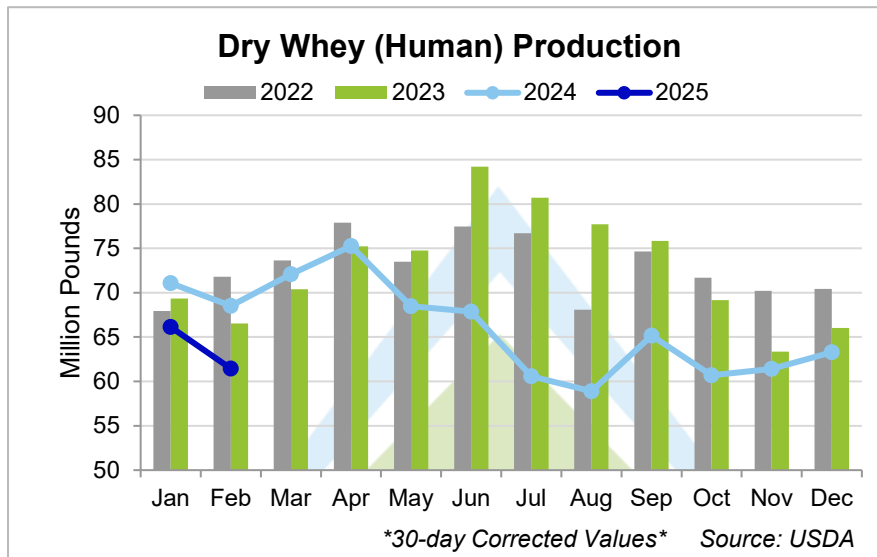
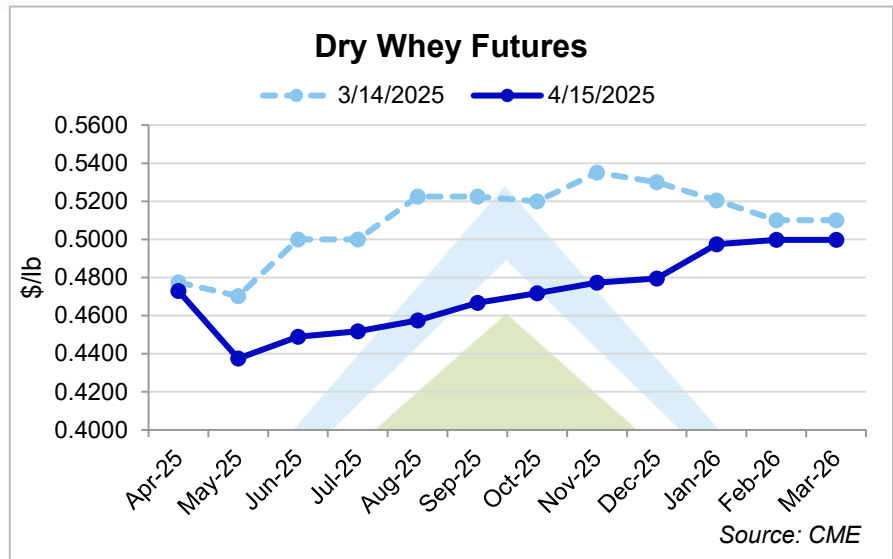
- Boosted by rising milk production and robust butterfat levels, butter output continues to post impressive gains. February marked the fifteenth consecutive month of year-over-year growth, with production up 6.3%—the highest total ever recorded for the month.
- Butter stocks reached their second-highest February level since 1994. Inventories rose 2.6% from the prior year, marking the thirteenth straight month of year-over-year growth.
- Butter demand strengthened in February, with domestic consumption up 6% year-over-year and exports reaching 11.5 million pounds—the highest since November 2022. While tariffs remain a wildcard, the wide gap between U.S. and global prices could support further export gains. Solid domestic demand also helped keep stocks in check.



- Growth in cheese production persisted in February, rising 1.3% year-over-year, driven by strong gains in Mozzarella and Natural American varieties. Cheddar output grew year-over-year for the first time since October 2023.
- Total cheese stocks continued to improve. Month-to-month, inventories increased 1.8%, as American cheese stocks posted the largest monthly increase since May 2023. Still, total cheese stocks remain below last year's levels by 5.3%, marking the lowest total for the month since 2020.
- Total demand for cheese in February was held down by tepid domestic consumption, as a volatile economic environment weighed on consumer purchasing. However, discounted U.S. product compared to the rest of the world continues to stimulate healthy export demand.

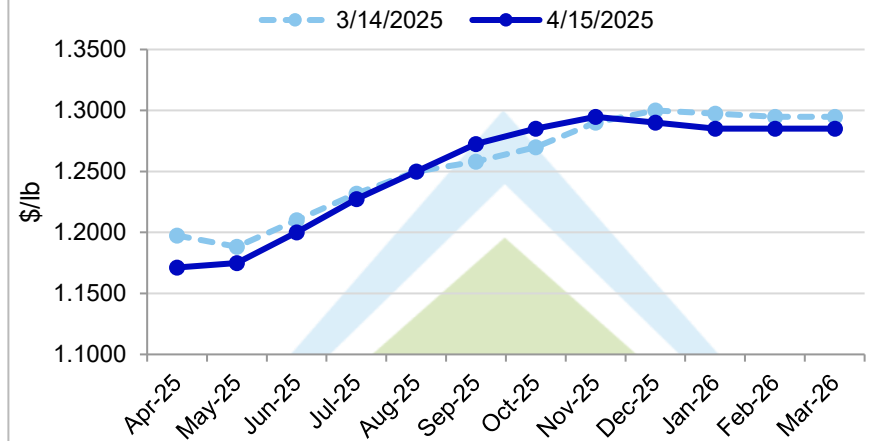


- Dry whey production tanked in February, down 10.3% from last year and 7.1% from last month. February's total was the lowest volume for the month in over 40 years.
- Despite lower production, dry whey stocks built, growing 6.5% from January. Still, inventories remain below February 2024 by 9.8%.
- Domestic dry whey usage dropped sharply in February, falling to its lowest monthly volume since November 2022—down 26.9% year-over-year. While exports rose 3.0% from a year ago, sustained growth appears doubtful amid escalating trade tensions with China, the top buyer of U.S. whey.

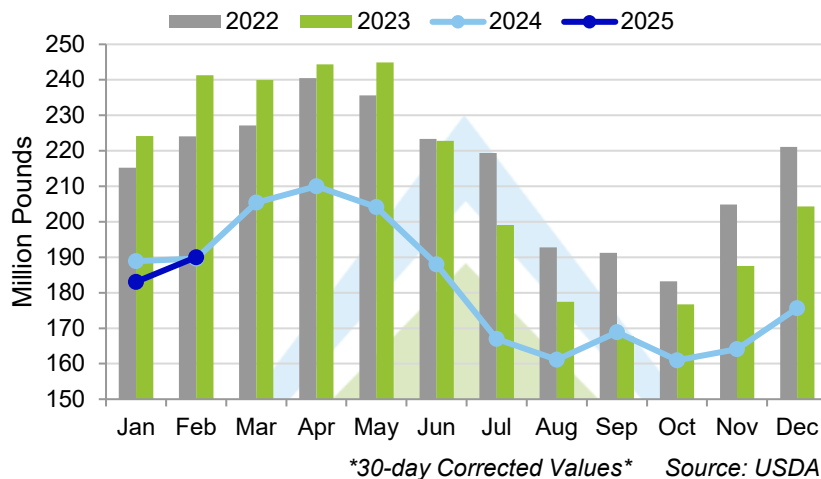


- Combined production of NDM and SMP rose for only the second time in the past 21 months, increasing by just 0.2% in February versus the prior year. Still, production remains substantially lower than two years ago. Individually, NDM production rose for the second month in a row, up 3.2% compared to last year.
- NDM inventories exploded higher, up a whopping 57% year-over-year and 9.2% month-on-month. February's NDM stocks reached their highest level since June 2021.
- Total NDM/SMP usage fell year-over-year for the 17th time in the past 19 months, dropping 13.8% in February. February's total was the lowest for the month since 2011, highlighting just how poor demand is presently.

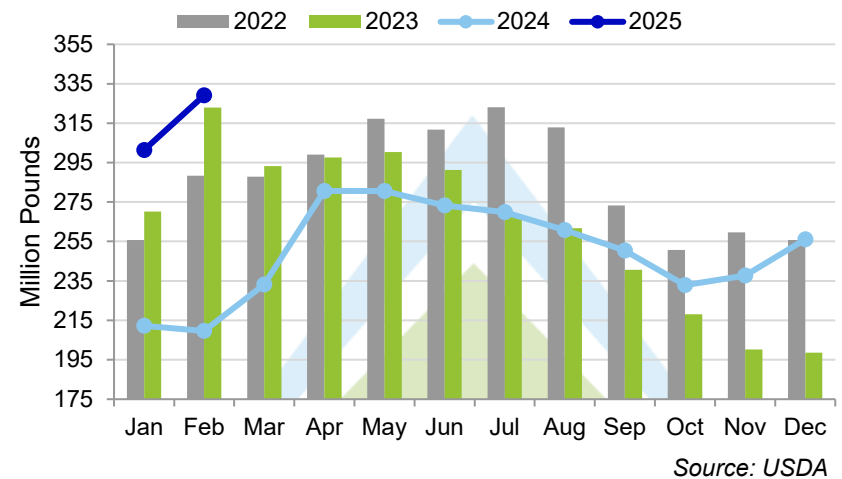
Nonfat Dry Milk Futures



NDM/SMP Combined Production

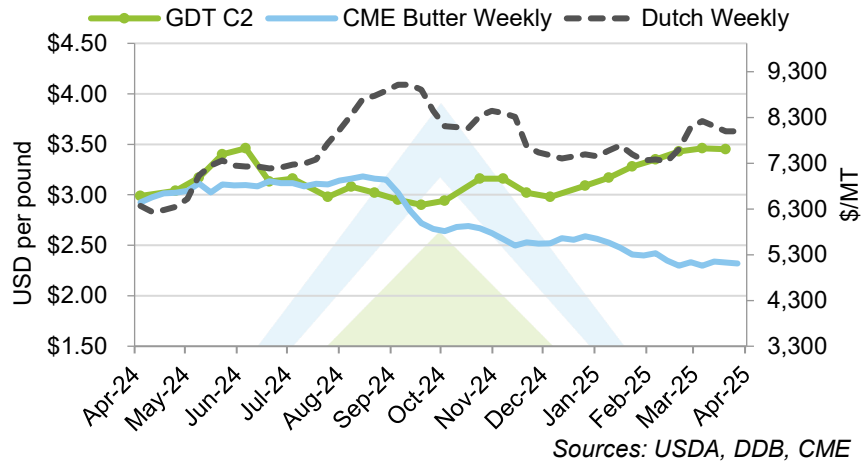


NDM Stocks

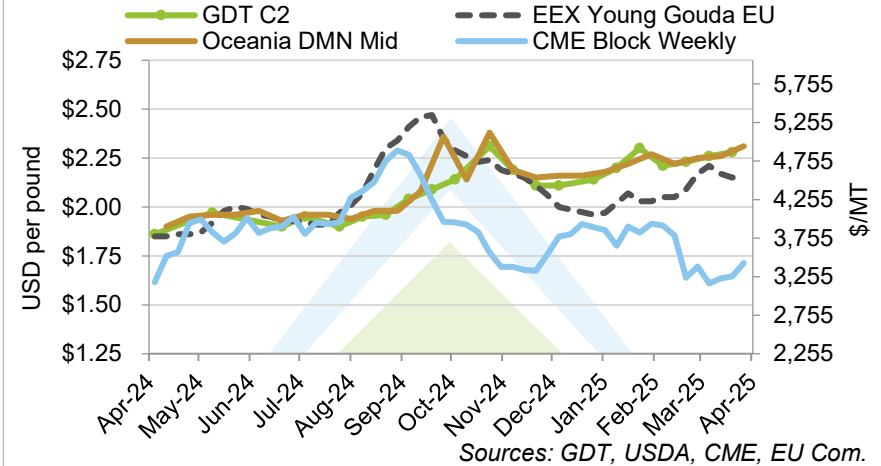


U.S. cheese and butter prices are competitive in international markets, depending on tariffs for individual countries.

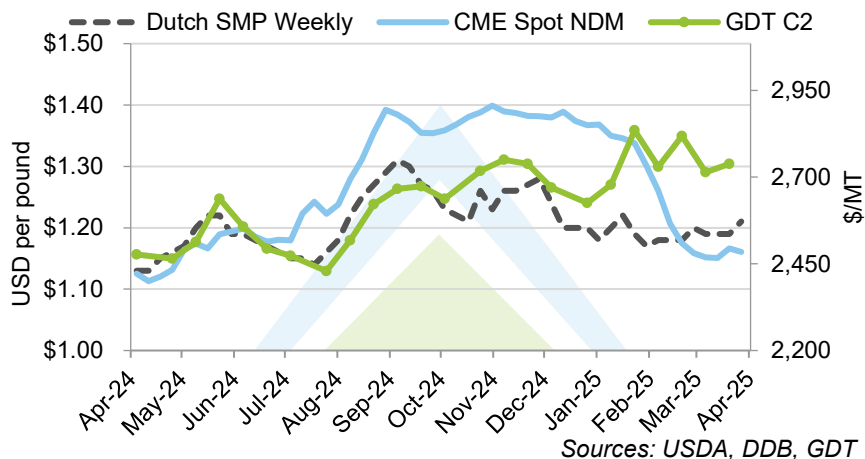
International Butterfat Prices



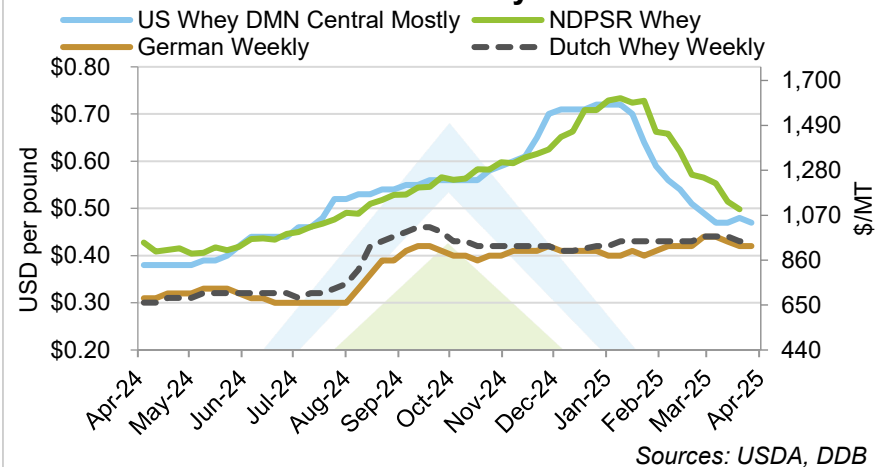
International Cheese Prices



International SMP/NDM Prices

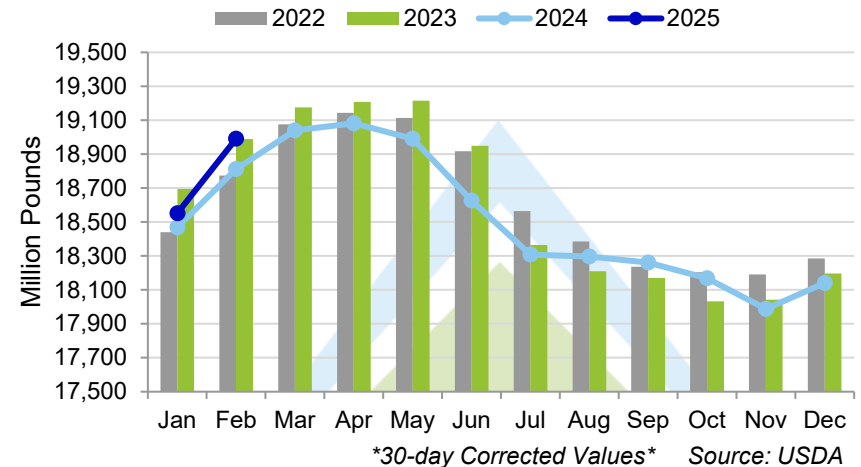


International Whey Prices

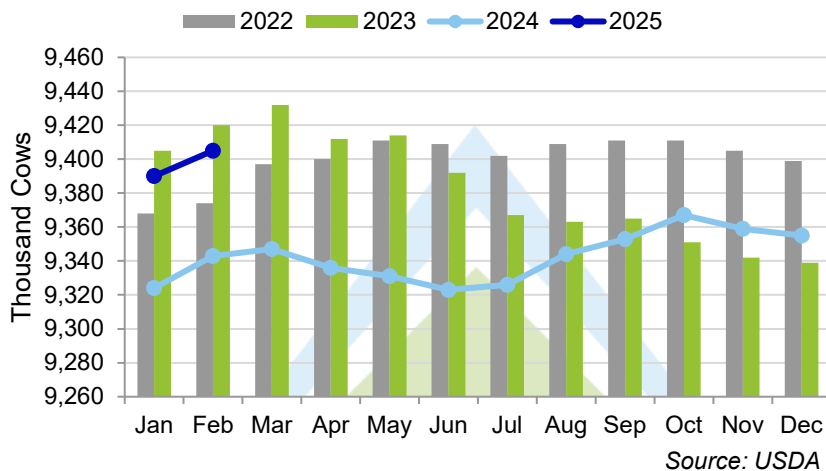


- U.S. milk production grew for the second month in a row, up 1% year-over-year in February. While California continues to report lower milk production due to recovery from HPAI, production in the rest of the country has been strong, up 2% from the previous year when excluding California.
- The U.S. dairy herd rose 15,000 head from last month, climbing to its highest level since May 2023. February's national herd was 62,000 head larger than the prior year.
- Milk per cow set a record for the month, up 0.3% from last year, as improved milk flows in California helped boost overall yields.

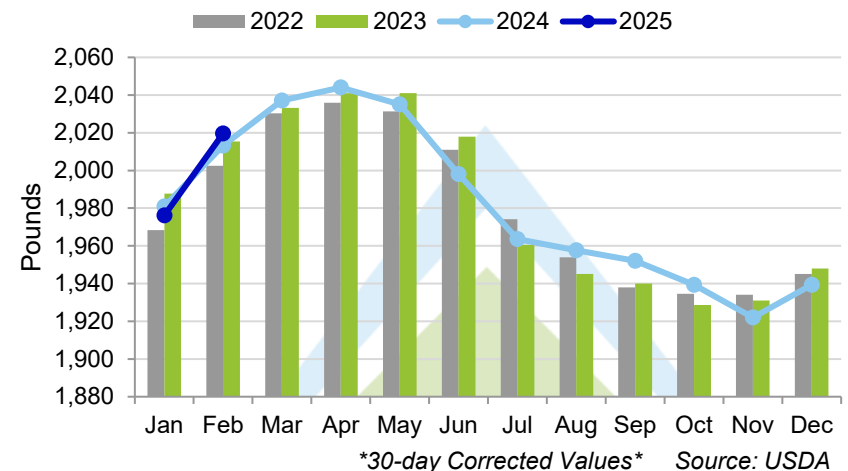
U.S. Milk Production



U.S. Milk Cows

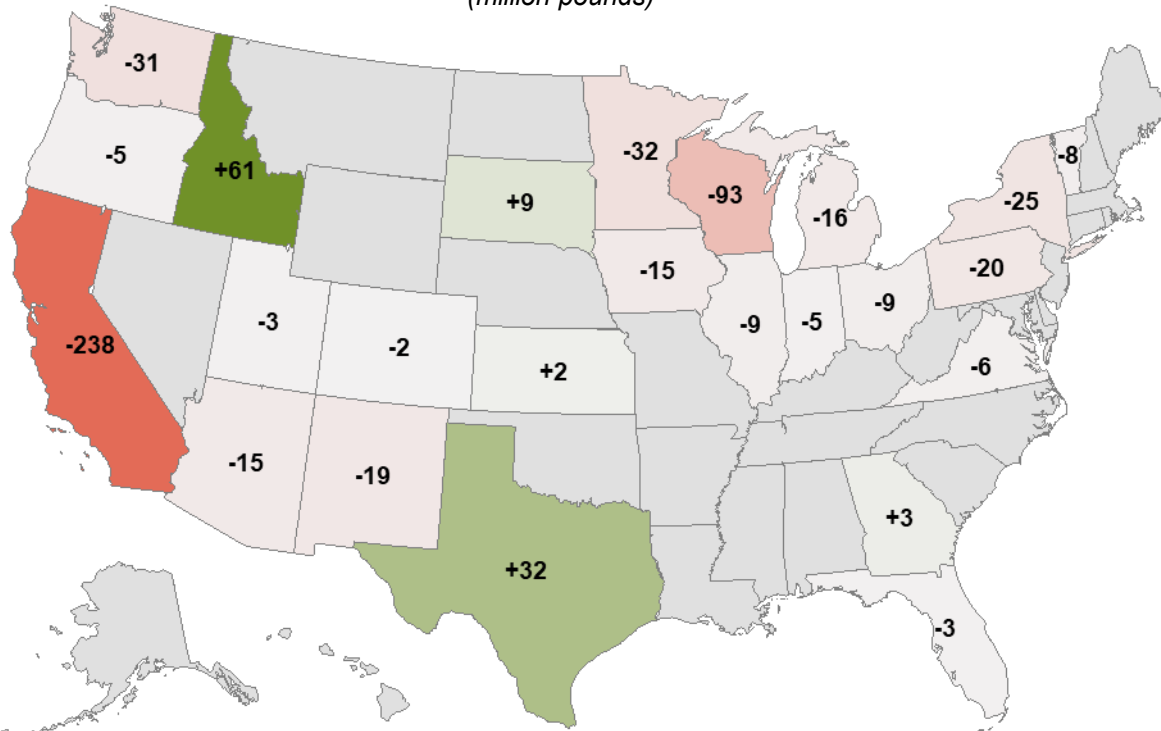


U.S. Milk Per Cow



Year-Over-Year Change in Production: February 2025

(million pounds)



Source: USDA

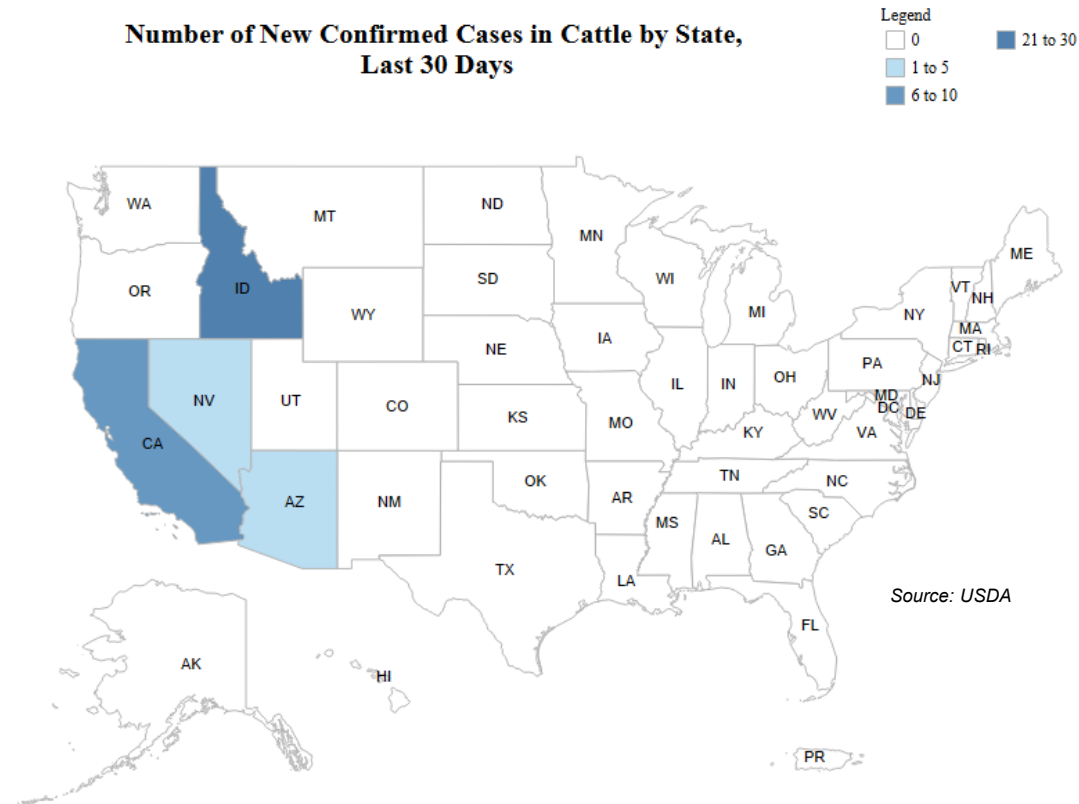
- California milk production remains down 3.7% year-over-year in February. However, this marks an improvement from previous months, as the state continues to recover from HPAI.
- Meanwhile, Idaho and Texas continued to push major growth, with Idaho up a whopping 8.4% year-over-year and Texas up 6%.

Highly Pathogenic Avian Influenza (HPAI)

USDA HPAI Detection in Livestock Operations as of April 16, 2025







Number of New Confirmed Cases in Cattle by State, Last 30 Days

- Over the last 30 days, there have been 31 new confirmed cases of HPAI in dairy herds, according to the [USDA APHIS](#) as of April 16, 2025. These cases span across four states, including Idaho (+21), California (+8), Nevada (+1), and Arizona (+1).
- The FDA confirms that pasteurized milk/dairy products and ground beef are **SAFE** for human consumption.

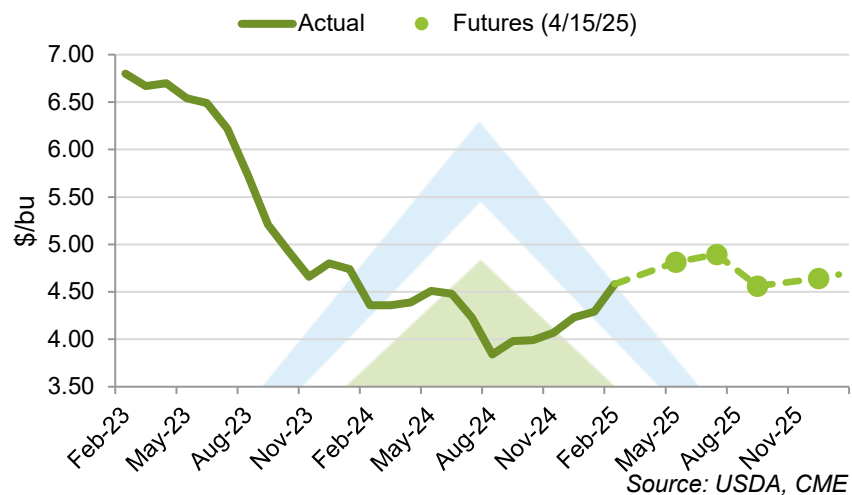


To stay up to date on news surrounding this issue, check out the resource center on our website:
[“Navigating HPAI: Dairy Market Resource Center”](#).

Updated as of April 14, 2025

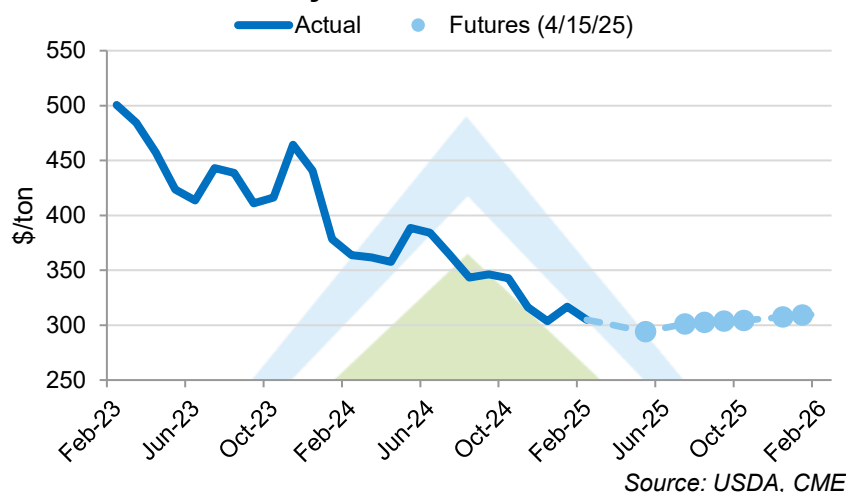
Activity	Item	Effective Tariff Rate	Notes	Retaliation
	Assorted Reciprocal Tariffs	11-50%	Trump paused reciprocal tariffs on 75+ countries for 90-days starting April 9	
	Base Tariffs	10%	All imports subject to a 10% base global tariff rate announced April 2 Excludes Mexico and Canada	The EU paused retaliatory tariffs for 90-days
	China Tariffs	145%	Trump raised reciprocal tariffs on China from 104% to 125%. Adding the 20% tariff from February equals a 145% tariff rate. On April 13, Trump granted tariff exclusions on certain products but stated this would be short-lived.	Chinese tariffs on U.S. goods at 125% 125% on infant formula and lactose 135% other U.S. dairy 150% on whey Exports shipped before May 13, 2025, will not face 125% levy.
	Steel and aluminum tariffs	25%	Applies to everyone including Canada and Mexico	
	Auto and auto parts tariffs	25%	Applies to everyone including Canada and Mexico on non-USMCA auto parts	Canada has a 25% on non-USMCA vehicles
	Mexico and Canada	0% USMCA goods	25% on non-USMCA goods and 10% energy and potash Dairy is covered under the USMCA	Canada has 25% tariff on variety of U.S. goods including dairy

Corn Prices

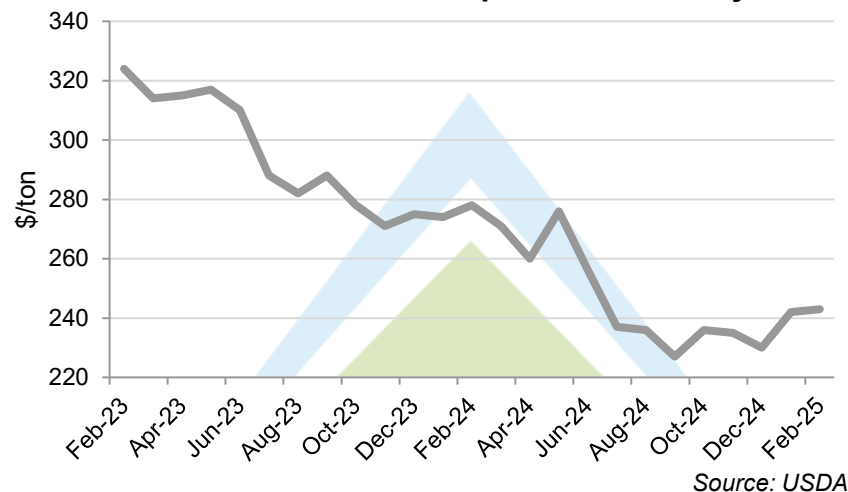


- Escalating trade tensions with China continue to weigh heavily on the soybean market. Expectations for weaker export demand in the year ahead—particularly from China, a key buyer of U.S. soy—have pressured the soybean complex, leading to a pullback in futures. Compared to last month, soybean meal futures are down \$11.70 to \$12.90 per ton across contracts over the next 12 months.
- As soybean demand softens, the market anticipates a shift in planting intentions toward corn. Despite projections for increased corn acreage, corn futures posted gains over the past month. USDA's April *World Agricultural Supply and Demand Estimates (WASDE)* report raised corn export forecasts on the back of strong year-to-date shipments to Mexico, which helped tighten ending stocks. As a result, corn futures for the next 12 months rose \$0.12 to \$0.23 per bushel (\$4.20 to \$8.13 per ton) versus last month.

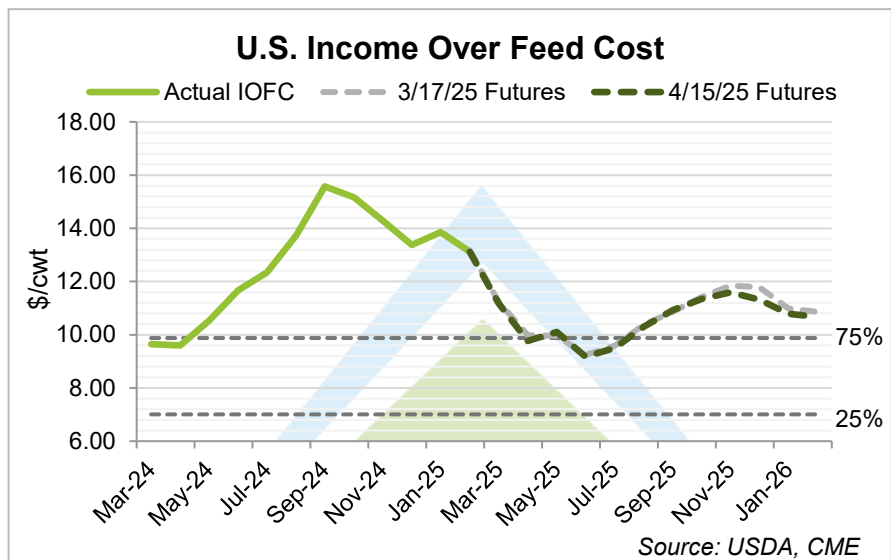
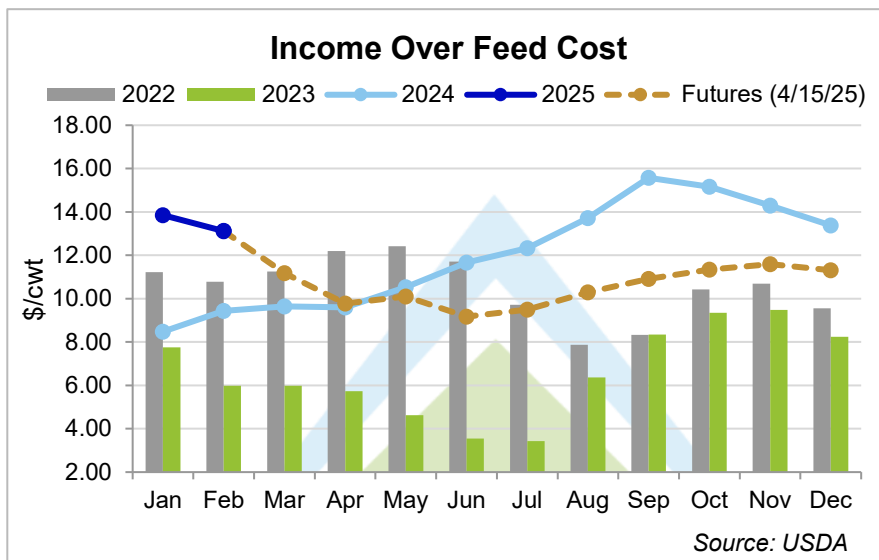
Soybean Meal Prices



5-State Premium and Supreme Alfalfa Hay



- In February, the Dairy Margin Coverage (DMC) program's Income Over Feed Cost (IOFC) calculation decreased by \$0.74/cwt from January. A combination of lower Class III and IV milk prices, as well as higher feed costs from corn, led to the decline.
- HighGround's margin outlook declined slightly this month, primarily driven by higher corn prices. Since the previous forecast on March 17th, corn futures have climbed, outweighing the benefit of lower soybean meal prices and resulting in increased feed costs. Milk prices were mixed over the period, with nearby Class III futures trending higher while Class IV futures edged lower. Still, projected IOFCs over the next 12 months remain strong, exceeding the 75th percentile in all but three months: April (73%), June (60%), and July (64%).



Income over feed cost is calculated using USDA-FSA Dairy Margin Coverage program formulas. The projected margin utilizes milk and feed futures as inputs. An estimate for milk is calculated using dairy product futures and historical trends for component levels. Feed is calculated from corn and soybean meal futures along with recent premium alfalfa hay prices. **Beginning in the January 2025 Market Update, milk price estimates utilize the new FMMO pricing formulas outlined in USDA's Final Rule released on January 17, 2025.**

Key Takeaways

- Dairy markets were mixed over the past month. Component levels are reaching record highs, and milk production is improving seasonally, with the spring flush well underway. However, as supply is growing, so are concerns over demand. Since the start of the year, a mix of trade tensions, layoffs, persistently high interest rates, and inflation have dampened consumer confidence. This economic uncertainty, paired with heightened market volatility, is weighing on household spending. Meanwhile, significant questions remain around export demand and the potential impact of tariffs on U.S. dairy sales, with shifting global headlines adding to the unpredictability.
- Trade remains a dominant force shaping feed markets, particularly the impact of tariffs on U.S. soybean exports to China. Softer international soybean demand has prompted a shift toward increased corn planting, raising the potential for a record corn crop. At the same time, strong year-to-date corn exports—especially to buyers like Mexico—are supporting expectations for continued demand strength, contributing to recent gains in corn futures. New crop (December 2025) corn futures, which peaked at \$4.80 per bushel in February, found support at \$4.35 and have since retraced about 70% of that move, now trading near \$4.67. With exports holding steady, the weather market approaching, and old crop futures nearing \$5 per bushel, producers should consider adding some flexible length if they haven't already secured cash contracts for the remainder of 2025.
- While margin projections aren't as favorable as they were at the end of 2024, current levels remain decent. HighGround continues to remind producers to stay proactive, consistently measuring, monitoring, and managing their margins to protect profitability in a shifting market.

About HighGround Dairy

HighGround Dairy launched in 2012 by industry veteran, Eric Meyer. Affiliated with HighGround Trading LLC, Eric is the President of its Dairy Division which 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.

If you have questions or comments about our market analysis, have interest in signing up to receive our reports directly or have interest in trading dairy futures and options, please call or email below.

425 S. Financial Pl. Suite 2301 - Chicago, IL 60605 USA - Direct: +1 312 604 3080 – Mobile: +1 559 623 4172

Contact: Curtis Bosma - Email: info@highgrounddairy.com - www.highgrounddairy.com

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.

All information, communications, publications, and reports distributed by HGT shall be construed as a solicitation for entering into a derivatives transaction. HGT 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.

While every reasonable effort is made to ensure that the information provided in this presentation is accurate, no guarantees for the accuracy of information are made.