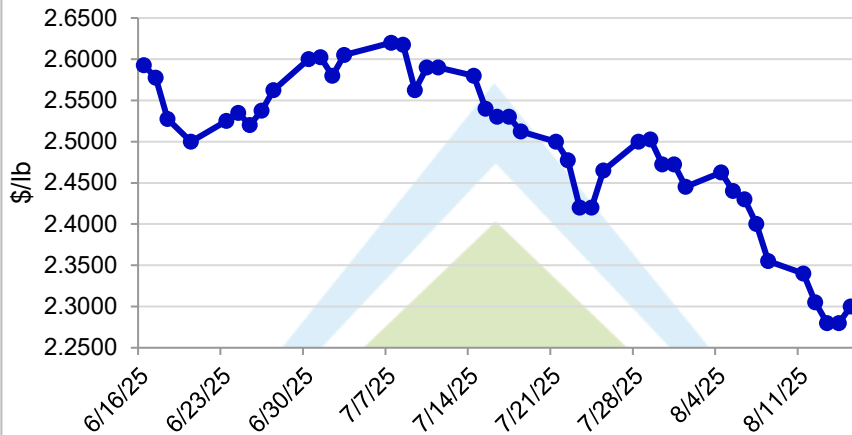




Dairy Producer **MARKET UPDATE**

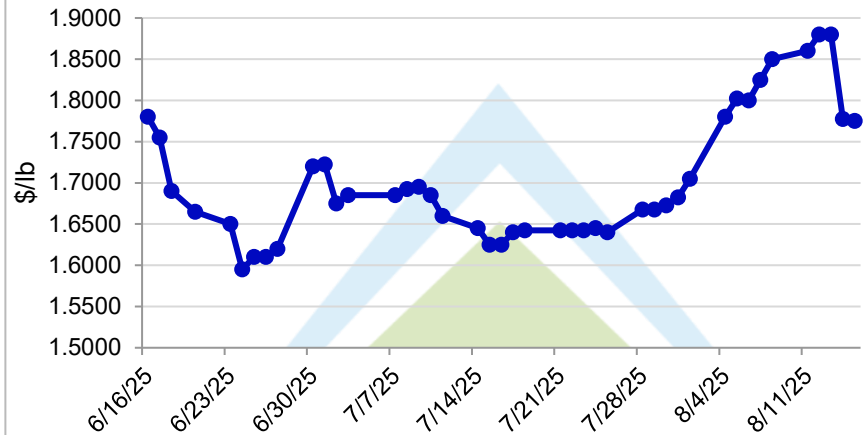
August 15, 2025

CME Spot Butter Prices



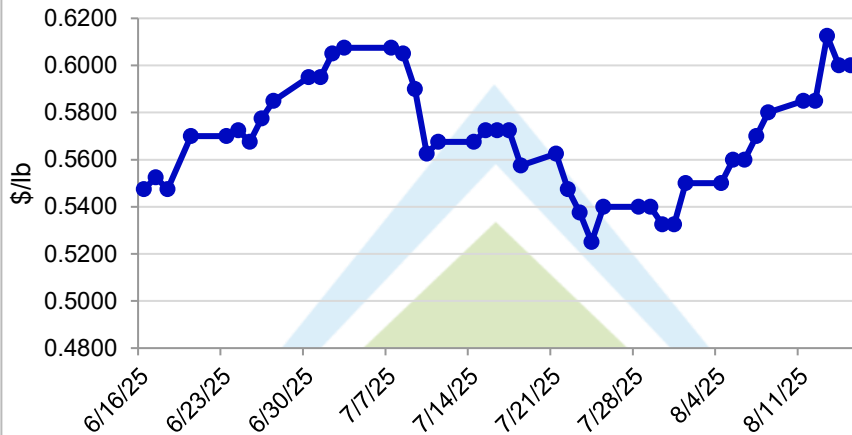
Source: CME

CME Spot Cheese Prices



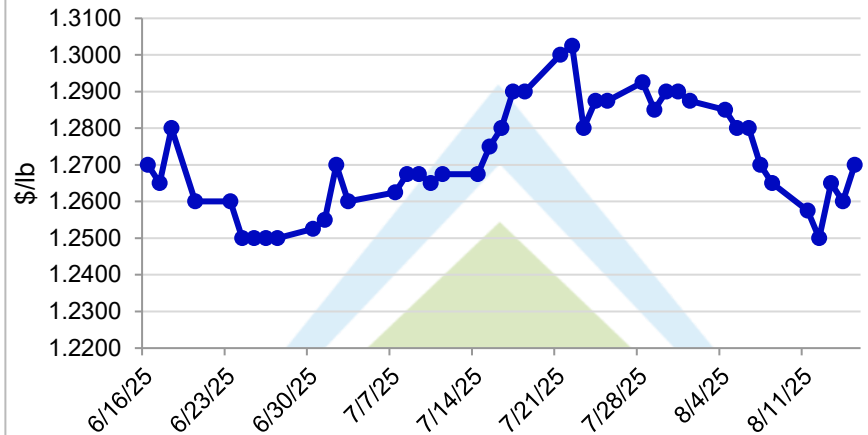
Source: CME

CME Spot Dry Whey Prices



Source: CME

CME Spot Nonfat Dry Milk Prices



Source: CME

CME Futures as of August 15, 2025

	Q4 2025	Q1 2026	Q2 2026	Q3 2026	Q4 2026
Class III (\$/cwt)	18.07	17.78	17.91	18.12	18.16
Vs. Last Month	-0.37	-0.05	-0.11	-0.18	-0.31
10-Yr Percentile	66%	64%	65%	67%	67%
Class IV (\$/cwt)	18.35	18.52	19.00	19.36	19.41
Vs. Last Month	-1.44	-1.15	-0.74	-0.29	-0.08
10-Yr Percentile	69%	70%	73%	75%	75%

Changes shown vs. Jul-15 Settlement Prices

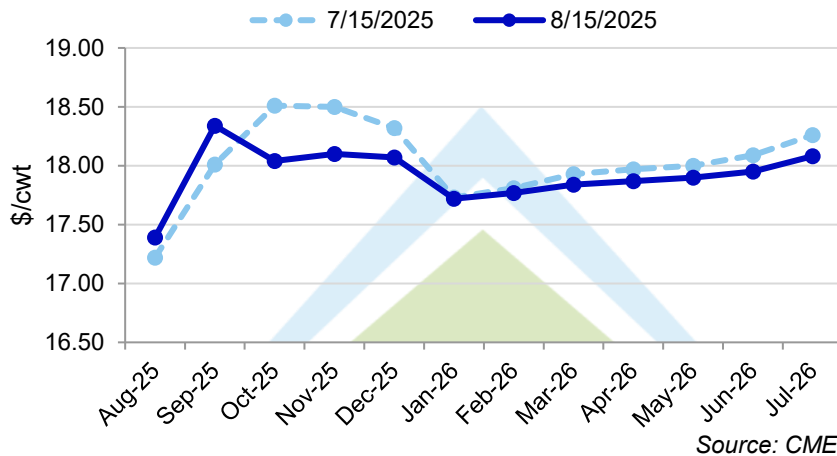
Percentiles compare the quarterly class price to the previous ten years of data. Percentiles are interpreted as: "This price is higher than ___% of months over the last ten years for Class III (or IV)."

Percentile Shading Key:

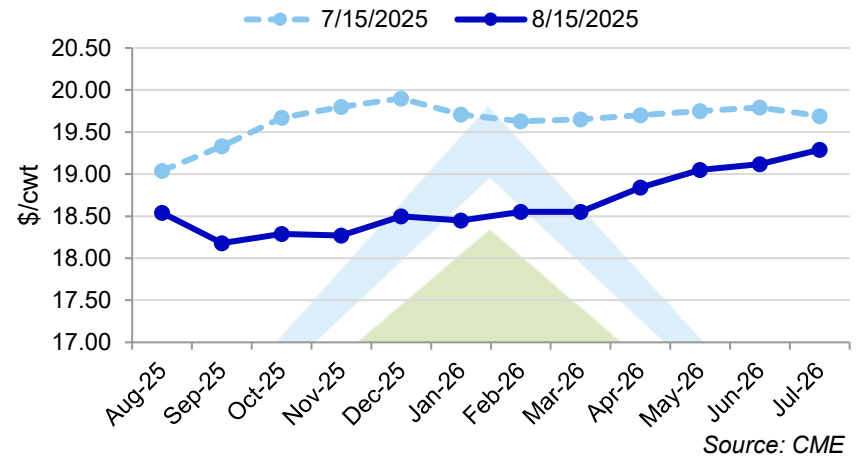
Red: 0 - 25% Brown: 25 - 50% Blue: 50 - 75% Green: 75 - 100%

- Class III futures have moved lower during the past month, particularly for Q4 2025, driven largely by weakness in cheese futures. CME spot blocks climbed to the high \$1.80s in recent weeks but have since dropped sharply, losing \$0.105/lb. in just the past two days amid a speculative squeeze. Over the past month, futures were trading at a significant premium to the cash market, prompting traders to take advantage of the cash-and-carry opportunity and bring futures more in line with spot prices.
- Class IV futures fell sharply under pressure from a weaker butter market. Over the past month, CME spot butter dropped \$0.24/lb., down 9.4%. This decline has weighed heavily on prices, with September 2025 through March 2026 contracts each falling more than \$1.00/cwt.

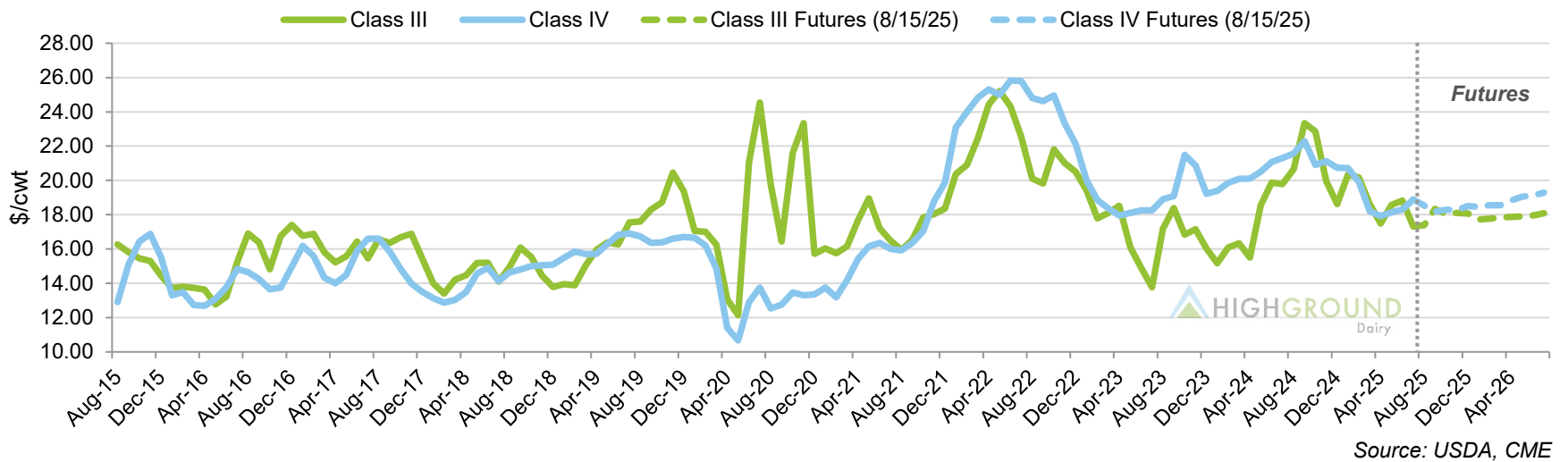
Class III Futures



Class IV Futures



Class III and IV Prices



Year-Over-Year Volumes: Jun-25

	Total Cheese			Dry Whey			Butter			Dry Skim Milk Products		
	Jun-24	Jun-25	YOY	Jun-24	Jun-25	YOY	Jun-24	Jun-25	YOY	Jun-24	Jun-25	YOY
	million lbs		%	million lbs		%	million lbs		%	million lbs		%
Supply												
Beginning Stocks	1,434.5	1,409.4	-1.7%	64.5	60.2	-6.7%	379.8	364.6	-4.0%	261.0	252.4	-3.3%
Production	1,155.0	1,203.4	4.2%	73.1	73.6	0.7%	168.0	185.5	10.4%	197.1	194.4	-1.4%
Imports	24.0	23.5	-2.1%	0.0	0.6	-	11.1	6.0	-45.9%	0.2	0.9	350.0%
Total Supply	2,613.5	2,636.3	0.9%	137.6	134.4	-2.3%	558.9	556.1	-0.5%	458.3	447.7	-2.3%
Utilization												
Domestic Disappearance	1,110.8	1,109.2	-0.1%	42.7	37.7	-11.7%	175.0	187.5	7.1%	76.7	74.6	-2.7%
Exports	85.6	115.0	34.3%	31.8	38.3	20.4%	7.1	14.2	100.0%	133.4	131.1	-1.7%
Total Utilization	1,196.4	1,224.2	2.3%	74.5	76.0	2.0%	182.1	201.7	10.8%	210.1	205.7	-2.1%
Stocks												
Ending Stocks	1,417.1	1,412.1	-0.4%	63.1	58.5	-7.3%	376.8	354.5	-5.9%	248.1	242.0	-2.5%

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	7,103.8	7,261.5	2.2%	449.6	417.5	-7.1%	1,199.7	1,261.7	5.2%	1,247.1	1,168.5	-6.3%
Imports	151.5	157.5	4.0%	0.9	1.6	78.8%	70.4	58.6	-16.8%	0.6	3.2	436.3%
Total Supply	7,255.2	7,419.0	2.3%	450.5	419.1	-7.0%	1,270.1	1,320.3	4.0%	1,247.7	1,171.7	-6.1%
Utilization												
Domestic Disappearance	6,700.1	6,713.0	0.2%	253.6	213.3	-15.9%	1,061.0	1,111.9	4.8%	374.8	405.2	8.1%
Exports	580.2	648.2	11.7%	203.1	207.7	2.3%	32.6	68.4	109.7%	825.4	733.6	-11.1%
Total Utilization	7,280.3	7,361.2	1.1%	456.7	421.0	-7.8%	1,093.7	1,180.3	7.9%	1,200.3	1,138.8	-5.1%

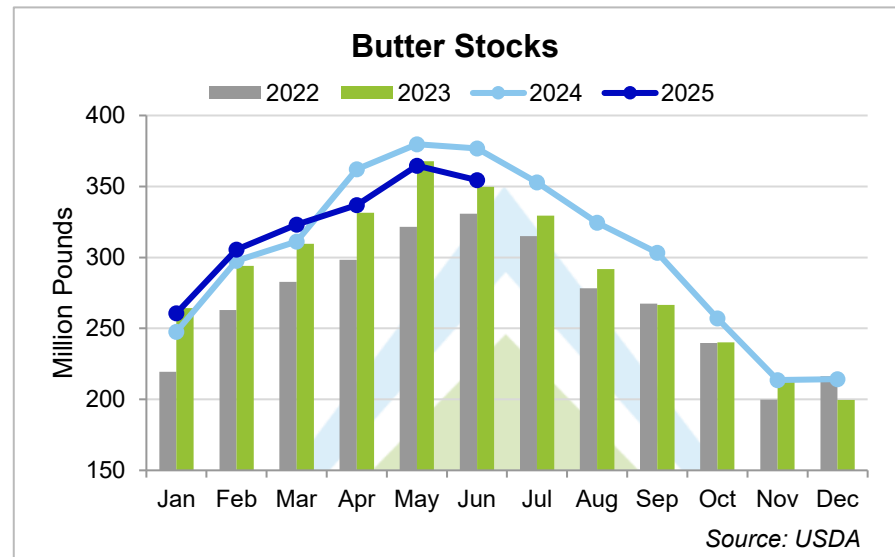
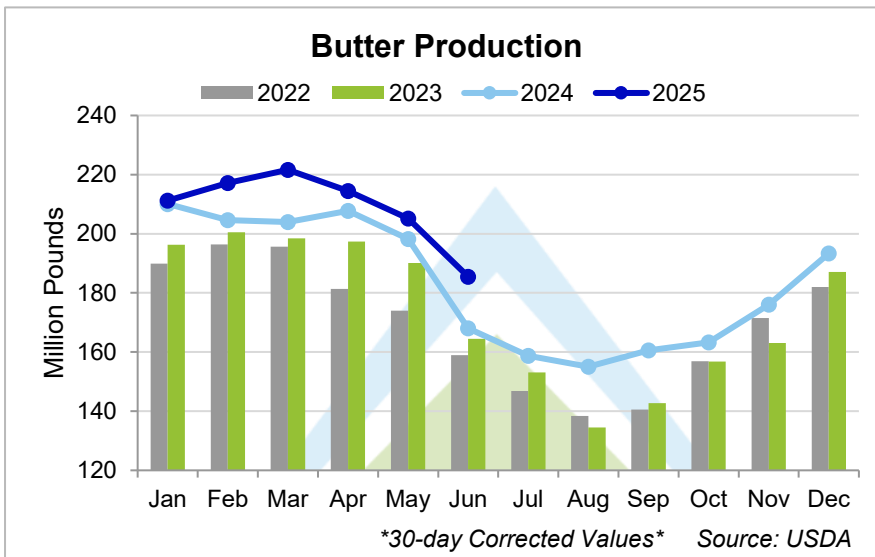
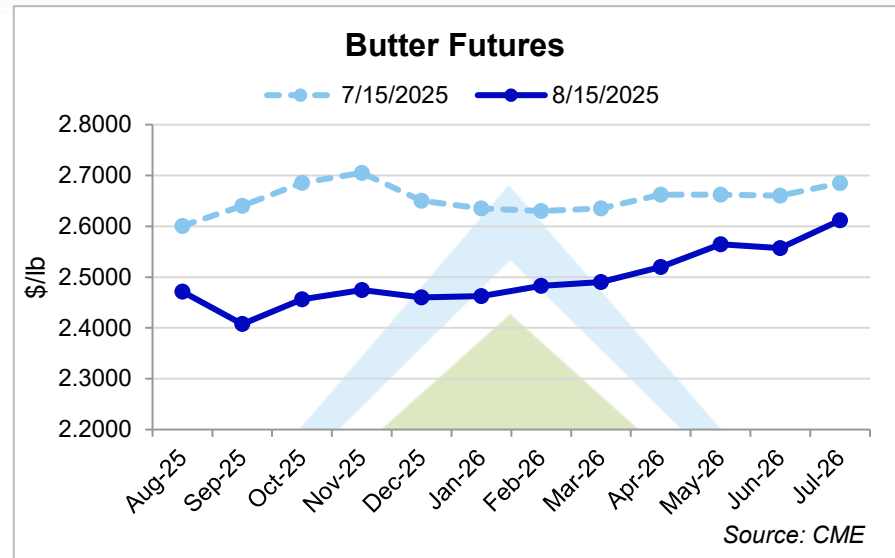
Dry Skim Milk Products includes NDM, SMP, and dry skim milk for animal use. USDA NASS does not report manufacturers' stocks of SMP.

Source: USDA

Year-to-date volumes are adjusted to exclude the extra day from leap year.

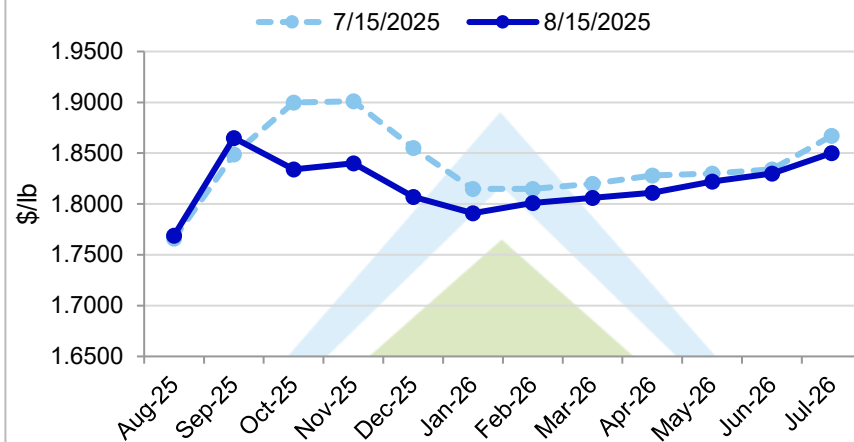
Within the year-to-date volumes, January 2025 for Dry Skim Milk Products is an estimate by HighGround.

- Butter production climbed a whopping 10.4% year-over-year in June, marking the most significant annual gain since September 2024, with June's total setting a monthly record. June's fat test of 4.19% pushed total butterfat pounds up 5.5% compared to the prior year, driving the strong butter output.
- In June, butter stocks were down 5.9% compared to last year, marking the third consecutive month of decline. From May to June, inventories dropped twice the five-year average drawdown. Still, inventories are up from two years prior.
- Total butter usage in June grew 10.8% versus last year, driven by a 7.1% increase in domestic consumption and exports that doubled year-over-year to their highest level since April 2014. With US butter prices well below those in Europe and Oceania, the US was a net exporter for the fifth straight month.



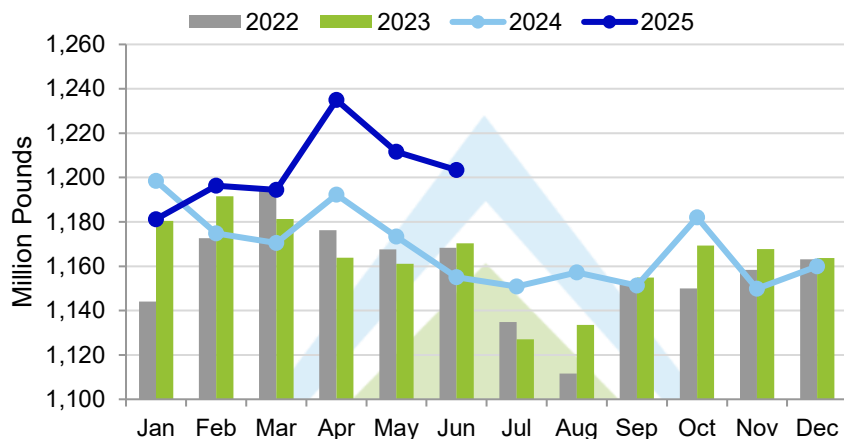
- More capacity to make cheese continues to mean more cheese being produced. Total cheese production in June climbed 4.2% from the previous year, recording the largest increase since March 2022. Both Cheddar and Mozzarella were up from June 2024.
- Total cheese stocks grew counter seasonally from May to June, up 0.2%. Compared to last year, inventories are down 0.4%, marking the smallest year-over-year decline since February 2024.
- Competitive US prices continue to support strong export demand, with June cheese exports surging 34% from last year to an all-time high. Total cheese utilization rose year-over-year on the strength of exports while domestic consumption dipped slightly, down just 0.1% from June 2024.

Cheese Futures



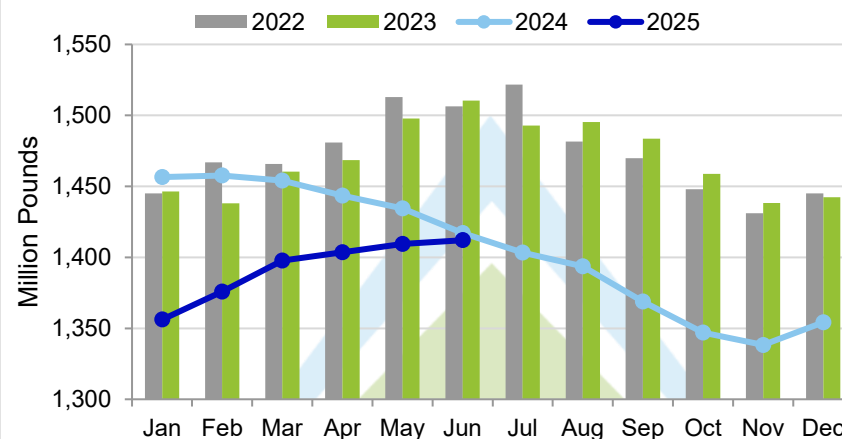
Source: CME

Cheese Production



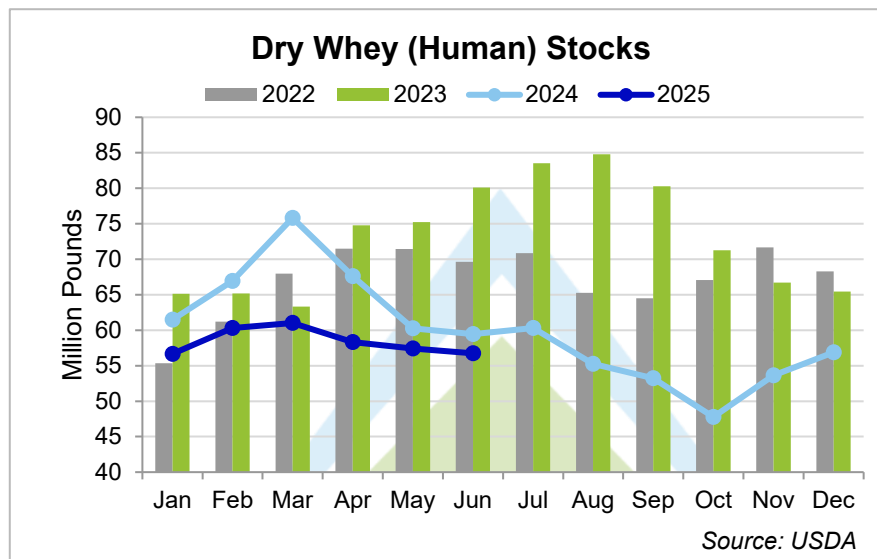
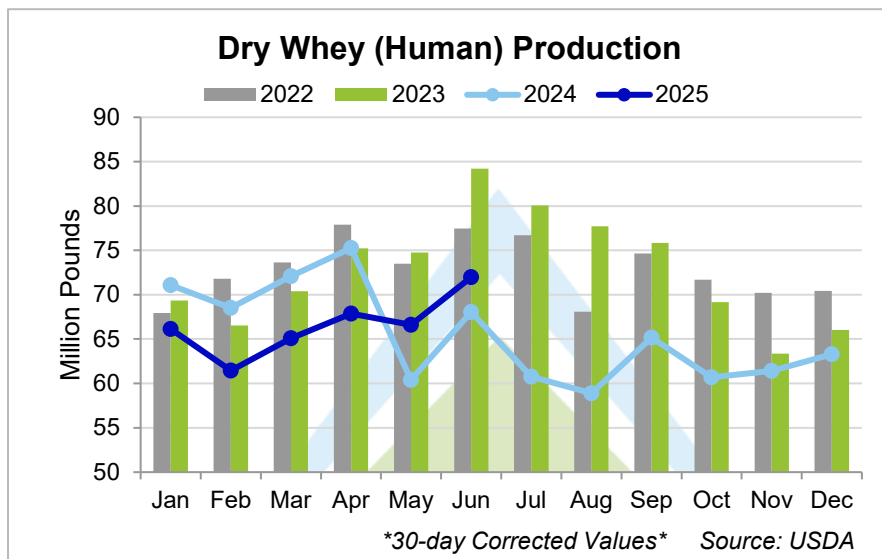
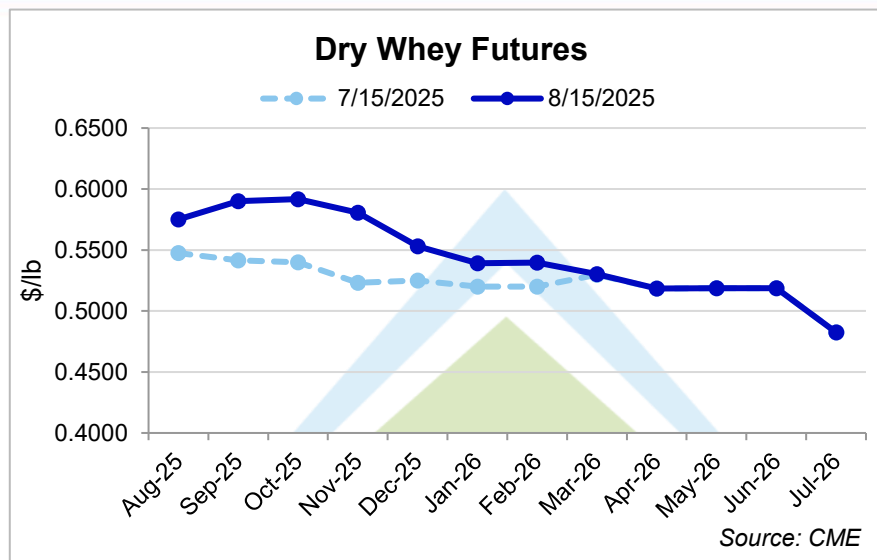
30-day Corrected Values Source: USDA

Total Cheese Stocks



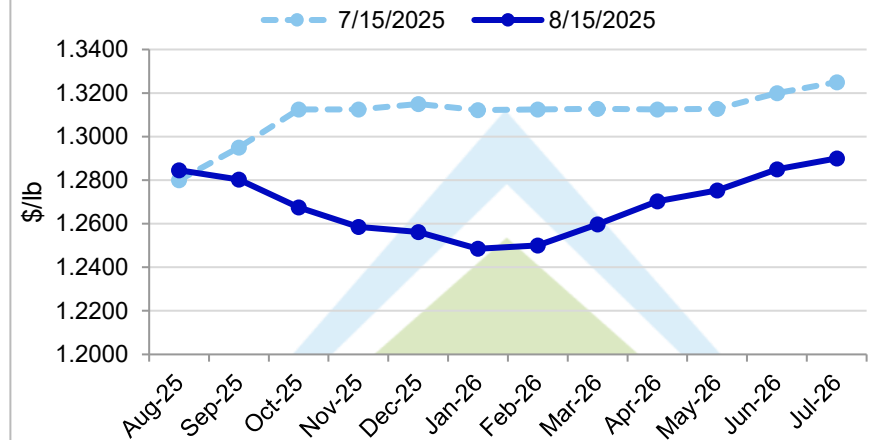
Source: USDA

- New cheese processing capacity is also fueling greater whey production. Dry whey output increased 5.8% from last year, marking the second month of year-on-year growth.
- The USDA revised May's dry whey inventories down, resulting in a 1.1% increase becoming a 4.8% YoY loss. In June, stocks declined 4.5% compared to the prior year.
- Total dry whey usage rebounded in June on stronger international demand. Exports rose 38% from May to their highest value since 2022, with shipments to China up 25% year-over-year, following a multi-year low in the previous month. However, concerns remain over Chinese buying in the second half of 2025, as the country manages its hog herd more closely to limit losses amid trade disputes and broader economic volatility.

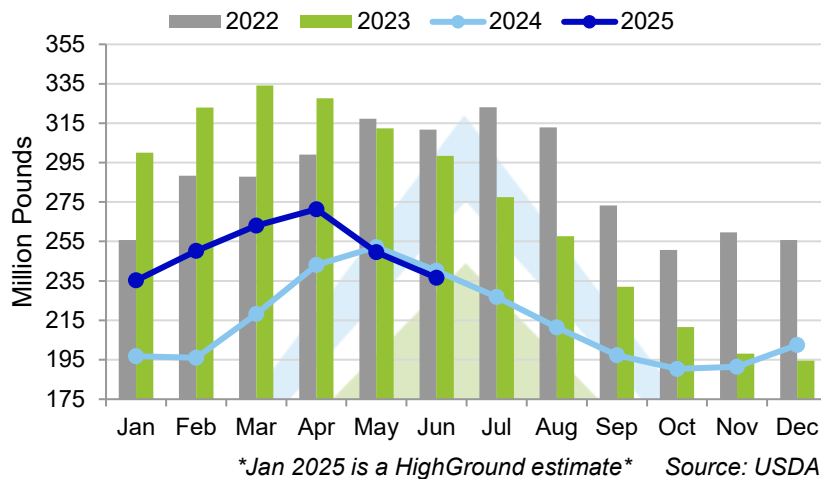


- Combined production of NDM and SMP fell 1.4% from last year, extending a nine-month streak of year-over-year declines. June, however, showed the smallest drop during this period.
- June NDM stocks decreased 1.5% compared to the prior year. NDM stocks are small, with June's total the lowest for the month since 2016.
- Looking at the data together, stocks remain historically low but stable, indicating manufacturers are meeting demand. Overall usage of NDM and SMP was down 2.1% year-over-year in June, falling to its lowest total for the month since 2018, yet inventories did not build and remained at multi-year lows.

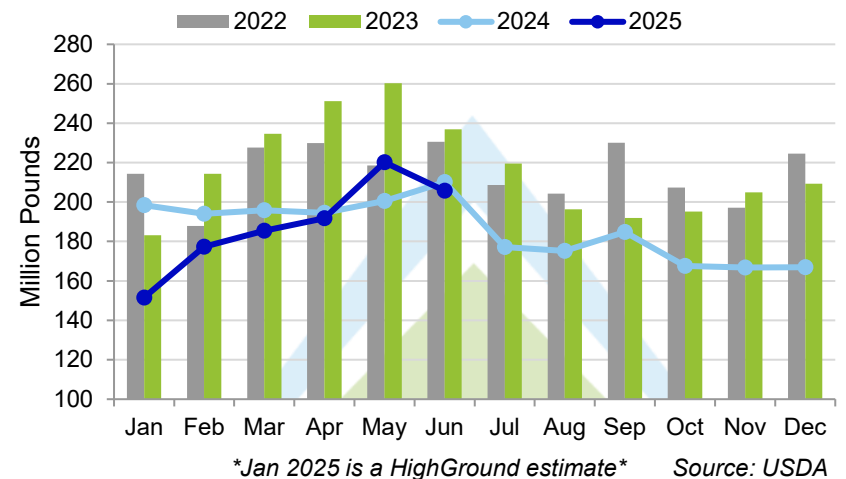
Nonfat Dry Milk Futures



NDM Stocks

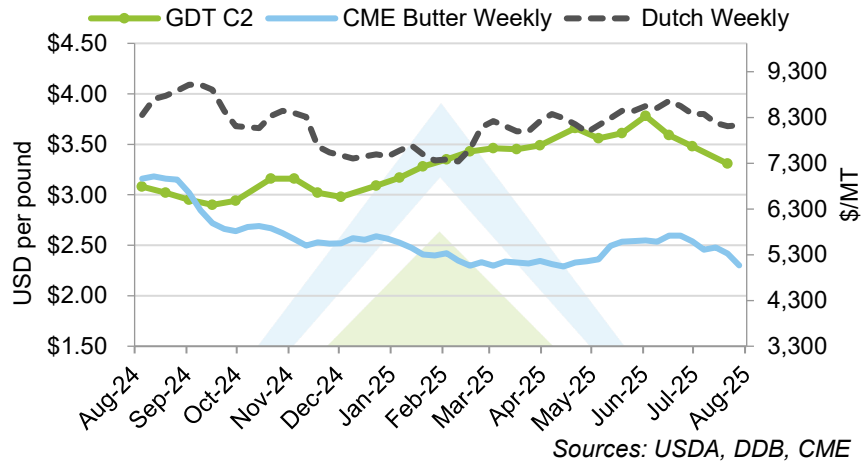


U.S. NDM & SMP Total Utilization

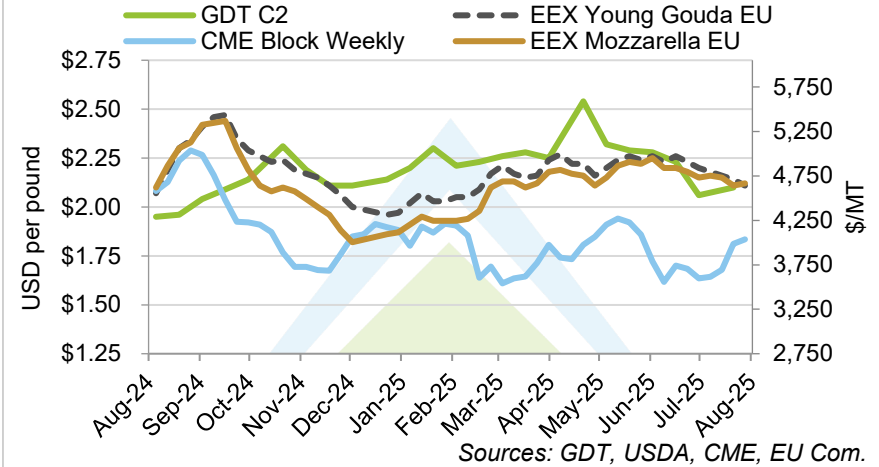


US cheese and butter remain heavily discounted to global prices, driving export volumes to multi-year highs.

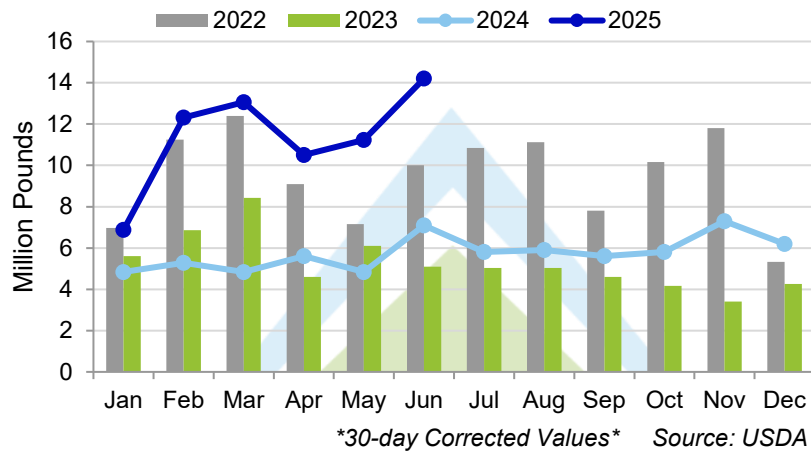
International Butterfat Prices



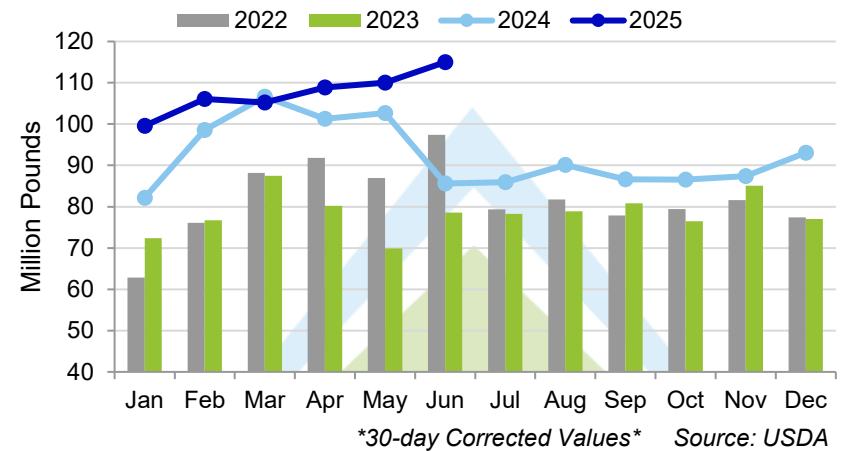
International Cheese Prices



U.S. Butter Exports

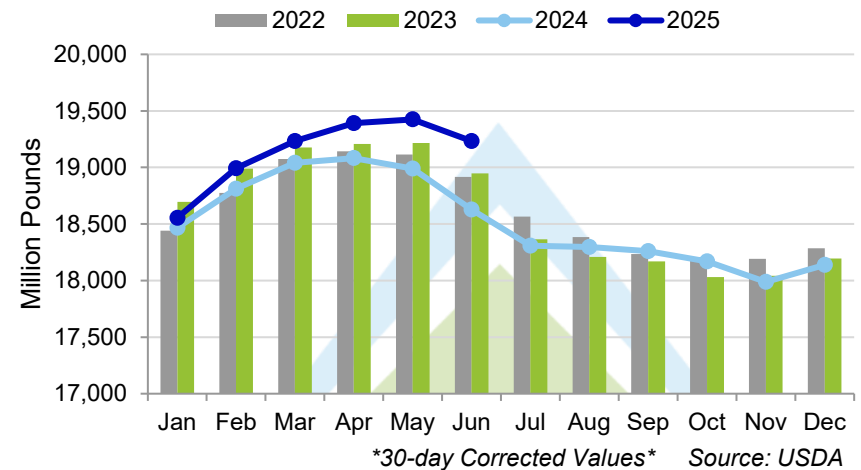


U.S. Cheese Exports

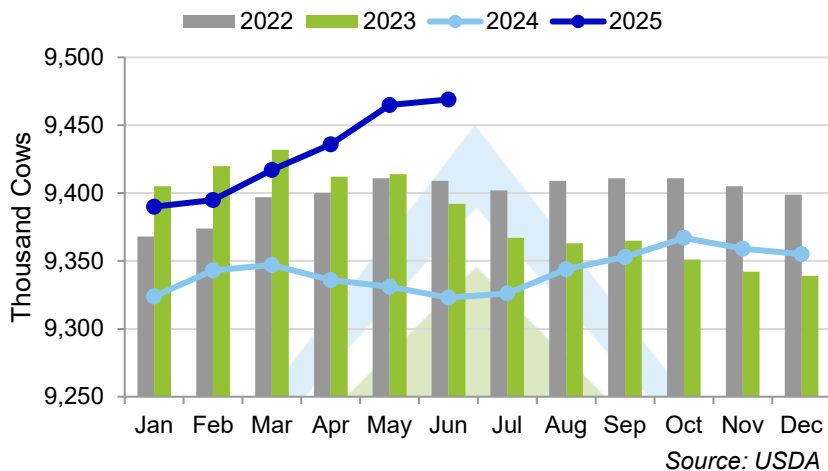


- US milk production rose by a whopping 3.3% year-over-year in June, representing the most significant percentage gain since May 2021 and the largest June total on record. In June 2024, avian influenza was wreaking havoc on the nation's milk supply, making for an easy comparison; however, a 3% increase is sizable historically speaking.
- At 9.469 million cows, the national herd is at its highest level since July 2021 and 146,000 head bigger than a year ago. Most of that growth occurred since December 2024, with 114,000 cows added since then. From May to June, the US herd grew (+4,000 head), which has not happened since 2017.
- Milk per cow increased 1.7% from last year, surpassing the June record set in 2023 by 13 pounds.

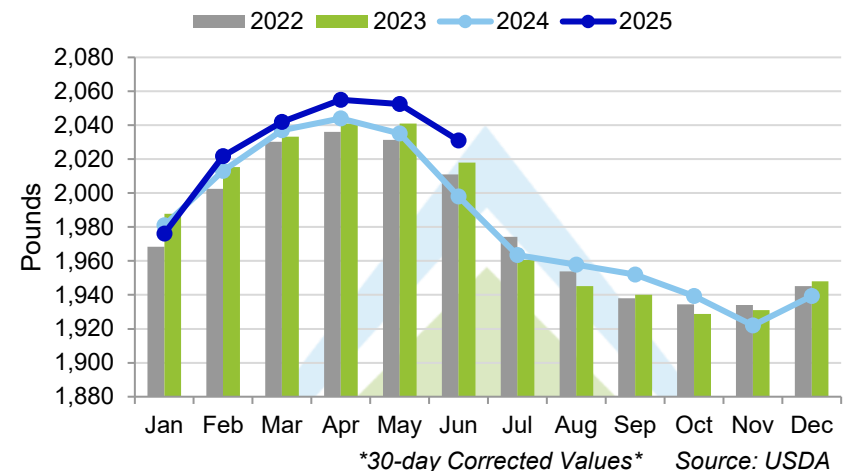
U.S. Milk Production



U.S. Milk Cows

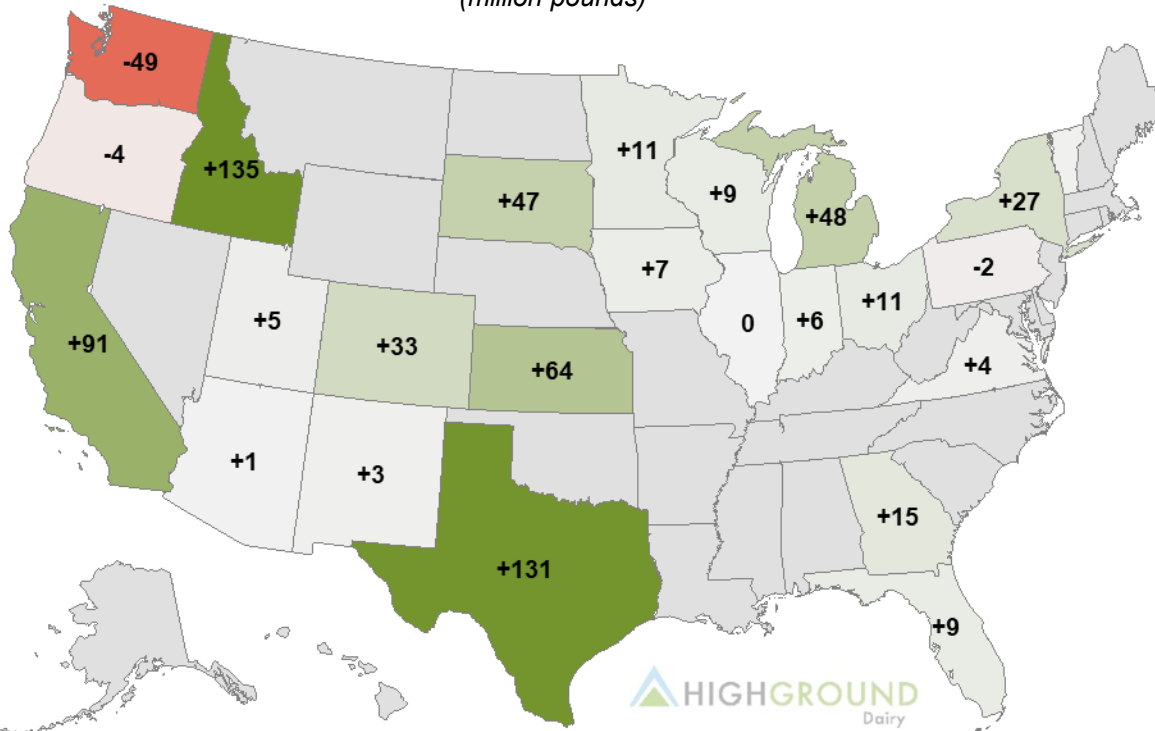


U.S. Milk Per Cow



Year-Over-Year Change in Production: June 2025

(million pounds)

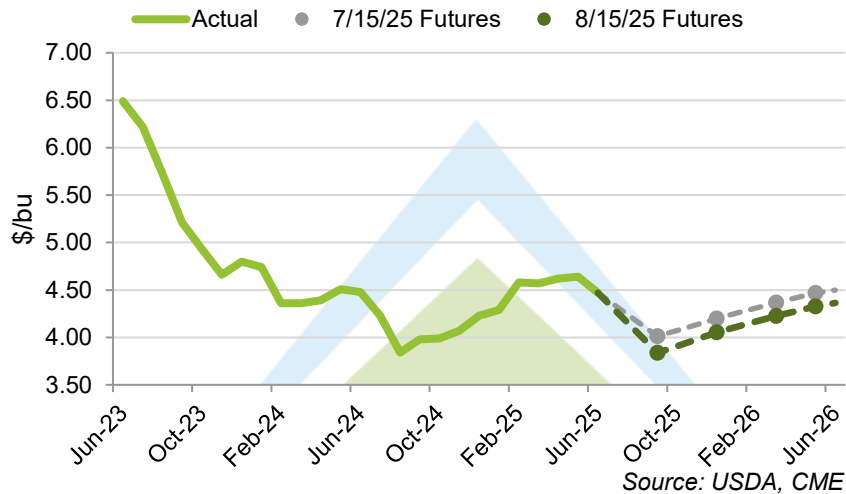


 HIGHGROUND Dairy

Source: USDA

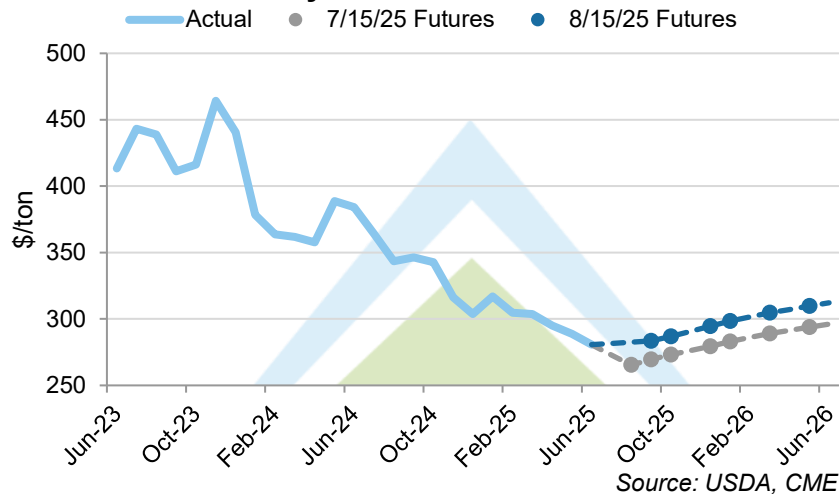
- Five states observed massive year-over-year production gains of 9% or more: Idaho (+9.7%), Texas (+9.5%), Kansas (+19%), South Dakota (+11.5%), and Georgia (+9.5%). Both cow numbers and yields were up in these states.
- After eight months of declines from prior-year levels, California milk production finally began to show some green. California output rose 2.7% from the previous year.
- The Pacific Northwest was one of the few regions to see production fall from last year. Washington dropped a massive 9.4% versus last year, while Oregon fell 1.9%.

Corn Prices

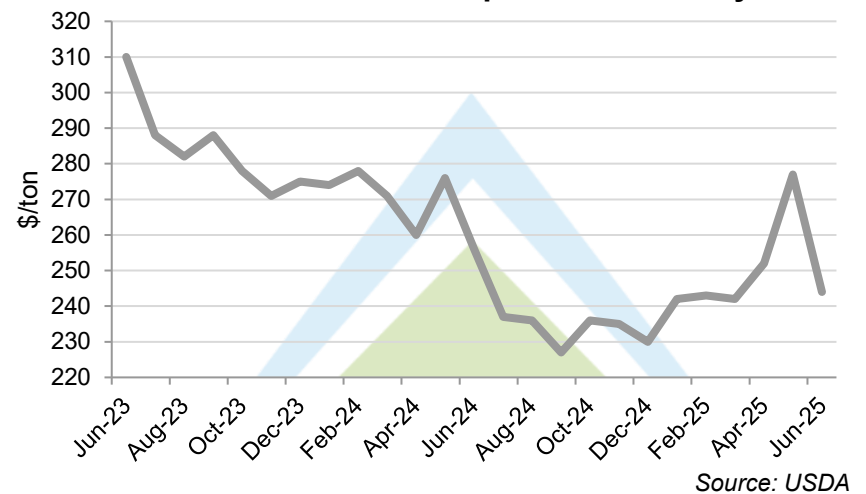


- Corn futures have tumbled over the past month as expectations of a record-breaking US crop weigh on the market. USDA's August *WASDE* report raised yield estimates to 188.8 bushels per acre, up from 181, and added 2 million acres, bringing total production to a potential 16.742 billion bushels, an all-time high. Combined with a record-large safrinha crop in Brazil, the global corn supply looks abundant, putting pressure on US demand and driving futures contracts over the next year down \$0.14 to \$0.18/bu (\$5 to \$6/ton).
- Soybean meal futures have rebounded from recent lows. On August 10, President Trump expressed hopes that China would quadruple its soybean purchases. While US-China trade talks extended the current agreement, a formal purchase commitment from China has yet to materialize. Further, the August *WASDE* report lowered US soybean acreage, reducing projected ending stocks. Soybean meal futures contracts over the next 12 months have risen \$13 to \$16/ton.

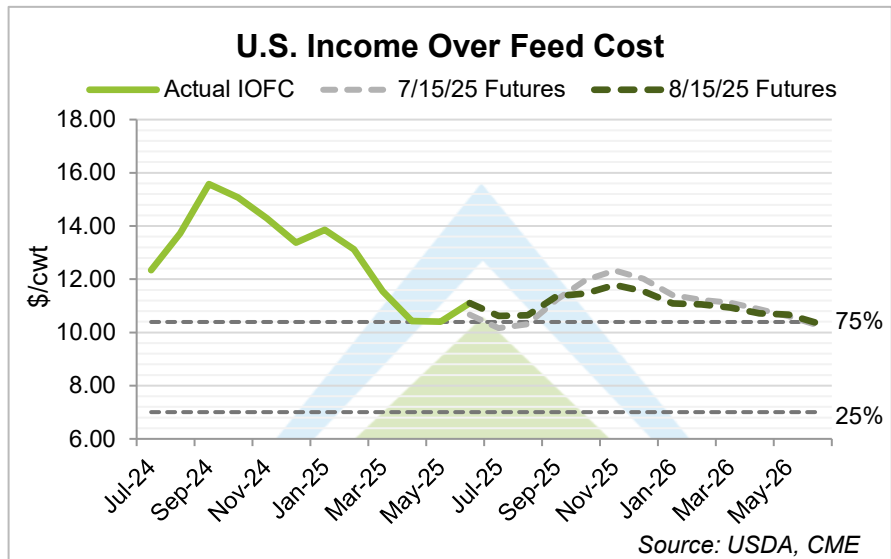
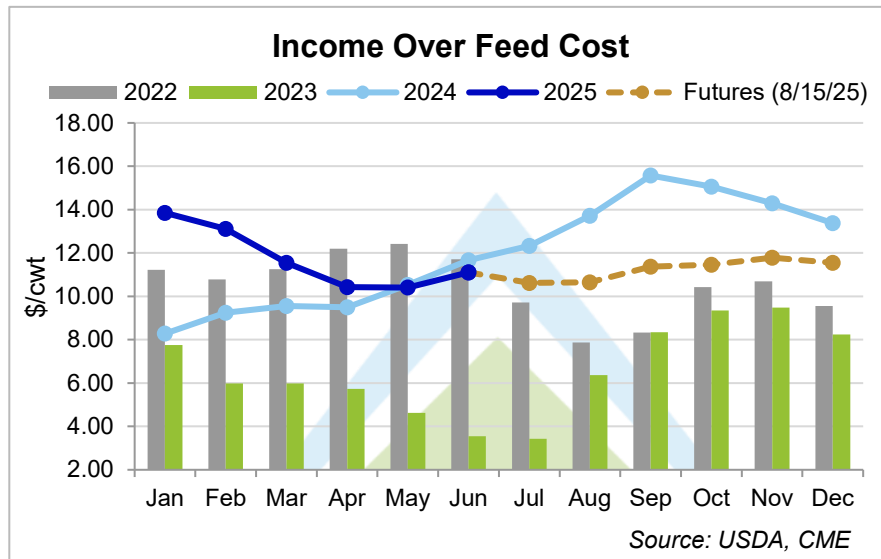
Soybean Meal Prices



5-State Premium and Supreme Alfalfa Hay

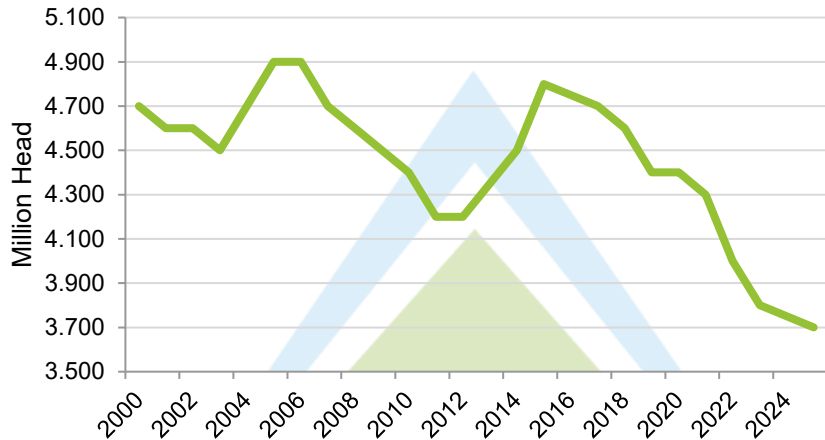


- In June, the Dairy Margin Coverage (DMC) program's Income Over Feed Cost (IOFC) calculation rose \$0.69/cwt on lower feed costs. While the all-milk price held steady at \$21.30/cwt, declines in corn, soybean meal, and alfalfa hay helped boost margins. Notably, the USDA's premium and supreme quality alfalfa hay price dropped \$33/ton, accounting for a majority of the reduced feed costs.
- HighGround's margin outlook is mixed compared to last month. Projected margins improved for Q3 2025 on sharply lower feed costs, with corn and alfalfa hay prices falling significantly. However, IOFC projections for Q4 2025 and Q1 2026 declined from last month's forecast, as the benefit of lower feed costs was more than offset by weaker milk prices, particularly Class IV. Despite this, margins remain historically strong, ranking above the 80th percentile through May 2026.



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. Milk price estimates utilize the new FMMO pricing formulas outlined in USDA's Final Rule released on January 17, 2025.

Heifers 500+ Lbs for Beef Replacement



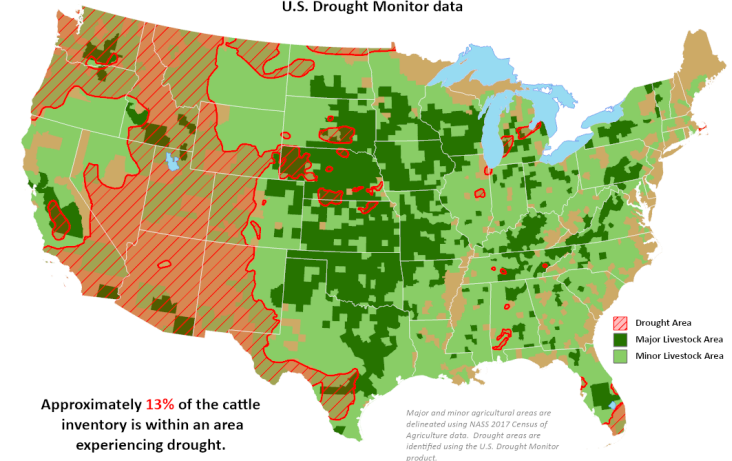
July Values Only. No July survey in 2013, 2016, or 2024. Source: USDA

- Feeder cattle futures hit new record highs during the past month, supported by tight supplies and strong beef demand.
- After skipping the July 2024 update, USDA's July 2025 Cattle Inventory report showed beef heifer numbers at 3.7 million head, down 100,000 from July 2023. However, the January-to-July decline of 972,400 head marked the smallest mid-year drop since 2011, suggesting the losses may be slowing.
- Lower feed costs and improved pasture conditions could encourage rebuilding, with only 13% of the cattle herd in drought areas as of August 5, 2025, versus 59% three years ago. However, persistently high beef prices may keep slaughter rates elevated, slowing herd growth despite the more favorable production environment.

USDA
United States
Department of
Agriculture
This product was prepared by the
USDA Office of the Chief Economist (OCE)
World Agricultural Outlook Board (WAOB)

Cattle Areas in Drought

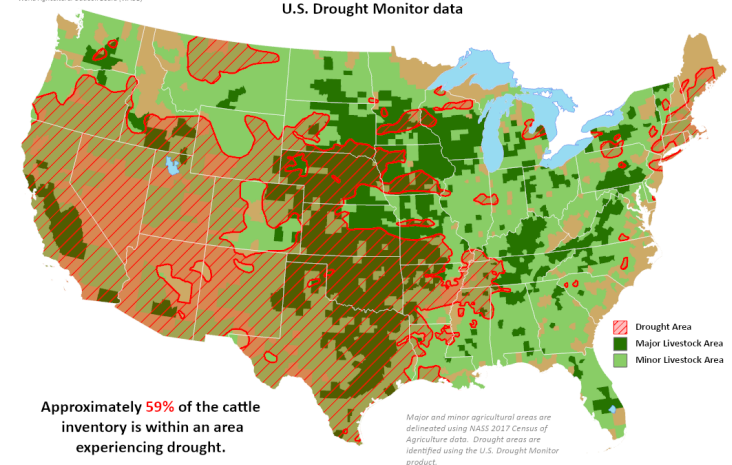
Reflects August 5, 2025
U.S. Drought Monitor data



USDA
United States
Department of
Agriculture
This product was prepared by the
USDA Office of the Chief Economist (OCE)
World Agricultural Outlook Board (WAOB)

Cattle Areas in Drought

Reflects August 9, 2022
U.S. Drought Monitor data



Key Takeaways

- Milk production is strong, and component production is even stronger, resulting in abundant product output. With favorable margins and low feed costs, production is likely to continue climbing in the near term. While demand, particularly for cheese, has helped support prices, expanded processing capacity and increased output could eventually pressure the market, especially if the international price gap narrows. The market remains sensitive to shifts in global demand, and any slowdown in exports could quickly weigh on prices.
- The August *WASDE* report was extremely bearish for corn, with higher acreage and huge yield projections pointing to a potentially MASSIVE US corn crop. New-crop corn futures fell to contract lows, and if the balance sheet plays out as forecast, prices could remain under pressure. In the soybean complex, US-China trade talks resulted in an agreement extension; however, there is no guarantee China will purchase the volume of soybeans needed to meaningfully impact demand. With feed markets soft and supply prospects strong, it is an opportune time for producers to consider locking in feed needs.
- While milk prices face potential headwinds, falling feed costs are setting the stage for excellent margins if current projections hold. Strong cattle markets are also adding support to dairy farm income, with beef-on-dairy calves continuing to command high prices. Given the volatility of today's markets, it is important to capitalize on these favorable conditions while they last. We continue to encourage producers to secure positions on milk, feed, and cattle while margins remain historically strong.

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.

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