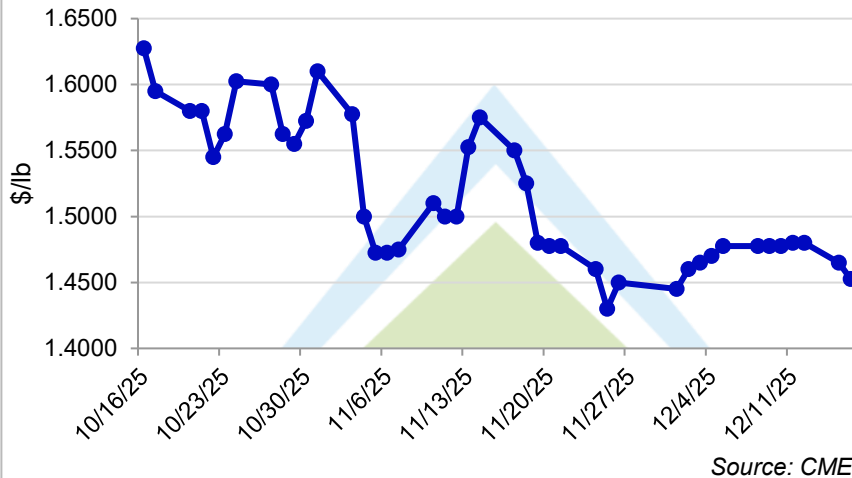




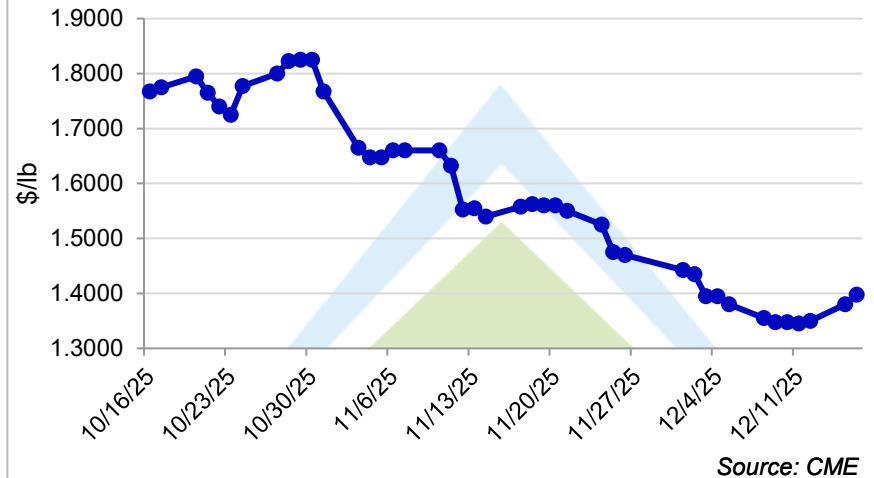
Dairy Producer **MARKET UPDATE**

December 17, 2025

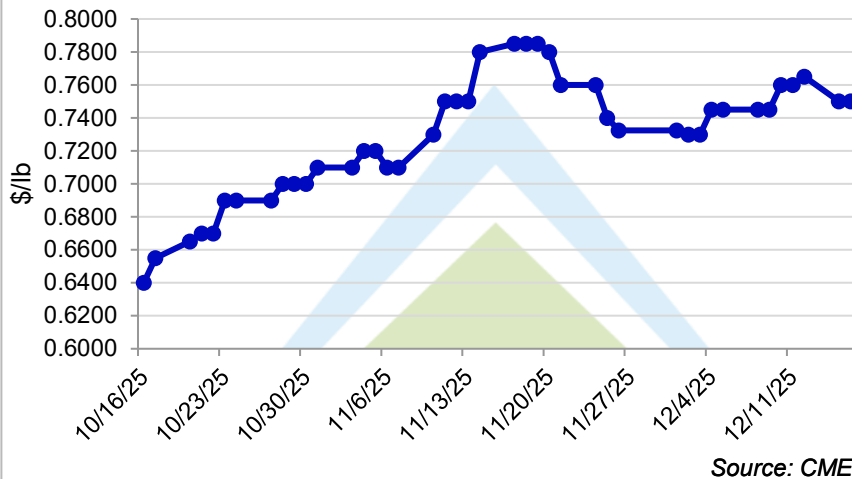
CME Spot Butter Prices



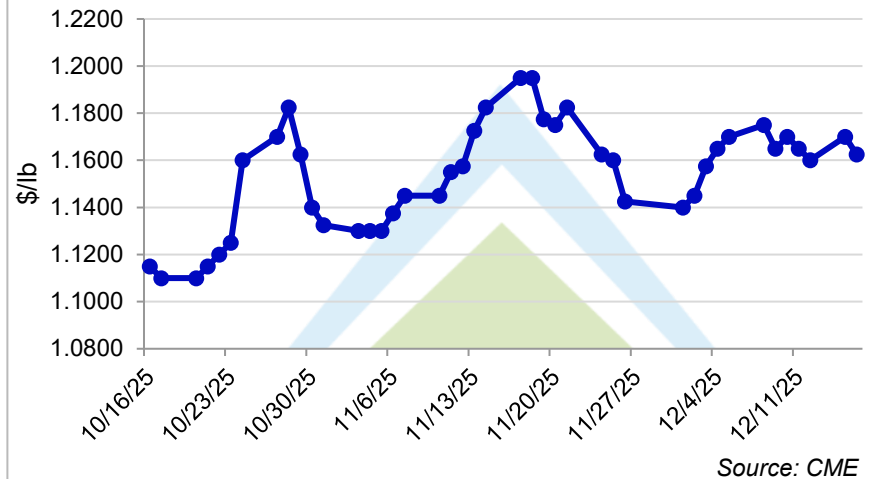
CME Spot Cheese Prices



CME Spot Dry Whey Prices



CME Spot Nonfat Dry Milk Prices



CME Futures as of December 16, 2025

	Q1 2026	Q2 2026	Q3 2026	Q4 2026	Q1 2027
Class III (\$/cwt)	15.83	16.82	17.38	17.40	17.11
Vs. Last Month	-0.38	-0.08	-0.09	-0.09	-0.29
10-Yr Percentile	29%	48%	59%	59%	54%
Class IV (\$/cwt)	13.83	14.67	15.43	16.07	16.15
Vs. Last Month	-0.67	-0.58	-0.75	-0.82	-0.45
10-Yr Percentile	19%	29%	37%	46%	47%

Changes shown vs. Nov-14 Settlement Prices

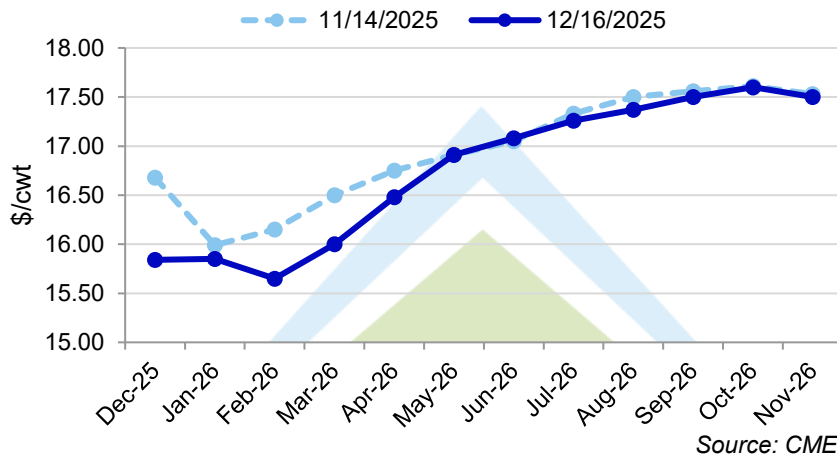
Percentiles compare the quarterly class price to the previous ten years of data. Percentiles are interpreted as: "This price is higher than ___% of months over the last ten years for Class III (or IV)."

Percentile Shading Key:

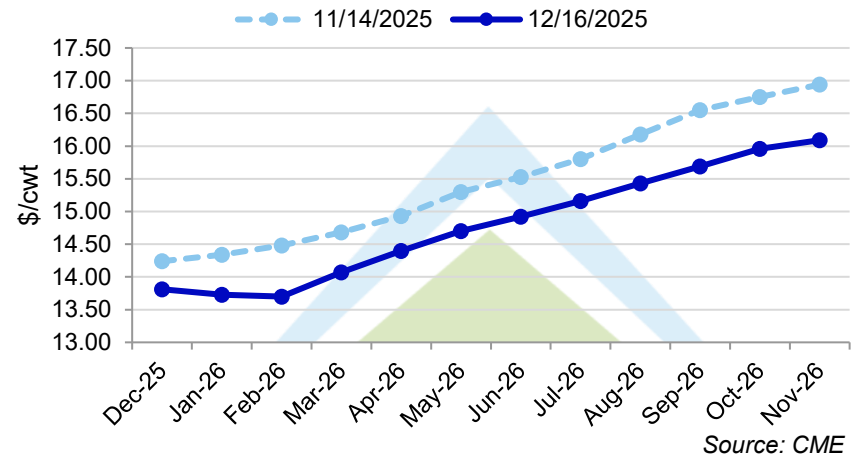
Red: 0 - 25% Brown: 25 - 50% Blue: 50 - 75% Green: 75 - 100%

- Both Class III and Class IV futures fell over the past month.
- On December 9, CME spot block Cheddar dropped to its lowest price since June 2023, pressuring nearby cheese and Class III futures lower. While CME spot dry whey fell \$0.03/lb. over the past month, dry whey futures fell between \$0.015–\$0.06/lb. through August 2026, adding to the Class III decline.
- Class IV futures moved lower on bearishness in butter. CME spot butter as of December 16 has fallen \$0.1225/lb. over the past month (-7.8%), resulting in both nearby and deferred butter futures losing between \$0.10–\$0.20/lb.

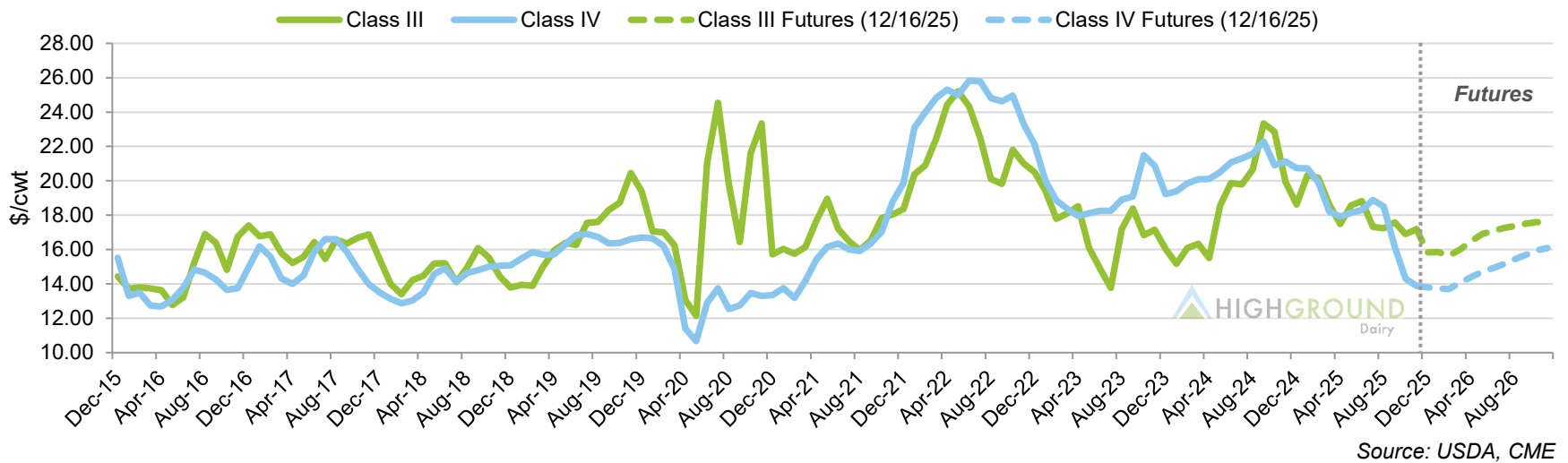
Class III Futures



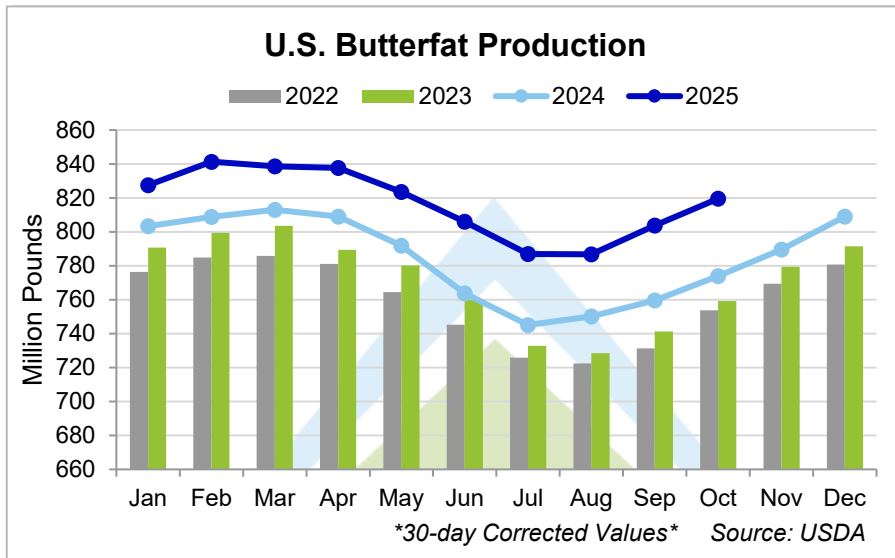
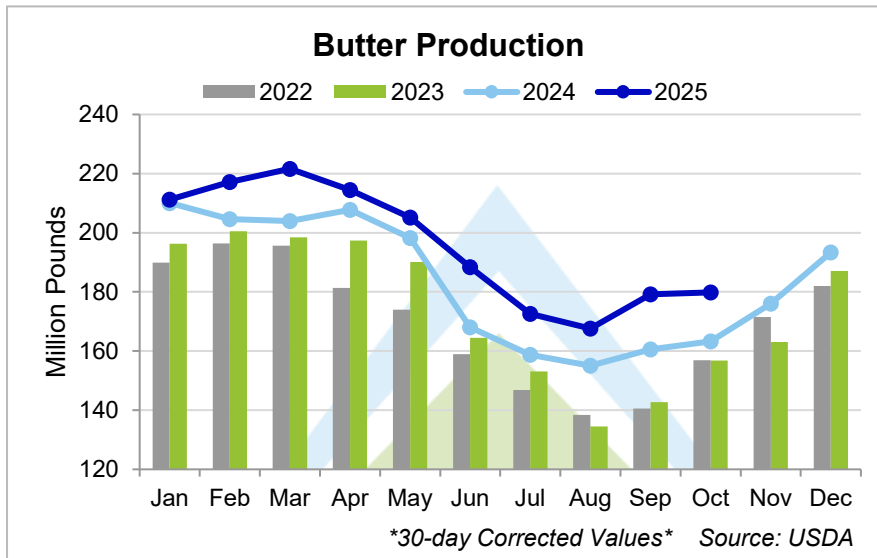
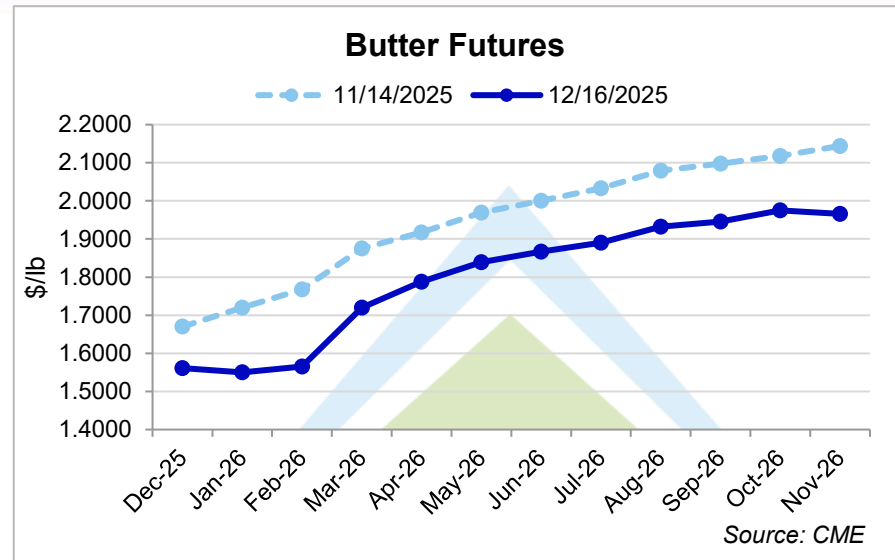
Class IV Futures



Class III and IV Prices

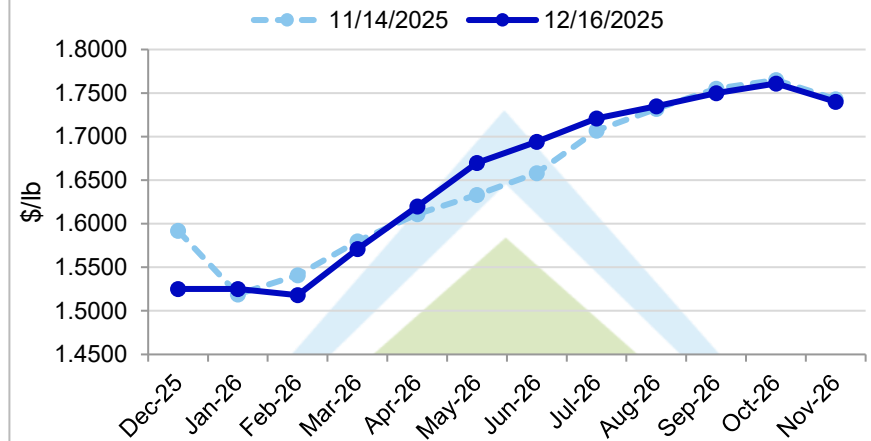


- On November 19th, USDA's NASS released its updated report schedule, following delays due to the government shutdown. While we await *Cold Storage* and *Supply & Utilization* data, the USDA has released updated figures for *Dairy Products* through October.
- Butter production grew a whopping 10.1% year-over-year in October. Year-to-date through October, butter output is up 6.9% from the same period last year.
- Higher butterfat tests in producer milk continue to drive strong butter production. In October, the average US butterfat test rose 0.09 percentage points from last year to 4.35%. As a result, dairy farmers produced 45.6 million more pounds of butterfat than a year ago (+5.9%). Year-to-date through October, butterfat production is up 4.5% compared to last year, translating directly into ample butter supplies.

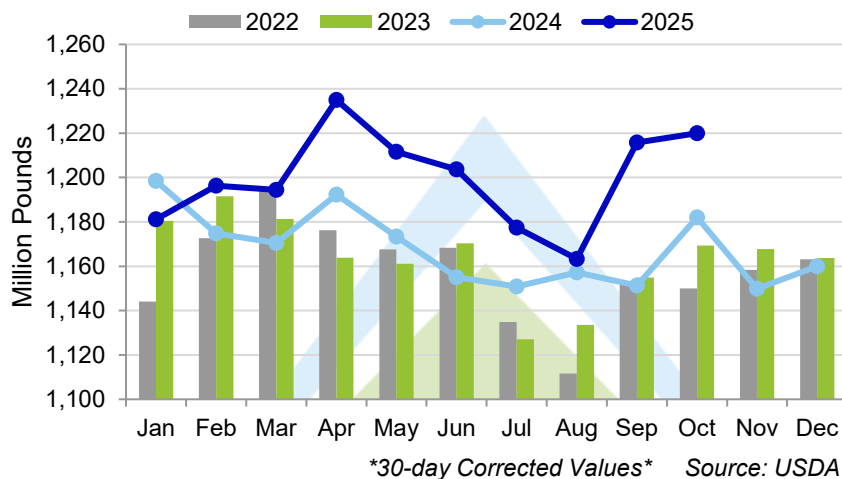


- October's total cheese production rose 3.2% from the prior year, marking ten straight months of year-on-year gains. In addition, September's 5.6% year-over-year growth in cheese volumes was the biggest increase since May 2021. September's total volumes ranked third all-time, while October ranked second.
- Cheese exports reached another record high in September. Mozzarella and Gouda are commonly sent overseas, and both categories are on pace to set an annual record. The top four monthly Mozzarella production records were set in 2025.
- American cheese output also soared in September, jumping 6.3% year-over-year, while October rose 2.3%. Other-than-American cheese notched a record in October.

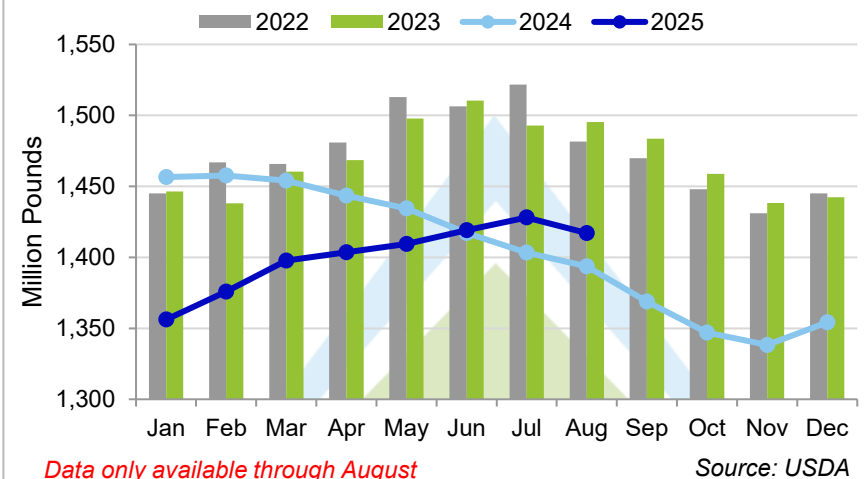
Cheese Futures



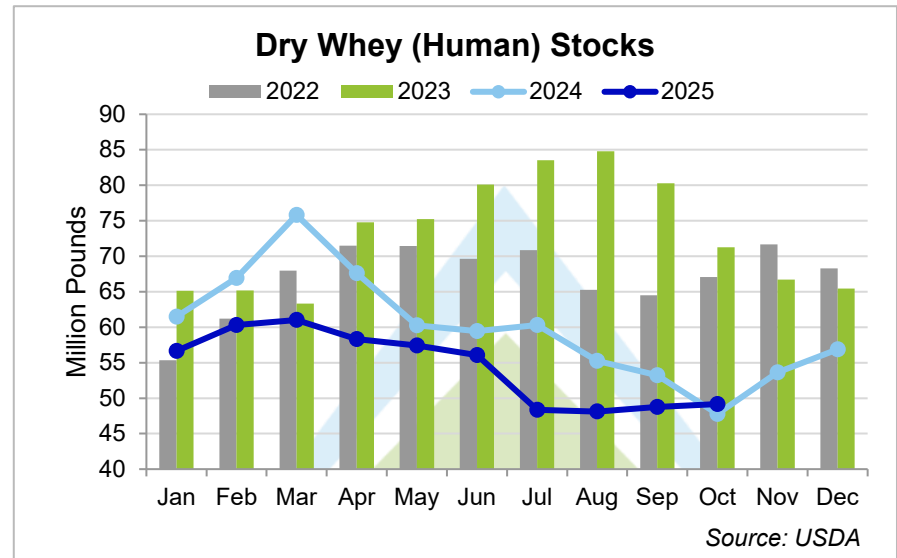
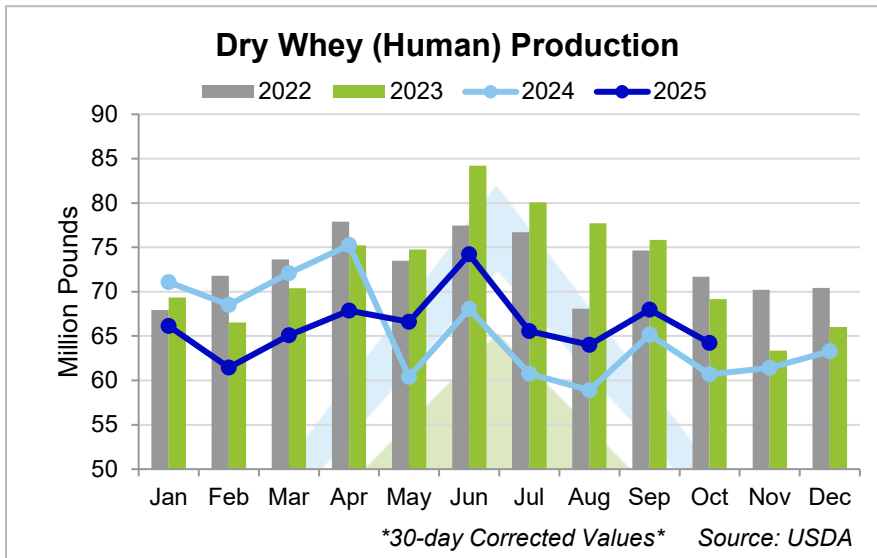
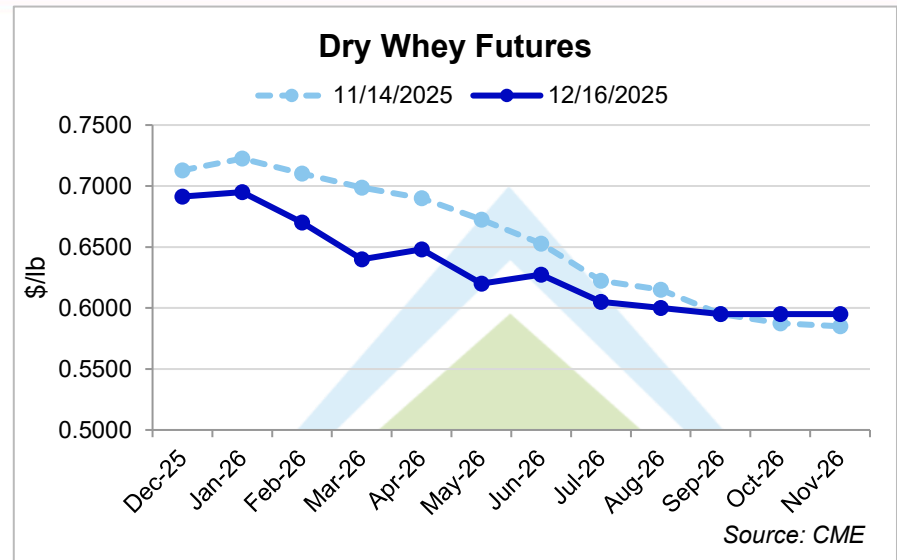
Cheese Production



Cheese Stocks

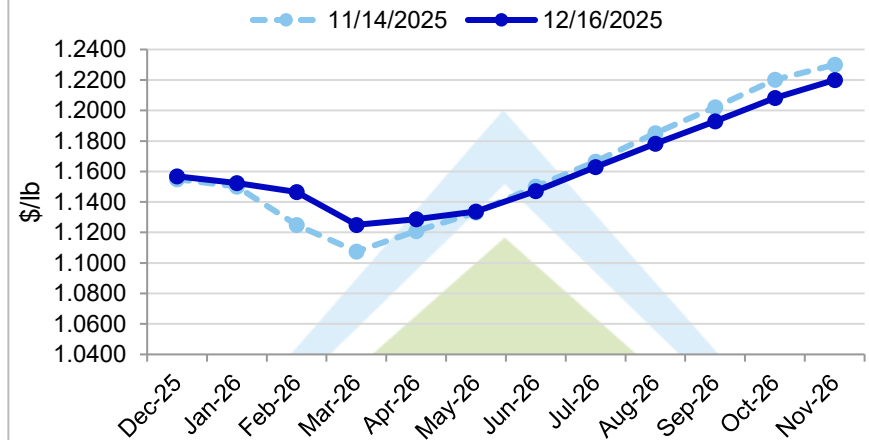


- In October, dry whey production increased 5.8% from last year. While output topped October 2024's levels, volumes were still well below those of two years ago (-7.2%).
- Dry whey inventories increased modestly from year-ago levels (+2.9%), largely reflecting last year's unusually low stocks caused by a summer plant outage. Despite the year-over-year uptick, year-to-date inventories remain down 10.5% from Jan-Oct 2024.
- Consumers are infatuated with high-protein diets (due to GLP-1 drugs, the MAHA movement, social media, etc.), and high-protein whey products, such as WPC-80 and WPI, are offering an affordable and convenient way to boost protein intake. With a growing share of the whey stream being directed toward these higher-value products, supplies of commodity-style dry whey have tightened, providing underlying support to the market.

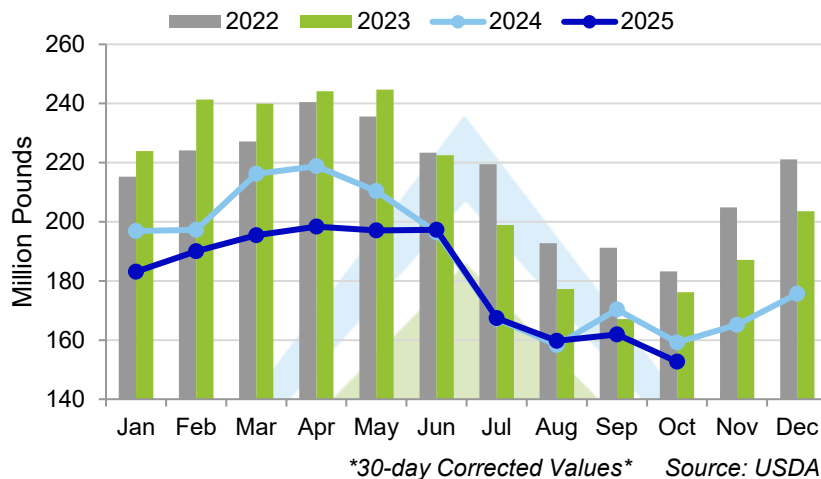


- In October, combined production of NFDM and SMP fell 4.1% from the previous year.
- Despite dismal production, NFDM stocks grew 10.5% from October 2024.
- Lower production coupled with higher inventories indicates that powder demand is lackluster. September trade data shows that NFDM exports declined year-over-year for the fourth consecutive month, reaching their lowest September level since 2017.

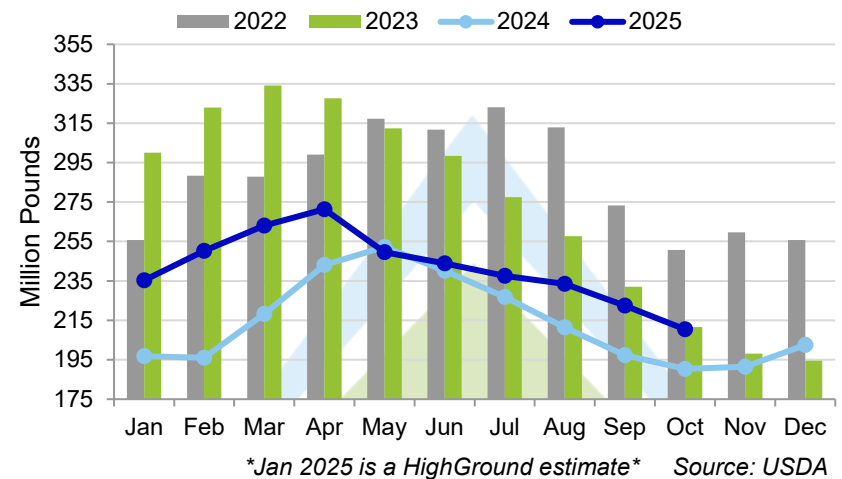
Nonfat Dry Milk Futures



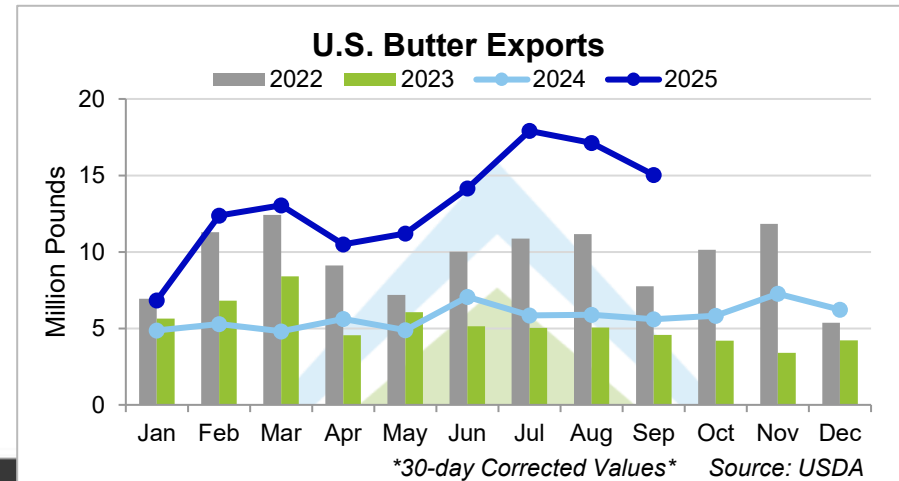
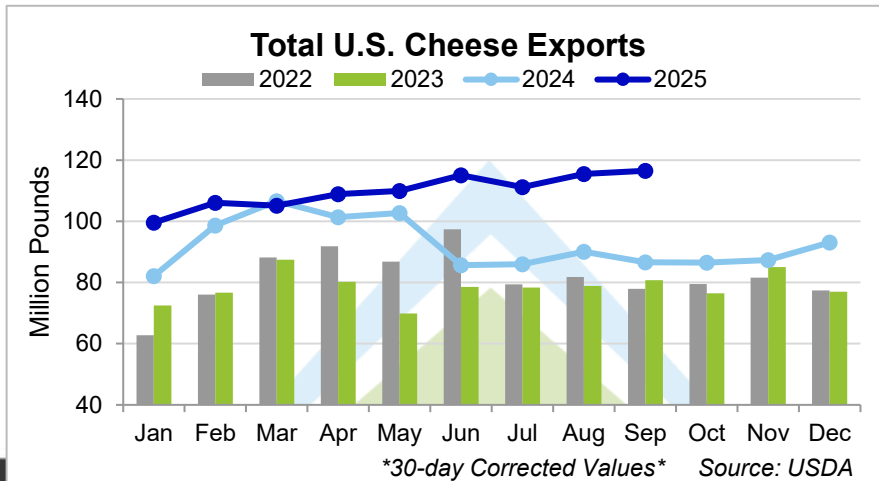
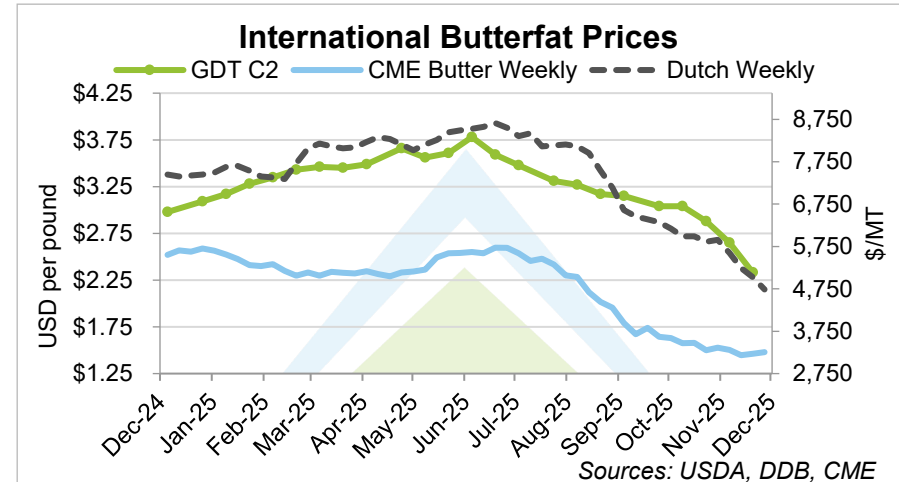
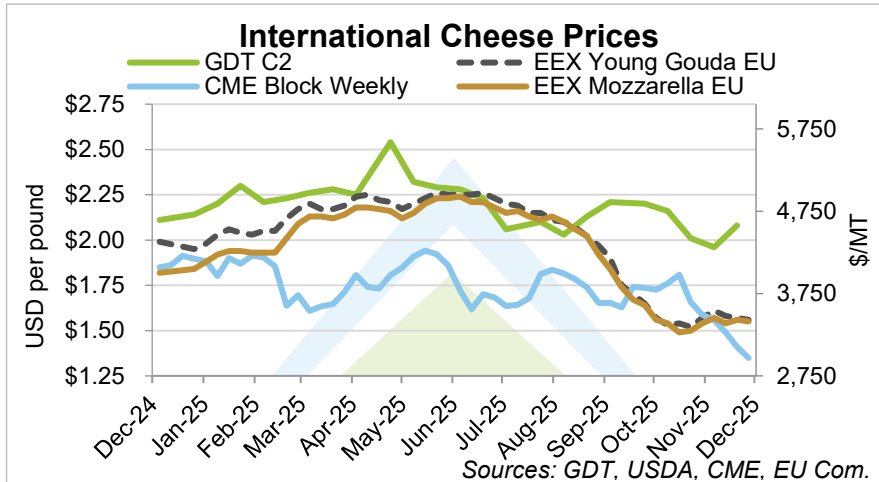
NFDM/SMP Combined Production



NFDM Stocks

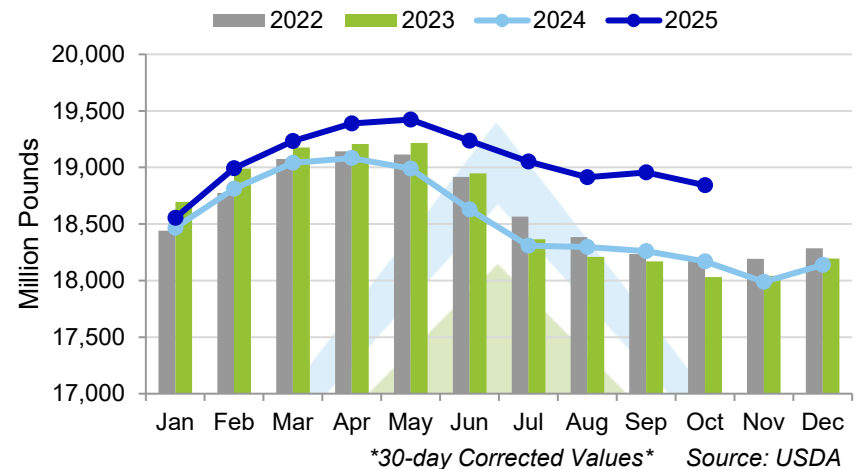


- US cheese exports reached a new record in September on a 30-day adjusted basis. While shipments could soften in 2026 as the US briefly lost its price advantage to the EU, US pricing has once again moved below global benchmarks in recent weeks. Although the spread is modest, it may be sufficient to support additional export sales, should it last.
- US butter remains competitively priced relative to the rest of the world. Exports have been robust throughout 2025, with year-to-date shipments up 137% compared to last year.

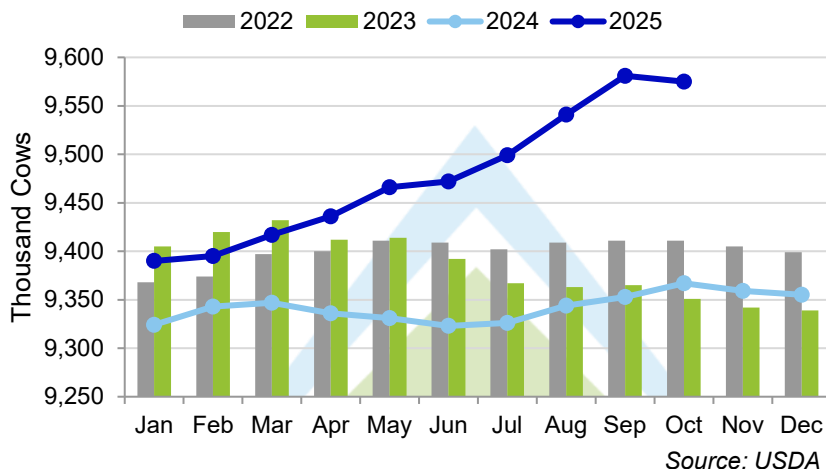


- US milk production grew 3.7% year-over-year in October, marking five consecutive months of gains of 3% or more.
- In October, the US herd fell by 6,000 head from September, recording the first monthly decline since December 2024. Still, the US is milking 208,000 more cows than the prior year.
- Milk per cow continued its upward momentum in October, climbing 1.4% from last year and setting yet another monthly record. This marks the fourth straight month of record-high yields.

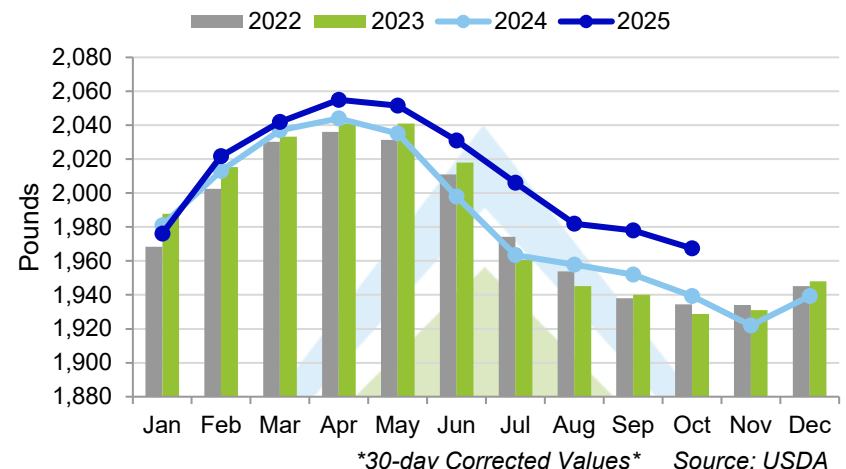
U.S. Milk Production



U.S. Milk Cows

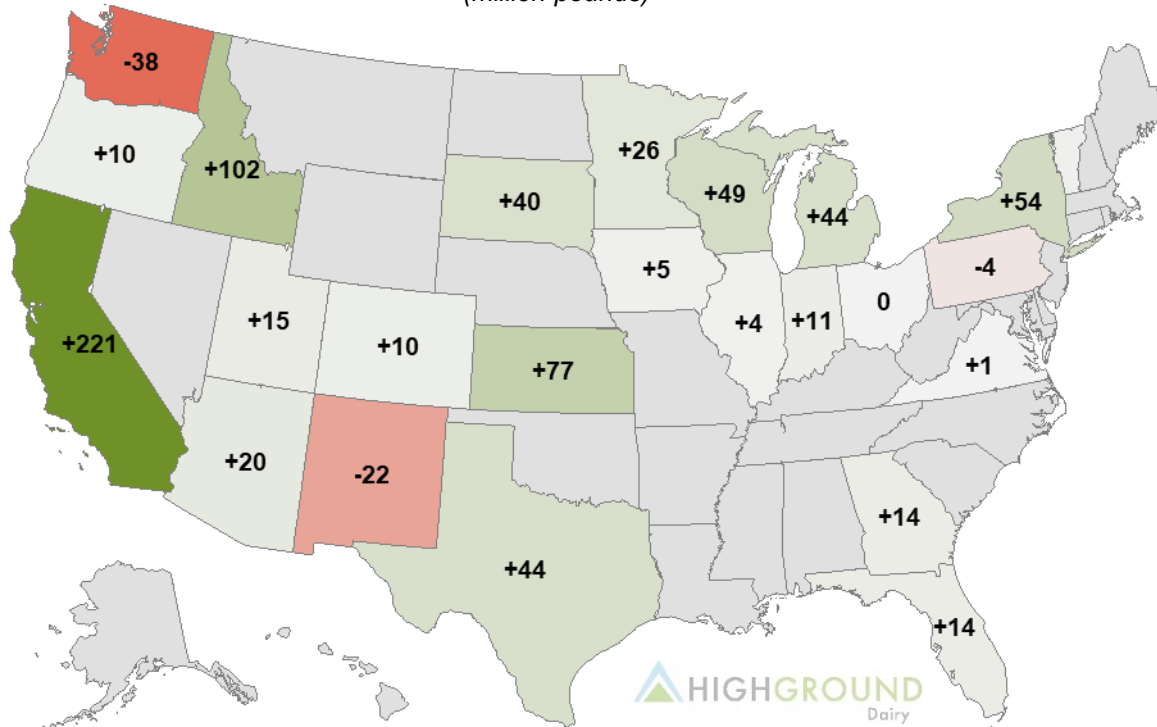


U.S. Milk Per Cow



Year-Over-Year Change in Production: October 2025

(million pounds)

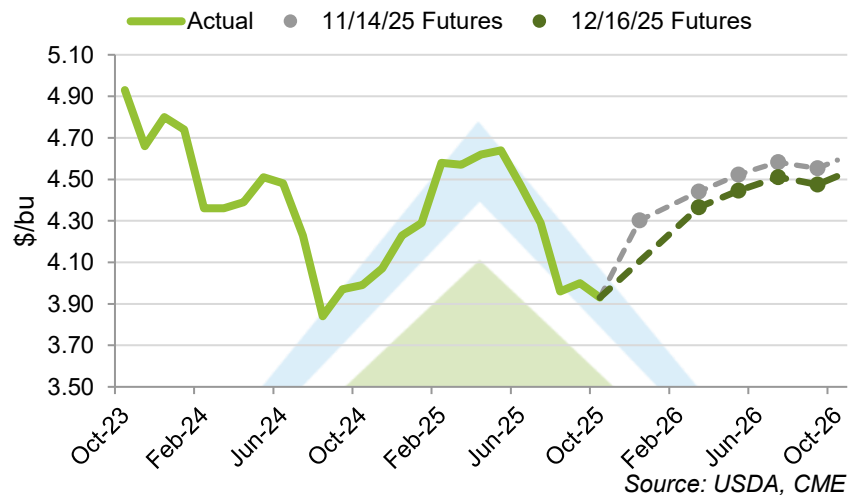


 HIGHGROUND Dairy

Source: USDA

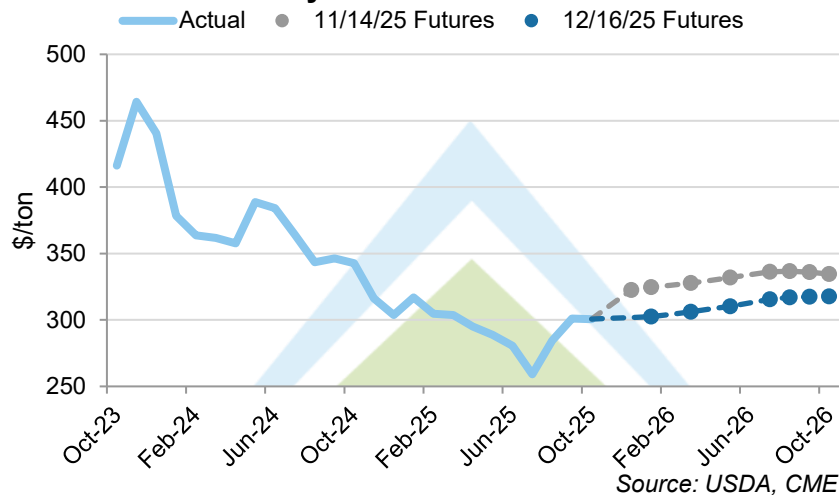
- The largest decrease in October's cow numbers came from Texas. Texas' herd shrank 5,000 head from last month, with production there only growing by 2.9% versus last year, the smallest value since May 2024.
- California posted a 6.9% year-over-year increase in production. While this compares against last year's avian-influenza-impacted volumes, October output neared the record set for the month in 2021.
- Other states with significant production gains were the usual suspects, including Idaho (+7% YoY) and Kansas (+21.2%).

Corn Prices

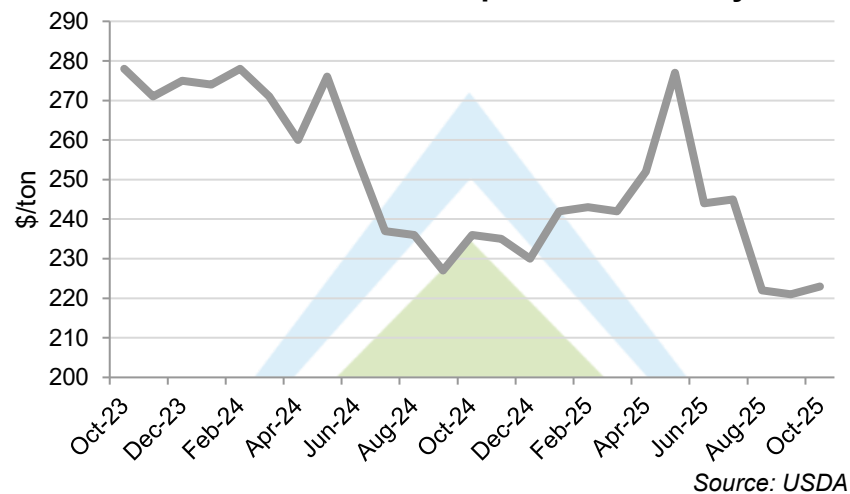


- In the December WASDE report, USDA raised projected US corn exports by 125 million bushels, lowering ending stocks. While the trade anticipated an increase in export projections, the size of the adjustment exceeded expectations, leaving many market participants skeptical. As of December 16, corn futures across the next twelve months were down \$0.07–\$0.08 per bushel (\$2.60–\$2.80 per ton) from a month ago.
- Chinese demand remains a key focus for soybean traders. While the Trump administration indicated that China would purchase 12 million metric tons of soybeans this year, the expected timing has continued to slip, shifting from late February to closer to the end of the growing season. This uncertainty has weighed on market sentiment, and optimism for meaningful near-term purchases is fading. Soybean meal contracts over the next year have declined \$16.90–\$22.20 per ton from last month.

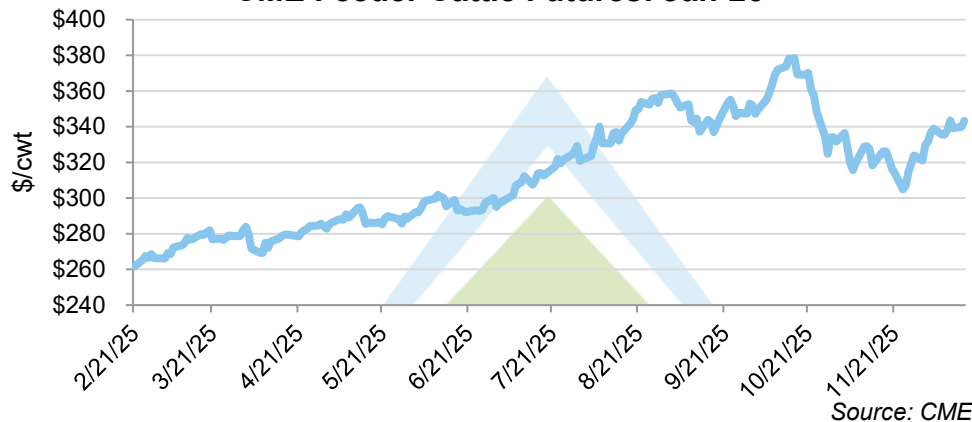
Soybean Meal Prices



5-State Premium and Supreme Alfalfa Hay

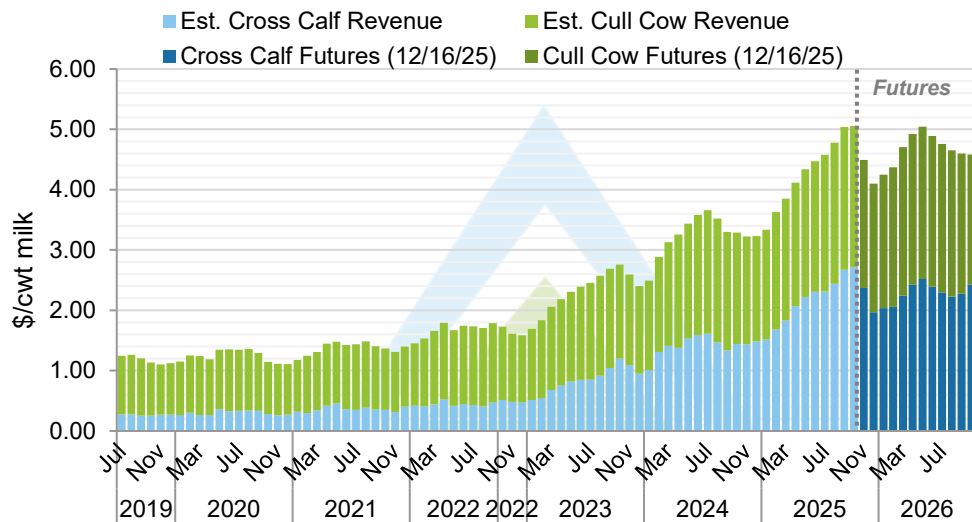


CME Feeder Cattle Futures: Jan-26



- Feeder cattle values remain volatile. After reaching record highs on October 16, CME feeder cattle futures fell sharply through November 24, shedding roughly 20% of their value amid headlines surrounding the Trump administration's efforts to lower beef prices. Since then, however, supply fundamentals have reasserted themselves. Cattle inventories remain historically tight, with beef heifer numbers still well below normal replacement levels. As a result, Jan '26 feeder cattle futures have recovered \$38.35/cwt (+12.6%) since the November 24 trough.

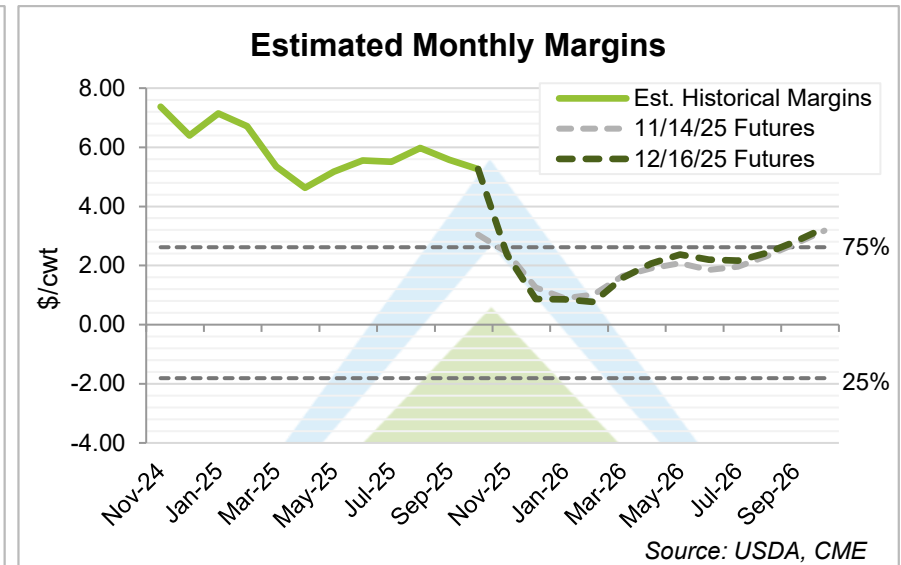
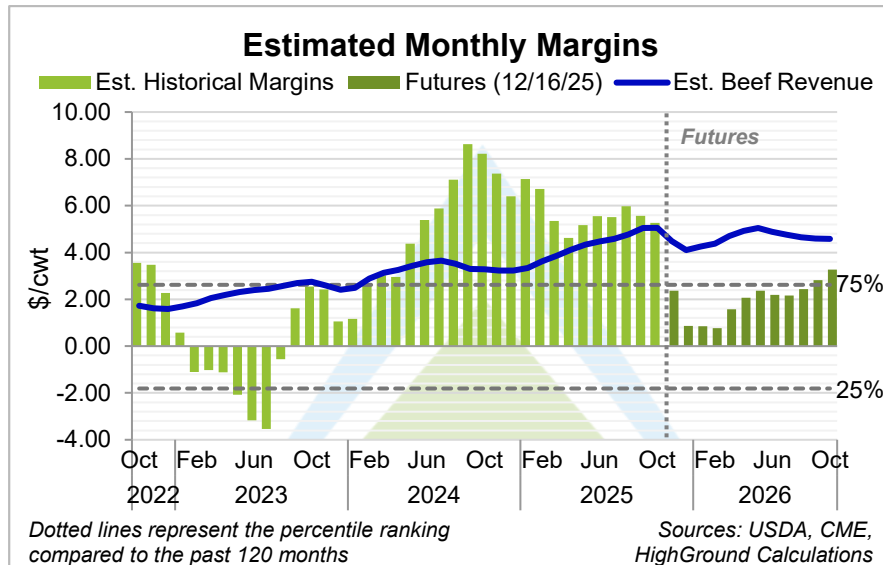
Estimated Beef Revenue Per Cwt of Milk*



- According to USDA data, beef cross calf prices reached a record high of \$1,556/cwt in October. As feeder cattle futures retreated, average prices in November fell by nearly \$200/cwt. While both cull cow and beef-on-dairy calf values have pulled back from recent record highs, they remain historically strong. HighGround's model estimates revenue from beef sales at \$4.00–\$5.00/cwt of milk over the next year, ranking in the 94th percentile or higher compared to the past decade.

* Estimating 27 cull cows and 50 beef-on-dairy calves marketed per month. Assuming 1,000 milk cows producing flat monthly production around 80 lbs/cow/day, cross calves weighing 85 lbs/calf, and cull cows weighing 1,300 lbs/cow.

- The margin outlook is mixed versus last month, with modest movements as November 2025 through March 2026 projections decreased while Q2 2026 increased. While milk prices moved lower, both feed costs and beef revenue provided relief. Estimated margins continued to remain positive, though falling under \$1.00/cwt in December to February. Months in Q1 2026 now rank in the 59th percentile or higher compared to the last ten years, while Q2 onward ranks above the 70th percentile.



Quarterly margins are determined using current CME futures prices for dairy products, corn, soybean meal, and feeder cattle. Milk prices are derived from CME dairy product futures and adjusted for component levels and class utilization. Feed costs are calculated using CME corn and soybean meal and a fixed value of \$3/cwt for non-correlated feeds. Beef revenue is derived from CME feeder cattle futures and dynamic price adjustment factors, using a methodology similar to that of the LRP program. The remaining adjustments are fixed over time at -\$8.00/cwt for total non-feed costs (includes the cost of raising replacements) and -\$1.30/cwt for milk check premiums/deductions.

Key Takeaways

- Global milk supplies continue to run ahead of demand. In the US, robust milk and component production have weighed on cheese and butter prices, as consumption has been unable to absorb the current volume of output. Dry whey remains a notable bright spot, with strong consumer demand for high-protein products shifting more milk into higher-value whey streams, tightening commodity-style dry whey supplies, and providing relative support to Class III prices. Even so, broader supply pressures have kept both Class III and Class IV prices trending lower.
- Corn and soybean meal prices have edged modestly lower. The December *WASDE* report featured few changes overall, though USDA raised corn export projections, tightening ending stocks. The market is now turning its attention to potential adjustments to 2025/26 crop supplies in the January report. Meanwhile, trade negotiations with China remain top of mind for farmers, as uncertainty persists around both the timing and volume of Chinese purchases this season and into future crop years.
- Beef values fell sharply following the Trump administration's mid-October announcement aimed at lowering consumer beef prices but have since rebounded, recovering a portion of those losses since late November. With stronger beef prices and lower feed costs offset by lower milk prices, the overall margin outlook remains largely unchanged from last month. HighGround's projections show margins staying depressed but positive in Q1 2026, with improved profitability expected in the second half of 2026, if current futures prices hold. That said, opportunities remain, particularly in deferred months, to lock in profitability further out. HighGround continues to encourage producers to actively monitor and manage margins to stay ahead in the new year.

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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