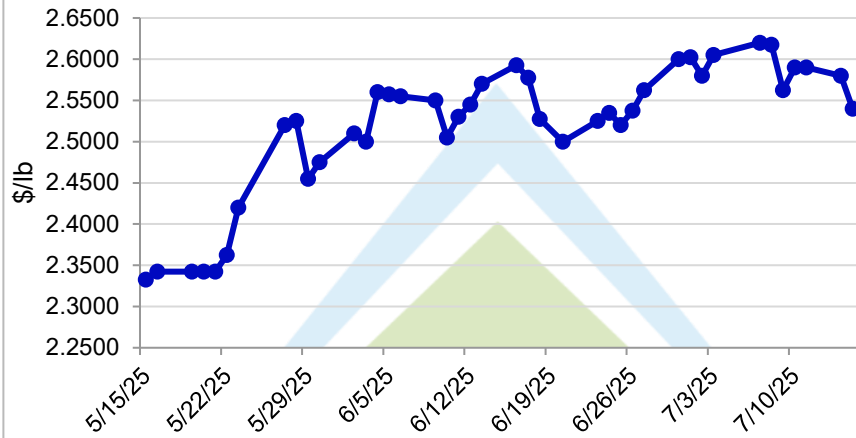




Dairy Producer **MARKET UPDATE**

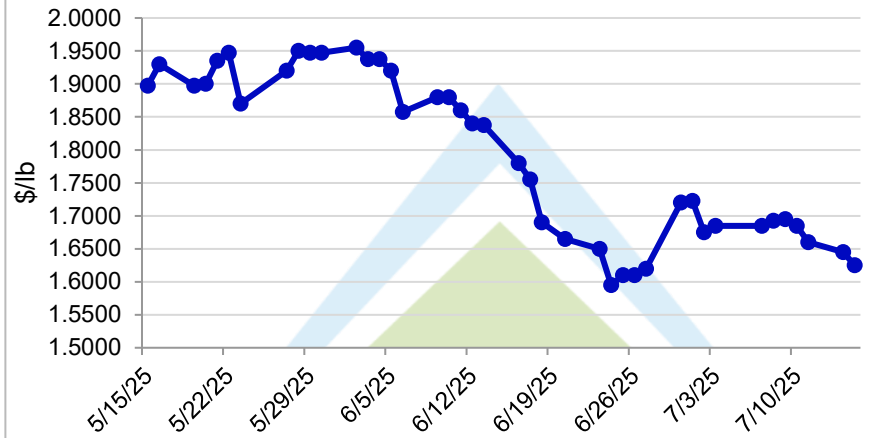
July 16, 2025

CME Spot Butter Prices



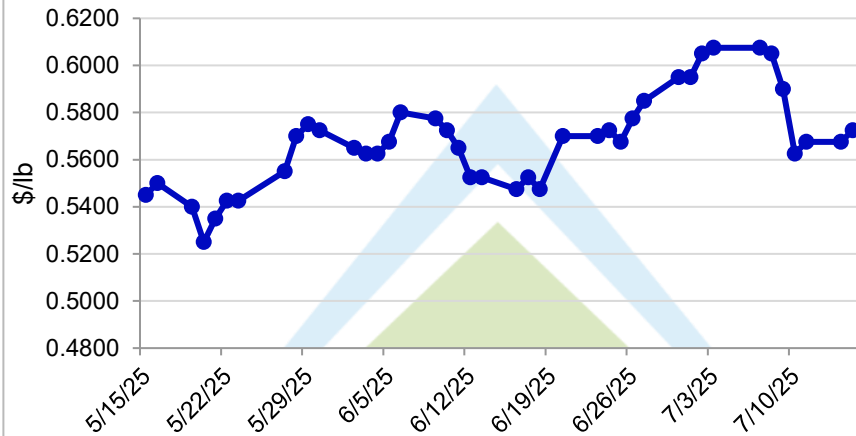
Source: CME

CME Spot Cheese Prices



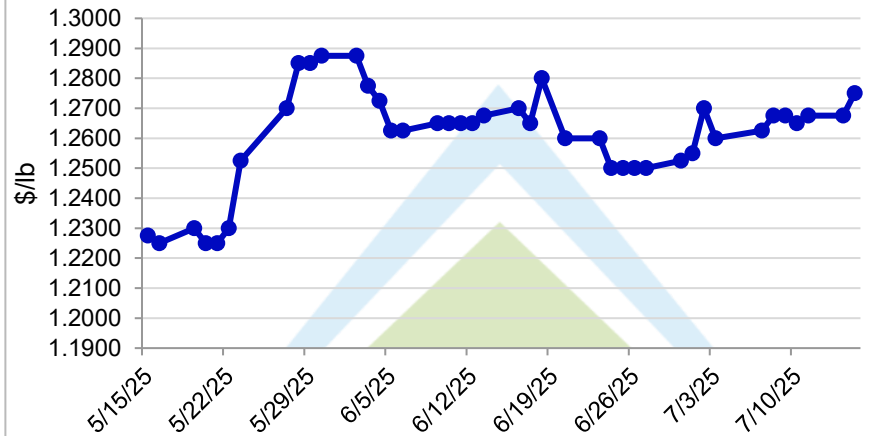
Source: CME

CME Spot Dry Whey Prices



Source: CME

CME Spot Nonfat Dry Milk Prices



Source: CME

CME Futures as of July 15, 2025

	Q3 2025	Q4 2025	Q1 2026	Q2 2026	Q3 2026
Class III (\$/cwt)	17.53	18.44	17.82	18.02	18.30
Vs. Last Month	-1.14	-0.46	-0.43	-0.24	-0.13
10-Yr Percentile	61%	70%	65%	66%	68%
Class IV (\$/cwt)	19.13	19.79	19.66	19.75	19.65
Vs. Last Month	-0.28	-0.22	-0.09	-0.09	+0.02
10-Yr Percentile	74%	76%	76%	76%	76%

Changes shown vs. Jun-13 Settlement Prices

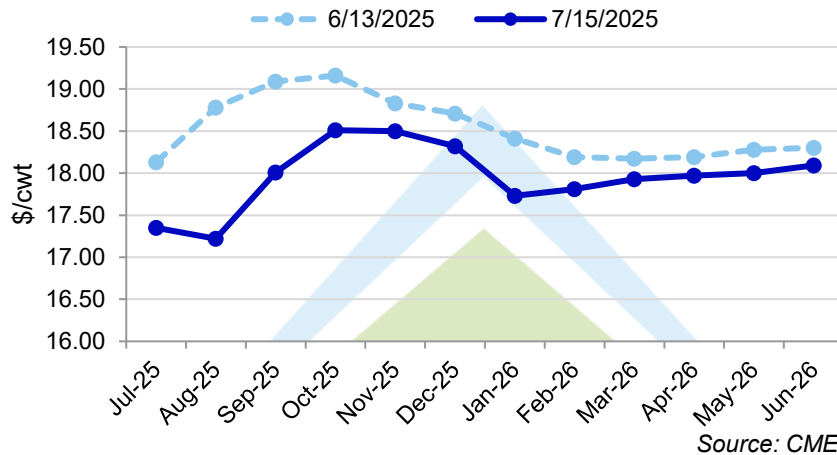
Percentiles compare the quarterly class price to the previous ten years of data. Percentiles are interpreted as: "This price is higher than ___% of months over the last ten years for Class III (or IV)."

Percentile Shading Key:

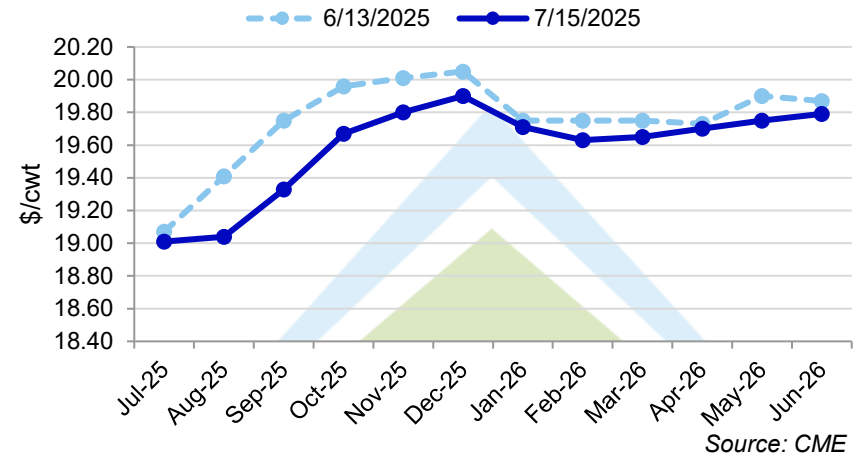
Red: 0 - 25% Brown: 25 - 50% Blue: 50 - 75% Green: 75 - 100%

- CME Class III and Class IV milk futures trended lower over the past month.
- Class III futures saw a sharp decline, particularly in nearby contracts, with Q3 2025 averaging \$1.14/cwt less than a month ago. The drop was driven by weaker cheese prices, as block Cheddar fell more than \$0.20/lb. (-11.6%) in the CME spot market.
- Class IV futures declined as well, though to a lesser extent than Class III, primarily reflecting softness in butter prices.

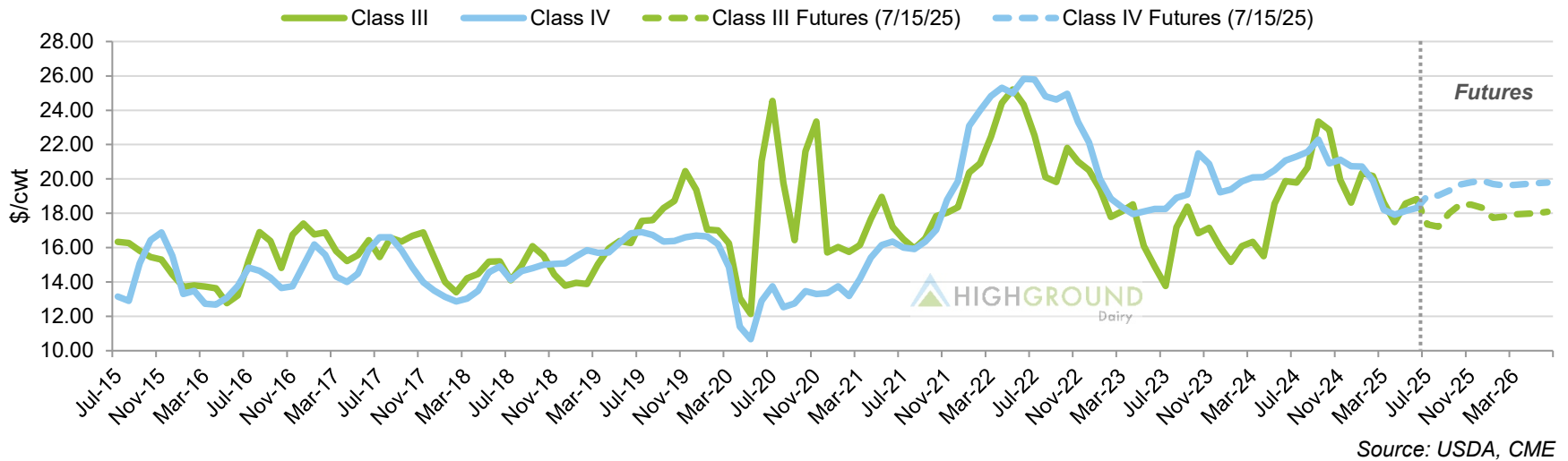
Class III Futures



Class IV Futures



Class III and IV Prices



Year-Over-Year Volumes: May-25

	Total Cheese			Dry Whey			Butter			Dry Skim Milk Products		
	May-24	May-25	YOY	May-24	May-25	YOY	May-24	May-25	YOY	May-24	May-25	YOY
	million lbs		%	million lbs		%	million lbs		%	million lbs		%
Supply												
Beginning Stocks	1,443.4	1,403.5	-2.8%	72.5	60.5	-16.6%	362.1	336.8	-7.0%	250.0	275.3	10.1%
Production	1,212.4	1,252.2	3.3%	68.3	72.7	6.4%	204.8	211.9	3.5%	218.1	206.9	-5.1%
Imports	27.7	20.7	-25.3%	0.9	0.0	-	13.3	6.0	-54.9%	0.2	0.3	50.0%
Total Supply	2,683.5	2,676.4	-0.3%	141.7	133.2	-6.0%	580.2	554.7	-4.4%	468.3	482.5	3.0%
Utilization												
Domestic Disappearance	1,142.9	1,150.3	0.6%	41.5	40.9	-1.4%	195.4	181.6	-7.1%	73.0	93.1	27.5%
Exports	106.1	113.7	7.2%	35.7	28.6	-19.9%	5.0	11.6	132.0%	134.2	136.6	1.8%
Total Utilization	1,249.0	1,264.0	1.2%	77.2	69.5	-10.0%	200.4	193.2	-3.6%	207.2	229.7	10.9%
Stocks												
Ending Stocks	1,434.5	1,412.5	-1.5%	64.5	63.7	-1.2%	379.8	361.6	-4.8%	261.0	252.7	-3.2%

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	5,948.6	6,058.4	1.8%	376.5	345.1	-8.3%	1,031.5	1,076.2	4.3%	1,049.9	976.6	-7.0%
Imports	127.5	134.0	5.1%	0.9	1.0	11.8%	59.3	52.6	-11.3%	0.4	2.3	478.8%
Total Supply	6,076.1	6,192.4	1.9%	377.4	346.1	-8.3%	1,090.8	1,128.8	3.5%	1,050.3	978.9	-6.8%
Utilization												
Domestic Disappearance	5,589.3	5,601.0	0.2%	210.9	173.3	-17.8%	886.0	927.5	4.7%	298.2	332.8	11.6%
Exports	494.5	533.2	7.8%	171.3	169.4	-1.1%	25.5	54.2	112.3%	692.0	602.5	-12.9%
Total Utilization	6,083.8	6,134.2	0.8%	382.2	342.7	-10.3%	911.6	981.7	7.7%	990.2	935.3	-5.5%

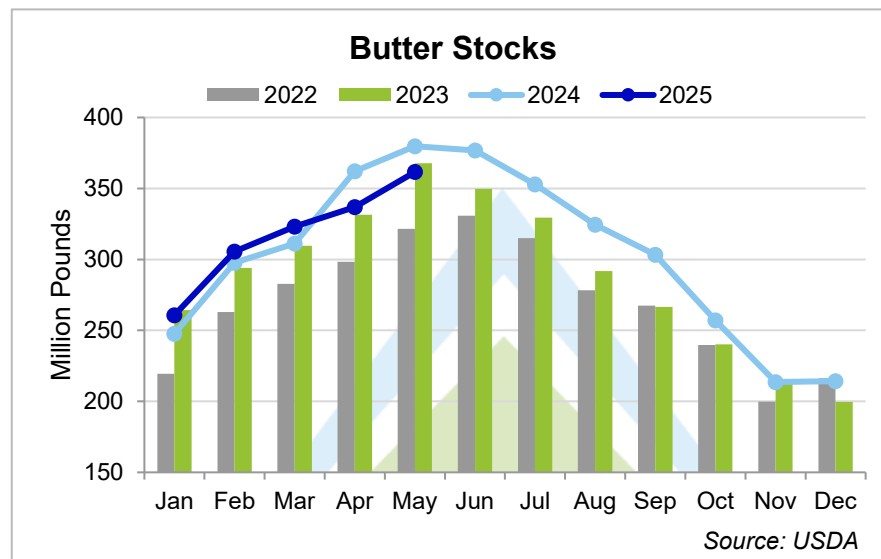
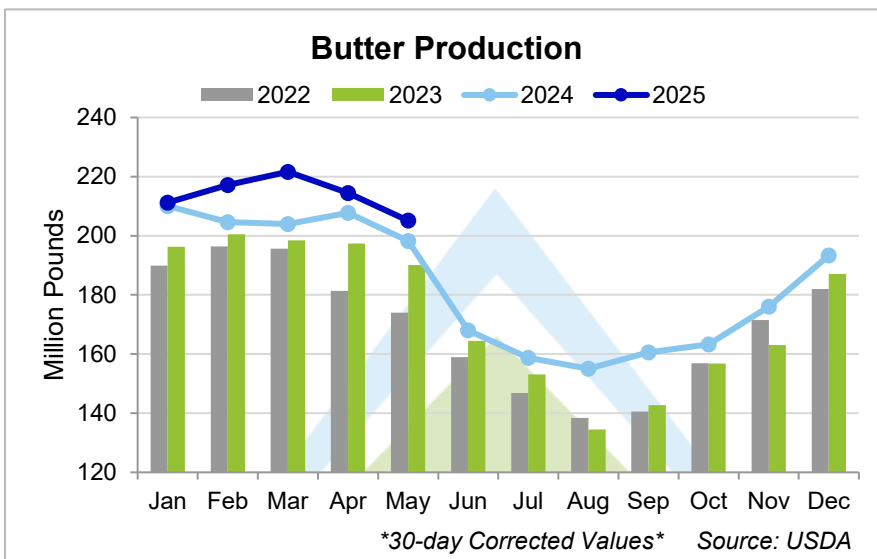
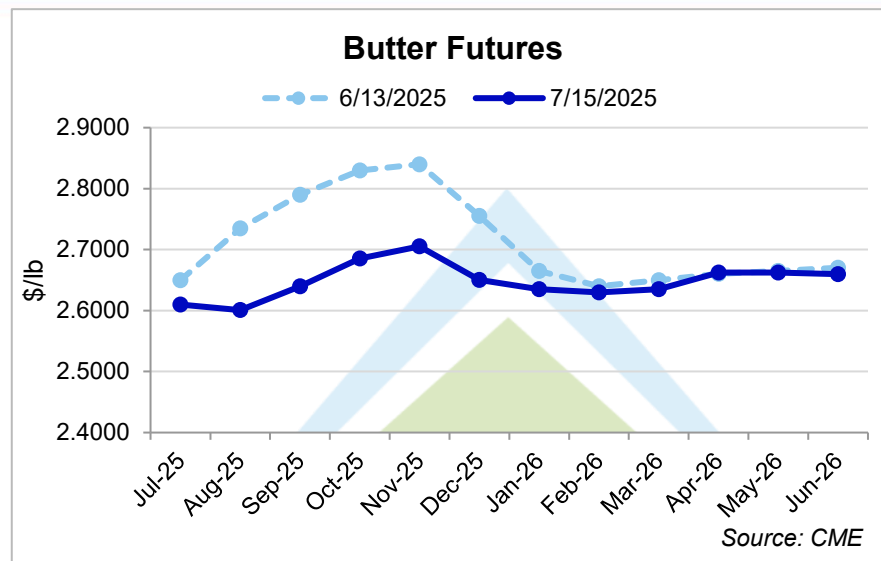
Dry Skim Milk Products includes NDM, SMP, and dry skim milk for animal use. USDA NASS does not report manufacturers' stocks of SMP.

Source: USDA

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

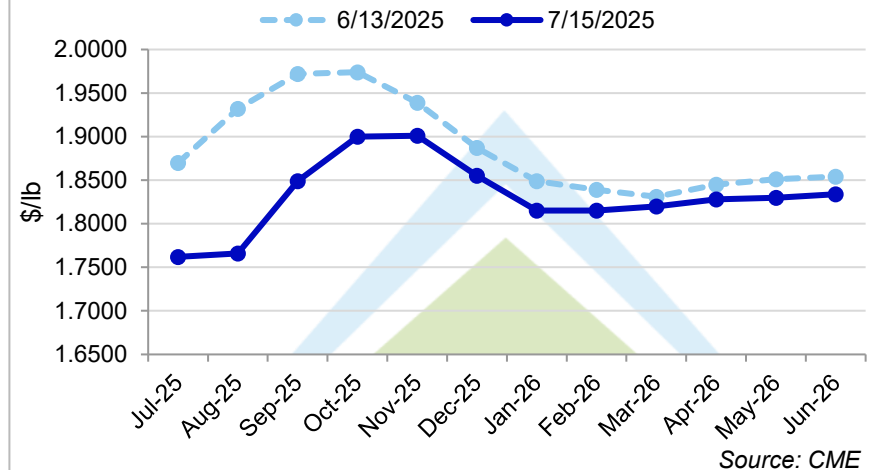
Within the year-to-date volumes, January 2025 for Dry Skim Milk Products is an estimate by HighGround.

- Butter production continued to trend above prior-year levels in May (+3.5% YoY), recording the 18th month in a row of a year-over-year increase. May's total US butterfat production increased 3.3% from last year, contributing to the strong butter figures.
- Butter stocks grew by 24.7 million pounds versus last month (+7.3%), slightly more than the five-year average. However, inventories fell on a year-over-year basis for the second straight month, down 4.8% from May 2024.
- While domestic disappearance fell below year-prior levels, exports held firm. The steady demand abroad helped absorb some of the increased butter supplies and will likely persist as long as US butter remains at a \$1.00/lb. discount to the global market.

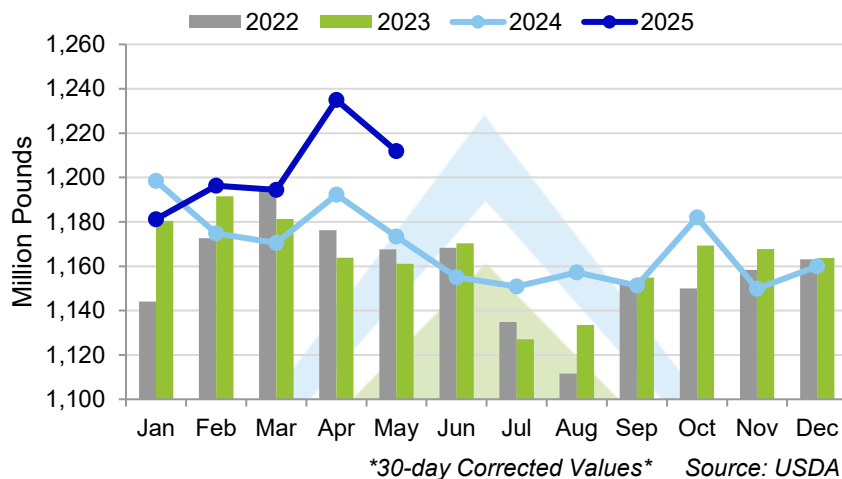


- Add a couple of big cheese plants, and watch the volumes grow. May's cheese production was up 3.3% year-over-year, reaching a record for the month. Cheddar vats buoyed the overall numbers, climbing 9.6% and nearing the May record set in 2023.
- Total cheese stocks neared their prior-year level, down just 1.5%, which was the smallest decrease by this metric since March 2024.
- Total cheese demand rose 1.2% year-over-year, driven largely by strong export performance. While domestic consumption edged up 0.6%, exports surged 7.2% compared to last year. On a year-to-date basis, cheese exports are up 7.8% from the same period in 2024.

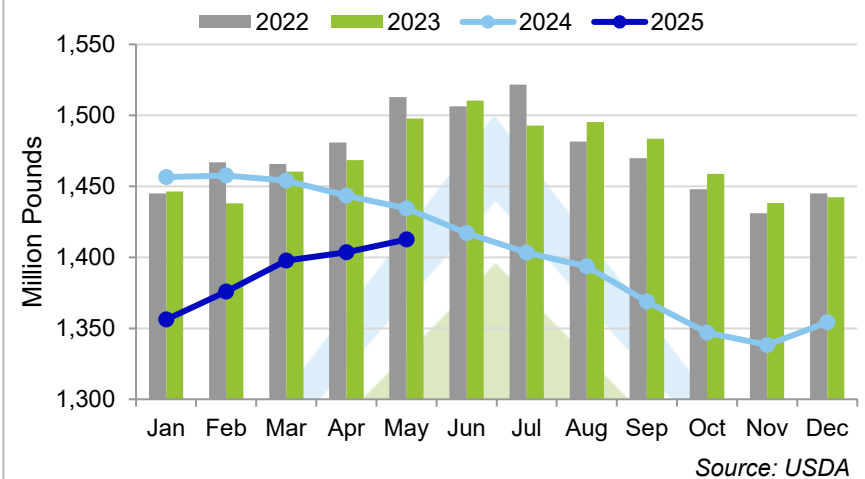
Cheese Futures



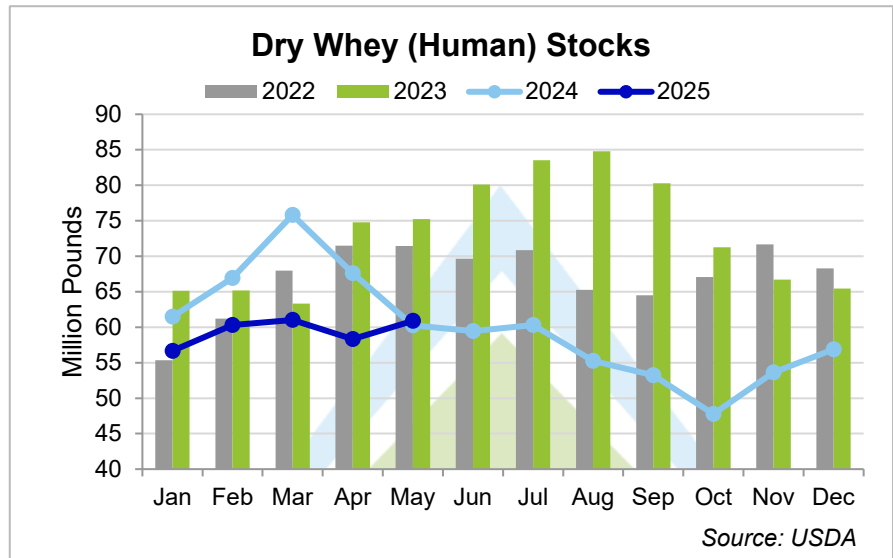
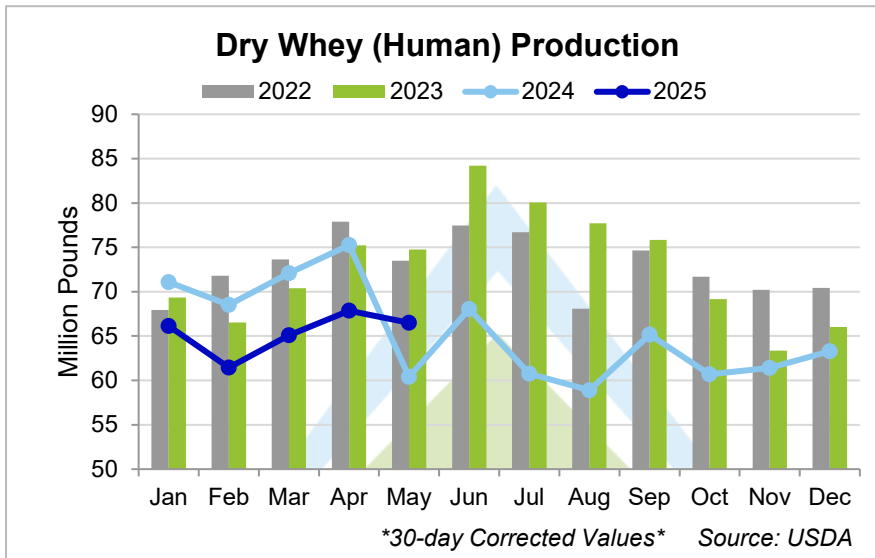
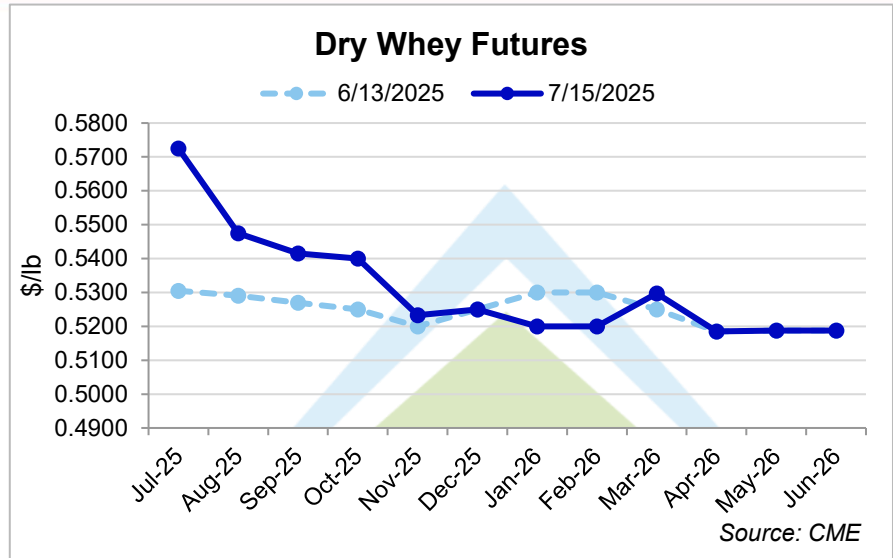
Cheese Production



Total Cheese Stocks

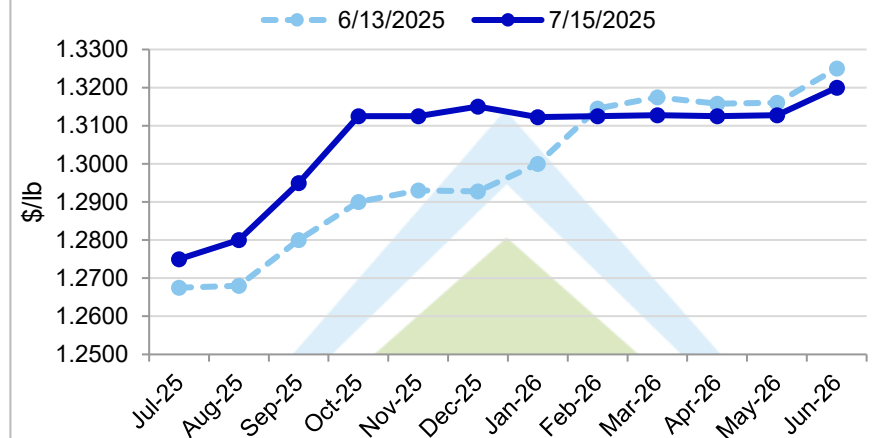


- Dry whey production increased year-over-year in May for the first time since April 2024, though the gain came against a relatively easy year-ago comparison. Output was still down 11.1% compared to two years prior. With more cheese production capacity coming online in the US, some of the new facilities are producing dry whey, which could lead to higher output in the months ahead.
- Dry whey inventories rose 1.1% year-over-year, marking the first annual increase in over a year. Month-over-month, stocks climbed 4.4%, outpacing the five-year average.
- Dry whey demand has remained lackluster in 2025, with total usage down 10% in May, driven primarily by weaker export activity. Trade tensions with China, which is historically the largest buyer of US dry whey, led to shipments there reaching just one-third of May 2024 levels.

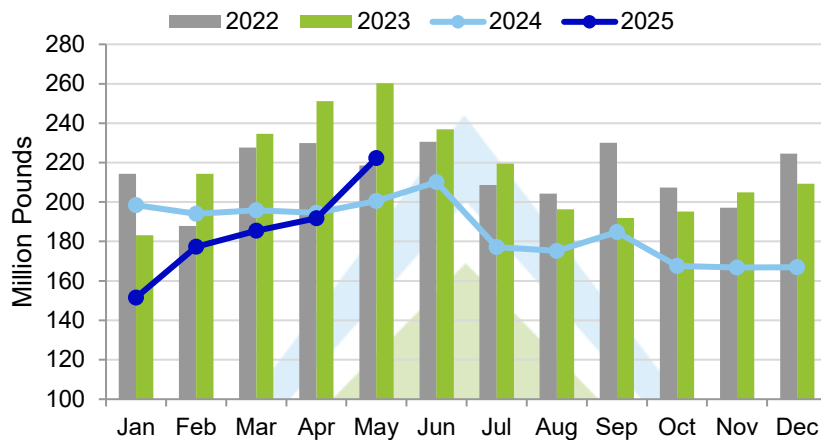


- Combined production of NDM and SMP dropped 5.2% year-over-year in May. Individually, NDM production fell 5.6% from last year, while SMP output recorded a 30% increase from April to May.
- Total disappearance of NDM/SMP jumped 15.9% from last month and 10.9% from last year, recording the highest total since June 2023. Particularly, domestic consumption grew 27.5% from last year.
- With stymied output, the increased demand pushed processors to pull from inventories, resulting in a stark 7.9% decline from April. Falling 0.9% below May 2024 levels, this was the first time stockpiles decreased year-over-year since November 2024.

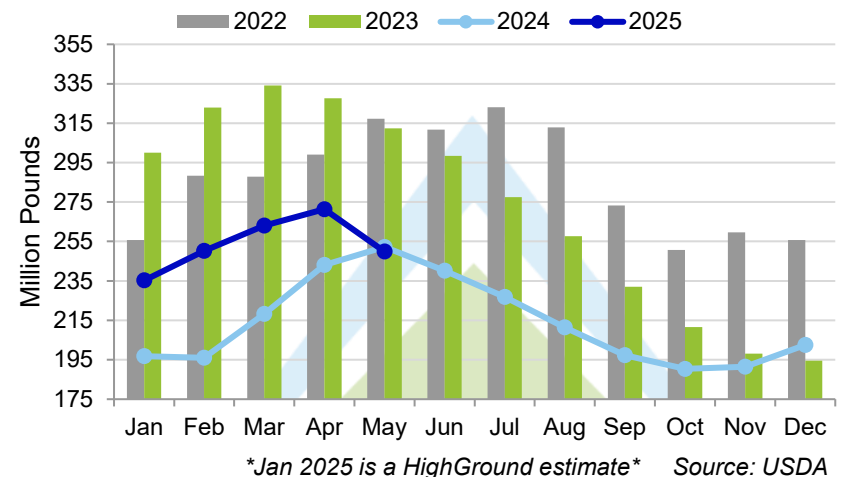
Nonfat Dry Milk Futures



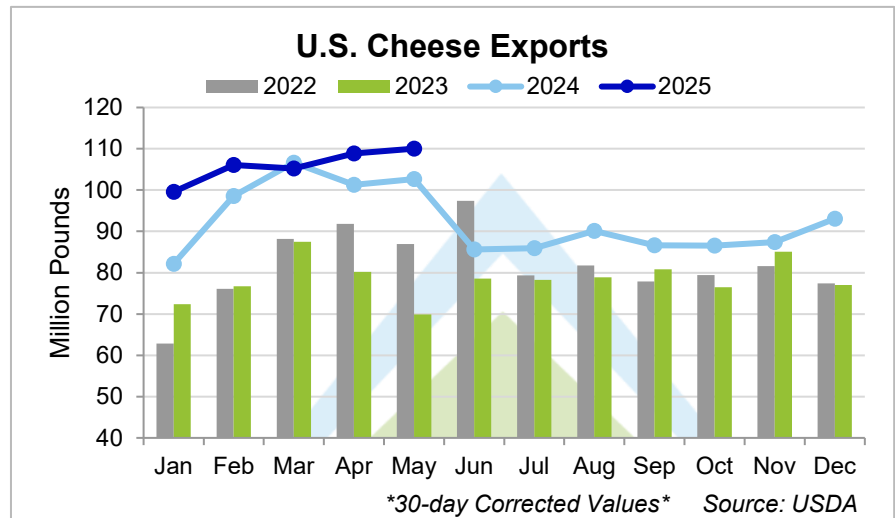
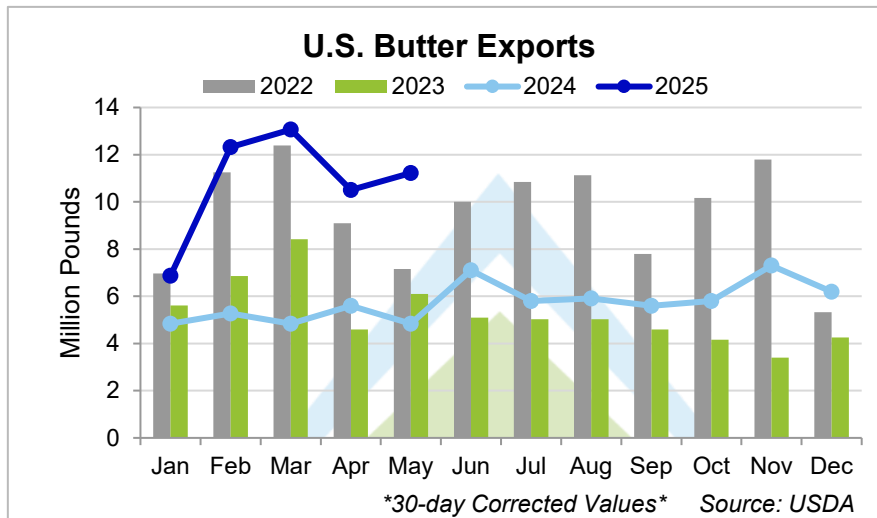
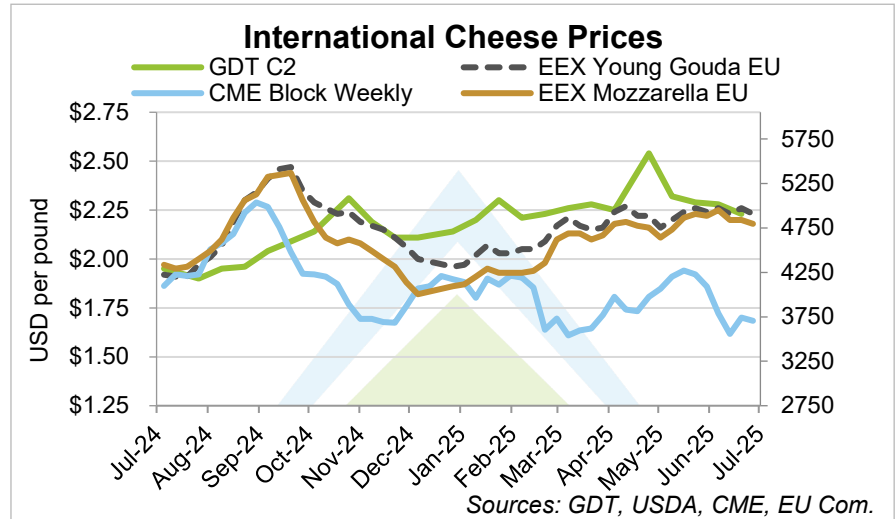
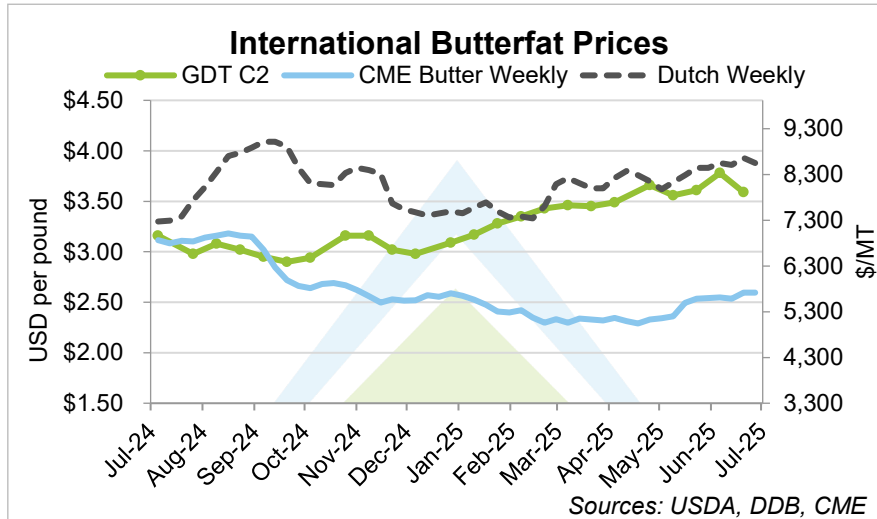
U.S. NDM & SMP Total Utilization



NDM Stocks

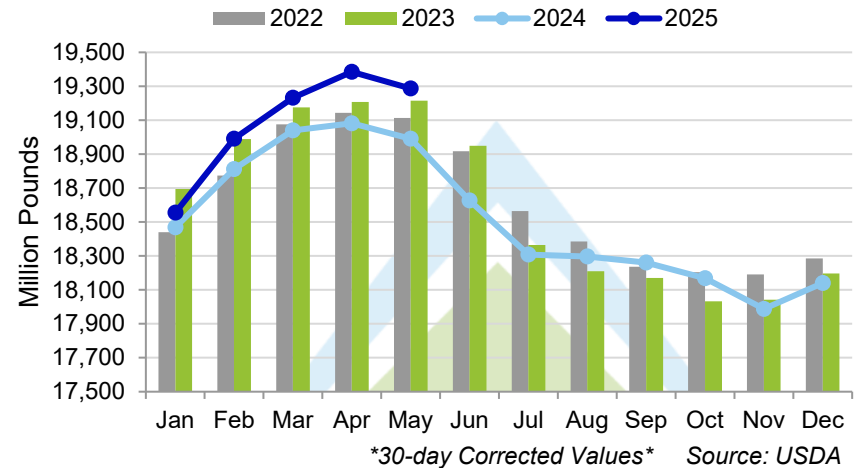


US cheese and butter remain significantly discounted compared to global prices, supporting continued international demand.

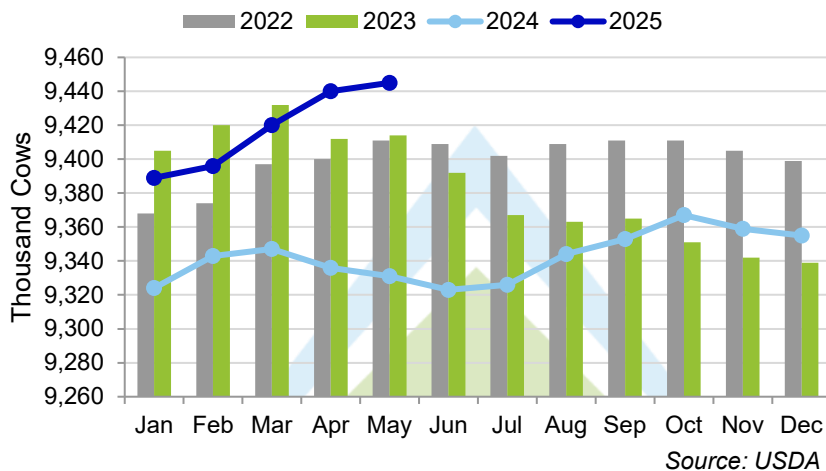


- US milk production rose 1.6% year-over-year in May, marking its fifth consecutive month of increase versus the prior year.
- The US dairy herd climbed to 9.445 million head, up 5,000 head from April and the largest herd size since July 2021. Growth came from larger herds in Kansas, Michigan, and New York.
- Milk per cow made an all-time high for the month, up 0.3% from last year.

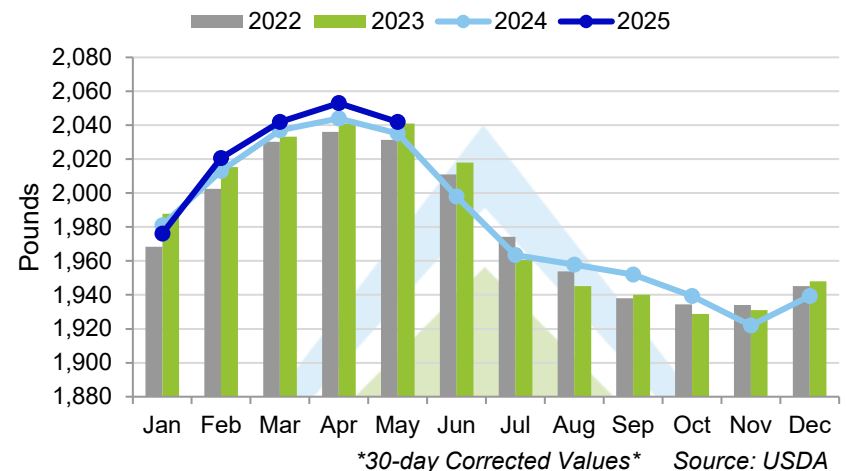
U.S. Milk Production



U.S. Milk Cows

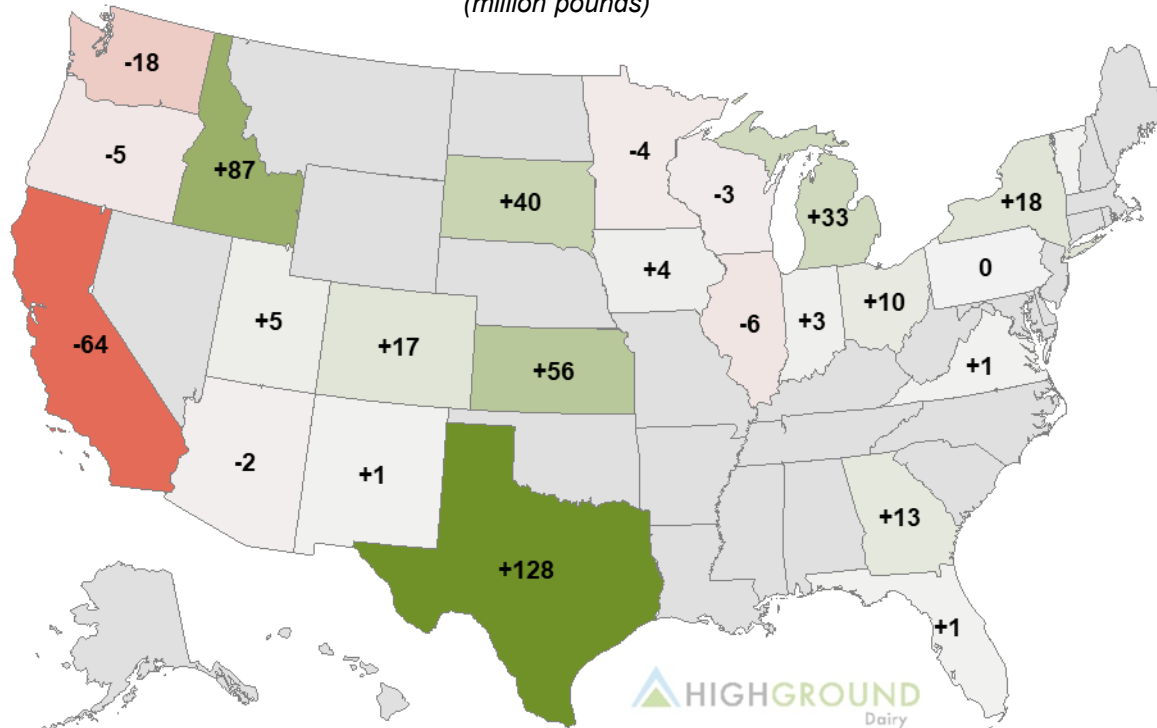


U.S. Milk Per Cow



Year-Over-Year Change in Production: May 2025

(million pounds)



 HIGHGROUND Dairy

Source: USDA

- States with growth were primarily located in the Central US. Idaho, Kansas, South Dakota, and Texas all experienced a 6% or greater increase in milk production compared to May 2024. Cow numbers drove the gains in these areas, as producers expanded to support new processing capacity.
- One of the most considerable losses was in Washington, where milk production fell 3.3% from the previous year.
- In May, California was still in its final recovery from the effects of avian influenza, as production there lagged prior-year levels for the eighth straight month (-1.8% YoY in May).

Updated as of July 15, 2025



Since mid-June, the US has had a 55% tariff on Chinese products, while China has placed a 10% tariff on US products. Specific US dairy products impacted by Chinese tariffs include: 10% on infant formula and lactose, 20% other US dairy, and 35% on whey.



Although the 90-day pause on reciprocal tariffs was set to expire on July 8th, President Trump [signed an executive action](#) one day earlier, extending the deadline to August 1 for all listed countries except China. As part of the action, he sent formal notices to several countries outlining their updated tariff rates.



On July 10th, President Trump announced he will impose a [35% tariff](#) on Canadian goods NOT included in the USMCA starting on August 1. Canada currently has a 25% tariff on a variety of US dairy products that is applied on volumes above the tariff-rate quotas allotted in the USMCA, including those products that fall under the Import for Re-Export program.

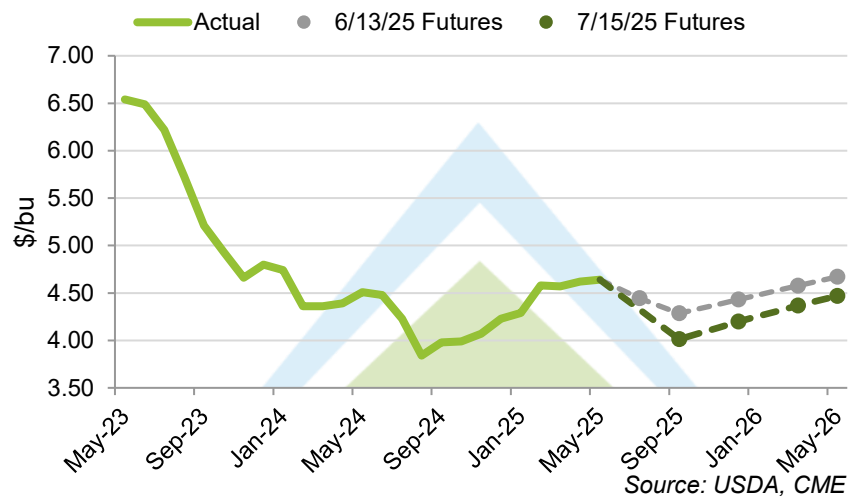


On July 12th, President Trump threatened [tariffs of 30%](#) on products from Mexico that are NOT included in the USMCA (which dairy is a part of). Although Mexico has threatened retaliatory tariffs on US goods, the current tariff on US exports is 0% per the USMCA.



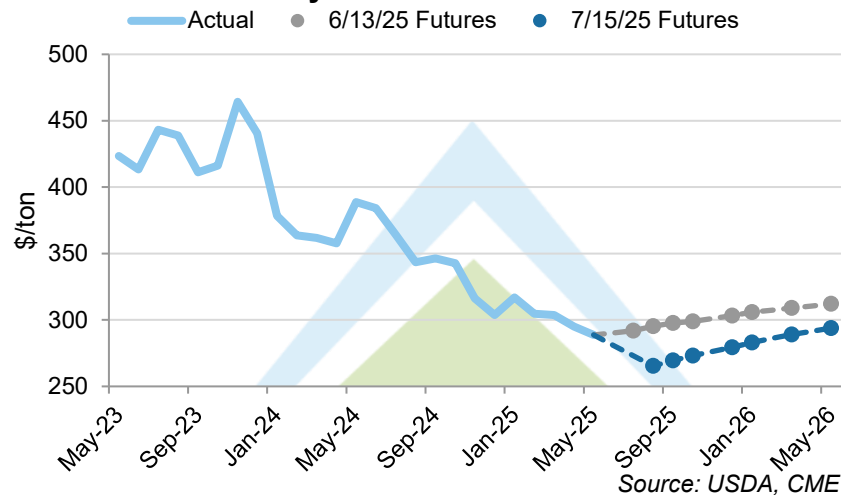
Several other countries that have been threatened with tariffs include the European Union (30%), the Philippines (20%), Indonesia (32%), Japan (25%), and South Korea (25%).

Corn Prices

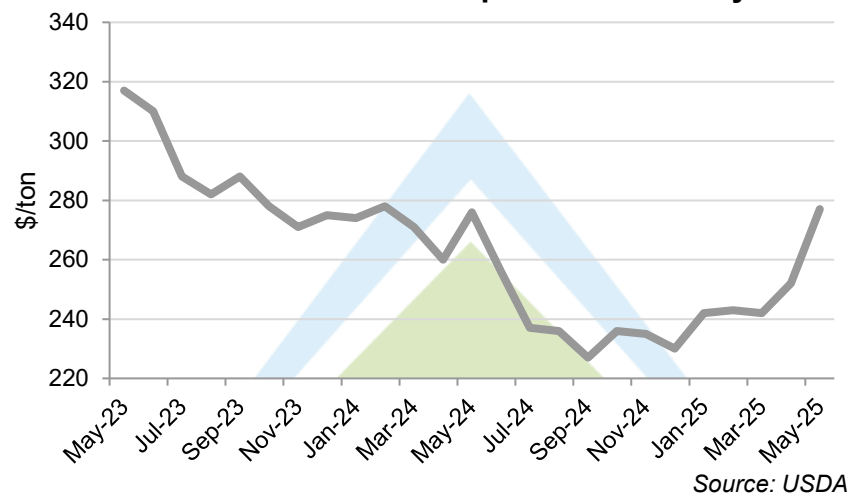


- Corn futures have dropped sharply over the past month, falling \$0.20–\$0.27/bushel (\$18–\$30/ton) through May 2026, with September 2025 dipping below \$4.00/bushel. Excellent weather and rapid crop progress, including 74% of the crop rated good-to-excellent as of mid-July, have boosted expectations for a strong harvest. The July WASDE held its yield estimate at 181 bushels per acre, while adjusting old-crop exports and trimming ending stocks due to reduced acreage.
- Soybean meal prices have fallen \$7–\$10/ton from last month, as 70% of the crop is rated good-to-excellent and weather remains favorable. In the July WASDE, the USDA maintained its 52.5 bushels per acre yield forecast, keeping record production on the table. However, rising global competition, especially from Brazil, prompted the USDA to cut US export projections by 70 million bushels. HighGround is closely watching South American trends and US weather into August.

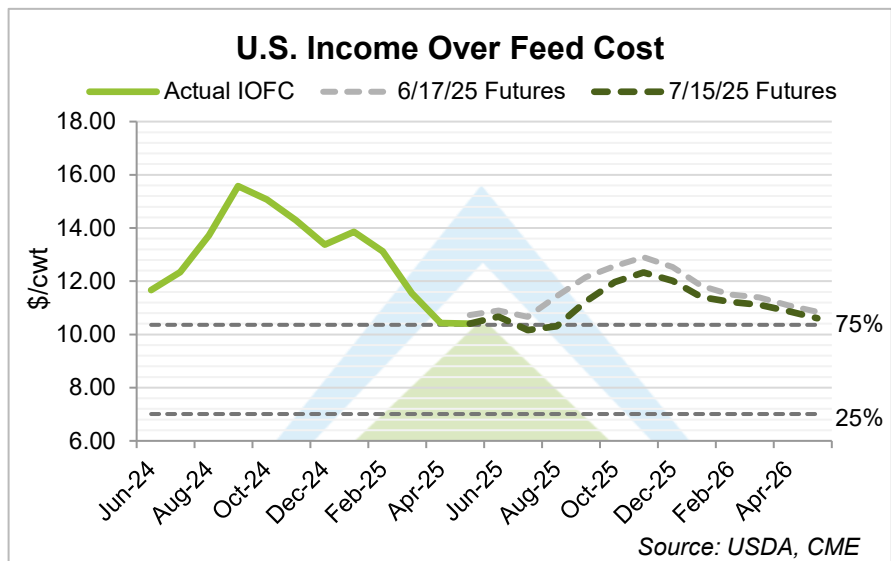
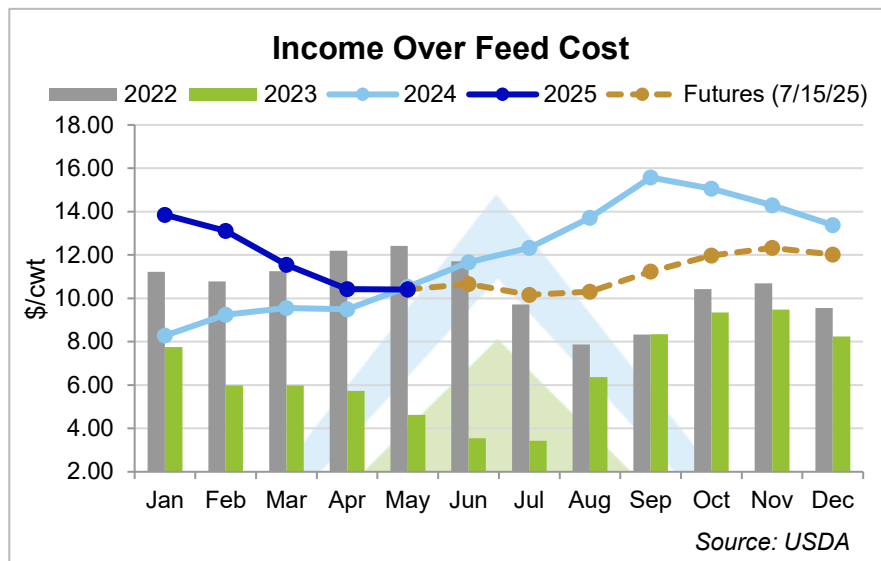
Soybean Meal Prices



5-State Premium and Supreme Alfalfa Hay



- In May, the Dairy Margin Coverage (DMC) program's Income Over Feed Cost (IOFC) calculation fell just \$0.02/cwt from April. While feed costs increased for the month, with the premium and supreme quality alfalfa hay price jumping \$25/ton, improvements in milk prices offset the losses.
- HighGround's margin outlook has softened compared to last month, driven primarily by lower projected milk prices. Both Class III and Class IV futures declined, with Class III seeing the sharpest drop, averaging \$0.85/cwt lower for Q3 2025. While corn and soybean meal prices fell significantly, a rise in alfalfa prices resulted in a mixed feed cost outlook. Despite the downward shift, projected margins remain historically strong, with only July and August falling below the 75th percentile relative to the past decade.



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.

Key Takeaways

- Milk prices moved lower over the past month, driven by a sharp drop in cheese prices. As the industry exits the spring flush, growing cheese processing capacity is being met with the highest US cow numbers since July 2021, contributing to ample supply and added pressure on cheese prices. Still, strong domestic demand and steady exports of butter and cheese have helped prevent prices from falling further.
- Feed markets have seen significant declines over the past month, with September 2025 corn futures falling below \$4.00/bushel and soybean meal dropping sharply. Favorable weather and excellent crop conditions, with 74% of corn and 70% of soybeans rated good-to-excellent, have fueled expectations for large US harvests. Strong US corn exports have supported demand, but soybean exports may face pressure from Brazil's record crop. With a lot of uncertainties still ahead, HighGround has been encouraging clients to take advantage of this window of opportunity to secure favorable pricing and strengthen margin outlooks ahead of harvest.
- Margin projections remain historically strong, with current market conditions still offering solid opportunities for profitability. Despite lower milk prices, reduced feed costs are helping support favorable returns, and HighGround continues to see opportunities for producers to lock in positive margins.

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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