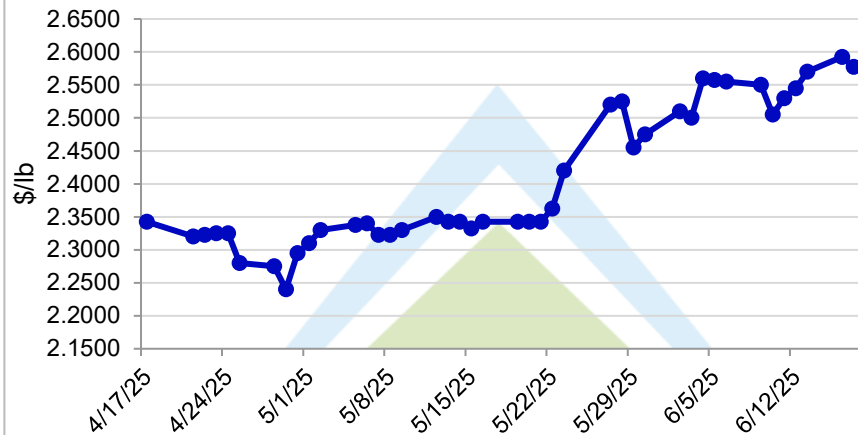




# *Dairy Producer* **MARKET UPDATE**

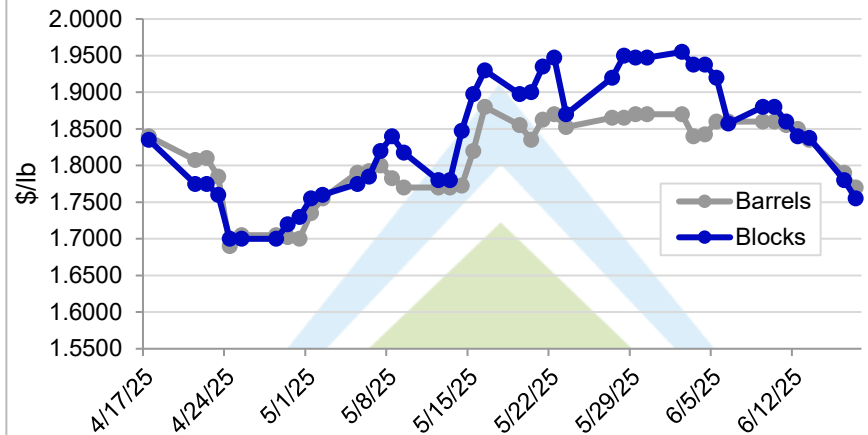
June 18, 2025

## CME Spot Butter Prices



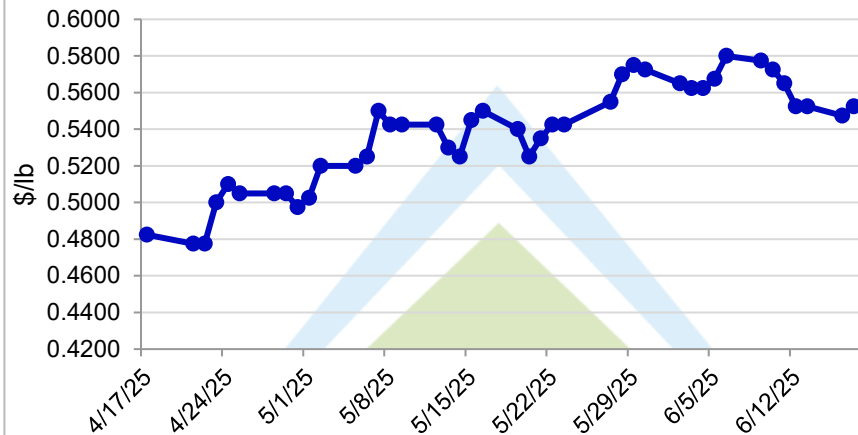
Source: CME

## CME Spot Cheese Prices



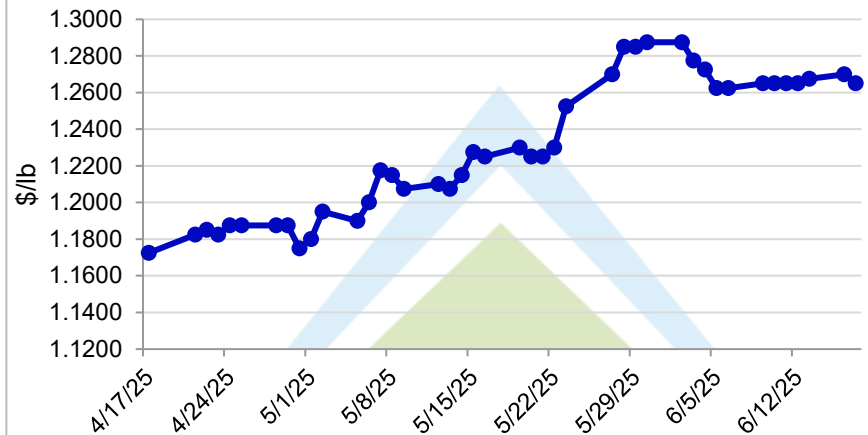
Source: CME

## CME Spot Dry Whey Prices



Source: CME

## CME Spot Nonfat Dry Milk Prices



Source: CME

## CME Futures as of June 17, 2025

	Q3 2025	Q4 2025	Q1 2026	Q2 2026	Q3 2026
Class III (\$/cwt)	<b>18.51</b>	<b>18.89</b>	<b>18.27</b>	<b>18.24</b>	<b>18.44</b>
Vs. Last Month	-0.64	+0.14	+0.24	+0.14	+0.28
10-Yr Percentile	71%	76%	68%	68%	70%
Class IV (\$/cwt)	<b>19.48</b>	<b>20.15</b>	<b>19.72</b>	<b>19.79</b>	<b>19.64</b>
Vs. Last Month	+0.81	+0.67	+0.34	+0.41	+0.43
10-Yr Percentile	75%	80%	76%	76%	76%

*Changes shown vs. May-16 Settlement Prices*

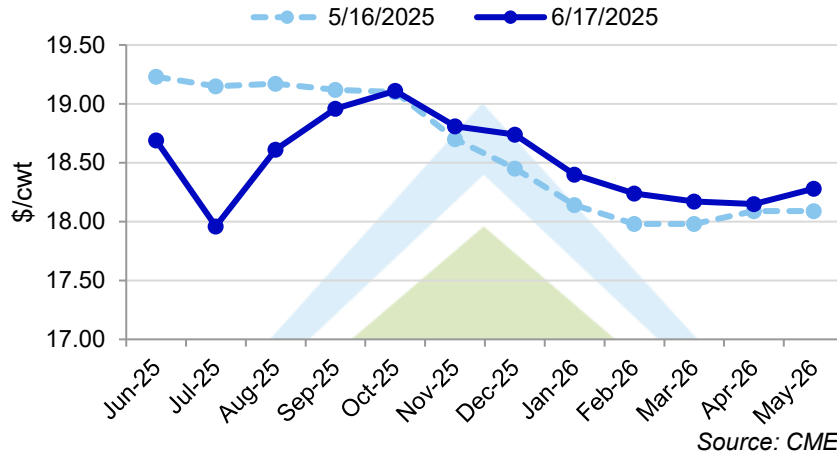
*Percentiles compare the quarterly class price to the previous ten years of data. Percentiles are interpreted as: "This price is higher than \_\_\_% of months over the last ten years for Class III (or IV)."*

*Percentile Shading Key:*

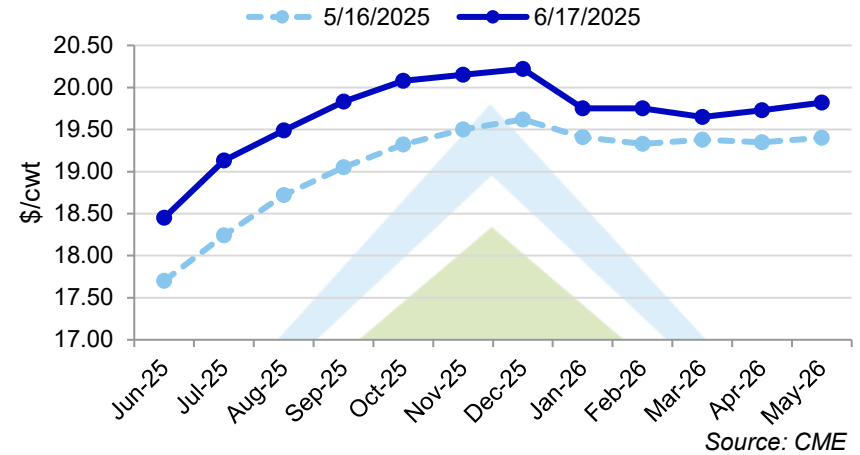
Red: 0 - 25%    Brown: 25 - 50%    Blue: 50 - 75%    Green: 75 - 100%

- Nearby CME Class III futures softened over the past month, driven by a decline in spot block Cheddar prices. Cheddar blocks fell \$0.175/lb. in the CME spot market, down 9.1% from last month. Meanwhile, later months saw modest gains in Class III futures, reflecting more optimism further out on the curve.
- CME Class IV futures moved higher across the board, with futures over the next five quarters rising above the 75<sup>th</sup> percentile compared to the last ten years. CME spot butter climbed 10% over the past month (+\$0.235/lb.), supporting the higher Class IV futures.

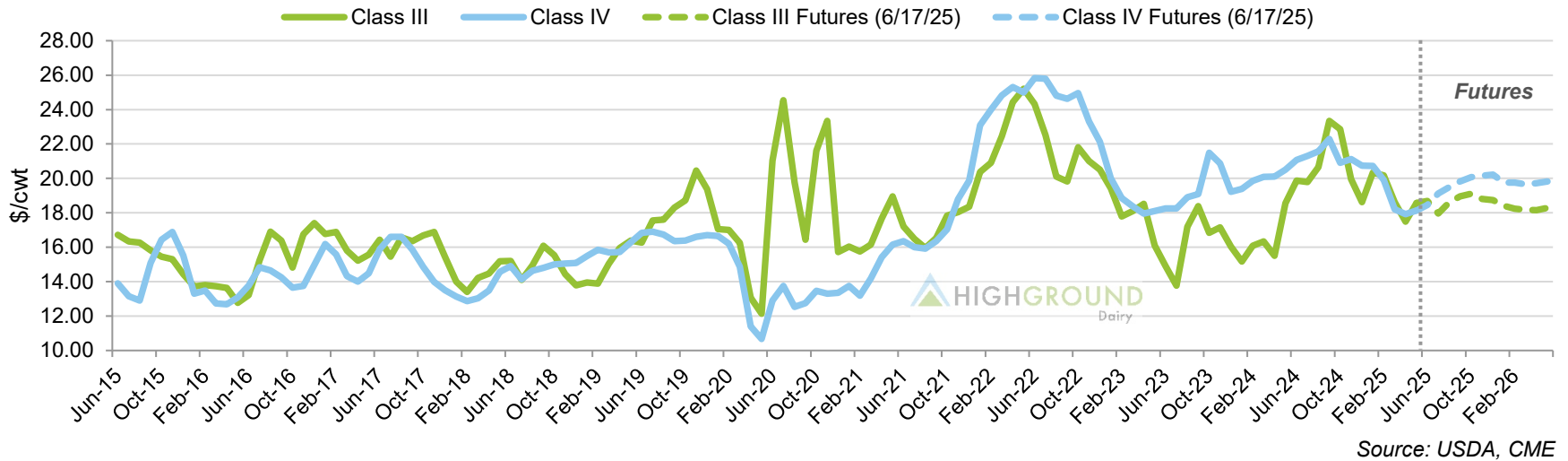
## Class III Futures



## Class IV Futures



## Class III and IV Prices



## Year-Over-Year Volumes: Apr-25

	Total Cheese			Dry Whey			Butter			Dry Skim Milk Products		
	Apr-24	Apr-25	YOY	Apr-24	Apr-25	YOY	Apr-24	Apr-25	YOY	Apr-24	Apr-25	YOY
	million lbs		%	million lbs		%	million lbs		%	million lbs		%
<b>Supply</b>												
Beginning Stocks	1,454.1	1,397.7	-3.9%	81.3	64.2	-21.0%	311.1	323.2	3.9%	225.1	267.5	18.8%
Production	1,192.3	1,229.0	3.1%	81.0	68.9	-14.9%	207.8	215.8	3.8%	219.4	199.7	-9.0%
Imports	24.2	26.3	8.7%	0.0	0.0	-	11.9	8.3	-30.3%	0.1	0.5	400.0%
Total Supply	2,670.6	2,653.0	-0.7%	162.3	133.1	-18.0%	530.8	547.3	3.1%	444.6	467.7	5.2%
<b>Utilization</b>												
Domestic Disappearance	1,125.1	1,136.1	1.0%	54.9	36.7	-33.2%	163.1	199.4	22.3%	51.0	75.8	48.6%
Exports	102.0	108.9	6.8%	35.0	34.0	-2.9%	5.6	10.5	87.5%	143.6	113.5	-21.0%
Total Utilization	1,227.1	1,245.0	1.5%	89.9	70.7	-21.4%	168.7	209.9	24.4%	194.6	189.3	-2.7%
<b>Stocks</b>												
Ending Stocks	1,443.4	1,408.0	-2.5%	72.5	62.6	-13.7%	362.1	337.4	-6.8%	250.0	278.3	11.3%

## 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		%
<b>Supply</b>												
Production	4,736.1	4,800.2	1.4%	308.1	271.7	-11.8%	826.6	865.7	4.7%	831.9	770.3	-7.4%
Imports	99.9	113.3	13.5%	0.0	1.0	-	46.0	46.6	1.3%	0.3	2.0	572.2%
Total Supply	4,836.0	4,913.5	1.6%	308.1	272.7	-11.5%	872.6	912.3	4.5%	832.2	772.3	-7.2%
<b>Utilization</b>												
Domestic Disappearance	4,445.9	4,440.2	-0.1%	170.2	129.7	-23.8%	690.7	746.8	8.1%	225.6	237.2	5.1%
Exports	389.1	419.5	7.8%	134.9	140.8	4.4%	20.5	42.6	107.5%	557.6	465.9	-16.4%
Total Utilization	4,834.9	4,859.7	0.5%	305.1	270.5	-11.3%	711.3	789.4	11.0%	783.2	703.1	-10.2%

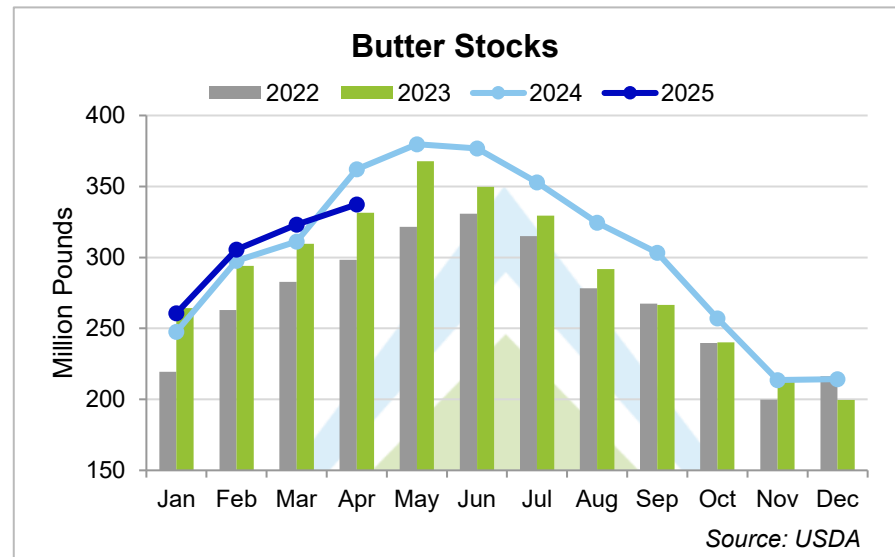
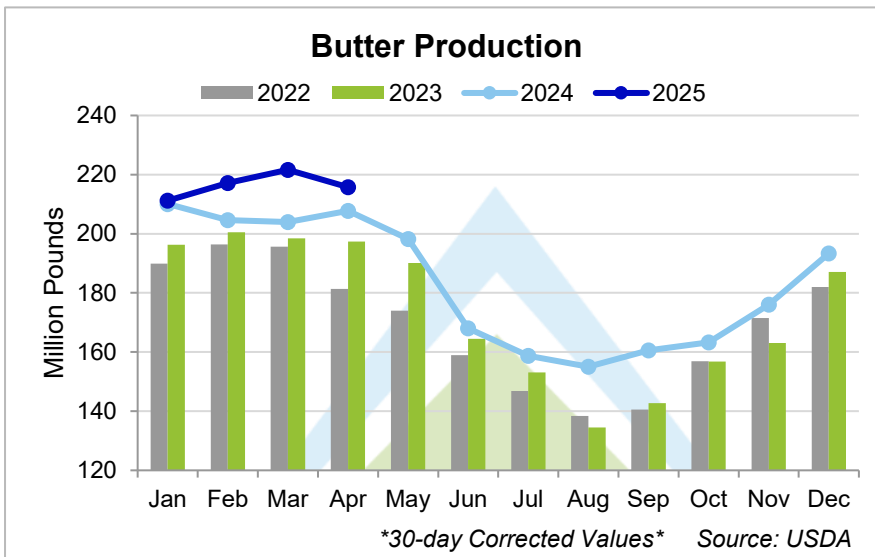
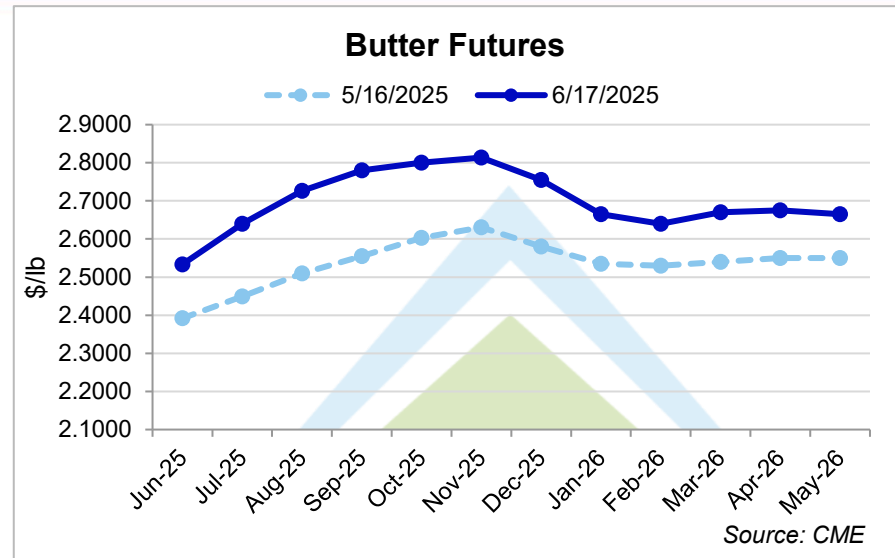
Dry Skim Milk Products includes NDM, SMP, and dry skim milk for animal use. USDA NASS does not report manufacturers' stocks of SMP.

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.

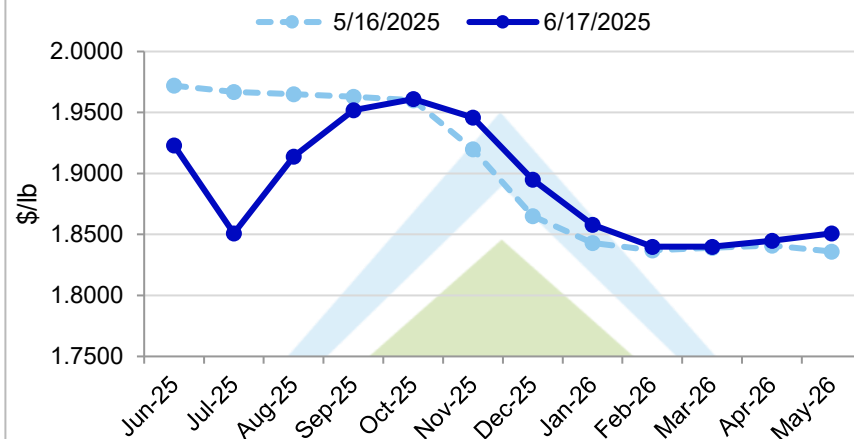
- Butter production rose for the 17<sup>th</sup> straight month in April. However, despite market chatter of excess cream throughout this spring, April volumes rose only 3.9% from the prior year. This was also surprising after the massive year-over-year gains in February and March. Still, butter volumes recorded the second-highest April of all time.
- The smaller-than-expected output helps to explain the year-over-year drawdown in stocks. Butter inventories fell 6.8% versus last year, marking the first year-over-year drop in 15 months. With 14.2 million pounds added between March and April, this was the smallest build for those months since 2014.
- April's total butter disappearance marked a record for the month, growing 24.4% year-over-year, due to higher domestic and international demand.



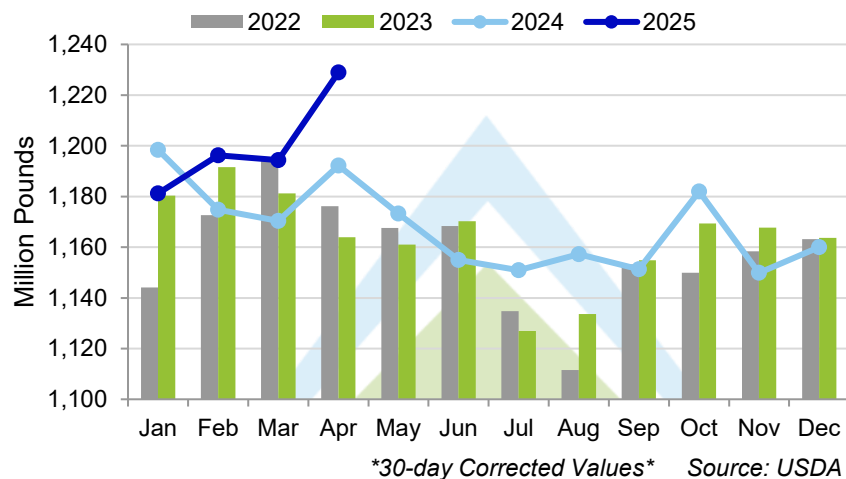


- In April, total cheese production marked a new all-time high on a 30-day adjusted basis, besting the previous record in January 2024 by over 30 million pounds. USDA reported greater output of Cheddar, Mozzarella, Gouda, and Parmesan, as new cheese capacity and strong exports supported increased production.
- The year-over-year decline in total cheese stocks narrowed in April. Falling 2.4% from last year, inventories decreased by the smallest amount since April 2024.
- Both domestic and international cheese demand rose year-over-year in April, setting new records for the month. Notably, cheese exports climbed to an all-time high, climbing 6.8% from the previous year.

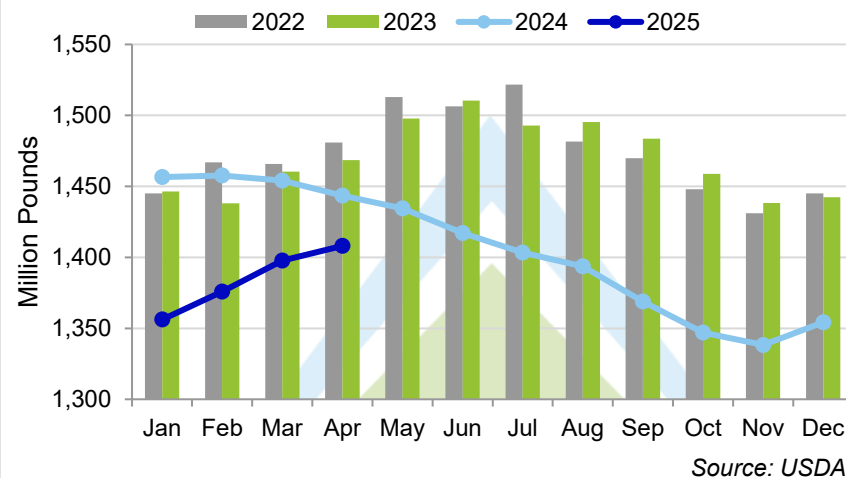
## Cheese Futures



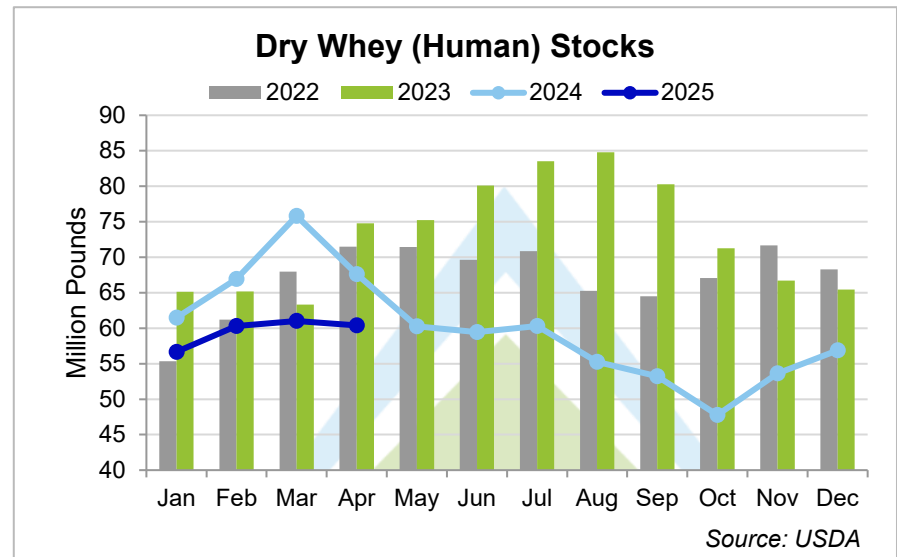
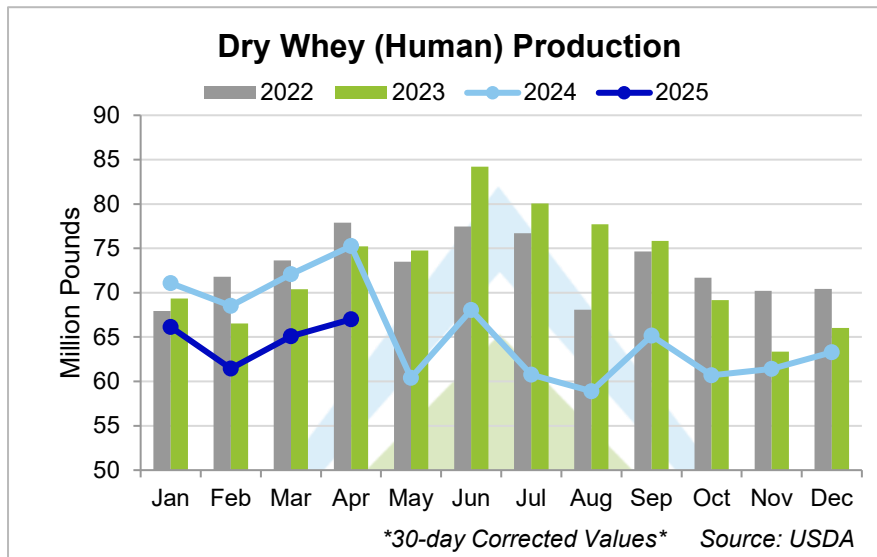
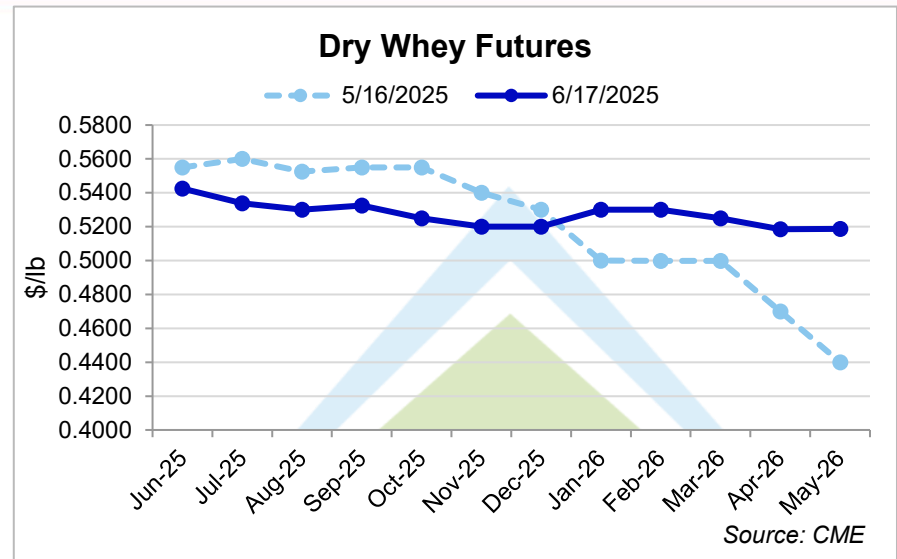
## Cheese Production



## Total Cheese Stocks



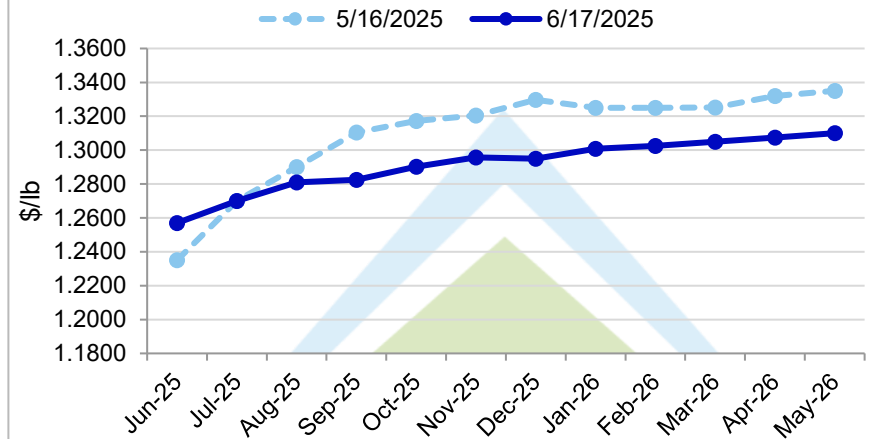
- April dry whey data largely mirrored March trends. While production remained 11% below 2024 levels, it followed a typical seasonal increase, rising 3% from March to April, slightly above the five-year average gain of 2%.
- Inventories have remained relatively steady month-to-month through the first four months of the year and sit 10.7% below 2024 levels.
- As production rises and inventories hold steady, demand appears to be absorbing the additional supply. Total dry whey usage increased 4.1% from March to April, driven by stronger domestic consumption. While exports declined year-over-year—led by a 30% drop in shipments to China—the U.S.-China agreement to reduce tariffs for 90 days could help boost export activity in the coming months.



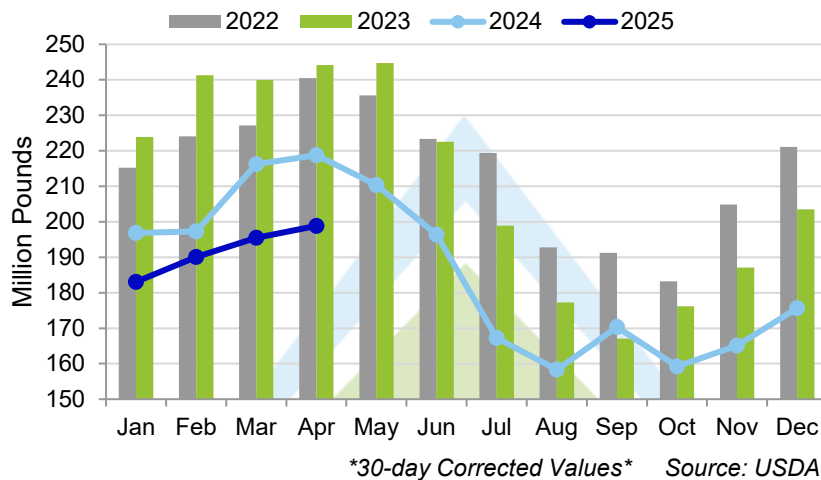


- Combined production of NDM and SMP dropped 9.1% from last year, recording the lowest total for the month since 2011.
- Despite the abysmal production, stocks grew 4.3% from last month and 12.9% from last year. That said, 2024 had particularly low inventories, making for an easy comparison.
- Demand for U.S. powder remains weak. Total NDM/SMP usage declined 2.7% year-over-year in April due to soft export demand. Shipments fell 21% compared to last year and 17.6% from the previous month.

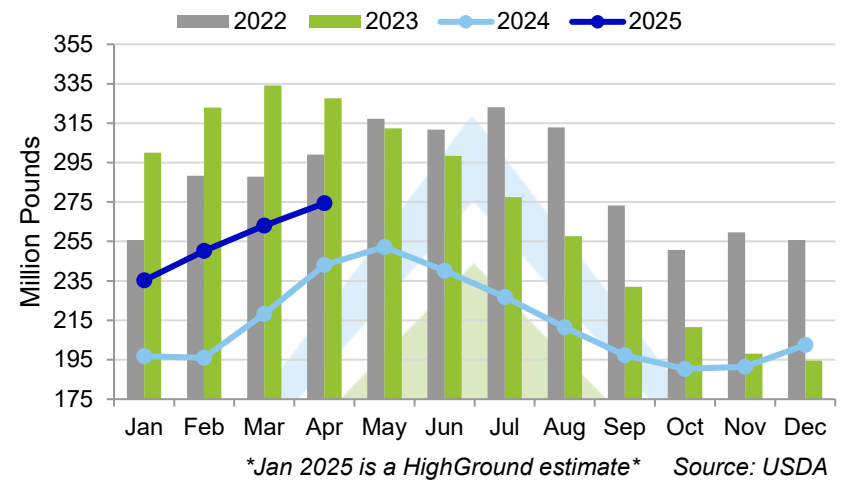
## Nonfat Dry Milk Futures



## NDM/SMP Combined Production

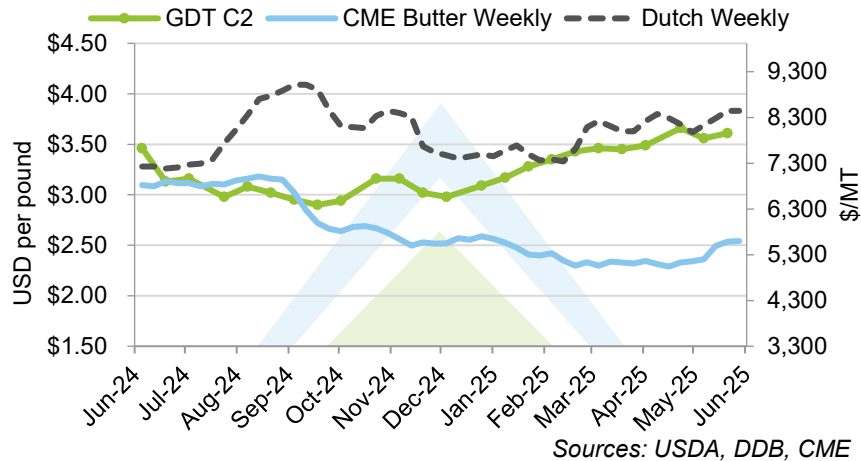


## NDM Stocks

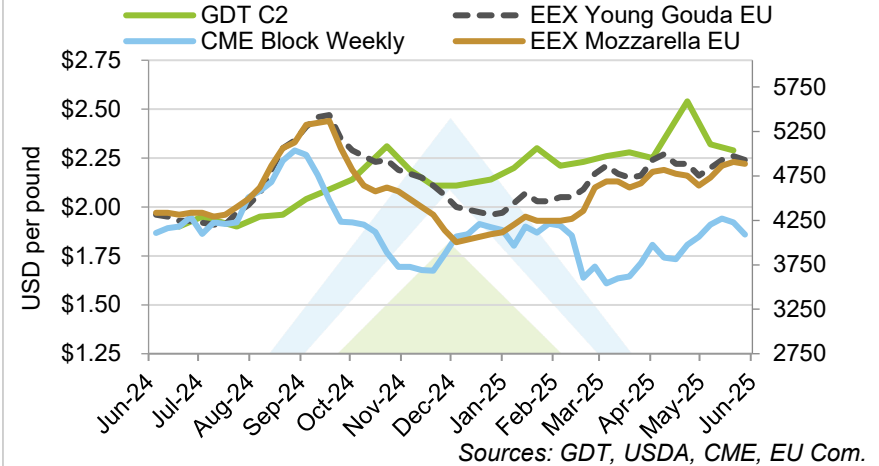


Discounted U.S. cheese and butter prices have spurred strong international demand.

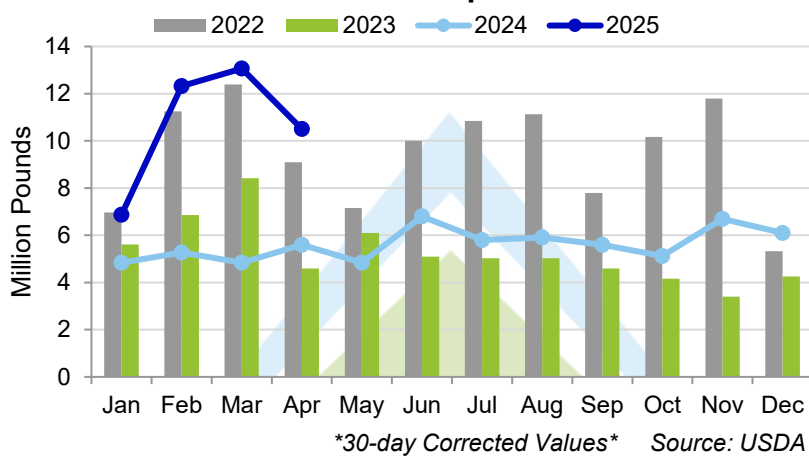
## International Butterfat Prices



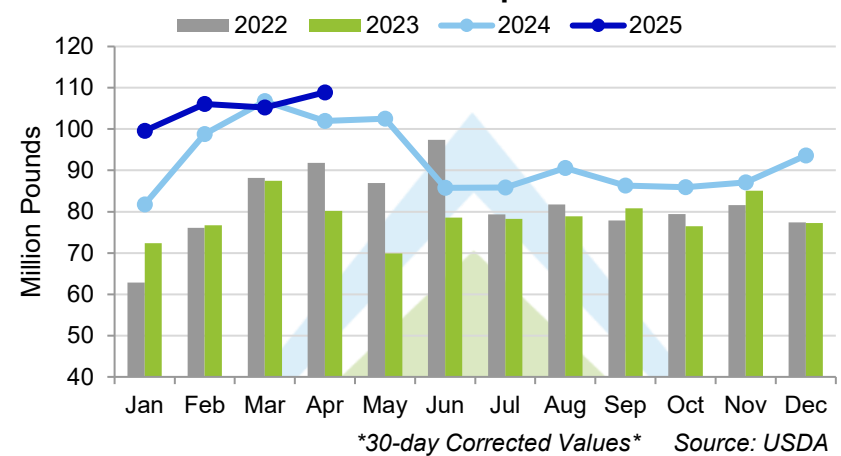
## International Cheese Prices



## U.S. Butter Exports

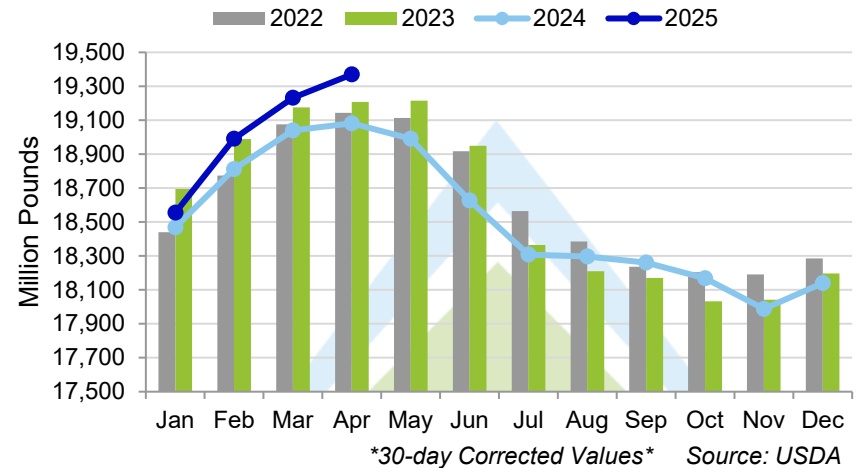


## U.S. Cheese Exports

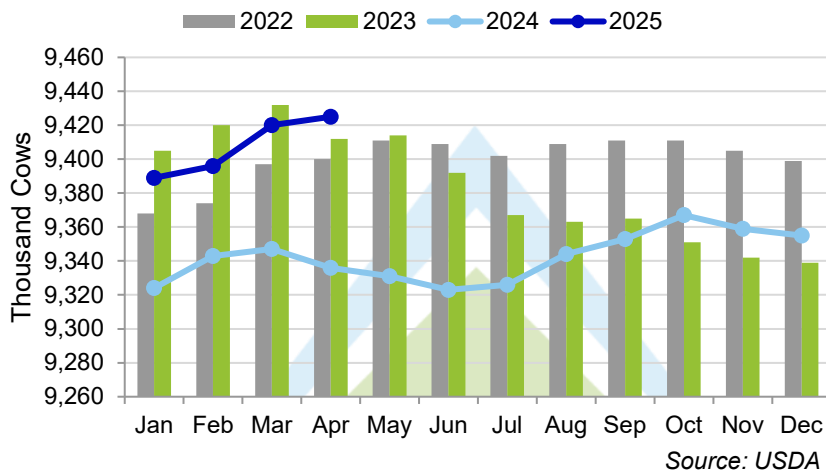


- US milk production rose 1.5% year-over-year in April, the most significant margin since July 2021 and the fourth straight month of YoY gains.
- Milk per cow set a record in April. Yields bested the previous record from April 2024 by 11 pounds per cow, marking an increase of 0.5% from last year.
- The US dairy herd grew 5,000 head from last month and 89,000 from last year, as farmers have been planning expansions in the Central US for some time. At 9.425 million cows, the national herd is the largest since March 2023.

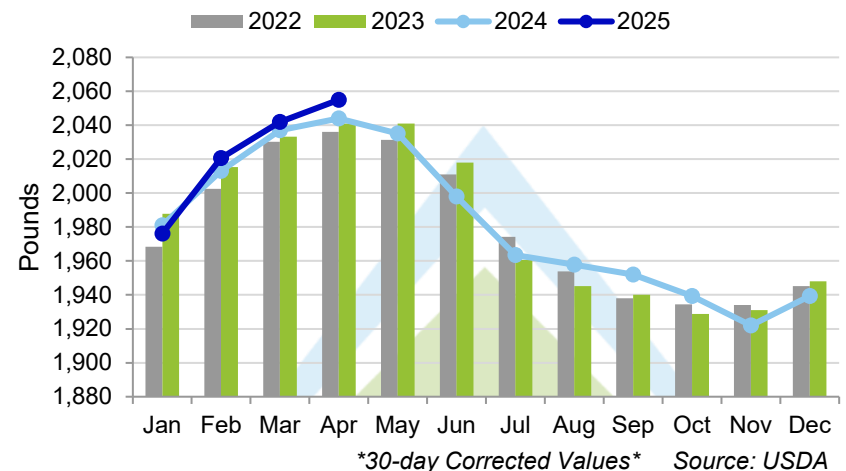
## U.S. Milk Production



## U.S. Milk Cows

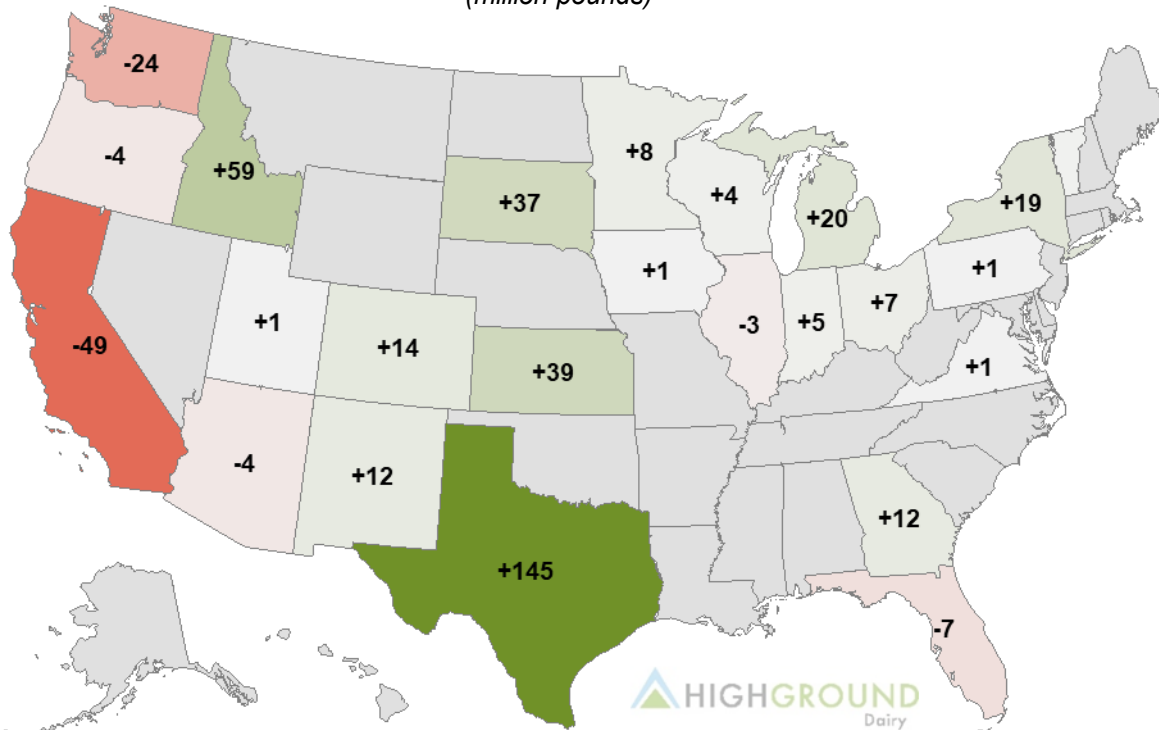


## U.S. Milk Per Cow



## Year-Over-Year Change in Production: April 2025

(million pounds)









 HIGHGROUND Dairy

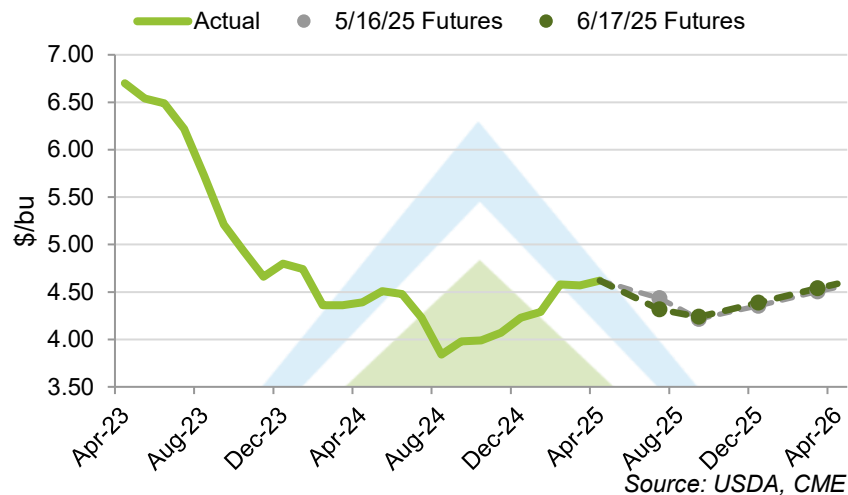
Source: USDA

- Production grew by over 9% year-over-year in three states: Texas, Kansas, and South Dakota. New cheese plants in the Central US fueled the growth, with these states adding significantly more cows than a year ago.
- Stronger production was also reported in places like Idaho and Georgia. Idaho rose 4.2% year-over-year, while Georgia increased 7.2%.
- California production continued to decline from last year's levels, down for the seventh month in a row. However, at -1.4% year-over-year, California volumes have improved, noting the smallest drop from the prior year since September 2024.

Updated as of June 13, 2025

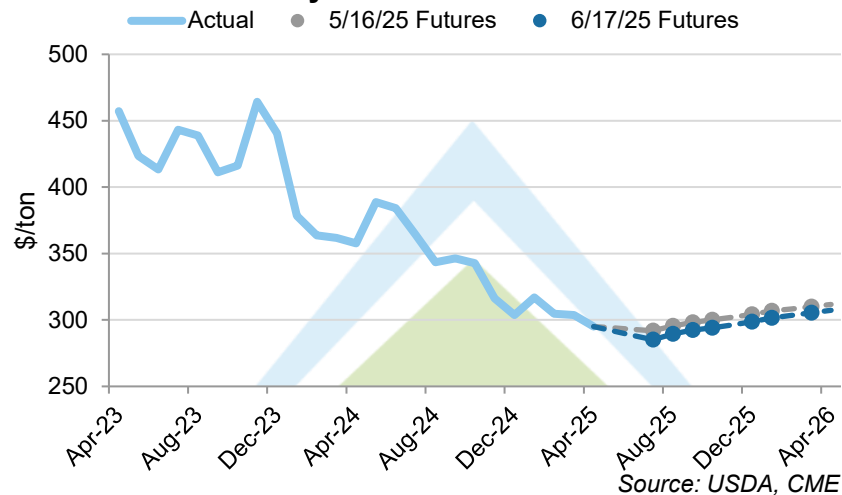
Activity	Item	Effective Tariff Rate	Notes	Retaliation
	Assorted Reciprocal Tariffs	11-50%	Trump paused reciprocal tariffs on 75+ countries for 90-days starting April 9 – <b><u>Pause ENDS July 8</u></b>	
	Base Tariffs	10%	All imports subject to a 10% base global tariff rate announced April 2 Excludes Mexico and Canada	The EU paused retaliatory tariffs for 90-days. Warns it could accelerate retaliation due to steel/aluminum hike, which is set to take effect July 14
	<b>China Tariffs</b>	<b>55%</b>	<b>Chinese and US officials came to an agreement June 11, 2025. Many specifics and details remain unclear. Decrease from cumulative 60%</b>	<b>Chinese tariffs on US goods at 10% 10% on infant formula and lactose 20% other US dairy 35% on whey</b>
	<b>Steel and aluminum tariffs</b>	<b>50%</b>	<b>Applies to everyone INCLUDING Canada and Mexico Implemented June 4, 2025 Increase from 25%</b>	<b>EU warns it would accelerate retaliatory efforts Canada also preparing retaliation Mexico to announce retaliation next week if agreement not made</b>
	Auto and auto parts tariffs	25%	Applies to everyone <b>INCLUDING</b> 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	<u>Canada</u> has 25% tariff on variety of US goods including dairy

## Corn Prices

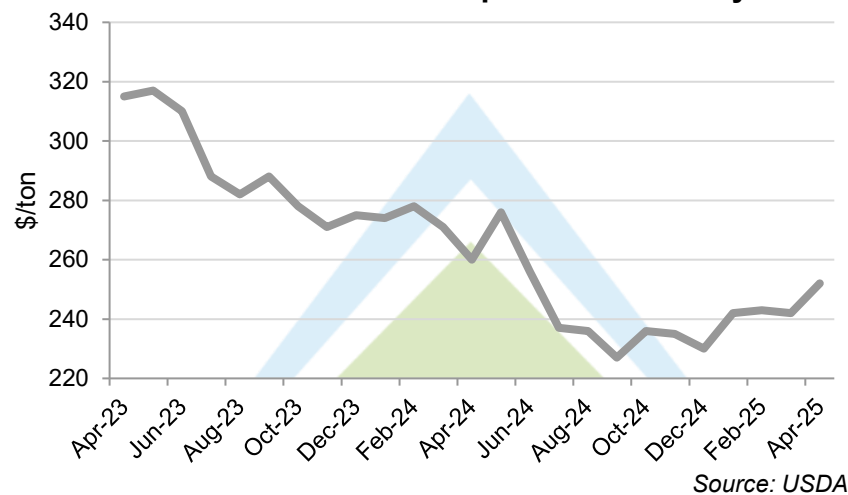


- According to the USDA, 94% of the US corn crop has emerged, with crop conditions slightly ahead of last year. While large harvests are expected in both the US and Brazil, global corn supplies remain relatively tight. Attractive old-crop prices and a weaker US dollar could continue to bolster export demand and lend support to the market in the near term.
- Soybean crop conditions dipped slightly in June, with the USDA rating 66% of the crop in good-to-excellent condition, down from both last week and a year ago. Planting and emergence, however, remain in line with historical norms. The big development for soybean meal buyers came from the EPA, which proposed higher biofuel blending targets through 2027. This move is expected to boost demand for soybean oil and support crush activity. As a result, increased meal production has pressured prices, with soybean meal futures for the next 12 months falling \$4.50 to \$6.80 per ton compared to last month.

## Soybean Meal Prices

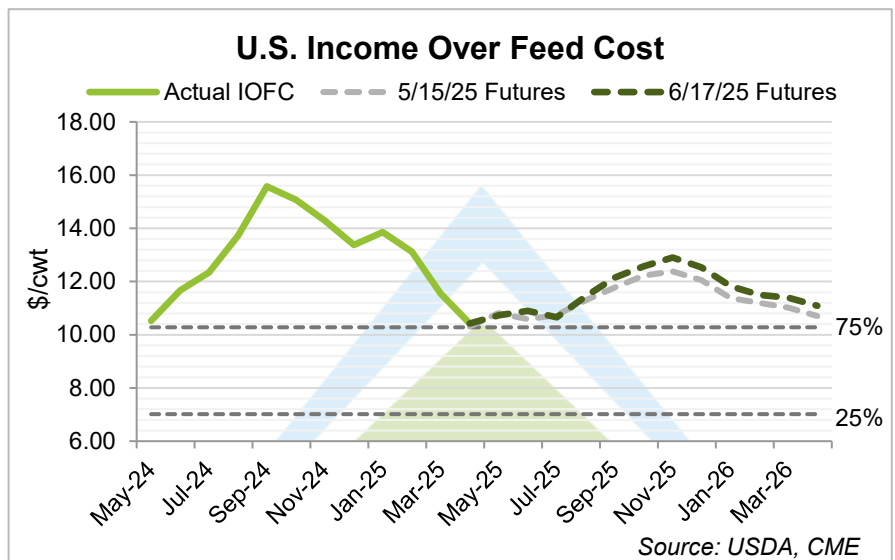
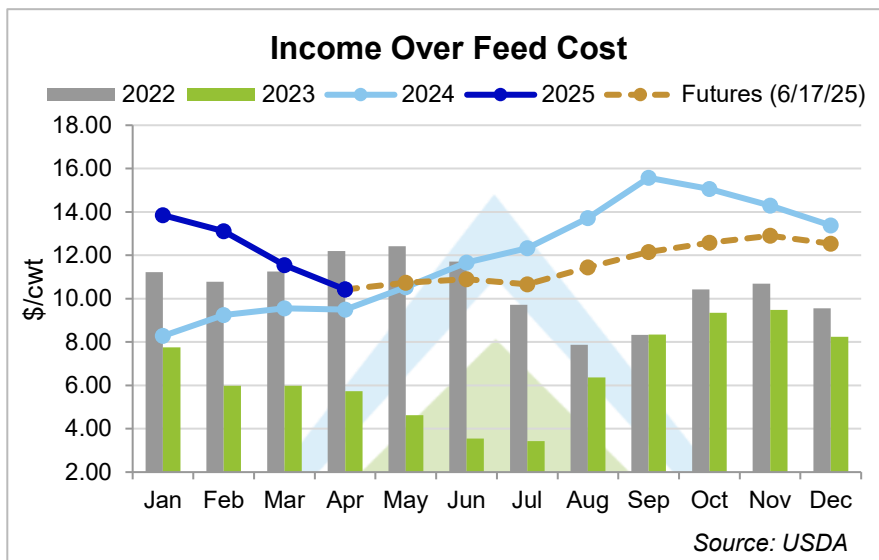


## 5-State Premium and Supreme Alfalfa Hay





- In April, the Dairy Margin Coverage (DMC) program's Income Over Feed Cost (IOFC) calculation dropped \$1.13/cwt from March, driven by lower milk prices and slightly higher feed costs. The April Class III price fell over \$1.00/cwt, leading to a lower all-milk price. Further, higher alfalfa prices, up \$10/ton, contributed to a \$0.13/cwt-rise in feed costs.
- HighGround's margin outlook saw a modest improvement from last month's forecast, particularly in the later part of the year. While nearby Class III milk prices softened slightly, Class IV futures rose across the board, lifting overall milk price expectations. At the same time, lower corn and soybean meal prices helped ease feed cost projections. As a result, projected IOFCs remain strong, holding above the 75<sup>th</sup> percentile over the next 12 months, with Q4 2025 margins climbing to the 94<sup>th</sup> percentile.



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

- With new cheese production capacity coming online and the industry transitioning out of the spring flush, dairy markets are on the move. CME spot block Cheddar prices have pulled back from late May highs, while spot butter prices have climbed over the past month. Class III briefly traded above Class IV in May, but shifting market fundamentals have returned Class IV to the lead, where it's projected to stay through the second half of the year. While discounted U.S. cheese and butter continue to attract international buyers, trade policy poses a key risk, as the return of paused tariffs next month could weigh on exports and domestic consumer demand.
- Planting is nearly complete, and new crop supply projections remain favorable. As a result, market focus is shifting toward weather developments and demand-side risks. Trade policy, biofuel mandates, and other regulatory shifts could significantly alter the demand landscape at any time. HighGround continues to encourage clients to explore flexible options strategies that establish a ceiling on potential upside while retaining the ability to benefit if prices move lower.
- Margins remain solid, and current price levels are likely supporting profitability for most producers. While market signals are favorable for now, conditions can shift quickly, making it essential to stay proactive with your price risk management strategy.

## **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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