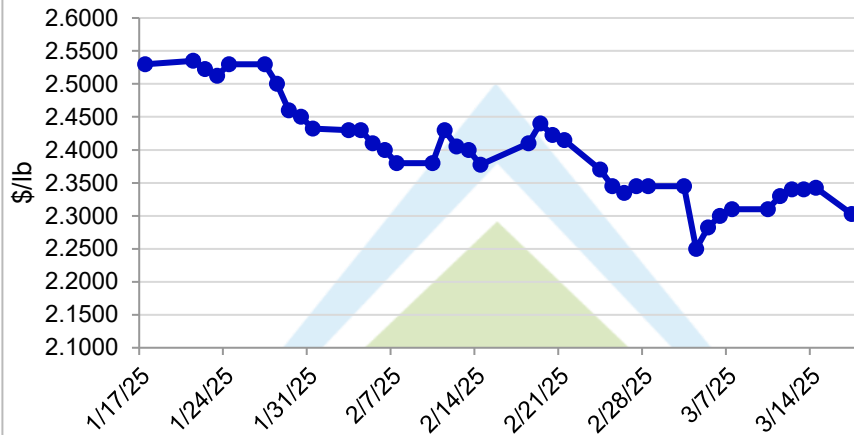




# *Dairy Producer* **MARKET UPDATE**

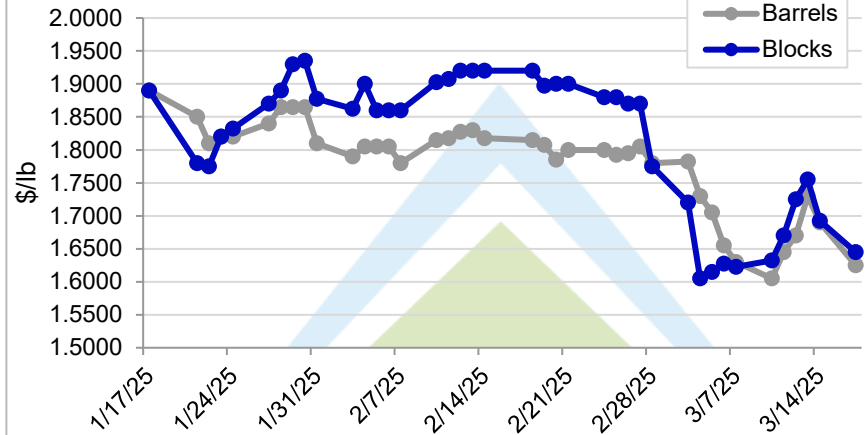
March 18, 2025

## CME Spot Butter Prices



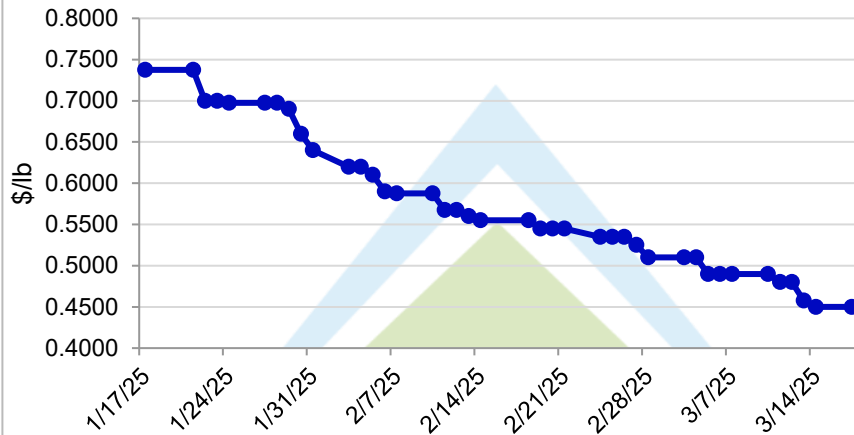
Source: CME

## CME Spot Cheese Prices



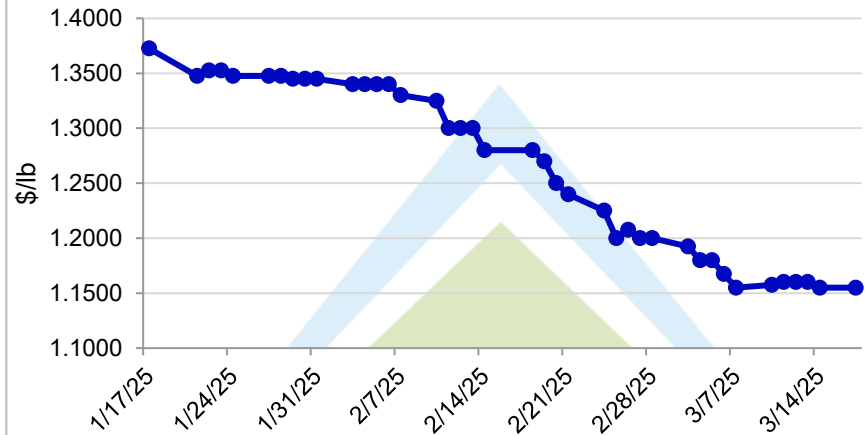
Source: CME

## CME Spot Dry Whey Prices



Source: CME

## CME Spot Nonfat Dry Milk Prices



Source: CME

## CME Futures as of March 17, 2025

	Q2 2025	Q3 2025	Q4 2025	Q1 2026	Q2 2026
Class III (\$/cwt)	<b>17.23</b>	<b>18.18</b>	<b>18.43</b>	<b>17.70</b>	<b>17.77</b>
Vs. Last Month	-1.79	-0.60	-0.27	-0.53	+0.02
10-Yr Percentile	63%	70%	72%	66%	67%
Class IV (\$/cwt)	<b>18.15</b>	<b>18.47</b>	<b>19.09</b>	<b>18.73</b>	<b>18.23</b>
Vs. Last Month	-0.86	-0.84	-0.83	-0.48	+0.73
10-Yr Percentile	68%	70%	73%	71%	68%

*Changes shown vs. Feb-14 Settlement Prices*

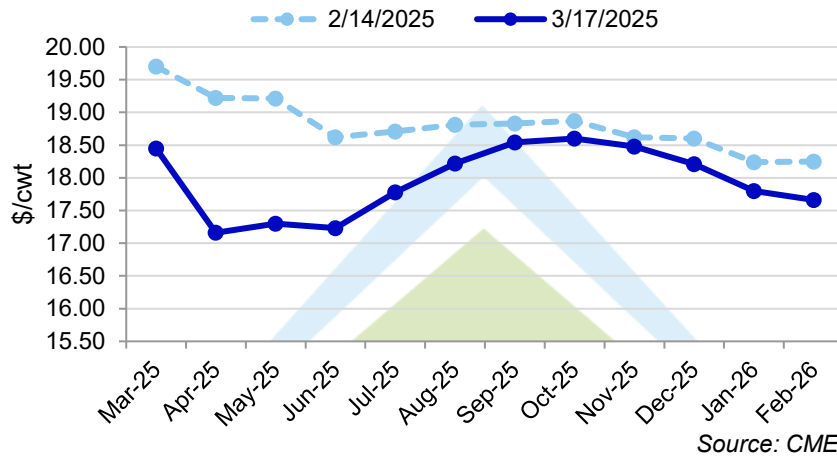
*Percentiles compare the quarterly class price to the previous ten years of data. Percentiles are interpreted as: "This price is higher than \_\_\_% of months over the last ten years for Class III (or IV)."*

*Percentile Shading Key:*

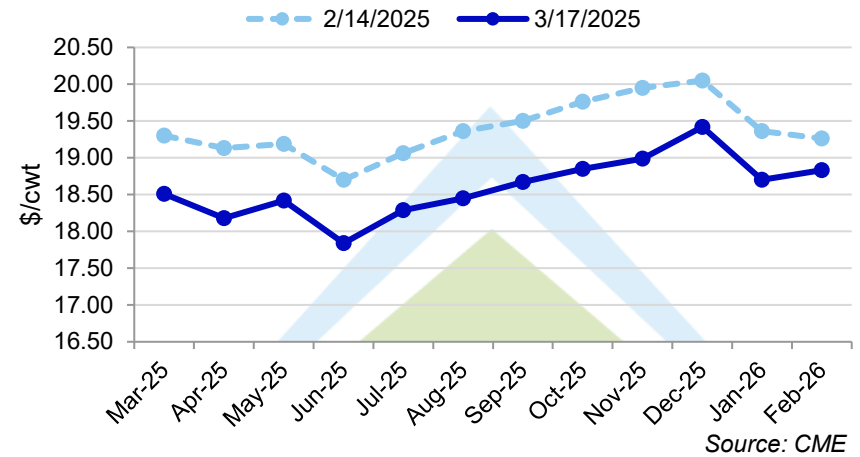
Red: 0 - 25%    Brown: 25 - 50%    Blue: 50 - 75%    Green: 75 - 100%

- CME Class III and IV futures declined over the past month, as bearish market sentiment weighed heavily on dairy prices.
- As of March 17th, nearby Class III futures have sharply dropped, driven by notable weakness in the CME spot cheese and dry whey markets. Over the past month, block Cheddar prices decreased \$0.275/lb. (-14.3%), while barrel Cheddar fell \$0.1925/lb. (-10.6%). Spot dry whey posted an even steeper loss, plunging \$0.105/lb. (-18.9%) to its lowest level since June 2024. In response, Q2 2025 Class III futures tumbled \$1.79/cwt, reflecting the mounting pressures from trade concerns, oversupply, and spring flush.
- The Class IV complex also experienced notable weakness in the CME spot markets, which negatively impacted futures. Nonfat dry milk (NFDm) fell \$0.125/lb. (-9.8%), while butter slipped \$0.075/lb. (-3.2%). This downturn moved Class IV futures lower, with each contract through November 2025 declining by more than \$0.75/cwt.

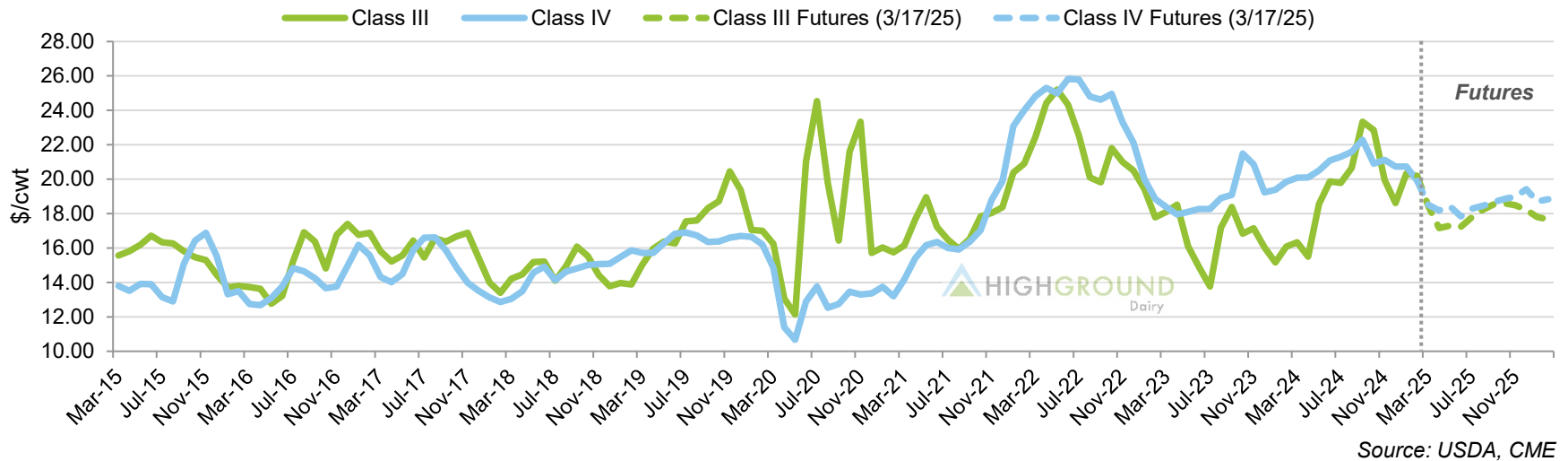
### Class III Futures



### Class IV Futures



### Class III and IV Prices



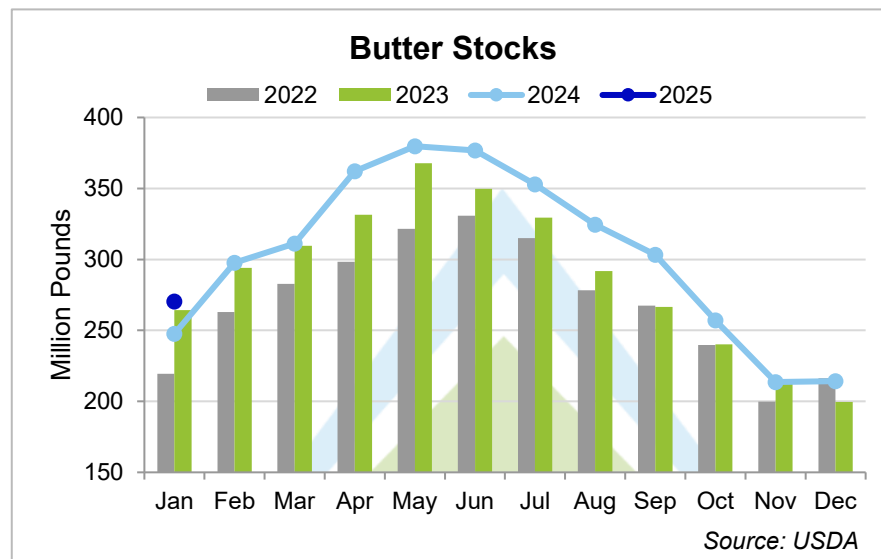
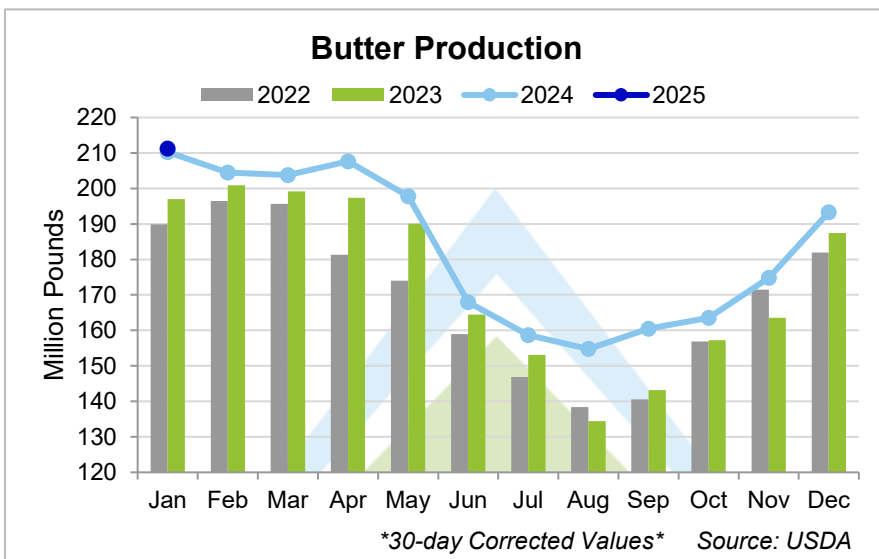
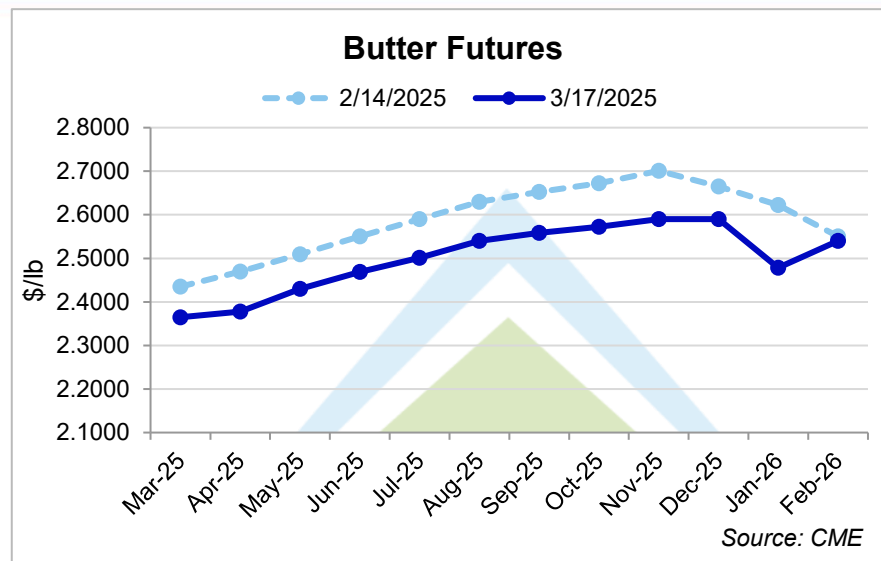
## Year-Over-Year Volumes: Jan-25

	Total Cheese			Dry Whey			Butter			Dry Skim Milk Products		
	Jan-24	Jan-25	YOY	Jan-24	Jan-25	YOY	Jan-24	Jan-25	YOY	Jan-24	Jan-25	YOY
	million lbs		%	million lbs		%	million lbs		%	million lbs		%
<b>Supply</b>												
<i>Beginning Stocks</i>	1,442.4	1,354.2	-6.1%	69.3	60.2	-13.1%	199.5	214.3	7.4%	205.1	263.9	28.7%
<i>Production</i>	1,200.9	1,210.3	0.8%	77.7	76.2	-1.9%	217.2	218.3	0.5%	195.9	189.8	-3.1%
<i>Imports</i>	22.1	26.6	20.4%	0.0	0.0	-	11.1	14.5	30.6%	0.1	0.5	400.0%
<i>Total Supply</i>	2,665.4	2,591.1	-2.8%	147.0	136.4	-7.2%	427.8	447.1	4.5%	401.1	454.2	13.2%
<b>Utilization</b>												
<i>Domestic Disappearance</i>	1,124.5	1,114.0	-0.9%	49.7	42.8	-13.9%	175.3	169.6	-3.3%	56.2	44.0	-21.7%
<i>Exports</i>	84.5	102.9	21.8%	29.8	32.8	10.1%	5.0	7.1	42.0%	129.3	103.1	-20.3%
<i>Total Utilization</i>	1,209.0	1,216.9	0.7%	79.5	75.6	-4.9%	180.3	176.7	-2.0%	185.5	147.1	-20.7%
<b>Stocks</b>												
<i>Ending Stocks</i>	1,456.5	1,374.1	-5.7%	67.5	60.8	-9.9%	247.6	270.3	9.2%	215.6	307.1	42.4%

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

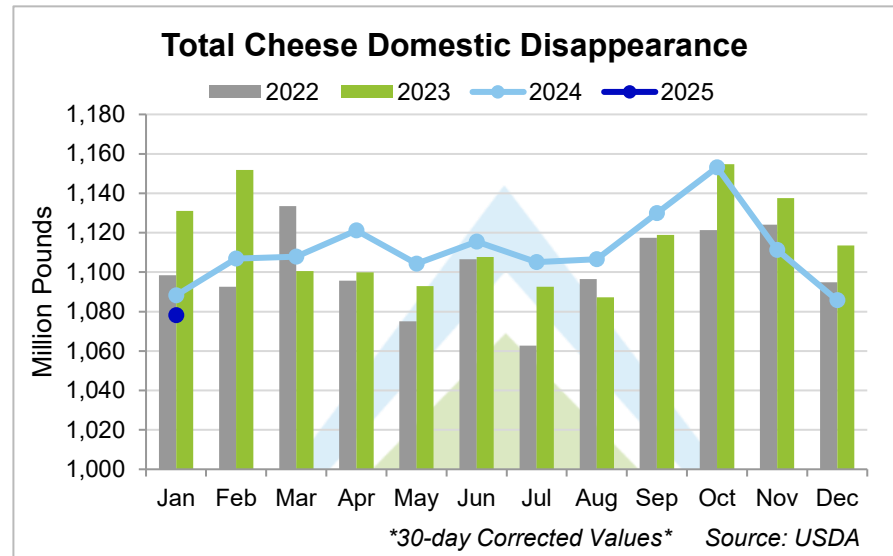
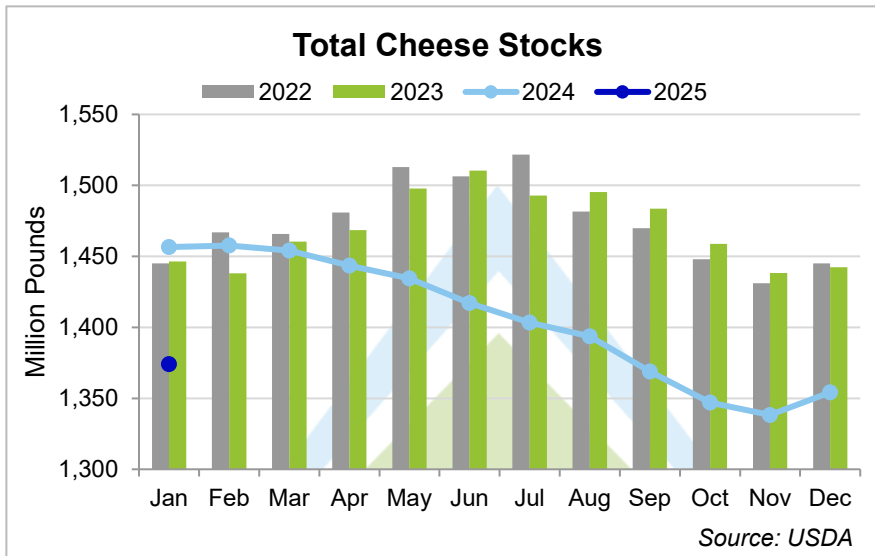
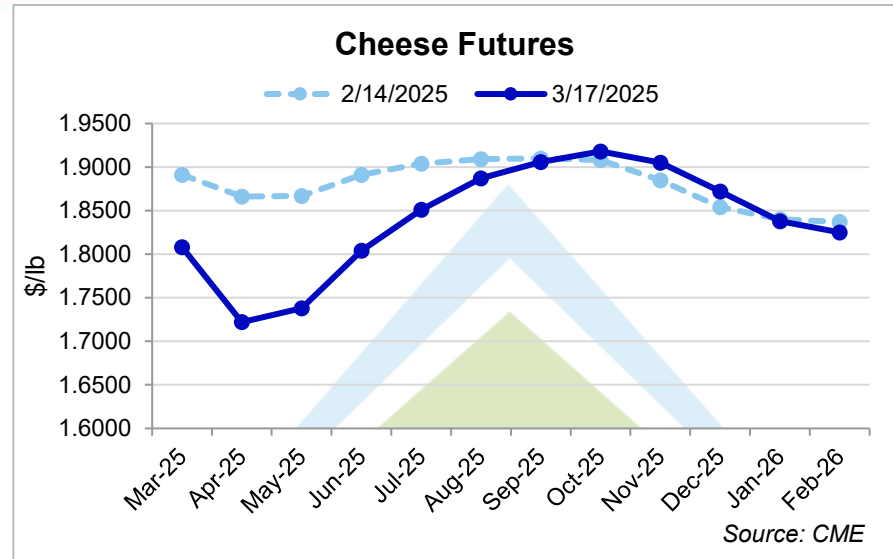
Source: USDA

- Butter production grew for the fourteenth straight month, up 0.5% in January, despite being measured against last year's historically high levels.
- January's US fat test hit a record 4.46%, contributing 825 million pounds of butterfat—up 2.6% from the previous year. This abundance of butterfat has supported strong butter production, even as US milk production has remained subdued.
- Domestic consumption of butter fell 3.3% year-over-year in January, marking the most significant decline since June 2024.
- Suffice to say, there is ample butter in inventory. Butter stocks climbed 9.2% from last year, reaching their highest January value since 2021.

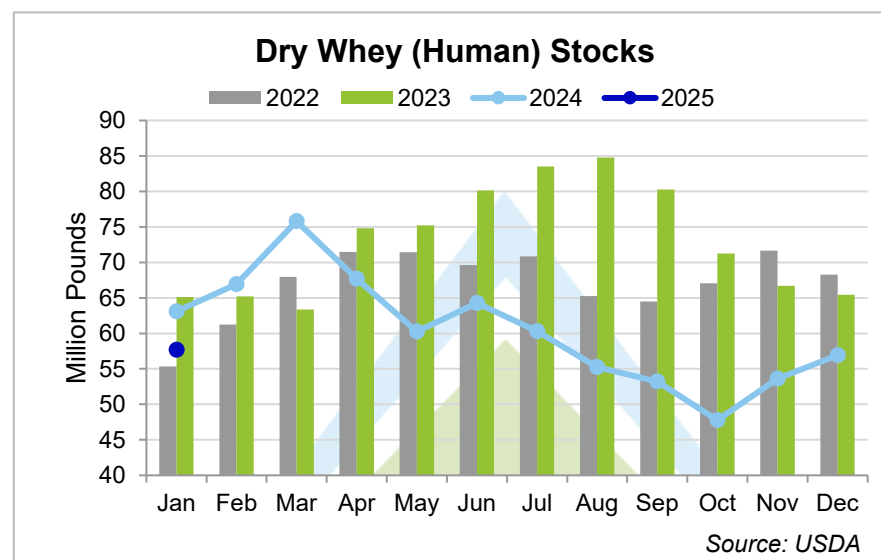
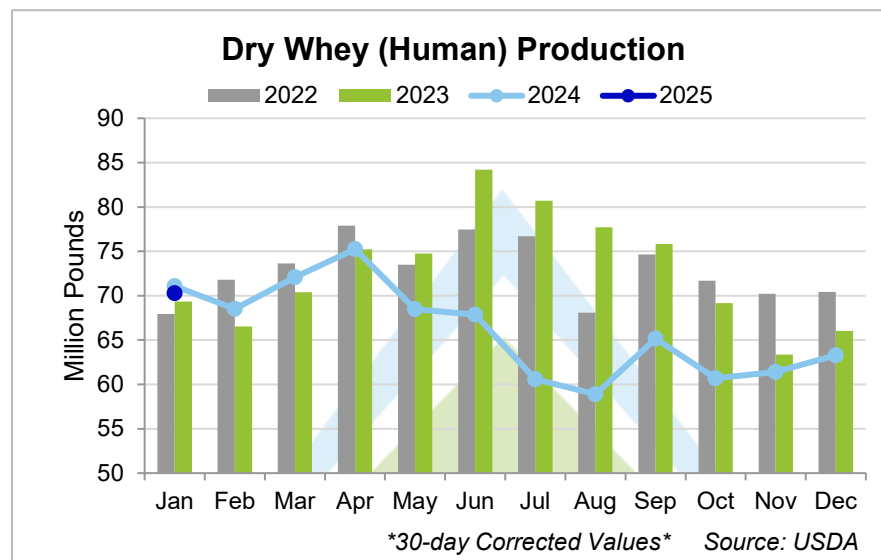
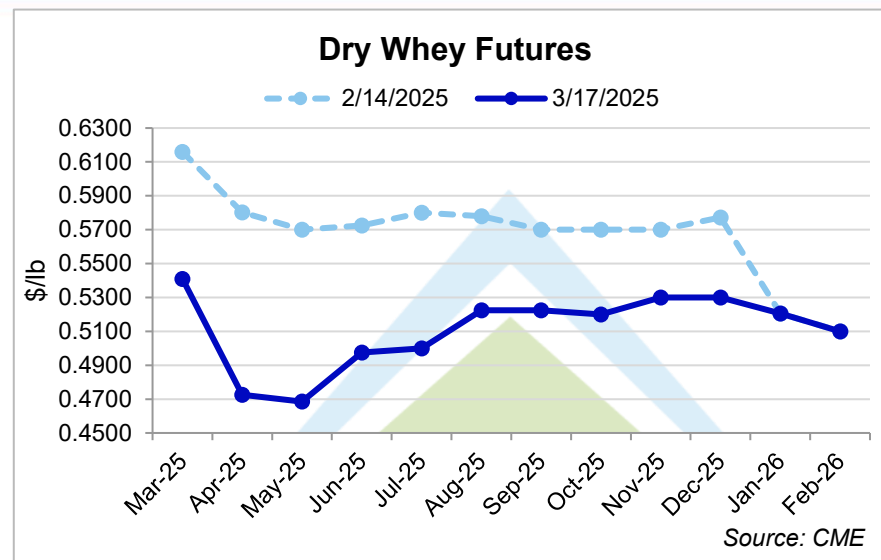




- The highly anticipated new cheese capacity is ramping up! January's total cheese production rose 0.8% year-over-year after two months of losses. Natural American cheese grew 0.2% from last year, its largest gain since October 2023. Meanwhile, Mozzarella had another strong showing, up 3.6% from the prior year and marking its third-highest volume on record.
- Total cheese stocks fell 5.7% from January 2024, logging eleven straight months of year-on-year decreases and the lowest mark for the month since 2020.
- Demand trends in 2024 continue into 2025. American cheese usage declined year-over-year for the 12<sup>th</sup> time in the past 15 months, while exports and Other Cheese varieties drove overall category growth. After barrel prices hit a record high in September 2024, US values retreated to more competitive levels in global markets, supporting the surge in exports.



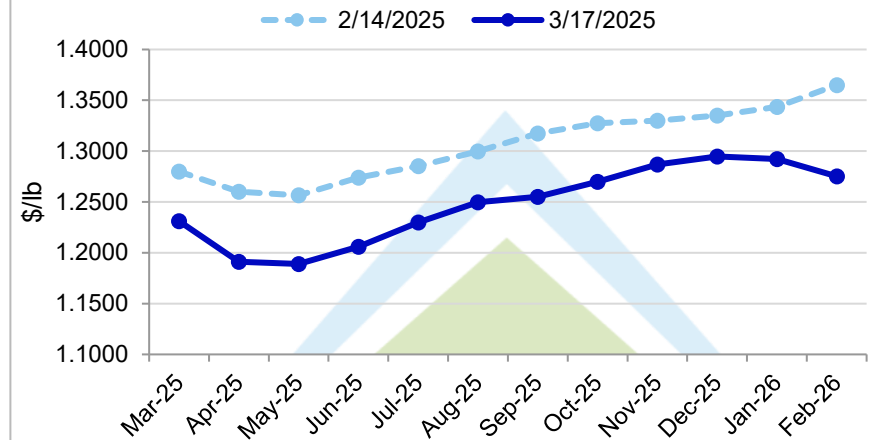
- Dry whey production continues to grow month-on-month, up 11.1% from December, as it recovers from the substantial year-on-year losses observed last summer. While output remains slightly below last year's levels, January's year-over-year loss of 1.1% marked the smallest decrease since April 2024.
- Dry whey stocks continue to gradually build back to prior-year levels but remain 8.6% behind January 2024. Still, improving production and rising inventories have contributed to a decline in dry whey prices.
- Dry whey utilization dropped year-over-year for the eighth month in a row, but the decreases are slowing. Further, usage rose 14.5% from December to January, marking the largest month-to-month increase since April 2024. However, domestic utilization marked the lowest January figure since 2021.



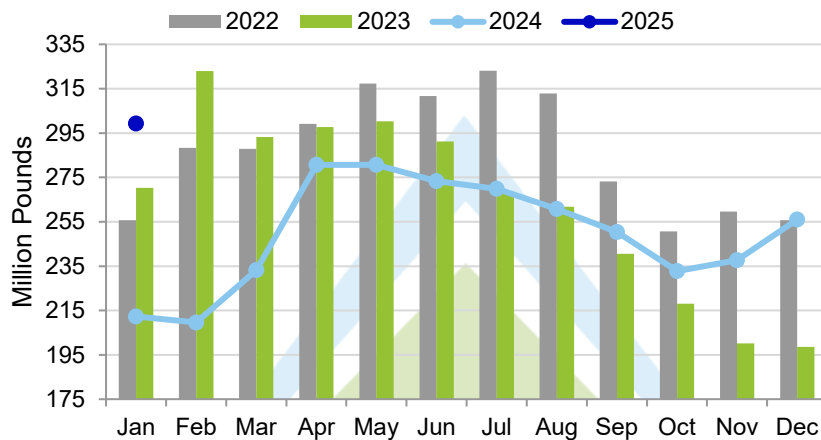


- In January, combined production of NDM and SMP declined 3.2% from the previous year. Combined NDM/SMP totals have been lower than the prior year in 19 of the past 20 months.
- Despite poor production, NDM stocks rocketed higher, climbing 16.9% from last month (+43.2 million pounds) and 41% from last year. January's inventories were the largest for the month since 2021.
- Poor demand for NDM and SMP domestically and internationally remains a headline in 2025. January's utilization of NDM and SMP was the lowest for the month since 2009 and the lowest total since November 2018. Both domestic usage and exports declined more than 20% year-over-year in January.

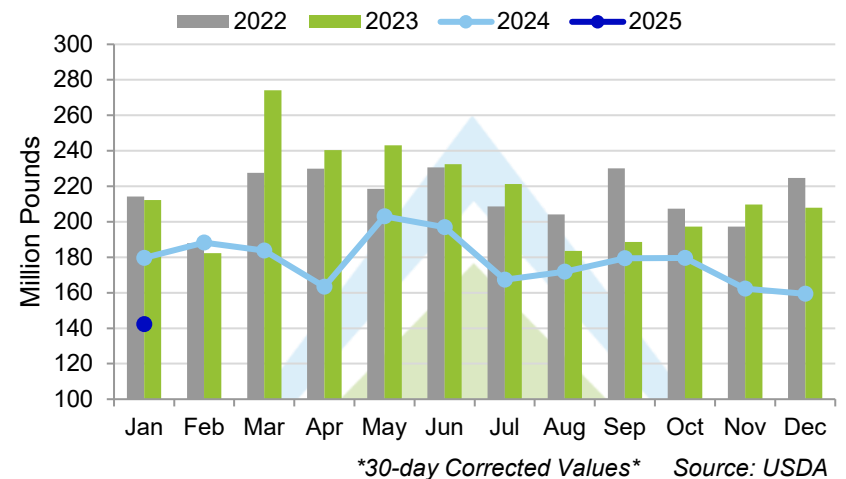
## Nonfat Dry Milk Futures



## NDM Stocks

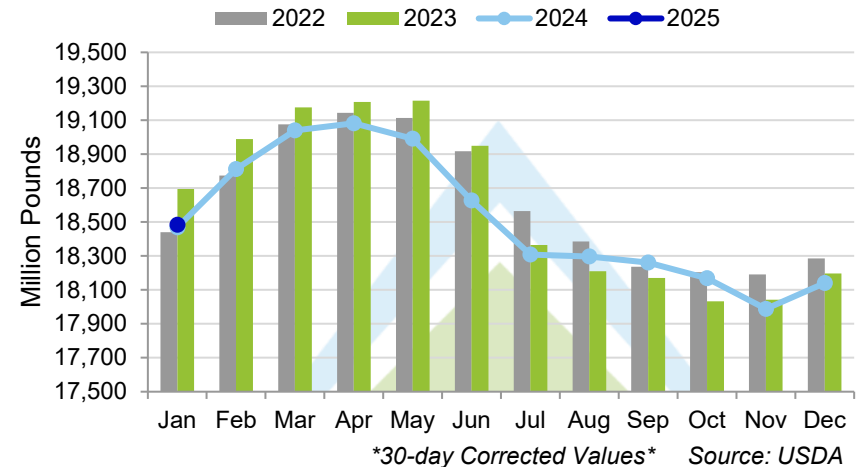


## U.S. NDM & SMP Total Utilization

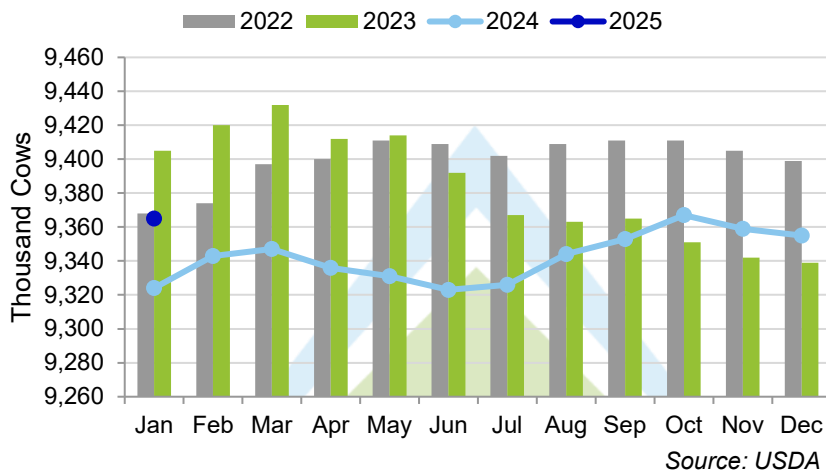


- US milk production grew marginally in January, up 0.1% from the prior year, after two months of decreases. Gains in the Central region, where processing capacity is being added, pushed totals higher.
- The US dairy herd rose 10,000 head from December to January. Further, the national herd was up 41,000 head from last year, marking the largest annual gain since February 2023.
- Milk per cow struggled in January (-0.3% YoY), falling for the third month, largely driven by HPAI in California. Without California factored in, milk per cow grew 0.9% year-over-year.

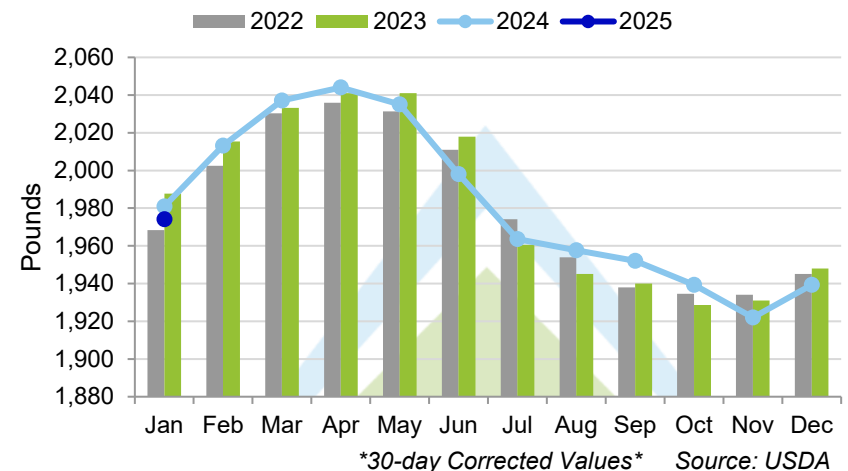
## U.S. Milk Production



## U.S. Milk Cows

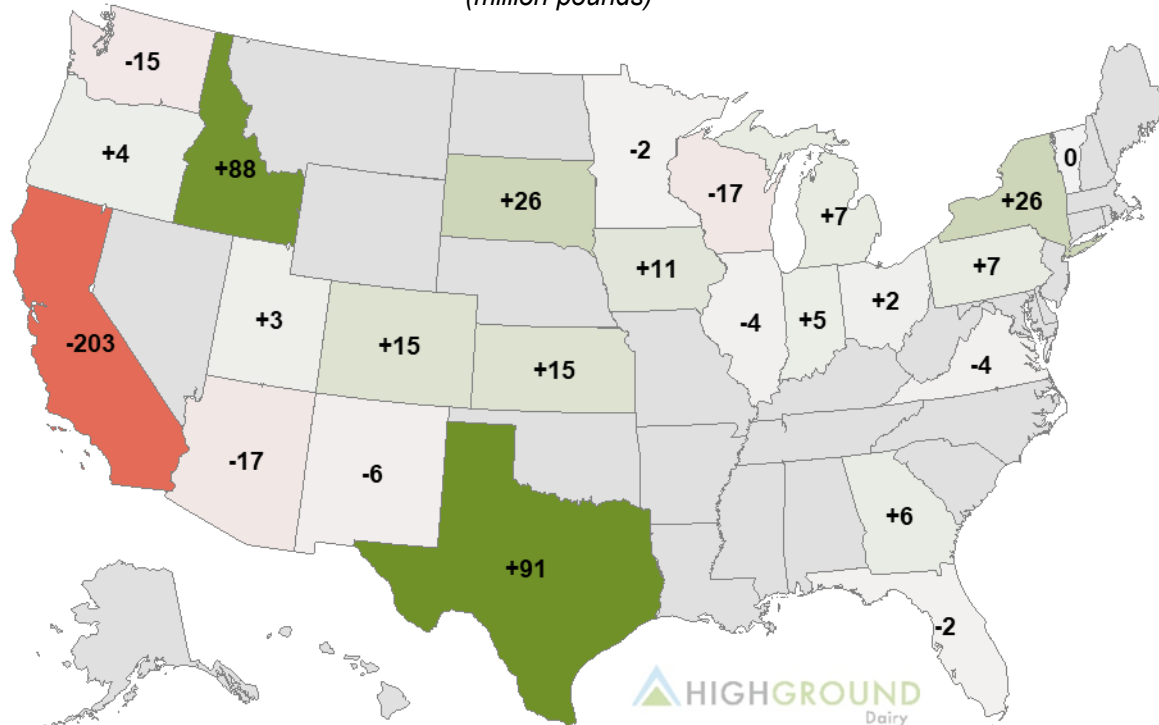


## U.S. Milk Per Cow



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

(million pounds)



 HIGHGROUND Dairy

Source: USDA

- HPAI continues to weigh on California's milk production. January output in the state fell 5.7% from the previous year, driven by a 5.8% decline in milk per cow.
- Meanwhile, the states with the largest gains are where processing capacity is growing. In January, Idaho, Kansas, Texas, and South Dakota increased year-over-year milk volumes by 4% or more. These four states combined have added 80,000 cows since last January.



On March 4<sup>th</sup>, the US imposed tariffs on Mexico and Canada, prompting Canada to retaliate with a 25% tariff on US goods, including dairy. While the US temporarily paused tariffs just two days later, Canadian tariffs remain in effect. Dairy exports under the USMCA are duty-free up to a certain quantity, and certain dairy products are exempted under the Import for Re-Export Program (IREP). Canada has announced a second round of tariffs to take effect on April 2<sup>nd</sup>.



China has imposed additional tariffs on the US, taxing US dairy imports by 10%. Dry whey is the exception, but the tariff exemption for sweet whey powder expired on February 28<sup>th</sup> and has not been extended.

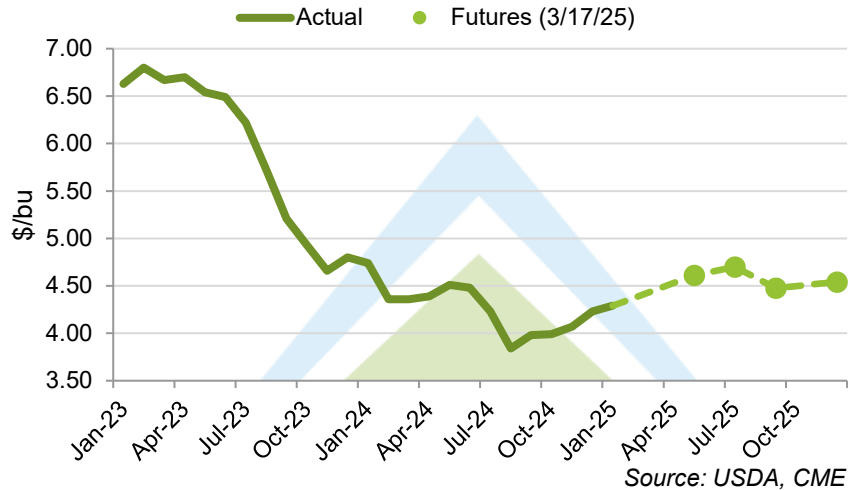


On March 6<sup>th</sup>, the US and Mexico agreed to pause tariffs on goods and services that fall under USMCA until April 2<sup>nd</sup>. US dairy exports to Mexico are currently tariff-free.



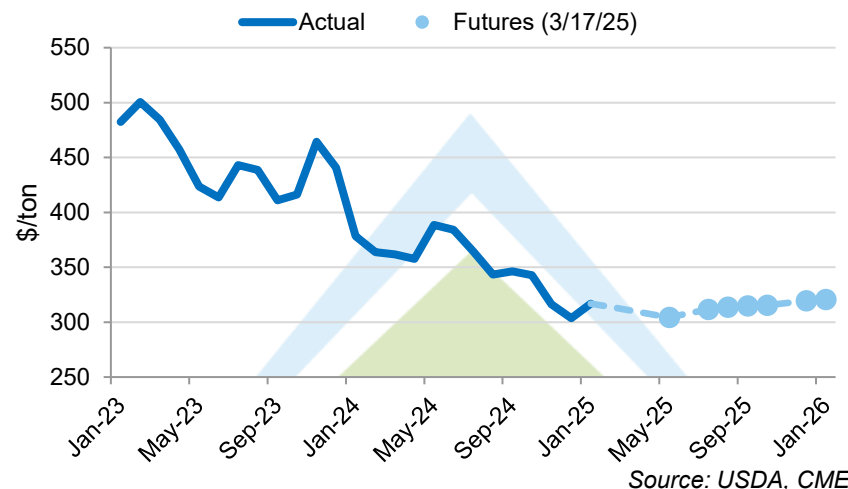
On March 12<sup>th</sup>, the US implemented 25% tariffs on aluminum and steel imports. The EU responded with retaliatory measures. While dairy is impacted, the EU imports a minimal amount of US dairy product.

## Corn Prices

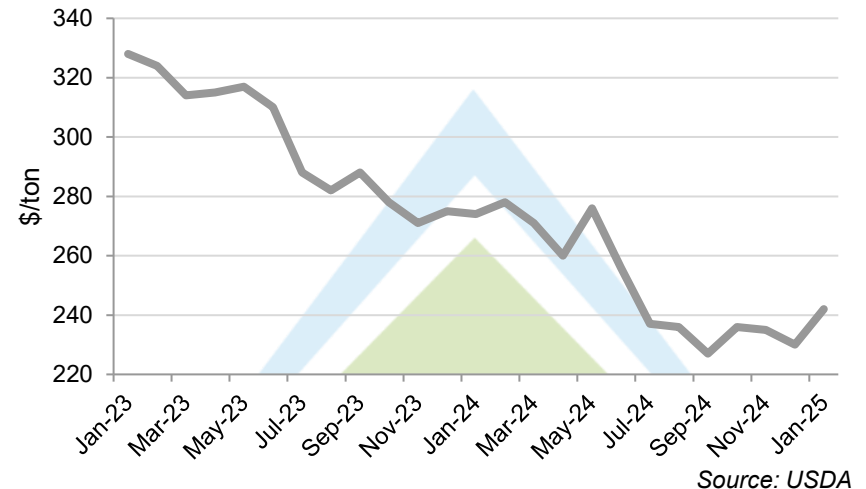


- As tariff discussions add volatility to the milk markets, feed markets are also feeling the impact. Concerns over trade are expected to shift more acreage toward corn at the expense of soybeans. In its 2025/26 crop outlook, the USDA projected corn plantings at 94 million acres—up 3.8% from last year—which could yield a record 15.6 billion bushels. Following multi-month highs in February, corn futures have since declined by \$0.19 to \$0.48 per bushel (approximately \$7 to \$17 per ton) for contracts through December 2025.
- USDA projects soybean acreage to decline to 84 million acres for the 2025/26 season, producing a 4.4-billion-bushel crop—the fourth largest on record. With plantings expected to favor corn over soybeans, soybean meal futures have edged higher. Prices are up \$0.30 to \$1.50 per ton for contracts through January 2026.

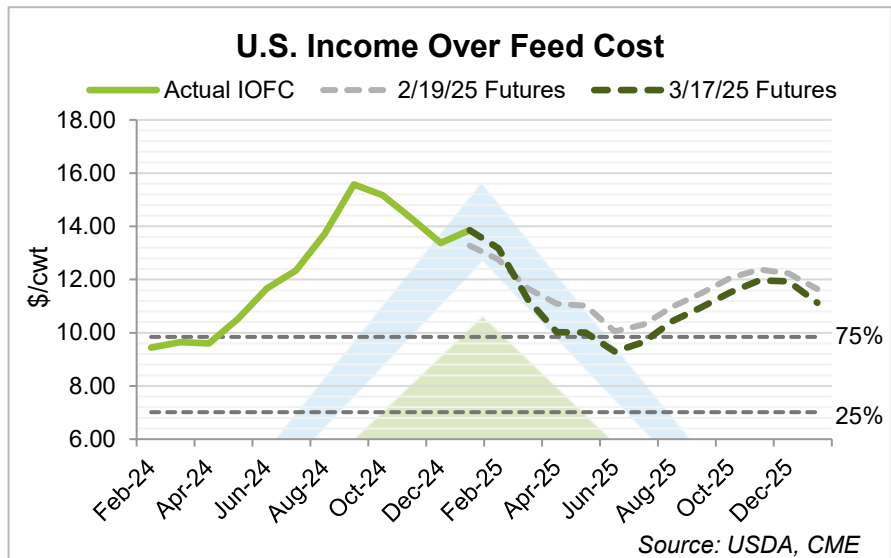
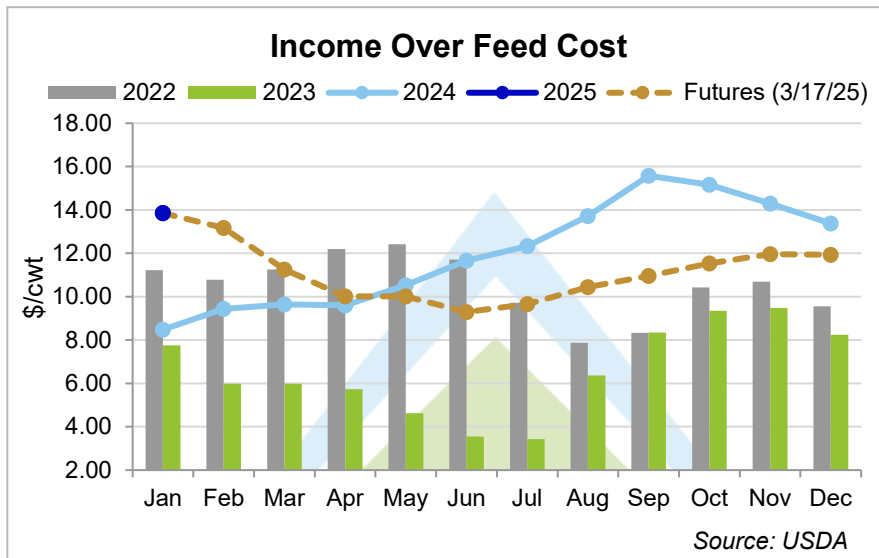
## Soybean Meal Prices



## 5-State Premium and Supreme Alfalfa Hay



- In January, the Dairy Margin Coverage (DMC) program's Income Over Feed Cost (IOFC) margin increased by \$0.47/cwt, primarily supported by a stronger Class III milk price. Although feed costs rose an estimated \$0.33/cwt due to higher prices for corn, soybean meal, and alfalfa hay, the all-milk price climbed \$0.80/cwt, more than offsetting the uptick in feed expenses.
- As milk prices retreated over the past month, HighGround's margin outlook projections followed suit. Since February 19<sup>th</sup>, projected IOFCs have declined for March 2025 and beyond, as weaker Class III and IV futures outweighed modest relief from lower feed costs, driven primarily by declining corn futures. Despite the downturn, only two months—June and July—have fallen below the 75th percentile for IOFC over the past decade, showcasing how opportunities to secure favorable margins still exist.



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

- The commodity markets have experienced notable volatility over the past month, largely driven by ongoing concerns over tariffs and their impact on U.S. trade. These trade uncertainties have contributed to a decline in dairy prices, with all five key CME spot dairy products falling and putting downward pressure on Class III and IV milk futures. Meanwhile, increasing milk production and expanding U.S. cheese production capacity have added to the strain, especially as export opportunities may be limited in the coming months. Additionally, weaker consumer sentiment and spending raise concerns about sluggish domestic demand, further compounding market challenges.
- Trade concerns have also extended to the feed markets, with expectations that more acreage will shift toward corn rather than soybeans. At the USDA's Agricultural Outlook Forum, early projections for the 2025/26 crop season forecast corn plantings at 94 million acres—an increase of 3.8% from last year—potentially resulting in a record 15.6-billion-bushel harvest. Meanwhile, soybean acreage is expected to decline to 84 million acres, yielding a 4.4-billion-bushel crop—the fourth largest on record. While both crops are projected to be large, the combination of strong supply and ongoing export concerns, particularly for soybeans, adds a layer of murkiness to the market outlook.
- The margin between milk and feed continued to tighten this past month as milk prices saw a significant decline. However, favorable margin opportunities still exist for producers to capitalize on. We urge producers to stay vigilant, actively monitor their margins, and take proactive steps to avoid being caught off guard by market fluctuations. Staying ahead of the market will help safeguard against surprises.

## **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](mailto:info@highgrounddairy.com) - [www.highgrounddairy.com](http://www.highgrounddairy.com)

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