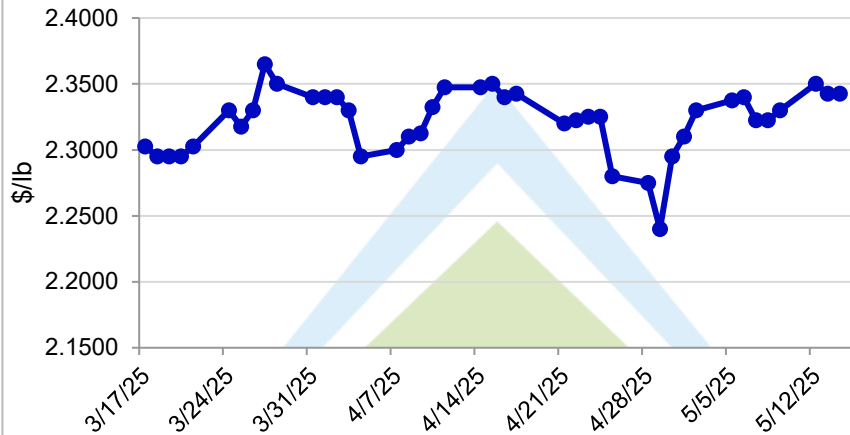




Dairy Producer **MARKET UPDATE**

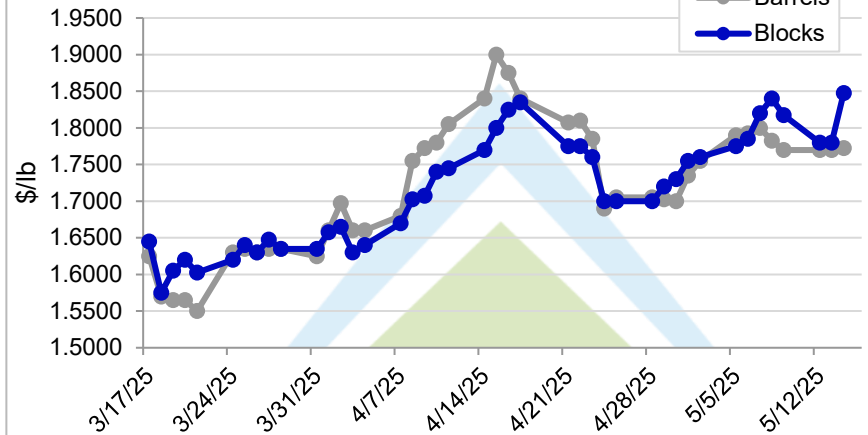
May 16, 2025

CME Spot Butter Prices



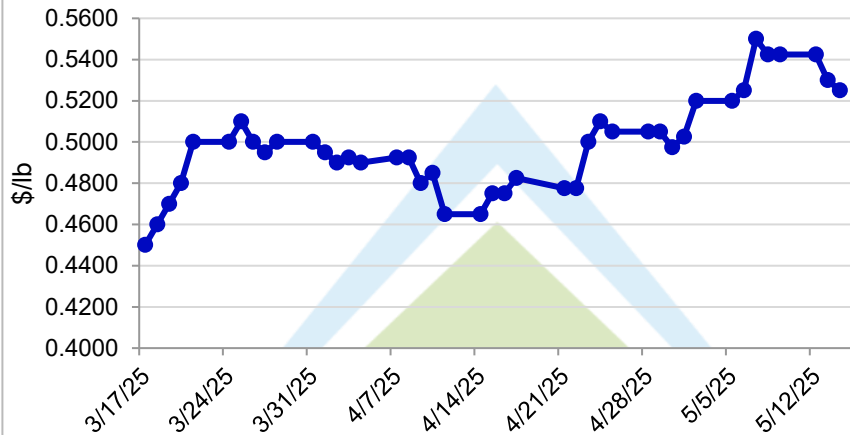
Source: CME

CME Spot Cheese Prices



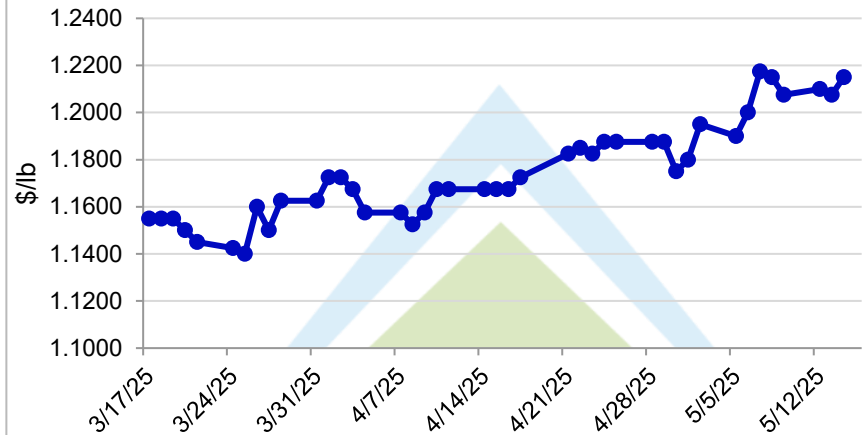
Source: CME

CME Spot Dry Whey Prices



Source: CME

CME Spot Nonfat Dry Milk Prices



Source: CME

CME Futures as of May 15, 2025

	Q3 2025	Q4 2025	Q1 2026	Q2 2026	Q3 2026
Class III (\$/cwt)	19.34	18.87	18.09	18.11	18.16
Vs. Last Month	+1.13	+0.77	+0.33	+0.22	+0.39
10-Yr Percentile	77%	76%	68%	68%	69%
Class IV (\$/cwt)	18.64	19.48	19.37	19.38	19.21
Vs. Last Month	+0.35	+0.53	+0.37	+0.53	+0.70
10-Yr Percentile	71%	75%	75%	75%	74%

Changes shown vs. Apr-15 Settlement Prices

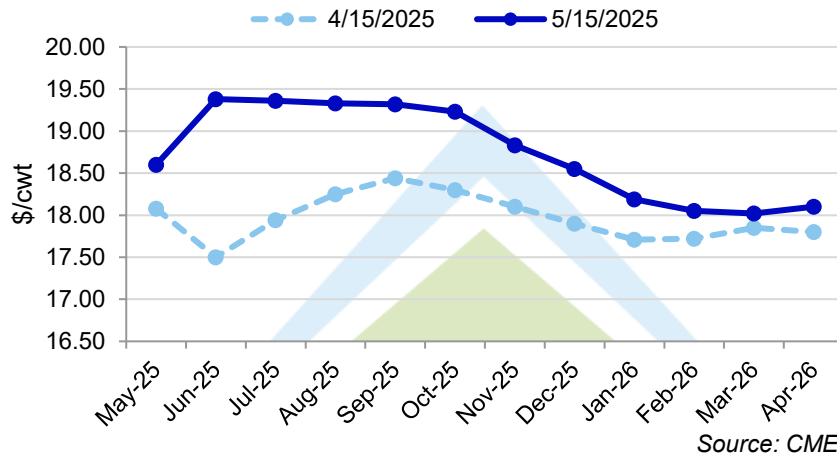
Percentiles compare the quarterly class price to the previous ten years of data. Percentiles are interpreted as: "This price is higher than ___% of months over the last ten years for Class III (or IV)."

Percentile Shading Key:

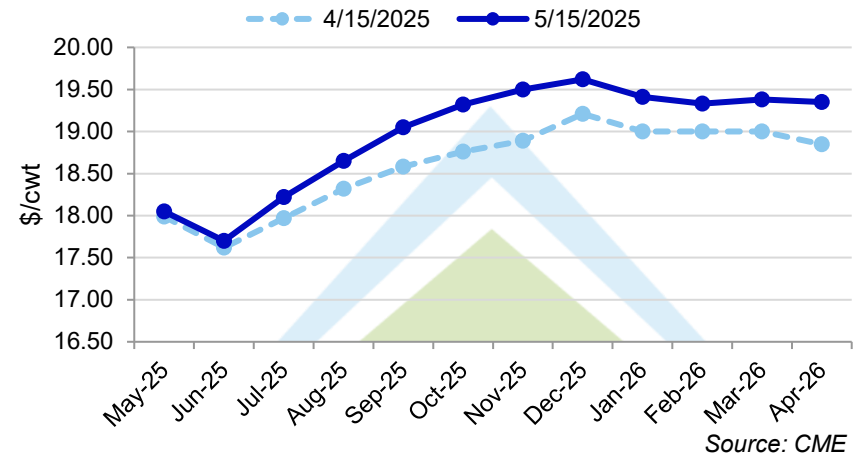
Red: 0 - 25% Brown: 25 - 50% Blue: 50 - 75% Green: 75 - 100%

- CME Class III and IV futures moved higher over the past month.
- Class III futures saw significant gains, supported by strength in both cheese and dry whey prices on the CME spot market. Futures for June through October 2025 have moved above \$19/cwt, with Q3 and Q4 2025 now trading above the 75th percentile.
- Class IV futures also advanced, with the most notable increases occurring in late 2025 contracts. Modestly higher butter prices, along with gains in NDM (nonfat dry milk), contributed to the rally. Futures for late 2025 and the first half of 2026 are now trading around the 75th percentile.

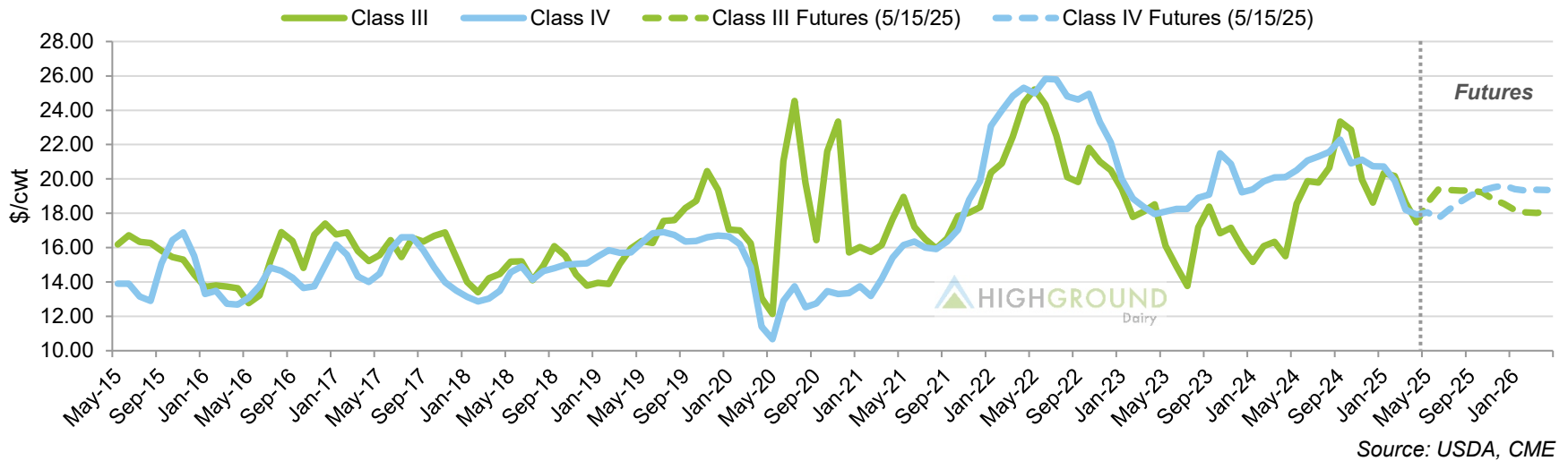
Class III Futures



Class IV Futures



Class III and IV Prices



Year-Over-Year Volumes: Mar-25

	Total Cheese			Dry Whey			Butter			Dry Skim Milk Products		
	Mar-24	Mar-25	YOY	Mar-24	Mar-25	YOY	Mar-24	Mar-25	YOY	Mar-24	Mar-25	YOY
	million lbs		%	million lbs		%	million lbs		%	million lbs		%
Supply												
Beginning Stocks	1,457.6	1,375.9	-5.6%	72.9	62.7	-14.0%	297.7	305.7	2.7%	203.4	255.8	25.8%
Production	1,209.4	1,225.8	1.4%	79.9	70.0	-12.4%	210.8	229.0	8.6%	224.0	202.8	-9.5%
Imports	27.7	33.7	21.7%	0.0	1.0	-	11.6	12.5	7.8%	0.1	0.6	500.0%
Total Supply	2,694.7	2,635.4	-2.2%	152.8	133.7	-12.5%	520.1	547.2	5.2%	427.5	459.2	7.4%
Utilization												
Domestic Disappearance	1,130.3	1,135.0	0.4%	35.0	30.1	-14.0%	203.9	209.9	2.9%	62.0	49.3	-20.5%
Exports	110.3	108.7	-1.5%	36.4	39.4	8.2%	5.0	13.5	170.0%	140.4	142.4	1.4%
Total Utilization	1,240.6	1,243.7	0.2%	71.4	69.5	-2.7%	208.9	223.4	6.9%	202.4	191.7	-5.3%
Stocks												
Ending Stocks	1,454.1	1,391.8	-4.3%	81.3	64.2	-21.0%	311.1	323.7	4.1%	225.1	267.5	18.8%

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	3,543.9	3,562.8	0.5%	227.2	202.1	-11.0%	618.8	649.9	5.0%	612.6	570.6	-6.9%
Imports	75.7	87.0	15.0%	0.0	1.0	-	34.1	38.3	12.2%	0.2	1.5	658.3%
Total Supply	3,619.6	3,649.8	0.8%	227.2	203.1	-10.6%	652.9	688.2	5.4%	612.8	572.1	-6.6%
Utilization												
Domestic Disappearance	3,320.9	3,301.7	-0.6%	115.4	92.3	-20.0%	527.5	546.7	3.6%	174.6	161.4	-7.5%
Exports	287.1	310.6	8.2%	99.9	106.8	6.9%	14.9	32.1	114.9%	414.0	352.4	-14.9%
Total Utilization	3,608.0	3,612.3	0.1%	215.3	199.1	-7.5%	542.5	578.8	6.7%	588.6	513.8	-12.7%

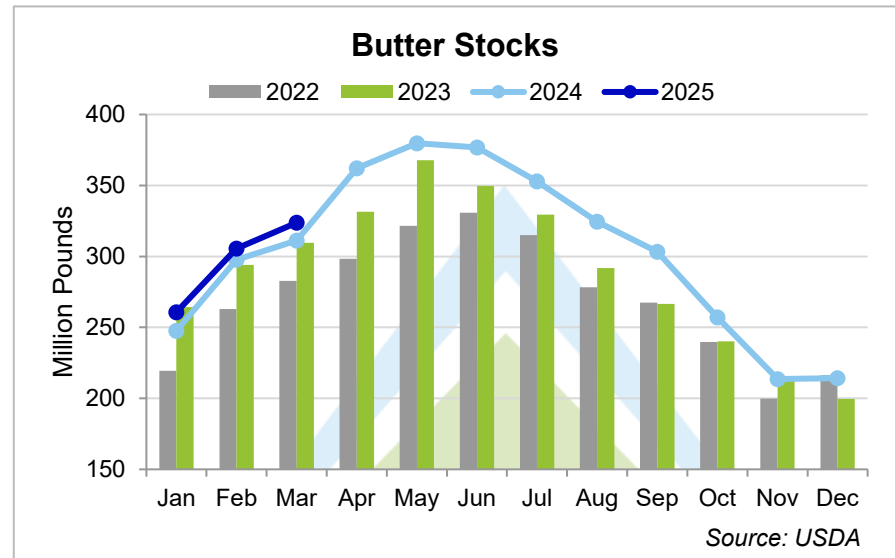
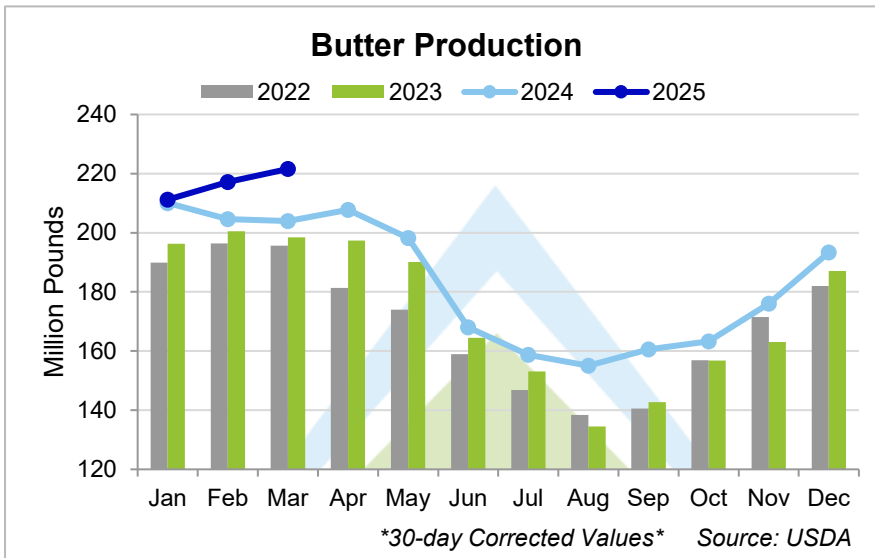
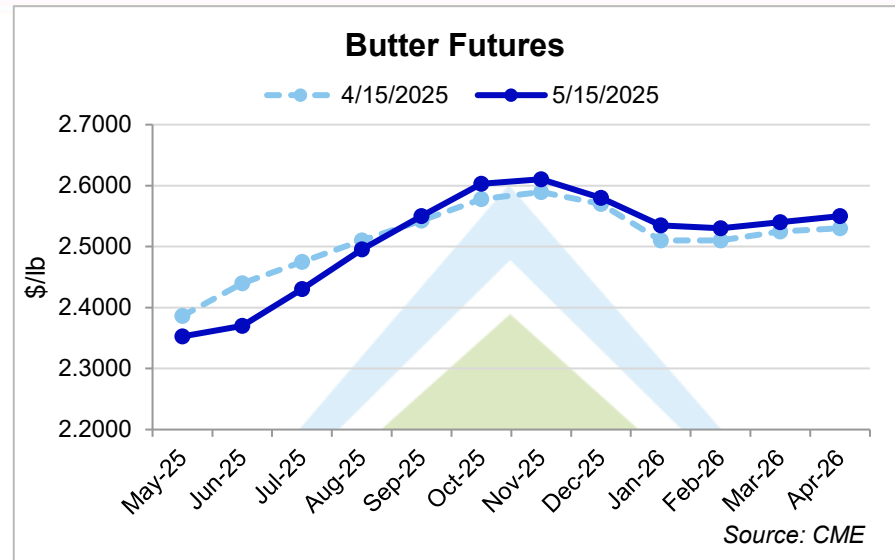
Dry Skim Milk Products includes NDM, SMP, and dry skim milk for animal use. USDA NASS does not report manufacturers' stocks of SMP.

Source: USDA

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

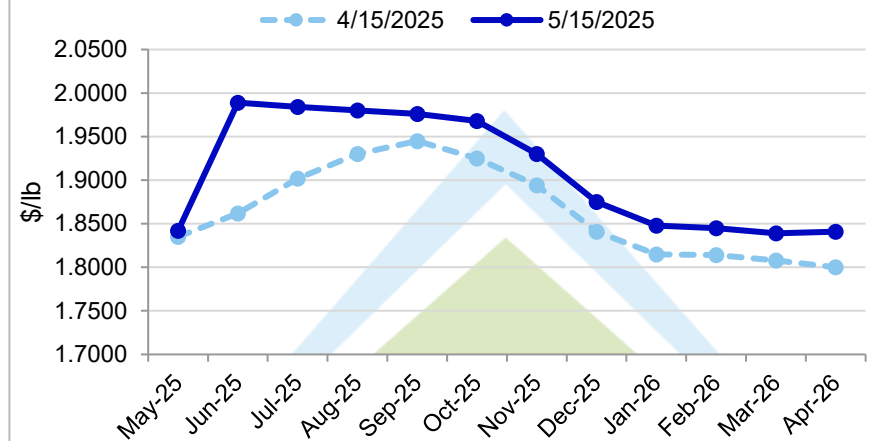
Within the year-to-date volumes, January 2025 for Dry Skim Milk Products is an estimate by HighGround.

- Butter production defied the typical seasonal decline from February to March, posting the largest year-over-year increase since September 2024 (+8.6% YoY). California's butter output also turned positive year-over-year for the first time since September 2024, as the state recovers from HPAI.
- Butter stocks reached their second-highest March level in 35 years, with inventories up 4% versus March 2024.
- March marked the third straight month of year-over-year growth in butter demand, with domestic use topping 200 million pounds for the first March on record (since 2011). While strong demand helped absorb heavy output, exports provided additional support, reaching their highest 30-day adjusted volume since April 2014, driven by U.S. product trading over \$1 below global prices.



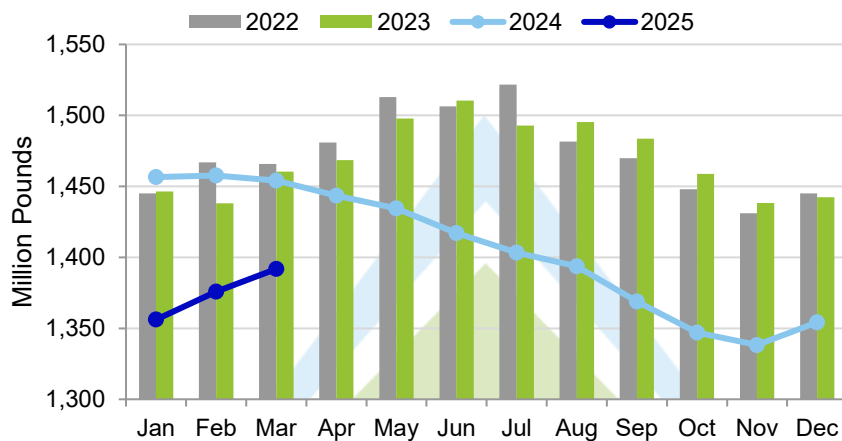
- Cheese production rose 0.4% year-over-year in March, the second straight month of growth, with year-to-date output hitting a record high as new U.S. cheese capacity ramps up. Cheddar output continued to climb, while Mozzarella declined for the first time since November 2023.
- Total cheese stocks were down 4.3% from last year, the smallest drop since May 2024. American cheese inventories, though still below year-ago levels, surged from February at more than twice the typical March build.
- Concerns about foodservice demand have weighed on overall cheese consumption. While domestic demand in March grew just 0.1% compared to the prior year, year-to-date figures remain 0.6% below last year's pace. On the other hand, exports continue to be a bright spot, with international demand up 8.2% year-to-date versus the same period last year.

Cheese Futures



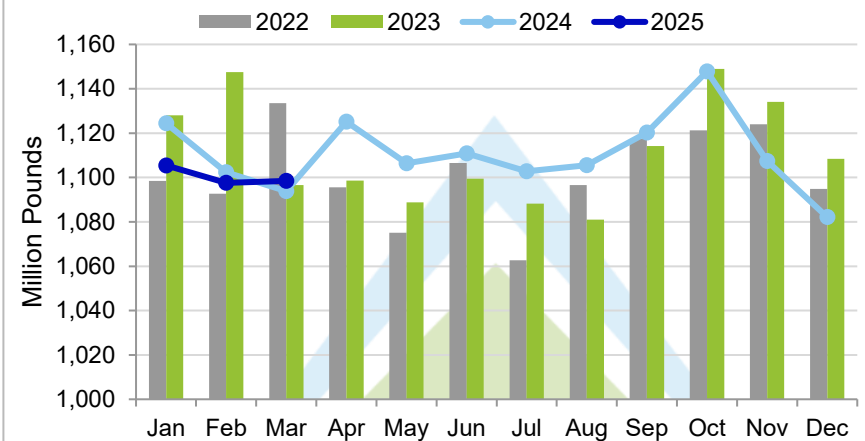
Source: CME

Total Cheese Stocks



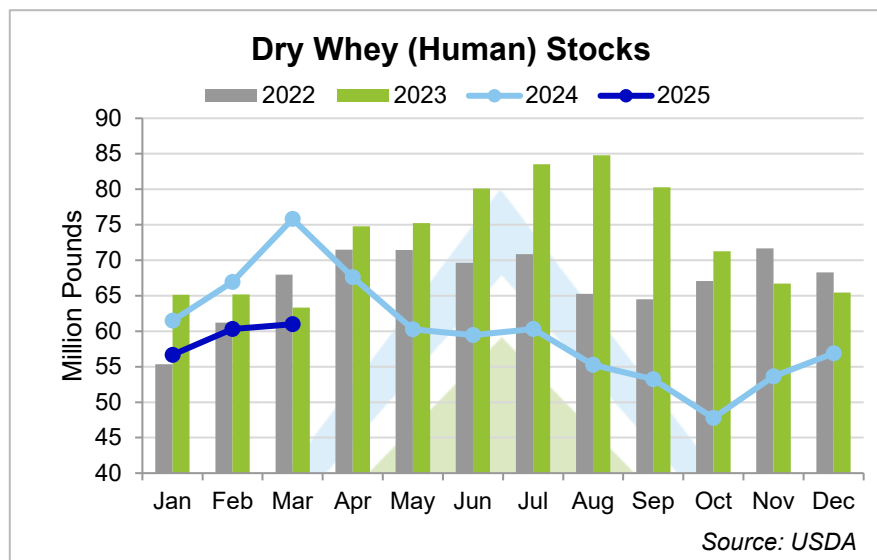
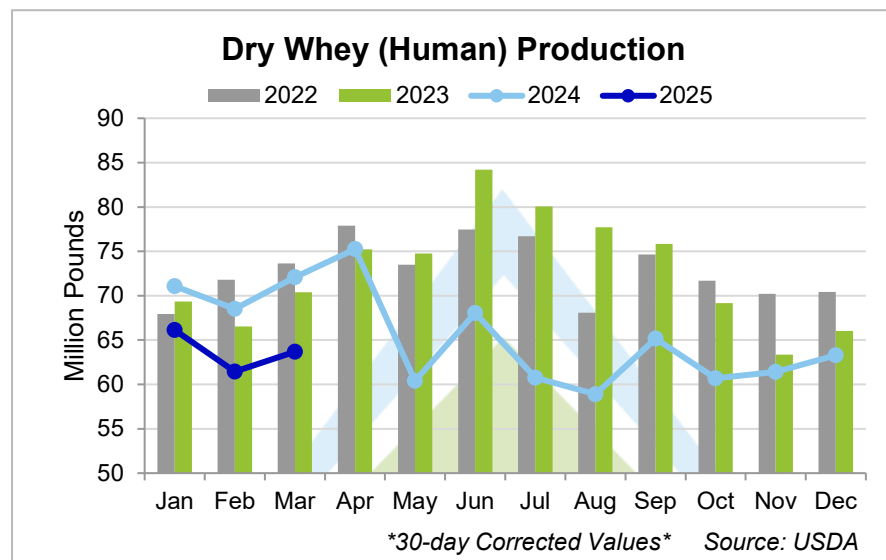
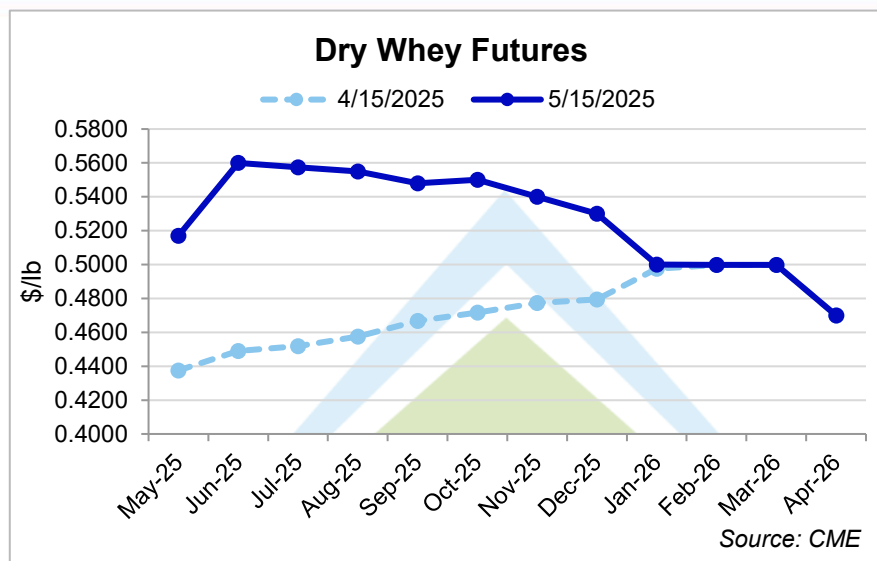
Source: USDA

Total Cheese Domestic Disappearance

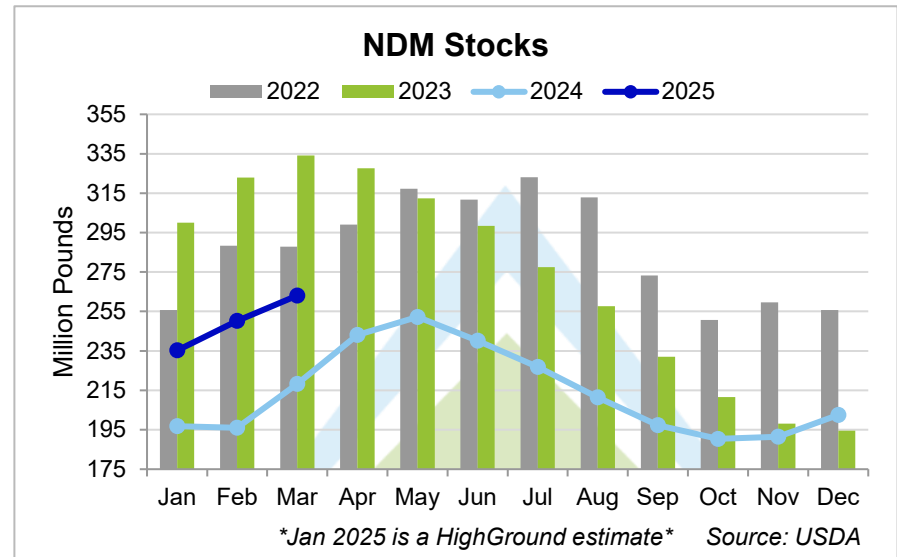
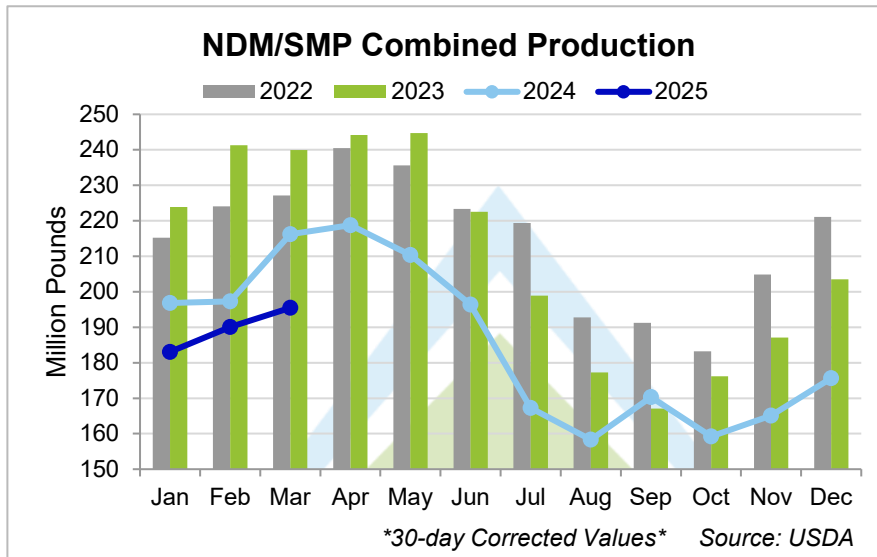
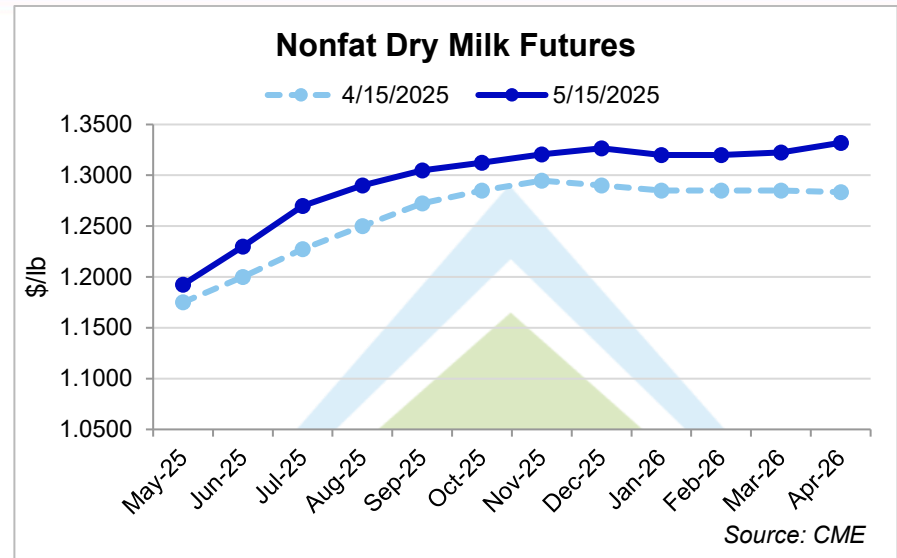


30-day Corrected Values Source: USDA

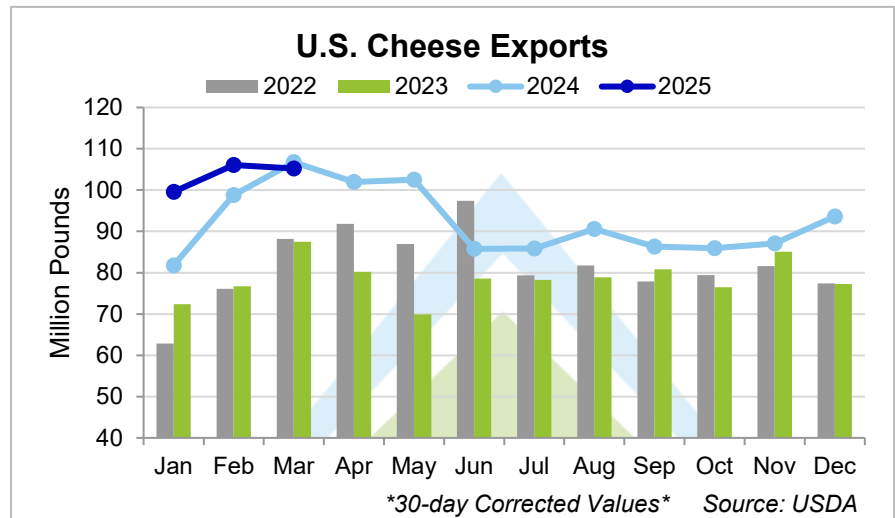
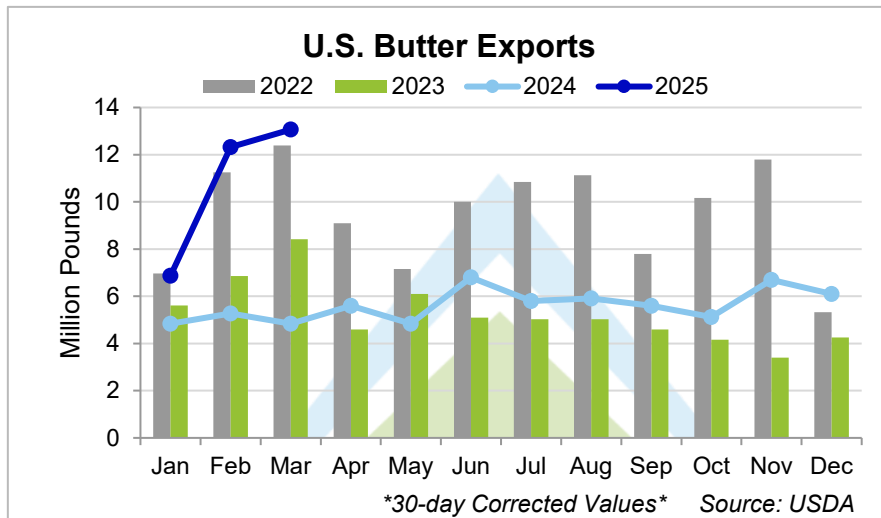
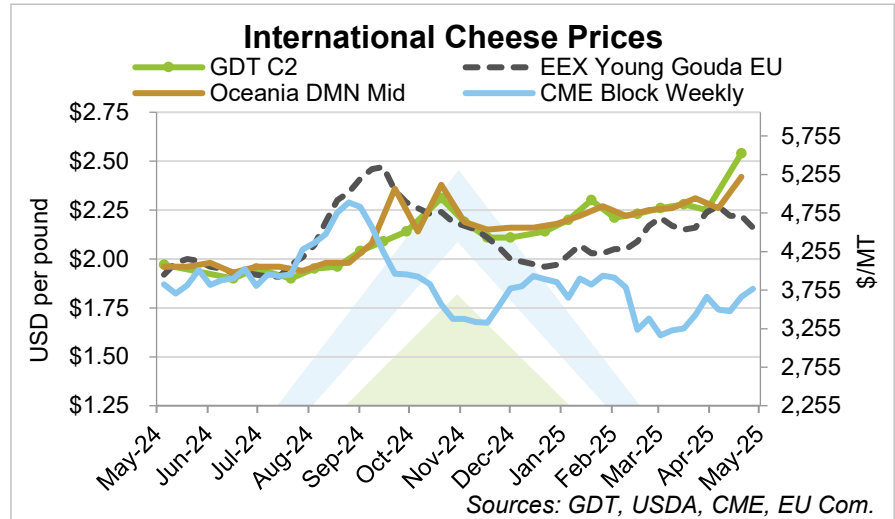
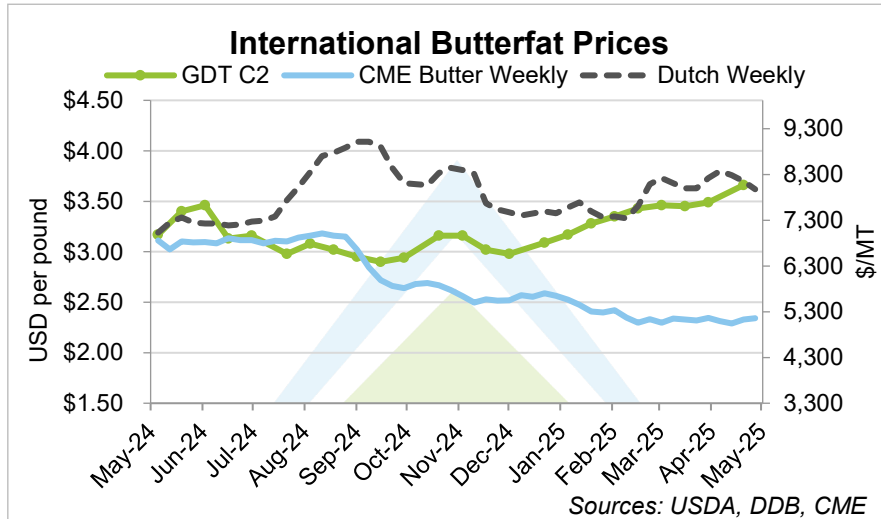
- In March, dry whey production dropped 11.7% from last year, recording its eleventh consecutive month of decline, as demand continues to shift toward higher protein varieties.
- March's dry whey inventories rose slightly from February. However, stocks continue to lag prior-year levels, down 19.6% year-over-year, falling to the smallest value for the month since 2014.
- Total utilization of dry whey decreased 2.7% from last year, recording ten straight months of declines. However, this was the smallest decline in the dataset. Still, demand has dropped off in the US, with March's numbers hitting the lowest value for the month since 2014.



- Combined production of NDM and SMP dropped 9.6% year-over-year in March. Individually, NDM output fell 9.1% from last year, marking its lowest volume for the month since 2019.
- The USDA made sizable revisions to NDM and SMP values for 2024 and February 2025. Particularly, massive changes were made to NDM stocks, with February revised lower by 78.8 million pounds or 31.5% of the actual. In March, the USDA pegged inventories up 20.6% from last year, but still 21.3% below March 2023.
- Total NDM/SMP usage declined 5.3% year-over-year in March, marking the thirteenth consecutive month of annual losses. However, the drop was the smallest since September 2024, thanks to a 20.3% rebound in exports from February. Even so, export volumes were only 1.4% higher than the same month last year and 17.3% below March 2023.

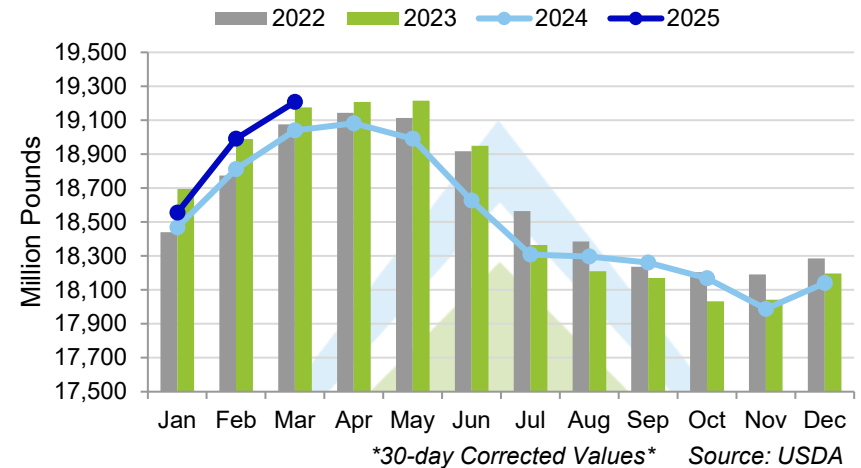


Discounted U.S. cheese and butter prices continue to entice international buyers.

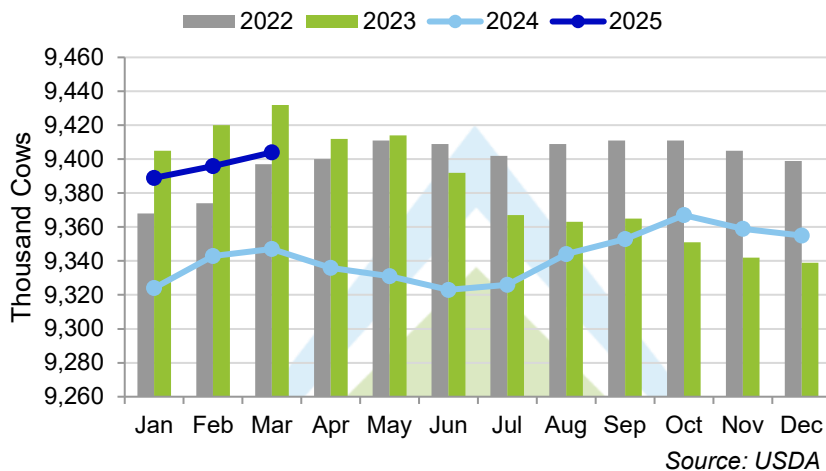


- US milk production rose for the third month in a row, up 0.9% year-over-year in March.
- Milk per cow set a record in March, lifting total production. Yields increased 0.3% versus last year.
- The US dairy herd rose 8,000 head from last month, marking the highest count since May 2023. March's national herd was 57,000 head larger than the prior year.

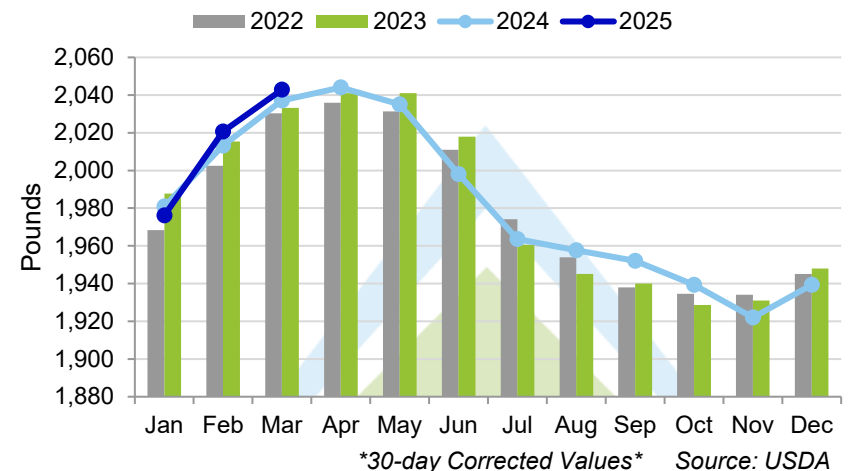
U.S. Milk Production



U.S. Milk Cows

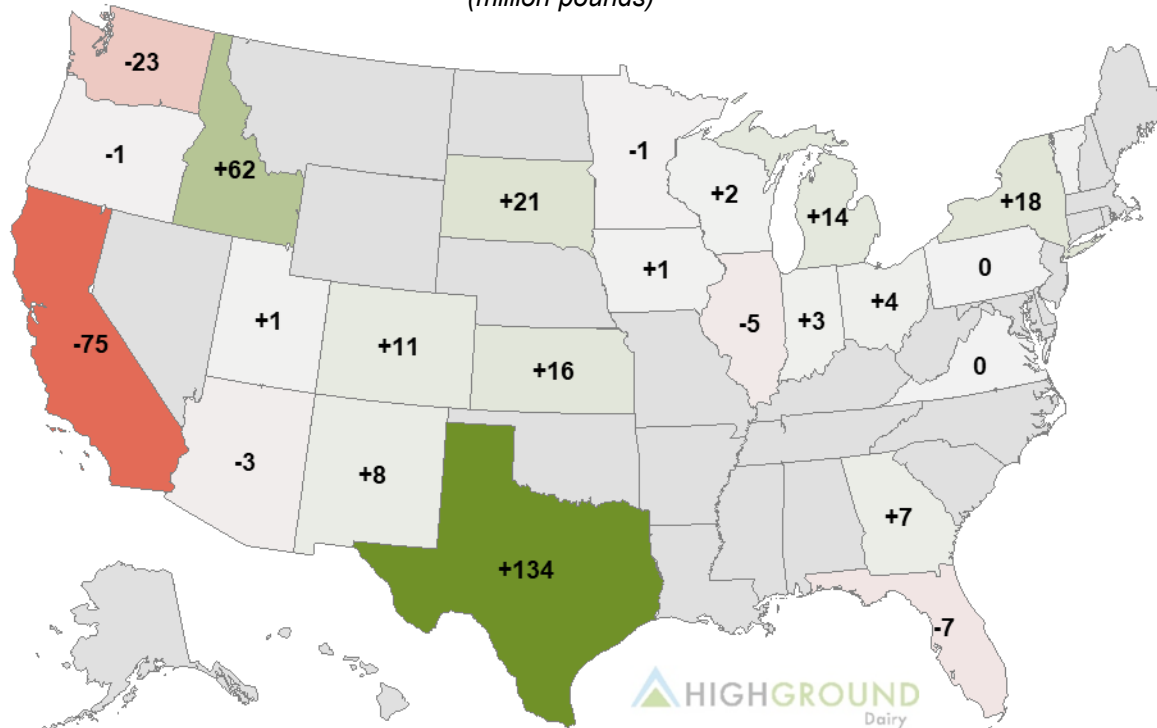


U.S. Milk Per Cow



Year-Over-Year Change in Production: March 2025

(million pounds)



 HIGHGROUND Dairy

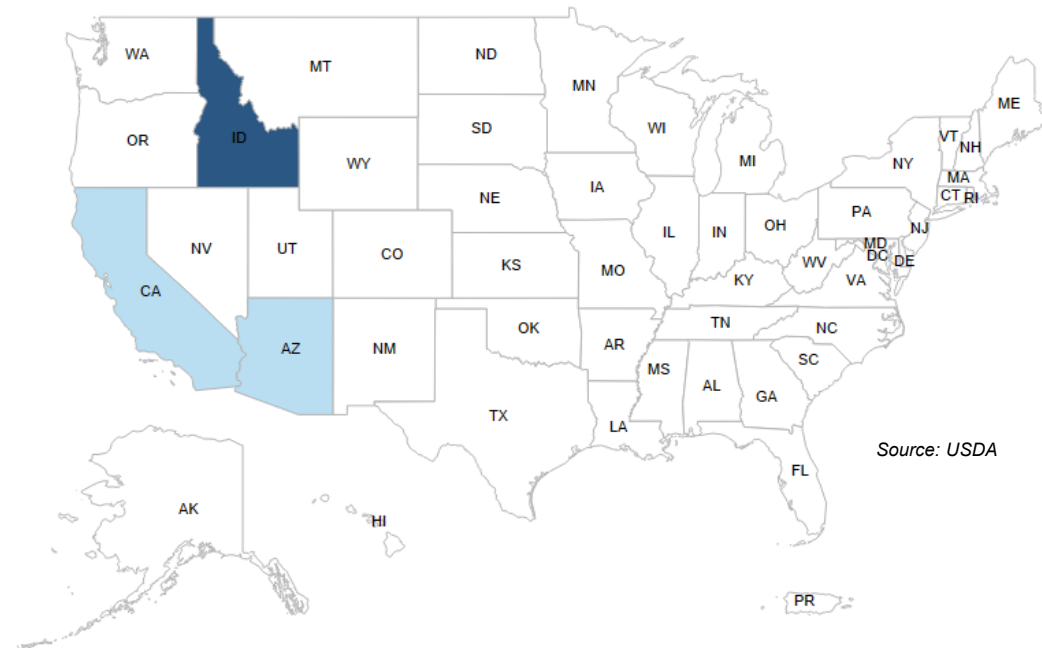
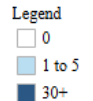
Source: USDA

- The largest growth in US milk production continues to come from the Plains states. Texas milk production grew a massive 9.4% year-over-year in March, while Kansas and South Dakota rose 4% or more.
- Idaho also posted another strong month, up 4.3% year-over-year, as more cows reportedly moved into the state.
- Meanwhile, California's year-over-year production declines narrowed, as the state continues to recover from HPAI. Milk production there fell 2.1% versus March 2024.

Highly Pathogenic Avian Influenza (HPAI)

USDA HPAI Detection in Livestock Operations as of May 15, 2025

Number of New Confirmed Cases in Cattle by State,
Last 30 Days

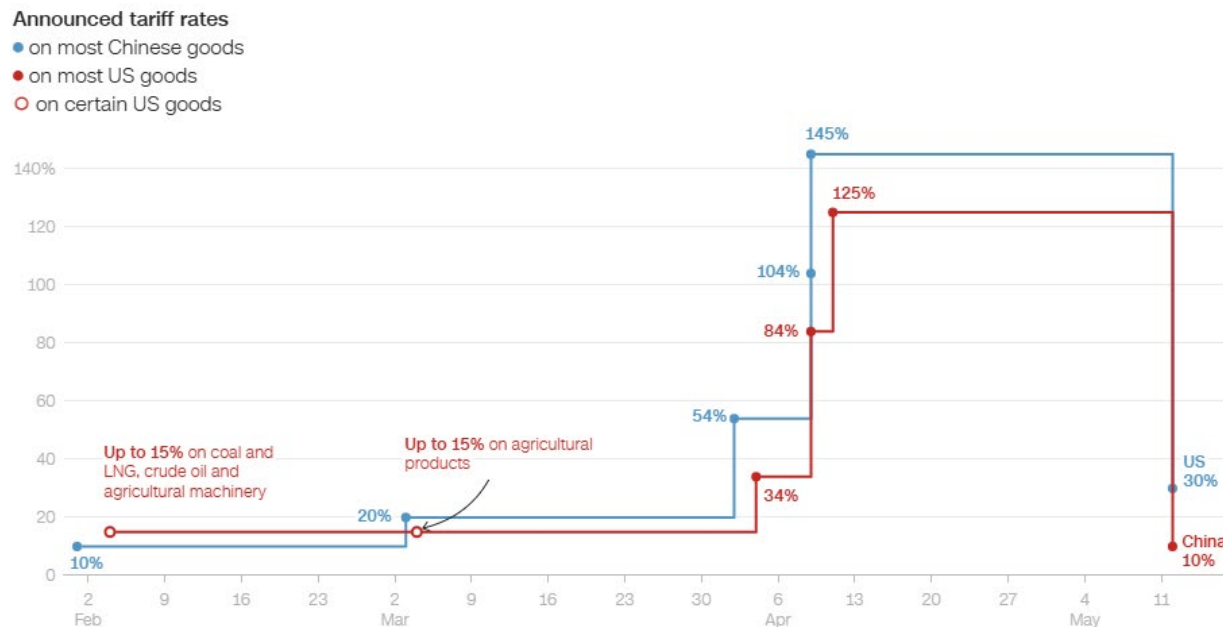


Source: USDA

- Over the last 30 days, there have been 42 new confirmed cases of HPAI in dairy herds, according to the [USDA APHIS](#) as of May 15, 2025. While case counts are dwindling in California, more cases are popping up in Idaho. Confirmed HPAI cases in the last 30 days span across three states: Idaho +38, California +2, and Arizona +2.
- The FDA confirms that pasteurized milk/dairy products and ground beef are **SAFE** for human consumption.

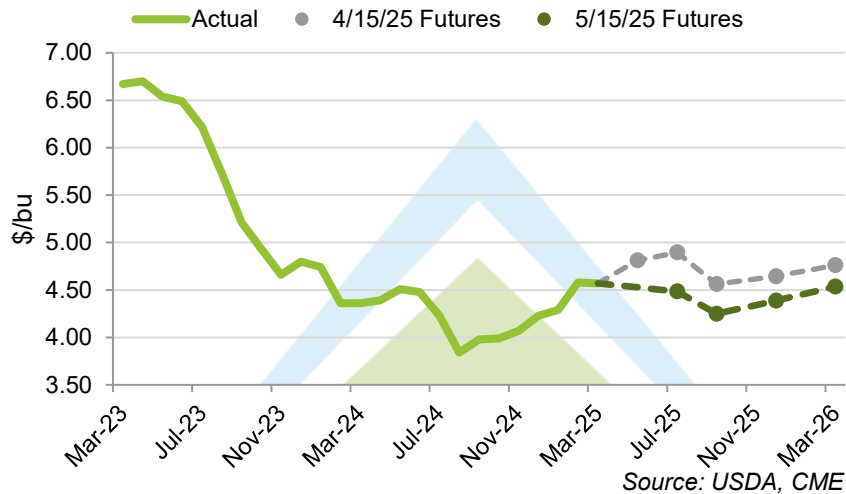
To stay up to date on news surrounding this issue, check out the resource center on our website:
[“Navigating HPAI: Dairy Market Resource Center”](#).

- The US and China have agreed to a 90-day cooling-off period beginning May 14, 2025, during which both nations will significantly reduce tariffs. US tariffs on Chinese goods will drop from 145% to 30%, while China will lower tariffs on US imports from 125% to 10% and suspend non-tariff countermeasures, such as restrictions on critical mineral exports.
- While the announcement triggered a global market rally and signaled a potential thaw in relations, many of the existing “stacked” tariffs remain in place, including those tied to fentanyl enforcement and Trump-era trade policies. China’s retaliatory tariffs on specific US dairy exports also remain untouched.



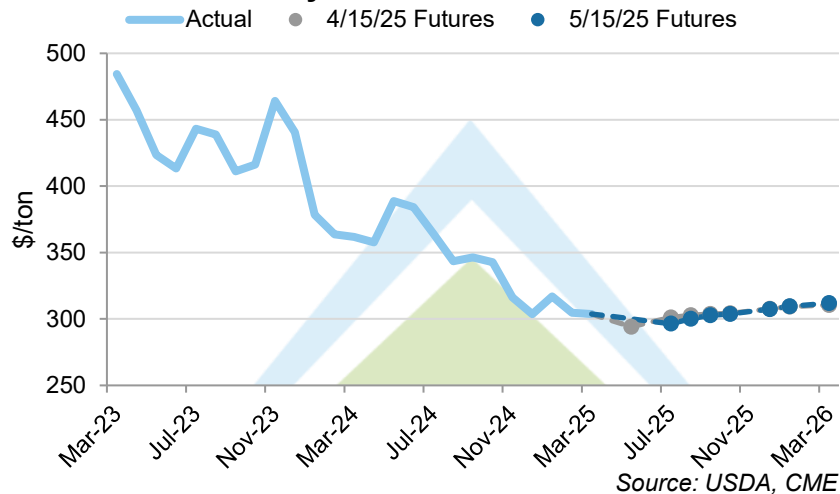
Note: Data does not include global, sector-specific tariffs and a separate “de minimis” tariff the US imposed on small packages from China. China’s up to 15% tariffs against certain US goods, imposed as retaliation against Trump’s fentanyl-related levies on Chinese imports, will stay. Data indicates when rates were announced, not when they came into effect.

Corn Prices

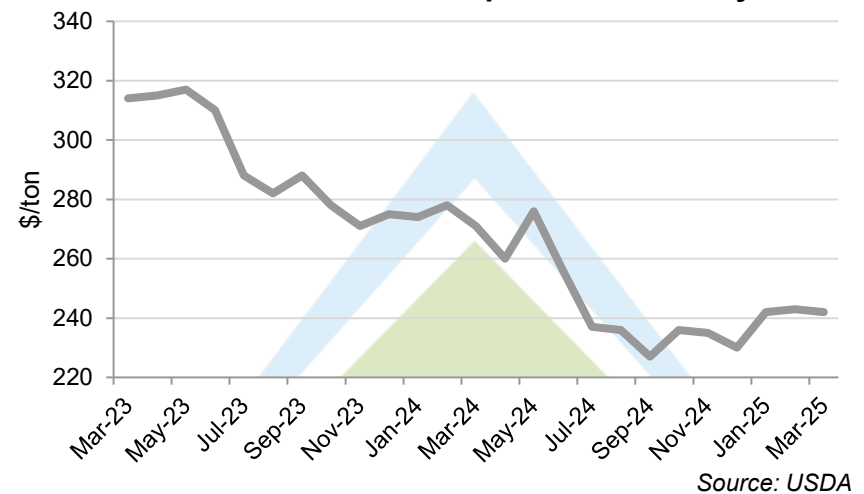


- Monday, May 12th, provided the first official outlook for the 2025/26 US corn and soybean crops in USDA's *World Agricultural Supply and Demand Estimates* (WASDE) report. The report forecasts a massive US corn crop, and with planting progress ahead of schedule, corn futures have dropped significantly. However, with global stockpiles projected to remain relatively tight, significant additional declines appear unlikely. As of May 15th, corn futures contracts over the next year are down between \$0.23 and \$0.41 per bushel (\$8.10 to \$14.60 per ton) compared to last month.
- Soybean meal futures are mixed from a month ago. With spring planting underway and favorable weather conditions, expectations for more corn over soybeans are shaping the market. While US tariffs on exports to China have been reduced for 90 days, uncertainty over future trade relations continues to weigh on sentiment.

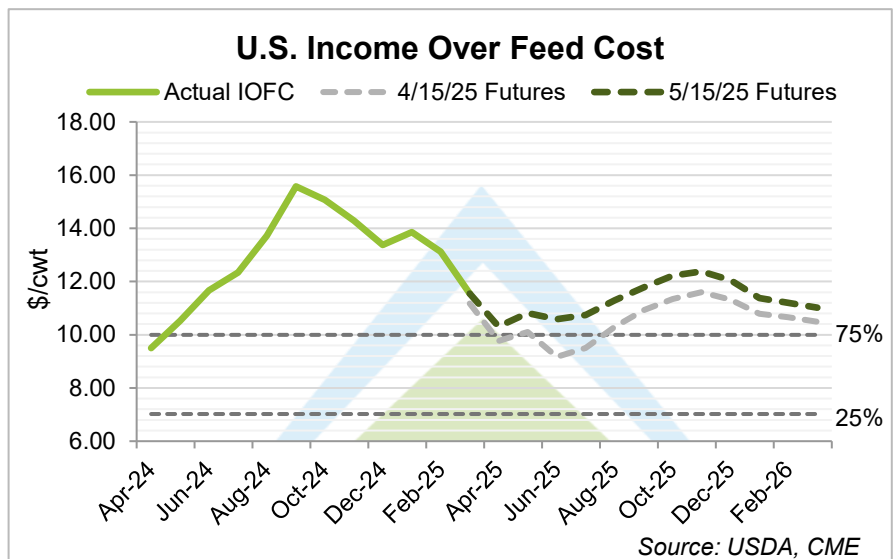
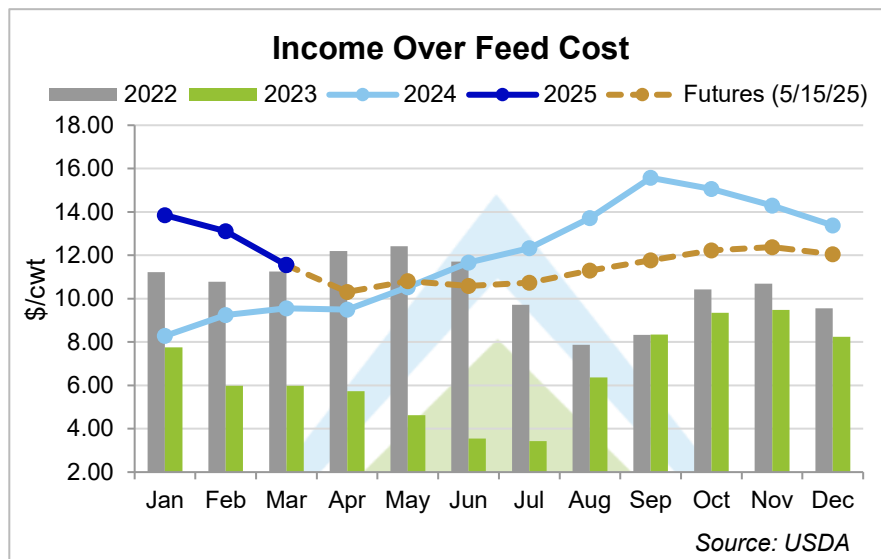
Soybean Meal Prices



5-State Premium and Supreme Alfalfa Hay



- In March, the Dairy Margin Coverage (DMC) program's Income Over Feed Cost (IOFC) calculation declined a substantial \$1.57/cwt from February, driven by lower milk prices. Both Class III and Class IV prices fell over \$1.50/cwt each, contributing to lower IOFC for the month.
- HighGround's margin outlook improved this month, driven by a combination of rising milk prices and declining feed costs. Strength in the CME spot markets for cheese, dry whey, and NDM supported gains in Class III and IV milk futures. At the same time, a sharp drop in corn futures helped reduce overall feed costs, boosting the outlook. Overall, projected IOFCs over the next 12 months sit at historically elevated levels, ranking above the 75th percentile in every month ahead. Q3 2025 looks especially strong compared to a month ago, up \$1.22/cwt.



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

- Block Cheddar and dry whey prices dropped in March, as higher production and weaker demand pressured the CME spot market. But, as the saying goes, “the cure for low prices is low prices.” Competitive export pricing, increased clarity on trade policy, and proactive buying for 2025 budgets have propelled cheese/Class III futures back to levels at or near contract highs. While the recent rally has grabbed headlines, HighGround sees this move as more of an opportunistic wave for dairy producers—not a tidal shift in market direction. Domestic demand remains soft, trade policy uncertainty lingers, and added processing capacity for cheese and whey may continue to cap upside potential.
- Despite a projected record U.S. corn harvest in 2025-26, global supplies are expected to tighten to a 12-year low. The USDA forecasts global ending stocks down 16% from last year, driven by strong demand and reduced stockpiling in China. This would push the global stocks-to-use ratio to 18.9%, the lowest since 2012-13. U.S. yields are projected at a record 181 bushels per acre, but domestic ending stocks are seen at the lower end of trade expectations. Given these dynamics, HighGround recommends that producers consider implementing flexible coverage strategies to manage potential price volatility and safeguard against unforeseen supply disruptions.
- With improved milk prices and softened feed costs, margins have significantly improved from last month and are sitting at historically strong levels. Even with upcoming changes to Federal Milk Marketing Order pricing formulas set for June 2025, current price signals remain favorable. That said, uncertainty still looms, and markets could shift quickly. HighGround encourages producers to stay proactive and take advantage of favorable margin opportunities as they emerge in the futures market, helping to lock in profitability and buffer against potential volatility ahead.

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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