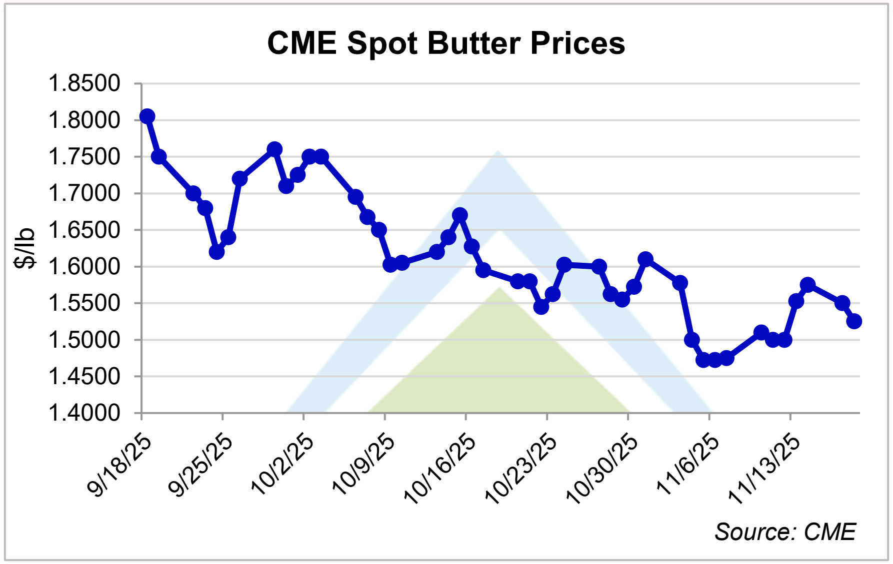
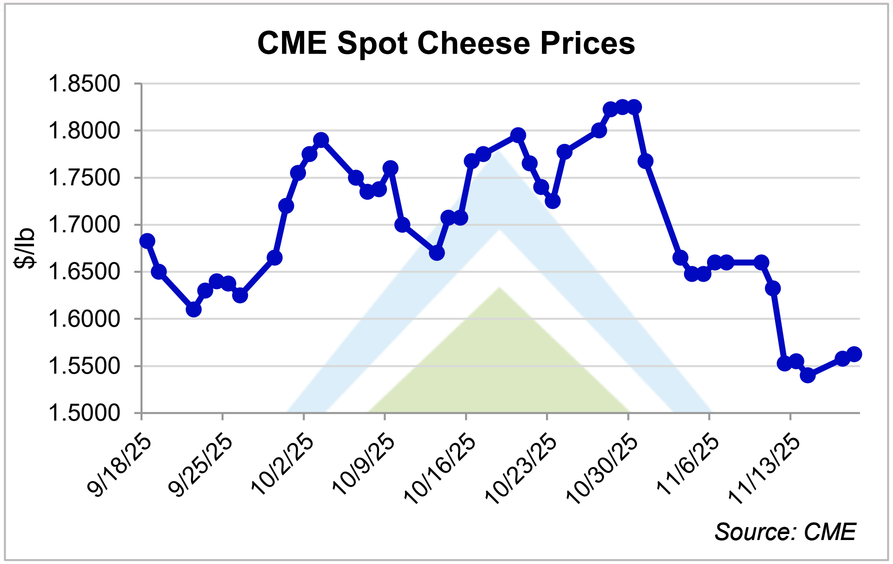
HIGHGROUND Dairy

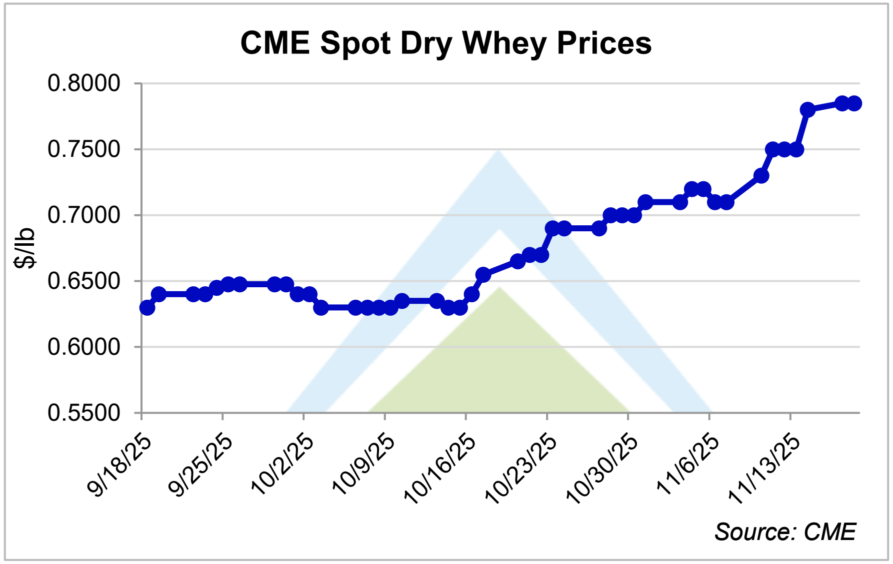
Dairy Producer MARKET UPDATE

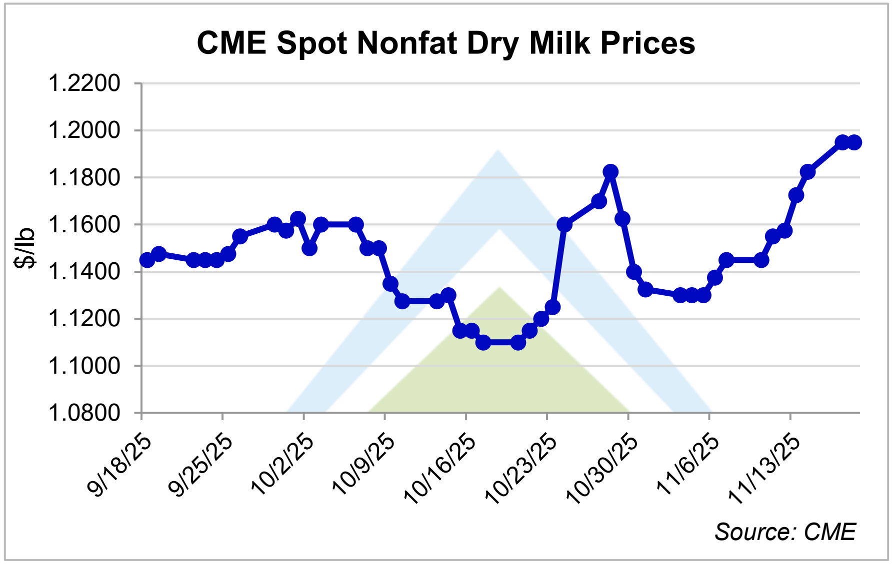
November 19, 2025

CME Spot Markets









CME Futures as of November 18, 2025

	Q1 2026	Q2 2026	Q3 2026	Q4 2026	Q1 2027
Class III ($/cwt)	**16.16**	**16.91**	**17.47**	**17.50**	**17.39**
Vs. Last Month	-0.21	+0.02	-0.03	+0.01	-0.02
10-Yr Percentile	37%	52%	60%	60%	59%
Class IV ($/cwt)	**14.20**	**15.14**	**16.03**	**16.80**	**16.60**
Vs. Last Month	-0.52	-1.04	-1.32	-0.84	N/C
10-Yr Percentile	22%	36%	45%	58%	53%

Changes shown vs. Oct-17 Settlement Prices

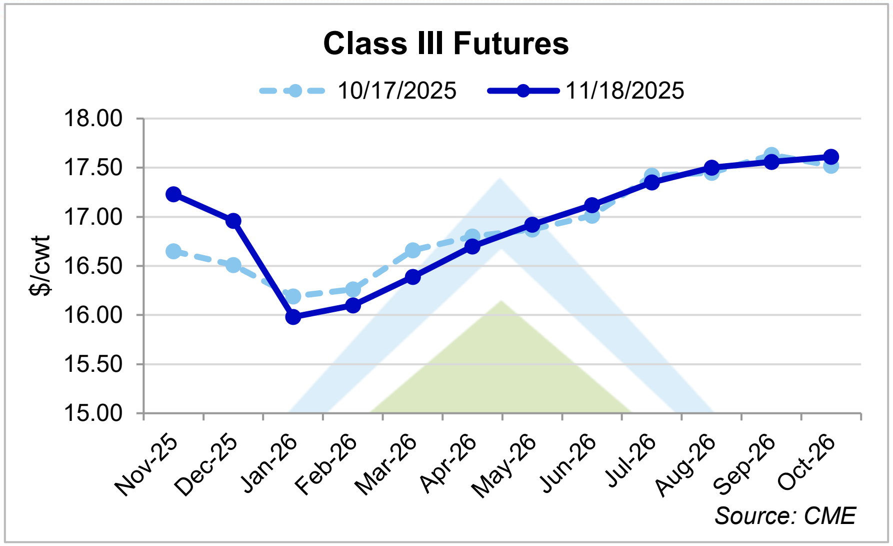
Percentiles compare the quarterly class price to the previous ten years of data. Percentiles are interpreted as: "This price is higher than __% of months over the last ten years for Class III (or IV)."

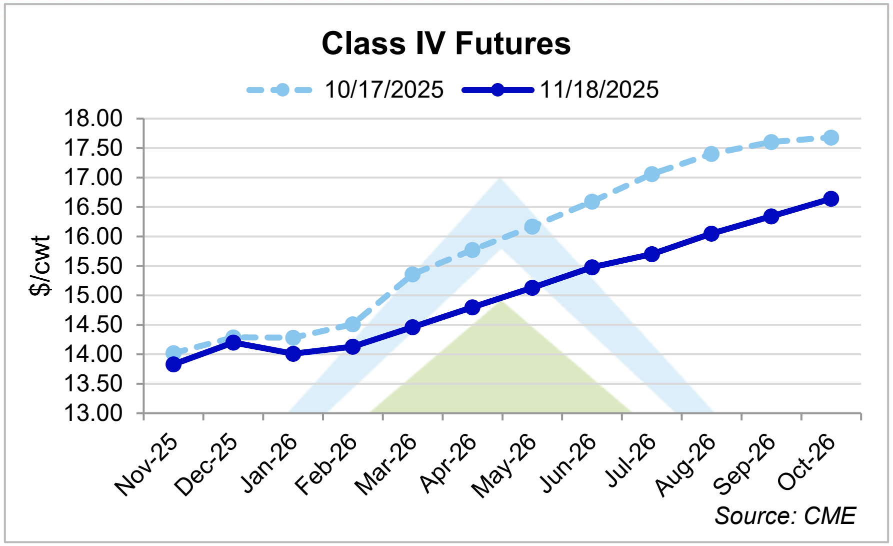
Percentile Shading Key:

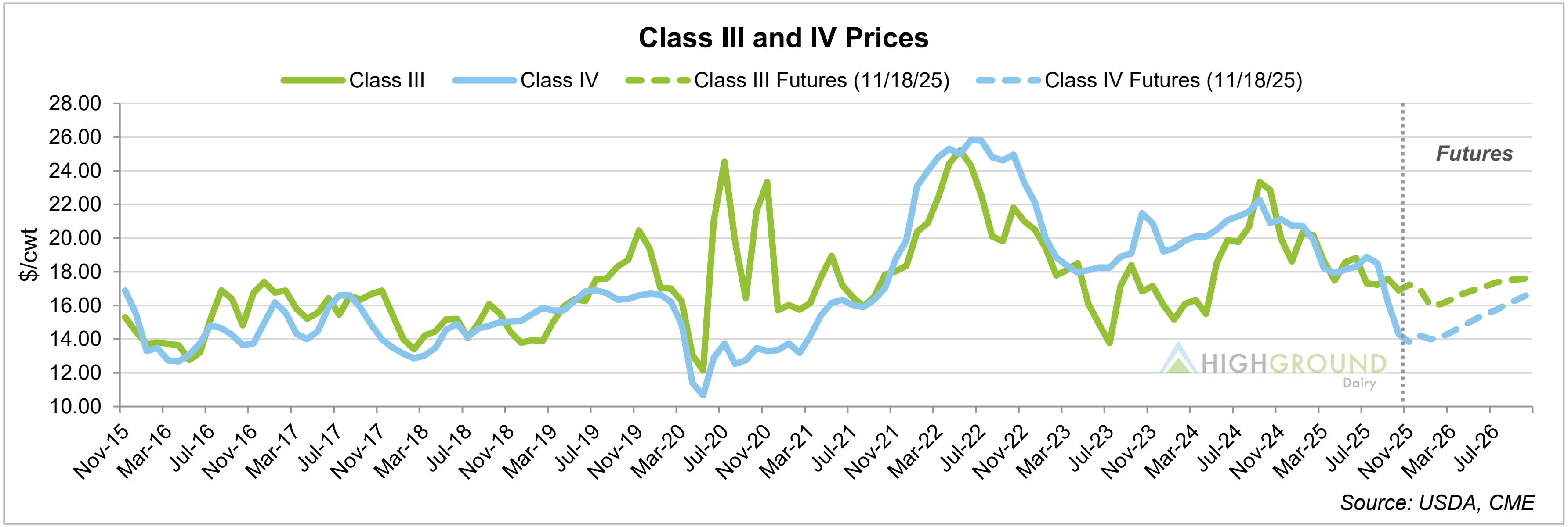
Red:	0 - 25%	Brown:	25 - 50%	Blue:	50 - 75%	Green:	75 - 100%

- Class III futures were mixed during the past month, based on opposite price movements for cheese and dry whey. CME spot block Cheddar rose to $1.825/lb. at the end of October, before falling more than 14% to $1.5625/lb. on Tuesday, November 18. Meanwhile, CME spot dry whey has continued to climb over the last month, rising $0.13/lb. (+19.8%) to $0.785/lb. on November 18.
- Class IV futures moved mostly lower from last month on bearishness in the butter market. CME spot butter prices fell $0.07/lb. from last month, while butter futures fell even further, dropping between $0.10 and $0.28/lb. for contracts over the next twelve months. Class IV futures through April 2026 have fallen below $15.00/cwt.

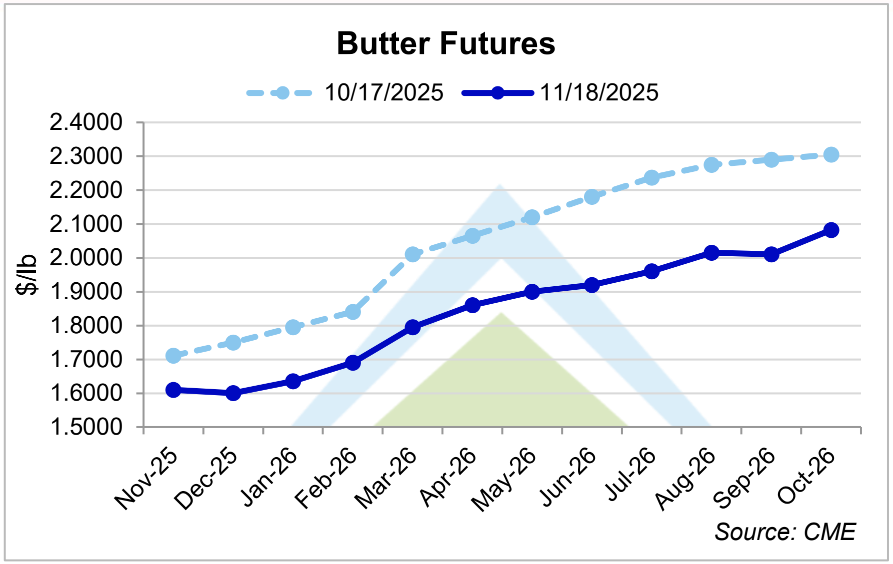
Class III & IV Milk

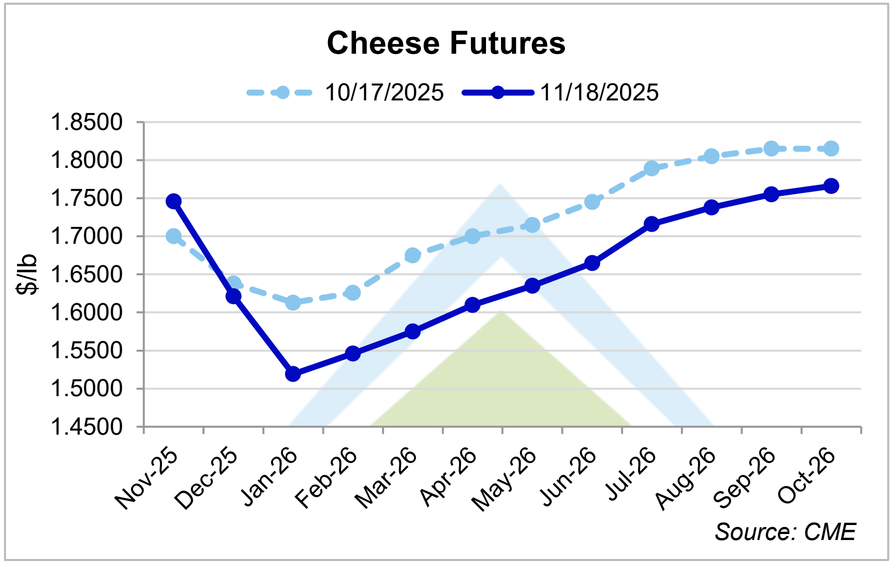






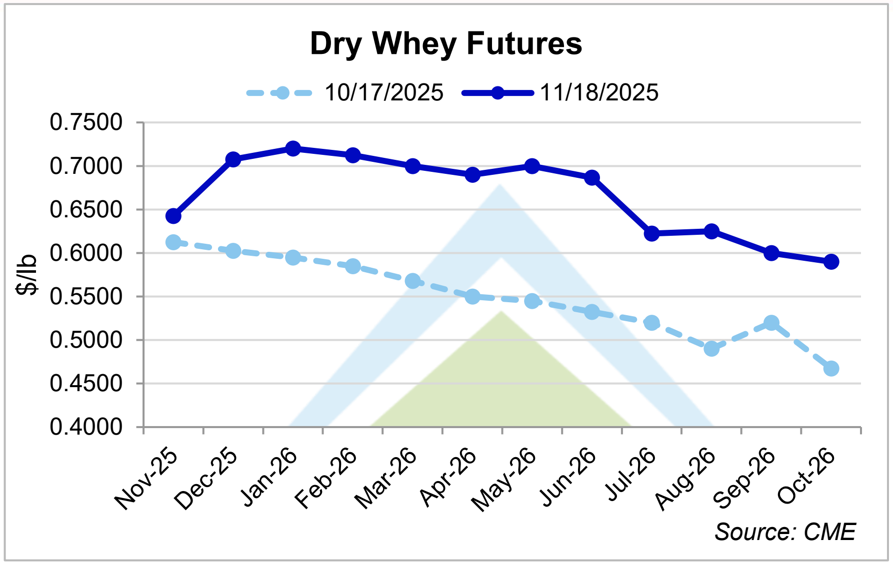
- After 43 days, the government shutdown finally came to an end on November 12. While USDA's *Milk Production* report has resumed publication, the industry is still waiting for clarity on when other critical reports will be released, including *Dairy Products*, *Cold Storage*, *Supply and Utilization*, and more.
- While the industry lacks data at this time, dairy markets have continued to move on industry chatter and milk production news. Strong milk and milkfat output have contributed to a surplus of butter. Although exact figures are unavailable, many expect supply to be outpacing demand in the butter market, which aligns with the declines seen in both CME spot butter and butter futures over the past several months.



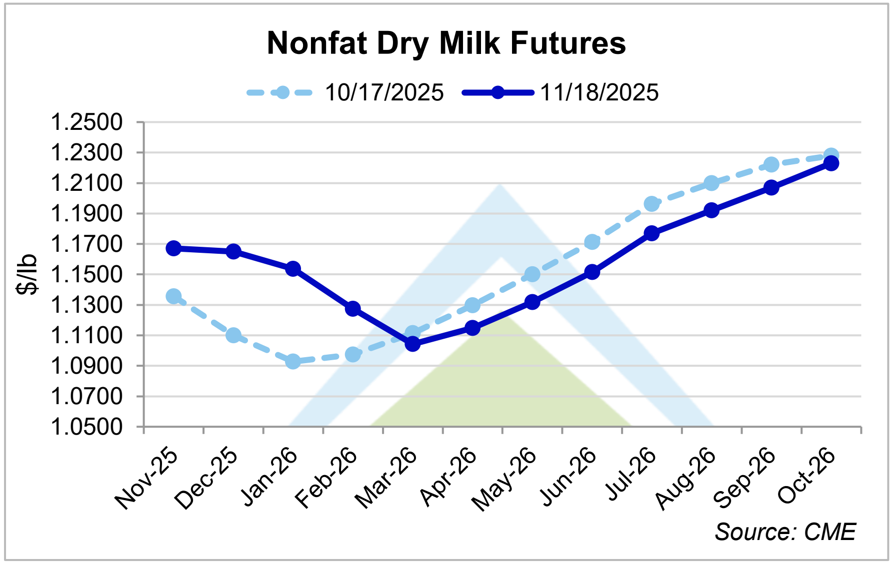


- The anticipated autumn cheese price rally appears to have come and gone. CME spot block cheese dropped rapidly over the past month, pulling cheese futures lower as well. With abundant milk in major growth regions and expanded processing capacity ramping up, greater cheese production is expected. Based on recent cash prices, it appears that the cheese supply is also beginning to outpace demand.

Dry Whey & NFDM



- Dry whey remains one of the few bright spots in the dairy markets. Demand for high-protein whey products continues to strengthen, pulling more of the whey stream toward these higher-value items. This shift has kept the dry whey market balanced and has supported further price increases as additional milk moves into high-protein production.

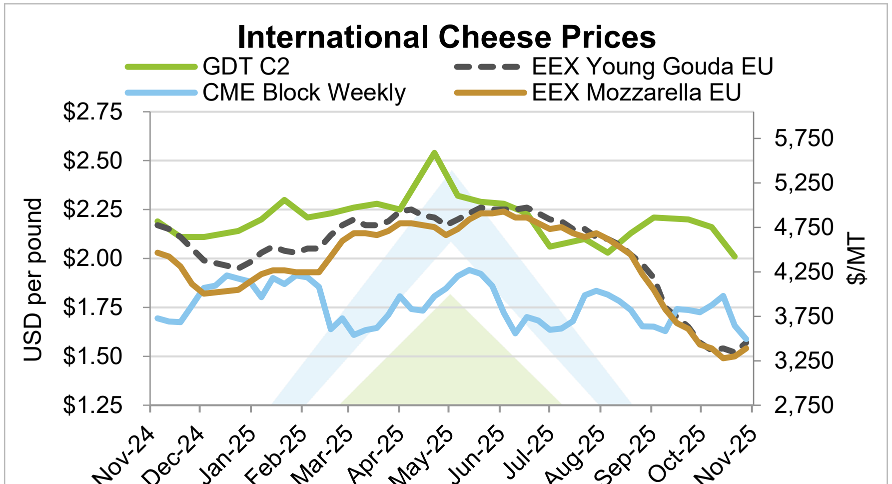


- Powder prices are moving lower across the globe, suggesting that international demand is subdued. With such strong milk production in the US, manufacturers can only do so much not to make nonfat dry milk (NFDM), potentially leading to building supplies.

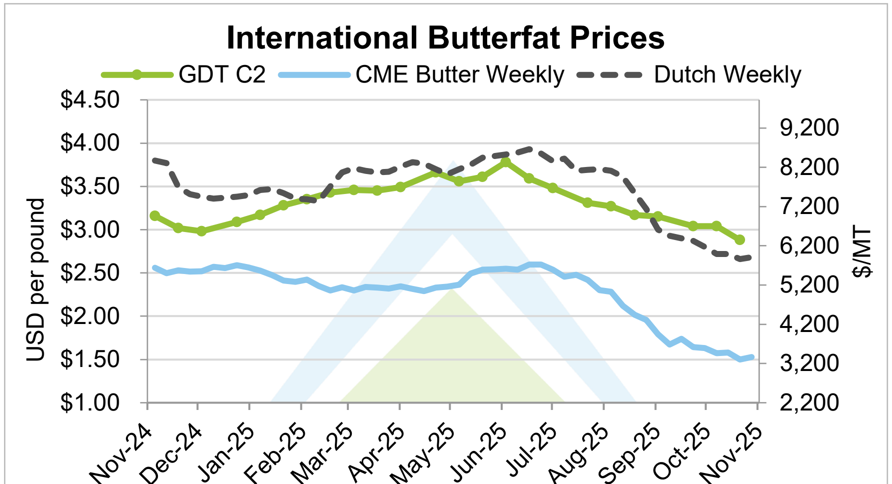
Global Dairy Prices

- European cheese prices have weakened, causing the gap between European and US values to narrow considerably. US cheese exports were a key strength throughout 2025, but with this price convergence, export volumes may soften during the first half of 2026.

- Meanwhile, butter is telling a different story. US prices have declined in step with the global market and continue to trade at a sizable discount to Europe and New Zealand. That pricing advantage could encourage additional US butter exports in 2026, although any boost to shipments is unlikely to meaningfully offset the heavy supplies, given that domestic consumption represents the bulk of total use.



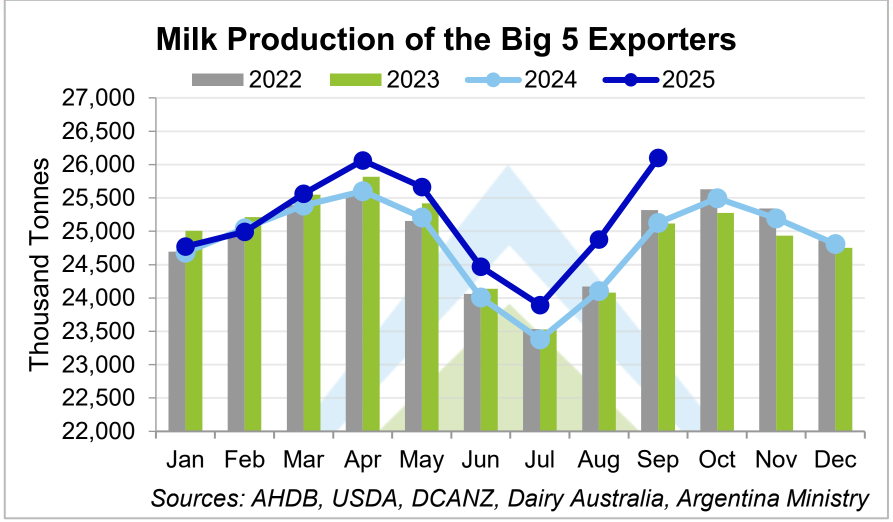
Sources: GDT, USDA, CME, EU Com.



Sources: USDA, DDB, CME

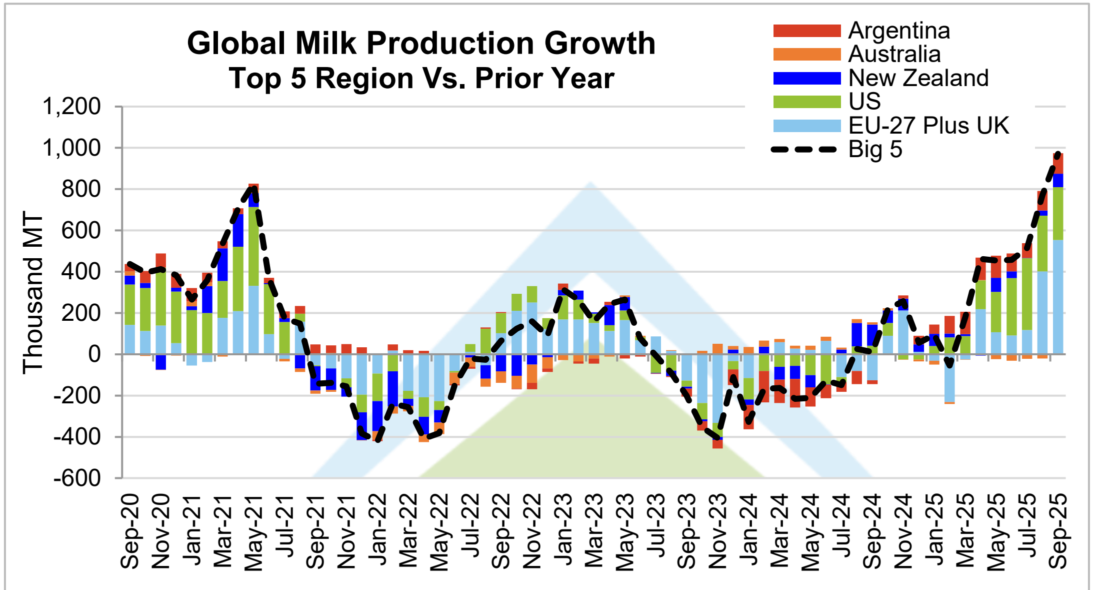
Global Milk Production

- Milk production in the top five dairy-exporting countries surged 3.9% year-over-year in September, marking seven straight months of annual gains.
- The massive jump was the strongest YoY increase seen since Europe's quota-removal era of 2017.



Sources: AHDB, USDA, DCANZ, Dairy Australia, Argentina Ministry

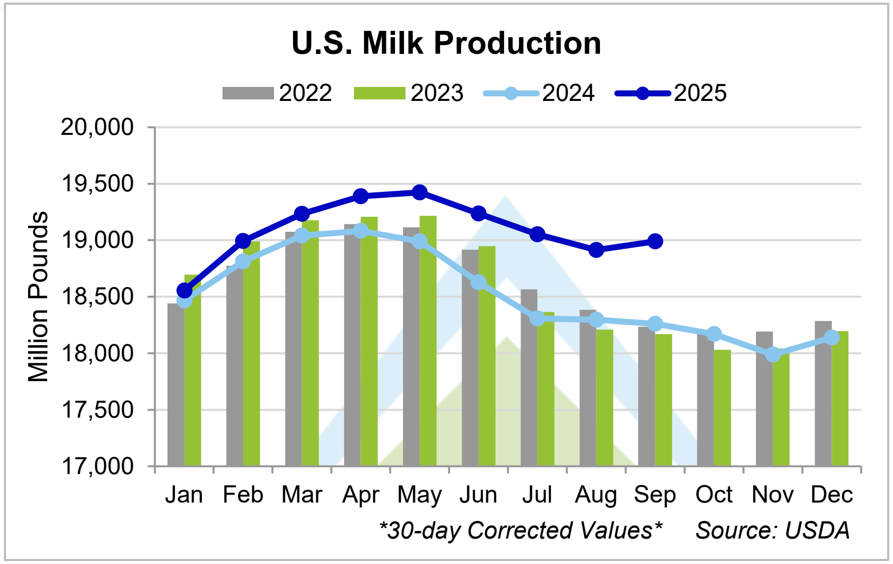
Year-Over-Year Percent Change in Production: Sep-25	
Country	**Percent Change**
EU-27 Plus UK	4.5%
United States	3.1%
New Zealand	2.5%
Australia	-0.4%
Argentina	9.9%
Big 5	*3.9%*

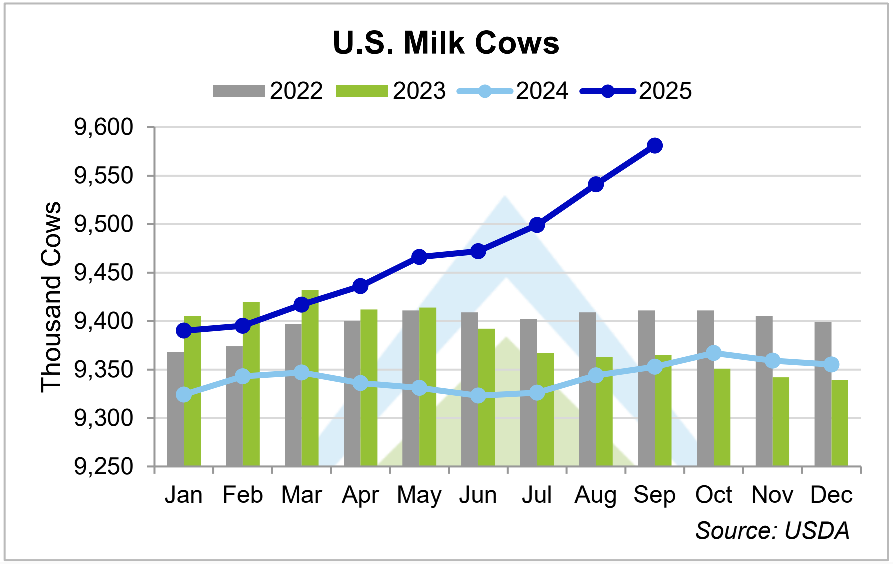


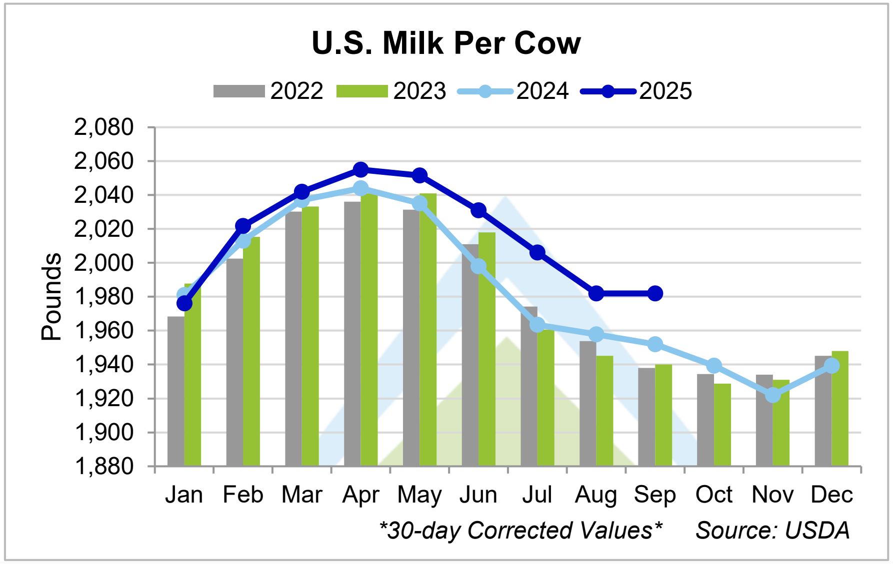
Sources: AHDB, USDA, DCANZ, Dairy Australia, Eurostat, Argentina Ministry, EU-27+UK

Milk Production

- The USDA finally released the highly anticipated (and delayed) September *Milk Production* report. September milk production grew a massive 4% from last year, recording the largest year-on-year percentage growth since May 2021.
- At 9.581 million head, the national herd expanded to its largest size since Q2 1993. Since the June 2024 trough, the US is milking 258,000 more cows (+2.8%). Just compared to last month, the US added 40,000 head.
- Not only are cow numbers reaching record levels, but yields are as well. September's milk per cow rose 1.5% year-over-year, marking a new record for the month.

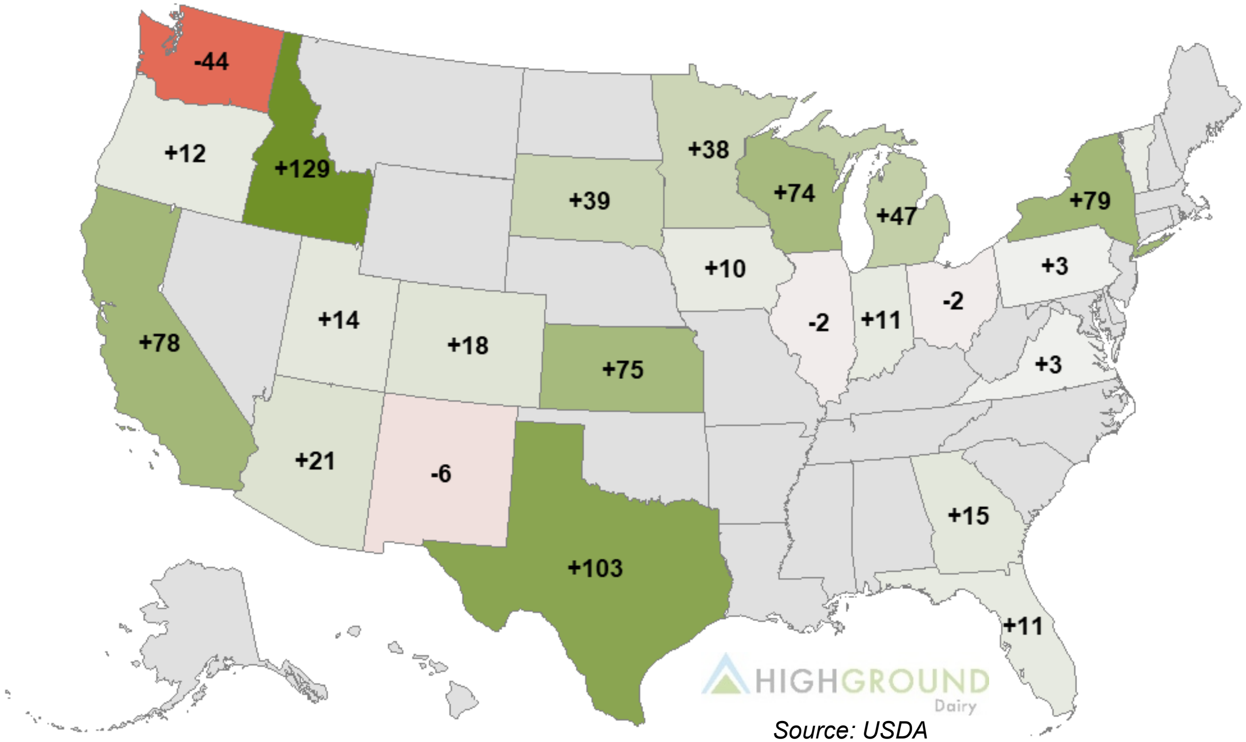






Year-Over-Year Change in Production: September 2025

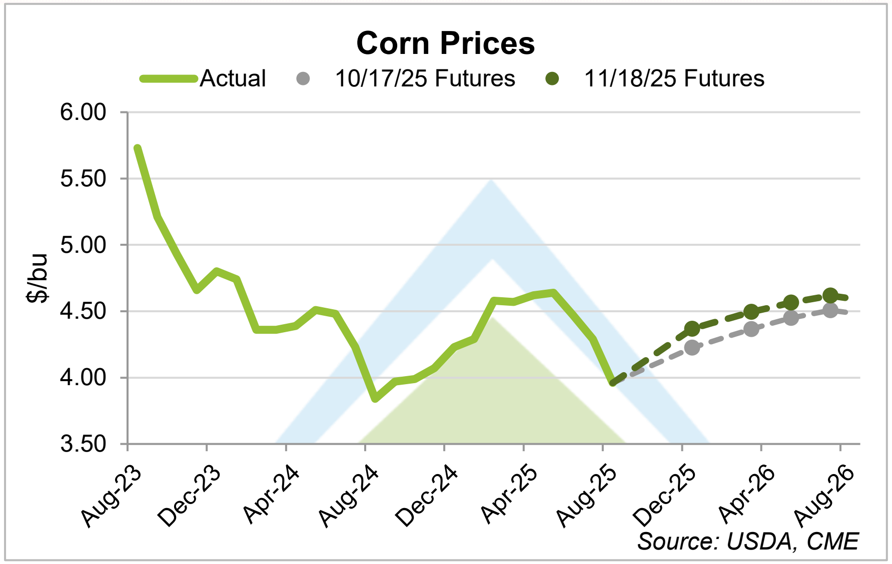
(million pounds)

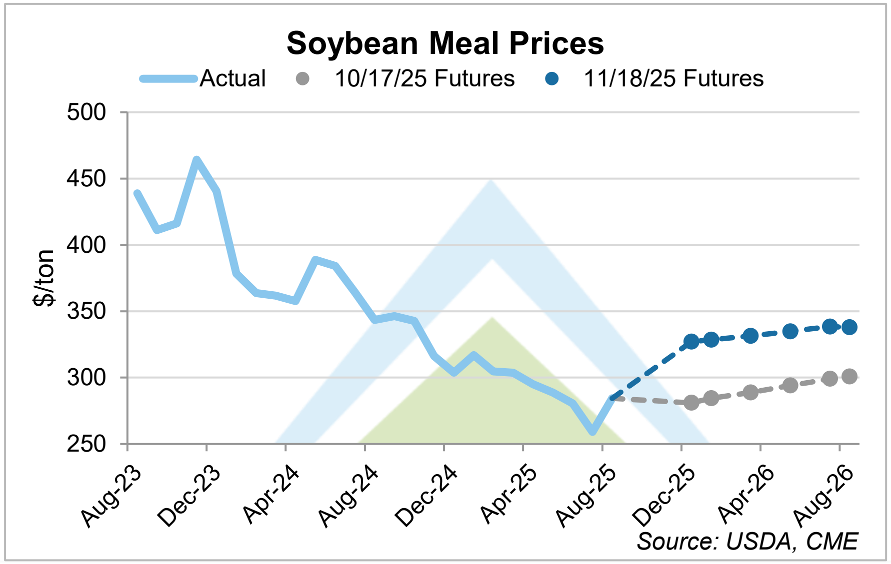


Source: USDA

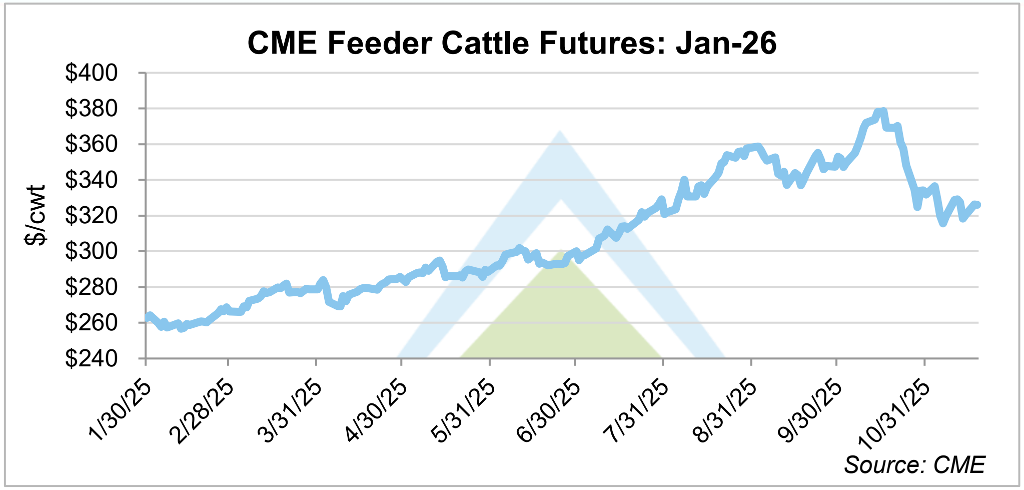
- Milk production growth was observed in almost all regions of the US. Among the top 24 milk-producing states, all but four increased production from last year, and more than half posted gains of over 4% year-over-year.
- Five states grew by more than 75 million pounds versus the prior year, including Idaho (+9.1% YoY), Texas (+7.4%), New York (+6%), California (+2.4%), and Kansas (+21.1%).
- Of the four states that posted year-over-year production declines, Washington stood out with far more than a modest drop, down 8.5%.

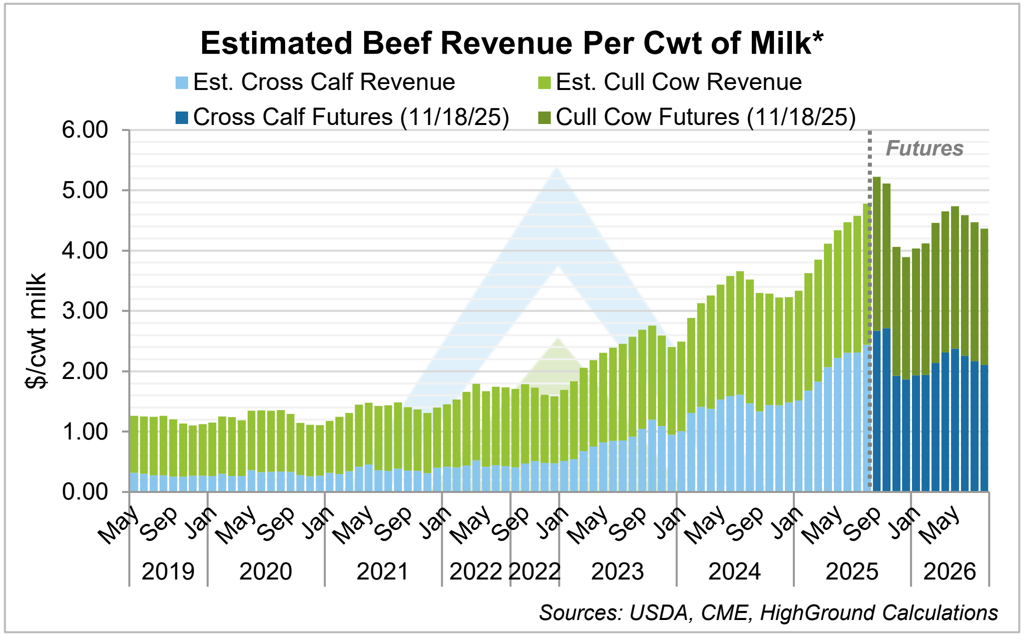
Feed Prices





- After trade tensions escalated last month, the US and China ultimately reached an agreement on a one-year trade deal. As part of the pact, China committed to purchasing 12 million metric tons of US soybeans during the 2025–26 crop season and 25 million metric tons annually over the following three seasons. The news was supportive for the soybean complex, with soybean meal futures rallying $37–$46 per ton versus last month for contracts through next year. Still, the path to meaningfully stronger exports for the current crop season remains uncertain, as the trade waits for China to step in and buy more US beans after already sourcing substantial supplies from South America.
- The USDA finally released its latest *WASDE* report after a two-month delay caused by the government shutdown. The November report trimmed projected corn yields slightly, while ending stocks increased due to larger beginning inventories. Even so, the trade agreement with China helped lift the broader grain complex, supporting a modest rebound in corn prices. Compared to last month, corn futures are up $0.11–$0.14 per bushel ($3.90–$5.10 per ton) for contracts over the next twelve months.





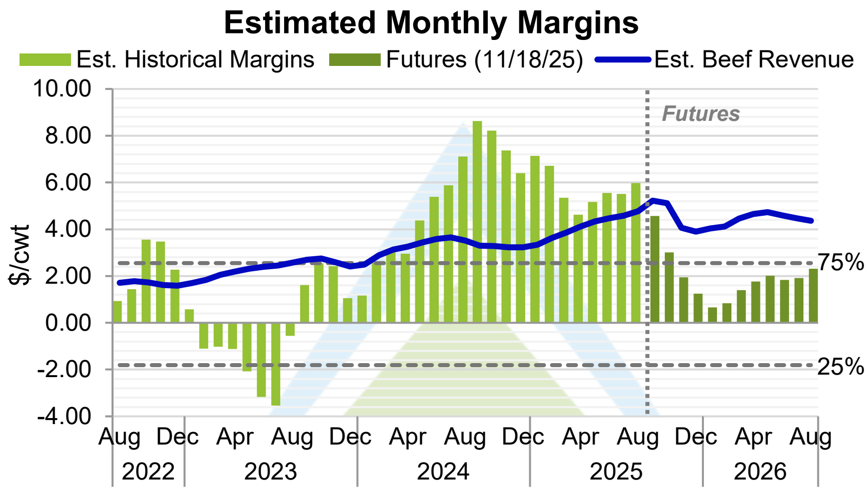
- If there was a single word to describe the past month in cattle, that word would be 'volatile'. A plethora of headlines tied to the Trump administration's efforts to lower cattle prices sent CME feeder cattle futures sharply lower beginning Friday, October 17. Since then, the administration has proposed quadrupling tariff rate quotas for beef imports from Argentina, discussed allowing cattle imports from Mexico, directed the Justice Department to investigate major meatpackers, and removed reciprocal tariffs on beef imports. All the headlines have sent feeder cattle futures on a wild roller coaster over the past month. From October 17 to November 18, CME feeder cattle futures fell between $30–$54/cwt in contracts over the next year.

- Despite all the political drama, beef supplies remain tight, keeping cull cow and beef-on-dairy calf prices historically strong. While prices have come off their record highs, beef revenue, according to HighGround's model, is projected at $3.89–$4.74/cwt of milk for November 2025 through September 2026, ranking in the 95th percentile 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.*

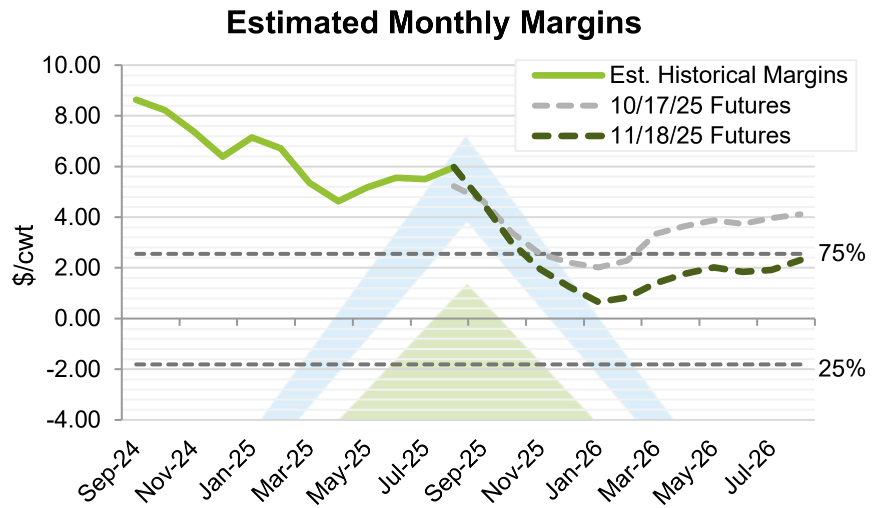
Margin Outlook

- The margin outlook eroded from last month, as weaker milk prices, lower beef values, and higher feed costs have all contributed to lower estimated margins going forward.
- According to HighGround's margin model, margins during the first half of 2026 have dropped an average of \$1.73/cwt. Projections are still decent by historical standards, with estimated margins ranking in the 60th percentile or higher compared to the past decade.



Dotted lines represent the percentile ranking compared to the past 120 months

Sources: USDA, CME, HighGround Calculations



Source: USDA, CME

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

- US milk production continues to grow, marking seven straight months of year-on-year gains. The country is milking the most cows since 1993, and milk per cow continues to set new monthly records. Although USDA data remains limited due to the government shutdown, strong milk and milkfat output are almost certainly contributing to the heavy supplies of butter and cheese that appear to be exceeding current demand, reflected by declining cash prices. While whey protein values remain the one area showing notable strength, significant headwinds loom for the other major dairy commodities.

- Geopolitical developments remain the primary driver of feed markets. The US and China reached a trade agreement at the start of the month, providing support to soybean markets and the broader grain complex. Under the deal, China committed to purchasing 12 million metric tons of US soybeans during the 2025–26 crop season and 25 million metric tons annually over the following three seasons. While the industry waits to see when and how much China will step in to buy, some remain skeptical about the potential for materially stronger US exports. Recent buying patterns suggest that China has already met a significant portion of its near-term demand through South America, and there is little indication that it plans to stockpile additional supplies.

- It has been a roller-coaster month for cattle, as news of government involvement sent futures sharply lower after reaching record highs in mid-October. While beef values have fallen significantly, they remain at historically strong levels. Even so, lower milk and beef prices alongside higher feed costs have reduced HighGround's margin projections for the coming year. If this month has taught us anything, it is that volatility can emerge at any time. HighGround continues to remind and encourage producers to actively monitor and manage their margins and take positions that help maintain profitability in an ever-changing environment.

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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