



*Dairy Producer*  
**MARKET UPDATE**

October 22, 2024

## CME Futures as of October 21, 2024

	Q4 2024	Q1 2025	Q2 2025	Q3 2025	Q4 2025
Class III (\$/cwt)	<b>21.57</b>	<b>20.19</b>	<b>19.45</b>	<b>19.45</b>	<b>19.42</b>
Vs. Last Month	<b>-1.32</b>	<b>+0.27</b>	<b>+0.25</b>	<b>+0.03</b>	<b>+0.06</b>
10-Yr Percentile	90%	84%	79%	79%	79%
Class IV (\$/cwt)	<b>21.16</b>	<b>21.30</b>	<b>21.41</b>	<b>21.42</b>	<b>21.38</b>
Vs. Last Month	<b>-1.06</b>	<b>-0.30</b>	<b>-0.09</b>	<b>-0.03</b>	<b>+0.20</b>
10-Yr Percentile	86%	86%	87%	87%	87%

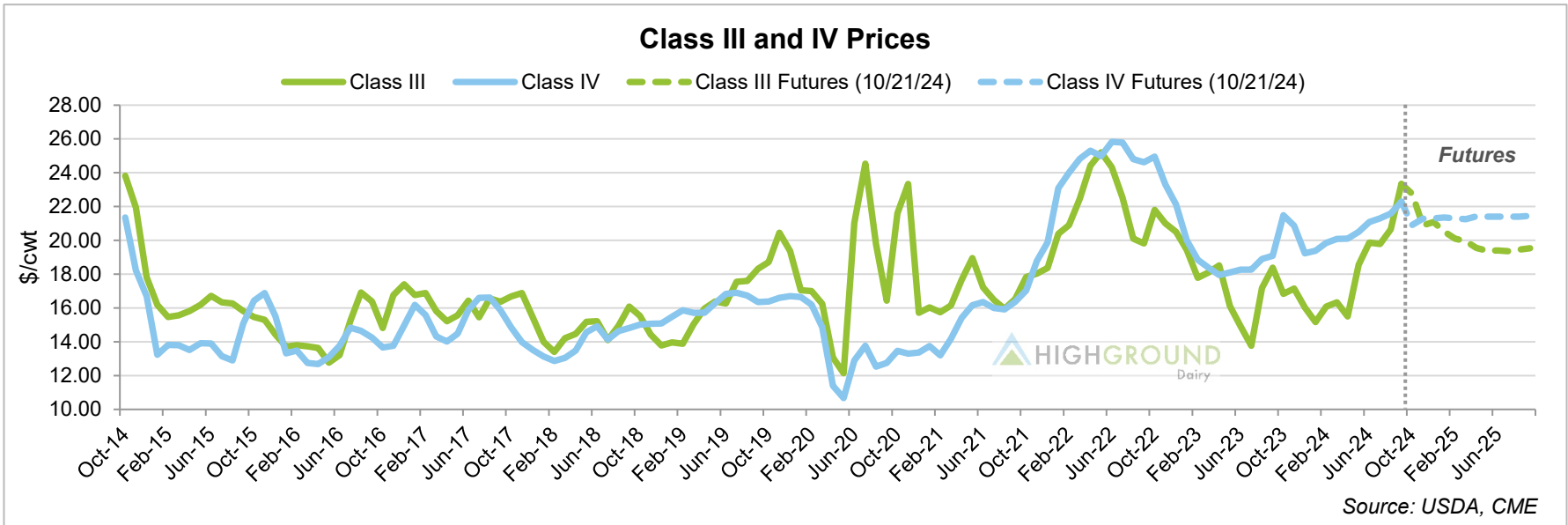
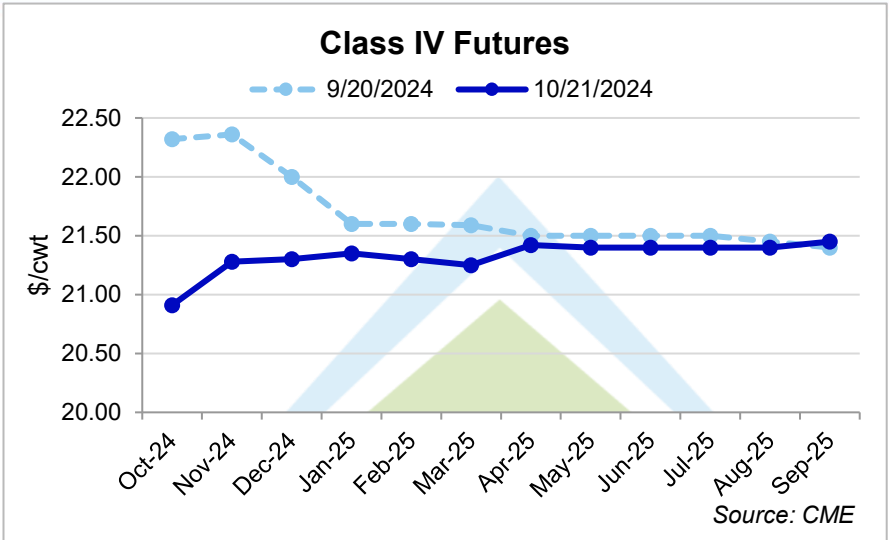
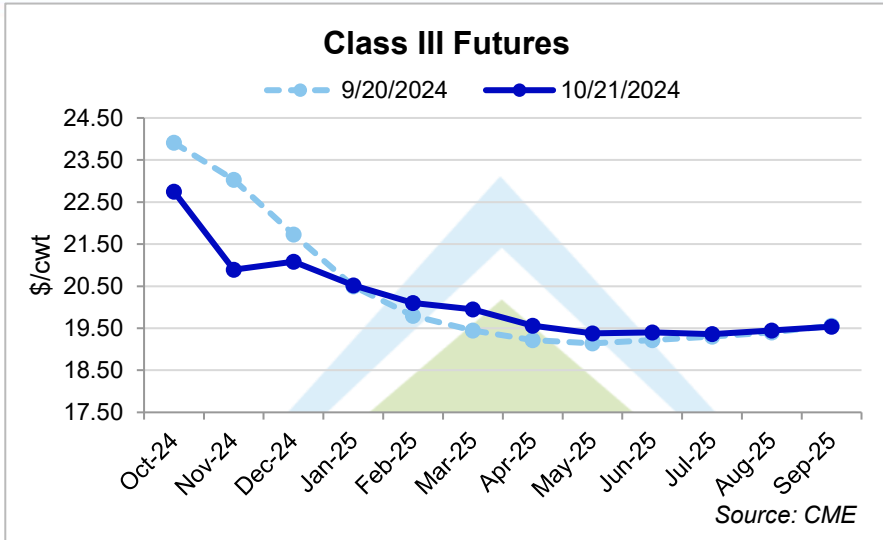
*Changes shown vs. Sep-20 Settlement Prices*

*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)."*

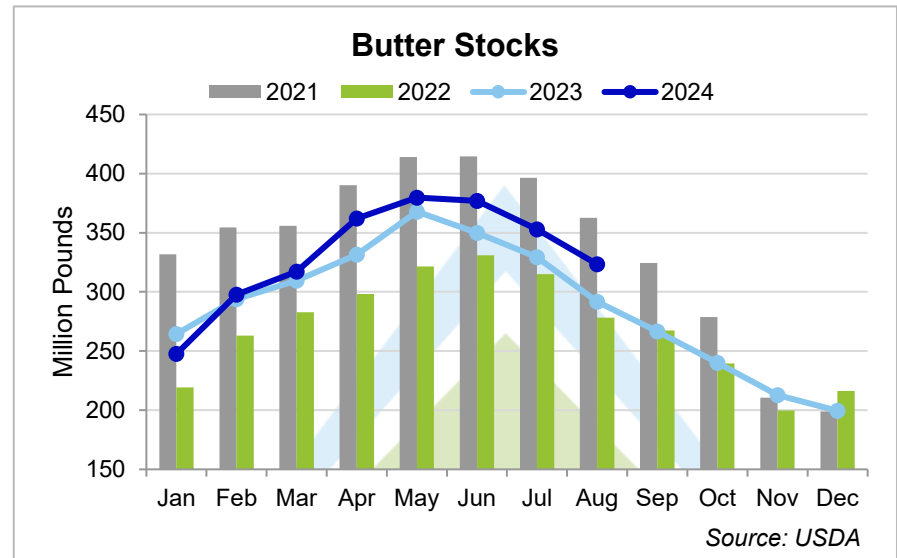
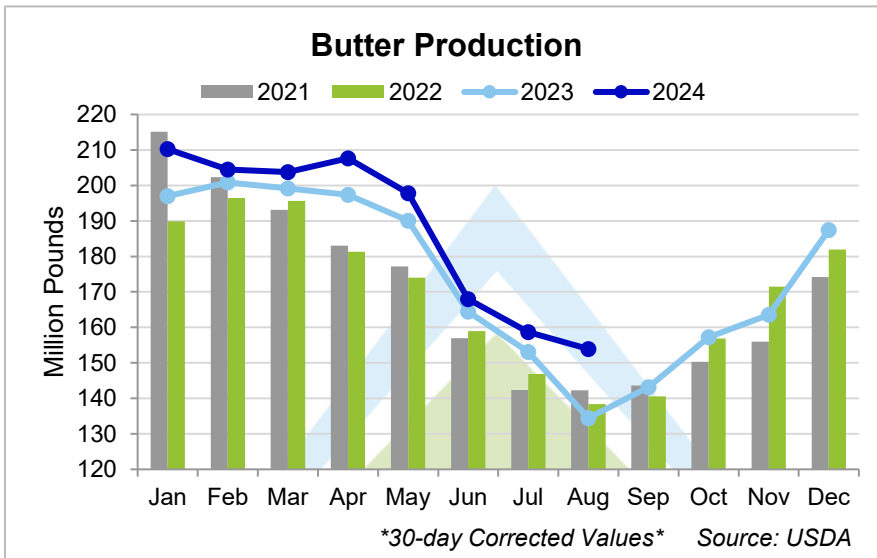
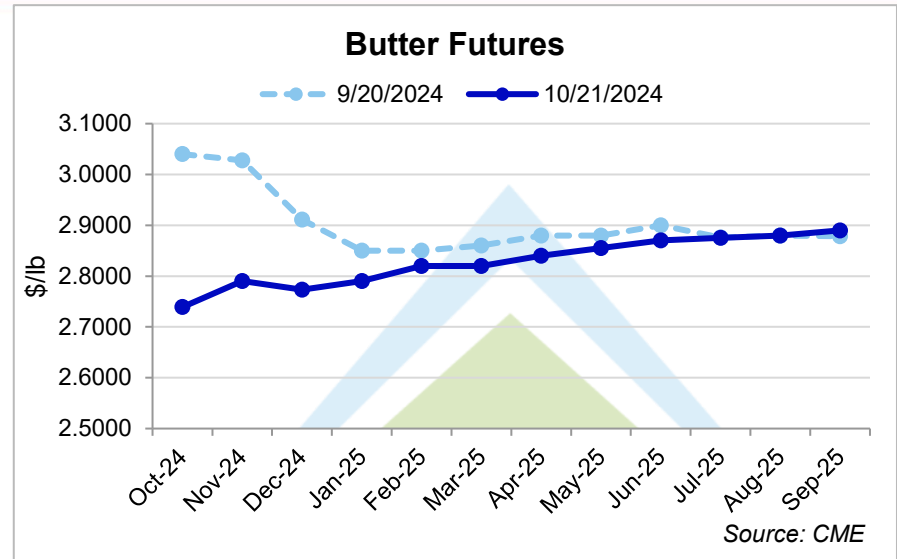
*Percentile Shading Key:*

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

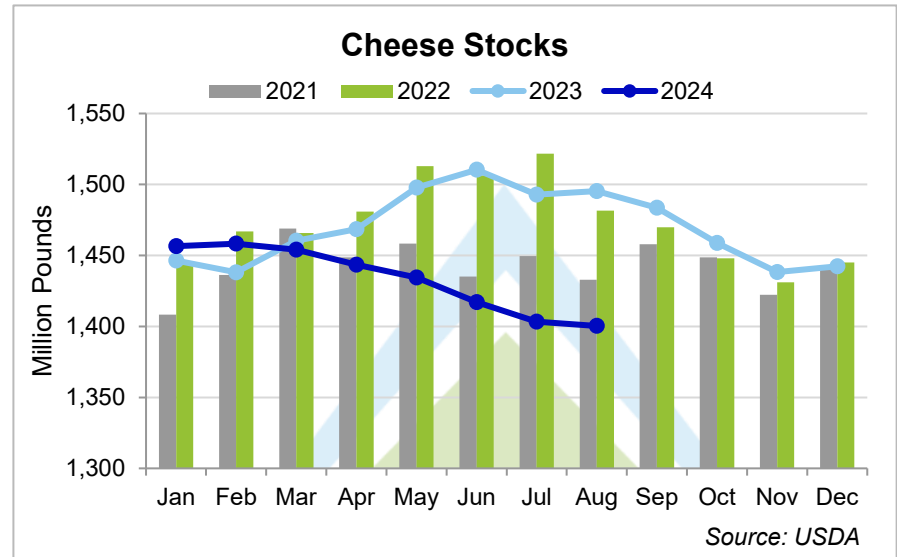
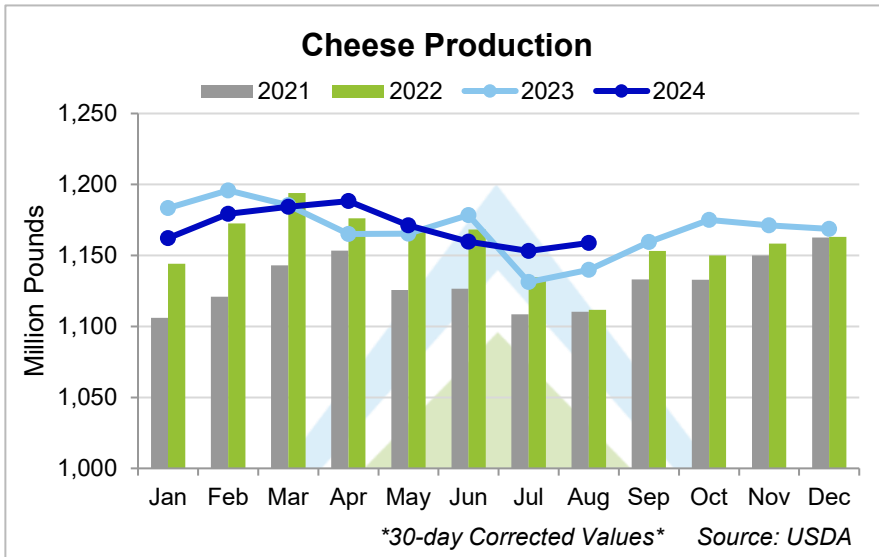
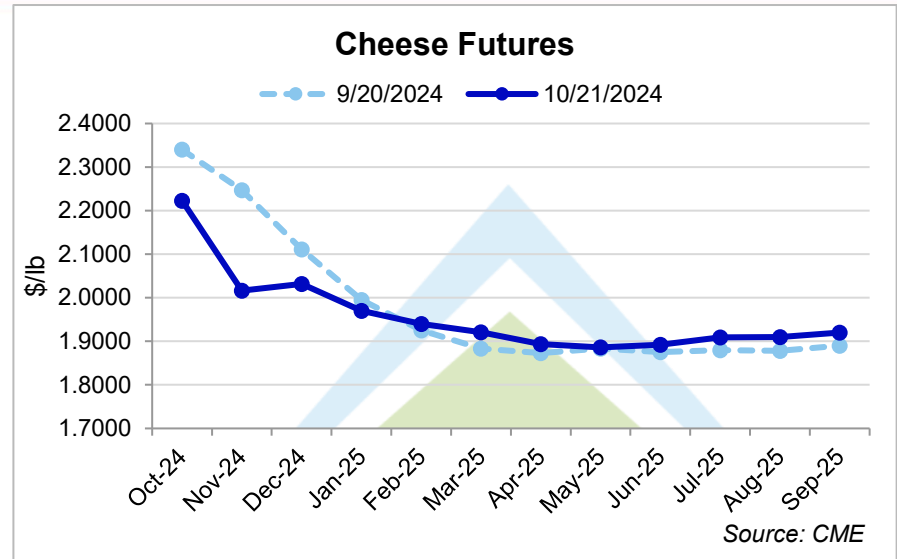
- CME Class III and IV futures for nearby months experienced sharp declines from last month, dropping over \$1.00/cwt each for Q4 2024. This downward trend is largely driven by weakness in CME spot markets for butter and cheese. From September 20 to October 21, CME spot butter prices dropped \$0.2425/lb (-8.2%), while block cheese decreased \$0.3175/lb (-14.2%) and barrel cheese fell \$0.61/lb (-23.6%).
- Despite the drop in Q4 2024 Class III futures, the first half of 2025 experienced moderate gains, up \$0.26/cwt on average.
- Butter futures took a significant hit from last month, down an average of \$0.23/lb in Q4 2024 contracts and roughly \$0.04/lb for the first half of 2025. Class IV futures moved lower through Q3 2025.



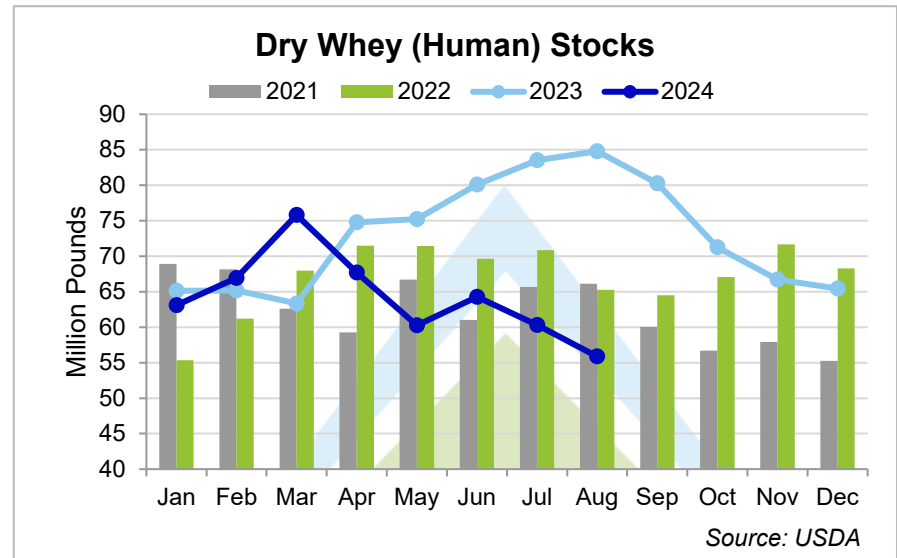
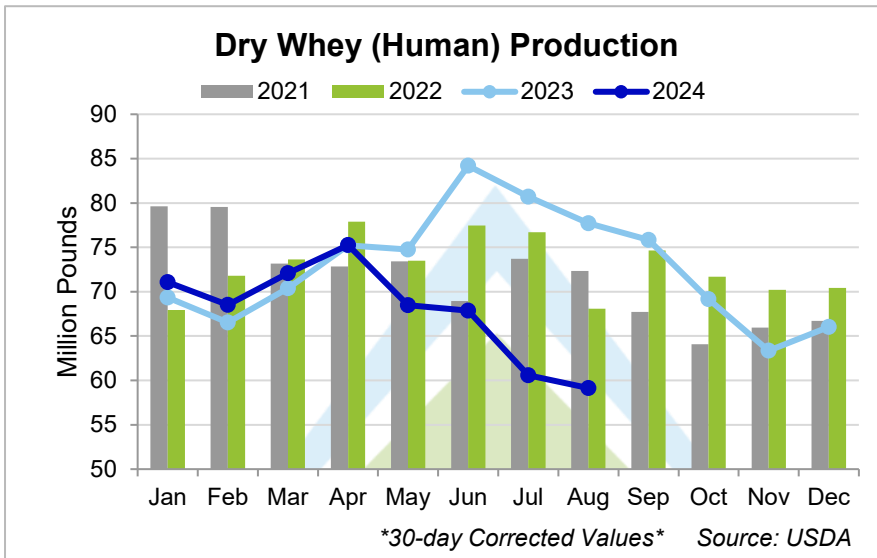
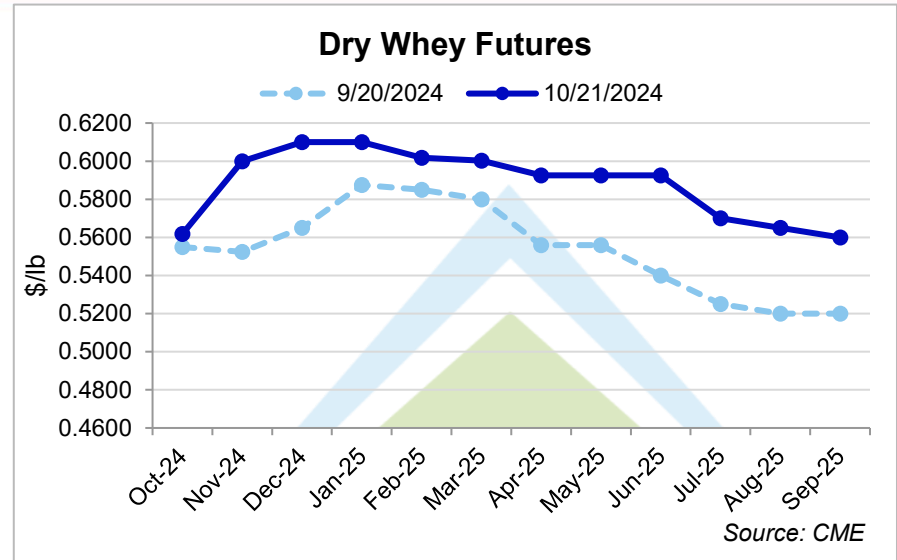
- In August, butter production jumped a whopping 14.5% year-over-year, logging its largest total for the month by nearly eight million pounds. Further, the month-to-month decrease of 3% was less than the five-year average of -5.1%.
- August butter stocks rose 10.8% from the prior year, marking seven straight months of annual increases. Butter inventories recorded their third-highest August level in the past 30 years.



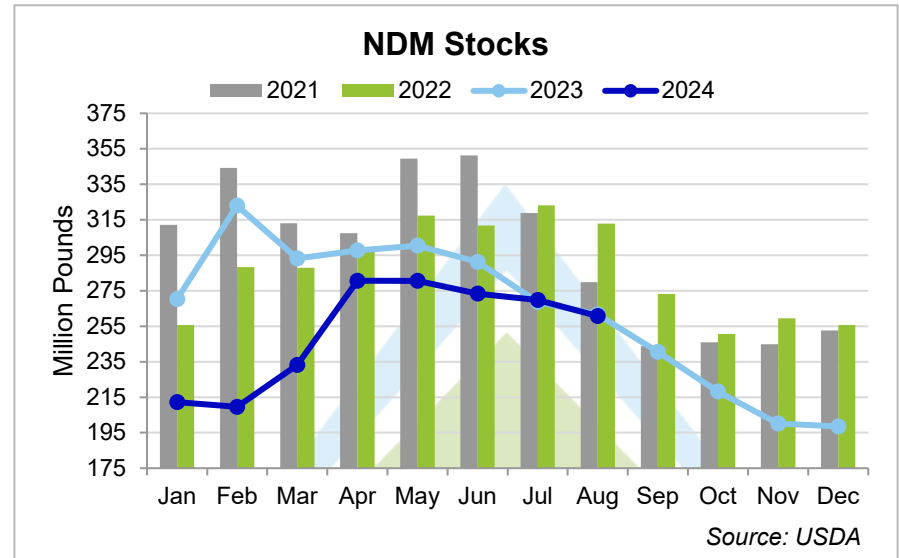
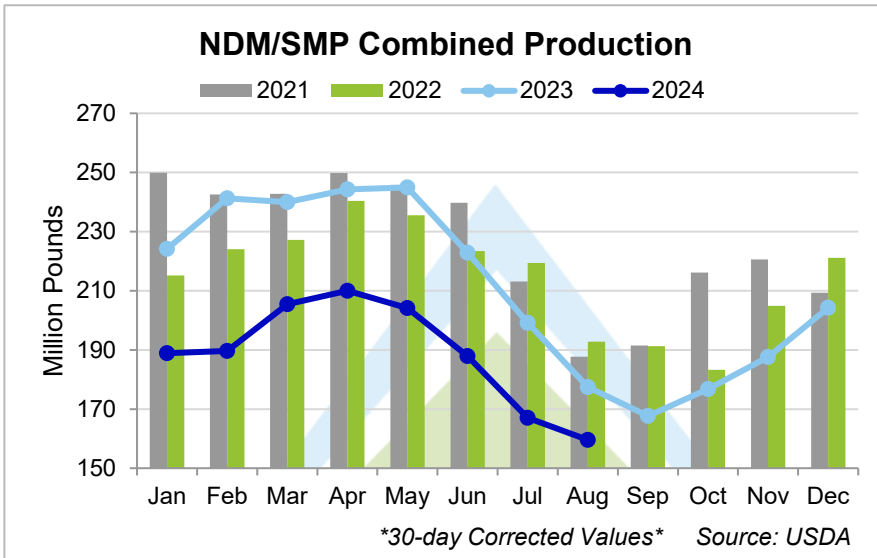
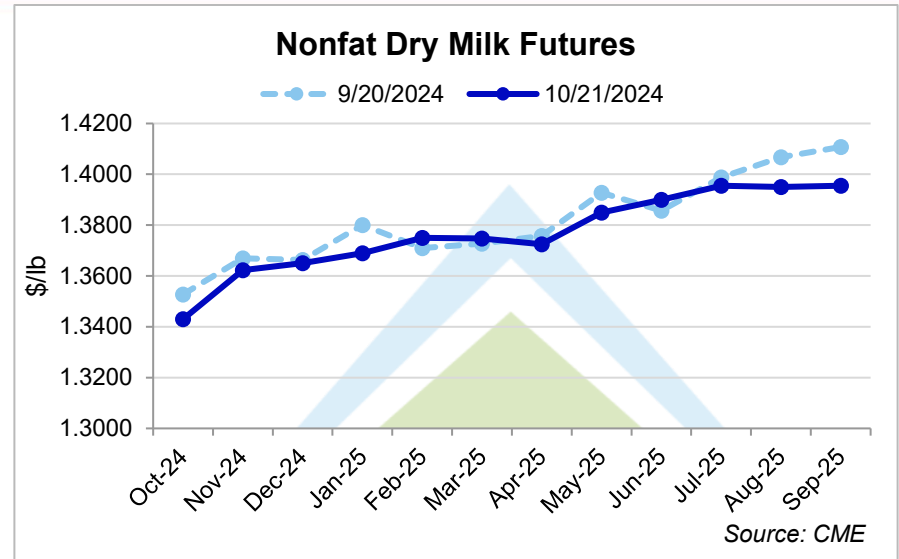
- For the second month in a row, total cheese production grew from last year, up 1.7% in August. Although Cheddar production remained below 2023 levels, the counterseasonal July to August increase of 3.3% indicates production is normalizing.
- August's total cheese inventories fell year-over-year for the sixth consecutive month, down 6.4% compared to last year. However, the month-on-month decrease of three million pounds (-0.2% MoM) was significantly smaller than in previous months and well below the five-year average drop of 13.7 million pounds, suggesting that cheese stocks are stabilizing.



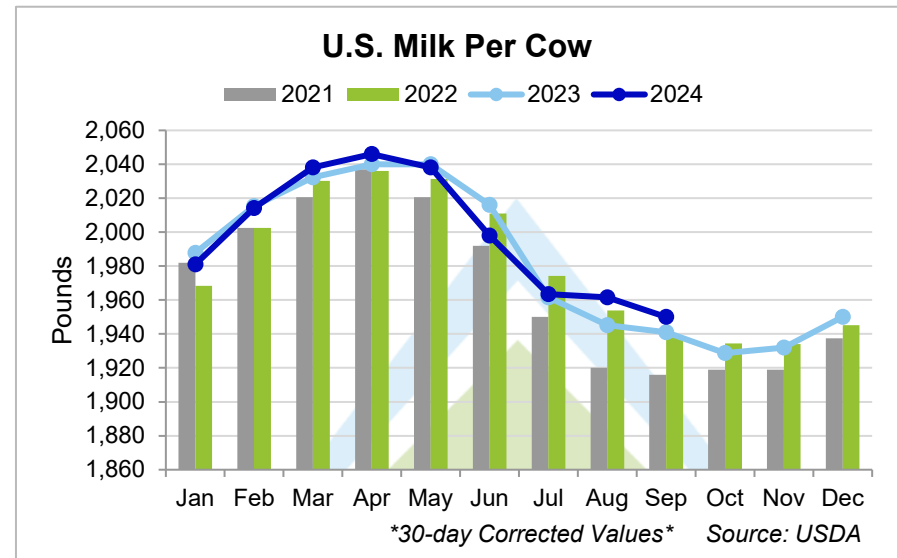
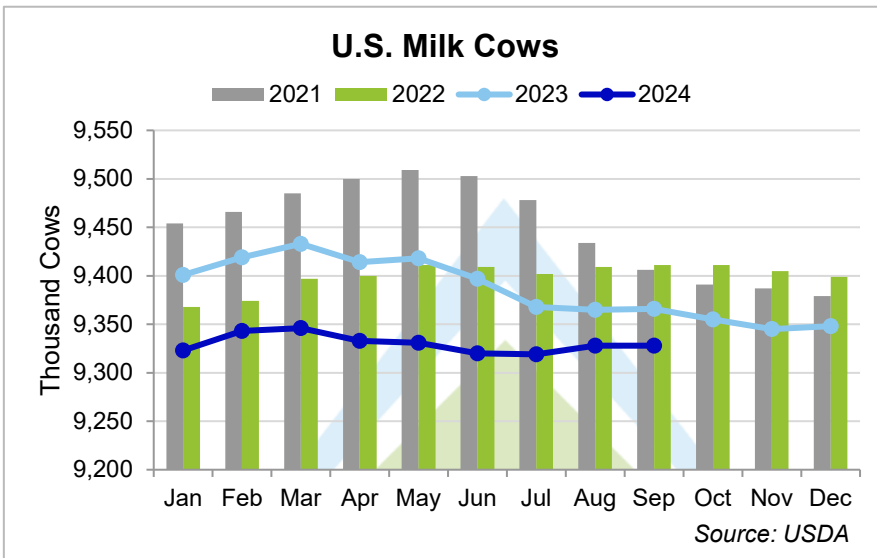
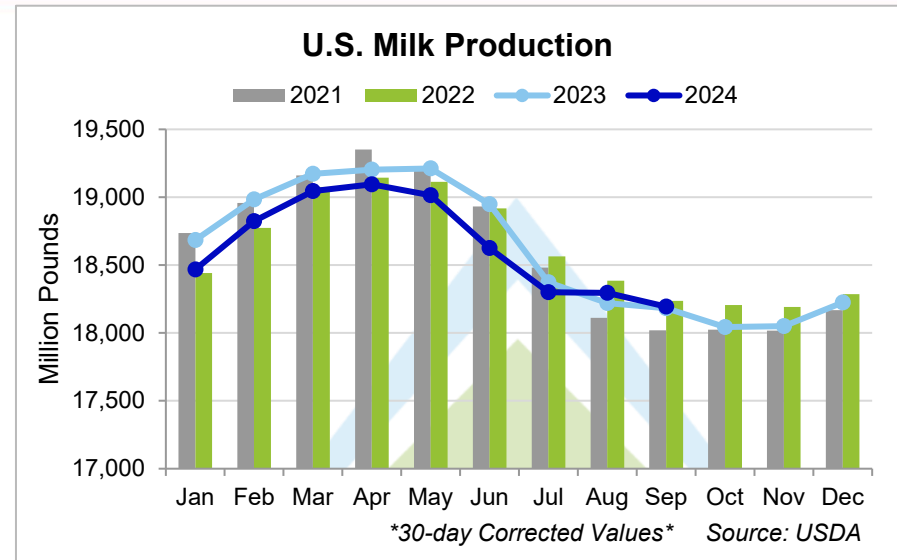
- With a major plant down this summer, August dry whey production dropped 23.9% year-over-year, sinking to its lowest monthly level since December 1984.
- As production fell to 40-year lows, stocks declined 34.1% from last year, dropping to their smallest mark since January 2022.
- Dry whey production should improve in the coming reports, as industry sources cite that capacity came back online in September, but these declines help explain CME spot prices near \$0.60/lb.



- Combined production of NDM and SMP declined 3.4% from the prior year, printing the lowest figure since November 2019 and marking the fifteenth month in a row of a year-over-year decrease. Individually, NDM production increased year-over-year for the first time since October 2023.
- August's NDM stocks were slightly below the prior year, down 0.4% and the lowest for the month since 2016.



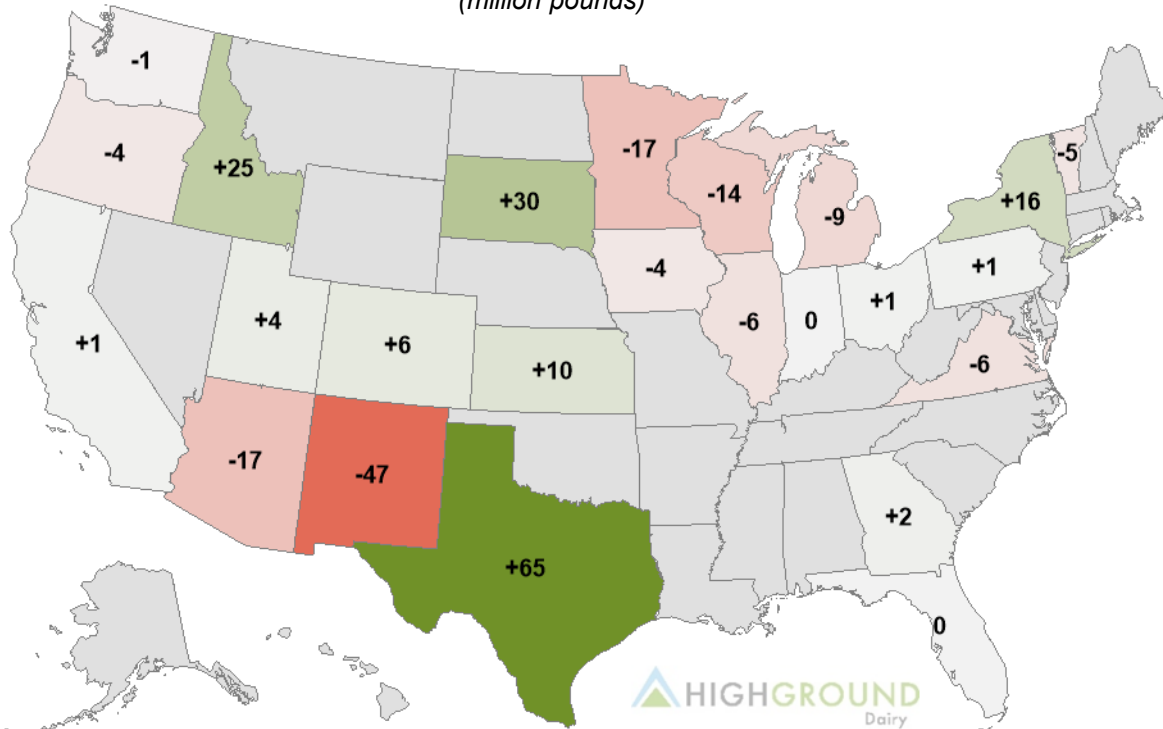
- U.S. milk production rose 0.1% year-over-year in September. In the same report, the USDA significantly revised August production upward, recording a 0.4% increase and logging the first year-over-year gain in 14 months.
- September's cow numbers remained below prior-year levels, down 38,000 head from September 2023 and the lowest level for the month since 2015. The national herd remained unchanged from August. Still, the year-over-year change is narrowing, as August and September's 0.4% declines are the smallest since July 2023.
- Milk yields improved 0.5% from the prior year.





## Year-Over-Year Change in Production: September 2024

(million pounds)



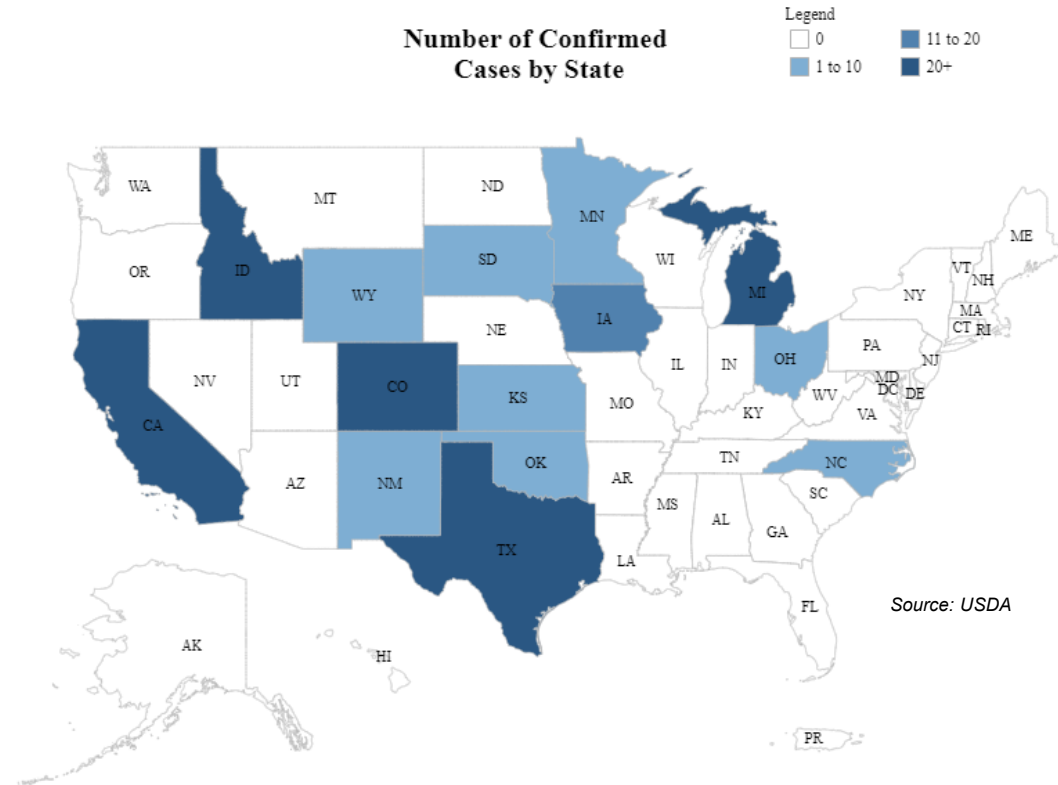
Source: USDA

- California milk production remained unchanged versus the prior year in September. Despite hot temperatures and bird flu spreading in the state, USDA reported California milk yields up 0.3% from last year.
- Kansas and Texas are geared up for the new cheese factories that are coming online. Texas posted an impressive 4.9% year-over-year rise in milk volumes, and Kansas was up 3%.
- Idaho milk production observed a notable rebound after a two-month hiccup from bird flu. Production in the state was up 1.8% year-over-year in September.

## Highly Pathogenic Avian Influenza (HPAI)

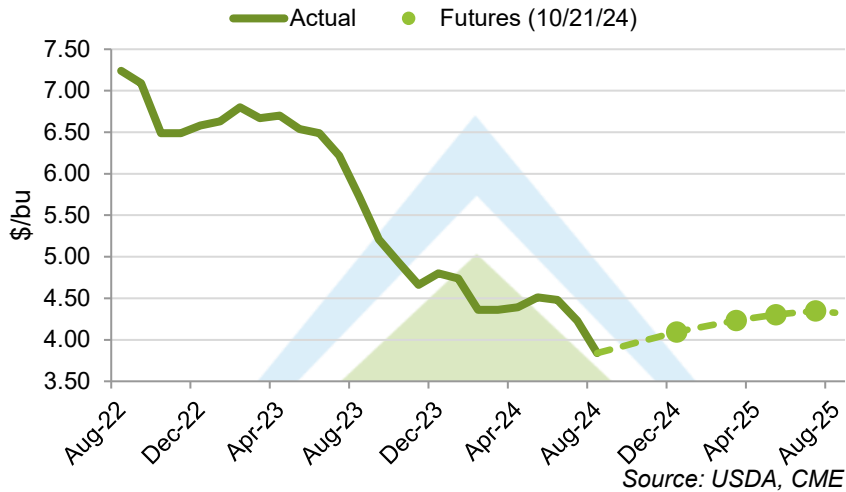
- According to [USDA APHIS](#), as of October 21, 2024, HPAI has been confirmed in 331 dairy herds within 14 states, 131 of which are in California. Over the last 30 days, there have been 99 confirmed cases across just two states (CA +97 and ID +2). California has now reported the most cases of any state, though increased testing there heavily influences those figures.
- The [California Department of Food and Agriculture](#) (CDFA) reports 11 human cases of bird flu in California, as of October 18.
- The FDA confirms that pasteurized milk/dairy products and ground beef are **SAFE** for human consumption.

### USDA HPAI Detection in Livestock Operations as of October 21, 2024



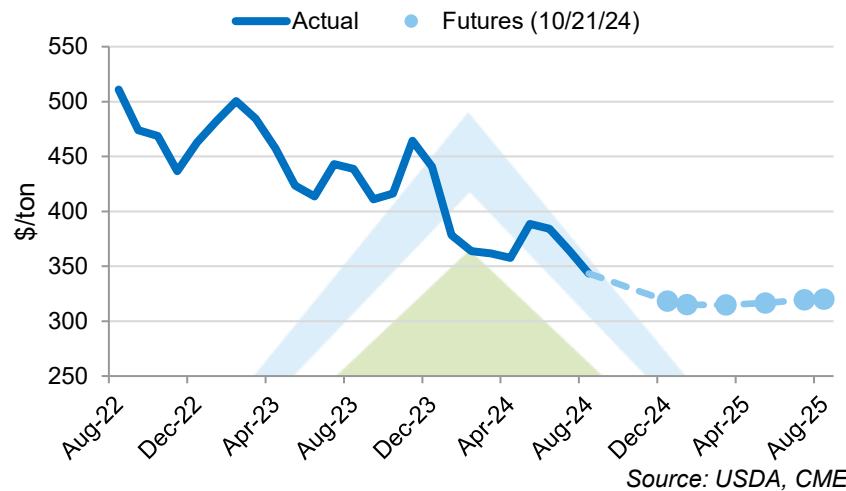
To stay up to date on news surrounding this issue, check out the resource center on our website: [“Navigating HPAI: Dairy Market Resource Center”](#).

## Corn Prices

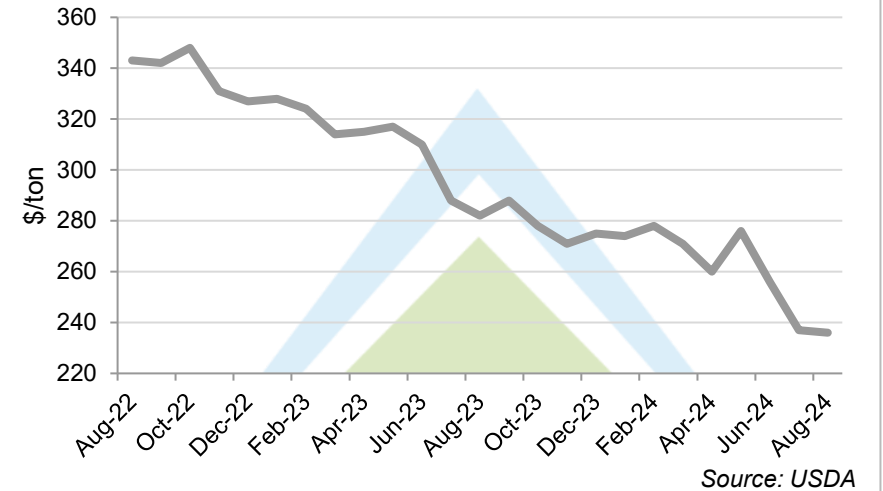


- Following USDA's release of the October *WASDE* report, expectations of record corn and soybean yields have continued to keep a lid on futures. Activity was limited in corn futures, but with soybean ending stocks projected to rise by 29% versus last year, the entire soybean complex remains under pressure.
- August's average premium and supreme quality alfalfa hay price in the top five major dairy states dropped \$1/ton from last month to \$236, the lowest value since June 2021.

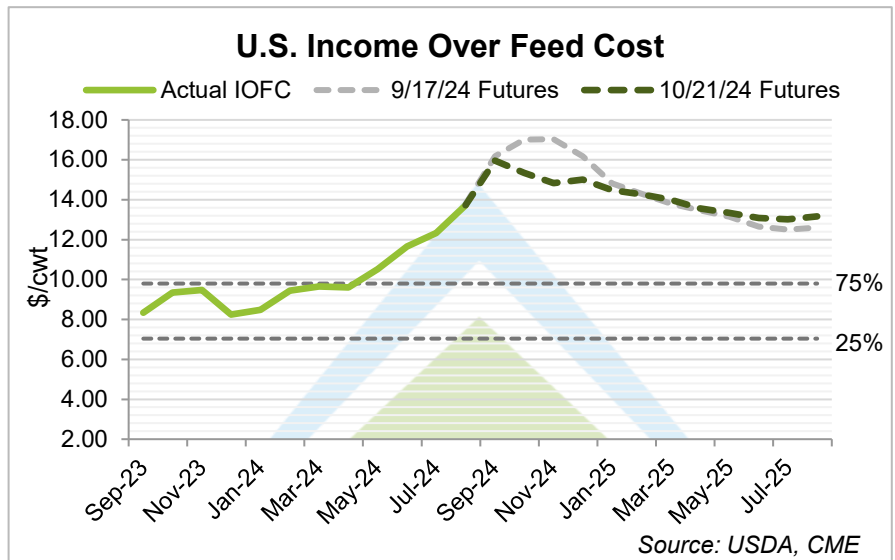
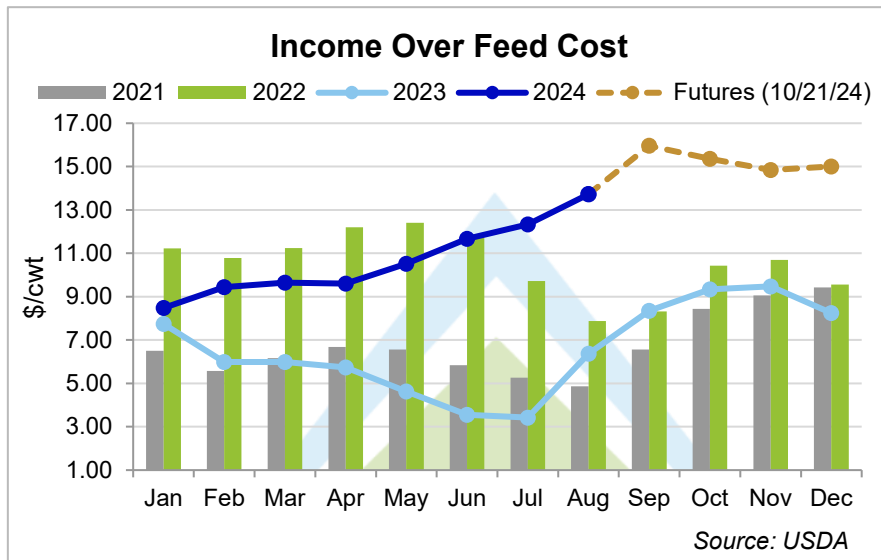
## Soybean Meal Prices



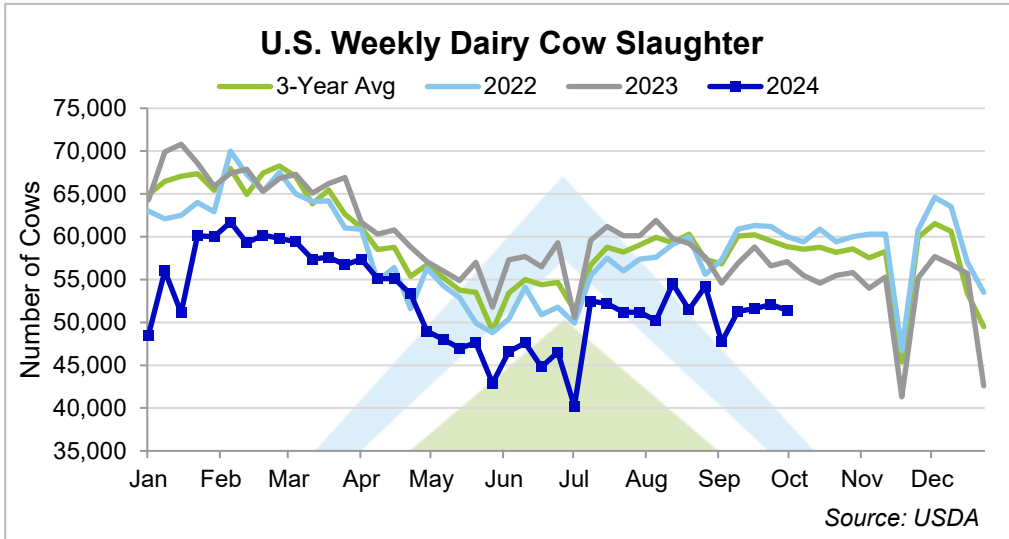
## 5-State Premium and Supreme Alfalfa Hay



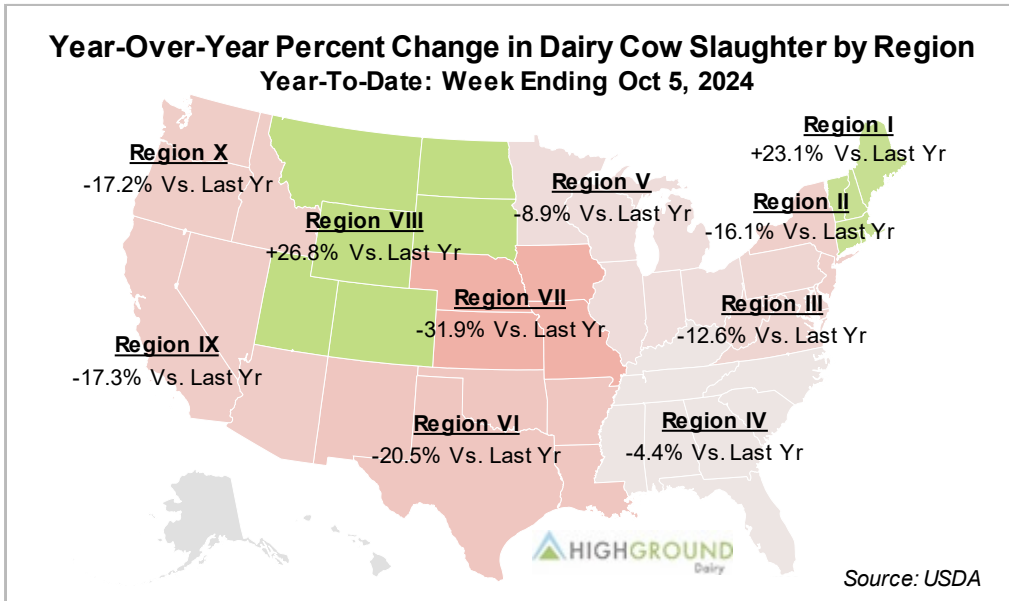
- In August, the Dairy Margin Coverage program's Income Over Feed Cost (IOFC) calculation rose \$1.39/cwt from July to \$13.72/cwt. Both improved milk prices and lower feed costs contributed to the significant gain. August's all-milk price of \$23.60/cwt was the highest since December 2022, while the average corn price of \$3.84/bu was the lowest since November 2020.
- The nearby IOFC outlook declined from last month's forecast on September 17, as projections for September 2024 through February 2025 decreased between \$0.23/cwt and \$2.19/cwt. Despite lower corn and soybean meal prices, significant declines in Class III and Class IV futures drove the outlook downward. Still, the projected IOFC levels for the next 12 months are historically strong, ranking in the 97<sup>th</sup> percentile or higher compared to the last ten years, indicating strong profit margins for producers.



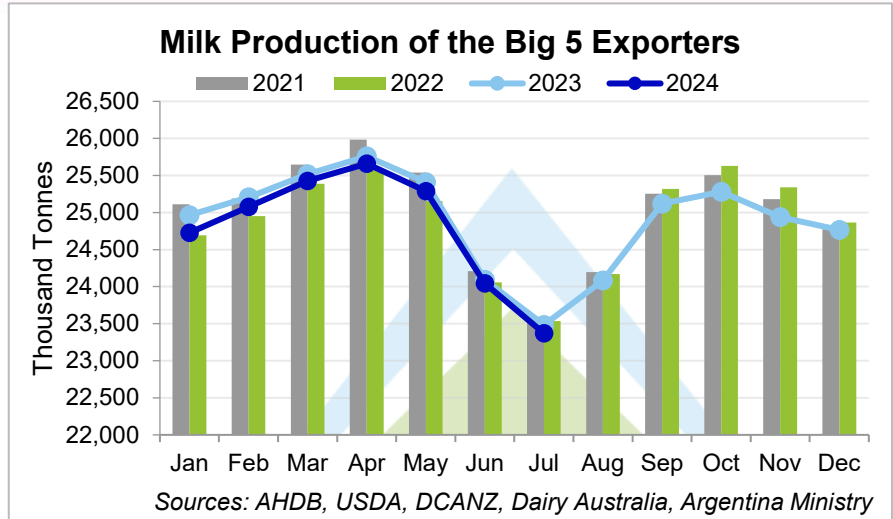
Income over feed cost is calculated using USDA-FSA Dairy Margin Coverage program formulas. The projected margin utilizes milk and feed futures as inputs. An estimate for milk is calculated using dairy product futures and historical trends for component levels. Feed is calculated from corn and soybean meal futures along with recent premium alfalfa hay prices.



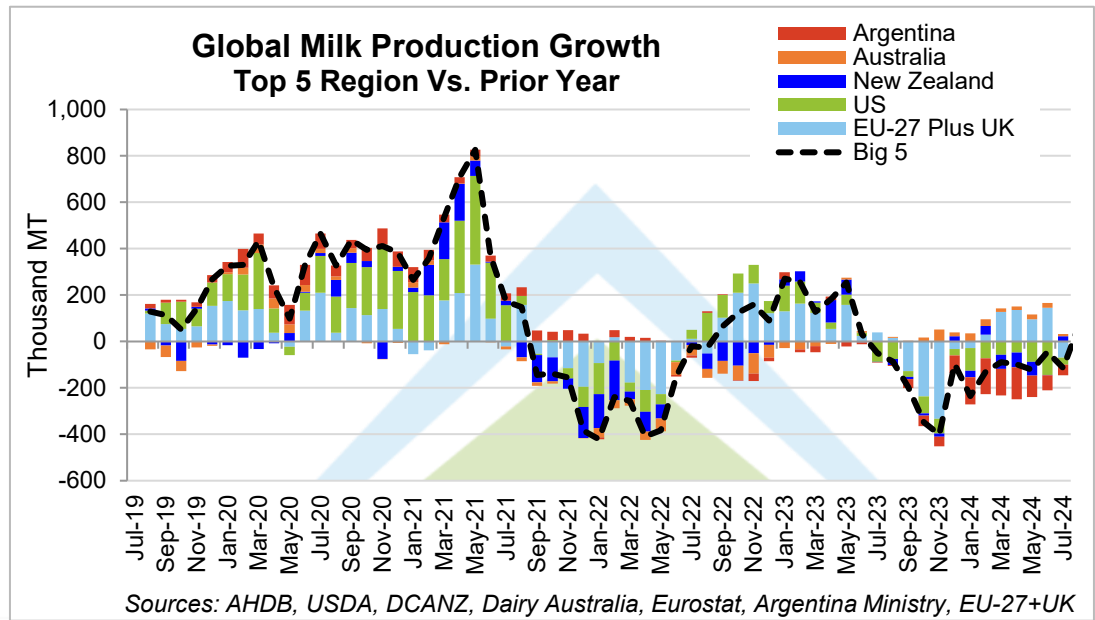
- Slaughter continues to lag prior-year levels. Total U.S. dairy cow slaughter for the week ending October 5, 2024, was down 5,700 head from the same week last year (-10% YoY).
- During the last two weeks, however, slaughter in the West (Region IX) increased year-over-year for the first time since September 2, 2023, as California producers culled high-risk cattle in anticipation of bird flu potentially spreading to their herds.
- Year-to-date, dairy cow slaughter is 335,200 head lower than the same period last year (-13.8% YoY) with the largest losses in the West (Region IX; -102,100 head) and Southwest (Region VI; -68,600 head).



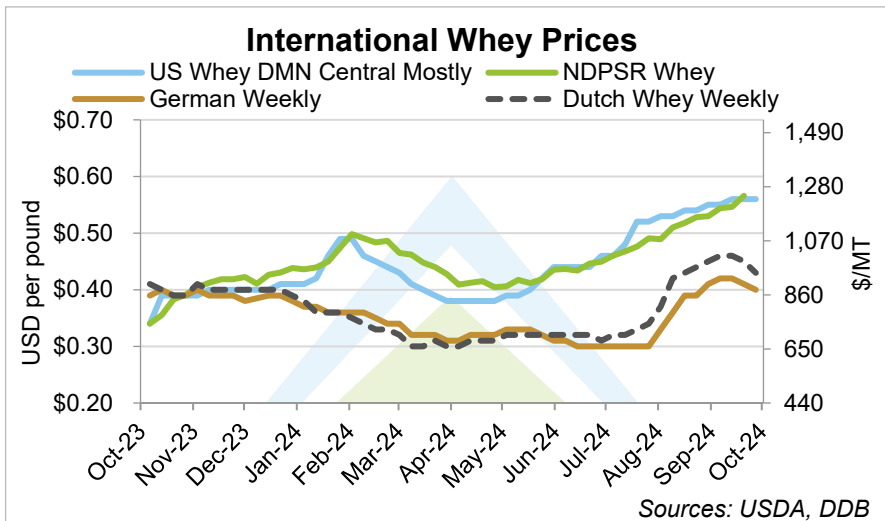
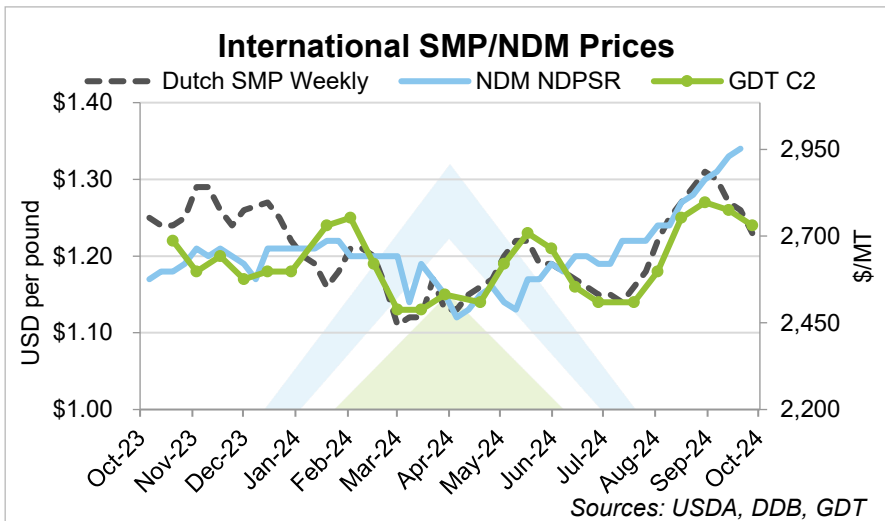
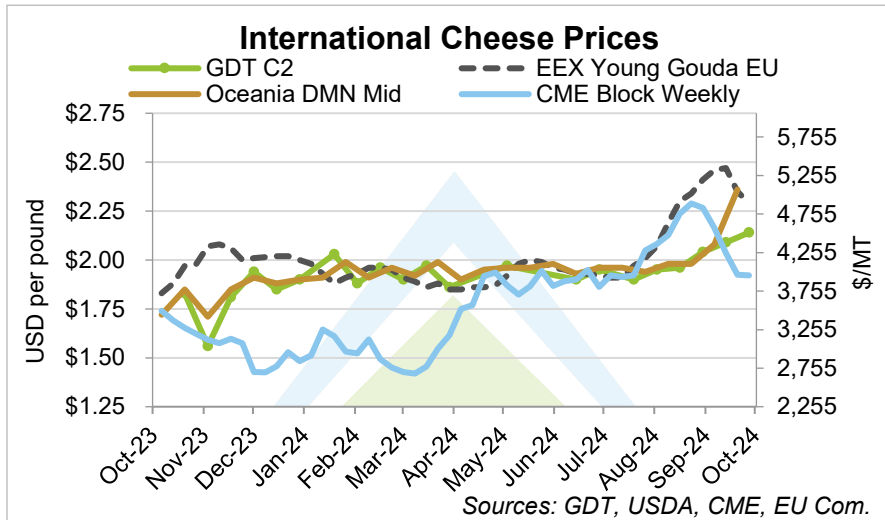
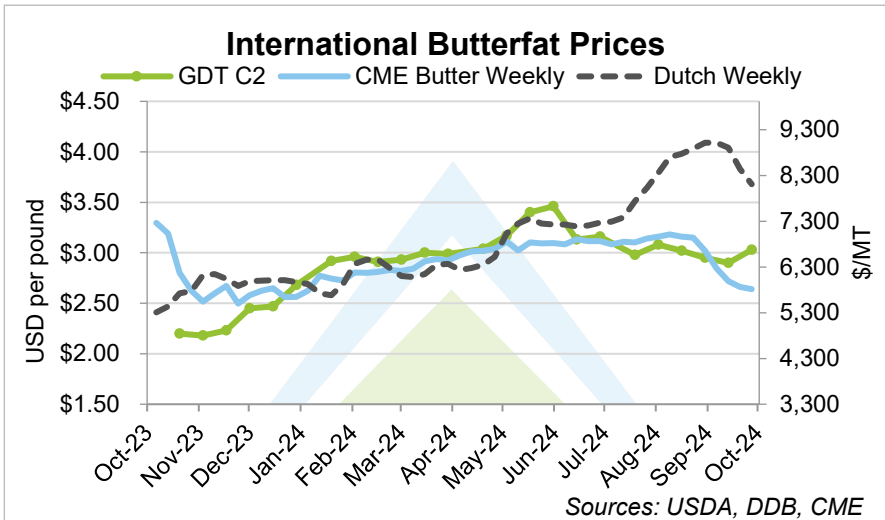
- Milk production in the top five dairy-exporting countries decreased 0.5% year-over-year in July, marking thirteen months of annual declines.
- The EU-27+UK declined by the largest magnitude compared to the prior year, dropping 71,700 MT, as Bluetongue impacts cattle. Milk production was also lower in Argentina and the U.S., down 47,100 MT and 31,800 MT, respectively, from last July.
- New Zealand and Australia increased production versus last year. New Zealand grew 24,000 MT, while Australia rose 9,300 MT.

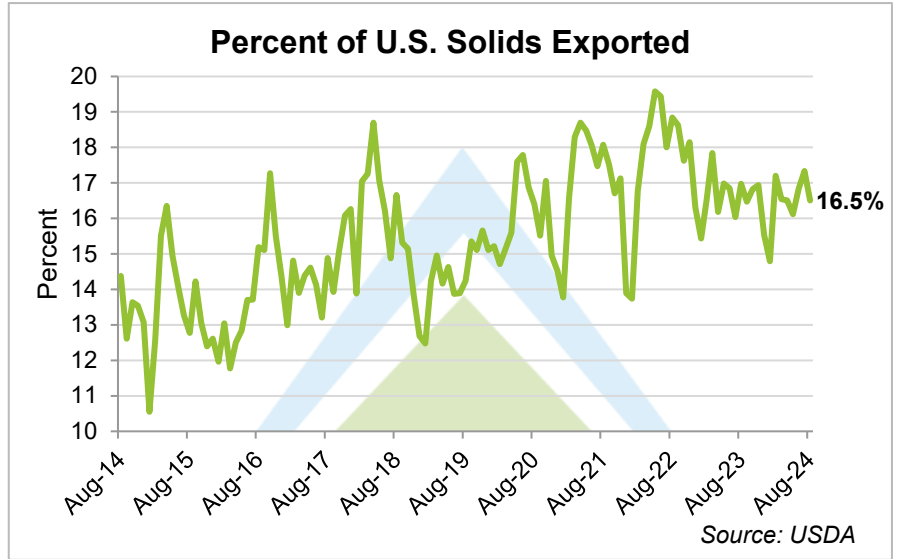
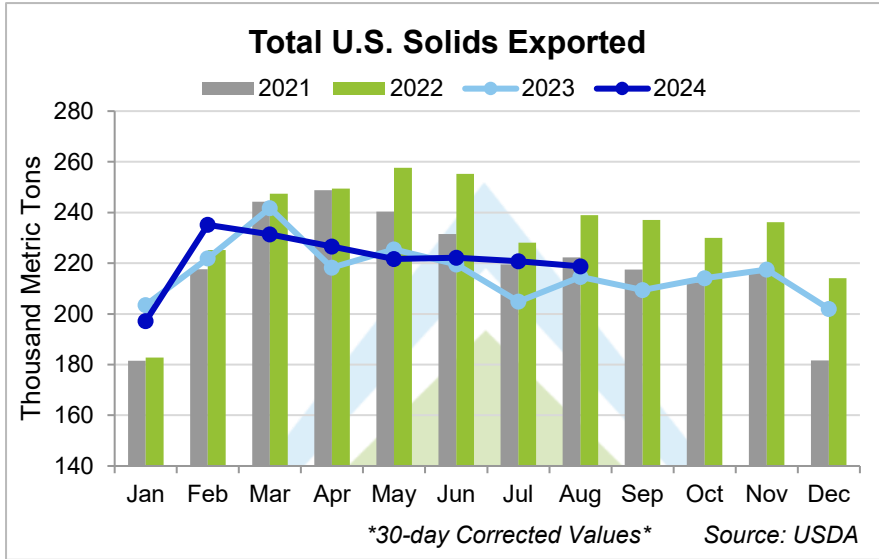


Year-Over-Year Percent Change in Production: Jul-24	
Country	Percent Change
EU-27 Plus UK	-0.5%
United States	-0.4%
New Zealand	8.4%
Australia	1.6%
Argentina	-4.8%
<i>Big 5</i>	-0.5%



International markets began rising in late summer. Global cheese and butter prices now exceed those in the U.S.

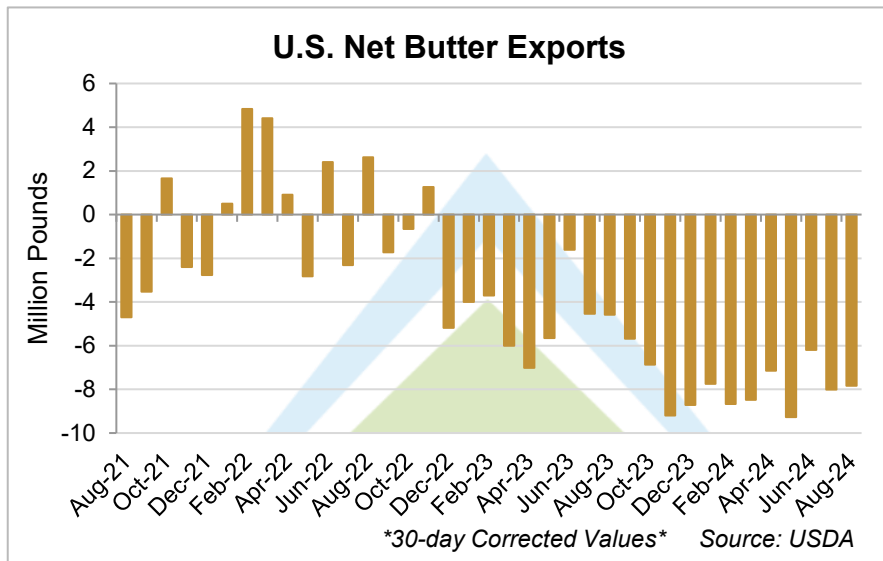
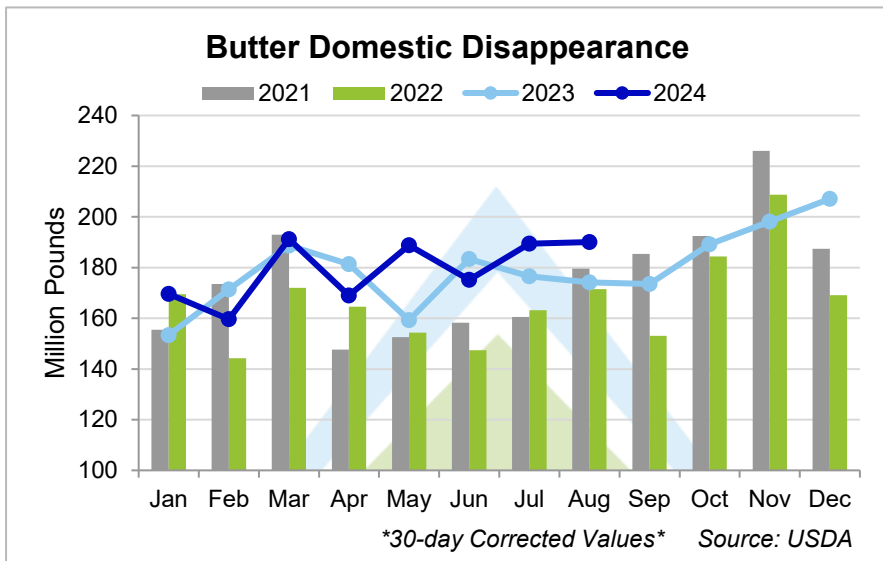
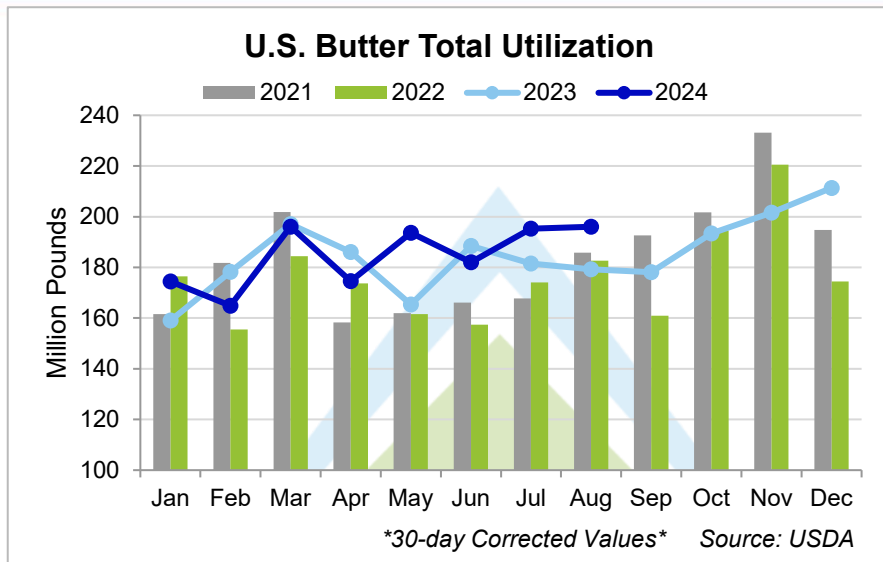




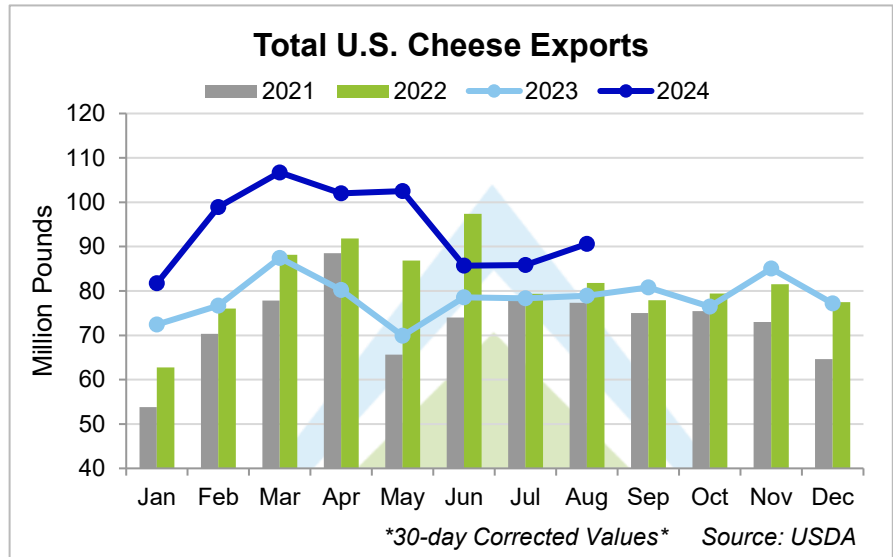
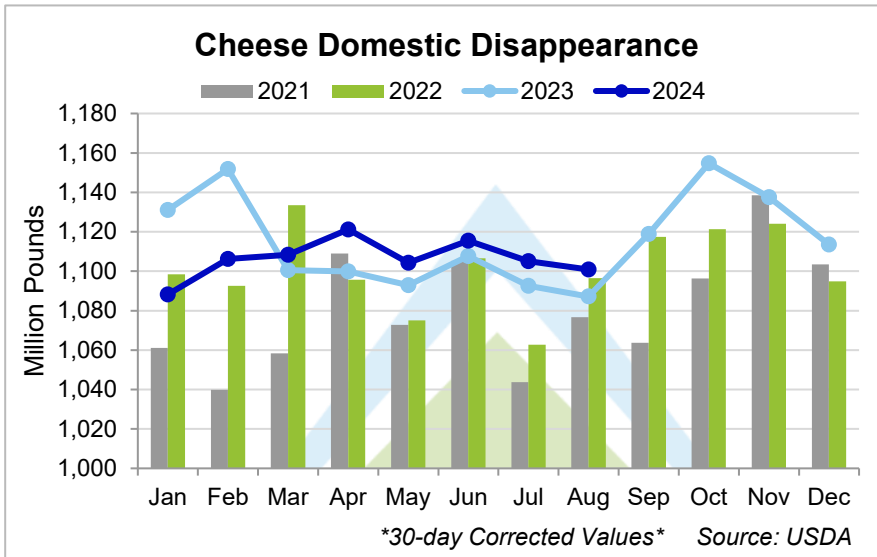
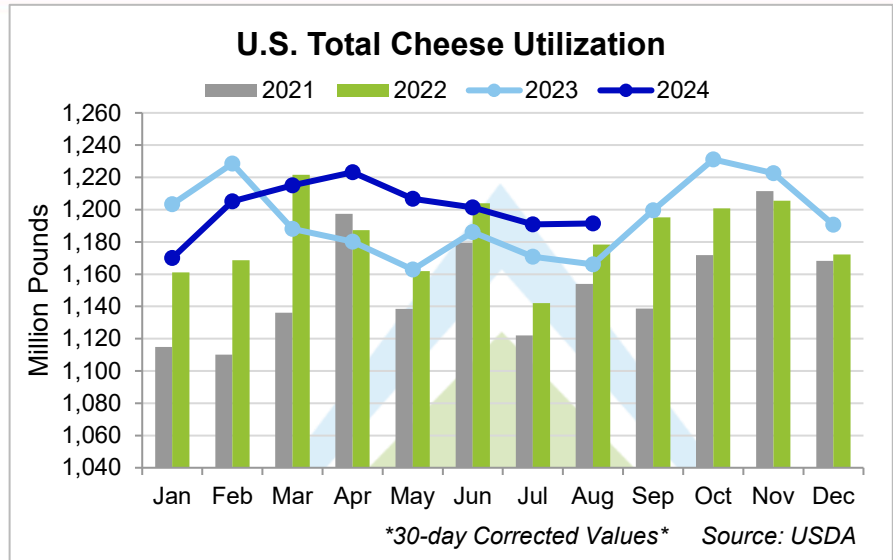
- U.S. dairy exports grew for the third consecutive month, up 2% year-over-year in August. However, the August 2024 figure was smaller than that of 2022 and 2021, indicating that international demand remains subdued. Moreover, shipments slowed by 1% from July to August, with only January and June posting smaller totals this year.
- More solids were exported than a year ago (+0.9%), as 16.5% of U.S. milk solids moved abroad in August.



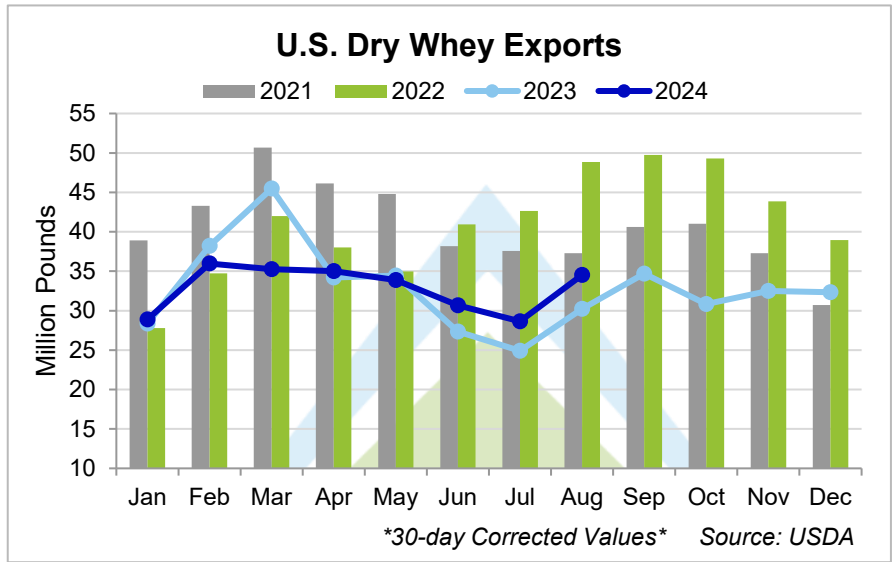
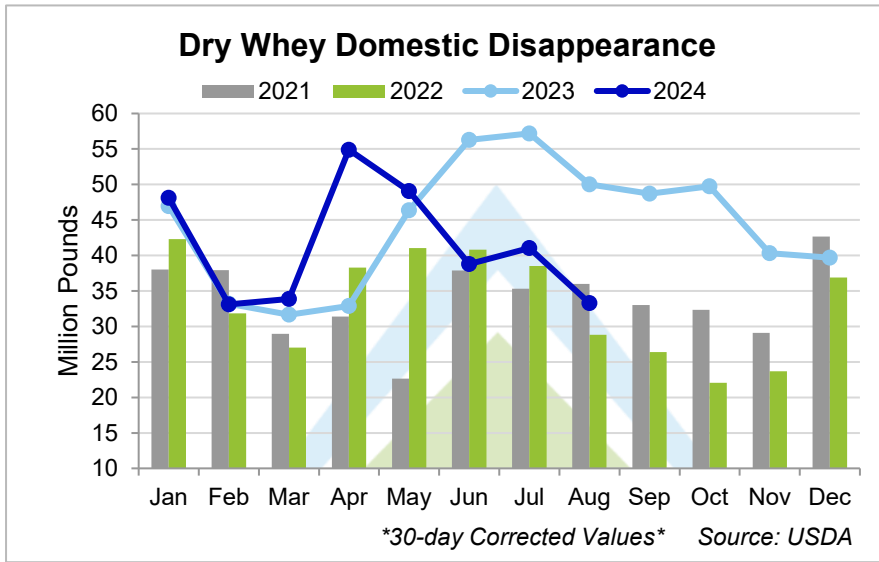
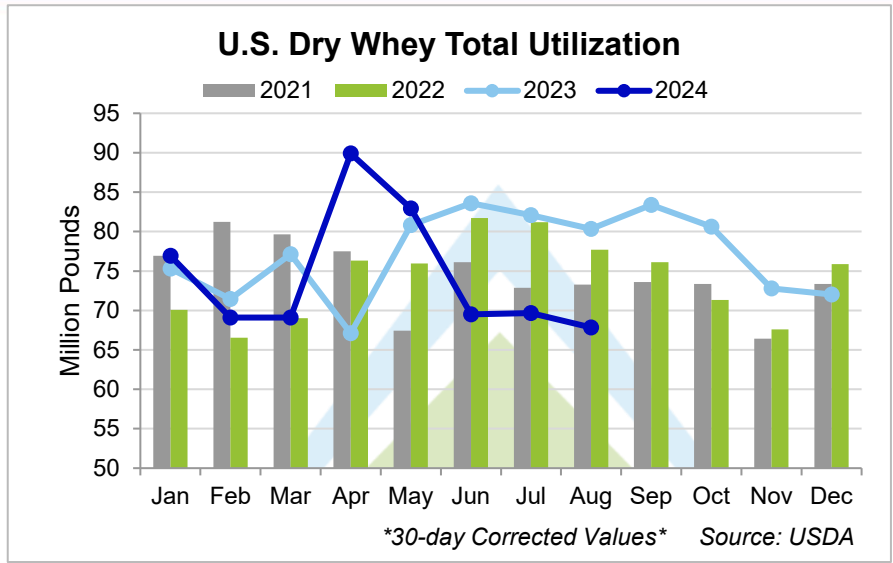
- Butter exports in August rose year-over-year for the third straight month, up 16.4% from last year. Still, the U.S. remains a net importer of butter.
- Americans have an insatiable appetite for all things butter! Domestic butter usage remained strong in August, up 9.1% from last year and marking a new August record. Year-to-date, domestic disappearance is up 3.2% ahead of the same period in 2023.



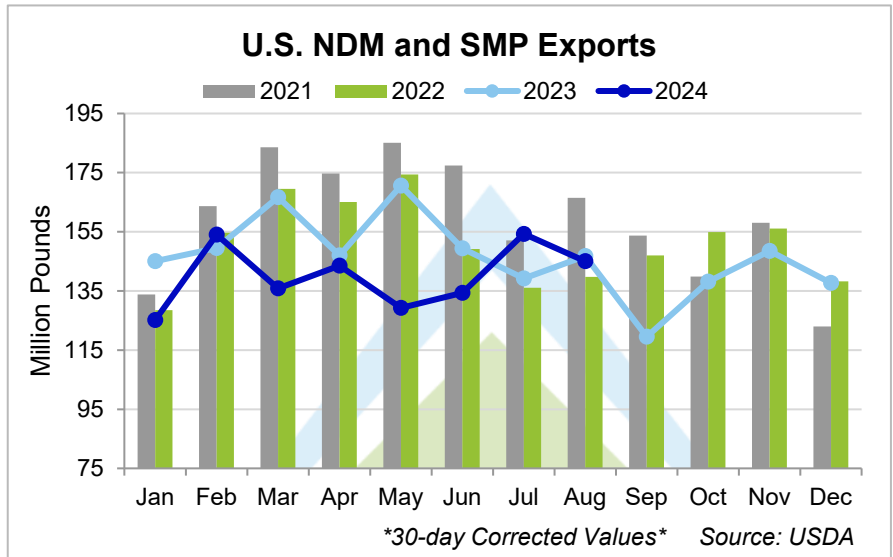
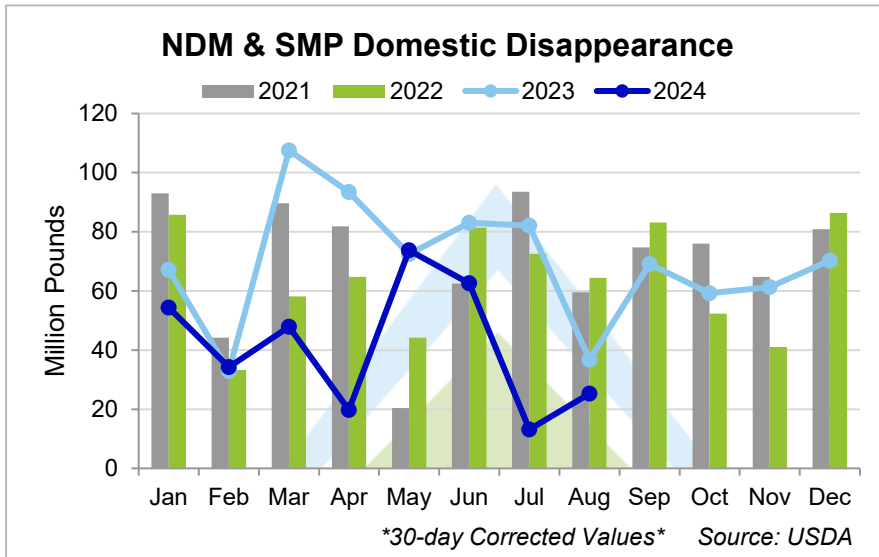
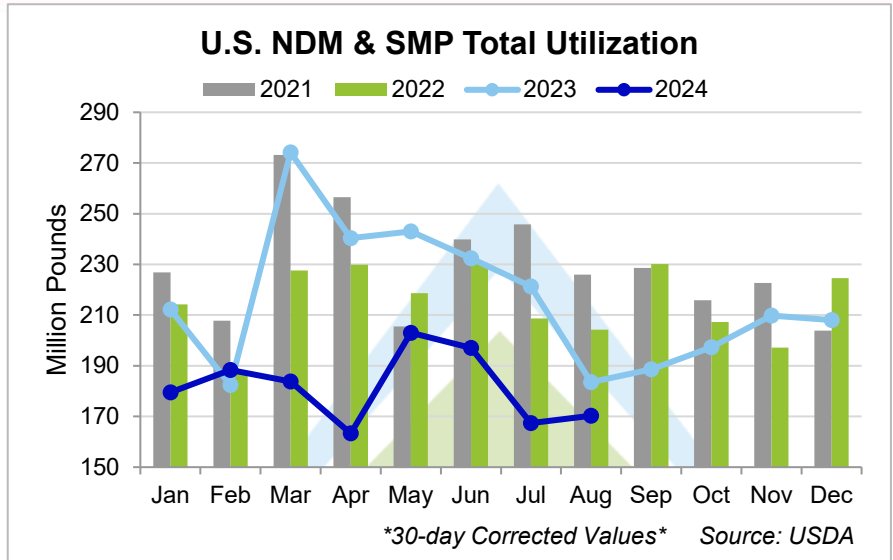
- In August, total U.S. cheese exports increased 14.8% from last year and 5.5% from last month, exceeding 90 million pounds for the fifth time in 2024. Cheese exports have now posted year-over-year gains for eight consecutive months.
- Domestic cheese consumption grew year-over-year for the sixth straight month, rising 1.3% from the prior year. American cheese usage narrowly eclipsed prior year levels in August, up 1.2% YoY domestically, as quick-service meal deals drove demand. CME spot barrel Cheddar cheese marked an all-time high of \$2.6225/lb. on September 18, as months of limited production crashed into rising domestic demand.



- Although China imported 12.8% less U.S. dry whey compared to last year, August U.S. dry whey exports rose 14.1% from the prior year and 20.5% from the previous month.
- Domestic dry whey usage dropped 33.5% year-over-year in August, driving total consumption to the lowest monthly volume since April 2023. Plant outages in August limited dry whey production, supporting a CME spot price near \$0.60/lb., but dismal domestic consumption curbed further price gains.



- Following a strong surge in July, August exports of NDM and SMP slowed (-1.1% YoY), marking the tenth year-over-year decline in the past 12 months. However, August's shipments were the second-highest of 2024, reflecting improved demand during late spring when these sales were booked. CME NDM prices hovered below \$1.20/lb. in May and June, offering an attractive price point for international buyers.
- Domestic disappearance of NDM and SMP dropped 31.3% year-over-year in August, marking the third month in a row of a double-digit fall.
- Total usage continued to languish, with August marking the eleventh year-over-year decline in the past 13 months.



## Year-Over-Year Volumes: Aug-24

	Total Cheese			Dry Whey			Butter			Dry Skim Milk Products		
	Aug-23	Aug-24	YOY	Aug-23	Aug-24	YOY	Aug-23	Aug-24	YOY	Aug-23	Aug-24	YOY
	million lbs		%	million lbs		%	million lbs		%	million lbs		%
<b>Supply</b>												
Beginning Stocks	1,492.8	1,403.5	-6.0%	87.1	63.7	-26.9%	329.4	352.8	7.1%	275.8	282.2	2.3%
Production	1,177.8	1,197.5	1.7%	83.6	65.5	-21.7%	138.9	159.0	14.5%	184.1	165.5	-10.1%
Imports	29.7	30.5	2.7%	0.0	0.0	-	8.8	13.9	58.0%	0.0	0.2	-
Total Supply	2,700.3	2,631.5	-2.5%	170.7	129.2	-24.3%	477.1	525.7	10.2%	459.9	447.9	-2.6%
<b>Utilization</b>												
Domestic Disappearance	1,123.4	1,137.5	1.3%	51.7	34.4	-33.5%	180.0	196.4	9.1%	38.0	26.1	-31.3%
Exports	81.5	93.6	14.8%	31.3	35.7	14.1%	5.2	6.1	17.3%	151.6	149.9	-1.1%
Total Utilization	1,204.9	1,231.1	2.2%	83.0	70.1	-15.5%	185.2	202.5	9.3%	189.6	176.0	-7.2%
<b>Stocks</b>												
Ending Stocks	1,495.4	1,400.3	-6.4%	87.8	59.2	-32.6%	291.8	323.3	10.8%	270.3	271.9	0.6%

## Year-To-Date Volumes

	Total Cheese			Dry Whey			Butter			Dry Skim Milk Products		
	2023	2024	YOY	2023	2024	YOY	2023	2024	YOY	2023	2024	YOY
	million lbs		%	million lbs		%	million lbs		%	million lbs		%
<b>Supply</b>												
Production	9,458.2	9,512.0	0.6%	643.2	593.7	-7.7%	1,452.2	1,528.3	5.2%	1,820.3	1,542.2	-15.3%
Imports	192.6	208.4	8.2%	1.3	0.9	-30.8%	75.7	98.5	30.1%	1.2	1.1	-8.3%
Total Supply	9,650.8	9,720.4	0.7%	644.5	594.6	-7.7%	1,527.9	1,626.8	6.5%	1,821.5	1,543.3	-15.3%
<b>Utilization</b>												
Domestic Disappearance	8,970.2	8,996.4	0.3%	360.1	337.9	-6.2%	1,405.2	1,458.7	3.8%	585.2	337.0	-42.4%
Exports	630.2	766.3	21.6%	266.1	267.0	0.3%	47.3	44.6	-5.7%	1,229.7	1,139.5	-7.3%
Total Utilization	9,600.4	9,762.7	1.7%	626.2	604.9	-3.4%	1,452.5	1,503.3	3.5%	1,814.9	1,476.5	-18.6%

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

## Key Takeaways

- Dairy commodity prices have experienced significant declines in the CME spot market after reaching record highs. Barrel Cheddar cheese surged to an unprecedented \$2.6225/lb. on September 18 due to a supply squeeze of 4 to 30-day-old Cheddar. However, by October 21, the market corrected sharply, with barrels plummeting \$0.6425/lb. (-24.5%). Butter prices also faced a downturn, sliding \$0.4675/lb. (-14.6%) from their August 27 peak, as holiday demand tapered off and butterfat remained plentiful. As prices reach elevated levels, heightened volatility often follows.
- This swift correction in spot prices pressured nearby Class III and IV futures, dampening margin projections compared to last month. Despite this, milk futures remain at historically high levels, while feed costs have dropped to lows not seen since 2020, thanks in part to bearish sentiment in the feed markets driven by record corn and soybean yield projections.
- Even with the recent price drops, the margin outlook remains highly favorable for producers. The futures market continues to offer exceptionally strong margins going forward, with historically elevated levels expected in the months ahead. We strongly encourage producers to capitalize on these opportunities to lock in future margins and mitigate risk against potential market volatility.

## 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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