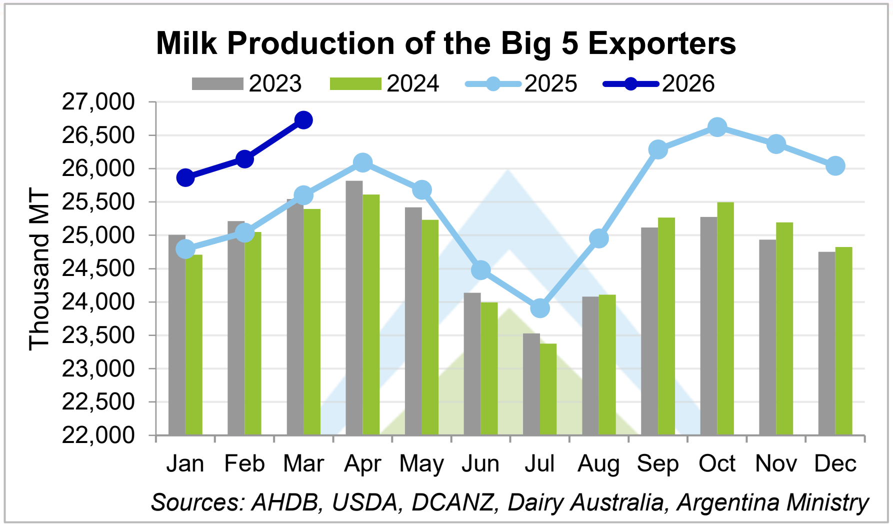
HIGHGROUND
Dairy

Dairy Producer MARKET UPDATE

June 24, 2026

Global Milk Production

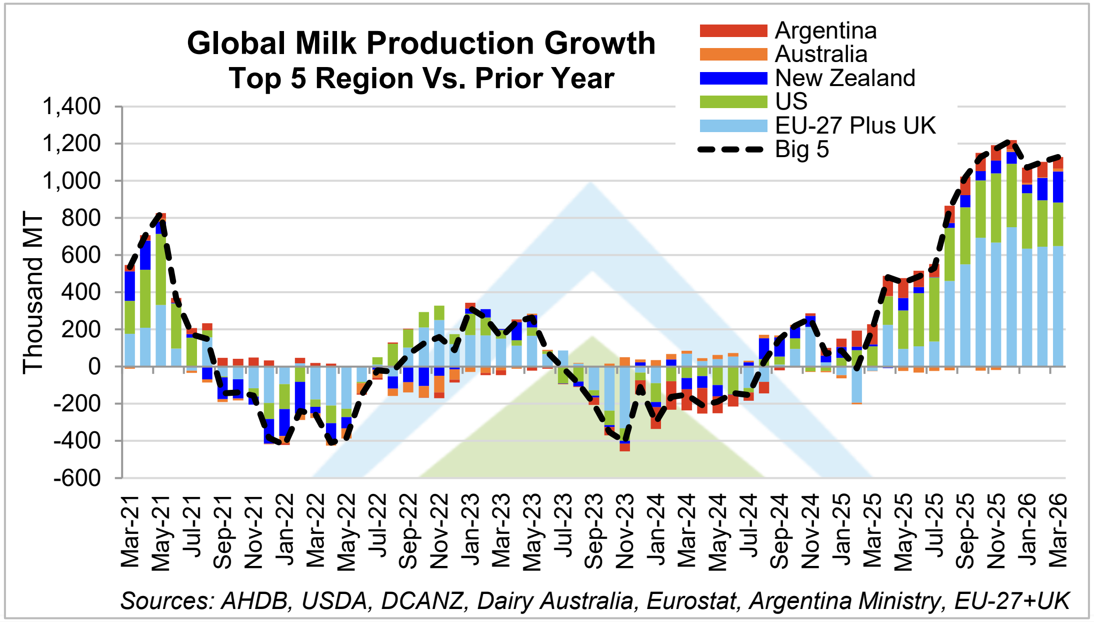
- Milk around the globe is being produced at a record clip. During the first quarter of 2026, milk production in the top five dairy-exporting countries climbed 4.4% from the same period a year ago. Milk output across these countries has surpassed 4% for seven straight months.
- Substantial gains have been seen across all regions. Europe continues to lead the charge, followed by the US and New Zealand.



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

Year-Over-Year Percent Change in Production: Q1 2026

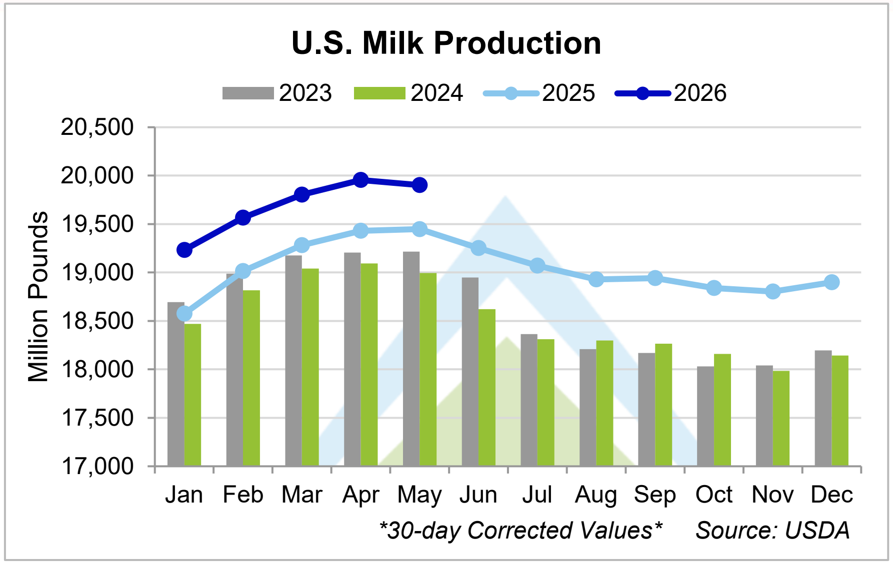
Country	Change (Thousand MT)	Change (%)
EU-27 Plus UK	1,928.3	4.9%
United States	785.0	3.0%
New Zealand	331.9	5.5%
Australia	29.6	1.6%
Argentina	229.1	9.4%
Big 5	*3,303.9*	*4.4%*

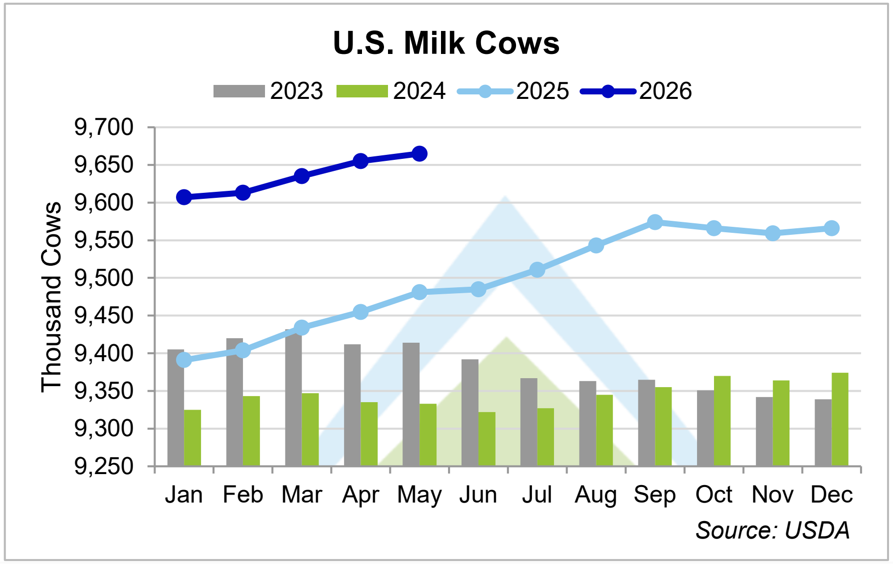


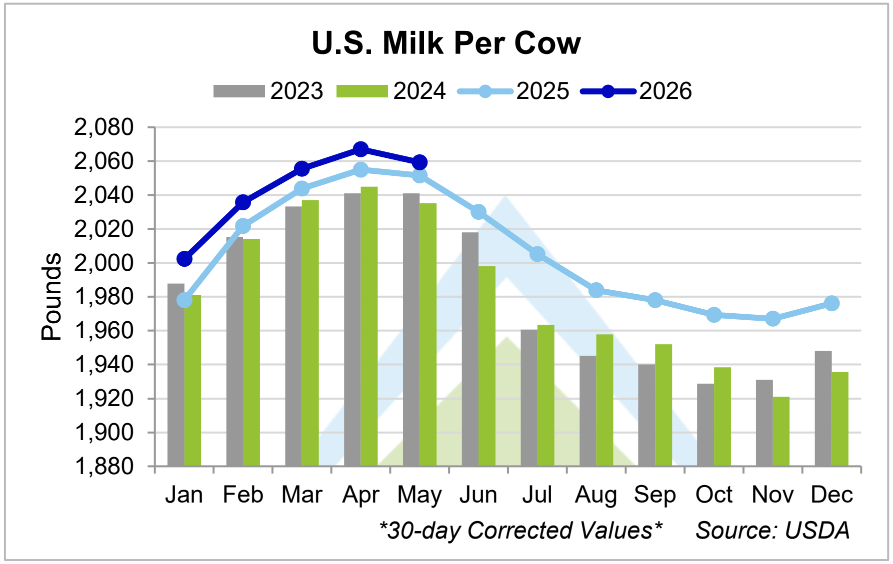
Sources: AHDB, USDA, DCANZ, Dairy Australia, Eurostat, Argentina Ministry, EU-27+UK

Milk Production

- May marked another month of strong growth in US milk production, rising 2.3% from last year. While this was the smallest increase since April 2025, it extended the streak of year-over-year growth above 2% to 13 consecutive months. The last time milk collections were up 2% YoY for this long was over 20 years ago, from 2005-2006.
- In May, the US herd swelled to 9.665 million cows, the largest since 1992. May's cow numbers are up 184,000 head from last year and 10,000 head from last month.
- Milk per cow in May improved by 0.4% year-over-year, setting an all-time high for the month. May marked the 16th consecutive month of a record in milk yields.

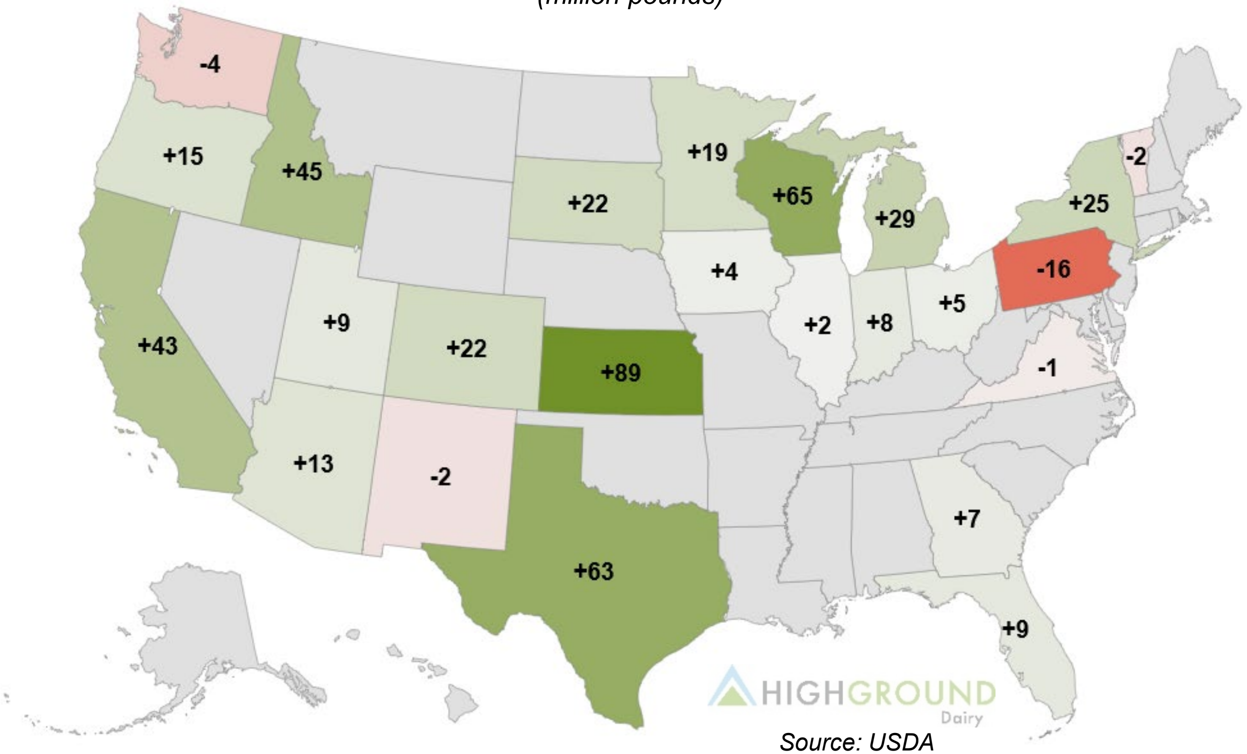






Milk Production

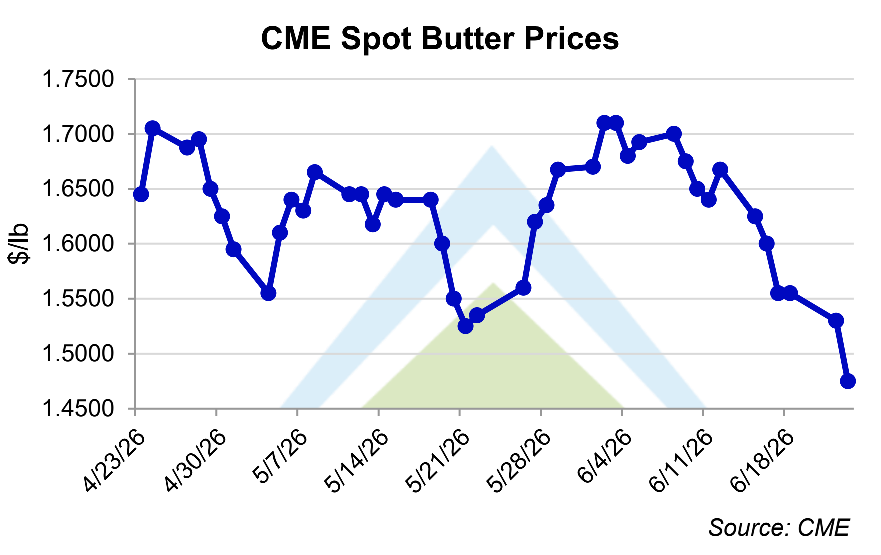
Year-Over-Year Change in Production: May 2026
(million pounds)

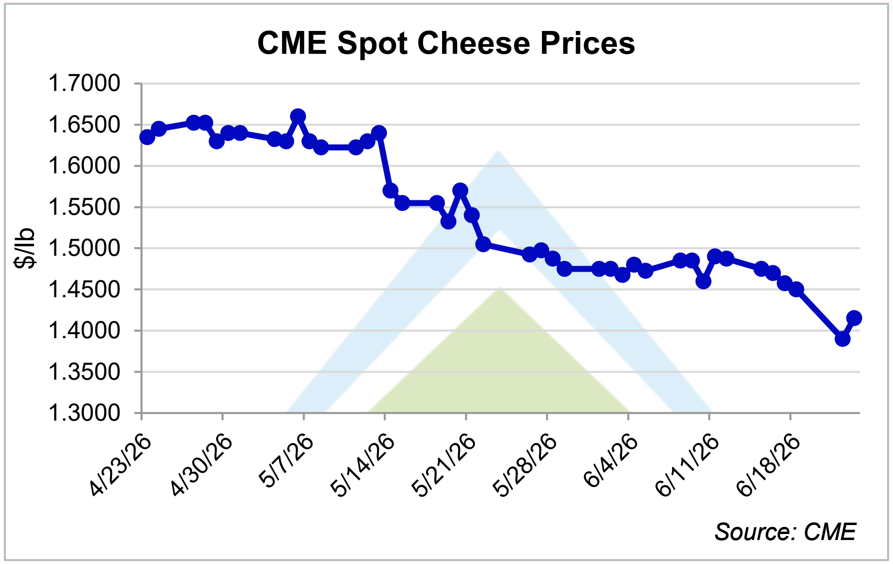


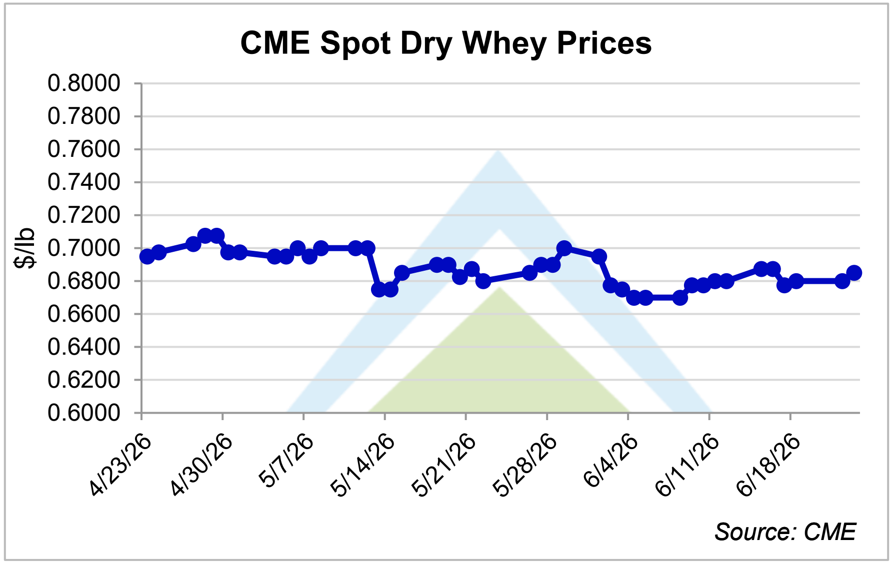
Source: USDA

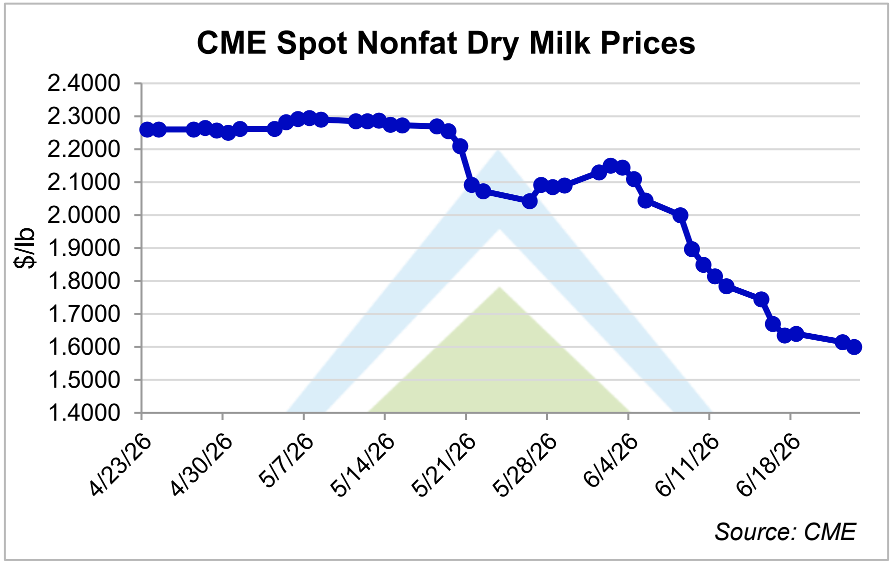
- Kansas saw the largest increase in milk production versus last year, up 89 million pounds from May 2025 (+21%). Milk cows in the state reached their highest level in over 60 years, as producers work to fill cheese plants in the area.
- Texas (+4% YoY), Wisconsin (+2.3% YoY), and Idaho (+2.9% YoY) all saw tremendous production gains compared to the prior year. Combined, the three states have added 74,000 cows in the last year.

CME Spot Markets









CME Futures as of June 23, 2026

	Q3 2026	Q4 2026	Q1 2027	Q2 2027	Q3 2027
Class III ($/cwt)	**16.43**	**17.56**	**17.22**	**17.21**	**17.78**
Vs. Last Month	-0.85	-0.72	-0.47	-0.47	-0.38
10-Yr Percentile	40%	61%	57%	57%	64%
Class IV ($/cwt)	**17.36**	**17.51**	**17.93**	**18.35**	**17.43**
Vs. Last Month	-1.18	-0.10	+0.08	-0.10	+0.71
10-Yr Percentile	59%	59%	59%	66%	59%

Changes shown vs. May-22 Settlement Prices

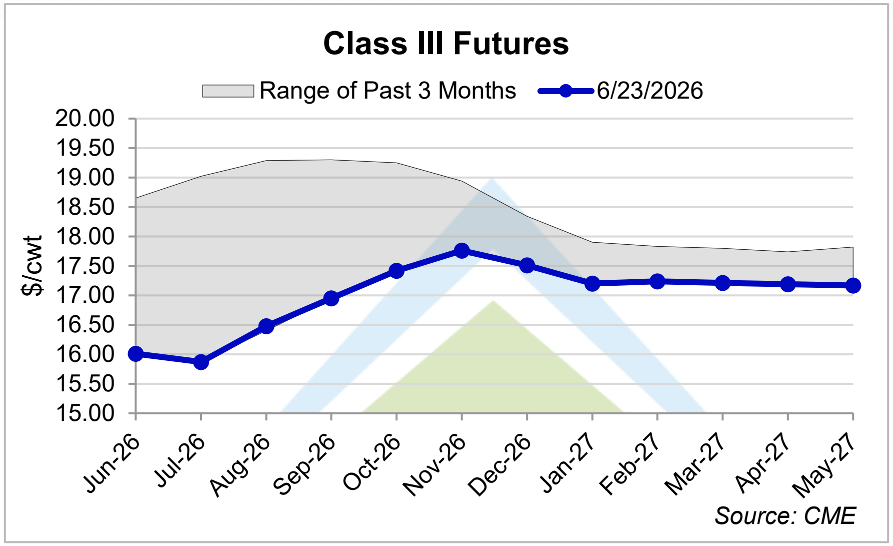
Percentiles compare the quarterly class price to the previous ten years of data. Percentiles are interpreted as: "This price is higher than __% of months over the last ten years for Class III (or IV)."

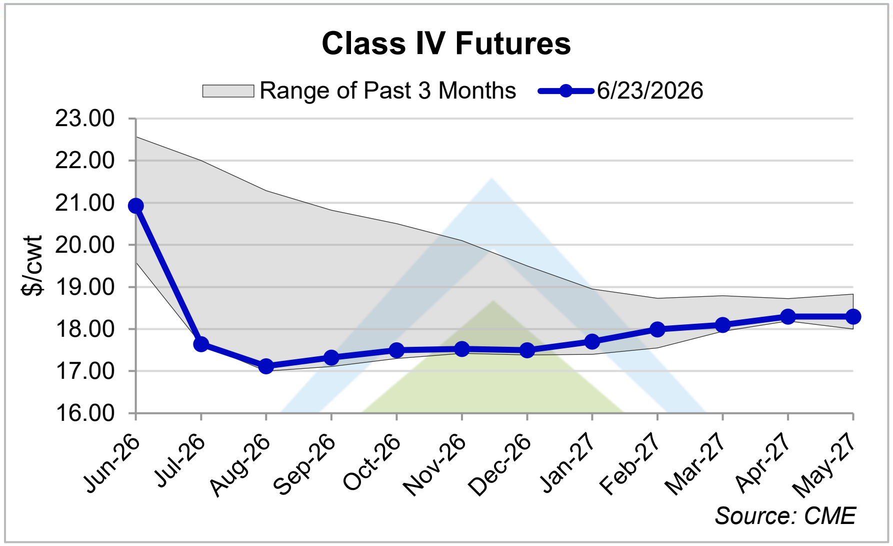
Percentile Shading Key:

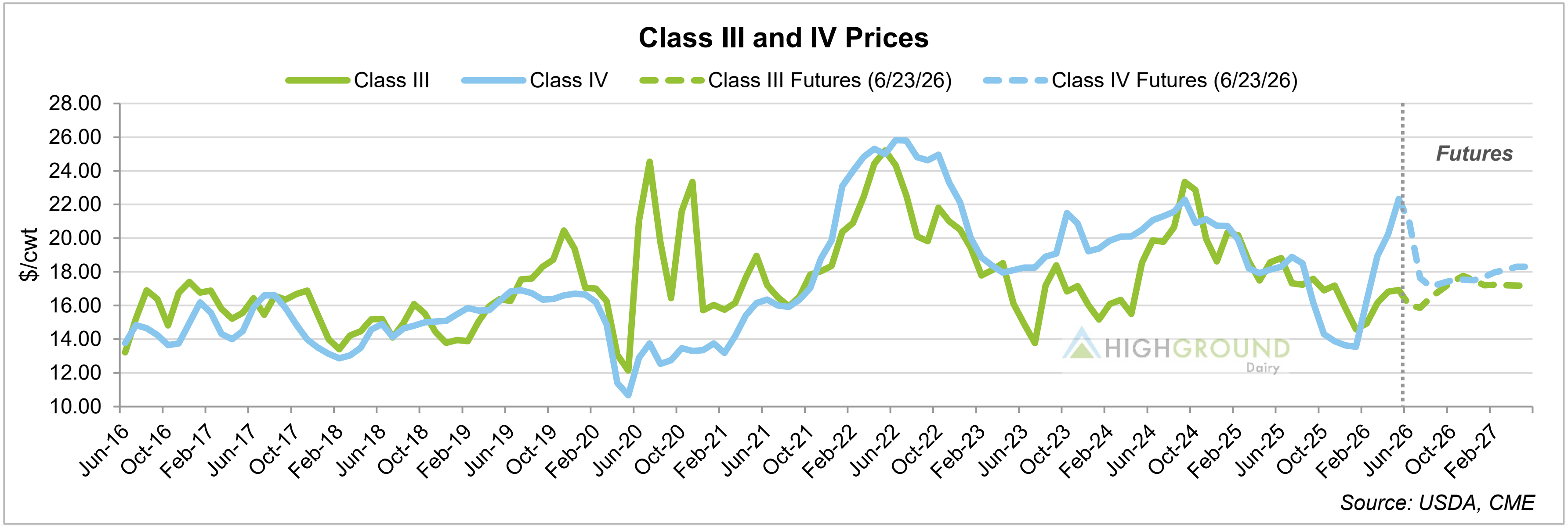
Red: 0 - 25% Brown: 25 - 50% Blue: 50 - 75% Green: 75 - 100%

- Class III futures declined over the past month on lower cheese prices. CME spot block Cheddar has been under pressure since mid-May, settling at $1.415/lb. on Tuesday, June 23. Monday's low of $1.39/lb. was the lowest value in four months.
- Nearby Class IV futures have fallen sharply during the last month, down an average of $1.18/cwt for Q3 2026 contracts. The culprit is plummeting powder prices. On June 23, CME spot NFDM settled at $1.60/lb., down $0.695 (-30%) from its all-time high of $2.295/lb. on May 7.

Class III & IV Milk







HIGHGROUND Dairy

Product Balance Sheets

Year-Over-Year Volumes: Apr-26

	Total Cheese			Dry Whey			Butter			Dry Skim Milk Products		
	Apr-25	Apr-26	YOY	Apr-25	Apr-26	YOY	Apr-25	Apr-26	YOY	Apr-25	Apr-26	YOY
	million lbs		%	million lbs		%	million lbs		%	million lbs		%
Supply												
Beginning Stocks	1,424.7	1,405.3	-1.4%	64.2	64.0	-0.3%	323.2	289.9	-10.3%	267.2	232.3	-13.1%
Production	1,245.7	1,266.9	1.7%	71.3	76.9	7.9%	214.6	224.4	4.6%	199.0	217.7	9.4%
Imports	26.3	29.2	11.0%	0.0	0.6	-	8.3	21.8	162.7%	0.5	0.8	60.0%
Total Supply	2,696.7	2,701.4	0.2%	135.5	141.5	4.4%	546.1	536.1	-1.8%	466.7	450.8	-3.4%
Utilization												
Domestic Disappearance	1,156.8	1,142.3	-1.3%	42.4	21.4	-49.5%	198.5	206.4	4.0%	77.3	69.4	-10.2%
Exports	108.9	141.4	29.8%	34.0	58.5	72.1%	10.5	21.4	103.8%	113.5	124.3	9.5%
Total Utilization	1,265.7	1,283.7	1.4%	76.4	79.9	4.6%	209.0	227.8	9.0%	190.8	193.7	1.5%
Stocks												
Ending Stocks	1,431.0	1,417.7	-0.9%	59.2	61.6	4.1%	337.0	308.2	-8.5%	276.0	257.1	-6.8%

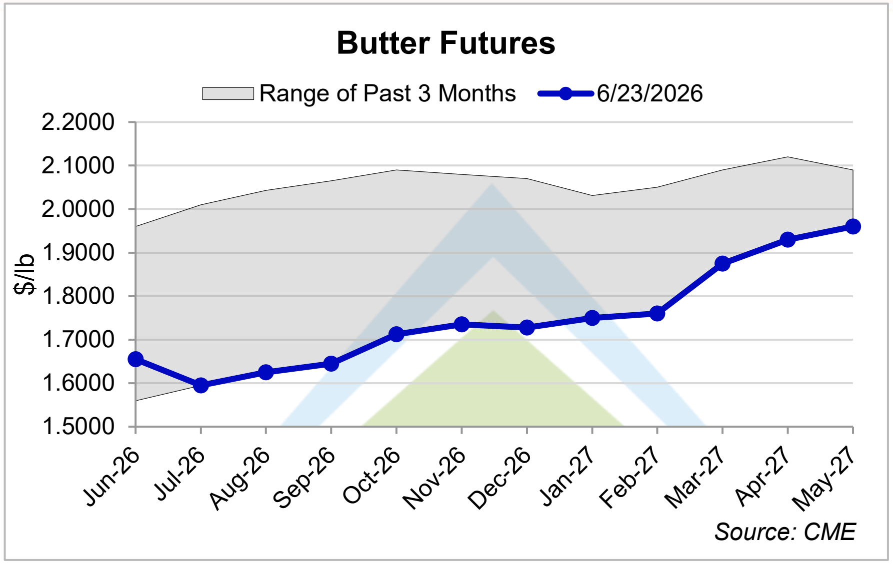
Year-To-Date Volumes

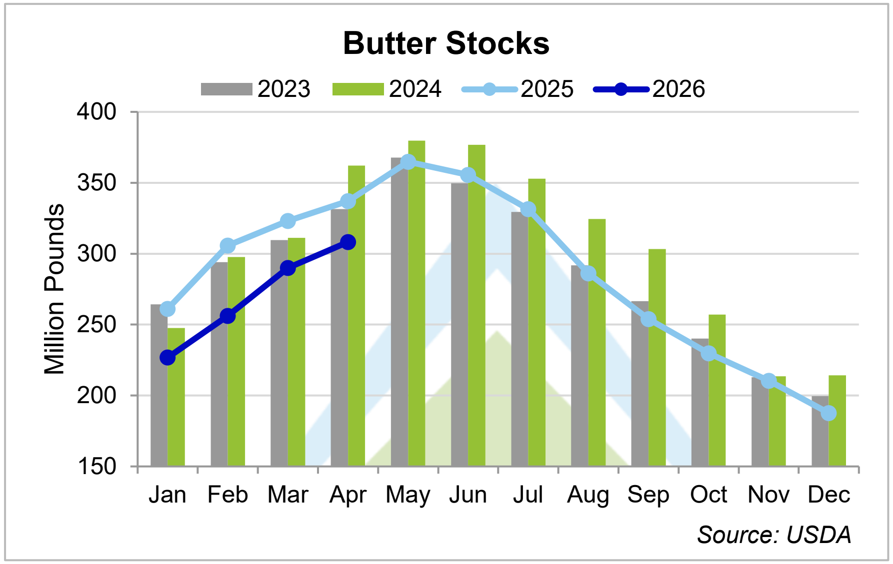
	Total Cheese			Dry Whey			Butter			Dry Skim Milk Products		
	2025	2026	YOY	2025	2026	YOY	2025	2026	YOY	2025	2026	YOY
	million lbs		%	million lbs		%	million lbs		%	million lbs		%
Supply												
Production	4,832.0	4,969.5	2.8%	284.9	300.5	5.5%	863.6	916.2	6.1%	755.7	811.3	7.4%
Imports	113.3	103.9	-8.3%	1.0	1.1	10.0%	46.6	63.7	36.7%	2.0	3.6	80.0%
Total Supply	4,945.3	5,073.4	2.6%	285.9	301.6	5.5%	910.2	979.9	7.7%	757.7	814.9	7.5%
Utilization												
Domestic Disappearance	4,449.0	4,509.6	1.4%	146.0	96.7	-33.8%	744.8	770.2	3.4%	195.5	282.2	44.3%
Exports	419.5	524.0	24.9%	140.8	203.4	44.5%	42.6	89.0	108.9%	465.9	493.8	6.0%
Total Utilization	4,868.5	5,033.6	3.4%	286.8	300.1	4.6%	787.4	859.2	9.1%	661.4	776.0	17.3%

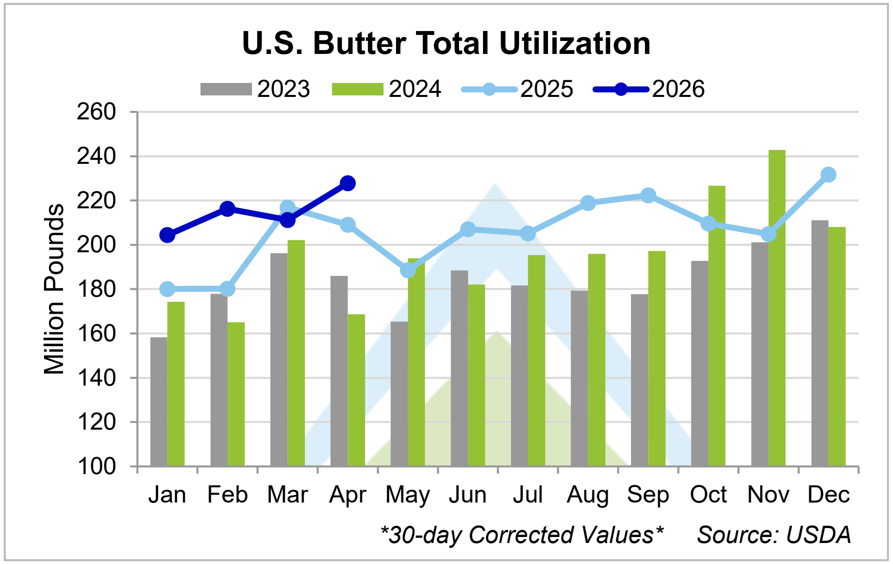
Dry Skim Milk Products includes NFDM, SMP, and dry skim milk for animal use. USDA NASS does not report manufacturers' stocks of SMP.

Source: USDA

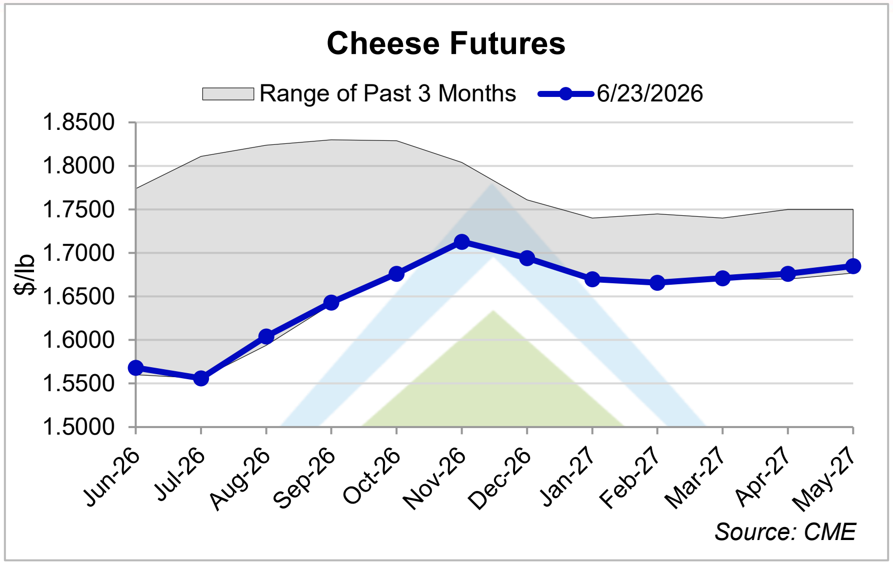
- Butter production in April rose 4.5% from last year, reaching its highest level ever for the month and ranking fourth all-time on a 30-day adjusted basis.
- That said, inventories were not overly robust, down 8.5% from the prior year, recording their lowest level for the month since 2022. The March to April build of 18.3 million pounds was 9 million pounds less than the five-year average increase.
- Strong production and low inventories mean demand for US butter is robust. Year-to-date, total usage of US butter is up 9.4% from last year. Looking at April specifically, butter utilization was stronger both domestically (+4% YoY) and abroad (+104% YoY).

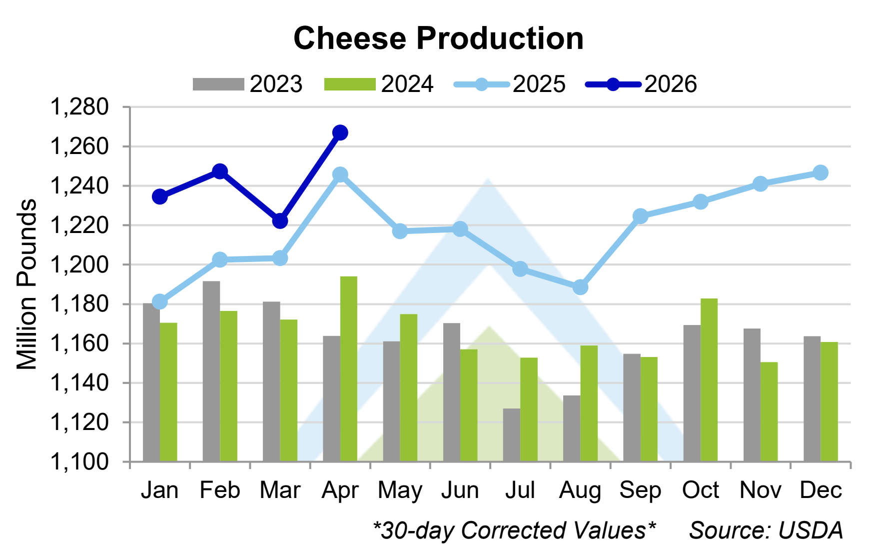


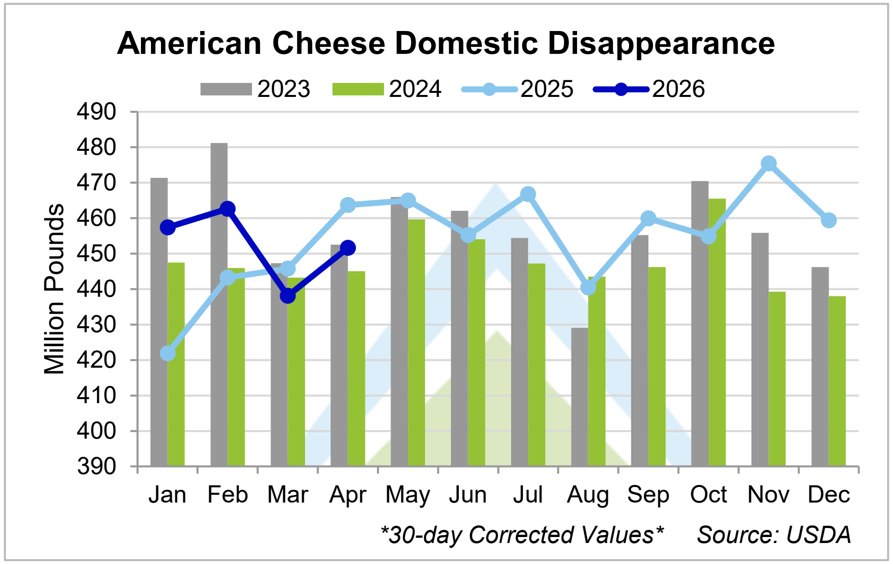




- April's total cheese production rose 1.7% from the prior year, driven by growth in Italian varieties. Mozzarella and Parmesan production both reached record highs on a 30-day adjusted basis, while Cheddar production fell 3.5% from last year.
- Total cheese stocks in April fell 0.9% from the previous year, marking their lowest level for the month since 2019. However, inventories grew counter-seasonally from March, up 0.9%.
- April utilization rose 1.4% from a year ago, as strong exports helped offset weak domestic demand. Overseas shipments reached a record high, led by Other-than-American varieties, while domestic disappearance dropped 1.3% from last year. Soft foodservice traffic and a cautious customer are weighing on US cheese consumption.

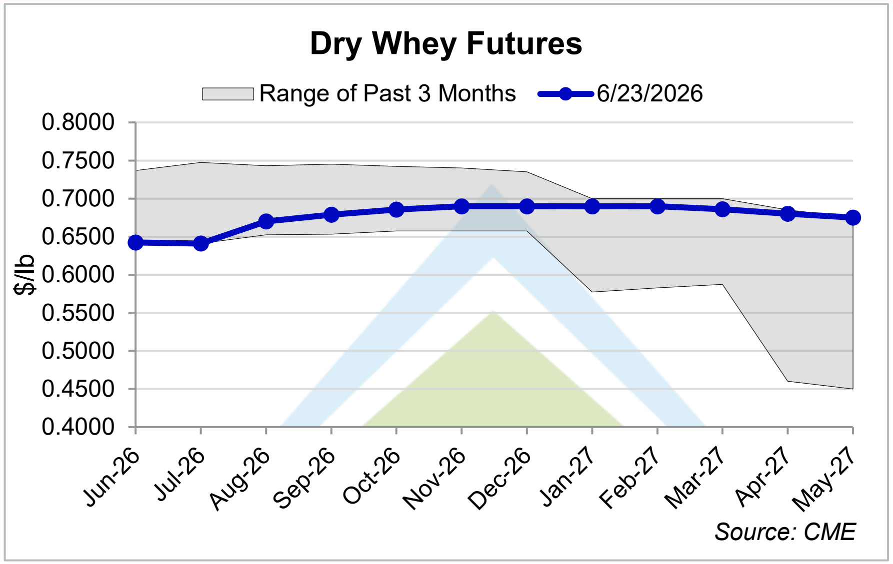


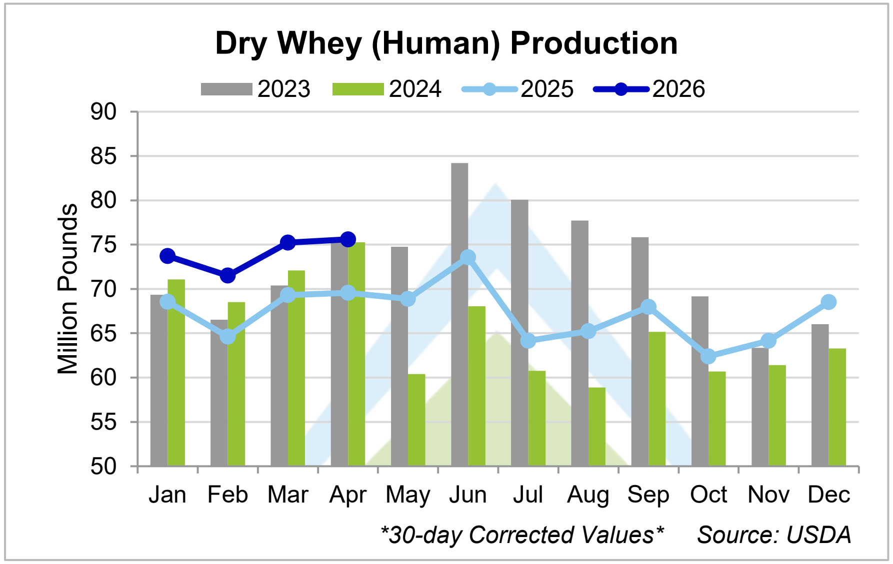


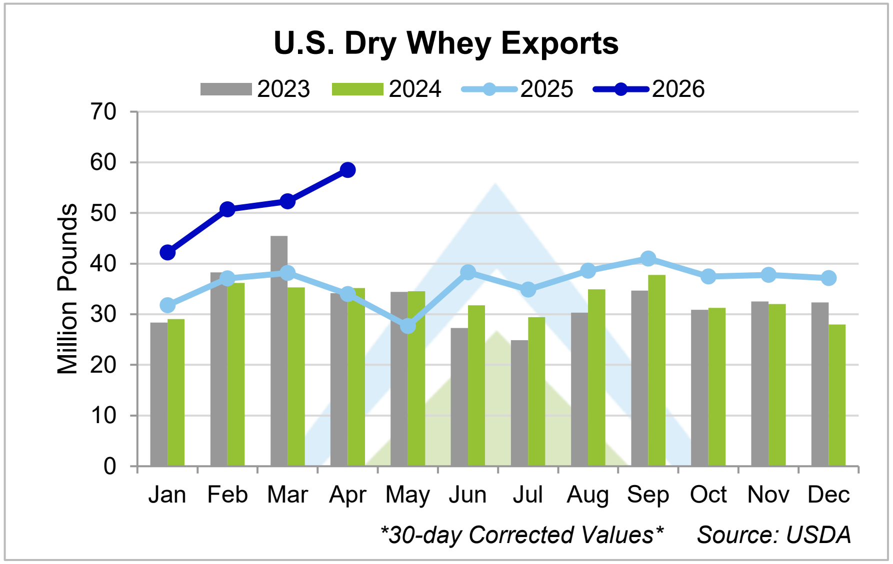


Dry Whey

- More cheese has meant more whey. Dry whey production grew 8.7% from last year in April, marking the fifth consecutive month of year-over-year growth exceeding 5%.
- Greater output helped build stocks year-on-year in March and April. However, April inventories slipped by 4% from March, indicating an uptick in demand.
- Dry whey utilization increased 4.6% year-over-year in April, supported by strong export demand. US dry whey exports surged 72% from April 2025 after international prices moved above US values in early March, improving the competitiveness of US whey on the global market.

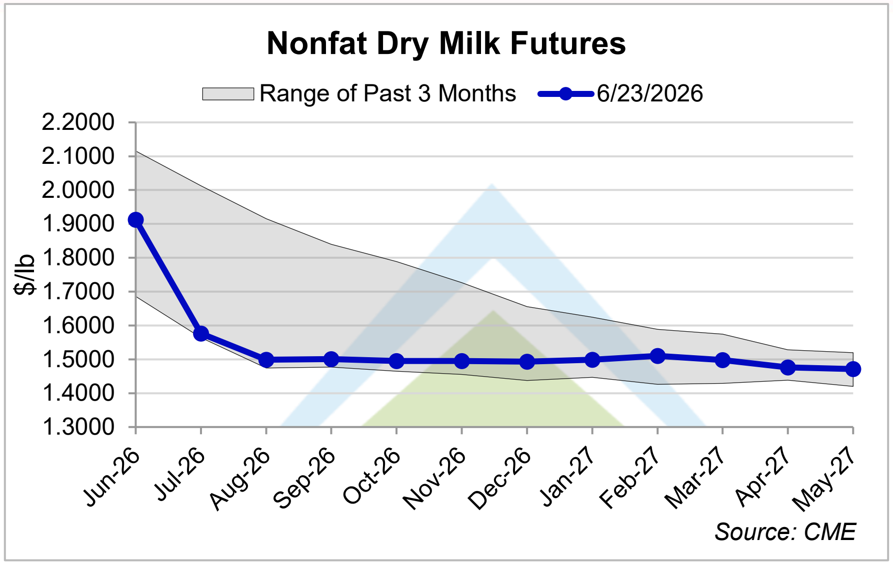


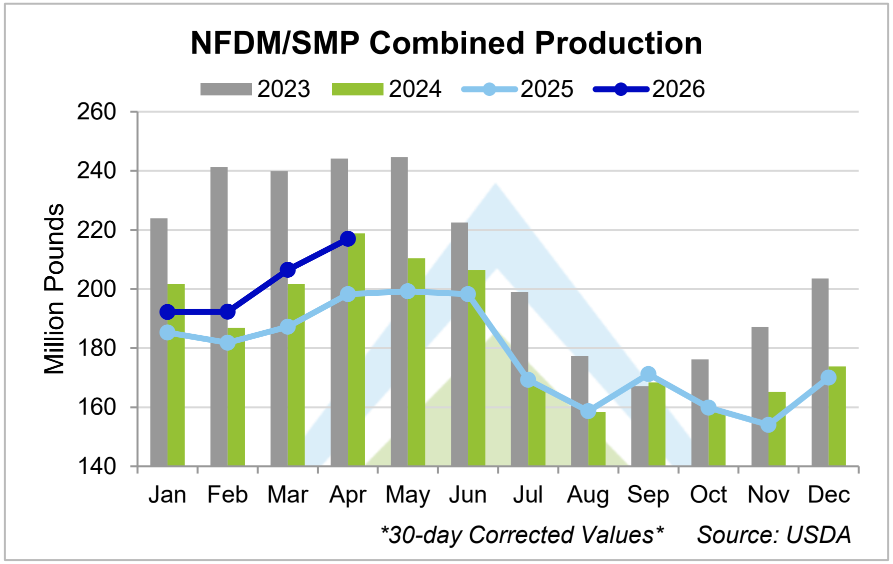


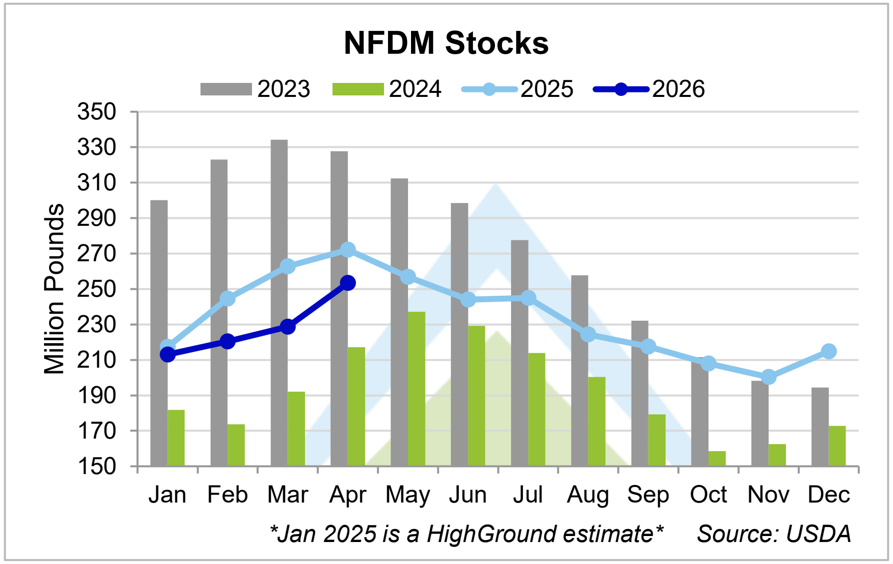


Nonfat Dry Milk

- Now on to the rollercoaster of NFDM… As spot prices climbed to record highs, manufacturers moved to make more powders. Combined production of NFDM and SMP grew 9.4% year-over-year in April. SMP volumes were nearly flat to the prior year, while NFDM production drove the total higher.
- NFDM stocks grew sizably from March to April, up 10.8%, much more than the five-year average build of +3.3%. The uptick in stocks, combined with the large production figure, indicates that supplies were catching up with demand, as processors were able to put some powder away.
- In April, NFDM/SMP utilization was up 1.5% versus the prior year; however, April 2025 was the lowest total for the month since 2014, suggesting that supply tightness, rather than improved demand, was the likely culprit of the powder rally.

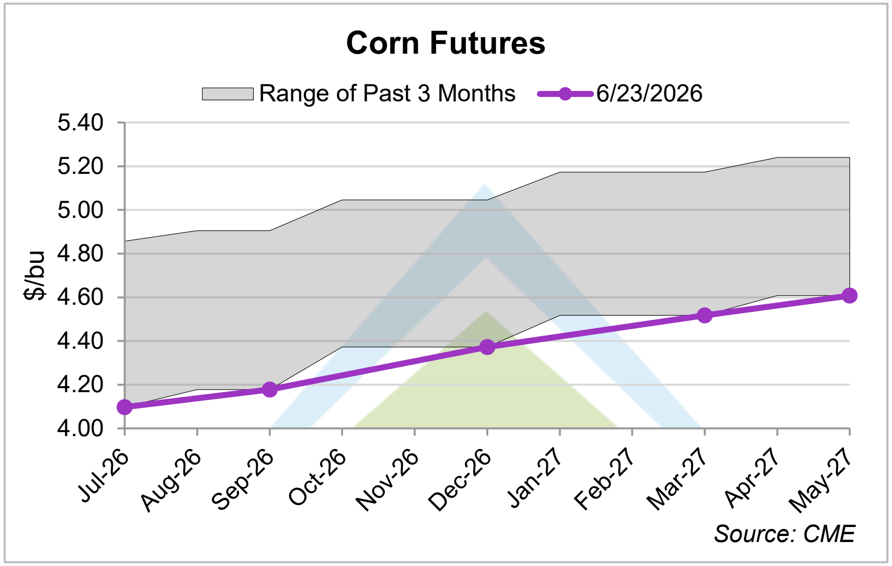


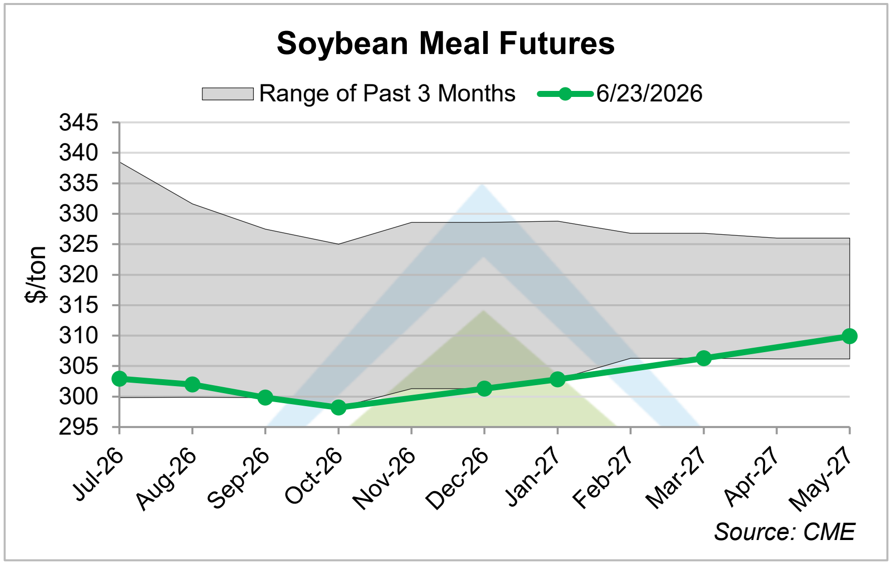




Feed Prices

- Feed markets have been highly volatile in 2026, as weather developments and geopolitical events have continually reshaped corn and soybean supply-and-demand expectations.
- Favorable growing conditions across much of the US, coupled with strong crop prospects in South America, have reinforced expectations for abundant global grain supplies.
- Easing tensions in the Middle East and progress toward a potential US-Iran agreement have pushed crude oil prices lower in recent weeks. The decline in energy markets has added pressure to the grain complex, contributing to weaker corn and soybean prices.
- Meanwhile, the market continues to wait for China to follow through on expected US agricultural purchases. While trade negotiations boosted optimism for stronger export demand, significant soybean purchases have yet to materialize.
- Looking ahead, attention is shifting to USDA's June 30 *Acreage* report, which will provide updated estimates of corn and soybean plantings and help shape expectations for the 2026/27 crop year.





USDA Confirms New World Screwworm Has Entered the US

On June 3, 2026, the USDA confirmed that New World screwworm (NWS) was detected in a calf in Zavala County, Texas, roughly 50 miles from the US border. This marked the first US case of NWS since 1976.

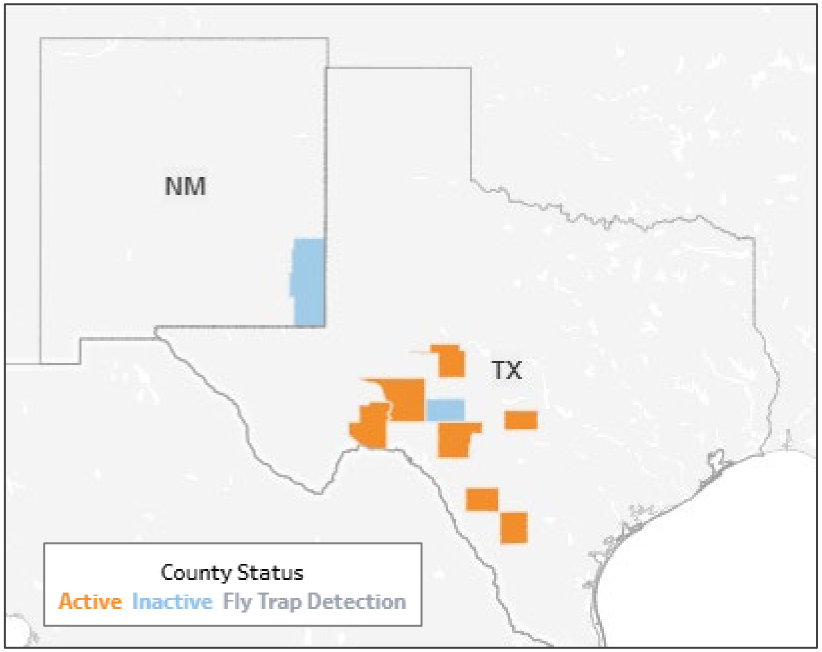
As of June 23, 2026, USDA-AHPIS has confirmed 19 NWS cases in the US, with 16 being currently active.

NWS flies rely on animal hosts to spread into new areas. While livestock can be quarantined, controlling transmission through wildlife, including deer, coyotes, wild hogs, and migratory birds, is much more challenging. In addition, favorable summer conditions across much of the US could help NWS populations to establish and spread.

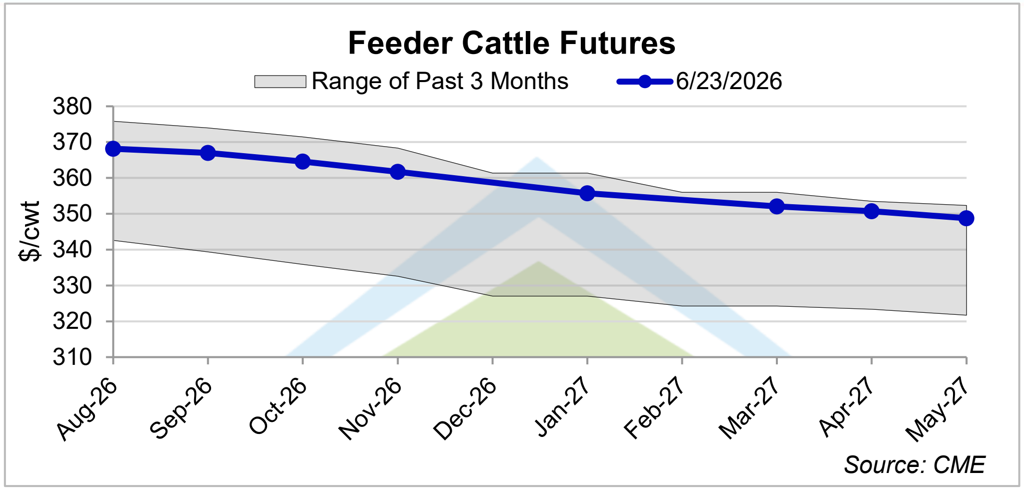
The Sterile Insect Technique, which eradicated NWS from the US decades ago, remains the most effective long-term control strategy. USDA is actively responding by expanding sterile fly production and dispersal efforts, including developing a new production facility in Texas. However, rebuilding sufficient sterile fly populations takes time, meaning NWS is likely to remain a risk to US livestock through 2026 and potentially into 2027.

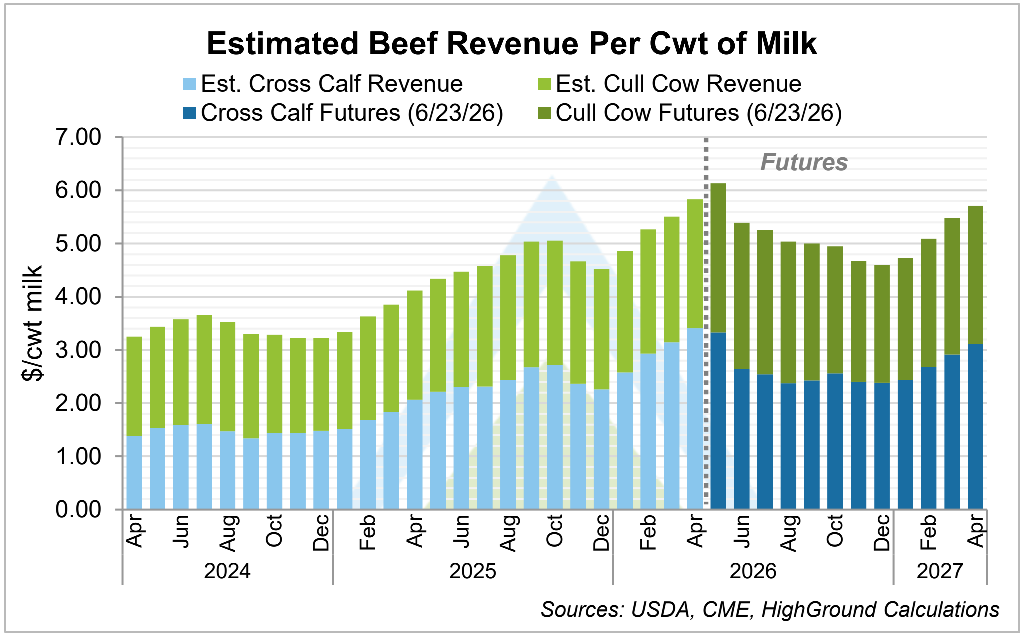
Confirmed NWS Cases by County

Updated June 23, 2026 | *Source: USDA-APHIS*



To learn more about NWS's implications on cattle producers and markets, check out HighGround's web page:
"Navigating NWS: Dairy Market Resource Center"



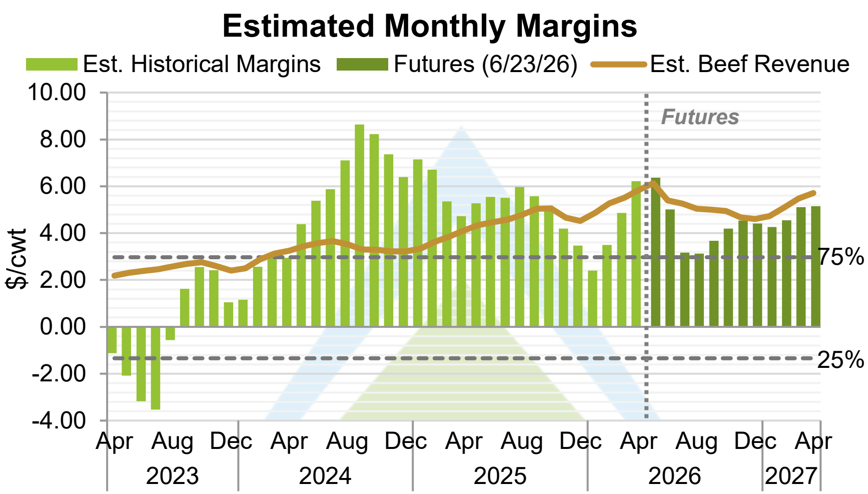


- Fundamentals continue to dominate movement in the cattle markets. Supplies remain tight, and, despite the high prices, consumer demand has yet to back off.
- Market participants are closely monitoring the potential impact of NWS, which raises concerns not only about cattle supplies but also about consumer demand if the issue receives broader public attention.
- Additionally, several processing disruptions have emerged, including the closure of a JBS plant in Pennsylvania. While relatively small compared to major slaughter facilities in the central US, the plant is an important outlet for the East Coast and could create regional disruptions.
- According to some producers, day-old beef x dairy calf values reached $2,000/head last month. While that has backed off some, feeder cattle futures are again nearing life-of-contract highs.
- Including both cull cows and crossbred calves, HighGround's model estimates revenue from beef sales at $4.60–$5.75/cwt of milk over the next year, ranking in the 93rd percentile or higher 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.*

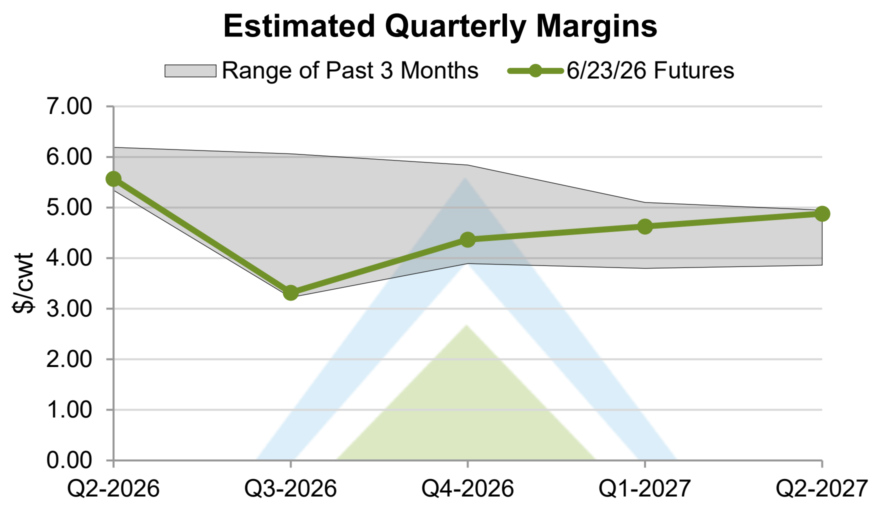
- During the past month, milk prices have fallen, while beef prices have risen and feed costs have eased. While the margin outlook is less optimistic than last quarter due to lower milk prices, the strong beef prices and lower feed costs should provide some relief.

- According to HighGround's margin model, Q2 2026 margins are expected to be extremely healthy, while Q3 is projected to decline as milk checks adjust to lower NFDM and cheese values. Still, based on futures prices as of June 23, 2026, margins are projected to remain historically elevated over the next twelve months, ranking in the 76th percentile or greater compared to the past decade.



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

Sources: USDA, CME, HighGround Calculations



Sources: USDA, CME, HighGround Calculations

Quarterly and monthly 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

- Dairy markets have experienced significant volatility in 2026. Tight NFDM supplies fueled a sharp rally in powder prices earlier this year, boosting the Producer Price Differential (PPD) and producer milk checks. More recently, however, increased production has allowed manufacturers to rebuild inventories, triggering a substantial correction in NFDM prices. On the Class III side, dry whey prices have held firm amid strong protein demand, but cheese markets remain under pressure due to expanded processing capacity and sluggish domestic consumption, particularly within foodservice channels. Given the ongoing volatility across dairy markets, HighGround encourages producers to evaluate coverage opportunities and consider locking in favorable values when available.

- While feed and beef markets remain highly sensitive to headlines, particularly those related to geopolitical developments and animal health concerns, fundamentals will ultimately drive market direction. As we move deeper into the summer growing season, weather will become an increasingly important driver of grain prices. Meanwhile, tight cattle supplies continue to support elevated beef prices, creating a substantial revenue stream for dairy producers. Without this beef income, many producers would be operating much closer to breakeven or lower.

- While lower than it was three months ago, the margin outlook remains favorable. However, with markets as volatile as they have been, these projected margins are far from guaranteed. Weaker consumer demand, easing nonfat prices, reduced export competitiveness, lower beef values, or adverse growing-season weather could all pressure profitability in the months ahead. Given the uncertainty across both revenue and cost components, HighGround encourages producers to clearly measure and closely monitor their margins while evaluating risk management opportunities that can help protect profitability.

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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