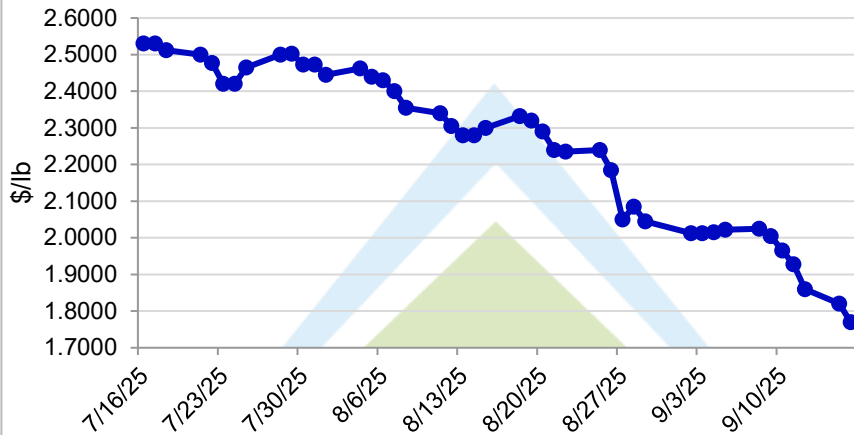




Dairy Producer **MARKET UPDATE**

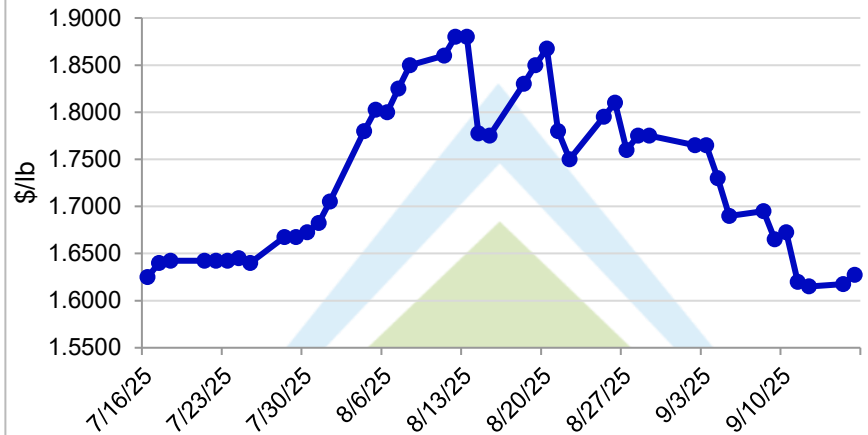
September 17, 2025

CME Spot Butter Prices



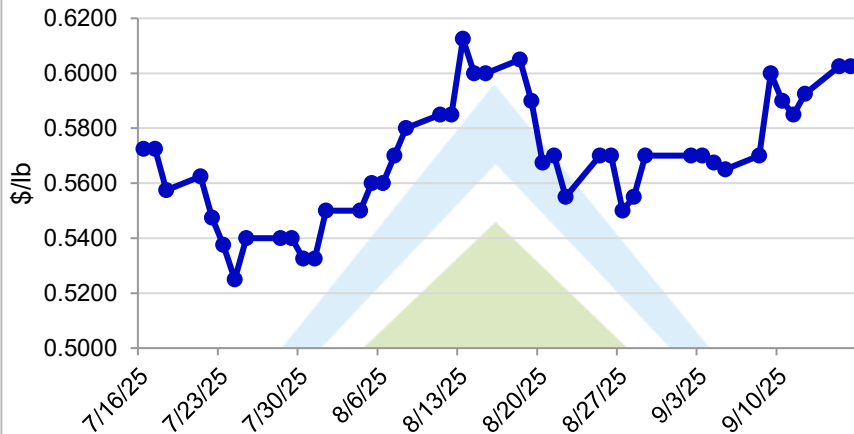
Source: CME

CME Spot Cheese Prices



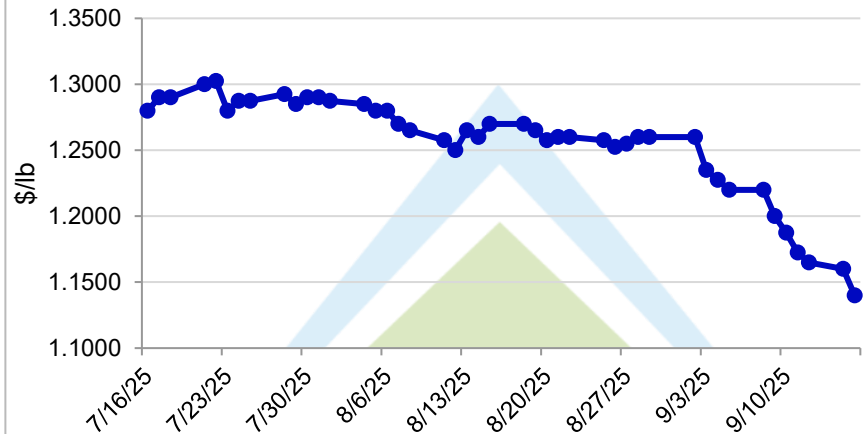
Source: CME

CME Spot Dry Whey Prices



Source: CME

CME Spot Nonfat Dry Milk Prices



Source: CME

CME Futures as of September 16, 2025

	Q4 2025	Q1 2026	Q2 2026	Q3 2026	Q4 2026
Class III (\$/cwt)	16.53	16.89	17.05	17.36	17.41
Vs. Last Month	-1.54	-0.88	-0.86	-0.76	-0.75
10-Yr Percentile	46%	53%	55%	60%	60%
Class IV (\$/cwt)	15.46	15.90	16.73	17.46	17.73
Vs. Last Month	-2.90	-2.61	-2.27	-1.90	-1.67
10-Yr Percentile	37%	44%	57%	61%	62%

Changes shown vs. Aug-15 Settlement Prices

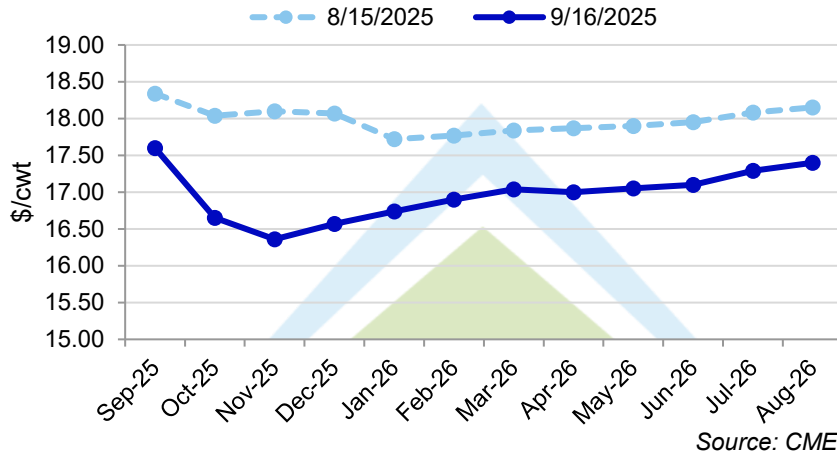
Percentiles compare the quarterly class price to the previous ten years of data. Percentiles are interpreted as: "This price is higher than ___% of months over the last ten years for Class III (or IV)."

Percentile Shading Key:

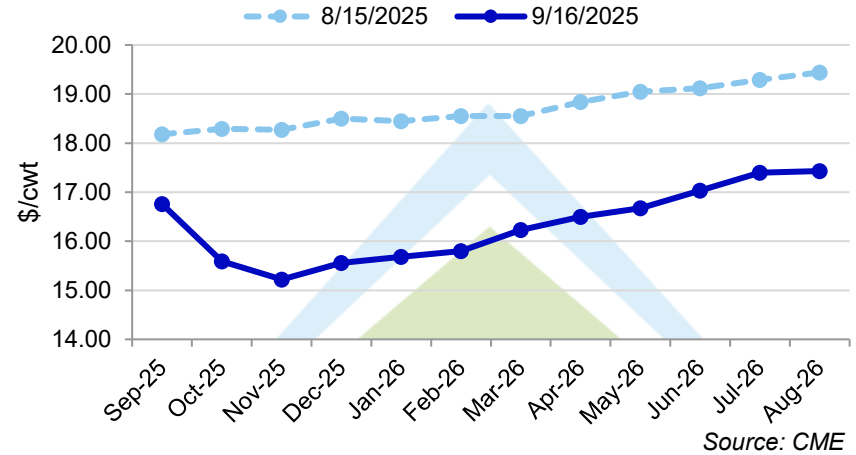
Red: 0 - 25% Brown: 25 - 50% Blue: 50 - 75% Green: 75 - 100%

- CME Class III and IV futures dropped significantly over the past month, as dairy commodity prices fell across the board.
- Class III futures moved lower alongside weaker cheese prices. Dry whey held relatively steady compared to a month ago, but block Cheddar came under pressure, with CME spot blocks falling \$0.1475/lb. (-8.3%) over the last month. Although Class III futures posted sharp losses, the decline was smaller than in Class IV, leaving Class III futures at a premium to Class IV through the first half of 2026.
- Losses were even steeper in the Class IV complex, where both butter and nonfat dry milk (NFDm) retreated sharply. CME spot butter tumbled 23% in the past month, down \$0.53/lb., while NFDm slipped \$0.13/lb. (-10.2%). The weakness across both commodities pulled Class IV futures below \$17.00/cwt through May 2026.

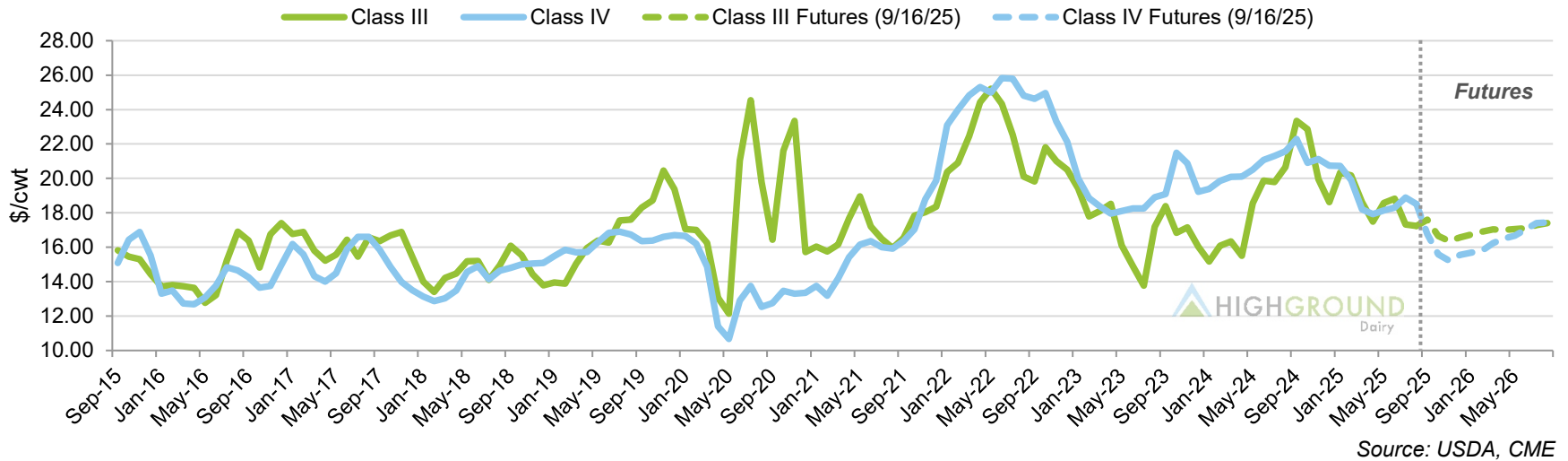
Class III Futures



Class IV Futures



Class III and IV Prices



Year-Over-Year Volumes: Jul-25

	Total Cheese			Dry Whey			Butter			Dry Skim Milk Products		
	Jul-24	Jul-25	YOY	Jul-24	Jul-25	YOY	Jul-24	Jul-25	YOY	Jul-24	Jul-25	YOY
	million lbs		%	million lbs		%	million lbs		%	million lbs		%
Supply												
Beginning Stocks	1,417.1	1,419.2	0.1%	63.1	57.5	-8.9%	376.8	355.4	-5.7%	248.1	249.3	0.5%
Production	1,189.2	1,196.8	0.6%	67.9	68.3	0.6%	164.1	180.1	9.8%	173.3	174.7	0.8%
Imports	25.3	23.1	-8.7%	0.0	0.6	-	13.8	8.6	-37.7%	0.2	0.3	50.0%
Total Supply	2,631.6	2,639.1	0.3%	131.0	126.4	-3.5%	554.7	544.1	-1.9%	421.6	424.3	0.6%
Utilization												
Domestic Disappearance	1,139.4	1,108.1	-2.7%	37.0	39.8	7.6%	195.8	194.2	-0.8%	26.6	48.7	83.1%
Exports	88.8	114.9	29.4%	30.4	36.0	18.4%	6.0	18.5	208.3%	156.4	131.9	-15.7%
Total Utilization	1,228.2	1,223.0	-0.4%	67.4	75.8	12.5%	201.8	212.7	5.4%	183.0	180.6	-1.3%
Stocks												
Ending Stocks	1,403.4	1,416.0	0.9%	63.7	50.6	-20.6%	352.9	331.4	-6.1%	238.6	243.7	2.1%

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	8,293.1	8,351.7	0.7%	517.6	487.9	-5.7%	1,364.0	1,444.6	5.9%	1,420.6	1,346.7	-5.2%
Imports	176.8	180.6	2.2%	0.9	2.2	145.6%	84.2	67.2	-20.2%	0.8	3.5	339.6%
Total Supply	8,469.8	8,532.3	0.7%	518.5	490.1	-5.5%	1,448.2	1,511.8	4.4%	1,421.4	1,350.2	-5.0%
Utilization												
Domestic Disappearance	7,839.5	7,707.3	-1.7%	290.6	256.2	-11.8%	1,256.8	1,308.0	4.1%	401.6	450.2	12.1%
Exports	669.0	763.1	14.1%	233.5	243.7	4.4%	38.6	86.9	125.0%	981.8	865.5	-11.8%
Total Utilization	8,508.6	8,470.4	-0.4%	524.1	499.9	-4.6%	1,295.4	1,394.9	7.7%	1,383.4	1,315.7	-4.9%

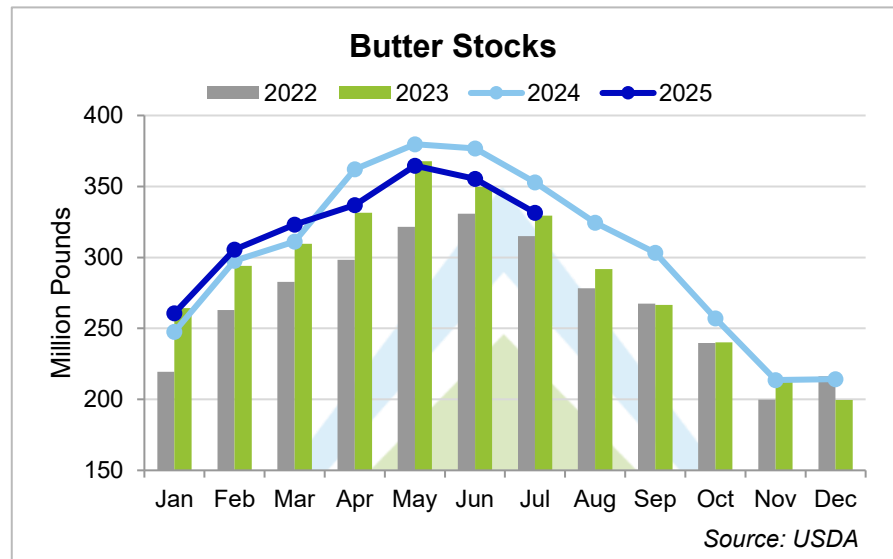
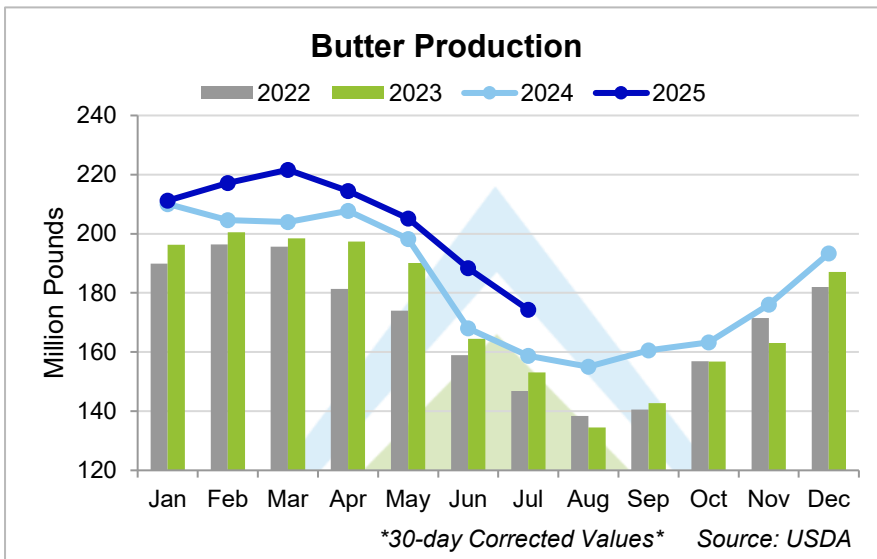
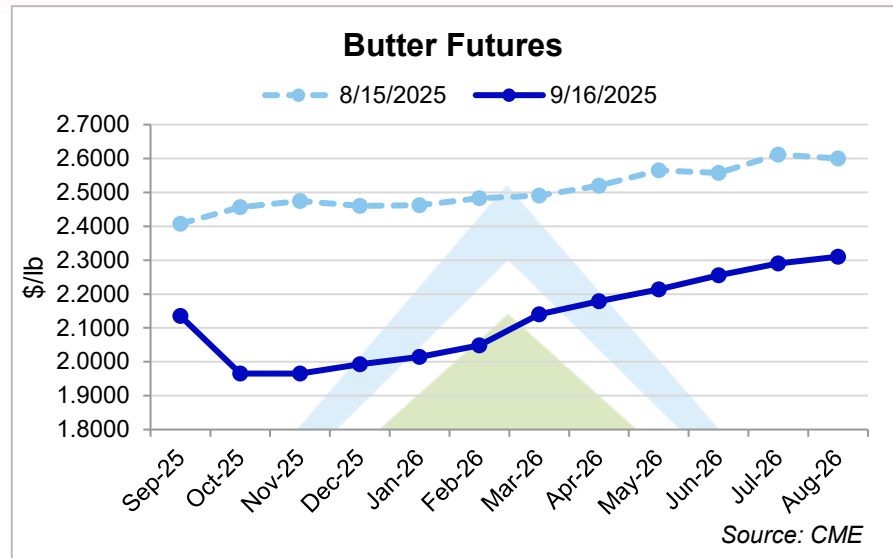
Dry Skim Milk Products includes NFDM, SMP, and dry skim milk for animal use. USDA NASS does not report manufacturers' stocks of SMP.

Source: USDA

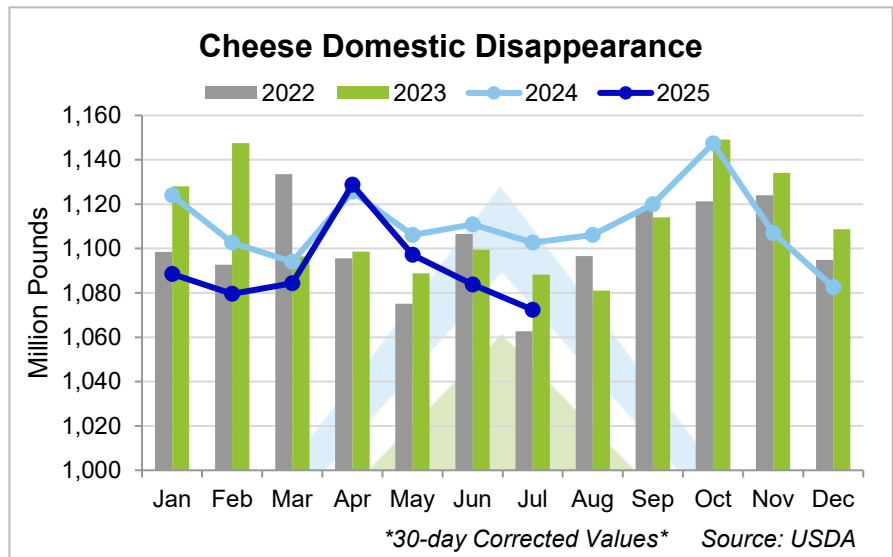
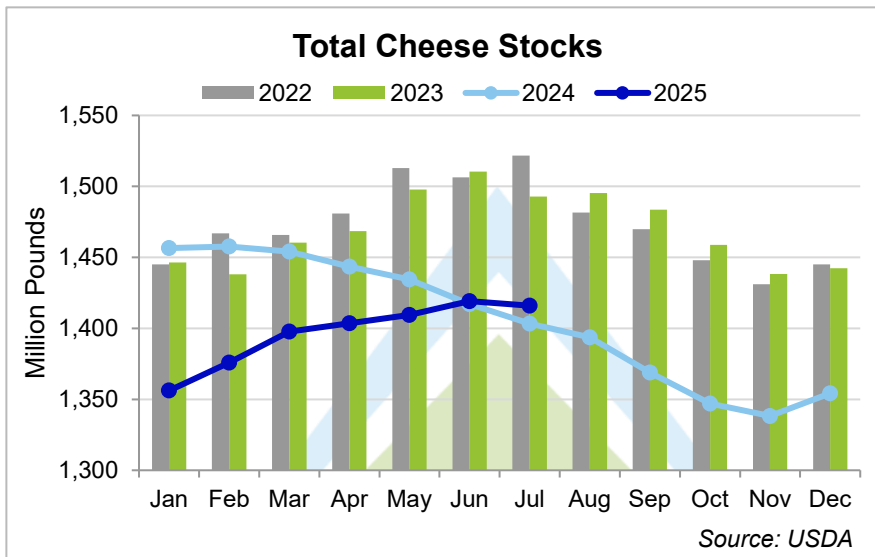
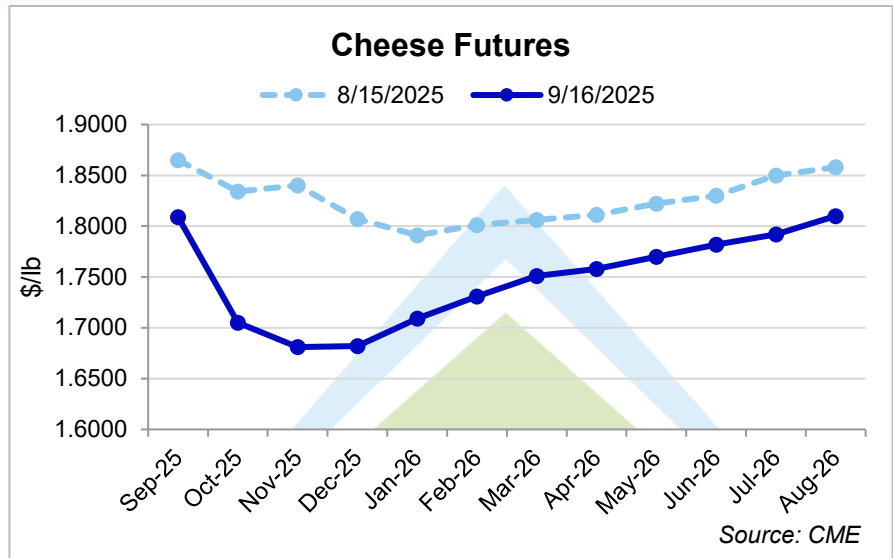
Year-to-date volumes are adjusted to exclude the extra day from leap year.

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

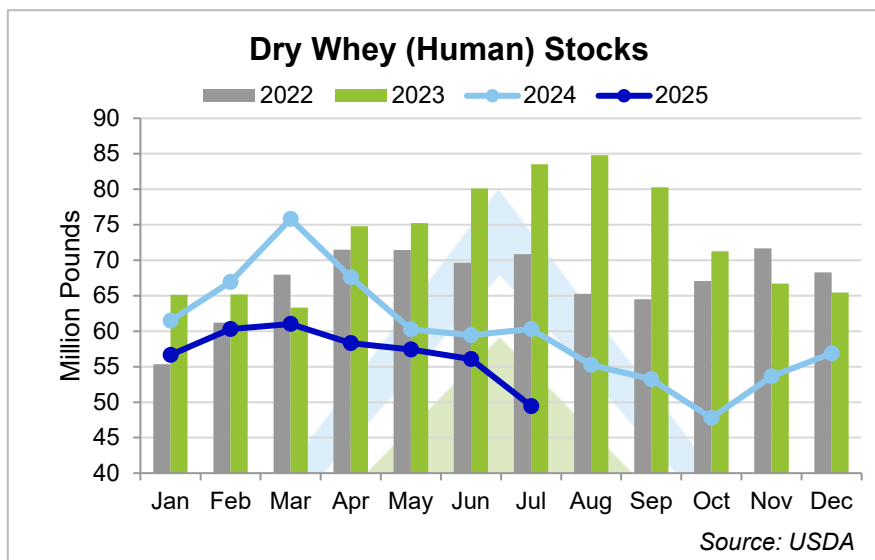
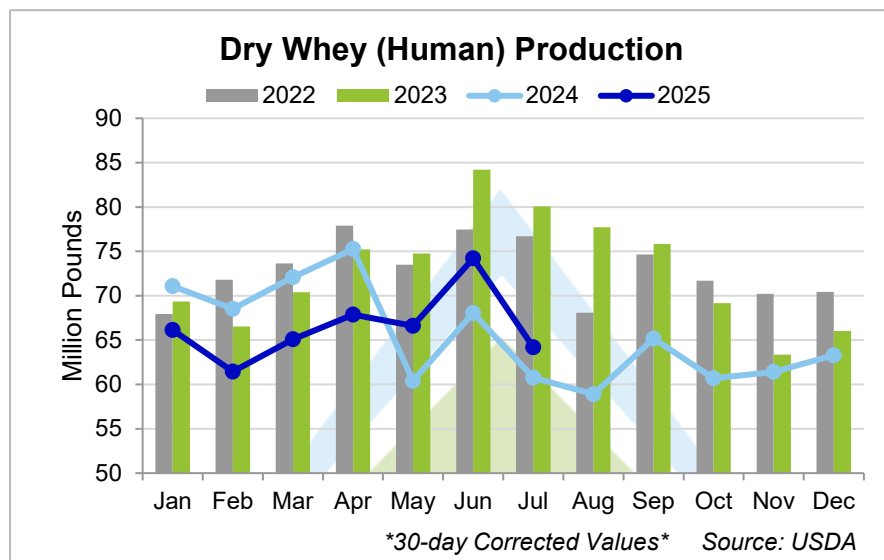
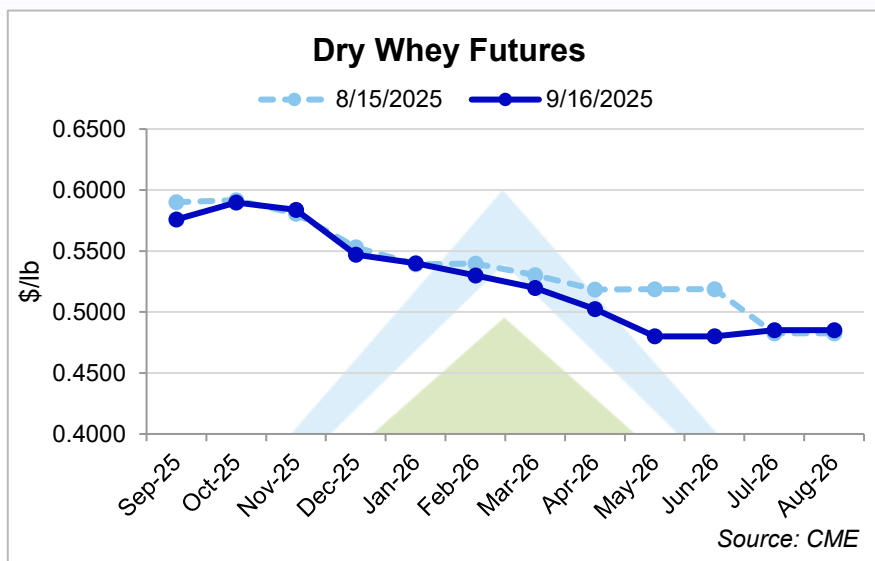
- Butter production marked another month of stellar growth, up 9.8% year-over-year in July, with strong gains in both the West and Central regions. Continued growth in milk output and robust component yields are driving this increased supply of butter in the market.
- In July, butter stocks fell 24 million pounds (-6.7%) from the prior month, representing the most significant June to July drawdown since 1994. Compared to last year, July butter stocks are down 6.1%.
- Total butter usage rose 5.4% year-over-year, driven by strong international demand. While domestic usage was down slightly (-0.8% YoY), exports climbed to their highest level since March 2013.



- Total cheese production rose 2.1% from last year, recording a new all-time high for July and marking the sixth consecutive month of year-over-year increases. Output of both American and Italian-style cheeses grew, with Italian setting a monthly record and American missing the mark by less than a million pounds.
- Total cheese stocks were 0.9% higher than last year, growing for the second month in a row.
- Total cheese usage declined 0.4% from the prior year. While July cheese exports were the second-highest on record, domestic consumption dragged on demand. Domestic cheese disappearance dropped over 30 million pounds (-2.7%) from July 2024.

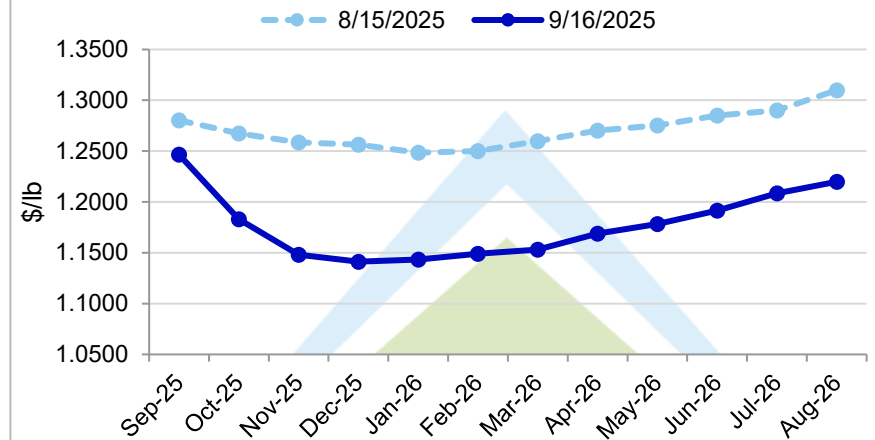


- After a strong posting in June, dry whey production plunged 13.5% month-on-month in July. While output improved from the prior year (+5.7% YoY), July 2024 and 2025 posted the lowest production numbers for the month since 1984.
- Inventories waned due to the weaker production. Dry whey stocks dropped 18% from last year, recording their smallest level for the month since 2012. Compared to last month, warehouse levels fell by 11.8%, a counter-seasonal move. The last time stocks fell from June to July was in 2019.
- Total dry whey usage improved 12.5% versus last year, though it comes off a weak July 2024 comparison. While demand remains modest, the drawdown in stocks tightens the balance sheet and could provide support to prices.

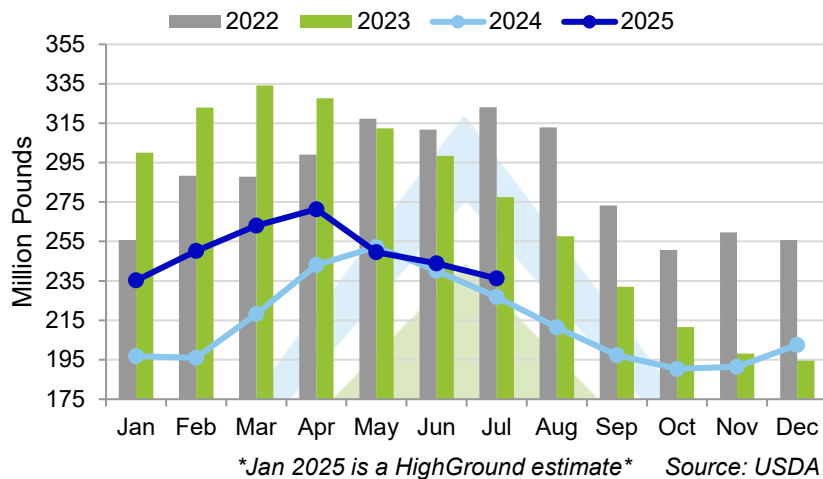


- In July, combined production of NFDM and SMP eked out a small year-over-year gain of +0.7%. NFDM production surged 7.1%, marking its first YoY increase for the month since 2022, while SMP output soured.
- July NFDM stocks improved 4.1% from the previous year. However, inventories fell 3.2% from the previous month, exceeding the five-year average.
- Total utilization of NFDM and SMP fell 1.3% from last year. US NFDM prices have not carried the same price advantage to global competitors as cheese and butter, and that has stymied exports. While exports fell again, domestic demand improved YoY, but not enough to offset the smaller international sales.

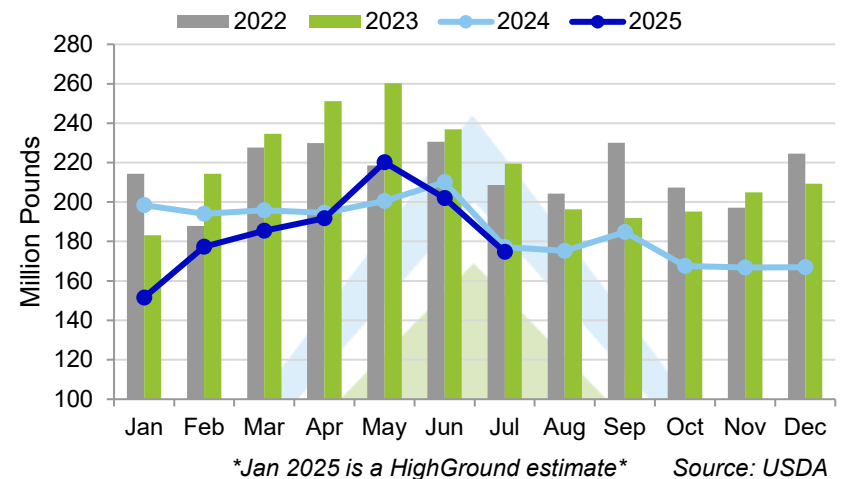
Nonfat Dry Milk Futures



NFDM Stocks

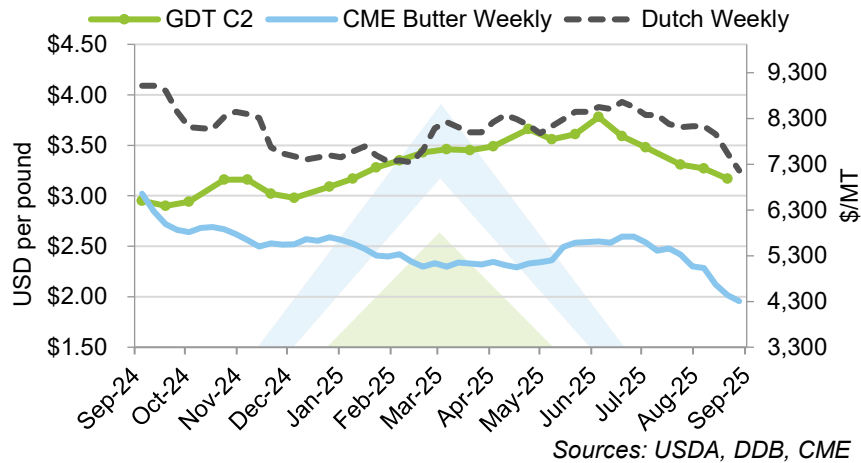


U.S. NFDM & SMP Total Utilization

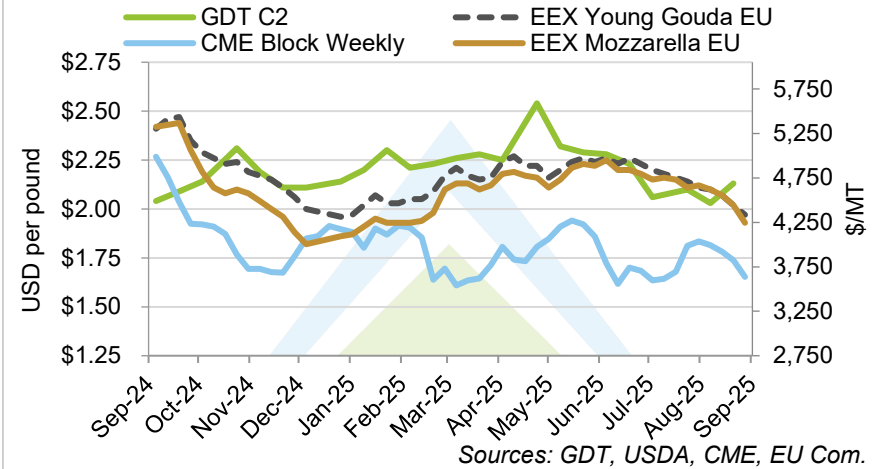


US export volumes are at multi-year highs. However, as international prices have begun to fall, the gap between US and international cheese prices is narrowing.

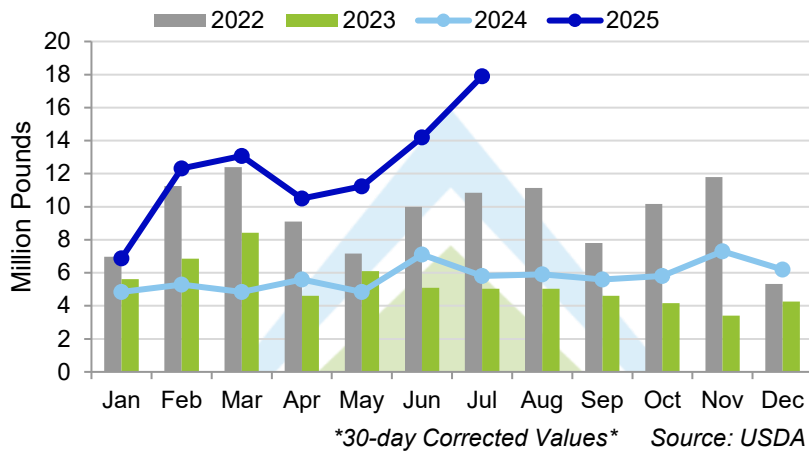
International Butterfat Prices



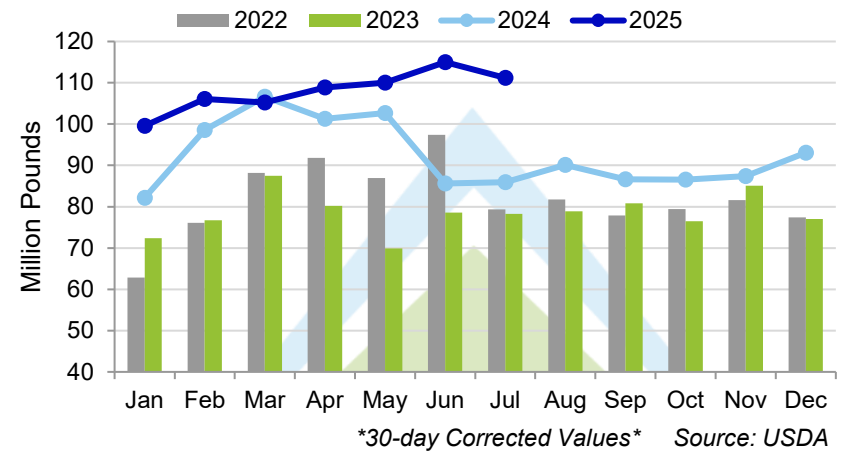
International Cheese Prices



U.S. Butter Exports

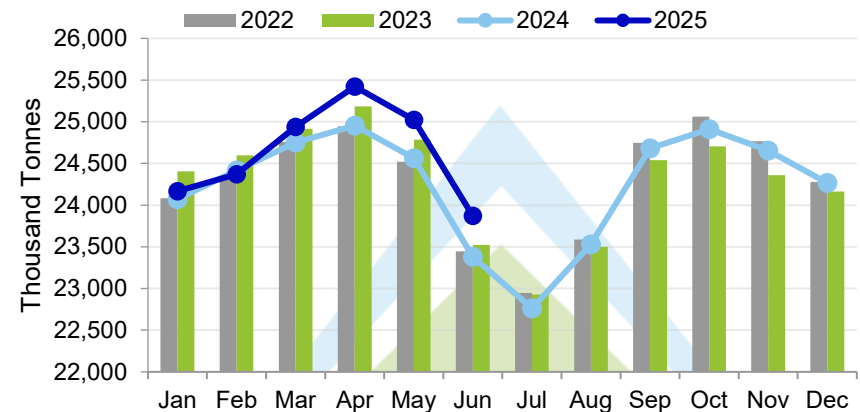


U.S. Cheese Exports



- Milk production in the top five dairy-exporting countries increased 2.1% year-over-year in June, marking four straight months of annual gains.
- Farmers around the world, especially in the US, Europe, and New Zealand, have seen relatively strong profitability in recent months, driving higher milk production in these key regions. This surge in global milk output is starting to weigh on international dairy prices, fueling bearish market sentiment.

Milk Production of the Big 5 Exporters

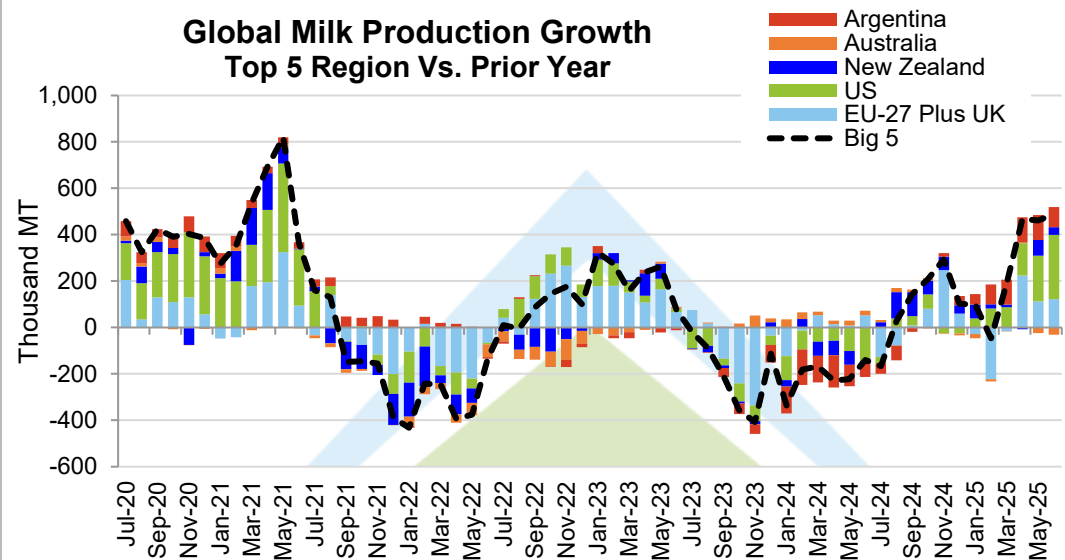


Sources: AHDB, USDA, DCANZ, Dairy Australia, Argentina Ministry

Year-Over-Year Percent Change in Production: Jun-25

Country	Percent Change
EU-27 Plus UK	0.9%
United States	3.3%
New Zealand	14.5%
Australia	-5.2%
Argentina	10.3%
<i>Big 5</i>	2.1%

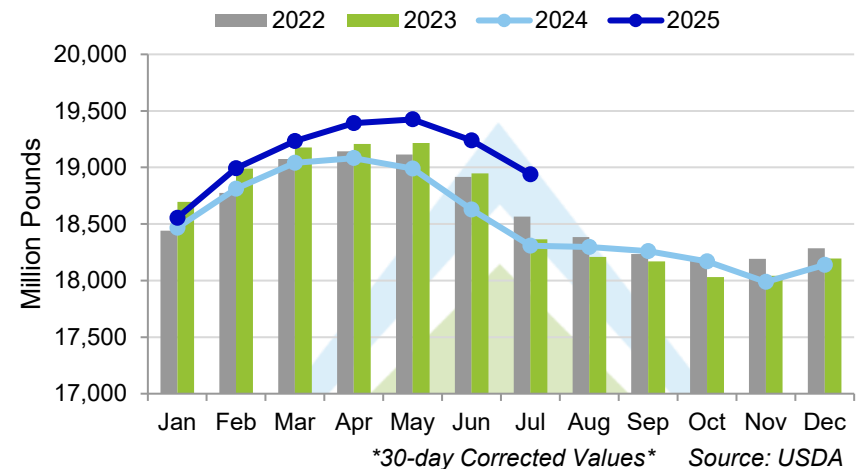
Global Milk Production Growth Top 5 Region Vs. Prior Year



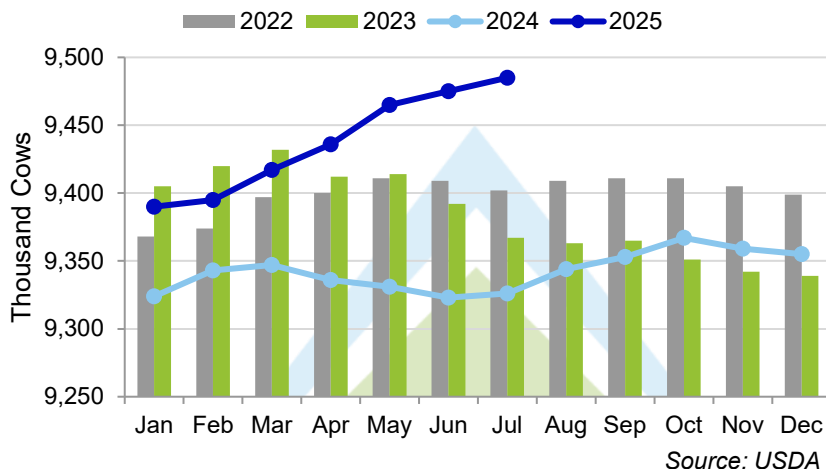
Sources: AHDB, USDA, DCANZ, Dairy Australia, Eurostat, Argentina Ministry, EU-27+UK

- July marked another month of exceptional production growth with volumes rising 3.4% from the prior year.
- The national herd in July grew 10,000 cows from last month and 159,000 cows from last year. At 9.485 million head, total US cow numbers reached their highest for the month since the mid-1990s. The US milking herd has only been at or above 9.5 million head three times during this era (April to June 2021).
- Milk per cow increased 1.7% from last year, marking the highest July yield on record.

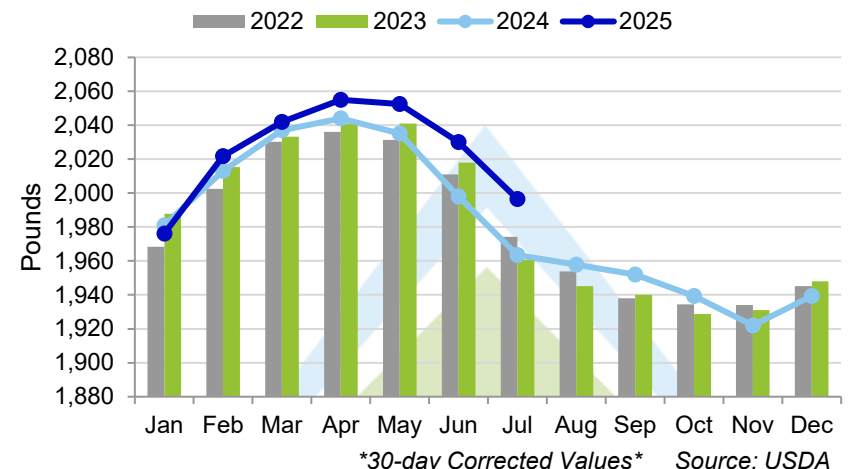
U.S. Milk Production



U.S. Milk Cows

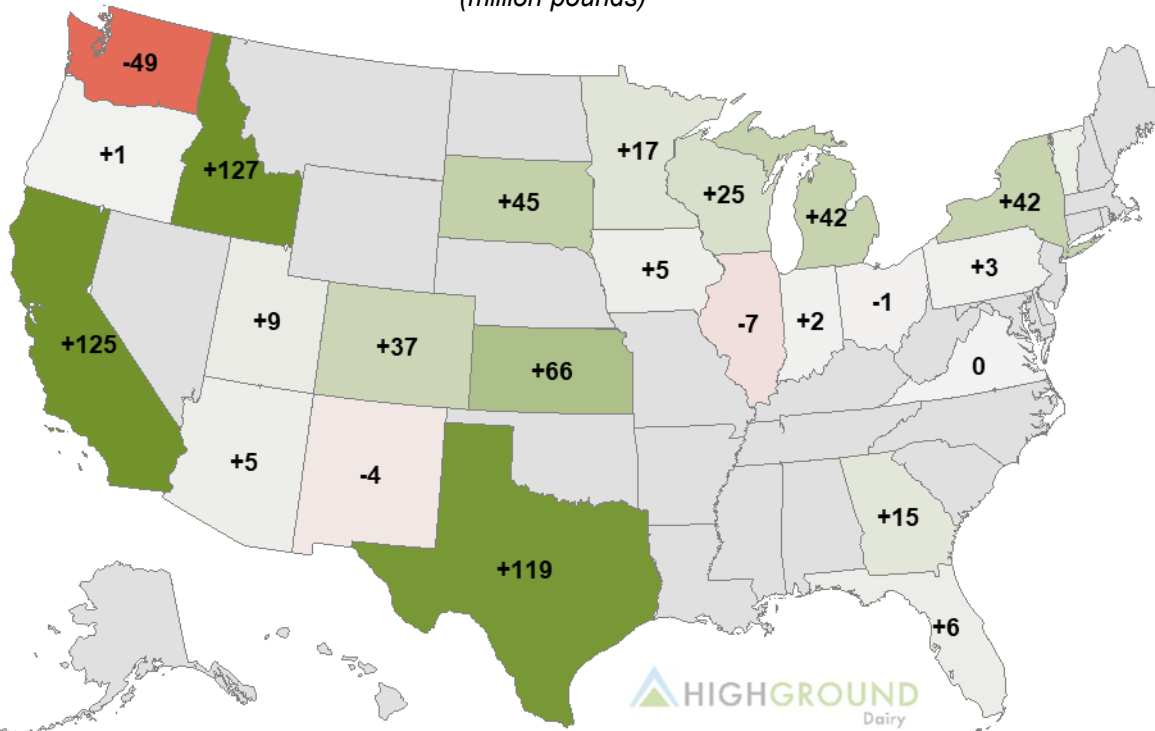


U.S. Milk Per Cow



Year-Over-Year Change in Production: July 2025

(million pounds)

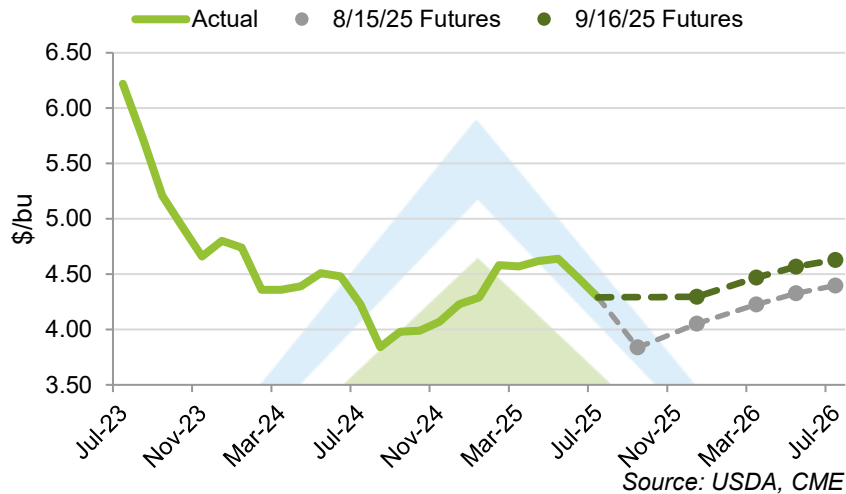


 HIGHGROUND Dairy

Source: USDA

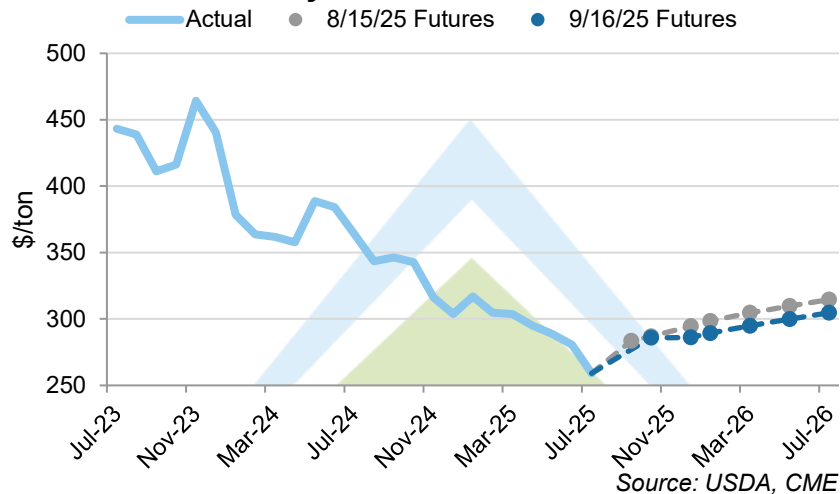
- Recent growth has primarily been centered in Texas, Idaho, and Kansas. Together, these three states account for 75% of the total increase in the US milking herd over the past year. Each of these states achieved production growth of over 8% year-over-year in July.
- California milk output saw further recovery in July, up 3.8% from the previous year. Greater milk per cow (+3.6% YoY) drove the increase.

Corn Prices

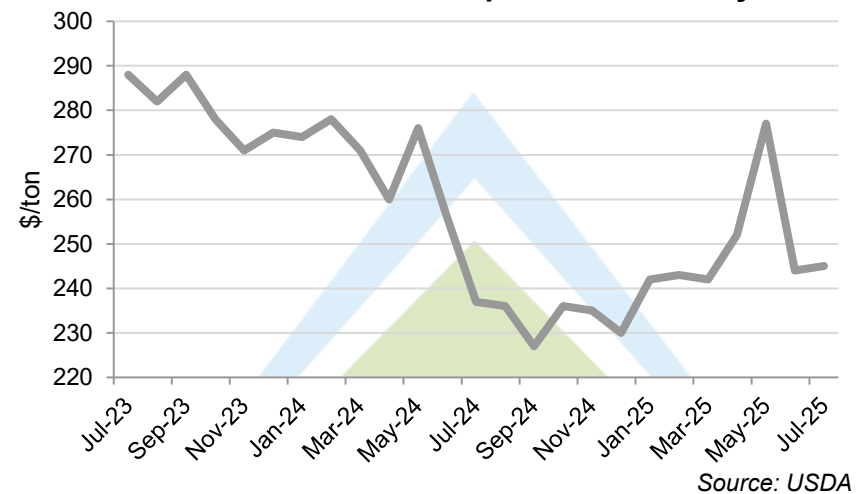


- Harvest is fast approaching, and markets are still debating the size of this year's crops. Last month's *WASDE* pegged corn yields at a lofty 188.8 bu/acre; however, in late August, Pro Farmer's crop tour suggested smaller numbers. Last Friday, in the September *WASDE*, USDA lowered yields to 186.7 bu/acre but offset the cut with 1.3 million more harvested acres. Even with record production, higher export projections trimmed ending stocks, tightening the balance sheet. Over the past month, corn futures contracts for the next year gained \$0.23–\$0.25/bu (\$8.20–\$8.75/ton).
- The soybean balance sheet saw only minor adjustments. Pro Farmer's crop tour pegged yields at 53 bu/acre, 0.6 below USDA's estimate. In last Friday's *WASDE*, USDA trimmed yields by 0.1 bu/acre and added 0.2 million harvested acres. The result was higher production, and with reduced exports but stronger crush demand, ending stocks moved higher. Soybean meal futures over the next year fell \$1.00 to \$9.90/ton from last month.

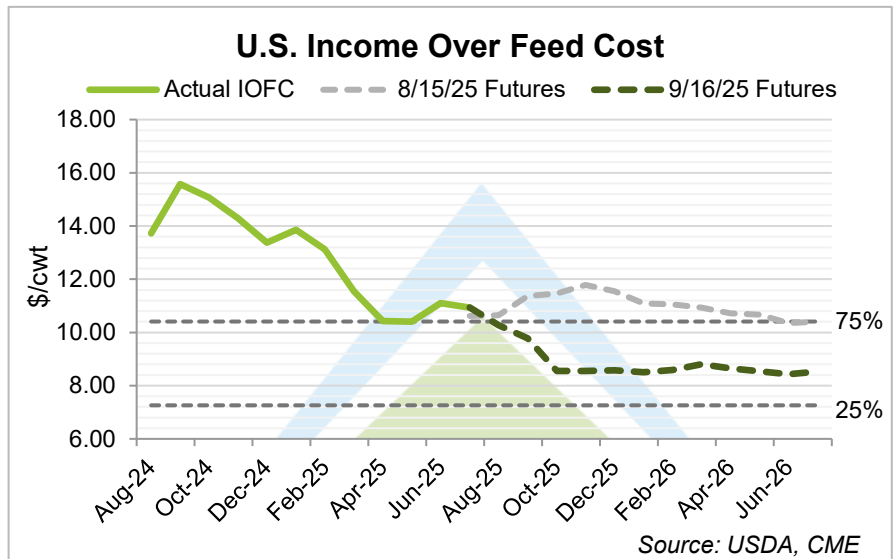
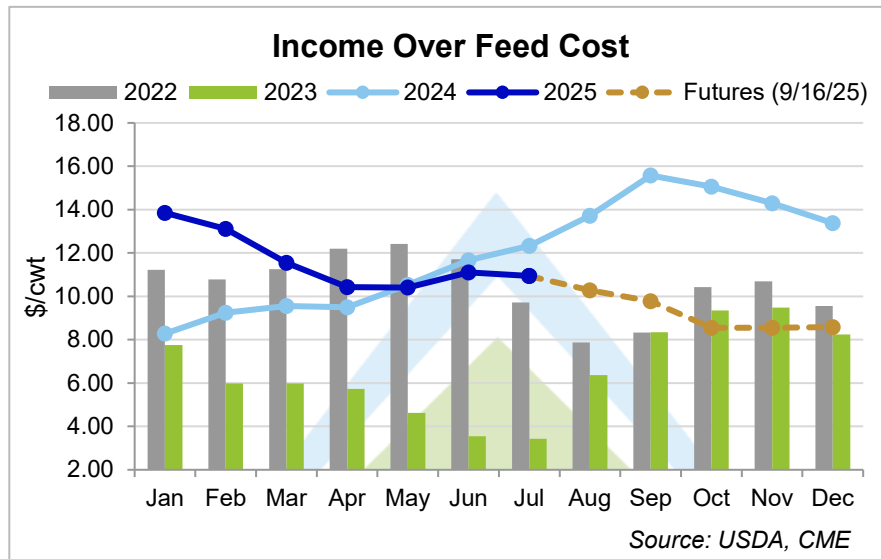
Soybean Meal Prices



5-State Premium and Supreme Alfalfa Hay

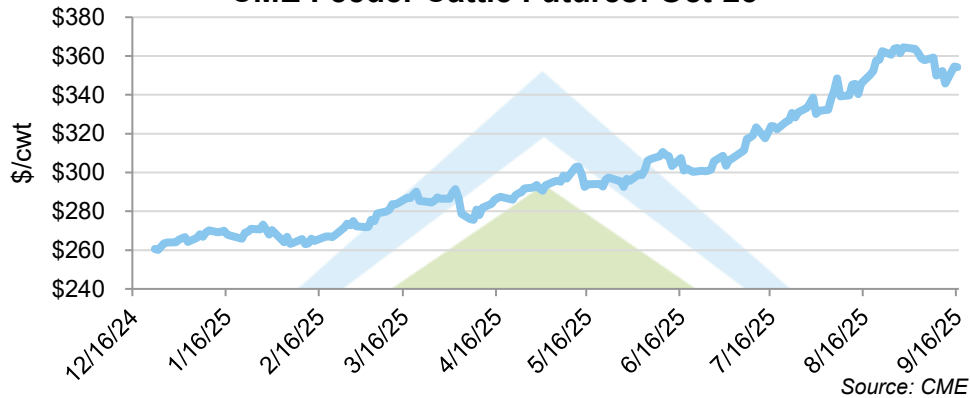


- In July, the Dairy Margin Coverage (DMC) program's Income Over Feed Cost (IOFC) calculation slipped \$0.16/cwt from the previous month. Feed costs eased with lower corn and soybean meal prices, but the decline was outweighed by a sharper drop in the all-milk price, largely tied to weaker cheese values.
- HighGround's margin outlook has weakened significantly from last month. Milk prices declined drastically on broad weakness in both Class III and Class IV prices, with expectations for October 2025 through February 2026 down more than \$2.00/cwt per month. At the same time, higher corn prices pushed feed costs upward, adding further pressure. Just last month, margin projections were historically strong, holding above the 80th percentile through May 2026. Now, projections have dropped substantially, with nine of the next 12 months falling below the 50th percentile.



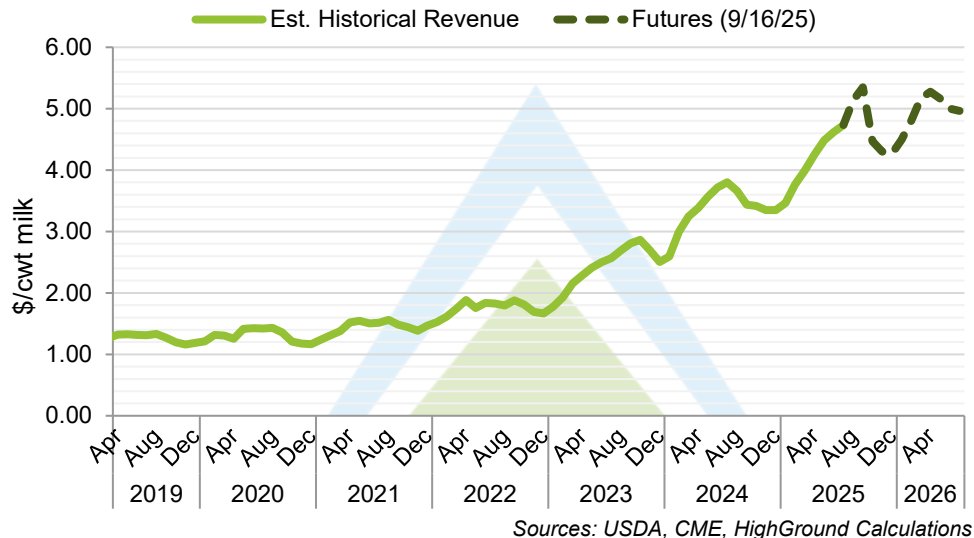
Income over feed cost is calculated using USDA-FSA Dairy Margin Coverage program formulas. The projected margin utilizes milk and feed futures as inputs. An estimate for milk is calculated using dairy product futures and historical trends for component levels. Feed is calculated from corn and soybean meal futures along with recent premium alfalfa hay prices. Milk price estimates utilize the new FMMO pricing formulas outlined in USDA's Final Rule released on January 17, 2025.

CME Feeder Cattle Futures: Oct-25



- Feeder cattle futures remain historically high, with the October contract peaking at \$364/cwt on August 27 before easing \$10/cwt. Even with the pullback, prices are still elevated by historical standards and remain closely tied to day-old beef-on-dairy calf and cull cow values. These strong feeder cattle prices are helping bolster beef revenue for farms, providing critical support as milk prices weaken.

Estimated Beef Revenue Per Cwt of Milk



- As of September 16, 2025, Livestock Risk Protection (LRP) is offering opportunities to lock in exceptionally strong revenues. **Assuming steady milk production, balanced heifer inventories, and a consistent breeding strategy, HighGround projects beef revenues north of \$4.00/cwt over the next 12 months.** While milk prices continue to decline, low feed costs combined with robust beef income should provide valuable relief for farmers.

Key Takeaways

- Never underestimate the American farmer's ability to make more milk! US milk production was up 3.4% in July, with components climbing even higher. The result has been stronger output of butter and cheese, with butterfat in particular weighing on milk prices. International markets are also flush with milk, and prices globally are beginning to weaken. As the gap between US and international values narrows, especially for cheese, exports could face challenges ahead, adding further pressure to butter and cheese values.
- While milk prices seem to be in freefall, feed costs remain low, providing some relief to farmers. USDA's September *WASDE* report projected reduced yields but higher harvested acres for both corn and soybeans. As farmers begin harvest, upcoming weather and crop reports will be critical in shaping the market outlook over the next month.
- Although the milk price outlook has deteriorated substantially from a month ago, low feed costs and historically strong beef values are helping to support margins. With feeder cattle futures currently historically elevated, HighGround estimates cull cows and beef-on-dairy calves could contribute more than \$4.00/cwt in added revenue over the next year. Further, producers who have been proactively managing their margins and monitoring the markets likely have strong milk positions for Q3 and Q4 2025, which could help cushion profitability. HighGround continues to encourage producers to remain proactive, with tools like LRP and cash feed contracts offering valuable protection to offset weaker milk prices in the months 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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