Market Outlook

Dec. 16, 2025

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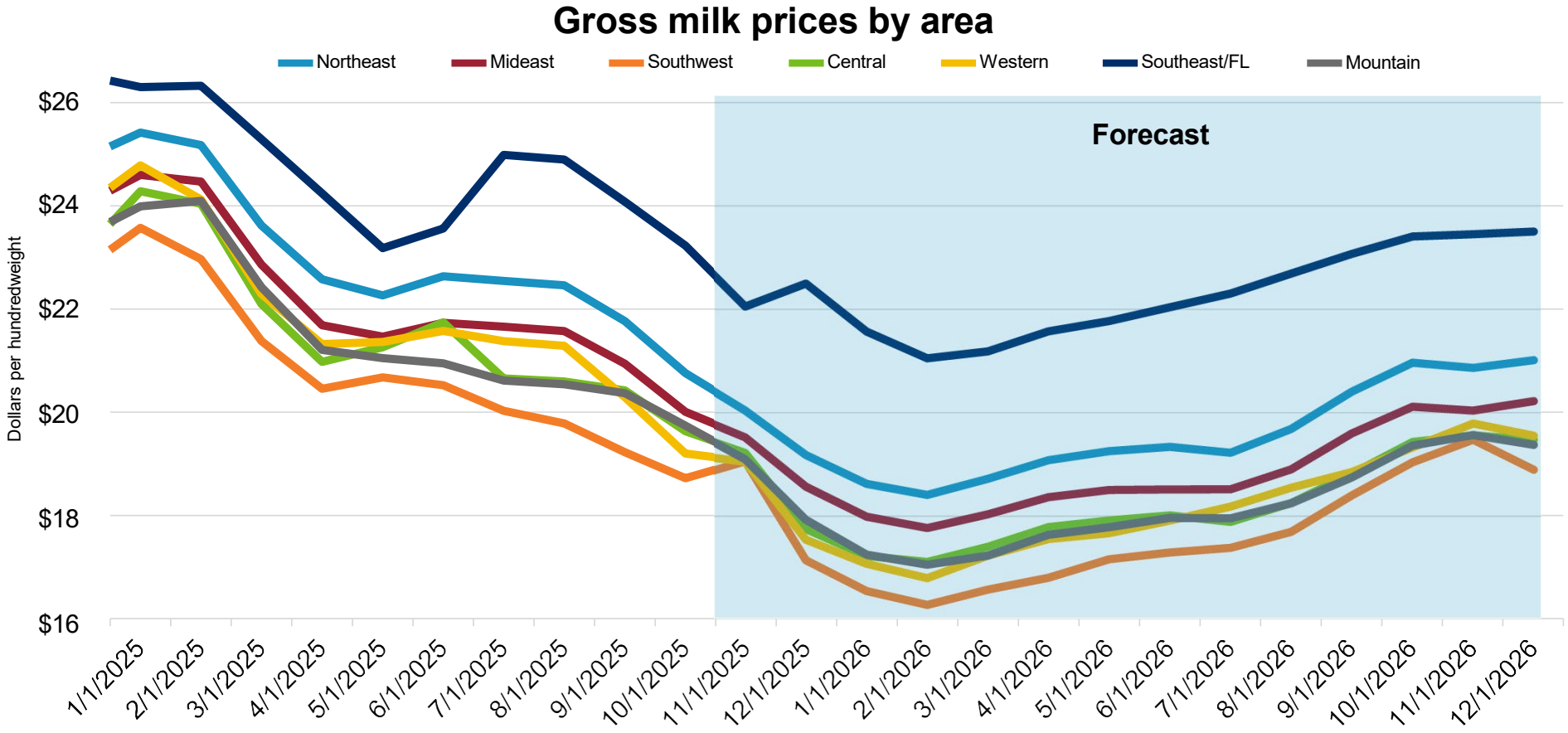
2025 was a great year for milk prices

2026 could be ~$2/cwt lower



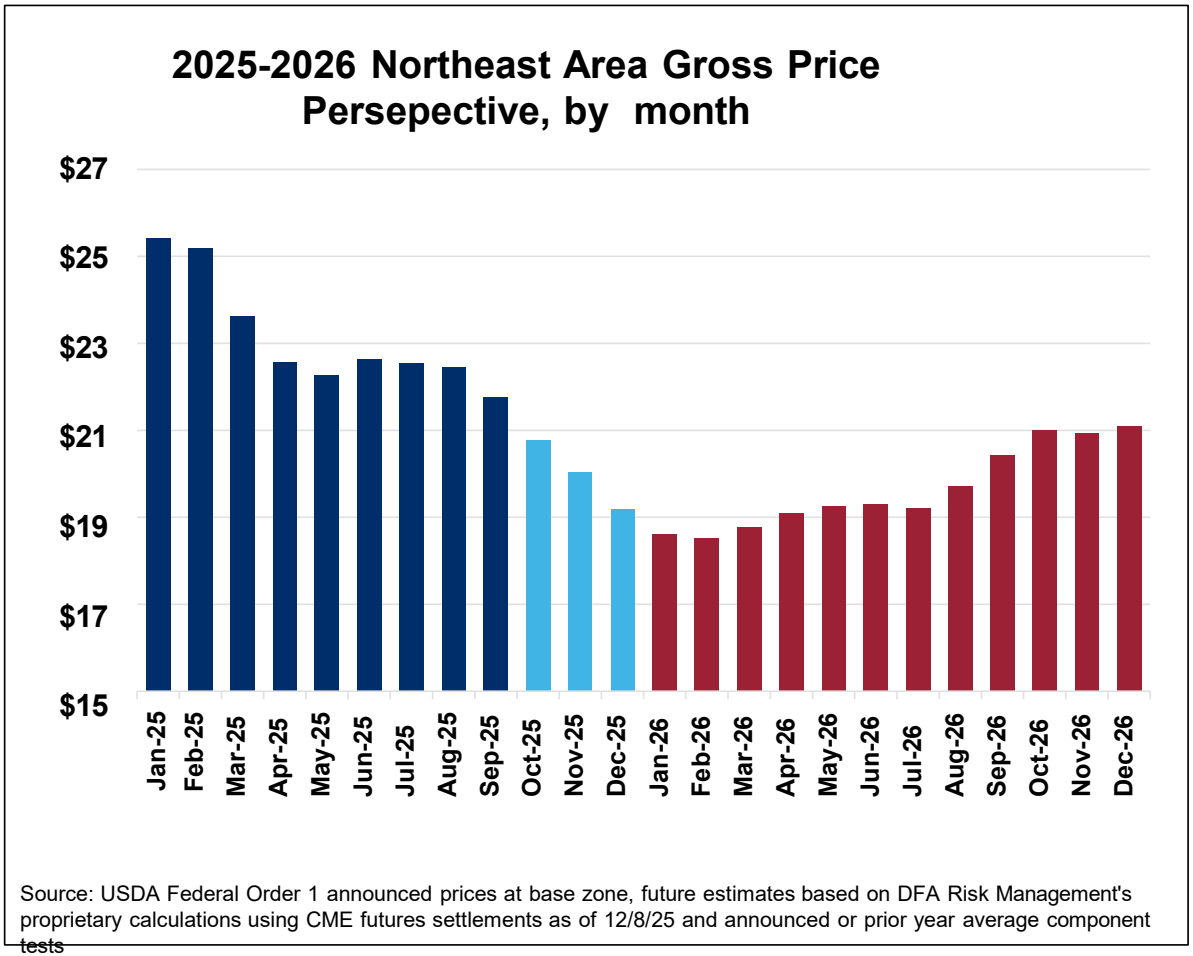
Source: USDA Federal or State order announced prices at base zone and average above standard component tests, future estimates based on DFA Risk Management's proprietary calculations using CME futures settlements as of 12/10/2025

Winding down 2025…

- **Dairy markets are supply-driven**
  - A trend unlikely to change quickly due to large herd size
- **Strong cream supply continues to pressure butter markets**
- **2026 poised for strong cheese production**
  - **Will demand recover to provide an offset?**
- **Milk-feed margins are trending lower**
  - A milk production response may be delayed due to favorable beef revenue
- **Dairy proteins are in high demand**

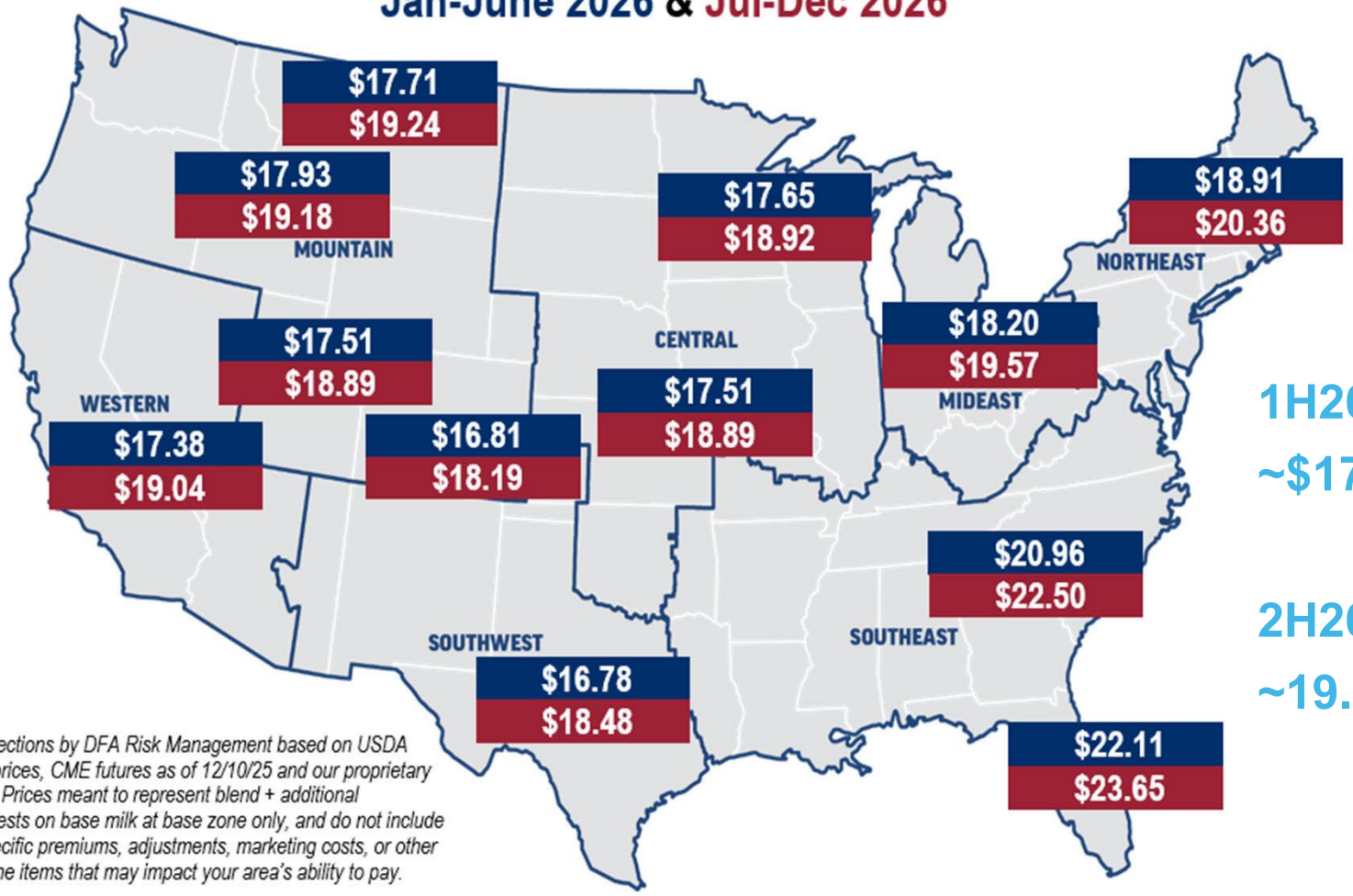
Northeast Area

Monthly summary



Source: USDA Federal Order 1 announced prices at base zone, future estimates based on DFA Risk Management's proprietary calculations using CME futures settlements as of 12/8/25 and announced or prior year average component tests

Estimated gross milk price
(blend plus additional components)
Jan-June 2026 & Jul-Dec 2026



Source: Projections by DFA Risk Management based on USDA announced prices, CME futures as of 12/10/25 and our proprietary calculations. Prices meant to represent blend + additional component tests on base milk at base zone only, and do not include any area specific premiums, adjustments, marketing costs, or other milk check line items that may impact your area's ability to pay.

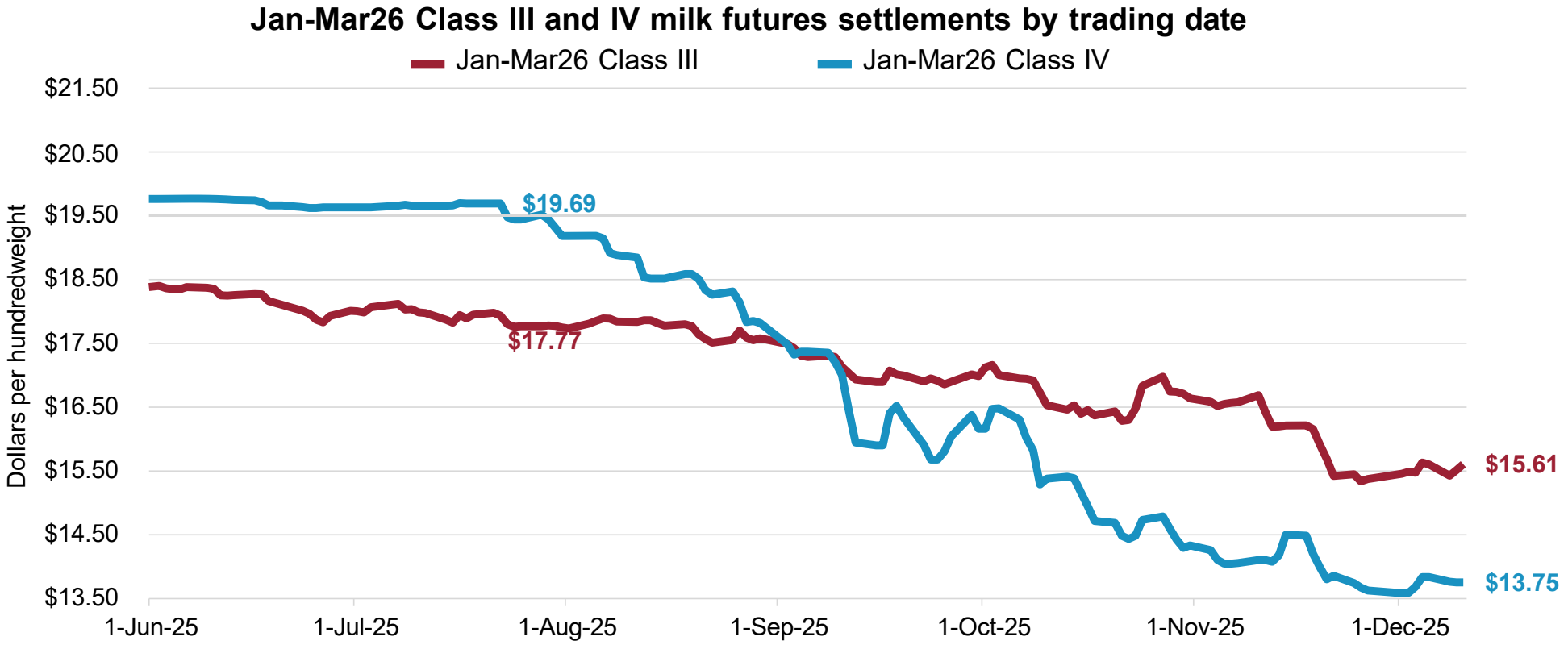
1H26:

~$17.00-18.00/cwt

2H26:

~19.00-20.00/cwt

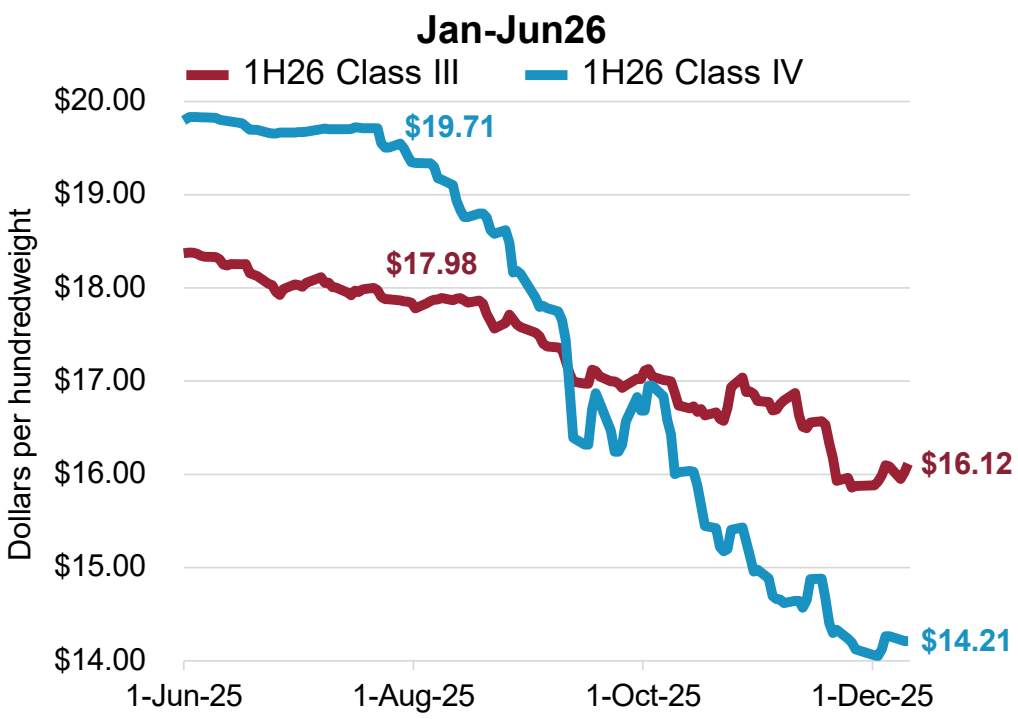
Nearby Class III/IV futures under pressure

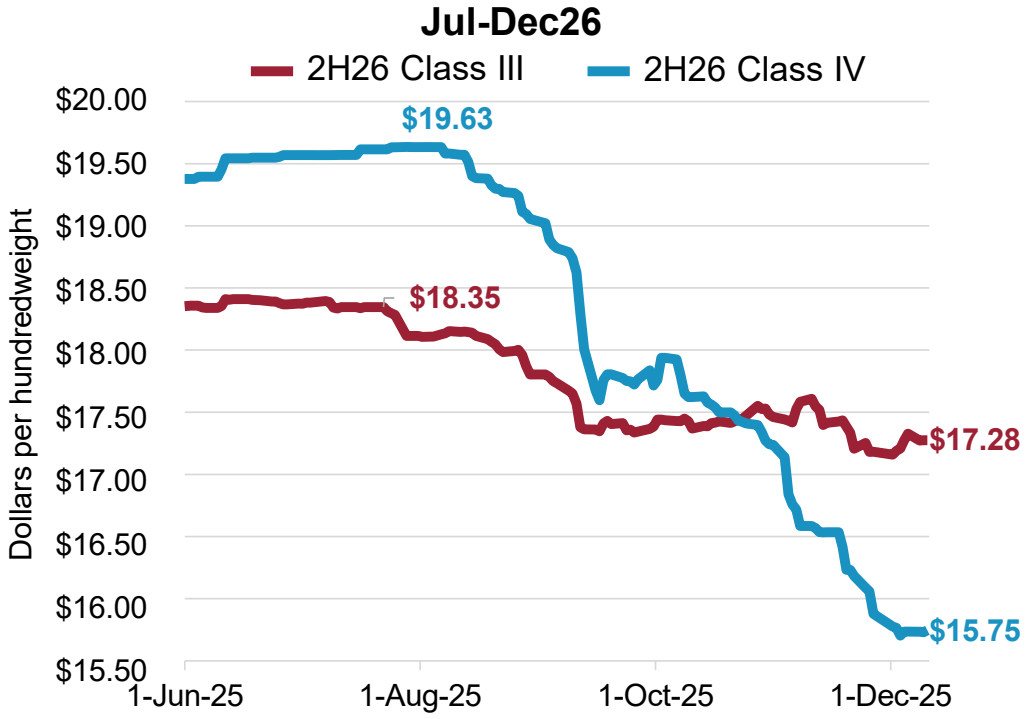


Source: CME Group as of 12/10/2025

2026 pricing outlook has declined

Class III and IV milk futures settlements by trading date



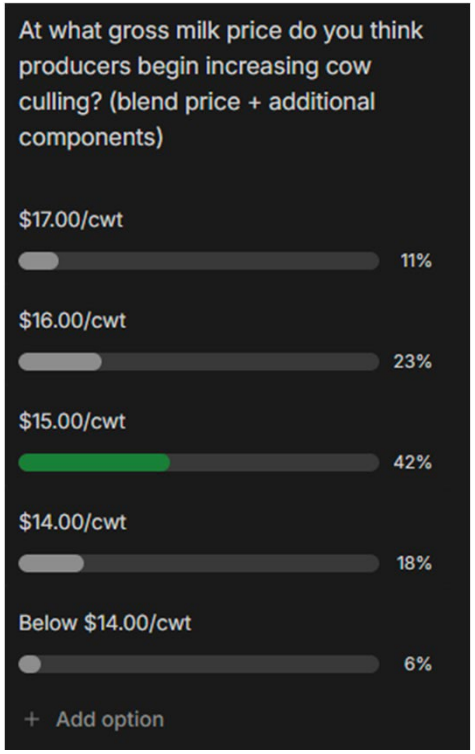


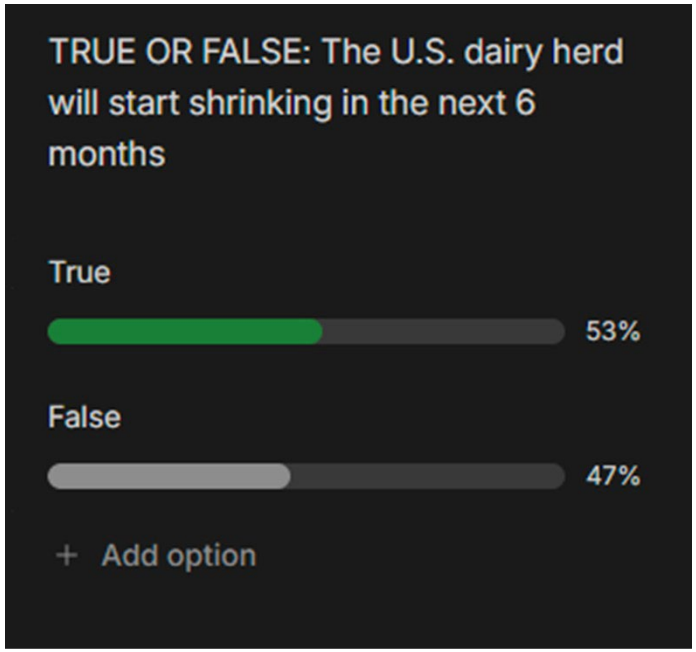
Source: CME Group as of 12/10/2025

How much downside is left for milk prices?

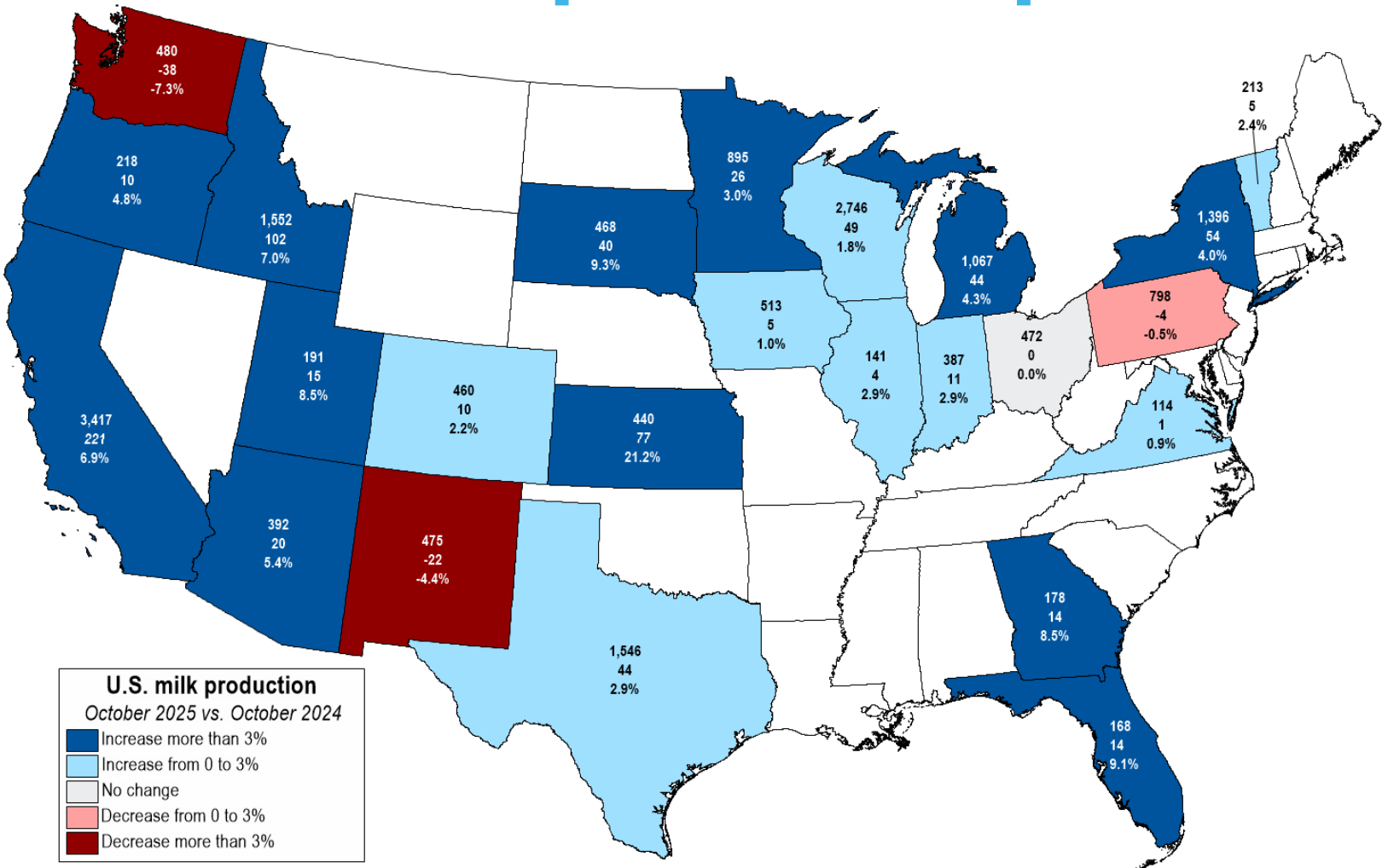
Still potential for markets to go lower

Our recent survey of producers shows that it would take $14-15 gross milk prices before we see increased cow culling.





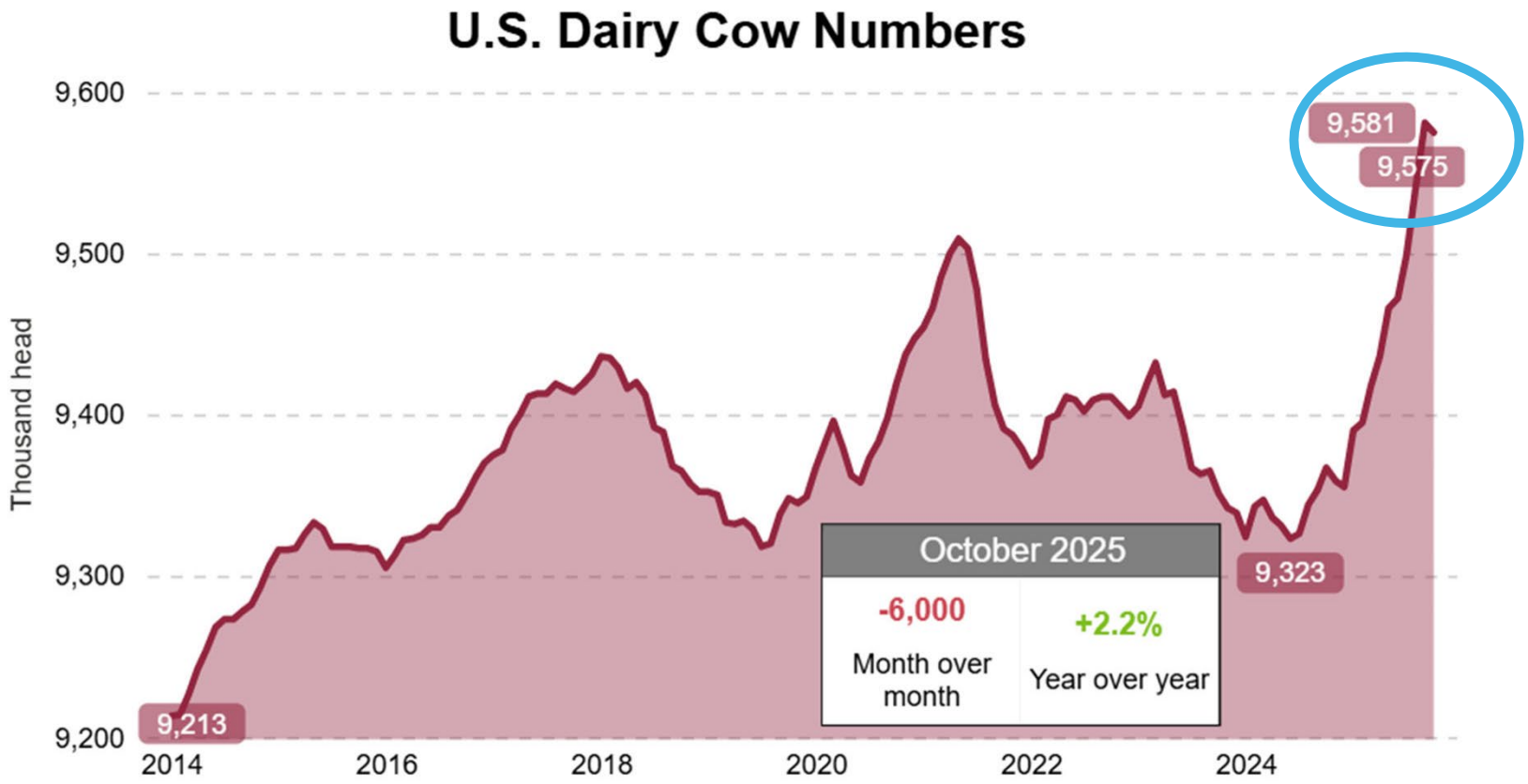
October U.S. milk production up 3.7% YOY



Source: USDA, millions of pounds

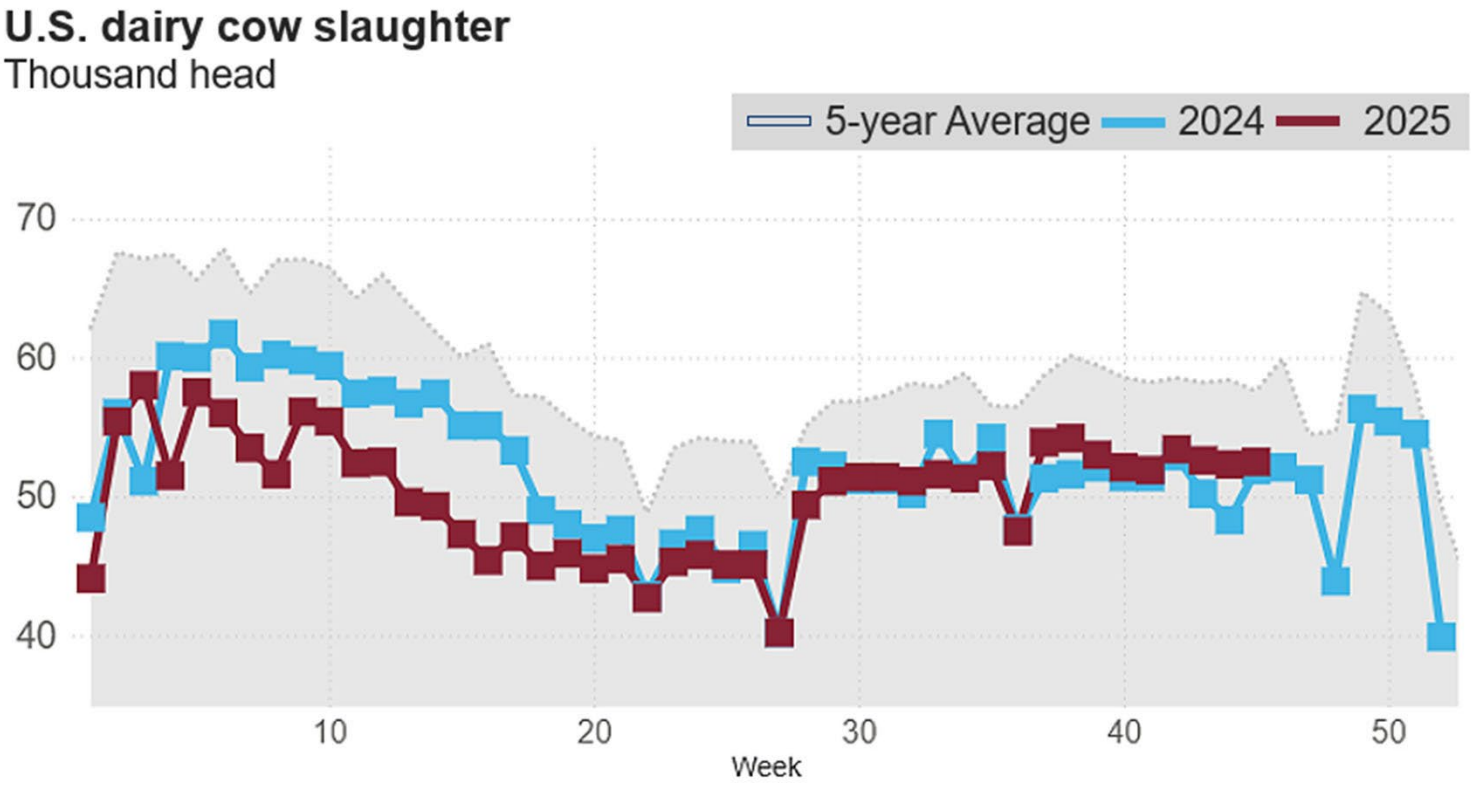
Cow numbers dropped for first time in 10 months

Milking herd is still very large



Source: USDA National Agricultural Statistics Service

Dairy cow slaughter activity has been consistent in recent months



YTD % Change

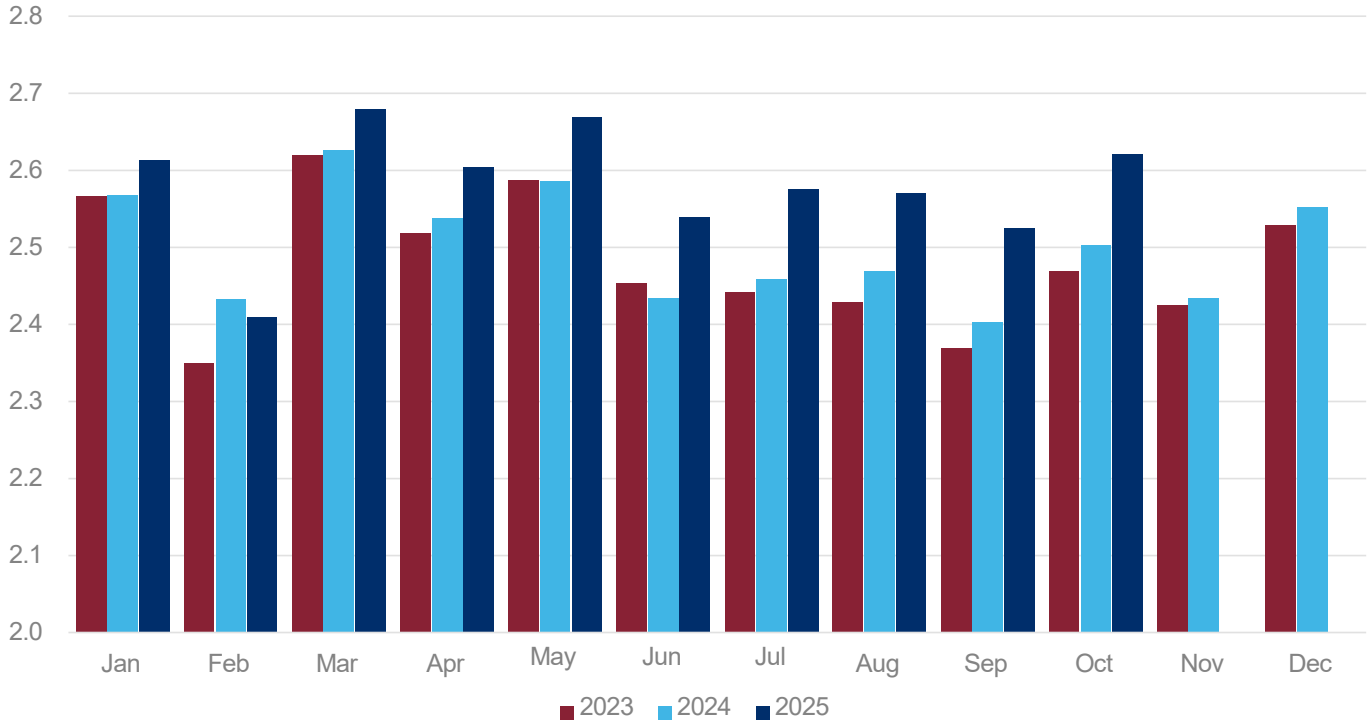
-4.0%

- Slaughter trends are following a similar pattern as 2024
- Farmers have adopted management practices to accommodate retaining older cows

Source: USDA

Milk solids growth is boosting already strong U.S. milk production

U.S. milk solids production
Billion pounds



Milk solids growth
Oct. 2025
+4.7%

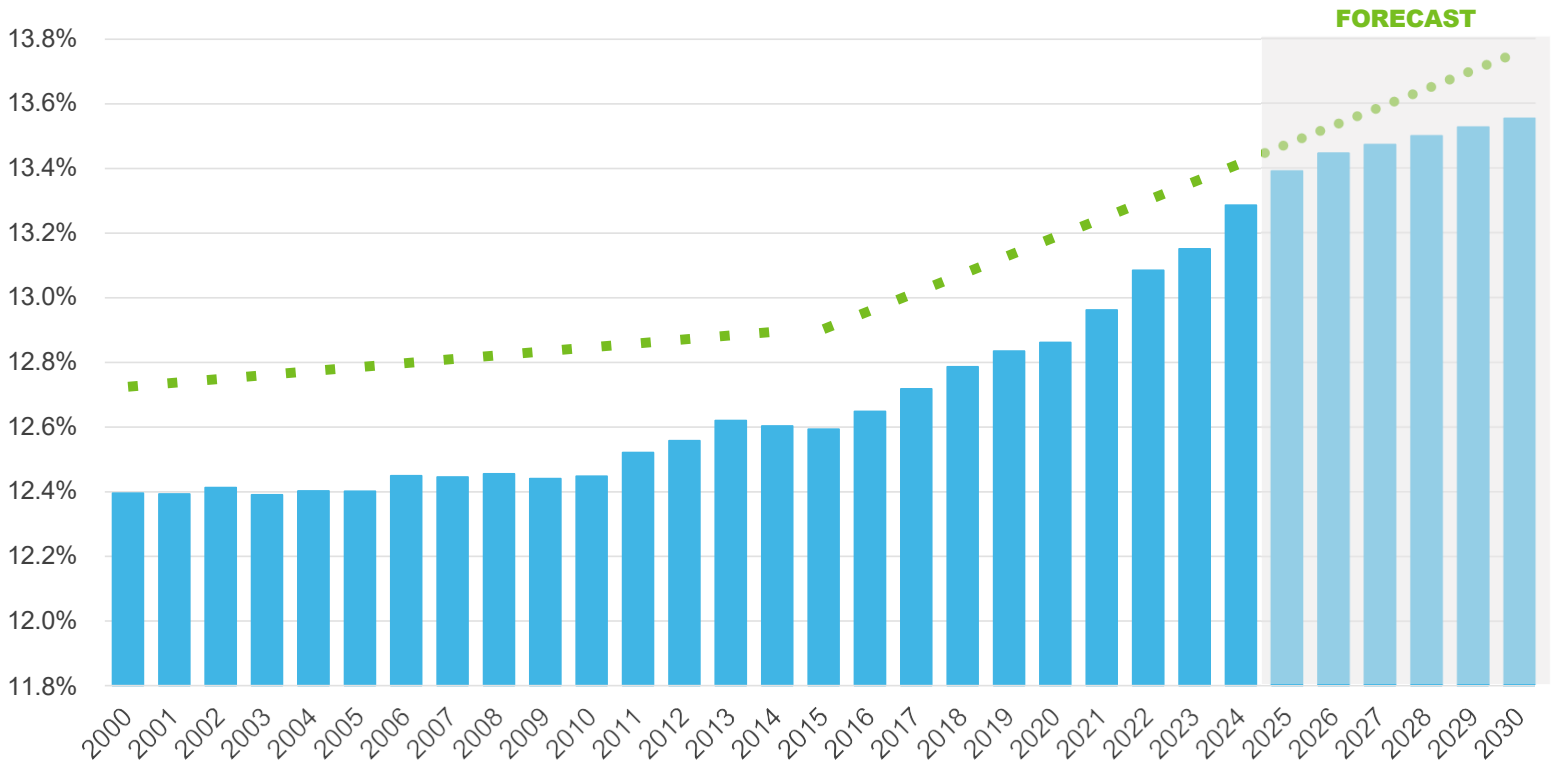
YTD 2025[1]
+3.5%

- Since February, milk solids have been growing at unprecedented rates
- Milk component growth is expected to continue well into 2026

Note: (1) Leap year adjusted
Source: U.S. Department of Agriculture, DFA calculations

Growing milk components puts more solids into the market than ever before

U.S. milk solids
% of total volume



Aug 2025
4.0%
total solids

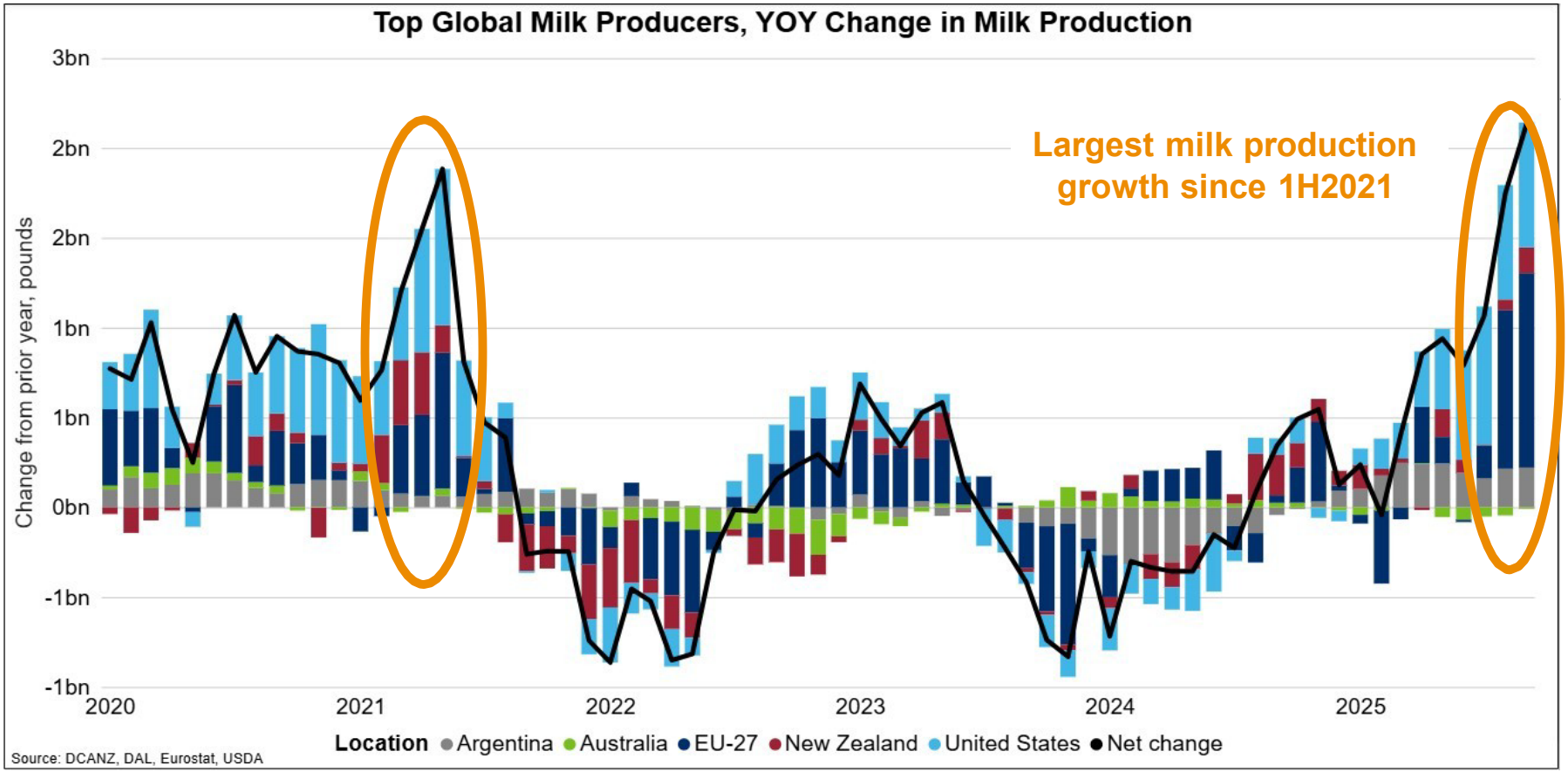
YTD 2025
+3.1%

2025 forecast
+3.0%

Source: USDA, DFA internal projections

Global milk production 4% higher YOY

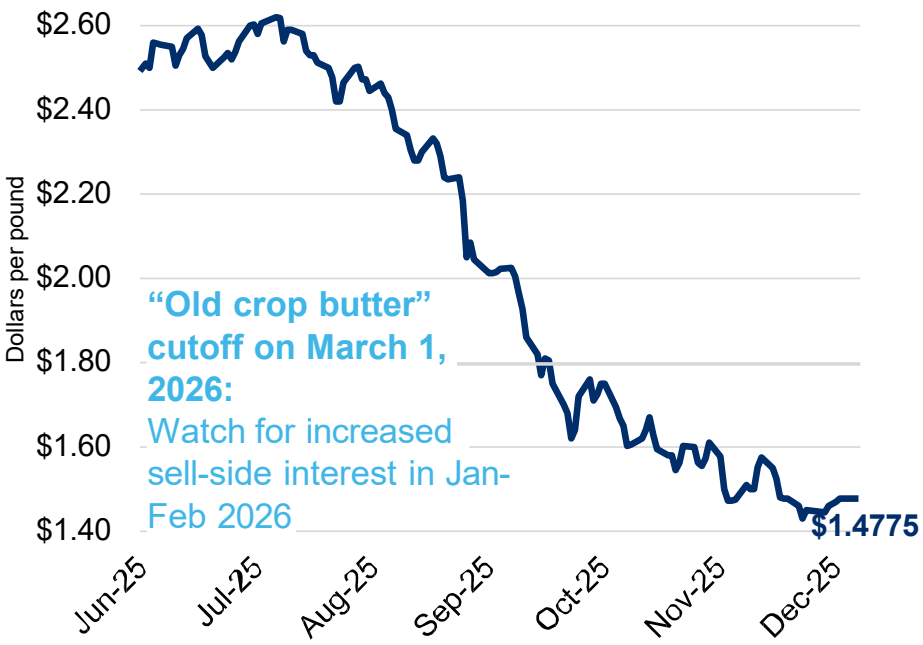
Global dairy commodity prices under pressure following higher production



CME cheese and butter prices declined

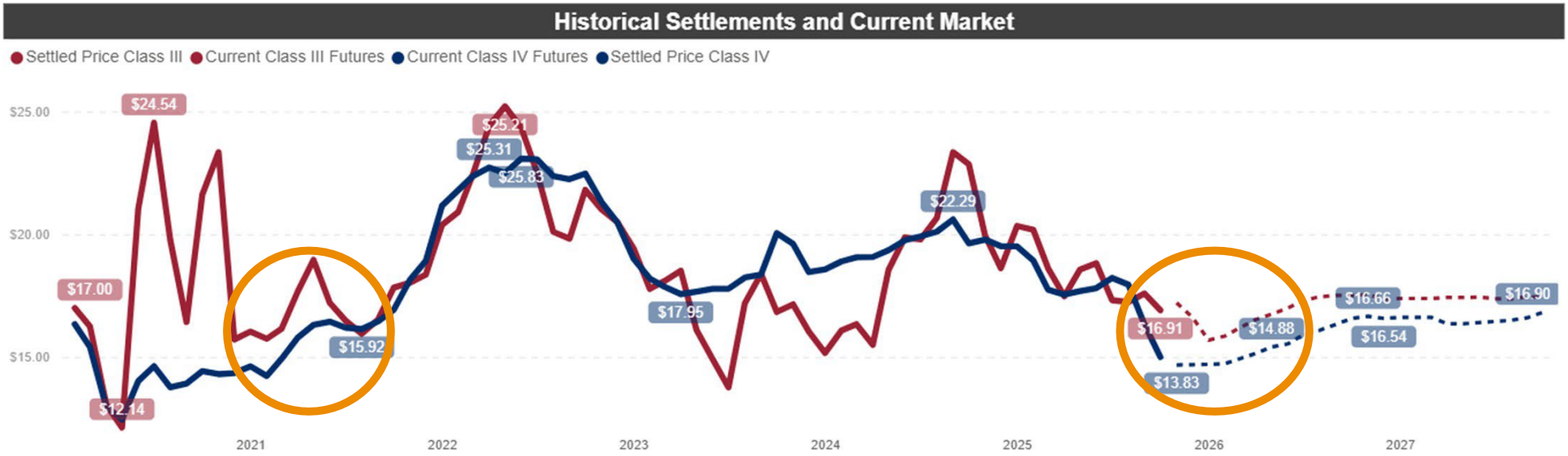
CME cash block cheese daily settlements

CME cash butter daily settlements



Source: CME Group as of 12/10/25

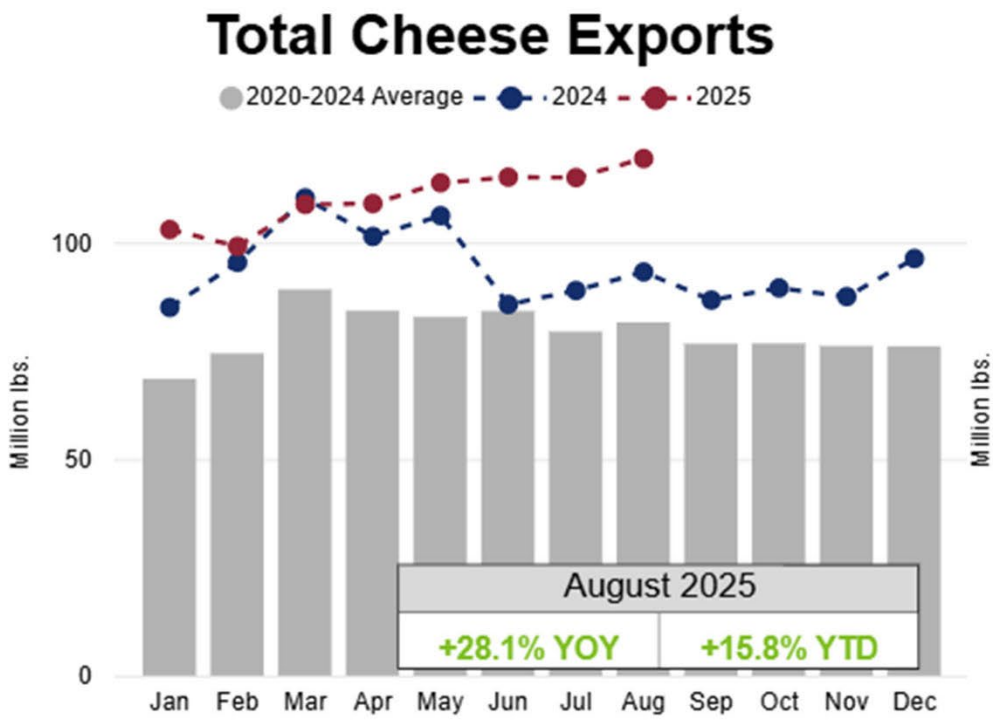
1H26 price projections similar to 1H21

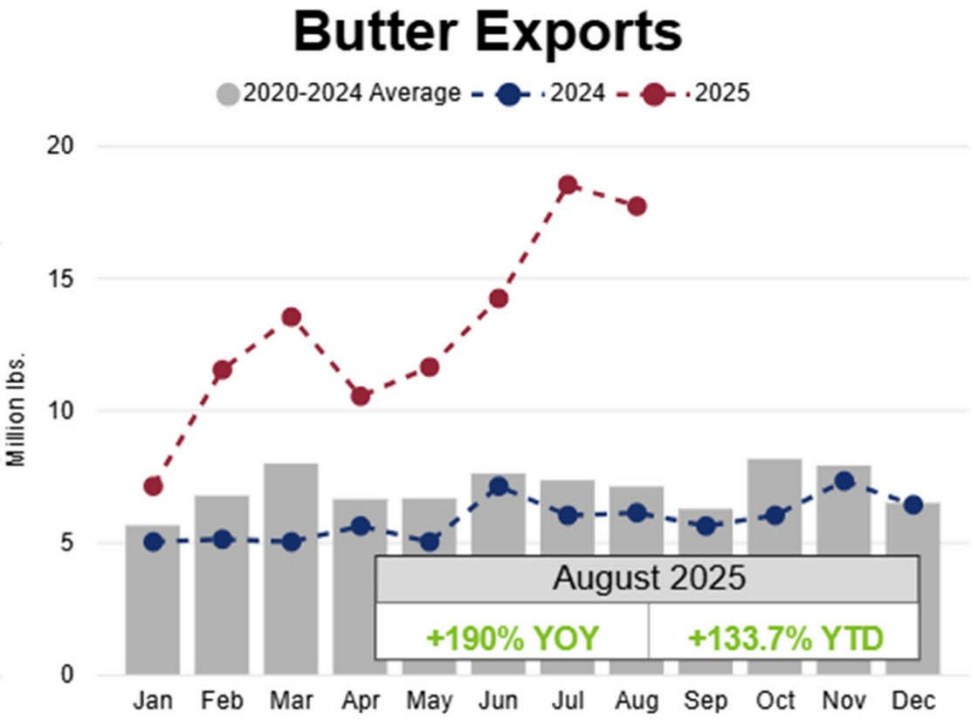


1H21 averages:
Class III: $16.96
Class IV: $14.84

1H26 futures averages:
Class III: $16.12
Class IV: $14.21

Exports helping alleviate additional supply

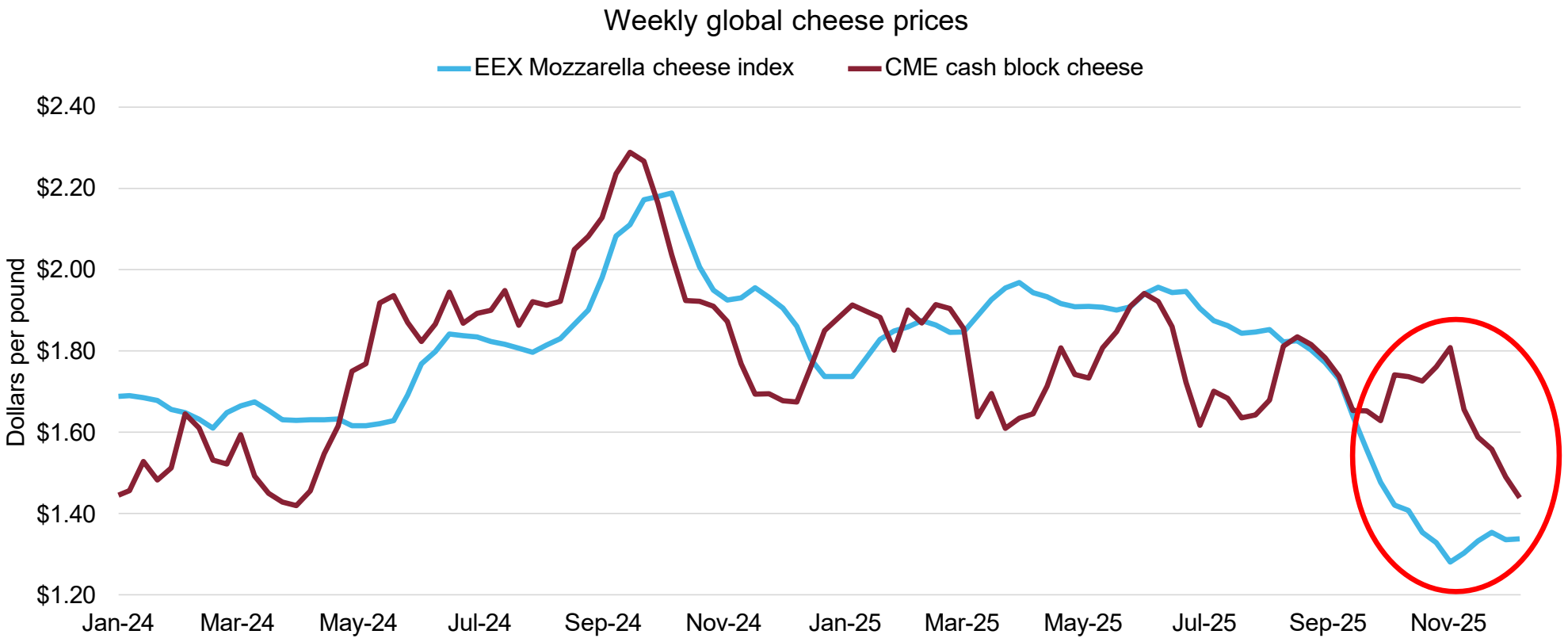




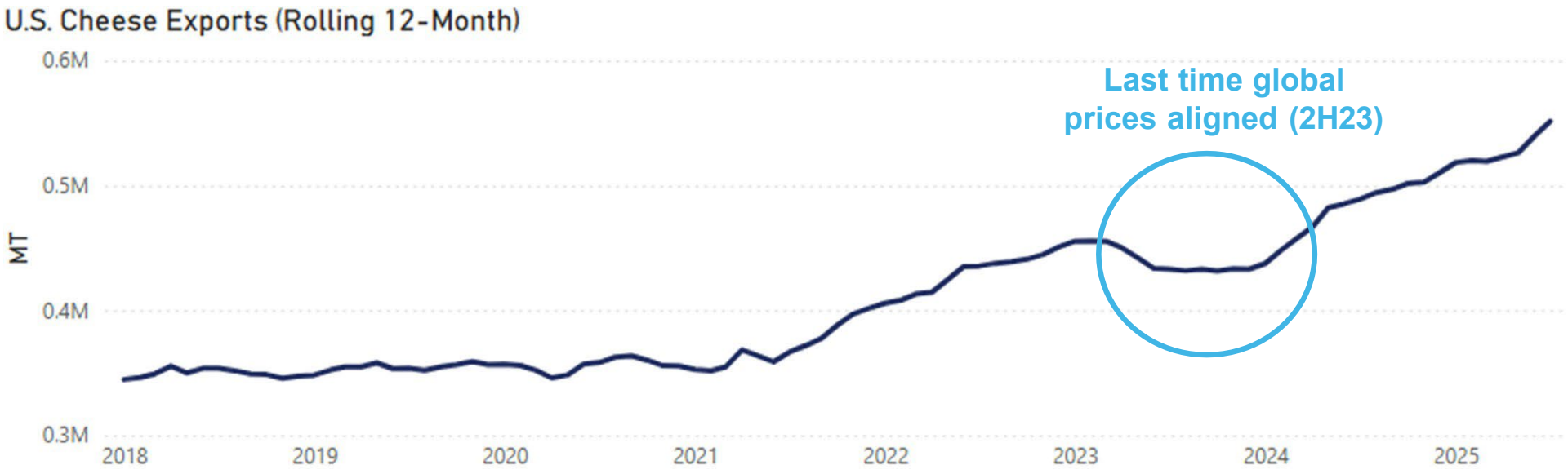
Source: USDA

EU cheese price now below U.S. prices

This is putting additional pressure on U.S. cheese prices



Our cheese exports stagnate when global prices align with U.S. prices



Source: Trade Data Monitor

Whey market approaching multi-year highs on reduced supply

CME dry whey price
Dollars per pound

- Dry whey prices have defied analyst expectations by increasing steadily throughout most of 2025
- Lower dry whey production continues as producers prioritize high-protein whey production
- High-protein whey demand is a top-performing dairy commodity

Source: CME Group

Class III favorability likely to continue into 2026

Source: CME Group

Standard Protein & Other Solids tests increased

As of Dec 1, 2025, shifts ~$0.30-0.50/cwt from your basis to the blend price
Doesn't change the overall dollars you receive in gross price
Futures markets have been factoring this in

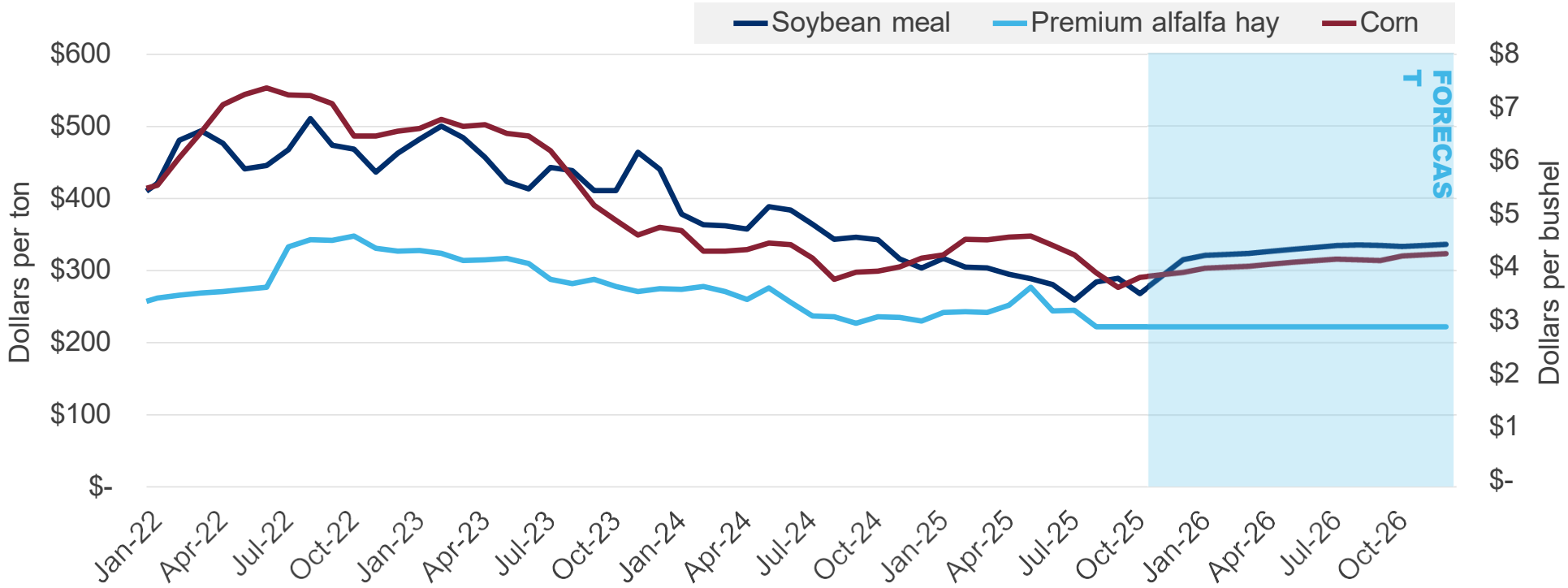
Standard Components Test	Old	New
Butterfat	3.5%	3.5%
Protein	2.9915%	3.1845%
Other Solids	5.6935%	5.7900%

Delayed USDA data schedule:

- **September U.S. exports: Dec 11 (was Dec 1)**
- **October U.S. exports: TBD (was Dec 4)**
- **September and Oct *Dairy Products*: Dec 15**
- **November *Cattle on Feed*: Dec 19**
- **November *Milk Production*: Dec 22**
- **Current week's (Nov. 17) CFTC managed money report: Dec. 16**
  - Data will be caught up by Jan 20
- **September, October, and November *Cold Storage*: December 23**

Feed inputs experiencing moderate volatility due to evolving trade policy

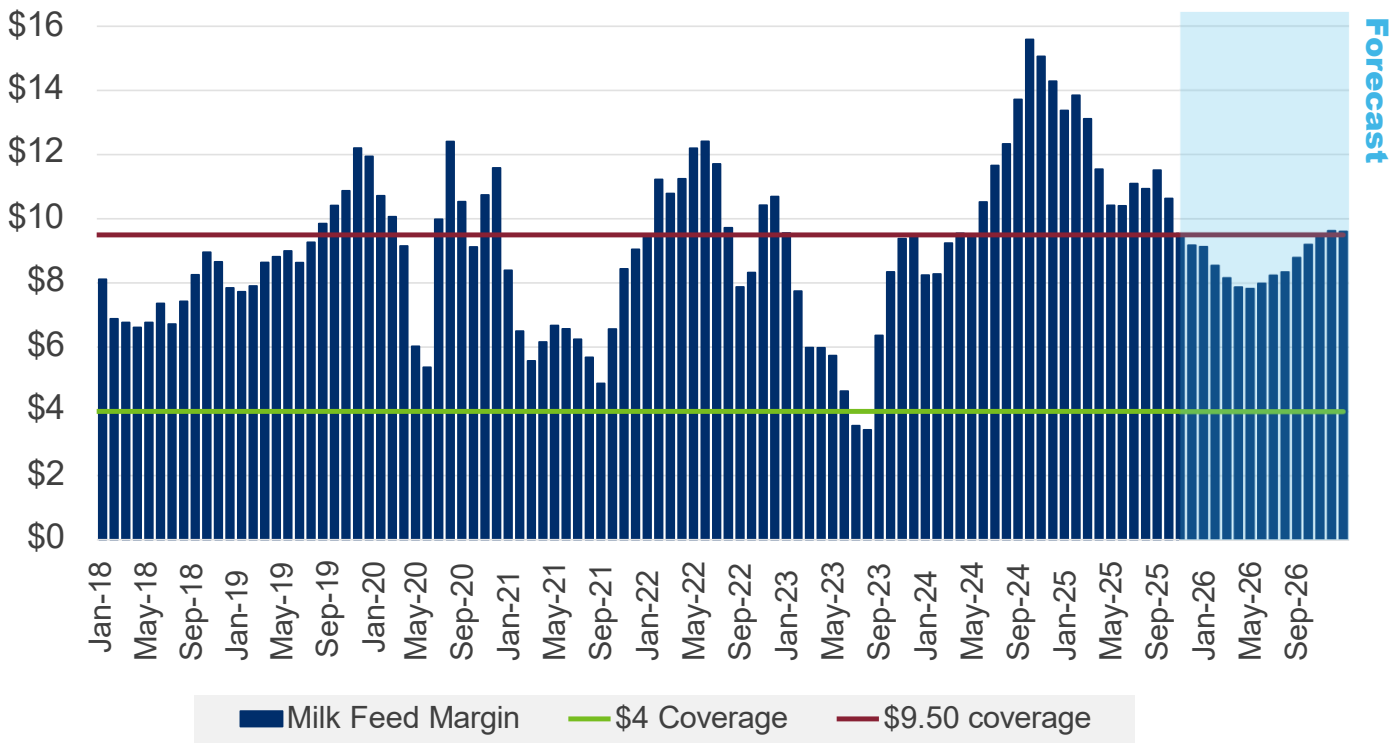
DMC Feed Index



Source: USDA, CME Group, DFA internal projections

Dairy margin coverage milk-feed margins

Dairy Margin Coverage
Dollars per hundredweight

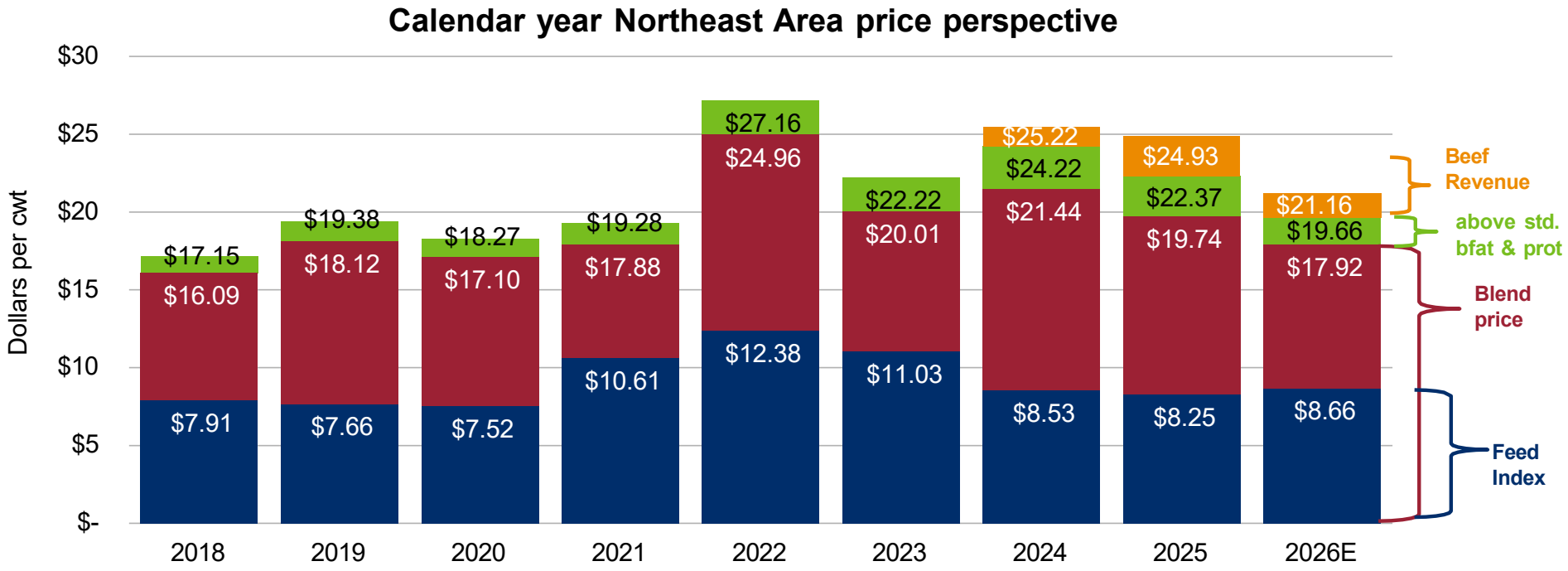


- DMC payments at the highest level ($9.50) much more likely in 2026

Source: USDA, DFA forecast, CME Group

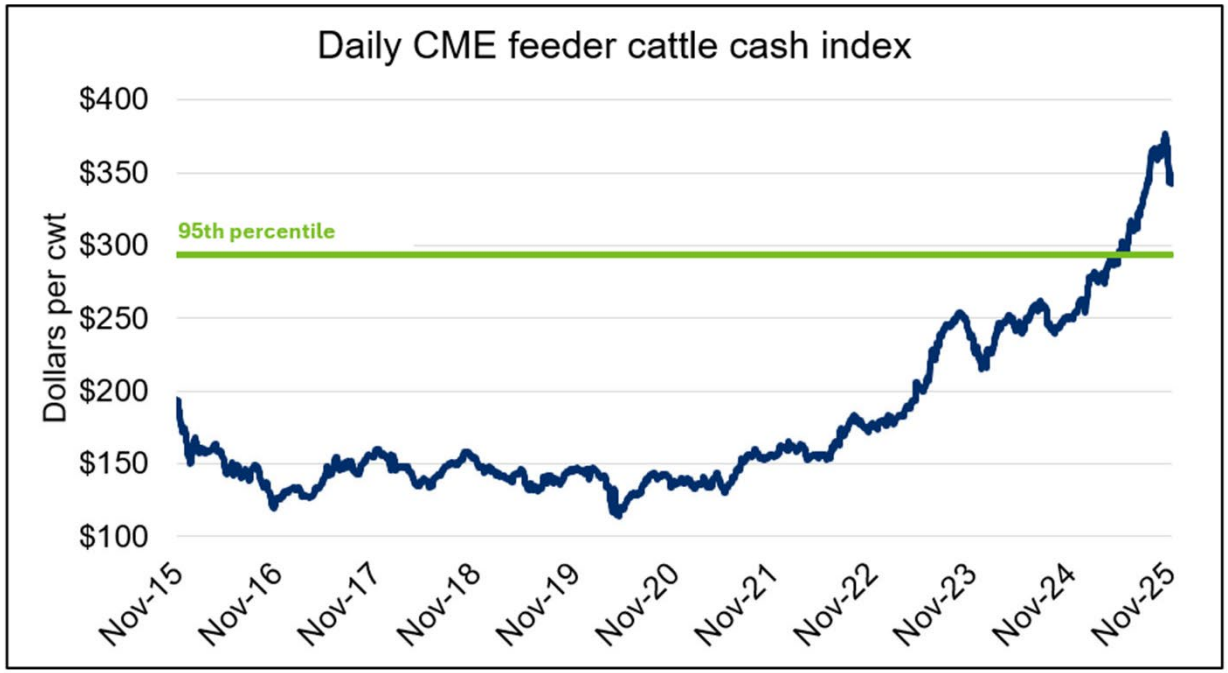
Beef revenue supporting 2026 pay prices

~70% of U.S. dairy farms are breeding a portion of their milking herd to beef



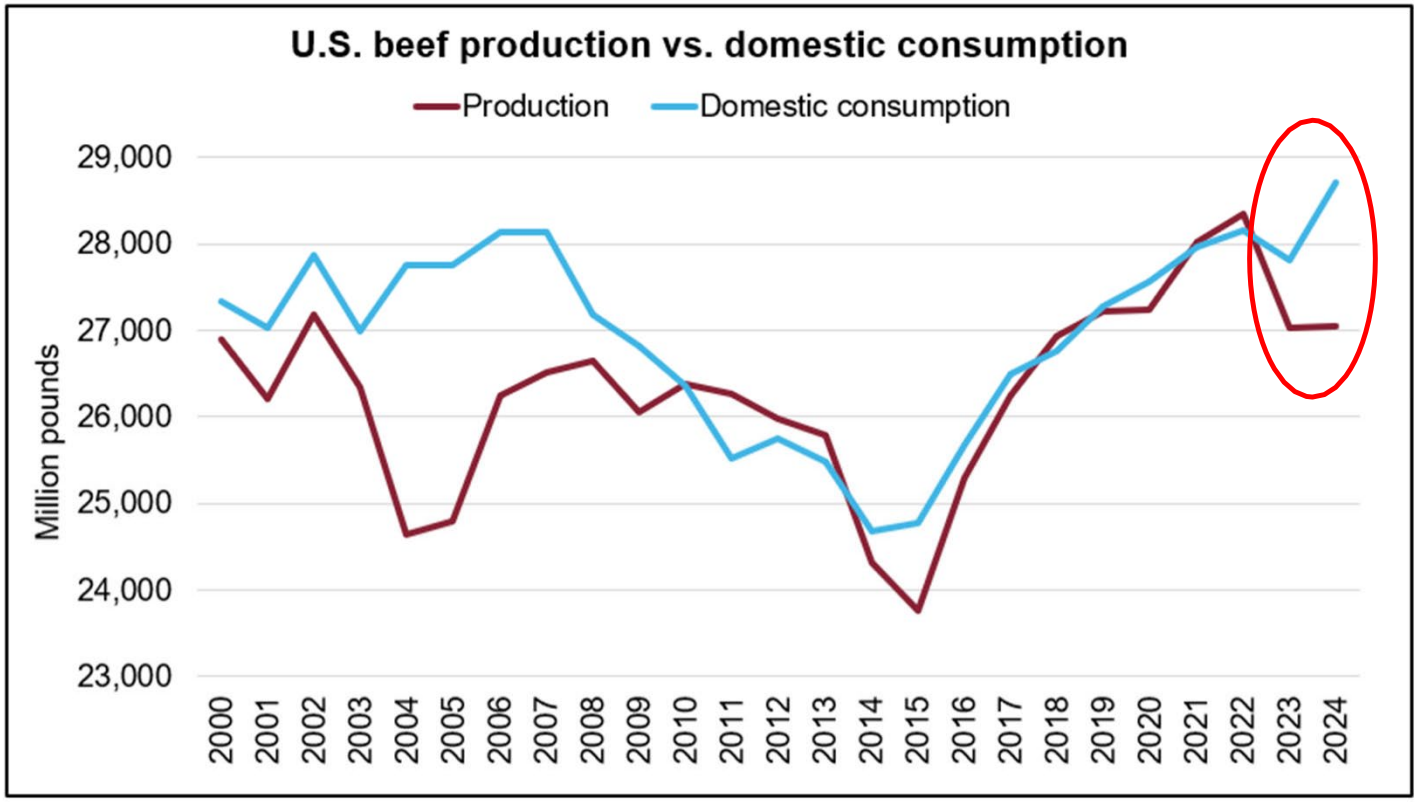
Source: USDA Federal Order 1 announced prices at base zone, future estimates based on DFA Risk Management's proprietary calculations using CME futures settlements as of 12/8/25 and announced or prior year average component tests

Cattle prices still near record high



Source: CME

Beef demand outpacing supply



Source: USDA

Recent headlines creating market volatility

Trump signs order to remove tariffs from Brazilian beef, coffee Bearish

By Ismail Shakil and Marcelo Teixeira

November 21, 2025 12:48 AM CST · Updated 7 hours ago

Trump to quadruple Argentine beef imports while US ranchers fume Bearish

By Jeff Mason, Tom Polansek and Leah Douglas

October 24, 2025 3:16 AM CDT · Updated October 24, 2025

Border Talks Shift Cattle Markets Bearish

Cattle Market Tumbles as Mexico Seeks to Reopen Border to Live Cattle Trade

10/27/2025 | 3:04 PM CDT

Trump Administration Cracks Down on Foreign-Owned Meat Packing Cartels Bearish

The White House | November 7, 2025

China extends beef import probe into 2026, giving exporters more breathing room Bullish

By Ella Cao and Lewis Jackson

November 25, 2025 3:01 AM CST · Updated November 25, 2025

January 2026 CME feeder cattle futures

Source: CME group as of 12/3/2025

LRP can protect your black calves and cull cows

Price floors are still near record high
but aren't guaranteed to stick around unless you hedge

Back above $1,400

LRP pricing ($/head) 12/10/2025			
Cull Cows			
End Date	**Floor**	**Premium**	**Daily change**
3/11/2026	$2,499.15	$77.10	↑ $20
Unborn Calves			
End Date	**Floor**	**Premium**	**Daily change**
3/11/2026	$1,253.60	$38.66	↑ $10
4/8/2026	$1,358.53	$49.63	↑ $10
5/6/2026	$1,415.22	$57.58	↑ $9
6/10/2026	$1,339.41	$61.15	↑ $9
7/8/2026	$1,284.31	$62.13	↑ $8
8/5/2026	$1,248.60	$62.74	↑ $8
9/9/2026	$1,275.33	$71.82	↑ $7
10/7/2026	$1,363.18	$82.28	↑ $7

Coverage prices are at highest coverage level and weigh 1500 lbs for cull cows, 99 lbs for unborn calves. Premiums are net of subsidy and may vary based on options selected. Coverage documents must be signed and returned before 8:25 a.m. CT 12/11/2025.
Daily changes are compared to floor opportunities on 12/9/2025.

Thank you!