



Outlook for the U.S. Dairy Sector

Presented By

Peyton Ferrier

World Agricultural Outlook Board, USDA

October 2026

Assumptions of the WASDE

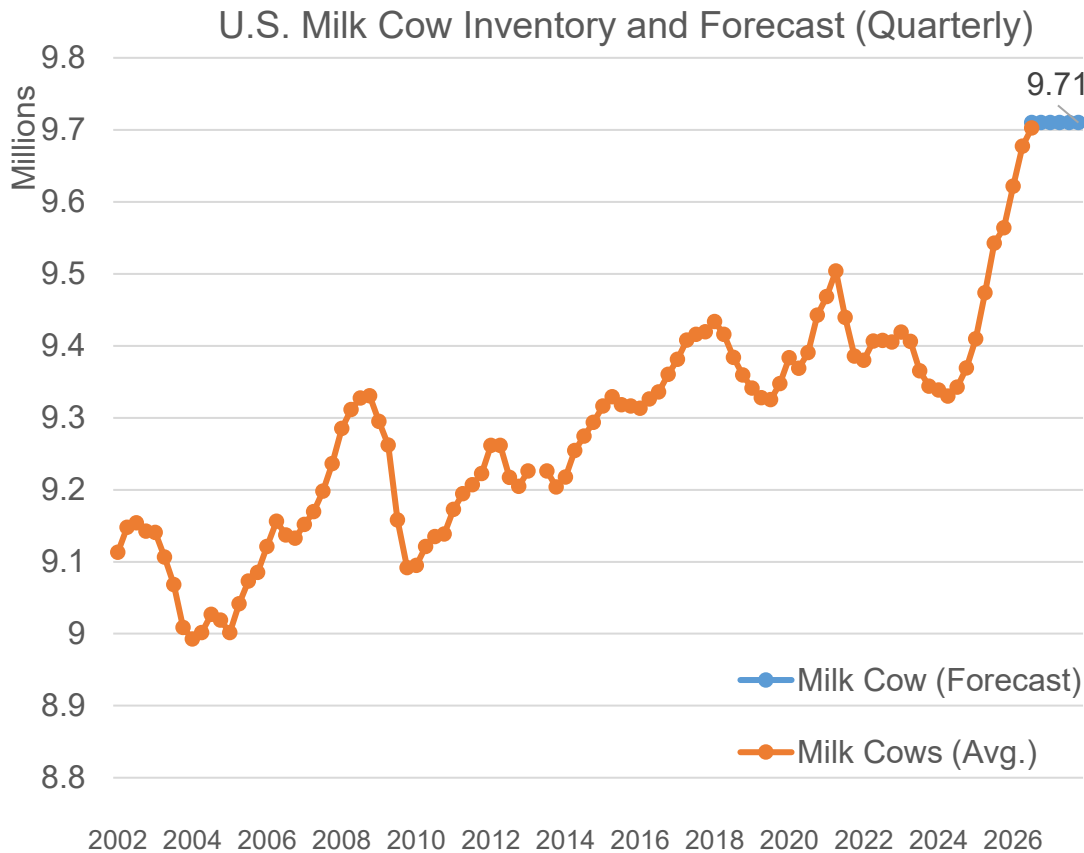
- **Policies in Place**
- **Normal Weather Conditions**
- **No New Disease Outbreaks**
- **Interagency Commodity Estimating Committee**

Milk production has grown along with components.

- Low feed prices
- Milk prices supporting healthy milk margins,
- Income from beef-on-dairy calf sales
- Fats component has grown and more is exported
- Share of revenue from skims solids has grown on protein boom and slower supply growth compared with milk fat.

Milking Cow herd is largest since 1992

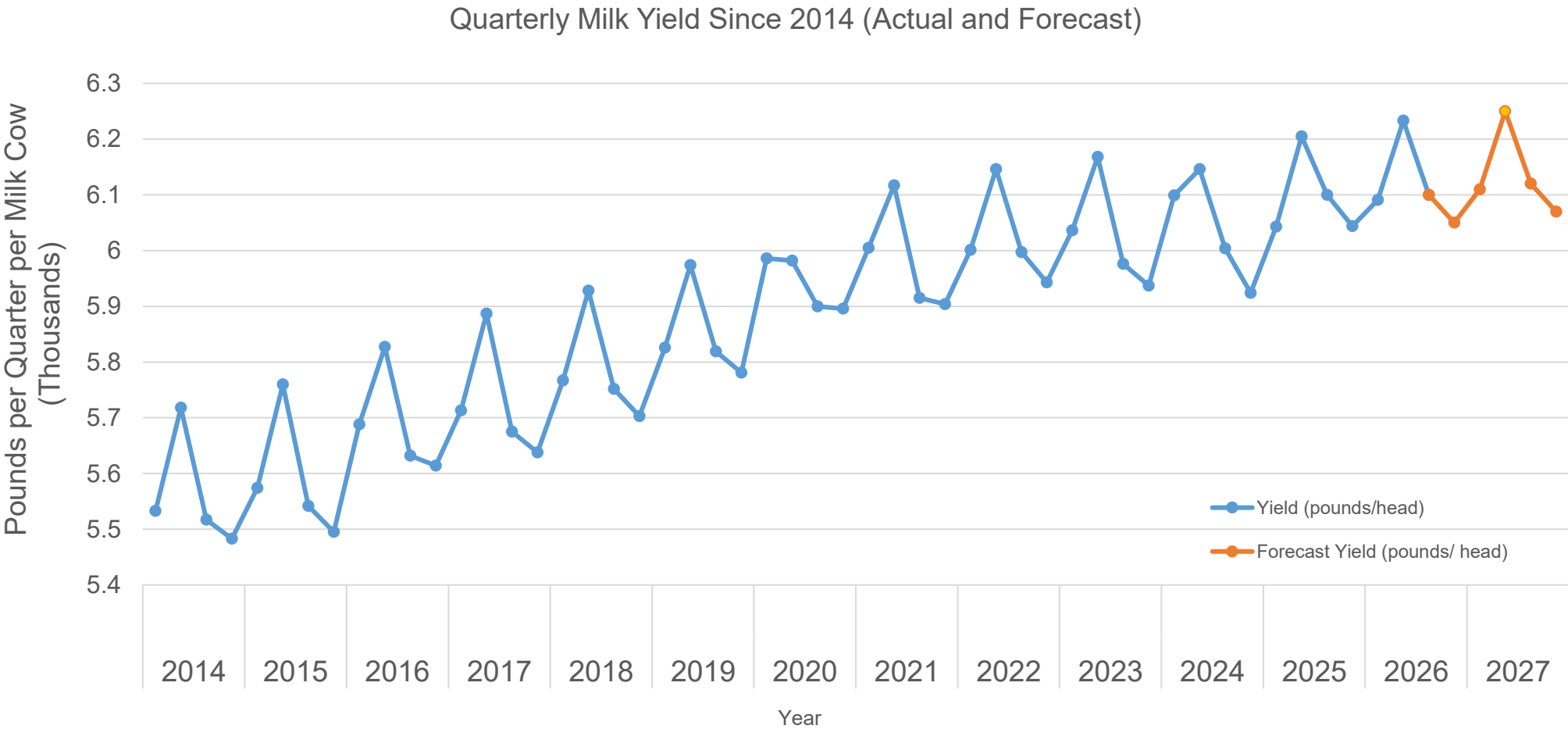
Forecast to grow for third consecutive year, but at slower pace



Quarter	2025	2026	2027 – F
I	9,410	9,622	9,710
II	9,474	9,677	9,710
III	9,543	9,710	9,710
IV	9,564	9,710	----
Annual	9,498	9,680	9,710
Change (Level)	153	182	30
Change (%)	1.6%	1.9%	0.3%

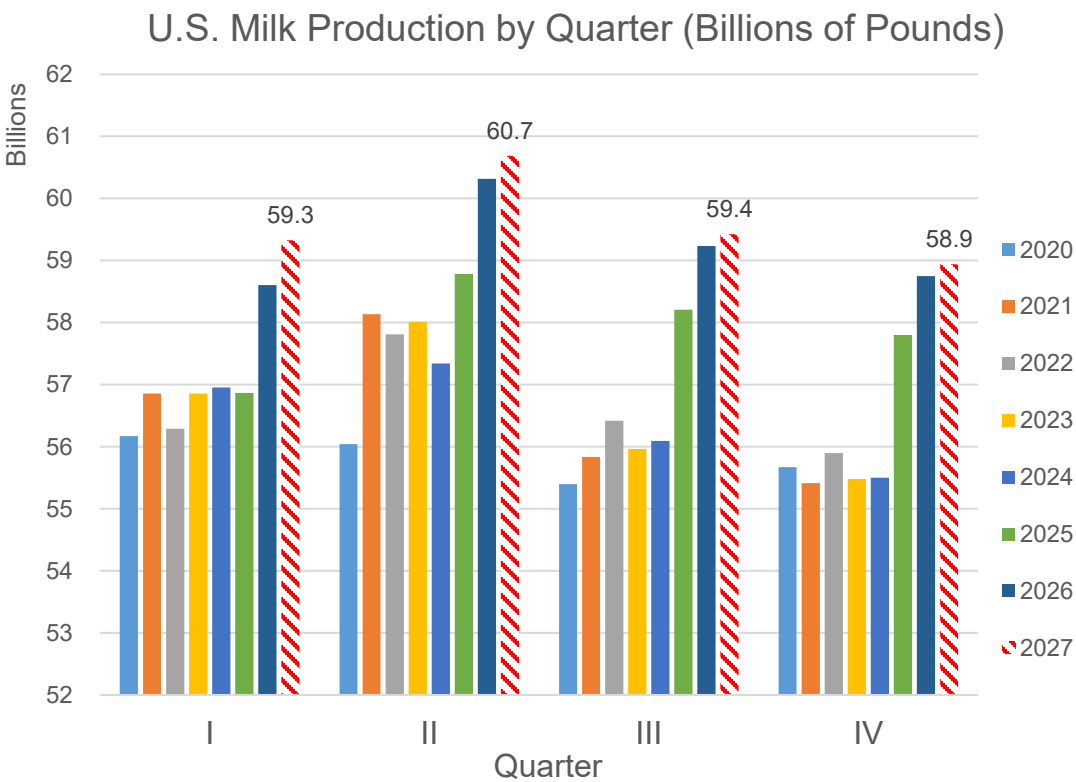
Source: USDA/NASS, WAOB

After being flat in 2023 and 2024, milk yields grew 1.2 percent in 2025. Growth slowed in 2026.



Source: USDA/NASS

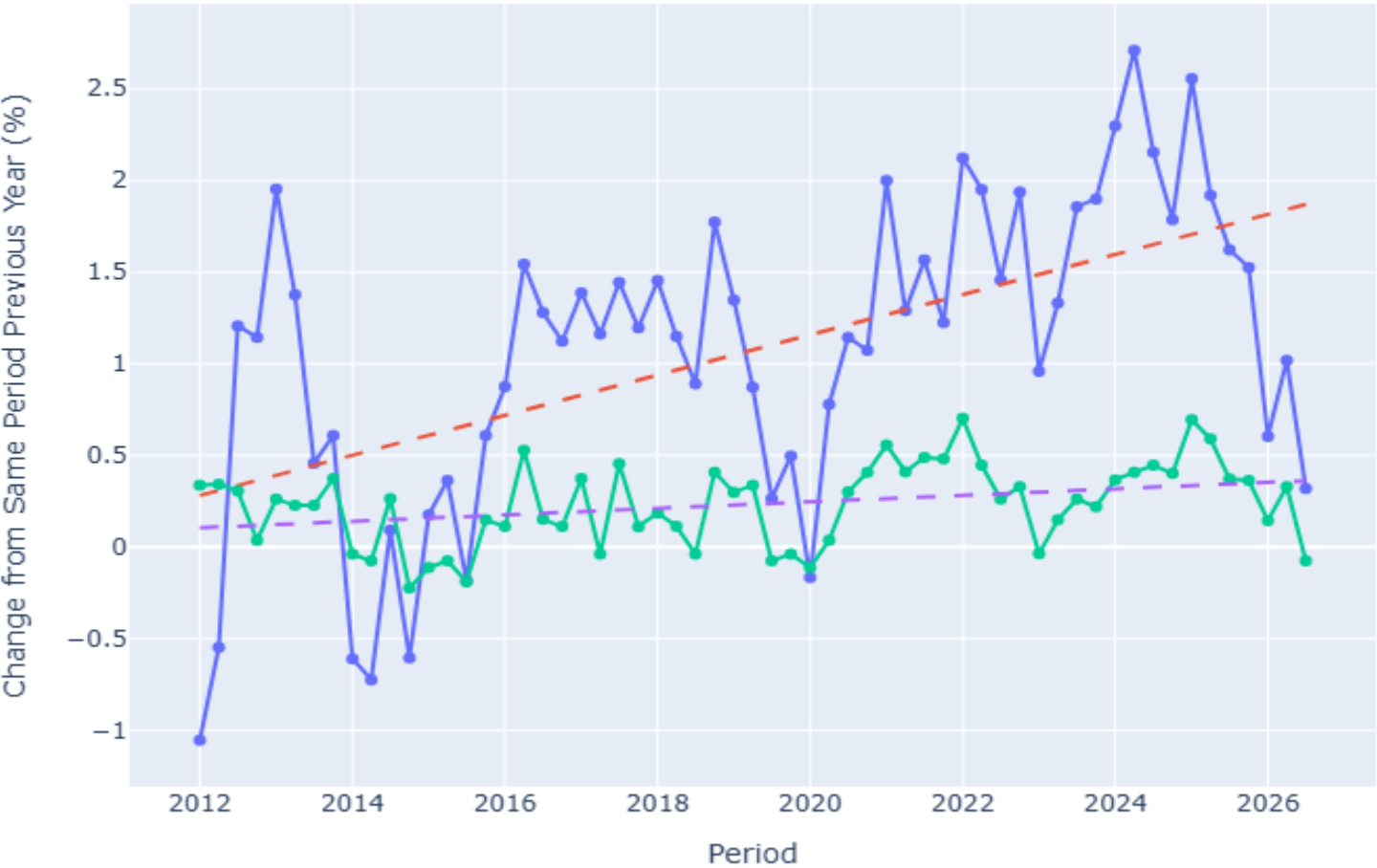
Milk Production Continues to Expand in 2026



Billion Pounds	2025	2026 (Proj.)	2026 % Chng	2027 (Proj.)	2027 % Chng
I	56.9	58.6	3.1	59.3	1.2
II	58.8	60.3	2.6	60.7	0.6
III	58.2	59.2	1.8	59.4	0.3
IV	57.8	58.7	1.6	58.9	0.3
Annual	231.7	236.9	2.3	238.4	0.6

The milk fat test has grown faster than the skim solids test

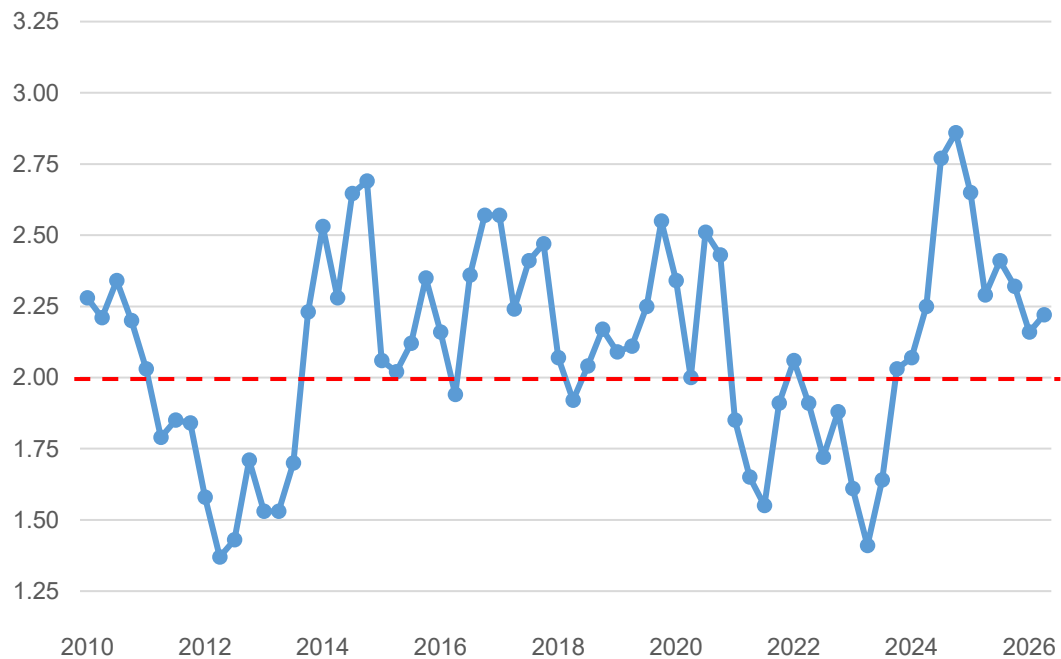
Annual growth in the quarterly test percentage for milk fat and skim solids



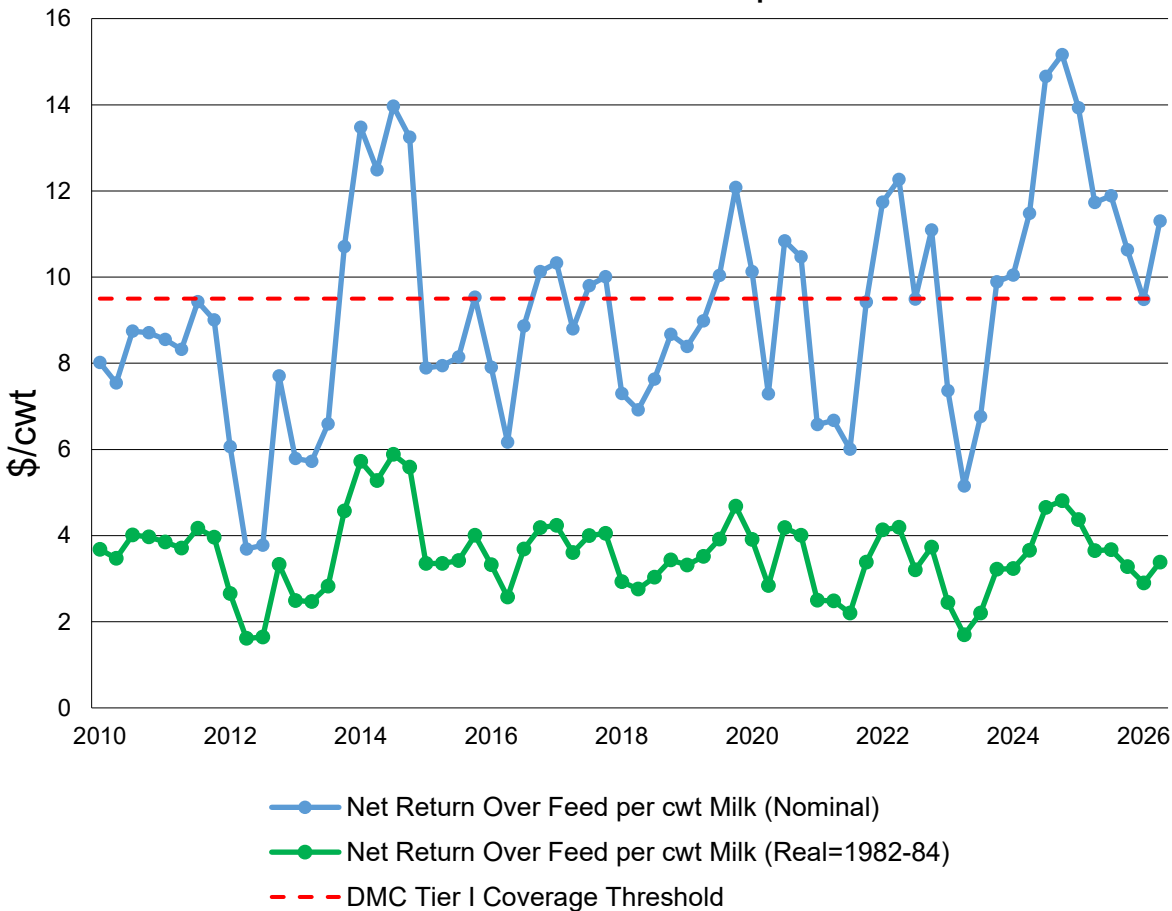
Year	Fat test	Skims test	Fat Growth	Skims Growth
2022	4.09	9.03	1.9%	0.44%
2023	4.15	9.04	1.5%	0.15%
2024	4.24	9.08	2.3%	0.41%
2025	4.32	9.12	1.9%	0.50%

Milk margins have weakened ...

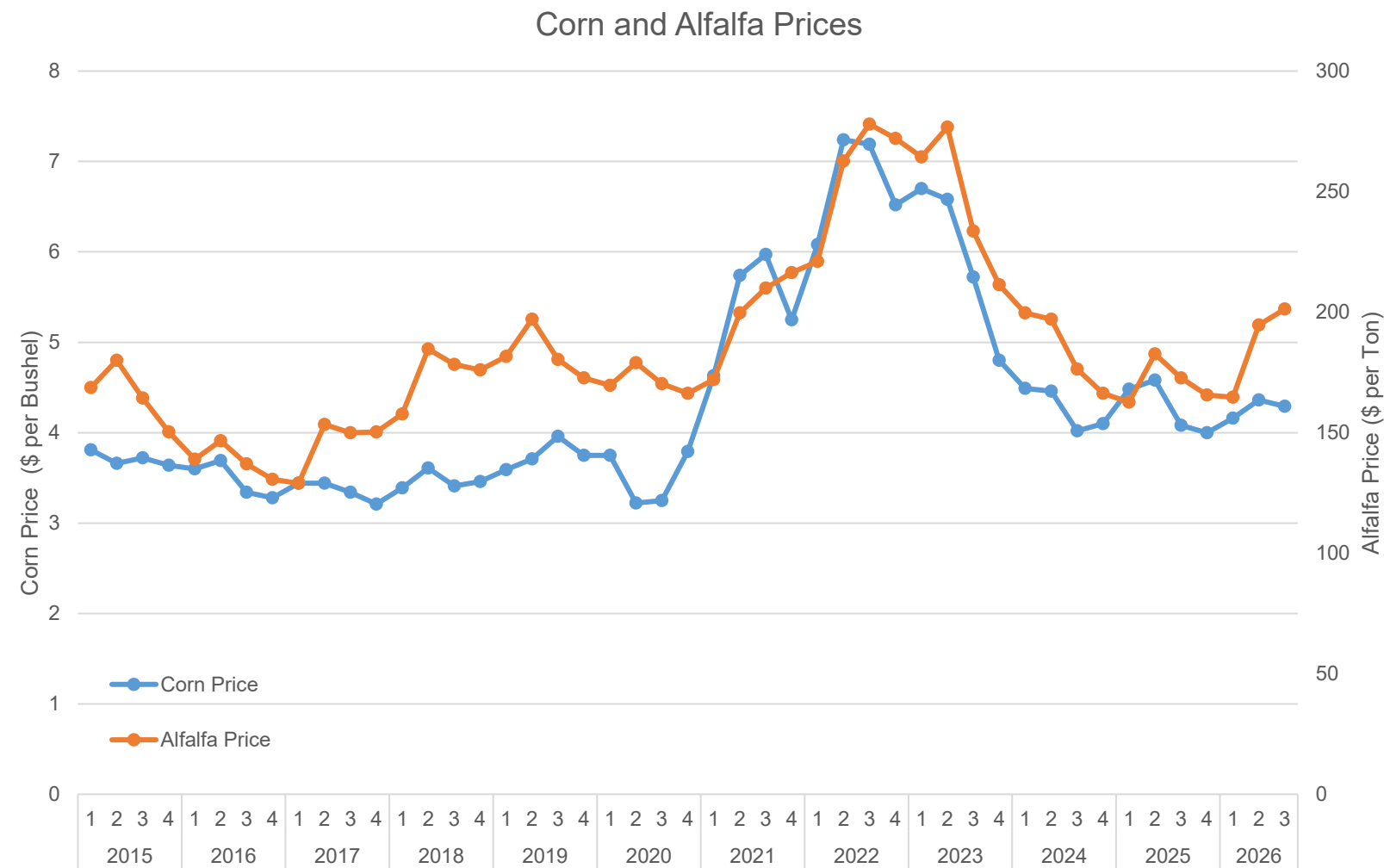
U.S. Milk Feed Ratio, 2010-26 Quarterly



Returns Over Feed Costs per 100 lbs Milk



Feed costs have risen on drought and rising input prices



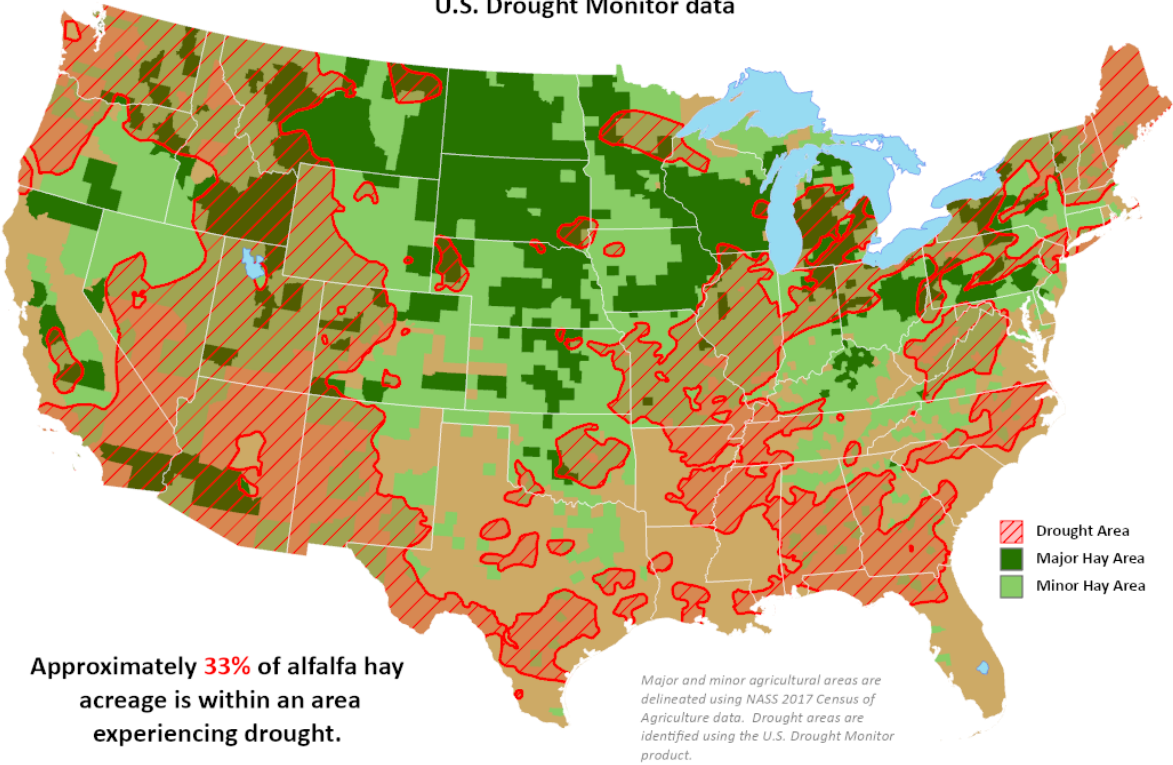


United States
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This product was prepared by the
USDA Office of the Chief Economist (OCE)
World Agricultural Outlook Board (WAOB)

Alfalfa Hay Areas in Drought

Reflects **October 14, 2025**
U.S. Drought Monitor data



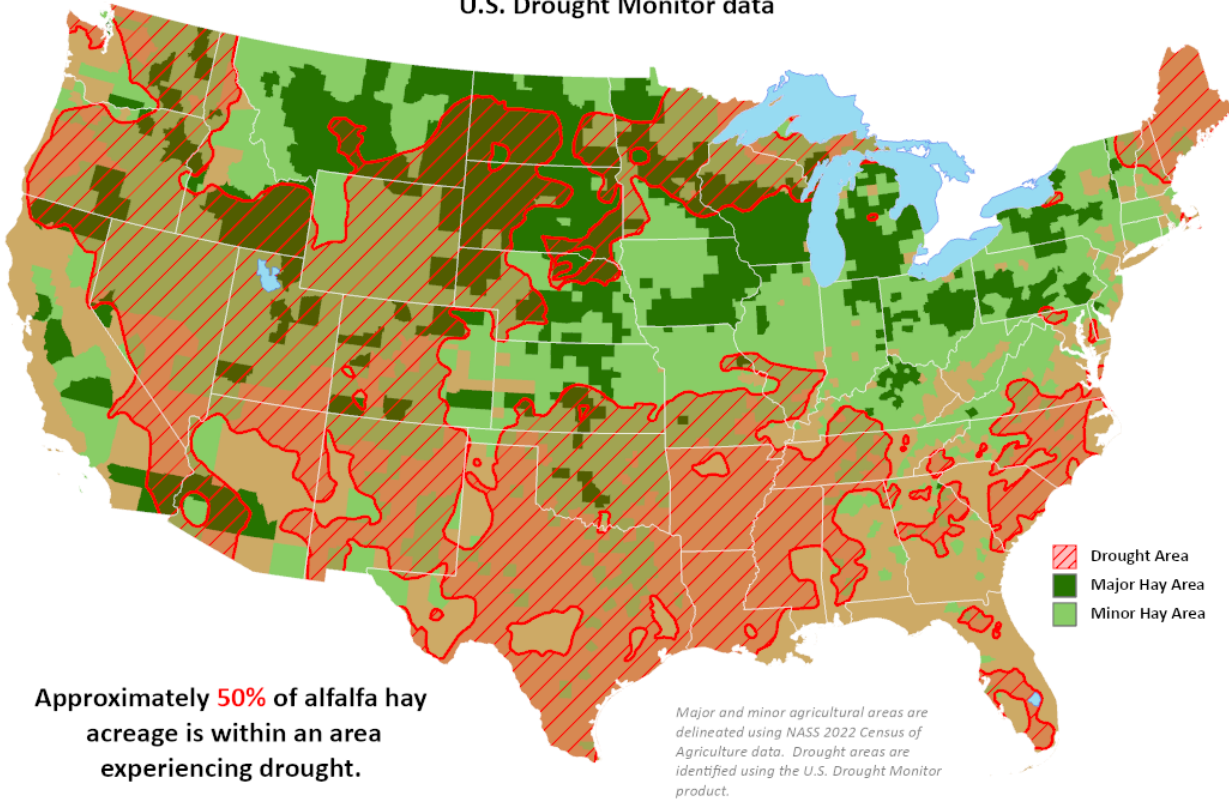


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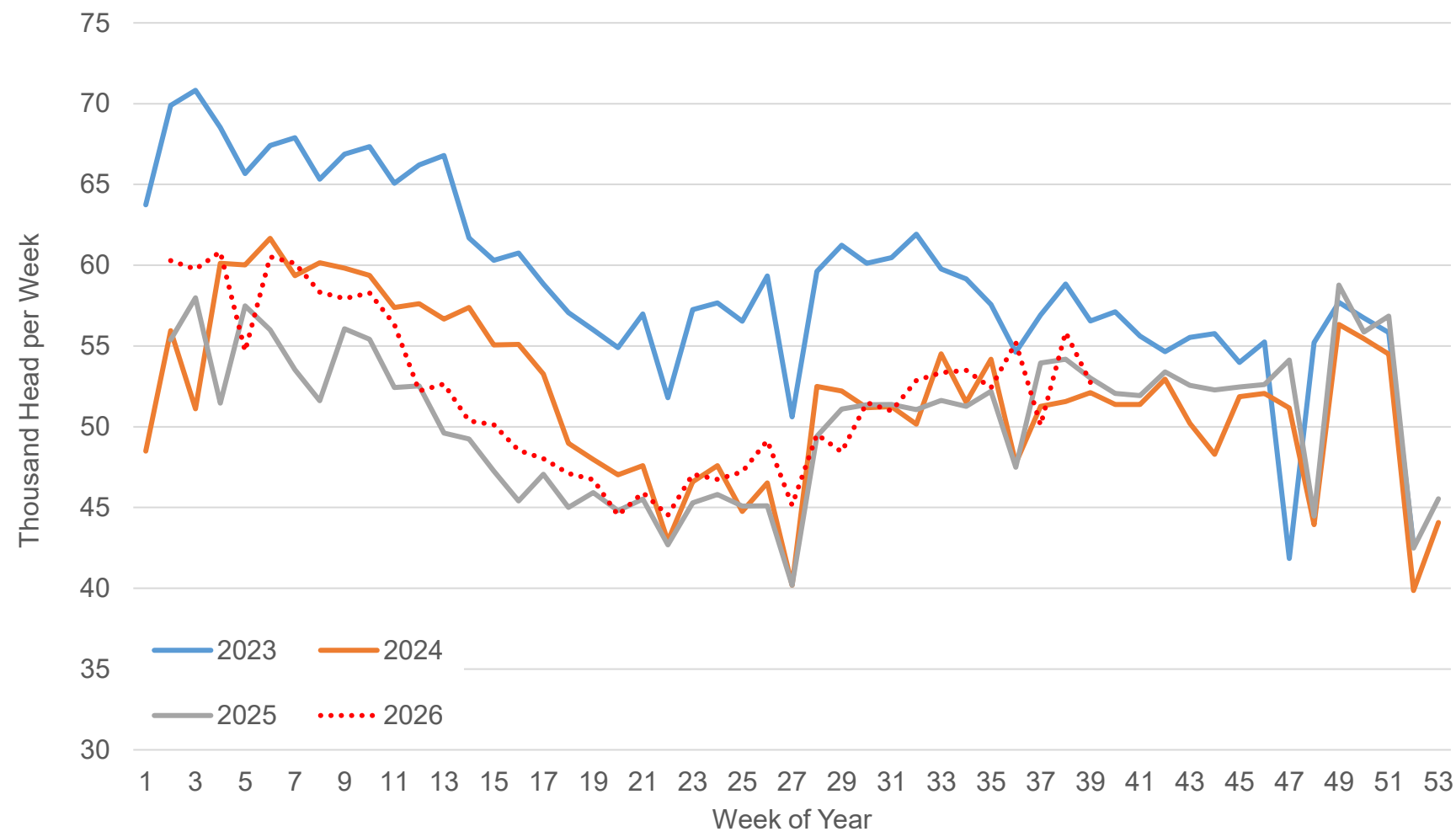
Alfalfa Hay Areas in Drought

Reflects **October 13, 2026**
U.S. Drought Monitor data



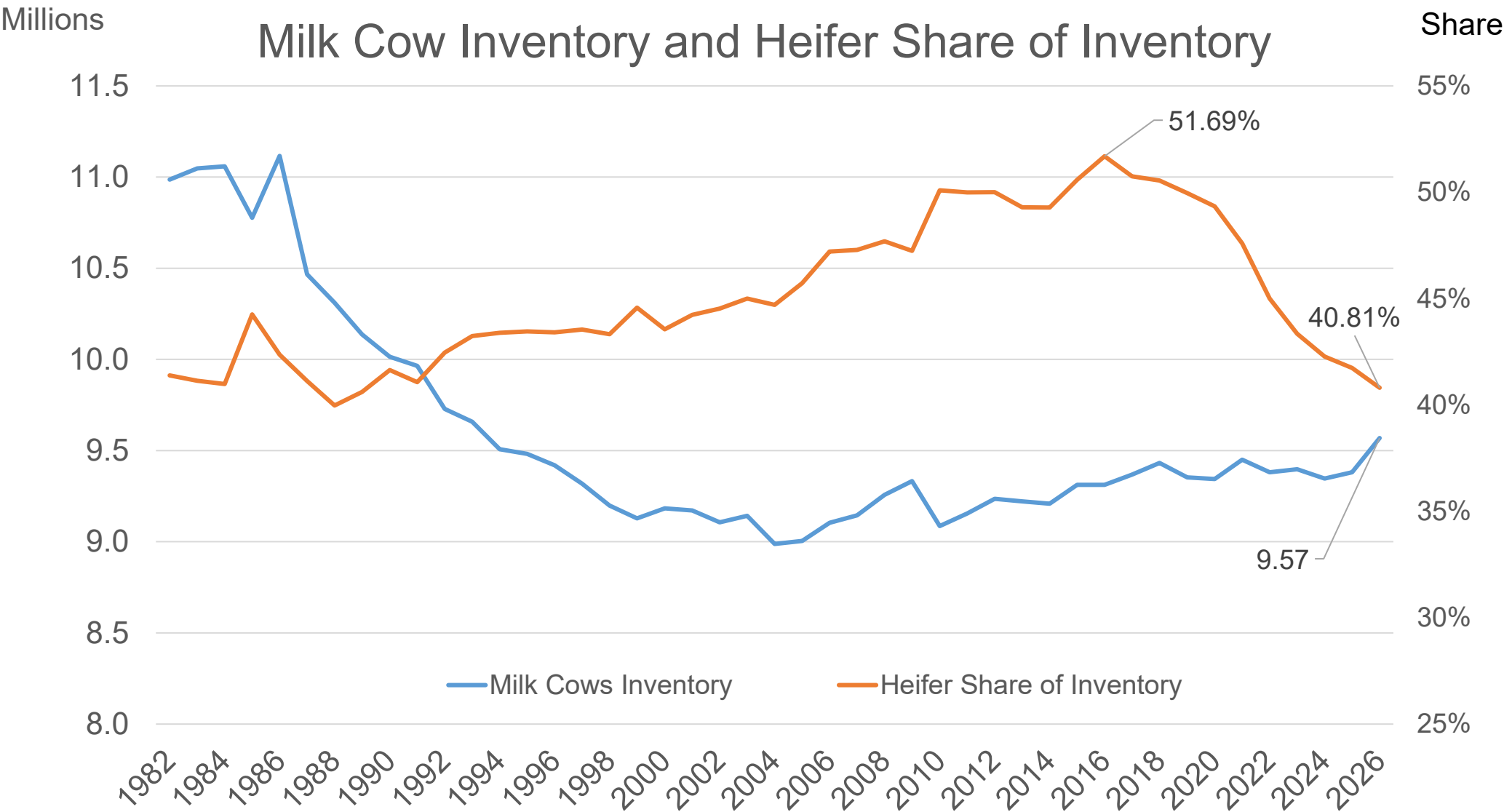
Herd Management

Weekly Dairy Cow Slaughter in Thousands

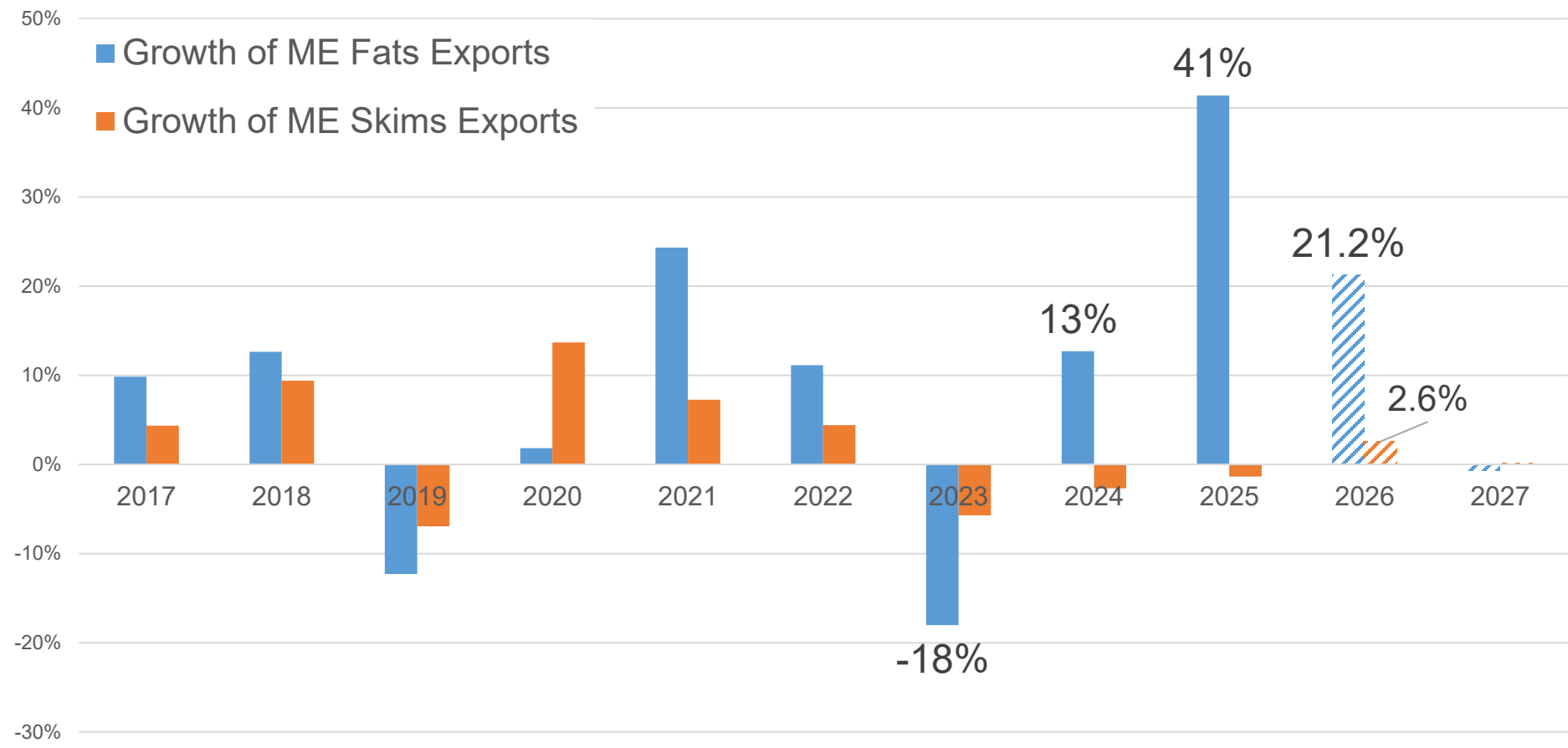


Dairy Cow Slaughter Higher Than Last Year, Still Low Historically

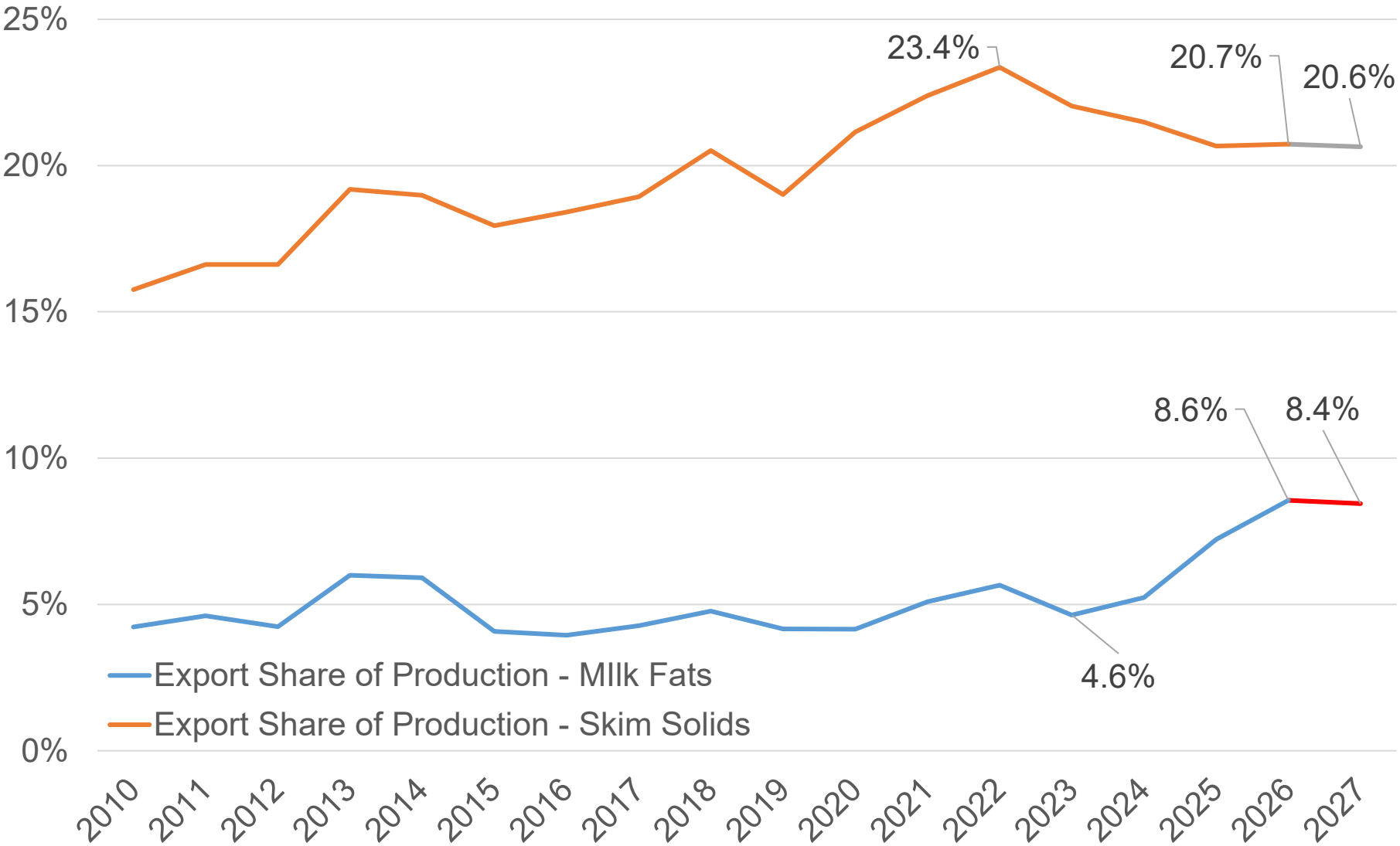
Weekly dairy cow slaughter was about 5% higher in the first half of 2026 compared to 2025. That gap has closed to 2% since July.



Growth Rates of ME Fats and Skims Exports

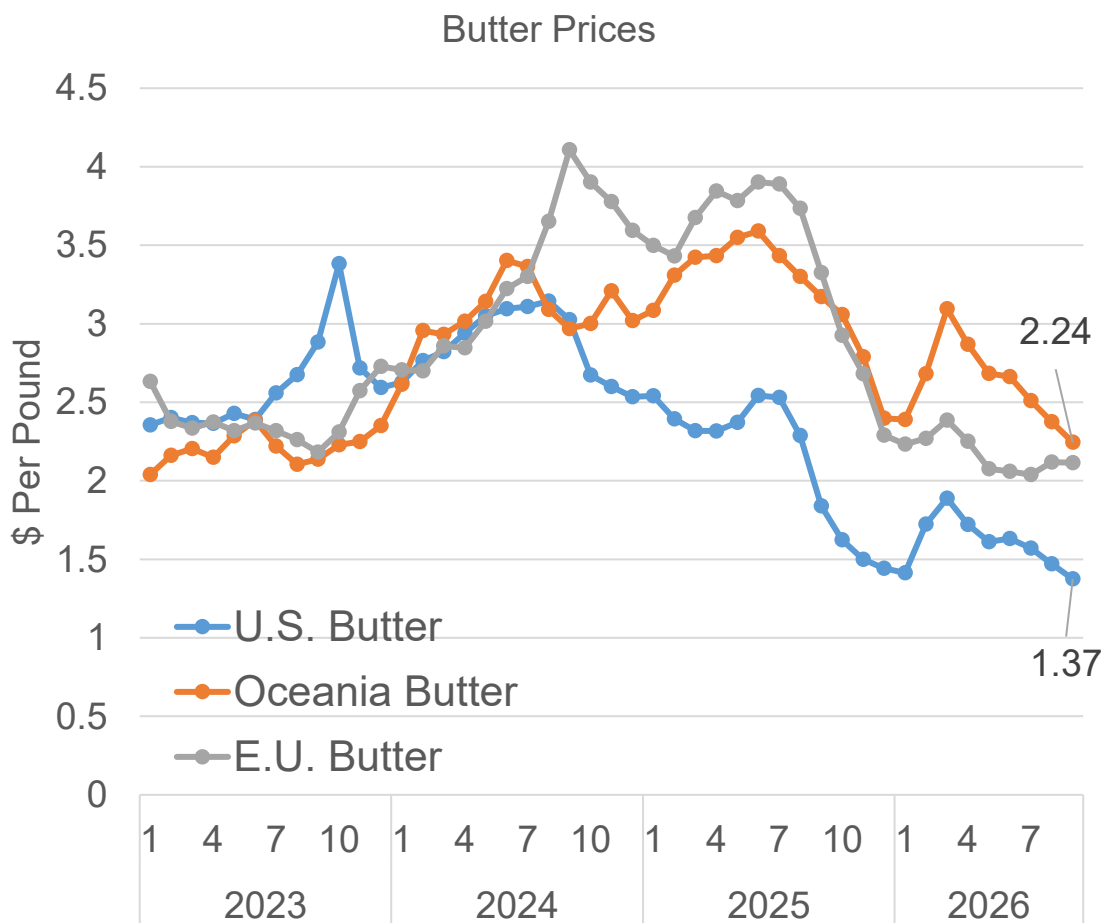
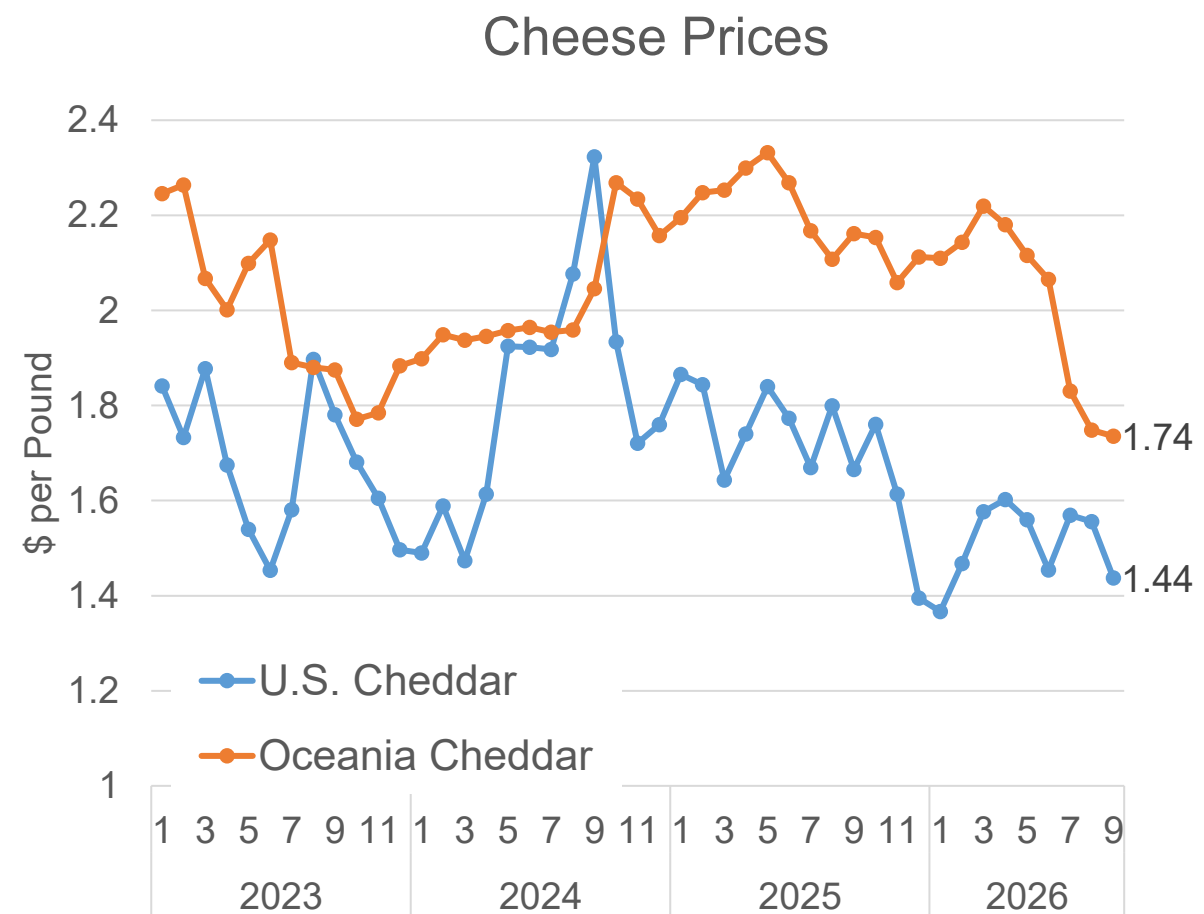


Export Share of Milk Production - Fats and Skim Solids

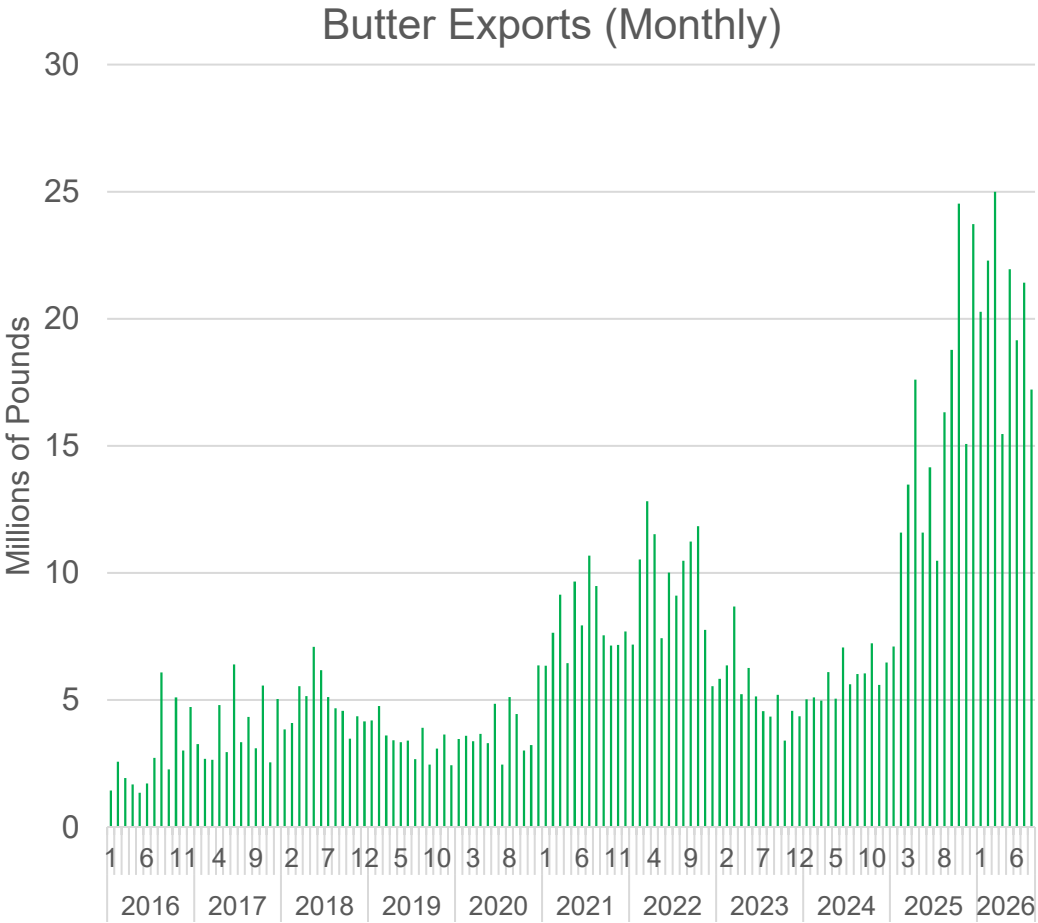
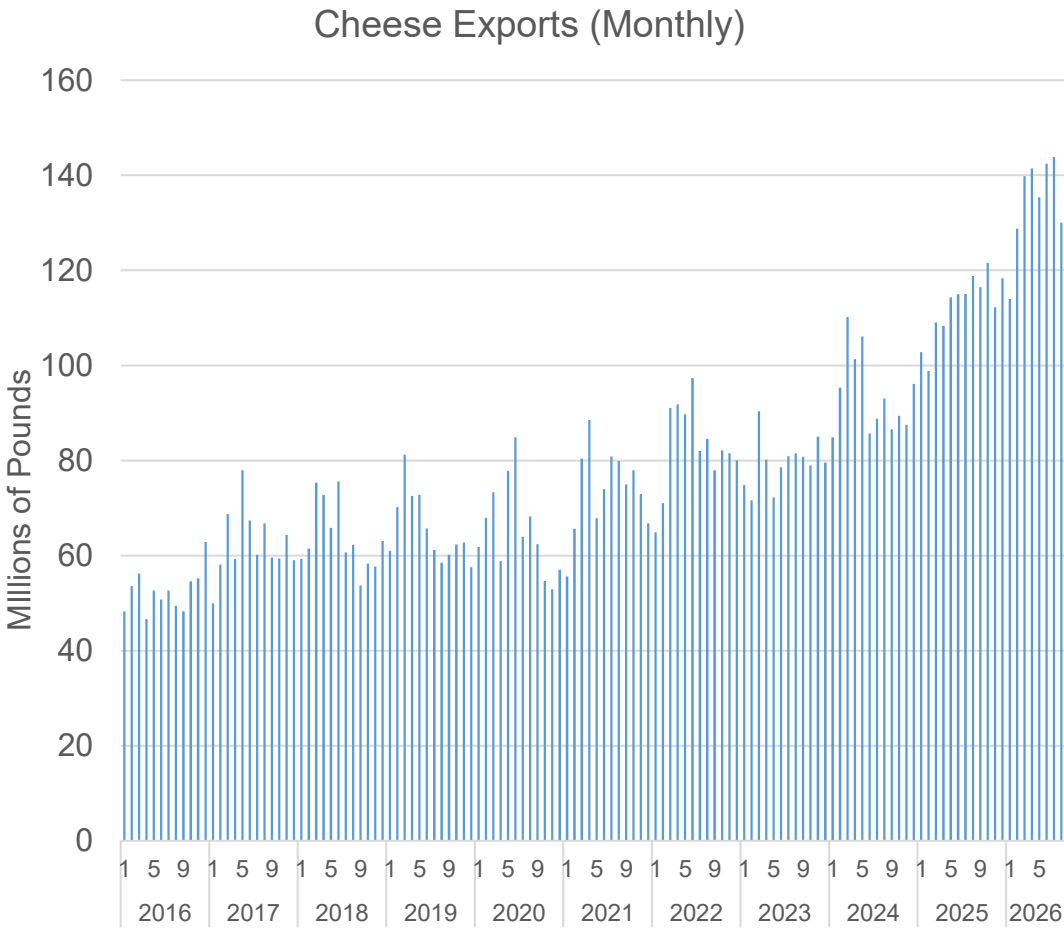


Strong Export Demand For Butter and Cheese

Fat Prices Low Internationally.....

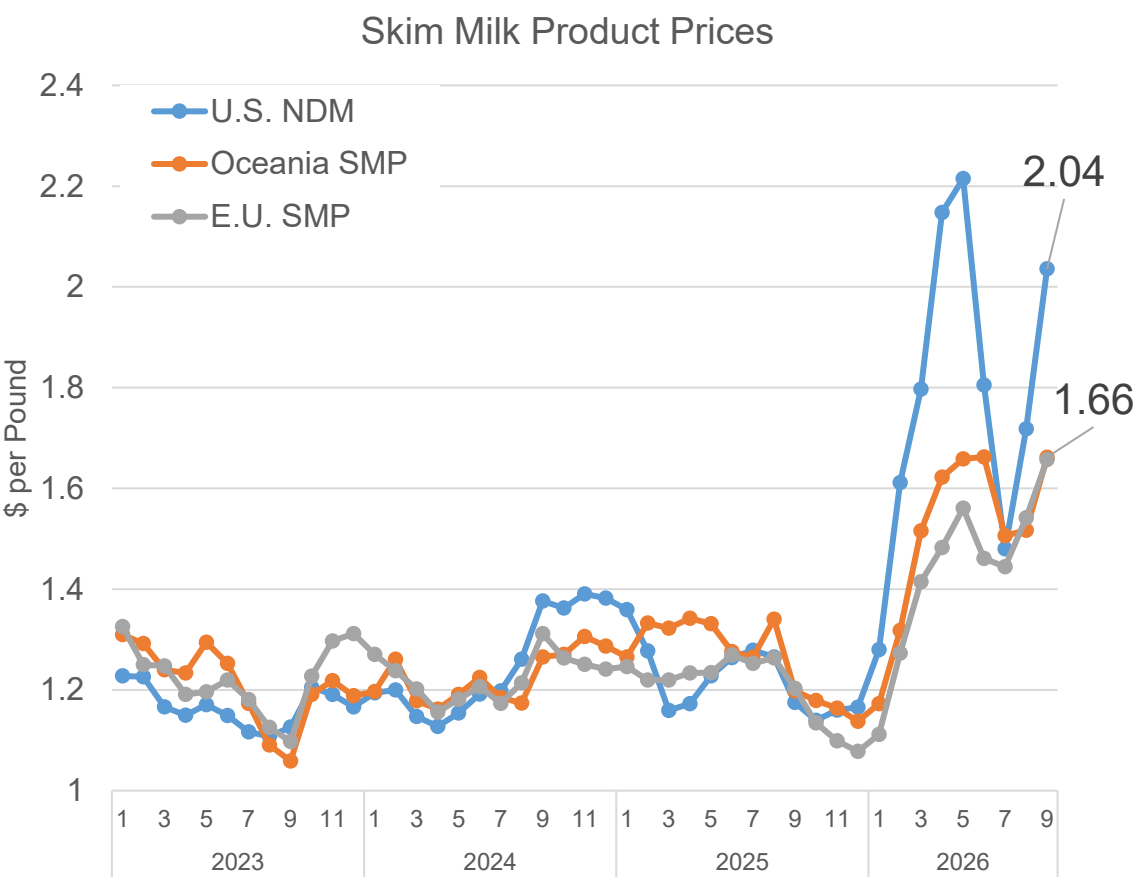
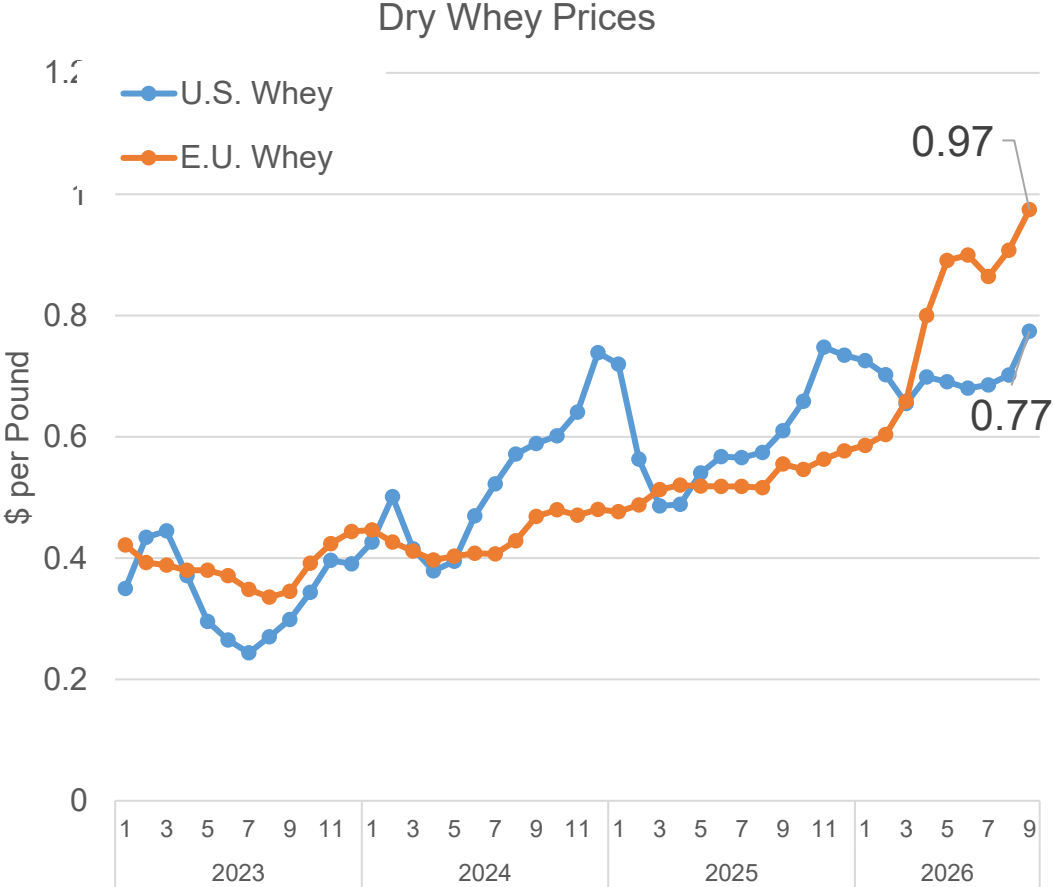


U.S. Prices Have Supported Butter and Cheese Exports

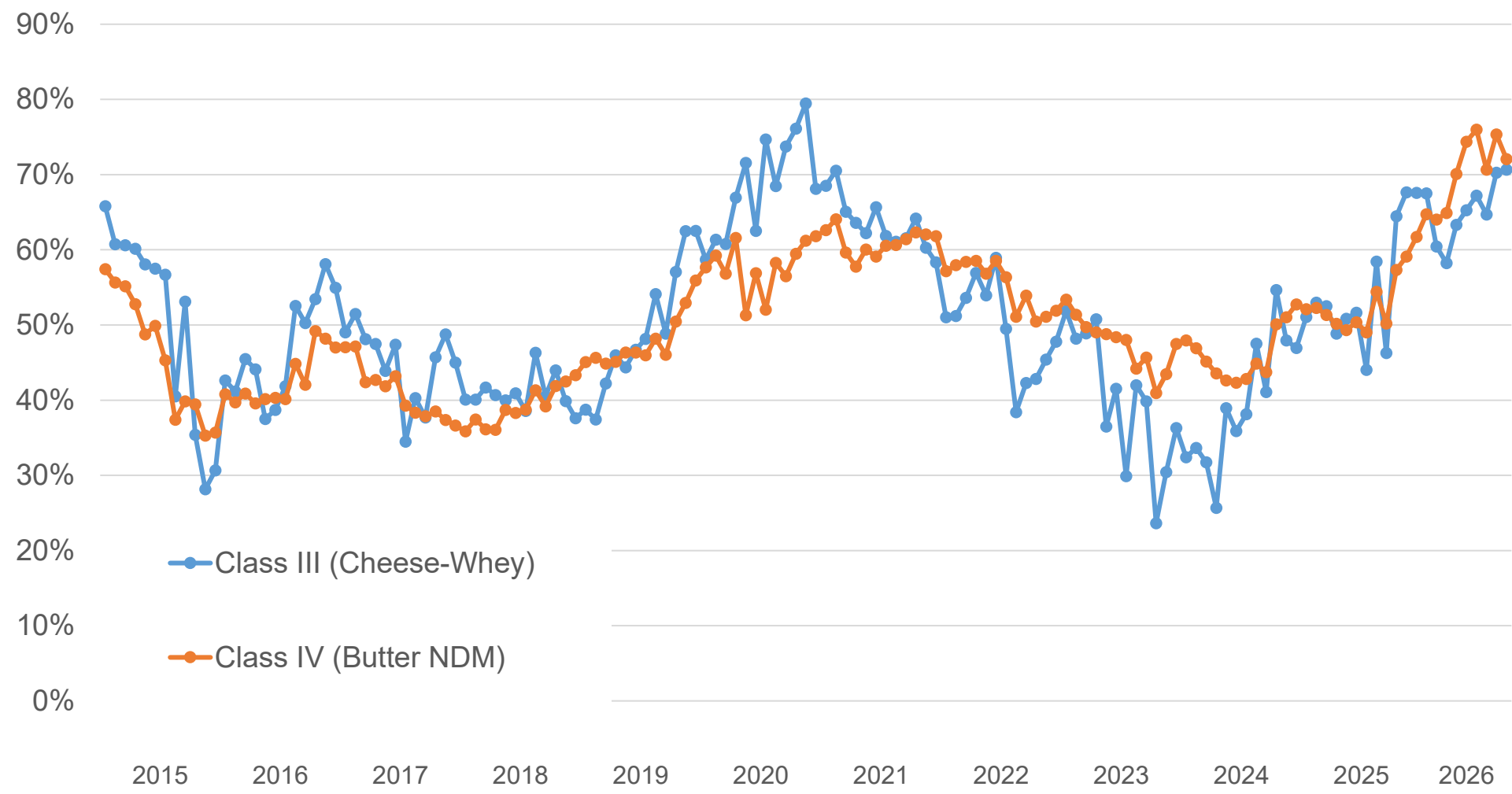


Source: USDA/ERS

Skim Solids Prices High Internationally.....

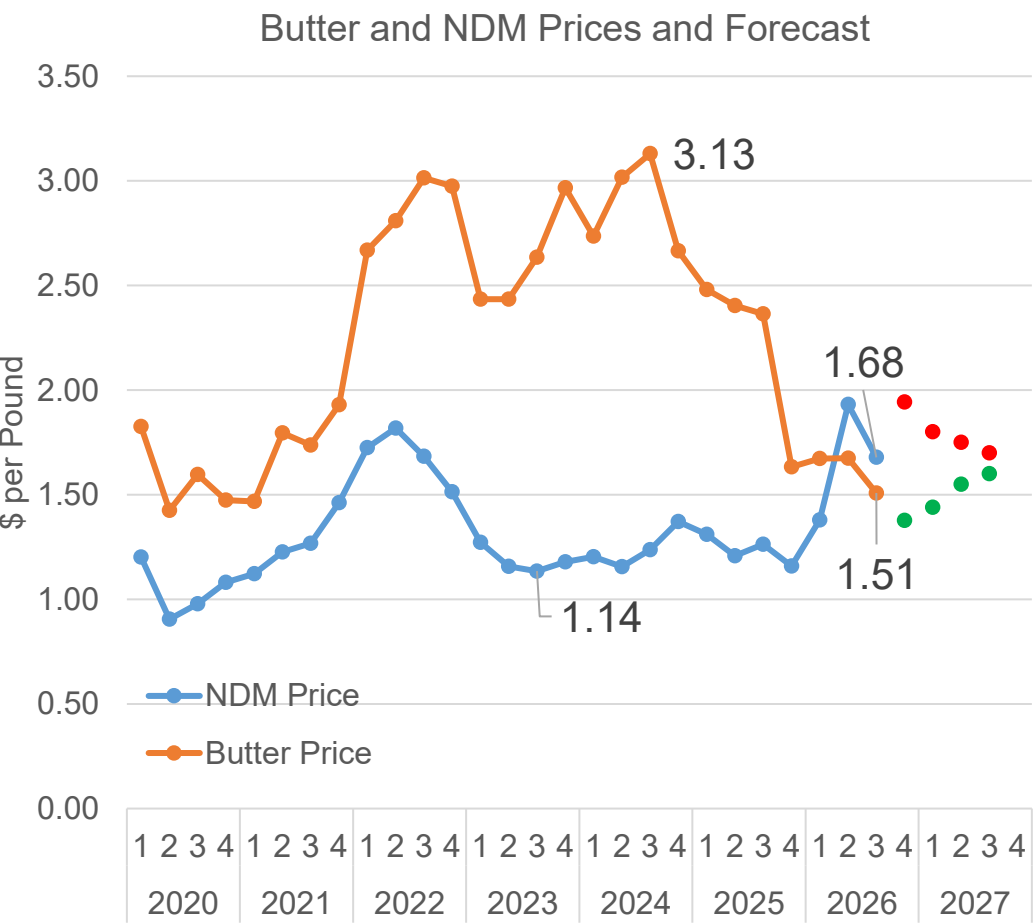
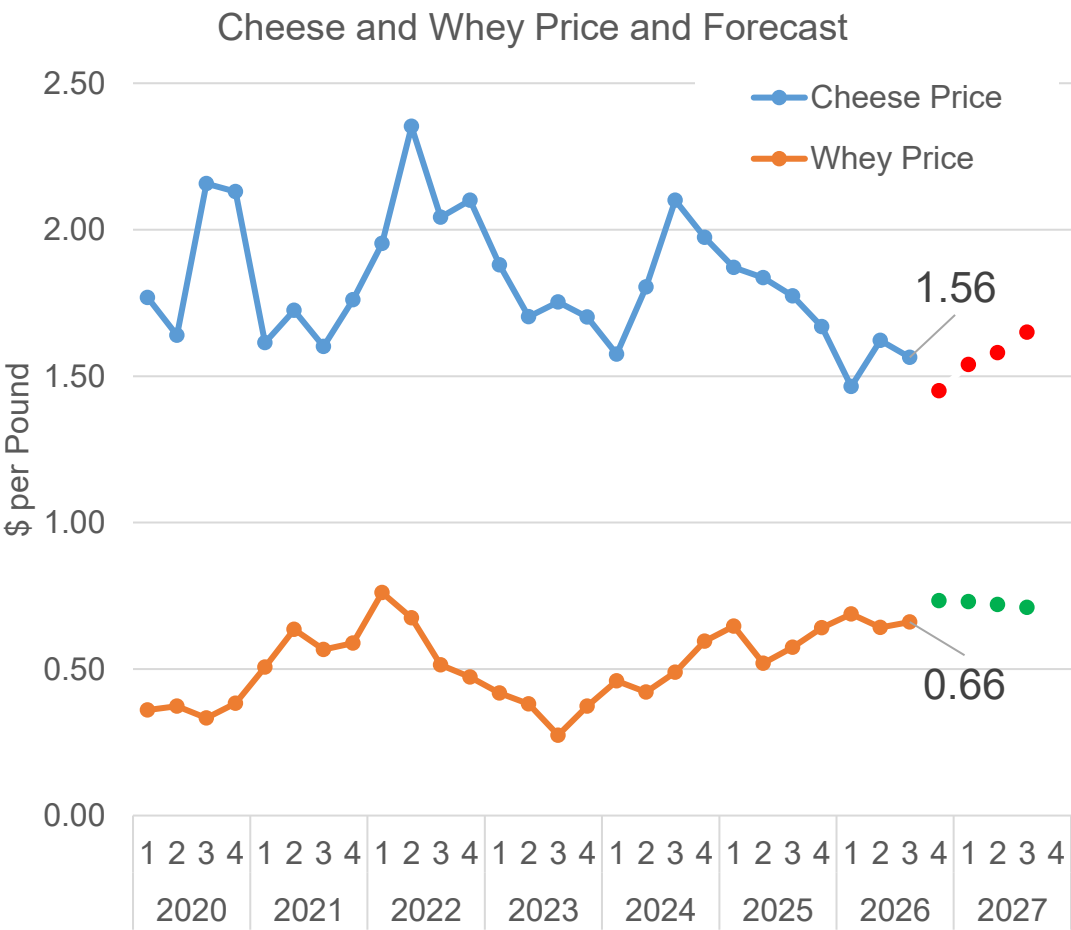


Skims Solids Share of Class III and IV Prices

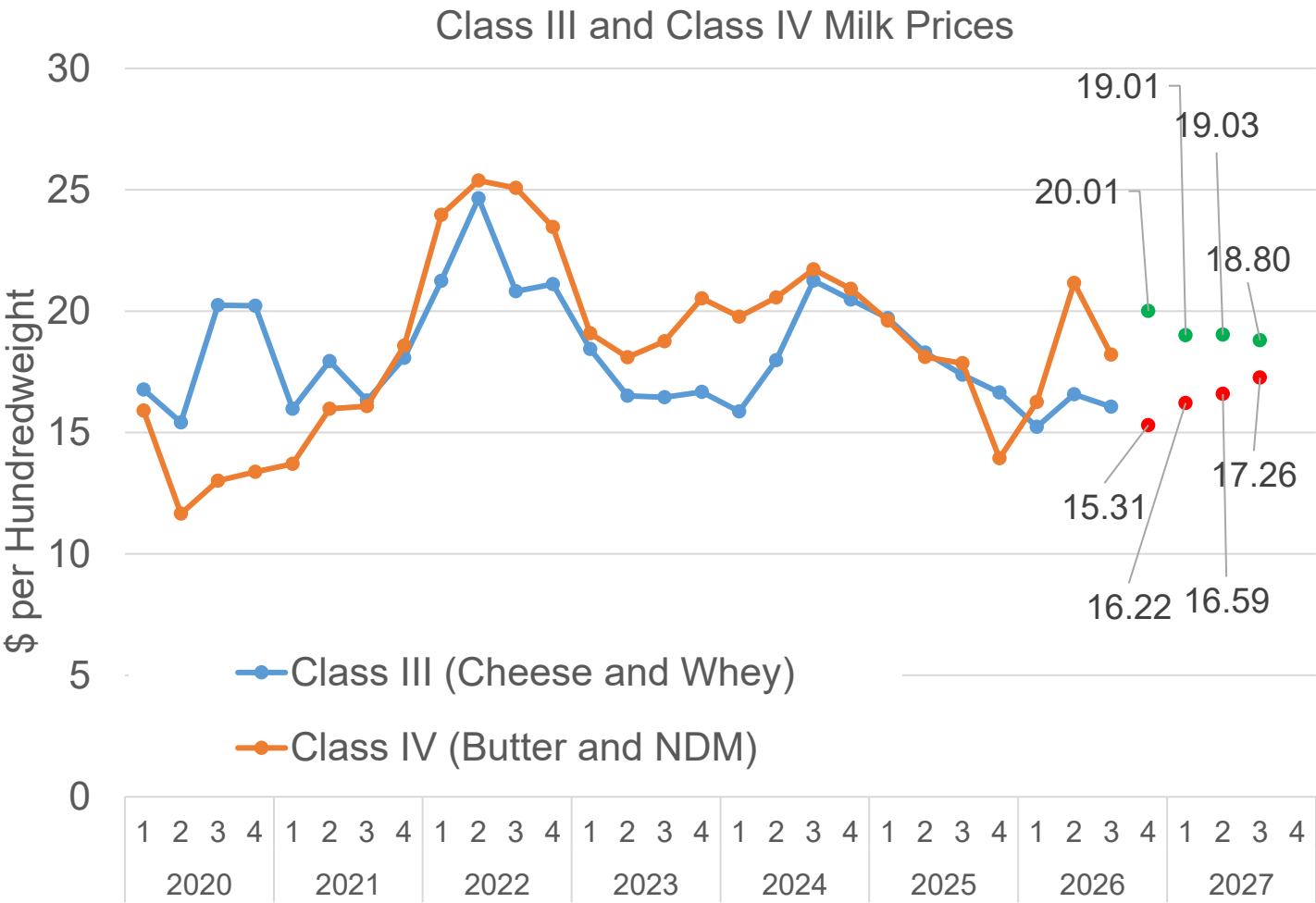


Strong Protein Demand In the United States

Spike in Nonfat Dry Milk Prices Supporting Class IV Prices



Class IV to III Price Premium supported by NDM prices in 2026



WASDE Forecasts				
	Cheese	Whey	Butter	NDM
2026 Q4	1.45	0.735	1.375	1.945
2027 Q1	1.54	0.73	1.44	1.8
2027 Q2	1.58	0.72	1.55	1.75
2027 Q3	1.65	0.71	1.60	1.74
2027	1.615	0.715	1.55	1.74

Beef sector revenue has declined but remains substantial.

Price for 750-800 lb OK Feeders

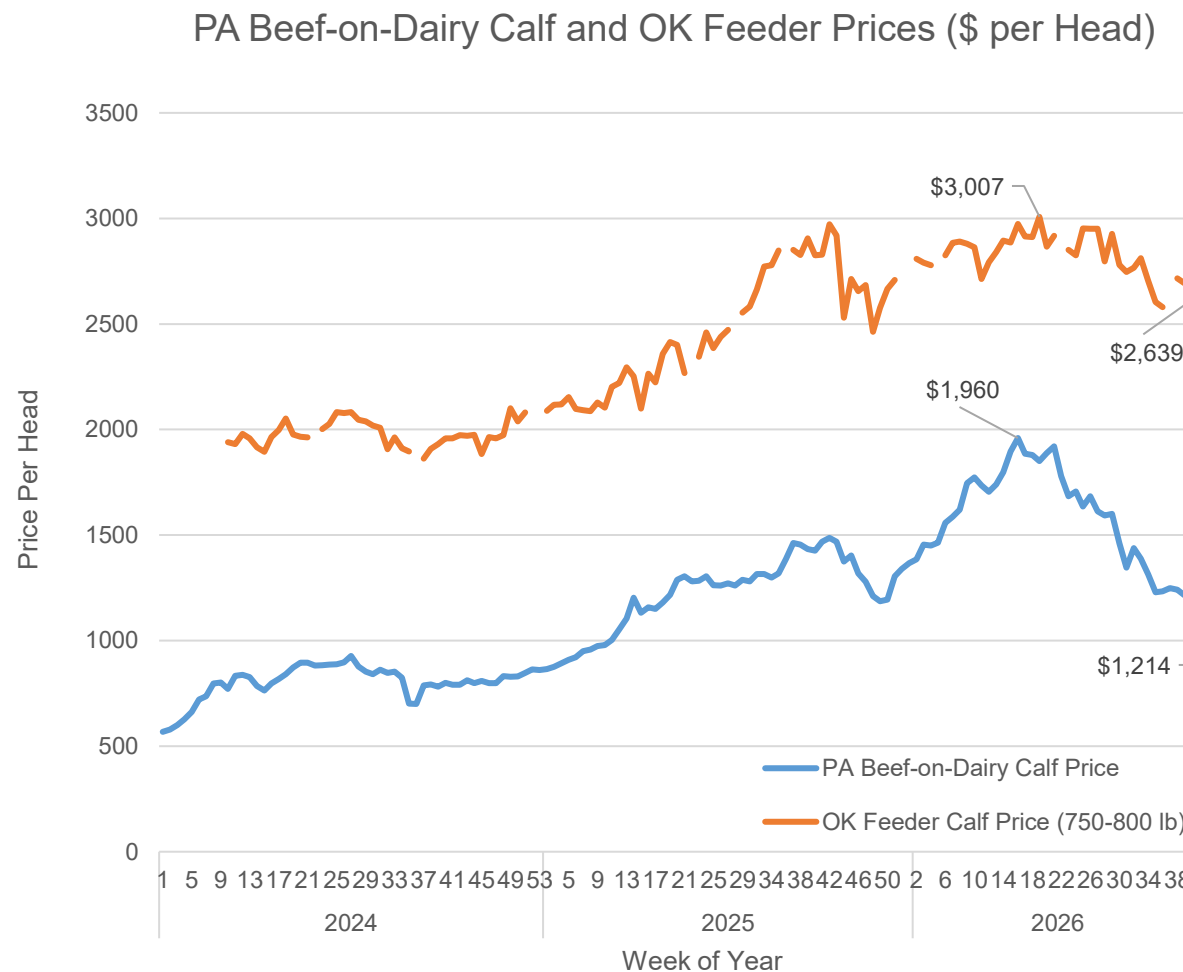
- Q1-2021 – \$134 / lb ≈ \$1,040 / hd
- Q1-2026 – \$366 / lb ≈ \$2,835 / hd
- Oct-2026 – **\$340 / lb ≈ \$2,639 / hd**

Down about \$200

Price for 100 lb PA Beef-on-Dairy Calves

- Q1-21 = \$194 / hd
- Q1-26 = \$1,628 / hd
- Oct-26 = **\$1,214 / hd**

Down about \$400



Added Revenue from Dairy Calf Sales

n – calving cycles – 3

δ – death loss + failed AI – 15%

P_{21} –calf price 2019-21 $\approx$ \$200

P_{26} –calf price Oct-26 = \$1,214 $\approx$ **\$1,200**

down from $\approx$ \$1,600 in the spring

Additional Revenue Per Year per Cow from Calf Sales

$$= (P_{26} - P_{21}) * \frac{n-1}{n} * (1 - \delta)$$

$$= (\$1,200 - \$200) * \frac{2}{3} * (1 - .15) \approx \textbf{\$567 per Cow}$$

down from \$800 per cow in the spring.

Equivalent Increase in Milk Price from Dairy Calf Revenue

All Milk Price (2025) = \$21.17/cwt

Milk per Cow (2025) = 243.9 cwt

Milk Revenue Per Year per Cow = $\$21.17 * 243.9 \approx \$5,000$

Percentage Per Cow Revenue Increase From Higher Calf Prices
= $\$567 / \$5000 = 11\%$

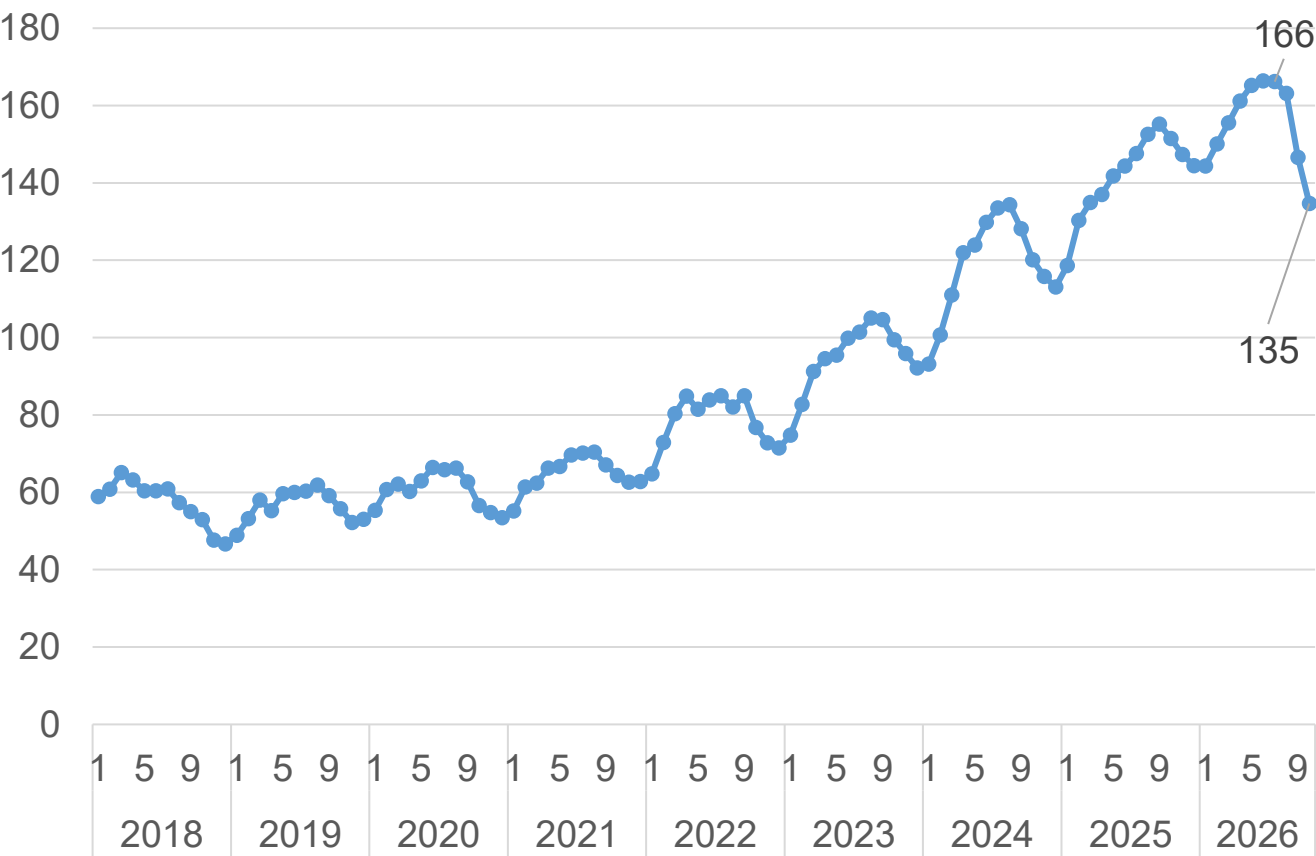
down from 16% in the spring

Equivalent Milk Price Increase From Higher Calf Prices

= $\$567 / 243.9 = \2.32 per cwt

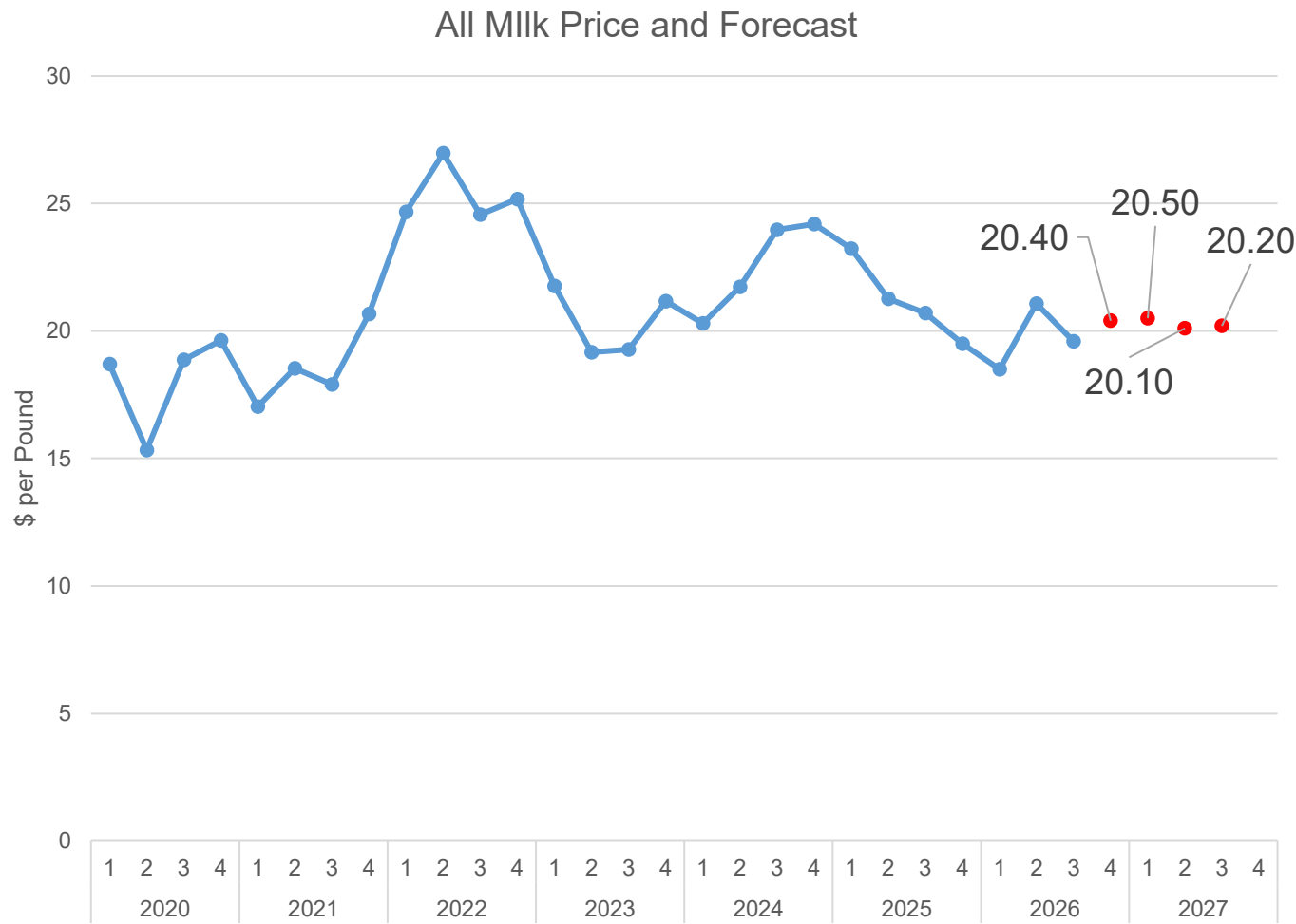
down from \$3.28 in the spring

Cutter Cow Prices (Live Equiv)



Cutter cow prices have fallen, but remain high historically

Additional Revenue from Beef Sector Adds to Dairy's Profitability



Additional Information on the Outlook is available at:

- **World Agricultural Supply and Demand Estimates**
 - www.usda.gov/oce/commodity/wasde/index.htm
- **Livestock, Dairy, and Poultry Situation and Outlook**
 - <https://www.ers.usda.gov/publications/pub-details/?pubid=108311>
- **Dairy: World Markets and Trade**
 - <https://www.fas.usda.gov/data/dairy-world-markets-and-trade>