

Outlook for the U.S. Dairy Sector

Presented By

Michael McConnell

World Agricultural Outlook Board, USDA

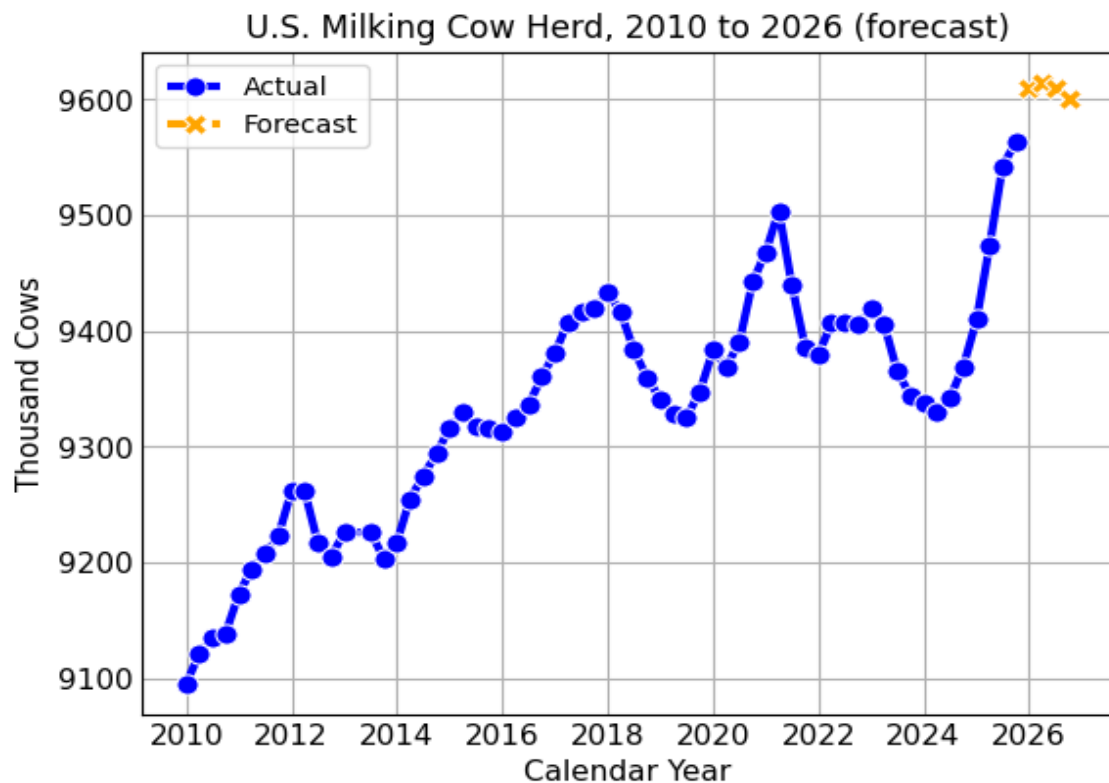
April 2026

Assumptions of the WASDE

- **Policies in Place**
- **Normal Weather Conditions**
- **No New Disease Outbreaks**

Milk Production Is Growing

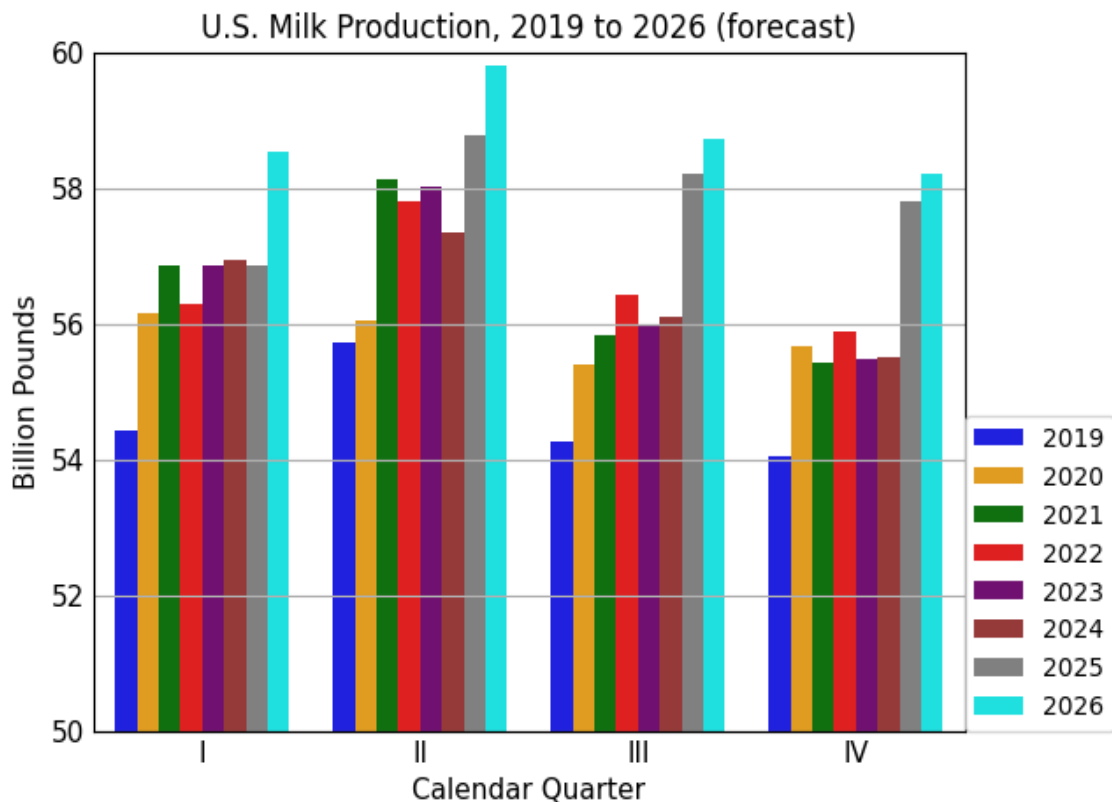
Milking Cow Inventories Highest Since 1993



Thousand Head	2024	2025	2026 (Proj.)
I	9,388	9,410	9,610
II	9,330	9,474	9,615
III	9,342	9,543	9,610
IV	9,369	9,564	9,600
Annual	9,345	9,498	9,610

Source: USDA/NASS, WAOB

Milk Production Continues to Expand in 2026



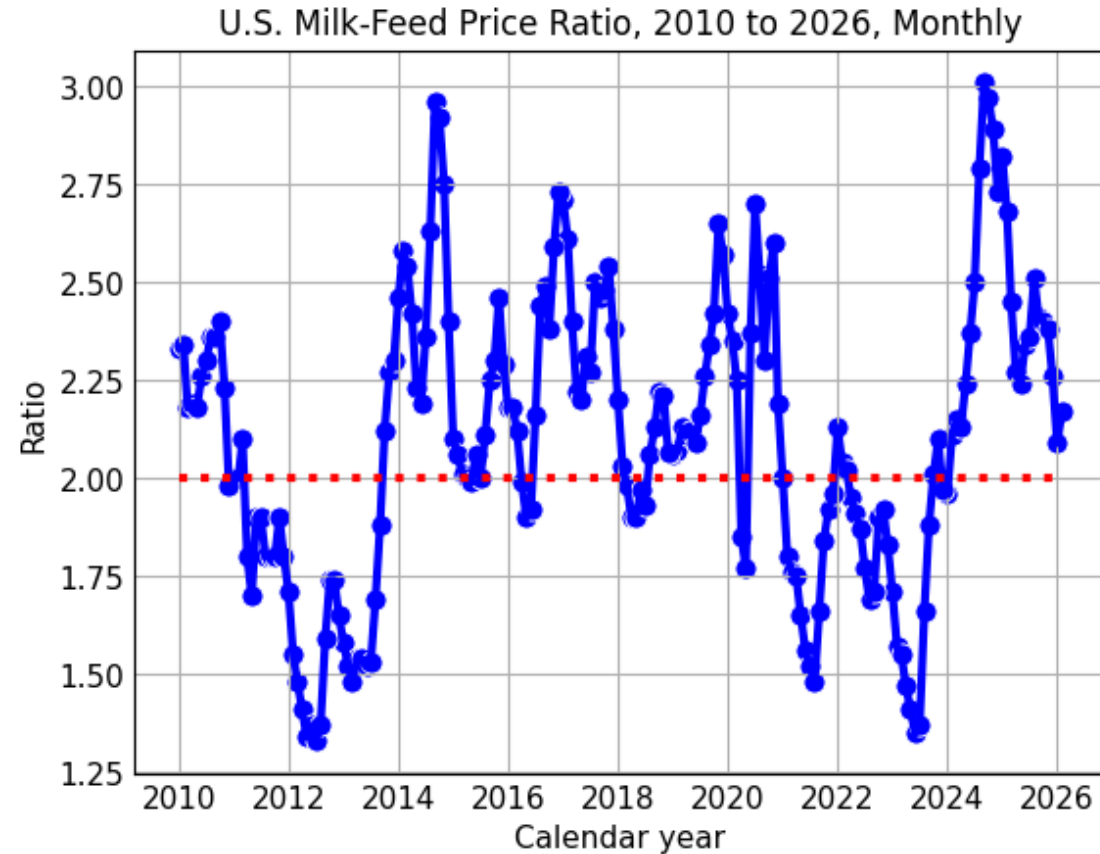
Billion Pounds	2024	2025	2026 (Proj.)	% Change
I	57.0	56.9	58.5	2.9
II	57.3	58.8	59.8	1.7
III	56.1	58.2	58.7	0.9
IV	55.5	57.8	58.2	0.7
Annual	225.9	231.7	235.3	1.6

Source: USDA/NASS and WAOB

What is behind the strong growth?

Milk Margin Signals

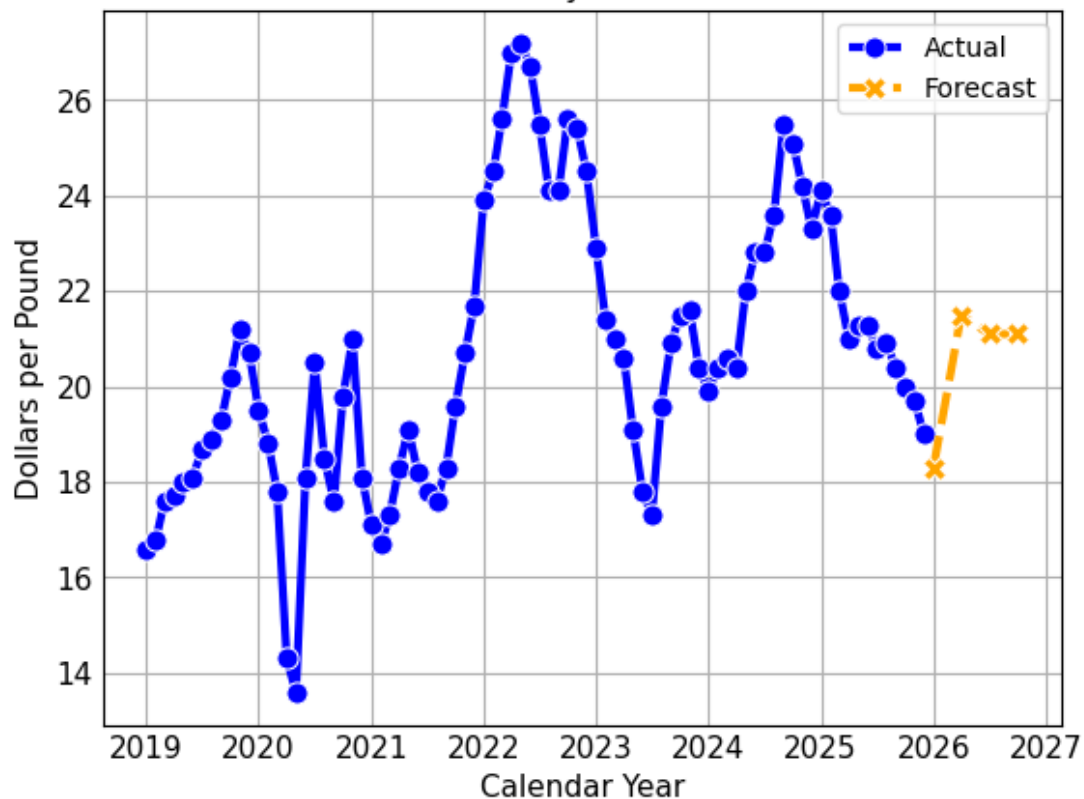
Margins on Milk Production Have Consistently Been Supportive



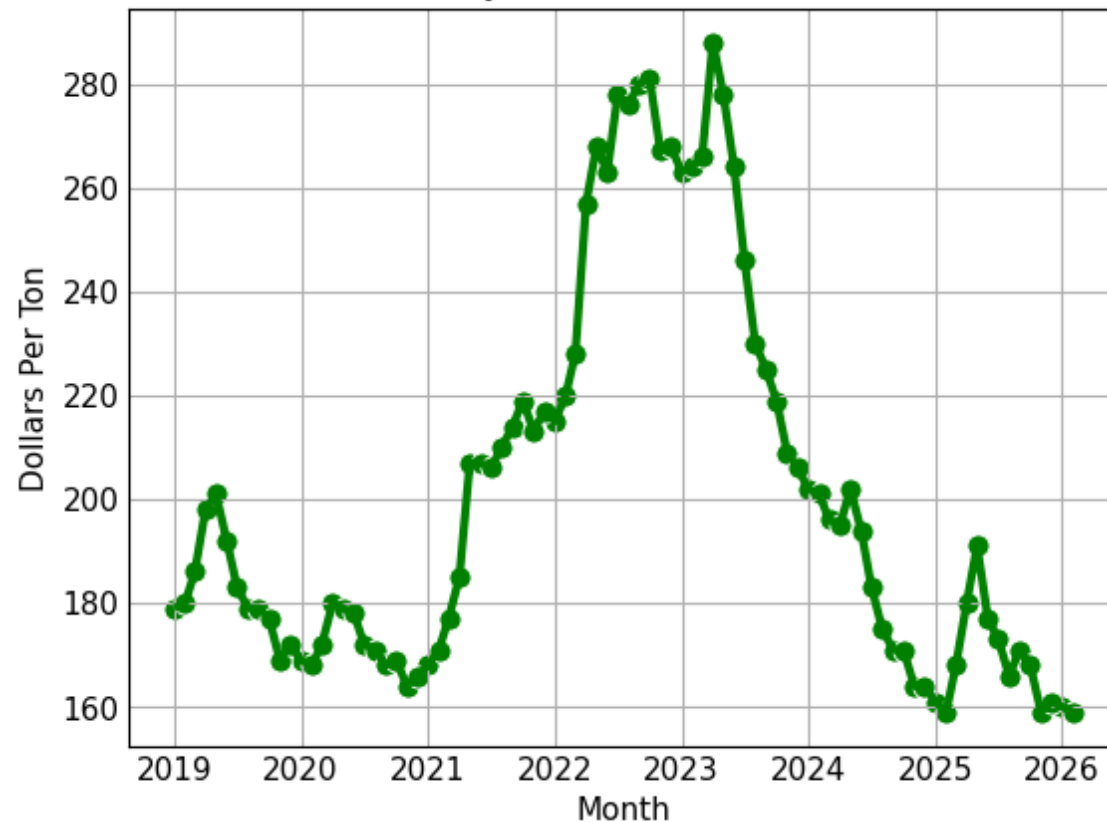
Source: USDA/NASS

Feed Costs Have Fallen Faster Than Milk Price

U.S. All Milk Prices, 2019 to 2026, Monthly
(Quarterly Forecast)



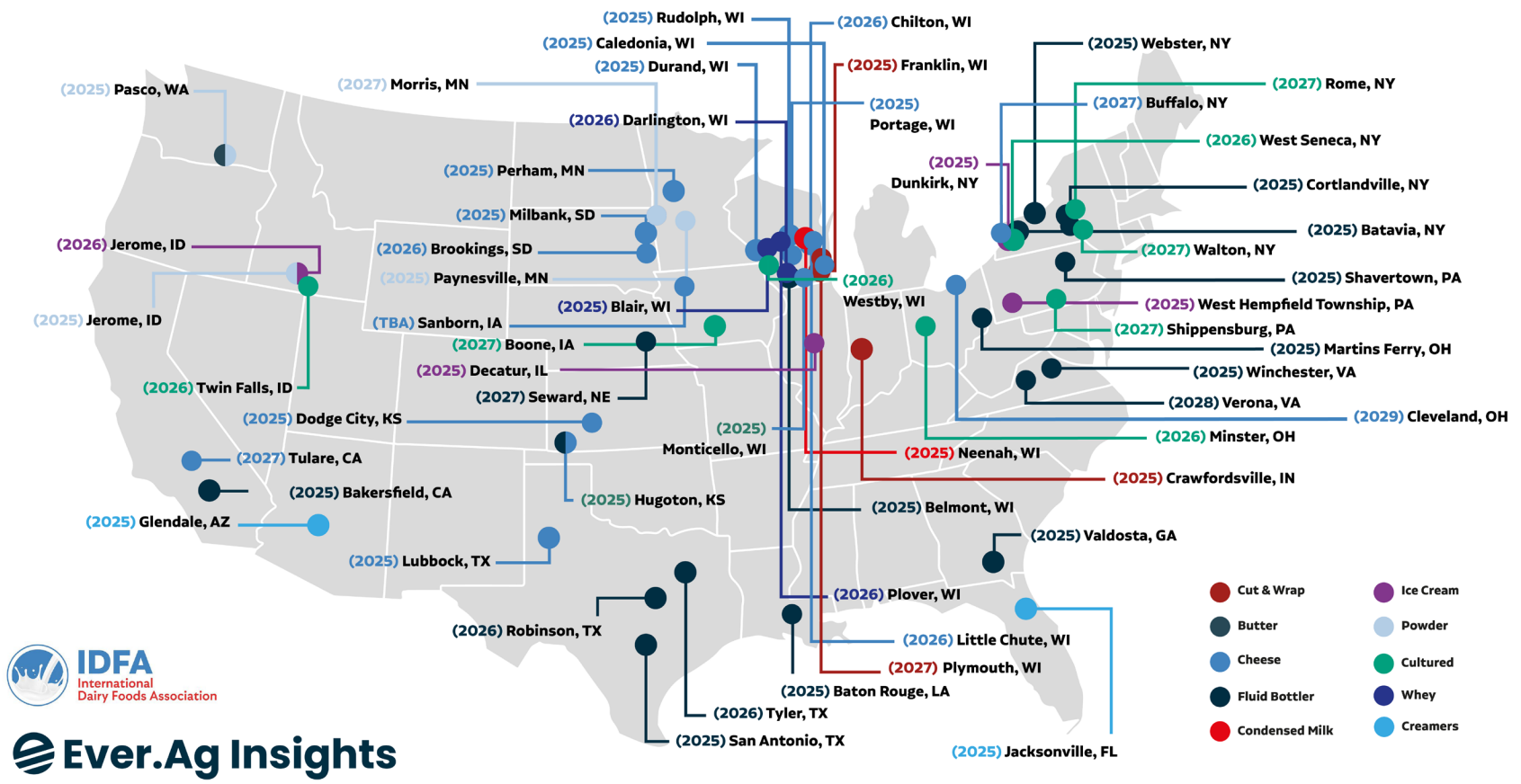
U.S. Alfalfa Hay Price Received, 2019 to 2026



Source: USDA/AMS, WAOB, and NASS

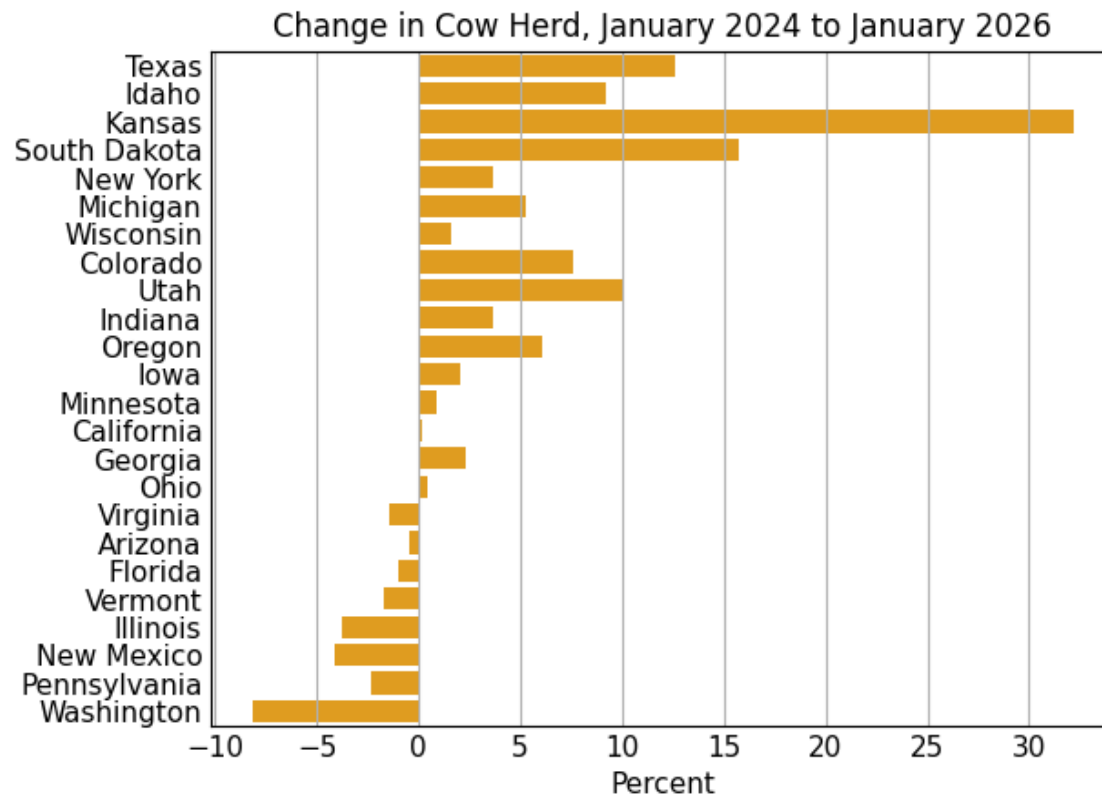
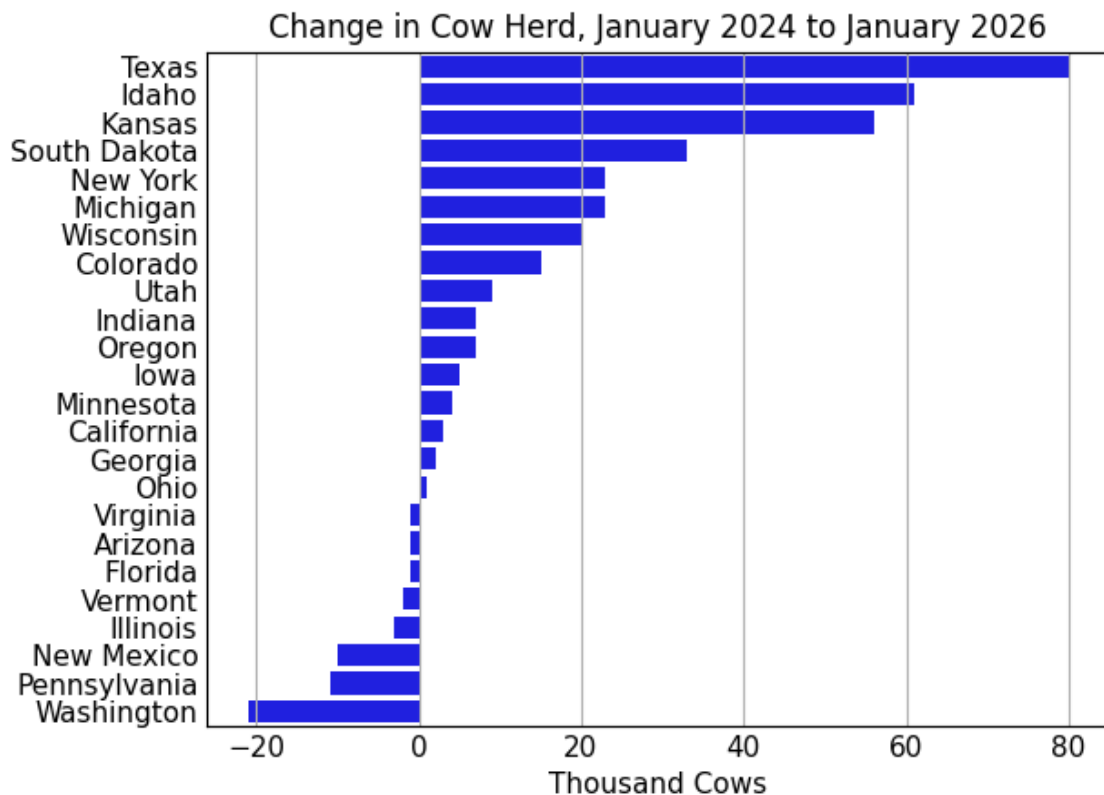
Processing Investment and Expansion

Significant Investment In Dairy Processing Capacity



Note: October 2025 Press Release

Expansion Has Not Been Uniform Across Production Regions

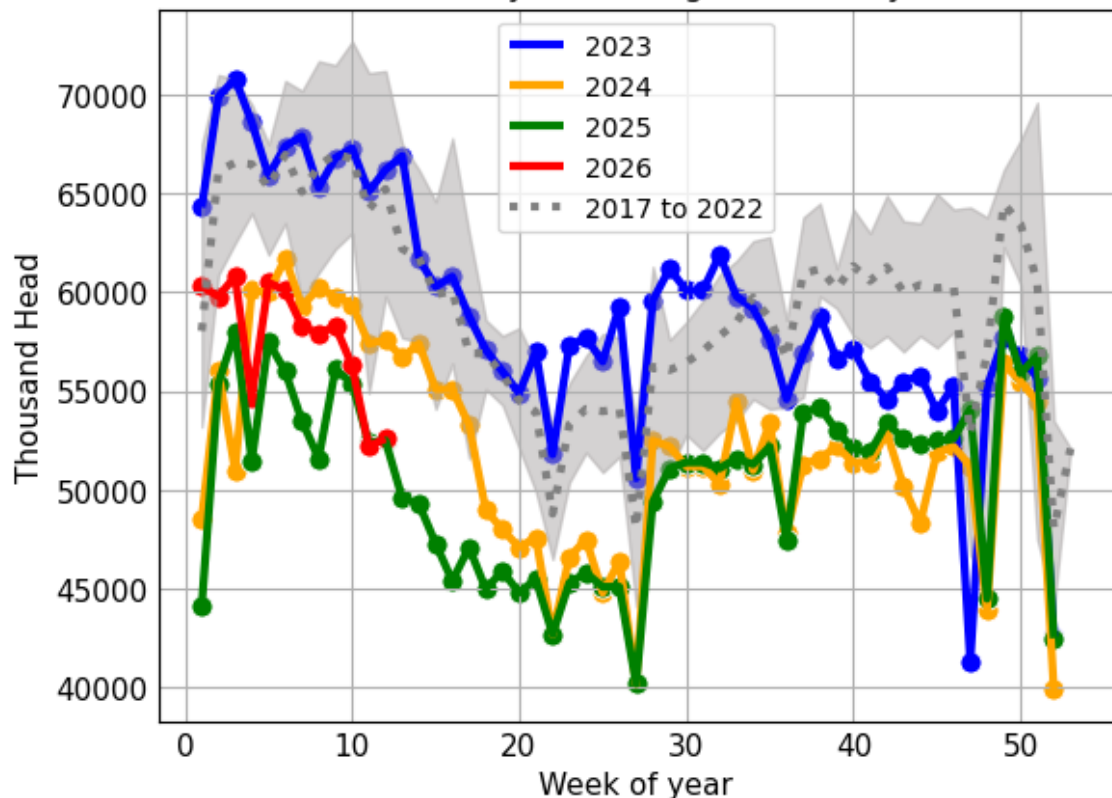


Source: USDA/NASS

Herd Management

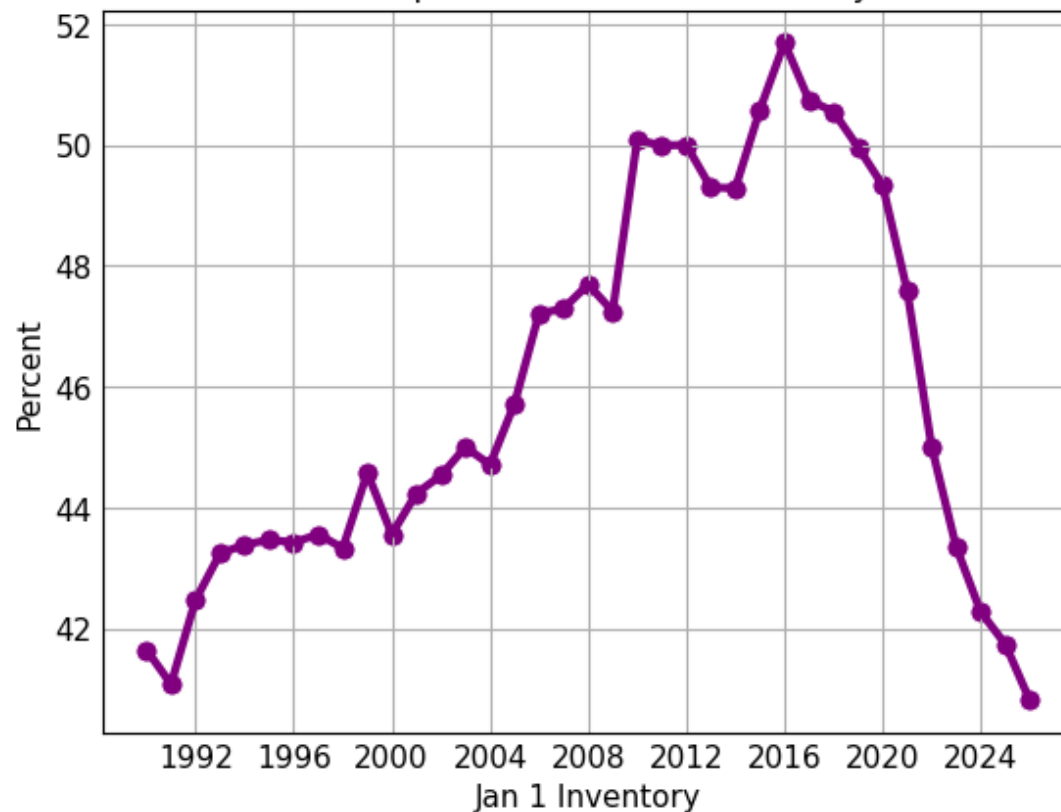
Dairy Cow Slaughter Higher Than Last Year, Still Low

U.S. Dairy Cow Slaughter, Weekly



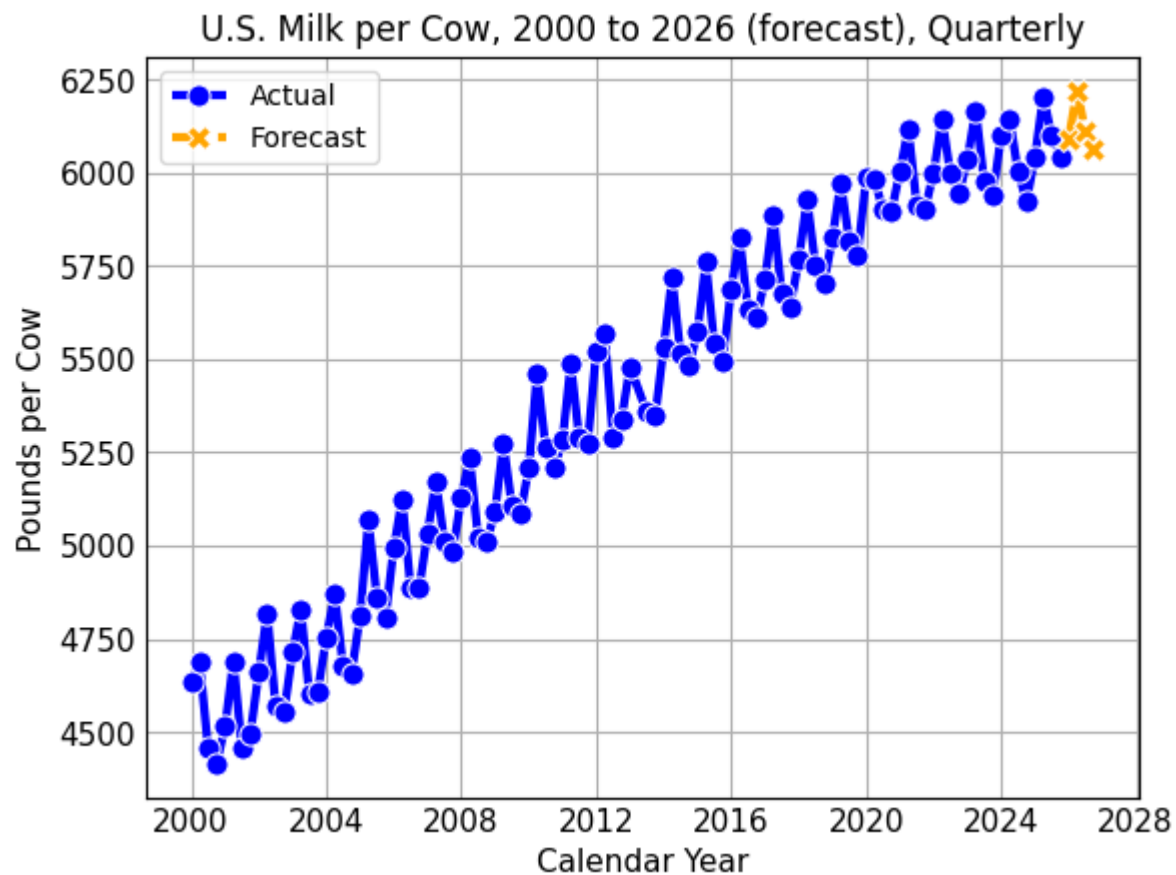
Source: USDA/NASS

Share of Replacement Heifers Per Dairy Cow



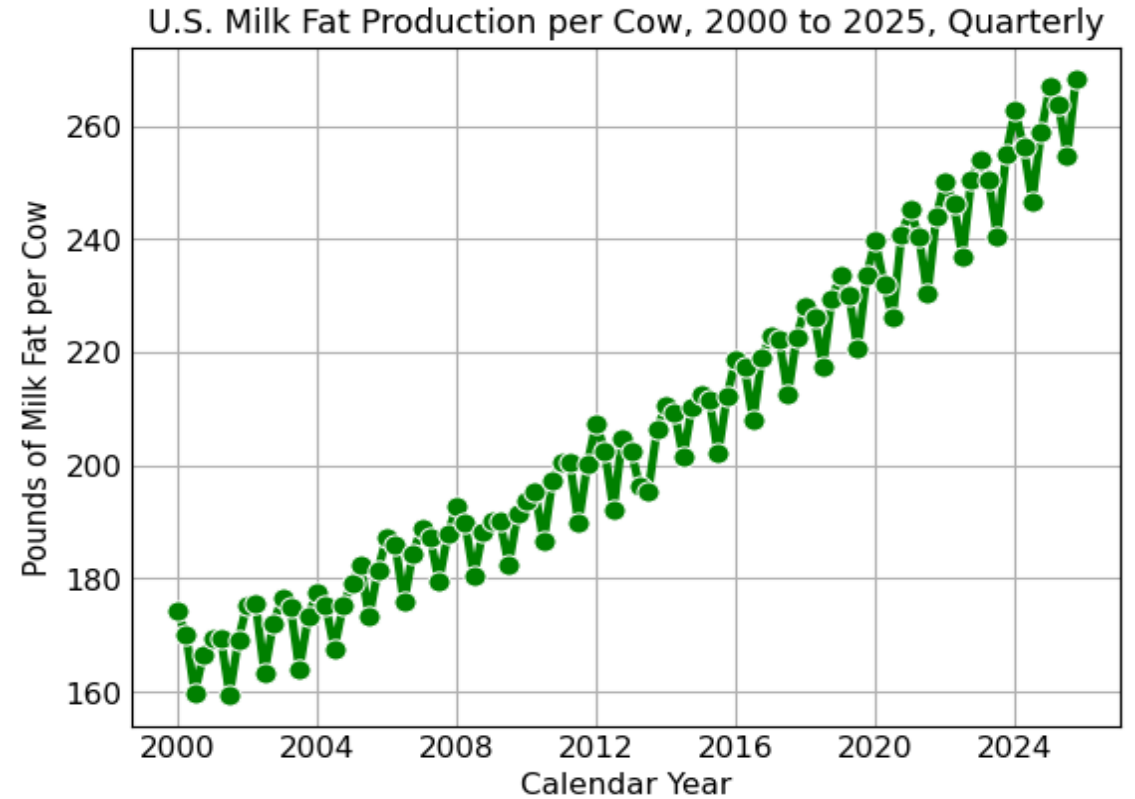
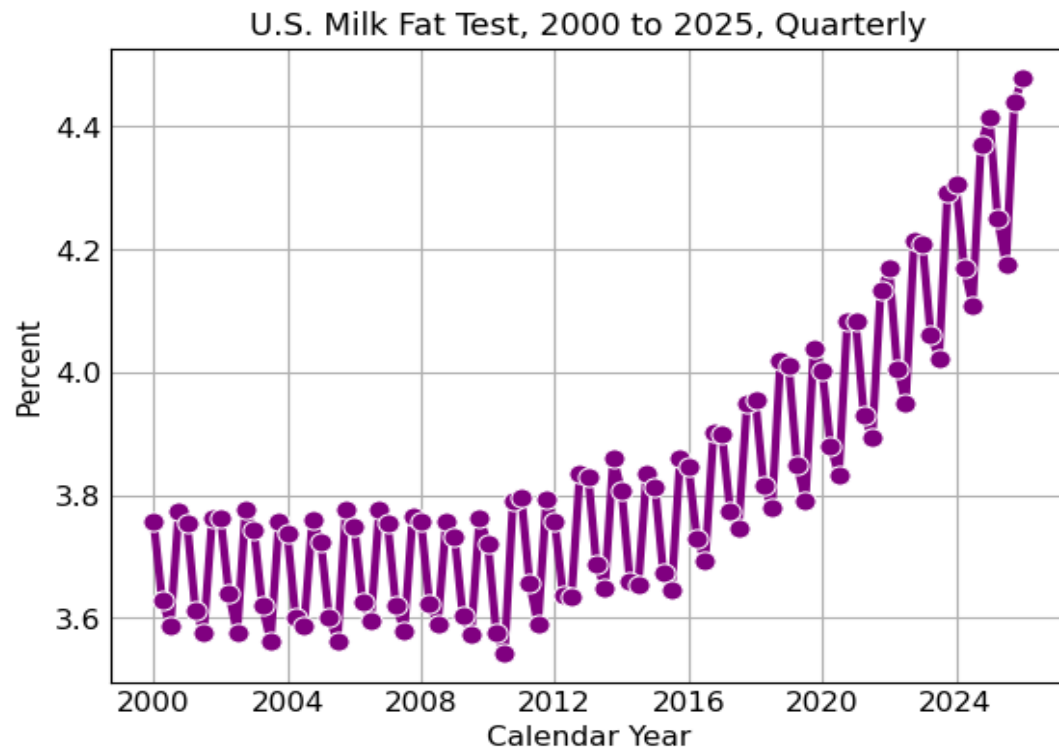
Source: USDA/NASS

Growth in Milk Per Cow Has Been Slowing, But Accelerated in 2025



Source: USDA/NASS

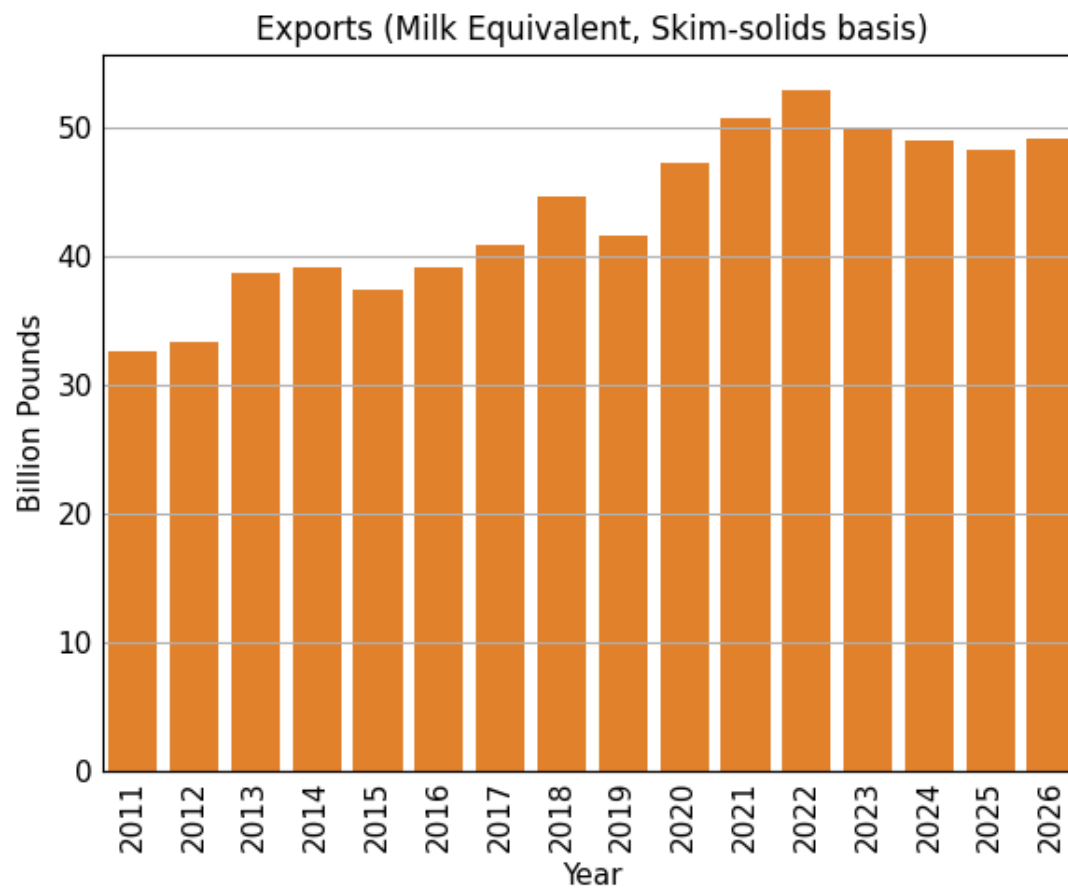
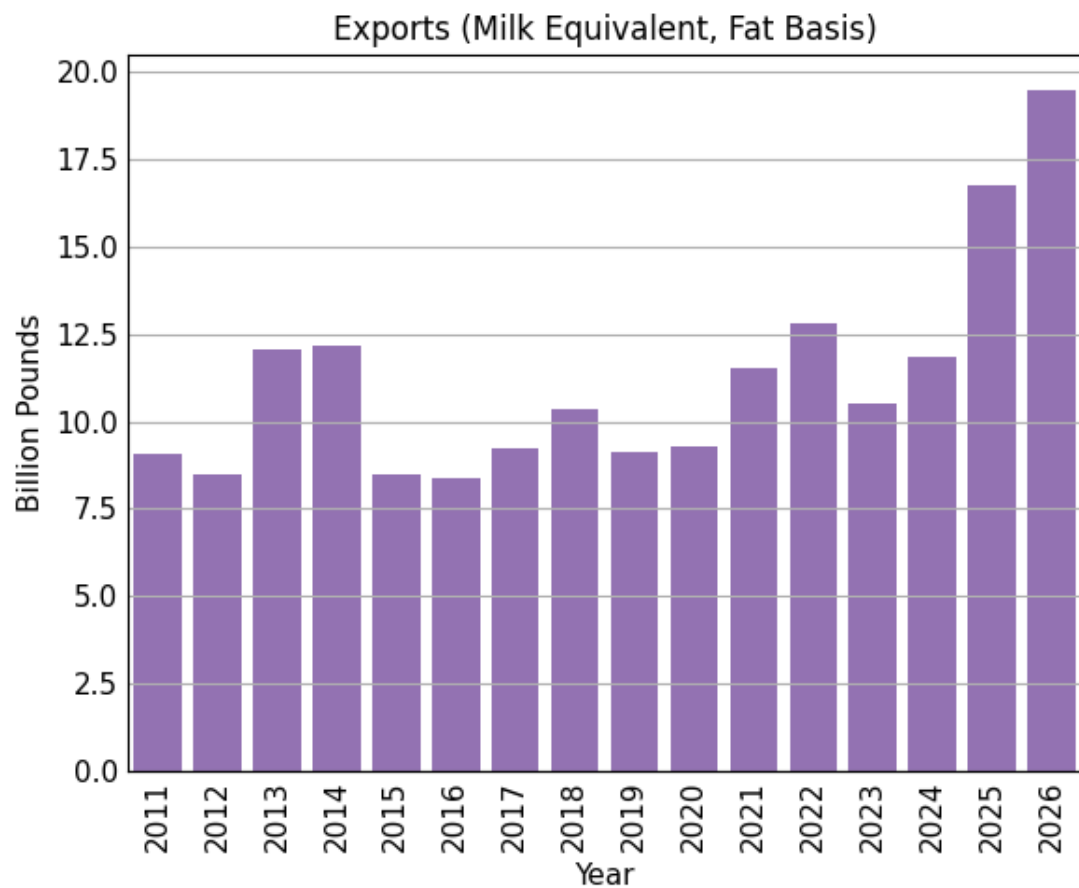
Higher Components Offset Slower Milk Growth



Source: USDA/NASS

Strong Export Demand For Butter and Cheese

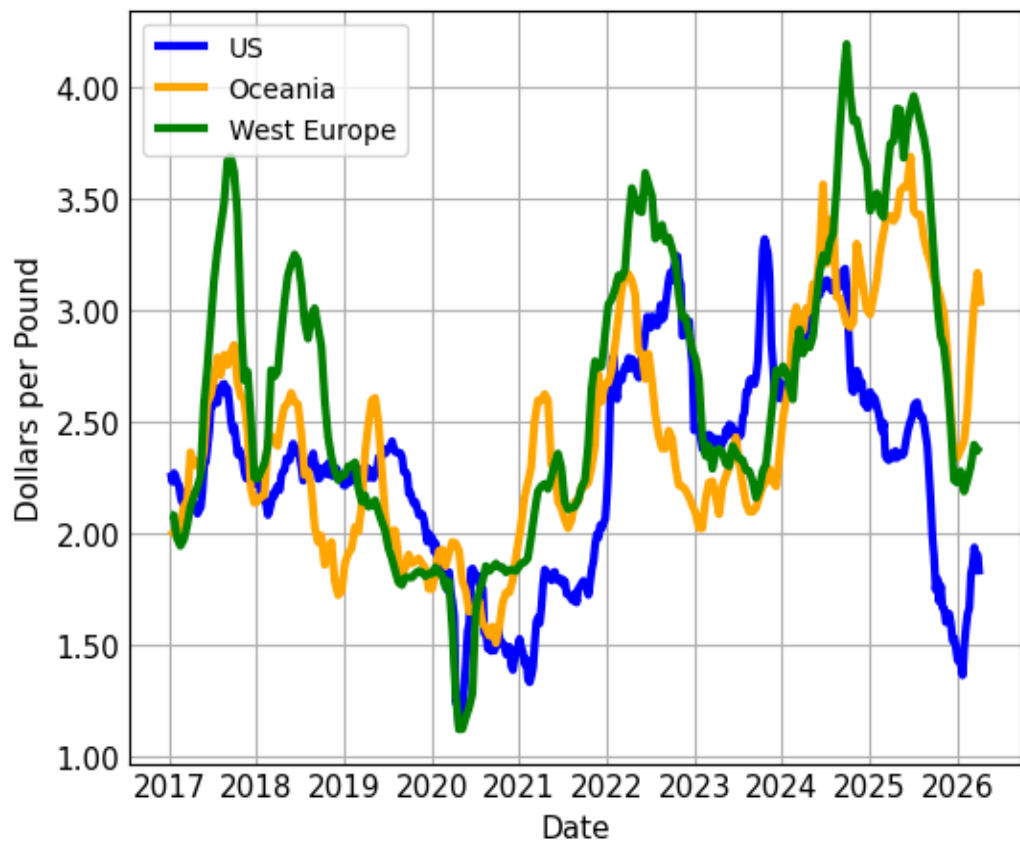
Strong Exports Are a Key Leg of U.S. Dairy Markets



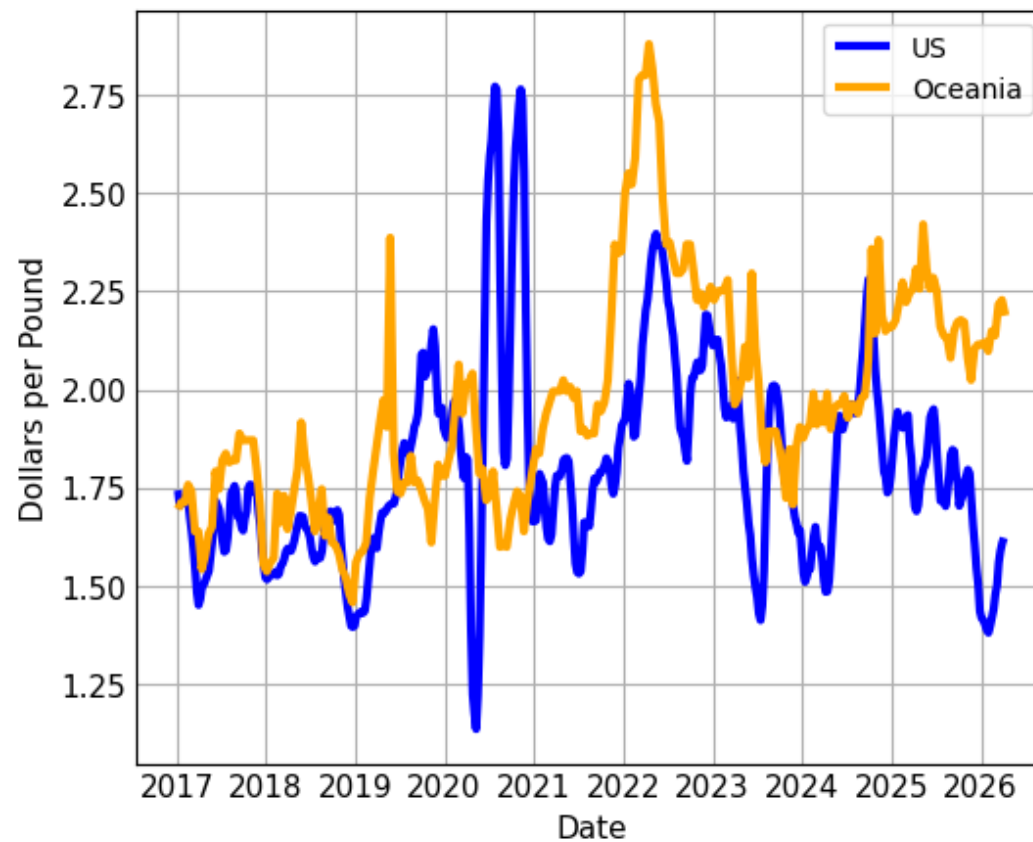
Source: USDA/ERS and WAOB
Note: 2026 is Forecast

U.S. Butter and Cheese Have Been Competitively Priced

U.S. versus International Butter Prices



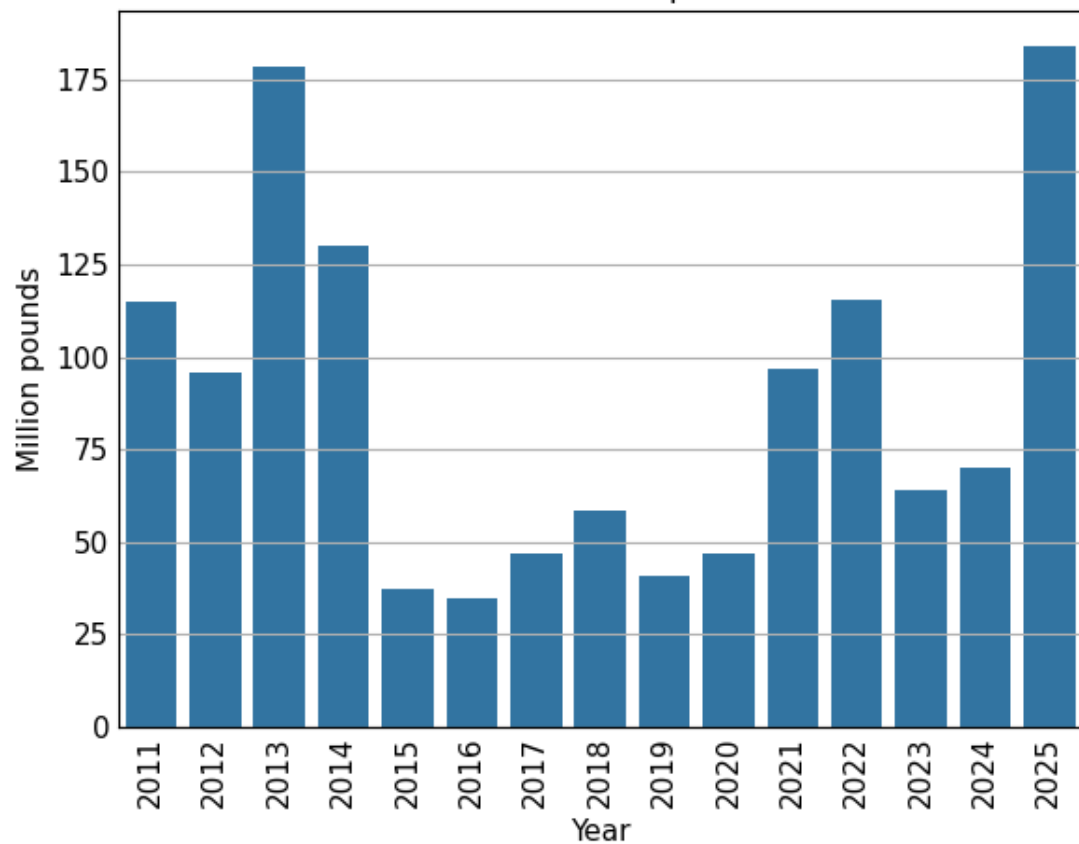
U.S. versus International Cheese Prices



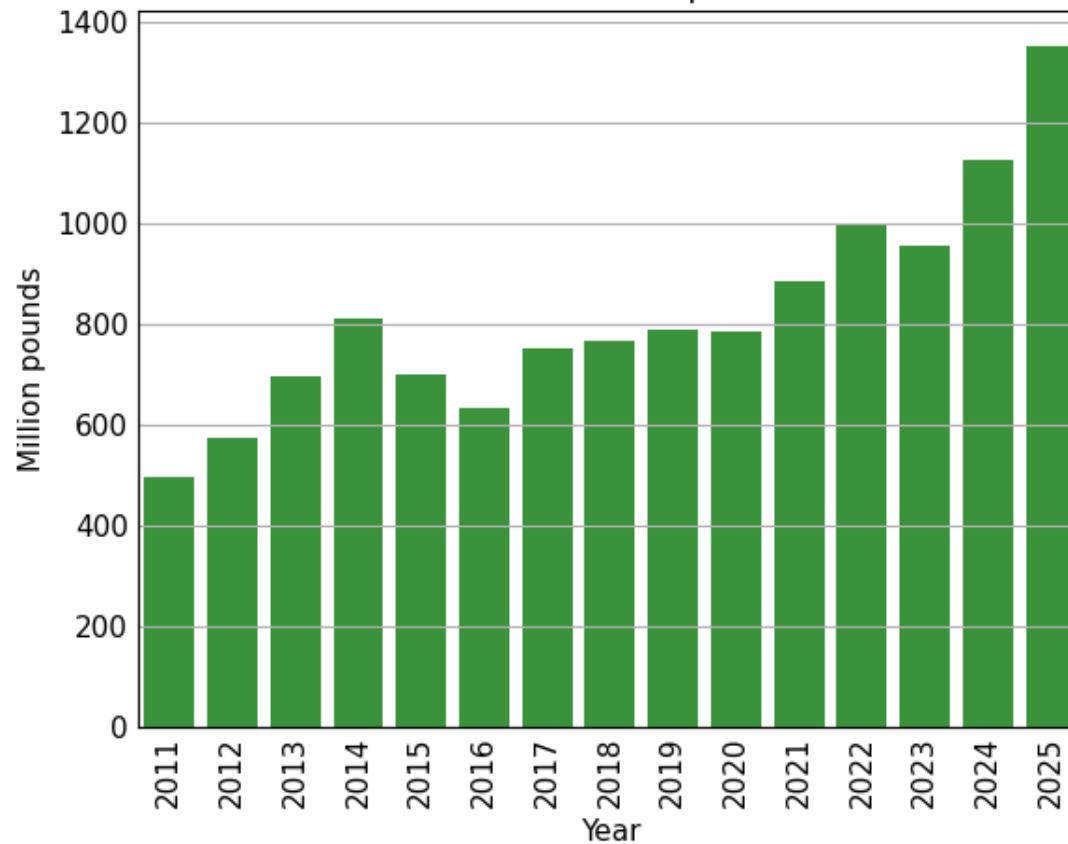
Source: USDA/AMS

U.S. Prices Have Supported Butter and Cheese Exports

U.S. Butter Exports



U.S. Cheese Exports



Source: USDA/ERS

Butter Export Markets Growing, More Diverse in 2025

2022 Market Shares: \$240 million value

Canada	48%
Bahrain	18%
South Korea	12%
Mexico	4%
Saudi Arabia	4%
Egypt	3%
Taiwan	2%

2024 Market Shares: \$211 million value

Canada	70%
South Korea	7%
Mexico	7%
Panama	2%

2025 Market Shares: \$508 million value

Canada	41%
Saudi Arabia	9%
Netherlands	8%
Australia	7%
South Korea	7%
Bahrain	4%
Mexico	3%
Japan	2%
Egypt	2%

Source: USDA/FAS

Note: Countries listed with an annual market share of at least 2 percent.

Cheese Exports Maintaining Stable Market Shares

2022 Market Shares: \$2.3 billion value	
Mexico	28%
South Korea	16%
Japan	10%
Australia	5%
Canada	4%
Guatemala	3%
Dominican Rep.	3%
Panama	3%
Chile	3%
Saudi Arabia	3%

2024 Market Shares: \$2.4 billion value	
Mexico	37%
South Korea	11%
Japan	7%
Australia	5%
Canada	5%
Guatemala	4%
Dominican Rep.	3%
Panama	3%
Chile	3%

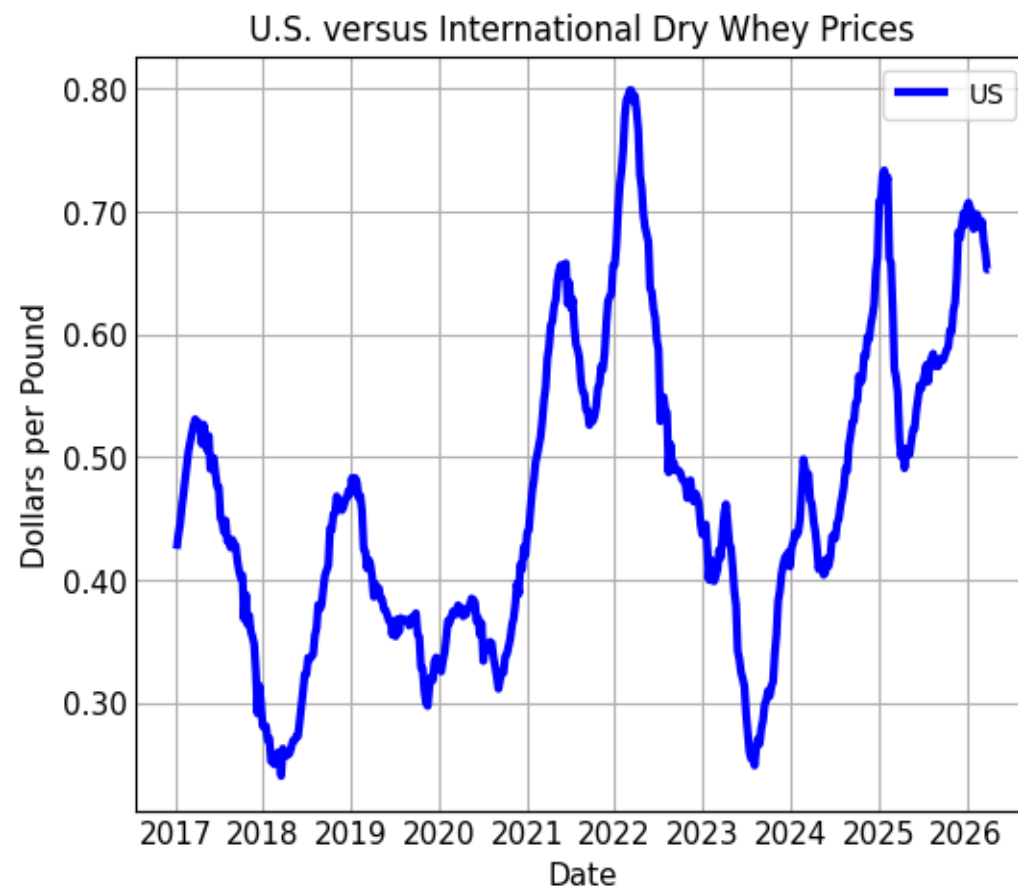
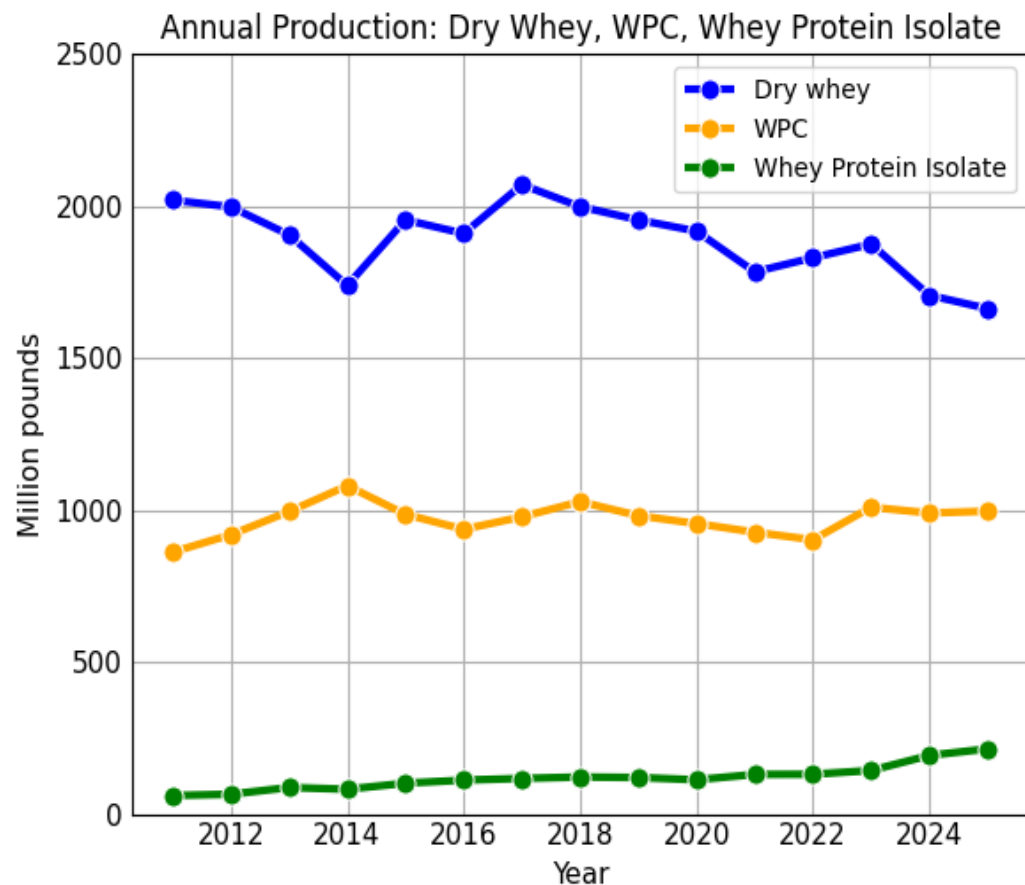
2025 Market Shares: \$3.0 billion value	
Mexico	33%
South Korea	13%
Japan	9%
Australia	6%
Canada	5%
Guatemala	3%
Dominican Rep.	3%

Source: USDA/FAS

Note: Countries listed with an annual market share of at least 3 percent.

Strong Protein Demand In the United States

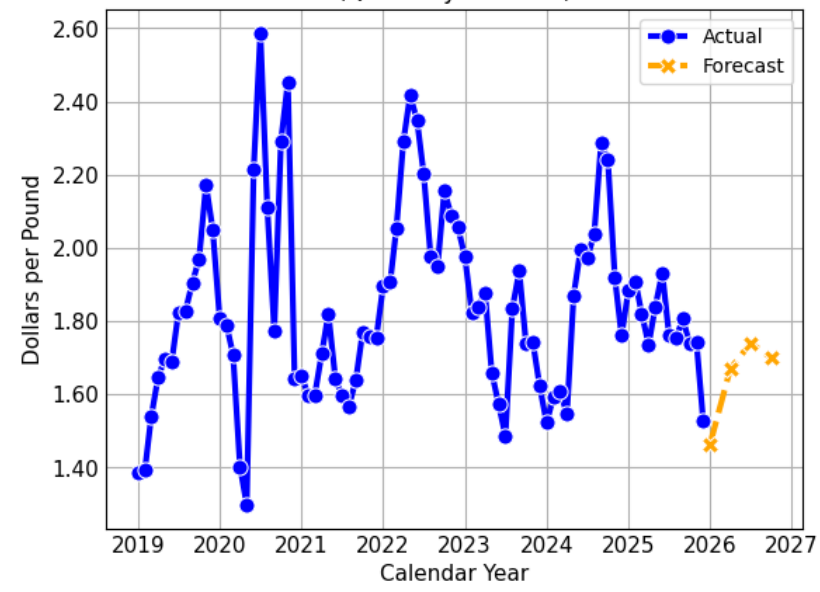
Whey Supported by Strong Consumer Demand for Protein



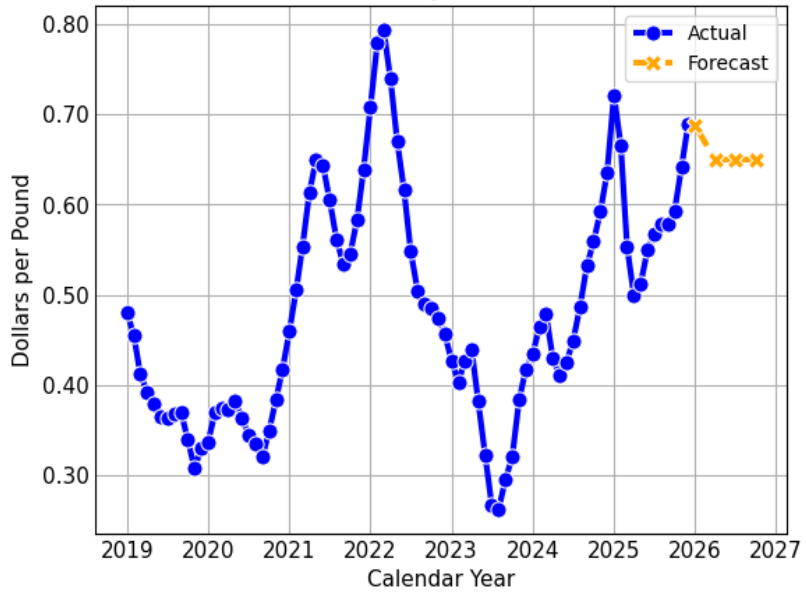
Source: USDA/ERS, NASS, and AMS

Class III Prices Expected to Rebound for the Remainder of 2026

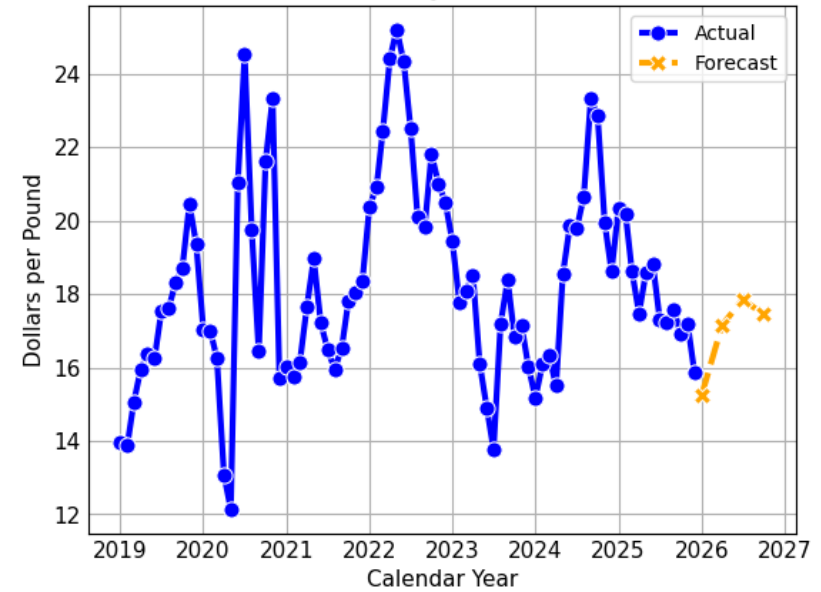
U.S. Cheese Prices, 2019 to 2026, Monthly (Quarterly Forecast)



U.S. Whey Prices, 2019 to 2026, Monthly (Quarterly Forecast)



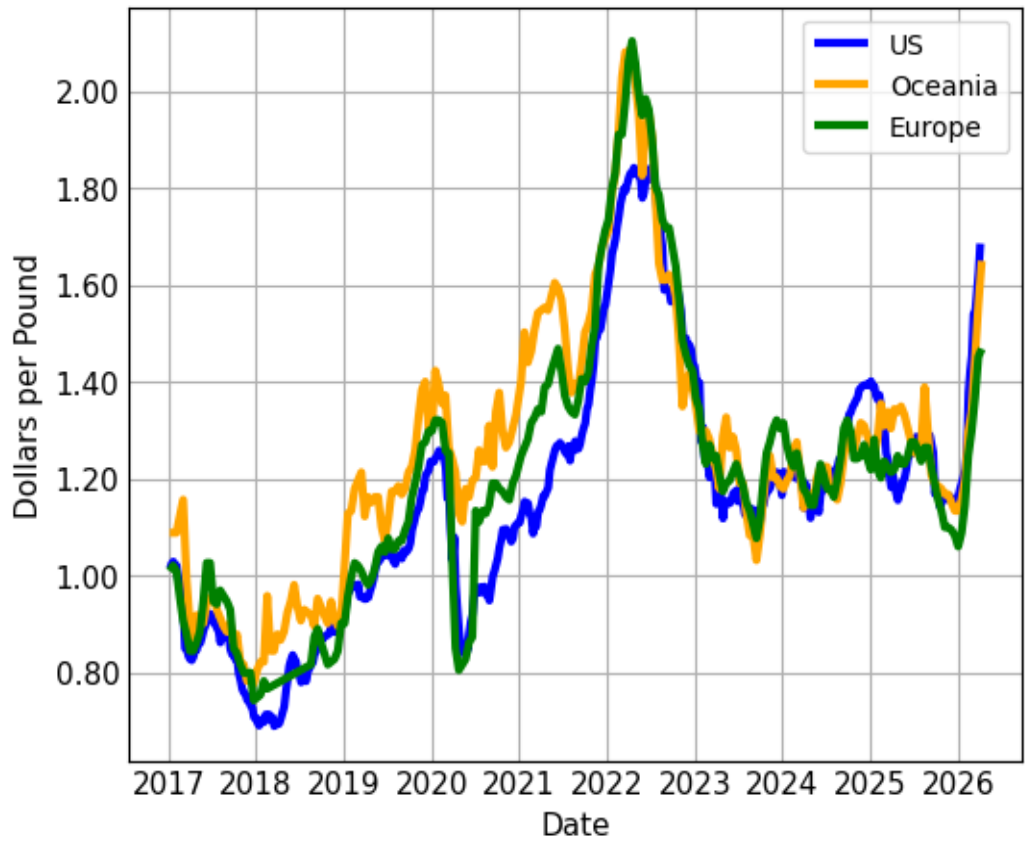
U.S. Class III Prices, 2019 to 2026, Monthly (Quarterly Forecast)



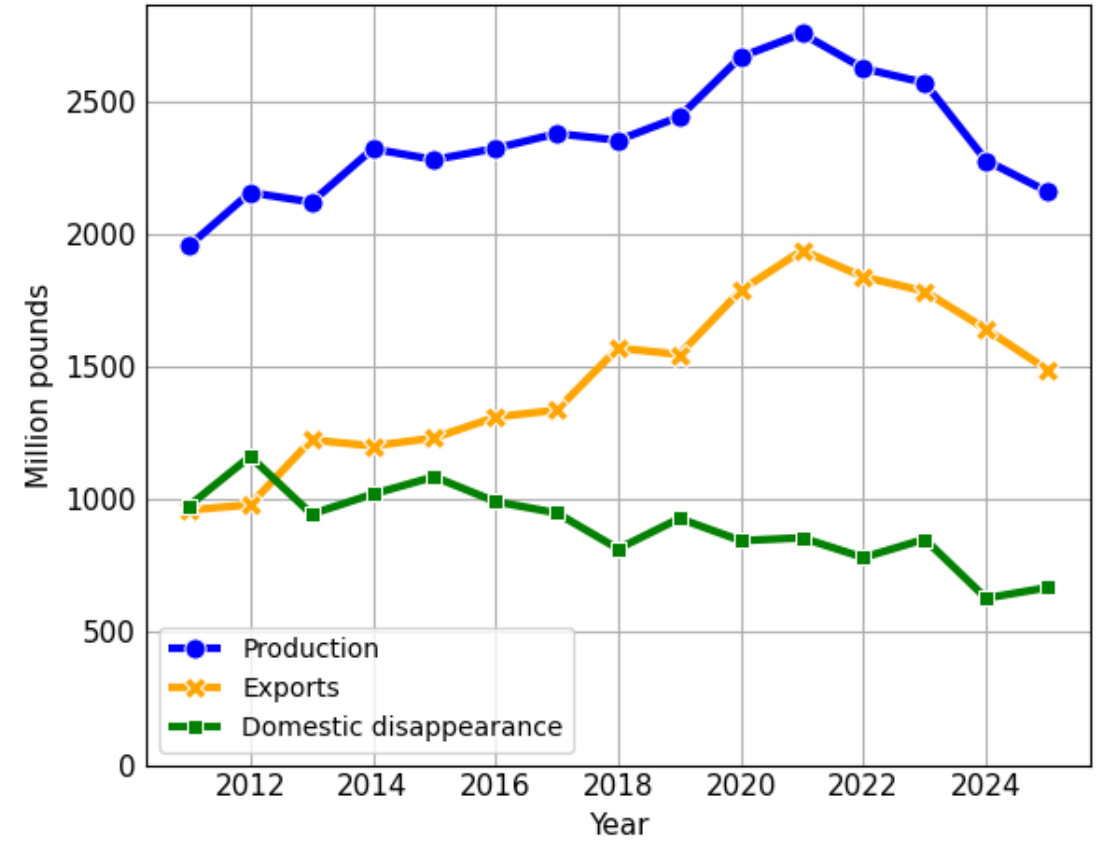
Source: USDA/AMS and WAOB

Nonfat Dry Milk/Skim Milk Powder Supplies Tightening

U.S. versus International Skim Milk Powder Prices



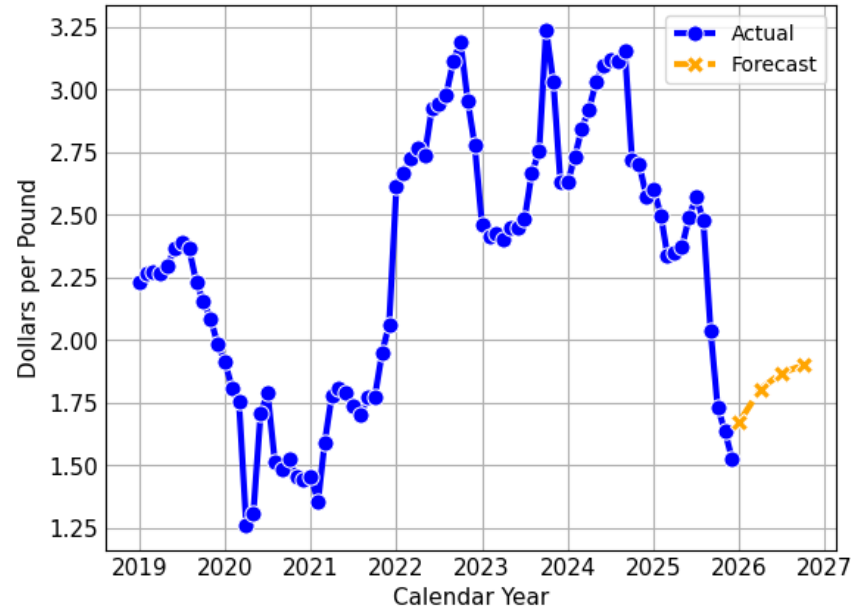
U.S. Nonfat Dry/Dry Skim Milk



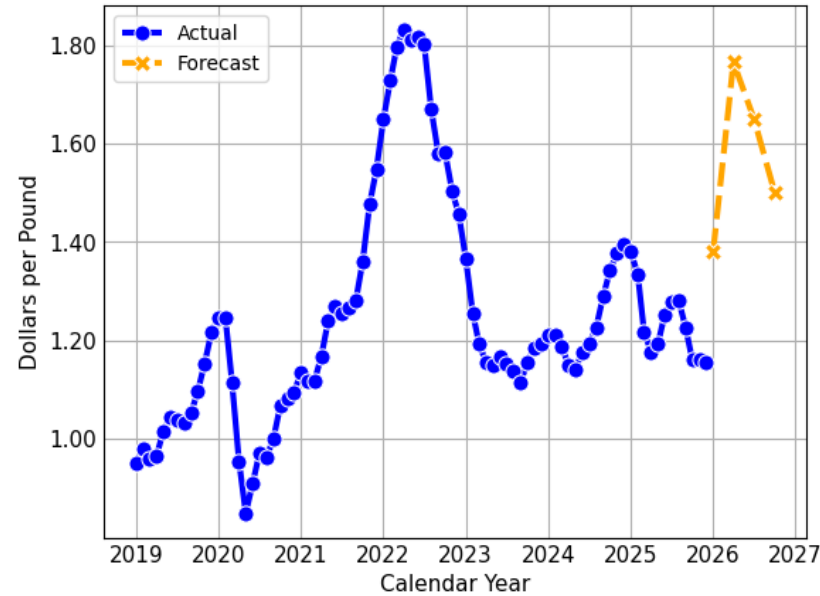
Source: USDA/AMS and ERS

Spike in Nonfat Dry Milk Prices Supporting Class IV Prices

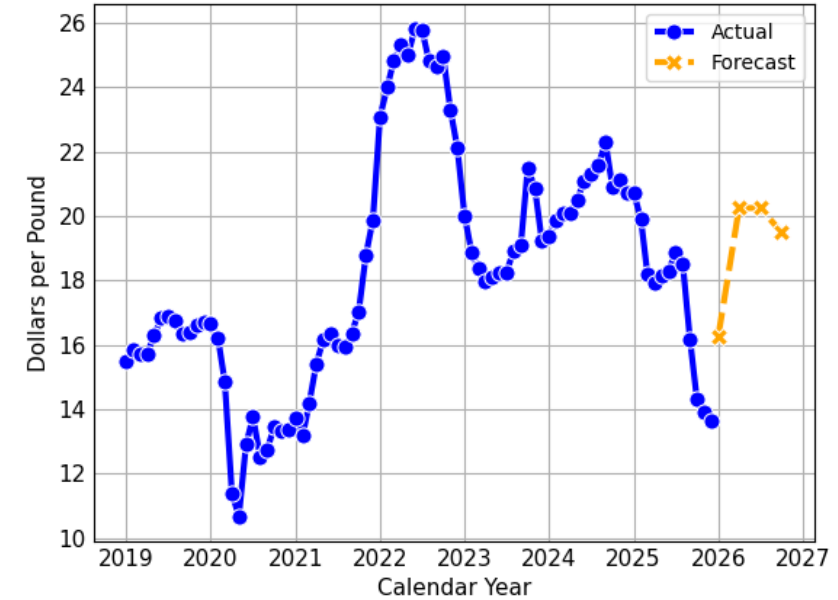
U.S. Butter Prices, 2019 to 2026, Monthly
(Quarterly Forecast)



U.S. Nonfat Dry Milk Prices, 2019 to 2026, Monthly
(Quarterly Forecast)



U.S. Class IV Prices, 2019 to 2026, Monthly
(Quarterly Forecast)

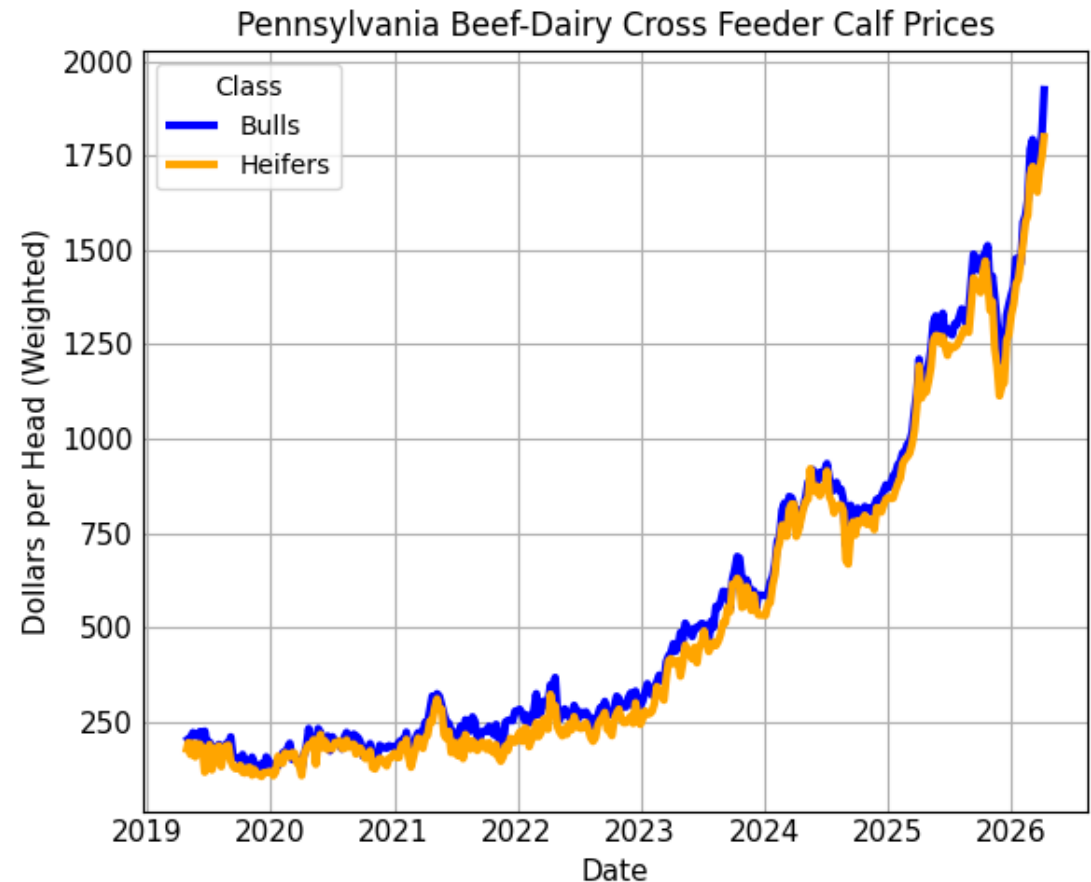


Source: USDA/AMS and WAOB

Beef Sector Providing a Significant Revenue Stream

The Value of Day-Old Calves Has Increased Exponentially

- **Rise in 750-800 lb OK Feeder Prices***
 - Q1-2021 – \$134.3 / lb ≈ \$1,040 / hd
 - Q1-2026 – \$365.87 /lb ≈ \$2,835 / hd
- **Targeted Beef Genetics coupled w/ AI**
- **Beef grid pricing penalty* for dairy genetics is about \$3/cwt**
 - **AMS (2565) – National Direct Slaughter Premiums & Discounts**
- **Long-Run Decline in Veal Slaughter**
- **Beef-on-Dairy Price (PA calf auctions)**
 - **Q1-21 = \$194 / hd**
 - **Q1-26 = \$1,628 / hd**



Source: USDA/AMS

Added Revenue from Beef-on-Dairy Calf Sales

n – calving cycles – 3

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

δ – death loss + failed AI – 15%

P_{26} – calf price 2026 \approx \$1,600

Additional Revenue Per Year per Cow from Calf Sales

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

$$= (\$1,600 - \$200) * \frac{2}{3} * (1 - .15) \approx \$800 \text{ per Cow}$$

A 100 cow herd would have 57 calves for sale a year and an added revenue of about \$80,000.

Equivalent Increase in Milk Price from Beef-on-Dairy Calves

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

Milk per Cow (2025)- 243.91 cwt

Milk Revenue Per Year per Cow

$$= \$21.17 * 243.91 = \$5,164 \approx \$5,000$$

Percentage Per Cow Revenue Increase From Higher Calf Prices

$$= \$800 / \$5000 = 16\%$$

Equivalent Milk Price Increase From Higher Calf Prices

$$= \$800 / 243.91 = \$3.27 \text{ per cwt}$$

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=114064>
- **Dairy: World Markets and Trade**
 - <https://www.fas.usda.gov/data/dairy-world-markets-and-trade>