

Summary

- October milk production growth maintains strong pace
- Major dairy state cow numbers have been building since June
- + Fourth-quarter 2019 milk price forecast above \$20 per cwt
- + Income margins set to peak in November and December

Milk production

October 2019 U.S. milk production increased by about 1.3% compared to the same month a year earlier, keeping pace with stronger growth that started in September.

October's growth can again be attributed to stronger milk output per cow and a continuation of higher cow numbers among a few major dairy states.

Cow numbers

In March 2019, U.S. cow numbers were 100,000 head fewer than a year earlier, but the monthly year-over-year difference has been shrinking. Compared to a year earlier, October's cow numbers were down 40,000 nationally, but just 1,000 fewer in the 24 major dairy states. Since June, U.S. cow numbers are now up 8,000 head; and cow numbers in the 24 major dairy states are up 29,000 head.

Milk prices

The October 2019 U.S. average milk price rose 60 cents per hundredweight (cwt) from September to \$19.90 per cwt. The average was \$2.50 higher than October 2018 and is the highest monthly price since December 2014. Through October, the average 2019 U.S. all-milk price stands at \$18.15 per cwt, \$2.06 more than the same period a year ago.

Feed costs

U.S. average alfalfa hay prices were steady to lower in October, but corn and soybean meal prices were slightly higher, boosting average total feed costs. Based on the USDA's Dairy Margin Coverage program calculations, that yielded an average total feed cost of \$9.02 per cwt of milk sold, up 13 cents from September. Nonetheless, the higher milk price improved dairy farmers' income margin picture.

Price forecast

The USDA's all-milk price is forecast to top \$20 per hundredweight (cwt) in the final quarter of 2019, resulting in a full-year average of about \$18.60 per cwt, up \$2.34 per cwt from 2018 and the highest annual average since the record high of \$23.97 per cwt in 2014.

The U.S. average all-milk price is forecast at \$18.85 per cwt in 2020.

Fluid sales have been difficult, but a Dean Foods bankruptcy does not mean they're going to be worse. We're still going to sell a lot of fluid milk, whether Deans is packaging it, or somebody else purchases the assets.

— Mark Stephenson, director of dairy policy analysis, University of Wisconsin-Madison

TOP GROWTH STATES, OCTOBER 2018-19 (ranked by total milk increase)

State	Change in cow numbers (1,000 head)	Increase in milk per cow (Pounds per month)	Increase in milk production (Million pounds)
1 Texas	31	65	97
2 California	-5	60	94
3 Idaho	20	-20	29
4 Michigan	6	35	28
5 Wisconsin	-6	30	26
6 Colorado	11	-5	23
7 New York	5	20	22
8 Minnesota	-4	50	15
9 New Mexico	1	40	15
10 South Dakota	6	0	11

Measure solids, not milk

“The way to look at milk supply is not just at milk (volume) but at milk solids. The quantity of all dairy products is based on the quantity of milk solids we produce. As of 2019, cow numbers are near where they were five years earlier. However, in 2019, the average dairy cow produced 6.5% more milk and 10% more milk solids than the average cow in 2014.”

— Peter Vitaliano, NMPF vice president of economic policy and market research

How dairies feel about it:



Gil D.
Indiana

“Coming out of the worst three-plus years in our industry's history, people will probably be very careful about spending. Many people I talk to are not thinking about expansion but getting estates paid down and in good shape to pass on to the next generation.”

How to read the milk price outlook

Watch for a + or - next to comments in this section. A + means this component of the milk price outlook is positive for milk prices. A - means it contributes in a way that lowers the outlook for milk prices.

More detail about each of the points from the summary are contained here.

We have talked to three producers about how milk prices are making margins look on their farms. We don't cherry-pick responses. The first three producers willing to be quoted are included here.

PROGRESSIVE
DAIRY
MILK PRICE OUTLOOK

1 Summary

Monthly milk production growth picked up pace as cow numbers reverse downward trend in major states

- + Milk prices higher, and should be better in 2020
- + With lower feed costs, income margins improve

Milk production

September 2019 U.S. milk production grew by about 1.3% compared to the same month a year earlier, ending an 11-month streak in which monthly year-over-year growth was less than 1%. While much of September's growth can be attributed to stronger milk output per cow, a reversal in the decline in cow numbers in some major dairy states also played a role.

The September estimates capped a third quarter of 2019 that saw U.S. milk production increase just 0.5% from the same period a year earlier.

Cow numbers

Compared to a year earlier, September's cow numbers were down 53,000 nationally and down 11,000 in the 24 major dairy states. However, those estimates fail to show the contraction in the U.S. dairy herd has slowed or stopped.

Compared to August 2019, September's U.S. dairy cow numbers were up 2,000 head nationally. And, among the 24 major dairy states, 19 of 24 saw 2019 cow numbers were up 7,000 and are now the highest since 2014.

Milk prices

The August 2019 U.S. average milk price rose 20 cents per cwt from July, to \$18.90 per cwt. The average was \$3 higher than August 2018 and ties January 2017 as the highest monthly price since December 2014.

Through August, the average 2019 U.S. all-milk price stands at \$17.79 per cwt, \$1.94 more than the same period a year ago, and the highest average for that seven-month period since 2014.

Feed costs


U.S. average feed costs moved lower in August, with prices dropping for alfalfa hay, soybean meal and corn. The small improvement in the monthly average milk price combined with lower feed costs improved income margins in August, and they should remain stronger through the end of the year.

Price forecast


The 2019 all-milk price was forecast at \$18.40 per hundredweight (cwt), up 5 cents from last month and up \$2.14 per cwt from 2018; it would be the highest annual average since the record high of \$23.97 per cwt set in 2014.

Prices should move higher in 2020 and are forecast to average \$18.85 per cwt.


How do you feel about...?



Scott W.
Idaho
"Optimistic"



Curt N.
New York
"Still digging out from past years"



Dan B.
Wisconsin

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"I'm not too surprised (at the September milk production increase). We have improved prices, and I think producers are going to try to get as much as they can ... to try to get some cash flowing on their farms."

— Mark Stephenson, director of dairy policy analysis, University of Wisconsin-Madison

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TOP GROWTH STATES, SEPTEMBER 2018-19
(ranked by total milk increase)

State	Increase in cow numbers (1,000 head)	Increase in milk per cow (pounds per month)	Increase in milk
1 Texas	30	70	
2 Idaho	17	15	
3 Colorado	10	-5	5.6
4 Michigan	6	50	3.8
5 New York	6	15	1.7
6 South Dakota	5	25	5.4
7 Washington	4	10	1.8
8 Oregon	3	15	3.4
9 Kansas	2	25	2.7
10 New Mexico	0	40	2

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What ifs ...

- Trade agreements including ratification of the U.S.-Mexico-Canada Agreement (expanding export opportunities) and progress with China (which could raise dairy product exports, but also raise corn, soybean and hay prices).
- Interest rates. The Fed cut rates 0.25% in September.
- Other major dairy regions. January-August milk production in the EU is also slow, up 0.3% from a year earlier.

Here you will find commentary on prices from experts in the industry.

This table ranks the Top 10 states that are increasing in total milk production.

Other wild-card factors that could impact milk prices in the future are discussed here.