farmdoc DAILY

Agricultural, Consumer & Environmental Sciences | University of Illinois Urbana-Champaign

Economic Review of Milk Costs in 2024 and Projections for 2025 and 2026

Bradley Zwilling

Illinois FBFM Association and Department of Agricultural and Consumer Economics
University of Illinois

December 19, 2025

***farmdoc daily* (15): 234**

Recommended citation format: Zwilling, B. "Economic Review of Milk Costs in 2024 and Projections for 2025 and 2026." *farmdoc daily* (15): 234, Department of Agricultural and Consumer Economics, University of Illinois at Urbana-Champaign, December 19, 2025.

Permalink: https://farmdocdaily.illinois.edu/2025/12/economic-review-of-milk-costs-in-2024-and-projections-for-2025-and-2026.html

Higher milk prices coupled with lower feed costs still resulted in positive cash returns but continued negative economic returns for Illinois dairy producers in 2024, according to figures summarized by the Illinois Farm Business Farm Management Association.

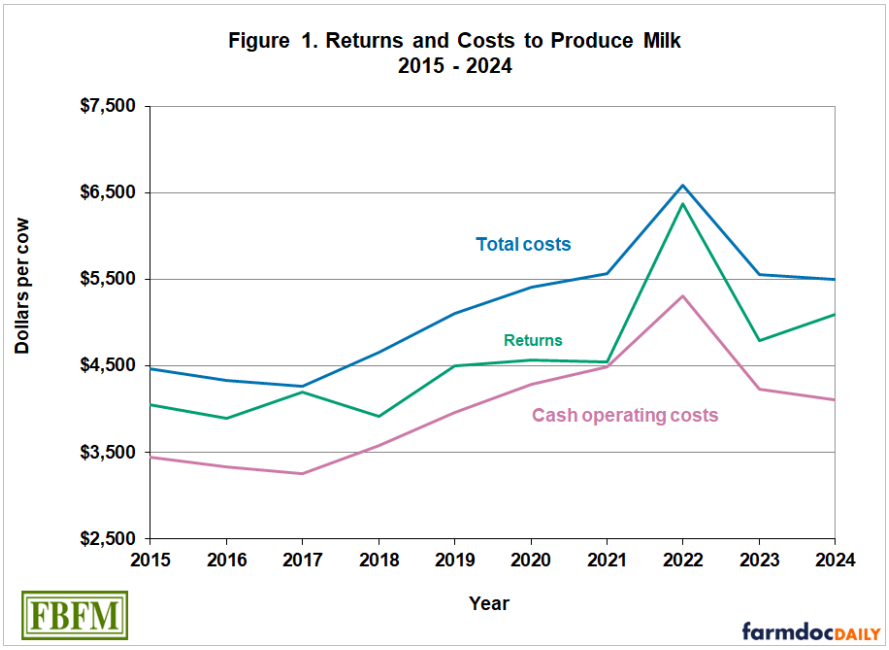
The average net price received per 100 pounds of milk was $21.63, which was less than total economic costs of $23.56 but still higher than feed and cash operating costs of $17.43. The price received for milk in 2024 was $0.79 higher than 2023. On a per cow basis, total returns from milk were $5,090 compared to the total cost to produce milk of $5,499 per cow. This resulted in a net return of negative $409 per cow in 2024. Total returns from milk per cow increased from 2023 and have not exceeded total economic costs in the last ten years, although they have consistently exceeded feed and cash operating costs during this period.

Milk production per cow for all herds averaged 23,530 pounds in 2024, an increase of 549 pounds per cow compared to 2023.

Costs and Returns

Trends in total costs and returns per cow for all herds are given from 2015 to 2024 in Figure 1. When cash and noncash costs are considered, the economic profit margin (return above all costs) increased from a negative $758 in 2023 to negative $409 per cow in 2024. Over the last five years, returns above all costs have averaged negative $647 per cow, ranging from negative $213 in 2022 to negative $1,021 in 2021. In Figure 1, labor and interest charges are included in total costs only. Most dairy producers will incur hired labor and cash interest expense and would include them as cash operating costs.

The 2024 economic returns were $1.46 per 100 pounds produced higher than the 2023 returns. The average net price received for milk was $21.63 per 100 pounds, a four percent increase or $0.79 per 100 pounds more than the average price received in 2023. Based on 23,530 pounds of milk produced per cow, this increase in price raised total returns per cow by $186. The average net price received for milk over the last five years was $21.04 per hundred pounds. Dairy assistance and patronage returns related to the dairy enterprise added about $0.64 per 100 pounds of milk produced to returns in 2024.



While the price received increased, feed decreased and nonfeed costs per 100 pounds of milk also increased. Feed costs in 2024 averaged $11.64 per 100 pounds of milk produced, compared to $12.78 in 2023. The 2024 feed costs were $1.14 lower than in 2023 and $1.19 below the last five-year average of $12.83. Feed costs represented approximately 49 percent of the total economic cost to produce milk. Nonfeed costs per 100 pounds of milk produced averaged $11.92 in 2024 which was the highest on record, compared to $11.45 in 2023.

Decreasing Profit Margins Projected for Dairy Producers, But Still Negative Economic Margins in 2025 and Even Lower in 2026

The average milk price for 2025 is projected to decrease 7 percent, or $1.48 per hundredweight, according to the United States Department of Agriculture (USDA), Economic Research Service (ERS) dairy forecast. Higher milk production levels and increases in the cow herd are contributing to projection. United States milk production is expected to increase about 198 pounds per cow in 2025 while increasing the number of cows by 153 thousand.

Feed costs for 2025 are expected to decrease due to lower protein prices. Feed costs per 100 pounds of milk produced are projected to average $11.56 using prices of $4.35 per bushel for corn, $0.17 per pound for protein, and $160 per ton for hay. With annual feed consumption per cow, including replacement animals, of 84 bushels of corn, 7,717 pounds of protein, and 8.2 tons of hay or hay equivalents. Nonfeed costs per 100 pounds of milk produced are projected to average $11.91. With a 7 percent decrease in milk prices, Illinois producers could see an annual price of approximately $20.15 per 100 pounds. If total economic costs averaged $23.36 per 100 pounds of milk produced, Illinois producers would have returns below total economic costs by $3.21 per 100 pounds of milk produced.

Projections for 2026 suggest further decreases due to lower USDA-projected milk prices. Economic costs are projected to be above total returns in 2026, but cash costs will still be below total returns.

The author would like to acknowledge that data used in this study comes from farms across the State of Illinois enrolled in Illinois Farm Business Farm Management (FBFM) Association. Without their cooperation, information as comprehensive and accurate as this would not be available for educational purposes. FBFM, which consists of 5,000 plus farmers and 70 professional field staff, is a not-for-profit organization available to all farm operators in Illinois. FBFM field staff provide on-farm counsel with recordkeeping, farm financial management, business entity planning and income tax management. For more information, please contact the State Office located at the University of Illinois Department of Agricultural and Consumer Economics at 217-333-8346 or visit the FBFM website at www.fbfm.org.

A more thorough report can be found at the University of Illinois ***farmdoc*** website: https://farmdoc.illinois.edu/handbook/cost-to-produce-milk-in-illinois

References

USDA-ERS (2025) “Livestock, Dairy, and Poultry Outlook: December 2025” (available at https://ers.usda.gov/sites/default/files/_laserfiche/outlooks/113594/LDP-M-378.pdf?v=57256)