

Market Information BULLETIN

FO 6 & 7

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Dairy Outlook

*Excerpts from Livestock, Dairy, and Poultry Outlook,
March 14, 2024, USDA, Economic, Research Service*

Dairy Margin Coverage Update:

Dairy producers may enroll in the 2024 Dairy Margin Coverage (DMC) program until April 29, 2024. DMC offers protection to dairy producers when the difference between the all-milk price and the average feed price (the margin) falls below a certain dollar amount selected by the producer. Depending upon the level of protection chosen, a participating dairy operation may receive payments triggered retroactively in January 2024. USDA Farm Service Agency (FSA) has revised the regulations for DMC to allow eligible dairy operations to make a one-time adjustment to established production history. For more information, see the USDA, FSA web page for the Dairy Margin Coverage Program.

Dairy Forecasts for 2024:

The expectations for the average size of the U.S. dairy herd, milk per cow, and consequently, total milk production in 2024 have all been lowered relative to the last's month forecast. Several factors, such as a smaller-than-expected milking herd in January, additional downward revisions in the number of cows for 2023, and a counter-seasonal year-over-year decline in January milk per cow, contributed to these new projections. As a result, the 2024 forecast for the size of the dairy herd has been lowered to 9.335 million (-20,000) head, the forecast for milk per cow has been reduced to 24,345 (-50) pounds, and total milk production is now projected to 227.3 (-0.9) billion pounds. Milk production usually responds to prices with a lag of several months. While the lower-than-year-earlier number of milk cows in the first half of 2024 largely reflects the impact of feed costs and milk prices that occurred in the second half of 2023, the dairy herd is projected to expand in the second half of this year as the outlook for dairy farm margins is expected to improve.

Lowered prospects for milk production coupled with an overall steady demand for dairy products, offer support for higher price forecasts for Cheddar cheese and butter; in turn, they will support a higher all-milk price forecast and further improved outlook for milk-feed price ratios. However, the higher expected prices will impact the competitiveness of U.S. dairy products in the international markets and dampen the expectations for dairy exports.

Following the recent trade data and increased forecasts for butter and cheese prices, the forecast for 2024 dairy exports on a milk-fat basis has been lowered 0.6 billion to 11.1 billion. On a skim-solids basis, the 2024 dairy export forecast has also been revised downward to 50 billion pounds, 1.9 billion pounds less than the previous forecast. Overall, lack of price competitiveness for some U.S. dairy products in international markets and a weaker-than-be expected international demand for dairy products support lower expectations for 2024 U.S. exports across most dairy products.

With stronger-than-expected import data in January and expected continued firm domestic demand, the forecasts for 2024 dairy imports have been increased from the previous month's forecast to 7.7 (+0.3) billion pounds on a milk-fat basis and to 6.7 (+0.3) billion pounds on a skim-solids basis.

Measured as the 3-month rolling average, domestic use for most dairy products was year-over year steady-to-higher. The forecast for 2024 domestic use on a milk-fat basis is 224.7 billion pounds, unchanged from last month's forecast. On a skim-solids basis, the forecast for domestic use is increased to 183.4 billion pounds, 1.4 billion higher than last month's forecast. Strong demand for dry whey and whey protein concentrate products support the upward revised forecast.

COMPUTATION OF UNIFORM PRICES

F.O. 6 - Florida: Uniform Price - February 2024

Producer Milk	<u>Utilization</u>	<u>Pounds</u>	<u>Price per unit</u>	<u>Value</u>
Class I Skim Milk	82.84%	171,107,998	\$7.75 /cwt.	\$ 13,260,869.85
Class I Butterfat	47.55%	4,032,907	\$3.0035 /lb.	12,112,836.18
Class I Differential at Location		175,140,905		9,718,299.45
Total Class I Milk	81.45%	175,140,905		\$ 35,092,005.48
Class II Skim Milk	14.65%	30,261,639	\$9.99 /cwt.	\$ 3,023,137.73
Class II Butterfat	47.96%	4,068,247	\$3.4110 /lb.	12,652,655.00
Total Class II Milk	15.96%	34,329,886		\$ 15,675,792.73
Class III Skim Milk	1.70%	3,508,321	\$5.41 /cwt.	\$ 189,800.16
Class III Butterfat	1.75%	148,403	\$3.1031 /lb.	460,509.35
Total Class III Milk	1.70%	3,656,724		\$ 650,309.51
Class IV Skim Milk	0.81%	1,674,517	\$9.31 /cwt.	\$ 155,897.53
Class IV Butterfat	2.74%	232,835	\$3.1031 /lb.	722,510.29
Total Class IV Milk	0.89%	1,907,352		\$ 878,407.82
Producer Milk	100.00%	215,034,867		\$ 52,296,515.54
Adjustments				
Overage and Other Source				\$ 34,926.63
Inventory Adjustments				-\$ 23,553.64
Producer Butterfat at Uniform Butterfat Price				-\$ 26,173,268.76
Location Adjustments				-\$ 270,530.74
1/2 Balance in Producer Settlement Fund				\$ 91,514.15
Total Skim Milk and Aggregate Value			\$ 12.56611	\$ 25,955,603.18
Producer Settlement Fund Reserve			\$ 0.04611	\$ 95,233.31
Uniform Skim Milk Price (Hillsborough County, FL):			\$12.52 /cwt	
Uniform Butterfat Price:			\$3.0856 /lb	
Uniform Price (Hillsborough County, FL):			\$22.88 /cwt	

F.O. 7 - Southeast: Uniform Price - February 2024

Producer Milk	<u>Utilization</u>	<u>Pounds</u>	<u>Price per unit</u>	<u>Value</u>
Class I Skim Milk	80.01%	208,335,436	\$7.75 /cwt.	\$ 16,145,996.29
Class I Butterfat	45.54%	5,138,385	\$3.0035 /lb.	15,433,139.36
Class I Differential at Location		213,473,821		6,781,296.84
Total Class I Milk	78.58%	213,473,821		\$ 38,360,432.49
Class II Skim Milk	11.41%	29,712,239	\$9.99 /cwt.	\$ 2,968,252.66
Class II Butterfat	39.11%	4,412,307	\$3.4110 /lb.	13,722,716.01
Total Class II Milk	12.56%	34,124,546		\$ 16,690,968.67
Class III Skim Milk	5.87%	15,293,213	\$5.41 /cwt.	\$ 827,362.84
Class III Butterfat	7.80%	879,744	\$3.1031 /lb.	2,729,933.62
Total Class III Milk	5.95%	16,172,957		\$ 3,557,296.46
Class IV Skim Milk	2.71%	7,057,800	\$9.31 /cwt.	\$ 657,081.17
Class IV Butterfat	7.55%	851,781	\$3.1031 /lb.	2,643,161.62
Total Class IV Milk	2.91%	7,909,581		\$ 3,300,242.79
Producer Milk	100.00%	271,680,905		\$ 61,908,940.41
Adjustments				
Overage and Other Source				\$ 11,136.85
Inventory Adjustments				-\$ 46,868.51
Producer Butterfat at Uniform Butterfat Price				-\$ 34,691,689.05
Location Adjustments				\$ 1,794,406.90
1/2 Balance in Producer Settlement Fund				\$ 144,019.53
Total Skim Milk and Aggregate Value			\$ 11.18283	\$ 29,119,946.13
Producer Settlement Fund Reserve			\$ 0.04283	\$ 111,532.27
Uniform Skim Milk Price (Fulton County, GA):			\$11.14 /cwt	
Uniform Butterfat Price:			\$3.0749 /lb	
Uniform Price (Fulton County, GA):			\$21.51 /cwt	

POOL HIGHLIGHTS

F.O. 6 - Florida: February 2024

Producer Milk Utilization:

Class I:	81.45%
Class II:	15.96%
Class III:	1.70%
Class IV:	0.89%

The Uniform Price
for Feb. 2024 was announced at \$22.88, a decrease of \$2.24 from Feb. 2023.

Total Producer Milk
for Feb. 2024 totaled 215.0 million pounds, an increase of 15.8 million pounds from Feb. 2023.

Total Class I Milk
for Feb. 2024 was 175.1 million pounds, an increase of 8.9 million pounds from Feb. 2023.

Class I Utilization
for Feb. 2024 was 81.45%, a decrease of 1.99 percentage points from Feb. 2023.

F.O. 7 - Southeast: February 2024

Producer Milk Utilization:

Class I:	78.58%
Class II:	12.56%
Class III:	5.95%
Class IV:	2.91%

The Uniform Price
for Feb. 2024 was announced at \$21.51 a decrease of \$1.81 from Feb. 2023.

Total Producer Milk
for Feb. 2024 totaled 271.7 million pounds, a decrease of 22.5 million pounds from Feb. 2023.

Total Class I Milk
for Feb. 2024 was 213.5 million pounds, an increase of 10.0 million pounds from Feb. 2023.

Class I Utilization
for Feb. 2024 was 78.58%, an increase of 9.40 percentage points from Feb. 2023.

Florida Market Summary

The minimum order uniform price for payment to producers supplying the Florida Order marketing area in February 2024 is \$22.88 per hundredweight for milk with a 3.5% butterfat test in Hillsborough County, Florida. This is .965 times the uniform skim milk price of \$12.52 per hundredweight plus 3.5 times the uniform butterfat price of \$3.0856 per pound. Payment to producers may be adjusted by location differentials, if applicable, and by properly authorized deductions. Receipts of producer milk during February 2024 totaled 215.0 million pounds. Florida producers supplied 169.7 million pounds of milk in February 2024 or an estimated 78.9% of the producer milk pooled in Florida. In February 2023, they supplied approximately 84.8% of the producer milk pooled on the Florida market. There were 7 regulated pool distributing plants and 2 cooperative associations submitting reports of receipts and utilization in the computation of the uniform prices for February 2024. Total in-area Class I route disposition was 218.4 million pounds in February 2024, an increase of 7.7 million pounds from February 2023.

Southeast Market Summary

The minimum order uniform price for payment to producers supplying the Southeast Order marketing area during February 2024 is \$21.51 per hundredweight for milk with a 3.5% butterfat test in Fulton County, Georgia. This is .965 times the uniform skim milk price of \$11.14 per hundredweight plus 3.5 times the uniform butterfat price of \$3.0749 per pound. Payment to producers may be adjusted by location differentials, if applicable, and by properly authorized deductions. Receipts of producer milk during February 2024 totaled 271.7 million pounds. There were 15 regulated pool distributing plants, and 10 cooperative associations submitting reports of receipts and utilization that were included in the computation of the uniform prices for February 2024. Total in-area Class I route disposition was 287.6 million pounds in February 2024, an increase of 9.7 million pounds from February 2023.

WASDE Dairy Report ^{1/} WASDE – 646-5, March 8, 2024

Milk supply and use estimates for 2023 are adjusted to reflect revisions in production and cold storage data.

For 2024, milk production is lowered due to a smaller dairy cow inventory and slower growth in output per cow. On a fat basis, the domestic use forecast is unchanged from last month. Fat-basis imports are raised on higher imports of a number of products. Fat-basis exports are lowered primarily on lower expected cheese and butter shipments. On a skim-solids basis, the domestic use forecast is raised. Import forecasts are raised, while exports, primarily of cheese, nonfat/skim milk powder, and whey, are lowered. For 2024, the butter price forecast is raised on recent data and strong demand. The cheese price is also raised on recent price strength. Nonfat dry milk (NDM) and whey price forecasts are both lowered based on recent prices. Class III prices are projected higher based on higher cheese prices, while Class IV prices are lower, as the lower NDM price more than offsets the higher butter price. The all-milk price is projected higher at \$21.25 per cwt.

^{1/} The World Agricultural Supply and Demand Estimates (WASDE) report provides USDA's comprehensive forecasts of supply and demand for major U.S. and global crops and U.S. livestock, including dairy. The WASDE report is available at www.usda.gov/oce/commodity/wasde/.

Federal Milk Marketing Order Statistics

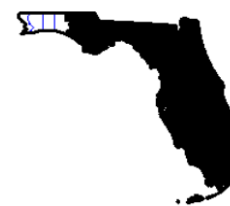
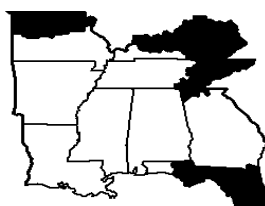
February 2024

Federal Order	Producer Deliveries <i>Million Pounds</i>	Class I Producer Receipts <i>Million Pounds</i>	Class I Utilization <i>Percent</i>	Statistical Uniform Price ¹ <i>\$/cwt</i>
1 Northeast	2,159.2	644.3	29.8	19.69
5 Appalachian	418.3	300.7	71.9	21.00
6 Florida	215.0	175.1	81.5	22.88
7 Southeast	271.7	213.5	78.6	21.51
30 Upper Midwest	2,543.9	152.2	6.0	16.40
32 Central	1,188.3	358.5	30.2	17.67
33 Mideast	1,271.1	516.4	40.6	17.96
51 California	1,959.1	379.3	19.4	17.41
124 Pacific Northwest	576.2	123.1	21.4	17.96
126 Southwest	1,020.4	313.4	30.7	18.18
131 Arizona	395.4	112.7	28.5	19.04
All Orders	12,018.7	3,289.3	27.4	18.15

^{1/} Weighted average uniform price at 3.5% butterfat at announced locations.



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