

Market Information BULLETIN

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Dairy Outlook

Excerpts from Livestock, Dairy, and Poultry Outlook, February 2023, USDA, Economic, Research Service

Recap of the 2022 Dairy Situation

The U.S. dairy industry experienced several unusual developments in 2022. For example, the average all-milk price was highest on record, but input prices such as feeding costs were also high. Dairy export volumes reached records on both the milk-fat and skim-solids milk-equivalent bases due to strong international demand. Butter prices reached elevated levels in the second and third quarters of 2022 as some butter processing plants continued to undergo labor shortages that negatively affected production. After that, the wholesale price for butter started to decline but remained above the cheese price. In 2022 the price spread between 40-pound blocks of Cheddar cheese and 500-pound barrels (adjusted to 38 percent moisture) was remarkably close. The Cheddar cheese 500-pound barrel price rose above 40-pound blocks for around 30 weeks, from April through November 2022. However, during December a market correction likely occurred when barrel prices adjusted below blocks, which is the typical trend in the cheese market. Prices for nonfat dry milk (NDM) and dry whey were less variable week to week than butter and cheese. In 2022, wholesale prices for NDM were strong through the first half of the year but declined in the second half. The all-milk price in 2022 averaged \$25.56 per hundredweight (cwt), \$7.03 higher than 2021, an increase of 38 percent from 2021. While the prices that dairy farmers received in 2022 were higher than in 2021, profits in 2022 were not remarkably high due to high input costs, with surging feed prices being a significant contributor. As reported by NASS in the Agricultural Prices report, the all-milk price in December 2022 was \$24.7 per cwt, up \$3.00 from December 2021.

Dairy Forecasts for 2023

In the following forecast analysis, any changes discussed are adjustments from the previous month's forecasts unless otherwise specified. Based on the latest information of lower inventory of heifers for replacement, active dairy cow culling, relatively high forecast for feed costs, and weaker expected milk prices, the average number of milk cows is projected lower in 2023 at 9,380 million head (-25,000 head). In 2023, projection for the average milk yield is lowered by 25 pounds to 24,345 pounds per cow. The milk production forecast for 2023 is 228.3 billion pounds, 0.9 billion lower than last month's forecast. Based on recent data and lower expected global demand for dairy products, lower exports quantities of cheese, skim milk powder, and other products is expected in 2023. On a milk equivalent milk-fat basis, the dairy export forecast for 2023 is 13.1 billion pounds, 0.2 billion lower. On a skim-solids basis, the 2023 dairy export forecast has been decreased by 0.5 billion pounds to 52.1 billion. Exports on both milk-equivalent bases are expected to decline from the robust levels of 2022. Dairy import projections for 2023 have been increased. On a milk-equivalent milk-fat basis, the dairy import forecast for 2023 is 7.3 billion pounds, up 0.1 billion pounds. On a milk-equivalent skim-solids basis, the 2023 forecast for imports is 6.4 billion pounds (+0.1 billion). Based on higher-than-expected imports in December 2022, imports of cheese and milk protein-based products are projected higher for 2023. Based on relatively low domestic use in the fourth quarter of 2022 and expectations of lower demand for dairy products in 2023, projections for domestic use in 2023 have been lowered. With lower dairy product prices expected across the board, Class III and IV milk price forecasts for 2023 have been lowered to \$17.90 and \$18.25 per cwt, respectively. The all-milk price 2023 forecast has been decreased by \$0.90 to \$20.70 per cwt.

COMPUTATION OF UNIFORM PRICES

F.O. 6 - Florida: Uniform Price - January 2023

Producer Milk

	<u>Utilization</u>	<u>Pounds</u>	<u>Price per unit</u>	<u>Value</u>
Class I Skim Milk	84.27%	184,503,318	\$11.32 /cwt.	\$ 20,885,775.59
Class I Butterfat	49.25%	4,284,404	\$3.2827 /lb.	14,064,413.02
Class I Differential at Location		188,787,722		10,476,557.72
Total Class I Milk	82.93%	188,787,722		\$ 45,426,746.33
Class II Skim Milk	12.37%	27,076,138	\$12.32 /cwt.	\$ 3,335,780.21
Class II Butterfat	46.64%	4,056,976	\$2.7783 /lb.	11,271,496.42
Total Class II Milk	13.68%	31,133,114		\$ 14,607,276.63
Class III Skim Milk	1.80%	3,950,098	\$10.08 /cwt.	\$ 398,169.88
Class III Butterfat	2.30%	200,258	\$2.7713 /lb.	554,974.99
Total Class III Milk	1.82%	4,150,356		\$ 953,144.87
Class IV Skim Milk	1.56%	3,425,066	\$10.68 /cwt.	\$ 365,797.05
Class IV Butterfat	1.81%	157,484	\$2.7713 /lb.	436,435.41
Total Class IV Milk	1.57%	3,582,550		\$ 802,232.46
Producer Milk	100.00%	227,653,742		\$ 61,789,400.29

Adjustments

Overage and Other Source				\$ 2,052.39
Inventory Adjustments				-\$ 19,161.69
Producer Butterfat at Uniform Butterfat Price				-\$ 26,566,248.68
Location Adjustments				-\$ 308,077.55
1/2 Balance in Producer Settlement Fund				\$ 91,852.58

Total Skim Milk and Aggregate Value			\$ 15.98040	\$ 34,989,817.34
Producer Settlement Fund Reserve			\$ 0.04040	\$ 88,450.92

Uniform Skim Milk Price (Hillsborough County, FL):	\$15.94 /cwt
Uniform Butterfat Price:	\$3.0539 /lb
Uniform Price (Hillsborough County, FL):	\$26.07 /cwt

F.O. 7 - Southeast: Uniform Price - January 2023

Producer Milk

	<u>Utilization</u>	<u>Pounds</u>	<u>Price per unit</u>	<u>Value</u>
Class I Skim Milk	75.19%	232,208,512	\$11.32 /cwt.	\$ 26,286,003.56
Class I Butterfat	42.15%	5,551,754	\$3.2827 /lb.	18,224,742.85
Class I Differential at Location		237,760,266		7,564,566.02
Total Class I Milk	73.84%	237,760,266		\$ 52,075,312.43
Class II Skim Milk	15.43%	47,661,875	\$12.32 /cwt.	\$ 5,871,942.99
Class II Butterfat	37.60%	4,953,340	\$2.7783 /lb.	13,761,864.50
Total Class II Milk	16.34%	52,615,215		\$ 19,633,807.49
Class III Skim Milk	6.06%	18,702,473	\$10.08 /cwt.	\$ 1,885,209.28
Class III Butterfat	5.27%	694,166	\$2.7713 /lb.	1,923,742.25
Total Class III Milk	6.02%	19,396,639		\$ 3,808,951.53
Class IV Skim Milk	3.32%	10,249,778	\$10.68 /cwt.	\$ 1,094,676.31
Class IV Butterfat	14.98%	1,972,927	\$2.7713 /lb.	5,467,572.59
Total Class IV Milk	3.80%	12,222,705		\$ 6,562,248.90
Producer Milk	100.00%	321,994,825		\$ 82,080,320.35

Adjustments

Overage and Other Source				\$ 106.16
Inventory Adjustments				-\$ 54,772.14
Producer Butterfat at Uniform Butterfat Price				-\$ 39,554,760.34
Location Adjustments				\$ 2,283,656.16
1/2 Balance in Producer Settlement Fund				\$ 134,104.13

Total Skim Milk and Aggregate Value			\$ 14.53542	\$ 44,888,654.32
Producer Settlement Fund Reserve			\$ 0.04542	\$ 140,254.09

Uniform Skim Milk Price (Fulton County, GA):	\$14.49 /cwt
Uniform Butterfat Price:	\$3.0029 /lb
Uniform Price (Fulton County, GA):	\$24.49 /cwt

POOL HIGHLIGHTS

F.O. 6 - Florida: January 2023

Producer Milk Utilization:

Class I:	82.93%
Class II:	13.68%
Class III:	1.82%
Class IV:	1.57%

The Uniform Price

for Jan. 2023 was announced at \$26.07, a decrease of \$0.58 from Jan. 2022.

Total Producer Milk

for Jan. 2023 totaled 227.7 million pounds, an increase of 3.1 million pounds from Jan. 2022.

Total Class I Milk

for Jan. 2023 was 188.8 million pounds, a increase of 3.4 million pounds from Jan. 2022.

Class I Utilization

for Jan. 2023 was 82.93%, an increase of 0.37 percentage points from Jan. 2022.

F.O. 7 - Southeast: January 2023

Producer Milk Utilization:

Class I:	73.84%
Class II:	16.34%
Class III:	6.02%
Class IV:	3.80%

The Uniform Price

for Jan. 2023 was announced at \$24.49, an increase of \$0.32 from Jan. 2022.

Total Producer Milk

for Jan. 2023 totaled 322.0 million pounds, a decrease of 20.9 million pounds from Jan. 2022.

Total Class I Milk

for Jan. 2023 was 237.8 million pounds, an decrease of 27.2 million pounds from Jan. 2022.

Class I Utilization

for Jan. 2023 was 73.84%, a decrease of 3.43 percentage points from Jan. 2022.

Florida Market Summary

The minimum order uniform price for payment to producers supplying the Florida Order marketing area in January 2023 is \$26.07 per hundredweight for milk with a 3.5% butterfat test in Hillsborough County, Florida. This is .965 times the uniform skim milk price of \$15.94 per hundredweight plus 3.5 times the uniform butterfat price of \$3.0539 per pound. Payment to producers may be adjusted by location differentials, if applicable, and by properly authorized deductions. Receipts of producer milk during January 2023 totaled 227.7 million pounds. Florida producers supplied 157.5 million pounds of milk in January 2023 or an estimated 69% of the producer milk pooled in Florida. In January 2022, they supplied 78% of 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 January 2023. Total in-area Class I route disposition was 235.1 million pounds in January 2023, an increase of 3.9 million pounds from January 2022.

Southeast Market Summary

The minimum order uniform price for payment to producers supplying the Southeast Order marketing area during January 2023 is \$24.49 per hundredweight for milk with a 3.5% butterfat test in Fulton County, Georgia. This is .965 times the uniform skim milk price of \$14.49 per hundredweight plus 3.5 times the uniform butterfat price of \$3.0029 per pound. Payment to producers may be adjusted by location differentials, if applicable, and by properly authorized deductions. Receipts of producer milk during January 2023 totaled 322.0 million pounds. There were 15 regulated pool distributing plants, 1 pool supply plant and 8 cooperative associations submitting reports of receipts and utilization that were included in the computation of the uniform prices for January 2023. Total in-area Class I route disposition was 319.1 million pounds in January 2023, a decrease of 11.7 million pounds from January 2022.

WASDE Dairy Report 1/ WASDE – 633, February 8, 2023

Milk supply and use estimates for 2022 are adjusted to reflect reported December production, ending stock, and trade data. For 2023, milk production is forecast lower as weaker milk prices are expected to result in lower cow inventories. The Cattle report estimated that the January 1, 2023, dairy cow inventory was only fractionally above 2022 and that producers were retaining about 2 percent fewer heifers for addition to the dairy herd. Output per cow is also reduced slightly. On both fat- and skim-solids bases, imports for 2023 are raised on higher cheese and milk protein containing products, while exports are reduced on lower sales of skim milk powder, cheese, and several other products. Prices are lowered for cheese as stocks remain relatively large and domestic demand is expected to remain generally soft. Butter prices are unchanged as higher early-year prices are offset by weaker prices later in the year. Nonfat dry milk powder and whey prices are lowered on expectations of increased export competition and somewhat softer international demand. Both Class III and Class IV prices are lowered from last month, reflecting lower product price forecasts, and all milk price is reduced to 20.70 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/.

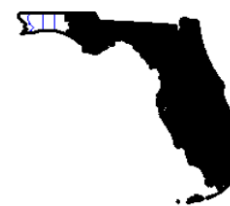
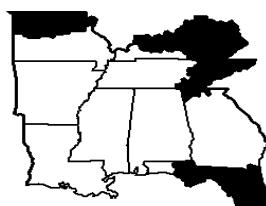
Federal Milk Marketing Order Statistics

January 2023

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 <i>\$/cwt</i>
1 Northeast	2,308.6	690.7	29.9	21.86
5 Appalachian	480.7	344.0	71.6	23.90
6 Florida	227.7	188.8	82.9	26.07
7 Southeast	322.0	237.8	73.8	24.49
30 Upper Midwest	3,078.2	171.8	5.6	19.68
32 Central	1,460.3	387.2	26.5	20.23
33 Mideast	1,481.6	549.0	37.1	20.82
51 California	2,337.3	422.2	18.1	20.50
124 Pacific Northwest	709.4	144.0	20.3	20.18
126 Southwest	1,280.8	341.2	26.6	21.12
131 Arizona	445.5	120.7	27.1	21.15
All Orders	14,132.1	3,597.1	25.5	20.91



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