

Market Information BULLETIN

FO 6 & 7

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September 2023

Volume 24—No. 9

Dairy Outlook

*Excerpts from Livestock, Dairy, and Poultry Outlook,
August 17, 2023, USDA, Economic, Research Service*

Dairy Forecasts for 2023: Dairy Forecasts for 2023 With the continued erosion of dairy margins and the average milk cow inventory reported through July, projections for the milking herd in 2023 are lowered by 5,000 head to 9.405 million. The milk-per-cow forecast for the year is lowered by 40 pounds to 24,185 as the hot and humid weather impacted the milk yield in July, likely further impacting the August production, and may have residual effects on cow lactation for the remainder of the year. Total milk production is now forecast at 227.5 billion pounds, 0.4 billion lower than the previous forecast. On a milk-fat basis, imports for 2023 are forecast at 7.4 billion pounds, 0.1 billion pounds lower than last month due to recent weakness in imports of cheese, butter, and whole milk powder, which will likely continue through the remainder of the year. Relative to last month's forecasts, total exports and ending stocks held steady at 11.1 billion and 14.6 billion pounds, respectively. Domestic use is forecast at 222.6 billion pounds, 0.5 billion lower than the previous projection but 3.5 billion pounds higher than 2022 domestic use. Higher expected prices for cheese and butter will likely contribute to constrained domestic use. . At 182.6 billion pounds, the forecast for 2023 domestic use is unchanged from last month. The 2023 wholesale price forecasts for Cheddar cheese and dry whey are revised up to \$1.810 (+3.5 cents), and \$0.345 (+2.0 cents) per pound, due to recent price developments as well as steady domestic demand support. With higher projected prices, the Class III milk price forecast for 2023 is \$17.35 per cwt, \$0.45 higher than last month. The 2023 wholesale price forecast for butter is revised up 4.5 cents to \$2.540 per pound on strong domestic demand, while the NDM price projection is revised down 1.5 cents to \$1.160 per pound due to weaker expected demand. With the higher butter price projection more than offsetting the lower NDM projected price, the price forecast for Class IV milk is revised up \$0.10 to \$18.60 per cwt. The all-milk price forecast for 2023 is adjusted up by \$0.45 to \$20.40 per cwt.

2024 Dairy Forecasts: The milk supply typically responds to changes in prices with a lag of several months. The low margins experienced in 2023 are expected to contribute to further contraction of the dairy herd in the first half of 2024. However, some rebuilding of the milking herd is expected in late 2024 as milk prices improve and feed costs moderate. The milking cow herd forecast for 2024 rounds to 9.385 million head, unchanged from the last forecast but 20 million head lower than the 2023 forecast. The milk per cow forecast for 2024 is unchanged from last month at 24,560 pounds. Milk production for 2024 is forecast at 230.4 billion pounds, 0.1 billion lower than the previous forecast. Year-over-year, total milk production is expected to increase, driven by higher projected yields. On a milk-fat basis for 2024, the forecast for imports is decreased 0.1 billion pounds to 7.4 billion pounds due to lower-expected imports of cheese and butter. The forecast for total exports is decreased by 0.3 billion pounds to 12.1 billion pounds based on expectations of lower exports of butter and cheese. Domestic use is now forecast at 224.7 billion pounds, 0.1 billion higher than the previous projection. On a skim-solids basis for 2024, the forecast for imports is unchanged at 6.8 billion pounds. The forecast for total exports is decreased by 0.3 billion pounds to 53.0 billion pounds due to lower expected exports of whey products and cheese. Ending stocks are projected at 12.00 billion pounds, 0.1 billion lower than the previous projection. The domestic use is now forecast at 183.3 billion pounds, 0.4 billion pounds higher than the previous projection. The 2024 price forecasts for Cheddar cheese, butter, and dry whey are increased to \$1.845 (+9.0 cents), \$2.550 (+12.0 cents), and \$0.315 (+1.0 cents) per pound, respectively. The 2024 NDM price projection is lowered to \$1.090 (-3.5 cents). The Class III milk price forecast for 2024 is adjusted to \$17.55 per cwt, up \$1.00 from last month's forecast, while the Class IV milk price forecast is \$18.00 per cwt, up \$0.20. The all-milk price forecast for 2024 is \$20.30 per cwt, \$0.95 higher than last month's forecast.

COMPUTATION OF UNIFORM PRICES

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

Producer Milk	<u>Utilization</u>	<u>Pounds</u>	<u>Price per unit</u>	<u>Value</u>
Class I Skim Milk	82.89%	170,065,355	\$7.22 /cwt.	\$ 12,278,718.64
Class I Butterfat	48.90%	3,964,195	\$2.7566 /lb.	10,927,699.94
Class I Differential at Location		174,029,550		9,639,245.10
Total Class I Milk	81.60%	174,029,550		\$ 32,845,663.68
Class II Skim Milk	14.38%	29,506,658	\$9.65 /cwt.	\$ 2,847,392.49
Class II Butterfat	45.99%	3,728,108	\$3.0288 /lb.	11,291,693.52
Total Class II Milk	15.58%	33,234,766		\$ 14,139,086.01
Class III Skim Milk	2.03%	4,161,017	\$6.85 /cwt.	\$ 285,029.66
Class III Butterfat	2.28%	184,975	\$3.0218 /lb.	558,957.47
Total Class III Milk	2.04%	4,345,992		\$ 843,987.13
Class IV Skim Milk	0.70%	1,434,642	\$8.64 /cwt.	\$ 123,953.07
Class IV Butterfat	2.83%	229,593	\$3.0218 /lb.	693,784.14
Total Class IV Milk	0.78%	1,664,235		\$ 817,737.21
Producer Milk	100.00%	213,274,543		\$ 48,646,474.03
Adjustments				
Overage and Other Source				\$ 0.00
Inventory Adjustments				-\$ 7,110.33
Producer Butterfat at Uniform Butterfat Price				-\$ 23,692,330.50
Location Adjustments				-\$ 254,731.68
1/2 Balance in Producer Settlement Fund				\$ 83,685.08
Total Skim Milk and Aggregate Value			\$ 12.07597	\$ 24,775,986.60
Producer Settlement Fund Reserve			\$ 0.04597	\$ 94,315.66
Uniform Skim Milk Price (Hillsborough County, FL):			\$12.03 /cwt	
Uniform Butterfat Price:			\$2.9225 /lb	
Uniform Price (Hillsborough County, FL):			\$21.84 /cwt	

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

Producer Milk	<u>Utilization</u>	<u>Pounds</u>	<u>Price per unit</u>	<u>Value</u>
Class I Skim Milk	87.53%	228,447,257	\$7.22 /cwt.	\$ 16,493,891.95
Class I Butterfat	52.52%	5,526,321	\$2.7566 /lb.	15,233,856.46
Class I Differential at Location		233,973,578		7,445,218.82
Total Class I Milk	86.18%	233,973,578		\$ 39,172,967.23
Class II Skim Milk	8.85%	23,098,218	\$9.65 /cwt.	\$ 2,228,978.05
Class II Butterfat	38.88%	4,091,165	\$3.0288 /lb.	12,391,320.55
Total Class II Milk	10.01%	27,189,383		\$ 14,620,298.60
Class III Skim Milk	3.21%	8,367,961	\$6.85 /cwt.	\$ 573,205.31
Class III Butterfat	3.36%	353,713	\$3.0218 /lb.	1,068,849.93
Total Class III Milk	3.21%	8,721,674		\$ 1,642,055.24
Class IV Skim Milk	0.41%	1,082,112	\$8.64 /cwt.	\$ 93,494.47
Class IV Butterfat	5.24%	551,811	\$3.0218 /lb.	1,667,462.50
Total Class IV Milk	0.60%	1,633,923		\$ 1,760,956.97
Producer Milk	100.00%	271,518,558		\$ 57,196,278.04
Adjustments				
Overage and Other Source				\$ 2,199.87
Inventory Adjustments				\$ 4,199.69
Producer Butterfat at Uniform Butterfat Price				-\$ 30,536,722.72
Location Adjustments				\$ 1,726,151.57
1/2 Balance in Producer Settlement Fund				\$ 142,949.09
Total Skim Milk and Aggregate Value			\$ 10.93316	\$ 28,535,055.54
Producer Settlement Fund Reserve			\$ 0.04316	\$ 112,640.35
Uniform Skim Milk Price (Fulton County, GA):			\$10.89 /cwt	
Uniform Butterfat Price:			\$2.9019 /lb	
Uniform Price (Fulton County, GA):			\$20.67 /cwt	

POOL HIGHLIGHTS

F.O. 6 - Florida: August 2023

Producer Milk Utilization:	
Class I:	81.60%
Class II:	15.58%
Class III:	2.04%
Class IV:	0.78%

The Uniform Price
for Aug 2023 was announced at \$21.84,
a decrease of \$7.90 from Aug 2022.

Total Producer Milk
for Aug 2023 totaled 213.3 million pounds,
an increase of 8.1 million pounds from
Aug 2022.

Total Class I Milk
for Aug 2023 was 174.0 million pounds,
an increase of 2.6 million pounds from
Aug 2022.

Class I Utilization
for Aug 2023 was 81.60%, a decrease
of 2.0 percentage points from Aug 2022.

F.O. 7 - Southeast: Aug 2023

Producer Milk Utilization:	
Class I:	86.18%
Class II:	10.01%
Class III:	3.21%
Class IV:	0.60%

The Uniform Price
for Aug 2023 was announced at \$20.67,
a decrease of \$7.50 from Aug 2022.

Total Producer Milk
for Aug 2023 totaled 271.5 million pounds,
a decrease of 48.6 million pounds from
Aug 2022.

Total Class I Milk
for Aug 2023 was 234.0 million pounds,
a decrease of 14.4 million pounds from
Aug 2022.

Class I Utilization
for Aug 2023 was 86.18%, an increase
of 8.59 percentage points from
Aug 2022.

Florida Market Summary

The minimum order uniform price for payment to producers supplying the Florida Order marketing area in August 2023 is \$21.84 per hundredweight for milk with a 3.5% butterfat test in Hillsborough County, Florida. This is .965 times the uniform skim milk price of \$12.03 per hundredweight plus 3.5 times the uniform butterfat price of \$2.9225 per pound. Payment to producers may be adjusted by location differentials, if applicable, and by properly authorized deductions. Receipts of producer milk during August 2023 totaled 213.3 million pounds. Florida producers supplied 157.3 million pounds of milk in August 2023 or an estimated 73.8% of the producer milk pooled in Florida. In August 2022, they supplied approximately 77.3% 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 August 2023. Total in-area Class I route disposition was 214.6 million pounds in August 2023, a decrease of 2.0 million pounds from August 2022.

Southeast Market Summary

The minimum order uniform price for payment to producers supplying the Southeast Order marketing area during August 2023 is \$20.67 per hundredweight for milk with a 3.5% butterfat test in Fulton County, Georgia. This is .965 times the uniform skim milk price of \$10.89 per hundredweight plus 3.5 times the uniform butterfat price of \$2.9019 per pound. Payment to producers may be adjusted by location differentials, if applicable, and by properly authorized deductions. Receipts of producer milk during August 2023 totaled 271.5 million pounds. There were 14 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 August 2023. Total in-area Class I route disposition was 308.2 million pounds in August 2023, a decrease of 4.0 million pounds from August 2022.

WASDE Dairy Report ^{1/} WASDE – 640, Sept 12, 2023

The milk production forecasts for 2023 and 2024 are lowered from last month. The cow inventory is reduced, reflecting the average July 2023 cow number reported in the recent Milk Production report. The reduction in cow numbers is expected to continue through 2023 and into the first half of 2024 as returns remain under pressure. For 2023, output-per-cow is forecast to increase at a lower rate than previously expected on recent data and the expected impact of high temperatures during the summer. However, the forecast of milk per cow for 2024 is unchanged. Fat basis import forecasts for 2023 and 2024 are lowered, largely driven by recent trade data and lower expected imports of cheese and butter throughout the forecast period. Skim-solids basis imports are unchanged for 2023 and 2024. Fat basis export forecasts are unchanged for 2023, while skim-solids basis export forecasts are lowered on weaker whey exports. For 2024, exports on a fat basis are lowered on expectations of fewer shipments of butter and fat containing products and cheese, while exports on a skim-solids basis are reduced, reflecting lower cheese, and whey and whey products shipments. For 2023, forecasts for cheese, butter, and whey prices are raised on current price strength, but nonfat dried milk (NDM) is lowered. Both Class III and Class IV prices are raised, reflecting changes in their component values. For 2024, price forecasts for cheese, butter and whey are raised on lowered milk production and continued firm demand. NDM price forecasts are lowered. The Class III price forecast is raised on higher cheese and whey prices while the Class IV price forecast is raised as the higher butter price more than offsets the lower NDM price. The 2023 all milk price forecast is raised to \$20.40 per cwt and the 2024 all milk price is raised to \$20.30 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

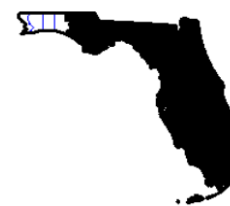
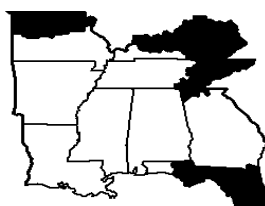
August 2023

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 ¹ <i>\$/cwt</i>
1 Northeast	2,310.5	651.0	28.2	19.43
5 Appalachian	444.8	327.2	73.6	20.13
6 Florida	213.3	174.0	81.6	21.84
7 Southeast	271.5	234.0	86.2	20.67
30 Upper Midwest	2,796.8	159.7	5.7	17.35
32 Central	1,213.6	359.6	29.6	17.87
33 Mideast	1,394.5	533.9	38.3	18.07
51 California	2,100.6	402.3	19.2	17.96
124 Pacific Northwest	623.3	130.8	21.0	17.97
126 Southwest	1,123.7	329.0	29.3	18.52
131 Arizona	363.7	115.9	31.9	18.62
All Orders	12,856.2	3,417.3	26.6	18.26

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



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