

Market Information BULLETIN

FO 6 & 7

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Dairy Outlook

Excerpts from Livestock, Dairy, and Poultry Outlook, November 2022, USDA, Economic Research Service:

Dairy Forecasts for 2022

In the following forecast analysis, any changes discussed are adjustments from the previous month's forecasts, unless otherwise specified. Based on recent milk production data for 2022-Q3, the dairy herd size forecast for 2022-Q4 is adjusted downward, but output per cow was raised. Milk cows for 2022 are projected to average 9.405 million head, 5,000 cows fewer. The average milk output per cow in 2022 is projected to be 24,130 pounds per head, 20 pounds higher. The milk production forecast for 2022 was adjusted to 227.0 billion pounds, 0.1 billion pounds higher. Based on recent trade data for 2022-Q3, the 2022-Q4 dairy export forecast was revised downward on a milk-equivalent milk-fat basis but raised on a milk-equivalent skim-solid basis. The forecast for 2022 exports on a milk-equivalent milk-fat basis is adjusted downward to 13.1 (- 0.4 billion pounds) largely on lower exports of butter and other butterfat products. On a milk equivalent skim-solids basis, the export forecast for 2022 has been raised by 0.2 billion pounds to 52.4 billion due to higher expected exports of dry skim milk products and lactose.

The 2022 forecast for dairy products imports are adjusted lower based on recent trade data. On a milk-equivalent milk-fat basis, the 2022 projection for dairy products imports has been lowered to 7.0 billion pounds (-0.2 billion) due to lower expected imports of butterfat products projected in 2022-Q4. On a milk-equivalent skim-solids basis, the forecast for 2022 imports is adjusted to 6.4 billion pounds, down 0.1 billion pounds.

Based on 2022-Q3 quantities and 2022-Q4 higher forecasted domestic use, the 2022 forecast for dairy products domestic use is adjusted upward. On a milk-equivalent milk-fat basis, the forecast is 220.0 billion pounds, 0.5 billion higher, and on a milk-equivalent skim-solids basis the forecast is 179.8 billion pounds, 0.6 billion higher.

Request to Amend Transportation Credit Provisions in Appalachian, Florida, and Southeast Orders

USDA received a formal proposal on October 28, 2022, to amend inter-market transportation credits in the Appalachian and Southeast orders and adopt new provisions to establish distributing plant delivery credits in the Appalachian, Southeast and Florida orders. The proposal was submitted on behalf of the Dairy Cooperative Marketing Agency (DCMA), which represents nine cooperatives in the region. The proponents contend the three southeastern FMMO areas have a chronic milk deficit, creating challenging marketing conditions to ensure the fluid milk needs of the orders are met. The proponents contend that inter-market transportation credits in the Appalachian and Southeast orders and distributing plant delivery credits in the Appalachian, Southeast and Florida orders will incentivize more orderly movement of milk in the southeast region.

Based on the information submitted, USDA is considering initiation of a rulemaking proceeding that would include a public hearing to collect evidence regarding proposed changes to the intermarket transportation credits in the Appalachian and Southeast orders and adoption of distributing plant delivery credits in the Appalachian, Southeast, and Florida orders.

Additional information available at:

<https://www.ams.usda.gov/rules-regulations/moa/dairy/petitions>

Dairy Forecasts for 2022 cont.

Based on recent declines in prices for Cheddar cheese, butter, and NDM, 2022 price forecasts for those products have been adjusted downward to \$2.100 (-0.5 cent), \$2.845 (-3.5 cents), and \$1.680 (-1.0 cent) per pound, respectively. The 2022 price forecast for dry whey remains unchanged at \$0.605. With the lower projected wholesale price for cheese and steady dry whey price forecast, the Class III milk price forecast for 2022 is \$21.80 per cwt (-10 cents). Due to lower butter and NDM price forecasts, the Class IV milk price projection for 2022 is \$24.30 per cwt (-30 cents). The all milk price forecast for 2022 has been decreased to \$25.50 per cwt (-10 cents).

COMPUTATION OF UNIFORM PRICES

F.O. 6 - Florida: Uniform Price -October 2022

Producer Milk

	<u>Utilization</u>	<u>Pounds</u>	<u>Price per unit</u>	<u>Value</u>
Class I Skim Milk	86.28%	181,318,945	\$10.60 /cwt.	\$ 19,219,808.18
Class I Butterfat	52.71%	4,319,222	\$3.5671 /lb.	15,407,096.81
Class I Differential at Location		185,638,167		10,291,625.34
Total Class I Milk	85.03%	185,638,167		\$ 44,918,530.33
Class II Skim Milk	10.17%	21,365,313	\$13.37 /cwt.	\$ 2,856,542.37
Class II Butterfat	42.27%	3,464,382	\$3.6637 /lb.	12,692,456.33
Total Class II Milk	11.37%	24,829,695		\$ 15,548,998.70
Class III Skim Milk	2.22%	4,654,382	\$9.34 /cwt.	\$ 434,719.28
Class III Butterfat	2.93%	240,495	\$3.6567 /lb.	879,418.06
Total Class III Milk	2.24%	4,894,877		\$ 1,314,137.34
Class IV Skim Milk	1.33%	2,787,709	\$12.60 /cwt.	\$ 351,251.32
Class IV Butterfat	2.09%	171,256	\$3.6567 /lb.	626,231.83
Total Class IV Milk	1.36%	2,958,965		\$ 977,483.15
Producer Milk	100.00%	218,321,704		\$ 62,759,149.52

Adjustments

Overage and Other Source				\$ 20,445.68
Inventory Adjustments				-\$ 20,396.92
Producer Butterfat at Uniform Butterfat Price				-\$ 29,845,024.30
Location Adjustments				-\$ 299,031.90
1/2 Balance in Producer Settlement Fund				\$ 57,938.76

Total Skim Milk and Aggregate Value			\$ 15.54925	\$ 32,673,080.84
Producer Settlement Fund Reserve			\$ 0.04925	\$ 103,496.75

Uniform Skim Milk Price (Hillsborough County, FL):	\$15.50 /cwt
Uniform Butterfat Price:	\$3.6417 /lb
Uniform Price (Hillsborough County, FL):	\$27.70 /cwt

F.O. 7 - Southeast: Uniform Price - October 2022

Producer Milk

	<u>Utilization</u>	<u>Pounds</u>	<u>Price per unit</u>	<u>Value</u>
Class I Skim Milk	79.77%	222,226,450	\$10.60 /cwt.	\$ 23,556,003.71
Class I Butterfat	45.66%	5,359,617	\$3.5671 /lb.	19,118,289.80
Class I Differential at Location		227,586,067		7,224,081.58
Total Class I Milk	78.39%	227,586,067		\$ 49,898,375.09
Class II Skim Milk	13.53%	37,694,620	\$13.37 /cwt.	\$ 5,039,770.69
Class II Butterfat	41.36%	4,853,700	\$3.6637 /lb.	17,782,500.69
Total Class II Milk	14.66%	42,548,320		\$ 22,822,271.38
Class III Skim Milk	3.60%	10,018,206	\$9.34 /cwt.	\$ 935,700.43
Class III Butterfat	3.47%	407,253	\$3.6567 /lb.	1,489,202.04
Total Class III Milk	3.59%	10,425,459		\$ 2,424,902.47
Class IV Skim Milk	3.10%	8,627,982	\$12.60 /cwt.	\$ 1,087,125.72
Class IV Butterfat	9.51%	1,115,677	\$3.6567 /lb.	4,079,696.09
Total Class IV Milk	3.36%	9,743,659		\$ 5,166,821.81
Producer Milk	100.00%	290,303,505		\$ 80,312,370.75

Adjustments

Overage and Other Source				\$ 0.00
Inventory Adjustments				-\$ 24,053.94
Producer Butterfat at Uniform Butterfat Price				-\$ 42,640,132.60
Location Adjustments				\$ 1,498,757.05
1/2 Balance in Producer Settlement Fund				\$ 147,907.63

Total Skim Milk and Aggregate Value			\$ 14.10605	\$ 39,294,848.89
Producer Settlement Fund Reserve			\$ 0.04605	\$ 128,292.42

Uniform Skim Milk Price (Fulton County, GA):	\$14.06 /cwt
Uniform Butterfat Price:	\$3.6332 /lb
Uniform Price (Fulton County, GA):	\$26.28 /cwt

POOL HIGHLIGHTS

F.O. 6 - Florida: October 2022

Producer Milk Utilization:

Class I:	85.03%
Class II:	11.37%
Class III:	2.24%
Class IV:	1.36%

The Uniform Price

for Oct. 2022 was announced at \$27.70, an increase of \$6.15 from Oct. 2021.

Total Producer Milk

for Oct. 2022 totaled 218.3 million pounds, an increase of 12 million pounds from Oct. 2021.

Total Class I Milk

for Oct. 2022 was 185.6 million pounds, a increase of 15.4 million pounds from Oct. 2021.

Class I Utilization

for Oct. 2022 was 85.03%, an increase of 2.53 percentage points from Oct. 2021.

F.O. 7 - Southeast: October 2022

Producer Milk Utilization:

Class I:	78.39%
Class II:	14.66%
Class III:	3.59%
Class IV:	3.36%

The Uniform Price

for Oct. 2022 was announced at \$26.28, an increase of \$6.42 from Oct. 2021.

Total Producer Milk

for Oct. 2022 totaled 290.3 million pounds, a decrease of 94.3 million pounds from Oct. 2021.

Total Class I Milk

for Oct 2022 was 227.6 million pounds, an increase of 33.8 million pounds from Oct. 2021.

Class I Utilization

for Oct. 2022 was 78.39%, an increase of 10.44 percentage points from Oct. 2021.

Florida Market Summary

The minimum order uniform price for payment to producers supplying the Florida Order marketing area in October 2022 is \$27.70 per hundredweight for milk with a 3.5% butterfat test in Hillsborough County, Florida. This is .965 times the uniform skim milk price of \$15.50 per hundredweight plus 3.5 times the uniform butterfat price of \$3.6417 per pound. Payment to producers may be adjusted by location differentials, if applicable, and by properly authorized deductions. Receipts of producer milk during October 2022 totaled 218.3 million pounds. Florida producers supplied 140.9 million pounds of milk in October 2022 or an estimated 65% of the producer milk pooled in Florida. In October 2021, they supplied 74% of producer milk pooled on the Florida market. There were 8 regulated pool distributing plants and 2 cooperative associations submitting reports of receipts and utilization in the computation of the uniform prices for October 2022. Total in-area Class I route disposition was 203.5 million pounds in October 2022, a decrease of 16.6 million pounds from October 2021.

Southeast Market Summary

The minimum order uniform price for payment to producers supplying the Southeast Order marketing area during October 2022 is \$26.28 per hundredweight for milk with a 3.5% butterfat test in Fulton County, Georgia. This is .965 times the uniform skim milk price of \$14.06 per hundredweight plus 3.5 times the uniform butterfat price of \$3.6332 per pound. Payment to producers may be adjusted by location differentials, if applicable, and by properly authorized deductions. Receipts of producer milk during October 2022 totaled 290.3 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 October 2022. Total in-area Class I route disposition was 325.3 million pounds in October 2022, an increase of 2.5 million pounds from October 2021.

WASDE Dairy Report 1/ WASDE – 630, November 9, 2022

The milk production forecast for 2022 is raised from last month, while 2023 production is unchanged. The dairy cow inventory for both years is lowered on recent published data but output per cow is raised. Fat and skim-solids basis imports for 2022 are lowered, driven by recent trade data and lower expected imports of cheese and butterfat products. Forecasts for 2023 fat basis imports are lowered on weaker butterfat products, while skim-solids basis imports are raised on cheese. Exports on a fat basis for 2022 are lowered on weaker expected exports of cheese and butterfat products but raised for 2023. Exports on a skim-solids basis are raised in 2022 on higher expected exports of skim milk powders (SMP) and lactose and for 2023 on higher SMP and whey exports. For 2022, forecasts for butter, cheese, and nonfat dry milk (NDM) prices are lowered on current prices and larger milk supplies. Whey prices are unchanged. Both Class III and Class IV prices are lowered on weaker product prices. For 2023, the price forecast for butter is raised, but lowered for cheese and NDM. Whey prices are unchanged. With lower cheese and NDM prices, Class III and Class IV price forecasts are lowered. The 2022 all milk price forecast is lowered to \$25.50 per cwt and the 2023 all milk price is lowered to \$22.60 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/.

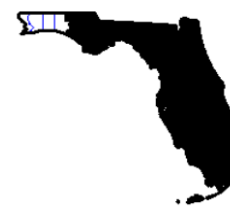
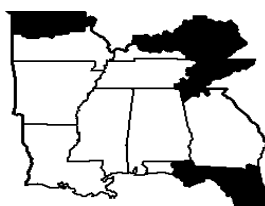
Federal Milk Marketing Order Statistics

October 2022

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	2,243.8	677.2	30.2	24.77
5 Appalachian	460.6	329.7	71.6	25.80
6 Florida	218.3	185.6	85.0	27.70
7 Southeast	290.3	227.6	78.4	26.28
30 Upper Midwest	2,875.0	169.0	5.9	22.03
32 Central	1,334.6	367.6	27.5	22.79
33 Mideast	1,326.1	522.1	39.4	22.99
51 California	2,007.5	398.1	19.8	22.88
124 Pacific Northwest	614.4	136.8	22.3	23.14
126 Southwest	1,176.9	326.8	27.8	23.38
131 Arizona	407.8	114.8	28.1	24.11
All Orders	12,955.3	3,455.4	26.7	23.38



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