

Market Information BULLETIN

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Dairy Outlook

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

Dairy Forecasts for 2022

Based on recent information, the milk cow number forecast for the second quarter of the year (2022-Q2) was adjusted to 9.405 million head, up by 5,000 but unchanged for the rest of the year. The average number of milk cows projected for 2022 rounds to 9.400 million head, unchanged from last month's forecast. Due to expected higher temperatures and dry conditions negatively affecting cow comfort, grain crops, and forage supplies and quality, projected yield per cow is lowered for the 2022-Q2 and Q3, but unchanged for Q4. Hence, the annual milk per cow projection for 2022 is 24,090 pounds per cow, 30 pounds less than last month's forecast. The milk production forecast for 2022 is 226.4 billion pounds, a decrease of 0.3 billion pounds from the previous month's forecast.

The forecast for 2022 exports on a milk-fat basis is 12.0 billion pounds, unchanged from last month's projection. On a skim-solids basis, exports are projected at 50.1 billion pounds, 0.2 billion higher than the forecast from last month due to stronger expected exports of whey products and lactose.

Import projections for 2022 are raised from the previous month due to stronger expected demand for cheese, butterfat products, and other dairy products. The 2022 import forecast is adjusted to 7.0 billion pounds (+0.4 billion) on a milk-fat basis and 6.1 billion pounds (+0.2 billion) on a skim-solids basis. With firm demand for fat-basis products supporting stronger imports and drawing from stocks, the 2022 domestic use forecast is adjusted higher. On a milk-fat basis, it is 221.8 billion pounds, 0.2 billion higher than last month's forecast. However, on a skim-solids basis, the forecast for domestic use is 181.4 billion pounds, 0.3 billion lower than last month's forecast.

Based on expectations of relatively strong demand for dairy products, weak milk-supply growth, and the recent upward price trend, the 2022 cheese price forecast has been raised to \$2.195 per pound, 2.0 cents higher than last month's forecast. The 2022 price for dry whey is forecast at \$0.640 (-1.5 cents) per pound. With higher expected cheese prices more than offsetting weaker dry whey prices, the Class III price forecast for 2022 has been adjusted to \$22.90 per cwt, 15 cents higher than last month's forecast. Higher anticipated butter and NDM prices translate to a Class IV projected price of \$24.65 per 85 cents higher than last month's projection.

Dairy Forecast for 2023

The number of cows is projected to average 9.400 million head in 2023, even with 2022 and unchanged from last month's projection. With slower growth in milk per cow than previously expected, the 2023 milk per cow projection is 24,400 pounds, 20 pounds below last month's projection but 310 pounds higher than the 2022 forecast. Consequently, milk production in 2023 is projected at 229.3 billion pounds, 0.2 billion pounds below last month's forecast.

On a milk-fat basis, the export forecast for 2023 is 11.6 billion pounds, 0.1 billion higher than last month's forecast. On a skim-solids basis, the export forecast for 2023 is 50.9 billion pounds, 0.1 billion lower than the forecast of the previous month. Expectations are higher for cheese exports but lower for exports of dry skim-milk products.

For 2023, dairy imports remain unchanged on a skim-solids basis at 6.0 billion pounds. On a milk-fat basis, strong demand for butterfat products is carried forward from 2022 forecasts, and fat-basis imports are forecast at 6.9 billion pounds, 0.3 above the last projection.

The domestic use for 2023 is forecast at 222.7 billion pounds on a milk-fat basis, a decrease of 0.1 billion from the previous forecast. On a skim-solids basis, the projection is 182.5 billion pounds, 0.2 billion lower than last month.

Demand for dairy products is expected to remain strong in 2023, supporting higher prices. Price forecasts for 2023 for Cheddar cheese, butter, and NDM, are raised from last month to \$2.050 (+1.0 cent), \$2.385 (+3.5 cents) and \$1.620 (+4.0 cents) per pound, respectively. The 2023 price forecast for dry whey remains unchanged from the previous month's projection of \$0.520 per pound.

The Class III milk price forecast for 2023 is \$20.65 per cwt, 15 cents higher than the previous month's forecast due to higher expected cheese prices and steady dry whey prices. With higher butter and NDM prices, the Class IV milk price projection for 2023 is \$21.90 per cwt, 50 cents higher than last month's forecast. The all-milk price forecast for 2023 is \$23.80 per cwt, an increase of 25 cents from last month's forecast, but \$2.40 lower than the 2022 forecast.

Dairy Outlook 2022 cont.

The all-milk price forecast for 2022 is \$26.20 per cwt, 45 cents above the May forecast and \$7.67 higher than the 2021 price.

COMPUTATION OF UNIFORM PRICES

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

Producer Milk

	<u>Utilization</u>	<u>Pounds</u>	<u>Price per unit</u>	<u>Value</u>
Class I Skim Milk	79.59%	159,554,369	\$14.99 /cwt.	\$ 23,917,199.92
Class I Butterfat	50.78%	3,833,578	\$3.1373 /lb.	12,027,084.25
Class I Differential at Location		163,387,947		9,107,919.31
Total Class I Milk	78.54%	163,387,947		\$ 45,052,203.48
Class II Skim Milk	16.28%	32,645,926	\$15.52 /cwt.	\$ 5,066,647.70
Class II Butterfat	43.99%	3,321,610	\$3.1126 /lb.	10,338,843.28
Total Class II Milk	17.29%	35,967,536		\$ 15,405,490.98
Class III Skim Milk	0.60%	1,204,863	\$14.86 /cwt.	\$ 179,042.63
Class III Butterfat	0.42%	31,497	\$3.1056 /lb.	97,817.08
Total Class III Milk	0.59%	1,236,360		\$ 276,859.71
Class IV Skim Milk	3.53%	7,074,845	\$14.63 /cwt.	\$ 1,035,049.83
Class IV Butterfat	4.81%	363,520	\$3.1056 /lb.	1,128,947.71
Total Class IV Milk	3.58%	7,438,365		\$ 2,163,997.54
Producer Milk	100.00%	208,030,208		\$ 62,898,551.71

Adjustments

Overage and Other Source				\$ 39,488.12
Inventory Adjustments				\$ 2,693.38
Producer Butterfat at Uniform Butterfat Price				-\$ 23,806,551.39
Location Adjustments				-\$ 239,338.89
1/2 Balance in Producer Settlement Fund				\$ 96,199.62

Total Skim Milk and Aggregate Value			\$ 19.44884	\$ 38,991,042.55
Producer Settlement Fund Reserve			\$ 0.04884	\$ 97,921.97

Uniform Skim Milk Price (Hillsborough County, FL):	\$19.40 /cwt
Uniform Butterfat Price:	\$3.1531 /lb
Uniform Price (Hillsborough County, FL):	\$29.76 /cwt

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

Producer Milk

	<u>Utilization</u>	<u>Pounds</u>	<u>Price per unit</u>	<u>Value</u>
Class I Skim Milk	64.10%	224,943,147	\$14.99 /cwt.	\$ 33,718,977.74
Class I Butterfat	38.13%	5,406,772	\$3.1373 /lb.	16,962,665.80
Class I Differential at Location		230,349,919		7,627,295.41
Total Class I Milk	63.09%	230,349,919		\$ 58,308,938.95
Class II Skim Milk	22.21%	77,950,372	\$15.52 /cwt.	\$ 12,097,897.74
Class II Butterfat	46.76%	6,632,188	\$3.1126 /lb.	20,643,348.33
Total Class II Milk	23.17%	84,582,560		\$ 32,741,246.07
Class III Skim Milk	6.79%	23,818,955	\$14.86 /cwt.	\$ 3,539,496.72
Class III Butterfat	4.39%	623,197	\$3.1056 /lb.	1,935,400.62
Total Class III Milk	6.69%	24,442,152		\$ 5,474,897.34
Class IV Skim Milk	6.90%	24,212,174	\$14.63 /cwt.	\$ 3,542,241.06
Class IV Butterfat	10.72%	1,520,625	\$3.1056 /lb.	4,722,452.98
Total Class IV Milk	7.05%	25,732,799		\$ 8,264,694.04
Producer Milk	100.00%	365,107,430		\$ 104,789,776.40

Adjustments

Overage and Other Source				\$ 536.63
Inventory Adjustments				-\$ 3,473.87
Producer Butterfat at Uniform Butterfat Price				-\$ 44,443,165.68
Location Adjustments				\$ 1,838,997.76
1/2 Balance in Producer Settlement Fund				\$ 160,015.73

Total Skim Milk and Aggregate Value			\$ 17.76526	\$ 62,342,686.97
Producer Settlement Fund Reserve			\$ 0.04526	\$ 158,839.34

Uniform Skim Milk Price (Fulton County, GA):	\$17.72 /cwt
Uniform Butterfat Price:	\$3.1336 /lb
Uniform Price (Fulton County, GA):	\$28.07 /cwt

POOL HIGHLIGHTS

F.O. 6 - Florida: May 2022

Producer Milk Utilization:

Class I:	78.54%
Class II:	17.29%
Class III:	0.59%
Class IV:	3.58%

The Uniform Price

for May 2022 was announced at \$29.76, an increase of \$8.50 from May 2021.

Total Producer Milk

for May 2022 totaled 208 million pounds, an increase of 2 million pounds from May 2021.

Total Class I Milk

for May 2022 was 163.4 million pounds, an increase of 486 thousand pounds from May 2021.

Class I Utilization

for May 2022 was 78.54%, a decrease of 0.56 percentage points from May 2021.

F.O. 7 - Southeast: May 2022

Producer Milk Utilization:

Class I:	63.09%
Class II:	23.17%
Class III:	6.69%
Class IV:	7.05%

The Uniform Price

for May 2022 was announced at \$28.07, an increase of \$8.55 from May 2021.

Total Producer Milk

for May 2022 totaled 365.1 million pounds, an decrease of 20 million pounds from May 2021.

Total Class I Milk

for May 2022 was 230.3 million pounds, an decrease of 15.4 million pounds from May 2021.

Class I Utilization

for May 2022 was 63.09%, a decrease of 0.71 percentage points from May 2021.

Florida Market Summary

The minimum order uniform price for payment to producers supplying the Florida Order marketing area in May 2022 is \$29.76 per hundredweight for milk with a 3.5% butterfat test in Hillsborough County. This is .965 times the uniform skim milk price of \$19.40 per hundredweight plus 3.5 times the uniform butterfat price of \$3.1531 per pound. Payment to producers may be adjusted by location differentials, if applicable, and by properly authorized deductions.

Receipts of producer milk during May 2022 totaled 208.0 million pounds. Florida producers supplied 176 million pounds of milk in May 2022 or an estimated 85% of the producer milk pooled in Florida. In May 2021, they supplied 87% of producer milk pooled on the Florida market. There were 9 regulated pool distributing plants and 2 cooperative associations submitting reports of receipts and utilization in the computation of the uniform prices for May 2022. Total in-area Class I route disposition was 213.2 million pounds in May 2022, 8.3 million pounds more than May 2021.

Southeast Market Summary

The minimum order uniform price for payment to producers supplying the Southeast Order marketing area during May 2022 is \$28.07 per hundredweight for milk with a 3.5% butterfat test in Fulton County, Georgia. This is .965 times the uniform skim milk price of \$17.72 per hundredweight plus 3.5 times the uniform butterfat price of \$3.1336 per pound. Payment to producers may be reduced by location differentials, if applicable, and by properly authorized deductions. Receipts of producer milk during May 2022 totaled 365 million pounds. There were 16 regulated pool distributing plants, 1 pool supply plant and 10 cooperative associations submitting reports of receipts and utilization that were included in the computation of the uniform prices for May 2022. Total in-area Class I route disposition was 295.1 million pounds in May 2022, a decrease of 18.0 million pounds from May 2021.

WASDE Dairy Report 1/ WASDE – 625, June 10, 2022

Milk production for 2022 is forecast lower than last month on slower growth in milk-per-cow than previously expected. Milk per cow is also reduced slightly for 2023, resulting in lower forecast milk production. For 2022, commercial exports on a fat basis are unchanged from last month, but skim-solids exports are raised on stronger exports of whey and lactose. For 2023, exports are raised on a fat basis due to stronger expected cheese exports but reduced on a skim-solids basis due to weaker expected sales of skim milk powder. Imports for 2022 are raised on stronger expected demand for cheese, butterfat products, and several other dairy products; strength in butterfat product imports is expected to carry into next year and the 2023 forecast is increased. Skim-solids imports are raised for 2022 but are unchanged for 2023.

Price forecasts for cheese, butter, and nonfat dry milk (NDM) are raised from the previous month on recent price strength and stronger anticipated demand. The whey price forecast is lowered on observed prices. With mostly stronger product prices, both Class III and Class IV prices are raised. The all-milk price forecast is raised to \$26.20 per cwt for 2022. Continued strengthening in demand, coupled with modest growth in production, is expected to support cheese, butter, and NDM prices in 2023. Thus, prices for those products are raised but whey prices are expected to remain under pressure and the forecast for 2023 is lowered. Nonetheless, the higher price for cheese more than offsets a weaker forecast whey price and the Class III price is forecast higher. Higher forecast butter and NDM prices result in a higher-Class IV price. The 2023 all milk price is forecast higher at \$23.80 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/.

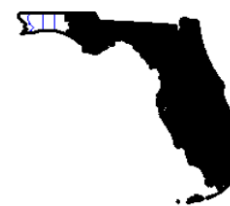
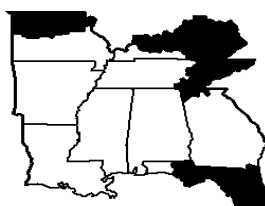
Federal Milk Marketing Order Statistics

May 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	2,362.2	678.0	28.7	26.58
5 Appalachian	469.2	307.7	65.6	27.79
6 Florida	208.0	163.4	78.5	29.76
7 Southeast	365.1	230.3	63.1	28.07
30 Upper Midwest	2,075.0	197.7	9.5	25.34
32 Central	1,403.5	360.1	25.7	25.22
33 Mideast	1,725.2	519.1	30.1	25.59
51 California	1,788.9	402.2	22.5	25.43
124 Pacific Northwest	591.3	137.8	23.3	25.12
126 Southwest	1,212.5	314.9	26.0	25.85
131 Arizona	445.2	104.3	23.4	25.83
All Orders	12,646.1	3,415.7	27.0	25.90



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