

Market Information BULLETIN

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Dairy Outlook

Excerpts from Livestock, Dairy, and Poultry Outlook, January 2023, 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, the expected number of cows for the last quarter of 2022 (2022-Q4) remained unchanged at 9.420 million head. The yield per cow estimate for 2022-Q4 has been adjusted lower by 15 pounds per cow to 5,965 pounds. The milk production estimate for 2022 is 226.8 billion pounds (-0.2 billion).

Dairy export volume estimates are up for 2022-Q4. On a milk-equivalent milk-fat basis, the 2022-Q4 estimate is 3.5 billion pounds, and the estimate for the 2022 annual total is 13.6 billion pounds (+0.1 billion). On a milk-equivalent skim-solids basis, the 2022-Q4 estimate has been raised to 12.8 billion pounds, and the estimate for 2022 has been raised to 52.6 billion pounds (+0.2 billion). Expectations are higher for exports of cheese, butterfat products,⁴ milk protein products,⁵ whey protein concentrate, and lactose.

On a milk-equivalent milk-fat basis, the 2022 estimate for dairy import volume remained unchanged at 7.3 billion pounds. On a skim-solids basis, 2022 imports are estimated at 6.6 billion pounds (+0.1 billion). Expectations are higher for imports of butterfat products, milk protein products, infant formula, and fluid cream.

The estimate for 2022-Q4 domestic use of dairy products is lower. On a milk-equivalent milk-fat basis, the 2022-Q4 forecast is 57.2 billion pounds, and the annual estimate is 219.8 billion pounds (-0.3 billion, annual). On a skim-solids basis, the estimate for 2022-Q4 domestic use is 45.2 billion pounds, and the annual estimate is 179.3 billion pounds (-0.7 billion)

While dairy supply and use official information is not yet available for December, complete price data for 2022 is available except for the all-milk price. For the year, average prices for Cheddar cheese, dry whey, butter, and NDM were \$2.1122, \$0.6035, \$2.8665, and \$1.6851 per pound, respectively. The Class III and IV milk prices averaged \$21.94 and \$24.47 per hundredweight (cwt), respectively.

Dairy Forecasts for 2022, continued.

The all-milk price estimate for 2022-Q4 is \$25.40 per cwt, \$0.40 lower, while the annual all-milk price estimate for 2022 is \$25.55 per cwt, \$0.10 lower.

Dairy Forecasts for 2023

As with the estimates for 2022, any changes discussed in this section are adjustments from the previous month's forecasts unless otherwise specified. Based on expectations of lower milk prices, and steady to higher feed costs, the number of milk cows is projected lower in 2023 at 9,405 million head (-15,000 head). The next USDA Cattle report, to be released on January 31, is expected to provide a better sign of future changes in the dairy herd size. In 2023, the average yield per cow projection is unchanged at 24,370 pounds per cow. The milk production forecast for 2023 is 229.2 billion pounds, 0.3 billion lower.

Dairy export projections for 2023 have been increased as domestic prices for dairy product are expected to be competitive compared to international prices. On a milk-fat basis, the dairy export forecast for 2023 is 13.3 billion pounds, 0.3 billion higher. On a skim-solids basis, the 2023 dairy export forecast has been increased 0.3 billion pounds to 52.6 billion due to stronger expected NDM exports.

The dairy import projection for 2023 is unchanged on a milk-equivalent milk-fat basis at 7.2 billion pounds. On a milk-equivalent skim-solids basis, the 2023 forecast is 6.3 billion pounds (+0.2 billion) as strength in demand for milk protein products is expected to carry over from 2022 into 2023. Projections for domestic demand in 2023 have been lowered. The forecast for 2023 domestic use on a milk-equivalent milk-fat basis is 221.3 billion pounds (-0.7 billion). On a skim-solids basis, the forecast for domestic use is 182.0 billion pounds (-0.2 billion).

Due to the recent decreases in dairy product prices, weaker-than-anticipated demand, and competition with international prices, forecasts for 2023 have been lowered for Cheddar cheese, dry whey, butter, and NDM to \$1.930, \$0.415, \$2.330, and \$1.340 per pound, respectively. With lower dairy product prices expected across the board, Class III and IV milk price forecasts for 2023 have been lowered to \$18.85 per cwt and \$19.25 per cwt, respectively. The all-milk price 2023 forecast has been decreased by \$1.10 to \$21.60 per cwt.

COMPUTATION OF UNIFORM PRICES

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

Producer Milk

	<u>Utilization</u>	<u>Pounds</u>	<u>Price per unit</u>	<u>Value</u>
Class I Skim Milk	86.75%	181,198,217	\$11.45 /cwt.	\$ 20,747,195.85
Class I Butterfat	54.47%	4,469,402	\$3.2946 /lb.	14,724,891.83
Class I Differential at Location		185,667,619		10,320,668.56
Total Class I Milk	85.53%	185,667,619		\$ 45,792,756.24
Class II Skim Milk	11.64%	24,301,463	\$12.48 /cwt.	\$ 3,032,822.59
Class II Butterfat	42.58%	3,493,509	\$3.1609 /lb.	11,042,632.59
Total Class II Milk	12.81%	27,794,972		\$ 14,075,455.18
Class III Skim Milk	1.44%	3,010,342	\$9.80 /cwt.	\$ 295,013.52
Class III Butterfat	1.99%	163,291	\$3.1539 /lb.	515,003.48
Total Class III Milk	1.46%	3,173,633		\$ 810,017.00
Class IV Skim Milk	0.17%	346,649	\$11.48 /cwt.	\$ 39,795.30
Class IV Butterfat	0.96%	78,406	\$3.1539 /lb.	247,284.69
Total Class IV Milk	0.20%	425,055		\$ 287,079.99
Producer Milk	100.00%	217,061,279		\$ 60,965,308.41

Adjustments

Overage and Other Source				\$ 3,497.42
Inventory Adjustments				-\$ 74,545.01
Producer Butterfat at Uniform Butterfat Price				-\$ 26,779,020.05
Location Adjustments				-\$ 309,582.40
1/2 Balance in Producer Settlement Fund				\$ 95,970.91

Total Skim Milk and Aggregate Value			\$ 16.23201	\$ 33,901,629.28
Producer Settlement Fund Reserve			\$ 0.04201	\$ 87,734.23

Uniform Skim Milk Price (Hillsborough County, FL):	\$16.19 /cwt
Uniform Butterfat Price:	\$3.2639 /lb
Uniform Price (Hillsborough County, FL):	\$27.05 /cwt

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

Producer Milk

	<u>Utilization</u>	<u>Pounds</u>	<u>Price per unit</u>	<u>Value</u>
Class I Skim Milk	73.36%	224,559,926	\$11.45 /cwt.	\$ 25,712,111.52
Class I Butterfat	44.09%	5,793,162	\$3.2946 /lb.	19,086,151.52
Class I Differential at Location		230,353,088		7,356,389.94
Total Class I Milk	72.16%	230,353,088		\$ 52,154,652.98
Class II Skim Milk	17.88%	54,729,341	\$12.48 /cwt.	\$ 6,830,221.74
Class II Butterfat	39.94%	5,248,391	\$3.1609 /lb.	16,589,639.10
Total Class II Milk	18.79%	59,977,732		\$ 23,419,860.84
Class III Skim Milk	5.39%	16,504,380	\$9.80 /cwt.	\$ 1,617,429.24
Class III Butterfat	4.16%	546,834	\$3.1539 /lb.	1,724,659.73
Total Class III Milk	5.34%	17,051,214		\$ 3,342,088.97
Class IV Skim Milk	3.37%	10,305,826	\$11.48 /cwt.	\$ 1,183,108.82
Class IV Butterfat	11.81%	1,551,196	\$3.1539 /lb.	4,892,317.07
Total Class IV Milk	3.71%	11,857,022		\$ 6,075,425.89
Producer Milk	100.00%	319,239,056		\$ 84,992,028.68

Adjustments

Overage and Other Source				\$ 1,332.03
Inventory Adjustments				-\$ 108,598.74
Producer Butterfat at Uniform Butterfat Price				-\$ 42,478,957.88
Location Adjustments				\$ 1,892,884.61
1/2 Balance in Producer Settlement Fund				\$ 159,692.04

Total Skim Milk and Aggregate Value			\$ 14.52416	\$ 44,458,380.74
Producer Settlement Fund Reserve			\$ 0.04416	\$ 135,177.05

Uniform Skim Milk Price (Fulton County, GA):	\$14.48 /cwt
Uniform Butterfat Price:	\$3.2329 /lb
Uniform Price (Fulton County, GA):	\$25.29 /cwt

POOL HIGHLIGHTS

F.O. 6 - Florida: December 2022

Producer Milk Utilization:

Class I:	85.53%
Class II:	12.81%
Class III:	1.46%
Class IV:	0.20%

The Uniform Price

for Dec. 2022 was announced at \$27.05, an increase of \$3.08 from Dec. 2021.

Total Producer Milk

for Dec. 2022 totaled 217.1 million pounds, an increase of 2.4 million pounds from Dec. 2021.

Total Class I Milk

for Dec. 2022 was 185.7 million pounds, a increase of 6.3 million pounds from Dec. 2021.

Class I Utilization

for Dec. 2022 was 85.53%, an increase of 1.99 percentage points from Dec. 2021.

F.O. 7 - Southeast: December 2022

Producer Milk Utilization:

Class I:	72.16%
Class II:	18.79%
Class III:	5.34%
Class IV:	3.71%

The Uniform Price

for Dec. 2022 was announced at \$25.29, an increase of \$3.01 from Dec. 2021.

Total Producer Milk

for Dec. 2022 totaled 319.2 million pounds, a decrease of 63.1 million pounds from Dec. 2021.

Total Class I Milk

for Dec. 2022 was 230.4 million pounds, an decrease of 37.2 million pounds from Dec. 2021.

Class I Utilization

for Dec. 2022 was 72.16%, an increase of 2.19 percentage points from Dec. 2021.

Florida Market Summary

The minimum order uniform price for payment to producers supplying the Florida Order marketing area in December 2022 is \$27.05 per hundredweight for milk with a 3.5% butterfat test in Hillsborough County, Florida. This is .965 times the uniform skim milk price of \$16.19 per hundredweight plus 3.5 times the uniform butterfat price of \$3.2639 per pound. Payment to producers may be adjusted by location differentials, if applicable, and by properly authorized deductions. Receipts of producer milk during December 2022 totaled 217.1 million pounds. Florida producers supplied 154.6 million pounds of milk in December 2022 or an estimated 71% of the producer milk pooled in Florida. In December 2021, they supplied 77% 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 December 2022. Total in-area Class I route disposition was 226.6 million pounds in December 2022, a decrease of 2.0 million pounds from December 2021.

Southeast Market Summary

The minimum order uniform price for payment to producers supplying the Southeast Order marketing area during December 2022 is \$25.29 per hundredweight for milk with a 3.5% butterfat test in Fulton County, Georgia. This is .965 times the uniform skim milk price of \$14.48 per hundredweight plus 3.5 times the uniform butterfat price of \$3.2329 per pound. Payment to producers may be adjusted by location differentials, if applicable, and by properly authorized deductions. Receipts of producer milk during December 2022 totaled 319.2 million pounds. There were 15 regulated pool distributing plants, 2 pool supply plant and 8 cooperative associations submitting reports of receipts and utilization that were included in the computation of the uniform prices for December 2022. Total in-area Class I route disposition was 309.8 million pounds in December 2022, a decrease of 24.6 million pounds from December 2021.

WASDE Dairy Report 1/ WASDE – 632-4, January 12, 2023

Milk production for 2022 is lowered from last month with lower expected milk per cow. The 2023 production forecast is lowered with a smaller expected average cow inventory for the year; output per cow is unchanged from last month. USDA's Cattle report, which will be released January 31, will provide an indication of producer intentions for retaining dairy heifers for addition to the breeding herd. Driven by recent trade data, fat basis imports for 2022 are unchanged with offsetting changes for several products, but skim-solids basis imports are raised on expected demand for milk proteins. Strength in milk protein demand is expected to carry into 2023 and the forecast for skim-solids imports is also raised. Fat basis imports for 2023 are unchanged. Exports on a fat basis for 2022 are raised, largely on butter and cheese with stronger expected butter exports supporting an increased forecast for 2023. Exports on a skim-solids basis are raised in 2022 on stronger cheese and lactose shipments. The 2023 forecast is raised on stronger skim milk powder exports. For 2022, product and Class price estimates are adjusted to reflect reported prices. For 2023, the price forecasts for all components are lower with expectations of weak domestic demand and price pressure in international markets. Forecasts for Class III and Class IV prices are lowered. The 2022 all milk price forecast is lowered to \$25.55 per cwt and the 2023 all milk price is lowered to \$21.60 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/.

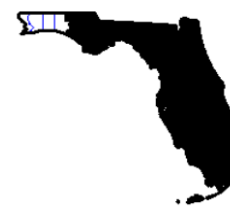
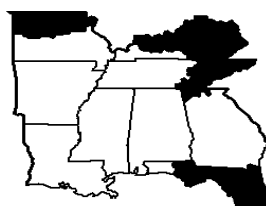
Federal Milk Marketing Order Statistics

December 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	2,254.7	693.6	30.8	23.06
5 Appalachian	469.3	337.4	71.9	24.86
6 Florida	217.1	185.7	85.5	27.05
7 Southeast	319.2	230.4	72.2	25.29
30 Upper Midwest	3,174.6	178.7	5.6	20.73
32 Central	1,319.3	386.1	29.3	21.40
33 Mideast	1,384.8	545.9	39.4	21.81
51 California	2,020.6	409.2	20.3	21.58
124 Pacific Northwest	599.8	141.0	23.5	21.42
126 Southwest	1,158.0	328.3	28.4	22.15
131 Arizona	443.5	120.9	27.3	22.47
All Orders	13,361.0	3,557.3	26.6	22.00



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