

Market Information BULLETIN

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Dairy Outlook

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

Dairy Forecasts for 2022

The U.S. milk production forecast for 2022 is 226.8 billion pounds, 0.8 billion higher than last month's forecast. Higher milk cow numbers and yield per cow were forecast for 2022-Q3 and 2022-Q4, based on July 1 dairy cow inventory estimates provided in the recent Cattle report. The 2022 annual projection for the cow inventory is 9.420 million head, 20,000 head above the previous projection. The 2022 annual forecast for milk per cow was increased by 30 pounds to 24,070 pounds. Based on recent trade data showing strong exports in June and all of 2022-Q2, dairy export forecasts are projected upward as growth in available supplies are expected for the rest of 2022. On a milk-fat basis, exports are projected at 12.9 billion pounds, 0.7 billion pounds higher than last month's projection. On a skim-solids basis, exports are forecast at 51.3 billion pounds, 0.8 billion higher than last month's forecast. With competitive prices on international markets, higher exports of NDM, dry whey products, cheese, butter, and lactose are expected throughout 2022. The 2022 import forecast on a milk-fat basis is 7.0 billion pounds, 0.1 billion lower than last month's forecast due to lower anticipated imports of butterfat products. On a skim-solids basis, the projection for imports is 6.1 billion pounds, unchanged from last month's projections. Due to lower-than-anticipated domestic use in 2022-Q2, the 2022 domestic forecast is adjusted down from the last projection despite a slight year-over year increase in expected second-half domestic use. On a milk-fat basis, the 2022 domestic use projection is 221.1 billion pounds, 0.1 billion lower than last month's forecast. On a skim-solids basis, the 2022 domestic use forecast is 180.0 billion pounds, 0.5 billion lower than last month's forecast. Based on relatively low wholesale domestic prices for most dairy products in recent weeks, recent downward trends in international prices, and higher forecast milk production, wholesale price forecasts for dairy products, excluding butter, have been lowered for 2022. Class III milk price forecast for 2022 is \$21.60 per hundredweight (cwt), \$1.20 lower than the previous month's forecast. The Class IV milk price projection is \$23.95 per cwt, \$0.75 lower than last month's forecast.

Dairy Forecast for 2023

Following through on the 2022 upward forecast, the 2023 milk cow inventory is raised by 35,000 head to 9.435 million head. The forecast for milk per cow is 24,300 pounds, 10 pounds higher than last month's forecast. The projection for 2023 milk production has been raised to 229.2 billion pounds, 0.9 billion higher than last month's forecast and 2.4 billion pounds above the 2022 forecast. Dairy exports are projected higher for 2023 on greater expected supplies, although increased competition with other suppliers may limit increases. On a milk-fat basis, the export forecast for 2023 is 11.7 billion pounds, 0.1 billion above last month's forecast. In 2023, dairy exports are projected to total 51.2 billion pounds on a skim-solids basis, 0.2 billion higher than the previous month's forecast, as strong skim exports of dry skim milk products and lactose are expected in 2023. With larger expected domestic supplies, dairy imports are projected slightly lower from the previous forecast in 2023, at 6.8 billion pounds (-0.1 billion) on a milk-fat basis and 5.9 billion pounds (-0.1 billion) on a skim-solids basis. Higher expected milk production and lower dairy product prices are expected to boost domestic milk use in 2023. On a milk-fat basis, the annual domestic use forecast for 2023 is 222.1 billion pounds, 0.3 billion higher than the previous forecast. On a skim-solids basis, the forecast for domestic use is 182.2 billion pounds, 0.8 billion above last month's forecast. Dairy product price forecasts for 2023 have been lowered due to high expected domestic supplies and strong price competition from international exporter countries. Wholesale price forecasts for Cheddar cheese, butter, NDM, and dry whey are lowered from last month's projections to \$1.975 (-9.5 cents), \$2.375 (-6.5 cents), \$1.450 (-19.5 cents) and \$0.485 (-3.0 cents), respectively. With lower estimated wholesale prices for cheese and dry whey, the Class III milk price forecast for 2023 is \$19.70 per cwt, \$1.15 lower than the previous month's forecast. Due to lower butter and NDM price forecasts, the Class IV milk price projection for 2023 is \$20.35 per cwt, \$1.95 lower than last month's forecast. The all-milk price forecast for 2023 is \$22.50 per cwt, a decrease of \$1.65 from last month's forecast.

Dairy Forecasts for 2022 cont.

The all-milk price forecast for 2022 is \$25.20 per cwt, a decrease of \$0.95 from last month's forecast.

COMPUTATION OF UNIFORM PRICES

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

Producer Milk

	<u>Utilization</u>	<u>Pounds</u>	<u>Price per unit</u>	<u>Value</u>
Class I Skim Milk	82.27%	149,972,289	\$14.64 /cwt.	\$ 21,955,943.10
Class I Butterfat	55.97%	3,863,324	\$3.3543 /lb.	12,958,747.70
Class I Differential at Location		153,835,613		8,553,401.88
Total Class I Milk	81.30%	153,835,613		\$ 43,468,092.68
Class II Skim Milk	13.52%	24,655,204	\$15.42 /cwt.	\$ 3,801,832.45
Class II Butterfat	39.45%	2,722,576	\$3.3670 /lb.	9,166,913.41
Total Class II Milk	14.47%	27,377,780		\$ 12,968,745.86
Class III Skim Milk	2.29%	4,173,025	\$11.15 /cwt.	\$ 465,292.30
Class III Butterfat	2.49%	171,820	\$3.3600 /lb.	577,315.20
Total Class III Milk	2.30%	4,344,845		\$ 1,042,607.50
Class IV Skim Milk	1.92%	3,505,061	\$14.54 /cwt.	\$ 509,635.87
Class IV Butterfat	2.09%	144,263	\$3.3600 /lb.	484,723.68
Total Class IV Milk	1.93%	3,649,324		\$ 994,359.55
Producer Milk	100.00%	189,207,562		\$ 58,473,805.59

Adjustments

Overage and Other Source	\$ 1,299.66
Inventory Adjustments	\$ 29.37
Producer Butterfat at Uniform Butterfat Price	-\$ 23,402,553.76
Location Adjustments	-\$ 238,954.60
1/2 Balance in Producer Settlement Fund	\$ 55,962.75

Total Skim Milk and Aggregate Value	\$ 19.13797	\$ 34,889,589.01
Producer Settlement Fund Reserve	\$ 0.04797	\$ 87,453.97

Uniform Skim Milk Price (Hillsborough County, FL):	\$19.09 /cwt
Uniform Butterfat Price:	\$3.3907 /lb
Uniform Price (Hillsborough County, FL):	\$30.29 /cwt

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

Producer Milk

	<u>Utilization</u>	<u>Pounds</u>	<u>Price per unit</u>	<u>Value</u>
Class I Skim Milk	70.83%	208,526,756	\$14.64 /cwt.	\$ 30,528,317.09
Class I Butterfat	45.74%	5,291,169	\$3.3543 /lb.	17,748,168.17
Class I Differential at Location		213,817,925		7,058,376.60
Total Class I Milk	69.88%	213,817,925		\$ 55,334,861.86
Class II Skim Milk	19.48%	57,334,746	\$15.42 /cwt.	\$ 8,841,017.85
Class II Butterfat	43.07%	4,983,566	\$3.3670 /lb.	16,779,666.73
Total Class II Milk	20.37%	62,318,312		\$ 25,620,684.58
Class III Skim Milk	3.81%	11,223,818	\$11.15 /cwt.	\$ 1,251,455.72
Class III Butterfat	3.43%	397,222	\$3.3600 /lb.	1,334,665.92
Total Class III Milk	3.80%	11,621,040		\$ 2,586,121.64
Class IV Skim Milk	5.88%	17,297,304	\$14.54 /cwt.	\$ 2,515,028.00
Class IV Butterfat	7.76%	897,750	\$3.3600 /lb.	3,016,440.00
Total Class IV Milk	5.95%	18,195,054		\$ 5,531,468.00
Producer Milk	100.00%	305,952,331		\$ 89,073,136.08

Adjustments

Overage and Other Source	\$ 1,139.35
Inventory Adjustments	-\$ 10,409.13
Producer Butterfat at Uniform Butterfat Price	-\$ 39,053,545.98
Location Adjustments	\$ 1,493,640.98
1/2 Balance in Producer Settlement Fund	\$ 162,143.34

Total Skim Milk and Aggregate Value	\$ 17.55066	\$ 51,666,104.64
Producer Settlement Fund Reserve	\$ 0.04066	\$ 119,707.19

Uniform Skim Milk Price (Fulton County, GA):	\$17.51 /cwt
Uniform Butterfat Price:	\$3.3755 /lb
Uniform Price (Fulton County, GA):	\$28.71 /cwt

POOL HIGHLIGHTS

F.O. 6 - Florida: July 2022

Producer Milk Utilization:

Class I:	81.30%
Class II:	14.47%
Class III:	2.30%
Class IV:	1.93%

The Uniform Price

for July 2022 was announced at \$30.29, an increase of \$8.31 from July 2021.

Total Producer Milk

for July 2022 totaled 189.2 million pounds, an increase of 4.7 million pounds from July 2021.

Total Class I Milk

for July 2022 was 153.8 million pounds, a decrease of 5.4 million pounds from July 2021.

Class I Utilization

for July 2022 was 81.30%, an decrease of 5.03 percentage points from July 2021.

F.O. 7 - Southeast: July 2022

Producer Milk Utilization:

Class I:	69.88%
Class II:	20.37%
Class III:	3.80%
Class IV:	5.95%

The Uniform Price

for July 2022 was announced at \$28.71, an increase of \$8.91 from July 2021.

Total Producer Milk

for July 2022 totaled 306.0 million pounds, an decrease of 43.1 million pounds from July 2021.

Total Class I Milk

for July 2022 was 213.8 million pounds, an decrease of 23.1 million pounds from July 2021.

Class I Utilization

for July 2022 was 69.88%, a decrease of 2.01 percentage points from July 2021.

Florida Market Summary

The minimum order uniform price for payment to producers supplying the Florida Order marketing area in July 2022 is \$30.29 per hundredweight for milk with a 3.5% butterfat test in Hillsborough County, Florida. This is .965 times the uniform skim milk price of \$19.09 per hundredweight plus 3.5 times the uniform butterfat price of \$3.3907 per pound. Payment to producers may be adjusted by location differentials, if applicable, and by properly authorized deductions. Receipts of producer milk during July 2022 totaled 189.2 million pounds. Florida producers supplied 151.4 million pounds of milk in July 2022 or an estimated 80% of the producer milk pooled in Florida. In July 2021, they supplied 84% 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 July 2022. Total in-area Class I route disposition was 194.0 million pounds in July 2022, 13.3 million pounds less than July 2021.

Southeast Market Summary

The minimum order uniform price for payment to producers supplying the Southeast Order marketing area during July 2022 is \$28.71 per hundredweight for milk with a 3.5% butterfat test in Fulton County, Georgia. This is .965 times the uniform skim milk price of \$17.51 per hundredweight plus 3.5 times the uniform butterfat price of \$3.3755 per pound. Payment to producers may be adjusted by location differentials, if applicable, and by properly authorized deductions. Receipts of producer milk during July 2022 totaled 306.0 million pounds. There were 16 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 July 2022. Total in-area Class I route disposition was 273.0 million pounds in July 2022, a decrease of 23.7 million pounds from July 2021.

WASDE Dairy Report ^{1/} WASDE – 627, August 12, 2022

The milk production forecasts for 2022 and 2023 are raised from last month. The cow inventory is raised in both years based on the July 1 dairy cow inventory provided in the recent Cattle report. Output-per-cow is forecast to increase at a slightly more rapid pace in 2022 and the 2023 forecast is raised as well. Based on recent trade data, fat basis imports for 2022 are lowered from last month, but skim solids basis imports are unchanged. Imports for 2023 are lowered reflecting larger domestic supplies. Exports on both a skim-solids basis and on a fat, basis are raised for 2022 on recent data and expectations of larger available supplies. Export forecasts for 2023 on both fat and skim-solids bases are raised from last month on larger expected supplies. The forecasts for nonfat dry milk (NDM) and whey prices are also lower on observed prices and expected supplies. The Class III price is lowered on both lower cheese and whey prices, and the Class IV price lowered as the higher butter price is more than offset by the lower NDM price. The all-milk price for 2022 is lowered to \$25.20 per cwt. For 2023, forecasts for cheese, butter, NDM, and whey are all lowered on expectations of greater supplies and strong competition in international markets. With lower product prices, the Class III and Class IV price forecasts are lowered. The 2023 all milk price forecast is lowered to \$22.50 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/.

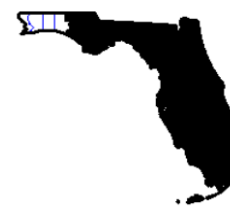
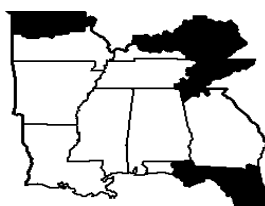
Federal Milk Marketing Order Statistics

July 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	2,286.4	615.9	26.9	26.36
5 Appalachian	418.9	284.6	67.9	28.14
6 Florida	189.2	153.8	81.3	30.29
7 Southeast	306.0	213.8	69.9	28.71
30 Upper Midwest	2,584.3	154.2	6.0	22.93
32 Central	1,337.0	332.9	24.9	24.31
33 Mideast	1,314.3	468.9	35.7	24.70
51 California	1,742.7	359.2	20.6	24.22
124 Pacific Northwest	649.9	123.9	19.1	24.48
126 Southwest	1,077.9	285.6	26.5	24.80
131 Arizona	394.7	101.1	25.6	25.44
All Orders	12,301.4	3,094.2	25.2	24.85



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