

# THE COURIER

Monthly Newsletter

## Dairy Outlook

August 2020

### Dairy Forecasts for 2020

With the decline in the number of milk cows from May to June, forecasts of milk cow numbers for the remainder of the year have been lowered. For the year, milk cows are forecast to average 9.365 million head, 5,000 less than last month's forecast. Since milk per cow was 30 pounds higher than expected in the second quarter, it has been raised by 15 pounds for the third quarter. For the year, the forecast for milk per cow is 23,685 pounds, 50 pounds higher than the previous forecast.

The milk production forecast is 221.8 billion pounds, 0.3 billion higher than forecast last month. On a skim-solids basis, exports are forecast at 46.2 billion pounds, 0.4 billion higher than forecast last month, due to higher expected exports of dry skim milk products. On a milk-fat basis, the domestic use forecast for 2020 is 218.9 billion pounds, 0.3 billion higher than last month's forecast. The domestic use forecast on a skim-solids basis is 180.2 billion pounds, 0.1 billion lower than the previous forecast.

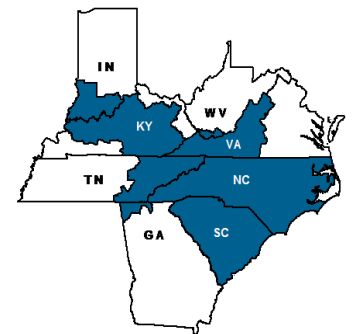
Based on recent price changes, the 2020 forecasts for Cheddar cheese, butter, and NDM have been lowered to \$1.845 (-6.0 cents), \$1.625 (-6.0 cents), and \$1.025 per pound (-1.5 cents), respectively.

Dairy Outlook, cont'd on pg. 3

## Milk Donation Reimbursement Program

The U.S. Department of Agriculture (USDA) is accepting applications through March 31, 2021, for participation in the Milk Donation Reimbursement Program during fiscal year 2021 (FY21).

Under the program, eligible dairy organizations partner with non-profit organizations to distribute food to low-income individuals and donate fluid milk products to the non-profit partner. After donations are made, the eligible dairy organization may apply for and receive limited reimbursements to cover expenses related to their fluid milk product donations. To participate, the eligible dairy organization must be the entity that has an obligation to a Federal milk marketing order pool. More information can be found at [www.ams.usda.gov/mdrp](http://www.ams.usda.gov/mdrp).



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Market Administrator

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## Appalachian Statistical Summary

	JULY 2020	JUNE 2020	JULY 2019
<b>PRICES: (Base Zone)</b>			
Uniform Price	\$19.34	\$15.27	\$19.84
Class I Price	19.96	14.82	20.58
Class II Price	13.79	12.99	17.61
Class III Price	24.54	21.04	17.55
Class IV Price	13.76	12.90	16.90
Uniform Skim Milk Price	\$13.16	\$10.03	\$10.81
Class I Skim Milk Price	14.02	10.48	11.58
Class II Skim Milk Price	7.16	6.69	8.48
Class III Skim Milk Price	18.33	15.06	8.45
Class IV Skim Milk Price	7.16	6.62	7.77
Uniform Butterfat Price	\$1.8967	\$1.5962	\$2.6892
Class I Butterfat Price	1.8363	1.3447	2.6869
Class II Butterfat Price	1.9653	1.8661	2.6928
Class III Butterfat Price	1.9583	1.8591	2.6858
Class IV Butterfat Price	1.9583	1.8591	2.6858
<b>PRODUCER MILK:</b>			
Class I	319,141,956	322,837,812	290,920,705
Class II	50,109,359	55,496,940	71,957,233
Class III	248,254	1,855,656	22,650,633
Class IV	6,633,801	8,746,932	25,881,198
<b>Total Producer Milk</b>	<b>376,133,370</b>	<b>388,937,340</b>	<b>411,409,769</b>
<b>PERCENT PRODUCER MILK IN:</b>			
Class I	84.85	83.01	70.71
Class II	13.32	14.27	17.49
Class III	0.07	0.48	5.51
Class IV	1.76	2.24	6.29

### F.O. 5 STATS FOR July 2020:

#### The Uniform Price

for July 2020 was \$19.34 per cwt., an increase of \$4.07 from June 2020 and a decrease of \$0.50 from July 2019.

#### Total Class I Milk

For July 2020 was 319.1 million pounds, an increase of 28.2 million pounds compared to July 2019.

#### Class I Utilization

was 84.85 percent for July 2020, an increase of 14.14 percentage points from July 2019.

#### Total Producer Milk

for July 2020 was 376.1 million pounds, a decrease of 12.8 million pounds compared to June 2020.

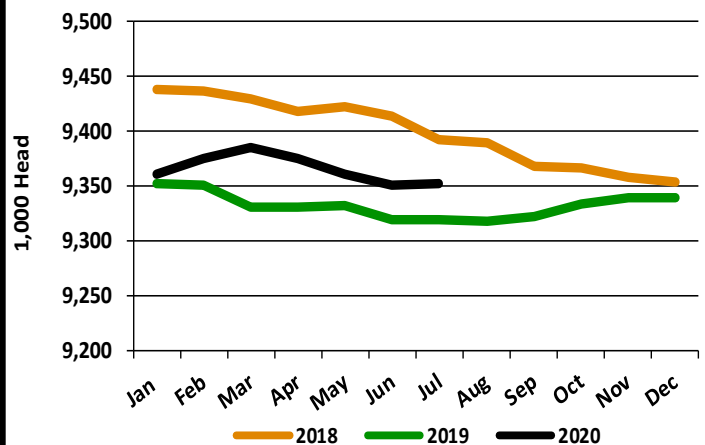
## July Milk Production up 1.5 Percent

Milk production in the 24 major States during July totaled 17.8 billion pounds, up 1.5 percent from July 2019. June revised production, at 17.5 billion pounds, was up 0.8 percent from June 2019.

Production per cow in the 24 major States averaged 2,016 pounds for July, 19 pounds above July 2019.

The number of milk cows on farms in the 24 major States was 8.83 million head, 44,000 head more than July 2019, and 2,000 head more than June 2020.

U.S. Monthly Number of Cows, 2018 - 2020 \*



\*Based on entire U.S. production

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## Dairy Outlook, cont'd from pg. 1

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With the lower expected cheese price, the Class III price forecast for 2020 has been lowered to \$17.40 per cwt, \$0.60 lower than last month's forecast. Lower expected butter and NDM prices result in a Class IV price of \$13.55 per cwt, \$0.40 lower than last month's forecast. The all-milk price forecast for 2020 is \$17.95 per cwt, a decrease from the July forecast of \$18.25 per cwt.

### *Dairy Forecasts for 2021*

The forecast for the average number of milk cows in 2021 has been lowered to 9.370 million head, 10,000 head lower than last month's forecast. The forecast for 2021 is driven by a smaller forecast for the milking herd in 2020 and lower expected milk prices in 2020 and first quarter of 2021. With lower expected cow numbers, the milk production has been lowered by 0.3 billion pounds to 225.3 billion pounds. The forecast for 2021 domestic use on a milk-fat basis is 221.7 billion pounds, 0.4 billion less than last month's forecast.

On a skim-solids basis, the forecast for domestic use is 183.6 billion pounds, 1.1 billion less than the previous forecast. The 2021 price forecast for Cheddar cheese has been lowered by 1.0 cent to \$1.715 per pound, as lower prices for 2020 are expected to carry forward into the first quarter of 2021. The butter price forecast for 2021 has been lowered to \$1.680 per pound, 3.5 cents less than last month's forecast.

With the lower expected cheese price more than offsetting the higher expected whey price, the Class III price forecast for 2021 is \$16.10 per cwt, \$0.10 lower than last month's forecast. With lower expected prices for butter, the Class IV price forecast has been lowered by \$0.15 to \$13.65 per cwt. The all-milk price forecast for 2021 is \$17.05 per cwt, unchanged from the previous forecast.

Livestock, Dairy, and Poultry Outlook, LDP-M-314, August 18, 2020,  
USDA, Economic Research Service

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## Consolidation in U.S. Dairy Farming

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The Economic Research Service of USDA has recently published a report on the consolidation of U.S. dairy farms. It reported that the number of licensed U.S. dairy herds fell by more than half between 2002 and 2019, with an accelerating rate of decline in 2018 and 2019, even as milk production continued to grow. Production has been shifting to much larger but fewer farms.

American dairy farms cover a wide range of herd sizes, from 50 cows or fewer, through mid-sized operations of 300-400 cows, and up to larger operations with several thousand cows. The report found that on average, larger farms have lower production costs than smaller farms; the differences are substantial and hold across a wide range of herd sizes. While herd size is not the only factor that matters for production costs, these scale-related cost differences are important. As a result, larger farms are more likely to realize positive net financial returns to milk production, even though their average revenues per hundredweight of milk produced are, on average, somewhat smaller than the revenues of smaller farms.

To continue reading Consolidation in U.S. Dairy Farming, the Economic Research Report No. (ERR-274) and report summary can be found at the following link: <https://www.ers.usda.gov/publications/pub-details/?pubid=98900>.

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**USDA — COVID-19**

For the latest news from the USDA on Coronavirus Disease 2019 (COVID-19) please visit the following link for updates: [usda.gov/coronavirus](https://usda.gov/coronavirus).

**Federal Milk Marketing Order Statistics - July 2020**

Federal Order		Producer Deliveries	Class I Producer Receipts	Class I Utilization	Statistical Uniform Price
		Million Pounds	Million Pounds	Percent	\$/cwt
<b>1</b>	<b>Northeast</b>	<b>2,345.4</b>	<b>659.0</b>	<b>28.1</b>	<b>19.08</b>
<b>5</b>	<b>Appalachian</b>	<b>376.1</b>	<b>319.1</b>	<b>84.9</b>	<b>19.34</b>
6	Florida	192.5	160.2	83.2	20.80
7	Southeast	388.0	269.2	69.4	18.89
30	Upper Midwest	1,000.9	211.9	21.2	19.68
32	Central	823.9	373.9	45.4	15.85
33	Mideast	1,212.2	530.1	43.7	16.52
51	California	1,879.4	408.0	21.7	14.72
124	Pacific Northwest	700.9	157.6	22.5	17.11
126	Southwest	871.3	336.8	38.7	15.70
131	Arizona	289.9	102.1	35.2	16.12
<b>All Orders</b>		<b>10,080.5</b>	<b>3,528.0</b>	<b>35.0</b>	<b>17.28</b>

<sup>1/</sup> Weighted average uniform prices at 3.5% butterfat at announced locations.

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