APPALACHIAN MARKETING AREA
FEDERAL ORDER 5

THE COURIER

Monthly Newsletter

February 2022

Dairy Outlook

Dairy Forecasts for 2022

Due to declines in milk cows in recent months, higher projected feed prices, a low inventory of replacement heifers, and higher expected cull-cow prices, milk cows are projected to average 9.360 million head in 2022, 25,000 lower than last month's forecast. Milk per cow is projected to average 24,265 pounds per head in 2022, unchanged from the previous forecast. As a result, the milk production forecast for 2022 has been adjusted to 227.2 billion, 0.5 billion pounds lower that last month's forecast but 0.9 billion pounds above 2021.

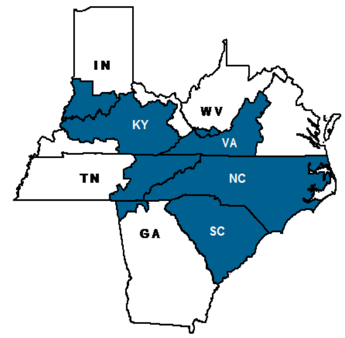
With U.S. dairy prices expected to be less competitive in international markets, the 2022 export projections are adjusted downward. Lower exports are expected for whey products, dry skim milk products, butter, and cheese. The forecast for 2022 dairy exports on a milk-fat basis has been adjusted to 11.0 billion pounds, 0.2 billion lower than last month. On a skim-solids basis, the 2022 dairy export forecast has been adjusted to 51.2 billion pounds, 0.6 billion lower than last month's forecast.

Dairy import projections for 2022 have been raised to 6.9 billion pounds on a milk-fat basis (+0.1 billion) and 5.7 billion pounds on a skim-solids basis (+0.1 billion). Higher imports are expected for butter, milk protein products,5 and several other miscellaneous dairy products.

The projection for 2022 domestic use on a milk-fat basis is 222.2 billion pounds (-0.2 billion). On a skim-solids basis, the forecast for domestic use is 180.8 billion pounds (+0.5 billion). Due to relatively high domestic and international dairy product prices in recent weeks, lower projected milk production, and relatively low beginning stock levels, wholesale price forecasts have been raised for all major dairy products.

For 2022, price forecasts for Cheddar cheese, dry whey, butter, and NDM are $1.900 (+2.5 cents), $0.705 (+6.0 cents), $2.390 (+9.0 cents), and $1.665 (+11.5 cents) per pound, respectively. With higher dairy product prices expected across the board, Class III and IV milk price forecasts for 2022 have been raised to $20.30 per cwt (+$0.65) and $22.30 per cwt (+$1.40), respectively. The all-milk price forecast for 2022 is $23.55 per cwt, $0.95 higher than last month's forecast.

Livestock, Dairy, and Poultry Outlook, LDP-M-332, February 15 2022, USDA, Economic Research Service



Harold H. Friedly, Jr.
Market Administrator

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Appalachian Statistical Summary

	JANUARY 2022	DECEMBER 2021	JANUARY 2021
PRICES: (Base Zone)			
Uniform Price	$23.72	$22.08	$17.42
Class I Price	23.11	22.57	18.54
Class II Price	22.83	19.84	14.18
Class III Price	20.38	18.36	16.04
Class IV Price	23.09	19.88	13.75
Uniform Skim Milk Price	$14.82	$14.79	$12.35
Class I Skim Milk Price	15.61	15.60	13.43
Class II Skim Milk Price	12.91	12.22	9.03
Class III Skim Milk Price	10.40	10.71	10.99
Class IV Skim Milk Price	13.20	12.29	8.61
Uniform Butterfat Price	$2.6908	$2.2310	$1.5730
Class I Butterfat Price	2.3000	2.1479	1.5949
Class II Butterfat Price	2.9637	2.2989	1.5611
Class III Butterfat Price	2.9567	2.2919	1.5541
Class IV Butterfat Price	2.9567	2.2919	1.5541
PRODUCER MILK:			
Class I	332,982,856	331,674,966	325,771,310
Class II	54,630,248	47,581,371	54,741,364
Class III	37,528,237	27,190,917	17,476,415
Class IV	39,796,461	45,613,538	63,630,582
Total Producer Milk	**464,937,802**	**452,060,792**	**461,619,671**
PERCENT PRODUCER MILK IN:			
Class I	71.62	73.37	70.57
Class II	11.75	10.53	11.86
Class III	8.07	6.01	3.79
Class IV	8.56	10.09	13.78

F.O. 5 STATS FOR January 2022:

The Uniform Price
for January 2022 was $23.72 per cwt., an increase of $1.64 from December 2021 and an increase of $6.30 from January 2021.

Total Class I Milk
For January 2022 was 333.0 million pounds, an increase of 1.3 million pounds compared to December 2021.

Class I Utilization
was 71.62 percent for January 2022, an increase of 1.05 percentage points from January 2021.

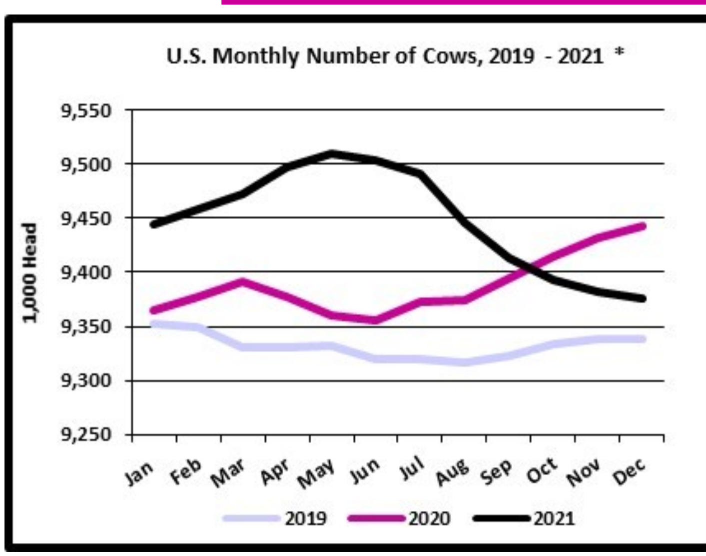
Total Producer Milk
For January 2022 was 464.9 million pounds, an increase of 12.9 million pounds compared to December 2021.

January Milk Production down 1.4%

Milk production in the 24 major States during January totaled 18.2 billion pounds, down 1.4 percent from January 2021.

Production per cow in the 24 major States averaged 2,053 pounds for January, 14 pounds below January 2021.

The number of milk cows on farms in the 24 major States was 8.88 million head, 63,000 head less than January 2021, and 5,000 head less than December 2021.



*Based on entire U.S. production

Cost of Processing Study

Federal Milk Marketing Orders (FMMOs) establish certain provisions under which dairy processors purchase fresh milk from dairy farmers supplying a marketing area. In Federal order provisions, dairy processors are referred to as handlers and dairy farmers are known as producers. A marketing area is generally defined as a geographic area where handlers compete for packaged fluid milk sales, although other factors may be taken into account when determining the boundaries of a marketing area. Federal orders serve to maintain stable marketing relationships for all handlers and producers supplying marketing areas, thus facilitating the complex process of marketing fresh milk.

The Agricultural Marketing Agreement Act authorizes FMMOs and USDA amends and establishes them through a hearing process overseen by the Secretary of Agriculture. The hearing process enables the dairy industry to submit proposals and evidence to support the establishment of and amendments to Federal order provisions. This process allows the Federal order provisions to meet the changing needs of the dairy industry. The establishment and amendments to a Federal order become effective only after approval by producers via a referendum process.

The U.S. Department of Agriculture announced the release of a Cost of Processing Study for Cheese, Whey, Butter and Nonfat Dry Milk Plants. The study gathered data from dairy processing plants located throughout the country to estimate the average costs of manufacturing a pound of four dairy commodity products (cheddar cheese, butter, dry whey and nonfat dry milk) that are used in Federal milk marketing order (FMMO) price formulas. The study results are being released to provide data for interested parties to consider as they determine whether to seek changes to the FMMO price formulas. The study was conducted by Dr. Mark Stephenson, Director of Dairy Policy Analysis at the University of Wisconsin-Madison, at the request of USDA.

Full Cost of Processing Report is available at: https://dairymarkets.org/cop/

The Cost of Processing Webinar is available at: https://www.ams.usda.gov/rules-regulations/moa/dairy

Sources, Trends, and Drivers of U.S. Dairy Productivity and Efficiency

The U.S. dairy sector has undergone substantial structural change characterized by a shift to larger and fewer dairy operations, concentrated in relatively few States. This report measures and analyzes the dairy sector's productivity growth and efficiency and identifies proximate drivers and sources of this growth in the face of the structural change observed from 2000 to 2020.

Publication Details: Economic Research Report No. (ERR-305): https://www.ers.usda.gov/publications/pub-details/?pubid=103300

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Federal Milk Marketing Order Statistics - January 2022

	Federal Order	Producer Deliveries Million Pounds	Class I Producer Receipts Million Pounds	Class I Utilization Percent	Statistical Uniform Price $/cwt
1	Northeast	2,210.7	694.3	31.4	22.74
5	*Appalachian*	*464.9*	*333.0*	*71.6*	*23.72*
6	Florida	224.6	185.4	82.6	25.49
7	Southeast	342.8	264.9	77.3	24.17
30	Upper Midwest	2,494.6	212.5	8.5	20.59
32	Central	1,255.0	379.2	30.2	21.09
33	Mideast	1,542.0	555.8	36.0	21.34
51	California	1,832.4	404.2	22.1	21.25
124	Pacific Northwest	716.7	140.7	19.6	21.49
126	Southwest	1,134.2	345.3	30.4	21.63
131	Arizona	433.7	118.6	27.3	22.44
	All Orders	12,651.7	3,633.8	28.7	21.71

[1/] Weighted average uniform prices at 3.5% butterfat at announced locations.