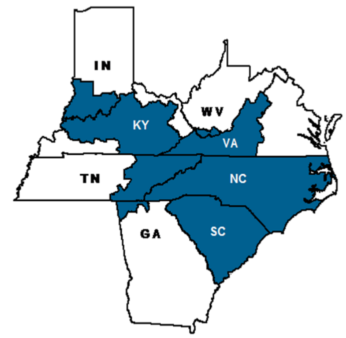
APPALACHIAN MARKETING AREA
FEDERAL ORDER 5

THE COURIER

Monthly Newsletter

February 2023



Jason Nierman
Market Administrator

Dairy Outlook

Recap of 2022

The U.S. dairy industry experienced several unusual developments in 2022. For example, the average all-milk price was highest on record, but input prices such as feeding costs were also high. Dairy export volumes reached records on both the milk-fat and skim-solids milk-equivalent bases due to strong international demand.

Butter prices reached elevated levels in the second and third quarters of 2022 as some butter processing plants continued to undergo labor shortages that negatively affected production. Cheddar cheese 500-pound barrel prices averaged above 40-pound blocks for most of 2022.

In 2022, the weekly average wholesale prices for butter reported in the National Dairy Product Report (NDPSR), were above Cheddar cheese prices for the entire year. Butter prices reached a peak of $3.2445 per pound the week ending October 22. The wholesale price for butter started to decline but remained above the cheese price. In 2022 the price spread between 40-pound blocks of Cheddar cheese and 500-pound barrels (adjusted to 38 percent moisture) was remarkably close.

The Cheddar cheese 500-pound barrel price rose above 40-pound blocks for around 30 weeks, from April through November 2022. Prices for nonfat dry milk (NDM) and dry whey were less variable week to week than butter and cheese. In 2022, wholesale prices for NDM were strong through the first half of the year but declined in the second half. The all-milk price in 2022 averaged $25.56 per hundredweight (cwt), $7.03 higher than 2021, an increase of 38 percent from 2021.

In 2022, domestic demand for dairy products decreased from 2021. On a milk-fat milk-equivalent basis, 2022 domestic use fell by 1.0 percent from the previous year. Domestic use on a skim-solids milk-equivalent basis decreased by 0.6 percent in 2022 from 2021.

Dairy Outlook, cont'd on pg. 3

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Appalachian Statistical Summary

	JANUARY 2023	DECEMBER 2022	JANUARY 2022
PRICES: (Base Zone)			
Uniform Price	$23.90	$24.86	$23.72
Class I Price	25.81	25.98	23.11
Class II Price	21.61	23.11	22.83
Class III Price	19.43	20.50	20.38
Class IV Price	20.01	22.12	23.09
Uniform Skim Milk Price	$13.91	$14.04	$14.82
Class I Skim Milk Price	14.72	14.85	15.61
Class II Skim Milk Price	12.32	12.48	12.91
Class III Skim Milk Price	10.08	9.80	10.40
Class IV Skim Milk Price	10.68	11.48	13.20
Uniform Butterfat Price	$2.9930	$3.2305	$2.6908
Class I Butterfat Price	3.3167	3.3286	2.3000
Class II Butterfat Price	2.7783	3.1609	2.9637
Class III Butterfat Price	2.7713	3.1539	2.9567
Class IV Butterfat Price	2.7713	3.1539	2.9567
PRODUCER MILK:			
Class I	343,987,290	337,440,327	332,982,856
Class II	62,446,373	53,827,424	54,630,248
Class III	36,831,879	38,178,089	37,528,237
Class IV	37,472,229	39,805,942	39,796,461
Total Producer Milk	**480,737,771**	**469,251,782**	**464,937,802**
PERCENT PRODUCER MILK IN:			
Class I	71.55	71.91	71.62
Class II	12.99	11.47	11.75
Class III	7.66	8.14	8.07
Class IV	7.80	8.48	8.56

F.O. 5 STATS FOR January 2023:

The Uniform Price
for January 2023 was $23.90 per cwt., an increase of $0.18 from January 2022.

Total Class I Milk
for January 2023 was 344.0 million pounds, an increase of 11.0 million pounds compared to January 2022.

Class I Utilization
was 71.55 percent for January 2023, a decrease of 0.36 percentage points from December 2022.

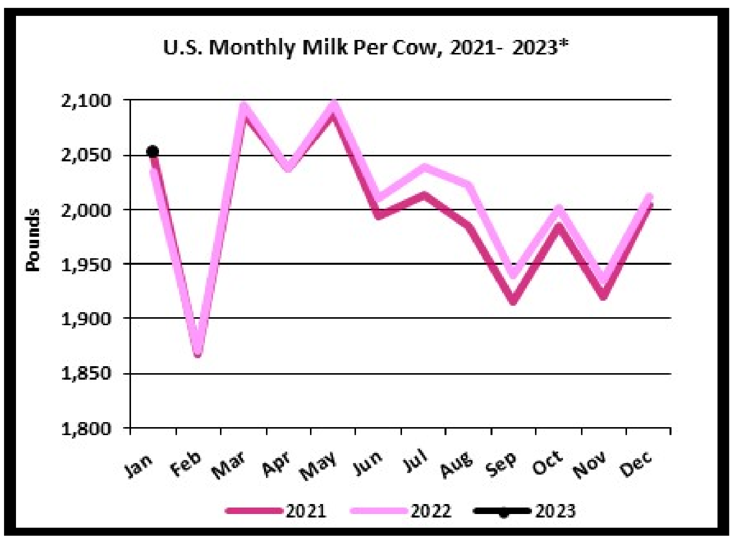
Total Producer Milk
for January 2023 was 480.7 million pounds, an increase of 15.8 million pounds compared to January 2022.

January Milk Production up 1.5%

Milk production in the 24 major States during January totaled 18.5 billion pounds, up 1.5 percent from January 2022. December revised production, at 18.1 billion pounds, was up 0.7 percent from December 2021.

Production per cow in the 24 major States averaged 2,069 pounds for January, 18 pounds above January 2022.

The number of milk cows on farms in the 24 major States was 8.93 million head, 51,000 head more than January 2022, and 9,000 head more than December 2022.



*Based on entire U.S. production

Dairy Outlook, cont'd from pg. 1

Dairy Forecasts for 2023

Based on the latest information of lower inventory of heifers for replacement, active dairy cow culling, relatively high forecast for feed costs, and weaker expected milk prices, the average number of milk cows is projected lower in 2023 at 9,380 million head (-25,000 head). In 2023, projection for the average milk yield is lowered by 25 pounds to 24,345 pounds per cow. The milk production forecast for 2023 is 228.3 billion pounds, 0.9 billion lower than last month's forecast.

Based on recent data and lower expected global demand for dairy products, lower exports quantities of cheese, skim milk powder, and other products is expected in 2023. On a milk-equivalent milk-fat basis, the dairy export forecast for 2023 is 13.1 billion pounds, 0.2 billion lower. On a skim-solids basis, the 2023 dairy export forecast has been decreased by 0.5 billion pounds to 52.1 billion. Exports on both milk-equivalent bases are expected to decline from the robust levels of 2022.

Dairy import projections for 2023 have been increased. On a milk-equivalent milk-fat basis, the dairy import forecast for 2023 is 7.3 billion pounds, up 0.1 billion pounds. On a milk-equivalent skim-solids basis, the 2023 forecast for imports is 6.4 billion pounds (+0.1 billion). Based on higher-than-expected imports in December 2022, imports of cheese and milk protein-based products are projected higher for 2023.

Based on relatively low domestic use in the fourth quarter of 2022 and expectations of lower demand for dairy products in 2023, projections for domestic use in 2023 have been lowered. The forecast for 2023 domestic use on a milk-equivalent milk-fat basis is 221.2 billion pounds (- 0.1 billion). On a skim-solids basis, the forecast for domestic use is 181.1 billion pounds (-0.9 billion).

The recent decreases in dairy product prices, weaker expected demand, and strong international price competition have put downward pressure on the 2023 price forecasts for dairy products. The 2023 price forecasts for have been lowered for Cheddar cheese, dry whey, and NDM to $1.860, $0.365, and $1.225 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 $17.90 and $18.25 per cwt, respectively. The all-milk price 2023 forecast has been decreased by $0.90 to $20.70 per cwt.

Livestock, Dairy, and Poultry Outlook, LDP-M-338, February 14 2023, USDA, Economic Research Service

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Market Administrator
PO Box 91528
Louisville KY 40291-0528

ADDRESS SERVICE REQUESTED

Phone: 502.499.0040
Fax: 502.499.8749
Email: nierman@malouisville.com

WEBSITE:
www.malouisville.com

Federal Milk Marketing Order Statistics - January 2023

	Federal Order	Producer Deliveries	Class I Producer Receipts	Class I Utilization	Statistical Uniform Price
		Million Pounds	Million Pounds	Percent	$/cwt
1	Northeast	2,308.6	690.7	29.9	21.86
5	*Appalachian*	*480.7*	*344.0*	*71.6*	*23.90*
6	Florida	227.7	188.8	82.9	26.07
7	Southeast	322.0	237.8	73.8	24.49
30	Upper Midwest	3,078.3	171.8	5.6	19.68
32	Central	1,460.3	387.2	26.5	20.23
33	Mideast	1,481.6	549.0	37.1	20.82
51	California	2,337.3	422.2	18.1	20.50
124	Pacific Northwest	709.4	144.0	20.3	20.18
126	Southwest	1,280.8	341.2	26.6	21.12
131	Arizona	445.6	120.7	27.1	21.15
	All Orders	14,132.1	3,597.1	25.5	20.91

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