

THE COURIER

Monthly Newsletter

Dairy Outlook

September 2023

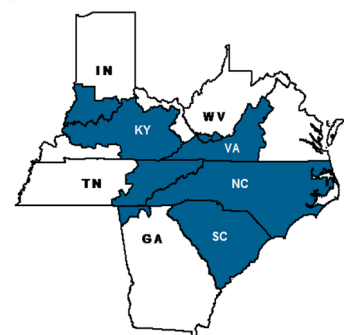
Dairy Forecasts for 2023

With the continued erosion of dairy margins and the average milk cow inventory reported through July, projections for the milking herd in 2023 are lowered by 5,000 head to 9.405 million. The milk-per-cow forecast for the year is lowered by 40 pounds to 24,185 as the hot and humid weather impacted the milk yield in July, likely further impacting the August production, and may have residual effects on cow lactation for the remainder of the year. Total milk production is now forecast at 227.5 billion pounds, 0.4 billion lower than the previous forecast.

On a milk-fat basis, imports for 2023 are forecast at 7.4 billion pounds, 0.1 billion pounds lower than last month due to recent weakness in imports of cheese, butter, and whole milk powder, which will likely continue through the remainder of the year. Relative to last month's forecasts, total exports and ending stocks held steady at 11.1 billion and 14.6 billion pounds, respectively. Domestic use is forecast at 222.6 billion pounds, 0.5 billion lower than the previous projection but 3.5 billion pounds higher than 2022 domestic use. Higher expected prices for cheese and butter will likely contribute to constrained domestic use.

On a skim-solids basis, the forecast for 2023 imports is 6.5 billion pounds, unchanged from the previous forecast. The forecast for exports is lowered by 0.5 billion pounds to 50.0 billion pounds due to soft demand for whey products from China and other Asian markets. At 182.6 billion pounds, the forecast for 2023 domestic use is unchanged from last month.

The 2023 wholesale price forecasts for Cheddar cheese and dry whey are revised up to \$1.810 (+3.5 cents), and \$0.345 (+2.0 cents) per pound, due to recent price developments as well as steady domestic demand support. With higher projected prices, the Class III milk price forecast for 2023 is \$17.35 per cwt, \$0.45 higher than last month.



Jason Nierman
Market Administrator

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Appalachian Statistical Summary

	AUGUST 2023	JULY 2023	AUGUST 2022
PRICES: (Base Zone)			
Uniform Price	\$20.13	\$19.85	\$27.49
Class I Price	20.02	20.72	28.53
Class II Price	19.91	19.12	26.91
Class III Price	17.19	13.77	20.10
Class IV Price	18.91	18.26	24.81
Uniform Skim Milk Price	\$10.26	\$10.39	\$16.11
Class I Skim Milk Price	10.62	11.28	17.15
Class II Skim Milk Price	9.65	9.64	15.53
Class III Skim Milk Price	6.85	4.12	8.50
Class IV Skim Milk Price	8.64	8.77	13.38
Uniform Butterfat Price	\$2.9222	\$2.8055	\$3.4119
Class I Butterfat Price	2.7906	2.8097	3.4226
Class II Butterfat Price	3.0288	2.8056	3.4071
Class III Butterfat Price	3.0218	2.7986	3.4001
Class IV Butterfat Price	3.0218	2.7986	3.4001
PRODUCER MILK:			
Class I	327,179,276	288,615,891	326,013,441
Class II	64,044,520	68,430,065	55,735,028
Class III	28,324,544	33,055,902	35,409,650
Class IV	25,285,626	41,074,985	29,587,177
Total Producer Milk	444,833,966	431,176,843	446,745,296
PERCENT PRODUCER MILK IN:			
Class I	73.55	66.94	72.98
Class II	14.40	15.87	12.48
Class III	6.37	7.67	7.93
Class IV	5.68	9.52	6.61

Prices subject to location adjustments per §1005.51 and §1005.75

August Milk Production down 0.3%

Milk production in the 24 major States during August totaled 18.2 billion pounds, down 0.3 percent from August 2022.

Production per cow in the 24 major States averaged 2,038 pounds for August, 2 pounds below August 2022.

The number of milk cows on farms in the 24 major States was 8.91 million head, 15,000 head less than August 2022, but 1,000 head more than July 2023.

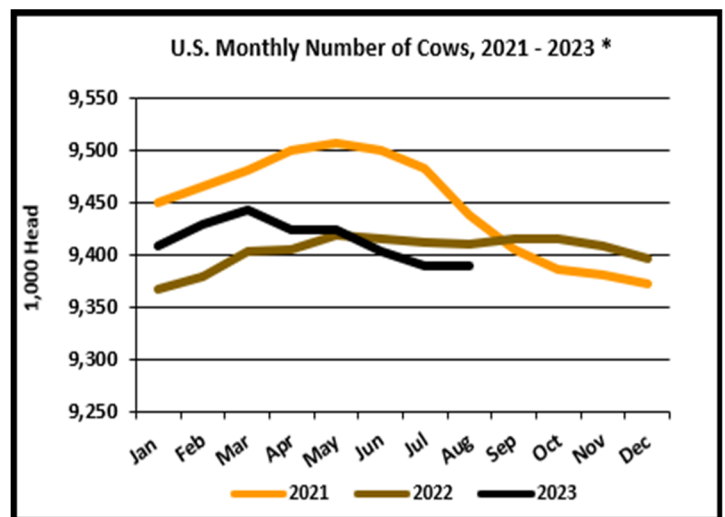
F.O. 5 STATS FOR August 2023:

The Uniform Price
for August 2023 was \$20.13 per cwt., an increase of \$0.28 from July 2023.

Total Class I Milk
for August 2023 was 327.2 million pounds, an increase of 1.2 million pounds compared to August 2022.

Class I Utilization
was 73.55 percent for August 2023, an increase of 0.57 percentage points from August 2022.

Total Producer Milk
for August 2023 was 444.8 million pounds, a decrease of 1.9 million pounds compared to August 2022.



*Based on entire U.S. production

Dairy Outlook, cont'd from pg. 1

Dairy Forecasts for 2024

The milk supply typically responds to changes in prices with a lag of several months. The low margins experienced in 2023 are expected to contribute to further contraction of the dairy herd in the first half of 2024. However, some rebuilding of the milking herd is expected in late 2024 as milk prices improve and feed costs moderate. The milking cow herd forecast for 2024 rounds to 9.385 million head, unchanged from the last forecast but 20 million head lower than the 2023 forecast. The milk per cow forecast for 2024 is unchanged from last month at 24,560 pounds. Milk production for 2024 is forecast at 230.4 billion pounds, 0.1 billion lower than the previous forecast. Year-over-year, total milk production is expected to increase, driven by higher projected yields.

On a milk-fat basis for 2024, the forecast for imports is decreased 0.1 billion pounds to 7.4 billion pounds due to lower-expected imports of cheese and butter. The forecast for total exports is decreased by 0.3 billion pounds to 12.1 billion pounds based on expectations of lower exports of butter and cheese. Domestic use is now forecast at 224.7 billion pounds, 0.1 billion higher than the previous projection.

On a skim-solids basis for 2024, the forecast for imports is unchanged at 6.8 billion pounds. The forecast for total exports is decreased by 0.3 billion pounds to 53.0 billion pounds due to lower expected exports of whey products and cheese. Ending stocks are projected at 12.00 billion pounds, 0.1 billion lower than the previous projection. The domestic use is now forecast at 183.3 billion pounds, 0.4 billion pounds higher than the previous projection.

The 2024 price forecasts for Cheddar cheese, butter, and dry whey are increased to \$1.845 (+9.0 cents), \$2.550 (+12.0 cents), and \$0.315 (+1.0 cents) per pound, respectively. The 2024 NDM price projection is lowered to \$1.090 (-3.5 cents). The Class III milk price forecast for 2024 is adjusted to \$17.55 per cwt, up \$1.00 from last month's forecast, while the Class IV milk price forecast is \$18.00 per cwt, up \$0.20. The all-milk price forecast for 2024 is \$20.30 per cwt, \$0.95 higher than last month's forecast.

Recent Developments in U.S. Dairy Product Wholesale Prices

From the week ending August 12 to the week ending September 9, 2023, most wholesale dairy product prices per pound reported in the USDA National Dairy Products Sales Report (NDPSR) increased. The price for 40-pound blocks of Cheddar cheese increased 16.91 cents, while the price for 500-pound Cheddar cheese barrels (adjusted to 38-percent moisture) rose by 9.44 cents. The price for butter increased by 3.36 cents, and the price of dry whey increased by 2.09 cents. Meanwhile, the price for nonfat dry milk (NDM) slightly decreased by 0.02 cent per pound.

Gains in the milk production of major dairy exporter countries in the latter part of 2022 and the first half of 2023, as well as weaker demand from China, have put pressure on most Oceania and Europe dairy product prices. According to the USDA Dairy Market News (DMN), all reported foreign dairy product export prices declined from July to August 2023.

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Federal Milk Marketing Order Statistics - August 2023

Federal Order		Producer Deliveries	Class I Producer Receipts	Class I Utilization	Statistical Uniform Price
		Million Pounds	Million Pounds	Percent	\$/cwt
1	Northeast	2,310.5	651.0	28.2	19.43
5	<i>Appalachian</i>	<i>444.8</i>	<i>327.2</i>	<i>73.6</i>	<i>20.13</i>
6	Florida	213.3	174.0	81.6	21.84
7	Southeast	271.5	234.0	86.2	20.67
30	Upper Midwest	2,796.8	159.7	5.7	17.35
32	Central	1,213.6	359.6	29.6	17.87
33	Mideast	1,394.5	533.9	38.3	18.07
51	California	2,100.6	402.3	19.2	17.96
124	Pacific Northwest	623.3	130.8	21.0	17.97
126	Southwest	1,123.7	329.0	29.3	18.52
131	Arizona	363.7	115.9	31.9	18.62
	All Orders	12,856.2	3,417.3	26.6	18.26

^{1/} Weighted average uniform prices at 3.5% butterfat at announced locations.

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