APPALACHIAN MARKETING AREA
FEDERAL ORDER 5

# THE COURIER

Monthly Newsletter

February 2024

## Dairy Outlook

***Dairy Forecasts for 2024***

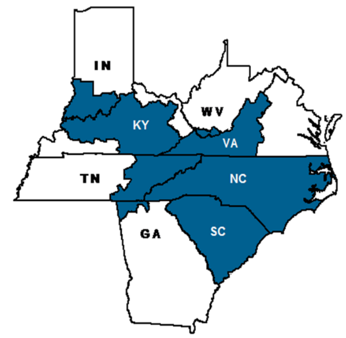
The 2024 dairy herd size forecast has been revised upwards by 5,000 head, totaling 9,355 thousand for the year, due to higher expected milk cow numbers in the second half of the year. This small increase in the number of cows is attributed to higher expected milk prices early in the year, as milk production usually responds to changes in milk and feed prices with a lag of several months. Even with the higher forecast for milk cow numbers, they are still expected to be lower than 2023. Recent slaughter trends, together with tight replacement heifer inventories and high reported prices for dairy heifers, suggest a year-over-year decline for the dairy herd in 2024 despite lower expected feed costs, improved milk prices, and robust demand for dairy products. The forecast yield per cow is reduced by 20 pounds to 24,395 pounds based on recent data. As a result, the revised milk production forecast for 2024 is 228.2 billion pounds, a decrease of 0.1 billion from the previous month's estimate.

On a milk-fat basis, dairy import forecasts in 2024 have been lowered to 7.4 billion pounds (-0.1 billion). Notable declines in import volumes of cheese, infant formula, canned milk, lactose, and yogurt are projected for 2024. Conversely, casein imports are anticipated to increase.

The 2024 dairy export forecast on a milk-fat basis has been raised 0.1 billion pounds to 11.7 billion as export prices for cheese and butter are expected to be competitive in the international markets. The export forecast on a skim-solids basis is lowered to 51.9 billion pounds (-1.3 billion). Compared to 2023, in 2024, higher export shipments are forecast for cheese, butterfat products, whey products and lactose, while canned milk and yogurt are projected lower.

The 2024 forecast for domestic disappearance has been revised upward from last month's projection following higher-than-expected domestic use in the last quarter of 2023. On a milk-fat basis, domestic use increased by 1.0 billion pounds, bringing the total to 224.7 billion pounds. On a skim-solids basis, domestic use is increased by 1.7 billion pounds, totaling 182.0 billion pounds. Ending stocks are expected to decline further in 2024, following the downward trend from 2023.

Dairy Outlook, cont'd on pg. 3




Jason Nierman
Market Administrator

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## Appalachian Statistical Summary

| | JANUARY 2024 | DECEMBER 2023 | JANUARY 2023 |
|---|---|---|---|
| **PRICES: (Base Zone)** | | | |
| Uniform Price | $21.10 | $21.39 | $23.90 |
| Class I Price | 21.88 | 23.16 | 25.81 |
| Class II Price | 20.04 | 19.88 | 21.61 |
| Class III Price | 15.17 | 16.04 | 19.43 |
| Class IV Price | 19.39 | 19.23 | 20.01 |
| Uniform Skim Milk Price | $10.97 | $10.62 | $13.91 |
| Class I Skim Milk Price | 11.64 | 11.35 | 14.72 |
| Class II Skim Milk Price | 9.95 | 9.78 | 12.32 |
| Class III Skim Milk Price | 4.92 | 5.82 | 10.08 |
| Class IV Skim Milk Price | 9.30 | 9.13 | 10.68 |
| Uniform Butterfat Price | $3.0054 | $3.1845 | $2.9930 |
| Class I Butterfat Price | 3.0431 | 3.4866 | 3.3167 |
| Class II Butterfat Price | 2.9835 | 2.9848 | 2.7783 |
| Class III Butterfat Price | 2.9765 | 2.9778 | 2.7713 |
| Class IV Butterfat Price | 2.9765 | 2.9778 | 2.7713 |
| **PRODUCER MILK:** | | | |
| Class I | 344,517,325 | 315,106,850 | 343,987,290 |
| Class II | 70,151,813 | 64,058,213 | 62,446,373 |
| Class III | 27,920,893 | 41,662,641 | 36,831,879 |
| Class IV | 32,591,479 | 45,092,509 | 37,472,229 |
| **Total Producer Milk** | **475,181,510** | **465,920,213** | **480,737,771** |
| **PERCENT PRODUCER MILK IN:** | | | |
| Class I | 72.50 | 67.63 | 71.55 |
| Class II | 14.76 | 13.75 | 12.99 |
| Class III | 5.88 | 8.94 | 7.66 |
| Class IV | 6.86 | 9.68 | 7.80 |

Prices subject to location adjustments per §1005.51 and §1005.75

**F.O. 5 STATS FOR January 2024:**

**The Uniform Price**
for January 2024 was $21.10 per cwt., a decrease of $0.29 from December 2023.

**Total Class I Milk**
for January 2024 was 344.5 million pounds, an increase of 29.4 million pounds compared to December 2023.

**Class I Utilization**
was 72.50 percent for January 2024, an increase of 4.87 percentage points from December 2023.

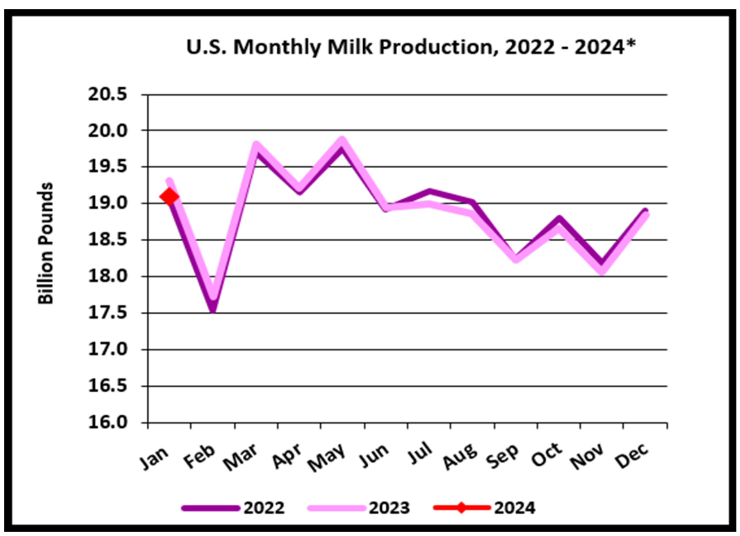
**Total Producer Milk**
for January 2024 was 475.2 million pounds, an increase of 9.3 million pounds compared to December 2023.

## January Milk Production down 0.9%

Milk production in the 24 major States during January totaled 18.3 billion pounds, down 0.9 percent from January 2023. December revised production, at 18.1 billion pounds, was down 0.1 percent from December 2022.

Production per cow in the 24 major States averaged 2,062 pounds for January, 9 pounds below January 2023.

The number of milk cows on farms in the 24 major States was 8.87 million head, 49,000 head less than January 2023, and 21,000 head less than December 2023.




*Based on entire U.S. production

# Dairy Outlook, cont'd from pg. 1

***Dairy Forecasts for 2024 cont'd***

Due to recent price increases, lower inventories, and higher expected domestic demand, the price forecasts for the main dairy products have been revised upwards. The adjusted forecasts, in dollars per pound, are as follows: Cheddar cheese at $1.690 (+7.0 cents), dry whey at $0.480 (+5.0 cents), butter at $2.770 (+10.5 cents), and NDM at $1.235 (+4.5 cents).

With higher cheese and dry whey prices, the new forecast for Class III milk is $17.10 per cwt, $1.00 higher than the previous forecast. With higher butter and NDM price forecasts, the Class IV price forecast has been raised to $20.20 per cwt, $0.85 higher than the previous projection. The all-milk price for 2024 is now forecast at $20.95 per cwt, up $0.95 from last month's forecast.

***2023 Dairy Situation***

In 2023, the U.S. dairy industry experienced the reversal of the 2022 situation: whereas feed, dairy products, and farm-gate milk prices increased year over year in 2022, these prices decreased year over year in 2023. The milk and feed price dynamics in 2023 resulted in some of the poorest margins since the implementation of the Dairy Margin Coverage Program (DMC). The national milking herd in 2023 was lower than 2022, but the milk per cow was slightly higher. Consequently, total milk production in 2023 was only fractionally higher than 2022. Growth of domestic use of dairy products was robust on both milk-fat and skim-solids milk-equivalent bases. Conversely, U.S. dairy exports declined from the peak levels in 2022, driven by lack of price competitiveness as well as slowing demand for dairy products at a global level.

The all-milk price in 2023 averaged $20.48 per hundredweight (cwt), $4.86 lower than 2022. While the prices that dairy farmers received in 2023 were generally lower than in 2022, the decrease in average all-milk price was larger than the decrease in average feed costs. Using the proxy used by USDA, National Agricultural Statistics Service (NASS) to calculate the milk-feed ratio, the feed-price proxy decreased by 8 percent from 2022 to 2023, while the all-milk price decreased by 19 percent. Average prices paid by all farmers for labor and machinery increased year over year by 5.5 and 1.7 percent, respectively.

In 2023, the farm milk margin above the feed costs reported by the DMC fell below the catastrophic coverage margin ($ 4.00 per cwt) in June and July, triggering indemnity payments to all the producers enrolled in the program, including those who paid only the $100 administration fee. Moreover, for all months except November, the margins reported by DMC were below the $9.50 per cwt threshold that triggers payments for dairy producers who choose the highest levels of coverage.

**Livestock, Dairy, and Poultry Outlook, LDP-M-338, February 14, 2024,**
**USDA, Economic Research Service**

**APPALACHIAN MARKETING AREA**
**FEDERAL ORDER 5**

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## Federal Milk Marketing Order Statistics - January 2024

| | Federal Order | Producer Deliveries<br>Million Pounds | Class I Producer Receipts<br>Million Pounds | Class I Utilization<br>Percent | Statistical Uniform Price<br>$/cwt |
|---|---|---|---|---|---|
| 1 | Northeast | 2,256.2 | 691.2 | 30.7 | 19.31 |
| *5* | *Appalachian* | *475.2* | *344.5* | *72.5* | *21.10* |
| 6 | Florida | 229.6 | 189.5 | 82.5 | 23.05 |
| 7 | Southeast | 320.2 | 244.5 | 76.4 | 21.61 |
| 30 | Upper Midwest | 2,629.3 | 169.0 | 6.5 | 15.59 |
| 32 | Central | 1,289.9 | 402.1 | 31.2 | 17.24 |
| 33 | Mideast | 1,494.9 | 628.3 | 42.0 | 17.90 |
| 51 | California | 2,073.9 | 417.4 | 20.1 | 16.81 |
| 124 | Pacific Northwest | 608.7 | 134.1 | 22.0 | 17.39 |
| 126 | Southwest | 1,087.1 | 352.2 | 32.4 | 17.73 |
| 131 | Arizona | 451.6 | 127.4 | 28.2 | 18.81 |
| | All Orders | 12,916.6 | 3,700.1 | 28.6 | 17.73 |

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