

Dairy Situation and Outlook, April 19, 2023
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Milk production compared to a year ago has slowed. Milk production was 1.4% higher in January, 1.1% in February and just 0.5% in March. Since December of last year, the number of milk cows has been increasing month to month. By March cow numbers increased by 29,000 head. March cow numbers were 31,000 higher than a year ago, an increase of 0.3%. Milk per cow did poorly with March just 0.1% higher than a year ago.

Of the 24 selected states in March 12 had higher milk production than a year ago, 11 had less milk and one with no change. March milk production compared to a year ago for each of the five leading dairy states was California with a 2.1% decrease, but the other four states had increases of 0.4% for Wisconsin, 3.3% for Idaho, 4.7% for Texas and 2.2% for New York. Each of the states had more milk cows than a year ago except Wisconsin with 4,000 less. Milk per cow was up 0.7% for Wisconsin and Idaho, 0.5% for New York, 2% for Texas but 2.2% lower for California. The heavy rains and floods took a toll on milk per cow in California.

Other states with relatively high increases in March milk production were South Dakota 7.0%, Kansas 4.8%, Iowa 4.1%, Michigan 2.9%, and Georgia 2.7%. March milk production declined 5.5% in Florida, 4.4% in New Mexico, 2.7% in Arizona and Utah and 2.6% in Georgia

Despite milk production increasing just 0.5% in March the April Class III price will only increase about \$0.50 from \$18.10 in March to \$18.60 in April. The May Class III price will decline to about \$17.50. Cheese prices have weakened a lot since March. The 40-pound block cheddar cheese was as high as \$2.10 per pound in March but has trended lower in April to now \$1.76. Cheddar barrels were as high as \$1.9625 per pound in March and also trended lower in April to now \$1.16. Cheddar cheese production has been rather strong with February production up 5.6% from a year ago and total American cheese production up 2.4%. But while February stocks of American cheese remained relatively high they were 2% below a year ago.

Butter was as high as \$2.41 per pound in March. During April Butter ranged from \$2.32 to \$2.4025 per pound. Nonfat dry milk was as high as \$1.18 per pound in March. During April nonfat dry milk ranged from \$1.12 to \$1.16 per pound. The March Class IV price was \$18.38 but April will be lower near \$17.95 and May near \$17.70.

Looking ahead it seems likely that the Class III price will be in the \$17's through June and returning to the \$18's for the second half of the year. This is based on the forecasted level of milk production, domestic sales, and dairy exports. Higher feed prices until at least the new 2023 crop and lower milk prices have tightened operating margins that will impact cow numbers and milk per cow. USDA forecasts the average number of cows for the year to be unchanged from 2022 and a 1.0% increase in milk per cow netting just a 1.0% increase in milk production. Domestic sales of milk and dairy products are forecasted to increase nearly 2%. USDA forecast dairy exports to fall below the record last year due to price competition from increased milk production in the EU-27 plus the United Kingdom and New Zealand, uncertain China demand and uncertain global economy. However, the US Dairy Export Council expects the milk solids equivalent volume could still increase 1.5% compared to the 5% increase in 2022. So far this year the milk solids equivalent volume was 16% higher in January from a year ago but up just 0.8% for February. Compared to last year, February exports of nonfat dry milk/skim milk powder and cheese were flat with butterfat and dry whey products lower. Thus, the February increase in exports was almost entirely due to a 32% increase in lactose exports.

Class III futures have weakened but still has Class III in the \$19's from August to the end of the year. With a little weaker milk production, increased domestic sales and dairy exports holding Class III in the \$19's is very possible the last quarter of the year. USDA's latest forecast has Class III strengthening slowly from \$18.15 second quarter, to \$18.20 third quarter to \$18.25 fourth quarter.

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