

Overview

The current extended period of milk production growth has so far been the weakest of all such periods since 1996, but downward pressure on prices continues even as inflation ebbs and consumer demand for dairy products recovers. Production of most major categories of dairy products mirrored this modest growth of milk production. Growth in total domestic consumption during this year's first quarter kept pace with both milk production and milk solids production growth. Total export growth was positive during the quarter, compared to last year, which set a new calendar year record. The volume of milk solids imported into the country last December exceeded 4 percent of domestic production for the first time since 2016 but has since fallen back into the 3–3.5 percent range, typical for monthly import volumes since 1995.

Retail price inflation that hit dairy products hard during 2022 has been quickly unwinding in recent months, as measured by annual change in the various consumer price indices. The Dairy Margin Coverage margin has approached \$6/cwt in March, the lowest levels since the summer of 2021.

Commercial Use of Dairy Products

Domestic yogurt consumption has returned during this year's first quarter to the strongly-positive growth it achieved during the first two years of the pandemic, after dropping in 2022. Domestic butter consumption has also strongly rebounded during February and March from last year's mostly depressed levels, when it became a poster child for runaway retail food price inflation. Growth in total milk consumed domestically in all products continued to be positive by all measures during the first quarter, particularly as measured by fat basis milk

equivalent. On a total solids milk equivalent basis, it was on par with both milk production and milk solids production growth.

U.S. Dairy Trade

U.S. exports of many of the major product categories were up over a year earlier by modest percentages during this year's first quarter, while total exports showed gains in milk solids, both total as well as percent of first quarter domestic milk solids production.

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Domestic Commercial Use	Jan–Mar 2023	Jan–Mar 2022	2022–2023 Change	Percent Change
	(million pounds)			
Total Fluid Milk Products	10,918	11,076	-158	-1.4%
Yogurt	1,245	1,183	62	5.3%
Butter	524	486	39	7.9%
American-type Cheese	1,384	1,364	20	1.5%
All Other Cheese	1,966	1,951	16	0.8%
Total Cheese	3,350	3,315	36	1.1%
Dry Skim Milk	156	185	-28	-15.3%
All Products (milk equiv., milkfat basis)	53,745	52,326	1,419	2.7%
All Products (milk equiv., skim solids basis)	44,945	44,922	23	0.1%
All Products (milk equiv., total solids basis)	47,731	47,251	480	1.0%

U.S. Dairy Trade *from page 1*

The average unit value of milk solids imported into the United States during the first quarter of 2023 was \$5.44/lb. Thirty-two percent of those total milk solids imports were concentrated milk proteins, both milk protein concentrate and casein, with an average unit value of \$4.11/lb. Another 20 percent were cheese, with an average unit value of \$6.88/lb.

Milk Production

Annual milk production growth since July 2022 has been positive, but weak. Since 1996, there have been ten similar episodes, when U.S. annual milk production growth switched from negative to positive and thereafter stayed positive for at least the next nine months. Growth during those following nine month periods averaged from 1.28 percent to 2.70 percent. The current one has averaged 0.96 percent, with few states showing anything like breakout

increases in production. U.S. total milk solids production increased just 0.2 percent faster than total milk production during the first quarter.

Dairy Products

Production of most of the key dairy product categories was mostly above year-ago levels by low single digit percentages during the first quarter. A notable exception was a low double-digit percentage drop in skim milk powder production, which is mostly destined for export when made in this country.

Dairy Product Inventories

End-of-month inventories of the key dairy products at the end of March were mostly little changed from both a month earlier and a year earlier. March-ending American-type cheese stocks returned to their average level for the past several months, following a one-month dip at the end of February. Manufacturers'

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U.S. Dairy Exports	Jan–Mar 2023	Jan–Mar 2022	2022–2023 Change	Percent Change
				(metric tons)
Butter	10,776	14,728	-3,952	-27%
Anhydrous Milk Fat / Butteroil	1,726	4,162	-2,437	-59%
American-type Cheese	20,273	19,605	668	3%
Cheddar Cheese	20,147	19,186	962	5%
All Other Cheese	88,140	84,474	3,666	4%
Total Cheese	108,413	104,079	4,334	4%
Dry Skim Milk	209,253	202,950	6,303	3%
Whole Milk Powder	4,713	9,075	-4,362	-48%
Dry Whey	50,581	46,517	4,064	9%
Whey Protein Concentrate/Isolate	51,751	52,979	-1,228	-2%
Lactose	116,252	92,133	24,119	26%
Percent of U.S. Milk Solids Exported	16.7%	16.1%	0.6%	4%

U.S. Dairy Imports	Jan–Mar 2023	Jan–Mar 2022	2022–2023 Change	Percent Change
				(metric tons)
Butter	13,902	9,056	4,845	54%
Cheese	42,033	40,548	1,485	4%
Dry Skim Milk	144	218	-74	-34%
MPC (all protein levels)	19,019	15,778	3,240	21%
Casein	21,783	17,962	3,821	21%
Percent of U.S. Milk Solids Imported	3.6%	3.1%	0.5%	16%

Dairy Product Inventories *from page 2*

stocks of dry skim milk have generally averaged around 300 million pounds for the past six years, with periodic, but relatively short forays above that level.

Dairy Product and Federal Order Class Prices

Class III and Class IV prices switched places from a month earlier in April, as Class III rose by almost the same amount as Class IV dropped. Cheese and dry whey prices rose, while butter and nonfat dry milk declined.

Fluid milk, which led last year's rising retail price inflation for dairy products, is now leading it back down. In January 2022, the consumer price index (CPI) for all fluid milk was 6.8 percent higher than a year earlier, while the overall CPI for all dairy products was up by 3.1 percent. After maxing out at 17 percent last August, by April this year, the fluid milk CPI was just 1.6 percent higher than a year ago. In contrast, the overall dairy CPI was still 8 percent higher than a year earlier in April, after hitting a maximum of 16.4 percent last November. Butter was dairy's most volatile inflation performer, starting 2022 up just 3.7 percent year-over-year, peaking at 31.4 percent last December, but falling to just 5 percent by April.

Milk and Dairy Products Production	Jan–Mar 2023	Jan–Mar 2022	2022–2023 Change	Percent Change
Milk Production				
Cows (1,000 head)	9,427	9,384	43	0.5%
Per Cow (pounds)	6,031	6,000	31	0.5%
Total Milk (million pounds)	56,858	56,305	553	1.0%
Total Milk Solids (million pounds)	7,556	7,465	91	1.2%
Dairy Products Production				
		(million pounds)		
Cheese				
American Types	1,440	1,403	37	2.7%
Cheddar	1,017	984	32	3.3%
Italian Types	1,470	1,462	8	0.6%
Mozzarella	1,157	1,141	16	1.4%
Total Cheese	3,534	3,501	33	1.0%
Butter	594	582	12	2.0%
Dry Milk Products				
Nonfat Dry Milk	558	531	26	5.0%
Skim Milk Powder	118	135	-17	-12.8%
Dry Whey	222	219	3	1.2%
Whey Protein Concentrate	120	110	10	8.7%

Dairy Product Inventories	Mar 2023	Feb 2023	Mar 2022	2022–2023 Change
		(million pounds)		
Butter	293	295	283	3%
American Cheese	832	817	828	0%
Other Cheese	627	629	637	-2%
Dry Skim Milk	325	326	296	10%
Dry Whey	68	69	69	-2%

Milk and Feed Prices

Following three straight months when the Dairy Margin Coverage (DMC) margin dropped by well over \$1/cwt, the margin dropped again in March, but by just 11 cents from February. The milk price was down again, for the fifth

month in a row, to \$21.10/cwt, \$0.50/cwt less than the month before, but feed costs were down by almost as much, \$0.40/cwt, the first monthly drop on the DMC feed cost since last November. The lower feed costs were driven almost equally by drops in the prices of all three

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Dairy Product and Federal Order Prices	Apr 2023	Mar 2023	Apr 2022	2022–2023 Change
NDPSR Dairy Product Prices				
				(per pound)
Butter	\$2.402	\$2.426	\$2.769	-\$0.368
Cheddar Cheese	\$1.878	\$1.840	\$2.291	-\$0.414
40-Pound Blocks	\$1.941	\$1.950	\$2.276	-\$0.335
500-Pound Barrels	\$1.794	\$1.719	\$2.276	-\$0.482
Nonfat Dry Milk	\$1.155	\$1.194	\$1.831	-\$0.676
Dry Whey	\$0.440	\$0.426	\$0.739	-\$0.300
Federal Order Class Prices for Milk				
				(per hundredweight)
Class I Mover	\$18.85	\$18.99	\$24.38	-\$5.53
Class II	\$19.20	\$19.52	\$25.71	-\$6.51
Class III	\$18.52	\$18.10	\$24.42	-\$5.90
Class IV	\$17.95	\$18.38	\$25.31	-\$7.36
Retail Dairy Product Prices				
Fluid Whole Milk (per gallon)	\$4.042	\$4.098	\$4.012	\$0.030
Lowfat Fluid Milk (per gallon)	\$3.700	\$3.748	\$3.682	\$0.018
Cheddar Cheese (per pound)	\$5.940	\$5.922	\$5.656	\$0.284
Butter (per pound)	\$4.452	\$4.663	\$4.150	\$0.302

Milk and Feed Prices	Mar 2023	Feb 2023	Mar 2022	2022–2023 Change
Producer Prices				
All Milk (per cwt.)	\$21.10	\$21.60	\$25.60	-\$4.50
Feed Prices				
Corn (per bushel)	\$6.67	\$6.80	\$6.56	\$0.11
Soybean Meal (per ton)	\$484	\$501	\$494	-\$10
Premium Alfalfa Hay (per ton)	\$314	\$324	\$299	\$15
Feed Prices (per cwt of milk)				
Corn	\$7.16	\$7.30	\$7.04	\$0.12
Soybean Meal	\$3.56	\$3.68	\$3.63	-\$0.07
Premium Alfalfa Hay	\$4.30	\$4.44	\$4.10	\$0.21
DMC Feed Cost* (per cwt.)	\$15.02	\$15.41	\$14.35	\$0.66
DMC Margin* (per cwt.)	\$6.08	\$6.19	\$11.55	-\$5.46
<i>*DMC calculations are not revised</i>				

Milk and Feed Prices *from page 4*

feed components of the formula, when expressed on a milk equivalent basis. The March DMC margin of \$6.08/cwt will result in a payment of \$3.42/cwt for Tier 1 coverage at the maximum \$9.50/cwt level.

Looking Ahead

USDA's World Agricultural Supply and Demand Estimates (WASDE) report always adds the following year starting with its May update. This year's initial forecast calls for 2024 annual milk production to grow by 1 percent from this year, or 0.7 percent when adjusted for leap year. It also lowered its 2023 growth forecast to 0.9 percent over last year. The

department currently expects this year's modest milk production expansion to extend through next year.

The May WASDE report continues to be bearish on milk prices. It further lowered its U.S. average all-milk price calendar year estimate for this year to \$20.50/cwt, a drop of almost \$5/cwt from CY 2022, and forecasts the 2024 annual average at \$19.90/cwt. At the same time, the dairy futures were indicating 2023 and 2024 calendar year average U.S. all-milk prices at \$21.15/cwt and \$21.30/cwt, respectively.

The same futures were still indicating that the monthly DMC margins were close to bottoming out for the year, at around \$6/cwt this spring, followed by a slow rise that's unlikely to exceed \$9.50/cwt until the fourth quarter.

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