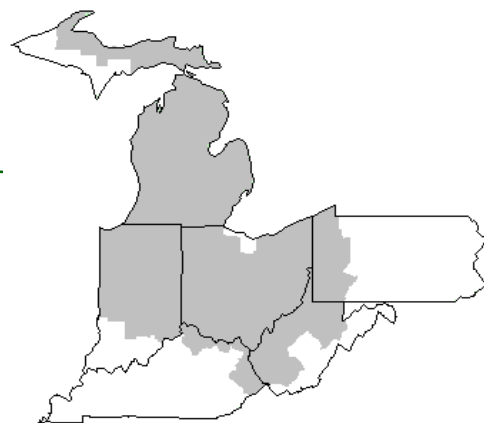


Mideast Market Administrator's Bulletin



Federal Order No. 33

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FEBRUARY 2017

2016 Market Summary

Producer milk receipts pooled totaled 19.7 billion pounds on the Mideast Order during 2016, an increase of 1.3 billion pounds, or 7.0 percent from 2015. During 2016, there were over 1.10 billion pounds of milk voluntarily depooled. Monthly producer receipts ranged from a low of 1.44 billion pounds in November to a high of 1.83 billion pounds in May.

The number of producers pooled on the Mideast Order in 2016 averaged 5,320 per month, down 6.0 percent from a year earlier. Producer milk averaged 3.73 percent butterfat in 2016, ranging from a low of 3.58 percent in July and August to a high of 3.91 percent in December. The protein test averaged 3.10 percent for 2016. Protein tests ranged from a low of 2.99 percent in July, to a high of 3.22 percent in December. Other solids tests for producer milk averaged 5.76 percent for the year.

For the year, 32.7 percent of producer milk was utilized as Class I; 20.2 percent in Class II; 29.8 percent in Class III; and 17.3 percent in Class IV. The Class I utilization percentage had a low of 28.5 percent in May and a high of 38.9 percent in November. Class I milk totaled 6.4 billion pounds during 2016, up 2.4 percent from 2015. Class II milk totaled 4.0 billion pounds in 2016, an increase of 6.1 percent from 2015. Class III pooled pounds were 5.9 billion pounds in 2015, an increase of 13.7% from 2015. Class IV milk totaled 3.4 billion pounds in 2016, an increase of 6.2 percent from 2015.

The Class I price averaged \$16.80 per cwt for the year, a decrease of \$1.54 per cwt from 2015. The Class I price had a low of \$15.14 per cwt in June 2016 and a high of \$18.88 per cwt in December. The Class II price averaged \$14.35 per cwt, a decrease of \$1.13 per cwt from the prior year. It ranged from a low of \$13.53 per cwt in May to a high of \$15.26 per cwt in December. The Class III price averaged \$14.87 per cwt, a decrease of \$0.93 per cwt from 2015. The Class III price ranged from a low of \$12.76 per cwt in May to a high of \$17.40 per cwt in December. The Class IV price averaged \$13.77 per cwt for the year, a decrease of \$0.58 per cwt from a year ago. It was lowest in April at \$12.68 per cwt and was highest in December at \$14.97 per cwt.

The Statistical Uniform Price averaged \$15.03 per cwt for 2016 compared to \$16.23 per cwt in 2015. The Producer Butterfat Price averaged \$2.3084 per pound in 2016. This was an increase of \$0.0130 from 2015. The butterfat price was lowest in October at \$2.0493 per pound and was highest in July at \$2.5964 per pound. The Protein Price averaged \$2.0955 per pound in 2016. This was a decrease of \$0.1438 from the previous year. The lowest price was in June at \$1.4807 per pound and was highest in November at \$2.8085 per pound. Other Solids Price averaged \$0.0910 per pound, \$0.0957 lower than the 2015 average. The Producer Price Differential (PPD)

averaged \$0.17 per cwt in 2016 with low of (\$1.38) per cwt in November and a high of \$1.05 per cwt in May.

Dairy Outlook

Wholesale domestic prices for all major dairy products increased from November to December. The monthly average butter price rose the most, from \$1.909 to \$2.100 per pound; the butter price typically declines from November to December. December prices for cheese, nonfat dry milk (NDM), and dry whey were \$1.799, \$0.958, and \$0.399 per pound, respectively—the highest monthly prices of the year.

Robust domestic demand likely contributed to the uptick in product prices. In November, domestic commercial disappearance was substantially higher than November 2015 for butter (3.8 percent), NDM (4.5 percent), American cheese (9.9 percent), and Other-than- American cheese (3.5 percent). November year-over-year commercial disappearance for milk in all products increased by 5.1 percent on a milk-fat milk-equivalent basis and 3.8 percent on a skim-solids milk-equivalent basis.

U.S. milk production continued to increase, totaling 17.1 billion pounds in November, up 2.4 percent from November 2015. Milk per cow averaged 1,829 pounds per head, 39 pounds above November 2015. Milk cows were 9.339 million head, 17 thousand more than November 2015 and 4 thousand more than October 2016.

(Continued on Page 3)

January 2017 - Pool Summary

Classification of Producer Milk

	<i>Pounds</i>	<i>Percent</i>
Class I	559,011,080	32.1
Class II	358,900,459	20.6
Class III	522,295,142	30.0
Class IV	301,918,847	17.3
Total	1,742,125,528	100.0

Producer Prices

Producer Price Differential	\$ 0.58 /cwt
Butterfat Price	2.5253 /lb
Protein Price	2.1768 /lb
Other Solids Price	0.2503 /lb
Somatic Cell Adjustment Rate	0.00085 /cwt
Statistical Uniform Price	17.35 /cwt

ANNOUNCEMENT OF PRODUCER PRICES

Federal Order No. 33

January 2017

COMPUTATION OF PRODUCER PRICE DIFFERENTIAL

	<u>POUNDS</u>	<u>BUTTERFAT</u>	<u>SKIM / PROTEIN</u>	<u>NONFAT SOLIDS</u>	<u>OTHER SOLIDS</u>	<u>PRICE</u>	<u>VALUE</u>
Class I Skim Value			548,422,056			\$11.61 / cwt	\$ 63,671,800.72
Class I Butterfat		10,589,024				2.3574/ lb	24,962,565.20
Class I Location Differential	559,011,080						(282,349.88)
Class II SNF Value				31,327,520		0.8633/ lb	27,045,048.02
Class II Butterfat		21,458,447				2.5323/ lb	54,339,225.31
Class III Protein Value			16,760,685			2.1768/ lb	36,484,659.08
Class III Other Solids Value					30,089,873	0.2503/ lb	7,531,495.21
Class III Butterfat		18,477,675				2.5253/ lb	46,661,672.66
Class IV SNF Value				26,454,906		0.8465/ lb	22,394,077.93
Class IV Butterfat		17,156,345				2.5253/ lb	43,324,918.05
Somatic Cell Value II / III / IV							<u>1,749,322.20</u>
TOTAL PRODUCER MILK VALUE	1,742,125,528	67,681,491	55,546,575		100,026,303		\$ 327,882,434.50
Overages						16,969.62	
Beginning Inventory & OS Charges						114,051.65	
TOTAL ADJUSTMENTS							<u>131,021.27</u>
TOTAL HANDLER OBLIGATIONS							\$ 328,013,455.77
Total Protein Value			55,546,575 lbs	@	\$2.1768		\$(120,913,784.45)
Total Other Solids Value			100,026,303 lbs	@	0.2503		(25,036,583.59)
Butterfat Value			67,681,491 lbs	@	2.5253		(170,916,069.25)
Total Somatic Cell Values							<u>(2,590,105.90)</u>
TOTALS							\$ 8,556,912.58
Net Producer Location Adjustments							\$ 1,457,564.71
1/2 Unobligated Balance Producer Settlement Fund							<u>790,000.00</u>
Total - Divided by Total Pounds			1,742,125,528 lbs		0.6201894		\$ 10,804,477.29
Rate of Cash Reserve					<u>(0.0401894)</u>		<u>(700,149.80)</u>
PRODUCER PRICE DIFFERENTIAL at Cuyahoga County, OH*			1,742,125,528		\$0.58 / cwt		\$ 10,104,327.49

COMPONENT PRICES

January

COMPUTATION OF UNIFORM PRICE

January

	<u>2017</u>	<u>2016</u>		<u>2017</u>	<u>2016</u>
Butterfat Price	\$2.5253 / lb	\$2.3062 / lb	Class III Price - 3.5% BF	\$ 16.77	\$13.72
Protein Price	2.1768 / lb	1.8169 / lb	Producer Price Differential*	<u>0.58</u>	<u>0.88</u>
Other Solids Price	0.2503 / lb	0.0371 / lb	Statistical Uniform Price	\$17.35	\$14.60
Somatic Cell Adjustment Rate	0.00085 / cwt	0.00076 / cwt			
Nonfat Solids Price	0.8465 / lb	0.6037 / lb			

CLASS PRICES

January

CLASSIFICATION OF PRODUCER MILK

January

	<u>2017</u>	<u>2016</u>		<u>2017</u>	<u>2016</u>
Class I*	\$19.45	\$18.04	Product lbs.	Product lbs.	Product lbs.
Class II	16.36	14.19	Class I	559,011,080	548,479,574
Class III	16.77	13.72	Class II	358,900,459	346,811,209
Class IV	16.19	13.31	Class III	522,295,142	517,813,545
			<u>Class IV</u>	<u>301,918,847</u>	<u>291,713,516</u>
			Total	1,742,125,528	1,704,817,844

* Subject to Location Adjustment.

ORDER 33 MARKET SUMMARY

The Producer Price Differential for the Mideast Marketing Area for January 2017 was \$0.58 and the Statistical Uniform Price was \$17.35 for the month. The Statistical Uniform Price is \$0.56 higher than last month, and is \$2.75 higher than January 2016.

The Producer Butterfat Price of \$2.5253 per pound increased \$0.1899 from December and is up \$0.2191 from a year ago. The Protein Price of \$2.1768 is down \$0.5154 from last month and is up \$0.3599 from January 2016. The Other Solids Price in January was \$0.2503 per pound, an increase from last month's price of \$0.2063 and \$0.2132 higher than last January. The Somatic Cell Adjustment rate for January was \$0.00085 per cwt.

January producer receipts of 1.74 billion pounds were 13.1 percent higher than December and 2.2 percent higher than January 2016 production of 1.70 billion pounds. Producer milk allocated to Class I accounted for 32.1 percent of the total producer milk in January 2017, lower than the 37.0 percent in December, and lower than the 32.2 percent in January 2016. A total of 5,188 producers were pooled on the Mideast Order compared to 5,432 producers pooled in January 2016.

The market average content of producer milk was as follows: Butterfat 3.88%; Protein 3.19%; Other Solids 5.74% and Nonfat Solids 8.93%.

(Continued from Front Page)

November exports on a milk-fat basis were 870 million pounds, an increase of 64 million pounds from October. Notably, since August 1, Canada has allowed temporary supplementary imports of butterfat products and cream (in addition to imports usually allowed under tariff-rate quotas) in order to alleviate shortages. U.S. exports of cream with more than 10-percent milk fat rose from 1.2 million gallons in October to 2.0 million gallons in November, with about 90 percent of the exports to Canada. Exports of butter in November were relatively strong at 5.1 million pounds, with exports to Canada comprising 60 percent of the total. Exports on a skim-solids basis were 3.460 billion pounds in November, a decline of 107 million pounds from October, but 674 million higher than November 2015.

With robust domestic use and relatively strong exports, stock levels fell significantly from October to November. Butter ending stocks decreased by 67 million pounds, the largest 1-month fall since September 1993, a time when most butter stocks were owned by the U.S. Government. November ending stocks of dairy products on a milk-fat basis were 13.7 billion pounds, a decline of 1.8 billion from October but higher than November 2015 by 0.9 billion pounds. November stocks on a skim-solids basis were 14.3 billion pounds, 0.6 billion less than October but 0.6 billion pounds above November 2015.

Although 2016 is over, fourth-quarter and annual supply and use numbers in this report reflect interagency committee expectations because data for December are not yet available. Expected annual milk production is raised slightly to 212.5 billion pounds, as the expected number of milk cows in the fourth quarter has been raised by 5 thousand head. For the year, milk cows are expected to average 9.330 million head and milk per cow is expected to be 22,770 pounds per head.

While 2016 supply and use data are estimates, actual data are available for dairy product and Federal order milk-price averages. For 2016, annual product prices for butter, cheese, NDM, and dry whey are \$2.078, \$1.605, \$0.829, and \$0.288 per pound, respectively. Class III and IV milk prices for the year are \$14.87 and \$13.77 per cwt, respectively. The average all-milk price for 2016, which is an estimate since the December price has not yet been published, is expected to be about \$16.20 per cwt.

The feed price outlook is changed little from last month's forecast. For 2016/17, the corn price forecast is \$3.10-\$3.70 per bushel (an increase of 5 cents on both ends of the range), and the soybean meal price forecast is unchanged at \$305-\$345 per short ton.

The alfalfa hay price fell from \$135 per short ton in October to \$130 in November.

The forecast for milk cows is raised by 5 thousand head to 9.365 million for 2017, as higher expected milk prices and relatively low feed costs are expected to encourage greater expansion of the herd. Similarly, the forecast for milk per cow is raised to 23,185 pounds per head, an increase of 15 pounds. These changes result in a milk production forecast of 217.1 billion pounds for the year, 0.3 billion pounds higher than forecast last month.

On both milk-fat and skim-solids bases, 2017 forecasts for imports are unchanged from last month, at 7.0 billion and 6.2 billion pounds, respectively. For exports, small changes have been made. The export forecasts are 8.3 billion pounds on a milk-fat basis (-0.1 billion) and 40.2 billion pounds on a skim-solids basis (+0.1 billion).

Based on recent commercial disappearance data and a strengthening economy, the 2017 domestic use forecast has been raised from last month's forecast to 215.0 billion pounds on a milk-fat basis (+0.2 billion) and to 183.5 billion pounds on a skim-solids basis (+1.0 billion). Ending stock forecasts for 2017 are lowered to 13.2 billion pounds on a milk-fat basis (-0.5 billion) and 12.9 billion pounds on a skim-solids basis (-0.3 billion).

With higher expected demand, 2017 dairy product price forecasts have been raised for butter, cheese, NDM, and dry whey to \$2.095-\$2.205, \$1.675-\$1.755, \$0.990-\$1.050, and \$0.415-\$0.445 per pound, respectively. Lower expected beginning stocks on a milk-fat basis will also support higher butter prices. With higher dairy product prices, the Class III and IV price forecasts have been raised to \$16.35-\$17.15 and \$15.25-\$16.15 per cwt, respectively. The all-milk price forecast has been raised to \$17.60-\$18.40 per cwt, an increase from \$16.85-\$17.65 forecast last month.

Source: *Livestock, Dairy, and Poultry Outlook/LDP-M-271/January 19, 2017*
Economic Research Service, USDA

Bulletin WebPage Edition

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Featured this month are:

- Milk Production Statistics
- Dairy Product Production
- Commercial Disappearance of Milk in All Products

Weighted Averages - Butterfat, Protein, Other Solids, Somatic Cell Count by State Federal Order No. 33

State	December 2016 -----Weighted Averages-----						December 2015 -----Weighted Averages-----				
	Number of Producers	Pounds of Milk (000)	Butterfat	Protein	Other Solids	SCC (000)	Pounds of Milk (000)	Butterfat	Protein	Other Solids	SCC (000)
Michigan	1,364	743,948	3.86	3.22	5.79	168	780,530	3.74	3.15	5.74	150
Ohio	1,790	372,229	3.97	3.23	5.72	182	397,376	3.86	3.17	5.68	180
Indiana	871	224,658	3.90	3.22	5.75	185	187,730	3.83	3.21	5.81	196
Pennsylvania	734	92,743	4.06	3.21	5.74	227	93,743	3.97	3.16	5.71	228
New York	215	88,281	3.99	3.20	5.75	178	104,750	3.88	3.17	5.74	180
Wisconsin	44	7,475	4.07	3.29	5.71	163	4,555	3.69	3.07	5.71	216
West Virginia	35	1,897	4.20	3.31	5.66	228	2,581	4.07	3.29	5.67	240
Other	103	8,889	4.03	3.22	5.76	185	6,315	4.03	3.19	5.70	243
Total/Average *	5,156	1,540,121	3.91	3.22	5.76	178	1,577,580	3.80	3.16	5.73	170

* Totals may not add due to rounding. Data provided on a one month delay basis and includes only milk from these states *pooled* on the Mideast order.



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**FEDERAL ORDER DATA
January 2017**

Marketing Area ^{1/}	Producer Milk		Class I Percent %	Producer Price Differential (per cwt.)	Statistical Uniform Price (per cwt.)
	Total (000)	Class I (000)			
FO 1 Northeast - (Boston)	2,350,619	765,529	32.6	\$1.44	\$18.21
FO 5 Appalachian - (Charlotte)	483,440	352,361	72.9	^{2/}	20.06
FO 6 Florida - (Tampa)	232,212	199,020	85.7	^{2/}	22.22
FO 7 Southeast - (Atlanta)	493,261	344,109	69.8	^{2/}	20.27
FO 30 Upper Midwest - (Chicago)	2,542,553	290,840	11.4	0.22	16.99
FO 32 Central - (Kansas City)	1,269,763	431,372	34.0	0.55	17.32
FO 33 Mideast - (Cleveland)	1,742,126	559,011	32.1	0.58	17.35
FO 124 Pacific Northwest - (Seattle)	603,983	168,430	27.9	0.26	17.03
FO 126 Southwest - (Dallas)	1,338,734	372,683	27.8	1.20	17.97
FO 131 Arizona - (Phoenix)	460,324	114,389	24.9	^{2/}	17.36

^{1/} Names in parentheses are principal points of markets.

^{2/} Producers in these markets are paid on the basis of a uniform skim and butterfat price.

MINIMUM PARTIAL PAYMENT PRICE FOR FEBRUARY 2017\$16.19 /cwt.

**MIDEAST MARKETING AREA
FEDERAL ORDER 33**

**INCOME AND EXPENSE STATEMENT
MARKETING SERVICE FUND**

For the Year Ending December 31, 2016

Income:

Assessments or Deductions	\$1,711,414.79
Late Payment Charges Assessed	.00
Interest Earned	84.89
Miscellaneous	<u>43,156.54</u>

Total Income \$1,754,656.22

Expenses:

Salaries and Services	\$1,010,043.36
Travel	79,750.43
Communications	61,887.35
Employer Payroll Contributions	325,724.79
Insurance	6,495.74
Rent - Buildings and Equipment	86,114.65
Repairs and Maintenance	37,893.14
Supplies	72,371.63
Testing and Weighing	26,445.00
Utilities	7,956.69
Depreciation of Fixed Assets	158,564.88
Conferences and Meetings	.00
Training	827.55
Uncollectible Accounts	.00
Miscellaneous	869.21
Amortization of Leasehold Improvements	<u>.00</u>

Total Expenses \$1,874,944.42

Net Income

\$ (120,288.20)

**MIDEAST MARKETING AREA
FEDERAL ORDER 33**

**BALANCE SHEET
MARKETING SERVICE FUND**

As of December 31, 2016

ASSETS

Current Assets:

Cash and Bank Deposits	\$ 102,875.92
Investments	180,277.41
Accounts Receivable - Handlers	141,091.45
Allowance for Uncollectible Accounts	.00
Accounts Receivable - Other	.00
Accrued Interest Receivable	.00

Other Assets:

Prepaid Expenses	\$ 3,885.20
Deposits	26,300.00

Fixed Assets:

Motor Vehicles	\$ 452,486.84
Accumulated Depreciation	(371,005.01)
Furniture and Equipment	25,509.50
Accumulated Depreciation	(25,509.50)
Laboratory Equipment	1,068,352.51
Accumulated Depreciation	(759,295.34)
Leasehold Improvements	120,029.69
Accumulated Depreciation	(120,029.69)

Total Assets \$ 844,968.98

LIABILITIES AND OPERATING BALANCE

Current Liabilities:

Accounts Payable - Other	\$.00
Accrued Employee Salaries Payable	21,601.05
Accrued Employee Annual Leave	89,286.67
Payroll Contributions and Withholdings	5,658.71

Operating Balance \$ 728,422.55

Total Liabilities and Operating Balance \$ 844,968.98

Mideast Market Administrator's Bulletin

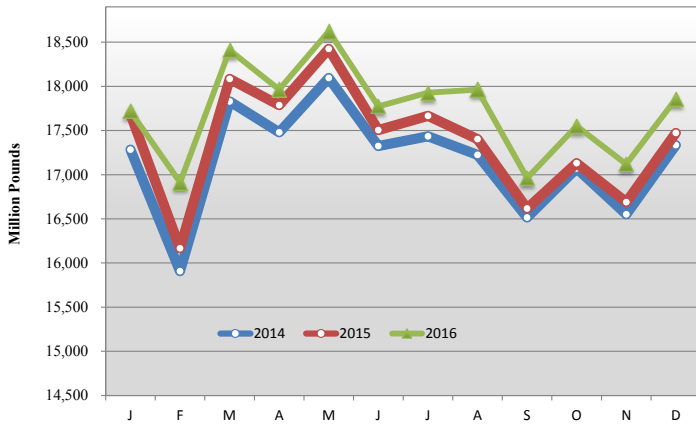
Supplement

Federal Order No. 33

February 2017

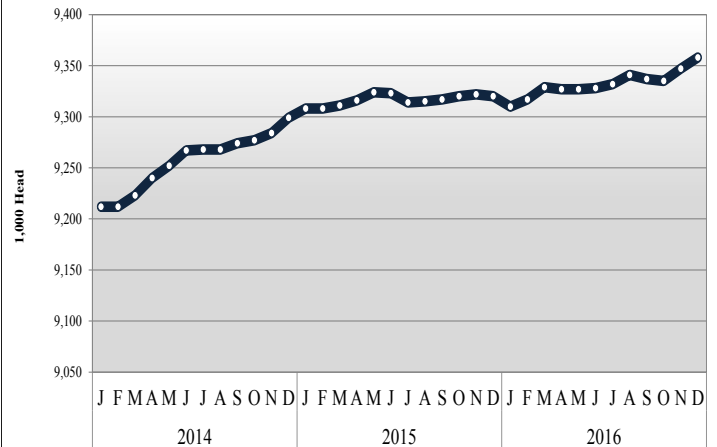
MILK PRODUCTION STATISTICS 1/

Milk Production by Month, United States, 2014-2016



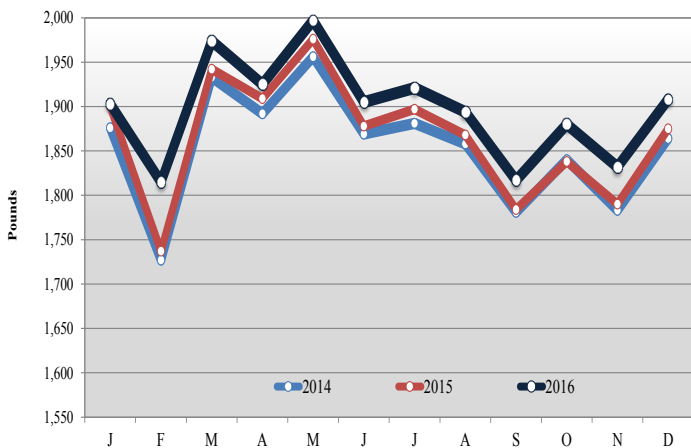
December 2016 milk production in the United States increased 739 million pounds from November to 17.9 billion pounds. December 2016 milk production in the United States was up 2.2 percent from the same month of the prior year.

Milk Cows by Month, United States, 2014-2016



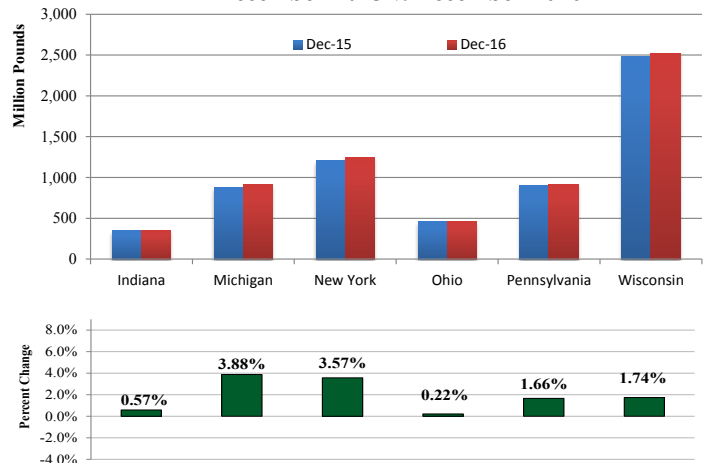
The number of milk cows on farms in the United States was 9.4 million head for December 2016, up 11,000 head from November and 38,000 head more than December 2015.

Milk Production Per Cow by Month, United States, 2014-2016



Production per cow in the United States averaged 1,908 pounds for December 2016, up 76 pounds from November 2016. December 2016 milk production per cow was up 33 pounds from the same month of the prior year.

Milk Production in Select Mideast States, December 2015 v. December 2016

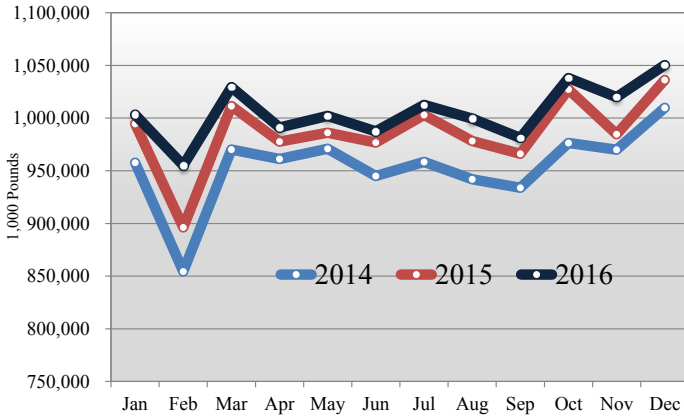


Milk production from selected states which pool on the Mideast marketing area totaled 6.4 billion pounds during December 2016, up 138 million pounds from the prior year. Milk production in Michigan was up 34 million pounds while production in Ohio was up 1 million pounds.

1/ Source: National Agricultural Statistics Service (NASS), Agricultural Statistics Board, United States Department of Agriculture (USDA). Gaps in data in figures is due to NASS suspension of select data to meet sequestration requirements.

DAIRY PRODUCT PRODUCTION 1/

Total Cheese Production, 2014-2016



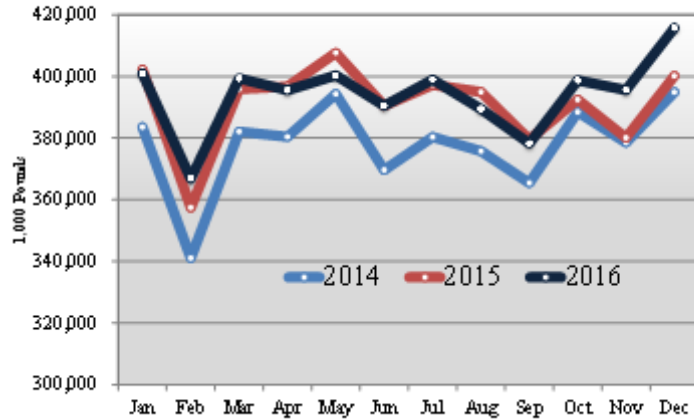
Dairy Product Production Summary:

Total cheese output (excluding cottage cheese) for December 2016 was 1.1 billion pounds, 1.3 percent above December 2015 and 3.0 percent above November 2016.

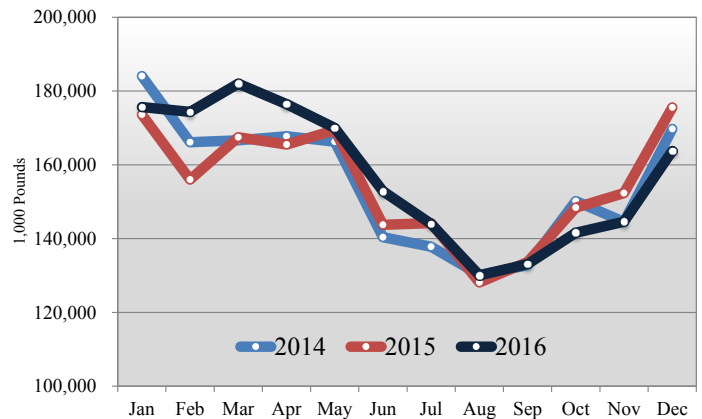
American type cheese production totaled 416 million pounds, 3.9 percent above December 2015 and 5.1 percent above November 2016.

Butter production was 164 million pounds, 6.7 percent below December 2015 and 13.3 percent above November 2016.

Total American Cheese Production, 2014-2016



Total Butter Production, 2014-2016



COMMERCIAL DISAPPEARANCE 2/

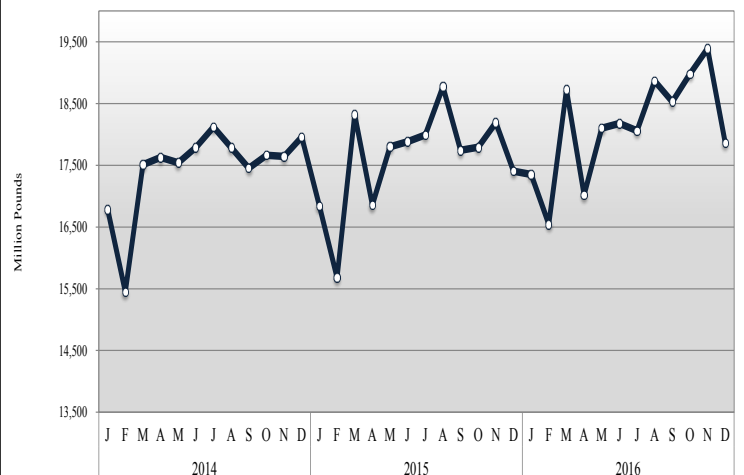
Commercial disappearance of milk in all productions represents the difference between the beginning monthly milk supply and the ending commercial stocks. Milk supply includes farm production, beginning inventory, imports and excludes milk used on the farm.

For December 2016 commercial disappearance of milk was 17.9 billion pounds, up 2.6 percent from the prior year. The cumulative disappearance total for 2016 is 218 billion pounds, an increase of 3.0 percent from the same 12-month period of 2015.

December 2016 commercial disappearance of American cheese was 405 million pounds, up 0.4 percent from the prior year.

December 2016 commercial disappearance of butter was 156 million pounds, the same from the prior year.

Commercial Disappearance of Milk in All Products, 2014-2016



1/ Source: National Agricultural Statistics Service (NASS), Agricultural Statistics Board, United States Department of Agriculture (USDA).

2/ Sources: NASS, ERS, FAS, FSA, Bureau of Census, and ERS calculations.