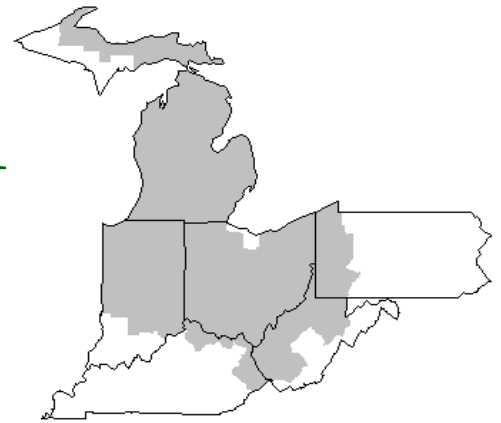


Mideast Market Administrator's Bulletin



Federal Order No. 33

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OCTOBER 2016

Recent Developments in Dairy Markets

Wholesale price movements for dairy products were mixed in August and the early part of September. The butter price as reported in the National Dairy Products Sales Report (NDPSR) peaked at \$2.244 per pound for the week ending August 20 before decreasing to \$2.120 per pound for the week ending September 3. From the week ending August 6 to the week ending September 3, prices for 40-pound cheddar cheese blocks rose from \$1.697 to \$1.825 per pound, and prices for 500-pound barrels (adjusted to 38 percent moisture) rose from \$1.812 to \$1.877 per pound. The NDPSR nonfat dry milk (NDM) price peaked at \$0.864 per pound for the week ending August 27 before decreasing to \$0.853 per pound for the week ending September 3. The NDPSR whey price rose from \$0.282 per pound for the week ending August 6 to \$0.298 for the week ending September 3.

Changes in NDPSR prices for cheese and butter typically follow changes in Chicago Mercantile Exchange (CME) spot prices. The weekly average cheddar cheese barrel price on the CME peaked at \$1.877 per pound for the week ending August 12, and the block price peaked at \$1.822 per pound for the week ending August 19.

By the first part of September, CME cheese prices had fallen, and for the week ending September 9, prices for barrels and blocks were \$1.634 and \$1.708 per pound, respectively. After rising slightly in early August, CME butter prices continued a downward trend, falling to \$2.035 per pound for the week ending September 9.

Butter prices have likely been driven down in part by persistently high supplies. Butter ending stocks reached 333.1 million pounds at the end of July, a 31.0-percent increase over July 2015. In recent years, butter stocks have typically peaked seasonally in May or June. However, ending stocks for butter moved higher from June to July of this year, the first monthly increase for July since 2004. Cheese stocks also remained high, with July ending stocks of 1.276 billion pounds, 9.9 percent above the previous year.

Less robust domestic demand appears to have contributed to the high butter and cheese stocks. On a milk-fat milk-equivalent basis, domestic commercial use in July was about the same as July 2015, and on a skim-solids milk-equivalent basis, it was 1.0 percent below July of the previous year. This compares with year-over-year increases in domestic use for the second quarter of 2.0 percent on a milk-fat basis and 4.7 percent on a skim-solids basis.

The 2016/17 corn price forecast is \$2.90-\$3.50 per bushel, a 5-cent increase on both ends of the range from last month's forecast. The 2016/17 soybean meal price forecast is \$300-\$340 per short ton, a decrease of \$5 on both ends of the range. The national average

price for alfalfa hay decreased from \$142 per short ton in June to \$140 in July, \$32 lower than July 2015.

The 2016 forecast for milk production has been raised to 212.2 billion pounds, 0.1 billion pounds more than last month's forecast. Based on recent milk production data and relatively low feed prices in recent months, the forecast for cow numbers has been raised by 10 thousand cows in both the third and fourth quarters. However, the 2016 forecasts for yield per cow remain unchanged.

Recent strength in exports of cream and cheese is expected to continue. On a milk-fat milk-equivalent basis, export forecasts have been raised by 0.1 billion pounds in both the third and fourth quarters. On a skim-solids milk-equivalent basis, exports have been raised by 0.2 billion pounds in the third quarter and 0.3 billion pounds in the fourth quarter.

Due to persistently high stocks of butter and cheese, the 2016 forecasts for ending stocks have been raised by 0.2 billion pounds on both a milk-fat basis and a skim-solids basis. Based on recent data, the 2016 forecast for domestic commercial use on a milk-fat basis is 209.0 billion pounds, 0.3 billion lower than last month's forecast. The 2016 forecast for domestic commercial use on a skim-solids basis is 180.3 billion pounds, 0.6 billion lower than last month's forecast.

(Continued on Page 3)

September 2016 Pool Summary

Classification of Producer Milk

	<i>Pounds</i>	<i>Percent</i>
Class I	560,578,781	37.4
Class II	342,994,480	22.9
Class III	340,680,667	22.7
Class IV	256,294,906	17.0
Total	1,500,548,834	100.0

Producer Prices

Producer Price Differential	\$ (0.12) / cwt
Butterfat Price	2.3082 / lb
Protein Price	2.5675 / lb
Other Solids Price	0.1096 / lb
Somatic Cell Adjustment Rate	0.00088 / cwt
Statistical Uniform Price	16.27 / cwt

ANNOUNCEMENT OF PRODUCER PRICES

Federal Order No. 33

September 2016

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			550,088,612			\$10.17 / cwt	\$55,944,011.85
Class I Butterfat		10,490,169				2.4975 / lb	26,199,197.13
Class I Location Differential	560,578,781						(234,790.82)
Class II SNF Value				29,072,199		0.7544 / lb	21,932,066.90
Class II Butterfat		21,063,237				2.3152 / lb	48,765,606.33
Class III Protein Value			10,428,437			2.5675 / lb	26,775,012.07
Class III Other Solids Value					19,508,047	0.1096 / lb	2,138,081.97
Class III Butterfat		11,941,230				2.3082 / lb	27,562,747.09
Class IV SNF Value				22,371,087		0.7097 / lb	15,876,760.45
Class IV Butterfat		11,192,015				2.3082 / lb	25,833,409.08
Somatic Cell Value II / III / IV							<u>1,179,682.74</u>
TOTAL PRODUCER MILK VALUE	1,500,548,834	54,686,651	45,644,374		85,946,875		\$251,971,730.79
Overages						29,585.60	
Beginning Inventory & OS Charges						44,969.56	
TOTAL ADJUSTMENTS							<u>74,555.16</u>
TOTAL HANDLER OBLIGATIONS							\$252,046,285.95
Total Protein Value			45,644,374 lbs	@	\$2.5675		\$(117,191,930.34)
Total Other Solids Value			85,946,875 lbs	@	0.1096		(9,419,777.50)
Butterfat Value			54,686,651 lbs	@	2.3082		(126,227,727.84)
Total Somatic Cell Values							<u>(1,841,201.19)</u>
TOTALS							\$ (2,634,350.92)
Net Producer Location Adjustments							\$ 968,563.92
1/2 Unobligated Balance Producer Settlement Fund							<u>466,000.00</u>
Total - Divided by Total Pounds			1,500,548,834 lbs		(0.0799565)		\$ (1,199,787.00)
Rate of Cash Reserve					(0.0400435)		<u>(600,872.27)</u>
PRODUCER PRICE DIFFERENTIAL at Cuyahoga County, OH*			1,500,548,834		\$(0.12) / cwt		\$ (1,800,659.27)

COMPONENT PRICES

September

COMPUTATION OF UNIFORM PRICE

September

	<u>2016</u>	<u>2015</u>		<u>2016</u>	<u>2015</u>
Butterfat Price	\$2.3082 / lb	\$2.7531 / lb	Class III Price - 3.5% BF	\$ 16.39	\$15.82
Protein Price	2.5675 / lb	1.9801 / lb	Producer Price Differential*	<u>(0.12)</u>	<u>0.95</u>
Other Solids Price	0.1096 / lb	0.0465 / lb	Statistical Uniform Price	\$16.27	\$16.77
Somatic Cell Adjustment Rate	0.00088 / cwt	0.00086 / cwt			
Nonfat Solids Price	0.7097 / lb	0.6266 / lb			

CLASS PRICES

September

CLASSIFICATION OF PRODUCER MILK

September

	<u>2016</u>	<u>2015</u>		<u>2016</u>	<u>2015</u>
Class I*	\$18.56	\$18.34	Product lbs.	Product lbs.	
Class II	14.66	15.36	Class I	560,578,781	521,387,256
Class III	16.39	15.82	Class II	342,994,480	357,069,564
Class IV	14.25	15.08	Class III	340,680,667	454,263,865
			<u>Class IV</u>	<u>256,294,906</u>	<u>227,743,273</u>
			Total	1,500,548,834	1,560,463,958

* Subject to Location Adjustment.

ORDER 33 MARKET SUMMARY

The Producer Price Differential for the Mideast Marketing Area for September 2016 was \$(0.12) and the Statistical Uniform Price was \$16.27 for the month. The Statistical Uniform Price is \$0.13 higher than last month, and is \$0.50 lower than September 2015.

The Producer Butterfat Price of \$2.3082 per pound decreased \$0.1791 from August and is down \$0.4449 from a year ago. The Protein Price of \$2.5675 is down \$0.0063 from last month and is up \$0.5874 from September 2015. The Other Solids Price in September was \$0.1096 per pound, an increase from last month's price of \$0.0881 and \$0.0631 higher than last September. The Somatic Cell Adjustment rate for September was \$0.00088.

September producer receipts of 1.50 billion pounds were 0.1 percent lower than August and 3.8 percent lower than September 2015 production of 1.56 billion pounds. Producer milk allocated to Class I accounted for 37.4 percent of the total producer milk in September 2016, higher than the 36.2 percent in August, and higher than the 33.4 percent in September 2015. A total of 5,377 producers were pooled on the Mideast Order compared to 5,503 producers pooled in September 2015.

The market average content of producer milk was as follows: Butterfat 3.64%; Protein 3.04%; Other Solids 5.73% and Nonfat Solids 8.77%.

(continued from Front Page)

With recent declines in cheese prices, forecasts for the third and fourth quarters have been lowered to \$1.740-\$1.760 and \$1.700-\$1.750 per pound, respectively. Likewise, butter price forecasts for the third and fourth quarters have been lowered to \$2.180-\$2.220 and \$2.005-\$2.085, respectively. With recent increases in NDM prices, higher prices abroad, and a stronger outlook for exports, NDM price forecasts for the third and fourth quarters have been raised to \$0.845-\$0.865 and \$0.880-\$0.920, respectively. Similarly, dry whey price forecasts for the third and fourth quarters have been raised to \$0.275-\$0.295 and \$0.285-\$0.315, respectively.

With lower expected cheese prices more than offsetting higher expected whey prices, Class III milk price forecasts for the third and fourth quarters have been lowered to \$16.20-\$16.40 and \$15.80-\$16.30 per cwt, respectively. With lower expected butter prices more than offsetting higher expected NDM prices, the Class IV milk price forecasts for the third and fourth quarters have been lowered to \$14.35-\$14.65 and \$13.95-\$14.55 per cwt, respectively. With lower forecasts for both Class III and Class IV milk, the all-milk price forecast for 2016 is \$16.10-\$16.30 per cwt, a reduction from last month's forecast of \$16.25-\$16.45 per cwt.

With lower expected feed costs, the 2017 forecast for milk per cow has been raised to 23,135 pounds per head. Milk cows are forecast at 9.340 million head. The 2017 milk production forecast is 216.1 billion pounds, 0.3 billion pounds higher than forecast last month and a year-over-year increase of 2.1 percent above 2016 (adjusted for leap year).

With relatively tight milk supplies expected in the EU and Oceania and increasing foreign dairy export prices, the United States is expected to become more competitive in global markets. Expectations for exports of WMP and whey products are greater for 2017, and forecasts of commercial exports have been increased to 8.9 billion pounds on a milk-fat basis (0.2 billion pounds more than last month's forecast) and to 38.1 billion pounds on a skim-solids basis (0.7 billion pounds more). Import forecasts for 2017 are unchanged from last month.

Based on recent weaker prices for butter and cheese and expectations of higher milk production in 2017, forecasts for butter and cheese prices have been lowered to \$1.955-\$2.085 and \$1.605-\$1.705 per pound, respectively. U.S. NDM prices tend to move closely with SMP export prices of major competitors. Based on recent price movements, both domestically and in foreign markets,

along with expectations for strength in exports, the 2017 price forecast for NDM has been raised to \$0.890-\$0.960 per pound. With expectations for greater exports of whey products, the dry whey price forecast has been raised to \$0.295-\$0.325 per pound.

With the lower expected cheese price more than offsetting the higher expected whey price, the Class III milk price forecast for 2017 has been lowered to \$14.95-\$15.95 per cwt. With the higher expected NDM price more than offsetting the lower expected butter price, the Class IV milk price forecast has been raised to \$13.80-\$14.90 per cwt. The all-milk price forecast for 2017 is \$16.15-\$17.15 per cwt, unchanged from last month's forecast.

Source: *Livestock, Dairy, and Poultry Outlook/LDP-M-267/September 16, 2016*
Economic Research Service, USDA

August Milk Production Up 1.9 Percent

Milk production in the 23 major States during August totaled 16.7 billion pounds, up 1.9 percent from August 2015. July revised production, at 16.9 billion pounds, was up 1.7 percent from July 2015. The July revision represented an increase of 0.3 percent or 48 million pounds from last month's preliminary production estimate.

The Mideast Marketing Area has four states represented in the 23 major states used above. They are Indiana, Michigan, Ohio, and Pennsylvania. Milk production in these Mideast states during August totaled 2.6 billion pounds, up 64 million pounds or 2.5 percent from August 2015.

Production per cow in the Mideast states averaged 1,886 pounds for August. This was an increase of 24 pounds from August 2015.

The number of cows on farms in the Mideast states was 1.4 million head, 14,000 head more than August 2015.

Bulletin WebPage Edition

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Featured this month are:

- Producer Milk Classification
- Statistical Uniform Price
- Class and Component Prices
- National Product Prices

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

State	August 2016 -----Weighted Averages-----						August 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	1,371	723,747	3.54	2.99	5.77	187	670,031	3.55	3.00	5.75	179
Ohio	1,826	364,493	3.62	3.00	5.72	221	346,819	3.58	3.01	5.70	226
Indiana	909	217,750	3.56	2.99	5.78	234	203,072	3.55	3.03	5.78	238
Pennsylvania	750	94,251	3.69	2.98	5.71	278	92,745	3.66	3.00	5.71	269
New York	217	88,985	3.68	3.00	5.74	199	103,913	3.69	3.01	5.76	220
Wisconsin	46	3,070	3.75	3.08	5.76	239	2,600	3.54	2.97	5.71	252
West Virginia	35	1,858	3.72	3.05	5.65	288	2,529	3.77	3.14	5.67	290
Other	116	7,834	3.65	3.02	5.71	262	4,953	3.71	3.07	5.69	318
Total/Average *	5,270	1,501,989	3.58	3.00	5.75	209	1,426,661	3.58	3.01	5.74	208

* 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
September 2016**

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)	2,176,679	754,289	34.6	\$0.71	\$17.10
FO 5 Appalachian - (Charlotte)	435,405	322,487	74.1	^{2/}	18.56
FO 6 Florida - (Tampa)	210,356	184,861	87.9	^{2/}	20.87
FO 7 Southeast - (Atlanta)	408,334	322,221	78.9	^{2/}	19.21
FO 30 Upper Midwest - (Chicago)	2,312,803	290,111	12.6	(0.02)	16.37
FO 32 Central - (Kansas City)	1,083,091	411,060	38.0	(0.07)	16.32
FO 33 Mideast - (Cleveland)	1,500,549	560,579	37.4	(0.12)	16.27
FO 124 Pacific Northwest - (Seattle)	608,026	167,598	27.6	(0.62)	15.77
FO 126 Southwest - (Dallas)	1,199,399	371,261	31.0	0.90	17.29
FO 131 Arizona - (Phoenix)	348,090	107,985	31.0	^{2/}	16.22

^{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.

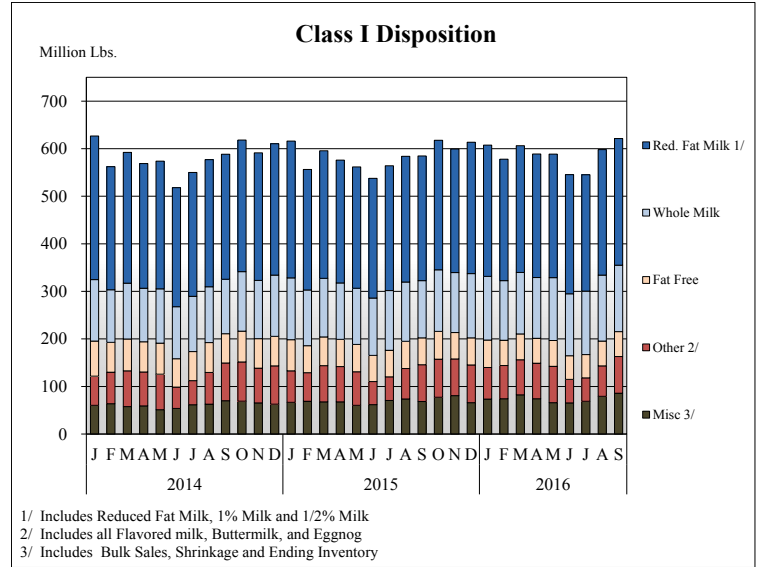
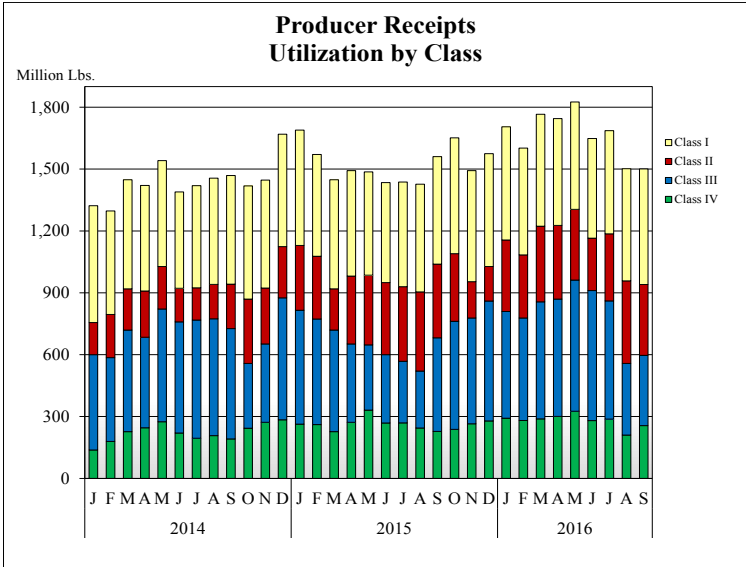
MINIMUM PARTIAL PAYMENT PRICE FOR OCTOBER 2016\$14.25 /cwt.

Mideast Market Administrator's Bulletin

Federal Order No. 33

Supplement
October 2016

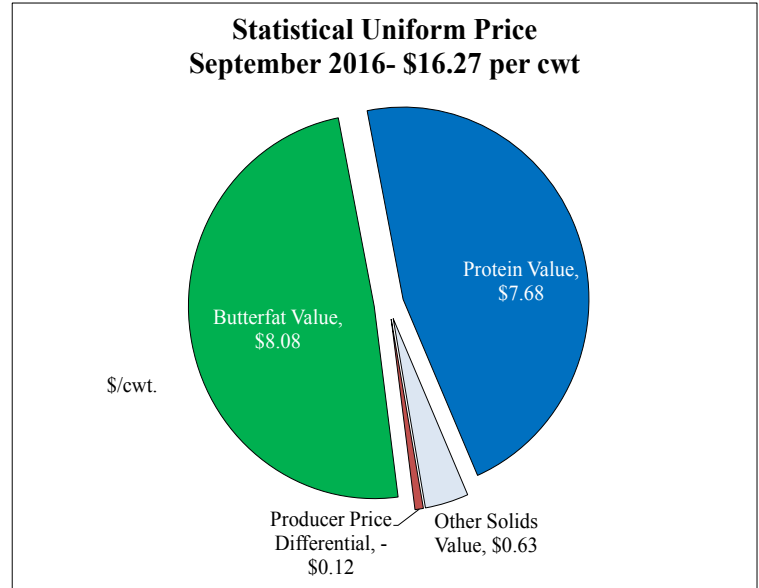
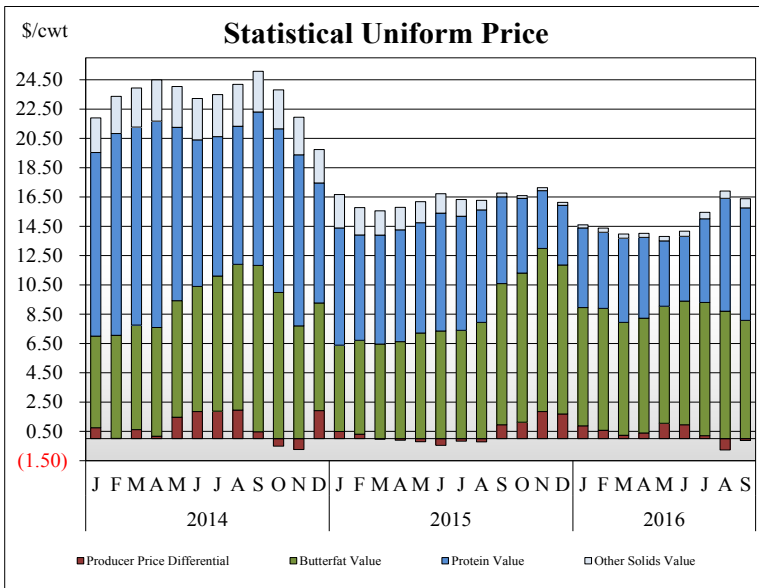
PRODUCER MILK CLASSIFICATION



Producer Receipts: Producer receipts for the Mideast Order totaled 1.501 billion pounds in September 2016. The pounds allocated to Class I represented 37.4 percent of the total pounds. Producer receipts decreased 2 million pounds compared to August 2016, and were down 59 million pounds from the prior year.

Class I Pounds: Class I Disposition for the Mideast Order totaled 621 million pounds in September 2016, up 23 million pounds from August 2015. Finished products include 139 million pounds used for whole milk, 266 million pounds of reduced fat and low fat milk, and 52 million pounds of fat free (skim) milk.

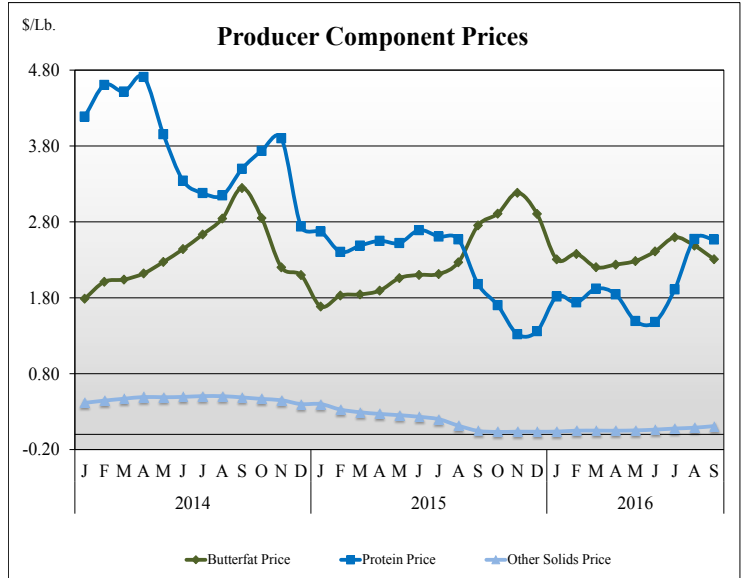
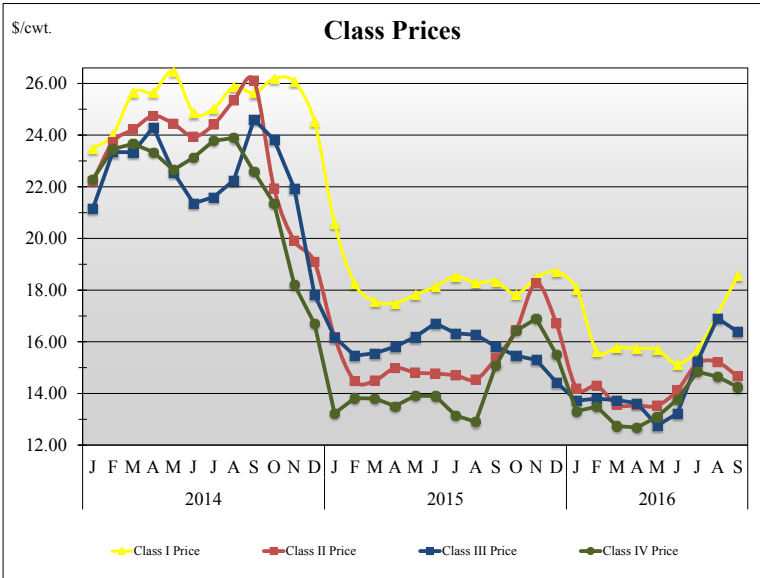
STATISTICAL UNIFORM PRICE



Statistical Uniform Price: The Mideast Federal Order Statistical Uniform Price (SUP) at Cuyahoga County, OH was \$15.27 per cwt for September 2016. The September 2016 SUP was \$0.50 per cwt lower than the September 2015 SUP. The September 2016 SUP is \$0.13 per cwt higher than the August 2016 SUP.

September 2016 Statistical Uniform Price: Using the Class III Price formula at 3.5% BF, the component values for the September 2016 SUP are: \$7.68 per cwt for protein, \$8.08 per cwt for butterfat and \$0.63 per cwt for other solids. Also included in the SUP is the \$-.012 per cwt producer price differential. (May not add to total due to rounding.)

CLASS AND COMPONENT PRICES



WEIGHTED AVERAGE NATIONAL PRODUCT PRICES

