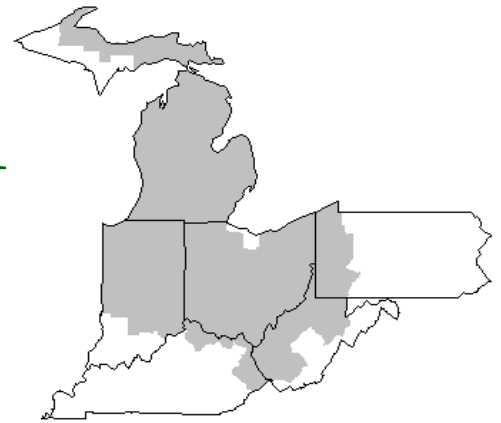


Mideast Market Administrator's Bulletin



Federal Order No. 33

Sharon R. Uther, Market Administrator

Phone: (330) 225-4758 Toll Free: (888) 751-3220

Email: clevelandma1@sprynet.com

WebPage: www.fmmaclev.com

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Recent Developments in Dairy Markets

Price directions for major dairy products were mixed in July and the first part of August. Prices for cheddar cheese, as reported in the National Dairy Products Sales Report (NDPSR), continued the upward climb from June. Prices for 40-pound blocks and 500-pound barrels (adjusted to 38-percent moisture) rose by \$0.139 and \$0.177 per pound, respectively, from the week ending July 9 to the week ending August 6. For the same weeks, the butter price fell by \$0.124 per pound. Prices for nonfat dry milk (NDM) and dry whey changed less than a penny per pound over the period.

The strength of cheddar cheese prices has been greater than expected given the high apparent supplies of cheese. June ending stocks for American-type cheese and total natural cheese were 10.6 percent and 9.6 percent above previous levels, respectively. However, these year-over-year increases are a reduction from 13.2 percent and 12.4 percent, respectively, for May.

The NDPSR cheese prices exclude cheese more than 30 days old on the date of sale. USDA cheese stock data are not categorized by age. However, there is some anecdotal evidence that, while aged cheese is abundant, markets for fresh and processed cheese may be relatively tight, contributing to higher prices reported by NDPSR. For example, Dairy Market News (USDA Agricultural Marketing Service) reports, "...inventories of aged cheese remain large in the Central region. Fresh cheese, processed cheese and cheese curds are all up in sales and manufacturers report little to no inventories." A relatively tight market for fresh and processed cheese may also explain why the differences between the reported prices of 500-pound barrels and 40-pound blocks have been wider than usual. Barrels are more widely used for processed cheese than blocks.

The USDA National Agricultural Statistics Service (NASS) reported June milk production of 17.8 billion pounds, up 1.5 percent from June 2015. Milk per cow averaged 1,905 pounds, 27 pounds above June 2015. NASS reported milk cow numbers at 9.328 million head, 5,000 more than June 2015. Both imports and exports increased from May to June. On a milk-fat milk-equivalent basis, imports increased by 22 million pounds, while exports increased by 33 million pounds. On a skim-solids milk-equivalent basis, imports increased by 22 million pounds while exports increased by 85 million pounds. Notably, exports of whey products increased by 11 million pounds from May to June, while exports of NDM and skim milk powder decreased by 3 million pounds.

Domestic demand for dairy products was relatively high in the first half of 2016, 3.0 percent above the first half of 2015 on a milk-fat basis and 3.9 percent higher on a skim-solids basis. In addition to the relatively high stock levels for cheese, ending butter stocks for

June remained high, 27.4 percent above June 2015. June ending stocks for NDM were 9.4 percent below the previous year.

Feed price forecasts for 2015/2016 and 2016/17 have been lowered substantially from last month. The 2015/16 corn price forecast is \$3.55-\$3.65 per bushel. The 2016/17 corn price forecast is \$2.85-\$3.45 per bushel, down \$0.25 from last month at both ends of the range. The estimated 2015/16 soybean meal price is \$325 per short ton. The 2016/17 soybean meal price forecast is \$305-\$345 per short ton, down \$20 at both ends of the range. The national average price for alfalfa hay decreased from \$147 per short ton in May to \$142 in June.

A July report by USDA's Foreign Agricultural Service reports that global prices for skim milk powder and whole milk powder have risen recently, likely attributable to lower exportable supplies among several key traders and higher demand in many Asian countries. The 2016 milk production forecast for the top five exporters is about 1 percent above 2015, with year-over-year increases expected for the European Union (EU) and the United States but decreases for Argentina, Australia, and New Zealand. Notably, while EU milk production increased substantially in the first part of 2016, the pace of milk output is expected to decline sharply for the remainder of the year.

The 2016 forecast for milk production has been lowered by 0.3 billion pounds. Based on recent data, the milk per cow forecast is lowered by 10 pounds and 20 pounds per head in the third and fourth quarters, respectively. However, milk cow number forecasts for the second half of 2016 remain unchanged.

(Continued on Page 3)

August 2016 Pool Summary

Classification of Producer Milk

	<i>Pounds</i>	<i>Percent</i>
Class I	543,530,865	36.2
Class II	400,793,110	26.7
Class III	347,405,807	23.1
Class IV	209,959,910	14.0
Total	1,501,689,692	100.0

Producer Prices

Producer Price Differential	\$ (0.77) / cwt
Butterfat Price	2.4873 / lb
Protein Price	2.5738 / lb
Other Solids Price	0.0881 / lb
Somatic Cell Adjustment Rate	0.00091 / cwt
Statistical Uniform Price	16.14 / cwt

ANNOUNCEMENT OF PRODUCER PRICES

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August 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			533,261,289			\$8.16 / cwt	\$43,514,121.19
Class I Butterfat		10,269,576				2.6273/ lb	26,981,257.03
Class I Location Differential	543,530,865						(257,764.30)
Class II SNF Value				34,147,482		0.7456/ lb	25,460,362.58
Class II Butterfat		24,553,449				2.4943/ lb	61,243,667.82
Class III Protein Value			10,474,529			2.5738/ lb	26,959,342.73
Class III Other Solids Value					20,022,602	0.0881/ lb	1,763,991.23
Class III Butterfat		11,574,954				2.4873/ lb	28,790,383.10
Class IV SNF Value				18,397,899		0.6841/ lb	12,586,002.71
Class IV Butterfat		7,402,486				2.4873/ lb	18,412,203.43
Somatic Cell Value II / III / IV							<u>1,207,936.01</u>
TOTAL PRODUCER MILK VALUE	1,501,689,692	53,800,465	44,992,484		86,410,309		\$246,661,503.53
Overages						83,334.60	
Beginning Inventory & OS Charges						66,894.44	
TOTAL ADJUSTMENTS							<u>150,229.04</u>
TOTAL HANDLER OBLIGATIONS							\$246,811,732.57
Total Protein Value			44,992,484 lbs	@	\$2.5738		\$(115,801,655.35)
Total Other Solids Value			86,410,309 lbs	@	0.0881		(7,612,748.22)
Butterfat Value			53,800,465 lbs	@	2.4873		(133,817,896.59)
Total Somatic Cell Values							<u>(1,849,655.57)</u>
TOTALS							\$(12,270,223.16)
Net Producer Location Adjustments							\$ 805,844.12
1/2 Unobligated Balance Producer Settlement Fund							<u>582,000.00</u>
Total - Divided by Total Pounds			1,501,689,692 lbs		(0.7246756)		\$(10,882,379.04)
Rate of Cash Reserve					<u>(0.0453244)</u>		<u>(680,631.84)</u>
PRODUCER PRICE DIFFERENTIAL at Cuyahoga County, OH*			1,501,589,692		\$(0.77) / cwt		\$(11,563,010.88)

COMPONENT PRICES

August

COMPUTATION OF UNIFORM PRICE

August

	<u>2016</u>	<u>2015</u>		<u>2016</u>	<u>2015</u>
Butterfat Price	\$2.4873 / lb	\$2.2674 / lb	Class III Price - 3.5% BF	\$ 16.91	\$16.27
Protein Price	2.5738 / lb	2.5692 / lb	Producer Price Differential*	<u>(0.77)</u>	<u>(0.22)</u>
Other Solids Price	0.0881 / lb	0.1151 / lb	Statistical Uniform Price	\$16.14	\$16.05
Somatic Cell Adjustment Rate	0.00091 / cwt	0.00087 / cwt			
Nonfat Solids Price	0.6841 / lb	0.5707 / lb			

CLASS PRICES

August

CLASSIFICATION OF PRODUCER MILK

August

	<u>2016</u>	<u>2015</u>		<u>2016</u>	<u>2015</u>
Class I*	\$17.07	\$18.28	Class I	Product lbs. 543,530,865	Product lbs. 522,631,249
Class II	15.21	14.54	Class II	400,793,110	383,743,076
Class III	16.91	16.27	Class III	347,405,807	275,909,870
Class IV	14.65	12.90	Class IV	<u>209,959,910</u>	<u>244,467,619</u>
			Total	1,501,689,692	1,426,751,814

* Subject to Location Adjustment.

ORDER 33 MARKET SUMMARY

The Producer Price Differential for the Mideast Marketing Area for August 2016 was \$-0.77 and the Statistical Uniform Price was \$16.14 for the month. The Statistical Uniform Price is \$0.69 higher than last month, and is \$0.09 higher than August 2015.

The Producer Butterfat Price of \$2.4873 per pound decreased \$0.1091 from July and is up \$0.2199 from a year ago. The Protein Price of \$2.5738 is up \$0.6626 from last month and is up \$0.0046 from August 2015. The Other Solids Price in August was \$0.0881 per pound, an increase from last month's price of \$0.0774 and \$0.0270 lower than last August. The Somatic Cell Adjustment rate for August was \$0.00091.

August producer receipts of 1.50 billion pounds were 10.9 percent lower than July and 5.3 percent higher than August 2015 production of 1.43 billion pounds. Producer milk allocated to Class I accounted for 36.2 percent of the total producer milk in August 2016, higher than the 29.7 percent in July, and lower than the 36.6 percent in August 2015. A total of 5,293 producers were pooled on the Mideast Order compared to 5,534 producers pooled in August 2015.

The market average content of producer milk was as follows: Butterfat 3.58%; Protein 3.00%; Other Solids 5.75% and Nonfat Solids 8.75%.

(continued from Front Page)

With recent increases in wholesale cheese prices and relatively high expected demand, the cheese price forecasts have been raised to \$1.750-1.780 and \$1.725-\$1.785 per pound in the third and fourth quarters, respectively. Whey prices are forecast slightly higher in the third quarter, \$0.270-0.290 per pound, but are unchanged in the fourth quarter at \$0.265-0.295 per pound. NDM prices are also slightly higher, at \$0.830-0.860 per pound for the third quarter and \$0.825-0.875 for the fourth quarter. Given recent price movements and large stocks, butter prices are forecast lower, at \$2.235-\$2.295 and \$2.185-2.275 per pound in the third and fourth quarters, respectively.

Significantly higher cheese prices result in increased Class III price forecasts, \$16.25-\$16.55 and \$16.00-16.60 per hundredweight (cwt) in the third and fourth quarters, respectively. With the lower butter prices more than offsetting higher NDM prices, Class IV price forecasts have been reduced to \$14.50-14.90 and \$14.25-14.95 per cwt in the third and fourth quarters, respectively. The all-milk price forecasts are raised to \$16.80-17.10 per cwt for the third quarter and \$17.60-18.20 per cwt for the fourth quarter. For the year, the all-milk price forecast is \$16.25-\$16.45 per cwt, up from \$15.55-15.85 forecast last month.

As improved returns are expected to result in higher feeding of quality ingredients, the 2017 forecast of yield per cow has been raised by 10 pounds per head. The milk production forecast has been raised to 215.8 billion pounds, 0.2 billion pounds more than forecast last month.

With larger expected imports of products with high milk-fat content, milk-fat basis imports for 2017 are raised to 6.9 billion pounds, 0.2 billion more than forecast last month. The export forecast on a milk-fat basis is unchanged at 8.7 billion pounds. With higher butter stocks expected to continue into 2017, milk-fat basis ending stocks are now predicted to be 13.0 billion pounds, 0.2 billion pounds higher than last month. The milk-fat basis domestic use forecast for 2017 is up to 213.8 billion for the year, an increase of 0.5 billion pounds above last month's forecast.

With higher expected demand and improving international markets, the 2017 price forecasts for cheese, butter, and dry whey are raised to \$1.615-\$1.715, \$1.965-\$2.095, and \$0.285-\$0.315 per pound, respectively. The NDM price forecast is unchanged from last month.

The increase in cheese price and whey price forecasts results in a Class III price forecast raised to \$15.00-16.00 per cwt. With the higher butter price forecast, the Class IV price forecast is raised to \$13.60-14.70 per cwt. The all-milk price forecast for 2017 is raised to \$16.15-17.15 per cwt, an increase from \$15.70-\$16.70 forecast last month.

Source: *Livestock, Dairy, and Poultry Outlook/LDP-M-266/August 18, 2016*
Economic Research Service, USDA

July Milk Production Up 1.4 Percent

Milk production in the 23 major States during July totaled 16.8 billion pounds, up 1.4 percent from July 2015. June revised production, at 16.7 billion pounds, was up 1.6 percent from June 2015. The June revision represented an increase of 0.1 percent or 9 million pounds from last month's preliminary production estimate.

Production per cow in the 23 major States averaged 1,946 pounds for July, 24 pounds above July 2015.

The number of milk cows on farms in the 23 major States was 8.65 million head, 19,000 head more than July 2015, and 2,000 head more than June 2016.

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 July totaled 2.7 billion pounds, up 50 million pounds or 1.9 percent from July 2015.

Production per cow in the Mideast states averaged 1,894 pounds for July. This was an increase of 14 pounds from July 2015.

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

Bulletin WebPage Edition

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Featured this month are:

- Mailbox Prices
- Producer Price Differential & Uniform Price Statistics
- Grain & Alfalfa Hay Prices

Weighted Averages - Butterfat, Protein, Other Solids, Somatic Cell Count by State

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State	July 2016 -----Weighted Averages-----						July 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	1,403	831,388	3.53	2.98	5.79	179	654,408	3.54	2.98	5.76	173
Ohio	1,881	423,783	3.63	3.00	5.75	208	371,120	3.58	2.98	5.69	222
Indiana	913	217,351	3.57	2.99	5.80	224	201,410	3.58	3.02	5.82	229
New York	236	107,751	3.69	3.01	5.76	191	102,232	3.69	3.00	5.76	215
Pennsylvania	744	96,210	3.69	2.98	5.74	252	97,474	3.66	2.97	5.72	264
Wisconsin	19	853	3.46	2.93	5.66	290	2,783	3.51	2.95	5.71	256
West Virginia	39	2,916	3.71	3.05	5.72	303	2,680	3.76	3.09	5.69	301
Other	111	5,851	3.69	3.00	5.71	264	5,103	3.69	3.02	5.70	309
Total/Average *	5,346	1,686,103	3.58	2.99	5.77	198	1,437,210	3.58	2.99	5.75	203

* 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
August 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)	2,244,677	711,621	31.7	\$0.06	\$16.97
FO 5 Appalachian - (Charlotte)	469,731	348,681	74.2	^{2/}	17.62
FO 6 Florida - (Tampa)	220,576	185,585	84.1	^{2/}	19.51
FO 7 Southeast - (Atlanta)	419,230	339,478	81.0	^{2/}	18.24
FO 30 Upper Midwest - (Chicago)	2,173,372	286,895	13.2	(0.25)	16.66
FO 32 Central - (Kansas City)	994,087	414,862	41.7	(0.82)	16.09
FO 33 Mideast - (Cleveland)	1,501,690	543,531	36.2	(0.77)	16.14
FO 124 Pacific Northwest - (Seattle)	588,362	162,075	27.6	(1.12)	15.79
FO 126 Southwest - (Dallas)	585,132	378,521	64.7	(0.08)	16.83
FO 131 Arizona - (Phoenix)	362,756	112,260	31.0	^{2/}	16.16

^{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 SEPTEMBER 2016.....\$14.65 /cwt.