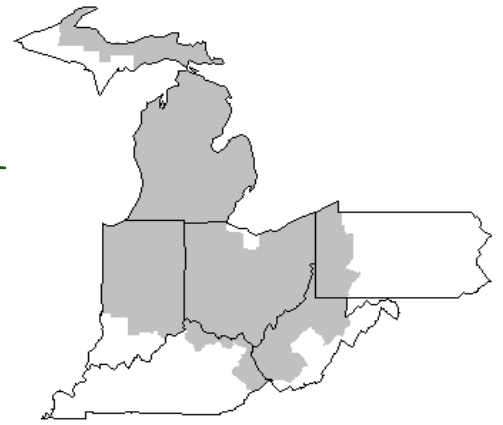


Mideast Market Administrator's Bulletin



Federal Order No. 33

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Recent Developments in Dairy Markets

From the week ending November 5 to the week ending December 3, prices for all products reported in USDA's National Dairy Products Sales Report (NDPSR) increased. The largest increases were for cheddar cheese (\$0.275 per pound for 40-pound blocks and \$0.189 for 500-pound barrels). For the 2 weeks ending November 11 and November 25, all of the Oceania prices reported by USDA's Agricultural Marketing Service rose at the lower end of the price ranges except for cheddar cheese, which was unchanged. It is notable that the U.S. domestic prices for butter and cheese were higher than the Oceania export prices, while the U.S. domestic prices for nonfat dry milk (NDM) were lower than the Oceania export prices for skim milk powder (SMP).

While prices have been increasing for Oceania, they have also been increasing for the EU. On November 24, the European Commission (EC) reported that the European milk market "is showing encouraging recovery signs" and that the EU would open a tender procedure for almost 50 million pounds of SMP, about 6 percent of total SMP intervention stocks held by the EU. The EC stated that the release of stocks would be "to test the market reaction" (see https://ec.europa.eu/agriculture/newsroom_en).

From September to October, exports increased by about 153 million pounds on a milk-fat milk-equivalent basis, with higher exports of butterfat products to Canada comprising a sizable proportion of the increase. Since August 1, Canada has allowed temporary supplementary imports of butterfat products and cream (in addition to imports usually allowed under tariff rate quotas) to alleviate shortages. Exports on a skim-solids milk-equivalent basis increased by about 314 million pounds, with higher exports of NDM, whey products, and lactose comprising most of the increase.

U.S. milk production for October was 17.6 billion pounds, a 2.5-percent increase from October 2015. Milk per cow was 1,880 pounds per head, 42 pounds higher than in October 2015. The number of milk cows was 9.340 million head, 15,000 more than October 2015 but 2,000 less than September 2016.

Factors contributing to the growing U.S. milk supply in recent months include higher milk prices, lower feed prices, lower cull cow prices, and attenuation of the drought in parts of California and other western areas. For California (the State with the highest milk production), October was the first month since November 2014 with a year-over-year increase in milk production. While the drought has become less severe parts of California, some eastern areas of the United States have recently experienced drought, possibly limiting the increase in U.S. milk production to some extent.

Based on recent data, the fourth quarter forecast for number of milk cows is 9.335 million head, 10,000 fewer than last month's

forecast. Milk per cow in the fourth quarter is forecast 5 pounds higher, at 5,620 pounds per head. With the reduction in milk cows more than offsetting the increase in milk per cow, the 2016 milk production forecast is 212.4 billion pounds, 0.1 billion pounds lower than forecast last month.

Exports on a milk-fat basis are forecast at 2.2 billion pounds for the fourth quarter, 0.1 billion pounds higher than last month's forecast, based on higher U.S. exports of butterfat products to Canada allowed through the temporary supplementary allowance. The forecast for fourth-quarter exports on a skim-solids basis is 1.5 billion pounds, 0.3 billion pounds higher than last month, based on recent gains in NDM and lactose exports. The import forecast on a milk-fat basis is 1.7 billion pounds in the fourth quarter, a reduction of 0.1 billion pounds from last month. On a skim-solids basis, the import forecast is reduced 0.2 billion pounds to 1.5 billion pounds for the quarter.

High stock levels have persisted over the last month; as a result, ending stocks for 2016 are increased on both milk-fat and skim-solids bases to 14.0 billion pounds and 13.8 billion pounds, respectively. With higher prices for most products in recent weeks, the domestic use forecasts have been reduced. On a milk-fat basis, the domestic use forecast is reduced 0.9 billion pounds to 209.0 billion pounds for the year; however, domestic use for the fourth quarter is still relatively high, about 5 percent above the fourth quarter of 2015. Domestic use on a skim-solids basis is forecast 0.8 billion pounds lower, at 179.2 billion pounds for the year.

(Continued on Page 3)

December 2016 - Pool Summary

Classification of Producer Milk

	<i>Pounds</i>	<i>Percent</i>
Class I	569,601,250	37.0
Class II	279,544,099	18.2
Class III	366,996,648	23.8
Class IV	323,966,257	21.0
Total	1,540,108,254	100.0

Producer Prices

Producer Price Differential	\$ (0.61) / cwt
Butterfat Price	2.3354 / lb
Protein Price	2.6922 / lb
Other Solids Price	0.2063 / lb
Somatic Cell Adjustment Rate	0.00090 / cwt
Statistical Uniform Price	16.79 / cwt

ANNOUNCEMENT OF PRODUCER PRICES

Federal Order No. 33

December 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			558,133,814			\$11.84 / cwt	\$ 66,083,043.56
Class I Butterfat		11,467,436				2.1304/ lb	24,430,225.66
Class I Location Differential	569,601,250						(293,660.48)
Class II SNF Value				24,318,155		0.8133/ lb	19,777,955.44
Class II Butterfat		19,372,606				2.3424/ lb	45,378,392.31
Class III Protein Value			11,850,779			2.6922/ lb	31,904,667.23
Class III Other Solids Value					21,154,319	0.2063/ lb	4,364,136.00
Class III Butterfat		14,172,650				2.3354/ lb	33,098,806.83
Class IV SNF Value				28,844,636		0.7822/ lb	22,562,247.26
Class IV Butterfat		15,270,206				2.3354/ lb	35,662,039.11
Somatic Cell Value II / III / IV							<u>1,489,624.82</u>
TOTAL PRODUCER MILK VALUE	1,540,108,254	60,282,898	49,619,330		88,741,606		\$ 284,457,504.74
Overages						33.60	
Beginning Inventory & OS Charges						119,924.60	
TOTAL ADJUSTMENTS							<u>119,958.20</u>
TOTAL HANDLER OBLIGATIONS							\$ 284,577,462.94
Total Protein Value			49,619,330 lbs	@	\$2.6922		\$(133,585,160.20)
Total Other Solids Value			88,741,606 lbs	@	0.2063		(18,307,393.30)
Butterfat Value			60,282,898 lbs	@	2.3354		(140,784,679.97)
Total Somatic Cell Values							<u>(2,390,356.01)</u>
TOTALS							\$ (10,490,126.54)
Net Producer Location Adjustments							\$ 1,104,966.86
1/2 Unobligated Balance Producer Settlement Fund							<u>697,000.00</u>
Total - Divided by Total Pounds			1,540,108,254 lbs		(0.5641266)		\$ (8,688,159.68)
Rate of Cash Reserve					<u>(0.0458734)</u>		<u>(706,500.02)</u>
PRODUCER PRICE DIFFERENTIAL at Cuyahoga County, OH*			1,540,108,254		\$(0.61) / cwt		\$ (9,394,659.70)

COMPONENT PRICES

December

COMPUTATION OF UNIFORM PRICE

December

	<u>2016</u>	<u>2015</u>		<u>2016</u>	<u>2015</u>
Butterfat Price	\$2.3354 / lb	\$2.9057 / lb	Class III Price - 3.5% BF	\$ 17.40	\$14.44
Protein Price	2.6922 / lb	1.3599 / lb	Producer Price Differential*	<u>(0.61)</u>	<u>1.69</u>
Other Solids Price	0.2063 / lb	0.0355 / lb	Statistical Uniform Price	\$16.79	\$16.13
Somatic Cell Adjustment Rate	0.00090 / cwt	0.00079 / cwt			
Nonfat Solids Price	0.7822 / lb	0.6153 / lb			

CLASS PRICES

December

CLASSIFICATION OF PRODUCER MILK

December

	<u>2016</u>	<u>2015</u>		<u>2016</u>	<u>2015</u>
Class I*	\$18.88	\$18.71	Product lbs.	Product lbs.	
Class II	15.26	16.71	Class I	569,601,250	547,506,002
Class III	17.40	14.44	Class II	279,544,099	167,306,623
Class IV	14.97	15.52	Class III	366,996,648	581,715,398
			<u>Class IV</u>	<u>323,966,257</u>	<u>278,456,138</u>
			Total	1,540,108,254	1,574,984,161

* Subject to Location Adjustment.

ORDER 33 MARKET SUMMARY

The Producer Price Differential for the Mideast Marketing Area for December 2016 was \$(0.61) and the Statistical Uniform Price was \$16.79 for the month. The Statistical Uniform Price is \$1.41 higher than last month, and is \$0.66 higher than December 2015.

The Producer Butterfat Price of \$2.3354 per pound increased \$0.2310 from November and is down \$0.5703 from a year ago. The Protein Price of \$2.6922 is down \$0.1163 from last month and is up \$1.3323 from December 2015. The Other Solids Price in December was \$0.2063 per pound, an increase from last month's price of \$0.1750 and \$0.1708 higher than last December. The Somatic Cell Adjustment rate for December was \$0.00090 per cwt.

December producer receipts of 1.54 billion pounds were 6.6 percent higher than November and 2.2 percent lower than December 2015 production of 1.57 billion pounds. Producer milk allocated to Class I accounted for 37.0 percent of the total producer milk in December 2016, lower than the 38.9 percent in November, and higher than the 34.8 percent in December 2015. A total of 5,150 producers were pooled on the Mideast Order compared to 5,497 producers pooled in December 2015.

The market average content of producer milk was as follows: Butterfat 3.91%; Protein 3.22%; Other Solids 5.76% and Nonfat Solids 8.98%.

(Continued from Front Page)

Based on recent price data, continued strong domestic demand, and expectations of higher exports on a skim-solids basis, dairy product price forecasts have been raised. Fourth quarter 2016 price forecasts for cheddar cheese, dry whey, butter, and NDM are \$1.690-\$1.710, \$0.355-\$0.375, \$1.920-\$1.960, and \$0.920-\$0.940 per pound, respectively. The higher product prices translate to higher fourth quarter forecasts for Class III and Class IV milk of \$16.05-\$16.25 and \$13.90-\$14.20 per cwt, respectively. The all-milk price forecast for the fourth quarter is \$17.05-\$17.25 per cwt, an increase from \$16.80-\$17.10 forecast last month. For the year, the all-milk price forecast is \$16.05-\$16.15 per cwt, an increase from \$16.00-\$16.10 forecast last month.

Small changes have been made in feed price forecasts from last month. The corn price forecast for 2016/17 is \$3.05-\$3.65 per bushel, an increase of \$0.05 on both ends of the range. The soybean meal forecast for 2016/17 is unchanged at \$305-\$345 per short ton. The alfalfa hay price decreased from \$137 to \$135 per short ton from September to October.

Exports on a milk-fat basis are forecast lower than last month, at 8.4 billion pounds (0.5 billion pounds lower), and are now expected to fall from 2016; this is largely due to a less competitive position for cheese exports due to higher expected domestic prices. However, exports on a skim-solids basis are expected to gain in 2017 due to strong expected demand for NDM and lactose, especially from Asian countries. The export forecast for 2017 on a skim-solids basis is 40.1 billion pounds, 0.4 billion pounds higher than last month. The 2017 forecast for imports on a milk-fat basis is 7.0 billion pounds, 0.1 billion less than last month; on a skim-solids basis, the import forecast is 6.2 billion pounds, 0.2 billion pounds lower.

As domestic demand for cheese and butter is expected to remain relatively strong in 2017, the 2017 forecast for domestic use on a milk-fat basis is increased slightly this month to 214.8 billion pounds. With higher expected prices for NDM, the domestic use forecast on a skim-solids basis is lowered to 182.5 billion (0.4 billion pounds lower). Ending stock forecasts for 2017 have been raised to 13.7 pounds on a milk-fat basis (0.9 billion pounds higher) but are unchanged at 13.2 billion pounds on a skim-solids basis.

With expected strength in domestic demand, higher exports of nonfat dry milk and lactose, and lower milk production compared to last month's forecasts, all of the dairy product price forecasts for 2017 have been raised. Price forecasts for cheddar cheese, dry whey,

butter, and NDM are \$1.650-\$1.730, \$0.380-\$0.410, \$1.920-\$2.030, and \$0.950-\$1.010 per pound, respectively. With higher dairy product price forecasts across the board, the Class III and IV milk price forecasts are raised to \$15.85-\$16.65 and \$14.20-\$15.10, respectively. The 2017 all-milk price is forecast is \$16.85-\$17.65, an increase from \$16.30-\$17.20 forecast last month.

Source: *Livestock, Dairy, and Poultry Outlook/LDP-M-270/December 15, 2016*
Economic Research Service, USDA

November Milk Production Up 2.6 Percent

Milk production in the 23 major States during November totaled 16.1 billion pounds, up 2.6 percent from November 2015. October unrevised production at 16.5 billion pounds, was up 2.7 percent from October 2015.

Production per cow in the 23 major States averaged 1,851 pounds for November, 40 pounds above November 2015. This is the highest production per cow for the month of November since the State series began in 2003.

The number of milk cows on farms in the 23 major States was 8.67 million head, 33,000 head more than November 2015, and 4,000 head more than October 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 November totaled 2.5 billion pounds, up 74 million pounds or 3.0 percent from November 2015.

Production per cow in the Mideast states averaged 1,814 pounds for November 39 pounds above November 2015.

The number of cows on farms in the Mideast states was 1.4 million head, this was 4,000 head more than November 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	November 2016						November 2015				
	Number of Producers	Pounds of Milk (000)	-----Weighted Averages -----				Pounds of Milk (000)	-----Weighted Averages -----			
			Butterfat	Protein	Other Solids	SCC (000)		Butterfat	Protein	Other Solids	SCC (000)
Michigan	1,361	695,344	3.76	3.17	5.77	166	725,890	3.73	3.16	5.74	150
Ohio	1,833	341,021	3.89	3.22	5.72	186	373,061	3.87	3.20	5.70	179
Indiana	910	217,930	3.83	3.22	5.81	191	194,690	3.80	3.20	5.76	188
Pennsylvania	757	90,053	4.02	3.22	5.73	226	89,203	3.94	3.18	5.71	228
New York	210	86,456	3.94	3.19	5.75	172	98,079	3.89	3.20	5.73	185
Wisconsin	44	4,520	4.11	3.33	5.69	186	4,312	3.69	3.08	5.69	219
West Virginia	40	2,517	4.15	3.37	5.66	233	2,392	4.09	3.34	5.66	235
Other	116	6,556	4.06	3.27	5.71	217	4,933	4.05	3.25	5.68	247
Total/Average *	5,271	1,444,397	3.83	3.19	5.76	179	1,492,558	3.80	3.18	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
December 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)	2,267,525	784,957	34.6	\$0.28	\$17.68
FO 5 Appalachian - (Charlotte)	484,255	346,386	71.5	^{2/}	19.34
FO 6 Florida - (Tampa)	234,849	195,492	83.2	^{2/}	21.64
FO 7 Southeast - (Atlanta)	467,461	334,877	71.6	^{2/}	19.78
FO 30 Upper Midwest - (Chicago)	2,109,158	305,898	14.5	(0.19)	17.21
FO 32 Central - (Kansas City)	1,051,840	433,195	41.2	(0.53)	16.87
FO 33 Mideast - (Cleveland)	1,540,108	569,601	37.0	(0.61)	16.79
FO 124 Pacific Northwest - (Seattle)	579,693	167,927	29.0	(1.03)	16.37
FO 126 Southwest - (Dallas)	606,518	373,985	61.7	0.25	17.65
FO 131 Arizona - (Phoenix)	408,267	110,754	27.1	^{2/}	16.80

^{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 JANUARY 2017\$14.97 /cwt.