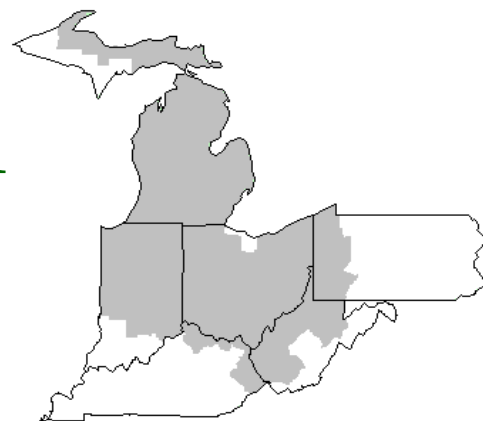


Mideast Market Administrator's Bulletin



Federal Order No. 33

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JULY 2017

Dairy Outlook

In recent weeks, wholesale prices for most dairy products, as reported in the USDA *National Dairy Products Sales Report* (NDPSR), have moved upward. The butter price increased the most, by about 23 cents per pound from the week ending April 29 to the week ending June 3. The exception was dry whey, which decreased by 2.7 cents per pound over the same period. Export prices of foreign competitors have also strengthened significantly in recent weeks, especially for Europe. USDA *Dairy Market News* reported that for the 2 weeks ending June 9, the European export prices for butter and skim milk powder (SMP) were \$2.68-\$2.80 and \$0.99-\$1.07 per pound, respectively. At the midpoints of the ranges, these prices were 49 cents and 15 cents higher, respectively, than the European export prices reported for the 2 weeks ending May 12.

April milk production totaled 18.3 billion pounds, 2.0 percent above April 2016. Milk cows numbered 9.390 million head, 8,000 head more than March 2017. April milk per cow averaged 65.0 pounds per day, 0.8 pounds higher than April 2016. While milk per cow continues to increase, the year-over-year rate of growth slowed significantly from 2.3 percent in October to 1.2 percent in March and April.

Domestic use on a milk-fat milk-equivalent basis in April was 4.4 percent higher than April 2016. This contrasts with a year-over-year decline of 1.7 percent in the first quarter of 2017. Commercial disappearance of butter was particularly strong in April, 22.8 percent higher than April 2016. On a skim-solids milk-equivalent basis, commercial use in April was 0.6 percent lower than April 2016. This follows a 1.4 percent year-over-year decline in the first quarter of 2017.

April dairy exports on a milk-fat basis were 724 million pounds, 53 million less than March but 64 million greater than April 2016. On a skim-solids basis, dairy exports have continued to grow, with April exports of 3.467 billion pounds, 68 million more than March and 348 million more than April 2016. Notably, exports of nonfat dry milk and skim milk powder (NDM/SMP) increased from 107 million to 123 million pounds from March to April. Exports of NDM/SMP have trended upward in 2016 and the first 4 months of 2017. Mexico has consistently been the largest export destination for NDM/SMP.

Imports on a milk-fat basis were 478 million pounds in April, 34 million pounds higher than April 2016. This contrasts with a year-over-year decrease of 15 million pounds on a skim-solids basis for April to 485 million pounds.

Overall, ending stock levels remained high for April, with year-over-year increases of 837 million pounds on a milk-fat basis and

437 million pounds on a skim-solids basis. However, it is notable that butter stocks of 292 million pounds at the end of April were 3.5 million pounds less than April 2016—the first month since March 2015 that butter stocks were below the previous year.

For the 2016/17 marketing year, prices for corn and soybean meal are estimated to be \$3.25-\$3.45 per bushel and \$315 per short ton, respectively. The 2017/18 price forecasts for corn and soybean meal are unchanged from last month at \$3.00-\$3.80 per bushel and \$295-\$335 per short ton, respectively. The alfalfa hay price in April was \$148 per short ton, \$13 higher than March but \$6 lower than April 2016.

Based on recent milk cow numbers, the milk cow forecast has been raised for all remaining quarters in 2017, averaging 9.395 million head, 10 thousand more than forecast last month. However, the yield forecast for 2017 has been lowered 45 pounds per head to 23,065 pounds, as year-over-year growth remains slow. The milk production forecast for 2017 is 216.7 billion pounds, 0.2 billion pounds lower than last month's forecast.

Small changes have been made in the trade forecasts on a milk-fat basis for 2017. The import forecast has been raised 0.1 billion pounds from last month's forecast to 6.0 billion, due to higher expected imports of cheese and butterfat products. The export forecast on a milk-fat basis has been lowered by 0.1 billion pounds to 8.4 billion pounds. The domestic use forecast on a milk-fat basis has been raised by 0.1 billion pounds to 213.1 billion, as recent data on consumption and prices indicate stronger domestic demand. Ending stocks for the year on a milk-fat basis are forecast at 12.9 billion pounds, 0.3 billion lower than last month. *(Continued on Page 3)*

June 2017 - Pool Summary

Classification of Producer Milk

| | Pounds | Percent |
|-----------|---------------|---------|
| Class I | 510,735,218 | 28.7 |
| Class II | 361,260,001 | 20.3 |
| Class III | 603,239,899 | 33.9 |
| Class IV | 301,624,610 | 17.1 |
| Total | 1,776,859,728 | 100.0 |

Producer Prices

| | |
|------------------------------|---------------|
| Producer Price Differential | \$ 0.27 / cwt |
| Butterfat Price | 2.7066 / lb |
| Protein Price | 1.7545 / lb |
| Other Solids Price | 0.3014 / lb |
| Somatic Cell Adjustment Rate | 0.00081 / cwt |
| Statistical Uniform Price | 16.71 / cwt |

ANNOUNCEMENT OF PRODUCER PRICES

Federal Order No. 33

June 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 | | | 500,575,612 | | | \$9.34 / cwt | \$ 46,753,762.19 |
| Class I Butterfat | | 10,159,606 | | | | 2.3692/ lb | 24,070,138.57 |
| Class I Location Differential | 510,735,218 | | | | | | (255,762.60) |
| Class II SNF Value | | | | 30,666,786 | | 0.7656/ lb | 23,478,493.67 |
| Class II Butterfat | | 25,108,696 | | | | 2.7136/ lb | 68,134,957.44 |
| Class III Protein Value | | | 18,478,547 | | | 1.7545/ lb | 32,420,610.69 |
| Class III Other Solids Value | | | | | 34,892,151 | 0.3014/ lb | 10,516,494.33 |
| Class III Butterfat | | 18,942,648 | | | | 2.7066/ lb | 51,270,171.08 |
| Class IV SNF Value | | | | 26,533,580 | | 0.7384/ lb | 19,592,395.45 |
| Class IV Butterfat | | 10,601,898 | | | | 2.7066/ lb | 28,695,097.12 |
| Somatic Cell Value II / III / IV | | | | | | | <u>1,695,389.92</u> |
| TOTAL PRODUCER MILK VALUE | 1,776,859,728 | 64,812,848 | 54,015,584 | | 102,214,120 | | \$ 306,371,747.86 |
| Overages | | | | | | \$ 8,242.76 | |
| Beginning Inventory & OS Charges | | | | | | 160,314.69 | |
| TOTAL ADJUSTMENTS | | | | | | | <u>168,557.45</u> |
| TOTAL HANDLER OBLIGATIONS | | | | | | | \$ 306,540,305.31 |
| Total Protein Value | | | 54,015,584 lbs | @ | \$1.7545 | | \$(94,770,342.12) |
| Total Other Solids Value | | | 102,214,120 lbs | @ | 0.3014 | | (30,807,335.80) |
| Butterfat Value | | | 64,812,848 lbs | @ | 2.7066 | | (175,422,454.41) |
| Total Somatic Cell Values | | | | | | | <u>(2,366,296.77)</u> |
| TOTALS | | | | | | | \$ 3,173,876.21 |
| Net Producer Location Adjustments | | | | | | | \$ 1,586,779.73 |
| 1/2 Unobligated Balance Producer Settlement Fund | | | | | | | <u>858,000.00</u> |
| Total - Divided by Total Pounds | | | 1,776,859,728 lbs | | 0.3162127 | | \$ 5,618,655.94 |
| Rate of Cash Reserve | | | | | <u>(0.0462127)</u> | | <u>(821,134.86)</u> |
| PRODUCER PRICE DIFFERENTIAL at Cuyahoga County, OH* | | | 1,776,859,728 | | \$0.27 / cwt | | \$ 4,797,521.08 |

COMPONENT PRICES

June

COMPUTATION OF UNIFORM PRICE

June

| | <u>2017</u> | <u>2016</u> | | <u>2017</u> | <u>2016</u> |
|------------------------------|---------------|---------------|------------------------------|-------------|-------------|
| Butterfat Price | \$2.7066 / lb | \$2.4109 / lb | Class III Price - 3.5% BF | \$ 16.44 | \$13.22 |
| Protein Price | 1.7545 / lb | 1.4807 / lb | Producer Price Differential* | <u>0.27</u> | <u>0.95</u> |
| Other Solids Price | 0.3014 / lb | 0.0628 / lb | Statistical Uniform Price | \$16.71 | \$14.17 |
| Somatic Cell Adjustment Rate | 0.00081 / cwt | 0.00072 / cwt | | | |
| Nonfat Solids Price | 0.7384 / lb | 0.6148 / lb | | | |

CLASS PRICES

June

CLASSIFICATION OF PRODUCER MILK

June

| | <u>2017</u> | <u>2016</u> | | <u>2017</u> | <u>2016</u> |
|-----------|-------------|-------------|-----------------|--------------------|--------------------|
| Class I* | \$17.31 | \$15.14 | Product lbs. | Product lbs. | Product lbs. |
| Class II | 16.15 | 14.12 | Class I | 510,735,218 | 483,005,691 |
| Class III | 16.44 | 13.22 | Class II | 361,260,001 | 253,884,323 |
| Class IV | 15.89 | 13.77 | Class III | 603,239,899 | 630,741,018 |
| | | | <u>Class IV</u> | <u>301,624,610</u> | <u>280,273,909</u> |
| | | | Total | 1,776,859,728 | 1,647,904,941 |

* Subject to Location Adjustment.

ORDER 33 MARKET SUMMARY

The Producer Price Differential for the Mideast Marketing Area for June 2017 was \$0.27 and the Statistical Uniform Price was \$16.71 for the month. The Statistical Uniform Price is \$1.04 higher than last month, and is \$2.54 higher than June 2016.

The Producer Butterfat Price of \$2.7066 per pound increased \$0.2932 from May and is up \$0.2957 from a year ago. The Protein Price of \$1.7545 is down \$0.0178 from last month and is up \$0.2738 from June 2016. The Other Solids Price in June was \$0.3014 per pound, a decrease from last month's price of \$0.3196 and \$0.2386 higher than last June. The Somatic Cell Adjustment rate for June was \$0.00081 per cwt.

June producer receipts of 1.78 billion pounds were 2.4 percent higher than May and 7.8 percent higher than June 2016 production of 1.65 billion pounds. Producer milk allocated to Class I accounted for 28.7 percent of the total producer milk in June 2017, lower than the 30.8 percent in May, and lower than the 29.3 percent in June 2016. A total of 4,984 producers were pooled on the Mideast Order compared to 5,336 producers pooled in June 2016.

The market average content of producer milk was as follows: Butterfat 3.65%; Protein 3.04%; Other Solids 5.75% and Nonfat Solids 8.79%.

(Continued from Front Page)

On a skim-solids milk-equivalent basis, the import forecast for the year is unchanged at 6.5 billion pounds. However, the export forecast has been raised 0.3 billion pounds to 40.8 billion, based on higher expected exports of NDM/SMP. Domestic use on a skim-solids basis is now forecast at 181.0 billion pounds for the year, 0.4 billion pounds lower than last month based on recent weakness in demand. Ending stocks for 2017 have been lowered to 9.9 billion pounds.

Product price forecasts for 2017 are mostly higher than last month due to lower expected milk production, greater expected demand on a milk-fat basis, and higher expected exports on a skim-solids basis. The butter price has been raised substantially, to \$2.280-\$2.350 per pound. The price forecasts for cheese and NDM have been raised to \$1.620-\$1.660 and \$0.895-\$0.935 per pound, respectively. The dry whey price forecast is \$0.490-\$0.510 per pound, one cent lower than last month's forecast at the upper end of the range. With the higher expected cheese price, the Class III price forecast has been raised to \$16.35-\$16.75 per cwt. The Class IV price forecast is also higher, at \$15.25-\$15.75, due to higher expected prices for butter and NDM. The all-milk price forecast for 2017 is \$17.80-\$18.20 per cwt, an increase from \$17.35-\$17.85 forecast last month.

In step with the higher expected number of milk cows in 2017, the milk cow forecast for 2018 has been raised to 9.435 million head, 10 thousand head higher than last month's forecast. Similarly, the milk per cow forecast has been lowered to 23,500 pounds. Due to these changes, 2018 milk production is now projected at 221.7 billion pounds, 0.3 billion less than last month's forecast.

The 2018 import forecast on a milk-fat basis has been lowered slightly to 5.9 billion pounds. The export forecast for the year has also been lowered slightly to 8.6 billion pounds. Domestic use on a milk-fat basis is forecast at 218.9 billion pounds, 0.3 billion lower than last month, as the tighter supplies and higher prices now forecast throughout 2018 are expected to result in lower consumption than expected last month. The forecast for ending stocks on a milk-fat basis has been lowered to 12.0 billion pounds.

Product prices for 2018 are forecast higher than last month's forecast. Following expectations for sustained price strength in 2017, the butter price for 2018 is also forecast higher, at \$2.210-\$2.340 per pound; the NDM price for the year is now forecast at \$0.935-\$1.005. The cheddar cheese price is forecast at \$1.665-\$1.765 per pound, while the dry whey price forecast has been raised slightly to \$0.480-\$0.510. These forecasts have pushed the projections for Class III and Class IV milk higher, to \$16.75-\$17.75 and \$15.25-\$16.35 per cwt,

respectively. The all-milk price for 2018 is now forecast at \$18.10-\$19.10 per cwt, an increase from \$17.55-\$18.55 forecast last month.

Source: *Livestock, Dairy, and Poultry Outlook/LDP-M-276/June 15, 2017 Economic Research Service, USDA*

May Milk Production Up 1.8 Percent

Milk production in the 23 major States during May totaled 17.8 billion pounds, up 1.8 percent from May 2016. April revised production, at 17.2 billion pounds, was up 2.2 percent from April 2016. The April revision represented an increase of 0.2 percent or 36 million pounds from last month's preliminary production estimate.

Production per cow in the 23 major States averaged 2,035 pounds for May, 16 pounds above May 2016. This is the highest production per cow for the month of May since the 23 State series began in 2003.

The number of milk cows on farms in the 23 major States was 8.72 million head, 81,000 head more than May 2016, and 2,000 head more than April 2017.

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 May totaled 2.8 billion pounds, up 73 million pounds or 2.6 percent from May 2016.

Production per cow in the Mideast states averaged 2,015 pounds for May. This was an increase of 44 pounds from May 2016.

The number of cows on farms in the Mideast states was 1.4 million head, 2,000 head more than May 2016.

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 | May 2017 | | | | | | May 2016 | | | | | |
|-----------------|---------------------|----------------------|------------------------------|---------|--------------|-----------|----------------------|------------------------------|---------|--------------|-----------|--|
| | 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 | 1,316 | 828,842 | 3.67 | 3.09 | 5.78 | 167 | 917,519 | 3.65 | 3.06 | 5.79 | 159 | |
| Ohio | 1,719 | 443,383 | 3.76 | 3.10 | 5.71 | 183 | 448,863 | 3.73 | 3.08 | 5.72 | 179 | |
| Indiana | 835 | 242,771 | 3.68 | 3.10 | 5.79 | 180 | 231,363 | 3.68 | 3.09 | 5.83 | 193 | |
| Pennsylvania | 729 | 104,466 | 3.84 | 3.08 | 5.75 | 224 | 101,968 | 3.81 | 3.06 | 5.75 | 221 | |
| New York | 211 | 95,157 | 3.82 | 3.08 | 5.78 | 174 | 109,083 | 3.80 | 3.09 | 5.75 | 172 | |
| Wisconsin | 22 | 9,493 | 3.95 | 3.14 | 5.78 | 155 | 4,604 | 3.59 | 3.05 | 5.73 | 253 | |
| West Virginia | 31 | 2,036 | 3.78 | 3.14 | 5.70 | 201 | 3,390 | 3.71 | 3.17 | 5.75 | 234 | |
| Other | 161 | 9,361 | 3.79 | 3.10 | 5.76 | 194 | 8,867 | 3.76 | 3.10 | 5.77 | 200 | |
| Total/Average * | 5,024 | 1,735,510 | 3.72 | 3.09 | 5.76 | 177 | 1,825,658 | 3.69 | 3.07 | 5.77 | 173 | |

* 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
June 2017**

| <u>Marketing Area</u> ^{1/} | <u>Producer Milk</u> | | <u>Class I</u> | <u>Producer</u> | <u>Statistical</u> |
|--------------------------------------|----------------------|----------------|----------------|---------------------------|----------------------|
| | <u>Total</u> | <u>Class I</u> | <u>Percent</u> | <u>Price Differential</u> | <u>Uniform Price</u> |
| | (000) | (000) | % | (per cwt.) | (per cwt.) |
| FO 1 Northeast - (Boston) | 2,270,152 | 696,554 | 30.7 | \$1.09 | \$17.53 |
| FO 5 Appalachian - (Charlotte) | 485,340 | 308,480 | 63.6 | ^{2/} | 18.37 |
| FO 6 Florida - (Tampa) | 204,329 | 167,555 | 82.0 | ^{2/} | 20.39 |
| FO 7 Southeast - (Atlanta) | 450,975 | 298,763 | 66.3 | ^{2/} | 18.70 |
| FO 30 Upper Midwest - (Chicago) | 2,740,449 | 250,679 | 9.1 | 0.12 | 16.56 |
| FO 32 Central - (Kansas City) | 1,373,574 | 375,293 | 27.3 | 0.06 | 16.50 |
| FO 33 Mideast - (Cleveland) | 1,776,860 | 510,735 | 28.7 | 0.27 | 16.71 |
| FO 124 Pacific Northwest - (Seattle) | 615,870 | 151,908 | 24.7 | 0.05 | 16.49 |
| FO 126 Southwest - (Dallas) | 1,165,648 | 322,715 | 27.7 | 0.89 | 17.33 |
| FO 131 Arizona - (Phoenix) | 432,974 | 101,708 | 23.5 | ^{2/} | 16.59 |

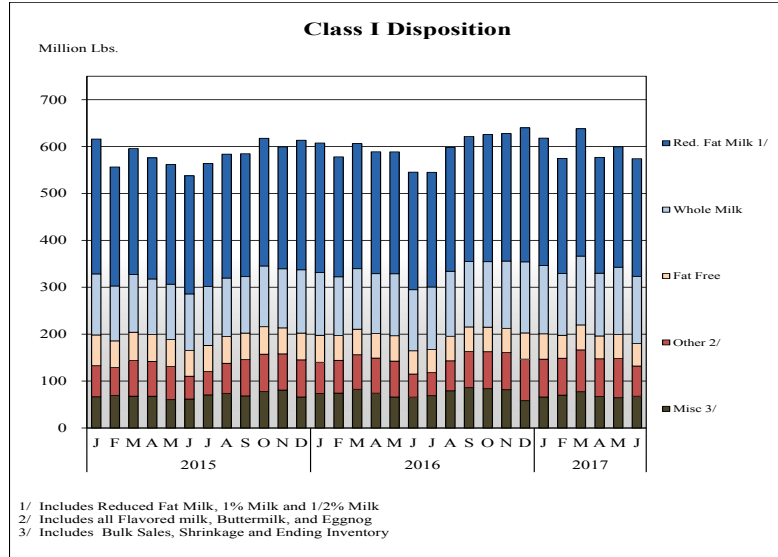
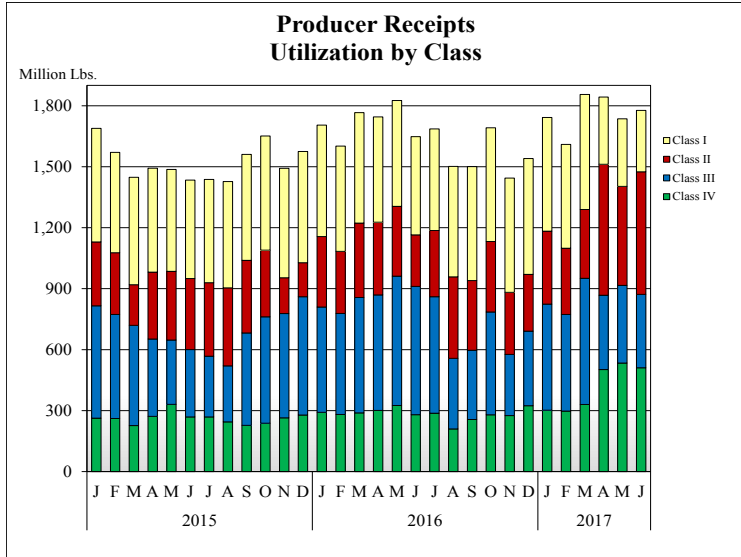
^{1/} Names in parentheses are principal points of markets.

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

^{3/} Data not available at time of publication, please see website version for information.

MINIMUM PARTIAL PAYMENT PRICE FOR JULY 2017\$15.89 /cwt.

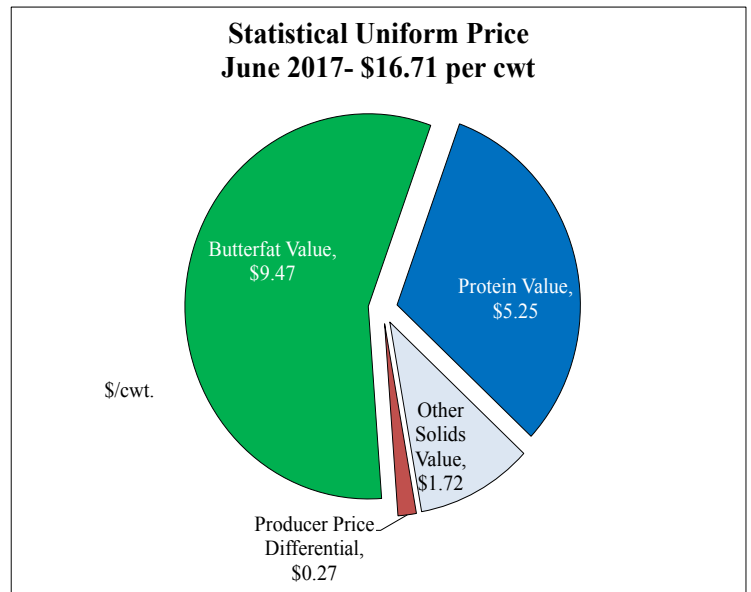
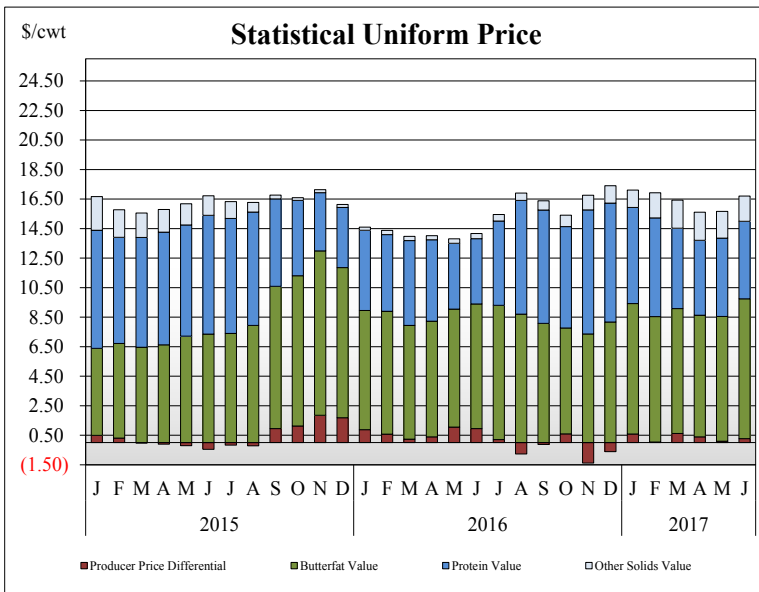
PRODUCER MILK CLASSIFICATION



Producer Receipts: Producer receipts for the Mideast Order totaled 1.777 billion pounds in June 2017. The pounds allocated to Class I represented 28.7 percent of the total pounds. Producer receipts increased 41 million pounds compared to May 2017, and were up 129 million pounds from the prior year.

Class I Pounds: Class I Disposition for the Mideast Order totaled 574 million pounds in June 2017, up 29 million pounds from June 2016. Finished products include 143 million pounds used for whole milk, 251 million pounds of reduced fat and low fat milk, and 48 million pounds of fat free (skim) milk.

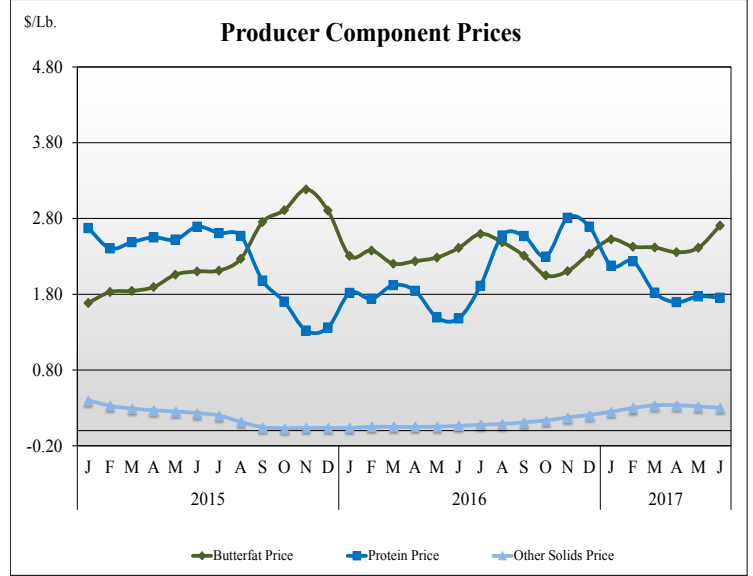
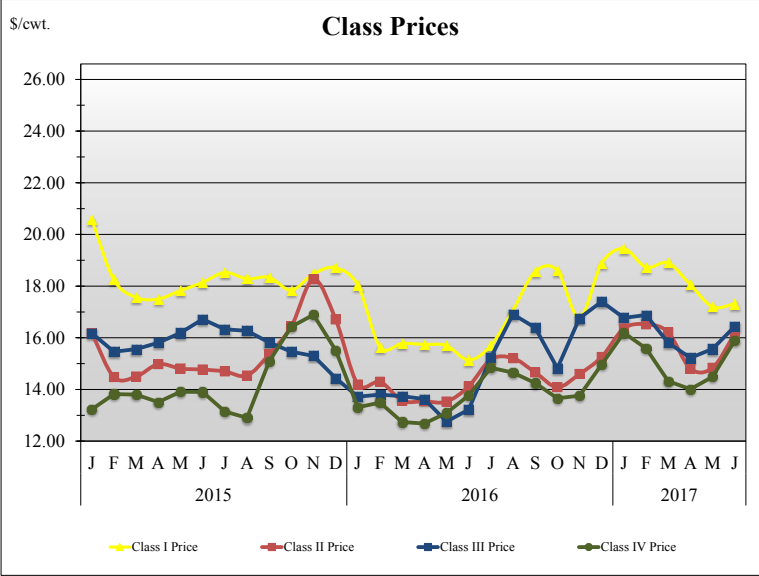
STATISTICAL UNIFORM PRICE



Statistical Uniform Price: The Mideast Federal Order Statistical Uniform Price (SUP) at Cuyahoga County, OH was \$16.71 per cwt for June 2017. The June 2017 SUP was \$2.54 per cwt higher than the June 2016 SUP. The June 2017 SUP is \$1.04 per cwt higher than the May 2017 SUP.

June 2017 Statistical Uniform Price: Using the Class III Price formula at 3.5% BF, the component values for the June 2017 SUP are: \$5.25 per cwt for protein, \$9.47 per cwt for butterfat and \$1.72 per cwt for other solids. Also included in the SUP is the \$0.27 per cwt producer price differential. (May not add to total due to rounding.)

CLASS AND COMPONENT PRICES



WEIGHTED AVERAGE NATIONAL PRODUCT PRICES

