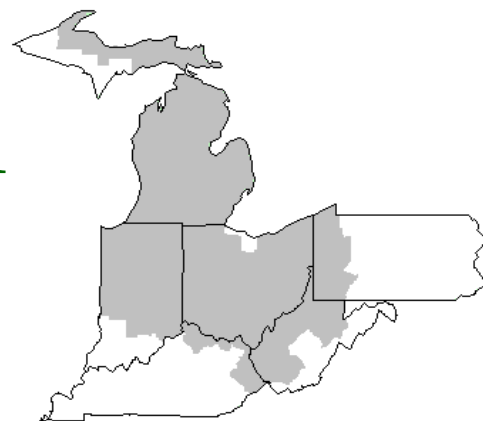


Mideast Market Administrator's Bulletin



Federal Order No. 33

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AUGUST 2018

Dairy News

U.S. dairy product prices continue to be competitive with foreign export prices. USDA *Dairy Market News* reported that in June, Oceania and Western Europe export prices averaged \$2.55 and \$3.21 per pound for butter, respectively, and \$0.94 and \$0.85 for skim milk powder (SMP). The Oceania export price for cheddar cheese was \$1.78 per pound in May, and the Western Europe dry whey export price was \$0.42 per pound. Recently, the EU has increased sales of SMP intervention stocks. For May, ending intervention stocks decreased by 54 million pounds from the previous month. At the most recent tender on June 19, the minimum sale price set by the EU Commission was €1,195 per metric ton, which converts to about \$0.63 per pound. These stocks are likely sold at a discount from the average market price due to the age of the product.

USDA National Agricultural Statistics Service (NASS) reported U.S. milk production in May to be 19.100 billion pounds, 0.8 percent above May 2017. Milk cows numbered 9.404 million head in May, 2,000 more than April. Milk per cow was 2,031 pounds in May, 15 pounds above May 2017. The all-milk price in May was 16.20 per cwt, 40 cents higher than April. As milk prices rose, so did feed prices. The milk-feed ratio for May was 1.9, the same as for April.

While year-over-year milk production growth for the United States was relatively modest in March, the latest data for the European Union (EU) and New Zealand show stronger growth rates. Year-over-year growth in milk production for the EU strengthened from 0.6 percent in March to 1.2 percent in April. May milk production data for the EU are not yet available. For New Zealand, May milk production was 6.2 percent above May 2017.

In May, U.S. dairy product exports remained strong, but they were not as strong as in April. On a milk-fat milk-equivalent basis, exports were 936 million pounds, 44 million more than May 2017 but 124 million less than April of this year. On a skim-solids milk-equivalent basis, May exports were 4.266 billion pounds, 696 million more than May 2017 but 215 million less than April of this year. Notably, cheese exports declined by 6.5 million pounds from April to May. In May, dairy imports increased both month-over-month and year-over-year. On a milk-fat basis, imports totaled 550 million pounds, 34 million more than April and 59 million above May 2017. On a skim-solids basis, imports totaled 481 million pounds, 37 million more than April and 26 million more than May 2017.

On June 16, 2018, the Chinese Government announced a revised list of U.S. products subject to an additional 25-percent tariff in response to tariffs imposed by the United States on various goods imported from China. The initial list had been announced on April 2. Among the products included on the revised list were all dairy products included in Chapter 4 of the Harmonized Tariff Schedule (HTS). These products received an additional tariff of 25 percentage points as of July 6. Although a wide variety of dairy products are included in Chapter 4 of the HTS, the products that have had substantial volumes of exports to

China include nonfat dry milk/skim milk powder (NDM/SMP), whey products, and cheese. The 25-percent tariffs are in addition to tariffs previously imposed at the most-favored nation-rate.

U.S. export volumes to China have been especially high for whey products. In 2017, exports of dry whey, whey protein concentrate (WPC), and modified whey products to China were 45.4 percent, 41.5 percent, and 54.4 percent of total U.S. exports of these products. In 2017, U.S. exports of NDM/SMP and cheese to China were 5.7 percent and 4.2 percent of total U.S. exports of these products. According to China's 2017 import data as reported by Global Trade Atlas, U.S. shares of China's imports of NDM/SMP, whey products, and cheese were 11.2 percent, 55.1 percent, and 11.9 percent, respectively.

China was not the only country to add tariffs in response to U.S. tariffs recently imposed on various goods. As discussed in last month's report, on June 5, 2018, Mexico issued a list of agricultural products to receive additional tariffs. With publication of the list, Mexico imposed tariffs on cheese of 10 or 15 percent, depending on the cheese type, and the tariffs were increased to 20 and 25 percent on July 5. Canada raised tariffs by 25 percent on various products effective July 1. Dairy-related items included in Canada's list for additional tariffs include yogurt and pizza.

The 2018 forecast for the average size of the U.S. milking herd is 9.405 million cows, unchanged from last month. Due to relatively slow year-over-year growth in milk per cow in recent months and lower expected margins, the milk per cow forecast has been lowered to 23,170

(Continued on Page 3)

July 2018 Pool Summary

Classification of Producer Milk

	<i>Pounds</i>	<i>Percent</i>
Class I	482,426,321	29.0
Class II	286,831,987	17.2
Class III	649,420,996	39.0
Class IV	245,980,201	14.8
Total	1,664,659,505	100.0

Producer Prices

Producer Price Differential	\$ 1.12 / cwt
Butterfat Price	2.5287 / lb
Protein Price	1.4827 / lb
Other Solids Price	0.1422 / lb
Somatic Cell Adjustment Rate	0.00074 / cwt
Statistical Uniform Price	15.22 / cwt

ANNOUNCEMENT OF PRODUCER PRICES**Federal Order No. 33****July 2018****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			472,568,479			\$8.25 / cwt	\$ 38,986,899.58
Class I Butterfat		9,857,842				2.6841/ lb	26,459,433.71
Class I Location Differential	482,426,321						(244,238.14)
Class II SNF Value				24,054,674		0.7278/ lb	17,506,991.74
Class II Butterfat		22,201,835				2.5357/ lb	56,297,192.99
Class III Protein Value			19,529,843			1.4827/ lb	28,956,898.25
Class III Other Solids Value					37,625,543	0.1422/ lb	5,350,352.20
Class III Butterfat		21,000,062				2.5287/ lb	53,102,856.83
Class IV SNF Value				21,651,186		0.6085/ lb	13,174,746.70
Class IV Butterfat		8,214,575				2.5287/ lb	20,772,195.81
Somatic Cell Value II / III / IV							<u>1,287,684.68</u>
TOTAL PRODUCER MILK VALUE	1,664,659,505	61,274,314	49,830,686		95,999,119		\$ 261,651,014.35
Overages						\$ 29,446.75	
Beginning Inventory & OS Charges						(83,217.83)	
TOTAL ADJUSTMENTS							<u>(53,771.08)</u>
TOTAL HANDLER OBLIGATIONS							\$ 261,597,243.27
Total Protein Value			49,830,686 lbs	@	\$ 1.4827		\$ (73,883,958.10)
Total Other Solids Value			95,999,119 lbs	@	0.1422		(13,651,074.71)
Butterfat Value			61,274,314 lbs	@	2.5287		(154,944,357.82)
Total Somatic Cell Values							<u>(1,791,242.74)</u>
TOTALS							\$ 17,326,609.90
Net Producer Location Adjustments							\$ 1,296,847.50
1/2 Unobligated Balance Producer Settlement Fund							<u>816,000.00</u>
Total - Divided by Total Pounds			1,664,659,505 lbs		1.1677738		\$ 19,439,457.40
Rate of Cash Reserve					(0.0477738)		<u>(795,271.10)</u>
PRODUCER PRICE DIFFERENTIAL at Cuyahoga County, OH*			1,664,659,505		\$ 1.12 / cwt		\$ 18,644,186.30

COMPONENT PRICES**COMPUTATION OF UNIFORM PRICE**

	July			July	
	<u>2018</u>	<u>2017</u>		<u>2018</u>	<u>2017</u>
Butterfat Price	\$2.5287 / lb	\$2.9456 / lb	Class III Price - 3.5% BF	\$14.10	\$15.45
Protein Price	1.4827 / lb	1.2248 / lb	Producer Price Differential*	<u>1.12</u>	<u>1.56</u>
Other Solids Price	0.1422 / lb	0.2599 / lb	Statistical Uniform Price	\$15.22	\$17.01
Somatic Cell Adjustment Rate	0.00074 / cwt	0.00077 / cwt			
Nonfat Solids Price	0.6085 / lb	0.7240 / lb			

CLASS PRICES**CLASSIFICATION OF PRODUCER MILK**

	July			July	
	<u>2018</u>	<u>2017</u>		<u>2018</u>	<u>2017</u>
Class I*	\$17.36	\$18.59	Product lbs.		
Class II	15.20	17.48	Class I	482,426,321	501,016,796
Class III	14.10	15.45	Class II	286,831,987	259,562,301
Class IV	14.14	16.60	Class III	649,420,996	661,417,169
			<u>Class IV</u>	<u>245,980,201</u>	<u>289,917,093</u>
			Total	1,664,659,505	1,711,913,359

* Subject to Location Adjustment.

ORDER 33 MARKET SUMMARY

The Producer Price Differential for the Mideast Marketing Area for July 2018 was \$1.12 and the Statistical Uniform Price was \$15.22 for the month. The Statistical Uniform Price is \$0.62 lower than last month, and is \$1.79 lower than July 2017.

The Producer Butterfat Price of \$2.5287 per pound decreased \$0.1405 from June and is down \$0.4169 from a year ago. The Protein Price of \$1.4827 is down \$0.2651 from last month and is up \$0.2579 from July 2017. The Other Solids Price in July was \$0.1422 per pound, an increase from last month's price of \$0.1128 and \$0.1177 lower than last July. The Somatic Cell Adjustment rate for July was \$0.00074 per cwt.

July producer receipts of 1.66 billion pounds were 3.7 percent lower than June and 2.8 percent lower than July 2017 production of 1.71 billion pounds. Producer milk allocated to Class I accounted for 29.0 percent of the total producer milk in July 2018, more than the 27.6 percent in June, and lower than the 29.3 percent in July 2017. A total of 4,479 producers were pooled on the Mideast Order compared to 4,940 producers pooled in July 2017.

The market average content of producer milk was as follows: Butterfat 3.68%; Protein 2.99%; Other Solids 5.77% and Nonfat Solids 8.76%.

(continued from Front Page)

pounds, 15 pounds less than last month's forecast. The milk production forecast for 2018 is 0.1 billion pounds lower than last month, at 217.9 billion pounds.

Product prices for 2018 are expected lower in the second half of the year than previously forecast. Price forecasts for cheddar cheese and butter have been lowered to \$1.540-\$1.570 and \$2.245-\$2.305 per pound, respectively, due to relatively weak price data in recent weeks, high stock levels, and lower expectations for domestic demand. The price forecast for NDM has been lowered to \$0.730-\$0.760 per pound due to recent price weakness. Although dry whey prices have increased recently, the dry whey price forecast has been lowered to \$0.275-\$0.295 per pound due to lower expected exports. With lower product prices, the Class III and Class IV price forecasts have been lowered to \$14.30-\$14.60 and \$13.65-\$14.05 per cwt, respectively. The all-milk price for 2018 is now forecast at \$15.95-\$16.25 per cwt, 70 cents lower at the midpoint of the range than the previous forecast.

Lower dairy prices in late 2018 and 2019 are expected to lead to a slight contraction in cow numbers in 2019. The new forecast for the size of the milking herd is 9.395 million head for the year, a decrease of 15 thousand head from last month's forecast and a year-over-year decrease of 10 thousand head. Milk per cow is forecast 20 pounds lower than last month's projection, at 23,475 pounds for the year. These changes result in a milk production forecast of 220.6 billion pounds for 2019, 0.5 billion pounds lower than last month's projection. Imports on a milk-fat basis are forecast at 5.6 billion pounds, unchanged from last month's forecast. Exports on a milk-fat basis are forecast 0.1 billion pounds higher than last month, at 9.9 billion pounds for the year, due to slightly higher expectations for exports of butterfat products. Weaker domestic demand for cheese and butter is expected to continue into next year; as a result, domestic use is forecast 0.4 billion pounds lower than last month at 216.3 billion pounds, and ending stocks are forecast 0.7 billion pounds higher, at 12.5 billion pounds. On a skim-solids basis, the import forecast for 2019 remains at 5.6 billion pounds for the year. The forecast for exports on a skim-solids basis has been reduced to 44.9 billion pounds, 0.7 less than last month's forecast, as the new tariffs from China are expected to result in lower exports of primarily NDM/SMP and whey products despite expectations of increase in exports to other markets. With lower expected prices, the domestic use forecast has been raised slightly to 180.0 billion pounds for the year. Ending stocks on a skim-solids basis are projected 0.1 billion pounds higher for the year than last month at 10.8 billion pounds.

Lower product prices in the second half of 2018 are expected to persist into 2019 for most dairy products. The cheddar cheese price forecast has been lowered to \$1.575-\$1.675 per pound due to high stock levels and weaker expected demand. Due to higher tariffs imposed by China and competition from other global suppliers, 2019 forecasts have

been lowered for NDM and dry whey to \$0.740-\$0.810 and \$0.280-\$0.310, respectively. The butter price forecast for 2019 has been raised 1 cent at the midpoint of the range to \$2.220-\$2.350 per pound. The Class III and Class IV price forecasts are \$14.70-\$15.70 and \$13.65-\$14.75 per cwt, respectively, reductions of 60 cents and 5 cents from last month's forecast at the midpoints of the ranges. The all-milk price for 2019 is now forecast at \$16.25-\$17.25 per cwt, 45 cents lower at the midpoint than the last forecast.

Source: *Livestock, Dairy, and Poultry Outlook*, LDP-M-289, July 18, 2018
USDA, Economic Research Service

June Milk Production Up 1.3 Percent

Milk production in the 23 major States during June totaled 17.2 billion pounds, up 1.3 percent from June 2017. May revised production, at 18.0 billion pounds, was up 1.1 percent from May 2017. The May revision represented an increase of 0.2 percent or 40 million pounds from last month's preliminary production estimate.

Production per cow in the 23 major States averaged 1,964 pounds for June, 23 pounds above June 2016. This is the highest production per cow for the month of June since the 23 State series began in 2003.

The number of milk cows on farms in the 23 major States was 8.75 million head, 12,000 head more than June 2017, but unchanged from May 2018.

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 June totaled 2.7 billion pounds, the same as June 2017.

Production per cow in the Mideast states averaged 1,925 pounds for June. This was an increase of 16 pounds per cow from June 2017.

The number of cows on farms in the Mideast states was 1.4 million head, 14,000 head less than June 2017.

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	Number of Producers	Pounds of Milk (000)	June 2018 -----Weighted Averages-----				June 2017 -----Weighted Averages-----				
			Butterfat	Protein	Other Solids	SCC (000)	Pounds of Milk (000)	Butterfat	Protein	Other Solids	SCC (000)
Michigan	1,168	902,363	3.72	3.02	5.81	174	902,984	3.60	3.04	5.77	171
Ohio	1,577	409,883	3.67	2.99	5.71	202	431,147	3.69	3.04	5.68	196
Indiana	758	220,338	3.64	2.99	5.81	210	231,461	3.64	3.07	5.82	198
New York	213	96,281	3.78	3.03	5.77	197	91,551	3.76	3.04	5.75	182
Pennsylvania	664	83,122	3.77	3.00	5.75	233	94,927	3.77	3.04	5.73	239
Other	142	15,702	3.80	3.05	5.74	230	24,762	3.85	3.10	5.77	186
Total/Average *	4,522	1,727,689	3.70	3.01	5.78	190	1,776,834	3.65	3.04	5.75	185

* 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
July 2018**

<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)	2,311,467	672,099	29.1	\$2.04	\$16.14
FO 5 Appalachian - (Charlotte)	446,708	308,470	69.1	^{2/}	17.52
FO 6 Florida - (Tampa)	197,800	160,419	81.1	^{2/}	19.57
FO 7 Southeast - (Atlanta)	394,913	289,503	73.3	^{2/}	18.12
FO 30 Upper Midwest - (Chicago)	3,252,414	233,896	7.2	0.27	14.37
FO 32 Central - (Kansas City)	1,571,148	366,299	23.3	0.68	14.78
FO 33 Mideast - (Cleveland)	1,664,660	482,426	29.0	1.12	15.22
FO 124 Pacific Northwest - (Seattle)	769,115	144,326	18.8	0.63	14.73
FO 126 Southwest - (Dallas)	1,118,565	317,517	28.4	1.67	15.77
FO 131 Arizona - (Phoenix)	427,695	101,445	23.7	^{2/}	15.03

^{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 AUGUST 2018.....14.10 /cwt.

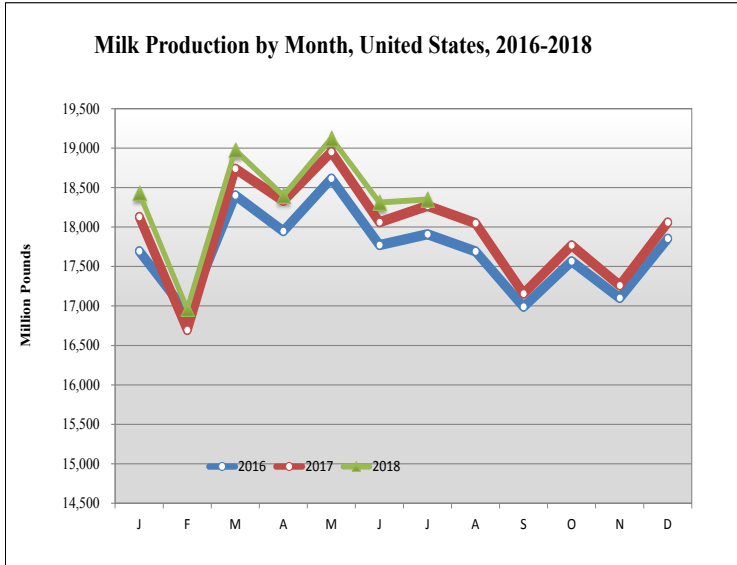
Mideast Market Administrator's Bulletin

Supplement

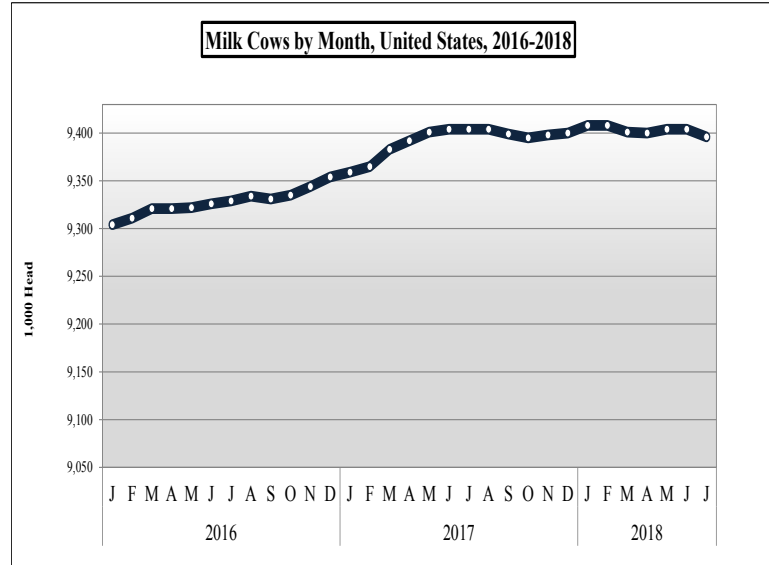
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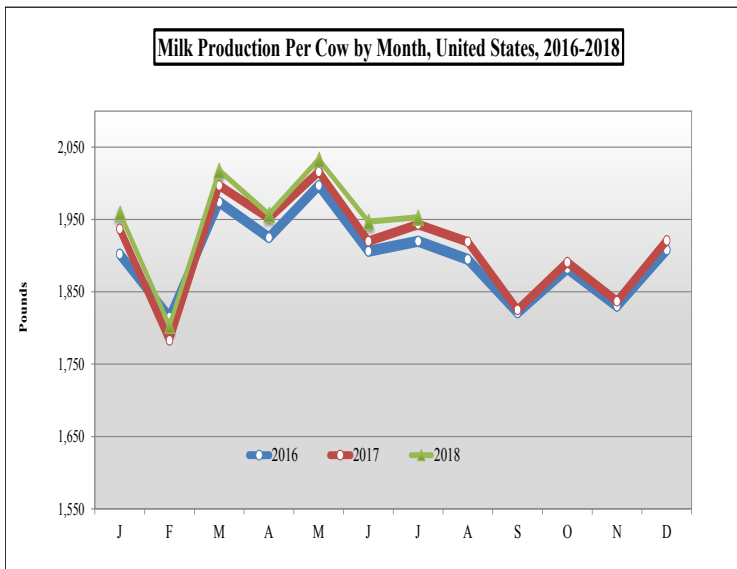
MILK PRODUCTION STATISTICS 1/



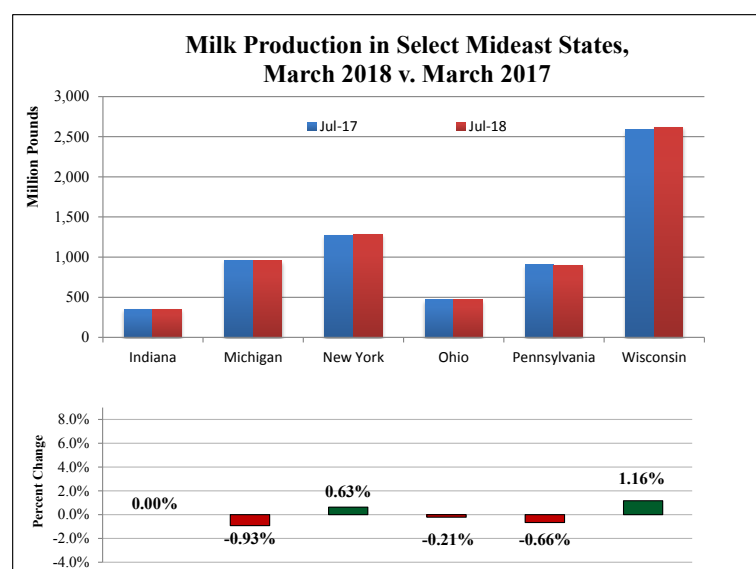
July 2018 milk production in the United States increased 40 million pounds from June to 18.4 billion pounds. July 2018 milk production in the United States was up 0.4 percent from the same month of the prior year.



The number of milk cows on farms in the United States was 9.4 million head for July 2018, down 8,000 head from June. July Cow numbers were 8,000 head lower than July 2017.



Production per cow in the United States averaged 1,953 pounds for July 2018 up 6 pounds from June 2018. July 2018 milk production per cow was up 10 pounds from the same month of the prior year.

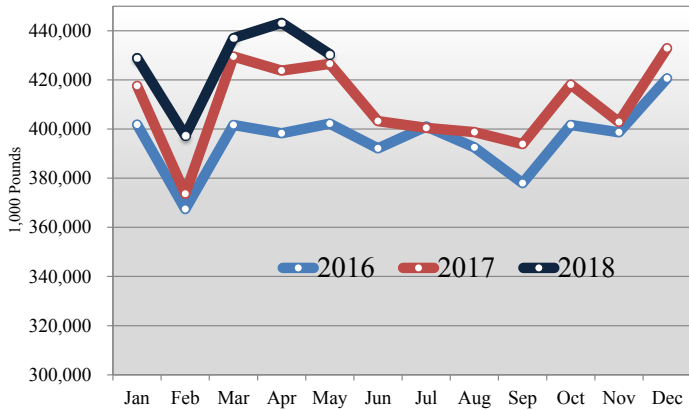


Milk production from selected states which pool on the Mideast marketing area totaled 6.6 billion pounds during July 2018, up 22 million pounds from the prior year. Milk production in Michigan was down 9 million pounds while production in Wisconsin was up 30 million pounds.

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 American Cheese Production, 2016-2018



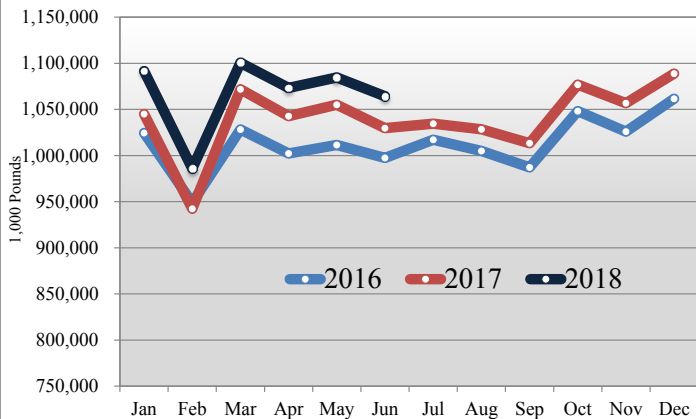
Dairy Product Production Summary:

American type cheese production totaled 430.5 million pounds, 2.7 percent above June 2017 and 2.9 percent below May 2018.

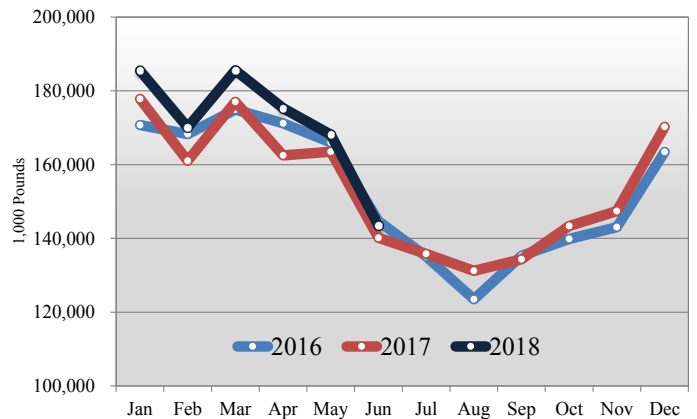
Total cheese output (excluding cottage cheese) was 1.1 billion pounds, 1.8 percent above June 2017 and 1.9 percent below May 2018.

Butter production was 143 million pounds, 3.1 percent above June 2017 and 14.7 percent below May 2018.

Total Cheese Production, 2016-2018



Total Butter Production, 2016-2018



COMMERCIAL DISAPPEARANCE 2/

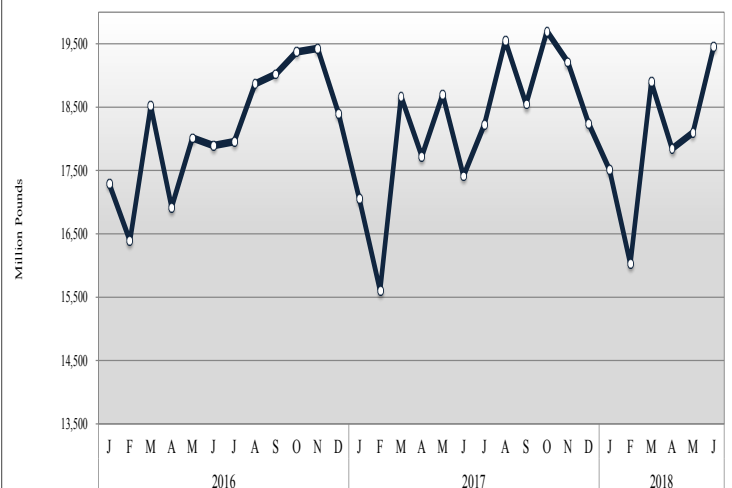
Commercial disappearance of milk in all productions represents the difference between the beginning monthly milk supply and the ending commercial stocks. Milk supply includes farm production, beginning inventory, imports and excludes milk used on the farm.

For June 2018 commercial disappearance of milk was 18.5 billion pounds, up 1.5 percent from the prior year. The cumulative disappearance total for 2018 is 106.8 billion pounds, an increase of 5.6 percent from the same 6-month period of 2017.

June 2018 commercial disappearance of American cheese was 433.4 million pounds, up 1.4 percent from the prior year. The cumulative disappearance is up 2.6% from 2017.

June 2018 commercial disappearance of butter was 152.5 million pounds, up 3.5 percent from the prior year. The cumulative disappearance is up 2.4% from 2017.

Commercial Disappearance of Milk in All Products, 2016-2018



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.