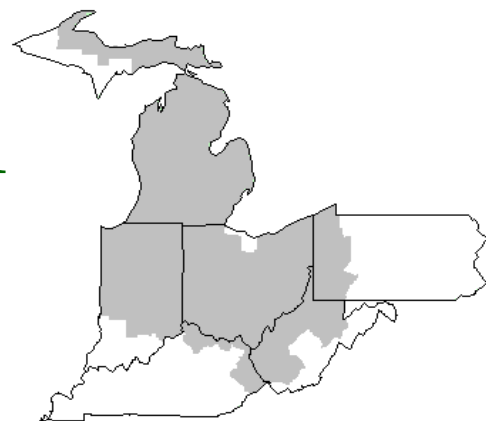


Mideast Market Administrator's Bulletin



Federal Order No. 33

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OCTOBER 2018

Dairy Outlook 2018

U.S. dairy product prices continue to be competitive with foreign export prices. However, domestic prices for products with high skim-solids content have been converging with foreign export prices in recent months. While the U.S. domestic nonfat dry milk (NDM) price has been only a little lower than Western Europe skim milk powder (SMP) in recent months, the gap between the Oceania SMP export price and the U.S. price fell from 16 cents in April to 10 cents in August. The gap between the Western Europe dry whey export price and the U.S. domestic price fell from 17 cents in April to 8 cents in August.

USDA National Agricultural Statistics Service (NASS) reported U.S. milk production in July to be 18.350 billion pounds, only 0.4 percent above July 2017. Milk cows numbered 9.396 million head in July, 8,000 less than both June 2018 and July 2017. Milk per cow was 1,953 pounds in July, only 10 pounds above July 2017. Relatively low milk prices and strengthening feed prices have likely contributed to low milk production growth. The milk-feed ratio declined from 2.54 in November to 1.9 in May and has been below 2.0 since then. Heat stress in some parts of the country likely played a role as well. In much of the West, average temperatures in June and July were 3-4 °F above the 1901-2000 base-period means (National Oceanic and Atmospheric Administration).

In July, U.S. dairy product exports on a milk-fat milk-equivalent basis were 883 million pounds, 142 million more than July 2017 but 106 million less than June 2018. July dairy exports on a skim-solids milk-equivalent basis were 3.503 billion pounds, 391 more than July 2017 but 269 million less than June 2018. Tariffs enacted by Mexico and China contributed to the decline in exports from June to July. The main products impacted by the tariffs are cheese exports to Mexico and exports of whey products (dry whey, whey protein concentrate, modified whey, and milk albumin) to China. From June to July, total U.S. cheese exports fell by 15 million pounds, with cheese exports to Mexico declining by 12 million pounds. Total U.S. exports of whey products fell by 14 million pounds from June to July, with whey product exports to China falling by 8 million pounds.

With the size of the milking herd falling by 8,000 head from June to July, the 2018 forecast for milk cows has been lowered by 5,000 to 9.400 million head. The milk per cow forecast for the year is unchanged at 23,175 pounds. The milk production forecast for 2018 is 217.8 billion pounds, 0.1 billion less than last month's forecast.

The forecast for imports on a milk-fat basis has been raised 0.2 billion pounds to 6.2 billion for the year, as both butter and cheese imports saw strong year-over-year gains in July. Exports on a milk-

fat basis are now forecast at 10.3 billion pounds for the year, slightly lower than previously forecast. Ending stocks are forecast at 13.5 billion pounds, unchanged from last month. The domestic use forecast for the year has been raised 0.2 billion pounds to 212.6 billion.

On a skim-solids basis, the import forecast for the year has been raised slightly to 5.7 billion pounds due to higher expected imports of cheese and several miscellaneous products. July whey product exports declined more than expected and are not expected to rebound significantly for the remainder of 2018. Therefore, exports on a skim-solids basis are now forecast at 44.7 billion pounds, 0.7 billion pounds lower than the last forecast. Higher domestic demand will make up for some, but not all, of the lost exports. As a result, the ending stock forecast has been raised 0.5 billion pounds to 11.0 billion pounds for the year, and domestic use is forecast 0.2 billion pounds higher at 178.6 billion pounds.

Based on recent price movements, dairy product price forecasts for 2018 have mostly been raised from the previous projections. Prices for cheddar cheese and NDM have been raised to \$1.570-\$1.590 and \$0.785-\$0.805, respectively. Although exports of whey products have fallen significantly, stocks of whey products have been relatively low. As a result, the export forecast for dry whey has been raised to \$0.320-\$0.340 per pound. With recent weakness in CME butter prices, the butter price forecast has been lowered to \$2.220-\$2.260 per pound.

(Continued on Page 3)

September 2018 Pool Summary

Classification of Producer Milk

	<i>Pounds</i>	<i>Percent</i>
Class I	527,074,581	36.1
Class II	326,298,093	22.3
Class III	380,680,675	26.0
Class IV	227,700,062	15.6
Total	1,461,753,411	100.0

Producer Prices

Producer Price Differential	\$ (0.26) / cwt
Butterfat Price	2.5442 / lb
Protein Price	2.0029 / lb
Other Solids Price	0.2098 / lb
Somatic Cell Adjustment Rate	0.00083 / cwt
Statistical Uniform Price	15.83 / cwt

ANNOUNCEMENT OF PRODUCER PRICES

Federal Order No. 33

September 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			516,588,500			\$7.92 / cwt	\$ 40,913,809.21
Class I Butterfat		10,486,081				2.6318 / lb	27,597,267.97
Class I Location Differential	527,074,581						(324,656.90)
Class II SNF Value				27,792,290		0.7144 / lb	19,854,812.00
Class II Butterfat		22,523,535				2.5512 / lb	57,462,042.51
Class III Protein Value			11,783,064			2.0029 / lb	23,600,298.89
Class III Other Solids Value					21,889,115	0.2098 / lb	4,592,336.34
Class III Butterfat		13,315,475				2.5442 / lb	33,877,231.48
Class IV SNF Value				20,093,437		0.6801 / lb	13,665,546.53
Class IV Butterfat		8,564,590				2.5442 / lb	21,790,029.90
Somatic Cell Value II / III / IV							<u>1,169,658.98</u>
TOTAL PRODUCER MILK VALUE	1,461,753,411	54,889,681	45,023,662		83,853,467		\$ 244,198,376.91
Overages						\$ 38,385.68	
Beginning Inventory & OS Charges						22,943.11	
TOTAL ADJUSTMENTS							<u>61,328.79</u>
TOTAL HANDLER OBLIGATIONS							\$ 244,259,705.70
Total Protein Value			45,023,662 lbs	@	\$ 2.0029		\$ (90,177,892.67)
Total Other Solids Value			83,853,467 lbs	@	0.2098		(17,592,457.38)
Butterfat Value			54,889,681 lbs	@	2.5442		(139,650,326.41)
Total Somatic Cell Values							<u>(1,804,709.24)</u>
TOTALS							\$ 4,965,680.00
Net Producer Location Adjustments							\$ 1,057,450.90
1/2 Unobligated Balance Producer Settlement Fund							<u>771,000.00</u>
Total - Divided by Total Pounds			1,461,753,411 lbs		(0.2146210)		\$ (3,137,229.10)
Rate of Cash Reserve					(0.0453790)		<u>(663,329.08)</u>
PRODUCER PRICE DIFFERENTIAL at Cuyahoga County, OH*			1,461,753,411		\$ (0.26) / cwt		\$ (3,800,558.18)

COMPONENT PRICES

September

COMPUTATION OF UNIFORM PRICE

September

	<u>2018</u>	<u>2017</u>		<u>2018</u>	<u>2017</u>
Butterfat Price	\$2.5442 / lb	\$2.8559 / lb	Class III Price - 3.5% BF	\$16.09	\$16.36
Protein Price	2.0029 / lb	1.6988 / lb	Producer Price Differential*	<u>(0.26)</u>	<u>0.64</u>
Other Solids Price	0.2098 / lb	0.2241 / lb	Statistical Uniform Price	\$15.83	\$17.00
Somatic Cell Adjustment Rate	0.00083 / cwt	0.00083 / cwt			
Nonfat Solids Price	0.6801 / lb	0.6753 / lb			

CLASS PRICES

September

CLASSIFICATION OF PRODUCER MILK

September

	<u>2018</u>	<u>2017</u>		<u>2018</u>	<u>2017</u>
Class I*	\$16.85	\$18.71	Product lbs.		
Class II	15.13	16.80	Class I	527,074,581	536,322,615
Class III	16.09	16.36	Class II	326,298,093	278,985,725
Class IV	14.81	15.86	Class III	380,680,675	543,212,044
			<u>Class IV</u>	<u>227,700,062</u>	<u>257,904,641</u>
			Total	1,461,753,411	1,616,425,025

* Subject to Location Adjustment.

ORDER 33 MARKET SUMMARY

The Producer Price Differential for the Mideast Marketing Area for September 2018 was \$(0.26) and the Statistical Uniform Price was \$15.83 for the month. The Statistical Uniform Price is \$0.48 higher than last month, and is \$1.17 lower than September 2017.

The Producer Butterfat Price of \$2.5442 per pound decreased \$0.0567 from August and is down \$0.3117 from a year ago. The Protein Price of \$2.0029 is up \$0.3784 from last month and is up \$0.3041 from September 2017. The Other Solids Price in September was \$0.2098 per pound, an increase from last month's price of \$0.1741 and \$0.0143 lower than last September. The Somatic Cell Adjustment rate for September was \$0.00083 per cwt.

September producer receipts of 1.46 billion pounds were 14.0 percent lower than August and 9.6 percent lower than September 2017 production of 1.62 billion pounds. Producer milk allocated to Class I accounted for 36.1 percent of the total producer milk in September 2018, more than the 32.4 percent in August, and higher than the 33.2 percent in September 2017. A total of 4,434 producers were pooled on the Mideast Order compared to 4,907 producers pooled in September 2017.

The market average content of producer milk was as follows: Butterfat 3.76%; Protein 3.08%; Other Solids 5.74% and Nonfat Solids 8.82%.

(continued from Front Page)

With higher cheese and whey price forecasts, the Class III milk price forecast for the year has been raised to \$14.85-\$15.05 per cwt. With the higher NDM price forecast more than offsetting the lower butter price forecast, the Class IV milk price forecast has been raised to \$14.00-\$14.30 per cwt. The all-milk price forecast for 2018 has been raised 20 cents at the midpoint of the range to \$16.30-\$16.50 per cwt.

Dairy Forecasts for 2019

With higher milk price forecasts and lower feed price forecasts, the size of the milking herd is expected to grow fractionally in 2019; the milk cow forecast for the year is now 9.405 million head. Milk per cow is forecast at 23,495 pounds for 2019, unchanged from last month. Milk production is projected at 221.0 billion pounds for the year, an increase of 0.1 billion pounds from the last forecast.

Imports on a milk-fat basis for 2019 are forecast at 6.0 billion pounds for 2019, 0.4 billion higher than last month's forecast, as recent strength in butter and cheese imports is expected to continue. The export forecast has been lowered to 9.8 billion pounds, 0.1 billion less than last month, due to lower expected exports of whey products. The ending stock forecast for 2019 on a milk-fat basis is unchanged at 12.5 billion pounds, as stocks should draw down from 2018. The domestic use forecast on a milk-fat basis for 2019 has been raised to 216.9 billion pounds, 0.3 billion more than last month's forecast. CCC donations through the Trade Mitigation Food Purchase and Distribution Program are expected to total 0.3 billion pounds on a milk-fat basis for 2019.

Imports on a skim-solids basis are forecast slightly higher for 2019 at 5.6 billion pounds due to higher expected cheese imports. With lower expected whey product exports, the export forecast on a skim-solids basis has been lowered to 44.1 billion pounds, 0.7 billion less than last month's forecast. Ending stocks in 2019 are now expected to be 0.3 billion pounds higher than the last forecast, at 10.8 billion pounds. Domestic use on a skim-solids basis for 2019 is forecast 0.9 billion pounds higher, at 181.5 billion. CCC donations through the Trade Mitigation Food Purchase and Distribution Program for 2019 are expected to total 0.2 billion pounds on a skim-solids basis.

Although expectations are lower for whey product exports, tightness in the whey product markets is expected to last into the first part of 2019. As a result, the dry whey price forecast for 2019 has been raised to \$0.350-\$0.380 per pound. The NDM price forecast has been raised to \$0.825-\$0.895 per pound as recent price strength should continue into 2019. The cheddar cheese price forecast for 2019 is unchanged at \$1.590-\$1.690 per pound, while the butter price forecast has been lowered slightly to \$2.205-\$2.335 per pound.

As a result of the higher whey price forecast, the 2019 Class III price forecast has been raised to \$15.20-\$16.20 per cwt. With the higher expected NDM price expected to more than offset the lower expected butter price, the Class IV forecast has been raised to \$14.30-\$15.40 per cwt. The all-milk price is forecast 30 cents higher at the midpoint of the range for the year, at \$16.75-\$17.75 per cwt.

Source: *Livestock, Dairy, and Poultry Outlook*, LDP-M-291, September 18, 2018
USDA, Economic Research Service

August Milk Production Up 1.4 Percent

Milk production in the 23 major States during August totaled 17.2 billion pounds, up 1.4 percent from August 2017. July revised production, at 17.3 billion pounds, was up 0.5 percent from July 2017. The July revision represented an increase of 0.1 percent or 16 million pounds from last month's preliminary production estimate.

Production per cow in the 23 major States averaged 1,974 pounds for August, 28 pounds above August 2017.

The number of milk cows on farms in the 23 major States was 8.74 million head, 3,000 head less than August 2017, but 4,000 head more than July 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 August totaled 2.6 billion pounds, down 41 million pounds or 1.5 percent from August 2017.

Production per cow in the Mideast states averaged 1,906 pounds for August. This was an increase of 3 pounds from August 2017.

The number of cows on farms in the Mideast states was 1.4 million head, 20,000 head less than August 2017.

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 2018						August 2017				
	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	1,164	885,291	3.71	3.04	5.80	185	853,904	3.63	3.05	5.78	183
Ohio	1,556	401,474	3.71	3.02	5.70	213	398,844	3.72	3.05	5.67	210
Indiana	763	228,833	3.65	3.02	5.79	223	217,064	3.65	3.05	5.76	214
New York	196	89,687	3.80	3.04	5.76	213	101,925	3.74	3.06	5.75	190
Pennsylvania	664	82,439	3.80	3.01	5.72	254	84,763	3.76	3.05	5.71	272
Other	108	11,431	3.79	3.11	5.72	257	12,397	3.83	3.12	5.68	258
Total/Average *	4,451	1,699,156	3.71	3.03	5.77	202	1,668,897	3.67	3.05	5.75	199

* 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 2018**

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)	2,144,954	712,976	33.2	\$0.62	\$16.71
FO 5 Appalachian - (Charlotte)	444,517	308,593	69.4	^{2/}	17.35
FO 6 Florida - (Tampa)	204,787	167,685	81.9	^{2/}	19.23
FO 7 Southeast - (Atlanta)	394,257	294,735	74.8	^{2/}	17.94
FO 30 Upper Midwest - (Chicago)	2,156,727	224,328	10.4	(0.07)	16.02
FO 32 Central - (Kansas City)	1,074,168	384,535	35.8	(0.45)	15.64
FO 33 Mideast - (Cleveland)	1,461,753	527,075	36.1	(0.26)	15.83
FO 124 Pacific Northwest - (Seattle)	610,692	147,702	24.2	(0.65)	15.44
FO 126 Southwest - (Dallas)	755,861	345,953	45.8	0.22	16.31
FO 131 Arizona - (Phoenix)	353,869	100,284	28.3	^{2/}	15.85

^{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.

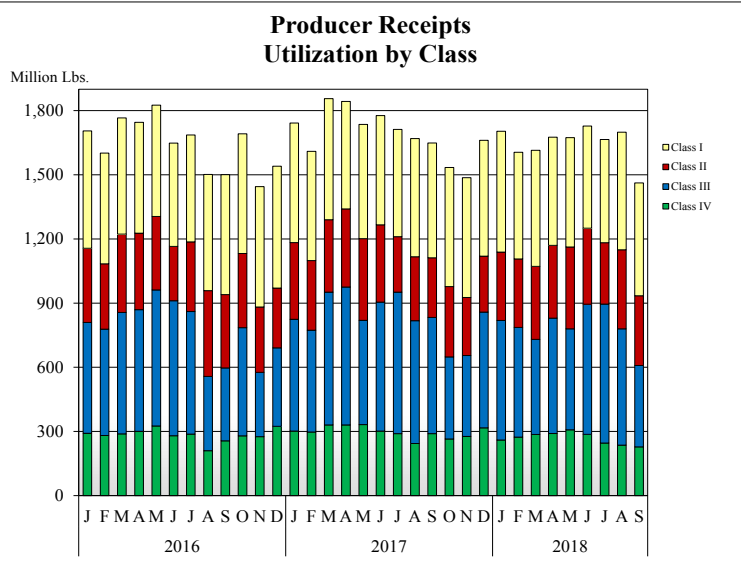
MINIMUM PARTIAL PAYMENT PRICE FOR OCTOBER 201814.81 /cwt.

Mideast Market Administrator's Bulletin

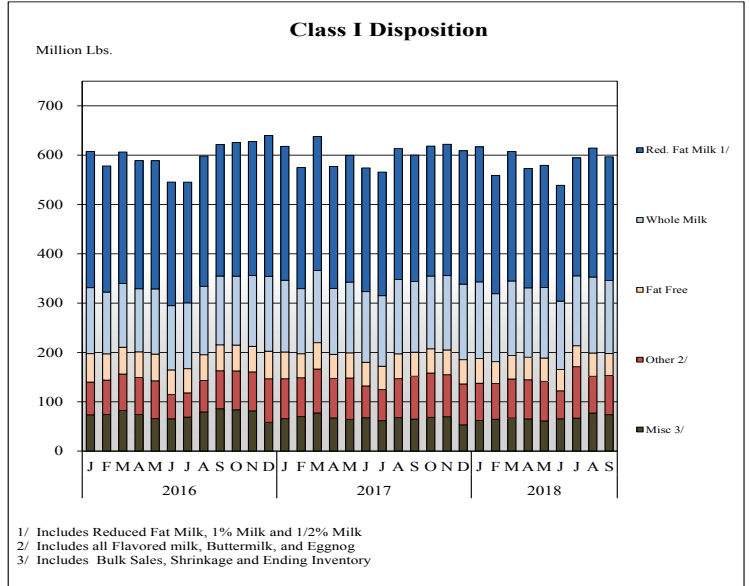
Federal Order No. 33

Supplement
October 2018

PRODUCER MILK CLASSIFICATION

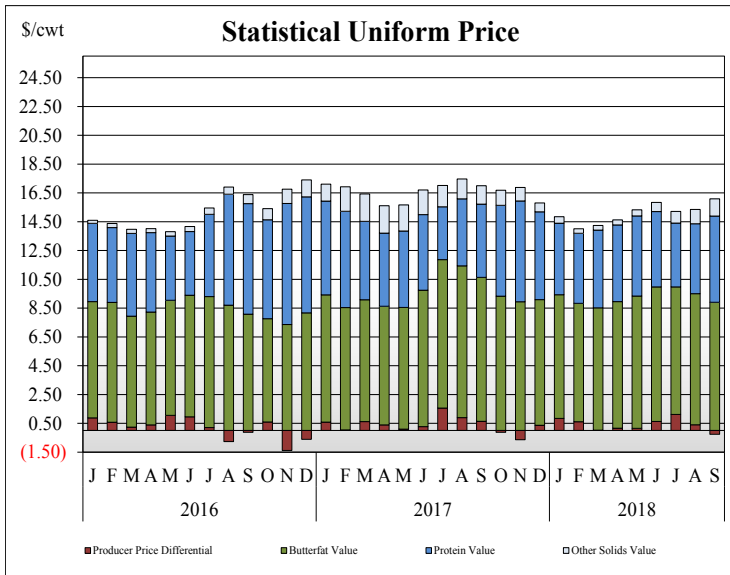


Producer Receipts: Producer receipts for the Mideast Order totaled 1.46 billion pounds in September 2018. The pounds allocated to Class I represented 36.1 percent of the total pounds. Producer receipts decreased 237.5 million pounds compared to August 2018, and were down 154.7 million pounds from the prior year.

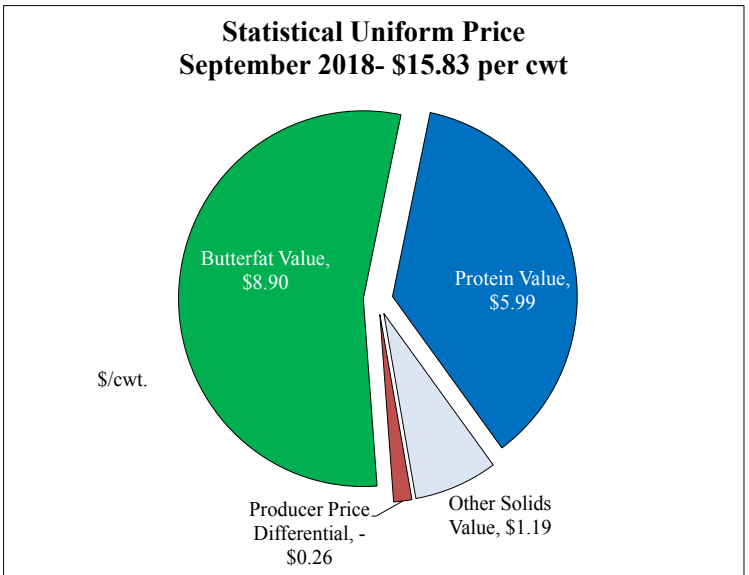


Class I Pounds: Class I Disposition for the Mideast Order totaled 597 million pounds in September 2018, down 3.3 million pounds from September 2017. Finished products include 148 million pounds used for whole milk, 251 million pounds of reduced fat and low fat milk, and 45 million pounds of fat free (skim) milk.

STATISTICAL UNIFORM PRICE

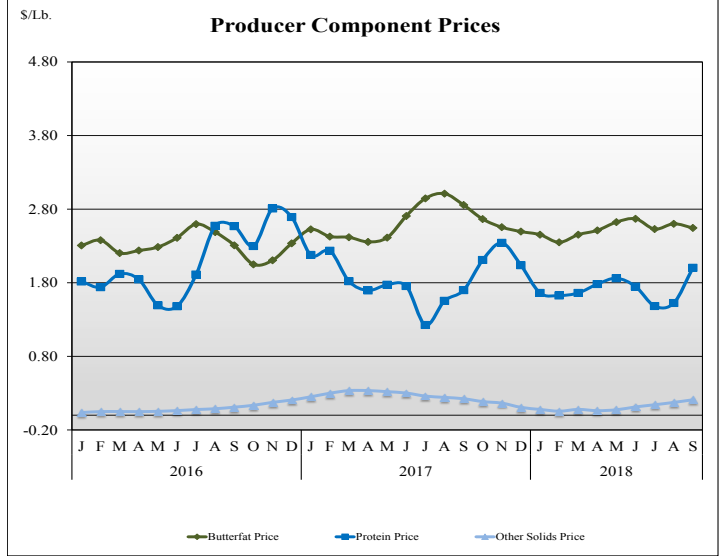
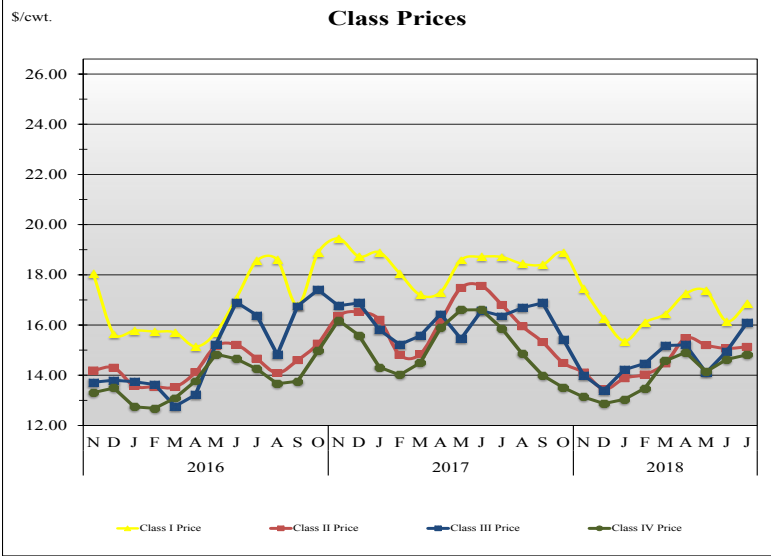


Statistical Uniform Price: The Mideast Federal Order Statistical Uniform Price (SUP) at Cuyahoga County, OH was \$15.83 per cwt for September 2018. The September 2018 SUP was \$1.17 per cwt lower than the September 2017 SUP. The September 2018 SUP is \$0.48 per cwt higher than the August 2018 SUP.



September 2017 Statistical Uniform Price: Using the Class III Price formula at 3.5% BF, the component values for the September 2018 SUP are: \$5.99 per cwt for protein, \$8.90 per cwt for butterfat and \$1.19 per cwt for other solids. Also included in the SUP is the -\$0.26 per cwt producer price differential. (May not add to total due to rounding.)

CLASS AND COMPONENT PRICES



WEIGHTED AVERAGE NATIONAL PRODUCT PRICES

