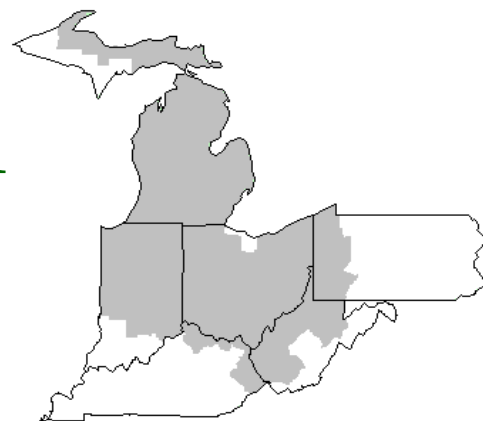


Mideast Market Administrator's Bulletin



Federal Order No. 33

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MARCH 2019

January Milk Production Up 1.3 Percent

Milk production in the 23 major States during January totaled 17.5 billion pounds, up 1.3 percent from January 2018. December revised production at 17.1 billion pounds, was up 0.8 percent from December 2017. The December revision represented an increase of 2 million pounds or less than 0.1 percent from last month's preliminary production estimate.

Production per cow in the 23 major States averaged 2,011 pounds for January, 38 pounds above January 2018. This is the highest production per cow for the month of January 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, 52,000 head less than January 2018, and 2,000 head more than December 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 January totaled 2.6 billion pounds, down 70 million pounds or 2.6 percent from January 2018.

Production per cow in the Mideast states averaged 1,930 pounds for January, 10 pounds more January 2018.

The number of cows on farms in the Mideast states was 1.4 million head, 46,000 head less than January 2018.

Recent Developments in Dairy Markets

Usually, in February most dairy-related data are available for the entire previous year. However, due to the recent Government shutdown, most dairy-related data reported by USDA National Agricultural Statistics (NASS) and trade data reported by the U.S. Census Bureau have been updated through November but are not yet available for December. Since USDA Agricultural Marketing Service (AMS) continued to provide data during the shutdown period, AMS data referenced in this publication are up to date.

From December 2018 to January 2019, with the exception of a 0.8-cent per pound decline in the U.S. butter price, all of the U.S. major domestic wholesale dairy prices and international prices rose.

Tighter world milk supplies likely contributed to the increase in most dairy product prices from December to January. The year-over-year change in milk production for the top four exporters combined (New Zealand, the EU, the United States, and Australia) generally trended lower in 2018. In November, the last month for which complete milk production data are available, milk production for the top four exporters fell below November 2017 by 216 million pounds. Modest gains for New Zealand and the United States of 66 million and 110 million pounds, respectively, were more than offset by declines for the EU and Australia of 216 million and 176 million pounds, respectively. Relatively low milk prices throughout most of 2018 and drought in Australia have contributed to the milk production decline.

Relatively low stocks of products with high skim-solids content have likely contributed to higher NDM and skim milk powder (SMP) prices. EU intervention ending stocks of SMP fell from 485 million pounds in November to 388 million pounds in December. Although the EU

intervention ending stocks have not yet been published for January, available data indicate that the stocks have likely been nearly depleted since the beginning of the year. For the United States, November manufacturers' ending stocks of NDM totaled 287.1 million pounds, 9.4 percent below November 2017. On a skim-solids milk-equivalent basis, U.S. November ending stocks were 10.262 billion pounds, 12.7 percent below November 2017. On a milk-fat milk-equivalent basis, November ending stocks were 13.454 billion pounds, 2.5 percent above November 2017.

On a milk-fat basis, November exports were 823 million pounds, a decrease of 96 million pounds from October and a decrease of 32 million pounds from November 2017. On a skim-solids basis, exports were 3.110 billion pounds, a decrease of 404 million pounds from October and a decrease of 500 million pounds from November 2017. Notably, exports of NDM and lactose fell from October to November by 27.9 million and 7.5 million pounds, respectively.

On a milk-fat basis, November dairy imports were 535 million pounds, 85 million below October but 56 million above November 2017. On a skim-solids basis, dairy imports were 501 million pounds, 74 million above October and 11 million above November 2017. Notably, butter and cheese imports fell from October by 1.5 million and 2.9 million pounds, respectively.

For the 3 months ending in November 2018, commercial use grew modestly over the previous year, by 1.1 percent on a milk-fat basis and 1.6 percent on a skim-solids basis. Notably, for the same 3 months, commercial use of American type cheese fell by 3.8 percent year over year. This contrasts with commercial use of Other-than-American-type cheese, which increased by 4.2 percent year over year for the 3-month period.

(Continued on Page 3)

February 2019 Pool Summary

Classification of Producer Milk

	<i>Pounds</i>	<i>Percent</i>
Class I	527,299,596	35.7
Class II	181,871,270	12.3
Class III	539,086,947	36.5
Class IV	228,831,211	15.5
Total	1,477,089,024	100.0

Producer Prices

Producer Price Differential	\$ 1.71 / cwt
Butterfat Price	2.5345 / lb
Protein Price	1.1776 / lb
Other Solids Price	0.2631 / lb
Somatic Cell Adjustment Rate	0.00070 / cwt
Statistical Uniform Price	15.60 / cwt

ANNOUNCEMENT OF PRODUCER PRICES

Federal Order No. 33

February 2019

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			516,664,084			\$8.80 / cwt	\$ 45,466,439.39
Class I Butterfat		10,634,512				2.5162/ lb	26,761,075.27
Class I Location Differential	527,299,596						(245,279.43)
Class II SNF Value				15,504,477		0.8333/ lb	12,919,880.71
Class II Butterfat		15,804,484				2.5415/ lb	40,167,096.08
Class III Protein Value			17,427,739			1.1776/ lb	20,522,905.45
Class III Other Solids Value					31,280,751	0.2631/ lb	8,229,965.58
Class III Butterfat		18,228,179				2.5345/ lb	46,199,319.66
Class IV SNF Value				20,105,761		0.8041/ lb	16,167,042.42
Class IV Butterfat		13,807,231				2.5345/ lb	34,994,427.01
Somatic Cell Value II / III / IV							<u>1,139,271.86</u>
TOTAL PRODUCER MILK VALUE	1,477,089,024	58,475,406	47,354,644		85,235,370		\$ 252,322,144.00
Overages						\$114,041.43	
Beginning Inventory & OS Charges						(58,319.99)	
TOTAL ADJUSTMENTS							\$ <u>55,721.44</u>
TOTAL HANDLER OBLIGATIONS							\$ 252,377,865.44
Total Protein Value			47,354,644 lbs	@	\$ 1.1776		\$ (55,764,828.78)
Total Other Solids Value			85,235,370 lbs	@	0.2631		(22,425,425.83)
Butterfat Value			58,475,406 lbs	@	2.5345		(148,205,916.52)
Total Somatic Cell Values							<u>(1,786,519.06)</u>
TOTALS							\$ 24,195,175.25
Net Producer Location Adjustments							\$ 1,099,034.06
1/2 Unobligated Balance Producer Settlement Fund							<u>684,000.00</u>
Total - Divided by Total Pounds			1,477,089,024 lbs		1.7587436		\$ 25,978,209.31
Rate of Cash Reserve					(0.0487436)		<u>(719,986.37)</u>
PRODUCER PRICE DIFFERENTIAL at Cuyahoga County, OH*			1,477,089,024		\$ 1.71 / cwt		\$ 25,258,222.94

COMPONENT PRICES

February

COMPUTATION OF UNIFORM PRICE

February

	<u>2019</u>	<u>2018</u>		<u>2019</u>	<u>2018</u>
Butterfat Price	\$2.5345 / lb	\$2.3490 / lb	Class III Price - 3.5% BF	\$13.89	\$13.40
Protein Price	1.1776 / lb	1.6265 / lb	Producer Price Differential*	<u>1.71</u>	<u>0.61</u>
Other Solids Price	0.2631 / lb	0.0550 / lb	Statistical Uniform Price	\$15.60	\$14.01
Somatic Cell Adjustment Rate	0.00070 / cwt	0.00074 / cwt			
Nonfat Solids Price	0.8041 / lb	0.5352 / lb			

CLASS PRICES

February

CLASSIFICATION OF PRODUCER MILK

February

	<u>2019</u>	<u>2018</u>		<u>2019</u>	<u>2018</u>
Class I*	\$17.30	\$16.25	Product lbs.		
Class II	16.13	13.44	Class I	527,299,596	498,901,853
Class III	13.89	13.40	Class II	181,871,270	320,108,735
Class IV	15.86	12.87	Class III	539,086,947	512,703,355
			<u>Class IV</u>	<u>228,831,211</u>	<u>273,540,132</u>
			Total	1,477,089,024	1,605,254,075

* Subject to Location Adjustment.

ORDER 33 MARKET SUMMARY

The Producer Price Differential for the Mideast Marketing Area for February 2019 was \$1.71 and the Statistical Uniform Price was \$15.60 for the month. The Statistical Uniform Price is \$0.14 higher than last month, and is \$1.59 higher than February 2018.

The Producer Butterfat Price of \$2.5345 per pound increased \$0.0364 from January and is up \$0.1855 from a year ago. The Protein Price of \$1.1776 is down \$0.0151 from last month and is down \$0.4489 from February 2018. The Other Solids Price in February was \$0.2631 per pound, a decrease from last month's price of \$0.2898 and \$0.2081 higher than last February. The Somatic Cell Adjustment rate for February was \$0.00070 per cwt.

February producer receipts of 1.48 billion pounds were 4.2 percent lower than January and 8.0 percent lower than February 2018 production of 1.61 billion pounds. Producer milk allocated to Class I accounted for 35.7 percent of the total producer milk in February 2019, less than the 37.7 percent in January, and higher than the 31.1 percent in February 2018. A total of 4,399 producers were pooled on the Mideast Order compared to 4,657 producers pooled in February 2018.

The market average content of producer milk was as follows: Butterfat 3.96%; Protein 3.21%; Other Solids 5.77% and Nonfat Solids 8.98%.

(continued from Front Page)

On a milk-fat basis, imports in the fourth quarter are estimated at 1.8 billion pounds, 0.2 billion lower than the previous forecast, and exports are estimated at 2.6 billion pounds, in line with the previous forecast. Ending stocks are now forecast at 13.7 billion pounds, 0.4 billion pounds lower than previously estimated. Domestic use for the quarter is estimated at 56.0 billion pounds, 0.1 billion pounds higher than the December forecast.

Most product prices remained within the previously forecast ranges for the fourth quarter following the release of December data. The cheddar cheese price was an exception, ending up above the previous forecast at \$1.463 per pound. The fourth-quarter dry whey, butter, and NDM prices were \$0.459, \$2.264 and \$0.887 per pound, respectively. The Class III price for the fourth quarter was \$14.58 per cwt, above the previously forecast range; the Class IV price was \$15.05 per cwt, within the forecast range. The all-milk price for the fourth quarter is estimated at \$16.95-\$17.05 per cwt, in line with the December forecast.

Following a decline in the number of milk cows in November and relatively high slaughter rates during December, the forecast for the size of the milking herd has been lowered 5 thousand head for the first half of 2019; however, the rounded estimate for the year remains at 9.365 million head. Based on relatively weak yield growth continuing in November, the 2019 milk per cow forecast has been lowered 50 pounds to 23,505. These changes result in a milk production forecast of 220.1 billion pounds for 2019, 0.5 billion pounds lower than the previous forecast.

The outlook for feed prices has changed only slightly since the December forecasts. The corn price forecast for 2018/19 is \$3.35-\$3.85 per bushel, unchanged at the midpoint of the range. The 2018/19 soybean meal price forecast has been raised to \$295-\$335 per short ton, \$5 higher at the midpoint of the range.

On a milk-fat basis, the export forecast for 2019 has been raised 0.3 billion pounds to 10.3 billion, as cheese exports should be stronger than previously forecast and butter exports should find more support from rising EU and Oceania prices. The import forecast for the year has been lowered 0.1 billion pounds to 6.6 billion. The forecast for ending stocks has been lowered to 13.3 billion pounds, as stocks should draw down during the year from a lower forecast base. Domestic use is forecast 0.8 billion pounds lower than previously forecast, at 215.5 billion pounds.

On a skim-solids basis, the 2019 export forecast has been raised 0.5 billion pounds to 44.6 billion, as EU intervention stocks of SMP have likely been almost completely sold off and drought in Australia has led to flagging production there. The import forecast for 2019 is unchanged at 5.2 billion pounds. The ending stock forecast on a skim-solids basis has been raised to 11.1 billion pounds, 0.7 billion higher than the previous forecast. The 2019 domestic use forecast is 179.6 billion pounds, 1.3 billion less than last month's forecast.

Product price forecasts have mostly been raised for 2019. The exception is the cheddar cheese price, which is forecast slightly lower at \$1.480-\$1.550 per pound, based on recent weakness in prices. The dry whey price forecast has been raised to \$0.435-\$0.465 per pound for the year, also based on recent price data. The butter price is forecast slightly higher than previously at

\$2.230-\$2.330 per pound for the year, due to expected strength in exports of butter and butterfat products. NDM prices have increased lately and should continue to find support from export growth in 2019; as a result, the NDM price forecast for the year has been raised 12 cents at the midpoint of the range to \$0.955-\$1.015 per pound.

The Class III price forecast for 2019 is \$14.70-\$15.40 per cwt, unchanged from the midpoint from the December forecast, as the lower cheese price is expected to be offset by the higher whey price. With higher prices for butter and NDM in 2019, the Class IV price forecast for the year has been raised to \$15.55-\$16.35 per cwt. The all-milk price forecast for 2019 is \$16.90-\$17.60 per cwt, an increase of 45 cents from the last forecast at the midpoint of the range.

Source: *Livestock, Dairy, and Poultry Outlook*, LDP-M-296, February 14, 2019 USDA, Economic Research Service

USDA Announces Amendment to Class I Skim Milk Price Formula

The U.S. Department of Agriculture (USDA) announced today an amendment to the Class I skim milk price formula under the Federal Milk Marketing Order (FMMO) program, in accordance with the Agriculture Improvement Act of 2018 (2018 Farm Bill). **The rule will become effective May 1. The new price formula will be reflected in the May Advanced Class I Skim Milk Price that will be announced on April 17, 2019.**

Currently, the Class I skim milk price is calculated using the higher of the monthly advanced pricing factors for Class III or Class IV skim milk, which reflect dairy product survey prices for the two weeks prior to the price announcement, plus the applicable adjusted Class I differential. Because market prices for these surveyed products fluctuate, the "higher of" factor used to determine the Class I skim milk price can change, increasing risk and uncertainty associated with hedging.

To address this issue, Congress determined that the formula for the FMMO Class I skim milk price should be the average of the monthly Class III and Class IV advanced pricing factors plus \$0.74 per hundredweight plus the applicable adjusted Class I differential.

In accordance with the 2018 Farm Bill, the amendment is effective indefinitely, until further modified, and may not be modified sooner than two years after the effective date of this rule.

The Federal Register notice is available at <https://www.federalregister.gov/documents/2019/03/11/2019-04347/federal-milk-marketing-orders-amending-the-class-i-skim-milk-price-formula>

Bulletin WebPage Edition
www.fmmaclev.com
Featured this month are:

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

Weighted Averages - Butterfat, Protein, Other Solids, Somatic Cell Count by State Federal Order No. 33

State	January 2019 -----Weighted Averages-----						January 2018 -----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	1,113	793,283	3.92	3.22	5.80	161	892,591	3.94	3.24	5.78	170
Ohio	1,461	363,570	4.01	3.20	5.71	171	402,870	4.01	3.21	5.69	177
Indiana	736	205,148	3.93	3.19	5.78	175	215,336	3.95	3.22	5.80	188
New York	186	83,187	4.08	3.22	5.73	184	93,212	4.07	3.20	5.74	159
Pennsylvania	667	79,915	4.09	3.20	5.72	207	82,671	4.12	3.20	5.72	214
Other	98	17,292	4.04	3.23	5.77	194	16,444	4.15	3.27	5.71	194
Total/Average *	4,261	1,542,397	3.96	3.21	5.77	169	1,703,124	3.98	3.23	5.76	176

* 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
February 2019**

<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)	2,086,400	655,857	31.4	\$2.76	\$16.65
FO 5	Appalachian - (Charlotte)	406,682	293,249	72.1	^{2/}	18.00
FO 6	Florida - (Tampa)	206,732	174,316	84.3	^{2/}	19.96
FO 7	Southeast - (Atlanta)	390,842	274,855	70.3	^{2/}	18.35
FO 30	Upper Midwest - (Chicago)	2,772,497	217,577	7.8	0.33	14.22
FO 32	Central - (Kansas City)	1,229,073	377,088	30.7	1.18	15.07
FO 33	Mideast - (Cleveland)	1,477,089	527,300	35.7	1.71	15.60
FO 51	California - (Los Angeles)	1,830,089	420,549	23.0	1.23	15.12
FO 124	Pacific Northwest - (Seattle)	604,359	138,875	23.0	1.39	15.28
FO 126	Southwest - (Dallas)	1,095,712	331,983	30.3	1.83	15.72
FO 131	Arizona - (Phoenix)	413,728	97,598	23.6	^{2/}	15.76

^{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 MARCH 2019.....13.89 /cwt.

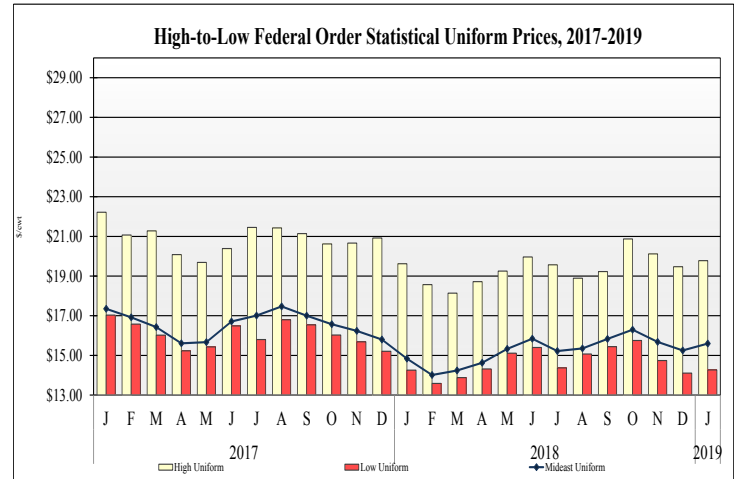
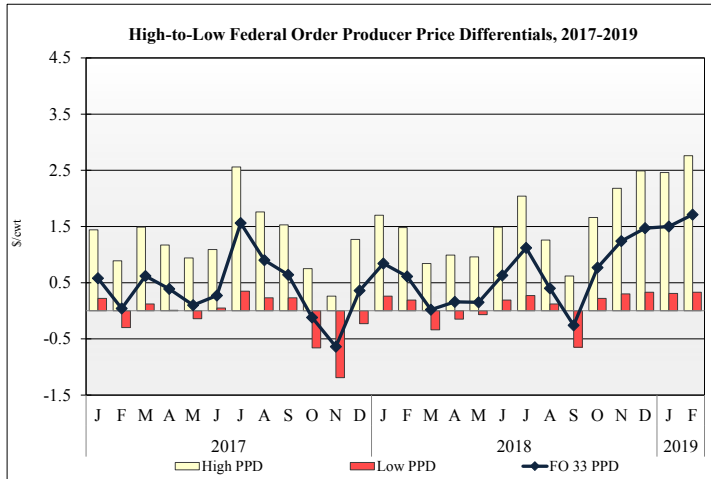


Mideast Market Administrator's Bulletin

Supplement
March 2019

Federal Order No. 33

PRODUCER PRICE DIFFERENTIAL AND UNIFORM PRICE STATISTICS 2/3/



Producers in Orders 1, 30, 32, 33, 51, 124, and 126 are paid based on component pricing.

Of those orders, Federal Order 1 traditionally has the highest producer price differential. For February 2018 Federal Order 1 had a PPD of \$2.76 per hundredweight (cwt), \$0.30 lower than their January PPD of \$ 2.46 per cwt.

In February 2019, Federal Order 33 had the third highest PPD, behind Orders 1, and 126, at \$1.71 per cwt, \$0.21 per cwt higher than the January PPD.

For February 2019, Federal Order 30 had the lowest PPD at \$0.33 per cwt, \$0.02 per cwt higher than the January PPD.

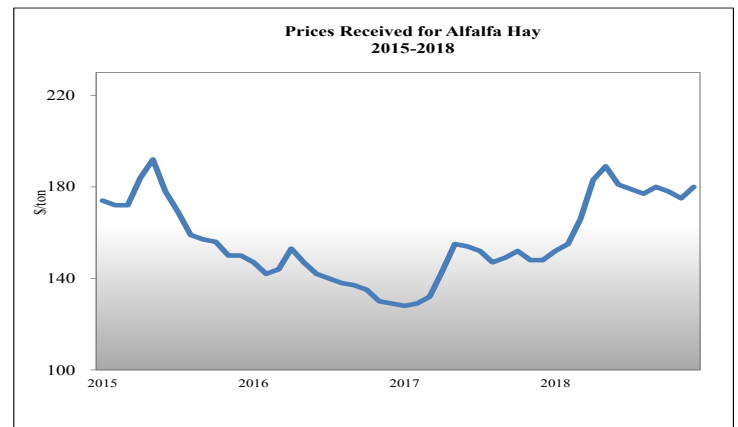
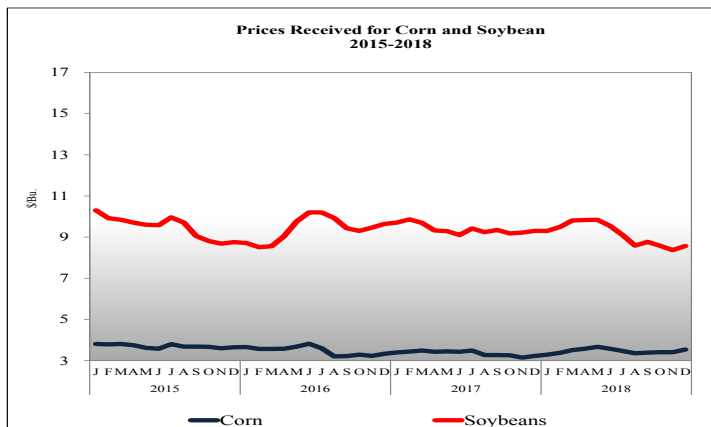
Producers in Orders 1, 30, 32, 33, 51, 124, and 126 are paid based on component pricing; and producers in 5, 6, 7 and 131 are paid based on skim-fat pricing. The table above details the range of statistical uniform prices (SUP) paid to producers.

Of those orders, Federal Order 6 (Florida) traditionally has the highest statistical uniform price. For February 2019, Federal Order 6 had a SUP of \$19.96 per cwt, \$0.18 higher than the previous month's SUP.

Federal Order 33 had a SUP of \$15.60 per cwt, \$0.14 per cwt higher than the previous month's SUP.

The Upper Midwest order had the lowest SUP at \$14.22 per cwt, \$0.05 per cwt lower than the previous month's SUP.

PRICES RECEIVED FOR GRAIN AND ALFALFA HAY 4/



2/ Producer price differentials are subject to location adjustment.

3/ Statistical uniform prices are at 3.5 percent butterfat and subject to location adjustment.

4/ Source: USDA, National Agricultural Statistics Service