

# THE COURIER

Monthly Newsletter

January 2012

## Dairy Outlook

The December corn price forecast for 2011/12 is \$5.90 to \$6.90 a bushel. This adjustment represents a lowering of 30 cents a bushel on each end of the price range from last month. Although the 2011/12 use numbers were changed only slightly, prices received by farmers are reported to be below cash market bids, reflecting deliveries of grain that were forward-priced earlier in 2011. Also, declines in futures prices since November have tempered the price outlook for the coming months. Soybean meal prices have also been lowered, the December forecast being \$280 to \$310 a ton in 2011/12. Lower forecast production is balanced by lower expected domestic use. The preliminary November price for alfalfa hay was reported in the Agricultural Prices report at \$198 a ton, a slight decline from October's reported \$206 a ton but still well above year-earlier prices. With a return to more normal weather conditions next year, alfalfa hay prices should moderate in 2012. The preliminary milk-feed price ratio for November was estimated at 1.80, virtually unchanged from October but well below the 2.23 a year earlier.

Cow numbers were virtually unchanged from the November forecast at 9,200 thousand head for 2011 and remain at 9,190 thousand head in 2012. Dairy cow slaughter for the January to October 2011 period is about 4 percent above slaughter for the corresponding period of 2010 according to the November Livestock Slaughter report, and replacement heifer prices are steady. This suggests no major liquidation is in the offing, but cow numbers are expected to decline slightly next year. Output per cow continues to rise, and lower expected feed prices are the basis for the increase in the December projected output per cow to 21,315 pounds this year and 21,610 pounds next year. Slightly more milk is forecast in December than in November, both this year and next. Production is forecast at 196.1 billion pounds this year, rising to 198.5 billion pounds in 2012.

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## USDA Announces Final Rule

On December 23, 2011, the U.S. Department of Agriculture announced a final rule that amends the National Dairy Promotion and Research Order.

The final rule adopts the National Dairy Promotion and Research Board's proposal and therefore representation in Region 1 is increased from one member to two members; Region 2 representation is decreased from eight members to seven members; Region 3 is decreased from four members to two members; Region 8 and Region 10 are combined to create a new Region 10 with two members, and is comprised of Alabama, District of Columbia, Florida, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, Puerto Rico, South Carolina, Tennessee, and Virginia; Region 8 is now comprised of Idaho with two members;

*USDA Announces Final Rule, cont'd on page 3*



Harold H. Friedly, Jr.  
Market Administrator

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## Appalachian Statistical Summary

DECEMBER 2011    NOVEMBER 2011    DECEMBER 2010

### PRICES: (Base Zone)

Uniform Price	\$20.43	\$21.27	\$18.31
Class I Price	21.87	21.85	20.36
Class II Price	18.08	19.26	15.77
Class III Price	18.77	19.07	13.83
Class IV Price	16.87	17.87	15.03
Uniform Skim Milk Price	\$14.44	\$14.95	\$11.69
Class I Skim Milk Price	15.22	15.56	12.51
Class II Skim Milk Price	12.38	12.86	9.81
Class III Skim Milk Price	13.12	12.69	7.82
Class IV Skim Milk Price	11.16	11.44	9.06
Uniform Butterfat Price	\$1.8567	\$1.9538	\$2.0079
Class I Butterfat Price	2.0531	1.9519	2.3688
Class II Butterfat Price	1.7513	1.9578	1.8022
Class III Butterfat Price	1.7443	1.9508	1.7952
Class IV Butterfat Price	1.7443	1.9508	1.7952

### PRODUCER MILK:

Class I	362,425,745	369,079,759	363,670,837
Class II	59,771,208	73,867,481	62,033,082
Class III	44,145,199	36,245,181	46,467,763
Class IV	69,820,683	31,443,869	54,450,942
<b>Total Producer Milk</b>	<b>536,162,835</b>	<b>510,636,290</b>	<b>526,622,624</b>

### PERCENT PRODUCER MILK IN:

Class I	67.60	72.28	69.06
Class II	11.15	14.46	11.78
Class III	8.23	7.10	8.82
Class IV	13.02	6.16	10.34

### F.O. 5 STATS FOR DECEMBER 2011:

⇒The Uniform Price for December 2011 was \$20.43, an increase of \$2.12 from December 2010.

⇒Total Class I Milk for December 2011 was 362,425,745 pounds, a decrease of 1.2 million pounds, or 0.3 percent, compared to December 2010.

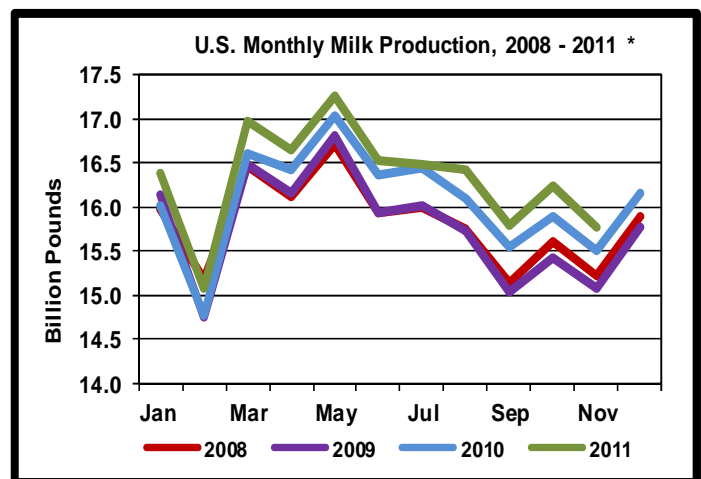
⇒Class I Utilization was 67.60 percent for December 2011, a decrease of 1.5 percentage points from December 2010.

⇒Total Producer Milk for December 2011 was 536,162,835 pounds, an increase of 9.5 million pounds, or 1.8 percent, compared to December 2010.

## November Milk Production Up 2.2%

Milk production in the 23 major States during November totaled 14.7 billion pounds, up 2.2 percent from November 2010. October revised production at 15.2 billion pounds, was up 2.5 percent from October 2010. The October revision represented an increase of 1 million pounds or less than 0.1 percent from last month's preliminary production estimate. Production per cow in the 23 major States averaged 1,738 pounds for November, 16 pounds above November 2010.

The number of milk cows on farms in the 23 major States was 8.48 million head, 108,000 head more than November 2010, but unchanged from October 2011.



\*Based on entire U.S. production

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## Dairy Outlook, cont'd from page 1

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Fat-basis milk equivalent dairy import forecasts in 2011 were raised this month to 3.3 billion pounds, based on slightly higher imports of butterfat and food preparations. In 2012, fat-basis imports are forecast at 3.2 billion pounds, unchanged from the November forecast but down from 2011. Skim-solid basis import forecasts were left unchanged from last month at 5.3 billion pounds. In 2012, skim-solid basis imports are forecast to fall slightly to 5.2 billion pounds.

Milk equivalent fat-basis exports were raised slightly this month to 9.3 billion pounds. The export total was raised due to higher than expected milk and cream shipments. Next year, fat basis exports are forecast at 8.6 billion pounds, unchanged from last month. This year's skim-solid basis exports are forecast at 33.6 billion pounds, up from November due to stronger skim milk powder exports. Next year, the forecast is unchanged from last month at 31.9 billion pounds. Increased global production will likely present stronger competition for U.S. exporters of skim powder products.

Commercial domestic use is projected at 188.8 billion pounds fat basis for 2011 and 191.9 billion pounds in 2012. Commercial domestic use on a skim-solid basis is forecast to reach 166.9 billion pounds this year, a decline from November's forecast, but an increase from 2010. Next year, skim-solid domestic use is forecast to rise from 2011 to 171 billion pounds, an increase from November expectations and a 2.5 percent rise above 2011 expected totals.

Cheese prices are forecast to average \$1.820 to \$1.830 a pound in 2011, unchanged from November's forecast, but are projected lower in 2012 at \$1.675 to \$1.755 a pound. Domestic use of cheese was lower in the third quarter of 2011 compared with 2010, and both domestic and Oceania prices have recently declined sharply, supporting the lowered price forecast. Recent weakness in butter prices has led to a lowering of 2011 butter prices from November projections to \$1.935 to \$1.965 a pound in the December forecast. Stronger global competition in 2012 is expected to moderate butter prices even further in 2012. Butter prices are forecast at \$1.605 to \$1.715 a pound next year. Higher global production will similarly affect NDM prices. NDM prices are projected at \$1.495 to \$1.515 a pound this year, a slight downward revision from last month. Next year, prices are expected to drop more significantly to \$1.360 to \$1.420. The outlier is whey. Exports have been brisk in 2011 and are likely to continue strong in 2012. Whey prices are forecast at 52.5 to 53.5 cents a pound in 2011, unchanged from last month. Next year, prices are expected to rise from 2011 to 53.5 to 56.5 cents a pound, a substantial upward revision from November.

Milk prices will be lower next year based on lower product prices. Class III prices are expected to be \$16.90 to \$17.70 per cwt next year, down from an expected \$18.30 to \$18.40 per cwt in 2011. Lower cheese prices will probably overcome the relative strength in whey prices, lowering the Class III price. The Class IV price is also expected to be lower in 2012 at \$16.35 to \$17.25 per cwt, a decline from \$18.95 to \$19.15 per cwt in 2011. The 2012 all milk price is forecast at \$18.10 to \$18.90 per cwt, down from \$20.05 to 20.15 per cwt in 2011.

Source: *Livestock, Dairy, & Poultry Outlook/LDP-M-210/December 15, 2011*  
Economic Research Service, USDA

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## USDA Announces Final Rule, cont'd from page 1

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Region 12 and 13 are combined to create a new Region 12 and is comprised of Connecticut, Maine, Massachusetts, New Hampshire, New York, Rhode Island, and Vermont, with three members.

The Dairy Order provides that the board shall review the geographic distribution of milk production throughout the United States and, if warranted, shall recommend to the Secretary a reapportionment of the regions and/or modification of the number of members from the regions in order to better reflect the geographic distribution of milk production volume in the United States.

The board was established under the Dairy Production Stabilization Act of 1983, as amended, to develop and administer a coordinated program of promotion, research, and nutrition education.

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**USDA Announces Final Rule, cont'd from pg.3**

The 38-member board is authorized to design programs to strengthen the dairy industry's position in domestic and foreign markets. The program is financed by a mandatory 15-cent per hundredweight assessment on all milk marketed commercially and a 7.5-cent per hundredweight assessment, or equivalent thereof, on milk and dairy products imported into the United States.

The final rule is available on [www.regulations.gov](http://www.regulations.gov) and the AMS website at [www.ams.usda.gov/dairy](http://www.ams.usda.gov/dairy).

AMS No. 240-11

**Federal Milk Marketing Order Statistics - November 2011**

Federal Order	Producer Deliveries	Class I Producer Receipts	Class I Utilization	Statistical Uniform Price
	Million Pounds	Million Pounds	Percent	\$/cwt
1 Northeast	1,905.1	844.4	44.3	20.23
<b>5 Appalachian</b>	<b>510.6</b>	<b>369.1</b>	<b>72.3</b>	<b>21.27</b>
6 Florida	242.0	206.4	85.3	23.15
7 Southeast	550.3	386.4	70.2	21.63
30 Upper Midwest	2,696.9	365.3	13.5	19.15
32 Central	1,056.6	382.8	36.2	18.82
33 Mideast	1,345.0	540.4	40.2	19.18
124 Pacific Northwest	660.8	192.4	29.1	18.77
126 Southwest	939.7	372.7	39.7	19.89
131 Arizona	359.9	121.7	33.8	19.31
<b>All Orders<sup>1</sup></b>	<b>10,266.9</b>	<b>3,781.6</b>	<b>36.8</b>	<b>19.70</b>

<sup>1</sup> Weighted average uniform prices at 3.5% butterfat at announced locations.