APPALACHIAN MARKETING AREA
FEDERAL ORDER 5

THE COURIER

Monthly Newsletter

January 2016

Update on California Hearing Process

The public hearing to consider the establishment of a Federal Milk Marketing Order (FMMO) for California concluded on November 18, 2015.

Over the duration of the hearing, which began on September 22, more than 90 individuals provided testimony and entered 198 exhibits. Hearing attendance varied from approximately 30 to over 100 people per day, with another 30 to 60 people tuning in each day to the audio webcast.

USDA estimates the total number of transcript pages at around 8,000, not including exhibits. USDA will have the complete transcript and hearing exhibits available on its website, **www.ams.usda.gov/caorder**.

The Administrative Law Judge set the following deadlines for next steps in the process:

- Transcript corrections due January 15;
- Post-hearing briefs due March 31; and
- Reply briefs due May 16.

After reply briefs are submitted, USDA will develop and issue a Recommended Decision based on the evidence presented during the rulemaking. USDA will request public comment on the Recommended Decision.

Update on California Hearing Process, cont'd on pg. 3

Dairy Outlook

Developments in Dairy Markets

Milk production typically responds to milk and feed prices with a lag of several months. The milk-feed ratio dipped to a low point of 1.95 in April, contributing to lower milk-production growth in the following months. Since April, the milk-feed ratio has risen, reaching 2.29 in October. There has been wide disparity in milk production patterns across the Nation. Drought has contributed to lower milk production in Western States, with a year-over-year October decline of 5.5 percent in California. In contrast, milk production increased by 4.5 percent in Wisconsin.

From September to October this year, commercial exports decreased by 23 million pounds on a milk-fat milk-equivalent basis and by 171 million pounds on a skim solids milk-equivalent basis. Lactose and whey protein concentrate exports decreased significantly. Notably, exports of NDM rose by 5.1 million pounds, with exports to Mexico making up the largest portion of the increase.

Dairy Outlook, cont'd on pg. 3

Harold H. Friedly, Jr.
Market Administrator

Inside this issue:

Appalachian Statistical Summary	2
November Milk Production Up 0.6%	2
U.S. Monthly Number of Cows, 2012-2015	2
Update on California Hearing Process, cont'd	3
Dairy Outlook, cont'd	3
FMMO Statistics - November 2015	4

Appalachian Statistical Summary

	DECEMBER 2015	NOVEMBER 2015	DECEMBER 2014
PRICES: (Base Zone)			
Uniform Price	$18.68	$19.65	$23.52
Class I Price	20.11	19.88	25.93
Class II Price	16.71	18.26	19.09
Class III Price	14.44	15.30	17.82
Class IV Price	15.52	16.89	16.70
Uniform Skim Milk Price	$8.49	$9.19	$16.58
Class I Skim Milk Price	9.45	10.05	18.79
Class II Skim Milk Price	6.75	7.35	12.14
Class III Skim Milk Price	4.43	4.31	10.85
Class IV Skim Milk Price	5.54	5.96	9.69
Uniform Butterfat Price	$2.9953	$3.0811	$2.1489
Class I Butterfat Price	3.1388	2.9096	2.2275
Class II Butterfat Price	2.9127	3.1900	2.1061
Class III Butterfat Price	2.9057	3.1830	2.0991
Class IV Butterfat Price	2.9057	3.1830	2.0991
PRODUCER MILK:			
Class I	338,740,643	328,525,345	331,263,266
Class II	68,856,988	79,120,723	62,812,672
Class III	28,529,674	29,989,110	23,964,931
Class IV	67,199,661	20,812,179	66,324,751
Total Producer Milk	**503,326,966**	**458,447,357**	**484,365,620**
PERCENT PRODUCER MILK IN:			
Class I	67.30	71.66	68.39
Class II	13.68	17.26	12.97
Class III	5.67	6.54	4.95
Class IV	13.35	4.54	13.69

F.O. 5 STATS FOR DECEMBER 2015:

The Uniform Price for December 2015 was $18.68 per cwt., a decrease of $0.97 from November 2015.

Total Class I Milk for December 2015 was 338,740,643 pounds, an increase of 7.5 million pounds, or 2.3 percent, compared to December 2014.

Class I Utilization was 67.3 percent for December 2015, a decrease of 1.1 percentage points from December 2014.

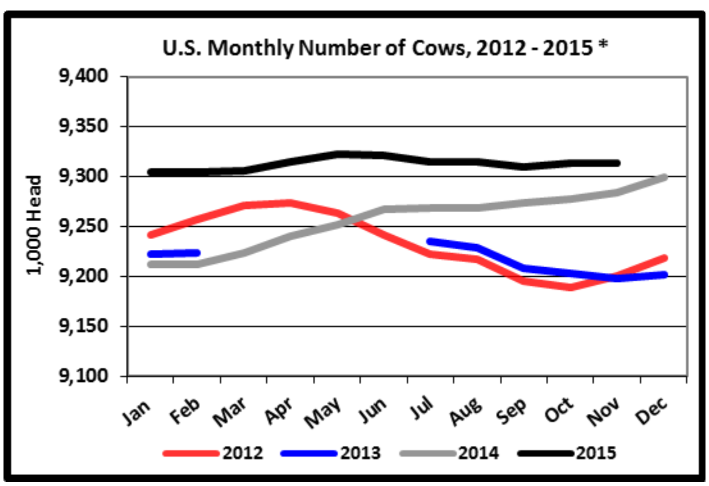
Total Producer Milk for December 2015 was 503,326,966 pounds, an increase of 19.0 million pounds, or 3.9 percent, compared to December 2014.

November Milk Production Up 0.6%

Milk production in the United States during November totaled 16.6 billion pounds, up 0.6 percent from November 2014.

Production per cow in the United States averaged 1,787 pounds for November, 4 pounds above November 2014.

The number of milk cows on farms in the United States was 9.31 million head, 29,000 head more than November 2014, but unchanged from October 2015.



*Based on entire U.S. production

Update on California Hearing Process, continued from page 1

After receiving and analyzing the public comments, USDA will issue a Final Decision. If USDA recommends a Federal Milk Marketing Order, dairy farmers potentially covered by the Order will vote on whether to adopt it. A "yes" vote by more than two-thirds of the dairy farmers or dairy farmers representing two-thirds of the milk produced is needed to approve the order. This process is expected to take around eighteen months.

More information, including hearing transcripts, can be found at **http://www.ams.usda.gov/caorder**.

Dairy Outlook, continued from page 1

October ending stocks for butter and cheese were substantially higher than for October 2014, by 21.0 percent for butter and 15.4 percent for cheese. In contrast, October NDM ending stocks were 1.5 percent below the previous year. Typically, cheese stocks decline seasonally from July to September at a much more rapid rate than they have in 2015.

Feed Price Situation for Dairy

The 2015/16 forecast for corn is unchanged from last month at $3.35-$3.95 per bushel. The soybean meal price forecast is lowered to $290-$330 per short ton. The national average alfalfa hay price decreased from $157 to $156 per short ton from September to October.

Dairy Forecasts for 2016

The milk production forecast for 2016 has been lowered to 212.4 billion pounds, 0.5 billion pounds less than forecast last month and a 2.0 percent year-over-year increase. The milk cow forecast is unchanged. Based on recent deceleration of yield growth, the milk per cow forecast is 22,825 pounds per head, 55 pounds less than forecast last month.

Based on recent data and expectations of lower exports of butterfat products, the 2016 forecast for exports on a milk-fat basis has been lowered by 0.4 billion pounds. With lower exports of lactose and whey protein products expected, the forecast for exports on a skim-solids basis has been lowered by 0.8 billion pounds. While export forecasts have been lowered substantially, they are still expected to increase over 2015, by 2.3 percent on a milk-fat basis and 2.7 percent on a skim-solids basis. Import forecasts are unchanged from last month.

Based on higher domestic demand expected for butter and cheese, 2016 commercial disappearance on a milk-fat basis has been raised by 0.3 billion pounds. Commercial disappearance on a skim-solids basis has been raised by 0.5 billion pounds based upon higher expected domestic demand for NDM. Lower price forecasts for NDM should contribute to greater use. Ending stock forecasts for 2016 are unchanged from last month on a milk-fat basis and are 0.1 billion pounds higher on a skim-solids basis.

With relatively high butter supplies, butter prices are expected to fall substantially within the next few months. The butter price forecast for the first quarter of 2016 is $2.010-$2.090 per pound. For the year, the butter price forecast has been raised to $1.880-$1.990 per pound. The cheese price forecast has been lowered to $1.565- $1.615 for the first quarter. For the year, the cheese price forecast is $1.595-$1.675 per pound, adjusted slightly from last month at the upper end of the range. With recent declines in the NDM price and lower expectations for commercial exports on a skim-solids basis, NDM price forecasts have been lowered for all of 2016 and are expected to average $0.915-$0.975 for the year. The dry whey price forecast is unchanged at 28.0-31.0 cents per pound.

With only a slight change in the cheese price forecast and no change for dry whey, the Class III forecast is $14.75-$15.55 per cwt, with the price range narrowed but unchanged at the midpoint of the range. With the lower NDM price more than offsetting the higher butter price, the Class IV forecast has been lowered to $13.70-$14.60 per cwt. The all-milk price forecast for 2016 is $15.95-$16.75 per cwt, lowered at the upper bound from $15.95-$16.85 forecast last month.

Livestock, Dairy, and Poultry Outlook/LDP-M-258/Dec. 15, 2015
Economic Research Service

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Federal Milk Marketing Order Statistics - November 2015

	Federal Order	Producer Deliveries Million Pounds	Class I Producer Receipts Million Pounds	Class I Utilization Percent	Statistical Uniform Price $/cwt
1	Northeast	2,081.9	755.2	36.3	18.32
5	*Appalachian*	*458.4*	*328.5*	*71.7*	*19.65*
6	Florida	231.0	193.8	83.9	21.59
7	Southeast	410.9	323.1	78.6	20.21
30	Upper Midwest	2,847.7	294.0	10.3	15.75
32	Central	1,247.2	404.3	32.4	16.60
33	Mideast	1,492.4	538.6	36.1	17.15
124	Pacific Northwest	711.7	166.8	23.4	16.68
126	Southwest	1,073.3	361.8	33.7	17.31
131	Arizona	381.3	108.4	28.4	17.28
	All Orders [1]	10,936.0	3,474.5	31.8	17.25

[1] Weighted average uniform prices at 3.5% butterfat at announced locations.