

THE COURIER

Monthly Newsletter

May 2016

Dairy Margin Protection Program

On April 12, 2016, Agriculture Secretary Tom Vilsack announced that dairy farms participating in the Margin Protection Program (MPP) can now update their production history when an eligible family member joins the operation. The voluntary program, established by the 2014 Farm Bill, protects participating dairy producers when the margin – the difference between the price of milk and feed costs – falls below levels of protection selected by the applicant.

The U.S. Department of Agriculture's (USDA) Farm Service Agency (FSA) published a final rule which makes these changes effective on April 13, 2016. Any dairy operation already enrolled in the Margin Protection Program that had an intergenerational transfer occur will have an opportunity to increase the dairy operations production history during the 2017 registration and annual coverage election period. The next election period begins on July 1, 2016, and ends on Sept. 30, 2016. For intergenerational transfers occurring on or after July 1, 2016, notification must be made to the FSA within 60 days of purchasing the additional cows. Each participating dairy operation is authorized one intergenerational transfer at any time of its choosing until 2018.

Dairy Margin Protection Program, cont'd on pg. 3

Dairy Outlook

Price differences between U.S. domestic wholesale prices and foreign export prices have contributed to the increase in imports of products with high milk-fat content and the resilience of exports of products with high skim-solids content. The large price gap between the U.S. and foreign prices for butter has encouraged non-licensed butter imports at the high-tier tariff rate of \$0.699 per pound. Although U.S. prices for NDM and dry whey are competitive with prices of foreign competitors, U.S. export growth continues to be constrained by slow global demand growth.

Dairy Forecasts for 2016

Feed price forecasts continue to remain relatively low. The corn price forecast for 2015/16 is \$3.40-\$3.70 per bushel, a decrease from \$3.40-\$3.80 forecast last month. The 2015/16 soybean meal price forecast is \$275-\$295 per short ton, unchanged at the midpoint from last month's forecast. The national average price for alfalfa hay decreased from \$147 per short ton in January to \$142 in February.

Based on recent data for milk production, milk cow slaughter, and expectations of relatively low cull-cow prices, milk production forecasts have been raised to 211.8 billion pounds for 2016, an increase of 0.2 billion pounds from last month's forecast. The 2016 forecast for milk cows is 9.310 million head, 5 thousand more than forecast last month. Milk per cow has been raised to 22,755 pounds per head, 10 pounds more than forecast last month.

Dairy Outlook, cont'd on pg. 3



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Appalachian Statistical Summary

	APRIL 2016	MARCH 2016	APRIL 2015
PRICES: (Base Zone)			
Uniform Price	\$16.01	\$15.87	\$17.64
Class I Price	17.14	17.18	18.90
Class II Price	13.54	13.57	14.98
Class III Price	13.63	13.74	15.81
Class IV Price	12.68	12.74	13.51
Uniform Skim Milk Price	\$8.46	\$8.13	\$11.42
Class I Skim Milk Price	9.62	8.94	12.77
Class II Skim Milk Price	5.89	6.05	8.63
Class III Skim Milk Price	6.01	6.25	9.51
Class IV Skim Milk Price	5.02	5.21	7.13
Uniform Butterfat Price	\$2.2426	\$2.2913	\$1.8916
Class I Butterfat Price	2.2446	2.4443	1.8782
Class II Butterfat Price	2.2446	2.2098	1.9010
Class III Butterfat Price	2.2376	2.2028	1.8940
Class IV Butterfat Price	2.2376	2.2028	1.8940

PRODUCER MILK:

Class I	321,308,138	333,473,492	318,135,597
Class II	71,259,611	77,298,054	83,098,575
Class III	20,285,419	24,369,289	18,954,454
Class IV	73,805,239	60,843,256	67,495,201
Total Producer Milk	486,658,407	495,984,091	487,683,827

PERCENT PRODUCER MILK IN:

Class I	66.02	67.23	65.23
Class II	14.64	15.59	17.04
Class III	4.17	4.91	3.89
Class IV	15.17	12.27	13.84

March Milk Production Up 1.8%

Milk production in the 23 major States during March totaled 17.2 billion pounds, up 1.8 percent from March 2015. February revised production at 15.8 billion pounds, was up 4.6 percent from February 2015. The February revision represented an increase of 4 million pounds or less than 0.1 percent from last month's preliminary production estimate. Adjusting February production for the additional day due to leap year causes February revised production to be up 1.0 percent on a per day basis. Production per cow in the 23 major States averaged 1,993 pounds for March, 31 pounds above March 2015. This is the highest production per cow for the month of March since the 23 State series began in 2003.

The number of milk cows on farms in the 23 major States was 8.64 million head, 19,000 head more than March 2015, and 9,000 head more than February 2016.

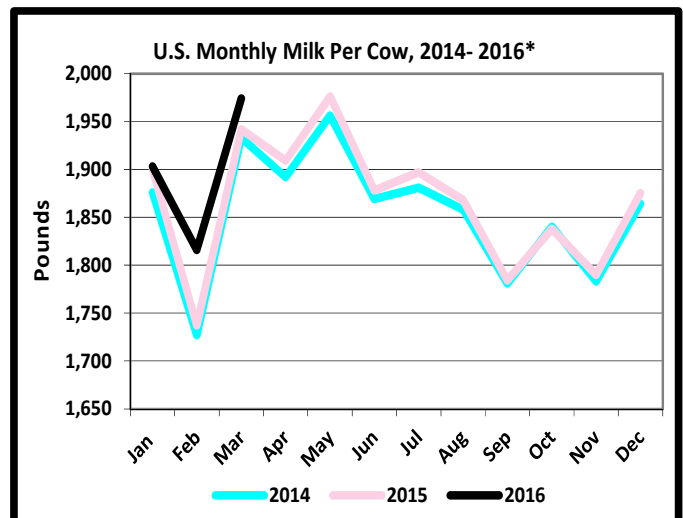
F.O. 5 STATS FOR APRIL 2016:

The Uniform Price for April 2016 was \$16.01 per cwt., an increase of \$0.14 from March 2016.

Total Class I Milk for April 2016 was 321,308,138 pounds, an increase of 3.2 million pounds, or 1.0 percent, compared to April 2015.

Class I Utilization was 66.02 percent for April 2016, an increase of 0.8 percentage points from April 2015.

Total Producer Milk for April 2016 was 486,658,407 pounds, a decrease of 1.0 million pounds, or -0.2 percent, compared to April 2015.



*Based on entire U.S. production

Dairy Margin Protection Program, continued from page 1

For \$100 a year, dairy producers can receive basic catastrophic protection that covers 90 percent of milk production at a \$4 margin coverage level. For additional premiums, operations can protect 25 to 90 percent of production history with margin coverage levels from \$4.50 to \$8, in 50 cent increments. Annual enrollment in the program is required in order to receive margin protection. The final rule also provides improved risk protection for dairy farmers that pay premiums to buy-up higher levels of coverage by clarifying that 90 percent of production is covered below the \$4 level even if a lower percentage was selected above the \$4 margin.

For more information, visit FSA online at www.fsa.usda.gov/dairy or stop by a local FSA office and ask about the Margin Protection Program. To find a local FSA office in your area, visit <http://offices.usda.gov>.

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Dairy Outlook, continued from page 1

Based on recent trade data and the price gap between domestic and foreign export prices, the forecast for 2016 imports on a milk-fat milk-equivalent basis has been raised by 0.5 billion pounds. Imports on a skim-solids milk-equivalent basis have been lowered by 0.2 billion pounds due to lower expected imports of milk protein products. Commercial export forecasts have been raised on a milk-fat basis due to higher recent exports of products with high milk-fat content. Commercial forecasts on a skim-solids basis have been lowered by 0.1 billion pounds due to lower sales of some whey products.

With an improving economic outlook and lower expected prices for butter and NDM compared to last month's forecast, higher consumption is expected. Forecasts for domestic commercial use have been increased by 0.3 billion pounds on a milk-fat basis and 0.1 billion pounds on a skim-solids basis. Year over year, 2016 domestic use is expected to exceed 2015 by 4.0 percent on a milk-fat basis and 2.9 percent on a skim-solids basis. The forecast for ending stocks has been raised by 0.3 billion pounds on a milk-fat basis and is unchanged on a skim-solids basis.

Several factors indicate that dairy prices may fall, including recent high stock levels for butter and cheese, higher forecasts for milk production, and higher imports of products with high milk-fat content. However, strong domestic demand is expected to mitigate downward price pressure. The 2016 price forecasts for butter and NDM have been lowered slightly to \$2.005-\$2.085 and \$0.760-\$0.800 per pound, respectively. The 2016 cheese price forecast has been raised for the first half of the year but lowered for the second half, resulting in an annual forecast of \$1.510-\$1.560 per pound, unchanged at the midpoint from last month's forecast. The dry whey price forecast is unchanged at \$0.230-\$0.260 per pound.

The 2016 Class III milk price forecast is \$13.65-\$14.15 per cwt, unchanged at the midpoint from last month's forecast. The Class IV milk price forecast is lowered to \$12.90-\$13.50 per cwt. The all-milk price forecast for 2016 is \$15.00-\$15.50 per cwt., unchanged at the midpoint from last month's forecast.

*Livestock, Dairy, and Poultry Outlook/LDP-M-262/April 18, 2016
Economic Research Service, USDA*

January - March Milk Production Up 2.1%

Milk production in the United States during the January - March quarter totaled 53.0 billion pounds, up 2.1 percent from the January - March quarter last year.

The average number of milk cows in the United States during the quarter was 9.32 million head, 5,000 head less than the October - December 2015 quarter, but 7,000 head more than the same period last year.

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Federal Milk Marketing Order Statistics - March 2016

Federal Order	Producer Deliveries Million Pounds	Class I Producer Receipts Million Pounds	Class I Utilization Percent	Statistical Uniform Price \$/cwt
1 Northeast	2,305.0	761.9	33.0	14.81
5 <i>Appalachian</i>	496.0	333.5	67.2	15.87
6 Florida	241.6	203.9	84.4	18.06
7 Southeast	508.1	333.4	65.6	16.22
30 Upper Midwest	3,126.8	295.3	9.4	13.84
32 Central	1,350.5	419.6	31.1	13.87
33 Mideast	1,766.1	543.2	30.8	13.97
124 Pacific Northwest	598.7	167.7	28.0	13.67
126 Southwest	1,273.3	368.3	28.9	14.72
131 Arizona	464.0	112.6	24.3	13.84
All Orders ¹	12,130.1	3,539.3	29.2	14.40

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

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