APPALACHIAN MARKETING AREA
FEDERAL ORDER 5

THE COURIER

Monthly Newsletter
June 2016

USDA Announces National Fluid Milk Board Appointments

On June 2, 2016, Agriculture Secretary Tom Vilsack announced the appointment of six members to fill vacancies on the National Fluid Milk Processor Promotion Board. The terms for these appointees are effective July 1, 2016, and expire on June 30, 2019.

Newly appointed members are: Stephen C. Jones, Chicago, Ill. (Region 4); and Paul Corney, Dallas, Texas (at-large, processor).

Newly reappointed are: James Walsh, Lynnfield, Mass. (Region 1); Alan J. Bernon, Kansas City, Mo. (Region 7); Jeffrey M. Springer, Dallas, Texas (Region 10); and Brian DeFelice, Orrville, Ohio (at-large, processor).

The National Fluid Milk Processor Promotion Board was established by the Fluids Milk Promotion Act of 1990 to develop and administer a coordinated program of advertising and promotion to increase the demand for fluid milk products.

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Dairy Outlook

Dairy Forecasts for 2016

Based on recent data, milk production forecasts have been raised to 212.4 billion pounds for 2016, an increase of 0.6 billion pounds from last month's forecast. The 2016 forecast for milk cows is 9.320 million head, 10 thousand more than forecast last month. Milk per cow has been raised to 22,795 pounds per head, 40 pounds more than forecast last month.

Based on recent trade data and the price gap between domestic and foreign export prices, the forecasts for 2016 imports have been raised by 0.2 billion pounds on both the milk-fat and skim-solids bases. With higher expected exports of cheese and butterfat products, the forecast for commercial exports has been raised by 0.5 billion pounds on a milk-fat basis.

With higher expected milk production, recent high stock levels for butter and cheese, and higher expected imports, 2016 dairy product price forecasts have been lowered for cheese, butter, and NDM to \$1.455-\$1.505, \$1.985-\$2.065, and \$0.740-\$0.780 per pound, respectively. The dry whey price forecast has been raised slightly to \$0.235-\$0.265 per pound.

The 2016 Class III milk price forecast is lowered to \$13.15-\$13.65 per hundredweight (cwt) as the decrease in the cheese price forecast more than offsets the increase in the dry whey price. The Class IV milk price forecast is lowered to \$12.65-\$13.25 per cwt due to lower NDM and butter price forecasts. The all-milk price forecast for 2016 is \$14.60-\$15.10 per cwt., a reduction from last month's forecast of \$15.00-\$15.50 per cwt.

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Harold H. Friedly, Jr.
Market Administrator

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Appalachian Statistical Summary

	MAY 2016	APRIL 2016	MAY 2015
PRICES: (Base Zone)			
Uniform Price	$15.98	$16.01	$17.83
Class I Price	17.10	17.14	19.23
Class II Price	13.53	13.54	14.81
Class III Price	12.76	13.63	16.19
Class IV Price	13.09	12.68	13.91
Uniform Skim Milk Price	$8.30	$8.46	$11.15
Class I Skim Milk Price	9.52	9.62	12.92
Class II Skim Milk Price	5.71	5.89	7.85
Class III Skim Milk Price	4.94	6.01	9.31
Class IV Skim Milk Price	5.28	5.02	6.94
Uniform Butterfat Price	$2.2786	$2.2426	$2.0202
Class I Butterfat Price	2.2595	2.2446	1.9312
Class II Butterfat Price	2.2916	2.2446	2.0669
Class III Butterfat Price	2.2846	2.2376	2.0599
Class IV Butterfat Price	2.2846	2.2376	2.0599
PRODUCER MILK:			
Class I	313,665,238	321,308,138	304,498,130
Class II	74,995,850	71,259,611	85,155,143
Class III	25,296,006	20,285,419	23,323,878
Class IV	76,416,939	73,805,239	86,867,562
Total Producer Milk	**490,374,033**	**486,658,407**	**499,844,713**
PERCENT PRODUCER MILK IN:			
Class I	63.97	66.02	60.92
Class II	15.29	14.64	17.04
Class III	5.16	4.17	4.66
Class IV	15.58	15.17	17.38

F.O. 5 STATS FOR MAY 2016:

The Uniform Price for May 2016 was $15.98 per cwt., a decrease of $0.03 from April 2016.

Total Class I Milk for May 2016 was 313,665,238 pounds, an increase of 9.2 million pounds, or 3.0 percent, compared to May 2015.

Class I Utilization was 63.97 percent for May 2016, an increase of 3.1 percentage points from May 2015.

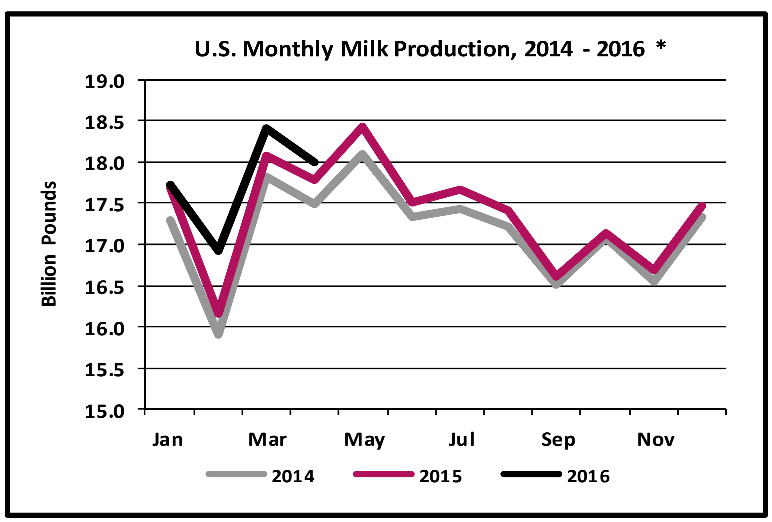
Total Producer Milk for May 2016 was 490,374,033 pounds, a decrease of 9.5 million pounds, or –1.9 percent, compared to May 2015.

April Milk Production Up 1.2%

Milk production in the United States during April totaled 18.0 billion pounds, up 1.2 percent from April 2015.

Production per cow in the United States averaged 1,929 pounds for April, 20 pounds above April 2015.

The number of milk cows on farms in the United States was 9.33 million head, 15,000 head more than April 2015, and 4,000 head more than March 2016.



*Based on entire U.S. production

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The National Fluid Milk Program is financed by a mandatory 20-cent per hundredweight assessment on all fluid milk processed and marketed commercially in consumer-type packages in the contiguous 48 states and the District of Columbia. Processors who commercially process and market 3 million pounds or less per month, excluding those fluid milk products delivered to the residence of a consumer, are exempt from assessments.

USDA encourages board membership that reflects the diversity of the individuals served by the programs. The USDA's Agricultural Marketing Service (AMS) monitors the operations of the board. Research and Promotion Programs are industry-funded, were authorized by Congress, and date back to 1966. Since then, Congress has authorized the establishment of 22 research and promotion boards. They empower agricultural industries by establishing a framework for them to pool resources and combine efforts to develop new markets, strengthen existing markets, and conduct important research and promotion activities. AMS provides oversight, to ensure fiscal accountability and program integrity.

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Dairy Outlook, cont'd from pg. 1

2017 Dairy Forecasts

A summary of market conditions for 2015 and 2016 provides context for our 2017 forecasts. In 2015 and the first few months of 2016, dairy prices have been significantly below 2014 levels, and they are expected to remain relatively low for the rest of 2016. Prices of major competitors, the EU and Oceania, have generally been even lower. The low world prices are the result of large global supplies and relatively weak demand abroad. Low input prices for feed and fuel have encouraged growth in the U.S. milk supply. A positive shift in domestic demand for products with high milk-fat content has supported U.S. butter and cheese prices at levels higher than prices of foreign competitors. Under highly competitive conditions, U.S. exports have been lower than in 2014. Imports have been higher, although limited to some extent by tariff rate quotas for cheese, butter, and butterfat products.

Global demand for dairy products is expected to strengthen in 2017. Global milk supplies are expected to grow at a slower rate, but continued low feed prices are expected to encourage growth in U.S. milk production. The gaps between domestic and foreign prices for butter and cheese are expected to narrow. These changes are expected to support an increase in exports and a decrease in imports. While domestic demand for products with high milk-fat content is expected to continue to grow, the rate of growth is expected to decrease.

Year-over-year exports for 2017 are forecast to rise by 0.2 billion pounds on a milk-fat basis and 1.4 billion pounds on a skim-solids basis. Imports are expected to fall by 0.7 pounds on a milk-fat basis and 0.2 billion pounds on a skim-solids basis. Domestic use in 2017 is forecast to grow by 2.3 billion pounds on a milkfat basis and 1.9 billion pounds on a skim-solids basis, significantly slower than growth rates forecast for 2016.

With relatively low expected feed prices and forecasts for growing domestic and foreign demand, milk production is forecast to grow to 215.2 billion pounds, 1.6 percent more than forecast for 2016 (adjusted for leap year). While cow numbers in 2017 are forecast to remain at 9.320 million head, yield per cow is forecast to increase to 63.3 pounds of milk per day, an increase of 1.6 percent above the 2016 forecast.

With higher exports, lower imports, and continued growth in domestic demand, most 2017 dairy product prices are expected to increase from 2016. The forecasts for cheese, NDM, and dry whey are $1.540-$1.640, $0.855-$0.925, and $0.255- $0.285 per pound, respectively. The butter price forecast of $1.880-$2.010 per pound for 2017 is lower than the 2016 forecast due to a lower expected growth in butter demand and an expected increase in butter supplies.

With year-over-year cheese and whey prices expected higher in 2017, the Class III milk price forecast for 2017 is $14.05-$15.05 per cwt. The higher year-over-year NDM price is expected to more than offset the lower butter price, resulting in a Class IV price forecast of $13.15-$14.25. The all-milk price forecast for 2017 is $15.25-$16.25.

Livestock, Dairy, and Poultry Outlook/LDP-M-263/May 16, 2016
Economic Research Service, USDA

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June is National Dairy Month!

National Dairy Month started out as National Milk Month in 1937 as a way to promote milk consumption and to stabilize the dairy demand.

Every June, USDA joins the rest of the country to celebrate. Dairy farming is a labor of love, but it is hard labor, so during the month of June, hold your glass of ice cold milk high in the air and say thanks to the many dairy farmers who help supply us with the delicious dairy products throughout the year.

Federal Milk Marketing Order Statistics - April 2016

	Federal Order	Producer Deliveries	Class I Producer Receipts	Class I Utilization	Statistical Uniform Price
		Million Pounds	Million	Percent	$/cwt
1	Northeast	2,265.9	725.2	32.0	14.85
5	*Appalachian*	*486.7*	*321.3*	*66.0*	*16.01*
6	Florida	231.5	195.6	84.5	18.32
7	Southeast	493.3	317.1	64.3	16.34
30	Upper Midwest	3,192.6	283.4	8.9	13.78
32	Central	1,390.6	414.6	29.8	13.91
33	Mideast	1,745.1	518.0	29.7	14.02
124	Pacific Northwest	580.7	152.8	26.3	13.67
126	Southwest	1,256.1	368.8	37.4	14.80
131	Arizona	445.2	103.7	23.3	13.82
	All Orders [1]	12,087.7	3,400.5	28.1	14.41

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