APPALACHIAN MARKETING AREA
FEDERAL ORDER 5

THE COURIER

Monthly Newsletter

August 2016

Margin Protection Program Payments

On August 4, 2016, Agriculture Secretary Tom Vilsack announced approximately $11.2 million in financial assistance to American dairy producers enrolled in the 2016 Margin Protection Program for Dairy (MPP-Dairy). The payment rate for May/June 2016 will be the largest since the program began in 2014. The narrowing margin between milk prices and the cost of feed triggered the payments, as provided for by the 2014 Farm Bill.

"We understand the nation's dairy producers are experiencing challenges due to market conditions," said Vilsack. "MPP-Dairy payments are part of a robust, comprehensive farm safety net that help to provide dairy producing families with greater peace of mind during tough times. Dairy operations enrolled in the 2016 MPP-Dairy program will receive approximately $11.2 million this month. I want to urge dairy producers to use this opportunity to evaluate their enrollment options for 2017, as the enrollment period is currently scheduled to end Sept. 30, 2016. By supporting a strong farm safety net, expanding credit options and growing domestic and foreign markets, USDA is committed to helping America's dairy operations remain successful."

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

Dairy Outlook

Dairy Forecasts for 2016

Based on recent data, forecasts of milk cow numbers for the second and third quarter of 2016 have been lowered by 10,000 head. The 2016 forecast of milk per cow is unchanged from last month. As a result of the lower expected cow numbers, the milk production forecast for 2016 is 212.4 billion pounds, a reduction of 0.2 billion pounds.

Based on recent price data and expectations of robust demand, prices for all of the major dairy products are expected to be higher than expected last month. The 2016 forecasts for cheese, butter, NDM, and dry whey have been raised to $1.515-$1.545, $2.155-$2.215, $0.785-$0.815, and $0.250-$0.270 per pound, respectively. With higher prices forecast for cheese and whey, the Class III price forecast is raised to $13.90-$14.20 per hundredweight (cwt). Similarly, the Class IV price forecast is raised to $13.80-$14.20 per cwt due to higher prices for butter and NDM. With price forecasts for dairy products being raised across the board, the all-milk price forecast is $15.55-$15.85 per cwt, an increase from $14.95-$15.35 per cwt forecast last month.

Dairy Forecasts for 2017

The forecast for milk cows is increased by 15,000 cows for 2017 to 9.335 million, due to higher forecasts for milk prices and lower forecasts for feed prices. Output per cow is unchanged, at 23,095 pounds for the year. Total production is forecast at 215.6 billion pounds, 0.3 billion pounds higher than last month, and an increase of 1.5 percent from 2016.

Dairy Outlook, cont'd on pg. 3

Harold H. Friedly, Jr.
Market Administrator

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Appalachian Statistical Summary

	JULY 2016	JUNE 2016	JULY 2015
PRICES: (Base Zone)			
Uniform Price	$16.80	$15.93	$18.50
Class I Price	17.10	16.54	19.93
Class II Price	15.16	14.12	14.70
Class III Price	15.24	13.22	16.33
Class IV Price	14.84	13.77	13.15
Uniform Skim Milk Price	$8.25	$7.87	$11.45
Class I Skim Milk Price	8.97	8.71	12.87
Class II Skim Milk Price	6.27	5.86	7.55
Class III Skim Milk Price	6.38	4.96	9.26
Class IV Skim Milk Price	5.96	5.53	5.96
Uniform Butterfat Price	$2.5242	$2.3811	$2.1290
Class I Butterfat Price	2.4129	2.3248	2.1455
Class II Butterfat Price	2.6034	2.4179	2.1195
Class III Butterfat Price	2.5964	2.4109	2.1125
Class IV Butterfat Price	2.5964	2.4109	2.1125
PRODUCER MILK:			
Class I	296,136,979	298,680,159	312,505,783
Class II	74,606,607	75,932,967	82,200,197
Class III	15,201,010	23,482,850	21,541,523
Class IV	50,568,948	62,565,926	33,410,312
Total Producer Milk	**436,513,544**	**460,661,902**	**449,657,815**
PERCENT PRODUCER MILK IN:			
Class I	67.84	64.84	69.50
Class II	17.09	16.48	18.28
Class III	3.48	5.10	4.79
Class IV	11.59	13.58	7.43

F.O. 5 STATS FOR JULY 2016:

The Uniform Price for July 2016 was $16.80 per cwt., an increase of $0.87 from June 2016.

Total Class I Milk for July 2016 was 296,136,979 pounds, a decrease of 16.4 million pounds, or 5.2 percent, compared to July 2015.

Class I Utilization was 67.84 percent for July 2016, an increase of 3.0 percentage points from June 2016.

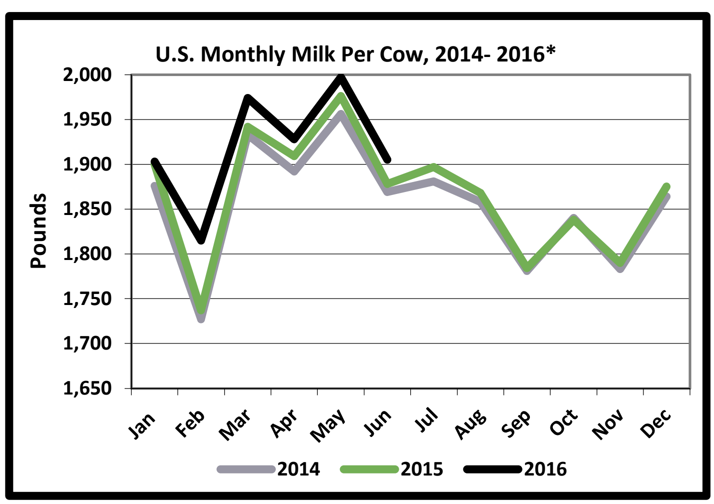
Total Producer Milk for July 2016 was 436,513,544 pounds, a decrease of 13.1 million pounds, or 2.9 percent, compared to July 2015.

June Milk Production Up 1.6%

Milk production in the 23 major States during June totaled 16.7 billion pounds, up 1.6 percent from June 2015.

Production per cow in the 23 major States averaged 1,926 pounds for June, 26 pounds above June 2015. This is the highest production per cow for the month of June since the 23 State series began in 2003.

The number of milk cows on farms in the 23 major States was 8.65 million head, 17,000 head more than June 2015, and 3,000 head more than May 2016.



*Based on entire U.S. production

Margin Protection Program Payments, cont'd from pg. 1

Dairy producers who enrolled at the $6 through $8 margin trigger coverage level will receive payments. MPP-Dairy payments are triggered when the national average margin (the difference between the price of milk and the cost of feed) falls below a level of coverage selected by the dairy producer, ranging from $4 to $8, for a specified consecutive two-month period. All final USDA prices for milk and feed components required to determine the national average margin for May/June 2016 were released on July 29, 2016.

The national average margin for the May/June 2016 two-month consecutive period is $5.76277 per hundred weight (cwt.), resulting in the following MPP payment rates:

Margin Trigger Coverage Levels	Payment Rate/cwt.
$6.00	$0.23723
$6.50	$0.73723
$7.00	$1.23723
$7.50	$1.73723
$8.00	$2.23723

To learn more about the Margin Protection Program for dairy, visit the Farm Service Agency (FSA) online at www.fsa.usda.gov/dairy or stop by a local FSA office. Producers may visit www.fsa.usda.gov/mpptool to calculate the best levels of coverage for their dairy operation. To find an FSA office near you, visit http://offices.usda.gov.

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Dairy Outlook, cont'd from pg. 1

Forecasts for imports and exports on a milk-fat basis are unchanged for 2017, at 6.7 and 8.7 billion pounds, respectively. Higher expected exports of whole milk powder are offset by lower expected exports of butterfat products. The domestic commercial use forecast on a milk-fat basis has been raised to 213.3 billion pounds, 0.1 billion pounds higher than forecast last month; the forecast for ending stocks has been raised to 12.8 billion pounds, 0.6 billion pounds higher.

On a skim-solids basis, 2017 import and export forecasts have been increased slightly from last month. Imports are now forecast at 6.3 billion pounds, 0.1 billion pounds higher, due to higher expected imports of milk albumin and food preparations with significant dairy content. Exports are forecast at 37.3 billion pounds, 0.2 billion pounds higher due to higher expected exports of dry whole milk. Ending commercial stocks are forecast at 13.8 billion pounds, 0.2 billion pounds lower than last month. The domestic commercial use forecast is lowered 0.1 billion pounds to 183.6 billion for 2017.

Higher dairy product price forecasts are extended into 2017. Robust domestic demand is expected to contribute to higher prices for all major dairy products, and improving international markets are expected to support higher domestic prices for NDM and dry whey. Price forecasts for cheese, butter, NDM and dry whey have been raised to $1.565-$1.665, $1.940-$2.070, $0.865-$0.935 and $0.280-$0.310 per pound, respectively.

With higher cheese and whey price forecasts in 2017, the Class III price is forecast higher, $14.50-$15.50 per cwt for the year. The Class IV price forecast has also been raised from last month to $13.50-$14.60 per cwt. As a result, the forecast all-milk price for the year has been raised to $15.70-$16.70 per cwt, an increase from $15.25-$16.70 forecast last month.

Livestock, Dairy, and Poultry Outlook/LDP-M-265/July 18, 2016
Economic Research Service, USDA

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Apr - Jun Milk Production Up 1.2%

Milk production in the United States during the April - June quarter totaled 54.4 billion pounds, up 1.2 percent from the April - June quarter last year.

The average number of milk cows in the United States during the quarter was 9.33 million head, 8,000 head more than the January - March quarter, and 6,000 head more than the same period last year.

Federal Milk Marketing Order Statistics - June 2016

	Federal Order	Producer Deliveries Million Pounds	Class I Producer Receipts Million Pounds	Class I Utilization Percent	Statistical Uniform Price $/cwt
1	Northeast	2,263.1	681.0	30.1	15.01
5	*Appalachian*	*460.7*	*298.7*	*64.8*	*15.93*
6	Florida	207.9	173.7	83.6	17.93
7	Southeast	457.3	296.3	64.8	16.17
30	Upper Midwest	3,034.6	262.1	8.6	13.46
32	Central	1,422.3	369.3	26.0	13.84
33	Mideast	1,647.9	483.0	29.3	14.17
124	Pacific Northwest	746.6	152.8	20.5	13.84
126	Southwest	1,124.6	335.4	29.8	14.68
131	Arizona	434.8	102.0	23.4	14.13
	All Orders [1]	11,799.7	3,154.1	26.7	14.35

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