

# THE COURIER

Monthly Newsletter

November 2016

## Dairy Outlook

### *Situation and Outlook for Feed Prices*

Feed prices have been low relative to milk prices in recent months. The milk-feed ratio, seen in the chart below, in August was 2.42, a considerable increase from 1.91 in June and 2.14 in July. Feed prices are expected to remain low for the remainder of 2016 and for 2017. The 2016/17 corn price forecast is \$2.95-\$3.55 per bushel, a 5-cent increase on both ends of the range from last month's forecast. The 2016/17 soybean meal price forecast is \$300-\$340 per short ton, unchanged from last month. The national average price for alfalfa hay decreased from \$140 per short ton in July to \$138 in August, \$23 lower than August 2015.

### *Dairy Forecasts for the Remainder of 2016*

The milk production forecast for the fourth quarter of 2016 is 52.6 billion pounds, 0.3 billion pounds higher than last month's forecast. Due to recent gains in milk cow numbers, expansion of dairy manufacturing facilities, higher milk-feed ratios, and weakness in cull-cow prices, the number of milk cows has been raised for the second half of the year. With milk cows of 9.360 million and 9.380 million head expected for the third and fourth quarters, respectively, the dairy herd would be the largest in 20 years. The 2016 forecast for the milk herd is 9.345 million head, 20,000 more than forecast last month. The 2016 yield per cow forecast is 22,755 pounds, unchanged from last month's forecast. For the year, the milk production forecast is 212.7 billion pounds, 0.5 billion pounds more than last month.

Export forecasts for 2016 are higher than last month, based on higher nonfat dry milk (NDM) and whey product exports in August, coupled with higher international prices arising from relatively low milk production in Oceania and the European Union (EU). On a milk-fat milk-equivalent basis, the 2016 export forecast is 9.0 billion pounds, 0.3 billion pounds higher than forecast last month. Exports on a skim-solids milk-equivalent basis are adjusted to 38.5 billion pounds for the year, an increase of 0.9 billion pounds from last month's forecast. Imports on a milk-fat basis for 2016 are now forecast at 7.2 billion pounds for the year, 0.2 billion pounds higher than last month. On a skim-solids basis, the import forecast is now 6.7 billion pounds, an increase of 0.1 billion pounds.

Ending stocks for 2016 have been lowered 0.4 billion pounds on a milk-fat basis and 0.3 billion pounds on a skim-solids basis due to lower stocks in August and expected strength in domestic and international demand. With expectations of favorable economic conditions and lower prices for butter and cheese, the forecast for domestic use on a milk-fat basis has been raised to 209.7 billion pounds for the year, 0.7 billion pounds more than last month's forecast. Domestic use on a skim-solids basis is forecast 0.4 billion pounds higher for the fourth quarter, but 0.1 billion pounds lower for the year, as domestic use in the third quarter is expected to be lower than last month's forecast.

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## Appalachian Statistical Summary

	OCTOBER 2016	SEPTEMBER 2016	OCTOBER 2015
<b>PRICES: (Base Zone)</b>			
Uniform Price	\$18.10	\$18.56	\$18.82
Class I Price	20.00	19.96	19.24
Class II Price	14.09	14.66	16.44
Class III Price	14.82	16.39	15.46
Class IV Price	13.66	14.25	16.43
Uniform Skim Milk Price	\$10.89	\$10.55	\$9.16
Class I Skim Milk Price	12.18	11.57	9.97
Class II Skim Milk Price	7.14	6.79	6.46
Class III Skim Milk Price	7.92	8.61	5.47
Class IV Skim Milk Price	6.72	6.39	6.48
Uniform Butterfat Price	\$2.1680	\$2.3927	\$2.8512
Class I Butterfat Price	2.3563	2.5115	2.7492
Class II Butterfat Price	2.0563	2.3152	2.9157
Class III Butterfat Price	2.0493	2.3082	2.9087
Class IV Butterfat Price	2.0493	2.3082	2.9087
<b>PRODUCER MILK:</b>			
Class I	320,776,034	322,486,752	340,038,361
Class II	72,222,136	72,476,339	79,600,875
Class III	18,347,296	14,755,195	23,500,375
Class IV	43,182,891	25,686,774	20,828,315
<b>Total Producer Milk</b>	<b>454,528,357</b>	<b>435,405,060</b>	<b>463,967,926</b>
<b>PERCENT PRODUCER MILK IN:</b>			
Class I	70.57	74.07	73.29
Class II	15.89	16.64	17.16
Class III	4.04	3.39	5.06
Class IV	9.50	5.90	4.49

### F.O. 5 STATS FOR OCTOBER 2016:

**The Uniform Price** for October 2016 was \$18.10 per cwt., a decrease of \$0.46 from September 2016.

**Total Class I Milk** for October 2016 was 320,776,034 pounds, a decrease of 19.3 million pounds, or 5.7 percent, compared to October 2015.

**Class I Utilization** was 70.57 percent for October 2016, a decrease of 2.7 percentage points from October 2015.

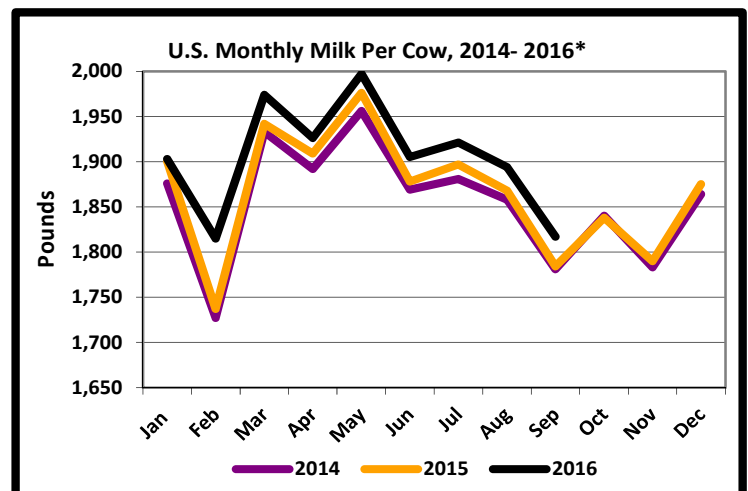
**Total Producer Milk** for October 2016 was 454,528,357 pounds, a decrease of 9.4 million pounds, or 2.0 percent, compared to October 2015.

### September Milk Production Up 2.3%

Milk production in the 23 major States during September totaled 16.0 billion pounds, up 2.3 percent from September 2015.

Production per cow in the 23 major States averaged 1,842 pounds for September, 35 pounds above September 2015. This is the highest production per cow for the month of September since the 23 State series began in 2003.

The number of milk cows on farms in the 23 major States was 8.67 million head, 36,000 head more than September 2015, but 2,000 head less than August 2016.



\*Based on entire U.S. production

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## Dairy Outlook, cont'd from pg. 1

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With recent declines in cheese prices, the fourth-quarter cheese price forecast has been lowered to \$1.505-1.545 per pound. Similarly, the butter price forecast for the fourth quarter has been lowered to \$1.825-1.895 per pound due to recent price weakness. In contrast, fourth-quarter price forecasts for NDM and dry whey have been raised to \$0.925-0.965 and \$0.310-0.330 per pound, respectively, due to recent price strength and higher expected exports.

With the lower cheese price forecast, the Class III price forecast has been lowered to \$13.95-\$14.35 per cwt for the fourth quarter and \$14.30-\$14.40 for the year. With the lower butter price forecast outweighing the higher NDM price forecast, the Class IV price forecast has been lowered to \$13.60-\$14.10 for the fourth quarter and \$13.60-\$13.80 for the year. The all-milk price forecast for the fourth quarter is \$15.85-\$16.25 per cwt, a reduction from \$17.25-\$17.75 forecast last month. The 2016 all-milk price forecast is \$15.80-15.90 per cwt, a reduction from \$16.10-\$16.30 per cwt forecast last month.

### ***Dairy Forecasts for 2017***

The 2017 forecast for milk cows has been raised to 9.395 million head. Expansion of the dairy herd is expected to continue into the second quarter of 2017. Milk cow numbers are expected to stabilize thereafter due to relatively low milk prices toward the end of 2016 and the beginning of 2017. (Dairy producers typically respond to price changes with a lag of several months.) The milk per cow forecast is unchanged, at 23,135 pounds for the year. Milk production for 2017 is now forecast at 217.3 billion pounds, 1.2 billion pounds higher than last month's forecast. If realized, this would be a 2.4 percent year-over-year increase (adjusted for the 2016 leap year).

With relatively low production in Oceania and the EU bringing about higher dairy product prices abroad than previously expected, U.S. dairy exports in 2017 are expected to increase, especially for NDM and whey products. Forecasts for exports have been raised to 9.1 billion pounds on a milk-fat basis (0.2 billion pounds higher than forecast last month) and 39.7 billion pounds on a skim-solids basis (1.6 billion pounds higher than forecast last month). If the skim-solids export forecast is realized, this would break the 2014 record of 39.0 billion pounds. The 2017 forecast for imports on a milk-fat basis is 7.1 billion pounds, higher than last month's forecast but a slight year-over-year decline from 2016. Similarly, the 2017 forecast for skim-solids basis imports has been raised to 6.4 billion pounds, 0.1 billion pounds higher than last month but a decline from 2016.

The ending stocks on a milk-fat basis for 2017 is 12.8 billion pounds, 0.3 billion pounds lower than last month's forecast. On a skim-solids basis, ending stocks are forecast 0.1 billion pounds lower, at 13.2 billion pounds. With expectations for a strengthening economy and lower expected prices for butter and cheese, domestic use on a milk-fat basis in 2017 is expected to be 1.1 billion pounds higher than previously forecast, at 215.0 billion pounds. However, with increased competition from export markets pushing domestic prices for NDM higher, the domestic use forecast on a skim-solids basis has been lowered this month to 183.3 billion pounds, 0.5 billion pounds lower than forecast last month.

With current price weakness for butter and cheese and a higher milk production forecast, butter and cheese price forecasts for 2017 have been lowered to \$1.855-1.975 and \$1.510-\$1.600 per pound, respectively. Stronger expected exports of NDM and dry whey products contribute to higher price forecasts of \$0.925-\$0.995 and \$0.330-\$0.360 per pound, respectively.

The price forecast for Class III milk has been lowered to \$14.20-15.10 per cwt, as decreases in cheese prices are expected to outweigh strength in whey prices. The Class IV price forecast has also been lowered to \$13.70-14.70 per cwt for the year as lower expected butter prices outweigh higher expected NDM prices. The all milk price for 2017 is \$15.55-16.45 per cwt, a reduction from \$16.15-17.15 forecast last month.

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## July - September Milk Production Up 1.7%

Milk production in the United States during the July - September quarter totaled 52.6 billion pounds, up 1.7 percent from the July - September quarter last year.

The average number of milk cows in the United States during the quarter was 9.34 million head, 9,000 head more than the April - June quarter, and 21,000 head more than the same period last year.

## Federal Milk Marketing Order Statistics - September 2016

Federal Order	Producer Deliveries Million Pounds	Class I Producer Receipts Million Pounds	Class I Utilization Percent	Statistical Uniform Price \$/cwt
<b>1 Northeast</b>	<b>2,176.7</b>	<b>754.3</b>	<b>34.6</b>	<b>17.10</b>
<b>5 <i>Appalachian</i></b>	<b>435.4</b>	<b>322.5</b>	<b>74.1</b>	<b>18.56</b>
<b>6 Florida</b>	<b>210.4</b>	<b>184.9</b>	<b>87.9</b>	<b>20.87</b>
<b>7 Southeast</b>	<b>408.3</b>	<b>322.2</b>	<b>78.9</b>	<b>19.21</b>
<b>30 Upper Midwest</b>	<b>2,312.8</b>	<b>290.1</b>	<b>12.6</b>	<b>16.37</b>
<b>32 Central</b>	<b>1,083.1</b>	<b>411.1</b>	<b>38.0</b>	<b>16.32</b>
<b>33 Mideast</b>	<b>1,500.5</b>	<b>560.6</b>	<b>37.4</b>	<b>16.27</b>
<b>124 Pacific Northwest</b>	<b>608.0</b>	<b>167.6</b>	<b>27.6</b>	<b>15.77</b>
<b>126 Southwest</b>	<b>1,199.4</b>	<b>371.3</b>	<b>31.0</b>	<b>17.29</b>
<b>131 Arizona</b>	<b>348.1</b>	<b>108.0</b>	<b>31.0</b>	<b>16.22</b>
<b>All Orders<sup>1</sup></b>	<b>10,282.7</b>	<b>3,492.5</b>	<b>34.0</b>	<b>16.87</b>

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

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