

APPALACHIAN MARKETING AREA  
FEDERAL ORDER 5

# THE COURIER

Monthly Newsletter

February 2017

## Recommended Decision on California FMMO

On February 10, 2017, the U.S. Department of Agriculture announced that the recommended decision to establish a California Federal Milk Marketing Order (FMMO) would be published in the Federal Register on Tuesday, February 14, 2017. A copy of the recommended decision is available at [www.ams.usda.gov/caorder](http://www.ams.usda.gov/caorder).

The marketing area of the recommended FMMO would incorporate the entire state of California. The recommended decision is based on the evidentiary record compiled as part of a public hearing held in Clovis, California, from September 2015 to November 2015.

FMMOs are legal instruments that regulate the purchase of milk between dairy farmers and the first buyer. Where appropriate, the recommended California FMMO proposes adoption of uniform order provisions contained in the 10 current FMMOs. These uniform provisions include, but are not limited to, dairy product classification, end-product price formulas and the producer-handler definition. The proposed order would recognize the unique market structure of the California dairy industry through tailored performance-based standards to determine eligibility for pool participation. The proposed order provides for the recognition of producer quota as administered by the California Department of Food and Agriculture (CDFA).

*Recommended Decision on California, cont'd on pg. 3*

## National Dairy Promotion and Research Board

The U.S. Department of Agriculture announced the appointment of 12 members to the National Dairy Promotion and Research Board. All appointees' terms will begin immediately and end October 31, 2019.

Newly appointed members are: Arlene J. Vander Eyk (Region 2); Stephen D. Maddox (Region 2); Manuel C. Caballero (Region 3); Connie M. Seefeldt (Region 6); Bobby L. Combs (Region 10); Jennifer L. Heltzel (Region 11); and Bret J. Bossard (Region 12).

Reappointed to serve second terms were: Brian O. Medeiros (Region 2); Carol L. Ahlem (Region 2); Christopher J. Brazil (Region 2); Eddie S. Schaap (Region 4); and Cheryl L. Chapin (Region 9).

*National Dairy Promotion and Research Board, cont'd on pg. 3*

## Dairy Outlook

### Recent Developments in Dairy Markets

According to the NASS *Milk Production* report, U.S. milk production was 17.9 billion pounds in December, up 2.2 percent above December 2015. The average number of milk cows in the United States was 9.358 million head, 11,000 more than November 2016 and 38,000 more than December 2015. However, according to the NASS *Cattle* Report, milk cows numbered only 9.349 million head on January 1, 2017.

Feed price forecasts for corn and soybean meal for 2016/17 are \$3.20-\$3.60 per bushel and \$310-\$340 per short ton, both unchanged from last month's forecasts at midpoints of the ranges. The alfalfa hay price decreased from \$130 per short ton in November to \$129 in December.

*Dairy Outlook, cont'd on pg. 3*



Harold H. Friedly, Jr.  
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## Appalachian Statistical Summary

	JANUARY 2017	DECEMBER 2016	JANUARY 2016
<b>PRICES: (Base Zone)</b>			
Uniform Price	\$20.06	\$19.34	\$17.03
Class I Price	20.85	20.28	19.44
Class II Price	16.36	15.26	14.19
Class III Price	16.77	17.40	13.72
Class IV Price	16.19	14.97	13.31
Uniform Skim Milk Price	\$11.83	\$11.83	\$8.26
Class I Skim Milk Price	13.01	13.24	9.01
Class II Skim Milk Price	7.77	7.32	6.31
Class III Skim Milk Price	8.22	9.56	5.85
Class IV Skim Milk Price	7.62	7.04	5.43
Uniform Butterfat Price	\$2.4699	\$2.2639	\$2.5869
Class I Butterfat Price	2.3714	2.1444	3.0702
Class II Butterfat Price	2.5323	2.3424	2.3132
Class III Butterfat Price	2.5253	2.3354	2.3062
Class IV Butterfat Price	2.5253	2.3354	2.3062
<b>PRODUCER MILK:</b>			
Class I	352,361,215	346,385,977	346,733,270
Class II	68,543,879	64,277,669	59,808,267
Class III	21,215,747	16,024,665	20,887,308
Class IV	41,319,485	57,566,987	64,669,283
<b>Total Producer Milk</b>	<b>483,440,326</b>	<b>484,255,298</b>	<b>492,098,128</b>
<b>PERCENT PRODUCER MILK IN:</b>			
Class I	72.88	71.53	70.46
Class II	14.18	13.27	12.15
Class III	4.39	3.31	4.25
Class IV	8.55	11.89	13.14

### F.O. 5 STATS FOR JANUARY 2017:

**The Uniform Price** for January 2017 was \$20.06 per cwt., an increase of \$0.72 from December 2016 and increase of \$3.03 from January 2016.

**Total Class I Milk** for January 2017 was 352,361,215 pounds, an increase of 5.6 million pounds, or 1.6 percent, compared to January 2016.

**Class I Utilization** was 72.88 percent for January 2017, an increase of 2.4 percentage points from January 2016.

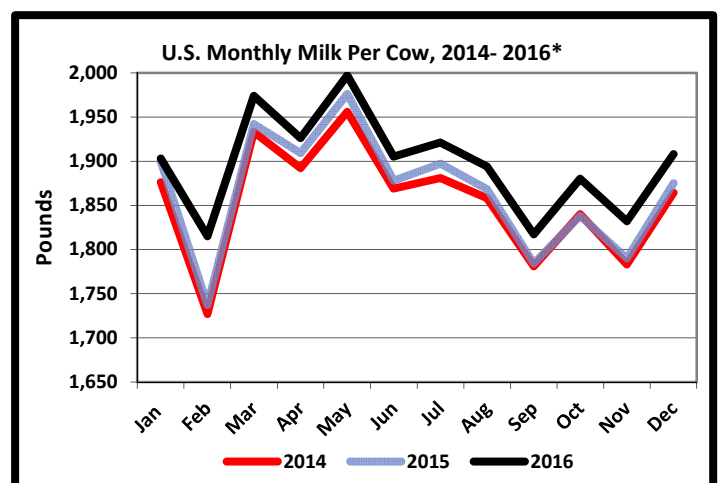
**Total Producer Milk** for January 2017 was 483,440,326 pounds, a decrease of 8.7 million pounds, or 1.8 percent, compared to January 2016.

### December Milk Production in the United States up 2.4%

Milk production in the 23 major States during December totaled 16.8 billion pounds, up 2.4 percent from December 2015. November revised production at 16.1 billion pounds, was up 2.8 percent from November 2015. The November revision represented an increase of 27 million pounds or 0.2 percent from last month's preliminary production estimate.

Production per cow in the 23 major States averaged 1,931 pounds for December, 35 pounds above December 2015. This is the highest production per cow for the month of December since the 23 State series began in 2003.

The number of milk cows on farms in the 23 major States was 8.69 million head, 53,000 head more than December 2015, and 10,000 head more than November 2016.



\*Based on entire U.S. production

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## Recommended Decision on California FMMO, cont'd from pg. 1

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California represents over 20 percent of all U.S. milk production and is currently regulated by a state milk marketing order administered by CDFA. Comments on the recommended decision will be accepted for 90 days after official publication in the Federal Register. After analyzing and considering public comments, USDA will issue a final decision.

USDA will hold a public meeting on Wednesday, February 22, 2017, in Clovis, California, to answer questions relating to how the proposed California FMMO would operate and how the public can submit comments for USDA consideration. Interested parties will have the opportunity to attend in person or watch the meeting live via a webcast. Meeting details are available on the AMS website at [www.ams.usda.gov/caorder](http://www.ams.usda.gov/caorder).

Along with issuing this recommended decision, USDA will publish a Regulatory Economic Impact Analysis it conducted to determine the potential impact of regulating California milk handlers under a FMMO on the milk supply, product demand and prices, and milk allocation in California and throughout the United States. The entire hearing record, including the Regulatory Economic Impact Analysis, and details of the public meeting are available at [www.ams.usda.gov/caorder](http://www.ams.usda.gov/caorder). Release No.: 028-17

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## National Dairy Promotion and Research Board, cont'd from pg. 1

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The Dairy Board was established under the Dairy Production Stabilization Act of 1983 to develop and administer a coordinated program of promotion, research and nutrition education. The 37-member Dairy Board is authorized to design programs to strengthen the dairy industry's position in domestic and foreign markets.

Appointees were selected from nominations submitted by eligible producer organizations, general farm organizations and qualified dairy products promotion, research or nutrition education programs. USDA's Agricultural Marketing Service (AMS) monitors the operation of the Dairy Board.

Since 1966, Congress has authorized the establishment of 22 industry-funded research and promotion boards. They empower farmers and ranchers to leverage their own resources to develop new markets, strengthen existing markets, and conduct important research and promotion activities. AMS provides oversight, paid for by industry assessments, which ensures fiscal accountability and program integrity for participating stakeholders. Release No.: 027-17

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

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Recent price directions for dairy products, as reported in the USDA National Dairy Products Sales Report, have been mixed in recent weeks. From the week ending January 7 to the week ending February 4, prices declined for butter, 40-pound cheddar blocks, and 500-pound barrel cheese. While the dry whey price increased significantly, the nonfat dry milk (NDM) price increased only slightly. Higher production of whey protein isolate has led to a tighter market for whey protein, contributing to the rise in the dry whey price.

Ending stocks increased significantly from November to December for butter, cheese, and nonfat dry milk. On a milk-fat basis, 2016 ending stocks were 0.9 billion pounds higher than expected last month, and on a skim-solids basis they were 0.5 billion higher than expected.

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

With improving returns in late 2016 and early 2017, slightly higher growth in the milking herd is now forecast for 2017. The estimate for milk cows for the year has been raised by 5,000 to 9.370 million head, with most of the growth occurring in the second half of the year. The milk per cow forecast has also been raised to 23,195 pounds per head, 10 pounds higher than last month's forecast. These changes result in a forecast of 217.4 billion pounds, an increase of 0.3 billion pounds from last month's forecast. stock forecast for 2017 on a skim-solids basis has been raised to 14.0 billion pounds.

Based on recent price data and increasing stocks, the cheese price forecast for 2017 has been lowered slightly, to \$1.660-\$1.730 per pound for the year. With the recent increases in dry whey prices and expectations of demand for high-protein whey products, the whey price forecast has been raised to \$0.455-\$0.485 per pound for the year. A recent uptick in butter imports and lower domestic use in December suggest pressure on prices; the butter price for 2017 is forecast lower than last month as a result, at \$2.045-\$2.145 per pound. As production overseas is still expected to show little growth for the year and export demand is expected to exceed 2016, the NDM price forecast is unchanged for the year, at \$0.990-\$1.050 per pound.

***Dairy Outlook, cont'd on pg. 4*** 

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**Dairy Outlook, cont'd from pg. 3**

As the higher whey price forecast more than offsets the lower cheese price forecast, the Class III price forecast has been raised to \$16.45-\$17.15 per cwt, 10 cents higher at the lower end of the range. Due to a lower expected butter price, the Class IV price forecast has been lowered to \$15.10-\$15.90 per cwt. The all-milk price forecast for 2017 is \$17.70-\$18.40 per cwt, 10 cents higher than last month's forecast at the lower end of the range.

Livestock, Dairy, and Poultry Outlook/LDP-M-272/  
February 15, 2017  
Economic Research Service, USDA

**Federal Milk Marketing Order Statistics - January 2017**

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>2,350.6</b>	<b>765.5</b>	<b>32.6</b>	<b>18.21</b>
<b>5 Appalachian</b>	<b>483.4</b>	<b>352.4</b>	<b>72.9</b>	<b>20.06</b>
<b>6 Florida</b>	<b>232.2</b>	<b>199.0</b>	<b>85.7</b>	<b>22.22</b>
<b>7 Southeast</b>	<b>493.3</b>	<b>344.1</b>	<b>69.8</b>	<b>20.27</b>
<b>30 Upper Midwest</b>	<b>2,542.6</b>	<b>290.8</b>	<b>11.4</b>	<b>16.99</b>
<b>32 Central</b>	<b>1,269.8</b>	<b>431.4</b>	<b>34.0</b>	<b>17.32</b>
<b>33 Mideast</b>	<b>1,742.1</b>	<b>559.0</b>	<b>32.1</b>	<b>17.35</b>
<b>124 Pacific Northwest</b>	<b>604.0</b>	<b>168.4</b>	<b>27.9</b>	<b>17.03</b>
<b>126 Southwest</b>	<b>1,338.7</b>	<b>372.7</b>	<b>27.8</b>	<b>17.97</b>
<b>131 Arizona</b>	<b>460.3</b>	<b>114.4</b>	<b>24.8</b>	<b>17.36</b>
<b>All Orders<sup>1</sup></b>	<b>11,517.0</b>	<b>3,597.7</b>	<b>31.2</b>	<b>17.84</b>

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

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