APPALACHIAN MARKETING AREA
FEDERAL ORDER 5

THE COURIER

Monthly Newsletter

April 2017

Dairy Outlook

Recent Developments in Dairy Markets

Calculated domestic use was weak in February compared to February 2016; adjusted for leap year, it was considerably lower for butter, NDM, cheese, and dry whey. The timing of holiday buying for Easter may have contributed to the decline; Easter was April 16 this year, but it was March 27 in 2016. Note that commercial disappearance is an imperfect proxy for consumption—it is estimated using data collected from different sources that have some inconsistencies, and there is no accounting for changes in pipeline stocks. Thus, it may be more informative to examine the 3 most recent months for which there is data. For December through February, year-over-year domestic commercial disappearance (adjusted for leap year) declined 8.7 percent for butter, 9.6 percent for NDM, and 15.8 percent for dry whey, and it was about the same for cheese. Higher wholesale dairy product prices compared to December-February of the previous year likely contributed to relatively low commercial use.

February milk production totaled 16.7 billion pounds, 2.3 percent above February 2016, adjusted for leap year. Milk cows numbered 9.367 million head, 4,000 head more than January 2017. Production per cow in the United States averaged 63.6 pounds per day for February, 1.7 percent above the previous year. While this is a significant increase in yield, it is notable that the year-over-year rate of increase has slowed each month since October, when milk per cow was 2.3 percent over the previous year.

February imports on a milk-fat basis were 95 million pounds less than January 2017 and 229 million pounds less than February 2016.

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Mailbox Prices

In January 2017, mailbox milk prices for selected reporting areas in Federal milk orders averaged $18.72 per cwt, up $0.05 per cwt from the December 2016 average and up $2.89 per cwt from the January 2016 average. The component tests of producer milk in January 2017 were: butterfat, 3.92%; protein, 3.20%; and other solids, 5.75%. When compared to the previous month, the January Mailbox prices increased in 12 of the 19 Federal milk order reporting areas and decreased in 7 of the 19 Federal milk order reporting areas. The Appalachian States reporting area increased $0.63 per cwt, while the Minnesota reporting area decreased $0.61 per cwt when compared to the previous month. Averaged over all Federal milk order reporting areas, the January 2017 Mailbox price increased an average of $0.13 per cwt. Mailbox prices in January 2017 ranged from $20.52 in Florida to $16.80 in the New Mexico reporting area.

The current mailbox milk prices are available at: https://www.ams.usda.gov/sites/default/files/media/CurrentMailboxPrices.pdf

USDA

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Appalachian Statistical Summary

	MARCH 2017	FEBRUARY 2017	MARCH 2016
PRICES: (Base Zone)			
Uniform Price	$19.06	$19.09	$15.87
Class I Price	20.30	20.13	17.18
Class II Price	16.21	16.52	13.57
Class III Price	15.81	16.88	13.74
Class IV Price	14.32	15.59	12.74
Uniform Skim Milk Price	$10.89	$10.80	$8.13
Class I Skim Milk Price	12.05	11.60	8.94
Class II Skim Milk Price	8.00	8.29	6.05
Class III Skim Milk Price	7.61	8.69	6.25
Class IV Skim Milk Price	6.07	7.35	5.21
Uniform Butterfat Price	$2.4420	$2.4766	$2.2913
Class I Butterfat Price	2.4768	2.5532	2.4443
Class II Butterfat Price	2.4246	2.4344	2.2098
Class III Butterfat Price	2.4176	2.4274	2.2028
Class IV Butterfat Price	2.4176	2.4274	2.2028
PRODUCER MILK:			
Class I	350,666,448	307,438,239	333,473,492
Class II	77,720,652	64,644,187	77,298,054
Class III	27,587,336	20,020,456	24,369,289
Class IV	46,731,935	39,910,189	60,843,256
Total Producer Milk	**502,706,371**	**432,013,071**	**495,984,091**
PERCENT PRODUCER MILK IN:			
Class I	69.75	71.16	67.23
Class II	15.46	14.96	15.59
Class III	5.49	4.64	4.91
Class IV	9.30	9.24	12.27

F.O. 5 STATS FOR MARCH 2017:

The Uniform Price for March 2017 was $19.06 per cwt., a decrease of $0.03 from February 2017 and an increase of $3.19 from March 2016.

Total Class I Milk for March 2017 was 350,666,448 pounds, an increase of 17.2 million pounds, or 5.2 percent, compared to March 2016.

Class I Utilization was 69.75 percent for March 2017, an increase of 2.5 percentage points from March 2016.

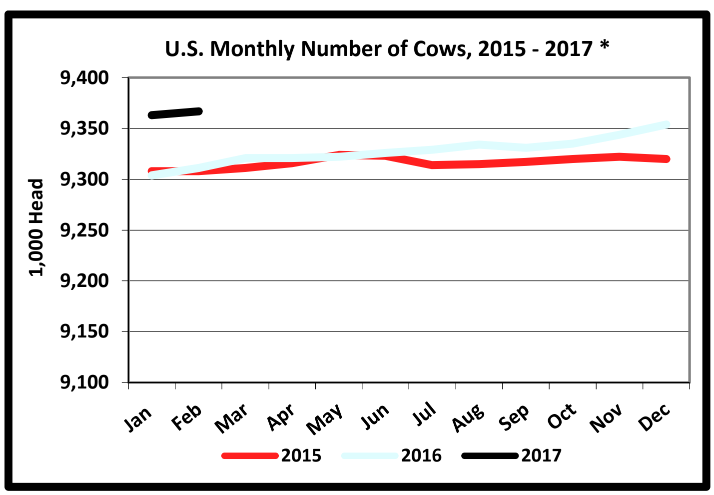
Total Producer Milk for March 2017 was 502,706,371 pounds, an increase of 6.7 million pounds, or a 1.4 percent, compared to March 2016.

February Milk Production in the U.S.

Milk production in the United States during February totaled 16.7 billion pounds, down 1.2 percent from February 2016. However, production was 2.3 percent above last year after adjusting for the leap year.

Production per cow in the United States averaged 1,782 pounds for February, 33 pounds below February 2016.

The number of milk cows on farms in the United States was 9.37 million head, 56,000 head more than February 2016, and 4,000 head more than January 2017.



*Based on entire U.S. production

Dairy Outlook, cont'd from pg. 1

On a skim-solids basis, February imports were down 44 million pounds from January 2017 but were up 52 million pounds from February 2016. Notably, February cheese imports were lower than the previous month and the previous year.

February exports on a milk-fat basis were 43 million pounds more than January 2017 but 125 million pounds less than February 2016. On a skim-solids basis, February exports were 89 million pounds more than January 2017 and 395 million pounds more than February 2016. Notably, February exports of NDM and cheese were higher than the previous month and the previous year. Exports of NDM to Mexico were 56.3 million pounds in February, a 34-percent increase over January 2017 and the highest volume since October 2015.

Changing price relationships have likely contributed to the increase in cheese exports and the decrease in cheese imports, as U.S. wholesale domestic prices have declined relative to foreign export prices. U.S. domestic prices for butter and NDM have also become more competitive with foreign export prices in recent months.

With continued strength in milk production and relative weakness in domestic use, February ending stocks climbed for major products, with year-over-year increases for butter (+20.0 percent), NDM (+19.9 percent), American-type cheese (+8.1 percent), and Other-than-American cheese (+3.7 percent).

Dairy Forecasts for 2017

Based on recent milk production data, the milk cow estimate has been raised to 9.385 million head, 5,000 higher than last month's forecast, and the milk per cow estimate is now expected to be 35 pounds lower for the year, at 23,150 pounds per cow. With these changes, the milk production forecast for 2017 is now 217.3 billion pounds, 0.2 billion pounds lower than last month.

The domestic use forecast on a milk-fat basis for 2017 has been reduced 0.6 billion pounds to 214.0 billion, reflecting weaker expected domestic use of butter and cheese. With lower cheese imports in February and more competitive domestic prices expected for both cheese and butter, the 2017 forecast for imports on a milk-fat basis is 6.3 billion pounds, 0.3 billion pounds lower than projected last month. Based on recent data, the forecast for exports on a milk-fat basis has also been lowered slightly to 8.2 billion pounds for the year. With the recent rise in stocks of butter and cheese and lower expectations for domestic use, the projection for ending stocks on a milk-fat basis is 14.4 billion pounds for the year, 0.1 billion pounds more than last month's forecast.

The domestic use forecast on a skim-solids basis for 2017 has been reduced 0.2 billion pounds to 182.9 billion, reflecting weaker expected domestic use of NDM and cheese. Imports on a skim-solids basis are forecast 0.2 billion pounds higher than last month, at 6.4 billion pounds for the year, due to higher expected imports of milk protein products and other miscellaneous products. The forecast for skim-solids exports has also been increased slightly to 39.9 billion pounds for the year, as domestic prices for NDM have become more competitive and exports have recently increased. With the increase in ending stocks for February and lower expected domestic use, the forecast for ending stocks in 2017 has been raised 0.2 billion pounds to 14.7 billion.

Forecasts for all of the dairy product prices have been lowered from last month. In the face of recent dairy product price weakness, high February ending stocks, and lower expected domestic commercial use, 2017 price forecasts for cheese, butter, and NDM have been lowered to $1.600-$1.650, $2.120-$2.200, and $0.865-$0.905 per pound, respectively. The relatively low NDM price may put downward pressure on dry whey prices since the products are substitutable for some purposes; therefore, the 2017 dry whey price forecast has been lowered slightly to $0.490-$0.520 per pound. As a result of lower dairy product prices, the Class III and IV milk price forecasts have been lowered to $16.10-$16.60 and $14.30-$14.90 per cwt. respectively. With these changes, the all milk price estimate for the year is now $17.40-$17.90 per cwt, a decrease from $17.80-$18.40 projected last month.

Livestock, Dairy, and Poultry Outlook/LDP-M-274/April 17, 2017
Economic Research Service, USDA

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Federal Milk Marketing Order Statistics - March 2017

	Federal Order	Producer Deliveries Million Pounds	Class I Producer Receipts Million Pounds	Class I Utilization Percent	Statistical Uniform Price $/cwt
1	Northeast	2,396.0	768.3	32.1	17.30
5	*Appalachian*	*502.7*	*350.7*	*69.8*	*19.06*
6	Florida	235.5	196.5	83.4	21.28
7	Southeast	513.2	334.8	65.2	19.15
30	Upper Midwest	2,936.4	292.0	9.9	16.05
32	Central	1,495.4	428.5	28.7	16.24
33	Mideast	1,855.7	566.0	30.5	16.43
124	Pacific Northwest	619.2	164.6	26.6	15.93
126	Southwest	1,239.4	363.4	29.3	17.00
131	Arizona	458.0	111.5	24.3	16.02
	All Orders [1]	12,251.6	3,576.3	29.2	16.82