APPALACHIAN MARKETING AREA
FEDERAL ORDER 5

THE COURIER

Monthly Newsletter

May 2018

Dairy Outlook

Dairy Forecasts for 2018

With the size of the milking herd falling slightly in March, relatively high slaughter rates in recent months, and higher expected feed prices, the annual milk cow estimate for 2018 has been lowered by 5,000 head to 9.410 million. Higher feed-price forecasts have muted expectations for yield growth; as a result, the milk per cow forecast has been lowered to 23,240 pounds for the year. These changes result in a milk production forecast of 218.7 billion pounds for the year, 0.3 billion pounds lower than the previous forecast.

Based on competitive U.S. prices and expectations for higher exports of NDM/SMP, whey products, lactose, cheese, and butterfat products, 2018 export forecasts have been raised from last month's forecast to 9.9 billion pounds on a milk-fat basis (+0.3 billion) and to 45.1 billion pounds on a skim- solids basis (+1.7 billion). With lower expected milk production and higher exports supporting higher dairy product prices, domestic use forecasts for 2018 have been lowered from last month to 214.2 billion on a milk-fat basis (-0.5 billion) and to 179.1 billion pounds on a skim-solids basis (-1.8 billion pounds).

Dairy Outlook, cont'd on pg. 3

USDA Issues Final Rule

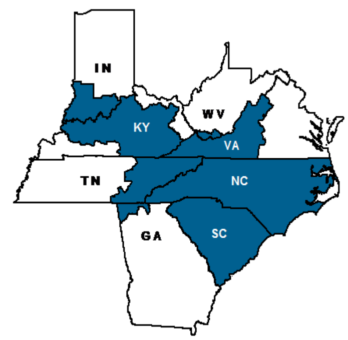
On May 10, 2018, the U.S. Department of Agriculture's (USDA) Agricultural Marketing Service announced in a final rule published in the Federal Register its adoption of amendments to the Florida Federal Milk Marketing Order (FMMO). The amendments implement a temporary assessment on Class I milk. Revenues collected through the assessment will be disbursed to handlers and producers who incurred extraordinary marketing costs and losses due to Hurricane Irma.

The proposed amendments to the Florida FMMO were approved by eligible producers and were based on the evidentiary record of a public hearing held in Tampa, Fla., December 12 through 14, 2017.

In September 2017, Hurricane Irma caused widespread devastation throughout the entire state of Florida, resulting in dairy processing and manufacturing plant closures, store closures, and extensive road closures, cumulatively resulting in negative market impacts for all Florida dairy farmers in the market.

USDA held the hearing on an emergency basis to consider a proposal submitted by Southeast Milk, Inc., Dairy Farmers of America, Inc., Premier Milk, Inc., Maryland and Virginia Milk Producers Cooperative Association, Inc., and Lone Star Milk Producers, L.C. At the hearing, USDA took testimony and received evidence regarding the proposal.

USDA



Harold H. Friedly, Jr.
Market Administrator

Inside this issue:

Appalachian Statistical Summary	2
Jan - Mar Milk Production Up 1.5%	2
U.S. Monthly Number of Cows, 2016-2018	2
Dairy Outlook, cont'd	3
March Milk Production Up 1.5%	3
FMMO Statistics – April 2018	4

Appalachian Statistical Summary

	APRIL 2018	MARCH 2018	APRIL 2017
PRICES: (Base Zone)			
Uniform Price	$16.56	$16.02	$17.77
Class I Price	17.50	16.76	19.45
Class II Price	14.03	13.88	14.81
Class III Price	14.47	14.22	15.22
Class IV Price	13.48	13.04	14.01
Uniform Skim Milk Price	$8.11	$7.87	$9.71
Class I Skim Milk Price	9.22	8.78	11.15
Class II Skim Milk Price	5.41	5.55	6.78
Class III Skim Milk Price	5.89	5.93	7.23
Class IV Skim Milk Price	4.86	4.71	5.98
Uniform Butterfat Price	$2.4957	$2.4084	$2.4008
Class I Butterfat Price	2.4591	2.3674	2.4823
Class II Butterfat Price	2.5183	2.4343	2.3618
Class III Butterfat Price	2.5113	2.4273	2.3548
Class IV Butterfat Price	2.5113	2.4273	2.3548
PRODUCER MILK:			
Class I	326,039,989	347,334,308	303,033,285
Class II	74,101,079	75,444,362	76,479,244
Class III	24,950,696	26,869,766	22,509,621
Class IV	70,389,417	70,250,280	78,542,671
Total Producer Milk	**495,481,181**	**519,898,716**	**480,564,821**
PERCENT PRODUCER MILK IN:			
Class I	65.80	66.81	63.06
Class II	14.95	14.51	15.92
Class III	5.04	5.17	4.68
Class IV	14.21	13.51	16.34

F.O. 5 STATS FOR APRIL 2018:

The Uniform Price for April 2018 was $16.56 per cwt., an increase of $0.54 from March 2018.

Total Class I Milk for April 2018 was 326,039,989 pounds, an increase of 23.0 million pounds, or 7.6 percent, compared to April 2017.

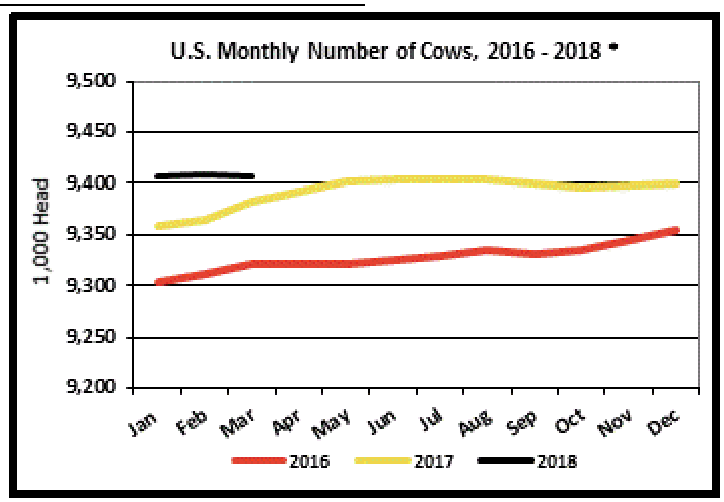
Class I Utilization was 65.80 percent for April 2018, an increase of 2.7 percentage points from April 2017.

Total Producer Milk for April 2018 was 495,481,181 pounds, an increase of 14.9 million pounds, or 3.1 percent, compared to April 2017.

Jan – Mar Milk Production Up 1.5%

Milk production in the United States during the January - March quarter totaled 54.4 billion pounds, up 1.5 percent from the January - March quarter last year.

The average number of milk cows in the United States during the quarter was 9.41 million head, 9,000 head more than the October - December quarter, and 38,000 head more than the same period last year.



*Based on entire U.S. production

Dairy Outlook, cont'd from pg. 1

Due to lower-than-expected ending stocks for the first quarter, lower expected milk production, and higher expected exports, 2018 ending stock forecasts have been lowered from last month to 12.6 billion pounds on a milk-fat basis (-0.3 billion) and to 11.0 billion pounds on a skim-solids basis (-0.5 billion)

Product price forecasts for 2018 have been raised across the board. Recent price strength and higher expected exports motivated an increase in the cheddar cheese price forecast of 5 cents at the midpoint of the range, to $1.600-$1.650 per pound. The same is true for the butter price forecast, which has been raised 3.5 cents at the midpoint of the range to $2.245-$2.325 per pound. The dry whey price forecast for 2018 is now $0.255-$0.285 per pound, slightly higher than last month's estimate. Recent gains in NDM prices should be supported by higher exports for the remainder of 2018; as a result, the NDM price forecast has been raised to $0.740-$0.780, 4 cents higher at the midpoint that last month's forecast.

Higher product price forecasts have resulted in higher milk price forecasts for 2018. The Class III price is now forecast at $14.80-$15.30 per cwt for the year, 60 cents higher at the midpoint of the range than last month's forecast; the Class IV price is forecast at $13.75-$14.35 per cwt, 50 cents higher at the midpoint of the range. The all-milk price forecast for 2018 is $16.20-$16.70 per cwt, 60 cents higher at the midpoint than last month's projection.

Dairy Forecasts for 2019

The forecast for the size of the milking herd is 9.410 million, level with the 2018 forecast. Milk per cow, however, is expected to continue to grow, averaging 23,535 pounds for 2019. Milk production for 2019 is projected at 221.5 billion pounds, a modest 1.3 percent increase from the 2018 forecast.

Prices for butter and cheese in 2019 are expected to hold near 2018 levels. The 2019 cheddar cheese price forecast is $1.585-$1.685 per pound, 1 cent higher at the midpoint of the range than 2018. The 2019 butter price forecast is $2.215-$2.345 per pound, slightly lower at the midpoint of the range than the 2018 projection. The 2019 nonfat dry milk price is expected to be 2 cents higher at the midpoint than 2018 at $0.745-$0.815, as growth in export demand is expected to carry over into next year. Similarly, the domestic dry whey price is expected to continue to find support from overseas trading partners, rising 3 cents from 2018 at the midpoint of the range to $0.285-$0.315 per pound.

With higher expected cheese and whey prices, the Class III price forecast for 2019 is $14.80-$15.80 per cwt, 25 cents higher than the forecast for 2018. The Class IV price is forecast at $13.65-$14.75 per cwt, 15 cents higher at the midpoint of the range than the 2018 forecast, as the higher forecast for nonfat dry milk price more than offsets the lower butter price. The all-milk price for 2019 is projected at $16.25-$17.25 per cwt, 30 cents higher at the midpoint of the range than the current 2018 forecast.

Livestock, Dairy, and Poultry Outlook, LDP-M-287, May 16, 2018
USDA, Economic Research Service

March Milk Production Up 1.5%

Milk production in the 23 major States during March totaled 17.8 billion pounds, up 1.5 percent from March 2017. February revised production at 15.9 billion pounds, was up 1.8 percent from February 2017. The February revision represented a decrease of 12 million pounds or 0.1 percent from last month's preliminary production estimate.

Production per cow in the 23 major States averaged 2,038 pounds for March, 22 pounds above March 2017. This is the highest production per cow for the month of March since the 23 State series began in 2003.

The number of milk cows on farms in the 23 major States was 8.74 million head, 29,000 head more than March 2017, but 2,000 head less than February 2018.

APPALACHIAN MARKETING AREA
FEDERAL ORDER 5

Market Administrator
PO Box 91528
Louisville KY 40291-0528

ADDRESS SERVICE REQUESTED

Phone: 502.499.0040
Fax: 502.499.8749
Email: **friedly@malouisville.com**

WEBSITE:
www.malouisville.com

Federal Milk Marketing Order Statistics - April 2018

	Federal Order	Producer Deliveries	Class I Producer Receipts	Class I Utilization	Statistical Uniform Price
		Million Pounds	Million Pounds	Percent	$/cwt
1	Northeast	2,294.8	706.6	30.8	15.46
5	*Appalachian*	*495.5*	*326.0*	*65.8*	*16.56*
6	Florida	211.4	177.3	83.9	18.72
7	Southeast	481.8	313.3	65.0	16.88
30	Upper Midwest	2,596.6	254.8	9.8	14.54
32	Central	1,391.7	396.5	28.5	14.34
33	Mideast	1,675.6	505.5	30.2	14.63
124	Pacific Northwest	624.2	147.8	23.7	14.32
126	Southwest	935.2	344.1	36.8	15.24
131	Arizona	442.2	104.9	23.7	14.50
	All Orders	11,149.0	3,276.8	29.4	15.03