

# THE COURIER

Monthly Newsletter

October 2018

## Dairy Outlook

### ***Dairy Provisions in the United States-Mexico-Canada Agreement***

On September 30, the United States, Canada, and Mexico reached an agreement called the United States-Mexico-Canada Agreement (USMCA). It would replace the North America Free Trade Agreement, and it has several provisions relevant to the dairy industry. For more information, see the website for the Office of the United States Trade Representative (<https://ustr.gov/>). The agreement must be approved by legislative bodies in all three countries before it can be implemented. Since the agreement has not yet been approved and the potential effective date is not yet known, impacts of the agreement are not considered in USDA forecasts.

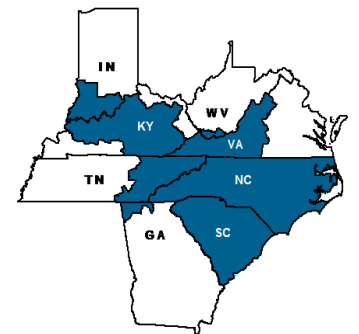
### ***Dairy Forecasts for the Remainder of 2018***

Due to growth in the dairy herd between July and August, the projected size of the dairy herd has been raised 5,000 head for the second half of 2018 to 9.400 million head; the rounded projection for 2018, however, remains at 9.400 million head. Similarly, recent growth in milk per cow motivated an increase of 20 pounds in the third quarter estimate and 5 pounds in the fourth quarter forecast, to 5,750 and 5,730 pounds per cow, respectively. With these changes, the milk production forecast for 2018 is now 218.1 billion pounds, 0.3 billion pounds higher than previously forecast.

On a milk-fat basis, the 2018 import forecast has been raised 0.1 billion pounds to 6.3 billion due to recent strength in imports of butterfat products and cheese. Exports are forecast 0.2 billion pounds higher for 2018 than last month's forecast at 10.5 billion pounds due to higher expected cheese exports. Based on relatively strong growth in domestic use in July and August, domestic use for 2018 is forecast at 212.9 billion pounds, an increase of 0.3 billion pounds from last month's forecast. With offsetting changes to supply and use, the ending stock forecast is unchanged at 13.5 billion pounds.

The forecast for imports on a skim-solids basis in 2018 has been lowered slightly to 5.6 billion pounds based on lower expected imports of MPC. Exports on a skim-solids basis are forecast 0.4 billion pounds higher than the last forecast, at 45.1 billion pounds for the year, due to recent strength in exports of NDM and whey products. With higher expected exports, the forecast for ending stocks on a skim-solids basis has been lowered to 10.8 billion pounds. The forecast for domestic use on a skim-solids basis is unchanged at 178.6 billion pounds.

*Dairy Outlook, cont'd on pg. 3* ➤



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## Appalachian Statistical Summary

	SEPTEMBER 2018	AUGUST 2018	SEPTEMBER 2017
<b>PRICES: (Base Zone)</b>			
Uniform Price	\$17.35	\$17.03	\$19.06
Class I Price	18.25	17.55	20.11
Class II Price	15.13	15.07	16.80
Class III Price	16.09	14.95	16.36
Class IV Price	14.81	14.63	15.86
Uniform Skim Milk Price	\$8.60	\$8.25	\$9.09
Class I Skim Milk Price	9.32	8.86	9.73
Class II Skim Milk Price	6.43	6.16	7.03
Class III Skim Milk Price	7.45	6.06	6.59
Class IV Skim Milk Price	6.12	5.73	6.08
Uniform Butterfat Price	\$2.5864	\$2.5914	\$2.9404
Class I Butterfat Price	2.6458	2.5703	3.0631
Class II Butterfat Price	2.5512	2.6079	2.8629
Class III Butterfat Price	2.5442	2.6009	2.8559
Class IV Butterfat Price	2.5442	2.6009	2.8559
<b>PRODUCER MILK:</b>			
Class I	308,593,036	343,033,522	341,166,317
Class II	66,505,736	75,227,337	77,228,234
Class III	19,403,535	20,472,769	17,889,823
Class IV	50,014,197	34,643,442	37,095,167
Total Producer Milk	444,516,504	473,377,070	473,379,541
<b>PERCENT PRODUCER MILK IN:</b>			
Class I	69.42	72.47	72.07
Class II	14.96	15.89	16.31
Class III	4.37	4.32	3.78
Class IV	11.25	7.32	7.84

### F.O. 5 STATS FOR SEPTEMBER 2018:

#### The Uniform Price

for September 2018 was \$17.35 per cwt., an increase of \$0.32 from August 2018.

#### Total Class I Milk

for September 2018 was 308,593,036 pounds, a decrease of 32.6 million pounds, or 9.5 percent, compared to September 2017.

#### Class I Utilization

was 69.42 percent for September 2018, a decrease of 2.6 percentage points from September 2017.

#### Total Producer Milk

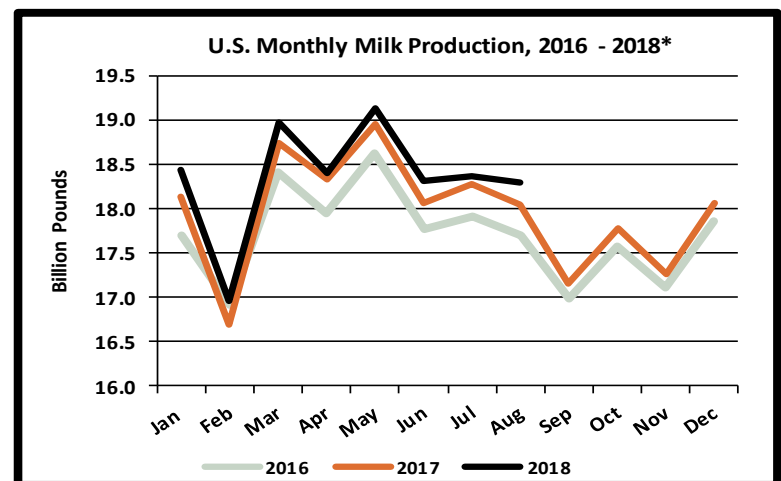
for September 2018 was 444,516,504 pounds, a decrease of 28.9 million pounds, or 6.1 percent, compared to September 2017.

## August Milk Production Up 1.4%

Milk production in the United States during August totaled 18.3 billion pounds, up 1.4 percent from August 2017.

Production per cow in the United States averaged 1,946 pounds for August, 27 pounds above August 2017.

The number of milk cows on farms in the United States was 9.40 million head, 4,000 head less than August 2017, but 5,000 head more than July 2018.



\*Based on entire U.S. production

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

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Relatively small changes have been made to dairy product price forecasts for the fourth quarter of 2018. The cheddar cheese price forecast for the quarter has been lowered to \$1.585-\$1.625 per pound, while the dry whey price forecast for the quarter has been raised to \$0.420-\$0.440, both based on recent prices. Recent strength in the butter price is expected to carry through the end of the year, so the fourth-quarter butter price forecast has been raised to \$2.250-\$2.320 per pound. The NDM price forecast for the quarter is slightly higher than the last forecast, at \$0.865-\$0.905 per pound.

With a lower expected cheese price more than offsetting the higher expected dry whey price, the fourth-quarter Class III price forecast has been lowered 10 cents at the midpoint of the range to \$15.60- \$16.00 per cwt. With higher expected butter and NDM prices, the Class IV price projection has been raised 35 cents at the midpoint of the range to \$14.85-\$15.35 per cwt for the fourth quarter. These changes result in a fourth-quarter all-milk price forecast of \$17.60-\$18.00 per cwt, 15 cents higher at the midpoint of the range than previously forecast. However, with the third-quarter all-milk price estimated lower than before, the all-milk price forecast for the year is \$16.35-\$16.45 per cwt, unchanged from last month's forecast at the midpoint of the range.

### ***Dairy Forecasts for 2019***

Based on the recent increase in milk cow numbers, the forecast for the size of the milking herd has been raised 5,000 head to 9.410 million head for the year. The 2019 forecast for yield per cow has been raised to 23,525 pounds, 30 pounds higher than last month's forecast, due to recent growth and continued expectations of relatively low feed prices. With both higher expected cow numbers and higher expected yields, the milk production forecast for 2019 is 221.4 billion pounds, 0.4 billion pounds higher than the last forecast.

Strength in imports of butterfat and cheese is expected to continue in 2019. As a result, imports on a milk-fat basis are now forecast at 6.3 billion pounds for 2019, an increase of 0.3 billion pounds from the last forecast. The export forecast remains at 9.8 billion pounds for the year. The domestic use forecast has been raised 0.6 billion pounds to 217.5 billion, as strong demand is expected to continue into next year. Strength in demand is expected to contribute to a year-over-year decrease in ending stocks, which are forecast at 12.5 billion pounds at the end of 2019.

On a skim-solids basis, the import forecast has been lowered 0.1 billion pounds to 5.5 billion pounds, based on lower expected MPC imports. Exports on a skim-solids basis are projected at 44.1 billion pounds for 2019, unchanged from last month's forecast. Ending stocks are forecast at 10.8 billion pounds, the same as previously forecast. The forecast for domestic use on a milk-fat basis has been raised 0.1 billion pounds to 181.6 billion, which would represent year-over-year growth of 1.7 percent from the 2018 forecast.

Small changes were made in the product price forecasts for 2019, with the largest being for the dry whey price forecast; the price was raised 3.5 cents at the midpoint of the range to \$0.385-\$0.415 per pound, based on recent domestic price strength. The cheddar cheese price forecast has been lowered to \$1.575-\$1.665 per pound. The butter price forecast is slightly higher for the first quarter, based on recent price strength; the annual 2019 projection is \$2.215-\$2.335 per pound. The NDM price forecast is unchanged at \$0.825-\$0.895 per pound.

With the higher dry whey price forecast more than offsetting the lower cheese price forecast, the Class III price forecast has been raised to \$15.30-\$16.20 per cwt. The Class IV price forecast is \$14.35- \$15.35 per cwt, unchanged from last month's forecast at the midpoint of the range. The all-milk price 12 Livestock, Dairy, and Poultry Outlook, LDP-M-292, October 17, 2018 USDA, Economic Research Service forecast for 2019 is \$16.85-\$17.75 per cwt, 5 cents higher at the midpoint of the range than previously forecast.

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**Federal Milk Marketing Order Statistics - September 2018**

Federal Order	Producer Deliveries Million Pounds	Class I Producer Receipts Million Pounds	Class I Utilization Percent	Statistical Uniform Price \$/cwt
1 Northeast	2,145.0	713.0	33.2	16.71
5 <i>Appalachian</i>	444.5	308.6	69.4	17.35
6 Florida	204.8	167.7	81.9	19.23
7 Southeast	394.3	294.7	74.8	17.94
30 Upper Midwest	2,156.7	224.3	10.4	16.02
32 Central	1,074.2	384.5	35.8	15.64
33 Mideast	1,461.8	527.1	36.1	15.83
124 Pacific Northwest	610.7	147.7	24.2	15.44
126 Southwest	755.9	346.0	45.8	16.31
131 Arizona	353.9	100.3	28.3	15.85
<b>All Orders</b>	<b>9,601.6</b>	<b>3,213.9</b>	<b>33.5</b>	<b>16.29</b>

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