

APPALACHIAN MARKETING AREA
FEDERAL ORDER 5

THE COURIER

Monthly Newsletter

July 2019

Dairy Outlook

Dairy Forecasts for 2019

Based on May data, the forecast for the size of the milking herd for 2019 has been raised 5,000 head to 9.340 million. Based on recent milk yields, higher expected milk cow numbers, and higher feed price forecasts, the milk per cow forecast for the year has been lowered 10 pounds to 23,365. The overall milk production forecast for 2019 is 218.2 billion pounds, unchanged from last month's forecast.

On a milk-fat basis, the import forecast for 2019 has been raised 0.4 billion pounds to 6.9 billion pounds because of recent strength in imports of butterfat products. However, the export forecast on a milk-fat basis has been lowered 0.2 billion pounds to 9.5 billion pounds, as exports of butterfat products have slowed in recent months, and are expected to continue to face considerable competition from lower prices in Europe and Oceania. Imports on a skim-solids basis are forecast at 5.4 billion pounds for the year, unchanged from the previous forecast. The export forecast on a skim-solids basis has been lowered 0.7 billion pounds to 41.3 billion primarily because exports of whey products and lactose to China have been relatively low. U.S. exporters have been unable to gain traction for these products in other markets.

Due to recent strength in domestic use and expectations for strong economic growth this year and next, domestic use forecasts have been raised. Domestic use on a milk-fat basis for 2019 is forecast at 215.1 billion pounds, 0.6 billion higher than the previous forecast. Domestic use on a skim-solids basis is forecast higher on a skim-solids basis for 2019 than the last forecast, at 181.7 billion pounds.

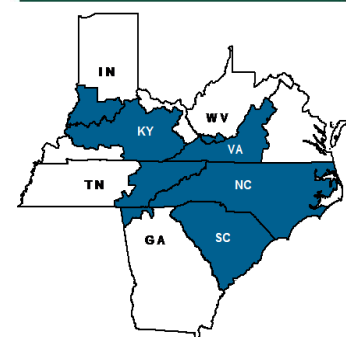
Dairy Outlook, cont'd on pg. 3

Dairy Margin Coverage Program

The U.S. Department of Agriculture's Farm Service Agency (FSA) opened enrollment for the Dairy Margin Coverage (DMC) program on June 17 and has started issuing payments to producers who purchased coverage. Producers can enroll through September 20, 2019.

"Times have been especially tough for dairy farmers, and while we hope producers' margins will increase, the Dairy Margin Coverage program is providing support at a critical time for many in the industry," said Bill Northey, USDA Under Secretary for Farm Production and Conservation. "With lower premiums and higher levels of assistance than previous programs, DMC is already proving to be a good option for a lot of dairy producers across the country. USDA is committed to efficiently implementing the safety net programs in the 2018 Farm Bill and helping producers deal with the challenges of the ever-changing farm economy."

Dairy Margin Coverage Program, cont'd on pg. 3



Harold H. Friedly, Jr.
Market Administrator

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Appalachian Statistical Summary

	JUNE 2019	MAY 2019	JUNE 2018
PRICES: (Base Zone)			
Uniform Price	\$19.44	\$18.93	\$17.81
Class I Price	20.47	19.82	18.65
Class II Price	17.30	16.48	15.48
Class III Price	16.27	16.38	15.21
Class IV Price	16.83	16.29	14.91
Uniform Skim Milk Price	\$10.58	\$10.28	\$8.81
Class I Skim Milk Price	11.79	11.22	9.75
Class II Skim Milk Price	8.26	7.72	6.33
Class III Skim Milk Price	7.22	7.65	6.08
Class IV Skim Milk Price	7.80	7.55	5.77
Uniform Butterfat Price	\$2.6372	\$2.5740	\$2.6607
Class I Butterfat Price	2.5974	2.5695	2.6414
Class II Butterfat Price	2.6649	2.5788	2.6762
Class III Butterfat Price	2.6579	2.5718	2.6692
Class IV Butterfat Price	2.6579	2.5718	2.6692
PRODUCER MILK:			
Class I	263,224,389	306,829,789	299,316,525
Class II	70,975,808	77,110,693	71,595,992
Class III	37,201,938	26,009,163	30,672,040
Class IV	46,634,978	47,051,019	45,168,040
Total Producer Milk	418,037,113	457,000,664	446,752,597
PERCENT PRODUCER MILK IN:			
Class I	62.97	67.14	67.00
Class II	16.98	16.87	16.03
Class III	8.90	5.69	6.86
Class IV	11.15	10.30	10.11

May Milk Production Down 0.1%

Milk production in the 24 major States during May totaled 18.1 billion pounds, down 0.1 percent from May 2018. April revised production, at 17.6 billion pounds, was up 0.5 percent from April 2018. The April revision represented an increase of 195 million pounds or 1.1 percent from last month's preliminary 23-State production estimate. Production per cow in the 24 major States averaged 2,062 pounds for May, 11 pounds above May 2018.

The number of milk cows on farms in the 24 major States was 8.79 million head, 55,000 head less than May 2018, but 5,000 head more than April 2019.

F.O. 5 STATS FOR JUNE 2019:

The Uniform Price

for June 2019 was \$19.44 per cwt., an increase of \$0.51 from May 2019 and \$1.63 from June 2018.

Total Class I Milk

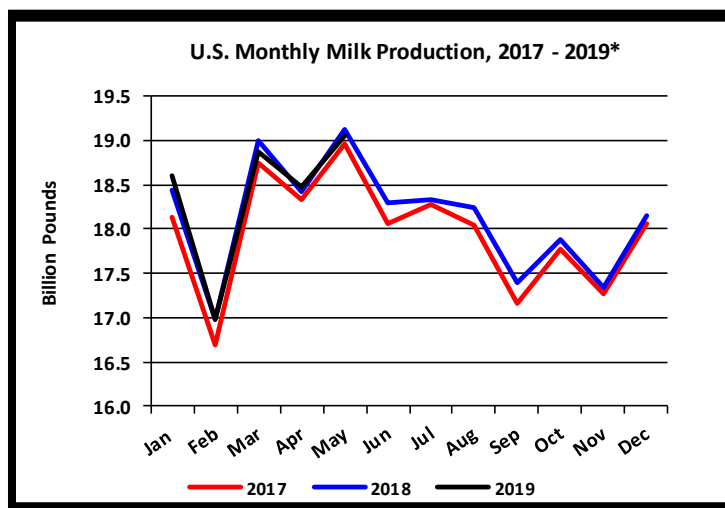
for June 2019 was 263.2 million pounds, a decrease of 36.1 million pounds, or 12.1 percent, compared to June 2018.

Class I Utilization

was 62.97 percent for June 2019, a decrease of 4.0 percentage points from June 2018.

Total Producer Milk

for June 2019 was 418.0 million pounds, a decrease of 28.7 million pounds, or 6.4 percent, compared to June 2018.



*Based on entire U.S. production

Dairy Outlook, cont'd from pg. 1

Ending stocks on a milk-fat basis for 2019 are forecast at 13.1 billion pounds, unchanged from the previous forecast. On a skim-solids basis, ending stocks are forecast at 10.0 billion pounds, down 0.2 billion from last month's forecast.

As the Cheddar cheese price has risen faster than expected in recent weeks, and demand appears to be relatively strong, the cheese price forecast for 2019 has been raised 2 cents to \$1.660 per pound. Further declines in whey product exports have motivated a decrease in the dry whey price forecast to \$0.375 per pound. The butter price forecast for the year is \$2.315 per pound, 1 cent lower than last month's forecast, because of higher imports of butterfat products. The NDM price forecast for 2019 is \$1.020 per pound, half a cent higher than last month's forecast.

The Class III milk price forecast for the year has been raised 15 cents to \$16.05 per hundredweight (cwt) as the higher expected cheese price more than offsets the lower expected whey price. The Class IV price forecast for 2019 has been raised 5 cents to \$16.45 per cwt as the higher expected NDM price more than offsets the lower expected butter price. The all-milk price forecast for 2019 is \$18.20 per cwt, an increase of 20 cents from last month's forecast.

Dairy Forecasts for 2020

The annual forecast for the size of the milking herd in 2020 is unchanged at 9.355 million head. However, recent yield data and relatively high expected feed prices have motivated a slight decrease in forecasted yield per cow to 23,710 pounds. As a result, the milk production forecast for 2020 is 0.1 billion pounds lower than last month's forecast, at 221.8 billion pounds.

High demand for imports of butterfat products is expected to continue through 2020; as a result, the forecast for imports for the year on a milk-fat basis has been raised 0.2 billion pounds to 6.8 billion. The forecast for imports on a skim-solids basis for 2020 is 5.0 billion pounds, unchanged from the previous forecast. Lower exports of butterfat products are also expected to persist in 2020, motivating a decrease in the export forecast to 10.2 billion pounds. The forecast for exports on a skim-solids basis for the year has been lowered 0.5 billion pounds to 42.9 billion, largely due to lower expected exports of whey products and lactose.

Due to recent strength in domestic use and expectations for relatively strong economic growth, domestic use forecasts for 2020 have been raised. On a milk-fat basis, the domestic use forecast is 217.4 billion pounds, 0.3 billion higher than last month's forecast. The domestic use forecast on a skims-solids basis has been raised to 182.8 billion pounds, 0.2 billion pounds higher than previously expected. The ending stock forecasts for the year are unchanged on both the milk-fat and skim-solids bases, at 13.1 billion pounds and 10.1 billion pounds, respectively.

Only slight changes have been made in product price forecasts for 2020. The Cheddar cheese price forecast for the year has been increased by one-half cent to \$1.730 per pound. As whey exports are expected to remain relatively weak in 2020, the dry whey price forecast has been lowered 1.5 cents to \$0.360 per pound. The butter price is forecast at \$2.345 per pound, 2 cents lower than the last forecast, because of higher expected imports and lower expected exports of butterfat products. The Class III price forecast for 2020 is \$16.65 per cwt, unchanged from last month's projection. Due to a slightly lower butter price, the Class IV price forecast has been lowered 10 cents to \$16.75 for the year. The all-milk price for 2020 is projected to be \$18.85 per cwt, 5 cents lower than last month.

Livestock, Dairy, and Poultry Outlook, LDP-M-301, July 17, 2019, USDA, Economic Research Service

Dairy Margin Coverage Program, cont'd from pg. 1

Authorized by the 2018 Farm Bill, DMC replaces the Margin Protection Program for Dairy (MPP-Dairy). The program offers protection to dairy producers when the difference between the all-milk price and the average feed cost (the margin) falls below a certain dollar amount selected by the producer. To date, nearly 10,000 operations have signed up for the new program, and FSA has begun paying approximately \$100 million to producers for January through May. DMC provides coverage retroactive to January 1, 2019, with applicable payments following soon after enrollment.

For more information, visit [farmers.gov DMC webpage](https://farmers.gov/dmc-webpage) or contact your local USDA service center. To locate your local FSA office, visit farmers.gov/service-locator

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Federal Milk Marketing Order Statistics - June 2019

Federal Order		Producer Deliveries	Class I Producer Receipts	Class I Utilization	Statistical Uniform Price
		Million Pounds	Million Pounds	Percent	\$/cwt
1	Northeast	2,246.2	628.2	28.0	18.28
5	<i>Appalachian</i>	<i>418.0</i>	<i>263.2</i>	<i>63.0</i>	<i>19.44</i>
6	Florida	189.3	155.3	82.0	21.62
7	Southeast	441.6	252.4	57.2	19.58
30	Upper Midwest	3,248.0	197.6	6.1	16.52
32	Central	1,541.9	333.1	21.6	16.91
33	Midwest	1,691.6	497.5	29.4	17.40
51	California	2,373.0	385.9	16.3	17.23
124	Pacific Northwest	761.5	126.8	16.6	16.94
126	Southwest	1,119.9	298.8	36.7	17.88
131	Arizona	414.0	91.4	22.1	17.32
All Orders		14,444.9	3,230.3	22.4	17.45

^{1/} Weighted average uniform prices at 3.5% butterfat at announced loca-

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