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Dairy Outlook

Dairy Forecasts for 2017

With recent growth in cow numbers, rising milk prices, relatively low feed prices, and an adequate supply of replacement heifers, the 2017 forecast for milk cows has been raised to 9.4 million head, 5 thousand more cows than last month's forecast. With only small yield increases in recent months, the 2017 forecast for average milk per cow is reduced to 22,945 pounds per head, 75 pounds less than last month's forecast. The forecast for 2017 milk production is now 215.7 billion pounds, 0.6 billion less than last month's forecast. Year over year, milk production is expected to increase by 1.8 percent (adjusted for leap year).

With higher expected exports of butterfat products, the 2017 forecast for exports on a milk-fat milk-equivalent basis has been raised to 9.3 billion pounds, 0.2 billion higher than last month's forecast. The 2017 forecast for exports on a skim-solids milk-equivalent basis has been lowered to 40.7 billion pounds, 0.5 billion pounds less than last month's forecast, due to lower expected exports of whey products.

The 2017 domestic-use forecast on a milk-fat basis is 211.9 billion pounds, 0.6 billion less than forecast last month. Higher butter prices are expected to result in lower consumption than previously expected on a milk-fat basis. The 2017 forecast for domestic use on a skim-solids basis is 179.9 billion pounds, unchanged from last month's forecast. Ending stock forecasts for 2017 have been lowered by 0.2 billion pounds on a milk-fat basis and 0.1 billion pounds on a skim-solids basis.

Dairy Outlook, cont'd on pg. 3

Dairy: World Markets and Trade

During the past year, international prices for such dairy commodities as butter, cheese, and whole milk powder (WMP) have staged a significant recovery trading at over \$3,000/ton. While skimmed milk powder (SMP) prices have recovered, they remain relatively soft at levels below \$2,000/ton. Import demand has been insufficiently strong to significantly draw down the readily available stocks and exportable supplies in the United States and the EU.

The most notable price movement has been the rapid rise in butter prices which have climbed from a mid-point low of \$2,650/ton FOB for Oceania and EU to a current mid-point price at about \$6,100/ton FOB – a 130 percent increase in the span of little over a year. This rapid upswing is due largely to relatively tight world supplies and steady demand particularly evident in the United States and the EU. Demand growth has been fueled by consumers who now perceive butter as a safer alternative to vegetable oil substitutes such as margarine.

Dairy: World Markets and Trade, cont'd on pg. 3



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Appalachian Statistical Summary

	JULY 2017	JUNE 2017	JULY 2016
PRICES: (Base Zone)			
Uniform Price	\$19.35	\$18.37	\$16.80
Class I Price	19.99	18.71	17.10
Class II Price	17.48	16.15	15.16
Class III Price	15.45	16.44	15.24
Class IV Price	16.60	15.89	14.84
Uniform Skim Milk Price	\$9.63	\$9.65	\$8.25
Class I Skim Milk Price	10.72	10.74	8.97
Class II Skim Milk Price	7.41	6.89	6.27
Class III Skim Milk Price	5.33	7.22	6.38
Class IV Skim Milk Price	6.52	6.65	5.96
Uniform Butterfat Price	\$2.8735	\$2.5883	\$2.5242
Class I Butterfat Price	2.7552	2.3832	2.4129
Class II Butterfat Price	2.9526	2.7136	2.6034
Class III Butterfat Price	2.9456	2.7066	2.5964
Class IV Butterfat Price	2.9456	2.7066	2.5964
PRODUCER MILK:			
Class I	309,656,508	308,479,953	296,136,979
Class II	85,893,882	81,800,164	74,606,607
Class III	30,099,554	29,126,125	15,201,010
Class IV	44,106,236	65,933,958	50,568,948
Total Producer Milk	469,756,180	485,340,200	436,513,544
PERCENT PRODUCER MILK IN:			
Class I	65.92	63.56	67.84
Class II	18.28	16.85	17.09
Class III	6.41	6.00	3.48
Class IV	9.39	13.59	11.59

F.O. 5 STATS FOR JULY 2017:

The Uniform Price

for July 2017 was \$19.35 per cwt., an increase of \$0.98 from June 2017 and \$2.55 from July 2016.

Total Class I Milk

for July 2017 was 309,656,508 pounds, an increase of 13.5 million pounds, or 4.6 percent, compared to July 2016.

Class I Utilization

was 65.92 percent for July 2017, an increase of 2.4 percentage points from June 2017.

Total Producer Milk

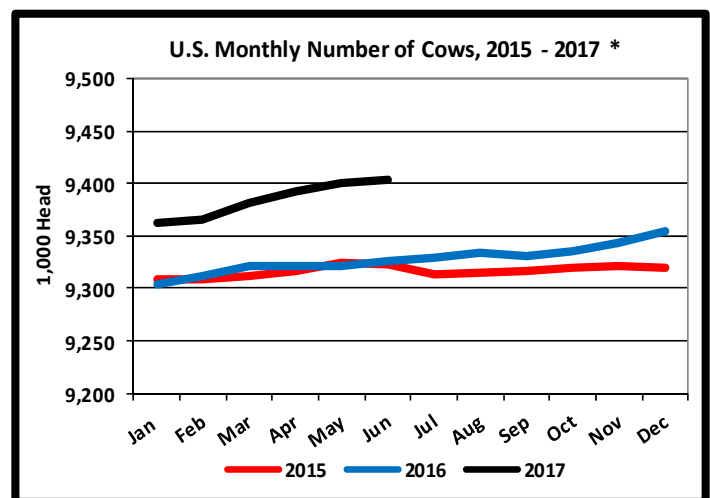
for July 2017 was 469,756,180 pounds, an increase of 33.2 million pounds, or 7.6 percent, compared to July 2016.

June Milk Production Up 1.6%

Milk production in the United States during June 2017 totaled 18.0 billion pounds, up 1.6 percent from June 2016.

Production per cow in the United States averaged 1,919 pounds for April, 13 pounds above June 2016.

The number of milk cows on farms in the United States was 9.40 million head, 78,000 head more than June 2016, and 4,000 head more than May 2017.



*Based on entire U.S. production

Dairy Outlook, cont'd from pg. 1

With recent price increases, expectations of continued strength of global demand, and a lower milk supply, the 2017 butter price forecast has been increased to \$2.425-\$2.465 per pound. A tighter supply of milk available for cheese is expected than last month due to lower expected milk production and more milk going to butter manufacturing. Due to recent price gains, more milk allocated to butter production, and continued demand strength, the cheese price forecast for 2017 has been raised to \$1.590-\$1.610 per pound. Greater global allocation of milk for butter, both domestically and internationally, is expected to result in more skim solids available for NDM and SMP. With recent price declines and a looser expected global supply of skim solids, the 2017 NDM price forecast has been lowered to \$0.885-\$0.905 per pound. The dry whey price forecast has been lowered to \$0.455-\$0.475 per pound due to recent price declines and possible substitution of NDM for dry whey for some applications.

The 2017 Class III price forecast is \$15.90-\$16.10 per cwt, unchanged at the midpoint from last month's forecast, as the higher cheese price forecast is offset by the lower whey price forecast. The Class IV price forecast is \$15.75-\$16.05 per cwt, 10 cents higher than last month's forecast at the lower end of the range, as the higher butter price forecast slightly more than offsets the lower NDM price. The 2017 all-milk price forecast is \$17.80-\$18.00 per cwt, an increase from last month's forecast of \$17.65-\$17.95.

Dairy Forecasts for 2018

The 2018 forecast for milk cows is 9.455 million head, an increase of 20 thousand head from last month's forecast. The 2018 forecast for milk per cow has been lowered by 145 pounds to 23,295 pounds per head, based on slow growth in recent months. These estimates result in a milk production forecast of 220.3 billion pounds for the year, 0.9 billion pounds lower than previously forecast. Year-over-year milk production is expected to increase by 2.1 percent.

The 2018 butter price forecast has been raised to \$2.375-\$2.505 per pound due to stronger expected global demand for butterfat products. The cheese price forecast has been raised slightly to \$1.640-\$1.740 per pound due to higher expected demand. NDM and dry whey price forecasts for 2018 have been lowered to \$0.905-\$0.975 and \$0.445-\$0.475 per pound, respectively, due to a higher expected global supply of skim solids and weaker expected demand.

The 2018 Class III milk price forecast is lowered to \$16.30-\$17.30 per cwt, as the lower expected dry whey price more than offsets the higher expected cheese price. The Class IV milk price forecast is unchanged at \$15.70-\$16.80 per cwt, as the higher butter price forecast is offset by the lower NDM price forecast. The all-milk price forecast for 2018 is \$18.00-\$19.00 per cwt, unchanged from last month's forecast.

Livestock, Dairy, and Poultry Outlook/LDP-M-278/August 16, 2017
Economic Research Service, USDA

Dairy: World Markets and Trade, cont'd from pg. 1

The price situation for butter is unlikely to change in the near future if current shipments are an indication of available supplies to the international market. Exports from the top five major exporters – New Zealand, the EU, Belarus, Australia, and the United States – through April 2017 are lagging behind last year's pace by 17 percent. This drop off has been particularly evident in the EU, which is down 28 percent or 25,000 tons. In the period 2012-16 exports of butter from these major suppliers had been growing at annual rate of 4 percent.

While high prices of butter will be welcomed by dairy farmers this will likely induce further production of butter and its co-products, mostly in the form SMP. This will add to SMP supplies and likely temper any recovery in prices.

The *Dairy: World Markets and Trade* report for July 2017 from the Foreign Agricultural Service/USDA is available at: <https://apps.fas.usda.gov/psdonline/circulars/dairy.pdf>

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Federal Milk Marketing Order Statistics - July 2017

Federal Order	Producer Deliveries Million Pounds	Class I Producer Receipts Million Pounds	Class I Utilization Percent	Statistical Uniform Price \$/cwt
1 Northeast	2,305.8	682.6	29.6	18.01
5 Appalachian	469.8	309.7	65.9	19.35
6 Florida	197.4	164.7	83.4	21.45
7 Southeast	422.3	285.1	67.5	19.64
30 Upper Midwest	3,019.8	243.9	8.1	15.80
32 Central	1,435.8	365.1	25.4	16.52
33 Mideast	1,711.9	501.0	29.3	17.01
124 Pacific Northwest	759.4	147.1	29.4	16.60
126 Southwest	1,172.3	311.3	26.6	17.29
131 Arizona	426.6	99.0	23.2	17.02
All Orders¹	11,921.0	3,109.6	26.1	17.10

¹ Weighted average uniform prices at 3.5% butterfat at announced locations.

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