APPALACHIAN MARKETING AREA
FEDERAL ORDER 5

THE COURIER

Monthly Newsletter
March 2016

Dairy Outlook

Recent Developments in Dairy Markets

Recent weakness of dairy prices in the United States and abroad can be attributed in large part to international supply and demand conditions. In October and November, cows' milk marketings for the European Union (EU) increased by about 5 percent over the same months of the previous year, a large increase from the world's largest supplier of cows' milk. The termination of EU milk production quotas as of March 31 has undoubtedly contributed to the milk production increase. In the fourth quarter, the United States had a modest 0.6 percent year-over-year increase in milk production, while fourth-quarter milk production for New Zealand and Australia fell by 2.2 and 2.7 percent, respectively. The year-over-year increases in milk production for the EU and the United States have much more than offset recent declines for New Zealand and Australia. Meanwhile, dairy import demand from China continues to be weak, and the Russian trade ban continues to be a factor as Europeans have turned to alternative outlets for their dairy product supplies.

High supplies of some dairy products have played a role in recent price declines. Year-end 2015 stocks for butter, cheese, and dry whey for human use were above 2014 levels by 46.0, 12.6, and 11.9 percent, respectively. However, nonfat dry milk (NDM) ending stocks were 16.6 percent lower than the previous year.

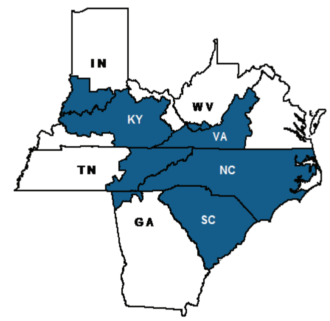
Dairy Forecasts for 2016

Feed price forecasts remain relatively low. The corn price for 2015/16 is forecast $3.35-$3.85 per bushel, unchanged from last month's forecast at the midpoint. The 2015/16 soybean meal price forecast is unchanged at $270-$310 per short ton. The national average price for alfalfa hay in December was unchanged from November at $150 per short ton.

Based on the most recent NASS *Milk Production* and *Cattle* reports, the forecast for 2016 first-quarter milk production has been raised by 0.1 billion pounds, with milk cows numbering 9,295 head and milk per cow 5,690 pounds. Milk production for 2016 is forecast at 211.9 billion pounds, an increase of 0.1 billion pounds over last month's forecast.

With high international supplies and weak demand for dairy products expected abroad, 2016 forecasts for exports have been reduced by 0.3 billion pounds on a milk-fat milk-equivalent basis and by 0.7 billion pounds on a skim-solids milk-equivalent basis. With strong demand expected for butter, the domestic commercial use forecast for 2016 has been raised by 0.6 billion pounds on a milk-fat basis. Domestic commercial use on a skim-solids basis has been raised by 0.5 billion pounds due to lower expected NDM and dry whey prices.

Dairy Outlook, cont'd on pg. 3



Harold H. Friedly, Jr.
Market Administrator

Inside this issue:

Appalachian Statistical Summary

	FEBRUARY 2016	JANUARY 2016	FEBRUARY 2015
PRICES: (Base Zone)			
Uniform Price	$16.41	$17.03	$18.55
Class I Price	17.04	19.44	19.64
Class II Price	14.30	14.19	14.48
Class III Price	13.80	13.72	15.46
Class IV Price	13.49	13.31	13.82
Uniform Skim Milk Price	$8.47	$8.26	$12.74
Class I Skim Milk Price	9.31	9.01	14.16
Class II Skim Milk Price	6.17	6.31	8.34
Class III Skim Milk Price	5.68	5.85	9.39
Class IV Skim Milk Price	5.36	5.43	7.69
Uniform Butterfat Price	$2.3535	$2.5869	$1.7871
Class I Butterfat Price	2.3018	3.0702	1.7059
Class II Butterfat Price	2.3848	2.3132	1.8366
Class III Butterfat Price	2.3778	2.3062	1.8296
Class IV Butterfat Price	2.3778	2.3062	1.8296
PRODUCER MILK:			
Class I	316,928,508	346,733,270	314,159,805
Class II	69,032,034	59,808,267	60,628,717
Class III	20,867,636	20,887,308	15,234,725
Class IV	47,244,343	64,669,283	50,237,012
Total Producer Milk	**454,072,521**	**492,098,128**	**440,260,259**
PERCENT PRODUCER MILK IN:			
Class I	69.80	70.46	71.36
Class II	15.20	12.15	13.77
Class III	4.60	4.25	3.46
Class IV	10.40	13.14	11.41

F.O. 5 STATS FOR FEBRUARY 2016:

The Uniform Price for February 2016 was $16.41 per cwt., a decrease of $0.62 from January 2016.

Total Class I Milk for February 2016 was 316,928,508 pounds, an increase of 2.8 million pounds, or -2.6 percent when adjusted for leap year, compared to February 2015.

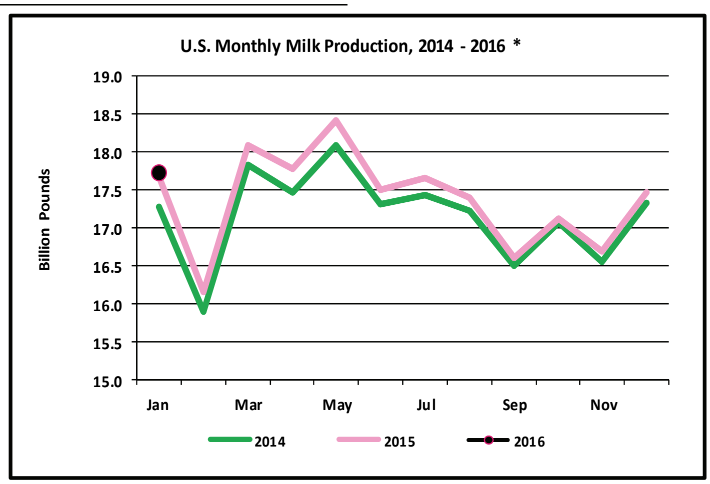
Class I Utilization was 69.8 percent for February 2016, a decrease of 0.7 percentage points from January 2016.

Total Producer Milk for February 2016 was 454,072,521 pounds, an increase of 13.8 million pounds, or -0.5 percent when adjusted for leap year, compared to February 2015.

January Milk Production Up 0.3%

Milk production in the 23 major States during January totaled 16.6 billion pounds, up 0.3 percent from January 2015. December revised production, at 16.4 billion pounds, was up 0.7 percent from December 2014. Production per cow in the 23 major States averaged 1,923 pounds for January, 4 pounds above January 2015. This is the highest production per cow for the month of January since the 23 State series began in 2003.

The number of milk cows on farms in the 23 major States was 8.63 million head, 6,000 head more than January 2015, but 11,000 head less than December 2015.



*Based on entire U.S. production

Dairy Outlook, continued from page 1

For 2016, the butter price forecast has been raised to $1.990-$2.090 per pound due to strong domestic demand. Weak exports and high supplies are expected to keep butter prices throughout 2016 from rising to levels seen in the fourth quarter of 2015. The price forecast for cheese has been narrowed to $1.550-$1.620 per pound as higher expected prices in the first quarter are offset by lower forecasts in the second half of the year. With lower exports expected, the NDM and dry whey prices have been lowered to $0.775-$0.835 and $0.230-$0.260 per pound, respectively.

With lower expected whey prices, the 2016 Class III milk forecast has been lowered at the upper end of the range to $14.05-$14.75 per hundredweight (cwt). The Class IV milk forecast has been lowered to $13.00-$13.80 per cwt, as the projected reduction in the NDM price more than offsets the increase in the butter price. With lower expected Class III and IV prices, the all-milk price forecast for 2016 has been lowered to $15.30-$16.00 per cwt, a reduction from $15.35-$16.15 forecast last month.

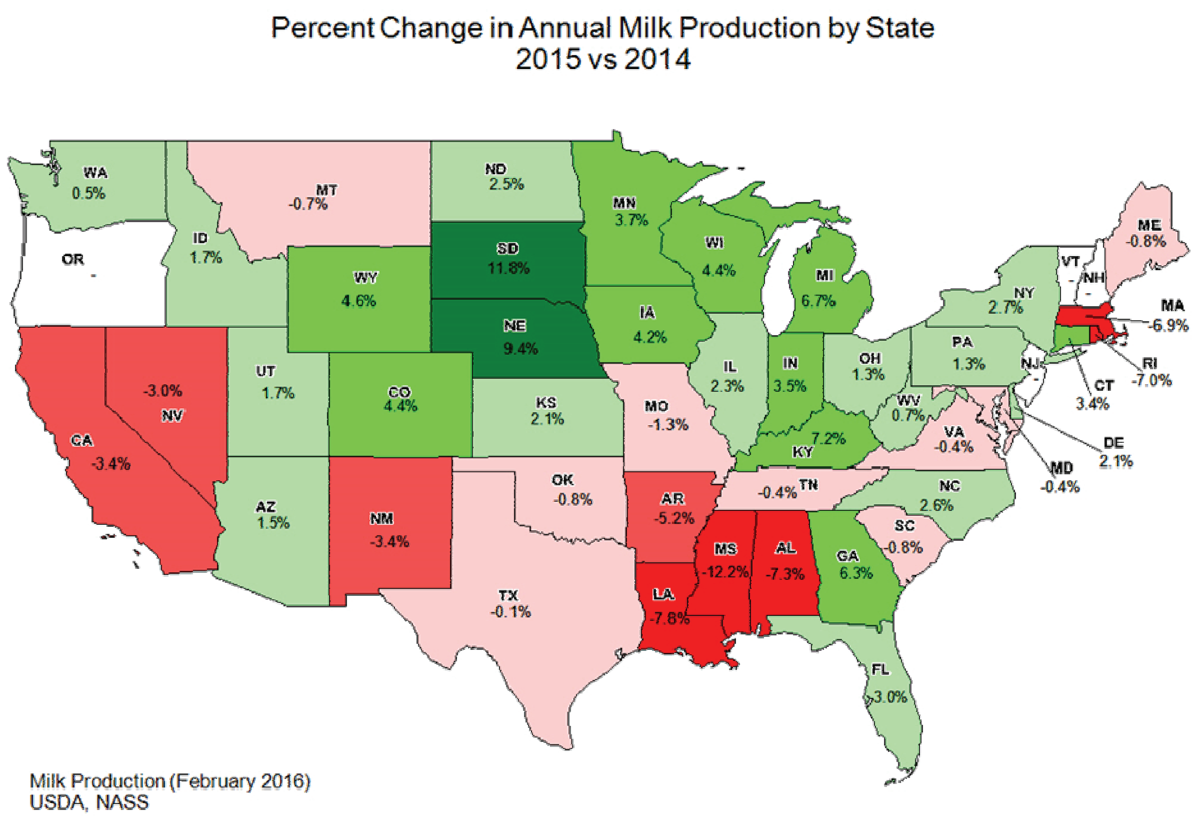
Livestock, Dairy, and Poultry Outlook/LDP-M-260/Feb. 16, 2016
Economic Research Service, USDA

2015 Annual Milk Production Up 1.3% From 2014

The annual production of milk for the United States during 2015 was 209 billion pounds, 1.3 percent above 2014. Revisions to 2014 production increased the annual total 8 million pounds. Revised 2015 production was up 139 million pounds from last month's publication.

Production per cow in the United States averaged 22,393 pounds for 2015, 134 pounds above 2014. The average annual rate of milk production per cow has increased 12.6 percent from 2006.

The average number of milk cows on farms in the United States during 2015 was 9.32 million head, up 0.6 percent from 2014. The average number of milk cows was revised up 2,000 head for 2015.



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Federal Milk Marketing Order Statistics - January 2016

	Federal Order	Producer Deliveries Million Pounds	Class I Producer Receipts Million Pounds	Class I Utilization Percent	Statistical Uniform Price $/cwt
1	Northeast	2,253.1	761.4	33.8	15.52
5	*Appalachian*	*492.1*	*346.7*	*70.5*	*17.03*
6	Florida	247.9	209.6	84.6	19.34
7	Southeast	472.1	343.8	72.8	17.60
30	Upper Midwest	3,256.4	297.7	9.1	13.95
32	Central	1,375.1	418.9	30.5	14.38
33	Mideast	1,704.8	548.5	32.2	14.60
124	Pacific Northwest	748.5	165.0	22.1	14.15
126	Southwest	1,192.6	380.1	31.9	15.35
131	Arizona	432.4	107.7	24.9	14.50
	All Orders [1]	12,175.0	3,579.6	29.4	14.92

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