

THE COURIER

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July 2016

Dairy Outlook

Outlook for Feed Prices

Feed price forecasts for 2015/2016 and 2016/17 have been raised significantly. The 2015/16 corn price forecast is \$3.60-\$3.80 per bushel, up \$0.10 at the midpoint from last month's forecast. The 2016/17 corn price forecast is \$3.20-\$3.80 per bushel, up \$0.15 at the midpoint. The estimated 2015/16 soybean meal price is \$335 per short ton, up \$25. The 2016/17 soybean meal price forecast is \$320-\$360 per short ton, up \$20 at the midpoint. The national average price for alfalfa hay increased from \$144 per short ton in March to \$153 in April.

Dairy Forecasts for 2016

Recent data suggest a larger supply of milk cows for 2016 than forecast last month; accordingly, the milk cow forecast has been increased to 9.325 million head, 5 thousand more than forecast last month. The milk per cow forecast is unchanged. With milk cow numbers higher than expected, the forecast for milk production for the year has been increased from 212.4 to 212.6 billion pounds.

With lower expectations for imports of butterfat products and cheese, the forecast for imports on a milk-fat basis has been reduced from 7.7 to 6.8 billion pounds. With the decrease in expected imports and the increase in expected milk production, the net effect for the total supply on a milk-fat basis is a reduction of 0.7 billion pounds. Exports on a milk-fat basis are lowered from 8.9 to 8.5 billion pounds based on recent export data. The forecast for domestic use on a milk-fat basis has been lowered by 0.5 billion pounds but remains relatively high, 3.8 percent over 2015. Ending stocks on a milk-fat basis are raised to 13.1 billion pounds.

Smaller changes have been made to the 2016 outlook on a skim-solids basis. Imports are unchanged from last month, at 6.4 billion pounds. The export forecast has been lowered by 0.2 billion pounds based on lower expected exports of nonfat dry milk, cheese, and lactose. The domestic commercial-use forecast on a skim-solids basis has been raised by 0.2 billion pounds. Ending commercial stock forecasts are raised from 14.1 to 14.3 billion pounds due to recent high stock levels and the higher forecast for milk production.

Dairy Outlook, cont'd on pg. 3 ➤



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Inside this issue:

Appalachian Statistical Summary	2
May Milk Production Up 1.2%	2
U.S. Monthly Number of Cows, 2014-2016	2
Dairy Outlook, cont'd	3
July is National Ice Cream Month	3
FMMO Statistics - May 2016	4



Appalachian Statistical Summary

	JUNE 2016	MAY 2016	JUNE 2015
PRICES: (Base Zone)			
Uniform Price	\$15.93	\$15.98	\$18.24
Class I Price	16.54	17.10	19.54
Class II Price	14.12	13.53	14.77
Class III Price	13.22	12.76	16.72
Class IV Price	13.77	13.09	13.90
Uniform Skim Milk Price	\$7.87	\$8.30	\$11.33
Class I Skim Milk Price	8.71	9.52	12.77
Class II Skim Milk Price	5.86	5.71	7.66
Class III Skim Milk Price	4.96	4.94	9.71
Class IV Skim Milk Price	5.53	5.28	6.78
Uniform Butterfat Price	\$2.3811	\$2.2786	\$2.0890
Class I Butterfat Price	2.3248	2.2595	2.0621
Class II Butterfat Price	2.4179	2.2916	2.1081
Class III Butterfat Price	2.4109	2.2846	2.1011
Class IV Butterfat Price	2.4109	2.2846	2.1011
PRODUCER MILK:			
Class I	298,680,159	313,665,238	302,616,798
Class II	75,932,967	74,995,850	83,349,386
Class III	23,482,850	25,296,006	24,263,016
Class IV	62,565,926	76,416,939	45,971,921
Total Producer Milk	460,661,902	490,374,033	456,201,121
PERCENT PRODUCER MILK IN:			
Class I	64.84	63.97	66.33
Class II	16.48	15.29	18.27
Class III	5.10	5.16	5.32
Class IV	13.58	15.58	10.08

F.O. 5 STATS FOR JUNE 2016:

The Uniform Price for June 2016 was \$15.93 per cwt., a decrease of \$0.05 from May 2016.

Total Class I Milk for June 2016 was 298,680,159 pounds, a decrease of 3.9 million pounds, or 1.3 percent, compared to June 2015.

Class I Utilization was 64.84 percent for June 2016, an increase of 0.9 percentage points from May 2016.

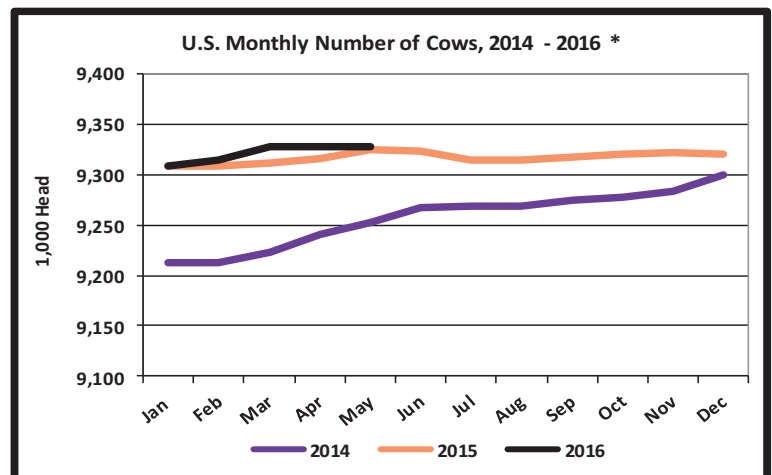
Total Producer Milk for June 2016 was 460,661,902 pounds, an increase of 4.5 million pounds, or 1.0 percent, compared to June 2015.

May Milk Production Up 1.2%

Milk production in the United States during May totaled 18.6 billion pounds, up 1.2 percent from May 2015.

Production per cow in the United States averaged 1,999 pounds for May, 23 pounds above May 2015.

The number of milk cows on farms in the United States was 9.33 million head, 3,000 head more than May 2015, but unchanged from April 2016.



*Based on entire U.S. production

Dairy Outlook, cont'd from pg. 1

Based on recent strength in CME butter prices and lower expected total supply on a milk-fat basis due to lower imports, the butter price forecast for 2016 is raised to \$2.050-\$2.120 per pound. Based on recent price data, the forecast for the 2016 NDM price has been raised to \$0.760-\$0.800 per pound. With higher prices for butter and NDM, more milk is expected to move to butter and powder production, tightening the milk supply for cheese. Based on the expected change in milk allocation, lower expected cheese imports, and the recent strength of CME prices, the 2016 cheese price forecast has been raised to \$1.475-\$1.515 per pound. The whey price forecast is \$0.240-\$0.260 per pound, unchanged from last month at the midpoint of the range.

Given the higher forecasts for butter, NDM and cheese, the Class III and Class IV prices are raised to \$13.40-\$13.80 per cwt and \$13.15-\$13.65, respectively. The all milk price is raised accordingly to \$14.95-\$15.35 per cwt, an increase from \$14.60-\$15.10 per cwt forecast last month.

Dairy Forecasts for 2017

With a more gradual decline in cow numbers expected for 2017, the milk production forecast for 2017 is increased from 215.2 billion pounds to 215.3 billion pounds. However, the impact of higher expected feed prices on producer margins during 2016 is expected to temper the increase in milk production.

On a milk-fat basis, imports and export forecasts are both reduced for 2017, by 0.3 billion pounds and 0.4 billion pounds, respectively. The domestic commercial use forecast on a milk-fat basis has been raised by 0.2 billion pounds. The forecast for ending stocks has been raised by 0.2 billion pounds.

The annual forecast for imports on a skim-solids basis is unchanged at 6.2 billion pounds. The forecast for skim-solids basis exports, however, is reduced by 0.5 billion pounds, to 37.1 billion pounds. Domestic commercial use on a skim-solids basis is forecast at 183.7 billion pounds, 0.5 billion pounds higher. Ending stocks have been raised to 14.0 billion pounds, 0.3 billion pounds higher.

The 2017 price forecasts for butter, NDM, and whey remain unchanged from last month at \$1.880-2.010, \$0.855-0.925, and \$0.255-0.285 per pound, respectively. With slightly higher milk production and higher beginning stock levels for 2017, the cheese price forecast has been reduced slightly in the first half of the year, resulting in an annual forecast of \$1.535-1.635 per pound.

With the lower cheese price, the Class III price has been lowered to \$14.00-15.00 for the year. The 2017 Class IV milk price and the all-milk price forecasts are unchanged from last month, at \$13.15-\$14.25 and \$15.25-\$16.25 per cwt, respectively.

Livestock, Dairy, and Poultry Outlook/LDP-M-264/June 16, 2016
Economic Research Service, USDA

July Is National Ice Cream Month

Since 1984, when President Ronald Reagan proclaimed that National Ice Cream Month be celebrated annually, every July has been a focus for greater attention to ice cream in the United States with the 3rd Sunday of July each year being National Ice Cream Day. About 10 percent of all the milk produced by U.S. dairy farmers is used to produce ice cream, contributing significantly to the economic well-being of the nation's dairy industry.

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Federal Milk Marketing Order Statistics - May 2016

Federal Order	Producer Deliveries Million Pounds	Class I Producer Receipts Million Pounds	Class I Utilization Percent	Statistical Uniform Price \$/cwt
1 Northeast	2,372.9	736.5	31.0	14.73
5 <i>Appalachian</i>	490.4	313.7	64.0	15.98
6 Florida	228.2	185.1	81.1	18.10
7 Southeast	479.1	308.8	64.5	16.27
30 Upper Midwest	3,164.9	280.2	8.9	13.08
32 Central	1,509.2	392.4	26.0	13.53
33 Mideast	1,825.6	520.7	28.5	13.81
124 Pacific Northwest	773.6	164.3	21.2	13.50
126 Southwest	1,260.9	357.1	28.3	14.40
131 Arizona	469.2	107.7	23.0	13.78
All Orders¹	12,573.9	3,366.5	26.8	14.06

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

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