

THE COURIER

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Dairy Outlook

Outlook for Feed Prices

The 2016/17 corn price forecast is \$2.90-\$3.50 per bushel, a 5-cent increase on both ends of the range from last month's forecast. The 2016/17 soybean meal price forecast is \$300-\$340 per short ton, a decrease of \$5 on both ends of the range. The national average price for alfalfa hay decreased from \$142 per short ton in June to \$140 in July, \$32 lower than July 2015.

Dairy Forecasts for 2016

The 2016 forecast for milk production has been raised to 212.2 billion pounds, 0.1 billion pounds more than last month's forecast. Based on recent milk production data and relatively low feed prices in recent months, the forecast for cow numbers has been raised by 10 thousand cows in both the third and fourth quarters. However, the 2016 forecasts for yield per cow remain unchanged.

Recent strength in exports of cream and cheese is expected to continue. On a milk-fat milk-equivalent basis, export forecasts have been raised by 0.1 billion pounds in both the third and fourth quarters. On a skim-solids milk-equivalent basis, exports have been raised by 0.2 billion pounds in the third quarter and 0.3 billion pounds in the fourth quarter.

Due to persistently high stocks of butter and cheese, the 2016 forecasts for ending stocks have been raised by 0.2 billion pounds on both a milk-fat basis and a skim-solids basis. Based on recent data, the 2016 forecast for domestic commercial use on a milk-fat basis is 209.0 billion pounds, 0.3 billion lower than last month's forecast. The 2016 forecast for domestic commercial use on a skim-solids basis is 180.3 billion pounds, 0.6 billion lower than last month's forecast.

With recent declines in cheese prices, forecasts for the third and fourth quarters have been lowered to \$1.740-\$1.760 and \$1.700-\$1.750 per pound, respectively. Likewise, butter price forecasts for the third and fourth quarters have been lowered to \$2.180- \$2.220 and \$2.005-\$2.085, respectively. With recent increases in NDM prices, higher prices abroad, and a stronger outlook for exports, NDM price forecasts for the third and fourth quarters have been raised to \$0.845-\$0.865 and \$0.880-\$0.920, respectively. Similarly, dry whey price forecasts for the third and fourth quarters have been raised to \$0.275-0.295 and \$0.285-\$0.315, respectively.

Dairy Outlook, cont'd on pg. 3 ➤

Roundtable Discussion on Dairy Issues

Following a roundtable discussion with dairy producers near La Crosse, Wisconsin on October 11, 2016, Agriculture Secretary Tom Vilsack announced that the U.S. Department of Agriculture (USDA) is offering to purchase \$20 million of cheddar cheese to reduce a private cheese surplus that has reached record levels, while assisting food banks and other food assistance recipients.

While USDA projects dairy prices to increase throughout the rest of the year, many factors including low world market prices, increased milk supplies and inventories, and slower demand have contributed to a sluggish marketplace for dairy producers and caused dairy revenues to drop 35 percent over the past two years. Section 32 of the Agriculture Act of 1935 authorizes USDA to purchase surplus food to benefit food banks and families in need through its nutrition assistance programs.

Roundtable Discussion on Dairy Issues, cont'd on pg. 3 ➤



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Appalachian Statistical Summary

	SEPTEMBER 2016	AUGUST 2016	SEPTEMBER 2015
PRICES: (Base Zone)			
Uniform Price	\$18.56	\$17.62	\$19.44
Class I Price	19.96	18.47	19.74
Class II Price	14.66	15.21	15.36
Class III Price	16.39	16.91	15.82
Class IV Price	14.25	14.65	15.08
Uniform Skim Milk Price	\$10.55	\$8.99	\$10.92
Class I Skim Milk Price	11.57	9.56	12.48
Class II Skim Milk Price	6.79	6.71	5.91
Class III Skim Milk Price	8.61	8.50	6.41
Class IV Skim Milk Price	6.39	6.16	5.64
Uniform Butterfat Price	\$2.3927	\$2.5550	\$2.5449
Class I Butterfat Price	2.5115	2.6413	2.1993
Class II Butterfat Price	2.3152	2.4943	2.7601
Class III Butterfat Price	2.3082	2.4873	2.7531
Class IV Butterfat Price	2.3082	2.4873	2.7531
PRODUCER MILK:			
Class I	322,486,752	348,681,298	324,810,069
Class II	72,476,339	83,139,301	73,024,202
Class III	14,755,195	12,140,742	21,820,393
Class IV	25,686,774	25,769,680	29,286,769
Total Producer Milk	435,405,060	469,731,021	448,941,433
PERCENT PRODUCER MILK IN:			
Class I	74.07	74.23	72.35
Class II	16.64	17.70	16.27
Class III	3.39	2.58	4.86
Class IV	5.90	5.49	6.52

F.O. 5 STATS FOR SEPTEMBER 2016:

The Uniform Price for September 2016 was \$18.56 per cwt., an increase of \$0.94 from August 2016.

Total Class I Milk for September 2016 was 322,486,752 pounds, a decrease of 2.3 million pounds, or 0.7 percent, compared to September 2015.

Class I Utilization was 74.07 percent for September 2016, an increase of 1.7 percentage points from September 2015.

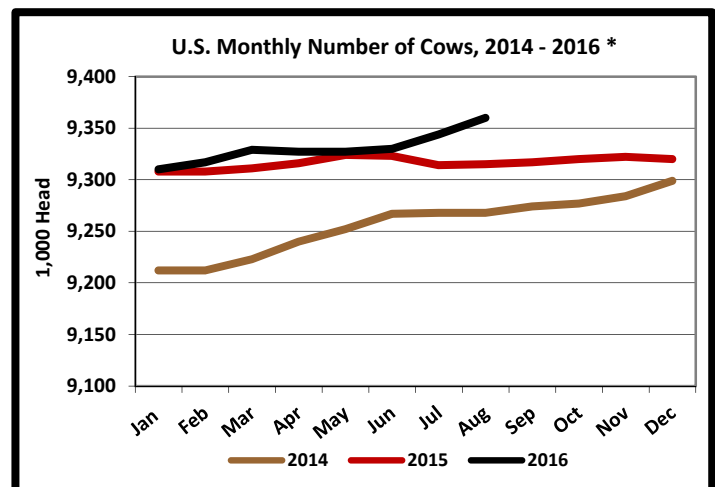
Total Producer Milk for September 2016 was 435,405,060 pounds, a decrease of 13.5 million pounds, or 3.0 percent, compared to September 2015.

August Milk Production in United States Up 1.9%

Milk production in the United States during August totaled 17.7 billion pounds, up 1.9 percent from August 2015.

Production per cow in the United States averaged 1,895 pounds for August, 27 pounds above August 2015.

The number of milk cows on farms in the United States was 9.36 million head, 45,000 head more than August 2015, and 16,000 head more than July 2016.



*Based on entire U.S. production

Dairy Outlook, cont'd from pg. 1

With lower expected cheese prices more than offsetting higher expected whey prices, Class III milk price forecasts for the third and fourth quarters have been lowered to \$16.20-\$16.40 and \$15.80-\$16.30 per cwt, respectively. With lower expected butter prices more than offsetting higher expected NDM prices, the Class IV milk price forecasts for the third and fourth quarters have been lowered to \$14.35-\$14.65 and \$13.95-\$14.55 per cwt, respectively. With lower forecasts for both Class III and Class IV milk, the all-milk price forecast for 2016 is \$16.10-\$16.30 per cwt, a reduction from last month's forecast of \$16.25-\$16.45 per cwt.

Dairy Forecasts for 2017

With lower expected feed costs, the 2017 forecast for milk per cow has been raised to 23,135 pounds per head. Milk cows are forecast at 9.340 million head. The 2017 milk production forecast is 216.1 billion pounds, 0.3 billion pounds higher than forecast last month and a year-over-year increase of 2.1 percent above 2016 (adjusted for leap year).

With relatively tight milk supplies expected in the EU and Oceania and increasing foreign dairy export prices, the United States is expected to become more competitive in global markets. Expectations for exports of WMP and whey products are greater for 2017, and forecasts of commercial exports have been increased to 8.9 billion pounds on a milk-fat basis (0.2 billion pounds more than last month's forecast) and to 38.1 billion pounds on a skim-solids basis (0.7 billion pounds more). Import forecasts for 2017 are unchanged from last month.

Based on recent weaker prices for butter and cheese and expectations of higher milk production in 2017, forecasts for butter and cheese prices have been lowered to \$1.955-\$2.085 and \$1.605-\$1.705 per pound, respectively. U.S. NDM prices tend to move closely with SMP export prices of major competitors. Based on recent price movements, both domestically and in foreign markets, along with expectations for strength in exports, the 2017 price forecast for NDM has been raised to \$0.890-\$0.960 per pound. With expectations for greater exports of whey products, the dry whey price forecast has been raised to \$0.295-\$0.325 per pound.

With the lower expected cheese price more than offsetting the higher expected whey price, the Class III milk price forecast for 2017 has been lowered to \$14.95-\$15.95 per cwt. With the higher expected NDM price more than offsetting the lower expected butter price, the Class IV milk price forecast has been raised to \$13.80-\$14.90 per cwt. The all-milk price forecast for 2017 is \$16.15-\$17.15 per cwt, unchanged from last month's forecast.

Livestock, Dairy, and Poultry Outlook/LDP-M-267/September 16, 2016
Economic Research Service, USDA

Roundtable Discussion on Dairy Issues, cont'd from pg. 1

"America's farming families are being called on to demonstrate their world-famous resourcefulness and resilience in the face of this current market downturn, and USDA is making use of every tool that we have to help them," said Vilsack. "For dairy farmers, this has included \$11.2 million in payments in August through the Dairy Margin Protection Program, in addition to the surplus purchase offers. While our analysis predicts the market will improve for these hardworking men and women, reducing the surplus can give them extra reassurance while also filling demand at food banks and other organizations that help our nation's families in need. Farmers at other points in the supply chain are also receiving a boost with over \$7 billion in Agriculture Risk Coverage and Price Loss Coverage payments for the 2015 crop year, which by design kick in when times are tough. As always, we continue to watch market conditions and will explore opportunities for further assistance in the coming months. For producers challenged by weather, disease and falling revenue, we will continue to ensure the availability of a strong safety net to keep them farming or ranching."

A solicitation will be issued shortly, and cheese deliveries to food banks and other food assistance recipients are expected to occur beginning in March 2017.

Also at the roundtable, Vilsack shared details of a new report by the USDA's Office of the Chief Economist, which shows continued growth of the U.S. dairy sector is largely contingent on trade and that the Trans-Pacific Partnership could create an additional \$150 to \$300 million in annual U.S. dairy exports. Free trade agreements have contributed to the growth in U.S. dairy exports and helped to address tariff and nontariff barriers that disadvantage U.S. products in overseas markets. U.S. dairy exports to free trade agreement partners grew from \$690 million in the year prior to each agreement's entry into force to \$2.8 billion in 2015, driven by lower trade barriers and increased U.S. competitiveness. For more information on TPP, visit www.fas.usda.gov/topics/trans-pacific-partnership-tpp.

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Federal Milk Marketing Order Statistics - August 2016

Federal Order	Producer Deliveries Million Pounds	Class I Producer Receipts Million Pounds	Class I Utilization Percent	Statistical Uniform Price \$/cwt
1 Northeast	2,244.7	711.6	31.7	16.97
5 <i>Appalachian</i>	469.7	348.7	74.2	17.62
6 Florida	220.6	185.6	84.1	19.51
7 Southeast	419.2	339.5	81.0	18.24
30 Upper Midwest	2,173.4	286.9	13.2	16.66
32 Central	994.1	414.9	41.7	16.09
33 Mideast	1,501.7	543.5	36.2	16.14
124 Pacific Northwest	588.4	162.1	27.5	15.79
126 Southwest	585.1	378.5	67.7	16.83
131 Arizona	362.8	112.3	30.9	16.16
All Orders ¹	9,559.6	3,483.5	36.4	16.71

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

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