

THE COURIER

Monthly Newsletter

January 2017

Dairy Outlook

Small changes have been made in feed price forecasts from last month. The corn price forecast for 2016/17 is \$3.05-\$3.65 per bushel, an increase of \$0.05 on both ends of the range. The soybean meal forecast for 2016/17 is unchanged at \$305-\$345 per short ton. The alfalfa hay price decreased from \$137 to \$135 per short ton from September to October.

Based on recent data, the milk cow estimate for the year has been reduced to 9.360 million head, 10,000 less than forecast last month. Milk per cow for the first quarter is forecast 10 pounds higher but is unchanged for the remainder of 2017. With fewer expected milk cows more than offsetting the slight increase in milk per cow, the milk production forecast for 2017 is 216.8 billion pounds, a reduction of 0.2 billion pounds.

Exports on a milk-fat basis are forecast lower than last month, at 8.4 billion pounds (0.5 billion pounds lower), and are now expected to fall from 2016; this is largely due to a less competitive position for cheese exports due to higher expected domestic prices. However, exports on a skim-solids basis are expected to gain in 2017 due to strong expected demand for NDM and lactose, especially from Asian countries. The export forecast for 2017 on a skim-solids basis is 40.1 billion pounds, 0.4 billion pounds higher than last month. The 2017 forecast for imports on a milk-fat basis is 7.0 billion pounds, 0.1 billion less than last month; on a skim-solids basis, the import forecast is 6.2 billion pounds, 0.2 billion pounds lower.

Dairy Outlook, cont'd on pg. 3 ➤

USDA to Measure Financial Well-Being of the Dairy Sector

Beginning in January, representatives of the U.S. Department of Agriculture's (USDA) National Agricultural Statistics Service (NASS) will visit dairy farms across the nation, as the agency begins collecting data for the final phase of the 2016 Agricultural Resource Management Survey (ARMS).

ARMS is a joint effort between NASS and USDA's Economic Research Service (ERS). The survey is an annual program that gathers in-depth information on production practices, costs, and financial well-being of American farm families. ARMS targets select commodities on a rotational basis. This year, the survey places additional focus on corn, and conventional and organic dairy sectors. The last time ARMS focused on the dairy sector was in 2010 and focused only on the conventional dairy sector. This will be the first time ARMS will include additional focus on the organic dairy production.

The results of the 2016 ARMS will help USDA and other policymakers analyze the impacts of the new Dairy Margin Protection Program, introduced in the Agricultural Act of 2014.

USDA to Measure Financial Well-Being of the Dairy Sector, cont'd on pg. 3 ➤



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Appalachian Statistical Summary

	DECEMBER 2016	NOVEMBER 2016	DECEMBER 2015
PRICES: (Base Zone)			
Uniform Price	\$19.34	\$17.48	\$18.68
Class I Price	20.28	18.18	20.11
Class II Price	15.26	14.60	16.71
Class III Price	17.40	16.76	14.44
Class IV Price	14.97	13.76	15.52
Uniform Skim Milk Price	\$11.83	\$10.46	\$8.49
Class I Skim Milk Price	13.24	11.19	9.45
Class II Skim Milk Price	7.32	7.47	6.75
Class III Skim Milk Price	9.56	9.74	4.43
Class IV Skim Milk Price	7.04	6.63	5.54
Uniform Butterfat Price	\$2.2639	\$2.1093	\$2.9953
Class I Butterfat Price	2.1444	2.1089	3.1388
Class II Butterfat Price	2.3424	2.1114	2.9127
Class III Butterfat Price	2.3354	2.1044	2.9057
Class IV Butterfat Price	2.3354	2.1044	2.9057
PRODUCER MILK:			
Class I	346,385,977	326,535,913	338,740,643
Class II	64,277,669	65,159,270	68,856,988
Class III	16,024,665	13,968,495	28,529,674
Class IV	57,566,987	29,211,383	67,199,661
Total Producer Milk	484,255,298	434,875,061	503,326,966
PERCENT PRODUCER MILK IN:			
Class I	71.53	75.09	67.30
Class II	13.27	14.98	13.68
Class III	3.31	3.21	5.67
Class IV	11.89	6.72	13.35

F.O. 5 STATS FOR DECEMBER 2016:

The Uniform Price for December 2016 was \$19.34 per cwt., an increase of \$1.86 from November 2016.

Total Class I Milk for December 2016 was 346,385,977 pounds, an increase of 7.6 million pounds, or 2.3 percent, compared to December 2015.

Class I Utilization was 71.53 percent for December 2016, an increase of 4.2 percentage points from December 2015.

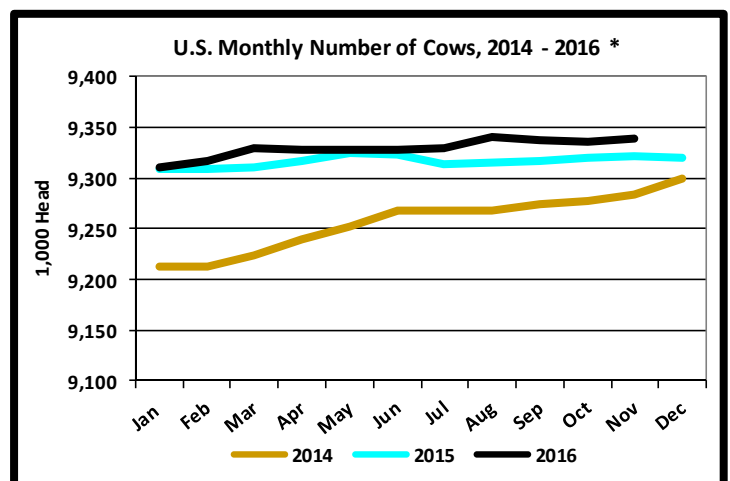
Total Producer Milk for December 2016 was 484,255,298 pounds, a decrease of 19.1 million pounds, or 3.8 percent, compared to December 2015.

November Milk Production in the United States up 2.4%

Milk production in the United States during November totaled 17.1 billion pounds, up 2.4 percent from November 2015.

Production per cow in the United States averaged 1,829 pounds for November, 39 pounds above November 2015.

The number of milk cows on farms in the United States was 9.34 million head, 17,000 head more than November 2015, and 4,000 head more than October 2016.



*Based on entire U.S. production

Dairy Outlook, cont'd from pg. 1

As domestic demand for cheese and butter is expected to remain relatively strong in 2017, the 2017 forecast for domestic use on a milk-fat basis is increased slightly this month to 214.8 billion pounds. With higher expected prices for NDM, the domestic use forecast on a skim-solids basis is lowered to 182.5 billion (0.4 billion pounds lower). Ending stock forecasts for 2017 have been raised to 13.7 pounds on a milk-fat basis (0.9 billion pounds higher) but are unchanged at 13.2 billion pounds on a skim-solids basis.

With expected strength in domestic demand, higher exports of nonfat dry milk and lactose, and lower milk production compared to last month's forecasts, all of the dairy product price forecasts for 2017 have been raised. Price forecasts for cheddar cheese, dry whey, butter, and NDM are \$1.650-\$1.730, \$0.380-\$0.410, \$1.920-\$2.030, and \$0.950-\$1.010 per pound, respectively. With higher dairy product price forecasts across the board, the Class III and IV milk price forecasts are raised to \$15.85-16.65 and \$14.20-\$15.10, respectively. The 2017 all-milk price is forecast is \$16.85-\$17.65, an increase from \$16.30-\$17.20 forecast last month.

Livestock, Dairy, and Poultry Outlook/LDP-M-270/December 15, 2016
Economic Research Service, USDA

USDA to Measure Financial Well-Being of the Dairy Sector

With operational costs driving structural changes within the dairy industry, this new program aims to help dairy producers when milk prices drop and feed prices remain high. USDA launched the program in 2015, making the current survey crucial to measuring its initial effects.

All dairy farmers selected to participate in the 2016 ARMS will be notified by a mailed postcard. After that, trained enumerators will make appointments and visit the participating farms to gather the information through personal interviews. These visits will begin in late January and will continue through early April.

Dairy: World Markets and Trade

Although the U.S. dairy export forecast for FY 2017 has been raised to \$5.3 billion, U.S. dairy exporters face significant challenges in the global marketplace. This is particularly evident in the export of cheeses which reached a peak of 368,000 tons in 2014. In that year, Russia imposed a retaliatory import ban on a number of commodities including dairy products from key suppliers, notably the EU. The consequences for the EU dairy industry were significant as cheese exports to Russia dropped from 257,000 tons in 2013 to less than 5,000 tons in 2015. Since then the EU has staged a surprising recovery with cheese shipments in 2016 and 2017 set to reach 820,000 tons and 825,000 tons, respectively. In contrast, U.S. cheese exports peaked at 368,200 tons in 2014 and are now forecast to reach just 280,000 tons in 2016 and 286,000 tons in 2017.

A key issue facing the U.S. dairy industry is the sharp strengthening of the U.S. dollar vis-à-vis the Euro which has been undermining the competitiveness of U.S. exporters. In 2014, a ton of cheese selling on the global marketplace at \$3,600/ton only generated €2,700/ton. Today, this same cheese would generate €3,400/ton – a 26 percent increase in returns for EU producers and exporters.

The gains achieved by the EU have been mostly at the expense of U.S. cheese shipments particularly in Asian markets. For example, in South Korea, imports of U.S. cheese in 2016 through October are down 31 percent year-over-year. In contrast, imports of EU cheese are up 43 percent and the EU is set to overtake the United States as the leading supplier of cheese. Among the top three major exporters of cheese on the world market, the United States is the only country among these suppliers that has experienced a loss in market share between 2014 and 2015. This trend is likely to persist well into 2017 or until the dollar reverses course and weakens.

The full report, *Dairy: World Markets and Trade*, from the Foreign Agriculture Service of USDA is available at: <https://www.fas.usda.gov/data/dairy-world-markets-and-trade>

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Federal Milk Marketing Order Statistics - November 2016

Federal Order	Producer Deliveries Million Pounds	Class I Producer Receipts Million Pounds	Class I Utilization Percent	Statistical Uniform Price \$/cwt
1 Northeast	2,174.6	752.9	34.6	16.34
5 Appalachian	434.9	326.5	75.1	17.48
6 Florida	225.7	187.6	83.1	19.43
7 Southeast	414.3	326.5	78.8	18.02
30 Upper Midwest	1,862.0	293.1	15.7	16.24
32 Central	954.8	417.8	43.8	15.40
33 Mideast	1,444.4	562.4	38.9	15.38
124 Pacific Northwest	556.0	162.8	29.3	15.07
126 Southwest	579.7	371.8	64.1	15.96
131 Arizona	378.1	112.1	29.7	15.52
All Orders¹	9,024.4	3,513.6	38.9	16.14

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

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