APPALACHIAN MARKETING AREA
FEDERAL ORDER 5

THE COURIER

Monthly Newsletter
November 2017

Dairy Outlook

High stocks in the United States and the EU continue to overhang the market, especially for products with high skim-solids content. For the United States, September ending stocks on a milk-fat milk-equivalent basis were 16.3 billion pounds, 0.3 billion pounds above September 2016, and stocks on a skim-solids milk-equivalent basis were 2.4 billion pounds above the previous year at 12.1 billion pounds. September NDM ending stocks were 321.1 million pounds, 48.6 percent above the previous year, and dry whey stocks were 106.4 million pounds, a record high and more than double September 2016. Butter ending stocks, by contrast, were 4.5 percent lower than the previous year. Weak growth in domestic use has contributed to high stock levels. For the third quarter, it was only fractionally above 2016 at 54.0 billion pounds on a milk-fat basis and 44.4 billion pounds on a skim-solids basis.

EU intervention stocks of SMP have been high since the last half of 2016, standing at 800 million pounds at the end of September 2017. Most of the stocks are more than a year old. For the month of October, the EU domestic price for SMP was €1,608 per metric ton ($0.86 per pound), lower than the intervention price of €1,698 per metric ton ($0.91 per pound). However, the intervention program is not currently open.

Dairy Outlook, cont'd on pg. 3

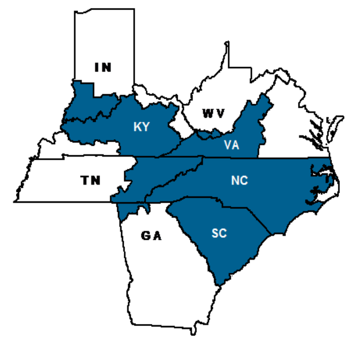
All About Butter

USDA's Agricultural Marketing Service released a new infographic that gives you a snapshot about butter grading, types and uses.

For example, did you know that there are 30 USDA butter graders across the country who typically taste about 200 samples of butter each week to ensure the quality of this dairy product, which USDA has graded since 1919.

Butter is made by churning—or stirring—milk or cream until it reaches a semisolid state and is separated from buttermilk. By law, butter must be at least 80 percent butterfat. According to the U.S. Department of Agriculture's (USDA) Economic Research Service (ERS), each person in the United States consumed about 5.7 pounds of butter in 2016.

https://www.usda.gov/media/blog/2017/11/01/new-infographic-spreads-word-about-butter-grading



Harold H. Friedly, Jr.
Market Administrator

Inside this issue:

Appalachian Statistical Summary

	OCTOBER 2017	SEPTEMBER 2017	OCTOBER 2016
Uniform Price	$18.59	$19.06	$18.10
Class I Price	19.84	20.11	20.00
Class II Price	15.95	16.80	14.09
Class III Price	16.69	16.36	14.82
Class IV Price	14.85	15.86	13.66
Uniform Skim Milk Price	$9.27	$9.09	$10.89
Class I Skim Milk Price	10.07	9.73	12.18
Class II Skim Milk Price	6.84	7.03	7.14
Class III Skim Milk Price	7.63	6.59	7.92
Class IV Skim Milk Price	5.72	6.08	6.72
Uniform Butterfat Price	$2.7563	$2.9404	$2.1680
Class I Butterfat Price	2.8920	3.0631	2.3563
Class II Butterfat Price	2.6716	2.8629	2.0563
Class III Butterfat Price	2.6646	2.8559	2.0493
Class IV Butterfat Price	2.6646	2.8559	2.0493
PRODUCER MILK:			
Class I	351,235,416	341,166,317	320,776,034
Class II	80,598,065	77,228,234	72,222,136
Class III	21,051,517	17,889,823	18,347,296
Class IV	40,217,023	37,095,167	43,182,891
Total Producer Milk	**493,102,021**	**473,379,541**	**454,528,357**
PERCENT PRODUCER MILK IN:			
Class I	71.23	72.07	70.57
Class II	16.34	16.31	15.89
Class III	4.27	3.78	4.04
Class IV	8.16	7.84	9.50

F.O. 5 STATS FOR OCTOBER 2017:

The Uniform Price for October 2017 was $18.59 per cwt., an increase of $0.49 from October 2016.

Total Class I Milk for October 2017 was 351,235,416 pounds, an increase of 30.5 million pounds, or 9.5 percent, compared to October 2016.

Class I Utilization was 71.23 percent for October 2017, an increase of 0.7 percentage points from October 2016.

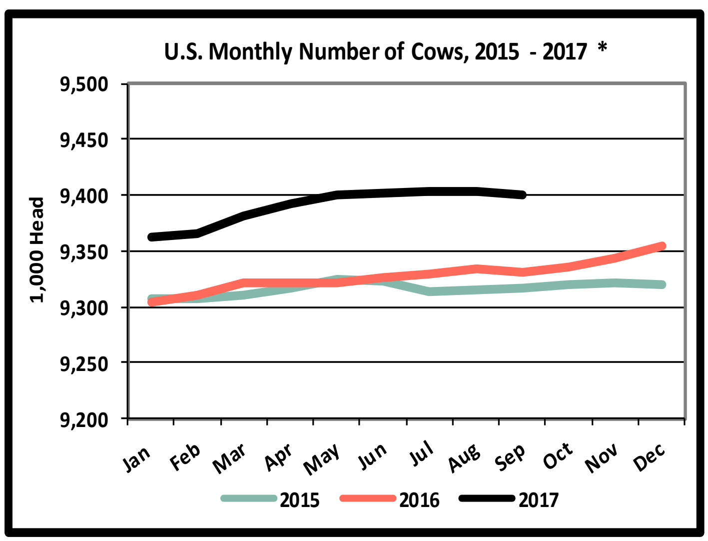
Total Producer Milk for October 2017 was 493,102,021 pounds, an increase of 38.6 million pounds, or 8.5 percent, compared to October 2016.

September Milk Production Up 1.2%

Milk production in the 23 major States during September totaled 16.2 billion pounds, up 1.2 percent from September 2016. August revised production at 17.0 billion pounds, was up 2.2 percent from August 2016. The August revision represented an increase of 8 million pounds or less than 0.1 percent from last month's preliminary production estimate.

Production per cow in the 23 major States averaged 1,851 pounds for September, 6 pounds above September 2016. This is the highest production per cow for the month of September since the 23 State series began in 2003.

The number of milk cows on farms in the 23 major States was 8.74 million head, 73,000 head more than September 2016, but 3,000 head less than August 2017.



*Based on entire U.S. production

Dairy Outlook, cont'd from pg. 1

It is normally open from March through September, although there have been some exceptions. For example, in 2017 it was open from January through September. The EU is considering options for disposing of the SMP stocks at the same time that prices have fallen below intervention levels. In October, the European Commission accepted a bid to sell a small quantity out of intervention for €1440/ton ($0.77 per pound in October).

Exports on a milk-fat basis were 697 million pounds in September, 162 million less than August but 66 million more than September 2016. On a skim-solids basis, exports were 3.090 billion pounds, 355 million less than August and 327 million less than September 2016. From August to September, exports of NDM/SMP, cheese, and butter fell by 19.4 million, 7.7 million, and 2.3 million pounds, respectively.

September imports on a milk-fat basis were 437 million pounds, 70 million less than August and 95 million less than September 2016. On a skim-solids basis, September imports were 382 million pounds, 84 million less than August and 106 million less than September 2016. Notable month-to-month changes in imports included a decrease of 3.7 million pounds for milk protein concentrate (MPC) and an increase of 1.4 million pounds for whole milk powder.

Dairy Forecasts for the Remainder of 2017

With slower than expected growth in cow numbers in the third quarter of 2017, the fourth-quarter estimate for milk cows has been lowered to 9.405 million head, 5 thousand less than last month's forecast. The milk per cow forecast for the fourth quarter is 5,685 pounds per head, 15 pounds lower than last month's forecast. The milk production forecast for the fourth quarter is 53.5 billion pounds, 0.1 billion less than last month's forecast. With lower than expected third-quarter milk production and a lower forecast for the fourth quarter, 2017 milk production is projected at 215.8 billion pounds, 0.4 billion less than last month's forecast.

The Class III price forecast for the fourth quarter has been lowered to $16.25-$16.55 per cwt, as the lower expected whey price more than offsets the higher expected cheese price. The Class IV price forecast for the fourth quarter has been lowered to $14.10-$14.50 per cwt due to lower expected butter and NDM prices. The all-milk price forecast for the fourth quarter has been reduced to $17.85-$18.15 per cwt, a reduction from $18.10-$18.50 forecast last month. For the year, the all-milk price forecast is $17.65-$17.75 per cwt, a reduction from $17.75-$17.85 forecast last month.

Dairy Forecasts for 2018

The 2018 projection for milk cow numbers has been lowered by 5 thousand head to 9.440 million, as growth is still expected but from a lower base. Milk per cow for the year has been lowered 55 pounds to 23,280 pounds, in line with lower estimates for the fourth quarter of 2017 and lower expected milk prices. Milk production in 2018 is now forecast at 219.7 billion pounds, 0.7 billion pounds lower than last month's projection.

While strong domestic demand for butter should continue, the butter price forecast for 2018 has been lowered to $2.285-$2.405 per pound due to large carryin supplies and lower expectations for exports. With high global stocks and lower expectations for exports, the NDM price forecast for the year has been lowered to $0.770-$0.840 per pound. With lower expected butter and NDM prices, more milk is expected to move into cheese production. As a result, the cheese price forecast for 2018 has been lowered to $1.625-$1.715 per pound. With more expected cheese production increasing whey supplies, lower-priced NDM substituting for whey products in some applications, high beginning stocks, and high competition from global suppliers, the dry whey price forecast has been lowered to $0.325-$0.355 per pound.

As a result of lower product price forecasts for 2018, the Class III and Class IV price forecasts have been lowered to $15.50-$16.40 and $14.15-$15.15 per cwt, respectively. The all-milk price forecast for 2018 is $16.90-$17.80 per cwt, a reduction from $17.45-$18.35 forecast last month. The 2018 all-milk price is now projected to be $0.35 per cwt lower than 2017 at the midpoint of the range.

Livestock, Dairy, and Poultry Outlook/LDP-M-281/November 16, 2017
Economic Research Service, USDA

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July - September Milk Production Up 1.7 %

Milk production in the United States during the July - September quarter totaled 53.5 billion pounds, up 1.7 percent from the July - September quarter last year.

The average number of milk cows in the United States during the quarter was 9.40 million head, 4,000 head more than the April - June quarter, and 71,000 head more than the same period last year.

Federal Milk Marketing Order Statistics - October 2017

	Federal Order	Producer Deliveries	Class I Producer Receipts	Class I Utilization	Statistical Uniform Price
		Million Pounds	Million Pounds	Percent	$/cwt
1	Northeast	2,242.9	768.5	34.3	17.44
5	*Appalachian*	*493.1*	*351.2*	*71.2*	*18.59*
6	Florida	218.8	183.7	84.0	20.62
7	Southeast	424.2	315.6	74.4	19.12
30	Upper Midwest	2,192.4	277.7	12.7	16.66
32	Central	1,138.1	415.3	36.5	16.36
33	Mideast	1,533.9	556.6	36.3	16.57
124	Pacific Northwest	609.2	167.6	27.5	16.03
126	Southwest	752.6	373.3	49.6	17.16
131	Arizona	386.5	113.4	29.3	16.43
	All Orders [1]	9,991.7	3,522.9	35.3	17.06