APPALACHIAN MARKETING AREA
FEDERAL ORDER 5

THE COURIER

Monthly Newsletter
January 2018

Dairy Outlook

The 2018 forecast for the number of milk cows in the United States has been reduced to 9.415 million head, 20 thousand less than last month's forecast, as lower prices are expected to lead to less expansion throughout the year and growth will occur from a lower base than expected last month. The USDA *Cattle* report will be released on January 31, and it will provide more information on dairy cow inventory and intentions for heifer retention in 2018. The milk yield forecast has also been reduced for the year, by 10 pounds to 23,240 pounds per head. The milk production forecast for 2018 is 0.5 billion pounds lower than the last forecast, at 218.8 billion pounds.

As demand has weakened and butter imports have followed a downward trend in the past couple of months, the import forecast for 2018 on a milk-fat basis has been lowered 0.1 billion pounds to 6.0 billion. However, exports are forecast 0.1 billion pounds higher for 2018, as domestic prices for butter remain competitive and stocks remain high. As domestic use is expected to be lower than previously forecast, the 2018 forecast has been lowered 0.8 billion pounds to 215.1 billion. The forecast for ending stocks on a milk-fat basis is unchanged at 12.8 billion pounds.

Dairy Outlook, cont'd on pg. 3

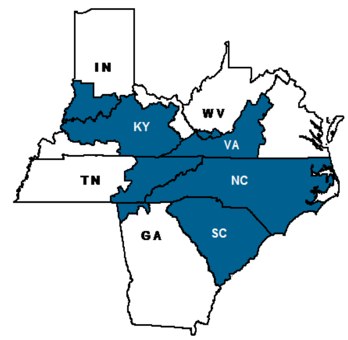
USDA Announces Dairy Board Appointments

On December 22, 2017, Agriculture Secretary Sonny Perdue announced the appointment of 13 individuals, including 12 dairy producers and one importer, to serve three-year terms on the National Dairy Promotion and Research Board. Their terms begin immediately and end on Oct. 31, 2020.

Newly appointed producers are: Region 1 (Alaska, Oregon, and Washington) Dolores J. Werkhoven, Monroe, Wash.; Region 4 (Arkansas, Kansas, New Mexico, Oklahoma, and Texas) Orville D. Miller, Hutchinson, Kan.; Region 6 (Wisconsin) Stacy Eberle, Monroe, Wis. and Becky L. Levzow, Rio, Wis.; Region 7 (Illinois, Iowa, Missouri, and Nebraska) Alex D. Peterson, Trenton, Mo.; Region 9 (Indiana, Michigan, Ohio, and West Virginia) Gregory A. Gibson, Bruceton Mills, W.Va.; Region 10 (Alabama, District of Columbia, Florida, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, Puerto Rico, South Carolina, Tennessee, and Virginia) John M. Larson, Okeechobee, Fla.; and Region 12 (Connecticut, Maine, Massachusetts, New Hampshire, New York, Rhode Island, and Vermont) Melissa C. Dziurgot, Durham, Conn.

Reappointed Producers are: Region 3 (Arizona, Colorado, Montana, Nevada, Utah, and Wyoming) James E. Webb, Delta, Colo.; Region 4 (Arkansas, Kansas, New Mexico, Okla-

USDA Announces Dairy Appointments, cont'd on pg. 3



Harold H. Friedly, Jr.
Market Administrator

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Appalachian Statistical Summary

	DECEMBER 2017	NOVEMBER 2017	DECEMBER 2016
PRICES: (Base Zone)			
Uniform Price	$18.37	$18.63	$19.34
Class I Price	20.28	19.81	20.28
Class II Price	14.49	15.32	15.26
Class III Price	15.44	16.88	17.40
Class IV Price	13.51	13.99	14.97
Uniform Skim Milk Price	$9.88	$9.79	$11.83
Class I Skim Milk Price	11.70	10.68	13.24
Class II Skim Milk Price	5.94	6.58	7.32
Class III Skim Milk Price	6.95	8.23	9.56
Class IV Skim Milk Price	4.95	5.23	7.04
Uniform Butterfat Price	$2.5245	$2.6227	$2.2639
Class I Butterfat Price	2.5675	2.7144	2.1444
Class II Butterfat Price	2.5021	2.5616	2.3424
Class III Butterfat Price	2.4951	2.5546	2.3354
Class IV Butterfat Price	2.4951	2.5546	2.3354
PRODUCER MILK:			
Class I	341,480,359	354,233,848	346,385,977
Class II	66,976,629	70,465,680	64,277,669
Class III	24,059,803	18,788,134	16,024,665
Class IV	88,141,897	35,537,616	57,566,987
Total Producer Milk	**520,658,688**	**479,025,278**	**484,255,298**
PERCENT PRODUCER MILK IN:			
Class I	65.59	73.95	71.53
Class II	12.86	14.71	13.27
Class III	4.62	3.92	3.31
Class IV	16.93	7.42	11.89

F.O. 5 STATS FOR DECEMBER 2017:

The Uniform Price for December 2017 was $18.37 per cwt., a decrease of $0.26 from November 2017.

Total Class I Milk for December 2017 was 341,480,359 pounds, a decrease of 4.9 million pounds, or 1.4 percent, compared to December 2016.

Class I Utilization was 65.59 percent for December 2017, a decrease of 5.9 percentage points from December 2016.

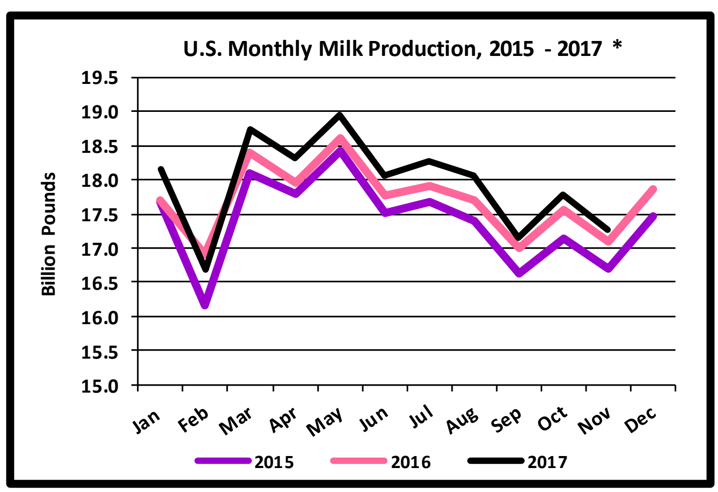
Total Producer Milk for December 2017 was 520,658,688 pounds, an increase of 36.4 million pounds, or 7.5 percent, compared to December 2016.

November Milk Production Up 1%

Milk production in the United States during November totaled 17.3 billion pounds, up 1.0 percent from November 2016.

Production per cow in the United States averaged 1,839 pounds for November, 9 pounds above November 2016.

The number of milk cows on farms in the United States was 9.40 million head, 53,000 head more than November 2016, but unchanged from October 2017.



*Based on entire U.S. production

Dairy Outlook, cont'd from pg. 1

As lower ending stocks in 2017 should carry over throughout 2018, the ending stock forecast on a skim-solids basis has been lowered to 11.6 billion pounds for the year, 0.4 billion less than last month's forecast. Lower demand and lower production should result in less domestic use than previously expected; the domestic use forecast for 2018 has been cut 0.8 billion pounds to 182.4 billion.

Based on recent declines in product prices and expectations for lower demand, forecasts for prices of all major dairy products in 2018 have been lowered. Price forecasts for cheddar cheese, dry whey, butter, and NDM have been lowered to $1.535-$1.615, $0.270-0.300, $2.245-$2.355, and $0.715-$0.775 per pound, respectively. The Class III price for 2018 is $1.05 lower at the midpoint of the range than the last forecast, at $14.25-$15.05 per cwt; the Class IV price forecast has been lowered 35 cents at the midpoint to $13.55-$14.45. The all-milk price for 2018 is now forecast 85 cents lower at the midpoint of the range than last month's forecast, at $15.80-$16.60 per cwt.

Livestock, Dairy, and Poultry Outlook/LDP-M-283/January 19, 2018
Economic Research Service, USDA

USDA Announces Dairy Appointments, cont'd from pg. 1

homa, and Texas) William R. Anglin, Bentonville, Ark.; Region 5 (Minnesota, North Dakota, and South Dakota) Kathleen A. Skiba, North Branch, Minn.; Region 8 (Idaho) John S. Ballard, Gooding, Idaho.

Newly appointed Dairy Importer: Ralph B. Hofman, Basking Ridge, N.J.

USDA established the 37-member Board under the Dairy Production Stabilization Act of 1983. Since 1966, Congress has authorized the establishment of 22 research and promotion boards that are industry-funded and empower agricultural industries with a framework to pool resources and combine efforts to develop new markets, strengthen existing markets, and conduct important research and promotion activities. AMS provides oversight, paid for by industry assessments, which helps ensure fiscal accountability and program integrity.

Release No. 0180.17

Dairy: World Markets and Trade

Since the start of the year (through November 2017) global dairy prices have diverged; butter and cheese prices posted gains while prices for whole milk powder (WMP) and skimmed milk powder (SMP) dropped by 12 percent and 28 percent, respectively. The stellar performer was butter with prices climbing by 40 percent to peak at $6,275 per ton FOB Oceania in September. In the European Union, this rise was more spectacular with values peaking at $8,140 per ton amid reports of shortages in countries such as France. What is particularly striking is the differential between butter and SMP underscoring the premium that milk fat now commands in response to changing consumer preferences. Cheese has been the steady performer with prices trending upwards standing 10 percent ahead of early January prices.

For 2018, the price outlook points to a continued sharp correction in butter prices although strong consumer demand should keep prices from dropping far below $4,000/MT. Cheese and WMP will likely decline moderately while SMP prices will continue to struggle at prices below $2,000/ton due to ample exportable supplies in the European Union and the United States.

For U.S. exporters, the SMP export market poses the greatest challenge, particularly on aggressive competition from the European Union. In 2017, EU shipments of SMP are estimated to have grown by nearly one third. In 2018, EU exports are forecast to expand by another 3 percent. U.S. SMP exports face particularly strong competition in such key Asian markets as Indonesia, Philippines, and Vietnam where shipments through September are lagging last year's pace.

Full report available at: https://apps.fas.usda.gov/psdonline/circulars/dairy.pdf

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Federal Milk Marketing Order Statistics - December 2017

	Federal Order	Producer Deliveries	Class I Producer Receipts	Class I Utilization	Statistical Uniform Price
		Million Pounds	Million Pounds	Percent	$/cwt
1	Northeast	2,260.2	777.9	34.4	16.71
5	*Appalachian*	*520.7*	*341.5*	*65.6*	*18.37*
6	Florida	226.8	185.5	81.8	20.92
7	Southeast	452.7	318.2	70.3	19.04
30	Upper Midwest	2,582.4	274.3	10.6	15.57
32	Central	1,217.0	411.1	33.8	15.56
33	Mideast	1,660.9	541.2	32.6	15.80
124	Pacific Northwest	610.2	157.8	25.9	15.21
126	Southwest	1,311.7	360.0	27.4	16.36
131	Arizona	423.2	108.2	25.6	15.44
	All Orders [1]	11,265.7	3,475.7	30.9	16.28