APPALACHIAN MARKETING AREA
FEDERAL ORDER 5

THE COURIER

Monthly Newsletter

June 2018

Dairy Outlook

Dairy Forecasts for 2018

The forecast for the size of the milking herd in 2018 has been lowered slightly to 9.405 million head, as cow numbers fell in April for the second straight month. Milk per cow is now forecast at 23,185 pounds for the year, 55 pounds lower than previously forecast, due to slow growth in April and higher expected feed prices. As a result of these changes, milk production for 2018 is projected 0.7 billion pounds lower than last month's forecast, at 218.0 billion pounds.

Dairy Outlook, cont'd on pg. 3

California Federal Milk Marketing Order

On June 7, 2018, the U.S. Department of Agriculture (USDA) announced that California dairy producers have voted to approve a Federal Milk Marketing Order (FMMO) for the entire State of California. As a result of this favorable vote, USDA published a final rule in the Federal Register indicating that approval. The new California FMMO will be implemented October 17, 2018, with publication of the Announcement of Advanced Prices and Pricing Factors, and affected parties must comply with all provisions beginning November 1, 2018. USDA will work over the next few months to educate handlers who will become regulated by the new FMMO.

California represents over 18 percent of all U.S. milk production and is currently regulated by a state milk marketing order administered by California Department of Agriculture (CDFA).

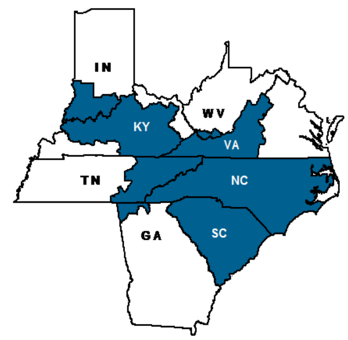
California Federal Milk Marketing Order, cont'd on pg. 3

USDA Cheddar Cheese Purchase Program Announced

On May 24, 2018, the U.S. Department of Agriculture (USDA) announced plans to purchase Cheddar Cheese for distribution to various food nutrition assistance programs. Purchases will be made under the authority of Section 32 of the Act of August 24, 1935, with the purpose to encourage the continued domestic consumption of these products by diverting them from the normal channels of trade and commerce.

Pursuant to Agricultural Acquisition Regulation 470.103(b), commodities and the products of agricultural commodities acquired under this contract must be a product of the United States, and shall be considered to be such a product if it is grown, processed, and otherwise prepared for sale or distribution exclusively in the United States. Packaging and container components under this acquisition will be the only portion subject to the World Trade Organization Government Procurement Agreement and Free Trade Agreements, as addressed by FAR clause 52.225-5.

More information is available on the AMS Commodity Procurement website at: https://www.ams.usda.gov/selling-food.



Harold H. Friedly, Jr.
Market Administrator

Inside this issue:

Appalachian Statistical Summary

	MAY 2018	APRIL 2018	MAY 2017
PRICES: (Base Zone)			
Uniform Price	$17.20	$16.56	$17.65
Class I Price	17.84	17.50	18.60
Class II Price	14.47	14.03	14.84
Class III Price	15.18	14.47	15.57
Class IV Price	14.57	13.48	14.49
Uniform Skim Milk Price	$8.45	$8.11	$9.53
Class I Skim Milk Price	9.38	9.22	10.54
Class II Skim Milk Price	5.45	5.41	6.60
Class III Skim Milk Price	6.21	5.89	7.38
Class IV Skim Milk Price	5.58	4.86	6.26
Uniform Butterfat Price	$2.5845	$2.4957	$2.4142
Class I Butterfat Price	2.5117	2.4591	2.4076
Class II Butterfat Price	2.6309	2.5183	2.4204
Class III Butterfat Price	2.6239	2.5113	2.4134
Class IV Butterfat Price	2.6239	2.5113	2.4134
PRODUCER MILK:			
Class I	330,246,130	326,039,989	327,888,455
Class II	79,824,698	74,101,079	79,120,043
Class III	29,267,937	24,950,696	21,240,821
Class IV	48,111,163	70,389,417	58,420,974
Total Producer Milk	**487,449,928**	**495,481,181**	**486,670,293**
PERCENT PRODUCER MILK IN:			
Class I	67.75	65.80	67.37
Class II	16.38	14.95	16.26
Class III	6.00	5.04	4.37
Class IV	9.87	14.21	12.00

F.O. 5 STATS FOR MAY 2018:

The Uniform Price for May 2018 was $17.20 per cwt., an increase of $0.64 from April 2018.

Total Class I Milk for May 2018 was 330,246,130 pounds, an increase of 2.4 million pounds, or 0.7 percent, compared to May 2017.

Class I Utilization was 67.75 percent for May 2018, an increase of 0.4 percentage points from May 2017.

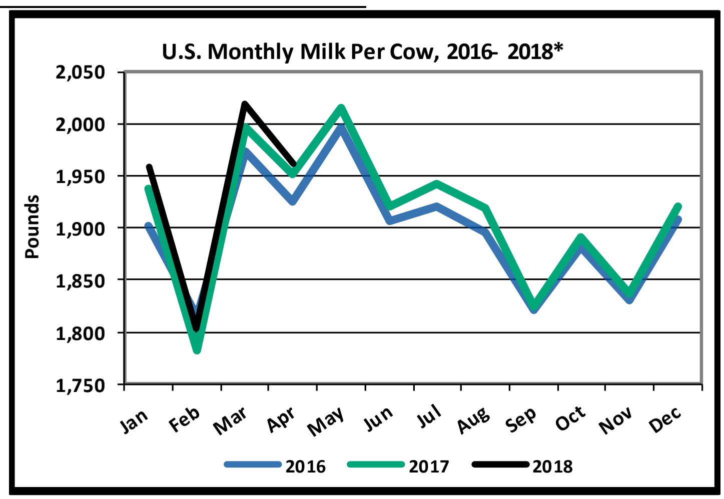
Total Producer Milk for May 2018 was 487,449,928 pounds, an increase of 0.8 million pounds, or 0.2 percent, compared to May 2017.

April Milk Production Up 0.6%

Milk production in the United States during April totaled 18.4 billion pounds, up 0.6 percent from April 2017.

Production per cow in the United States averaged 1,961 pounds for April, 9 pounds above April 2017.

The number of milk cows on farms in the United States was 9.40 million head, 8,000 head more than April 2017, but 2,000 head less than March 2018.



*Based on entire U.S. production

Dairy Outlook, cont'd from pg. 1

The 2018 import forecast on a milk-fat basis has been raised by 0.3 billion pounds to 5.8 billion, due to recent growth in imports of butterfat products. Mexico's tariffs on cheese from the United States are expected to have a negative impact on cheese exports. However, on a milk-fat basis, growth in exports of butterfat products and cheese exports to other countries is expected to more than offset the lost cheese exports to Mexico this year. Therefore, the 2018 export forecast for the year is 10.2 billion pounds on a milk-fat basis, 0.3 billion pounds higher than the last forecast. Ending stocks on a milk-fat basis are projected at 12.6 billion pounds, unchanged from the last forecast. Due to low domestic use in recent months and higher expected prices, the 2018 domestic use forecast on a milk-fat basis has been lowered 0.7 billion pounds to 213.5 billion.

Imports on a skim-solids basis are forecast at 5.6 billion pounds for 2018, 0.2 billion pounds lower than the last forecast, due to lower expected imports of milk protein products and other dairy products. Due to robust exports in April and expectations for the U.S. prices to remain competitive, the export forecast on a skim-solids basis has been raised 1.1 billion pounds to 46.2 billion. Ending stocks are now forecast at 10.4 billion pounds for the year as stocks fell in April and higher exports should result in further drawdowns. Domestic use on a skim-solids basis is now projected at 177.9 billion pounds for 2018, 1.2 billion pounds lower than the previous forecast, due to higher prices for NDM and whey.

With lower milk production forecast, higher expected exports, and recent price strength, price forecasts have been raised for butter, nonfat dry milk, and dry whey to $2.295-2.365, $0.775-0.815, and $0.295-$0.315, respectively. The cheese price forecast is unchanged at the midpoint from last month's forecast, at $1.605-$1.645 per pound, as negative effects of Mexico's tariffs are expected to be offset by robust exports to other countries and competing uses for milk.

With a higher dry whey price, the 2018 Class III milk price forecast has been raised to $15.05-$15.45/cwt, 20 cents higher than last month's forecast at the midpoint of the range. With higher expected NDM and butter prices, the Class IV price forecast has been raised to $14.30-$14.80/cwt, 50 cents higher than last month's forecast at the midpoint of the range. The all milk price forecast for 2018 is $16.60-$17.00/cwt, an increase of 35 cents from the last forecast at the midpoint of the range.

Dairy Forecasts for 2019

The Class III milk price forecast has been raised to $15.30-$16.30 due to higher expected prices for cheese and dry whey. The Class IV milk price forecast has been raised to $13.70-$14.80/cwt as the higher expected NDM price forecast is expected to more than offset the lower butter price forecast. The all milk price forecast for 2019 has been raised 45 cents at the midpoint of the range to $16.70-$17.70/cwt.

Livestock, Dairy, and Poultry Outlook, LDP-M-288, June 18, 2018
USDA, Economic Research Service

California Federal Milk Marketing Order, cont'd from pg. 1

Once this new FMMO is established, over 80 percent of the U.S. milk supply would fall under the FMMO regulatory framework.

FMMOs are legal instruments that regulate the sale of milk between dairy farmers and the first buyer. Where appropriate, the California FMMO adopts the uniform order provisions contained in the 10 current FMMOs in the national system. These uniform provisions include, but are not limited to, dairy product classification, end-product price formulas, and the producer-handler definition. The new FMMO recognizes the unique market structure of the California dairy industry through tailored, performance-based standards to determine eligibility for pool participation. The order also provides for the recognition of producer quota as administered by the CDFA.

The entire record of the rulemaking is available at www.ams.usda.gov/caorder. The Federal Register notice is available at: www.federalregister.gov/documents/2018/06/08/2018-12245/marketing-orders-milk-in-california.

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Federal Milk Marketing Order Statistics - May 2018

	Federal Order	Producer Deliveries	Class I Producer Receipts	Class I Utilization	Statistical Uniform Price
		Million Pounds	Million Pounds	Percent	$/cwt
1	Northeast	2,435.4	735.7	30.2	16.14
5	*Appalachian*	*487.4*	*330.2*	*67.7*	*17.20*
6	Florida	209.0	177.4	84.9	19.25
7	Southeast	456.8	309.5	67.7	17.46
30	Upper Midwest	2,589.9	257.9	10.0	15.25
32	Central	1,416.6	391.8	27.7	15.11
33	Mideast	1,673.8	511.1	30.5	15.33
124	Pacific Northwest	770.2	156.0	20.3	15.18
126	Southwest	1,282.6	350.4	27.3	16.02
131	Arizona	459.3	105.5	23.0	15.28
	All Orders	11,781.1	3,325.5	28.2	15.75