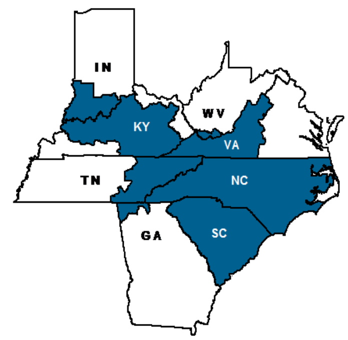
APPALACHIAN MARKETING AREA
FEDERAL ORDER 5

THE COURIER

Monthly Newsletter

August 2018



Harold H. Friedly, Jr.
Market Administrator

Inside this issue:

Dairy Outlook

Dairy Forecasts for 2018

The annual forecast for the size of the milking herd in 2018 is unchanged at 9.405 million. The 2018 milk-per-cow forecast has been raised to 23,175 pounds per head, 5 pounds higher than last month's forecast, since the second-quarter number was higher than expected. However, the milk production forecast rounds to 217.9 billion pounds for the year, unchanged from last month's forecast.

The export forecast on a skim-solids basis, however, has been reduced 0.6 billion pounds to 45.4 billion as exports of whey products were relatively low in June and the newly announced Chinese tariffs are expected to reduce exports of lactose. With a strengthening economy contributing to higher demand, the domestic use forecast on a

Dairy Outlook, cont'd on pg. 3

USDA Assists Farmers Impacted by Unjustified Retaliation

On July 24, 2018, U.S. Secretary of Agriculture Sonny Perdue announced that the U.S. Department of Agriculture (USDA) will take several actions to assist farmers in response to trade damage from unjustified retaliation. President Trump directed Secretary Perdue to craft a short-term relief strategy to protect agricultural producers while the Administration works on free, fair, and reciprocal trade deals to open more markets in the long run to help American farmers compete globally. Specifically, USDA will authorize up to $12 billion in programs, which is in line with the estimated $11 billion impact of the unjustified retaliatory tariffs on U.S. agricultural goods. These programs will assist agricultural producers to meet the costs of disrupted markets.

USDA Assists Farmers Impacted by Unjustified Retaliation, cont'd on pg. 3

USDA Fresh Fluid Milk Purchase Program

On August 14, the U.S. Department of Agriculture announced plans to purchase Fluid Milk (whole, 2 percent, 1 percent, and skim) in half gallons for distribution to The Emergency Food Assistance Program (TEFAP). 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. These purchases are part of the normal operations of administering Section 32 and are not related or associated with the authority or administration of possible purchases under Section 5 of the Commodity Credit Corporation related to trade mitigation.

All future information regarding this acquisition, including solicitation amendments and award notices, will be published through WBSCM, and on the Agricultural Marketing Service's website at www.ams.usda.gov/selling-food.

Appalachian Statistical Summary

	JULY 2018	JUNE 2018	JULY 2017
PRICES: (Base Zone)			
Uniform Price	$17.52	$17.81	$19.35
Class I Price	18.76	18.65	19.99
Class II Price	15.20	15.48	17.48
Class III Price	14.10	15.21	15.45
Class IV Price	14.14	14.91	16.60
Uniform Skim Milk Price	$8.71	$8.81	$9.63
Class I Skim Milk Price	9.65	9.75	10.72
Class II Skim Milk Price	6.55	6.33	7.41
Class III Skim Milk Price	5.44	6.08	5.33
Class IV Skim Milk Price	5.48	5.77	6.52
Uniform Butterfat Price	$2.6030	$2.6607	$2.8735
Class I Butterfat Price	2.6981	2.6414	2.7552
Class II Butterfat Price	2.5357	2.6762	2.9526
Class III Butterfat Price	2.5287	2.6692	2.9456
Class IV Butterfat Price	2.5287	2.6692	2.9456
PRODUCER MILK:			
Class I	308,470,270	299,316,525	309,656,508
Class II	75,627,991	71,595,992	85,893,882
Class III	27,526,429	30,672,040	30,099,554
Class IV	35,083,805	45,168,040	44,106,236
Total Producer Milk	**446,708,495**	**446,752,597**	**469,756,180**
PERCENT PRODUCER MILK IN:			
Class I	69.06	67.00	65.92
Class II	16.93	16.03	18.28
Class III	6.16	6.86	6.41
Class IV	7.85	10.11	9.39

Prices subject to location adjustments per §1005.51 and §1005.75

F.O. 5 STATS FOR JULY 2018:

The Uniform Price for July 2018 was $17.52 per cwt., a decrease of $0.29 from June 2018.

Total Class I Milk for July 2018 was 308,470,270 pounds, a decrease of 1.2 million pounds, or 0.4 percent, compared to July 2017.

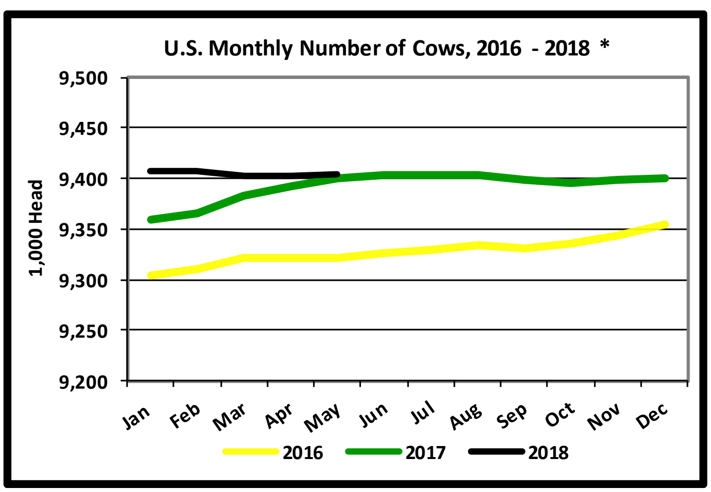
Class I Utilization was 69.06 percent for July 2018, an increase of 3.1 percentage points from July 2017.

Total Producer Milk for July 2018 was 446,708,495 pounds, a decrease of 23.0 million pounds, or 4.9 percent, compared to July 2017.

June Milk Production Up 1.3%

Milk production in the 23 major States during June totaled 17.2 billion pounds, up 1.3 percent from June 2017. Production per cow in the 23 major States averaged 1,964 pounds for June, 23 pounds above June 2017. This is the highest production per cow for the month of June since the 23 State series began in 2003.

The number of milk cows on farms in the 23 major States was 8.75 million head, 12,000 head more than June 2017, but unchanged from May 2018.



*Based on entire U.S. production

Dairy Outlook, cont'd from pg. 1

skim-solids basis is 178.4 billion pounds, 0.6 billion pounds higher than last month's forecast.

Due to stronger expected demand and recent price strength, 2018 price forecasts for cheddar cheese, butter, and NDM have been raised to \$1.550-\$1.570, \$2.265-\$2.305, and 0.755-\$0.775 per pound, respectively. In addition to recent price strength and stronger expected demand, relatively low stock levels have contributed to a higher dry whey price forecast of \$0.295-\$0.315 per pound.

With higher dairy product price forecasts, milk price forecasts for 2018 are higher than the last forecasts as well. The Class III and IV prices are projected at \$14.50-\$14.70 and \$13.95-\$14.25 per cwt, respectively, increases of 15 cents and 25 cents at the midpoints of the ranges. The all-milk price forecast has been raised 10 cents at the midpoint of the range to \$16.10-\$16.30 per cwt for the year.

Dairy Forecasts for 2019

With higher milk price forecasts and lower feed price forecasts, the 2019 milk production forecast has been raised to 220.9 billion pounds, 0.3 billion higher than last month's forecast. The milk cow forecast for 2019 has been raised 10 thousand head to 9.405 million, and milk per cow is projected at 23,495 pounds, 20 pounds higher than projected last month.

Due to stronger expected demand, 2019 price forecasts for cheese, nonfat dry milk, and dry whey have been raised to \$1.590-\$1.690, \$0.755-0.825, and \$0.300-\$0.330 per pound, respectively. The butter price forecast for the year is unchanged at \$2.220-\$2.350 per pound.

Class III and IV price forecasts have been raised for 2019. The Class III price for the year is projected at \$14.95-\$15.95 per cwt, a 25-cent increase at the midpoint of the range. The Class IV price is now forecast at \$13.75-\$14.85 per cwt, a 10-cent increase at the midpoint of the range. The all-milk price forecast for 2019 has been raised 20 cents at the midpoint of the range to \$16.45-\$17.45 per cwt.

Livestock, Dairy, and Poultry Outlook, LDP-M-290, August 16, 2018
USDA, Economic Research Service

USDA Assists Farmers Impacted by Unjustified Retaliation, cont'd from pg. 1

Background:

Of the total unjustified retaliatory tariffs imposed on the United States, a disproportionate amount was targeted directly at American farmers. Trade damage from such retaliation has impacted a host of U.S. commodities, including field crops like soybeans and sorghum, livestock products like milk and pork, and many fruits, nuts, and other specialty crops. High tariffs disrupt normal marketing patterns, affecting prices and raising costs by forcing commodities to find new markets. Additionally, there is evidence that American goods shipped overseas are being slowed from reaching market by unusually strict or cumbersome entry procedures, which can affect the quality and marketability of perishable crops. This can boost marketing costs and discount our prices, and adversely affect our producers. USDA will use the following programs to assist farmers:

- The *Market Facilitation Program*, authorized under The Commodity Credit Corporation (CCC) Charter Act and administered by Farm Service Agency (FSA), will provide payments incrementally to producers of soybeans, sorghum, corn, wheat, cotton, dairy, and hogs. This support will help farmers manage disrupted markets, deal with surplus commodities, and expand and develop new markets at home and abroad.
- Additionally, USDA will use CCC Charter Act and other authorities to implement a *Food Purchase and Distribution Program* through the Agricultural Marketing Service to purchase unexpected surplus of affected commodities such as fruits, nuts, rice, legumes, beef, pork and milk for distribution to food banks and other nutrition programs.
- Finally, the CCC will use its Charter Act authority for a *Trade Promotion Program* administered by the Foreign Agriculture Service (FAS) in conjunction with the private sector to assist in developing new export markets for our farm products.

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FEDERAL ORDER 5

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April - June Milk Production Up 0.8 %

Milk production in the United States during the April - June quarter totaled 55.8 billion pounds, up 0.8 percent from the April - June quarter last year.

The average number of milk cows in the United States during the quarter was 9.40 million head, 3,000 head less than the January - March quarter, but 4,000 head more than the same period last year.

Federal Milk Marketing Order Statistics - July 2018

	Federal Order	Producer Deliveries	Class I Producer Receipts	Class I Utilization	Statistical Uniform Price
		Million Pounds	Million Pounds	Percent	$/cwt
1	Northeast	2,311.5	672.1	29.1	16.14
5	*Appalachian*	*446.7*	*308.5*	*69.1*	*17.52*
6	Florida	197.8	160.4	81.1	19.57
7	Southeast	394.9	289.5	73.3	18.12
30	Upper Midwest	3,252.4	233.9	7.2	14.37
32	Central	1,571.1	366.3	23.3	14.78
33	Mideast	1,664.7	482.4	29.0	15.22
124	Pacific Northwest	769.1	144.3	18.8	14.73
126	Southwest	1,118.6	317.5	28.4	15.77
131	Arizona	427.7	101.4	23.7	15.03
	All Orders	12,154.5	3,076.4	25.3	15.37