APPALACHIAN MARKETING AREA
FEDERAL ORDER 5

THE COURIER

Monthly Newsletter

November 2018

Dairy Outlook

Due to revisions of cow numbers for July and August and the fall in cow numbers reported by NASS in September, the estimate for the size of the milking herd in the fourth quarter of 2018 has been lowered 35,000 head to 9.365 million. Milk per cow, on the other hand, is forecast slightly higher for the fourth quarter, at 5,740 pounds. The lower forecast for the size of the milking herd more than offsets the increased yield per cow, resulting in a fourth-quarter milk production forecast of 53.8 billion pounds, 0.1 billion pounds lower than last month's forecast.

Due to recent falling average cheddar cheese prices, the cheddar cheese price forecast for the fourth quarter has been lowered 12.5 cents at the midpoint of the range to $1.465-$1.495 per pound. The dry whey price is forecast slightly higher for the quarter than last month, at $0.440-$0.460 per pound. The price forecast for butter for the quarter is slightly lower at the midpoint of the range at $2.235-$2.295 per pound, while the forecast for nonfat dry milk is unchanged at $0.870-$0.900 per pound.

Due to the reduction in the cheese price forecast, the Class III price is now forecast lower for the fourth quarter, at $14.55-$14.85 per cwt. The Class IV price forecast is slightly lower for the quarter than last month's, at $14.85-$15.25 per cwt. The fourth-quarter all-milk price is now forecast at $17.05-$17.35 per cwt, 60 cents lower than last month's forecast at the midpoint. For the year, the all-milk price forecast is $16.20-$16.30, 15 cents lower than last month's forecast at the midpoint of the range.

Dairy Outlook, cont'd on pg. 3

California Milk Marketing Order

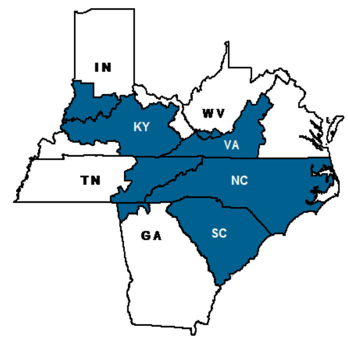
U.S. Department of Agriculture Under Secretary Greg Ibach joined dairy farmers in Tulare County, Calif., on November 7 to celebrate implementation of the new California Federal Milk Marketing Order (FMMO) that went into effect November 1, 2018. California is the largest milk-producing state in the country.

"America's dairy farmers face many challenges at home and abroad so working together is more important than ever," said Ibach during remarks at the Rancho Teresita Dairy owned by Cornell and Terry Kasbergen. "This new Federal Milk Marketing Order decreases regulation for processors, moving industry into a less regulatory system, and also helps put California's producers on equal footing with producers across the country."

California represents more than 18 percent of all U.S. milk production and with this new order more than 80 percent of the total U.S. milk supply will be covered by the 11 orders overseen by USDA's Agricultural Marketing Service (AMS).

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

USDA



Harold H. Friedly, Jr.
Market Administrator

Inside this issue:

Appalachian Statistical Summary

	OCTOBER 2018	SEPTEMBER 2018	OCTOBER 2017
PRICES: (Base Zone)			
Uniform Price	$18.76	$17.35	$18.59
Class I Price	19.73	18.25	19.84
Class II Price	15.54	15.13	15.95
Class III Price	15.53	16.09	16.69
Class IV Price	15.01	14.81	14.85
Uniform Skim Milk Price	$10.14	$8.60	$9.27
Class I Skim Milk Price	11.11	9.32	10.07
Class II Skim Milk Price	6.81	6.43	6.84
Class III Skim Milk Price	6.83	7.45	7.63
Class IV Skim Milk Price	6.29	6.12	5.72
Uniform Butterfat Price	$2.5654	$2.5864	$2.7563
Class I Butterfat Price	2.5733	2.6458	2.8920
Class II Butterfat Price	2.5621	2.5512	2.6716
Class III Butterfat Price	2.5551	2.5442	2.6646
Class IV Butterfat Price	2.5551	2.5442	2.6646
PRODUCER MILK:			
Class I	348,486,086	308,593,036	351,235,416
Class II	63,129,882	66,505,736	80,598,065
Class III	19,990,391	19,403,535	21,051,517
Class IV	36,140,538	50,014,197	40,217,023
Total Producer Milk	**467,746,897**	**444,516,504**	**493,102,021**
PERCENT PRODUCER MILK IN:			
Class I	74.50	69.42	71.23
Class II	13.50	14.96	16.34
Class III	4.27	4.37	4.27
Class IV	7.73	11.25	8.16

F.O. 5 STATS FOR OCTOBER 2018:

The Uniform Price
for October 2018 was $18.76 per cwt., an increase of $1.41 from September 2018 and $0.17 from October 2017.

Total Class I Milk
for October 2018 was 348.5 million pounds, a decrease of 2.7 million pounds, or 0.8 percent, compared to October 2017.

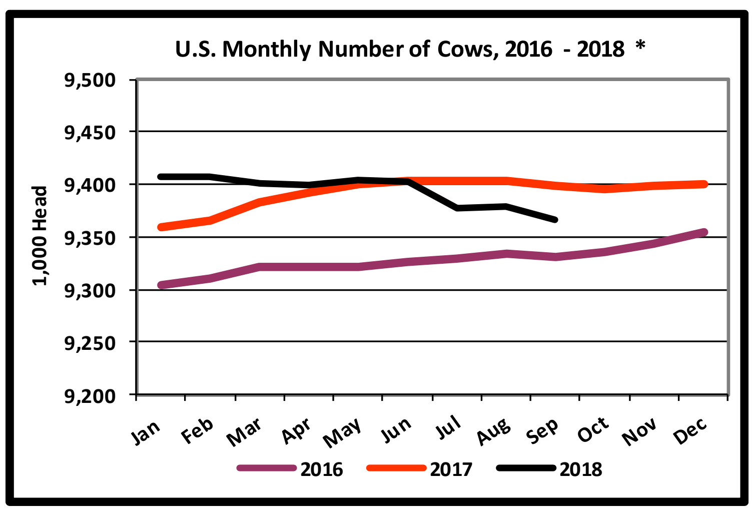
Class I Utilization
was 74.50 percent for October 2018, an increase of 3.3 percentage points from October 2017.

Total Producer Milk
for October 2018 was 467.7 million pounds, a decrease of 25.4 million pounds, or 5.1 percent, compared to October 2017.

September Milk Production Up 1.5%

Milk production in the 23 major States during September totaled 16.4 billion pounds, up 1.5 percent from September 2017. August revised production at 17.2 billion pounds, was up 1.3 percent from August 2017. The August revision represented a decrease of 10 million pounds or 0.1 percent from last month's preliminary production estimate. Production per cow in the 23 major States averaged 1,880 pounds for September, 30 pounds above September 2017. 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 8.72 million head, 13,000 head less than September 2017, and 12,000 head less than August 2018.



*Based on entire U.S. production

Dairy Outlook, cont'd from pg. 1

Dairy Forecasts for 2019

A smaller milking herd in late 2018 is expected to persist into 2019; therefore, the milk cow forecast has been lowered to 9.375 million head, 35,000 less than last month's forecast. However, with increased culling of the herd, higher milking efficiency is expected, motivating an increase in the milk per cow forecast to 23,565 pounds. With these changes, the overall milk production forecast for 2019 is now 220.9 billion pounds, 0.5 billion pounds lower than the last forecast.

Due to lower expected imports of milk protein concentrate and casein, imports on a milk-fat basis are forecast 0.1 billion pounds lower than last month's forecast, at 6.2 billion pounds for the year. The export forecast for 2019 is unchanged at 9.8 billion pounds. Ending stocks are now forecast at 12.6 billion pounds, 0.1 billion pounds higher than the last forecast, as higher stocks in late 2018 will carry through 2019 to some extent. The domestic use forecast for the year has been lowered 0.2 billion pounds to 217.3 billion.

The import forecast on a skim-solids basis has been lowered 0.2 billion pounds to 5.3 billion, as lower milk protein concentrate and casein imports are expected to continue into 2019. Exports on a skim-solids basis are forecast at 44.1 billion pounds, unchanged from the previous forecast. Ending stocks are forecast at 10.5 billion pounds for the year, a reduction of 0.3 billion pounds from last month's projection, as lower production should result in some drawdown in stocks. Domestic use in 2019 is projected at 181.2 billion pounds, 0.4 billion pounds lower than the last forecast.

Current weakness in cheese prices is expected to carry into 2019 but should begin to abate in the second half of the year; as a result, the cheddar cheese price has been lowered 15 cents at the midpoint of the range to $1.560-$1.650 per pound. With lower butter prices expected to continue next year, the butter price forecast has been lowered to $2.200-$2.320 per pound for the year. The dry whey price and NDM price forecasts for 2019 have been raised slightly to $0.390-$0.420 and $0.830-$0.900 per pound, respectively.

With lower projected cheese prices, the Class III price forecast has been lowered to $15.15-$16.05 per cwt. The Class IV price forecast for the year is unchanged at $14.35-$15.35 per cwt. With the lower Class III price forecast, the all-milk price for 2019 is now forecast 15 cents lower at the midpoint of the range than the previous estimate, at $16.70-$17.60 per cwt.

Livestock, Dairy, and Poultry Outlook, LDP-M-293, November 15, 2018
USDA, Economic Research Service

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

Federal milk marketing orders are voluntary, industry-initiated, industry-driven marketing tools intended to prevent damaging price competition inherent in the marketing of highly perishable commodities. FMMOs establish the terms of trade between the farmer and the first buyer of milk by enforcing timely payments from milk processors to milk producers and developing minimum milk prices based on market values with respect to supply and demand conditions.

The implementation of the California FMMO concludes a rulemaking process begun in 2015 when three California dairy farmer cooperatives, California Dairies, Inc.; Land O'Lakes, Inc.; and Dairy Farmers of America, Inc.; jointly petitioned USDA to establish a federal marketing order for the state. A 40-day formal rulemaking hearing was held in the fall of 2015 to collect evidence and testimony and the resulting hearing record consisted of over 8,000 pages of hearing transcripts, 200 exhibits, and 30 post-hearing briefs. Based on this evidentiary record, USDA published a recommended decision proposing the establishment of a California FMMO in February 2017. A final rule announcing industry approval was published on June 7, 2018.

The final rule established Federal Order 51 incorporating the entire state of California. Following the publication of this rule, USDA began the process of educating dairy handlers who will be regulated by the FMMO and those who will have the option to opt-in. The entire record of the rulemaking is available at www.ams.usda.gov/caorder.

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July - September Milk Production Up 0.9 %

Milk production in the United States during the July - September quarter totaled 54.0 billion pounds, up 0.9 percent from the July - September quarter last year.

The average number of milk cows in the United States during the quarter was 9.38 million head, 27,000 head less than the April - June quarter, and 27,000 head less than the same period last year.

Federal Milk Marketing Order Statistics - October 2018

	Federal Order	Producer Deliveries Million Pounds	Class I Producer Receipts Million Pounds	Class I Utilization Percent	Statistical Uniform Price $/cwt
1	Northeast	2,219.3	774.6	34.9	17.19
5	*Appalachian*	*467.7*	*348.5*	*74.5*	*18.76*
6	Florida	217.3	183.1	84.2	20.87
7	Southeast	401.7	315.4	78.5	19.39
30	Upper Midwest	2,664.7	247.4	9.3	15.75
32	Central	1,333.4	426.0	31.9	16.02
33	Mideast	1,647.4	576.9	35.0	16.30
124	Pacific Northwest	810.2	177.5	21.9	15.77
126	Southwest	1,324.8	384.0	29.0	16.86
131	Arizona	419.2	108.1	25.8	16.22
	All Orders	11,505.8	3,541.4	30.8	16.63