

# THE COURIER

Monthly Newsletter

March 2019

## Dairy Outlook

December cow numbers came in slightly below expected levels; in addition, dairy cow slaughter rates have continued to top those of the prior year. Therefore, the forecast for size of the milking herd has been lowered 15 thousand head to 9.350 million for the year. The milk per cow forecast for the year is unchanged at 23,505 pounds. The milk production forecast for 2019 is now 219.7 billion pounds, 0.4 billion pounds lower than previously forecast.

Only small changes have been made to feed price forecasts. The 2018/19 price forecast for corn is \$3.35-\$3.75 per pound, 5 cents lower at the midpoint of the range than last month's forecast, while the 2018/19 price forecast for soybean meal is unchanged at \$295-\$335 per short ton. The alfalfa hay price in January 2019 was \$181 per short ton, \$1 higher than December and \$28 higher than January 2018. For more information, see the publication Feed Price Outlook published by USDA, Economic Research Service.

*Dairy Outlook, cont'd on pg. 3*

## USDA Announces Amendment To Class I Skim Milk Price Formula

On March 8, 2019, the U.S. Department of Agriculture (USDA) announced an amendment to the Class I skim milk price formula under the Federal Milk Marketing Order (FMMO) program, in accordance with the Agriculture Improvement Act of 2018 (2018 Farm Bill). The change is effective May 1, 2019.

Currently, the Class I skim milk price is calculated using the higher of the monthly advanced pricing factors for Class III or Class IV skim milk, which reflect dairy product survey prices for the two weeks prior to the price announcement, plus the applicable adjusted Class I differential.

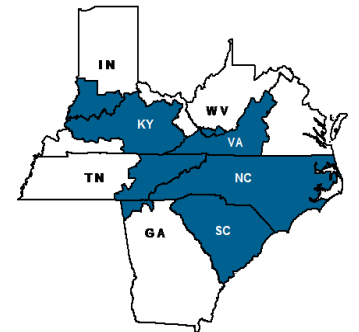
*USDA Announces Amendment, cont'd on pg. 3*

## Extension of Dairy Forward Pricing Program

The U.S. Department of Agriculture (USDA) announced the reauthorization of the Dairy Forward Pricing Program (DFPP), in accordance with the Agriculture Improvement Act of 2018 (2018 Farm Bill).

The DFPP allows milk handlers, under the Agricultural Marketing Agreement Act of 1937, to voluntarily enter into forward price contract with producers or cooperative associations of producers for a negotiated price for raw milk.

Establishing new contracts under the DFPP has been prohibited since the expiration of the program on Sept. 30, 2018. The 2018 Farm Bill reauthorized the program to allow handlers to enter into new contracts until Sept. 30, 2023. Any forward contract entered prior to the Sept. 30, 2023, deadline is subject to a Sept. 30, 2026, expiration date. The Final Rule is available at <https://www.ams.usda.gov/rules-regulations/dfc>.



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## Appalachian Statistical Summary

	FEBRUARY 2019	JANUARY 2019	FEBRUARY 2018
<b>PRICES: (Base Zone)</b>			
Uniform Price	\$18.00	\$17.82	\$16.31
Class I Price	18.70	18.52	17.65
Class II Price	16.13	15.74	13.44
Class III Price	13.89	13.96	13.40
Class IV Price	15.86	15.48	12.87
Uniform Skim Milk Price	\$9.46	\$9.31	\$8.13
Class I Skim Milk Price	10.20	9.92	9.11
Class II Skim Milk Price	7.50	7.22	5.38
Class III Skim Milk Price	5.20	5.41	5.37
Class IV Skim Milk Price	7.24	6.98	4.82
Uniform Butterfat Price	\$2.5356	\$2.5240	\$2.4179
Class I Butterfat Price	2.5302	2.5557	2.5316
Class II Butterfat Price	2.5415	2.5051	2.3560
Class III Butterfat Price	2.5345	2.4981	2.3490
Class IV Butterfat Price	2.5345	2.4981	2.3490
<b>PRODUCER MILK:</b>			
Class I	293,249,269	370,091,670	314,303,408
Class II	60,220,356	60,328,057	61,902,022
Class III	27,003,476	28,014,358	30,416,536
Class IV	26,209,064	29,594,791	50,338,179
<b>Total Producer Milk</b>	<b>406,682,165</b>	<b>488,028,876</b>	<b>456,960,145</b>
<b>PERCENT PRODUCER MILK IN:</b>			
Class I	72.11	75.83	68.78
Class II	14.81	12.36	13.55
Class III	6.64	5.74	6.66
Class IV	6.44	6.07	11.01

### F.O. 5 STATS FOR FEBRUARY 2019:

#### The Uniform Price

for February 2019 was \$18.00 per cwt., an increase of \$0.18 from January 2019 and \$1.69 from February 2018.

#### Total Class I Milk

for February 2019 was 293.2 million pounds, a decrease of 21.1 million pounds, or 6.7 percent, compared to February 2018.

#### Class I Utilization

was 72.11 percent for February 2019, an increase of 3.3 percentage points from February 2018.

#### Total Producer Milk

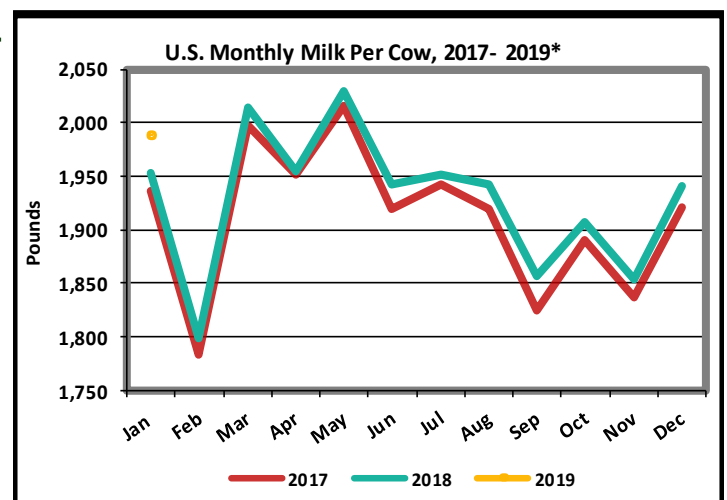
for February 2019 was 406.7 million pounds, a decrease of 50.3 million pounds, or 11.0 percent, compared to February 2018.

## January Milk Production Up 1.3%

Milk production in the 23 major States during January totaled 17.5 billion pounds, up 1.3 percent from January 2018. December revised production, at 17.1 billion pounds, was up 0.8 percent from December 2017.

Production per cow in the 23 major States averaged 2,011 pounds for January, 38 pounds above January 2018. This is the highest production per cow for the month of January 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, 52,000 head less than January 2018, but 2,000 head more than December 2018.



\*Based on entire U.S. production

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## Dairy Outlook, cont'd from pg. 1

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Due to lower expected milk production and recent price movements, product prices are generally forecast slightly higher in 2019 than last month's set of forecasts. Based on recent price data and expected domestic use, the cheddar cheese price has been raised 2.5 cents at the midpoint of the range to \$1.510-\$1.570 per pound for 2019. The butter price for the year has been raised 2 cents at the midpoint of the range, based on recent price data, to \$2.255-\$2.345 per pound. The NDM price forecast for the year is slightly higher than the previous forecast at \$0.965-\$1.015 per pound, as relatively low beginning stocks and relatively strong domestic use should support prices through the end of 2019. With lower expected exports of dry whey products, the dry whey price forecast has been lowered 1 cent at the midpoint of the range, to \$0.425-\$0.455 per pound.

With a higher cheese price forecast outweighing the lower forecast for dry whey, the Class III price forecast for the year has been raised 15 cents at the midpoint of the range to \$14.90-\$15.50 per cwt. Slightly higher butter and NDM price forecasts have resulted in a Class IV price forecast of \$15.75-\$16.45 per cwt, 15 cents higher at the midpoint of the range than the previous forecast. The all-milk price forecast for 2019 is now \$17.00-\$17.60 per cwt, 5 cents higher at the midpoint of the range than the last forecast.

Livestock, Dairy, and Poultry Outlook, LDP-M-297, March 14, 2019  
USDA, Economic Research Service

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## USDA Announces Amendment to Class I Skim Milk Price Formula, cont'd from pg. 1

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Because market prices for these surveyed products fluctuate, the "higher of" factor used to determine the Class I skim milk price can change, increasing risk and uncertainty associated with hedging.

To address this issue, Congress determined that the formula for the FMMO Class I skim milk price should be the average of the monthly Class III and Class IV advanced pricing factors plus \$0.74 per hundredweight plus the applicable adjusted Class I differential.

In accordance with the 2018 Farm Bill, the amendment is effective indefinitely, until further modified, and may not be modified sooner than two years after the effective date of this rule. The new price formulas will be reflected in the May Advanced Class I Skim Milk Price that will be announced on April 17, 2019. More information is available at <https://www.ams.usda.gov/rules-regulations/moa/dairy>.

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## National Dairy Promotion and Research Board

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The U.S. Department of Agriculture (USDA) is asking dairy producers and other interested parties to nominate candidates to serve on the National Dairy Promotion and Research Board. The deadline for nominations is April 15, 2019. Agriculture Secretary Sonny Perdue will appoint 12 individuals to succeed members whose terms expire on October 31, 2019. USDA will accept nominations for board representation in eight geographic regions. Nominees for the regional positions must be dairy producers.

The geographic regions with vacancies are: Region 2 (Calif. and Hawaii); Region 3 (Ariz., Colo., Mont., Nev., Utah and Wyo.); Region 4 (Ark., Kan., N.M., Okla., and Texas); Region 6 (Wis.); Region 9 (Ind., Mich., Ohio, and W.Va.); Region 10 (Ala., District of Columbia, Fla., Ga., Ky., La., Miss., N.C., Puerto Rico, S.C., Tenn. and Va.); Region 11 (Del., Md., N.J., and Pa.); and Region 12 (Conn., Maine, Mass., N.H., N.Y., R.I., and Vt.).

Newly appointed members will serve three-year terms beginning on November 1, 2019, through October 31, 2022.

To nominate an individual, please submit a copy of the nomination form and a signed background form for each nominee by April 15, 2019, to: Jill Hoover, Deputy Director, Promotion, Research, and Planning Division, Dairy Program, AMS, USDA, 1400 Independence Ave., SW, Stop 0233, Room 2958-S, Washington, D.C. 20250-0233, or via email at [jill.hoover@ams.usda.gov](mailto:jill.hoover@ams.usda.gov). For nominating forms and information, visit the AMS website or call (202) 720-1069.

**APPALACHIAN MARKETING AREA  
FEDERAL ORDER 5**

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## 2018 Milk Production Up 1.0%

The annual production of milk for the United States during 2018 was 218 billion pounds, 1.0 percent above 2017. Revisions to 2017 production increased the annual total 61 million pounds. Annual total milk production has increased 15.0 percent from 2009.

Production per cow in the United States averaged 23,149 pounds for 2018, 235 pounds above 2017. The average annual rate of milk production per cow has increased 12.6 percent from 2009.

The average number of milk cows on farms in the United States during 2018 was 9.40 million head, down 0.1 percent from 2017. The average number of milk cows was revised up 14,000 head for 2018. The average annual number of milk cows has increased 2.1 percent from 2009.

## Federal Milk Marketing Order Statistics - February 2019

Federal Order	Producer Deliveries Million Pounds	Class I Producer Receipts Million Pounds	Class I Utilization Percent	Statistical Uniform Price \$/cwt
<b>1 Northeast</b>	<b>2,086.4</b>	<b>655.9</b>	<b>31.4</b>	<b>16.65</b>
<b>5 Appalachian</b>	<b>406.7</b>	<b>293.2</b>	<b>72.1</b>	<b>18.00</b>
<b>6 Florida</b>	<b>206.7</b>	<b>174.3</b>	<b>84.3</b>	<b>19.96</b>
<b>7 Southeast</b>	<b>390.8</b>	<b>274.9</b>	<b>70.3</b>	<b>18.35</b>
<b>30 Upper Midwest</b>	<b>2,772.5</b>	<b>217.6</b>	<b>7.8</b>	<b>14.22</b>
<b>32 Central</b>	<b>1,229.1</b>	<b>377.1</b>	<b>30.7</b>	<b>15.07</b>
<b>33 Mideast</b>	<b>1,477.1</b>	<b>527.3</b>	<b>35.7</b>	<b>15.60</b>
<b>51 California</b>	<b>1,830.1</b>	<b>420.5</b>	<b>23.0</b>	<b>15.12</b>
<b>124 Pacific Northwest</b>	<b>604.4</b>	<b>138.9</b>	<b>23.0</b>	<b>15.28</b>
<b>126 Southwest</b>	<b>1,095.7</b>	<b>332.0</b>	<b>30.3</b>	<b>15.72</b>
<b>131 Arizona</b>	<b>413.7</b>	<b>97.6</b>	<b>23.6</b>	<b>15.76</b>
<b>All Orders</b>	<b>12,513.2</b>	<b>3,509.2</b>	<b>28.0</b>	<b>15.58</b>

<sup>1</sup> Weighted average uniform prices at 3.5% butterfat at announced locations.

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