

THE COURIER

Monthly Newsletter

April 2019

Update on Farm Bill Implementation

On April 12, 2019, U.S. Secretary of Agriculture Sonny Perdue announced the implementation status of the 2018 Farm Bill. President Trump signed this Farm Bill into law on December 20th, 2018 and the U.S. Department of Agriculture (USDA) promptly began implementation of key programs. USDA held several listening sessions with stakeholders and the public, specific to each agency's respective mission areas.

Implementation progress of dairy related programs:

- **Dairy Forward Pricing Program:** On March 1, 2019, the Agricultural Marketing Service (AMS) published a final rule reauthorizing the Dairy Forward Pricing Program in the Federal Register.
- **Class I Skim Milk Price:** On March 11, 2019, AMS published a final rule implementing the Class I Skim Milk Price provision in the Federal Register.
- **Margin Protection Program for Dairy (MPP-Dairy):** On March 22, 2019, Farm Service Agency (FSA) announced that dairy producers who elected to participate in the Livestock Gross Margin for Dairy Cattle Program in 2018 can now retroactively participate in the MPP-Dairy for 2018.
- **Dairy Margin Coverage Program:** On March 28, 2019, the National Agricultural Statistics Service (NASS) revised monthly price survey reports to include prices for high-quality alfalfa hay in the top five milk producing states to be utilized in the new Dairy Margin Coverage feed calculation.
- FSA will begin offering reimbursements to eligible producers for MPP-Dairy premiums paid between 2014-2017 by May 1.
- The Office of the Chief Economist has entered into an agreement with the University of Wisconsin to develop a Dairy Margin Coverage decision tool that will be available to producers by May 1.
- FSA will open sign-up for the new Dairy Margin Coverage Program beginning June 17, providing coverage retroactive to January 1, 2019, with applicable payments following soon after enrollment.

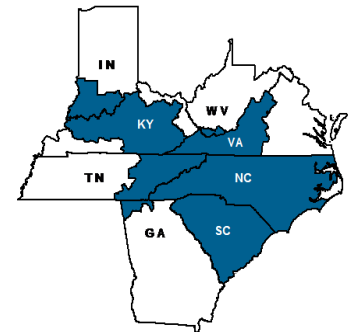
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Dairy Outlook

Recent Developments in Dairy Markets

For the most part, recent export prices of major competitors have been relatively high compared to U.S. domestic wholesale prices. For the 2 weeks ending March 29, USDA Dairy Market News reported that skim milk powder (SMP) prices for Oceania and Western Europe were \$1.12 and \$0.99 per pound, respectively, at the midpoints of the ranges. The dry whey export price for Western Europe was \$0.46 per pound, and the Oceania cheddar cheese export price was \$1.85 per pound. Export prices for butter were comparable to recent U.S. domestic prices, at \$2.36 and \$2.17 per pound for Oceania and Western Europe, respectively.

Dairy Outlook, cont'd on pg. 3



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Appalachian Statistical Summary

	MARCH 2019	FEBRUARY 2019	MARCH 2018
PRICES: (Base Zone)			
Uniform Price	\$18.31	\$18.00	\$16.02
Class I Price	19.38	18.70	16.76
Class II Price	16.61	16.13	13.88
Class III Price	15.04	13.89	14.22
Class IV Price	15.71	15.86	13.04
Uniform Skim Milk Price	\$9.66	\$9.46	\$7.87
Class I Skim Milk Price	10.65	10.20	8.78
Class II Skim Milk Price	7.95	7.50	5.55
Class III Skim Milk Price	6.35	5.20	5.93
Class IV Skim Milk Price	7.05	7.24	4.71
Uniform Butterfat Price	\$2.5680	\$2.5356	\$2.4084
Class I Butterfat Price	2.6010	2.5302	2.3674
Class II Butterfat Price	2.5531	2.5415	2.4343
Class III Butterfat Price	2.5461	2.5345	2.4273
Class IV Butterfat Price	2.5461	2.5345	2.4273
PRODUCER MILK:			
Class I	310,211,438	293,249,269	347,334,308
Class II	64,446,415	60,220,356	75,444,362
Class III	31,833,959	27,003,476	26,869,766
Class IV	73,030,817	26,209,064	70,250,280
Total Producer Milk	479,522,629	406,682,165	519,898,716
PERCENT PRODUCER MILK IN:			
Class I	64.69	72.11	66.81
Class II	13.44	14.81	14.51
Class III	6.64	6.64	5.17
Class IV	15.23	6.44	13.51

February Milk Production Up 0.2%

Milk production in the United States during February totaled 17.0 billion pounds, up 0.2 percent from February 2018.

Production per cow in the United States averaged 1,818 pounds for February, 19 pounds above February 2018.

The number of milk cows on farms in the United States was 9.36 million head, 77,000 head less than February 2018, but unchanged from January 2019.

F.O. 5 STATS FOR MARCH 2019:

The Uniform Price

for March 2019 was \$18.31 per cwt., an increase of \$0.31 from February 2019 and \$2.29 from March 2018.

Total Class I Milk

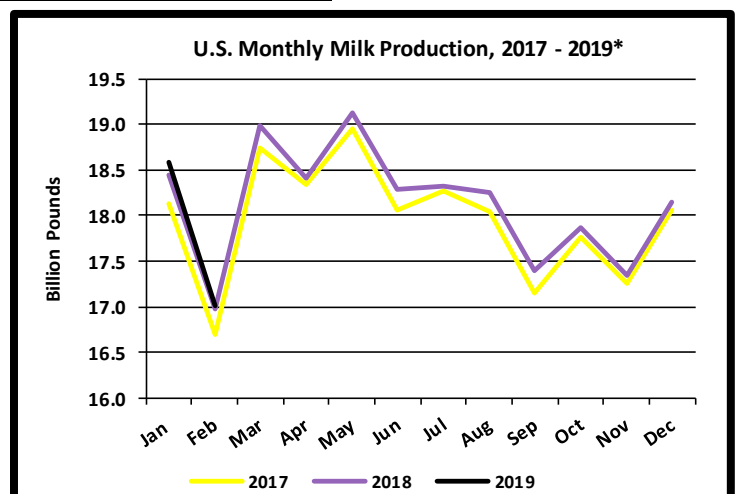
for March 2019 was 310.2 million pounds, a decrease of 37.1 million pounds, or 10.7 percent, compared to March 2018.

Class I Utilization

was 64.69 percent for March 2019, a decrease of 2.1 percentage points from March 2018.

Total Producer Milk

for March 2019 was 479.5 million pounds, a decrease of 40.4 million pounds, or 7.8 percent, compared to March 2018.



*Based on entire U.S. production

Dairy Outlook, cont'd from pg. 1

In January, dairy exports on a milk-fat milk-equivalent basis were 686 million pounds, 13 million above December 2018 and 1 million above January 2018. On a skim-solids milk-equivalent basis, January dairy exports were 3.053 billion pounds, 18 million above December but 342 million below January 2018. Exports of several key products were relatively low in January. Exports of butterfat products were only 0.1 million and 0.9 million pounds in December and January, respectively. This followed a 2018 peak of 7.7 million pounds in October and 6.3 million pounds in November. U.S. exports of whey products totaled 68.6 million pounds in January, 1.0 million pounds above December but 32.1 million pounds below January 2018. In recent years, China has been the leading destination for U.S. exports of whey products. Although U.S. trade data for February are not yet available, China's import data have been published. China's February imports of whey products from the world were 66 million pounds, 42 million pounds less than January and 16 million pounds less than February 2018. In February, whey product imports from the United States made up 32.6 percent of China's total whey product imports, down from 58.5 percent in February 2018.

Domestic use has grown significantly in recent months. Since domestic use estimates are calculated using limited data from various sources, it is helpful to examine data over a 3-month interval rather than 1 month at a time. For the 3 months from November 2018 through January 2019, year-over-year domestic use increased by 2.6 percent on a milk-fat basis and by 2.9 percent on a skim-solids basis. February ending stocks on a milk-fat basis were 15.4 billion pounds, 3.6 percent below February 2018. On a skim-solids basis, February ending stocks were 11.1 billion pounds, 3.1 percent below the previous year. Notably, butter stocks were 8.7 percent below the previous year, and total aggregate cheese stocks were 4.0 percent above the previous year.

Dairy Forecasts for 2019

With upward revisions to 2018 milk cow numbers and a larger milking herd in February than previously expected, the annual estimate for size of the milking herd has been raised 10 thousand head to 9.360 million. However, downward revisions to 2018 milk per cow data motivated a decrease in the forecast for 2019 to 23,455 pounds. With these changes, milk production for 2019 is now forecast at 219.5 billion pounds, a reduction of 0.2 billion pounds from the last forecast.

The 2019 export forecasts have been lowered to 9.8 billion pounds (-0.3 billion) pounds on a milk-fat basis and to 42.2 billion pounds (-1.4 billion) on a skim-solids basis. The changes are primarily due to lower expectations for exports of whey products. Our forecasts assume that China's retaliatory tariffs will remain in place. Although there is considerable uncertainty concerning the spread of African Swine Fever, it is expected that China's swine inventories at the end of 2019 will be 13 percent below the first of the year. In addition to lower expected exports of whey products, lower expectations for exports of butterfat products, lactose, and NDM to a number of markets factor into the forecasts. These forecasts assume that current trade policies remain in place.

The largest changes in product price forecasts have been made for cheese and whey. The cheddar cheese price for 2019 is now forecast at \$1.555-\$1.605 per pound, 4.0 cents higher at the midpoint of the range than the last forecast, based on recent gains in domestic cheese prices and higher expected demand. The dry whey price forecast for 2019 has been lowered 4.5 cents at the midpoint of the range to \$0.380-\$0.410 per pound, as weakness in exports is expected to persist throughout 2019. The butter price forecast for the year is \$2.255-\$2.335 per pound, a slight downward shift from last month's forecast; however, year-over-year growth in butterfat demand should still offer price support through the end of 2019. The NDM price forecast for 2019 is \$0.965-\$1.005 per pound, also a slight reduction from last month's forecast due to recent declines in prices.

The Class III price forecast for the year is \$15.10-\$15.60 per cwt, 15 cents higher at the midpoint of the range than previously forecast, as higher cheese prices should outweigh lower whey prices. The Class IV price forecast has been lowered 5 cents at the midpoint of the range to \$15.75-\$16.35 per cwt due to lower expected butter and NDM prices. The all-milk price for 2019 is now forecast at \$17.25-\$17.75 per cwt, an increase of 20 cents at the midpoint of the range from the last forecast.

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Federal Milk Marketing Order Statistics - March 2019

Federal Order	Producer Deliveries Million Pounds	Class I Producer Million Pounds	Class I Utilization Percent	Statistical Uniform \$/cwt
1 Northeast	2,318.8	709.1	30.6	17.17
5 Appalachian	479.5	310.2	64.7	18.31
6 Florida	225.7	184.9	81.9	20.41
7 Southeast	448.1	289.9	64.7	18.70
30 Upper Midwest	3,243.3	228.1	7.0	15.28
32 Central	1,504.2	397.5	26.4	15.76
33 Mideast	1,664.5	560.7	33.7	16.19
51 California	2,258.0	447.5	19.8	16.03
124 Pacific Northwest	754.2	145.9	19.3	15.79
126 Southwest	1,281.9	351.7	27.4	16.58
131 Arizona	462.8	104.3	22.5	16.18
All Orders	14,641.1	3,729.6	25.5	16.30

¹ Weighted average uniform prices at 3.5% butterfat at announced locations.

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