

THE COURIER

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Dairy Outlook

Dairy Forecasts for 2019

Based on recent milk cow and heifer statistics, the forecast of the milking herd in 2019 has been lowered 5 thousand head to 9.335 million. Due to a lower number than expected for milk per cow in June, the milk per cow estimate for the year has been lowered 15 pounds to 23,350. With these changes, total milk production for 2019 is now forecast at 217.9 billion pounds, 0.3 billion lower than the previous forecast.

On a skim-solids basis, the import forecast for 2019 has been raised 0.1 billion pounds to 5.5 billion due to higher expected imports of milk protein products. A weaker Chinese yuan, continued trade tensions with China, and strong competition for NDM exports have motivated a dimmer outlook for skim-solids exports; exports are now forecast at 40.6 billion pounds, 0.7 billion pounds lower than the last forecast. Helped by slightly lower NDM prices, domestic use is now forecast at 182.3 billion pounds for the year, 0.6 billion pounds higher than last month's forecast.

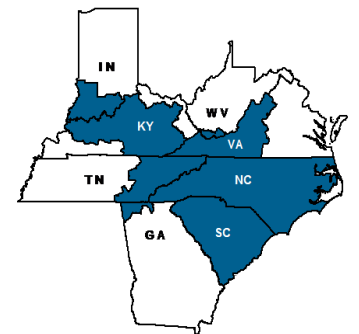
Slight changes in dairy product price forecasts have been made for the remainder of 2019. Recent strength in cheese prices and growth in domestic use have motivated an increase of 2.5 cents in the Cheddar cheese price for the year to \$1.685 per pound. The dry whey price has also been raised slightly for the year to \$0.380 per pound. Domestic demand continues to support the U.S. butter price; as a result, the butter price forecast has been raised slightly to \$2.320 per pound for the year. In contrast, weakening shipments of NDM in recent months have allowed the NDM price to weaken somewhat of late; therefore, the NDM price forecast has been lowered 1.5 cents to \$1.005 per pound for the year.

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Dairy: World Markets and Trade

Although U.S. exports of skimmed milk powder (SMP) grew at an annual pace of 7 percent from 2014 through 2018, the trade challenges facing U.S. exporters along with strong competition are expected to lead to a 4 percent drop in shipments for 2019. In contrast, European Union (EU) shipments are booming in the first four months of this year they were up by nearly one third over last year. This led to sharp drawdown of intervention stocks which totaled 175,000 tons at the end 2018 and are now at zero. EU exports of SMP are expected to slow in the second half of the year but for the year are set to increase by 16 percent over 2018 to reach a record 950,000 tons. While Algeria remains a principal destination, the EU is making inroads into such key Asian markets as China and Indonesia which in 2018 were ranked as the second and third largest global import markets for SMP.

Dairy: World Markets and Trade, cont'd on pg. 3



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Appalachian Statistical Summary

	JULY 2019	JUNE 2019	JULY 2018
PRICES: (Base Zone)			
Uniform Price	\$19.84	\$19.44	\$17.52
Class I Price	20.58	20.47	18.76
Class II Price	17.61	17.30	15.20
Class III Price	17.55	16.27	14.10
Class IV Price	16.90	16.83	14.14
Uniform Skim Milk Price	\$10.81	\$10.58	\$8.71
Class I Skim Milk Price	11.58	11.79	9.65
Class II Skim Milk Price	8.48	8.26	6.55
Class III Skim Milk Price	8.45	7.22	5.44
Class IV Skim Milk Price	7.77	7.80	5.48
Uniform Butterfat Price	\$2.6892	\$2.6372	\$2.6030
Class I Butterfat Price	2.6869	2.5974	2.6981
Class II Butterfat Price	2.6928	2.6649	2.5357
Class III Butterfat Price	2.6858	2.6579	2.5287
Class IV Butterfat Price	2.6858	2.6579	2.5287
PRODUCER MILK:			
Class I	290,920,705	263,224,389	308,470,270
Class II	71,957,233	70,975,808	75,627,991
Class III	22,650,633	37,201,938	27,526,429
Class IV	25,881,198	46,634,978	35,083,805
Total Producer Milk	411,409,769	418,037,113	446,708,495
PERCENT PRODUCER MILK IN:			
Class I	70.71	62.97	69.06
Class II	17.49	16.98	16.93
Class III	5.51	8.90	6.16
Class IV	6.29	11.15	7.85

F.O. 5 STATS FOR JULY 2019:

The Uniform Price

for July 2019 was \$19.84 per cwt., an increase of \$0.40 from June 2019 and \$2.32 from July 2018.

Total Class I Milk

for July 2019 was 290.9 million pounds, a decrease of 17.5 million pounds, or 5.7 percent, compared to July 2018.

Class I Utilization

was 70.71 percent for July 2019, an increase of 7.7 percentage points from June 2019.

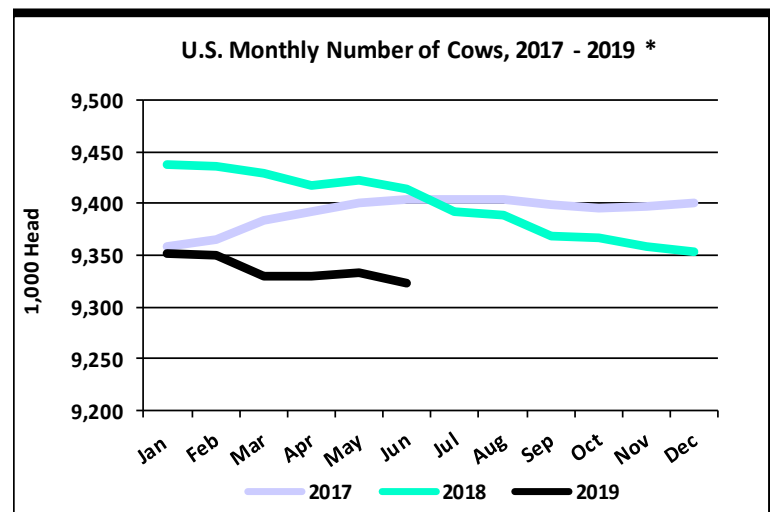
Total Producer Milk

for July 2019 was 411.4 million pounds, a decrease of 35.3 million pounds, or 7.9 percent, compared to July 2018.

June Milk Production Up 0.1%

Milk production in the 24 major States during June totaled 17.3 billion pounds, up 0.1 percent from June 2018. May revised production at 18.1 billion pounds, was down slightly from May 2018.

Production per cow in the 24 major States averaged 1,976 pounds for June, 15 pounds above June 2018. The number of milk cows on farms in the 24 major States was 8.78 million head, 62,000 head less than June 2018, and 12,000 head less than May 2019.



*Based on entire U.S. production

Dairy Outlook, cont'd from pg. 1

With slightly higher prices for cheese and whey, the Class III price for 2019 has been raised 25 cents to \$16.30 per cwt. The lower NDM price forecast has led to a decrease of 15 cents in the Class IV price forecast to \$16.30 per cwt. The all-milk price for 2019 is now forecast at \$18.30 per cwt, 10 cents higher than the previous forecast.

Dairy Forecasts for 2020

The decline in milk cows in the second half of 2019 is expected to continue into early 2020, before the inventory begins to increase; therefore, the estimate for the size of the milking herd in 2020 has been lowered 5 thousand head to 9.350 million. Similarly, the forecast for milk per cow has been lowered 35 pounds to 23,675. The forecast for milk production in 2020 is now 221.4 billion pounds, a reduction of 0.4 billion pounds from the last forecast.

Recent strength in butter imports should continue through next year; accordingly, the forecast for imports on a milk-fat basis for 2020 has been raised to 7.0 billion pounds. Exports on a milk-fat basis are projected 0.3 billion pounds lower than the previous forecast at 9.9 billion pounds, as domestic butter prices remain well above those in the EU and Oceania and show little sign of retreating substantially in the near future. The forecast for domestic use on a milk-fat basis in 2020 has been raised slightly to 217.5 billion pounds.

Higher expected imports of milk protein products should continue into 2020; as a result, the import forecast on a skim-solids basis has been raised 0.2 billion pounds to 5.2 billion. The forecast for exports has been lowered 0.5 billion pounds to 42.4 billion, due to expectations for continued competition with the EU in NDM export markets. Domestic use on a skim-solids basis is now projected at 183.1 billion pounds, 0.3 billion pounds higher than last month's estimate, as recent strength in domestic demand and weaker NDM prices should replace some lost exports.

Most dairy product price forecasts for 2020 have been lowered slightly. The Cheddar cheese price is now forecast at \$1.725 per pound for the year, half a cent lower than last month's forecast. The projection for the dry whey price in 2020 is \$0.360 per pound, unchanged from the last forecast. The butter price forecast has been lowered 1 cent to \$2.335 per pound. As recent struggles for NDM exports suggest significant competition abroad, the NDM price forecast has been lowered 3 cents to \$1.015 per pound.

With the lower expected cheese price, the Class III milk price estimate for 2020 is now \$16.55 per cwt, 10 cents lower than last month's forecast. Since the butter and NDM price forecasts have been lowered, the Class IV milk price forecast has been lowered 30 cents to \$16.45 per cwt. The all-milk price forecast for 2020 is now \$18.80 per cwt, 5 cents lower than previously forecast.

Livestock, Dairy, and Poultry Outlook, LDP-M-302, August 16, 2019
USDA, Economic Research Service

Dairy: World Markets and Trade, cont'd from pg. 1

In the cheese market, prospects for U.S. exporters have improved markedly particularly with the recent removal of Mexican retaliatory tariffs. U.S. exports of cheese in 2019 are slated to grow by 8 percent over last year. Nevertheless, the EU remains a dominant competitor and its recent free trade agreements (FTAs) with Mexico and Japan will further intensify competition. In 2018, Japan was third largest export market for U.S. cheese and the primary market for U.S. cheddar. As the import tariffs for such EU cheeses as cheddar are gradually phased-out (over 16 years) under the FTA, U.S. importers will face the challenge of a 30 percent import tariff. This year, Japanese imports of EU cheese in the January-May period are up 18 percent year-over-year (YOY).

Dairy: World Markets and Trade, July 2019
USDA, Foreign Agriculture Service

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**April - June Milk
Production Down 0.1%**

Milk production in the United States during the April - June quarter totaled 55.8 billion pounds, down 0.1 percent from the April - June quarter last year.

The average number of milk cows in the United States during the quarter was 9.33 million head, 15,000 head less than the January - March quarter, and 89,000 head less than the same period last year.

Federal Milk Marketing Order Statistics - July 2019

Federal Order	Producer Deliveries Million Pounds	Class I Producer Receipts Million Pounds	Class I Utilization Percent	Statistical Uniform Price \$/cwt
1 Northeast	2,239.9	662.6	29.6	18.83
5 Appalachian	411.4	290.9	70.7	19.84
6 Florida	198.8	164.1	82.6	21.75
7 Southeast	401.7	280.1	69.7	20.25
30 Upper Midwest	2,896.8	216.0	7.5	17.71
32 Central	1,335.1	352.3	26.4	17.64
33 Mideast	1,700.2	515.7	30.3	18.02
51 California	2,004.7	439.0	21.9	17.82
124 Pacific Northwest	795.4	140.7	17.7	17.52
126 Southwest	1,143.5	320.0	28.0	18.47
131 Arizona	390.8	100.2	25.6	17.88
All Orders	13,518.3	3,481.7	25.8	18.20

^{1/} Weighted average uniform prices at 3.5% butterfat at announced locations.

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