

THE COURIER

Monthly Newsletter

Dairy Outlook

Dairy Forecasts for 2019

With the milking herd continuing to shrink in July, the forecast for the size of the milking herd in 2019 has been lowered 10 thousand head to 9.325 million. However, continued growth in the milk yield in July and improved returns in the second half of 2019 have motivated an increase in the milk per cow forecast to 23,375 pounds for the year. With these changes, milk production is now forecast at 218.0 billion pounds for 2019, 0.1 billion pounds higher than the last forecast.

The import forecast on a milk-fat milk-equivalent basis for 2019 is 7.0 billion pounds, 0.2 billion less than the last forecast due to lower expected butterfat imports. The export forecast 2019 is also lowered slightly to 9.3 billion pounds, due to a weaker outlook for exports of butterfat products.

On a skim-solids milk-equivalent basis, the import forecast for 2019 is raised 0.4 billion pounds to 5.9 billion, based on higher expected imports of milk protein products. The export forecast for the year is lowered 0.4 billion pounds to 40.2 billion, as exports of dry whey and whey products have continued to fall year over year. The domestic use forecast for 2019 has been raised 0.9 billion pounds to 183.2 billion, reflecting recent apparent relative strength in demand for products with high skim-solids content.

Dairy product price forecasts for 2019 are mostly higher than the previous forecasts. Due to recent price increases and lower ending stock levels for July, price forecasts for Cheddar cheese, NDM, and dry whey have been raised from last month's forecast to \$1.700 (+1.5 cents), \$1.015 (+1 cent), and \$0.39 (+1 cent) per pound, respectively.

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Milk Donation Reimbursement Program

On September 9, 2019, the U.S. Department of Agriculture (USDA) announced the establishment of a Milk Donation Reimbursement Program in accordance with the Agriculture Improvement Act of 2018 (2018 Farm Bill). The new program is effective September 16, 2019.

Under the program, eligible dairy organizations partner with non-profit organizations that distribute food to low-income individuals. Those partnerships may apply for and receive limited reimbursements to cover expenses related to certain fluid milk product donations.

An eligible dairy organization is a dairy farmer, either individually or as part of a cooperative, or a dairy processor that incurs qualified expenses by accounting to a Federal Milk Marketing Order (FMMO) pool for fluid milk product donations.

Milk Donation Reimbursement Program, cont'd on pg. 3

September 2019



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Market Administrator

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Appalachian Statistical Summary

	AUGUST 2019	JULY 2019	AUGUST 2018
PRICES: (Base Zone)			
Uniform Price	\$20.34	\$19.84	\$17.03
Class I Price	21.29	20.58	17.55
Class II Price	17.60	17.61	15.07
Class III Price	17.60	17.55	14.95
Class IV Price	16.74	16.90	14.63
Uniform Skim Milk Price	\$11.34	\$10.81	\$8.25
Class I Skim Milk Price	12.21	11.58	8.86
Class II Skim Milk Price	8.57	8.48	6.16
Class III Skim Milk Price	8.60	8.45	6.06
Class IV Skim Milk Price	7.71	7.77	5.73
Uniform Butterfat Price	\$2.6857	\$2.6892	\$2.5914
Class I Butterfat Price	2.7170	2.6869	2.5703
Class II Butterfat Price	2.6644	2.6928	2.6079
Class III Butterfat Price	2.6574	2.6858	2.6009
Class IV Butterfat Price	2.6574	2.6858	2.6009
PRODUCER MILK:			
Class I	339,293,783	290,920,705	343,033,522
Class II	71,403,400	71,957,233	75,227,337
Class III	20,819,357	22,650,633	20,472,769
Class IV	34,064,930	25,881,198	34,643,442
Total Producer Milk	465,581,470	411,409,769	473,377,070
PERCENT PRODUCER MILK IN:			
Class I	72.88	70.71	72.47
Class II	15.34	17.49	15.89
Class III	4.47	5.51	4.32
Class IV	7.31	6.29	7.32

F.O. 5 STATS FOR AUGUST 2019:

The Uniform Price

for August 2019 was \$20.34 per cwt., an increase of \$0.50 from July 2019 and \$3.31 from August 2018.

Total Class I Milk

for August 2019 was 339.3 million pounds, a decrease of 3.7 million pounds, or 1.1 percent, compared to August 2018.

Class I Utilization

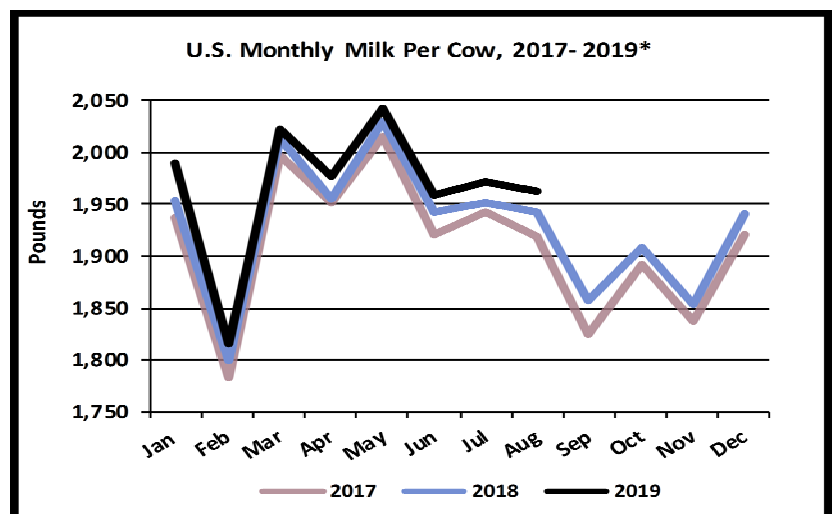
was 72.88 percent for August 2019, an increase of 0.4 percentage points from August 2018.

Total Producer Milk

for August 2019 was 465.6 million pounds, a decrease of 7.8 million pounds, or 1.6 percent, compared to August 2018.

August Milk Production Up 0.2 Percent

Milk production in the United States during August totaled 18.3 billion pounds, up 0.2 percent from August 2018. Production per cow in the United States averaged 1,962 pounds for August, 19 pounds above August 2018. The number of milk cows on farms in the United States was 9.32 million head, 71,000 head less than August 2018, and 2,000 head less than July 2019.



*Based on entire U.S. production

Dairy Outlook, cont'd from pg. 1

Due to recent price decreases and a higher ending stock level for July, the butter price forecast for 2019 has been lowered to \$2.265 per pound (-5.5 cents).

With higher cheese and whey price forecasts, the Class III price forecast for 2019 has been raised 15 cents to \$16.45 per cwt. The Class IV price forecast has been lowered 15 cents to \$16.15 per cwt, due to the lower butter price forecast. The all-milk price forecast for 2019 is \$18.35 per cwt, 5 cents higher than last month's estimate.

Dairy Forecasts for 2020

With expectations for slower growth in the size of the milking herd in the second half of 2019 carrying into next year, the 2020 forecast has been lowered 10 thousand head to 9.340 million. The milk per cow forecast for 2020 has been raised to 23,690 pounds as higher expected growth carries into 2020. Overall, these changes result in a milk production forecast of 221.2 billion pounds for 2020, 0.2 billion pounds lower than the previous forecast.

The export forecast for 2020 has been lowered 0.3 billion pounds to 9.6 billion, due to lower expected exports of butterfat products. Domestic use is forecast at 217.3 billion pounds for 2020, 0.2 billion pounds lower than the previous forecast due to continued weakness in domestic use for butter.

On a skim-solids basis, the import forecast for 2020 has been raised 0.4 billion pounds to 5.6 billion, as higher imports of milk protein products this year should continue into next year. The forecast for exports on a skim-solids basis has been raised to 42.6 billion pounds, 0.2 billion higher than last month's forecast, due to higher expected exports of lactose and modified whey. Domestic use on a skim-solids basis in 2020 is forecast 0.3 billion pounds higher than last month's estimate, at 183.4 billion pounds, as relative strength in demand should continue.

The Cheddar cheese price forecast for 2020 has been raised 5 cents to \$1.775 per pound due to recent price strength that is expected to carry over into next year. The butter price has been lowered 11 cents 11 Livestock, Dairy, and Poultry Outlook, LDP-M-303, September 18, 2019 USDA, Economic Research Service to \$2.225 per pound due to lower expectations for butter demand. The dry whey price has been raised 1.5 cents to \$0.375 per pound, while the NDM price has been raised 2 cents to \$1.035. The Class III price forecast for 2020 has been raised 50 cents to \$17.05 per cwt, due to higher price forecasts for cheese and dry whey. The Class IV price forecast has been lowered 30 cents to \$16.15 per cwt as a result of the lower butter price forecast. The all-milk price for 2020 is now estimated at \$18.85 per cwt, 5 cents higher than last month's forecast.

Livestock, Dairy, and Poultry Outlook, LDP-M-303,
September 18, 2019, USDA, Economic Research Service

Milk Donation Reimbursement Program, cont'd

The reimbursements will offset a portion of the raw milk cost for milk donated to food assistance programs.

Congress directed USDA to develop the program to reduce food waste and provide nutrition assistance to low-income individuals. Congress authorized \$9 million for the program in Fiscal Year 2019, and \$5 million per fiscal year thereafter.

Details about program eligibility and participation are available at www.ams.usda.gov/mdrp. Interested partnerships must apply for Fiscal Year 2019 and Fiscal Year 2020 program participation by submitting a separate completed Milk Donation and Distribution Plan for each fiscal year no later than November 6, 2019. Milk Donation and Distribution Plans submitted for Fiscal Year 2019 can reflect donations made from October 1, 2018, through September 30, 2019. After approval, partnerships will then be able to submit specific information to obtain retroactive reimbursement claims for Fiscal Year 2019. Plans for Fiscal Year 2019 and Fiscal Year 2020 will be approved by December 23, 2019.

The Federal Register notice is available at: <https://www.federalregister.gov/documents/2019/09/05/2019-19090/establishment-of-a-milk-donation-reimbursement-program>.

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Federal Milk Marketing Order Statistics - August 2019

Federal Order		Producer Deliveries Million Pounds	Class I Producer Receipts Million Pounds	Class I Utilization Percent	Statistical Uniform Price \$/cwt
1	Northeast	2,236.9	678.9	30.4	18.97
5	<i>Appalachian</i>	465.6	339.3	72.9	20.34
6	Florida	215.0	184.4	85.8	22.48
7	Southeast	405.2	298.3	73.6	20.85
30	Upper Midwest	3,172.8	223.0	7.0	17.75
32	Central	1,328.4	391.4	29.5	17.85
33	Mideast	1,656.5	551.7	33.3	18.20
51	California	1,872.4	442.6	23.6	17.84
124	Pacific Northwest	784.4	140.2	17.9	17.60
126	Southwest	1,287.2	358.9	27.9	18.69
131	Arizona	384.3	107.1	27.9	18.11
	All Orders	13,808.6	3,715.8	26.9	18.36

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

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