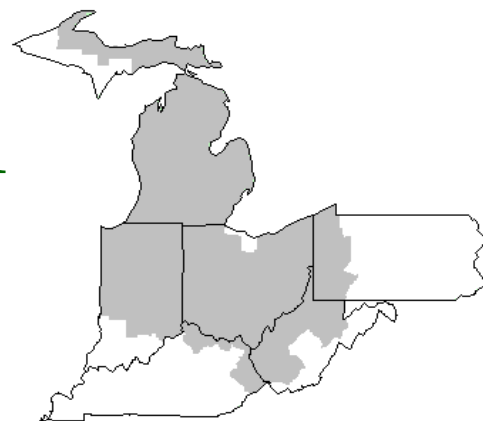


Mideast Market Administrator's Bulletin



Federal Order No. 33

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FEBRUARY 2018

Dairy News

The size of the milking herd was 9.397 million head in November, unchanged from October and an increase of 0.6 percent from November 2016. The number of milk cows in the U.S. has fallen slightly since peaking at 9.404 million head in August 2017. Milk per cow was 1,839 pounds in November, 0.5 percent higher than November 2016. Milk production was 17.3 billion pounds during the month, a 1.0-percent increase from November 2016.

Dairy exports increased in November from the previous month and year-over-year. Exports on a milk-fat basis were 857 million pounds, an increase of 69 million pounds from October and 16 million pounds from November 2016. On a skim-solids basis, exports were 3.612 billion pounds, an increase of 108 million pounds from October and 142 million pounds from November 2016. Most major products had increases in exports from the previous year, with substantial gains for cheese and dry whey exports. Dairy imports fell from the previous month and from November 2016. Imports totaled 480 million pounds on a milk-fat basis (57 million lower than November 2016) and 490 million pounds on a skim-solids basis (97 million lower than November 2016).

The 2017/18 price forecast for corn is \$2.95-\$3.55 per pound, 5 cents higher than last month's forecast at the midpoint of the range. The soybean meal price forecast for 2017/18 is \$295-\$335 per short ton, unchanged from last month's forecast. The alfalfa hay price in November was \$148 per short ton, \$4 less than October but \$18 more than November 2016. For more information, see the USDA Economic Research Service publication *Feed Outlook*, at <http://usda.mannlib.cornell.edu/MannUsda/viewDocumentInfo.do?documentID=1273>.

Although 2017 is over, fourth-quarter and annual supply and use numbers in this report reflect interagency committee expectations because data for December are not yet available. Based on cow numbers in November, the estimate for the size of the milking herd has been reduced to 9.400 million head for the fourth quarter, 5 thousand less than last month's forecast. In addition, the milk per cow forecast has been lowered 20 pounds to 5,655 pounds for the fourth quarter, as slow year-over-year growth continued in November. With these changes, expected fourth-quarter 2017 milk production is 53.2 billion pounds, 0.2 billion pounds lower than the last month's forecast.

The estimate for imports on a milk-fat basis for the fourth quarter of 2017 has been lowered 0.1 billion pounds to 1.6 billion, with the reduction spread across several products. The estimate for fourth-quarter exports on a milk-fat basis has been raised 0.2 billion pounds to 2.5 billion pounds, based on strength in butter and cheese exports in November. The estimate for ending stocks is unchanged at 13.6

billion pounds. With slowing demand in November, the estimate for domestic use on a milk-fat basis is now 54.7 billion pounds for the fourth quarter, 0.5 billion pounds lower than last month's forecast.

Imports on a skim-solids basis are now estimated at 1.5 billion pounds for the fourth quarter, 0.1 billion pounds lower than the last forecast. The expectation for exports on a skim-solids basis has been raised 0.3 billion pounds to 10.7 billion for the quarter, as NDM and dry whey exports both increased in November and were likely competitive in December, given low domestic prices and a weaker dollar. Growth in stocks was slight in November; therefore, the ending stock estimate has been lowered 0.4 billion pounds to 12.2 billion. Domestic use on a skim-solids basis is now expected to be 43.6 billion pounds for the quarter, a reduction of 0.2 billion pounds, as domestic use remained below year-ago levels for many products in November.

While most dairy supply and use data are not yet available for December, complete 2017 price data are available with the exception of the all-milk price. While having mostly weakened during the fourth quarter, 2017 dairy product prices were higher across the board than 2016 prices. Average prices for cheddar cheese, dry whey, butter, and NDM in 2017 were \$1.634, \$0.444, \$2.330, and \$0.867 per pound, respectively. The 2017 Class III and Class IV prices were \$16.17 and \$15.16 per cwt, respectively. The 2017 all-milk price estimate is \$17.65 per cwt, an increase from \$16.30 per cwt in 2016.

(continued on Page 3)

January 2018 Pool Summary

Classification of Producer Milk

	<i>Pounds</i>	<i>Percent</i>
Class I	564,850,386	33.2
Class II	319,543,791	18.8
Class III	558,693,249	32.8
Class IV	260,133,130	15.2
Total	1,703,220,556	100.0

Producer Prices

Producer Price Differential	\$ 0.84 /cwt
Butterfat Price	2.4531 /lb
Protein Price	1.6612 /lb
Other Solids Price	0.0787 /lb
Somatic Cell Adjustment Rate	0.00076 /cwt
Statistical Uniform Price	14.84 /cwt

ANNOUNCEMENT OF PRODUCER PRICES

Federal Order No. 33

December 2017

COMPUTATION OF PRODUCER PRICE DIFFERENTIAL

	<u>POUNDS</u>	<u>BUTTERFAT</u>	<u>SKIM / PROTEIN</u>	<u>NONFAT SOLIDS</u>	<u>OTHER SOLIDS</u>	<u>PRICE</u>	<u>VALUE</u>
Class I Skim Value			553,841,494			\$8.98 / cwt	\$ 49,734,966.13
Class I Butterfat		11,008,892				2.5075 / lb	27,604,796.76
Class I Location Differential	564,850,386						(290,086.09)
Class II SNF Value				28,010,253		0.6333 / lb	17,738,893.24
Class II Butterfat		19,831,510				2.4601 / lb	48,787,497.74
Class III Protein Value			18,043,538			1.6612 / lb	29,973,925.34
Class III Other Solids Value					32,234,622	0.0787 / lb	2,536,864.76
Class III Butterfat		20,890,448				2.4531 / lb	51,246,357.96
Class IV SNF Value				22,831,864		0.5235 / lb	11,952,480.80
Class IV Butterfat		15,950,898				2.4531 / lb	39,129,147.86
Somatic Cell Value II / III / IV							<u>1,479,329.19</u>
TOTAL PRODUCER MILK VALUE	1,703,220,556	67,681,748	54,829,220		98,074,357		\$ 279,894,173.69
Overages						\$23,555.54	
Beginning Inventory & OS Charges						38,301.87	
TOTAL ADJUSTMENTS							<u>61,857.41</u>
TOTAL HANDLER OBLIGATIONS							\$ 279,956,031.10
Total Protein Value			54,829,220 lbs	@	\$1.6612		\$ (91,082,300.28)
Total Other Solids Value			98,074,357 lbs	@	0.0787		(7,718,451.93)
Butterfat Value			67,681,748 lbs	@	2.4531		(166,030,096.02)
Total Somatic Cell Values							<u>(2,219,849.01)</u>
TOTALS							\$ 12,905,333.86
Net Producer Location Adjustments							\$ 1,360,274.40
1/2 Unobligated Balance Producer Settlement Fund							<u>742,000.00</u>
Total - Divided by Total Pounds			1,703,220,556 lbs		0.8811312		\$ 15,007,608.26
Rate of Cash Reserve					(0.0411312)		<u>(700,555.05)</u>
PRODUCER PRICE DIFFERENTIAL at Cuyahoga County, OH*			1,703,220,556		\$ 0.84 / cwt		\$ 14,307,053.21

COMPONENT PRICES**COMPUTATION OF UNIFORM PRICE**

January

January

	<u>2018</u>	<u>2017</u>		<u>2018</u>	<u>2017</u>
Butterfat Price	\$2.4531 / lb	\$2.5253 / lb	Class III Price - 3.5% BF	\$14.00	\$16.77
Protein Price	1.6612 / lb	2.1768 / lb	Producer Price Differential*	<u>0.84</u>	<u>0.58</u>
Other Solids Price	0.0787 / lb	0.2503 / lb	Statistical Uniform Price	\$14.84	\$17.35
Somatic Cell Adjustment Rate	0.00076 / cwt	0.00085 / cwt			
Nonfat Solids Price	0.5235 / lb	0.8465 / lb			

CLASS PRICES**CLASSIFICATION OF PRODUCER MILK**

January

January

	<u>2018</u>	<u>2017</u>		<u>2018</u>	<u>2017</u>
Class I*	\$17.44	\$19.45	Product lbs.		
Class II	14.11	16.36	Class I	564,850,386	559,011,080
Class III	14.00	16.77	Class II	319,543,791	358,900,459
Class IV	13.13	16.19	Class III	558,693,249	522,295,142
			<u>Class IV</u>	<u>260,133,130</u>	<u>301,918,847</u>
			Total	1,703,220,556	1,742,125,528

* Subject to Location Adjustment.

ORDER 33 MARKET SUMMARY

The Producer Price Differential for the Mideast Marketing Area for January 2018 was \$0.84 and the Statistical Uniform Price was \$14.84 for the month. The Statistical Uniform Price is \$0.96 lower than last month, and is \$2.51 lower than January 2017.

The Producer Butterfat Price of \$2.4531 per pound decreased \$0.0420 from December and is down \$0.0722 from a year ago. The Protein Price of \$1.6612 is down \$0.3766 from last month and is down \$0.5156 from January 2017. The Other Solids Price in January was \$0.0787 per pound, a decrease from last month's price of \$0.1070 and \$0.1716 lower than last January. The Somatic Cell Adjustment rate for January was \$0.00076 per cwt.

January producer receipts of 1.70 billion pounds were 2.5 percent higher than December and 2.3 percent lower than January 2017 production of 1.74 billion pounds. Producer milk allocated to Class I accounted for 33.2 percent of the total producer milk in January 2018, more than the 32.6 percent in December, and higher than the 32.1 percent in January 2017. A total of 4,721 producers were pooled on the Mideast Order compared to 5,188 producers pooled in January 2017.

The market average content of producer milk was as follows: Butterfat 3.97%; Protein 3.22%; Other Solids 5.76% and Nonfat Solids 8.98%.

(continued from Front Page)

The 2018 forecast for the number of milk cows in the United States has been reduced to 9.415 million head, 20 thousand less than last month's forecast, as lower prices are expected to lead to less expansion throughout the year and growth will occur from a lower base than expected last month. The USDA *Cattle* report will be released on January 31, and it will provide more information on dairy cow inventory and intentions for heifer retention in 2018. The milk yield forecast has also been reduced for the year, by 10 pounds to 23,240 pounds per head. The milk production forecast for 2018 is 0.5 billion pounds lower than the last forecast, at 218.8 billion pounds.

As demand has weakened and butter imports have followed a downward trend in the past couple of months, the import forecast for 2018 on a milk-fat basis has been lowered 0.1 billion pounds to 6.0 billion. However, exports are forecast 0.1 billion pounds higher for 2018, as domestic prices for butter remain competitive and stocks remain high. As domestic use is expected to be lower than previously forecast, the 2018 forecast has been lowered 0.8 billion pounds to 215.1 billion. The forecast for ending stocks on a milk-fat basis is unchanged at 12.8 billion pounds.

The forecast for imports on a skim-solids basis in 2018 has been reduced to 5.9 billion pounds, 0.2 billion less than last month, due to lower expected imports of milk protein concentrate and casein products. Exports are now projected at 42.0 billion pounds for the year, an increase of 0.2 billion pounds from last month's figure, as lactose exports are now expected to increase and recent strength in NDM exports should continue. As lower ending stocks in 2017 should carry over throughout 2018, the ending stock forecast on a skim-solids basis has been lowered to 11.6 billion pounds for the year, 0.4 billion less than last month's forecast. Lower demand and lower production should result in less domestic use than previously expected; the domestic use forecast for 2018 has been cut 0.8 billion pounds to 182.4 billion.

Based on recent declines in product prices and expectations for lower demand, forecasts for prices of all major dairy products in 2018 have been lowered. Price forecasts for cheddar cheese, dry whey, butter, and NDM have been lowered to \$1.535-\$1.615, \$0.270-0.300, \$2.245-\$2.355, and \$0.715-\$0.775 per pound, respectively. The Class III price for 2018 is \$1.05 lower at the midpoint of the range than the last forecast, at \$14.25-\$15.05 per cwt; the Class IV price forecast has been lowered 35 cents at the midpoint to \$13.55-\$14.45. The all-milk price for 2018 is now

forecast 85 cents lower at the midpoint of the range than last month's forecast, at \$15.80-\$16.60 per cwt.

Source: *Livestock, Dairy, and Poultry Outlook/LDP-M-283/January 19, 2018*
Economic Research Service, USDA

December Milk Production Up 1.2 Percent

Milk production in the 23 major States during December totaled 17.0 billion pounds, up 1.2 percent from December 2016. November revised production at 16.2 billion pounds, was up 1.0 percent from November 2016. The November revision represented a decrease of 24 million pounds or 0.1 percent from last month's preliminary production estimate.

Production per cow in the 23 major States averaged 1,943 pounds for December, 11 pounds above December 2016. This is the highest production per cow for the month of December since the 23 State series began in 2003.

The number of milk cows on farms in the 23 major States was 8.74 million head, 54,000 head more than December 2016, and 3,000 head more than November 2017.

The Mideast Marketing Area has four states represented in the 23 major states used above. They are Indiana, Michigan, Ohio, and Pennsylvania. Milk production in these Mideast states during December totaled 2.7 billion pounds, up 37 million pounds or 1.4 percent from December 2016.

Production per cow in the Mideast states averaged 1,895 pounds for December, 16 pounds more December 2016.

The number of cows on farms in the Mideast states was 1.4 million head, 7,000 head more than December 2016.

Bulletin WebPage Edition

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Featured this month are:

- Milk Production Statistics
- Dairy Product Production
- Commercial Disappearance of Milk in All Products

Weighted Averages - Butterfat, Protein, Other Solids, Somatic Cell Count by State Federal Order No. 33

State	December 2017						December 2016					
	Number of Producers	Pounds of Milk (000)	-----Weighted Averages-----				Pounds of Milk (000)	-----Weighted Averages-----				
			Butterfat	Protein	Other Solids	SCC (000)		Butterfat	Protein	Other Solids	SCC (000)	
Michigan	1,245	833,095	3.91	3.22	5.78	160	743,948	3.86	3.22	5.79	168	
Ohio	1,639	412,602	3.99	3.21	5.69	166	372,229	3.97	3.23	5.72	182	
Indiana	792	221,524	3.92	3.21	5.77	175	224,658	3.90	3.22	5.75	185	
Pennsylvania	677	82,186	4.12	3.21	5.72	200	92,743	4.06	3.21	5.74	227	
New York	215	94,384	4.08	3.20	5.74	138	88,281	3.99	3.20	5.75	178	
Wisconsin	18	2,650	3.97	3.17	5.78	146	7,475	4.07	3.29	5.71	163	
West Virginia	32	1,658	4.14	3.29	5.67	214	1,897	4.20	3.31	5.66	228	
Other	153	12,812	4.13	3.30	5.71	189	8,889	4.03	3.22	5.76	185	
Total/Average *	4,771	1,660,912	3.95	3.22	5.75	164	1,540,120	3.91	3.22	5.76	178	

* Totals may not add due to rounding. Data provided on a one month delay basis and includes only milk from these states *pooled* on the Mideast order.



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**FEDERAL ORDER DATA
January 2017**

Marketing Area ^{1/}	Producer Milk		Class I Percent %	Producer Price Differential (per cwt.)	Statistical Uniform Price (per cwt.)
	Total (000)	Class I (000)			
FO 1 Northeast - (Boston)	2,282,627	762,059	33.4	\$1.70	\$15.70
FO 5 Appalachian - (Charlotte)	525,749	373,944	71.1	^{2/}	17.53
FO 6 Florida - (Tampa)	242,498	198,458	81.8	^{2/}	19.62
FO 7 Southeast - (Atlanta)	476,314	345,495	72.5	^{2/}	18.00
FO 30 Upper Midwest - (Chicago)	2,849,955	282,324	9.9	0.26	14.26
FO 32 Central - (Kansas City)	1,456,114	428,695	29.4	0.52	14.52
FO 33 Mideast - (Cleveland)	1,703,221	564,850	33.2	0.84	14.84
FO 124 Pacific Northwest - (Seattle)	742,308	163,100	22.0	0.32	14.32
FO 126 Southwest - (Dallas)	1,387,888	390,963	28.2	1.35	15.35
FO 131 Arizona - (Phoenix)	481,944	115,331	23.9	^{2/}	14.56

^{1/} Names in parentheses are principal points of markets.

^{2/} Producers in these markets are paid on the basis of a uniform skim and butterfat price.

MINIMUM PARTIAL PAYMENT PRICE FOR FEBRUARY 2018\$13.13 /cwt.

**MIDEAST MARKETING AREA
FEDERAL ORDER 33**

**BALANCE SHEET
MARKETING SERVICE FUND**

As of December 31, 2017

ASSETS

Current Assets:

Cash and Bank Deposits	\$ 135,747.82
Investments	180,611.36
Accounts Receivable - Handlers	115,474.01
Allowance for Uncollectible Accounts	.00
Accounts Receivable - Other	.00
Accrued Interest Receivable	.00

Other Assets:

Prepaid Expenses	\$ 4,807.27
Deposits	6,635.62

Fixed Assets:

Motor Vehicles	\$ 469,914.59
Accumulated Depreciation	(374,229.57)
Furniture and Equipment	25,509.50
Accumulated Depreciation	(25,509.50)
Laboratory Equipment	1,047,540.30
Accumulated Depreciation	(846,693.44)
Leasehold Improvements	120,029.69
Accumulated Depreciation	(120,029.69)

Total Assets \$ 739,807.96

LIABILITIES AND OPERATING BALANCE

Current Liabilities:

Accounts Payable - Other	\$.00
Accrued Employee Salaries Payable	21,950.83
Accrued Employee Annual Leave	91,049.89
Payroll Contributions and Withholdings	5,836.74

Operating Balance \$ 620,970.50

Total Liabilities and Operating Balance \$ 739,807.96

**MIDEAST MARKETING AREA
FEDERAL ORDER 33**

**INCOME AND EXPENSE STATEMENT
MARKETING SERVICE FUND**

For the Year Ending December 31, 2017

Income:

Assessments or Deductions	\$1,710,796.41
Late Payment Charges Assessed	.00
Interest Earned	333.95
Miscellaneous	<u>52,130.22</u>
<u>Total Income</u>	<u>\$1,763,260.58</u>

Expenses:

Salaries and Services	\$1,043,144.27
Travel	75,267.26
Communications	50,040.20
Employer Payroll Contributions	340,647.92
Insurance	6,360.43
Rent - Buildings and Equipment	87,430.99
Repairs and Maintenance	12,130.65
Supplies	75,098.54
Testing and Weighing	23,573.83
Utilities	8,697.13
Depreciation of Fixed Assets	143,089.90
Conferences and Meetings	.00
Training	1,480.86
Uncollectible Accounts	.00
Miscellaneous	3,750.65
Amortization of Leasehold Improvements	<u>.00</u>
<u>Total Expenses</u>	<u>\$1,870,712.63</u>

Net Income

\$ (107,452.05)

Mideast Market Administrator's Bulletin

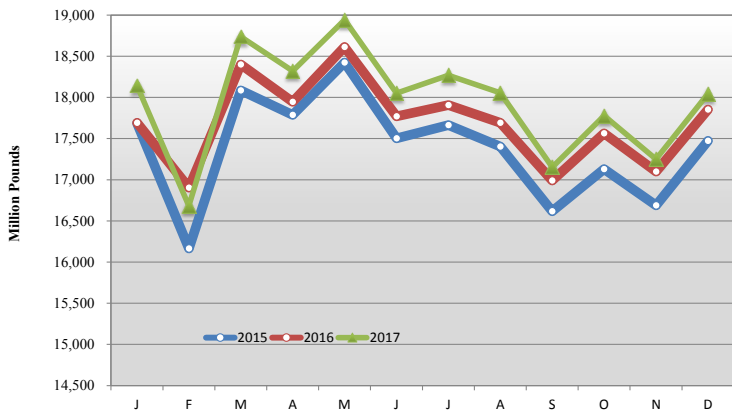
Supplement

Federal Order No. 33

February 2018

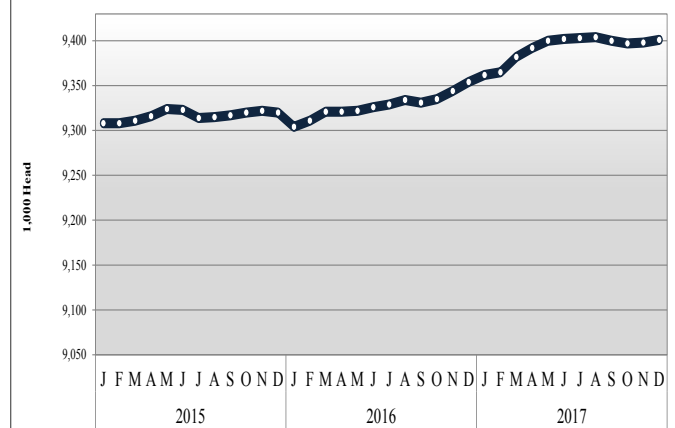
MILK PRODUCTION STATISTICS 1/

Milk Production by Month, United States, 2015-2017



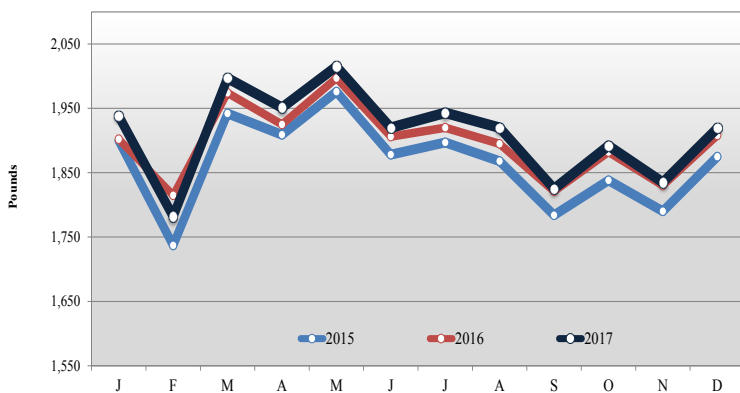
December 2017 milk production in the United States increased 793 million pounds from November to 18.0 billion pounds. December 2017 milk production in the United States was up 1.1 percent from the same month of the prior year.

Milk Cows by Month, United States, 2015-2017



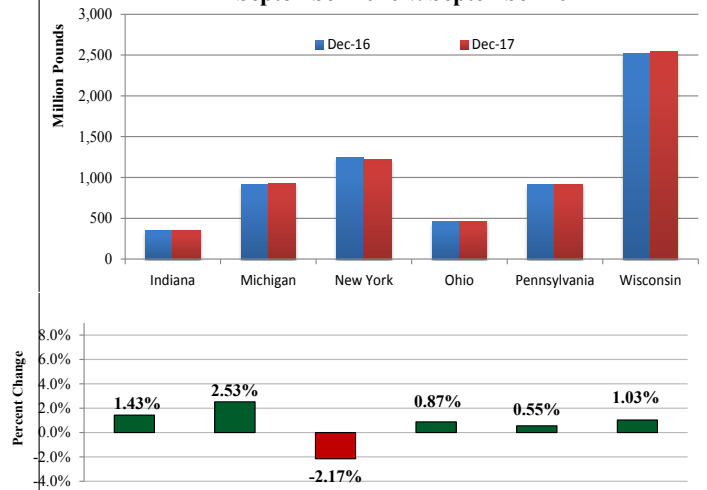
The number of milk cows on farms in the United States was 9.4 million head for December 2017 up 3,000 head from November and 47,000 head more than December 2016.

Milk Production Per Cow by Month, United States, 2015-2017



Production per cow in the United States averaged 1,919 pounds for December 2017, up 84 pounds from November 2017. December 2017 milk production per cow was up 11 pounds from the same month of the prior year.

Milk Production in Select Mideast States, September 2016 v. September 2017

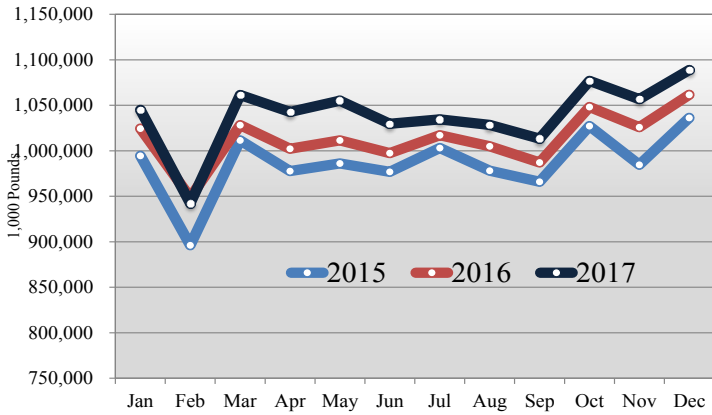


Milk production from selected states which pool on the Mideast marketing area totaled 6.4 billion pounds during December 2017, up 36 million pounds from the prior year. Milk production in Michigan was up 23 million pounds while production in Pennsylvania was up 5 million pounds.

1/ Source: National Agricultural Statistics Service (NASS), Agricultural Statistics Board, United States Department of Agriculture (USDA). Gaps in data in figures is due to NASS suspension of select data to meet sequestration requirements.

DAIRY PRODUCT PRODUCTION 1/

Total Cheese Production, 2015-2017



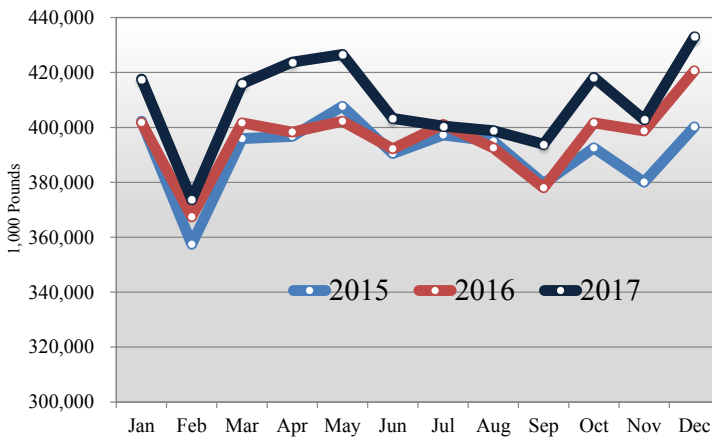
Dairy Product Production Summary:

Total cheese output (excluding cottage cheese) for December 2017 was 1.1 billion pounds, 2.6 percent above December 2016 and 3.0 percent above November 2017.

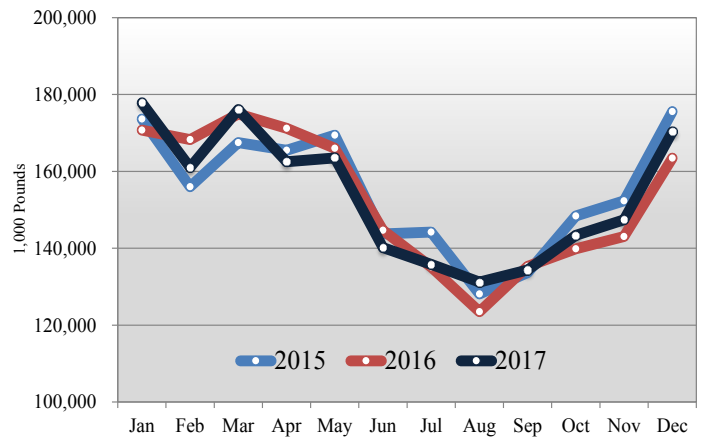
American type cheese production totaled 433 million pounds, 2.9 percent above December 2016 and 7.5 percent above November 2017.

Butter production was 170 million pounds, 4.2 percent above December 2016 and 15.5 percent above November 2017.

Total American Cheese Production, 2015-2017



Total Butter Production, 2015-2017



COMMERCIAL DISAPPEARANCE 2/

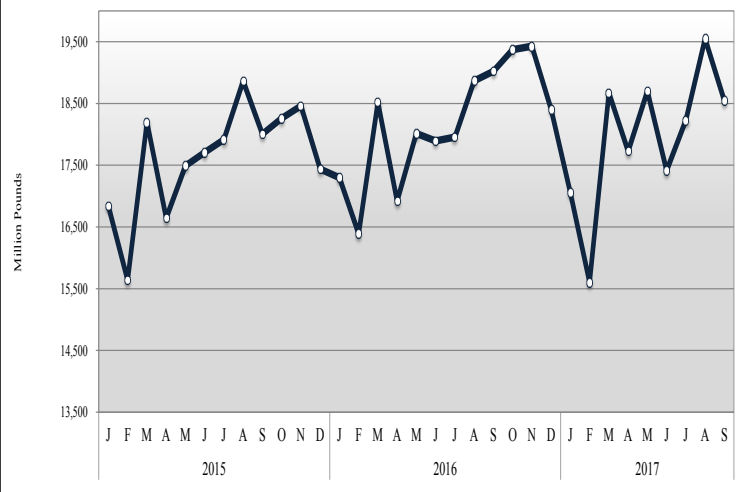
Commercial disappearance of milk in all productions represents the difference between the beginning monthly milk supply and the ending commercial stocks. Milk supply includes farm production, beginning inventory, imports and excludes milk used on the farm.

For December 2017 commercial disappearance of milk was 18.2 billion pounds, down 1.2 percent from the prior year. The cumulative disappearance total for 2017 is 220 billion pounds, an increase of 2.5 percent from the same 12-month period of 2016.

December 2017 commercial disappearance of American cheese was 423 million pounds, up 2.5 percent from the prior year.

December 2017 commercial disappearance of butter was 164 million pounds, down 0.6% from the prior year.

Commercial Disappearance of Milk in All Products, 2015-2017



1/ Source: National Agricultural Statistics Service (NASS), Agricultural Statistics Board, United States Department of Agriculture (USDA).

2/ Sources: NASS, ERS, FAS, FSA, Bureau of Census, and ERS calculations.