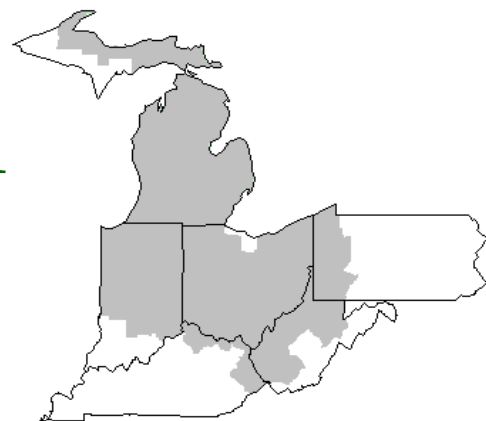


Mideast Market Administrator's Bulletin



Federal Order No. 33

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JULY 2018

Recent Developments in Dairy Markets

U.S. dairy product prices appear to be competitive with foreign export prices. USDA Dairy Market News reported that in May, Oceania and Western Europe export prices averaged \$2.61 and \$3.20 per pound for butter, respectively, and \$0.94 and \$0.80 for skim milk powder (SMP), respectively. The Oceania export price for cheddar cheese was \$1.86 per pound in May, and the Western Europe dry whey export price was \$0.41 per pound.

USDA National Agricultural Statistics Service (NASS) reported U.S. milk production in April to be 18.435 billion pounds, only 0.6 percent above April 2017. Milk cows numbered 9.400 million head in April, 2,000 less than March. NASS is now showing that milk cow numbers declined for 2 consecutive months. Dairy cow slaughter rates continue to exceed those of last year. While the all-milk price rose from a low point of \$15.30/cwt in February to \$15.60 and \$15.80 in March and April, respectively, feed prices have proportionally risen to a greater extent. The milk-feed ratio fell to 1.9 in April, the lowest level for the month since 2013.

Year-over-year growth in milk production has also slowed for the European Union (EU). In March, EU milk production was only 0.4 percent above March 2017. This followed year-over-year growth in January and February of 4.1 percent and 2.6 percent, respectively. In the first quarter of 2018, New Zealand's milk production was below the first quarter of 2017. However, in April, New Zealand production was 3.1 percent higher than April 2017.

On June 7, USDA announced that California dairy producers had voted to approve a Federal Milk Marketing Order (FMMO) for California. Affected parties must comply with all provisions beginning November 1, 2018. The proposed California FMMO would replace the current California State Order (CSO) classified price formulas with uniform end-product pricing formulas currently used in the 10 existing FMMOs. According to the economic analysis provided by USDA Agricultural Marketing Service (AMS), regulated minimum prices to be received by farmers would likely be greater than CSO minimum prices. However, pooling regulations under the proposed FMMO would allow handlers to elect not to pool milk used in manufacturing.

Feed price estimates for 2017/18 for corn and soybean meal are unchanged from last month at \$3.25-\$3.55 per bushel and \$360 per short ton, respectively. The alfalfa hay price in April was \$183 per short ton, \$17 higher than March and \$33 higher than April of last year. The average corn price for 2018/19 is projected to be \$3.40-\$4.40 per bushel, 10 cents higher than last month's forecast at the midpoint. The 2018/19 average soybean meal price is projected at \$330-\$370 per short ton, unchanged from last month's forecast. For more information, see the USDA Economic Research Service publication Feed Price Outlook.

The forecast for the size of the milking herd in 2018 has been lowered slightly to 9.405 million head, as cow numbers fell in April for the second straight month. Milk per cow is now forecast at 23,185

pounds for the year, 55 pounds lower than previously forecast, due to slow growth in April and higher expected feed prices. As a result of these changes, milk production for 2018 is projected 0.7 billion pounds lower than last month's forecast, at 218.0 billion pounds.

The 2018 import forecast on a milk-fat basis has been raised by 0.3 billion pounds to 5.8 billion, due to recent growth in imports of butterfat products. Mexico's tariffs on cheese from the United States are expected to have a negative impact on cheese exports. However, on a milk-fat basis, growth in exports of butterfat products and cheese exports to other countries is expected to more than offset the lost cheese exports to Mexico this year. Therefore, the 2018 export forecast for the year is 10.2 billion pounds on a milk-fat basis, 0.3 billion pounds higher than the last forecast. Ending stocks on a milk-fat basis are projected at 12.6 billion pounds, unchanged from the last forecast. Due to low domestic use in recent months and higher expected prices, the 2018 domestic use forecast on a milk-fat basis has been lowered 0.7 billion pounds to 213.5 billion.

Imports on a skim-solids basis are forecast at 5.6 billion pounds for 2018, 0.2 billion pounds lower than the last forecast, due to lower expected imports of milk protein products and other dairy products. Due to robust exports in April and expectations for the U.S. prices to remain competitive, the export forecast on a skim-solids basis has been raised 1.1 billion pounds to 46.2 billion. Ending stocks are now forecast at 10.4 billion pounds for the year as stocks fell in April and higher exports should result in further drawdowns. Domestic use on a skim-solids basis is now projected at 177.9 billion pounds for 2018, 1.2 billion pounds lower than the previous forecast, due to higher prices for NDM and whey.

(Continued on Page 3)

June 2018 - Pool Summary

Classification of Producer Milk

	<i>Pounds</i>	<i>Percent</i>
Class I	477,551,007	27.6
Class II	355,393,139	20.6
Class III	608,743,355	35.2
Class IV	286,303,479	16.6
Total	1,727,990,980	100.0

Producer Prices

Producer Price Differential	\$ 0.63 /cwt
Butterfat Price	2.6692 /lb
Protein Price	1.7478 /lb
Other Solids Price	0.1128 /lb
Somatic Cell Adjustment Rate	0.00081 /cwt
Statistical Uniform Price	15.84 /cwt

ANNOUNCEMENT OF PRODUCER PRICES

Federal Order No. 33

June 2018

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			467,710,529			\$8.35 / cwt	\$ 39,053,829.17
Class I Butterfat		9,840,478				2.6274/ lb	25,854,871.91
Class I Location Differential	477,551,007						(231,470.96)
Class II SNF Value				30,222,756		0.7033/ lb	21,255,664.31
Class II Butterfat		24,260,713				2.6762/ lb	64,926,520.11
Class III Protein Value			18,435,304			1.7478/ lb	32,221,224.31
Class III Other Solids Value					35,327,431	0.1128/ lb	3,984,934.21
Class III Butterfat		19,949,882				2.6692/ lb	53,250,225.05
Class IV SNF Value				25,270,888		0.6407/ lb	16,191,057.92
Class IV Butterfat		9,785,026				2.6692/ lb	26,118,191.43
Somatic Cell Value II / III / IV							<u>1,610,567.54</u>
TOTAL PRODUCER MILK VALUE	1,727,990,980	63,836,099	52,069,855		99,877,455		\$ 284,235,615.00
Overages						\$ 66,566.16	
Beginning Inventory & OS Charges						54,771.67	
TOTAL ADJUSTMENTS							<u>121,337.83</u>
TOTAL HANDLER OBLIGATIONS							\$ 284,356,952.83
Total Protein Value			52,069,855 lbs	@	\$1.7478		\$ (91,007,692.57)
Total Other Solids Value			99,877,455 lbs	@	0.1128		(11,266,176.97)
Butterfat Value			63,836,099 lbs	@	2.6692		(170,391,315.44)
Total Somatic Cell Values							<u>(2,209,096.29)</u>
TOTALS							\$ 9,482,671.56
Net Producer Location Adjustments							\$ 1,420,634.09
1/2 Unobligated Balance Producer Settlement Fund							<u>764,000.00</u>
Total - Divided by Total Pounds			1,727,990,980 lbs		0.6751948		\$ 11,667,305.65
Rate of Cash Reserve					<u>(0.0451948)</u>		<u>(780,962.07)</u>
PRODUCER PRICE DIFFERENTIAL at Cuyahoga County, OH*			1,727,990,980		\$ 0.63 / cwt		\$ 10,886,343.58

COMPONENT PRICES

June

COMPUTATION OF UNIFORM PRICE

June

	<u>2018</u>	<u>2017</u>		<u>2018</u>	<u>2017</u>
Butterfat Price	\$2.6692 / lb	\$2.7066 / lb	Class III Price - 3.5% BF	\$15.21	\$16.44
Protein Price	1.7478 / lb	1.7545 / lb	Producer Price Differential*	<u>0.63</u>	<u>0.27</u>
Other Solids Price	0.1128 / lb	0.3014 / lb	Statistical Uniform Price	\$15.84	\$16.71
Somatic Cell Adjustment Rate	0.00081 / cwt	0.00081 / cwt			
Nonfat Solids Price	0.6407 / lb	0.7384 / lb			

CLASS PRICES

June

CLASSIFICATION OF PRODUCER MILK

June

	<u>2018</u>	<u>2017</u>		<u>2018</u>	<u>2017</u>
Class I*	\$17.25	\$17.31	Product lbs.		
Class II	15.48	16.15	Class I	477,551,007	510,735,218
Class III	15.21	16.44	Class II	355,393,139	361,260,001
Class IV	14.91	15.89	Class III	608,743,355	603,239,899
			<u>Class IV</u>	<u>286,303,479</u>	<u>301,624,610</u>
			Total	1,727,990,980	1,776,859,728

* Subject to Location Adjustment.

ORDER 33 MARKET SUMMARY

The Producer Price Differential for the Mideast Marketing Area for June 2018 was \$0.63 and the Statistical Uniform Price was \$15.84 for the month. The Statistical Uniform Price is \$0.51 higher than last month, and is \$0.87 lower than June 2017.

The Producer Butterfat Price of \$2.6692 per pound increased \$0.0453 from May and is down \$0.0374 from a year ago. The Protein Price of \$1.7478 is down \$0.1131 from last month and is down \$0.0067 from June 2017. The Other Solids Price in June was \$0.1128 per pound, an increase from last month's price of \$0.0742 and \$0.1886 lower than last June. The Somatic Cell Adjustment rate for June was \$0.00081 per cwt.

June producer receipts of 1.73 billion pounds were 3.2 percent higher than May and 2.8 percent lower than June 2017 production of 1.78 billion pounds. Producer milk allocated to Class I accounted for 27.6 percent of the total producer milk in June 2018, less than the 30.5 percent in May, and lower than the 28.7 percent in June 2017. A total of 4,530 producers were pooled on the Mideast Order compared to 4,984 producers pooled in June 2017.

The market average content of producer milk was as follows: Butterfat 3.69%; Protein 3.01%; Other Solids 5.78% and Nonfat Solids 8.79%.

(continued from Front Page)

With lower milk production forecast, higher expected exports, and recent price strength, price forecasts have been raised for butter, nonfat dry milk, and dry whey to \$2.295-2.365, \$0.775-0.815, and \$0.295-\$0.315, respectively. The cheese price forecast is unchanged at the midpoint from last month's forecast, at \$1.605-\$1.645 per pound, as negative effects of Mexico's tariffs are expected to be offset by robust exports to other countries and competing uses for milk.

With a higher dry whey price, the 2018 Class III milk price forecast has been raised to \$15.05-\$15.45/cwt, 20 cents higher than last month's forecast at the midpoint of the range. With higher expected NDM and butter prices, the Class IV price forecast has been raised to \$14.30-\$14.80/cwt, 50 cents higher than last month's forecast at the midpoint of the range. The all milk price forecast for 2018 is \$16.60-\$17.00/cwt, an increase of 35 cents from the last forecast at the midpoint of the range.

The projected size of the milking herd for 2019 is 9.410 million head, unchanged from last month's projection. However, as higher feed prices are expected to carry over into next year, the milk per cow forecast has been lowered 40 pounds to 23,495 pounds. Due to the lower milk per cow forecast, milk production for 2019 is now forecast at 221.1 billion pounds, 0.4 billion pounds lower than last month's forecast.

This month's forecasts account for the recently announced implementation of the California FMMO, which is expected to have product price impacts in 2019. According to an economic analysis by USDA AMS, the higher minimum milk prices to be paid by handlers manufacturing cheese and whey (Class III in the Federal order system) would result in less cheese production, contributing to higher cheese prices. As less cheese is produced, more milk would move into butter and nonfat dry milk production, lowering prices for those products. For California, the largest milk-producing State, milk prices received by dairy farmers are expected to be higher under the new FMMO than they have been under the CSO. In other regions, dairy farmers would receive either higher or lower prices depending on class utilization in the region. On average, the U.S. all-milk price would be higher.

With lower expectations for milk production and the effects of the California FMMO more than offsetting the effects of Mexican cheese tariffs, the cheese price forecast for 2019 has been raised to \$1.625-\$1.725 per pound. The dry whey price forecast has been raised to \$0.300-\$0.330 based on higher expected exports and effects of the California FMMO. The butter price forecast has been lowered slightly to \$2.210-\$2.340 per pound as higher exports of butterfat are more than offset by the effects of more butter production as a result of the California FMMO. The NDM price, however, has been raised 1 cent at the midpoint of the range to \$0.755-\$0.825, as the effects of strong export demand should outweigh higher NDM production as a result of the California FMMO.

The Class III milk price forecast has been raised to \$15.30-\$16.30 due to higher expected prices for cheese and dry whey. The Class IV milk price forecast has been raised to \$13.70-\$14.80/cwt as the higher expected NDM price forecast is expected to more than offset the lower butter price forecast. The all milk price forecast for 2019 has been raised 45 cents at the midpoint of the range to \$16.70-\$17.70/cwt.

Source: *Livestock, Dairy, and Poultry Outlook*, LDP-M-288, June 18, 2018 USDA, Economic Research Service.

May Milk Production Up 0.9 Percent

Milk production in the 23 major States during May totaled 17.9 billion pounds, up 0.9 percent from May 2017. April revised production, at 17.3 billion pounds, was up 0.5 percent from April 2017. The April revision represented an increase of 0.1 percent or 18 million pounds from last month's preliminary production estimate.

Production per cow in the 23 major States averaged 2,052 pounds for May, 15 pounds above May 2017. This is the highest production per cow for the month of May 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, 10,000 head more than May 2017, and 2,000 head more than April 2018.

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 May totaled 2.8 billion pounds, down 31 million pounds or 1.1 percent from May 2017.

Production per cow in the Mideast states averaged 2,030 pounds for May. This was a decrease of 3 pounds from May 2017.

The number of cows on farms in the Mideast states was 1.4 million head, 11,000 head less than May 2017.

Bulletin WebPage Edition

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Featured this month are:

- Producer Milk Classification
- Statistical Uniform Price
- Class and Component Prices
- National Product Prices

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

State	May 2018						May 2017				
	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	1,187	824,727	3.79	3.10	5.79	163	828,842	3.67	3.09	5.78	167
Ohio	1,595	419,448	3.79	3.07	5.78	181	443,383	3.76	3.10	5.71	183
Indiana	757	232,870	3.68	3.02	5.76	183	242,771	3.68	3.10	5.79	180
New York	189	98,367	3.87	3.07	5.78	179	95,157	3.82	3.08	5.78	174
Pennsylvania	661	87,792	3.85	3.04	5.76	208	104,466	3.84	3.08	5.75	224
Other	166	10,579	3.81	3.11	5.73	229	20,890	3.86	3.12	5.76	177
Total/Average *	4,555	1,673,783	3.78	3.08	5.78	174	1,735,510	3.72	3.09	5.76	177

* 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
June 2018**

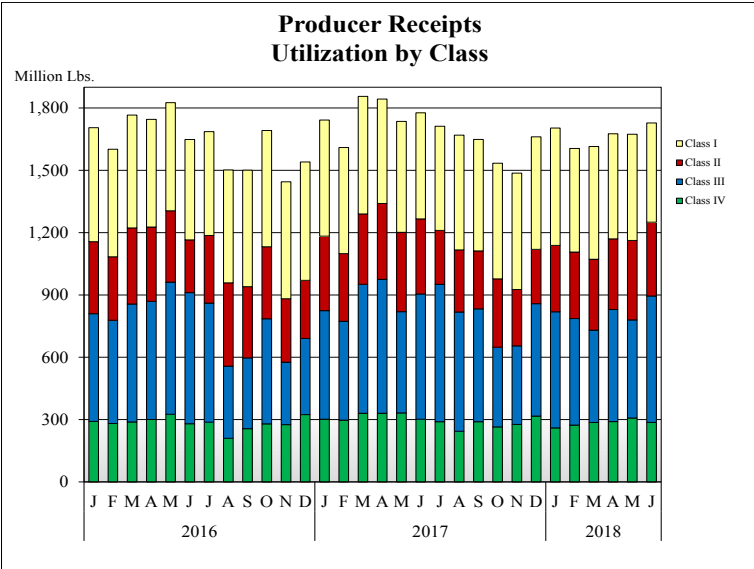
Marketing Area ^{1/}	Producer Milk		Class I Percent %	Producer Price Differential (per cwt.)	Statistical Uniform Price (per cwt.)
	Total (000)	Class I (000)			
FO 1 Northeast - (Boston)	2,326,946	680,808	29.3	\$1.49	\$16.70
FO 5 Appalachian - (Charlotte)	446,753	299,317	67.0	^{2/}	17.81
FO 6 Florida - (Tampa)	189,996	160,909	84.7	^{2/}	19.96
FO 7 Southeast - (Atlanta)	419,965	284,843	67.8	^{2/}	18.12
FO 30 Upper Midwest - (Chicago)	3,050,268	234,167	7.7	0.19	15.40
FO 32 Central - (Kansas City)	1,475,722	357,158	24.2	0.32	15.53
FO 33 Mideast - (Cleveland)	1,727,991	477,551	27.6	0.63	15.84
FO 124 Pacific Northwest - (Seattle)	752,887	139,913	18.6	0.26	15.47
FO 126 Southwest - (Dallas)	1,142,954	310,200	27.1	1.22	16.43
FO 131 Arizona - (Phoenix)	417,808	97,183	23.2	^{2/}	15.70

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

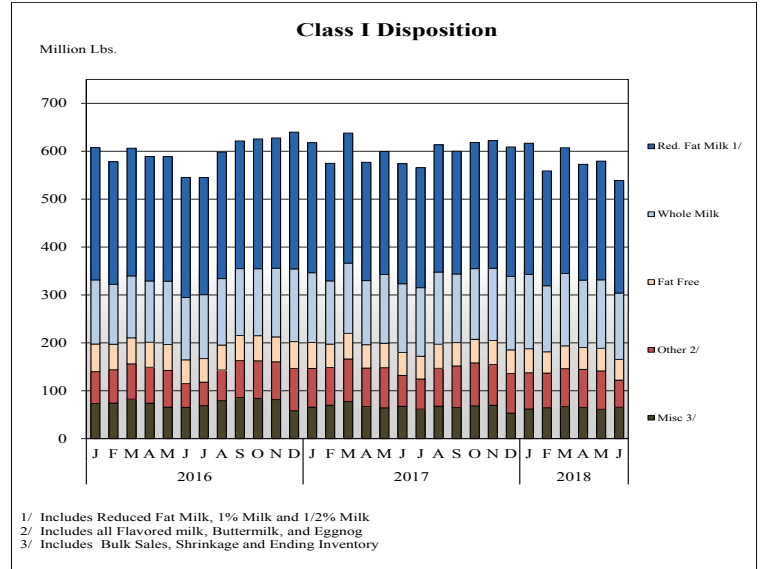
^{2/} Producers in these markets are paid on the basis of a uniform skim and butterfat price.

MINIMUM PARTIAL PAYMENT PRICE FOR JULY 2018.....14.91 /cwt.

PRODUCER MILK CLASSIFICATION

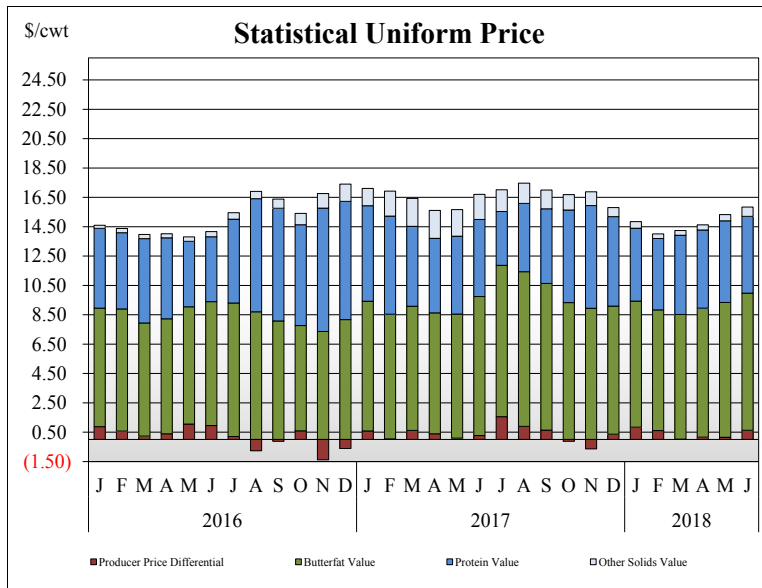


Producer Receipts: Producer receipts for the Mideast Order totaled 1.73 billion pounds in June 2018. The pounds allocated to Class I represented 27.6 percent of the total pounds. Producer receipts increased 54.2 million pounds compared to May 2018, and were down 48.9 million pounds from the prior year.

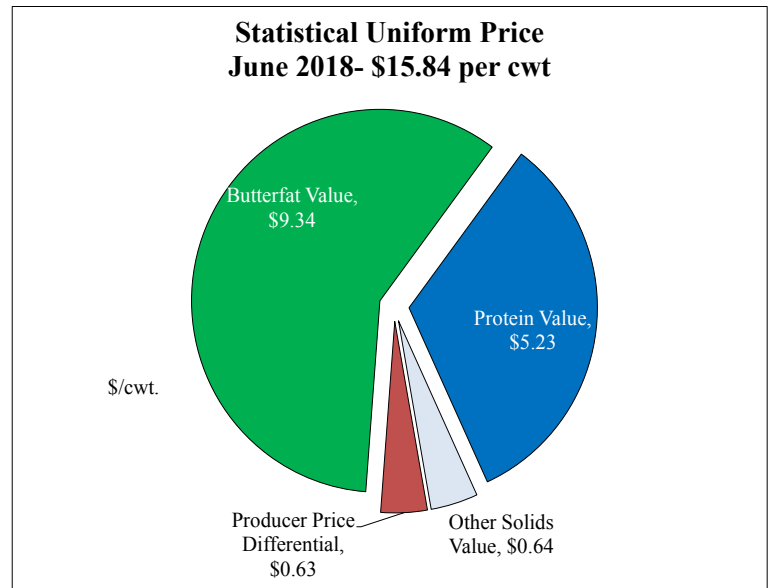


Class I Pounds: Class I Disposition for the Mideast Order totaled 477.6 million pounds in June 2018, down 33.2 million pounds from June 2017. Finished products include 138.4 million pounds used for whole milk, 234.8 million pounds of reduced fat and low fat milk, and 43.2 million pounds of fat free (skim) milk.

STATISTICAL UNIFORM PRICE

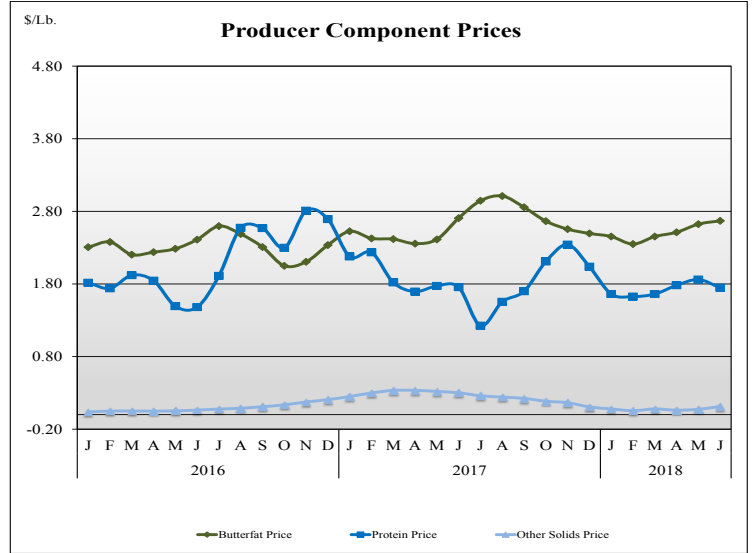
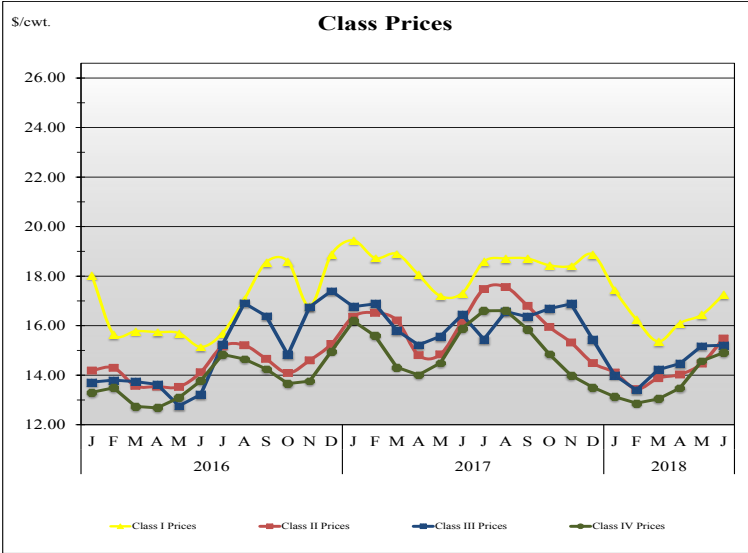


Statistical Uniform Price: The Mideast Federal Order Statistical Uniform Price (SUP) at Cuyahoga County, OH was \$15.84 per cwt for June 2018. The June 2018 SUP was \$0.87 per cwt lower than the June 2017 SUP. The June 2018 SUP is \$0.51 per cwt higher than the May 2018 SUP.



June 2018 Statistical Uniform Price: Using the Class III Price formula at 3.5% BF, the component values for the June 2018 SUP are: \$5.23 per cwt for protein, \$9.34 per cwt for butterfat and \$0.64 per cwt for other solids. Also included in the SUP is the \$0.63 per cwt producer price differential. (May not add to total due to rounding.)

CLASS AND COMPONENT PRICES



WEIGHTED AVERAGE NATIONAL PRODUCT PRICES

