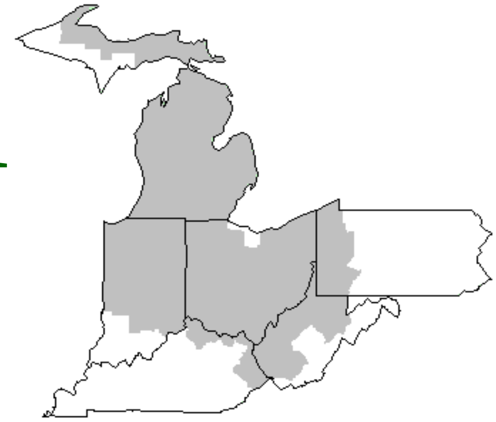
Mideast Market Administrator's Bulletin



Federal Order No. 33
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APRIL 2016

Recent Developments in Dairy Markets

U.S. dairy imports surged for several major products in January. Cheese imports were 66 percent higher than January 2015. Imports of butterfat products (butter, butter oils, and anhydrous milk fat) were nearly double over the previous year. There were also large increases in imports of food preparations with substantial dairy content. Altogether, January imports were 809 million pounds on a milk-fat milk-equivalent basis, an increase from 518 million pounds in December and the highest level for a single month since January 2006. On a skim-solid milk-equivalent basis, imports were 584 million pounds, an increase from 571 million pounds in December and the highest level since February 2009. While January exports were relatively low for many dairy products, nonfat dry milk (NDM) and skim milk powder (SMP) exports remained strong, 23 percent higher than January 2015.

The surge of imports and the relative weakness of exports reflect price differences with major competitors, large global supplies, and relatively weak global demand. The U.S. domestic butter price exceeded the Oceania export price by about 69 and 79 cents in January and February, respectively, while the price differences between the U.S. and Oceania for Cheddar cheese were about 13 and 22 cents. Expansion in milk production for the European Union (EU) has contributed to an abundance of global supplies of dairy products and relatively low prices abroad. In December, EU cow's milk marketing's were 4.9 percent higher than in December 2014.

U.S. cheese production for January was 26 million pounds higher than in January 2015. The high cheese production contributed to abundant supplies, with January ending cheese stocks 12.4 percent above January 2015. January production of dry whey, a by-product of cheese, was up 7 million pounds over January 2015. As more milk moved to cheese and the whey stream, less milk was available for other products. January butter production was 4 million pounds less than the previous year, and NDM and SMP production combined was 21 million pounds less.

U.S. milk production was 17,730 million pounds in January, an increase of 0.3 percent over January 2015. Although milk production continued to expand, the expansion was at a lesser rate than the 0.7 percent year-over-year increase in December. Milk cows in January numbered 9.310 thousand head, 2 thousand more than in January 2015, and the average yield was 1,904 pounds per cow, a year-over-year increase of 4 pounds.

Price directions of major dairy commodities, as reported in the USDA *National Dairy Products Sales Report*, were mixed in February. From the week ending January 30 to the week ending February 27, the price of butter decreased from $2.150 to $2.074 per pound. For the same weeks, the price of 40-pound blocks of Cheddar cheese increased from $1.498 to $1.504 per pound, but 500-pound barrels (adjusted to 38-percent moisture) decreased from $1.542 to $1.521 per pound. The price of dry whey rose from $0.239 for the week ending January 30 to $0.259 for the week ending February 27. NDM prices were fairly stable during the month, with prices declining from $0.771 to $0.768 per pound.

Feed price forecasts continue to remain relatively low. The corn price forecast for 2015/16 is $3.40-$3.80 per bushel, unchanged from last month at the midpoint of the range. The 2015/16 soybean meal price forecast is $270-$300 per short ton, a $10 reduction at the top of the range from last month's forecast. The national average price for alfalfa hay decreased from $150 per short ton in December to $147 in January.

Based on recent data, the 2016 forecast for milk cows has been raised to 9.305 million head, 10 thousand more than forecast last month. Milk per cow has been lowered to 22,745 pounds per head, 50 pounds less than forecast last month, based on recent yield data and lower milk prices. Milk production for 2016 is forecast at 211.6 billion pounds, a decrease of 0.3 billion pounds from last month's forecast. Import forecasts have been raised and export forecasts have been lowered for several interrelated reasons:

• Recent changes in imports and exports as reflected in the January trade data,

• Price differentials between the United States and its competitors,

• The strong value of the U.S. dollar,

• Higher expected domestic demand,

(Continued on Page 3)

March 2016
Pool Summary

Classification of Producer Milk

	Pounds	*Percent*
Class I	543,210,306	30.8
Class II	366,496,436	20.8
Class III	567,502,046	32.1
Class IV	288,844,717	16.3
Total	1,766,053,505	100.0

Producer Prices

Producer Price Differential	$ 0.23	/ cwt
Butterfat Price	2.2028	/ lb
Protein Price	1.9206	/ lb
Other Solids Price	0.0501	/ lb
Somatic Cell Adjustment Rate	0.00076	/ cwt
Statistical Uniform Price	13.97	/ cwt

ANNOUNCEMENT OF PRODUCER PRICES

Federal Order No. 33

March 2016

COMPUTATION OF PRODUCER PRICE DIFFERENTIAL

	POUNDS	BUTTERFAT	SKIM / PROTEIN	NONFAT SOLIDS	OTHER SOLIDS	PRICE	VALUE
Class I Skim Value			533,221,840			$7.54 / cwt	$40,204,926.73
Class I Butterfat		9,988,466				2.4303/ lb	24,274,968.93
Class I Location Differential	543,210,306						(224,447.90)
Class II SNF Value				31,647,094		0.6722/ lb	21,273,176.62
Class II Butterfat		23,060,112				2.2098/ lb	50,958,235.54
Class III Protein Value			17,772,150			1.9206/ lb	34,133,191.31
Class III Other Solids Value					32,850,621	0.0501/ lb	1,645,816.12
Class III Butterfat		18,794,434				2.2028/ lb	41,400,379.20
Class IV SNF Value				25,304,145		0.5786/ lb	14,640,978.31
Class IV Butterfat		14,769,227				2.2028/ lb	32,533,653.24
Somatic Cell Value II / III / IV							1,632,158.06
TOTAL PRODUCER MILK VALUE	1,766,053,505	66,612,239	54,952,627		101,782,824		$262,473,036.16
Overages					56,622.47		
Beginning Inventory & OS Charges					(26,312.79)		
TOTAL ADJUSTMENTS							30,309.68
TOTAL HANDLER OBLIGATIONS							$262,503,345.84
Total Protein Value			54,952,627 lbs	@	$1.9206		$(105,542,015.42)
Total Other Solids Value			101,782,824 lbs	@	0.0501		(5,099,319.45)
Butterfat Value			66,612,239 lbs	@	2.2028		(146,733,440.08)
Total Somatic Cell Values							(2,337,737.96)
TOTALS							$ 2,790,832.93
Net Producer Location Adjustments							$ 1,221,068.74
1/2 Unobligated Balance Producer Settlement Fund							821,000.00
Total - Divided by Total Pounds			1,766,053,505 lbs		0.2736555		$ 4,832,901.67
Rate of Cash Reserve					(0.0436555)		(770,979.49)
PRODUCER PRICE DIFFERENTIAL *at Cuyahoga County, OH**			1,766,053,505		$0.23 / cwt		$ 4,061,922.18

COMPONENT PRICES

March	2016	2015
Butterfat Price	$2.2028 / lb	$1.8444 / lb
Protein Price	1.9206 / lb	2.4875 / lb
Other Solids Price	0.0501 / lb	0.2918 / lb
Somatic Cell Adjustment Rate	0.00076 / cwt	0.00079 / cwt
Nonfat Solids Price	0.5786 / lb	0.8454 / lb

COMPUTATION OF UNIFORM PRICE

March	2016	2015
Class III Price - 3.5% BF	$ 13.74	$15.56
Producer Price Differential*	0.23	(0.03)
Statistical Uniform Price	$13.97	$15.53

CLASS PRICES

March	2016	2015
Class I*	$15.78	$17.56
Class II	13.57	14.50
Class III	13.74	15.56
Class IV	12.74	13.80

* Subject to Location Adjustment.

CLASSIFICATION OF PRODUCER MILK

March	2016	2015
	Product lbs.	*Product lbs.*
Class I	543,210,306	528,668,966
Class II	366,496,436	337,262,774
Class III	567,502,046	409,023,670
Class IV	288,844,717	284,698,293
Total	1,766,053,505	1,559,653,703

ORDER 33 MARKET SUMMARY

The Producer Price Differential for the Mideast Marketing Area for March 2016 was $0.23 and the Statistical Uniform Price was $13.97 for the month. The Statistical Uniform Price is $0.40 lower than last month, and is $1.56 lower than March 2015.

The Producer Butterfat Price of $2.2028 per pound decreased $0.1750 from February and is up $0.3584 from a year ago. The Protein Price of $1.9206 is up $0.1817 from last month and is down $0.5669 from March 2015. The Other Solids Price in March was $0.0501 per pound, an increase from last month's price of $0.0492 and $0.2417 lower than last March. The Somatic Cell Adjustment rate for March was $0.00076.

March producer receipts of 1.77 billion pounds were 10.3 percent higher than February and 13.2 percent higher than March 2015 production of 1.56 billion pounds. Producer milk allocated to Class I accounted for 30.8 percent of the total producer milk in March 2016, lower than the 32.3 percent in February, and lower than the 33.9 percent in March 2015. A total of 5,343 producers were pooled on the Mideast Order compared to 5,676 producers pooled in March 2015.

The market average content of producer milk was as follows: Butterfat 3.77%; Protein 3.11%; Other Solids 5.76% and Nonfat Solids 8.87%.

(continued from Front Page)

• Large global supplies expected for dairy products, particularly from the EU, and

• Expectations of relatively weak global demand for dairy products.

Import forecasts have been raised by 1.1 billion pounds on a milk-fat basis and by 0.2 billion pounds on a skim-solids basis, primarily due to higher expected imports of butterfat products and cheese. Export forecasts have been lowered by 0.1 billion pounds on a milk-fat basis and by 0.7 billion pounds on a skim-solids basis, primarily due to lower expectations for whey exports.

Consumption expectations are raised due to perceived shifts in demand and changes in price forecasts. The upward trend in imports, including the surge in January, may be a sign of a positive shift in consumers' tastes for butter and cheese. Lower expected domestic prices for cheese and NDM, compared to last month's forecasts, are expected to contribute to an increase in domestic use of those products. The forecasts for domestic commercial use have been increased by 0.7 billion pounds on both a milk-fat and a skim-solids basis. The forecasts for ending stocks have been raised by 0.2 billion pounds on a milk-fat basis and 0.1 billion pounds on a skim-solids basis.

Price forecasts this month are based upon counteracting supply and demand influences. Generally, higher imports and lower exports have negative effects on dairy product prices while lower milk production has a positive effect. The cheese price forecast has been lowered to $1.505-$ 1.565 per pound due to more milk allocated to cheese, higher expected imports, and lower expected exports. The butter price has been raised to $2.010-$2.100 per pound, as the effects of the lower milk supply, milk reallocation, and the positive shift in demand more than offset the effect of higher imports. The price forecast for nonfat dry milk has been lowered to $0.770-$0.820 per pound as global trade effects more than offset the effects of lower expected U.S. milk production and milk reallocation. The annual whey price forecast is unchanged at $0.230-$0.260 per pound, as effects of supply and demand on price are expected to be offsetting.

With the lower expected cheese price, the 2016 Class III milk price forecast has been lowered to $13.60-$14.20 per hundredweight (cwt). The Class IV milk price forecast is $13.05-$13.75 per cwt, unchanged at the midpoint, as changes in the underlying dairy product prices are offsetting. With a lower expected Class III milk price, the all-milk price forecast for 2016 has been lowered to $14.95-$15.55 per cwt, a reduction from $15.30-$16.00 forecast last month.

Source: *Livestock, Dairy, and Poultry Outlook*/LDP-M-261/Mar. 15, 2016 Economic Research Service, USDA

February Milk Production Up 4.6 Percent

Milk production in the 23 major States during February totaled 15.8 billion pounds, up 4.6 percent from February 2015. However, adjusting production for the additional day due to leap year causes February milk production to be up 1.0 percent on a per day basis. January revised production, at 16.6 billion pounds, was up 0.2 percent from January 2015. The January revision represented a decrease of 13 million pounds or 0.1 percent from last month's preliminary production estimate.

Production per cow in the 23 major States averaged 1,833 pounds for February, 79 pounds above February 2015. This is the highest production per cow for the month of February since the 23 State series began in 2003. When production is adjusted for the additional day due to leap year, February production per cow is 16 pounds above February 2015 on a per day basis.

The number of milk cows on farms in the 23 major States was 8.63 million head, 8,000 head more than February 2015, and 2,000 head more than January 2016.

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 February totaled 2.5 billion pounds, up 162 million pounds or 6.9 percent from February 2015.

Production per cow in the Mideast states averaged 1,794 pounds for February, 104 pounds above February 2015.

The number of cows on farms in the Mideast states was 1.4 million head, 12,000 head more than February 2015.

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

	February 2016							February 2015				
			Weighted Averages						Weighted Averages			
State	Number of Producers	Pounds of Milk (000)	Butterfat	Protein	Other Solids	SCC (000)		Pounds of Milk (000)	Butterfat	Protein	Other Solids	SCC (000)
Michigan	1,417	789,973	3.77	3.15	5.77	159		738,874	3.80	3.17	5.75	187
Ohio	1,784	398,016	3.89	3.17	5.72	185		380,319	3.88	3.17	5.68	199
Indiana	933	210,171	3.77	3.14	5.75	192		196,527	3.86	3.21	5.82	245
New York	256	100,058	3.91	3.16	5.75	173		88,839	3.95	3.16	5.75	181
Pennsylvania	758	91,061	3.99	3.15	5.72	222		87,974	3.99	3.16	5.71	234
Wisconsin	27	3,935	3.87	3.08	5.72	239		63,393	3.79	3.12	5.73	363
West Virginia	39	2,697	4.04	3.25	5.70	263		2,553	4.17	3.27	5.70	243
Other	118	5,559	4.02	3.17	5.73	240		12,181	3.97	3.19	5.76	202
Total/Average *	5,332	1,601,470	3.83	3.15	5.75	175		1,570,660	3.85	3.17	5.74	207

* 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.

United States Department of Agriculture

Mideast Market Administrator Bulletin
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FEDERAL ORDER DATA
March 2016

	Marketing Area [1/]	Producer Milk Total (000)	Producer Milk Class I (000)	Class I Percent %	Producer Price Differential (per cwt.)	Statistical Uniform Price (per cwt.)
FO 1	Northeast - (*Boston*)	2,305,022	761,896	33.0	$1.07	$14.81
FO 5	Appalachian - (*Charlotte*)	495,984	333,473	67.2	[2/]	15.87
FO 6	Florida - (*Tampa*)	241,647	203,871	84.4	[2/]	18.06
FO 7	Southeast - (*Atlanta*)	508,094	333,373	65.6	[2/]	16.22
FO 30	Upper Midwest - (*Chicago*)	3,126,805	295,315	9.4	0.10	13.84
FO 32	Central - (*Kansas City*)	1,350,520	419,579	31.1	0.13	13.87
FO 33	**Mideast - (*Cleveland*)**	**1,766,054**	**543,210**	**30.8**	**0.23**	**13.97**
FO 124	Pacific Northwest - (*Seattle*)	598,678	167,650	28.0	(0.07)	13.67
FO 126	Southwest - (*Dallas*)	1,273,326	368,337	28.9	0.98	14.72
FO 131	Arizona - (*Phoenix*)	464,008	112,609	24.3	[2/]	13.84

[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 APRIL 2016............................$12.74 /cwt.

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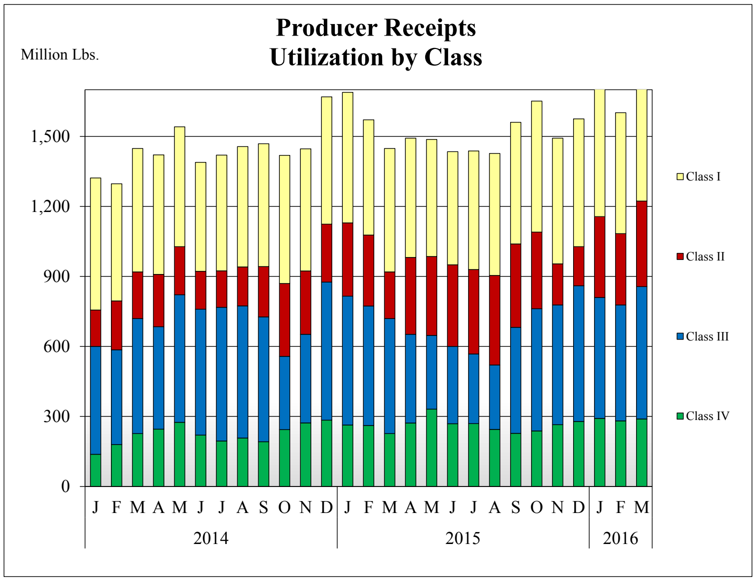
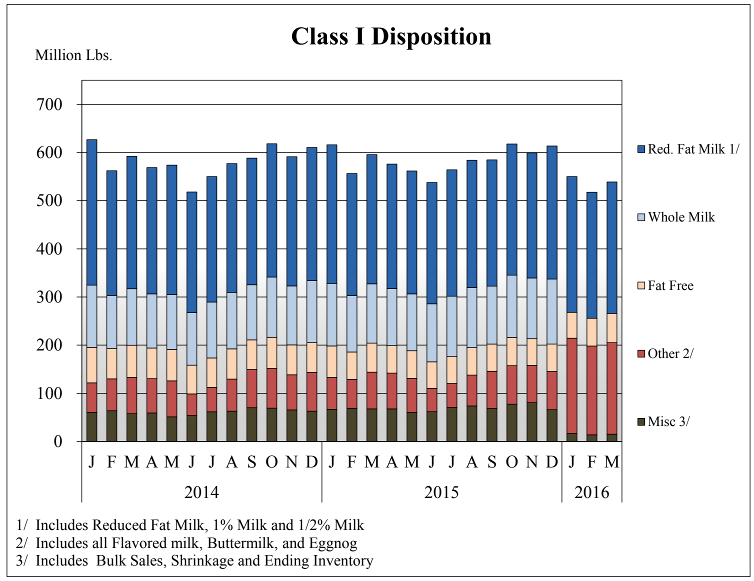
Mideast Market Administrator's
Bulletin
Supplement
Federal Order No. 33 April 2016

PRODUCER MILK CLASSIFICATION

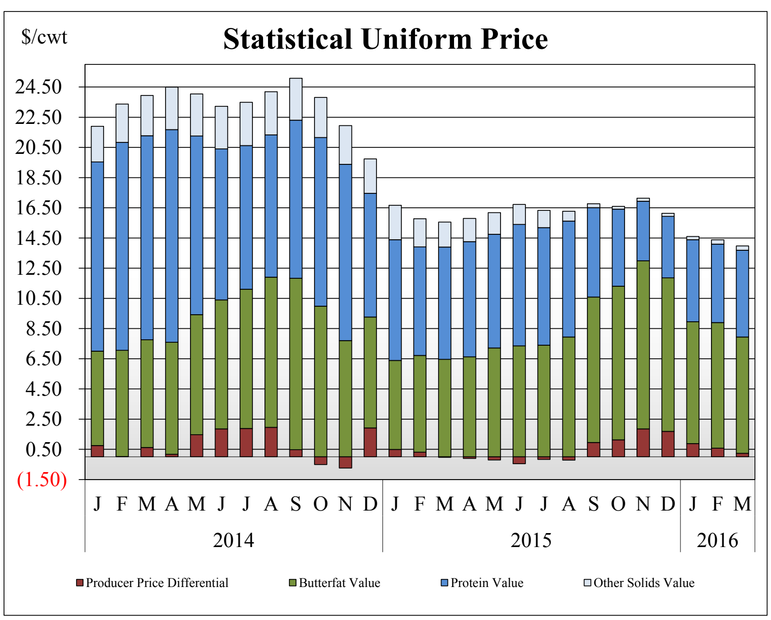


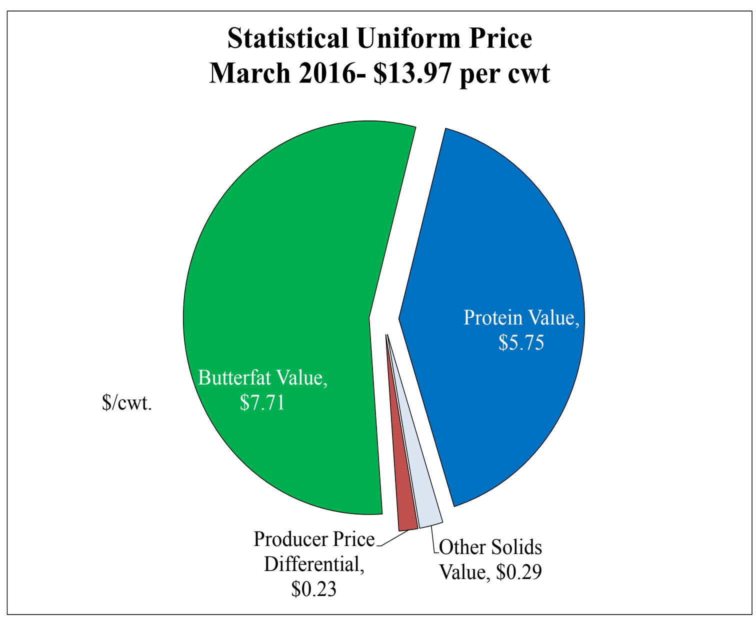


Producer Receipts: Producer receipts for the Mideast Order totaled 1.77 billion pounds in March 2016. The pounds allocated to Class I represented 30.8 percent of the total pounds. Producer receipts increased 164.5 million pounds compared to February , and were up 206.4 million pounds from the prior year.

Class I Pounds: Class I Disposition for the Mideast Order totaled 543 million pounds in March 2016, up 14.5 million pounds from March 2015. Finished products include 129 million pounds used for whole milk, 267 million pounds of reduced fat and low fat milk, and 54 million pounds of fat free (skim) milk.

STATISTICAL UNIFORM PRICE

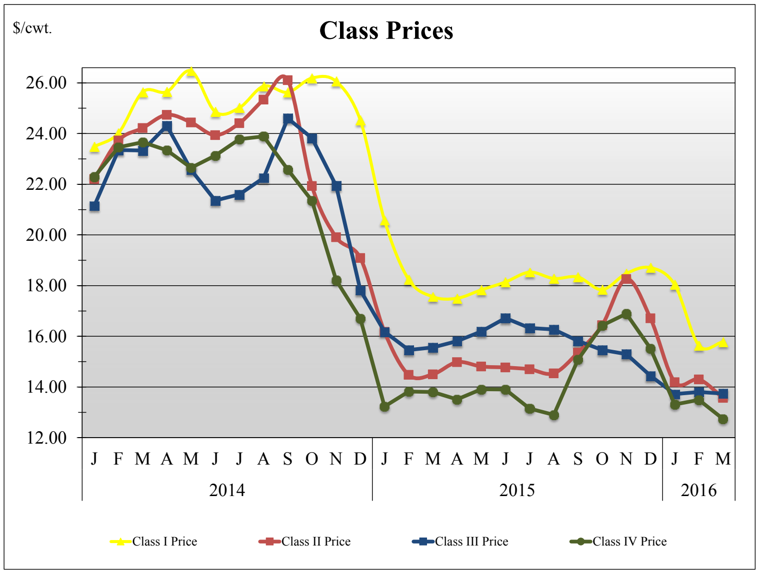


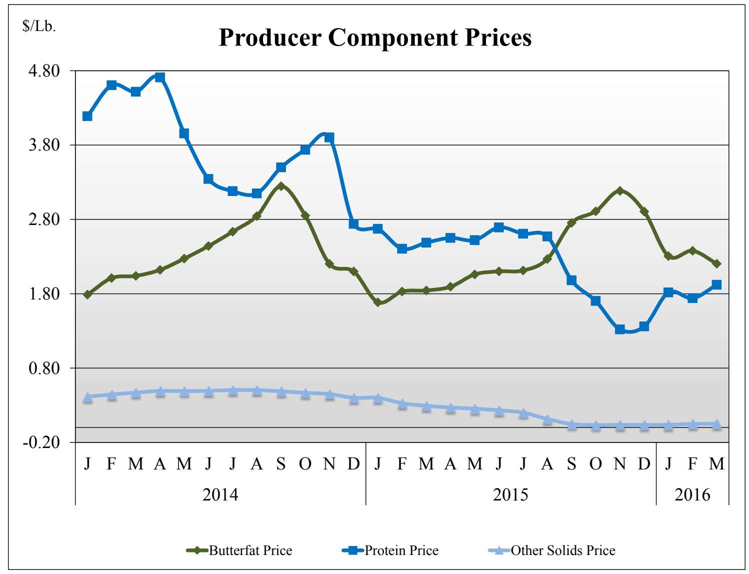


Statistical Uniform Price: The Mideast Federal Order Statistical Uniform Price (SUP) at Cuyahoga County, OH was $13.97 per cwt for March 2016. The March 2016 SUP was $1.56 per cwt lower than the March 2015 SUP. The March 2016 SUP is $0.40 per cwt lower than the February 2016 SUP.

March 2016 Statistical Uniform Price: Using the Class III Price formula at 3.5% BF, the component values for the March 2016 SUP are: $7.71 per cwt for protein, $5.75 per cwt for butterfat and $0.29 per cwt for other solids. Also included in the SUP is the $-0.23 per cwt producer price differential. (May not add to total due to rounding.)

CLASS AND COMPONENT PRICES





WEIGHTED AVERAGE NATIONAL PRODUCT PRICES