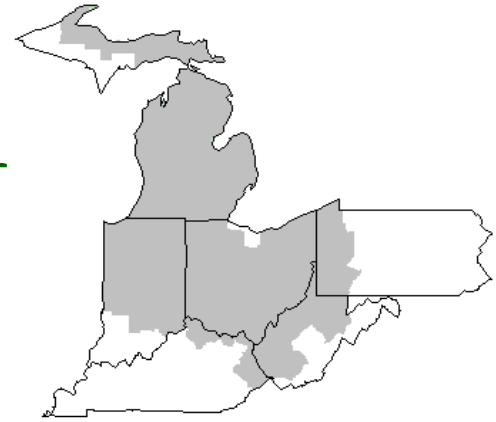
Mideast Market Administrator's Bulletin



Federal Order No. 33

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NOVEMBER 2016

September Milk Production Up 2.3 Percent

Milk production in the 23 major States during September totaled 16.0 billion pounds, up 2.3 percent from September 2015. August revised production at 16.7 billion pounds, was up 1.9 percent from August 2015. The August revision represented a decrease of 3 million pounds or less than 0.1 percent from last month's preliminary production estimate.

Production per cow in the 23 major States averaged 1,842 pounds for September, 35 pounds above September 2015. This is the highest production per cow for the month of September since the 23 State series began in 2003.

The number of milk cows on farms in the 23 major States was 8.67 million head, 36,000 head more than September 2015, but 2,000 head more than August 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 September totaled 2.5 billion pounds, up 65 million pounds or 2.7 percent from September 2015.

Production per cow in the Mideast states averaged 1,799 pounds for September, 31 pounds more than September 2015.

The number of cows on farms in the Mideast states was 1.40 million head, 8,000 head more than September 2015.

Recent Developments in Dairy Markets

After month-to-month increases of 3,000 head in June and 14,000 head in July, milk cow numbers increased by an additional 16,000 head in August, to 9.360 million head. This was 45,000 head more than August 2015. The increase in milk cow numbers likely reflects growth in herds for expanding dairy product facilities. In addition, low cull-cow prices in recent months have likely played a role. In 2015, the national average price for cutter cows, live-weight equivalent, was $99.56 per cwt. By the third quarter of 2016, the price had fallen to $73.16 per cwt. With low cull-cow prices, dairy farmers may cull cows at a lower rate, breed a smaller proportion of their herds to beef bulls, and use sexed semen more extensively.

Milk per cow in August averaged 1,895 pounds, 27 pounds above August 2015. Altogether, U.S. milk production in August totaled 17.7 billion pounds, up 1.9 percent from August 2015.

Dairy product exports increased by 0.4 billion pounds on a skim-solids milk-equivalent basis from July to August. Notably, exports of nonfat dry milk increased from 106 million pounds in July to 116 million pounds in August, and exports of dry whey increased from 37 million to 45 million pounds. On a milk-fat milk-equivalent basis, exports declined slightly from July to August. Imports increased from July to August by about 0.1 billion pounds on both milk-fat and skim-solids bases, with notable increases in imports of butterfat products, milk protein concentrate, and whole milk powder.

Wholesale price movements for dairy products were mixed in September. The average butter price, as reported in the USDA National Dairy Products Sales Report (NDPSR) fell from $2.128 per pound for the week ending September 3 to $2.049 for the week ending October 1. Over the same period, the NDPSR price of cheddar cheese 40-pound blocks fell from $1.825 to $1.668 per pound, while the NDPSR price of 500-pound barrels (adjusted to 38 percent moisture) fell from $1.876 to $1.595. Chicago Mercantile Exchange (CME) prices for the week ending October 7 fell to even lower levels, with weekly average prices for butter, 40-pound blocks of cheddar cheese, and 500-pound barrels of cheddar cheese falling to $1.857, $1.536, and $1.481 per pound, respectively. The NDPSR prices for nonfat dry milk (NDM) and dry whey rose from $0.853 to $0.906 per pound and from $0.298 to $0.314 per pound, respectively, from the week ending September 3 to the week ending October 1.

Relationships between U.S. domestic prices and international export prices have changed substantially in recent months. In June, the U.S. average wholesale price for butter, as reported by USDA Agricultural Marketing Service (AMS), was $0.89 per pound higher than the Oceania export price reported by AMS. By September, the

(Continued on Page 3)

October 2016 Pool Summary

Classification of Producer Milk

	Pounds	Percent
Class I	559,238,835	33.1
Class II	347,100,878	20.5
Class III	505,831,292	29.9
Class IV	279,283,751	16.5
Total	1,691,454,756	100.0

Producer Prices

Producer Price Differential	$ 0.59	/ cwt
Butterfat Price	2.0493	/ lb
Protein Price	2.2975	/ lb
Other Solids Price	0.1351	/ lb
Somatic Cell Adjustment Rate	0.00079	/ cwt
Statistical Uniform Price	15.41	/ cwt

ANNOUNCEMENT OF PRODUCER PRICES

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October 2016

COMPUTATION OF PRODUCER PRICE DIFFERENTIAL

	POUNDS	BUTTERFAT	SKIM / PROTEIN	NONFAT SOLIDS	OTHER SOLIDS	PRICE	VALUE
Class I Skim Value			548,584,909			$10.78 / cwt	$59,137,453.18
Class I Butterfat		10,653,926				2.3423/ lb	24,954,690.83
Class I Location Differential	559,238,835						(237,054.70)
Class II SNF Value				29,902,753		0.7933/ lb	23,721,853.96
Class II Butterfat		23,544,629				2.0563/ lb	48,414,820.65
Class III Protein Value			16,009,071			2.2975/ lb	36,780,840.68
Class III Other Solids Value					29,168,457	0.1351/ lb	3,940,658.53
Class III Butterfat		18,120,631				2.0493/ lb	37,134,609.11
Class IV SNF Value				24,767,181		0.7469/ lb	18,498,607.50
Class IV Butterfat		11,329,090				2.0493/ lb	23,216,704.16
Somatic Cell Value II / III / IV							1,451,762.44
TOTAL PRODUCER MILK VALUE	1,691,454,756	63,648,276	53,224,848		97,313,260		$277,014,946.34
Overages					28.69		
Beginning Inventory & OS Charges					(37,044.03)		
TOTAL ADJUSTMENTS							(37,015.34)
TOTAL HANDLER OBLIGATIONS							$276,977,931.00
Total Protein Value			53,224,848 lbs	@	$2.2975		$(122,284,088.36)
Total Other Solids Value			97,313,260 lbs	@	0.1351		(13,147,021.41)
Butterfat Value			63,648,276 lbs	@	2.0493		(130,434,412.00)
Total Somatic Cell Values							(2,145,249.93)
TOTALS							$ 8,967,159.30
Net Producer Location Adjustments							$ 1,282,076.37
1/2 Unobligated Balance Producer Settlement Fund							498,000.00
Total - Divided by Total Pounds			1,691,454,756 lbs		(0.6353842)		$ 10,747,235.67
Rate of Cash Reserve					(0.0453842)		(767,653.21)
PRODUCER PRICE DIFFERENTIAL *at Cuyahoga County, OH**			1,691,454,756		$ 0.59 / cwt		$ 9,979,582.46

COMPONENT PRICES

	October 2016	October 2015
Butterfat Price	$2.0493 / lb	$2.9087 / lb
Protein Price	2.2975 / lb	1.7019 / lb
Other Solids Price	0.1351 / lb	0.0328 / lb
Somatic Cell Adjustment Rate	0.00079 / cwt	0.00084 / cwt
Nonfat Solids Price	0.7469 / lb	0.7200 / lb

COMPUTATION OF UNIFORM PRICE

	October 2016	October 2015
Class III Price - 3.5% BF	$ 14.82	$15.46
Producer Price Differential*	0.59	1.13
Statistical Uniform Price	$15.41	$16.59

CLASS PRICES

	October 2016	October 2015
Class I*	$18.60	$17.84
Class II	14.09	16.44
Class III	14.82	15.46
Class IV	13.66	16.43

* Subject to Location Adjustment.

CLASSIFICATION OF PRODUCER MILK

	October 2016 *Product lbs.*	October 2015 *Product lbs.*
Class I	559,238,835	561,644,819
Class II	347,100,878	328,146,931
Class III	505,831,292	523,673,562
Class IV	279,283,751	237,917,245
Total	1,691,454,756	1,651,382,557

ORDER 33 MARKET SUMMARY

The Producer Price Differential for the Mideast Marketing Area for October 2016 was $0.59 and the Statistical Uniform Price was $15.41 for the month. The Statistical Uniform Price is $0.86 lower than last month, and is $1.18 lower than September 2015.

The Producer Butterfat Price of $2.0493 per pound decreased $0.2589 from September and is down $0.8594 from a year ago. The Protein Price of $2.2975 is down $0.2700 from last month and is up $0.5956 from October 2015. The Other Solids Price in October was $0.1351 per pound, an increase from last month's price of $0.1096 and $0.1023 higher than last October. The Somatic Cell Adjustment rate for October was $0.00079.

October producer receipts of 1.69 billion pounds were 12.7 percent higher than September and 2.4 percent higher than October 2015 production of 1.65 billion pounds. Producer milk allocated to Class I accounted for 33.1 percent of the total producer milk in October 2016, lower than the 37.4 percent in September, and lower than the 34.0 percent in October 2015. A total of 5,266 producers were pooled on the Mideast Order compared to 5,493producers pooled in October 2015.

The market average content of producer milk was as follows: Butterfat 3.76%; Protein 3.15%; Other Solids 5.75% and Nonfat Solids 8.90%.

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gap had narrowed to $0.32 per pound. The U.S. domestic wholesale price for NDM averaged about $0.05 per pound higher than the Oceania export price for January through August, but in September, the Oceania export price was $0.19 higher than the U.S. domestic price. However, the gap may soon narrow; the average price of skim milk powder fell by 3.7 percent to $1.00 per pound on the Global Dairy Trade auction (GDT) of October 4. Changes in GDT prices sometimes lead price changes in the broader global market.

Feed prices have been low relative to milk prices in recent months. The milk-feed ratio, in August was 2.42, a considerable increase from 1.91 in June and 2.14 in July. Feed prices are expected to remain low for the remainder of 2016 and for 2017. The 2016/17 corn price forecast is $2.95-$3.55 per bushel, a 5-cent increase on both ends of the range from last month's forecast. The 2016/17 soybean meal price forecast is $300-$340 per short ton, unchanged from last month. The national average price for alfalfa hay decreased from $140 per short ton in July to $138 in August, $23 lower than August 2015.

The milk production forecast for the fourth quarter of 2016 is 52.6 billion pounds, 0.3 billion pounds higher than last month's forecast. Due to recent gains in milk cow numbers, expansion of dairy manufacturing facilities, higher milk-feed ratios, and weakness in cull-cow prices, the number of milk cows has been raised for the second half of the year. With milk cows of 9.360 million and 9.380 million head expected for the third and fourth quarters, respectively, the dairy herd would be the largest in 20 years. The 2016 forecast for the milk herd is 9.345 million head, 20,000 more than forecast last month. The 2016 yield per cow forecast is 22,755 pounds, unchanged from last month's forecast. For the year, the milk production forecast is 212.7 billion pounds, 0.5 billion pounds more than last month.

With recent declines in cheese prices, the fourth-quarter cheese price forecast has been lowered to $1.505-1.545 per pound. Similarly, the butter price forecast for the fourth quarter has been lowered to $1.825-1.895 per pound due to recent price weakness. In contrast, fourth-quarter price forecasts for NDM and dry whey have been raised to $0.925-0.965 and $0.310-0.330 per pound, respectively, due to recent price strength and higher expected exports.

With the lower cheese price forecast, the Class III price forecast has been lowered to $13.95-$14.35 per cwt for the fourth quarter and $14.30-$14.40 for the year. With the lower butter price forecast outweighing the higher NDM price forecast, the Class IV price forecast has been lowered to $13.60-$14.10 for the fourth quarter and $13.60-$13.80 for the year. The all-milk price forecast for the fourth quarter is $15.85-$16.25 per cwt, a reduction from $17.25-$17.75 forecast last month. The 2016 all-milk price forecast is $15.80-15.90 per cwt, a reduction from $16.10-$16.30 per cwt forecast last month.

The 2017 forecast for milk cows has been raised to 9.395 million head. Expansion of the dairy herd is expected to continue into the second quarter of 2017. Milk cow numbers are expected to stabilize thereafter due to relatively low milk prices toward the end of 2016 and the beginning of 2017. (Dairy producers typically respond to price changes with a lag of several months.) The milk per cow forecast is unchanged, at 23,135 pounds for the year. Milk production for 2017 is now forecast at 217.3 billion pounds, 1.2 billion pounds higher than last month's forecast. If realized, this would be a 2.4 percent year-over-year increase (adjusted for the 2016 leap year).

With current price weakness for butter and cheese and a higher milk production forecast, butter and cheese price forecasts for 2017 have been lowered to $1.855-1.975 and $1.510-$1.600 per pound, respectively. Stronger expected exports of NDM and dry whey products contribute to higher price forecasts of $0.925-$0.995 and $0.330-$0.360 per pound, respectively.

The price forecast for Class III milk has been lowered to $14.20-15.10 per cwt, as decreases in cheese prices are expected to outweigh strength in whey prices. The Class IV price forecast has also been lowered to $13.70-14.70 per cwt for the year as lower expected butter prices outweigh higher expected NDM prices. The all milk price for 2017 is $15.55-16.45 per cwt, a reduction from $16.15-17.15 forecast last month.

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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

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State	September 2016 Number of Producers	September 2016 Pounds of Milk (000)	September 2016 Butterfat	September 2016 Protein	September 2016 Other Solids	September 2016 SCC (000)	September 2015 Pounds of Milk (000)	September 2015 Butterfat	September 2015 Protein	September 2015 Other Solids	September 2015 SCC (000)
Michigan	1,386	709,576	3.59	3.05	5.77	185	794,385	3.59	3.04	5.74	175
Ohio	1,853	378,299	3.69	3.07	5.71	215	395,140	3.67	3.06	5.69	215
Indiana	937	214,074	3.63	3.05	5.79	228	201,879	3.61	3.07	5.78	228
Pennsylvania	792	91,977	3.78	3.06	5.71	267	85,154	3.76	3.05	5.70	258
New York	210	86,426	3.75	3.07	5.73	203	72,532	3.74	3.06	5.73	209
Wisconsin	54	7,281	3.80	3.08	5.77	217	3,964	3.55	3.03	5.71	245
West Virginia	38	2,518	3.83	3.18	5.65	284	2,288	3.90	3.22	5.65	309
Other	118	10,375	3.71	3.05	5.75	235	5,080	3.81	3.13	5.67	326
Total/Average *	5,388	1,500,527	3.65	3.06	5.75	205	1,560,422	3.63	3.05	5.73	199

* 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
October 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*)	2,245,103	758,498	33.8	$1.41	$16.23
FO 5	Appalachian - (*Charlotte*)	454,528	320,776	70.6	[2/]	18.10
FO 6	Florida - (*Tampa*)	224,195	186,283	83.1	[2/]	20.39
FO 7	Southeast - (*Atlanta*)	425,841	316,344	74.3	[2/]	18.72
FO 30	Upper Midwest - (*Chicago*)	2,770,772	283,742	10.2	0.19	15.01
FO 32	Central - (*Kansas City*)	1,345,850	414,028	30.8	0.53	15.35
FO 33	**Mideast** - (*Cleveland*)	**1,691,455**	**559,239**	**33.1**	**0.59**	**15.41**
FO 124	Pacific Northwest - (*Seattle*)	614,412	168,736	27.5	0.14	14.96
FO 126	Southwest - (*Dallas*)	1,269,458	372,166	29.3	1.31	16.13
FO 131	Arizona - (*Phoenix*)	404,313	112,530	27.8	[2/]	15.39

[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 NOVEMBER 2016..................$13.66 /cwt.

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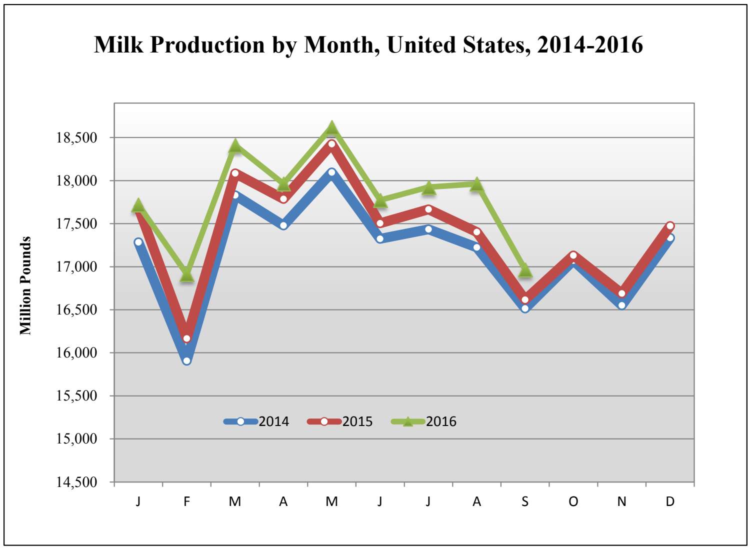
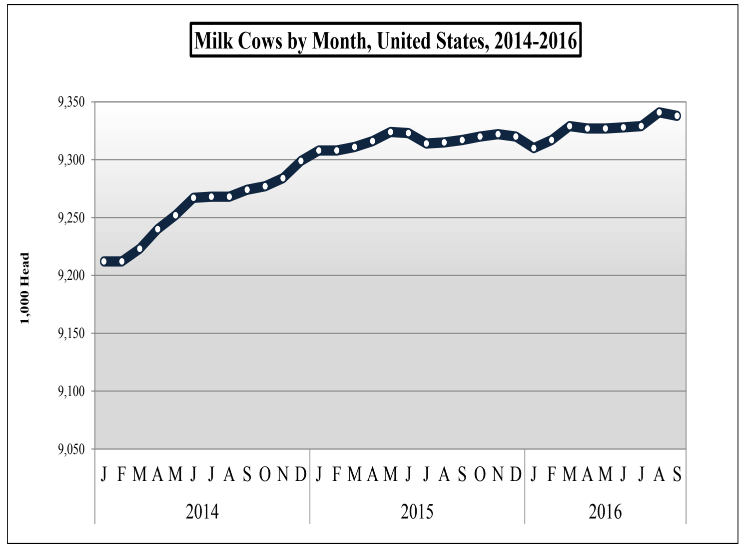
Mideast Market Administrator's
Bulletin
Federal Order No. 33

Supplement
November 2016

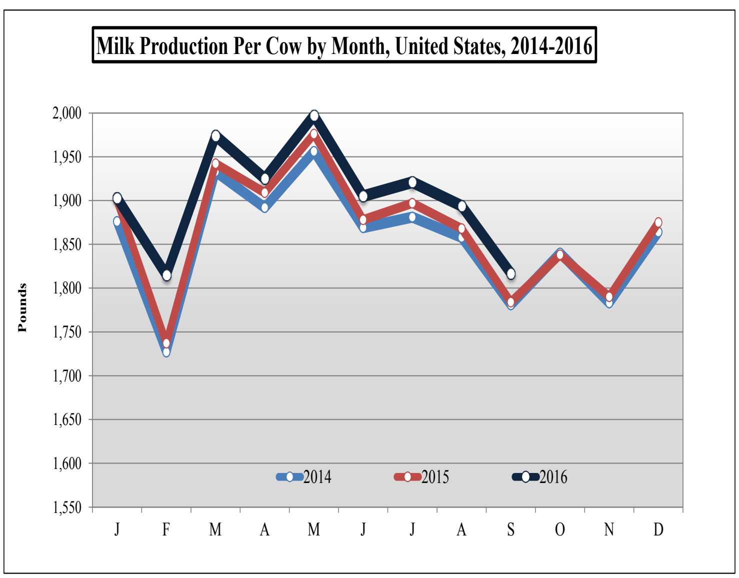
MILK PRODUCTION STATISTICS 1/

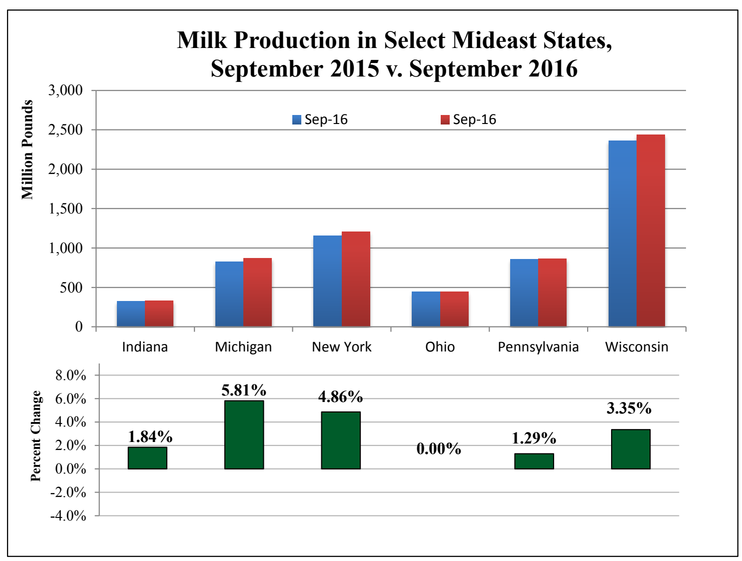




September 2016 milk production in the United States decreased 726 million pounds from August to 17.0 billion pounds. September milk production is up 2.1 percent from 2015.

The number of milk cows on farms in the United States was 9.3 million head for September 2016. This was a decrease of 3,000 head from August and 21,000 head more than September 2015.



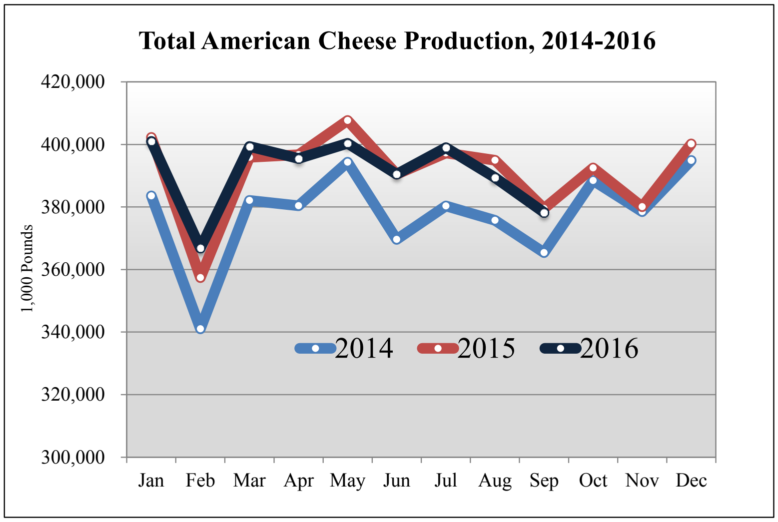


Production per cow in the United States averaged 1,817 pounds for September 2016. This was down 77 pounds from August 2016 and up 33 pounds from September 2015.

Milk production from selected states which pool on the Mideast marketing area totaled 6.2 billion pounds during September 2016, up 200 million pounds from the prior year. Milk production in Michigan was up 48 million pounds while production in Ohio had no change.

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

DAIRY PRODUCT PRODUCTION 1/

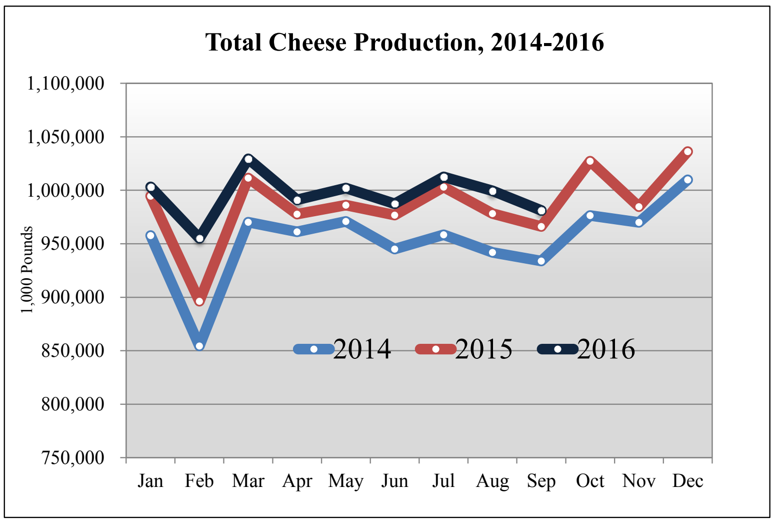


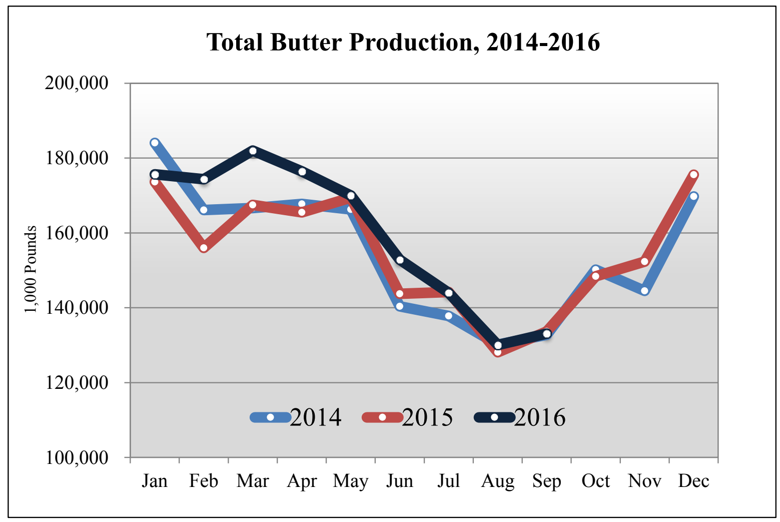
Dairy Product Production Summary:

Total cheese output (excluding cottage cheese) for September 2016 was 981 million pounds, 1.6 percent above September 2015 but 1.8 percent below August 2016.

American type cheese production totaled 378 million pounds, 0.3 percent below September 2015 and 2.9 percent below August 2016.

Butter production was 133 million pounds, 0.4 percent above September 2015 and 2.3 percent above August 2016.





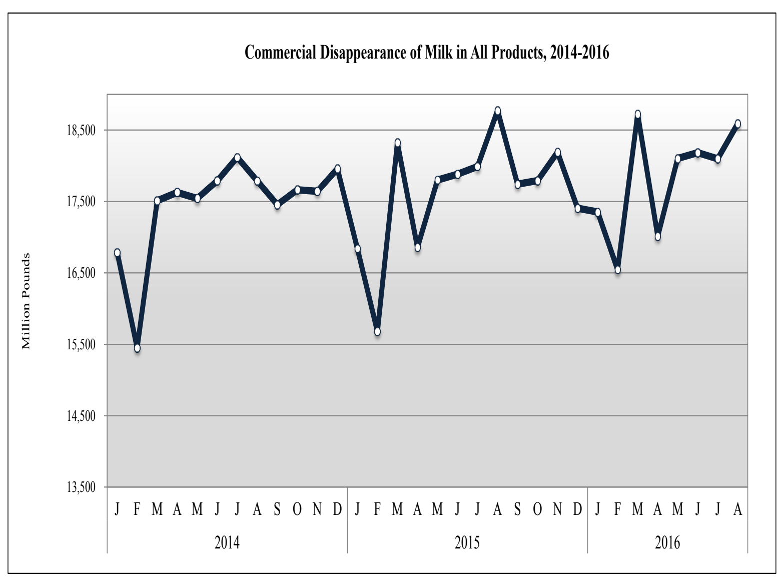
COMMERCIAL DISAPPEARANCE 2/

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 August 2016 commercial disappearance of milk was 18.6 billion pounds, down 1.0 percent from the prior year. The cumulative disappearance total for 2016 is 143 billion pounds, an increase of 1.8 percent from the same 8-month period of 2015.

August 2016 commercial disappearance of American cheese was 417 million pounds, up 7.6 percent from the prior year.

August 2016 commercial disappearance of butter was 144 million pounds, down 17.9 percent from the prior year.



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.