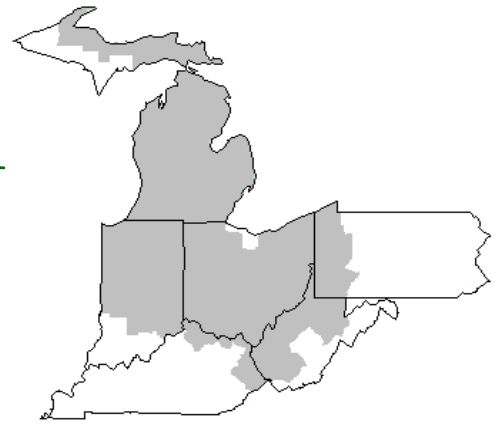


Mideast Market Administrator's Bulletin



Federal Order No. 33

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MARCH 2017

Dairy Industry Situation

The all-milk price fell from an average of \$17.12 per cwt in 2015 to \$16.24 in 2016. It reached a low of \$14.77 per cwt in the second quarter before rising to \$17.67 in the fourth quarter.

The relatively low milk prices in 2016 largely reflect the global dairy situation. European Union (EU) milk production increased substantially after milk supply quotas ended on March 31, 2015 and remained above previous-year levels through May 2016, contributing to an abundant global supply. At the same time, global demand for dairy products grew at a relatively slow pace in some countries. For example, China's whole milk powder imports in 2016 increased over 2015 but remained well below 2014 levels. With continuance of the Russian trade ban, Russian imports are lower and the EU has been more competitive in alternative markets, including some of those traditionally supplied by the United States. In addition, the strong dollar has caused U.S. products to be less competitive in foreign markets.

Milk production in 2016 was a record 212.5 billion pounds, 1.7 percent higher than 2015 (adjusted for leap year). Milk cows averaged 9.333 million head, 16,000 higher than 2015 and the highest annual average since 1996. Average milk per cow was 22,770 pounds, 1.4 percent higher than 2015 (adjusted for leap year).

The increased milk production in 2016 can be attributed in part to relatively low feed prices in the latter part of 2015 (due to lagged supply response) and throughout 2016. In 2015, the benchmark 16-percent protein mixed dairy feed, as calculated by USDA National Agricultural Statistics Service (NASS), fell from \$8.57 per cwt in the first quarter to \$7.77 in the fourth quarter. The 2016 average was \$7.48 per cwt, 9.8 percent lower than 2015. Although the all-milk price fell from 2015 to 2016, the milk-feed ratio increased from 2.07 to 2.18.

Domestic use in 2016 was robust, especially on a milk-fat milk-equivalent basis (2.9 percent higher than the previous year). U.S. consumer perceptions regarding health effects of butterfat have likely changed due to media reports. On a skim-solids milk-equivalent basis, domestic use grew by 1.6 percent over the previous year.

Commercial exports in 2016 were higher than 2015, but they did not reach the record levels of 2014. On a milk-fat basis, 2016 exports were 9.2 billion pounds, 4.4 percent higher than 2015 but 26.4 percent lower than 2014. On a skim-solids basis, exports were 38.9 billion pounds, 4.1 percent higher than 2015 but 0.5 percent lower than 2014. With competitive foreign prices, 2016 imports grew to 7.0 billion pounds on a milk-fat basis (23.1 percent higher than 2015) and 6.5 billion pounds on a skim-solids basis (9.5 percent higher than

2015). Stocks ended the year at a relatively high level, growing from 13.3 billion to 14.3 billion pounds on a milk-fat basis and from 13.9 to 14.8 billion pounds on a skim-solids basis.

According to the NASS Milk Production report, U.S. milk production was 17.9 billion pounds in December, up 2.2 percent above December 2015. The average number of milk cows in the United States was 9.358 million head, 11,000 more than November 2016 and 38,000 more than December 2015. However, according to the NASS Cattle Report, milk cows numbered only 9.349 million head on January 1, 2017.

Feed price forecasts for corn and soybean meal for 2016/17 are \$3.20-\$3.60 per bushel and \$310-\$340 per short ton, both unchanged from last month's forecasts at midpoints of the ranges. The alfalfa hay price decreased from \$130 per short ton in November to \$129 in December.

Recent price directions for dairy products, as reported in the USDA National Dairy Products Sales Report, have been mixed in recent weeks. From the week ending January 7 to the week ending February 4, prices declined for butter, 40-pound cheddar blocks, and 500-pound barrel cheese. While the dry whey price increased significantly, the nonfat dry milk (NDM) price increased only slightly. Higher production of whey protein isolate has led to a tighter market for whey protein, contributing to the rise in the dry whey price.

(Continued on Page 3)

February 2017 - Pool Summary

Classification of Producer Milk

	<i>Pounds</i>	<i>Percent</i>
Class I	510,602,744	31.7
Class II	325,641,402	20.2
Class III	475,931,394	29.6
Class IV	297,504,707	18.5
Total	1,609,680,247	100.0

Producer Prices

Producer Price Differential	\$ 0.04 / cwt
Butterfat Price	2.4274 / lb
Protein Price	2.2348 / lb
Other Solids Price	0.2990 / lb
Somatic Cell Adjustment Rate	0.00084 / cwt
Statistical Uniform Price	16.92 / cwt

ANNOUNCEMENT OF PRODUCER PRICES

Federal Order No. 33

February 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			500,995,209			\$10.20 / cwt	\$ 51,101,511.33
Class I Butterfat		9,607,535				2.5392/ lb	24,395,452.87
Class I Location Differential	510,602,744						(258,279.12)
Class II SNF Value				28,347,259		0.9211/ lb	26,110,660.30
Class II Butterfat		19,787,654				2.4344/ lb	48,171,064.91
Class III Protein Value			15,115,055			2.2348/ lb	33,779,124.93
Class III Other Solids Value					27,523,924	0.2990/ lb	8,229,653.34
Class III Butterfat		16,348,397				2.4274/ lb	39,684,098.89
Class IV SNF Value				26,116,088		0.8166/ lb	21,326,397.48
Class IV Butterfat		15,954,139				2.4274/ lb	38,727,077.03
Somatic Cell Value II / III / IV							<u>1,647,539.73</u>
TOTAL PRODUCER MILK VALUE	1,609,680,247	61,697,725	50,880,385		92,668,974		\$ 292,914,301.69
Overages						9,722.70	
Beginning Inventory & OS Charges						17,331.97	
TOTAL ADJUSTMENTS							<u>27,054.67</u>
TOTAL HANDLER OBLIGATIONS							\$ 292,941,356.36
Total Protein Value			50,880,385 lbs	@	\$2.2348		\$(113,707,484.37)
Total Other Solids Value			92,668,974 lbs	@	0.2990		(27,708,023.25)
Butterfat Value			61,697,725 lbs	@	2.4274		(149,765,057.68)
Total Somatic Cell Values							<u>(2,410,062.22)</u>
TOTALS							\$ (649,271.16)
Net Producer Location Adjustments							\$ 1,289,566.47
1/2 Unobligated Balance Producer Settlement Fund							<u>761,000.00</u>
Total - Divided by Total Pounds			1,609,680,247 lbs		0.0870543		\$ 1,401,295.31
Rate of Cash Reserve					<u>(0.0470543)</u>		<u>(757,423.77)</u>
PRODUCER PRICE DIFFERENTIAL at Cuyahoga County, OH*			1,609,680,247		\$0.04 / cwt		\$ 643,871.54

COMPONENT PRICES

February

COMPUTATION OF UNIFORM PRICE

February

	<u>2017</u>	<u>2016</u>		<u>2017</u>	<u>2016</u>
Butterfat Price	\$2.4274 / lb	\$2.3778 / lb	Class III Price - 3.5% BF	\$ 16.88	\$13.80
Protein Price	2.2348 / lb	1.7389 / lb	Producer Price Differential*	<u>0.04</u>	<u>0.57</u>
Other Solids Price	0.2990 / lb	0.0492 / lb	Statistical Uniform Price	\$16.92	\$14.37
Somatic Cell Adjustment Rate	0.00084 / cwt	0.00076 / cwt			
Nonfat Solids Price	0.8166 / lb	0.5951 / lb			

CLASS PRICES

February

CLASSIFICATION OF PRODUCER MILK

February

	<u>2017</u>	<u>2016</u>		<u>2017</u>	<u>2016</u>
Class I*	\$18.73	\$15.64	Product lbs.	Product lbs.	
Class II	16.52	14.30	Class I	510,602,744	518,037,384
Class III	16.88	13.80	Class II	325,641,402	305,527,018
Class IV	15.59	13.49	Class III	475,931,394	497,116,591
			<u>Class IV</u>	<u>297,504,707</u>	<u>280,915,532</u>
			Total	1,609,680,247	1,601,596,525

* Subject to Location Adjustment.

ORDER 33 MARKET SUMMARY

The Producer Price Differential for the Mideast Marketing Area for February 2017 was \$0.04 and the Statistical Uniform Price was \$16.92 for the month. The Statistical Uniform Price is \$0.43 lower than last month, and is \$2.55 higher than February 2016.

The Producer Butterfat Price of \$2.4274 per pound decreased \$0.0979 from January and is up \$0.0496 from a year ago. The Protein Price of \$2.2348 is up \$0.0580 from last month and is up \$0.4959 from February 2016. The Other Solids Price in February was \$0.2990 per pound, an increase from last month's price of \$0.2503 and \$0.2498 higher than last February. The Somatic Cell Adjustment rate for February was \$0.00084 per cwt.

February producer receipts of 1.61 billion pounds were 7.6 percent lower than January and 0.5 percent higher than February 2016 production of 1.60 billion pounds. Producer milk allocated to Class I accounted for 31.7 percent of the total producer milk in February 2017, lower than the 32.1 percent in January, and lower than the 32.3 percent in February 2016. A total of 5,083 producers were pooled on the Mideast Order compared to 5,323 producers pooled in February 2016.

The market average content of producer milk was as follows: Butterfat 3.83%; Protein 3.16%; Other Solids 5.76% and Nonfat Solids 8.92%.

(Continued from Front Page)

Ending stocks increased significantly from November to December for butter, cheese, and nonfat dry milk. On a milk-fat basis, 2016 ending stocks were 0.9 billion pounds higher than expected last month, and on a skim-solids basis they were 0.5 billion higher than expected.

Commercial use fell significantly from November to December for butter and cheese. As a result, commercial use for the fourth quarter of 2016 was 53.7 billion pounds on a milk-fat basis (0.9 billion less than expected) and 43.7 on a skim-solids basis (0.3 billion less than expected).

With improving returns in late 2016 and early 2017, slightly higher growth in the milking herd is now forecast for 2017. The estimate for milk cows for the year has been raised by 5,000 to 9.370 million head, with most of the growth occurring in the second half of the year. The milk per cow forecast has also been raised to 23,195 pounds per head, 10 pounds higher than last month's forecast. These changes result in a forecast of 217.4 billion pounds, an increase of 0.3 billion pounds from last month's forecast.

The milk-fat basis import forecast has been lowered 0.4 billion pounds to 6.6 billion pounds for the year, largely due to more competitive U.S. butter prices versus imported butter prices. The export forecast on a milk-fat basis is unchanged at 8.3 billion pounds. The domestic use estimate on a milk-fat basis has been lowered from 215.0 billion to 214.7 billion pounds. Year over year, domestic use on a milk-fat basis is expected to increase 3.0 percent. The ending stock forecast for 2017 on a milk-fat basis has been raised to 14.3 billion pounds.

The estimate for imports on a skim-solids basis is unchanged at 6.2 billion pounds. The export forecast for 2017 has been lowered 0.1 billion pounds to 40.1 billion pounds, but exports of NDM, whey, and other products should still increase from 2016. Domestic use in 2017 is expected to be 0.3 billion pounds lower than last month at 183.2 billion pounds. The ending stock forecast for 2017 on a skim-solids basis has been raised to 14.0 billion pounds.

Based on recent price data and increasing stocks, the cheese price forecast for 2017 has been lowered slightly, to \$1.660-\$1.730 per pound for the year. With the recent increases in dry whey prices and expectations of demand for high-protein whey products, the whey price forecast has been raised to \$0.455-\$0.485 per pound for the year. A recent uptick in butter imports and lower domestic use in December suggest pressure on prices; the butter price for 2017 is forecast lower than last month as a result, at \$2.045-\$2.145 per pound. As production overseas is still expected to show little growth for the year and export demand is expected to exceed 2016, the NDM price forecast is unchanged for the year, at \$0.990-\$1.050 per pound.

As the higher whey price forecast more than offsets the lower cheese price forecast, the Class III price forecast has been raised to \$16.45-\$17.15 per cwt, 10 cents higher at the lower end of the range. Due to a lower expected butter price, the Class IV price forecast has been lowered to \$15.10-\$15.90 per cwt. The all-milk price forecast for 2017 is \$17.70-\$18.40 per cwt, 10 cents higher than last month's forecast at the lower end of the range.

Source: *Livestock, Dairy, and Poultry Outlook/LDP-M-272/February 15, 2017* Economic Research Service, USDA

January Milk Production Up 2.7 Percent

Milk production in the 23 major States during January totaled 17.0 billion pounds, up 2.7 percent from January 2016. December revised production at 16.8 billion pounds, was up 2.6 percent from December 2015. The December revision represented a decrease of 2 million pounds or less than 0.1 percent from last month's preliminary production estimate.

Production per cow in the 23 major States averaged 1,957 pounds for January, 37 pounds above January 2016. This is the highest production per cow for the month of January since the 23 State series began in 2003.

The number of milk cows on farms in the 23 major States was 8.69 million head, 67,000 head more than January 2016, and 5,000 head more than December 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 January totaled 2.7 billion pounds, up 53 million pounds or 2.0 percent from January 2016.

Production per cow in the Mideast states averaged 1,914 pounds for January, 23 pounds more January 2016.

The number of cows on farms in the Mideast states was 1.4 million head, 5,000 head more than January 2016.

Bulletin WebPage Edition

www.fmmaclev.com

Featured this month are:

- Mailbox Prices
- Producer Price Differential & Uniform Price Statistics
- Grain & Alfalfa Hay Prices

Weighted Averages - Butterfat, Protein, Other Solids, Somatic Cell Count by State

Federal Order No. 33

State	January 2017						January 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	1,353	865,080	3.83	3.19	5.77	165	851,606	3.78	3.16	5.75	155	
Ohio	1,791	432,841	3.94	3.19	5.70	181	422,593	3.92	3.21	5.72	189	
Indiana	834	237,461	3.88	3.19	5.74	181	215,529	3.82	3.18	5.74	193	
Pennsylvania	787	96,774	4.02	3.17	5.74	225	95,856	4.01	3.17	5.71	229	
New York	212	76,579	3.97	3.16	5.75	179	106,156	3.92	3.18	5.75	181	
Wisconsin	44	19,072	4.13	3.31	5.75	160	4,348	3.83	3.07	5.71	225	
West Virginia	32	1,863	4.11	3.24	5.66	235	2,833	4.08	3.27	5.70	252	
Other	116	12,636	3.92	3.16	5.81	165	5,938	4.02	3.20	5.71	240	
Total/Average *	5,169	1,742,306	3.89	3.19	5.75	175	1,704,859	3.84	3.18	5.74	175	

* 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
February 2017**

<u>Marketing Area</u> ^{1/}		<u>Producer Milk</u>		<u>Class I</u>	<u>Producer</u>	<u>Statistical</u>
		<u>Total</u>	<u>Class I</u>	<u>Percent</u>	<u>Price Differential</u>	<u>Uniform Price</u>
		(000)	(000)	%	(per cwt.)	(per cwt.)
FO 1	Northeast - (<i>Boston</i>)	2,148,738	676,879	31.5	\$0.89	\$17.77
FO 5	Appalachian - (<i>Charlotte</i>)	432,013	307,438	71.2	^{2/}	19.09
FO 6	Florida - (<i>Tampa</i>)	213,014	177,729	83.4	^{2/}	21.07
FO 7	Southeast - (<i>Atlanta</i>)	437,752	299,761	68.5	^{2/}	19.36
FO 30	Upper Midwest - (<i>Chicago</i>)	2,251,110	258,341	11.5	0.06	16.94
FO 32	Central - (<i>Kansas City</i>)	1,226,356	384,060	31.3	(0.05)	16.83
FO 33	Mideast - (<i>Cleveland</i>)	1,609,680	510,603	31.7	0.04	16.92
FO 124	Pacific Northwest - (<i>Seattle</i>)	551,643	147,968	26.8	(0.30)	16.58
FO 126	Southwest - (<i>Dallas</i>)	853,839	330,026	38.7	0.69	17.57
FO 131	Arizona - (<i>Phoenix</i>)	392,205	100,176	25.5	^{2/}	16.73

^{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.

^{3/} Data not available at time of publication, please see website version for information.

MINIMUM PARTIAL PAYMENT PRICE FOR MARCH 2017.....\$15.59 /cwt.

Mideast Market Administrator's Bulletin

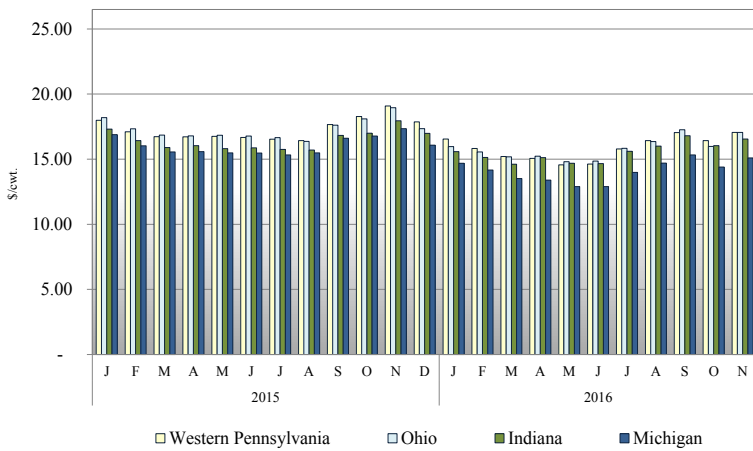
Supplement

Federal Order No. 33

March 2017

MAILBOX MILK PRICES FOR AREAS IN MIDEAST MARKETING AREA 1/

Mailbox Milk Price for Selected Reporting Areas Federal Order 33, 2015-2016



Mailbox price is the net pay price received by dairy farmers for milk. The data includes all payments received for milk sold, and all costs associated with marketing the milk. The mailbox price is a weighted average for the reporting area at the average butterfat test. Mailbox price does not include any Milk Income Loss Contract (MILC) payments.

The information is shown for those areas where at least 75 percent of the milk was marketed under Federal Orders. Mailbox prices include milk not-pooled due to unusual price relationships.

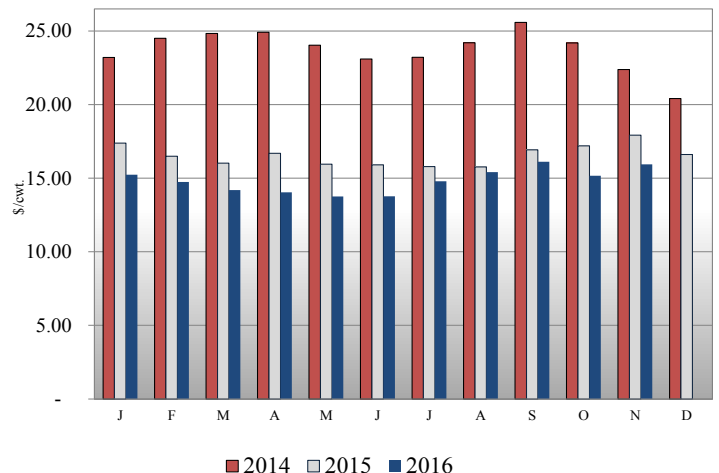
Western Pennsylvania includes the counties of Warren, Elk, Clearfield, Indiana, Westmoreland and Fayette, and all those counties west of these.

FEDERAL ORDER 33 MAILBOX PRICE STATISTICS

Mailbox Milk Price for Mideast Marketing Area and All FO Areas, 2015-2016



Mailbox Milk Price for the Mideast Marketing Area, 2014-2016

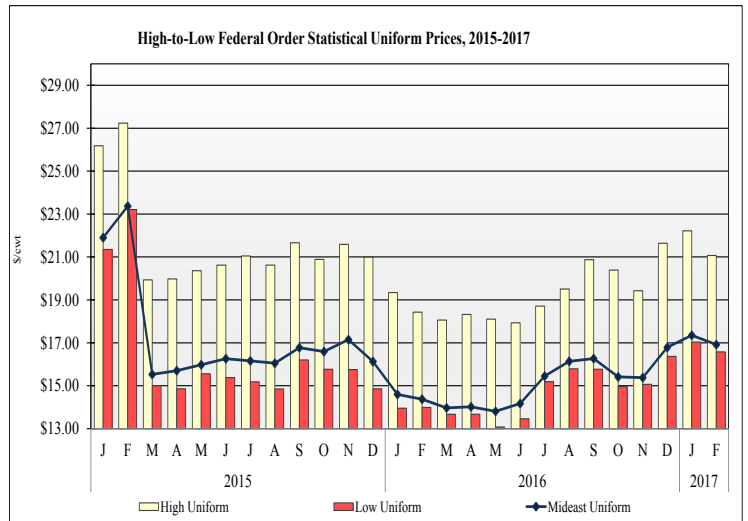
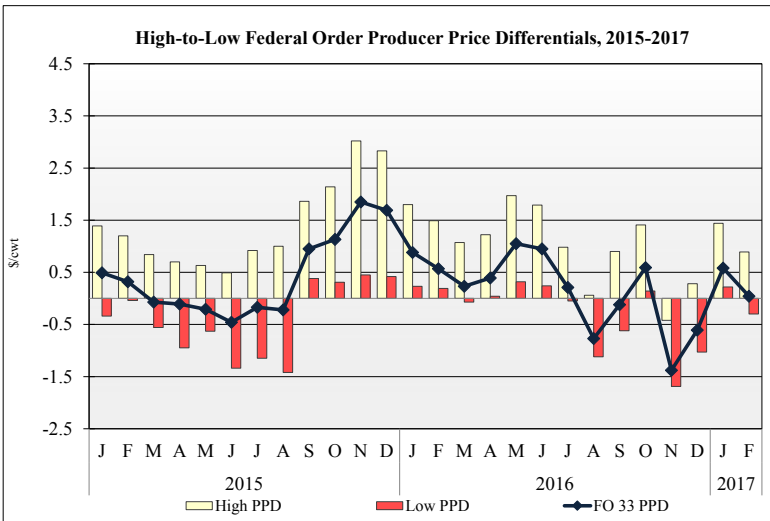


The net pay price received by dairy farmers located in states pooled on Federal Order 33 was \$15.94 per hundredweight for November 2016. The November mailbox price is \$0.78 higher than the mailbox price for October 2016. The November mailbox price is \$1.98 lower than the November 2015 mailbox price of \$17.92 per cwt.

For November 2016 the net pay price received by dairy farmers located in states pooled on Federal Order 33 was \$1.26 below the average mailbox price for all Federal Orders, as reported by Dairy Market News. For November 2016, the all Federal Order mailbox price was \$17.20 per hundredweight, \$1.02 lower than November 2015

1/ Mailbox prices are generally released by Dairy Market News on the 10th of the third following month (January data in April).

PRODUCER PRICE DIFFERENTIAL AND UNIFORM PRICE STATISTICS 2/ 3/



Producers in Orders 1, 30, 32, 33, 124, and 126 are paid based on component pricing.

Of those orders, Federal Order 1 had the highest producer price differential. For February 2017 Federal Order 1 had a PPD of \$0.89 per hundredweight (cwt), \$0.55 lower than their January PPD of \$1.44 per cwt.

In February 2017 Federal Order 33 had the fourth highest PPD, with a 0.04 per cwt, \$0.54 per cwt lower than the January PPD.

For February 2017 Federal Order 124 had the lowest PPD at -\$0.30 per cwt, \$0.56 per cwt lower than the January PPD.

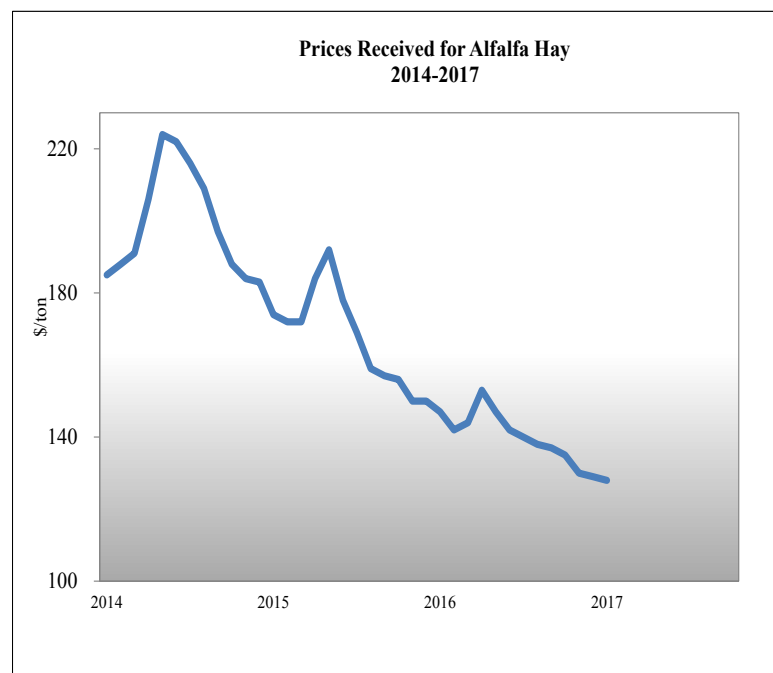
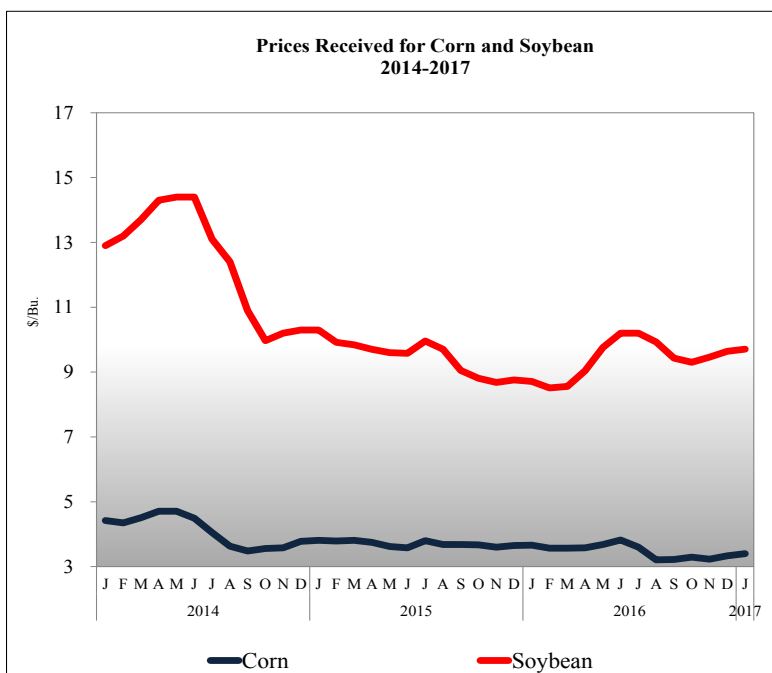
Producers in Orders 1, 30, 32, 33, 124, and 126 are paid based on component pricing; and producers in 5, 6, 7 and 131 are paid based on skim-fat pricing. The table above details the range of statistical uniform prices (SUP) paid to producers.

Of those orders, Federal Order 6 (Florida) traditionally has the highest statistical uniform price. For February 2016, Federal Order 6 had a SUP of \$21.07 per cwt, \$1.15 lower than the previous month's SUP.

Federal Order 33 had a SUP of \$16.92 per cwt, \$0.43 per cwt lower than the previous month's SUP.

The Pacific Northwest order had the lowest SUP at \$16.58 per cwt, \$0.45 per cwt lower than the previous month's SUP.

PRICES RECEIVED FOR GRAIN AND ALFALFA HAY 4/



2/ Producer price differentials are subject to location adjustment.

3/ Statistical uniform prices are at 3.5 percent butterfat and subject to location adjustment.

4/ Source: USDA, National Agricultural Statistics Service