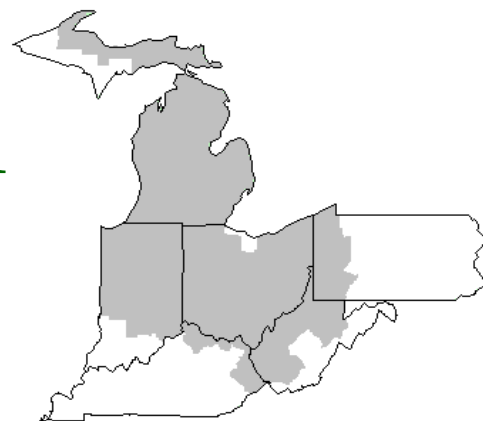


Mideast Market Administrator's Bulletin



Federal Order No. 33

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SEPTEMBER 2017

Dairy Outlook

June milk production totaled 18.047 billion pounds, 1.6 percent above June 2016. Milk per cow has been increasing at a slowing rate in recent months. In June, it was 64.0 pounds per day, an increase of 0.7 percent over June 2016. This is a substantial difference from the start of the year; in January, milk per cow was 1.9 percent over January 2016. Milk cows in June numbered 9.4 million head, 4 thousand more than May and 78 thousand more than June 2016. The *Cattle* report, published semiannually by USDA National Agricultural Statistics Service, shows that milk-replacement heifers numbered 4.2 million head as of July 1. This is about 45 percent of the milk cow number, a typical percentage for the July 1 inventory.

Exports in the first half of the 2017 have been significantly higher than the previous year. An increase in global demand and a decline in the U.S. dollar have contributed to favorable conditions for exports. The value of the U.S. dollar has fallen 5.9 percent since December, as measured by the Price-adjusted Broad Dollar Monthly Index reported by the U.S. Federal Reserve. Dairy exports declined from May to June, as they typically do. Notably, exports of NDM/SMP declined from 129 million pounds in May to 100 million in June, with significant declines in exports to Mexico and China. However, exports of butterfat products increased substantially, with about 64 percent of them going to Canada in June.

Global prices for butter, cheese, and whole milk powder in 2017 have increased significantly from 2016. The most notable price movements have been for butter, especially for Europe. In July, the Western Europe export price for butter averaged \$3.27 per pound, an increase from \$1.54 in July 2016. For the 2 weeks ending August 4, the price reached a record high of \$3.37 per pound at the midpoint of the range.

Tight world supplies and high demand for products with high butterfat content have driven the rapid rise in butter prices. Demand for butterfat products has risen globally due to consumer perceptions that butterfat is healthier than trans-fat, and several studies have indicated possible health benefits of butterfat or lower risk of consuming butterfat than previously assumed. With higher global production of butterfat, more skim solids become available for SMP, putting downward pressure on SMP prices.

With recent growth in cow numbers, rising milk prices, relatively low feed prices, and an adequate supply of replacement heifers, the 2017 forecast for milk cows has been raised to 9.4 million head, 5 thousand more cows than last month's forecast. With only small yield increases in recent months, the 2017 forecast for average milk per cow is reduced to 22,945 pounds per head, 75 pounds less than last month's forecast. The forecast for 2017 milk production is now

215.7 billion pounds, 0.6 billion less than last month's forecast. Year over year, milk production is expected to increase by 1.8 percent (adjusted for leap year).

With higher expected exports of butterfat products, the 2017 forecast for exports on a milk-fat milk-equivalent basis has been raised to 9.3 billion pounds, 0.2 billion higher than last month's forecast. The 2017 forecast for exports on a skim-solids milk-equivalent basis has been lowered to 40.7 billion pounds, 0.5 billion pounds less than last month's forecast, due to lower expected exports of whey products. Annual import forecasts for 2017 are unchanged from last month's forecast.

The 2017 domestic-use forecast on a milk-fat basis is 211.9 billion pounds, 0.6 billion less than forecast last month. Higher butter prices are expected to result in lower consumption than previously expected on a milk-fat basis. The 2017 forecast for domestic use on a skim-solids basis is 179.9 billion pounds, unchanged from last month's forecast. Ending stock forecasts for 2017 have been lowered by 0.2 billion pounds on a milk-fat basis and 0.1 billion pounds on a skim-solids basis.

With recent price increases, expectations of continued strength of global demand, and a lower milk supply, the 2017 butter price forecast has been increased to \$2.425-\$2.465 per pound. A tighter supply of milk available for cheese is expected than last month due to lower expected milk production and more milk going to butter manufacturing. Due to recent price gains, more milk allocated to butter production, and continued demand strength, the cheese price forecast for 2017 has been raised to \$1.590-\$1.610 per pound.

(Continued on Page 3)

August 2017 - Pool Summary

Classification of Producer Milk

| | <i>Pounds</i> | <i>Percent</i> |
|-----------|---------------|----------------|
| Class I | 552,200,363 | 33.1 |
| Class II | 299,174,110 | 17.9 |
| Class III | 573,862,057 | 34.4 |
| Class IV | 243,946,685 | 14.6 |
| Total | 1,669,183,215 | 100.0 |

Producer Prices

| | |
|------------------------------|---------------|
| Producer Price Differential | \$ 0.90 / cwt |
| Butterfat Price | 3.0109 / lb |
| Protein Price | 1.5536 / lb |
| Other Solids Price | 0.2425 / lb |
| Somatic Cell Adjustment Rate | 0.00083 / cwt |
| Statistical Uniform Price | 17.47 / cwt |

ANNOUNCEMENT OF PRODUCER PRICES

Federal Order No. 33

August 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 | | | 541,448,213 | | | \$8.55 / cwt | \$ 46,293,822.27 |
| Class I Butterfat | | 10,753,150 | | | | 2.9919 / lb | 32,169,357.57 |
| Class I Location Differential | 552,200,363 | | | | | | (284,763.20) |
| Class II SNF Value | | | | 25,297,205 | | 0.8056 / lb | 20,379,428.36 |
| Class II Butterfat | | 22,464,012 | | | | 3.0179 / lb | 67,794,141.82 |
| Class III Protein Value | | | 17,604,114 | | | 1.5536 / lb | 27,349,751.52 |
| Class III Other Solids Value | | | | | 33,172,278 | 0.2425 / lb | 8,044,277.49 |
| Class III Butterfat | | 18,937,899 | | | | 3.0109 / lb | 57,020,120.10 |
| Class IV SNF Value | | | | 21,474,765 | | 0.6984 / lb | 14,997,975.88 |
| Class IV Butterfat | | 9,113,234 | | | | 3.0109 / lb | 27,439,036.24 |
| Somatic Cell Value II / III / IV | | | | | | | <u>1,397,707.31</u> |
| TOTAL PRODUCER MILK VALUE | 1,669,183,215 | 61,267,295 | 50,996,796 | | 96,025,328 | | \$ 302,600,855.36 |
| Overages | | | | | | \$ 4,904.81 | |
| Beginning Inventory & OS Charges | | | | | | 35,302.93 | |
| TOTAL ADJUSTMENTS | | | | | | | <u>40,207.74</u> |
| TOTAL HANDLER OBLIGATIONS | | | | | | | \$ 302,641,063.10 |
| Total Protein Value | | | 50,996,796 lbs | @ | \$1.5536 | | \$(79,228,622.24) |
| Total Other Solids Value | | | 96,025,328 lbs | @ | 0.2425 | | (23,286,142.14) |
| Butterfat Value | | | 61,267,295 lbs | @ | 3.0109 | | (184,469,698.51) |
| Total Somatic Cell Values | | | | | | | <u>(2,072,587.11)</u> |
| TOTALS | | | | | | | \$ 13,584,013.10 |
| Net Producer Location Adjustments | | | | | | | \$ 1,406,377.88 |
| 1/2 Unobligated Balance Producer Settlement Fund | | | | | | | <u>808,000.00</u> |
| Total - Divided by Total Pounds | | | 1,669,183,215 lbs | | 0.9464743 | | \$ 15,798,390.98 |
| Rate of Cash Reserve | | | | | <u>(0.0464743)</u> | | <u>(775,741.21)</u> |
| PRODUCER PRICE DIFFERENTIAL at Cuyahoga County, OH* | | | 1,669,183,215 | | \$0.90 / cwt | | \$ 15,022,649.77 |

COMPONENT PRICES

August

COMPUTATION OF UNIFORM PRICE

August

| | <u>2017</u> | <u>2016</u> | | <u>2017</u> | <u>2016</u> |
|------------------------------|---------------|---------------|------------------------------|-------------|---------------|
| Butterfat Price | \$3.0109 / lb | \$2.4873 / lb | Class III Price - 3.5% BF | \$ 16.57 | \$16.91 |
| Protein Price | 1.5536 / lb | 2.5738 / lb | Producer Price Differential* | <u>0.90</u> | <u>(0.77)</u> |
| Other Solids Price | 0.2425 / lb | 0.0881 / lb | Statistical Uniform Price | \$17.47 | \$16.14 |
| Somatic Cell Adjustment Rate | 0.00083 / cwt | 0.00091 / cwt | | | |
| Nonfat Solids Price | 0.6984 / lb | 0.6841 / lb | | | |

CLASS PRICES

August

CLASSIFICATION OF PRODUCER MILK

August

| | <u>2017</u> | <u>2016</u> | | <u>2017</u> | <u>2016</u> |
|-----------|-------------|-------------|-----------------|--------------------|--------------------|
| Class I* | \$18.72 | \$17.07 | Product lbs. | Product lbs. | Product lbs. |
| Class II | 17.56 | 15.21 | Class I | 552,200,363 | 543,530,865 |
| Class III | 16.57 | 16.91 | Class II | 299,174,110 | 400,793,110 |
| Class IV | 16.61 | 14.65 | Class III | 573,862,057 | 347,405,807 |
| | | | <u>Class IV</u> | <u>243,946,685</u> | <u>209,959,910</u> |
| | | | Total | 1,669,183,215 | 1,501,689,692 |

* Subject to Location Adjustment.

ORDER 33 MARKET SUMMARY

The Producer Price Differential for the Mideast Marketing Area for August 2017 was \$0.90 and the Statistical Uniform Price was \$17.47 for the month. The Statistical Uniform Price is \$0.46 higher than last month, and is \$1.33 higher than August 2016.

The Producer Butterfat Price of \$3.0109 per pound increased \$0.0653 from July and is up \$0.5236 from a year ago. The Protein Price of \$1.5536 is up \$0.3288 from last month and is down \$1.0202 from August 2016. The Other Solids Price in August was \$0.2425 per pound, a decrease from last month's price of \$0.2599 and \$0.1544 higher than last August. The Somatic Cell Adjustment rate for August was \$0.00083 per cwt.

August producer receipts of 1.67 billion pounds were 2.5 percent lower than July and 11.2 percent higher than August 2016 production of 1.50 billion pounds. Producer milk allocated to Class I accounted for 33.1 percent of the total producer milk in August 2017, higher than the 29.3 percent in July, and lower than the 36.2 percent in August 2016. A total of 4,905 producers were pooled on the Mideast Order compared to 5,293 producers pooled in August 2016.

The market average content of producer milk was as follows: Butterfat 3.67%; Protein 3.06%; Other Solids 5.75% and Nonfat Solids 8.81%.

(Continued from Front Page)

Greater global allocation of milk for butter, both domestically and internationally, is expected to result in more skim solids available for NDM and SMP. With recent price declines and a looser expected global supply of skim solids, the 2017 NDM price forecast has been lowered to \$0.885-\$0.905 per pound. The dry whey price forecast has been lowered to \$0.455-\$0.475 per pound due to recent price declines and possible substitution of NDM for dry whey for some applications.

The 2017 Class III price forecast is \$15.90-\$16.10 per cwt, unchanged at the midpoint from last month's forecast, as the higher cheese price forecast is offset by the lower whey price forecast. The Class IV price forecast is \$15.75-\$16.05 per cwt, 10 cents higher than last month's forecast at the lower end of the range, as the higher butter price forecast slightly more than offsets the lower NDM price. The 2017 all-milk price forecast is \$17.80-\$18.00 per cwt, an increase from last month's forecast of \$17.65-\$17.95.

The 2018 forecast for milk cows is 9.455 million head, an increase of 20 thousand head from last month's forecast. The 2018 forecast for milk per cow has been lowered by 145 pounds to 23,295 pounds per head, based on slow growth in recent months. These estimates result in a milk production forecast of 220.3 billion pounds for the year, 0.9 billion pounds lower than previously forecast. Year-over-year milk production is expected to increase by 2.1 percent.

Changes to dairy trade forecasts are relatively small. The export forecast for 2018 on a milk-fat basis has been raised by 0.1 billion pounds due to higher expectations of butterfat exports. The 2018 forecast for exports on a skim-solids basis has been raised by 0.2 billion pounds due to higher expected sales of NDM/SMP and other dairy products. Import forecasts have been lowered by 0.1 billion pounds on a milk-fat basis but are unchanged on a skim-solids basis.

The 2018 forecasts for domestic commercial use have been lowered by 1.3 billion pounds on a milk-fat basis and 1.1 billion pounds on a skim-solids basis. Higher expected prices for butter and cheese are expected to contribute to lower consumption of these products than expected last month. The forecast for 2018 ending stocks is unchanged on a milk-fat basis but lowered by 0.1 billion pounds on a skim-solids basis.

The 2018 butter price forecast has been raised to \$2.375-\$2.505 per pound due to stronger expected global demand for butterfat products. The cheese price forecast has been raised slightly to \$1.640-\$1.740 per pound due to higher expected demand. NDM and

dry whey price forecasts for 2018 have been lowered to \$0.905-\$0.975 and \$0.445-\$0.475 per pound, respectively, due to a higher expected global supply of skim solids and weaker expected demand.

The 2018 Class III milk price forecast is lowered to \$16.30-\$17.30 per cwt, as the lower expected dry whey price more than offsets the higher expected cheese price. The Class IV milk price forecast is unchanged at \$15.70-\$16.80 per cwt, as the higher butter price forecast is offset by the lower NDM price forecast. The all-milk price forecast for 2018 is \$18.00-\$19.00 per cwt, unchanged from last month's forecast.

Source: *Livestock, Dairy, and Poultry Outlook/LDP-M-278/August 16, 2017*
Economic Research Service, USDA

July Milk Production Up 1.9 Percent

Milk production in the 23 major States during July totaled 17.2 billion pounds, up 1.9 percent from July 2016. June revised production, at 16.9 billion pounds, was up 1.7 percent from June 2016. The June revision represented an increase of 0.1 percent or 5 million pounds from last month's preliminary production estimate.

Production per cow in the 23 major States averaged 1,969 pounds for July, 21 pounds above July 2016. The number of milk cows on farms in the 23 major States was 8.73 million head, 72,000 head more than July 2016, and 1,000 head less than June 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 July totaled 2.7 billion pounds, up 25 million pounds or 0.9 percent from July 2016.

Production per cow in the Mideast states averaged 1,909 pounds for July. This was an increase of 14 pounds from July 2016. The number of cows on farms in the Mideast states was 1.4 million head. The same as July 2016.

Bulletin WebPage Edition

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Featured this month are:

- 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 | July 2017 -----Weighted Averages----- | | | | | | July 2016 -----Weighted Averages----- | | | | |
|-----------------|--|----------------------|-----------|---------|--------------|-----------|--|-----------|---------|--------------|-----------|
| | Number of Producers | Pounds of Milk (000) | Butterfat | Protein | Other Solids | SCC (000) | Pounds of Milk (000) | Butterfat | Protein | Other Solids | SCC (000) |
| Michigan | 1,306 | 875,857 | 3.60 | 3.03 | 5.78 | 185 | 831,388 | 3.53 | 2.98 | 5.79 | 179 |
| Ohio | 1,717 | 406,741 | 3.67 | 3.02 | 5.68 | 215 | 423,783 | 3.63 | 3.00 | 5.75 | 208 |
| Indiana | 826 | 214,264 | 3.63 | 3.02 | 5.76 | 219 | 217,351 | 3.57 | 2.99 | 5.80 | 224 |
| New York | 228 | 94,635 | 3.72 | 3.02 | 5.76 | 201 | 107,751 | 3.69 | 3.01 | 5.76 | 191 |
| Pennsylvania | 698 | 93,150 | 3.73 | 3.01 | 5.73 | 271 | 96,210 | 3.69 | 2.98 | 5.74 | 252 |
| Wisconsin | 23 | 13,798 | 4.02 | 3.22 | 5.76 | 176 | 853 | 3.46 | 2.93 | 5.66 | 290 |
| West Virginia | 31 | 1,905 | 3.66 | 3.06 | 5.65 | 268 | 2,916 | 3.71 | 3.05 | 5.72 | 303 |
| Other | 96 | 11,661 | 3.73 | 3.02 | 5.74 | 223 | 5,851 | 3.69 | 3.00 | 5.71 | 264 |
| Total/Average * | 4,925 | 1,712,009 | 3.64 | 3.02 | 5.75 | 202 | 1,686,103 | 3.58 | 2.99 | 5.77 | 198 |

* 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
August 2017**

| <u>Marketing Area</u> ^{1/} | <u>Producer Milk</u> | <u>Class I</u> | <u>Percent</u> | <u>Producer Price Differential</u> | <u>Statistical Uniform Price</u> |
|---|-----------------------|-------------------------|----------------|------------------------------------|----------------------------------|
| | <u>Total</u> (000) | <u>Class I</u> (000) | <u>%</u> | <u>(per cwt.)</u> | <u>(per cwt.)</u> |
| FO 1 Northeast - (<i>Boston</i>) | 2,274,298 | 718,999 | 31.6 | \$1.76 | \$18.33 |
| FO 5 Appalachian - (<i>Charlotte</i>) | 494,351 | 354,032 | 71.6 | ^{2/} | 19.53 |
| FO 6 Florida - (<i>Tampa</i>) | 215,152 | 181,228 | 84.2 | ^{2/} | 21.43 |
| FO 7 Southeast - (<i>Atlanta</i>) | 427,360 | 330,006 | 77.2 | ^{2/} | 20.02 |
| FO 30 Upper Midwest - (<i>Chicago</i>) | 3,219,846 | 267,892 | 8.3 | 0.23 | 16.80 |
| FO 32 Central - (<i>Kansas City</i>) | 1,460,997 | 418,057 | 28.6 | 0.56 | 17.13 |
| FO 33 Mideast - (<i>Cleveland</i>) | 1,669,183 | 552,200 | 33.1 | 0.90 | 17.47 |
| FO 124 Pacific Northwest - (<i>Seattle</i>) | 749,974 | 157,599 | 21.0 | 0.48 | 17.05 |
| FO 126 Southwest - (<i>Dallas</i>) | 1,240,499 | 352,150 | 28.4 | 1.41 | 17.98 |
| FO 131 Arizona - (<i>Phoenix</i>) | 413,792 | 112,282 | 27.1 | ^{2/} | 17.40 |

^{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.

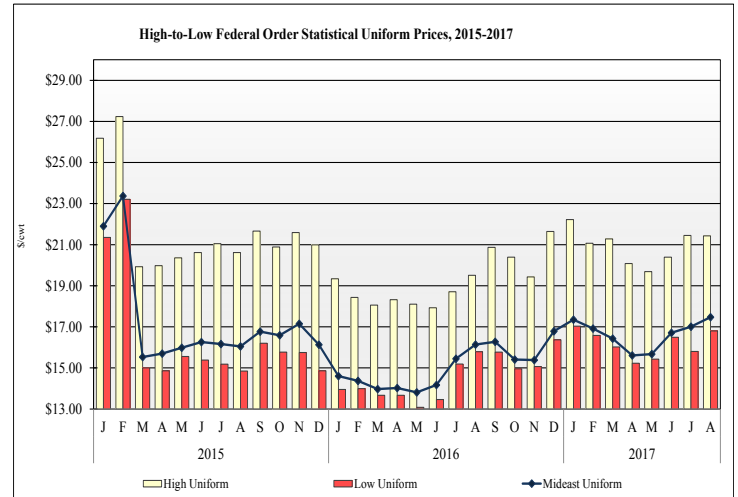
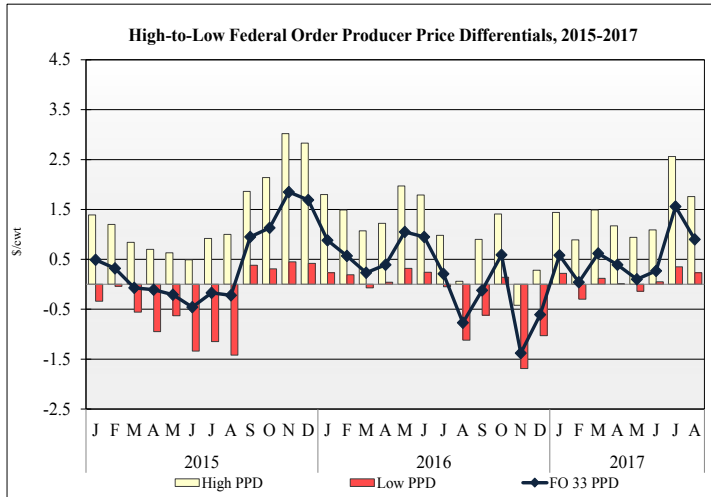
MINIMUM PARTIAL PAYMENT PRICE FOR SEPTEMBER 2017.....\$16.57 /cwt.

Mideast Market Administrator's Bulletin

Federal Order No. 33

Supplement
September 2017

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 traditionally has the highest producer price differential. For August 2017 Federal Order 1 had a PPD of \$1.76 per hundredweight (cwt), \$0.80 lower than their July PPD of \$2.56 per cwt.

In August 2017 Federal Order 33 had the third highest PPD, behind Orders 1 and 126, at \$0.90 per cwt, \$0.66 per cwt lower than the July PPD.

For August 2017 Federal Order 30 had the lowest PPD at \$0.23 per cwt, \$0.12 per cwt lower than the July PPD.

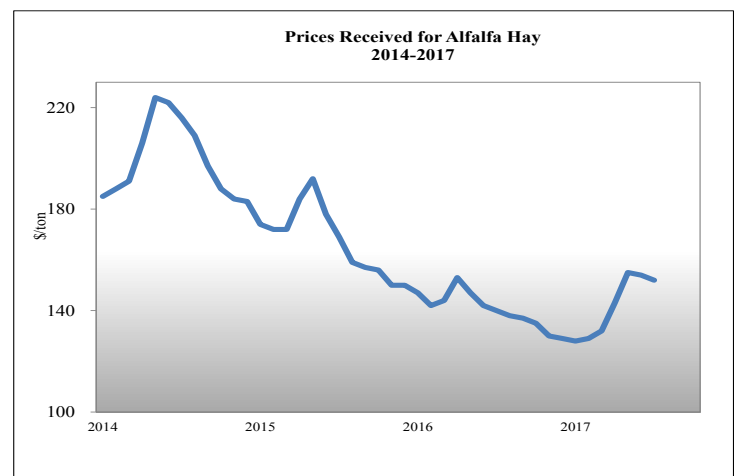
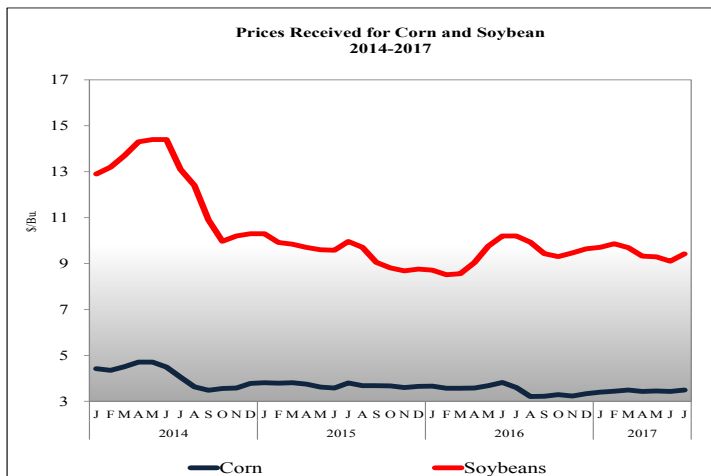
Producers in Orders 1, 30, 32, 33, 124, and 126 are paid based on component pricing; and producers in 5, 6, 7 and 131 are paid based on skim-fat pricing. The table above details the range of statistical uniform prices (SUP) paid to producers.

Of those orders, Federal Order 6 (Florida) traditionally has the highest statistical uniform price. For August 2017 Federal Order 6 had a SUP of \$21.43 per cwt, \$0.02 lower than the previous month's SUP.

Federal Order 33 had a SUP of \$17.47 per cwt, \$0.46 per cwt higher than the previous month's SUP.

The Upper Midwest order had the lowest SUP at \$16.80 per cwt, \$1.00 per cwt higher 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