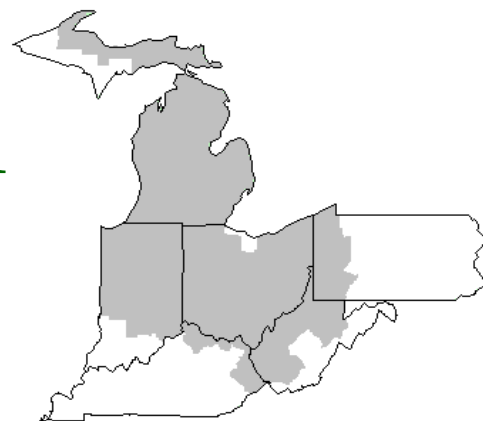


Mideast Market Administrator's Bulletin



Federal Order No. 33

Sharon R. Uther, Market Administrator

Phone: (330) 225-4758 Toll Free: (888) 751-3220

Email: clevelandma1@sprynet.com

WebPage: www.fmmaclev.com

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Dairy Outlook

U.S. dairy product prices continue to be competitive with foreign export prices. USDA *Dairy Market News* reported that in July, Oceania and Western Europe export prices averaged \$2.31 and \$2.96 per pound for butter, respectively, and \$0.92 and \$0.81 for skim milk powder (SMP). The Oceania export price for cheddar cheese was \$1.67 per pound in July, and the Western Europe dry whey export price was \$0.44 per pound.

In June, U.S. dairy product exports on a milk-fat milk-equivalent basis were 989 million pounds, 123 million more than June 2017 and 53 million more than May 2018. It is notable that exports of butterfat products (butter, anhydrous milk fat, butter oils, high-fat dairy spreads) have been relatively high in recent months. In the first half of 2018, butterfat exports were 47 million pounds, 65.1 percent more than the first half of 2017. June dairy exports on a skim-solids milk-equivalent basis were 3.772 billion pounds, 494 million less than May but 513 million more than June 2017. June exports of NDM, dry whey, and whey protein concentrate declined from May but were higher than June of 2017.

Ending stocks on a milk-fat basis were 19.1 billion pounds in June, 7.0 percent higher than June 2017. June ending stocks on a skim-solids basis were 11.6 billion pounds, 0.2 percent lower than June 2017. While June ending stocks were higher than the previous year for butter and other-than-American cheese, they were lower than the previous year for American cheese, NDM, whey products, and lactose. The market for dry whey has been relatively tight, with June ending stocks 13.1 percent below the previous year.

In the semiannual publication *Dairy: World Markets and Trade*, USDA Foreign Agricultural Service forecasts that 2018 milk production for the top five major exporters (European Union (EU), United States, New Zealand, Argentina, and Australia) will total 652.6 billion pounds, 6.4 billion pounds higher than the December forecast and a 1.47-percent increase over 2017. Notably, the forecast for the EU has been increased by 7.7 billion pounds due in part to stronger expected domestic and export demand. The forecast for New Zealand has been decreased by 0.4 billion pounds due to a reduction in the growth rate of milk production in recent months. One uncertainty is the impact of culling in New Zealand due to the presence of *Mycoplasma Bovis*, which has been detected in a number of herds. While the disease brings about a range of infections in dairy cows, it poses no known disease risk for humans.

Dairy Forecasts for 2018

The annual forecast for the size of the milking herd in 2018 is unchanged at 9.405 million. The 2018 milk-per-cow forecast has been raised to 23,175 pounds per head, 5 pounds higher than last

month's forecast, since the second-quarter number was higher than expected. However, the milk production forecast rounds to 217.9 billion pounds for the year, unchanged from last month's forecast.

The import forecast for 2018 on a milk-fat basis has been raised to 6.0 billion pounds, 0.1 billion more than last month's forecast, based on higher expected imports of butterfat products. The export forecast for the year has been raised 0.2 billion pounds to 10.4 billion, based on higher expected exports of butterfat products and whole milk powder. The forecast for ending stocks on a milk-fat basis is unchanged at 13.5 billion pounds. With a strengthening economy, the domestic use forecast on a milk-fat basis has been raised for the second half of the year. However, the annual forecast has been lowered by 0.1 billion pounds to 212.4 billion, as the lower-than-expected domestic use in the second quarter more than offsets the higher forecast for the second half of the year.

For 2018, the annual forecast for imports on a skim-solids basis is 5.6 billion pounds, unchanged from last month's projection. The export forecast on a skim-solids basis, however, has been reduced 0.6 billion pounds to 45.4 billion as exports of whey products were relatively low in June and the newly announced Chinese tariffs are expected to reduce exports of lactose. Ending stocks on a skim-solids basis are forecast at 10.5 billion pounds for 2018, unchanged from the last forecast. With a strengthening economy contributing to higher demand, the domestic use forecast on a skim-solids basis is 178.4 billion pounds, 0.6 billion pounds higher than last month's forecast.

(Continued on Page 3)

August 2018 Pool Summary

Classification of Producer Milk

	Pounds	Percent
Class I	549,736,196	32.4
Class II	369,701,024	21.8
Class III	543,964,069	32.0
Class IV	235,869,253	13.8
Total	1,699,270,542	100.0

Producer Prices

Producer Price Differential	\$ 0.40 / cwt
Butterfat Price	2.6009 / lb
Protein Price	1.6245 / lb
Other Solids Price	0.1741 / lb
Somatic Cell Adjustment Rate	0.00078 / cwt
Statistical Uniform Price	15.35 / cwt

ANNOUNCEMENT OF PRODUCER PRICES

Federal Order No. 33

August 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			538,646,830			\$7.46 / cwt	\$ 40,183,053.54
Class I Butterfat		11,089,366				2.5563/ lb	28,347,746.28
Class I Location Differential	549,736,196						(301,701.86)
Class II SNF Value				31,469,661		0.6844/ lb	21,537,836.00
Class II Butterfat		25,389,368				2.6079/ lb	66,212,932.83
Class III Protein Value			16,602,804			1.6245/ lb	26,971,255.12
Class III Other Solids Value					31,440,320	0.1741/ lb	5,473,759.71
Class III Butterfat		18,827,781				2.6009/ lb	48,969,175.61
Class IV SNF Value				20,879,206		0.6369/ lb	13,297,966.32
Class IV Butterfat		7,762,394				2.6009/ lb	20,189,210.52
Somatic Cell Value II / III / IV							<u>1,339,952.55</u>
TOTAL PRODUCER MILK VALUE	1,699,270,542	63,068,909	51,636,657		97,992,372		\$ 272,221,186.62
Overages						\$ 70,713.14	
Beginning Inventory & OS Charges						71,660.14	
TOTAL ADJUSTMENTS							<u>142,373.28</u>
TOTAL HANDLER OBLIGATIONS							\$ 272,363,559.90
Total Protein Value			51,636,657 lbs	@	\$1.6245		\$ (83,883,749.29)
Total Other Solids Value			97,992,372 lbs	@	0.1741		(17,060,472.00)
Butterfat Value			63,068,909 lbs	@	2.6009		(164,035,925.41)
Total Somatic Cell Values							<u>(1,960,332.49)</u>
TOTALS							\$ 5,423,080.71
Net Producer Location Adjustments							\$ 1,351,633.49
1/2 Unobligated Balance Producer Settlement Fund							<u>820,000.00</u>
Total - Divided by Total Pounds			1,669,270,542 lbs		0.4469397		\$ 7,594,714.20
Rate of Cash Reserve					(0.0469397)		<u>(797,632.49)</u>
PRODUCER PRICE DIFFERENTIAL at Cuyahoga County, OH*			1,669,270,542		\$ 0.40 / cwt		\$ 6,797,081.71

COMPONENT PRICES

August

COMPUTATION OF UNIFORM PRICE

August

	<u>2018</u>	<u>2017</u>		<u>2018</u>	<u>2017</u>
Butterfat Price	\$2.6009 / lb	\$3.0109 / lb	Class III Price - 3.5% BF	\$14.95	\$16.57
Protein Price	1.6245 / lb	1.5536 / lb	Producer Price Differential*	<u>0.40</u>	<u>0.90</u>
Other Solids Price	0.1741 / lb	0.2425 / lb	Statistical Uniform Price	\$15.35	\$17.47
Somatic Cell Adjustment Rate	0.00078 / cwt	0.00083 / cwt			
Nonfat Solids Price	0.6369 / lb	0.6984 / lb			

CLASS PRICES

August

CLASSIFICATION OF PRODUCER MILK

August

	<u>2018</u>	<u>2017</u>		<u>2018</u>	<u>2017</u>
Class I*	\$16.15	\$18.72	Product lbs.		
Class II	15.07	17.56	Class I	549,736,196	552,200,363
Class III	14.95	16.57	Class II	369,701,024	299,174,110
Class IV	14.63	16.61	Class III	543,964,069	573,862,057
			<u>Class IV</u>	<u>235,869,253</u>	<u>243,946,685</u>
			Total	1,699,270,542	1,669,183,215

* Subject to Location Adjustment.

ORDER 33 MARKET SUMMARY

The Producer Price Differential for the Mideast Marketing Area for August 2018 was \$0.40 and the Statistical Uniform Price was \$15.35 for the month. The Statistical Uniform Price is \$0.13 higher than last month, and is \$2.12 lower than August 2017.

The Producer Butterfat Price of \$2.6009 per pound decreased \$0.0722 from July and is down \$0.4100 from a year ago. The Protein Price of \$1.6245 is up \$0.1418 from last month and is up \$0.0709 from August 2017. The Other Solids Price in August was \$0.1741 per pound, an increase from last month's price of \$0.1422 and \$0.0684 lower than last August. The Somatic Cell Adjustment rate for August was \$0.00078 per cwt.

August producer receipts of 1.70 billion pounds were 2.1 percent higher than July and 1.8 percent higher than August 2017 production of 1.67 billion pounds. Producer milk allocated to Class I accounted for 32.4 percent of the total producer milk in August 2018, more than the 29.0 percent in July, and lower than the 33.1 percent in August 2017. A total of 4,459 producers were pooled on the Mideast Order compared to 4,905 producers pooled in August 2017.

The market average content of producer milk was as follows: Butterfat 3.71%; Protein 3.04%; Other Solids 5.77% and Nonfat Solids 8.81%.

(continued from Front Page)

Due to stronger expected demand and recent price strength, 2018 price forecasts for cheddar cheese, butter, and NDM have been raised to \$1.550-\$1.570, \$2.265-\$2.305, and 0.755-\$0.775 per pound, respectively. In addition to recent price strength and stronger expected demand, relatively low stock levels have contributed to a higher dry whey price forecast of \$0.295-\$0.315 per pound.

With higher dairy product price forecasts, milk price forecasts for 2018 are higher than the last forecasts as well. The Class III and IV prices are projected at \$14.50-\$14.70 and \$13.95-\$14.25 per cwt, respectively, increases of 15 cents and 25 cents at the midpoints of the ranges. The all-milk price forecast has been raised 10 cents at the midpoint of the range to \$16.10-\$16.30 per cwt for the year.

Dairy Forecasts for 2019

With higher milk price forecasts and lower feed price forecasts, the 2019 milk production forecast has been raised to 220.9 billion pounds, 0.3 billion higher than last month's forecast. The milk cow forecast for 2019 has been raised 10 thousand head to 9.405 million, and milk per cow is projected at 23,495 pounds, 20 pounds higher than projected last month.

On a milk-fat basis, the forecasts for imports and exports for the year are unchanged at 5.6 billion and 9.9 billion pounds, respectively. Ending stocks in 2019 are still expected to fall from 2018 to 12.5 billion pounds. With relatively high expected economic growth, the 2019 domestic use forecast is 216.6 billion pounds, 0.3 billion pounds higher than last month's forecast.

Imports on a skim-solids basis are forecast at 5.5 billion pounds for the year, 0.1 billion pounds less than last month's forecast. The export forecast for 2019 has been reduced 0.1 billion pounds to 44.8 billion, as lower shipments of lactose to China will persist due to the new tariffs. Domestic use on a skim-solids basis is now forecast at 180.6 billion pounds, an increase of 0.6 billion from last month, as a strengthening economy is expected to contribute to higher demand. With higher domestic use, ending stocks on a skim-solids basis are now forecast at 10.5 billion pounds, 0.3 billion less than last month.

Class III and IV price forecasts have been raised for 2019. The Class III price for the year is projected at \$14.95-\$15.95 per cwt, a 25-cent increase at the midpoint of the range. The Class IV price is now forecast at \$13.75-\$14.85 per cwt, a 10-cent increase at the

midpoint of the range. The all-milk price forecast for 2019 has been raised 20 cents at the midpoint of the range to \$16.45-\$17.45 per cwt.

Due to stronger expected demand, 2019 price forecasts for cheese, nonfat dry milk, and dry whey have been raised to \$1.590-\$1.690, \$0.755-0.825, and \$0.300-\$0.330 per pound, respectively. The butter price forecast for the year is unchanged at \$2.220-\$2.350 per pound.

Source: *Livestock, Dairy, and Poultry Outlook*, LDP-M-290, August 16, 2018 USDA, Economic Research Service

July Milk Production Up 0.4 Percent

Milk production in the 23 major States during July totaled 17.3 billion pounds, up 0.4 percent from July 2017. June revised production, at 17.2 billion pounds, was up 1.6 percent from June 2017. The June revision represented an increase of 0.2 percent or 40 million pounds from last month's preliminary production estimate.

Production per cow in the 23 major States averaged 1,980 pounds for July, 8 pounds above July 2017.

The number of milk cows on farms in the 23 major States was 8.74 million head, 1,000 head more than July 2017, but 8,000 head less than June 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 July totaled 2.7 billion pounds, down 16 million pounds or 0.6 percent from July 2017.

Production per cow in the Mideast states averaged 1,925 pounds for July. This was an increase of 14 pounds from July 2017.

The number of cows on farms in the Mideast states was 1.4 million head. Down 16,000 head from July 2017.

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

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State	July 2018						July 2017				
	Number of Producers	Pounds of Milk (000)	Butterfat	Protein	Other Solids	SCC (000)	Pounds of Milk (000)	Butterfat	Protein	Other Solids	SCC (000)
Michigan	1,157	860,018	3.69	3.00	5.80	184	875,857	3.60	3.03	5.78	185
Ohio	1,572	397,379	3.67	2.98	5.69	215	406,741	3.67	3.02	5.68	215
Indiana	750	212,977	3.61	2.99	5.80	229	214,264	3.63	3.02	5.76	219
New York	206	96,892	3.76	3.00	5.77	209	94,635	3.72	3.02	5.76	201
Pennsylvania	662	81,925	3.74	2.98	5.72	252	93,150	3.73	3.01	5.73	271
Other	133	15,402	3.76	3.05	5.74	243	27,364	3.87	3.12	5.74	202
Total/Average *	4,480	1,664,594	3.68	2.99	5.77	203	1,712,009	3.64	3.02	5.75	202

* 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 2018**

<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 - (Boston)	2,268,411	706,439	31.1	\$1.26	\$16.21
FO 5	Appalachian - (Charlotte)	473,377	343,034	72.5	^{2/}	17.03
FO 6	Florida - (Tampa)	214,925	179,569	83.6	^{2/}	18.89
FO 7	Southeast - (Atlanta)	420,897	318,396	75.7	^{2/}	17.53
FO 30	Upper Midwest - (Chicago)	2,949,484	253,376	8.6	0.13	15.08
FO 32	Central - (Kansas City)	1,340,994	408,827	30.5	0.14	15.09
FO 33	Mideast - (Cleveland)	1,699,271	549,736	32.4	0.40	15.35
FO 124	Pacific Northwest - (Seattle)	636,017	152,597	24.0	0.12	15.07
FO 126	Southwest - (Dallas)	1,286,538	361,280	28.1	1.01	15.96
FO 131	Arizona - (Phoenix)	402,179	106,447	26.5	^{2/}	15.32

^{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.

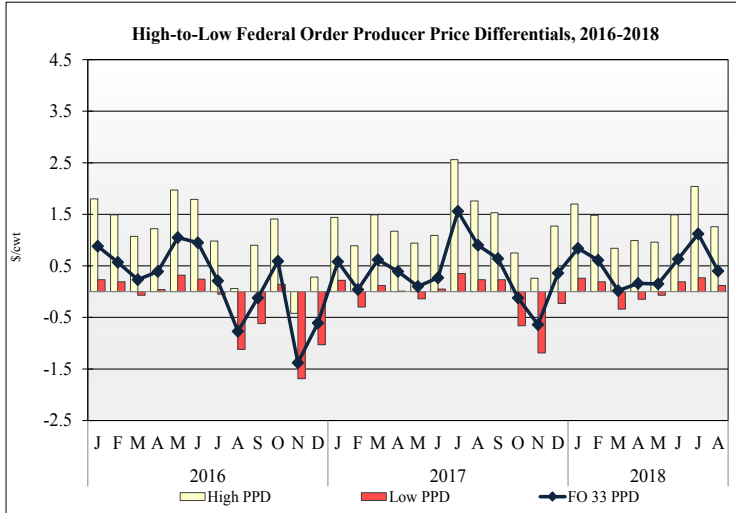
MINIMUM PARTIAL PAYMENT PRICE FOR SEPTEMBER 2018.....14.63 /cwt.

Mideast Market Administrator's Bulletin

Federal Order No. 33

Supplement
September 2018

PRODUCER PRICE DIFFERENTIAL AND UNIFORM PRICE STATISTICS 2/3/

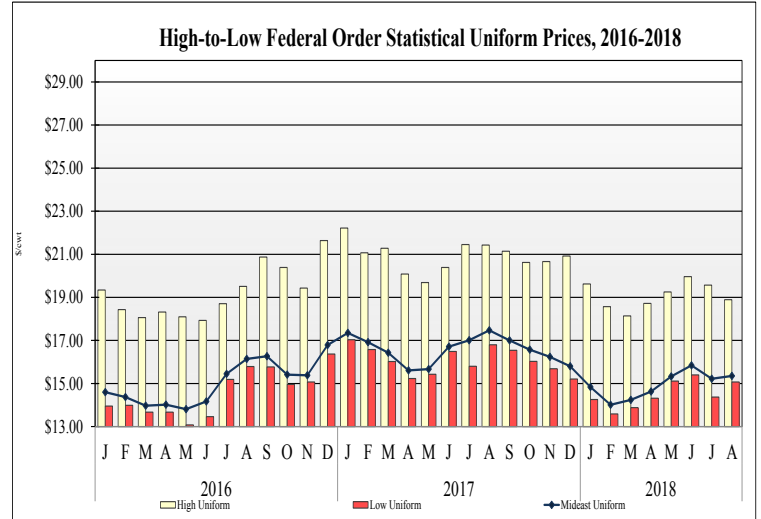


Producers in Orders 1, 30, 32, 33, 124, and 126 are paid based on component pricing.

Of those orders, Federal Order 1 traditionally has the highest producer price differential. For August 2018 Federal Order 1 had a PPD of \$1.26 per hundredweight (cwt), \$0.78 lower than their July PPD of \$2.04 per cwt.

In August 2018 Federal Order 33 had the third highest PPD, behind Orders 1 and 126, at \$0.40 per cwt, \$0.72 per cwt lower than the July PPD.

For August 2018 Federal Order 124 had the lowest PPD at \$0.12 per cwt, \$0.51 per cwt lower than the July PPD.



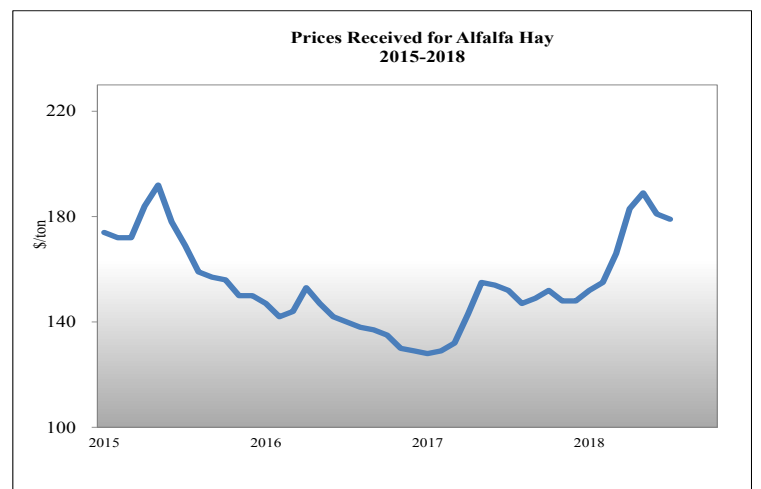
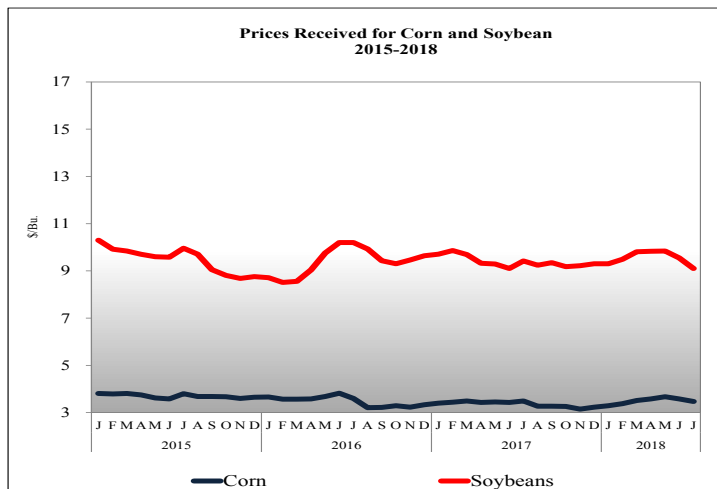
Producers in Orders 1, 30, 32, 33, 124, and 126 are paid based on component pricing; and producers in 5, 6, 7 and 131 are paid based on skim-fat pricing. The table above details the range of statistical uniform prices (SUP) paid to producers.

Of those orders, Federal Order 6 (Florida) traditionally has the highest statistical uniform price. For August 2018 Federal Order 6 had a SUP of \$18.89 per cwt, \$0.68 lower than the previous month's SUP.

Federal Order 33 had a SUP of \$15.35 per cwt, \$0.13 per cwt higher than the previous month's SUP.

The Pacific Northwest order had the lowest SUP at \$15.07

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