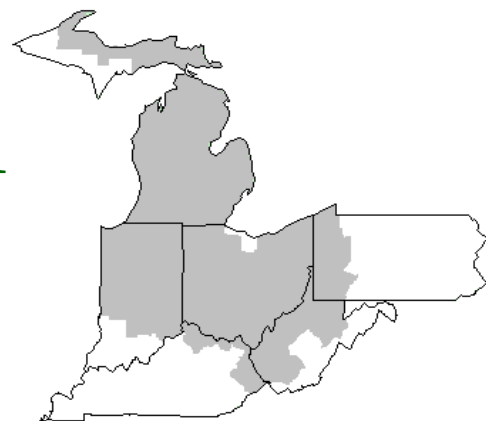


Mideast Market Administrator's Bulletin



Federal Order No. 33

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JUNE 2020

Effects of COVID-19 on Dairy Markets

The effects of the COVID-19 pandemic have been very challenging for the dairy industry. The extent of the problems remains highly uncertain. Although price data for dairy products are available for April and the early part of May, supply and use data are not yet available. The dairy industry has made considerable adjustments in response to the crisis, and the U.S. Government has taken steps to mitigate the problems faced by the industry.

Throughout April, there was low domestic demand for dairy products due to financial hardships for some Americans and the shift from consumption at foodservice establishments to at-home consumption. Americans typically consume higher proportions of dairy products when they eat out than when they eat at home. The shift from away-from-home to at-home consumption also brought about logistical and packaging problems, causing supply-chain bottlenecks. At the same time, milk production was reaching its peak season. USDA Dairy Market News (DMN) reported that cheese, butter, and dry product inventories were growing during the month.

Throughout April, there were reports that milk loads from various parts of the country were not being processed due to low demand for dairy products and logistical problems. Such milk is often spread on fields as fertilizer, added to manure lagoons, or fed to animals. There have also been reports of milk being sold at distressed prices. For several weeks, DMN has reported that some spot milk prices in the Midwest have been \$4 to \$8 less than the Class III milk price.

With the imbalance between supply and demand, some dairy cooperatives and other milk handlers have incorporated pricing terms to discourage dairy farmers from increasing milk production growth. Some of these are base-excess types of plans. With such a plan, each dairy farmer is paid a lower price for milk that exceeds a base amount, usually determined by the farmer's production history. There have been other actions taken by milk handlers, ranging from encouraging voluntary reductions in milk production to placing strict limits on how much milk will be accepted. Dairy farmers have several choices concerning how to limit milk marketings. These include increasing the culling rate, changing feed rations, reducing the milking frequency, drying cows off early, and using surplus milk as animal feed.

There are indications that imbalances between supply and demand have been mitigated to some extent. On the supply side, for the week ending May 8, DMN reported that contacts indicate milk supplies have been tightening and milk dumping has ceased in some areas. On the demand side, the same DMN report stated that foodservice orders for butter and cheese have been improving. This may have been a result of easing COVID-19 quarantine limitations in

some areas and the depletion of pipeline stocks among some foodservice distributors.

U.S. Government Assistance for the Dairy Industry

There are several Government programs and actions that have been taken to assist the dairy industry during the crisis. Some of these programs are risk management tools that were available before the crisis. Others were added due to effects of the pandemic. Below is a list of some of the major programs and actions:

Revenue and margin protection programs: • The Dairy Margin Coverage program (administered by USDA Farm Service Agency (FSA)) is a voluntary program that offers protection to dairy producers when the difference between the U.S. all-milk price and the national average feed cost (as calculated by a formula) falls below a certain dollar amount selected by the dairy farmer.

• The Dairy Revenue Protection Program (Dairy-RP) and the Livestock Gross Margin for Dairy Cattle Program (LGM-Dairy) are administered by USDA Risk Management Agency (RMA). These are subsidized programs that allow farmers to manage price risk. To ensure that milk producers are not inappropriately penalized, RMA announced that it would allow dumped milk to be counted as milk marketings under both programs.

• Dairy-RP is designed to allow farmers to insure against unexpected declines in the quarterly revenue from milk sales relative to a guaranteed coverage level

(Continued on Page 3)

May 2020 Pool Summary

Classification of Producer Milk

| | Pounds | Percent |
|-----------|---------------|---------|
| Class I | 557,058,735 | 31.2 |
| Class II | 352,635,861 | 19.7 |
| Class III | 591,943,035 | 33.1 |
| Class IV | 285,172,807 | 16.0 |
| Total | 1,786,810,438 | 100.0 |

Producer Prices

| | |
|------------------------------|--------------|
| Producer Price Differential | \$ 0.59 /cwt |
| Butterfat Price | 1.3756 /lb |
| Protein Price | 2.0918 /lb |
| Other Solids Price | 0.1882 /lb |
| Somatic Cell Adjustment Rate | 0.00065 /cwt |
| Statistical Uniform Price | 12.73 /cwt |

ANNOUNCEMENT OF PRODUCER PRICES

Federal Order No. 33

May 2020

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 | | | 545,062,874 | | | \$10.72 / cwt | \$ 58,430,740.08 |
| Class I Butterfat | | 11,995,861 | | | | 1.3148 / lb | 15,772,158.06 |
| Class I Location Differential | 557,058,735 | | | | | | (319,585.90) |
| Class II SNF Value | | | | 30,214,684 | | 0.8589 / lb | 25,951,392.09 |
| Class II Butterfat | | 26,598,807 | | | | 1.3826 / lb | 36,775,510.54 |
| Class III Protein Value | | | 18,646,064 | | | 2.0918 / lb | 39,003,836.73 |
| Class III Other Solids Value | | | | | 34,529,296 | 0.1882 / lb | 6,498,413.49 |
| Class III Butterfat | | 18,578,891 | | | | 1.3756 / lb | 25,557,122.45 |
| Class IV SNF Value | | | | 25,418,444 | | 0.6746 / lb | 17,147,282.32 |
| Class IV Butterfat | | 11,342,613 | | | | 1.3756 / lb | 15,602,898.45 |
| Somatic Cell Value II / III / IV | | | | | | | 1,500,161.14 |
| TOTAL PRODUCER MILK VALUE | 1,786,810,438 | 68,516,172 | 55,887,254 | | 103,522,453 | | \$ 241,919,929.45 |
| Overages | | | | | | 40,445.99 | |
| Beginning Inventory & OS Charges | | | | | | 13,436.71 | |
| TOTAL ADJUSTMENTS | | | | | | | \$ 53,882.70 |
| TOTAL HANDLER OBLIGATIONS | | | | | | | \$ 241,973,812.15 |
| Total Protein Value | | | 55,887,254 lbs | @ | \$2.0918 | | \$ (116,904,957.90) |
| Total Other Solids Value | | | 103,522,453 lbs | @ | 0.1882 | | (19,482,925.68) |
| Butterfat Value | | | 68,516,172 lbs | @ | 1.3756 | | (94,250,846.17) |
| Total Somatic Cell Values | | | | | | | (2,185,935.69) |
| TOTALS | | | | | | | \$ 9,149,146.71 |
| Net Producer Location Adjustments | | | | | | | \$ 1,449,478.33 |
| 1/2 Unobligated Balance Producer Settlement Fund | | | | | | | 722,000.00 |
| Total - Divided by Total Pounds | | | 1,786,810,438 lbs | | 0.6335661 | | \$ 11,320,625.04 |
| Rate of Cash Reserve | | | | | (0.0435661) | | (778,443.62) |
| PRODUCER PRICE DIFFERENTIAL at Cuyahoga County, OH ¹ | | | 1,786,810,438 | | \$ 0.59 / cwt | | \$ 10,542,181.42 |

COMPONENT PRICES**COMPUTATION OF UNIFORM PRICE**

| | May | |
|----------------------------------|---------------|---------------|
| | <u>2020</u> | <u>2019</u> |
| Butterfat Price | \$1.3756 / lb | \$2.5718 / lb |
| Protein Price | 2.0918 / lb | 2.1159 / lb |
| Other Solids Price | 0.1882 / lb | 0.1847 / lb |
| Somatic Cell Adjustment Rate | 0.00065 / cwt | 0.00085 / cwt |
| Nonfat Solids Price ² | 0.6746 / lb | 0.8386 / lb |

| | May | |
|------------------------------|-------------|-------------|
| | <u>2020</u> | <u>2019</u> |
| Class III Price - 3.5% BF | \$12.14 | \$16.38 |
| Producer Price Differential* | <u>0.59</u> | <u>0.56</u> |
| Statistical Uniform Price | \$12.73 | \$16.94 |

CLASS PRICES**CLASSIFICATION OF PRODUCER MILK**

| | May | |
|-----------|-------------|-------------|
| | <u>2020</u> | <u>2019</u> |
| Class I* | \$14.95 | \$18.42 |
| Class II | 12.30 | 16.48 |
| Class III | 12.14 | 16.38 |
| Class IV | 10.67 | 16.29 |

| | May | |
|-----------|---------------------|---------------------|
| | <u>2020</u> | <u>2019</u> |
| | <i>Product lbs.</i> | <i>Product lbs.</i> |
| Class I | 557,058,735 | 555,940,808 |
| Class II | 352,635,861 | 308,964,740 |
| Class III | 591,943,035 | 630,622,347 |
| Class IV | <u>285,172,807</u> | <u>327,462,125</u> |
| Total | 1,786,810,438 | 1,822,990,020 |

¹ Subject to Location Adjustment.² Producers are not paid on this component.**ORDER 33 MARKET SUMMARY**

The Producer Price Differential for the Mideast Marketing Area for May 2020 was \$0.59 and the Statistical Uniform Price was \$12.73 for the month. The Statistical Uniform Price is \$1.49 lower than last month, and is \$4.21 lower than May 2019.

The Producer Butterfat Price of \$1.3756 per pound increased \$0.0538 from April and is down \$1.1962 from a year ago. The Protein Price of \$2.0918 is down \$0.3904 from last month and is down \$0.0241 from May 2019. The Other Solids Price in May was \$0.1882 per pound, an increase from last month's price of \$0.1793 and \$0.0035 higher than last May. The Somatic Cell Adjustment rate for May was \$0.00065 per cwt.

May producer receipts of 1.79 billion pounds were 2.2 percent higher than April and 2.0 percent lower than May 2019 production of 1.82 billion pounds. Producer milk allocated to Class I accounted for 31.2 percent of the total producer milk in May 2020, lower than the 32.9 percent in April, and higher than the 30.5 percent in May 2019. A total of 3,948 producers were pooled on the Mideast Order compared to 4,221 producers pooled in May 2019.

The market average content of producer milk was as follows: Butterfat 3.83%; Protein 3.13%; Other Solids 5.79% and Nonfat Solids 8.92%.

(continued from Front Page)

- LGM-Dairy enables dairy farmers to purchase margin insurance based on futures prices for Class III milk, corn, and soybean meal.

Federal Milk Marketing Order (FMMO) provisions (administered by USDA Agricultural Marketing Service (AMS)):

- At the request of milk handlers, administrators of FMMOs have allowed milk not processed to be pooled on a FMMO if that milk would normally have been pooled. This allows a handler to draw the difference between the pooled uniform price and the lowest use value of the milk; but the handler still bears the loss of that manufacturing value. If the handler is a farmer cooperative, as is most common, that loss is borne by its farmer-owners together.

USDA Purchases of Dairy Products (administered by AMS):

- On May 4, USDA announced details for additional Section 32 food purchases, including \$120 million for purchases of dairy products. Solicitations will be issued in June, with deliveries expected in July. Industry requests for future purchases, including potential plans for the fourth quarter of fiscal year 2020, will be assessed on an ongoing basis.

- As part of the Coronavirus Food Assistance Program, USDA plans to purchase up to \$1 billion in dairy products in the Farmers to Families Food Box Program, which will transport milk and boxes of food to nonprofit organizations serving Americans in need. Of this, at least \$317 million of dairy products has already been contracted for delivery from May 15 through June 30. AMS may extend the period of performance of the contracts, or bid new contracts, depending upon the program's effectiveness and the continued need.

- Through the Food Purchase and Distribution Program (FPDP), USDA is continuing its plans to purchase \$68 million in dairy products to mitigate the impact on farmers of unjustified trade retaliation by foreign nations.

While not a direct purchase program, the Milk Donation Reimbursement Program allows eligible dairy organizations to partner with nonprofit organizations to distribute fluid milk to low-income individuals. Those partnerships may apply for and receive limited reimbursements to cover the difference in the cost of milk for beverage use versus the lowest priced use class for qualified fluid milk product donations.

USDA Direct Payments (administered by FSA):

- As part of the Coronavirus Food Assistance Program, USDA will provide \$2.9 billion in direct payments to dairy farmers. There is a payment limit of \$125,000 per commodity, with an overall limit of

\$250,000 per individual or entity. USDA expects to make payments to producers by the end of May or early June.

U.S. Small Business Administration (SBA) assistance:

- On May 4, SBA announced that agricultural producers, specifically, would be eligible for the Economic Injury Disaster Loan (EIDL) and EIDL Advance programs, as well as the Paycheck Protection Program.

Source: *Livestock, Dairy, and Poultry Outlook*, LDP-M-311, May 18, 2020 USDA, Economic Research Service

April Milk Production Up 1.6 Percent

Milk production in the 24 major States during April totaled 17.8 billion pounds, up 1.6 percent from April 2019. March revised production, at 18.5 billion pounds, was up 3.0 percent from March 2019.

The March revision represented an increase of 115 million pounds or 0.6 percent from last month's preliminary production estimate.

Production per cow in the 24 major States averaged 2,013 pounds for April, 17 pounds above April 2019.

The number of milk cows on farms in the 24 major States was 8.85 million head, 65,000 head more than April 2019, and 4,000 head less than March 2020.

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 April totaled 2.6 billion pounds, up 36 million pounds or 1.4 percent from April 2019.

Production per cow in the Mideast states averaged 1,976 pounds for April, 31 pounds above April 2019.

The number of cows on farms in the Mideast states was 1.3 million head, 7,000 head less than April 2019.

Bulletin WebPage Edition

www.fmmaclev.com

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 | Number of Producers | Pounds of Milk (000) | April 2020 -----Weighted Averages----- | | | | April 2019 -----Weighted Averages----- | | | | |
|-----------------|---------------------|----------------------|---|---------|--------------|-----------|---|-----------|---------|--------------|-----------|
| | | | Butterfat | Protein | Other Solids | SCC (000) | Pounds of Milk (000) | Butterfat | Protein | Other Solids | SCC (000) |
| Michigan | 970 | 904,044 | 3.86 | 3.17 | 5.80 | 147 | 846,961 | 3.86 | 3.16 | 5.81 | 158 |
| Ohio | 1,308 | 410,139 | 3.93 | 3.16 | 5.74 | 165 | 398,518 | 3.88 | 3.13 | 5.73 | 164 |
| Indiana | 678 | 248,765 | 3.88 | 3.15 | 5.81 | 158 | 213,196 | 3.81 | 3.13 | 5.79 | 170 |
| Pennsylvania | 675 | 82,410 | 3.96 | 3.08 | 5.67 | 188 | 81,328 | 3.97 | 3.10 | 5.74 | 198 |
| New York | 169 | 80,029 | 3.99 | 3.17 | 5.88 | 166 | 85,483 | 3.98 | 3.15 | 5.76 | 164 |
| Other | 149 | 22,306 | 3.84 | 3.10 | 5.78 | 196 | 26,589 | 3.81 | 3.08 | 5.76 | 217 |
| Total/Average * | 3,949 | 1,747,694 | 3.89 | 3.16 | 5.79 | 156 | 1,652,074 | 3.87 | 3.15 | 5.78 | 164 |

* 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
May 2020**

| <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) | 2,308,715 | 686,781 | 29.8 | \$1.33 | \$13.47 |
| FO 5 | Appalachian - (Charlotte) | 462,461 | 317,771 | 68.7 | ^{2/} | 15.14 |
| FO 6 | Florida - (Tampa) | 200,822 | 162,889 | 81.1 | ^{2/} | 17.29 |
| FO 7 | Southeast - (Atlanta) | 386,332 | 257,105 | 66.6 | ^{2/} | 15.39 |
| FO 30 | Upper Midwest - (Chicago) | 2,778,675 | 220,416 | 7.9 | 0.17 | 12.31 |
| FO 32 | Central - (Kansas City) | 1,393,895 | 380,717 | 27.3 | 0.10 | 12.24 |
| FO 33 | Mideast - (Cleveland) | 1,786,810 | 557,059 | 31.2 | 0.59 | 12.73 |
| FO 51 | California - (Los Angeles) | 1,901,723 | 426,265 | 22.4 | (0.19) | 11.95 |
| FO 124 | Pacific Northwest - (Seattle) | 641,777 | 135,638 | 21.1 | (0.17) | 11.97 |
| FO 126 | Southwest - (Dallas) | 925,068 | 334,170 | 36.1 | 0.87 | 13.01 |
| FO 131 | Arizona - (Phoenix) | 434,533 | 102,282 | 23.5 | ^{2/} | 12.38 |

^{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.

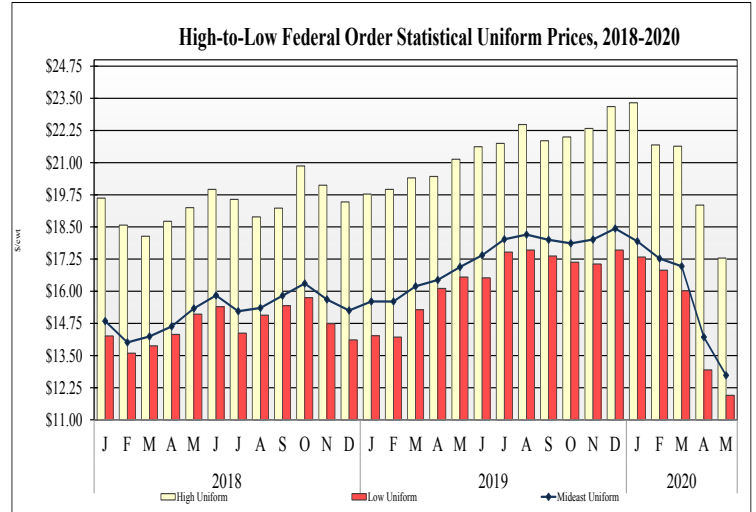
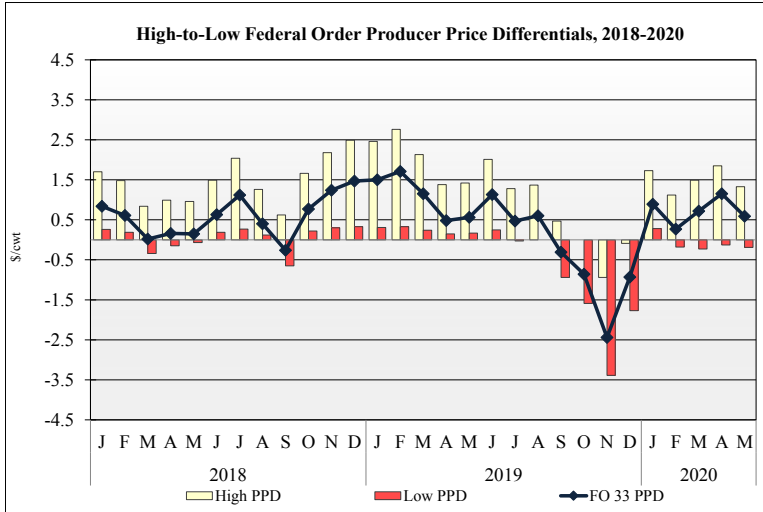
^{3/} Data not available at time of publication, please see website version for information.

MINIMUM PARTIAL PAYMENT PRICE FOR JUNE 2020.....\$10.67 /cwt.

Mideast Market Administrator's Bulletin

Federal Order No. 33 Supplement
June 2020

PRODUCER PRICE DIFFERENTIAL AND UNIFORM PRICE STATISTICS 1/ 2/



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 May 2020 Federal Order 1 had a PPD of \$1.33 per hundredweight (cwt), \$0.52 lower than their April PPD of \$1.85 per cwt.

In May 2020, Federal Order 33 had the third highest PPD, behind Orders 1, and 126, at \$0.59 per cwt, \$0.56 per cwt lower than the April PPD.

For May 2020, Federal Order 51 had the lowest PPD at \$-0.19 per cwt, \$0.06 per cwt lower than the April PPD.

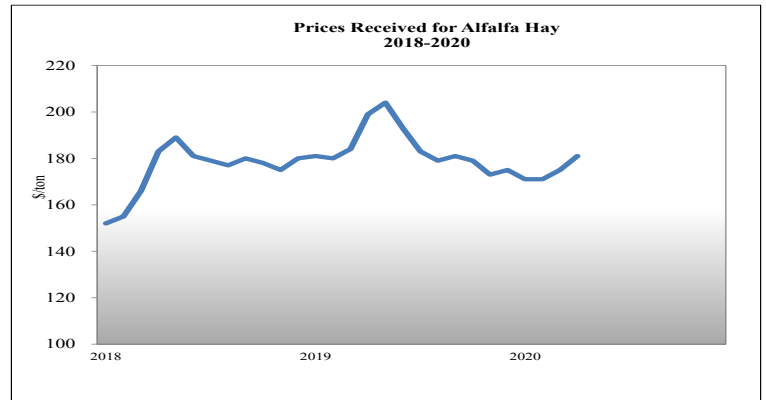
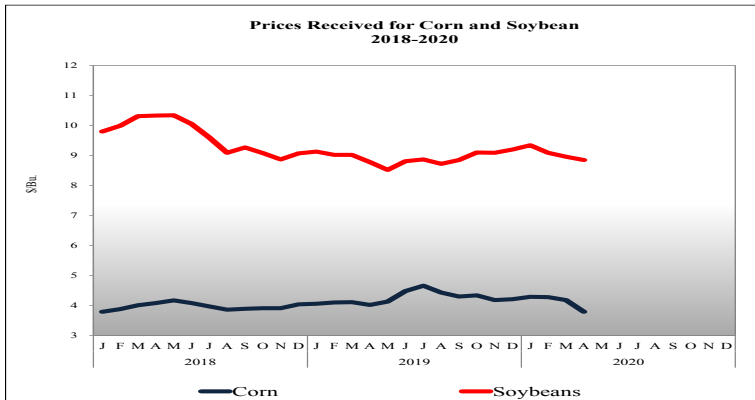
Producers in Orders 1, 30, 32, 33, 124, and 126 are paid based on component pricing; and producers in 5, 6, 7 and 131 are paid based on skim-fat pricing. The table above details the range of statistical uniform prices (SUP) paid to producers.

Of those orders, Federal Order 6 (Florida) traditionally has the highest statistical uniform price. For May 2020, Federal Order 6 had a SUP of \$17.29 per cwt, \$2.06 lower than the previous month's SUP.

Federal Order 33 had a SUP of \$12.73 per cwt, \$1.49 per cwt lower than the previous month's SUP.

The California order had the lowest SUP at \$11.95 per cwt, \$0.99 per cwt lower than the previous month's SUP.

PRICES RECEIVED FOR GRAIN AND ALFALFA HAY 4/



1/ Producer price differentials are subject to location adjustment.
 2/ Statistical uniform prices are at 3.5 percent butterfat and subject to location adjustment.
 3/ Source: USDA, National Agricultural Statistics Service