

Market Information BULLETIN

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Southeast Marketing Area
Federal Order 7

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ISSUED FOR THE INFORMATION OF PRODUCERS WHO ARE NOT MEMBERS OF COOPERATIVE ASSOCIATIONS

Dairy Forecast for 2018

Excerpts from Livestock, Dairy, & Poultry Outlook, January 19, 2018, Economic Research Service, USDA:

The 2018 forecast for the number of milk cows in the United States has been reduced to 9.415 million head, 20 thousand less than last month's forecast, as lower prices are expected to lead to less expansion throughout the year and growth will occur from a lower base than expected last month. The USDA Cattle report will be released on January 31, and it will provide more information on dairy cow inventory and intentions for heifer retention in 2018. The milk yield forecast has also been reduced for the year, by 10 pounds to 23,240 pounds per head. The milk production forecast for 2018 is 0.5 billion pounds lower than the last forecast, at 218.8 billion pounds.

As demand has weakened and butter imports have followed a downward trend in the past couple of months, the import forecast for 2018 on a milk-fat basis has been lowered 0.1 billion pounds to 6.0 billion. However, exports are forecast 0.1 billion pounds higher for 2018, as domestic prices for butter remain competitive and stocks remain high. As domestic use is expected to be lower than previously forecast, the 2018 forecast has been lowered 0.8 billion pounds to 215.1 billion. The forecast for ending stocks on a milk-fat basis is unchanged at 12.8 billion pounds.

The forecast for imports on a skim-solids basis in 2018 has been reduced to 5.9 billion pounds, 0.2 billion less than last month, due to lower expected imports of milk protein concentrate and casein products. Exports are now projected at 42.0 billion pounds for the year, an increase of 0.2 billion pounds from last month's figure, as lactose exports are now expected to increase and recent strength in NDM exports should continue. As lower ending stocks in 2017 should carry over throughout 2018, the ending stock forecast on a skim-solids basis has been lowered to 11.6 billion pounds for the year, 0.4 billion (cont. on page 4)

Uniform Price Decreases

The uniform price in Fulton County, GA, was \$19.04 per hundredweight of milk at 3.5 percent butterfat for the month of December. The uniform price is \$0.03 lower than the previous month and is \$0.74 per hundredweight lower compared to December 2016.

Class I utilization was 70.29 percent in December, 4.60 percent lower than the previous month and 1.35 percent lower than December of last year.

National Dairy Situation

The USDA estimates that the total U.S. production of milk in November 2017 was 17.28 billion pounds, 1.0 percent higher than November of last year and 0.4 percent higher compared with October 2017 on a daily average basis. Total cheese output (excluding cottage cheese) was 1.05 billion pounds, 2.8 percent above November 2016 and 1.2 percent above October 2017 on a daily average basis. Butter production was 146 million pounds, 1.8 percent above November 2016 and 5.0 percent above October 2017 on a daily average basis.

Nonfat dry milk powder production was 140.5 million pounds in November, up 9.7 percent from November of last year and 0.4 percent higher than October 2017 on a daily average basis. Total dry whey production was 81.8 million pounds in November, 11.6 percent above November 2016 and 4.7 percent above the previous month on a daily average basis. Whey protein concentrates production was 40.7 million pounds in November, 3.6 percent above November 2016 and 2.4 percent higher than October 2017 on a daily average basis..

November's milk-feed price ratio, the pounds of 16% mixed dairy feed equal in value to 1 pound of whole milk, was 2.54.

F.O. 7 - SOUTHEAST: CALCULATION OF UNIFORM PRICES - DECEMBER 2017

Calculation of Uniform Butterfat Price:

	<u>Utilization</u>	<u>Pounds</u>	<u>Price/lb.</u>	<u>Value</u>
Class I Butterfat	41.04%	7,182,781	\$2.5335	\$ 18,197,575.68
Class I Differential at Location				236,997.78
Class II Butterfat	35.77%	6,262,239	\$2.5021	15,668,748.18
Class III Butterfat	5.29%	925,891	\$2.4951	2,310,190.63
Class IV Butterfat	17.90%	3,133,876	\$2.4951	7,819,334.00
Total Butterfat	100.00%	17,504,787		\$ 44,232,846.27
Uniform Butterfat Price per lb. (Fulton County, Georgia):				\$2.5269

Calculation of Uniform Skim Milk Price:

	<u>Utilization</u>	<u>Pounds</u>	<u>Price per unit</u>	<u>Value</u>
Producer Milk				
Class I Skim Milk	71.47%	311,036,161	\$8.30 /cwt.	\$ 25,816,001.36
Class I Butterfat	41.04%	7,182,781	\$2.5335 /lb.	18,197,575.68
Class I Differential at Location		318,218,942		10,461,266.27
Total Class I Milk	70.29%	318,218,942		\$ 54,474,843.31
Class II Skim Milk	13.83%	60,179,283	\$5.94 /cwt.	\$ 3,574,649.42
Class II Butterfat	35.77%	6,262,239	\$2.5021 /lb.	15,668,748.18
Total Class II Milk	14.68%	66,441,522		\$ 19,243,397.60
Class III Skim Milk	5.08%	22,124,016	\$6.95 /cwt.	\$ 1,537,619.10
Class III Butterfat	5.29%	925,891	\$2.4951 /lb.	2,310,190.63
Total Class III Milk	5.09%	23,049,907		\$ 3,847,809.73
Class IV Skim Milk	9.62%	41,872,032	\$4.95 /cwt.	\$ 2,072,665.60
Class IV Butterfat	17.90%	3,133,876	\$2.4951 /lb.	7,819,334.00
Total Class IV Milk	9.94%	45,005,908		\$ 9,891,999.60
Producer Milk	100.00%	452,716,279		\$ 87,458,050.24

Adjustments

Overage and Other Source	\$0.00
Inventory Adjustments	(\$1,050.35)
Producer butterfat at uniform butterfat price	(\$44,232,846.27)
Location Adjustments to Producers	\$2,792,410.12
1/2 Unobligated Balance in P.S.F.	\$186,020.18
Adjusted Pool Value	\$ 10.61612
Reserve for Producer Settlement Fund	\$ 0.04612
	\$46,202,583.92

Uniform Skim Milk Price per cwt. (Fulton County, Georgia):

\$10.57

Uniform Price per cwt. (Fulton County, Georgia)

\$19.04*

* At 3.5% butterfat test; for information purposes.

OTHER FEDERAL ORDERS: CLASS I AND UNIFORM PRICES (At 3.5% Butterfat)

MARKET NAME (Priced at)	CLASS I		UNIFORM		CLASS I %
	DEC 2017	JAN 2018	NOV 2017	DEC 2017	DEC 2017
Appalachian (Charlotte)	\$ 20.28	\$ 18.84	\$ 18.63	\$ 18.37	65.59%
Arizona (Phoenix)	\$ 19.23	\$ 17.79	\$ 16.02	\$ 15.44	25.57%
Central (Kansas City)	\$ 18.88	\$ 17.44	\$ 15.98	\$ 15.56	33.78%
Florida (Tampa)	\$ 22.28	\$ 20.84	\$ 20.66	\$ 20.92	81.81%
Mideast (Cleveland)	\$ 18.88	\$ 17.44	\$ 16.24	\$ 15.80	32.60%
Northeast (Boston)	\$ 20.13	\$ 18.69	\$ 17.14	\$ 16.71	34.40%
Pacific Northwest (Seattle)	\$ 18.78	\$ 17.34	\$ 15.69	\$ 15.21	25.85%
Southeast (Atlanta)	\$ 20.68	\$ 19.24	\$ 19.07	\$ 19.04	70.29%
Southwest (Dallas)	\$ 19.88	\$ 18.44	\$ 16.76	\$ 16.36	27.45%
Upper Midwest (Chicago)	\$ 18.68	\$ 17.24	\$ 16.67	\$ 15.57	10.60%

**SOUTHEAST MILK MARKETING AREA-FEDERAL ORDER 7
STATISTICAL SUMMARY**

Receipts:	Dec 2017	Dec 2016
Producer Milk		
Class I	318,218,942	334,877,036
Class II	66,441,522	67,333,201
Class III	23,049,907	32,680,990
Class IV	45,005,908	32,569,839
	452,716,279	467,461,066
Average Butterfat Test	3.87%	3.89%
Percent of Producer Milk in Class I	70.29%	71.64%
Daily Average Receipts	14,603,751	15,079,389
Other Source Milk		
Class I	6,090,993	10,328,439
Class II	3,584,230	2,599,343
Class III	0	0
Class IV	9,410,377	8,908,477
	19,085,600	21,836,259
Overage		
Class I	0	0
Class II	0	0
Class III	0	0
Class IV	0	0
	0	0
Opening Inventory		
Class I	23,033,674	20,705,579
Class II	413,386	2,129,860
Class III	0	28,185
Class IV	14,735,154	13,656,460
	38,182,214	36,520,084
Total Receipts	509,984,093	525,817,409
Utilization:		
Class I Utilization		
Inventory of Packaged FMP	17,973,429	20,863,632
Route Disposition Class I	317,686,515	328,395,353
Shrinkage	3,162,862	3,684,909
Transfers & Diversions to Nonpool	8,520,803	12,967,160
	347,343,609	365,911,054
Average Butterfat Test	2.27%	2.22%
Daily Average Utilization	11,204,633	11,803,582
Class II Utilization		
Nonfluid Used To Produce	2,143,375	2,328,149
Shrinkage	0	0
Transfers & Diversions to Nonpool/Commercial Foods Used To Produce/Other Uses	55,829,925	59,742,101
	12,465,838	9,992,154
Average Butterfat Test	70,439,138	72,062,404
Daily Average Utilization	9.10%	7.97%
Class III Utilization		
Shrinkage	0	0
Transfers & Diversions to Nonpool Used To Produce/Other Uses	23,049,907	32,709,175
	0	0
Average Butterfat Test	23,049,907	32,709,175
Daily Average Utilization	4.02%	3.72%
Class IV Utilization		
Inventory	19,775,913	14,820,246
Nonfluid Used To Fortify	1,858,293	2,233,488
Shrinkage	5,564,362	6,046,436
Transfers & Diversions to Nonpool Used To Produce/Other Uses	38,283,193	28,153,713
	3,669,678	3,880,888
Average Butterfat Test	69,151,439	55,134,776
Daily Average Utilization	9.08%	12.15%
Total Utilization	509,984,093	525,817,409

Southeast Market Summary

The minimum order uniform price for payment to producers supplying the Southeast Order marketing area during December 2017 is \$19.04 per hundredweight for milk with a 3.5% butterfat test in Fulton County, Georgia. This is .965 times the uniform skim milk price of \$10.57 per hundredweight plus 3.5 times the uniform butterfat price of \$2.5269 per pound. Payment to producers may be reduced by location differentials, if applicable, and by properly authorized deductions.

Uniform prices are the result of marketwide pooling; all producer milk was classified and priced according to the milk's use. In December, Class I use, which is primarily bottled or packaged fluid milk, accounted for 71.47% of all producer skim milk (priced to handlers at \$8.30 per hundredweight, plus the Class I differential, see page 2) and 41.04% of producer butterfat (priced to handlers at \$2.5335 per pound plus Class I differential). Class II use, which is milk used in fluid cream products and miscellaneous manufacturing, accounted for 13.83% of all producer skim milk (\$5.94 per hundredweight) and 35.77% of producer butterfat (\$2.5021 per pound). Class III use, mostly milk used to produce cheese, accounted for 5.08% of all producer skim milk (\$6.95 per hundredweight) and 5.29% of producer butterfat (\$2.4951 per pound). Class IV use, generally milk processed into butter and powder, accounted for 9.62% of all producer skim milk (\$4.95 per hundredweight) and 17.90% of producer butterfat (\$2.4951 per pound).

Packaged Class I Route Sales in Marketing Area

Product Description	Pounds	Percent
<u>November 2017</u>		
Whole Milk	134,947,665	35.57%
Fat Free Milk	23,646,975	6.23%
Low fat Milk (incl. 1%)	40,104,759	10.60%
Reduced Fat Milk (incl. 2%)	120,350,276	31.73%
Cultured Fluid Milk (incl. Buttermilk)	9,309,522	2.45%
Flavored Drinks and Milk	50,931,282	13.42%
Total Disposition in Marketing Area	379,290,479	100.0%
Total Disposition by Pool Plants	282,503,174	74.50%
Total Disposition by Nonpool Plants	96,787,305	25.50%
Total Disposition in Marketing Area	379,290,479	100.0%

Receipts of producer milk during December totaled 452.7 million pounds. There were 20 regulated pool distributing plants, 2 pool supply plant and 10 cooperative associations submitting reports of receipts and utilization that were included in the computation of the uniform prices for December 2017. Class I route disposition in the area was 379.2 million pounds in November 2017.

Dairy Forecast for 2018, cont.

(continued from page 1) billion less than last month's forecast. Lower demand and lower production should result in less domestic use than previously expected; the domestic use forecast for 2018 has been cut 0.8 billion pounds to 182.4 billion.

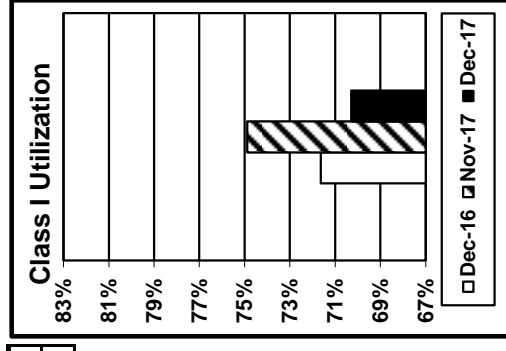
Based on recent declines in product prices and expectations for lower demand, forecasts for prices of all major dairy products in 2018 have been lowered. Price forecasts for cheddar cheese, dry whey, butter, and NDM have been lowered to \$1.535-\$1.615, \$0.270-0.300, \$2.245-\$2.355, and \$0.715-\$0.775 per pound, respectively. The Class III price for 2018 is \$1.05 lower at the midpoint of the range than the last forecast, at \$14.25-\$15.05 per cwt; the Class IV price forecast has been lowered 35 cents at the midpoint to \$13.55-\$14.45. The all-milk price for 2018 is now forecast 85 cents lower at the midpoint of the range than last month's forecast, at \$15.80-\$16.60 per cwt.

FEDERAL ORDER 7 - SOUTHEAST: CLASS AND UNIFORM PRICES

Pool Period	CLASS I*			CLASS II			CLASS III			CLASS IV			UNIFORM*		
	Skim/cwt	Bfat/lb	@ 3.5	Skim/cwt	Bfat/lb	@ 3.5	Skim/cwt	Bfat/lb	@ 3.5	Skim/cwt	Bfat/lb	@ 3.5	Skim/cwt	Bfat/lb	@ 3.5
Dec 2016	\$13.64	\$2.1484	\$20.68	\$7.32	\$2.3424	\$15.26	\$9.56	\$2.3354	\$17.40	\$7.04	\$2.3354	\$14.97	\$12.30	\$2.2591	\$19.78
Jan 2017	\$13.41	\$2.3754	\$21.25	\$7.77	\$2.5323	\$16.36	\$8.22	\$2.5253	\$16.77	\$7.62	\$2.5253	\$16.19	\$12.05	\$2.4696	\$20.27
Feb	\$12.00	\$2.5572	\$20.53	\$8.29	\$2.4344	\$16.52	\$8.69	\$2.4274	\$16.88	\$7.35	\$2.4274	\$15.59	\$11.08	\$2.4765	\$19.36
Mar	\$12.45	\$2.4808	\$20.70	\$8.00	\$2.4246	\$16.21	\$7.61	\$2.4176	\$15.81	\$6.07	\$2.4176	\$14.32	\$10.99	\$2.4416	\$19.15
Apr	\$11.55	\$2.4863	\$19.85	\$6.78	\$2.3618	\$14.81	\$7.23	\$2.3548	\$15.22	\$5.98	\$2.3548	\$14.01	\$9.92	\$2.3992	\$17.97
May	\$10.94	\$2.4116	\$19.00	\$6.60	\$2.4204	\$14.84	\$7.38	\$2.4134	\$15.57	\$6.26	\$2.4134	\$14.49	\$9.72	\$2.4133	\$17.83
Jun	\$11.14	\$2.3872	\$19.11	\$6.89	\$2.7136	\$16.15	\$7.22	\$2.7066	\$16.44	\$6.65	\$2.7066	\$15.89	\$10.04	\$2.5760	\$18.70
Jul	\$11.12	\$2.7592	\$20.39	\$7.41	\$2.9526	\$17.48	\$5.33	\$2.9456	\$15.45	\$6.52	\$2.9456	\$16.60	\$9.95	\$2.8681	\$19.64
Aug	\$10.35	\$3.0099	\$20.52	\$7.25	\$3.0179	\$17.56	\$6.25	\$3.0109	\$16.57	\$6.29	\$3.0109	\$16.61	\$9.83	\$3.0111	\$20.02
Sep	\$10.13	\$3.0671	\$20.51	\$7.03	\$2.8629	\$16.80	\$6.59	\$2.8559	\$16.36	\$6.08	\$2.8559	\$15.86	\$9.63	\$2.9466	\$19.61
Oct	\$10.47	\$2.8960	\$20.24	\$6.84	\$2.6716	\$15.95	\$7.63	\$2.6646	\$16.69	\$5.72	\$2.6646	\$14.85	\$9.80	\$2.7619	\$19.12
Nov	\$11.08	\$2.7184	\$20.21	\$6.58	\$2.5616	\$15.32	\$8.23	\$2.5546	\$16.88	\$5.23	\$2.5546	\$13.99	\$10.24	\$2.6246	\$19.07
Dec 2018	\$12.10	\$2.5715	\$20.68	\$5.94	\$2.5021	\$14.49	\$6.95	\$2.4951	\$15.44	\$4.95	\$2.4951	\$13.51	\$10.57	\$2.5269	\$19.04
Jan	\$10.78	\$2.5255	\$19.24	\$5.70											

FEDERAL ORDER 7 - SOUTHEAST: POOLED RECEIPTS AND UTILIZATION OF PRODUCER MILK

Pool Period	Producer Milk 1000 lbs.	Number of Farms	CLASS I		CLASS II		CLASS III		CLASS IV	
			1000 lbs.	%	1000 lbs.	%	1000 lbs.	%	1000 lbs.	%
Dec 2016	467,461	1,645	334,877	71.64%	67,333	14.40%	32,681	6.99%	32,570	6.97%
Jan 2017	493,261	1,637	344,109	69.76%	72,378	14.67%	37,280	7.56%	39,494	8.01%
Feb	437,752	1,551	299,761	68.48%	49,736	11.36%	59,203	13.52%	29,053	6.64%
Mar	513,245	1,570	334,819	65.23%	65,417	12.75%	65,281	12.72%	47,728	9.30%
Apr	501,646	1,578	298,804	59.57%	64,104	12.78%	68,088	13.57%	70,650	14.08%
May	496,584	1,589	312,446	62.92%	68,895	13.87%	66,353	13.36%	48,890	9.85%
Jun	450,975	1,645	298,763	66.25%	69,834	15.49%	56,703	12.57%	25,675	5.69%
Jul	422,316	1,814	285,119	67.51%	67,810	16.06%	43,037	10.19%	26,350	6.24%
Aug	427,360	1,902	330,006	77.22%	64,618	15.12%	18,284	4.28%	14,452	3.38%
Sep	408,376	1,824	312,637	76.55%	61,080	14.96%	11,500	2.82%	23,159	5.67%
Oct	424,246	1,840	315,628	74.40%	64,366	15.17%	10,281	2.42%	33,970	8.01%
Nov	422,925	1,808	316,742	74.89%	66,679	15.77%	10,918	2.58%	28,586	6.76%
Dec	452,716	1,800**	318,219	70.29%	66,442	14.68%	23,050	5.09%	45,006	9.94%



* Class I and uniform prices are at Fulton County (Atlanta), Georgia.** Estimated

Southeast Marketing Area - Federal Order 7

2018 Pool and Payment Dates							
Pool Month	Pool & Uniform Price Release Date	MA Payment Dates		Payments for Producer Milk			
		Due to:	Due From:	Partial Payment** Due		Final Payment Due	
		All Funds	P/S & T-Credit	Coop	Nonmember	Coop	Nonmember
January	02/11/18	02/12/18	02/13/18	01/25/18	01/26/18	02/13/18	02/14/18
February	03/11/18	03/12/18	03/13/18	02/26/18	02/26/18	03/13/18	03/14/18
March	04/11/18	04/12/18	04/13/18	03/26/18	03/26/18	04/13/18	04/16/18

** The base rate for making partial payments in Fulton County, GA for January will be \$17.14 per hundredweight. This is 90 percent of the preceding month's uniform price of \$19.04 per hundredweight.

Producer Touch Base Requirements & Handler Diversion Limits												
[per Order Amendment issued March 17, 2008]												
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Producer Touch Base Days	1	1	1	1	1	1	1	1	1	1	1	1
Diversion Percentage Limits	25%	25%	35%	35%	35%	35%	25%	25%	25%	25%	25%	35%

WASDE Dairy Report 1/ WASDE – 573 January 12, 2018

The milk production estimate for 2017 is reduced on recent data. For 2018, the milk production estimate is reduced on slower anticipated growth in the dairy cow herd combined with continued slow growth in milk per cow. Fat basis imports for 2017 are reduced on slower butter imports, but exports are raised on solid global demand for U.S. butter and other dairy products. Skim-solids basis imports are reduced modestly while exports are raised on strong demand for skim milk powder and several other products. For 2018, the fat basis import forecast is reduced on slowing demand for butter products, while the export forecast is raised on expected robust foreign demand for U.S. fat-containing products. On a skim-solids basis, the 2018 import forecast is reduced on weak demand for U.S. milk protein concentrates. The 2018 skim-solids basis export forecast is raised reflecting stronger demand for a number of products.

Dairy product prices for 2017 are adjusted for December data. For 2018, all dairy product prices are reduced on slowing domestic demand and global competition. The Class III and Class IV price forecasts for 2018 are reduced on lower product prices. The all milk price is lowered to \$15.80 to \$16.60 per cwt for 2018.

1/ The World Agricultural Supply and Demand Estimates (WASDE) report provides USDA's comprehensive forecasts of supply and demand for major U.S. and global crops and U.S. livestock, including dairy. The most recent WASDE report is available at www.usda.gov/oce/commodity/wasde/index.htm.

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