

Market Information BULLETIN



Southeast Marketing Area
Federal Order 7

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www.fmmatlanta.com

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

Recent Developments in Dairy Markets

Excerpts from Livestock, Dairy, & Poultry Outlook, May 16, 2017, Economic Research Service, USDA:

In recent weeks, wholesale prices for dairy products, as reported in the USDA National Dairy Products Sales Report, have moved in mixed directions. From the week ending April 1 to the week ending May 6, the butter price fell by \$0.040 per pound, and the cheddar cheese prices for 40-pound blocks and 500-pound barrels (adjusted to 38-percent moisture) rose by \$0.074 and \$0.015 per pound, respectively. While the nonfat dry milk (NDM) price rose by \$0.035 per pound, the dry whey price fell by \$0.012 per pound.

In the first quarter, U.S. wholesale prices for cheese, NDM, and dry whey were competitive with export prices for Oceania and Europe. Competitiveness of U.S. prices has undoubtedly contributed to higher dairy exports. First-quarter cheese exports were up 11.6 percent over the first quarter of 2016, with much of the increase going to South Korea. Exports of whey products (dry whey, whey protein concentrate, and modified whey) were up 28.5 percent, with a significant increase to China. Exports of nonfat dry milk/skim milk powder (NDM/SMP) were up 18.1 percent, with much of the increase going to Mexico and China.

Changing prices for cheese have also likely had an influence on imports, as first-quarter 2017 cheese imports were 5 percent lower than the first quarter of 2016. While cheese imports have declined, imports of food preparations with substantial dairy content and other miscellaneous dairy products have increased.

In contrast to exports, domestic use has been contracting in recent months. On a milk-fat milk-equivalent basis, first-quarter domestic use was 1.7 percent below the first quarter of 2016. On a skim-solids milk-equivalent basis, it was down 1.5 percent. Note that commercial disappearance is an imperfect proxy for consumption. It is estimated using data collected from (continued on page 4)

Uniform Price Falls

The uniform price in Fulton County, GA, was \$17.97 per hundredweight of milk at 3.5 percent butterfat for the month of April. The uniform price is \$1.18 lower than the previous month and is \$1.63 per hundredweight higher compared to April 2016.

Class I utilization was 59.57 percent in April, 5.66 percent lower than the previous month and 4.72 percent lower than April of last year.

National Dairy Situation

The USDA estimates that the total U.S. production of milk in March 2017 was 18.71 billion pounds, 1.7 percent lower than March of last year and 1.3 percent higher compared with February 2017 on a daily average basis. Total cheese output (excluding cottage cheese) was 1.06 billion pounds, 3.3 percent higher than March 2016 and 1.8 percent above the previous month on a daily average basis. Butter production was 176 million pounds, 0.3 percent higher than March 2016 and 1.6 percent lower than February 2017 on a daily average basis.

Nonfat dry milk powder production was 159.7 million pounds in March, 7.2 percent lower than March of last year and 2.0 percent higher than February 2017 on a daily average basis. Total dry whey production was 87.9 million pounds in March, 6.4 percent higher than March 2016 and 1.9 percent higher than February 2017 on a daily average basis. Whey protein concentrates production was 42.0 million pounds in March, 0.5 above March 2016 and 5.3 percent higher than February 2017 on a daily average basis.

March's milk-feed price ratio, the pounds of 16 percent mixed dairy feed equal in value to 1 pound of whole milk, was 2.39, down from the 2.61 price ratio from the prior month.

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

Calculation of Uniform Butterfat Price:

	<u>Utilization</u>	<u>Pounds</u>	<u>Price/lb.</u>	<u>Value</u>
Class I Butterfat	33.19%	6,123,298	\$2.4483	\$ 14,991,670.50
Class I Differential at Location				9,818,284.23
Class II Butterfat	34.86%	6,430,560	\$2.3618	15,187,696.64
Class III Butterfat	9.62%	1,774,275	\$2.3548	4,178,062.79
Class IV Butterfat	22.33%	4,118,396	\$2.3548	9,697,998.90
Total Butterfat	100.00%	18,446,529		\$ 44,256,912.38

Uniform Butterfat Price per lb. (Fulton County, Georgia): **\$2.3992**

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	60.57%	292,681,169	\$7.75 /cwt.	\$ 22,682,790.65
Class I Butterfat	33.19%	6,123,298	\$2.4483 /lb.	14,991,670.50
Class I Differential at Location		298,804,467		9,818,284.23
Total Class I Milk	59.57%	298,804,467		\$ 47,492,745.38
Class II Skim Milk	11.94%	57,673,803	\$6.78 /cwt.	\$ 3,910,283.84
Class II Butterfat	34.86%	6,430,560	\$2.3618 /lb.	15,187,696.64
Total Class II Milk	12.78%	64,104,363		\$ 19,097,980.48
Class III Skim Milk	13.72%	66,313,255	\$7.23 /cwt.	\$ 4,794,448.34
Class III Butterfat	9.62%	1,774,275	\$2.3548 /lb.	4,178,062.79
Total Class III Milk	13.57%	68,087,530		\$ 8,972,511.13
Class IV Skim Milk	13.77%	66,531,589	\$5.98 /cwt.	\$ 3,978,589.03
Class IV Butterfat	22.33%	4,118,396	\$2.3548 /lb.	9,697,998.90
Total Class IV Milk	14.08%	70,649,985		\$ 13,676,587.93
Producer Milk	100.00%	501,646,345		\$ 89,239,824.92

Adjustments

Overage and Other Source	\$0.00
Inventory Adjustments	\$0.00
Producer butterfat at uniform butterfat price	(\$44,256,912.38)
Location Adjustments to Producers	\$2,974,152.89
1/2 Unobligated Balance in P.S.F.	\$180,783.38
Adjusted Pool Value	\$ 9.96231
Reserve for Producer Settlement Fund	\$ 0.04231
	\$48,137,848.81
	\$204,427.06

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

\$9.92

Uniform Price per cwt. (Fulton County, Georgia)

\$17.97*

* 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 %
	APR 2017	MAY 2017	MAR 2017	APR 2017	APR 2017
Appalachian (Charlotte)	\$ 19.45	\$ 18.60	\$ 19.06	\$ 17.77	63.06%
Arizona (Phoenix)	\$ 18.40	\$ 17.55	\$ 16.02	\$ 15.35	22.99%
Central (Kansas City)	\$ 18.05	\$ 17.20	\$ 16.24	\$ 15.24	26.37%
Florida (Tampa)	\$ 21.45	\$ 20.60	\$ 21.28	\$ 20.08	80.58%
Mideast (Cleveland)	\$ 18.05	\$ 17.20	\$ 16.43	\$ 15.61	27.30%
Northeast (Boston)	\$ 19.30	\$ 18.45	\$ 17.30	\$ 16.39	29.40%
Pacific Northwest (Seattle)	\$ 17.95	\$ 17.10	\$ 15.93	\$ 15.23	24.18%
Southeast (Atlanta)	\$ 19.85	\$ 19.00	\$ 19.15	\$ 17.97	59.57%
Southwest (Dallas)	\$ 19.05	\$ 18.20	\$ 17.00	\$ 16.32	28.30%
Upper Midwest (Chicago)	\$ 17.85	\$ 17.00	\$ 16.05	\$ 15.37	8.40%

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

Receipts:	APRIL 2017	APRIL 2016
Producer Milk		
Class I	298,804,467	317,125,118
Class II	64,104,363	67,179,879
Class III	68,087,530	62,347,413
Class IV	70,649,985	46,621,285
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Total Producer Milk	501,646,345	493,273,695
Average Butterfat Test	3.68%	3.62%
Percent of Producer Milk in Class I	59.57%	64.29%
Daily Average Receipts	16,721,545	16,442,457
Other Source Milk		
Class I	6,399,563	6,879,783
Class II	2,943,688	3,201,535
Class III	0	0
Class IV	3,749,068	11,262,339
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Total Other Source Milk	13,092,319	21,343,657
Overage		
Class I	0	0
Class II	0	0
Class III	0	0
Class IV	0	0
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Total Overage	0	0
Opening Inventory		
Class I	22,193,788	22,912,643
Class II	0	1,006,124
Class III	0	879,790
Class IV	14,385,214	12,868,631
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Total Opening Inventory	36,579,002	37,667,188
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Total Receipts	551,317,666	552,284,540
Utilization:		
Class I Utilization		
Inventory of Packaged FMP	17,460,903	20,214,732
Route Disposition Class I	298,321,327	312,585,834
Shrinkage	1,697,401	1,964,087
Transfers & Diversions to Nonpool	9,918,187	12,152,891
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Total Class I Utilization	327,397,818	346,917,544
Average Butterfat Test	2.04%	2.02%
Daily Average Utilization	10,913,261	11,563,918
Class II Utilization		
Nonfluid Used To Produce	2,650,726	2,591,702
Shrinkage	271,062	1,991
Transfers & Diversions to Nonpool/Commercial Foods Used To Produce/Other Uses	53,396,220	57,019,513
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Total Class II Utilization	67,048,051	71,387,538
Average Butterfat Test	9.59%	8.47%
Class III Utilization		
Shrinkage	0	0
Transfers & Diversions to Nonpool Used To Produce/Other Uses	68,087,530	63,227,203
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Total Class III Utilization	68,087,530	63,227,203
Average Butterfat Test	2.61%	2.71%
Class IV Utilization		
Inventory	27,488,026	17,886,208
Nonfluid Used To Fortify	654,908	748,346
Shrinkage	5,522,946	5,791,129
Transfers & Diversions to Nonpool Used To Produce/Other Uses	51,397,054	42,001,874
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Total Class IV Utilization	88,784,267	70,752,255
Average Butterfat Test	6.68%	10.08%
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Total Utilization	551,317,666	552,284,540

Southeast Market Summary

The minimum order uniform price for payment to producers supplying the Southeast Order marketing area during April 2017 is \$17.97 per hundredweight for milk with a 3.5% butterfat test in Fulton County, Georgia. This is .965 times the uniform skim milk price of \$9.92 per hundredweight plus 3.5 times the uniform butterfat price of \$2.3992 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 April, Class I use, which is primarily bottled or packaged fluid milk, accounted for 60.57% of all producer skim milk (priced to handlers at \$7.75 per hundredweight, plus the Class I differential, see page 2) and 33.19% of producer butterfat (priced to handlers at \$2.4483 per pound plus Class I differential). Class II use, which is milk used in fluid cream products and miscellaneous manufacturing, accounted for 11.94% of all producer skim milk (\$6.78 per hundredweight) and 34.86% of producer butterfat (\$2.3618 per pound). Class III use, mostly milk used to produce cheese, accounted for 13.72% of all producer skim milk (\$7.23 per hundredweight) and 9.62% of producer butterfat (\$2.3548 per pound). Class IV use, generally milk processed into butter and powder, accounted for 13.77% of all producer skim milk (\$5.98 per hundredweight) and 22.33% of producer butterfat (\$2.3548 per pound).

Packaged Class I Route Sales in Marketing Area

Product Description	Pounds	Percent
March 2017		
Whole Milk	136,726,760	35.51%
Fat Free Milk	26,774,930	6.95%
Low fat Milk (incl. 1%)	43,363,309	11.26%
Reduced Fat Milk (incl. 2%)	120,882,191	31.40%
Cultured Fluid Milk (incl. Buttermilk)	7,674,310	1.99%
Flavored Drinks and Milk	49,575,475	12.89%
Total Disposition in Marketing Area	384,996,975	100.0%
Total Disposition by Pool Plants	285,923,017	74.27%
Total Disposition by Nonpool Plants	99,073,958	25.73%
Total Disposition in Marketing Area	384,996,975	100.0%

Receipts of producer milk during April totaled 501.6 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 April 2017. Class I route disposition in the area was 385.0 million pounds in March 2017.

Excerpts from USDA's Latest Livestock, Dairy, and Poultry Outlook

(continued from page 1) different sources that have some inconsistencies, and there is no accounting for changes in pipeline stocks.

While the outlook for U.S. exports appears to be improving for most dairy products, this is not the case for ultra-filtered milk containing protein of 85 percent or more (UF-85 milk) or milk protein isolate (MPI, a dried high-protein product). For years, Canada has imported UF-85 milk and MPI from the United States. These products can be used as ingredients for a wide variety of applications. UF-85 milk is often used for manufacturing for cheese. Canada's imports of these products from the United States grew from \$11 million 2009 to \$102 million in 2014 and 2015 before falling to \$97 million in 2016. In contrast to most dairy products, tariffs are not applied to Canadian imports of UF-85 milk or MPI from the United States due to the North American Free Trade Agreement. Recently, Canada has established a domestic class of milk for ingredient use that is priced based on the prevailing global prices and is relatively low compared to other Canadian milk prices. As a result, UF-85 milk from the United States has become less attractive to Canadian processors.

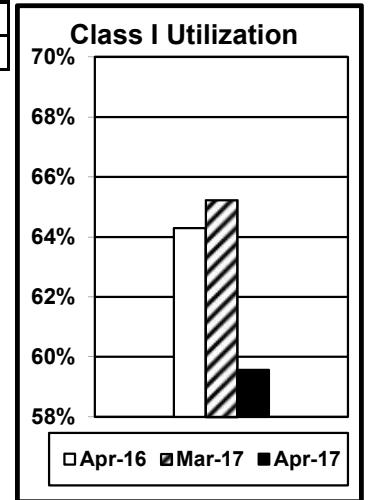
Source: Livestock, Dairy, and Poultry Outlook/LDP-M-275/May 16, 2017 ERS, USDA.

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
Apr 2016	\$10.02	\$2.2486	\$17.54	\$5.89	\$2.2446	\$13.54	\$6.01	\$2.2376	\$13.63	\$ 5.02	\$2.2376	\$12.68	\$ 8.80	\$2.2420	\$16.34
May	\$9.92	\$2.2635	\$17.50	\$5.71	\$2.2916	\$13.53	\$4.94	\$2.2846	\$12.76	\$ 5.28	\$2.2846	\$13.09	\$ 8.60	\$2.2769	\$16.27
Jun	\$9.11	\$2.3288	\$16.94	\$5.86	\$2.4179	\$14.12	\$4.96	\$2.4109	\$13.22	\$ 5.53	\$2.4109	\$13.77	\$ 8.13	\$2.3776	\$16.17
Jul	\$9.37	\$2.4169	\$17.50	\$6.27	\$2.6034	\$15.16	\$6.38	\$2.5964	\$15.24	\$ 5.96	\$2.5964	\$14.84	\$ 8.69	\$2.5192	\$17.20
Aug	\$9.96	\$2.6453	\$18.87	\$6.71	\$2.4943	\$15.21	\$8.50	\$2.4873	\$16.91	\$ 6.16	\$2.4873	\$14.65	\$ 9.61	\$2.5608	\$18.24
Sep	\$11.97	\$2.5155	\$20.36	\$6.79	\$2.3152	\$14.66	\$8.61	\$2.3082	\$16.39	\$ 6.39	\$2.3032	\$14.23	\$ 11.21	\$2.3990	\$19.21
Oct	\$12.58	\$2.3603	\$20.40	\$7.14	\$2.0563	\$14.09	\$7.92	\$2.0493	\$14.82	\$ 6.72	\$2.0493	\$13.66	\$ 11.50	\$2.1782	\$18.72
Nov	\$11.59	\$2.1129	\$18.58	\$7.47	\$2.1114	\$14.60	\$9.74	\$2.1044	\$16.76	\$ 6.63	\$2.1044	\$13.76	\$ 11.03	\$2.1086	\$18.02
Dec	\$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											

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.	%
Apr 2016	493,274	1,681	317,125	64.29%	67,180	13.62%	62,347	12.64%	46,621	9.45%
May	479,088	1,685	308,829	64.45%	69,402	14.49%	64,655	13.50%	36,202	7.56%
Jun	457,259	1,720	296,259	64.78%	73,835	16.15%	56,731	12.41%	30,433	6.66%
Jul	418,092	1,706	287,264	68.70%	66,547	15.92%	33,218	7.95%	31,063	7.43%
Aug	419,230	1,764	339,478	80.97%	60,605	14.46%	9,580	2.29%	9,567	2.28%
Sep	408,334	1,715	322,221	78.91%	59,402	14.55%	11,371	2.78%	15,340	3.76%
Oct	425,841	1,690	316,344	74.29%	66,649	15.65%	11,682	2.74%	31,166	7.32%
Nov	414,251	1,710	326,451	78.81%	62,696	15.13%	10,683	2.58%	14,421	3.48%
Dec	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	1,570**	298,804	59.57%	64,104	12.78%	68,088	13.57%	70,650	14.08%



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

Southeast Marketing Area - Federal Order 7

2017 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
May	06/11/17	06/12/17	06/13/17	05/25/17	05/26/17	06/13/17	06/14/17
June	07/11/17	07/12/17	07/13/17	06/26/17	06/26/17	07/13/17	07/14/17
July	08/11/17	08/14/17	08/15/17	07/25/17	07/26/17	08/15/17	08/16/17

** The base rate for making partial payments in Fulton County, GA for May will be \$16.17 per hundredweight. This is 90 percent of the preceding month's uniform price of \$17.97 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 – 565 May 10, 2017

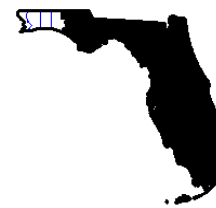
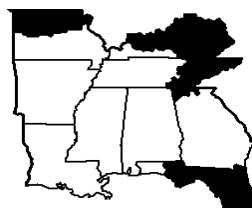
Milk production for 2018 is forecast higher on stronger milk prices and moderate feed prices. Commercial exports on fat and skim-solids bases are forecast higher on stronger global demand. Fat basis imports are forecast modestly higher in 2018 while skim-solids basis imports are forecast lower relative to 2017. Cheese and non-fat dry milk prices are forecast higher than 2017, but butter and whey prices are forecast lower. The increase in the Class III price reflects higher forecast cheese prices which more than offset lower whey prices. The Class IV price is higher as the higher non-fat dry milk price more than offset lower butter prices. The all milk price is forecast at \$17.55 to \$18.55 per cwt for 2018.

Forecast milk production in 2017 is lowered from the previous month on slower growth in milk per cow. Fat basis imports are lowered from the previous month while skim-solids basis imports are increased. Commercial exports are forecast higher for both fat and skim-solids bases. Non-fat dry milk price forecasts are raised from last month while butter is lower. Cheese and whey prices are unchanged. The Class III price is unchanged while the Class IV is higher than the previous month. The milk price is forecast at \$17.35 to \$17.85 per cwt.

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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