Market Information BULLETIN

Southeast Marketing Area
Federal Order 7

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www.fmmatlanta.com February 2017 Volume 18—No. 2

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

Recap of 2016 Dairy Industry Situation

Excerpts from Livestock, Dairy, & Poultry Outlook, February 15, 2017, Economic Research Service, USDA:

The all-milk price fell from an average of $17.12 per cwt in 2015 to $16.24 in 2016. It reached a low of $14.77 per cwt in the second quarter before rising to $17.67 in the fourth quarter.

The relatively low milk prices in 2016 largely reflect the global dairy situation. European Union (EU) milk production increased substantially after milk supply quotas ended on March 31, 2015 and remained above previous-year levels through May 2016, contributing to an abundant global supply. At the same time, global demand for dairy products grew at a relatively slow pace in some countries. For example, China's whole milk powder imports in 2016 increased over 2015 but remained well below 2014 levels. With continuance of the Russian trade ban, Russian imports are lower and the EU has been more competitive in alternative markets, including some of those traditionally supplied by the United States. In addition, the strong dollar has caused U.S. products to be less competitive in foreign markets.

Milk production in 2016 was a record 212.5 billion pounds, 1.7 percent higher than 2015 (adjusted for leap year). Milk cows averaged 9.333 million head, 16,000 higher than 2015 and the highest annual average since 1996. Average milk per cow was 22,770 pounds, 1.4 percent higher than 2015 (adjusted for leap year).

The increased milk production in 2016 can be attributed in part to relatively low feed prices in the latter part of 2015 (due to lagged supply response) and throughout 2016. In 2015, the benchmark 16-percent protein mixed dairy feed,1 as calculated by USDA National Agricultural Statistics Service (NASS), fell from $8.57 per cwt in the first quarter to $7.77 in the fourth quarter. The 2016 average was $7.48 per cwt, 9.8 percent lower than 2015. Although the all-milk price (continued on page 4)

Uniform Price Increases

The uniform price in Fulton County, GA, was $20.27 per hundredweight of milk at 3.5 percent butterfat for the month of January. The uniform price is $0.49 higher than the previous month and is $2.67 per hundredweight higher compared to January 2016.

Class I utilization was 69.76 percent in January, 1.88 percent lower than the previous month and 3.08 percent lower than January of last year.

National Dairy Situation

The USDA estimates that the total U.S. production of milk in December 2016 was 17.86 billion pounds, up 2.2 percent from December 2015 and 1.0 percent higher compared with November 2016 on a daily average basis. Total cheese output (excluding cottage cheese) was 1.05 billion pounds, 1.3 percent above December 2015 and 0.3 percent lower than November 2016 on a daily average basis. Butter production was 164 million pounds, 6.7 percent below December 2015 but 9.6 percent above November 2016 on a daily average basis.

Nonfat dry milk powder production was 156.0 million pounds in December, 3.2 percent higher than December of last year and 17.8 percent higher than November 2016 on a daily average basis. Total dry whey production was 79.6 million pounds in December, 13.3 percent lower than December 2015 and 5.7 percent higher than November 2016 on a daily average basis. Whey protein concentrates production was 36.9 million pounds in December, 12.8 percent lower than December of last year and 4.8 percent lower than the previous month on a daily average basis.

The preliminary milk-feed price ratio, the pounds of 16 percent mixed dairy feed equal in value to 1 pound of whole milk, was 2.70 in December 2016, up 0.31 from December 2015.

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

Calculation of Uniform Butterfat Price:

	Utilization	Pounds	Price/lb.	Value
Class I Butterfat	37.35%	7,054,960	$2.3374	$ 16,490,263.50
Class I Differential at Location				231,070.48
Class II Butterfat	32.28%	6,095,275	$2.5323	15,435,064.87
Class III Butterfat	7.01%	1,323,400	$2.5253	3,341,982.03
Class IV Butterfat	23.36%	4,411,277	$2.5253	11,139,797.80
Total Butterfat	**100.00%**	**18,884,912**		**$ 46,638,178.68**

Uniform Butterfat Price per lb. (Fulton County, Georgia): $2.4696

Calculation of Uniform Skim Milk Price:

Producer Milk	Utilization	Pounds	Price per unit		Value
Class I Skim Milk	80.81%	337,053,974	$9.61	/cwt.	$ 32,390,886.88
Class I Butterfat	37.35%	7,054,960	$2.3374	/lb.	16,490,263.50
Class I Differential at Location		344,108,934			11,295,581.44
Total Class I Milk	**69.76%**	**344,108,934**			**$ 60,176,731.82**
Class II Skim Milk	13.97%	66,283,083	$7.77	/cwt.	$ 5,150,195.56
Class II Butterfat	32.28%	6,095,275	$2.5323	/lb.	15,435,064.87
Total Class II Milk	**14.67%**	**72,378,358**			**$ 20,585,260.43**
Class III Skim Milk	7.58%	35,956,243	$8.22	/cwt.	$ 2,955,603.18
Class III Butterfat	7.01%	1,323,400	$2.5253	/lb.	3,341,982.03
Total Class III Milk	**7.56%**	**37,279,643**			**$ 6,297,585.21**
Class IV Skim Milk	7.40%	35,082,734	$7.62	/cwt.	$ 2,673,304.31
Class IV Butterfat	23.36%	4,411,277	$2.5253	/lb.	11,139,797.80
Total Class IV Milk	**8.01%**	**39,494,011**			**$ 13,813,102.11**
Producer Milk	**100.00%**	**493,260,946**			**$ 100,872,679.57**

Adjustments		
Overage and Other Source		$0.00
Inventory Adjustments		$0.00
Producer butterfat at uniform butterfat price		($46,638,178.68)
Location Adjustments to Producers		$2,914,797.65
1/2 Unobligated Balance in P.S.F.		$214,715.55
Adjusted Pool Value	**$ 12.09252**	**$57,364,014.09**
Reserve for Producer Settlement Fund	**$ 0.04252**	$201,701.99
Uniform Skim Milk Price per cwt. (Fulton County, Georgia):	**$12.05**	
Uniform Price per cwt. (Fulton County, Georgia)	**$20.27***	

** At 3.5% butterfat test; for information purposes.*

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

MARKET NAME	CLASS I		UNIFORM		CLASS I %
(Priced at)	JAN 2017	FEB 2017	DEC 2016	JAN 2017	JAN 2017
Appalachian (Charlotte)	$ 20.85	$ 20.13	$ 19.34	$ 20.06	72.88%
Arizona (Phoenix)	$ 19.80	$ 19.08	$ 16.80	$ 17.36	24.85%
Central (Kansas City)	$ 19.45	$ 18.73	$ 16.87	$ 17.32	33.97%
Florida (Tampa)	$ 22.85	$ 22.13	$ 21.64	$ 22.22	85.71%
Mideast (Cleveland)	$ 19.45	$ 18.73	$ 16.79	$ 17.35	32.10%
Northeast (Boston)	$ 20.70	$ 19.98	$ 17.68	$ 18.21	32.60%
Pacific Northwest (Seattle)	$ 19.35	$ 18.63	$ 16.37	$ 17.03	27.89%
Southeast (Atlanta)	**$ 21.25**	**$ 20.53**	**$ 19.78**	**$ 20.27**	**69.76%**
Southwest (Dallas)	$ 20.45	$ 19.73	$ 17.65	$ 17.97	27.84%
Upper Midwest (Chicago)	$ 19.25	$ 18.53	$ 17.21	$ 16.99	11.40%

SOUTHEAST MILK MARKETING AREA-FEDERAL ORDER 7
STATISTICAL SUMMARY

	January 2017	January 2016
Receipts:		
Producer Milk		
Class I	344,108,934	343,819,886
Class II	72,378,358	62,663,770
Class III	37,279,643	23,809,333
Class IV	39,494,011	41,767,104
Total Producer Milk	**493,260,946**	**472,060,093**
Average Butterfat Test	3.83	3.77%
Percent of Producer Milk in Class I	69.76%	72.84%
Daily Average Receipts	15,911,643	15,227,745
Other Source Milk		
Class I	9,117,339	8,739,238
Class II	2,834,678	3,378,153
Class III	0	0
Class IV	10,192,697	10,928,503
Total Other Source Milk	**22,144,714**	**23,045,894**
Overage		
Class I	0	19
Class II	0	2,187
Class III	0	0
Class IV	0	10,362
Total Overage	**0**	**12,568**
Opening Inventory		
Class I	20,865,343	24,663,048
Class II	0	21,324
Class III	0	0
Class IV	17,267,906	11,670,900
Total Opening Inventory	**38,133,249**	**36,355,272**
Total Receipts	**553,538,909**	**531,473,827**
Utilization:		
Class I Utilization		
Inventory of Packaged FMP	22,552,999	19,996,587
Route Disposition Class I	337,650,728	341,329,777
Shrinkage	2,654,984	3,214,261
Transfers & Diversions to Nonpool	11,232,905	12,681,566
Total Class I Utilization	**374,091,616**	**377,222,191**
Average Butterfat Test	2.04%	2.04%
Daily Average Utilization	12,067,471	12,168,458
Class II Utilization		
Nonfluid Used To Produce	2,473,230	744,465
Shrinkage	212,434	0
Transfers & Diversions to Nonpool/Commercial Foods	62,063,129	53,790,940
Used To Produce/Other Uses	10,464,243	11,530,029
Total Class II Utilization	**75,213,036**	**66,065,434**
Average Butterfat Test	8.10%	8.07%
Class III Utilization		
Shrinkage	0	0
Transfers & Diversions to Nonpool	37,279,643	23,809,333
Used To Produce/Other Uses	0	0
Total Class III Utilization	**37,279,643**	**23,809,333**
Average Butterfat Test	3.55%	4.44%
Class IV Utilization		
Inventory	20,809,223	25,775,165
Nonfluid Used To Fortify	707,623	2,208,412
Shrinkage	6,258,935	6,570,181
Transfers & Diversions to Nonpool	35,117,694	25,699,615
Used To Produce/Other Uses	4,061,139	4,123,496
Total Class IV Utilization	**66,954,614**	**64,376,869**
Average Butterfat Test	13.15%	13.28%
Total Utilization	**553,538,909**	**531,473,827**

Southeast Market Summary

The minimum order uniform price for payment to producers supplying the Southeast Order marketing area during January 2017 is $20.27 per hundredweight for milk with a 3.5% butterfat test in Fulton County, Georgia. This is .965 times the uniform skim milk price of $12.05 per hundredweight plus 3.5 times the uniform butterfat price of $2.4696 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 January, Class I use, which is primarily bottled or packaged fluid milk, accounted for 71.05% of all producer skim milk (priced to handlers at $9.61 per hundredweight, plus the Class I differential, see page 2) and 37.35% of producer butterfat (priced to handlers at $2.3374 per pound plus Class I differential). Class II use, which is milk used in fluid cream products and miscellaneous manufacturing, accounted for 13.97% of all producer skim milk ($7.77 per hundredweight) and 32.28% of producer butterfat ($2.5323 per pound). Class III use, mostly milk used to produce cheese, accounted for 7.58% of all producer skim milk ($8.22 per hundredweight) and 7.01% of producer butterfat ($2.5253 per pound). Class IV use, generally milk processed into butter and powder, accounted for 7.40% of all producer skim milk ($7.62 per hundredweight) and 23.36% of producer butterfat ($2.5253 per pound).

Packaged Class I Route Sales in Marketing Area

Product Description	Pounds	Percent
December 2016		
Whole Milk	142,705,019	36.09%
Fat Free Milk	29,869,457	7.55%
Low fat Milk (incl. 1%)	39,.986,294	10.11%
Reduced Fat Milk (incl. 2%)	128,900,740	32.59%
Cultured Fluid Milk (incl. Buttermilk)	9,009,870	2.28%
Flavored Drinks and Milk	44,982,068	11.38%
Total Disposition in Marketing Area	395,453,448	100.0%
Total Disposition by Pool Plants	290,509,407	73.46%
Total Disposition by Nonpool Plants	104,944,041	26.54%
Total Disposition in Marketing Area	395,453,448	100.0%

Receipts of producer milk during January totaled 493.2 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 January 2017. Class I route disposition in the area was 395.4 million pounds in December 2016.

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

(continued from page 1) fell from 2015 to 2016, the milk-feed ratio increased from 2.07 to 2.18. Domestic use in 2016 was robust, especially on a milk-fat milk-equivalent basis (2.9 percent higher than the previous year). U.S. consumer perceptions regarding health effects of butterfat have likely changed due to media reports. On a skim-solids milk-equivalent basis, domestic use grew by 1.6 percent over the previous year.

Commercial exports in 2016 were higher than 2015, but they did not reach the record levels of 2014. On a milk-fat basis, 2016 exports were 9.2 billion pounds, 4.4 percent higher than 2015 but 26.4 percent lower than 2014. On a skim-solids basis, exports were 38.9 billion pounds, 4.1 percent higher than 2015 but 0.5 percent lower than 2014. With competitive foreign prices, 2016 imports grew to 7.0 billion pounds on a milk-fat basis (23.1 percent higher than 2015) and 6.5 billion pounds on a skim-solids basis (9.5 percent higher than 2015). Stocks ended the year at a relatively high level, growing from 13.3 billion to 14.3 billion pounds on a milk-fat basis and from 13.9 to 14.8 billion pounds on a skim-solids basis.

Source: Livestock, Dairy, and Poultry Outlook/LDP-M-272/February 15, 2017 ERS, USDA

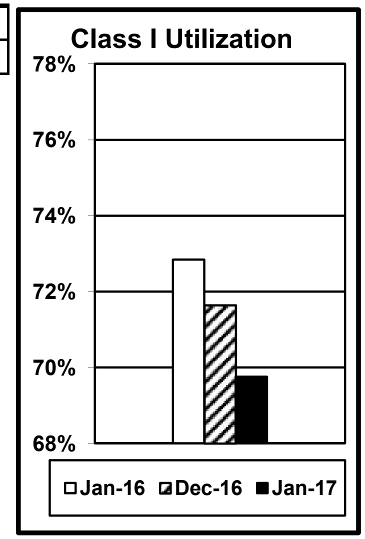
FEDERAL ORDER 7 - SOUTHEAST: CLASS AND UNIFORM PRICES

Pool	CLASS I*			CLASS II			CLASS III			CLASS IV			UNIFORM*		
Period	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 **2015**	$9.85	$3.1428	$20.51	$6.75	$2.9127	$16.71	$4.43	$2.9057	$14.44	$ 5.54	$2.9057	$15.52	$ 9.13	$3.0094	$19.34
Jan **2016**	$9.41	$3.0742	$19.84	$6.31	$2.3132	$14.19	$5.85	$2.3062	$13.72	$ 5.43	$2.3062	$13.31	$ 8.77	$2.6105	$17.60
Feb	$9.71	$2.3058	$17.44	$6.17	$2.3848	$14.30	$5.68	$2.3778	$13.80	$ 5.36	$2.3778	$13.49	$ 8.97	$2.3495	$16.88
Mar	$9.34	$2.4483	$17.58	$6.05	$2.2098	$13.57	$6.25	$2.2028	$13.74	$ 5.21	$2.2028	$12.74	$ 8.49	$2.2945	$16.22
Apr	$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											

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

Pool	Producer Milk	Number of	CLASS I		CLASS II		CLASS III		CLASS IV	
Period	1000 lbs.	Farms	1000 lbs.	%	1000 lbs.	%	1000 lbs.	%	1000 lbs.	%
Dec **2015**	456,831	1,762	340,022	74.44%	57,299	12.54%	30,218	6.61%	29,291	6.41%
Jan **2016**	472,060	1,880	343,820	72.84%	62,664	13.27%	23,809	5.04%	41,767	8.85%
Feb	426,663	1,769	312,548	73.25%	52,128	12.22%	34,973	8.20%	27,014	6.33%
Mar	508,094	1,757	333,373	65.61%	70,622	13.90%	60,085	11.83%	44,014	8.66%
Apr	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	1,700**	344,109	69.76%	72,378	14.67%	37,280	7.56%	39,494	8.01%

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



Southeast Marketing Area - Federal Order 7

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
February	03/11/17	03/13/17	03/14/17	02/27/17	02/27/17	03/14/17	03/15/17
March	04/11/17	04/12/17	04/13/17	03/27/17	03/27/17	04/13/17	04/14/17
April	05/11/17	05/12/17	05/15/17	04/25/17	04/26/17	05/15/17	05/16/17

** The base rate for making partial payments in Fulton County, GA for February will be $18.24 per hundredweight. This is 90 percent of the preceding month's uniform price of $20.27 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 – 562 February 9, 2017

The milk production forecast for 2017 is raised from last month. Improved returns in 2017 are expected to result in a slightly higher forecast cow inventory during the late part of 2017. Milk output per cow is also raised as improved returns are expected to support continued improvements in the quality of dairy rations. Beginning stocks on both a fat and skim-solids basis are raised from last month on December 31 storage data; stocks at the end of 2017 are raised, reflecting increased beginning inventories and higher dairy product production in 2017. Fat-basis imports are reduced as domestic butterfat is expected to be more competitive with the EU; skim-solids imports are unchanged. Fat basis exports are unchanged and skim-solids basis exports are raised slightly. Skim-solids imports are virtually unchanged as weaker exports of nonfat dry milk (NDM) are offset with stronger whey sales. For 2016, milk production, output per cow, trade, and stock estimates are updated based on data through December.

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.

USDA

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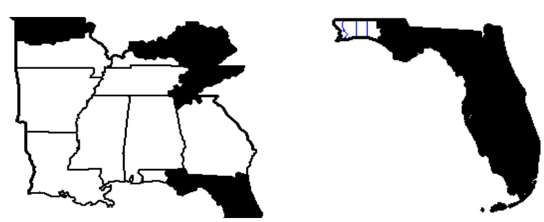

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