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

Recent Developments in Dairy Markets

Excerpts from Livestock, Dairy, and Poultry Outlook/LDP-M-278/August 16, 2017, Economic Research Service, USDA:

Exports in the first half of the 2017 have been significantly higher than the previous year. An increase in global demand and a decline in the U.S. dollar have contributed to favorable conditions for exports. The value of the U.S. dollar has fallen 5.9 percent since December, as measured by the Price-adjusted Broad Dollar Monthly Index reported by the U.S. Federal Reserve. Dairy exports declined from May to June, as they typically do. Notably, exports of NDM/SMP declined from 129 million pounds in May to 100 million in June, with significant declines in exports to Mexico and China. However, exports of butterfat products increased substantially, with about 64 percent of them going to Canada in June.

Global prices for butter, cheese, and whole milk powder in 2017 have increased significantly from 2016. The most notable price movements have been for butter, especially for Europe. In July, the Western Europe export price for butter averaged $3.27 per pound, an increase from $1.54 in July 2016. For the 2 weeks ending August 4, the price reached a record high of $3.37 per pound at the midpoint of the range.

Production growth for the five major exporters (Argentina, Australia, EU, New Zealand, and the United States) is expected to be a modest 0.9 percent in 2017. EU milk production for the first part of 2017 was below the previous year due to low milk prices in the latter part of 2016 and a voluntary Government program that compensated farmers for producing less milk. For the year, EU milk production is projected to be 0.2 percent above 2016. For New Zealand, higher cow numbers, favorable weather conditions, and rising milk prices are expected to bring about a milk production increase of 3.2 percent in 2017. For more information, see the USDA (continued on page 4)

Uniform Price Increases

The uniform price in Fulton County, GA, was $19.64 per hundredweight of milk at 3.5 percent butterfat for the month of July. The uniform price is $0.94 higher than the previous month and is $2.44 per hundredweight higher compared to July 2016.

Class I utilization was 67.51 percent in July, 1.26 percent higher than the previous month and 1.19 percent lower than July of last year.

National Dairy Situation

The USDA estimates that the total U.S. production of milk in June 2017 was 18.05 billion pounds, 1.6 percent higher than June of last year and 1.5 percent lower compared with May 2017 on a daily average basis. Total cheese output (excluding cottage cheese) was 1.03 billion pounds, 3.2 percent above June 2016 and 0.8 percent higher than May 2017 on a daily average basis. Butter production was 141 million pounds, 4.8 percent below June 2016 and 11.1 percent below May 2017 on a daily average basis.

Nonfat dry milk powder production was 164.0 million pounds in June, up 11.6 percent from June of last year and 0.5 percent higher than May 2017 on a daily average basis. Total dry whey production was 87.6 million pounds in June, 9.8 percent higher than June 2016 and 9.1 percent higher than the previous month on a daily average basis. Whey protein concentrates production was 39.9 million pounds in June, 5.0 percent above June 2016 and 3.6 percent lower than May 2017 on a daily average basis.

June's milk-feed price ratio, the pounds of 16 percent mixed dairy feed equal in value to 1 pound of whole milk, was 2.32, down from the 2.21 price ratio from the prior month.

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

Calculation of Uniform Butterfat Price:

	Utilization	Pounds	Price/lb.	Value
Class I Butterfat	41.82%	6,469,064	$2.7212	$ 17,603,616.96
Class I Differential at Location				9,351,104.09
Class II Butterfat	37.48%	5,796,808	$2.9526	17,115,655.31
Class III Butterfat	8.16%	1,262,280	$2.9456	3,718,171.99
Class IV Butterfat	12.54%	1,939,300	$2.9456	5,712,402.08
Total Butterfat	**100.00%**	**15,467,452**		**$ 44,362,199.08**

Uniform Butterfat Price per lb. (Fulton County, Georgia): $2.8681

Calculation of Uniform Skim Milk Price:

Producer Milk	**Utilization**	**Pounds**	**Price per unit**		**Value**
Class I Skim Milk	68.49%	278,649,467	$7.32	/cwt.	$ 20,397,141.01
Class I Butterfat	41.82%	6,469,064	$2.7212	/lb.	17,603,616.96
Class I Differential at Location		285,118,531			9,351,104.09
Total Class I Milk	**67.51%**	**285,118,531**			**$ 47,351,862.06**
Class II Skim Milk	15.24%	62,013,216	$7.41	/cwt.	$ 4,595,179.32
Class II Butterfat	37.48%	5,796,808	$2.9526	/lb.	17,115,655.31
Total Class II Milk	**16.06%**	**67,810,024**			**$ 21,710,834.63**
Class III Skim Milk	10.27%	41,775,179	$5.33	/cwt.	$ 2,226,617.04
Class III Butterfat	8.16%	1,262,280	$2.9456	/lb.	3,718,171.99
Total Class III Milk	**10.19%**	**43,037,459**			**$ 5,944,789.03**
Class IV Skim Milk	6.00%	24,411,174	$6.52	/cwt.	$ 1,591,608.55
Class IV Butterfat	12.54%	1,939,300	$2.9456	/lb.	5,712,402.08
Total Class IV Milk	**6.24%**	**26,350,474**			**$ 7,304,010.63**
Producer Milk	**100.00%**	**422,316,488**			**$ 82,311,496.35**

Adjustments		
Overage and Other Source		$1,709.64
Inventory Adjustments		($10,205.25)
Producer butterfat at uniform butterfat price		($44,362,199.08)
Location Adjustments to Producers		$2,542,823.57
1/2 Unobligated Balance in P.S.F.		$174,369.02
Adjusted Pool Value	**$ 9.99339**	**$40,657,994.25**
Reserve for Producer Settlement Fund	**$ 0.04339**	$176,515.16

Uniform Skim Milk Price per cwt. (Fulton County, Georgia): $9.95

Uniform Price per cwt. (Fulton County, Georgia) $19.64*

** 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 JULY 2017	CLASS I AUG 2017	UNIFORM JUNE 2017	UNIFORM JULY 2017	CLASS I % JULY 2017
Appalachian (Charlotte)	$ 19.99	$ 20.12	$ 18.37	$ 19.35	65.92%
Arizona (Phoenix)	$ 18.94	$ 19.07	$ 16.59	$ 16.59	23.21%
Central (Kansas City)	$ 18.59	$ 18.72	$ 16.50	$ 16.52	25.43%
Florida (Tampa)	$ 21.99	$ 22.12	$ 20.39	$ 21.45	83.44%
Mideast (Cleveland)	$ 18.59	$ 18.72	$ 16.71	$ 17.01	29.30%
Northeast (Boston)	$ 19.84	$ 19.97	$ 17.53	$ 18.01	29.60%
Pacific Northwest (Seattle)	$ 18.49	$ 18.62	$ 16.49	$ 16.49	19.38%
Southeast (Atlanta)	**$ 20.39**	**$ 20.52**	**$ 18.70**	**$ 19.64**	**67.51%**
Southwest (Dallas)	$ 19.59	$ 19.72	$ 17.33	$ 17.29	26.56%
Upper Midwest (Chicago)	$ 18.39	$ 18.52	$ 16.56	$ 15.80	8.10%

SOUTHEAST MILK MARKETING AREA-FEDERAL ORDER 7
STATISTICAL SUMMARY

		JULY 2017	JULY 2016
Receipts:			
Producer Milk			
Class I		285,118,531	287,263,915
Class II		67,810,024	66,547,336
Class III		43,037,459	33,218,500
Class IV		26,350,474	31,062,676
	Total Producer Milk	**422,316,488**	**418,092,427**
	Average Butterfat Test	3.66%	3.58%
	Percent of Producer Milk in Class I	67.51%	68.70%
	Daily Average Receipts	13,623,113	13,486,852
Other Source Milk			
Class I		4,719,231	7,175,649
Class II		3,352,236	2,834,983
Class III		0	0
Class IV		1,176,500	2,279,797
	Total Other Source Milk	**9,247,967**	**12,290,429**
Overage			
Class I		0	0
Class II		23,072	0
Class III		0	0
Class IV		0	8,192
	Total Overage	**23,072**	**8,192**
Opening Inventory			
Class I		21,514,636	21,911,831
Class II		218,198	0
Class III		1,179,995	3,368,261
Class IV		8,797,532	14,674,157
	Total Opening Inventory	**31,710,361**	**39,954,249**
	Total Receipts	**463,297,888**	**470,345,297**
Utilization:			
Class I Utilization			
Inventory of Packaged FMP		17,540,683	17,558,582
Route Disposition Class I		283,301,879	289,260,692
Shrinkage		1,633,432	3,337,166
Transfers & Diversions to Nonpool		8,876,404	6,194,955
	Total Class I Utilization	**311,352,398**	**316,351,395**
	Average Butterfat Test	2.26%	2.24%
	Daily Average Utilization	10,043,626	10,204,884
Class II Utilization			
Nonfluid Used To Produce		2,533,274	2,714,787
Shrinkage		13,229	1,535,135
Transfers & Diversions to Nonpool/Commercial Foods		58,355,267	53,104,556
Used To Produce/Other Uses		10,501,760	12,027,841
	Total Class II Utilization	**71,403,530**	**69,382,319**
	Average Butterfat Test	8.12%	8.04%
Class III Utilization			
Shrinkage		5,052,687	0
Transfers & Diversions to Nonpool		36,073,624	36,586,761
Used To Produce/Other Uses		3,091,143	0
	Total Class III Utilization	**44,217,454**	**36,586,761**
	Average Butterfat Test	2.89%	3.00%
Class IV Utilization			
Inventory		18,416,914	22,520,459
Nonfluid Used To Fortify		623,056	628,855
Shrinkage		236	4,826,509
Transfers & Diversions to Nonpool		17,284,300	15,473,150
Used To Produce/Other Uses		0	4,575,849
	Total Class IV Utilization	**36,324,506**	**48,024,822**
	Average Butterfat Test	7.19%	5.75%
	Total Utilization	**463,297,888**	**470,345,297**

Southeast Market Summary

The minimum order uniform price for payment to producers supplying the Southeast Order marketing area during July 2017 is $19.64 per hundredweight for milk with a 3.5% butterfat test in Fulton County, Georgia. This is .965 times the uniform skim milk price of $9.95 per hundredweight plus 3.5 times the uniform butterfat price of $2.8681 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 July, Class I use, which is primarily bottled or packaged fluid milk, accounted for 68.49% of all producer skim milk (priced to handlers at $7.32 per hundredweight, plus the Class I differential, see page 2) and 41.82% of producer butterfat (priced to handlers at $2.7212 per pound plus Class I differential). Class II use, which is milk used in fluid cream products and miscellaneous manufacturing, accounted for 15.24% of all producer skim milk ($7.41 per hundredweight) and 37.48% of producer butterfat ($2.9526 per pound). Class III use, mostly milk used to produce cheese, accounted for 10.27% of all producer skim milk ($5.33 per hundredweight) and 8.16% of producer butterfat ($2.9456 per pound). Class IV use, generally milk processed into butter and powder, accounted for 6.00% of all producer skim milk ($6.52 per hundredweight) and 12.54% of producer butterfat ($2.9456 per pound).

Packaged Class I Route Sales in Marketing Area

Product Description	Pounds	Percent
June 2017		
Whole Milk	135,018,614	39.39%
Fat Free Milk	23,910,301	6.98%
Low fat Milk (incl. 1%)	34,652,874	10.10%
Reduced Fat Milk (incl. 2%)	119,881,481	34.97%
Cultured Fluid Milk (incl. Buttermilk)	6,932,570	2.02%
Flavored Drinks and Milk	22,398,568	6.54%
Total Disposition in Marketing Area	342,794,414	100.0%
Total Disposition by Pool Plants	255,247,179	74.46%
Total Disposition by Nonpool Plants	87,547,235	25.54%
Total Disposition in Marketing Area	342,794,414	100.0%

Receipts of producer milk during June totaled 422.3 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 July 2017. Class I route disposition in the area was 342.8 million pounds in June 2017.

Recent Developments in Dairy Markets, cont.

(continued from page 1) Foreign Agricultural Service publication Dairy: World Markets and Trade, at https://www.fas.usda.gov/data/dairy-world-markets-and-trade .

Tight world supplies and high demand for products with high butterfat content have driven the rapid rise in butter prices. Demand for butterfat products has risen globally due to consumer perceptions that butterfat is healthier than trans-fat, and several studies have indicated possible health benefits of butterfat or lower risk of consuming butterfat than previously assumed. With higher global production of butterfat, more skim solids become available for SMP, putting downward pressure on SMP prices.

For the 2016/17 marketing year, prices for corn and soybean meal are estimated to be $3.30-$3.40 per bushel and $320 per short ton, respectively. The 2017/18 price forecast for corn is $2.90-$3.70 per bushel, unchanged from last month's forecast. The 2017/18 soybean meal forecast is $295-$335 per short ton, $5 lower than last month's forecast at the midpoint of the range. The alfalfa hay price in June was $152 per short ton, $3 lower than May but $10 higher than June 2016. For more information, see the USDA Economic Research Service publication *Feed Outlook*, at http://usda.mannlib.cornell.edu/MannUsda/viewDocumentInfo.do?documentID=1273 .

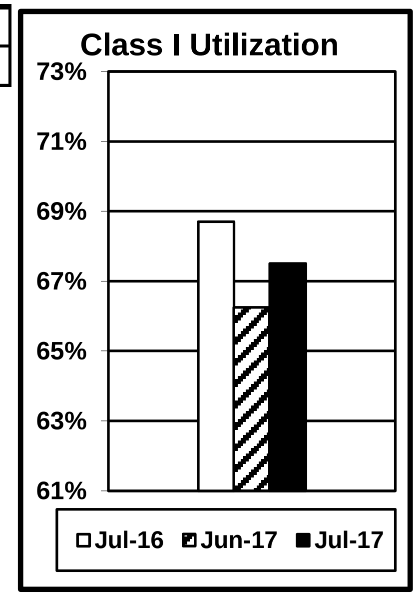
FEDERAL ORDER 7 - SOUTHEAST: CLASS AND UNIFORM PRICES

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
Jul	**2016**	$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	$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											

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.	%
Jul	**2016**	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	1,578	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	1,650**	285,119	67.51%	67,810	16.06%	43,037	10.19%	26,350	6.24%

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



Southeast Marketing Area - Federal Order 7

2017 Pool and Payment Dates

		MA Payment Dates		Payments for Producer Milk			
	Pool & Uniform	Due to:	Due From:	Partial Payment** Due		Final Payment Due	
Pool Month	Price Release Date	All Funds	P/S & T-Credit	Coop	Nonmember	Coop	Nonmember
August	09/11/17	09/12/17	09/13/17	08/25/17	08/28/17	09/13/17	09/14/17
September	10/11/17	10/12/17	10/13/17	09/25/17	09/26/17	10/13/17	10/16/17
October	11/11/17	11/13/17	11/14/17	10/25/17	10/26/17	11/14/17	11/15/17

** The base rate for making partial payments in Fulton County, GA for August will be $17.68 per hundredweight. This is 90 percent of the preceding month's uniform price of $19.64 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 – 568 August 10, 2017

The milk production forecasts for 2017 and 2018 are reduced from the previous month as slow growth in milk per cow more than offsets increases in dairy cow numbers. For 2017, fat basis exports are raised from the previous month on higher butter and anhydrous milk fat shipments. Fat basis imports are unchanged. The skim-solid basis export forecast for 2017 is lowered on weaker than expected whey sales. The import forecast is unchanged. For 2018, fat basis exports are raised on stronger shipments of a number of dairy products. Fat basis imports are lowered slightly. Skim-solid basis exports are raised on expected stronger sales of nonfat dry milk (NDM) and other dairy products while imports are unchanged from last month.

Butter and cheese price forecasts are raised for 2017 and 2018 as demand strength is expected to carry into 2018. The 2017 and 2018 NDM and whey price forecasts are reduced from the previous month on weak demand. The 2017 Class III price forecast is unchanged at the midpoint, but the 2018 price is lowered as lower whey prices more than offset higher cheese prices. Class IV price forecasts for 2017 and 2018 are raised as stronger forecast butter prices more than offset lower NDM prices. The all milk price is raised to $17.80 to $18.00 per cwt for 2017, but is unchanged at $18.00 to $19.00 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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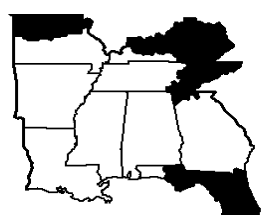

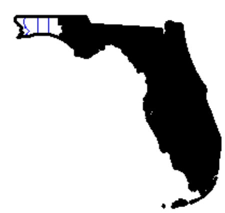

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