

The Market Administrator's Report

Facilitating the Efficient Marketing of Milk

Pacific Northwest and Arizona Marketing Areas

William A. Wise, Market Administrator

Volume 41, No. 12

December 2015

Data for November 2015

MARKET SUMMARIES FOR NOVEMBER

Pacific Northwest (FO 124)

Producers delivered a total of 711.7 million pounds of milk to the market during November. Daily deliveries averaged 23.7 million pounds, down 0.2 percent from October. An estimated 577 producers delivered milk to the market during the month. Daily deliveries per producer averaged 41,114 pounds, down 0.2 percent from October.

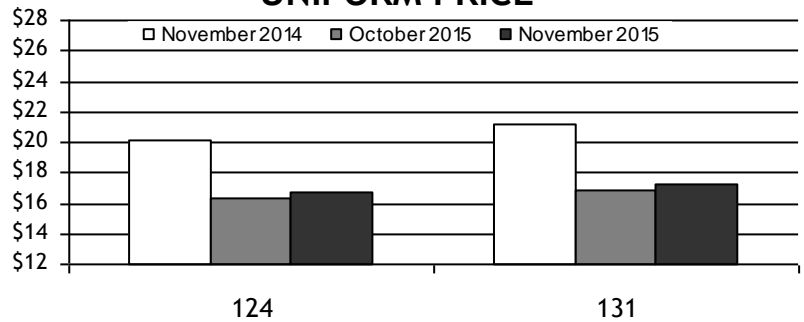
Class I producer milk during November totaled 166.8 million pounds, 23.4 percent of total producer receipts. Daily usage averaged 5.6 million pounds, down 0.6 percent from October. ▼

Arizona (FO 131)

Producers delivered a total of 381.3 million pounds of milk to the market during November. Daily deliveries averaged 12.7 million pounds, up 1.6 percent from October. An estimated 93 producers delivered milk to the market during the month. Daily deliveries per producer averaged 136,670 pounds, up 5.9 percent from October.

Class I producer milk during November totaled 108.4 million pounds, 28.4 percent of total producer receipts. Daily usage averaged 3.6 million pounds, down 0.2 percent from October. ▼

UNIFORM PRICE



Pool Quick Stats

Producer Prices & Component Levels	FO 124		FO 131	
	Oct	Nov	Oct	Nov
Uniform Price (at 3.5%)	\$16.28	\$16.68	\$16.80	\$17.28
Uniform Price (at test)	\$18.24	\$19.14	\$16.84	\$17.67
PPD	\$0.82	\$1.38		
Butterfat	\$2.9087	\$3.1830		n/a
Protein	\$1.7019	\$1.3205		
Other Solids	\$0.0328	\$0.0361		
Uniform Skim			\$6.95	\$6.52
Uniform Butterfat		n/a	\$2.8830	\$3.1399
Butterfat	4.002%	4.123%	3.514%	3.627%
Protein	3.288%	3.355%		
Other Solids	5.712%	5.746%		n/a

HIGHLIGHTS THIS ISSUE

- ✓ Next Steps in California Order Process
- ✓ Notice from Market Administrator
- ✓ Dairy Outlook

Federal Order Price Summaries

FINAL CLASS PRICES

The November 2015 Final Class Prices were calculated using AMS commodity price surveys from November 7, 14, 21, and 28, 2015. Current and archived Final Class Price announcements are available at www.fmmaseattle.com/finalprice.htm.

FINAL	Class I (FO124)	Class I (FO131)	Class II	Class III	Class IV	Butterfat	Protein	Other Solids	Nonfat Solids
Oct 2015	\$17.74	\$18.19	\$16.44	\$15.46	\$16.43	\$2.9087	\$1.7019	\$0.0328	\$0.7200
Nov 2015	\$18.38	\$18.83	\$18.26	\$15.30	\$16.89	\$3.1830	\$1.3205	\$0.0361	\$0.6627
Change	\$0.64	\$0.64	\$1.82	(\$0.16)	\$0.46	\$0.2743	(\$0.3814)	\$0.0033	(\$0.0573)

ADVANCED CLASS I PRICE

The January 2016 Advanced Price was calculated using AMS commodity price surveys from December 12 and 19, 2015. Current and archived Advanced Price announcements are available at www.fmmaseattle.com/advanceprice.htm.

ADVANCED	Butterfat	Class III Skim	Class IV Skim	Base Skim	Base Class I	Class I (FO124)	Class I (FO131)	Class II Skim	Class II Non-fat Solids
Dec 2015	\$3.1048	\$4.65	\$6.05	\$6.05	\$16.71	\$18.61	\$19.06	\$6.75	\$0.7500
Jan 2016	\$3.0362	\$4.04	\$5.61	\$5.61	\$16.04	\$17.94	\$18.39	\$6.31	\$0.7011
Change	(\$0.0686)	(\$0.61)	(\$0.44)	(\$0.44)	(\$0.67)	(\$0.67)	(\$0.67)	(\$0.44)	(\$0.0489)

Commodity Price Summaries

AMS COMMODITY PRICES FOR FINAL CLASS PRICES CALCULATION

	October	November	Change
Cheese	\$1.6790	\$1.6503	(\$0.0287)
Butter	\$2.5734	\$2.7999	\$0.2265
Nonfat Dry Milk	\$0.8951	\$0.8372	(\$0.0579)
Whey	\$0.2309	\$0.2341	\$0.0032

AMS COMMODITY PRICES FOR ADVANCED CLASS PRICES CALCULATION

	December	January	Change
Cheese	\$1.6594	\$1.5753	(\$0.0841)
Butter	\$2.7353	\$2.6787	(\$0.0566)
Nonfat Dry Milk	\$0.8464	\$0.7970	(\$0.0494)
Whey	\$0.2332	\$0.2341	\$0.0009

CURRENT COMMODITY PRICES

The AMS survey of cheddar cheese prices showed a net decrease in prices received for 40-pound blocks and for 500-pound barrels. The survey of 40-pound blocks showed a net decrease of 9.25 cents between the November 14 and the December 19 surveys, to \$1.5577 per pound. The survey of 500-pound barrels (adjusted to 38% moisture) showed a net decrease of 10.75 cents to \$1.5362 per pound.

The AMS butter price showed a net decrease of 35.81 cents between the weeks ending November 14 and December 19 from \$2.8223 per pound to \$2.4642 per pound. The AMS nonfat dry milk showed a net decrease of 2.97 cents since mid-November to \$0.7918 per pound. The average price for AMS whey showed a net increase of 0.22 cents since mid-November to \$0.2308 per pound.

A current summary of various commodity prices is available at www.fmmaseattle.com/prices.htm. 

AMS News

USDA OUTLINES NEXT STEPS IN CALIFORNIA MILK MARKETING ORDER PROCESS

The public hearing to consider the establishment of a Federal Milk Marketing Order (FMMO) for California concluded on November 18, 2015.

Over the duration of the hearing, which began on September 22, more than 90 individuals provided testimony and entered 198 exhibits. Hearing attendance varied from approximately 30 to over 100 people per day, with another 30 to 60 people tuning in each day to the audio webcast.

USDA estimates the total number of transcript pages at around 8,000, not including exhibits. USDA expects to make the complete transcript and hearing exhibits available on its website, www.ams.usda.gov/caorder, by January 1, 2016.

The Administrative Law Judge set the following deadlines for next steps in the process:

- Transcript corrections due January 15;
- Post-hearing briefs due March 31; and
- Reply briefs due May 16.

After reply briefs are submitted, USDA will develop and issue a Recommended Decision based on the evidence presented during the rulemaking. USDA will request public comment on the Recommended Decision.

After receiving and analyzing the public comments, USDA will issue a Final Decision. If USDA recommends a Federal Milk Marketing Order, dairy farmers potentially covered by the Order will vote on whether to adopt it. A “yes” vote by more than two-thirds of the dairy farmers or dairy farmers representing two-thirds of the milk produced is needed to approve the order.

This process is expected to take around eighteen months. More information, including hearing transcripts, can be found at www.ams.usda.gov/caorder, or by contacting William Francis at william.francis@ams.usda.gov or by phone at 202-720-7183. 🐾

NOTICE FROM THE MARKET ADMINISTRATOR

The Market Administrator's office is moving toward electronic-only versions of certain documents, including our monthly bulletin, the “Market Administrator's Report.” Effective February 1, 2016, this document will no longer be mailed and will only be available electronically on our website and via email.

Current and archived bulletins are available at: www.fmmaseattle.com/bulletins.htm. To be added to our email distribution list, please send your contact information (including your full name and email address) to fmmaseattle@fmmaseattle.com using the subject line “Subscribe to Bulletin Email List.” 🐾

Dairy Market News

DAIRY MARKET NEWS REPORTING CHANGE NOTICE

Upon the conclusion of the October 2015 industry comment period and a review of industry responses, Dairy Market News (DMN) is updating the *Dairy Market News Working Guidelines*, effective Report 1, January 2016.

The updates will allow DMN market reports to additionally include information and sales prices reported by individuals and firms functioning as marketing agents selling on the behalf of dairy product manufacturers. The Working Guidelines updates are intended to capture more information on pricing and market conditions and reflect the evolution of the marketing of dairy products.

Currently, market pricing information is collected for first sale, f.o.b. producers' plants or warehouses.

For more information, follow this link to current and updated DMN working guidelines: www.ams.usda.gov/market-news/individual-dairy-market-news-commodity-reports

NATIONAL RETAIL REPORT: DAIRY

The volume of conventional dairy ads increased by 22% compared to the previous week. The most advertised items this period were 8 ounce packages of cream cheese, one pound butter, and 16 ounce packages of sour cream. Cream cheese ads increased 73% from the week before, with an average price of \$1.43. Butter ads were up 60%. The average price of butter was \$3.10, down 9 cents from last week. Sour cream ads increased 36%.

Another popular holiday favorite, egg nog, had the largest percentage increase in ad volume. Advertisements for quart containers of egg nog increased by 130%, with an average price of \$2.98. Ads for half gallon egg nog went up 106%, with an average price of \$3.54. The U.S. advertised price for 8 ounce conventional cheese blocks averaged \$2.22, down 7 cents from last week and 40 cents below a year ago; 8 ounce shred cheese averaged \$2.27, up 7 cents from last week, but 18 cents below one year ago. Ads for conventional cheese increased 19% from last week, and organic cheese ads increased 25%.

Conventional yogurt in 4-6 ounce packages averaged 51 cents, up 3 cents from last week and unchanged from a year ago. The average price of 4-6 ounce conventional Greek yogurt is \$0.94, unchanged from last week, but down 4 cents from a year ago. Conventional yogurt ad numbers decreased 17% from last week. Organic yogurt ads increased 209%. The price spread between organic and conventional half gallon milk is \$0.08. Last week, the spread was \$2.68. The price spread is the difference between national weighted average prices for organic, \$3.78, and conventional, \$3.70. The only region with reported conventional half gallon milk ads this period was Hawaii. 🇺🇸

Source: USDA. Agricultural Marketing Service.

ORGANIC DAIRY MARKET NEWS

AMS reports total organic milk products sales for October 2015, 204 million pounds, were down 8.5% from October last year and down 2.4% year to date through October this year compared with last year. Total organic whole milk products sales for October 2015, 70 million pounds, were up 0.9% compared with October last year and up 9.1% January through October 2015 compared with the same months of 2014. With the exception of organic whole milk, all other fat and flavored categories of organic milk have lower sales January through October 2015 than 2014. The U.S. weighted average advertised price of organic eggnog is \$4.50, up 55 cents from one year ago, and 28 cents from last week. 🇺🇸

Source: USDA. Agricultural Marketing Service.

Dairy Outlook

ECONOMIC RESEARCH DAIRY OUTLOOK: FORECASTS FOR THE REMAINDER OF 2015

With the decline in milk per cow in October, the output per cow projection for the fourth quarter of 2015 is 5,480 pounds per head, 45 pounds less than forecast last month. The forecast for milk cow numbers is unchanged at 9.310 million head. Milk production is forecast at 51.0 billion pounds for the quarter, 0.4 billion pounds less than last month's forecast.

Based on the decline in lactose and whey protein concentrates in October, the 2015 fourth quarter forecast for commercial exports on a skim-solids basis has been lowered by 0.1 billion pounds. The commercial export forecast is unchanged on a milk-fat basis. The import forecast has been lowered by 0.1 billion pounds on a milk-fat basis due to lower expected butter imports. Imports are unchanged on a skim-solids basis.

With relatively high ending stocks of cheese and butter in October, the forecasts for 2015 ending stocks have been raised by 0.5 billion pounds on a milk-fat basis and by 0.4 billion pounds on a skim-solids basis. With higher expected ending stocks and lower milk production, domestic commercial disappearance forecasts for the fourth quarter have been reduced by 0.9 billion pounds on a milk-fat basis and 0.7 billion pounds on a skim-solids basis. ♣

Source: USDA. Economic Research Service.

WORLD AGRICULTURE SUPPLY AND DEMAND ESTIMATES

The milk production forecasts for 2015 and 2016 are reduced from last month as growth in milk per cow in 2015 and 2016 is slowed. Fat basis imports are reduced for 2015 on slower butter imports; on a skim-solids basis, imports are unchanged. No change is made to 2016 imports. Fat basis exports are unchanged for 2015 but are lowered for 2016 as global supplies of dairy products are expected to remain large and sales of cheese are expected to be pressured. On a skim-solids basis, exports are lowered for 2015 as lactose and whey protein concentrates sales to date are limiting exports, and weaker expected sales of cheese and lactose in 2016 will dampen skim-solids export growth in 2016.

Butter prices for the remainder of 2015 and early 2016 are raised as prices have remained stronger than expected into early December. Cheese prices are lowered slightly for 2015 and 2016 based on current price movements and expected larger domestic supplies. The nonfat dry milk (NDM) prices are reduced for 2015 and 2016 as domestic and international supplies are expected to pressure prices. Whey prices are unchanged from last month. Class III prices are unchanged for 2015 and 2016 as the cheese price change was small. Class IV prices are raised for 2015 due to the stronger forecasted butter price which more than offsets the lower NDM price. The 2016 Class IV price is lowered as the NDM price forecast is reduced. The all milk price is raised from \$17.05 to \$17.15 per cwt for 2015 and lowered to \$15.95 from \$16.75 per cwt for 2016. ♣

Source: USDA. Office of the Chief Economist. Available at www.usda.gov/oc/commodity/wasde/latest.pdf.

The Market Administrator's offices

wish you and your loved ones

a joyous holiday season!



Monthly Selected Statistics

PRICE & POOL DATA	PACIFIC NORTHWEST				ARIZONA			
	Nov 2015	Oct 2015	Nov 2014	Oct 2014	Nov 2015	Oct 2015	Nov 2014	Oct 2014
Producer Prices								
Producer Price Differential (\$/cwt)	\$1.38	\$0.82	(\$1.76)	(\$0.99)	+	+	+	+
Butterfat (\$/pound)	3.1830	2.9087	2.2011	2.8507	+	+	+	+
Protein (\$/pound)	1.3205	1.7019	3.9018	3.7362	+	+	+	+
Other Solids (\$/pound)	0.0361	0.0328	0.4505	0.4670	+	+	+	+
Uniform Skim Price (\$/cwt)	+	+	+	+	\$6.52	\$6.95	\$13.37	\$13.75
Uniform Butterfat Price (\$/pound)	+	+	+	+	3.1399	2.8830	2.3672	2.9077
Statistical Uniform Price (\$/cwt)	\$16.68	\$16.28	\$20.18	\$22.83	\$17.28	\$16.80	\$21.19	\$23.45
Producer Data								
Number of Producers	577	577	429	430	93	97	92	92
Avg. Daily Production (pounds)	41,114	41,190	33,816	37,668	136,670	129,005	134,899	128,673
Producer Milk Ratios								
Class I	23.44%	23.54%	37.99%	35.79%	28.44%	28.94%	27.89%	30.87%
Class II	6.85%	6.31%	10.13%	8.81%	10.00%	14.03%	11.77%	11.87%
Class III	41.86%	41.55%	7.83%	17.13%	29.23%	28.29%	25.54%	22.80%
Class IV	27.85%	28.60%	44.05%	38.27%	32.33%	28.74%	34.80%	34.46%
Market Shrinkage								
Pounds	17,491,547	10,680,204	6,170,595	7,933,972	2,093,663	1,744,919	1,624,681	1,580,322
% of Producer Milk	2.46%	1.45%	1.42%	1.58%	0.55%	0.45%	0.44%	0.43%

+ Not Applicable. Preliminary data indicated in **bold**.

Monthly Supplemental Statistics

SUPPLEMENTAL DATA	PACIFIC NORTHWEST				ARIZONA			
	Oct 2015	Sep 2015	Oct 2014	Sep 2014	Oct 2015	Sep 2015	Oct 2014	Sep 2014
Number of Handlers								
Pool Handlers	23	21	22	24	7	7	7	7
<i>Distributing Plants</i>	12	12	14	13	5	5	5	5
<i>Supply Plants 1/</i>	6	4	3	6	1	1	1	1
<i>Cooperatives</i>	5	5	5	5	1	1	1	1
Producer-Handlers	5	5	5	5	0	0	0	0
Other Plants w/ Class I Use	20	20	20	19	24	24	22	22
Class I Route Disposition In Area								
By Pool Plants	154,381,690	150,689,754	159,014,535	150,651,947	86,259,938	82,627,254	87,086,557	83,697,872
By Producer-Handlers	6,917,253	6,760,818	7,248,750	7,142,578	0	0	0	0
By Other Plants	12,182,502	12,318,924	12,043,702	11,080,001	7,770,762	7,810,276	8,076,108	6,876,923
Total	173,481,445	169,769,496	178,306,987	168,874,526	94,030,700	90,437,530	95,162,665	90,574,795
Producer-Handler Data								
% Class I Use	59.62%	60.48%	67.62%	65.04%	0.00%	0.00%	0.00%	0.00%
% of Total In-Area Route Dispositions	3.99%	3.98%	4.07%	4.23%	0.00%	0.00%	0.00%	0.00%

Preliminary data indicated in **bold**. 1/ Includes Cooperative Pool Manufacturing Plants.

Monthly Statistical Summary

RECEIPTS & UTILIZATION	PACIFIC NORTHWEST				ARIZONA			
	Nov	Oct	Nov	Oct	Nov	Oct	Nov	Oct
	2015	2015	2014	2014	2015	2015	2014	2014
Receipts of Milk								
Total Producer Milk	711,675,838	736,766,376	435,216,457	502,116,098	381,308,327	387,918,140	372,320,870	366,976,261
Receipts From Other Sources	7,925,266	8,492,237	9,441,877	6,713,599	6,588,815	3,874,148	8,749,245	7,015,316
Opening Inventory	43,634,578	42,075,603	28,989,243	30,447,035	23,984,419	22,227,143	22,268,260	22,837,426
Total To Be Accounted For	763,235,682	787,334,216	473,647,577	539,276,732	411,881,561	414,019,431	403,338,375	396,829,003
Utilization of Receipts								
Whole milk	36,925,861	37,407,476	33,654,712	34,738,088	25,259,007	26,088,951	23,250,669	24,840,468
Flavored milk & drinks	17,057,024	16,136,269	16,318,094	16,600,387	7,069,219	6,782,409	6,444,480	6,558,826
2% milk	57,010,725	57,128,900	59,546,805	62,007,050	30,021,939	31,044,790	29,881,579	31,719,647
1% milk	24,763,770	25,931,697	24,917,576	25,386,450	13,434,367	14,173,626	13,873,032	14,852,967
Skim milk	16,093,231	16,254,885	18,396,000	18,835,730	7,662,884	7,777,590	8,376,422	8,692,404
Buttermilk	1,586,817	1,522,463	1,475,333	1,446,830	444,383	392,572	474,657	422,245
Class I dispositions in area	153,437,428	154,381,690	154,308,520	159,014,535	83,891,799	86,259,938	82,300,839	87,086,557
Class I dispositions out of area	12,742,540	14,265,125	14,949,871	15,337,505	25,473,101	26,778,237	23,219,371	24,862,615
Other Class I usage	22,142,948	24,879,069	16,863,615	22,531,273	10,951,569	11,954,357	11,981,101	13,473,177
Utilization by Class								
Total Class I Use	188,322,916	193,525,884	186,122,006	196,883,313	120,316,469	124,992,532	117,501,311	125,422,349
Total Class II Use	52,747,945	51,005,370	46,990,239	49,163,366	38,754,118	55,207,228	44,454,941	44,248,150
Total Class III Use	299,214,517	307,516,304	34,076,341	86,000,990	112,370,997	110,742,979	95,159,320	83,669,815
Total Class IV Use	222,950,304	235,286,658	206,458,991	207,229,063	140,439,977	123,076,692	146,222,803	143,488,689
Total Accounted For	763,235,682	787,334,216	473,647,577	539,276,732	411,881,561	414,019,431	403,338,375	396,829,003

CLASSIFICATION OF RECEIPTS	PACIFIC NORTHWEST				ARIZONA			
	Nov	Oct	Nov	Oct	Nov	Oct	Nov	Oct
	2015	2015	2014	2014	2015	2015	2014	2014
Producer milk								
Class I	166,826,372	173,444,119	165,355,648	179,728,621	108,431,878	112,282,863	103,822,300	113,284,104
Class II	48,752,601	46,509,720	44,085,035	44,223,320	38,112,872	54,441,452	43,836,475	43,572,847
Class III	297,903,861	306,156,724	34,076,341	86,000,990	111,459,372	109,746,290	95,081,460	83,669,815
Class IV	198,193,004	210,655,813	191,699,433	192,163,167	123,304,205	111,447,535	129,580,635	126,449,495
Other receipts								
Class I	21,496,544	20,081,765	20,766,358	17,154,692	11,884,591	12,709,669	13,679,011	12,138,245
Class II	3,995,344	4,495,650	2,905,204	4,940,046	1/	1/	1/	1/
Class III	1,310,656	1,359,580	0	0	1/	1/	1/	1/
Class IV	24,757,300	24,630,845	14,759,558	15,065,896	18,688,643	13,391,622	17,338,494	17,714,497
Avg. daily producer receipts	23,722,528	23,766,657	14,507,215	16,197,293	12,710,278	12,513,488	12,410,696	11,837,944
Change From Previous Year	63.52%	46.73%	-35.18%	-19.59%	2.41%	5.71%	2.04%	-0.22%
Avg. daily Class I use	6,277,431	6,242,770	6,204,067	6,351,075	4,010,549	4,032,017	3,916,710	4,045,882
Change From Previous Year	1.18%	-1.71%	-5.22%	-2.56%	2.40%	-0.34%	-9.44%	-4.52%

1/ Restricted - Included with Class IV.



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www.fmmaseattle.com

FEDERAL ORDER STATISTICS FOR NOVEMBER

Federal Order Name (Number)	Producer Deliveries	Class I Receipts	Class I Utilization	Class I Price	Uniform Price
	<i>- million pounds -</i>			<i>- per cwt (at location) -</i>	
Northeast (FO 1)	2,081.9	755.2	36.28%	\$19.73	\$18.32
Appalachian (FO 5)	458.4	328.5	71.66%	\$19.88	\$19.65
Florida (FO 6)	231.0	193.8	83.88%	\$21.88	\$21.59
Southeast (FO 7)	410.9	323.1	78.62%	\$20.28	\$20.21
Upper Midwest (FO 30)	2,847.7	294.0	10.32%	\$18.28	\$15.75
Central (FO 32)	1,247.2	404.3	32.42%	\$18.48	\$16.60
Mideast (FO 33)	1,492.4	538.6	36.09%	\$18.48	\$17.15
Pacific Northwest (FO 124)	711.7	166.8	23.44%	\$18.38	\$16.68
Southwest (FO 126)	1,073.3	361.8	33.71%	\$19.48	\$17.31
Arizona (FO 131)	381.3	108.4	28.44%	\$18.83	\$17.28

For links to Market Administrator's webpages, see www.fmmaseattle.com/dairyreferences.htm.