

Agri-Mark, Inc.

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December 30, 2016

Dear Member,

Dairy prices rebounded in the past two months and have driven prices up for December milk. Your December farm milk price is forecasted to be up about \$1.50 per cwt. compared to the November level.

Cheese and butter prices will fall as we move beyond the peak holiday demand. However, futures markets anticipate stronger commodity dairy prices throughout 2017. Nonfat dry milk and whey prices have been depressed for the past two years, but have begun to finally strengthen in both domestic and international markets.

The latest price forecasts are shown on the back of this letter. Futures markets are indicating that higher dairy product prices should result in a farm milk price that will be about \$3.00 per cwt. higher in 2017 than in 2016. U.S. milk production is up more than 2%, but higher demand both in the U.S. and in expected international markets should absorb that increase. China is buying more dairy products after depressed purchases for the last two years. Other countries are buying more as well.

My greatest concern for 2017 is not the economics of supply and demand, but the politics and policies of governments. European/Russian trade embargos, Chinese food policies and the role of oil prices all can move dairy prices dramatically. We have all enjoyed lower oil prices, but they have also resulted in less revenue in many oil producing countries. That revenue helped keep dairy purchases strong prior to the oil price decline. Moderate oil price increases in 2017 should help dairy demand in many countries.

As always, we will follow prices and markets closely and keep you informed. Best wishes for a Healthy and Happy New Year.

Sincerely,

A handwritten signature in black ink that reads "Robert D. Wellington".

Robert D. Wellington  
Senior V.P. of Economics,  
Communications & Legislative Affairs



Owned by the farm families of Agri-Mark who provide their farm fresh milk to their award-winning brands.

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December 27, 2016



2016	COMPONENT PRICES PER POUND			BOSTON PPD/cwt.	BOSTON BLEND PRICE @3.5 bf	CLASS PRICES				Class III Futures	MPP Margin*
	BUTTER	OTHER				I	II	III	IV		
	FAT	PROTEIN	SOLIDS								
JAN	\$2.306	\$1.817	\$0.037	\$1.80	\$15.52	\$19.29	\$14.19	\$13.72	\$13.31	\$13.72	\$8.01
FEB	\$2.378	\$1.739	\$0.049	\$1.49	\$15.29	\$16.89	\$14.30	\$13.80	\$13.49	\$13.80	\$8.01
MAR	\$2.203	\$1.921	\$0.050	\$1.07	\$14.81	\$17.03	\$13.57	\$13.74	\$12.74	\$13.74	\$7.15
APR	\$2.238	\$1.845	\$0.049	\$1.22	\$14.85	\$16.99	\$13.54	\$13.63	\$12.68	\$13.63	\$7.15
MAY	\$2.285	\$1.494	\$0.053	\$1.97	\$14.73	\$16.95	\$13.53	\$12.76	\$13.09	\$12.76	\$5.76
JUN	\$2.411	\$1.481	\$0.0631	\$1.79	\$15.01	\$16.39	\$14.12	\$13.22	\$13.77	\$13.22	\$5.76
JUL	\$2.596	\$1.911	\$0.077	\$0.98	\$16.22	\$16.95	\$15.16	\$15.24	\$14.84	\$15.24	\$8.43
AUG	\$2.487	\$2.574	\$0.088	\$0.06	\$16.97	\$18.32	\$15.21	\$16.91	\$14.65	\$16.91	\$8.43
SEP	\$2.308	\$2.568	\$0.110	\$0.71	\$17.10	\$19.81	\$14.66	\$16.39	\$14.25	\$16.39	\$8.96
OCT	\$2.049	\$2.298	\$0.135	\$1.41	\$16.23	\$19.85	\$14.09	\$14.82	\$13.66	\$14.82	\$8.96
NOV	\$2.104	\$2.809	\$0.175	-\$0.42	\$16.34	\$18.03	\$14.60	\$16.76	\$13.76	\$16.76	\$10.14
DEC	\$2.345	\$2.672	\$0.204	\$0.47	\$17.86	\$20.70	\$15.73	\$17.37	\$14.97	\$17.38	\$10.14
<b>AVG</b>	\$2.309	\$2.09	\$0.091	\$1.04	\$15.91	\$18.10	\$14.39	\$14.86	\$13.77	\$14.86	\$8.08

2017	COMPONENT PRICES PER POUND			BOSTON PPD/cwt.	BOSTON BLEND PRICE @3.5 bf	CLASS PRICES				Class III Futures	MPP Margin*
	BUTTER	OTHER				I	II	III	IV		
	FAT	PROTEIN	SOLIDS								
JAN	\$2.503	\$2.130	\$0.236	\$1.11	\$17.58	\$20.70	\$16.28	\$16.47	\$16.47	\$16.64	\$10.86
FEB	\$2.517	\$2.098	\$0.248	\$1.55	\$18.05	\$19.79	\$16.71	\$16.50	\$16.50	\$16.98	\$10.86
MAR	\$2.566	\$2.202	\$0.254	\$1.27	\$18.30	\$19.86	\$17.48	\$17.02	\$17.02	\$17.26	\$10.92
APR	\$2.541	\$2.330	\$0.258	\$1.35	\$18.69	\$20.33	\$17.74	\$17.34	\$17.34	\$17.42	\$10.92
MAY	\$2.527	\$2.362	\$0.258t	\$1.40	\$18.79	\$20.60	\$17.73	\$17.38	\$17.38	\$17.55	\$10.87
JUN	\$2.578	\$2.363	\$0.258	\$1.41	\$18.98	\$20.63	\$18.17	\$17.56	\$17.56	\$17.65	\$10.87
JUL	\$2.581	\$2.388	\$0.263	\$1.42	\$19.09	\$20.80	\$18.26	\$17.67	\$17.67	\$17.85	\$11.10
AUG	\$2.624	\$2.437	\$0.269	\$1.36	\$19.39	\$20.87	\$18.41	\$18.00	\$18.00	\$17.90	\$11.10
SEP	\$2.638	\$2.409	\$0.269	\$1.72	\$19.71	\$21.31	\$18.68	\$17.97	\$17.97	\$17.95	\$11.44
OCT	\$2.590	\$2.434	\$0.269	\$1.76	\$19.66	\$21.36	\$18.64	\$17.87	\$17.87	\$17.79	\$11.44
NOV	\$2.578	\$2.344	\$0.267	\$1.91	\$19.48	\$21.23	\$18.60	\$17.55	\$17.55	\$17.61	\$11.39
DEC	\$2.457	\$2.371	\$0.260	\$1.89	\$19.09	\$21.15	\$18.18	\$17.17	\$17.17	\$17.34	\$11.39
<b>AVG</b>	\$2.558	\$2.322	\$0.259	\$1.51	\$18.90	\$20.72	\$17.91	\$17.38	\$17.38	\$17.50	\$11.10

\* USDA estimated income from All-Milk price minus an estimated feed ration based on the formula used in the Margin Protection Program.