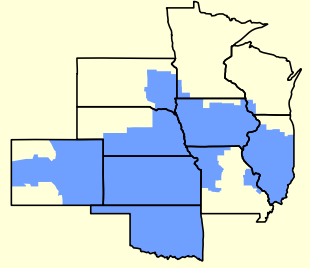


JULY 2019

Marketing Service

Bulletin

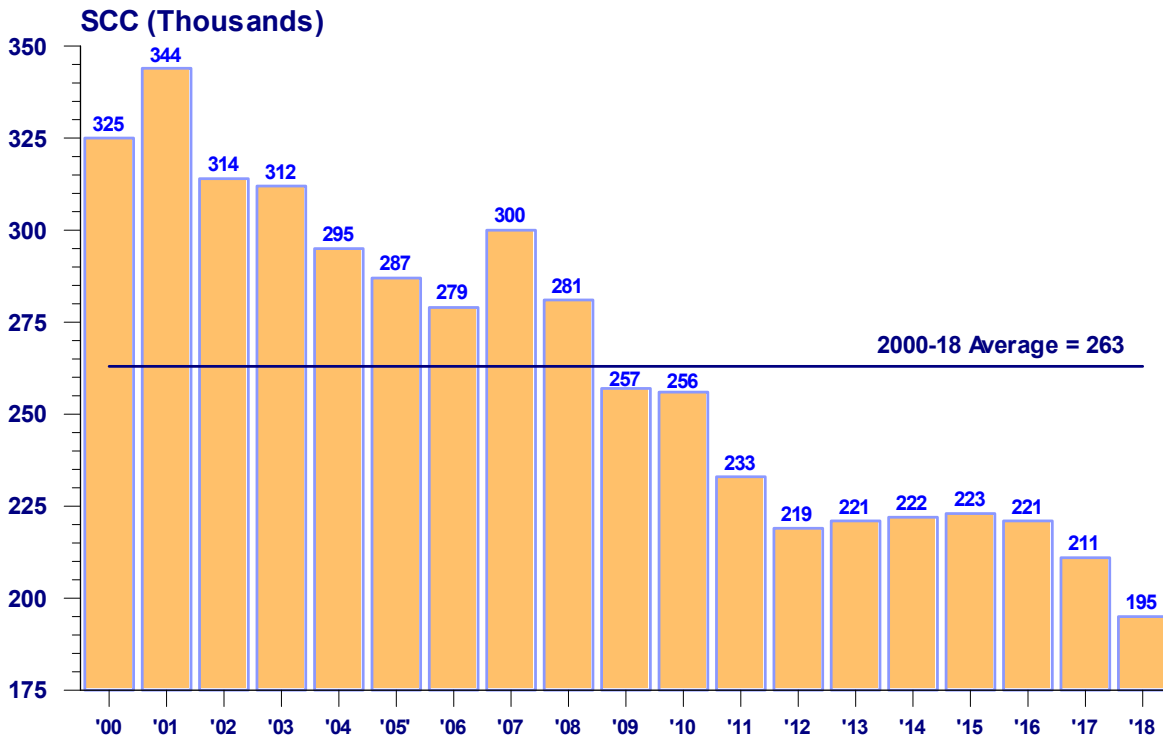
Facilitating the efficient marketing of milk and dairy products.



CENTRAL MARKETING AREA



Producer Milk Somatic Cell Counts Central Federal Milk Order



A well-known and widely-used standard for producer milk quality is the somatic cell count (SCC). SCC is a measure of the total number of cells* per milliliter in milk, and lower counts are indicative of higher quality. Somatic cells enable animals to fight infection and ensure good health, and all milk naturally contains some somatic cells. Although high SCCs can affect dairy

product manufacturing yields, milk flavor and product shelf life, they generally are not a food safety or public health issue. The federal SCC regulatory limit is 750,000, except in California which has a maximum of 600,000 cells per milliliter. The SCC limit in many other major dairy countries is 400,000.

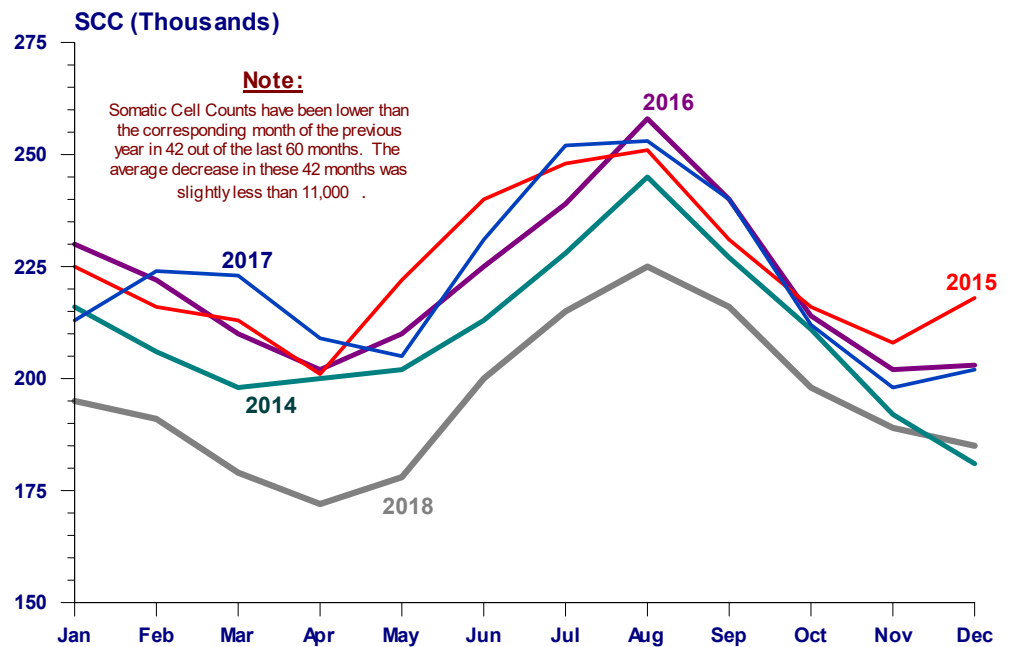
Four of the current 11 Federal Milk Orders (FMOs) adjust milk payments to producers based on the SCC in raw milk. The benchmark SCC for this adjustment is 350,000, with positive payments for SCCs below that level and negative adjustments for milk with higher counts. Price adjustments are made on a per hundredweight basis for every 1,000 SCC variation from the 350,000 standard. The magnitude of the SCC adjustment varies monthly based on the wholesale price of cheese.

The Central Order is one of the four FMOs that utilize a SCC price adjustment. The graph on this page displays yearly average SCCs for the Central FMO since its inception in 2000. As indicated by this graph, SCCs have

* The somatic cell count (SCC) is primarily composed of leukocytes, or white blood cells, that are produced by a cow's immune system to fight inflammation in the mammary gland. All milk naturally contains some somatic cells.

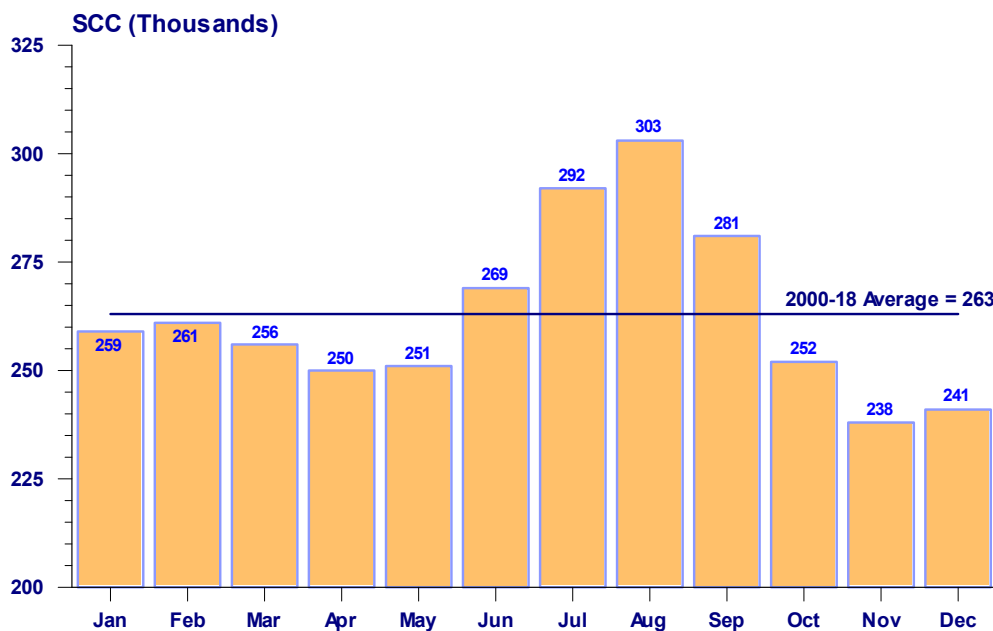
decreased significantly since the early years of the order's existence. With a couple of notable exceptions, the annual SCC for the Central Order has exhibited a persistent downward trend, averaging 263,000 over the 19 years depicted in the graph on page one. The annual SCC has been below the 19-year average during each of the last 10 years, and has been less than the previous year in 12 of the 19 years since 2000. The 195,000 SCC average for 2018 is the lowest recorded for the Central Order, and the first time the annual average has fallen below 200,000.

Producer Milk Somatic Cell Counts Central Federal Milk Order



The top graph on this page depicts Central Order monthly SCCs for the last 5 years (January 2014 through December 2018), and highlights the extent of the downward trend in SCCs over this period of time. SCCs have been lower than the corresponding month of the previous year in 42 of the 60 months depicted by this graph. During these 42 months, the average decrease compared with the previous year was slightly less than 11,000. Conversely, the average year-to-year increase in the remaining 18 months was less than 7,500.

2000 - 2018 Monthly Average SCCs Central Federal Milk Order



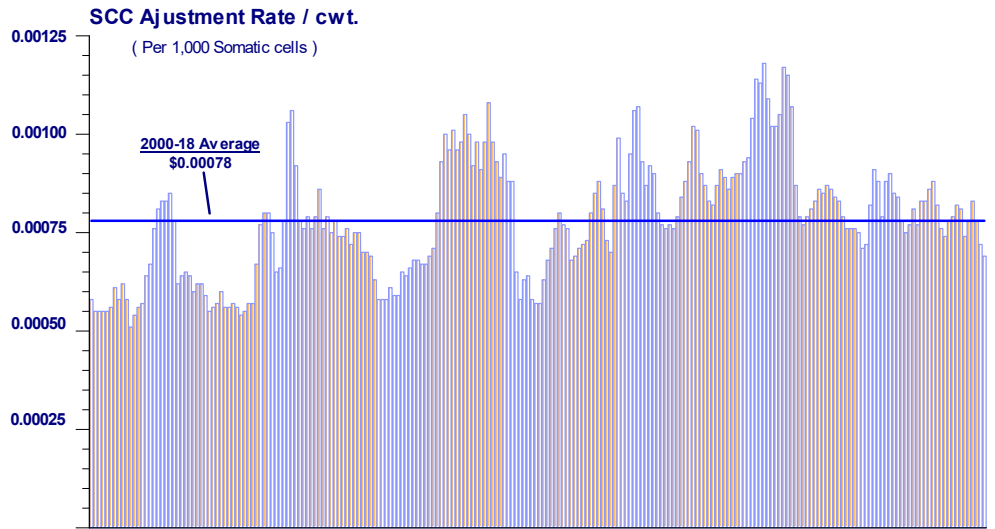
Central Order monthly average SCCs for 2000 through 2010 are depicted by the bottom graph on this page. A distinct seasonal pattern is evident from the information presented in this graph, along with the top graph on this page. SCCs have been higher than the 19-year average during the summer months of June through September, substantially so during July and August. The lowest monthly average SCCs have been recorded during the fall and early winter months

SCC Monthly Adjustment Rates

Central Federal Milk Order

of October through December. The 19-year average for August is the highest of any month at 303,000, while the lowest is attributable to November with a 238,000 SCC average.

The top graph on this page details monthly SCC adjustment rates for January 2000 through December 2018. Milk payments to Central Order producers are adjusted for counts above and below 350,000, and these adjustments are made on a per hundredweight basis for each 1,000 variation in SCC. The adjustment rate averaged \$0.00078 during the time frame depicted by this graph, ranging from a low of 0.00051 in November 2000 to a high of 0.00118 recorded during April 2014.

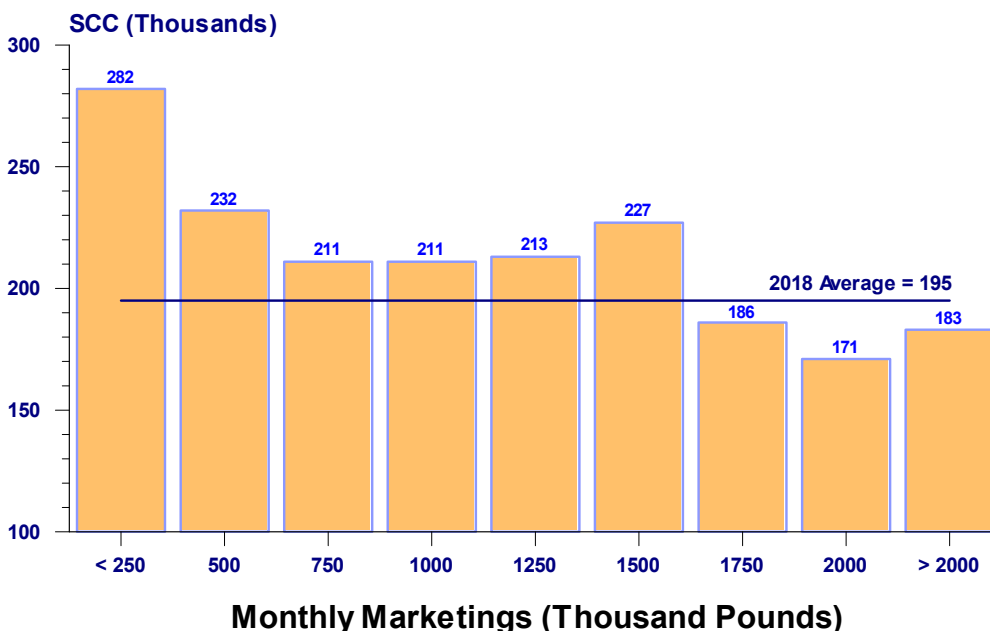


January 2000 through December 2018

The lower graph on this page depicts 2018 weighted average SCC's for Central Order producers grouped by marketing size category. The categories used in this graph increase in 250,000 pound increments up to 2,000,000 per month - all marketings above that size are grouped together. This graph depicts Central Order data only; therefore, the marketings represented in each size category do not necessarily correspond to overall farm size, since producers often have marketings on more than one FMO during any given month. With that caveat in mind, the data in this graph indicates a decline in SCC of more than 25% going from the smallest size category up to 750,000 pounds per month, then are relatively flat through 1,500,000 pounds.

2018 SCC by Marketing Size Categories

Central Federal Milk Order



From this size category to the 2,000,000 pound size SCC's decreased nearly 25%, before increasing slightly for the largest marketing size category. While all SCC's for size ranges up to 1,750,000 pounds were above the 2018 market average of 195,000, all size categories 1,750,000 pounds and larger were below this average. These three larger size categories accounted for nearly 70% of the total Central Order marketings during 2018.



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	Statistical Uniform Price		Producer Price Differential		Class I Utilization	
	<u>Jun '19</u>	<u>May '19</u>	<u>Jun '19</u>	<u>May '19</u>	<u>Jun '19</u>	<u>May '19</u>
Northeast	18.28	17.80	2.01	1.42	27.97	29.89
Appalachian	19.44	18.93	---	---	62.97	67.14
Florida	21.62	21.13	---	---	82.05	85.73
Southeast	19.58	19.24	---	---	57.17	65.83
Upper Midwest	16.52	16.55	0.25	0.17	6.08	7.28
Central	16.91	16.62	0.64	0.24	21.60	25.51
Mideast	17.40	16.94	1.13	0.56	29.41	30.50
California	17.23	16.93	0.96	0.55	16.26	18.20
Pacific Northwest	16.94	16.62	0.67	0.24	16.65	18.94
Southwest	17.88	17.51	1.61	1.13	26.68	28.06
Arizona	17.32	16.94	---	---	22.07	23.86