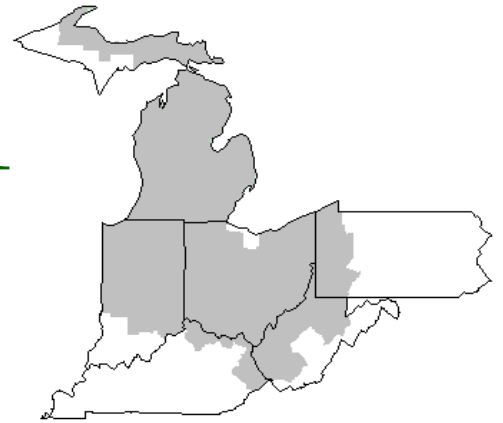


Mideast Market Administrator's Bulletin



Federal Order No. 33

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July 2008

USDA Issues a Tentative Final Decision on Amendments to all Federal Milk Marketing Orders

The U. S. Department of Agriculture issued a tentative final decision to amend the Class III and Class IV product price formulas in all Federal milk marketing orders. The decision was based on the record of the first session of a public hearing held in Strongsville, Ohio on February 26 - March 2, 2007, a second session of a public hearing held in Indianapolis, Indiana, on April 9 -13, 2007, and a third session of a public hearing held in Pittsburgh, Pennsylvania, on July 9 - 11, 2007.

The decision would amend the manufacturing (make) allowances for cheese, butter, nonfat dry milk (NFDM) and dry whey. Specifically, this decision would adopt the following make allowances: cheese - \$0.2003 per pound; butter - \$0.1715 per pound; NFDM - \$0.1678 per pound; and dry whey - \$0.1991 per pound. This decision also proposes to increase the butterfat yield factor of the butterfat price formula from 1.20 to 1.211. These amendments are subject to producer approval before they can be implemented.

The tentative final decision was published in the June 20 *Federal Register*. Public comments are due Aug. 19, 2008. For additional information about the decision contact this office.

USDA Issues a Final Rule Establishing Dairy Product Mandatory Reporting Program

The U. S. Department of Agriculture issued a final rule that adopts amendments to the Dairy Products Mandatory Reporting Program that was established on August 2, 2007. The Dairy Market Enhancement Act of 2000, and certain provisions of the Farm Security and Rural Investment Act of 2002, amend the Agricultural Marketing Act of 1946 to provide for timely, accurate, and reliable market information to facilitate more informed marketing decisions and promote competition in the dairy product manufacturing industry.

This program: (1) requires persons engaged in manufacturing dairy products to report certain information including the price, quantity, and moisture content where applicable, of dairy products sold by the manufacturer; and (2) requires persons storing dairy products to report information on the quantity of dairy products stored. The National Agricultural Statistics Service (NASS) collects such information for the program. The Agricultural Marketing Service (AMS) has implemented a plan to verify the price information submitted by dairy product manufacturing plants to NASS. Any manufacturer that processes and markets less than 1 million pounds of dairy products per year is exempt from the price reporting requirements.

AMS reviewed all comments received in response to the interim final rule and considered those comments in developing the final rule. All changes in the final rule from the interim rule concern price reporting. There are no changes concerning stock reporting. Certain products are now excluded in the reporting specifications:

- Products that are produced under faith-based close supervision and are marketed at a higher price than the manufacturer's wholesale market price for the basic commodity.
- Dairy Export Incentive Program sales or other premium-assisted sales.
- Products certified as organic by USDA-accredited certifying agents.

Another substantive change is that in calculating the total dollars received or dollars per pound, the reporting entity shall not deduct brokerage fees or clearing charges paid by the manufacturer. Other changes have been made in organization or content for greater clarity.

The final rule appears in the *Federal Register* on June 17, 2008 and became effective June 22, 2008. For additional information concerning dairy product price data collection, reporting and verification contact:

John R. Mengel, Chief Economist; USDA/AMS/Dairy Programs; Office of the Chief Economist; 1400 Independence Ave, SW., STOP 0229; Washington, DC 20250-0229; Tel. (202) 720-4664; email John.Mengel@usda.gov.

June 2008 Pool Summary

Classification of Producer Milk

	Pounds	Percent
Class I	477,717,334	39.3
Class II	264,471,762	21.8
Class III	313,736,383	25.8
Class IV	159,608,613	13.1
Total	1,215,534,092	100.0

Producer Prices

Producer Price Differential	\$ (1.29) / cwt
Butterfat Price	1.6160 / lb
Protein Price	4.7193 / lb
Other Solids Price	0.0826 / lb
Somatic Cell Adjustment Rate	0.00108 / cwt
Statistical Uniform Price	18.96 / cwt

ANNOUNCEMENT OF PRODUCER PRICES

Federal Order No. 33

JUNE 2008

COMPUTATION OF PRODUCER PRICE DIFFERENTIAL

	<u>POUNDS</u>	<u>BUTTERFAT</u>	<u>SKIM / PROTEIN</u>	<u>NONFAT SOLIDS</u>	<u>OTHER SOLIDS</u>	<u>PRICE</u>	<u>VALUE</u>
Class I Skim Value			468,986,790			\$ 15.17 / cwt	\$ 71,145,296.06
Class I Butterfat		8,730,544				1.5825 / lb	13,816,085.99
Class I Location Differential	477,717,334						(233,213.50)
Class II SNF Value				22,352,158		1.2100 / lb	27,046,111.18
Class II Butterfat		15,930,284				1.6230 / lb	25,854,850.94
Class III Protein Value			9,317,901			4.7193 / lb	43,973,970.19
Class III Other Solids Value					17,925,500	0.0826 / lb	1,480,646.32
Class III Butterfat		11,569,227				1.6160 / lb	18,695,870.83
Class IV SNF Value				13,720,742		1.1819 / lb	16,216,544.95
Class IV Butterfat		7,012,618				1.6160 / lb	11,332,390.69
Somatic Cell Value II / III / IV							<u>673,441.18</u>
TOTAL PRODUCER MILK VALUE	1,215,534,092	43,242,673	35,974,690		69,496,371		<u>\$230,001,994.83</u>
Overages						\$ 60,242.17	
Beginning Inventory and OS Charges						\$ 31,144.05	
TOTAL ADJUSTMENTS							\$ <u>91,386.22</u>
TOTAL HANDLER OBLIGATIONS							\$ 230,093,381.05
Total Protein Value			35,974,690 lbs	@	\$4.7193		\$(169,775,354.51)
Total Other Solids Value			69,496,371 lbs	@	0.0826		(5,740,400.25)
Butterfat Value			43,242,673 lbs	@	1.6160		(69,880,159.53)
Total Somatic Cell Values							<u>(1,040,381.44)</u>
TOTALS							\$ (16,342,914.68)
Net Producer Location Adjustments							\$ 514,532.16
1/2 Unobligated Balance Producer Settlement Fund							<u>717,000.00</u>
Total - Divided by Total Pounds			1,215,534,092 lbs		(1.2431887)		\$ (15,111,382.52)
Rate of Cash Reserve					<u>(0.0468113)</u>		<u>(569,007.31)</u>
PRODUCER PRICE DIFFERENTIAL at Cuyahoga County, OH*			1,215,534,092		(1.29) /cwt		\$ (15,680,389.83)

COMPONENT PRICES

COMPUTATION OF UNIFORM PRICE

	<u>June</u>	
	<u>2008</u>	<u>2007</u>
Butterfat Price	\$1.6160 / lb	\$1.6457 / lb
Protein Price	4.7193 / lb	3.7059 / lb
Other Solids Price	0.0826 / lb	0.5831 / lb
Somatic Cell Adjustment Rate	0.00108 / cwt	0.00093 / cwt
Nonfat Solids Price	1.1819 / lb	1.7268 / lb

	<u>June</u>	
	<u>2008</u>	<u>2007</u>
Class III Price - 3.5% BF	\$20.25	\$20.17
Producer Price Differential*	<u>(1.29)</u>	<u>(0.26)</u>
Statistical Uniform Price	\$18.96	\$19.91

CLASS PRICES

CLASSIFICATION OF PRODUCER MILK

	<u>June</u>	
	<u>2008</u>	<u>2007</u>
Class I*	\$20.18	\$19.84
Class II	16.19	18.89
Class III	20.25	20.17
Class IV	15.92	20.76

	<u>June</u>	
	<u>2008</u>	<u>2007</u>
	<i>Product lbs.</i>	<i>Product lbs.</i>
Class I	477,717,334	492,901,245
Class II	264,471,762	300,019,350
Class III	313,736,383	429,264,540
Class IV	<u>159,608,613</u>	<u>90,799,897</u>
Total	1,215,534,092	1,312,985,032

* Subject to Location Adjustment.

ORDER 33 MARKET SUMMARY

The Producer Price Differential for the Mideast Marketing Area for June 2008 was \$-1.29 and the Statistical Uniform Price was \$18.96 for the month. The Statistical Uniform Price is the \$1.43 higher than last month, and is \$0.95 lower than June 2007.

The Producer Butterfat Price of \$1.6160 per pound increased 5.98 cents from May 2008 and is down 2.97 cents from a year ago. The Protein Price of \$4.7193 is up 60.85 cents from last month and is up 1.0134 dollars from June 2007. The Other Solids Price in June was \$0.0826 per pound, an increase from last month's price of \$0.0766 and a decrease of 50.05 cents from last June. The Somatic Cell Adjustment rate for June was \$0.00108.

June producer receipts of 1.22 billion pounds were 1.2 percent lower than May 2008 and 7.4 percent lower than June 2007 production of 1.31 billion pounds. Producer milk allocated to Class I accounted for 39.3 percent of the total producer milk in June 2008, less than the 46.0 percent in May 2008 and more than the 37.5 percent in June 2007. A total of 7,383 producers were pooled on the Mideast Order compared to 7,662 producers pooled in June 2007.

The market average content of producer milk was as follows: Butterfat 3.56%; Protein 2.96%; Other Solids 5.72% and Nonfat Solids 8.68%.

May Milk Production Up 3.4 Percent

Milk production in the 23 major States during May totaled 15.4 billion pounds, up 3.4 percent from May 2007. April revised production, at 14.8 billion pounds, was up 2.6 percent from April 2007.

The April revision represented an increase of 6 million pounds from last months preliminary production estimate.

Production per cow in the 23 major States averaged 1,816 pounds for May, 25 pounds above May 2007.

The number of milk cows on farms in the 23 major States was 8.46 million head, 162,000 head more than May 2007, and 12,000 head more than April 2008.

The Mideast Marketing Area has four states represented in the 23 major states used above. They are Indiana, Michigan, Ohio, and Pennsylvania. Milk production in these Mideast states during May totaled 2.4 billion pounds, up 28 million pounds or 1.2 percent from May 2007.

Production per cow in the Mideast states averaged 1,750 pounds for May, 9 pounds below May 2007.

The number of cows on farms in the Mideast states was 1.3 million head, 21,000 head more than May 2007.

THE DAIRY OUTLOOK: Slowing Milk Production and Export Opportunities Generate Mixed Signals

Despite higher feed costs, milk production continues to rise, and the year-over-year increase in 2008 will be about 2 percent. Current-year production is projected to be 189.3 billion pounds. The effect of this year's soaring feed costs will not be apparent until 2009. Milk production is forecast to rise about 0.5 percent in 2009 to 190.3 billion pounds. The milk cow inventory in 2009 is expected to be about 9.230 million head in 2009, down fractionally from the 2008 forecast of 9.255 million. The expected decline is due partly to another round of dairy herd buyouts under the CWT program. Per cow output, which have been increasing at a slower rate for several years, will only increase nearly 1 percent in 2008 to 20,455 pounds and almost 1 percent again in 2009, to 20,625 pounds.

Competition between the U.S. domestic markets and export markets is expected to support relatively strong milk and dairy product prices. Continuing changes in the structure of supply and demand for milk and dairy products in the European Union (EU), reduced product availability from Oceania and other regions, and the lower valued U.S. dollar are still making the United States an increasing supplier to global dairy product markets. Exports in 2009 are expected to drop from 2008 totals as competitors recover international market share. The favorable export situation contributes to domestic commercial use being projected 1.2 percent (m.e., fat basis) above 2007 in 2008 and 2.1 percent higher in 2009.

National Agricultural Statistics Service (NASS) cheese prices will likely average \$1.940 to \$1.980 per pound in 2008 and decline to an average \$1.805 to \$1.905 per pound in 2009. Butter prices are forecast to average \$1.345 to \$1.415 per pound this year and climb to \$1.350 to \$1.480 in 2009. The nonfat dry milk (NDM) price has fallen in 2008 compared with last year and will likely average \$1.360 to \$1.400 per pound. However, prices are forecast higher in 2009 to average in the \$1.475 to \$1.545 per pound range. Whey prices are off sharply from 2007 and by year's end will average 28.5 to 30.5 cents per pound. A recovery to the range of 32.0 to 35.0 cents per pound is expected in 2009.

The Class III price is expected to average \$18.15 to \$18.55 per cwt in 2008 and to average \$17.10 to \$18.10 per cwt in 2009. The Class IV price this year is expected to average \$15.55 to \$16.05 per cwt and climb to \$16.55 to \$17.65 per cwt in 2009. The all milk price in 2008 will average \$18.90 to \$19.30 per cwt—and is expected to fall in 2009 to average \$18.15 to \$19.15 per cwt.

SOURCE: "Livestock, Dairy, and Poultry Outlook", LDP-M-168, June 17, 2008, Economic Research Service, USDA. For more information, contact Roger Hoskin, (202) 694-5148.

Bulletin WebPage Edition

www.fmmacleev.com

Featured this month are:

- Producer Milk Classification
- Statistical Uniform Price
- Class and Component Prices
- Weighted Average NASS Prices

Weighted Averages - Butterfat, Protein, Other Solids, Somatic Cell Count by State

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State	May 2008						May 2007				
	Number of Producers	Pounds of Milk (000)	-----Weighted Averages-----				Pounds of Milk (000)	-----Weighted Averages-----			
			Butterfat	Protein	Other Solids	SCC (000)		Butterfat	Protein	Other Solids	SCC (000)
Michigan	1,967	539,195	3.57	3.00	5.73	223	541,982	3.53	2.98	5.71	245
Ohio	2,229	284,177	3.65	3.04	5.72	262	369,733	3.60	3.03	5.68	275
Indiana	1,152	151,540	3.64	3.01	5.71	280	128,921	3.59	3.00	5.69	292
New York	318	98,125	3.62	3.01	5.73	218	183,377	3.57	2.98	5.73	238
Pennsylvania	1,112	86,504	3.73	3.05	5.70	317	124,564	3.65	3.05	5.68	318
Wisconsin	470	55,024	3.68	2.99	5.75	259	61,601	3.63	2.98	5.74	264
West Virginia	64	6,012	3.84	3.19	5.72	344	6,179	3.71	3.13	5.69	332
Illinois	67	5,763	3.59	3.00	5.74	285	2,189	3.61	3.00	5.65	302
Other	78	5,440	3.71	3.06	5.72	314	5,857	3.75	3.08	5.67	323
Total/Average *	7,457	1,231,780	3.62	3.02	5.72	248	1,424,405	3.57	3.00	5.70	264

* Totals may not add due to rounding. Data provided on a one month delay basis and includes only milk from these states *pooled* on the Mideast order.



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FEDERAL ORDER DATA
JUNE 2008

Marketing Area ^{1/}	Producer Milk		Class I Percent %	Producer Price Differential (per cwt.)	Statistical Uniform Price (per cwt.)
	Total (000)	Class I (000)			
FO 1 Northeast - (Boston)	1,833,183	802,122	43.8	\$(0.69)	\$19.56
FO 5 Appalachian - (Charlotte)	465,649	312,268	67.1	^{2/}	20.22
FO 6 Florida - (Tampa)	260,187	196,600	75.6	^{2/}	22.36
FO 7 Southeast - (Atlanta)	493,500	346,682	70.3	^{2/}	20.80
FO 30 Upper Midwest - (Chicago)	1,947,578	326,632	16.8	(0.46)	19.79
FO 32 Central - (Kansas City)	767,433	311,257	40.6	(1.75)	18.50
FO 33 Mideast - (Cleveland)	1,215,534	477,717	39.3	(1.29)	18.96
FO 124 Pacific Northwest - (Seattle)	506,281	174,568	34.5	(2.22)	18.03
FO 126 Southwest - (Dallas)	655,393	312,003	47.6	(1.23)	19.02
FO 131 Arizona - (Phoenix)	353,243	105,769	29.9	^{2/}	18.65

^{1/} Names in parentheses are principal points of markets.

^{2/} Producers in these markets are paid on the basis of a uniform skim and butterfat price.

MINIMUM PARTIAL PAYMENT PRICE FOR JULY 2008.....\$ 15.92 /cwt.

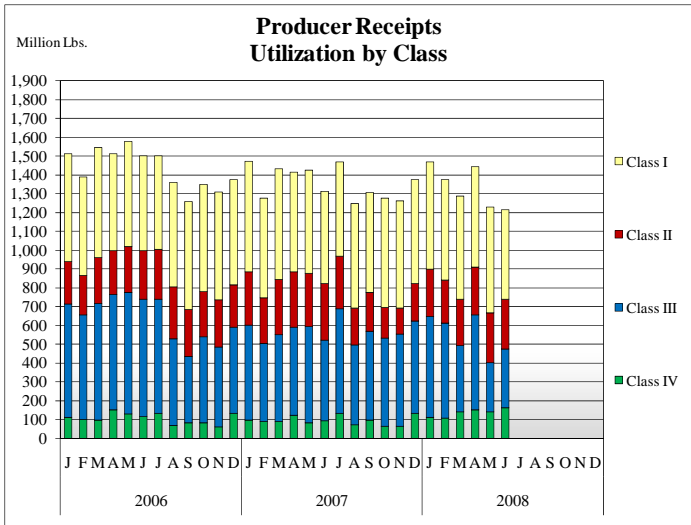
Mideast Market Administrator's Bulletin

Supplement

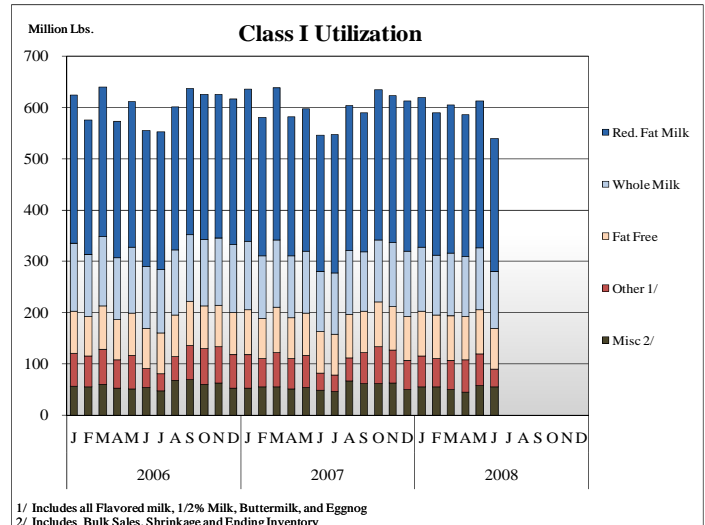
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July 2008

PRODUCER MILK CLASSIFICATION

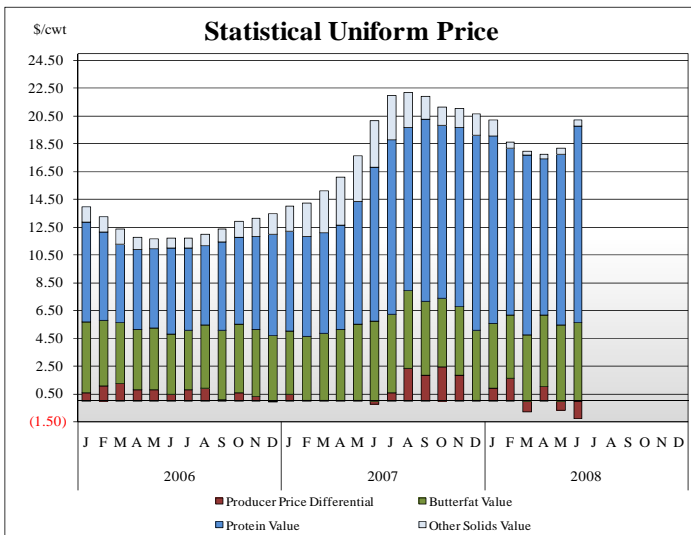


Producer Receipts: Producer receipts for the Mideast Order totaled 1.22 billion pounds in June 2008. The pounds allocated to Class I represented 39.3 percent of the total pounds. These totals represent a 15 million pound decrease in producer milk and a 3.1 percent decrease in Class I utilization from June 2007.

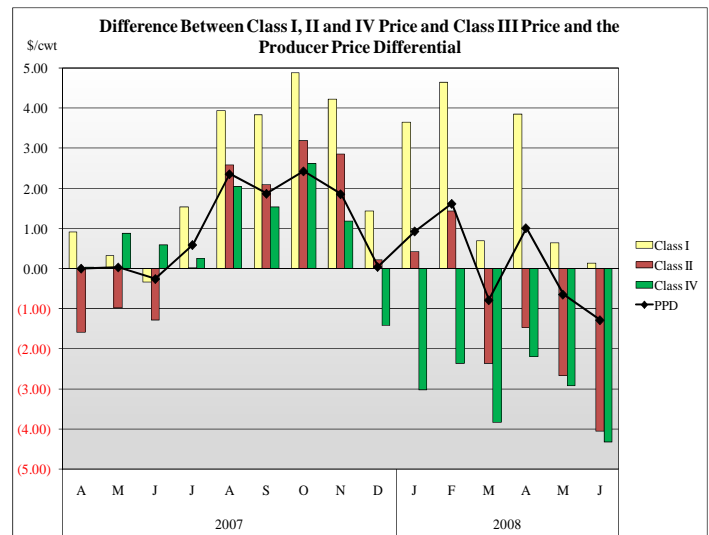


Class I Pounds: Class I utilization for the Mideast Order totaled 538 million pounds in June 2008. Finished products include 111 million pounds used for whole milk, 209 million pounds of reduced fat milk, and 80 million pounds of fat free (skim) milk.

STATISTICAL UNIFORM PRICE

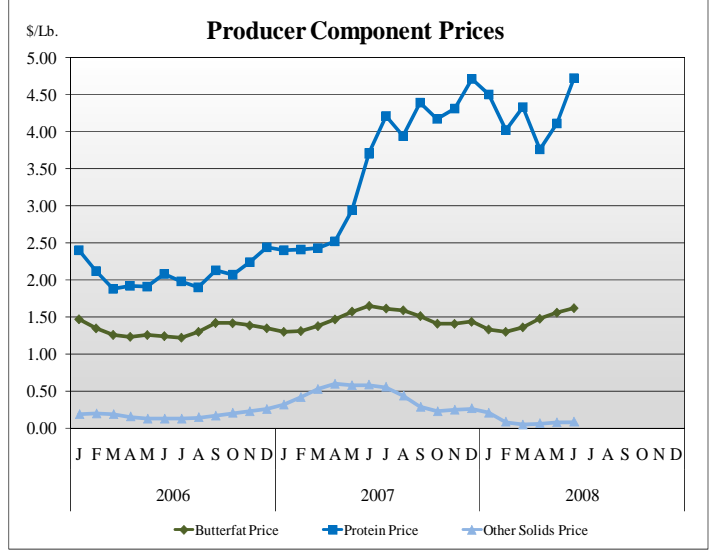
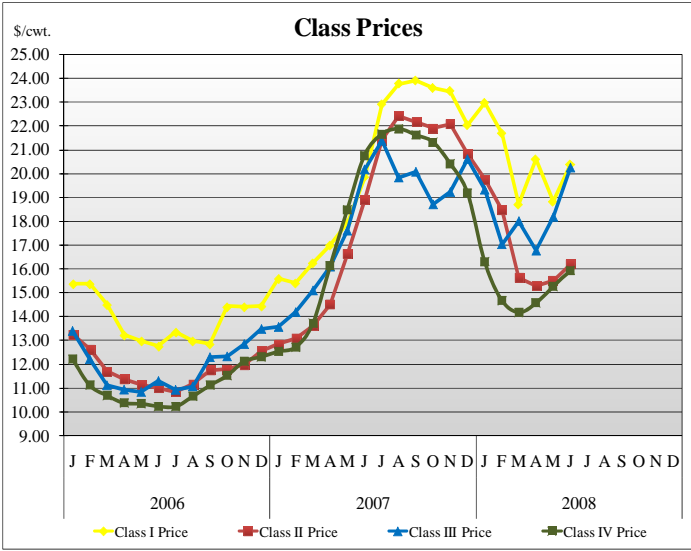


Statistical Uniform Price: The Mideast Federal Order Statistical Uniform Price (SUP) at Cuyahoga County, OH was \$18.96 per cwt for June 2008. The June 2008 SUP was \$1.43 per cwt higher than the May 2008 SUP. The June 2008 SUP is 5 percent lower than the previous years SUP.



This graph details the relationship between the class prices and the producer price differential. Each bar represents the difference between the Class I, II or IV price relative to the Class III price. Note that negative PPDs traditionally occur when multiple Class prices fall significantly below the Class III price.

CLASS AND COMPONENT PRICES



WEIGHTED AVERAGE NASS PRICES

