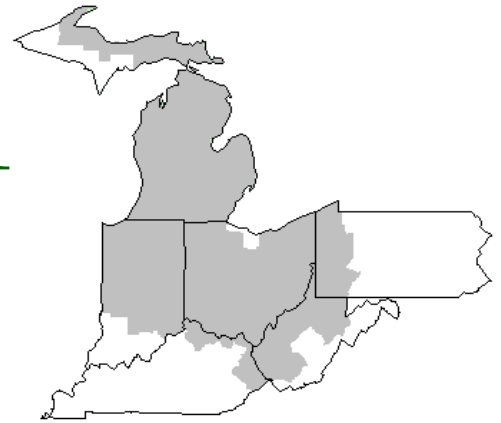


# Mideast Market Administrator's Bulletin



## Federal Order No. 33

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**September 2008**

## USDA Announces Final Rule to Establish Rules of Practice for the Federal Milk Order Hearing Process

The U.S. Department of Agriculture announced a final rule establishing supplemental rules of practice for the federal milk marketing order hearing process. The intent of this rule is to establish guidelines and timeframes to improve the timeliness of the federal milk order hearing process.

This final rule amends the general regulations for federal milk marketing agreements and marketing orders by establishing supplemental rules of practice in accordance with section 1504 of the Food, Conservation and Energy Act of 2008 (2008 Farm Bill). This rule defines supplemental guidelines, timeframes and procedures for amending federal milk marketing agreements and orders; authorizes the use of informal rulemaking (5 U.S.C. 553) to amend such agreements and orders; and establishes provisions that permit the USDA to impose assessments on pooled milk under the federal milk marketing order program to fund expedited rulemaking. Such assessments would supplement appropriated funds for the procurement of services required by USDA to perform rulemaking functions. The final rule was published in the August 20<sup>th</sup> *Federal Register*.

For additional information contact: Bill Richmond – Marketing Specialist, USDA/AMS/Dairy Programs, Stop 0231 Room 2961-S 1400 Independence Avenue, SW., Washington, DC 20250 0231, (202) 720-7183, e mail address: william.richmond@usda.gov.

## USDA Delays Effective Date of Class III and IV Manufacturing Cost Allowances and Butterfat Yield Factor

The U. S. Department of Agriculture announced an interim rule that delays the effective date of an Interim Final Rule published July 31, 2008 amending the manufacturing cost allowances and the butterfat yield factor used in Class III and Class IV product-price formulas in all Federal milk marketing orders. The effective date, which had been September 1, 2008, will now be October 1, 2008. USDA is delaying the effective date because of a complaint filed in the U. S. District Court for the District of Columbia to enjoin the implementation of the revised manufacturing allowances and butterfat yield factor. Delaying implementation allows sufficient time for a preliminary injunction hearing.

The interim rule was published in the September 3<sup>rd</sup> *Federal Register*. For additional information contact: Jack Rower – Marketing Specialist, USDA/AMS/Dairy Programs, Stop 0231 Room

2961-S 1400 Independence Avenue, SW., Washington, DC 20250 0231, (202) 720-7183, e mail address: jack.rower@usda.gov.

## July Milk Production Up 1.7 Percent

Milk production in the 23 major States during July totaled 14.8 billion pounds, up 1.7 percent from July 2007. June revised production at 14.7 billion pounds, was up 3.2 percent from June 2007. The June revision represented a decrease of 19.0 million pounds or -0.1 percent from last month's preliminary production estimate.

Production per cow in the 23 major States averaged 1,742 pounds for July, unchanged from July 2007.

The number of milk cows on farms in the 23 major States was 8.47 million head, 143,000 head more than July 2007, and 5000 head more than June 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 July totaled 2.2 billion pounds, up 5 million pounds or 0.2 percent from July 2007.

Production per cow in the Mideast states averaged 1,673 pounds for July, 22 pounds below July 2007.

The number of cows on farms in the Mideast states was 1.3 million head, 13,000 head more than July 2007.

## August 2008 Pool Summary

### Classification of Producer Milk

	Pounds	Percent
Class I	538,398,155	40.5
Class II	264,487,114	19.9
Class III	414,078,177	31.2
Class IV	112,128,337	8.4
Total	1,329,091,783	100.0

### Producer Prices

Producer Price Differential	\$ 1.38 / cwt
Butterfat Price	1.7413 / lb
Protein Price	3.6497 / lb
Other Solids Price	0.0529 / lb
Somatic Cell Adjustment Rate	0.00093 / cwt
Statistical Uniform Price	18.70 / cwt

**ANNOUNCEMENT OF PRODUCER PRICES****Federal Order No. 33****AUGUST 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			528,748,479			\$ 15.05 / cwt	\$ 79,576,646.10
Class I Butterfat		9,649,676				1.7004 / lb	16,408,309.07
Class I Location Differential	538,398,155						(263,659.48)
Class II SNF Value				22,330,065		1.3044 / lb	29,127,336.76
Class II Butterfat		15,948,759				1.7483 / lb	27,883,215.37
Class III Protein Value			12,347,311			3.6497 / lb	45,063,980.97
Class III Other Solids Value					23,577,127	0.0529 / lb	1,247,230.04
Class III Butterfat		15,335,824				1.7413 / lb	26,704,270.33
Class IV SNF Value				9,486,953		1.2147 / lb	11,523,801.82
Class IV Butterfat		6,482,979				1.7413 / lb	11,288,811.31
Somatic Cell Value II / III / IV							<u>454,765.01</u>
<b>TOTAL PRODUCER MILK VALUE</b>	<b>1,329,091,783</b>	<b>47,417,238</b>	<b>39,504,101</b>		<b>75,728,014</b>		<b>\$249,014,707.30</b>
Overages						\$ 13,246.06	
Beginning Inventory and OS Charges						\$ 26,380.49	
<b>TOTAL ADJUSTMENTS</b>							<b>\$ 39,626.55</b>
<b>TOTAL HANDLER OBLIGATIONS</b>							<b>\$ 249,054,333.85</b>
Total Protein Value			39,504,101 lbs	@	\$3.6497		\$ (144,178,117.41)
Total Other Solids Value			75,728,014 lbs	@	0.0529		(4,006,011.94)
Butterfat Value			47,417,238 lbs	@	1.7413		(82,567,636.53)
Total Somatic Cell Values							<u>(734,419.58)</u>
<b>TOTALS</b>							<b>\$ 17,568,148.39</b>
Net Producer Location Adjustments							\$ 728,616.11
1/2 Unobligated Balance Producer Settlement Fund							<u>628,000.00</u>
Total - Divided by Total Pounds			1,329,091,783 lbs		1.4238870		\$ 18,924,764.50
Rate of Cash Reserve					(0.0438870)		<u>(583,298.51)</u>
<b>PRODUCER PRICE DIFFERENTIAL at Cuyahoga County, OH*</b>			1,329,091,783		<b>\$1.38 /cwt</b>		<b>\$ 18,341,465.99</b>

**COMPONENT PRICES****COMPUTATION OF UNIFORM PRICE**

<u>August</u>			<u>August</u>		
	<u>2008</u>	<u>2007</u>		<u>2008</u>	<u>2007</u>
Butterfat Price	\$1.7413 / lb	\$1.5872 / lb	Class III Price - 3.5% BF	\$17.32	\$19.83
Protein Price	3.6497 / lb	3.9412 / lb	Producer Price Differential*	<u>1.38</u>	<u>2.36</u>
Other Solids Price	0.0529 / lb	0.4368 / lb	Statistical Uniform Price	\$18.70	\$22.19
Somatic Cell Adjustment Rate	0.00093 / cwt	0.00096 / cwt			
Nonfat Solids Price	1.2147 / lb	1.8785 / lb			

**CLASS PRICES****CLASSIFICATION OF PRODUCER MILK**

<u>August</u>			<u>August</u>		
	<u>2008</u>	<u>2007</u>		<u>2008</u>	<u>2007</u>
Class I*	\$20.47	\$23.76	Class I	538,398,155	556,449,207
Class II	17.45	22.41	Class II	264,487,114	197,240,547
Class III	17.32	19.83	Class III	414,078,177	423,777,046
Class IV	16.64	21.87	Class IV	<u>112,128,337</u>	<u>69,361,685</u>
			Total	1,329,091,783	1,246,828,485

\* Subject to Location Adjustment.

**ORDER 33 MARKET SUMMARY**

The Producer Price Differential for the Mideast Marketing Area for August 2008 was \$1.38 and the Statistical Uniform Price was \$18.70 for the month. The Statistical Uniform Price is the \$1.01 lower than last month, and is \$3.49 lower than August 2007.

The Producer Butterfat Price of \$1.7413 per pound increased 6.39 cents from July 2008 and is up 15.41 cents from a year ago. The Protein Price of \$3.6497 is down 35.28 cents from last month and is down 29.15 cents from August 2007. The Other Solids Price in August was \$0.0529 per pound, a decrease from last month's price of \$0.0707 and a decrease of 38.39 cents from last August. The Somatic Cell Adjustment rate for August was \$0.00093.

August producer receipts of 1.33 billion pounds were 4.3 percent lower than July 2008 and 6.6 percent higher than August 2007 production of 1.25 billion pounds. Producer milk allocated to Class I accounted for 40.5 percent of the total producer milk in August 2008, more than the 36.4 percent in June 2008 and less than the 44.6 percent in August 2007. A total of 7,376 producers were pooled on the Mideast Order compared to 8,006 producers pooled in August 2007.

The market average content of producer milk was as follows: Butterfat 3.57%; Protein 2.97%; Other Solids 5.70% and Nonfat Solids 8.67%.

## THE DAIRY OUTLOOK

### Lower Feed Prices and Lower Milk Prices Maintain Milk Output

Milk production estimates for 2008 are unchanged from last month at 189.5 billion pounds. Forecasts for 2009 call for production to be up fractionally to 190.3 billion pounds. USDA projects cow numbers to average 9,255 thousand head for 2008 and step back to 9,225 thousand head in 2009. Production per cow is expected to advance 1 percent in 2008 to 20,470 pounds per cow and 0.75 percent in 2009 to 20,625 pounds.

The Cooperatives Working Together buyout will likely remove about 25,000 dairy animals from the herd. Also, the July *Livestock Slaughter* report showed dairy cow slaughter up slightly year-over-year. However, cow prices climbed in the second quarter of the year. The price strength for cows suggests demand for dairy replacements. The buyout removal is likely removing lower productivity animals from smaller operations while replacement cow prices suggest some operators, most likely larger ones, are replacing older cows with newer stock. This move is likely to boost productivity and feed efficiency and is a calculated response to earlier season high grain and alfalfa hay prices.

Strong dairy product exports, aided by a weak dollar and a slowly growing domestic economy, will limit the year-over-year rise in domestic use in 2008. With lower export sales forecast for 2009, the increase in domestic use should rebound from this year's slower growth rate. Milk prices are expected to be lower this year than last, and relatively higher feed prices, especially for corn, will likely stress profitability for some producers.

Demand has favored the butter-powder sector in recent weeks as demand for both butter and powder have been strong both domestically and internationally. Strong exports of nonfat dry milk and skim milk powder (NDM/SMP) have kept stocks from building. Stocks for butter are below those for a corresponding level in 2007. As a result, butter prices have shown remarkable strength in 2008 and are expected to average \$1.415 to \$1.455 per pound for the year. The average would be higher except for the weak first-quarter performance. Butter prices are expected to continue high in 2009 averaging \$1.355 to \$1.485 per pound. Nonfat dry milk (NDM) prices, although lower than in 2007, have strengthened of late and are expected to average \$1.385 to 1.405 per pound in 2008 and \$1.485 to \$1.555

per pound in 2009. Robust export sales of dry milk products continue to buoy this market. Cheese prices as reported by the National Agricultural Statistics Service (NASS) peaked in early June and then declined until a slight uptick in early August according to NASS, closing at \$2.05 per pound for barrels and \$1.97 for blocks on August 2. Cheese prices will likely remain unsettled into the fourth quarter as softness in the U.S. economy works through the market. Cheese prices are expected to average \$1.920 to \$1.940 per pound for 2008 and decline modestly in 2009 to \$1.855 to 1.955 per pound. Whey prices have been declining throughout 2008 as demand has flagged. Prices in 2008 are projected to average 27.0 to 29.0 cents per pound. Prices in 2009 are expected to improve slightly to 30.0 to 33.0 cents per pound.

Administrative changes to the make allowances, beginning in September, will push class prices lower relative to changes in product prices.<sup>1/</sup> The Class III price is expected to average \$17.85 to \$18.05 per cwt in 2008 and slide to \$17.10 to \$18.10 per cwt in 2009. The Class IV price, in contrast, is forecast higher next year than this year. The price is expected to average \$15.95 to \$16.25 per cwt in 2008 and rise to \$16.40 to \$17.50 per cwt in 2009. Slightly higher production is forecast to tip the all milk price lower into next year. The all milk price is projected at \$18.85 to \$19.05 per cwt this year, declining to \$18.25 to \$19.25 per cwt next year.

<sup>1/</sup> At the time the outlook numbers were estimated, administrative changes in make allowances were expected to take effect September 1, 2008 as stated in an Interim Final Rule published July 31, 2008. Due to a complaint filed with the United States District Court for the District of Columbia, implementation of those changes has been delayed to October 1, 2008. Changes will take effect October 1 unless the court directs otherwise.

**SOURCE:** "Livestock, Dairy, and Poultry Outlook", LDP-M-170, August 19, 2008, Economic Research Service, USDA. For more information, contact Roger Hoskin, (202) 694-5148.

#### Bulletin WebPage Edition

www.fmmaclev.com

#### Featured this month are:

- Mailbox Prices
- Producer Price Differential Statistics
- Milk Production Statistics

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

Federal Order No. 33

State	July 2008						July 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	1,959	584,776	3.49	2.92	5.73	257	567,866	3.48	2.95	5.74	276
Ohio	2,237	344,502	3.57	2.96	5.70	312	357,861	3.57	2.99	5.69	315
Indiana	1,154	144,428	3.56	2.93	5.69	332	156,105	3.54	2.96	5.70	335
Pennsylvania	1,106	109,723	3.63	2.96	5.68	379	115,014	3.60	2.98	5.69	357
New York	301	104,764	3.55	2.95	5.73	256	182,597	3.53	2.95	5.74	251
Wisconsin	388	82,769	3.57	2.93	5.75	291	67,386	3.52	2.92	5.79	285
Illinois	63	9,376	3.52	2.92	5.73	341	9,335	3.37	2.98	5.89	183
West Virginia	62	4,753	3.71	3.08	5.68	419	5,755	3.69	3.06	5.67	384
Other	71	4,219	3.62	2.99	5.67	341	5,551	3.64	3.01	5.66	351
Total/Average *	7,341	1,389,310	3.54	2.94	5.72	291	1,467,469	3.53	2.96	5.72	296

\* 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**  
**AUGUST 2008**

Marketing Area <sup>1/</sup>	Producer Milk		Class I Percent %	Producer Price Differential (per cwt.)	Statistical Uniform Price (per cwt.)
	Total (000)	Class I (000)			
FO 1 Northeast - ( <i>Boston</i> )	1,981,742	835,115	42.1	\$2.18	\$19.50
FO 5 Appalachian - ( <i>Charlotte</i> )	489,288	339,947	69.5	<sup>2/</sup>	20.72
FO 6 Florida - ( <i>Tampa</i> )	248,673	211,134	84.9	<sup>2/</sup>	23.01
FO 7 Southeast - ( <i>Atlanta</i> )	553,377	398,922	72.1	<sup>2/</sup>	21.25
FO 30 Upper Midwest - ( <i>Chicago</i> )	2,626,889	352,398	13.4	0.49	17.81
FO 32 Central - ( <i>Kansas City</i> )	1,035,462	347,687	33.6	1.00	18.32
<b>FO 33 Mideast - (<i>Cleveland</i>)</b>	<b>1,329,092</b>	<b>538,398</b>	<b>40.5</b>	<b>1.38</b>	<b>18.70</b>
FO 124 Pacific Northwest - ( <i>Seattle</i> )	658,886	184,880	28.1	0.71	18.03
FO 126 Southwest - ( <i>Dallas</i> )	926,619	343,215	37.0	2.00	19.32
FO 131 Arizona - ( <i>Phoenix</i> )	318,594	116,912	36.7	<sup>2/</sup>	18.50

<sup>1/</sup> Names in parentheses are principal points of markets.

<sup>2/</sup> Producers in these markets are paid on the basis of a uniform skim and butterfat price.

**MINIMUM PARTIAL PAYMENT PRICE FOR SEPTEMBER 2008.....\$ 16.64 /cwt.**

# Mideast Market Administrator's Bulletin

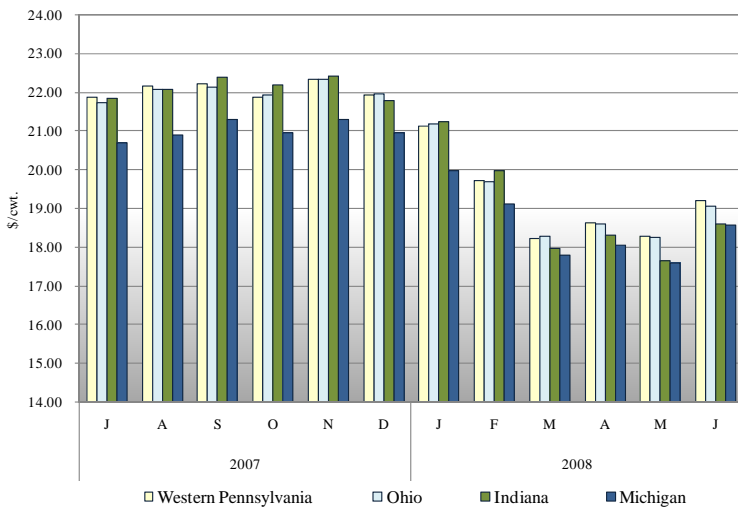
Supplement

Federal Order No. 33

September 2008

## MAILBOX MILK PRICES FOR AREAS IN MIDEAST MARKETING AREA

Mailbox Milk Price for Selected Reporting Areas Federal Order 33, 2007-2008



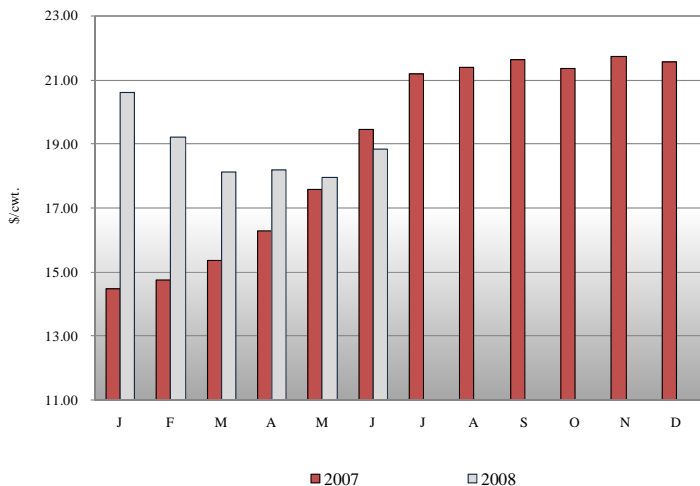
Mailbox price is the net pay price received by dairy farmers for milk. The data includes all payments received for milk sold, and all costs associated with marketing the milk. The mailbox price is a weighted average for the reporting area at the average butterfat test. Mailbox price does not include any Milk Income Loss Contract (MILC) payments.

The information is shown for those areas where at least 75 percent of the milk was marketed under Federal Orders. Mailbox prices include milk not-pooled due to unusual price relationships.

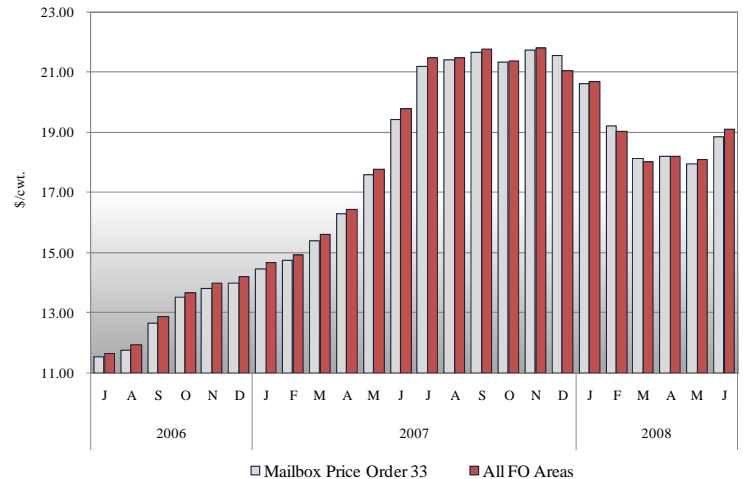
Western Pennsylvania includes the counties of Warren, Elk, Clearfield, Indiana, Westmoreland and Fayette, and all those counties west of these.

## FEDERAL ORDER 33 MAILBOX PRICE STATISTICS

Mailbox Milk Price for the Mideast Marketing Area, 2007-2008



Mailbox Milk Price for Mideast Marketing Area and All FO Areas, 2006-2008



The net pay price received by dairy farmers in Federal Order 33 was \$18.85 per hundredweight in June 2008. The June 2008 mailbox price is \$0.91 higher than the mailbox price for May 2008. The June 2008 mailbox price is \$0.51 lower than the June 2007 mailbox price.

For June the net pay price received by dairy farmers in Federal Order 33 was 26 cents per hundredweight less than the average mailbox price for all Federal Orders, as reported by Dairy Market News. For June the all Federal Order mailbox price was \$19.11 per hundredweight, \$1.02 higher than May 2008.

\* Mailbox prices are generally released by Dairy Market News on the 10th of the third following month (January data in April).

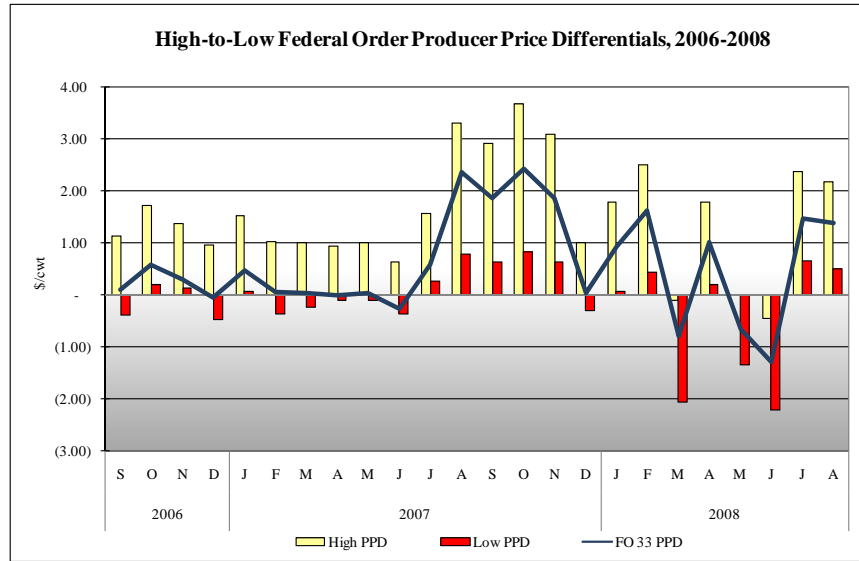
## PRODUCER PRICE DIFFERENTIAL STATISTICS

Producers in Orders 1, 30, 32, 33, 124, and 126 are paid based on component pricing.

Of those orders, Federal Order 1 traditionally has the highest producer price differential. For August 2008, Federal Order 1 had a PPD of \$2.18 per hundredweight, \$0.19 lower than the July 2008 PPD price in Federal Order 1.

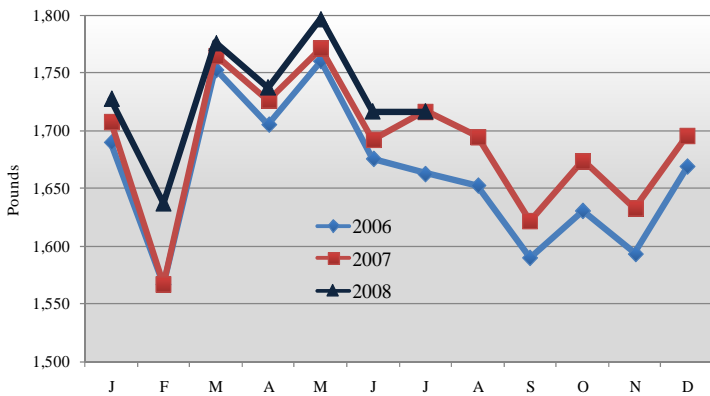
In August 2008 Federal Order 33 had the third highest PPD, behind Orders 1 and 126, at \$1.38 per hundredweight, \$0.09 lower than the July 2008 PPD price.

For August 2008 Federal Order 30 had the lowest PPD at \$0.49 per hundredweight, \$0.17 lower than the July 2008 PPD price.

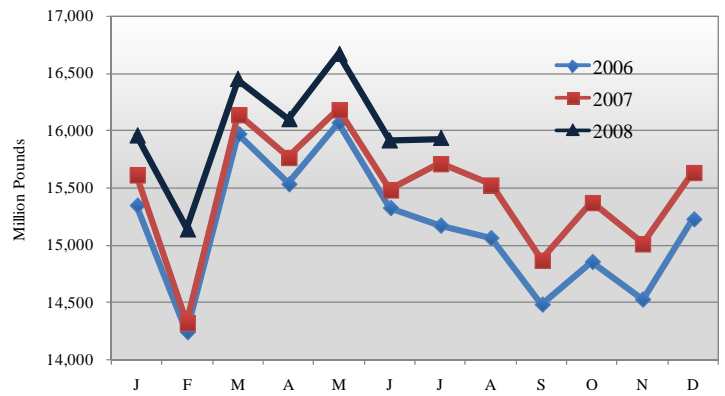


## MILK PRODUCTION STATISTICS\*

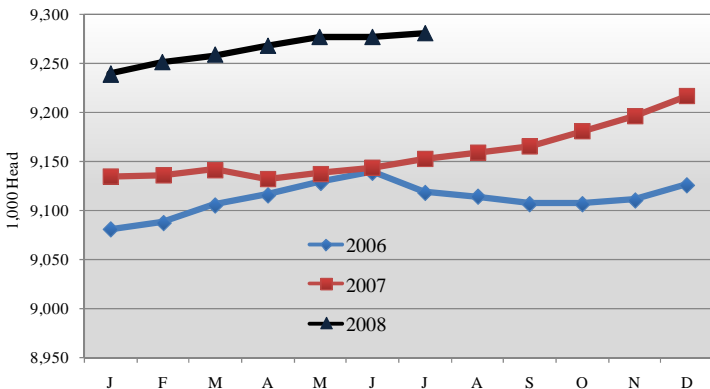
Milk Production Per Cow by Month, United States, 2006-2008



Milk Production by Month, United States, 2006-2008



Milk Cows by Month, United States, 2006-2008



July 2008 milk production in the United States totaled 15.9 billion pounds, up 0.08 percent from June 2008. July 2008 Milk Production in the United States was up 1.4 percent from July 2007.

Production per cow in the United States averaged 1,716 pounds for July 2008, in line with June 2008 production per cow estimates and 0.06 percent less than July 2007.

The number of milk cows on farms in the United States was 9.28 million head, 4,000 head more than June 2008, and 128,000 head more than July 2007.

\* Information collected from the National Agricultural Statistics Service (NASS), Agricultural Statistics Board, U.S. Department of Agriculture