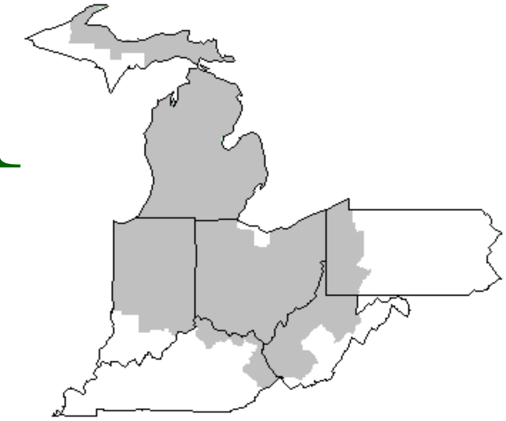
Mideast Market Administrator's Bulletin



Federal Order No. 33

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September 2009

Agriculture Secretary Vilsack Establishes Dairy Advisory Committee and Requests Nominations

Agriculture Secretary Tom Vilsack announced that as part of USDA's continuing efforts to listen to and respond to the needs of producers in the dairy industry he is moving forward on establishing the Dairy Industry Advisory Committee and is requesting nominations.

"The Obama Administration is committed to working with all sectors of the dairy industry to develop changes to the dairy pricing system to avoid the boom and bust cycle behind the crisis facing many dairy farmers this year," said Vilsack. "The input provided by the members of this committee will play an important role in building a more stable market for dairy producers for years to come."

Earlier in August, Secretary Vilsack promised to move forward with establishment of a charter creating the committee for two years. Once appointed, the committee will review the issues of farm milk price volatility, and dairy farmer profitability. The committee will also offer suggestions and ideas on how USDA can best address these issues to meet the dairy industry's needs. USDA is establishing the committee under the authority of the Federal Advisory Committee Act of 1972.

The Secretary of Agriculture will appoint up to 15 representatives of the dairy industry to serve in an advisory capacity on the Committee. Representatives will include: producers and producer organizations, processors and processor organizations, handlers, consumers, academia, retailers, and state agencies involved in organic and non-organic dairy at the local, regional, national and international levels.

Written nominations must be received on or before September 28, and should be sent to Judith Lindsay, secretary to Brandon Willis, Deputy Administrator, Farm Service Agency, Farm Programs, USDA Room 3612-S, Stop 0501, Washington, D.C. 20250-0501; faxed to (202) 720-4726; or e-mailed to: judith.lindsay@wdc.usda.gov

Advisory committee members will elect the chairperson and vice-chairperson who will each serve a two-year term. As Deputy Administrator of the FSA Farm Programs, Willis will serve as the committee's executive secretary.

Details were published in the August 28 *Federal Register*. More information on the committee is available at www.ams.usda.gov/AMSv1.0/DairyAdvisoryCommittee.

The Dairy Outlook

Increases in Milk per Cow Slow Decline in Milk Production in 2009 Despite Herd Size Reductions

Milk production during the second quarter of 2009 was up one-tenth of 1 percent from the second quarter of 2008, even though herd size was 53,000 head smaller than the corresponding quarter last year. June milk production was down two-tenths of 1 percent from a year earlier. While the June reported herd size was 86,000 head less, production per cow was 13 pounds more than the corresponding month last year. USDA forecasts corn and soybean meal prices to be lower this crop year. The lower feed prices and cheaper alfalfa hay helped support additional feeding and milk production despite the overall contraction signals from the market. Coupled with relatively slow herd contraction, milk production is projected at 188.2 billion pounds for 2009, less than a 1-percent reduction from 2008.

Prospects are for 2009/10 feed prices to decline slightly from 2008/09, helping boost the milk-feed ratio from this year's lows. The lower expected feed prices could provide modest relief to producers as milk prices strengthen over the course of the year, but hardly presage a turnaround in overall dairy market prospects for producers. The lower feed prices and continued herd contraction will likely continue to boost output per cow in 2010. However, next year, the forecast herd contraction to 8.9 million cows will outweigh the forecast 1.9- percent increase in output per cow and milk production will likely slip to 186.5 billion pounds.

Continued accumulation of dry milk powder in the European Union will likely pressure world prices, further reducing U.S. export prospects. Overall, exports on a fats basis will remain at 3.8 billion

(continued on Page 3)

August 2009 Pool Summary

Classification of Producer Milk

	Pounds	*Percent*
Class I	557,383,246	40.5
Class II	302,100,768	21.9
Class III	421,751,132	30.6
Class IV	96,902,204	7.0
Total	1,378,137,350	100.0

Producer Prices

Producer Price Differential	$ 0.27	/cwt
Butterfat Price	1.2491	/ lb
Protein Price	2.1009	/ lb
Other Solids Price	0.0962	/ lb
Somatic Cell Adjustment Rate	0.00063	/ cwt
Statistical Uniform Price	11.47	/ cwt

ANNOUNCEMENT OF PRODUCER PRICES
Federal Order No. 33

August 2009

COMPUTATION OF PRODUCER PRICE DIFFERENTIAL

	POUNDS	BUTTERFAT	SKIM / PROTEIN	NONFAT SOLIDS	OTHER SOLIDS	PRICE	VALUE
Class I Skim Value			547,354,923			$ 8.00 / cwt	$ 43,788,393.84
Class I Butterfat		10,028,323				1.2349 / lb	12,383,976.07
Class I Location Differential	557,383,246						(270,814.25)
Class II SNF Value				25,556,197		0.7444 / lb	19,024,033.06
Class II Butterfat		17,476,395				1.2561 / lb	21,952,099.77
Class III Protein Value			12,589,616			2.1009 / lb	26,449,524.27
Class III Other Solids Value					23,971,015	0.0962 / lb	2,306,011.64
Class III Butterfat		15,501,494				1.2491 / lb	19,362,916.18
Class IV SNF Value				8,133,291		0.6918 / lb	5,626,610.75
Class IV Butterfat		6,341,899				1.2491 / lb	7,921,666.02
Somatic Cell Value II / III / IV							487,042.61
TOTAL PRODUCER MILK VALUE	1,378,137,350	49,348,111	40,993,988		78,379,468		$159,031,459.96
Overages					$ 11,331.62		
Beginning Inventory and Other Source Charges					$ 26,717.63		
TOTAL ADJUSTMENTS							$ 38,049.25
TOTAL HANDLER OBLIGATIONS							$ 159,069,509.21
Total Protein Value			40,993,988 lbs	@	$2.1009		$ (86,124,269.38)
Total Other Solids Value			78,379,468 lbs	@	0.0962		(7,540,104.84)
Butterfat Value			49,348,111 lbs	@	1.2491		(61,640,725.46)
Total Somatic Cell Values							(801,909.05)
TOTALS							$ 2,962,500.48
Net Producer Location Adjustments							$ 641,380.04
1/2 Unobligated Balance Producer Settlement Fund							669,000.00
Total - Divided by Total Pounds			1,378,137,350 lbs		0.3100475		$ 4,272,880.52
Rate of Cash Reserve					(0.0400475)		(551,909.56)
PRODUCER PRICE DIFFERENTIAL *at Cuyahoga County, OH**			1,378,137,350		**$ 0.27 /cwt**		$ 3,720,970.96

COMPONENT PRICES

	August 2009	August 2008
Butterfat Price	$1.2491 / lb	$1.7413 / lb
Protein Price	2.1009 / lb	3.6497 / lb
Other Solids Price	0.0962 / lb	0.0529 / lb
Somatic Cell Adjustment Rate	0.00063 / cwt	0.00093 / cwt
Nonfat Solids Price	0.6918 / lb	1.2147 / lb

COMPUTATION OF UNIFORM PRICE

	August 2009	August 2008
Class III Price - 3.5% BF	$ 11.20	$17.32
Producer Price Differential*	0.27	1.38
Statistical Uniform Price	$11.47	$18.70

CLASS PRICES

	August 2009	August 2008
Class I*	$12.04	$20.47
Class II	10.86	17.45
Class III	11.20	17.32
Class IV	10.38	16.64

* Subject to Location Adjustment.

CLASSIFICATION OF PRODUCER MILK

	August 2009 *Product lbs.*	August 2008 *Product lbs.*
Class I	557,383,246	538,398,155
Class II	302,100,768	264,487,114
Class III	421,751,132	414,078,177
Class IV	96,902,204	112,128,337
Total	1,378,137,350	1,329,091,783

ORDER 33 MARKET SUMMARY

The Producer Price Differential for the Mideast Marketing Area for August 2009 was $0.27 and the Statistical Uniform Price was $11.47 for the month. The Statistical Uniform Price is $0.40 higher than last month, and is $7.23 lower than August 2008.

The Producer Butterfat Price of $1.2491 per pound increased 0.53 cents from July and is down 49.22 cents from a year ago. The Protein Price of $2.1009 is up $0.4039 from last month and is down $1.5488 from August 2008. The Other Solids Price in August was $0.0962 per pound, an increase from last month's price of $0.0949 and an increase of 4.33 cents from last August. The Somatic Cell Adjustment rate for August was $0.00063.

August producer receipts of 1.38 billion pounds were 5.6 percent lower than July and 3.7 percent higher than August 2008 production of 1.33 billion pounds. Producer milk allocated to Class I accounted for 40.5 percent of the total producer milk in August 2009, more than the 37.9 percent in July and equal to the 40.5 percent in August 2008. A total of 7,129 producers were pooled on the Mideast Order compared to 7,376 producers pooled in August 2008.

The market average content of producer milk was as follows: Butterfat 3.58%; Protein 2.97%; Other Solids 5.69% and Nonfat Solids 8.66%.

(Continued from Front Page)

pounds, virtually unchanged in 2010 compared with 2009. On a skims/solids basis, 2010 exports will be slightly higher at 21.2 billion pounds compared with 20.0 billion pounds expected for this year. These forecasts remain well below 2008 totals.

The current USDA forecast assumes that Commodity Credit Corporation net removals will become negative in 2010 as product purchased under the higher support prices moves back into the market. Cheese and nonfat dry milk (NDM) prices should strengthen in 2009, reflecting the increase in support prices for those products. Economic recovery in 2010 and slightly lower milk production should help boost prices for all products in 2010. The cheese price is projected to average $1.235 to $1.255 per pound this year and climb to $1.510 - $1.610 in 2010. Butter prices are expected to average $1.180 - $1.220 per pound in 2009 and strengthen to $1.435 - $1.565 in 2010. NDM prices are projected to average 85 to 87 cents per pound and rise to 94.5 cents- $1.015 per pound in 2010. Whey prices are projected at 24 to 26 cents per pound in 2009 and 28 to 31 cents per pound next year.

Milk prices should recover from 2009 lows next year but should remain well below the highs of 2007 and 2008. The Class III price is expected to average $10.70 - $10.90 per cwt in 2009 and rise to average $13.75 - $14.75 per cwt in 2010. The Class IV price is projected to average $10.15 - $10.45 per cwt this year and reaches $12.10 - $13.20 per cwt next year. The all milk price average is expected to be $12.10 - $12.30 per cwt and rise to $14.65 - $15.65 per cwt in 2010.

SOURCE: "Livestock, Dairy, and Poultry Outlook", LDP-M-181, August 19, 2009, Economic Research Service, USDA. For more information, contact Roger Hoskin, (202) 694-5148.

July Milk Production Up 0.1 Percent

Milk production in the 23 major States during July totaled 14.9 billion pounds, up 0.1 percent from July 2008. June revised production at 14.8 billion pounds, was up 0.1 percent from June 2008. The June revision represented a increase of 34 million pounds or 0.2 percent from last month's preliminary production estimate.

Production per cow in the 23 major States averaged 1,769 pounds for July, 25 pounds above July 2008.

The number of milk cows on farms in the 23 major States was 8.40 million head, 115,000 head less than July 2008, and 34,000 head less than June 2009.

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 2.3 billion pounds, up 52 million pounds or 2.3 percent from July 2008.

Production per cow in the Mideast states averaged 1,720 pounds for July, 37 pounds above July 2008.

The number of cows on farms in the Mideast states was 1.3 million head, 4,000 head more than July 2008.

June Fluid Milk Sales Up (AMS & CDFA):

During June, about 4.3 billion pounds of packaged fluid milk products is estimated to have been sold in the United States. This was 3.6% higher than June 2008. After adjusting for calendar composition, sales in June 2009 were 0.5% higher than June 2008. On an individual product basis, after adjusting for calendar composition, sales of reduced fat milk (2%), low fat milk (1%), and flavored fat-reduced milk increased from June 2008, while sales of whole milk, flavored whole milk, organic whole milk, fat-free (skim) milk, organic fat-reduced milk, and buttermilk decreased from a year earlier.

Bulletin WebPage Edition
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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

	July 2009							July 2008				
			-----------Weighted Averages -----------					---------Weighted Averages ---------				
State	Number of Producers	Pounds of Milk (000)	Butterfat	Protein	Other Solids	SCC (000)	Pounds of Milk (000)	Butterfat	Protein	Other Solids	SCC (000)
Michigan	1,856	612,443	3.49	2.94	5.70	219	584,776	3.49	2.92	5.73	257
Ohio	2,231	352,636	3.59	2.97	5.64	277	344,502	3.57	2.96	5.70	312
Indiana	1,138	149,653	3.60	2.99	5.75	297	144,428	3.56	2.93	5.69	332
New York	350	137,004	3.58	2.98	5.71	230	104,764	3.55	2.95	5.73	256
Pennsylvania	1,073	109,262	3.65	3.01	5.65	348	109,723	3.63	2.96	5.68	379
Wisconsin	335	72,324	3.55	2.93	5.79	253	82,769	3.57	2.93	5.75	291
Illinois	40	8,379	3.46	2.93	5.74	275	9,376	3.52	2.92	5.73	341
West Virginia	63	5,428	3.73	3.07	5.63	362	4,753	3.71	3.08	5.68	419
Other	111	13,179	3.48	2.96	5.71	235	4,219	3.62	2.99	5.67	341
Total/Average *	7,197	1,460,308	3.55	2.96	5.69	254	1,389,310	3.54	2.94	5.72	291

* 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 2009

	Marketing Area [1/]	Producer Milk Total (000)	Producer Milk Class I (000)	Class I Percent %	Producer Price Differential (per cwt.)	Statistical Uniform Price (per cwt.)
FO 1	Northeast - *(Boston)*	1,937,346	824,392	42.6	$1.15	$12.35
FO 5	Appalachian - *(Charlotte)*	485,251	349,081	71.9	[2/]	12.86
FO 6	Florida - *(Tampa)*	243,010	211,546	87.1	[2/]	14.88
FO 7	Southeast - *(Atlanta)*	568,941	402,719	70.8	[2/]	13.30
FO 30	Upper Midwest - *(Chicago)*	2,648,904	355,340	13.4	0.12	11.32
FO 32	Central - *(Kansas City)*	1,006,723	355,164	35.3	0.04	11.24
FO 33	**Mideast - *(Cleveland)***	**1,378,137**	**557,383**	**40.5**	**0.27**	**11.47**
FO 124	Pacific Northwest - *(Seattle)*	656,497	181,703	29.0	0.05	11.25
FO 126	Southwest - *(Dallas)*	866,506	355,319	41.0	1.14	12.34
FO 131	Arizona - *(Phoenix)*	305,002	120,498	39.5	[2/]	11.55

[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 SEPTEMBER 2009..................$10.38 /cwt.

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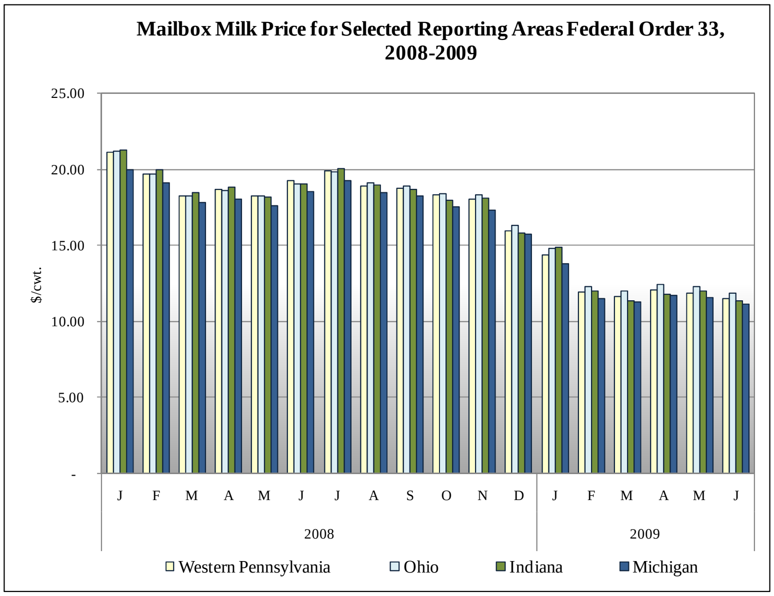
Mideast Market Administrator's
Bulletin
Supplement
Federal Order No. 33 September 2009

MAILBOX MILK PRICES FOR AREAS IN MIDEAST MARKETING AREA 1/

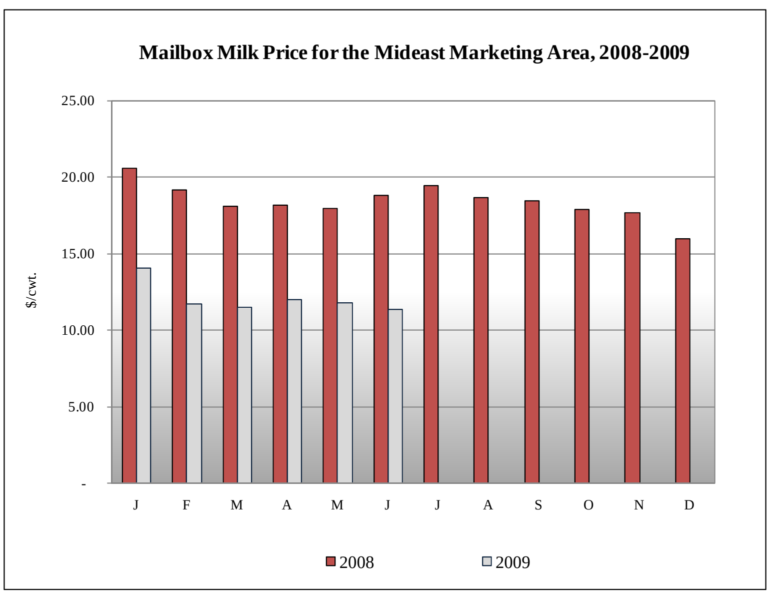


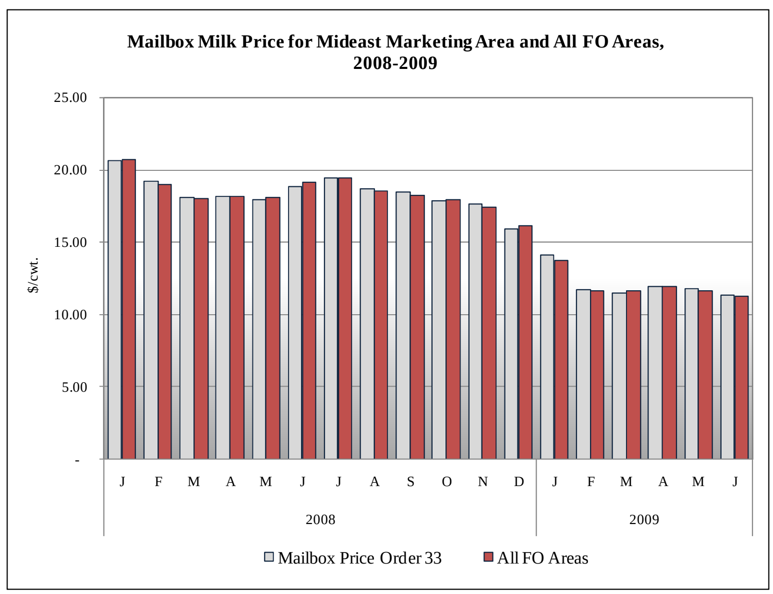
Mailbox price is the net pay price received by dairy farmers for milk. The data includes all payments received for milk sold, and all costs associated with marketing the milk. The mailbox price is a weighted average for the reporting area at the average butterfat test. Mailbox price does not include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





The net pay price received by dairy farmers in Federal Order 33 was $11.36 per hundredweight in June 2009. The June 2009 mailbox price is $0.41 less than the mailbox price for May 2009. The June 2009 mailbox price is $7.49 lower than the June 2008 mailbox price.

For June 2009 the net pay price received by dairy farmers in Federal Order 33 was $0.09 per hundredweight higher than the average mailbox price for all Federal Orders, as reported by Dairy Market News. For June the all Federal Order mailbox price was $11.27 per hundredweight, $0.34 less than May 2009.

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

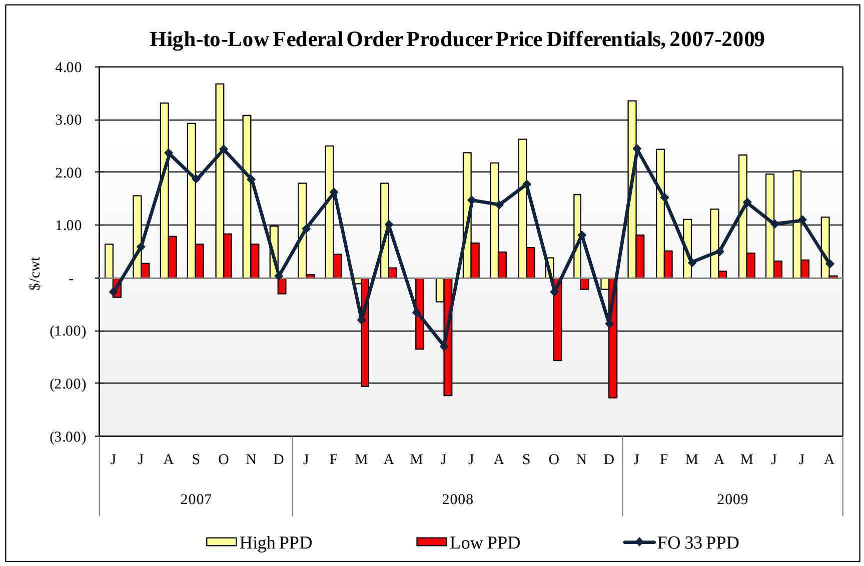
PRODUCER PRICE DIFFERENTIAL STATISTICS

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 2009, Federal Order 1 had a PPD of $1.15 per hundredweight, $0.87 less than their July 2009 PPD.

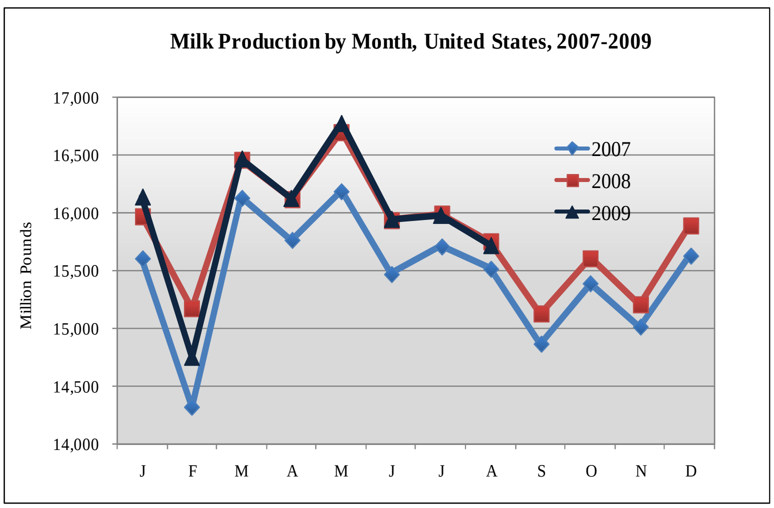
In August 2009 Federal Order 33 had the third highest PPD, behind Orders 1 and 126, at $0.27 per hundred-weight, $0.83 less than the July 2009 PPD.

For August 2009 Federal Order 32 had the lowest PPD at $0.04 per hundredweight, $0.75 less than their July 2009 PPD.

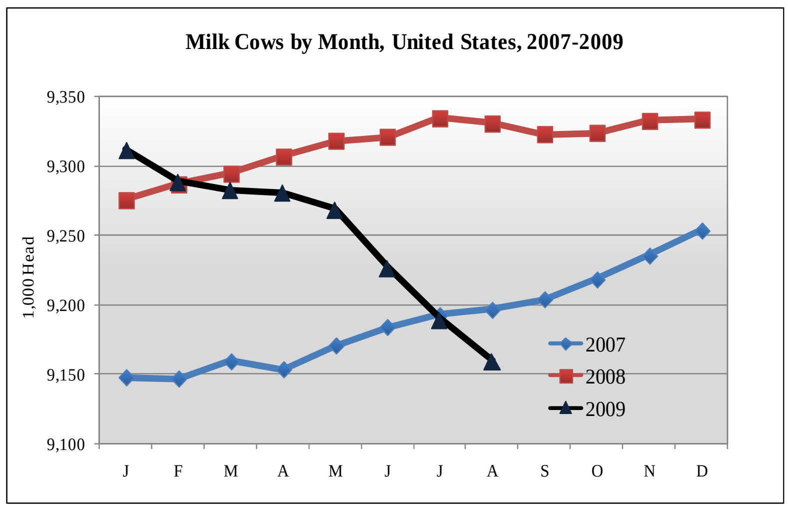


High-to-Low Federal Order Producer Price Differentials, 2007-2009

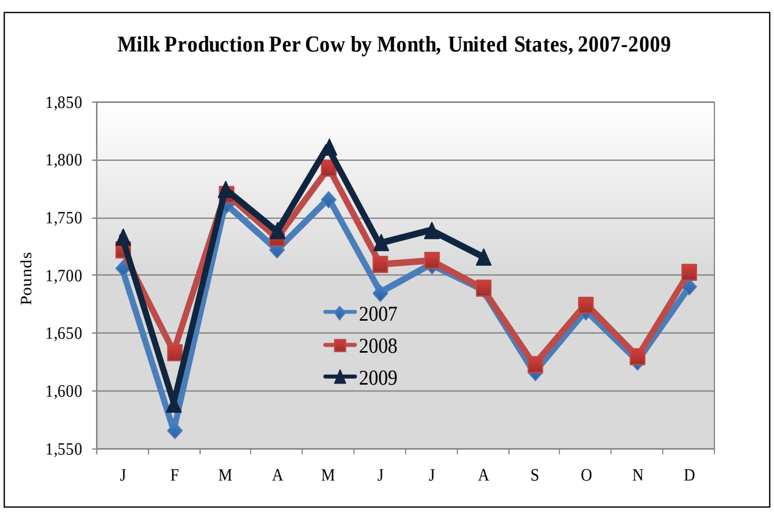
MILK PRODUCTION STATISTICS 2/



Milk Production by Month, United States, 2007-2009



Milk Cows by Month, United States, 2007-2009



Milk Production Per Cow by Month, United States, 2007-2009

August 2009 milk production in the United States decreased 269 million pounds from July to 15.7 billion pounds. August 2009 milk production in the United States was down 0.3 per-cent from August 2008.

Production per cow in the United States averaged 1,716 pounds for August 2009, down 23 pounds from July 2009 and up 27 pounds from August 2008.

The number of milk cows on farms in the United States was 9.16 million head for August 2009, down 30,000 head from July 2009 and down 1.8 percent from August 2008.

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