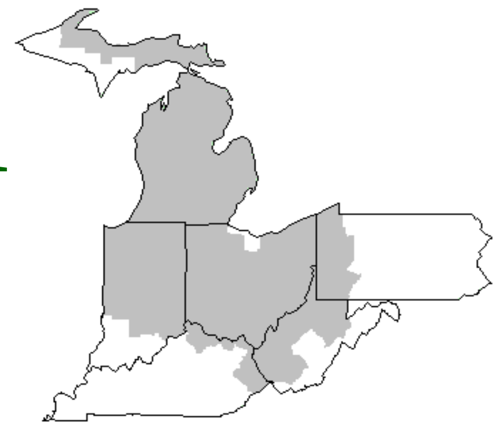
Mideast Market Administrator's Bulletin

Federal Order No. 33



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February 2011

THE DAIRY OUTLOOK

Year-Over-Year Milk Production Increases Slowly Adjusting Supply to Demand, Holding the All Milk Price near the 2010 Price

The latest USDA forecasts indicate rising feed prices for the 2010/11 crop year. The corn price is forecast to average $4.90 to $5.70 per bushel, and the soybean meal price is forecast to average $320 to $360 per ton. These latest price forecasts represent an increase from last month's forecasts. Positive processor margins for ethanol and strong exports will contribute to the higher prices. Supplies of corn are expected to be lower as yield per harvested acre is expected to be lower than in 2009/10, despite higher planted acreage. Supplies of soybeans and soybean meal are also forecast to be slightly lower than in 2009/10.

Meanwhile, the November *Milk Production* report indicated that estimated U.S. milk production rose 2.7 percent on a year-over-year basis. Cow numbers also continue to rise on a year-over-year basis. However, herd size was unchanged in November from October. This situation suggests producers may be responding to lackluster feed-price ratios that persisted in 2010 and are likely to worsen in 2011 due to higher expected feed prices. USDA's *Cattle* report, which will be released January 28, will provide an early indication of producer intentions regarding dairy heifer retention. The current forecast calls for cow numbers to average 9.1 million head in 2011, the first annual increase since 2008. High cow slaughter and heifer prices that are about unchanged from last year suggest little incentive for herd expansion. The availability of heifer replacements at modest prices could provide an opportunity to some producers for herd freshening, which could be a cost reducing strategy with higher feed prices in the offing. Milk per cow is projected to rise 1.3 percent this year over last to 21,425 pounds. Total milk production in 2011 is expected to reach 195.5 billion pounds, compared with 192.8 billion pounds for 2010.

Milk equivalent exports for 2011 are forecast at 6.4 billion pounds on a fats basis and 30.7 billion pounds on a skim-solids basis. Although representing a retreat from 2010 exports, these forecasts have been raised from last month largely on improved skim-solids basis exports. U.S. dairy product prices are below international prices and a weak dollar relative to foreign currencies makes U.S. dairy products attractively priced. Global demand should be higher in 2011, especially in Asia and South America, because economic recovery in those regions has been stronger than in Europe and the United States. What remains to be seen is the scope of recovery in milk production in Oceania.

U.S. imports of dairy products will trail last year's totals and have been adjusted downward. Imports for 2011 are forecast at 3.9 billion pounds on a fats basis and 4.7 billion pounds on a skim-solids basis. The same fundamentals that make U.S. exports attractive on the world markets weaken the U.S. import market.

Butter stocks remain very tight, and consequently, butter prices are expected to remain high relative to recent years but to average below 2010 levels. Butter prices are expected to decline in the second half of 2011 as foreign production eases global tightness and more milk moves to Class IV uses due to adequate domestic supplies of cheese and strong export demand for nonfat dry milk (NDM). Butter prices are forecast to average $1.545 to $1.655 per pound in 2011.

Cheese prices are projected to average $1.510 to $1.590 per pound in 2011, close to the 2010 average price. Beginning cheese stocks are above last year's levels and supplies appear adequate to meet demand. Over the course of 2011, supplies could tighten in the face of forecast milk production, keeping cheese prices firm over the course of the year. Expectations for continued strong exports for NDM and whey will likely boost prices above last year for both products in 2011. In 2011, NDM prices are forecast to average $1.220 to $1.280 per pound and whey prices are projected at 37.5 to 40.5 cents per pound; both forecasts represent an increase from 2010 prices. Milk prices in 2011, like milk product prices, are expected to average higher than in 2010. The Class III price is expected to average $14.35 to $15.15 per cwt. The Class IV price is expected to average $14.90 to $15.80. The all milk price is projected at $16.10 to $16.80 per cwt.

SOURCE: "Livestock, Dairy, and Poultry Outlook," LDP-M-199, January 19, 2011, Economic Research Service, USDA. Any questions or requests for more information can be directed to Roger Hoskin at (202) 694-5148.

January 2011 Pool Summary

Classification of Producer Milk

	Pounds	*Percent*
Class I	555,863,978	44.6
Class II	151,610,977	12.2
Class III	460,180,994	36.9
Class IV	77,870,580	6.3
Total	1,245,526,529	100.0

Producer Prices

Producer Price Differential	$ 2.30	/cwt
Butterfat Price	2.0239	/ lb
Protein Price	1.7590	/ lb
Other Solids Price	0.2002	/ lb
Somatic Cell Adjustment Rate	0.00070	/ cwt
Statistical Uniform Price	15.78	/ cwt

ANNOUNCEMENT OF PRODUCER PRICES
Federal Order No. 33

January 2011

COMPUTATION OF PRODUCER PRICE DIFFERENTIAL

	POUNDS	BUTTERFAT	SKIM / PROTEIN	NONFAT SOLIDS	OTHER SOLIDS	PRICE	VALUE
Class I Skim Value			546,147,879			$ 11.33 / cwt	$ 61,878,554.71
Class I Butterfat		9,716,099				1.7896 / lb	17,387,930.73
Class I Location Differential	555,863,978						(279,980.69)
Class II SNF Value				12,900,142		1.1144 / lb	14,375,918.23
Class II Butterfat		11,206,667				2.0309 / lb	22,759,619.99
Class III Protein Value			14,524,874			1.7590 / lb	25,549,253.39
Class III Other Solids Value					26,366,578	0.2002 / lb	5,278,588.94
Class III Butterfat		16,844,743				2.0239 / lb	34,092,075.38
Class IV SNF Value				6,249,856		1.0743 / lb	6,714,220.31
Class IV Butterfat		10,017,928				2.0239 / lb	20,275,284.48
Somatic Cell Value II / III / IV							694,514.61
TOTAL PRODUCER MILK VALUE	1,245,526,529	47,785,437	39,172,129		71,119,542		$ 208,725,980.08
Overages					$ 112,079.66		
Beginning Inventory and Other Source Charges					(5,870.22)		
TOTAL ADJUSTMENTS							$ 106,209.44
TOTAL HANDLER OBLIGATIONS							$ 208,832,189.52
Total Protein Value			39,172,129 lbs	@	$1.7590		$ (68,903,774.97)
Total Other Solids Value			71,119,542 lbs	@	0.2002		(14,238,132.32)
Butterfat Value			47,785,437 lbs	@	2.0239		(96,712,945.96)
Total Somatic Cell Values							(1,262,335.29)
TOTALS							$ 27,715,000.98
Net Producer Location Adjustments							$ 913,553.26
1/2 Unobligated Balance Producer Settlement Fund							633,000.00
Total - Divided by Total Pounds			1,245,526,529 lbs		2.3493321		$ 29,261,554.24
Rate of Cash Reserve					(0.0493321)		(614,444.39)
PRODUCER PRICE DIFFERENTIAL *at Cuyahoga County, OH**			1,245,526,529		**$ 2.30 /cwt**		$ 28,647,109.85

COMPONENT PRICES

	January 2011	January 2010
Butterfat Price	$2.0239 / lb	$1.4405 / lb
Protein Price	1.7590 / lb	2.7916 / lb
Other Solids Price	0.2002 / lb	0.1946 / lb
Somatic Cell Adjustment Rate	0.00070 / cwt	0.00077 / cwt
Nonfat Solids Price	1.0743 / lb	1.0148 / lb

COMPUTATION OF UNIFORM PRICE

	January 2011	January 2010
Class III Price - 3.5% BF	$ 13.48	$14.50
Producer Price Differential*	2.30	0.80
Statistical Uniform Price	$15.78	$15.30

CLASS PRICES

	January 2011	January 2010
Class I*	$17.20	$17.03
Class II	16.79	15.22
Class III	13.48	14.50
Class IV	16.42	13.85

* Subject to Location Adjustment.

CLASSIFICATION OF PRODUCER MILK

	January 2011 *Product lbs.*	January 2010 *Product lbs.*
Class I	555,863,978	585,181,985
Class II	151,610,977	253,129,698
Class III	460,180,994	469,350,114
Class IV	77,870,580	108,137,702
Total	1,245,526,529	1,415,799,499

ORDER 33 MARKET SUMMARY

The Producer Price Differential for the Mideast Marketing Area for January 2011 was $2.30 and the Statistical Uniform Price was $15.78 for the month. The Statistical Uniform Price is $0.02 higher than last month, and is $0.48 higher than January 2010.

The Producer Butterfat Price of $2.0239 per pound increased 22.87 cents from December and is up $0.5834 from a year ago. The Protein Price of $1.7590 is down 41.16 cents from last month and is down $1.0326 from January 2010. The Other Solids Price in January was $0.2002 per pound, an increase from last month's price of $0.1852 and 0.56 cents higher than last January. The Somatic Cell Adjustment rate for January was $0.00070.

January producer receipts of 1.25 billion pounds were 4.8 percent lower than December and 12.0 percent lower than January 2010 production of 1.42 billion pounds. Producer milk allocated to Class I accounted for 44.6 percent of the total producer milk in January 2011, more than the 42.7 percent in December, and more than the 41.3 percent in January 2010. A total of 6,722 producers were pooled on the Mideast Order compared to 7,171 producers pooled in January 2010.

The market average content of producer milk was as follows: Butterfat 3.84%; Protein 3.15%; Other Solids 5.71% and Nonfat Solids 8.86%.

December Milk Production Up 2.8 Percent

Milk production in the 23 major States during December totaled 15.0 billion pounds, up 2.8 percent from December 2009. November revised production at 14.4 billion pounds, was up 3.1 percent from November 2009. The November revision represented an increase of 8 million pounds or 0.1 percent from last month's preliminary estimate.

Production per cow in the 23 major States averaged 1,794 pounds for December, 33 pounds above December 2009. The number of milk cows on farms in the 23 major States was 8.39 million head, 74,000 head more than December 2009, and 15,000 head more than November 2010.

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 December totaled 2.3 billion pounds, up 47 million pounds or 2.1 percent from December 2009.

Production per cow in the Mideast states averaged 1,719 pounds for December, 23 pounds above December 2009. The number of cows on farms in the Mideast states was 1.3 million head, 10,000 head less than December 2009.

2009 Transportation Analysis Released

This staff paper details the hauling assessments paid by producers, and the delivery distance to the first delivery point, of milk marketed by producers associated with the Mideast Marketing Area, Federal Order 33, for May 2009. The results show that hauling assessments vary significantly due to multiple factors including delivery volume, competitive groups of producers and proximity to a processing plant.

December 2010 Dairy Products (NASS)

Butter production was 158.1 million pounds in December, 4.8% above December 2009 and 18.6 above November 2010. American type cheese production totaled 369.6 million pounds, 4.9% above December 2009 and 5.6% above November 2010. Total cheese output (excluding cottage cheese) was 904.4 million pounds, 4.7% above December 2009 and 2.4% above November 2010. Nonfat dry milk production, for human food, totaled 139.5 million pounds, 10.1% above December 2009 and 19.6% above November 2010. Dry whey production, for human food, was 84.4 million pounds, 5.4% above December 2009 and 7.9% above November 2010. Ice cream (hard) production totaled 52.3 million gallons, 6.6% above December 2009 and 1.2% above November 2010.

Organic Dairy Market News Overview (DMN)

Comparing the January 2011 average organic reduced fat (2%) half gallon milk price in each of 30 cities with the 2010 annual average, the January price in fifteen cities is higher, lower in twelve, and even in three. The national weighted average advertised price for half gallons of organic milk fell 22 cents to $2.78 following a 45 cent decrease two weeks ago. Yet, the price range increased to $1.39 from 41 cents, with advertised prices ranging from $2.50 to $3.89. Organic milk gallon ads yielded a weighted average advertised price of $4.79, down from $5.22 two weeks ago. All prices were $4.79 so there is no range to report. This is the lowest weighted average advertised price since the first week of September last year. For every report since the Fall of 2009, there have been gallon organic milk ads priced higher than this report. The national weighted average advertised price for 8 ounce organic milk is 85 cents. Regionally, the weighted average varied from 70 cents to $1.15. Organic milk ads appeared in every region this report, with over one-half of ad placements appearing in two regions: the Southeast, 30.3%; and the Midwest, 24.5%. The remaining region's percentages are: South Central, 19.7%; Northwest, 15.6%; Southwest, 6.7%; and Northeast, 3.3%. The weighted average advertised price of organic yogurt in 6 ounce containers fell 2 cents to 58 cents. The lowest advertised price for this report, 49 cents, is the second lowest since this series began during the Fall of 2009.

Bulletin Webpage Edition
www.fmmaclev.com

Featured this month are:

- Total Mideast Milk Marketings by County, 2010
- Increases in Mideast Milk Marketings by County, 2010 vs. 2009
- Decreases in Mideast Milk Marketings by County, 2010 vs. 2009

Weighted Averages - Butterfat, Protein, Other Solids, Somatic Cell Count by State
Federal Order No. 33

	December 2010							December 2009				
			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	1,812	588,118	3.79	3.16	5.71	172	606,534	3.70	3.12	5.73	181
Ohio	2,114	281,525	3.97	3.22	5.67	222	326,767	3.86	3.17	5.70	226
Indiana	1,092	122,586	4.00	3.22	5.68	212	143,797	3.88	3.16	5.71	234
Pennsylvania	1,061	102,875	3.99	3.21	5.66	274	104,231	3.90	3.17	5.67	297
New York	333	96,807	3.81	3.15	5.71	204	138,733	3.72	3.12	5.70	203
Wisconsin	170	85,427	3.77	3.13	5.80	238	53,097	3.68	3.05	5.74	230
West Virginia	56	3,959	4.27	3.35	5.65	319	4,144	4.10	3.30	5.66	291
Other	178	26,575	3.86	3.20	5.75	220	13,458	3.82	3.17	5.67	229
Total/Average *	6,816	1,307,872	3.87	3.18	5.70	203	1,390,761	3.78	3.14	5.71	211

* 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.

United States
Department of Agriculture

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FEDERAL ORDER DATA

January 2011

	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)*	2,142,163	910,664	42.5	$3.53	$17.01
FO 5	Appalachian - *(Charlotte)*	505,682	352,724	69.8	[2/]	18.31
FO 6	Florida - *(Tampa)*	264,851	222,289	83.9	[2/]	20.32
FO 7	Southeast - *(Atlanta)*	628,540	407,610	64.9	[2/]	18.01
FO 30	Upper Midwest - *(Chicago)*	2,843,460	372,165	13.1	0.64	14.12
FO 32	Central - *(Kansas City)*	1,144,495	400,557	35.0	1.83	15.31
FO 33	**Mideast - *(Cleveland)***	**1,245,527**	**555,864**	**44.6**	**2.30**	**15.78**
FO 124	Pacific Northwest - *(Seattle)*	667,787	189,347	28.4	2.09	15.57
FO 126	Southwest - *(Dallas)*	1,000,734	396,061	39.6	2.76	16.24
FO 131	Arizona - *(Phoenix)*	384,653	126,477	32.9	[2/]	16.23

[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 FEBRUARY 2011 ....$13.48 /cwt.

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MIDEAST MARKETING AREA
FEDERAL ORDER 33

INCOME AND EXPENSE STATEMENT
MARKETING SERVICE FUND

For the Year Ending December 31, 2010

Income:	
Assessments or Deductions	$1,802,954.34
Late Payment Charges Assessed	.00
Interest Earned	1,202.98
Miscellaneous	69,487.86
Total Income	$1,873,645.18
Expenses:	
Salaries and Services	$1,174,436.30
Travel	102,782.47
Communications	74,452.59
Employer Payroll Contributions	321,701.51
Insurance	5,348.40
Rent - Buildings and Equipment	90,185.54
Repairs and Maintenance	27,971.39
Supplies	99,924.94
Testing and Weighing	25,666.90
Utilities	13,150.15
Depreciation of Fixed Assets	21,528.03
Conferences and Meetings	.00
Training	3,931.63
Uncollectible Accounts	.00
Miscellaneous	5,960.16
Amortization of Leasehold Improvements	16,670.70
Total Expenses	$1,983,710.71
Net Income	$ (110,065.53)

MIDEAST MARKETING AREA
FEDERAL ORDER 33

BALANCE SHEET
MARKETING SERVICE FUND

As of December 31, 2010

ASSETS

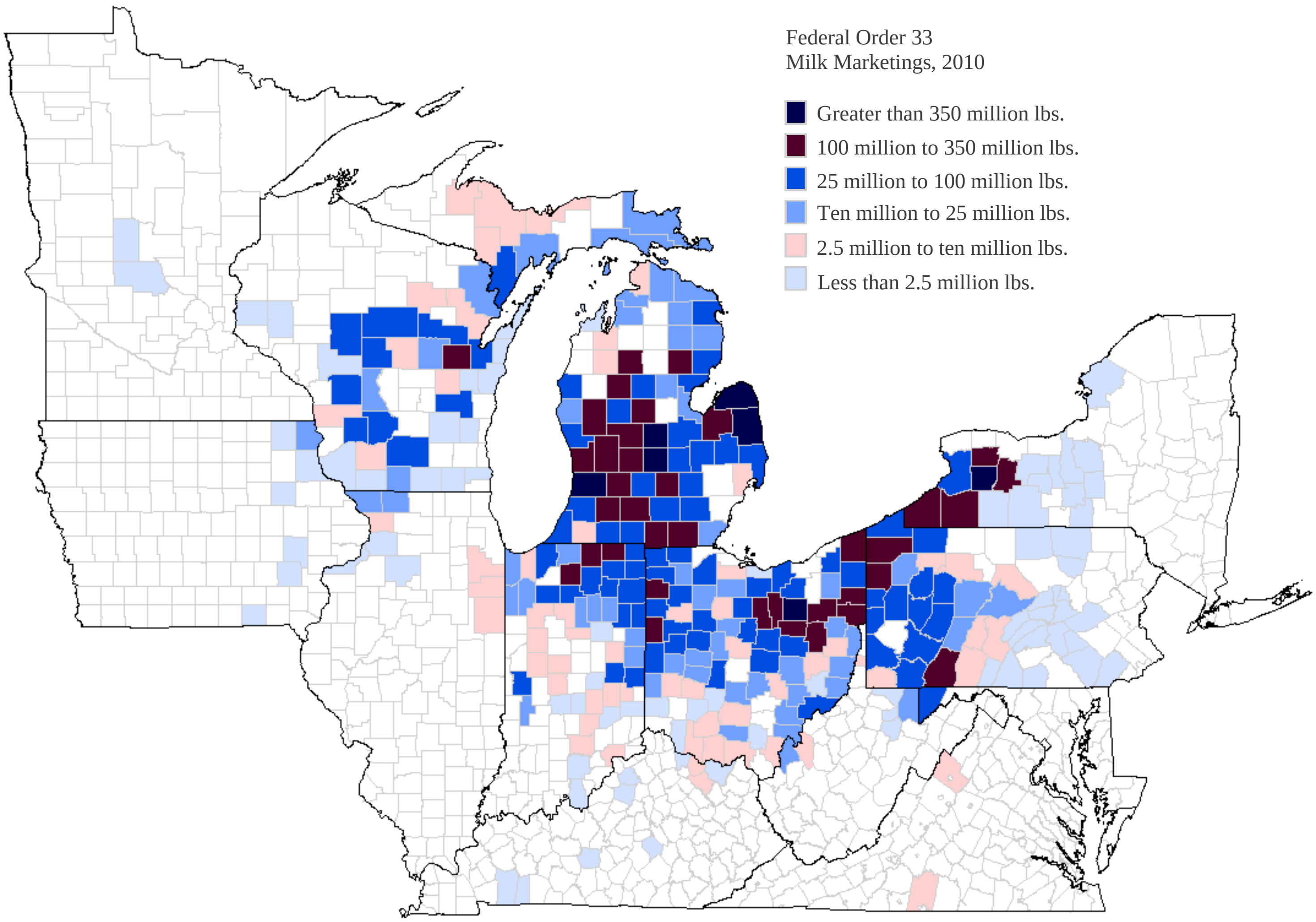
Current Assets:	
Cash and Bank Deposits	$ 99,805.57
Investments	500,174.96
Accounts Receivable - Handlers	147,899.42
Allowance for Uncollectible Accounts	.00
Accounts Receivable - Other	499.32
Accrued Interest Receivable	.00
Other Assets:	
Prepaid Expenses	$ 3,615.60
Deposits	.00
Fixed Assets:	
Motor Vehicles	$448,735.44
Accumulated Depreciation	(395,416.37)
Furniture and Equipment	21,019.50
Accumulated Depreciation	(21,019.50)
Laboratory Equipment	935,567.13
Accumulated Depreciation	(928,074.51)
Leasehold Improvements	120,029.69
Accumulated Depreciation	(120,029.69)
Total Assets	$812,806.56

LIABILITIES AND OPERATING BALANCE

Current Liabilities:	
Accounts Payable - Other	$ .00
Accrued Employee Salaries Payable	.00
Accrued Employee Annual Leave	93,075.68
Payroll Contributions and Withholdings	.00
Operating Balance	$719,730.88
Total Liabilities and Operating Balance	$812,806.56

Mideast Market Administrator's
Bulletin
Supplement
Federal Order No. 33 February 2011

TOTAL MIDEAST MILK MARKETINGS BY COUNTY, 2010 1/



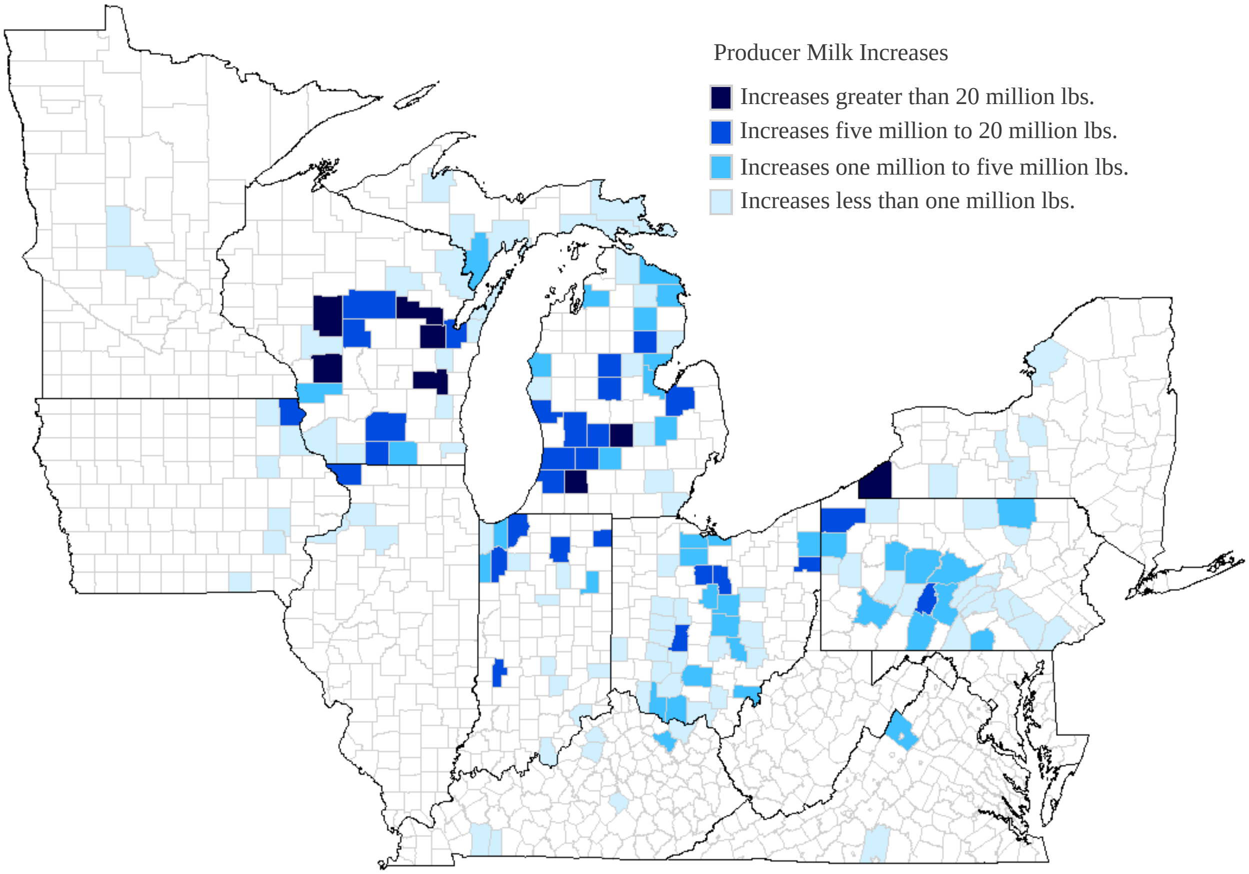
Thematic maps are used to illustrate total Federal Order 33 milk marketings for 2010, milk marketing increases and milk marketing decreases for non-restricted counties for 2010 compared to 2009. Of the 16.0 billion pounds shown, 83.8 percent of the milk marketings came from states located or partially located in the Mideast Marketing Area (Indiana, Kentucky, Michigan, Ohio, Pennsylvania and West Virginia). Huron county, MI was the largest source of milk marketings for Federal Order 33 at 731.2 million pounds.

There were 166 counties with increased milk marketings relative to 2009. The increase in milk marketings from those counties totaled 783.0 million pounds for 2010. Milk marketings from counties with increased marketings totaled 6.5 billion pounds in 2010. Of the 166 counties with increased milk marketings, the top ten counties accounted for 406.1 million pounds and 51.9 percent of the increase in milk marketings.

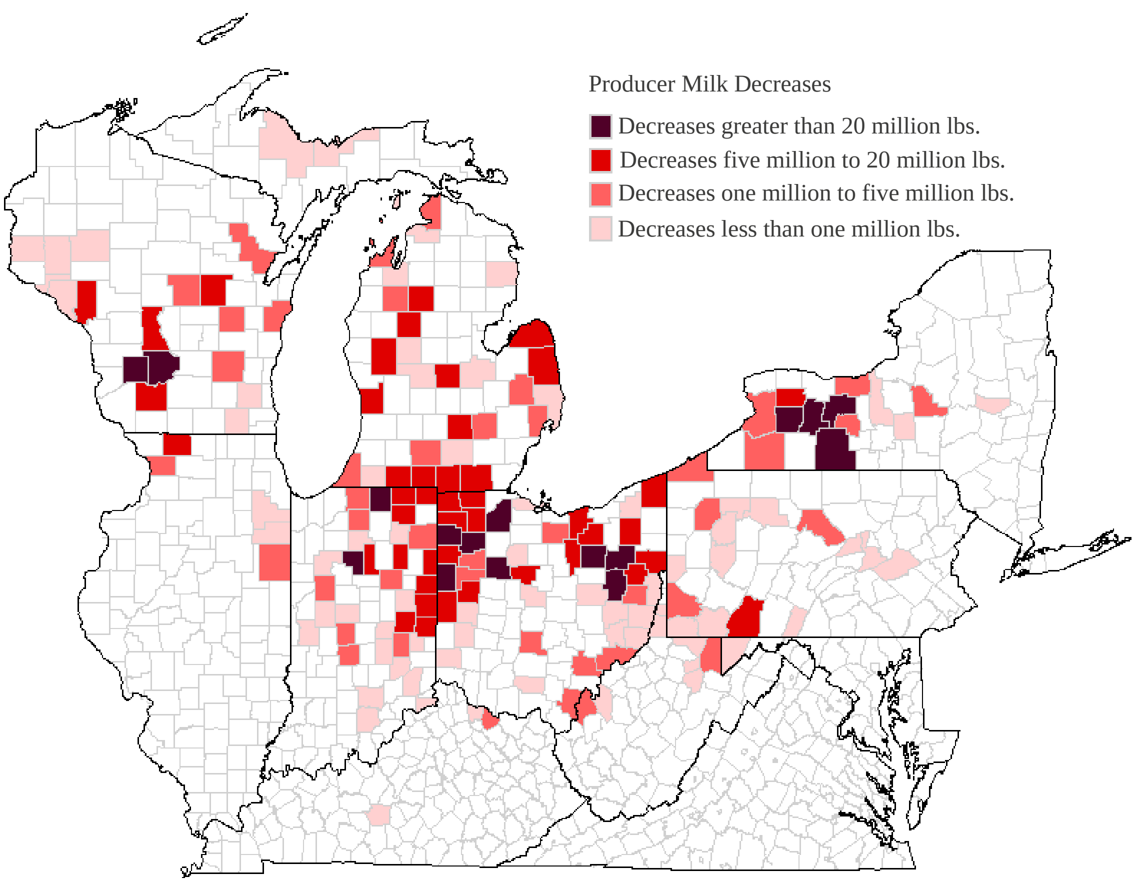
There were 179 counties with decreased milk marketings relative to 2009. The decrease in milk marketings from those counties totaled 1.4 billion pounds for 2010. Milk marketings from counties with decreased marketings totaled 9.2 billion pounds in 2010. Of the 179 counties with decreased milk marketings, the top ten counties accounted for 594.4 million pounds and 42.5 percent of the decrease in milk marketings.

1/ Includes only milk pooled on Federal Order 33; excludes restricted data. Map does not show milk pooled from Georgia, Maine or Utah.

COUNTIES REPRESENTING AN INCREASE IN MILK MARKETINGS, 2010 v. 2009 1/



COUNTIES REPRESENTING A DECREASE IN MILK MARKETINGS, 2010 v. 2009 1/



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