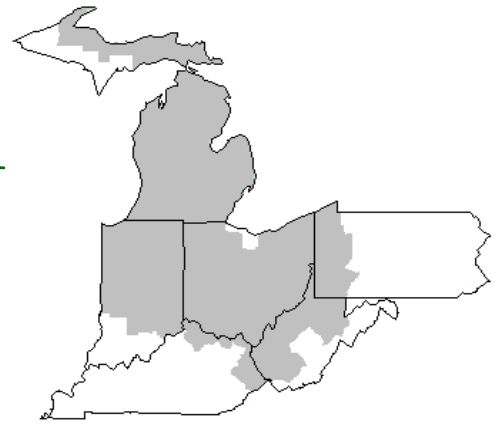


Mideast Market Administrator's Bulletin



Federal Order No. 33

Paul A. Huber, Market Administrator
Phone: (330) 225-4758 Toll Free: (888) 751-3220
Email: clevelandma1@sprynet.com
WebPage: www.fmmaclev.com
September 2011

USDA Sets Hearing On Proposed Amendments to the Mideast Milk Order

The U.S. Department of Agriculture will hold a public hearing to consider proposals seeking to amend the pooling standards for pool distributing plants in the Mideast Milk Marketing Area. The hearing will begin at 8:00 a.m. on October 4, 2011, at the Westin Cincinnati Hotel, 21 E. 5th Street, Cincinnati, Ohio 45202.

The hearing notice was published in the September 8, 2011 *Federal Register*. Copies of the hearing notice may be obtained from USDA/AMS/Dairy Programs; STOP 0231 - Rm. 2971; 1400 Independence Avenue, S.W., Washington, D.C. 20250-0231. The hearing notice is also available at www.regulations.gov.

Anyone interested in participating in the hearing should notify a USDA official upon arrival to the hotel. For a copy of the hearing notice and additional information contact Paul A. Huber, Market Administrator; USDA/AMS/Dairy Programs; P.O. Box 5102; Brunswick, OH 44212; Tel. (330) 225-4758; email: phuber@fmmaclev.com.

The U.S. Dairy Cow Herd Continues To Expand, but Output per Cow Projections Have Decreased; More Milk and Slowing Demand Will Likely Weaken Prices Across the Board in 2012

Corn prices continue their upward trajectory, with August forecasts for 2011/12 raised from July to \$6.20 to \$7.20 per bushel. Soybean meal prices were raised as well, to \$355 to \$385 per ton for 2011/12. Alfalfa prices are expected to remain high into 2012. The most recent *Cattle* report estimated that producers were retaining 4 percent more replacement heifers than last year. The retention, combined with a 1 percent higher dairy cow inventory on July 1, led to an increase in the dairy herd forecast for both 2011 and 2012. The U.S. dairy cow herd is forecast at 9.195 million head in 2011 and 9.190 million head in 2012. Milk per cow is forecast to increase fractionally in 2011 to 21,275 pounds as higher feed prices and hot weather take a toll on output. Next year, output per cow is forecast to increase to 21,630. Milk production is projected at 195.6 billion pounds in 2011, down from July's estimate due to lower output per cow. Production in 2012 is forecast at 198.8 billion pounds, reflecting a larger expected herd size. The larger herd size is offset by lower forecast of milk per cow as feed prices will keep growth in output per cow below trend.

Milk equivalent imports were reduced in August from July to 3.2 billion pounds on a fats basis and 4.8 billion pounds on a skims-solids basis. Lower expected cheese imports are the main cause. Fats basis exports were raised from July to 9.0 billion pounds in 2011 based on strength in butterfat exports. Fats basis exports for 2012

remain unchanged from last month at 8.7 billion pounds. Exports on a skims-solids basis for 2011 were raised slightly from July to 32.2 billion pounds and to 32.3 billion pounds for 2012. Increases in milk production in Oceania and weakening international demand will impact exports.

Prices estimates for cheese, butter, and whey were increased from July based on current price strength. Nonfat dry milk (NDM) prices were lowered from July based on weaker international prices. Cheese prices are expected to average \$1.855 to \$1.875 per pound in 2011 and slip to \$1.670 to \$1.770 per pound in 2012. Butter prices are projected to average \$1.955 to \$1.995 per pound this year and fall to \$1.615 to \$1.745 per pound in 2012. NDM prices are forecast to average \$1.500 to \$1.520 per pound in 2011 and fall to \$1.370 to \$1.440 per pound next year. Whey prices are expected to average 48.0 to 50.0 cents per pound in 2011 and decline to 41.1 to 44.0 per pound in 2012. Class III prices were raised from July to \$18.40 to \$18.60 per cwt based on higher expected cheese prices. The Class III price is forecast at \$16.10 to 17.10 per cwt in 2012, a year-over-year decline from this year but a slight increase from the July forecast. The 2011 Class IV price forecast was lowered from July to \$19.05 to \$19.35 per cwt based on lower NDM prices. The 2012 Class IV forecast was also lowered from July's forecast to \$16.45 to \$17.55 per cwt. The all milk price projection is \$20.30 to \$20.50 per cwt, an increase from July. Similarly, the all milk price forecast was raised to \$17.80 to \$18.80 per cwt for August, but this represents a substantial year-over-year decline from 2011.

*SOURCE: Livestock, Dairy, & Poultry Outlook/LDP-M-206/August 17, 2011
Economic Research Service, USDA*

August 2011 Pool Summary

Classification of Producer Milk

| | Pounds | Percent |
|-----------|---------------|---------|
| Class I | 534,314,392 | 37.8 |
| Class II | 286,997,789 | 20.3 |
| Class III | 490,579,385 | 34.8 |
| Class IV | 100,465,423 | 7.1 |
| Total | 1,412,356,989 | 100.0 |

Producer Prices

| | |
|------------------------------|--------------|
| Producer Price Differential | \$ 0.62 /cwt |
| Butterfat Price | 2.2985 /lb |
| Protein Price | 3.8305 /lb |
| Other Solids Price | 0.3811 /lb |
| Somatic Cell Adjustment Rate | 0.00107 /cwt |
| Statistical Uniform Price | 22.29 /cwt |

ANNOUNCEMENT OF PRODUCER PRICES

Federal Order No. 33

August 2011

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 | | | 524,909,087 | | | \$ 16.05 / cwt | \$ 84,247,908.46 |
| Class I Butterfat | | 9,405,305 | | | | 2.2696 / lb | 21,346,280.23 |
| Class I Location Differential | 534,314,392 | | | | | | (286,737.70) |
| Class II SNF Value | | | | 24,212,668 | | 1.5522 / lb | 37,582,903.24 |
| Class II Butterfat | | 17,268,200 | | | | 2.3055 / lb | 39,811,835.07 |
| Class III Protein Value | | | 14,692,195 | | | 3.8305 / lb | 56,278,452.94 |
| Class III Other Solids Value | | | | | 27,945,693 | 0.3811 / lb | 10,650,103.61 |
| Class III Butterfat | | 17,287,567 | | | | 2.2985 / lb | 39,735,472.72 |
| Class IV SNF Value | | | | 8,467,870 | | 1.3920 / lb | 11,787,275.08 |
| Class IV Butterfat | | 6,133,033 | | | | 2.2985 / lb | 14,096,776.40 |
| Somatic Cell Value II / III / IV | | | | | | | 848,935.77 |
| TOTAL PRODUCER MILK VALUE | 1,412,356,989 | 50,094,105 | 42,097,642 | | 80,347,123 | | \$ 316,099,205.82 |
| Overages | | | | | | 31,047.96 | |
| Beginning Inventory | | | | | | 136,559.66 | |
| TOTAL ADJUSTMENTS | | | | | | | \$ 167,607.62 |
| TOTAL HANDLER OBLIGATIONS | | | | | | | \$ 316,266,813.44 |
| Total Protein Value | | | 42,097,642 lbs | @ | \$ 3.8305 | | \$(161,255,017.66) |
| Total Other Solids Value | | | 80,347,123 lbs | @ | 0.3811 | | (30,620,288.58) |
| Butterfat Value | | | 50,094,105 lbs | @ | 2.2985 | | (115,141,300.32) |
| Total Somatic Cell Values | | | | | | | (1,329,822.00) |
| TOTALS | | | | | | | \$ 7,920,384.88 |
| Net Producer Location Adjustments | | | | | | | \$ 825,219.48 |
| 1/2 Unobligated Balance Producer Settlement Fund | | | | | | | 596,000.00 |
| Total - Divided by Total Pounds | | | 1,412,356,989 lbs | | | 0.6614195 | \$ 9,341,604.36 |
| Rate of Cash Reserve | | | | | | (0.0414195) | (584,991.20) |
| PRODUCER PRICE DIFFERENTIAL at Cuyahoga County, OH* | | | 1,412,356,989 | | | \$ 0.62 /cwt | \$ 8,756,613.16 |

COMPONENT PRICES**COMPUTATION OF UNIFORM PRICE**

| | August | |
|------------------------------|---------------|---------------|
| | <u>2011</u> | <u>2010</u> |
| Butterfat Price | \$2.2985 / lb | \$2.0336 / lb |
| Protein Price | 3.8305 / lb | 2.3788 / lb |
| Other Solids Price | 0.3811 / lb | 0.1647 / lb |
| Somatic Cell Adjustment Rate | 0.00107 / cwt | 0.00080 / cwt |
| Nonfat Solids Price | 1.3920 / lb | 0.9780 / lb |

| | August | |
|------------------------------|-------------|-------------|
| | <u>2011</u> | <u>2010</u> |
| Class III Price - 3.5% BF | \$ 21.67 | \$15.18 |
| Producer Price Differential* | <u>0.62</u> | <u>1.58</u> |
| Statistical Uniform Price | \$22.29 | \$16.76 |

CLASS PRICES**CLASSIFICATION OF PRODUCER MILK**

| | August | |
|-----------|-------------|-------------|
| | <u>2011</u> | <u>2010</u> |
| Class I* | \$23.43 | \$17.77 |
| Class II | 21.55 | 16.98 |
| Class III | 21.67 | 15.18 |
| Class IV | 20.14 | 15.61 |

| | August | |
|-----------|--------------------|-------------------|
| | <u>2011</u> | <u>2010</u> |
| Class I | 534,314,392 | 526,439,725 |
| Class II | 286,997,789 | 209,628,356 |
| Class III | 490,579,385 | 475,934,867 |
| Class IV | <u>100,465,423</u> | <u>51,874,674</u> |
| Total | 1,412,356,989 | 1,263,877,622 |

* Subject to Location Adjustment.

ORDER 33 MARKET SUMMARY

The Producer Price Differential for the Mideast Marketing Area for August, 2011 was \$0.62 and the Statistical Uniform Price was \$22.29 for the month. The Statistical Uniform Price is \$0.38 higher than last month, and is \$5.53 higher than August, 2010.

The Producer Butterfat Price of \$2.2985 per pound increased \$0.0474 from July and is up \$0.2649 from a year ago. The Protein Price of \$3.8305 is up \$0.0013 cents from last month and is up \$1.4517 from August 2010. The Other Solids Price in August was \$0.3811 per pound, an increase from last month's price of \$0.3608 and \$0.2164 higher than last August. The Somatic Cell Adjustment rate for August was \$0.00107.

August producer receipts of 1.41 billion pounds were 0.9 percent higher than July and 11.7 percent higher than August 2010 production of 1.26 billion pounds. Producer milk allocated to Class I accounted for 37.8 percent of the total producer milk in August 2011, more than the 33.9 percent in July, and less than the 41.6 percent in August 2010. A total of 6,710 producers were pooled on the Mideast Order compared to 6,852 producers pooled in August 2010.

The market average content of producer milk was as follows: Butterfat 3.55%; Protein 2.98%; Other Solids 5.69% and Nonfat Solids 8.67%.

July Milk Production Up 0.8 Percent

Milk production in the 23 major States during July totaled 15.4 billion pounds, up 0.8 percent from July 2010. June revised production, at 15.4 billion pounds, was up 1.3 percent from June 2010. The June revision represented a decrease of less than 0.1 percent or 5 million pounds from last month's preliminary production estimate.

Production per cow in the 23 major States averaged 1,824 pounds for July, 5 pounds above July 2010.

The number of milk cows on farms in the 23 major States was 8.47 million head, 93,000 head more than July 2010, and 8,000 head more than June 2011.

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, down 72 million pounds or 3.0 percent from July 2010.

Production per cow in the Mideast states averaged 1,708 pounds for July, 60 pounds below July 2010.

The number of cows on farms in the Mideast states was 1.3 million head, 4,000 head more than July 2010.

USDA Announces Proposed Rule Regarding National Dairy Promotion and Research Board Reapportionment

The U.S. Department of Agriculture seeks comments on a proposed rule amending the National Dairy Promotion and Research Order. The proposed rule would modify the number of National Dairy Promotion and Research Board members in eight regions; merge Region 8 (Alabama, Kentucky, Louisiana, Mississippi and Tennessee) and Region 10 (District of Columbia, Florida, Georgia, North Carolina, Puerto Rico, South Carolina and Virginia); merge Region 12 (New York) and Region 13 (Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island and Vermont); and apportion Idaho as a separate region. The total number of domestic board members would remain the same at 36 and the total number of regions would be reduced from 13 to 12.

This modification was requested by the board. The Order provides that the board shall review the geographic distribution of milk production throughout the United States and, if warranted,

shall recommend to the Secretary a reapportionment of the regions and/or modification of the number of members from the regions in order to better reflect the geographic distribution of milk production volume in the United States. The U.S. Department of Agriculture will issue a final rule once comments have been received and considered.

The board was established under the Dairy Production Stabilization Act of 1983, as amended, to develop and administer a coordinated program of promotion, research and nutrition education. The 38-member board is authorized to design programs to strengthen the dairy industry's position in domestic and foreign markets. The program is financed by a mandatory 15-cent per hundredweight assessment on all milk marketed commercially and a 7.5-cent per hundredweight assessment on milk, or equivalent thereof, on dairy products imported into the United States.

The proposed rule was published in today's *Federal Register*. Public comments must be submitted on or before September 14, 2011. Comments may be submitted at www.regulations.gov or mailed to Whitney A. Rick, Chief, Promotion and Research Branch, Dairy Programs, AMS, USDA, 1400 Independence Ave., SW, Room 2958-S, Stop 0233, Washington, DC 20250-0233, USA. Comments should be identified with the docket number, DA-11-02, as well as the date and *Federal Register* page number of the proposed rule.

Copies of the proposed rule may be obtained from USDA, AMS, Dairy Programs, Room 2958-S, Washington, DC 20250-0233, USA from 9 a.m. to 4 p.m., Monday through Friday. The proposed rule is also available on www.regulations.gov and USDA's Agricultural Marketing Service (AMS) website at www.ams.usda.gov/dairy.

Bulletin Webpage Edition

www.fmmacleev.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 2011 -----Weighted Averages----- | | | | | | July 2010 -----Weighted Averages----- | | | | |
|-----------------|--|----------------------|-----------|---------|--------------|-----------|--|-----------|---------|--------------|-----------|
| | Number of Producers | Pounds of Milk (000) | Butterfat | Protein | Other Solids | SCC (000) | Pounds of Milk (000) | Butterfat | Protein | Other Solids | SCC (000) |
| Michigan | 1,795 | 632,042 | 3.50 | 2.92 | 5.72 | 205 | 589,604 | 3.44 | 2.90 | 5.72 | 213 |
| Ohio | 2,134 | 295,050 | 3.57 | 2.94 | 5.68 | 288 | 261,630 | 3.55 | 2.94 | 5.68 | 290 |
| Indiana | 1,101 | 138,355 | 3.58 | 2.92 | 5.72 | 280 | 120,880 | 3.50 | 2.91 | 5.68 | 294 |
| New York | 319 | 124,919 | 3.57 | 2.95 | 5.72 | 233 | 90,248 | 3.55 | 2.96 | 5.68 | 239 |
| Pennsylvania | 994 | 99,098 | 3.61 | 2.95 | 5.67 | 339 | 110,052 | 3.57 | 2.95 | 5.67 | 342 |
| Wisconsin | 187 | 82,812 | 3.55 | 2.94 | 5.78 | 247 | 85,237 | 3.55 | 2.91 | 5.80 | 260 |
| West Virginia | 54 | 3,829 | 3.66 | 3.01 | 5.64 | 371 | 4,429 | 3.67 | 3.03 | 5.64 | 387 |
| Other | 164 | 23,959 | 3.58 | 2.92 | 5.72 | 264 | 15,512 | 3.49 | 2.91 | 5.71 | 270 |
| Total/Average * | 6,748 | 1,400,063 | 3.54 | 2.93 | 5.71 | 246 | 1,277,591 | 3.49 | 2.92 | 5.71 | 254 |

* 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 2011

| 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) | 1,977,632 | 830,634 | 42.0 | \$1.55 | \$23.22 |
| FO 5 Appalachian - (Charlotte) | 533,335 | 378,104 | 70.9 | ^{2/} | 24.03 |
| FO 6 Florida - (Tampa) | 234,915 | 203,650 | 86.7 | ^{2/} | 26.18 |
| FO 7 Southeast - (Atlanta) | 561,185 | 405,317 | 72.2 | ^{2/} | 24.52 |
| FO 30 Upper Midwest - (Chicago) | 2,880,272 | 357,866 | 12.4 | 0.25 | 21.92 |
| FO 32 Central - (Kansas City) | 1,164,580 | 371,749 | 31.9 | 0.30 | 21.97 |
| FO 33 Mideast - (Cleveland) | 1,412,357 | 534,314 | 37.8 | 0.62 | 22.29 |
| FO 124 Pacific Northwest - (Seattle) | 664,432 | 184,383 | 27.8 | (0.01) | 21.66 |
| FO 126 Southwest - (Dallas) | 953,790 | 372,913 | 39.1 | 1.39 | 23.06 |
| FO 131 Arizona - (Phoenix) | 351,209 | 122,061 | 34.8 | ^{2/} | 22.08 |

^{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 2011.....\$20.14 /cwt.

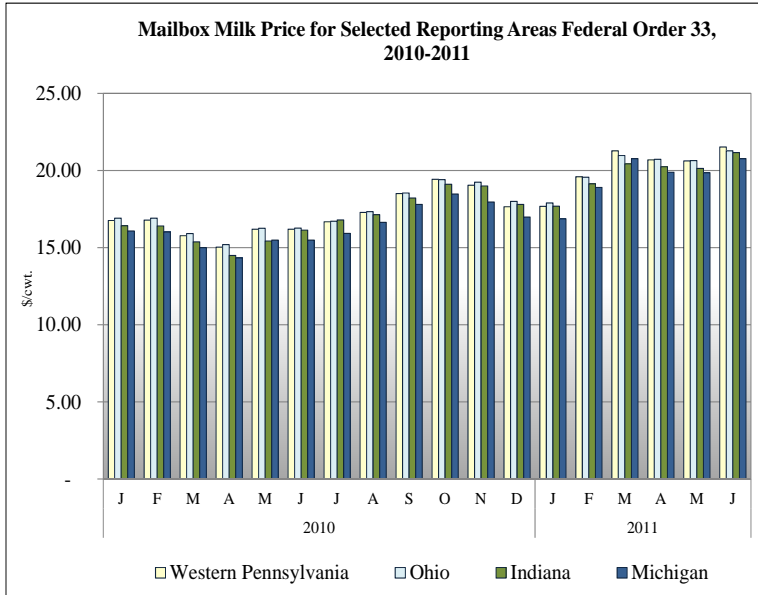
Mideast Market Administrator's Bulletin

Supplement

Federal Order No. 33

September 2011

MAILBOX MILK PRICES FOR AREAS IN MIDEAST MARKETING AREA 1/

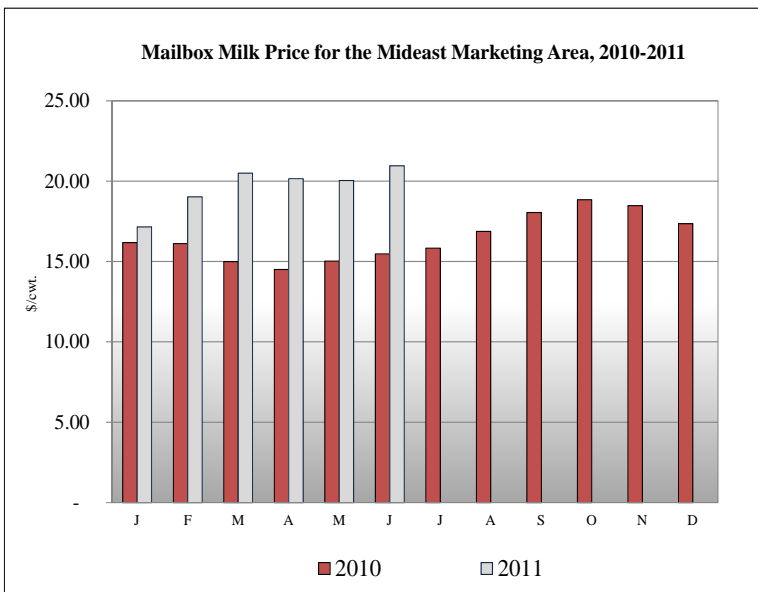


Mailbox price is the net pay price received by dairy farmers for milk. The data includes all payments received for milk sold, and all costs associated with marketing the milk. The mailbox price is a weighted average for the reporting area at the average butterfat test. Mailbox price does not include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

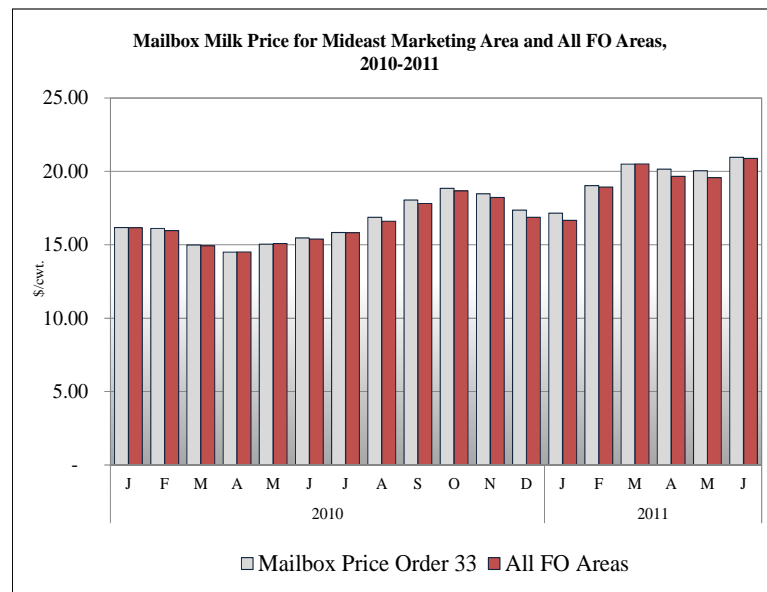
The information is shown for those areas where at least 75 percent of the milk was marketed under Federal Orders. Mailbox prices include milk not-pooled due to unusual price relationships.

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 located in states pooled on Federal Order 33 was \$20.96 per hundredweight for June 2011. The June 2011 mailbox price is \$0.92 higher than the mailbox price for May 2011. The June 2011 mailbox price is \$5.49 higher than the June 2010 mailbox price of \$15.47 per cwt.



For June 2011 the net pay price received by dairy farmers located in states pooled on Federal Order 33 was \$0.08 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 \$20.88 per hundredweight, \$1.30 higher than May 2010.

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

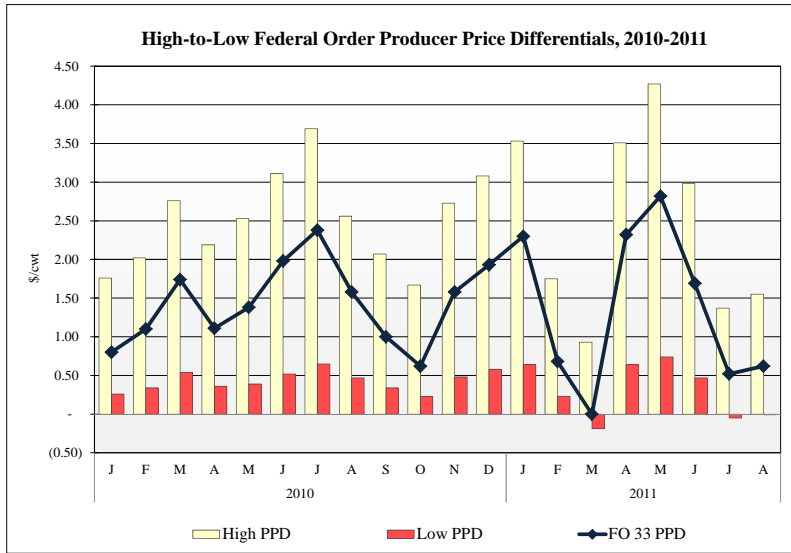
PRODUCER PRICE DIFFERENTIAL STATISTICS 2/

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 2011, Federal Order 1 had a PPD of \$1.55 per hundredweight (cwt), \$0.18 higher than their July 2011 PPD of \$1.37 per cwt.

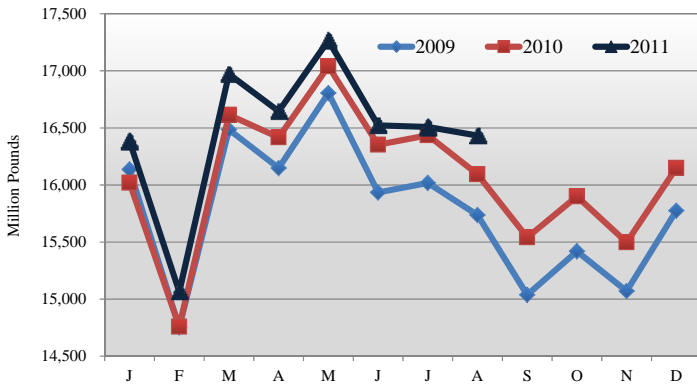
In August 2011 Federal Order 33 had the third highest PPD, behind Orders 1 and 126 (\$1.39), at \$0.62 per cwt, \$0.10 per cwt higher than the July 2011 PPD of \$0.52 per cwt.

For August 2011 Federal Order 124 had the lowest PPD at -\$0.01 per cwt, \$0.04 per cwt higher than their July 2011 PPD of -\$0.05 per cwt.

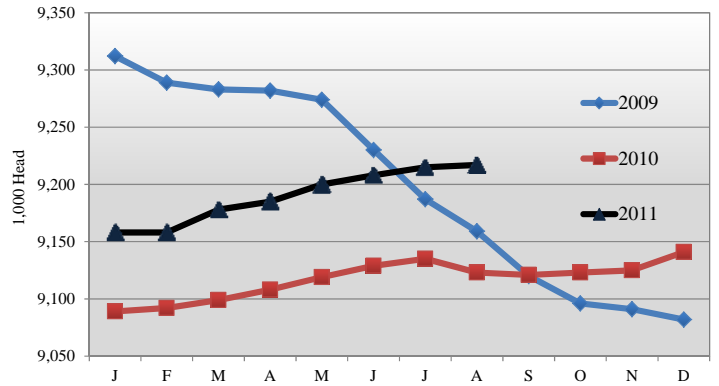


MILK PRODUCTION STATISTICS 3/

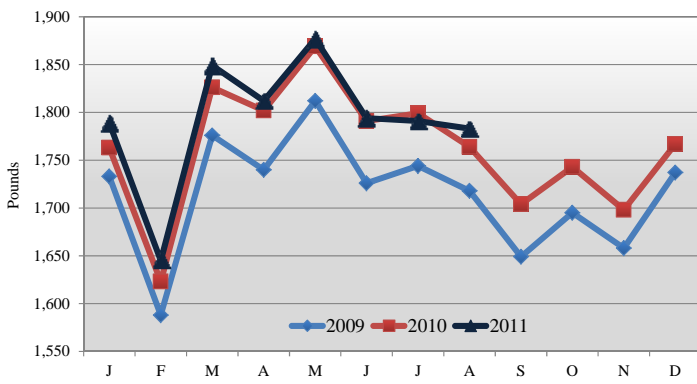
Milk Production by Month, United States, 2009-2011



Milk Cows by Month, United States, 2009-2011



Milk Production Per Cow by Month, United States, 2009-2011



August 2011 U.S. Milk Production:

August 2011 milk production in the United States decreased 76 million pounds from July to 16.4 billion pounds. August 2011 milk production in the United States was up 2.1 percent from August 2010.

Production per cow in the United States averaged 1,783 pounds for August 2011, down 8 pounds from July 2011. August 2011 milk production per cow was up 19 pounds from August 2010.

The number of milk cows on farms in the United States was 9.2 million head for August 2011, in line with July estimates and 94,000 head more than August 2010.

2/ Producer price differentials are subject to location adjustment.

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