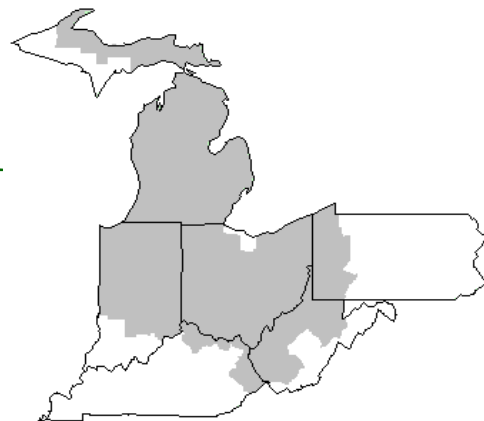


# Mideast Market Administrator's Bulletin



## Federal Order No. 33

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February 2013

## USDA Issues Final Decision on Amendments to Milk Orders

The U.S. Department of Agriculture has issued a final decision proposing permanent amendments to all Federal milk marketing orders. The decision proposes a permanent adoption of changes that are currently implemented on an interim basis. The amendments are based on the record of public hearing sessions held in 2007 in Strongsville, Ohio; Indianapolis, Indiana; and Pittsburgh, Pennsylvania.

This decision would permanently adopt changes to the manufacturing cost allowances and the butterfat yield factor used in Class III and Class IV product-price formulas applicable to all Federal milk marketing orders.

These amendments were adopted in an interim final rule in July 2008 and became effective in October 2008. This document also terminates the proceeding with regard to additional proposals that addressed the collection of manufacturing cost information, the use of an energy cost adjuster, and providing for a cost add-on feature to Class III and Class IV product-price formulas. The amendments finalized by this decision require producer approval.

For additional information about the decision contact: Sharon Uther  
USDA/AMS/Dairy Programs P.O. Box 5102, Brunswick, OH 44212 Tel.  
(330) 225-4758; email: [suther@fmmaclev.com](mailto:suther@fmmaclev.com)

## USDA Issues Notice Extending the Dairy Forward Pricing Program

The U.S. Department of Agriculture has issued a notice extending the Dairy Forward Pricing Program to allow producers and cooperative associations to enter into forward price contracts under the program through September 30, 2013. The notice, which became effective on February 1, 2013, also extends all other program requirements outlined in the program's October 31, 2008, Final Rule until September 30, 2013.

The Dairy Forward Pricing Program allows producers and producer cooperative associations to voluntarily enter into forward price contracts with handlers for milk under the Agricultural Marketing Agreement Act of 1937. The 2008 Farm Bill initially prohibited new forward contracts from being entered into after Sept. 30, 2012, and allowed no forward contracts to extend beyond Sept. 30, 2015.

The passage of the American Taxpayer Relief Act of 2012, signed into law on January 2, 2013, revised the program to allow new contracts to be entered into until September 30, 2013. Any forward contracts entered into until the deadline on September 30, 2013, are still subject to the September 30, 2015, cutoff date.

The notice was published in the February 1, 2013, *Federal Register*. For more information about the decision contact: Roger Cryan, Director,

Economics Division, USDA/AMS/Dairy Programs, Stop 0229-Room 2753-S, 1400 Independence Avenue, S.W., Washington, DC 20250 0231, (202) 720 7091, e mail address: [roger.cryan@ams.usda.gov](mailto:roger.cryan@ams.usda.gov).

## December Milk Production Up 1.7 Percent

Milk production in the 23 major States during December totaled 15.7 billion pounds, up 1.7 percent from December 2011. November revised production at 14.9 billion pounds, was up 1.3 percent from November 2011. The November revision represented an increase of 31 million pounds or 0.2 percent from last month's preliminary production estimate.

Production per cow in the 23 major States averaged 1,848 pounds for December, 30 pounds above December 2011.

The number of milk cows on farms in the 23 major States was 8.49 million head, 5,000 head more than December 2011, and 16,000 head more than November 2012.

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 2.4 billion pounds, up 82 million pounds or 3.5 percent from December 2011.

Production per cow in the Mideast states averaged 1,804 pounds for December, 63 pounds above December 2011. The number of cows on farms in the Mideast states was 1.4 million head, 2,000 head more than December 2011.

## January 2013 Pool Summary

### Classification of Producer Milk

	Pounds	Percent
Class I	564,184,672	36.8
Class II	290,910,447	19.0
Class III	434,040,740	28.3
Class IV	243,641,208	15.9
Total	1,532,777,067	100.0

### Producer Prices

Producer Price Differential	\$ 0.59 /cwt
Butterfat Price	1.6168 /lb
Protein Price	3.2862 /lb
Other Solids Price	0.4647 /lb
Somatic Cell Adjustment Rate	0.00087 /cwt
Statistical Uniform Price	18.73 /cwt

**ANNOUNCEMENT OF PRODUCER PRICES**

Federal Order No. 33

January 2013

**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			554,450,735			\$ 15.33 / cwt	\$ 84,997,297.69
Class I Butterfat		9,733,937				1.7652 / lb	17,182,345.60
Class I Location Differential	564,184,672						(300,271.49)
Class II SNF Value				25,447,570		1.4400 / lb	36,644,500.80
Class II Butterfat		16,072,342				1.6238 / lb	26,098,268.93
Class III Protein Value			13,661,263			3.2862 / lb	44,893,642.49
Class III Other Solids Value					24,865,269	0.4647 / lb	11,554,890.50
Class III Butterfat		18,160,715				1.6168 / lb	29,362,244.00
Class IV SNF Value				21,235,059		1.3784 / lb	29,270,405.34
Class IV Butterfat		14,946,927				1.6168 / lb	24,166,191.58
Somatic Cell Value II / III / IV							<u>1,410,475.67</u>
<b>TOTAL PRODUCER MILK VALUE</b>	<b>1,532,777,067</b>	<b>58,913,921</b>	<b>48,360,732</b>		<b>88,144,887</b>		<b>\$ 305,279,991.11</b>
Overages						6,839.65	
Beginning Inventory & OS Charges						26,346.52	
<b>TOTAL ADJUSTMENTS</b>							<b>\$ 33,186.17</b>
<b>TOTAL HANDLER OBLIGATIONS</b>							<b>\$ 305,313,177.28</b>
Total Protein Value			48,360,732 lbs	@	\$3.2862		\$(158,923,037.44)
Total Other Solids Value			88,144,887 lbs	@	0.4647		(40,960,929.02)
Butterfat Value			58,913,921 lbs	@	1.6168		(95,252,027.51)
Total Somatic Cell Values							<u>(2,197,640.55)</u>
<b>TOTALS</b>							<b>\$ 7,979,542.76</b>
Net Producer Location Adjustments							\$ 1,100,319.64
1/2 Unobligated Balance Producer Settlement Fund							<u>589,000.00</u>
Total - Divided by Total Pounds			1,532,777,067 lbs		0.6308068		\$ 9,668,862.40
Rate of Cash Reserve					<u>(0.0408068)</u>		<u>(625,477.27)</u>
<b>PRODUCER PRICE DIFFERENTIAL at Cuyahoga County, OH*</b>			1,532,777,067		<b>\$ 0.59 /cwt</b>		<b>\$ 9,043,385.13</b>

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

<b>January</b>			<b>January</b>		
	<u>2013</u>	<u>2012</u>		<u>2013</u>	<u>2012</u>
Butterfat Price	\$1.6168 / lb	\$1.7178 / lb	Class III Price - 3.5% BF	\$ 18.14	\$17.05
Protein Price	3.2862 / lb	2.7326 / lb	Producer Price Differential*	<u>0.59</u>	<u>1.19</u>
Other Solids Price	0.4647 / lb	0.5032 / lb	Statistical Uniform Price	\$18.73	\$18.24
Somatic Cell Adjustment Rate	0.00087 / cwt	0.00080 / cwt			
Nonfat Solids Price	1.3784 / lb	1.2141 / lb			

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

<b>January</b>			<b>January</b>		
	<u>2013</u>	<u>2012</u>		<u>2013</u>	<u>2012</u>
Class I*	\$20.97	\$20.80	Class I	564,184,672	551,640,331
Class II	18.19	17.67	Class II	290,910,447	281,515,163
Class III	18.14	17.05	Class III	434,040,740	539,798,906
Class IV	17.63	16.56	Class IV	<u>243,641,208</u>	<u>149,268,051</u>
			Total	1,532,777,067	1,522,222,451

\* Subject to Location Adjustment.

**ORDER 33 MARKET SUMMARY**

The Producer Price Differential for the Mideast Marketing Area for January 2013 was \$0.59 and the Statistical Uniform Price was \$18.73 for the month. The Statistical Uniform Price is \$0.99 lower than last month, and is \$0.49 higher than January, 2012.

The Producer Butterfat Price of \$1.6168 per pound decreased \$0.1108 from December and is down \$0.1010 from a year ago. The Protein Price of \$3.2862 is down \$0.0251 cents from last month and is up \$0.5536 from January 2012. The Other Solids Price in January was \$0.4647 per pound, a decrease from last month's price of \$0.4758 and \$0.0385 lower than last January. The Somatic Cell Adjustment rate for January was \$0.00087.

January producer receipts of 1.53 billion pounds were 6.2 percent higher than December and 0.7 percent higher than January 2012 production of 1.52 billion pounds. Producer milk allocated to Class I accounted for 36.8 percent of the total producer milk in January 2013, less than the 37.4 percent in December, and more than the 36.2 percent in January 2012. A total of 6,166 producers were pooled on the Mideast Order compared to 6,515 producers pooled in January 2012.

The market average content of producer milk was as follows: Butterfat 3.84%; Protein 3.16%; Other Solids 5.75% and Nonfat Solids 8.91%.

## 2013 Milk Production Inches Upward from Earlier Forecasts; Milk Prices Slip

Corn price forecasts were unchanged in the January World Agricultural Supply and Demand Estimates after being lowered in December. Corn prices for 2012/13 are forecast at \$6.80-\$8.00 per bushel. However, soybean meal prices were lowered slightly in the January forecast to \$430 - \$460 per ton. According to the December Agricultural Prices report, the December price for alfalfa hay was \$217 per ton, changing little from November's reported price but still above year-earlier prices. Until the end of December, weekly dairy cow slaughter has been above year-earlier levels and the 3-year average since early in 2012, yet dairy cow numbers for much of 2012 remained above 2011. Along with steady replacement heifer prices, this high slaughter rate suggests some herd freshening among producers. Expectations of moderating feed prices, down from last summer's drought-induced highs, led to slightly higher 2013 forecast dairy cow numbers in January. The dairy herd is expected to average 9,135 million head for 2013. Yield per cow is forecast at 21,880 pounds per cow, unchanged from December. Production for 2013 is projected at 199.9 billion pounds, up slightly from last month based on the higher expected cow numbers.

Imports for 2013, on a fats basis, were raised to 4 billion pounds based on higher expected cheese and butterfat imports. Imports on a skims-solids basis were unchanged from December at 5.4 billion pounds. Exports were raised on both a fats and skims-solids basis, to 9.0 billion pounds and 33.6 billion pounds, respectively. Fats basis exports were raised on stronger expected cheese sales, while the skim solids export forecast increase is based on expected strong demand for nonfat dry milk (NDM) and whey.

Ending stocks for 2013 were raised to 11.3 billion pounds on a fats basis and to 11.7 billion pounds on a skims-solids basis. The increased stocks forecast is based on the higher forecast 2013 milk production and slightly less robust demand.

Prices for cheese and butter were lowered this month based on current price weakness and apparent slow demand. Meanwhile, prices for NDM and whey were raised based on current price strength and expected strong export demand for dry products. The 2013 cheese price was lowered from December to \$1.710-\$1.790 per pound, and butter prices were lowered from December to \$1.535-\$1.645 per pound. The NDM price is forecast at \$1.455-\$1.515 per pound, up from last month. The whey price is expected to be 61.0-64.0 cents per pound this year. The Class III milk price was reduced to \$17.65-\$18.45 per cwt this month as the lower forecast cheese price countered the higher expected whey price. Similarly, the Class IV price was lowered this month to \$16.90-\$17.80 per cwt as weaker butter prices more than

offset the higher expected NDM price. The all milk price was reduced to \$18.85-\$19.65 per cwt.

*Source: Livestock, Dairy, & Poultry Outlook/LDP-M-223/January 17, 2013  
Economic Research Service, USDA*

## USDA Announces Important Updates on the Milk Income Loss Contract (MILC) Program

U.S. Department of Agriculture (USDA) Farm Service Agency (FSA) Administrator Juan Garcia announced that beginning February 5, USDA has issued payments to dairy farmers enrolled in the Milk Income Loss Contract (MILC) program for the September 2012 marketings. The American Taxpayer Relief Act of 2012 extended the authorization of the Food, Conservation, and Energy Act of 2008 (the 2008 Farm Bill) through 2013 for many programs administered by FSA, including MILC. The 2008 Farm Bill extension provides for a continuation of the MILC program through September 30, 2013.

MILC payments are triggered when the Boston Class I milk price falls below \$16.94 per hundredweight, after adjustment for the cost of dairy feed rations. MILC payments are calculated each month using the latest milk price and feed cost. As announced by FSA on January 22, all dairy producers' MILC contracts are automatically extended to September 30, 2013. Eligible producers therefore do not need to re-enroll in MILC. MILC operations with approved contracts will continue to receive monthly payments, if available.

The payment rate for September 2012 is approximately \$0.59 per hundredweight. The payment rate for October 2012 marketings is approximately \$0.02 per hundredweight. The payment rate for November 2012 marketings is zero. Before the October MILC payment can be issued, dairy farmers must complete a new Average Adjusted Gross Income (AGI) form for 2013. The new form, CCC-933 Average Adjusted Gross Income (AGI) Certification and Consent to Disclosure of Tax Information, must complete by producers before they can receive payments for a variety of programs administered by FSA and USDA's Natural Resources Conservation Service. Producers may obtain CCC-933 at their local USDA Service Center or online at [www.fsa.usda.gov/ccc933](http://www.fsa.usda.gov/ccc933). Specific detail about AGI may be found there.

Dairy operations may select a production start month other than October 2012. Producers who want to select a production start month other than October 2012 must visit their local FSA office between February 1 and February 28, 2013, also known as a relief period. FSA will provide producers with information on program requirements, updates and signups as the information becomes available. For more information on MILC, contact a local FSA county office or visit the FSA website at [www.fsa.usda.gov](http://www.fsa.usda.gov).

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

State	December 2012 -----Weighted Averages -----						December 2011 -----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	1,682	688,652	3.78	3.14	5.75	161	605,092	3.76	3.16	5.72	165
Ohio	2,071	378,132	3.87	3.15	5.72	204	280,550	3.78	3.19	5.69	221
Indiana	1,063	183,930	3.91	3.19	5.80	200	170,722	3.84	3.20	5.73	200
Pennsylvania	895	92,978	3.95	3.17	5.72	245	95,120	3.90	3.20	5.68	276
New York	292	54,882	3.93	3.18	5.74	186	132,661	3.79	3.12	5.72	203
Wisconsin	43	36,314	3.76	3.15	5.74	245	59,506	3.74	3.17	5.81	205
West Virginia	44	2,164	4.18	3.28	5.70	267	3,520	4.11	3.32	5.65	279
Other	100	6,896	4.02	3.18	5.72	226	18,475	3.78	3.13	5.72	215
Total/Average *	6,190	1,443,949	3.84	3.15	5.75	186	1,365,646	3.79	3.17	5.72	195

\* 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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Featured this month are:

- Milk Production Statistics
- Dairy Product Production
- Commercial Disappearance of Milk in All Products

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**FEDERAL ORDER DATA**

**January 2013**

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 - (Boston)	2,149,951	834,999	38.8	\$1.59	\$19.73
FO 5 Appalachian - (Charlotte)	512,367	357,094	69.7	<sup>2/</sup>	21.10
FO 6 Florida - (Tampa)	255,186	219,322	86.0	<sup>2/</sup>	23.32
FO 7 Southeast - (Atlanta)	579,872	398,844	68.8	<sup>2/</sup>	21.50
FO 30 Upper Midwest - (Chicago)	3,029,918	334,150	11.0	0.20	18.34
FO 32 Central - (Kansas City)	1,193,159	434,635	36.4	0.43	18.57
<b>FO 33 Mideast - (Cleveland)</b>	<b>1,532,777</b>	<b>564,185</b>	<b>36.8</b>	<b>0.59</b>	<b>18.73</b>
FO 124 Pacific Northwest - (Seattle)	698,645	190,337	27.2	0.27	18.41
FO 126 Southwest - (Dallas)	1,258,498	391,723	31.1	1.23	19.37
FO 131 Arizona - (Phoenix)	398,169	118,435	29.7	<sup>2/</sup>	18.82

<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 FEBRUARY 2013 .....\$17.63 /cwt.**

**MIDEAST MARKETING AREA  
FEDERAL ORDER 33**

**BALANCE SHEET  
MARKETING SERVICE FUND**

As of December 31, 2012

**ASSETS**

**Current Assets:**

Cash and Bank Deposits	\$ 390,541.76
Investments	126,785.89
Accounts Receivable - Handlers	175,167.05
Allowance for Uncollectible Accounts	.00
Accounts Receivable - Other	4,689.44
Accrued Interest Receivable	.00

**Other Assets:**

Prepaid Expenses	\$ 3,292.80
Deposits	.00

**Fixed Assets:**

Motor Vehicles	\$ 362,061.44
Accumulated Depreciation	(331,702.41)
Furniture and Equipment	25,509.50
Accumulated Depreciation	(22,890.30)
Laboratory Equipment	1,119,933.64
Accumulated Depreciation	(769,078.66)
Leasehold Improvements	120,029.69
Accumulated Depreciation	<u>(120,029.69)</u>

**Total Assets** **\$1,084,310.15**

**LIABILITIES AND OPERATING BALANCE**

**Current Liabilities:**

Accounts Payable - Other	\$ .00
Accrued Employee Salaries Payable	3,941.34
Accrued Employee Annual Leave	85,456.09
Payroll Contributions and Withholdings	1,199.31

**Operating Balance** **\$ 993,713.41**

**Total Liabilities and Operating Balance** **\$1,084,310.15**

**MIDEAST MARKETING AREA  
FEDERAL ORDER 33**

**INCOME AND EXPENSE STATEMENT  
MARKETING SERVICE FUND**

**For the Year Ending December 31, 2012**

**Income:**

Assessments or Deductions	\$1,939,450.28
Late Payment Charges Assessed	.00
Interest Earned	374.96
Miscellaneous	<u>112,909.75</u>
<b><u>Total Income</u></b>	<b><u>\$2,052,734.99</u></b>

**Expenses:**

Salaries and Services	\$1,067,867.17
Travel	109,613.40
Communications	63,746.55
Employer Payroll Contributions	319,071.73
Insurance	5,951.61
Rent - Buildings and Equipment	83,129.99
Repairs and Maintenance	17,047.76
Supplies	94,349.83
Testing and Weighing	24,467.43
Utilities	15,596.37
Depreciation of Fixed Assets	34,957.06
Conferences and Meetings	.00
Training	5,172.14
Uncollectible Accounts	.00
Miscellaneous	1,867.49
Amortization of Leasehold Improvements	<u>.00</u>
<b><u>Total Expenses</u></b>	<b><u>\$1,842,838.53</u></b>

**Net Income**

**\$ 209,896.46**

# Mideast Market Administrator's Bulletin

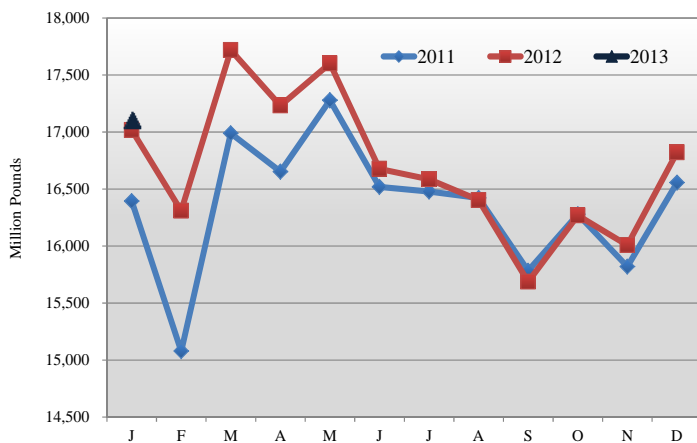
Supplement

Federal Order No. 33

February 2013

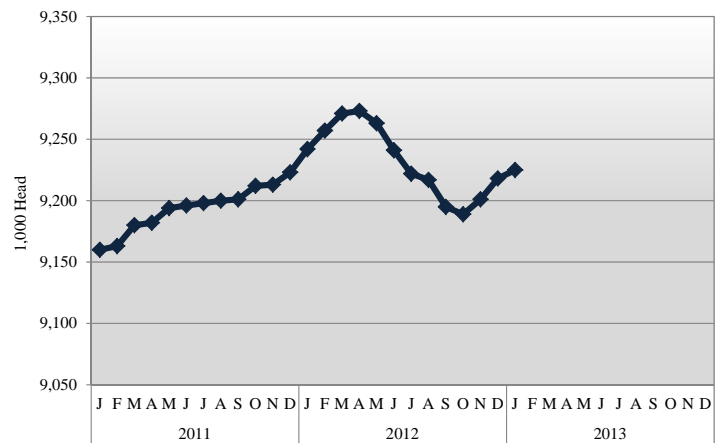
## MILK PRODUCTION STATISTICS 1/

Milk Production by Month, United States, 2011-2013



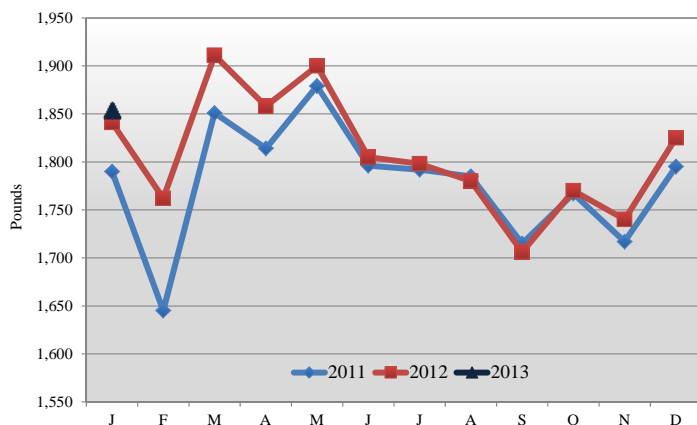
January 2013 milk production in the United States increased 279 million pounds from December to 17.1 billion pounds. January 2013 milk production in the United States was up 0.5 percent from the same month of the prior year.

Milk Cows by Month, United States, 2011-2013



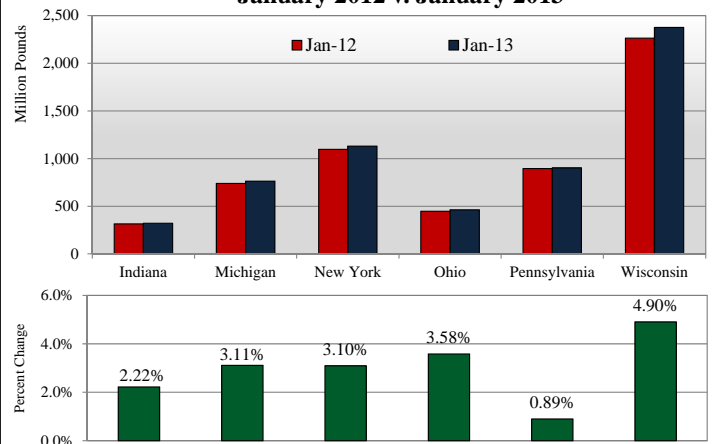
The number of milk cows on farms in the United States was 9.2 million head for January 2013, in line with December estimates and 17,000 head fewer than the same month of the prior year.

Milk Production Per Cow by Month, United States, 2011-2013



Production per cow in the United States averaged 1,854 pounds for January 2013, up 29 pounds from December 2012. January 2013 milk production per cow was up 13 pounds from the same month of the prior year.

Milk Production in Select Mideast States, January 2012 v. January 2013



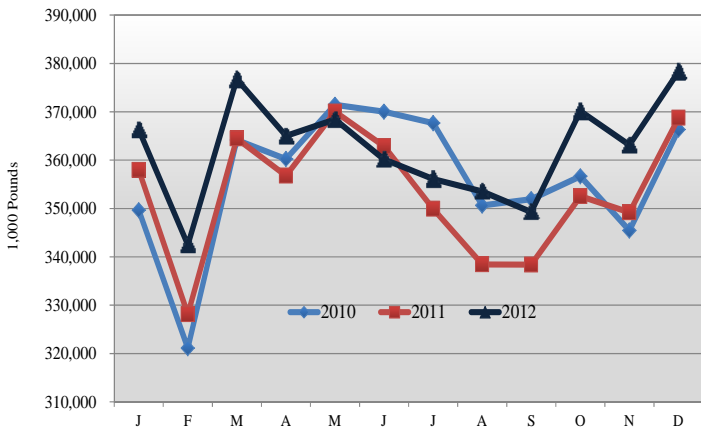
Milk production from selected states which pool on the Mideast marketing area totaled 5.9 billion pounds during January 2013, up 199 million pounds from the prior year. Milk production in Wisconsin was up 111 million pounds while production in Indiana was up only 7 million pounds.

1/ Source: National Agricultural Statistics Service (NASS), Agricultural Statistics Board, United States Department of Agriculture (USDA).



## DAIRY PRODUCT PRODUCTION 1/

**Total American Cheese Production, 2010-2012**



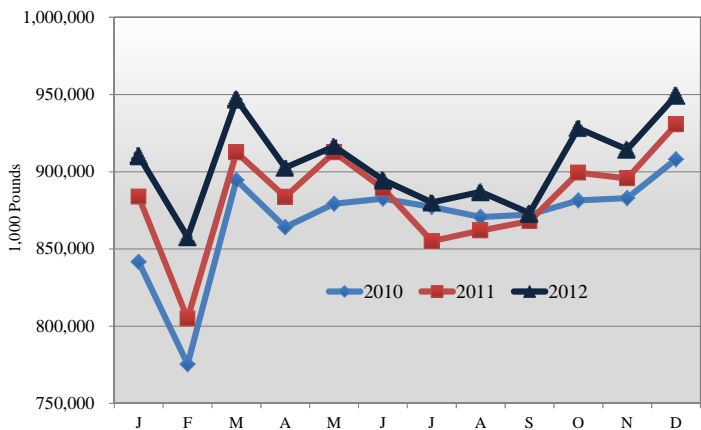
### Dairy Product Production Summary:

Total cheese output (excluding cottage cheese) was 949 million pounds, 2.0 percent above December 2011 and 3.8 percent above November 2012.

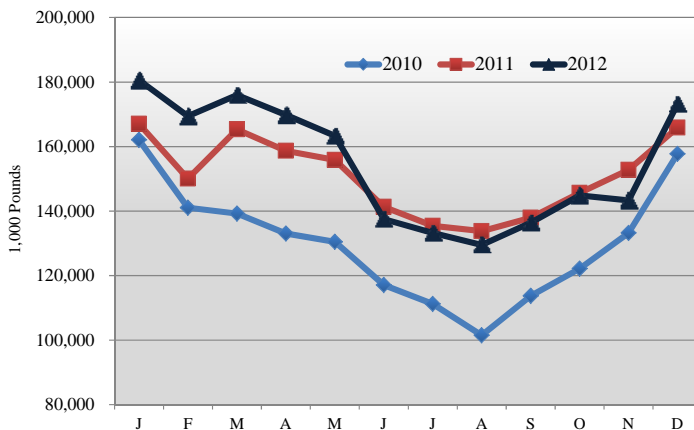
American type cheese production totaled 378 million pounds, 2.6 percent above December 2011 and 4.2 percent above November 2012.

Butter production was 173 million pounds, 4.4 percent above December 2011 and 20.9 percent above November 2012.

**Total Cheese Production, 2010-2012**



**Total Butter Production, 2010-2012**



## COMMERCIAL DISAPPEARANCE 2/

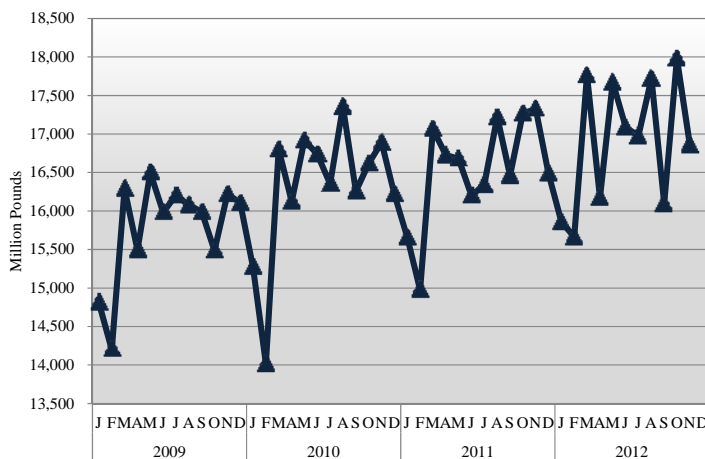
Commercial disappearance of milk in all productions represents the difference between the beginning monthly milk supply and the ending commercial stocks. Milk supply includes farm production, beginning inventory, imports and excludes milk used on the farm.

For November 2012 commercial disappearance of milk was 16.9 billion pounds, down 2.7 percent from the prior year. The cumulative disappearance total for 2012 is 186 billion pounds, an increase of 2.2 percent from the same 11-month period of 2011.

November 2012 commercial disappearance of American cheese was 365 million pounds, down 3.8 percent from the prior year.

November 2012 commercial disappearance of butter was 166 million pounds, down 15.3 percent from the prior year.

**Commercial Disappearance of Milk in All Products, 2009-2012**



1/ Source: National Agricultural Statistics Service (NASS), Agricultural Statistics Board, United States Department of Agriculture (USDA).

2/ Sources: NASS, ERS, FAS, FSA, Bureau of Census, and ERS calculations.