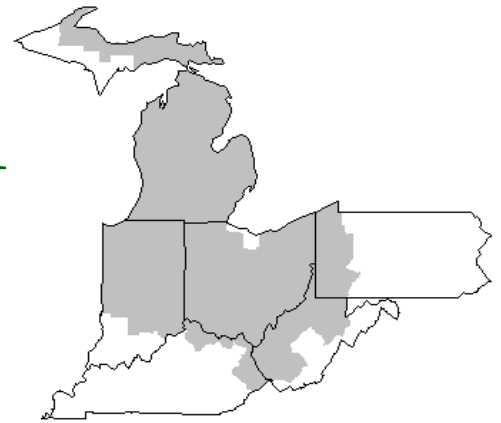


Mideast Market Administrator's Bulletin



Federal Order No. 33

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April 2014

USDA Issues a Final Rule Extending the Dairy Forward Pricing Program

The U.S. Department of Agriculture (USDA) issued a final rule extending the Dairy Forward Pricing Program to allow producers and cooperative associations to enter into forward price contracts through September 30, 2018. This final rule also extends all other requirements of the program until September 30, 2021.

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 program has not accepted new contracts since September 30, 2013. The 2014 Farm Bill allows new contracts to be entered into until September 30, 2018. Contracts may not extend beyond September 30, 2021.

Information about the decision was published in the March 21, 2014, *Federal Register*. For additional information, contact:

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

February Milk Production Up 1.4 Percent

Milk production in the 23 major States during February totaled 14.9 billion pounds, up 1.4 percent from February 2013. January revised production, at 16.2 billion pounds, was up 1.3 percent from January 2013. The January revision represented an increase of 104 million pounds or 0.6 percent from last month's preliminary production estimate.

Production per cow in the 23 major States averaged 1,753 pounds for February, 21 pounds above February 2013.

The number of milk cows on farms in the 23 major States was 8.51 million head, 13,000 head more than February 2013, but 1,000 head less than January 2014.

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 February totaled 2.3 billion pounds, down 8 million pounds or 0.4 percent from February 2013.

Production per cow in the Mideast states averaged 1,678 pounds for February, 7 pounds below February 2013.

The number of cows on farms in the Mideast states was 1.4 million head, 1,000 head less than February 2013.

February 2014 Dairy Products Highlights

Butter production was 165.7 million pounds, 4.6 percent below February 2013 and 9.1 percent below January 2014.

American Type Cheese production totaled 341.3 million pounds, 1.5 percent below February 2013 and 10.3 percent below January 2014.

Total Cheese output (excluding cottage cheese) was 850.6 million pounds, 0.6 percent below February 2013 and 10.7 percent below January 2014.

Nonfat Dry Milk production, for human food, totaled 140.9 million pounds, 2.3 percent above February 2013 and 1.5 percent above January 2014.

Dry Whey production, for human food, was 64.6 million pounds, 12.5 percent below February 2013 and 6.4 percent below January 2014.

Ice Cream (hard) production totaled 57.7 million gallons, 7.5 percent below February 2013 but 4.2 percent above January 2014.

Source: *Dairy Market News*, March 31 - April 4, 2014, Volume 81, Report 14

March 2014 Pool Summary

Classification of Producer Milk

	Pounds	Percent
Class I	528,832,470	36.5
Class II	199,728,901	13.8
Class III	492,888,523	34.0
Class IV	226,703,398	15.7
Total	1,448,153,292	100.0

Producer Prices

Producer Price Differential	\$ 0.62 /cwt
Butterfat Price	2.0402 /lb
Protein Price	4.5172 /lb
Other Solids Price	0.4700 /lb
Somatic Cell Adjustment Rate	0.00113 /cwt
Statistical Uniform Price	23.95 /cwt

ANNOUNCEMENT OF PRODUCER PRICES

Federal Order No. 33

March 2014

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			519,515,522			\$ 19.14 / cwt	\$ 99,435,270.91
Class I Butterfat		9,316,948				2.0498 / lb	19,097,879.99
Class I Location Differential	528,832,470						(221,411.29)
Class II SNF Value				17,011,147		1.9633 / lb	33,397,984.88
Class II Butterfat		15,151,902				2.0472 / lb	31,018,973.81
Class III Protein Value			15,594,759			4.5172 / lb	70,444,645.35
Class III Other Solids Value					28,233,254	0.4700 / lb	13,269,629.38
Class III Butterfat		18,425,103				2.0402 / lb	37,590,895.11
Class IV SNF Value				19,789,871		1.9027 / lb	37,654,187.54
Class IV Butterfat		12,552,978				2.0402 / lb	25,610,585.71
Somatic Cell Value II / III / IV							<u>1,623,859.66</u>
TOTAL PRODUCER MILK VALUE	1,448,153,292	55,446,931	45,645,116		82,825,935		\$ 368,922,501.05
Overages						8,836.89	
Beginning Inventory & OS Charges						4,254.72	
TOTAL ADJUSTMENTS							\$ <u>13,091.61</u>
TOTAL HANDLER OBLIGATIONS							\$ 368,935,592.66
Total Protein Value			45,645,116 lbs	@	\$4.5172		\$(206,188,118.02)
Total Other Solids Value			82,825,935 lbs	@	0.4700		(38,928,189.45)
Butterfat Value			55,446,931 lbs	@	2.0402		(113,122,828.62)
Total Somatic Cell Values							<u>(2,523,417.61)</u>
TOTALS							\$ 8,173,038.96
Net Producer Location Adjustments							\$ 781,514.98
1/2 Unobligated Balance Producer Settlement Fund							<u>617,000.00</u>
Total - Divided by Total Pounds			1,448,153,292 lbs		0.6609489		\$ 9,571,553.94
Rate of Cash Reserve					<u>(0.0409489)</u>		<u>(593,002.84)</u>
PRODUCER PRICE DIFFERENTIAL at Cuyahoga County, OH*			1,448,153,292		\$ 0.62 /cwt		\$ 8,978,551.10

COMPONENT PRICES

March

	<u>2014</u>	<u>2013</u>
Butterfat Price	\$2.0402 / lb	\$1.7476 / lb
Protein Price	4.5172 / lb	2.8204 / lb
Other Solids Price	0.4700 / lb	0.4179 / lb
Somatic Cell Adjustment Rate	0.00113 / cwt	0.00082 / cwt
Nonfat Solids Price	1.9027 / lb	1.3395 / lb

COMPUTATION OF UNIFORM PRICE

March

	<u>2014</u>	<u>2013</u>
Class III Price - 3.5% BF	\$ 23.33	\$16.93
Producer Price Differential*	<u>0.62</u>	<u>1.29</u>
Statistical Uniform Price	\$23.95	\$18.22

CLASS PRICES

March

	<u>2014</u>	<u>2013</u>
Class I*	\$25.64	\$19.80
Class II	24.22	18.82
Class III	23.33	16.93
Class IV	23.66	17.75

CLASSIFICATION OF PRODUCER MILK

March

	<u>2014</u>	<u>2013</u>
	<i>Product lbs.</i>	<i>Product lbs.</i>
Class I	528,832,470	547,743,700
Class II	199,728,901	186,058,670
Class III	492,888,523	474,740,211
Class IV	<u>226,703,398</u>	<u>228,184,517</u>
Total	1,448,153,292	1,436,727,098

* Subject to Location Adjustment.

ORDER 33 MARKET SUMMARY

The Producer Price Differential for the Mideast Marketing Area for March 2014 was \$0.62 and the Statistical Uniform Price was \$23.95 for the month. The Statistical Uniform Price is \$0.58 higher than last month, and is \$5.73 higher than March 2013.

The Producer Butterfat Price of \$2.0402 per pound increased \$0.0293 from February and is up \$0.2926 from a year ago. The Protein Price of \$4.5172 is down 0.0872 cents from last month and is up \$1.6968 from March 2013. The Other Solids Price in March was \$0.4700 per pound, an increase from last month's price of \$0.4453 and \$0.0521 higher than last March. The Somatic Cell Adjustment rate for March was \$0.00113 cwt.

March producer receipts of 1.45 billion pounds were 11.7 percent higher than February and 0.8 percent higher than March 2013 production of 1.44 billion pounds. Producer milk allocated to Class I accounted for 36.5 percent of the total producer milk in March 2014, lower than the 38.7 percent in February, and less than the 38.1 percent in March 2013. A total of 5,975 producers were pooled on the Mideast Order compared to 6,150 producers pooled in March 2013.

The market average content of producer milk was as follows: Butterfat 3.83%; Protein 3.15%; Other Solids 5.72% and Nonfat Solids 8.87%.

Dairy Product and All Milk prices Are Raised Again This Month on Robust Demand; Production Expansion Is Slow

Corn prices are unchanged from February, but the price range was narrowed in this month's World Agricultural Supply and Demand Estimates report to \$4.25-\$4.75 per bushel despite slightly higher projected corn exports. Soybean meal prices are increased to \$450-\$490 per ton this month as a reduced soybean meal crush lowered projected meal production. The preliminary February alfalfa price is reported in the February Agricultural Prices at \$188 per ton, up from January but well below a year ago. These projected feed prices will likely have little impact on the strongly expansionary milk-feed price ratio, reported at 2.55 in the Agricultural Prices report. Much of the strong milk-feed price ratio can be attributed to record high milk prices. However, cow numbers are unchanged from February's forecast at 9.3 million head. Dairy cow culling remains strong, but prices for replacement heifers and dairy calves are higher than last year, suggesting that herd expansion could be in the offing. Last month's forecast of an expansion beginning during in 2014 is held over this month.

Milk per cow is also unchanged from the February forecast of 22,230 pounds per cow. Growth in output per cow was below the 5-year average in January. It is likely that the colder than normal winter in the upper Midwest, combined with the apparent variable forage quality of last year's hay crop, contributed to lower than expected output per cow. In contrast and despite drought conditions, milk per cow increased in California and underpinned January's nearly 5-percent year-over-year rise in milk output in that State. A return to more normal forage quality this spring in most of the United States will likely boost milk per cow in the second quarter. The milk production forecast is unchanged from February at 205.7 billion pounds for the year.

Commercial milk equivalent exports are raised this month to 12.4 billion pounds on a fats basis based on strong year-to-date movement of cheese to Mexico and South Korea. In addition, butter exports to North Africa and Middle East countries are stronger than earlier forecast, helping lift export forecasts. Exports on a skim-solids basis are unchanged from last month's forecast at 38.2 billion pounds as increased lactose and cheese sales are offset by slightly lowered forecasts of skim milk powder and whey

exports. Imports on both a fats and skims-solids basis are unchanged from February to 3.7 billion and 5.3 billion pounds, respectively.

Ending stocks on a fats basis are lowered on stronger foreign and domestic demand for cheese and butter. Ending stocks on a skims-solids basis are reduced slightly this month from February.

Dairy product prices, and consequently milk prices, are expected to remain high for the remainder of 2014. Strong demand, both foreign and domestic, will support record and near-record prices despite increased competitor supplies. The March cheese price forecast is substantially higher than February projections at \$1.860- \$1.920 per pound. Similarly, butter prices are raised to \$1.605-\$1.695 per pound in this month's forecast. Nonfat dry milk price forecasts are also sharply higher than February at \$1.825-\$1.875 per pound. The whey price forecast is also raised, but not as dramatically, to 58.0-61.0 cents per pound.

Higher prices for dairy products result in higher class and all milk prices. The Class IV price is forecast at \$20.35-\$21.05 per cwt and is higher than the forecast Class III price of \$18.95-\$19.55 per cwt. The all milk price forecast is increased to \$21.40-22.00 per cwt for March.

Source: *Livestock, Dairy, and Poultry Outlook/LDP-M237/March 14, 2014, Economic Research Service, USDA*

Bulletin WebPage Edition

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Featured this month are:

- Producer Milk Classification
- Statistical Uniform Price
- Class and Component Prices
- Weighted Average NASS Prices

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

State	February 2014 -----Weighted Averages -----						February 2013 -----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	1,569	552,408	3.81	3.17	5.72	177	626,209	3.78	3.15	5.76	164
Ohio	1,947	339,903	3.91	3.19	5.70	217	350,598	3.90	3.16	5.72	203
Indiana	1,021	166,900	3.84	3.20	5.73	214	170,565	3.90	3.17	5.76	201
Pennsylvania	889	94,491	3.99	3.16	5.70	242	86,775	3.95	3.16	5.70	241
New York	283	90,822	3.90	3.14	5.73	196	87,346	3.86	3.13	5.75	193
Wisconsin	60	30,868	3.85	3.15	5.72	245	35,214	3.76	3.13	5.77	252
West Virginia	44	2,688	4.26	3.31	5.69	281	2,386	4.05	3.22	5.73	257
Other	169	18,680	3.55	3.12	5.61	197	6,250	3.99	3.16	5.72	225
Total/Average *	5,982	1,296,761	3.86	3.18	5.71	201	1,365,343	3.84	3.16	5.75	188

* 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

March 2014

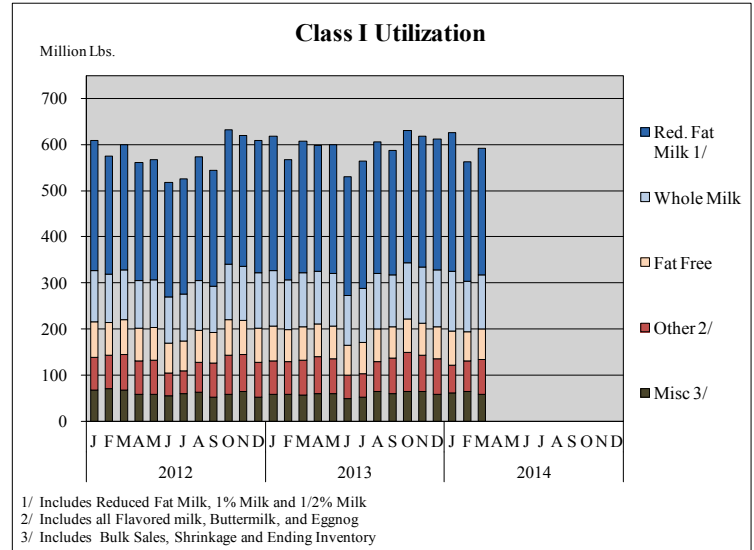
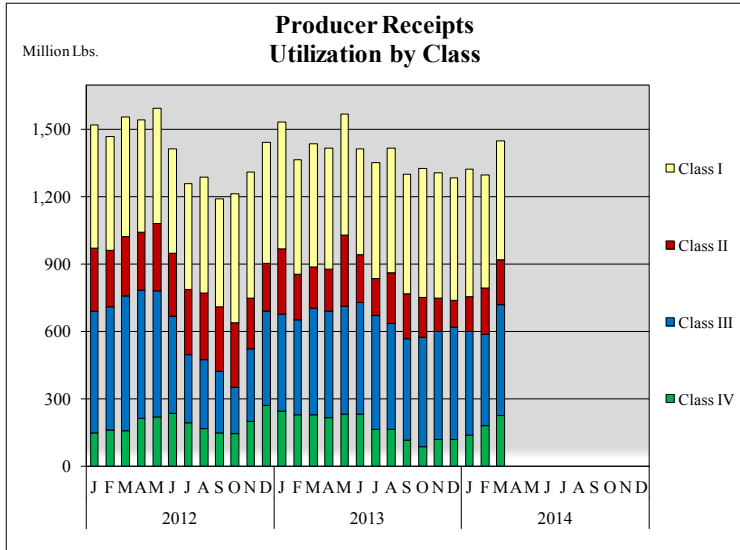
Marketing Area ^{1/}	Producer Milk		Class I Percent %	Producer Price Differential (per cwt.)	Statistical Uniform Price (per cwt.)
	Total (000)	Class I (000)			
FO 1 Northeast - (Boston)	2,194,877	781,363	35.6	\$1.64	\$24.97
FO 5 Appalachian - (Charlotte)	512,786	311,720	60.8	^{2/}	26.02
FO 6 Florida - (Tampa)	246,801	204,105	82.7	^{2/}	28.19
FO 7 Southeast - (Atlanta)	493,165	328,501	66.6	^{2/}	26.56
FO 30 Upper Midwest - (Chicago)	2,811,761	303,881	10.8	0.19	23.52
FO 32 Central - (Kansas City)	1,356,363	402,277	29.7	0.35	23.68
FO 33 Mideast - (Cleveland)	1,448,153	528,832	36.5	0.62	23.95
FO 124 Pacific Northwest - (Seattle)	753,741	170,182	22.6	0.35	23.68
FO 126 Southwest - (Dallas)	1,265,629	359,571	28.4	1.19	24.52
FO 131 Arizona - (Phoenix)	451,951	110,637	24.5	^{2/}	24.22

^{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 APRIL 2014.....\$23.33 /cwt.

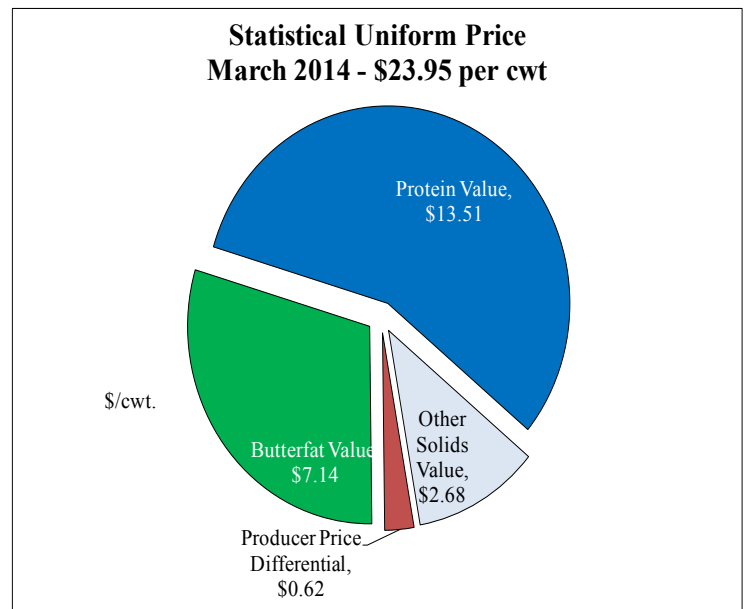
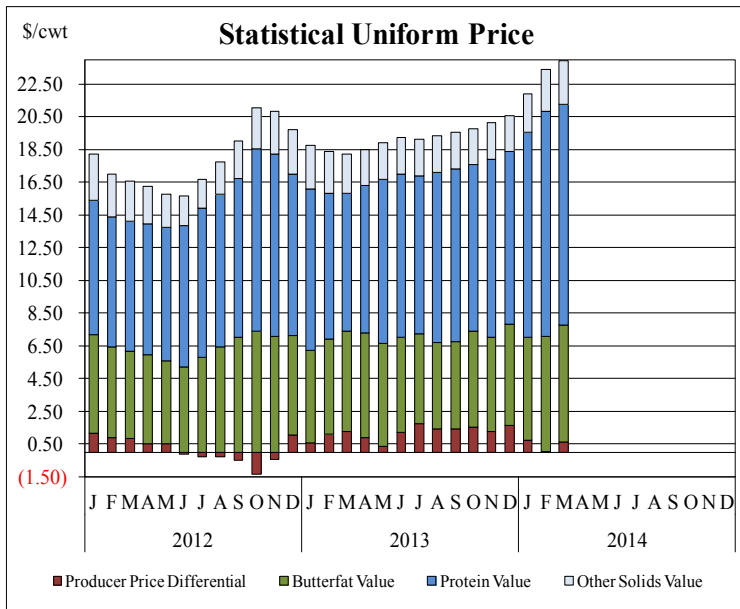
PRODUCER MILK CLASSIFICATION



Producer Receipts: Producer receipts for the Mideast Order totaled 1.4 billion pounds in March 2014. The pounds allocated to Class I represented 36.5 percent of the total pounds. Producer receipts decreased 151.4 million pounds compared to February 2014, and were down 11.4 million pounds from the prior year.

Class I Pounds: Class I utilization for the Mideast Order totaled 529 million pounds in March 2014, down 18.9 million pounds from 2013. Finished products include 117 million pounds used for whole milk, 275 million pounds of reduced fat and low fat milk, and 67 million pounds of fat free (skim) milk.

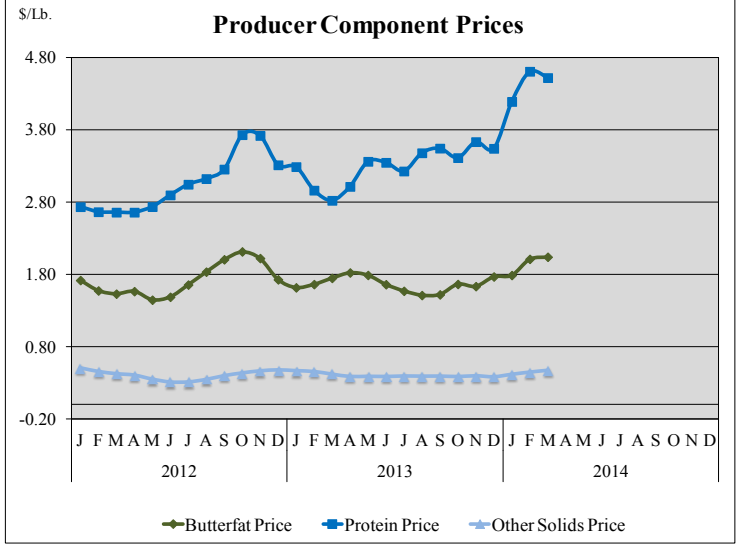
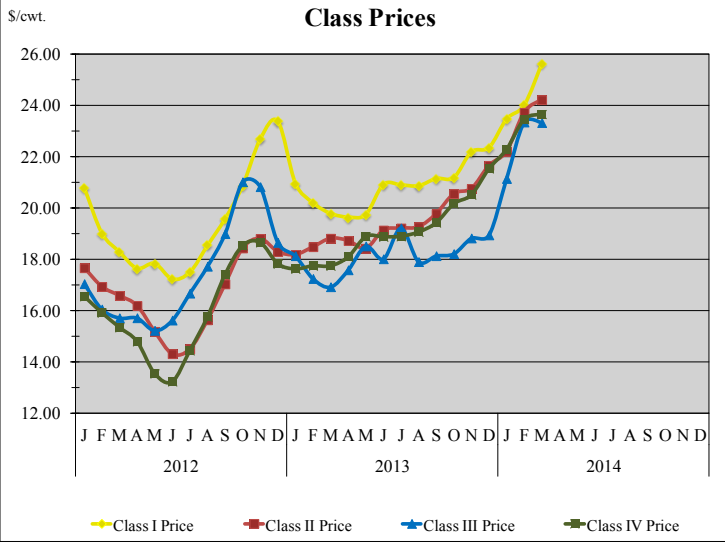
STATISTICAL UNIFORM PRICE



Statistical Uniform Price: The Mideast Federal Order Statistical Uniform Price (SUP) at Cuyahoga County, OH was \$23.95 per cwt for March 2014. The March 2014 SUP was \$5.73 per cwt higher than the March 2013 SUP. The March 2014 SUP is \$0.58 per cwt higher than the February 2014 SUP.

March 2014 Statistical Uniform Price: Using the Class III Price formula at 3.5% BF, the component values for the March 2014 SUP are: \$13.51 per cwt for protein, \$7.14 per cwt for butterfat and \$2.68 per cwt for other solids. Also included in the SUP is the \$0.62 per cwt producer price differential. (May not add to total due to rounding.)

CLASS AND COMPONENT PRICES



WEIGHTED AVERAGE NATIONAL PRODUCT PRICES

