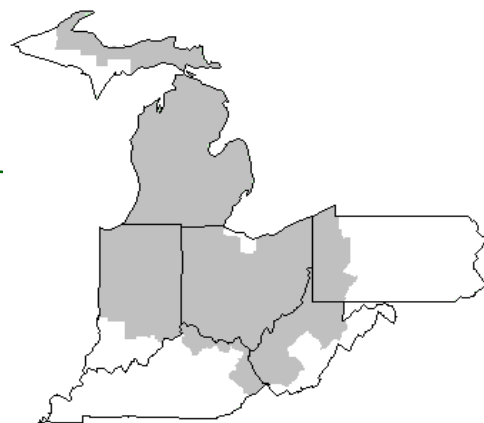


Mideast Market Administrator's Bulletin



Federal Order No. 33

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August 2014

Strong Demand, Both Foreign and Domestic, Keeps Milk Prices High and Production Advancing as Feed Prices Moderate

Corn production for 2014/15 is lowered 75 million bushels from June in this month's *World Agricultural Supply and Demand Estimates* report. The reduction is based on lower projected harvested acreage in the June *Acreage* report. However, lower expected feed and residual use, down by 50 million bushels from June, and higher expected beginning stocks, 100 million bushels higher than last month, more than offset the lower production forecast, resulting in a lowered expected season average price of \$3.65-\$4.35 per bushel. Soybean meal prices were lowered this month from last month's forecast to \$350-\$390 a ton. Soybean production is forecast at a record 3.8 billion bushels based on year-over-year increased expected harvested acreage. While corn and soybean meal prices in 2014/15 are likely to be lower than this year's prices, forage prices are likely to remain firm.

The June *Agricultural Prices* report placed the preliminary June 2014 alfalfa hay price at \$222 a ton, virtually unchanged from May or from June 2013. The June *Acreage* report indicated the planting of all hay is down slightly from 2013. California remains drought stricken; however, the mid-West is expected to show improvement from last year.

On balance, the lower corn and soybean meal prices will continue to moderate feed prices through the balance of 2014 and into 2015. The feed price outlook, combined with continued strong milk prices, is expected to signal producers to increase cow numbers in 2015.

Dairy cow numbers are forecast to total 9,260 thousand head this year and to increase to 9,345 thousand head next year; both years' projections are increased fractionally from June. Milk per cow is lowered slightly from June to 22,230 pounds per cow in 2014 and increased from June to 22,730 pounds per cow next year. Next year, strong year-over-year rises in output per cow and modest herd expansion boosts milk production from June's forecast to 212.4 billion pounds. This year, milk production is lowered fractionally from the June forecast to 205.9 billion pounds, as lower output per cow offsets higher cow numbers.

According to the June Milk Production report in the 23 surveyed States, the strongest percentage increases in year-over-year milk production were posted in western States, with Texas, Colorado, and Arizona leading the rise. Small declines in milk production were observed in the Midwest, with Ohio showing the largest declines in 2014 from 2013. Wisconsin was unchanged from 2013.

Fats-basis milk equivalent imports are forecast to be 3.5 billion pounds in 2014 based on year-to-date movement and then to hold at 3.5 billion pounds in 2015. Imports are forecast at 5.2 billion pounds this year and 5.1 billion pounds next year on a skims-solids basis. Skims-solids forecasts are lowered from June. Current year fats-basis exports are lowered from June to 13.2 billion pounds as high domestic butter prices curtail exports. Fats-basis exports for 2015 are unchanged from

June at 13.0 billion pounds. Skims-solids exports are raised in July to 40.4 billion pounds based mostly on higher than expected year-to-date shipments of nonfat dry milk and skim milk powder (NDM/SMP). Next year, skims-solids basis exports are projected at 39.1 billion pounds, an increase from June's forecast, but a year-over-year decline, based on increased foreign competition; however, global demand for NDM/SMP will remain strong. Internationally, exports are responding to high global demand. In the European Union, milk deliveries are at an all-time high, but robust foreign demand appears to support prices. Despite strong foreign competition, U.S. exports have remained firm, especially NDM and SMP exports to Mexico.

Firm domestic commercial use of dairy products is expected in light of continued economic recovery. Domestic commercial use, on a fats basis, is forecast at 195.6 billion pounds, unchanged from June. However, next year domestic commercial use on a fats basis is expected to climb to 200.6 billion pounds, an increase from June's forecast as well as a 2.6 percent year-over-year rise. On a skims-solids basis, domestic commercial use is forecast to reach 169.3 billion pounds, a drop-off from June's forecast, and then to rise to 177.2 billion pounds in 2015.

Dairy product prices are increased this month for 2014. Cheese prices are projected higher this month based on current price strength. The prices are forecast to average \$2.030 to \$2.060 per pound this year and fall to \$1.670- \$1.770 in 2015 based on continued increases in milk production. Butter prices are revised upward from June to \$1.965-\$2.025 per pound based on strength in demand and tight supply. That condition is expected to continue into 2015 as butter prices are revised upward this month to \$1.650-\$1.780 per pound; however, prices will decline on a year-over-year basis. July NDM price forecasts reflect the robust export outlook for those products and will likely average \$1.835-\$1.865 per

(Continued on Page 3)

July 2014 - Pool Summary

Classification of Producer Milk

	Pounds	Percent
Class I	495,583,403	34.9
Class II	156,357,364	11.0
Class III	573,195,275	40.4
Class IV	194,575,657	13.7
Total	1,419,711,699	100.0

Producer Prices

Producer Price Differential	\$ 1.88 / cwt
Butterfat Price	2.6349 / lb
Protein Price	3.1798 / lb
Other Solids Price	0.5046 / lb
Somatic Cell Adjustment Rate	0.00102 / cwt
Statistical Uniform Price	23.48 / cwt

ANNOUNCEMENT OF PRODUCER PRICES

Federal Order No. 33

July 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			486,247,755			\$ 17.01 / cwt	\$ 82,710,743.13
Class I Butterfat		9,335,648				2.4577 / lb	22,944,222.09
Class I Location Differential	495,583,403						(204,546.48)
Class II SNF Value				12,800,818		1.7456 / lb	22,345,107.91
Class II Butterfat		14,850,582				2.6419 / lb	39,233,752.56
Class III Protein Value			17,361,341			3.1798 / lb	55,205,592.13
Class III Other Solids Value					32,994,356	0.5046 / lb	16,648,952.07
Class III Butterfat		18,802,149				2.6349 / lb	49,541,482.41
Class IV SNF Value				16,962,596		1.6770 / lb	28,446,273.53
Class IV Butterfat		7,995,656				2.6349 / lb	21,067,753.99
Somatic Cell Value II / III / IV							<u>1,293,798.12</u>
TOTAL PRODUCER MILK VALUE	1,419,711,699	50,984,035	42,732,684		81,373,592		\$ 339,233,431.46
Overages					4,055.11		
Beginning Inventory & OS Charges					(81,480.27)		
TOTAL ADJUSTMENTS							\$ (77,425.16)
TOTAL HANDLER OBLIGATIONS							\$ 339,156,006.30
Total Protein Value			42,732,684 lbs	@	\$3.1798		\$(135,881,388.60)
Total Other Solids Value			81,373,592 lbs	@	0.5046		(41,061,114.51)
Butterfat Value			50,984,035 lbs	@	2.6349		(134,337,833.83)
Total Somatic Cell Values							<u>(1,954,634.81)</u>
TOTALS							\$ 25,921,034.55
Net Producer Location Adjustments							\$ 763,219.15
1/2 Unobligated Balance Producer Settlement Fund							<u>699,000.00</u>
Total - Divided by Total Pounds			1,419,711,699 lbs		1.9287897		\$ 27,383,253.70
Rate of Cash Reserve					<u>(0.0487897)</u>		<u>(692,673.08)</u>
PRODUCER PRICE DIFFERENTIAL at Cuyahoga County, OH*			1,419,711,699		\$ 1.88 /cwt		\$ 26,690,580.62

COMPONENT PRICES**COMPUTATION OF UNIFORM PRICE**

	July		July	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Butterfat Price	\$2.6349 / lb	\$1.5693 / lb	Class III Price - 3.5% BF	\$ 21.60
Protein Price	3.1798 / lb	3.2257 / lb	Producer Price Differential*	<u>1.88</u>
Other Solids Price	0.5046 / lb	0.3927 / lb	Statistical Uniform Price	\$23.48
Somatic Cell Adjustment Rate	0.00102 / cwt	0.00086 / cwt		
Nonfat Solids Price	1.6770 / lb	1.5438 / lb		

CLASS PRICES**CLASSIFICATION OF PRODUCER MILK**

	July		July	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Class I*	\$25.02	\$20.91	<i>Product lbs.</i>	<i>Product lbs.</i>
Class II	24.41	19.22	Class I	495,583,403
Class III	21.60	17.38	Class II	156,357,364
Class IV	23.78	18.90	Class III	573,195,275
			Class IV	<u>194,575,657</u>
			Total	1,419,711,699
				1,351,589,888

* Subject to Location Adjustment.

ORDER 33 MARKET SUMMARY

The Producer Price Differential for the Mideast Marketing Area for July 2014 was \$1.88 and the Statistical Uniform Price was \$23.48 for the month. The Statistical Uniform Price is \$0.27 higher than last month, and is \$4.36 higher than July 2013.

The Producer Butterfat Price of \$2.6349 per pound increased \$0.1936 from June and is up \$1.0656 from a year ago. The Protein Price of \$3.1798 is down 0.1639 cents from last month and is down \$0.0459 from July 2013. The Other Solids Price in July was \$0.5046 per pound, an increase from last month's price of \$0.4942 and \$0.1119 higher than last July. The Somatic Cell Adjustment rate for July was \$0.00102.

July producer receipts of 1.420 billion pounds were 2.2 percent higher than June and 5.0 percent higher than July 2013 production of 1.352 billion pounds. Producer milk allocated to Class I accounted for 34.9 percent of the total producer milk in July 2014, higher than the 33.6 percent in June, and less than the 38.1 percent in July 2013. A total of 6,292 producers were pooled on the Mideast Order compared to 6,042 producers pooled in July 2013.

The market average content of producer milk was as follows: Butterfat 3.59%; Protein 3.01%; Other Solids 5.73% and Nonfat Solids 8.74%.

(Continued from Front Page)

pound in 2014 and decline to \$1.605-\$1.675 per pound in 2015. July whey prices are forecast up from June to 63.5-65.5 cents per pound for the current year and to fall to 55.0-58.0 cents per pound in 2015, unchanged from June.

The price outlook for the major dairy products points to declines in 2015 in class and all milk prices. The Class III price is forecast at \$21.00- \$21.30 per cwt this year, falling to \$16.95-\$17.95 per cwt in 2015. The Class IV prices continue to lead Class III prices both this year and next, averaging \$21.95-\$22.35 per cwt and sliding to \$18.70-\$19.80 per cwt in 2014 and 2015, respectively. The all milk price is forecast to average \$23.25-\$23.55 per cwt in 2014 and to fall to \$19.75-\$20.75 per cwt in 2015.

Source: *Livestock, Dairy, and Poultry Outlook* / LDP-M-241 / July 17, 2014
Economic Research Service, USDA

June 2014 Dairy Products Highlights

Total cheese output (excluding cottage cheese) was 916 million pounds, 0.5 percent above June 2013 but 5.2 percent below May 2014.

Italian type cheese production totaled 409 million pounds, 4.4 percent above June 2013 but 1.2 percent below May 2014.

American type cheese production totaled 349 million pounds, 3.8 percent below June 2013 and 10.8 percent below May 2014.

Butter production was 140 million pounds, 0.2 percent below June 2013 and 15.0 percent below May 2014.

Dry milk powders (comparisons with June 2013)

- Nonfat dry milk, human - 148 million pounds, up 13.1 percent.
- Skim milk powders - 51.8 million pounds, down 11.1 percent.

Whey products (comparisons with June 2013)

- Dry whey, total - 79.1 million pounds, down 0.6 percent.
- Lactose, human and animal - 99.9 million pounds, up 12.6 percent.
- Whey protein concentrate, total - 43.7 million pounds, up 5.4 percent.

Frozen products (comparisons with June 2013)

- Ice cream, regular (hard) - 73.1 million gallons, down 6.0 percent.
- Ice cream, lowfat (total) - 42.0 million gallons, down 5.6 percent.
- Sherbet (hard) - 4.28 million gallons, down 7.3 percent.
- Frozen yogurt (total) - 6.79 million gallons, down 22.4 percent.

June Milk Production Up 2.0 Percent

Milk production in the 23 major States during June totaled 16.2 billion pounds, up 2.0 percent from June 2013. May revised production, at 16.9 billion pounds, was up 1.6 percent from May 2013. The May revision represented an increase of 0.1 percent or 25 million pounds from last month's preliminary production estimate.

Production per cow in the 23 major States averaged 1,888 pounds for June.

The number of milk cows on farms in the 23 major States was 8.57 million head, 11,000 head more than May 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 June totaled 2.5 billion pounds, up 25 million pounds or 1.0 percent from June 2013.

Production per cow in the Mideast states averaged 1,813 pounds for June.

The number of cows on farms in the Mideast states was 1.4 million head, 2,000 head more than May 2014.

Bulletin WebPage Edition

www.fmmaclev.com

Featured this month are:

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

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

State	June 2014 -----Weighted Averages-----						June 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	1,558	645,173	3.56	3.01	5.74	175	666,260	3.56	3.00	5.76	174
Ohio	1,998	346,181	3.62	3.02	5.69	217	340,059	3.70	3.02	5.73	225
Indiana	995	168,515	3.58	3.04	5.80	227	163,011	3.65	3.01	5.76	222
Pennsylvania	847	96,141	3.70	3.02	5.71	253	95,512	3.70	3.02	5.72	257
New York	283	81,257	3.69	3.00	5.75	198	98,167	3.69	3.00	5.74	203
Wisconsin	59	34,564	3.55	3.05	5.79	267	37,260	3.63	3.08	5.76	259
West Virginia	42	2,832	3.82	3.11	5.69	284	3,594	3.73	3.08	5.72	277
Other	148	14,178	3.69	3.03	5.75	239	9,587	3.67	3.01	5.71	229
Total/Average *	5,930	1,388,842	3.60	3.02	5.73	202	1,413,451	3.63	3.01	5.75	202

* 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

July 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)	2,213,689	721,820	32.6	\$3.15	\$24.75
FO 5 Appalachian - (Charlotte)	423,693	298,705	70.5	^{2/}	25.95
FO 6 Florida - (Tampa)	214,071	181,299	84.7	^{2/}	27.95
FO 7 Southeast - (Atlanta)	396,388	312,072	78.7	^{2/}	26.43
FO 30 Upper Midwest - (Chicago)	2,937,445	287,278	9.8	0.45	22.05
FO 32 Central - (Kansas City)	1,262,751	372,009	29.5	1.42	23.02
FO 33 Mideast - (Cleveland)	1,419,712	495,583	34.9	1.88	23.48
FO 124 Pacific Northwest - (Seattle)	744,248	159,651	21.5	1.55	23.15
FO 126 Southwest - (Dallas)	1,083,235	328,672	30.3	1.95	23.55
FO 131 Arizona - (Phoenix)	390,191	104,302	26.7	^{2/}	23.73

^{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 AUGUST 2014.....\$21.60 /cwt.

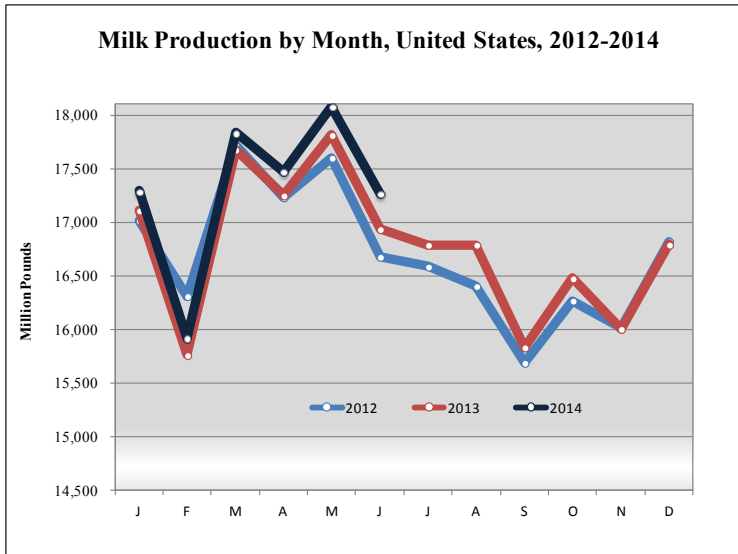
Mideast Market Administrator's Bulletin

Supplement

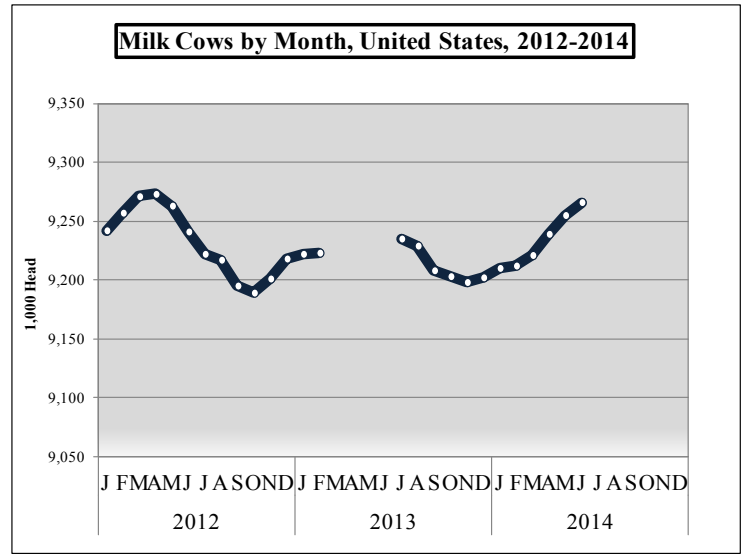
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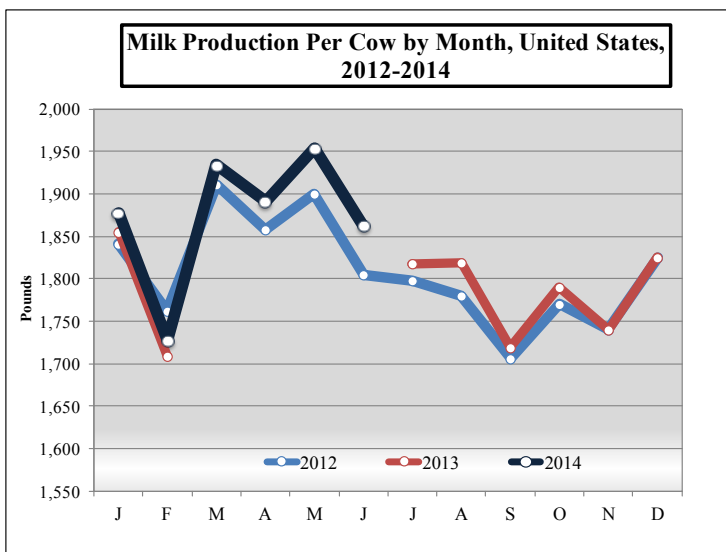
MILK PRODUCTION STATISTICS 1/



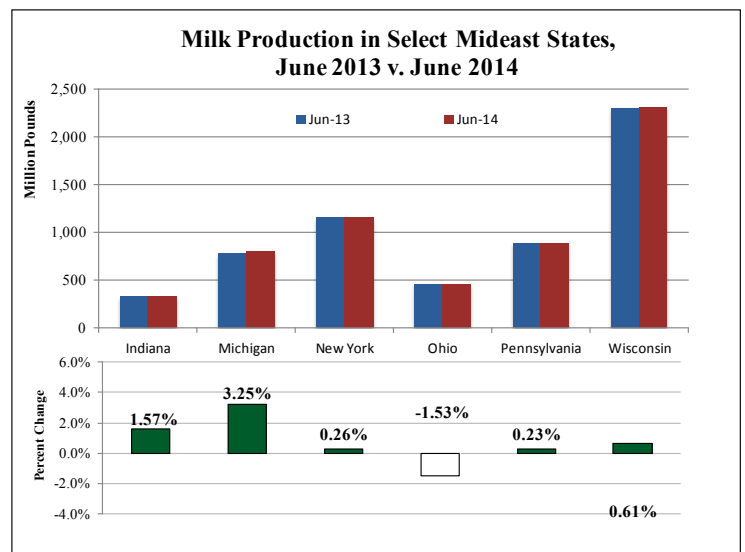
June 2014 milk production in the United States decreased 817 million pounds from May to 17.3 billion pounds. June milk production is up 1.9 percent from 2013.



The number of milk cows on farms in the United States was 9.3 million head for June 2014. This was an increase of 11,000 head from May.



Production per cow in the United States averaged 1,863 pounds for June 2014, This was down 91 pounds from May.

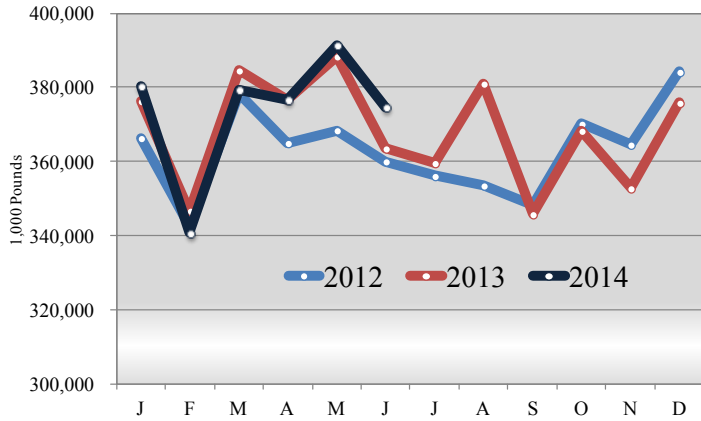


Milk production from selected states which pool on the Mideast marketing area totaled 5.9 billion pounds during June 2014, up 42 million pounds from the prior year. Milk production in Michigan was up 25 million pounds while production in Ohio declined by 7 million pounds.

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

DAIRY PRODUCT PRODUCTION 1/

Total American Cheese Production, 2012-2014



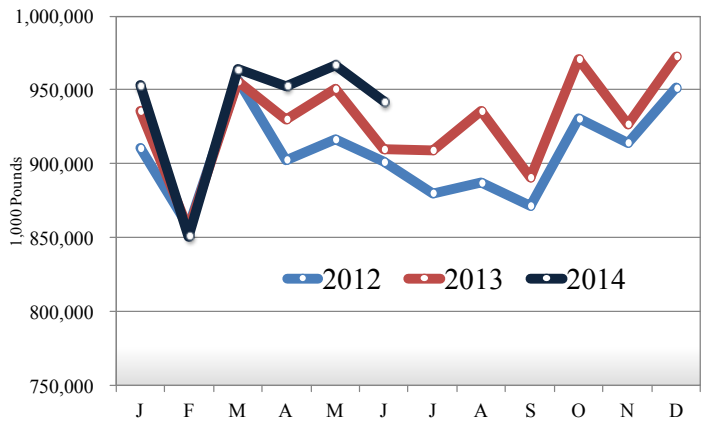
Dairy Product Production Summary:

Total cheese output (excluding cottage cheese) for June 2014 was 942 million pounds, 3.3 percent above June 2013 but 2.6 percent below May 2014.

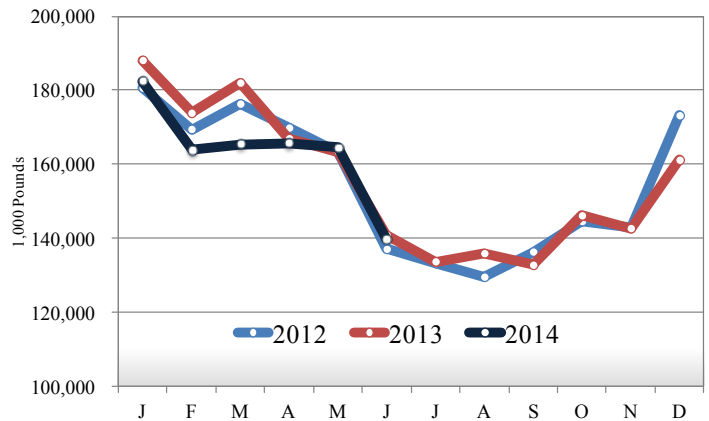
American type cheese production totaled 375 million pounds, 3.2 percent above June 2013 but 4.3 percent below May 2014

Butter production was 140 million pounds, 0.2 percent below June 2013 and 15.0 percent below May 2014.

Total Cheese Production, 2012-2014



Total Butter Production, 2012-2014



COMMERCIAL DISAPPEARANCE 2/

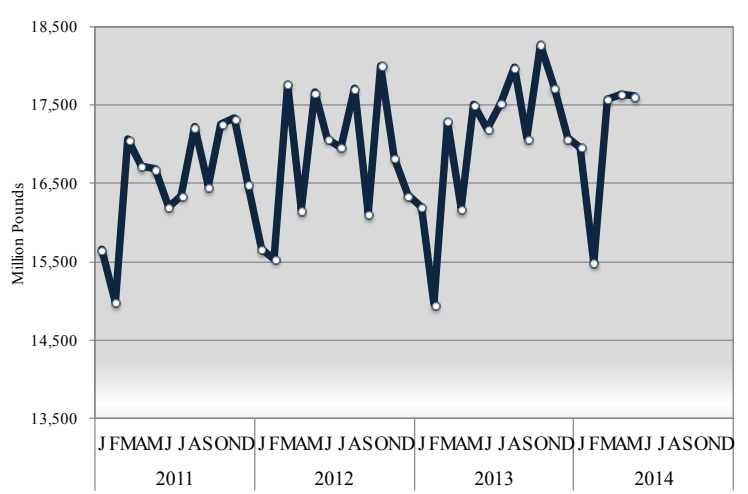
Commercial disappearance of milk in all productions represents the difference between the beginning monthly milk supply and the ending commercial stocks. Milk supply includes farm production, beginning inventory, imports and excludes milk used on the farm.

For May 2014 commercial disappearance of milk was 17.6 billion pounds, up 0.6 percent from the prior year. The cumulative disappearance total for 2014 is 85.3 billion pounds, an increase of 3.9 percent from the same 5-month period of 2013.

May 2014 commercial disappearance of American cheese was 385 million pounds, up 3.4 percent from the prior year.

May 2014 commercial disappearance of butter was 148 million pounds, down 3.1 percent from the prior year.

Commercial Disappearance of Milk in All Products, 2011-2014



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.