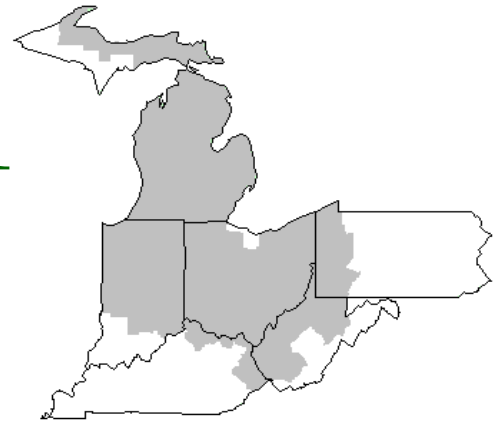


# Mideast Market Administrator's Bulletin



## Federal Order No. 33

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December 2008

## The Dairy Outlook

Milk production is expected to inch ahead through the fall quarter as both cow numbers and yield are slightly higher on a year-over-year basis. Cow numbers are expected to retreat through the balance of 2008 and into 2009. However, feed costs have plummeted and alfalfa prices have fallen, but proportionally less than either corn or soybean meal. Lower feed costs will likely help boost feeding rates hence yields. Milk production will likely increase about 1 percent next year, reaching 191.5 billion pounds in 2009. The projected rate of growth is well below rates of increase in recent years. Slightly higher production will encounter weaker demand, both foreign and domestic, pressuring prices.

While August exports showed a rebound from July, the most recent export data, September, shows a month-over-month decline, with butter declining sharply. Cumulative exports of cheese, butter and nonfat dry milk (NDM) are ahead of year earlier levels except for whey exports, which are well behind last year. Export demand is expected to weaken through the fall quarter and into 2009. New Zealand and Australian milk production is expected to climb above year earlier levels in 2009. Increased supply from major competitors and a weakening global economy will curb exports next year. Both foreign and domestic demand is adversely affected by the onset of an economic slowdown.

Prices across the board are showing weakness, especially for whey and NDM. NDM prices have declined through October according to NASS and averaged 91 cents a pound by the end of October. By early November, the Commodity Credit Corporation (CCC) had agreed to purchase 48 million pounds of NDM at the 80 cent per pound support price.

Butter prices have fared best during October and have increased by over 2 cents per pound since early October. As butter exports are expected to weaken in the coming months, butter prices should fall. Prices for cheese declined about 5 cents per pound in October and will likely decline gradually into next year. Prices for all milk powders and whey are expected to decline in 2009. Forecast milk equivalent stocks have been adjusted downward on a skim basis as lower prices should boost domestic use.

Prices are forecast lower next year for all major dairy products. Cheese prices are expected to average \$1.880 to \$1.890 per pound this year and \$1.675 to \$1.765 per pound in 2009. Butter prices should average \$1.455 to \$1.485 per pound in 2008 dropping slightly to average \$1.390 to \$1.510 next year. NDM prices are expected to average between \$1.225 to 1.245 per pound and drop to 90.0 to 97.0 cents per pound in 2009. Whey prices, which declined sharply in 2008, are expected to average 24.5 to 25.5 cents per pound this year and 19.0 to 22.0 cents next year. Falling product prices will have their expected impact on milk prices. Class III milk, which is expected to average \$17.30 to \$17.40 per cwt in 2008, is forecast to decline to \$14.75 to \$15.65 per cwt in 2009. Class IV milk prices are forecast to decline from an average \$14.75 to \$14.95 per cwt in 2008 to \$11.50 to \$12.50 per cwt

in 2009. The all milk price, which is expected to average \$18.30 to 18.40 per cwt in 2008, is forecast to slide to \$15.30 to \$16.20 per cwt in 2009.

**SOURCE:** "Livestock, Dairy, and Poultry Outlook", LDP-M-173, November 17, 2008, Economic Research Service, USDA. For more information, contact Roger Hoskin, (202) 694-5148.

## October Milk Production Up 1.5 Percent

Milk production in the 23 major States during October totaled 14.4 billion pounds, up 1.5 percent from October 2007. September revised production at 14.0 billion pounds, was up 1.8 percent from September 2007. The September revision represented a decrease of 13 million pounds or 0.1 percent from last month's preliminary production estimate.

Production per cow in the 23 major States averaged 1,700 pounds for October, 3 pounds above October 2007.

The number of milk cows on farms in the 23 major States was 8.46 million head, 105,000 head more than October 2007, and 1,000 head more than September 2008.

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 October totaled 2.2 billion pounds, down 25 million pounds or 1.1 percent from October 2007.

Production per cow in the Mideast states averaged 1,624 pounds for October, 32 pounds below October 2007.

The number of cows on farms in the Mideast states was 1.3 million head, 10,000 head more than October 2007.

## November 2008 Pool Summary

### Classification of Producer Milk

	<i>Pounds</i>	<i>Percent</i>
Class I	551,264,969	42.4
Class II	220,145,408	16.9
Class III	412,661,070	31.8
Class IV	115,936,379	8.9
Total	1,300,007,826	100.0

### Producer Prices

Producer Price Differential	\$ 0.81 /cwt
Butterfat Price	1.7730 /lb
Protein Price	3.1301 /lb
Other Solids Price	(0.0099) /lb
Somatic Cell Adjustment Rate	0.00088 /cwt
Statistical Uniform Price	16.32 /cwt

**ANNOUNCEMENT OF PRODUCER PRICES**

Federal Order No. 33

**NOVEMBER 2008****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			541,199,958			\$ 13.29 / cwt	\$ 71,925,474.43
Class I Butterfat		10,065,011				1.8588 / lb	18,708,842.45
Class I Location Differential	551,264,969						(254,278.57)
Class II SNF Value				18,860,584		0.9467 / lb	17,855,314.90
Class II Butterfat		14,726,762				1.7800 / lb	26,213,636.36
Class III Protein Value			12,996,516			3.1301 / lb	40,680,394.73
Class III Other Solids Value					23,456,680	(0.0099) / lb	(232,221.15)
Class III Butterfat		16,388,211				1.7730 / lb	29,056,298.13
Class IV SNF Value				9,848,464		0.6953 / lb	6,847,636.98
Class IV Butterfat		8,545,649				1.7730 / lb	15,151,435.70
Somatic Cell Value II / III / IV							791,539.28
<b>TOTAL PRODUCER MILK VALUE</b>	<b>1,300,007,826</b>	<b>49,725,633</b>	<b>40,943,295</b>		<b>73,909,053</b>		<b>\$226,744,073.24</b>
Overages						\$ 38,667.92	
Beginning Inventory and Other Source Charges						\$ 20,181.74	
<b>TOTAL ADJUSTMENTS</b>							<b>\$ 58,849.66</b>
<b>TOTAL HANDLER OBLIGATIONS</b>							<b>\$ 226,802,922.90</b>
Total Protein Value			40,943,295 lbs	@	\$ 3.1301		\$ (128,156,607.71)
Total Other Solids Value			73,909,053 lbs	@	(0.0099)		731,699.60
Butterfat Value			49,725,633 lbs	@	1.7730		(88,163,547.31)
Total Somatic Cell Values							(1,352,034.90)
<b>TOTALS</b>							<b>\$ 9,862,432.58</b>
Net Producer Location Adjustments							\$ 663,461.15
1/2 Unobligated Balance Producer Settlement Fund							554,000.00
Total - Divided by Total Pounds			1,300,007,826 lbs		0.8522944		\$ 11,079,893.73
Rate of Cash Reserve					(0.0422944)		(549,830.51)
<b>PRODUCER PRICE DIFFERENTIAL at Cuyahoga County, OH*</b>			1,300,007,826		<b>\$ 0.81 /cwt</b>		<b>\$ 10,530,063.22</b>

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

	<b>November</b>	
	<u>2008</u>	<u>2007</u>
Butterfat Price	\$1.7730 / lb	\$1.4077 / lb
Protein Price	3.1301 / lb	4.3081 / lb
Other Solids Price	(0.0099) / lb	0.2461 / lb
Somatic Cell Adjustment Rate	0.00088 / cwt	0.00098 / cwt
Nonfat Solids Price	0.6953 / lb	1.7812 / lb

	<b>November</b>	
	<u>2008</u>	<u>2007</u>
Class III Price - 3.5% BF	\$15.51	\$19.22
Producer Price Differential*	<u>0.81</u>	<u>1.86</u>
Statistical Uniform Price	\$16.32	\$21.08

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

	<b>November</b>	
	<u>2008</u>	<u>2007</u>
Class I*	\$19.33	\$23.45
Class II	14.45	22.07
Class III	15.51	19.22
Class IV	12.25	20.40

	<b>November</b>	
	<u>2008</u>	<u>2007</u>
Product lbs.		
Class I	551,264,969	571,301,407
Class II	220,145,408	137,560,244
Class III	412,661,070	491,766,660
Class IV	<u>115,936,379</u>	<u>60,583,986</u>
Total	1,300,007,826	1,261,212,297

\* Subject to Location Adjustment.

**ORDER 33 MARKET SUMMARY**

The Producer Price Differential for the Mideast Marketing Area for November 2008 was \$0.81 and the Statistical Uniform Price was \$16.32 for the month. The Statistical Uniform Price is the \$0.48 lower than last month, and is \$4.76 lower than November 2007.

The Producer Butterfat Price of \$1.7730 per pound decreased 7.77 cents from October 2008 and is up 36.53 cents from a year ago. The Protein Price of \$3.1301 is down 41.89 cents from last month and is down \$1.178 from November 2007. The Other Solids Price in November was \$-0.0099 per pound, a decrease from last month's price of \$-0.0047 and a decrease of 25.60 cents from last November. The Somatic Cell Adjustment rate for November was \$0.00088.

November producer receipts of 1.30 billion pounds were 9.5 percent higher than October 2008 and 3.1 percent higher than November 2007 production of 1.26 billion pounds. Producer milk allocated to Class I accounted for 42.4 percent of the total producer milk in November 2008, less than the 50.7 percent in October 2008 and less than the 45.3 percent in November 2007. A total of 7,271 producers were pooled on the Mideast Order compared to 7,988 producers pooled in November 2007.

The market average content of producer milk was as follows: Butterfat 3.83%; Protein 3.15%; Other Solids 5.69% and Nonfat Solids 8.84%.

### Schafer Names Members to National Dairy Board

Agriculture Secretary Ed Schafer announced the appointment of eight new members and reappointment of five incumbents to the National Dairy Promotion and Research Board. Twelve appointees will serve three-year terms, November 1, 2008 through October 31, 2011 and one appointee from Region 2 will serve a two-year term, November 1, 2008 through October 31, 2010.

Newly appointed were: John B. Fiscalini, Modesto, Calif. (Region 2, shortened term); Ronald E. Shelton, Greeley, Colo. (Region 3); Harold A. Wick, Austin, Colo. (Region 3); Byron A. Lehman, Newton, Kan. (Region 4); Kenton W. Holle, Mandan, N.D. (Region 5); Sharon K. Laubscher, Wonewoc, Wis. (Region 6); Larry B. Jagers, Glendale, Ky. (Region 8); and Ellen H. Paradee, Grand Isle, Vt. (Region 13).

Reappointed to serve second terms were: Ronald L. Koetsier, Visalia, Calif. (Region 2); William R. D. Anglin, Bentonville, Ark. (Region 4); Carl F. VanDen Avond, Luxemburg, Wis. (Region 6); Douglas D. Nuttelman, Stromsburg, Neb. (Region 7); and Carl A. Schmitz, Wadesville, Ind. (Region 9). AMS encourages all eligible individuals to participate in its committee and board activities. It is USDA's policy that membership on industry-governed boards and committees accurately reflect the diversity of individuals served by the programs

### Release Dates for 2009 Federal Milk Order Price Data

Listed below are the release dates for the Federal milk order program for price data applicable to January through December 2009. The advanced prices and pricing factors will be released at 10:00 a.m. EST/EDST no later than the 23<sup>rd</sup> of the preceding month if that date is on a Friday; otherwise, the release date will be the nearest Friday before the 23<sup>rd</sup>. Likewise, the class and component prices will be released at 10:00 a.m. EST/EDST no later than the 5<sup>th</sup> of the following month if that date is on a Friday; otherwise the release date will be the nearest Friday before the 5<sup>th</sup>. As noted below, the release time and release dates may differ from this schedule due to the timing of some holidays. Due to the Independence Day Federal holiday on July 3<sup>rd</sup>, the release date and time for the June Class and Component Prices is Thursday, July 2 at 2:00 p.m. EDST. Due to the Federal holiday on January 1, 2010, the release date and time for the December Class and Component Prices is Thursday, December 31, 2009, at 2:00 p.m. EST.

Month to Which Prices Apply	Advanced Prices and Pricing Factors		Class and Component Prices	
	Release Date	Time Period of NASS Prices <u>1/</u>	Release Date	Time Period of NASS Prices <u>1/</u>
January	Dec. 19, 2008	12/6, 13	Jan. 30, 2009	1/3, 10, 17, 24
February	Jan. 23, 2009	1/10, 17	Feb. 27	1/31, 2/7, 14, 21
March	Feb. 20	2/7, 14	Apr. 3	2/28, 3/7, 14, 21, 28
April	Mar. 20	3/7, 14	May 1	4/4, 11, 18, 25
May	Apr. 17	4/4, 11	Jun. 5	5/2, 9, 16, 23, 30
June	May 22	5/9, 16	Jul. 2	6/6, 13, 20, 27
July	Jun. 19	6/6, 13	Jul. 31	7/4, 11, 18, 25
August	Jul. 17	7/4, 11	Sep. 4	8/1, 8, 15, 22, 29
September	Aug. 21	8/8, 15	Oct. 2	9/5, 12, 19, 26
October	Sept. 18	9/5, 12	Oct. 30	10/3, 10, 17, 24
November	Oct. 23	10/10, 17	Dec. 4	10/31, 11/7, 14, 21, 28
December	Nov. 20	11/7, 14	Dec. 31	12/5, 12, 19, 26

1/ Weekly sales periods, ending on the indicated date, that are included in the applicable average. Information for the week usually is released by NASS on Friday of the following week.

### Weighted Averages - Butterfat, Protein, Other Solids, Somatic Cell Count by State

#### Federal Order No. 33

State	October 2008						October 2007				
	Number of Producers	Pounds of Milk (000)	-----Weighted Averages-----				Pounds of Milk (000)	-----Weighted Averages-----			
			Butterfat	Protein	Other Solids	SCC (000)		Butterfat	Protein	Other Solids	SCC (000)
Michigan	1,932	511,615	3.69	3.09	5.70	223	502,587	3.63	3.08	5.71	258
Ohio	2,190	267,571	3.82	3.14	5.66	261	310,364	3.75	3.13	5.67	297
New York	363	132,645	3.75	3.09	5.69	252	61,642	3.67	3.09	5.74	237
Indiana	1,137	130,275	3.81	3.12	5.66	275	124,697	3.73	3.12	5.68	310
Pennsylvania	1,147	104,056	3.88	3.16	5.64	325	110,322	3.77	3.13	5.66	346
Wisconsin	377	29,748	3.76	3.07	5.77	241	137,649	3.74	3.04	5.73	272
West Virginia	63	4,975	3.96	3.28	5.63	350	5,549	3.99	3.28	5.66	314
Illinois	36	1,746	3.72	3.11	5.66	342	12,508	3.71	3.01	5.72	285
Other	85	4,544	3.86	3.17	5.66	290	11,116	3.75	3.11	5.69	324
Total/Average *	7,330	1,187,176	3.76	3.11	5.68	251	1,276,435	3.70	3.10	5.70	282

\* 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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- Mailbox Prices
- Producer Price Differential Statistics
- Milk Production Statistics

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**FEDERAL ORDER DATA  
 NOVEMBER 2008**

<u>Marketing Area</u> <sup>1/</sup>		<u>Producer Milk</u> <u>Total</u> <i>(000)</i>	<u>Class I</u> <u>Class I</u> <i>(000)</i>	<u>Class I</u> <u>Percent</u> %	<u>Producer</u> <u>Price Differential</u> <i>(per cwt.)</i>	<u>Statistical</u> <u>Uniform Price</u> <i>(per cwt.)</i>
FO 1	Northeast - <i>(Boston)</i>	1,869,782	846,844	45.3	\$1.58	\$17.09
FO 5	Appalachian - <i>(Charlotte)</i>	487,528	332,721	68.3	<sup>2/</sup>	18.75
FO 6	Florida - <i>(Tampa)</i>	250,742	210,122	83.8	<sup>2/</sup>	21.25
FO 7	Southeast - <i>(Atlanta)</i>	561,045	381,264	68.0	<sup>2/</sup>	19.21
FO 30	Upper Midwest - <i>(Chicago)</i>	2,625,360	365,086	13.9	0.34	15.85
FO 32	Central - <i>(Kansas City)</i>	1,074,902	347,303	32.3	0.10	15.61
<b>FO 33</b>	<b>Mideast - <i>(Cleveland)</i></b>	<b>1,300,008</b>	<b>551,265</b>	<b>42.4</b>	<b>0.81</b>	<b>16.32</b>
FO 124	Pacific Northwest - <i>(Seattle)</i>	621,206	182,730	29.4	(0.22)	15.29
FO 126	Southwest - <i>(Dallas)</i>	953,746	345,486	36.2	1.38	16.89
FO 131	Arizona - <i>(Phoenix)</i>	336,033	115,521	34.4	<sup>2/</sup>	15.83

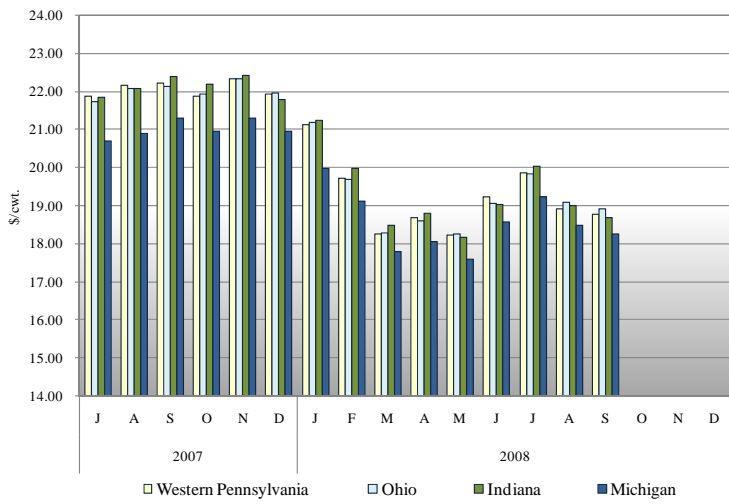
<sup>1/</sup> Names in parentheses are principal points of markets.

<sup>2/</sup> Producers in these markets are paid on the basis of a uniform skim and butterfat price.

**MINIMUM PARTIAL PAYMENT PRICE FOR DECEMBER 2008 .....\$ 12.25 /cwt.**

**MAILBOX MILK PRICES FOR AREAS IN MIDEAST MARKETING AREA\***

**Mailbox Milk Price for Selected Reporting Areas Federal Order 33, 2007-2008**



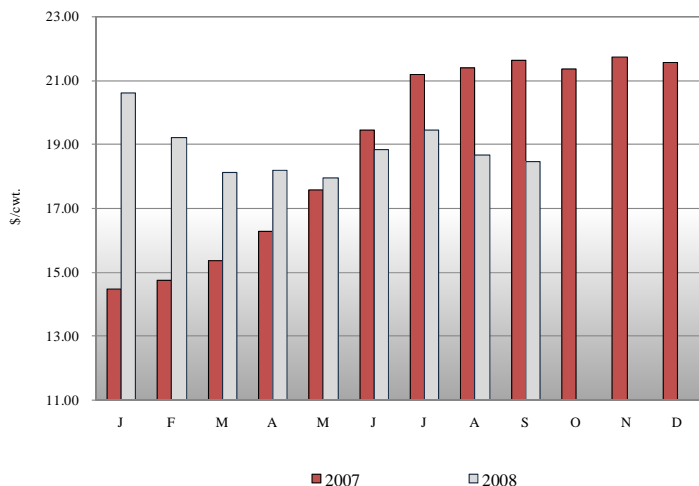
Mailbox price is the net pay price received by dairy farmers for milk. The data includes all payments received for milk sold, and all costs associated with marketing the milk. The mailbox price is a weighted average for the reporting area at the average butterfat test. Mailbox price does not include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

**Mailbox Milk Price for the Mideast Marketing Area, 2007-2008**



**Mailbox Milk Price for Mideast Marketing Area and All FO Areas, 2007-2008**



The net pay price received by dairy farmers in Federal Order 33 was \$18.45 per hundredweight in September 2008. The September 2008 mailbox price is \$0.22 less than the mailbox price for August 2008. The September 2008 mailbox price is \$3.20 lower than the September 2007 mailbox price.

For September 2008 the net pay price received by dairy farmers in Federal Order 33 was \$0.20 per hundredweight higher than the average mailbox price for all Federal Orders, as reported by Dairy Market News. For September the all Federal Order mailbox price was \$18.25 per hundredweight, \$0.33 less than August 2008.

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

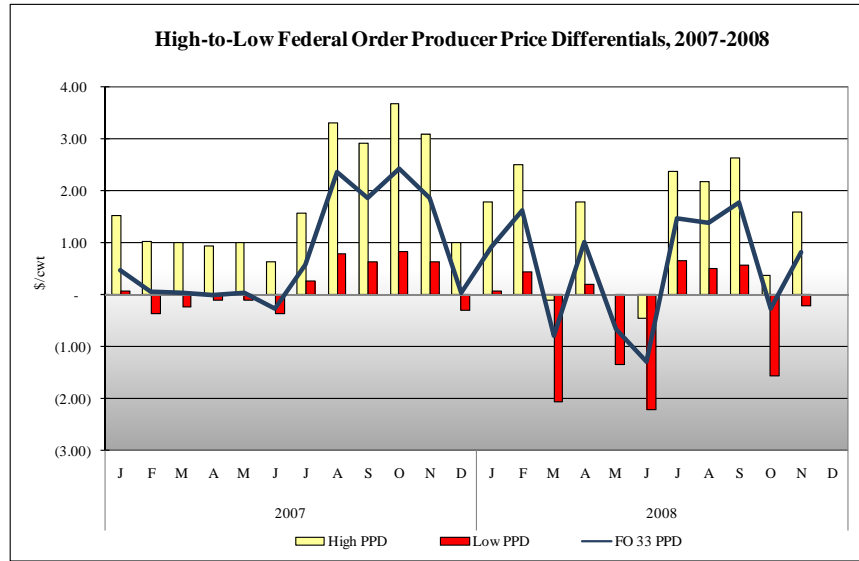
## PRODUCER PRICE DIFFERENTIAL STATISTICS

Producers in Orders 1, 30, 32, 33, 124, and 126 are paid based on component pricing.

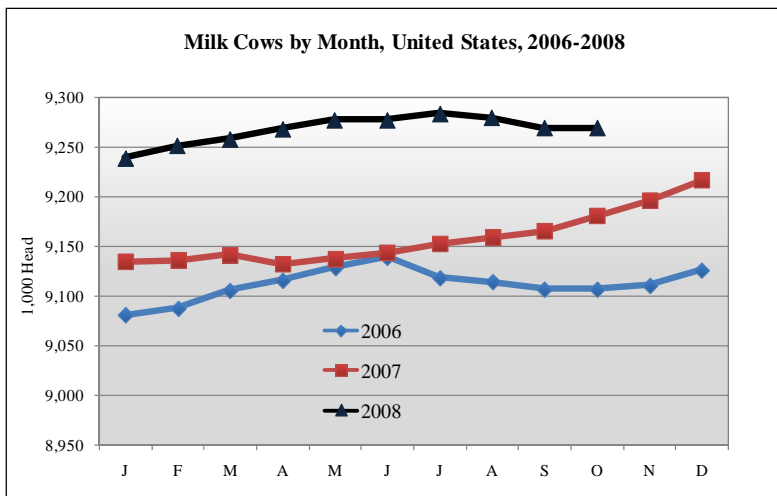
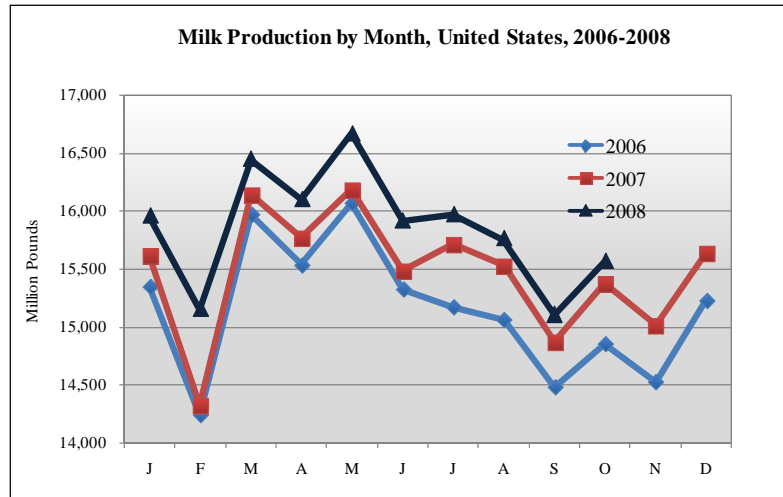
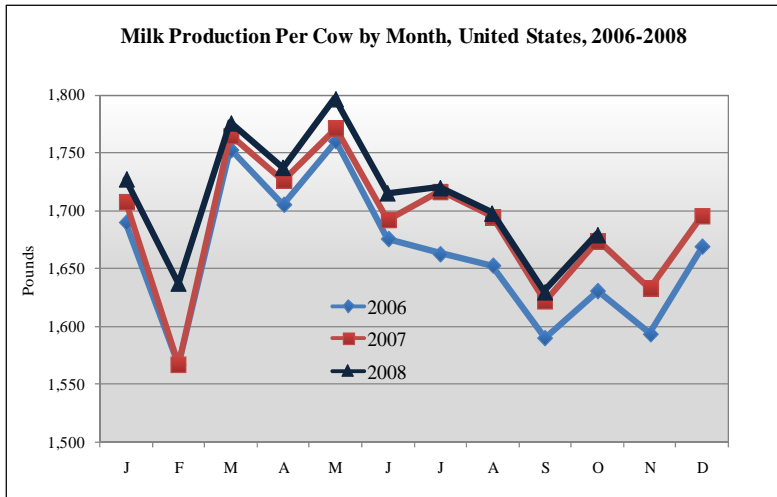
Of those orders, Federal Order 1 traditionally has the highest producer price differential. For November 2008, Federal Order 1 had a PPD of \$1.58 per hundredweight, \$1.20 higher than the October 2008 PPD price in Federal Order 1.

In November 2008 Federal Order 33 had the third highest PPD, behind Orders 1 and 126, at \$0.81 per hundredweight, \$1.07 higher than the October 2008 PPD price.

For November 2008 Federal Order 124 had the lowest PPD at -\$0.22 per hundredweight, \$1.35 higher than the October 2008 PPD price.



## MILK PRODUCTION STATISTICS\*



October 2008 milk production in the United States increased 455 million pounds from September to 15.6 billion pounds. October 2008 Milk Production in the United States was up 1.2 percent from October 2007.

Production per cow in the United States averaged 1,679 pounds for October 2008, up 3.01 percent from September 2008. October 2008 production per cow estimates are 0.30 percent higher than October 2007.

The number of milk cows on farms in the United States was 9.27 million head for October 2008, in line with September estimates and 88,000 head more than October 2007.

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