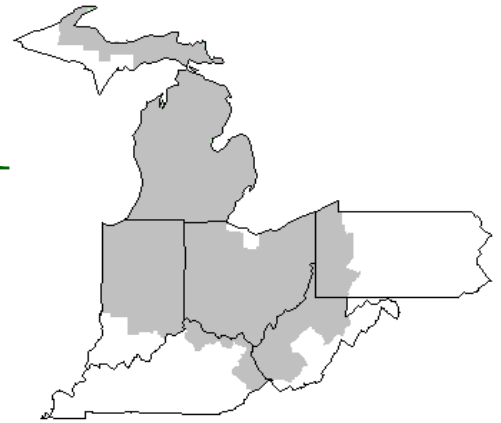


Mideast Market Administrator's Bulletin



Federal Order No. 33

David Z. Walker, Market Administrator

Phone: (330) 225-4758 Toll Free: (888) 751-3220

Email: clevelandma1@sprynet.com

WebPage: www.fmmaclev.com

January 2009

USDA Announces Recommended Decision to Amend the Mideast Milk Order

The U. S. Department of Agriculture announced a recommended decision to adopt amendments to the Class I price surface of the Mideast milk marketing order. This decision is based on testimony and evidence given at a public hearing held in Cincinnati, Ohio, on August 19 - 20, 2008.

This decision recommends adoption of amendments that would adjust the Class I pricing surface in certain counties within the geographical marketing area of the Mideast order. Interested persons have until March 16, 2009 to file comments in response to his decision. You may send your comments via the Federal e-Rulemaking portal at <http://www.regulations.gov>.

The recommended decision was published in the January 14th *Federal Register*. A copy of the recommended decision can be found on the website at www.fmmaclev.com/hearings.htm. For additional information about the decision contact this office.

2008 Market Summary

Producer milk receipts pooled totaled 15.7 billion pounds on the Mideast Order during 2008, a decrease of 560.6 million pounds, or 3.4 percent from 2007. During 2008, there were over 858 million pounds of milk voluntarily depooled. Monthly producer receipts ranged from a high of 1.47 billion pounds in January to a low of 1.19 billion pounds in October.

The number of producers pooled on the Mideast Order in 2008 averaged 7,476 per month, down 4.7 percent from a year earlier. Producer milk averaged 3.70 percent butterfat in 2008, ranging from a low of 3.54 percent in July to a high of 3.86 percent in December. The protein test averaged 3.06 percent for 2008. Protein tests ranged from a low of 2.94 percent in July, to a high of 3.15 percent in November and December. Other solids tests for producer milk averaged 5.70 percent for the year.

For the year, 41.9 percent of producer milk was utilized as Class I; 18.9 percent in Class II; 30.4 percent in Class III; and 8.8 percent in Class IV. The Class I utilization percentage had a low of 36.4 percent in July and a high of 50.7 percent in October. Class I milk totaled 6.6 billion pounds during 2008, up 0.3 percent from 2007. Class II milk totaled 3.0 billion pounds in 2008, an increase of 2.8 percent from 2007. Class III pooled pounds were 4.8 billion pounds in 2008, a decrease of 16.2 % from 2008. Class IV milk totaled 1.4 billion pounds in 2008, an increase of 24.1 percent from 2007.

The Class I price averaged \$20.00 for the year, a decrease of \$0.14 from 2007. The Class I price had a high of \$22.97 in January 2008 and a low of \$17.43 in December. The Class II price averaged \$16.24, a decrease of \$2.12 from the prior year. It ranged from a high of \$19.75 in

January to a low of \$11.21 in December. The Class III price averaged \$17.44, a decrease of \$0.60 from 2007. The class III price ranged from a high of \$20.25 in June, to a low of \$15.28 in December. The Class IV price averaged \$14.65 for the year, a decrease of \$3.71 from a year ago. It was highest in August at \$16.64 and was lowest in December at \$10.35.

The Statistical Uniform Price averaged \$17.86 for 2008 compared to \$18.83 in 2007. The Producer Butterfat Price averaged \$1.5668 per pound in 2008. This was an increase of \$0.0976 from 2007. The butterfat price was highest in October at \$1.8507 per pound and was lowest in December at \$1.2998 per pound. The Protein Price averaged \$3.8898 per pound in 2008. This was an increase of \$0.3777 from the previous year. The protein price was highest in June at \$4.7193 per pound and was lowest in November at \$3.1301 per pound. Other Solids Price averaged \$ 0.0555 per pound, \$0.3646 lower than the 2007 average. The Producer Price Differential (PPD) averaged \$0.43 cwt. in the year 2008 producing a high in September of \$1.77 and a low of \$(1.29) in June.

Milk Income Loss Contract Program Signup Began December 22

USDA's Farm Service Agency (FSA) announced that signup for the Milk Income Loss Contract Program (MILC) began December 22 and will continue through the program's expiration date, September 30, 2012.

The 2008 Farm Bill reauthorizes the MILC Program, which operates similarly to the counter-cyclical payment program for crops, and makes three key changes in program operation. Under the 2008 Act, the MILC

(Continued on Page 3)

December 2008 Pool Summary

Classification of Producer Milk

	Pounds	Percent
Class I	586,566,010	47.9
Class II	223,885,752	18.3
Class III	316,194,816	25.8
Class IV	98,709,684	8.0
Total	1,225,356,262	100.0

Producer Prices

Producer Price Differential	\$ (0.86) /cwt
Butterfat Price	1.2998 /lb
Protein Price	3.6390 /lb
Other Solids Price	(0.0269) /lb
Somatic Cell Adjustment Rate	0.00088 /cwt
Statistical Uniform Price	14.42 /cwt

ANNOUNCEMENT OF PRODUCER PRICES

Federal Order No. 33

DECEMBER 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			575,623,913			\$ 11.49 / cwt	\$ 66,139,187.59
Class I Butterfat		10,942,097				1.8125 / lb	19,832,550.87
Class I Location Differential	586,566,010						(272,121.84)
Class II SNF Value				19,309,388		0.7644 / lb	14,760,096.22
Class II Butterfat		13,669,000				1.3068 / lb	17,862,649.19
Class III Protein Value			9,932,123			3.6390 / lb	36,142,995.62
Class III Other Solids Value					17,909,094	(0.0269) / lb	(481,754.62)
Class III Butterfat		13,364,219				1.2998 / lb	17,370,811.87
Class IV SNF Value				8,201,131		0.6680 / lb	5,478,355.53
Class IV Butterfat		9,279,342				1.2998 / lb	12,061,288.74
Somatic Cell Value II / III / IV							<u>691,851.08</u>
TOTAL PRODUCER MILK VALUE	1,225,356,262	47,254,658	38,602,399		69,639,449		\$189,585,910.25
Overages						\$ 77,937.04	
Beginning Inventory and Other Source Charges						\$244,986.94	
TOTAL ADJUSTMENTS							\$ 322,923.98
TOTAL HANDLER OBLIGATIONS							\$ 189,908,834.23
Total Protein Value			38,602,399 lbs	@	\$3.6390		\$ (140,474,129.99)
Total Other Solids Value			69,639,449 lbs	@	(0.0269)		1,873,301.17
Butterfat Value			47,254,658 lbs	@	1.2998		(61,421,604.51)
Total Somatic Cell Values							<u>(1,285,021.85)</u>
TOTALS							\$ (11,398,620.95)
Net Producer Location Adjustments							\$ 525,250.56
1/2 Unobligated Balance Producer Settlement Fund							<u>879,000.00</u>
Total - Divided by Total Pounds			1,225,356,262 lbs		(0.8156298)		\$ (9,994,370.39)
Rate of Cash Reserve					(0.0443702)		<u>(543,693.02)</u>
PRODUCER PRICE DIFFERENTIAL at Cuyahoga County, OH*			1,225,356,262		\$ (0.86) /cwt		\$ (10,538,063.41)

COMPONENT PRICES**COMPUTATION OF UNIFORM PRICE**

	<u>December</u>			<u>December</u>	
	<u>2008</u>	<u>2007</u>		<u>2008</u>	<u>2007</u>
Butterfat Price	\$1.2998 / lb	\$1.4348 / lb	Class III Price - 3.5% BF	\$15.28	\$20.60
Protein Price	3.6390 / lb	4.7061 / lb	Producer Price Differential*	<u>(0.86)</u>	<u>0.04</u>
Other Solids Price	(0.0269) / lb	0.2637 / lb	Statistical Uniform Price	\$14.42	\$20.64
Somatic Cell Adjustment Rate	0.00088 / cwt	0.00105 / cwt			
Nonfat Solids Price	0.6680 / lb	1.6296 / lb			

CLASS PRICES**CLASSIFICATION OF PRODUCER MILK**

	<u>December</u>			<u>December</u>	
	<u>2008</u>	<u>2007</u>		<u>2008</u>	<u>2007</u>
Class I*	\$17.43	\$22.04	Class I	586,566,010	555,701,709
Class II	11.21	20.82	Class II	223,885,752	198,283,951
Class III	15.28	20.60	Class III	316,194,816	491,995,573
Class IV	10.35	19.18	Class IV	<u>98,709,684</u>	<u>129,442,350</u>
			Total	1,225,356,262	1,375,423,583

* Subject to Location Adjustment.

ORDER 33 MARKET SUMMARY

The Producer Price Differential for the Mideast Marketing Area for December 2008 was \$(0.86) and the Statistical Uniform Price was \$14.42 for the month. The Statistical Uniform Price is \$1.90 lower than last month, and is \$6.22 lower than December 2007.

The Producer Butterfat Price of \$1.2998 per pound decreased 47.32 cents from November 2008 and is down 13.50 cents from a year ago. The Protein Price of \$3.6390 is up 50.89 cents from last month and is down \$1.0671 from December 2007. The Other Solids Price in December was \$(0.0269) per pound, a decrease from last month's price of \$(0.0099) and a decrease of 29.06 cents from last December. The Somatic Cell Adjustment rate for December was \$0.00088.

December producer receipts of 1.23 billion pounds were 5.7 percent lower than November 2008 and 10.9 percent lower than December 2007 production of 1.38 billion pounds. Producer milk allocated to Class I accounted for 47.9 percent of the total producer milk in December 2008, more than the 42.4 percent in November 2008 and more than the 40.4 percent in December 2007. A total of 7,325 producers were pooled on the Mideast Order compared to 7,933 producers pooled in December 2007.

The market average content of producer milk was as follows: Butterfat 3.86%; Protein 3.15%; Other Solids 5.68% and Nonfat Solids 8.83%.

(Continued from Front Page)

payment rate and the per-operation poundage limit are modified, depending on when the milk is produced. In addition, a "feed cost adjuster," is introduced over the life of the 2008 Act, which adjusts the \$16.94 per hundredweight (cwt.) benchmark price upward depending on the cost of feed rations. When available, MILC payments are based on a payment rate percentage that is multiplied by the difference between a now-flexible target (\$16.94 per cwt. or higher) and the specific month's Boston Class I price of milk.

USDA's Commodity Credit Corporation (CCC) issues MILC payments on an operation-by-operation basis up to a maximum of 2.4 million pounds of milk produced and marketed (about 120 cows) from October 1, 2007, through September 30, 2008. The production limit per operation increases to 2.985 million pounds (about 145 cows) for each fiscal year from October 1, 2008, through August 31, 2012. The production limitation reverts back to the original limit of 2.4 million pounds per fiscal year in September 2012.

The 2008 Act adjusts the trigger price of \$16.94 cwt., depending on the extent to which feed costs increase. The feed cost adjustment takes effect when the monthly National Average Dairy Feed Ration Cost (calculated from the "entire month" prices published by the National Agricultural Statistics Service) is greater than \$7.35 per cwt. beginning January 1, 2008, through August 31, 2012. Calculations from January 1, 2008, through August 31, 2012, will be made at 45 percent of the percentage that the National Average Dairy Feed Ration Cost exceeds \$7.35 per cwt.

Beginning with Fiscal Year 2009 marketings, which started October 1, 2008, the 2008 Act made changes to the provisions for payment eligibility to add an adjusted gross income (AGI) limit. If the individual or entity has annual non-farm AGI for the relevant base period greater than \$500,000, the individual or entity is not eligible for MILC benefits. The base period will be set pursuant to AGI regulations yet to be issued. That rule will also define what is considered to be non-farm income.

Eligible dairy producers are those who commercially produce milk in the United States. To receive program approval, producers must enter into a MILC contract with CCC and provide monthly milk marketing data. Dairy producers can apply for MILC at local FSA offices.

All payments in the program are subject to limits in the contract, regulations, and to changes in statutory provisions for payment. More information on MILC is available at local FSA offices.

November Milk Production Up 1.4 Percent

Milk production in the 23 major States during November totaled 14.0 billion pounds, up 1.4 percent from November 2007. October revised production at 14.4 billion pounds, was up 1.6 percent from October 2007. The October revision represented an increase of 16 million pounds or 0.1 percent from last month's preliminary production estimate.

Production per cow in the 23 major States averaged 1,657 pounds for November, 3 pounds above November 2007. The number of milk cows on farms in the 23 major States was 8.47 million head, 99,000 head more than November 2007, and 6,000 head more than October 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 November totaled 2.1 billion pounds, down 53 million pounds or 2.4 percent from November 2007.

Production per cow in the Mideast states averaged 1,574 pounds for November, 47 pounds below November 2007. The number of cows on farms in the Mideast states was 1.3 million head, 9,000 head more than November 2007.

USDA Terminates Proceedings on Class I and II Milk Prices

The U. S. Department of Agriculture announced that it will terminate a proceeding on proposed amendments to modify the formulas used to determine Class I and Class II prices in all Federal milk marketing orders.

In response to a proposal by the National Milk Producers Federation to reconsider formulas for Class I and Class II milk, USDA held a hearing December 11-15, 2006, in Pittsburgh, Pennsylvania. USDA is terminating the proceeding because the evidence presented at the hearing was neither compelling nor provided a basis to make a reasoned decision for recommending adoption or denial of the proposal.

The termination notice was published in the December 24, 2008 *Federal Register*. The termination notice and hearing record is available on the Agricultural Marketing Service Dairy Programs website at <http://www.ams.usda.gov/dairy>. Producers and processors with questions about the termination should contact this office.

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

State	November 2008						November 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	1,923	539,696	3.75	3.14	6.07	233	490,990	3.74	3.15	5.71	237
Ohio	2,205	315,490	3.90	3.18	5.67	243	302,182	3.88	3.20	5.68	269
Indiana	1,133	132,650	3.89	3.16	5.67	253	125,910	3.84	3.18	5.69	277
New York	363	128,317	3.78	3.12	5.68	225	73,691	3.77	3.14	5.75	219
Pennsylvania	1,157	101,592	3.95	3.19	5.65	304	106,227	3.92	3.19	5.67	318
Wisconsin	348	62,048	3.82	3.10	5.77	233	133,772	3.84	3.12	5.73	245
Illinois	36	7,719	3.76	3.10	5.75	241	12,295	3.80	3.10	5.72	243
West Virginia	64	5,201	4.08	3.33	5.65	329	5,344	4.16	3.36	5.66	293
Other	85	7,492	3.82	3.16	5.72	251	10,942	3.85	3.16	5.69	290
Total/Average *	7,314	1,300,207	3.83	3.15	5.84	243	1,261,353	3.82	3.16	5.70	256

* 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.



PRSR STD
 U.S. POSTAGE
 PAID
 Cleveland, Ohio
 Permit No. 2511

Mideast Market Administrator Bulletin
 1325 Industrial Parkway North
 P.O. Box 5102
 Brunswick, Ohio 44212

POSTMASTER: Time Sensitive Material - Deliver Promptly

Bulletin Webpage Edition
 www.fmmaclev.com

Featured this month are:

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

The U.S. Department of Agriculture (USDA) prohibits discrimination in all its programs and activities on the basis of race, color, national origin, age, disability, and where applicable, sex, marital status, familial status, parental status, religion, sexual orientation, genetic information, political beliefs, reprisal, or because all or part of an individual's income is derived from any public assistance program (Not all prohibited bases apply to all programs.) Persons with disabilities who require alternative means for communication of program information (Braille, large print, audiotape, etc.) should contact USDA's TARGET Center at (202) 720-2600 (voice and TDD).

To file a complaint of discrimination, write to USDA, Director, Office of Civil Rights, 1400 Independence Avenue, S.W., Washington, D.C. 20250-9410, or call (800) 795-3272 (voice) or (202) 720-6382 (TDD). USDA is an equal opportunity provider and employer.

**FEDERAL ORDER DATA
 DECEMBER 2008**

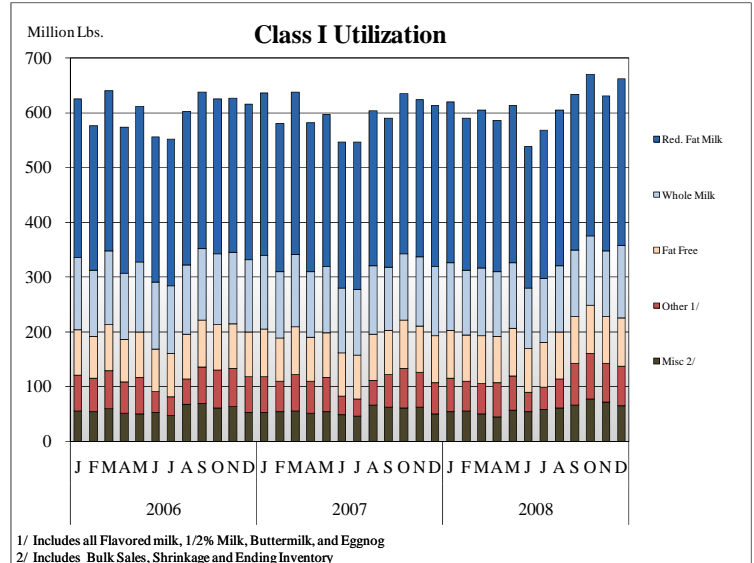
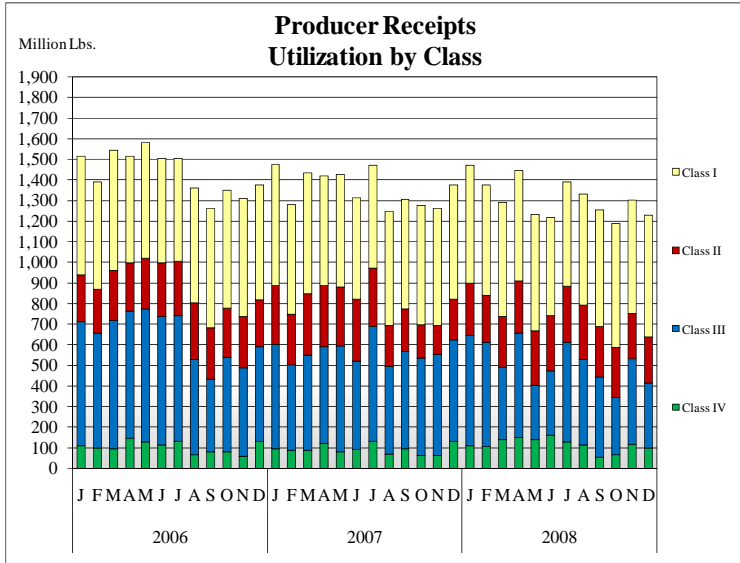
Marketing Area ^{1/}	Producer Milk		Class I	Producer	Statistical
	Total (000)	Class I (000)	Percent %	Price Differential (per cwt.)	Uniform Price (per cwt.)
FO 1 Northeast - (Boston)	1,976,927	914,673	46.3		\$15.06
FO 5 Appalachian - (Charlotte)	522,732	361,684	69.2	^{2/}	16.23
FO 6 Florida - (Tampa)	264,689	223,609	84.5	^{2/}	18.88
FO 7 Southeast - (Atlanta)	606,466	404,358	66.7	^{2/}	16.85
FO 30 Upper Midwest - (Chicago)	2,318,080	393,612	17.0	(0.24)	15.04
FO 32 Central - (Kansas City)	928,617	376,208	40.5	(1.65)	13.63
FO 33 Mideast - (Cleveland)	1,225,356	586,566	47.9	(0.86)	14.42
FO 124 Pacific Northwest - (Seattle)	472,745	203,709	43.1	(2.28)	13.00
FO 126 Southwest - (Dallas)	603,946	366,997	60.8	(0.53)	14.75
FO 131 Arizona - (Phoenix)	358,518	120,644	33.7	^{2/}	13.97

^{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 JANUARY 2009\$ 10.35 /cwt.

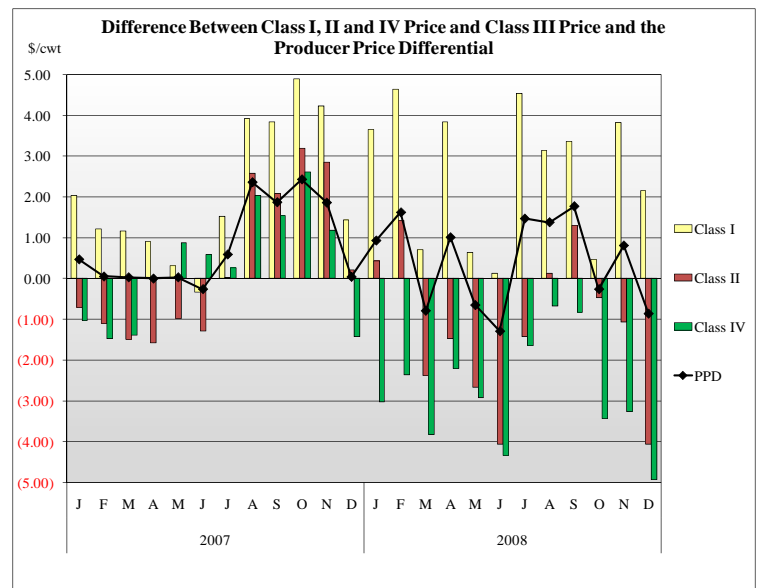
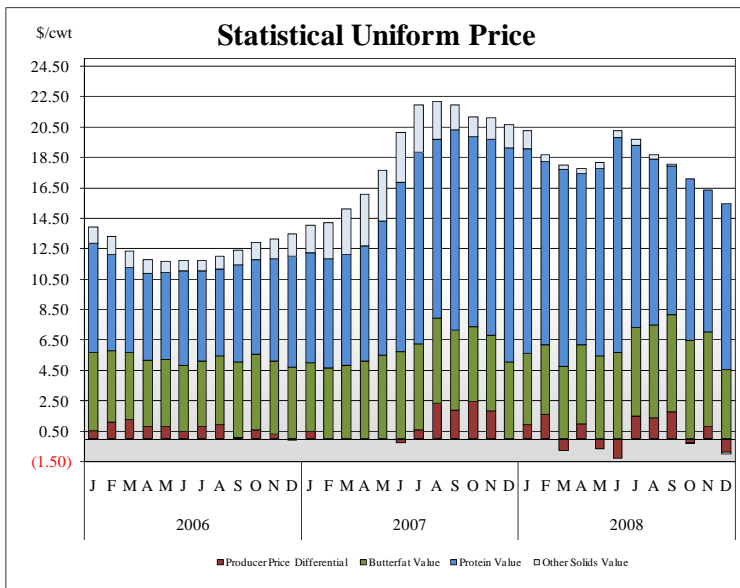
PRODUCER MILK CLASSIFICATION



Producer Receipts: Producer receipts for the Mideast Order totaled 1.23 billion pounds in December 2008. The pounds allocated to Class I represented 47.9 percent of the total pounds. These totals represent a 150 million pound decrease in producer milk and a 7.5 percent increase in Class I utilization from December 2007.

Class I Pounds: Class I utilization for the Mideast Order totaled 587 million pounds in December 2008. Finished products include 132 million pounds used for whole milk, 246 million pounds of reduced fat milk, and 88 million pounds of fat free (skim) milk.

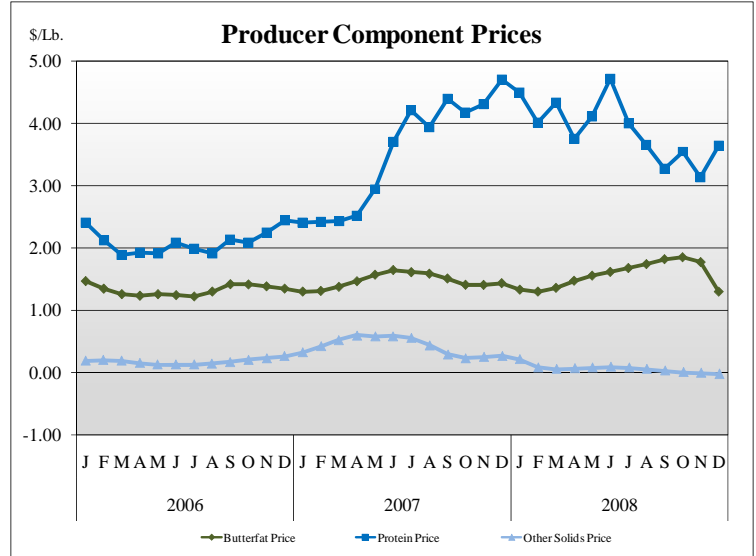
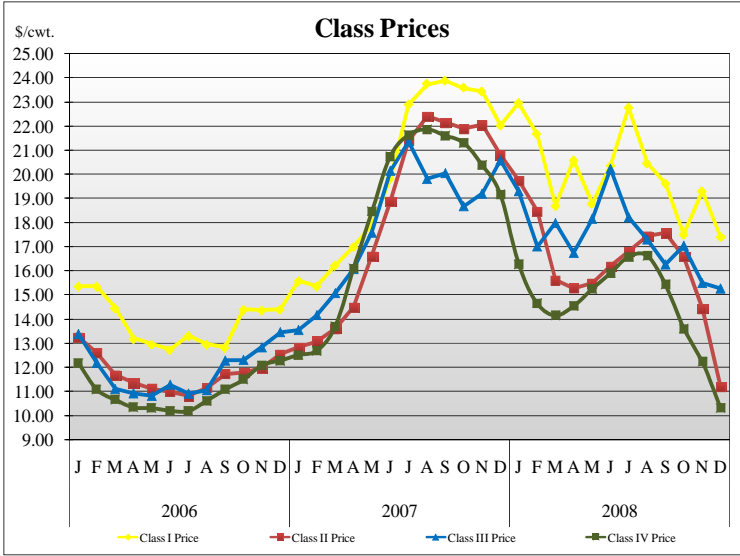
STATISTICAL UNIFORM PRICE



Statistical Uniform Price: The Mideast Federal Order Statistical Uniform Price (SUP) at Cuyahoga County, OH was \$14.42 per cwt for December 2008. The December 2008 SUP was \$1.90 per cwt less than the November 2008 SUP. The December 2008 SUP is 30.1 percent lower than the December 2007 SUP.

This graph details the relationship between the class prices and the producer price differential. Each bar represents the difference between the Class I, II or IV price relative to the Class III price. Note that negative PPDs traditionally occur when multiple Class prices fall significantly below the Class III price.

CLASS AND COMPONENT PRICES



WEIGHTED AVERAGE NASS PRICES

