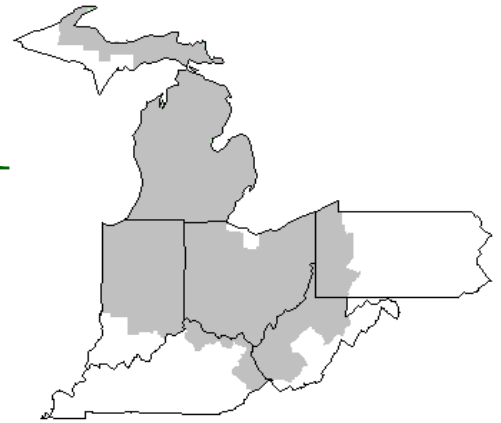


Mideast Market Administrator's Bulletin



Federal Order No. 33

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February 2010

The Dairy Outlook

USDA projects 2009/10 corn and soybean meal prices at \$3.40 to \$3.85 a bushel and \$265 to \$315 per ton, respectively. The moderation in forecast feed prices compared with the last 2 years helps boost the milk/feed price ratio and the profit outlook for U.S. dairy producers in the near future. The U.S. dairy herd continues a moderate contraction that is likely to continue throughout 2010. Herd size is forecast to average just below 9 million head this year, down from 9.2 million in 2009. Lower expected feed prices should help boost production per cow that is expected to increase by a relatively robust 1.9 percent this year. The milk-feed price ratio is not expected to reach 2.5, a range that typically signals a steady state in dairy cow numbers, until the end of 2010. While the worst of the economic contraction is over, many producers are not in a financial position to consider herd expansion at this time. After a year of culling, the lower average age of the dairy herd should also help boost output per cow, since it is younger, more productive cows that will remain. USDA projects 2010 milk production at 188.4 billion pounds, which would represent a further decline from the 2009 lower production.

Cheese prices are expected to strengthen throughout 2010 as economic recovery proceeds and milk supplies tighten. Cheese prices are expected to average \$1.570 to \$1.650 per pound in 2010, a rise from the \$1.2966 per pound average posted for 2009. USDA's December *Cold Storage* report for November 30, 2009 placed total cheese stocks at the end of November at 961,376 million pounds, 117 percent of year-earlier levels. Butter prices, like cheese prices, are expected to rise through 2010 and are forecast to average \$1.390 to \$1.500 per pound, well above the \$1.2096 average price for 2009. Butter stocks were 142,175 million pounds, 119 percent of November 2008's level. Lower expected milk production in 2010 should reduce both cheese and butter production this year compared with last year, helping to support prices and drawing down stocks.

Exports on a skims basis are forecast to rise to 25.5 million pounds and reach 4.8 billion pounds on a fats basis. Exports of nonfat dry milk (NDM) and skim milk powder (SMP) are expected to rise in 2010 to 660 million pounds, a recovery from 2009, but still below 2008. Cheese and cheese product exports are expected to rise in 2010 to about 245 million pounds, and butter and butter fat exports are expected to climb to 71 million pounds. Continued improvement in exports will be a significant factor in the price outlook, especially for skim milk powders. In addition, domestic use on both a fat and skim-solids basis is expected to rise just over 1 percent in 2010. Higher demand, both foreign and domestic, along with reduced production should tighten milk equivalent stock on both a fat and skim basis by year's end. Year-end stocks are expected to fall to 8.85 billion pounds from 11.1 billion pounds milk equivalent on a fat basis. On a skim basis, ending stocks are projected to tighten to 9.5 billion pounds from 11.0 billion at the end of 2009.

The strengthening in dairy product prices translates into higher prices for milk in all classes in 2010 compared with 2009. The Class IV price is

forecast at \$14.75 to \$15.60, substantially above 2009's average of \$10.89. The Class III price is expected to rise to \$14.75 to \$15.55, up from 2009's \$11.36 average. The all milk price is forecast to average \$16.20 to \$17.00, up from \$12.79 in 2009.

SOURCE: "Livestock, Dairy, and Poultry Outlook", LDP-M-187, January 20, 2010, Economic Research Service, USDA. For more information, contact Roger Hoskin, (202) 694-5148.

December Milk Production Down 0.8 Percent

Milk production in the 23 major States during December totaled 14.6 billion pounds, down 0.8 percent from December 2008. November revised production at 14.0 billion pounds, was down 0.8 percent from November 2008. The November revision represented an increase of 24 million pounds or 0.2 percent from last month's preliminary estimate.

Production per cow in the 23 major States averaged 1,758 pounds for December, 29 pounds above December 2008. The number of milk cows on farms in the 23 major States was 8.31 million head, 206,000 head less than December 2008, and unchanged from November 2009.

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 2.2 billion pounds, up 32 million pounds or 1.4 percent from December 2008.

Production per cow in the Mideast states averaged 1,681 pounds for December, 34 pounds above December 2008. The number of cows on farms in the Mideast states was 1.3 million head, 12,000 head less than December 2008.

January 2010 Pool Summary

Classification of Producer Milk

	Pounds	Percent
Class I	585,181,985	41.3
Class II	253,129,698	17.9
Class III	469,350,114	33.2
Class IV	108,137,702	7.6
Total	1,415,799,499	100.0

Producer Prices

Producer Price Differential	\$ 0.80 /cwt
Butterfat Price	1.4405 /lb
Protein Price	2.7916 /lb
Other Solids Price	0.1946 /lb
Somatic Cell Adjustment Rate	0.00077 /cwt
Statistical Uniform Price	15.30 /cwt

ANNOUNCEMENT OF PRODUCER PRICES

Federal Order No. 33

January 2010

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			574,918,855			\$ 11.82 / cwt	\$ 67,955,408.64
Class I Butterfat		10,263,130				1.6074 / lb	16,496,955.17
Class I Location Differential	585,181,985						(277,289.92)
Class II SNF Value				21,944,752		1.1689 / lb	25,651,220.62
Class II Butterfat		13,567,193				1.4475 / lb	19,638,511.93
Class III Protein Value			14,623,385			2.7916 / lb	40,822,641.58
Class III Other Solids Value					26,762,425	0.1946 / lb	5,207,967.89
Class III Butterfat		17,988,634				1.4405 / lb	25,912,627.29
Class IV SNF Value				8,850,225		1.0148 / lb	8,981,208.35
Class IV Butterfat		11,511,398				1.4405 / lb	16,582,168.83
Somatic Cell Value II / III / IV							<u>854,604.19</u>
TOTAL PRODUCER MILK VALUE	1,415,799,499	53,330,355	44,127,080		80,720,607		\$227,826,024.57
Overages						\$ 10,591.17	
Beginning Inventory and Other Source Charges						\$ 6,573.06	
TOTAL ADJUSTMENTS							<u>\$ 17,164.23</u>
TOTAL HANDLER OBLIGATIONS							<u>\$ 227,843,188.80</u>
Total Protein Value			44,127,080 lbs	@	\$ 2.7916		\$(123,185,156.50)
Total Other Solids Value			80,720,607 lbs	@	0.1946		(15,708,230.13)
Butterfat Value			53,330,355 lbs	@	1.4405		(76,822,376.38)
Total Somatic Cell Values							<u>(1,436,844.29)</u>
TOTALS							\$ 10,690,581.50
Net Producer Location Adjustments							\$ 713,285.39
1/2 Unobligated Balance Producer Settlement Fund							<u>621,000.00</u>
Total - Divided by Total Pounds			1,415,799,499 lbs		0.8493340		\$ 12,024,866.89
Rate of Cash Reserve					<u>(0.0493340)</u>		<u>(698,470.52)</u>
PRODUCER PRICE DIFFERENTIAL at Cuyahoga County, OH*			1,415,799,499		\$ 0.80 /cwt		\$ 11,326,396.37

COMPONENT PRICES**COMPUTATION OF UNIFORM PRICE**

	January	
	<u>2010</u>	<u>2009</u>
Butterfat Price	\$1.4405 / lb	\$1.1084 / lb
Protein Price	2.7916 / lb	2.3638 / lb
Other Solids Price	0.1946 / lb	(0.0304) / lb
Somatic Cell Adjustment Rate	0.00077 / cwt	0.00065 / cwt
Nonfat Solids Price	1.0148 / lb	0.6574 / lb

	January	
	<u>2010</u>	<u>2009</u>
Class III Price - 3.5% BF	\$ 14.50	\$10.78
Producer Price Differential*	<u>0.80</u>	<u>2.44</u>
Statistical Uniform Price	\$15.30	\$13.22

CLASS PRICES**CLASSIFICATION OF PRODUCER MILK**

	January	
	<u>2010</u>	<u>2009</u>
Class I*	\$17.03	\$17.74
Class II	15.22	10.41
Class III	14.50	10.78
Class IV	13.85	9.59

	January	
	<u>2010</u>	<u>2009</u>
	<i>Product lbs.</i>	<i>Product lbs.</i>
Class I	585,181,985	591,435,516
Class II	253,129,698	246,511,171
Class III	469,350,114	442,499,680
Class IV	<u>108,137,702</u>	<u>111,617,041</u>
Total	1,415,799,499	1,392,063,408

* Subject to Location Adjustment.

ORDER 33 MARKET SUMMARY

The Producer Price Differential for the Mideast Marketing Area for February 2010 was \$.80 and the Statistical Uniform Price was \$15.30 for the month. The Statistical Uniform Price is \$0.18 higher than last month, and is \$2.08 higher than January 2009.

The Producer Butterfat Price of \$1.4405 per pound decreased 10.28 cents from December and is up 33.21 cents from a year ago. The Protein Price of \$2.7916 is down \$0.0835 from last month and is up \$0.4278 from January 2009. The Other Solids Price in January was \$0.1946 per pound, an increase from last month's price of \$0.1727 and an increase of 22.50 cents from last January. The Somatic Cell Adjustment rate for January was \$0.00077.

January producer receipts of 1.42 billion pounds were 1.8 percent higher than December and 1.7 percent higher than January 2009 production of 1.39 billion pounds. Producer milk allocated to Class I accounted for 41.3 percent of the total producer milk in January 2010, less than the 43.6 percent in December and less than the 42.5 percent in January 2009. A total of 7,171 producers were pooled on the Mideast Order compared to 7,422 producers pooled in January 2009.

The market average content of producer milk was as follows: Butterfat 3.77%; Protein 3.12%; Other Solids 5.70% and Nonfat Solids 8.82%.

International Overview (Dairy Market News)

Milk production throughout Europe remains seasonally low, although more signs of seasonal increases are once again being reported. Winter weather conditions and varying temperatures are being reported throughout Europe, thus the start to the new milk production season is spotty. Traders and handlers of manufactured dairy products indicate that prices are trending lower. Stocks of dairy products are available for current or near term needs. The majority of available stock is still from last season with minimal volumes of new production yet available.

Current skim milk prices are trending lower but still remain above intervention price levels. March 1 is the start of a new intervention year and full restitution would be received for offerings at that time until maximum levels are attained. As far as clearances to intervention, traders and handlers state that prices are still 10% above intervention levels, thus prices will need to trend lower before this possibility might occur. Many continue to question when current intervention stocks might be released into the market. Many feel that initial releases will come as food aid and then are not sure how or when additional offerings might be released.

At the February 4th Dairy Management Committee meeting, no significant dairy adjustments were reported. Oceania milk production continues to decline seasonally. In New Zealand, rainfall has been reported in areas needing moisture, but milk producers and handlers indicate that additional volumes are needed to re-establish good pasture growth. Milk handlers state that milk production projections for the year continue to be adjusted and the recent most estimate is that output will be basically flat with last year, but many indicate that there are still a number of months left to the current season that could swing production volumes one way or the other. In Australia, milk production continues to trail last year comparables.

The official November figures indicated that output was down 6.8% when compared to last November and December projections are that output will continue on a negative path. Preliminary figures are for a 9% decline from last December with a cumulative, 6 months (July – December) year to date figure to be around 6% lower. Milk producers and handlers state that it will take a number of consecutive positive years to regain a portion of what has been lost over the past 6 – 7 years. Traders and handlers state that manufactured dairy product prices are trending lower. Lower prices are not being influenced by supply/demand, but rather lower prices in other international markets.

Although milk volumes are trailing last season, stocks of manufactured dairy products are in close balance to tight. Suppliers indicate that demand for butterfat remains strong and supplies are tight. At the February 2 global/Dairy Trading event, whole milk powder prices averaged \$3,256 per MT ton, down 1.6% from the previous event.

Again, only New Zealand sourced whole milk powder was available. During the next trading event on March 2, skim milk powder will be auctioned for the first time.

Organic Dairy Fluid Overview

Some organic dairy processors are "pleased" with results for the first month of 2010. Sales results for the opening of 2010 are considered better than for the opening of 2009. Organic milk sales from a national perspective are described as "strong" related to expectations by some processors. Sales of organic milk and dairy products are believed to be driven not only by absolute price, but also by the price of non-organic milk and dairy products. A smaller gap is more likely to encourage higher organic dairy sales. The overall national gap is perceived by some organic processors as having narrowed, which helped organic dairy sales. Two factors resulted: (1) consumers who have purchased organic milk and dairy products are more comfortable in continuing to do so; and (2) consumers considering their first purchase of organic milk or dairy products are more likely to decide to buy.

Pressure for space in retail coolers has eased following the end of the holiday season. Holiday placements of products such as eggnog and mixes edged-out some space otherwise available the balance of the year. Although most organic milk above single serving size is sold in half gallons and gallons, more placements of organic milk quarts have appeared in recent weeks.

Additional information is available at: www.ams.usda.gov/LSMarketNews.

Staff Paper Released

Staff paper 10-01 entitled *Analysis of Component Tests for Producer Milk Associated with the Mideast Marketing Area 2008* has been released. This staff paper analyzes the component levels of producer milk associated with the Mideast Marketing Area, Federal Order 33, for 2008. Component levels were analyzed by month, state and producer size.

For 2008, the weighted average butterfat test was 3.70 percent; the weighted average protein test was 3.06 percent; the weighted average other solids test was 5.70 percent; the weighted average SCC level was 259; and the weighted average milk component value was \$18.09 per hundredweight for 2008. This publication can be found on the Mideast website at: www.fmmaclev.com under *Statistical Information*.

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

State	December 2009						December 2008				
	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	1,825	606,534	3.70	3.12	5.73	181	510,557	3.78	3.14	5.70	202
Ohio	2,202	326,767	3.86	3.17	5.70	226	286,255	3.93	3.18	5.67	244
Indiana	1,126	143,797	3.88	3.16	5.71	234	136,589	3.94	3.16	5.67	254
New York	358	138,733	3.72	3.12	5.70	203	131,714	3.79	3.12	5.68	217
Pennsylvania	1,145	104,231	3.90	3.17	5.67	297	104,900	3.97	3.18	5.65	311
Wisconsin	274	53,097	3.68	3.05	5.74	230	39,573	3.83	3.08	5.75	229
West Virginia	60	4,144	4.10	3.30	5.66	291	5,459	4.18	3.30	5.66	347
Illinois	23	1,891	3.93	3.25	5.64	310	2,430	3.91	3.23	5.67	300
Other	109	11,567	3.80	3.16	5.68	216	8,011	3.91	3.13	5.67	236
Total/Average *	7,122	1,390,761	3.78	3.14	5.71	211	1,225,489	3.86	3.15	5.68	230

* 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:

- Total Mideast Milk Marketings by County, 2009
- Increases in Mideast Milk Marketings by County, 2009 vs. 2008
- Decreases in Mideast Milk Marketings by County, 2009 vs. 2008

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FEDERAL ORDER DATA
January 2010

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 - (<i>Boston</i>)	1,959,689	855,324	43.6	\$1.76	\$16.26
FO 5 Appalachian - (<i>Charlotte</i>)	511,854	357,521	69.9	^{2/}	\$17.31
FO 6 Florida - (<i>Tampa</i>)	264,880	226,374	85.5	^{2/}	19.42
FO 7 Southeast - (<i>Atlanta</i>)	596,885	410,072	68.7	^{2/}	17.60
FO 30 Upper Midwest - (<i>Chicago</i>)	2,880,307	373,504	13.0	\$0.26	14.76
FO 32 Central - (<i>Kansas City</i>)	1,145,566	365,846	31.9	0.38	14.88
FO 33 Mideast - (<i>Cleveland</i>)	1,415,799	585,182	41.3	0.80	15.30
FO 124 Pacific Northwest - (<i>Seattle</i>)	685,451	193,020	28.2	0.38	14.88
FO 126 Southwest - (<i>Dallas</i>)	880,982	371,466	42.2	1.60	16.10
FO 131 Arizona - (<i>Phoenix</i>)	356,834	119,111	33.4	^{2/}	15.21

^{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 FEBRUARY 2010\$13.85 /cwt.

**MIDEAST MARKETING AREA
FEDERAL ORDER 33**

**BALANCE SHEET
MARKETING SERVICE FUND**

As of December 31, 2009

ASSETS

Current Assets:

Cash and Bank Deposits	\$657,463.92
Investments	.00
Accounts Receivable - Handlers	159,338.53
Allowance for Uncollectible Accounts	.00
Accounts Receivable - Other	2,253.32
Accrued Interest Receivable	.00

Other Assets:

Prepaid Expenses	\$ 3,429.30
Deposits	.00

Fixed Assets:

Motor Vehicles	\$448,735.44
Accumulated Depreciation	(382,544.93)
Furniture and Equipment	21,019.50
Accumulated Depreciation	(20,377.47)
Laboratory Equipment	935,567.13
Accumulated Depreciation	(920,059.95)
Leasehold Improvements	120,029.69
Accumulated Depreciation	<u>(103,358.99)</u>

Total Assets **\$921,495.49**

LIABILITIES AND OPERATING BALANCE

Current Liabilities:

Accounts Payable - Other	\$.00
Accrued Employee Salaries Payable	.00
Accrued Employee Annual Leave	91,699.08
Payroll Contributions and Withholdings	.00

Operating Balance **\$829,796.41**

Total Liabilities and Operating Balance **\$921,495.49**

**MIDEAST MARKETING AREA
FEDERAL ORDER 33**

**INCOME AND EXPENSE STATEMENT
MARKETING SERVICE FUND**

For the Year Ending December 31, 2009

Income:

Assessments or Deductions	\$1,914,695.18
Late Payment Charges Assessed	.00
Interest Earned	1,515.34
Miscellaneous	<u>37,561.74</u>

Total Income

\$1,953,772.26

Expenses:

Salaries and Services	\$1,205,800.09
Travel	109,738.88
Communications	86,350.83
Employer Payroll Contributions	322,678.85
Insurance	6,089.72
Rent - Buildings and Equipment	98,528.90
Repairs and Maintenance	21,946.41
Supplies	95,658.34
Testing and Weighing	26,283.83
Utilities	12,275.93
Depreciation of Fixed Assets	35,819.98
Conferences and Meetings	.00
Training	9,866.99
Uncollectible Accounts	.00
Miscellaneous	5,879.52
Amortization of Leasehold Improvements	<u>20,004.84</u>

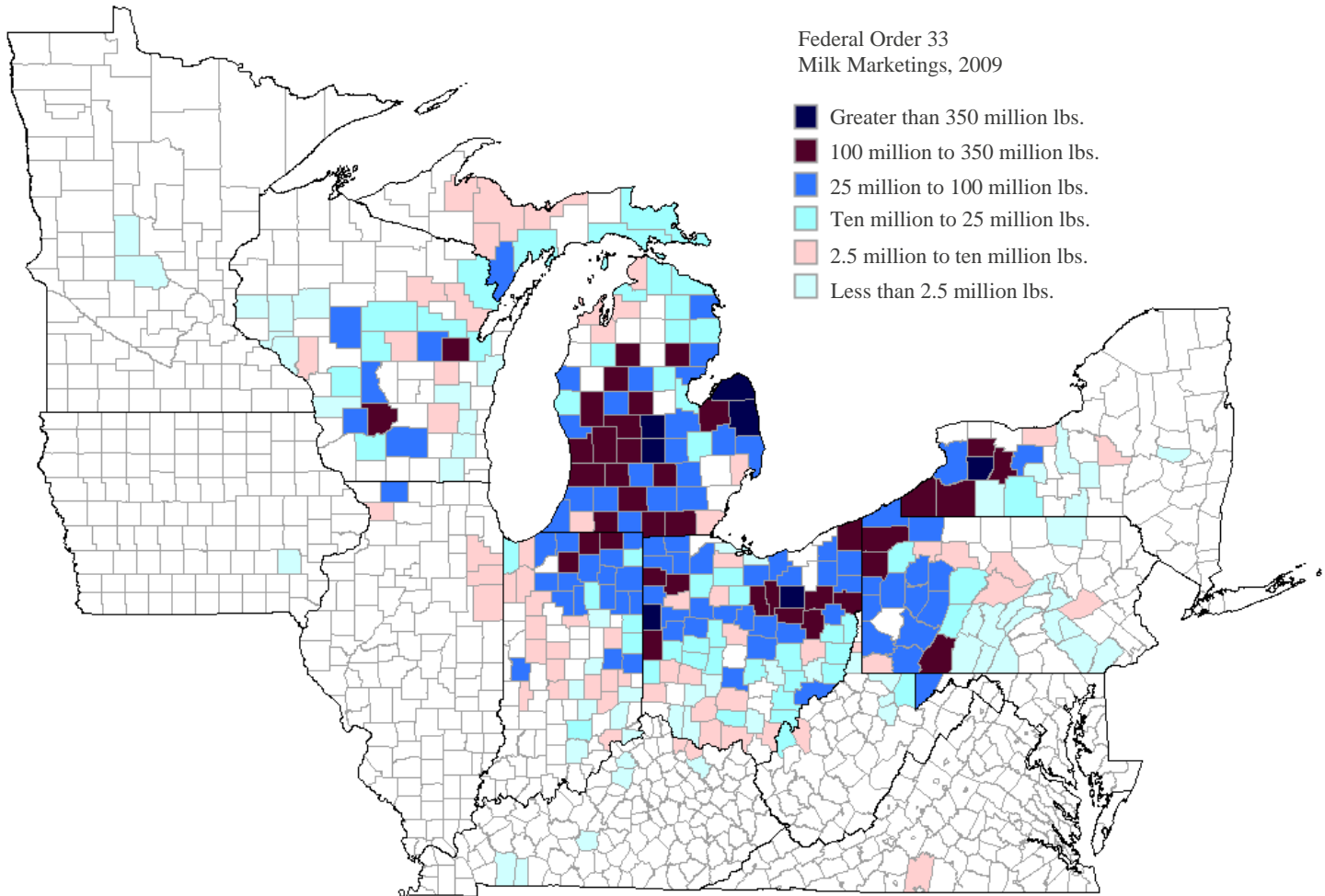
Total Expenses

\$2,056,923.11

Net Income

\$ (103,150.85)

TOTAL MIDEAST MILK MARKETINGS BY COUNTY, 2009 ^{1/}

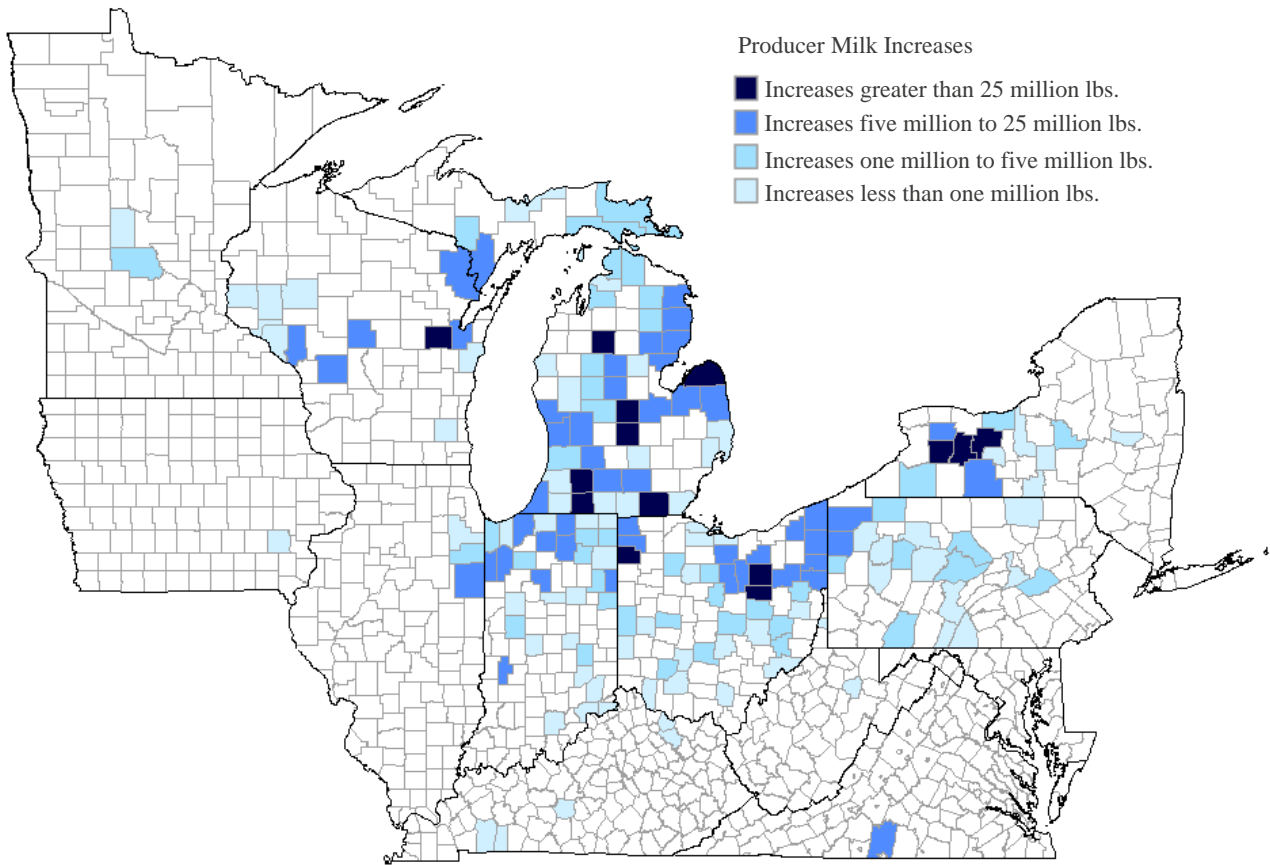


Thematic maps are used to illustrate total Federal Order 33 milk marketings for 2009, milk marketing increases and milk marketing decreases for non-restricted counties for 2009 compared to 2008. Of the 16.2 billion pounds shown, 85.9 percent of the milk marketings came from states located or partially located in the Mideast Marketing Area (Indiana, Kentucky, Michigan, Ohio, Pennsylvania and West Virginia). Huron county, MI was the largest source of milk marketings for Federal Order 33 at 750.3 million pounds.

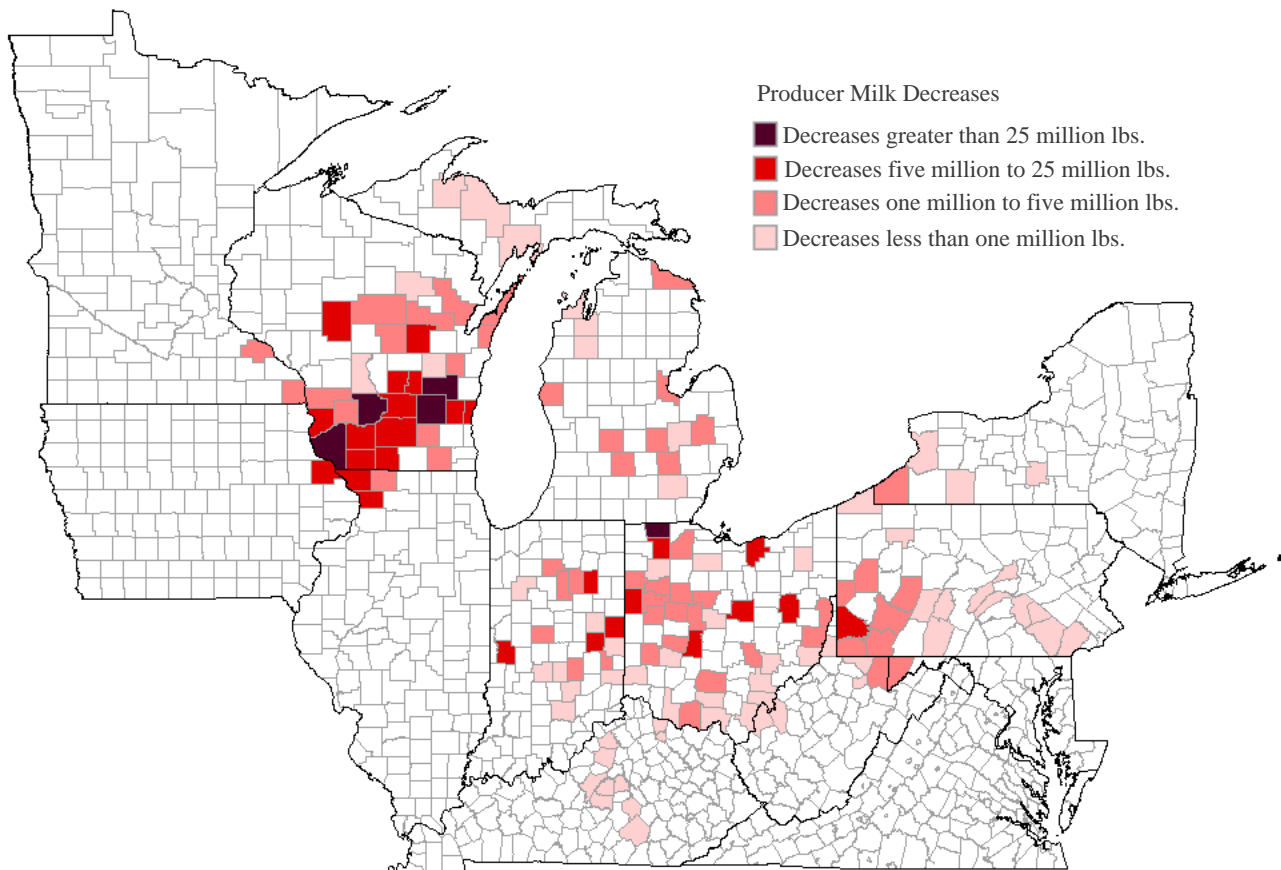
There were 188 counties with increased milk marketings relative to 2008. The increase in milk marketings from those counties totaled 1.5 billion pounds for 2009. Milk marketings from counties with increased marketings totaled 12.4 billion pounds in 2009. These marketings represent 76.4 percent of total milk marketings in the Mideast Marketing Area for 2009. Of the 188 counties with increased milk marketings, the top ten counties accounted for 639.4 million pounds and 43.7 percent of the increase in milk marketings.

There were 147 counties with decreased milk marketings relative to 2008. The decrease in milk marketings from those counties totaled 642.3 million pounds for 2009. Milk marketings from counties with decreased marketings totaled 3.8 billion pounds in 2009. These marketings represent 23.6 percent of total milk marketings in the Mideast Marketing Area for 2009. Of the 147 counties with decreased milk marketings, the top ten counties accounted for 289.7 million pounds and 45.1 percent of the decrease in milk marketings.

COUNTIES REPRESENTING AN INCREASE IN MILK MARKETINGS, 2009 v. 2008 ^{1/}



COUNTIES REPRESENTING A DECREASE IN MILK MARKETINGS, 2009 v. 2008 ^{1/}



^{1/} Includes only milk pooled on Federal Order 33; excludes restricted data. Map does not show milk pooled from Maine or Utah.