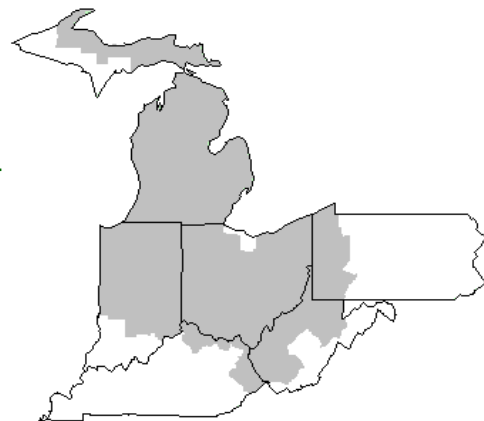


Mideast Market Administrator's Bulletin



Federal Order No. 33

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FEBRUARY 2016

Recent Developments in Dairy Markets

The USDA National Agricultural Statistics Service (NASS) estimated U.S. milk production of 16.6 billion pounds for November, up 0.6 percent from November 2014. Milk cows numbered 9.313 million head, 29 thousand head more than November 2014 but unchanged from October 2015, which was revised upward by four thousand head. After milk per cow dropped slightly below the previous year in October, it rose to 4 pounds more than the previous year in November at 1,787 pounds.

On December 26 and 27, a winter storm brought snow drifts of up to 10 feet in some areas of New Mexico and Texas, resulting in deaths of thousands of dairy cattle, interruptions of milk deliveries, and low yields. Disturbed lactation cycles of surviving cows may potentially contribute to lower yields for a prolonged period. The extent of the blizzard's impact is uncertain.

All of the monthly national wholesale prices for basic dairy products, as reported by USDA Agricultural Marketing Service (AMS), declined from November to December. The largest decline was for butter, which fell from \$2.800 to \$2.571 per pound. Notably, the daily closing price for spot butter on the Chicago Mercantile Exchange (CME) fell from \$2.790 per pound on December 9th to \$2.300 on December 10th. The fall of 49 cents per pound was the largest 1-day decrease in at least 15 years. The daily CME price continued to fall before stabilizing within a range of \$2.018 to \$2.080 per pound during the second half of the month. National weekly wholesale prices for butter typically follow CME prices with a lag of about 1 week.

Dairy exports continued to decline from October to November, by 39 million pounds on a milk-fat milk-equivalent basis and by 212 million pounds on a skim solids milk-equivalent basis. Exports of cheese, milk powders, and whey product exports declined from October to November.

Ending stocks for butter and cheese for November were notably higher than November 2014, by 23.4 percent and 12.6 percent, respectively. While ending cheese stocks for November were about the same as October at 1.456 billion pounds, butter stocks fell from 178.8 million pounds in October to 132.7 million pounds in November.

According to the December issue of *Dairy: World Markets and Trade*, published by the USDA Foreign Agricultural Service, preliminary data indicate that milk production among the world's major dairy exporters (the European Union (EU), United States, New Zealand, Australia, and Argentina) grew by 1 percent from 2014 to 2015. Growth among the major suppliers for 2016 is projected to be

1 percent, restrained by low milk prices largely due to the Russian ban on imports of dairy products and weak import demand from major importing countries such as China. In 2016, milk production is expected to grow by 1 percent for the EU and by about 2 percent for both the United States and Argentina. Australia's 2016 milk production is expected to be about the same as in 2015, a year of unusually high growth (3 percent), due to favorable weather conditions. New Zealand's milk production in 2016 is expected to decline by 3 percent due to low milk prices and pasture growth affected by colder than usual weather from June to mid-September. For more information, see

<http://apps.fas.usda.gov/psdonline/circulars/dairy.pdf>.

While dairy product prices and Federal milk marketing order class prices are known for 2015, supply and use data are still incomplete, and the all-milk price for December has not yet been reported. Based on recent data, the expected number of milk cows in the fourth quarter has been increased by five thousand cows and milk per cow has been raised by 10 pounds. Recent data shows that the largest changes from last month's projections in supply and use were in commercial exports on a skim-solids basis (-0.4 billion pounds) and domestic commercial disappearance (+0.3 billion pounds on both milk-fat and skim-solids bases). The Class III and Class IV milk prices for 2015 were \$15.80 and \$14.35 per cwt, respectively. The expected all-milk price for 2015 is \$17.08 per cwt, substantially lower than \$23.97 in 2014.

(Continued on Page 3)

January 2016 Pool Summary

Classification of Producer Milk

	Pounds	Percent
Class I	548,479,574	32.2
Class II	346,811,209	20.3
Class III	517,813,545	30.4
Class IV	291,713,516	17.1
Total	1,704,817,844	100.0

Producer Prices

Producer Price Differential	\$ 0.88 / cwt
Butterfat Price	2.3062 / lb
Protein Price	1.8169 / lb
Other Solids Price	0.0371 / lb
Somatic Cell Adjustment Rate	0.00076 / cwt
Statistical Uniform Price	14.60 / cwt

ANNOUNCEMENT OF PRODUCER PRICES

Federal Order No. 33

January 2016

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			538,255,530			\$7.61 / cwt	\$40,961,245.83
Class I Butterfat		10,224,044				3.0562/ lb	31,246,723.30
Class I Location Differential	548,479,574						(224,285.59)
Class II SNF Value				30,295,928		0.7011/ lb	21,240,475.13
Class II Butterfat		19,736,386				2.3132/ lb	45,654,208.07
Class III Protein Value			16,534,618			1.8169/ lb	30,041,747.46
Class III Other Solids Value					29,802,816	0.0371/ lb	1,105,684.50
Class III Butterfat		18,511,109				2.3062/ lb	42,690,319.60
Class IV SNF Value				25,458,712		0.6037/ lb	15,369,424.43
Class IV Butterfat		17,004,701				2.3062/ lb	39,216,241.44
Somatic Cell Value II / III / IV							<u>1,565,976.89</u>
TOTAL PRODUCER MILK VALUE	1,704,817,844	65,476,240	54,160,009		97,840,122		\$268,867,761.06
Overages					194,908.04		
Beginning Inventory & OS Charges					(76,184.11)		
TOTAL ADJUSTMENTS							<u>118,723.93</u>
TOTAL HANDLER OBLIGATIONS							\$268,986,484.99
Total Protein Value			54,160,009 lbs	@	\$1.8169		\$(98,403,320.34)
Total Other Solids Value			97,840,122 lbs	@	0.0371		(3,629,868.51)
Butterfat Value			65,476,240 lbs	@	2.3062		(151,001,304.70)
Total Somatic Cell Values							<u>(2,279,139.38)</u>
TOTALS							\$13,672,852.06
Net Producer Location Adjustments							\$1,207,885.69
1/2 Unobligated Balance Producer Settlement Fund							<u>807,000.00</u>
Total - Divided by Total Pounds			1,704,817,844 lbs		0.9202002		\$15,687,737.75
Rate of Cash Reserve					<u>(0.0402002)</u>		<u>(685,340.18)</u>
PRODUCER PRICE DIFFERENTIAL at Cuyahoga County, OH*			1,704,817,844		\$0.88 / cwt		\$15,002,397.57

COMPONENT PRICES**COMPUTATION OF UNIFORM PRICE**

	January			January	
	<u>2016</u>	<u>2015</u>		<u>2016</u>	<u>2015</u>
Butterfat Price	\$2.3062 / lb	\$1.6855 / lb	Class III Price - 3.5% BF	\$ 13.72	\$16.18
Protein Price	1.8169 / lb	2.6731 / lb	Producer Price Differential*	<u>0.88</u>	<u>0.49</u>
Other Solids Price	0.0371 / lb	0.4001 / lb	Statistical Uniform Price	\$14.60	\$16.67
Somatic Cell Adjustment Rate	0.00076 / cwt	0.00079 / cwt			
Nonfat Solids Price	0.6037 / lb	0.8439 / lb			

CLASS PRICES**CLASSIFICATION OF PRODUCER MILK**

	January			January	
	<u>2016</u>	<u>2015</u>		<u>2016</u>	<u>2015</u>
Class I*	\$18.04	\$20.58	Product lbs.		
Class II	14.19	16.18	Class I	548,479,574	559,300,347
Class III	13.72	16.18	Class II	346,811,209	314,145,415
Class IV	13.31	13.23	Class III	517,813,545	552,496,681
			<u>Class IV</u>	<u>291,713,516</u>	<u>263,057,410</u>
			Total	1,704,817,844	1,688,999,853

* Subject to Location Adjustment.

ORDER 33 MARKET SUMMARY

The Producer Price Differential for the Mideast Marketing Area for January 2016 was \$0.88 and the Statistical Uniform Price was \$14.60 for the month. The Statistical Uniform Price is \$1.53 lower than last month, and is \$2.07 lower than January 2015.

The Producer Butterfat Price of \$2.3062 per pound decreased \$0.5995 from December and is up \$.6207 from a year ago. The Protein Price of \$1.8169 is up \$0.4570 from last month and is down \$0.8562 from January 2015. The Other Solids Price in January was \$0.0371 per pound, an increase from last month's price of \$0.0355 and \$0.3630 lower than last January. The Somatic Cell Adjustment rate for January was \$0.00076.

January producer receipts of 1.70 billion pounds were 8.2 percent higher than December and 0.9 percent higher than January 2015 production of 1.69 billion pounds. Producer milk allocated to Class I accounted for 32.2 percent of the total producer milk in January 2016, lower than the 34.8 percent in December, and lower than the 33.1 percent in January 2015. A total of 5,432 producers were pooled on the Mideast Order compared to 5,804 producers pooled in January 2015.

The market average content of producer milk was as follows: Butterfat 3.84%; Protein 3.18%; Other Solids 5.74% and Nonfat Solids 8.92%.

(Continued from Front Page)

Feed price forecasts have been lowered from last month. The corn price for 2015/16 is forecast at \$3.30-\$3.90 per bushel, a reduction from last month's forecast of \$3.35-\$3.95. The 2015/16 soybean meal price forecast is \$270-\$310 per short ton, a reduction from last month's forecast of \$290-\$330. The national average price for alfalfa hay decreased from \$156 to \$150 per short ton from October to November.

The 2016 milk cow number forecast has been lowered by 10 thousand head due to the recent blizzard and lower expected milk prices. With lower expected returns, milk per cow has been lowered by 35 pounds for the year. The milk production forecast for 2016 has been lowered to 211.8 billion pounds, 0.6 billion pounds less than forecast last month and a 1.6 percent year-over-year increase.

Based on lower expected exports of nonfat dry milk, whey products, and cheese, 2016 export forecasts have been lowered by 0.4 billion pounds on a milk-fat basis and 1.0 billion pounds on a skim-solids basis. In contrast to forecasts of previous months, in which year-over-year milk-fat basis exports were projected to increase, they are now forecast to decline by 0.1 billion pounds. Although the 2016 forecast for skim-solids basis exports has been significantly reduced from last month, the year-over-year increase is still expected to be positive at 0.4 billion pounds. The forecast for 2016 imports is raised by 0.1 billion pounds on both a milk-fat basis and a skim-solids basis, primarily due to higher expected cheese imports.

The domestic commercial use forecast for 2016 has been raised by 0.1 billion pounds on a milk-fat basis and by 0.4 billion pounds on a skim-solids basis due to lower expected cheese, nonfat dry milk (NDM), and whey prices. Ending stock forecasts for 2016 are lowered by 0.2 billion pounds on a milk-fat basis and raised by 0.3 billion pounds on a skim-solids basis.

For 2016, the butter price forecast has been raised to \$1.890-\$2.000 per pound due to relatively strong demand and lower expected production. The cheese price forecast has been lowered to \$1.545-\$1.625 per pound due to expected high beginning cheese stocks, the recent fall in prices, and expected lower exports. NDM and whey prices have been lowered to \$0.865-\$0.925 and \$0.240-\$0.270 per pound, respectively, due to weaker expected exports. With lower expected cheese and whey prices, the 2016 Class III milk forecast has been lowered to \$14.05- \$14.85 per cwt. The Class IV milk forecast has been lowered to \$13.35-\$14.25 per cwt, as the

projected reduction in the NDM price more than offsets the increase in the butter price. With lower expected Class III and IV prices, the all-milk price forecast for 2016 has been lowered to \$15.35-\$16.15 per cwt, a reduction from the \$15.95-\$16.75 forecast last month.

Source: *Livestock, Dairy, and Poultry Outlook/LDP-M-259/Jan. 19, 2015 Economic Research Service, USDA*

December Milk Production Up 0.7 Percent

Milk production in the 23 major States during December totaled 16.4 billion pounds, up 0.7 percent from December 2014. November revised production at 15.6 billion pounds, was up 0.7 percent from November 2014. The November revision represented an increase of 26 million pounds or 0.2 percent from last month's preliminary production estimate.

Production per cow in the 23 major States averaged 1,894 pounds for December, 6 pounds above December 2014. This is the highest production per cow for the month of December since the 23 State series began in 2003.

The number of milk cows on farms in the 23 major States was 8.64 million head, 29,000 head more than December 2014, and 1,000 head more than November 2015.

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 2.6 billion pounds, up 52 million pounds or 2.1 percent from December 2014.

Production per cow in the Mideast states averaged 1,860 pounds for December, 20 pounds more December 2014. The number of cows on farms in the Mideast states was 1.4 million head, 12,000 head more than December 2014.

Bulletin WebPage Edition

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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	December 2015						December 2014				
	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	1,393	780,530	3.74	3.15	5.74	150	771,889	3.78	3.17	5.73	158
Ohio	1,894	397,376	3.86	3.17	5.68	180	408,260	3.88	3.17	5.68	193
Indiana	877	187,730	3.83	3.21	5.81	196	212,356	3.87	3.22	5.80	197
New York	257	104,750	3.88	3.17	5.74	180	97,056	3.92	3.14	5.75	175
Pennsylvania	780	93,743	3.97	3.16	5.71	228	96,411	3.98	3.17	5.69	233
Wisconsin	28	4,555	3.69	3.07	5.71	216	67,352	3.80	3.14	5.74	225
West Virginia	39	2,581	4.07	3.29	5.67	240	2,859	4.22	3.32	5.67	251
Other	164	6,315	4.03	3.19	5.70	243	13,123	3.98	3.21	5.74	206
Total/Average *	5,432	1,577,580	3.80	3.16	5.73	170	1,669,306	3.84	3.17	5.72	180

* 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
January 2016

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)	2,253,085	761,433	33.8	\$1.80	\$15.52
FO 5 Appalachian - (Charlotte)	492,098	346,733	70.5	^{2/}	17.03
FO 6 Florida - (Tampa)	247,867	209,629	84.6	^{2/}	19.34
FO 7 Southeast - (Atlanta)	472,060	343,820	72.8	^{2/}	17.60
FO 30 Upper Midwest - (Chicago)	3,256,443	297,708	9.1	0.23	13.95
FO 32 Central - (Kansas City)	1,375,113	418,910	30.5	0.66	14.38
FO 33 Mideast - (Cleveland)	1,704,818	548,480	32.2	0.88	14.60
FO 124 Pacific Northwest - (Seattle)	748,504	165,047	22.1	0.43	14.15
FO 126 Southwest - (Dallas)	1,192,610	380,088	31.9	1.63	15.35
FO 131 Arizona - (Phoenix)	432,410	107,729	24.9	^{2/}	14.50

^{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 2016\$13.31 /cwt.

**MIDEAST MARKETING AREA
FEDERAL ORDER 33**

**INCOME AND EXPENSE STATEMENT
MARKETING SERVICE FUND**

For the Year Ending December 31, 2015

Income:

Assessments or Deductions	\$1,751,036.52
Late Payment Charges Assessed	.00
Interest Earned	352.83
Miscellaneous	<u>64,295.10</u>
<u>Total Income</u>	<u>\$1,815,684.45</u>

Expenses:

Salaries and Services	\$1,063,718.08
Travel	86,517.35
Communications	60,198.41
Employer Payroll Contributions	335,533.56
Insurance	6,275.05
Rent - Buildings and Equipment	87,341.35
Repairs and Maintenance	15,104.46
Supplies	79,401.91
Testing and Weighing	21,081.23
Utilities	8,582.45
Depreciation of Fixed Assets	117,270.70
Conferences and Meetings	.00
Training	365.85
Uncollectible Accounts	.00
Miscellaneous	2,041.86
Amortization of Leasehold Improvements	<u>.00</u>
<u>Total Expenses</u>	<u>\$1,883,432.26</u>

Net Income

\$ (67,747.81)

**MIDEAST MARKETING AREA
FEDERAL ORDER 33**

**BALANCE SHEET
MARKETING SERVICE FUND**

As of December 31, 2015

ASSETS

Current Assets:

Cash and Bank Deposits	\$ 389,445.48
Investments	180,192.52
Accounts Receivable - Handlers	144,708.17
Allowance for Uncollectible Accounts	.00
Accounts Receivable - Other	5,671.65
Accrued Interest Receivable	.00

Other Assets:

Prepaid Expenses	\$ 4,535.19
Deposits	.00

Fixed Assets:

Motor Vehicles	\$ 452,486.84
Accumulated Depreciation	(342,331.00)
Furniture and Equipment	25,509.50
Accumulated Depreciation	(25,509.50)
Laboratory Equipment	1,100,890.48
Accumulated Depreciation	(972,747.84)
Leasehold Improvements	120,029.69
Accumulated Depreciation	(120,029.69)

Total Assets \$ 962,851.49

LIABILITIES AND OPERATING BALANCE

Current Liabilities:

Accounts Payable - Other	\$.00
Accrued Employee Salaries Payable	16,527.84
Accrued Employee Annual Leave	92,947.32
Payroll Contributions and Withholdings	4,665.58

Operating Balance \$ 848,710.75

Total Liabilities and Operating Balance \$ 962,851.49