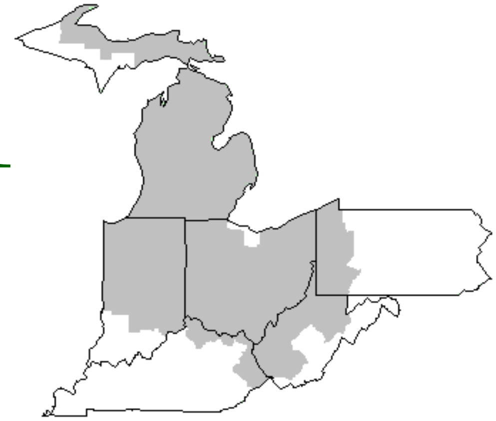
Mideast Market Administrator's Bulletin



Federal Order No. 33

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November 2008

USDA Announces Final Rule to Establish a Dairy Forward Pricing Program

The U.S. Department of Agriculture announced a final rule establishing the Dairy Forward Pricing Program as directed by the Food, Conservation and Energy Act of 2008. This program will allow milk producers and cooperative associations to voluntarily enter into forward price contracts with milk handlers for milk used for non-fluid purposes. The program exempts handlers regulated under the federal milk order program from paying producers and cooperative associations the minimum federal order price for milk under forward contract.

The final rule appeared in the October 31, 2008 *Federal Register*. For additional information contact: John R. Mengel, Chief Economist, USDA/AMS/Dairy Programs, Office of the Chief Economist, STOP 0229-Room 2753, 1400 Independence Ave, SW., Washington, DC 20250-0229, (202) 720-4664, e mail address: john.mengel@usda.gov.

September Milk Production Up 1.9 Percent

Milk production in the 23 major States during September totaled 14.0 billion pounds, up 1.9 percent from September 2007. August revised production at 14.6 billion pounds, was up 1.7 percent from August 2007. The August revision represented an increase of 24 million pounds or 0.2 percent from last month's preliminary production estimate.

Production per cow in the 23 major States averaged 1,652 pounds for September, 7 pounds above September 2007.

The number of milk cows on farms in the 23 major States was 8.46 million head, 118,000 head more than September 2007, but 8,000 head less than August 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 September totaled 2.1 billion pounds, down 21 million pounds or 1.0 percent from September 2007.

Production per cow in the Mideast states averaged 1,575 pounds for September, 35 pounds below September 2007.

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

Slightly Higher Production, Combined with Softening Exports, Turns Milk Prices Sharply Lower in 2009

The size of the U.S. dairy herd likely crested in the summer quarter and is expected to decline in 2009 to 9,245 thousand head after averaging 9,265 this year. An adjustment process has been set in motion, and dairy cow population is expected to decline each quarter in 2009 from its 2008 year high. High feed prices and falling milk prices have reduced profitability, especially for small and medium-sized producers. Although grain prices have declined since last spring and are expected to slip further next year, feed costs remain high by historical measures, especially for alfalfa hay. Countering declining cow numbers, milk yields are forecast to rise by about 1 percent next year, which is below the 5-year average. The increased yield will advance milk production to 191.1 billion pounds in 2009 topping 2008's projected 189.6-billion-pound total, about the same as the year-over-year increase in 2008.

Exports have buoyed dairy demand in 2007 and 2008, but a number of factors make next year's export outlook weaker. The U.S. dollar has strengthened vis-à-vis the Euro and some other foreign currencies. European dairy prices have declined and are more competitive with U.S. products. Oceania milk production is expected to recover from last year's drought-induced cutback. Slower global economic growth acts to limit demand. While exports are forecast to decline for all product categories, dry products are most likely to be affected. The decline for fats is expected to be more modest. Butter exports are expected to retreat less on a percentage basis than other products.

(continued on Page 3)

October 2008 Pool Summary

Classification of Producer Milk

	Pounds	*Percent*
Class I	601,541,013	50.7
Class II	241,221,269	20.3
Class III	279,000,390	23.5
Class IV	65,295,121	5.5
Total	1,187,057,793	100.0

Producer Prices

Producer Price Differential	$(0.26)	/cwt
Butterfat Price	1.8507	/ lb
Protein Price	3.5490	/ lb
Other Solids Price	(0.0047)	/ lb
Somatic Cell Adjustment Rate	0.00095	/ cwt
Statistical Uniform Price	16.80	/ cwt

ANNOUNCEMENT OF PRODUCER PRICES
Federal Order No. 33

OCTOBER 2008

COMPUTATION OF PRODUCER PRICE DIFFERENTIAL

	POUNDS	BUTTERFAT	SKIM / PROTEIN	NONFAT SOLIDS	OTHER SOLIDS	PRICE	VALUE
Class I Skim Value			590,749,431			$ 11.76 / cwt	$ 69,472,133.10
Class I Butterfat		10,791,582				1.7651 / lb	19,048,221.41
Class I Location Differential	601,541,013						(288,290.01)
Class II SNF Value				20,652,221		1.1622 / lb	24,002,011.26
Class II Butterfat		14,976,836				1.8577 / lb	27,822,468.19
Class III Protein Value			8,647,888			3.5490 / lb	30,691,354.54
Class III Other Solids Value					15,788,239	(0.0047)/ lb	(74,204.73)
Class III Butterfat		11,767,619				1.8507 / lb	21,778,332.46
Class IV SNF Value				5,307,311		0.8226 / lb	4,365,794.06
Class IV Butterfat		7,066,101				1.8507 / lb	13,077,233.11
Somatic Cell Value II / III / IV							565,977.26
TOTAL PRODUCER MILK VALUE	1,187,057,793	44,602,138	36,907,343		67,412,739		$210,461,030.65
Overages					$ 42,751.99		
Beginning Inventory and Other Source Charges					$ 189,789.64		
TOTAL ADJUSTMENTS							$ 232,541.63
TOTAL HANDLER OBLIGATIONS							$ 210,693,572.28

Total Protein Value	36,907,343 lbs	@	$3.5490	$ (130,984,160.33)
Total Other Solids Value	67,412,739 lbs	@	(0.0047)	316,839.86
Butterfat Value	44,602,138 lbs	@	1.8507	(82,545,176.79)
Total Somatic Cell Values				(1,113,894.50)
TOTALS				$ (3,632,819.48)
Net Producer Location Adjustments				$ 536,765.63
1/2 Unobligated Balance Producer Settlement Fund				589,000.00
Total - Divided by Total Pounds	1,187,057,793 lbs		(0.2111990)	$ (2,507,053.85)
Rate of Cash Reserve			(0.0488010)	(579,296.07)
PRODUCER PRICE DIFFERENTIAL *at Cuyahoga County, OH**	1,187,057,793		**$(0.26) /cwt**	$ (3,086,349.92)

COMPONENT PRICES

October	2008	2007
Butterfat Price	$1.8507 / lb	$1.4092 / lb
Protein Price	3.5490 / lb	4.1695 / lb
Other Solids Price	(0.0047) / lb	0.2286 / lb
Somatic Cell Adjustment Rate	0.00095 / cwt	0.00096 / cwt
Nonfat Solids Price	0.8226 / lb	1.8855 / lb

COMPUTATION OF UNIFORM PRICE

October	2008	2007
Class III Price - 3.5% BF	$17.06	$18.70
Producer Price Differential*	(0.26)	2.43
Statistical Uniform Price	$16.80	$21.13

CLASS PRICES

October	2008	2007
Class I*	$17.53	$23.59
Class II	16.60	21.90
Class III	17.06	18.70
Class IV	13.62	21.31

* Subject to Location Adjustment.

CLASSIFICATION OF PRODUCER MILK

October	2008 *Product lbs.*	2007 *Product lbs.*
Class I	601,541,013	582,334,073
Class II	241,221,269	162,752,022
Class III	279,000,390	470,670,612
Class IV	65,295,121	60,756,714
Total	1,187,057,793	1,276,513,421

ORDER 33 MARKET SUMMARY

The Producer Price Differential for the Mideast Marketing Area for October 2008 was $-0.26 and the Statistical Uniform Price was $16.80 for the month. The Statistical Uniform Price is $1.25 lower than last month, and is $4.33 lower than October 2007.

The Producer Butterfat Price of $1.8507 per pound increased 3.11 cents from September 2008 and is up 44.15 cents from a year ago. The Protein Price of $3.5490 is up 28.01 cents from last month and is down 62.05 cents from October 2007. The Other Solids Price in October was $-0.0047 per pound, a decrease from last month's price of $0.0234 and a decrease of 23.33 cents from last October. The Somatic Cell Adjustment rate for October was $0.00095.

October producer receipts of 1.19 billion pounds were 5.3 percent lower than September 2008 and 7.0 percent lower than October 2007 production of 1.28 billion pounds. Producer milk allocated to Class I accounted for 50.7 percent of the total producer milk in October 2008, more than the 45.2 percent in September 2008 and more than the 45.6 percent in October 2007. A total of 7,327 producers were pooled on the Mideast Order compared to 7,979 producers pooled in October 2007.

The market average content of producer milk was as follows: Butterfat 3.76%; Protein 3.11%; Other Solids 5.68% and Nonfat Solids 8.79%.

(continued from Front Page)

The CCC is forecast to purchase 50 million pounds of nonfat dry milk (NDM) in the fourth quarter of this year. No further purchases are expected in 2009.

Domestic use across all product categories has been sluggish. High retail prices and a slowing domestic economy will slow growth in use. Domestic use is expected to rise by about 1 percent in 2008 compared with 2007. Next year, domestic use is forecast to climb by 1.7 percent over 2008, but more rapidly on a skims basis as the domestic market absorbs a greater portion of NDM production. Lower prices for all dairy products are expected to stimulate demand. However, this forecast could be upset if a deeper and longer economic downturn than is expected materializes. Prices across all product categories are expected to be lower in 2009. The NASS cheese price, which is projected to average $1.900 to 1.910 per pound in 2008, is forecast to slip to $1.780 to $1.870 per pound in 2009. Butter prices are expected to average $1.450 to $1.480 per pound this year and decline to $1.390 to $1.510 per pound in 2009. NDM prices will likely fall from $1.265 to $1.285 per pound this year to average $1.070 to $1.140 per pound in 2009. Whey prices, expected to average 25 to 26 cents a pound this year, will fall to 20.5 to 23.5 cents a pound next year.

Lower expected prices for dairy products are already affecting 2008 milk prices and will continue to pressure prices in 2009. The Class III price is expected to average $17.50 to $17.60 per cwt in 2008 and slide to $15.85 to $16.75 per cwt in 2009. The Class IV price is expected to average $15.10 to $15.30 per cwt in 2008 and fall to $12.95 to $13.95 per cwt in 2009. Slightly higher production is forecast to tip the all milk price lower into next year. The all milk price is projected at $18.40 to $18.50 per cwt this year, declining to $16.50 to $17.40 per cwt next year.

SOURCE: "Livestock, Dairy, and Poultry Outlook", LDP-M-172, October 17, 2008, Economic Research Service, USDA. For more information, contact Roger Hoskin, (202) 694-5148.

Bulletin WebPage Edition
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Featured this month are thematic maps displaying:

- CA & F.O. Milk Marketings by County
- Increases in CA & F.O. Marketings May 2008 vs. May 2003
- Decreases in CA & F.O. Marketings May 2008 vs. May 2003

James E. Link Named Administrator of Agricultural Marketing Service

Agriculture Under Secretary for Marketing and Regulatory Programs Bruce Knight announced the appointment of James E. Link as Administrator of the Agricultural Marketing Service (AMS), an agency within the U.S. Department of Agriculture.

"Jim Link's experience as a rancher, businessman and educator will be an asset in his new role at AMS, where he will help to market U.S. agricultural products in domestic and international markets," said Knight. "His background and service make Jim well suited to continue to enhance the economic opportunities available to U.S. agricultural producers."

Link will direct several marketing programs that facilitate the efficient marketing of U.S. agricultural products, including food, fiber and specialty crops. He also will be responsible for procuring commodities, including fruits and vegetables, meat, poultry, fish and egg products, for the national school lunch and other federal food and nutrition programs. AMS is part of USDA's Marketing and Regulatory Programs, which works to ensure a productive and competitive global marketplace for U.S. agricultural products.

Link assumed the role of Administrator on Monday, November 3, 2008. Prior to this appointment, he served as administrator of USDA's Grain Inspection, Packers and Stockyards Administration (GIPSA) since 2005. As GIPSA administrator, he successfully led the Agency through reforms mandated by Congress and directed a variety of programs to facilitate the marketing of agricultural products and promote fair and competitive trading practices for the overall benefit of consumers and American agriculture.

Link has a Bachelor's Degree in Business Administration from Emporia State University and a MBA from Texas Christian University. Link and his wife, Karin, have been in the cattle business for most of their adult lives, most recently as owners of the Link Cattle Company of Crowley, Texas.

Link replaces former AMS Administrator Lloyd Day, who had held the position since August 2005.

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

Federal Order No. 33

	September 2008							September 2007				
			Weighted Averages						Weighted Averages			
State	Number of Producers	Pounds of Milk (000)	Butterfat	Protein	Other Solids	SCC (000)		Pounds of Milk (000)	Butterfat	Protein	Other Solids	SCC (000)
Michigan	1,933	507,132	3.60	3.00	5.70	242		493,169	3.55	3.02	5.74	277
Ohio	2,221	306,981	3.69	3.05	5.67	297		327,964	3.65	3.05	5.69	324
New York	352	129,009	3.67	3.03	5.69	268		78,013	3.56	3.02	5.73	256
Indiana	1,141	127,605	3.68	3.02	5.66	313		133,689	3.63	3.03	5.69	347
Pennsylvania	1,153	103,098	3.74	3.07	5.65	356		108,325	3.66	3.05	5.68	370
Wisconsin	370	62,336	3.65	3.01	5.76	279		135,003	3.63	2.99	5.75	292
Illinois	36	7,714	3.61	2.98	5.75	285		12,109	3.61	2.95	5.74	309
West Virginia	63	4,244	3.85	3.17	5.62	384		5,004	3.79	3.17	5.66	379
Other	79	5,717	3.60	2.99	5.70	302		11,368	3.63	3.05	5.71	371
Total/Average *	7,348	1,253,836	3.65	3.03	5.69	277		1,304,644	3.60	3.03	5.72	306

* 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.

United States
Department of Agriculture

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FEDERAL ORDER DATA

OCTOBER 2008

	Marketing Area [1/]	Producer Milk Total (000)	Producer Milk Class I (000)	Class I Percent %	Producer Price Differential (per cwt.)	Statistical Uniform Price (per cwt.)
FO 1	Northeast - *(Boston)*	1,932,384	916,367	47.4	$0.38	$17.44
FO 5	Appalachian - *(Charlotte)*	497,717	366,203	73.6	[2/]	18.49
FO 6	Florida - *(Tampa)*	253,787	220,737	87.0	[2/]	20.42
FO 7	Southeast - *(Atlanta)*	563,528	414,863	73.6	[2/]	18.95
FO 30	Upper Midwest - *(Chicago)*	2,175,079	398,615	18.3	(0.04)	17.02
FO 32	Central - *(Kansas City)*	926,831	381,257	41.1	(0.76)	16.30
FO 33	**Mideast - *(Cleveland)***	**1,187,058**	**601,541**	**50.7**	**(0.26)**	**16.80**
FO 124	Pacific Northwest - *(Seattle)*	455,447	207,458	45.6	(1.57)	15.49
FO 126	Southwest - *(Dallas)*	558,636	377,859	67.6	0.20	17.26
FO 131	Arizona - *(Phoenix)*	331,156	124,179	37.5	[2/]	16.59

[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 NOVEMBER 2008..................$ 13.62 /cwt.

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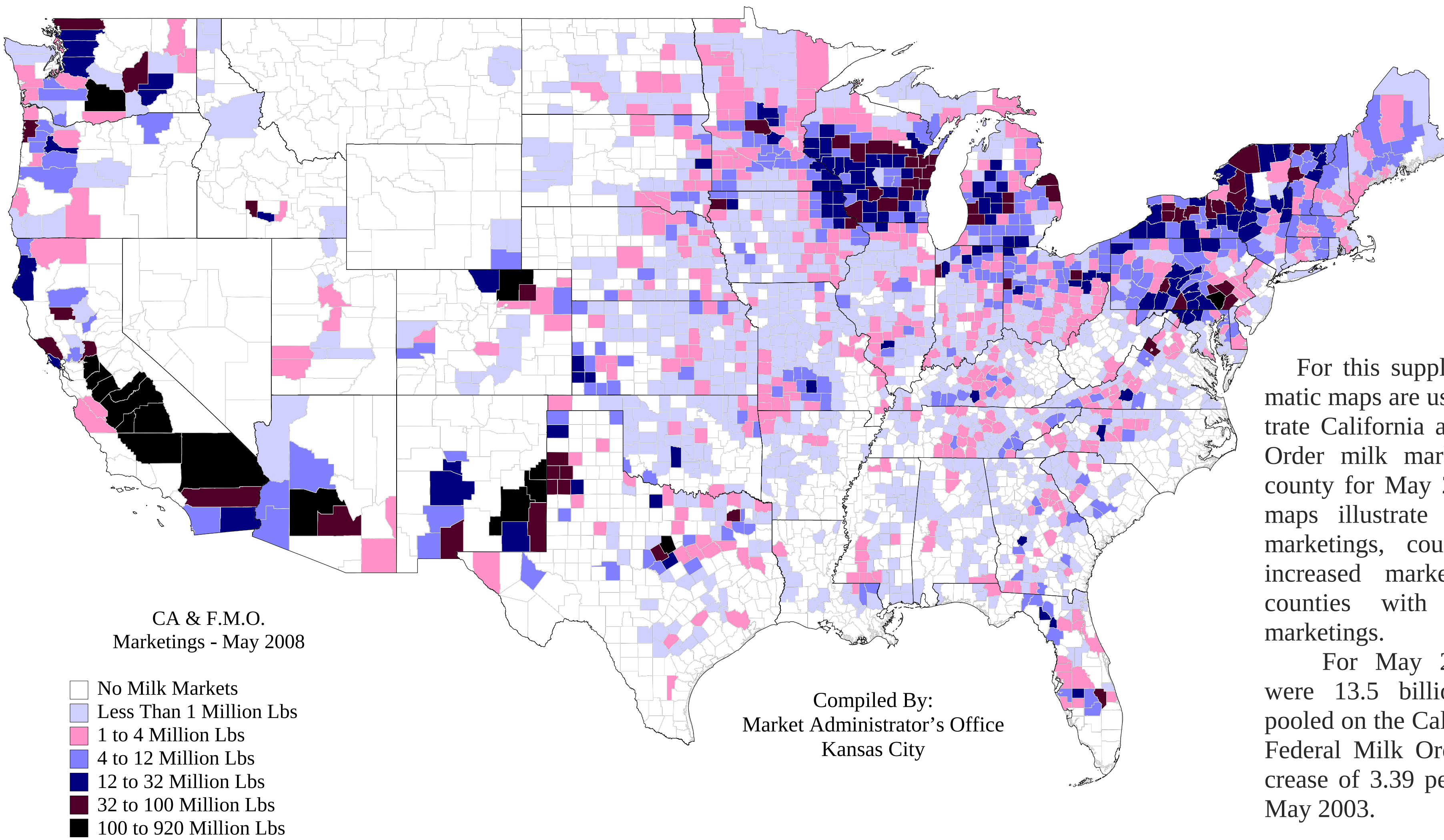
Mideast Market Administrator's

Bulletin *Supplement*

Federal Order No. 33 **November 2008**

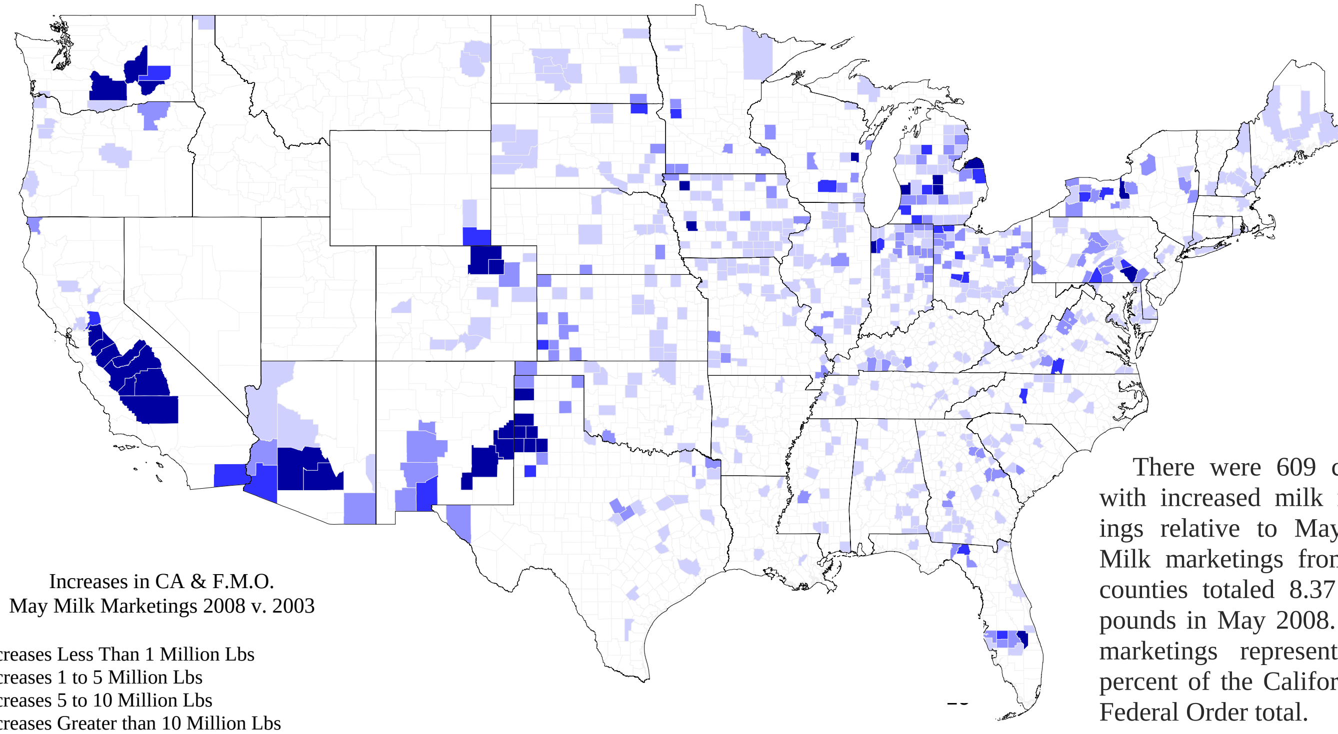
CALIFORNIA AND FEDERAL ORDER MILK MARKETINGS BY COUNTY—MAY 2008



For this supplement thematic maps are used to illustrate California and Federal Order milk marketings by county for May 2008. The maps illustrate total milk marketings, counties with increased marketings and counties with decreased marketings.

For May 2008 there were 13.5 billion pounds pooled on the California and Federal Milk Orders, a decrease of 3.39 percent from May 2003.

COUNTIES REPRESENTING AN INCREASE IN CA & F.M.O. MILK MARKETINGS*

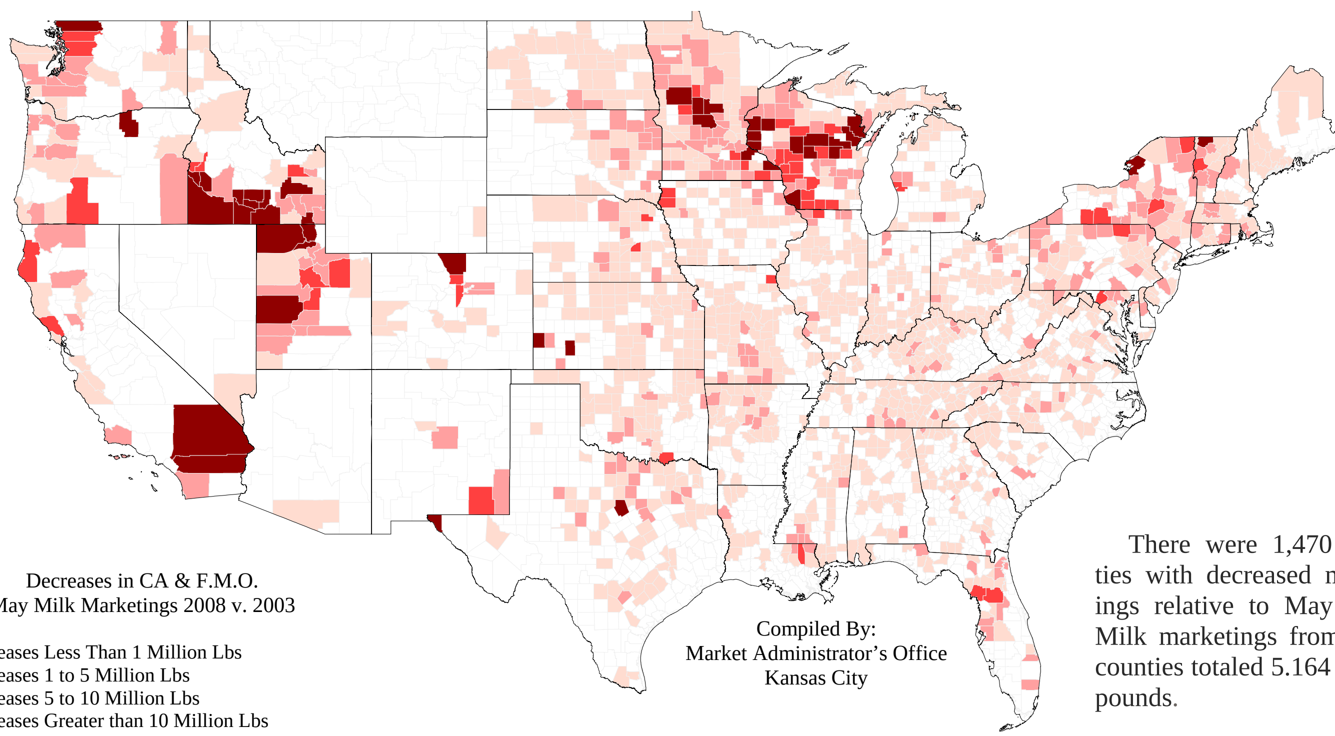


Increases in CA & F.M.O.
May Milk Marketings 2008 v. 2003

- Increases Less Than 1 Million Lbs
- Increases 1 to 5 Million Lbs
- Increases 5 to 10 Million Lbs
- Increases Greater than 10 Million Lbs

There were 609 counties with increased milk marketings relative to May 2003. Milk marketings from those counties totaled 8.37 billion pounds in May 2008. These marketings represent 61.84 percent of the California and Federal Order total.

COUNTIES REPRESENTING A DECREASE IN CA & F.M.O. MILK MARKETINGS*



Decreases in CA & F.M.O.
May Milk Marketings 2008 v. 2003

- Decreases Less Than 1 Million Lbs
- Decreases 1 to 5 Million Lbs
- Decreases 5 to 10 Million Lbs
- Decreases Greater than 10 Million Lbs

Compiled By:
Market Administrator's Office
Kansas City

There were 1,470 counties with decreased marketings relative to May 2003. Milk marketings from these counties totaled 5.164 billion pounds.

* A significant volume of milk from selected areas is not included in this data due to the termination of the Western Order No. 135.