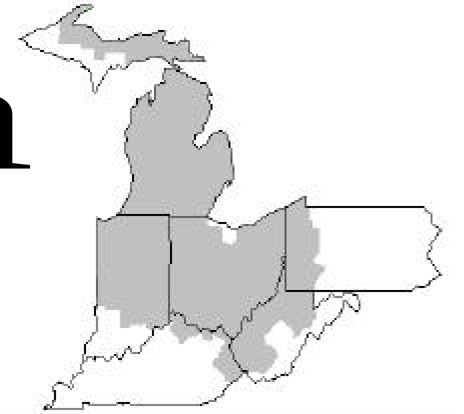
Mideast Market Administrator's
Bulletin



Federal Order No. 33

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July 2007

USDA Issues Interim Final Rule Establishing a Dairy Product Mandatory Reporting Program

The U. S. Department of Agriculture issued an interim final rule establishing a Dairy Product Mandatory Reporting Program as required by law. The Dairy Market Enhancement Act of 2000, and certain provisions of the 2002 Farm Bill amend the Agricultural Marketing Act of 1946 to establish the program.

The mandatory reporting program will provide timely, accurate, and reliable market information to facilitate more informed marketing decisions and promote competition in the dairy product manufacturing industry. The program will: (1) Require persons engaged in manufacturing dairy products to report certain information including the price, quantity, and moisture content where applicable, of dairy products sold by the manufacturer; and (2) Require persons storing dairy products to report information on the quantity of dairy products stored. Under the interim final rule, USDA's National Agricultural Statistics Service (NASS) will collect the information. Any manufacturer that processes and markets less than 1 million pounds of dairy products per year is exempt from the reporting requirements.

USDA's Agricultural Marketing Service (AMS) will implement a plan to verify the price information submitted to NASS. AMS will visit butter, nonfat dry milk, cheese and dry whey manufacturers that file reports. AMS will verify that eligible sales transactions agree with information reported to NASS and will check for eligible sales transactions that were not reported.

The interim final rule was published on July 3, 2007 in the *Federal Register*. Public comments are due 60 days after publication in the Federal Register. Comments may be filed by visiting www.regulations.gov. USDA will issue a final rule once public comments have been received.

For additional information about the decision contact: John R. Mengel, Chief Economist; USDA/AMS/Dairy Programs; 1400 Independence Ave, SW, STOP-0229; Washington, DC 20250-0229; Tel. (202)720-7091; email: John.Mengel@usda.gov.

May Milk Production Up 1.1 Percent

Milk production in the 23 major States during May totaled 14.9 billion pounds, up 1.1 percent from May 2006. April revised production, at 14.5 billion pounds, was up 1.7 percent from April 2006. The April revision represented an increase of 14 million pounds or 0.1 percent from last months preliminary production estimate.

Production per cow in the 23 major States averaged 1,795 pounds for May, 13 pounds above May 2006.

The number of milk cows on farms in the 23 major States was 8.28 million head, 26,000 head more than May 2006, and 3,000 head more than April 2007.

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 April totaled 2.3 billion pounds, up 44 million pounds or 1.9 percent from May 2006.

Production per cow in the Mideast states averaged 1,768 pounds for May, 23 pounds above April 2006.

The number of cows on farms in the Mideast states was 1.3 million head, 7,000 head more than May 2006.

The Dairy Outlook

Commercial Use of Milk Rises Faster Than Production Expansion; Expect Higher Prices

Higher dairy product prices and anticipated moderating feed prices appear to be ameliorating the expected reduction in dairy herd size. Culling rates have declined, as higher milk prices have kept some cows in the herd despite high feed prices. The herd size is projected to be 9.115 million head for 2007, virtually unchanged from 2006. Production per cow will likely move above the 2006 level to 20,220 pounds. A return to more normal pasture conditions in most of the country could ease alfalfa prices and encourage feeding, but continued drought in most of the southeastern States will continue to plague milk production in that region.

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June 2007 Pool Summary

Classification of Producer Milk

	Pounds	*Percent*
Class I	492,901,245	37.5
Class II	300,019,350	22.9
Class III	429,264,540	32.7
Class IV	90,799,897	6.9
Total	1,312,985,032	100.0

Producer Prices

Producer Price Differential	$ (0.26)	/ cwt
Butterfat Price	1.6457	/ lb
Protein Price	3.7059	/ lb
Other Solids Price	0.5831	/ lb
Somatic Cell Adjustment Rate	0.00093	/ cwt
Statistical Uniform Price	19.91	/ cwt

ANNOUNCEMENT OF PRODUCER PRICES

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JUNE 2007

COMPUTATION OF PRODUCER PRICE DIFFERENTIAL

	POUNDS	BUTTERFAT	SKIM / PROTEIN	NONFAT SOLIDS	OTHER SOLIDS	PRICE	VALUE
Class I Skim Value			483,840,683			$ 14.88 / cwt	$ 71,995,493.63
Class I Butterfat		9,060,562				1.5666 / lb	14,194,276.44
Class I Location Differential	492,901,245						(221,552.43)
Class II SNF Value				25,351,251		1.5089 / lb	38,252,502.66
Class II Butterfat		17,948,782				1.6527 / lb	29,663,952.04
Class III Protein Value			12,776,682			3.7059 / lb	47,349,105.82
Class III Other Solids Value					24,523,203	0.5831 / lb	14,299,479.65
Class III Butterfat		15,101,869				1.6457 / lb	24,853,145.79
Class IV SNF Value				7,784,891		1.7268 / lb	13,442,949.79
Class IV Butterfat		4,193,369				1.6457 / lb	6,901,027.37
Somatic Cell Value II / III / IV							555,023.85
TOTAL PRODUCER MILK VALUE	1,312,985,032	46,304,582	38,998,912		74,932,280		$ 261,285,404.61
Overages					$ 92,602.75		
Beginning Inventory and OS Charges					77,996.92		
TOTAL ADJUSTMENTS							$ 170,599.67
TOTAL HANDLER OBLIGATIONS							$ 261,456,004.28
Total Protein Value			38,998,912 lbs	@	$3.7059		$ (144,526,067.96)
Total Other Solids Value			74,932,280 lbs	@	0.5831		(43,693,012.45)
Butterfat Value			46,304,582 lbs	@	1.6457		(76,203,450.58)
Total Somatic Cell Values							(827,868.78)
TOTALS							$ (3,794,395.49)
Net Producer Location Adjustments							$ 272,580.50
1/2 Unobligated Balance Producer Settlement Fund							662,000.00
Total - Divided by Total Pounds			1,312,985,032 lbs		(0.2178102)		$ (2,859,814.99)
Rate of Cash Reserve					(0.0421898)		(553,945.76)
PRODUCER PRICE DIFFERENTIAL *at Cuyahoga County, OH**			1,312,985,032		**$ (0.26) cwt**		$ (3,413,760.75)

COMPONENT PRICES

June	2007	2006
Butterfat Price	$1.6457 / lb	$1.2436 / lb
Protein Price	3.7059 / lb	2.0790 / lb
Other Solids Price	0.5831 / lb	0.1255 / lb
Somatic Cell Adjustment Rate	0.00093 / cwt	0.00061 / cwt
Nonfat Solids Price	1.7268 / lb	0.6753 / lb

COMPUTATION OF UNIFORM PRICE

June	2007	2006
Class III Price - 3.5% BF	$20.17	$11.29
Producer Price Differential*	(0.26)	0.45
Statistical Uniform Price	$19.91	$11.74

CLASS PRICES

June	2007	2006
Class I*	$19.84	$12.75
Class II	18.89	11.00
Class III	20.17	11.29
Class IV	20.76	10.22

* Subject to Location Adjustment.

CLASSIFICATION OF PRODUCER MILK

June	2007 *Product lbs.*	2006 *Product lbs.*
Class I	492,901,245	505,810,075
Class II	300,019,350	257,354,062
Class III	429,264,540	624,719,977
Class IV	90,799,897	112,911,462
Total	1,312,985,032	1,500,795,576

ORDER 33 MARKET SUMMARY

The Producer Price Differential for the Mideast Marketing Area for June 2007 was ($0.26) and the Statistical Uniform Price was $19.91 for the month. The Statistical Uniform Price is the $2.28 higher than last month, and is $8.17 higher than June 2006.

The Producer Butterfat Price of $1.6457 per pound increased 7.51 cents from May 2007 and is up 40.21 cents from a year ago. The Protein Price of $3.7059 is up 76.35 cents from last month and is up 1.6269 dollars from June 2006. The Other Solids Price in June was $0.5831 per pound, an increase from last month's price of $0.5791 and an increase of 45.76 cents from last June. The Somatic Cell Adjustment rate for June was $0.00093.

June producer receipts of 1.31 billion pounds were 7.8 percent lower than May 2007, and 12.5 percent lower than June 2006 production of 1.50 billion pounds. Producer milk allocated to Class I accounted for 37.5 percent of the total producer milk in June 2007, less than the 38.4 percent in May 2007 and more than the 33.7 percent in June 2006. A total of 7,662 producers were pooled on the Mideast Order compared to 8,612 producers pooled in June 2006.

The market average content of producer milk was as follows: Butterfat 3.53%; Protein 2.97%; Other Solids 5.71% and Nonfat Solids 8.68%.

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Total milk production in 2007 is expected to be about 184.3 billion pounds. In 2008, cow numbers are forecast to rebound slightly to 9.125 million head and production is forecast to increase to 188.4 billion pounds. The milk–feed price ratio is projected to climb into the 2.9 range for this year and could be slightly higher in 2008, and these levels would likely signal expansion.

Growth in commercial use of all products will continue to outpace production growth in 2007, with production increases catching up in 2008. Continued strong demand for dairy products, especially dry products, is having an impact throughout the dairy complex. Cheese prices have risen through May, but cheese stocks at the end of April were higher year-over-year, with most of the rise in other than American style cheeses. Some of the stock building may be in anticipation of even higher prices later in the year. High prices for nonfat dry milk (NDM) may be increasing costs for Italian-type cheese manufacturers. Prices for cheese are expected to range from $1.605 to $1.645 per pound in 2007. Some pullback is expected in 2008, with prices forecast from $1.485 to $1.585 per pound.

Tight global supplies for dry milk products are expected to keep domestic prices for NDM high through 2007. European Union stocks are low and milk production there is moving into cheese. Australian production has been significantly reduced because of drought and is not expected to recover this year. The average NDM price is expected to range from $1.610 to $1.650 per pound in 2007. Some easing could come toward the end of 2008; however, prices will remain high by historic standards. The 2008 forecast is for the average NDM price to be $1.560 to $1.630 per pound.

Domestic butter prices are forecast above historic norms due to continued strength in demand and limited production growth. In 2007, the average butter price is expected to average from $1.370 to $1.440 per pound. For 2008, the forecast range is $1.350 to $1.480 per pound. Whey prices, which have also risen, will likely plateau at new higher levels, averaging 68.5 to 70.5 cents a pound in 2007 and remaining close to 2007 prices at 65.0 to 68.0 cents a pound in 2008.

The tight supply situation in the butter-powder market will push the average annual Class IV price to the $17.85 to $18.35 per cwt range in 2007, as Class IV prices are expected to continue to rise throughout the year. The product market this year presents the unusual situation that the Class IV price is the driver for Class I prices. The Class III price is projected to rise to an average $17.30 to $17.70 per cwt for the year. The reported all milk price is expected to be sharply higher in 2007 and will likely average $18.55 to $18.95 per cwt for the year. Strong milk prices will likely continue into 2008. The Class IV price is forecast to average $17.25 to $18.35 per cwt, and the Class III prices $15.95 to $16.95 per cwt. The all milk price is forecast to average $17.90 to $18.90 per cwt for 2008, a slight decline.

SOURCE: "Livestock, Dairy, and Poultry Outlook", LDP-M-156, June 19, 2007, Economic Research Service, USDA. For more information, contact Roger Hoskin, (202) 694-5148.

Mideast Top Ten Counties

The Mideast Marketing Area had 1.42 billion pounds of producer milk pooled in May 2007. Producers located Huron County, Michigan pooled the largest volume of milk with 53.7 million pounds. Wayne County, OH, the top county in May 2005 and 2006, was second in 2007 with 50.1 million pounds pooled. The top ten counties listed in the chart below had a total of 371.6 million pounds pooled, or 26.1 percent of the total Mideast producer milk in May 2007.

County	State	May 2007	May 2006	May 2005
		millions of pounds		
HURON	MI	53.7	46.9	44.1
WAYNE	OH	50.1	51.3	52.4
CLINTON	MI	48.0	45.4	42.7
WYOMING	NY	47.0	43.6	45.5
GRATIOT	MI	34.3	33.3	23.6
MERCER	OH	29.3	24.9	27.4
CHAUTAUQUA	NY	29.0	28.2	31.5
ALLEGAN	MI	27.2	32.1	26.1
SANILAC	MI	27.0	29.5	29.3
OTTAWA	MI	26.0	24.4	29.5

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

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State	May 2007 Number of Producers	May 2007 Pounds of Milk (000)	May 2007 Butterfat	May 2007 Protein	May 2007 Other Solids	May 2007 SCC (000)	May 2006 Pounds of Milk (000)	May 2006 Butterfat	May 2006 Protein	May 2006 Other Solids	May 2006 SCC (000)
Michigan	2,011	541,982	3.53	2.98	5.71	245	547,063	3.59	2.97	5.73	237
Ohio	2,393	369,733	3.60	3.03	5.68	275	363,020	3.68	3.01	5.71	263
New York	427	183,377	3.57	2.98	5.73	238	147,596	3.64	2.96	5.74	208
Indiana	1,027	128,921	3.59	3.00	5.69	292	164,813	3.66	2.99	5.73	273
Pennsylvania	1,224	124,564	3.65	3.05	5.68	318	131,110	3.73	3.03	5.71	306
Wisconsin	402	61,601	3.63	2.98	5.74	264	193,958	3.66	2.98	5.75	260
West Virginia	66	6,179	3.71	3.13	5.69	332	6,197	3.74	3.13	5.71	341
Other	100	8,046	3.72	3.06	5.67	341	24,303	3.56	2.96	5.72	296
Total/Average *	7,650	1,424,405	3.57	3.00	5.70	264	1,578,059	3.64	2.99	5.73	254

* Totals may not add due to rounding. Data provided on a one month delay basis.

United States
Department of
Agriculture

Mideast Market Administrator Bulletin
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FEDERAL ORDER DATA
JUNE 2007

Marketing Area [1/]		Producer Milk Total (000)	Producer Milk Class I (000)	Class I Percent %	Producer Price Differential	Statistical Uniform Price
FO 1	Northeast - *(Boston)*	1,857,099	832,225	44.8	$0.63	$20.80
FO 5	Appalachian - *(Charlotte)*	437,213	320,902	73.4	[2/]	20.70
FO 6	Florida - *(Tampa)*	258,463	204,677	79.2	[2/]	21.62
FO 7	Southeast - *(Atlanta)*	558,867	372,612	66.7	[2/]	20.76
FO 30	Upper Midwest - *(Chicago)*	1,988,946	344,057	17.3	(0.05)	20.12
FO 32	Central - *(Kansas City)*	811,195	333,966	41.2	(0.37)	19.80
FO 33	**Mideast - *(Cleveland)***	**1,312,985**	**492,901**	**37.5**	**(0.26)**	**19.91**
FO 124	Pacific Northwest - *(Seattle)*	577,124	176,749	30.6	0.02	20.19
FO 126	Southwest - *(Dallas)*	434,972	321,199	73.8	0.31	20.48
FO 131	Arizona - *(Phoenix)*	322,882	107,842	33.4	[2/]	20.30

[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 JULY 2007 .... $18.89 /cwt.

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