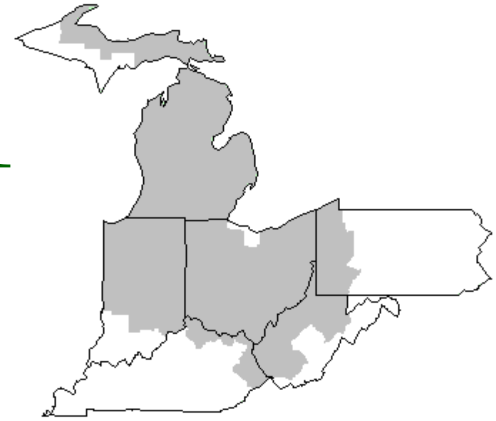
Mideast Market Administrator's Bulletin



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

August 2008

USDA Issues Interim Final Rule Amending All Federal Milk Marketing Orders

The U.S. Department of Agriculture issued an interim final rule amending the Class III and Class IV product price formulas in all Federal milk marketing orders.

The decision was based on testimony at USDA public hearings held in Strongsville, Ohio, (February 26-March 2, 2007); Indianapolis, Indiana, (April 9-13, 2007); and Pittsburgh, Pennsylvania, (July 9-11, 2007). These amendments were announced on June 20, 2008. The interim order was approved by dairy farmers in all 10 Federal milk marketing orders.

The decision amends the manufacturing allowances for cheese, butter, nonfat dry milk (NFDM) and dry whey. Specifically, this decision adopts the following manufacturing allowances: cheese - $0.2003 per pound; butter - $0.1715 per pound; NFDM - $0.1678 per pound; and dry whey - $0.1991 per pound. This decision also increases the butterfat yield factor of the butterfat price from 1.20 to 1.211.

These amendments will be effective September 1, 2008.

The interim order appeared in the July 31, 2008 *Federal Register*. As announced on June 20, 2008, public comments and exceptions to the tentative final decision were due on or before August 19, 2008. USDA will consider the comments and exceptions and issue a final decision.

For additional information about the decision contact this office.

June Milk Production Up 3.4 Percent

Milk production in the 23 major States during June totaled 14.7 billion pounds, up 3.4 percent from June 2007. May revised production, at 15.4 billion pounds, was up 3.5 percent from May 2007. The May revision represented an increase of 0.1 percent or 14 million pounds from last month's preliminary production estimate.

Production per cow in the 23 major States averaged 1,737 pounds for June, 25 pounds above June 2007.

The number of milk cows on farms in the 23 major States was 8.46 million head, 158,000 head more than June 2007, and 1,000 head more than May 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 June totaled 2.3 billion pounds, up 33 million pounds or 1.5 percent from June 2007.

Production per cow in the Mideast states averaged 1,675 pounds for June, 5 pounds below June 2007.

The number of cows on farms in the Mideast states was 1.3 million head, 16,000 head more than June 2007.

World Dairy Situation and Outlook

Summary - Uncertainty continues to plague dairy markets as fuel and feed costs soar and weather factors disrupt expected production patterns. In late 2007, world dairy prices were for the most part retreating from the breathtaking record levels posted in mid-2007 as forecasts pointed to a resumption of long-term production trends and thus increased milk supplies. In early 2008, however, these assumptions were thrown into doubt as New Zealand experienced a drought that knocked down the original December 2007 milk production forecast for the 2007/08 season by 7 percent. In effect, the widely anticipated growth in New Zealand milk production was now set to shrink by 5 percent from the previous year. This effectively arrested the decline in dairy product prices and kept them well above historical levels.

As the new production season unfolds, the weather situation in Australia remains questionable as May was noted as being the driest month on record and all dairying areas received less than average rainfall. Even with a resumption of normal rainfall, cow numbers are at their lowest level since 1992; consequently, any herd expansion

(Continued on Page 3)

July 2008 Pool Summary

Classification of Producer Milk

	Pounds	*Percent*
Class I	505,556,376	36.4
Class II	271,777,542	19.6
Class III	484,655,289	34.9
Class IV	127,186,619	9.1
Total	1,389,175,826	100.0

Producer Prices

Producer Price Differential	$ 1.47	/ cwt
Butterfat Price	1.6774	/ lb
Protein Price	4.0025	/ lb
Other Solids Price	0.0707	/ lb
Somatic Cell Adjustment Rate	0.00098	/ cwt
Statistical Uniform Price	19.71	/ cwt

ANNOUNCEMENT OF PRODUCER PRICES
Federal Order No. 33

JULY 2008

COMPUTATION OF PRODUCER PRICE DIFFERENTIAL

	POUNDS	BUTTERFAT	SKIM / PROTEIN	NONFAT SOLIDS	OTHER SOLIDS	PRICE	VALUE
Class I Skim Value			496,252,853			$ 17.70 / cwt	$ 87,836,755.02
Class I Butterfat		9,303,523				1.6286 / lb	15,151,717.55
Class I Location Differential	505,556,376						(233,723.79)
Class II SNF Value				22,825,705		1.2567 / lb	28,685,063.48
Class II Butterfat		17,066,612				1.6844 / lb	28,747,001.22
Class III Protein Value			14,324,696			4.0025 / lb	57,334,595.77
Class III Other Solids Value					27,775,214	0.0707 / lb	1,963,707.64
Class III Butterfat		16,432,445				1.6774 / lb	27,563,783.24
Class IV SNF Value				10,838,293		1.2358 / lb	13,393,962.51
Class IV Butterfat		6,319,982				1.6774 / lb	10,601,137.80
Somatic Cell Value II / III / IV							541,138.34
TOTAL PRODUCER MILK VALUE	1,389,175,826	49,122,562	40,813,960		79,409,394		$271,585,138.78
Overages					$ 36,948.92		
Beginning Inventory and OS Charges					$ 137,038.78		
TOTAL ADJUSTMENTS							$ 173,987.70
TOTAL HANDLER OBLIGATIONS							$ 271,759,126.48
Total Protein Value			40,813,960 lbs	@	$4.0025		$ (163,357,875.00)
Total Other Solids Value			79,409,394 lbs	@	0.0707		(5,614,244.16)
Butterfat Value			49,122,562 lbs	@	1.6774		(82,398,185.51)
Total Somatic Cell Values							(802,865.57)
TOTALS							$ 19,585,956.24
Net Producer Location Adjustments							$ 799,194.12
1/2 Unobligated Balance Producer Settlement Fund							648,000.00
Total - Divided by Total Pounds			1,389,175,826 lbs		1.5140740		$ 21,033,150.36
Rate of Cash Reserve					(0.0440740)		(612,265.35)
PRODUCER PRICE DIFFERENTIAL *at Cuyahoga County, OH**			1,389,175,826		**$1.47 /cwt**		$ 20,420,885.01

COMPONENT PRICES

	July 2008	July 2007
Butterfat Price	$1.6774 / lb	$1.6110 / lb
Protein Price	4.0025 / lb	4.2068 / lb
Other Solids Price	0.0707 / lb	0.5534 / lb
Somatic Cell Adjustment Rate	0.00098 / cwt	0.00100 / cwt
Nonfat Solids Price	1.2358 / lb	1.8424 / lb

COMPUTATION OF UNIFORM PRICE

	July 2008	July 2007
Class III Price - 3.5% BF	$18.24	$21.38
Producer Price Differential*	1.47	0.59
Statistical Uniform Price	$19.71	$21.97

CLASS PRICES

	July 2008	July 2007
Class I*	$22.78	$22.91
Class II	16.81	21.40
Class III	18.24	21.38
Class IV	16.60	21.64

* Subject to Location Adjustment.

CLASSIFICATION OF PRODUCER MILK

	July 2008 *Product lbs.*	July 2007 *Product lbs.*
Class I	505,556,376	498,402,844
Class II	271,777,542	281,566,141
Class III	484,655,289	558,322,916
Class IV	127,186,619	129,309,701
Total	1,389,175,826	1,467,601,602

ORDER 33 MARKET SUMMARY

The Producer Price Differential for the Mideast Marketing Area for July 2008 was $1.47 and the Statistical Uniform Price was $19.71 for the month. The Statistical Uniform Price is the $0.75 higher than last month, and is $2.26 lower than July 2007.

The Producer Butterfat Price of $1.6774 per pound increased 6.14 cents from June 2008 and is up 6.64 cents from a year ago. The Protein Price of $4.0025 is down 71.68 cents from last month and is down 20.43 cents from July 2007. The Other Solids Price in July was $0.0707 per pound, a decrease from last month's price of $0.0826and a decrease of 48.27 cents from last July. The Somatic Cell Adjustment rate for July was $0.00098.

July producer receipts of 1.39 billion pounds were 14.3 percent higher than June 2008 and 5.3 percent lower than July 2007 production of 1.47 billion pounds. Producer milk allocated to Class I accounted for 36.4 percent of the total producer milk in July 2008, less than the 39.3 percent in June 2008 and more than the 34.0 percent in July 2007. A total of 7,328 producers were pooled on the Mideast Order compared to 7,604 producers pooled in July 2007.

The market average content of producer milk was as follows: Butterfat 3.54%; Protein 2.94%; Other Solids 5.72% and Nonfat Solids 8.66%.

(Continued from Front Page)

will require several years of investment and plentiful rainfall to resume pre-drought production levels. In New Zealand, the record payout is expected to boost prospects for conversions into dairying and encourage dairies to expand. As a result, milk production during the 2008/09 season is expected to rebound by 7-10 percent. Elsewhere, in the EU-27, quota increases are also forecast to raise milk production but most of the additional output is likely to be channeled towards the domestic market.

In the United States, 2008 milk production continues to expand at a 2 percent clip but the longer-term outlook is clouded by concerns over high feed costs in relation to milk receipts. For this reason, after several years of over 2 percent growth, milk output in 2009 is forecast to grow by less than one percent. Nevertheless, the U.S. dairy industry is currently reaping the benefits of the tight global market and weak currency with fiscal year 2008/09 exports expected to hit a record $3.7 billion.

Despite the high world prices, dairy product demand remains surprisingly robust. Although world growth for 2008 is expected to be below 2007 due to rising energy costs and the financial impact of the U.S. credit crisis, GDP growth in the key East Asian markets – forecast at 4 percent to 5 percent - remains solid. In China, GDP growth has been lowered, but at 9 percent, this still represents a significant pace that will have an impact on trade. Meanwhile, in other markets such as Mexico, North Africa, and the Middle East, oil revenues are ensuring that purchases of dairy products for social feeding programs continue.

Cheese - Cheese exports in 2008 among selected exporters are expected to grow by 4 percent to 1.4 million tons with marginal decreases in the export forecast for New Zealand being offset by increases in the United States, EU and Australia forecast. The most significant change from the December 2007 forecasts has been the U.S. cheese export forecast which is raised by 22 percent to 122,000 tons – a 23 percent increase over 2007. However, U.S. cheese production this year – up only 0.6 percent through May 2008 over the comparable period in 2007 – has been surprisingly low but is anticipated to accelerate during the balance of the year. Nevertheless, as the economy falters, cheese consumption is expected to slow and register only a modest gain of 1 percent over the previous year. This is a significant drop from the growth experienced during the 2005-2007 period when consumption grew at an average annual rate of 2.5 percent.

On the import side, the Russian December import forecast is raised by 8 percent to 280,000 tons as the Russian Government has taken steps to facilitate purchases of dairy products from Belarus and the Ukraine in order to dampen domestic price inflation. This import forecast represents a 12 percent increase from the previous year and highlights the growing expansion of this market. In contrast, the U.S. market for imported cheeses continues to contract with imports in 2008 slated to fall by 7 percent.

Butter - The 2008 export forecasts for Australia, New Zealand, and the EU-27 were reduced by a total of 63,000 tons from December but this was partially offset by a sharp rise of 38,000 tons in expected U.S. shipments of butter. The United States has emerged as a major shipper of butter and is expected to almost double the volume of butter exported in 2007. Although, in principle, returns favor the channeling of manufacturing milk to cheese processors, expectations are that U.S. butter production will increase by 6 percent this year.

Skimmed Milk Powder - The Australian and New Zealand export forecast was adjusted down due to drought and increased use of fluid milk in the production of cheese and WMP. The U.S. SMP export forecast was revised up sharply by 45 percent from December on the strength of shipments during the January-April 2008 period – up 77 percent over the comparable 2007 period. U.S. production of SMP and NDM has surged and 2008 output through May 2008 is running 36 percent ahead of the same period in 2007.

SOURCE: "Dairy: World Markets and Trade", Circular Series, FD 1-08, July 2008, Foreign Agricultural Service, USDA.

Bulletin WebPage Edition
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Featured this month are:

- Thematic maps displaying total producer pounds and total producer farms by State and County for June 2008.
- Bar and pie charts summarizing total producer pounds and total producer farms by State for June 2008.

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

Federal Order No. 33

	June 2008						June 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	1,966	528,854	3.51	2.95	5.73	242	522,769	3.49	2.95	5.72	262
Ohio	2,204	288,766	3.58	2.97	5.70	292	299,454	3.55	2.99	5.68	301
Indiana	1,148	139,899	3.58	2.94	5.70	308	145,113	3.55	2.97	5.69	321
New York	308	97,686	3.57	2.97	5.70	229	179,281	3.53	2.96	5.73	241
Pennsylvania	1,106	95,281	3.66	2.99	5.69	343	112,819	3.60	3.00	5.69	341
Wisconsin	390	46,523	3.61	2.96	5.75	274	39,726	3.57	2.92	5.76	275
Illinois	57	6,600	3.55	2.97	5.74	324	2,030	3.58	2.94	5.68	311
West Virginia	63	5,617	3.72	3.10	5.69	374	5,669	3.69	3.08	5.67	342
Other	95	6,320	3.61	2.98	5.71	338	6,012	3.67	3.03	5.66	331
Total/Average *	7,337	1,215,547	3.56	2.96	5.72	271	1,312,875	3.53	2.97	5.71	283

* 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

JULY 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)*	2,050,531	831,108	40.5	$2.37	$20.61
FO 5	Appalachian - *(Charlotte)*	476,490	330,831	69.4	[2]	22.31
FO 6	Florida - *(Tampa)*	244,389	204,161	83.5	[2]	24.89
FO 7	Southeast - *(Atlanta)*	539,885	365,692	67.7	[2]	22.68
FO 30	Upper Midwest - *(Chicago)*	2,383,832	348,877	14.6	0.66	18.90
FO 32	Central - *(Kansas City)*	930,779	327,343	35.2	1.14	19.38
FO 33	**Mideast - *(Cleveland)***	**1,389,176**	**505,556**	**36.4**	**1.47**	**19.71**
FO 124	Pacific Northwest - *(Seattle)*	665,480	180,105	27.1	0.70	18.84
FO 126	Southwest - *(Dallas)*	1,034,333	324,216	31.4	1.85	20.09
FO 131	Arizona - *(Phoenix)*	328,342	105,226	32.0	[2]	19.31

[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 AUGUST 2008........................$ 16.60 /cwt.

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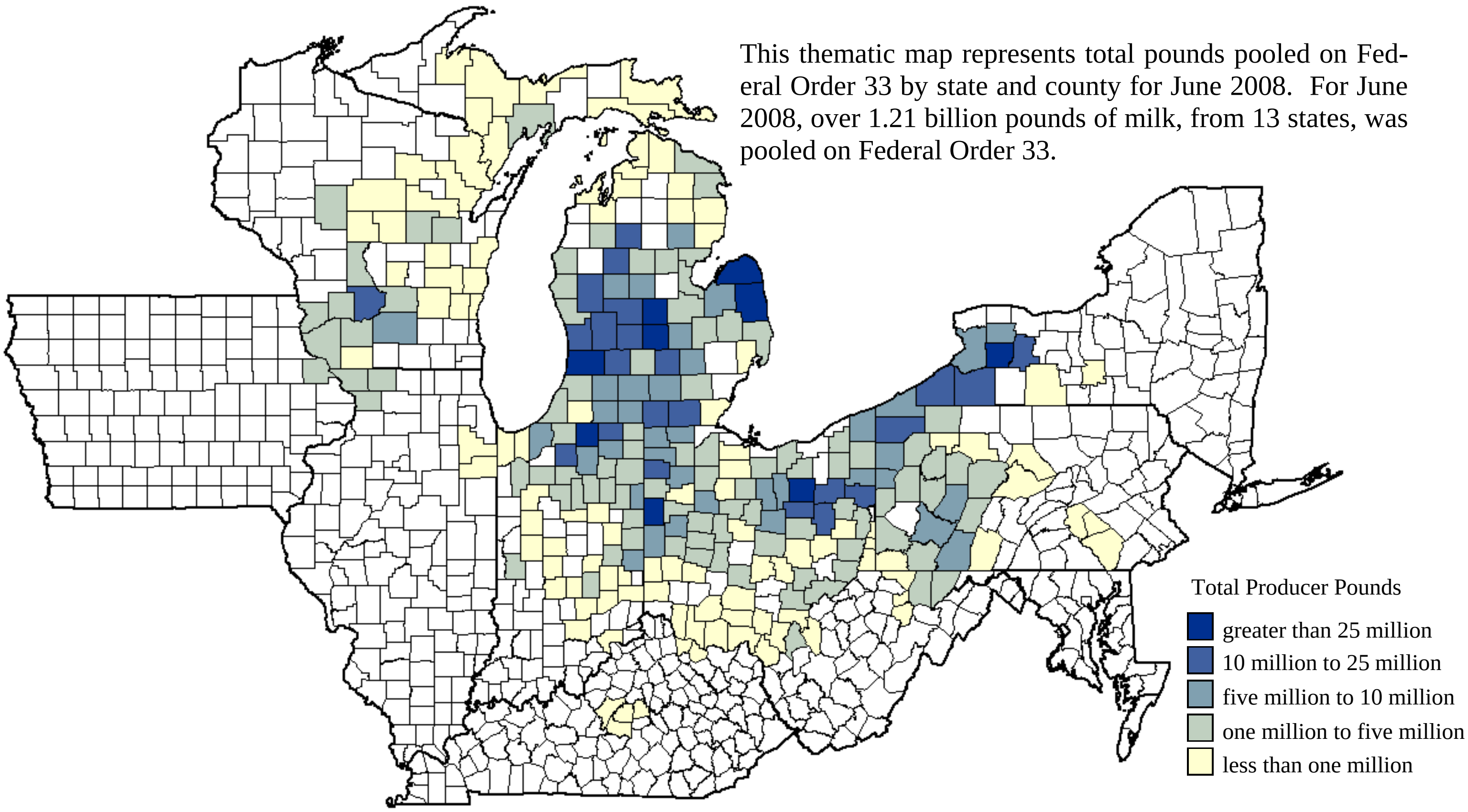
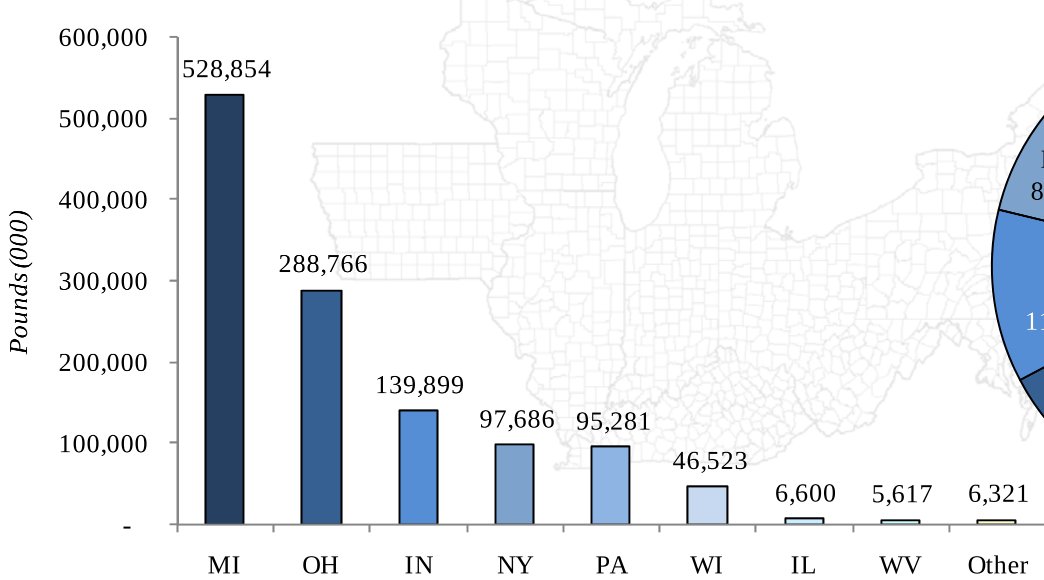
Mideast Market Administrator's
Bulletin
Supplement
Federal Order No. 33 August 2008

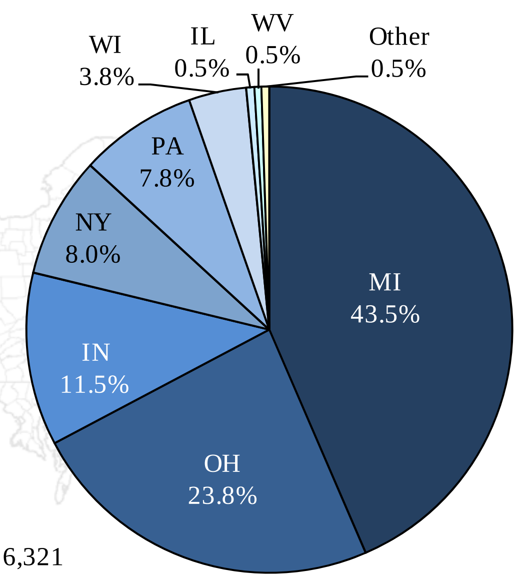
TOTAL PRODUCER POUNDS BY STATE AND COUNTY, JUNE 2008*

This thematic map represents total pounds pooled on Federal Order 33 by state and county for June 2008. For June 2008, over 1.21 billion pounds of milk, from 13 states, was pooled on Federal Order 33.



TOTAL PRODUCER POUNDS AND MARKET SHARE BY STATE, JUNE 2008

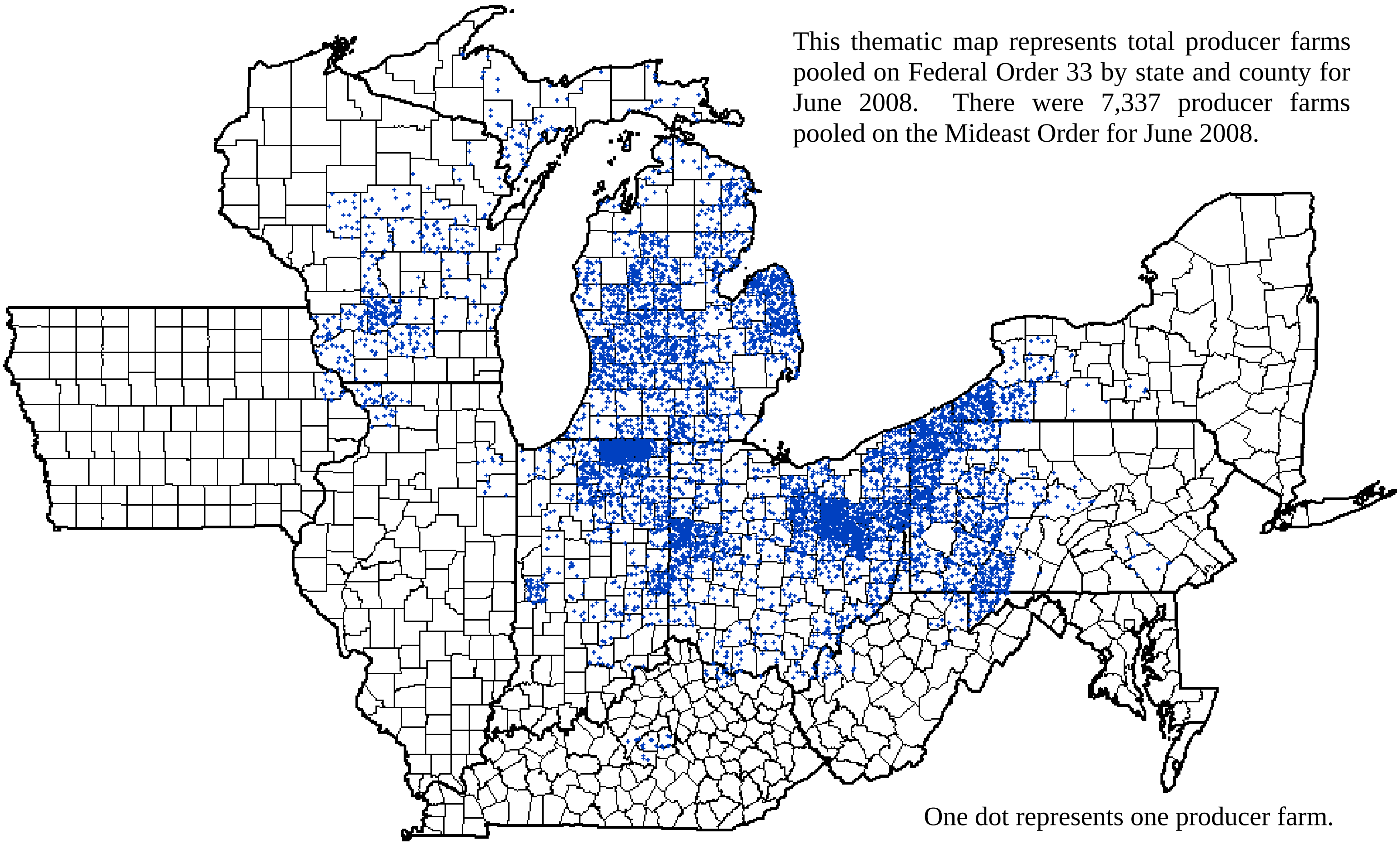




* Includes only milk pooled on Federal Order 33; excludes restricted data.

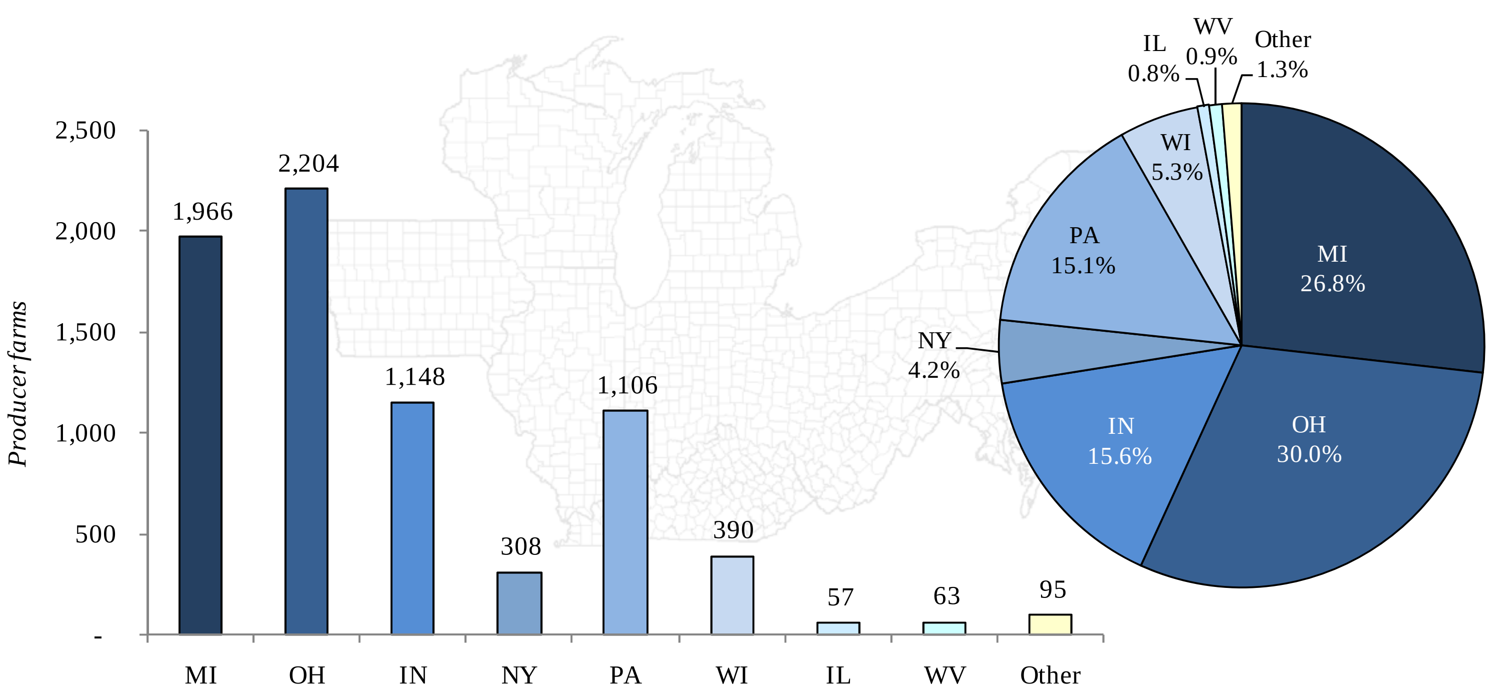
TOTAL PRODUCER FARMS BY STATE AND COUNTY, JUNE 2008*

This thematic map represents total producer farms pooled on Federal Order 33 by state and county for June 2008. There were 7,337 producer farms pooled on the Mideast Order for June 2008.



One dot represents one producer farm.

TOTAL PRODUCER FARMS AND DISTRIBUTION BY STATE, JUNE 2008



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