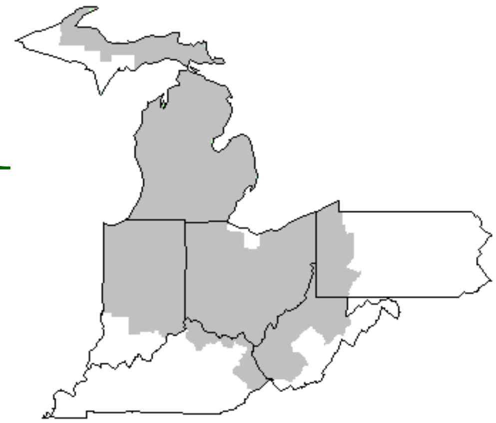
Mideast Market Administrator's

Bulletin



Federal Order No. 33
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October 2008

USDA Seeks Nominations for National Fluid Milk Board

The U.S. Department of Agriculture is asking fluid milk processors and other interested parties to nominate candidates for the National Fluid Milk Processor Promotion Board.

The Secretary of Agriculture will appoint seven individuals from those nominated to succeed members whose terms expire June 30, 2009. Newly appointed or reappointed members will serve 3-year terms from July 1, 2009 through June 30, 2012.

The National Fluid Milk Processor Promotion Board was established by the Fluid Milk Promotion Act of 1990, as amended, to develop and administer a coordinated program of advertising and education to promote fluid milk products. Of the board's 20 members, 15 represent geographic regions and five are at-large members. The at-large members must include at least three fluid milk processors and at least one member from the general public. Currently, the board's membership includes four at-large processor members and one member from the general public.

The national fluid milk program is financed by a mandatory 20-cent per hundredweight assessment on fluid milk processors who process and market commercially in consumer-type packages more than 3 million pounds of fluid milk products per month in the contiguous 48 states and the District of Columbia, excluding those fluid milk products delivered directly to consumer residences.

USDA will accept nominations for board representation in five geographic regions and two at-large positions. Nominees for the five regional positions must be active owners or employees of a fluid milk processor. One at-large position may be either a fluid milk processor or from the general public. One at-large position must be from the general public. The geographic regions are: Region 3 (Delaware, District of Columbia, Maryland, Pennsylvania, and Virginia); Region 6 (Ohio and West Virginia); Region 9 (Alabama, Kentucky, Louisiana, Mississippi, and Tennessee); Region 12 (Arizona, Colorado, New Mexico, Nevada, and Utah); and Region 15 (Southern California). No fluid milk processor shall be represented on the board by more than three members.

Fluid milk processors and interested parties may submit nominations for regions in which they are located or market fluid milk and for at-large members.

To nominate an individual, please submit a copy of the nomination form and a signed background form for each nominee by Oct. 31, 2008, to: Whitney Rick, Chief, Promotion and Research Branch, Dairy Programs, AMS, MRP, USDA, 1400 Independence Ave., S.W., Stop 0233, Room 2958-S, Washington, D.C. 20250-0233. To obtain forms or additional information, call (202) 720-6909. Blank forms are available on the Dairy Promotion and Research Branch's website at http://www.ams.usda.gov/Dairy.

August Milk Production Up 1.5 Percent

Milk production in the 23 major States during August totaled 14.5 billion pounds, up 1.5 percent from August 2007. July revised production, at 14.8 billion pounds, was up 1.8 percent from July 2007. The July revision represented an increase of 12 million pounds or 0.1percent from last months preliminary production estimate.

Production per cow in the 23 major States averaged 1,717 pounds for August, 2 pounds below August 2007.

The number of milk cows on farms in the 23 major States was 8.47million head, 137,000 head more than August 2007, and 3,000 head less than July 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 August totaled 2.2 billion pounds, down 16 million pounds or 0.7 percent from August 2007.

Production per cow in the Mideast states averaged 1,634 pounds for August, 32 pounds below August 2007.

The number of cows on farms in the Mideast states was 1.3 million head, 14,000 head more than August 2007.

September 2008 Pool Summary

Classification of Producer Milk

	Pounds	*Percent*
Class I	566,415,573	45.2
Class II	245,866,410	19.6
Class III	387,514,507	30.9
Class IV	53,348,445	4.3
Total	1,253,144,935	100.0

Producer Prices

Producer Price Differential	$ 1.77	/cwt
Butterfat Price	1.8196	/ lb
Protein Price	3.2689	/ lb
Other Solids Price	0.0234	/ lb
Somatic Cell Adjustment Rate	0.00089	/ cwt
Statistical Uniform Price	18.05	/ cwt

ANNOUNCEMENT OF PRODUCER PRICES
Federal Order No. 33

SEPTEMBER 2008

COMPUTATION OF PRODUCER PRICE DIFFERENTIAL

	POUNDS	BUTTERFAT	SKIM / PROTEIN	NONFAT SOLIDS	OTHER SOLIDS	PRICE	VALUE
Class I Skim Value			556,375,208			$ 13.98 / cwt	$ 77,781,254.04
Class I Butterfat		10,040,365				1.7611 / lb	17,682,086.78
Class I Location Differential	566,415,573						(274,847.66)
Class II SNF Value				20,871,026		1.2878 / lb	26,877,707.30
Class II Butterfat		14,902,031				1.8266 / lb	27,220,049.81
Class III Protein Value			11,745,836			3.2689 / lb	38,395,963.31
Class III Other Solids Value					22,028,394	0.0234 / lb	515,464.38
Class III Butterfat		14,811,317				1.8196 / lb	26,950,672.41
Class IV SNF Value				4,276,354		1.0455 / lb	4,470,928.12
Class IV Butterfat		6,002,878				1.8196 / lb	10,922,836.80
Somatic Cell Value II / III / IV							456,105.41
TOTAL PRODUCER MILK VALUE	1,253,144,935	45,756,591	37,914,468		71,252,800		$230,998,220.70
Overages					$ 40,941.67		
Beginning Inventory and OS Charges					$ 87,591.99		
TOTAL ADJUSTMENTS							$ 128,533.66
TOTAL HANDLER OBLIGATIONS							$ 231,126,754.36
Total Protein Value			37,914,468 lbs	@	$3.2689		$ (123,938,604.44)
Total Other Solids Value			71,252,800 lbs	@	0.0234		(1,667,315.53)
Butterfat Value			45,756,591 lbs	@	1.8196		(83,258,692.99)
Total Somatic Cell Values							(803,302.20)
TOTALS							$ 21,458,839.20
Net Producer Location Adjustments							$ 638,951.87
1/2 Unobligated Balance Producer Settlement Fund							618,000.00
Total - Divided by Total Pounds			1,253,144,935 lbs		1.8127026		$ 22,715,791.07
Rate of Cash Reserve					(0.0427026)		(535,125.47)
PRODUCER PRICE DIFFERENTIAL *at Cuyahoga County, OH**			1,253,144,935		**$1.77 /cwt**		$ 22,180,665.60

COMPONENT PRICES

	September 2008	September 2007
Butterfat Price	$1.8196 / lb	$1.5101 / lb
Protein Price	3.2689 / lb	4.3929 / lb
Other Solids Price	0.0234 / lb	0.2890 / lb
Somatic Cell Adjustment Rate	0.00089 / cwt	0.00101 / cwt
Nonfat Solids Price	1.0455 / lb	1.8797 / lb

COMPUTATION OF UNIFORM PRICE

	September 2008	September 2007
Class III Price - 3.5% BF	$16.28	$20.07
Producer Price Differential*	1.77	1.87
Statistical Uniform Price	$18.05	$21.94

CLASS PRICES

	September 2008	September 2007
Class I*	$19.65	$23.91
Class II	17.58	22.16
Class III	16.28	20.07
Class IV	15.45	21.61

* Subject to Location Adjustment.

CLASSIFICATION OF PRODUCER MILK

	September 2008 *Product lbs.*	September 2007 *Product lbs.*
Class I	566,415,573	532,172,658
Class II	245,866,410	207,887,864
Class III	387,514,507	469,530,011
Class IV	53,348,445	95,804,737
Total	1,253,144,935	1,305,395,270

ORDER 33 MARKET SUMMARY

The Producer Price Differential for the Mideast Marketing Area for September 2008 was $1.77 and the Statistical Uniform Price was $18.05 for the month. The Statistical Uniform Price is the $0.65 lower than last month, and is $3.89 lower than September 2007.

The Producer Butterfat Price of $1.8196 per pound increased 7.83 cents from August 2008 and is up 30.95 cents from a year ago. The Protein Price of $3.2689 is down 38.08 cents from last month and is down 1.124 dollars from September 2007. The Other Solids Price in September was $0.0234 per pound, a decrease from last month's price of $0.0529 and a decrease of 26.56 cents from last September. The Somatic Cell Adjustment rate for September was $0.00089.

September producer receipts of 1.25 billion pounds were 5.7 percent lower than August 2008 and 4.0 percent lower than September 2007 production of 1.31 billion pounds. Producer milk allocated to Class I accounted for 45.2 percent of the total producer milk in September 2008, more than the 40.5 percent in August 2008 and more than the 40.8 percent in September 2007. A total of 7,191 producers were pooled on the Mideast Order compared to 8,011producers pooled in September 2007.

The market average content of producer milk was as follows: Butterfat 3.65%; Protein 3.03%; Other Solids 5.69% and Nonfat Solids 8.72%.

Milk Production Increases Will Be Slight in 2009; Demand Increases Are Limited by a Slowing Economy and Lower Export Prospects

The milk production forecast was raised slightly in September from last month as cow numbers were adjusted to continued herd growth. Cow numbers are projected to average 9,260-thousand head for 2008. Next year, herd size is forecast to contract to 9,235-thousand head. The forecast decline is based on expected higher feed costs and lower milk prices. Cow slaughter is higher than a year ago and replacement prices lower. Production is expected to rise incrementally to 190.8 billion pounds in 2009, less than a 1-percent rise from 2008's estimated production. The increase is based on gains in production per cow, which are estimated to average less than 1 percent in 2008. However, the milk per cow increase forecast for 2009 will be the smallest since 2004. It appears that higher feed prices and lower product prices are continuing to have an impact on the rate of increase in milk production, since the rate of increase in output per cow has been declining since 2005. That the impact has not developed more rapidly suggests that many larger operators may have lowered breakeven points in recent years.

Demand growth across all major products appears to be slowing. Cheese and Butter production in 2008 lead last year's totals on a year-to-date basis. This month's forecast shows higher expected stock levels on skim-solids basis, indicating softening demand for butter and powder products. A slowing domestic economy has stressed the restaurant sector, which—along with higher food and energy prices—is dampening cheese demand. Butter and nonfat dry milk (NDM) had benefited from strong export sales, but exports are forecast to taper off toward the end of 2008 and decline slightly in 2009.

While slower milk production growth should limit price declines, softening demand both domestically and internationally contributes to lower prices for the balance of 2008 and into 2009 compared with 2007. The cheese price is forecast at $1.905 to $1.925 per pound this year and to decline to $1.840 to $1.940 per pound in 2009. Butter prices, which have been near record highs this year, are projected to average $1.405 to $1.445 per pound in 2008 and decline to $1.350 to $1.480 per pound next year. Slower exports take a toll on NDM prices both this year and next, as the annual price is expected to average $1.375 to $1.395 per pound in 2008 and $1.455 to $1.525 per pound in 2009. Whey prices, in the doldrums after 2007 highs, are expected to average 26.0 to 28.0 cents per pound this year and increase fractionally in 2009 at 26.0 to 29.0 cents per pound.

Livestock, Dairy, & Poultry Outlook/LDP-M-171/September 19, 2008 Economic Research Service, USDA

International Overview

Milk production continues to increase in Oceania as the new season is well underway in New Zealand while in the early stages in Australia. Production is in line with projections in New Zealand with output estimated to be 6 - 7% ahead of last season. In Australia, although very early in the season, production estimates are for a 1% increase over last season. In Europe, the milk production season is winding down with late season milk volumes being directed towards products of most need or best return when possible. Stocks of manufactured dairy products are available from Europe and becoming more available from Oceania. Many traders and handlers, especially in Oceania, report that commitments to buyers are lower this season. Traders and handlers are awaiting a potential tender announcement for various dairy products which will hopefully rekindle international sales. The U.S. dollar strengthened to the highest level against the Euro within the past month, but has weakened considerably in the past week. Many traders and handlers are discussing the dairy situation in China and what impact this may have on their dairy industry and exports into that region. Traders question the level of buyer confidence Chinese consumers have with other dairy products and its impact on the dairy industry. They are also concerned about consumer acceptance of imported items. Most traders indicate that it is still early for many of these concerns and questions to be answered and realized.

Bulletin WebPage Edition
www.fmmaclev.com

Featured this month are:

- Producer Milk Classification
- Statistical Uniform Price
- Class and Component Prices
- Weighted Average NASS Prices

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

Federal Order No. 33

	August 2008						August 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	1,952	540,982	3.52	2.95	5.71	256	500,781	3.50	2.96	5.75	285
Ohio	2,220	333,143	3.60	3.00	5.69	308	309,917	3.60	2.98	5.70	337
Indiana	1,147	135,863	3.58	2.96	5.67	327	128,517	3.58	2.95	5.70	363
New York	363	129,338	3.59	2.99	5.70	268	71,463	3.53	2.97	5.74	261
Pennsylvania	1,161	110,082	3.65	3.02	5.66	375	112,016	3.61	2.98	5.69	382
Wisconsin	358	60,700	3.57	2.94	5.74	300	103,431	3.57	2.92	5.74	305
Illinois	36	8,014	3.54	2.93	5.74	287	6,950	3.55	2.89	5.73	315
West Virginia	65	5,393	3.72	3.12	5.66	417	5,171	3.70	3.05	5.68	401
Other	76	5,583	3.62	3.01	5.71	319	8,451	3.57	2.96	5.70	345
Total/Average *	7,378	1,329,098	3.57	2.97	5.70	291	1,246,697	3.55	2.96	5.72	316

* 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

Mideast Market Administrator Bulletin
1325 Industrial Parkway North
P.O. Box 5102
Brunswick, Ohio 44212

FEDERAL ORDER DATA

SEPTEMBER 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)*	1,881,622	874,931	46.5	$2.62	$18.90
FO 5	Appalachian - *(Charlotte)*	479,858	347,230	72.4	2/	20.23
FO 6	Florida - *(Tampa)*	236,579	205,230	86.8	2/	22.39
FO 7	Southeast - *(Atlanta)*	536,598	400,017	74.6	2/	20.63
FO 30	Upper Midwest - *(Chicago)*	2,531,460	377,424	14.9	0.57	16.85
FO 32	Central - *(Kansas City)*	1,019,460	360,980	35.4	1.16	17.44
FO 33	**Mideast - *(Cleveland)***	**1,253,145**	**566,416**	**45.2**	**1.77**	**18.05**
FO 124	Pacific Northwest - *(Seattle)*	627,277	188,861	30.1	0.79	17.07
FO 126	Southwest - *(Dallas)*	900,616	358,312	39.8	2.18	18.46
FO 131	Arizona - *(Phoenix)*	310,438	118,211	38.1	2/	17.66

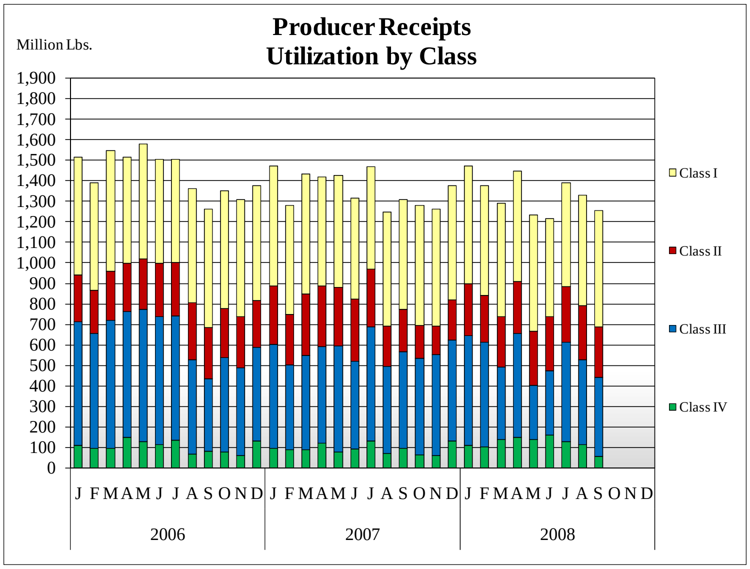
[1/] Names in parentheses are principal points of markets.

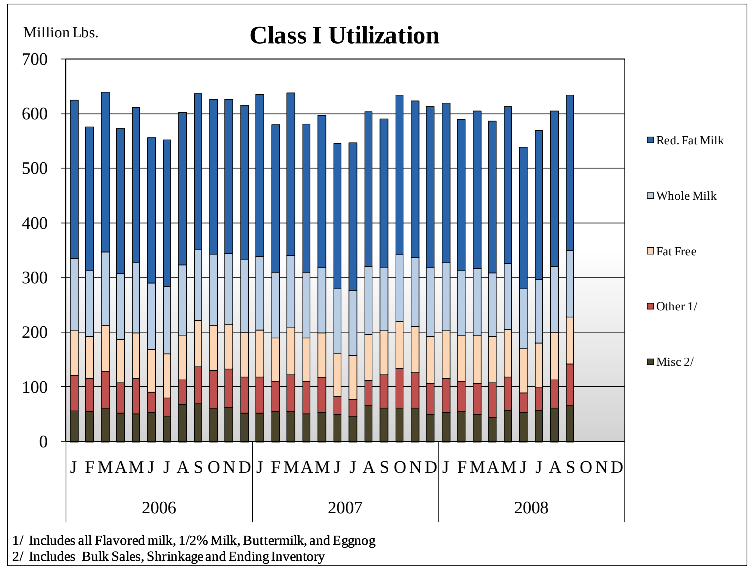
[2/] Producers in these markets are paid on the basis of a uniform skim and butterfat price.

MINIMUM PARTIAL PAYMENT PRICE FOR OCTOBER 2008 .... $ 15.45 /cwt.

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

PRODUCER MILK CLASSIFICATION

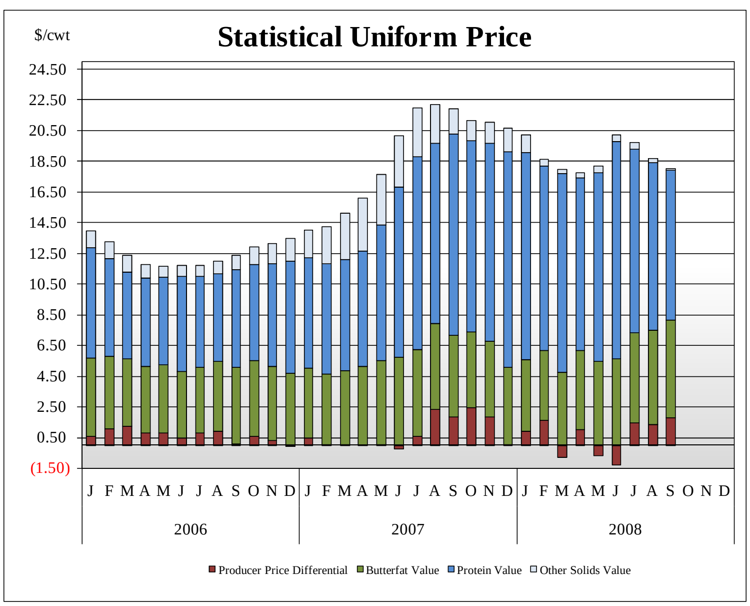


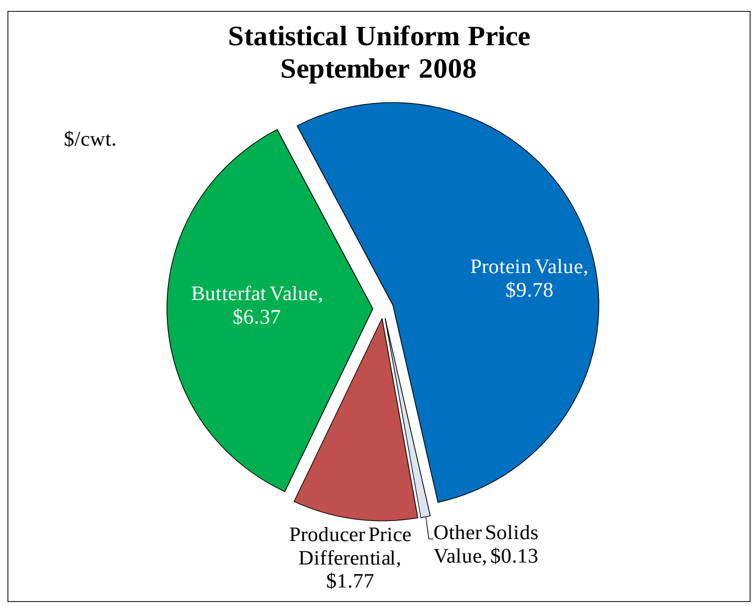


<u>Producer Receipts:</u> Producer receipts for the Mideast Order totaled 1.25 billion pounds in September 2008. The pounds allocated to Class I represented 45.2 percent of the total pounds. These totals represent a 52 million pound decrease in producer milk and a 4.4 percent increase in Class I utilization from September 2007.

<u>Class I Pounds:</u> Class I utilization for the Mideast Order totaled 633 million pounds in September 2008. Finished products include 121 million pounds used for whole milk, 226 million pounds of reduced fat milk, and 86 million pounds of fat free (skim) milk.

STATISTICAL UNIFORM PRICE

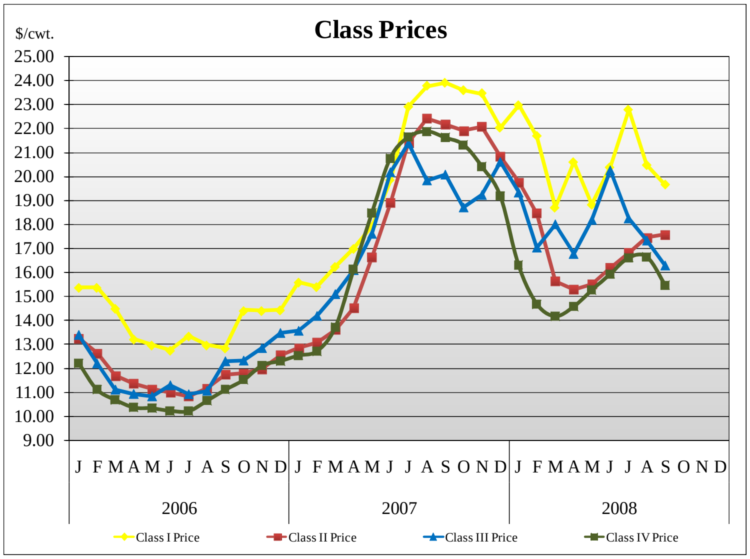


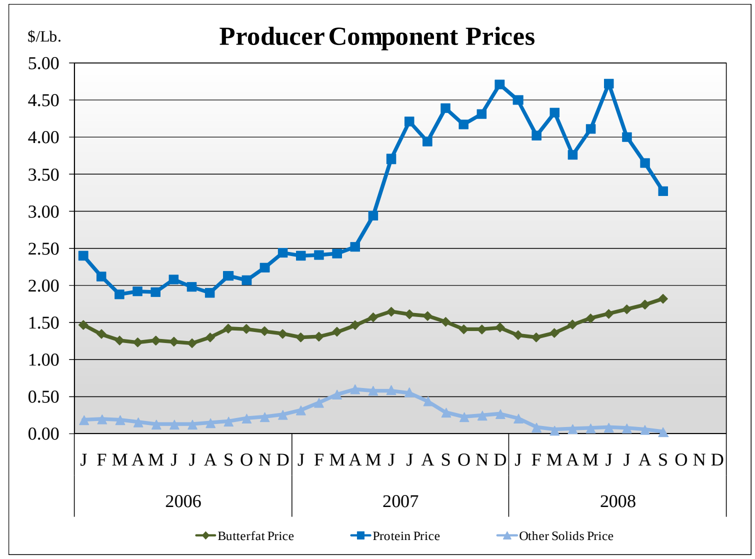


<u>Statistical Uniform Price:</u> The Mideast Federal Order Statistical Uniform Price (SUP) at Cuyahoga County, OH was $18.05 per cwt for September 2008. The September 2008 SUP was $0.65 per cwt less than the August 2008 SUP. The September 2008 SUP is 17.7 percent lower than the September 2007 SUP.

<u>September Statistical Uniform Price</u>: Using the Class III Price formula at 3.5% BF, the component values for the September 2008 SUP are: $9.78 per cwt for protein, $6.37 per cwt for butterfat and $0.13 per cwt in other solids. Also included in the SUP is $1.77 per cwt in PPD value.

CLASS AND COMPONENT PRICES





WEIGHTED AVERAGE NASS PRICES