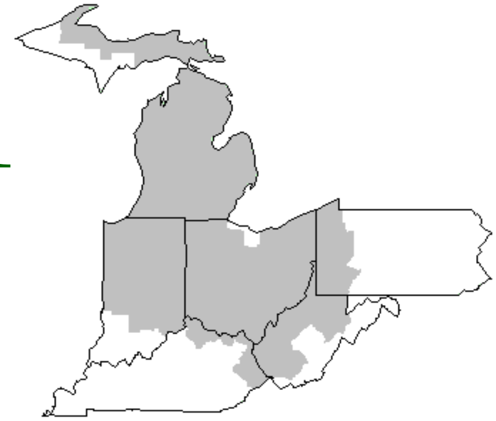
Mideast Market Administrator's Bulletin

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

February 2009



Invitation to Submit Proposals

USDA received proposals on January 30, 2009, to eliminate the producer-handler provision in all Federal milk marketing orders. Additionally, companion proposals to revise the exempt plant provision for all Federal milk marketing orders were received. The proposals were submitted on behalf of National Milk Producers Federation and International Dairy Foods Association. The proponents assert that the producer-handler exemption from pricing and pooling provisions has lead to disruption of orderly marketing conditions and should, therefore, be eliminated. The proponents also assert that the current exempt plant provision is inadequate to maintain orderly marketing conditions and as such, should be revised.

USDA is providing the opportunity for interested parties to submit additional proposals regarding the elimination of the producer-handler provision and the revision of the exempt plant provision in all Federal milk marketing orders. Proposals must be received by March 9, 2009. For further information contact *Gino Tosi at (202)690-1366* or *Gino.Tosi@ams.usda.gov or read the full document at www.fmmaclev.com*

December Milk Production Up 1.5 Percent

Milk production in the 23 major States during December totaled 14.6 billion pounds, up 1.5 percent from December 2007.November revised production at 14.0 billion pounds, was up 1.3 percent from November 2007. The November revision represented an increase of 11 million pounds or 0.1 percent from last month's preliminary estimate.

Production per cow in the 23 major States averaged 1,726 pounds for December, 8 pounds above December 2007.

The number of milk cows on farms in the 23 major States was 8.48 million head, 90,000 head more than December 2007, and 7,000 head more than November 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 December totaled 2.2 billion pounds, down 42 million pounds or 1.9 percent from December 2007.

Production per cow in the Mideast states averaged 1,640 pounds for December, 40 pounds below December 2007.

The number of cows on farms in the Mideast states was 1.3 million head, 6,000 head more than December 2007.

Cow Numbers Trend Downward in 2009 as Production Adjusts to a Weaker Market and Lower Prices

Despite lower feed costs, flagging demand will likely continue to depress prices and producer profitability in 2009. A lower milk-feed price ratio suggests that weaker prices hold the upper hand over lower feed costs and are pressuring profitability. The U.S. dairy herd is forecast to decline modestly during 2009 and to average 9.2 million for the year. Output per cow is forecast to inch upward to 20,620 pounds per cow in 2009, less than a 1-percent increase over 2008 and the second year of about a 1-percent growth rate in yield, after adjusting for the 2009 leap day. Despite the lower herd size, the slight yield increase will nudge milk production up to 190.5 billion pounds in 2009, compared with 189.6 billion in 2008. Although down from mid-year peaks, corn prices remain relatively high, while milk prices have dipped. This divergence of feed and milk prices has left dairy producers with a seriously deteriorating profit situation. The milk-feed price ratio in 2009 is forecast to be the lowest since the 1980's.

In light of the recessionary economy, domestic demand is expected to weaken. Restaurant sales are down, and sales of value-added and premium products have also fallen. To the extent that dairy products fall into these categories, demand will be affected. On the other hand, if dairy products become a larger portion of meals consumed at home, there may be some support.

(Continued on Page 3)

January 2009 Pool Summary

Classification of Producer Milk

	Pounds	*Percent*
Class I	591,435,516	42.5
Class II	246,511,171	17.7
Class III	442,499,680	31.8
Class IV	111,617,041	8.0
Total	1,392,063,408	100.0

Producer Prices

Producer Price Differential	$ 2.44	/cwt
Butterfat Price	1.1084	/ lb
Protein Price	2.3638	/ lb
Other Solids Price	(0.0304)	/ lb
Somatic Cell Adjustment Rate	0.00065	/ cwt
Statistical Uniform Price	13.22	/ cwt

ANNOUNCEMENT OF PRODUCER PRICES

Federal Order No. 33

JANUARY 2009

COMPUTATION OF PRODUCER PRICE DIFFERENTIAL

	POUNDS	BUTTERFAT	SKIM / PROTEIN	NONFAT SOLIDS	OTHER SOLIDS	PRICE	VALUE
Class I Skim Value			580,922,058			$ 13.24 / cwt	$ 76,914,080.46
Class I Butterfat		10,513,458				1.4183 / lb	14,911,237.46
Class I Location Differential	591,435,516						(265,904.54)
Class II SNF Value				21,283,328		0.7489 / lb	15,939,084.37
Class II Butterfat		14,239,344				1.1154 / lb	15,882,564.30
Class III Protein Value			13,870,384			2.3638 / lb	32,786,813.70
Class III Other Solids Value					25,210,600	(0.0304)/ lb	(766,402.26)
Class III Butterfat		16,710,660				1.1084 / lb	18,522,095.53
Class IV SNF Value				9,129,144		0.6574 / lb	6,001,499.24
Class IV Butterfat		11,831,593				1.1084 / lb	13,114,137.68
Somatic Cell Value II / III / IV							607,986.72
TOTAL PRODUCER MILK VALUE	1,392,063,408	53,295,055	43,555,806		79,177,722		$193,647,192.66
Overages					$ 59,036.25		
Beginning Inventory and Other Source Charges					$ 46,672.24		
TOTAL ADJUSTMENTS							$ 105,708.49
TOTAL HANDLER OBLIGATIONS							$ 193,752,901.15
Total Protein Value			43,555,806 lbs	@	$2.3638		$ (102,957,214.24)
Total Other Solids Value			79,177,722 lbs	@	(0.0304)		2,407,002.75
Butterfat Value			53,295,055 lbs	@	1.1084		(59,072,238.98)
Total Somatic Cell Values							(1,030,456.75)
TOTALS							$ 33,099,993.93
Net Producer Location Adjustments							$ 741,858.37
1/2 Unobligated Balance Producer Settlement Fund							720,000.00
Total - Divided by Total Pounds			1,392,063,408 lbs		2.4827786		$ 34,561,852.30
Rate of Cash Reserve					(0.0427786)		(595,505.24)
PRODUCER PRICE DIFFERENTIAL *at Cuyahoga County, OH**			1,392,063,408		**$ 2.44 /cwt**		$ 33,966,347.06

COMPONENT PRICES

	January 2009	January 2008
Butterfat Price	$1.1084 / lb	$1.3319 / lb
Protein Price	2.3638 / lb	4.4994 / lb
Other Solids Price	(0.0304) / lb	0.2097 / lb
Somatic Cell Adjustment Rate	0.00065 / cwt	0.00100 / cwt
Nonfat Solids Price	0.6574 / lb	1.3385 / lb

COMPUTATION OF UNIFORM PRICE

	January 2009	January 2008
Class III Price - 3.5% BF	$10.78	$19.32
Producer Price Differential*	2.44	0.93
Statistical Uniform Price	$13.22	$20.25

CLASS PRICES

	January 2009	January 2008
Class I*	$17.74	$22.97
Class II	10.41	19.75
Class III	10.78	19.32
Class IV	9.59	16.29

* Subject to Location Adjustment.

CLASSIFICATION OF PRODUCER MILK

	January 2009 *Product lbs.*	January 2008 *Product lbs.*
Class I	591,435,516	571,140,418
Class II	246,511,171	252,172,384
Class III	442,499,680	538,046,295
Class IV	111,617,041	108,092,536
Total	1,392,063,408	1,469,451,633

ORDER 33 MARKET SUMMARY

The Producer Price Differential for the Mideast Marketing Area for January 2009 was $2.44 and the Statistical Uniform Price was $13.22 for the month. The Statistical Uniform Price is $1.20 lower than last month, and is $7.03 lower than January 2008.

The Producer Butterfat Price of $1.1084 per pound decreased 19.14 cents from December 2008 and is down 22.35 cents from a year ago. The Protein Price of $2.3638 is down $1.2752 from last month and is down $2.1356 from January 2008. The Other Solids Price in January was $(0.0304) per pound, a decrease from last month's price of $(0.0269) and a decrease of 24.01 cents from last January. The Somatic Cell Adjustment rate for January was $0.00065.

January producer receipts of 1.39 billion pounds were 13.6 percent higher than December 2008 and 5.3 percent lower than January 2008 production of 1.47 billion pounds. Producer milk allocated to Class I accounted for 42.5 percent of the total producer milk in January 2009, less than the 47.9 percent in December 2008 and more than the 38.9 percent in January 2008. A total of 7,422 producers were pooled on the Mideast Order compared to 7,918 producers pooled in January 2008.

The market average content of producer milk was as follows: Butterfat 3.83%; Protein 3.13%; Other Solids 5.69% and Nonfat Solids 8.82%.

(Continued from Front Page)

Production in 2008 of all major dairy products, except whey, are above year-ago levels, and inventories are high. The central problem is that domestic demand is insufficient to absorb the increased production, and export prospects are dim. Global recession, higher production abroad, and a stronger dollar are expected to combine to curtail dairy exports in 2009. Commercial exports are projected at 6.7 billion pounds (fat basis) in 2009, a drop from 9.1 billion estimated for 2008. On a skim-solids basis, exports are projected at 23.5 billion pounds this year compared with an estimated 26.5 billion in 2008. Lower prices will likely prompt some additional domestic commercial use in 2009.

Prices for dairy products are sharply lower and will remain so into 2009. Recovery for most products is not anticipated until mid-year. Nonfat dry milk (NDM) producers have shifted production from export to sales to the Commodity Credit Corporation (CCC). Butter movement into CCC has already begun, and some cheese sales to CCC are expected. Higher prices will depend on lowering production to be more in line with demand. Milk Income Loss Contract payments to some producers will boost farm income, but could slow production adjustment.

Dairy product prices will be lower in 2009. Cheese prices are forecast at $1.260 to $1.340 per pound in 2009, down from $1.895 in 2008. Butter prices are forecast at $1.160 to $1.270 per pound this year, compared with $1.436 last year. NDM prices will likely average between 84.0 and 90.0 cents per pound, down from an average $1.226 per pound in 2008. Dry whey prices dropped in 2008 and are forecast to decline further, averaging 18.0 to 21.0 cents per pound in 2009 after averaging 25.0 cents per pound last year. Some price recovery could come in mid-2009, but is largely dependent on adjusting milk production to weaker demand prospects.

Milk prices will decline this year in the wake of product price declines. The Class IV price is forecast to average $10.00 to $10.90 per cwt this year, down from 2008's $14.65 per cwt average. The Class III price is forecast to average $10.60 to $11.40 per cwt, down from $17.44 per cwt last year. The all milk price is expected to average $11.80 to $12.60 per cwt in 2009, a drop from $18.34 in 2008.

SOURCE: "Livestock, Dairy, and Poultry Outlook", LDP-M-175, January 22, 2009, Economic Research Service, USDA. For more information, contact Roger Hoskin, (202) 694-5148.

Census of Agriculture Shows Growing Diversity in U.S. Farming

The number of farms in the United States has grown 4 percent and the operators of those farms have become more diverse in the past five years, according to results of the 2007 Census of Agriculture released by the U.S. Department of Agriculture's National Agricultural Statistics Service (NASS).

The 2007 Census counted 2,204,792 farms in the United States, a net increase of 75,810 farms. Nearly 300,000 new farms have begun operation since the last census in 2002. Compared to all farms nationwide, these new farms tend to have more diversified production, fewer acres, lower sales and younger operators who also work off-farm.

In addition to looking at farm numbers, operator demographics and economic aspects of farming, the Census of Agriculture delves into numerous other areas, including organic, value-added, and specialty production, all of which are on the rise.

The Census of Agriculture, conducted every five years, is a complete count of the nation's farms and ranches and the people who operate them. It provides the only source of uniform, comprehensive agricultural data for every county in the nation. Census results are available online at *www.agcensus.usda.gov* .

Bulletin WebPage Edition
www.fmmaclev.com

Featured this month are thematic maps displaying:

- Total Mideast Milk Marketings by County, 2008
- Increases in Mideast Milk Marketings by County, 2008 vs. 2007
- Decreases in Mideast Milk Marketings by County, 2008 vs. 2007

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

Federal Order No. 33

	December 2008						December 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	1,916	510,557	3.78	3.14	5.70	202	545,070	3.77	3.15	5.71	228
Ohio	2,210	286,255	3.93	3.18	5.67	244	357,317	3.91	3.19	5.69	263
Indiana	1,149	136,589	3.94	3.16	5.67	254	146,687	3.90	3.17	5.69	266
Pennsylvania	1,184	104,900	3.97	3.18	5.65	311	110,445	3.94	3.18	5.68	312
New York	350	131,714	3.79	3.12	5.68	217	100,512	3.76	3.12	5.74	220
Wisconsin	347	39,573	3.83	3.08	5.75	229	89,311	3.87	3.11	5.73	232
West Virginia	64	5,459	4.18	3.30	5.66	347	5,610	4.20	3.35	5.67	316
Illinois	44	2,430	3.91	3.23	5.67	300	12,770	3.82	3.08	5.72	233
Other	88	8,011	3.91	3.13	5.67	236	8,119	3.89	3.16	5.69	274
Total/Average *	7,352	1,225,489	3.86	3.15	5.68	230	1,375,842	3.84	3.16	5.70	248

* 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

PRSRT STD
U.S. POSTAGE
PAID
Cleveland, Ohio
Permit No. 2511

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

POSTMASTER: Time Sensitive Material - Deliver Promptly

FEDERAL ORDER DATA

JANUARY 2009

	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)*	2,018,178	890,941	44.2	$3.36	$14.14
FO 5	Appalachian - *(Charlotte)*	519,086	364,890	70.3	[2/]	16.41
FO 6	Florida - *(Tampa)*	286,220	233,649	81.6	[2/]	18.92
FO 7	Southeast - *(Atlanta)*	606,876	413,503	68.1	[2/]	16.62
FO 30	Upper Midwest - *(Chicago)*	2,750,570	386,473	14.1	0.82	11.60
FO 32	Central - *(Kansas City)*	1,075,008	372,809	34.7	1.71	12.49
FO 33	**Mideast - *(Cleveland)***	**1,392,063**	**591,436**	**42.5**	**2.44**	**13.22**
FO 124	Pacific Northwest - *(Seattle)*	692,001	195,360	28.2	1.34	12.12
FO 126	Southwest - *(Dallas)*	1,088,984	379,234	34.8	2.72	13.50
FO 131	Arizona - *(Phoenix)*	367,370	115,923	31.6	[2/]	12.49

[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 2009 ....$ 9.59 /cwt.

Printed on recycled paper

MIDEAST MARKETING AREA
FEDERAL ORDER 33

INCOME AND EXPENSE STATEMENT
MARKETING SERVICE FUND

For the Year Ending December 31, 2008

Income:	
Assessments or Deductions	$1,896,236.15
Late Payment Charges Assessed	.00
Interest Earned	14,426.98
Miscellaneous	27,144.16
Total Income	$1,937,807.29
Expenses:	
Salaries and Services	$1,188,843.55
Travel	119,956.02
Communications	95,328.84
Employer Payroll Contributions	311,640.11
Insurance	6,610.14
Rent - Buildings and Equipment	99,176.05
Repairs and Maintenance	19,983.84
Supplies	117,203.06
Testing and Weighing	17,289.63
Utilities	13,492.68
Depreciation of Fixed Assets	37,974.22
Conferences and Meetings	.00
Training	7,604.83
Uncollectible Accounts	.00
Miscellaneous	3,797.78
Amortization of Leasehold Improvements	20,004.84
Total Expenses	$2,058,905.59
Net Income	$ (121,098.30)

MIDEAST MARKETING AREA
FEDERAL ORDER 33

BALANCE SHEET
MARKETING SERVICE FUND

As of December 31, 2008

ASSETS

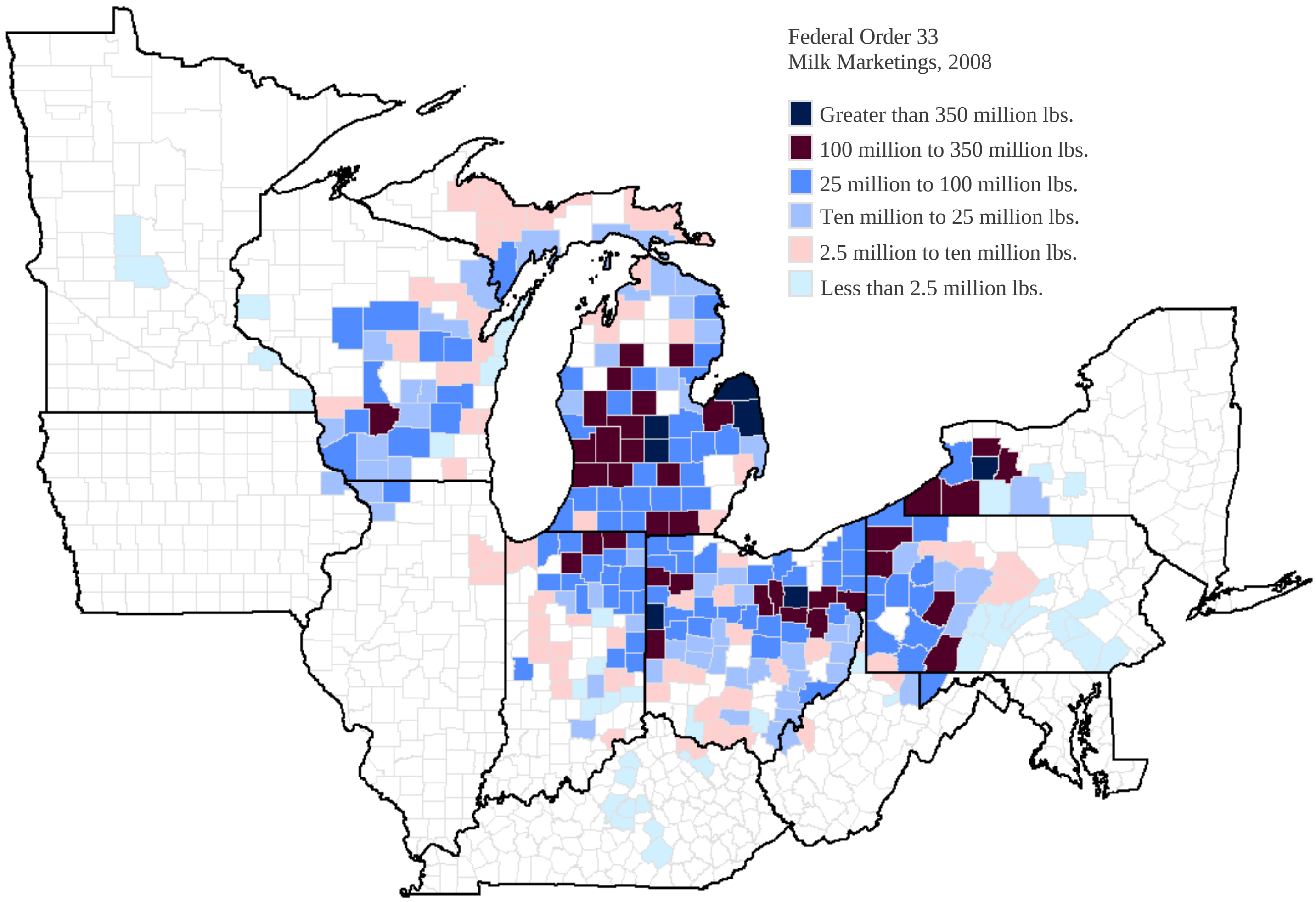
Current Assets:	
Cash and Bank Deposits	$ 772,212.87
Investments	.00
Accounts Receivable - Handlers	148,485.72
Allowance for Uncollectible Accounts	.00
Accounts Receivable - Other	.00
Accrued Interest Receivable	.00
Other Assets:	
Prepaid Expenses	$ 3,506.72
Deposits	.00
Fixed Assets:	
Motor Vehicles	$ 448,735.44
Accumulated Depreciation	(369,673.49)
Furniture and Equipment	21,019.50
Accumulated Depreciation	(18,710.79)
Laboratory Equipment	935,567.13
Accumulated Depreciation	(898,778.09)
Leasehold Improvements	120,029.69
Accumulated Depreciation	(83,354.15)
Total Assets	$1,079,040.55

LIABILITIES AND OPERATING BALANCE

Current Liabilities:	
Accounts Payable - Other	$ .00
Accrued Employee Salaries Payable	36,265.81
Accrued Employee Annual Leave	100,188.53
Payroll Contributions and Withholdings	9,638.95
Operating Balance	$932,947.26
Total Liabilities and Operating Balance	$1,079,040.55

Mideast Market Administrator's
Bulletin
Supplement
Federal Order No. 33 February 2009

TOTAL MIDEAST MILK MARKETINGS BY COUNTY, 2008*



Thematic maps are used to illustrate total Federal Order 33 milk marketings for 2008, milk marketing increases and milk marketing decreases by county for 2008 compared to 2007.

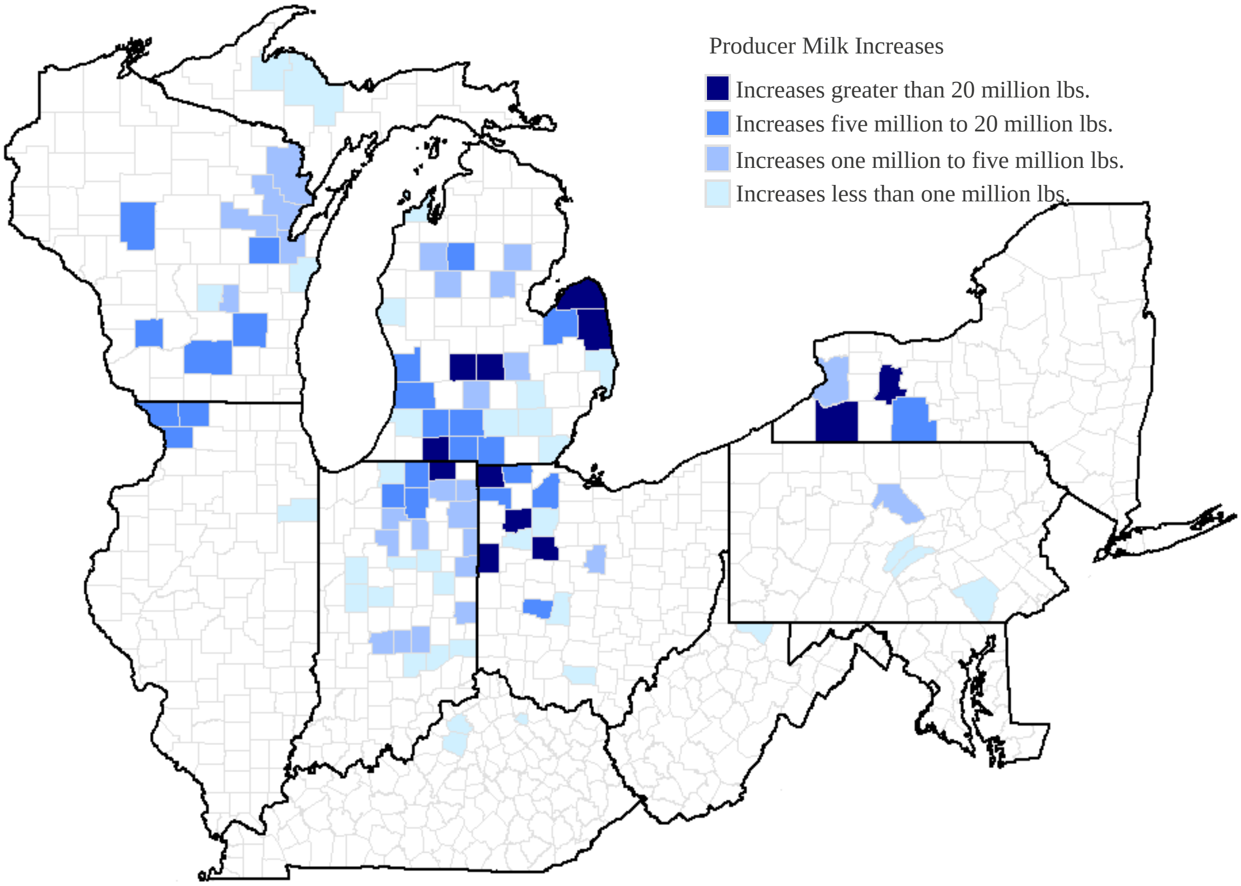
For 2008 there were 15.7 billion pounds pooled on Federal Order 33, a decline of 3.4 percent from 2007. Of the 15.7 billion pounds 84.56 percent of the milk marketings came from states located within the Mideast Marketing Area. Huron, MI was the largest source of milk marketings for Federal Order 33 at 684.4 million pounds.

There were 96 counties with increased milk marketings relative to 2007. The increase in milk marketings from those counties totaled 713 million pounds in 2008. Milk marketings from those counties totaled 7.1 billion pounds in 2008. These marketings represent 46.20 percent of total milk marketings in the Mideast Marketing Area for 2008. Of the 96 counties with increased milk marketings, the top ten counties accounted for 335 million pounds or 46.96 percent of the increase in milk marketings.

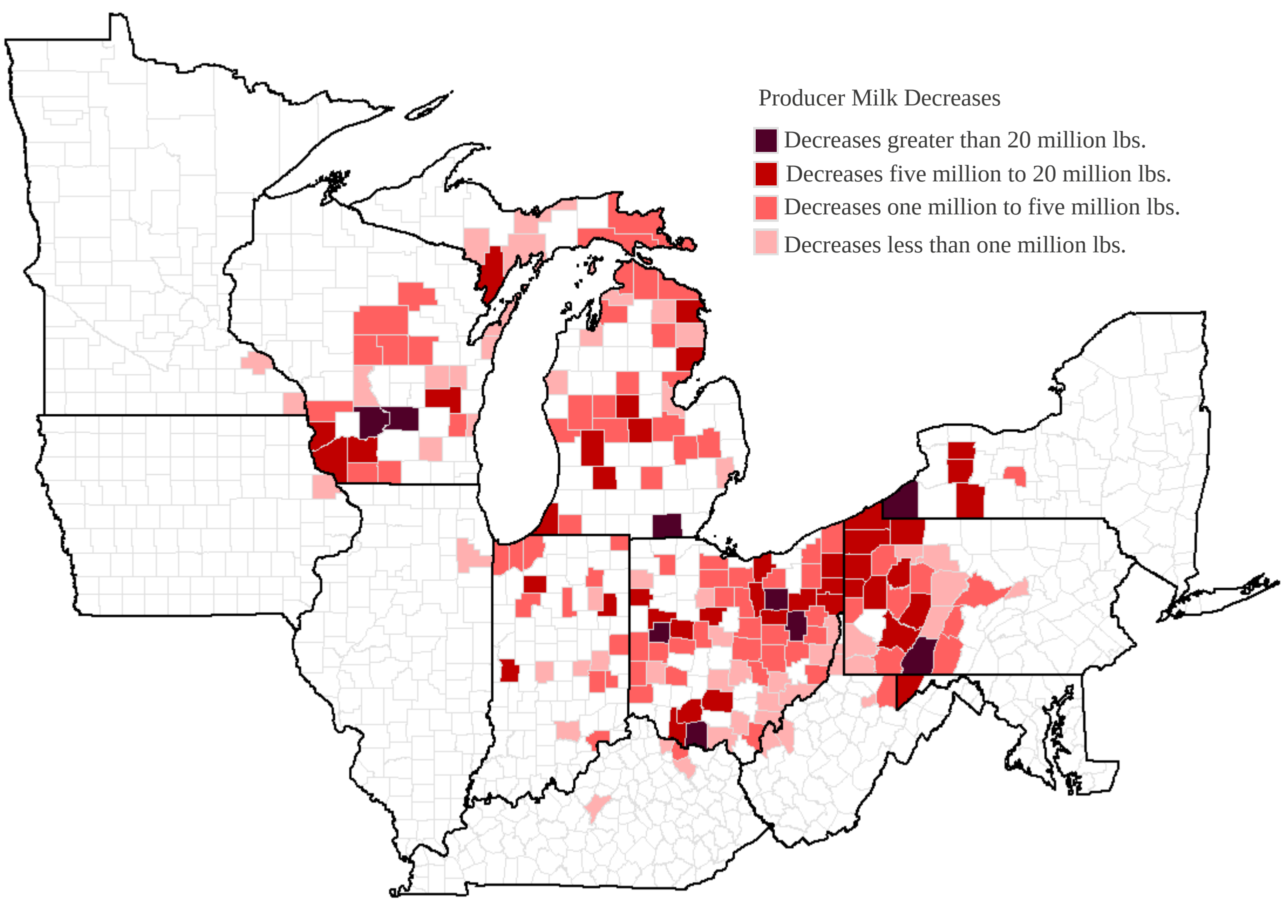
There were 182 counties with decreased milk marketings relative to 2007. The decrease in milk marketings from those counties totaled 973 million pounds in 2008. Milk marketings from those counties totaled 8.3 billion pounds in 2008. These marketings represent 53.75 percent of total milk marketings in the Mideast Marketing Area for 2008. Of the 182 counties with decreased milk marketings, the top ten counties accounted for 358 million pounds or 36.79 percent of the decrease in milk marketings.

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

COUNTIES REPRESENTING AN INCREASE IN MILK MARKETINGS, 2008 v. 2007*



COUNTIES REPRESENTING A DECREASE IN MILK MARKETINGS, 2008 v. 2007*



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