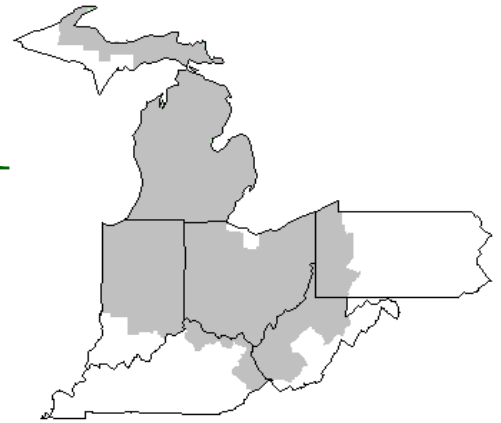


Mideast Market Administrator's Bulletin



Federal Order No. 33

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June 2009

USDA Announces 2008-2009 Allocations for Dairy Export Incentive Program

Agriculture Secretary Tom Vilsack announced allocations under USDA's Dairy Export Incentive Program for the July 2008 through June 30, 2009 period, as allowed under the rules of the World Trade Organization. The program helps U.S. dairy exporters meet prevailing world prices and encourages the development of international export markets in areas where U.S. dairy products are not competitive due to subsidized dairy products from other countries.

"These allocations illustrate our continued support for the U.S. dairy industry, which has seen its international market shares erode, in part, due to the reintroduction of direct export subsidies by the European Union earlier this year," said Vilsack. "The Obama Administration remains strongly committed to the pledge by the Leaders of the Group of Twenty to refrain from protectionist measures. Our measured response is fully consistent with our WTO commitments and we will make every attempt to minimize the impact on non-subsidizing foreign suppliers."

The Dairy Export Incentive Program allocations of 68,201 metric tons of nonfat dry milk; 21,097 metric tons of butterfat; 3,030 metric tons of various cheeses and 34 metric tons of other dairy products, as well as individual product and country allocations will be made available through Invitations for Offers. Country and region quantities may be limited by the invitation.

Administered by USDA's Foreign Agricultural Service, this program was reauthorized by the Food, Conservation, and Energy Act of 2008. As part of its World Trade Organization commitments resulting from the Uruguay Round Agreement on Agriculture, the United States has established annual export subsidy ceilings by commodity with respect to maximum permitted quantities and maximum budgetary expenditures.

More information about this program, including the announcement of Invitations for Offers, is available at <http://www.fas.usda.gov/excredits/deip/deip-new.asp> or by calling FAS's Credit Programs Division, Office of Trade Programs, at (202) 720-3224 or (202) 720-6211.

USDA Announces Proposed Rule Regarding the Establishment of a Dairy Import Assessment

The U.S. Department of Agriculture is asking for comments on a proposed rule amending the National Dairy Promotion and Research Order. The proposed rule would establish a dairy import assessment program as required by the Farm Security and Rural Investment Act of 2002 (2002 Farm Bill) and the Food, Conservation, and Energy Act of 2008 (2008 Farm Bill).

The proposed rule would also amend the term "United States" to mean all States, the District of Columbia and the Commonwealth of Puerto Rico.

The 2002 Farm Bill mandated that the Dairy Order be amended to implement an assessment on imported dairy products to fund promotion

and research. The 2008 Farm Bill specified that importers of dairy products be assessed a rate of 7.5 cents per hundredweight, or the equivalent thereof.

The Dairy Board was established under the Dairy Production Stabilization Act of 1983 to develop and administer a coordinated program of promotion, research, and nutrition education to strengthen the dairy industry's positioning in domestic and foreign markets. Initially, two importer representatives, as appointed by the Secretary, will be added to the current 36-member Dairy Board. Thereafter, importer representation on the Dairy Board will be adjusted at least once every three years if necessary to reflect the volume of imports relative to domestic marketing's.

Producers in the added areas of Alaska, Hawaii, and the Commonwealth of Puerto Rico are assessed 15 cents per hundredweight of milk produced and marketed. These four new areas will be added to the regions of closest geographic proximity.

The proposed rule were published in the May 19 Federal Register. Public comments must be submitted on or before June 18. Comments may be submitted on the internet at www.regulations.gov or mailed to Whitney A. Rick, Chief, Promotion and Research Branch, Dairy Programs, AMS, USDA, 1400 Independence Ave., SW, Room 2958-S, Stop 0233, Washington, DC 20250-0233, USA. Comments should be identified with the docket number, DA-08-07, as well as the date and page number of the issue of the Proposed Rule.

Copies of the proposed rule may be obtained from USDA, AMS, Dairy Programs, Room 2958-S, Washington, DC 20250-0233, USA from 9 a.m. to 4 p.m., Monday through Friday. The Proposed Rule is also available on www.regulations.gov and AMS's website at www.ams.usda.gov/dairy.

May 2009 Pool Summary

Classification of Producer Milk

	<i>Pounds</i>	<i>Percent</i>
Class I	563,644,459	37.7
Class II	280,222,223	18.8
Class III	525,345,607	35.2
Class IV	124,297,669	8.3
Total	1,493,509,958	100.0

Producer Prices

Producer Price Differential	\$ 1.43 /cwt
Butterfat Price	1.2648 /lb
Protein Price	1.7454 /lb
Other Solids Price	0.0336 /lb
Somatic Cell Adjustment Rate	0.00058 /cwt
Statistical Uniform Price	11.27 /cwt

ANNOUNCEMENT OF PRODUCER PRICES

Federal Order No. 33

MAY 2009**COMPUTATION OF PRODUCER PRICE DIFFERENTIAL**

	<u>POUNDS</u>	<u>BUTTERFAT</u>	<u>SKIM / PROTEIN</u>	<u>NONFAT SOLIDS</u>	<u>OTHER SOLIDS</u>	<u>PRICE</u>	<u>VALUE</u>
Class I Skim Value			553,631,426			\$ 9.01 / cwt	\$ 49,882,191.47
Class I Butterfat		10,013,033				1.2219 / lb	12,234,924.97
Class I Location Differential	563,644,459						(269,671.60)
Class II SNF Value				23,769,003		0.7211 / lb	17,139,828.06
Class II Butterfat		16,816,140				1.2718 / lb	21,386,766.89
Class III Protein Value			15,822,141			1.7454 / lb	27,615,964.91
Class III Other Solids Value					29,986,447	0.0336 / lb	1,007,544.64
Class III Butterfat		19,019,090				1.2648 / lb	24,055,345.02
Class IV SNF Value				10,462,002		0.6574 / lb	6,877,720.12
Class IV Butterfat		8,285,014				1.2648 / lb	10,478,885.71
Somatic Cell Value II / III / IV							694,167.50
TOTAL PRODUCER MILK VALUE	1,493,509,958	54,133,277	44,798,790		85,174,521		\$171,103,667.69
Overages						\$ 27,505.60	
Beginning Inventory and Other Source Charges						\$ 48,397.11	
TOTAL ADJUSTMENTS							\$ 75,902.71
TOTAL HANDLER OBLIGATIONS							\$ 171,179,570.40
Total Protein Value			44,798,790 lbs	@	\$ 1.7454		\$ (78,191,808.08)
Total Other Solids Value			85,174,521 lbs	@	0.0336		(2,861,863.96)
Butterfat Value			54,133,277 lbs	@	1.2648		(68,467,768.75)
Total Somatic Cell Values							(1,081,349.51)
TOTALS							\$ 20,576,780.10
Net Producer Location Adjustments							\$ 801,787.83
1/2 Unobligated Balance Producer Settlement Fund							680,000.00
Total - Divided by Total Pounds			1,493,509,958 lbs		1.4769616		\$ 22,058,567.93
Rate of Cash Reserve					(0.0469616)		(701,376.17)
PRODUCER PRICE DIFFERENTIAL at Cuyahoga County, OH*			1,493,509,958		\$ 1.43 /cwt		\$ 21,357,191.76

COMPONENT PRICES**COMPUTATION OF UNIFORM PRICE**

	<u>May</u>			<u>May</u>	
	<u>2009</u>	<u>2008</u>		<u>2009</u>	<u>2008</u>
Butterfat Price	\$1.2648 / lb	\$1.5562 / lb	Class III Price - 3.5% BF	\$ 9.84	\$18.18
Protein Price	1.7454 / lb	4.1108 / lb	Producer Price Differential*	1.43	(0.65)
Other Solids Price	0.0336 / lb	0.0766 / lb	Statistical Uniform Price	\$11.27	\$17.53
Somatic Cell Adjustment Rate	0.00058 / cwt	0.00098 / cwt			
Nonfat Solids Price	0.6574 / lb	1.1301 / lb			

CLASS PRICES**CLASSIFICATION OF PRODUCER MILK**

	<u>May</u>			<u>May</u>	
	<u>2009</u>	<u>2008</u>		<u>2009</u>	<u>2008</u>
Class I*	\$12.97	\$18.62	Product lbs.		
Class II	10.71	15.51	Class I	563,644,459	565,473,313
Class III	9.84	18.18	Class II	280,222,223	263,747,166
Class IV	10.14	15.26	Class III	525,345,607	263,466,497
			Class IV	124,297,669	137,770,198
			Total	1,493,509,958	1,230,457,174

* Subject to Location Adjustment.

ORDER 33 MARKET SUMMARY

The Producer Price Differential for the Mideast Marketing Area for May 2009 was \$1.43 and the Statistical Uniform Price was \$11.27 for the month. The Statistical Uniform Price is the \$0.01 lower than last month, and is \$6.26 lower than May 2008.

The Producer Butterfat Price of \$1.2648 per pound increased 5.99 cents from April and is down 29.14 cents from a year ago. The Protein Price of \$1.7454 is down \$0.4555 from last month and is down \$2.3654 from May 2008. The Other Solids Price in May was \$0.0336 per pound, an increase from last month's price of \$-0.0043 and a decrease of 4.30 cents from last May. The Somatic Cell Adjustment rate for May was \$0.00058.

May producer receipts of 1.49 billion pounds were 5.6 percent higher than April and 21.4 percent higher than May 2008 production of 1.23 billion pounds. Producer milk allocated to Class I accounted for 37.7 percent of the total producer milk in May 2009, less than the 39.6 percent in April and less than the 46.0 percent in May 2008. A total of 7,230 producers were pooled on the Mideast Order compared to 7,483 producers pooled in May 2008.

The market average content of producer milk was as follows: Butterfat 3.62%; Protein 3.00%; Other Solids 5.70% and Nonfat Solids 8.70%.

April Milk Production Up Slightly

Milk production in the 23 major States during April totaled 14.9 billion pounds, up slightly from April 2008. March revised production, at 15.2 billion pounds, was up 0.1 percent from March 2008.

The March revision represented a decrease of 47 million pounds or 0.3 percent from last months preliminary production estimate.

Production per cow in the 23 major States averaged 1,758 pounds for April, 1 pound above April 2008.

The number of milk cows on farms in the 23 major States was 8.48 million head, 3,000 head less than April 2008, and 2,000 head less than March 2009.

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 5 million pounds or 0.2 percent from April 2008.

Production per cow in the Mideast states averaged 1,700 pounds for April, 5 pounds above April 2008.

The number of cows on farms in the Mideast states was 1.3 million head, 4,000 head more than April 2008.

THE DAIRY OUTLOOK

Herd Liquidation, Already Underway, To Accelerate Later in 2009; Recovery Expected in 2010

The prospect of high feed prices and low milk prices is expected to continue to pressure dairy herd contraction for the balance of 2009 and throughout 2010. The calculated milk-feed price ratio stands at 1.55 and is expected to show only modest improvement in 2010. Consequently, the U.S. dairy herd is forecast to contract to an average of 8.95 million cows in 2010 following a retrenchment to an average 9.18 million cows this year. The 2.5-percent contraction forecast for 2010 exceeds the 1.5-percent contraction expected in 2009. According to the March *Milk Production* report, the total number of milk cows in the United States fell below the number on farms in 2008 by 8,000 head. Thus, the bulk of the herd contraction will likely occur in the second half of 2009 and into 2010. The Cooperatives Working Together program will likely remove slightly over 100,000 cows from the nation's herd, with actual liquidation occurring over the summer.

Production per cow is expected to be weak for the balance of 2009, averaging a quarter percent year-over year rise, adjusted for leap year. However by 2010, a rebound is forecast as the remaining cows will be more productive, and a slight improvement in the milk-feed price ratio

may encourage feeding a higher quality ration. The year-over-year increase in output per cow is forecast to climb by over 2 percent next year. First quarter cow slaughter was 17.4 percent above first-quarter 2008, but in recent weeks the rate has fallen to about 5 percent ahead of the year-earlier level. Herd liquidation will likely pick up steam in the third and fourth quarters of 2009 and continue into next year. Milk production in 2009 is projected to decline to 187.7 billion pounds and to 186.8 billion pounds in 2010 as herd liquidation trumps output per cow increases.

Although increasing through the year, most product prices are expected to remain below last year for the balance of 2009. An upturn is not likely until 2010. Cheese prices are expected to average \$1.245 to \$1.295 per pound in 2009. Prices for cheese have been close to support levels in recent weeks, but prices are expected to strengthen through 2010. The average price is forecast at \$1.545 to \$1.645 in 2010. For butter, the 2009 prices are expected to average \$1.165 to \$1.245 per pound for the year. In 2010, prices could rise to an average \$1.430 to \$1.560 per pound.

Nonfat dry milk (NDM) prices have suffered most, with the loss of export markets and prices reflecting that fact. NDM prices are expected to average 83 to 87 cents per pound this year and 97.5 cents to \$1.045 per pound next year. Whey prices show some recovery as exports have improved lately and will average 19.5 to 22.5 cents a pound in 2009 and likely rise to 24.0 to 27.0 cents a pound in 2010. These lower product prices will translate to lower milk prices compared with 2008, with some recovery expected in 2010. The Class IV price is projected to average \$9.95 to \$10.55 per cwt this year and \$12.30 to \$13.40 per cwt next year. The Class III price is forecast to average \$10.55 to \$11.05 per cwt this year and to rise to \$13.80 to \$14.80 per cwt next year. The all milk price is projected to be \$11.85 to \$12.35 per cwt in 2009 and to climb to \$14.70 to \$15.70 per cwt in 2010.

SOURCE: "Livestock, Dairy, and Poultry Outlook", LDP-M-179, May 19, 2009, Economic Research Service, USDA. For more information, contact Roger Hoskin, (202) 694-5148.

Bulletin WebPage Edition

www.fmmacleev.com

Featured this month are:

- Mailbox Prices
- Producer Price Differential Statistics
- Milk Production Statistics

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

Federal Order No. 33

State	April 2009						April 2008					
	Number of Producers	Pounds of Milk (000)	-----Weighted Averages -----				Pounds of Milk (000)	-----Weighted Averages -----				
			Butterfat	Protein	Other Solids	SCC (000)		Butterfat	Protein	Other Solids	SCC (000)	
Michigan	1,876	592,406	3.64	3.02	5.70	197	561,109	3.64	3.03	5.71	226	
Ohio	2,224	339,357	3.73	3.05	5.68	234	367,820	3.75	3.06	5.69	270	
Indiana	1,146	148,769	3.74	3.01	5.68	247	149,246	3.73	3.03	5.68	281	
New York	351	133,833	3.68	3.04	5.70	212	93,240	3.68	3.02	5.70	227	
Pennsylvania	1,120	107,741	3.81	3.07	5.66	302	114,632	3.82	3.06	5.67	322	
Wisconsin	346	68,508	3.69	3.00	5.74	245	122,832	3.73	2.99	5.72	260	
Illinois	42	8,328	3.67	3.02	5.75	250	12,800	3.68	3.00	5.73	268	
West Virginia	63	5,453	3.93	3.18	5.68	316	5,886	3.93	3.18	5.69	348	
Other	81	10,552	3.59	3.02	5.72	227	10,337	3.75	3.07	5.69	325	
Total/Average *	7,249	1,414,947	3.69	3.03	5.69	224	1,437,903	3.70	3.04	5.70	255	

* 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

May 2009

<u>Marketing Area</u> ^{1/}	Producer Milk		Class I	Producer	Statistical
	<u>Total</u> (000)	<u>Class I</u> (000)	<u>Percent</u> %	<u>Price Differential</u> (per cwt.)	<u>Uniform Price</u> (per cwt.)
FO 1 Northeast - (<i>Boston</i>)	2,120,840	846,459	39.9	\$2.34	\$12.18
FO 5 Appalachian - (<i>Charlotte</i>)	508,958	329,290	64.7	^{2/}	13.28
FO 6 Florida - (<i>Tampa</i>)	247,816	212,327	85.7	^{2/}	15.65
FO 7 Southeast - (<i>Atlanta</i>)	663,300	379,284	57.2	^{2/}	13.21
FO 30 Upper Midwest - (<i>Chicago</i>)	2,885,189	358,495	12.4	0.46	10.30
FO 32 Central - (<i>Kansas City</i>)	1,255,807	336,277	26.8	0.98	10.82
FO 33 Mideast - (<i>Cleveland</i>)	1,493,510	563,644	37.7	1.43	11.27
FO 124 Pacific Northwest - (<i>Seattle</i>)	691,482	181,055	26.2	0.99	10.83
FO 126 Southwest - (<i>Dallas</i>)	1,084,559	353,163	32.6	2.00	11.84
FO 131 Arizona - (<i>Phoenix</i>)	368,524	113,048	30.7	^{2/}	11.15

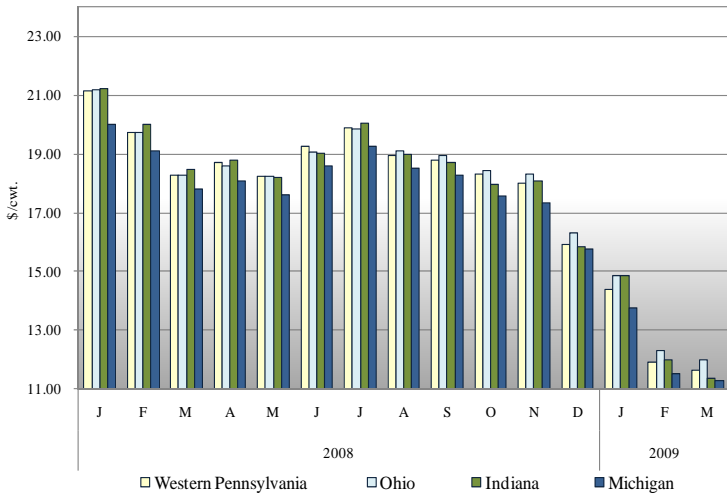
^{1/} Names in parentheses are principal points of markets.

^{2/} Producers in these markets are paid on the basis of a uniform skim and butterfat price.

MINIMUM PARTIAL PAYMENT PRICE FOR JUNE 2009\$ 9.84 /cwt.

MAILBOX MILK PRICES FOR AREAS IN MIDEAST MARKETING AREA 1/

Mailbox Milk Price for Selected Reporting Areas Federal Order 33, 2008-2009



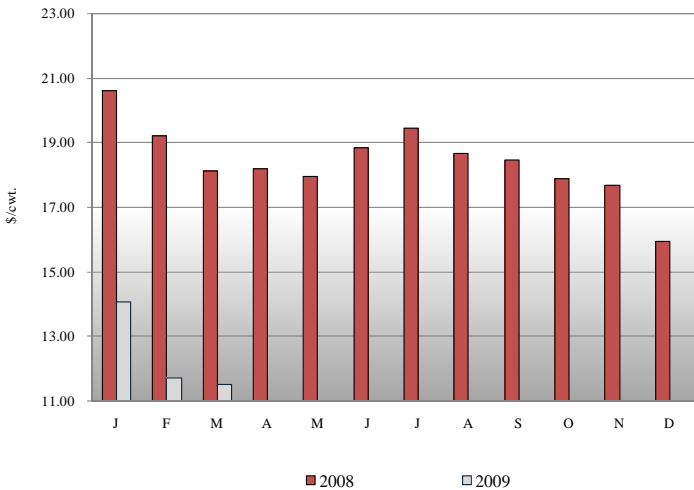
Mailbox price is the net pay price received by dairy farmers for milk. The data includes all payments received for milk sold, and all costs associated with marketing the milk. The mailbox price is a weighted average for the reporting area at the average butterfat test. Mailbox price does not include any Milk Income Loss Contract (MILC) payments.

The information is shown for those areas where at least 75 percent of the milk was marketed under Federal Orders. Mailbox prices include milk not-pooled due to unusual price relationships.

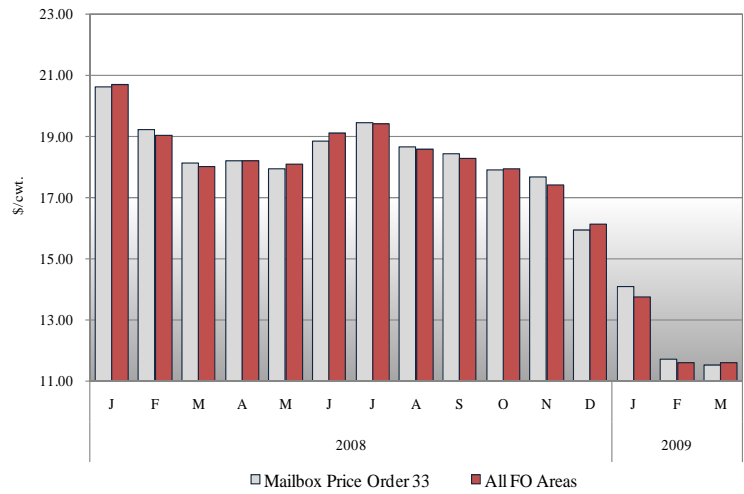
Western Pennsylvania includes the counties of Warren, Elk, Clearfield, Indiana, Westmoreland and Fayette, and all those counties west of these.

FEDERAL ORDER 33 MAILBOX PRICE STATISTICS

Mailbox Milk Price for the Mideast Marketing Area, 2008-2009



Mailbox Milk Price for Mideast Marketing Area and All FO Areas, 2008-2009



The net pay price received by dairy farmers in Federal Order 33 was \$11.52 per hundredweight in March 2009. The March 2009 mailbox price is \$0.21 less than the mailbox price for February 2009. The March 2009 mailbox price is \$6.61 lower than the March 2008 mailbox price.

For March 2009 the net pay price received by dairy farmers in Federal Order 33 was \$0.08 per hundredweight less than the average mailbox price for all Federal Orders, as reported by Dairy Market News. For March the all Federal Order mailbox price was \$11.60 per hundredweight, \$0.01 less than February 2009.

1/ Mailbox prices are generally released by Dairy Market News on the 10th of the third following month (January data in April).

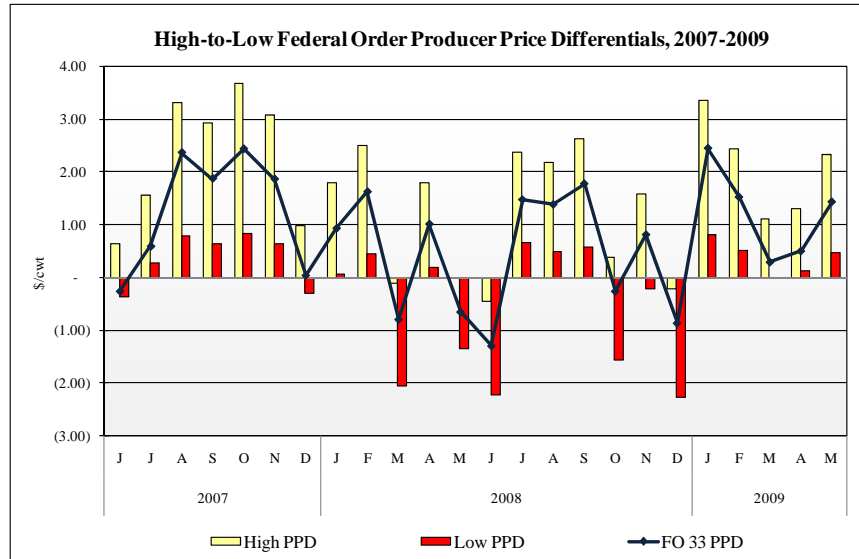
PRODUCER PRICE DIFFERENTIAL STATISTICS

Producers in Orders 1, 30, 32, 33, 124, and 126 are paid based on component pricing.

Of those orders, Federal Order 1 traditionally has the highest producer price differential. For May 2009, Federal Order 1 had a PPD of \$2.34 per hundredweight, \$1.04 higher than their April 2009 PPD.

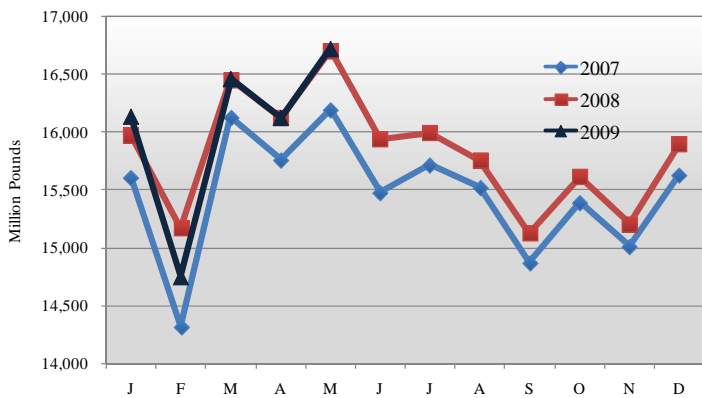
In May 2009 Federal Order 33 had the third highest PPD, behind Orders 1 and 126, at \$1.43 per hundredweight, \$0.93 higher than the April 2009 PPD price.

For May 2009 Federal Order 30 had the lowest PPD at \$0.46 per hundredweight, \$0.26 higher than their April 2009 PPD price.

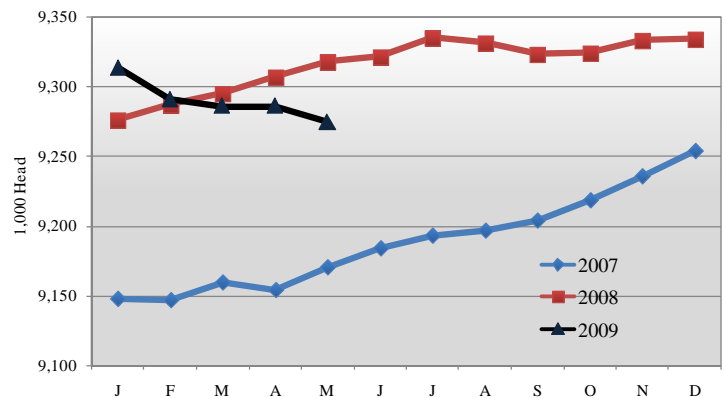


MILK PRODUCTION STATISTICS 2/

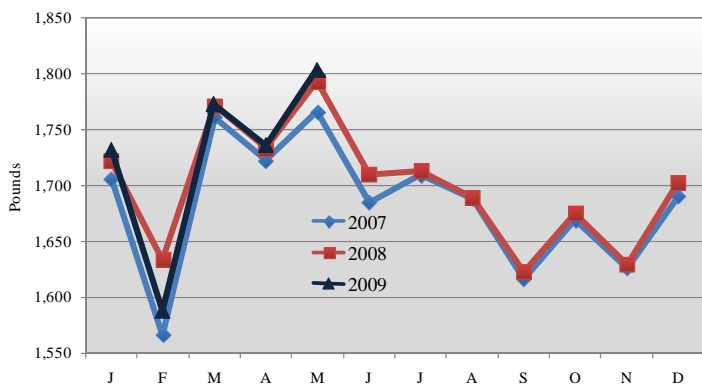
Milk Production by Month, United States, 2007-2009



Milk Cows by Month, United States, 2007-2009



Milk Production Per Cow by Month, United States, 2007-2009



May 2009 milk production in the United States increased 605 million pounds from April to 16.7 billion pounds. May 2009 milk production in the United States was up 0.14 percent from May 2008.

Production per cow in the United States averaged 1,804 pounds for May 2009, up 68 pounds from April 2009.

The number of milk cows on farms in the United States was 9.30 million head for May 2009, in line with April estimates and 43 thousand head less than May 2008.

2/ Information collected from the National Agricultural Statistics Service (NASS), Agricultural Statistics Board, U.S. Department of Agriculture.