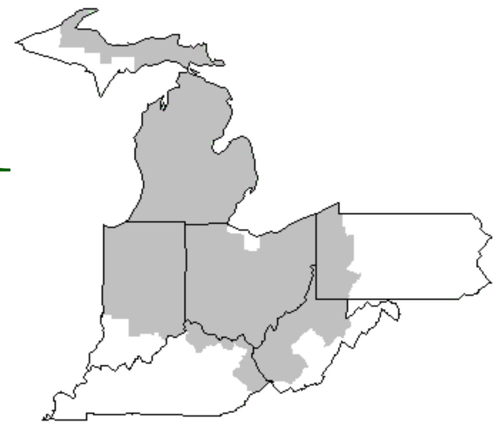
Mideast Market Administrator's

Bulletin

Federal Order No. 33



Paul A. Huber, Market Administrator
Phone: (330) 225-4758 Toll Free: (888) 751-3220
Email: clevelandma1@sprynet.com
WebPage: www.fmmaclev.com

August 2010

USDA Announces DEIP Allocations for 2010 – 2011

The U.S. Department of Agriculture has announced new one-year allocations under the Dairy Export Incentive Program (DEIP) for the July-June 2010/11 year. DEIP allocations of 68,201 metric tons of nonfat dry milk, 21,097 tons of butterfat and 3,030 tons of various cheeses may be made available through Invitations for Offers. These allocations correspond to total World Trade Organization limits for this year's DEIP.

Because of current international and domestic market conditions, Invitations for Offers will not immediately be made available. USDA will continue to monitor market conditions closely to determine when invitations on these allocations may be issued.

Under the DEIP, export sales of these products would be facilitated through the payment of bonuses by USDA's Commodity Credit Corporation. Sales of nonfat dry milk, butterfat and eligible cheeses will be made through normal commercial channels at competitive world prices. Individual product/country allocations will be specified in the Invitations for Offers.

June Milk Production Up 2.7 Percent

Milk production in the 23 major States during June totaled 15.2 billion pounds, up 2.7 percent from June 2009. May revised production, at 15.8 billion pounds, was up 1.5 percent from May 2009. The May revision represented an increase of 0.3 percent or 40 million pounds from last month's preliminary production estimate.

Production per cow in the 23 major States averaged 1,816 pounds for June, 67 pounds above June 2009.

The number of milk cows on farms in the 23 major States was 8.35 million head, 87,000 head less than June 2009, but 10,000 head more than May 2010.

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 2.4 billion pounds, up 68 million pounds or 3.0percent from June 2009.

Production per cow in the Mideast states averaged 1,764 pounds for June, 65 pounds above June 2009. The number of cows on farms in the Mideast states was 1.3 million head, 8,000 head les than June 2009.

The Dairy Outlook

Dairy Product Demand Strengthens, but More Milk and Stocks Keep a Lid on Prices

Feed prices have been favorable for producers this year compared with last. Although corn and soybean meal prices are expected to average higher for the 2010/11 crop year, the increases are expected to be moderate. Corn prices are forecast to be $3.45 to $4.05 a bushel in the 2010/11 crop year. Likewise, soybean meal prices are likely to rise slightly in 2010/11 to $240-$280 a ton. The milk-feed price ratio has risen since 2009 and will likely average about 2.3 for the current year. Given the outlook for feed and milk prices, the ratio will remain nearly the same in 2011. Although producer returns have improved over 2009, the improvement is not enough to result in higher average cow numbers this year or next. Cow numbers are expected to average 9.1 million head this year and be about the same next year. According to the June Milk Production report, monthly cow numbers have increased fractionally since the first of the year but still trail year-earlier levels. Meanwhile, milk per cow continues to trend upward on a year-over-year basis. The increased output per cow will more than offset reduced herd size this year, resulting in more milk. Production in 2010 is forecast at 191.2 billion pounds. Next year, the forecast decline in cow numbers is expected to slow even further and production per cow is expected to be closer to trend, rising 1.6 percent year-over-year. The result is an estimated 193.5 billion pounds of milk in 2011.

(Continued on Page 3)

July 2010 Pool Summary

Classification of Producer Milk

	Pounds	*Percent*
Class I	506,431,790	39.7
Class II	170,191,040	13.3
Class III	521,407,404	40.8
Class IV	79,560,055	6.2
Total	1,277,590,289	100.0

Producer Prices

Producer Price Differential	$ 2.38	/cwt
Butterfat Price	1.8964	/ lb
Protein Price	2.0515	/ lb
Other Solids Price	0.1700	/ lb
Somatic Cell Adjustment Rate	0.00073	/ cwt
Statistical Uniform Price	16.12	/ cwt

ANNOUNCEMENT OF PRODUCER PRICES
Federal Order No. 33

July 2010

COMPUTATION OF PRODUCER PRICE DIFFERENTIAL

	POUNDS	BUTTERFAT	SKIM / PROTEIN	NONFAT SOLIDS	OTHER SOLIDS	PRICE	VALUE
Class I Skim Value			497,259,693			$ 12.12 / cwt	$ 60,267,874.74
Class I Butterfat		9,172,097				1.7039 / lb	15,628,336.05
Class I Location Differential	506,431,790						(251,430.02)
Class II SNF Value				13,948,386		1.2022 / lb	16,768,749.66
Class II Butterfat		13,912,264				1.9034 / lb	26,480,603.30
Class III Protein Value			15,316,408			2.0515 / lb	31,421,611.03
Class III Other Solids Value					29,887,151	0.1700 / lb	5,080,815.67
Class III Butterfat		16,665,281				1.8964 / lb	31,604,038.89
Class IV SNF Value				6,671,254		1.0493 / lb	7,000,146.85
Class IV Butterfat		4,887,501				1.8964 / lb	9,268,656.89
Somatic Cell Value II / III / IV							571,851.13
TOTAL PRODUCER MILK VALUE	1,277,590,289	44,637,143	37,307,903		72,908,096		$203,841,254.19

Overages			$26,702.12	
Beginning Inventory and Other Source Charges			$92,726.30	
TOTAL ADJUSTMENTS				$ 119,428.42
TOTAL HANDLER OBLIGATIONS				$203,960,682.61
Total Protein Value	37,307,903 lbs	@	$2.0515	$(76,537,163.02)
Total Other Solids Value	72,908,096 lbs	@	0.1700	(12,394,376.32)
Butterfat Value	44,637,143 lbs	@	1.8964	(84,649,877.98)
Total Somatic Cell Values				(898,885.41)
TOTALS				$ 29,480,379.88
Net Producer Location Adjustments				$ 906,203.65
1/2 Unobligated Balance Producer Settlement Fund				553,000.00
Total - Divided by Total Pounds	1,277,590,289 lbs		2.4217140	$ 30,939,583.53
Rate of Cash Reserve			(0.0417140)	(532,934.01)
PRODUCER PRICE DIFFERENTIAL *at Cuyahoga County, OH**	1,277,590,289		**$ 2.38 /cwt**	$ 30,406,649.52

COMPONENT PRICES

July	2010	2009
Butterfat Price	$1.8964 / lb	$1.2438 / lb
Protein Price	2.0515 / lb	1.6970 / lb
Other Solids Price	0.1700 / lb	0.0949 / lb
Somatic Cell Adjustment Rate	0.00073 / cwt	0.00057 / cwt
Nonfat Solids Price	1.0493 / lb	0.6677 / lb

COMPUTATION OF UNIFORM PRICE

July	2010	2009
Class III Price - 3.5% BF	$ 13.74	$ 9.97
Producer Price Differential*	2.38	1.10
Statistical Uniform Price	$16.12	$11.07

CLASS PRICES

July	2010	2009
Class I*	$17.66	$12.26
Class II	17.10	10.87
Class III	13.74	9.97
Class IV	15.75	10.15

* Subject to Location Adjustment.

CLASSIFICATION OF PRODUCER MILK

July	2010 *Product lbs.*	2009 *Product lbs.*
Class I	506,431,790	552,723,981
Class II	170,191,040	292,613,145
Class III	521,407,404	518,416,074
Class IV	79,560,055	96,537,424
Total	1,277,590,289	1,460,290,624

ORDER 33 MARKET SUMMARY

The Producer Price Differential for the Mideast Marketing Area for July 2010 was $2.38 and the Statistical Uniform Price was $16.12 for the month. The Statistical Uniform Price is $0.52 higher than last month, and is $5.05 higher than July2009.

The Producer Butterfat Price of $1.8964 per pound increased 17.3 cents from June and is up 65.26 cents from a year ago. The Protein Price of $2.0515 is down 15.25 cents from last month and is up 35.45 cents from July 2009. The Other Solids Price in July was $0.1700 per pound, a decrease from last month's price of $0.1748 and an increase of 7.51 cents from last July. The Somatic Cell Adjustment rate for July was $0.00073.

July producer receipts of 1.28 billion pounds were 3.3 percent lower than June and 12.5 percent lower than July 2009 production of 1.46 billion pounds. Producer milk allocated to Class I accounted for 39.7 percent of the total producer milk in July 2010, more than the 36.3 percent in June and more than the 37.9 percent in July 2009. A total of 6,681 producers were pooled on the Mideast Order compared to 7,168 producers pooled in July 2009.

The market average content of producer milk was as follows: Butterfat 3.49%; Protein 2.92%; Other Solids 5.71% and Nonfat Solids 8.63%.

(Continued from Front Page)

Economic recovery is continuing apace in Asia and South America and coupled with weaker production in Oceania has tightened global dairy product supplies. However, prices were lower at the most recent *global Dairy Trade* auction. According to *Dairy Market News*, seasonally strong production in Northern Hemisphere countries and optimism for the upcoming season in Australia and New Zealand pushed down prices. The lower auction prices may have anticipated greater global supplies in the coming year. U.S. Milk equivalent exports are projected to reach 5.3 billion pounds in 2010 and 5.1 billion pounds next year on a fats basis. Exports on a skim-solids basis are expected to climb to 26.3 billion pounds this year and rise to 27.3 billion pounds in 2011. The skim-solids export forecasts are in the range of 2008 export totals after last year's falloff. Correspondingly, U.S. imports will be lower this year. Milk equivalent imports are projected at 4.5 billion pounds on a fats basis and 4.6 billion pounds on a skim-solids basis this year. Imports are forecast to rise slightly to 4.7 billion pounds on a fats basis and 4.8 billion pounds on a skim-solids basis in 2011.

The most recent *Cold Storage* report shows butter stocks at the end of May at 16 percent below year-earlier levels and total cheese stocks are 5 percent ahead of a year ago. The relatively higher cheese stocks and relatively low butter stocks compared with last year are contributing to butter prices being higher than cheese prices. The July Dairy Products report shows May end-of-month nonfat dry milk (NDM) stocks at 26 percent below year-earlier levels. Fats-basis domestic commercial use is projected to rise by 1.3 percent in 2010 and by another 1.5 percent in 2011. A rise in domestic commercial use is likely on a skim-solids basis as well, but the increase is expected to be a moderate 0.1 percent in 2010 and 0.9 percent in 2011.

The rise in domestic use and exports will draw down stocks. On a milk-equivalent basis, ending commercial stocks are expected to tighten both this year and next, and on both a fats- and skim-solids basis. The drawdown in stocks on a skim-solids basis is expected to be more pronounced next year than in 2010.

The current situation has Class IV prices above Class III prices, a reflection of the tightness in fat availability. Lower fat tests have boosted butter prices and may have helped firm up cheese prices as well. This situation should correct itself early in 2011. Prices for the major dairy products, except butter, are expected to rise slightly next year. Cheese prices are expected to average $1.465-$1.495 per pound in 2010 and $1.520-$1.620 per pound in 2011. Butter prices are forecast to average $1.530-$1.590 this year and $1.400-$1.530 per pound next year. NDM prices are expected to average $1.195- $1.225 per pound this year and $1.235-$1.305 in 2011. Whey prices are forecast to average 36.5-38.5 cents per pound in 2010 and 37.5-40.5 cents in 2011.

Class IV milk prices are forecast to average $14.65-$15.05 per cwt this year and increase slightly to $14.40-$15.50 per cwt in 2011. The Class III price is projected to average $13.80-$14.10 per cwt in 2010 and climb to $14.40-$15.40 per cwt in 2011. The all-milk price is expected to average $15.80-$16.10 per cwt in 2010, with a rise to $15.90-$16.90 in2011.

SOURCE: "Livestock, Dairy, and Poultry Outlook", LDP-M-193, July 21, 2010, Economic Research Service, USDA. Any questions or requests for more information can be directed to Roger Hoskin at (202) 694-5148.

Organic Dairy Market News Overview

Organic milk availability is tightening in many parts of the country. This is attributed to strong sales and some production decline, both normal seasonal, as well as to recent extreme heat in the East. Other processors report organic milk sales "way up", setting records "week after week". This has resulted in less organic milk finding its way into nonorganic uses. Organic cream markets have not been considered as tight as with non-organic cream in recent weeks.

SOURCE: Dairy Market News, Volume 77, Report 30

Bulletin Webpage Edition
www.fmmaclev.com
Featured this month are:

- Thematic and dot density maps displaying total producer pounds and total producer farms by state and county for June 2010.
- Charts summarizing total producer pounds and producer farms by state for June 2010.

Weighted Averages - Butterfat, Protein, Other Solids, Somatic Cell Count by State
Federal Order No. 33

State	June 2010 Number of Producers	June 2010 Pounds of Milk (000)	June 2010 Butterfat	June 2010 Protein	June 2010 Other Solids	June 2010 SCC (000)	June 2009 Pounds of Milk (000)	June 2009 Butterfat	June 2009 Protein	June 2009 Other Solids	June 2009 SCC (000)
Michigan	1,844	609,986	3.45	2.92	5.72	199	607,557	3.53	2.94	5.72	201
Ohio	2,099	266,881	3.56	2.97	5.69	268	337,868	3.63	2.98	5.68	257
Indiana	1,129	146,507	3.54	2.93	5.70	268	144,000	3.60	2.93	5.68	270
Pennsylvania	1,136	114,324	3.60	2.99	5.68	318	109,810	3.65	3.01	5.67	324
Wisconsin	222	84,774	3.51	2.94	5.81	253	70,087	3.58	2.94	5.80	232
New York	346	73,305	3.57	2.98	5.72	235	135,069	3.60	2.99	5.72	212
West Virginia	61	4,624	3.68	3.06	5.66	336	5,367	3.74	3.09	5.65	322
Other	180	20,940	3.44	2.92	5.73	260	21,228	3.52	2.95	5.74	241
Total/Average *	7,017	1,321,342	3.51	2.94	5.71	238	1,430,987	3.58	2.96	5.70	234

* 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
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FEDERAL ORDER DATA

July 2010

	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)*	2,096,384	843,171	40.2	$3.69	$17.43
FO 5	Appalachian - *(Charlotte)*	484,189	332,249	68.6	[2/]	18.54
FO 6	Florida - *(Tampa)*	224,475	200,943	89.5	[2/]	20.87
FO 7	Southeast - *(Atlanta)*	552,090	371,560	67.3	[2/]	18.37
FO 30	Upper Midwest - *(Chicago)*	2,916,008	351,993	12.1	0.65	14.39
FO 32	Central - *(Kansas City)*	1,120,772	354,653	31.6	1.89	15.63
FO 33	**Mideast - *(Cleveland)***	**1,277,590**	**506,432**	**39.7**	**2.38**	**16.12**
FO 124	Pacific Northwest - *(Seattle)*	685,985	179,924	26.2	1.93	15.67
FO 126	Southwest - *(Dallas)*	999,943	342,308	34.2	2.79	16.53
FO 131	Arizona - *(Phoenix)*	337,845	111,972	33.1	[2/]	16.14

[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 2010.........................$13.74 /cwt.

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Mideast Market Administrator's
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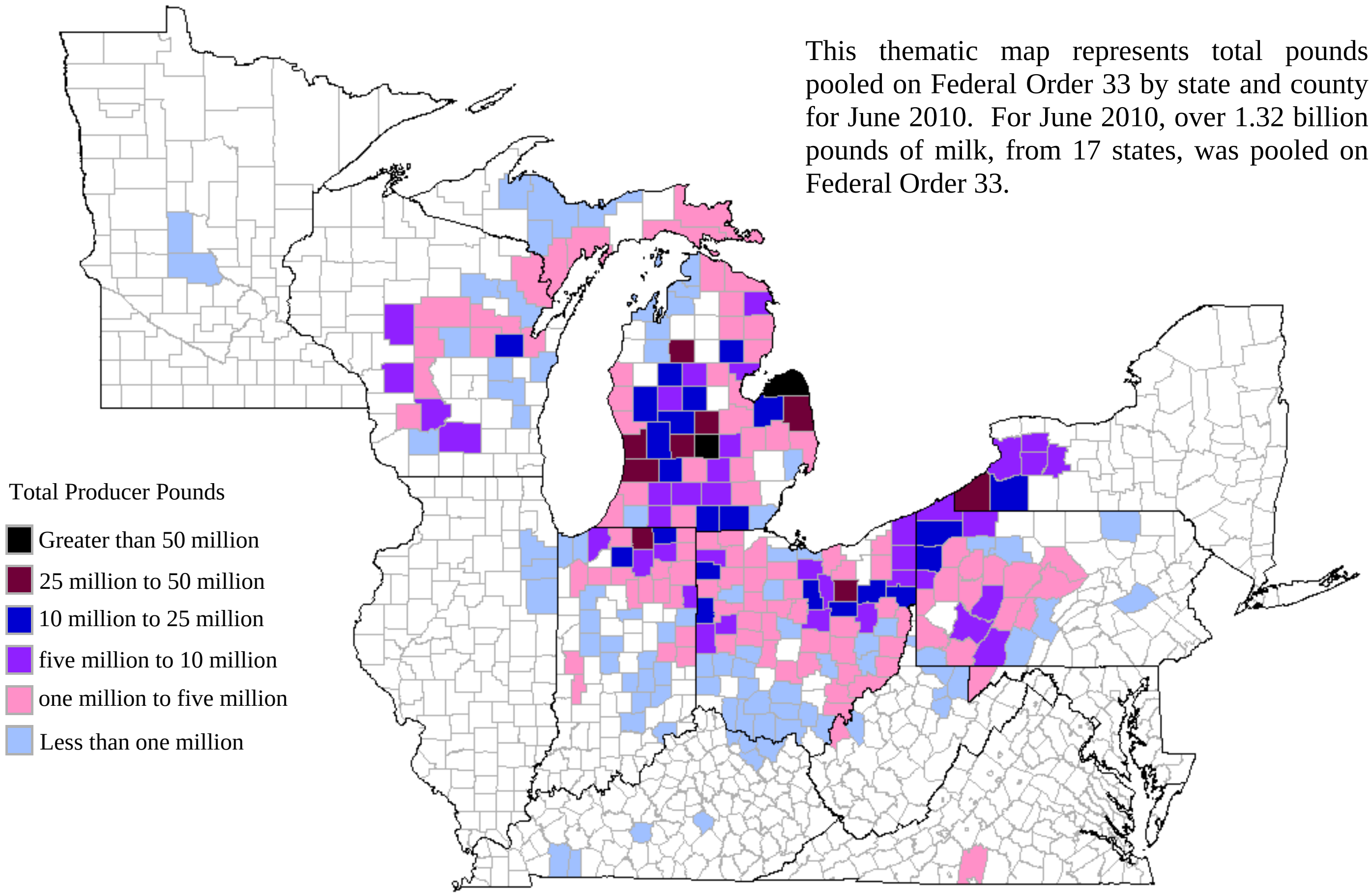
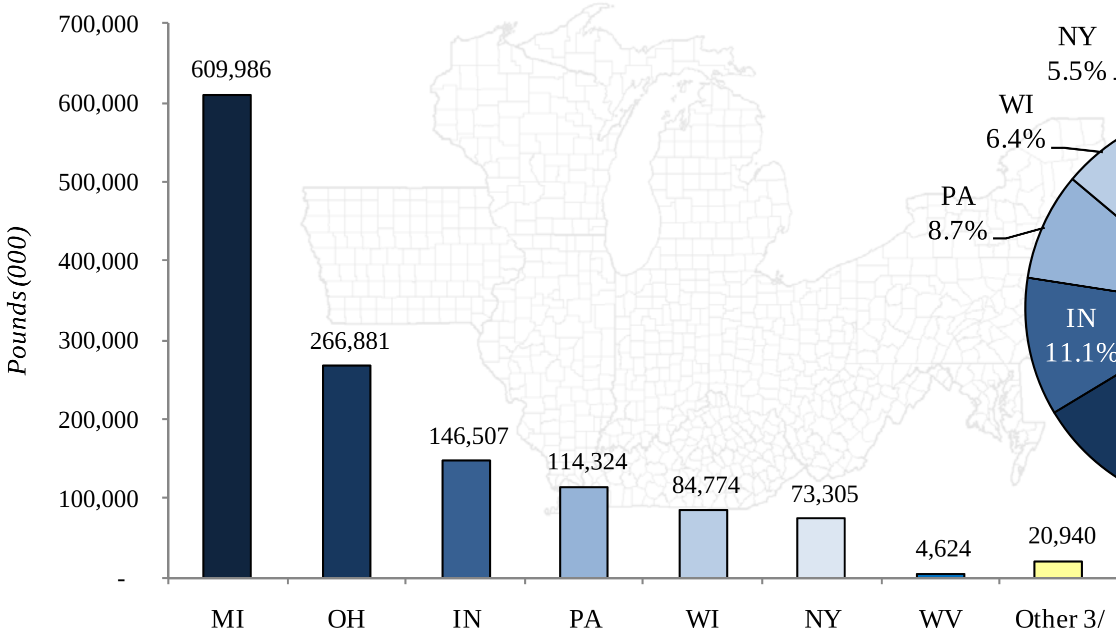
Federal Order No. 33 August 2010

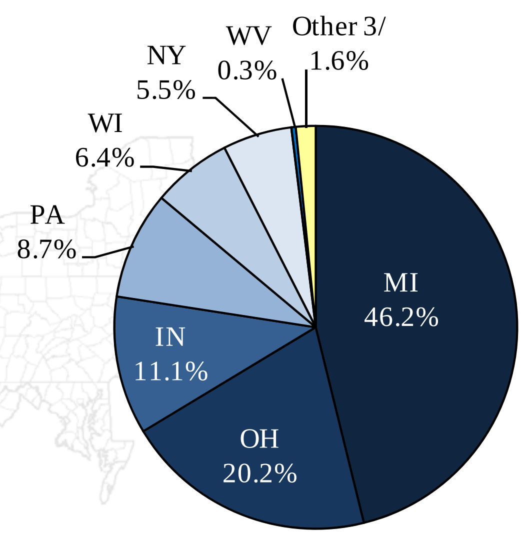
TOTAL PRODUCER POUNDS BY STATE AND COUNTY, JUNE 2010 1/ 2/

This thematic map represents total pounds pooled on Federal Order 33 by state and county for June 2010. For June 2010, over 1.32 billion pounds of milk, from 17 states, was pooled on Federal Order 33.



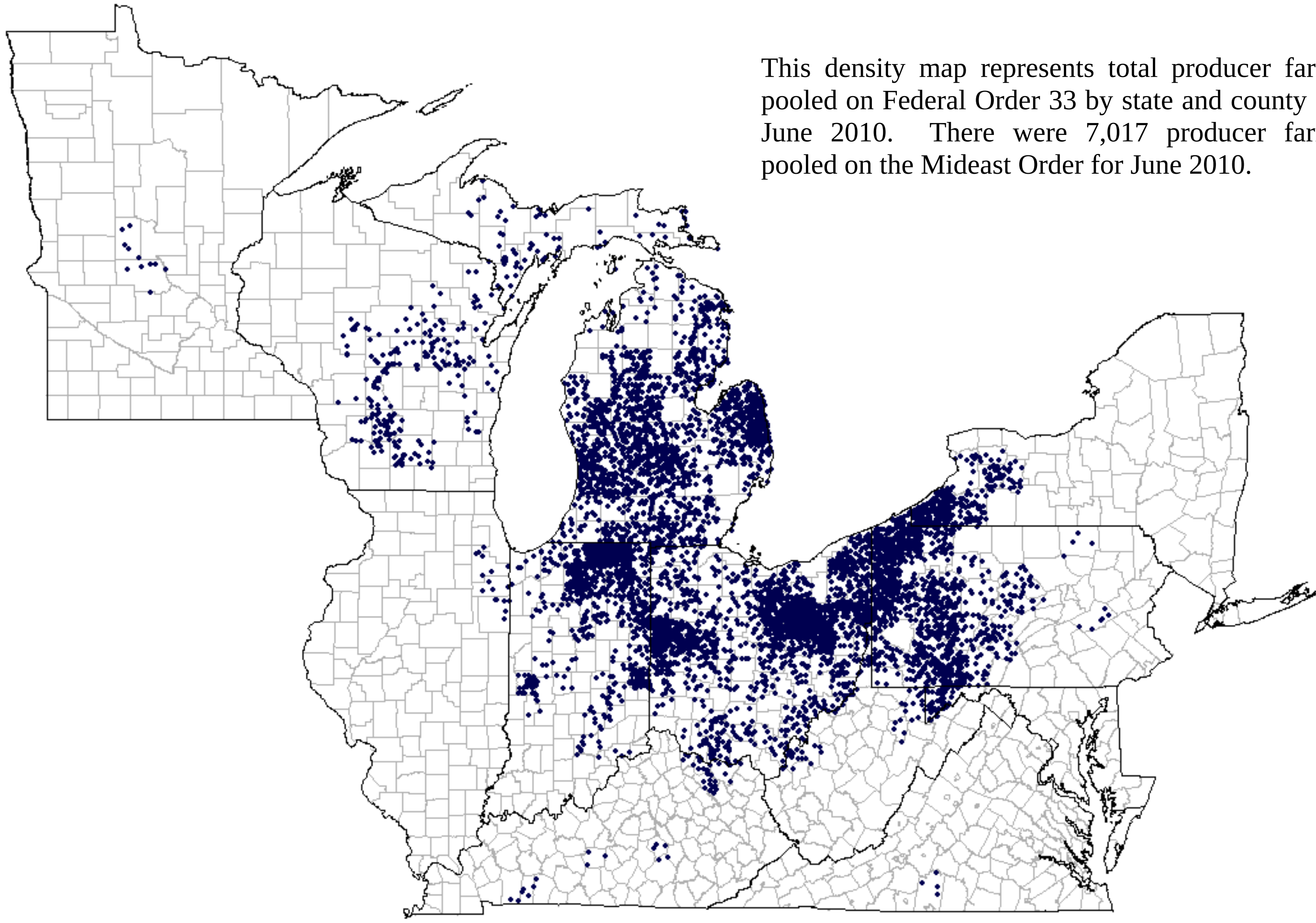
TOTAL PRODUCER POUNDS AND MARKET SHARE BY STATE, JUNE 2010 1/





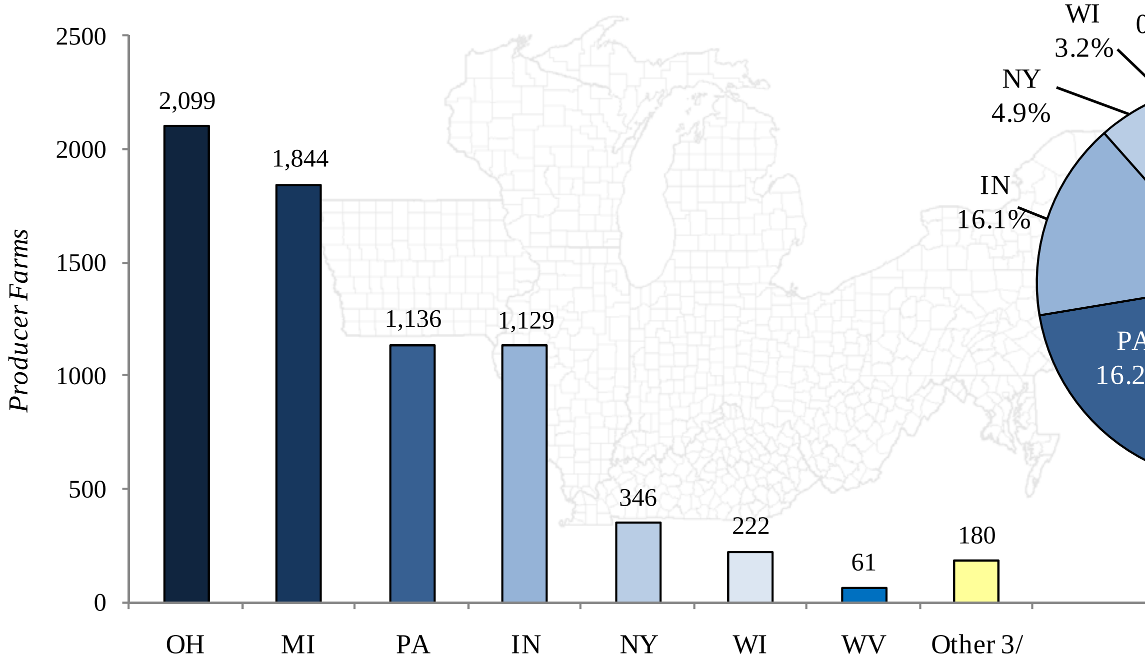
TOTAL PRODUCER FARMS BY STATE AND COUNTY, JUNE 2010 1/ 2/

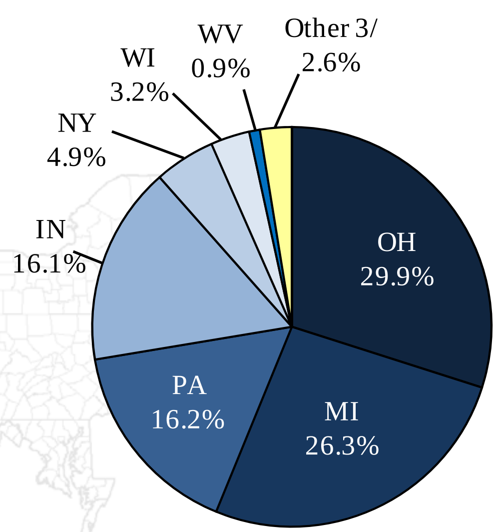
This density map represents total producer farms pooled on Federal Order 33 by state and county for June 2010. There were 7,017 producer farms pooled on the Mideast Order for June 2010.



One dot represents one producer farm.

TOTAL PRODUCER FARMS AND DISTRIBUTION BY STATE, JUNE 2010 1/





1/ Includes only milk pooled on Federal Order 33; excludes restricted information.
2/ Maps do not include Georgia, Iowa, Massachusetts, North Carolina, or Utah data.
3/ Other includes Georgia, Illinois, Iowa, Kentucky, Maryland, Massachusetts, Minnesota, North Carolina, Utah and Virginia.