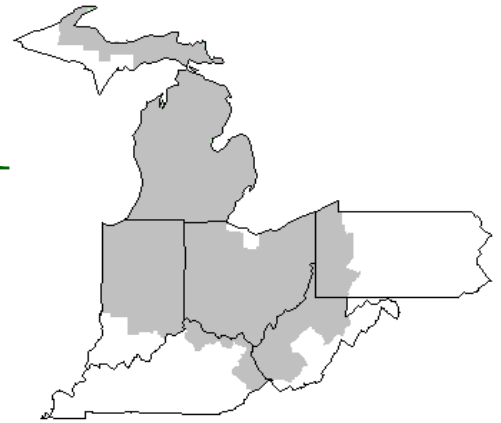


# Mideast Market Administrator's Bulletin



## Federal Order No. 33

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September 2010

## USDA Issues Final Rule Amending Fluid Milk Definition in All Milk Orders

The U.S. Department of Agriculture issued a final rule amending the definition of Class I fluid milk products in all Federal milk marketing orders effective January 1, 2011. These amendments, which were approved by producers, maintain the current 6.5 percent nonfat milk solid standard and incorporates an alternative 2.25 percent true milk protein criterion to determine whether a product meets the compositional standard for fluid milk products. This rule also amends the fluid milk product definition to provide exemptions for drinkable yogurt products containing at least 20 percent yogurt (by weight), kefir, and products intended to be meal replacements. The decision clarifies how milk and milk-derived ingredients should be priced under all Federal milk marketing orders when used in fluid milk products.

The final rule appeared in the August 24<sup>th</sup> *Federal Register* and becomes effective January 1, 2011. For additional information about the decision contact: Paul A. Huber; USDA/AMS/Dairy Programs, P.O. Box 5102, Brunswick, OH 44212; Tel. (330) 225-4758; email: [phuber@fmmaclev.com](mailto:phuber@fmmaclev.com). A copy of the decision can be found on the website at [www.fmmaclev.com/hearings.htm](http://www.fmmaclev.com/hearings.htm).

## THE DAIRY OUTLOOK

### More Milk Both This Year and Next Will Counter Higher Exports and Domestic Commercial Use, Keeping Next Year's Prices In Line With This Year

The most recent USDA forecasts indicate that feed prices will likely be higher next year than in the current year. The corn price forecast is \$3.50 to \$4.10 per bushel for the 2010/11 crop year, a rise from current year projected prices. However, soybean meal prices are forecast slightly lower, at \$250 to \$290 per ton, for the 2010/11 crop year. The feed price outlook will keep the milk-feed price ratio for both the balance of this year and into next year below a level that usually signals expansion.

The most recent *Milk Production* report showed that although producers added cows during the first half of the year, the number of U.S. milk cows remains below 2009 on a year-over-year basis as milk per cow continues to increase. The most current USDA forecast continues the trend of lower cow numbers that has been more than offset by increased output per cow in 2010. Output per cow is expected to rise by 2.5 percent compared with 2009, pushing current-year production to 192 billion pounds. This trend is expected to continue in 2011 as cow numbers decline fractionally, and production per cow is forecast to rise by 1.5 percent. On balance, milk production in 2011 is projected to reach 194.6 billion pounds.

Milk equivalent imports on both a fats and skims-solids basis are projected to decline this year, totaling 4.2 billion pounds on a fats basis and 4.6 billion pounds on a skims-solids basis. For next year, imports are expected to remain very near 2010 levels. Higher domestic production and a slow domestic economic recovery will limit imports. Milk equivalent exports have staged a strong recovery in 2010 from last year on both a fats and skims-solids basis. In 2010, exports are expected to reach 6.3 billion pounds on a fats basis and 28.8 billion pounds on a skims-solids basis. Next year, exports are expected to be lower as production in competing countries, notably Australia and New Zealand, is expected to increase. Also for next year, exports on a fats basis are forecast at 5.6 billion pounds and 28.0 billion pounds on a skims-solids basis. In 2011, domestic commercial use on both a fats and skims-solids basis is expected to show above-trend growth. Domestic commercial use is forecast to reach 192.9 billion pounds, a 1.8 percent year-over-year increase on a fats basis, and reach 170.6 billion pounds, a 2.1 percent year-over-year increase on a skims-solids basis. Growth in both domestic commercial use and exports will result in tighter ending stocks this year and next on a fats basis. Ending stocks on a skims-solids basis will be near 2009 levels this year and tighten by the end of 2011.

Butter stocks have been below 2009 in the first half of 2010 and are below 5-year trend on a seasonally adjusted basis. Lower production and rising domestic commercial use have tightened stocks and sharply increased butter prices. Butter prices are forecast at \$1.610 to \$1.650 per pound this year.

(Continued on Page 3)

## August 2010 Pool Summary

### Classification of Producer Milk

	Pounds	Percent
Class I	526,439,725	41.6
Class II	209,628,356	16.6
Class III	475,934,867	37.7
Class IV	51,874,674	4.1
Total	1,263,877,622	100.0

### Producer Prices

Producer Price Differential	\$ 1.58 /cwt
Butterfat Price	2.0336 /lb
Protein Price	2.3788 /lb
Other Solids Price	0.1647 /lb
Somatic Cell Adjustment Rate	0.00080 /cwt
Statistical Uniform Price	16.76 /cwt

**ANNOUNCEMENT OF PRODUCER PRICES**

Federal Order No. 33

**August 2010****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			517,057,928			\$ 11.49 / cwt	\$ 59,409,955.93
Class I Butterfat		9,381,797				1.9099 / lb	17,918,294.10
Class I Location Differential	526,439,725						(265,918.18)
Class II SNF Value				17,473,282		1.1322 / lb	19,783,249.88
Class II Butterfat		14,057,569				2.0406 / lb	28,685,875.30
Class III Protein Value			14,127,564			2.3788 / lb	33,606,649.21
Class III Other Solids Value					27,195,094	0.1647 / lb	4,479,031.97
Class III Butterfat		16,033,049				2.0336 / lb	32,604,808.42
Class IV SNF Value				4,202,717		0.9780 / lb	4,110,257.21
Class IV Butterfat		4,857,661				2.0336 / lb	9,878,539.39
Somatic Cell Value II / III / IV							<u>555,255.27</u>
<b>TOTAL PRODUCER MILK VALUE</b>	<b>1,263,877,622</b>	<b>44,330,076</b>	<b>37,311,816</b>		<b>71,917,953</b>		<b>\$210,765,998.50</b>
Beginning Inventory and Other Source Charges						\$74,762.91	
<b>TOTAL ADJUSTMENTS</b>							<u>\$ 74,762.91</u>
<b>TOTAL HANDLER OBLIGATIONS</b>							<u>\$210,840,761.41</u>
Total Protein Value			37,311,816 lbs	@	\$2.3788		\$(88,757,347.87)
Total Other Solids Value			71,917,953 lbs	@	0.1647		(11,844,886.87)
Butterfat Value			44,330,076 lbs	@	2.0336		(90,149,642.57)
Total Somatic Cell Values							<u>(899,366.17)</u>
<b>TOTALS</b>							<b>\$ 19,189,517.93</b>
Net Producer Location Adjustments							\$ 817,567.29
1/2 Unobligated Balance Producer Settlement Fund							<u>532,000.00</u>
Total - Divided by Total Pounds			1,263,877,622 lbs		1.6250850		\$ 20,539,085.22
Rate of Cash Reserve					<u>(0.0450850)</u>		<u>(569,819.23)</u>
<b>PRODUCER PRICE DIFFERENTIAL at Cuyahoga County, OH*</b>			1,263,877,622		<b>\$ 1.58 /cwt</b>		<b>\$ 19,969,265.99</b>

**COMPONENT PRICES****COMPUTATION OF UNIFORM PRICE**

	<b>August</b>	
	<u>2010</u>	<u>2009</u>
Butterfat Price	\$2.0336 / lb	\$1.2491 / lb
Protein Price	2.3788 / lb	2.1009 / lb
Other Solids Price	0.1647 / lb	0.0962 / lb
Somatic Cell Adjustment Rate	0.00080 / cwt	0.00063 / cwt
Nonfat Solids Price	0.9780 / lb	0.6918 / lb

	<b>August</b>	
	<u>2010</u>	<u>2009</u>
Class III Price - 3.5% BF	\$ 15.18	\$11.20
Producer Price Differential*	<u>1.58</u>	<u>0.27</u>
Statistical Uniform Price	\$16.76	\$11.47

**CLASS PRICES****CLASSIFICATION OF PRODUCER MILK**

	<b>August</b>	
	<u>2010</u>	<u>2009</u>
Class I*	\$17.77	\$12.04
Class II	16.98	10.86
Class III	15.18	11.20
Class IV	15.61	10.38

	<b>August</b>	
	<u>2010</u>	<u>2009</u>
Class I	Product lbs. 526,439,725	557,383,246
Class II	209,628,356	302,100,768
Class III	475,934,867	421,751,132
Class IV	<u>51,874,674</u>	<u>96,902,204</u>
Total	1,263,877,622	1,378,137,350

\* Subject to Location Adjustment.

**ORDER 33 MARKET SUMMARY**

The Producer Price Differential for the Mideast Marketing Area for August 2010 was \$1.58 and the Statistical Uniform Price was \$16.76 for the month. The Statistical Uniform Price is \$0.64 higher than last month, and is \$5.29 higher than August 2009.

The Producer Butterfat Price of \$2.0336 per pound increased 13.72 cents from July and is up 78.45 cents from a year ago. The Protein Price of \$2.3788 is up 32.73 from last month and is up 27.79 cents from August 2009. The Other Solids Price in August was \$0.1647 per pound, a decrease from last month's price of \$0.1700 and an increase of 6.85 cents from last August. The Somatic Cell Adjustment rate for August was \$0.00080.

August producer receipts of 1.26 billion pounds were 1.1 percent lower than July and 8.3 percent lower than August 2009 production of 1.38 billion pounds. Producer milk allocated to Class I accounted for 41.6 percent of the total producer milk in August 2010, more than the 39.7 percent in July and more than the 40.5 percent in August 2009. A total of 6,852 producers were pooled on the Mideast Order compared to 7,129 producers pooled in August 2009.

The market average content of producer milk was as follows: Butterfat 3.51%; Protein 2.95%; Other Solids 5.69% and Nonfat Solids 8.64%.

(Continued from Front Page)

Next year's butter prices, expected to moderate because of greater expected milk production, are forecast at \$1.435 to \$1.565 per pound. Cheese prices are expected to remain relatively high for the balance of 2010 on the basis of stronger exports and competition for milk from higher butter prices.

Cheese prices are expected to average \$1.500 to \$1.520 per pound this year and climb slightly to \$1.505 to 1.605 per pound in 2011. A stronger export forecast, as well as domestic commercial use, could offset expected greater milk production. Nonfat dry milk (NDM) prices are sharply higher this year compared with 2009, mostly on stronger export projections. NDM prices are forecast to be \$1.145 to \$1.165 per pound in 2010 and rise slightly to \$1.175 to \$1.245 next year. Whey prices have been part of the overall recovery in dairy product prices this year and are projected to average 36.0 to 38.0 cents per pound; however whey prices are not expected to change much next year, averaging 35.5 to 38.5 cents per pound in 2011.

The tightness in the butter market has precipitated the unusual situation of the Class IV price climbing above the Class III price. The Class IV price is expected to be \$14.50 to \$14.80 per cwt this year, moderating slightly to \$14.00 to \$15.10 per cwt in 2011. The Class III price is expected to average \$14.15 to \$14.35 per cwt this year and rise to \$14.15 to \$15.15 in 2011. The Class III price is expected to rise above the Class IV price next year, restoring the more typical price relationship. The all milk price is expected to be \$15.90 to \$16.10 per cwt this year and to change very little next year, averaging \$15.55 to \$16.55 per cwt in 2011.

**SOURCE:** "Livestock, Dairy, and Poultry Outlook", LDP-M-194, August 18, 2010, Economic Research Service, USDA. Any questions or requests for more information can be directed to Roger Hoskin at (202) 694-5148.

### July Milk Production Up 3.0 Percent

Milk production in the 23 major States during July totaled 15.3 billion pounds, up 3.0 percent from July 2009. June revised production, at 15.2 billion pounds, was up 2.9 percent from June 2009. The June revision represented an increase of 0.2 percent or 23 million pounds from last month's preliminary production estimate.

Production per cow in the 23 major States averaged 1,830 pounds for July, 59 pounds above July 2009.

The number of milk cows on farms in the 23 major States was 8.37 million head, 26,000 head less than July 2009, but 19,000 head more than June 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 July totaled 2.4 billion pounds, up 43 million pounds or 1.8 percent from July 2009.

Production per cow in the Mideast states averaged 1,775 pounds for July, 40 pounds above July 2009.

The number of cows on farms in the Mideast states was 1.3 million head, 8,000 head less than July 2009.

### July Dairy Products (NASS)

Butter production was 111.0 million pounds in July, 2.9% below July 2009 and 5.3% below June 2010. American type cheese production totaled 368.9 million pounds, 4.0% above July 2009 but 0.3% below June 2010. Total cheese output (excluding cottage cheese) was 882.3 million pounds, 4.7% above July 2009 and 0.2% above June 2010. Nonfat dry milk production, for human food, totaled 131.8 million pounds, 1.0% below July 2009 and 3.2% below June 2010. Dry whey production, for human food, was 82.7 million pounds, 8.1% below July 2009 but 5.6% above June 2010. Ice cream (hard) production totaled 79.0 million gallons, 6.3% below July 2009 and 6.2% below June 2010.

#### Bulletin Webpage Edition

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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	July 2010						July 2009				
	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	1,751	589,604	3.44	2.90	5.72	213	612,443	3.49	2.94	5.70	219
Ohio	2,072	261,630	3.55	2.94	5.68	290	352,636	3.59	2.97	5.64	277
Indiana	961	120,880	3.50	2.91	5.68	294	149,653	3.60	2.99	5.75	297
Pennsylvania	1,160	110,052	3.57	2.95	5.67	342	109,262	3.65	3.01	5.65	348
New York	366	90,248	3.55	2.96	5.68	239	137,004	3.58	2.98	5.71	230
Wisconsin	254	85,237	3.55	2.91	5.80	260	72,324	3.55	2.93	5.79	253
West Virginia	58	4,429	3.67	3.03	5.64	387	5,428	3.73	3.07	5.63	362
Other	156	15,512	3.49	2.91	5.71	270	21,558	3.47	2.95	5.72	251
Total/Average *	6,778	1,277,591	3.49	2.92	5.71	254	1,460,308	3.55	2.96	5.69	254

\* 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**

**August 2010**

Marketing Area <sup>1/</sup>	Producer Milk		Class I Percent %	Producer Price Differential (per cwt.)	Statistical Uniform Price (per cwt.)
	Total (000)	Class I (000)			
FO 1 Northeast - ( <i>Boston</i> )	2,054,460	837,021	40.7	\$2.56	\$17.74
FO 5 Appalachian - ( <i>Charlotte</i> )	500,641	354,039	70.7	<sup>2/</sup>	18.67
FO 6 Florida - ( <i>Tampa</i> )	232,983	201,679	86.6	<sup>2/</sup>	20.74
FO 7 Southeast - ( <i>Atlanta</i> )	547,131	402,092	73.5	<sup>2/</sup>	19.02
FO 30 Upper Midwest - ( <i>Chicago</i> )	2,810,518	356,334	12.7	0.47	15.65
FO 32 Central - ( <i>Kansas City</i> )	1,154,736	377,084	32.7	1.22	16.40
<b>FO 33 Mideast - (<i>Cleveland</i>)</b>	<b>1,263,878</b>	<b>526,440</b>	<b>41.6</b>	<b>1.58</b>	<b>16.76</b>
FO 124 Pacific Northwest - ( <i>Seattle</i> )	682,464	178,309	26.1	0.98	16.16
FO 126 Southwest - ( <i>Dallas</i> )	867,705	365,874	42.2	2.19	17.37
FO 131 Arizona - ( <i>Phoenix</i> )	321,325	116,800	36.4	<sup>2/</sup>	16.60

<sup>1/</sup> Names in parentheses are principal points of markets.

<sup>2/</sup> Producers in these markets are paid on the basis of a uniform skim and butterfat price.

**MINIMUM PARTIAL PAYMENT PRICE FOR SEPTEMBER 2010.....\$15.18 /cwt.**

# Mideast Market Administrator's Bulletin

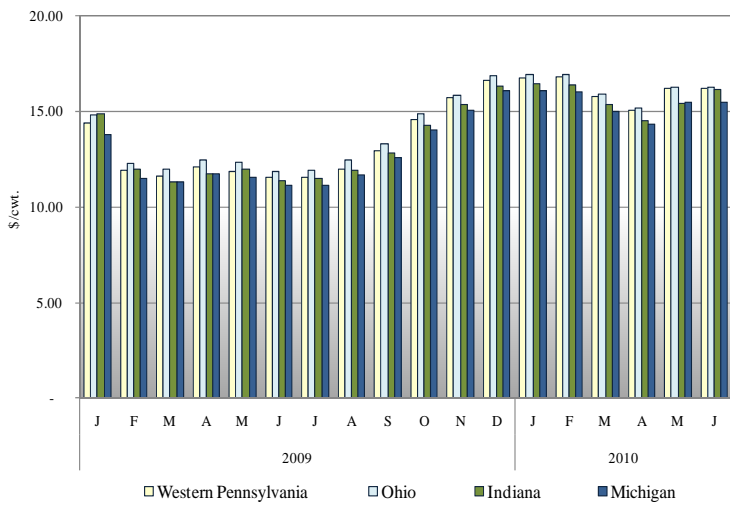
Supplement

Federal Order No. 33

September 2010

## MAILBOX MILK PRICES FOR AREAS IN MIDEAST MARKETING AREA 1/

Mailbox Milk Price for Selected Reporting Areas Federal Order 33, 2009-2010



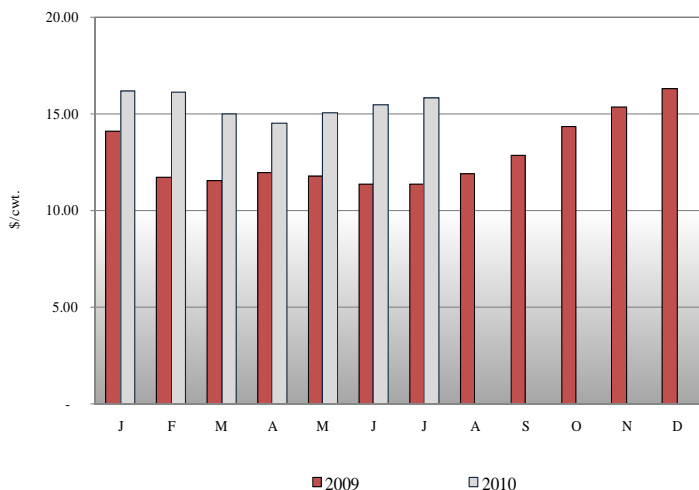
Mailbox price is the net pay price received by dairy farmers for milk. The data includes all payments received for milk sold, and all costs associated with marketing the milk. The mailbox price is a weighted average for the reporting area at the average butterfat test. Mailbox price does not include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

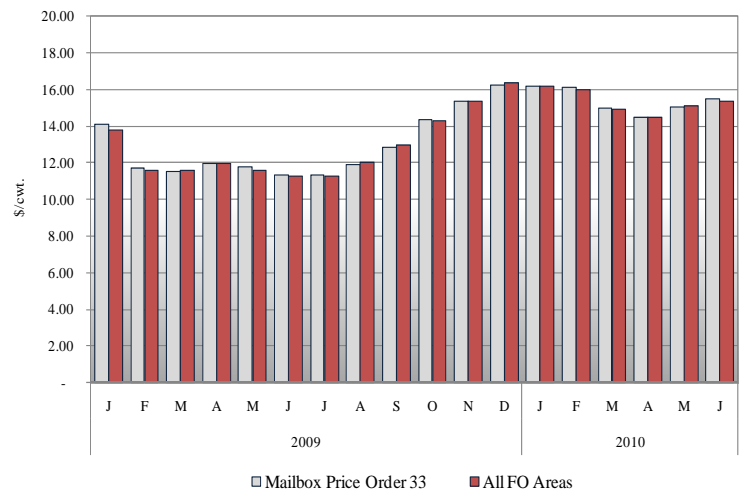
Western Pennsylvania includes the counties of Warren, Elk, Clearfield, Indiana, Westmoreland and Fayette, and all those counties west of these.

## FEDERAL ORDER 33 MAILBOX PRICE STATISTICS

Mailbox Milk Price for the Mideast Marketing Area, 2009-2010



Mailbox Milk Price for Mideast Marketing Area and All FO Areas, 2009-2010



The net pay price received by dairy farmers located in states pooled on Federal Order 33 was \$15.47 per hundredweight for June 2010. The June 2010 mailbox price is \$0.44 higher than the mailbox price for May 2010. The June 2010 mailbox price is \$4.11 higher than the June 2009 mailbox price of \$11.36 per cwt.

For June 2010 the net pay price received by dairy farmers located in states pooled on Federal Order 33 was \$0.08 per hundredweight higher than the average mailbox price for all Federal Orders, as reported by Dairy Market News. For June the all Federal Order mailbox price was \$15.39 per hundredweight, \$0.31 higher than May 2010.

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

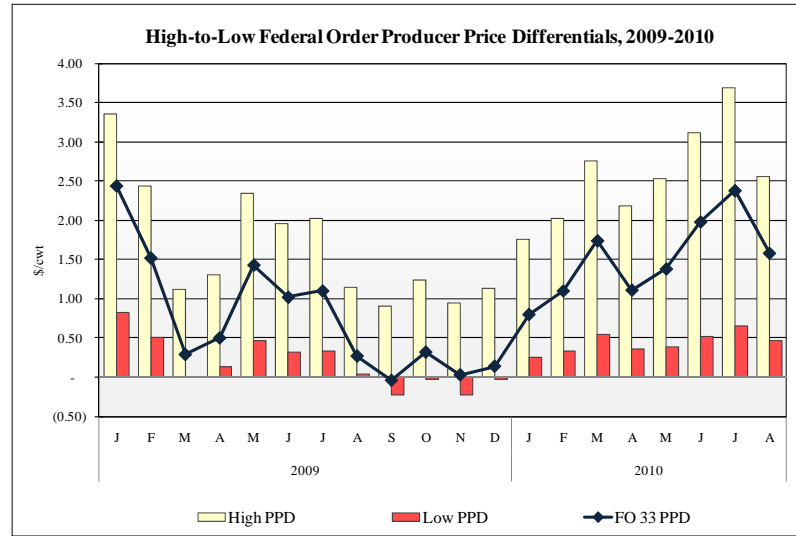
## PRODUCER PRICE DIFFERENTIAL STATISTICS 2/

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 August 2010, Federal Order 1 had a PPD of \$2.56 per hundredweight (cwt), \$1.13 less than their July 2010 PPD of \$3.69 per cwt.

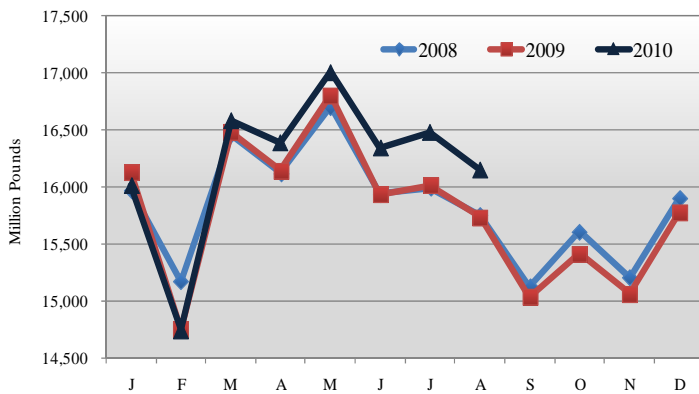
In August 2010 Federal Order 33 had the third highest PPD, behind Orders 1 (\$2.56) and 126 (\$2.19), at \$1.58 per cwt, \$0.80 per cwt less than the July 2010 PPD of \$2.38 per cwt.

For August 2010 Federal Order 30 had the lowest PPD at \$0.47 per cwt, \$0.18 per cwt less than their July 2010 PPD of \$0.65 per cwt.

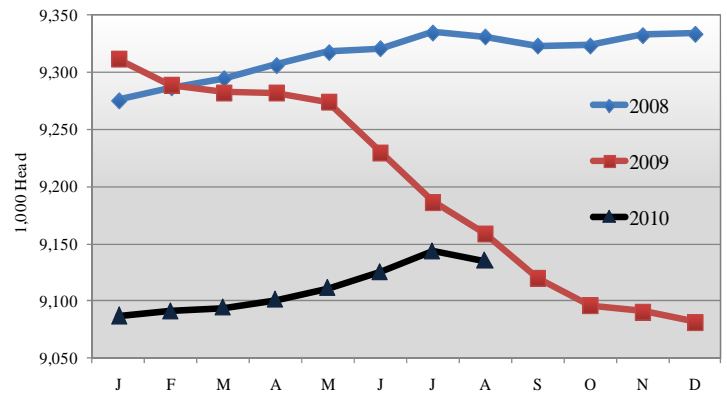


## MILK PRODUCTION STATISTICS 3/

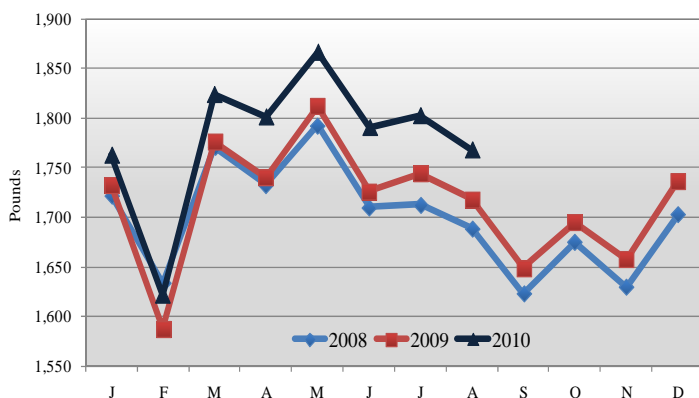
**Milk Production by Month, United States, 2008-2010**



**Milk Cows by Month, United States, 2008-2010**



**Milk Production Per Cow by Month, United States, 2008-2010**



### August 2010 U.S. Milk Production:

August 2010 milk production in the United States decreased 325 million pounds from July to 16.2 billion pounds. August 2010 milk production in the United States was up 2.7 percent from August 2009.

Production per cow in the United States averaged 1,768 pounds for August 2010, down 34 pounds from July 2010. August 2010 milk production per cow was up 50 pounds or 2.9 percent from August 2009.

The number of milk cows on farms in the United States was 9.1 million head for August 2010, in line with July estimates and 24,000 head less than August 2009.

2/ Producer price differentials are subject to location adjustment.

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