Mideast Market Administrator's

Bulletin

Federal Order No. 33

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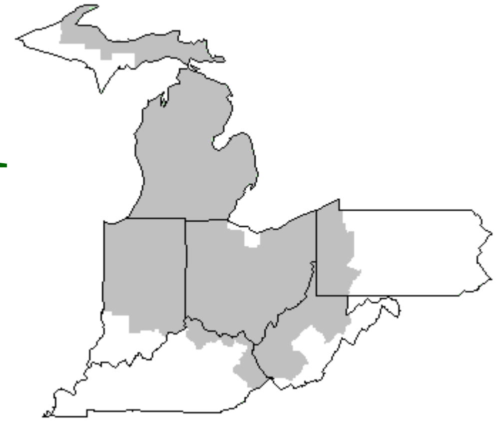
August 2011



USDA Announces Termination of Proceeding on Proposed Amendments to the Mideast Federal Milk Order

The U.S. Department of Agriculture announced that proceedings on proposed amendments to the Class I price surface of the Mideast milk marketing order have been terminated. USDA issued a recommended decision on Jan. 8, 2009, to adopt amendments to the Class I price surface of the Mideast marketing order. Nearly all of the exceptions to the recommended decision noted that marketing conditions have changed substantially since the close of the hearing, making changes to the Class I price surface of the Mideast marketing area unwarranted. USDA has determined that significant changes in the marketing conditions of the Mideast marketing area make any increase in the Class I prices unjustified and is terminating this rulemaking proceeding.

This notice was published in the July 22, 2011 *Federal Register*. For additional information on the termination notice contact: Paul A. Huber, USDA/AMS/Dairy Programs, P.O. Box 5102, Brunswick, OH 44212; Tel. (330) 225-4758; email: phuber@fmmaclev.com.

Strong Demand, Both Domestic & Global, Keeps Milk Prices High and Production Advancing, Despite High Feed Prices

The June *Acreage* report indicated that producers planted 92.3 million acres of corn, up 4.1 million acres from last year, and the second highest since 1944. The prospects for a larger crop in 2011/12, coupled with larger beginning stocks, resulted in lower expected corn prices compared with last month's forecast. Corn prices are forecast at $5.50 to $6.50 a bushel. Soybean meal prices were lowered this month from last month's forecast to $345 to $375 a ton. While corn and soybean prices in 2011/12 are likely to be lower than earlier season expectations, forage prices could remain near record highs.

Nationally, alfalfa prices set a record high in May. The June *Acreage* report confirmed expectations that the harvested area of alfalfa hay and alfalfa mixtures had declined from 2010. The expected harvested area decline, along with severe drought in parts of Texas and the southwest and excessive wetness in parts of the northwest (which adversely impacted first cutting), will keep alfalfa hay prices high for the rest of 2011 and into 2012. On balance, the change in feed ingredient prices will offer only scant relief for dairy producers, as the benchmark 16-percent protein ration will likely remain well above 2010 for both the balance of 2011 and 2012.

Dairy cow numbers continue to advance and are projected to average 9,185 thousand head this year. Some retrenchment is expected in 2012 based on relatively high feed prices and lower expected milk prices in 2012. Milk per cow is estimated at 21,305 pounds this year and forecast at 21,665 pounds in 2012; both numbers are unchanged from June. The result will be continued expansion in milk production, with 195.7 billion pounds expected in 2011 and 198.8 billion pounds forecast for 2012. This year, both an increase in cow numbers and output per cow support the rise. In 2012, a strong year-over-year rise in output per cow, and the added leap year milking day, will offset the expected decline in cow numbers.

According to the June *Milk Production* report in the 23 surveyed States, the strongest percentage increases in year-over-year milk production were posted in western States, with Texas, Colorado, and Arizona leading the rise. Declines in milk production were observed in the Midwest with Ohio, Illinois, and Missouri showing the largest declines in 2011 from 2010.

Milk equivalent imports are placed at 3.4 billion pounds in 2011, declining to 3.2 billion pounds in 2012 on a fats basis. Imports are forecast at 5.0 billion pounds this year and 4.5 billion pounds next year on a skims-solids basis. Import forecasts are unchanged from last month and are a continuation of an apparent longer run downward trend in dairy imports that began on a fats basis in 2007, with an interruption in 2009, and on a skims-solids basis in 2008, with a slight upturn expected this year.

Exports have shown resiliency to date, but will likely decline next year. Milk equivalent exports are forecast at 8.8 billion pounds this year on a fats basis, based on continued strong shipments of butterfat. The forecast represents an increase from last month's forecast. Exports in 2012 are forecast at 8.7 billion pounds,

(Continued on Page 3)

July 2011 Pool Summary

Classification of Producer Milk

	Pounds	Percent
Class I	474,222,505	33.9
Class II	263,443,467	18.8
Class III	529,004,695	37.8
Class IV	133,329,361	9.5
Total	1,400,000,028	100.0

Producer Prices

Producer Price Differential	$ 0.52	/cwt
Butterfat Price	2.2511	/ lb
Protein Price	3.8292	/ lb
Other Solids Price	0.3608	/ lb
Somatic Cell Adjustment Rate	0.00106	/ cwt
Statistical Uniform Price	21.91	/ cwt

ANNOUNCEMENT OF PRODUCER PRICES
Federal Order No. 33

July 2011

COMPUTATION OF PRODUCER PRICE DIFFERENTIAL

	POUNDS	BUTTERFAT	SKIM / PROTEIN	NONFAT SOLIDS	OTHER SOLIDS	PRICE	VALUE
Class I Skim Value			465,669,885			$ 15.17 / cwt	$ 70,642,121.55
Class I Butterfat		8,552,620				2.3970 / lb	20,500,630.19
Class I Location Differential	474,222,505						(249,074.76)
Class II SNF Value				22,176,795		1.5411 / lb	34,176,658.76
Class II Butterfat		15,613,524				2.2581 / lb	35,256,898.55
Class III Protein Value			15,583,372			3.8292 / lb	59,671,848.07
Class III Other Solids Value					30,266,100	0.3608 / lb	10,920,008.86
Class III Butterfat		18,475,604				2.2511 / lb	41,590,432.13
Class IV SNF Value				11,306,847		1.4336 / lb	16,209,495.87
Class IV Butterfat		6,970,203				2.2511 / lb	15,690,623.96
Somatic Cell Value II / III / IV							1,040,173.77
TOTAL PRODUCER MILK VALUE	1,400,000,028	49,611,951	41,015,549		79,971,522		$ 305,449,816.95
Overages and Beginning Inventory					90,992.98		
TOTAL ADJUSTMENTS							$ 90,992.98
TOTAL HANDLER OBLIGATIONS							$ 305,540,809.93
Total Protein Value			41,015,549 lbs	@	$3.8292		$(157,056,740.24)
Total Other Solids Value			79,971,522 lbs	@	0.3608		(28,853,725.16)
Butterfat Value			49,611,951 lbs	@	2.2511		(111,681,462.85)
Total Somatic Cell Values							(1,538,888.81)
TOTALS							$ 6,409,992.87
Net Producer Location Adjustments							$ 920,399.16
1/2 Unobligated Balance Producer Settlement Fund							553,000.00
Total - Divided by Total Pounds			1,400,000,028 lbs		0.5630994		$ 7,883,392.03
Rate of Cash Reserve					(0.0430994)		(603,391.61)
PRODUCER PRICE DIFFERENTIAL *at Cuyahoga County, OH**			1,400,000,028		**$ 0.52 /cwt**		$ 7,280,000.42

COMPONENT PRICES

July	2011	2010
Butterfat Price	$2.2511 / lb	$1.8964 / lb
Protein Price	3.8292 / lb	2.0515 / lb
Other Solids Price	0.3608 / lb	0.1700 / lb
Somatic Cell Adjustment Rate	0.00106 / cwt	0.00073 / cwt
Nonfat Solids Price	1.4336 / lb	1.0493 / lb

COMPUTATION OF UNIFORM PRICE

July	2011	2010
Class III Price - 3.5% BF	$ 21.39	$13.74
Producer Price Differential*	0.52	2.38
Statistical Uniform Price	$21.91	$16.12

CLASS PRICES

July	2011	2010
Class I*	$23.03	$17.66
Class II	21.29	17.10
Class III	21.39	13.74
Class IV	20.33	15.75

* Subject to Location Adjustment.

CLASSIFICATION OF PRODUCER MILK

July	2011 *Product lbs.*	2010 *Product lbs.*
Class I	474,222,505	506,431,790
Class II	263,443,467	170,191,040
Class III	529,004,695	521,407,404
Class IV	133,329,361	79,560,055
Total	1,400,000,028	1,277,590,289

ORDER 33 MARKET SUMMARY

The Producer Price Differential for the Mideast Marketing Area for July, 2011 was $0.52 and the Statistical Uniform Price was $21.91 for the month. The Statistical Uniform Price is $1.11 higher than last month, and is $5.79 higher than July, 2010.

The Producer Butterfat Price of $2.2511 per pound decreased $.1191 from June and is up $0.3547 from a year ago. The Protein Price of $3.8292 is up $0.8485cents from last month and is up $1.7777from July 2010. The Other Solids Price in July was $0.3608 per pound, an increase from last month's price of $0.3339 and $0.1908 higher than last July. The Somatic Cell Adjustment rate for July was $0.00106.

July producer receipts of 1.40 billion pounds were 9.1percent higher than June and 9.6 percent higher than July 2010 production of 1.28 billion pounds. Producer milk allocated to Class I accounted for 33.9 percent of the total producer milk in July 2011, less than the 36.3 percent in June, and less than the 39.7 percent in July 2010. A total of 6,743 producers were pooled on the Mideast Order compared to 6,681 producers pooled in July 2010.

The market average content of producer milk was as follows: Butterfat 3.54%; Protein 2.93%; Other Solids 5.71% and Nonfat Solids 8.64%.

(Continued from Front Page)

unchanged from last month. The competitive price advantage for U.S. butter in world markets has narrowed considerably, which could ultimately slow exports. Milk equivalent skims-solids exports were increased slightly from last month to 32.1 billion pounds for 2011 and are unchanged from last month at 32.3 billion pounds forecast for next year.

Growth in domestic commercial use of dairy products continues despite slow economic growth. Domestic commercial use is forecast at 188.8 billion pounds this year on a fats basis, but a stronger rise is forecast for 2012 as use is forecast to rise to 192.2 billion pounds. Somewhat stronger economic growth and moderating prices, especially for butter, prompt the rise. Year-to-date use through April shows butter 15 percent above 2010, American cheese 4 percent above last year, and other cheese 7.1 percent above last year. Domestic commercial use, on a skims-solids basis, is on track for a robust 2.1 percent year-over-year rise to 167.5 billion pounds for 2011. For 2012, domestic use is forecast at 170.4 billion pounds, a strong 1.7- percent rise.

Dairy product prices were revised upward from June's estimates. Cheese prices are projected higher based on current price strength. Cheese prices are forecast to average $1.815 to $1.845 per pound this year and fall to $1.660 $1.760 in 2012 based on continued increases in milk production. Butter prices may have reached their zenith in the second quarter. Increased butter and nonfat dry milk (NDM) production, both domestically and internationally, could lower prices later in the year for both products. However, butter prices could firm toward the end of 2011 as more milk moves to cheese production.

Butter prices are expected to average $1.925 to $1.985 per pound in 2011 and slide to $1.615 to $1.745 per pound in 2012. NDM prices reflect the robust export outlook for NDM and will likely average $1.520 to $1.550 per pound in 2011 and decline slightly to average $1.375 to $1.445 per pound in 2012. Whey prices are forecast at 47.5 to 49.5 cents per pound for the current year and 41.0 to 44.0 cents per pound in 2012.

The price outlook for the major dairy products points to slowly declining milk prices toward the end of 2011 and into 2012. The Class III price is forecast at $18.00 to $18.30 per cwt this year and $16.00 to $17.00 per cwt next year. The Class IV prices continue to lead Class III prices both this year and next, averaging $19.15 to $19.55 per cwt and $16.50 to $17.60 per cwt in 2011 and 2012, respectively. The all milk price is forecast to average $20.00 to $20.30 per cwt in 2011 and $17.75 to $18.75 per cwt in 2012.

Livestock, Dairy, & Poultry Outlook/LDP-M-205/July 18, 2011 Economic Research Service, USDA

June Milk Production Up 1.4 Percent

Milk production in the 23 major States during June totaled 15.4 billion pounds, up 1.4 percent from June 2010. May revised production, at 16.1 billion pounds, was up 1.6percent from May 2010. The May revision represented an increase of 0.1 percent or 20 million pounds from last month's preliminary production estimate.

Production per cow in the 23 major States averaged 1,819 pounds for June, 2 pounds above June 2010.

The number of milk cows on farms in the 23 major States was 8.46 million head, 106,000 head more than June 2010, and 11,000 head more than May 2011.

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 2.3 billion pounds, down 38 million pounds or 1.6 percent from June 2010.

Production per cow in the Mideast states averaged 1,723 pounds for June, 41 pounds below June 2010.

The number of cows on farms in the Mideast states was 1.3 million head, 9,000 head more than June 2010.

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 2011.
- Charts summarizing total producer pounds and producer farms by state for June 2011.

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

	June 2011							June 2010				
			-----------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	1,787	557,362	3.53	2.96	5.74	187		609,986	3.45	2.92	5.72	199
Ohio	2,165	267,987	3.60	2.99	5.70	263		266,881	3.56	2.97	5.69	268
New York	324	125,311	3.59	2.98	5.73	225		73,305	3.57	2.98	5.72	235
Indiana	1,060	118,999	3.59	2.97	5.72	255		146,507	3.54	2.93	5.70	268
Pennsylvania	1,058	101,295	3.65	3.00	5.69	319		114,324	3.60	2.99	5.68	318
Wisconsin	163	82,921	3.53	3.00	5.77	232		84,774	3.51	2.94	5.81	253
West Virginia	55	4,041	3.68	3.07	5.68	350		4,624	3.68	3.06	5.66	336
Other	164	25,728	3.57	2.97	5.72	243		20,940	3.44	2.92	5.73	260
Total/Average *	6,776	1,283,644	3.57	2.97	5.73	228		1,321,342	3.51	2.94	5.71	238

* 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

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FEDERAL ORDER DATA

July 2011

	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)*	1,995,798	772,801	38.7	$1.37	$22.76
FO 5	Appalachian - *(Charlotte)*	499,364	331,544	66.4	[2/]	23.35
FO 6	Florida - *(Tampa)*	222,040	188,318	84.8	[2/]	25.44
FO 7	Southeast - *(Atlanta)*	543,074	347,881	64.1	[2/]	23.69
FO 30	Upper Midwest - *(Chicago)*	2,827,807	320,858	11.3	0.21	21.60
FO 32	Central - *(Kansas City)*	1,229,492	330,529	26.9	0.21	21.60
FO 33	**Mideast - *(Cleveland)***	**1,400,000**	**474,223**	**33.9**	**0.52**	**21.91**
FO 124	Pacific Northwest - *(Seattle)*	734,010	172,046	23.4	(0.05)	21.34
FO 126	Southwest - *(Dallas)*	922,762	324,828	35.2	1.17	22.56
FO 131	Arizona - *(Phoenix)*	353,839	110,117	31.1	[2/]	21.58

[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 2011..........................$20.33 /cwt.

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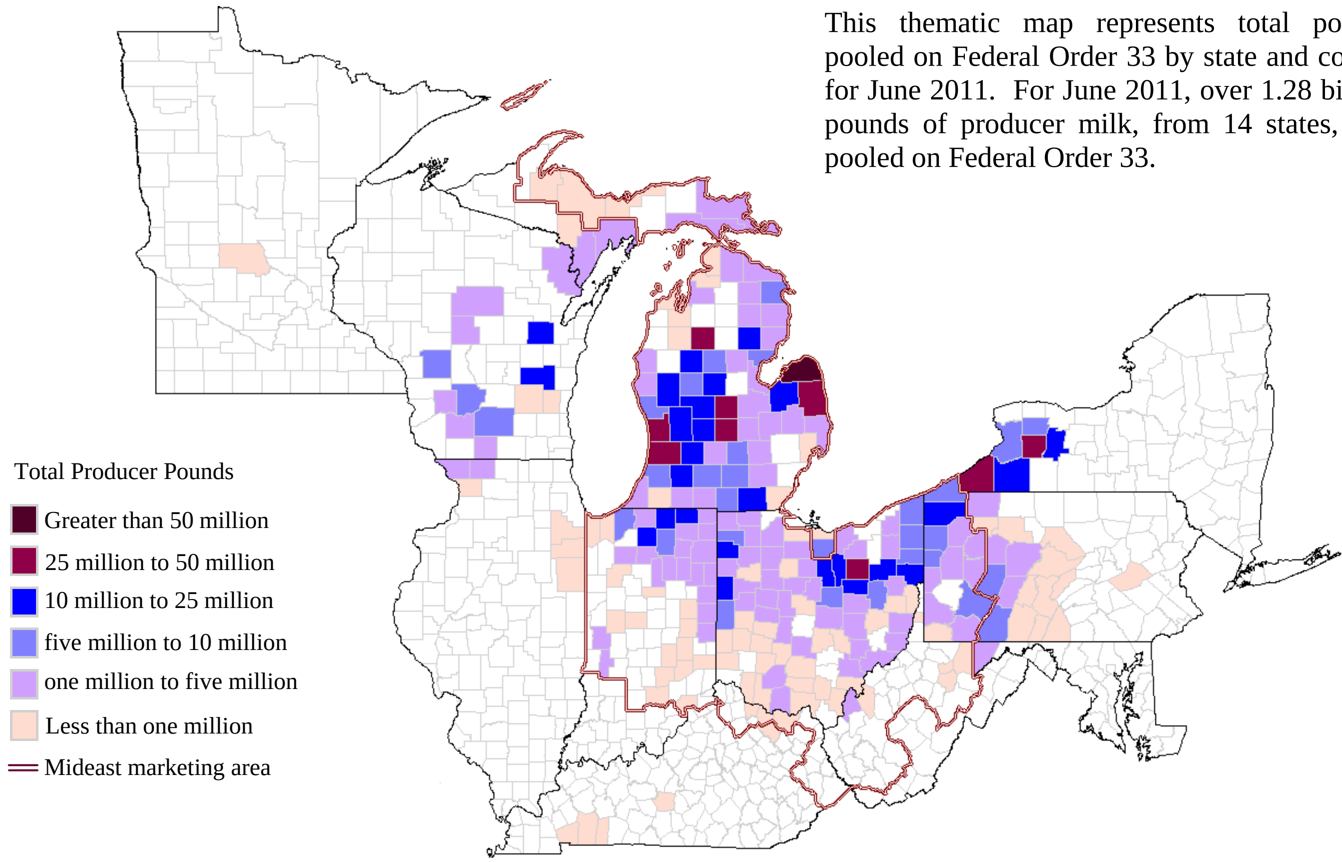
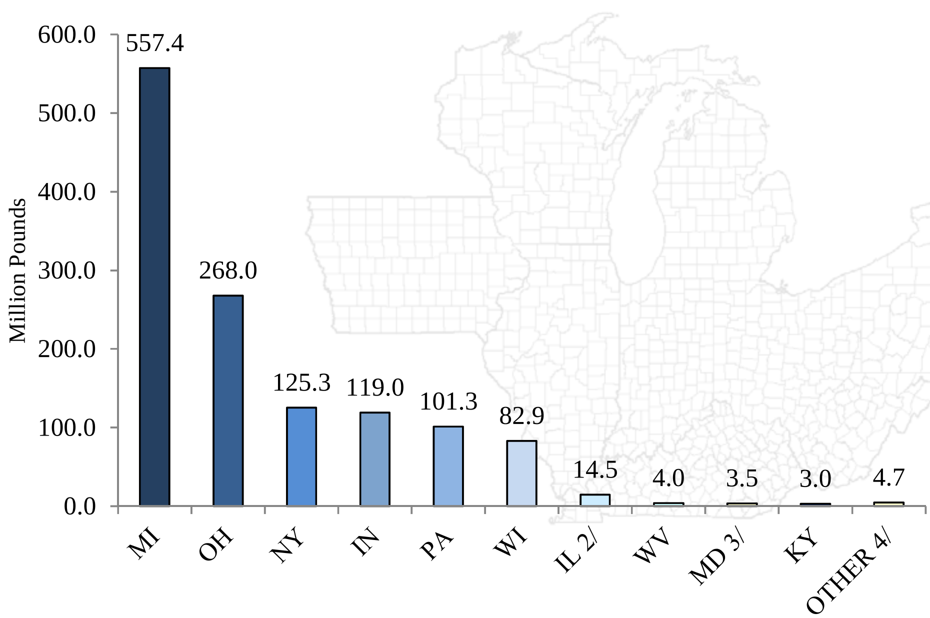
Supplement
Federal Order No. 33 August 2011

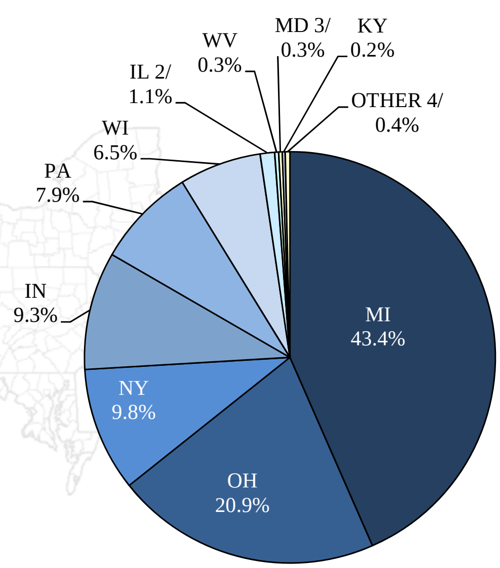
TOTAL PRODUCER POUNDS BY STATE AND COUNTY, JUNE 2011 1/

This thematic map represents total pounds pooled on Federal Order 33 by state and county for June 2011. For June 2011, over 1.28 billion pounds of producer milk, from 14 states, was pooled on Federal Order 33.



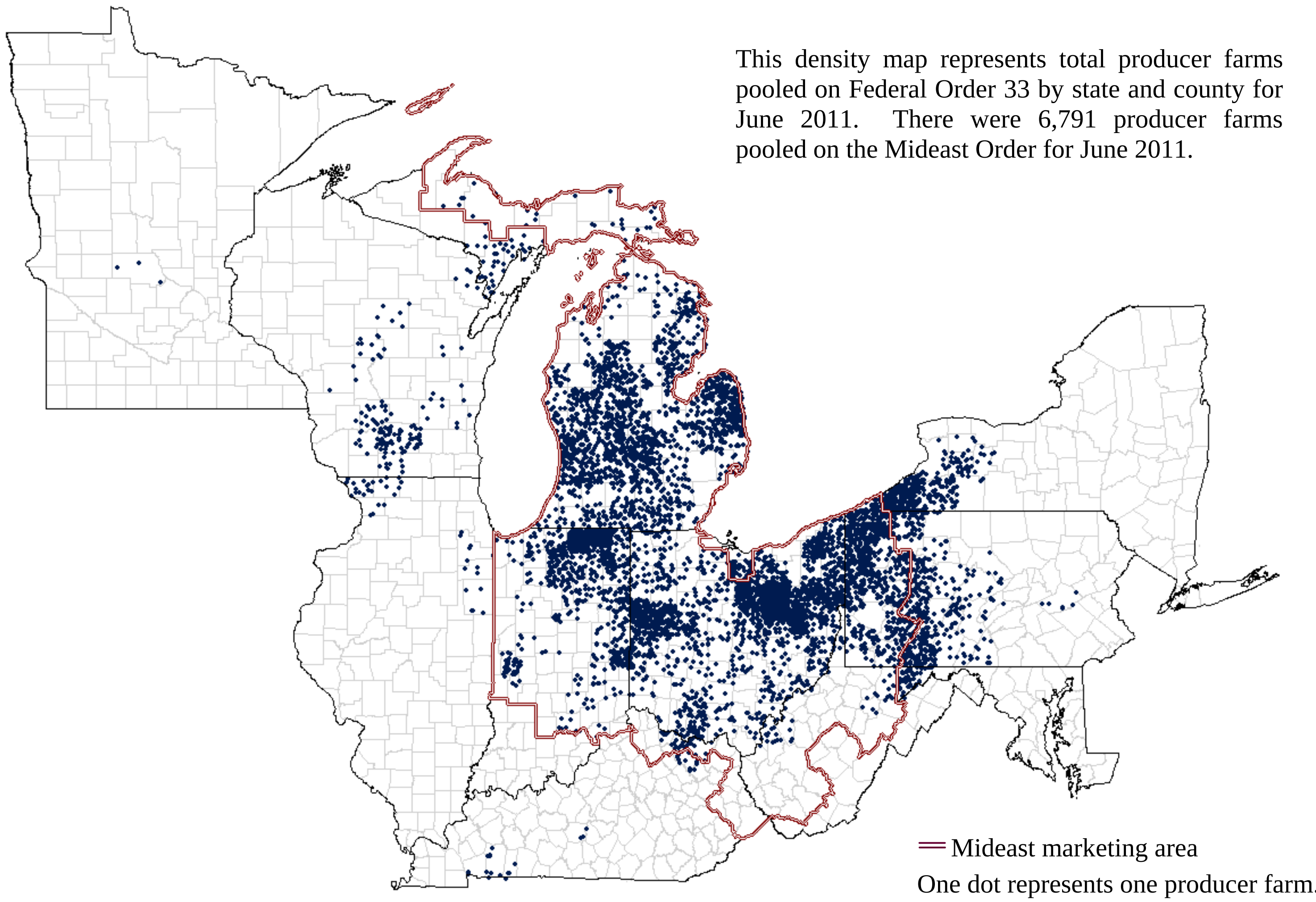
TOTAL PRODUCER POUNDS AND MARKET SHARE BY STATE, JUNE 2011 1/



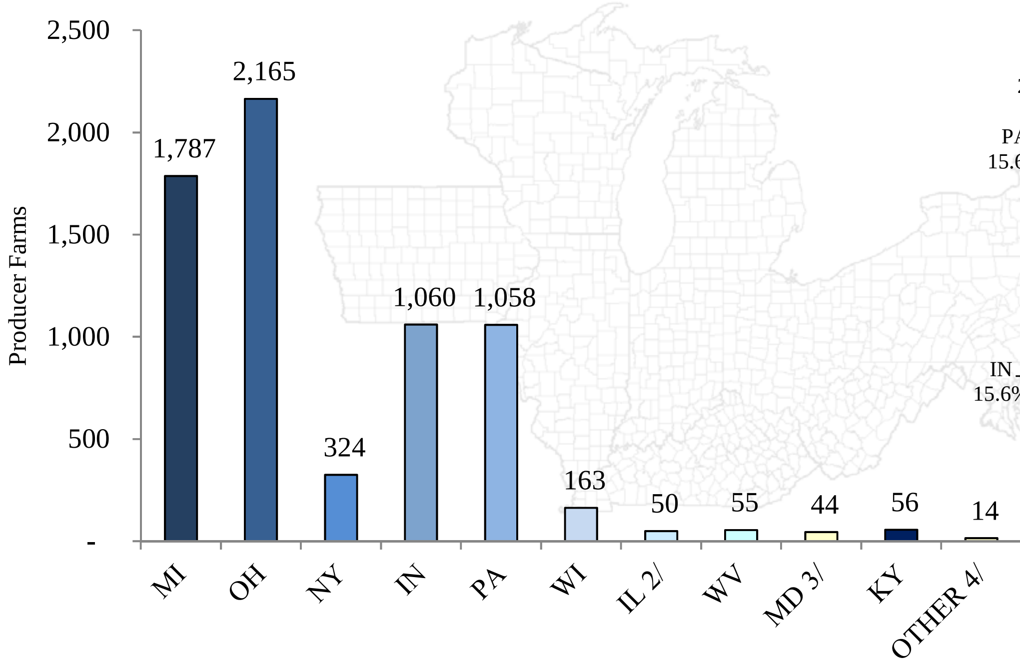


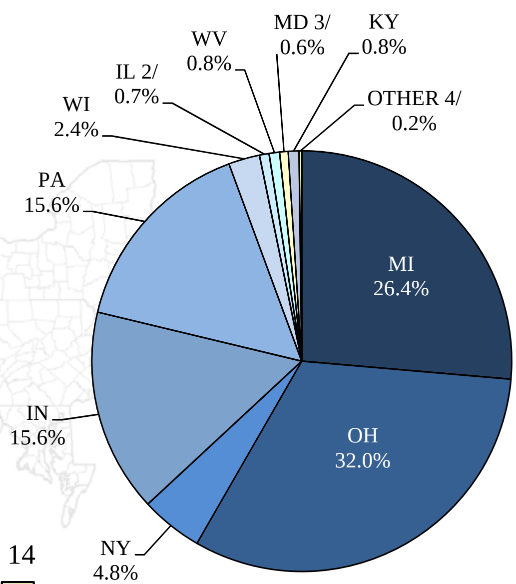
TOTAL PRODUCER FARMS BY STATE AND COUNTY, JUNE 2011 1/

This density map represents total producer farms pooled on Federal Order 33 by state and county for June 2011. There were 6,791 producer farms pooled on the Mideast Order for June 2011.



TOTAL PRODUCER FARMS AND DISTRIBUTION BY STATE, JUNE 2011 1/





1/ Data shown includes only milk pooled on Federal Order 33 and excludes restricted information.
2/ Includes restricted Iowa counties.
3/ Includes restricted Massachusetts counties.
4/ Other includes Minnesota and Virginia.