Mideast Market Administrator's Bulletin

Federal Order No. 33

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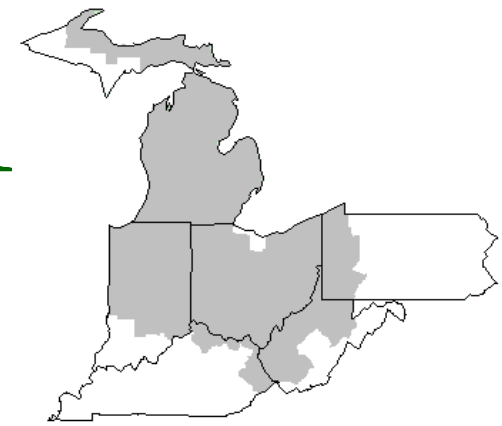

High Feed Prices and Low Milk Prices Will Trim the U.S. Dairy Herd in 2012

Dryness and heat throughout the Corn Belt led to a downward revision in the corn yield forecast in for 2011/12 in the September Crop Production report. If the forecast is realized, the projected yield would be the lowest since 2005/06. Despite lower expected yields, production could be the third highest ever because of expanded acreage. The corn price forecast was increased from last month to $6.50 to $7.50 per bushel for September and soybean meal price forecasts were raised in September to $360 to $390 per ton. The higher soybean meal prices reflect both lowered soybean plantings and expected yields compared with 2010/11.

Despite rising feed prices, milk production continues to advance, with forecast milk output rising 1.5 percent in 2011 to 195.7 billion pounds. Cow numbers continue to increase more than expected earlier and output per cow appears to have rebounded from the July and August heat. Cow numbers are projected at 9.2 million head this year, and output per cow was raised slightly from last month to 21,280 pounds for the year. In 2012, the U.S. dairy herd is expected to decline slightly to 9.19 million head, with most of the contraction coming in the second half of the year. With an additional milking day in 2012, milk per cow is forecast to climb by 1.5 percent to 21,605 thousand pounds. Although milk production and output per cow will be higher next year compared with 2011, the September forecast represents a downward revision from August estimates.

Fats basis milk equivalent imports were virtually unchanged from last month to 3.2 billion pounds both this year and in 2012. On a year-over-year basis, these forecasts continue a trend in declining imports that began in 2009. Skim-solids basis imports are projected at 5.3 billion pounds in 2011, falling to 5.1 billion pounds next year. In contrast to fats basis imports, these forecasts are an upward revision from August reflecting continued imports of caseins.

Fats basis exports are forecast to reach 9.2 billion pounds in 2011 and were revised up from August based on year to date exports of whole milk and cream, despite some fall-off in butter exports. In 2012, the expected weakening in butter exports will likely lead to reduced overall fats basis exports to 8.6 billion pounds. Skim solids exports were bumped up from last month on the basis of nonfat dry milk (NDM), and dry whey exports and are projected to total 32.6 billion pounds for the year. In 2012, exports were reduced on expected declines in whey exports, although NDM exports will likely continue. The skim-solids export total is forecast at 32.3 billion pounds.

Fat basis domestic commercial use is expected to increase only slightly in 2011 to 188.2 billion pounds. Growth is expected to be stronger in 2012, with use forecast at 192 billion pounds. Skim-solids domestic commercial use is expected to rise over 2 percent to 167.5 billion pounds after contracting in 2010. Growth in skim solids domestic use will likely slow in 2012 to a forecast 170.6 billion pound total for the year.

Product price projections were changed only slightly from last month. Cheese prices, for both blocks and barrels, slid under $2 a pound for the week ending September 3, 2011 for the first time since the week ending June 18, 2011, according the weekly Dairy Products Prices report. Cheese stocks continued to build in July. Consequently, the cheese price forecast was lowered in September to $1.825 to $1.845 a pound for 2011, but was unchanged at $1.670 to $1.770 a pound for 2012. Butter prices are projected to be $1.955 to $1.995 this year and are forecast to decline to $1.615 to $1.745 a pound next year as butter stocks will likely build by year's end. The nonfat dry milk (NDM) price is expected to be $1.505 to $1.525 a pound in 2011 and $1.375 to $1.445 next year. NDM exports continue apace, supporting the high price this year. Lower expected exports in 2012 prompt the price weakening in 2012. Exports are also contributing to stronger prices for whey, which is forecast at 50.5 to 52.5 cents a pound this year. Lower exports will lead to softening prices next year, averaging 41.5 to 44.5 cents a pound.

Class III milk prices for 2011 were lowered from August to $18.25 to $18.45 per cwt as higher whey prices partially offset lower cheese prices. Next year, Class III prices are forecast at $16.10 to $17.10 per cwt. Class IV prices were unchanged this month from last. The Class IV price is projected to average $19.05 to $19.35 per cwt. Next year, the Class IV price is forecast at $16.50 to $17.60. The all milk price is forecast at $20.15 to $20.35 per cwt, a slight drop from the August forecast. Next year, the all milk price is expected to be $17.80 to $18.80 per cwt, unchanged from the August forecast.

Source: *Livestock, Dairy, and Poultry Outlook*/LDP-M-207/September 16, 2011, Economic Research Service, USDA

September 2011 - Pool Summary

Classification of Producer Milk

	Pounds	*Percent*
Class I	542,862,735	41.5
Class II	245,852,357	18.8
Class III	447,383,798	34.2
Class IV	71,139,092	5.5
Total	1,307,237,982	100.0

Producer Prices

Producer Price Differential	$ 2.08	/cwt
Butterfat Price	2.2005	/ lb
Protein Price	3.0282	/ lb
Other Solids Price	0.4053	/ lb
Somatic Cell Adjustment Rate	0.00093	/ cwt
Statistical Uniform Price	21.15	/ cwt

ANNOUNCEMENT OF PRODUCER PRICES

Federal Order No. 33

September 2011

COMPUTATION OF PRODUCER PRICE DIFFERENTIAL

	POUNDS	BUTTERFAT	SKIM / PROTEIN	NONFAT SOLIDS	OTHER SOLIDS	PRICE	VALUE
Class I Skim Value			533,655,411			$ 16.16 / cwt	$ 86,238,714.38
Class I Butterfat		9,207,324				2.3375 / lb	21,522,119.90
Class I Location Differential	542,862,735						(304,330.48)
Class II SNF Value				21,081,322		1.4767 / lb	31,130,788.20
Class II Butterfat		13,926,562				2.2075 / lb	30,742,885.68
Class III Protein Value			13,744,088			3.0282 / lb	41,619,847.32
Class III Other Solids Value					25,468,953	0.4053 / lb	10,322,566.67
Class III Butterfat		17,273,780				2.2005 / lb	38,010,952.93
Class IV SNF Value				5,797,259		1.3623 / lb	7,897,605.93
Class IV Butterfat		7,339,946				2.2005 / lb	16,151,551.22
Somatic Cell Value II / III / IV							795,243.62
TOTAL PRODUCER MILK VALUE	1,307,237,982	47,747,612	40,125,982		74,473,176		$ 284,127,945.37
Overages					71,306.94		
Beginning Inventory & OS Charges					2,454.08		
TOTAL ADJUSTMENTS							$ 73,761.02
TOTAL HANDLER OBLIGATIONS							$ 284,201,706.39
Total Protein Value			40,125,982 lbs	@	$3.0282		$(121,509,498.69)
Total Other Solids Value			74,473,176 lbs	@	0.4053		(30,183,978.21)
Butterfat Value			47,747,612 lbs	@	2.2005		(105,068,620.21)
Total Somatic Cell Values							(1,356,256.25)
TOTALS							$ 26,083,353.03
Net Producer Location Adjustments							$ 1,036,538.08
1/2 Unobligated Balance Producer Settlement Fund							670,000.00
Total - Divided by Total Pounds			1,307,237,982 lbs		2.1258479		$ 27,789,891.11
Rate of Cash Reserve					(0.0458479)		(599,341.16)
PRODUCER PRICE DIFFERENTIAL *at Cuyahoga County, OH**			1,307,237,982		**$ 2.08 /cwt**		$ 27,190,549.95

COMPONENT PRICES

	September 2011	September 2010
Butterfat Price	$2.2005 / lb	$2.4044 / lb
Protein Price	3.0282 / lb	2.3057 / lb
Other Solids Price	0.4053 / lb	0.1673 / lb
Somatic Cell Adjustment Rate	0.00093 / cwt	0.00085 / cwt
Nonfat Solids Price	1.3623 / lb	0.9608 / lb

COMPUTATION OF UNIFORM PRICE

	September 2011	September 2010
Class III Price - 3.5% BF	$ 19.07	$16.26
Producer Price Differential*	2.08	1.00
Statistical Uniform Price	$21.15	$17.26

CLASS PRICES

	September 2011	September 2010
Class I*	$23.78	$17.50
Class II	20.55	17.60
Class III	19.07	16.26
Class IV	19.53	16.76

* Subject to Location Adjustment.

CLASSIFICATION OF PRODUCER MILK

	September 2011 *Product lbs.*	September 2010 *Product lbs.*
Class I	542,862,735	544,532,102
Class II	245,852,357	176,926,897
Class III	447,383,798	472,197,768
Class IV	71,139,092	58,276,732
Total	1,307,237,982	1,251,933,499

ORDER 33 MARKET SUMMARY

The Producer Price Differential for the Mideast Marketing Area for September, 2011 was $2.08 and the Statistical Uniform Price was $21.15 for the month. The Statistical Uniform Price is $1.14 lower than last month, and is $3.89 higher than September, 2010.

The Producer Butterfat Price of $2.2005 per pound decreased $.0980from August and is down $0.2039 from a year ago. The Protein Price of $3.0282 is down $0.802 from last month and is up $0.7225 from September 2010. The Other Solids Price in September was $0.4053 per pound, an increase from last month's price of $0.3811and $0.2380 higher than last September. The Somatic Cell Adjustment rate for September was $0.00093.

September producer receipts of 1.31 billion pounds were 7.4 percent lower than August and 4.4 percent higher than September 2010 production of 1.25 billion pounds. Producer milk allocated to Class I accounted for 41.5 percent of the total producer milk in September 2011, more than the 37.8 percent in August, and less than the 43.5 percent in September 2010. A total of 6,697 producers were pooled on the Mideast Order compared to 6,877 producers pooled in September 2010.

The market average content of producer milk was as follows: Butterfat 3.65%; Protein 3.07%; Other Solids 5.70% and Nonfat Solids 8.77%.

August Milk Production Up 2.2 Percent

Milk production in the 23 major States during August totaled 15.3 billion pounds, up 2.2 percent from August 2010. July revised production, at 15.4 billion pounds, was up 0.5 percent from July 2010. The July revision represented a decrease of 45 million pounds or 0.3 percent from last month's preliminary production estimate.

Production per cow in the 23 major States averaged 1,810 pounds for August, 18 pounds above August 2010.

The number of milk cows on farms in the 23 major States was 8.47 million head, 102,000 head more than August 2010, and 3,000 head more than July 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 August totaled 2.3 billion pounds, down 5 million pounds or 0.2 percent from August 2010.

Production per cow in the Mideast states averaged 1,716 pounds for August, 4 pounds below August 2010.

The number of cows on farms in the Mideast states was 1.3 million head, 5,000 head more than August 2010.

Organic Dairy Market News (DMN):

Total Organic Milk Products sales for July 2011, 167 million pounds, were up 10.7% from July 2010 sales and up 18.6% January through July 2011 compared with the same first seven months of 2010. Organic Whole Milk sales for July 2011, 41 million pounds, were up 13.7% compared with July 2010 and up 22.2% January through July this year compared with the same period of 2010. Organic Fat-Reduced Milk sales for July 2011, 126 million pounds, were up 9.8% compared with July 2010 and up 17.5% January through July 2011 compared with the same months of 2010.

The 2011 record Summer strength of organic dairy advertising declined as summer ended. Four significant measures of organic dairy advertising all declined this week below levels of the last twelve weeks: total organic dairy ads, total organic milk ads, total organic half gallon milk ads, and total organic yogurt ads. Organic dairy newspaper advertising for this two week period of 2011 contains a bit over twice as many ads for organic milk as organic yogurt. Advertised pricing for organic milk half gallons increased this period by 88 cents, to a weighted average advertised price of $3.87, the second highest weighted average advertised price of 2011. Advertising for organic gallons in 2011 is well below 2010 levels.

There were no organic gallon ads this report period. The national weighted average advertised price of organic milk in 8 ounce containers is $0.70, the lowest national weighted average advertised price of 2011. The national weighted average advertised price for 6 ounce organic yogurt is down 23 cents to 63 cents.

August 2011 Highlights

Total cheese output (excluding cottage cheese) was 868 million pounds, 0.3 percent below August 2010 but 1.5 percent above July 2011.

American type cheese production totaled 347 million pounds, 1.0 percent below August 2010 and 0.9 percent below July 2011.

Butter production was 133 million pounds, 31.0 percent above August 2010 but 1.6 percent below July 2011.

Dry milk powders (comparisons with August 2010)
- Nonfat dry milk, human - 113 million pounds, down 5.1 percent.
- Skim milk powders - 38.7 million pounds, up 156.6 percent.

Whey products (comparisons with August 2010)
- Dry whey, total - 79.8 million pounds, down 2.1 percent.
- Lactose, human and animal - 82.9 million pounds, up 3.4 percent.
- Whey protein concentrate, total - 35.6 million pounds, up 1.2 percent.

Bulletin Webpage Edition
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Featured this month are:
- Producer Milk Classification
- Statistical Uniform Price
- Class and Component Prices
- Weighted Average NASS Prices

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

	August 2011						August 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	1,784	615,340	3.51	2.96	5.70	217	575,450	3.45	2.93	5.70	219
Ohio	2,097	302,884	3.58	3.00	5.66	309	256,306	3.55	2.98	5.66	303
Indiana	1,106	162,855	3.53	2.97	5.68	287	122,125	3.53	2.94	5.67	306
New York	343	132,266	3.58	2.98	5.70	263	106,338	3.55	2.99	5.68	244
Pennsylvania	999	99,946	3.62	3.00	5.65	356	105,080	3.60	2.99	5.65	353
Wisconsin	147	76,381	3.60	3.04	5.76	246	80,673	3.56	2.94	5.81	264
West Virginia	56	3,645	3.69	3.08	5.60	394	4,233	3.69	3.09	5.62	390
Other	171	19,006	3.56	2.97	5.70	286	19,823	3.51	2.93	5.75	309
Total/Average *	6,703	1,412,324	3.55	2.98	5.69	262	1,270,028	3.51	2.95	5.69	262

* 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
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FEDERAL ORDER DATA

September 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)*	1,966,752	851,600	43.3	$3.16	$22.23
FO 5	Appalachian - *(Charlotte)*	501,143	366,943	73.2	[2/]	23.82
FO 6	Florida - *(Tampa)*	231,359	202,430	87.5	[2/]	26.17
FO 7	Southeast - *(Atlanta)*	545,612	390,195	71.5	[2/]	24.06
FO 30	Upper Midwest - *(Chicago)*	2,671,308	362,462	13.6	0.64	19.71
FO 32	Central - *(Kansas City)*	1,304,690	383,949	29.4	1.36	20.43
FO 33	**Mideast - *(Cleveland)***	**1,307,238**	**542,863**	**41.5**	**2.08**	**21.15**
FO 124	Pacific Northwest - *(Seattle)*	691,326	188,717	27.3	1.33	20.40
FO 126	Southwest - *(Dallas)*	948,885	369,774	39.0	2.59	21.66
FO 131	Arizona - *(Phoenix)*	341,997	112,736	33.0	[2/]	20.95

[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 OCTOBER 2011 ....$19.07 /cwt.

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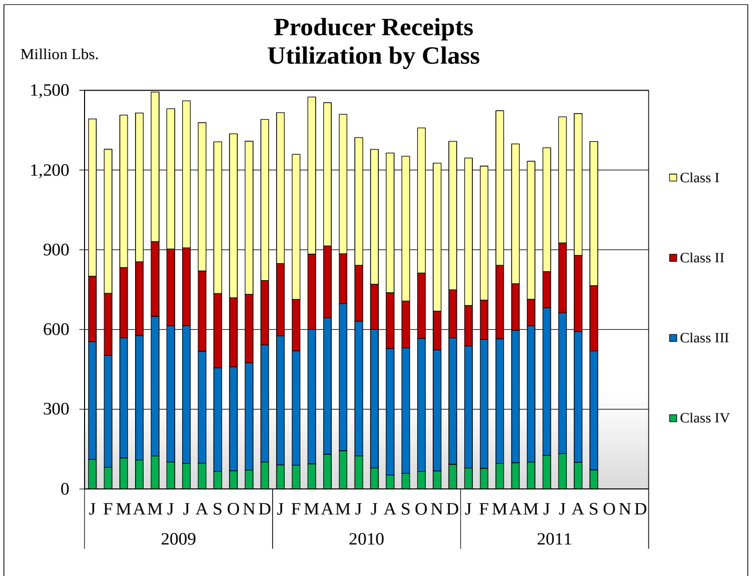
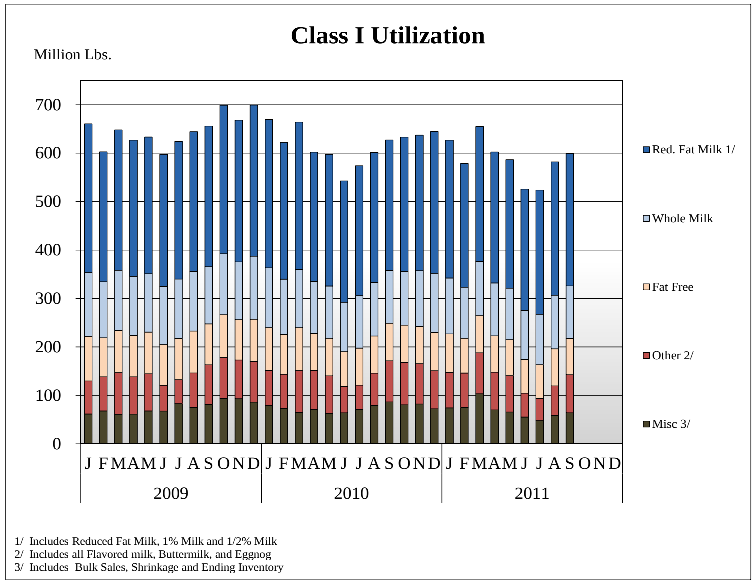
Bulletin
Supplement
Federal Order No. 33 October 2011

PRODUCER MILK CLASSIFICATION

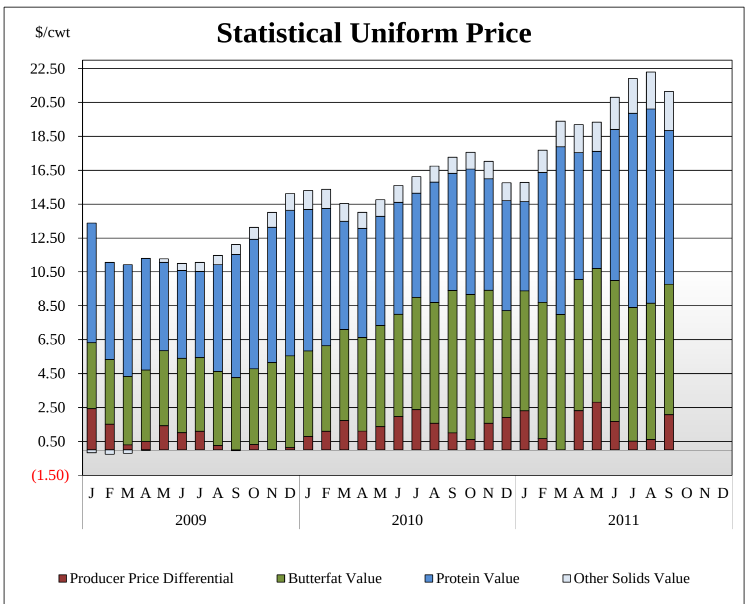


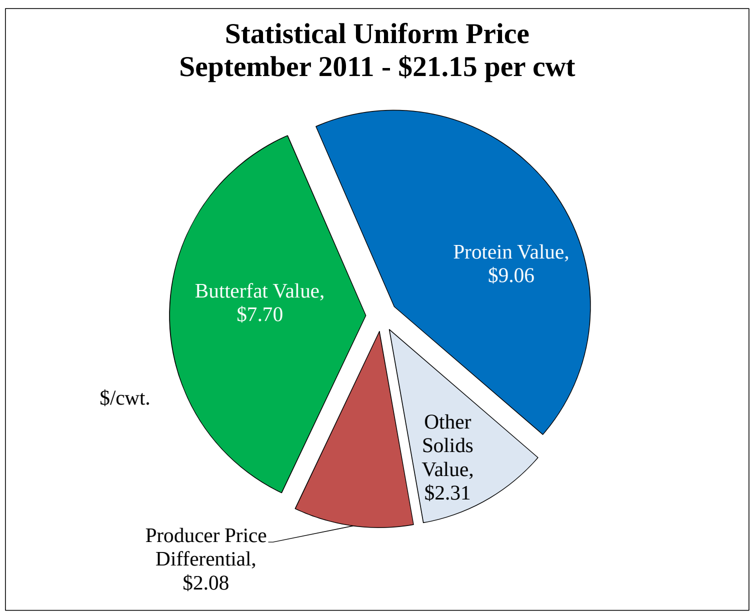


Producer Receipts: Producer receipts for the Mideast Order totaled 1.31 billion pounds in September 2011. The pounds allocated to Class I represented 41.5 percent of the total pounds. Producer receipts decreased 105 million pounds compared to August 2011, and were up 55 million pounds from the prior year.

Class I Pounds: Class I utilization for the Mideast Order totaled 599 million pounds in September 2011, down 28 million pounds from September 2010. Finished products include 109 million pounds used for whole milk, 273 million pounds of reduced fat and low fat milk, and 75 million pounds of fat free (skim) milk.

STATISTICAL UNIFORM PRICE

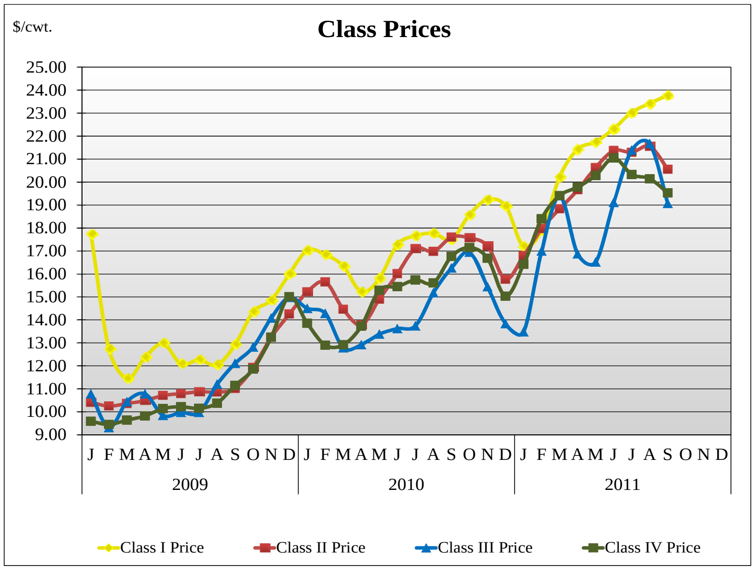


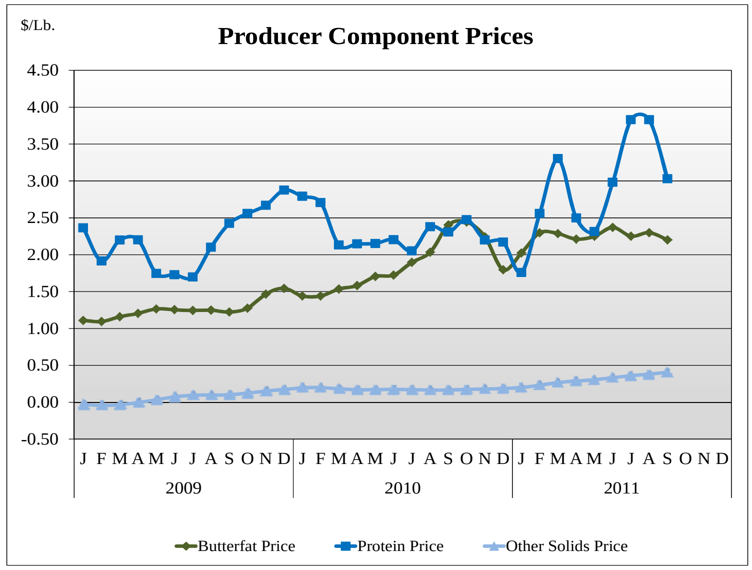


Statistical Uniform Price: The Mideast Federal Order Statistical Uniform Price (SUP) at Cuyahoga County, OH was $21.15 per cwt for September 2011. The September 2011 SUP was $3.89 per cwt higher than the September 2010 SUP. The September 2011 SUP is $1.14 per cwt lower than the August 2011 SUP.

September 2011 Statistical Uniform Price: Using the Class III Price formula at 3.5% BF, the component values for the September 2011 SUP are: 9.06 per cwt for protein, $7.70 per cwt for butterfat and $2.31 per cwt for other solids. Also included in the SUP is the $2.08 per cwt producer price differential.

CLASS AND COMPONENT PRICES





WEIGHTED AVERAGE NASS PRICES