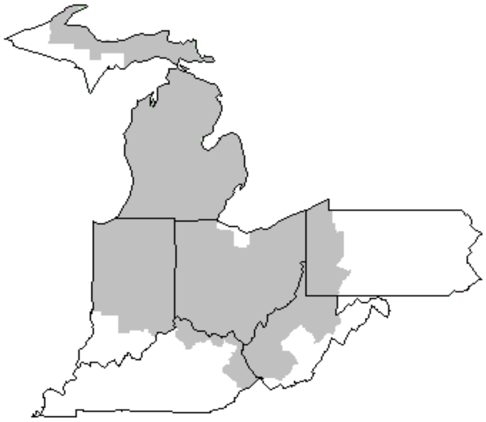
Mideast Market Administrator's

Bulletin

Federal Order No. 33



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August 2012

Feed Price Increases Will Push Herd Liquidation and Output per Cow, Lowering Milk Production

U.S. corn supplies were forecast sharply lower for 2012/13 as yields were lowered 20 bushels per acre. Soybean production was also reduced in the July WASDE report. Projected corn prices were raised from the June report to \$5.40 to \$6.40 per bushel, and soybean meal prices were boosted to \$365 to \$395 per ton since supplies are expected to be tighter for the balance of 2012/13. Preliminary June alfalfa hay prices were posted at \$201 per ton according to the June Agricultural Prices report. This price is below May's reported price but still well above the June 2011 reported price. Consequently, the field crop outlook is expected to lead to higher feed prices for the balance of 2012 and into 2013.

Cow numbers began to show a decline with the May Milk Production report. The prospect of rising feed prices will likely accelerate this trend for the balance of 2012 and into 2013. Cow numbers were lowered to 9,230 thousand head in 2012 and to 9,145 thousand head for 2013 in July's forecast. Recent high temperatures will likely restrain milk production over the course of the summer and, coupled with higher feed costs, milk output per cow is lowered to 21,830 pounds from June projections. Milk per cow is forecast at 22,060 in 2013, a decline from June as higher feed prices take a toll. The result is a projected 201.6 billion pounds of milk production in 2012, a decline from last month's projection, and to 201.7 billion pounds of milk forecast in 2013, also a drop from June.

Fat-basis milk equivalent imports were raised this month to 3.5 billion pounds for 2012 and to 3.4 billion pounds in 2013, mostly on the basis of stronger cheese imports, which will likely continue into 2013. On a skim-solids basis, milk equivalent imports were lowered this month to 4.9 billion pounds for this year and to 4.7 billion pounds in 2013. Imports of casein and milk protein concentrates (MPC) are lowered for the year and into 2013 and will partially counter the higher expected cheese imports.

Exports on both a fat- and skim-solids basis were increased for both 2012 and 2013. Fat-basis exports were raised to 9.3 billion pounds for this year and to 9.2 billion pounds for 2013. Both cheese and nonfat dry milk (NDM) exports were strong in April and are expected to remain resilient for the remainder of 2012. A continued optimistic outlook for cheese exports is the basis for increasing 2013 fat-basis exports. The fundamentals for skim-solids exports are similar. First-quarter skim solids exports exceeded expectations, largely as a result of strong nonfat dry milk (NDM) exports. The higher export pace is expected to continue for the balance of 2012 and into 2013. Skim-solids exports were raised in July to 32.4 billion pounds for this year and to 32.9 billion pounds in 2013.

Current-year price forecasts for cheese and butter were raised this month. The prospect of lowered production and continued strong exports are expected to support the higher prices. Current-year cheese prices were forecast higher at \$1.590 to \$1.620 per pound and butter prices were raised slightly to \$1.470 to \$1.530 per pound. For 2013, cheese prices were raised slightly to \$1.605 to \$1.705 per pound and butter prices were unchanged from June's forecast at \$1.465 to \$1.595 per pound. Prices for NDM were lowered slightly for this year to \$1.210 to \$1.240 per pound by lowering the upper end of the price range. Relatively weak forecast income growth is expected to soften demand, tempering the price effect of reduced milk production. Next year's NDM prices were unchanged from June at \$1.320 to \$1.390. Whey prices were unchanged at 54.0 to 56.0 cents per pound for 2012 and 55.5 to 58.5 cents per pound next year. The higher cheese price leads to a higher forecast Class III price of \$16.00 to \$16.30 per cwt in 2012 and to \$16.25 to \$17.25 per cwt in 2013. The Class IV price was boosted to \$14.55 to \$14.95 per cwt for 2012 and is unchanged for next year at \$15.40 to \$16.50 per cwt. The increased Class IV price this year is based mostly on the spillover effect of higher butter prices tempered by slightly weaker NDM prices. The all milk price was raised to \$17.05 to \$17.35 per cwt this year and to \$17.35 to \$18.35 per cwt for next year.

Source: *Livestock, Dairy, & Poultry Outlook*/LDP-M-217/July 17, 2012 Economic Research Service, USDA.

JULY 2012
Pool Summary

Classification of Producer Milk

	Pounds	*Percent*
Class I	472,529,473	37.5
Class II	289,998,405	23.0
Class III	302,170,890	24.0
Class IV	194,560,795	15.5
Total	1,259,259,563	100.0

Producer Prices

Producer Price Differential	\$(0.29)	/cwt
Butterfat Price	1.6556	/ lb
Protein Price	3.0430	/ lb
Other Solids Price	0.3123	/ lb
Somatic Cell Adjustment Rate	0.00084	/ cwt
Statistical Uniform Price	16.39	/ cwt

ANNOUNCEMENT OF PRODUCER PRICES

Federal Order No. 33

July 2012

COMPUTATION OF PRODUCER PRICE DIFFERENTIAL

	POUNDS	BUTTERFAT	SKIM / PROTEIN	NONFAT SOLIDS	OTHER SOLIDS	PRICE	VALUE
Class I Skim Value			463,991,724			$ 12.78 / cwt	$ 59,298,142.33
Class I Butterfat		8,537,749				1.4794 / lb	12,630,745.88
Class I Location Differential	472,529,473						(275,525.99)
Class II SNF Value				24,503,605		1.0011 / lb	24,530,559.00
Class II Butterfat		17,648,881				1.6626 / lb	29,343,029.52
Class III Protein Value			8,903,294			3.0430 / lb	27,092,723.67
Class III Other Solids Value					17,322,522	0.3123 / lb	5,409,823.62
Class III Butterfat		11,550,235				1.6556 / lb	19,122,569.06
Class IV SNF Value				16,977,994		0.9965 / lb	16,918,571.02
Class IV Butterfat		6,501,042				1.6556 / lb	10,763,125.10
Somatic Cell Value II / III / IV							891,730.22
TOTAL PRODUCER MILK VALUE	1,259,259,563	44,237,907	37,164,066		72,376,366		$ 205,725,493.43
Overages					23,341.60		
Beginning Inventory & OS Charges					54,011.75		
TOTAL ADJUSTMENTS							$ 77,353.35
TOTAL HANDLER OBLIGATIONS							$ 205,802,846.78
Total Protein Value			37,164,066 lbs	@	$3.0430		$ (113,090,252.91)
Total Other Solids Value			72,376,366 lbs	@	0.3123		(22,603,139.12)
Butterfat Value			44,237,907 lbs	@	1.6556		(73,240,278.82)
Total Somatic Cell Values							(1,363,269.74)
TOTALS							$ (4,494,093.81)
Net Producer Location Adjustments							$ 706,892.75
1/2 Unobligated Balance Producer Settlement Fund							692,000.00
Total - Divided by Total Pounds			1,259,259,563 lbs		(0.2457953)		$ (3,095,201.06)
Rate of Cash Reserve					(0.0442047)		(556,651.91)
PRODUCER PRICE DIFFERENTIAL *at Cuyahoga County, OH**			1,259,259,563		**$(0.29) /cwt**		$ (3,651,852.97)

COMPONENT PRICES

	July 2012	July 2011
Butterfat Price	$1.6556 / lb	$2.2511 / lb
Protein Price	3.0430 / lb	3.8292 / lb
Other Solids Price	0.3123 / lb	0.3608 / lb
Somatic Cell Adjustment Rate	0.00084 / cwt	0.00106 / cwt
Nonfat Solids Price	0.9965 / lb	1.4336 / lb

COMPUTATION OF UNIFORM PRICE

	July 2012	July 2011
Class III Price - 3.5% BF	$ 16.68	$21.39
Producer Price Differential*	(0.29)	0.52
Statistical Uniform Price	$16.39	$21.91

CLASS PRICES

	July 2012	July 2011
Class I*	$17.51	$23.03
Class II	14.51	21.29
Class III	16.68	21.39
Class IV	14.45	20.33

* Subject to Location Adjustment.

CLASSIFICATION OF PRODUCER MILK

	July 2012 *Product lbs.*	July 2011 *Product lbs.*
Class I	472,529,473	474,222,505
Class II	289,998,405	263,443,467
Class III	302,170,890	529,004,695
Class IV	194,560,795	133,329,361
Total	1,259,259,563	1,400,000,028

ORDER 33 MARKET SUMMARY

The Producer Price Differential for the Mideast Marketing Area for July 2012 was ($0.29) and the Statistical Uniform Price was $16.39 for the month. The Statistical Uniform Price is $0.86 higher than last month, and is $5.52 lower than July, 2011.

The Producer Butterfat Price of $1.6556 per pound increased $.1690 from June and is down $0.5955from a year ago. The Protein Price of $3.0430 is up $0.1478 cents from last month and is down $0.7862 from July 2011. The Other Solids Price in July was $0.3123 per pound, an increase from last month's price of $0.3113 and $0.0485 lower than last July. The Somatic Cell Adjustment rate for July was $0.00084.

July producer receipts of 1.26 billion pounds were 11.0 percent lower than June and 10.1 percent lower than July 2011 production of 1.40 billion pounds. Producer milk allocated to Class I accounted for 37.5 percent of the total producer milk in July 2012, more than the 32.8 percent in June, and more than the 33.9 percent in July 2011. A total of 6,295 producers were pooled on the Mideast Order compared to 6,791 producers pooled in July 2011.

The market average content of producer milk was as follows: Butterfat 3.51%; Protein 2.95%; Other Solids 5.75% and Nonfat Solids 8.70%.

Agriculture Secretary Vilsack Tours a Methane Digester Operation on a Pennsylvania Dairy Farm

Digester Powers the Farm, Produces Bedding to Make Cows More Comfortable

Agriculture Secretary Tom Vilsack recently visited a Pennsylvania dairy farm that is using an anaerobic digester to convert manure into electricity and high quality bedding, cutting energy costs and providing a resting area for more contented cows. The digester, which went on-line a year ago, was funded in part with the support of USDA Rural Development.

"Using enhanced manure management techniques not only provides a new source of income for famers, it also improves air and water quality while providing renewable electricity for hundreds of homes in the community," said Vilsack. "It's a win-win-win."

Pennwood Farms, which is family-owned, uses an anaerobic digester to produce all of its electricity and sells enough power back to the local grid to meet the needs of an estimated 600 people. The digester also produces clean bedding as a byproduct, which saves the owners from having to buy bedding for the dairy herd. In all, manure from the 570 cow dairy farm creates about 920,000 kWh of electricity a year.

USDA supported deployment of the biodigester by providing grants and loans in 2010 totaling over $528,000 through the Rural Energy for America Program (REAP). In June, Secretary Vilsack announced funding under REAP for an additional 450 projects nationwide. REAP, authorized by the 2008 Farm Bill, offers funds for farmers, ranchers and rural small businesses to purchase and install renewable energy systems and make energy-efficiency improvements. These federal funds leverage other funding sources for businesses.

Anaerobic digesters like the one the Secretary toured at Pennwood Farms, are in concert with an agreement with U.S. dairy producers signed by the Secretary in Copenhagen, Denmark in 2009 to accelerate adoption of innovative manure to energy projects on American dairy farms. The agreement represents a dynamic public/private partnership and is another demonstration of the Obama Administration's commitment to curb the emissions of greenhouse gases. Since the MOU was signed, the Obama Administration has provided 149 digester awards to eligible applicants.

Anaerobic digester technology is a proven method of converting waste products, such as manure, into electricity. The technology utilizes generators that are fueled by methane captured from the animal manure. Solid byproducts of the system are dried and used on the farm as livestock bedding material, and liquid byproducts are used as high-quality organic fertilizer in place of chemical fertilizers.

In addition to REAP, USDA also offers additional funding to help farmers install an anaerobic digester as part of their manure management system. Funding is provided by the Natural Resources Conservation Service's Environmental Quality Incentive Program (EQIP).

USDA, through its Rural Development mission area, has an active portfolio of more than $170 billion in loans and loan guarantees. These programs are designed to improve the economic stability of rural communities, businesses, residents, farmers and ranchers and improve the quality of life in rural America.

June Milk Production Up 1.0 Percent

Milk production in the 23 major States during June totaled 15.5 billion pounds, up 1.0 percent from June 2011. May revised production, at 16.4 billion pounds, was up 1.9 percent from May 2011. The May revision represented a decrease of 0.1 percent or 22 million pounds from last month's preliminary production estimate.

Production per cow in the 23 major States averaged 1,827 pounds for June, 7 pounds above June 2011. The number of milk cows on farms in the 23 major States was 8.51 million head, 57,000 head more than June 2011, and 14,000 head less than May 2012.

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, up 44 million pounds or 1.9 percent from June 2011.

Production per cow in the Mideast states averaged 1,738 pounds for June, 20 pounds above June 2011. The number of cows on farms in the Mideast states was 1.4 million head, 14,000 head more than June 2011.

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

	June 2012							June 2011				
			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	1,731	655,984	3.52	2.99	5.75	171		557,362	3.53	2.96	5.74	187
Ohio	2,043	335,696	3.56	3.04	5.75	226		267,987	3.60	2.99	5.70	263
Indiana	1,098	174,514	3.55	3.00	5.75	213		118,999	3.59	2.97	5.72	255
New York	332	132,989	3.58	2.99	5.77	208		125,311	3.59	2.98	5.73	225
Pennsylvania	935	96,975	3.64	3.05	5.72	276		101,295	3.65	3.00	5.69	319
Wisconsin	82	7,758	3.64	3.02	5.80	206		82,921	3.53	3.00	5.77	232
West Virginia	46	2,731	3.71	3.08	5.69	293		4,041	3.68	3.07	5.68	350
Other	153	7,770	3.69	3.03	5.73	259		25,728	3.57	2.97	5.72	243
Total/Average *	6,420	1,414,416	3.55	3.01	5.75	201		1,283,644	3.57	2.97	5.73	228

* 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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Featured this month are:

- Thematic Maps displaying Weighted Average Component Tests by State and County, 2011.
- Weighted Average Component Tests by State, 2011.

FEDERAL ORDER DATA

July 2012

	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)*	2,037,817	759,817	37.3	$0.58	$17.26
FO 5	Appalachian - *(Charlotte)*	464,019	318,061	68.5	[2/]	18.04
FO 6	Florida - *(Tampa)*	223,477	185,764	83.1	[2/]	20.20
FO 7	Southeast - *(Atlanta)*	504,083	351,814	69.8	[2/]	18.64
FO 30	Upper Midwest - *(Chicago)*	2,235,018	296,129	13.2	(0.02)	16.66
FO 32	Central - *(Kansas City)*	898,005	374,034	41.7	(0.39)	16.29
FO 33	**Mideast - *(Cleveland)***	**1,259,260**	**472,529**	**37.5**	**(0.29)**	**16.39**
FO 124	Pacific Northwest - *(Seattle)*	435,585	172,603	39.6	(0.74)	15.94
FO 126	Southwest - *(Dallas)*	569,504	326,447	57.3	0.51	17.19
FO 131	Arizona - *(Phoenix)*	353,643	111,731	31.6	[2/]	16.29

[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 2012..........................$14.45 /cwt.

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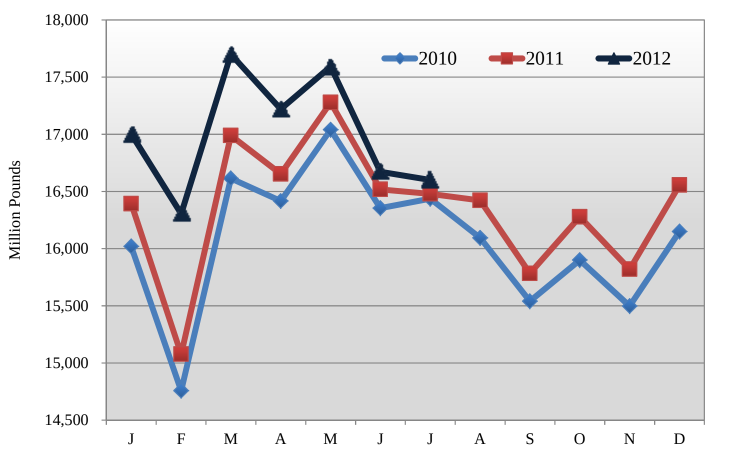
Mideast Market Administrator's Bulletin *Supplement*

Federal Order No. 33 **August 2012**

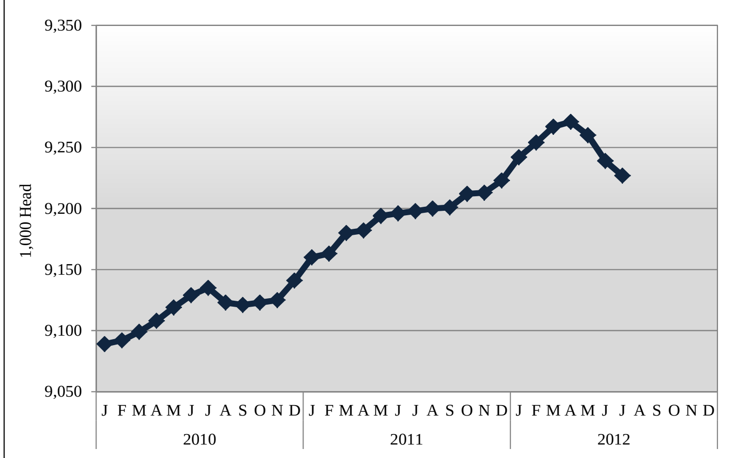
MILK PRODUCTION STATISTICS 1/

Milk Production by Month, United States, 2010-2012



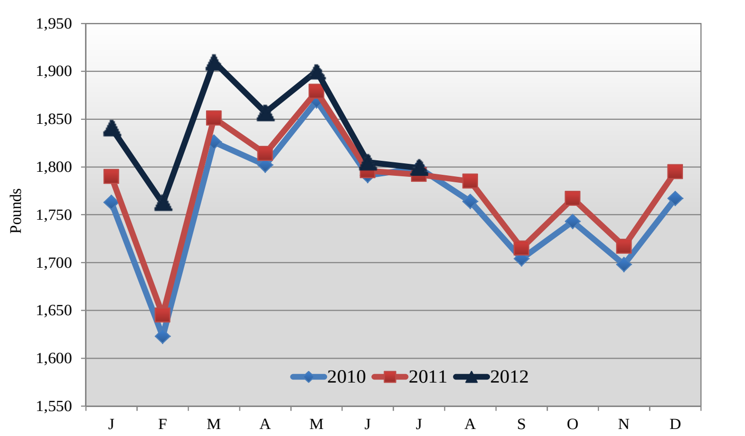
July 2012 milk production in the United States decreased 72 million pounds from June to 16.6 billion pounds. July 2012 milk production in the United States was up 0.7 percent from July 2011.

Milk Cows by Month, United States, 2010-2012



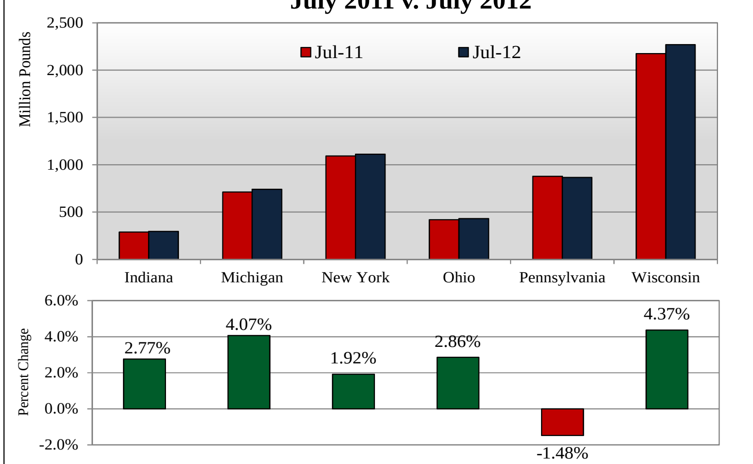
The number of milk cows on farms in the United States was 9.2 million head for July 2012, in line with June estimates and 29,000 head more than July 2011.

Milk Production Per Cow by Month, United States, 2010-2012



Production per cow in the United States averaged 1,799 pounds for July 2012, down 6 pounds from June 2012. July 2012 milk production per cow was up 7 pounds from July 2011.

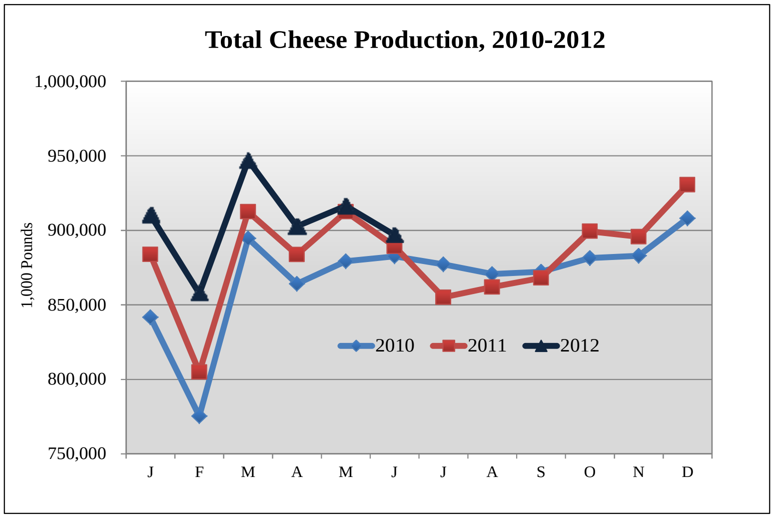
Milk Production in Select Mideast States, July 2011 v. July 2012



Milk production from selected states which pool on the Mideast marketing area totaled 5.7 billion pounds during July 2012, up 152 million pounds from the prior year. Milk production in Wisconsin was up 95 million pounds while production in Pennsylvania was down 13 million pounds.

1/ Source: National Agricultural Statistics Service (NASS), Agricultural Statistics Board, United States Department of Agriculture (USDA).

DAIRY PRODUCT PRODUCTION 1/



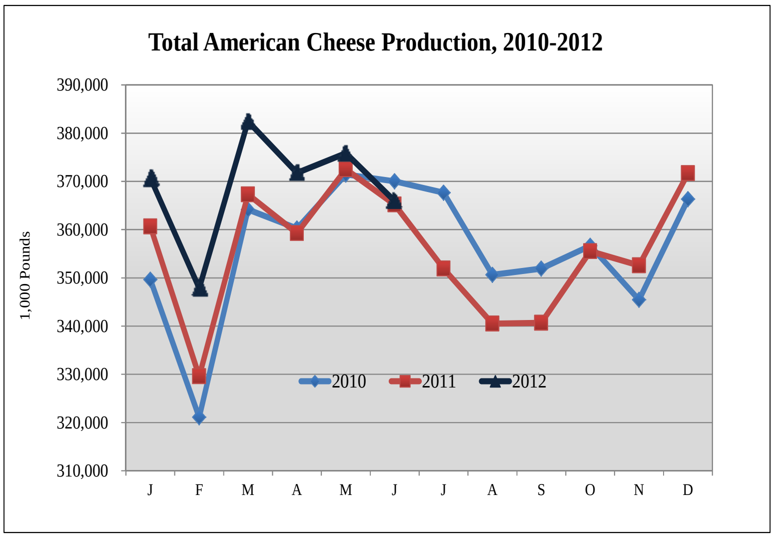
Total Cheese Production, 2010-2012

Dairy Product Production Summary:

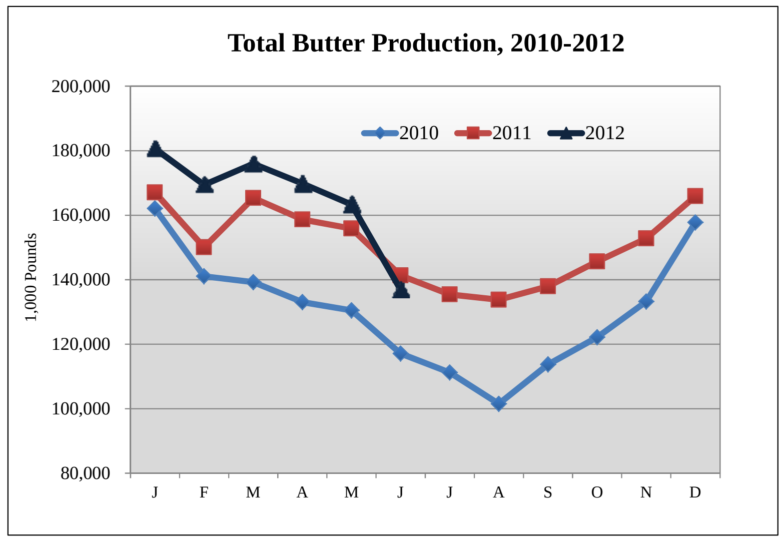
Total cheese output (excluding cottage cheese) was 897 million pounds, 0.9 percent above June 2011 and 2.14 percent below May 2012.

American type cheese production totaled 366 million pounds, 0.2 percent above June 2011 and 2.64 percent below May 2012.

Butter production was 137 million pounds, 3.2 percent below June 2011 and 16.2 percent below May 2012.



Total American Cheese Production, 2010-2012



Total Butter Production, 2010-2012

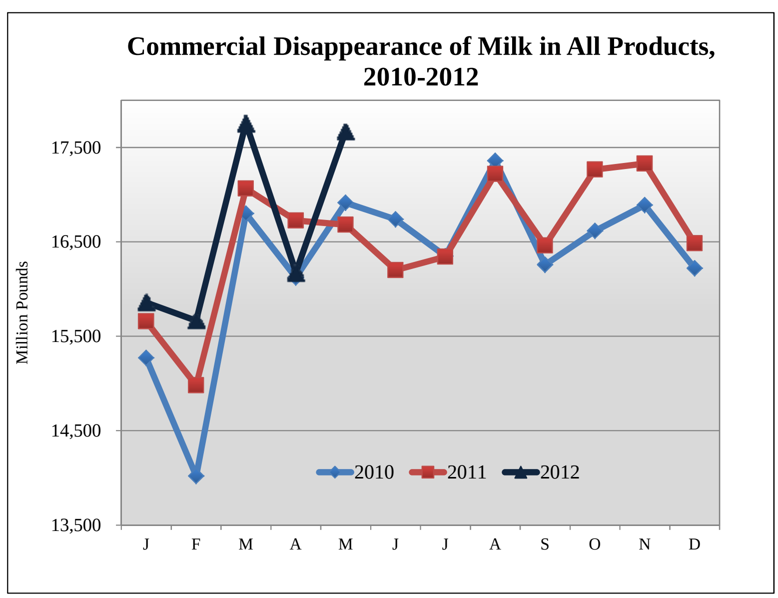
COMMERCIAL DISAPPEARANCE 2/

Commercial disappearance of milk in all productions represents the difference between the beginning monthly milk supply and the ending commercial stocks. Milk supply includes farm production, beginning inventory, imports and excludes milk used on the farm.

For May 2012 commercial disappearance of milk was 17.7 billion pounds, up 5.9 percent from the prior year. The cumulative disappearance total for 2012 is 83.1 billion pounds, an increase of 2.5 percent from the same 5-month period of 2011.

May 2012 commercial disappearance of American cheese was 389.5 million pounds, up 4.8 percent from the prior year.

May 2012 commercial disappearance of butter was 158.8 million pounds, up 24.4 percent from the prior year.



Commercial Disappearance of Milk in All Products, 2010-2012

1/ Source: National Agricultural Statistics Service (NASS), Agricultural Statistics Board, United States Department of Agriculture (USDA).
2/ Sources: NASS, ERS, FAS, FSA, Bureau of Census, and ERS calculations.