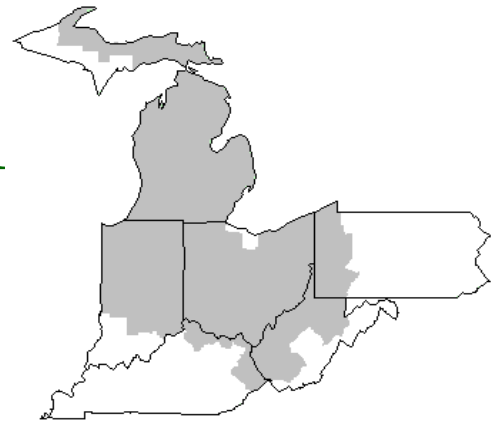


Mideast Market Administrator's Bulletin



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

February 2012

Modest Increases in Milk Production and Lowered Export Prospects this Year will Push Down Prices Compared with 2011

The forecast 2011/12 season-average corn price was lowered 20 cents on each end of the range to \$5.70 to \$6.70 per bushel. Prices received by producers remain below cash bids, limiting upward potential in the season-average farm price. Forecast soybean meal prices were raised this month by \$10 a ton on each end of the range to \$290 to \$320 per ton. The preliminary December milk-feed price ratio was calculated at 1.88 in the December Agricultural Prices report. Based on price forecasts for feed ingredients, 2012 ration values could be somewhat lower than in 2011, but are likely to remain high by historical standards. Milk prices are expected to be lower in 2012 than in 2011, suggesting the milk-feed price ratio is unlikely to improve this year.

Producers may still be adjusting to the rise in feed prices that began last year and the prospect of lower milk prices in 2012. The fourth-quarter 2011 estimate for cow numbers was lowered slightly; but when rounded, resulted in no change from December's 9,200 thousand head. No change was made in 2011 output per cow, which is projected to be 21,315 pounds. Herd size forecasts for 2012 were unchanged from December, and herd size will likely decline slightly from 2011 to 9,190 thousand head. The total milk production forecasts for both 2011 and 2012 remain unchanged from December at 196.0 and 198.5 billion pounds, respectively. The January 27 Cattle report will provide an indication of producer intentions for heifer retention.

Fat basis milk equivalent imports for 2011 were raised this month from 3.3 to 3.4 billion pounds, due mainly to an unexpectedly large rise in cheese imports in October. Butterfat also logged an increase in October, but not as large as the rise in cheese imports. For 2012, cheese and butterfat imports are expected to remain stable and in line with 2011 levels; consequently, the import forecast is increased slightly to 3.3 billion pounds. The 2011 milk equivalent imports on a skim-solids basis were raised from last month to 5.4 billion pounds. As with the fat basis forecast, higher cheese imports last fall are largely responsible for the rise. The higher skim-solids basis imports for cheese were offset by slower casein imports. The 2012 skim-solids import forecast was adjusted down to 5.1 billion pounds due to lower expected imports of milk protein concentrates.

Fat basis exports for 2011 were unchanged from last month at 9.3 billion pounds. However, there was some shifting among products. Butterfat exports were off sharply for October, but the lower butterfat export was offset by higher cheese and food product exports. The fat basis export forecast for 2012 remains at 8.6 billion pounds, unchanged from December. Butterfat exports are expected to remain weak this year. On a skim-solids basis, 2011 export projections were raised 200 million pounds from December to 33.8 billion pounds due to higher movement in lactose, food products, and infant preparations. Skim-solids basis exports are forecast at 31.9 billion pounds in 2012, unchanged from December.

Year-ending stocks on both a fat and skims-solids basis were adjusted downward slightly for both 2011 and 2012. The lower 2012 ending stock forecast is based largely on lower carryin stocks. Butter stocks at the end of November were above 2010 levels but still below those of 4 out of the most recent 5 years. Stocks of all natural cheeses are above those of the most recent 5 years except for 2010. Similarly, nonfat dry milk (NDM) stocks are above those of the last 5 years except for 2008.

Higher milk production, and lower export prospects in 2012 will pressure prices in 2012 compared with 2011 for all products except whey. The 2012 prices forecasts were changed only slightly this month compared with December. The 2012 cheese price is forecast at \$1.655 to \$1.735 a pound, down slightly from December. The forecast butter price is unchanged from December at \$1.605 to \$1.715 a pound. These forecasts are based on the current price weakness for these products. Only NDM and whey prices were raised, based on current price strength and the expectation that export demand will remain firm. The 2012 NDM price is forecast at \$1.370 to \$1.430 a pound, up slightly from December. Likewise, the whey price forecast was boosted from December to 60.5 to 63.5 cents a pound. The Class III milk price was raised from December to \$17.10 to \$17.90 per cwt based mostly on expected strong whey prices. The Class IV price was also raised from December to \$16.45 to \$17.35 per cwt based on higher expected NDM prices. The all milk price is forecast at \$18.30 to \$19.10 per cwt, also a rise from December.

Source: *Livestock, Dairy, and Livestock Outlook/LDP-M-211/January 19, 2012*
Economic Research Service, USDA

JANUARY 2012 Pool Summary

Classification of Producer Milk

| | <i>Pounds</i> | <i>Percent</i> |
|-----------|---------------|----------------|
| Class I | 551,640,331 | 36.2 |
| Class II | 281,515,163 | 18.5 |
| Class III | 539,798,906 | 35.5 |
| Class IV | 149,268,051 | 9.8 |
| Total | 1,522,222,451 | 100.0 |

Producer Prices

| | |
|------------------------------|--------------|
| Producer Price Differential | \$ 1.19 /cwt |
| Butterfat Price | 1.7178 /lb |
| Protein Price | 2.7326 /lb |
| Other Solids Price | 0.5032 /lb |
| Somatic Cell Adjustment Rate | 0.00080 /cwt |
| Statistical Uniform Price | 18.24 /cwt |

ANNOUNCEMENT OF PRODUCER PRICES

Federal Order No. 33

January 2012

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 | | | 542,221,557 | | | \$ 15.17 / cwt | \$ 82,255,010.20 |
| Class I Butterfat | | 9,418,774 | | | | 1.7595 / lb | 16,572,332.89 |
| Class I Location Differential | 551,640,331 | | | | | | (286,026.67) |
| Class II SNF Value | | | | 24,538,805 | | 1.3389 / lb | 32,855,006.01 |
| Class II Butterfat | | 15,195,327 | | | | 1.7248 / lb | 26,208,900.02 |
| Class III Protein Value | | | 17,024,088 | | | 2.7326 / lb | 46,520,022.87 |
| Class III Other Solids Value | | | | | 30,960,680 | 0.5032 / lb | 15,579,414.20 |
| Class III Butterfat | | 20,438,023 | | | | 1.7178 / lb | 35,108,435.93 |
| Class IV SNF Value | | | | 12,606,406 | | 1.2141 / lb | 15,305,437.54 |
| Class IV Butterfat | | 12,487,246 | | | | 1.7178 / lb | 21,450,591.18 |
| Somatic Cell Value II / III / IV | | | | | | | <u>1,219,752.65</u> |
| TOTAL PRODUCER MILK VALUE | 1,522,222,451 | 57,539,370 | 47,914,186 | | 87,185,347 | | \$ 292,788,876.82 |
| Overages | | | | | | 59,201.18 | |
| Beginning Inventory & OS Charges | | | | | | 18,464.64 | |
| TOTAL ADJUSTMENTS | | | | | | | \$ 77,665.82 |
| TOTAL HANDLER OBLIGATIONS | | | | | | | \$ 292,866,542.64 |
| Total Protein Value | | | 47,914,186 lbs | @ | \$2.7326 | | \$(130,930,304.64) |
| Total Other Solids Value | | | 87,185,347 lbs | @ | 0.5032 | | (43,871,666.61) |
| Butterfat Value | | | 57,539,370 lbs | @ | 1.7178 | | (98,841,129.81) |
| Total Somatic Cell Values | | | | | | | <u>(1,893,718.92)</u> |
| TOTALS | | | | | | | \$ 17,329,722.66 |
| Net Producer Location Adjustments | | | | | | | \$ 941,270.35 |
| 1/2 Unobligated Balance Producer Settlement Fund | | | | | | | <u>600,000.00</u> |
| Total - Divided by Total Pounds | | | 1,522,222,451 lbs | | 1.2397001 | | \$ 18,870,993.01 |
| Rate of Cash Reserve | | | | | (0.0497001) | | <u>(756,546.08)</u> |
| PRODUCER PRICE DIFFERENTIAL at Cuyahoga County, OH* | | | 1,522,222,451 | | \$ 1.19 /cwt | | \$ 18,114,446.93 |

COMPONENT PRICES**COMPUTATION OF UNIFORM PRICE**

| | January | |
|------------------------------|---------------|---------------|
| | <u>2012</u> | <u>2011</u> |
| Butterfat Price | \$1.7178 / lb | \$2.0239 / lb |
| Protein Price | 2.7326 / lb | 1.7590 / lb |
| Other Solids Price | 0.5032 / lb | 0.2002 / lb |
| Somatic Cell Adjustment Rate | 0.00080 / cwt | 0.00070 / cwt |
| Nonfat Solids Price | 1.2141 / lb | 1.0743 / lb |

| | January | |
|------------------------------|-------------|-------------|
| | <u>2012</u> | <u>2011</u> |
| Class III Price - 3.5% BF | \$ 17.05 | \$13.48 |
| Producer Price Differential* | <u>1.19</u> | <u>2.30</u> |
| Statistical Uniform Price | \$18.24 | \$15.78 |

CLASS PRICES**CLASSIFICATION OF PRODUCER MILK**

| | January | |
|-----------|-------------|-------------|
| | <u>2012</u> | <u>2011</u> |
| Class I* | \$20.80 | \$17.20 |
| Class II | 17.67 | 16.79 |
| Class III | 17.05 | 13.48 |
| Class IV | 16.56 | 16.42 |

| | January | |
|-----------|--------------------|-------------------|
| | <u>2012</u> | <u>2011</u> |
| Class I | 551,640,331 | 555,863,978 |
| Class II | 281,515,163 | 151,610,977 |
| Class III | 539,798,906 | 460,180,994 |
| Class IV | <u>149,268,051</u> | <u>77,870,580</u> |
| Total | 1,522,222,451 | 1,245,526,529 |

* Subject to Location Adjustment.

ORDER 33 MARKET SUMMARY

The Producer Price Differential for the Mideast Marketing Area for January, 2012 was \$1.19 and the Statistical Uniform Price was \$18.24 for the month. The Statistical Uniform Price is \$0.30 lower than last month, and is \$2.46 higher than January, 2011.

The Producer Butterfat Price of \$1.7178 per pound decreased \$0.0265 from December and is down \$0.3061 from a year ago. The Protein Price of \$2.7326 is down \$0.6078 cents from last month and is up \$0.9736 from January 2011. The Other Solids Price in January was \$0.5032 per pound, an increase from last month's price of \$0.4683 and \$0.3030 higher than last January. The Somatic Cell Adjustment rate for January was \$0.00080.

January producer receipts of 1.52 billion pounds were 11.5 percent higher than December and 22.2 percent higher than January 2011 production of 1.25 billion pounds. Producer milk allocated to Class I accounted for 36.2 percent of the total producer milk in January 2012, less than the 40.4 percent in December, and less than the 44.6 percent in January 2011. A total of 6,515 producers were pooled on the Mideast Order compared to 6,722 producers pooled in January 2011.

The market average content of producer milk was as follows: Butterfat 3.78%; Protein 3.15%; Other Solids 5.73% and Nonfat Solids 8.88%.

Fluid Milk Highlights

Mild weather patterns across the country are contributing to stable or stronger milk output. In most regions, the winter season has been much less stressful on the milking herd and increasing milk receipts at processing facilities are being reported. Except for Florida, milk volumes are building to the point from coast to coast that milk is not moving from one region to another to supplement shortages. Milk volumes are increasing, but processing capacity is generally sufficient within close proximity of production at this time. Some milk handlers are already looking forward and questioning processing capacity during the upcoming spring flush. Cream markets are weak and pricing multiples are easing. Cream volumes are heavy and often clearing from one region to another to find processing capacity. Producers of higher-class cream product items are seeing declines in finished product orders after a recent boost from football related interest, thus more cream is available to churns from coast to coast.

Source: Dairy Market News, Volume 79, Report 05

December Milk Production Up 2.7 Percent

Milk production in the 23 major States during December totaled 15.4 billion pounds, up 2.7 percent from December 2010. November revised production at 14.7 billion pounds, was up 2.2 percent from November 2010. The November revision represented an increase of 3 million pounds or less than 0.1 percent from last month's preliminary production estimate.

Production per cow in the 23 major States averaged 1,818 pounds for December, 27 pounds above December 2010.

The number of milk cows on farms in the 23 major States was 8.49 million head, 99,000 head more than December 2010, and 12,000 head more than November 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 December totaled 2.4 billion pounds, up 49 million pounds or 2.1 percent from December 2010.

Production per cow in the Mideast states averaged 1,746 pounds for December, 32 pounds above December 2010.

The number of cows on farms in the Mideast states was 1.4 million head, 8,000 head more than December 2010.

USDA Issues Final Rule Amending Dairy Product Mandatory Reporting Program

The U. S. Department of Agriculture issued a final rule amending the Dairy Product Mandatory Reporting Program as required by law.

The Mandatory Price Reporting Act of 2010 amends the Agricultural Marketing Act of 1946 to provide for the establishment of an electronic reporting system for manufacturers to report dairy product sales information for specific dairy products. The amendment further states that the Secretary shall publish the information obtained for the preceding week not later than 3:00 p.m. Eastern Time on Wednesday of each week.

"This market reporting program benefits dairy producers, processors, retailers, and consumers," said Robert Keeney, acting administrator of the Agricultural Marketing Service. "This change will provide dairy farmers with more timely information and streamline our process for reporting dairy product sales information."

This final rule includes regulatory changes for implementing the provisions of the Act. It transfers applicable data collection responsibilities from the National Agricultural Statistics Service to the Agricultural Marketing Service (AMS).

Manufacturers that process and market less than one million pounds of the specific dairy products per year are exempt from the reporting requirements. USDA uses the sales data reported to determine minimum class prices for milk marketed through the Federal Milk Marketing Order Program.

For additional information on the Dairy Product Mandatory Reporting Program, including the schedule of reports, please visit www.ams.usda.gov/AMSV1.0/DairyProductMandatoryReporting.

The final rule appeared in the February 15, 2012 *Federal Register*.

For additional information about the final rule, contact Joe Gaynor; Market Information Branch Chief, Dairy Programs, AMS, USDA, STOP-0232 Room 2977, 1400 Independence Ave., SW, Washington, DC 20250-0232; phone (202) 720-9351; or e-mail at Joseph.Gaynor@ams.usda.gov.

Bulletin WebPage Edition

www.fmmaclev.com

Featured this month are:

- Milk Production Statistics
- Dairy Product Production
- Commercial Disappearance of Milk in All Products

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

| State | December 2011 -----Weighted Averages----- | | | | | | December 2010 -----Weighted Averages----- | | | | |
|-----------------|--|----------------------|-----------|---------|--------------|-----------|--|-----------|---------|--------------|-----------|
| | Number of Producers | Pounds of Milk (000) | Butterfat | Protein | Other Solids | SCC (000) | Pounds of Milk (000) | Butterfat | Protein | Other Solids | SCC (000) |
| Michigan | 1,767 | 605,092 | 3.76 | 3.16 | 5.72 | 165 | 588,118 | 3.79 | 3.16 | 5.71 | 172 |
| Ohio | 2,020 | 280,550 | 3.78 | 3.19 | 5.69 | 221 | 281,525 | 3.97 | 3.22 | 5.67 | 222 |
| Indiana | 1,117 | 170,722 | 3.84 | 3.20 | 5.73 | 200 | 122,586 | 4.00 | 3.22 | 5.68 | 212 |
| New York | 334 | 132,661 | 3.79 | 3.12 | 5.72 | 203 | 96,807 | 3.81 | 3.15 | 5.71 | 204 |
| Pennsylvania | 969 | 95,120 | 3.90 | 3.20 | 5.68 | 276 | 102,875 | 3.99 | 3.21 | 5.66 | 274 |
| Wisconsin | 127 | 59,506 | 3.74 | 3.17 | 5.81 | 205 | 85,427 | 3.77 | 3.13 | 5.80 | 238 |
| West Virginia | 53 | 3,520 | 4.11 | 3.32 | 5.65 | 279 | 3,959 | 4.27 | 3.35 | 5.65 | 319 |
| Other | 149 | 18,475 | 3.78 | 3.13 | 5.72 | 215 | 26,575 | 3.86 | 3.20 | 5.75 | 220 |
| Total/Average * | 6,536 | 1,365,646 | 3.79 | 3.17 | 5.72 | 195 | 1,307,872 | 3.87 | 3.18 | 5.70 | 203 |

* 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

January 2012

| Marketing Area ^{1/} | Producer Milk | | Class I Percent % | Producer Price Differential (per cwt.) | Statistical Uniform Price (per cwt.) |
|--------------------------------------|------------------|------------------|-------------------------|--|--|
| | Total (000) | Class I (000) | | | |
| FO 1 Northeast - (Boston) | 2,067,999 | 852,848 | 41.2 | \$2.32 | \$19.37 |
| FO 5 Appalachian - (Charlotte) | 541,782 | 371,470 | 68.6 | ^{2/} | 20.78 |
| FO 6 Florida - (Tampa) | 256,982 | 217,061 | 84.5 | ^{2/} | 23.11 |
| FO 7 Southeast - (Atlanta) | 602,796 | 399,200 | 66.2 | ^{2/} | 21.07 |
| FO 30 Upper Midwest - (Chicago) | 2,874,661 | 333,568 | 11.6 | 0.39 | 17.44 |
| FO 32 Central - (Kansas City) | 1,312,140 | 431,037 | 32.9 | 0.88 | 17.93 |
| FO 33 Mideast - (Cleveland) | 1,522,222 | 551,640 | 36.2 | 1.19 | 18.24 |
| FO 124 Pacific Northwest - (Seattle) | 701,121 | 194,611 | 27.8 | 0.71 | 17.76 |
| FO 126 Southwest - (Dallas) | 1,054,526 | 381,579 | 36.2 | 1.83 | 18.88 |
| FO 131 Arizona - (Phoenix) | 410,445 | 121,257 | 29.5 | ^{2/} | 18.12 |

^{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 FEBRUARY 2012\$16.56 /cwt.

Mideast Market Administrator's Bulletin

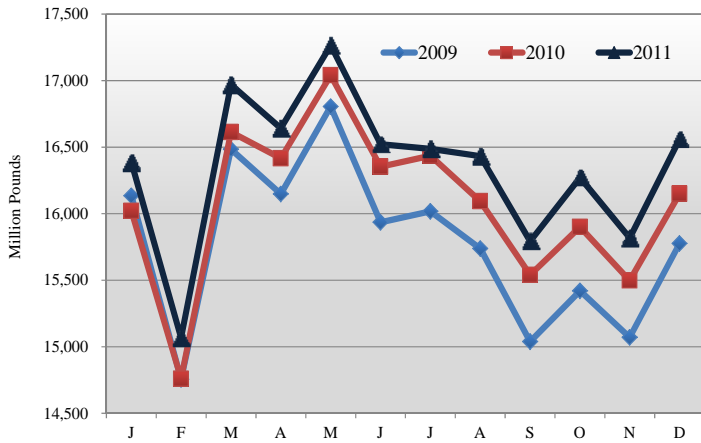
Supplement

Federal Order No. 33

February 2012

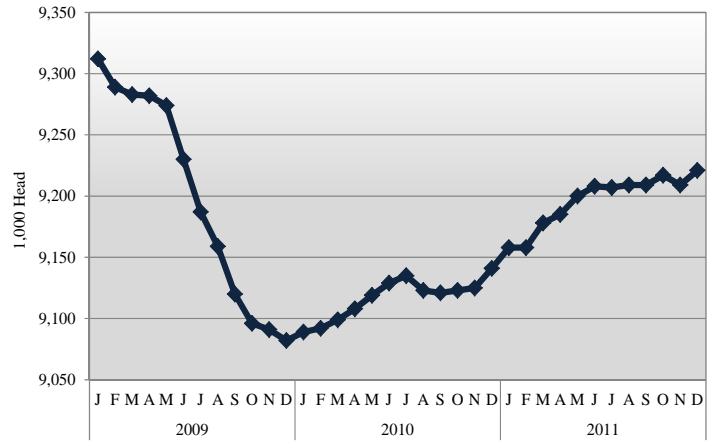
MILK PRODUCTION STATISTICS 1/

Milk Production by Month, United States, 2009-2011



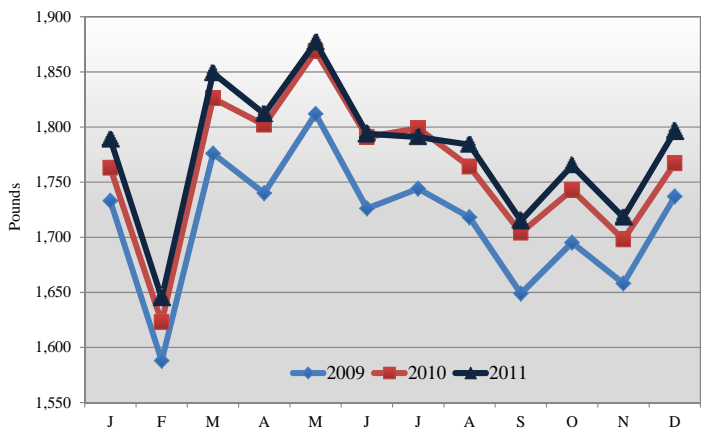
December 2011 milk production in the United States increased 740 million pounds from November to 16.6 billion pounds. December 2011 milk production in the United States was up 2.5 percent from December 2010.

Milk Cows by Month, United States, 2009-2011



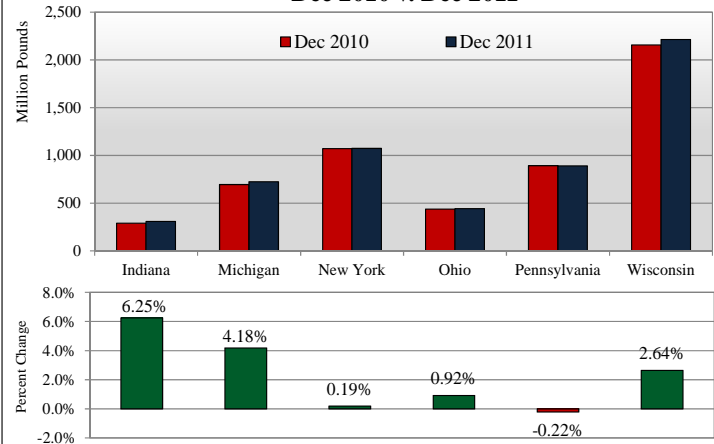
The number of milk cows on farms in the United States was 9.2 million head for December 2011, in line with November estimates and 80,000 head more than December 2010.

Milk Production Per Cow by Month, United States, 2009-2011



Production per cow in the United States averaged 1,796 pounds for December 2011, up 78 pounds from November 2011. December 2011 milk production per cow was up 29 pounds from December 2010.

Milk Production in Select Mideast States, Dec 2010 v. Dec 2011

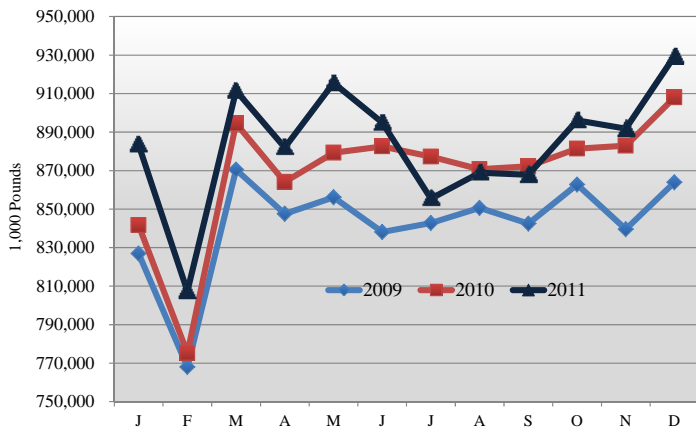


Milk production from selected states which pool on the Mideast marketing area totaled 5.6 billion pounds during December 2011, up 108 million pounds from Dec 2010. Milk production in Wisconsin was up 57 million pounds while production in Pennsylvania was down 2 million pounds.

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

DAIRY PRODUCT PRODUCTION 1/

Total Cheese Production, 2009-2011



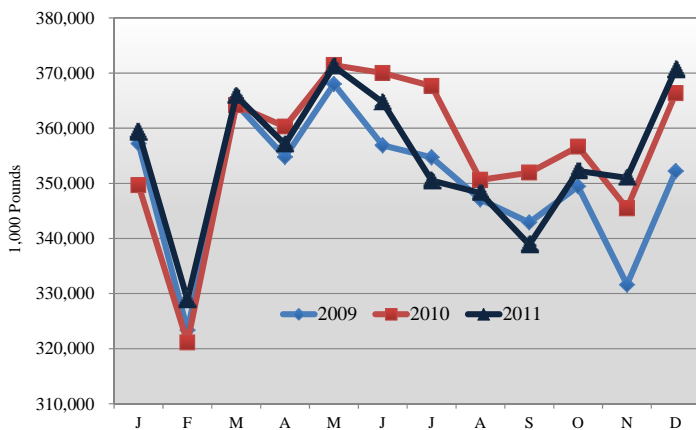
Dairy Product Production Summary:

Total cheese output (excluding cottage cheese) was 929 million pounds, 2.4 percent above December 2010 and 4.2 percent above November 2011.

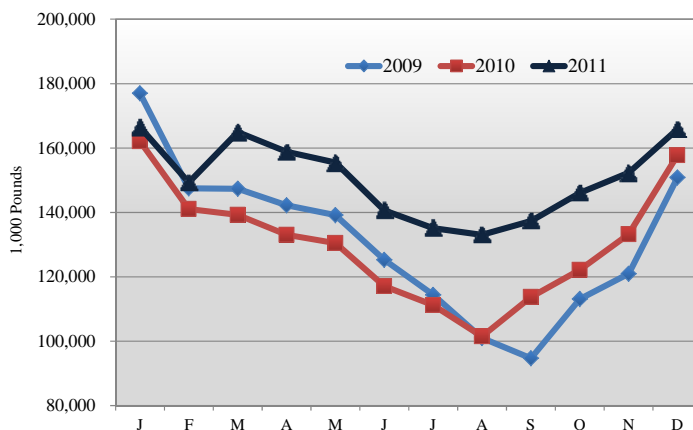
American type cheese production totaled 371 million pounds, 1.2 percent above December 2010 and 5.6 percent above November 2011.

Butter production was 166 million pounds, 5.2 percent above December 2010 and 8.9 percent above November 2011.

Total American Cheese Production, 2009-2011



Total Butter Production, 2009-2011



COMMERCIAL DISAPPEARANCE 2/

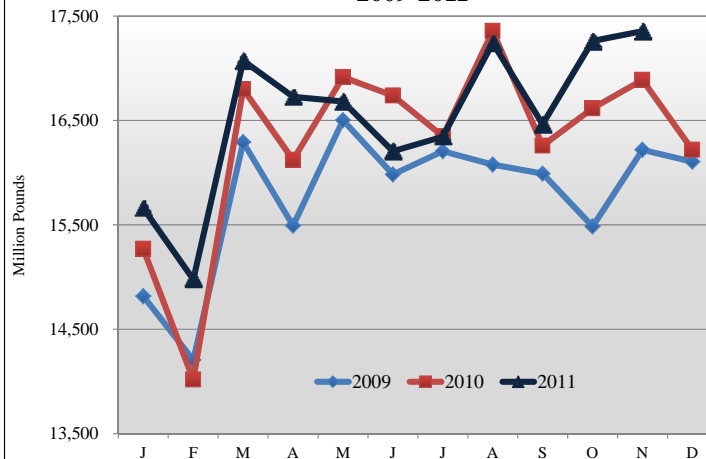
Commercial disappearance of milk in all productions represents the difference between the beginning monthly milk supply and the ending commercial stocks. Milk supply includes farm production, beginning inventory, imports and excludes milk used on the farm.

For November 2011 commercial disappearance of milk was 17.4 billion pounds, up 2.8 percent from the prior year. The cumulative disappearance total for 2011 is 182 billion pounds, an increase of 1.5 percent from the 11-month period of 2010.

November 2011 commercial disappearance of cheese was 381 million pounds, up 5.1 percent from the prior year.

November 2011 commercial disappearance of butter was 196 million pounds, up 12.6 percent from the prior year.

Commercial Disappearance of Milk in All Products, 2009-2011



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.

**MIDEAST MARKETING AREA
FEDERAL ORDER 33**

**BALANCE SHEET
MARKETING SERVICE FUND**

As of December 31, 2011

ASSETS

Current Assets:

| | |
|--------------------------------------|--------------|
| Cash and Bank Deposits | \$181,693.90 |
| Investments | 501,410.93 |
| Accounts Receivable - Handlers | 134,186.36 |
| Allowance for Uncollectible Accounts | .00 |
| Accounts Receivable - Other | 4,182.86 |
| Accrued Interest Receivable | .00 |

Other Assets:

| | |
|------------------|-------------|
| Prepaid Expenses | \$ 3,236.45 |
| Deposits | .00 |

Fixed Assets:

| | |
|--------------------------|---------------------|
| Motor Vehicles | \$448,735.44 |
| Accumulated Depreciation | (408,287.81) |
| Furniture and Equipment | 25,509.50 |
| Accumulated Depreciation | (21,393.66) |
| Laboratory Equipment | 935,567.13 |
| Accumulated Depreciation | (930,772.24) |
| Leasehold Improvements | 120,029.69 |
| Accumulated Depreciation | <u>(120,029.69)</u> |

Total Assets **\$874,068.86**

LIABILITIES AND OPERATING BALANCE

Current Liabilities:

| | |
|--|-----------|
| Accounts Payable - Other | \$.00 |
| Accrued Employee Salaries Payable | .00 |
| Accrued Employee Annual Leave | 90,251.91 |
| Payroll Contributions and Withholdings | .00 |

Operating Balance **\$783,816.95**

Total Liabilities and Operating Balance **\$874,068.86**

**MIDEAST MARKETING AREA
FEDERAL ORDER 33**

**INCOME AND EXPENSE STATEMENT
MARKETING SERVICE FUND**

For the Year Ending December 31, 2011

Income:

| | |
|-------------------------------|------------------|
| Assessments or Deductions | \$1,814,917.68 |
| Late Payment Charges Assessed | .00 |
| Interest Earned | 1,235.97 |
| Miscellaneous | <u>54,139.50</u> |

Total Income \$1,870,293.15

Expenses:

| | |
|--|----------------|
| Salaries and Services | \$1,070,883.33 |
| Travel | 107,968.29 |
| Communications | 65,602.89 |
| Employer Payroll Contributions | 311,957.69 |
| Insurance | 6,061.75 |
| Rent - Buildings and Equipment | 76,749.27 |
| Repairs and Maintenance | 13,590.18 |
| Supplies | 91,645.80 |
| Testing and Weighing | 23,397.96 |
| Utilities | 13,613.02 |
| Depreciation of Fixed Assets | 15,943.33 |
| Conferences and Meetings | .00 |
| Training | 6,627.38 |
| Uncollectible Accounts | .00 |
| Miscellaneous | 2,166.19 |
| Amortization of Leasehold Improvements | <u>.00</u> |

Total Expenses \$1,806,207.08

Net Income \$ 64,086.07