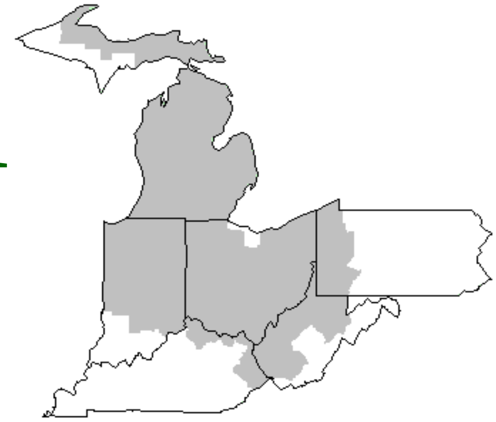
Mideast Market Administrator's

Bulletin



Federal Order No. 33

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January 2012

2011 Market Summary

Producer milk receipts pooled totaled 15.9 billion pounds on the Mideast Order during 2011, a decrease of 83.1 million pounds, or 0.5 percent from 2010. During 2011, there were over 818.1 million pounds of milk voluntarily depooled. Monthly producer receipts ranged from a low of 1.21 billion pounds in February to a high of 1.42 billion pounds in March.

The number of producers pooled on the Mideast Order in 2011 averaged 6,714 per month, down 3.6 percent from a year earlier. Producer milk averaged 3.70 percent butterfat in 2011, ranging from a high of 3.84 percent in January to a low of 3.54 percent in July. The protein test averaged 3.08 percent for 2011. Protein tests ranged from a low of 2.93 percent in July, to a high of 3.19 percent in November. Other solids tests for producer milk averaged 5.71 percent for the year.

For the year, 39.7 percent of producer milk was utilized as Class I; 15.5 percent in Class II; 36.8 percent in Class III; and 8.0 percent in Class IV. The Class I utilization percentage had a high of 44.6 percent in January and a low of 33.9 percent in July. Class I milk totaled 6.3 billion pounds during 2011, down 2.7 percent from 2010. Class II milk totaled 2.5 billion pounds in 2011, a decrease of 2.1 percent from 2010. Class III pooled pounds were 5.9 billion pounds in 2011, a decrease of 0.4% from 2010. Class IV milk totaled 1.3 billion pounds in 2011, an increase of 15.2 percent from 2010.

The Class I price averaged $21.13 per cwt for the year, an increase of $3.78 per cwt from 2010. The Class I price had a low of $17.20 per cwt in January 2011 and a high of $23.78 per cwt in September. The Class II price averaged $19.62 per cwt, an increase of $3.60 per cwt from the prior year. It ranged from a low of $16.79 per cwt in January to a high of $21.55 per cwt in August. The Class III price averaged $18.37 per cwt, an increase of $3.96 per cwt from 2010. The Class III price ranged from a low of $13.48 per cwt in January to a high of $21.67 per cwt in August. The Class IV price averaged $19.04 per cwt for the year, an increase of $3.95 per cwt from a year ago. It was lowest in January at $16.42 per cwt and was highest in June at $21.05 per cwt.

The Statistical Uniform Price averaged $19.54 per cwt for 2011 compared to $15.84 per cwt in 2010. The Producer Butterfat Price averaged $2.1535 per pound in 2011. This was an increase of $0.3000 from 2010. The butterfat price was highest in June at $2.3702 per pound and was lowest in December at $1.7443 per pound. The Protein Price averaged $2.9663 per pound in 2011. This was an increase of $0.6572 from the previous year. The protein price was lowest in January at $1.7590 per pound and was highest in August at $3.8305 per pound. Other Solids Price averaged $ 0.3434 per pound, $0.1657 higher than the 2010 average. The Producer Price Differential (PPD) averaged $1.18 per cwt in 2011 with a high of $2.82 per cwt in May and a low of $(0.23) per cwt in December.

November Milk Production Up 2.2 Percent

Milk production in the 23 major States during November totaled 14.7 billion pounds, up 2.2 percent from November 2010. October revised production at 15.2 billion pounds, was up 2.5 percent from October 2010. The October revision represented an increase of 1 million pounds or 0.1 percent from last month's preliminary production estimate. Production per cow in the 23 major States averaged 1,738 pounds for November, 16 pounds above November 2010.

The number of milk cows on farms in the 23 major States was 8.48 million head, 108,000 head more than November 2010, but unchanged from October 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 November totaled 2.2 billion pounds, up 16 million pounds or 0.7 percent from November 2010.

Production per cow in the Mideast states averaged 1,671 pounds for November, 8 pounds above November 2010. The number of cows on farms in the Mideast states was 1.3 million head, 6,000 head more than November 2010.

DECEMBER 2011
Pool Summary

Classification of Producer Milk

	Pounds	*Percent*
Class I	551,224,672	40.4
Class II	228,986,343	16.8
Class III	409,966,873	30.0
Class IV	175,131,898	12.8
Total	1,365,309,786	100.0

Producer Prices

Producer Price Differential	$(0.23)	/cwt
Butterfat Price	1.7443	/ lb
Protein Price	3.3404	/ lb
Other Solids Price	0.4683	/ lb
Somatic Cell Adjustment Rate	0.00090	/ cwt
Statistical Uniform Price	18.54	/ cwt

ANNOUNCEMENT OF PRODUCER PRICES

Federal Order No. 33

December 2011

COMPUTATION OF PRODUCER PRICE DIFFERENTIAL

	POUNDS	BUTTERFAT	SKIM / PROTEIN	NONFAT SOLIDS	OTHER SOLIDS	PRICE	VALUE
Class I Skim Value			541,181,670			$ 13.82 / cwt	$ 74,791,306.80
Class I Butterfat		10,043,002				2.0391 / lb	20,478,685.40
Class I Location Differential	551,224,672						(297,314.49)
Class II SNF Value				19,790,691		1.3756 / lb	27,224,074.57
Class II Butterfat		14,377,106				1.7513 / lb	25,178,625.73
Class III Protein Value			12,965,614			3.3404 / lb	43,310,337.01
Class III Other Solids Value					23,434,847	0.4683 / lb	10,974,538.86
Class III Butterfat		16,239,654				1.7443 / lb	28,326,828.51
Class IV SNF Value				15,161,948		1.2398 / lb	18,797,783.16
Class IV Butterfat		11,066,727				1.7443 / lb	19,303,691.91
Somatic Cell Value II / III / IV							1,145,469.18
TOTAL PRODUCER MILK VALUE	1,365,309,786	51,726,489	43,283,529		78,039,835		$ 269,234,026.64

Overages			51,972.78		
Beginning Inventory & OS Charges			57,677.03		
TOTAL ADJUSTMENTS					$ 109,649.81
TOTAL HANDLER OBLIGATIONS					$ 269,343,676.45
Total Protein Value	43,283,529 lbs	@	$3.3404		$(144,584,300.29)
Total Other Solids Value	78,039,835 lbs	@	0.4683		(36,546,054.76)
Butterfat Value	51,726,489 lbs	@	1.7443		(90,226,514.74)
Total Somatic Cell Values					(1,900,395.33)
TOTALS					$ (3,913,588.67)
Net Producer Location Adjustments					$ 747,428.63
1/2 Unobligated Balance Producer Settlement Fund					617,000.00
Total - Divided by Total Pounds	1,365,309,786 lbs		(0.1867093)		$ (2,549,160.04)
Rate of Cash Reserve			(0.0432907)		(591,052.16)
PRODUCER PRICE DIFFERENTIAL *at Cuyahoga County, OH**	1,365,309,786		**$(0.23) /cwt**		$ (3,140,212.20)

COMPONENT PRICES

	December 2011	December 2010
Butterfat Price	$1.7443 / lb	$1.7952 / lb
Protein Price	3.3404 / lb	2.1706 / lb
Other Solids Price	0.4683 / lb	0.1852 / lb
Somatic Cell Adjustment Rate	0.00090 / cwt	0.00073 / cwt
Nonfat Solids Price	1.2398 / lb	1.0068 / lb

COMPUTATION OF UNIFORM PRICE

	December 2011	December 2010
Class III Price - 3.5% BF	$ 18.77	$13.83
Producer Price Differential*	(0.23)	1.93
Statistical Uniform Price	$18.54	$15.76

CLASS PRICES

	December 2011	December 2010
Class I*	$20.47	$18.96
Class II	18.08	15.77
Class III	18.77	13.83
Class IV	16.87	15.03

* Subject to Location Adjustment.

CLASSIFICATION OF PRODUCER MILK

	December 2011 *Product lbs.*	December 2010 *Product lbs.*
Class I	551,224,672	558,585,662
Class II	228,986,343	182,293,857
Class III	409,966,873	474,045,843
Class IV	175,131,898	92,841,923
Total	1,365,309,786	1,307,767,285

ORDER 33 MARKET SUMMARY

The Producer Price Differential for the Mideast Marketing Area for December, 2011 was $(0.23) and the Statistical Uniform Price was $18.54 for the month. The Statistical Uniform Price is $0.64 lower than last month, and is $2.78 higher than December, 2010.

The Producer Butterfat Price of $1.7443 per pound decreased $0.2065from November and is down $0.0509 from a year ago. The Protein Price of $3.3404 is up $0.1063 cents from last month and is up $1.1698 from December 2010. The Other Solids Price in December was $0.4683 per pound, an increase from last month's price of $0.4521 and $0.2831 higher than last December. The Somatic Cell Adjustment rate for December was $0.00090.

December producer receipts of 1.37 billion pounds were 1.5 percent higher than November and 4.4 percent higher than December 2010 production of 1.31 billion pounds. Producer milk allocated to Class I accounted for 40.4 percent of the total producer milk in December 2011, more than the 40.2 percent in November, and less than the 42.7 percent in December 2010. A total of 6,561 producers were pooled on the Mideast Order compared to 6,800 producers pooled in December 2010.

The market average content of producer milk was as follows: Butterfat 3.79 %; Protein 3.17%; Other Solids 5.72% and Nonfat Solids 8.89%.

Higher Domestic Milk Production and Stronger Competition in Export Markets Will Lower Milk Prices in 2012

Cow numbers were virtually unchanged from the November forecast at 9,200 thousand head for 2011 and remain at 9,190 thousand head in 2012. Dairy cow slaughter for the January to October 2011 period is about 4 percent above slaughter for the corresponding period of 2010 according to the November Livestock Slaughter report, and replacement heifer prices are steady. This suggests no major liquidation is in the offing, but cow numbers are expected to decline slightly in 2012. Output per cow continues to rise, and lower expected feed prices are the basis for the increase in the December projected output per cow to 21,315 pounds for 2011 and 21,610 pounds for 2012. Slightly more milk is forecast in December than in November, both for 2011 and 2012. Production is forecast at 196.1 billion pounds for 2011, rising to 198.5 billion pounds in 2012.

Fat-basis milk equivalent dairy import forecasts in 2011 were raised this month to 3.3 billion pounds, based on slightly higher imports of butterfat and food preparations. In 2012, fat-basis imports are forecast at 3.2 billion pounds, unchanged from the November forecast but down from 2011. Skim-solid basis import forecasts were left unchanged from last month at 5.3 billion pounds. In 2012, skim-solid basis imports are forecast to fall slightly to 5.2 billion pounds.

Milk equivalent fat-basis exports were raised slightly in November to 9.3 billion pounds. The export total was raised due to higher than expected milk and cream shipments. In 2012, fat basis exports are forecast at 8.6 billion pounds, unchanged from November. 2011 skim-solid basis exports are forecast at 33.6 billion pounds, up from November due to stronger skim milk powder exports. For 2012, the forecast is unchanged from November's estimate of 31.9 billion pounds. Increased global production will likely present stronger competition for U.S. exporters of skim powder products.

Commercial domestic use is projected at 188.8 billion pounds fat basis for 2011 and 191.9 billion pounds in 2012. Commercial domestic use on a skim-solid basis is forecast to reach 166.9 billion pounds in 2011, a decline from November's forecast, but an increase from 2010. In 2012, skim-solid domestic use is forecast to rise from 2011 to 171 billion pounds, an increase from November expectations and a 2.5 percent rise above 2011 expected totals.

Cheese prices are forecast to average $1.820 to $1.830 a pound in 2011, unchanged from November's forecast, but are projected lower in 2012 at $1.675 to $1.755 a pound. Domestic use of cheese was lower in the third quarter of 2011 compared with 2010, and both domestic and Oceania prices have recently declined sharply, supporting the lowered price forecast. Recent weakness in butter prices has led to a lowering of 2011 butter prices from November projections to $1.935 to $1.965 a pound in the December forecast. Stronger global competition in 2012 is expected to moderate butter prices even further in 2012. Butter prices are forecast at $1.605 to $1.715 a pound next year. Higher global production will similarly affect NDM prices. NDM prices are projected at $1.495 to $1.515 a pound in 2011, a slight downward revision from November estimates. In 2012, prices are expected to drop more significantly to $1.360 to $1.420. The outlier is whey. Exports were brisk in 2011 and are likely to continue strong in 2012. Whey prices are forecast at 52.5 to 53.5 cents a pound in 2011, unchanged from November. Next year, prices are expected to rise from 2011 to 53.5 to 56.5 cents a pound, a substantial upward revision from November.

Milk prices will be lower in 2012 based on lower product prices. Class III prices are expected to be $16.90 to $17.70 per cwt for the year, down from an expected $18.30 to $18.40 per cwt in 2011. Lower cheese prices will probably overcome the relative strength in whey prices, lowering the Class III price. The Class IV price is also expected to be lower in 2012 at $16.35 to $17.25 per cwt, a decline from $18.95 to $19.15 per cwt in 2011. The 2012 all milk price is forecast at $18.10 to $18.90 per cwt, down from $20.05 to 20.15 per cwt in 2011.

Source: *Livestock, Dairy, & Poultry Outlook*/LDP-M-210/December 15, 2011
Economic Research Service, USDA

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

	November 2011							November 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	1,773	578,558	3.77	3.17	5.71	169		551,668	3.74	3.14	5.68	169
Ohio	2,073	303,972	3.83	3.21	5.66	228		247,391	3.95	3.26	5.74	223
Indiana	1,114	153,041	3.83	3.23	5.73	202		121,316	3.92	3.22	5.67	212
New York	337	125,960	3.79	3.14	5.72	206		93,120	3.81	3.15	5.72	201
Pennsylvania	987	92,316	3.91	3.22	5.66	278		98,206	3.94	3.22	5.65	266
Wisconsin	143	68,828	3.76	3.16	5.79	216		90,135	3.72	3.12	5.80	232
West Virginia	54	3,348	4.11	3.35	5.61	279		3,880	4.15	3.36	5.63	297
Other	128	15,842	3.88	3.19	5.73	214		20,436	3.83	3.18	5.75	235
Total/Average *	6,609	1,341,864	3.80	3.19	5.70	200		1,226,153	3.82	3.18	5.70	201

* 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

December 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)*	2,018,153	881,778	43.7	$0.80	$19.57
FO 5	Appalachian - *(Charlotte)*	536,163	362,426	67.6	[2]	20.43
FO 6	Florida - *(Tampa)*	247,783	215,593	87.0	[2]	22.79
FO 7	Southeast - *(Atlanta)*	589,140	389,713	66.2	[2]	20.92
FO 30	Upper Midwest - *(Chicago)*	2,516,994	369,651	14.7	(0.06)	18.71
FO 32	Central - *(Kansas City)*	1,013,445	394,671	38.9	(0.52)	18.25
FO 33	**Mideast - *(Cleveland)***	**1,365,310**	**551,225**	**40.4**	**(0.23)**	**18.54**
FO 124	Pacific Northwest - *(Seattle)*	581,021	190,557	32.8	(0.72)	18.05
FO 126	Southwest - *(Dallas)*	830,268	376,277	45.3	0.48	19.25
FO 131	Arizona - *(Phoenix)*	386,072	118,823	30.8	[2]	18.57

[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 JANUARY 2012 ....$16.87 /cwt.

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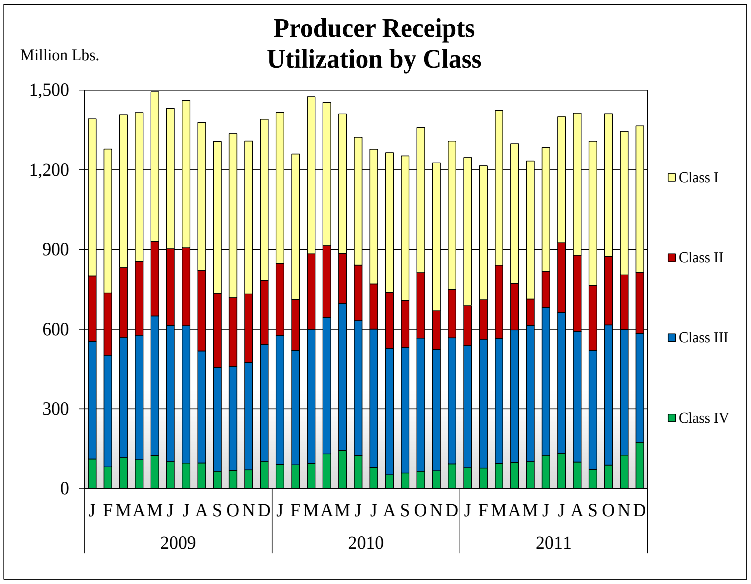
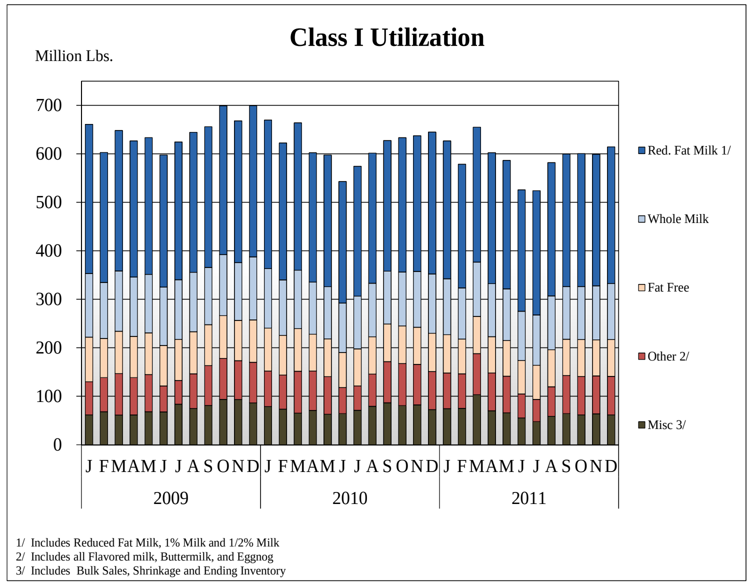
PRODUCER MILK CLASSIFICATION

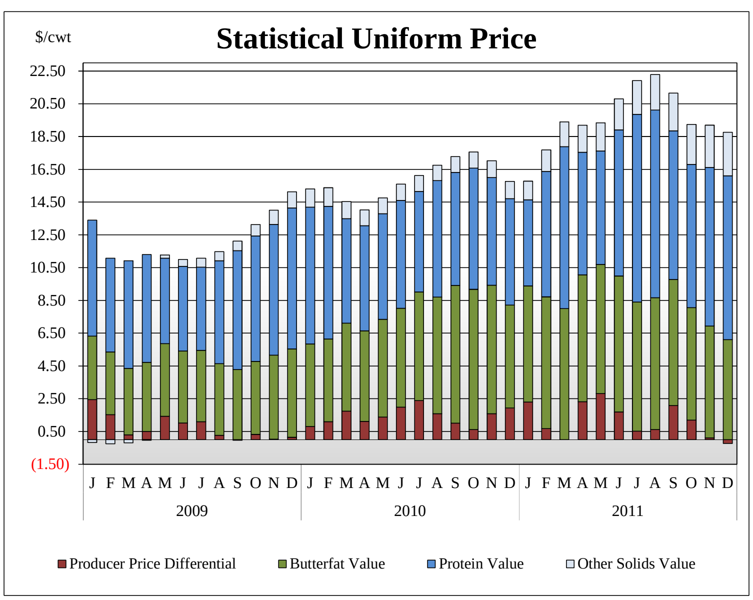


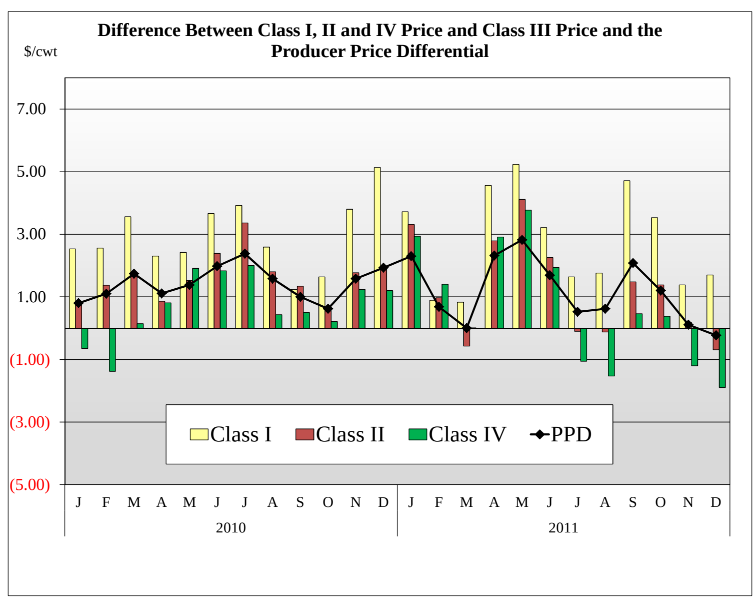


Producer Receipts: Producer receipts for the Mideast Order totaled 1.37 billion pounds in December 2011. The pounds allocated to Class I represented 40.4 percent of the total pounds. Producer receipts increased 20 million pounds compared to November 2011, and were up 58 million pounds from the prior year.

Class I Pounds: Class I utilization for the Mideast Order totaled 614 million pounds in December 2011, down 31 million pounds from December 2010. Finished products include 115 million pounds used for whole milk, 282 million pounds of reduced fat and low fat milk, and 76 million pounds of fat free (skim) milk.

STATISTICAL UNIFORM PRICE

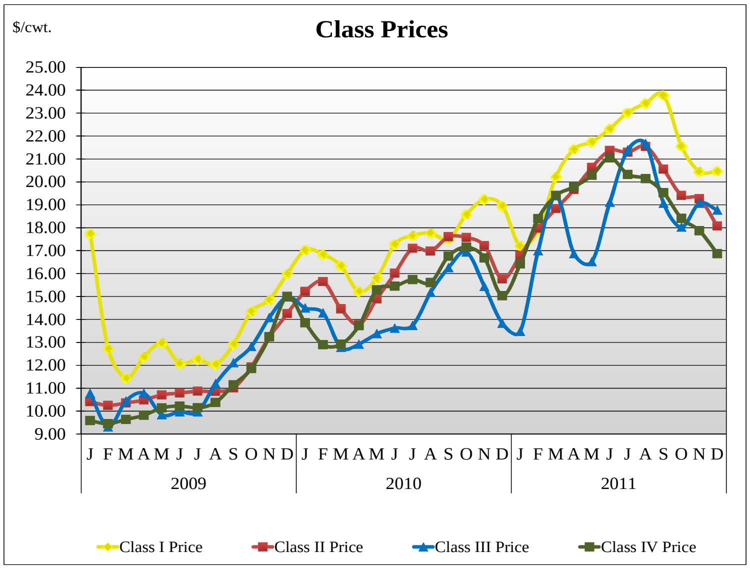


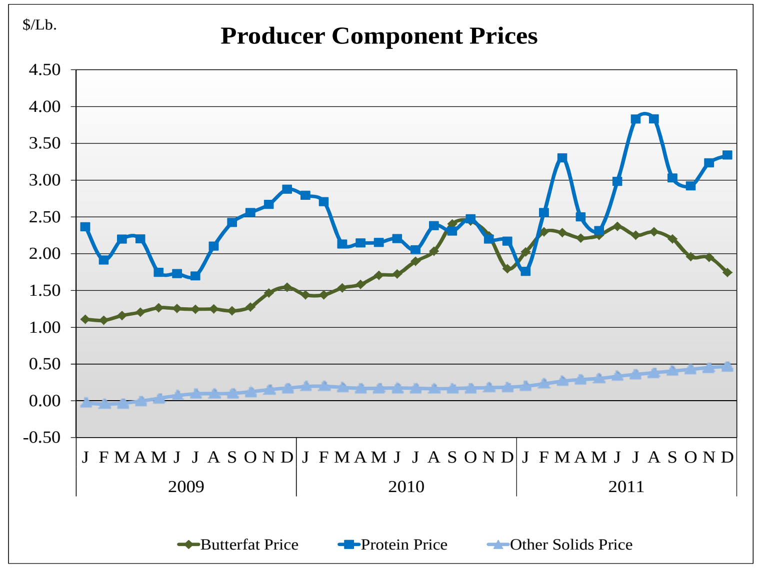


Statistical Uniform Price: The Mideast Federal Order Statistical Uniform Price (SUP) at Cuyahoga County, OH was $18.54 per cwt for December 2011. The December 2011 SUP was $2.78 per cwt higher than the December 2010 SUP. The December 2011 SUP is $0.64 per cwt lower than the November 2011 SUP.

This graph details the relationship between the class prices and the producer price differential. Each bar represents the difference between the Class I, II or IV price relative to the Class III price. Note that negative PPDs traditionally occur when multiple Class prices fall significantly below the Class III price.

CLASS AND COMPONENT PRICES





WEIGHTED AVERAGE NASS PRICES