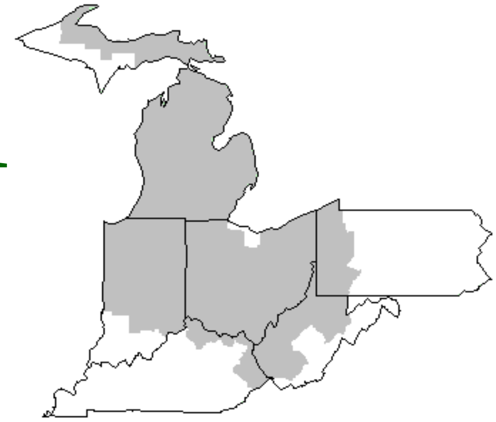
Mideast Market Administrator's Bulletin



Federal Order No. 33

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July 2012

USDA Announces Final Decision to Amend the Mideast Federal Milk Order

The U. S. Department of Agriculture has announced a Final Decision which amends the Pool Plant definition of the Mideast milk marketing order. This decision is based on testimony and evidence given at a public hearing held in Cincinnati, Ohio, on October 4-5, 2011.

This decision amends the Pool Plant definition to more adequately identify the plants that service the fluid milk needs of the marketing order. Specifically, the amendment will regulate fluid milk plants physically located within the Mideast marketing area that have a Class I utilization of at least 30 percent and whose combined Class I route disposition and transfers into Federal milk marketing areas is greater than 50 percent.

This amendment was originally proposed in a recommended decision issued on February 24, 2012. The program received only four comments all in support of the recommended decision. The amendment will be subject to a producer referendum.

The final decision was published in the June 28, 2012 *Federal Register*. For additional information about the decision contact: Paul Huber; USDA/AMS/Dairy Programs; 1325 Industrial Parkway North, Brunswick, OH 44212; Tel. (330) 225-4758; email: phuber@fmmaclev.com. A copy of the decision can be found on the website at *www.fmmaclev.com/hearings.htm*.

May Milk Production Up 2.1 Percent

Milk production in the 23 major States during May totaled 16.4 billion pounds, up 2.1 percent from May 2011. April revised production, at 16.0 billion pounds, was up 3.5 percent from April 2011. The April revision represented an increase of 38 million pounds or 0.2 percent from last months preliminary production estimate.

Production per cow in the 23 major States averaged 1,924 pounds for May, 22 pounds above May 2011.

The number of milk cows on farms in the 23 major States was 8.52 million head, 77,000 head more than May 2011, but 3,000 head less than April 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 May totaled 2.5 billion pounds, up 40 million pounds or 1.6 percent from May 2011.

Production per cow in the Mideast states averaged 1,839 pounds for May, 20 pounds above May 2011.

The number of cows on farms in the Mideast states was 1.4 million head, 12,000 head more than May 2011.

Exports Buoy Prices as Herd Liquidation Appears Slowed

The corn supply and use table is unchanged in June from last month. Projected corn prices also remain unchanged from May at $4.20 to $5.00 per bushel for 2012/13. This forecast price is sharply lower than the projected $5.95 to $6.25 per bushel price expected for 2011/12. Similarly, soybean meal prices are forecast lower in 2012/13 at $335 to $365 per ton, offering some potential relief for dairy producers after the 2011/12 projected $360 per ton price. Preliminary alfalfa hay prices were posted at $215 per ton according to the May Agricultural Prices report. This price is above April's reported price and well above the May 2011 reported price. While there are still lingering effects of last year's drought, pasture conditions have improved in parts of the United States, which could lead to lower forage prices for the upcoming season. The improved feed outlook could lead to a higher milk-feed price ratio later in 2012 and into 2013.

(Continued on Page 3)

JUNE 2012 Pool Summary

Classification of Producer Milk

	Pounds	*Percent*
Class I	464,017,429	32.8
Class II	281,438,074	19.9
Class III	434,641,307	30.7
Class IV	234,352,676	16.6
Total	1,414,449,486	100.0

Producer Prices

Producer Price Differential	$(0.10)	/cwt
Butterfat Price	1.4866	/ lb
Protein Price	2.8952	/ lb
Other Solids Price	0.3113	/ lb
Somatic Cell Adjustment Rate	0.00079	/ cwt
Statistical Uniform Price	15.53	/ cwt

ANNOUNCEMENT OF PRODUCER PRICES
Federal Order No. 33

June 2012

COMPUTATION OF PRODUCER PRICE DIFFERENTIAL

	POUNDS	BUTTERFAT	SKIM / PROTEIN	NONFAT SOLIDS	OTHER SOLIDS	PRICE	VALUE
Class I Skim Value			455,658,420			$ 12.61 / cwt	$ 57,458,526.77
Class I Butterfat		8,359,009				1.4479 / lb	12,103,009.13
Class I Location Differential	464,017,429						(273,617.11)
Class II SNF Value				23,901,650		1.0467 / lb	25,017,857.06
Class II Butterfat		17,703,859				1.4936 / lb	26,442,483.79
Class III Protein Value			13,081,768			2.8952 / lb	37,874,334.70
Class III Other Solids Value					24,979,718	0.3113 / lb	7,776,186.25
Class III Butterfat		15,909,365				1.4866 / lb	23,650,861.98
Class IV SNF Value				20,535,168		0.9252 / lb	18,999,137.44
Class IV Butterfat		8,249,749				1.4866 / lb	12,264,076.85
Somatic Cell Value II / III / IV							1,133,489.58
TOTAL PRODUCER MILK VALUE	1,414,449,486	50,221,982	42,557,524		81,335,151		$ 222,446,346.44
Overages					8,431.59		
Beginning Inventory & OS Charges					59,422.69		
TOTAL ADJUSTMENTS							$ 67,854.28
TOTAL HANDLER OBLIGATIONS							$ 222,514,200.72

Total Protein Value	42,557,524 lbs	@	$2.8952		$(123,212,543.44)
Total Other Solids Value	81,335,151 lbs	@	0.3113		(25,319,632.49)
Butterfat Value	50,221,982 lbs	@	1.4866		(74,659,998.44)
Total Somatic Cell Values					(1,653,881.19)
TOTALS					$ (2,331,854.84)
Net Producer Location Adjustments					$ 916,908.18
1/2 Unobligated Balance Producer Settlement Fund					695,000.00
Total - Divided by Total Pounds	1,414,449,486 lbs		(0.0508994)		$ (719,946.66)
Rate of Cash Reserve			(0.0491006)		(694,503.18)
PRODUCER PRICE DIFFERENTIAL *at Cuyahoga County, OH**	1,414,449,486		**$(0.10) /cwt**		$ (1,414,449.84)

COMPONENT PRICES

June	2012	2011
Butterfat Price	$1.4866 / lb	$2.3702 / lb
Protein Price	2.8952 / lb	2.9807 / lb
Other Solids Price	0.3113 / lb	0.3339 / lb
Somatic Cell Adjustment Rate	0.00079 / cwt	0.00095 / cwt
Nonfat Solids Price	0.9252 / lb	1.4694 / lb

COMPUTATION OF UNIFORM PRICE

June	2012	2011
Class III Price - 3.5% BF	$ 15.63	$19.11
Producer Price Differential*	(0.10)	1.69
Statistical Uniform Price	$15.53	$20.80

CLASS PRICES

June	2012	2011
Class I*	$17.24	$22.32
Class II	14.32	21.37
Class III	15.63	19.11
Class IV	13.24	21.05

* Subject to Location Adjustment.

CLASSIFICATION OF PRODUCER MILK

June	2012 *Product lbs.*	2011 *Product lbs.*
Class I	464,017,429	466,463,347
Class II	281,438,074	135,735,351
Class III	434,641,307	555,936,321
Class IV	234,352,676	125,412,952
Total	1,414,449,486	1,283,547,971

ORDER 33 MARKET SUMMARY

The Producer Price Differential for the Mideast Marketing Area for June 2012 was ($0.10) and the Statistical Uniform Price was $15.53 for the month. The Statistical Uniform Price is $0.21 lower than last month, and is $5.27 lower than June 2011.

The Producer Butterfat Price of $1.4866 per pound increased $0.0404 from May and is down $0.8836 from a year ago. The Protein Price of $2.8952 is up $0.1608 cents from last month and is down $0.0855 from June 2011. The Other Solids Price in June was $0.3113 per pound, a decrease from last month's price of $0.3500 and $0.0226 lower than last June. The Somatic Cell Adjustment rate for June was $0.00079.

June producer receipts of 1.41 billion pounds were 11.3 percent lower than May and 10.2 percent higher than June 2011 production of 1.28 billion pounds. Producer milk allocated to Class I accounted for 32.8 percent of the total producer milk in June 2012, more than the 32.1 percent in May, and less than the 36.3 percent in June 2011. A total of 6,434 producers were pooled on the Mideast Order compared to 6,791 producers pooled in June 2011.

The market average content of producer milk was as follows: Butterfat 3.55%; Protein 3.01%; Other Solids 5.75% and Nonfat Solids 8.76%.

(Continued from Front Page)

For June, the number of milk cows was raised to 9,235 thousand head for the current year and remains unchanged at 9,170 thousand head for 2013. While some dairy herd liquidation is expected, the improved feed outlook may improve producer margins enough to moderate the expected decline in dairy herd size this year. Continued good weather will likely boost milk output to 21,890 pounds per cow, a slight increase from May projections. Milk per cow is forecast at 22,100 in 2013, unchanged from May. The result is a projected 202.2 billion pounds of milk production in 2012, an uptick from last month's projection, and to 202.6 billion pounds of milk forecast in 2013, unchanged from May.

Fat-basis milk equivalent imports remain unchanged for June at 3.3 billion pounds for both 2012 and 2013. On a skim-solids basis, milk equivalent imports were lowered this month to 5.0 billion pounds for this year and to 4.9 billion pounds in 2013. Robust first-quarter imports of casein and milk protein concentrates (MPC) are expected to diminish over the year in a pattern similar to that of last year. For next year, while imports of MPC's and casein will remain significant, they are expected to decline slightly.

Exports on both a fat- and skim-solid basis were increased for both 2012 and 2013. Fat-basis exports were raised to 8.9 billion pounds for this year and to 9.1 billion pounds for 2013. First-quarter cheese exports, especially to Mexico, have exceeded earlier forecasts and are likely 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-solid 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 June to 32.1 billion pounds for this year and to 32.8 billion pounds in 2013.

Rising milk production, and pressure from weaker international prices will act to moderate several of the product prices. Current-year NDM and whey prices were lowered this month, mostly on weaker demand, especially for whey. NDM prices for 2012 were lowered from May to $1.210 to $1.250 per pound, but the 2013 price was unchanged from May at $1.320 to $1.390 per pound. Whey prices were lowered to 54.0 to 56.0 cents per pound for the current year and were unchanged for 2013 at 55.5 to 58.5 cents per pound. The 2012 butter price range was narrowed this month from May's estimate to $1.430 to $1.500, as higher current quarter prices are expected to be offset by lower prices toward the end of the year. The 2013 price forecast was unchanged from May at $1.465 to $1.595 per pound. Cheese prices are forecast at $1.565 to $1.605 per pound this year. The lower end of the range was raised as exports continued strong. The cheese price is forecast at $1.600 to $1.700 per pound in 2013, unchanged from last month. The Class III milk price was lowered to $15.75 to $16.15 per cwt and is forecast unchanged at $16.20 to $17.20 per cwt in 2013. The Class IV price was trimmed to $14.35 to $14.85 per cwt for 2012 and is unchanged for next year at $15.40 to $16.50 per cwt. The change in the Class prices mainly reflects the softness in the dry product prices. The all milk price was lowered to $16.85 to $ $17.25 per cwt this year and is unchanged at $17.25 to $18.25 per cwt for next year. Any improvement in producer margins will come mostly from lower feed prices later, with additional support from higher milk prices later in 2013.

Source: *Livestock, Dairy, and Poultry Outlook*/LDP-M-216/June 18, 2012 Economic Research Service, USDA

Secretary Vilsack Announces National Dairy Board Appointments

Agriculture Secretary Tom Vilsack has announced the appointment of 12 dairy members to the National Dairy Promotion and Research Board. All appointees' terms will begin immediately with terms ending October 31, 2014.

"These appointees represent a cross section of the dairy industry and I am confident that the industry will be well served by them," said Vilsack.

Newly appointed members are: Kima L. Simonson, Washington (Region 1); Lynda S. Foster, Kansas (Region 4); John R. Howerton, Arkansas (Region 4); Amber L. Horn-Leiterman, Wisconsin (Region 6); Larry R. Shover, Iowa (Region 7); Julie A. Veldhuis Lund, Idaho (Region 8); Urban A. Mescher, Ohio (Region 9); Celeste Y. Deaderick Blackburn, Tennessee (Region 10); and Harold J. Howrigan, Jr., Vermont (Region 12).

Reappointed to serve second terms were: Ronald E. Shelton, Colorado (Region 3); Kenton W. Holle, North Dakota (Region 5); and Sharon K. Laubscher, Wisconsin (Region 6).

The Secretary selected the appointees from nominations submitted by eligible producer organizations, general farm organizations, and qualified dairy products promotion, research or nutrition education programs. USDA's Agricultural Marketing Service monitors the operation of the Dairy Board.

Weighted Averages - Butterfat, Protein, Other Solids, Somatic Cell Count by State
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	May 2012							May 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	1,732	687,081	3.58	3.02	5.76	162	524,574	3.61	3.00	5.74	175
Ohio	2,064	361,648	3.60	3.04	5.73	215	284,244	3.70	3.04	5.73	236
Indiana	1,103	190,727	3.62	3.05	5.78	204	125,513	3.66	3.02	5.72	225
New York	335	139,042	3.64	3.02	5.76	196	71,025	3.70	3.02	5.75	218
Pennsylvania	943	102,891	3.70	3.07	5.72	260	108,655	3.73	3.05	5.71	291
Wisconsin	130	85,334	3.66	3.08	5.78	209	86,845	3.59	3.04	5.75	238
West Virginia	53	3,962	3.78	3.13	5.73	264	4,519	3.75	3.13	5.71	303
Other	202	22,727	3.60	3.02	5.76	218	27,431	3.62	3.01	5.73	226
Total/Average *	6,562	1,593,410	3.61	3.04	5.76	192	1,232,805	3.65	3.02	5.73	213

* 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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Featured this month are:

- Producer Milk Classification
- Statistical Uniform Price
- Class and Component Prices
- Weighted Average NASS/AMS Prices

FEDERAL ORDER DATA

June 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)*	2,024,901	772,509	38.1	$0.95	$16.58
FO 5	Appalachian - *(Charlotte)*	474,203	306,218	64.6	[2]	17.45
FO 6	Florida - *(Tampa)*	227,029	185,432	81.7	[2]	19.73
FO 7	Southeast - *(Atlanta)*	550,145	345,665	62.8	[2]	17.86
FO 30	Upper Midwest - *(Chicago)*	2,582,114	293,570	11.4	0.07	15.70
FO 32	Central - *(Kansas City)*	1,026,465	371,098	36.2	(0.25)	15.38
FO 33	**Mideast - *(Cleveland)***	**1,414,449**	**464,017**	**32.8**	**(0.10)**	**15.53**
FO 124	Pacific Northwest - *(Seattle)*	451,852	177,265	39.2	(0.57)	15.06
FO 126	Southwest - *(Dallas)*	544,116	321,154	59.0	1.04	16.67
FO 131	Arizona - *(Phoenix)*	391,641	105,418	26.9	[2]	15.18

[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 JULY 2012................................$13.24 /cwt.

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Mideast Market Administrator's Bulletin *Supplement*

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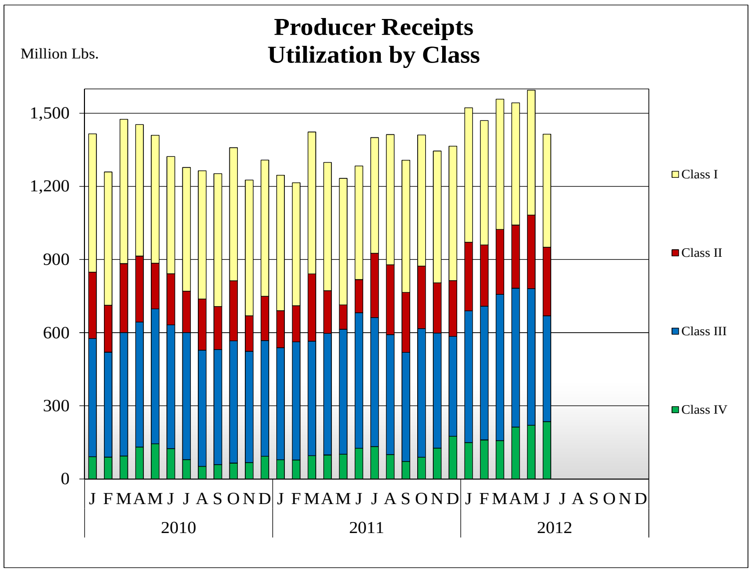
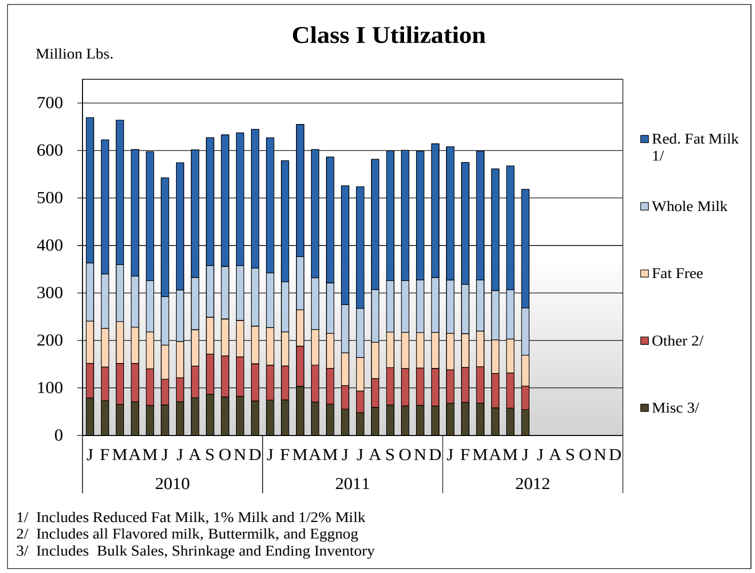
PRODUCER MILK CLASSIFICATION

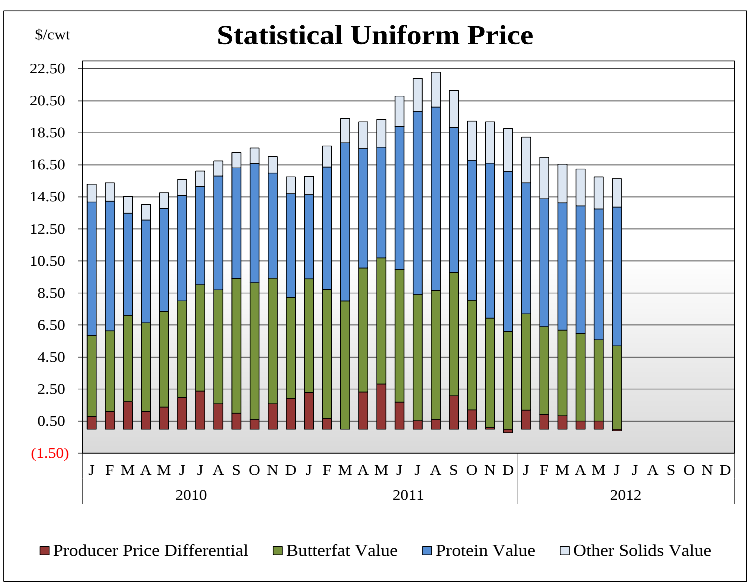


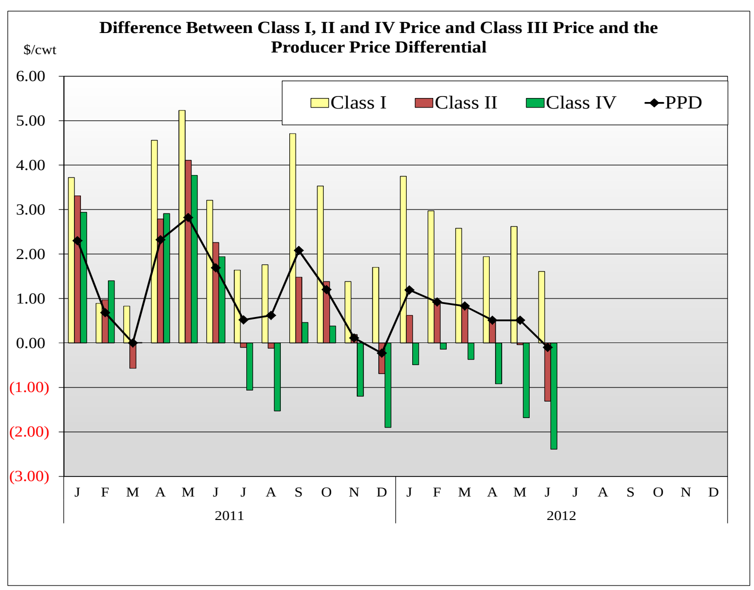


Producer Receipts: Producer receipts for the Mideast Order totaled 1.41 billion pounds in June 2012. The pounds allocated to Class I represented 32.8 percent of the total pounds. Producer receipts increased 131 million pounds compared to June 2011, and were down 180 million pounds from the last month.

Class I Pounds: Class I utilization for the Mideast Order totaled 518 million pounds in June 2012, down 7 million pounds from June 2011. Finished products include 100 million pounds used for whole milk, 250 million pounds of reduced fat and low fat milk, and 65 million pounds of fat free (skim) milk.

STATISTICAL UNIFORM PRICE

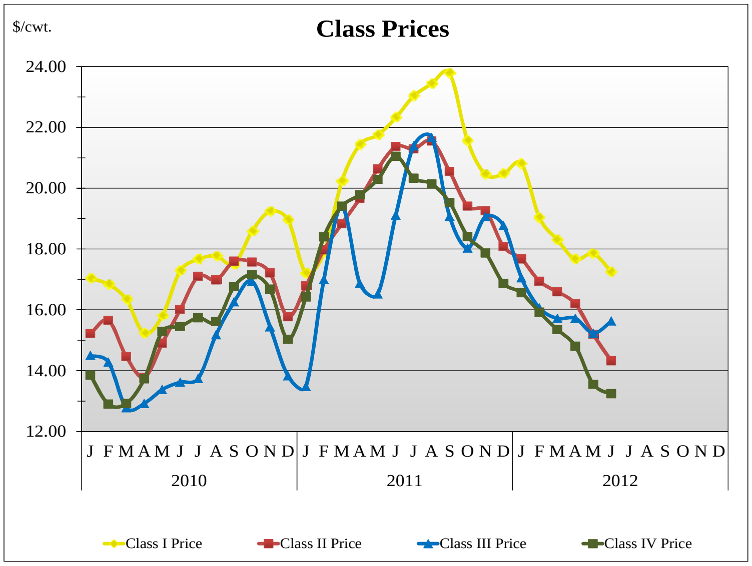


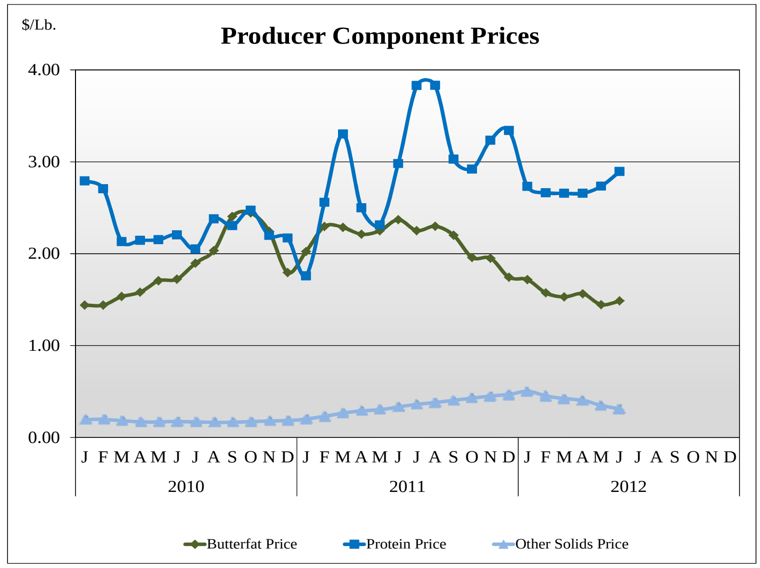


Statistical Uniform Price: The Mideast Federal Order Statistical Uniform Price (SUP) at Cuyahoga County, OH was $15.53 per cwt for June 2012. The June 2012 SUP was $5.27 per cwt lower than the June 2011 SUP. The June 2012 SUP is $0.21 per cwt lower than the May 2012 SUP.

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