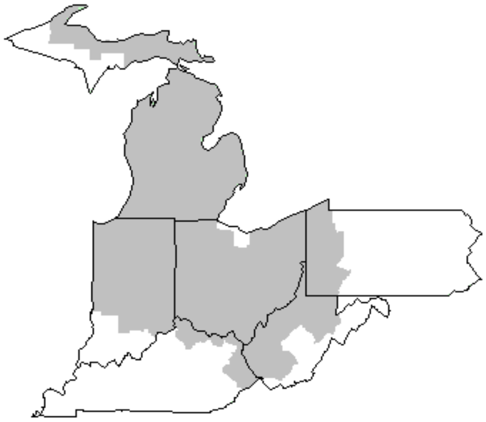
Mideast Market Administrator's Bulletin



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

October 2012

Expiration of Dairy Forward Pricing Program

Many programs and policies of the U.S. Department of Agriculture (USDA) were authorized under the Food, Conservation, and Energy Act of 2008 ("2008 Farm Bill") through September 30, 2012. Beginning October 1, 2012, the authority of funding provided under the 2008 Farm Bill for USDA to operate a number of these programs, including the Dairy Forward Pricing Program expired. As of October 1, 2012, Congress has not passed a 2012 Food, Farm and Jobs Act or other legislation extending the authority for USDA to carry out this program, and USDA cannot make new commitments to the program.

Therefore, proprietary handlers establishing new forward contracts on or after October 1, 2012, will not be exempt from paying minimum Federal order prices. Previously established contracts that extend through September 30, 2015 are not impacted. This exemption termination also applies to cooperatives that have contracts with nonmember producers.

Proprietary plant operators who wish to reduce cost variability for pool milk after September 2012, must find a mechanism other than forward contracting with producers. Market Administrators' will not recognize contracts between proprietary plants or institutions in which a proprietary plant is a significant owner and producers or producer cooperatives as exempting handlers from paying producers minimum order prices for pool milk.

Any questions pertaining to the above should be directed to our office at 1-888-751-3220. You may direct them to William Pollock at Ext. 142, Sharon Uther at Ext. 118, or Paul Huber at Ext. 124. In addition, E-mail questions may be sent to clevelandma1@sprynet.com .

August Milk Production Down 0.2 Percent

Milk production in the 23 major States during August totaled 15.3 billion pounds, down 0.2 percent from August 2011. July revised production, at 15.5 billion pounds, was up 0.7 percent from July 2011. The July revision represented a decrease of 24 million pounds or 0.2 percent from last month's preliminary production estimate.

Production per cow in the 23 major States averaged 1,803 pounds for August, 10 pounds below August 2011. The number of milk cows on farms in the 23 major States was 8.50 million head, 32,000 head more than August 2011, but 4,000 head more than July 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 August totaled 2.4 billion pounds, up 47 million pounds or 2.0 percent from August 2011.

Production per cow in the Mideast states averaged 1,740 pounds for August, 25 pounds above August 2011. The number of cows on farms in the Mideast states was 1.4 million head, 12,000 head more than August 2011.

A Lower Forecast Milk Supply in 2013 Helps Keep Prices Firm

Milk production for the current year was reduced fractionally in September from the August forecast to 199.9 billion pounds. The production forecast for 2013 was unchanged from August at 198.9 billion pounds. Dairy cow number forecasts for both 2012 and 2013 remain unchanged from August at 9,215- and 9,110- thousand head, respectively. The dairy cow slaughter rate and the prices of replacement heifers suggest a continued gradual decline in the dairy herd through 2013. The reduced milk production forecast for 2012 is based on lower forecast milk per cow of 21,690 pounds. Lower milk per cow is expected in the third and fourth quarters of this year due to high summer temperatures that likely adversely affected milk yields as well as tight alfalfa supplies. Yield per cow is forecast at 21,830 pounds for 2013, unchanged from August's forecast. The slight yield increase next year is largely based on expected larger forage supplies.

(continued on Page 3)

SEPTEMBER 2012 Pool Summary

Classification of Producer Milk

	Pounds	*Percent*
Class I	481,107,660	40.4
Class II	286,390,471	24.1
Class III	275,538,151	23.2
Class IV	146,800,104	12.3
Total	1,189,836,386	100.0

Producer Prices

Producer Price Differential	$(0.26)	/cwt
Butterfat Price	1.8339	/ lb
Protein Price	3.1211	/ lb
Other Solids Price	0.3462	/ lb
Somatic Cell Adjustment Rate	0.00088	/ cwt
Statistical Uniform Price	17.47	/ cwt

ANNOUNCEMENT OF PRODUCER PRICES

Federal Order No. 33

September 2012

COMPUTATION OF PRODUCER PRICE DIFFERENTIAL

	POUNDS	BUTTERFAT	SKIM / PROTEIN	NONFAT SOLIDS	OTHER SOLIDS	PRICE	VALUE
Class I Skim Value			472,942,349			$ 13.57 / cwt	$ 64,178,276.78
Class I Butterfat		8,165,311				1.8561 / lb	15,155,633.76
Class I Location Differential	481,107,660						(283,484.36)
Class II SNF Value				24,757,682		1.1511 / lb	28,498,567.70
Class II Butterfat		15,339,600				2.0117 / lb	30,858,673.34
Class III Protein Value			8,446,880			3.2521 / lb	27,470,098.43
Class III Other Solids Value					15,689,137	0.3971 / lb	6,230,156.33
Class III Butterfat		11,743,008				2.0047 / lb	23,541,208.16
Class IV SNF Value				12,739,106		1.1969 / lb	15,247,435.97
Class IV Butterfat		7,954,529				2.0047 / lb	15,946,444.27
Somatic Cell Value II / III / IV							952,292.82
TOTAL PRODUCER MILK VALUE	1,189,836,386	43,202,448	36,659,189		68,233,500		$ 227,795,303.20
Overages					185,504.65		
Beginning Inventory & OS Charges					109,829.49		
TOTAL ADJUSTMENTS							$ 295,334.14
TOTAL HANDLER OBLIGATIONS							$ 228,090,637.34
Total Protein Value			36,659,189 lbs	@	$3.2521		$ (119,219,348.55)
Total Other Solids Value			68,233,500 lbs	@	0.3971		(27,095,522.83)
Butterfat Value			43,202,448 lbs	@	2.0047		(86,607,947.51)
Total Somatic Cell Values							(1,541,782.28)
TOTALS							$ (6,373,963.83)
Net Producer Location Adjustments							$ 714,671.97
1/2 Unobligated Balance Producer Settlement Fund							623,000.00
Total - Divided by Total Pounds			1,189,836,386 lbs		(0.4232760)		$ (5,036,291.86)
Rate of Cash Reserve					(0.0467240)		(555,939.15)
PRODUCER PRICE DIFFERENTIAL *at Cuyahoga County, OH**			1,189,836,386		**$(0.47) /cwt**		$ (5,592,231.01)

COMPONENT PRICES

	September 2012	September 2011
Butterfat Price	$2.0047 / lb	$2.2005 / lb
Protein Price	3.2521 / lb	3.0282 / lb
Other Solids Price	0.3971 / lb	0.4053 / lb
Somatic Cell Adjustment Rate	0.00093 / cwt	0.00093 / cwt
Nonfat Solids Price	1.1969 / lb	1.3623 / lb

COMPUTATION OF UNIFORM PRICE

	September 2012	September 2011
Class III Price - 3.5% BF	$ 19.00	$19.07
Producer Price Differential*	(0.47)	2.08
Statistical Uniform Price	$18.53	$21.15

CLASS PRICES

	September 2012	September 2011
Class I*	$19.59	$23.78
Class II	17.04	20.55
Class III	19.00	19.07
Class IV	17.41	19.53

* Subject to Location Adjustment.

CLASSIFICATION OF PRODUCER MILK

	September 2012 *Product lbs.*	September 2011 *Product lbs.*
Class I	481,107,660	542,862,735
Class II	286,390,471	245,852,357
Class III	275,538,151	447,383,798
Class IV	146,800,104	71,139,092
Total	1,189,836,386	1,307,237,982

ORDER 33 MARKET SUMMARY

The Producer Price Differential for the Mideast Marketing Area for September 2012 was ($0.47) and the Statistical Uniform Price was $18.53 for the month. The Statistical Uniform Price is $1.06 higher than last month, and is $2.62 lower than September, 2011.

The Producer Butterfat Price of $2.0047 per pound increased $0.1708from August and is down $0.1958 from a year ago. The Protein Price of $3.2521 is up $0.1310 cents from last month and is up $0.2239 from September 2011. The Other Solids Price in September was $0.3971 per pound, an increase from last month's price of $0.3462 and $0.0082 lower than last September. The Somatic Cell Adjustment rate for September was $0.00093.

September producer receipts of 1.19 billion pounds were 7.6 percent lower than August and 9.0 percent lower than September 2011 production of 1.31 billion pounds. Producer milk allocated to Class I accounted for 40.4 percent of the total producer milk in September 2012, more than the 40.0 percent in August, and less than the 41.5 percent in September 2011. A total of 6,265 producers were pooled on the Mideast Order compared to 6,697 producers pooled in September 2011.

The market average content of producer milk was as follows: Butterfat 3.63%; Protein 3.08%; Other Solids 5.73% and Nonfat Solids 8.81%.

(continued from Front Page)

The 2012/13 price forecast for corn was lowered from August's projection to $7.20- $8.60 per bushel. Despite a slightly lowered corn yield forecast from August, higher estimated carrying stocks and a lowered export forecast are resulting in larger domestic supply estimates than were made earlier. The soybean meal price was increased for 2012/13 to $485-$515 per ton. This is due to a lower soybean crush forecast for 2012/13 as soybean ending stocks are projected to reach a 9-year low. The August Agricultural Prices report places the preliminary August price for alfalfa hay at $203 per ton, up slightly from last month and up from August 2011. Higher milk prices in 2013 will help offset higher feed prices.

Milk equivalent imports on a fats basis are unchanged from August at 3.7 billion pounds for 2012 and 3.6 billion pounds in 2013. Imports on a skims-solids basis were raised from August estimates to 5.7 billion pounds for 2012 and to 5.0 billion pounds in 2013. Strong imports of casein to date are the basis for the import boost. The higher pace of casein imports is expected to continue into 2013.

Export forecasts remain unchanged from August. Current-year exports are forecast at 9.8 billion pounds, fats basis, and 33.4 billion pounds, skims-solids basis. For next year, milk equivalent exports are forecast at 8.9 billion pounds on a fats basis and 32.5 billion pounds on a skims-solids basis. U.S. nonfat dry milk (NDM) exports are ahead of 2011, but slowed sharply in July. Seasonally rising production and exports from Australia and New Zealand are expected to offer increased competition to U.S. exporters for the remainder of the year, dampening prospects of increasing export forecasts. On a fats basis, butter exports have lagged 2011 year to date, but cheese exports have been well ahead of 2011, offsetting butter.

Price forecasts were raised in the September forecast. Demand remains firm, while production is likely to decline in coming months. Cheese prices were raised from August to $1.650-$1.670 per pound this year and are unchanged for 2013 at $1.640- $1.740 per pound. Butter prices were raised for 2012 to $1.565-$1.605 per pound but lowered slightly for next year to $1.510-$1.640 per pound. Weaker demand for butter will lead to higher fats basis stocks and softening prices next year. NDM prices are expected to be higher in 2012 at $1.275-$1.295 per pound and $1.350-$1.420 per pound next year, unchanged from August. Similarly, whey prices were raised to 56.5-58.5 cents per pound for the current year and unchanged from August for 2013 at 57.0-60.0 cents per pound.

Milk prices reflect the pricing in the underlying products. The Class III price is forecast higher than August for 2012 at $16.75-$16.95 per cwt and unchanged for 2013 at $16.70-$17.70 per cwt. The Class IV price is projected higher at $15.45- $15.75 this year and is lowered from August to $15.85-$16.95 per cwt next year. The lower 2013 price reflects the softer butter prices next year. The all milk price was raised from August to $17.80-$18.00 per cwt and raised for 2013 to $17.85-$18.85 per cwt.

Source: *Livestock, Dairy, & Poultry Outlook*/LDP-M-219/September 18, 2012 Economic Research Service, USDA

Bulletin WebPage Edition
www.fmmaclev.com

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 2012						August 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	1,717	651,199	3.52	3.00	5.75	189	615,340	3.51	2.96	5.70	217
Ohio	2,016	271,422	3.57	3.02	5.74	251	302,884	3.58	3.00	5.66	309
Indiana	1,084	161,584	3.54	3.00	5.74	243	162,855	3.53	2.97	5.68	287
New York	304	96,455	3.62	3.00	5.77	240	132,266	3.58	2.98	5.70	263
Pennsylvania	935	91,928	3.63	3.03	5.72	300	99,946	3.62	3.00	5.65	356
Wisconsin	39	3,971	3.51	3.05	5.77	298	76,381	3.60	3.04	5.76	246
West Virginia	48	2,496	3.74	3.09	5.67	317	3,645	3.69	3.08	5.60	394
Other	106	8,318	3.55	3.00	5.70	294	19,006	3.56	2.97	5.70	286
Total/Average *	6,249	1,287,372	3.55	3.00	5.74	222	1,412,324	3.55	2.98	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

PRSRT STD
U.S. POSTAGE
PAID
Cleveland, Ohio
Permit No. 2511

Mideast Market Administrator Bulletin
1325 Industrial Parkway North
P.O. Box 5102
Brunswick, Ohio 44212

POSTMASTER: Time Sensitive Material - Deliver Promptly

FEDERAL ORDER DATA

September 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)*	1,953,035	795,048	40.7	$0.45	$19.45
FO 5	Appalachian - *(Charlotte)*	450,654	312,941	69.4	[2/]	20.32
FO 6	Florida - *(Tampa)*	223,864	190,538	85.1	[2/]	22.40
FO 7	Southeast - *(Atlanta)*	513,138	358,513	69.9	[2/]	20.87
FO 30	Upper Midwest - *(Chicago)*	2,072,399	312,068	15.1	(0.14)	18.86
FO 32	Central - *(Kansas City)*	821,182	391,555	47.7	(0.63)	18.37
FO 33	**Mideast - *(Cleveland)***	**1,189,836**	**481,108**	**40.4**	**(0.47)**	**18.53**
FO 124	Pacific Northwest - *(Seattle)*	424,598	172,655	40.7	(0.83)	18.17
FO 126	Southwest - *(Dallas)*	524,928	354,066	67.5	0.38	19.38
FO 131	Arizona - *(Phoenix)*	314,790	117,009	37.2	[2/]	18.94

[1/] Names in parentheses are principal points of markets.

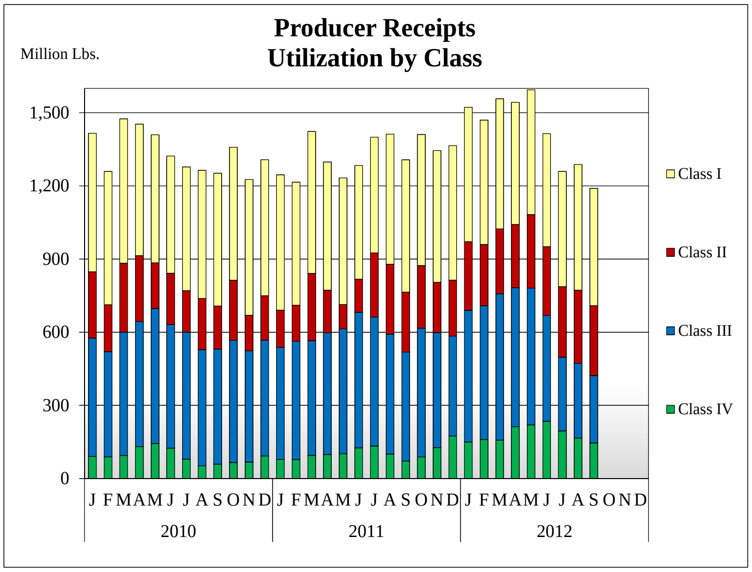
[2/] Producers in these markets are paid on the basis of a uniform skim and butterfat price.

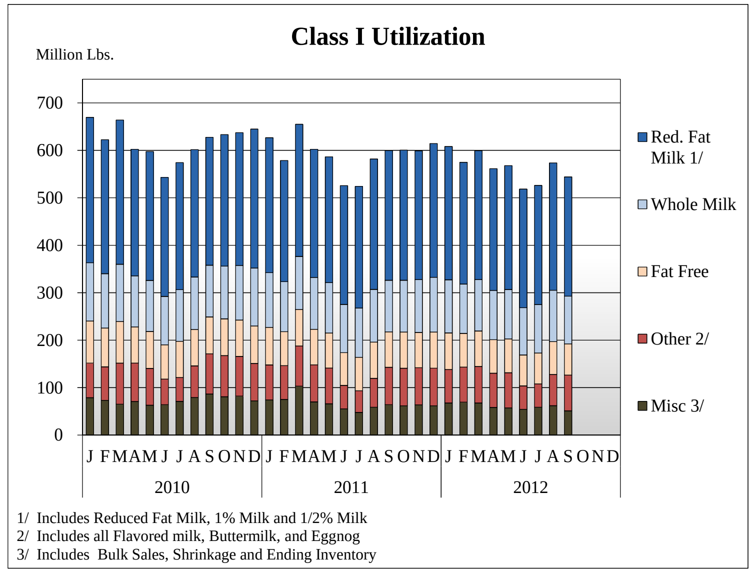
MINIMUM PARTIAL PAYMENT PRICE FOR OCTOBER 2012 ....$17.04 /cwt.

Printed on recycled paper

Mideast Market Administrator's
Bulletin
Supplement
Federal Order No. 33
October 2012

PRODUCER MILK CLASSIFICATION

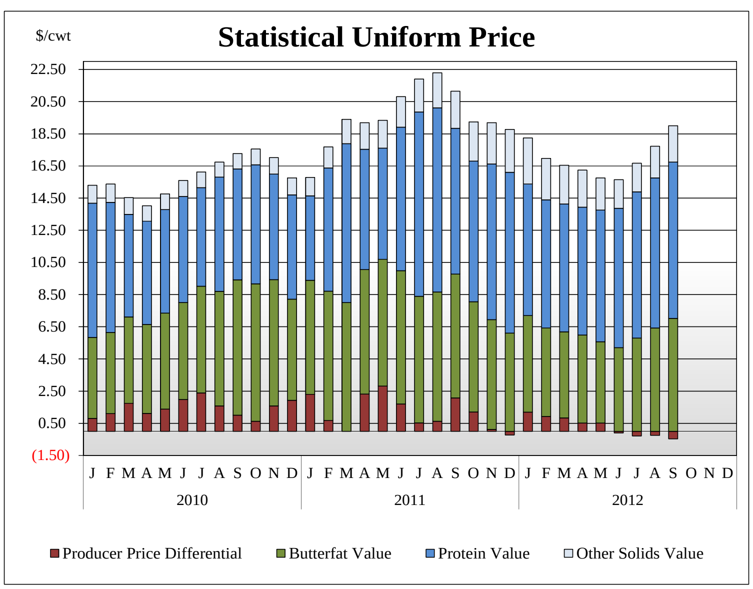


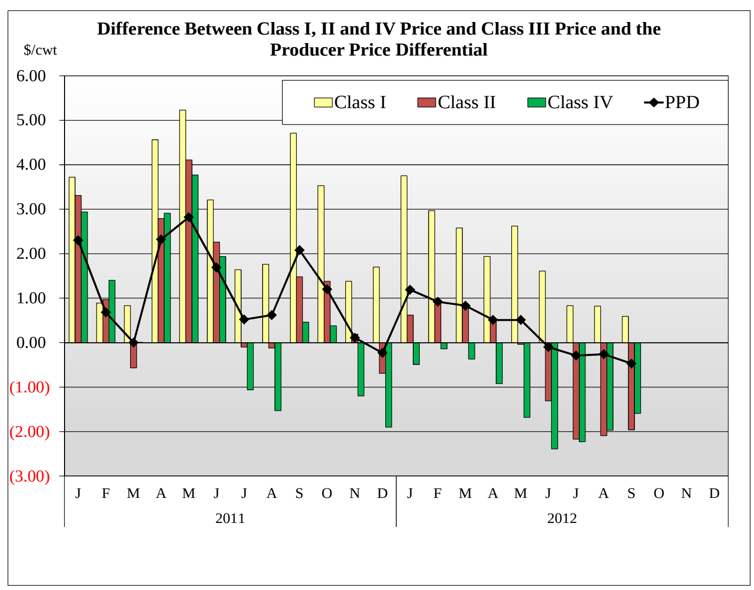


<u>Producer Receipts:</u> Producer receipts for the Mideast Order totaled 1.19 billion pounds in September 2012. The pounds allocated to Class I represented 40.4 percent of the total pounds. Producer receipts decreased 117 million pounds compared to September 2011, and were down 98 million pounds from the last month.

<u>Class I Pounds:</u> Class I utilization for the Mideast Order totaled 544 million pounds in September 2012, down 55 million pounds from September 2011. Finished products include 101 million pounds used for whole milk, 251 million pounds of reduced fat and low fat milk, and 66 million pounds of fat free (skim) milk.

STATISTICAL UNIFORM PRICE

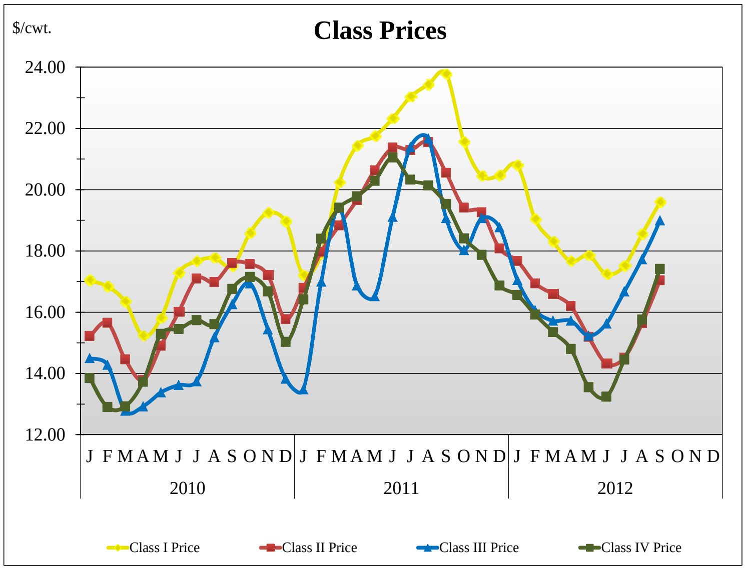


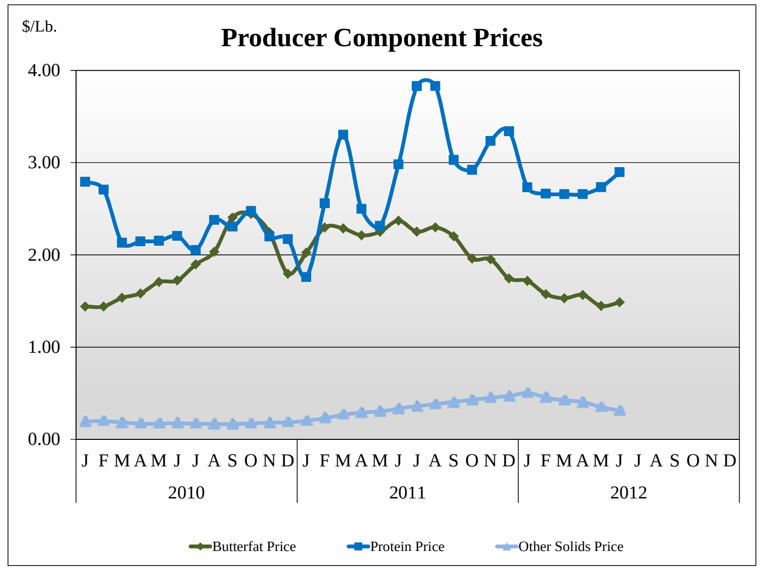


<u>Statistical Uniform Price:</u> The Mideast Federal Order Statistical Uniform Price (SUP) at Cuyahoga County, OH was $18.53 per cwt for September 2012. The September 2012 SUP was $2.62 per cwt lower than the September 2011 SUP. The September 2012 SUP is $1.06 per cwt higher than the August 2012 SUP.

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/AMS PRICES