Mideast Market Administrator's Bulletin

Federal Order No. 33

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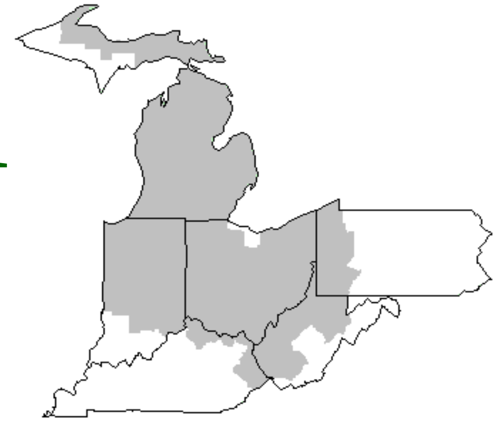

January Milk Production Up 1.0 Percent

Milk production in the 23 major States during January totaled 16.1 billion pounds, up 1.0 percent from January 2013. December revised production at 15.7 billion pounds, was down 0.3 percent from December 2012. The December revision represented a decrease of 19 million pounds or 0.1 percent from last month's preliminary production estimate.

Production per cow in the 23 major States averaged 1,891 pounds for January, 17 pounds above January 2013.

The number of milk cows on farms in the 23 major States was 8.51 million head, 7,000 head more than January 2013, and 6,000 head more than December 2013.

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 January totaled 2.5 billion pounds, up 13 million pounds or 0.5 percent from January 2013.

Production per cow in the Mideast states averaged 1,839 pounds for January, 8 pounds above January 2013.

The number of cows on farms in the Mideast states was 1.4 million head, 2,000 head less than January 2013.

USDA Announces Final Decisions to Amend the Appalachian, Southeast & Florida Milk Marketing Orders

The U.S. Department of Agriculture (USDA) announced two final decisions that permanently adopt amendments to the Appalachian, Southeast and Florida federal milk marketing orders.

The first final decision is based on testimony and evidence given at a public hearing held in Louisville, Kentucky, from January 10 – 12, 2006. Specifically, this decision: Establishes a mileage rate factor using a fuel cost adjustor used in the transportation credit provisions of the Appalachian and Southeast orders, increases the maximum transportation credit assessment rate for both orders, and establishes a zero diversion limit standard on loads of milk requesting transportation credits. These amendments have been in place on an interim basis since 2006.

The second final decision is based on testimony and evidence given at a public hearing held in Tampa, Florida, from May 21-23, 2007. In addition to adjusting the Class I pricing surface for the Appalachian, Florida, and Southeast orders, this decision amends certain features of the diversion limit, touch-base and transportation credit provisions for the Appalachian and Southeast orders. These amendments have been in place on an interim basis since 2008. This decision also increases the maximum administrative assessment for the Appalachian, Florida, and Southeast marketing orders.

USDA will conduct a vote on the amended orders to determine producer approval. If producers approve the orders as amended, final rules will follow to implement these changes on a permanent basis. The final decisions were published in the March 7, 2014 *Federal Register*.

January 2014 Dairy Products Highlights

Butter production was 182 million pounds, 3.0 percent below January 2013 but 12.9 percent above December 2013. **American Type Cheese** production totaled 380 million pounds, 1.1 percent above January 2013 and 0.7 percent above December 2013. **Total Cheese** output (excluding cottage cheese) was 951 million pounds, 1.6 percent above January 2013 but 1.9 percent below December 2013. **Nonfat Dry Milk** production, for human food, totaled 139.5 million pounds, 2.3 percent below January 2013 but 11.1 percent above December 2013. **Dry Whey** production, for human food, was 69.0 million pounds, 20.0 percent below January 2013 and 14.7 percent below December 2013. **Ice Cream** (hard) production totaled 55.7 million gallons, 0.7 percent below January 2013 but 31.0 percent above December 2013.

Source: *Dairy Market News,* March 3 - 7, 2014 Volume 81, Report 10

February 2014 Pool Summary

Classification of Producer Milk

	Pounds	*Percent*
Class I	501,543,892	38.7
Class II	209,635,058	16.2
Class III	406,265,916	31.3
Class IV	179,288,294	13.8
Total	1,296,733,160	100.0

Producer Prices

Producer Price Differential	$ 0.02	/cwt
Butterfat Price	2.0109	/ lb
Protein Price	4.6044	/ lb
Other Solids Price	0.4453	/ lb
Somatic Cell Adjustment Rate	0.00114	/ cwt
Statistical Uniform Price	23.37	/ cwt

ANNOUNCEMENT OF PRODUCER PRICES

Federal Order No. 33

February 2014

COMPUTATION OF PRODUCER PRICE DIFFERENTIAL

	POUNDS	BUTTERFAT	SKIM / PROTEIN	NONFAT SOLIDS	OTHER SOLIDS	PRICE	VALUE
Class I Skim Value			492,647,983			$ 18.57 / cwt	$ 91,484,730.46
Class I Butterfat		8,895,909				1.7425 / lb	15,501,121.48
Class I Location Differential	501,543,892						(211,957.39)
Class II SNF Value				18,181,607		1.9189 / lb	34,888,685.60
Class II Butterfat		13,031,001				2.0179 / lb	26,295,256.94
Class III Protein Value			12,950,326			4.6044 / lb	59,628,481.05
Class III Other Solids Value					23,247,382	0.4453 / lb	10,352,059.22
Class III Butterfat		15,128,610				2.0109 / lb	30,422,121.86
Class IV SNF Value				15,405,268		1.8914 / lb	29,137,523.88
Class IV Butterfat		13,039,182				2.0109 / lb	26,220,491.03
Somatic Cell Value II / III / IV							1,370,327.13
TOTAL PRODUCER MILK VALUE	1,296,733,160	50,094,702	41,221,360		74,072,076		$ 325,088,841.26
Overages					249,674.21		
Beginning Inventory & OS Charges					17,023.09		
TOTAL ADJUSTMENTS							$ 266,697.30
TOTAL HANDLER OBLIGATIONS							$ 325,355,538.56
Total Protein Value			41,221,360 lbs	@	$4.6044		$(189,799,629.98)
Total Other Solids Value			74,072,076 lbs	@	0.4453		(32,984,295.47)
Butterfat Value			50,094,702 lbs	@	2.0109		(100,735,436.22)
Total Somatic Cell Values							(2,207,526.90)
TOTALS							$ (371,350.01)
Net Producer Location Adjustments							$ 626,273.30
1/2 Unobligated Balance Producer Settlement Fund							625,000.00
Total - Divided by Total Pounds			1,296,733,160 lbs		0.0678569		$ 879,923.29
Rate of Cash Reserve					(0.0478569)		(620,576.29)
PRODUCER PRICE DIFFERENTIAL *at Cuyahoga County, OH**			1,296,733,160		**$ 0.02 /cwt**		$ 259,347.00

COMPONENT PRICES

	February 2014	February 2013
Butterfat Price	$2.0109 / lb	$1.6619 / lb
Protein Price	4.6044 / lb	2.9609 / lb
Other Solids Price	0.4453 / lb	0.4534 / lb
Somatic Cell Adjustment Rate	0.00114 / cwt	0.00083 / cwt
Nonfat Solids Price	1.8914 / lb	1.3742 / lb

COMPUTATION OF UNIFORM PRICE

	February 2014	February 2013
Class III Price - 3.5% BF	$ 23.35	$17.25
Producer Price Differential*	0.02	1.12
Statistical Uniform Price	$23.37	$18.37

CLASS PRICES

	February 2014	February 2013
Class I*	$24.02	$20.21
Class II	23.73	18.49
Class III	23.35	17.25
Class IV	23.46	17.75

* Subject to Location Adjustment.

CLASSIFICATION OF PRODUCER MILK

	February 2014 *Product lbs.*	February 2013 *Product lbs.*
Class I	501,543,892	508,579,406
Class II	209,635,058	204,454,977
Class III	406,265,916	422,810,189
Class IV	179,288,294	229,429,693
Total	1,296,733,160	1,365,274,265

ORDER 33 MARKET SUMMARY

The Producer Price Differential for the Mideast Marketing Area for February 2014 was $0.02 and the Statistical Uniform Price was $23.37 for the month. The Statistical Uniform Price is $1.47 higher than last month, and is $5.00 higher than February 2013.

The Producer Butterfat Price of $2.0109 per pound increased $0.2235 from January and is up $0.3490 from a year ago. The Protein Price of $4.6044 is up 0.4174 cents from last month and is up $1.6435 from February 2013. The Other Solids Price in February was $0.4453 per pound, an increase from last month's price of $0.4155 and $0.0081 lower than last February. The Somatic Cell Adjustment rate for February was $0.00114.

February producer receipts of 1.30 billion pounds were 1.9 percent lower than January and 5.0 percent lower than February 2013 production of 1.37 billion pounds. Producer milk allocated to Class I accounted for 38.7 percent of the total producer milk in February 2014, lower than the 42.8 percent in January, and more than the 37.2 percent in February 2013. A total of 5,984 producers were pooled on the Mideast Order compared to 6,092 producers pooled in February 2013.

The market average content of producer milk was as follows: Butterfat 3.86%; Protein 3.18%; Other Solids 5.71% and Nonfat Solids 8.89%.

U.S. Milk Production Up Slightly for February on Small Herd Expansion; Higher U.S. Milk Production and Foreign Competition Will Temper Price Increases

The most recent USDA *World Agricultural Supply and Demand Estimates* report raised the 2013/14 season-average price of corn to \$4.20-\$4.80 per bushel. Higher expected exports lie behind the price rise; global trade and strong export sales support increased U.S. corn exports. Similarly, a higher export forecast for soybean meal supports the advance in prices from January to \$425-\$465 per ton. The outlook for forages appears steady, as January preliminary alfalfa prices are reported in January *Agricultural Prices* at \$185 a ton, down from \$187 in December and well below the January 2013 price. For 2014 as a whole, feed prices should be lower than last year.

The February dairy cow forecast is raised fractionally from January to 9.255 million head. Sharply higher year-over-year springer prices, combined with flat heifer calf prices, suggest some short-term herd expansion—though there may be caution on the part of producers toward a longer term expansion. Expected feed and milk prices will push the calculated milk-feed price ratio to the highest in several years. These factors combined support a modest expansion in the second half of 2014. Milk yield is unchanged from January at 22,230 pounds per cow. However, year over- year, milk yield is expected to increase by 1.9 percent from 2013. On balance, year-over-year milk production is forecast up about 2 percent to 205.7 billion pounds for February.

Milk-equivalent imports for 2014 are unchanged from January on a both fats and skims-solids basis at 3.7 billion and 5.2 billion pounds, respectively. Fats basis exports were raised 300 million pounds from January to 11.5 billion pounds for February, largely on continued strong movement of cheese and butter. In contrast, skims-solids exports were lowered 300 million pounds to 38.2 billion pounds on the basis of slower lactose exports. Overall, global demand for dairy products is expected to remain strong; however, increased production in competitor countries, most notably EU countries, could limit U.S. exports later in 2014. Much of the increased foreign production will be products that compete directly with U.S. products.

Fats-basis ending stocks are raised slightly for February to 11.9 billion pounds. Strong demand should tighten inventories early this year, while increased production, both foreign and domestic, will result in higher inventories by the end of 2014. Skims-solids ending stocks are unchanged from January as continued robust international demand for nonfat dry milk (NDM) and skim milk powder (SMP) will keep inventories in line despite higher production.

Yearly product prices for cheese, butter, and whey are projected slightly higher for February based on year-to-date price strength. However, higher milk production will likely lead to somewhat lower prices in the second half of 2014. The cheese price is forecast at \$1.815-\$1.885 per pound, up from last month. Butter prices are projected to average \$1.550-\$1.650 per pound. Butter supplies are expected to remain relatively plentiful. Similar logic underlies the raise in whey prices to 56.0- 59.0 cents per pound. NDM prices were lowered this month to \$1.785-\$1.845 per pound. Although export demand for powders remains strong, increased world supplies will likely pressure prices.

The Class IV price is forecast at \$19.80-\$20.60 per cwt; a decrease from January based on lower forecast prices in the powder market. The Class III price is raised from last month's forecast to \$18.35-\$19.05 per cwt as cheese and whey price forecasts are increased for February. The all milk price is forecast at \$20.85-\$21.55 per cwt, an increase from January.

Source: Livestock, Dairy, and Poultry Outlook/LDP-M-236/Feb 14, 2014 Economic Research Service, USDA

Bulletin WebPage Edition

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Featured this month are:

- Mailbox Prices
- Producer Price Differential & Uniform Price Statistics
- Grain & Alfalfa Hay Prices

Weighted Averages - Butterfat, Protein, Other Solids, Somatic Cell Count by State

Federal Order No. 33

	January 2014						January 2013				
			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	1,573	579,556	3.84	3.18	5.71	163	724,255	3.79	3.15	5.76	160
Ohio	1,895	354,761	3.94	3.21	5.68	202	377,780	3.90	3.17	5.74	204
Indiana	1,018	166,915	3.89	3.22	5.76	199	192,991	3.89	3.16	5.76	195
Pennsylvania	952	99,431	4.00	3.18	5.69	236	95,950	3.95	3.17	5.71	244
New York	284	59,091	3.99	3.17	5.71	190	95,971	3.86	3.14	5.74	192
Wisconsin	62	40,084	3.88	3.15	5.72	237	36,474	3.79	3.15	5.77	243
West Virginia	45	3,027	4.26	3.33	5.70	270	2,263	4.09	3.23	5.73	257
Other	165	19,175	3.86	3.19	5.71	213	7,118	3.99	3.17	5.72	222
Total/Average *	5,994	1,322,038	3.89	3.19	5.71	188	1,532,802	3.84	3.15	5.75	185

* 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

February 2014

	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)*	1,968,018	727,032	37.0	$1.07	$24.42
FO 5	Appalachian - *(Charlotte)*	430,396	299,185	69.5	[2/]	25.38
FO 6	Florida - *(Tampa)*	230,328	194,381	84.4	[2/]	27.24
FO 7	Southeast - *(Atlanta)*	429,113	316,539	73.8	[2/]	25.81
FO 30	Upper Midwest - *(Chicago)*	2,291,119	289,043	12.6	0.07	23.42
FO 32	Central - *(Kansas City)*	1,099,408	381,820	34.7	(0.14)	23.21
FO 33	**Mideast - *(Cleveland)***	**1,296,733**	**501,544**	**38.7**	**0.02**	**23.37**
FO 124	Pacific Northwest - *(Seattle)*	440,338	160,809	36.5	(0.13)	23.22
FO 126	Southwest - *(Dallas)*	640,118	351,431	54.9	0.67	24.02
FO 131	Arizona - *(Phoenix)*	390,466	101,076	25.9	[2/]	23.84

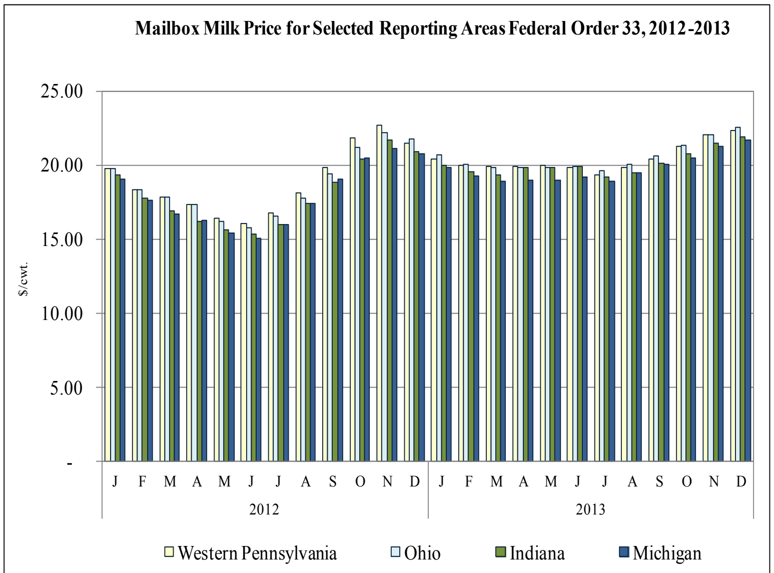
[1/] Names in parentheses are principal points of markets.

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

MINIMUM PARTIAL PAYMENT PRICE FOR MARCH 2014..........................$23.35 /cwt.

Mideast Market Administrator's
Bulletin
Supplement
Federal Order No. 33 March 2014

MAILBOX MILK PRICES FOR AREAS IN MIDEAST MARKETING AREA 1/

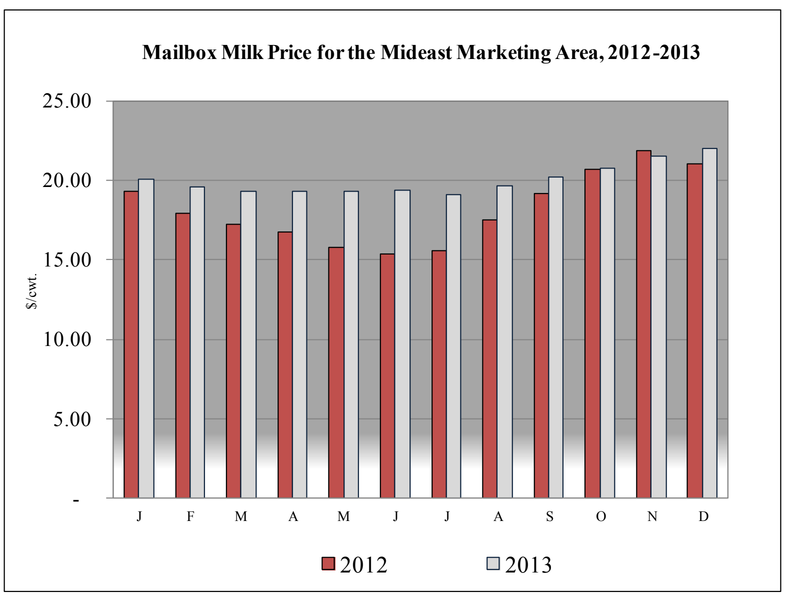


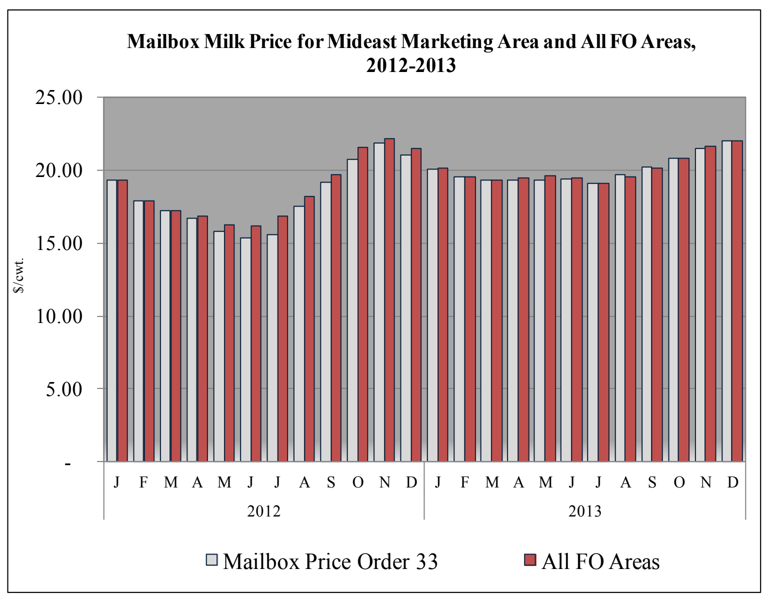
Mailbox price is the net pay price received by dairy farmers for milk. The data includes all payments received for milk sold, and all costs associated with marketing the milk. The mailbox price is a weighted average for the reporting area at the average butterfat test. Mailbox price does not include any Milk Income Loss Contract (MILC) payments.

The information is shown for those areas where at least 75 percent of the milk was marketed under Federal Orders. Mailbox prices include milk not-pooled due to unusual price relationships.

Western Pennsylvania includes the counties of Warren, Elk, Clearfield, Indiana, Westmoreland and Fayette, and all those counties west of these.

FEDERAL ORDER 33 MAILBOX PRICE STATISTICS



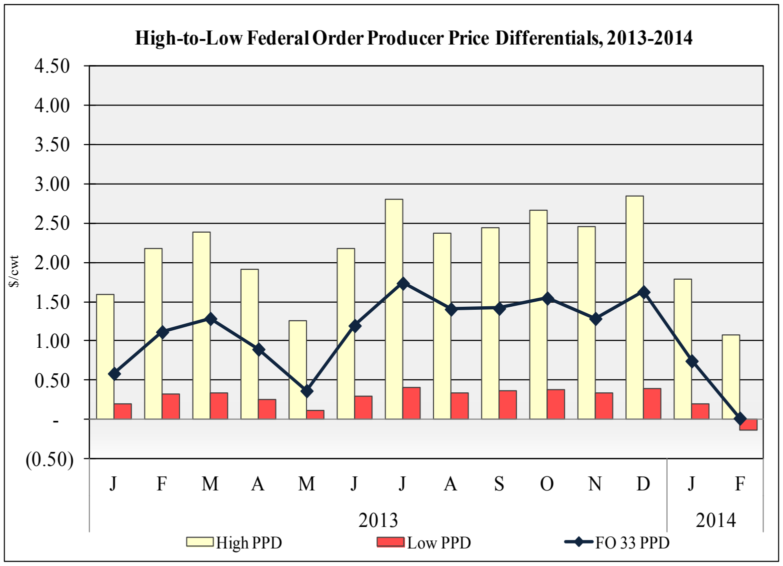


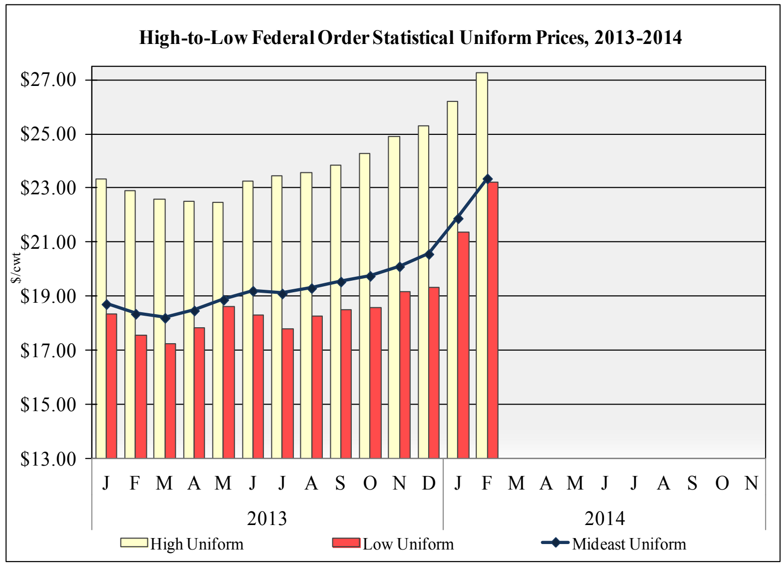
The net pay price received by dairy farmers located in states pooled on Federal Order 33 was $21.99 per hundredweight for December 2013. The December mailbox price is $0.46 higher than the mailbox price for November 2013. The December mailbox price is $0.93 higher than the December 2012 mailbox price of $21.06 per cwt.

For December 2013 the net pay price received by dairy farmers located in states pooled on Federal Order 33 was $0.05 per cwt lower than the average mailbox price for all Federal Orders, as reported by Dairy Market News. For December the all Federal Order mailbox price was $22.04 per hundredweight, $0.54 higher than December 2012.

1/ Mailbox prices are generally released by Dairy Market News on the 10th of the third following month (January data in April).

PRODUCER PRICE DIFFERENTIAL AND UNIFORM PRICE STATISTICS 2/ 3/





Producers in Orders 1, 30, 32, 33, 124, and 126 are paid based on component pricing.

Of those orders, Federal Order 1 traditionally has the highest producer price differential. For February 2014, Federal Order 1 had a PPD of $1.07 per hundredweight (cwt), $0.71 lower than their January PPD of $1.78 per cwt.

In February 2014 Federal Order 33 had the fourth highest PPD, behind Orders 1, 30, and 126, at $0.02 per cwt, $0.73 per cwt lower than the January PPD.

For February 2014 Federal Order 32 had the lowest PPD at -$0.14 per cwt, $0.54 per lower than the January PPD.

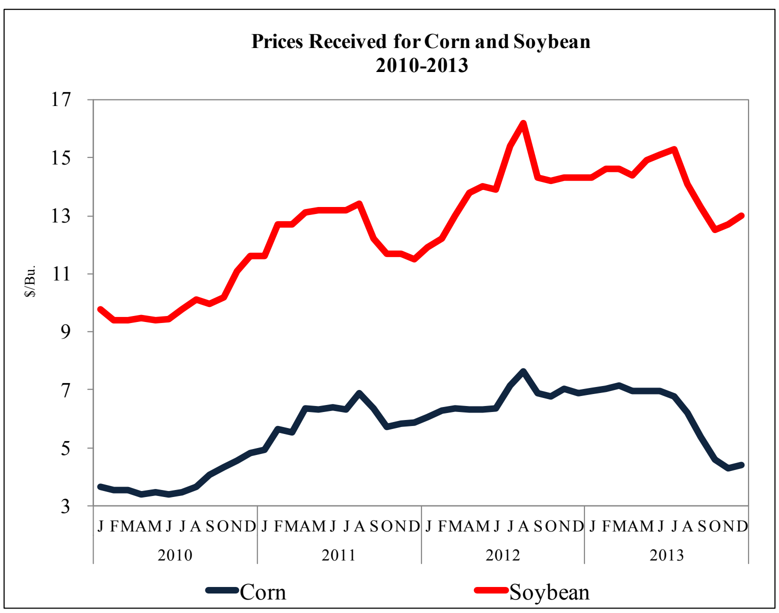
Producers in Orders 1, 30, 32, 33, 124, and 126 are paid based on component pricing; and producers in 5, 6, 7 and 131 are paid based on skim-fat pricing. The table above details the range of statistical uniform prices (SUP) paid to producers.

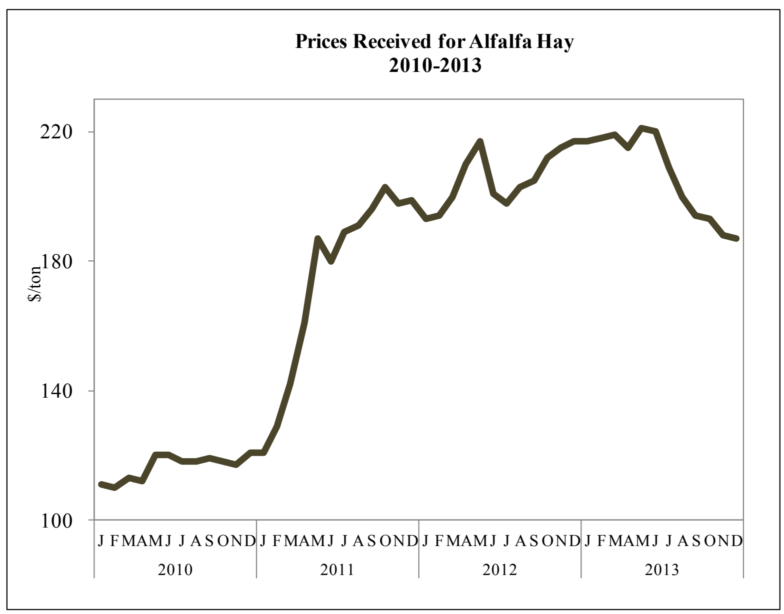
Of those orders, Federal Order 6 (Florida) traditionally has the highest statistical uniform price. For February 2014, Federal Order 6 had a SUP of $27.24 per cwt, $1.06 higher than the previous month's SUP.

Federal Order 33 had a SUP of $23.37 per cwt, $1.47 per cwt higher than the previous month's SUP.

The Central Order had the lowest SUP at $23.21 per cwt, $1.66 per cwt higher than the previous month's SUP.

PRICES RECEIVED FOR GRAIN AND ALFALFA HAY 4/





2/ Producer price differentials are subject to location adjustment.

3/ Statistical uniform prices are at 3.5 percent butterfat and subject to location adjustment.

4/ Source: USDA, National Agricultural Statistics Service