Mideast Market Administrator's

Bulletin

Federal Order No. 33

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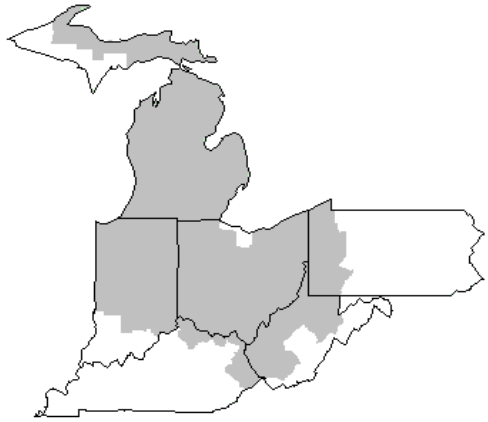
October 2014



Exports Weaken Across the Board As Imports Move Upward; Prices Still Favor Expansion

The 2014/15 price forecast for corn was lowered from the August projection to $3.20-$3.80 per bushel. Yield forecasts were raised for September to a record 171.7 bushels per acre, and the 2014/15 production forecast tops the 2013/14 record production estimate. The 2014/15 soybean and soybean product prices forecasts are lowered with this month's forecasts. Soybean meal price is lowered to $330-$370 per ton based on higher forecast soybean and soybean meal production. The August Agricultural Prices report places the preliminary August price for alfalfa hay at $209 per ton, down slightly from last month and slightly higher than the reported August 2013 price of $199 per ton. On balance, feed prices continue to moderate, and the milk-feed price ratio indicates incentive for expansion in milk production.

The 2014 herd size forecast is unchanged in September at 9.26 million head. Cow numbers are forecast to expand to 9.34 million head next year, an unchanged forecast from August. Yield per cow is increased in this month's forecast to 22,275 pounds for 2014. Yield per cow is forecast at 22,760 pounds per cow in 2015, unchanged from last month, but a year-over-year rise. Milk production for the current year is raised slightly in September from the August forecast to 206.3 billion pounds on higher yield per cow. July milk production was reported at 3.9 percent over a year earlier and higher year-over-year production is expected to continue for the balance of 2014. The production forecast for 2015 is unchanged from August at 212.5 billion pounds.

World dairy product prices continue to decline and are below domestic prices, that and continued strengthening of the dollar versus the Euro and Oceania countries' currencies lead to an increase in dairy imports and a drop in exports. Milk and dairy product production in the European Union (EU) continues to expand with deliveries up 5 percent year-over-year in the first half of 2014. New Zealand's milk production is expected to increase with the seasonal flush in October. Higher global milk supplies are expected to pressure prices for the balance of 2014 and into 2015. Milk-equivalent fat-basis imports for 2014 are raised this month to 4.1 billion pounds. Similarly, milk-equivalent imports on a skim-solids basis are increased from August to 5.3 billion pounds this year. Next year's imports were also increased from August to 3.8 billion pounds on a fat basis and to 5.2 billion pounds on a skim-solids basis. Milk-equivalent exports are lowered for both 2014 and 2015. Current-year fat-basis exports are lowered to 12.6 billion pounds mostly on lower expected cheese and butter exports. Current-year skim-solids exports are lowered to 39.8 billion pounds based on lower expected exports of whey, lactose and skim milk powder (SMP). For next year, fat and skim-solids basis exports are lowered to 11.5 billion pounds and to 38.5 billion pounds respectively based on greater global competition.

Current-year-forecast fat-basis ending stocks are lowered to 10.5 billion pounds. Year-to-date butter stocks have been trailing 2013 levels. The August Cold Storage report placed July butter stocks at their lowest level since 2001. Cheese monthly ending stocks have trailed 2013 levels year-to-data with the Report showing July monthly ending stocks at their lowest in level since 2009. Projected 2014 skim solids ending stocks are unchanged from August. The September Dairy Products report showed July total nonfat dry milk (NDM) stocks spiked to a monthly record high as exports declined. For 2015, skim-solids stocks are forecast higher than last month at 12.6 billion pounds as NDM supplies are expected to remain relatively high in the face of lower export forecasts. Fat basis stocks are unchanged from August for 2015 at 12.0 billion pounds as domestic demand is expected to absorb available supplies.

(continued on Page 3)

September 2014 Pool Summary

Classification of Producer Milk

	Pounds	Percent
Class I	526,568,570	35.9
Class II	215,684,208	14.7
Class III	534,992,591	36.4
Class IV	191,380,131	13.0
Total	1,468,625,500	100.0

Producer Prices

Producer Price Differential	$ 0.47	/ cwt
Butterfat Price	3.2467	/ lb
Protein Price	3.4991	/ lb
Other Solids Price	0.4876	/ lb
Somatic Cell Adjustment Rate	0.00117	/ cwt
Statistical Uniform Price	25.07	/ cwt

ANNOUNCEMENT OF PRODUCER PRICES
Federal Order No. 33

September 2014

COMPUTATION OF PRODUCER PRICE DIFFERENTIAL

	POUNDS	BUTTERFAT	SKIM / PROTEIN	NONFAT SOLIDS	OTHER SOLIDS	PRICE	VALUE
Class I Skim Value			517,379,350			$ 16.56 / cwt	$ 85,678,020.35
Class I Butterfat		9,189,220				2.7573 / lb	25,337,436.29
Class I Location Differential	526,568,570						(219,709.31)
Class II SNF Value				18,327,075		1.6956 / lb	31,075,388.36
Class II Butterfat		15,188,418				3.2537 / lb	49,418,555.64
Class III Protein Value			16,601,233			3.4991 / lb	58,089,374.38
Class III Other Solids Value					30,678,070	0.4876 / lb	14,958,626.93
Class III Butterfat		19,177,628				3.2467 / lb	62,264,004.83
Class IV SNF Value				16,578,520		1.2910 / lb	21,402,869.32
Class IV Butterfat		10,482,185				3.2467 / lb	34,032,510.05
Somatic Cell Value II / III / IV							1,599,697.69
TOTAL PRODUCER MILK VALUE	1,468,625,500	54,037,451	45,359,198		84,055,086		$ 383,636,774.53
Overages					17,042.09		
Beginning Inventory & OS Charges					70,056.84		
TOTAL ADJUSTMENTS							$ 87,098.93
TOTAL HANDLER OBLIGATIONS							$ 383,723,873.46
Total Protein Value			45,359,198 lbs	@	$3.4991		$(158,716,369.69)
Total Other Solids Value			84,055,086 lbs	@	0.4876		(40,985,259.92)
Butterfat Value			54,037,451 lbs	@	3.2467		(175,443,392.16)
Total Somatic Cell Values							(2,478,425.36)
TOTALS							$ 6,100,426.33
Net Producer Location Adjustments							$ 881,147.51
1/2 Unobligated Balance Producer Settlement Fund							654,000.00
Total - Divided by Total Pounds			1,468,625,500 lbs		0.5199129		$ 7,635,573.84
Rate of Cash Reserve					(0.0499129)		(733,033.58)
PRODUCER PRICE DIFFERENTIAL *at Cuyahoga County, OH**			1,468,625,500		**$ 0.47 /cwt**		$ 6,902,540.26

COMPONENT PRICES

	September 2014	September 2013**
Butterfat Price	$3.2467 / lb	$1.5196 / lb
Protein Price	3.4991 / lb	3.5419 / lb
Other Solids Price	0.4876 / lb	0.3914 / lb
Somatic Cell Adjustment Rate	0.00117 / cwt	0.00090 / cwt
Nonfat Solids Price	1.2910 / lb	1.6243 / lb

COMPUTATION OF UNIFORM PRICE

	September 2014	September 2013
Class III Price - 3.5% BF	$ 24.60	$18.14
Producer Price Differential*	0.47	1.42
Statistical Uniform Price	$25.07	$19.56

CLASS PRICES

	September 2014	September 2013
Class I*	$25.63	$21.16
Class II	26.11	19.78
Class III	24.60	18.14
Class IV	22.58	19.43

* Subject to Location Adjustment.
** Equivalent Prices, computed pursuant to 7 CFR, §1000.54.

CLASSIFICATION OF PRODUCER MILK

	September 2014 *Product lbs.*	September 2013 *Product lbs.*
Class I	526,568,570	530,305,204
Class II	215,684,208	200,123,422
Class III	534,992,591	453,647,901
Class IV	191,380,131	115,444,062
Total	1,468,625,500	1,299,520,589

ORDER 33 MARKET SUMMARY

The Producer Price Differential for the Mideast Marketing Area for September 2014 was $0.47 and the Statistical Uniform Price was $25.07 for the month. The Statistical Uniform Price is $0.87 higher than last month, and is $5.51 higher than September 2013.

The Producer Butterfat Price of $3.2467 per pound increased $0.4019 from August and is up $1.7271 from a year ago. The Protein Price of $3.4991 is up 0.3495 cents from last month and is down $0.0428 from September 2013. The Other Solids Price in September was $0.4876 per pound, a decrease from last month's price of $0.5036 and $0.0962 higher than last September. The Somatic Cell Adjustment rate for September was $0.00117.

September producer receipts of 1.469 billion pounds were 0.9 percent higher than August and 13.0 percent higher than September 2013 production of 1.300 billion pounds. Producer milk allocated to Class I accounted for 35.9 percent of the total producer milk in September 2014, higher than the 35.4 percent in August, and less than the 40.8 percent in September 2013. A total of 5,961 producers were pooled on the Mideast Order compared to 6,344 producers pooled in September 2013.

The market average content of producer milk was as follows: Butterfat 3.68%; Protein 3.09%; Other Solids 5.72% and Nonfat Solids 8.81%.

(continued from Front Page)

Current-year prices for cheese and butter are raised this month. The whey price is unchanged and NDM prices are sharply lower. Cheese and butter prices are raised sharply as demand remains firm, and stocks of both products are tight. The 2014 cheese price is projected at $2.135-$2.155 per pound, and butter is raised to $2.170-$2.210 per pound. NDM prices for 2014 are lowered this month to $1.775-$1.795 per pound as export forecasts are lowered and stocks build. Whey is forecast at 64.0-66.0 cents per pound, unchanged from August. In 2015, cheese and butter prices are raised from August forecasts. Cheese prices next year are forecast at $1.690-$1.790 per pound, and the butter price is forecast at $1.675-$1.805 per pound. NDM prices for 2015 are lowered from August forecasts, on a year-over year basis, to $1.565-$1.635 per pound as exports are expected to face stiff competition. Likewise, the 2015 whey price forecasts are lowered this month to 56.0-59.0 cents per pound based on reduced skim-solids exports.

The Class III price forecast is raised this month for 2014 to $22.15-$22.35 per cwt and is raised slightly in September from August to $17.20-$18.20 per cwt for 2015. The Class IV price for 2014 is projected lower this month at $22.30-$22.60 per cwt and is also lowered to $18.45-$19.55 per cwt for next year. Similarly, the 2014 all-milk price is raised this month to $23.80-$24.00 per cwt, slipping to $19.40-$20.40 next year.

Source: *Livestock, Dairy, and Poultry Outlook*/LDP-M-243/Sept. 17, 2014 Economic Research Service, USDA.

August Milk Production Up 2.6 Percent

Milk production in the 23 major States during August totaled 16.2 billion pounds, up 2.6 percent from August 2013. July revised production, at 16.4 billion pounds, was up 4.0 percent from July 2013. The July revision represented a decrease of 0.1 percent or 1 million pounds from last month's preliminary production estimate.

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 2.5 billion pounds, up 80 million pounds or 3.3 percent from August 2013.

Production per cow in the Mideast states averaged 1,851 pounds for August. This was an increase of 51 pounds from August 2013.

The number of cows on farms in the Mideast states was 1.4 million head, 7,000 head more than August 2013.

August 2014 Dairy Products Highlights

Total cheese output (excluding cottage cheese) was 940 million pounds, 0.9 percent above August 2013 but 1.7 percent below July 2014.

Italian type cheese production totaled 399 million pounds, 4.5 percent above August 2013 but 2.5 percent below July 2014.

American type cheese production totaled 374 million pounds, 2.0 percent below August 2013 and 1.3 percent below July 2014.

Butter production was 131 million pounds, 2.4 percent below August 2013 and 4.3 percent below July 2014.

Dry milk powders (comparisons with August 2013)

- Nonfat dry milk, human - 118 million pounds, up 11.6 percent.
- Skim milk powders - 53.7 million pounds, down 2.5 percent.

Whey products (comparisons with August 2013)

- Dry whey, total - 69.7 million pounds, down 8.0 percent.
- Lactose, human and animal - 99.3 million pounds, up 14.9 percent.
- Whey protein concentrate, total - 45.4 million pounds, up 15.1 percent.

Frozen products (comparisons with August 2013)

- Ice cream, regular (hard) - 65.9 million gallons, down 9.2 percent.
- Ice cream, lowfat (total) - 37.2 million gallons, down 3.9 percent.
- Sherbet (hard) - 3.17 million gallons, down 13.9 percent.
- Frozen yogurt (total) - 5.39 million gallons, down 19.0 percent.

Bulletin WebPage Edition

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Featured this month are:

- Producer Milk Classification
- Statistical Uniform Price
- Class and Component Prices
- National Product Prices

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

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State	August 2014 Number of Producers	August 2014 Pounds of Milk (000)	August 2014 Weighted Averages Butterfat	Protein	Other Solids	SCC (000)	August 2013 Pounds of Milk (000)	August 2013 Weighted Averages Butterfat	Protein	Other Solids	SCC (000)
Michigan	1,546	670,385	3.61	3.04	5.74	181	650,008	3.60	3.01	5.75	190
Ohio	2,006	356,785	3.65	3.04	5.68	223	343,756	3.70	3.03	5.71	247
Indiana	981	166,942	3.65	3.05	5.79	232	166,092	3.65	3.01	5.75	240
Pennsylvania	876	95,494	3.71	3.04	5.70	269	101,017	3.71	3.03	5.70	287
New York	278	91,628	3.70	3.02	5.76	214	95,174	3.73	3.02	5.74	219
Wisconsin	79	57,792	3.67	3.06	5.75	276	48,466	3.65	3.04	5.78	240
West Virginia	41	2,635	3.81	3.16	5.66	301	3,294	3.77	3.12	5.68	339
Other	194	14,395	3.7	3.04	5.72	251	9,763	3.76	3.06	5.70	276
Total/Average *	6,001	1,456,056	3.64	3.04	5.73	210	1,417,569	3.65	3.02	5.74	221

* 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

September 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)*	2,071,811	760,224	36.7	$1.56	$26.16
FO 5	Appalachian - *(Charlotte)*	447,362	327,412	73.2	[2/]	27.23
FO 6	Florida - *(Tampa)*	219,125	190,319	86.9	[2/]	29.29
FO 7	Southeast - *(Atlanta)*	396,099	325,260	82.1	[2/]	27.86
FO 30	Upper Midwest - *(Chicago)*	2,820,207	304,973	10.8	0.16	24.76
FO 32	Central - *(Kansas City)*	1,250,163	409,878	32.8	0.23	24.83
FO 33	**Mideast - *(Cleveland)***	**1,468,626**	**526,569**	**35.9**	**0.47**	**25.07**
FO 124	Pacific Northwest - *(Seattle)*	716,980	171,217	23.9	(0.30)	24.30
FO 126	Southwest - *(Dallas)*	1,133,878	369,670	32.6	1.20	25.80
FO 131	Arizona - *(Phoenix)*	340,308	107,683	31.6	[2/]	24.91

[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 2014 ....$22.58 /cwt.

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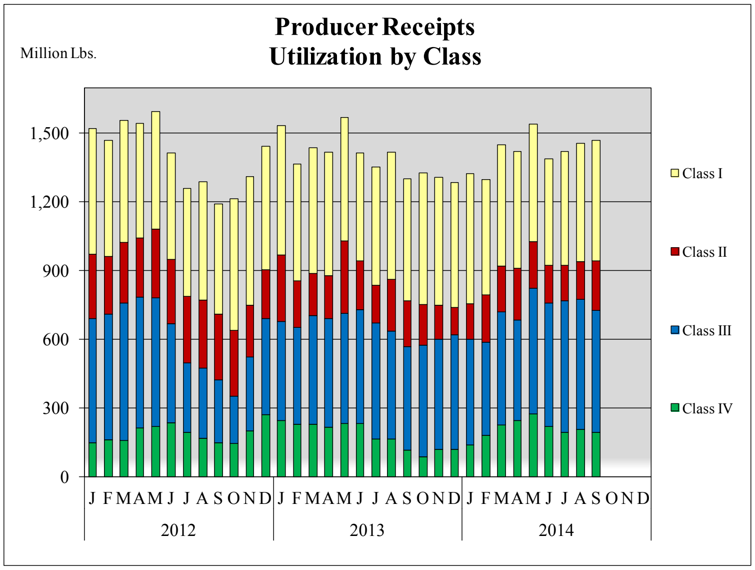
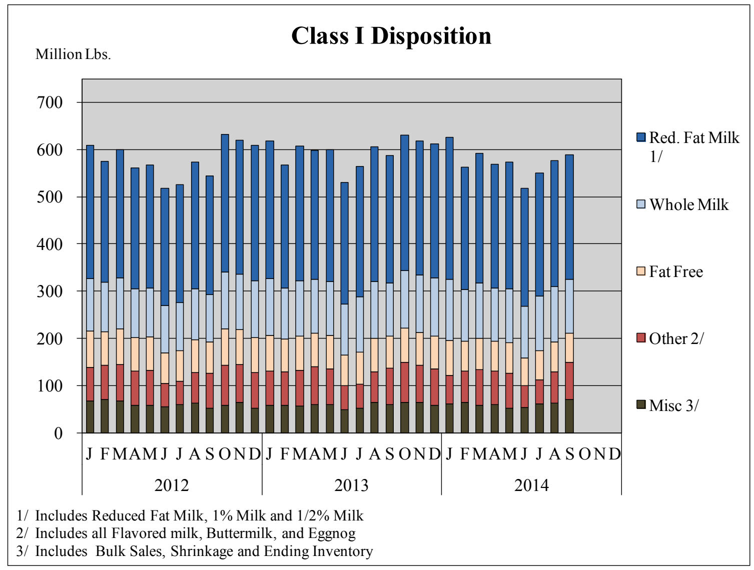
Bulletin
Supplement

Federal Order No. 33 **October 2014**

PRODUCER MILK CLASSIFICATION

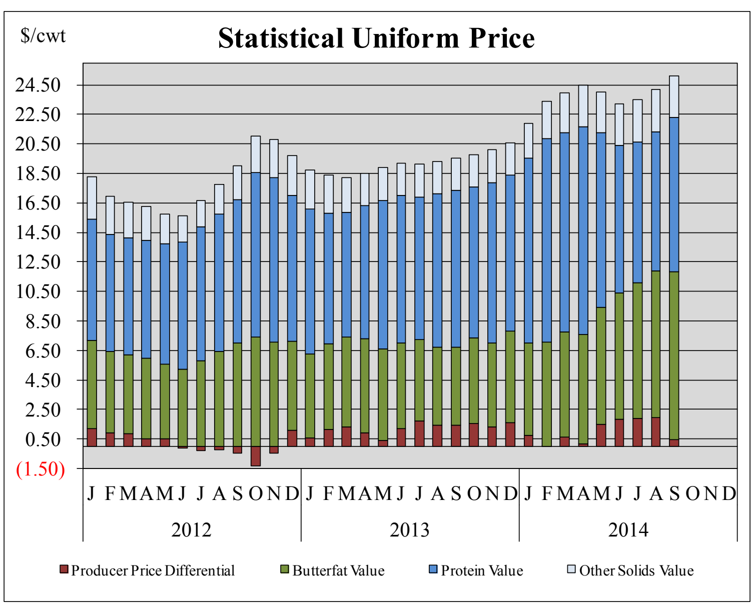


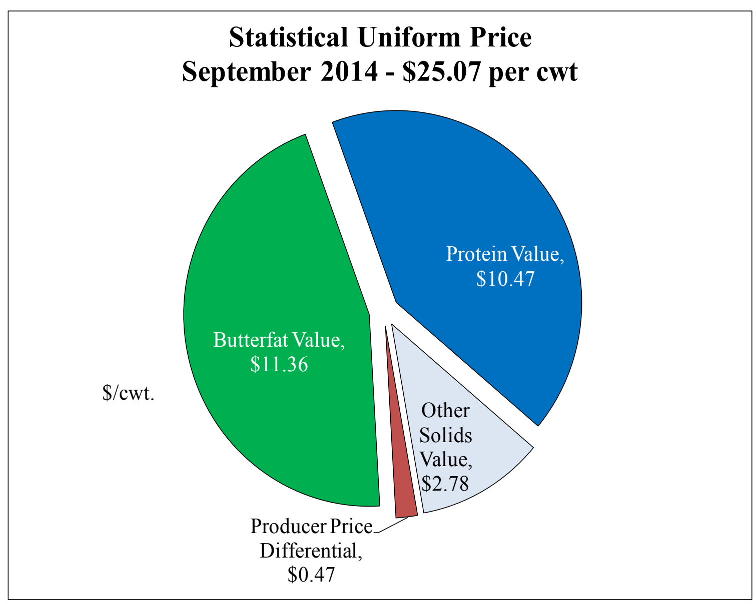


<u>Producer Receipts:</u> Producer receipts for the Mideast Order totaled 1.469 billion pounds in September 2014. The pounds allocated to Class I represented 35.9 percent of the total pounds. Producer receipts increased 12.4 million pounds compared to August 2014, and were up 169.1 million pounds from the prior year.

<u>Class I Pounds:</u> Class I Disposition for the Mideast Order totaled 588 million pounds in September 2014, up 2 million pounds from September 2013. Finished products include 114 million pounds used for whole milk, 263 million pounds of reduced fat and low fat milk, and 62 million pounds of fat free (skim) milk.

STATISTICAL UNIFORM PRICE

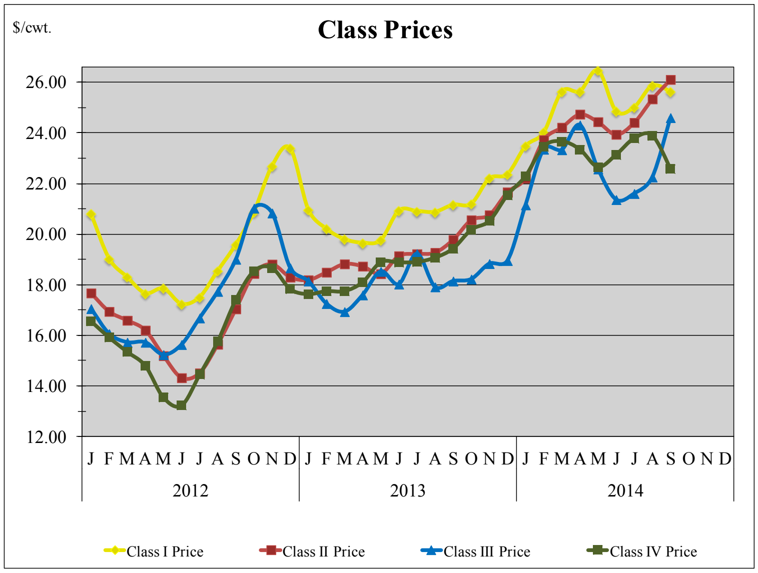


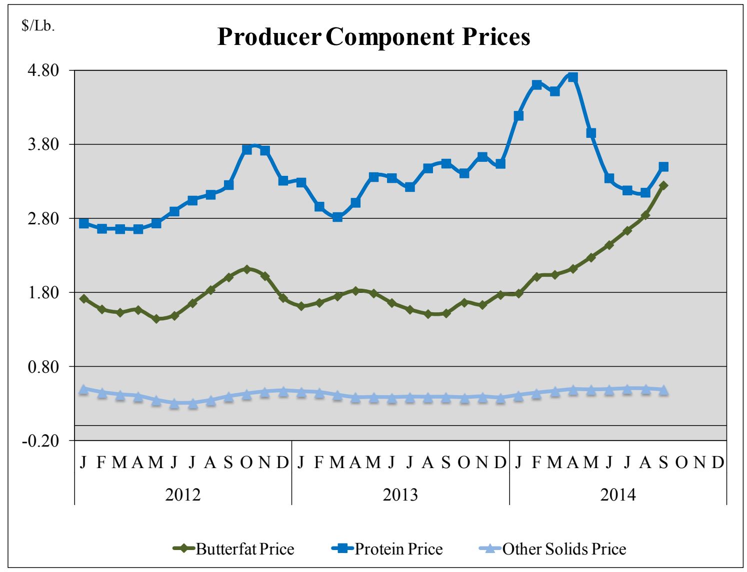


<u>Statistical Uniform Price:</u> The Mideast Federal Order Statistical Uniform Price (SUP) at Cuyahoga County, OH was $25.07 per cwt for September 2014. The September 2014 SUP was $5.51 per cwt higher than the September 2013 SUP. The September 2014 SUP is $0.87 per cwt higher than the August 2014 SUP.

<u>September 2014 Statistical Uniform Price</u>: Using the Class III Price formula at 3.5% BF, the component values for the September 2014 SUP are: $10.47 per cwt for protein, $11.36 per cwt for butterfat and $2.78 per cwt for other solids. Also included in the SUP is the $0.47 per cwt producer price differential. (May not add to total due to rounding.)

CLASS AND COMPONENT PRICES





WEIGHTED AVERAGE NATIONAL PRODUCT PRICES