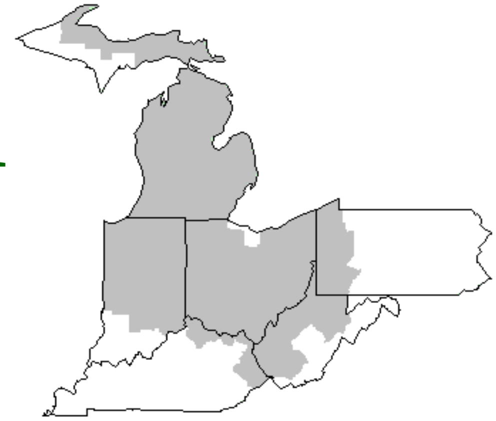
Mideast Market Administrator's

Bulletin



Federal Order No. 33
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March 2015

The 2014 Dairy Situation

Milk production in 2014 was 206.0 billion pounds, a 2.4-percent increase over 2013. This was the highest rate of growth since 2006. Two years of relatively high all-milk prices, averaging $20.05 per cwt in 2013 and $23.98 per cwt in 2014, and moderating feed prices in 2014 provided market signals for the robust gain in milk production. The average milk-feed ratio for 2014 was 2.54, the highest level since 2007.

Strength in dairy demand from both domestic and foreign markets contributed to relatively high milk prices. In 2014, domestic commercial disappearance grew by 2.3 percent year-over-year on a milk-fat milk-equivalent basis (the highest growth rate since 2005) and by 1.3 percent on a skim-solids milk-equivalent basis. Commercial exports reached records of 12.5 billion pounds on a milk-fat basis (6.1 percent of milk production) and 39.2 billion pounds on a skim-solids basis (19.0 percent of milk production).

The increase in commercial exports was uneven throughout 2014, with year-over year gains in the first half and reductions in the second half. As the year progressed, U.S. dairy product prices became less competitive with prices of foreign competitors.

Recent Developments in Dairy Markets

Recent data indicate higher milk cow numbers but lower milk production per cow than previously expected. Milk cows for the fourth quarter of 2014 totaled 9,284 thousand head, 4 thousand more than expected last month. USDA's Cattle report indicates continued herd expansion, with milk cows totaling 9,307 thousand head as of January 1, 2014, a 1-percent increase over the previous year. Dairy heifers totaled 4,615 thousand head, also a 1-percent increase, with 2,997 thousand expected to calve during the year.

Milk per cow for the fourth quarter of 2014 was 5,487 pounds, 3 pounds less than expected last month. Drought in California, the State with the largest milk production, appears to have had an impact on milk production late in the year. California's December milk production was 0.1 percent less than it was in December 2013.

The nonfat dry milk (NDM) price, as reported in the National Dairy Products Sales Report (NDPSR), declined from $1.14 per pound for the week ending January 3 to $0.97 per pound for the week ending January 31. The NDM price rebounded to $1.02 per pound for the week ending February 7. Weakness in export demand for NDM and skim milk powder (SMP), most notably from China, played a significant role in the price decrease. In December 2014, China's world imports of NDM and SMP were 32.6 million pounds, a substantial reduction from 77.4 million pounds in December 2013. As export demand for NDM and SMP has fallen, U.S. NDM stocks have risen, reaching 247.4 million pounds at the end of 2014.

Spot butter prices on the Chicago Mercantile Exchange (CME) rose rapidly in the last few days of January through the first few days of February, reaching an average price of $1.81 per pound for the week ending February 6. Butter prices reported in the NDSPR are expected to rise since they are correlated with CME butter prices with a 1-week lag. Low butter stocks have undoubtedly played a role in the butter price increase. Butter stocks fell to 98.6 million at the end of 2014.

A combination of recent dry weather and low farm gate milk prices are reportedly affecting milk production in New Zealand. Although USDA forecasts assume a return to normal weather patterns,1 New Zealand milk production in future months may be lower than previously expected since milk-production response often lags changes in weather conditions.

(Continued on Page 3)

February 2015 - Pool Summary

Classification of Producer Milk

	Pounds	*Percent*
Class I	493,758,866	31.4
Class II	303,881,918	19.3
Class III	512,034,988	32.6
Class IV	261,124,097	16.7
Total	1,570,799,869	100.0

Producer Prices

Producer Price Differential	$ 0.31	/ cwt
Butterfat Price	1.8296	/ lb
Protein Price	2.4051	/ lb
Other Solids Price	0.3273	/ lb
Somatic Cell Adjustment Rate	0.00077	/ cwt
Statistical Uniform Price	15.77	/ cwt

ANNOUNCEMENT OF PRODUCER PRICES

Federal Order No. 33

February 2015

COMPUTATION OF PRODUCER PRICE DIFFERENTIAL

	POUNDS	BUTTERFAT	SKIM / PROTEIN	NONFAT SOLIDS	OTHER SOLIDS	PRICE	VALUE
Class I Skim Value			484,704,325			$12.76 / cwt	$ 61,848,271.90
Class I Butterfat		9,054,541				1.6919 / lb	15,319,377.93
Class I Location Differential	493,758,866						(196,729.19)
Class II SNF Value				26,568,994		0.9267 / lb	24,621,486.74
Class II Butterfat		17,185,369				1.8366 / lb	31,562,648.74
Class III Protein Value			16,202,003			2.4051 / lb	38,967,437.42
Class III Other Solids Value					29,354,289	0.3273 / lb	9,607,658.80
Class III Butterfat		20,031,396				1.8296 / lb	36,649,442.11
Class IV SNF Value				22,908,101		0.8544 / lb	19,572,681.53
Class IV Butterfat		14,204,776				1.8296 / lb	25,989,058.17
Somatic Cell Value II / III / IV							1,383,406.87
TOTAL PRODUCER MILK VALUE	1,570,799,869	60,476,082	49,808,307		90,128,212		$ 265,324,741.02
Overages					80,593.98		
Beginning Inventory & OS Charges					99,820.73		
TOTAL ADJUSTMENTS							$ 180,414.71
TOTAL HANDLER OBLIGATIONS							$ 265,505,155.73
Total Protein Value			49,808,307 lbs	@	$2.4051		$ (119,793,959.16)
Total Other Solids Value			90,128,212 lbs	@	0.3273		(29,498,963.81)
Butterfat Value			60,476,082 lbs	@	1.8296		(110,647,039.62)
Total Somatic Cell Values							(2,002,314.71)
TOTALS							$ 3,562,878.43
Net Producer Location Adjustments							$ 1,224,192.82
1/2 Unobligated Balance Producer Settlement Fund							764,000.00
Total - Divided by Total Pounds			1,570,799,869 lbs		0.3533914		$ 5,551,071.25
Rate of Cash Reserve					(0.0433914)		(681,592.05)
PRODUCER PRICE DIFFERENTIAL at Cuyahoga County, OH*			1,570,799,869		**$ 0.31 /cwt**		$ 4,869,479.20

COMPONENT PRICES

	February 2015	February 2014
Butterfat Price	$1.8296 / lb	$2.0109 / lb
Protein Price	2.4051 / lb	4.6044 / lb
Other Solids Price	0.3273 / lb	0.4453 / lb
Somatic Cell Adjustment Rate	0.00077 / cwt	0.00114 / cwt
Nonfat Solids Price	0.8544 / lb	1.8914 / lb

COMPUTATION OF UNIFORM PRICE

	February 2015	February 2014
Class III Price - 3.5% BF	$ 15.46	$23.35
Producer Price Differential*	0.31	0.02
Statistical Uniform Price	$15.77	$23.37

CLASS PRICES

	February 2015	February 2014
Class I*	$18.24	$24.02
Class II	14.48	23.73
Class III	15.46	23.35
Class IV	13.82	23.46

* Subject to Location Adjustment.

CLASSIFICATION OF PRODUCER MILK

	February 2015 *Product lbs.*	February 2014 *Product lbs.*
Class I	493,758,866	501,543,892
Class II	303,881,918	209,635,058
Class III	512,034,988	406,265,916
Class IV	261,124,097	179,288,294
Total	1,570,799,869	1,296,733,160

ORDER 33 MARKET SUMMARY

The Producer Price Differential for the Mideast Marketing Area for February 2015 was $0.31 and the Statistical Uniform Price was $15.77 for the month. The Statistical Uniform Price is $0.90 lower than last month, and is $7.60 lower than February 2014.

The Producer Butterfat Price of $1.8296 per pound increased $0.1441 from January and is down $0.1813 from a year ago. The Protein Price of $2.4051 is down $0.2680 from last month and is down $2.1993 from February 2014. The Other Solids Price in February was $0.3273 per pound, a decrease from last month's price of $0.4001 and $0.1180 lower than last February. The Somatic Cell Adjustment rate for February was $0.00077.

February producer receipts of 1.571 billion pounds were 7.0 percent lower than January and 21.1 percent higher than February 2014 production of 1.297 billion pounds. Producer milk allocated to Class I accounted for 31.4 percent of the total producer milk in February 2015, lower than the 33.1 percent in January, and less than the 38.7 percent in February 2014. A total of 5,715 producers were pooled on the Mideast Order compared to 5,984 producers pooled in February 2014.

The market average content of producer milk was as follows: Butterfat 3.85%; Protein 3.17%; Other Solids 5.74% and Nonfat Solids 8.91%.

(Continued from Front Page)

Given higher than expected milk cow numbers as of January 1, 2015, the forecast for 2015 cow numbers has been raised to 9,320 thousand head, an increase of 5 thousand head from last month's forecast. With lower milk per cow than expected for the fourth quarter of 2014, lower projected milk prices, and noticeable effects of drought in California, the milk per cow forecast for 2015 has been lowered to 22,690 pounds, 40 pounds less than forecast last month. Milk production for 2015 is forecast at 211.5 billion pounds, a year-over-year increase of 2.7 percent but 0.2 billion pounds less than forecast last month.

With the recent rise in CME butter prices and relatively low butter stock levels, butter price forecasts for 2015 have been raised to $1.655-$1.755 per pound. With substantial recent declines in the NDM prices and relatively high NDM stock levels, NDM price forecasts for 2015 have been lowered to $1.185-$1.245 per pound. The annual cheese price has been narrowed from last month's forecast to $1.595-$1.665 per pound. The dry whey price forecast for 2015 is raised to 56-59 cents per pound based upon recent strength in NDPSR prices and exports of whey products.

The Class IV forecast for 2015 has been lowered to $15.10-$15.90 per cwt as lower NDM prices are expected to more than offset higher butter prices. The Class III forecast has been raised to $16.30-$17.00 per cwt based upon higher expected whey prices. The all-milk price for 2015 is forecast at $17.40-$18.10 per cwt, a reduction from last month's forecast of $17.75-$18.55 per cwt.

Based upon strength of whey-product exports in recent months, lower forecasts of domestic NDM prices, and recent drought conditions in New Zealand, the 2015 forecast for commercial exports on a skim-solids basis has been raised to 38.0 billion pounds, 0.4 billion pounds more than forecast last month. Forecasts for 2015 imports on a milk-fat basis have been raised by 0.2 billion pounds based on recent strength of cheese imports.

Source: *Livestock, Dairy, and Poultry Outlook*/LDP-M-248/Feb. 17, 2015

January Milk Production Up 2.1 Percent

Milk production in the 23 major States during January totaled 16.5 billion pounds, up 2.1 percent from January 2014. December revised production at 16.3 billion pounds, was up 3.4 percent from December 2013. The December revision represented an increase of 14 million pounds or 0.1 percent from last month's preliminary production estimate.

Production per cow in the 23 major States averaged 1,918 pounds for January, 17 pounds above January 2014. This is the highest production per cow for the month of January since the 23 State series began in 2003.

The number of milk cows on farms in the 23 major States was 8.62 million head, 103,000 head more than January 2014, and 8,000 head more than December 2014.

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 December totaled 2.6 billion pounds, up 142 million pounds or 5.8 percent from January 2014.

Production per cow in the Mideast states averaged 1,884 pounds for January, 70 pounds more January 2014.

The number of cows on farms in the Mideast states was 1.4 million head, 25,000 head more than January 2014.

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 2015							January 2014				
			-----------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	1,515	776,937	3.78	3.16	5.74	209	579,556	3.84	3.18	5.71	163
Ohio	1,967	420,609	3.87	3.17	5.70	198	354,761	3.94	3.21	5.68	202
Indiana	974	210,810	3.87	3.21	5.82	263	166,915	3.89	3.22	5.76	199
New York	270	99,505	3.92	3.15	5.74	173	59,091	3.99	3.17	5.71	190
Pennsylvania	834	97,434	3.98	3.16	5.71	234	99,431	4.00	3.18	5.69	236
Wisconsin	90	66,640	3.80	3.14	5.73	282	40,084	3.88	3.15	5.72	237
West Virginia	42	2,813	4.17	3.29	5.69	250	3,027	4.26	3.33	5.70	270
Other	151	13,971	3.95	3.19	5.75	205	19,175	3.86	3.19	5.71	213
Total/Average *	5,843	1,688,719	3.84	3.17	5.74	215	1,322,038	3.89	3.19	5.71	188

* 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 2015

	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)*	2,016,022	700,779	34.8	$1.20	$16.66
FO 5	Appalachian - *(Charlotte)*	440,260	314,160	71.4	[2/]	18.55
FO 6	Florida - *(Tampa)*	225,469	191,182	84.8	[2/]	20.84
FO 7	Southeast - *(Atlanta)*	414,126	318,625	76.9	[2/]	19.24
FO 30	Upper Midwest - *(Chicago)*	2,910,976	280,963	9.6	0.18	15.64
FO 32	Central - *(Kansas City)*	1,291,557	388,303	30.0	0.32	15.78
FO 33	**Mideast - *(Cleveland)***	**1,570,800**	**493,759**	**31.4**	**0.31**	**15.77**
FO 124	Pacific Northwest - *(Seattle)*	455,830	152,317	33.4	(0.04)	15.42
FO 126	Southwest - *(Dallas)*	1,174,493	340,176	29.0	1.18	16.64
FO 131	Arizona - *(Phoenix)*	383,083	101,299	26.4	[2/]	15.56

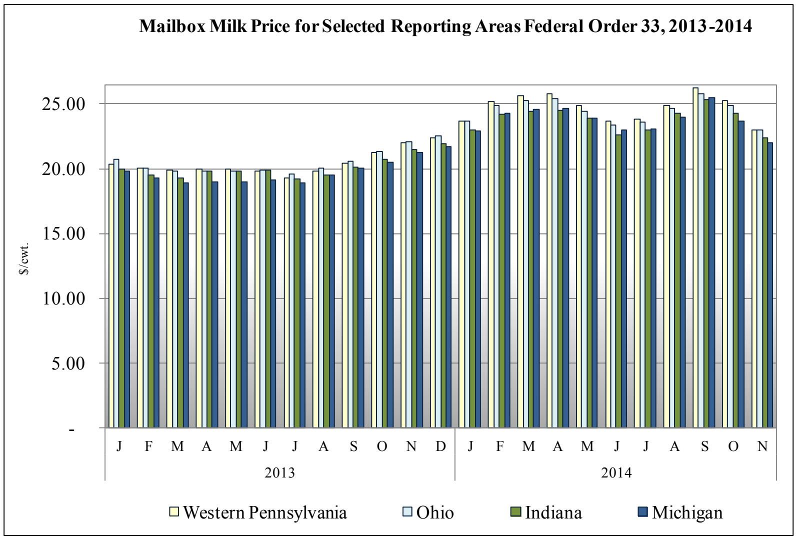
[1/] Names in parentheses are principal points of markets.

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

MINIMUM PARTIAL PAYMENT PRICE FOR MARCH 2015.........................$13.82 /cwt.

Mideast Market Administrator's
Bulletin
Supplement
Federal Order No. 33 March 2015

MAILBOX MILK PRICES FOR AREAS IN MIDEAST MARKETING AREA 1/

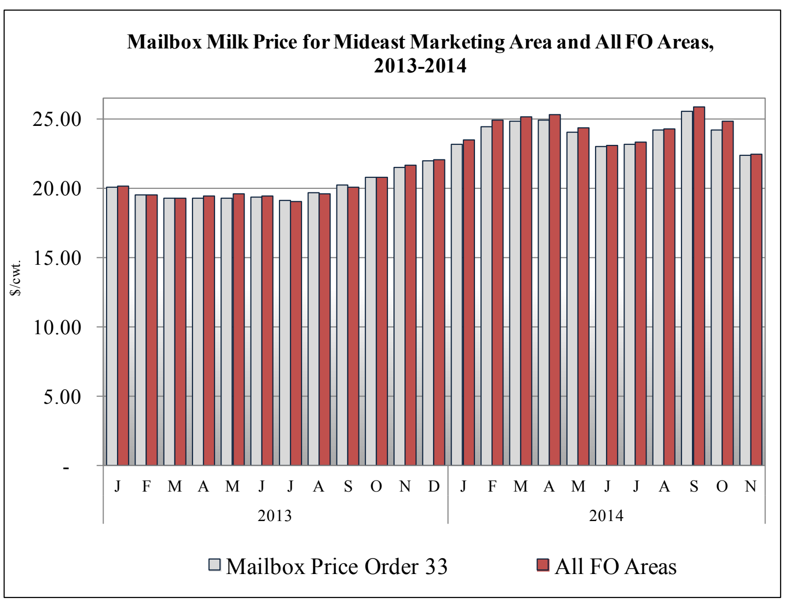


Mailbox price is the net pay price received by dairy farmers for milk. The data includes all payments received for milk sold, and all costs associated with marketing the milk. The mailbox price is a weighted average for the reporting area at the average butterfat test. Mailbox price does not include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

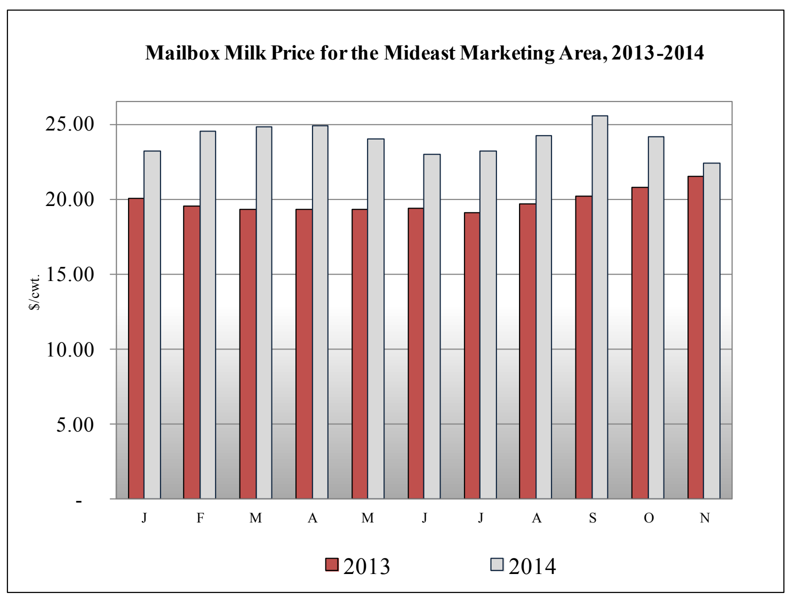
The information is shown for those areas where at least 75 percent of the milk was marketed under Federal Orders. Mailbox prices include milk not-pooled due to unusual price relationships.

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



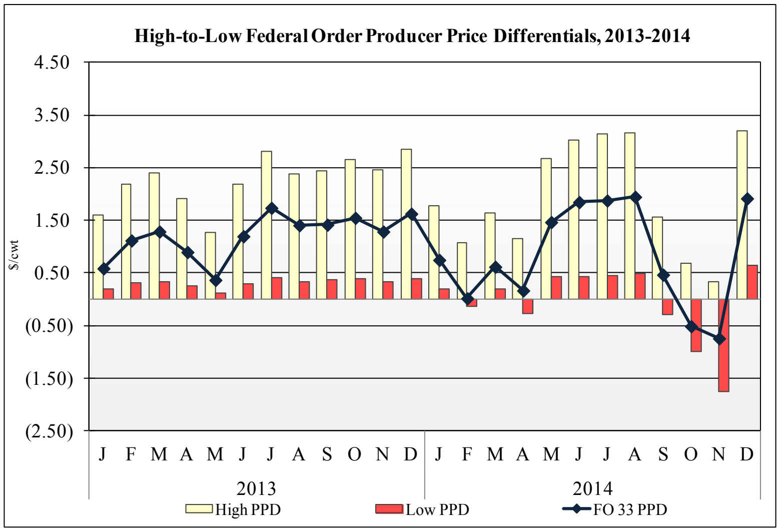
The net pay price received by dairy farmers located in states pooled on Federal Order 33 was $22.38 per hundredweight for November 2014. The November mailbox price is $1.81 lower than the mailbox price for October 2014. The November mailbox price is $0.85 higher than the November 2013 mailbox price of $21.53 per cwt.

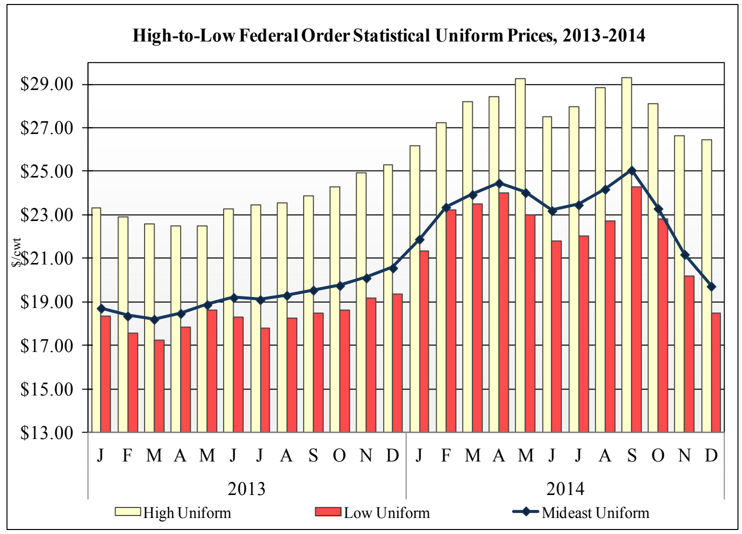


For November 2014 the net pay price received by dairy farmers located in states pooled on Federal Order 33 was $0.08 below the average mailbox price for all Federal Orders, as reported by Dairy Market News. For November 2014, the all Federal Order mailbox price was $22.46 per hundredweight, $0.81 higher than November 2013.

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 had the highest producer price differential. For December 2014, Federal Order 1 had a PPD of $3.20 per hundredweight (cwt), $2.88 higher than their November PPD of $0.32 per cwt.

In December 2014 Federal Order 33 had the third highest PPD, with a 1.92 per cwt, $2.66 per cwt higher than the November PPD.

For December 2014 Federal Order 30 had the lowest PPD at $0.65 per cwt, $0.84 per higher than the November PPD.

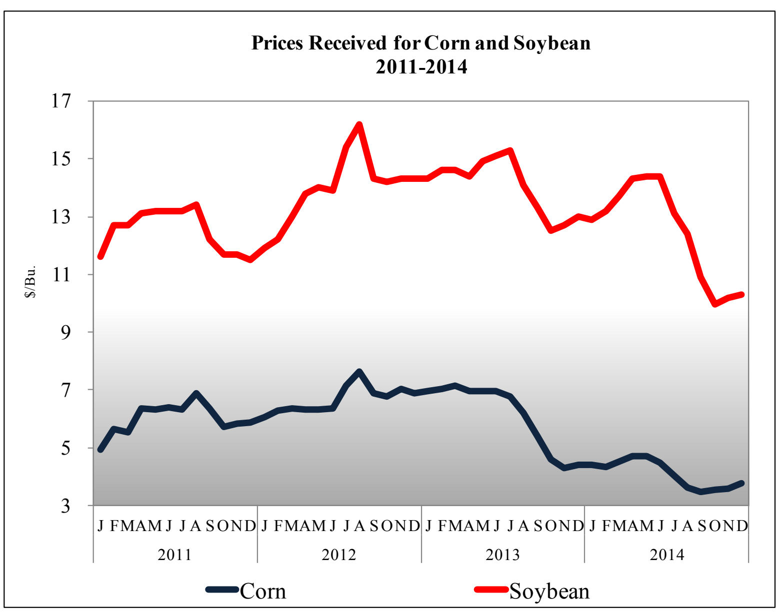
Producers in Orders 1, 30, 32, 33, 124, and 126 are paid based on component pricing; and producers in 5, 6, 7 and 131 are paid based on skim-fat pricing. The table above details the range of statistical uniform prices (SUP) paid to producers.

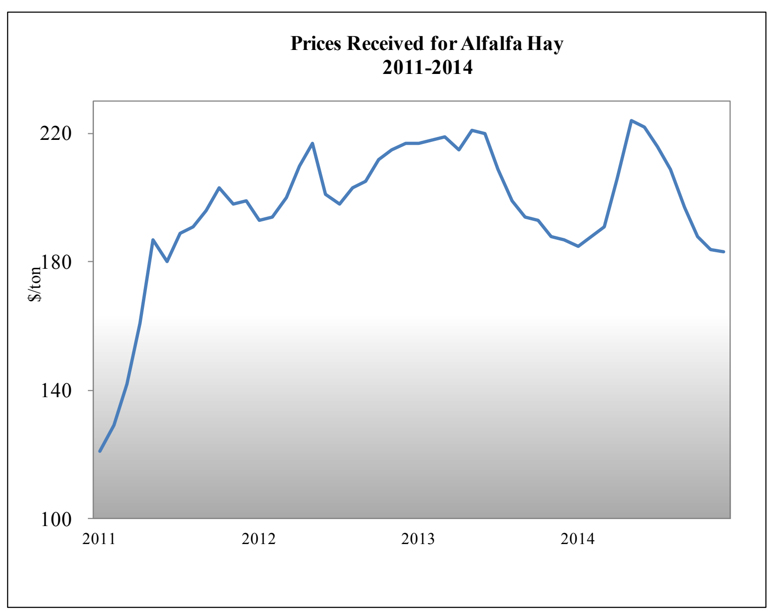
Of those orders, Federal Order 6 (Florida) traditionally has the highest statistical uniform price. For December 2014, Federal Order 6 had a SUP of $26.45 per cwt, $0.19 lower than the previous month's SUP.

Federal Order 33 had a SUP of $19.74 per cwt, $1.46 per cwt lower than the previous month's SUP.

The Upper Midwest order had the lowest SUP at $18.47 per cwt, $3.28 per cwt lower 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