Mideast Market Administrator's

Bulletin

Federal Order No. 33

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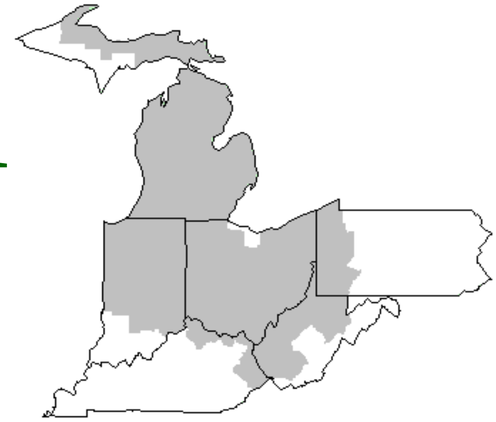
MARCH 2021



Recap of the 2020 Dairy Situation

2020 was a year of unprecedented volatility in U.S. dairy markets. Weekly average wholesale Cheddar cheese prices (as reported in the USDA National Dairy Products Sales Report) followed a roller coaster pattern. Prices ranged from the lowest prices since 2009 (when the Great Recession had negative effects on global dairy product demand) to record highs. Prices for 40-pound blocks ranged from $1.1349 to $2.7723 per pound, and prices for 500-pound barrels (adjusted to 38-percent moisture) ranged from $1.0736 to $2.4908 per pound. Although not as variable as the Cheddar cheese prices, the range of wholesale butter prices was also wide, from a low of $1.1229 to a high of $1.9789 per pound. Wholesale prices for nonfat dry milk (NDM) and dry whey were less variable, ranging from $0.8398 to $1.2579 and from $0.3114 to $0.4267 per pound, respectively.

With high wholesale cheese prices for much of the year, the Class III price was considerably higher than the Class IV price for several months. In July, the Class III-IV gap reached a record high of $10.78 per hundredweight (cwt) and a near-record high of $10.04 in November. Class I is usually the highest priced class, but in 4 months of the year, the Class III price exceeded the weighted-average Class I price for all Federal Milk Marketing Orders (FMMOs) combined. FMMO statistical uniform prices (commonly called blend prices) are usually higher than Class III prices, but for 6 months of the year, the Class III price exceeded the weighted-average blend price for all FMMOs combined. As a result, many milk handlers chose not to pool significant volumes of Class III milk. For milk that was not pooled but would have normally been pooled as Class III milk, the high price of cheese was still likely reflected in the milk price that dairy farmers were paid in the marketplace. The 2020 all-milk price ranged from a low of $13.60 per cwt in May to a high of $21.30 in November. It averaged $18.32 per cwt in 2020, $0.31 lower than the average of $18.63 in 2019.

The unusual price patterns of 2020 can be explained in terms of pandemic effects and responses of the industry and the Government to those effects. The pandemic resulted in relatively low domestic demand for dairy products due to financial hardships for some Americans and the shift from consumption at foodservice establishments to at-home consumption. The shift brought about logistical and packaging problems in the spring, causing supply-chain bottlenecks. At the same time, farm milk production was reaching its peak season.

In April, substantial quantities of milk from various parts of the country were not processed. Much of this milk was spread on fields or poured into manure lagoons. USDA does not have a complete accounting of this unprocessed milk, but such milk priced and pooled on FMMOs falls within the broader regulatory category of milk in “other uses,” which includes milk "that is dumped, used for animal feed, destroyed, or lost by a handler in a vehicular accident, flood, fire, or similar occurrence beyond the handler's control" (7 CFR §1000.40 (e)).

Livestock, Dairy, and Poultry Outlook, LDP-M-320, February 16, 2021 USDA, Economic Research Service

January Milk Production Up 1.8 Percent

Milk production in the 24 major States during January totaled 18.3 billion pounds, up 1.8 percent from January 2020. December revised production at 18.0 billion pounds, was up 2.6 percent from December 2019. The December revision represented a decrease of 74 million pounds or 0.4 percent from last month’s preliminary production estimate.

Production per cow in the 24 major States averaged 2,049 pounds for January, 15 pounds above January 2020.

The number of milk cows on farms in the 24 major States was 8.93 million head, 92,000 head more than January 2020, and 6,000 head more than December 2020.

The Mideast Marketing Area has four states represented in the 24 major states used above. They are Indiana, Michigan, Ohio, and Pennsylvania. Milk production in these Mideast states during January totaled 2.7 billion pounds, up 93 million pounds or 3.5 percent from January 2020.

Production per cow in the Mideast states averaged 1,999 pounds for January, 21 pounds more January 2020.

The number of cows on farms in the Mideast states was 1.4 million head, 30,000 head less than January 2020.

February 2021 Pool Summary

Classification of Producer Milk

	Pounds	*Percent*
Class I	532,400,723	41.5
Class II	297,368,726	23.2
Class III	194,886,563	15.2
Class IV	257,810,271	20.1
Total	1,282,466,283	100.0

Producer Prices

Producer Price Differential	$ (0.84)	/ cwt
Butterfat Price	1.4376	/ lb
Protein Price	2.9816	/ lb
Other Solids Price	0.3161	/ lb
Somatic Cell Adjustment Rate	0.00080	/ cwt
Statistical Uniform Price	14.91	/ cwt

ANNOUNCEMENT OF PRODUCER PRICES

Federal Order No. 33

FEBRUARY 2021

COMPUTATION OF PRODUCER PRICE DIFFERENTIAL

	POUNDS	BUTTERFAT	SKIM / PROTEIN	NONFAT SOLIDS	OTHER SOLIDS	PRICE	VALUE
Class I Skim Value			520,993,934			$12.37 / cwt	$ 64,446,949.63
Class I Butterfat		11,406,789				1.6004/ lb	18,255,425.11
Class I Location Differential	532,400,723						(330,892.76)
Class II SNF Value				26,313,094		1.0300/ lb	27,102,486.82
Class II Butterfat		18,485,408				1.4446/ lb	26,704,020.41
Class III Protein Value			6,279,020			2.9816/ lb	18,721,526.04
Class III Other Solids Value					11,193,164	0.3161/ lb	3,538,159.13
Class III Butterfat		9,246,778				1.4376/ lb	13,293,168.04
Class IV SNF Value				23,084,205		0.9391/ lb	21,678,376.95
Class IV Butterfat		12,939,494				1.4376/ lb	18,601,816.58
Somatic Cell Value II / III / IV							1,115,788.99
TOTAL PRODUCER MILK VALUE	1,282,466,283	52,078,469	41,833,589		74,208,135		$ 213,126,824.94
Overages					43,290.86		
Beginning Inventory & OS Charges					(11,166.57)		
TOTAL ADJUSTMENTS							$ 32,124.29
TOTAL HANDLER OBLIGATIONS							$ 213,158,949.23

Total Protein Value	41,833,589 lbs	@	$2.9816		$ (124,731,028.97)
Total Other Solids Value	74,208,135 lbs	@	0.3161		(23,457,191.50)
Butterfat Value	52,078,469 lbs	@	1.4376		(74,868,007.06)
Total Somatic Cell Values					(1,920,836.08)
TOTALS					$ (11,818,114.38)
Net Producer Location Adjustments					$ 853,044.65
1/2 Unobligated Balance Producer Settlement Fund					706,000.00
Total - Divided by Total Pounds	1,282,466,283 lbs		(0.7999485)		$ (10,259,069.73)
Rate of Cash Reserve			(0.0400515)		(513,646.98)
PRODUCER PRICE DIFFERENTIAL *at Cuyahoga County, OH**	1,282,466,283		$	(0.84)/ cwt	$ (20,772,716.71)

COMPONENT PRICES

February	2021	2020
Butterfat Price	$1.4376 / lb	$1.9813 / lb
Protein Price	2.9816 / lb	3.0309 / lb
Other Solids Price	0.3161 / lb	0.1750 / lb
Somatic Cell Adjustment Rate	0.00080 / cwt	0.00089 / cwt
Nonfat Solids Price [2]	0.9391 / lb	1.0667 / lb

COMPUTATION OF UNIFORM PRICE

February	2021	2020
Class III Price - 3.5% BF	$15.75	$17.00
Producer Price Differential*	(0.84)	0.27
Statistical Uniform Price	$14.91	$17.27

CLASS PRICES

February	2021	2020
Class I*	$17.54	$19.55
Class II	14.00	16.84
Class III	15.75	17.00
Class IV	13.19	16.20

[1] Subject to Location Adjustment.
[2] Producers are not paid on this component.

CLASSIFICATION OF PRODUCER MILK

February	2021	2020
	Product lbs.	*Product lbs.*
Class I	532,400,723	524,673,391
Class II	297,368,726	352,647,485
Class III	194,886,563	522,661,277
Class IV	257,810,271	273,601,783
Total	1,282,466,283	1,703,583,936

ORDER 33 MARKET SUMMARY

The Producer Price Differential for the Mideast Marketing Area for February 2021 was -$0.84 and the Statistical Uniform Price was $14.91 for the month. The Statistical Uniform Price is $0.05 lower than last month, and is $2.36 lower than February 2020.

The Producer Butterfat Price of $1.4376 per pound decreased $0.1165 from January and is down $0.5437 from a year ago. The Protein Price of $2.9816 is down $0.0539 from last month and is down $0.0493 from February 2020. The Other Solids Price in February was $0.3161 per pound, an increase from last month's price of $0.2682 and $0.1411 higher than last February. The Somatic Cell Adjustment rate for February was $0.00080 per cwt.

February producer receipts of 1.28 billion pounds were 8.8 percent lower than January and 24.7 percent lower than February 2020 production of 1.70 billion pounds. Producer milk allocated to Class I accounted for 41.5 percent of the total producer milk in February 2021, higher than the 41.1 percent in January, and higher than the 30.8 percent in February 2020. A total of 3,666 producers were pooled on the Mideast Order compared to 4,023 producers pooled in February 2020.

The market average content of producer milk was as follows: Butterfat 4.06%; Protein 3.26%; Other Solids 5.79% and Nonfat Solids 9.05%.

January 2021 Highlights

Total cheese output (excluding cottage cheese) was 1.12 billion pounds, 0.5 percent above January 2020 but 1.2 percent below December 2020.

Italian type cheese production totaled 481 million pounds, 0.8 percent below January 2020 and 0.7 percent below December 2020.

American type cheese production totaled 459 million pounds, 5.0 percent above January 2020 but 0.8 percent below December 2020.

Butter production was 207 million pounds, 7.0 percent above January 2020 and 0.3 percent above December 2020.

Dry milk products (comparisons in percentage with January 2020)
Nonfat dry milk, human - 197 million pounds, up 11.7 percent.
Skim milk powder – 36.9 million pounds, down 8.0 percent.

Whey products (comparisons in percentage with January 2020)
Dry whey, total – 83.9 million pounds, down 0.4 percent.
Lactose, human and animal – 94.3 million pounds, up 7.5 percent.
Whey protein concentrate, total – 44.7 million pounds, up 6.6 percent.

Frozen products (comparisons in percentage with January 2020)
Ice cream, regular (hard) – 55.8 million gallons, up 6.9 percent.
Ice cream, lowfat (total) – 32.1 million gallons, up 3.8 percent.
Sherbet (hard) - 2.71 million gallons, up 5.1 percent.
Frozen yogurt (total) – 3.62 million gallons, down 10.2 percent.

Released March 4, 2021, by the National Agricultural Statistics Service (NASS), Agricultural Statistics Board, United States Department of Agriculture (USDA).

Dairy Forecasts for 2021

Based on recent data, the milk production forecast for 2021 has been raised to 227.4 billion pounds, 0.7 billion higher than last month's forecast. Milk cows are projected to average 9.435 million head, 5,000 higher than last month's forecast.

Milk cow numbers are expected to decline from the first quarter to the third quarter due to relatively low milk prices, relatively high feed prices, and a relatively low number of replacement heifers. Milk per cow is projected to average 24,100 per head in 2021, 5 pounds more than the previous forecast.

Based on recent price changes, relatively high beginning stock levels, and higher expected milk production, 2021 price forecasts for Cheddar cheese and butter have been lowered to $1.695 per pound (-4.5 cents) and $1.455 per pound (-15.0 cents), respectively. Based on recent price changes, the price forecast for NDM has been raised by 2.5 cents to $1.125 per pound. With higher expected exports of whey products and recent price increases, the dry whey price forecast has been raised by 3.0 cents to $0.480 per pound. Since prices for NDM and dry whey are heavily dependent upon exports, price increases may be limited by high shipping costs and delays related to container shortages.

With the lower expected cheese price more than offsetting the higher expected dry whey price, the Class III price forecast for 2020 has been lowered by $0.30 to $16.60 per cwt. With the lower expected butter price more than offsetting the higher expected NDM price, the Class IV price has been lowered by $0.40 to $13.70 per cwt. The all-milk price forecast for 2021 has been lowered to $17.15 per cwt, $0.50 lower than last month's forecast.

Source: *Livestock, Dairy, and Poultry Outlook,* LDP-M-320, February 16, 2021 USDA, Economic Research Service

Bulletin WebPage Edition
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Featured this month are:

- 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 2021							January 2020				
			-----------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	904	654,139	4.00	3.26	5.79	149	900,493	3.94	3.21	5.79	157
Ohio	1,273	316,869	4.02	3.24	5.75	164	411,569	4.01	3.19	5.72	170
Indiana	602	273,040	3.99	3.21	5.76	154	236,441	3.94	3.18	5.79	166
Pennsylvania	607	70,724	4.07	3.16	5.64	220	86,222	4.03	3.14	5.66	194
New York	128	67,970	4.22	3.34	5.87	172	89,242	4.04	3.22	5.85	169
Other	182	23,200	4.05	3.21	5.78	175	21,086	3.95	3.13	5.74	204
Total/Average *	3,696	1,405,942	4.02	3.25	5.78	159	1,745,054	3.96	3.20	5.77	164

* 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.

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FEDERAL ORDER DATA
February 2021

	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*)	2,101,476	652,242	31.0	$0.05	$15.80
FO 5	Appalachian - (*Charlotte*)	425,807	306,761	72.0	[2/]	17.56
FO 6	Florida - (*Tampa*)	196,128	161,090	82.1	[2/]	19.54
FO 7	Southeast - (*Atlanta*)	355,112	253,450	71.4	[2/]	17.72
FO 30	Upper Midwest - (*Chicago*)	898,374	200,772	22.3	(0.90)	14.85
FO 32	Central - (*Kansas City*)	873,799	377,068	43.2	(1.38)	14.37
FO 33	**Mideast - (*Cleveland*)**	**1,282,466**	**532,401**	**41.5**	**(0.84)**	**14.91**
FO 51	California (*Los Angeles*)	1,836,770	389,555	21.2	(1.76)	13.99
FO 124	Pacific Northwest - (*Seattle*)	562,750	129,470	23.0	(1.32)	14.43
FO 126	Southwest - (*Dallas*)	941,056	301,645	32.1	(1.11)	14.64
FO 131	Arizona - (*Phoenix*)	318,698	94,827	29.8	[2/]	14.69

[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.
[3/] Data not available at time of publication, please see website version for information.

MINIMUM PARTIAL PAYMENT PRICE FOR MARCH 2021...........................$13.19 /cwt.

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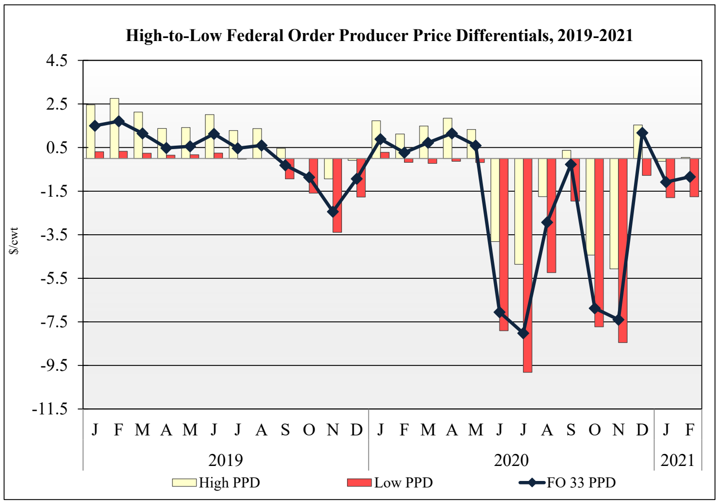
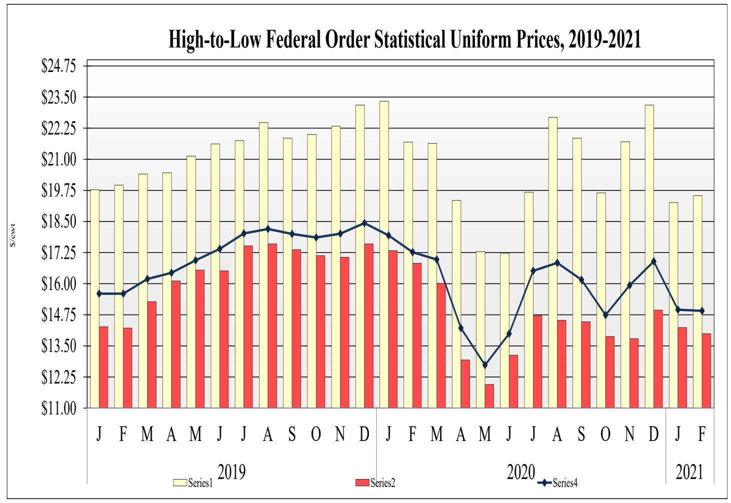
PRODUCER PRICE DIFFERENTIAL AND UNIFORM PRICE STATISTICS 2/ 3/





Producers in Orders 1, 30, 32, 33, 51, 124, and 126 are paid based on component pricing.

Of those orders, Federal Order 1 traditionally has the highest producer price differential. For February 2021 Federal Order 1 had a PPD of $0.05 per hundredweight (cwt), $0.18 higher than their January PPD of $ -0.13 per cwt.

In February 2021, Federal Order 33 had the second highest PPD, behind Order 1 at $-0.84 per cwt, $0.24 per cwt higher than the January PPD.

For February 2021, Federal Order 51 had the lowest PPD at $-1.76 per cwt, $0.04 per cwt higher than the January PPD.

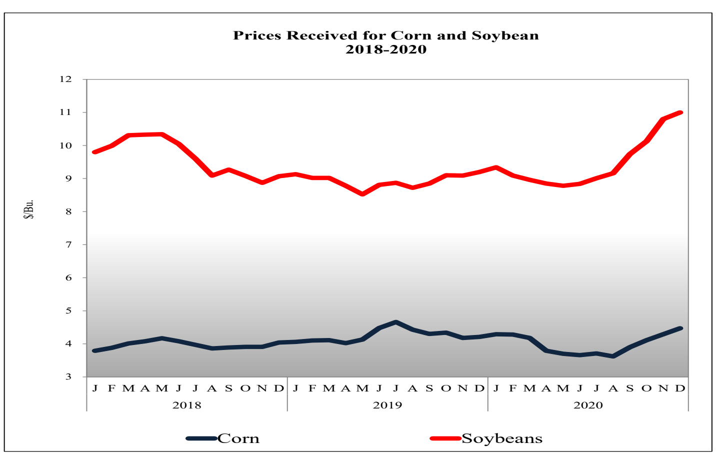
Producers in Orders 1, 30, 32, 33, 51, 124, and 126 are paid based on component pricing; and producers in 5, 6, 7 and 131 are paid based on skim-fat pricing. The table above details the range of statistical uniform prices (SUP) paid to producers.

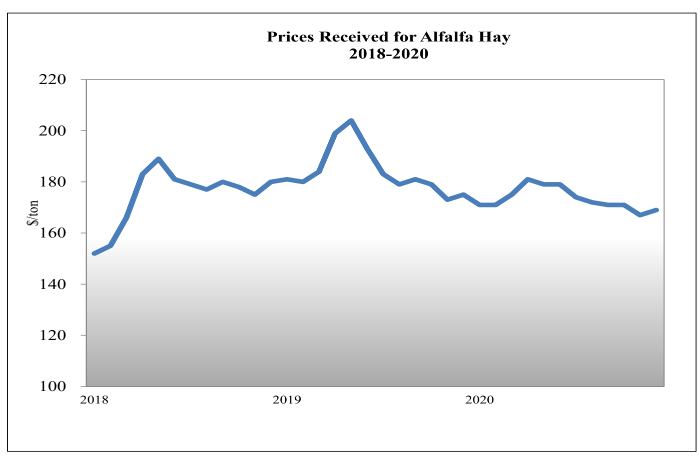
Of those orders, Federal Order 6 (Florida) traditionally has the highest statistical uniform price. For February 2021 , Federal Order 6 had a SUP of $19.54 per cwt, $0.28 higher than the previous month's SUP.

Federal Order 33 had a SUP of $14.91 per cwt, $0.05 per cwt lower than the previous month's SUP.

The California Order had the lowest SUP at $13.99 per cwt, $0.25 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