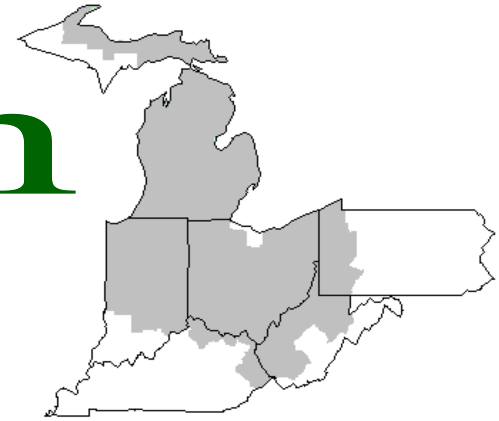
Mideast Market Administrator's

Bulletin

Federal Order No. 33



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October 2007

Conner Named Acting Secretary of Agriculture

Chuck Conner was named Acting Secretary of Agriculture on September 20th. He replaces Mike Johanns who resigned to run for Congress.

Prior to his tenure at the U.S. Department of Agriculture, Mr. Conner served on the National Economic Council beginning in November 2001 as a Special Assistant to the President for Agricultural Trade and Food Assistance, focusing primarily on Farm Bill issues.

Mr. Conner served as both the Majority Staff Director (1995-1997) and the Minority Staff Director (1987-1995), of the Senate Agriculture, Nutrition, and Forestry Committee. He also worked as a Professional Staff Member for the Committee from 1985 to 1987. Prior to joining the Senate Committee in Agriculture, Nutrition, and Forestry, Conner worked as an Agricultural Legislative Assistant to Senator Richard G. Lugar.

USDA Seeks Nominations for National Fluid Milk Board

The U.S. Department of Agriculture is asking fluid milk processors and other interested parties to nominate candidates for the National Fluid Milk Processor Promotion Board.

The Secretary of Agriculture will appoint six individuals from those nominated to succeed members whose terms expire June 30, 2008. Newly appointed or reappointed members will serve 3-year terms from July 1, 2008 through June 30, 2011.

The National Fluid Milk Processor Promotion Board was established by the Fluid Milk Promotion Act of 1990, as amended, to develop and administer a coordinated program of advertising and education to promote fluid milk products. Of the board's 20 members, 15 represent geographic regions and five are at-large members. The at-large members must include at least three fluid milk processors and at least one member from the general public. Currently, there are four at-large processor members and one member from the general public serving on the board.

The national fluid milk program is financed by a mandatory 20-cent per hundredweight assessment on fluid milk processors who process and market commercially in consumer-type packages more than 3,000,000 pounds of fluid milk products per month in the contiguous 48 states and the District of Columbia, excluding those fluid milk products delivered directly to consumer residences.

USDA will accept nominations for board representation in five geographic regions and one at-large processor position. Nominees must be active owners or employees of a fluid milk processor. The geographic regions are: Region 2 (New Jersey and New York); Region 5 (Florida); Region 8 (Illinois and Indiana); Region 11 (Arkansas, Iowa, Kansas, Missouri, Nebraska, and Oklahoma); and Region 14 (Northern California). No fluid milk processor shall be represented on the board by more than three members.

Fluid milk processors and interested parties may submit nominations for regions in which they are located or market fluid milk and for at-large members.

To nominate an individual, please submit originals of both the nomination form and a signed background form for each nominee by October 31, 2007, to: Promotion and Research Branch, Dairy Programs, AMS, MRP, USDA, 1400 Independence Ave., S.W., Stop 0233, Room 2958-S, Washington, D.C. 20250-0233. To obtain forms or additional information, call (202) 720-6909. Blank forms are available on the Dairy Promotion and Research Branch's website at http://www.ams.usda.gov/Dairy.

August Milk Production Up 3.6 Percent

Milk production in the 23 major States during August totaled 14.3 billion pounds, up 3.6 percent from August 2006. July revised production at 14.5 billion pounds, was up 4.0 percent from July 2006. The July revision represented an increase of 10.0 million pounds or 0.1 percent from last month's preliminary production estimate.

Production per cow in the 23 major States averaged 1,721 pounds for August, 45 pounds above August 2006.

The number of milk cows on farms in the 23 major States was 8.33 million head, 72,000 head more than August 2006, and 11,000 head more than July 2007.

(Continued on Page 3)

September 2007 - Pool Summary

Classification of Producer Milk

	Pounds	*Percent*
Class I	532,172,658	40.8
Class II	207,887,864	15.9
Class III	469,530,011	36.0
Class IV	95,804,737	7.3
Total	1,305,395,270	100.0

Producer Prices

Producer Price Differential	$ 1.87	/ cwt
Butterfat Price	1.5101	/ lb
Protein Price	4.3929	/ lb
Other Solids Price	0.2890	/ lb
Somatic Cell Adjustment Rate	0.00101	/ cwt
Statistical Uniform Price	21.94	/ cwt

ANNOUNCEMENT OF PRODUCER PRICES

Federal Order No. 33

SEPTEMBER 2007

COMPUTATION OF PRODUCER PRICE DIFFERENTIAL

	POUNDS	BUTTERFAT	SKIM / PROTEIN	NONFAT SOLIDS	OTHER SOLIDS	PRICE	VALUE
Class I Skim Value			522,737,130			$ 18.76 / cwt	$ 98,065,485.59
Class I Butterfat		9,435,528				1.6582 / lb	15,645,992.54
Class I Location Differential	532,172,658						(265,550.48)
Class II SNF Value				17,594,186		1.9400 / lb	34,132,720.84
Class II Butterfat		13,923,564				1.5171 / lb	21,123,438.94
Class III Protein Value			14,216,429			4.3929 / lb	62,451,350.95
Class III Other Solids Value					26,858,063	0.2890 / lb	7,761,980.25
Class III Butterfat		17,427,165				1.5101 / lb	26,316,761.84
Class IV SNF Value				8,128,203		1.8797 / lb	15,278,583.18
Class IV Butterfat		6,246,062				1.5101 / lb	9,432,178.26
Somatic Cell Value II / III / IV							383,696.39
TOTAL PRODUCER MILK VALUE	1,305,395,270	47,032,319	39,553,865		74,643,353		$ 290,326,638.30
Overages					$ 83,617.53		
Beginning Inventory and OS Charges					(38,909.41)		
TOTAL ADJUSTMENTS							$ 44,708.12
TOTAL HANDLER OBLIGATIONS							$ 290,371,346.42
Total Protein Value			39,553,865 lbs	@	$4.3929		$ (173,756,173.62)
Total Other Solids Value			74,643,353 lbs	@	0.2890		(21,571,929.05)
Butterfat Value			47,032,319 lbs	@	1.5101		(71,023,504.94)
Total Somatic Cell Values							(590,755.73)
TOTALS							$ 23,428,983.08
Net Producer Location Adjustments							$ 964,215.23
1/2 Unobligated Balance Producer Settlement Fund							557,000.00
Total - Divided by Total Pounds			1,305,395,270 lbs		1.9113137		$ 24,950,198.31
Rate of Cash Reserve					(0.0413137)		(539,307.09)
PRODUCER PRICE DIFFERENTIAL *at Cuyahoga County, OH**			1,305,395,270		**$ 1.87 /cwt**		$ 24,410,891.22

COMPONENT PRICES

September	2007	2006
Butterfat Price	$1.5101 / lb	$1.4191 / lb
Protein Price	4.3929 / lb	2.1346 / lb
Other Solids Price	0.2890 / lb	0.1649 / lb
Somatic Cell Adjustment Rate	0.00101 / cwt	0.00065 / cwt
Nonfat Solids Price	1.8797 / lb	0.7066 / lb

COMPUTATION OF UNIFORM PRICE

September	2007	2006
Class III Price - 3.5% BF	$20.07	$12.29
Producer Price Differential*	1.87	0.11
Statistical Uniform Price	$21.94	$12.40

CLASS PRICES

September	2007	2006
Class I*	$23.91	$12.85
Class II	22.16	11.74
Class III	20.07	12.29
Class IV	21.61	11.10

* Subject to Location Adjustment.

CLASSIFICATION OF PRODUCER MILK

September	2007 *Product lbs.*	2006 *Product lbs.*
Class I	532,172,658	578,526,999
Class II	207,887,864	249,531,029
Class III	469,530,011	350,733,233
Class IV	95,804,737	80,872,608
Total	1,305,395,270	1,259,663,869

ORDER 33 MARKET SUMMARY

The Producer Price Differential for the Mideast Marketing Area for September 2007 was $1.87 and the Statistical Uniform Price was $21.94 for the month. The Statistical Uniform Price is $0.25 lower than last month, and is $9.54 higher than September 2006.

The Producer Butterfat Price of $1.5101 per pound decreased 7.71 cents from August 2007 and is up 9.10 cents from a year ago. The Protein Price of $ 4.3929 is up 45.17 cents from last month and is up 2.2583 dollars from September 2006. The Other Solids Price in September was $0.2890 per pound, a decrease from last month's price of $0.4368 and an increase of 12.41cents from last September. The Somatic Cell Adjustment rate for September was $0.00101.

September producer receipts of 1.31 billion pounds were 4.7 percent higher than August 2007 and 3.6 percent higher than September 2006 production of 1.26 billion pounds. Producer milk allocated to Class I accounted for 40.8 percent of the total producer milk in September 2007, less than the 44.6 percent in August 2007 and less than the 45.9 percent in September 2006. A total of 8,011 producers were pooled on the Mideast Order compared to 8,065 producers pooled in September 2006.

The market average content of producer milk was as follows: Butterfat 3.60%; Protein 3.03%; Other Solids 5.72% and Nonfat Solids 8.75%.

(Continued from Front Page)

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 2.2 billion pounds, up 100 million pounds or 4.7 percent from August 2006.

Production per cow in the Mideast states averaged 1,673 pounds for August, 51 pounds above August 2006.

The number of cows on farms in the Mideast states was 1.3 million head, 18,000 head more than August 2006.

The Dairy Outlook: Milk Production Begins Upturn in Response to Prices

Milk production in 2007 is projected to increase 1.7 percent over 2006, reaching 184.9 billion pounds, and to rise by 2.6 percent in 2008 to 189.7 billion pounds. The August *Milk Production* report indicated a strong 3.4 percent year-over-year increase in U.S. milk production following a revised 3.8 percent year-over-year increase in July. A month-by-month comparison of 2007 with 2006 prior to July shows increases of less than 2 percent per month but the July and August data clearly represented a break with trend and the typical seasonal pattern in which production declines through the summer into the fall. Substantial increases were registered in California (4.9 percent), Idaho (4.5 percent), and Texas (4.1 percent). Several upper mid-Western states also reported strong gains: Michigan (9.7 percent), Minnesota (5.0 percent), Ohio (4.1 percent) and Wisconsin (4.5 percent). In all of these cases, the increased production is a result of both increased cow numbers and increased production per animal. High prices for both dairy cows and replacements indicate strong demand for animals and herd expansion. While not all areas of the country reported production increases, producers are responding to high market prices for milk. Higher feed prices have not been a deterrent to herd expansion. However, high feed prices and tight alfalfa supplies could limit production growth per cow in 2008.

The September *Dairy Products* report indicated the July production of all cheese was 2.6 percent above a year ago and that nonfat dry milk (NDM) and skim milk powder (SMP) were up nearly 17 percent year-over-year, but total dry whey was essentially unchanged. Butter production year-to-date was hewing a pattern close to that seen in 2006 until a breakout in July, when percent above June production at a time when production typically production rose nearly 22 percent above July 2006 and was 6 declines seasonally. While domestic demand remains strong, with the exception of whey, it is international demand that likely is keeping prices high. Both domestic demand and cheese exports, especially to Mexico and Asia, pushed prices to near record levels.

Globally, milk supplies remain tight relative to demand. Rising real incomes in Asia, especially in China, have boosted demand for NDM and other dry milk products. Meanwhile, supplies are growing at a glacial pace. European Union milk production has risen at an average of 0.8 percent per year over the last 8 years. A major shift of EU milk use to cheese for both domestic consumption and export has virtually eliminated dry milk stocks in those countries. Recovery from drought in Australia is expected to be slow, as depleted feed reserves and historically low water supplies will constrain production growth—even if rainfall returns to normal patterns.

Product demand will keep prices high for the balance of 2007 and into 2008. Although a modest decline in prices appears underway, dairy product prices will likely remain above those of recent years (see figure). The cheese price is expected to average $1.730 to $1.750 per pound in 2007 and $1.600 to $1.700 in 2008. Butter is expected to average $1.360 to $1.400 per pound this year and drop to $1.290 to $1.420 a pound next year. The NDM price is projected to average $1.720 to $1.740 per pound this year and to decline slightly in 2008 to average $1.635 to $1.705 a pound. The whey price has declined from its second-quarter peak, but is still expected to average 61.5 to 63.5 cents per pound in 2007. A further decline is forecast in 2008 to an average 53.0 to 56.0 cents. Whey prices are following the pattern of the other major dairy products, but will remain well above historic levels.

Demand for dairy products will keep milk prices high both this year and next. The Class IV price is projected to average $18.50 to $18.80 per cwt in 2007 and decline slightly to $17.65 to $18.75 in 2008. Likewise, the Class III price is expected to average $18.10 to $18.30 per cwt this year and soften to $16.35 to $17.35 per cwt next year. The all milk price will average $19.20 to $19.40 per cwt in 2007. A decline to between $18.30 and $19.30 per cwt is expected in 2008.

SOURCE: "Livestock, Dairy, and Poultry Outlook", LDP-M-159, September 20, 2007, Economic Research Service, USDA. For more information, contact Roger Hoskin, (202) 694-5148.

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

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State	August 2007 Number of Producers	August 2007 Pounds of Milk (000)	August 2007 Butterfat	August 2007 Protein	August 2007 Other Solids	August 2007 SCC (000)	August 2006 Pounds of Milk (000)	August 2006 Butterfat	August 2006 Protein	August 2006 Other Solids	August 2006 SCC (000)
Michigan	1,995	500,781	3.50	2.96	5.75	285	500,831	3.51	2.95	5.71	300
Ohio	2,369	309,917	3.60	2.98	5.70	337	327,959	3.60	2.97	5.65	373
Indiana	1,130	128,517	3.58	2.95	5.70	363	143,227	3.59	2.95	5.68	361
Pennsylvania	1,137	112,016	3.61	2.98	5.69	382	117,887	3.61	2.97	5.65	411
Wisconsin	823	103,431	3.57	2.92	5.74	305	77,074	3.56	2.91	5.78	302
New York	314	71,463	3.53	2.97	5.74	261	173,351	3.56	2.93	5.68	272
West Virginia	64	5,171	3.70	3.05	5.68	401	5,424	3.67	3.06	5.65	459
Other	191	15,401	3.57	2.93	5.72	344	14,231	3.55	3.03	5.74	305
Total/Average *	8,023	1,246,697	3.55	2.96	5.72	316	1,359,984	3.56	2.95	5.69	331

* Totals may not add due to rounding. Data provided on a one month delay basis.

United States
Department of
Agriculture

Mideast Market Administrator Bulletin
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FEDERAL ORDER DATA
SEPTEMBER 2007

	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)*	1,907,165	848,908	44.5	$2.92	$22.99
FO 5	Appalachian - *(Charlotte)*	458,690	321,430	70.1	[2/]	24.00
FO 6	Florida - *(Tampa)*	235,983	199,162	84.4	[2/]	25.08
FO 7	Southeast - *(Atlanta)*	558,271	378,231	67.8	[2/]	23.77
FO 30	Upper Midwest - *(Chicago)*	2,252,731	370,038	16.4	0.64	20.71
FO 32	Central - *(Kansas City)*	929,375	343,765	37.0	1.59	21.66
FO 33	**Mideast - *(Cleveland)***	**1,305,395**	**532,173**	**40.8**	**1.87**	**21.94**
FO 124	Pacific Northwest - *(Seattle)*	567,630	178,370	31.4	1.58	21.65
FO 126	Southwest - *(Dallas)*	966,505	333,961	34.6	2.36	22.43
FO 131	Arizona - *(Phoenix)*	282,574	110,989	39.3	[2/]	22.15

[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 2007 ....$ 20.07 /cwt.

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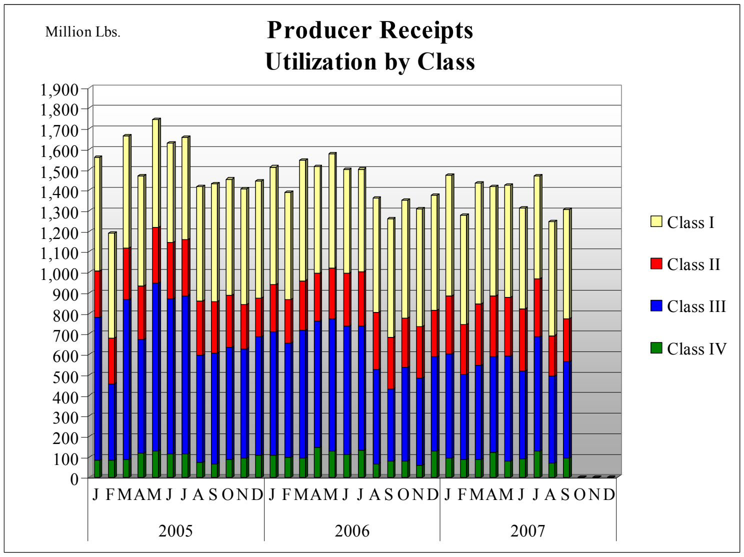
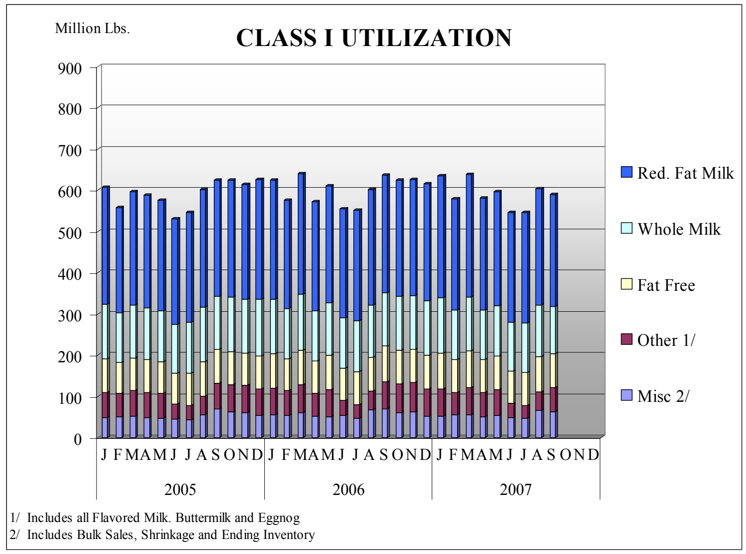
Mideast Market Administrator's

Bulletin *Supplement*

Federal Order 33 **October 2007**

PRODUCER MILK CLASSIFICATION

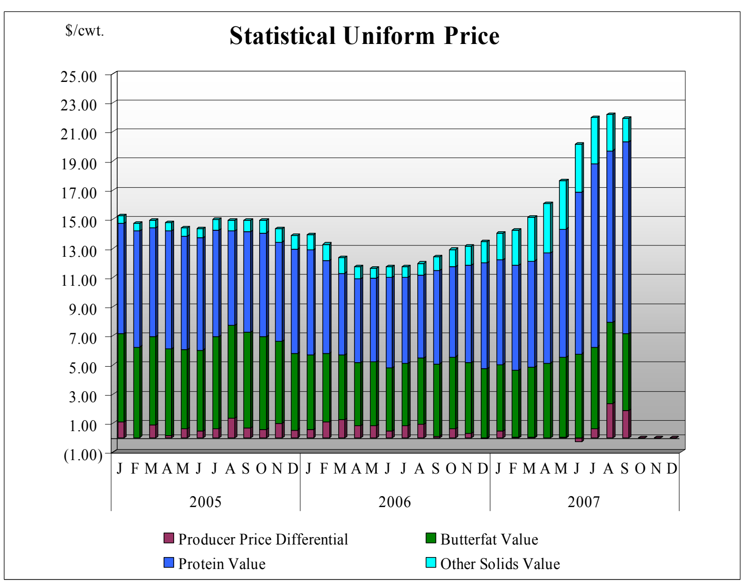


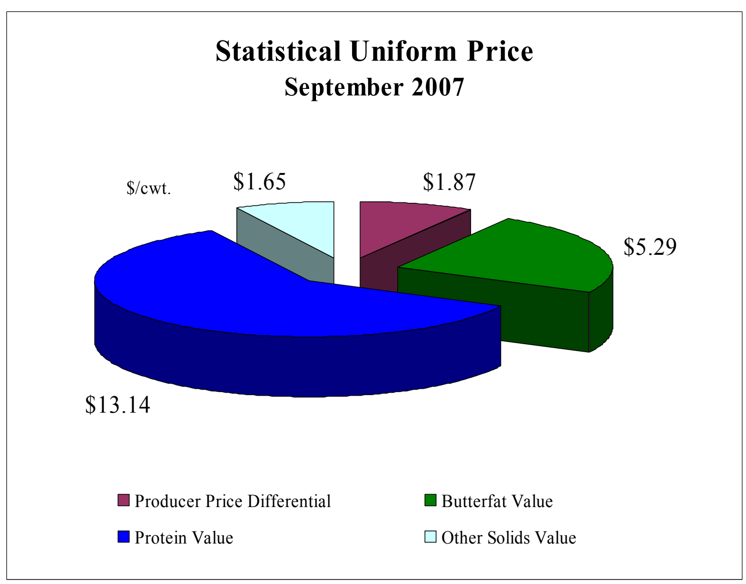


Producer Receipts: Producer Receipts for the Mideast Order totaled 1.30 billion pounds in September 2007. The pounds allocated to Class I represents 40.8 percent of the total pounds. These totals represent a 46 million pound increase in producer receipts and a 7.9 percent decrease in Class I utilization from September 2006.

Class I Pounds: Class I utilization for the Mideast Order totaled 588 million pounds in September 2007. Finished products include 115 million pounds used for whole milk, 272 million pounds reduced fat milk and 81 million pounds of fat free (skim) milk.

STATISTICAL UNIFORM PRICE

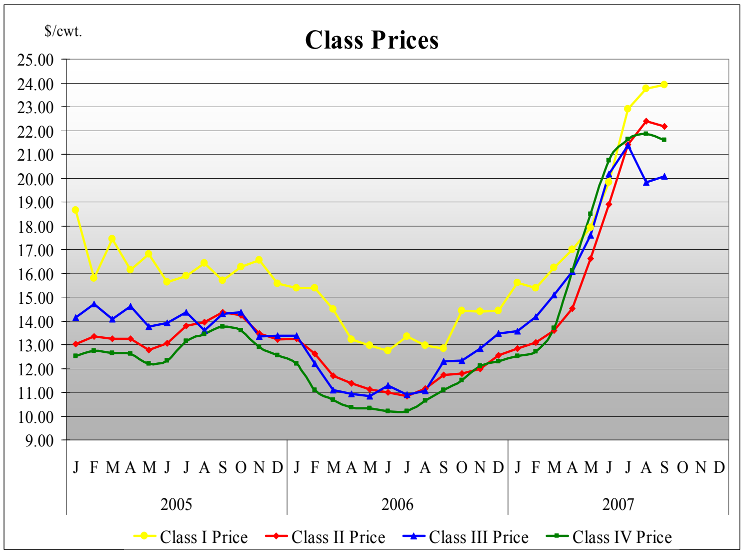


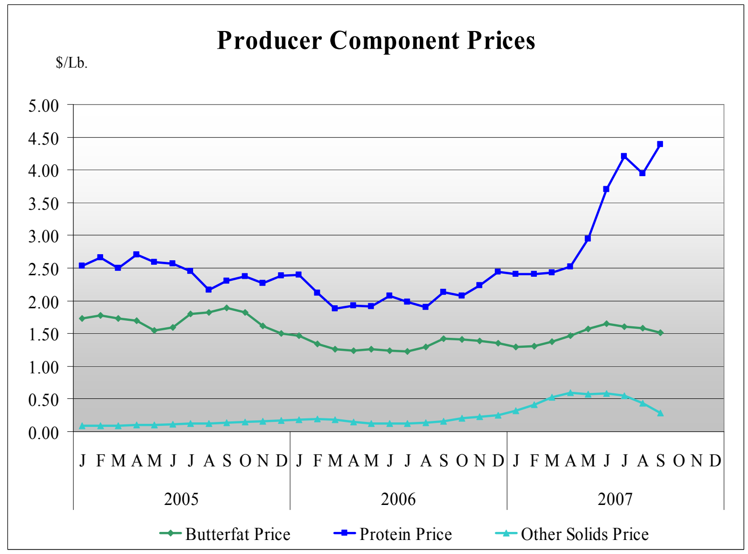


Statistical Uniform Price: The Mideast Federal Order Statistical Uniform Price (SUP) at Cuyahoga County, OH was $21.94 per cwt. for September 2007. The September 2007 SUP was $0.25 per cwt. less than the August 2007 SUP. The September 2007 SUP represents a 77% growth in SUP from September 2006.

September Statistical Uniform Price: Using the Class III Price formula at 3.5% BF, the component values for the September 2007 SUP are: $13.14 per cwt. for protein, $5.29 per cwt. for butterfat and $1.65 per cwt. in other solids. Also included in the SUP is $1.87 per cwt. in PPD value.

CLASS AND COMPONENT PRICES





WEIGHTED AVERAGE NASS PRICES