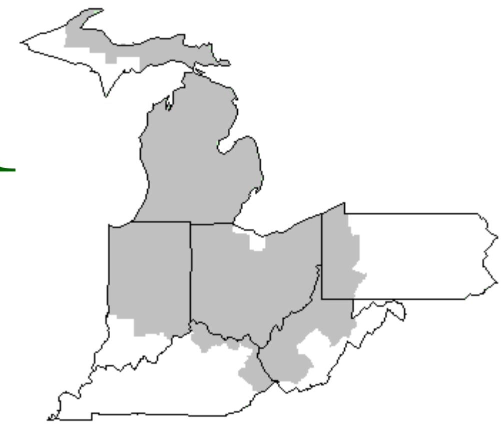
Mideast Market Administrator's

Bulletin

Federal Order No. 33



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March 2009

USDA Appoints Members to National Fluid Milk Processor Promotion Board

The U.S. Department of Agriculture announced the appointment of five incumbents and two new members to the National Fluid Milk Processor Promotion Board.

Re-appointed to serve a second term is: Edward L. Mullins, Carlinville, Ill., (Region 9).

Re-appointed to serve a first term after filling a vacancy lasting less than 18 months are: Jay S. Bryant, Reston, Va., (Region 3); Charles S. Mayfield, Jr., Athens, Tenn. (Region 6); John R. Zuroweste, Dallas, Texas (Region 12); and Janey K. Thornton, Ph.D., Elizabethtown, Ky., (At-Large Public).

Newly Appointed are: Timothy Kelbel, Cincinnati, Ohio (Region 15); and Miriam E. Brown, Des Moines, Iowa (At-Large Processor).

Terms for these appointees begin July 1, 2009, and expire June 30, 2012. All appointees will be seated at the board meeting July 16-18, 2009.

The National Fluid Milk Processor Promotion Board is composed of 15 fluid milk processors from 15 geographic regions and five at-large members. At least three at-large members must be fluid milk processors and at least one must be from the general public. The Board was established by the Fluid Milk Promotion Act of 1990 to develop and administer a coordinated program of advertising and promotion to increase the demand for fluid milk products.

The National Fluid Milk Program is financed by a mandatory 20-cent per hundredweight assessment on all fluid milk processed and marketed commercially in consumer-type packages in the contiguous 48 states and the District of Columbia. Processors who commercially process and market 3 million pounds or less per month, excluding those fluid milk products delivered to the residence of a consumer, are exempt from assessments.

USDA's Agricultural Marketing Service monitors the operations of the board. It is USDA's policy that membership on industry-governed boards and committees accurately reflect the diversity of individuals served by the program.

January Milk Production Up 1.0 Percent

Milk production in the 23 major States during January totaled 14.9 billion pounds, up 1.0 percent from January 2008. December revised production at 14.7 billion pounds, was up 1.8 percent from December 2007. The December revision represented an increase of 44 million pounds or 0.3 percent from last month's preliminary production estimate.

Production per cow in the 23 major States averaged 1,746 pounds for January, 5 pounds above January 2008. The number of milk cows on farms in the 23 major States was 8.51 million head, 58,000 head more than January 2008, and 12,000 head less than December 2008.

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 2.3 billion pounds, up 5 million pounds or 0.2 percent from January 2008.

Production per cow in the Mideast states averaged 1,690 pounds for January, 8 pounds below January 2008. The number of cows on farms in the Mideast states was 1.3 million head, 7,000 head more than January 2008.

*Released February 19, 2009, by the National Agricultural Statistics Service (NASS), Agricultural Statistics Board, U.S. Department of Agriculture. For information on "Milk Production" call Mike Miller at 202-720-3278, office hours 7:30 a.m. to 4:00 p.m. ET.

February 2009 Pool Summary

Classification of Producer Milk

	Pounds	*Percent*
Class I	542,128,978	42.4
Class II	234,341,518	18.3
Class III	420,054,447	32.9
Class IV	81,587,205	6.4
Total	1,278,112,148	100.0

Producer Prices

Producer Price Differential	$ 1.52	/cwt
Butterfat Price	1.0941	/ lb
Protein Price	1.9139	/ lb
Other Solids Price	(0.0437)	/ lb
Somatic Cell Adjustment Rate	0.00058	/ cwt
Statistical Uniform Price	10.83	/ cwt

ANNOUNCEMENT OF PRODUCER PRICES

Federal Order No. 33

FEBRUARY 2009

COMPUTATION OF PRODUCER PRICE DIFFERENTIAL

	POUNDS	BUTTERFAT	SKIM / PROTEIN	NONFAT SOLIDS	OTHER SOLIDS	PRICE	VALUE
Class I Skim Value			532,545,035			$ 9.07 / cwt	$ 48,301,834.66
Class I Butterfat		9,583,943				1.1340 / lb	10,868,191.38
Class I Location Differential	542,128,978						(246,620.64)
Class II SNF Value				20,118,265		0.7367 / lb	14,821,125.80
Class II Butterfat		13,641,520				1.1011 / lb	15,020,677.73
Class III Protein Value			12,975,276			1.9139 / lb	24,833,380.71
Class III Other Solids Value					23,890,356	(0.0437)/ lb	(1,044,008.58)
Class III Butterfat		16,567,357				1.0941 / lb	18,126,345.29
Class IV SNF Value				6,651,704		0.6472 / lb	4,304,982.83
Class IV Butterfat		8,527,245				1.0941 / lb	9,329,658.74
Somatic Cell Value II / III / IV							491,598.29
TOTAL PRODUCER MILK VALUE	1,278,112,148	48,320,065	39,492,270		72,688,294		$144,807,166.21

Overages	$ 86,557.99	
Beginning Inventory and Other Source Charges	$ 5,372.50	
TOTAL ADJUSTMENTS		$ 91,930.49
TOTAL HANDLER OBLIGATIONS		$ 144,899,096.70

Total Protein Value	39,492,270 lbs	@	$1.9139	$ (75,584,255.55)
Total Other Solids Value	72,688,294 lbs	@	(0.0437)	3,176,478.45
Butterfat Value	48,320,065 lbs	@	1.0941	(52,866,983.13)
Total Somatic Cell Values				(833,960.29)
TOTALS				$ 18,790,376.18
Net Producer Location Adjustments				$ 647,624.49
1/2 Unobligated Balance Producer Settlement Fund				622,000.00
Total - Divided by Total Pounds	1,278,112,148 lbs		1.5695024	$ 20,060,000.67
Rate of Cash Reserve			(0.0495024)	(632,696.19)
PRODUCER PRICE DIFFERENTIAL *at Cuyahoga County, OH**	1,278,112,148		**$ 1.52 /cwt**	$ 19,427,304.48

COMPONENT PRICES

	February 2009	February 2008
Butterfat Price	$1.0941 / lb	$1.3010 / lb
Protein Price	1.9139 / lb	4.0180 / lb
Other Solids Price	(0.0437) / lb	0.0803 / lb
Somatic Cell Adjustment Rate	0.00058 / cwt	0.00092 / cwt
Nonfat Solids Price	0.6472 / lb	1.1643 / lb

COMPUTATION OF UNIFORM PRICE

	February 2009	February 2008
Class III Price - 3.5% BF	$ 9.31	$17.03
Producer Price Differential*	1.52	1.62
Statistical Uniform Price	$10.83	$18.65

CLASS PRICES

	February 2009	February 2008
Class I*	$12.72	$21.68
Class II	10.25	18.46
Class III	9.31	17.03
Class IV	9.45	14.67

* Subject to Location Adjustment.

CLASSIFICATION OF PRODUCER MILK

	February 2009 *Product lbs.*	February 2008 *Product lbs.*
Class I	542,128,978	536,362,711
Class II	234,341,518	226,591,591
Class III	420,054,447	509,508,896
Class IV	81,587,205	102,921,636
Total	1,278,112,148	1,375,384,834

ORDER 33 MARKET SUMMARY

The Producer Price Differential for the Mideast Marketing Area for February 2009 was $1.52 and the Statistical Uniform Price was $10.83 for the month. The Statistical Uniform Price is the $2.39 lower than last month, and is $7.82 lower than February 2008.

The Producer Butterfat Price of $1.0941 per pound decreased 1.43 cents from January and is down 20.69 cents from a year ago. The Protein Price of $1.9139 is down $0.4499 from last month and is down $2.1041 from February 2008. The Other Solids Price in February was $-0.0437per pound, a decrease from last month's price of $-0.0304 and a decrease of 12.40 cents from last February. The Somatic Cell Adjustment rate for January was $0.00058.

February producer receipts of 1.28 billion pounds were 8.2 percent lower than January and 7.1 percent lower than February 2008 production of 1.38 billion pounds. Producer milk allocated to Class I accounted for 42.4 percent of the total producer milk in February 2009, less than the 42.5 percent in January and more than the 39.0 percent in February 2008. A total of 7,272 producers were pooled on the Mideast Order compared to 7,723 producers pooled in February 2008.

The market average content of producer milk was as follows: Butterfat 3.78%; Protein 3.09%; Other Solids 5.69% and Nonfat Solids 8.78%.

Other Solids Price Goes Negative

The October other solids price was $-0.0047 per pound, the first time the other solids price had been negative since July 2003. The negative price occurs because the market price for dry whey is less than the make allowance in the other solids price formula. Since federal orders use manufactured product prices to set the base milk price, the market prices are adjusted back to a milk value price via a formula. The formula used to calculate the other solid price is: Other Solids = (NASS Dry Whey Price - 0.1991) × 1.03

The Values in the formula consist of:

- National Agricultural Statistical Service (NASS) dry whey price that is based on a nationwide survey of plants that manufacture dry whey.
- 0.1991 is the “make allowance” and represents the cost of transforming liquid whey into dry whey.
- It is subtracted from the wholesale commodity price to determine the raw ingredient price.
- 1.03 is the yield factor and represents the number of pounds of dry whey it takes to produce a pound of other solids.

The dry whey make allowance was increased from 0.1956 to 0.1991 effective in October 2008, reflecting higher costs of drying/manufacturing dry whey. Had the previous make allowance been in effect for October, the dry whey price would have been $-0.0011, still negative, but slightly less so.

As an example of how this negative price impacts a farm’s bottom line, for a farm producing 100,000 pounds of milk a month, with an average other solids test of 5.69, the October other solids price would have cost the producer $26.74 total in the month’s milk check..

In 2007, the other solids price hit a record high of $0.6008 per pound in April and was above $0.40 per pound for 7 months. Other solids averaged $0.08 per pound from January 2000 through September 2006. The record high other solids price in April 2007 was a result of the record high dry whey price that same month. Since that time, in just 18 months, the dry whey market price has fallen 75 percent. Though negative, the current other solids price is closer to the historical average than last year’s prices were.

The reason the dry whey market, and thus the other solids price, behaved this way the past two years lies in multiple supply and demand factors changing direction. Dry whey is considered an excellent source of protein. As the middle class in developing countries grow, they tend to eat higher protein diets. The combination of a weakening United States currency and supply constrictions in Oceania in 2007 resulted in the U.S. being positioned as an ideal source for dry whey (and its high protein qualities) in the global market. The increasing demand and constricted global supply pushed dry whey prices to record levels. That in turn generated higher other solids prices and boosted milk prices in general to U.S. farmers.

By the second half of 2008, the very supply and demand conditions that led to high prices combined in the opposite direction. The very high 2007 dry whey prices have moved buyers to look for substitute ingredients, reducing demand in 2008. In addition, worsening economies have hurt sales both domestically and globally and the U.S. dollar has regained some strength, making U.S. exports less attractive. Production in Oceania is expected to recover as their higher production season draws near. These conditions may lead to continued lower prices for dry whey for the near future.

Source: October 2008 Northeast Market Administrator’s Bulletin

Bulletin WebPage Edition
www.fmmaclev.com

Featured this month are thematic maps displaying:

- Mailbox Prices
- Producer Price Differential Statistics
- Milk Production Statistics

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

Federal Order No. 33

State	January 2009 Number of Producers	January 2009 Pounds of Milk (000)	January 2009 Weighted Averages Butterfat	Protein	Other Solids	SCC (000)	January 2008 Pounds of Milk (000)	January 2008 Weighted Averages Butterfat	Protein	Other Solids	SCC (000)
Michigan	1,918	580,470	3.76	3.12	5.70	208	552,420	3.73	3.10	5.71	218
Ohio	2,239	332,207	3.91	3.16	5.67	248	369,281	3.87	3.14	5.69	266
Indiana	1,145	146,766	3.90	3.12	5.67	265	152,493	3.86	3.12	5.68	277
New York	354	132,280	3.77	3.11	5.70	219	103,770	3.75	3.07	5.73	226
Pennsylvania	1,229	108,404	3.95	3.17	5.65	311	112,766	3.90	3.15	5.68	311
Wisconsin	398	65,796	3.80	3.07	5.75	247	145,483	3.82	3.07	5.71	240
Illinois	43	8,855	3.79	3.09	5.75	290	12,934	3.81	3.05	5.71	243
West Virginia	63	5,434	4.16	3.25	5.67	359	5,660	4.16	3.30	5.68	328
Other	96	12,081	3.73	3.10	5.71	234	14,720	3.81	3.26	5.78	250
Total/Average *	7,485	1,392,292	3.83	3.13	5.69	236	1,469,528	3.80	3.11	5.70	247

* 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 2009

	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)*	1,843,010	792,268	43.0	$2.44	$11.75
FO 5	Appalachian - *(Charlotte)*	472,194	325,825	69.0	[2/]	12.98
FO 6	Florida - *(Tampa)*	267,601	217,760	81.4	[2/]	15.02
FO 7	Southeast - *(Atlanta)*	545,996	370,916	67.9	[2/]	13.22
FO 30	Upper Midwest - *(Chicago)*	2,488,094	356,262	14.3	0.51	9.82
FO 32	Central - *(Kansas City)*	1,063,005	338,684	31.9	1.07	10.38
FO 33	**Mideast - *(Cleveland)***	**1,278,112**	**542,129**	**42.4**	**1.52**	**10.83**
FO 124	Pacific Northwest - *(Seattle)*	626,915	178,946	28.6	1.00	10.31
FO 126	Southwest - *(Dallas)*	990,442	340,284	34.4	2.00	11.31
FO 131	Arizona - *(Phoenix)*	345,244	114,653	33.2	[2/]	10.69

[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.

MINIMUM PARTIAL PAYMENT PRICE FOR MARCH 2009............................$ 9.31 /cwt.

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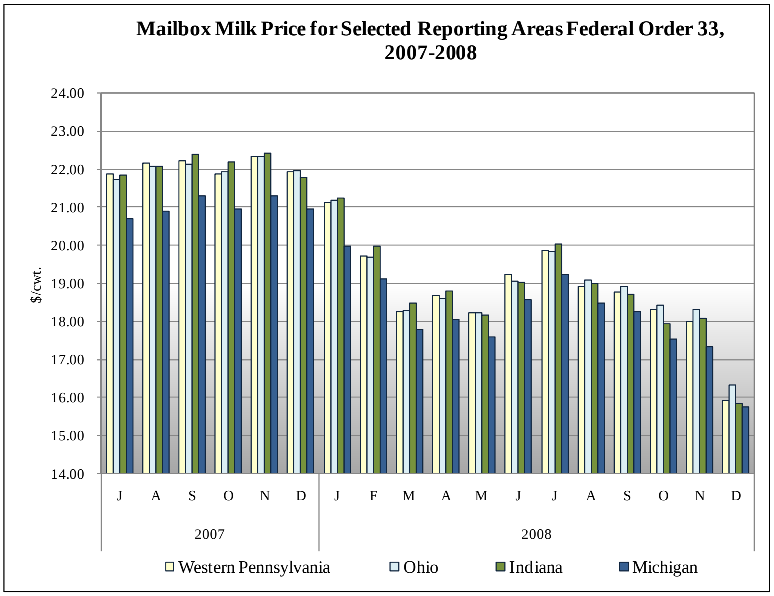
Mideast Market Administrator's

Bulletin

Supplement

Federal Order No. 33 March 2009

MAILBOX MILK PRICES FOR AREAS IN MIDEAST MARKETING AREA*

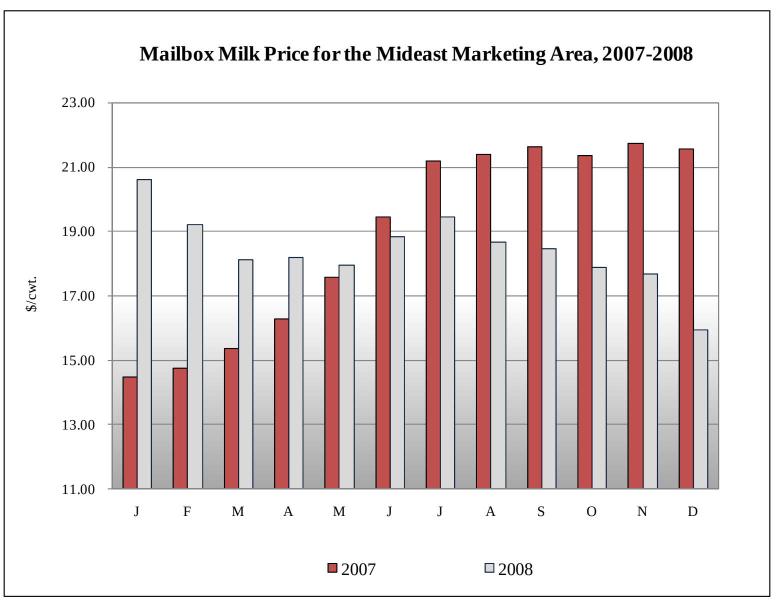


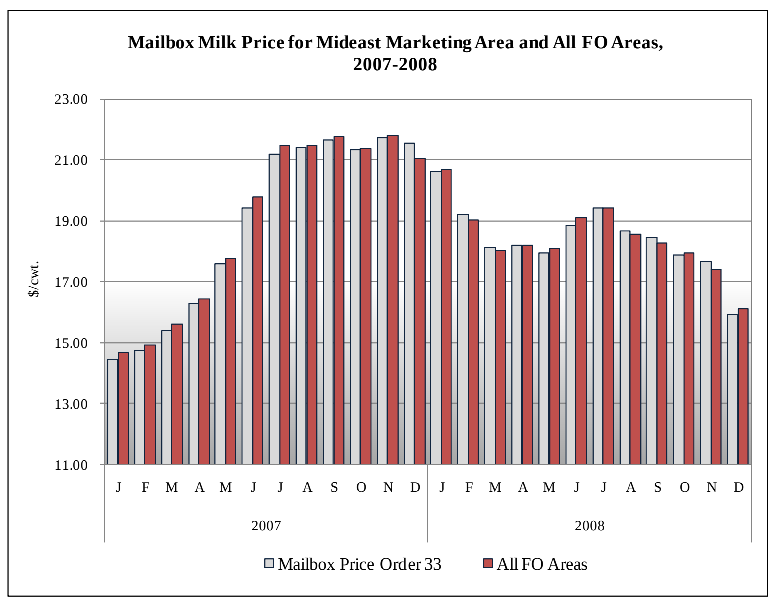
Mailbox price is the net pay price received by dairy farmers for milk. The data includes all payments received for milk sold, and all costs associated with marketing the milk. The mailbox price is a weighted average for the reporting area at the average butterfat test. Mailbox price does not include 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 in Federal Order 33 was $15.95 per hundredweight in December 2008. The December 2008 mailbox price is $1.73 less than the mailbox price for November 2008. The December 2008 mailbox price is $5.62 lower than the December 2007 mailbox price.

For December 2008 the net pay price received by dairy farmers in Federal Order 33 was $0.17 per hundredweight less than the average mailbox price for all Federal Orders, as reported by Dairy Market News. For December the all Federal Order mailbox price was $16.12 per hundredweight, $1.30 less than November 2008.

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

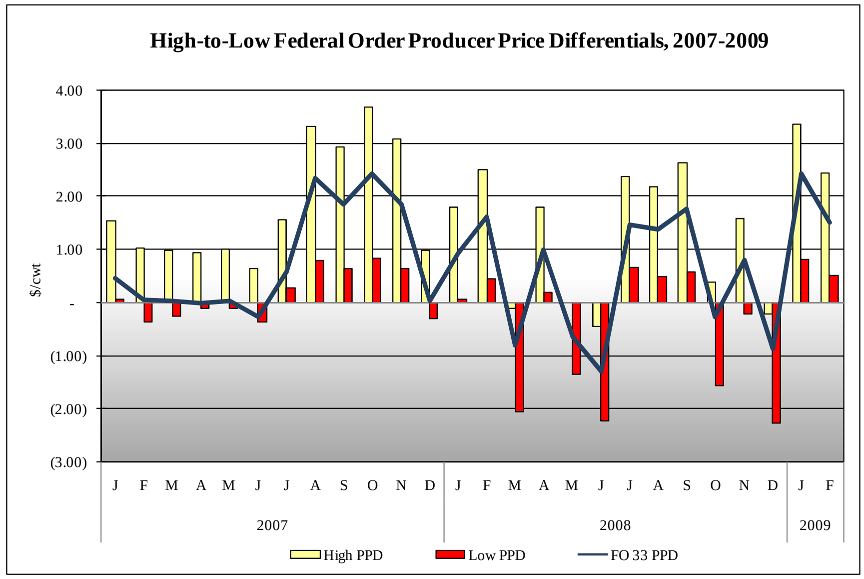
PRODUCER PRICE DIFFERENTIAL STATISTICS

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 2009, Federal Order 1 had a PPD of $2.44 per hundredweight, $0.92 lower than their January 2009 PPD.

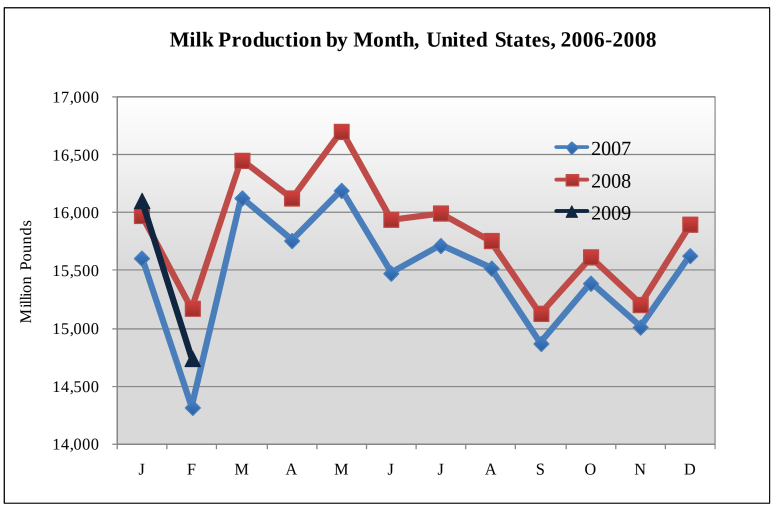
In February 2009 Federal Order 33 had the third highest PPD, behind Orders 1 and 126, at $1.52 per hundredweight, $0.92 lower than the January 2009 PPD price.

For February 2009 Federal Order 30 had the lowest PPD at $0.51 per hundredweight, $0.31 lower than their January 2009 PPD price.

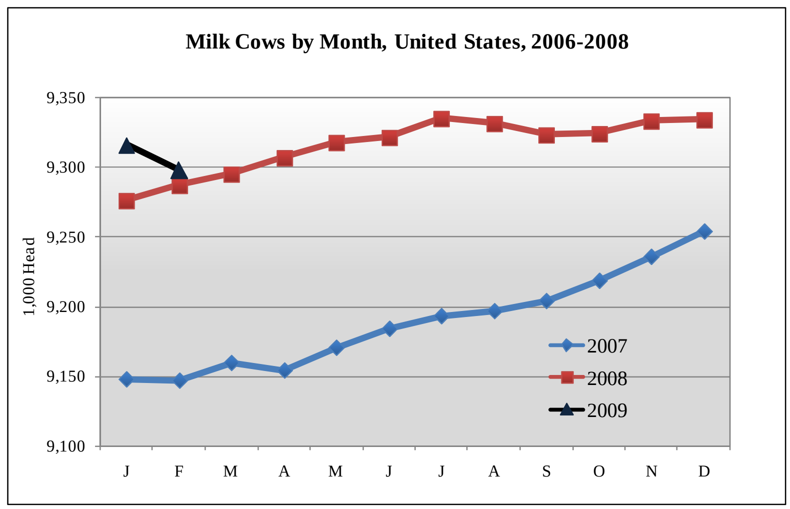


High-to-Low Federal Order Producer Price Differentials, 2007-2009

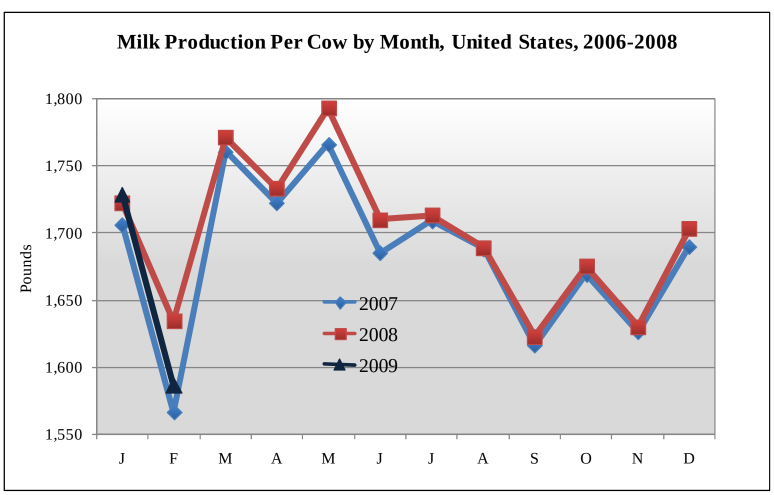
MILK PRODUCTION STATISTICS*



Milk Production by Month, United States, 2006-2008



Milk Cows by Month, United States, 2006-2008



Milk Production Per Cow by Month, United States, 2006-2008

February 2009 milk production in the United States decreased 1.4 billion pounds from January to 14.7 billion pounds. February 2009 milk production in the United States was down 9.0 percent from February 2008. February 2008 milk production included an extra day due to the leap year.

Production per cow in the United States averaged 1,586 pounds for February 2009, down 143 pounds from January 2009.

The number of milk cows on farms in the United States was 9.30 million head for February 2009, in line with January estimates and 11,000 head more than February 2008.

* Information collected from the National Agricultural Statistics Service (NASS), Agricultural Statistics Board, U.S. Department of Agriculture. 2006 and 2007 data reflects Milk Cow and Production Final Estimates released by NASS in March of 2009.