Mideast Market Administrator's

Bulletin

Federal Order No. 33

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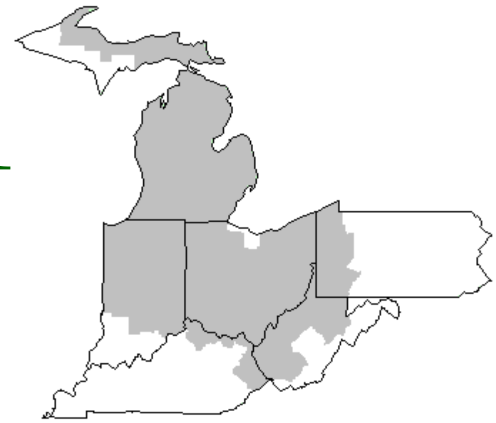

USDA Amends Fluid Milk Product Definition in All Federal Milk Orders

The U.S. Department of Agriculture issued a final decision to amend the definition of Class I fluid milk products in all Federal milk marketing orders. These amendments were considered in a recommended decision published May 17, 2006.

Under the final decision, a product will meet the compositional standards for fluid milk products if it contains at least 6.5 percent nonfat milk solids or 2.25 percent true milk protein. This decision also amends the fluid milk product definition to provide exemptions for drinkable yogurt products containing at least 20 percent yogurt (by weight), kefir, and products intended to be meal replacements. The decision clarifies how milk and milk-derived ingredients should be priced under all Federal milk marketing orders when used in fluid milk products.

The final decision was published in the June 14th and June 24th *Federal Register*. These amendments are subject to producer approval before they can be implemented.

For additional information about the decision contact: Paul A. Huber; USDA/AMS/Dairy Programs, P.O. Box 5102, Brunswick, OH 44212; Tel. (330) 225-4758; email: phuber@fmmaclev.com. A copy of the decision can be found on the website at *www.fmmaclev.com/hearings.htm*.

May Milk Production Up 1.3 Percent

Milk production in the 23 major States during May totaled 15.7 billion pounds, up 1.3 percent from May 2009. April revised production, at 15.2 billion pounds, was up 1.8 percent from April 2009. The April revision represented an increase of 14 million pounds or 0.1 percent from last months preliminary production estimate.

Production per cow in the 23 major States averaged 1,889 pounds for May, 55 pounds above May 2009.

The number of milk cows on farms in the 23 major States was 8.33 million head, 143,000 head less than May 2009, but 4,000 head more than April 2010.

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 May totaled 2.4 billion pounds, up 50 million pounds or 2.1 percent from May 2009.

Production per cow in the Mideast states averaged 1,833 pounds for May, 53 pounds above May 2009.

The number of cows on farms in the Mideast states was 1.3 million head, 14,000 head less than May 2009.

The Dairy Outlook

Feed prices are expected to remain moderate in both 2010 and 2011. Corn prices are projected to be $3.45 to $3.65 per bushel for the 2009/10 crop year and to rise to average $3.30 to $3.90 per bushel in 2010/11. Likewise, soybean meal prices are expected to average $295 per ton this year and average $230 to $270 per ton in 2010/2011. Prices for feed ingredients have pushed the price of the 2010 benchmark 16-percent protein dairy feed ration 10 percent below 2009.Early forecasts are that the price of the ration will increase only slightly in 2011. Moderate feed costs may slow the rate of decline in the number of cows in the dairy herd. The May *Livestock Slaughter* report showed dairy cow slaughter in April above the corresponding month in 2009. The relatively high slaughter rate, combined with the large number of retained heifers, as indicated in the January *Cattle* report, suggest that the U.S. dairy herd was being freshened. The U.S. herd is expected to average 9,075 thousand cows in 2010 and contract fractionally to average 9,040 in 2011. This represents a small year-over-year contraction compared with the 1.2 percent and 1.4 percent year-over-year declines observed in 2009 and 2010. The Cooperatives Working Together program is offering another herd buyout, with the majority of cows purchased expected to move to market during the summer quarter.

(Continued on Page 3)

June 2010 Pool Summary

Classification of Producer Milk

	Pounds	*Percent*
Class I	480,149,091	36.3
Class II	209,780,735	15.9
Class III	507,390,303	38.4
Class IV	123,896,799	9.4
Total	1,321,216,928	100.0

Producer Prices

Producer Price Differential	$ 1.98	/cwt
Butterfat Price	1.7234	/ lb
Protein Price	2.2040	/ lb
Other Solids Price	0.1748	/ lb
Somatic Cell Adjustment Rate	0.00072	/ cwt
Statistical Uniform Price	15.60	/ cwt

ANNOUNCEMENT OF PRODUCER PRICES
Federal Order No. 33

June 2010

COMPUTATION OF PRODUCER PRICE DIFFERENTIAL

	POUNDS	BUTTERFAT	SKIM / PROTEIN	NONFAT SOLIDS	OTHER SOLIDS	PRICE	VALUE
Class I Skim Value			471,327,371			$ 11.61 / cwt	$ 54,721,107.76
Class I Butterfat		8,821,720				1.7355 / lb	15,310,095.07
Class I Location Differential	480,149,091						(244,040.10)
Class II SNF Value				17,416,093		1.1456 / lb	19,951,876.15
Class II Butterfat		15,220,614				1.7304 / lb	26,337,750.43
Class III Protein Value			14,979,672			2.2040 / lb	33,015,197.12
Class III Other Solids Value					29,175,126	0.1748 / lb	5,099,812.03
Class III Butterfat		17,675,939				1.7234 / lb	30,462,713.26
Class IV SNF Value				10,683,718		1.0843 / lb	11,584,355.40
Class IV Butterfat		4,600,216				1.7234 / lb	7,928,012.25
Somatic Cell Value II / III / IV							708,055.38
TOTAL PRODUCER MILK VALUE	1,321,216,928	46,318,489	38,871,160		75,627,647		$204,874,934.75
Overages					$36,304.98		
Beginning Inventory and Other Source Charges					$(21,882.83)		
TOTAL ADJUSTMENTS							$ 14,422.15
TOTAL HANDLER OBLIGATIONS							$204,889,356.90
Total Protein Value			38,871,160 lbs	@	$2.2040		$(85,672,036.63)
Total Other Solids Value			75,627,647 lbs	@	0.1748		(13,219,712.69)
Butterfat Value			46,318,489 lbs	@	1.7234		(79,825,283.95)
Total Somatic Cell Values							(1,072,491.86)
TOTALS							$ 25,099,831.77
Net Producer Location Adjustments							$ 1,059,884.26
1/2 Unobligated Balance Producer Settlement Fund							604,000.00
Total - Divided by Total Pounds			1,321,216,928 lbs		2.0256867		$ 26,763,716.03
Rate of Cash Reserve					(0.0456867)		(603,620.41)
PRODUCER PRICE DIFFERENTIAL *at Cuyahoga County, OH**			1,321,216,928		**$ 1.98 /cwt**		$ 26,160,095.62

COMPONENT PRICES

	June 2010	June 2009
Butterfat Price	$1.7234 / lb	$1.2544 / lb
Protein Price	2.2040 / lb	1.7283 / lb
Other Solids Price	0.1748 / lb	0.0723 / lb
Somatic Cell Adjustment Rate	0.00072 / cwt	0.00057 / cwt
Nonfat Solids Price	1.0843 / lb	0.6715 / lb

COMPUTATION OF UNIFORM PRICE

	June 2010	June 2009
Class III Price - 3.5% BF	$ 13.62	$ 9.97
Producer Price Differential*	1.98	1.02
Statistical Uniform Price	$15.60	$10.99

CLASS PRICES

	June 2010	June 2009
Class I*	$17.28	$12.08
Class II	16.01	10.79
Class III	13.62	9.97
Class IV	15.45	10.22

* Subject to Location Adjustment.

CLASSIFICATION OF PRODUCER MILK

	June 2010 *Product lbs.*	June 2009 *Product lbs.*
Class I	480,149,091	528,269,033
Class II	209,780,735	289,501,396
Class III	507,390,303	511,842,393
Class IV	123,896,799	101,389,213
Total	1,321,216,928	1,431,002,035

ORDER 33 MARKET SUMMARY

The Producer Price Differential for the Mideast Marketing Area for June 2010 was $1.98 and the Statistical Uniform Price was $15.60 for the month. The Statistical Uniform Price is $0.84 higher than last month, and is $4.61 higher than June 2009.

The Producer Butterfat Price of $1.7234 per pound increased 1.76 cents from May and is up 46.9 cents from a year ago. The Protein Price of $2.2040 is up 5.17 cents from last month and is up 47.57 cents from June 2009. The Other Solids Price in June was $0.1748 per pound, an increase from last month's price of $0.1704 and an increase of 10.25 cents from last June. The Somatic Cell Adjustment rate for June was $0.00072.

June producer receipts of 1.32 billion pounds were 6.4 percent lower than May and 7.7 percent lower than June 2009 production of 1.43 billion pounds. Producer milk allocated to Class I accounted for 36.3 percent of the total producer milk in June 2010, less than the 37.2 percent in May and less than the 36.9 percent in June 2009. A total of 7,028 producers were pooled on the Mideast Order compared to 7,210 producers pooled in June 2009.

The market average content of producer milk was as follows: Butterfat 3.51%; Protein 2.94%; Other Solids 5.72% and Nonfat Solids 8.66%.

(Continued from Front Page)

The herd liquidation appears to be slowing; however, the feed price forecast for both this year and next, along with herd freshening, will combine to boost output per cow. Milk production per cow is expected to increase nearly 2 percent in 2010 over 2009 to about 20,980 pounds per cow. In 2011, production per cow is forecast to rise another 1.8 percent to 21,355 pounds. The expected increase in milk per cow will provide 190.4 billion pounds of milk in 2010 and 193 billion pounds in 2011; both forecasts represent yearly increases in milk production from a slightly smaller herd compared with recent years.

Lower milk production in Oceania has tightened world supplies of major dairy products. The impact on U.S. markets is to lower milk equivalent imports on both a fats and skim-solids basis and support exports. Exports of cheese, butter, and nonfat dry milk (NDM) were all higher in April, and the difference between U.S. and international prices remain favorable for U.S. exports. However, the strong U.S. dollar relative to the Euro and relatively large European Union (EU) intervention stocks of powder could be factors that limit U.S. powder exports. Notably, the EU did not accept any bids for skim milk powder in its most recent intervention tender. Milk equivalent exports are projected to reach just over 5.0 billion pounds this year and 5.1 billion in 2011 on a fats basis. The corresponding export forecasts on a skim-solids basis are about 26 billion pounds and 27.1 billion pounds. All forecasts represent increases from 2009. Milk equivalent imports both this year and next will likely be below 2009. Imports are forecast at 4.8 billion pounds this year and 4.9 billion in 2011 on a fats basis and 4.4 billion pounds and 4.8 billion pounds for 2011 on a skim-solids basis.

Ending commercial stocks on a fats basis are expected to be drawn down both this year and next, reflecting climbing domestic commercial use, which is forecast to rise 1.2 percent in 2010 and by 1.5 percent next year. This suggests a recovery in domestic cheese use. On a skim-solids basis, ending stocks are expected to change very little this year and next, reflecting virtually flat domestic commercial use this year compared with 2009 and about a 1-percent increase in 2011.

While demand, both foreign and domestic, is recovering, continued increases in the milk supply will keep prices from rising appreciably. Cheese prices are forecast to average $1.485 to $1.525 per pound this year and rise slightly to $1.520 to $1.620 per pound next year. Butter prices are projected to average $1.475 to $1.545 per pound both this year and slip to average $1.390 to $1.520 next year. Improving domestic demand for these products has firmed prices, but higher milk supplies will keep a lid on prices. NDM prices are forecast to average $1.200 to $1.240 per pound in 2010 and rise to average $1.235 to $1.305 per pound next year. Tight international supplies and the expectation of stronger exports support the expected higher prices. Whey prices are forecast to average 36.5 to 38.5 cents per pound and rise fractionally to 37.5 to 40.5 cents per pound in 2011.

Class IV milk prices are forecast to average $14.45 to $14.95 per cwt this year and to rise slightly to $14.35 to $15.45 per cwt in 2011. The strength of the Class IV price relative to the Class III price indicates the shift to butter powder relative to cheese, and could help firm cheese prices. The Class III price is projected to average $13.95 to $14.35 per cwt in 2010 and climb to $14.35 to $15.35 per cwt in 2011. The all milk price is expected to average $15.75 to $16.15 per cwt in 2010, with a slight rise to $15.80 to $16.80 in 2011.

SOURCE: "Livestock, Dairy, and Poultry Outlook", LDP-M-192, June 18, 2010, Economic Research Service, USDA.

Bulletin Webpage Edition
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Featured this month are:

- Producer Milk Classification
- Statistical Uniform Price
- Class and Component Prices
- Weighted Average NASS Prices

Weighted Averages - Butterfat, Protein, Other Solids, Somatic Cell Count by State
Federal Order No. 33

	May 2010						May 2009				
			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	1,852	606,117	3.51	2.97	5.73	182	619,880	3.58	2.98	5.71	197
Ohio	2,138	297,317	3.63	3.02	5.70	236	359,711	3.66	3.02	5.68	239
New York	392	143,155	3.60	3.01	5.73	200	138,829	3.64	3.01	5.72	212
Indiana	1,133	136,852	3.63	3.01	5.75	234	159,246	3.64	2.98	5.69	253
Pennsylvania	1,175	120,602	3.68	3.05	5.70	290	114,640	3.70	3.05	5.67	306
Wisconsin	222	88,224	3.58	2.96	5.80	232	72,689	3.62	2.98	5.76	229
West Virginia	61	5,051	3.73	3.13	5.69	308	5,762	3.78	3.15	5.67	303
Other	140	16,966	3.51	2.95	5.73	224	22,777	3.54	3.00	5.74	231
Total/Average *	7,113	1,414,284	3.58	2.99	5.73	214	1,493,533	3.62	3.00	5.72	225

* 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

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FEDERAL ORDER DATA

June 2010

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)*	2,110,004	814,699	38.6	$3.11	$16.73
FO 5	Appalachian - *(Charlotte)*	503,806	319,519	63.4	[2/]	17.68
FO 6	Florida - *(Tampa)*	225,026	188,400	83.7	[2/]	19.85
FO 7	Southeast - *(Atlanta)*	565,998	351,651	62.1	[2/]	17.64
FO 30	Upper Midwest - *(Chicago)*	2,887,447	331,472	11.5	0.52	14.14
FO 32	Central - *(Kansas City)*	1,092,242	335,879	30.8	1.56	15.18
FO 33	**Mideast - *(Cleveland)***	**1,321,217**	**480,149**	**36.3**	**1.98**	**15.60**
FO 124	Pacific Northwest - *(Seattle)*	658,833	176,821	26.8	1.56	15.18
FO 126	Southwest - *(Dallas)*	995,890	327,469	32.9	2.54	16.16
FO 131	Arizona - *(Phoenix)*	358,591	105,002	29.3	[2/]	15.68

[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 JULY 2010...............................$13.62 /cwt.

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Supplement
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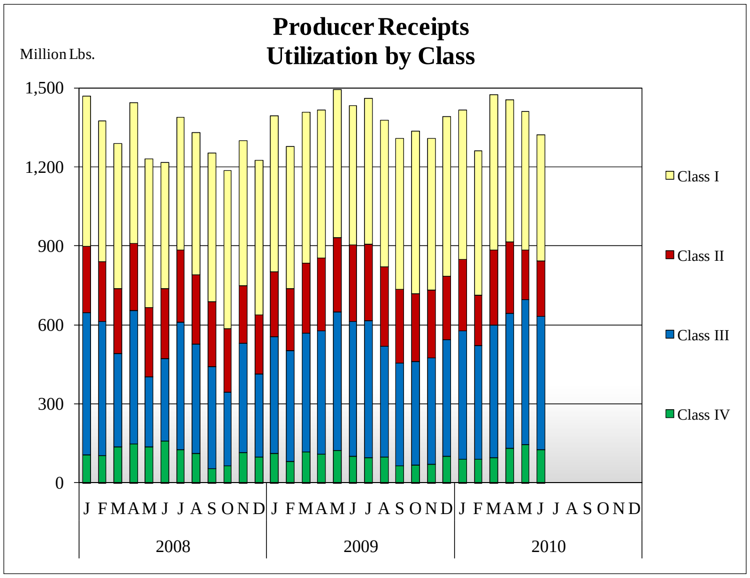
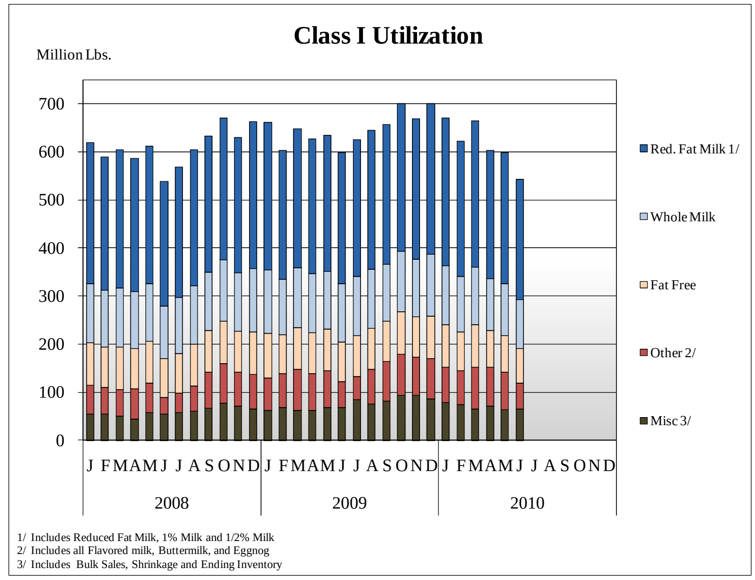
PRODUCER MILK CLASSIFICATION

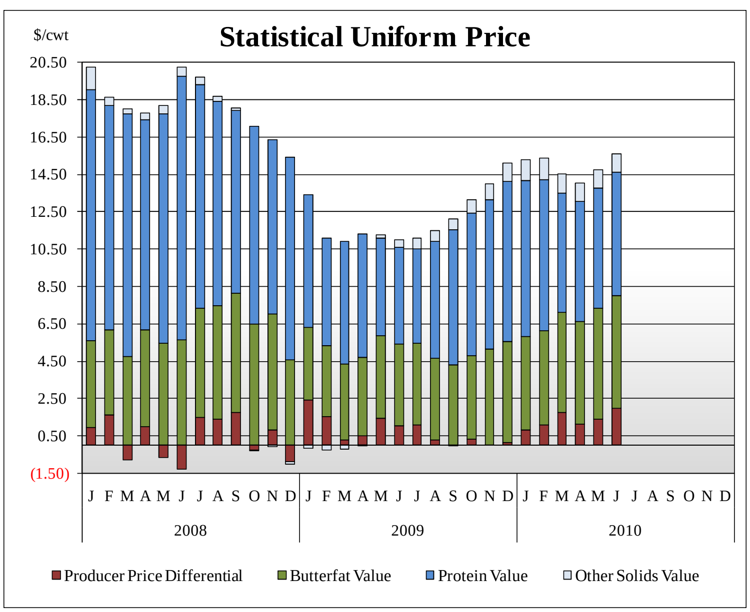


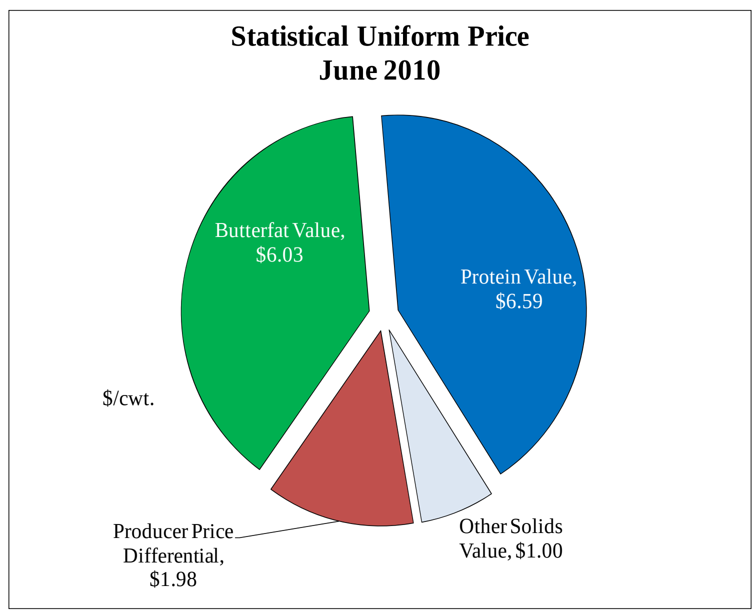


Producer Receipts: Producer receipts for the Mideast Order totaled 1.32 billion pounds in June 2010. The pounds allocated to Class I represented 36.4 percent of the total pounds. Producer receipts decreased 110 million pounds compared to June 2009.

Class I Pounds: Class I utilization for the Mideast Order totaled 543 million pounds in June 2010. Finished products include 102 million pounds used for whole milk, 251 million pounds of reduced fat and low fat milk, and 72 million pounds of fat free (skim) milk.

STATISTICAL UNIFORM PRICE

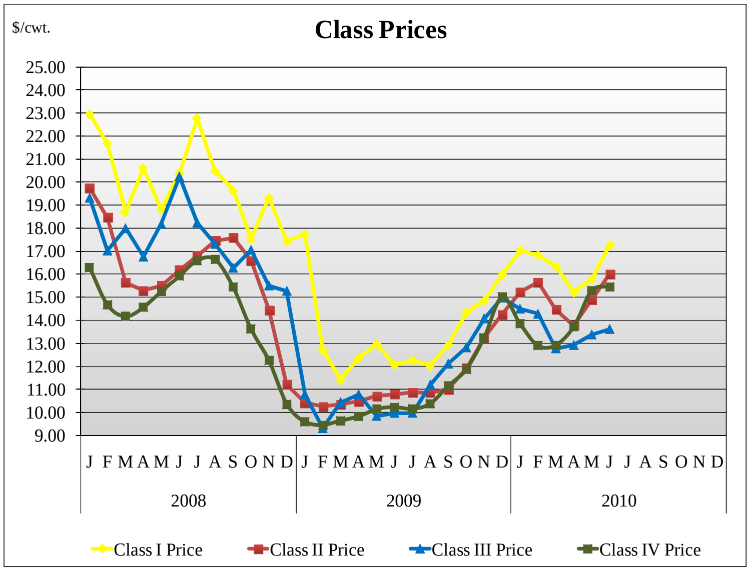


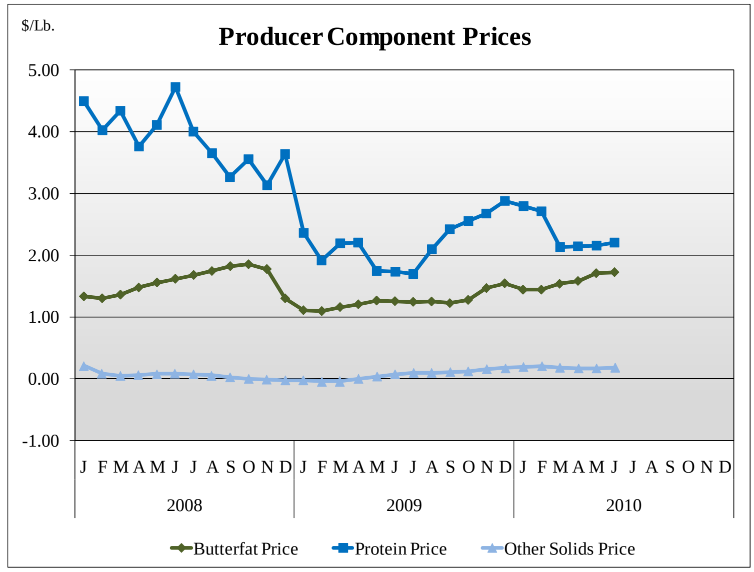


Statistical Uniform Price: The Mideast Federal Order Statistical Uniform Price (SUP) at Cuyahoga County, OH was $15.60 per cwt for June 2010. The June 2010 SUP was $0.84 per cwt higher than the May 2010 SUP. The June 2010 SUP is $4.61 per cwt higher than the June 2009 SUP, an increase of 42.0 percent.

June Statistical Uniform Price: Using the Class III Price formula at 3.5% BF, the component values for the June 2010 SUP are: $6.59 per cwt for protein, $6.03 per cwt for butterfat and $1.00 per cwt in other solids. Also included in the SUP is the $1.98 per cwt producer price differential.

CLASS AND COMPONENT PRICES





WEIGHTED AVERAGE NASS PRICES