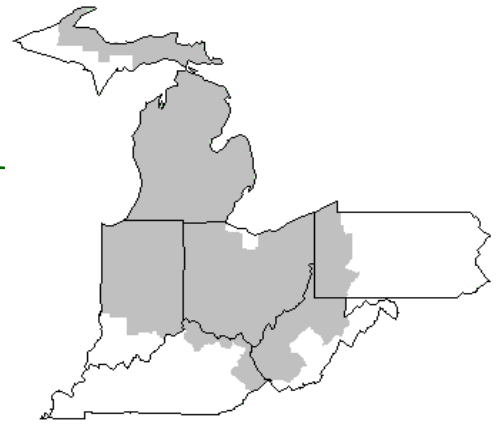


# Mideast Market Administrator's Bulletin



## Federal Order No. 33

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June 2012

## April Milk Production Up 3.3 Percent

Milk production in the 23 major States during April totaled 16.0 billion pounds, up 3.3 percent from April 2011. March revised production, at 16.4 billion pounds, was up 4.3 percent from March 2011. The March revision represented a decrease of 5 million pounds or less than 0.1 percent from last months preliminary production estimate.

Production per cow in the 23 major States averaged 1,875 pounds for April, 40 pounds above April 2011.

The number of milk cows on farms in the 23 major States was 8.53 million head, 94,000 head more than April 2011, and 4,000 head more than March 2012.

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 April totaled 2.4 billion pounds, up 73 million pounds or 3.1 percent from April 2011.

Production per cow in the Mideast states averaged 1,800 pounds for April, 40 pounds above April 2011.

The number of cows on farms in the Mideast states was 1.4 million head, 16,000 head more than April 2011.

## Milk Production Continues Robust Expansion While Prices Soften; in 2013, a Modest Production Increase Could Help Support Prices

Corn prices are moderating for both the current crop year and for 2012/13. The corn price is projected to be \$5.95 to \$6.25 a bushel in 2011/12, a decline from April's projected price and to slip to \$4.20 to \$5.00 a bushel next year. Higher corn plantings and higher expected yield could lead to a record-high corn supply in 2012/13 despite tight carrying stocks. The recent *Crop Progress* report showed a crop well ahead of average development for this time of year. While this is no guarantee of above-average yields, it minimizes the risk of yield loss due to late planting. Soybean meal prices continue to inch upward; this month's forecast calls for soybean meal prices to average \$360 a ton for the current crop year, up from April's forecast. For 2012/13, prices are forecast at \$335 to \$360 a ton. The April *Agricultural Prices* reported the preliminary estimate of alfalfa hay prices at \$207 per ton. Hay prices could move downward with the 2012/13 crop. The benchmark 16-percent protein dairy ration was calculated at \$11.20 per cwt for January-March 2012. Given crop price forecasts, the ration value will likely head down later this year and could fall further in 2013. For dairy producers,

the welcome relief from high feed prices will likely be countered by lower milk prices for the balance of 2012, with some recovery likely in 2013. On balance, the milk-feed price ratio is not expected to signal expansion until later in 2013.

The total number of milk cows for 2012 was raised slightly from April to 9.23 million head. The *Milk Production* report indicated higher than expected cow numbers and, despite weakening returns, producers were not reducing herds as quickly as expected. May is the first month for 2013 forecasts. The dairy herd in 2013 is expected to decline to 9.17 million head, reflecting 2012's high feed prices and lower milk prices. Milk per cow for 2012 was boosted to 21,880 pounds from the April projection. Production per cow is forecast at 22,100 pounds for 2013. The rise in milk per cow this year is due to nearly ideal production conditions in much of the United States. Next year's projected increase in production per cow reflects the moderating feed price outlook. Production for 2012 was raised this month to 201.9 billion pounds. The initial forecast for 2013 is for production to reach 202.6 billion pounds, based on higher output per cow.

Milk-equivalent imports on a fats basis are forecast at 3.3 billion pounds for both 2012 and 2013 and 5.4 and 5.2 billion pounds for 2012 and 2013 respectively on a skims-solids basis. Milk-equivalent exports on a fats basis are projected at 8.5 billion pounds in 2012, rising to 8.7 billion pounds next year. Exports on a skim-solids basis are estimated at 31.5 billion pounds this year and 32.4 billion pounds in 2013.

(Continued on Page 3)

## MAY 2012 Pool Summary

### Classification of Producer Milk

	Pounds	Percent
Class I	511,568,958	32.1
Class II	301,556,012	18.9
Class III	561,213,301	35.2
Class IV	219,766,784	13.8
Total	1,594,105,055	100.0

### Producer Prices

Producer Price Differential	\$ 0.51 /cwt
Butterfat Price	1.4462 /lb
Protein Price	2.7344 /lb
Other Solids Price	0.3500 /lb
Somatic Cell Adjustment Rate	0.00076 /cwt
Statistical Uniform Price	15.74 /cwt

**ANNOUNCEMENT OF PRODUCER PRICES**

Federal Order No. 33

May 2012

**COMPUTATION OF PRODUCER PRICE DIFFERENTIAL**

	<u>POUNDS</u>	<u>BUTTERFAT</u>	<u>SKIM / PROTEIN</u>	<u>NONFAT SOLIDS</u>	<u>OTHER SOLIDS</u>	<u>PRICE</u>	<u>VALUE</u>
Class I Skim Value			502,801,144			\$ 12.76 / cwt	\$ 64,157,425.95
Class I Butterfat		8,767,814				1.5833 / lb	13,882,079.89
Class I Location Differential	511,568,958						(278,791.81)
Class II SNF Value				25,754,094		1.1633 / lb	29,959,737.57
Class II Butterfat		18,831,678				1.4532 / lb	27,366,194.45
Class III Protein Value			17,063,958			2.7344 / lb	46,659,686.76
Class III Other Solids Value					32,297,590	0.3500 / lb	11,304,156.50
Class III Butterfat		20,726,329				1.4462 / lb	29,974,417.01
Class IV SNF Value				19,241,542		0.9774 / lb	18,806,683.15
Class IV Butterfat		9,150,950				1.4462 / lb	13,234,103.87
Somatic Cell Value II / III / IV							<u>1,317,693.70</u>
<b>TOTAL PRODUCER MILK VALUE</b>	<b>1,594,105,055</b>	<b>57,476,771</b>	<b>48,416,700</b>		<b>91,772,649</b>		<b>\$ 256,383,387.04</b>
Overages					22,259.40		
Beginning Inventory & OS Charges					62,367.26		
<b>TOTAL ADJUSTMENTS</b>							<b>\$ 84,626.66</b>
<b>TOTAL HANDLER OBLIGATIONS</b>							<b>\$ 256,468,013.70</b>
Total Protein Value			48,416,700 lbs	@	\$2.7344		\$(132,390,624.48)
Total Other Solids Value			91,772,649 lbs	@	0.3500		(32,120,427.15)
Butterfat Value			57,476,771 lbs	@	1.4462		(83,122,906.24)
Total Somatic Cell Values							<u>(1,912,855.65)</u>
<b>TOTALS</b>							<b>\$ 6,921,200.18</b>
Net Producer Location Adjustments							\$ 1,181,229.28
1/2 Unobligated Balance Producer Settlement Fund							<u>720,000.00</u>
Total - Divided by Total Pounds			1,594,105,055 lbs		0.5534409		\$ 8,822,429.46
Rate of Cash Reserve					<u>(0.0434409)</u>		<u>(692,493.58)</u>
<b>PRODUCER PRICE DIFFERENTIAL at Cuyahoga County, OH*</b>			1,594,105,055		<b>\$ 0.51 /cwt</b>		<b>\$ 8,129,935.88</b>

**COMPONENT PRICES****COMPUTATION OF UNIFORM PRICE**

	May	
	<u>2012</u>	<u>2011</u>
Butterfat Price	\$1.4462 / lb	\$2.2497 / lb
Protein Price	2.7344 / lb	2.3133 / lb
Other Solids Price	0.3500 / lb	0.3026 / lb
Somatic Cell Adjustment Rate	0.00076 / cwt	0.00083 / cwt
Nonfat Solids Price	0.9774 / lb	1.4298 / lb

	May	
	<u>2012</u>	<u>2011</u>
Class III Price - 3.5% BF	\$ 15.23	\$16.52
Producer Price Differential*	<u>0.51</u>	<u>2.82</u>
Statistical Uniform Price	\$15.74	\$19.34

**CLASS PRICES****CLASSIFICATION OF PRODUCER MILK**

	May	
	<u>2012</u>	<u>2011</u>
Class I*	\$17.85	\$21.75
Class II	15.19	20.63
Class III	15.23	16.52
Class IV	13.55	20.29

	May	
	<u>2012</u>	<u>2011</u>
	<i>Product lbs.</i>	<i>Product lbs.</i>
Class I	511,568,958	518,594,728
Class II	301,556,012	99,936,698
Class III	561,213,301	512,684,638
Class IV	<u>219,766,784</u>	<u>101,427,872</u>
Total	1,594,105,055	1,232,643,936

\* Subject to Location Adjustment.

**ORDER 33 MARKET SUMMARY**

The Producer Price Differential for the Mideast Marketing Area for May 2012 was \$0.51 and the Statistical Uniform Price was \$15.74 for the month. The Statistical Uniform Price is \$0.49 lower than last month, and is \$3.60 lower than May 2011.

The Producer Butterfat Price of \$1.4462 per pound decreased \$0.1183 from April and is down \$0.8035 from a year ago. The Protein Price of \$2.7344 is up \$0.0776 cents from last month and is up \$0.4211 from May 2011. The Other Solids Price in May was \$0.3500 per pound, a decrease from last month's price of \$0.4048 and \$0.0474 higher than last May. The Somatic Cell Adjustment rate for May was \$0.00076.

May producer receipts of 1.59 billion pounds were 3.3 percent higher than April and 29.3 percent higher than May 2011 production of 1.23 billion pounds. Producer milk allocated to Class I accounted for 32.1 percent of the total producer milk in May 2012, less than the 32.5 percent in April, and less than the 42.1 percent in May 2011. A total of 6,582 producers were pooled on the Mideast Order compared to 6,716 producers pooled in May 2011.

The market average content of producer milk was as follows: Butterfat 3.61%; Protein 3.04%; Other Solids 5.76% and Nonfat Solids 8.80%.

(Continued from Front Page)

Higher than expected milk production and weaker-than-expected demand led to lowering of the 2012 prices for the major dairy products in May, except for whey. The cheese price was lowered to \$1.555 to \$1.605 per pound, butter was reduced to \$1.425 to \$1.505 per pound, and the nonfat dry milk price was revised to \$1.235 to \$1.275 per pound. The whey price was increased to 56.0 to 59.0 cents per pound as it appears demand is stronger than expected earlier. Next year's milk production increase is modest, keeping with the herd-size declines, in response to 2012's high feed prices and lower milk prices. Higher forecast exports and continued firm domestic demand should strengthen 2013 prices. The 2013 cheese price is forecast at \$1.600 to \$1.700 per pound, butter at \$1.465 to \$1.595 per pound and NDM at \$1.320 to \$1.390 per pound. Whey prices are forecast at 55.5 to 58.5 cents per pound, very near 2012 prices.

Milk prices for 2012 were revised downward based on lowered product prices. The Class III price is projected at \$15.80 to \$16.30 per cwt, the Class IV price was lowered to \$14.50 to \$15.10 per cwt and all milk is projected at \$16.90 to \$17.40 per cwt. In 2013, milk prices should recover. The Class III price is forecast at \$16.20 to \$17.20 per cwt, the Class IV price is forecast to rebound to \$15.40 to \$16.50 per cwt and the all milk price is expected to climb to \$17.25 to \$18.25 per cwt.

**Source:** *Livestock, Dairy, and Poultry Outlook/LDP-M-215/May 16, 2012*  
Economic Research Service, USDA

### International Markets

Oceania milk producers and handlers are reporting that milk volumes are noticeably declining. The 2011 - 2012 milk production season has been very positive in both New Zealand and Australia, especially with a strong finish in both countries. Milk producers are stating that the milking herd needs to prepare itself for the upcoming season, thus the end of the current season needs to occur. Milk producers are very pleased with the condition of the milking herd going into the winter months. The herd has not had a stressful end to the current season and hopefully the winter months will not be overly stressful.

Temperatures are starting to decline, thus fall is in the air. Milk production projections for the current year remain positive. New Zealanders continue to project a 9 - 10% increase over the previous season while Australians are looking at about a 4% increase. Milk

production in Tasmania, which is included with Australian figures, is running about 10% stronger than last year, which is helping boost Australian figures.

As the milk volume declines, manufacturing facilities that have maintained more active processing schedules than anticipated are now being shuttered or running on much reduced schedules. Up to this point, the extra milk volume has been able to generate some additional stocks that were previously not anticipated. Much of this additional stock was welcomed and provided a supply cushion for late season commitments.

Milk production across European countries is at, near, or slightly off the seasonal peak levels. Indications are that France is past the peak and Germany may have peaked in May. Total milk output continues to trend higher than year ago levels across many countries. Summertime conditions are prevalent across the region and Processing plants are running at or near capacity levels. In many locales, there is increasing demand for fresh milk and cream based products, which is alleviating the stress on plants making cheese, butter, and powders. Milk supplies are being handled well and processors are able to make the product mix needed for current and future sales.

The results of the recently completed export tender are not entirely clear, but industry indications are that there are heavy volumes of SMP and WMP being sourced from Europe. The sales are welcomed to move or rebalance stocks that have been built during the production season. Current pricing for SMP and WMP are unchanged, but there are indications pricing levels are trying to firm. The weaker euro has made sourcing European dairy products more attractive. However, the international markets have been trending lower for finished dairy products and buyers have shown reluctance to be market participants when they perceive lower, future values.

**Source:** *Dairy Market News, Week of May 21 - 25, 2012, Volume 79, Report 21*

### Bulletin WebPage Edition

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#### Featured this month are:

- 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	Number of Producers	Pounds of Milk (000)	April 2012 -----Weighted Averages -----				April 2011 -----Weighted Averages -----				
			Butterfat	Protein	Other Solids	SCC (000)	Pounds of Milk (000)	Butterfat	Protein	Other Solids	SCC (000)
Michigan	1,742	658,348	3.64	3.06	5.76	160	599,391	3.67	3.05	5.73	172
Ohio	2,076	354,611	3.69	3.10	5.74	211	278,053	3.79	3.09	5.70	224
Indiana	1,090	184,205	3.68	3.08	5.76	199	132,181	3.76	3.07	5.72	218
New York	335	135,186	3.70	3.06	5.75	200	69,111	3.77	3.06	5.73	147
Pennsylvania	957	100,876	3.78	3.11	5.72	259	104,580	3.83	3.09	5.69	279
Wisconsin	132	85,134	3.70	3.14	5.80	207	83,811	3.67	3.04	5.79	230
West Virginia	53	3,951	3.81	3.18	5.72	256	4,204	3.90	3.17	5.69	309
Other	205	20,703	3.68	3.05	5.77	211	26,924	3.67	3.06	5.74	227
Total/Average *	6,590	1,543,014	3.67	3.08	5.75	190	1,298,255	3.72	3.07	5.72	200

\* 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**

**May 2012**

Marketing Area <sup>1/</sup>	Producer Milk		Class I Percent %	Producer Price Differential (per cwt.)	Statistical Uniform Price (per cwt.)
	Total (000)	Class I (000)			
FO 1 Northeast - (Boston)	2,142,629	825,203	38.5	\$1.56	\$16.79
FO 5 Appalachian - (Charlotte)	508,878	320,990	63.1	<sup>2/</sup>	17.69
FO 6 Florida - (Tampa)	243,392	199,008	81.8	<sup>2/</sup>	19.98
FO 7 Southeast - (Atlanta)	602,192	368,840	61.3	<sup>2/</sup>	18.07
FO 30 Upper Midwest - (Chicago)	3,045,420	319,221	10.5	0.22	15.45
FO 32 Central - (Kansas City)	1,408,890	394,717	28.0	0.28	15.51
<b>FO 33 Mideast - (Cleveland)</b>	<b>1,594,105</b>	<b>511,569</b>	<b>32.1</b>	<b>0.51</b>	<b>15.74</b>
FO 124 Pacific Northwest - (Seattle)	737,117	186,892	25.4	0.08	15.31
FO 126 Southwest - (Dallas)	1,114,167	359,810	32.3	1.27	16.50
FO 131 Arizona - (Phoenix)	424,156	112,051	26.4	<sup>2/</sup>	15.27

<sup>1/</sup> Names in parentheses are principal points of markets.  
<sup>2/</sup> Producers in these markets are paid on the basis of a uniform skim and butterfat price.

**MINIMUM PARTIAL PAYMENT PRICE FOR JUNE 2012.....\$13.55 /cwt.**

# Mideast Market Administrator's Bulletin

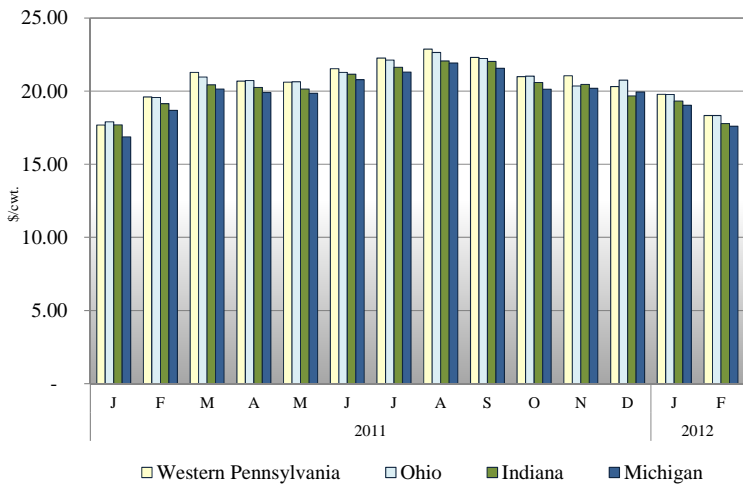
Supplement

Federal Order No. 33

June 2012

## MAILBOX MILK PRICES FOR AREAS IN MIDEAST MARKETING AREA 1/

Mailbox Milk Price for Selected Reporting Areas Federal Order 33, 2011-2012



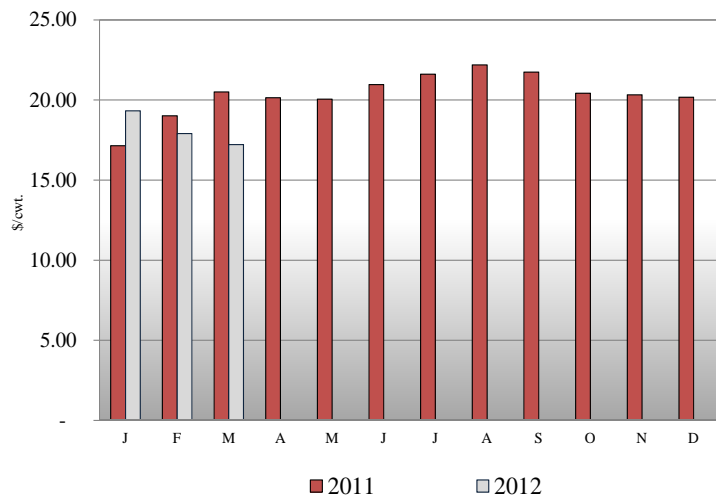
Mailbox price is the net pay price received by dairy farmers for milk. The data includes all payments received for milk sold, and all costs associated with marketing the milk. The mailbox price is a weighted average for the reporting area at the average butterfat test. Mailbox price does not include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

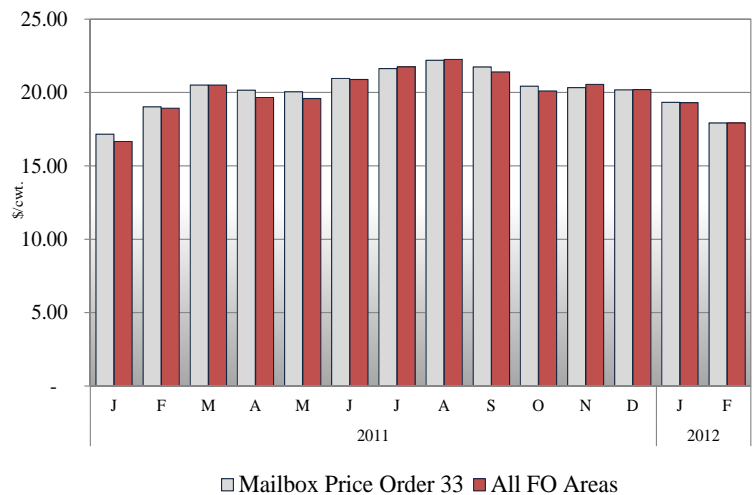
## FEDERAL ORDER 33 MAILBOX PRICE STATISTICS

Mailbox Milk Price for the Mideast Marketing Area, 2011-2012



The net pay price received by dairy farmers located in states pooled on Federal Order 33 was \$17.22 per hundredweight for March 2012. The March 2012 mailbox price is \$0.70 lower than the mailbox price for February 2012. The March 2012 mailbox price is \$3.28 lower than the March 2011 mailbox price of \$20.50 per cwt.

Mailbox Milk Price for Mideast Marketing Area and All FO Areas, 2011-2012

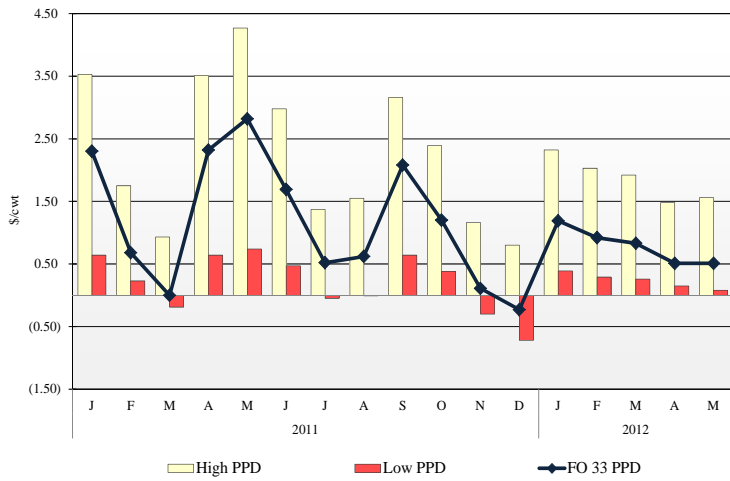


For February 2012 the net pay price received by dairy farmers located in states pooled on Federal Order 33 was in-line with the average mailbox price for all Federal Orders, as reported by Dairy Market News. For February the all Federal Order mailbox price was \$17.92 per hundredweight, \$1.01 lower than February 2011.

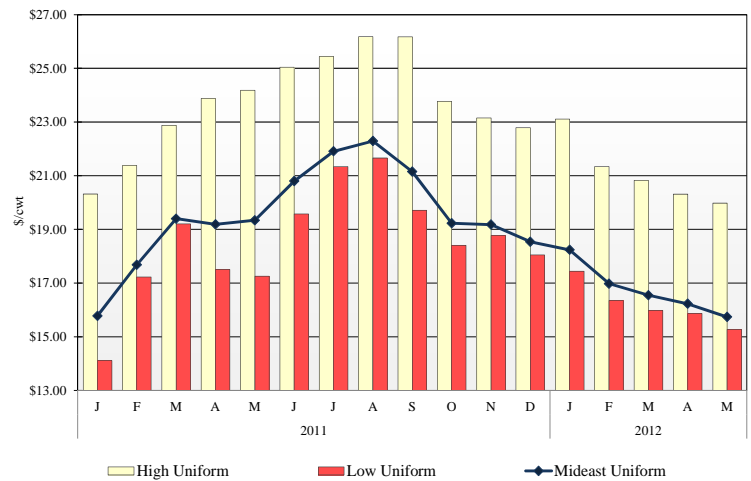
1/ Mailbox prices are generally released by Dairy Market News on the 10th of the third following month (January data in April).

## PRODUCER PRICE DIFFERENTIAL AND UNIFORM PRICE STATISTICS 2/ 3/

**High-to-Low Federal Order Producer Price Differentials, 2011-2012**



**High-to-Low Federal Order Statistical Uniform Prices, 2011-2012**



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 May 2012, Federal Order 1 had a PPD of \$1.56 per hundredweight (cwt), \$0.08 higher than their April 2012 PPD of \$1.48 per cwt.

In May 2012 Federal Order 33 had the third highest PPD, behind Orders 1 and 126 (\$1.27), at \$0.51 per cwt, in-line with the April 2012 PPD.

For May 2012 Federal Order 124 had the lowest PPD at \$0.08 per cwt, \$0.07 per cwt lower than the April 2012 PPD of \$0.15 per cwt.

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.

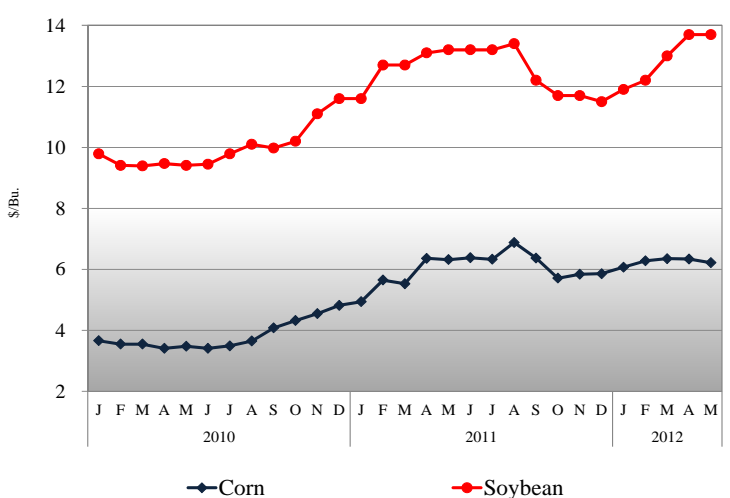
Of those orders, Federal Order 6 (Florida) traditionally has the highest statistical uniform price. For May 2012, Federal Order 6 had a SUP of \$19.98 per cwt, \$0.33 lower than their April 2012 SUP.

In May 2012 Federal Order 33 had a SUP of \$15.74 per cwt, \$0.49 per cwt lower than the April SUP.

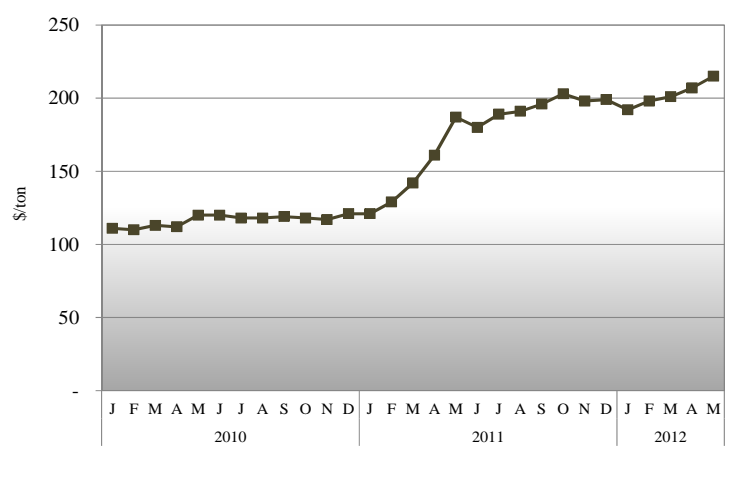
For May 2012 the Arizona order had the lowest SUP at \$15.27 per cwt, \$0.75 per cwt lower than their April 2012 SUP.

## PRICES RECEIVED FOR GRAIN AND ALFALFA HAY 4/

**Prices Received for Corn and Soybean 2010-2012**



**Prices Received for Alfalfa Hay 2010-2012**



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