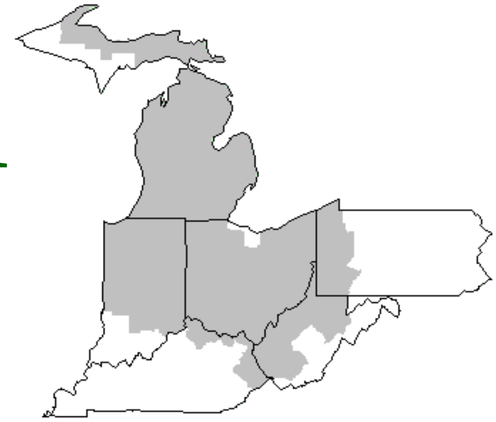
Mideast Market Administrator's

Bulletin



Federal Order No. 33
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September 2012

USDA Announces Final Rule Amending the Mideast Federal Milk Order

The U. S. Department of Agriculture has announced a final rule which amends the Pool Plant definition of the Mideast milk marketing order. This decision is based on testimony and evidence given at a public hearing held in Cincinnati, Ohio, on October 4-5, 2011.

This amendment will more adequately identify the plants that service the fluid milk needs of the marketing order. Specifically, the amendment will regulate fluid milk plants physically located within the Mideast marketing area that have a Class I utilization of at least 30 percent and whose combined Class I route disposition and transfers into Federal milk marketing areas is greater than 50 percent.

This amendment was originally proposed in a recommended decision issued on February 24, 2012. The program received only four comments all in support of the recommended decision. Producers whose milk is pooled on the Mideast milk marketing order approved these amendments. The order, as amended, will become effective October 1, 2012.

The final rule was published in the August 27, 2012 *Federal Register*. For additional information about the decision contact: Paul Huber; USDA/AMS/Dairy Programs; 1325 Industrial Parkway North, Brunswick, OH 44212; Tel. (330) 225-4758; email: phuber@fmmaclev.com.

Drought Affected Feed Prices Will Lower Herd Size and Milk Production in 2013 Over 2012

Exceptionally hot and dry weather throughout most of the United States, but especially for the Midwest, has reduced expected U.S. corn yields to an average 123.4 bushels per acre for 2012/13. By contrast, U.S. corn yield in 2010/11 was 152.8 bushels per acre. Corn production for the upcoming 2012/13 season is now forecast at 10,780 million bushels compared with the 12,358 million bushels from 2011/12. Corn prices on the cash market have soared and the season average price for 2012/13 is now projected at $7.50 - $8.90 per bushel, a substantial increase from July's forecast $5.40 - $6.40 per bushel. Recent rains could rescue the soybean crop; but, soybean production is forecast to be 2,692 million bushels for 2012/13. Lower yields and lower-than-expected harvested acreage account for the decline. Soybean meal production for 2012/13 is forecast at 36.0 million tons, a decline from July's forecast and a year-over-year decline as well. Soybean meal prices for the upcoming season are projected at $460 - $490 a ton. According to the July Agricultural Prices report, alfalfa hay prices have been steady at about $200 per ton for the last 2 months and up 5 percent from July 2011. The forecast production shortfall in feedstuffs is expected to raise feed prices for dairy producers in both 2012 and into 2013.

According to USDA/AMS, weekly estimated dairy cow slaughter turned substantially upward in July. Higher apparent culling, combined with higher feed prices, leads to a reduced 2012 herd size estimate of 9,215 thousand head in August. While herd size is expected to be slightly higher on a year-over-year basis compared to 2011, the U.S. dairy herd is forecast to contract to 9,110 thousand head in 2013. The severe drought will impact milk production per cow both this year and next. In light of higher feed prices, USDA has lowered milk yield per cow to 21,705 pounds this year and 21,830 pounds in 2013. Consequently, the milk production forecast for 2012 was lowered from July by 1.6 billion pounds to 200.0 billion pounds this year and to 198.9 billion pounds in 2013, a year-over-year decline in production.

Projected milk equivalent imports for 2012 on a fats basis were raised in August to 3.7 billion pounds and to 5.5 billion pounds on a skim-solids basis. Strong imports of butterfat, milk proteins, and casein during April, May and June supported the higher forecast. For 2013, forecast imports were also raised to 3.6 billion pounds on a fats basis as butterfat imports are expected to remain high. Imports on a skim-solids basis were unchanged at 4.7 billion pounds as the pace of skim-solids imports is not expected to carry into 2013.

(continued on Page 3)

AUGUST 2012 - Pool Summary

Classification of Producer Milk

	Pounds	*Percent*
Class I	515,257,151	40.0
Class II	299,711,058	23.3
Class III	306,139,057	23.8
Class IV	166,337,885	12.9
Total	1,287,445,151	100.0

Producer Prices

Producer Price Differential	$(0.26)	/cwt
Butterfat Price	1.8339	/ lb
Protein Price	3.1211	/ lb
Other Solids Price	0.3462	/ lb
Somatic Cell Adjustment Rate	0.00088	/ cwt
Statistical Uniform Price	17.47	/ cwt

ANNOUNCEMENT OF PRODUCER PRICES
Federal Order No. 33

August 2012

COMPUTATION OF PRODUCER PRICE DIFFERENTIAL

	POUNDS	BUTTERFAT	SKIM / PROTEIN	NONFAT SOLIDS	OTHER SOLIDS	PRICE	VALUE
Class I Skim Value			506,235,542			$ 13.21 / cwt	$ 66,873,715.09
Class I Butterfat		9,021,609				1.6586 / lb	14,963,240.71
Class I Location Differential	515,257,151						(303,123.32)
Class II SNF Value				25,526,459		1.0589 / lb	27,029,967.45
Class II Butterfat		17,748,194				1.8409 / lb	32,672,650.31
Class III Protein Value			9,151,448			3.1211 / lb	28,562,584.33
Class III Other Solids Value					17,496,798	0.3462 / lb	6,057,391.48
Class III Butterfat		12,675,032				1.8339 / lb	23,244,741.20
Class IV SNF Value				14,580,398		1.0756 / lb	15,682,676.08
Class IV Butterfat		6,206,754				1.8339 / lb	11,382,566.19
Somatic Cell Value II / III / IV							896,937.15
TOTAL PRODUCER MILK VALUE	1,287,445,151	45,651,589	38,686,472		73,979,426		$ 227,063,346.67
Overages					46,736.62		
Beginning Inventory & OS Charges					239,398.72		
TOTAL ADJUSTMENTS							$ 286,135.34
TOTAL HANDLER OBLIGATIONS							$ 227,349,482.01
Total Protein Value			38,686,472 lbs	@	$3.1211		$ (120,744,347.76)
Total Other Solids Value			73,979,426 lbs	@	0.3462		(25,611,677.29)
Butterfat Value			45,651,589 lbs	@	1.8339		(83,720,449.09)
Total Somatic Cell Values							(1,444,432.03)
TOTALS							$ (4,171,424.16)
Net Producer Location Adjustments							$ 829,949.43
1/2 Unobligated Balance Producer Settlement Fund							630,000.00
Total - Divided by Total Pounds			1,287,445,151 lbs		(0.2106090)		$ (2,711,474.73)
Rate of Cash Reserve					(0.0493910)		(635,882.03)
PRODUCER PRICE DIFFERENTIAL *at Cuyahoga County, OH**			1,287,445,151		**$(0.26) /cwt**		$ (3,347,356.76)

COMPONENT PRICES

August	2012	2011
Butterfat Price	$1.8339 / lb	$2.2985 / lb
Protein Price	3.1211 / lb	3.8305 / lb
Other Solids Price	0.3462 / lb	0.3811 / lb
Somatic Cell Adjustment Rate	0.00088 / cwt	0.00107 / cwt
Nonfat Solids Price	1.0756 / lb	1.3920 / lb

COMPUTATION OF UNIFORM PRICE

August	2012	2011
Class III Price - 3.5% BF	$ 17.73	$21.67
Producer Price Differential*	(0.26)	0.62
Statistical Uniform Price	$17.47	$22.29

CLASS PRICES

August	2012	2011
Class I*	$18.55	$23.43
Class II	15.64	21.55
Class III	17.73	21.67
Class IV	15.76	20.14

* Subject to Location Adjustment.

CLASSIFICATION OF PRODUCER MILK

August	2012 *Product lbs.*	2011 *Product lbs.*
Class I	515,257,151	534,314,392
Class II	299,711,058	286,997,789
Class III	306,139,057	490,579,385
Class IV	166,337,885	100,465,423
Total	1,287,445,151	1,412,356,989

ORDER 33 MARKET SUMMARY

The Producer Price Differential for the Mideast Marketing Area for August 2012 was $(0.26) and the Statistical Uniform Price was $17.47 for the month. The Statistical Uniform Price is $1.08 higher than last month, and is $4.82 lower than August, 2011.

The Producer Butterfat Price of $1.8339 per pound increased $0.1783 from July and is down $0.4646 from a year ago. The Protein Price of $3.1211 is up $0.0781 cents from last month and is down $0.7094 from August 2011. The Other Solids Price in August was $0.3462 per pound, an increase from last month's price of $0.3123 and $0.0349 lower than last August. The Somatic Cell Adjustment rate for August was $0.00088.

August producer receipts of 1.29 billion pounds were 2.2 percent higher than July and 8.8 percent lower than August 2011 production of 1.41 billion pounds. Producer milk allocated to Class I accounted for 40.0 percent of the total producer milk in August 2012, more than the 37.5 percent in July, and more than the 37.8 percent in August 2011. A total of 6,237 producers were pooled on the Mideast Order compared to 6,710 producers pooled in August 2011.

The market average content of producer milk was as follows: Butterfat 3.55%; Protein 3.00%; Other Solids 5.75% and Nonfat Solids 8.75%.

(continued from Front Page)

Exports on a fats basis for this year were increased to 9.8 billion pounds on a fats basis and to 33.4 billion pounds on a skim-solids basis based on a strong first half of the year performance. The export pace is likely to slow in the second half of 2012 due to higher prices. Exports in 2013 were lowered from July's projection to 8.9 billion pounds on a fats basis and to 32.5 billion pounds on a skim-solids basis as reduced supplies and higher prices are expected to impact all dairy exports. Milk equivalent stocks on both a fats and skim solids basis were tightened for both 2012 and 2013. Lower expected milk production, especially in 2013, will contribute to the tighter stocks position. Prices across the board are expected to be higher for the rest of 2012 and in 2013 than previously forecast. Product prices will be higher in 2013 than in 2012, but will still be below 2011 prices. The cheese price is forecast at $1.635 - $1.655 per pound this year rising to $1.640 - $1.740 per pound in 2013. The forecast butter price was also raised from July to $1.535 - $1.575 per pound in 2012 and to $1.515 - $1.645 per pound in 2013. The nonfat dry milk price forecast was increased in August to $1.250 - $1.270 per pound for the current year and to $1.350 - $1.420 per pound in 2013. Whey prices were also raised to 55.0 - 57.0 cents per pound and 57.0 - 60.0 cents per pound for 2012 and 2013, respectively.

The higher forecast product prices are reflected in the class milk prices and in the all milk price. The Class III price is forecast at $16.50 - $16.70 per cwt this year and at $16.70 - $17.70 per cwt in 2013. The Class IV price was increased in August to $15.10 - $15.40 per cwt in 2012 and to $15.90 - $17.00 per cwt in 2013. The all milk price is projected at $17.55 - 17.75 per cwt and $17.80 - $18.80 per cwt for 2012 and 2013, respectively.

Source: *Livestock, Dairy, & Poultry Outlook*/LDP-M-218/August 16, 2012
Economic Research Service, USDA

July Milk Production Up 0.8 Percent

Milk production in the 23 major States during July totaled 15.5 billion pounds, up 0.8 percent from July 2011. June revised production, at 15.5 billion pounds, was up 1.1 percent from June 2011. The June revision represented an increase of less than 0.1 percent or 2 million pounds from last month's preliminary production estimate.

Production per cow in the 23 major States averaged 1,826 pounds for July, 6 pounds above July 2011. The number of milk cows on farms in the 23 major States was 8.50 million head, 41,000 head more than July 2011, but 7,000 head less than June 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 July totaled 2.3 billion pounds, up 36 million pounds or 1.6 percent from July 2011.

Production per cow in the Mideast states averaged 1,720 pounds for July, 9 pounds above July 2011. The number of cows on farms in the Mideast states was 1.4 million head, 14,000 head more than July 2011.

July 2012 Highlights

Total cheese output (excluding cottage cheese) was 874 million pounds, 2.3 percent above July 2011, but 2.3 percent below June 2012. Italian type cheese production totaled 368 million pounds, 2.3 percent above July 2011, but 2.7 percent below June 2012. American type cheese production totaled 356 million pounds, 1.8 percent above July 2011, but 1.1 percent below June 2012.

Butter production was 133 million pounds, 2.0 percent below July 2011 and 3.4 percent below June 2012.

All numbers below are comparisons to July 2011:

- Nonfat dry milk, human - 149 million pounds, up 12.1 percent.
- Skim milk powders - 37.2 million pounds, down 6.1 percent.

- Dry whey, total - 90.3 million pounds, up 10.4 percent.
- Lactose, human and animal - 85.8 million pounds, up 0.7 percent.
- Whey protein concentrate, total - 34.1 million pounds, down 1.7 percent.

- Ice cream, regular (hard) - 73.8 million gallons, up 1.4 percent.
- Ice cream, lowfat (total) - 39.9 million gallons, down 8.0 percent.
- Sherbet (hard) - 3.93 million gallons, up 3.6 percent.
- Frozen yogurt (total) - 5.89 million gallons, up 6.6 percent.

Source: September 4, 2012, by the National Agricultural Statistics Service (NASS), Agricultural Statistics Board, United States Department of Agriculture (USDA).

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

State	July 2012 Number of Producers	July 2012 Pounds of Milk (000)	July 2012 Weighted Averages Butterfat	July 2012 Weighted Averages Protein	July 2012 Weighted Averages Other Solids	July 2012 Weighted Averages SCC (000)	July 2011 Pounds of Milk (000)	July 2011 Weighted Averages Butterfat	July 2011 Weighted Averages Protein	July 2011 Weighted Averages Other Solids	July 2011 Weighted Averages SCC (000)
Michigan	1,722	608,520	3.48	2.94	5.75	188	632,042	3.50	2.92	5.72	205
Ohio	2,009	272,656	3.54	2.98	5.74	259	295,050	3.57	2.94	5.68	288
Indiana	1,099	161,530	3.52	2.94	5.73	239	138,355	3.58	2.92	5.72	280
New York	328	134,342	3.57	2.95	5.75	216	124,919	3.57	2.95	5.72	233
Pennsylvania	916	69,836	3.60	2.99	5.74	302	99,098	3.61	2.95	5.67	339
Wisconsin	36	1,063	3.55	2.94	5.72	268	82,812	3.55	2.94	5.78	247
West Virginia	41	2,617	3.69	3.01	5.67	326	3,829	3.66	3.01	5.64	371
Other	116	8,373	3.56	2.98	5.71	278	23,959	3.58	2.92	5.72	264
Total/Average *	6,267	1,258,936	3.51	2.95	5.75	220	1,400,063	3.54	2.93	5.71	246

* 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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Featured this month are:

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

FEDERAL ORDER DATA

August 2012

	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)*	2,044,077	810,430	39.6	$0.67	$18.40
FO 5	Appalachian - *(Charlotte)*	479,211	347,401	72.5	[2/]	19.32
FO 6	Florida - *(Tampa)*	236,779	205,212	88.7	[2/]	21.46
FO 7	Southeast - *(Atlanta)*	532,275	399,702	75.1	[2/]	19.95
FO 30	Upper Midwest - *(Chicago)*	2,261,744	327,895	14.5	(0.04)	17.69
FO 32	Central - *(Kansas City)*	903,006	425,948	47.2	(0.30)	17.43
FO 33	**Mideast - *(Cleveland)***	**1,287,445**	**515,257**	**40.0**	**(0.26)**	**17.47**
FO 124	Pacific Northwest - *(Seattle)*	419,111	181,943	43.4	(0.60)	17.13
FO 126	Southwest - *(Dallas)*	561,981	360,327	64.1	0.81	18.54
FO 131	Arizona - *(Phoenix)*	324,240	121,450	37.5	[2/]	17.69

[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 SEPTEMBER 2012..................$15.64 /cwt.

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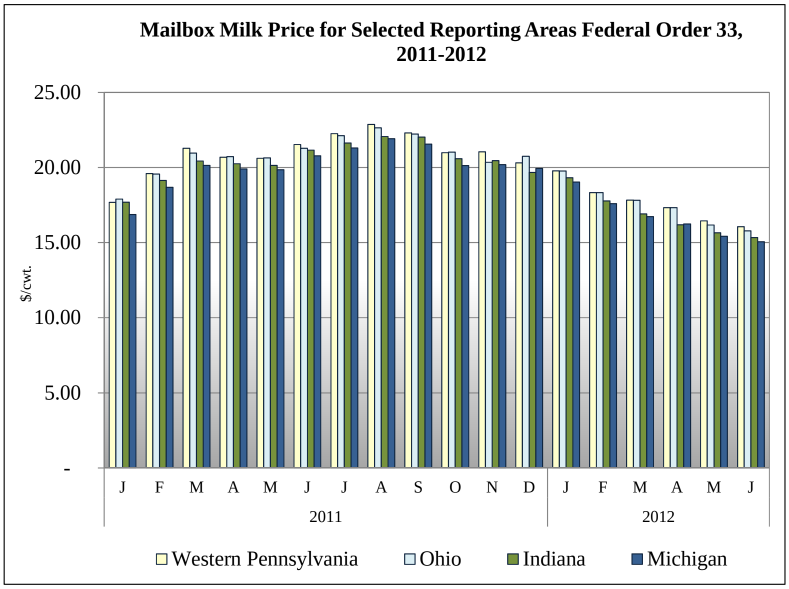
Mideast Market Administrator's
Bulletin
Supplement
Federal Order No. 33 September 2012

MAILBOX MILK PRICES FOR AREAS IN MIDEAST MARKETING AREA 1/

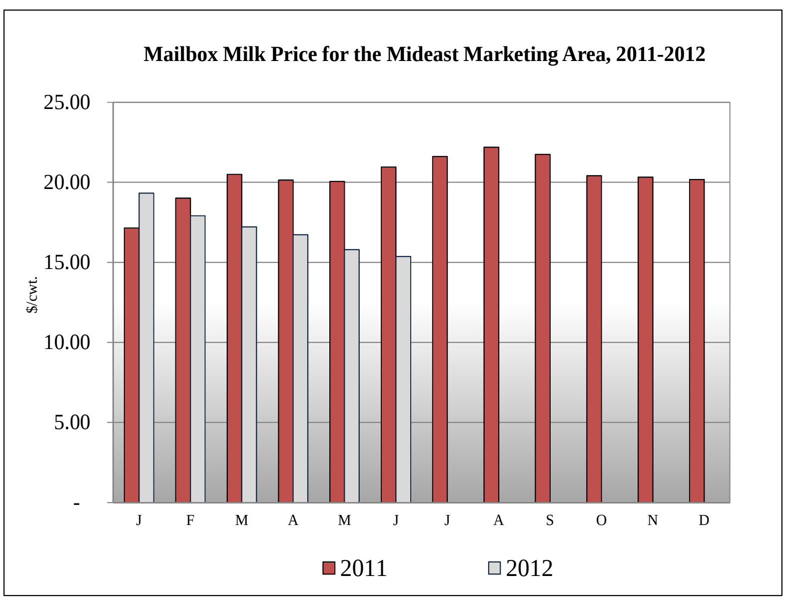


Mailbox price is the net pay price received by dairy farmers for milk. The data includes all payments received for milk sold, and all costs associated with marketing the milk. The mailbox price is a weighted average for the reporting area at the average butterfat test. Mailbox price does not include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

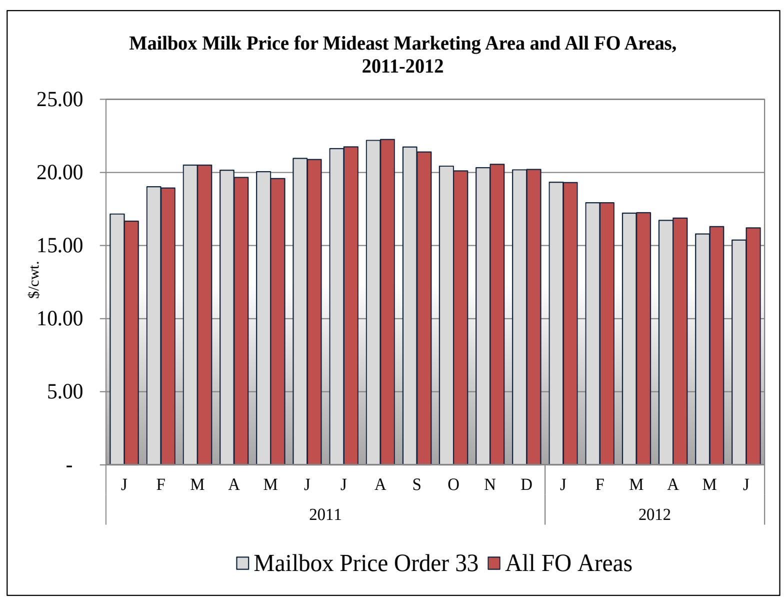
The information is shown for those areas where at least 75 percent of the milk was marketed under Federal Orders. Mailbox prices include milk not-pooled due to unusual price relationships.

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



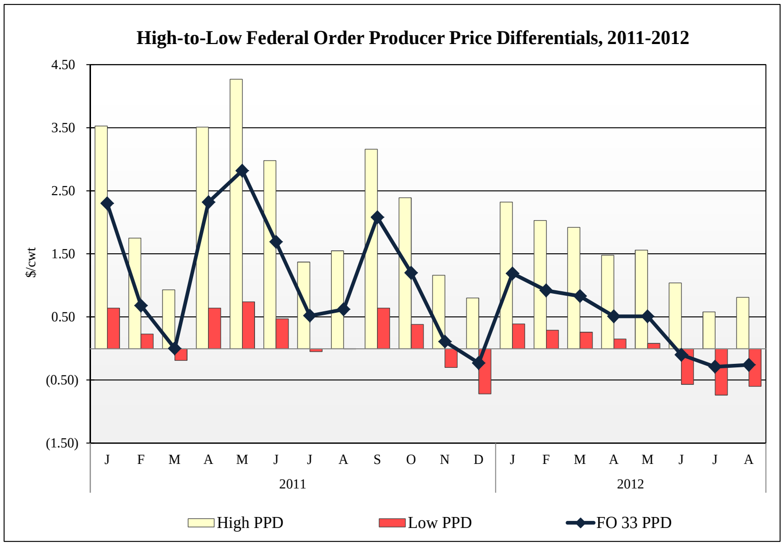
The net pay price received by dairy farmers located in states pooled on Federal Order 33 was $15.37 per hundredweight for June 2012. The June 2012 mailbox price is $0.43 lower than the mailbox price for May 2012. The June 2012 mailbox price is $5.59 lower than the June 2011 mailbox price of $20.96 per cwt.

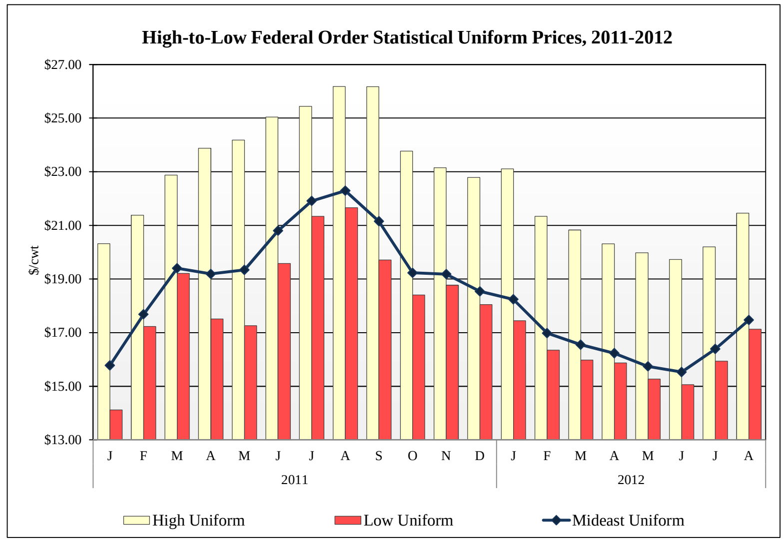


For June 2012 the net pay price received by dairy farmers located in states pooled on Federal Order 33 was $0.84 per cwt lower than the average mailbox price for all Federal Orders, as reported by Dairy Market News. For June the all Federal Order mailbox price was $16.21 per hundredweight, $0.08 lower than May 2012.

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/





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 August 2012, Federal Order 1 had a PPD of $0.67 per hundredweight (cwt), $0.09 higher than their July 2012 PPD of $0.58 per cwt.

In August 2012 Federal Order 33 had the fourth highest PPD, behind Orders 1, 30 and 126, at -$0.26 per cwt, $0.03 per cwt higher than the July 2012 PPD.

For August 2012 Federal Order 124 had the lowest PPD at -$0.60 per cwt, $0.14 per cwt higher than the July 2012 PPD of -$0.74 per cwt.

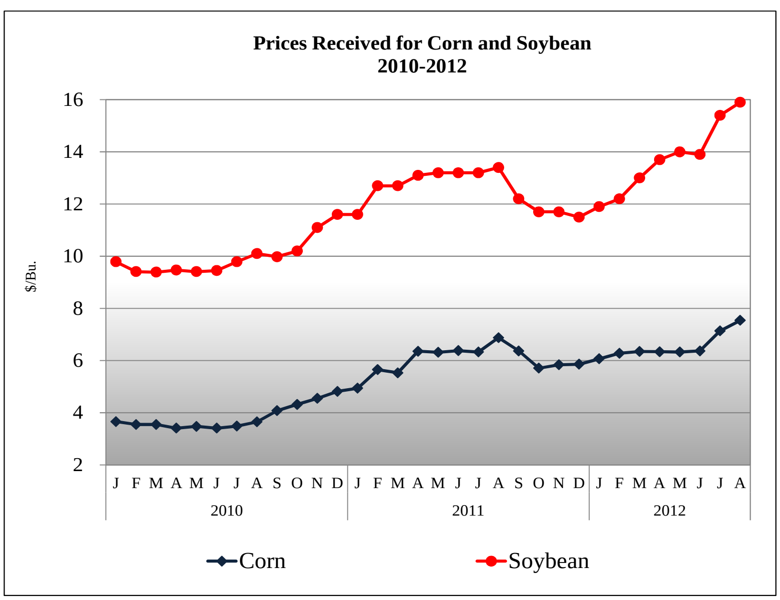
Producers in Orders 1, 30, 32, 33, 124, and 126 are paid based on component pricing; and producers in 5, 6, 7 and 131 are paid based on skim-fat pricing. The table above details the range of statistical uniform prices (SUP) paid to producers.

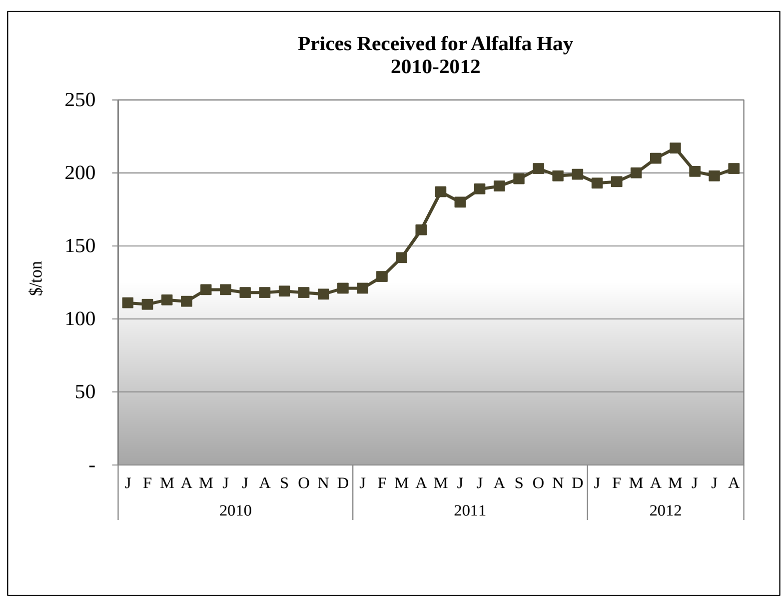
Of those orders, Federal Order 6 (Florida) traditionally has the highest statistical uniform price. For August 2012, Federal Order 6 had a SUP of $21.46 per cwt, $1.26 higher than their July 2012 SUP.

In August 2012 Federal Order 33 had a SUP of $17.47 per cwt, $1.08 per cwt higher than the July SUP.

For August 2012 the Pacific NW order had the lowest SUP at $17.13 per cwt, $1.19 per cwt higher than their July 2012 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