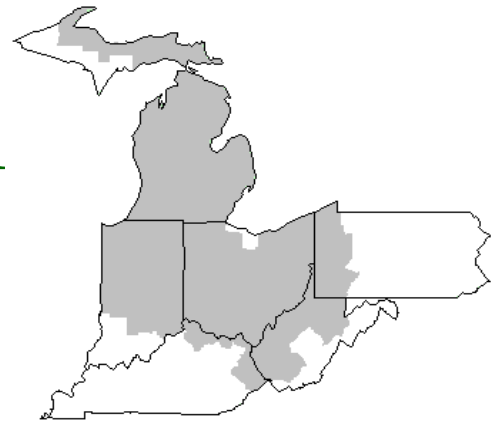


Mideast Market Administrator's Bulletin



Federal Order No. 33

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September 2014

Enrollment for New Dairy Farm Risk Management Program Began September 2

Agriculture Secretary Tom Vilsack announced that starting September 2, 2014, farmers could enroll in the new dairy Margin Protection Program. The voluntary program, established by the 2014 Farm Bill, provides financial assistance to participating farmers when the margin – the difference between the price of milk and feed costs – falls below the coverage level selected by the farmer.

The U.S. Department of Agriculture (USDA) also launched a new Web tool to help producers determine the level of coverage under the Margin Protection Program that will provide them with the strongest safety net under a variety of conditions. The online resource, available at www.fsa.usda.gov/mpptool, allows dairy farmers to quickly and easily combine unique operation data and other key variables to calculate their coverage needs based on price projections. Producers can also review historical data or estimate future coverage based on data projections. The secure site can be accessed via computer, Smartphone, tablet or any other platform, 24 hours a day, seven days a week.

"We've made tremendous progress in implementing new risk management programs since the Farm Bill was signed over six months ago," said Vilsack. "This new program is another example of this Administration's commitment to provide effective safety net programs that allow farmers and ranchers to manage economic risks beyond their control. And the supplemental Web tool will empower the nation's 46,000 dairy producers to make decisions that make sense for them."

Development of the online resource was led by the University of Illinois, in partnership with the USDA and the Program on Dairy Markets and Policy (DMaP). DMaP partners include the University of Illinois, the University of Wisconsin, Cornell University, Pennsylvania State University, the University of Minnesota, Ohio State University and Michigan State University.

The Margin Protection Program, which replaces the Milk Income Loss Contract program, gives participating dairy producers the flexibility to select coverage levels best suited for their operation. Enrollment began September 2 and ends on November 28, 2014, for 2014 and 2015. Participating farmers must remain in the program through 2018 and pay a minimum \$100 administrative fee each year. Producers have the option of selecting a different coverage level during open enrollment each year.

Dairy operations enrolling in the new program must comply with conservation compliance provisions and cannot participate in the Livestock Gross Margin dairy insurance program. Farmers already participating in the Livestock Gross Margin program may register for the Margin Protection Program, but the new margin program will only begin once their Livestock Gross Margin coverage has ended.

The Margin Protection Program final rule was published in the Federal Register on August 29, 2014. The Farm Service Agency (FSA), which administers the program, also will open a 60-day public comment

period on the dairy program. The agency wants to hear from dairy operators to determine whether the current regulation accurately addresses management changes, such as adding new family members to the dairy operation or inter-generational transfers. Written comments must be submitted by October 28, 2014, at www.fsa.usda.gov or www.regulations.gov.

The 2014 Farm Bill also established the Dairy Product Donation Program. The program authorizes USDA to purchase and donate dairy products to nonprofit organizations that provide nutrition assistance to low-income families. Purchases only occur during periods of low dairy margins. Dairy operators do not need to enroll to benefit from the Dairy Product Donation Program.

The 2014 Farm Bill builds on historic economic gains in rural America over the past five years, while achieving meaningful reform and billions of dollars in savings for the taxpayer. Since enactment, USDA has made significant progress to implement each provision of this critical legislation, including providing disaster relief to farmers and ranchers; strengthening risk management tools; expanding access to rural credit; funding critical research; establishing innovative public-private conservation partnerships; developing new markets for rural-made products; and investing in infrastructure, housing and community facilities to help improve quality of life in rural America. For more information, visit www.usda.gov/farmbill.

Visit FSA online at www.fsa.usda.gov/factsheets, or stop by a local FSA office to learn more about the Margin Protection Program or the Dairy Product Donation Program.

August 2014 Pool Summary

Classification of Producer Milk

	<i>Pounds</i>	<i>Percent</i>
Class I	515,524,576	35.4
Class II	166,875,100	11.5
Class III	566,614,543	38.9
Class IV	207,208,653	14.2
Total	1,456,222,872	100.0

Producer Prices

Producer Price Differential	\$ 1.95 /cwt
Butterfat Price	2.8448 /lb
Protein Price	3.1496 /lb
Other Solids Price	0.5036 /lb
Somatic Cell Adjustment Rate	0.00105 /cwt
Statistical Uniform Price	24.20 /cwt

ANNOUNCEMENT OF PRODUCER PRICES

Federal Order No. 33

August 2014**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			506,198,588			\$ 17.22 / cwt	\$ 87,167,396.86
Class I Butterfat		9,325,988				2.6435 / lb	24,653,249.31
Class I Location Differential	515,524,576						(208,111.37)
Class II SNF Value				13,747,008		1.7689 / lb	24,317,082.46
Class II Butterfat		15,464,940				2.8518 / lb	44,102,915.92
Class III Protein Value			17,332,998			3.1496 / lb	54,592,010.53
Class III Other Solids Value					32,609,314	0.5036 / lb	16,422,050.51
Class III Butterfat		19,105,521				2.8448 / lb	54,351,386.13
Class IV SNF Value				18,063,582		1.6047 / lb	28,986,630.06
Class IV Butterfat		9,093,606				2.8448 / lb	25,869,490.36
Somatic Cell Value II / III / IV							<u>1,387,713.29</u>
TOTAL PRODUCER MILK VALUE	1,456,222,872	52,990,055	44,237,493		83,481,482		\$ 361,641,814.06
Overages						37,366.98	
Beginning Inventory & OS Charges						(20,163.44)	
TOTAL ADJUSTMENTS							\$ 17,203.54
TOTAL HANDLER OBLIGATIONS							\$ 361,659,017.60
Total Protein Value			44,237,493 lbs	@	\$ 3.1496		\$(139,330,407.96)
Total Other Solids Value			83,481,482 lbs	@	0.5036		(42,041,274.33)
Butterfat Value			52,990,055 lbs	@	2.8448		(150,746,108.46)
Total Somatic Cell Values							<u>(2,141,697.34)</u>
TOTALS							\$ 27,399,529.51
Net Producer Location Adjustments							\$ 983,842.53
1/2 Unobligated Balance Producer Settlement Fund							<u>696,000.00</u>
Total - Divided by Total Pounds			1,456,222,872 lbs		1.9969039		\$ 29,079,372.04
Rate of Cash Reserve					(0.0469039)		<u>(683,025.32)</u>
PRODUCER PRICE DIFFERENTIAL at Cuyahoga County, OH*			1,456,222,872		\$ 1.95 /cwt		\$ 28,396,346.72

COMPONENT PRICES**COMPUTATION OF UNIFORM PRICE**

August			August		
	<u>2014</u>	<u>2013</u>		<u>2014</u>	<u>2013</u>
Butterfat Price	\$2.8448 / lb	\$1.5104 / lb	Class III Price - 3.5% BF	\$ 22.25	\$17.91
Protein Price	3.1496 / lb	3.4775 / lb	Producer Price Differential*	<u>1.95</u>	<u>1.41</u>
Other Solids Price	0.5036 / lb	0.3901 / lb	Statistical Uniform Price	\$24.20	\$19.32
Somatic Cell Adjustment Rate	0.00105 / cwt	0.00089 / cwt			
Nonfat Solids Price	1.6047 / lb	1.5868 / lb			

CLASS PRICES**CLASSIFICATION OF PRODUCER MILK**

August			August		
	<u>2014</u>	<u>2013</u>		<u>2014</u>	<u>2013</u>
Class I*	\$25.87	\$20.88	Class I	515,524,576	553,527,797
Class II	25.34	19.27	Class II	166,875,100	225,728,186
Class III	22.25	17.91	Class III	566,614,543	471,973,206
Class IV	23.89	19.07	Class IV	<u>207,208,653</u>	<u>164,789,864</u>
			Total	1,456,222,872	1,416,019,053

* Subject to Location Adjustment.

ORDER 33 MARKET SUMMARY

The Producer Price Differential for the Mideast Marketing Area for August 2014 was \$1.95 and the Statistical Uniform Price was \$24.20 for the month. The Statistical Uniform Price is \$0.72 higher than last month, and is \$4.88 higher than August 2013.

The Producer Butterfat Price of \$2.8448 per pound increased \$0.2099 from July and is up \$1.3344 from a year ago. The Protein Price of \$3.1496 is down 0.0302 cents from last month and is down \$0.3279 from August 2013. The Other Solids Price in August was \$0.5036 per pound, a decrease from last month's price of \$0.5046 and \$0.1135 higher than last August. The Somatic Cell Adjustment rate for August was \$0.00105.

August producer receipts of 1.456 billion pounds were 2.6 percent higher than July and 2.8 percent higher than August 2013 production of 1.416 billion pounds. Producer milk allocated to Class I accounted for 35.4 percent of the total producer milk in August 2014, higher than the 34.9 percent in July, and less than the 39.2 percent in August 2013. A total of 6,053 producers were pooled on the Mideast Order compared to 6,219 producers pooled in August 2013.

The market average content of producer milk was as follows: Butterfat 3.64%; Protein 3.04%; Other Solids 5.73% and Nonfat Solids 8.77%.

Feed and Milk Prices Favor Higher Production; Exports Will Likely Decline Next Year; Current-Year Domestic Butter Prices Soar on Tight Stocks

Record corn yields due to excellent growing conditions have led to a record production forecast of 14.0 billion bushels. Higher forecast production lowers the 2014/15 corn price forecast from last month to \$3.55-\$4.25 per bushel. The soybean supply and use balance for 2014/15 is changed fractionally on slightly higher production. The soybean meal price forecast for the 2014/15 year is lowered from last month to \$340-\$380 per ton. The attractive feed and milk prices have provided an incentive for producers to raise milk production. Forecast milk cow numbers are unchanged from July at 9.26 million head for 2014 and 9.34 million head next year. High replacement heifer prices and strong cull cow prices may have dampened the expansion. Milk per cow is increased from July for both this year and next to 22,250 and 22,760 pounds, respectively, based on relatively lower feed costs and improved forage in much of the Country. Milk production is increased slightly from July to 206.0 billion pounds in 2014 and to 212.5 billion pounds next year.

Fat-basis milk equivalent imports are raised by 200 million pounds for August to 3.7 billion pounds for this year and by 100 million pounds to 3.6 billion pounds for 2015, based on high U.S. butterfat prices relative to world prices. The skim-solids import forecasts are unchanged from last month at 5.2 billion pounds in 2014, falling to 5.1 billion pounds next year.

Fat-basis exports are lowered to 12.8 billion pounds for 2014, based on lower shipments of butter and cheese. Fat-basis exports are lowered this month to 11.8 billion pounds for 2015. Butterfat exports in June were well below year-earlier levels as U.S. prices are uncompetitive with world prices. Russia's announced ban on agricultural imports from a number of dairy-exporting countries, including the United States, will likely increase competition for sales to other markets. Although U.S. dairy exports to Russia are small, Russia has been a large destination for butterfat exports from the European Union (EU) and has accounted for nearly a third of EU cheese exports in recent years. Current-year skim-solids exports are bumped up from last month to 40.6 billion pounds on the basis of nonfat dry milk (NDM) and whey exports, which continue to exceed expectations despite strong world competition. Skim-solids exports are lowered slightly to 39.0 billion pounds in 2015 on continued strong global milk production and increasing global competition.

Fat-basis ending stocks are raised slightly in August for 2014 on higher milk production, although stocks are lower on a year-over-year basis. Fat-basis ending stocks are unchanged from July 2015 as

continued strong domestic use is expected to absorb increased milk production. Skim-solids ending stocks are forecast unchanged from July for this year and are expected to climb slightly next year on higher production and lower retreat.

Product price projections for cheese, butter, NDM, and whey are raised from July on continued strong domestic and world demand. Cheese prices are forecast at \$2.050-\$2.070 per pound for the current year but are unchanged from July at \$1.670-\$1.770 a pound for 2015. Butter prices are record-high, and U.S. domestic prices have charged ahead of world prices. Butter prices are projected at \$2.040-\$2.080 this year and for 2015 are forecast higher this month than July's projection at \$1.655-\$1.785 a pound; however, the forecast represents a sharp year-over-year decline as butter stocks will likely build by year-end. The NDM price is expected to be \$1.845-\$1.865 a pound in 2014 and to fall to \$1.605-\$1.675 next year as the domestic price begins to reflect recent declines in the Oceania butter price. NDM exports continue apace, supporting the high price this year, but prices are expected to weaken next year. Exports are also contributing to stronger prices for whey, which is forecast at 64.0-66.0 cents a pound this year. Lower exports will lead to whey prices softening next year to an average 56.5-59.5 cents a pound.

Milk prices follow the pattern of the dairy product prices, high this year and falling in 2015. Class III milk prices for 2014 are increased from July to \$21.25-\$21.45 per cwt this year and to \$17.00-\$18.00 per cwt in 2015. However, on a year-over-year basis, prices are sharply down on lower export prospects and higher expected milk production. Current-year Class IV prices were raised this month to \$22.35-\$22.65 per cwt and are then expected to fall to \$18.70-\$19.80 per cwt in 2015, an unchanged forecast from July. The all milk price is forecast at \$23.55-\$23.75 per cwt, an increase from the July forecast. Next year, the all milk price is expected to slip to \$19.75-\$20.75 per cwt, unchanged from last month's forecast.

Source: *Livestock, Dairy, and Poultry Outlook/LDP-M-242/Aug 18, 2014*
Economic Research Service, USDA

Bulletin WebPage Edition

www.fmmaclev.com

Featured this month are:

- Mailbox Prices
- Producer Price Differential & Uniform Price Statistics
- Grain & Alfalfa Hay Prices

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

State	July 2014 -----Weighted Averages -----						July 2013 -----Weighted Averages -----				
	Number of Producers	Pounds of Milk (000)	Butterfat	Protein	Other Solids	SCC (000)	Pounds of Milk (000)	Butterfat	Protein	Other Solids	SCC (000)
Michigan	1,552	641,316	3.56	3.01	5.73	186	625,718	3.55	2.96	5.75	196
Ohio	1,979	352,886	3.60	3.01	5.68	228	323,368	3.67	2.98	5.72	256
Indiana	997	169,494	3.58	3.03	5.80	232	158,939	3.59	2.96	5.74	246
Pennsylvania	861	103,654	3.67	2.99	5.71	275	93,162	3.66	2.98	5.70	297
New York	278	101,312	3.66	2.99	5.78	210	97,234	3.68	2.97	5.73	227
Wisconsin	58	34,865	3.58	3.06	5.79	296	38,020	3.61	3.04	5.81	280
West Virginia	40	2,679	3.78	3.11	5.67	334	3,460	3.70	3.05	5.70	331
Other	134	13,573	3.69	3.02	5.74	261	11,535	3.57	2.96	5.71	250
Total/Average *	5,899	1,419,780	3.59	3.01	5.73	214	1,351,434	3.60	2.97	5.74	228

* 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

August 2014

Marketing Area ^{1/}	Producer Milk		Class I Percent %	Producer Price Differential (per cwt.)	Statistical Uniform Price (per cwt.)
	Total (000)	Class I (000)			
FO 1 Northeast - (Boston)	2,186,045	731,445	33.5	\$3.16	\$25.41
FO 5 Appalachian - (Charlotte)	460,763	316,270	68.6	^{2/}	26.73
FO 6 Florida - (Tampa)	226,339	191,647	84.7	^{2/}	28.84
FO 7 Southeast - (Atlanta)	410,738	324,524	79.0	^{2/}	27.39
FO 30 Upper Midwest - (Chicago)	2,910,728	286,059	9.8	0.48	22.73
FO 32 Central - (Kansas City)	1,291,250	390,684	30.3	1.51	23.76
FO 33 Mideast - (Cleveland)	1,456,223	515,525	35.4	1.95	24.20
FO 124 Pacific Northwest - (Seattle)	742,996	161,308	21.7	1.44	23.69
FO 126 Southwest - (Dallas)	1,129,140	348,258	30.8	2.04	24.29
FO 131 Arizona - (Phoenix)	385,658	106,614	27.6	^{2/}	24.28

^{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 2014.....\$22.25 /cwt.

Mideast Market Administrator's Bulletin

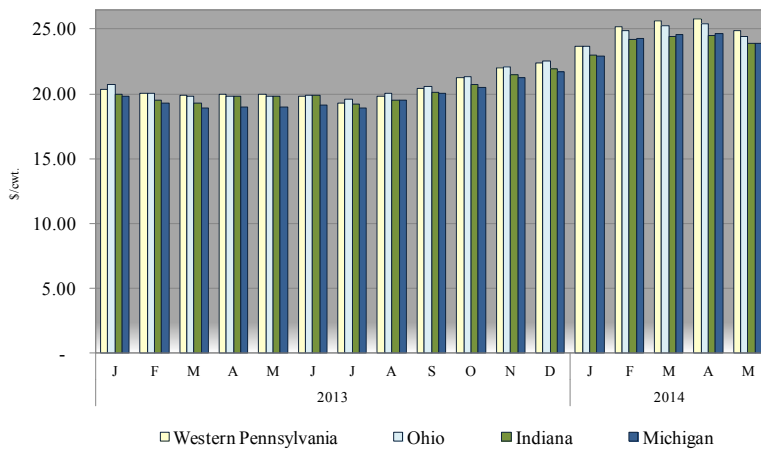
Supplement

Federal Order No. 33

September 2014

MAILBOX MILK PRICES FOR AREAS IN MIDEAST MARKETING AREA 1/

Mailbox Milk Price for Selected Reporting Areas Federal Order 33, 2013-2014



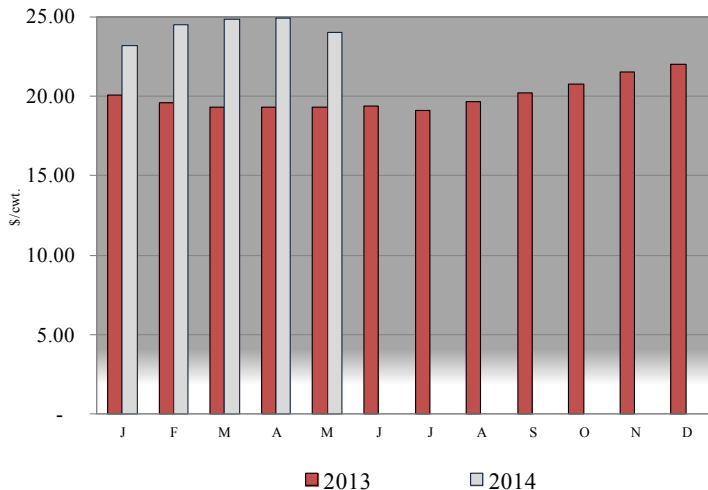
Mailbox price is the net pay price received by dairy farmers for milk. The data includes all payments received for milk sold, and all costs associated with marketing the milk. The mailbox price is a weighted average for the reporting area at the average butterfat test. Mailbox price does not include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

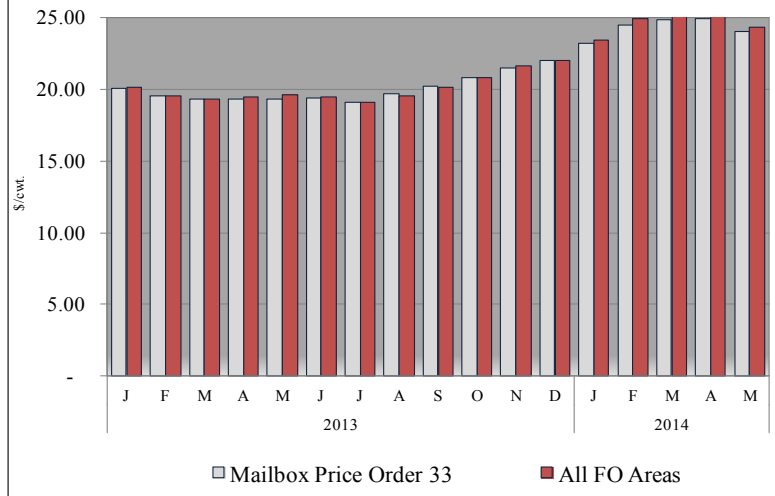
Western Pennsylvania includes the counties of Warren, Elk, Clearfield, Indiana, Westmoreland and Fayette, and all those counties west of these.

FEDERAL ORDER 33 MAILBOX PRICE STATISTICS

Mailbox Milk Price for the Mideast Marketing Area, 2013-2014



Mailbox Milk Price for Mideast Marketing Area and All FO Areas, 2013-2014

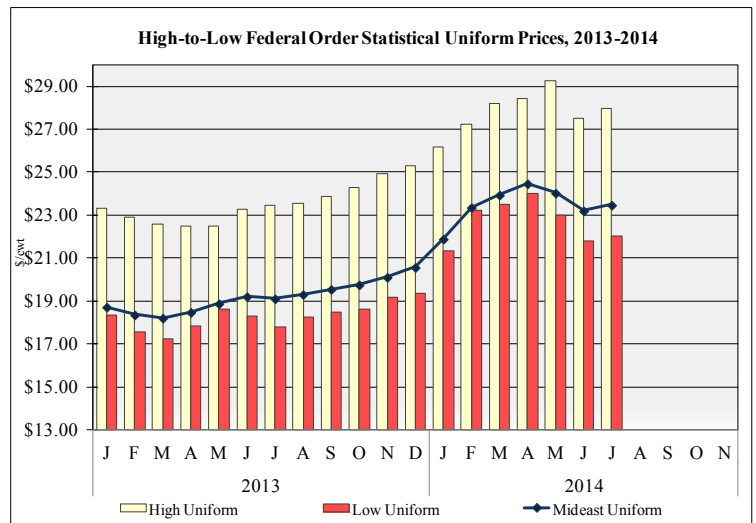
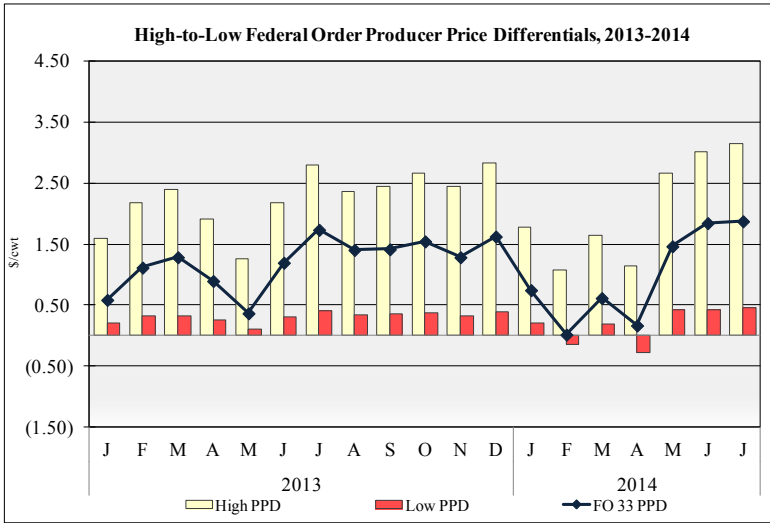


The net pay price received by dairy farmers located in states pooled on Federal Order 33 was \$24.04 per hundredweight for May 2014. The May mailbox price is \$0.88 lower than the mailbox price for April 2014. The May mailbox price is \$4.71 higher than the May 2013 mailbox price of \$19.33 per cwt.

For May 2014 the net pay price received by dairy farmers located in states pooled on Federal Order 33 was \$0.33 below the average mailbox price for all Federal Orders, as reported by Dairy Market News. For May 2014, the all Federal Order mailbox price was \$24.37 per hundredweight, \$4.74 higher than May 2013.

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 July 2014, Federal Order 1 had a PPD of 3.15 per hundredweight (cwt), \$0.13 higher than their June PPD of \$3.02 per cwt.

In July 2014 Federal Order 33 had the third highest PPD, behind Orders 1 and 126, at \$1.88 per cwt, \$0.03 per cwt higher than the June PPD.

For July 2014 Federal Order 30 had the lowest PPD at \$0.45 per cwt, \$0.02 per higher than the June PPD.

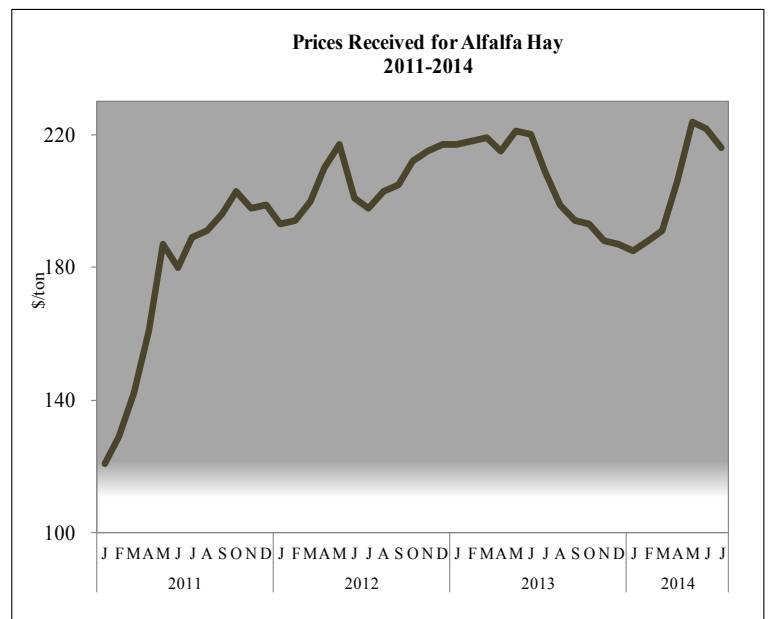
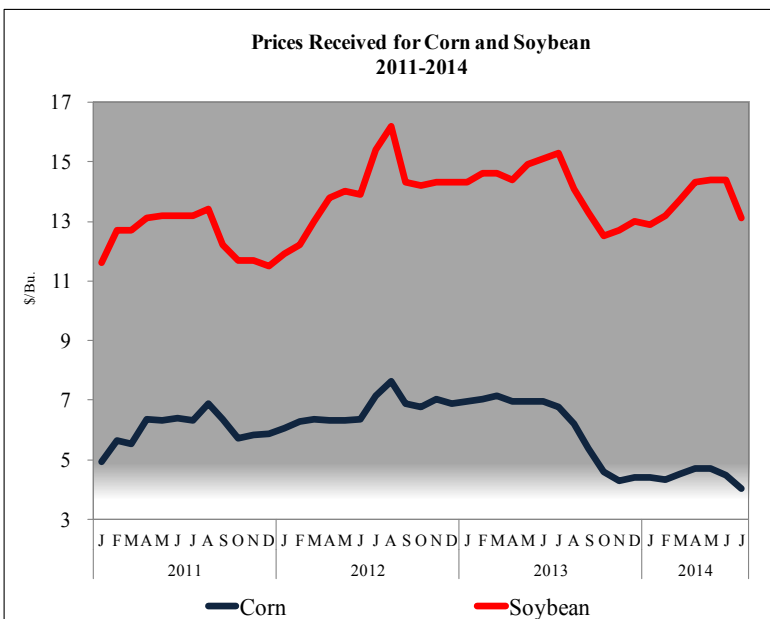
Producers in Orders 1, 30, 32, 33, 124, and 126 are paid based on component pricing; and producers in 5, 6, 7 and 131 are paid based on skim-fat pricing. The table above details the range of statistical uniform prices (SUP) paid to producers.

Of those orders, Federal Order 6 (Florida) traditionally has the highest statistical uniform price. For July 2014, Federal Order 6 had a SUP of \$27.95 per cwt, \$0.42 higher than the previous month's SUP.

Federal Order 33 had a SUP of \$23.48 per cwt, \$0.27 per cwt higher than the previous month's SUP.

The Upper Midwest order had the lowest SUP at \$22.05 per cwt, \$0.26 per cwt higher than the previous month's 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