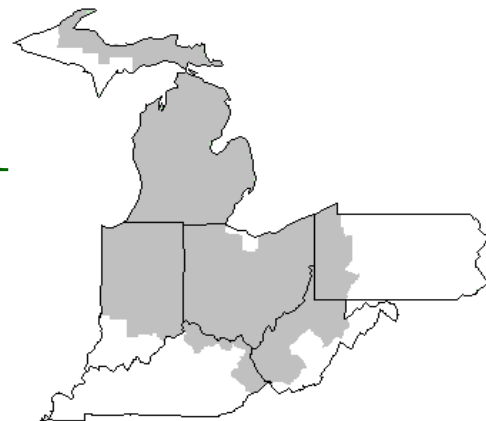


Mideast Market Administrator's Bulletin



Federal Order No. 33

Sharon R. Uther, Market Administrator

Phone: (330) 225-4758 Toll Free: (888) 751-3220

Email: clevelandma1@sprynet.com

WebPage: www.fmmaclev.com

February 2015

Proposal for a Federal Milk Marketing Order for California

California Dairies, Inc., Land O' Lakes, Inc., and Dairy Farmers of America, Inc., have requested the U.S. Department of Agriculture (USDA) hold a public hearing to consider establishing a Federal milk marketing order for California. Federal milk marketing orders are designed to promote orderly marketing conditions for milk and dairy products, and allow dairy farmers to share the value of milk utilized in each regulated marketing area.

Copies of the proposal may be obtained from the Dairy Programs website at: <http://www.ams.usda.gov/CAOrder>. USDA has not yet determined whether to conduct a hearing on this matter. Before deciding to conduct a hearing, USDA is providing the opportunity for interested parties to submit additional proposals regarding the provisions of a potential California Federal milk marketing order. Proposals amending existing Federal milk marketing orders will not be accepted in conjunction with this invitation. To submit an additional proposal, please submit it electronically to AMS Dairy Programs at amsdairycomments@ams.usda.gov or mail it to: Deputy Administrator USDA/AMS/Dairy Programs STOP 0231, Room 2971 1400 Independence Ave. SW Washington, DC 20250-0225 All submissions must be received by April 10, 2015

USDA plans to conduct a series of public outreach meetings throughout California in early May 2015. Information regarding these meetings will be released soon. For questions, please contact William Francis, Order Formulation and Enforcement Division, 202-720-7183 or William.francis@ams.usda.gov

December Milk Production Up 3.2 Percent

Milk production in the 23 major States during December totaled 16.2 billion pounds, up 3.2 percent from December 2013. November revised production at 15.5 billion pounds, was up 3.5 percent from November 2013. The November revision represented an increase of 12 million pounds or 0.1 percent from last month's preliminary production estimate.

Production per cow in the 23 major States averaged 1,886 pounds for December, 35 pounds above December 2013. This is the highest production per cow for the month of December since the 23 State series began in 2003.

The number of milk cows on farms in the 23 major States was 8.61 million head, 107,000 head more than December 2013, and 16,000 head more than November 2014.

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 December totaled 2.5 billion pounds, up 110 million pounds or 4.5 percent from December 2013.

Production per cow in the Mideast states averaged 1,841 pounds for December, 43 pounds more December 2013.

The number of cows on farms in the Mideast states was 1.4 million head, 25,000 head more than December 2013.

Recap of the 2014 Dairy Price Situation

Average prices for major dairy products reached record highs in 2014. Cheddar cheese prices averaged \$2.16 per pound for the year, and quarterly prices were above \$2.00 for the entire year. Butter prices averaged \$2.14 per pound for the year, reaching a quarterly peak of \$2.57 in the third quarter. Nonfat dry milk (NDM) prices averaged \$1.77 per pound for the year, with prices declining from a first-quarter high of \$2.07. Dry whey prices averaged 65 cents per pound, with quarterly highs of 68 cents in the second and third quarters.

High dairy product prices translated into high milk prices for dairy farmers. The average all-milk price for 2014 was a record high of \$23.97 per hundredweight (cwt), 19.6 percent higher than the 2013 price of \$20.05 per cwt. Robust commercial exports during 2014 played a major role in elevating dairy prices. Commercial exports for 2014 are estimated at 6.0 percent of milk production on a milk-fat milk-equivalent basis and 19.0 percent of milk production on a skim-solids milk-equivalent basis.

(Continued on Page 3)

January 2015 - Pool Summary

Classification of Producer Milk

	<i>Pounds</i>	<i>Percent</i>
Class I	559,300,347	33.1
Class II	314,145,415	18.6
Class III	552,496,681	32.7
Class IV	263,057,410	15.6
Total	1,688,999,853	100.0

Producer Prices

Producer Price Differential	\$ 0.49 /cwt
Butterfat Price	1.6855 /lb
Protein Price	2.6731 /lb
Other Solids Price	0.4001 /lb
Somatic Cell Adjustment Rate	0.00079 /cwt
Statistical Uniform Price	16.67 /cwt

ANNOUNCEMENT OF PRODUCER PRICES

Federal Order No. 33

January 2015

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			549,202,659			\$13.35 / cwt	\$ 73,318,554.99
Class I Butterfat		10,097,688				2.1987 / lb	22,201,786.59
Class I Location Differential	559,300,347						(241,357.34)
Class II SNF Value				27,378,884		1.1811 / lb	32,337,199.86
Class II Butterfat		18,425,474				1.6925 / lb	31,185,114.80
Class III Protein Value			17,458,951			2.6731 / lb	46,669,521.90
Class III Other Solids Value					31,676,971	0.4001 / lb	12,673,956.12
Class III Butterfat		21,623,878				1.6855 / lb	36,447,046.34
Class IV SNF Value				23,031,853		0.8439 / lb	19,436,580.73
Class IV Butterfat		14,684,097				1.6855 / lb	24,750,045.52
Somatic Cell Value II / III / IV							<u>1,522,728.42</u>
TOTAL PRODUCER MILK VALUE	1,688,999,853	64,831,137	53,482,730		96,923,601		\$ 300,301,177.93
Overages						15,149.55	
Beginning Inventory & OS Charges						(1,176.02)	
TOTAL ADJUSTMENTS							<u>\$ 13,973.53</u>
TOTAL HANDLER OBLIGATIONS							\$ 300,315,151.46
Total Protein Value			53,482,730 lbs	@	\$2.6731		\$ (142,964,685.59)
Total Other Solids Value			96,923,601 lbs	@	0.4001		(38,779,132.73)
Butterfat Value			64,831,137 lbs	@	1.6855		(109,272,881.40)
Total Somatic Cell Values							<u>(2,250,953.35)</u>
TOTALS							\$ 7,047,498.39
Net Producer Location Adjustments							\$ 1,191,240.54
1/2 Unobligated Balance Producer Settlement Fund							<u>759,000.00</u>
Total - Divided by Total Pounds			1,688,999,853 lbs		0.5327259		\$ 8,997,738.93
Rate of Cash Reserve					<u>(0.0427259)</u>		<u>(721,640.39)</u>
PRODUCER PRICE DIFFERENTIAL at Cuyahoga County, OH*			1,688,999,853		\$ 0.49/cwt		\$ 8,276,098.54

COMPONENT PRICES**COMPUTATION OF UNIFORM PRICE**

	January			January	
	<u>2015</u>	<u>2014</u>		<u>2015</u>	<u>2014</u>
Butterfat Price	\$1.6855 / lb	\$1.7874 / lb	Class III Price - 3.5% BF	\$ 16.18	\$21.15
Protein Price	2.6731 / lb	4.1870 / lb	Producer Price Differential*	<u>0.49</u>	<u>0.75</u>
Other Solids Price	0.4001 / lb	0.4155 / lb	Statistical Uniform Price	\$16.67	\$21.90
Somatic Cell Adjustment Rate	0.00079 / cwt	0.00104 / cwt			
Nonfat Solids Price	0.8439 / lb	1.8470 / lb			

CLASS PRICES**CLASSIFICATION OF PRODUCER MILK**

	January			January	
	<u>2015</u>	<u>2014</u>		<u>2015</u>	<u>2014</u>
Class I*	\$20.58	\$23.48	Class I	559,300,347	566,300,727
Class II	16.18	22.21	Class II	314,145,415	155,692,081
Class III	16.18	21.15	Class III	552,496,681	462,287,081
Class IV	13.23	22.29	Class IV	<u>263,057,410</u>	<u>137,799,160</u>
			Total	1,688,999,853	1,322,079,049

* Subject to Location Adjustment.

ORDER 33 MARKET SUMMARY

The Producer Price Differential for the Mideast Marketing Area for January 2015 was \$0.49 and the Statistical Uniform Price was \$16.67 for the month. The Statistical Uniform Price is \$3.07 lower than last month, and is \$5.23 lower than January 2014.

The Producer Butterfat Price of \$1.6855 per pound decreased \$0.4136 from December and is down \$0.1019 from a year ago. The Protein Price of \$2.6731 is down \$0.0656 from last month and is down \$1.5139 from January 2014. The Other Solids Price in January was \$0.4001 per pound, an increase from last month's price of \$0.3996 and \$0.0154 lower than last January. The Somatic Cell Adjustment rate for January was \$0.00079.

January producer receipts of 1.689 billion pounds were 1.2 percent higher than December and 27.8 percent higher than January 2014 production of 1.322 billion pounds. Producer milk allocated to Class I accounted for 33.1 percent of the total producer milk in January 2015, higher than the 32.7 percent in December, and less than the 42.8 percent in January 2014. A total of 5,804 producers were pooled on the Mideast Order compared to 6,005 producers pooled in January 2014.

The market average content of producer milk was as follows: Butterfat 3.84%; Protein 3.17%; Other Solids 5.74% and Nonfat Solids 8.91%.

(Continued from Front Page)

Based on recent data, ending stocks for 2014 are expected to have been to 11.3 billion pounds on a milk-fat basis (0.2 billion pounds more than projected last month) and 13.1 billion pounds on a skim-solids basis (1.2 billion pounds more than projected last month). From October to November 2014, total natural cheese stocks rose from 996 million pounds to 1,016 million pounds, a very rare increase for November. Manufacturers' NDM stocks also rose substantially, from 196 million pounds at the end of October to 217 million pounds at the end of November. Butter stocks fell from 139 million pounds to 101 million pounds. In November, whole milk powder ending stocks, at about 22 million pounds, were slightly higher than in October but were 2.5 times higher than in the previous year.

Based upon recent data, the milk-cow number estimate for the fourth quarter of 2014 is 9.280 million head, and output per cow has been lowered to 5,490 pounds. Milk production for the fourth quarter of 2014 is estimated at 50.9 billion pounds, a reduction from last month's projection of 51.2 billion pounds. Estimates for fourth quarter 2014 domestic commercial disappearance have been lowered by 0.3 billion pounds on a milk-fat basis and by 2.1 billion pounds on a skim-solids basis. Export projections for the fourth quarter of 2014 have been raised by 0.3 billion pounds on a skim-solids basis, based upon expected strength in exports of nonfat dry milk to Mexico. Export forecasts are unchanged on a milk-fat basis. Import projections for the fourth quarter of 2014 have been increased by 0.1 billion pounds on a milk-fat basis and decreased by 0.2 billion pounds on a skim-solids basis.

Wholesale dairy product prices for cheese, butter, and NDM fell each week from the first week of December to the first week of January. Dry whey was the exception, with relatively steady prices throughout the period.

With higher beginning stock levels expected for 2015 and recent price declines, price forecasts have been lowered for 2015. Wholesale cheese and butter price forecasts have been lowered for the first three quarters, resulting in annual projections of \$1.590-\$1.670 per pound and \$1.600-\$1.710 per pound, respectively. NDM price forecasts have been lowered for the entire year, resulting in an annual projection of \$1.270-\$1.330 per pound. Dry whey price forecasts have been lowered slightly for the first half of the year, resulting in an annual projection of 55.0-58.0 cents per pound. The forecast for the annual Class III price has been lowered to \$16.20-

\$17.00 per pound, and the Class IV price forecast has been lowered to \$15.60-16.50 per pound. The projected all-milk price has been lowered to \$17.75-\$18.55 per cwt, a reduction from \$18.45-\$19.25 per cwt forecast last month.

The 2014/15 marketing year price forecast for corn is \$3.35-\$3.95 per bushel, raised from last month's forecast of \$3.20-\$3.80 per bushel. The price forecast for soybean meal is unchanged at \$340-\$380 per short ton. With 2015 milk price forecasts lowered relative to feed prices, cow numbers and milk per cow are still expected to increase over 2014 levels but at a lesser rate than forecast last month. Milk production for 2015 is forecast at 211.7 billion pounds, a reduction from the 212.2 billion pounds that were forecast last month.

The USDA Foreign Agricultural Service estimates 2014 growth in milk production for the five largest dairy exporters combined (Argentina, Australia, EU, New Zealand, and the United States) at about 4 percent. International dairy prices have fallen through the year due to the increase in world milk production, Russia's ban on imports from certain countries (particularly the EU), and a drop in whole-milk powder demand from China. In 2015, exports for the five largest dairy exporters combined are forecast to grow about 1 percent (Argentina, 3 percent; Australia, 1 percent; EU, 0 percent; New Zealand, 2 percent; and the United States, 3 percent). Projections for 2015 assume that the Russian export ban will be lifted as scheduled in August and that China's economic growth will slow from an estimated rate of 7.4 percent in 2014 to 6.5 percent in 2015.

For more details, see

<http://apps.fas.usda.gov/psdonline/circulars/dairy.pdf>

Source: *Livestock, Dairy, and Poultry Outlook/LDP-M-247/Jan. 16, 2015 Economic Research Service, USDA*

Bulletin WebPage Edition

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Featured this month are:

- Milk Production Statistics
- Dairy Product Production
- Commercial Disappearance of Milk in All Products

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

State	December 2014 -----Weighted Averages -----						December 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	1,511	771,889	3.78	3.17	5.73	158	591,115	3.85	3.20	5.72	151
Ohio	1,971	408,260	3.88	3.17	5.68	193	314,913	3.97	3.23	5.69	197
Indiana	999	212,356	3.87	3.22	5.80	197	158,421	3.89	3.22	5.70	181
New York	268	97,056	3.92	3.14	5.75	175	55,761	4.01	3.21	5.69	182
Pennsylvania	853	96,411	3.98	3.17	5.69	233	101,125	4.01	3.20	5.68	235
Wisconsin	91	67,352	3.80	3.14	5.74	225	41,419	3.88	3.21	5.72	225
West Virginia	42	2,859	4.22	3.32	5.67	251	2,887	4.27	3.36	5.66	257
Other	138	13,123	3.98	3.21	5.74	206	18,788	3.90	3.21	5.71	198
Total/Average *	5,873	1,669,306	3.84	3.17	5.72	180	1,284,430	3.91	3.21	5.70	177

* 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
January 2015

<u>Marketing Area</u> ^{1/}		<u>Producer Milk</u>		<u>Class I</u>	<u>Producer</u>	<u>Statistical</u>
		<u>Total</u>	<u>Class I</u>	<u>Percent</u>	<u>Price Differential</u>	<u>Uniform Price</u>
		(000)	(000)	%	(per cwt.)	(per cwt.)
FO 1	Northeast - (Boston)	2,219,356	796,538	35.9	\$1.39	\$17.57
FO 5	Appalachian - (Charlotte)	484,526	345,888	71.4	^{2/}	19.60
FO 6	Florida - (Tampa)	248,699	214,353	86.2	^{2/}	22.21
FO 7	Southeast - (Atlanta)	462,523	356,700	77.1	^{2/}	20.39
FO 30	Upper Midwest - (Chicago)	3,108,810	316,982	10.2	0.21	16.39
FO 32	Central - (Kansas City)	1,424,257	434,880	30.5	0.36	16.54
FO 33	Mideast - (Cleveland)	1,689,000	559,300	33.1	0.49	16.67
FO 124	Pacific Northwest - (Seattle)	580,047	175,662	30.3	(0.34)	15.84
FO 126	Southwest - (Dallas)	1,305,399	392,223	30.1	1.30	17.48
FO 131	Arizona - (Phoenix)	410,815	110,850	27.0	^{2/}	16.04

^{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 FEBRUARY 2015\$13.23 /cwt.

**MIDEAST MARKETING AREA
FEDERAL ORDER 33**

**INCOME AND EXPENSE STATEMENT
MARKETING SERVICE FUND**

For the Year Ending December 31, 2014

Income:

Assessments or Deductions	\$1,737,946.56
Late Payment Charges Assessed	.00
Interest Earned	304.80
Miscellaneous	<u>108,925.52</u>
<u>Total Income</u>	<u>\$1,847,176.88</u>

Expenses:

Salaries and Services	\$1,071,687.30
Travel	96,856.55
Communications	61,393.80
Employer Payroll Contributions	332,032.17
Insurance	6,465.20
Rent - Buildings and Equipment	90,282.10
Repairs and Maintenance	45,613.73
Supplies	90,335.92
Testing and Weighing	24,287.66
Utilities	8,261.06
Depreciation of Fixed Assets	113,260.81
Conferences and Meetings	.00
Training	4,473.28
Uncollectible Accounts	.00
Miscellaneous	2,272.00
Amortization of Leasehold Improvements	<u>.00</u>
<u>Total Expenses</u>	<u>\$1,947,221.58</u>

Net Income

\$ (100,044.70)

**MIDEAST MARKETING AREA
FEDERAL ORDER 33**

**BALANCE SHEET
MARKETING SERVICE FUND**

As of December 31, 2014

ASSETS

Current Assets:

Cash and Bank Deposits	\$ 208,736.61
Investments	299,839.69
Accounts Receivable - Handlers	150,737.25
Allowance for Uncollectible Accounts	.00
Accounts Receivable - Other	4,241.65
Accrued Interest Receivable	.00

Other Assets:

Prepaid Expenses	\$ 5,008.57
Deposits	.00

Fixed Assets:

Motor Vehicles	\$ 452,486.84
Accumulated Depreciation	(303,934.72)
Furniture and Equipment	25,509.50
Accumulated Depreciation	(25,509.50)
Laboratory Equipment	1,116,891.70
Accumulated Depreciation	(912,873.42)
Leasehold Improvements	120,029.69
Accumulated Depreciation	(120,029.69)

Total Assets **\$1,021,134.17**

LIABILITIES AND OPERATING BALANCE

Current Liabilities:

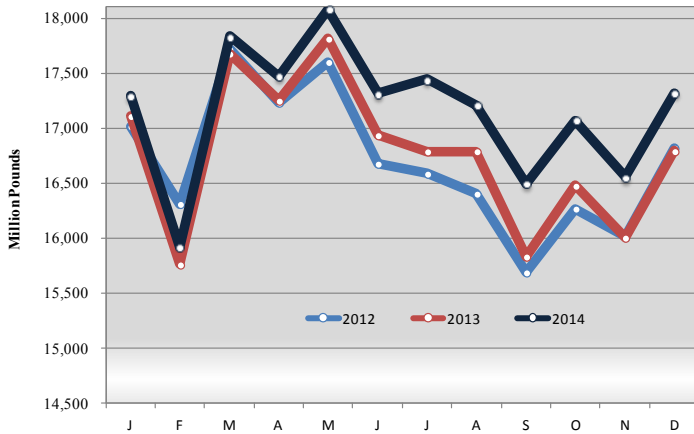
Accounts Payable - Other	\$.00
Accrued Employee Salaries Payable	12,451.39
Accrued Employee Annual Leave	88,765.17
Payroll Contributions and Withholdings	3,459.05

Operating Balance **\$ 916,458.56**

Total Liabilities and Operating Balance **\$1,021,134.17**

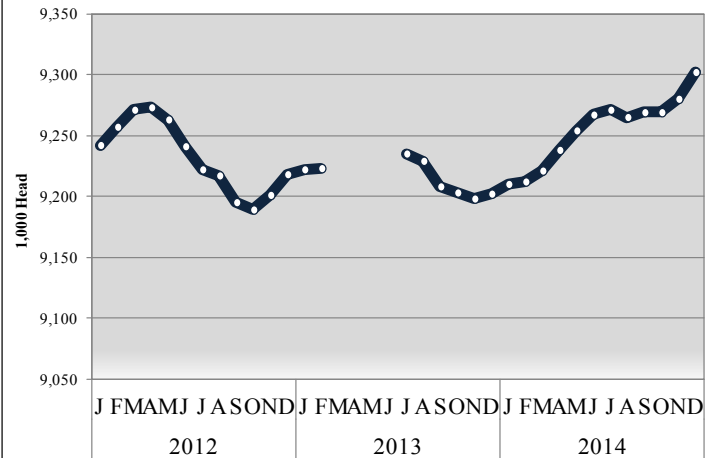
MILK PRODUCTION STATISTICS 1/

Milk Production by Month, United States, 2012-2014



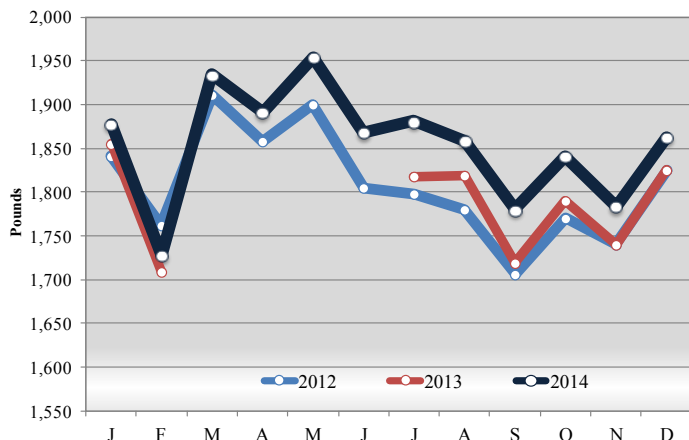
December 2014 milk production in the United States increased 763 million pounds from November to 17.3 billion pounds. December 2014 milk production in the United States was up 3.1 percent from the same month of the prior year.

Milk Cows by Month, United States, 2012-2014



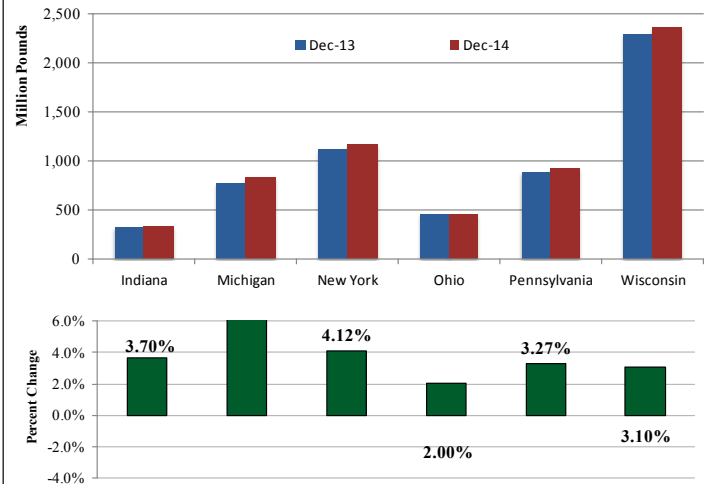
The number of milk cows on farms in the United States was 9.3 million head for December 2014, up 22,000 head from November and 100,000 head more than December 2013.

Milk Production Per Cow by Month, United States, 2012-2014



Production per cow in the United States averaged 1,862 pounds for December 2014 up 78 pounds from November 2014. December 2014 milk production per cow was up 37 pounds from the same month of the prior year.

Milk Production in Select Mideast States, December 2013 v. December 2014

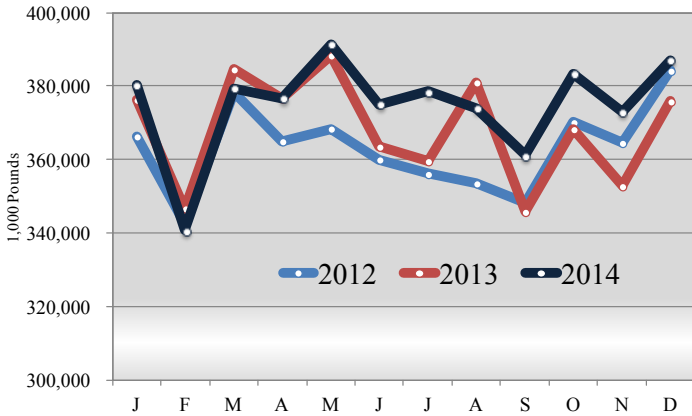


Milk production from selected states which pool on the Mideast marketing area totaled 6.1 billion pounds during December 2014, up 227 million pounds from the prior year. Milk production in Michigan was up 60 million pounds while production in Ohio was up 9 million pounds.

1/ Source: National Agricultural Statistics Service (NASS), Agricultural Statistics Board, United States Department of Agriculture (USDA). Gaps in data in figures is due to NASS suspension of select data to meet sequestration requirements.

DAIRY PRODUCT PRODUCTION 1/

Total American Cheese Production, 2012-2014



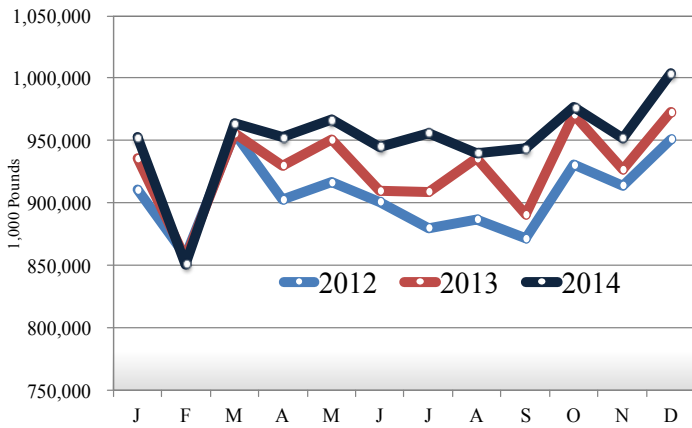
Dairy Product Production Summary:

American type cheese production totaled 387 million pounds, 1.5 percent above December 2013 and 3.8 percent below November 2014.

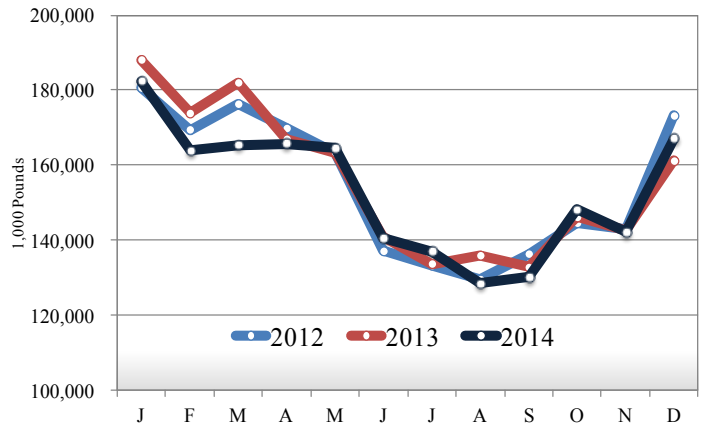
Total cheese output (excluding cottage cheese) was 1 billion pounds, 2.5 percent above December 2013 and 5.5 percent above November 2014.

Butter production was 167 million pounds, 3.3 percent above December 2013 and 17.4 percent above November 2014.

Total Cheese Production, 2012-2014



Total Butter Production, 2012-2014



COMMERCIAL DISAPPEARANCE 2/

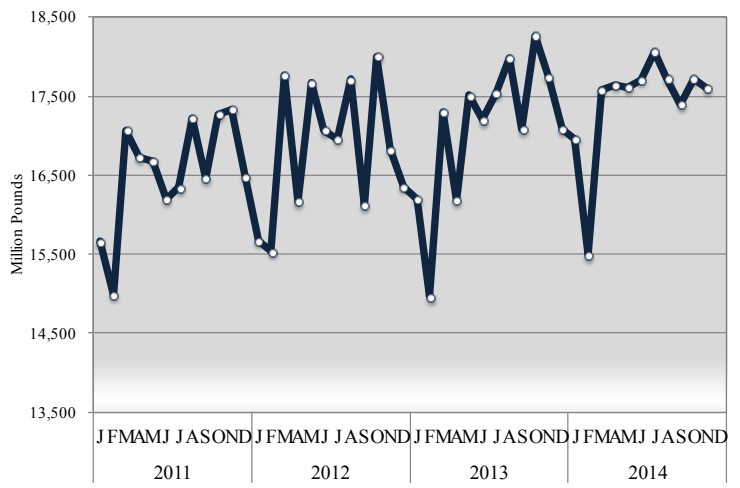
Commercial disappearance of milk in all productions represents the difference between the beginning monthly milk supply and the ending commercial stocks. Milk supply includes farm production, beginning inventory, imports and excludes milk used on the farm.

For November 2014 commercial disappearance of milk was 17.6 billion pounds, down 0.7 percent from the prior year. The cumulative disappearance total for 2014 is 191 billion pounds, an increase of 1.9 percent from the same 11-month period of 2013.

November 2014 commercial disappearance of American cheese was 363 million pounds, down 1.8 percent from the prior year.

November 2014 commercial disappearance of butter was 177 million pounds, down 13.2 percent from the prior year.

Commercial Disappearance of Milk in All Products, 2011-2014



1/ Source: National Agricultural Statistics Service (NASS), Agricultural Statistics Board, United States Department of Agriculture (USDA).

2/ Sources: NASS, ERS, FAS, FSA, Bureau of Census, and ERS calculations.