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Bulk Tank SCC Report

The USDA and the National Mastitis Council have been monitoring bulk tank somatic cell counts in four of the nation's ten Milk Marketing Orders. The four milk orders are the Central, Mideast, Southwest and Upper Midwest. The milk-weighted geometric bulk tank somatic cell count mean for all the producers in these orders was 224,000 in 2010. In comparison, 2009 was 227,000, 2008 was 247,000, 2007 was 260,000, 2006 was 249,000 and 2005 was 258,000. The overall trend is that somatic cell counts continue to go lower.

In 2010, more than 99% of the milk was below 750,000, which is the legal limit for Grade A milk. There were 31,912 producers in this study and 91.2% of them shipped milk within the legal limits in all twelve months of the year. Also 89.5% of the milk would have met the European Union limit of 400,000; with only 50.7% of the producers qualifying.

The seasonal trends in those orders are the same as they are in the Southeast. The months in the study of those orders with the highest counts were July – September, with August being the highest at 262,000. December was the month that had the lowest counts of 197,000.

Understanding Milk Check Prices

On your monthly settlement check, there are three milk prices at the top of the statement: 1) "Gross Pay Price"; 2) "Net Mailbox Price"; and, 3) "Average Area Price @ Std Comp". It is important to understand each of these.

Gross Pay Price - This price is calculated by taking your gross dollars received and dividing it by the number of hundredweights (CWT) of milk produced that month. This price is reflective of your plant test information, so the higher the butterfat, the higher this price will be. Also affecting it are the quality premiums and rBST free premiums that may or may not be received.

Net Mailbox Price - This price is calculated by taking your Gross Pay Price and subtracting out the Hauling Charge, Promotion, and Co-op Costs.

Market Information

Fluid milk sales continue to decline. Sales are down 1.8% in the first seven months of this year. In fact, July fluid milk sales were at the lowest levels in 15 years. With fluid milk volumes being lower, more milk is finding its way into butter and powder production.

Cheese production was lower by 1.5% in July and August as compared to year-ago production levels. The main reason for the lower production was that cheese prices were at their highest levels for the year and cheese manufacturers do not want to make cheese when Class III milk prices are high. They lose money when they take high valued cheese and sell it at lower prices because the markets have moved lower.

The world butter market is still moving downward. The US butter market is holding in the \$1.75-1.85/lb range and should hold that level through the holiday season. After the holidays, it is expected to move lower. Year-to-date butter production in the US is up 16.1% as compared to last year, however most the

Average Area Price @ Std Comp - Average Area Price at Standard Composition is the base milk price at 3.5% butterfat for your price zone. When comparing prices with other producers from other milk buyers, **this is the base milk price to use.** Take this milk price and add the rBST free premium and quality premiums to arrive at your gross milk price at 3.5% butterfat. This price is calculated by adding together the (butterfat rate x 3.5) and (skim rate x .965).

When comparing milk prices with others, it is important to make sure that you are comparing prices that reflect a butterfat of 3.5%. If not, you will get inaccurate comparisons that may or may not be in your favor. If you have further questions on this topic, please contact Tom Pittman in PMI office.

increased butter production has been exported. European butter markets are still tight. This helps keep the world and US butter prices up and export markets absorbing the US surplus butter production.

A record spring flush in New Zealand has put downward pressure on world dairy prices. Leading supplier Fonterra Co-operative Group says plant intakes are running 13% ahead of a year ago. A majority of New Zealand's milk production goes into butter, skim powder and whole milk powder manufacturing. It is expected to put more downward pressure on world markets for butter and skim milk powder which will put more pressure on US dairy markets, especially skim powder.

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Premier Milk MARKET MINUTE

| Commodity Prices | Feb | Mar | April | May | June | July | August | Sept | Current |
|--|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Cheese - World Market | \$ 2.0070 | \$ 2.0034 | \$ 2.0071 | \$ 2.0412 | \$ 2.0355 | \$ 2.0236 | \$ 1.9978 | \$ 1.9448 | \$ 1.8994 |
| Cheese - CME Block | \$ 1.9064 | \$ 1.8125 | \$ 1.6033 | \$ 1.6856 | \$ 2.0975 | \$ 2.1150 | \$ 1.9725 | \$ 1.7561 | \$ 1.7300 |
| Cheese - CME Barrel | \$ 1.8680 | \$ 1.8049 | \$ 1.5750 | \$ 1.6902 | \$ 2.0483 | \$ 2.1124 | \$ 1.9571 | \$ 1.7010 | \$ 1.6800 |
| Cheese - NASS | \$ 1.7449 | \$ 1.9722 | \$ 1.6983 | \$ 1.6534 | \$ 1.8999 | \$ 2.1243 | \$ 2.1402 | \$ 1.8592 | \$ 1.7583 |
| Butter - World Market | \$ 2.3686 | \$ 2.3973 | \$ 2.3672 | \$ 2.4026 | \$ 2.4366 | \$ 2.4154 | \$ 2.3417 | \$ 2.1914 | \$ 2.1660 |
| Butter - CME Cash | \$ 2.0610 | \$ 2.0863 | \$ 1.9958 | \$ 2.0724 | \$ 2.1077 | \$ 2.0443 | \$ 2.0884 | \$ 1.8724 | \$ 1.8350 |
| Butter - NASS | \$ 2.0680 | \$ 2.0591 | \$ 1.9975 | \$ 2.0292 | \$ 2.1287 | \$ 2.0304 | \$ 2.0695 | \$ 1.9886 | \$ 1.8084 |
| NFDM - World Market | \$ 1.7931 | \$ 1.7415 | \$ 1.6443 | \$ 1.6429 | \$ 1.7000 | \$ 1.6364 | \$ 1.5713 | \$ 1.4941 | \$ 1.4912 |
| NFDM - Central A.O.M. | \$ 1.5663 | \$ 1.6225 | \$ 1.5880 | \$ 1.6450 | \$ 1.6781 | \$ 1.6610 | \$ 1.5863 | \$ 1.5388 | \$ 1.4900 |
| NFDM - NASS | \$ 1.3728 | \$ 1.4945 | \$ 1.5680 | \$ 1.6120 | \$ 1.6520 | \$ 1.6159 | \$ 1.5739 | \$ 1.5439 | \$ 1.5164 |
| Whey - Central A.O.M. | \$ 0.3900 | \$ 0.4113 | \$ 0.4513 | \$ 0.4894 | \$ 0.5050 | \$ 0.5290 | \$ 0.5488 | \$ 0.5744 | \$ 0.6050 |
| Whey - NASS | \$ 0.4234 | \$ 0.4578 | \$ 0.4808 | \$ 0.4929 | \$ 0.5233 | \$ 0.5494 | \$ 0.5691 | \$ 0.5926 | \$ 0.6055 |
| F. O. 6 Class I @ Tampa | \$ 21.29 | \$ 23.63 | \$ 24.83 | \$ 25.15 | \$ 25.72 | \$ 26.43 | \$ 26.83 | \$ 27.18 | \$ 24.96 |
| Net Cl. I Prem. @ Tampa | \$ 3.01 | \$ 3.01 | \$ 3.17 | \$ 3.17 | \$ 3.25 | \$ 3.17 | \$ 3.17 | \$ 3.17 | \$ 3.17 |
| F.O. 6 Class I Utilization | 84.2% | 82.4% | 83.2% | 80.0% | 82.4% | 84.8% | 86.7% | 87.5% | |
| F. O. 6 Blend @ Tampa | \$ 21.38 | \$ 22.88 | \$ 23.88 | \$ 24.18 | \$ 25.04 | \$ 25.44 | \$ 26.18 | \$ 26.17 | |
| PMI - Average SCC | 209,751 | 214,008 | 228,420 | 223,166 | 254,403 | 291,897 | 315,910 | 312,544 | |
| PMI - Average SPC | 10,269 | 6,383 | 8,299 | 8,771 | 15,273 | 17,889 | 13,391 | 10,722 | |
| PMI - Average PIC | 58,834 | 38,112 | 25,388 | 14,550 | 15,834 | 23,607 | 15,581 | 13,795 | |
| Premiums Paid - PMI | \$ 0.34 | \$ 0.51 | \$ 0.48 | \$ 0.52 | \$ 0.49 | \$ 0.39 | \$ 0.40 | \$ 0.43 | |
| PMI Cen FL Price (with rBST-free premium) | \$ 21.78 | \$ 23.07 | \$ 23.58 | \$ 23.60 | \$ 25.39 | \$ 25.87 | \$ 26.89 | \$ 26.79 | |

| Price Forecasts | Oct | Nov | Dec | Jan | Feb | Mar | Apr | May | June |
|--|----------|----------|----------|----------|----------|----------|----------|----------|----------|
| PMI Cen FL Price (with rBST-free premium) | \$ 24.66 | \$ 23.08 | \$ 22.38 | \$ 22.48 | \$ 22.23 | \$ 21.28 | \$ 20.81 | \$ 20.57 | \$ 21.70 |

| Class III Milk Futures | May | June | July | August | Sept | Current |
|------------------------|----------|----------|----------|----------|----------|----------|
| Oct-11 | \$ 18.40 | \$ 17.83 | \$ 19.67 | \$ 18.62 | \$ 17.40 | \$ 17.90 |
| Nov-11 | \$ 18.05 | \$ 17.15 | \$ 18.65 | \$ 18.38 | \$ 16.37 | \$ 16.97 |
| Dec-11 | \$ 17.50 | \$ 16.69 | \$ 17.71 | \$ 18.01 | \$ 16.30 | \$ 16.45 |
| Jan-12 | \$ 17.10 | \$ 16.34 | \$ 17.21 | \$ 17.35 | \$ 16.30 | \$ 16.31 |
| Feb-12 | \$ 16.60 | \$ 16.27 | \$ 16.96 | \$ 17.03 | \$ 16.19 | \$ 16.25 |
| Mar-12 | \$ 16.50 | \$ 16.20 | \$ 16.90 | \$ 17.04 | \$ 16.24 | \$ 16.22 |
| Apr-12 | \$ 16.45 | \$ 16.11 | \$ 16.89 | \$ 16.93 | \$ 16.15 | \$ 16.28 |
| May-12 | \$ 16.35 | \$ 16.00 | \$ 16.85 | \$ 16.92 | \$ 16.31 | \$ 16.23 |
| Jun-12 | | \$ 15.95 | \$ 16.87 | \$ 16.99 | \$ 16.59 | \$ 16.49 |
| Jul-12 | | | \$ 16.97 | \$ 17.10 | \$ 16.89 | \$ 16.84 |
| Aug-12 | | | | \$ 17.08 | \$ 17.04 | \$ 16.99 |
| Sep-12 | | | | | \$ 17.12 | \$ 17.09 |

| MILC Projections | |
|------------------|---------|
| Oct-11 | \$ - |
| Nov-11 | \$ - |
| Dec-11 | \$ - |
| Jan-12 | \$ - |
| Feb-12 | \$ 0.16 |
| Mar-12 | \$ 0.19 |
| Apr-12 | \$ 0.13 |
| May-12 | \$ 0.08 |
| Jun-12 | \$ 0.05 |
| Jul-12 | \$ 0.07 |
| Aug-12 | \$ - |
| Sep-12 | \$ - |

Note: Class III milk futures prices are quoted at the close on the last day of the month.