

PREMIER PRESS

SEPTEMBER 2012

WELCOME Prairie Creek Dairy!

Premier Milk welcomes Prairie Creek Dairy of Arcadia, FL as its newest member. Prairie Creek Dairy is owned and operated by Cameron Dakin and his family. Thank you Cameron, for selecting PMI as your cooperative to market your milk!

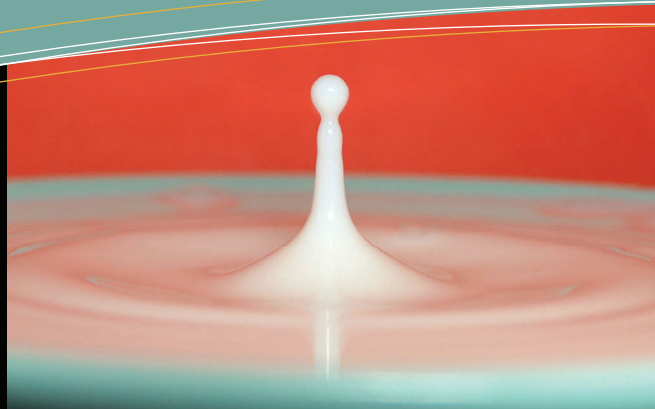


Sunbelt Ag Expo

Sunbelt Ag Expo will be in Moultrie, GA from October 16 – 18. Dairy day is Tuesday, October 16. At the same time, the winner of the 2012 Swisher Sweet Southeast Farmer of the Year will be announced. Dale McClellan of M&B Producers is one of the finalists. We at PMI wish Dale the best of luck!

Intro to Futures and Options Class

Dr. John Van Sickle will start a new Intro to Futures and Options class that will begin on Tuesday, October 9. This class will be using FACTSim, a simulated futures market program for practice without risking "real" money. Even if you never plan to use the futures market for risk management, this class will help you advance book feed, and use margin insurance more confidently. If interested, please contact Mary Sowerby: meso@ufl.edu or 865-250-7761.



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PMI Board of Directors Meeting

The PMI Board of Directors met Sept 7 and approved a new volume and hauling program, effective January 1, 2013. The volume program has two parts: 1) \$0.80/cwt premium for producers delivering milk during the month which averages 48,000 lbs or more per farm pickup and has at least 6,000 gallon storage capacity for the milk. 2) \$0.40/cwt premium for producers delivering milk during the month which averages 24,000 lbs or more per farm pickup and has at least 3,000 gallon storage capacity for the milk. Producers will be paid this premium each month that they qualify for it.

The new hauling program consists of four parts: 1) base hauling rate of \$0.65/cwt. 2) hauling discount of \$0.01 - \$0.10/cwt depending on volume of pickup. For example a producer picking up 12,000 lbs or more will receive a discount of \$0.10/cwt. For each 1,000 lb reduction in the pickup will result in a reduced discount of \$0.01/cwt. 3) Distance to market

– miles X .0045/mile. Miles are capped at 135 miles. 4) Fuel adjuster – rate will adjust at a rate of \$.01/cwt for each \$0.10/gallon in the diesel fuel price; starting at \$1.15/gallon.

In comparing the new volume and hauling program to the current program, large producers (tanker load quantities) will receive approximately \$0.06/cwt more, mid size producers (at least ½ tanker load quantities) will pay approximately \$0.04/cwt more and smaller producers (less than ½ tanker load quantities) will pay approximately \$0.44/cwt.

The Board discussed the quality requirements for membership in PMI. The Board did not make changes to the requirements, but did reinforce that the requirements need to be followed in the recruitment of new members. The Board approved the membership of Prairie Creek Dairy.

Dairy Market Information

USDA released their latest Cow Slaughter Under Federal Inspection By Region and US Total report on Sept. 13th. For the week ending Sept 1st, 62,700 cows were culled from the dairy herd. That is 16.5% more than the same week from a year ago. Year to date, 2.09 million dairy cows have been culled from the herd, up 5.3% from the same period last year. Expectations are that strong cow culling will continue through the fall and into winter as tight feed supplies will force producers to trim the herd because of lack of supply of feed.

As more cows are culled from the herd, milk production growth will slow and may actually have some milk production decreases late this year as compared to 2011. High feed prices are forcing producers to find cheaper ways to feed cows, as a result the cows will produce less milk and now combine that with a reduction in dairy herd numbers, will more than likely result in less milk produced as

compared to year ago levels. This trend will continue into the first half of 2013.

With lower milk production levels and CWT subsidized exports, cheese, nonfat milk powder and butter inventories will be smaller and should keep prices at higher levels into 2013. Exports have slowed some in the last month due to a slow down in milk production. Some of that slowdown is the typical seasonal reduction of milk production; however the other part is caused from high feed prices and more cows being culled. The dairy commodities prices have reflected a lot this information already and that is why we will continue to see increases in milk prices for the next several months.

Premier
MILK INC.
Where Premium Quality Comes Standard.



Premier Milk MARKET MINUTE

Commodity Prices	Jan	Feb	March	April	May	June	July	August	Current
Cheese - World Market	\$ 1.8654	\$ 1.8541	\$ 1.7917	\$ 1.6783	\$ 1.6443	\$ 1.6329	\$ 1.6329	\$ 1.6329	\$ 1.7010
Cheese - CME Block	\$ 1.5559	\$ 1.4794	\$ 1.5193	\$ 1.5039	\$ 1.5239	\$ 1.6313	\$ 1.6855	\$ 1.8262	\$ 1.8400
Cheese - CME Barrel	\$ 1.5415	\$ 1.4823	\$ 1.5152	\$ 1.4556	\$ 1.4683	\$ 1.5871	\$ 1.6826	\$ 1.7889	\$ 1.8000
Cheese - NASS	\$ 1.6097	\$ 1.5410	\$ 1.5248	\$ 1.5361	\$ 1.5215	\$ 1.5846	\$ 1.6857	\$ 1.7682	\$ 1.8582
Butter - World Market	\$ 1.9051	\$ 1.8838	\$ 1.7393	\$ 1.5932	\$ 1.4373	\$ 1.4331	\$ 1.4132	\$ 1.4666	\$ 1.6273
Butter - CME Cash	\$ 1.5830	\$ 1.4273	\$ 1.4895	\$ 1.4126	\$ 1.3532	\$ 1.4774	\$ 1.5826	\$ 1.7687	\$ 1.8400
Butter - NASS	\$ 1.5900	\$ 1.4712	\$ 1.4347	\$ 1.4634	\$ 1.3657	\$ 1.3991	\$ 1.5386	\$ 1.6859	\$ 1.8037
NFDM - World Market	\$ 1.4671	\$ 1.4558	\$ 1.3636	\$ 1.2871	\$ 1.2204	\$ 1.2530	\$ 1.2601	\$ 1.3693	\$ 1.5224
NFDM - Central A.O.M.	\$ 1.4325	\$ 1.3863	\$ 1.3213	\$ 1.2338	\$ 1.1700	\$ 1.1950	\$ 1.2338	\$ 1.3650	\$ 1.5250
NFDM - NASS	\$ 1.3942	\$ 1.3792	\$ 1.3310	\$ 1.2514	\$ 1.1551	\$ 1.1023	\$ 1.1744	\$ 1.2543	\$ 1.3622
Whey - Central A.O.M.	\$ 0.7050	\$ 0.7038	\$ 0.6325	\$ 0.5466	\$ 0.4978	\$ 0.4763	\$ 0.4875	\$ 0.5153	\$ 0.5675
Whey - NASS	\$ 0.6876	\$ 0.6400	\$ 0.6107	\$ 0.5921	\$ 0.5389	\$ 0.5013	\$ 0.5023	\$ 0.5352	\$ 0.5745
F. O. 6 Class I @ Tampa	\$ 24.20	\$ 22.43	\$ 21.70	\$ 21.06	\$ 21.25	\$ 20.64	\$ 20.91	\$ 21.95	\$ 22.99
Net Cl. I Prem. @ Tampa	\$ 3.17	\$ 3.17	\$ 3.17	\$ 3.25	\$ 3.25	\$ 3.25	\$ 3.17	\$ 3.09	\$ 3.17
F.O. 6 Class I Utilization	84.5%	84.5%	86.4%	83.4%	81.8%	81.7%	83.1%	86.7%	
F. O. 6 Blend @ Tampa	\$ 23.11	\$ 21.34	\$ 20.83	\$ 20.31	\$ 19.98	\$ 19.73	\$ 20.20	\$ 21.46	
PMI - Average SCC	302,284	284,839	280,411	278,818	276,685	302,470	321,028	346,512	
PMI - Average SPC	14,652	10,869	10,816	12,244	15,237	10,214	7,852	9,657	
PMI - Average PIC	60,723	55,100	55,283	65,451	29,944	16,965	16,714	43,054	
Premiums Paid - PMI	\$ 0.32	\$ 0.32	\$ 0.32	\$ 0.29	\$ 0.32	\$ 0.43	\$ 0.38	\$ 0.29	
PMI Cen FL Price	\$ 23.61	\$ 21.47	\$ 20.98	\$ 19.80	\$ 19.68	\$ 19.70	\$ 20.46	\$ 21.79	

(with rBST-free premium)

Class III Milk Futures	Apr	May	June	July	August	Current
Sep-12	\$ 15.96	\$ 16.10	\$ 17.73	\$ 18.32	\$ 18.89	\$ 18.84
Oct-12	\$ 15.98	\$ 16.16	\$ 17.62	\$ 18.80	\$ 19.76	\$ 19.34
Nov-12	\$ 15.84	\$ 16.00	\$ 17.32	\$ 18.88	\$ 19.90	\$ 19.83
Dec-12	\$ 15.70	\$ 16.00	\$ 17.24	\$ 18.87	\$ 19.88	\$ 19.77
Jan-13	\$ 15.58	\$ 15.99	\$ 17.06	\$ 18.55	\$ 19.77	\$ 19.50
Feb-13	\$ 15.45	\$ 15.65	\$ 16.66	\$ 18.16	\$ 19.37	\$ 19.06
Mar-13	\$ 15.71	\$ 15.71	\$ 16.60	\$ 18.10	\$ 19.20	\$ 19.01
Apr-13	\$ 15.71	\$ 15.88	\$ 16.60	\$ 18.01	\$ 19.12	\$ 18.93
May-13		\$ 16.19	\$ 16.60	\$ 18.06	\$ 18.87	\$ 18.80
Jun-13			\$ 16.80	\$ 18.09	\$ 18.65	\$ 18.60
Jul-13				\$ 18.09	\$ 18.80	\$ 18.80
Aug-13					\$ 18.55	\$ 18.61

MILC Projections	
Oct-11	\$ -
Nov-11	\$ -
Dec-11	\$ -
Jan-12	\$ -
Feb-12	\$ 0.39
Mar-12	\$ 0.83
Apr-12	\$ 1.21
May-12	\$ 1.22
Jun-12	\$ 1.37
Jul-12	\$ 1.74
Aug-12	\$ 1.48
Sep-12	\$ -

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