

**November 7, 2014**

Presented by  
Todd Wilson  
Market Administrator  
Central Federal Milk Order #32



# Presentation Overview

What is a Federal Order?

What is Milk Pooling?

Central Order Highlights

# What Is A Federal Milk Order ?

Regulation Issued by Secretary of Agriculture Which Places Requirements on Buyers or Handlers of Milk

Handlers Pay Not Less Than Certain Minimum Prices Based on How Milk is Utilized

Payments for Milk to be Pooled and Paid to Farmers or Cooperative Associations at Average Price

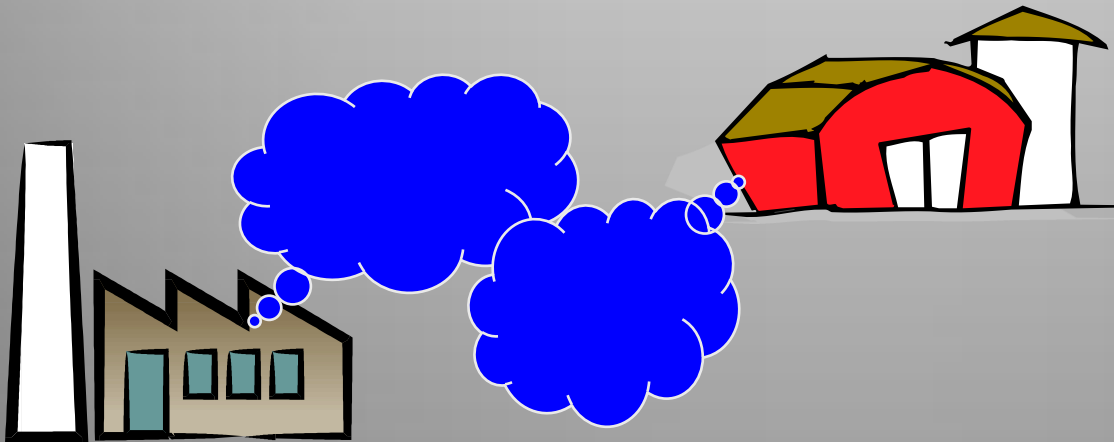
Order Provisions Limited by Statute



# Federal Order Objectives

Assist Farmers in Developing Steady, Dependable  
Markets by Providing Reasonable Prices  
Based on Supply & Demand

Assure Consumers of Adequate Supplies of  
Pure & Wholesome Milk at Reasonable Prices



# Federal Order Benefits

Establishes Minimum Prices to Fluid Buyers that Assure Farmers Adequate Returns Based on Supply & Demand

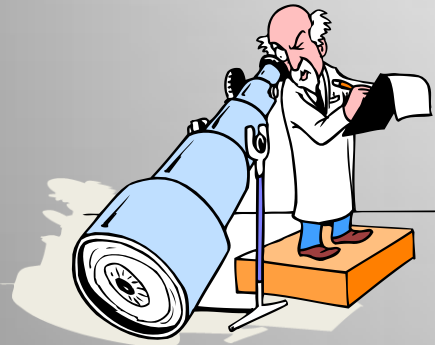
Orderly Marketing of Reserve Milk

Impartial Audit of Handler Records

Accurate Weighing, Testing & Classification for Milk

Market Information

Gives Farmers, Milk Handlers, & Public  
an Active Voice In Determining Minimum  
Farm Prices Through Hearings



# What Federal Orders Can Not Do

Establish Sanitary and Quality Standards

Establish Overall Market Prices

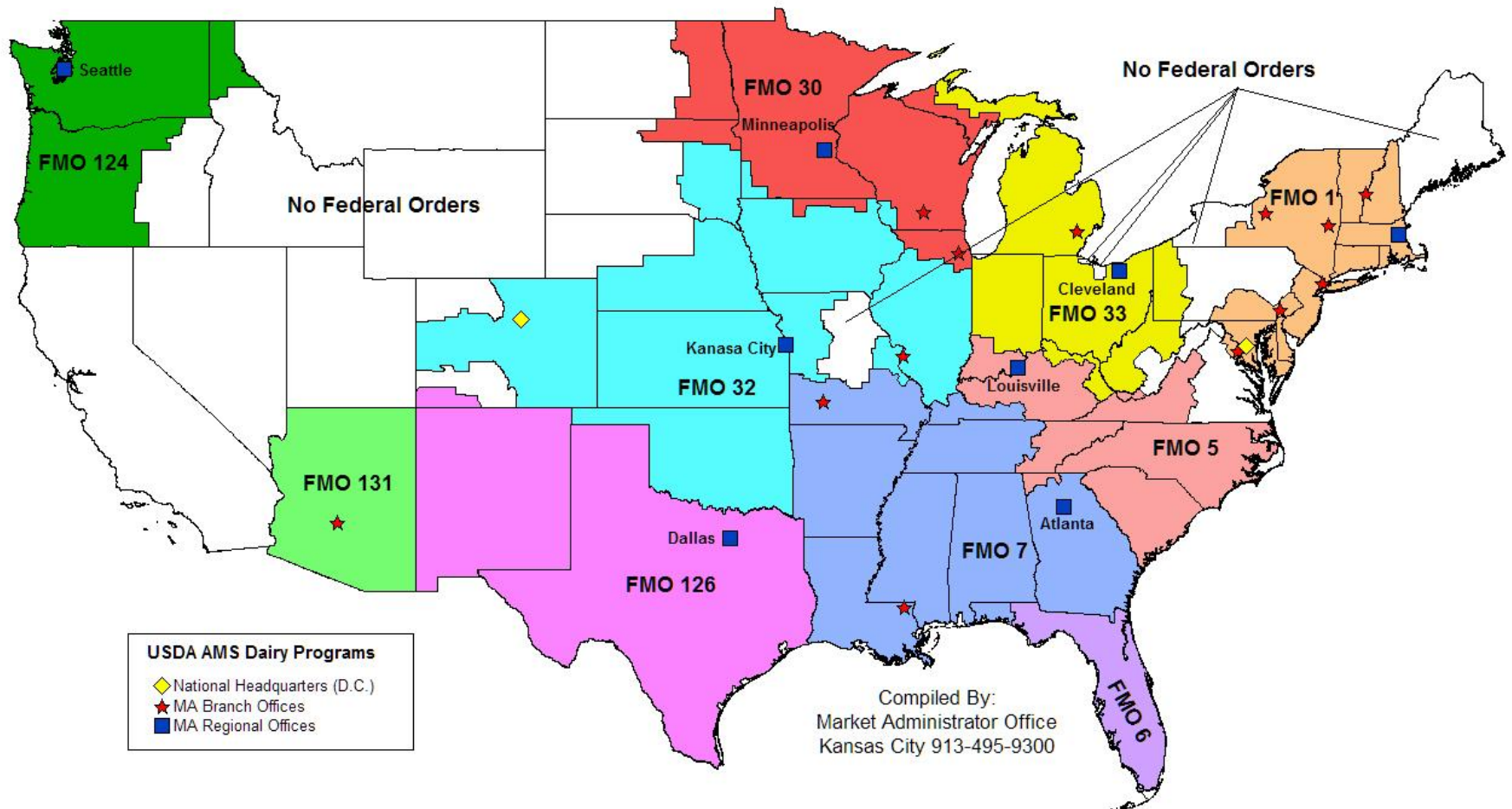
Establish Wholesale Or Retail Prices

Guarantee A Market for Dairy Producers  
Control Production Levels

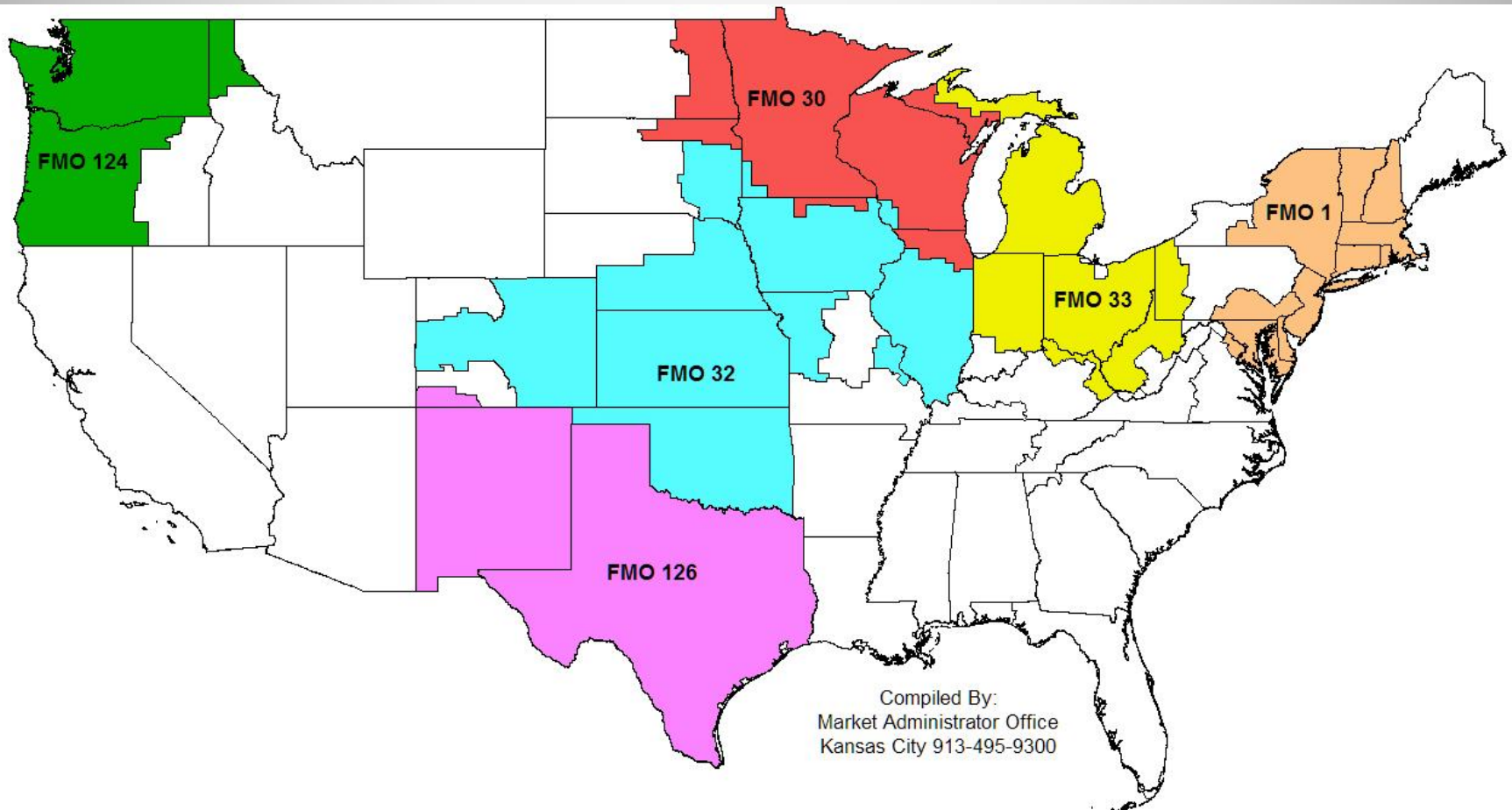
Prohibit Milk Movements  
To Other Parts Of The Country



# Federal Milk Orders With Branch and Regional Offices

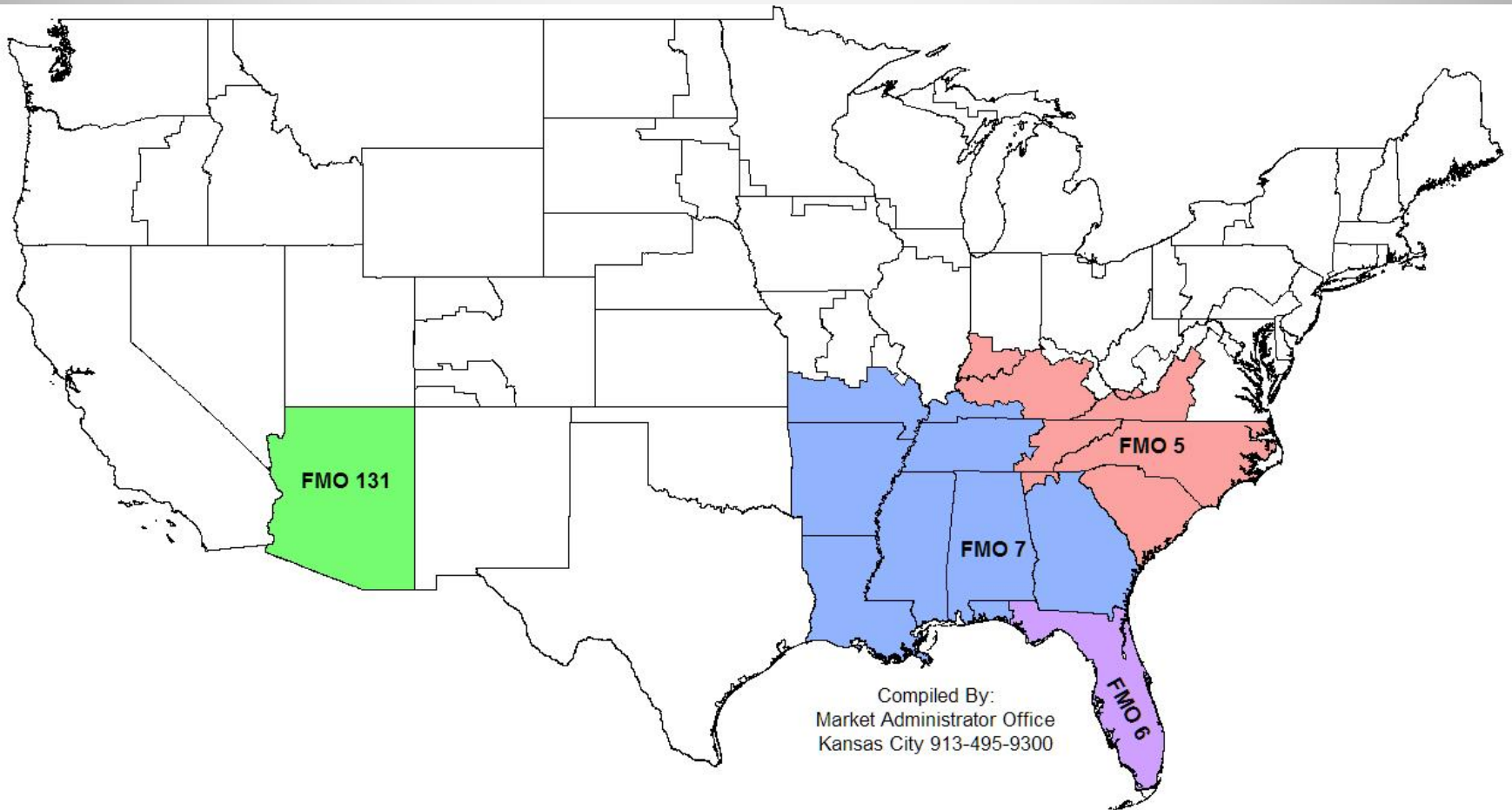


# Multiple Component Orders





# Skim & Butterfat Orders



# Product Classification

## Class I

- Bottled Milk
- Cultured Buttermilk
- Eggnog



## Class II

- Ice Cream
- Cottage Cheese
- Yogurt
- Pkg. Cream
- Hermetically-Sealed Containers
- Pkg. Cream



## Class III

- Cheese
- Cream

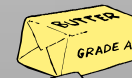


Cheese

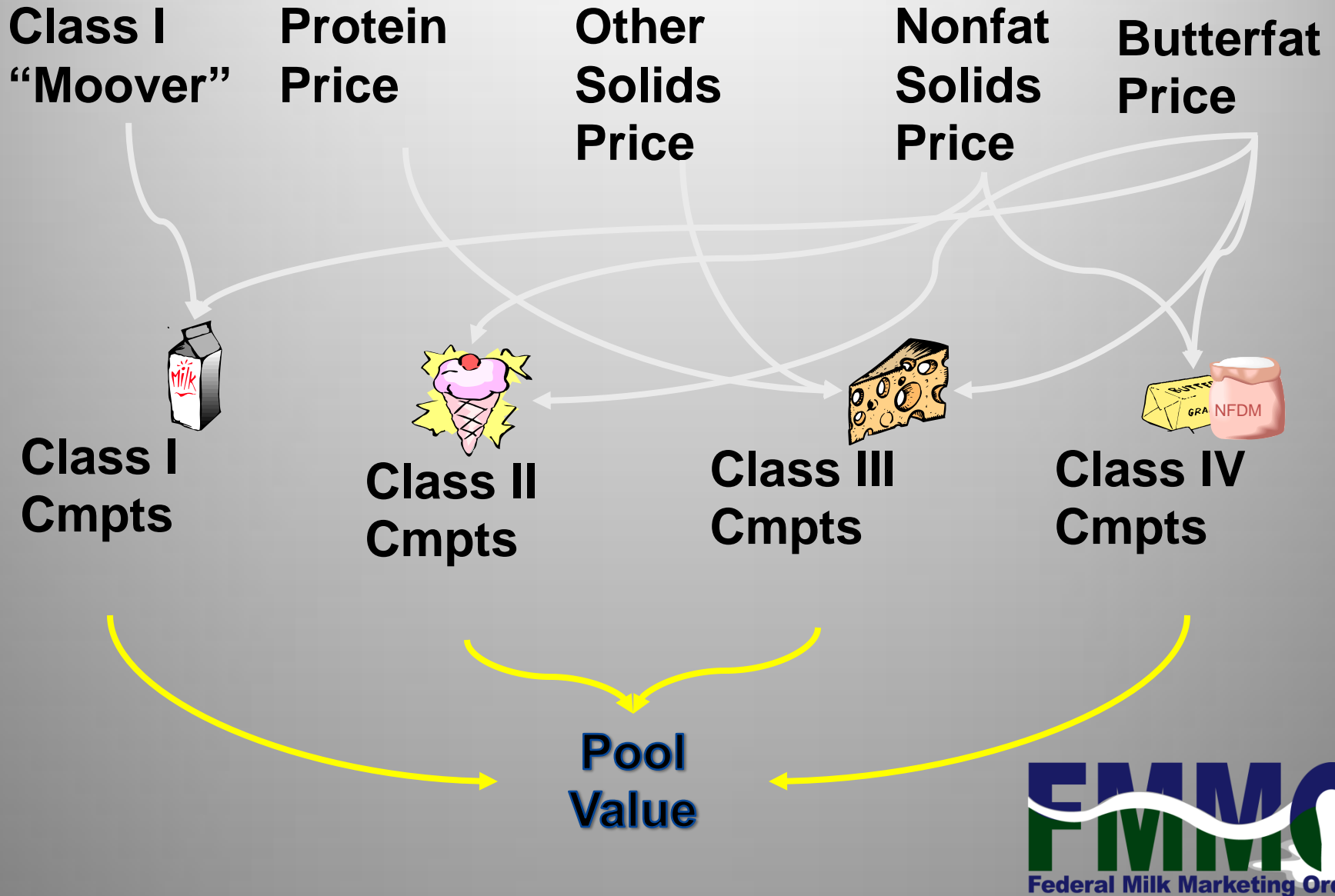


## Class IV

- Butter
- NFDM



# Central Order “MCP” Pricing



# Producer PPD

On Or Before 11<sup>th</sup>

## Final Producer Price

PPD

## Handler Use Value

- Protein Paid To Producers
- OS Paid To Producers
- Butterfat Paid To Producers
- + - Somatic Cell Paid To Producers
- Location Adjustment

$$\$/100 = \text{PPD} / \text{cwt}$$

Class I Producer Milk	25.69	332,260,074	44,901,017.72
Class II Producer Milk	12.47	161,345,118	2,227,198.29
Class III Producer Milk	49.44	639,571,551	8,136,613.98
Class IV Producer Milk	12.40	160,366,000	2,388,550.40
	100.00	1,293,542,743	17,653,380.39

Overages, Inventory Reclassification & Settlement			304.20
Class I Receipts From Unrecorded Supply Points	6.2		80.49
Somatic Cell Adjustment - Class I, II, III, IV			2,181.37

Handler Use Value - Class I Producer Milk			8,136,613.98
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Subtract Value of Protein In Producer Milk			92,292,111.19
Subtract Value of Other Solids In Producer Milk			9,226,018.83
Subtract Value of Butterfat In Producer Milk			1,372,738.02
Subtract Somatic Cell Value In Producer Milk			304,555.72
Add Producer Location Adjustment			13,876.62

Add 1/2 Unobligated Producer Settlement Fund Balance			4,180,180.72
Subtract Producer Settlement Fund Reserve			1,929.95

Total Pounds & Value Of Pool Computation	1,293,549,040		18,355,551.98
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Producer Price Differential @ Jackson County, MO (cwt) ..... \$0.41

Released: August 10, 2005 by Robert Vander Linden, Market Administrator



# Publications & Prices



United States  
Department of  
Agriculture  
Agricultural Marketing Service  
Dairy Programs

## MARKET ADMINISTRATOR

Central Federal Order No. 32  
10801 Renner Boulevard  
Lenexa, Kansas 66219

phone (913) 495-9300 fax (913) 888-9207  
e-mail market.administrator@fmmacentral.com  
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MAILING ADDRESS:  
P.O. Box 14650  
Shawnee Mission, KS 66285-4650

### Central Federal Milk Order #32 Announcement Of "Advanced" Class Prices For June 2013 Released On May 22, 2013

Class I Price @ 3.5% Butterfat  
\$2.00 Location Adjustment @ Jackson County (MO) \$20.93 /cwt  
Fluid Milk Promotion Order Processor Assessment<sup>1</sup> +0.20  
\$21.13  
Class I Butterfat Price  
\$2.00 Location Adjustment @ Jackson County (MO) \$1.8200 /lb

Class I Skim Price  
\$2.00 Location Adjustment @ Jackson County

Class II Skim Price

Class II Nonfat Solids Price

<sup>1</sup> Processor Assessment: The processor assessment is an oil \$ 1160.101 (5.55%). The Order requires that all persons who process fluid milk products in consumer-type packages in the 48 monthly basis, excluding those fluid milk products delivered to the hundredweight on all marketings of such packaged fluid milk products.

### Announcement Of Class I Released On June 10, 2013

Class II Price @ 3.5% BF .....  
Class II Butterfat .....  
Class III Price @ 3.5% BF .....  
Class III Skim Milk .....  
Class IV Price @ 3.5% BF .....  
Class IV Skim Milk .....  
Butterfat Price .....  
Nonfat Solids Price .....  
Protein Price .....  
Other Solids Price .....  
Somatic Cell Adjustment Rate .....  
Per 1,000 Somatic Cell Count

Released: July 3, 2013 by Todd D. V



United States  
Department of  
Agriculture  
Agricultural Marketing Service  
Dairy Programs

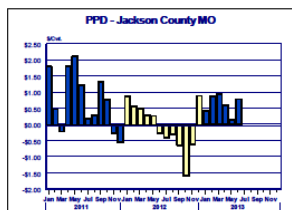
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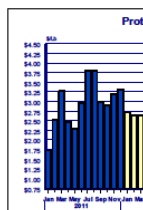
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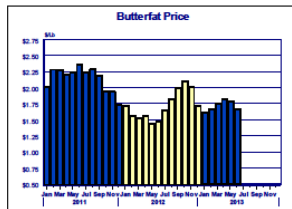
### CENTRAL FEDERAL ORDER NO. 32 SELECTED MARKETING DATA FOR JUNE 2013



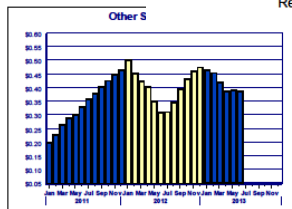
**Producer Price Differential:** The Central Federal Order Producer Price Differential at Jackson County MO was \$0.78 per hundredweight during June 2013. The June PPD was \$0.65 up the previous month, and \$1.03 above June 2012. The June 2013 statistical uniform price was \$18.80 and is published for informational purposes only.



**Protein Price:** The June 2013 Protein Price was \$3.3455 per pound which was the previous month, but up the average protein content on the order was 3.05 per



**Butterfat Price:** The June 2013 Butterfat Price was \$1.6599 per pound which was down \$0.1285 from the previous month, but up \$0.1733 from June 2012. The average butterfat content of producer milk pooled on the order was 3.59 percent during June 2013.



**Other Solids Price:** The June 2013 Other Solids Price was \$0.3859 per pound which was down \$0.0028 from the previous month, but up \$0.0746 from June 2012. The average other solids content of producer milk pooled on the order was 5.76 percent during June 2013.



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### June 2013

#### Central Federal Milk Order #32

#### Producer Price Differential, Component Prices & Average Component Tests

Producer Price Differential @ Jackson County, MO (cwt) ..... \$0.78  
Butterfat Price (lb) ..... \$1.6599 3.59 %  
Protein Price (lb) .....  
Nonfat Solids Price (lb) .....  
Other Solids Price (lb) .....  
Somatic Cell Adjustment Rate (1,000 cells) .....  
Statistical Uniform Price (Class III + PPD) @ 3.5% Butterfat (c



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### CENTRAL FEDERAL ORDER NO. 32 STATISTICAL SUMMARY FOR JUNE 2013

(BASED ON REPORTS OF POOL HANDLERS)

PRICE SUMMARY (JACKSON COUNTY, MO)	JUNE 2013	MAY 2013	JUNE 2012
PRODUCER PRICE DIFFERENTIAL (CWT)	\$0.78	\$0.13	\$0.25
BUTTERFAT PRICE (LB)	1.6599	1.7894	1.4669
PROTEIN PRICE (LB)	3.3455	3.3597	2.8652
OTHER SOLIDS PRICE (LB)	0.3859	0.3887	0.3113
SOMATIC CELL ADJUSTMENT RATE (1,000 CELLS)	0.00089	0.00091	0.00079
CLASS I PRICE (CWT)	20.93	19.76	17.24
CLASS II PRICE (CWT)	19.14	18.43	14.32
CLASS III PRICE (CWT)	18.02	18.52	16.03
CLASS IV PRICE (CWT)	18.88	18.59	13.24
STATISTICAL UNIFORM PRICE (CWT)	18.80	18.65	15.38

MARKETING DATA	MAY	2,985	2,870
NUMBER OF FARMS			
PRODUCER MILK CLASSIFICATION			
PERCENT CLASS I	26.05 %	32.35 %	36.18 %
PERCENT CLASS II	9.34 %	12.88 %	18.25 %
PERCENT CLASS III	46.77 %	43.30 %	28.30 %
PERCENT CLASS IV	14.84 %	11.49 %	16.26 %
MARKET AVERAGE TEST OF PRODUCER MILK			
BUTTERFAT	3.59 %	3.67 %	3.57 %
PROTEIN	3.05 %	3.10 %	3.04 %
OTHER SOLIDS	5.76 %	5.77 %	5.76 %
SOMATIC CELL COUNT (1,000)	218	213	223

RECEIPTS	1,435,356,304	1,338,208,420	1,108,002,531
TOTAL RECEIPTS POOLED			
LESS: OTHER ORDER & OTHER SOURCE MILK	32,577,566	37,834,937	21,711,561
LESS: BEGINNING INVENTORY	61,961,417	73,808,839	59,786,234
LESS: OVERAGE	203,375	19,658	40,166
TOTAL PRODUCER MILK	1,340,612,946	1,226,542,986	1,026,464,570
AVG. DAILY PRODUCER MILK COMPARED WITH:		+12.94 %	+30.60 %

CLASS UTILIZATION	78,666,633	84,003,941	81,203,332
WHOLE MILK			
REDUCED FAT MILK	136,660,228	147,863,043	146,545,379
LOWFAT MILK	53,558,802	63,975,972	57,114,887
SKIM / NONFAT / FAT FREE MILK	56,132,704	65,363,715	65,189,962
BUTTERMILK	2,630,664	2,735,129	2,538,537
FLAVORED MILK AND MILK DRINKS	18,806,074	37,162,342	18,560,905
TOTAL CLASS UTILIZATION	356,458,135	401,134,142	371,159,732
CLASS I TO NONPOOL PLANTS	3,575,324	4,333,028	3,440,146
CLASS I ENDING INVENTORY	42,080,400	46,078,392	38,753,760
EXCESS SHRINKAGE	1,775,991	1,605,646	1,087,221
GROSS CLASS UTILIZATION	399,889,850	453,151,208	414,439,859
LESS: OTHER ORDER & OTHER SOURCE MILK	4,574,226	4,470,525	4,636,199
LESS: BEGINNING INVENTORY & OVERAGE	46,078,362	51,948,950	38,705,502
TOTAL PRODUCER MILK IN CLASS I	349,237,232	396,731,698	371,098,158
AVG. DAILY CLASS I PRODUCER MILK COMPARED WITH:		-0.04 %	-5.89 %
AVG. BUTTERFAT CONTENT OF CLASS I PRODUCTS	1.77 %	1.68 %	1.75 %

### Producer Price Differential @ Jackson County

Released: July 10, 2013 by Todd D. Vils

# Marketing Service Bulletin



The international marketplace has become increasingly important to U.S. agriculture, as revealed by a cursory examination of foreign trade data.

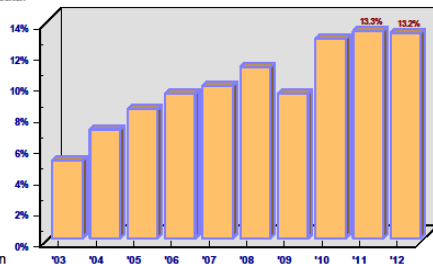
The dollar value of agricultural exports increased in nine of the last ten years, and the U.S. has recorded a positive agricultural trade balance every year since 1960\*. The monetary value of agriculture exports reached an all-time high in 2012 at \$141.3 billion, while posting a record \$38.5 billion trade surplus.

The importance and influence of international trade is a recent phenomenon for the U.S. dairy industry. Prior to 2004, dairy product exports represented a relatively low percentage of total U.S. milk production - typically 5% or less. Moreover, the U.S. was often a net importer in terms of monetary value prior to the last few years.

## U.S. Dairy Export Volume

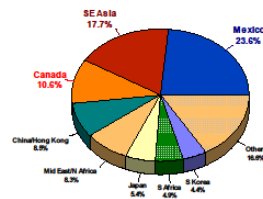
(Total Solids)

As a Percentage of Total Milk Solids Produced



## U.S. Dairy Export Sales

Percentage of 2012 Total Sales (Dollars)



Exports have taken on a more important role for the U.S. dairy industry in recent years, as indicated by the top graph on this page. Dairy export volume as a percentage of total solids produced has been above 8% since 2005. During 2012, exports of dairy products were equivalent to 13.2% of all U.S. milk solids produced, which was virtually identical to the all-time high of 13.3% recorded in 2011. The monetary value of dairy exports recorded its all-time high in 2012, totaling more than \$5.2 billion. This amount is over 70% greater than the total of five years ago (2007), and is approximately five times the annual value reported during 2000-2003 when dairy exports were slightly more than \$1 billion per year.

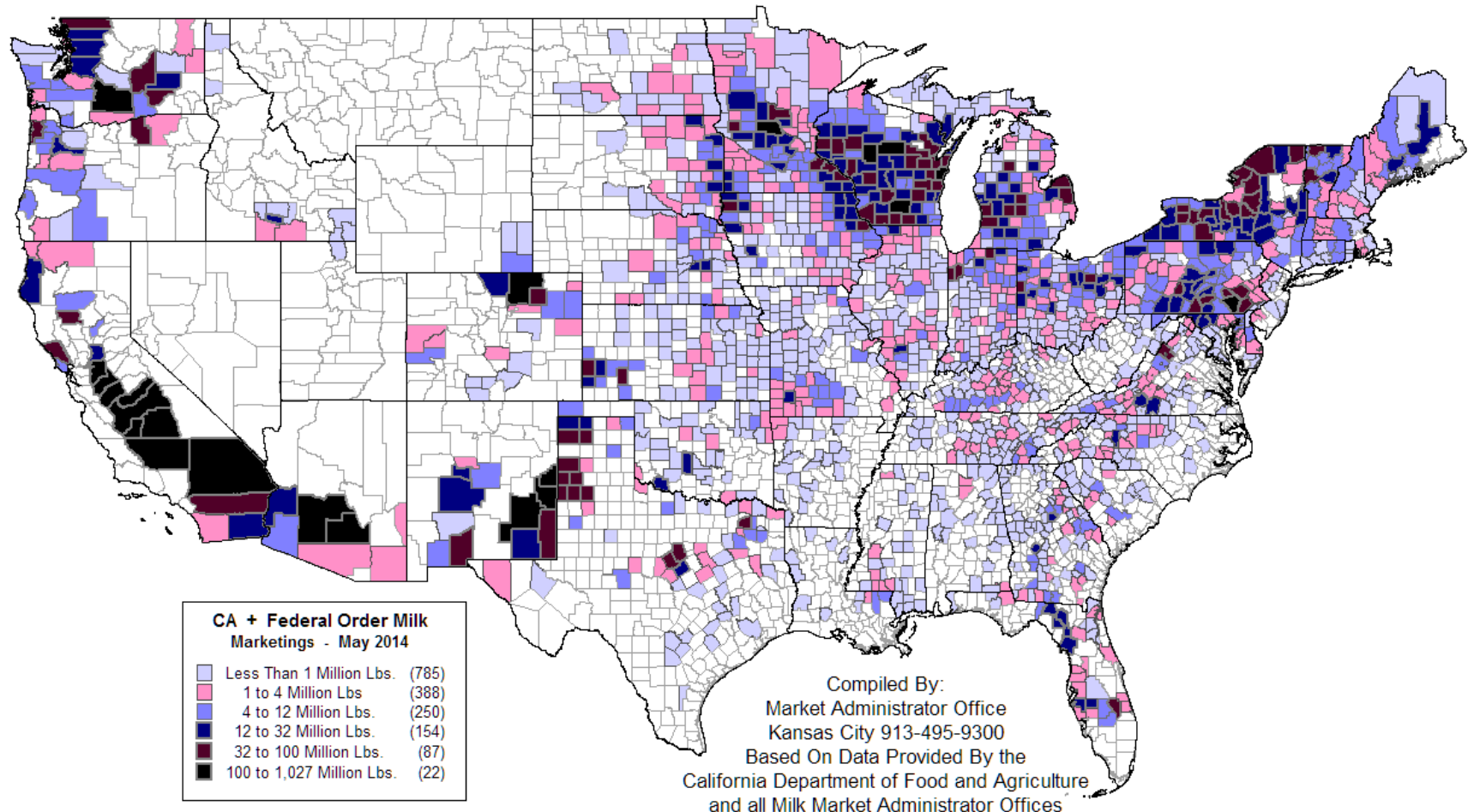
\* Sources for data used in this publication include the Economic Research Service (ERS) and the Foreign Agriculture Service (FAS) of the USDA, along with the U.S. Dairy Export Council (USDEC).

A monthly publication issued by the Market Administrator containing data, graphics, maps, and narrative dealing with a variety of dairy issues. Topics may include information on a national and regional level or relate to Federal milk orders.

<http://www.fmmacentral.com/news.htm#bulletin>



# CA + Federal Order Milk Marketings By County May 2014



# Audit Adjustments



Auditing is One of the  
MA Functions

An Unbiased, Independent  
Examination of Financial,  
Production & Sales Records  
Maintained by Handler

All Handlers Know That All Parties  
Are Held to Comparable Standards & Practices



# Marketing Service Program

- Farm Tank Calibration
- Producer Milk Testing
- Test Verification
- Finished Product Testing
- Research



# Producer Milk, Component & SCC Testing

- Nonmember Producers
- Producers of Cooperatives That Do Not Perform Marketing Services
- Approximately 150,000 Infrared Tests

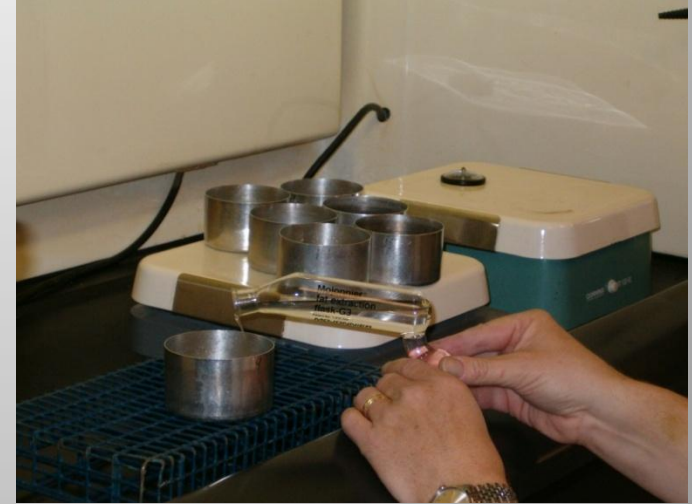


# Standard Sample Program

- Chemical Tests For Reference
- Approx. 6,200 Chemical Tests



Kjeldahl – True Protein



Ether - Fat



Oven Method - Total Solids



# Finished Product Program

- Test Finished Products on FT120
- Split Samples
- MA Collected Samples
- Approximately 27,000 samples/yr



# Standard Samples for Finished Products

- Every two weeks Finished Product Standard Samples
- Homo, 2%, Lowfat & Skim
- 3 Creams





# Q&A?

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