



The Market Administrator's Bulletin

MIDEAST MARKETING AREA

Federal Order No. 33

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July 2000

USDA ISSUES FEDERAL MILK ORDER FORWARD PRICING PILOT PROGRAM RULES

WASHINGTON, July 17, 2000 — Dairy farmers will have a new, voluntary tool for marketing their milk used in non-fluid products, beginning August 1st. USDA has issued final rules to implement a dairy forward contracting pilot program for milk marketed under the Federal milk marketing order program. The pilot program will be in effect for milk marketed August 1, 2000, through December 31, 2004.

Under the new program, handlers may enter into forward contracts with dairy farmers or cooperative associations to buy milk that will be used to make non-fluid products such as butter, powdered milk, cheese, ice cream, and yogurt. For milk covered by forward contracts, a handler will not be required to pay dairy farmers the mandated minimum Federal order price. Instead, dairy farmers and handlers will agree to a price as specified in a forward contract. The pilot program is voluntary and intended to offer an additional marketing tool for dairy farmers.

“We hope this new program will be a positive experience for dairy farmers,” said Kathleen Merrigan, AMS administrator, “but it is important that producers understand this program is voluntary and that they still have the provisions of the milk marketing order program if they do not choose to forward contract. AMS will be monitoring all aspects of contracting under this pilot program to ensure that dairy farmers are not adversely affected.”

To help dairy farmers become familiar with forward contracting, USDA has prepared a tip sheet of guidelines for contracting, which must accompany any contract offered to a producer by a handler. The contract must also contain a disclosure statement which, when signed by the producer, acknowledges that the producer received the USDA tip sheet. In addition, initial contracts may not be written for a period longer than 12 months. Both the signed disclosure statement and a copy of the contract must be submitted to the appropriate milk market administrator to be considered eligible for the pilot program.

Any handler participating in the pilot program will still be subject to all other provisions of an order and must submit all required reports, including reports of receipts, milk utilization reports, and monthly payroll reports that show how much milk was received, how it was used, and the prices paid for that milk.

Handlers participating in the pilot program will also have to keep, and make available to market administrators, such records that verify and establish the handler's obligations under the order. Handlers will be required to submit a copy of each forward contract, together with the disclosure statement signed by a producer or cooperative association, to the market administrator.

Frequently asked questions and answers, and a fact sheet explaining the program are available on the AMS web site at <http://www.ams.usda.gov/dairy> and are also available from market administrator offices. The final rules will be published in the July 18 Federal Register.

JUNE MILK PRODUCTION UP 2.8 PERCENT

Milk production in the 20 major States during June totaled 12.1 billion pounds, up 2.8 percent from production in these same States in June 1999. The May revision represented a decrease of 0.2 percent or 28 million pounds from last months preliminary production estimate.

Production per cow in the 20 major States average 1,546 pounds for June, 30 pounds above June 1999.

The number of cows on farms in the 20 major States was 7.81 million head, 65,000 head more than June 1999 and 10,000 head more than May 2000.

Source: "Milk Production", Da1-1 (7-00), Agricultural Statistics Board, National Agricultural Statistics Service, USDA.

**MIDEAST MARKETING AREA
FEDERAL ORDER 33**

**MARKET STATISTICS
JUNE 2000**

PRODUCER MILK CLASSIFICATION	<i>Pounds</i>
Class I	521,550,228
Class II	176,612,370
Class III	340,348,559
Class IV	75,949,692
Total	1,114,460,849

OTHER SOURCE RECEIPTS	
Non-Pool Plants	62,306,313
Producer-Handler/Unapproved	1,926,196
Powder-Condensed (Sk. Equiv.)	19,473,238
Opening Inventory	80,294,545
Overage	377,778
Total	164,378,070

TOTAL RECEIPTS 1,278,838,919

PRODUCTION SUMMARY	
Producer Milk Percent Protein	2.96%
Producer Milk Percent Butterfat	3.60%
Producer Milk Percent Other Solids	5.71%
Producer Milk Percent Nonfat Solids	8.67%
Number of Producer Farms	9,472
Average Daily Production Per Farm	3,922
Average Daily Production	37,148,695
Number of Reports - Plants and Cooperatives	64
Number of Reporting Handlers	37
Income Per Farm (Monthly Average)	\$14,642
Total Somatic Cell Adjustment	\$168,442

PRICE SUMMARY	
Producer Price Differential - <i>per cwt.</i>	*\$2.92
Producer Butterfat Price - <i>per lb.</i>	1.4128
Producer Protein Price - <i>per lb.</i>	1.4278
Producer Other Solids Price - <i>per lb.</i>	0.0438
Nonfat Solids Price - <i>per lb.</i>	0.8556
Uniform Price - <i>per cwt (Informational Purposes Only)</i>	*\$12.38
Class I	*13.70
Class II	13.08
Class III	9.46
Class IV	12.38
Class I Skim Milk Price - <i>per cwt.</i>	*\$9.70
Class I Butterfat Price - <i>per lb.</i>	*1.2395
Class II Skim Milk Price - <i>per cwt.</i>	8.40
Class II Nonfat Solids Price - <i>per lb.</i>	0.9333
Class II Butterfat Price - <i>per lb.</i>	1.4198
Class III Skim Milk Price - <i>per cwt.</i>	4.68
Class IV Skim Milk Price - <i>per cwt.</i>	7.70
Class III & IV Butterfat Price - <i>per lb.</i>	1.4128

*Price at Cuyahoga County, Ohio (*Cleveland*). Subject to location adjustment.

**DISPOSITION OF RECEIPTS BY POOL HANDLERS
JUNE 2000**

CLASS I	<i>Pounds</i>
Whole Milk	134,441,360
Flavored Whole Milk	10,254,695
2% Reduced Fat Milk	218,429,190
1% Lowfat Milk	35,239,441
1/2% Lowfat Milk	15,802,028
Flavored Lowfat & Skim	18,417,782
Fat Free Milk	78,095,479
Buttermilk	4,586,682
Bulk Sales	712,077
Shrinkage	3,104,527
Ending Inventory	47,639,281
Total Class I	566,722,542
CLASS II	
Cream	6,424,703
Sour Cream, Dips & Yogurt	50,815,974
Cottage Cheese	40,729,351
Ice Cream Mix & Condensed	84,730,673
Skim Equivalent	16,288,990
Shrinkage	*
Transfers to Other Federal Order Pool Plants.	3,446,878
Total Class II	202,436,569
CLASS III	
Hard Cheese	337,281,298
Condensed & Evaporated Milk	23,802,816
Livestock Feed & Dump	2,195,633
Transfers to Other Federal Order Pool Plants	9,840,207
Shrinkage	12,300,222
Total Class III	385,420,176
CLASS IV	
Butter	13,086,060
Whole Milk Powder	3,583,526
Nonfat Dry Milk	72,006,475
Skim Equivalent Used to Fortify	1,877,954
Transfers to Other Federal Order Pool Plants	12,535,034
Ending Inventory	21,170,583
Total Class IV	124,259,632
TOTAL DISPOSITION	1,278,838,919
PRODUCER BUTTERFAT UTILIZATION	
Class I	10,015,677
Class II	13,247,493
Class III	11,664,904
Class IV	5,224,819
Total Butterfat	40,152,893
PRODUCER NONFAT SOLIDS UTILIZATION	
Class II	14,682,128
Class IV	6,353,012
Total Nonfat Solids	96,550,803
PRODUCER PROTEIN UTILIZATION	
Class III	10,081,660
Total Protein	32,963,633
PRODUCER OTHER SOLIDS UTILIZATION	
Class III	19,467,734
Total Other Solids	63,587,170
SOMATIC CELL ADJUSTMENT	
Class II / III / IV	\$102,084

*Restricted, included with Ice Cream Mix & Condensed

**ANNOUNCEMENT OF PRODUCER PRICES
JUNE 2000**

MIDEAST MARKETING AREA

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			511,534,551			\$ 9.70 / cwt	\$ 49,618,851.50
Class I Butterfat		10,015,677				1.2395 / lb	12,414,431.68
Class I Location Differential	521,550,228						(283,037.65)
Class II SNF Value				14,682,128		0.9333 / lb	13,702,830.09
Class II Butterfat		13,247,493				1.4198 / lb	18,808,790.56
Class III Protein Value			10,081,660			1.4278 / lb	14,394,594.19
Class III Other Solids Value					19,467,734	0.0438 / lb	852,686.75
Class III Butterfat		11,664,904				1.4128 / lb	16,480,176.36
Class IV SNF Value				6,353,012		0.8556 / lb	5,435,637.07
Class IV Butterfat		5,224,819				1.4128 / lb	7,381,624.33
Somatic Cell Value II / III / IV							<u>102,084.10</u>
TOTAL PRODUCER MILK VALUE	1,114,460,849	40,152,893	32,963,633		63,587,170		\$138,908,668.98
Overages						\$ 32,306.99	
Beginning Inventory						(244,316.05)	
TOTAL ADJUSTMENTS							<u>\$ (212,009.06)</u>
TOTAL HANDLER OBLIGATIONS							\$138,696,659.92
Total Protein Value			32,963,633 lbs	@	\$ 1.4278		\$ (47,065,475.22)
Total Other Solids Value			63,587,170 lbs	@	0.0438		(2,785,118.05)
Butterfat Value			40,152,893 lbs	@	1.4128		(56,728,007.24)
Total Somatic Cell Values							<u>(168,441.51)</u>
TOTALS							\$ 31,949,617.90
Net Producer Location Adjustments							\$ 597,724.02
1/2 Unobligated Balance Producer Settlement Fund							<u>518,000.00</u>
Total - Divided by Total Pounds			1,114,460,849 lbs			2.9669362	\$ 33,065,341.92
Rate of Cash Reserve						<u>(0.0469362)</u>	<u>(523,085.57)</u>
PRODUCER PRICE DIFFERENTIAL at Cuyahoga County, OH*			1,114,460,849			\$2.92 / cwt	\$ 32,542,256.35

COMPONENT PRICES

Butterfat Price	\$1.4128 / lb
Protein Price	1.4278 / lb
Other Solids Price	0.0438 / lb
Somatic Cell Adjustment Rate	0.00056 / cwt
Nonfat Solids Price (For Informational Purpose Only) **	0.8556 / lb

MARKET AVERAGE CONTENT OF PRODUCER MILK

Butterfat	3.60 %
Protein	2.96 %
Other Solids	5.71 %
Nonfat Solids	8.67 %

CLASSIFICATION OF PRODUCER MILK

	<i>Product lbs.</i>	<i>Percent</i>
Class I	521,550,228	46.8
Class II	176,612,370	15.9
Class III	340,348,559	30.5
Class IV	<u>75,949,692</u>	<u>6.8</u>
Total	1,114,460,849	100.0

COMPUTATION OF UNIFORM PRICE

Class III Price - 3.5% BF	\$ 9.46
Producer Price Differential	<u>2.92</u>
Statistical Uniform Price (For Informational Purpose Only)	\$12.38

* Subject to Location Adjustment.

** Producers are not paid on this component.

**PRODUCER MILK SUMMARY
MIDEAST MARKETING AREA 1/**

	Class I		Class II		Class III		Class IV		Total Pounds (000)
	Pounds (000)	Percent	Pounds (000)	Percent	Pounds (000)	Percent	Pounds (000)	Percent	
1999 Estimates									
June	509,622	47.0	217,964	20.1	300,064	27.7	56,870	5.2	1,084,520
July	549,707	58.5	218,180	23.2	134,702	14.3	38,042	4.0	940,631
August	571,121	62.7	218,865	24.0	104,693	11.5	16,631	1.8	911,310
September	575,002	63.1	191,129	21.0	115,149	12.7	29,546	3.2	910,826
October	567,811	54.2	164,056	15.7	258,331	24.7	56,725	5.4	1,046,923
November	566,650	56.3	130,811	13.0	241,620	24.0	66,816	6.7	1,005,897
December	597,523	53.7	154,140	13.8	275,924	24.8	85,986	7.7	1,113,573
2000									
January	584,035	52.0	172,647	15.4	252,859	22.5	114,147	10.1	1,123,688
February	549,648	52.0	187,567	17.7	250,519	23.7	69,791	6.6	1,057,525
March	586,082	50.3	223,960	19.2	277,773	23.8	77,864	6.7	1,165,678
April	523,073	47.3	177,283	16.0	295,612	26.8	108,829	9.9	1,104,797
May	556,333	49.1	178,128	15.7	308,236	27.2	90,991	8.0	1,133,688
June	521,550	46.8	176,612	15.9	340,349	30.5	75,950	6.8	1,114,461

1/ The data for 1999 is estimated based on the previous Federal Orders 33, 36, 40, 44 and 49.

**NATIONAL AGRICULTURAL STATISTICAL SERVICE
DAIRY PRODUCTS PRICE AVERAGES**

	Two-Week Average				Monthly Average			
	Cheese	Butter	Nonfat Dry Milk	Dry Whey	Cheese	Butter	Nonfat Dry Milk	Dry Whey
<i>Dollars per pound</i>								
1999								
June	1.2422	1.4352	1.0067	0.1717	1.2786	1.4609	1.0046	0.1711
July	1.4548	1.3705	1.0058	0.1724	1.4583	1.3793	1.0054	0.1724
August	1.6849	1.4208	1.0087	0.1773	1.7154	1.3683	1.0089	0.1810
September	1.8008	1.3324	1.0155	0.1872	1.7084	1.3252	1.0174	0.1892
October	1.4359	1.1439	1.0188	0.1920	1.3934	1.1273	1.0183	0.1944
November	1.2521	1.0695	1.0184	0.1901	1.2058	1.0637	1.0168	0.1917
December	1.1268	0.9220	1.0125	0.1870	1.1371	0.9179	1.0111	0.1892
2000								
January	1.1696	0.8768	1.0114	0.1859	1.1517	0.8820	1.0115	0.1857
February	1.1084	0.9105	1.0104	0.1800	1.1067	0.9002	1.0106	0.1788
March	1.1073	0.9331	1.0098	0.1771	1.1093	0.9497	1.0094	0.1780
April	1.1035	1.0618	1.0096	0.1774	1.1011	1.0449	1.0078	0.1765
May	1.1011	1.1140	1.0100	0.1755	1.1022	1.1680	1.0071	0.1760
June	1.1060	1.2911	1.0106	0.1794	1.1137	1.2725	1.0097	0.1794

GLICKMAN NAMES MEMBERS TO FLUID MILK PROCESSOR BOARD

Secretary of Agriculture Dan Glickman has announced the appointment of two incumbents and seven new members to the National Fluid Milk Processor Promotion Board. All were seated at the board meeting held on July 7.

Re-appointed to serve second terms were: Alan L. Faust, Cincinnati, Ohio, (Region 6); and John R. Jilbert, Marquette, Mich. (at-large).

Newly appointed were Mary E. Spencer, Chelsea, Mass.,(Region 2); Sylvia C. Oriatti, Rosemont, Ill.,(Region 3); Roger D. Capps, Carlinville, Ill.,(Region 8); James W. Turner, Memphis, Tenn.,(Region 9); Michael H. Leb, Walnut Creek, Calif.,(Region 12); Richard Walrack, Los Angeles, Calif.,(Region 15); and Robert E. Baker, Omaha, Neb.,(at-large public member).

The appointments for regions two and eight expire on May 31, 2002.

The appointments for regions 3, 6, 9, 12, 15, one at-large, and one at-large public member expire on May 31, 2003.

The National Fluid Milk Processor Promotion Board is composed of 15 fluid milk processors from 15 geographic regions, and five at-large members. At least three at-large members must be fluid milk processors and at least one must be from the general public. The board was established by the Fluid Milk Promotion Act of 1990 to develop and administer a coordinated program of advertising and promotion to increase the demand for fluid milk products.

The national fluid milk program is financed by a mandatory 20-cent per hundredweight assessment on all fluid milk products processed and marketed commercially in consumer-type packages in the contiguous 48 states and the District of Columbia. Processors who commercially process and market 500,000 pounds or less per month are exempt from assessments.

USDA's Agricultural Marketing Service oversees board operations. It is USDA's policy that membership on industry governed boards and committees accurately reflect the diversity of individuals served by the programs.

SUMMARY OF PRODUCER COMPONENT PRICES MIDEAST MARKETING AREA

2000	Producer Butterfat Price <i>(per lb.)</i>	Producer Protein Price <i>(per lb.)</i>	Producer Other Solids Price <i>(per lb.)</i>	Somatic Cell Adjustment Rate <i>(per cwt.)</i>	Producer Price Differential <i>(per cwt.)</i>	Statistical Uniform Price <i>(per cwt.)</i>
January	\$0.9366	\$2.1677	\$0.0503	\$0.00058	\$1.57	\$11.62
February	0.9588	1.9849	0.0432	0.00055	1.98	11.52
March	1.0191	1.9166	0.0424	0.00055	2.14	11.68
April	1.1352	1.7399	0.0408	0.00055	2.36	11.77
May	1.2854	1.5514	0.0403	0.00055	2.84	12.21
June	1.4128	1.4278	0.0438	0.00056	2.92	12.38

Mideast Marketing Area - Federal Order 33 Weighted Averages - Butterfat, Protein, Other Solids, Somatic Cell Count by Various Size Categories

Production Range	Number of Producers	Pounds of Milk (000)	May 2000 *				May 1999**		
			-----Weighted Averages-----				-----Weighted Averages-----		
			Butterfat	Protein	Other Solids	SCC(000)	Butterfat	Protein	SCC(000)
1 - 30,000	1,462	26,717	3.76	3.08	5.64	385	3.74	3.27	380
30,001 - 60,000	2,409	108,058	3.73	3.05	5.68	371	3.72	3.25	364
60,001 - 90,000	1,808	133,166	3.68	3.02	5.69	358	3.67	3.22	344
90,001 - 120,000	1,035	107,306	3.67	3.00	5.70	341	3.67	3.22	336
120,001 - 150,000	723	96,748	3.66	3.01	5.71	336	3.65	3.21	317
150,001 - 250,000	1,127	215,480	3.68	2.99	5.72	309	3.66	3.20	298
250,001 - 500,000	624	209,427	3.63	2.98	5.74	274	3.67	3.19	269
500,001 & Over	246	239,946	3.44	2.96	5.76	257	3.58	3.17	267
Total / Average	9,434	1,136,848	3.62	3.00	5.72	310	3.66	3.20	307

* Data provided on a one month delay basis.

** Data prior to January 2000 included the former Federal Orders 33, 36 and 40. Tests were not available for other solids.

Mideast Marketing Area - Federal Order 33
Producer Pounds and Count by Somatic Cell Range *
May 2000

Somatic Cell Range (000)	Combined Pounds (000)	Number of Producers	Percent of Milk by SCC Range	Average Farm Size
1 - 50	284	10	0.0	28,400
51 - 100	18,748	202	1.6	92,812
101 - 150	88,149	636	7.8	138,599
151 - 200	166,253	1,041	14.6	159,705
201 - 250	191,460	1,291	16.8	148,304
251 - 300	178,087	1,200	15.7	148,406
301 - 350	134,964	1,088	11.9	124,048
351 - 400	109,850	974	9.7	112,782
401 - 450	76,449	789	6.7	96,894
451 - 500	51,582	586	4.5	88,024
501 - 550	38,207	452	3.4	84,529
551 - 600	26,717	342	2.4	78,120
601 - 650	20,981	243	1.8	86,342
651 - 700	11,951	165	1.1	72,430
701 - 750	8,448	130	0.7	64,985
751 - Above	14,716	285	1.3	51,635
Totals	1,136,848	9,434	100.0	120,505

* Totals may not add due to rounding. Data provided on a one month delay basis.

Mideast Marketing Area - Federal Order 33
Weighted Averages - Butterfat, Protein, Other Solids, Somatic Cell Count
by State

State	Number of Producers	Pounds of Milk (000)	May 2000 *				May 1999**		
			-----Weighted Averages-----				-----Weighted Averages-----		
			Butterfat	Protein	Other Solids	SCC(000)	Butterfat	Protein	SCC(000)
Ohio	2,848	309,903	3.68	3.01	5.70	320	3.67	3.23	307
Pennsylvania	1,644	147,404	3.71	3.02	5.70	379	3.73	3.22	364
Michigan	2,905	445,319	3.52	2.98	5.74	282	3.62	3.17	286
New York	386	70,134	3.69	2.96	5.72	276	3.71	3.17	274
West Virginia	104	8,436	3.61	3.05	5.69	394	3.57	3.26	372
Indiana	1,420	145,781	3.68	3.01	5.72	315	3.63	3.22	356
Other	127	9,872	3.75	3.00	5.71	344	3.72	3.24	315
Total/Average	9,434	1,136,848	3.62	3.00	5.72	310	3.66	3.20	307

* Data provided on a one month delay basis.

** Data prior to January 2000 included the former Federal Orders 33, 36 and 40. Tests were not available for other solids.

The Market Administrator's Bulletin
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FEDERAL ORDER DATA

<u>Marketing Area</u> 1/	Producer Milk		Class I	Producer	Statistical
	<u>Total</u> (000)	<u>Class I</u> (000)	<u>Percent</u> %	<u>Price Differential</u>	<u>Uniform Price</u>
FO 1 Northeast - (<i>Boston</i>)	1,948,959	819,879	42.1	\$3.79	\$13.25
FO 5 Appalachian - (<i>Charlotte</i>)	557,820	347,478	62.3	2/	14.01
FO 6 Florida - (<i>Tampa</i>)	228,335	202,603	88.7	2/	15.57
FO 7 Southeast - (<i>Atlanta</i>)	604,665	388,580	64.3	2/	13.78
FO 30 Upper Midwest - (<i>Chicago</i>)	1,933,113	327,122	16.9	0.97	10.43
FO 32 Central - (<i>Kansas City</i>)	1,371,693	376,529	27.5	1.70	11.16
FO 33 Mideast - (<i>Cleveland</i>)	1,114,461	521,550	46.8	2.92	12.38
FO 124 Pacific Northwest - (<i>Seattle</i>)	479,536	167,807	35.0	2.45	11.91
FO 126 Southwest - (<i>Dallas</i>)	643,102	313,897	48.8	3.29	12.75
FO 131 Arizona-Las Vegas - (<i>Phoenix</i>)	261,060	76,918	29.5	2/	12.10
FO 135 Western - (<i>Salt Lake City</i>)	381,926	82,000	21.5	1.55	11.01

1/ Names in parentheses are principal pricing 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 JULY 2000 \$9.46 / cwt.