The Market Administrator's Bulletin

MIDEAST MARKETING AREA
Federal Order No. 33
Phone: (440) 826-3220 Toll Free: (888) 751-3220

MARVIN A. BAUMER, Market Administrator **March 2000**

USDA AGRICULTURAL BASELINE PROJECTIONS TO 2009, DAIRY

Relatively high milk prices and strong returns during most of the 1996-99 period unleashed a milk production expansion that is expected to depress milk prices during the current and next marketing years. Stronger producers have accelerated their individual expansion plans, while weaker farmers have been able to delay their exit from dairying. Although dairy demand is expected to remain strong, the gains in output are expected to result in substantial declines in milk prices in the near term.

Lower milk prices are expected to renew income pressures on weaker producers and to build momentum in commercial use of dairy products. Milk prices are projected to recover during 2001/02 and 2002/03 as these supply-demand corrections occur.

In the longer run, demand is expected to grow at about the same, or slightly faster, rate than population. Demand for cheese is projected to continue to rise more than population, as is use of milk solids in processed foods. On the other hand, per-person sales of fluid milk and many perishable manufactured products are expected to decline slowly.

Better management, greater genetic potential, and inexpensive concentrate feeds will result in continued strong growth in milk per cow. However, the trend may not quite match the rate that similar milk-feed price ratios would have generated in the past. Producers today do not have as much flexibility to boost milk per cow with heavier grain feeding because of past increases in the starch content of rations and changes in feeding practices. In addition, differences between the milk per cow levels of expanding and exiting producers may be narrower than in the past.

Milk cow numbers are projected to decline slowly, as traditional farms continue to be replaced with larger farms based on highly specialized labor. Growth in the West may be somewhat slower than in the past because of more limiting forage supplies, fewer new areas for dairy development, and environmental constraints. Even so, new western farms will be established and most existing operations will expand. The number of “new style” northern farms, similar in most ways to western farms, will increase substantially through both construction of totally new operations and dramatic expansion of existing farms. Some of this development will be in areas that have not had much local dairying in recent decades. Many existing northern farms probably will not generate enough family income to be viable and will exit dairying, resulting in land taken out of agriculture entirely in some marginal areas. Losses in milk cow numbers also may be substantial in the South, as productivity gains might be insufficient to meet the competition of milk shipped from the North.

International dairy markets are not expected to have major impacts on domestic markets under current WTO rules. International market prices are projected to rise slowly once the current demand weakness in some key economies begins to ease. However, domestic prices are expected to run between those needed to be a major exporter of most products and those that would allow large imports beyond the tariff-rate quotas. Subsidized exports will be held to small amounts. Although exports of whey products will grow and niche markets for cheese will continue to develop, commercial exports likely will be a minor component of demand for U.S. dairy products in most years.

Following some recovery during 2001/02 and 2002/03, farm-level milk prices are projected to rise slightly slower than prices generally from 2003/04 through the end of the baseline. Although shifts in supply are not expected to be as strong as during the 1980’s and early-1990’s, they probably will tend to outpace increases in demand, underlying the moderate decline in real (inflation-adjusted) prices for milk. In addition, the price volatility that has characterized recent years may well continue, in part because of increasing concentration of buyers and sellers at all levels.

Editor’s Note: These baseline projections were prepared in October through December 1999. The projections are based on specific assumptions regarding macroeconomic conditions, policy, weather, and international developments. The projections reflect a composite of model results and judgmental analysis.

____

Source: ”USDA Agricultural Baseline Projections to 2OO9,” Staff Report WAOB-2000-1, Office of the Chief Economist, USDA.

MIDEAST MARKETING AREA
FEDERAL ORDER 33

MARKET STATISTICS
FEBRUARY 2000

PRODUCER MILK CLASSIFICATION	*Pounds*
Class I	549,647,785
Class II	187,566,603
Class III	250,519,074
Class IV	69,791,290
Total	1,057,524,752
OTHER SOURCE RECEIPTS	
Non-Pool Plants	58,083,103
Producer-Handler/Unapproved	1,738,998
Powder-Condensed (Sk. Equiv.)	14,296,545
Opening Inventory	85,777,137
Overage	185,468
Total	160,081,251
TOTAL RECEIPTS	1,217,606,003

PRODUCTION SUMMARY	
Producer Milk Percent Protein	3.09%
Producer Milk Percent Butterfat	3.84%
Producer Milk Percent Other Solids	5.69%
Producer Milk Percent Nonfat Solids	8.78%
Number of Producer Farms	9,471
Average Daily Production Per Farm	3,850
Average Daily Production	36,466,371
Number of Reports - Plants and Cooperatives	63
Number of Reporting Handlers	36
Income Per Farm (Monthly Average)	$13,402
Total Somatic Cell Adjustment	$280,814
PRICE SUMMARY	
Producer Price Differential - *per cwt.*	*$1.98
Producer Butterfat Price - *per lb.*	0.9588
Producer Protein Price - *per lb*	1.9849
Producer Other Solids Price - *per lb*	0.0432
Nonfat Solids Price - *per lb*	0.8565
Uniform Price - *per cwt (Informational Purposes Only)*	*$11.52
Class I	*12.71
Class II	11.51
Class III	9.54
Class IV	10.80
Class I Skim Milk Price - *per cwt*	*$9.72
Class I Butterfat Price - *per lb*	*0.9502
Class II Skim Milk Price - *per cwt*	8.42
Class II Nonfat Solids Price - *per lb*	0.9356
Class II Butterfat Price - *per lb*	0.9658
Class III Skim Milk Price - *per cwt*	6.41
Class IV Skim Milk Price - *per cwt.*	7.71
Class III & IV Butterfat Price - *per lb*	0.9588

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

DISPOSITION OF RECEIPTS BY POOL HANDLERS
FEBRUARY 2000

CLASS I	*Pounds*
Whole Milk	136,631,984
Flavored Whole Milk	10,110,469
2% Reduced Fat Milk	225,409,949
1% Lowfat Milk	36,649,471
1/2% Lowfat Milk	16,366,173
Flavored Lowfat & Skim	38,936,814
Fat Free Milk	79,903,249
Buttermilk	4,572,431
Bulk Sales	891,117
Shrinkage	2,549,733
Ending Inventory	46,833,791
Total Class I	598,855,181

CLASS II	
Cream	6,334,537
Sour Cream, Dips & Yogurt	77,073,384
Cottage Cheese	39,667,660
Ice Cream Mix & Condensed	70,342,707
Skim Equivalent	11,130,897
Shrinkage	10,935
Transfers to Other Federal Order Pool Plants.	1,923,734
Total Class II	206,483,854

CLASS III	
Hard Cheese	249,718,375
Condensed & Evaporated Milk	18,739,638
Livestock Feed & Dump	1,367,142
Other	13,389
Transfers to Other Federal Order Pool Plants	1,247,978
Shrinkage	10,818,864
Total Class III	281,905,386

CLASS IV	
Butter	20,853,288
Whole Milk Powder	4,754,930
Nonfat Dry Milk	55,959,612
Skim Equivalent Used to Fortify	2,100,658
Transfers to Other Federal Order Pool Plants	5,887,362
Ending Inventory	40,805,732
Total Class IV	130,361,582

TOTAL DISPOSITION 1,217,606,003

PRODUCER BUTTERFAT UTILIZATION	
Class I	10,335,052
Class II	12,819,600
Class III	8,909,587
Class IV	8,574,136
Total Butterfat	40,638,375

PRODUCER NONFAT SOLIDS UTILIZATION	
Class II	15,986,551
Class IV	5,577,033
Total Nonfat Solids	92,811,715

PRODUCER PROTEIN UTILIZATION	
Class III	7,762,268
Total Protein	32,643,620

PRODUCER OTHER SOLIDS UTILIZATION	
Class III	14,275,251
Total Other Solids	60,168,095

SOMATIC CELL ADJUSTMENT	
Class II / III / IV	$141,425

ANNOUNCEMENT OF PRODUCER PRICES
FEBRUARY 2000

MIDEAST MARKETING AREA

COMPUTATION OF PRODUCER PRICE DIFFERENTIAL

	POUNDS	BUTTERFAT	SKIM / PROTEIN	NONFAT SOLIDS	OTHER SOLIDS	PRICE	VALUE
Class I Skim Value			539,312,733			$9.720 / cwt	$ 52,421,197.62
Class I Butterfat		10,335,052				0.9502 / lb	9,820,366.41
Class I Location Differential	549,647,785						(271,363.00)
Class II SNF Value				15,986,551		0.9356 / lb	14,957,017.07
Class II Butterfat		12,819,600				0.9658 / lb	12,381,169.71
Class III Protein Value			7,762,268			1.9849 / lb	15,407,325.79
Class III Other Solids Value					14,275,251	0.0432 / lb	616,690.85
Class III Butterfat		8,909,587				0.9588 / lb	8,542,512.00
Class IV SNF Value				5,577,033		0.8565 / lb	4,776,728.79
Class IV Butterfat		8,574,136				0.9588 / lb	8,220,881.61
Somatic Cell Value II / III / IV							141,425.17
TOTAL PRODUCER MILK VALUE	1,057,524,752	40,638,375	32,643,620		60,168,095		$127,013,952.02

Overages			$ 15,633.76	
Beginning Inventory			(62,534.06)	
TOTAL ADJUSTMENTS				$ (46,900.30)
TOTAL HANDLER OBLIGATIONS				$126,967,051.72
Total Protein Value	32,643,620 lbs	@	$1.9849	$ (64,794,321.33)
Total Other Solids Value	60,168,095 lbs	@	0.0432	(2,599,261.73)
Butterfat Value	40,638,375 lbs	@	0.9588	(38,964,073.96)
Total Somatic Cell Values				(280,813.76)
TOTALS				$ 20,328,580.94
Net Producer Location Adjustments				$ 650,961.57
1/2 Unobligated Balance Producer Settlement Fund				445,000.00
Total - Divided by Total Pounds	1,057,524,752 lbs		2.0259140	$ 21,424,542.51
Rate of Cash Reserve			(0.0459140)	(485,551.91)
PRODUCER PRICE DIFFERENTIAL *at Cuyahoga County, OH**	1,057,524,752		$1.98 / cwt	$ 20,938,990.60

COMPONENT PRICES

Butterfat Price	$0.9588 / lb
Protein Price	1.9849 / lb
Other Solids Price	0.0432 / lb
Somatic Cell Adjustment Rate	0.00055 / cwt
Nonfat Solids Price *(For Informational Purpose Only)* **	0.8565 / lb

MARKET AVERAGE CONTENT OF PRODUCER MILK

Butterfat	3.84 %
Protein	3.09 %
Other Solids	5.69 %
Nonfat Solids	8.78 %

CLASSIFICATION OF PRODUCER MILK

	Product lbs.	*Percent*
Class I	549,647,785	52.0
Class II	187,566,603	17.7
Class III	250,519,074	23.7
Class IV	69,791,290	6.6
Total	1,057,524,752	100.0

COMPUTATION OF UNIFORM PRICE

Class III Price - 3.5% BF	$ 9.54
Producer Price Differential	1.98
Statistical Uniform Price *(For Informational Purpose Only)*	$11.52

____
* Subject to Location Adjustment.
** Producers are not paid on this component.

PRODUCER MILK SUMMARY
MIDEAST MARKETING AREA 1/

	Class I Pounds (000)	Class I Percent	Class II Pounds (000)	Class II Percent	Class III Pounds (000)	Class III Percent	Class IV Pounds (000)	Class IV Percent	Total Pounds (000)
1999 *Estimates*									
February	529,418	54.2	128,325	13.1	226,179	23.2	92,373	9.5	976,295
March	583,021	53.2	159,945	14.6	265,314	24.2	87,181	8.0	1,095,461
April	574,797	52.9	208,323	19.2	234,755	21.6	68,115	6.3	1,085,990
May	546,474	46.7	213,388	18.2	321,719	27.5	89,251	7.6	1,170,832
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

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 Cheese	Two-Week Average Butter	Two-Week Average Nonfat Dry Milk	Two-Week Average Dry Whey	Monthly Average Cheese	Monthly Average Butter	Monthly Average Nonfat Dry Milk	Monthly Average Dry Whey
	Dollars per pound				*Dollars per pound*			
1999								
February	1.2824	1.2957	1.0411	0.1909	1.2925	1.2984	1.0359	0.1897
March	1.3056	1.3437	1.0180	0.1913	1.3064	1.3019	1.0169	0.1917
April	1.3154	1.0032	1.0056	0.1842	1.3126	1.0160	1.0071	0.1845
May	1.2639	0.9960	1.0055	0.1748	1.2499	1.0781	1.0069	0.1739
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

Milk Cows: Numbers of Operations, Percent of Inventory, and Percent of Milk Production by Size Group, United States, 1998-1999 1/

Size Group	Operations 1998	Operations 1999	Percent of Inventory 1998	Percent of Inventory 1999	Percent of Production 1998	Percent of Production 1999
1 - 29	36,200	33,110	3.5	3.1	2.3	2.0
30 - 49	25,485	23,925	10.5	10.1	8.9	8.5
50 - 99	34,017	33,090	24.2	23.2	22.4	20.9
100 - 199	13,908	13,115	19.3	18.4	19.2	17.9
200 - 499	5,155	5,425	15.5	16.3	16.8	16.9
500 - 999	1,500	1,600	10.0	11.0	11.1	12.6
1,000 - 1,999	680	700	9.6	10.0	10.9	11.9
2,000 & Over	235	255	7.4	7.9	8.4	9.3
Totals	117,180	111,220	100.0	100.0	100.0	100.0

1/ An operation is any place having one or more head of milk cows, excluding cows used to nurse calves, on hand at any time during the year. Percents reflect average distributions of various probability surveys conducted during the year but are based primarily on beginning-of-year and mid-year surveys.

Source: *"Milk Production," Da 1-1 (2-00), Agricultural Statistics Board, National Agricultural Statistics Service, U.S. Department of Agriculture.*

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)	January 2000 * ------Weighted Averages------ Butterfat	Protein	Other Solids	SCC(000)	January 1999** ------Weighted Averages------- Butterfat	Protein	SCC(000)
1 - 30,000	1,539	28,450	4.04	3.18	5.55	367	4.04	3.33	389
30,001 - 60,000	2,390	106,230	3.97	3.15	5.60	340	3.97	3.31	361
60,001 - 90,000	1,688	124,702	3.92	3.12	5.62	318	3.92	3.31	342
90,001 - 120,000	1,082	112,428	3.89	3.11	5.64	312	3.92	3.31	325
120,001 - 150,000	737	98,663	3.87	3.11	5.65	288	3.89	3.31	308
150,001 - 250,000	1,107	211,163	3.87	3.11	5.66	267	3.89	3.30	287
250,001 - 500,000	663	223,566	3.82	3.09	5.68	242	3.86	3.29	264
500,001 & Over	217	208,724	3.58	3.05	5.69	240	3.74	3.25	256
Total / Average	9,423	1,113,927	3.83	3.10	5.65	279	3.88	3.30	301

* 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 *
January 2000

Somatic Cell Range (000)	Combined Pounds (000)	Number of Producers	Percent of Milk by SCC Range	Average Farm Size
1 - 50	1,121	16	0.1	70,063
51 - 100	34,144	351	3.1	97,276
101 - 150	127,834	938	11.5	136,284
151 - 200	198,075	1,230	17.8	161,037
201 - 250	209,733	1,411	18.8	148,641
251 - 300	163,483	1,278	14.7	127,921
301 - 350	118,993	1,028	10.7	115,752
351 - 400	82,738	828	7.4	99,925
401 - 450	59,390	631	5.3	94,120
451 - 500	40,631	508	3.6	79,982
501 - 550	23,306	332	2.1	70,199
551 - 600	15,484	250	1.4	61,936
601 - 650	13,543	156	1.2	86,814
651 - 700	7,877	137	0.7	57,496
701 - 750	6,249	90	0.6	69,433
751 - Above	11,326	239	1.0	47,389
Totals	1,113,927	9,423	100.0	118,214

* 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)	January 2000 * ------Weighted Averages------ Butterfat	Protein	Other Solids	SCC(000)	January 1999** ------Weighted Averages------- Butterfat	Protein	SCC(000)
Ohio	2,901	336,545	3.90	3.11	5.64	276	3.91	3.32	301
Pennsylvania	1,703	140,769	3.89	3.10	5.63	323	3.89	3.29	342
Michigan	2,896	442,688	3.72	3.09	5.68	262	3.85	3.28	287
New York	263	34,707	3.84	3.05	5.66	257	3.86	3.25	259
West Virginia	109	8,563	3.94	3.14	5.65	338	3.92	3.35	386
Indiana	1,409	141,193	3.93	3.13	5.63	291	3.94	3.34	345
Other	142	9,462	3.85	3.11	5.48	314	3.89	3.29	295
Total/Average	9,423	1,113,927	3.83	3.10	5.65	279	3.88	3.30	301

* 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
7851 Freeway Circle
P.O. Box 30128
Cleveland, Ohio 44130

BULK RATE
U.S. POSTAGE
PAID
Cleveland, Ohio
Permit No. 2511

FEDERAL ORDER DATA

	Marketing Area 1/	Producer Milk Total (000)	Producer Milk Class I (000)	Class I Percent %	Producer Price Differential	Statistical Uniform Price
FO 1	Northeast - *(Boston)*	2,034,365	840,450	41.3	$2.67	$12.21
FO 5	Appalachian - *(Charlotte)*	492,333	344,025	69.9	2/	13.13
FO 6	Florida - *(Tampa)*	243,677	220,592	90.5	2/	14.40
FO 7	Southeast - *(Atlanta)*	632,550	399,062	63.1	2/	12.74
FO 30	Upper Midwest - *(Chicago)*	2,268,653	339,396	14.9	0.56	10.10
FO 32	Central - *(Kansas City)*	1,038,566	396,142	38.1	1.46	11.00
FO 33	Mideast - *(Cleveland)*	1,057,525	549,648	52.0	1.98	11.52
FO 124	Pacific Northwest - *(Seattle)*	549,472	169,442	30.8	1.52	11.06
FO 126	Southwest - *(Dallas)*	790,020	321,099	40.6	2.28	11.82
FO 131	Arizona-Las Vegas - *(Phoenix)*	271,919	81,311	29.9	2/	11.09
FO 135	Western - *(Salt Lake City)*	302,554	83,587	27.6	1.39	10.93

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 MARCH 2000 .... $9.54 / cwt.