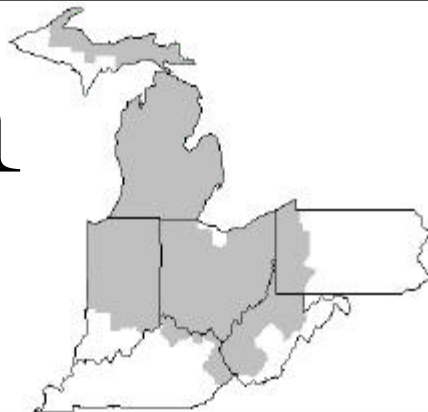


Mideast Market Administrator's Bulletin



Federal Order No. 33

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June 2004

DEPOOLING ON THE MIDEAST ORDER

Federal Milk Marketing Orders provide for the marketwide pooling of milk proceeds among all producers supplying the market. Marketwide sharing of the classified value of the producer milk allows producers to receive the same blended uniform price for their milk regardless of how their milk is utilized. The producers participating in the pool have adjustments made to the blend price based on their individual butterfat, protein, other solids, and somatic cell content.

Mideast Order pooling regulations require all milk received at a pool distributing plant (Class I bottling plant) to be pooled. The Order allows handlers, plants, and cooperatives the option of pooling or not pooling qualified producer milk deliveries to manufacturing plants.

Manufacturing plants pool milk on the Federal Order on a voluntary basis; therefore, if the class price of the milk delivered to manufacturing plants is greater than the projected Federal Order blend price, the handler may elect to not pool the milk delivered to manufacturing plants. Thus, depooling may occur when the Class II, III, or IV price is higher than the uniform (blend) price. Since the value of the depooled milk exceeds the average value of the milk in the pool, depooling lowers the Producer Price Differential (PPD) of the remaining milk in the pool. Depooling can occur with or without a negative PPD.

In April 2004, Class III milk totaled 448 million pounds compared to 638.1 million pounds in April 2003. A significant portion of the 593.3 million pound decrease in Class III milk can be attributed to voluntary depooling. It is estimated that the depooled milk decreased the Mideast PPD for April by \$1.64 per hundred weight.

APRIL MILK PRODUCTION DOWN 0.9 PERCENT

Milk production in the 20 major States during April totaled 12.6 billion pounds, down 0.9 percent from April 2003. March revised production, at 12.8 billion pounds, was down 1.7 percent from March 2003. The March revision represented an increase of 22 million pounds or 0.2 percent from last month's preliminary production estimate.

Production per cow in the 20 major States averaged 1,630 pounds for April, 3 pounds above April 2003.

The number of cows on farms in the 20 major States was 7.72 million head, 81,000 head less than April 2003, but 2,000 head more than March 2004.

The Mideast Marketing Area has four states represented in the 20 major States used above. They are Indiana, Michigan, Ohio, and Pennsylvania. Milk production in these Mideast states during April totaled 2.0 billion pounds, down 50 million pounds or 2.4 percent

from April 2003.

Production per cow in the Mideast states averaged 1,615 pounds for April, five pounds below April 2003.

CHANGING DAIRY INDUSTRY

The United States dairy industry has undergone dramatic restructuring during the past twenty-five plus years. Dairy farms, milk processors and manufacturers, milk and dairy product marketing firms, dairy cooperatives, and retail outlets for food products are very different today than 25 years ago. The structure of agricultural product markets has also changed during the same period. A report released by USDA described changes in selected dairy product markets in the United States during the 1975-99 period (Manchester and Blayney, 1997). This report provides a similar overview of milk production, the raw product supply sector of the industry. A chart showing 1977-2002 trends can be found on page three of this bulletin.

The United States had 393,510 dairy operations in 1977. An operation is defined as a farm with one or more milk cows. The number of dairy operations dropped to 91,990 in 2002. This is a decrease of 301,520 operations or 76.6 percent. The average dairy cows per operation was 28 in 1977. This had increased to 99 dairy cows per operation in 2002. That is an increase of 253.6 percent or 71 cows per dairy operation.

There were 1,284 fluid milk plants in the United States in 1977. This total was reduced to 385 by 2002. This is a reduction of 899 plants or 70.0 percent of all fluid milk plants. The average annual volume of milk processed at U.S. fluid milk plants was 41.9 million pounds in 1977. By 2002, the annual volume of milk processed had increased to an average of 154.2 million pounds per plant. This was an increase of 268.0 percent or 112.3 million pounds of milk annually.

MAY 2004 - POOL SUMMARY

Classification of Producer Milk

		Percent
Class I	501,647,870	54.6
Class II	243,038,061	26.4
Class III	50,125,048	5.5
Class IV	124,287,331	13.5
Total	919,098,310	100.0

Producer Prices

Producer Price Differential	\$ (1.59) / cwt
Butterfat Price	2.4282 / lb
Protein Price	3.7639 / lb
Other Solids Price	0.1444 / lb
Somatic Cell Adjustment Rate	0.00106 / cwt
Statistical Uniform Price	18.99 / cwt

ANNOUNCEMENT OF PRODUCER PRICES

Federal Order No. 33

MAY 2004

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			492,387,779			\$ 13.50 /cwt	\$ 66,472,350.30
Class I Butterfat		9,260,091				2.4637 / lb	228,140,861.19
Class I Location Differential	501,647,870						(257,187.51)
Class II SNF Value				20,571,665		0.7489 / lb	15,406,119.90
Class II Butterfat		14,120,152				2.4352 / lb	34,385,394.17
Class III Protein Value			1,433,687			3.7639 / lb	5,396,254.52
Class III Other Solids Value					2,806,818	0.1444 / lb	405,304.52
Class III Butterfat		2,687,789				2.4282 / lb	6,526,489.23
Class IV SNF Value				10,556,398		0.6913 / lb	7,297,637.94
Class IV Butterfat		6,817,111				2.4282 / lb	16,553,308.92
Somatic Cell Value II / III / IV							<u>332,103.31</u>
TOTAL PRODUCER MILK VALUE	919,098,310	32,885,143	27,263,844		52,535,284		\$ 175,331,861.49
Overages						\$ 27305.75	
Beginning Inventory						1408060	
TOTAL ADJUSTMENTS							<u>\$ 41,386.35</u>
TOTAL HANDLER OBLIGATIONS							<u>\$ 175,373,247.84</u>
Total Protein Value			27,263,844lbs	@	\$3.7639		\$ (102,618,382.43)
Total Other Solids Value			52,535,284lbs	@	0.1444		(7,586,095.01)
Butterfat Value			32,885,143lbs	@	2.4282		(79,851,704.25)
Total Somatic Cell Values							<u>(679,225.77)</u>
TOTALS							\$ (15,362,159.62)
Net Producer Location Adjustments							\$ 631,554.51
1/2 Unobligated Balance Producer Settlement Fund							<u>532,000.00</u>
Total - Divided by Total Pounds			919,098,310 lbs		(1.5448407)		\$ (14,198,605.11)
Rate of Cash Reserve					<u>(0.0451593)</u>		<u>(415,058.36)</u>
PRODUCER PRICE DIFFERENTIAL at Cuyahoga County, OH*			919,098,310		\$ (1.59) cwt		\$ (14,613,663.47)

COMPONENT PRICES

COMPUTATION OF UNIFORM PRICE

	May			May	
	<u>2004</u>	<u>2003</u>		<u>2004</u>	<u>2003</u>
Butterfat Price	\$2.4282 / lb	\$1.1515 / lb	Class III Price - 3.5% BF	\$ 20.58	\$ 9.71
Protein Price	3.7639 / lb	1.9275 / lb	Producer Price Differential*	<u>(1.59)</u>	<u>.092</u>
Other Solids Price	0.1444 / lb	(0.0144) / lb	Statistical Uniform Price	\$18.99	\$10.63
Somatic Cell Adjustment Rate	0.00106 / cwt	0.00057 / cwt			
Nonfat Solids Price	0.6913 / lb	0.6574 / lb			

CLASS PRICES

CLASSIFICATION OF PRODUCER MILK

	May			May	
	<u>2004</u>	<u>2003</u>		<u>2004</u>	<u>2003</u>
				<i>Product lbs.</i>	<i>Product lbs.</i>
Class I*	\$21.65	\$11.71	Class I	501,647,870	562,541,788
Class II	15.03	10.43	Class II	243,038,061	233,399,394
Class III	20.58	9.71	Class III	50,125,048	658,729,700
Class IV	14.50	9.74	Class IV	<u>124,287,331</u>	<u>78,824,051</u>
			Total	919,098,310	1,533,494,933

* Subject to Location Adjustment.

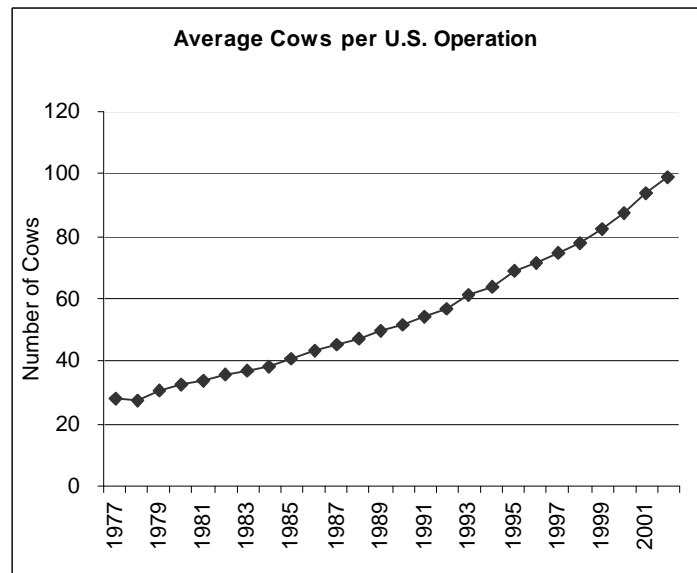
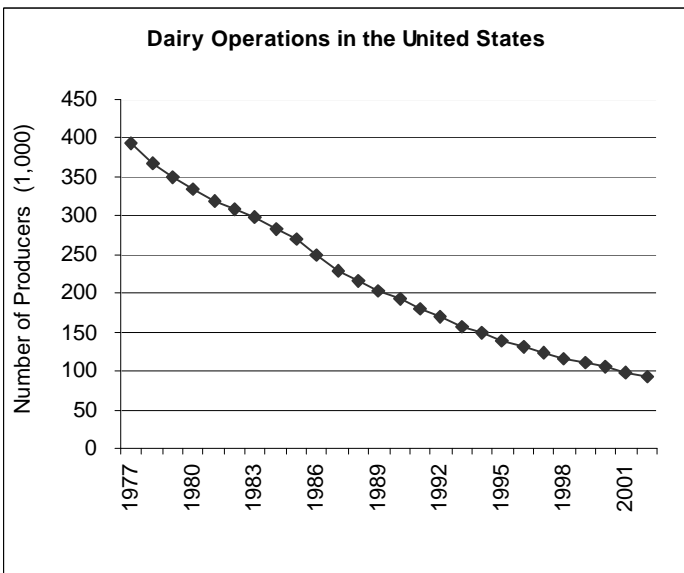
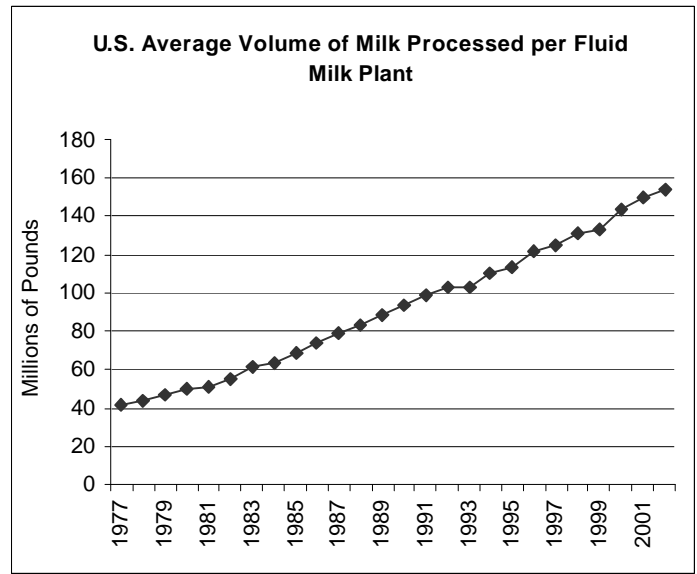
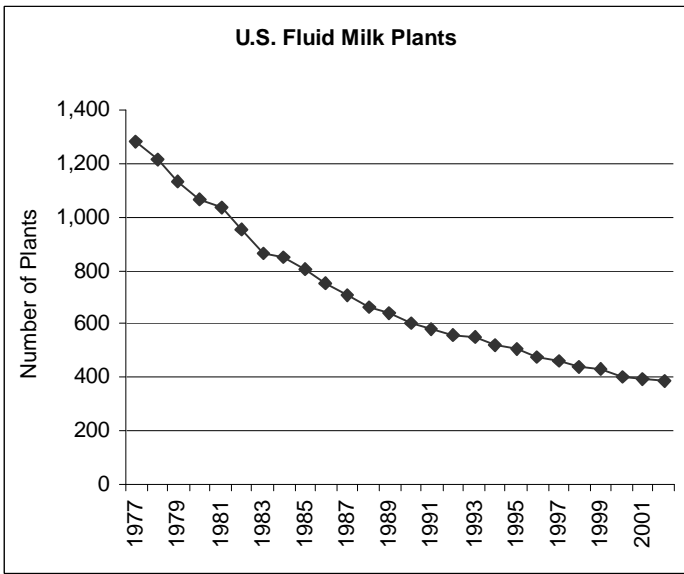
ORDER 33 MARKET SUMMARY

The Producer Price Differential for the Mideast Marketing Area for May 2004 was -\$1.59 and the Statistical Uniform Price was \$18.99 for the month. The Statistical Uniform Price is \$3.11 higher than last month, and is \$8.36 higher than May 2003.

The Producer Butterfat Price of \$2.4282 per pound decreased 7.31 cents from April 2004 and is up 1.277 dollars from a year ago. The Protein Price of \$3.7639 is up 31.74 cents from last month and is up 1.8364 dollars from May 2003. The Other Solids Price in May was \$0.1444 per pound, an increase from last month's price of \$0.1042 and an increase of 15.88 cents from last May. The Somatic Cell Adjustment rate for May was \$0.00106.

May producer receipts of 919 million pounds were 52 percent higher than April 2004, and 40.1 percent lower than May 2003 production of 1.53 billion pounds. Producer milk allocated to Class I accounted for 54.6 percent of the total producer milk in May 2004, less than the 62.3 percent in April and more than the 36.7 percent in May 2003. A total of 8,944 producers were pooled on the Mideast Order compared to 10,312 producers pooled in May 2003.

The market average content of producer milk was as follows: Butterfat 3.58%; Protein 2.97%; Other Solids 5.72% and Nonfat Solids 8.69%.



Weighted Averages - Butterfat, Protein, Other Solids, Somatic Cell Count by State Federal Order No. 33											
State	April 2004						April 2003				
	Number of Producers	Pounds of Milk (000)	Butterfat	Protein	Other Solids	SCC (000)	Pounds of Milk (000)	Butterfat	Protein	Other Solids	SCC (000)
Michigan	2,273	350,283	3.61	3.00	5.72	274	454,982	3.62	2.98	5.73	279
Ohio	2,344	243,548	3.68	3.02	5.71	291	340,704	3.74	3.02	5.70	310
Indiana	1,230	141,495	3.69	3.02	5.73	281	160,852	3.69	3.01	5.72	291
Pennsylvania	1,132	73,180	3.77	3.02	5.70	354	126,900	3.78	3.01	5.69	367
New York	369	31,926	3.63	3.00	5.69	240	98,627	3.67	2.95	5.71	263
Wisconsin	1,772	215,377	3.74	2.99	5.72	298	263,103	3.69	2.98	5.75	289
West Virginia	67	5,196	3.74	3.11	5.71	375	6,099	3.69	3.07	5.67	393
Illinois	86	1,700	3.71	3.05	5.72	328	12,284	3.71	3.01	5.81	295
Other	149	5,041	3.71	3.02	5.71	327	11,472	3.74	3.04	5.77	339
Total Average *	9,422	873,906	3.66	3.01	5.72	287	1,475,023	3.69	2.99	5.72	297

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



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**FEDERAL ORDER DATA
 MAY 2004**

<u>Marketing Area</u> ^{1/}	Producer Milk		Class I	Producer	Statistica l
	<u>Total</u> (000)	<u>Class I</u> (000)	<u>Percent</u> %	<u>Price Differential</u>	<u>Uniform Price</u>
FO 1 Northeast - (Boston)	1,895,045	848,155	44.8	\$(0.74)	\$19.84
FO 5 Appalachian - (Charlotte)	516,901	331,676	64.2	^{2/}	20.18
FO 6 Florida - (Tampa)	260,853	197,480	75.7	^{2/}	22.23
FO 7 Southeast - (Atlanta)	615,936	354,868	57.6	^{2/}	20.27
FO 30 Upper Midwest - (Chicago)	662,635	352,403	53.2	(1.97)	18.61
FO 32 Central - (Kansas City)	651,952	330,032	50.6	(2.18)	18.40
FO 33 Mideast - (Cleveland)	919,098	501,648	54.6	(1.59)	18.99
FO 124 Pacific Northwest - (Seattle)	439,531	168,811	38.4	(3.18)	17.40
FO 126 Southwest - (Dallas)	671,979	317,676	47.3	(1.91)	18.67
FO 131 Arizona-Las Vegas - (Phoenix)	247,986	72,714	29.3	^{2/}	19.36

^{1/} Names in parentheses are principal 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 JUNE 2004\$14.50 /cwt.

