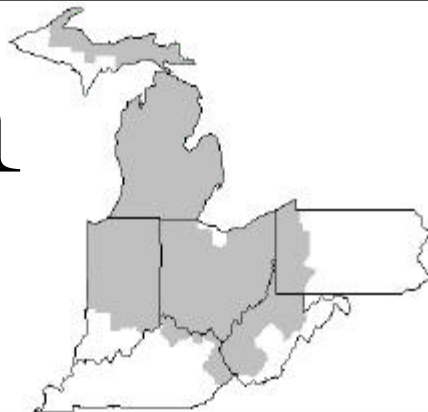


Mideast Market Administrator's Bulletin



Federal Order No. 33

David Z. Walker, Market Administrator

Phone: (440) 826-3220 Toll Free: (888) 751-3220

Email: clevelandmal@sprynet.com

WebPage: www.fmmacleev.com

May 2004

USDA ANNOUNCES INTERIM ORDER TO AMEND ALL FEDERAL MILK ORDERS

The U. S. Department of Agriculture issued an interim order amending the current classification of milk provisions of all Federal milk marketing orders. USDA determined dairy farmers' approval by polling cooperative associations in eight of the marketing areas and by conducting referenda in the Northeast and Mideast marketing areas.

This interim order reclassifies milk used to produce evaporated milk in consumer-type packages or sweetened condensed milk in consumer-type packages from Class III to Class IV.

These interim amendments to the orders became effective on May 1, 2004. The interim order rule and additional background information can be accessed on the web at <http://www.ams.usda.gov/dairy>. Copies of this interim order and additional information also may be obtained by contacting the Mideast Market Administrator's Office.

USDA PROPOSES TO EXEMPT 100 PERCENT ORGANIC PRODUCERS AND MARKETERS FROM COMMODITY PROMOTION ASSESSMENTS

The U.S. Department of Agriculture's Agricultural Marketing Service is proposing amendments to 16 commodity research and promotion programs. The changes would exempt producers and marketers of solely 100 percent organic products from paying commodity promotion assessments. Details of the proposed exemption appeared in the *Federal Register* on April 26.

Comments are being solicited from interested parties until May 26, 2004, and may be sent to the following addresses: Angela C. Snyder, Office of the Deputy Administrator, Poultry Programs, AMS, USDA, 1400 Independence Avenue, S.W., STOP0256, Room 3932-South, Washington, D.C. 20250-0256; or e-mail to organicassessment@usda.gov.

MARCH MILK PRODUCTION DOWN 1.8 PERCENT

Milk production in the 20 major States during March totaled 12.8 billion pounds, down 1.8 percent from March 2003. February revised production, at 11.8 billion pounds, was up 1.4 percent from February 2003. However, adjusting for leap year, February milk production was down 2.1 percent on a per day basis from last year. The February revision represented a decrease of 35 million pounds or 0.3 percent from last month's preliminary production estimate.

Production per cow in the 20 major States averaged 1,656 pounds for March, 10 pounds below March 2003. The number of cows on

farms in the 20 major States were 7.71 million head, 96,000 head less than March 2003, and 2,000 head less than February 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 March totaled 2.1 billion pounds, down 59 million pounds or 2.8 percent from March 2003.

Production per cow in the Mideast states averaged 1,653 pounds for March, 2 pounds below March 2003. The number of cows on farms in the Mideast states was 1.3 million head, 27,000 head less than March 2003.

RAPID RISE IN COMMODITY MARKET NETS NEGATIVE PRODUCER PRICE DIFFERENTIAL

The announced April Producer Price Differential (PPD) for Order 33 is -\$3.78 per hundredweight. This is the largest negative PPD since the Mideast Order was formed in January 2000. The PPD is calculated by summing the value of all milk in the pool used in Classes I, II, III and IV at the applicable class/component prices and subtracting the producer value of all components priced at the Class III butterfat, protein and other solids prices. The PPD therefore represents the amount by which the blended class value of the pool exceeds the Class III price. If the Class III price exceeds the other Class prices a negative PPD may occur. This was the situation in April.

The price inversion, in which the Class III price exceeds the other Class prices, was the result of the timing of the calculation of the Class prices. The National Agricultural Statistics Service (NASS) announces weekly commodity prices based on the cheese, butter, nonfat dry milk and whey powder sales. These commodity prices are

(continued on Page 3)

APRIL 2004 - POOL SUMMARY

Classification of Producer Milk

		Percent
Class I	544,176,824	62.3
Class II	226,531,074	26.0
Class III	44,787,307	5.1
Class IV	57,786,432	6.6
Total	873,281,637	100.0

Producer Prices

Producer Price Differential	\$ (3.78) /cwt
Butterfat Price	2.5013 /lb
Protein Price	3.4465 /lb
Other Solids Price	0.1042 /lb
Somatic Cell Adjustment Rate	0.00103 /cwt
Statistical Uniform Price	15.88 /cwt

ANNOUNCEMENT OF PRODUCER PRICES

Federal Order No. 33

APRIL 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			534,036,541			\$ 796 / cwt	\$ 42,509,308.64
Class I Butterfat		10,140,283				2.2725 / lb	23,043,793.16
Class I Location Differential	544,176,824						(277,443.12)
Class II SNF Value				19,259,855		0.7400 / lb	14,252,292.70
Class II Butterfat		13,675,057				2.5083 / lb	34,301,145.47
Class III Protein Value			1,314,840			3.4465 / lb	4,531,596.06
Class III Other Solids Value					2,494,016	0.1042 / lb	259,876.46
Class III Butterfat		2,659,965				2.5013 / lb	6,653,370.44
Class IV SNF Value				4,727,328		0.6703 / lb	3,168,727.97
Class IV Butterfat		5,510,559				2.5013 / lb	13,783,561.24
Somatic Cell Value II / III / IV							<u>236,517.22</u>
TOTAL PRODUCER MILK VALUE	873,281,637	31,985,864	26,312,917		49,905,417		\$ 142,462,746.24
Overages						\$ 62462.53	
Beginning Inventory						76959.71	
TOTAL ADJUSTMENTS							\$ 139,422.24
TOTAL HANDLER OBLIGATIONS							\$ 142,602,168.48
Total Protein Value			26,312,917lbs	@	\$34465		\$ (90,687,468.44)
Total Other Solids Value			49,905,417lbs	@	0.1042		(5,200,144.48)
Butterfat Value			31,985,864lbs	@	2.5013		(80,006,241.61)
Total Somatic Cell Values							<u>(570,586.79)</u>
TOTALS							\$ (33,862,272.84)
Net Producer Location Adjustments							\$ 573,573.15
1/2 Unobligated Balance Producer Settlement Fund							<u>696,000.00</u>
Total - Divided by Total Pounds			873,281,637 lbs		(3.7322094)		\$ (32,592,699.69)
Rate of Cash Reserve					(0.0477906)		<u>(417,346.53)</u>
PRODUCER PRICE DIFFERENTIAL at Cuyahoga County, OH*			873,281,637		\$ (3.78) cwt		\$ (33,010,046.22)

COMPONENT PRICES

	<u>April</u>	
	<u>2004</u>	<u>2003</u>
Butterfat Price	\$2.5013 / lb	\$1.1503 / lb
Protein Price	3.4465 / lb	1.8006 / lb
Other Solids Price	0.1042 / lb	(0.0008) / lb
Somatic Cell Adjustment Rate	0.00103 / cwt	0.00055 / cwt
Nonfat Solids Price	0.6703 / lb	0.6564 / lb

COMPUTATION OF UNIFORM PRICE

	<u>April</u>	
	<u>2004</u>	<u>2003</u>
Class III Price - 3.5% BF	\$ 19.66	\$ 9.41
Producer Price Differential*	<u>(3.78)</u>	<u>1.06</u>
Statistical Uniform Price	\$15.88	\$10.47

CLASS PRICES

	<u>April</u>	
	<u>2004</u>	<u>2003</u>
Class I*	\$15.64	\$11.64
Class II	15.21	10.44
Class III	19.66	9.41
Class IV	14.57	9.73

CLASSIFICATION OF PRODUCER MILK

	<u>April</u>	
	<u>2004</u>	<u>2003</u>
	<i>Product lbs.</i>	<i>Product lbs.</i>
Class I	544,176,824	533,093,970
Class II	226,531,074	222,357,851
Class III	44,787,307	638,078,273
Class IV	<u>57,786,432</u>	<u>79,817,039</u>
Total	873,281,637	1,473,347,133

* Subject to Location Adjustment.

ORDER 33 MARKET SUMMARY

The Producer Price Differential for the Mideast Marketing Area for April 2004 was -\$3.78 and the Statistical Uniform Price was \$15.88 for the month. The Statistical Uniform Price is \$1.20 higher than last month, and is \$5.41 higher than April 2003.

The Producer Butterfat Price of \$2.5013 per pound increased 12.00 cents from March 2004 and is up 1.3510 dollars from a year ago. The Protein Price of \$3.4465 is up 1.4332 dollars from last month and is up 1.6459 dollars from April 2003. The Other Solids Price in April was \$0.1042 per pound, an increase from last month's price of \$0.0234 and an increase of 10.50 cents from last April. The Somatic Cell Adjustment rate for April was \$0.00103.

April producer receipts of 873.3 million pounds were 32.7 percent lower than March 2004, and 40.7 percent lower than April 2003 production of 1.47 billion pounds. Producer milk allocated to Class I accounted for 62.3 percent of the total producer milk in April 2004, more than the 44.5 percent in March and more than the 36.2 percent in April 2003. A total of 9,535 producers were pooled on the Mideast Order compared to 10,537 producers pooled in April 2003.

The market average content of producer milk was as follows: Butterfat 3.66%; Protein 3.01%; Other Solids 5.71% and Nonfat Solids 8.72%.

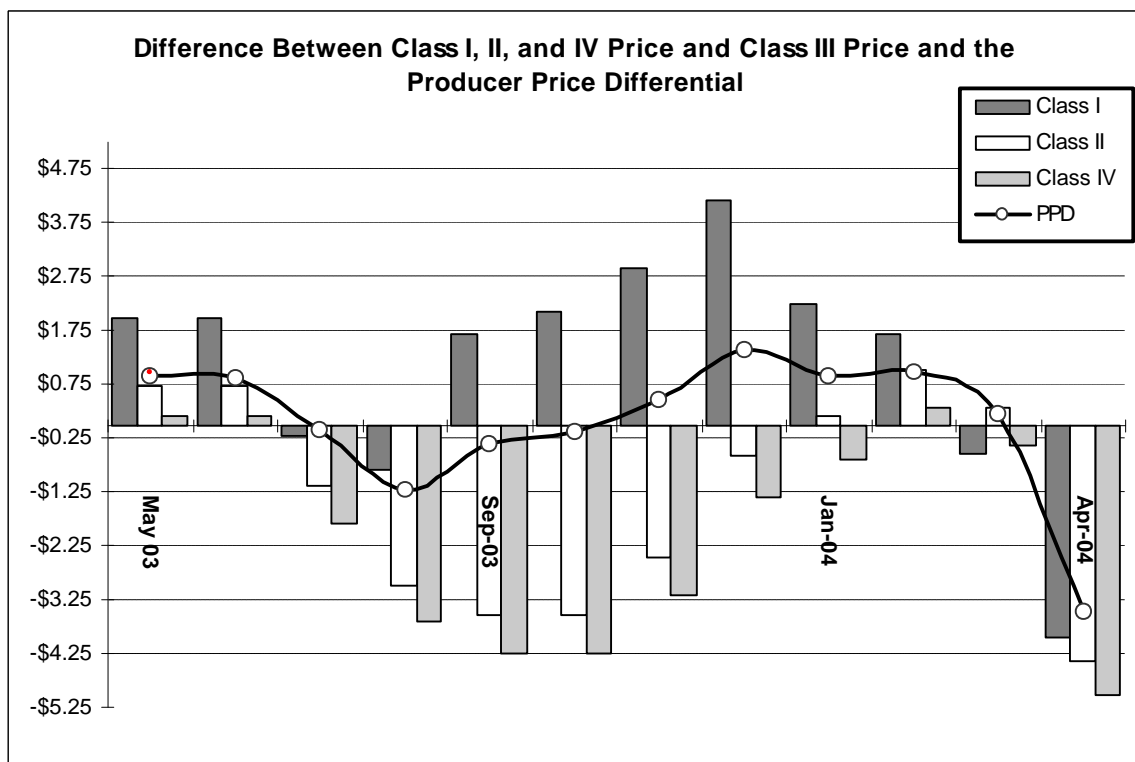
(Continued from Page 1)

used to compute component prices that apply to the various classes. The Class I skim and butterfat prices and Class II skim price are announced in advance of the month in which they apply while the Class II butterfat and the Class III and IV prices are announced at the end of the month in which they apply. Therefore, there is approximately a six-week difference in the announcement dates and large fluctuations in commodity prices can have a great impact on the different Class prices. The NASS survey price for cheddar cheese announced March 19 was \$1.4582 per pound. This price was used in part to establish an announced April Class I price of \$15.64. The NASS survey price for cheddar cheese announced April 30 was \$2.0520 per pound. This price was used in the calculation of the Class III price for April of \$19.66. At the same time, the NASS advance survey price for butter was \$1.9921 per pound compared to the April final price of \$2.1994 per pound. This rapid increase in the NASS survey prices resulted in an April Class III price that was higher than each of the other three

class prices. This resulted in the average classified value of the pool being less than the Class III value; which caused a negative PPD.

While the rapid rise in the commodity prices had a negative impact on the PPD portion of the producer payments, it had a very positive impact on the overall return to producers. The Statistical Uniform Price of \$15.88 per hundred weight has increased \$1.20 compared to last month and \$5.41 above April 2003.

Below is a graph detailing the relationship between the class prices and the producer price differential. Each bar represents the difference between the Class I, II or IV prices relative to the Class III price. Note that when all three of the other class prices are below the Class III price, a negative PPD occurs (July, August 2003, April 2004). A negative PPD can also occur when there is a very large negative difference between the Class III price and the Class II and IV prices (September, October 2003).



Weighted Averages - Butterfat, Protein, Other Solids, Somatic Cell Count by State
Federal Order No. 33

State	March 2004						March 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	2,352	473,038	3.67	3.04	5.72	277	469,539	3.71	3.03	5.73	278
Ohio	2,584	345,625	3.75	3.08	5.69	290	311,374	3.80	3.07	5.72	292
Indiana	1,246	177,098	3.72	3.04	5.71	263	144,381	3.81	3.05	5.71	292
Pennsylvania	1,314	117,180	3.83	3.08	5.67	348	130,372	3.86	3.06	5.70	334
New York	357	85,961	3.67	3.00	5.69	233	52,178	3.78	3.00	5.70	258
Wisconsin	1,785	82,035	3.74	3.00	5.71	295	432,136	3.78	3.01	5.68	277
Illinois	88	3,267	3.81	3.02	5.74	330	14,299	3.76	3.02	5.72	320
West Virginia	80	6,490	3.81	3.15	5.69	379	7,246	3.75	3.12	5.71	366
Other	151	6,685	3.80	3.06	5.68	336	14,010	3.83	3.10	5.73	365
Total/Average *	9,957	1,297,379	3.72	3.05	5.70	284	1,575,535	3.77	3.04	5.71	287

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



**United States
Department of
Agriculture**

PRSR STD
U.S. POSTAGE
PAID
Cleveland, Ohio
Permit No. 2511

Mideast Market Administrator Bulletin
7851 Freeway Circle
P.O. Box 30128
Cleveland, Ohio 44130

POSTMASTER: Time Sensitive Material - Deliver Promptly

The United States Department of Agriculture (USDA) prohibits discrimination in all its programs and activities on the basis of race, color, national origin, gender, religion, age, disability, political beliefs, sexual orientation, and marital or familial status. (Not all prohibited bases apply to all programs.) Persons with disabilities who require alternative means for communication of program information (braille, large print, audiotape, etc.) should contact the USDA's TARGET Center at (202)720-2600 (voice and TDD).

To file a complaint of discrimination, write USDA, Director, Office of Civil Rights, Room 326-W, Jamie L. Whitten Building, 14th and Independence Avenue SW. Washington, DC 20250-9410 or call (202) 720-5964 (voice and TDD). USDA is an Equal Opportunity provider and employer.

**FEDERAL ORDER DATA
APRIL 2004**

<u>Marketing Area</u> ^{1/}	<u>Producer Milk</u>		<u>Class I</u>	<u>Producer</u>	<u>Statistical</u>
	<u>Total</u> (000)	<u>Class I</u> (000)	<u>Percent</u> %	<u>Price Differential</u>	<u>Uniform Price</u>
FO 1 Northeast - (Boston)	1,840,757	892,302	48.5	\$(2.38)	\$17.28
FO 5 Appalachian - (Charlotte)	482,071	368,183	76.4	^{2/}	16.76
FO 6 Florida - (Tampa)	239,603	217,023	90.6	^{2/}	17.74
FO 7 Southeast - (Atlanta)	562,225	390,525	69.5	^{2/}	16.72
FO 30 Upper Midwest - (Chicago)	608,029	381,768	62.8	(4.11)	15.55
FO 32 Central - (Kansas City)	612,335	371,226	60.6	(4.02)	15.64
FO 33 Mideast - (Cleveland)	873,282	544,177	62.3	(3.78)	15.88
FO 124 Pacific Northwest - (Seattle)	414,368	179,163	43.2	(4.32)	15.34
FO 126 Southwest - (Dallas)	634,096	350,270	55.2	(3.48)	16.18
FO 131 Arizona-Las Vegas - (Phoenix)	253,339	82,785	32.7	^{2/}	17.29

^{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 MAY 2004 \$14.57 /cwt.

