

Mideast Market Administrator's Bulletin

Federal Order No. 33

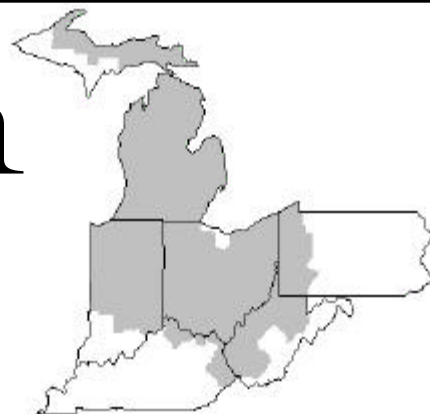
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April 2005



USDA SETS HEARING ON PROPOSED AMENDMENTS TO ALL FEDERAL MILK ORDERS

The U. S. Department of Agriculture announced that it will hold a national public hearing to consider proposals seeking to amend the Class I fluid milk product definition in all Federal milk marketing orders. The hearing will begin at 800 a.m. on June 20, 2005, at the Sheraton Station Square Hotel, 300 West Station Square Drive, Pittsburgh, Pa. 15219-1122.

The hearing was requested by Dairy Farmers of America, Inc. (DFA), who asked USDA to reconsider which dairy products should be classified as Class I products. DFA contends that many fluid consumable milk products are currently classified as Class II products because of the current formulation standard.

The hearing notice was published as a proposed rule in the April 12 Federal Register. Copies of the hearing notice may be obtained from the USDA/AMS/Dairy Programs, STOP 0231 - Rm. 2971, 1400 Independence Ave., SW, Washington, DC 20250-0231. The hearing notice is available on AMS' Web site at: www.am.susdagov/dairy.

The hearing notice and additional information is available from the following market administrator office: David Z. Walker, USDA/AMS/Dairy Programs, P.O. Box 5102, 1325 Industrial Parkway North, Brunswick, OH 44212, Tel. (330) 225-4758, email: dwalker@fmmaclev.com.

USDA AMENDS FLUID MILK PROMOTION ORDER

The U.S. Department of Agriculture announced that it is amending the terms of membership of the Fluid Milk Promotion Order. The change will provide more equitable representation on the National Fluid Milk Processor Promotion Board.

Under the amendment, any change in a fluid milk processor board member's employer or change in ownership of the fluid milk processor who the board member represents would disqualify that member. The member would be allowed to remain on the board for up to six months or until a successor was appointed. A similar process also would apply to a public member of the board who changes employment or ceases to continue in the same business.

The National Fluid Milk Processor Promotion Program is funded by a mandatory 20-cent per hundredweight assessment on milk processed into fluid milk products and marketed commercially in consumer-type packages in the contiguous 48 states and the District of Columbia. Processors who distribute less than 3,000,000 pounds of fluid milk products per month, excluding fluid milk products delivered to the place of residence of a consumer, are exempted from paying the assessment.

Details of the changes were published as a final rule in the March 24 Federal Register. Copies of the rule and additional information may be obtained from David R. Jamison at david.jamison2@usda.gov or phone (202) 720-6961.

FEBRUARY MILK PRODUCTION DOWN 0.7 PERCENT

Milk production in the 23 major States during February totaled 12.2 billion pounds, down 0.7 percent from February 2004. However, production was 2.8 percent above last year after adjusting for the leap year. January revised production, at 13.3 billion pounds, was up 1.5 percent from January 2004. The January revision represented an increase of 0.2 percent or 29 million pounds from last month's preliminary production estimate.

Production per cow in the 23 major States averaged 1,516 pounds for February, 15 pounds below February 2004. The number of milk cows on farms in the 23 major States was 8.07 million head, 23,000 head more than February 2004, but 9,000 head less than January 2005.

The Mideast Marketing Area has four states represented in the 23 major states used above. They are Indiana, Michigan, Ohio, and Pennsylvania. Milk production in these Mideast states during February totaled 1.9 billion pounds, up 14 million pounds or 0.7 percent from February 2004.

Production per cow in the Mideast states averaged 1,485 pounds for February, 20 pounds below February 2004. The number of cows on farms in the Mideast states was 1.3 million head, 20,000 head more than February 2004.

STATISTICAL REPORT AVAILABLE

The 2003 - 2004 Statistical Report for Federal Order 33 is currently available. Copies may be requested by calling the Market Administrator's Office at (888) 751-3220. The publication may also be accessed on the web page for the Mideast Marketing Area at: www.fmmaclev.com under "Statistical Information".

MARCH 2005 POOL SUMMARY

Classification of Producer Milk

		Percent
Class I	547,305,540	32.9
Class II	252,154,566	15.1
Class III	776,491,795	46.7
Class IV	87,644,737	5.3
Total	1,663,596,638	100.0

Producer Prices

Producer Price Differential	\$ 0.87 / cwt
Butterfat Price	1.7279 / lb
Protein Price	2.5019 / lb
Other Solids Price	0.0951 / lb
Somatic Cell Adjustment Rate	0.00075 / cwt
Statistical Uniform Price	14.95 / cwt

ANNOUNCEMENT OF PRODUCER PRICES

Federal Order No. 33

MARCH 2005

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			537,245,265			\$ 11.59 / cwt	\$ 622,666,726.24
Class I Butterfat		10,060,275				1.7858 / lb	17,965,639.12
Class I Location Differential	547,305,540						(271,511.48)
Class II SNF Value				21,524,799		0.8267 / lb	17,794,551.36
Class II Butterfat		15,925,353				1.7349 / lb	27,628,894.94
Class III Protein Value			23,685,490			2.5019 / lb	59,258,727.41
Class III Other Solids Value					44,614,474	0.0951 / lb	4,242,836.44
Class III Butterfat		26,426,720				1.7279 / lb	45,662,729.49
Class IV SNF Value				7,118,616		0.7606 / lb	5,414,419.34
Class IV Butterfat		9,342,479				1.7279 / lb	16,142,869.48
Somatic Cell Value II / III / IV							<u>842,552.74</u>
TOTAL PRODUCER MILK VALUE	1,663,596,638	61,754,827	50,712,112		95,272,734		\$ 256,948,435.08
Overages						\$ 67,426.08	
Beginning Inventory						38,739.99	
OS Charges							
TOTAL ADJUSTMENTS							\$ 106,166.07
TOTAL HANDLER OBLIGATIONS							\$ 257,054,601.15
Total Protein Value			50,712,112 lbs	@	\$ 2.5019		\$(126,876,633.03)
Total Other Solids Value			95,272,734 lbs	@	0.0951		(9,060,437.00)
Butterfat Value			61,754,827 lbs	@	1.7279		(106,706,165.57)
Total Somatic Cell Values							<u>(1,190,222.00)</u>
TOTALS							\$ 13,221,143.55
Net Producer Location Adjustments							\$ 1,419,203.11
1/2 Unobligated Balance Producer Settlement Fund							<u>617,000.00</u>
Total - Divided by Total Pounds		1,663,596,638	lbs		0.9171302		\$ 15,257,346.66
Rate of Cash Reserve					<u>(0.0471302)</u>		<u>(784,056.42)</u>
PRODUCER PRICE DIFFERENTIAL at Cuyahoga County, OH*		1,663,596,638			\$ 0.87 cwt		\$ 14,473,290.24

COMPONENT PRICES

COMPUTATION OF UNIFORM PRICE

	March			March	
	<u>2005</u>	<u>2004</u>		<u>2005</u>	<u>2004</u>
Butterfat Price	\$1.7279 / lb	\$2.3813 / lb	Class III Price - 3.5% BF	\$ 14.08	\$ 14.49
Protein Price	2.5019 / lb	2.0133 / lb	Producer Price Differential*	<u>0.87</u>	<u>0.19</u>
Other Solids Price	0.0951 / lb	0.0234 / lb	Statistical Uniform Price	\$14.95	\$14.68
Somatic Cell Adjustment Rate	0.00075 / cwt	0.00078 / cwt			
Nonfat Solids Price	0.7606 / lb	0.6634 / lb			

CLASS PRICES

CLASSIFICATION OF PRODUCER MILK

	March			March	
	<u>2005</u>	<u>2004</u>		<u>2005</u>	<u>2004</u>
Class I*	\$17.43	\$13.94	Product lbs.	<i>Product lbs.</i>	
Class II	13.25	14.79	Class I	547,305,540	577,389,945
Class III	14.08	14.49	Class II	252,154,566	232,325,098
Class IV	12.66	14.10	Class III	776,491,795	448,165,471
			Class IV	<u>87,644,737</u>	<u>39,498,007</u>
			Total	1,663,596,638	1,297,378,521

* Subject to Location Adjustment.

ORDER 33 MARKET SUMMARY

The Producer Price Differential for the Mideast Marketing Area for March 2005 was \$0.87 and the Statistical Uniform Price was \$14.95 for the month. The Statistical Uniform Price is \$0.24 higher than last month, and is \$0.27 higher than March 2004.

The Producer Butterfat Price of \$1.7279 per pound decreased 4.75 cents from February 2005 and is down 65.34 cents from a year ago. The Protein Price of \$2.5019 is down 1594 cents from last month and is up 48.86 cents from March 2004. The Other Solids Price in March was \$0.0951 per pound, an increase from last month's price of \$0.0915 and an increase of 7.17 cents from last March. The Somatic Cell Adjustment rate for March was \$0.00075.

March producer receipts of 1.66 billion pounds were 39.8 percent higher than February 2005, and 28.2 percent higher than March 2004 production of 1.30 billion pounds. Producer milk allocated to Class I accounted for 32.9 percent of the total producer milk in March 2005, less than the 43.0 percent in February 2005 and less than the 44.5 percent in March 2004. A total of 9,719 producers were pooled on the Mideast Order compared to 9,967 producers pooled in March 2004.

The market average content of producer milk was as follows: Butterfat 3.71%; Protein 3.05%; Other Solids 5.73% and Nonfat Solids 8.78%.

USDA AMENDS NORTHEAST MILK ORDER

The U.S. Department of Agriculture announced a final rule implementing amendments to the Northeast Federal milk marketing order. Producers of the Northeast milk market approved these amendments.

The amendments to the Northeast order will: revise certain reporting and payment date provisions; establish year-round supply plant performance standards; eliminate the split-plant provision; establish a one day touch-base provision; establish explicit limits on the amount of milk a pool plant may divert to nonpool plants; exclude milk received by supply plants from producers not eligible to be pooled on the Northeast order from the total volume of milk used to satisfy supply plant performance standards; prohibit the ability to simultaneously pool the same milk on the order and on a marketwide pool administered by another government entity; and grant authority to the market administrator to adjust the touch-base standard and diversion limits as market conditions warrant. The final rule was published in the April 12 Federal Register and will become effective May 1, 2005.

For additional information about the rule contact: Erik F. Rasmussen, Northeast Market Administrator, USDA-AMS-Dairy, P.O. Box 51478, Boston, MA 02205-1478; phone: 617-737-7199; email: erasmussen@fedmilk1.com.

USDA AMENDS THE PACIFIC NORTHWEST MILK ORDER

The U.S. Department of Agriculture announced a final rule amending the Pacific Northwest Federal milk marketing order. The amendment had previously been implemented on an interim basis. Producers of the Pacific Northwest milk market approved the amendment.

The amendment to the producer milk provision of the order eliminates the ability to simultaneously pool the same milk on the Pacific Northwest order and a state-operated milk order that has marketwide pooling.

The final rule was published in the April 12 Federal Register and will become effective May 1, 2005. For additional information about the rule contact: James R. Daugherty, Market Administrator, USDA/AMS/Dairy Programs 1930-220th St., S.E., Suite 102 Bothell, Washington 98021-8471; Tel. (425) 487-6009; email: jdaugherty@fmmaseattle.com.

THE DAIRY OUTLOOK

Milk Production to Expand - Dairy farm exits probably will accelerate a little as the year progresses, particularly if the MLC expires as scheduled at the end of September. However, even weaker operations likely will be

relatively well positioned to resist exit after 2 years of strong returns. Stronger farms probably will stay cautious about expanding until the size of recovery in milk production is seen. But, the accumulated earnings will tend to spur some expansion as 2005 goes on. Milk cow numbers are projected to slip fractionally in 2005. The loss of cows associated with farm exit and culling of those cows whose milking life was extended beyond normal criteria in 2004 is expected to slightly outweigh the effects of added capacity. Allocations of BST rose on March 1 from 85 percent of normal to 115 percent, although new customers still are not welcome. Return to near normal availability of BST and relatively strong economic incentive for its use should have a substantial impact on milk per cow. Milk per cow is projected to grow less than 3 percent in 2005 on a daily average basis, a significant but far from complete recovery from the sluggish expansion of the last 2 years. This higher milk per cow would push milk production up about 2 percent, the first real growth since 2002.

Prices Adjust Downward - Wholesale prices of butter and cheese got a post-holiday bump in early 2005 on the strength of a slight softness in the milk production expansion, a likely larger-than-normal pipeline refilling, and, possibly, some early precautionary buying. Since then, prices have bounced as traders have tried to adjust to unsettled fundamentals, a particularly early Easter season, and the jitters carried over from last year's volatility. However, production expansion, both seasonally and from a year earlier, is expected to generate a price downtrend through spring. Demand is not expected to be able to accommodate the projected milk production without an adjustment in average milk prices for the year. However, a \$1 to \$2 decrease from \$16 per cwt still leaves relatively attractive milk prices. Early 2005 milk prices have been above a year earlier, but this spring's prices will be much below last year. Prices are projected to stay below a year earlier during the second half. Key uncertainties in the price outlook include the recovery in milk per cow, an acceleration of the number of farms expanding, the strength of butter and cheese demand, and the path of international powder prices.

SOURCE: "Livestock, Dairy, and Poultry Outlook", LDP-M-129, March 16, 2005, Economic Research Service, USDA. For more information, contact James J. Miller, (202) 694-5184. This summary has been condensed from the original.

CENTRAL ORDER NAMES MARKET ADMINISTRATOR

Robert E. Vander Linden was appointed Market Administrator of the Central Milk Marketing Order effective April 3, 2005. He has worked for the Federal Milk Marketing Order Program from March 1969 until the present. He began work as an Auditor in Des Moines, Iowa, and in 1978 he was promoted to the position of Computer Programmer for the Kansas City Market Administrator's Office. He was then promoted to the Assistant to the Market Administrator in November 1986, Assistant Market Administrator in March 1992, and served as Acting Market Administrator.

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

State	Number of Producers	Pounds of Milk (000)	February 2005				February 2004				
			Butterfat	Protein	Other Solids	SCC (000)	Pounds of Milk (000)	Butterfat	Protein	Other Solids	SCC (000)
Michigan	2,242	443,346	3.67	3.05	5.73	251	446,285	3.73	3.08	5.71	276
Ohio	2,487	312,616	3.76	3.09	5.70	274	304,425	3.81	3.11	5.69	283
Indiana	1,200	146,416	3.75	3.06	5.73	251	156,913	3.80	3.09	5.72	266
New York	524	129,756	3.65	3.00	5.68	226	77,442	3.71	3.03	5.69	236
Pennsylvania	1,276	104,398	3.82	3.11	5.69	332	103,884	3.88	3.11	5.65	334
Wisconsin	1,685	40,997	3.71	3.02	5.75	237	277,908	3.77	3.03	5.72	266
Illinois	89	2,638	3.71	2.99	5.74	257	16,073	3.79	3.11	5.73	268
West Virginia	70	4,614	3.84	3.18	5.70	377	5,878	3.92	3.17	5.67	400
Other	136	6,211	3.79	3.10	5.71	327	18,886	3.75	3.05	5.71	258
Total/Average *	9,709	1,190,992	3.72	3.06	5.71	262	1,407,696	3.78	3.07	5.70	277

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

