

Mideast Market Administrator's Bulletin



Federal Order No. 33

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USDA Issues a Tentative Final Decision on Amendments to All Federal Milk Marketing Orders

The U.S. Department of Agriculture issued a tentative final decision to amend the manufacturing (make) allowances contained in the Class III and Class IV product price formulas in all Federal milk marketing orders. The decision was based on the record of the first session of an emergency public hearing held in Alexandria, Virginia, on January 24-27, 2006, and a second session held in Strongsville, Ohio, on September 14-15, 2006.

The decision amends the manufacturing (make) allowances for cheese, butter, nonfat dry milk (NFD) and dry whey. Specifically, this decision adopts the following increased manufacturing allowances: cheese \$0.1682 per pound; butter \$0.1202 per pound; NFD \$0.1570 per pound; and dry whey \$0.1956 per pound. These amendments are subject to producer approval before they can be implemented.

The tentative final decision was published in the November 22nd *Federal Register*. Public comments are due 60 days after publication in the *Federal Register*, on January 22, 2007.

USDA Sets Hearing on Proposed Amendments to All Federal Milk Orders

The U.S. Department of Agriculture commenced a national public hearing on December 11th to consider proposals seeking to amend the Class I and Class II milk price formulas applicable to all Federal milk marketing orders. Evidence was taken at the hearing to determine whether emergency marketing conditions existed that would warrant issuance of a recommended decision.

The hearing was requested by National Milk Producers Federation to reconsider formulas for Class I and Class II milk.

The hearing notice was published in the November 22nd *Federal Register*. Copies of the hearing notice may be obtained from the USDA/AMS/Dairy Programs, STOP 0231 - Rm. 2971, 1400 Independence Avenue, SW, Washington, D.C. 20250-0231. The hearing notice is available on AMS web site: www.ams.usda.gov/dairy.

October Milk Production Up 2.1 Percent

Milk production in the 23 major States during October totaled 13.7 billion pounds, up 2.1 percent from October 2005. September revised production, at 13.3 billion pounds, was up 2.0 percent from September 2005. The September revision represented a decrease of 6 million pounds from last month's preliminary production estimate.

Production per cow in the 23 major States averaged 1,656 pounds for October, 19 pounds above October 2005. The number of milk

cows on farms in the 23 major States was 8.25 million head, 78,000 head more than October 2005, and 2,000 head more than September 2006.

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 October totaled 2.2 billion pounds, up 79 million pounds or 3.8 percent from October 2005.

Production per cow in the Mideast states averaged 1,640 pounds for October, 26 pounds above October 2005. The number of cows on farms in the Mideast states was 1.3 million head, 16,000 head more than October 2005.

USDA Holds Federal Milk Order Pre-Hearing Information Session

The U.S. Department of Agriculture held a public information session December 5, 2006, to address proposals received to amend the federal order Class III and Class IV product price formulas.

The purpose of the session was for interested parties to learn about the intent of proposals that have been submitted to amend Class III and Class IV product price formulas. The session enabled proponents to better prepare testimony and evidence in support of, or in opposition to proposals that may possibly be included in a future Class III and IV hearing notice. The session will not become part of an official hearing record and was conducted outside of ex-parte rules. This allowed government officials to freely discuss proposed amendments.

Additional information regarding the session, copies of the proposed amendments and an audio recording is available at <http://www.ams.usda.gov/dairy>.

November 2006 - Pool Summary

Classification of Producer Milk

		Percent
Class I	572,818,594	43.8
Class II	248,910,132	19.1
Class III	426,600,193	32.6
Class IV	59,010,016	4.5
Total	1,307,338,935	100.0

Producer Prices

Producer Price Differential	\$ 0.29 / cwt
Butterfat Price	1.3852 / lb
Protein Price	2.2383 / lb
Other Solids Price	0.2276 / lb
Somatic Cell Adjustment Rate	0.00066 / cwt
Statistical Uniform Price	13.13 / cwt

ANNOUNCEMENT OF PRODUCER PRICES**Federal Order No. 33****NOVEMBER 2006****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			562,049,783			\$ 9.77 / cwt	\$ 54,912,263.80
Class I Butterfat		10,768,811				1.4204 / lb	15,296,019.13
Class I Location Differential	572,818,594						(279,245.08)
Class II SNF Value				21,320,924		0.8189 / lb	17,459,704.66
Class II Butterfat		15,881,693				1.3922 / lb	22,110,492.97
Class III Protein Value			13,344,063			2.2383 / lb	29,868,016.23
Class III Other Solids Value				24,314,938		0.2276 / lb	5,534,079.90
Class III Butterfat		15,737,347				1.3852 / lb	21,799,373.06
Class IV SNF Value				4,744,628		0.8353 / lb	3,963,187.76
Class IV Butterfat		7,137,143				1.3852 / lb	9,886,370.44
Somatic Cell Value II / III / IV							<u>464852.63</u>
TOTAL PRODUCER MILK VALUE	1,307,338,935	49,524,994	40,836,776		74,289,180		\$ 181,015,115.50
Overages					\$ 40,379.02		
Beginning Inventory and OS Charges					74,995.56		
TOTAL ADJUSTMENTS							\$ 115,374.58
TOTAL HANDLER OBLIGATIONS							\$ 181,130,490.08
Total Protein Value			40,836,776 lbs		@ \$2.2383		\$ (91,404,955.72)
Total Other Solids Value			74,289,180 lbs		@ 0.2276		(16,908,217.38)
Butterfat Value			49,524,994 lbs		@ 1.3852		(68,602,021.70)
Total Somatic Cell Values							(789,730.07)
TOTALS							\$ 3,425,565.21
Net Producer Location Adjustments							\$ 363,100.33
1/2 Unobligated Balance Producer Settlement Fund							<u>594,000.00</u>
Total - Divided by Total Pounds			1,307,338,935 lbs		0.3352356		\$ 4,382,665.54
Rate of Cash Reserve					(0.0452356)		(591,382.61)
PRODUCER PRICE DIFFERENTIAL at Cuyahoga County, OH*					\$ 0.29 cwt		\$ 3,791,282.93

COMPONENT PRICES**November**2006 2005

Butterfat Price	\$1.3852 / lb	\$1.6114 / lb
Protein Price	2.2383 / lb	2.2724 / lb
Other Solids Price	0.2276 / lb	0.1606 / lb
Somatic Cell Adjustment Rate	0.00066 / cwt	0.00070 / cwt
Nonfat Solids Price	0.8353 / lb	0.8351 / lb

COMPUTATION OF UNIFORM PRICE**November**2006 2005

Class III Price - 3.5% BF	\$12.84	\$13.35
Producer Price Differential*	<u>0.29</u>	<u>1.00</u>
Statistical Uniform Price	\$13.13	\$14.35

CLASS PRICES**November**2006 2005

Class I*	\$14.40	\$16.56
Class II	11.98	13.49
Class III	12.84	13.35
Class IV	12.11	12.90

CLASSIFICATION OF PRODUCER MILK**November**2006 2005

	<u>Product lbs.</u>	<u>Product lbs.</u>
Class I	572,818,594	561,815,241
Class II	248,910,132	215,164,155
Class III	426,600,193	534,163,881
Class IV	<u>59,010,016</u>	<u>93,432,358</u>
Total	1,307,338,935	1,404,575,635

* Subject to Location Adjustment.

ORDER 33 MARKET SUMMARY

The Producer Price Differential for the Mideast Marketing Area for November 2006 was \$0.29 and the Statistical Uniform Price was \$13.13 for the month. The Statistical Uniform Price is the \$0.22 higher than last month, and is \$1.22 lower than November 2005.

The Producer Butterfat Price of \$1.3852 per pound decreased 2.97 cents from October 2006 and is down 22.62 cents from a year ago. The Protein Price of \$ 2.2383 is up 16.08 cents from last month and is down 341 cents from November 2005. The Other Solids Price in November was \$0.2276 per pound, an increase from last month's price of \$0.2026 and an increase of 6.70 cents from last November. The Somatic Cell Adjustment rate for November was \$0.00066.

November producer receipts of 1.31 billion pounds were 3.1 percent lower than October 2006, and 69 percent lower than November 2005 production of 1.40 billion pounds. Producer milk allocated to Class I accounted for 43.8 percent of the total producer milk in November 2006, more than the 42.4 percent in October 2006 and more than the 40.0 percent in November 2005. A total of 7,984 producers were pooled on the Mideast Order compared to 8,893 producers pooled in November 2005.

The market average content of producer milk was as follows: Butterfat 3.79%; Protein 3.12%; Other Solids 5.68% and Nonfat Solids 8.80%.

The Dairy Outlook

Current USDA estimates place 2006 milk production at 181.9 billion pounds, a 2.8-percent increase above 2005. This is below the 3.5 percent increase a year earlier, but still above the five year average of 1-to-2 percent growth. Forecast milk production in 2007 is 183 billion pounds, less than a 1-percent increase over 2006. Cow numbers will likely decline slightly in 2007 compared with 2006; however, production per cow will continue to increase, albeit at a lower rate than in 2006. Rising feed prices, especially for corn due to increasing ethanol production, are squeezing milk-feed price ratios and are likely to continue to do so well into 2007.

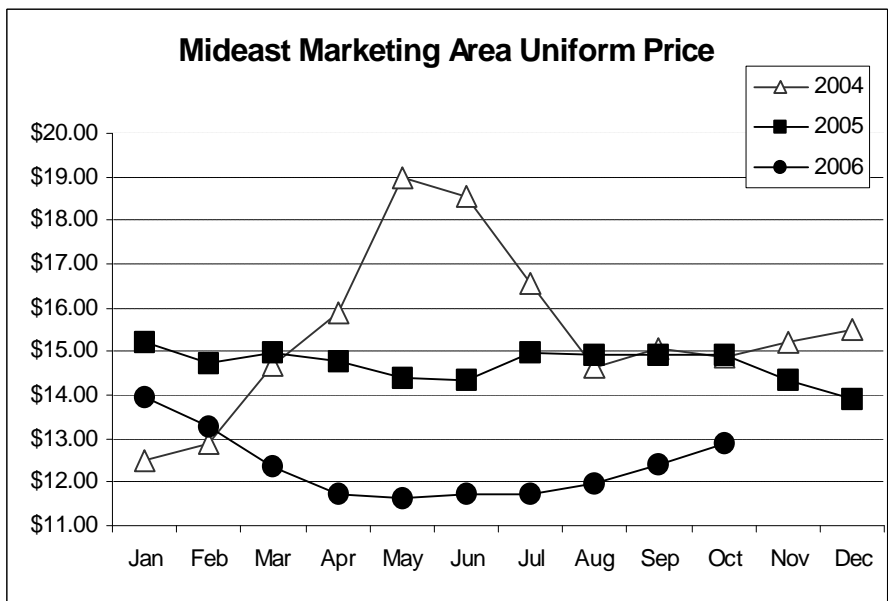
The cheese market is roughly in balance but inventories of "other cheeses" are above those of last year. Demand for cheese remains strong, especially for mozzarella. Some reallocation of production to dry products could occur in the balance of 2006. Although cheese demand is strong, supplies are such that any further large rise in prices in the balance of 2006 and the first half of 2007 is unlikely. The season average price for cheese is projected at \$1.230 to \$1.240 a pound for 2006. In 2007, the price is forecast at \$1.305 to \$1.395 a pound. Smaller increases in milk production in 2007, coupled with strong demand for all dairy products, are the basis for a higher 2007 cheese price.

When supplies could tighten further as milk is directed toward Nonfat Dry Milk (NDM) and Skim Milk Powder (SMP) production. When prices are projected to average 32.0 to 33.0 cents a pound in the current year and 30.0 to 33.0 cents a pound in 2007. The market for NDM, SMP, and whey remains very tight. There are reports of orders being delayed or shorthanded. Cumulative exports of SMP were trailing year-earlier levels through May; however, the gap had nearly disappeared by September. Tight domestic supplies have also contributed to high prices. Exports of NDM and SMP could range higher in 2007 because of strong international demand induced by a relatively weaker U.S. dollar and lower availabilities from Australia and the European Union. Higher prices are also aided by lower global total stocks of dairy products. A reallocation of milk to Class IV uses would boost Class III prices, keeping cheese and whey prices firm.

An increase in Class IV use to augment NDM/SMP supplies could soften butter prices in the balance of 2006 and into 2007. However, demand for butter remains seasonally strong and lower prices are encouraging additional retail activity. Butter stocks are ample to meet additional demand. The butter price is expected to average \$1.205 to \$1.235 a pound in 2006 and \$1.250 to \$1.370 a pound in 2007.

The expected modest increase in milk production in 2007 in the face of strong product demand should boost milk prices in 2007. The Class IV price is expected to average \$10.95 to \$11.15 in 2006 and rise to \$11.20 to \$12.20 in 2007. The Class III price is projected at \$11.70 to \$11.80 in 2006, climbing to \$12.40 to \$13.30 in 2007. The expected average all milk price is estimated to be \$12.80 to \$12.90 in 2006 and \$13.40 to \$14.30 in 2007.

SOURCE: "Livestock, Dairy, and Poultry Outlook", LDP-M-149, November 17, 2006, Economic Research Service, USDA. For more information, contact Roger Hoskin, (202) 694-5148.



Weighted Averages - Butterfat, Protein, Other Solids, Somatic Cell Count by State											
Federal Order No. 33											
State	Number of Producers	Pounds of Milk (000)	October 2006				October 2005				
			Butterfat	Protein	Other Solids	SCC (000)	Pounds of Milk (000)	Butterfat	Protein	Other Solids	SCC (000)
Michigan	2,107	498,034	3.73	3.12	5.72	260	497,170	3.66	3.08	5.69	264
Ohio	2,415	320,568	3.83	3.15	5.66	310	325,846	3.78	3.12	5.66	314
New York	452	177,041	3.70	3.06	5.71	246	149,668	3.69	3.05	5.69	244
Indiana	1,125	140,804	3.83	3.14	5.68	304	144,647	3.74	3.12	5.67	305
Pennsylvania	1,242	112,366	3.87	3.16	5.65	350	116,436	3.81	3.14	5.66	346
Wisconsin	478	80,032	3.80	3.10	5.77	232	190,331	3.71	3.07	5.70	271
West Virginia	67	5,382	3.99	3.31	5.65	395	5,510	3.87	3.24	5.64	414
Illinois	11	8,770	3.66	3.09	5.85	129	9,393	3.56	3.15	5.77	174
Other	99	6,095	3.95	3.19	5.65	364	14,253	3.70	3.11	5.68	357
Total/Average *	7,996	1,349,091	3.78	3.12	5.70	280	1,453,253	3.72	3.09	5.68	286

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



**United States
Department of
Agriculture**

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**FEDERAL ORDER DATA
NOVEMBER 2006**

<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)	1,736,873	907,701	52.3	\$1.37	\$14.21
FO 5 Appalachian - (Charlotte)	502,239	358,514	71.4	^{2/}	14.68
FO 6 Florida - (Tampa)	251,187	220,684	87.9	^{2/}	15.88
FO 7 Southeast - (Atlanta)	613,945	400,400	65.2	^{2/}	14.68
FO 30 Upper Midwest - (Chicago)	2,369,296	397,234	16.8	0.12	12.96
FO 32 Central - (Kansas City)	961,024	371,506	38.7	0.12	12.96
FO 33 Mideast - (Cleveland)	1,307,339	572,819	43.8	0.29	13.13
FO 124 Pacific Northwest - (Seattle)	596,912	198,128	33.2	0.01	12.85
FO 126 Southwest - (Dallas)	927,355	354,623	38.2	0.99	13.83
FO 131 Arizona - (Phoenix)	276,877	117,376	42.4	^{2/}	13.49

^{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 DECEMBER 2006 \$11.98 /cwt.