

# Mideast Market Administrator's Bulletin

## Federal Order No. 33

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### REVISED CLASS III AND IV PRICE FORMULAS FOR ALL FEDERAL MILK ORDERS

The United States Department of Agriculture has announced the final decision to amend the pricing formulas for milk marketed for manufacturing use under all federal milk marketing orders. The amended formulas use market prices of dairy products to establish minimum prices for milk used in the production of Class III products (cheese) and Class IV products (butter, dry milk products).

The final decision culminates a process that began with the 1996 Farm Bill. Historically, USDA established minimum prices for milk used in manufacturing by surveying the prices paid for manufacturing grade milk by unregulated plants in Minnesota and Wisconsin. However, by the late 1990s, declining supplies of manufacturing grade milk necessitated that a new procedure be developed to determine the value of milk used in manufacturing. As part of a comprehensive effort to consolidate and reform federal milk marketing orders under the 1996 Farm Bill, USDA developed pricing formulas for Class III and Class IV milk based on wholesale prices of manufactured dairy products. These pricing formulas were implemented on January 1, 2000, as required by the 1996 Farm Bill.

Congress mandated that USDA review the pricing formulas following the reform effort. A public hearing was held May 8-12, 2000, to consider proposals to change the formulas. Effective January 1, 2001, USDA issued revised formulas that were enjoined by a U.S. District Court at the end of January. In October 2001, following the court injunction, USDA issued a recommended decision again altering the pricing formulas. The final decision makes several minor changes in the recommended decision.

This final decision differs from the recommended decision by modifying the Class III and Class IV formulas to recognize the loss of milk during delivery from farm to plant. As proposed in the recommended decision, the make allowance for dry whey is increased from \$0.140 to \$0.159 per pound. All other make allowances remain unchanged.

The final decision was published in the November 7 *Federal Register*. The final decision would amend all federal milk orders. Each amended federal order must be approved by either two-thirds of producers supplying milk to the federal order or by producers who supply two-thirds of the milk to the federal order. USDA will determine approval or disapproval of each amended order over the next 4-6 weeks. For additional information about the decision contact David Z. Walker USDA/AMS/Dairy Programs P.O. Box 30128, Cleveland, OH. 44130-0128 Tel. (440) 826-3220; email: [dwalker@fmmaclev.com](mailto:dwalker@fmmaclev.com)

### NATIONAL DAIRY BOARD MEMBERS NAMED

The U.S. Department of Agriculture named six new members and reappointed six incumbents to the National Dairy Promotion and Research Board. All will serve three-year terms from November 1, 2002, through October 31, 2005.

Newly appointed were: Lester E. Hardesty, Greeley, Colo., (region 3); Cynthia R. Langer, Faribault, Minn., (region 5); William J. Herr, Greenwood, Wis., (region 6); Pam Bolin, Clarksville, Iowa, (region 7); Michael M. Ferguson, Coldwater, Miss., (region 8); and Deanna S. Stamp, Marlette, Mich., (region 9).

Reappointed to serve second terms were: John Zonneveld, Jr., Laton, Calif., (region 2); Neil A. Hoff, Windthorst, Tex., (region 4); Patricia M. Boettcher, Bloomer, Wis., (region 6); Rita P. Kennedy, Valencia, Penn., (region 11); Audrey G. Donahoe, Frankfort, N. Y., (region 12); and Claude J. Bourbeau, St. Albans, Vt. (region 13).

The National Dairy Promotion and Research Board, composed of 36 dairy farmers representing 13 regions of the contiguous United States, administers a coordinated program of promotion, research and nutrition education.

The board was established by the Dairy Production Stabilization Act of 1983. It is authorized to design programs to strengthen the dairy industry's position in domestic and foreign markets. The national program is financed by a mandatory 15-cent per hundredweight assessment on milk produced in the contiguous 48 states and marketed commercially by dairy farmers. USDA's Agricultural Marketing Service monitors the operation of the board.

AMS encourages all eligible individuals to participate in its committee and board activities. It is USDA's policy that membership on industry-governed boards and committees accurately reflect the diversity of individuals served by the programs.

### OCTOBER 2002 - POOL SUMMARY

Classification of Producer Milk		Percent
Class I	590,239,828	40.1
Class II	224,554,569	15.3
Class III	600,961,675	40.9
Class IV	53,971,071	3.7
Total	1,469,727,143	100.0

#### Producer Prices

Producer Price Differential	\$0.60 / cwt
Butterfat Price	1.0726 / lb
Protein Price	2.1839 / lb
Other Solids Price	0.0755 / lb
Somatic Cell Adjustment Rate	0.00060 / cwt
Statistical Uniform Price	11.32 / cwt

**ANNOUNCEMENT OF PRODUCER PRICES**  
**Federal Order No. 33**  
**OCTOBER 2002**

**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			579,104,586			\$ 8.91 / cwt	\$ 51,598,218.59
Class I Butterfat		11,135,242				1.0135 / lb	11,285,567.78
Class I Location Differential	590,239,828						(313,983.99)
Class II SNF Value				19,104,094		0.8456 / lb	16,154,421.87
Class II Butterfat		15,451,338				1.0796 / lb	16,681,264.46
Class III Protein Value			18,560,513			2.1839 / lb	40,534,304.35
Class III Other Solids Value					34,249,669	0.0755 / lb	2,585,850.03
Class III Butterfat		21,953,985				1.0726 / lb	23,547,844.31
Class IV SNF Value				4,339,511		0.7765 / lb	3,369,630.31
Class IV Butterfat		6,350,966				1.0726 / lb	6,812,046.15
Somatic Cell Value II / III / IV							279,143.15
<b>TOTAL PRODUCER MILK VALUE</b>	<b>1,469,727,143</b>	<b>54,891,531</b>	<b>45,502,251</b>		<b>83,662,942</b>		<b>\$ 172,534,307.01</b>
Overages						\$51,017.80	
Beginning Inventory						70,069.67	
<b>TOTAL ADJUSTMENTS</b>							<b>\$ 121,087.47</b>
<b>TOTAL HANDLER OBLIGATIONS</b>							<b>\$ 172,655,394.48</b>
Total Protein Value			45,502,251 lbs	@	\$ 2.1839		\$ (99,372,365.98)
Total Other Solids Value			83,662,942 lbs	@	0.0755		(6,316,552.14)
Butterfat Value			54,891,531 lbs	@	1.0726		(58,876,656.16)
Total Somatic Cell Values							(418,498.19)
<b>TOTALS</b>							<b>\$ 7,671,322.01</b>
Net Producer Location Adjustments							\$ 1,160,791.59
1/2 Unobligated Balance Producer Settlement Fund							721,000.00
Total - Divided by Total Pounds			1,469,727,143 lbs			0.6499923	\$ 9,553,113.60
Rate of Cash Reserve						(0.0499923)	(734,750.40)
<b>PRODUCER PRICE DIFFERENTIAL at Cuyahoga County, OH*</b>						<b>\$0.60 / cwt</b>	<b>\$ 8,818,363.20</b>

**COMPONENT PRICES**

**COMPUTATION OF UNIFORM PRICE**

	<u>October</u>	
	<u>2002</u>	<u>2001</u>
Butterfat Price	\$1.0726 / lb	\$1.6526 / lb
Protein Price	2.1839 / lb	2.6664 / lb
Other Solids Price	0.0755 / lb	0.1482 / lb
Somatic Cell Adjustment Rate	0.00060 / cwt	0.00078 / cwt
Nonfat Solids Price	0.7765 / lb	0.8041 / lb

	<u>October</u>	
	<u>2002</u>	<u>2001</u>
Class III Price - 3.5% BF	\$ 10.72	\$14.60
Producer Price Differential*	<u>0.60</u>	<u>0.43</u>
Statistical Uniform Price	\$11.32	\$15.03

**CLASS PRICES**

**CLASSIFICATION OF PRODUCER MILK**

	<u>October</u>	
	<u>2002</u>	<u>2001</u>
Class I*	\$12.46	\$17.93
Class II	10.91	13.53
Class III	9.92	14.60
Class IV	10.22	12.77

	<u>October</u>	
	<u>2002</u>	<u>2001</u>
Class I	Product lbs. 590,239,828	592,392,973
Class II	224,554,569	211,702,810
Class III	600,961,675	565,707,354
Class IV	<u>53,971,071</u>	<u>54,881,347</u>
Total	1,469,727,143	1,424,684,484

\* Subject to Location Adjustment.

**ORDER 33 MARKET SUMMARY**

The Producer Price Differential for the Mideast Marketing Area for October 2002 was \$0.60 and the Statistical Uniform Price was \$11.32 for the month. The Statistical Uniform Price is up 23 cents from last month, and is \$3.71 lower than October 2001.

The Producer Butterfat Price of \$1.0726 per pound increased 6.27 cents from September 2002 and is down 58 cents from a year ago. The Protein Price of \$2.1839 is up 11.93 cents from last month and is down 48.25 cents from October 2001. The Other Solids Price in October was \$0.0755 per pound, an increase from last month's price of \$0.0367 and a decrease of 7.27 cents from last October. The Somatic Cell Adjustment rate for September was \$0.00060.

October producer receipts of 1.47 billion pounds were up 5.1 percent from September 2002, and increased 3.2 percent from October 2001 production of 1.42 billion pounds. Producer milk allocated to Class I accounted for 40.1 percent of the total producer milk in October 2002, higher than the 38.7 percent in September and lower than the 41.6 in October 2001. A total of 10,955 producers were pooled on the Mideast Order with an average daily delivery of 4,328 pounds compared to 11,174 producers pooled in October 2001 with an average daily delivery of 4,113 pounds.

The market average content of producer milk was as follows: Butterfat 3.73 %; Protein 3.10 %; Other Solids 5.69 % and Nonfat Solids 8.79 %.

## SEPTEMBER MILK PRODUCTION UP 3.3 PERCENT

Milk production in the 20 major States during September totaled 11.8 billion pounds, up 3.3 percent from September 2001. August revised production, at 12.2 billion pounds, was up 4.1 percent from August 2001. The August revision represented an increase of 0.2 percent or 27 million pounds from last month's preliminary production estimate.

Production per cow in the 20 major States averaged 1,510 pounds for September, 38 pounds above September 2001.

The number of milk cows on farms in the 20 major States was 7.79 million head, 56,000 head more than September 2001, and 4,000 head less than August 2002.

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 September totaled 1.9 billion pounds, up 0.7 percent from September 2001.

Production per cow in the Mideast states averaged 1,446 pounds for September, 28 pounds above September 2001.

The number of cows on farms in the Mideast states was 1.3 million head, 10,000 head less than September 2001.

### RELEASE DATES FOR PRICE DATA

Listed below are the release dates for price data applicable to January through December 2003, for the Federal milk order pricing system. The advance pricing factors will be released on the Friday before the 23<sup>rd</sup> of the month unless this date is a Friday. Likewise, the price information to be released by the 5<sup>th</sup> of the month will be released on the Friday before this date unless this date is a Friday. Due to the 4<sup>th</sup> of July holiday, the release date is Thursday, July 3. The release time for all release dates, except July 3, is 10:00 a.m. EST/EDST. The release time for July 3, is 3:00 p.m. EDST.

Month to Which Prices Apply	Advanced Prices and Pricing Factors		Class and Component Prices	
	Release Date	Time Period of NASS Prices 1/	Release Date	Time Period of NASS Prices 1/
January	Dec. 20, 2002	12/7, 14	Jan. 31, 2003	1/4, 11, 18, 25
February	Jan. 17, 2003	1/4, 11	Feb. 28	2/1, 8, 15, 22
March	Feb. 21	2/8, 15	Apr. 4	3/1, 8, 15, 22, 29
April	Mar. 21	3/8, 15	May 2	4/5, 12, 19, 26
May	Apr. 18	4/5, 12	May 30	5/3, 10, 17, 24
June	May 23	5/10, 17	Jul. 3	5/31, 6/7, 14, 21, 28
July	Jun. 20	6/7, 14	Aug. 1	7/5, 12, 19, 26
August	Jul. 18	7/5, 12	Sept. 5	8/2, 9, 16, 23, 30
September	Aug. 22	8/9, 16	Oct. 3	9/6, 13, 20, 27
October	Sept. 19	9/6, 13	Oct. 31	10/4, 11, 18, 25
November	Oct. 17	10/4, 11	Dec. 5	11/1, 8, 15, 22, 29
December	Nov. 21	11/8, 15	Jan. 2, 2004	12/6, 13, 20, 27

1/ Weekly sales periods, ending on the indicated date, which are included in the applicable average. Information for the week is released by NASS on Friday of the following week.

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

State	September 2002*						September 2001				
	Number of Producers	Pounds of Milk (000)	Butterfat	Protein	Other Solids	SCC (000)	Pounds of Milk (000)	Butterfat	Protein	Other Solids	SCC (000)
Michigan	2,599	432,214	3.52	2.98	5.72	322	435,490	3.56	3.03	5.71	324
Ohio	2,706	311,225	3.64	3.02	5.68	360	303,010	3.65	3.06	5.67	375
Wisconsin	2,180	279,297	3.63	2.98	5.71	325	264,958	3.65	3.01	5.72	332
Pennsylvania	1,403	119,902	3.64	3.02	5.65	420	126,513	3.68	3.04	5.65	412
Indiana	1,214	114,878	3.62	3.03	5.69	359	118,503	3.66	3.07	5.68	384
New York	517	114,032	3.57	2.93	5.69	304	46,040	3.62	3.00	5.65	319
Illinois	92	11,122	3.65	3.00	5.72	367	12,595	3.62	3.04	5.71	385
West Virginia	86	5,731	3.58	3.06	5.64	399	7,178	3.64	3.09	5.65	461
Minnesota	48	4,053	3.67	3.03	5.70	389	1,330	3.61	3.01	5.73	375
Other	96	6,090	3.67	3.04	5.67	388	7,480	3.73	3.07	5.67	410
Total/Average	10,941	1,398,544	3.59	2.99	5.70	342	1,323,097	3.62	3.04	5.69	353

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



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**FEDERAL ORDER DATA  
OCTOBER 2002**

Marketing Area	1/	Producer Milk		Class I Percent %	Producer Price Differential	Statistical Uniform Price
		Total (000)	Class I (000)			
FO 1	Northeast - <i>(Boston)</i>	1,973,575	957,171	48.5	\$1.68	\$12.40
FO 5	Appalachian - <i>(Charlotte)</i>	515,076	390,698	75.9	2/	12.91
FO 6	Florida - <i>(Tampa)</i>	201,872	185,190	91.7	2/	14.03
FO 7	Southeast - <i>(Atlanta)</i>	604,050	420,941	69.7	2/	12.81
FO 30	Upper Midwest - <i>(Chicago)</i>	1,573,688	370,481	23.5	0.31	11.03
FO 32	Central - <i>(Kansas City)</i>	1,623,135	434,184	26.8	0.46	11.18
<b>FO 33</b>	<b>Mideast - <i>(Cleveland)</i></b>	<b>1,469,727</b>	<b>590,240</b>	<b>40.1</b>	<b>0.60</b>	<b>11.32</b>
FO 124	Pacific Northwest - <i>(Seattle)</i>	658,189	188,771	28.7	0.22	10.94
FO 126	Southwest - <i>(Dallas)</i>	793,028	361,968	45.6	1.35	12.07
FO 131	Arizona-Las Vegas - <i>(Phoenix)</i>	240,306	85,862	35.7	2/	11.38
FO 135	Western - <i>(Salt Lake City)</i>	470,153	94,471	20.1	0.29	11.01

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 NOVEMBER 2002 ..... \$10.50 /cwt.**