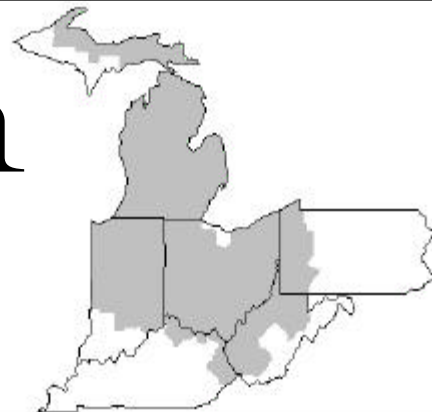


Mideast Market Administrator's Bulletin



Federal Order No. 33

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USDA Hearing on Proposed Amendments to All Federal Milk Orders to Reconvene

The national public hearing to consider proposals seeking to amend the Class III and Class IV product price formulas applicable to all Federal milk marketing orders will reconvene on April 9, 2007. The hearing will begin at 1:00 p.m. at the Radisson City Centre Hotel, 31 West Ohio Street, Indianapolis, Indiana 46204. The hearing was initially convened on February 26 through March 2 in Strongsville, Ohio.

USDA requested proposals from the industry that would examine all features of the Class III and Class IV product price formulas. Both producer cooperatives and milk product manufacturers submitted proposals.

Anyone interested in participating in the hearing should notify a USDA official upon arrival. The hearing notice and additional information is available from this office.

January Milk Production Up 1.4 Percent

Milk production in the 23 major States during January totaled 14.2 billion pounds, up 1.4 percent from January 2006. December production, at 14.0 billion pounds, was up 2.8 percent from December 2005.

Production per cow in the 23 major States averaged 1,719 pounds for January, 8 pounds above January 2006. The number of cows on farms in the 23 major States was 8.28 million head, 81,000 head more than January 2006, and 3,000 head more than December 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 January totaled 2.2 billion pounds, up 32 million pounds or 1.5 percent from January 2006.

Production per cow in the Mideast states averaged 1,701 pounds for January, 14 pounds above January 2006. The number of cows on farms in the Mideast states was 1.3 million head, 9,000 head more than January 2006.

The Dairy Outlook

Forecast milk production for 2007 is 184.3 billion pounds, up 1.4 percent from the 181.8 billion pound total estimated for 2006. Cow numbers are expected to decline slightly in 2007, averaging 9,085 thousand head for the year. The decline is tempered from earlier expectations. Production per cow continues to rise and will likely reach 20,280 pounds in 2007. Higher corn and alfalfa prices have depressed the milk-to-feed price ratio despite the considerably higher milk prices expected in 2007.

According to January's *Livestock Slaughter* report, dairy cattle

slaughter for the January to December 2006 period was 4 percent above that of 2005. In contrast, the January *Cattle* report indicated dairy farmers had 4.31 million replacement heifers on hand on January 1, slightly more than 1 percent above 2006. Replacement heifers per 100 cows are about the same as last year, and the January dairy cow price reported in *Agricultural Prices* is well below 2006, implying that heifers are more available. The increase in replacement heifers, coupled with higher cow slaughter, may suggest that producers are responding to low milk-to-feed price ratios by replacing less productive cows. Such a response would help lower feed costs per unit of milk.

Demand for dairy products remains robust, especially for dry products. Cheese prices are forecast to climb in 2007 to \$1.320 to \$1.390 per pound. Sales increases are expected in all sectors of the restaurant industry. Butter production in 2006 was the highest since 1962. Increased milk production should keep butter production up in 2007. Butter prices should be slightly higher in 2007. However, price increases for this product are unlikely to be as strong as for other products since supplies are ample. Butter price is expected to average \$1.235 to \$1.335 per pound in 2007.

There is exceptional demand for nonfat dry milk (NDM), skim and whole milk powders (SMP/WMP), and whey. Export demand is strong because many major markets, such as Mexico and Algeria, maintain feeding programs for their populations and are cash rich from petroleum sales. Domestic dry product demand remains strong on the same fundamentals that are supporting cheese demand since dry products are also used in food manufacturing.

SOURCE: "Livestock, Dairy, and Poultry Outlook", LDP-M-1512, February 20, 2007, Economic Research Service, USDA. For more information, contact Roger Hoskin, (202) 694-5148.

February 2007 Pool Summary

Classification of Producer Milk

		Percent
Class I	530,715,631	41.6
Class II	244,933,428	19.2
Class III	414,339,142	32.4
Class IV	87,300,955	6.8
Total	1,277,289,156	100.0

Producer Prices

Producer Price Differential	\$ 0.05 / cwt
Butterfat Price	1.3112 / lb
Protein Price	2.4125 / lb
Other Solids Price	0.4170 / lb
Somatic Cell Adjustment Rate	0.00067 / cwt
Statistical Uniform Price	14.23 / cwt

ANNOUNCEMENT OF PRODUCER PRICES**Federal Order No. 33****FEBRUARY 2007****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			521,032,797			\$ 11.19 / cwt	\$ 58,303,569.98
Class I Butterfat		9,682,834				1.3106 / lb	12,690,322.24
Class I Location Differential	530,715,631						(236,882.07)
Class II SNF Value				21,157,128		0.9744 / lb	20,615,505.56
Class II Butterfat		13,928,647				1.3182 / lb	18,360,742.48
Class III Protein Value			12,890,998			2.4125 / lb	31,099,532.71
Class III Other Solids Value					23,673,143	0.4170 / lb	9,871,700.65
Class III Butterfat		15,394,501				1.3112 / lb	20,185,269.72
Class IV SNF Value				7,139,821		0.9356 / lb	6,680,016.53
Class IV Butterfat		9,268,690				1.3112 / lb	12,153,106.34
Somatic Cell Value II / III / IV							<u>434916.46</u>
TOTAL PRODUCER MILK VALUE	1,277,289,156	48,274,672	39,687,155		72,855,219		\$190,157,800.60
Overages						\$134,095.51	
Beginning Inventory and OS Charges						38,519.91	
TOTAL ADJUSTMENTS							\$ 172615.42
TOTAL HANDLER OBLIGATIONS							\$190,330,416.02
Total Protein Value			39,687,155 lbs	@	\$ 2.4125		\$ (95,745,261.51)
Total Other Solids Value			72,855,219 lbs	@	0.4170		(30,380,626.32)
Butterfat Value			48,274,672 lbs	@	1.3112		(63,297,749.96)
Total Somatic Cell Values							<u>(715,942.54)</u>
TOTALS							\$ 190835.69
Net Producer Location Adjustments							\$ 329664.59
1/2 Unobligated Balance Producer Settlement Fund							<u>651000.00</u>
Total - Divided by Total Pounds			1,277,289,156 lbs		0.0917177		\$ 1,171,500.28
Rate of Cash Reserve					(0.0417177)		(532,855.66)
PRODUCER PRICE DIFFERENTIAL at Cuyahoga County, OH*			1,277,289,156		\$ 0.05 cwt		\$ 638644.62

COMPONENT PRICES

	February	
	2007	2006
Butterfat Price	\$13.112 / lb	\$13.469 / lb
Protein Price	2.4125 / lb	2.1220 / lb
Other Solids Price	0.4170 / lb	0.1999 / lb
Somatic Cell Adjustment Rate	0.00067 / cwt	0.00063 / cwt
Nonfat Solids Price	0.9356 / lb	0.7359 / lb

COMPUTATION OF UNIFORM PRICE

	February	
	2007	2006
Class III Price - 3.5% BF	\$14.18	\$12.20
Producer Price Differential*	<u>0.05</u>	<u>1.08</u>
Statistical Uniform Price	\$14.23	\$13.28

CLASS PRICES

	February	
	2007	2006
Class I*	\$15.39	\$15.38
Class II	13.08	12.62
Class III	14.18	12.20
Class IV	12.71	11.10

CLASSIFICATION OF PRODUCER MILK

	February	
	2007	2006
	<i>Product lbs.</i>	<i>Product lbs.</i>
Class I	530,715,631	524,233,958
Class II	244,933,428	210,406,837
Class III	414,339,142	559,147,696
Class IV	<u>87,300,955</u>	<u>95,988,862</u>
Total	1,277,289,156	1,389,777,353

* Subject to Location Adjustment.

ORDER 33 MARKET SUMMARY

The Producer Price Differential for the Mideast Marketing Area for February 2007 was \$0.05 and the Statistical Uniform Price was \$14.23 for the month. The Statistical Uniform Price is \$0.20 higher than last month, and is \$0.95 higher than February 2006.

The Producer Butterfat Price of \$1.3112 per pound increased 1.03 cents from January 2007 and is down 3.57 cents from a year ago. The Protein Price of \$ 2.4125 is up 0.72 cents from last month and is up 29.05 cents from February 2006. The Other Solids Price in February was \$0.4170 per pound, an increase from last month's price of \$0.3183 and an increase of 21.71 cents from last February. The Somatic Cell Adjustment rate for February was \$0.00067.

February producer receipts of 1.28 billion pounds were 13.2 percent lower than January 2007, and 8.1 percent lower than February 2006 production of 1.39 billion pounds. Producer milk allocated to Class I accounted for 41.6 percent of the total producer milk in February 2007, more than the 39.9 percent in January 2007 and more than the 37.7 percent in February 2006. A total of 7,788 producers were pooled on the Mideast Order compared to 8,633 producers pooled in February 2006.

The market average content of producer milk was as follows: Butterfat 3.78%; Protein 3.11%; Other Solids 5.70% and Nonfat Solids 8.81%.

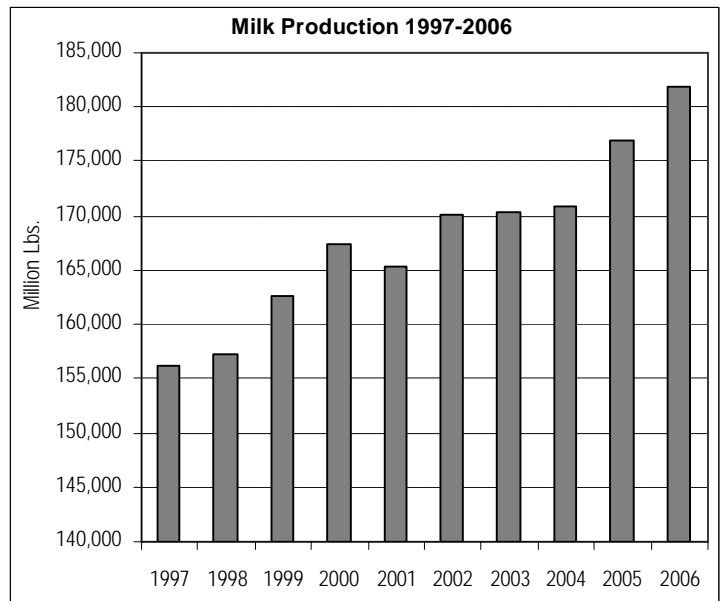
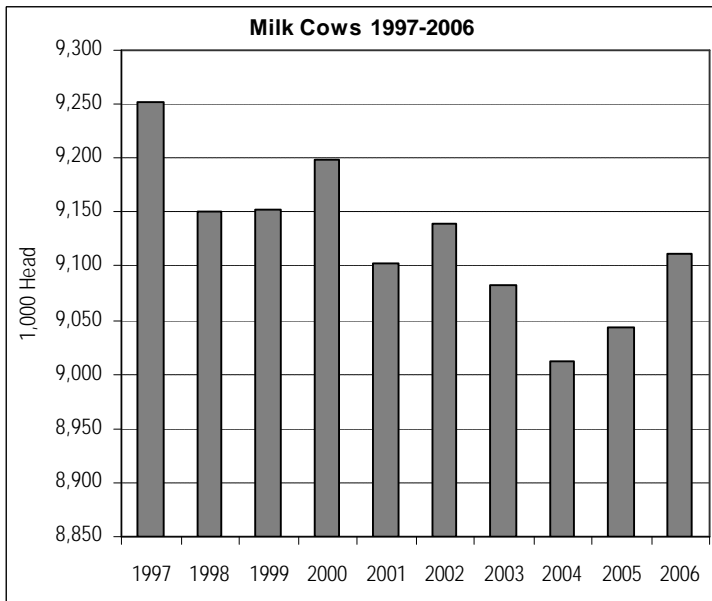
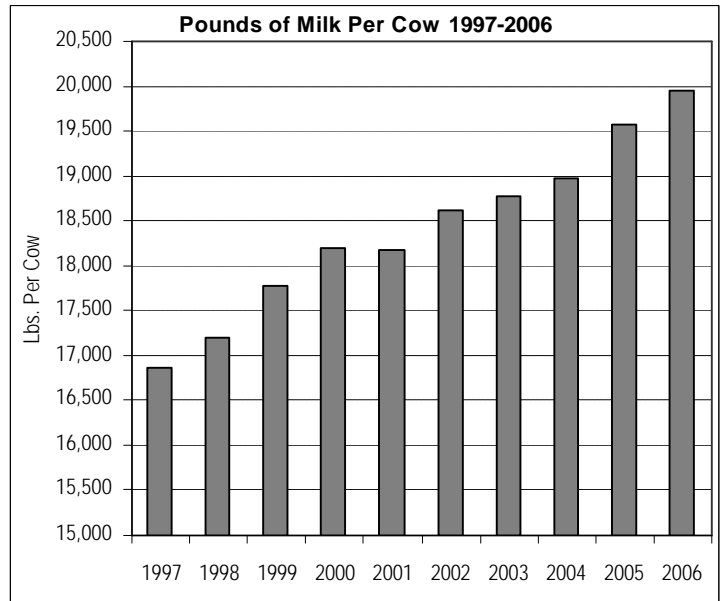
2006 Annual Milk Production Up 2.8 Percent from 2005

The annual production of milk for the U.S. during 2006 was 182 billion pounds, 2.8 percent above 2005. Revisions to 2005 production decreased the annual total 160 million pounds. Revised 2006 production was down slightly from last month's publication. Production per cow in the U.S. averaged 19,951 pounds for 2006, 386 pounds above 2005. The average annual rate of milk production per cow has increased 18.3 percent from 1997.

The average number of milk cows on farms in the U.S. during 2006 was 9.11 million head, up 0.8 percent from 2005. The average number of milk cows was revised up 2,000 head for 2005, and down 3,000 head for 2006.

Milk production in the Midwest Marketing Area states of Indiana, Michigan, Ohio, and Pennsylvania during 2006, totaled 26.0 billion pounds, up 839 million pounds or 3.3 percent from 2005.

Production per cow in the Midwest states averaged 19,827 pounds for 2006, 273 pounds above 2005. The number of cows on farms in the Midwest states was 1.3 million head, 14,000 head more than 2005.



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

State	January 2007						January 2006					
	Number of Producers	Pounds of Milk (000)	Butterfat	Protein	Other Solids	SCC (000)	Pounds of Milk (000)	Butterfat	Protein	Other Solids	SCC (000)	
Michigan	2076	561,470	3.66	3.06	5.71	238	524,399	3.70	3.06	5.75	241	
Ohio	2381	355,786	3.80	3.10	5.68	269	346,248	3.82	3.09	5.70	281	
New York	433	181,355	3.66	3.04	5.74	224	148,128	3.71	3.02	5.74	233	
Indiana	1,099	156,229	3.78	3.07	5.70	276	150,426	3.83	3.08	5.73	287	
Pennsylvania	1,254	119,564	3.84	3.10	5.67	315	121,182	3.88	3.11	5.69	332	
Wisconsin	453	75,988	3.76	3.04	5.78	239	192,735	3.74	3.05	5.73	271	
West Virginia	65	5,570	3.99	3.19	5.67	372	5,420	3.91	3.21	5.70	403	
Other	101	15,951	3.74	3.10	5.74	227	24,563	3.67	3.04	5.72	291	
Total/Average *	7862	1,471,913	3.73	3.07	5.70	255	1,513,101	3.76	3.07	5.73	267	

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



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**FEDERAL ORDER DATA
FEBRUARY 2007**

<u>Marketing Area</u> ^{1/}	<u>Producer Milk</u>		<u>Class I Percent</u>	<u>Producer Price Differential</u>	<u>Statistical Uniform Price</u>
	<u>Total</u> (000)	<u>Class I</u> (000)			
FO 1 Northeast - (Boston)	1,692,623	822,054	48.6	\$1.03	\$15.21
FO 5 Appalachian - (Charlotte)	492,132	331,039	67.3	^{2/}	15.57
FO 6 Florida - (Tampa)	268,823	218,212	81.2	^{2/}	16.71
FO 7 Southeast - (Atlanta)	650,127	381,201	58.6	^{2/}	15.68
FO 30 Upper Midwest - (Chicago)	1,959,822	359,708	18.4	0.05	14.23
FO 32 Central - (Kansas City)	848,220	346,527	40.9	(0.12)	14.06
FO 33 Midwest - (Cleveland)	1,277,289	530,716	41.6	0.05	14.23
FO 124 Pacific Northwest - (Seattle)	582,799	175,028	30.0	(0.37)	13.81
FO 126 Southwest - (Dallas)	878,087	325,545	37.1	0.80	14.98
FO 131 Arizona - (Phoenix)	300,691	110,723	36.8	^{2/}	14.22

^{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 MARCH 2007 \$12.71/cwt.