

Mideast Market Administrator's Bulletin



Federal Order No. 33

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October 2002

USDA DAIRY PROGRAMS ANNOUNCE ADDITION TO WEBSITE

The Market Information Branch recently has added a new page of statistics to its Milk Marketing Order Statistics web site. The new page is titled Milk Used to Produce Manufactured Dairy Products and shows monthly information for selected dairy products by class of utilization, by order. The the new page is www.ams.usda.gov/dyfmos/mib/used_prod_mfg.htm.

In the Quantities and Utilization of Regulated Milk section there are tables showing the volume of producer milk receipts used to produce manufactured dairy products that are in the lower utilization classes, Classes II, III, and IV. The tables in this section include this producer milk use as well as "other source" milk used to produce selected lower class products. Other source milk includes fluid milk products, bulk fluid cream products, and other dairy products received from other order plants or unregulated plants. The source of this information is the Receipts and Utilization Report filed by milk processors (handlers) subject to the provisions of the respective Federal milk orders. The data shown in these tables includes milk, skim milk, and cream used to produce selected manufactured products in Federal milk order regulated plants as well as milk diverted or transferred to unregulated nonpool plants where these products are manufactured.

AUGUST MILK PRODUCTION UP 3.8 PERCENT

Milk production in the 20 major States during August totaled 12.2 billion pounds, up 3.8 percent from August 2001. July revised production, at 12.3 billion pounds, was up 2.3 percent from July 2001. The July revision represented an increase of one million pounds from last month's preliminary production estimate.

Production per cow in the 20 major States averaged 1,568 pounds for August, 48 pounds above August 2001.

The number of milk cows on farms in the 20 major States was 7.8 million head, 51,000 head more than August 2001, and 3,000 head more than July 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 August totaled 2.0 billion pounds, up 1.8 percent from August 2001.

Production per cow in the Mideast states averaged 1,499 pounds for August, 44 pounds above August 2001. The number of cows on farms in the Mideast states was 1.3 million head, 13,000 head less than August 2001.

NATIONAL FLUID MILK PROCESSOR PROMOTION BOARD APPOINTMENTS

Secretary of Agriculture Ann M. Veneman announced the appointment of three new members to the National Fluid Milk Processor Promotion Board. All three appointments are to fill vacancies for existing terms. Newly appointed are: Michael F. Nosewicz, Cincinnati, Ohio, (Region 3); William R. McCabe, Orrville, Ohio, (Region 6); and Michael A. Krueger, Phoenix, Ariz. (at large-processor).

The appointments for Regions 3 and 6 expire June 30, 2003. The appointment for at-large processor expires June 30, 2004.

The National Fluid Milk Processor Promotion Board was established by the Fluid Milk Promotion Act of 1990 to develop and administer a coordinated program of advertising and promotion to increase demand for fluid milk products. The board is composed of 15 fluid milk processors from 15 geographic regions and five at-large members. At least three at-large members must be fluid milk processors and at least one must be from the general public.

The mandatory national fluid milk program is financed by a 20-cent per hundredweight assessment on all fluid milk processed and marketed commercially in consumer-type packages in the contiguous 48 states and the District of Columbia. Those who commercially process and market 3,000,000 pounds or less per month, excluding those fluid milk products delivered to consumer residences, are exempt from assessments.

USDA's Agricultural Marketing Service monitors the operations of the board. It is USDA's policy that membership on industry governed boards and committees accurately reflect the diversity of individuals served by the programs.

SEPTEMBER 2002 POOL SUMMARY

Classification of Producer Milk		Percent
Class I	541,081,574	38.7
Class II	216,284,385	15.5
Class III	586,798,464	41.9
Class IV	54,565,671	3.9
Total	1,398,730,094	100.0

Producer Prices

Producer Price Differential	\$1.17 / cwt
Butterfat Price	1.0099 / lb
Protein Price	2.0646 / lb
Other Solids Price	0.0367 / lb
Somatic Cell Adjustment Rate	0.00057 / cwt
Statistical Uniform Price	11.09 / cwt

ANNOUNCEMENT OF PRODUCER PRICES

Federal Order No. 33

SEPTEMBER 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			530,990,579			\$ 8.92 / cwt	\$ 47,364,359.67
Class I Butterfat		10,090,995				1.1005 / lb	11,105,140.05
Class I Location Differential	541,081,574						(282,698.86)
Class II SNF Value				18,291,156		0.8467 / lb	15,487,121.79
Class II Butterfat		13,532,214				1.0169 / lb	13,760,908.41
Class III Protein Value			17,556,779			2.0646 / lb	36,247,725.86
Class III Other Solids Value					33,433,282	0.0367 / lb	1,227,001.42
Class III Butterfat		21,102,987				1.0099 / lb	21,311,906.56
Class IV SNF Value				4,409,674		0.7696 / lb	3,393,685.14
Class IV Butterfat		5,610,849				1.0099 / lb	5,666,396.38
Somatic Cell Value II / III / IV							<u>77,362.38</u>
TOTAL PRODUCER MILK VALUE	1,398,730,094	50,337,045	41,888,253		79,675,700		\$ 155,358,908.80
Overages						\$39,836.33	
Beginning Inventory						2,543.15	
TOTAL ADJUSTMENTS							\$ <u>42,379.48</u>
TOTAL HANDLER OBLIGATIONS							\$ 155,401,288.28
Total Protein Value			41,888,253 lbs	@	\$2.0646		\$ (86,482,487.11)
Total Other Solids Value			79,675,700 lbs	@	0.0367		(2,924,098.18)
Butterfat Value			50,337,045 lbs	@	1.0099		(50,835,381.75)
Total Somatic Cell Values							<u>(83,733.35)</u>
TOTALS							\$ 15,075,587.89
Net Producer Location Adjustments							\$ 1,073,391.12
1/2 Unobligated Balance Producer Settlement Fund							<u>844,000.00</u>
Total - Divided by Total Pounds			1,398,730,094 lbs		1.2148862		\$ 16,992,979.01
Rate of Cash Reserve					(0.0448862)		(627,836.79)
PRODUCER PRICE DIFFERENTIAL at Cuyahoga County, OH*			1,398,730,094		\$1.17 / cwt		<u>\$ 16,365,142.22</u>

COMPONENT PRICES**COMPUTATION OF UNIFORM PRICE**

	September			September	
	<u>2002</u>	<u>2001</u>		<u>2002</u>	<u>2001</u>
Butterfat Price	\$1.0099 / lb	\$2.4449 / lb	Class III Price - 3.5% BF	\$ 9.92	\$15.90
Protein Price	2.0646 / lb	2.1647 / lb	Producer Price Differential*	<u>1.17</u>	<u>0.97</u>
Other Solids Price	0.0367 / lb	0.1520 / lb	Statistical Uniform Price	\$11.09	\$16.87
Somatic Cell Adjustment Rate	0.00057 / cwt	0.00085 / cwt			
Nonfat Solids Price	0.7696 / lb	0.8097 / lb			

CLASS PRICES**CLASSIFICATION OF PRODUCER MILK**

	September			September	
	<u>2002</u>	<u>2001</u>		<u>2002</u>	<u>2001</u>
Class I*	\$12.46	\$17.56	Class I	541,081,574	542,241,885
Class II	10.91	16.24	Class II	216,284,385	200,053,399
Class III	9.92	15.90	Class III	586,798,464	505,969,426
Class IV	10.22	15.59	Class IV	<u>54,565,671</u>	<u>74,610,426</u>
			Total	1,398,730,094	1,322,875,136

* Subject to Location Adjustment.

ORDER 33 MARKET SUMMARY

The Producer Price Differential For the Mideast Marketing Area for September 2002 was \$1.17 and the Statistical Uniform Price was \$11.09 for the month. The Statistical Uniform Price is down \$0.10 from last month, and is \$5.78 lower than September 2001.

The Producer Butterfat Price of \$1.0099 per pound decreased 6.02 cents from August 2002 and is down \$1.435 from a year ago. The Protein Price of \$2.0646 is up 16.25 cents from last month and is down 10.01 cents from September 2001. The Other Solids Price in September was \$0.0367 per pound, an increase from last month's price of \$0.0177 and a decrease of 11.53 cents from last September. The Somatic Cell Adjustment rate for September was \$0.00057.

September producer receipts of 1.40 billion pounds were up 2.9 percent from August 2002, and increased 5.7 percent from September 2001 production of 1.32 billion pounds. Producer milk allocated to Class I accounted for 38.7 percent of the total producer milk in September 2002, below the 41.6 percent in August and the 41.0 in September 2001. A total of 10,962 producers were pooled on the Mideast Order with an average daily delivery of 4,253 pounds compared to 11,159 producers pooled in September 2001 with an average daily delivery of 3,952 pounds.

The market average content of producer milk was as follows: Butterfat 3.60%; Protein 2.99%; Other Solids 5.70% and Nonfat Solids 8.69%.

LARGE OPERATIONS INCREASE SHARE OF MILK PRODUCTION

The makeup of the U.S. dairy herd by size of operation and location has changed significantly over the past five years. A brief summary of the changes in herd structure is outlined below. This information is being provided to the dairy industry and data users by the National Agricultural Statistics Service as an aid in understanding the structural changes that have occurred.

The overall number of milk cow operations continues to decline in the United States. There were 123,700 milk cow operations in the U.S. in 1997 compared to 97,560 in 2001, a decline of 21 percent. During this same period, milk cow inventory declined from 9.25 million head in 1997 to 9.12 million head in 2001. Despite the decrease in milk cow operations and inventory, milk production increased 6 percent, from 156,091 million pounds in 1997 to 165,336 million pounds in 2001, as large operations increased their share of production.

Operations with more than 500 head accounted for 39 percent of all milk produced in 2001, up from 29 percent in 1997 (the first year of data for operations with more than 500 head). Conversely, operations with less than 500 head accounted for 61 percent of total production in 2001 compared to 71 percent in 1997.

In 2001, operations with more than 500 head accounted for 35 percent of total milk cow inventory compared with only 24 percent in 1997. Operations with less than 500 head accounted for 65 percent of inventory in 2001, down from 76 percent in 1997. During this same period, the number of operations with more than 500 head has grown from 2,336 in 1997 to 2,795 in 2001, an increase of 20 percent. The number of operations with less than 500 head decreased from 121,364 to 94,765, a decrease of 22 percent.

The annual average rate of milk production per cow for operations with more than 500 head increased slightly from 20,328 pounds in 1997 to 20,446 pounds in 2001. Milk per cow for operations with less than 500 head increased 7 percent, from 15,755 pounds in 1997 to 16,919 in 2001. Production per cow on operations with less than 500 head continues to increase as small, less efficient operations exit the

industry. However, total production in this size group has declined 8 percent during this period as milk cow inventory decreased 15 percent. Meanwhile, despite the relatively modest gain in production per cow on 500 plus head operations, total production increased significantly due to the increase in milk cow inventory.

Geographically, milk production continues to migrate to the western States, primarily from the southeastern and midwestern States. Comparing pounds of milk produced in 2001 to 1997, States showing the largest increases were California, Idaho and New Mexico. The only western State that did not show an increase was Wyoming. The largest declines occurred in Texas, Missouri and Minnesota.

The shift in production is mainly attributed to a shift in milk cow inventory. For example, California's milk production totaled 33,251 million pounds in 2001, up 21 percent from 1997. The number of milk cows increased 14 percent, while the average rate per cow increased only 5 percent during the same period. The States showing the largest increase in milk cow inventory between 1997 and 2001 were California, Idaho and New Mexico while the largest inventory losses were recorded in Wisconsin, Minnesota, Texas and Missouri. Western States that did not show an inventory increase were Montana, Nevada, Washington and Wyoming. Indiana, Kansas and Nebraska were the only non western States to show an increase in milk cows from 1997.

In conclusion, the number of small operations continues to decline while the larger, more efficient operations continue to increase their share of milk cow inventory and milk production. Even though operations with more than 500 head accounted for only 3 percent of the milk cow operations during 2001, they accounted for nearly 40 percent of total U.S. production. This is up from 1997 when the 500 plus head operations accounted for 2 percent of the operations and only 29 percent of total production. Furthermore, milk cow inventory and milk production are shifting to the western half of the United States. Specifically, in the last five years there has been substantial increases in both total milk production and milk cow inventories in California, Idaho and New Mexico.

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

State	August 2002*						August 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	2,594	452,478	3.45	2.91	5.72	346	450,987	3.46	2.91	5.70	348
Ohio	2,713	314,567	3.56	2.95	5.68	382	312,521	3.55	2.95	5.67	411
Wisconsin	2,191	261,498	3.56	2.93	5.68	354	389,560	3.52	2.89	5.71	364
Pennsylvania	1,415	125,105	3.57	2.93	5.66	440	128,813	3.58	2.94	5.66	445
Indiana	1,212	118,713	3.53	2.93	5.70	386	127,145	3.54	2.94	5.68	418
New York	517	58,997	3.55	2.88	5.68	321	72,010	3.53	2.88	5.69	310
Illinois	92	11,376	3.53	2.93	5.73	415	13,456	3.50	2.92	5.71	386
West Virginia	88	6,027	3.49	2.99	5.64	478	7,000	3.51	2.98	5.66	508
Minnesota	48	3,715	3.56	2.99	5.71	466	19,811	3.66	2.95	5.73	422
Other	98	6,550	3.58	2.95	5.69	420	18,147	3.61	2.96	5.70	415
Total/Average	10,968	1,359,027	3.52	2.92	5.69	369	1,539,452	3.52	2.92	5.69	380

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



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Department of
Agriculture**

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**FEDERAL ORDER DATA
SEPTEMBER 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>	1,926,094	891,773	46.3	\$2.28	\$12.20
FO 5	Appalachian - <i>(Charlotte)</i>	507,095	361,129	71.2	2/	12.76
FO 6	Florida - <i>(Tampa)</i>	193,431	172,533	89.2	2/	13.97
FO 7	Southeast - <i>(Atlanta)</i>	598,359	392,523	65.6	2/	12.56
FO 30	Upper Midwest - <i>(Chicago)</i>	1,650,666	340,043	20.6	0.54	10.46
FO 32	Central - <i>(Kansas City)</i>	1,523,331	401,117	26.3	0.82	10.74
FO 33	Mideast - <i>(Cleveland)</i>	1,398,730	541,082	38.7	1.17	11.09
FO 124	Pacific Northwest - <i>(Seattle)</i>	644,236	175,488	27.2	0.74	10.66
FO 126	Southwest - <i>(Dallas)</i>	747,642	338,307	45.3	2.00	11.92
FO 131	Arizona-Las Vegas - <i>(Phoenix)</i>	215,645	77,690	36.0	2/	11.03
FO 135	Western - <i>(Salt Lake City)</i>	540,018	93,441	17.3	0.63	10.55

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 OCTOBER 2002.....\$9.92 /cwt.