

Mideast Market Administrator's Bulletin



Federal Order No. 33

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MILK PRODUCTION JUMPS

April-June milk production grew 3 percent from a year earlier, following an increase of more than 2 percent in the first quarter. Milk per cow recovered substantially from the 2001 slips but did not completely reach its longrun trend. Compared with typical changes, first-half strength in milk production owed as much to milk cow numbers as it did to vigorous milk per cow. And, some of the increases in milk cow numbers came in unusual places.

First-half milk production grew rapidly in the western regions. Increased cow numbers were the primary factor as milk per cow returned to only about 2000 levels. Heifer supplies, hay prices, and increased restrictions on new dairy farms in some areas continue to slow industry development in the West, but pent-up expansion pressures from the relatively strong returns of earlier years kept cow numbers rising. Milk production recovered considerably in the Northeast and quite modestly in the Southern Plains and Appalachian regions. Meanwhile, output continued to decrease in the remaining southern regions and the Lake States, mostly the result of dairy farm exits.

States posting gains of 5 percent or more in first-half milk production fit into three categories. New Mexico, Idaho, and California are long-expanding states where such large increases are not unusual, particularly when expansion had been somewhat stifled. In Arizona, New York, and Ohio, milk production simply bounced back after being quite weak a year earlier. Lastly, Oregon, Kansas, and Colorado (states that generally have had stable or declining long-run milk production) have joined the ranks of states with large increases in milk cow numbers and milk production.

Weather, irregular forage quality, and continuing adjustments to accommodate tight supplies of replacement heifers have combined to limit the recovery in milk per cow. If feed grain and oilseed crops continue to deteriorate, low milk-feed price ratios may join the list of hindrances to full recovery in milk per cow. Ratios during the second half of 2002 and 2003 are currently projected to stay at levels associated with below-trend growth in milk per cow.

USDA ANNOUNCES TENTATIVE FINAL DECISION TO AMEND PACIFIC NORTHWEST MILK MARKETING ORDER

The U.S. Department of Agriculture announced a tentative final decision to amend the pooling provisions of the Pacific Northwest Federal milk marketing order. This decision is based on testimony and evidence given at a public hearing held December 4-5, 2001, in Seattle, Washington.

This decision adopts amendments to the pool plant and producer milk provisions. The tentative final decision was published in the September 6 *Federal Register*. Further details are available at www.fmmaseattle.com.

JULY MILK PRODUCTION UP 2.3 PERCENT

Milk production in the 20 major States during July totaled 12.3 billion pounds, up 2.3 percent from July 2001. June revised production, at 12.3 billion pounds, was up 2.2 percent from June 2001. The June 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 1,580 pounds for July, 28 pounds above July 2001.

The number of milk cows on farms in the 20 major States was 7.79 million head, 40,000 head more than July 2001, and 7,000 head more than June 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 July totaled 1.99 billion pounds, up 0.4 percent from July 2001.

Production per cow in the Mideast states averaged 1,519 pounds for July, 26 pounds above July 2001.

The number of cows on farms in the Mideast states was 1.30 million head, 14,000 head less than July 2001.

Calculation of MILC Payment Rate*

Month	Boston		Difference	MILC Payment Rate
	Base Price	Class I Price		
-----per hundredweight-----				
December 2001	\$16.94	\$15.23	\$1.71	\$0.77
January 2002	16.94	15.21	1.73	0.78
February	16.94	15.20	1.74	0.78
March	16.94	14.87	2.07	0.93
April	16.94	14.72	2.22	1.00
May	16.94	14.51	2.43	1.09
June	16.94	14.28	2.66	1.20
July	16.94	13.87	3.07	1.38
August	16.94	13.73	3.21	1.44
September	16.94	13.71	3.23	1.45

*The MILC Payment Rate is equal to 45% of the difference between the Base Price of \$16.94 and the Boston Class I Price.

AUGUST 2002 POOL SUMMARY

Classification of Producer Milk	Percent
Class I	565,655,752 / 41.6
Class II	227,682,694 / 16.8
Class III	529,398,459 / 38.9
Class IV	36,795,071 / 2.7
Total	1,359,531,976 / 100.0

Producer Prices

Producer Price Differential	\$1.65 / cwt
Butterfat Price	1.0701 / lb
Protein Price	1.9021 / lb
Other Solids Price	0.0177 / lb
Somatic Cell Adjustment Rate	0.00056 / cwt
Statistical Uniform Price	11.19 / cwt

ANNOUNCEMENT OF PRODUCER PRICES

Federal Order No. 33

AUGUST 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			554,947,157			\$ 8.86 / cwt	\$ 49,168,318.11
Class I Butterfat		10,708,595				1.1222 / lb	12,017,185.34
Class I Location Differential	565,655,752						(299,669.87)
Class II SNF Value				19,049,444		0.8400 / lb	16,001,532.96
Class II Butterfat		14,583,119				1.0771 / lb	15,707,477.48
Class III Protein Value			15,518,903			1.9021 / lb	29,518,505.37
Class III Other Solids Value					30,199,666	0.0177 / lb	534,534.07
Class III Butterfat		18,192,287				1.0701 / lb	19,467,566.32
Class IV SNF Value				2,896,924		0.7674 / lb	2,223,099.48
Class IV Butterfat		4,375,303				1.0701 / lb	4,682,011.72
Somatic Cell Value II / III / IV							(73,942.16)
TOTAL PRODUCER MILK VALUE	1,359,531,976	47,859,304	39,763,548		77,473,768		\$ 148,946,618.82
Overages						\$22,186.66	
Beginning Inventory						(85,538.51)	
TOTAL ADJUSTMENTS							\$ (63,351.85)
TOTAL HANDLER OBLIGATIONS							\$ 148,883,266.97
Total Protein Value			39,763,548 lbs	@	\$1.9021		\$ (75,634,244.67)
Total Other Solids Value			77,473,768 lbs	@	0.0177		(1,371,285.72)
Butterfat Value			47,859,304 lbs	@	1.0701		(51,214,241.24)
Total Somatic Cell Values							147,615.88
TOTALS							\$ 20,811,111.22
Net Producer Location Adjustments							\$ 1,310,591.15
1/2 Unobligated Balance Producer Settlement Fund							952,000.00
Total - Divided by Total Pounds			1,359,531,976 lbs		1.6971798		\$ 23,073,702.37
Rate of Cash Reserve					(0.0471798)		(641,424.47)
PRODUCER PRICE DIFFERENTIAL at Cuyahoga County, OH*			1,359,531,976		\$1.65 / cwt		\$ 22,432,277.90

COMPONENT PRICES

COMPUTATION OF UNIFORM PRICE

	August		August	
	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
Butterfat Price	\$1.0701 / lb	\$2.2976 / lb	Class III Price - 3.5% BF	\$ 9.54
Protein Price	1.9021 / lb	2.2188 / lb	Producer Price Differential*	<u>1.65</u>
Other Solids Price	0.0177 / lb	0.1535 / lb	Statistical Uniform Price	\$11.19
Somatic Cell Adjustment Rate	0.00056 / cwt	0.00083 / cwt		\$16.54
Nonfat Solids Price	0.7674 / lb	0.8073 / lb		

CLASS PRICES

CLASSIFICATION OF PRODUCER MILK

	August		August	
	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
Class I*	\$12.48	\$17.40	Product lbs.	Product lbs.
Class II	11.07	15.98	Class I	565,655,752
Class III	9.54	15.55	Class II	227,682,694
Class IV	10.41	15.06	Class III	529,398,459
			Class IV	<u>36,795,071</u>
			Total	<u>1,359,531,976</u>
				1,539,609,595

* Subject to Location Adjustment.

ORDER 33 MARKET SUMMARY

The Producer Price Differential for the Mideast Marketing Area for August 2002 was \$1.65 and the Statistical Uniform Price was \$11.19 for the month. The Statistical Uniform Price is up \$0.34 from last month, and is \$5.35 lower than August 2001.

The Producer Butterfat Price of \$1.0701 per pound decreased 2.28 cents from July 2002 and is down \$1.2275 from a year ago. The Protein Price of \$1.9021 is up 9.26 cents from last month and is down 31.67 cents from August 2001. The Other Solids Price in August was \$0.0177 per pound, an increase from last month's price of \$0.0150 and a decrease of 13.58 cents from last August. The Somatic Cell Adjustment rate for August was \$0.00056.

August producer receipts of 1.36 billion pounds were down 4.9 percent from July 2002, and decreased 11.7 percent from August 2001 production of 1.54 billion pounds. Producer milk allocated to Class I accounted for 41.6 percent of the total producer milk in August 2002 above the 36.6 percent in July and the 37.1 percent in August 2001. A total of 10,791 producers were pooled in the Mideast Order with an average daily delivery of 4,064 pounds compared to 11,933 producers pooled in August 2001 with an average daily delivery of 4,162 pounds.

The market average content of producer milk was as follows: Butterfat 3.52%; Protein 2.92%; Other Solids 5.70% and Nonfat Solids 8.62%.

DAIRY INVENTORIES UP

Higher milk production along with sluggish sales has pushed dairy inventories up for the first half of 2002. Milk production in the top twenty states has averaged 12.4 billion pounds a month for the first six months of 2002. This is 500 million pounds or a 4.1% increase over 2001's average. The production and inventories of American Cheese, Butter, and Nonfat Dry Milk reflect the change in demand for these products.

There were 1.9 billion pounds of American cheese produced in the first half of 2002. This was an increase of 104 million pounds or 5.8% over the same period in 2001. The average American cheese produced for this period over the last five years is 1.8 billion pounds.

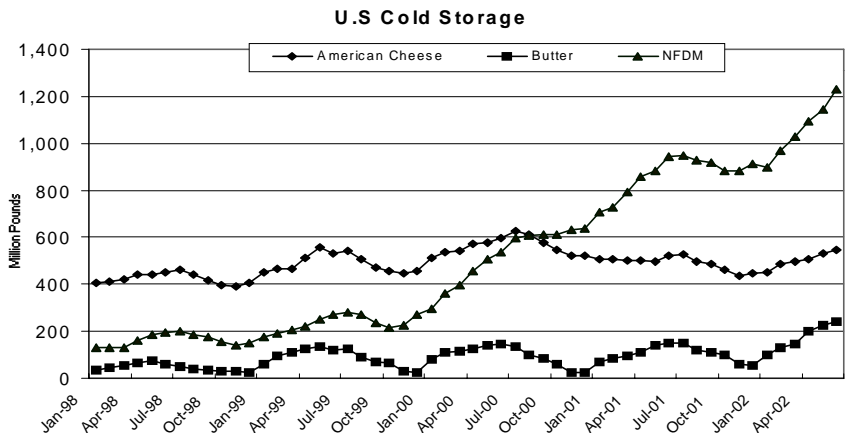
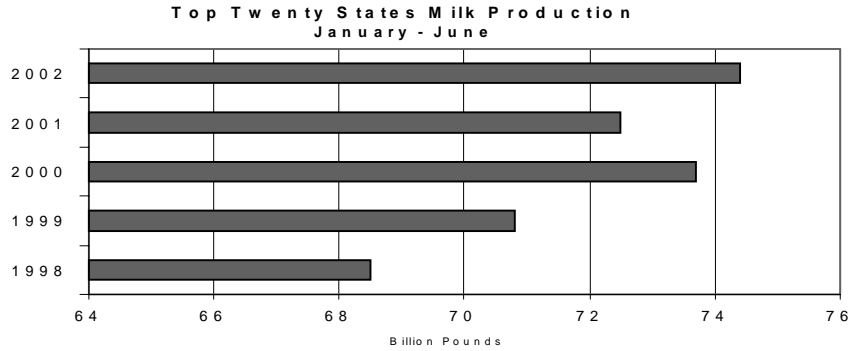
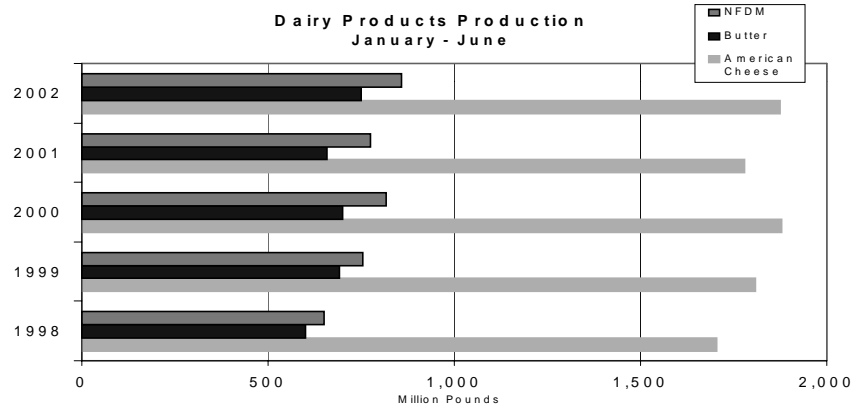
American cheese inventory of 546 million pounds in June 2002 is up 24 million pounds from the June 2001 inventory. The inventory average for June in the last five years is 529 million pounds.

Butter produced in the first six months of 2002 equaled 751 million pounds. This was an increase of 94 million pounds or 14.3% from the first half of 2001. The average butter produced over the last five years is 680 million pounds.

Butter in inventory at the end of June was 243 million pounds. This was up 90 million pounds or 58.8% from June 2001. The inventory average for June over the last five years is 144 million pounds. Butter disappearance from inventory will have to reach 210 million pounds for the last half of the year to maintain the four-year December average of 33 million pounds in inventory.

Nonfat Dry Milk produced for the first half of 2002 totaled 857 million pounds. This was an increase of 84 million pounds or 10.9% over 2001 totals. The average NFDM production for the last five years is 770 million pounds.

Nonfat Dry Milk inventory in June was 1.2 billion pounds. This was an increase of 285 million pounds or 30.2 percent from June 2001. The average inventory for June in the last five years is 637 million pounds.



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

State	July 2002*						July 2001					
	Number of Producers	Pounds of Milk (000)	Butterfat	Protein	Other Solids	SCC (000)	Pounds of Milk (000)	Butterfat	Protein	Other Solids	SCC (000)	
Wisconsin	2,701	416,408	3.56	2.87	5.69	328	410,961	3.54	2.87	5.73	327	
Michigan	2,416	363,740	3.45	2.89	5.73	323	473,127	3.48	2.89	5.75	322	
Ohio	2,697	288,222	3.55	2.94	5.71	358	320,892	3.55	2.93	5.71	369	
Pennsylvania	1,508	126,371	3.56	2.93	5.69	405	132,813	3.59	2.94	5.70	414	
Indiana	1,208	101,573	3.52	2.91	5.72	374	145,824	3.53	2.91	5.72	358	
New York	409	56,620	3.55	2.88	5.68	302	99,862	3.55	2.88	5.71	267	
California	22	47,378	3.52	2.93	5.78	305	0					
Illinois	110	13,090	3.53	2.89	5.72	399	13,577	3.49	2.89	5.74	377	
West Virginia	81	5,904	3.50	2.98	5.67	411	5,721	3.50	2.95	5.68	498	
Minnesota	38	3,343	3.50	2.94	5.72	494	20,021	3.66	2.95	5.74	420	
Other	101	7,661	3.56	2.93	5.71	403	27,755	3.58	2.95	5.74	404	
Total/Average	11,291	1,430,309	3.53	2.90	5.71	343	1,650,553	2.65	2.19	4.30	262	

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



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**FEDERAL ORDER DATA
AUGUST 2002**

<u>Marketing Area</u> 1/	Producer Milk		Class I <u>Percent</u> %	Producer <u>Price Differential</u>	Statistical <u>Uniform Price</u>
	<u>Total</u> (000)	<u>Class I</u> (000)			
FO 1 Northeast - (Boston)	2,047,898	885,874	43.3	\$2.62	\$12.16
FO 5 Appalachian - (Charlotte)	529,875	384,242	72.5	2/	12.87
FO 6 Florida - (Tampa)	216,985	199,578	92.0	2/	14.19
FO 7 Southeast - (Atlanta)	619,989	417,146	67.3	2/	12.63
FO 30 Upper Midwest - (Chicago)	1,729,724	344,203	19.9	0.66	10.20
FO 32 Central - (Kansas City)	1,561,312	421,792	27.0	1.04	10.58
FO 33 Mideast - (Cleveland)	1,359,532	565,656	41.6	1.65	11.19
FO 124 Pacific Northwest - (Seattle)	680,411	179,194	26.3	1.12	10.66
FO 126 Southwest - (Dallas)	779,287	350,771	45.0	2.41	11.95
FO 131 Arizona-Las Vegas - (Phoenix)	224,728	79,992	35.6	2/	11.04
FO 135 Western - (Salt Lake City)	455,263	97,901	21.5	0.81	10.35

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 SEPTEMBER 2002\$9.54 /cwt.