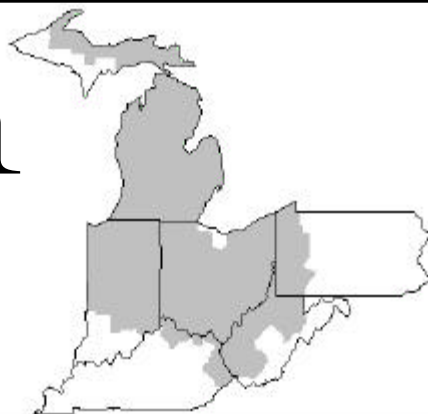


Mideast Market Administrator's Bulletin



Federal Order No. 33

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RAPID RISE IN CHEESE MARKET NETS NEGATIVE PRODUCER PRICE DIFFERENTIAL

The announced July Producer Price Differential (PPD) for Order 33 is \$-0.10. This is the first time since the Mideast Order was formed in January 2000 that a negative PPD has been announced. The PPD is calculated by summing the value of all milk in the pool used in Classes I, II, III and IV at the applicable class/component prices less the producer value of all components priced at the Class III butterfat, protein and other solids prices. The PPD therefore represents the amount by which the blended class value of the pool exceeds that at Class III price. If the Class III price exceeds the other Class prices a negative PPD may occur. This was the situation in July. This price inversion, where the Class III price exceeds the other Class prices, is the result of the timing of the calculation of the Class prices.

The National Agricultural Statistics Service (NASS) announces weekly commodity prices based on the cheese, butter, nonfat dry milk and whey powder sales transactions. These commodity prices are used to compute component prices that apply to the various classes. The Class I and Class II skim prices are announced in advance of the month in which they apply while the Class II butterfat and the Class III and IV prices are announced the week after the month in which they apply. Therefore, there is approximately a six-week difference in the announcements and large fluctuations in commodity prices can have a great impact on the Class prices. The NASS survey price for cheddar cheese increased from \$1.1387 per pound for the July advance prices announced June 20, used to establish the Class I price, to \$1.3497 with the July final prices announced August 1, used to establish Class III prices. This rapid increase in the NASS cheese price resulted in a July Class III price that is higher than the other three Class prices. This resulted in the average classified value of the pool being less than the Class III value and therefore a negative PPD.

While the rapid rise in the cheese price had a negative impact on the PPD portion of the producer payments, it had a very positive impact on the overall return to producers. The Statistical Uniform Price of \$11.68 has increased \$1.05 over last month and \$0.83 over July 2002. The NASS cheese price has already increased substantially over the \$12685 announced on July 18, 2003 that was used to calculate the August Class I price. Should this trend continue, the result will be a negative PPD in August but also a continued rise in the Statistical Uniform Price.

USDA SETS HEARING TO CONSIDER AMENDING THE PACIFIC NORTHWEST AND ARIZONA-LAS VEGAS MILK MARKETING ORDERS

USDA will hold a public hearing beginning at 8:30 a.m. on September 23, 2003 at the Sheraton Airport Hotel, 1600 South 52nd St., Tempe, Arizona, on proposals that would amend certain producer-handler provisions in the Pacific Northwest and Arizona-Las Vegas milk marketing orders.

Proposals to be considered would end the regulatory exemption from the pricing and pooling provisions of the Pacific Northwest and the Arizona-Las Vegas milk marketing orders for producer-handlers whose Class I route disposition exceeds three million pounds per month. In addition, a proposal

will be considered that would eliminate the ability to simultaneously pool the same milk on the Arizona-Las Vegas milk order and on a State-operated order that provides for marketwide pooling.

The notice of the hearing was published in the Aug. 6 *Federal Register*. Copies may be obtained from the Pacific Northwest, Arizona-Las Vegas & Western milk marketing orders office, USDA/AMS/Dairy Programs, 1930 - 220th Street, S.E., Suite 102, Bothell, Washington 98021-8471 or USDA/AMS/Dairy Programs, 10050 North 25th Avenue, Suite 302, Phoenix, AZ 85021-1664 or AMS/Dairy Programs, USDA Stop 0231 - Room 2971, 1400 Independence Avenue, SW, Washington, D.C. 20250-0231.

JUNE MILK PRODUCTION DOWN 0.1 PERCENT

Milk production in the 20 major States during June totaled 12.3 billion pounds, down 0.1 percent from June 2002. May revised production, at 13.0 billion pounds, was down 0.4 percent from May 2002. The May revision represented a decrease of 9 million pounds from last month's preliminary production estimate.

Production per cow in the 20 major States averaged 1,587 pounds for June, unchanged from June 2002.

The number of milk cows on farms in the 20 major States was 7.77 million head, 10,000 head less than June 2002, and 11,000 head less than May 2003.

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 June totaled 2.0 billion pounds, down 24 million pounds or 1.2 percent from June 2002.

Production per cow in the Mideast states averaged 1,538 pounds for June, 22 pounds above June 2002.

The number of cows on farms in the Mideast states was 1.3 million head, 16,000 head less than June 2002.

JULY 2003 POOL SUMMARY

Classification of Producer Milk		Percent
Class I	521,934,715	51.2
Class II	251,726,536	24.7
Class III	183,838,831	18.1
Class IV	60,781,149	6.0
Total	1,018,281,231	100.0

Producer Prices

Producer Price Differential	\$ (0.10) / cwt
Butterfat Price	1.2055 / lb
Protein Price	2.5480 / lb
Other Solids Price	(0.0124) / lb
Somatic Cell Adjustment Rate	0.00067 / cwt
Statistical Uniform Price	11.68 / cwt

ANNOUNCEMENT OF PRODUCER PRICES**Federal Order No. 33****JULY 2003****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			511,978,694			\$ 792 / cwt	\$ 40,548,712.55
Class I Butterfat		9,956,021				1.1790 / lb	11,738,148.78
Class I Location Differential	521,934,715						(264,286.40)
Class II SNF Value				21,143,054		0.7356 / lb	15,552,830.48
Class II Butterfat		15,301,610				1.2125 / lb	18,553,202.16
Class III Protein Value			5,354,429			2.5480 / lb	13,643,085.07
Class III Other Solids Value					10,431,312	(0.0124) / lb	(129,348.27)
Class III Butterfat		6,668,932				1.2055 / lb	8,039,397.54
Class IV SNF Value				5,060,120		0.6605 / lb	3,342,209.26
Class IV Butterfat		4,017,119				1.2055 / lb	4,842,636.97
Somatic Cell Value II / III / IV							<u>81,894.13</u>
TOTAL PRODUCER MILK VALUE	1,018,281,231	35,943,682	29,755,164		58,068,669		\$115,948,482.27
Overages						\$ 16,771.18	
Beginning Inventory						109,662.40	
TOTAL ADJUSTMENTS							\$ 126,433.58
TOTAL HANDLER OBLIGATIONS							\$ 116,074,915.85
Total Protein Value			29,755,164 lbs	@	\$25.480		\$ (75,816,157.86)
Total Other Solids Value			58,068,669 lbs	@	(0.0124)		720,051.48
Butterfat Value			35,943,682 lbs	@	1.2055		(43,330,108.66)
Total Somatic Cell Values							<u>(58,212.57)</u>
TOTALS							\$ 2,409,511.76
Net Producer Location Adjustments							\$ 581,446.10
1/2 Unobligated Balance Producer Settlement Fund							<u>1,300,000.00</u>
Total - Divided by Total Pounds			1,018,281,231 lbs		(0.0518585)		\$ (528,065.66)
Rate of Cash Reserve					(0.0481415)		(490,215.86)
PRODUCER PRICE DIFFERENTIAL at Cuyahoga County, OH*			1,018,281,231		\$ (0.10) / cwt		\$ (1,018,281.52)

COMPONENT PRICES**COMPUTATION OF UNIFORM PRICE**

	<u>July</u>		<u>July</u>	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
Butterfat Price	\$12.055 / lb	\$10.929 / lb	Class III Price - 3.5% BF	\$ 11.78
Protein Price	2.5480 / lb	1.8095 / lb	Producer Price Differential*	<u>(0.10)</u>
Other Solids Price	(0.0124) / lb	0.0150 / lb	Statistical Uniform Price	\$11.68
Somatic Cell Adjustment Rate	0.00067 / cwt	0.00055 / cwt		\$9.33
Nonfat Solids Price	0.6605 / lb	0.7633 / lb		<u>1.52</u>
				\$10.85

CLASS PRICES**CLASSIFICATION OF PRODUCER MILK**

	<u>July</u>		<u>July</u>	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
Class I*	\$11.77	\$12.62	Product lbs.	Product lbs.
Class II	10.63	11.14	Class I	521,934,715
Class III	11.78	9.33	Class II	251,726,536
Class IV	9.95	10.45	Class III	183,838,831
			Class IV	<u>60,781,149</u>
			Total	1,018,281,231
				1,430,119,939

* Subject to Location Adjustment.

ORDER 33 MARKET SUMMARY

The Producer Price Differential for the Mideast Marketing Area for July 2003 was \$-0.10 and the Statistical Uniform Price was \$11.68 for the month. The Statistical Uniform Price is \$1.05 higher than last month, and is \$0.83 higher than July 2002.

The Producer Butterfat Price of \$1.2055 per pound increased 4.79 cents from June 2003 and is up 1126 cents from a year ago. The Protein Price of \$2.5480 is up 60.46 cents from last month and is up 73.85 cents from July 2002. The Other Solids Price in July was \$-0.0124 per pound, an increase from last month's price of \$-0.0200 and a decrease of 2.74 cents from last July. The Other Solids Price was negative due to the average wholesale price of dry whey powder being less than the make allowance price of 15.9 cents for the month. The Somatic Cell Adjustment rate for July was \$0.00067.

July producer receipts of 102 billion pounds were 28.8 percent lower than June 2003, and 28.8 percent lower than July 2002 production of 1.43 billion pounds. Producer milk allocated to Class I accounted for 51.2 percent of the total producer milk in July 2003, more than the 34.0 percent in June and more than the 36.6 percent in July 2002. A total of 9,385 producers were pooled on the Mideast Order with an average daily delivery of 3,500 pounds compared to 11,349 producers pooled in July 2002 with an average daily delivery of 4,065 pounds.

The market average content of producer milk was as follows: Butterfat 3.53 %; Protein 2.92 %; Other Solids 5.70 % and Nonfat Solids 8.62 %.

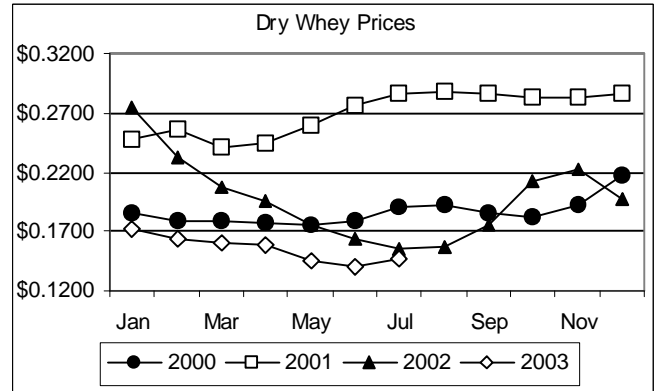
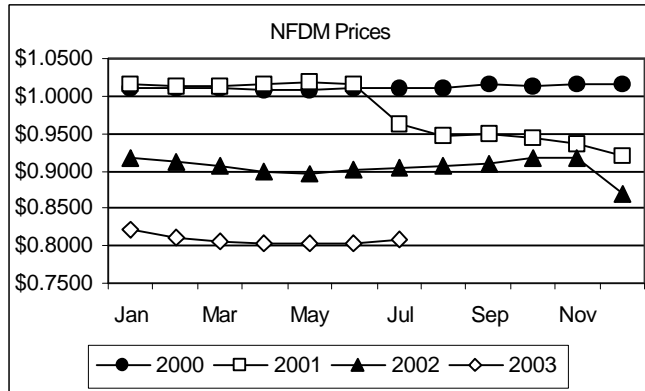
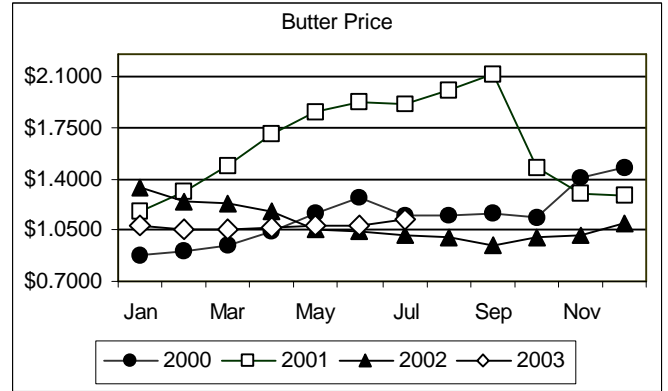
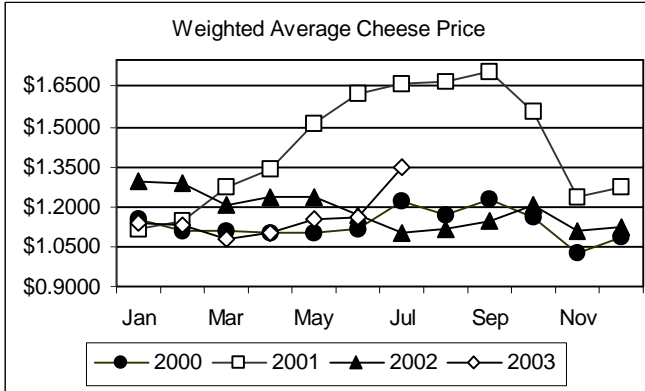
COMMODITY RECAP: CHEESE PRICES RISING RAPIDLY

The NASS monthly commodity prices for cheese have risen sharply in the past six weeks. The June weighted average cheese price was \$1.1576 per pound and the August weighted average cheese price is predicted to be between \$1.50 and \$1.60 per pound. The weighted average cheese price per pound averaged \$1.1313 in 2000, \$1.4264 in 2001, \$1.1855 in 2002, and has averaged \$1.1576 so far in 2003.

The NASS monthly commodity prices for butter have shown gradual gain in the past two months. The June butter price was \$1.0797 per pound and the August butter price is estimated to be between \$1.18 and \$1.22 per pound. The butter price per pound averaged \$1.1408 in 2000, \$1.6304 in 2001, \$1.0931 in 2002, and has averaged \$1.0767 so far in 2003.

The NASS monthly commodity prices for nonfat dry milk powder have been relatively flat for the past five months. The March nonfat dry milk price was \$0.8051 per pound and the estimate for the August nonfat dry milk price is between \$0.8050 and \$0.8150 per pound. The nonfat dry milk price per pound averaged \$1.0115 in 2000, \$0.9791 in 2001, \$0.9043 in 2002, and has averaged \$0.8079 so far in 2003.

The NASS monthly commodity prices for dry whey powder have shown improvement since June. The June dry whey price was \$0.1396 per pound and the August dry whey price is predicted to be between \$0.1500 and \$0.1570 per pound. The dry whey price per pound averaged \$0.1863 in 2000, \$0.2700 in 2001, \$0.1974 in 2002, and has averaged \$0.1551 so far in 2003.



Weighted Averages - Butterfat, Protein, Other Solids, Somatic Cell Count by State

Federal Order No. 33

State	June 2003*						June 2002				
	Num ber of Producers	Pounds of Milk (000)	Butterfat	Protein	Other Solids	SCC (000)	Pounds of Milk (000)	Butterfat	Protein	Other Solids	SCC (000)
Michigan	2,477	460,534	3.51	2.95	5.74	288	467,679	3.53	2.92	5.76	273
Ohio	2,539	321,470	3.67	3.00	5.71	329	308,032	3.60	2.98	5.73	318
Wisconsin	1,827	257,533	3.58	2.93	5.75	300	421,618	3.65	2.92	5.71	282
Indiana	1,250	142,610	3.61	2.99	5.74	308	120,225	3.59	2.95	5.73	320
Pennsylvania	1,369	122,412	3.68	3.00	5.70	370	134,999	3.63	2.98	5.72	359
New York	472	95,107	3.58	2.94	5.70	257	98,302	3.61	2.90	5.69	258
Illinois	84	11,691	3.60	2.96	5.77	318	13,544	3.59	2.95	5.76	342
West Virginia	86	6,776	3.57	3.07	5.69	435	6,193	3.52	3.02	5.70	356
California							46,137	3.57	2.99	5.71	292
Other	132	11,301	3.65	3.04	5.74	350	12,133	3.61	3.01	5.74	384
Total/Average	10,236	1,429,435	3.59	2.96	5.73	308	1,628,861	3.59	2.94	5.73	296

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



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**FEDERAL ORDER DATA
JULY 2003**

<u>Marketing Area</u> ^{1/}	<u>Producer Milk</u>	<u>Class I</u>	<u>Producer</u>	<u>Statistical</u>	
	<u>Total</u>	<u>Class I</u>	<u>Price Differential</u>	<u>Uniform Price</u>	
	(000)	(000)	%		
FO 1 Northeast - (Boston)	2,016,824	845,718	41.9	\$0.68	\$12.46
FO 5 Appalachian - (Charlotte)	480,581	370,270	77.1	^{2/}	12.49
FO 6 Florida - (Tampa)	226,404	196,225	86.7	^{2/}	13.46
FO 7 Southeast - (Atlanta)	551,309	365,682	66.3	^{2/}	12.47
FO 30 Upper Midwest - (Chicago)	660,023	327,804	49.7	(0.41)	11.37
FO 32 Central - (Kansas City)	759,813	374,014	49.2	(0.29)	11.49
FO 33 Mideast - (Cleveland)	1,018,281	521,935	51.2	(0.10)	11.68
FO 124 Pacific Northwest - (Seattle)	411,485	172,453	41.9	(0.85)	10.93
FO 126 Southwest - (Dallas)	595,392	325,128	54.6	0.23	12.01
FO 131 Arizona-Las Vegas - (Phoenix)	243,853	82,925	34.0	^{2/}	11.53
FO 135 Western - (Salt Lake City)	176,100	92,613	52.6	(0.34)	11.44

^{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 AUGUST 2003 \$9.95 /cwt.



