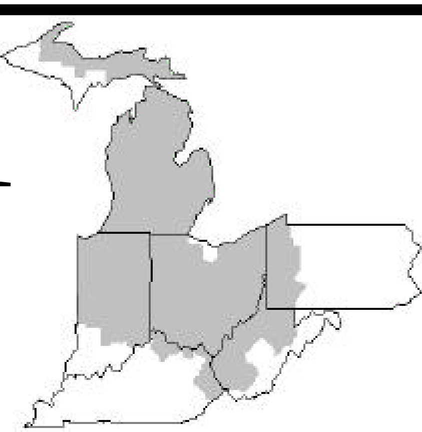
# Mideast Market Administrator's Bulletin

**Federal Order No. 33**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## THE 2003 OUTLOOK FOR MILK AND DAIRY PRODUCTS

### U.S. Dairy Market Situation and Outlook

Commercial use of dairy products on a fat basis is expected to grow by about 2.4 percent to about 174.1 billion pounds in 2002/03. Although higher than last year, this is a moderate growth rate compared to recent years when income was growing at higher rates. However, current prices for butter, cheese, and nonfat dry milk are hovering around support, with the likelihood that quantities demanded will grow in response. Income growth in 2003 is expected to increase slightly to 2.6 percent, with stronger fourth quarter growth. Unemployment is expected to drop through the year to 5.6 percent from current levels of 5.9 percent. Thus, there is potential for stronger demand through the year, but not enough to move prices to recent years' higher levels.

Cheese production totaled 8,440 million pounds in 2002, an increase of 3.8 percent. American cheese production grew by 4.2 percent, while Italian cheese production grew by 3.9 percent. Cheese prices (NASS) reached around $1.70 per pound in September of 2001, but fell to about $1.30 per pound in January 2002. Prices are now about $1.15 per pound, with no increases expected until fall of 2003. Cheese sales to the CCC began in July of 2002, with about 8 million pounds purchased since October 2002. Net CCC removals of cheese in 2002/03 are forecast to be 25 million pounds.

Butter has behaved similarly to the cheese market. Butter production totaled 1,359 million pounds in 2002, increasing by 9.9 percent over 2001 levels. Butter prices (NASS) averaged about $1.65 per pound in 2001, peaking around $2.10 per pound in September 2001. Butter prices averaged $1.10 in 2002, and are expected to hover around the $1.05 support price until the seasonal increases in fall of 2003.

The all-milk price is expected to drop from $12.76 in 2001/2002, to range between $11.20 and $11.70 for 2002/03. The Class III price is expected to range between $9.70 and $10.20, while the Class IV price is expected to range between $9.90 and $10.60. Retail prices are expected to increase very slightly, which should be positive for consumption.

### Price Support Program Changes

Market prices of nonfat dry milk are expected to reflect nearly the full reduction in support purchase price because a substantial skim solids surplus is likely to persist even at the lower price. The NASS nonfat dry milk price used in the January 31, 2003 Federal order price announcement had fallen to $0.82 per pound. The higher purchase price for butter may result in small winter butter purchases, with most of the butter stocks not trimmed sufficiently in 2002.

Past such price adjustments generally resulted in smaller longer-term surpluses of skim solids, but require time for adjustment. The price cuts will encourage food processors to boost use of dry and wet skim solids in processed foods, and reduce prices of skim-milk-based products such as cottage cheese. Lower domestic prices diminish the price advantage of imported milk proteins, as well. Delays in adjustment are associated with direct costs processors incur in re-formulating products and in the expensive process of re-labeling.

### U.S. Milk Production Situation and Outlook

Milk production for 2002/03 is projected to be 170.7 billion pounds, an increase of about one percent. Over the 2002/03 year, milk cows are expected to average 9.105 million, as compared to 9.129 million in 2001/02. Milk per cow is expected to average 18,750 pounds in 2002/03, reflecting a moderate 250-pound increase over last year. In the out years, annual milk per cow increases are expected to be in the 400-pound range.

Cow numbers remain above trend after the response to higher prices in recent years. During 2001/02, very strong demand for heifers to fill new barns generated soaring prices for replacement heifers, despite historically large heifer supplies. Short-run expansion demand, on top of long-run trends increasing demand for heifers, dried up heifer availability enough to significantly affect milk cow numbers, and

*(Continued on Page 3)*

### FEBRUARY 2003 POOL SUMMARY

| **Classification of Producer Milk** | | *Percent* |
|---|---|---|
| Class I | 521,750,583 | 37.6 |
| Class II | 205,814,311 | 14.8 |
| Class III | 588,933,668 | 42.5 |
| Class IV | 71,270,693 | 5.1 |
| Total | 1,387,769,255 | 100.0 |

**Producer Prices**

| | | |
|---|---|---|
| Producer Price Differential | $1.06 | / cwt |
| Butterfat Price | 1.1373 | / lb |
| Protein Price | 1.8538 | / lb |
| Other Solids Price | 0.0240 | / lb |
| Somatic Cell Adjustment Rate | 0.00056 | / cwt |
| Statistical Uniform Price | 10.72 | / cwt |

# ANNOUNCEMENT OF PRODUCER PRICES

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## FEBRUARY 2003

**COMPUTATION OF PRODUCER PRICE DIFFERENTIAL**

| | POUNDS | BUTTERFAT | SKIM / PROTEIN | NONFAT SOLIDS | OTHER SOLIDS | PRICE | VALUE |
|---|---|---|---|---|---|---|---|
| Class I Skim Value | | | 511,991,172 | | | $ 8.20 / cwt | $ 41,983,276.10 |
| Class I Butterfat | | 9,759,411 | | | | 1.2333 / lb | 12,036,281.60 |
| Class I Location Differential | 521,750,583 | | | | | | (252,981.20) |
| Class II SNF Value | | | | 17,591,945 | | 0.7667 / lb | 13,487,744.24 |
| Class II Butterfat | | 13,351,107 | | | | 1.1443 / lb | 15,277,671.70 |
| Class III Protein Value | | | 18,064,549 | | | 1.8538 / lb | 33,488,060.91 |
| Class III Other Solids Value | | | | | 33,710,875 | 0.0240 / lb | 809,060.98 |
| Class III Butterfat | | 20,257,541 | | | | 1.1373 / lb | 23,038,901.40 |
| Class IV SNF Value | | | | 5,671,400 | | 0.6711 / lb | 3,806,076.51 |
| Class IV Butterfat | | 8,987,171 | | | | 1.1373 / lb | 10,221,109.58 |
| Somatic Cell Value II / III / IV | | | | | | | 275,703.24 |
| *TOTAL PRODUCER MILK VALUE* | 1,387,769,255 | 52,355,230 | 42,582,360 | | 79,232,240 | | $154,170,905.06 |
| | | | | | | | |
| Overages | | | | | $3,311.29 | | |
| Beginning Inventory | | | | | (185.52) | | |
| *TOTAL ADJUSTMENTS* | | | | | | | $ 3,125.77 |
| *TOTAL HANDLER OBLIGATIONS* | | | | | | | $ 154,174,030.83 |
| | | | | | | | |
| Total Protein Value | | | 42,582,360 lbs | @ | $1.8538 | | $ (78,939,178.98) |
| Total Other Solids Value | | | 79,232,240 lbs | @ | 0.0240 | | (1,901,573.76) |
| Butterfat Value | | | 52,355,230 lbs | @ | 1.1373 | | (59,543,603.07) |
| Total Somatic Cell Values | | | | | | | (375,113.45) |
| *TOTALS* | | | | | | | $ 13,414,561.57 |
| | | | | | | | |
| Net Producer Location Adjustments | | | | | | | $ 1,183,700.41 |
| | | | | | | | |
| 1/2 Unobligated Balance Producer Settlement Fund | | | | | | | 721,000.00 |
| | | | | | | | |
| Total - Divided by Total Pounds | | | 1,387,769,255 lbs | | 1.1038767 | | $ 15,319,261.98 |
| Rate of Cash Reserve | | | | | (0.0438767) | | (608,907.35) |
| **PRODUCER PRICE DIFFERENTIAL** *at Cuyahoga County, OH** | | | 1,387,769,255 | | **$1.06 / cwt** | | $ 14,710,354.63 |

### COMPONENT PRICES

| February | 2003 | 2002 |
|---|---|---|
| Butterfat Price | $1.1373 / lb | $1.3817 / lb |
| Protein Price | 1.8538 / lb | 2.0884 / lb |
| Other Solids Price | 0.0240 / lb | 0.0965 / lb |
| Somatic Cell Adjustment Rate | 0.00056 / cwt | 0.00064 / cwt |
| Nonfat Solids Price | 0.6711 / lb | 0.7721 / lb |

### COMPUTATION OF UNIFORM PRICE

| February | 2003 | 2002 |
|---|---|---|
| Class III Price - 3.5% BF | $ 9.66 | $11.63 |
| Producer Price Differential* | 1.06 | 0.83 |
| Statistical Uniform Price | $10.72 | $12.46 |

### CLASS PRICES

| February | 2003 | 2002 |
|---|---|---|
| Class I* | $12.23 | $13.95 |
| Class II | 10.66 | 12.28 |
| Class III | 9.66 | 11.63 |
| Class IV | 9.81 | 11.54 |

* Subject to Location Adjustment.

### CLASSIFICATION OF PRODUCER MILK

| February | 2003 *Product lbs.* | 2002 *Product lbs.* |
|---|---|---|
| Class I | 521,750,583 | 514,236,891 |
| Class II | 205,814,311 | 209,880,750 |
| Class III | 588,933,668 | 637,468,707 |
| Class IV | 71,270,693 | 111,936,469 |
| Total | 1,387,769,255 | 1,473,522,817 |

## ORDER 33 MARKET SUMMARY

The Producer Price Differential for the Mideast Marketing Area for February 2003 was $1.06 and the Statistical Uniform Price was $10.72 for the month. The Statistical Uniform Price is down 33 cents from last month, and is $1.74 lower than February 2002.

The Producer Butterfat Price of $1.1373 per pound decreased 4.83 cents from January 2003 and is down 24.44 cents from a year ago. The Protein Price of $1.8538 is up 3.74 cents from last month and is down 23.46 cents from February 2002. The Other Solids Price in February was $0.0240 per pound, a decrease from last month's price of $0.0339 and a decrease of 7.25 cents from last February. The Somatic Cell Adjustment rate for February was $0.00056.

February producer receipts of 1.39 billion pounds were 5.1 percent lower than January 2003, and 5.8 percent lower than February 2002 production of 1.47 billion pounds. Producer milk allocated to Class I accounted for 37.6 percent of the total producer milk in February 2003, less than the 40.8 percent in January and more than the 34.9 percent in February 2002. A total of 10,505 producers were pooled on the Mideast Order with an average daily delivery of 4,718 pounds compared to 11,254 producers pooled in February 2002 with an average daily delivery of 4,676 pounds.

The market average content of producer milk was as follows: Butterfat 3.77%; Protein 3.07%; Other Solids 5.71% and Nonfat Solids 8.78%.

*(Continued from Front Page)*

milk per cow was weakened by lower than normal culling just to keep barns full. By the end of 2002, slowing pressure for dairy farm expansions and growth in heifer supplies had restored more normal conditions in heifer markets. Milk output per cow continues to lag longer-term trends. Higher feed prices in the face of falling milk prices may have discouraged producers from feeding to achieve maximum output per cow. In addition, the shortage of heifers likely kept sub-optimal cows in herds, depressing aggregate yields.

*Source: Howard McDowell Senior Economist, USDA-AMS-Dairy Programs*

## CLASS I MILK DISPOSITION BY ALL SOURCES

Class I milk disposition by all sources averaged 17.63 million pounds a day in 2002. This is an increase of 57,000 pounds or 0.3 percent from 2001. It is down 562,000 pounds per day or 3.1 percent from 2000. The top six months for 2000-2002 were November, February, March, January, October, and September. Class I milk disposition averaged 18.30 million pounds of milk per day for the top six months. The other six months averaged 17.32 million pounds of milk per day.

Mideast In-Area Class I Milk Disposition by All Sources
*(1,000 Pounds)*

| 2002 | Pool Plants | Part. Reg. | Prod.Hand. & Exempt | Other F.O. Plants | Total In-Area Sales | 2000 Daily Average Sales | 2001 Daily Average Sales | 2002 Daily Average Sales | % Change 2001/2002 |
|---|---|---|---|---|---|---|---|---|---|
| January | 521,657 | 3,207 | 3,071 | 32,726 | 560,661 | 18,512 | 18,400 | 18,086 | -1.70 |
| February | 473,877 | 2,854 | 2,596 | 31,143 | 510,470 | 19,029 | 17,983 | 18,231 | 1.38 |
| March | 512,696 | 2,995 | 2,755 | 34,125 | 552,571 | 18,671 | 18,503 | 17,825 | -3.67 |
| April | 493,691 | 2,965 | 2,832 | 33,116 | 532,604 | 18,011 | 17,173 | 17,754 | 3.38 |
| May | 502,564 | 2,948 | 3,344 | 32,740 | 541,596 | 18,225 | 17,201 | 17,471 | 1.57 |
| June | 441,904 | 2,680 | 2,836 | 32,997 | 480,417 | 17,292 | 16,850 | 16,014 | -4.96 |
| July | 470,642 | 5,246 | 3,326 | 31,538 | 510,752 | 16,806 | 16,054 | 16,476 | 2.63 |
| August | 499,865 | 5,713 | 3,132 | 33,732 | 542,442 | 17,707 | 17,061 | 17,498 | 2.56 |
| September | 490,461 | 5,566 | 3,040 | 32,802 | 531,869 | 18,707 | 17,538 | 17,729 | 1.09 |
| October | 520,973 | 5,859 | 3,226 | 35,576 | 565,634 | 17,935 | 18,267 | 18,246 | -0.11 |
| November | 518,038 | 5,828 | 2,965 | 33,670 | 560,501 | 18,825 | 18,134 | 18,683 | 3.03 |
| December | 500,014 | 5,502 | 3,000 | 38,219 | 546,735 | 18,672 | 17,791 | 17,637 | -0.87 |
| Total | 5,946,382 | 51,363 | 36,123 | 402,384 | 6,436,252 | 18,199 | 17,580 | 17,637 | 0.33 |

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

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| | January 2003* | | | | | | January 2002 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | -----Weighted Averages----- | | | | | ------Weighted Averages------ | | | |
| State | Number of Producers | Pounds of Milk (000) | Butterfat | Protein | Other Solids | SCC (000) | Pounds of Milk (000) | Butterfat | Protein | Other Solids | SCC (000) |
| Michigan | 2,536 | 455,756 | 3.71 | 3.07 | 5.72 | 264 | 465,985 | 3.73 | 3.05 | 5.71 | 272 |
| Ohio | 2,593 | 310,025 | 3.90 | 3.13 | 5.70 | 303 | 336,619 | 3.84 | 3.11 | 5.69 | 294 |
| Wisconsin | 1,962 | 285,108 | 3.77 | 3.02 | 5.72 | 275 | 280,605 | 3.78 | 3.02 | 5.70 | 281 |
| Indiana | 1,284 | 152,851 | 3.82 | 3.10 | 5.71 | 277 | 127,671 | 3.87 | 3.10 | 5.70 | 303 |
| Pennsylvania | 1,357 | 119,698 | 3.89 | 3.11 | 5.67 | 368 | 131,292 | 3.89 | 3.09 | 5.67 | 337 |
| New York | 488 | 109,446 | 3.74 | 3.02 | 5.70 | 256 | 49,264 | 3.78 | 3.03 | 5.66 | 263 |
| Illinois | 87 | 12,857 | 3.82 | 3.05 | 5.78 | 303 | 13,790 | 3.76 | 3.04 | 5.74 | 296 |
| West Virginia | 86 | 6,409 | 3.91 | 3.17 | 5.68 | 400 | 7,390 | 3.81 | 3.16 | 5.67 | 384 |
| Minnesota | 43 | 4,551 | 3.86 | 3.06 | 5.78 | 321 | 3,952 | 3.80 | 3.08 | 5.76 | 427 |
| Other | 92 | 6,229 | 3.89 | 3.10 | 5.70 | 328 | 9,708 | 3.87 | 3.11 | 5.70 | 327 |
| Total/Average | 10,528 | 1,462,930 | 3.79 | 3.08 | 5.71 | 285 | 1,426,277 | 3.80 | 3.07 | 5.70 | 289 |

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

**United States Department of Agriculture**

**Mideast Market Administrator Bulletin**
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## FEDERAL ORDER DATA
## FEBRUARY 2003

| Marketing Area 1/ | | Producer Milk Total (000) | Producer Milk Class I (000) | Class I Percent % | Producer Price Differential | Statistical Uniform Price |
|---|---|---|---|---|---|---|
| FO 1 | Northeast - *(Boston)* | 1,901,334 | 851,107 | 44.8 | $2.13 | $11.79 |
| FO 5 | Appalachian - *(Charlotte)* | 490,615 | 350,315 | 71.4 | 2/ | 12.52 |
| FO 6 | Florida - *(Tampa)* | 231,380 | 201,537 | 87.1 | 2/ | 13.65 |
| FO 7 | Southeast - *(Atlanta)* | 572,914 | 373,680 | 65.2 | 2/ | 12.32 |
| FO 30 | Upper Midwest - *(Chicago)* | 1,729,117 | 320,612 | 18.5 | 0.47 | 10.13 |
| FO 32 | Central - *(Kansas City)* | 1,594,634 | 394,124 | 24.7 | 0.75 | 10.41 |
| **FO 33** | **Mideast - *(Cleveland)*** | **1,387,769** | **521,751** | **37.6** | **1.06** | **10.72** |
| FO 124 | Pacific Northwest - *(Seattle)* | 564,546 | 162,706 | 28.8 | 0.78 | 10.44 |
| FO 126 | Southwest - *(Dallas)* | 822,100 | 317,730 | 38.7 | 1.76 | 11.42 |
| FO 131 | Arizona-Las Vegas - *(Phoenix)* | 257,172 | 79,222 | 30.8 | 2/ | 10.63 |
| FO 135 | Western - *(Salt Lake City)* | 465,354 | 86,061 | 18.6 | 0.63 | 10.29 |

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 2003 ...................................... $9.66 /cwt.**