Mideast Market Administrator's Bulletin

Federal Order No. 33

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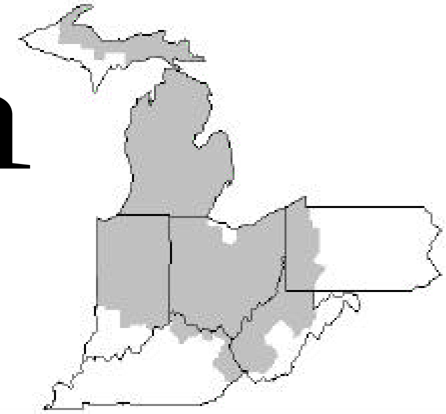

COALE NAMED DEPUTY ADMINISTRATOR OF USDA AGRICULTURAL MARKETING SERVICE DAIRY PROGRAMS

The U.S. Department of Agriculture's Agricultural Marketing Service has announced the selection of Dana Hamilton Coale as the new deputy administrator of AMS' Dairy Programs.

As Dairy Programs deputy administrator, Ms. Coale is responsible for overseeing various programs including the Federal milk marketing order program, the standardization program, the inspection and grading program, the market news program, and the dairy producer and fluid milk processor promotion and research programs. In this capacity, Ms. Coale will promote a competitive and efficient marketplace that benefits U.S. dairy farmers, dairy processors, and consumers. Ms. Coale replaces Richard McKee, who retired April 3, 2004. Since December 2001, Ms. Coale has served as the Dairy Programs' associate deputy administrator.

Ms. Coale's previous experience includes serving as an agricultural marketing specialist with the AMS Dairy Programs for 11 years working with the Federal milk marketing order program. Ms. Coale received a bachelor of science in public service and administration and international agriculture from Iowa State University.

JULY MILK PRODUCTION UP 0.7 PERCENT

Milk production in the 20 major States during July totaled 12.5 billion pounds, up 0.7 percent from July 2003. June revised production, at 12.4 billion pounds, was down 0.1 percent from June 2003. The June revision represented an increase of 1 million pounds from last month's preliminary production estimate.

Production per cow in the 20 major States averaged 1,613 pounds for July, 16 pounds above July 2003.

The number of cows on farms in the 20 major States was 7.75 million head, 27,000 head less than July 2003, but 11,000 head more than June 2004.

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 2.0 billion pounds, down 20 million pounds or 1.0 percent from July 2003.

Production per cow in the Mideast states averaged 1,599 pounds for July, two pounds Below July 2003.

The number of cows on farms in the Mideast states was 1.3 million head, 10,000 head less than July 2003.

THE DAIRY OUTLOOK

Cheese and butter markets have undergone dramatic adjustments following their extreme April price peaks. Prices should be less volatile during the rest of the year if the adjustment process is as close to complete as it appears. However, prices are expected to slip slowly as market fundamentals ease.

Wholesale movement of cheese jumped during February-April as cheese buyers scrambled to lay in stocks to protect themselves against the possibility of shortages. Once the price bubble burst, users cut purchases and began to bring down their pipeline holdings. Cheese disappearance was weak during May-June as movement of American cheese was almost two percent below a year earlier, and sales of other varieties were only barely larger. Although cheese makers slowed production expansion dramatically from the large rises of February-April, reductions in output could not keep pace with the weakening in movement, and warehouse stocks of American cheese built. At midyear, commercial stocks of American cheese were about 35 million pounds larger than either of the two preceding years.

Patterns in the butter market were almost the reverse of the cheese patterns. During February-April, butter output fell sharply as milk was diverted into cheese, cream and nonfat dry milk were used to boost cheese output, and milkfat users built pipelines for later use. Commercial disappearance of butter was down considerably from a year earlier even though final sales reportedly were fairly brisk. The May corrections in cheese output quickly made more fat available for butter. June butter production was up sharply from a year earlier, probably partially due to reductions in excess pipeline holdings of milkfat for use in ice cream and other products. The extra butter was

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AUGUST 2004 - POOL SUMMARY

Classification of Producer Milk

		Percent
Class I	534,044,221	34.5
Class II	247,268,930	16.0
Class III	689,782,009	44.6
Class IV	75,051,913	4.9
Total	1,546,147,073	100.0

Producer Prices

Producer Price Differential	$ 0.57	/ cwt
Butterfat Price	1.7941	/ lb
Protein Price	2.4663	/ lb
Other Solids Price	0.0676	/ lb
Somatic Cell Adjustment Rate	0.00076	/ cwt
Statistical Uniform Price	14.61	/ cwt

ANNOUNCEMENT OF PRODUCER PRICES

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AUGUST 2004

COMPUTATION OF PRODUCER PRICE DIFFERENTIAL

	POUNDS	BUTTERFAT	SKIM / PROTEIN	NONFAT SOLIDS	OTHER SOLIDS	PRICE	VALUE
Class I Skim Value			523,988,816			$ 9.55 / cwt	$ 50,040,931.96
Class I Butterfat		10,055,405				2.1152 / lb	21,269,192.62
Class I Location Differential	534,044,221						(300,632.70)
Class II SNF Value				20,822,471		0.7856 / lb	16,358,133.23
Class II Butterfat		16,453,348				1.8011 / lb	29,634,125.05
Class III Protein Value			20,639,611			2.4663 / lb	50,903,472.62
Class III Other Solids Value					39,494,357	0.0676 / lb	2,669,818.51
Class III Butterfat		23,102,179				1.7941 / lb	41,447,619.31
Class IV SNF Value				6,245,342		0.7112 / lb	4,441,687.21
Class IV Butterfat		5,761,595				1.7941 / lb	10,336,877.57
Somatic Cell Value II / III / IV							340,113.30
TOTAL PRODUCER MILK VALUE	1,546,147,073	55,372,527	46,178,015		88,310,409		$ 227,141,338.68
Overages					$ 30,055.50		
Beginning Inventory					(20,629.22)		
TOTAL ADJUSTMENTS							$ 9,426.28
TOTAL HANDLER OBLIGATIONS							$ 227,150,764.96
Total Protein Value			46,178,015 lbs	@	$2.4663		$(113,888,838.39)
Total Other Solids Value			88,310,409 lbs	@	0.0676		(5,969,783.66)
Butterfat Value			55,372,527 lbs	@	1.7941		(99,343,850.68)
Total Somatic Cell Values							(461,797.04)
TOTALS							$ 7,486,495.19
Net Producer Location Adjustments							$ 1,371,688.96
1/2 Unobligated Balance Producer Settlement Fund							641,000.00
Total - Divided by Total Pounds			1,546,147,073 lbs		0.6143778		$ 9,499,184.15
Rate of Cash Reserve					(0.0443778)		(686,146.06)
PRODUCER PRICE DIFFERENTIAL *at Cuyahoga County, OH**			1,546,147,073		**$ 0.57 cwt**		$ 8,813,038.09

COMPONENT PRICES

	August 2004	August 2003
Butterfat Price	$1.7941 / lb	$1.2514 / lb
Protein Price	2.4663 / lb	3.1438 / lb
Other Solids Price	0.0676 / lb	0.0026 / lb
Somatic Cell Adjustment Rate	0.00076 / cwt	0.00077 / cwt
Nonfat Solids Price	0.7112 / lb	0.6638 / lb

COMPUTATION OF UNIFORM PRICE

	August 2004	August 2003
Class III Price - 3.5% BF	$ 14.04	$ 13.80
Producer Price Differential*	0.57	(1.20)
Statistical Uniform Price	$14.61	$12.60

CLASS PRICES

	August 2004	August 2003
Class I*	$16.62	$12.97
Class II	13.13	10.81
Class III	14.04	13.80
Class IV	12.46	10.14

* Subject to Location Adjustment.

CLASSIFICATION OF PRODUCER MILK

	August 2004 Product lbs.	August 2003 Product lbs.
Class I	534,044,221	542,569,454
Class II	247,268,930	245,786,394
Class III	689,782,009	138,100,258
Class IV	75,051,913	81,655,595
Total	1,546,147,073	1,008,111,701

ORDER 33 MARKET SUMMARY

The Producer Price Differential for the Mideast Marketing Area for August 2004 was $0.57 and the Statistical Uniform Price was $14.61 for the month. The Statistical Uniform Price is $1.94 lower than last month, and is $2.01 higher than August 2003.

The Producer Butterfat Price of $1.7941 per pound decreased 26.02 cents from July 2004 and is up 54.27 cents from a year ago. The Protein Price of $2.4663 is up 10.38 cents from last month and is down 67.75 cents from August 2003. The Other Solids Price in August was $0.0676 per pound, a decrease from last month's price of $0.1048 and an increase of 6.50 cents from last August. The Somatic Cell Adjustment rate for August was $0.00076.

August producer receipts of 1.55 billion pounds were 4.0 percent higher than July 2004, and 53.4 percent higher than August 2003 production of 1.01 billion pounds. Producer milk allocated to Class I accounted for 34.5 percent of the total producer milk in August 2004, less than the 35.0 percent in July and less than the 53.8 percent in August 2003. A total of 10,282 producers were pooled on the Mideast Order compared to 10,724 producers pooled in August 2003.

The market average content of producer milk was as follows: Butterfat 3.58%; Protein 2.99%; Other Solids 5.71% and Nonfat Solids 8.70%.

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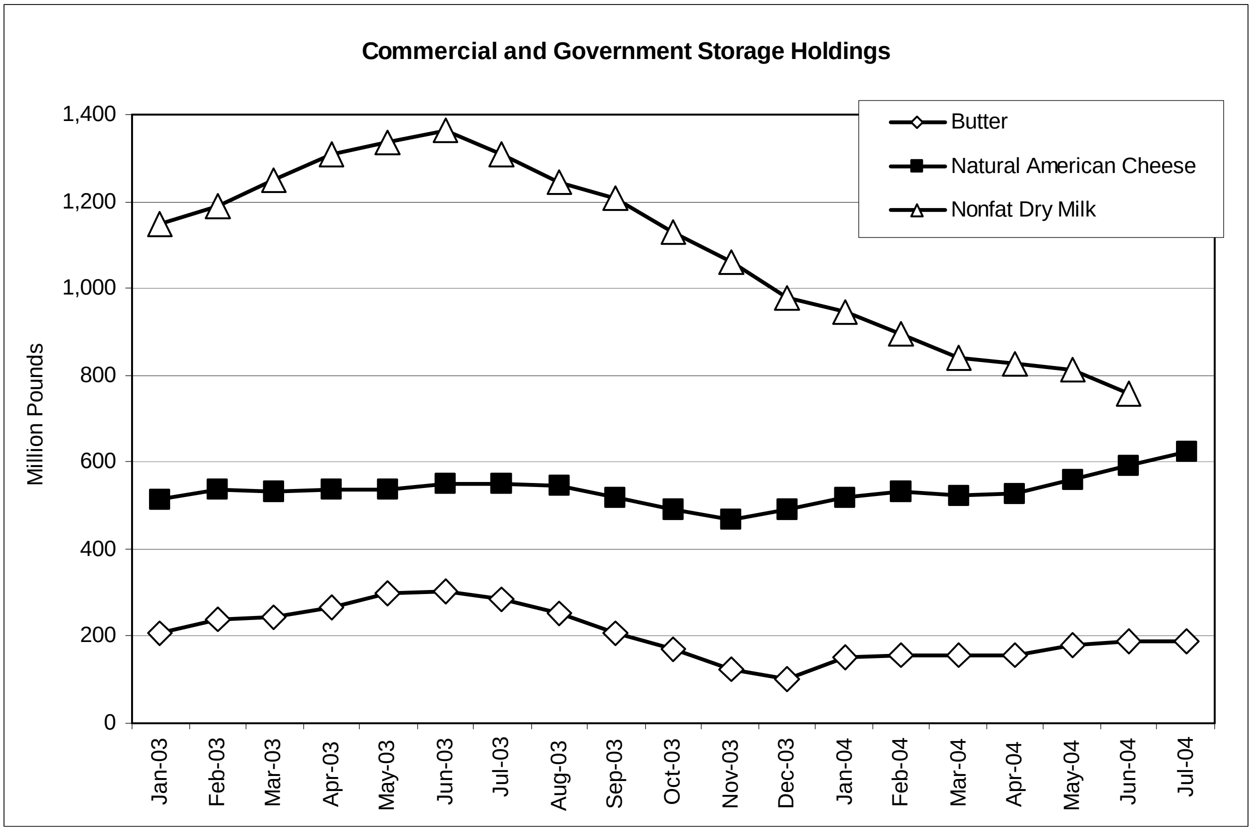
welcomed by butter users and May-June movement jumped by about 15 percent. Unlike cheese stocks, warehouse stocks of butter continued to run about 100 million pounds below those of 2003 and about 50 million pounds below two years ago.

The additional warehouse holding of cheese and the expected modest recovery in milk production probably will place some downward pressure on cheese prices during the rest of the year—even if pipeline stocks of cheese have been fairly well trimmed. However, demand is projected to stay fairly good, and these bearish supply factors likely will be modest. As yearend approaches, prices are projected to erode slowly rather than collapse.

Prospects for butter prices are more unsettled. Late summer drawdown of pipeline holdings of milkfat ingredients undoubtedly contributed to the recent butter price weakness, as did possibly excessive pipeline butter stocks. However, the overall butter fundamentals seem fairly balanced, leading to the most recent partial recovery. However, weakness in cheese prices probably will add softness to butter prices as butter markets seem unlikely to be able to withstand any significant diversion of milk from cheese.

SOURCE: "Livestock, Dairy, and Poultry Outlook", LDP-M-122, August 18, 2004, Economic Research Service, USDA. For more information, contact James J. Miller, (202) 694-5184.



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

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	July 2004						July 2003				
			-----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	2,306	494,431	3.50	2.94	5.72	301	439,124	3.45	2.90	5.72	314
Ohio	2,506	337,134	3.56	2.96	5.69	337	241,386	3.59	2.94	5.69	372
Wisconsin	1,766	278,498	3.59	2.93	5.73	304	17,844	3.55	2.90	5.71	327
Indiana	1,201	140,767	3.57	2.95	5.71	334	129,767	3.59	2.94	5.71	359
Pennsylvania	1,294	113,039	3.60	2.96	5.67	402	85,662	3.64	2.94	5.66	426
New York	364	83,226	3.51	2.91	5.67	253	91,983	3.52	2.91	5.68	280
Illinois	86	16,665	3.53	2.95	5.76	293	**				
West Virginia	71	5,353	3.58	3.02	5.65	447	5,314	3.57	2.99	5.65	480
Other	127	18,217	3.60	2.94	5.72	315	7,085	3.59	2.98	5.67	394
Total/Average *	9,721	1,487,330	3.55	2.94	5.71	318	1,018,166	3.53	2.92	5.70	342

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

United States Department of Agriculture

Mideast Market Administrator Bulletin
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FEDERAL ORDER DATA
AUGUST 2004

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)*	1,890,546	862,261	45.6	$1.53	$15.57
FO 5	Appalachian - *(Charlotte)*	537,384	366,505	68.2	[2/]	16.16
FO 6	Florida - *(Tampa)*	219,854	189,776	86.3	[2/]	17.49
FO 7	Southeast - *(Atlanta)*	593,593	401,050	67.6	[2/]	16.17
FO 30	Upper Midwest - *(Chicago)*	2,001,526	360,722	18.0	0.22	14.26
FO 32	Central - *(Kansas City)*	1,230,791	367,331	29.9	0.42	14.46
FO 33	**Mideast - *(Cleveland)***	**1,546,147**	**534,044**	**34.5**	**0.57**	**14.61**
FO 124	Pacific Northwest - *(Seattle)*	619,800	176,297	28.4	0.11	14.15
FO 126	Southwest - *(Dallas)*	777,939	354,921	45.6	1.45	15.49
FO 131	Arizona-Las Vegas - *(Phoenix)*	222,128	82,315	37.1	[2/]	14.56

[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 2004 .... $12.46 /cwt.