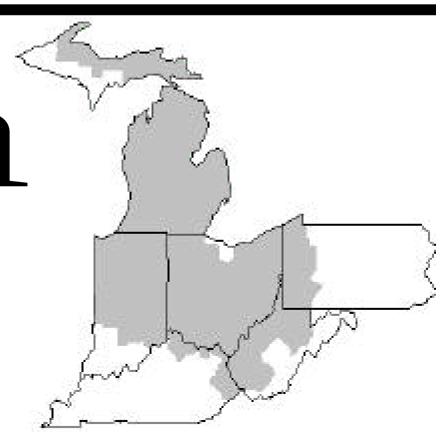
Mideast Market Administrator's Bulletin



Federal Order No. 33

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August 2005

USDA ANNOUNCES A TENTATIVE PARTIAL DECISION TO AMEND THE MIDEAST MILK MARKETING ORDER

The U.S. Department of Agriculture announced a tentative partial decision that recommends various amendments to current provisions of the Mideast Federal milk marketing order. This decision is based on testimony and evidence given at a public hearing held on March 7 – 10, 2005, in Wooster, Ohio.

This decision adopts proposals to amend certain features of the pooling standards of the Mideast milk marketing order on an interim final and emergency basis. Specifically, this decision will: 1) Prohibit the ability to simultaneously pool the same milk on the Mideast Federal milk order and on a marketwide equalization pool administered by another government entity; 2) lower the diversion limit standards; and 3) increase the performance standards for supply plants.

At a later date, USDA will issue a separate decision to address proposals to deter the de-pooling of milk, adopt transportation credits and clarify the Producer definition of the order.

The decision was published in the July 27 *Federal Register*. Interested persons have 60 days to file comments in response to the tentative partial decision. USDA is in the process of determining if producers approved the amended order.

For additional information about the decision contact: David Z. Walker, Market Administrator; USDA/AMS/Dairy Programs; P.O. Box 5102; Brunswick, Ohio, 44212; Tel. (330) 225-4758; e-mail: dwalker@fmmaclev.com.

JOHANNS ANNOUNCES APPOINTMENT OF LLOYD DAY AS ADMINISTRATOR OF AMS

Agriculture Secretary Mike Johanns announced he has named Lloyd C. Day as Administrator of the Agricultural Marketing Service, (AMS) at the United States Department of Agriculture. The Agricultural Marketing Service includes six commodity programs--Cotton, Dairy, Fruit and Vegetable, Livestock and Seed, Poultry, and Tobacco. The AMS dairy program oversees milk marketing orders, and administers the dairy research and promotion programs.

"Lloyd's experience in international affairs, economic development and trade policy will be an asset in his new role at AMS, where he will help to market agricultural products in domestic and international markets, while ensuring fair trading practices," said Johanns. "I am very pleased that he will quickly assume his new responsibilities in this capacity so we can better serve our customers and the agricultural industry."

Day assumed the role of Administrator of AMS on August 8, 2005. Since 2002, he has served as special assistant to the Administrator of the Foreign Agricultural Service (FAS) at USDA. In this role, he was responsible for coordinating all USDA activities with Mexico on behalf of the Secretary of Agriculture.

Prior to coming to USDA, Day worked as a business development director and industry marketing manager at Tumbleweed Communications in Redwood City, California from 1999-2002. He also served as Deputy Secretary of International Trade and Investment with the California Trade and Commerce Agency in Governor Pete Wilson's Administration from 1996-1999.

Day received a bachelor's and master's degree from Stanford University and a second master's degree from the University of Glasgow in Scotland. Day is a native of Sacramento, California.

JUNE MILK PRODUCTION UP 5.4 PERCENT

Milk production in the 23 major States during June totaled 13.7 billion pounds, up 5.4 percent from June 2004. May revised production, at 14.3 billion pounds, was up 4.6 percent from May 2004. The May revision represented an increase of 0.2 percent or 26 million pounds from last month's preliminary production estimate.

Production per cow in the 23 major States averaged 1,683 pounds for June, 76 pounds above June 2004.

The number of milk cows on farms in the 23 major States was 8.13 million head, 47,000 head more than June 2004, and 9,000 head more than May 2005.

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JULY 2005 POOL SUMMARY

Classification of Producer Milk

		Percent
Class I	497,080,576	30.0
Class II	273,612,138	16.5
Class III	768,991,006	46.5
Class IV	115,880,340	7.0
Total	1,655,564,060	100.0

Producer Prices

Producer Price Differential	$ 0.61	/ cwt
Butterfat Price	1.8007	/ lb
Protein Price	2.4558	/ lb
Other Solids Price	0.1240	/ lb
Somatic Cell Adjustment Rate	0.00076	/ cwt
Statistical Uniform Price	14.96	/ cwt

ANNOUNCEMENT OF PRODUCER PRICES

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JULY 2005

COMPUTATION OF PRODUCER PRICE DIFFERENTIAL

	POUNDS	BUTTERFAT	SKIM / PROTEIN	NONFAT SOLIDS	OTHER SOLIDS	PRICE	VALUE
Class I Skim Value			487,668,661			$ 10.73 / cwt	$ 52,326,847.35
Class I Butterfat		9,411,915				1.5810 / lb	14,880,237.62
Class I Location Differential	497,080,576						(268,037.46)
Class II SNF Value				22,923,719		0.8589 / lb	19,689,182.29
Class II Butterfat		16,326,517				1.8077 / lb	29,513,444.75
Class III Protein Value			22,295,257			2.4558 / lb	54,752,692.15
Class III Other Solids Value					44,229,972	0.1240 / lb	5,484,516.55
Class III Butterfat		24,861,731				1.8007 / lb	44,768,519.02
Class IV SNF Value				9,683,827		0.7909 / lb	7,658,938.79
Class IV Butterfat		7,106,316				1.8007 / lb	12,796,343.24
Somatic Cell Value II / III / IV							403,752.46
TOTAL PRODUCER MILK VALUE	1,655,564,060	57,706,479	47,779,973		94,810,450		$ 242,006,436.76
Overages					$14,616.08		
Beginning Inventory					145,034.47		
OS Charges							
TOTAL ADJUSTMENTS							$ 159,650.55
TOTAL HANDLER OBLIGATIONS							$ 242,166,087.31
Total Protein Value			47,779,973	lbs	@ $2.4558		$ (117,338,057.75)
Total Other Solids Value			94,810,450	lbs	@ 0.1240		(11,756,495.82)
Butterfat Value			57,706,479	lbs	@ 1.8007		(103,912,056.72)
Total Somatic Cell Values							(504,545.58)
TOTALS							$ 8,654,931.44
Net Producer Location Adjustments							$ 1,425,348.70
1/2 Unobligated Balance Producer Settlement Fund							795,000.00
Total - Divided by Total Pounds			1,655,564,060	lbs	0.6568927		$ 10,875,280.14
Rate of Cash Reserve					(0.0468927)		(776,338.69)
PRODUCER PRICE DIFFERENTIAL at Cuyahoga County, OH*			1,655,564,060		$ 0.61 cwt		$ 10,098,941.45

COMPONENT PRICES

July	2005	2004
Butterfat Price	$1.8007 / lb	$2.0543 / lb
Protein Price	2.4558 / lb	2.3625 / lb
Other Solids Price	0.1240 / lb	0.1048 / lb
Somatic Cell Adjustment Rate	0.00076 / cwt	0.00078 / cwt
Nonfat Solids Price	0.7909 / lb	0.7042 / lb

COMPUTATION OF UNIFORM PRICE

July	2005	2004
Class III Price - 3.5% BF	$ 14.35	$ 14.85
Producer Price Differential*	0.61	1.70
Statistical Uniform Price	$14.96	$16.55

CLASS PRICES

July	2005	2004
Class I*	$15.89	$19.95
Class II	13.79	14.00
Class III	14.35	14.85
Class IV	13.17	13.31

* Subject to Location Adjustment.

CLASSIFICATION OF PRODUCER MILK

July	2005 *Product lbs.*	2004 *Product lbs.*
Class I	497,080,576	520,455,927
Class II	273,612,138	234,623,368
Class III	768,991,006	652,628,835
Class IV	115,880,340	79,678,018
Total	1,655,564,060	1,487,386,148

ORDER 33 MARKET SUMMARY

The Producer Price Differential for the Mideast Marketing Area for July 2005 was $0.61 and the Statistical Uniform Price was $14.96 for the month. The Statistical Uniform Price is $0.60 higher than last month, and is $1.59 lower than July 2004.

The Producer Butterfat Price of $1.8007 per pound increased 20.75 cents from June 2005 and is down 25.36 cents from a year ago. The Protein Price of $2.4558 is down 11.83 cents from last month and is up 9.33 cents from July 2004. The Other Solids Price in July was $0.1240 per pound, an increase from last month's price of $0.1139 and an increase of 1.92 cents from last July. The Somatic Cell Adjustment rate for July was $0.00076.

July producer receipts of 1.66 billion pounds were 1.7 percent higher than June 2005, and 11.3 percent higher than July 2004 production of 1.49 billion pounds. Producer milk allocated to Class I accounted for 30.0 percent of the total producer milk in July 2005, more than the 29.7 percent in June 2005 and less than the 35.0 percent in July 2004. A total of 9,548 producers were pooled on the Mideast Order compared to 9,707 producers pooled in July 2004.

The market average content of producer milk was as follows: Butterfat 3.49%; Protein 2.89%; Other Solids 5.73% and Nonfat Solids 8.62%.

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The Mideast Marketing Area has four states represented in the 23 major states used above. They are Indiana, Michigan, Ohio, and Pennsylvania. Milk production in these Mideast states during June totaled 2.1 billion pounds, up 142 million pounds or 7.1 percent from June 2004.

Production per cow in the Mideast states averaged 1,654 pounds for June, 69 pounds above June 2004. The number of cows on farms in the Mideast states was 1.3 million head, 27,000 head more than June 2004.

THE DAIRY OUTLOOK

Summary - Brisk late spring demand for dairy products not only absorbed a spurt in milk production but generated modest June price increases. However, strong expansion in milk production is expected to persist longer than good demand. Projected seasonal price increases during the second half are quite muted. Milk production surged this spring, prodded by the strong returns of 2004 and early 2005. Output in May was more than four-percent above a year earlier in the 23 major States, with gains in both cow numbers and milk per cow. The increase was less than two-percent as recently as January. Milk cow numbers in the 23 States have risen steadily from a February low. Compared with a year earlier, cow numbers have been fractionally higher since last autumn. Numbers in the 23 States this spring indicate that U.S. cow numbers were slightly higher than a year earlier. The gradual increase in cow numbers imply that tight replacement heifer supplies and unfavorable Western forage prospects may not be quite as restraining as earlier thought. Farms have been able to bring new expansions slowly into production, while exits remain at low levels. Even so, the response to the strong returns remains relatively muted. Cow numbers are expected to inch higher during the rest of 2005, averaging only barely above a year earlier for all of 2005.

Milk per Cow Bounces Back - The rapid acceleration in milk production was due to a sharp recovery in milk per cow. The May milk per cow in the 23 States jumped almost four-percent from a year earlier, compared with only a one-percent increase in January. The key factor undoubtedly was the progressive effect of returning to near-normal availability of bovine somatotropin (BST). By May, a large share of the cow herd had calved after the loosening of the BST restrictions, and economic incentives were strong for BST use. However, the pickup in spring milk per cow represented more than just the effects of BST. Relative prices of milk and concentrate feeds stayed conducive to heavy concentrate feeding. In addition, weather conditions were particularly favorable in many areas. Growth in milk per cow is projected to stay brisk during the rest of 2005, although the year-to-year increase this summer may not be quite as large because of stronger output last year. Forage quality problems are a potential source of weakness because of low stocks of high quality hay, water shortages in the Northwest, and some unfavorable conditions during first cut. At this time however, forage problems do not appear likely to derail recovery in milk per cow. For all of 2005, milk per cow is projected to rise almost 3 percent on a daily average basis.

Demand Still Unsettled - Thus far, a surge in 2005's erratic demand has forestalled price weakness from this burst in milk production. Commercial use of milkfat in May rose substantially from the relatively strong showing a year earlier, with a number of products posting gains. Meanwhile, exports continue to absorb any available skim solids. Despite relatively stable, favorable economic conditions, dairy demand was brisk early in the year, weakened suddenly in March and April, and came back strongly in May. After building very sharply in April and May, weekly butter stocks as reported by the Chicago Mercantile Exchange (CME) fell back below a year earlier in June. Prices of both cheese and butter on the CME rose during June and remain fairly firm. In addition to the likely good final use, buyers had been relatively slow to arrange second-half supplies in the face of rising output. By June, some pipeline building had to be done. In addition, hot weather probably spurred ice cream use as well as reduced the solids content of farm milk. Whether demand can continue to absorb likely supplies is questionable. Economic and income growth are expected to be brisk enough to sustain recent demand, but this year's experience implies that erratic demand is more likely. Second-half seasonal increases in dairy product and farm milk prices are projected to be quite modest, and prices may continue to seesaw. For the year, farmers are projected to receive an average price only about $1 per cwt less than last year's record.

SOURCE: "Livestock, Dairy, and Poultry Outlook", LDP-M-133, July 18, 2005, 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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	June 2005						June 2004				
			-----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	2,241	517,005	3.49	2.91	5.75	265	482,890	3.52	2.95	5.73	288
Ohio	2,465	343,818	3.54	2.94	5.72	286	322,277	3.56	2.97	5.70	324
Wisconsin	1,711	322,658	3.56	2.90	5.79	261	280,231	3.62	2.93	5.74	298
New York	518	148,168	3.49	2.89	5.69	233	152,195	3.53	2.93	5.70	258
Indiana	1,230	142,585	3.52	2.91	5.74	296	139,711	3.58	2.96	5.72	315
Pennsylvania	1,275	121,730	3.59	2.96	5.72	338	124,126	3.61	2.97	5.68	377
Illinois	83	10,943	3.52	2.87	5.77	275	16,176	3.50	2.96	5.77	291
West Virginia	71	6,056	3.61	3.03	5.74	380	5,650	3.58	3.03	5.68	415
Other	138	15,586	3.53	2.93	5.77	351	28,773	3.58	2.96	5.73	268
Total/Average *	9,732	1,628,548	3.52	2.92	5.74	275	1,552,029	3.56	2.95	5.72	304

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

United States
Department of
Agriculture

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FEDERAL ORDER DATA
JULY 2005

	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)*	1,988,069	814,182	40.9	$1.50	$15.85
FO 5	Appalachian - *(Charlotte)*	503,917	332,705	66.0	[2]	16.26
FO 6	Florida - *(Tampa)*	249,085	203,230	81.6	[2]	17.47
FO 7	Southeast - *(Atlanta)*	588,307	363,020	61.7	[2]	16.18
FO 30	Upper Midwest - *(Chicago)*	2,011,781	338,531	16.8	0.34	14.69
FO 32	Central - *(Kansas City)*	1,293,543	332,260	25.7	0.41	14.76
FO 33	**Mideast - *(Cleveland)***	**1,655,564**	**497,081**	**30.0**	**0.61**	**14.96**
FO 124	Pacific Northwest - *(Seattle)*	672,974	166,318	24.7	0.03	14.38
FO 126	Southwest - *(Dallas)*	892,830	319,902	35.8	1.09	15.44
FO 131	Arizona-Las Vegas - *(Phoenix)*	241,674	77,685	32.2	[2]	14.89

[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 2005 .... $13.17 /cwt.