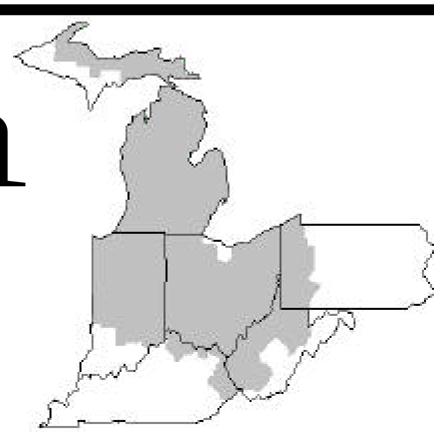
Mideast Market Administrator's Bulletin



Federal Order No. 33

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June 2005

USDA ANNOUNCES INTERIM ORDER TO AMEND UPPER MIDWEST MILK ORDER

The U.S. Department of Agriculture issued an interim order amending current provisions of the Upper Midwest Federal milk marketing order. The interim order was approved by Upper Midwest dairy farmers.

This interim order amends the performance standards and transportation credit provisions of the Upper Midwest order. The amendments include: 1) revising the supply plant performance standards so that milk seeking to be pooled on the order demonstrates consistent service to the Class I market; 2) preventing handlers located within the States that comprise the Upper Midwest marketing area from qualifying milk located outside of the States that comprise the marketing area; 3) eliminating diversions to nonpool plants outside of the States that comprise the Upper Midwest marketing area; and 4) establishing a limit on the receipt by handlers of a transportation credit to milk movements of 400 miles or less.

The interim order, published in the June 1 Federal Register, will become effective on July 1, 2005.

USDA PROPOSES AMENDMENTS TO APPALACHIAN AND SOUTHEAST MILK ORDERS

The U. S. Department of Agriculture announced a decision that recommends adopting proposed amendments to the Appalachian and Southeast Federal milk marketing orders. This decision is based on record evidence of a public hearing held in February 2004 in Atlanta, Georgia.

The decision recommends expanding the Appalachian milk marketing area to include 25 unregulated counties and 14 unregulated cities in Virginia and eliminating the ability to simultaneously pool the same milk on the Appalachian or Southeast order and a state-operated milk order that has marketwide pooling. The decision also recommends amending the transportation credit provisions of the Appalachian and Southeast orders to increase the maximum rate of assessment by 3 cents per hundredweight (cwt) to $0.095 per cwt and $0.10 per cwt, respectively.

This decision does not recommend adopting a proposal that would merge the Appalachian and Southeast milk marketing areas into a single order or a proposal that would create a new "Mississippi Valley" milk order by splitting the Southeast marketing area. Proposals regarding the producer-handler provisions of the Appalachian and Southeast orders will be addressed in a separate decision.

The partial recommended decision was published in the May 20, 2005, Federal Register. Interested persons are provided 60 days to file comments in response to the decision.

Additional information about the decision may be obtained from the following market administrators: **Appalachian**: Harold H. Friedly; USDA/AMS/Dairy Programs; P.O. Box 18030, Louisville, KY; 40261-0030; Tel. (502) 499-0040; email: friedly@malouisville.com. **Southeast**: Sue L. Mosley; USDA/AMS/Dairy Programs; P.O. Box 491778, Lawrenceville, GA. 30049; Tel. (770) 682-2501; email: smosley@fmmatlanta.com

APRIL MILK PRODUCTION UP 3.2 PERCENT

Milk production in the 23 major milk producing States during April totaled 13.6 billion pounds, up 3.2 percent from April 2004. March revised production, at 13.8 billion pounds, was up 2.9 percent from March 2004. The March revision represented an increase of 0.1 percent or 20 million pounds from last month's preliminary production estimate.

Production per cow in the 23 major States averaged 1,679 pounds for April, 43 pounds above April 2004.

The number of milk cows on farms in the 23 States was 8.11 million head, 44,000 head more than April 2004, and 12,000 head more than March 2005.

The Mideast Marketing Area has four states, Indiana, Michigan, Ohio and Pennsylvania, represented in the 23 major states used above. Milk production in these Mideast states during February totaled 2.1 billion pounds, up 69 million pounds or 3.4 percent from April 2004. Production per cow in the Mideast states averaged 1,645 pounds for April, 9 pounds above April 2004. The number of cows on farms in the Mideast states was 1.3 million head, 24,000 head more than April 2004.

MAY 2005 POOL SUMMARY

Classification of Producer Milk

		Percent
Class I	527,061,182	30.2
Class II	272,638,676	15.6
Class III	816,608,117	46.8
Class IV	128,314,763	7.4
Total	1,744,622,738	100.0

Producer Prices

Producer Price Differential	$ 0.63	/ cwt
Butterfat Price	1.5475	/ lb
Protein Price	2.5965	/ lb
Other Solids Price	0.1043	/ lb
Somatic Cell Adjustment Rate	0.00074	/ cwt
Statistical Uniform Price	14.40	/ cwt

ANNOUNCEMENT OF PRODUCER PRICES

Federal Order No. 33

MAY 2005

COMPUTATION OF PRODUCER PRICE DIFFERENTIAL

	POUNDS	BUTTERFAT	SKIM / PROTEIN	NONFAT SOLIDS	OTHER SOLIDS	PRICE	VALUE
Class I Skim Value			517,368,773			$ 11.14 / cwt	$ 57,634,881.30
Class I Butterfat		9,692,409				1.7292 / lb	16,760,113.66
Class I Location Differential	527,061,182						(255,894.35)
Class II SNF Value				23,091,999		0.8456 / lb	19,526,594.36
Class II Butterfat		17,206,270				1.5545 / lb	26,747,146.76
Class III Protein Value			24,479,814			2.5965 / lb	63,561,837.07
Class III Other Solids Value					47,020,513	0.1043 / lb	4,904,239.48
Class III Butterfat		27,098,125				1.5475 / lb	41,934,348.48
Class IV SNF Value				10,795,694		0.7810 / lb	8,431,437.03
Class IV Butterfat		8,891,903				1.5475 / lb	13,760,219.97
Somatic Cell Value II / III / IV							895,116.52
TOTAL PRODUCER MILK VALUE	1,744,622,738	62,888,707	52,143,574		100,049,020		$ 253,900,040.28
Overages					$ 5,737.45		
Beginning Inventory					60,910.90		
OS Charges							
TOTAL ADJUSTMENTS							$ 66,648.35
TOTAL HANDLER OBLIGATIONS							$ 253,966,688.63
Total Protein Value			52,143,574 lbs	@	$2.5965		$(135,390,789.94)
Total Other Solids Value			100,049,020 lbs	@	0.1043		(10,435,112.82)
Butterfat Value			62,888,707 lbs	@	1.5475		(97,320,274.13)
Total Somatic Cell Values							(1,227,348.37)
TOTALS							$ 9,593,163.37
Net Producer Location Adjustments							$ 1,433,237.48
1/2 Unobligated Balance Producer Settlement Fund							672,000.00
Total - Divided by Total Pounds			1,744,622,738 lbs		0.6705404		$ 11,698,400.85
Rate of Cash Reserve					(0.0405404)		(707,277.04)
PRODUCER PRICE DIFFERENTIAL *at Cuyahoga County, OH**			1,744,622,738		**$ 0.63 cwt**		$ 10,991,123.81

COMPONENT PRICES

May	2005	2004
Butterfat Price	$1.5475 / lb	$2.4282 / lb
Protein Price	2.5965 / lb	3.7639 / lb
Other Solids Price	0.1043 / lb	0.1444 / lb
Somatic Cell Adjustment Rate	0.00074 / cwt	0.00106 / cwt
Nonfat Solids Price	0.7810 / lb	0.6913 / lb

COMPUTATION OF UNIFORM PRICE

May	2005	2004
Class III Price - 3.5% BF	$ 13.77	$ 20.58
Producer Price Differential*	0.63	(1.59)
Statistical Uniform Price	$14.40	$18.99

CLASS PRICES

May	2005	2004
Class I*	$16.80	$21.65
Class II	12.78	15.03
Class III	13.77	20.58
Class IV	12.20	14.50

* Subject to Location Adjustment.

CLASSIFICATION OF PRODUCER MILK

May	2005 Product lbs.	2004 Product lbs.
Class I	527,061,182	501,647,870
Class II	272,638,676	243,038,061
Class III	816,608,117	50,125,048
Class IV	128,314,763	124,287,331
Total	1,744,622,738	919,098,310

ORDER 33 MARKET SUMMARY

The Producer Price Differential for the Mideast Marketing Area for May 2005 was $0.63 and the Statistical Uniform Price was $14.40 for the month. The Statistical Uniform Price is $0.36 lower than last month, and is $4.59 lower than May 2004.

The Producer Butterfat Price of $1.5475 per pound decreased 14.89 cents from April 2005 and is down 88.07 cents from a year ago. The Protein Price of $2.5965 is down 10.90 cents from last month and is down $1.1674 from May 2004. The Other Solids Price in May was $0.1043 per pound, an increase from last month's price of $0.1020 and a decrease of 4.01 cents from last May. The Somatic Cell Adjustment rate for May was $0.00074.

May producer receipts of 1.74 billion pounds were 18.8 percent higher than April 2005, and 89.8 percent higher than May 2004 production of 919.1 million pounds. Producer milk allocated to Class I accounted for 30.2 percent of the total producer milk in May 2005, less than the 36.5 percent in April 2005 and less than the 54.6 percent in May 2004. A total of 9,757 producers were pooled on the Mideast Order compared to 8,944 producers pooled in May 2004.

The market average content of producer milk was as follows: Butterfat 3.60%; Protein 2.99%; Other Solids 5.73% and Nonfat Solids 8.72%.

THE DAIRY OUTLOOK

Milk and dairy product prices are expected to fall again in 2006. Expansion in milk production is projected to accelerate after more than 2 years of relatively strong returns. Production growth is expected to surpass demand gains (particularly for skim solids), leading to the lower prices. Even so, farm milk prices are projected to stay considerably above the low prices of 2002-03. The strong returns of late 2003 through early 2005 and the expected good returns for the rest of 2005 have generated strength in milk cow numbers. Relatively few farmers have exited dairying because recent returns have bolstered their staying power, a pattern that is likely to continue through 2006. Meanwhile, the number of producers wishing to add substantial new facilities probably has risen considerably, following a 2-year rest after the last expansionary surge. However, continued tight replacement heifer markets, likely tight alfalfa supplies in the Northwest, the generally lackluster prospects for dairy quality forage, and the lengthening time needed for governmental approvals probably will inhibit expansions during the rest of 2005. By 2006, the effects of these problems should lessen.

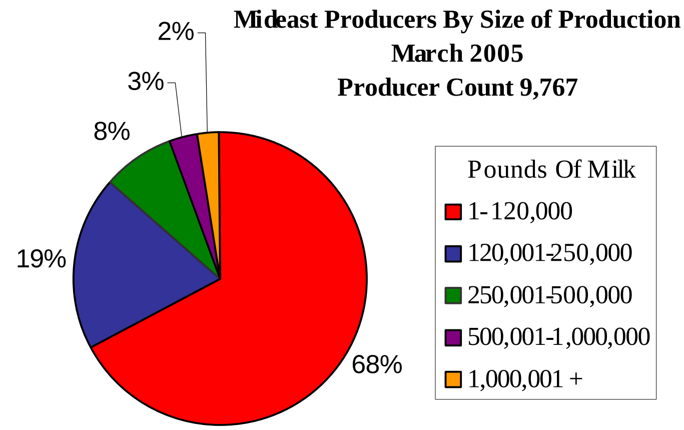
Milk cow numbers are expected to stay near early 2005 levels during the rest of this year, before drifting higher as 2006 progresses. If so, 2006 milk cow numbers would average about unchanged, following a very small fractional decrease in 2005. Milk per cow should continue to recover in 2006. Incentives for heavy concentrate feeding will remain quite favorable. Milk per cow is projected to grow more than 2 percent in 2006, slightly faster than 2005's expansion. However, such increases may hinge on the availability of good 2005 forage in light of the apparently very tight stocks of high quality hay at the start of the current forage year.

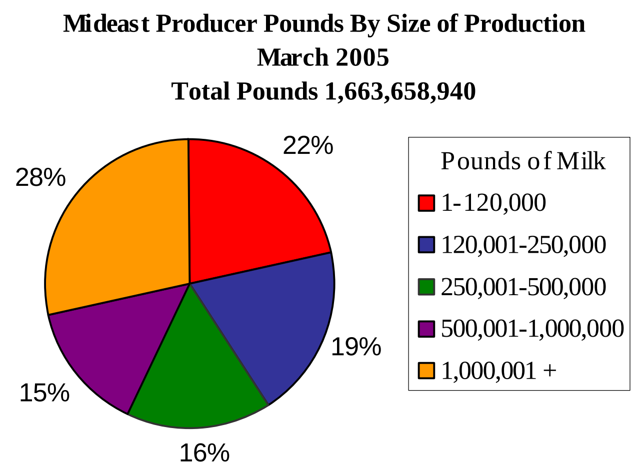
Gains in demand for dairy products are expected to be fairly substantial. Growth in the economy and consumer income is forecast to stay good. Consumer debt may be the most vulnerable point. Demand could soften if interest rates rise more than currently expected, forcing reductions in expenditures for consumption.

Export demand for nonfat dry milk is projected to stay good through at least most of 2006. New Zealand milk production may rebound in its 2005/06 season, and European export supplies could creep larger if milk production returns to quota levels. However, Australian output probably will be stagnant even if the current dry conditions do not worsen. Continued strong demand for milk powders is likely to readily absorb the small increase in other exporters' supplies, and substantial amounts of U.S. powder probably will be needed to meet import needs.

Farm milk prices are projected to fall more than $1 per cwt in 2006, following a slightly smaller decrease this year. Although 2006 prices are expected to be much lower than the 2004 record, they are projected to be near the 2000-04 average. Healthy demand likely will remain the key to absorbing record output at such relatively favorable prices.

SOURCE: "Livestock, Dairy, and Poultry Outlook", LDP-M-131, May 19, 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
Federal Order No. 33

	April 2005						April 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	2,243	507,939	3.60	2.99	5.73	243	350,283	3.61	3.00	5.72	274
Ohio	2,481	355,412	3.67	3.03	5.70	275	243,548	3.68	3.02	5.71	291
Indiana	1,232	172,350	3.67	3.00	5.74	258	141,495	3.69	3.02	5.73	281
New York	520	146,263	3.62	2.96	5.68	218	31,926	3.63	3.00	5.69	240
Wisconsin	1,653	132,819	3.66	2.98	5.76	243	21,537	3.74	2.99	5.72	298
Pennsylvania	1,280	117,015	3.75	3.04	5.69	336	73,180	3.77	3.02	5.70	354
Illinois	86	17,235	3.46	2.96	5.78	240	1,700	3.71	3.05	5.72	328
West Virginia	72	6,135	3.71	3.10	5.70	393	5,196	3.74	3.11	5.71	375
Other	182	13,573	3.63	2.98	5.74	276	5,041	3.71	3.02	5.71	327
Total/Average *	9,749	1,468,740	3.64	3.00	5.72	258	873,906	3.66	3.01	5.72	287

* 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
MAY 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)*	2,141,925	900,998	42.1	$1.58	$15.35
FO 5	Appalachian - *(Charlotte)*	600,036	345,113	57.5	[2]	15.85
FO 6	Florida - *(Tampa)*	284,235	208,300	73.3	[2]	17.28
FO 7	Southeast - *(Atlanta)*	723,585	380,247	52.6	[2]	15.73
FO 30	Upper Midwest - *(Chicago)*	2,265,395	364,730	16.1	0.28	14.05
FO 32	Central - *(Kansas City)*	1,360,381	350,821	25.8	0.44	14.21
FO 33	**Mideast - *(Cleveland)***	**1,744,623**	**527,061**	**30.2**	**0.63**	**14.40**
FO 124	Pacific Northwest - *(Seattle)*	629,228	180,308	28.7	0.21	13.98
FO 126	Southwest - *(Dallas)*	845,899	336,070	39.7	1.33	15.10
FO 131	Arizona-Las Vegas - *(Phoenix)*	266,692	76,064	28.5	[2]	14.21

[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 JUNE 2005.. $12.20 /cwt.

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