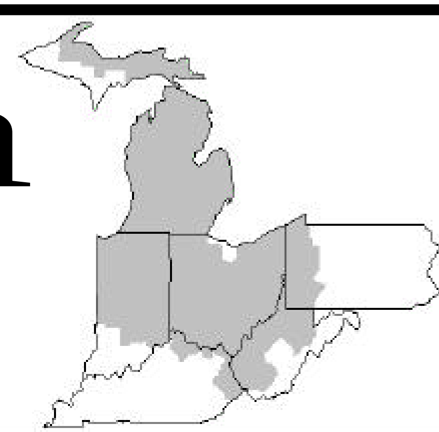
Mideast Market Administrator's

Bulletin

Federal Order No. 33

David Z. Walker, Market Administrator
Phone: (330) 225-4758 Toll Free: (888) 751-3220
Email: clevelandma1@sprynet.com
WebPage: www.fmmaclev.com

October 2005



INTERIM ORDER BECOMES EFFECTIVE

An interim order for the Mideast Federal milk order has been released by the United States Department of Agriculture. The order amended certain performance standards of the Mideast Federal milk order on an interim basis effective October 1, 2005. More than the required number of producers in the Mideast marketing area approved the issuance of the interim order in a producer referendum concluded in August.

The amendments in the interim order include: 1) prohibiting 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) increasing the performance standards for pool supply plants; and 3) lowering the diversion limit standards by 10 percentage points. The diversion limit to nonpool plants was changed to not more than 50 percent during August through February and not more than 60 percent during March through July.

A separate decision will be issued that will address proposals to deter de-pooling of milk and transportation credits. Copies of the interim order are available from this office. It also can be viewed on the Mideast web page at www.fmmaclev.com.

AUGUST MILK PRODUCTION UP 4.6 PERCENT

Milk production in the 23 major States during August totaled 13.6 billion pounds, up 4.6 percent from August 2004. July revised production, at 13.7 billion pounds, was up 4.2 percent from July 2004. The July revision represented a decrease of 6 million pounds from last month's preliminary production estimate.

Production per cow in the 23 major States averaged 1,665 pounds for August, 64 pounds above August 2004.

The number of milk cows on farms in the 23 major States was 8.15 million head, 52,000 head more than August 2004, and 9,000 head more than July 2005.

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 127 million pounds or 6.4 percent from August 2004.

Production per cow in the Mideast states averaged 1,628 pounds for August, 58 pounds above August 2004.

The number of cows on farms in the Mideast states was 1.3 million head, 23,000 head more than August 2004.

USDA AMENDS APPALACHIAN AND SOUTHEAST MILK ORDERS

The U.S. Department of Agriculture announced a final rule adopting 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.

This decision adopts amendments that will expand the Appalachian milk marketing area to include 25 unregulated counties and 15 unregulated cities in Virginia and eliminate 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 amends the transportation credit provisions of the Appalachian and Southeast orders to increase the maximum rate of assessment by $0.03 per hundredweight (cwt) to $0.095 per cwt and $0.10 per cwt, respectively. Another amendment provides Market Administrators the authority to adjust the criteria used to determine the milk of a dairy farmer that is eligible for transportation credits.

This decision does not adopt a proposal that would merge the Appalachian and Southeast marketing areas into a single order and 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.

Dairy farmers approved the amended orders through the polling of cooperatives. The final rule will become effective on November 1, 2005.

SEPTEMBER 2005 POOL SUMMARY

Classification of Producer Milk

		Percent
Class I	576,314,008	40.3
Class II	248,204,611	17.3
Class III	539,311,696	37.7
Class IV	67,394,851	4.7
Total	1,431,225,166	100.0

Producer Prices

Producer Price Differential	$ 0.64	/ cwt
Butterfat Price	1.8872	/ lb
Protein Price	2.3009	/ lb
Other Solids Price	0.1411	/ lb
Somatic Cell Adjustment Rate	0.00075	/ cwt
Statistical Uniform Price	14.94	/ cwt

ANNOUNCEMENT OF PRODUCER PRICES

Federal Order No. 33

SEPTEMBER 2005

COMPUTATION OF PRODUCER PRICE DIFFERENTIAL

	POUNDS	BUTTERFAT	SKIM / PROTEIN	NONFAT SOLIDS	OTHER SOLIDS	PRICE	VALUE
Class I Skim Value			565,763,712			$ 9.71 / cwt	$ 54,935,656.43
Class I Butterfat		10,550,296				1.8072 / lb	19,066,494.97
Class I Location Differential	576,314,008						(322,484.15)
Class II SNF Value				20,989,518		0.8889 / lb	18,657,582.54
Class II Butterfat		15,579,220				1.8942 / lb	29,510,158.51
Class III Protein Value			16,251,916			2.3009 / lb	37,394,033.54
Class III Other Solids Value					30,732,477	0.1411 / lb	4,336,352.53
Class III Butterfat		18,981,167				1.8872 / lb	35,821,258.35
Class IV SNF Value				5,514,084		0.8222 / lb	4,533,679.85
Class IV Butterfat		6,247,639				1.8872 / lb	11,790,544.31
Somatic Cell Value II / III / IV							279,843.78
TOTAL PRODUCER MILK VALUE	1,431,225,166	51,358,322	43,090,231		81,461,613		$ 216,003,120.66
Overages					$ 709.59		
Beginning Inventory					78,321.73		
OS Charges							
TOTAL ADJUSTMENTS							$ 79,031.32
TOTAL HANDLER OBLIGATIONS							$ 216,082,151.98
Total Protein Value			43,090,231 lbs	@	$2.3009		$ (99,146,312.49)
Total Other Solids Value			81,461,613 lbs	@	0.1411		(11,494,233.61)
Butterfat Value			51,358,322 lbs	@	1.8872		(96,923,425.25)
Total Somatic Cell Values							(383,092.97)
TOTALS							$ 8,135,087.66
Net Producer Location Adjustments							$ 996,014.19
1/2 Unobligated Balance Producer Settlement Fund							741,000.00
Total - Divided by Total Pounds			1,431,225,166 lbs		0.6897658		$ 9,872,101.85
Rate of Cash Reserve					(0.0497658)		(712,260.65)
PRODUCER PRICE DIFFERENTIAL *at Cuyahoga County, OH**			1,431,225,166		**$0.64 cwt**		$ 9,159,841.20

COMPONENT PRICES

September	2005	2004
Butterfat Price	$1.8872 / lb	$1.9354 / lb
Protein Price	2.3009 / lb	2.5431 / lb
Other Solids Price	0.1411 / lb	0.0589 / lb
Somatic Cell Adjustment Rate	0.00075 / cwt	0.00079 / cwt
Nonfat Solids Price	0.8222 / lb	0.7167 / lb

COMPUTATION OF UNIFORM PRICE

September	2005	2004
Class III Price - 3.5% BF	$14.30	$14.72
Producer Price Differential*	0.64	0.34
Statistical Uniform Price	$14.94	$15.06

CLASS PRICES

September	2005	2004
Class I*	$15.70	$15.94
Class II	14.35	13.66
Class III	14.30	14.72
Class IV	13.75	13.00

* Subject to Location Adjustment.

CLASSIFICATION OF PRODUCER MILK

September	2005 Product lbs.	2004 Product lbs.
Class I	576,314,008	556,136,714
Class II	248,204,611	234,879,130
Class III	539,311,696	484,859,096
Class IV	67,394,851	60,603,530
Total	1,431,225,166	1,336,478,470

ORDER 33 MARKET SUMMARY

The Producer Price Differential for the Mideast Marketing Area for September 2005 was $0.64 and the Statistical Uniform Price was $14.94 for the month. The Statistical Uniform Price is the same as last month, and is $0.12 lower than September 2004.

The Producer Butterfat Price of $1.8872 per pound increased 6.26 cents from August 2005 and is down 4.82 cents from a year ago. The Protein Price of $2.3009 is up 13.90 cents from last month and is down 24.22 cents from September 2004. The Other Solids Price in August was $0.1411 per pound, an increase from last month's price of $0.1317 and an increase of 8.22 cents from last September. The Somatic Cell Adjustment rate for September was $0.00075.

September producer receipts of 1.43 billion pounds were 1.0 percent higher than August 2005, and 7.1 percent higher than September 2004 production of 1.34 billion pounds. Producer milk allocated to Class I accounted for 40.3 percent of the total producer milk in September 2005, more than the 39.3 percent in August 2005 and less than the 41.6 percent in September 2004. A total of 9,031 producers were pooled on the Mideast Order compared to 10,224 producers pooled in September 2004.

The market average content of producer milk was as follows: Butterfat 3.59%; Protein 3.01%; Other Solids 5.69% and Nonfat Solids 8.70%.

USDA ANNOUNCES FINAL PARTIAL DECISION TO AMEND UPPER MIDWEST MILK ORDER

The U.S. Department of Agriculture announced a final partial decision that permanently adopts amendments to the pooling and transportation credit provisions of the Upper Midwest milk marketing order that were previously implemented on an interim basis. This decision is based on testimony and evidence given at a public hearing held at Bloomington, Minnesota, on August 16 – 19, 2004.

The adopted amendments allow only supply plants located in the states that comprise the Upper Midwest marketing area to use milk delivered directly from producers' farms for qualification purposes, eliminate the ability to pool as producer milk diversions to nonpool plants outside of the states that comprise the marketing area, and limit the transportation credit received by handlers to the first 400 miles of applicable milk movements. USDA will issue a separate decision on proposals concerning pooling and repooling of milk, temporary loss of Grade A status, and increasing the maximum administrative assessment.

USDA will conduct a vote on the amended order to determine producer approval. If producers approve the order as amended by this final decision, a final rule will follow to implement these changes on a permanent basis.

THE DAIRY OUTLOOK

Summary - Expansion in milk output is now well established, and only modest deceleration is expected in 2006. This year, robust domestic and foreign demand are expected to absorb the extra supplies with only about a $1 per cwt decline in farm milk prices from the 2004 record. Price declines are expected to be larger in 2006, as demand growth may not be able to handle the second straight large increase in milk output. This summer saw strong expansion in milk production solidly established. Milk cow numbers continued to creep higher, while growth in milk per cow was near the long-run trend for the first time in over 3 years. Record 2004 returns, only slightly lower 2005 returns, and the resumption of near-normal availability of bovine somatotropin (BST) were the prime boosters of milk output. These forces easily overcame tight heifer supplies, forage problems, and hot summer weather in many key areas. Forage supplies and prices might give some expanding producers slight pause but are not likely to have a substantial effect. The incentives for expansion are too robust for hay conditions to play a significant role. Also, the reportedly heavy early buying may result in relatively modest seasonal rises in hay prices. The more important impact of hay conditions might be on milk per cow. Growth in milk per cow may vary during the feeding season as farmers shift from good to poorer forage. Depending on the size and quality of late cuttings, there may also be a risk of producers running out of even mediocre hay by late spring 2006.

Milk per Cow Bounces Back - Hot summer weather over much of the country had some depressing impact on milk per cow, but more available BST, strong incentives for heavy concentrate feeding, and a return to more normal culling easily overrode the weather effects. Compared with the 5-year moving average, expansion in milk per cow was at an annual rate of more than 2 percent in June and July, in line with the long run trend. Such rates have been fairly rare in recent years. Growth in milk production is expected to be brisk during the rest of 2005. A projected expansion of almost 4 percent in second-half output would bring the increase for all of 2005 over 3 percent, the largest rise since 1999 and possibly the largest in two decades. Milk cow numbers are projected to average fractionally higher, while milk per cow increases more than 3 percent on a daily average basis. Somewhat lower returns in 2006 are expected to slow the expansion a little, but relatively brisk growth is projected to persist throughout the year. Cow numbers are projected to post another fractional increase, as expanding producers begin to be partially offset by a few more exiting farmers.

Large Supplies To Weigh on Dairy Prices - Large increases in milk production are expected to keep the lid on wholesale dairy prices. Wholesale prices of butter and cheese are projected to decline significantly next winter. Prices of cheese on the Chicago Mercantile Exchange (CME) have been up and down throughout 2005. Another sizable downward adjustment in cheese prices is expected after holiday needs are met. Seasonal production increases and demand easing will be accompanied by large year-to-year increases in milk production. However, good demand is likely to keep the declines from being dramatic, at least if economic conditions do not deteriorate more than expected.

SOURCE: "Livestock, Dairy, and Poultry Outlook", LDP-M-135, September 16, 2005, Economic Research Service, USDA. For more information, contact James J. Miller, (202) 694-5184. Note: text has been condensed from original.

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

Federal Order No. 33

	August 2005						August 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	2,212	509,788	3.46	2.92	5.72	311	483,215	3.53	2.99	5.72	299
Ohio	2,449	334,867	3.54	2.94	5.69	376	326,875	3.61	3.01	5.70	328
Wisconsin	1,299	208,512	3.50	2.93	5.72	298	328,296	3.61	2.97	5.73	292
Indiana	1,169	140,086	3.50	2.93	5.70	380	134,220	3.63	3.00	5.71	332
Pennsylvania	1,268	117,369	3.57	2.95	5.68	427	110,542	3.64	3.00	5.67	394
New York	450	76,990	3.50	2.93	5.70	280	121,693	3.52	2.94	5.69	263
Illinois	21	9,248	3.36	2.94	5.78	222	17,697	3.57	2.97	5.78	286
West Virginia	74	5,513	3.61	3.00	5.66	511	5,115	3.65	3.07	5.66	448
Other	139	14,020	3.50	2.94	5.70	418	19,878	3.62	3.00	5.73	318
Total/Average *	9,081	1,416,393	3.50	2.93	5.71	341	1,547,531	3.58	2.99	5.71	311

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

United States
Department of
Agriculture

Mideast Market Administrator Bulletin
1325 Industrial Parkway North
P.O. Box 5102
Brunswick, Ohio 44212

PRSRT STD
U.S. POSTAGE
PAID
Cleveland, Ohio
Permit No. 2511

POSTMASTER: Time Sensitive Material - Deliver Promptly

FEDERAL ORDER DATA
SEPTEMBER 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)*	1,866,117	923,526	49.5	$1.62	$15.92
FO 5	Appalachian - *(Charlotte)*	449,619	337,852	72.5	[2/]	16.37
FO 6	Florida - *(Tampa)*	227,116	201,402	88.7	[2/]	17.47
FO 7	Southeast - *(Atlanta)*	569,194	397,643	69.9	[2/]	16.32
FO 30	Upper Midwest - *(Chicago)*	2,075,483	391,848	18.9	0.29	14.59
FO 32	Central - *(Kansas City)*	1,234,472	383,184	31.0	0.45	14.75
FO 33	**Mideast - *(Cleveland)***	**1,431,225**	**576,314**	**40.3**	**0.64**	**14.94**
FO 124	Pacific Northwest - *(Seattle)*	633,364	186,074	29.4	0.20	14.50
FO 126	Southwest - *(Dallas)*	766,794	360,150	47.0	1.40	15.70
FO 131	Arizona-Las Vegas - *(Phoenix)*	217,821	86,321	39.6	[2/]	15.02

[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 OCTOBER 2005 .... $13.75 /cwt.

Printed on recycled paper.