Mideast Market Administrator's Bulletin

Federal Order No. 33

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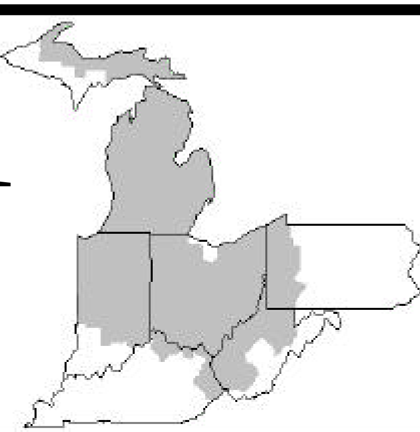

The Dairy Outlook

Year-to-date disappearance for most dairy products is ahead of that for 2005. However, climbing production is resulting in higher stock levels and much lower prices. Lower milk and dairy product prices will remain until production slackens to meet demand. Slower growth in production is not expected until late 2006.

The July estimate for 2006 milk production was raised slightly to 182.1 billion pounds. The change was a result of a bump up in both cow numbers and output per cow to 9.14 million head and 5,140 pounds, respectively, for the second quarter of this year. There was no change in USDA projections for the balance of 2006 and no change in 2007 forecasts. While the monthly culling rate in 2006 has generally lagged 2004 and 2005, the rate inched ahead in May, suggesting that lower prices may be affecting production decisions. A clearer indication of producer decisions on milk cow replacement for the balance of 2006 will become available later in July with the *Cattle* report.

Cumulative production of major manufactured dairy products through May is ahead of year-earlier levels: all cheese 2.8 percent, butter 13.1 percent, nonfat dry milk (NDM) 16.1 percent, and dry whey 7.3 percent. With the exception of fat-reduced milk products, cumulative sales though May of fluid products is even or lags 2005 sales levels.

The June *Cold Storage* report placed butter stocks 29 percent above year-earlier levels. Butter stocks have been expanding at a near record pace on record year-to-date (through May) production. However, butter disappearance has exceeded year-earlier levels by 11 percent. Cheese stocks are only 2 percent above a year earlier. April-June prices for both products are well below those for the corresponding period in 2005.

The higher-than-average stock in cheese is not as severe as that with butter. As stocks of American style cheese were about equal to last year, cheese prices could stage a modest recovery in the second half of 2006 to average $1.21-$1.25 per pound. Butter prices are unlikely to rebound from their current lows, and the 2006 price should average $1.15-$1.22 per pound for the year. The season average projected price for butter reflects a comparatively strong January-March price of $1.25 per pound. Butter prices for the remainder of 2006 are unlikely to recover much from the April-June $1.15 per pound low.

NDM prices are expected to average 84-87 cents per pound in 2006. Despite attractive prices and healthy foreign demand, buyers appear to have immediate needs met. Dry whey is the only major product bucking the trend. Prices for 2006 are expected to average 29-32 cents per pound, which represents a sizeable increase, from 28 cents per pound in 2005.

The projected average price for Class III milk is $11.40-$11.70 per cwt., up slightly from June's projection. However, the Class IV price is expected to average $10.45-$10.85 per cwt., down from June's estimate. The all milk price for 2006 is expected to average $12.50-$12.80 per cwt.

SOURCE: "Livestock, Dairy, and Poultry Outlook", LDP-M-145, July 18, 2006, Economic Research Service, USDA. For more information, contact Roger Hoskin, (202) 694-5148.

Dairy Backgrounder Available on Internet

The Economic Research Service has released "Dairy Backgrounder" a publication discussing the U.S. Dairy industry. Over time, shifts in consumer demands, in the location and structure of milk production, in industry concentration, in international markets, and in trade agreements have dramatically altered the U.S. dairy industry and changed the context for dairy policies and the sector as a whole. In the future, the U.S. dairy industry is likely to become more fully integrated with international markets. At the same time, dairy products such as fluid milk, butter, and cheese are likely to continue to be increasingly used as ingredients for restaurants and in processed foods while still being sold in their traditional forms. The publication is available at http://www.ers.usda.gov/Browse/FarmEconomy/

July 2006 - Pool Summary

Classification of Producer Milk

		Percent
Class I	499,916,830	33.3
Class II	262,830,106	17.5
Class III	606,109,343	40.4
Class IV	132,876,247	8.8
Total	1,501,732,526	100.0

Producer Prices

Producer Price Differential	$ 0.82	/ cwt
Butterfat Price	1.2228	/ lb
Protein Price	1.9807	/ lb
Other Solids Price	0.1257	/ lb
Somatic Cell Adjustment Rate	0.00059	/ cwt
Statistical Uniform Price	11.74	/ cwt

ANNOUNCEMENT OF PRODUCER PRICES

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JULY 2006

COMPUTATION OF PRODUCER PRICE DIFFERENTIAL

	POUNDS	BUTTERFAT	SKIM / PROTEIN	NONFAT SOLIDS	OTHER SOLIDS	PRICE	VALUE
Class I Skim Value			490,594,935			$ 9.24 / cwt	$ 45,330,972.02
Class I Butterfat		9,321,895				1.2630 / lb	11,773,553.40
Class I Location Differential	499,916,830						(243,394.30)
Class II SNF Value				21,978,274		0.7511 / lb	16,507,881.60
Class II Butterfat		17,550,853				1.2298 / lb	21,584,039.06
Class III Protein Value			17,846,311			1.9807 / lb	35,348,188.22
Class III Other Solids Value					34,685,334	0.1257 / lb	4,359,946.49
Class III Butterfat		20,095,718				1.2228 / lb	24,573,043.95
Class IV SNF Value				11,315,127		0.6831 / lb	7,729,363.28
Class IV Butterfat		6,455,933				1.2228 / lb	7,894,314.90
Somatic Cell Value II / III / IV							299,183.44
TOTAL PRODUCER MILK VALUE	1,501,732,526	53,424,399	44,137,689		85,620,461		$ 175,157,092.06
Overages					$ 66,926.54		
Beginning Inventory and OS Charges					13,706.92		
TOTAL ADJUSTMENTS							$ 80,633.46
TOTAL HANDLER OBLIGATIONS							$ 175,237,725.52
Total Protein Value			44,137,689 lbs	@	$1.9807		$ (87,423,520.62)
Total Other Solids Value			85,620,461 lbs	@	0.1257		(10,762,491.94)
Butterfat Value			53,424,399 lbs	@	1.2228		(65,327,355.11)
Total Somatic Cell Values							(386,484.49)
TOTALS							$ 11,337,873.36
Net Producer Location Adjustments							$ 983,989.40
1/2 Unobligated Balance Producer Settlement Fund							636,000.00
Total - Divided by Total Pounds			1,501,732,526 lbs		0.8628609		$ 12,957,862.76
Rate of Cash Reserve					(0.0428609)		(643,656.08)
PRODUCER PRICE DIFFERENTIAL *at Cuyahoga County, OH**			1,501,732,526		**$ 0.82 cwt**		$ 12,314,206.68

COMPONENT PRICES

July	2006	2005
Butterfat Price	$1.2228 / lb	$1.8007 / lb
Protein Price	1.9807 / lb	2.4558 / lb
Other Solids Price	0.1257 / lb	0.1240 / lb
Somatic Cell Adjustment Rate	0.00059 / cwt	0.00076 / cwt
Nonfat Solids Price	0.6831 / lb	0.7909 / lb

COMPUTATION OF UNIFORM PRICE

July	2006	2005
Class III Price - 3.5% BF	$10.92	$14.35
Producer Price Differential*	0.82	0.61
Statistical Uniform Price	$11.74	$14.96

CLASS PRICES

July	2006	2005
Class I*	$13.34	$15.89
Class II	10.83	13.79
Class III	10.92	14.35
Class IV	10.21	13.17

* Subject to Location Adjustment.

CLASSIFICATION OF PRODUCER MILK

July	2006 Product lbs.	2005 Product lbs.
Class I	499,916,830	497,080,576
Class II	262,830,106	273,612,138
Class III	606,109,343	768,991,006
Class IV	132,876,247	115,880,340
Total	1,501,732,526	1,655,564,060

ORDER 33 MARKET SUMMARY

The Producer Price Differential for the Mideast Marketing Area for July 2006 was $0.82 and the Statistical Uniform Price was $11.74 for the month. The Statistical Uniform Price is the same as last month, and is $3.22 lower than July 2005.

The Producer Butterfat Price of $1.2228 per pound decreased 2.08 cents from June 2006 and is down 57.79 cents from a year ago. The Protein Price of $1.9807 is down 9.83 cents from last month and is down 47.51 cents from July 2005. The Other Solids Price in July was $0.1257 per pound, an increase from last month's price of $0.1255 and an increase of 0.17 cents from last July. The Somatic Cell Adjustment rate for July was $0.00059.

July producer receipts of 1.50 billion pounds were 0.1 percent higher than June 2006, and 9.3 percent lower than July 2005 production of 1.66 billion pounds. Producer milk allocated to Class I accounted for 33.3 percent of the total producer milk in July 2006, less than the 33.7 percent in June 2006 and more than the 30.0 percent in July 2005. A total of 8,472 producers were pooled on the Mideast Order compared to 9,548 producers pooled in July 2005.

The market average content of producer milk was as follows: Butterfat 3.56%; Protein 2.94%; Other Solids 5.70% and Nonfat Solids 8.64%.

June Milk Production Up 1.9 Percent

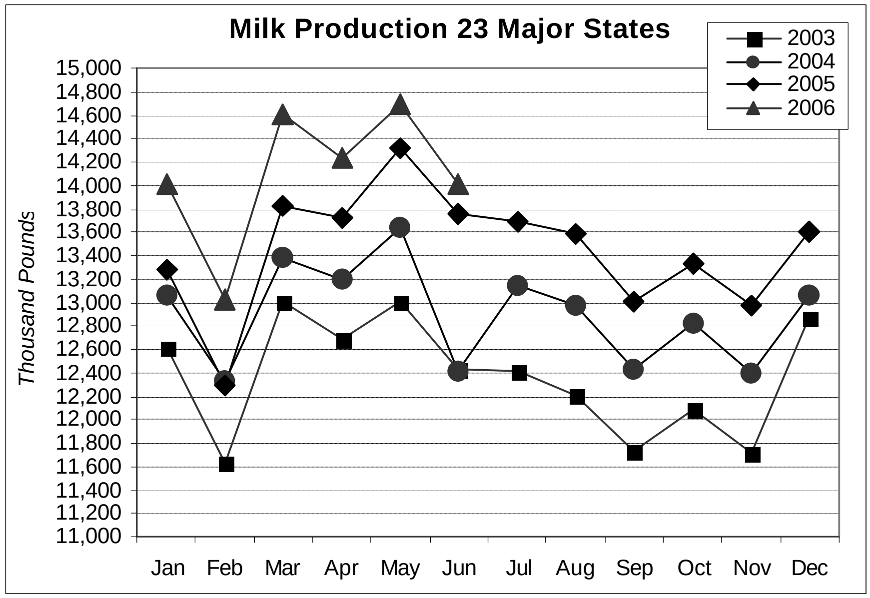
Milk production in the 23 major States during June totaled 14.0 billion pounds, up 1.9 percent from June 2005. May revised production, at 14.7 billion pounds, was up 2.7 percent from May 2005. The May revision represented a decrease of 14 million pounds or 0.1 percent from last months preliminary production estimate.

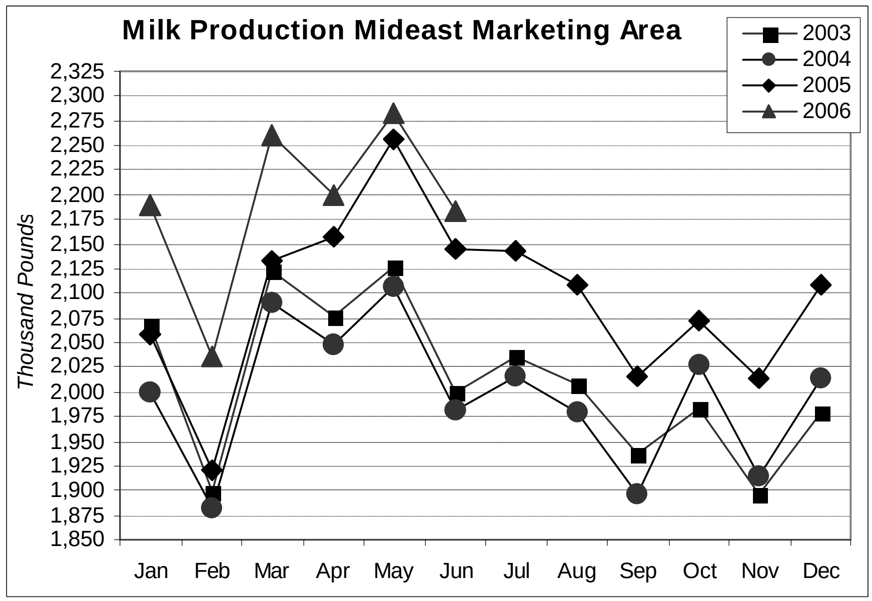
Production per cow in the 23 major States averaged 1,695 pounds for June, 22 pounds above June 2005. The number of milk cows on farms in the 23 major States was 8.27 million head, 128,000 head more than June 2005, and 9,000 head more than May 2006.

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 2.2 billion pounds, up 39 million pounds or 1.8 percent from June 2005.

Production per cow in the Mideast states averaged 1,665 pounds for June, 4 pounds above June 2005.

The number of cows on farms in the Mideast states was 1.3 million head, 13,000 head more than June 2005.





Weighted Averages - Butterfat, Protein, Other Solids, Somatic Cell Count by State
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State	June 2006 Number of Producers	June 2006 Pounds of Milk (000)	June 2006 Butterfat	June 2006 Protein	June 2006 Other Solids	June 2006 SCC (000)	June 2005 Pounds of Milk (000)	June 2005 Butterfat	June 2005 Protein	June 2005 Other Solids	June 2005 SCC (000)
Michigan	2,146	525,838	3.54	2.95	5.72	254	517,005	3.49	2.91	5.75	265
Ohio	2,397	348,045	3.63	2.98	5.69	301	343,818	3.54	2.94	5.72	286
Wisconsin	1,030	175,158	3.60	2.94	5.73	272	322,658	3.56	2.90	5.79	261
Indiana	1,153	155,608	3.60	2.95	5.71	306	142,585	3.52	2.91	5.74	296
New York	417	144,447	3.57	2.92	5.73	227	148,168	3.49	2.89	5.69	233
Pennsylvania	1,279	122,804	3.67	3.00	5.69	341	121,730	3.59	2.96	5.72	338
Illinois	14	8,605	3.52	2.93	5.79	225	10,943	3.52	2.87	5.77	275
West Virginia	66	5,843	3.69	3.07	5.69	371	6,056	3.61	3.03	5.74	380
Other	127	14,366	3.69	3.02	5.68	331	15,586	3.53	2.93	5.77	351
Total/Average *	8,629	1,500,713	3.59	2.96	5.71	278	1,628,548	3.52	2.92	5.74	275

* 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 2006

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)*	1,906,287	814,916	42.7	$1.87	$12.79
FO 5	Appalachian - *(Charlotte)*	489,666	324,669	66.3	[2]	13.33
FO 6	Florida - *(Tampa)*	244,321	207,315	84.9	[2]	14.65
FO 7	Southeast - *(Atlanta)*	602,818	374,357	62.1	[2]	13.28
FO 30	Upper Midwest - *(Chicago)*	2,298,126	345,926	15.1	0.38	11.30
FO 32	Central - *(Kansas City)*	1,313,657	331,395	25.2	0.61	11.53
FO 33	**Mideast - *(Cleveland)***	**1,501,733**	**499,917**	**33.3**	**0.82**	**11.74**
FO 124	Pacific Northwest - *(Seattle)*	707,228	171,443	24.2	0.37	11.29
FO 126	Southwest - *(Dallas)*	1,050,729	322,370	30.7	1.40	12.32
FO 131	Arizona-Las Vegas - *(Phoenix)*	276,335	104,721	37.9	[2]	11.85

[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 2006 .... $10.21 /cwt.

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