

Mideast Market Administrator's Bulletin



Federal Order No. 33

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USDA Issues Recommended Decision on Amendments to All Milk Orders

The U. S. Department of Agriculture issued a recommended decision to amend the Class I fluid milk product definition for all federal milk marketing orders. The decision was based on the record of a hearing held June 20-23, 2005, in Pittsburgh, Pennsylvania.

Specifically, the decision recommends maintaining the current 6.5 percent nonfat milk solids criteria and incorporating an equivalent 2.25 percent true protein criteria in determining if a product meets the fluid milk product definition. It also proposes to clarify how milk and milk-derived ingredients should be priced under all orders.

USDA is also proposing that, regardless of packaging, "drinkable" yogurt products containing at least 20 percent yogurt, kefir and products designed to be meal replacements be exempted from the fluid milk product definition.

The recommended decision was published in the May 17th *Federal Register*. Public comments are due July 17, 2006 and should be sent to the Hearing Clerk, Stop 9200, Room 1031, U.S. Department of Agriculture, 1400 Independence Ave., S.W., Washington, D.C. 20250-9200. Comments may also be submitted at the Federal E-Rulemaking portal: <http://www.regulations.gov> or through e-mail to amsdairycomments@usda.gov.

For additional information about the decision, contact this office.

April Milk Production Up 3.7 Percent

Milk production in the 23 major States during April totaled 14.2 billion pounds, up 3.7 percent from April 2005. March revised production, at 14.6 billion pounds, was up 5.6 percent from March 2005.

The March revision represented an increase of 25 million pounds or 0.2 percent from last month's preliminary production estimate.

Production per cow in the 23 major States averaged 1,727 pounds for April, 37 pounds above April 2005.

The number of milk cows on farms in the 23 major States was 8.24 million head, 124,000 head more than April 2005, and 13,000 head more than March 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 April totaled 2.2 billion pounds, up 48 million pounds or 2.2 percent from April 2005.

Production per cow in the Mideast states averaged 1,688 pounds

for April, 5 pounds above April 2005.

The number of cow son farms in the Mideast states was 1.3 million head, 11,000 head more than April 2005.

The Dairy Outlook

USDA forecasts 2007 milk production at 183.1 billion pounds, up from 182 billion pounds projected for 2006. Production in 2006 is expected to be 2.8 percent higher than 2005's output. Production will rise because both cow population and output per animal are expected to continue to rise in both 2006 and 2007.

A decline in cow numbers is not expected until the second half of 2007 and then the decline will be a scant 0.3 percent. Quarterly milk output per cow is expected to continue a modest upward movement based on quarter-to-quarter comparisons. The milk feed price ratio is pegged between 2.5 and 3.0. This should signal the end of expansion but is not low enough to trigger a major liquidation. Cow numbers will likely expand through the second quarter of 2006, hold steady in the third quarter, and then begin a decline that will continue through 2007. The delay is predicated on the notion that most producers make their "keep or cull" decisions in the late summer. Lower year-over-year heifer prices this spring may indicate a weakening demand for replacements and could lead to more culling by summer's end. Expected higher feed prices in the upcoming crop year and continued declines in milk prices throughout 2006 could provide an incentive for smaller operators to exit. However, exit decisions will likely be delayed until later in the season when Milk Income Loss Contract Program payments are assured.

(continued on Page 3)

May 2006 - Pool Summary

Classification of Producer Milk

		Percent
Class I	559,179,397	35.4
Class II	245,916,484	15.6
Class III	645,934,702	40.9
Class IV	126,885,300	8.1
Total	1,577,915,883	100.0

Producer Prices

Producer Price Differential	\$ 0.82 / cwt
Butterfat Price	1.2582 / lb
Protein Price	1.9115 / lb
Other Solids Price	0.1251 / lb
Somatic Cell Adjustment Rate	0.00058 / cwt
Statistical Uniform Price	11.65 / cwt

ANNOUNCEMENT OF PRODUCER PRICES**Federal Order No. 33****MAY 2006****COMPUTATION OF PRODUCER PRICE DIFFERENTIAL**

	<u>POUNDS</u>	<u>BUTTERFAT</u>	<u>SKIM / PROTEIN</u>	<u>NONFAT SOLIDS</u>	<u>OTHER SOLIDS</u>	<u>PRICE</u>	<u>VALUE</u>
Class I Skim Value			549,015,030			\$ 890 / cwt	\$ 48,862,337.68
Class I Butterfat		10,164,367				1.2531 / lb	12,736,968.26
Class I Location Differential	559,179,397						(264,634.85)
Class II SNF Value				20,711,000		0.7711 / lb	15,970,252.10
Class II Butterfat		16,759,796				1.2652 / lb	21,204,493.90
Class III Protein Value			19,410,673			1.9115 / lb	37,103,501.45
Class III Other Solids Value					37,149,506	0.1251 / lb	4,647,403.18
Class III Butterfat		21,644,067				1.2582 / lb	27,232,565.12
Class IV SNF Value				10,639,109		0.6819 / lb	7,254,808.43
Class IV Butterfat		8,923,931				1.2582 / lb	11,228,090.02
Somatic Cell Value II / III / IV							<u>579,791.81</u>
TOTAL PRODUCER MILK VALUE	1,577,915,883	57,492,161	47,176,656		90,371,852		\$ 186,555,577.10
O verages						\$ 29,183.86	
Beginning Inventory and OS Charges						49,900.87	
TOTAL ADJUSTMENTS							\$ 79,084.73
TOTAL HANDLER OBLIGATIONS							\$ 186,634,661.83
Total Protein Value			47,176,656 lbs	@	\$ 1.9115		\$ (90,178,177.96)
Total Other Solids Value			90,371,852 lbs	@	0.1251		(11,305,518.67)
Butterfat Value			57,492,161 lbs	@	1.2582		(72,336,636.96)
Total Somatic Cell Values							<u>(878,272.50)</u>
TOTALS							\$ 119,36,055.74
Net Producer Location Adjustments							\$ 1,029,312.14
1/2 Unobligated Balance Producer Settlement Fund							<u>743,000.00</u>
Total - Divided by Total Pounds			1,577,915,883 lbs		0.8687642		\$ 13,708,367.88
Rate of Cash Reserve					(0.0487642)		(769,458.06)
PRODUCER PRICE DIFFERENTIAL at Cuyahoga County, OH*			1,577,915,883		\$ 0.82 cwt		\$ 129,38,909.82

COMPONENT PRICES**COMPUTATION OF UNIFORM PRICE**

	May		May	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Butterfat Price	\$ 1.2582 / lb	\$ 1.5475 / lb	Class III Price - 3.5% BF	\$ 10.83
Protein Price	1.9115 / lb	2.5965 / lb	Producer Price Differential*	<u>0.82</u>
Other Solids Price	0.1251 / lb	0.1043 / lb	Statistical Uniform Price	\$ 11.65
Somatic Cell Adjustment Rate	0.00058 / cwt	0.00074 / cwt		
Nonfat Solids Price	0.6819 / lb	0.7810 / lb		

CLASS PRICES**CLASSIFICATION OF PRODUCER MILK**

	May		May	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Class I*	\$ 12.97	\$ 16.80	Product lbs.	Product lbs.
Class II	11.13	12.78	Class I	559,179,397
Class III	10.83	13.77	Class II	245,916,484
Class IV	10.33	12.20	Class III	645,934,702
			Class IV	<u>126,885,300</u>
			Total	1,577,915,883
				<u>1,744,622,738</u>

* Subject to Location Adjustment.

ORDER 33 MARKET SUMMARY

The Producer Price Differential for the Mideast Marketing Area for May 2006 was \$0.82 and the Statistical Uniform Price was \$11.65 for the month. The Statistical Uniform Price is \$0.10 lower than last month, and is \$2.75 lower than May 2005.

The Producer Butterfat Price of \$1.2582 per pound increased 2.39 cents from April 2006 and is down 2893 cents from a year ago. The Protein Price of \$ 1.9115 is down 1.23 cents from last month and is down 6850 cents from May 2005. The Other Solids Price in May was \$0.1251 per pound, a decrease from last month's price of \$0.1508 and an increase of 2.08 cents from last May. The Somatic Cell Adjustment rate for May was \$0.00058.

May producer receipts of 1.58 billion pounds were 4.3 percent higher than April 2006, and 9.6 percent lower than May 2005 production of 1.74 billion pounds. Producer milk allocated to Class I accounted for 35.4 percent of the total producer milk in May 2006, more than the 34.2 percent in April 2006 and more than the 30.2 percent in May 2005. A total of 8,629 producers were pooled on the Mideast Order compared to 9,757 producers pooled in May 2005.

The market average content of producer milk was as follows: Butterfat 3.64%; Protein 2.99%; Other Solids 5.73% and Nonfat Solids 8.72%.

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Commercial use on a fat basis is expected to total 185.2 billion pounds in 2006 compared with 179.7 in 2005. On a skim solids basis, commercial use is projected to reach 184.4 billion pounds, up from 180.7 in 2005. A strong domestic macroeconomic outlook and substantially lower prices in 2006 for cheese, butter, and nonfat dry milk (NDM) are the basis for a stronger demand outlook for the season. Commercial use for NDM will likely be supported by exports of NDM. Robust demand in Asia, a weaker U.S. dollar, lower U.S. prices, and continued tight exporter supplies form the basis for an optimistic forecast.

The decline in the all milk price that began in early 2005 will continue this year. The all milk price is expected to average between \$12.35 and \$12.85 acwt for 2006, down from \$15.14 in 2005. Prices for cheese, butter and NDM are also expected to decline in 2006. Prices for Class IV milk will mirror the expected decline in butter and NDM prices. Class IV prices will likely average between \$10.45 and \$11.05 in 2006 compared with an average of \$12.87 in 2005. Although offset by slightly higher whey prices, lower cheese prices are expected to result in the Class III price averaging \$11.25-\$11.75 per cwt compared with \$14.05 in 2005.

SOURCE: "Livestock, Dairy, and Poultry Outlook", LDP-M-143, May 18, 2006, Economic Research Service, USDA. For more information, contact Roger Hoskin, (202) 694-5148.

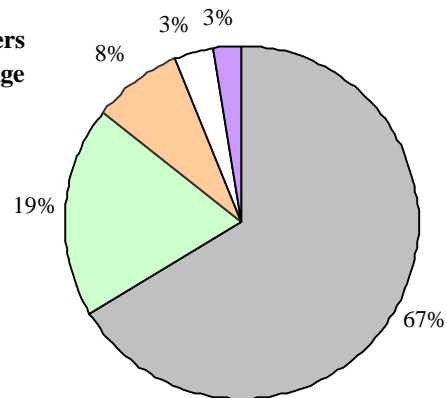
March 2006 Mideast Producers by Size

The Mideast Marketing Area pooled 1.54 billion pounds of milk from 8,717 producers in March 2006. This was a decrease of 120.0 million pounds of milk and 1,050 producers compared to March 2005. In March 2006, there were 5,797 producers that pooled 120,000 pounds or less of milk during the month. These producers pooled a total of 312.3 million pounds for the month. This was a decrease of 46.3 million pounds and 738 producers from the previous year. Pooled milk from the 1,677 producers in the 120,001-250,000 pound per month production range totaled 285.3 million pounds. This was a decrease of 35.8 million pounds and 214 producers from March 2005. Milk pooled from the 718 producers with 250,001-500,000 pounds equaled 245.3 million pounds representing a decrease of 20.4 million pounds and 69 producers from a year ago. Pooled milk from producers in the 500,001-1,000,000 range was 220.8 million pounds from 301 producers. This was down 21.7 million pounds and 21 producers from March 2005. Pooled milk from the 224 producers with more than 1 million pounds per month was up 4.2 million pounds but down 8 producers from a year ago.

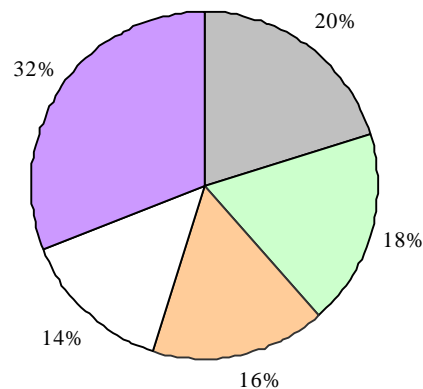
Mideast Producer Distribution

March 2006

Percent of Producers by Production Range



Percent of Milk by Production Range



Pounds of Milk per Producer



Weighted Averages - Butterfat, Protein, Other Solids, Somatic Cell Count by State Federal Order No. 33

State	April 2006						April 2005					
	Number of Producers	Pounds of Milk (000)	Butterfat	Protein	Other Solids	SCC (000)	Pounds of Milk (000)	Butterfat	Protein	Other Solids	SCC (000)	
Michigan	2,156	521,873	3.63	2.99	5.74	237	507,939	3.60	2.99	5.73	243	
Ohio	2,402	347,991	3.74	3.02	5.72	269	355,412	3.67	3.03	5.70	275	
Wisconsin	1,060	183,886	3.70	3.01	5.74	260	132,819	3.66	2.98	5.76	243	
Indiana	1,163	158,497	3.72	3.01	5.74	276	172,350	3.67	3.00	5.74	258	
New York	432	146,701	3.68	2.99	5.73	211	146,263	3.62	2.96	5.68	218	
Pennsylvania	1,295	125,195	3.79	3.03	5.73	312	117,015	3.75	3.04	5.69	336	
Illinois	17	8,936	3.38	3.05	5.79	240	17,235	3.46	2.96	5.78	240	
West Virginia	66	5,704	3.82	3.12	5.72	347	6,135	3.71	3.10	5.70	393	
Other	121	14,631	3.72	3.03	5.73	348	13,573	3.63	2.98	5.74	276	
Total/Average *	8,712	1,513,415	3.69	3.01	5.73	256	1,468,740	3.64	3.00	5.72	258	

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



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**FEDERAL ORDER DATA
MAY 2006**

<u>Marketing Area</u> ^{1/}	Producer Milk		Class I <u>Percent</u> %	Producer <u>Price Differential</u>	Statistical <u>Uniform Price</u>
	<u>Total</u> (000)	<u>Class I</u> (000)			
FO 1 Northeast - (Boston)	2,070,616	895,222	43.2	\$1.78	\$12.61
FO 5 Appalachian - (Charlotte)	586,346	354,986	60.5	^{2/}	13.05
FO 6 Florida - (Tampa)	270,994	217,964	80.4	^{2/}	14.28
FO 7 Southeast - (Atlanta)	727,331	396,220	54.4	^{2/}	12.90
FO 30 Upper Midwest - (Chicago)	2,269,145	383,872	16.9	0.38	11.21
FO 32 Central - (Kansas City)	1,399,814	361,243	25.8	0.59	11.42
FO 33 Mideast - (Cleveland)	1,577,916	559,179	35.4	0.82	11.65
FO 124 Pacific Northwest - (Seattle)	717,385	193,949	27.0	0.47	11.30
FO 126 Southwest - (Dallas)	1,083,401	365,197	33.7	1.43	12.26
FO 131 Arizona-Las Vegas - (Phoenix)	325,445	111,550	34.3	^{2/}	11.62

^{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 2006 \$10.33/cwt.