Mideast Market Administrator's Bulletin

Federal Order No. 33

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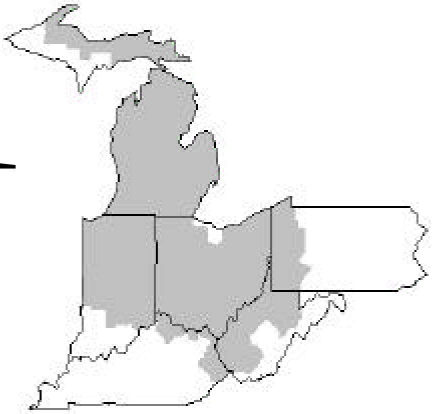

USDA Issues an Interim Order on Amendments to All Federal Milk Marking Orders

The U. S. Department of Agriculture issued an interim order amending the manufacturing (make) allowances contained in the Class III and Class IV product price formulas in all Federal milk marketing orders. The interim order was approved by dairy farmers in all 10 Federal milk marketing orders.

The interim order implements new make allowances for cheese, butter, nonfat dry milk (NFDM) and dry whey. Specifically, the interim order adopts the following increased manufacturing allowances: cheese $0.1682 per pound; butter $0.1202 per pound; NFDM $0.1570 per pound; and dry whey $0.1956 per pound. The interim order will become effective on February 1, 2007.

The interim order appeared in the December 29th *Federal Register*. As announced on November 20, 2006, public comments and exceptions to the tentative final decision are due on or before January 22, 2007. USDA will consider the comments and exceptions and issue a final decision. For additional information about the decision contact this office.

November Milk Production Up 2.5 Percent

Milk production in the 23 major States during November totaled 13.3 billion pounds, up 2.5 percent from November 2005. October production, unrevised at 13.7 billion pounds, was up 2.1 percent from October 2005.

Production per cow in the 23 major States averaged 1,616 pounds for November, 24 pounds above November 2005. The number of milk cows on farms in the 23 major States was 8.25 million head, 81,000 head more than November 2005, and 3,000 head more than October 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 November totaled 2.1 billion pounds, up 79 million pounds or 3.9 percent from November 2005.

Production per cow in the Mideast states averaged 1,600 pounds for November, 24 pounds above November 2005. The number of cows on farms in the Mideast states was 1.3 million head, 17,000 head more than November 2005.

2006 Market Summary

Producer milk receipts pooled totaled 17.2 billion pounds on the Mideast Order during 2006, a decrease of 870.9 million pounds, or 4.8 percent from 2005. There were 85 million pounds of milk de-pooled in September and 62.7 million pounds of milk de-pooled in December. Monthly producer receipts ranged from a high of 1.58 billion pounds in May to a low of 1.26 billion pounds in September.

The number of producers pooled on the Mideast Order in 2006 averaged 8,379 per month, down 10.9 percent from a year earlier. Producer milk averaged 3.69 percent butterfat ranging from a low of 3.56 percent in July and August to a high of 3.79 percent in November. The protein test averaged 3.04 percent for the year. It ranged from a low of 2.94 percent in July, to a high of 3.12 percent in October and November. Other solids averaged 5.71 percent for the year.

For the year, 38.4 percent of producer milk was utilized as Class I; 17.0 percent in Class II; 37.4 percent in Class III; and 7.2 percent in Class IV. The Class I utilization percentage had a low of 33.3 percent in July and a high of 45.9 percent in September. Class I milk totaled 6.6 billion pounds during 2006, up 1.9 percent from 2005. Class II milk totaled 2.9 billion pounds, a decrease of 1.3 percent from 2005. Class III pooled pounds were 6.4 billion pounds, a decrease of 13.7% from 2005. Class IV milk totaled 1.2 billion pounds, an increase of 5.9 percent from 2005.

The Class I price averaged $13.88 for the year, a decrease of $2.52 from

(continued on Page 3)

December 2006 Pool Summary

Classification of Producer Milk

		Percent
Class I	558,886,876	40.7
Class II	226,554,708	16.5
Class III	459,268,017	33.4
Class IV	128,900,858	9.4
Total	1,373,610,459	100.0

Producer Prices

Producer Price Differential	$ (0.06)	/ cwt
Butterfat Price	1.3481	/ lb
Protein Price	2.4388	/ lb
Other Solids Price	0.2564	/ lb
Somatic Cell Adjustment Rate	0.00068	/ cwt
Statistical Uniform Price	13.41	/ cwt

ANNOUNCEMENT OF PRODUCER PRICES

Federal Order No. 33

DECEMBER 2006

COMPUTATION OF PRODUCER PRICE DIFFERENTIAL

	POUNDS	BUTTERFAT	SKIM / PROTEIN	NONFAT SOLIDS	OTHER SOLIDS	PRICE	VALUE
Class I Skim Value			548,222,423			$ 9.89 / cwt	$ 54,219,197.63
Class I Butterfat		10,664,453				1.3970 / lb	14,898,240.88
Class I Location Differential	558,886,876						(259,813.31)
Class II SNF Value				19,397,762		0.8989 / lb	17,436,648.29
Class II Butterfat		13,845,891				1.3551 / lb	18,762,566.90
Class III Protein Value			14,277,141			2.4388 / lb	34,819,091.50
Class III Other Solids Value					26,227,331	0.2564 / lb	6,724,687.67
Class III Butterfat		15,783,841				1.3481 / lb	21,278,196.06
Class IV SNF Value				10,716,982		0.8737 / lb	9,363,427.15
Class IV Butterfat		11,238,464				1.3481 / lb	15,150,573.33
Somatic Cell Value II / III / IV							525,637.63
TOTAL PRODUCER MILK VALUE	1,373,610,459	51,532,649	42,537,366		78,069,557		$ 192,918,453.73
Overages					$ 16,431.58		
Beginning Inventory and OS Charges					42,154.47		
TOTAL ADJUSTMENTS							$ 58,586.05
TOTAL HANDLER OBLIGATIONS							$ 192,977,039.78
Total Protein Value			42,537,366 lbs	@	$2.4388		$ (103,740,128.19)
Total Other Solids Value			78,069,557 lbs	@	0.2564		(20,017,034.39)
Butterfat Value			51,532,649 lbs	@	1.3481		(69,471,164.11)
Total Somatic Cell Values							(854,938.13)
TOTALS							$ (1,106,225.04)
Net Producer Location Adjustments							$ 321,920.84
1/2 Unobligated Balance Producer Settlement Fund							614,000.00
Total - Divided by Total Pounds			1,373,610,459 lbs		(0.0123983)		$ (170,304.20)
Rate of Cash Reserve					(0.0476017)		(653,861.93)
PRODUCER PRICE DIFFERENTIAL *at Cuyahoga County, OH**			1,373,610,459		**$ (0.06) cwt**		$ (824,166.13)

COMPONENT PRICES

	December 2006	December 2005
Butterfat Price	$1.3481 / lb	$1.5036 / lb
Protein Price	2.4388 / lb	2.3846 / lb
Other Solids Price	0.2564 / lb	0.1702 / lb
Somatic Cell Adjustment Rate	0.00068 / cwt	0.00070 / cwt
Nonfat Solids Price	0.8737 / lb	0.8414 / lb

COMPUTATION OF UNIFORM PRICE

	December 2006	December 2005
Class III Price - 3.5% BF	$13.47	$13.37
Producer Price Differential*	(0.06)	0.53
Statistical Uniform Price	$13.41	$13.90

CLASS PRICES

	December 2006	December 2005
Class I*	$14.43	$15.57
Class II	12.55	13.22
Class III	13.47	13.37
Class IV	12.30	12.57

* Subject to Location Adjustment.

CLASSIFICATION OF PRODUCER MILK

	December 2006 *Product lbs.*	December 2005 *Product lbs.*
Class I	558,886,876	570,620,226
Class II	226,554,708	190,089,866
Class III	459,268,017	575,997,126
Class IV	128,900,858	107,814,786
Total	1,373,610,459	1,444,522,004

ORDER 33 MARKET SUMMARY

The Producer Price Differential for the Mideast Marketing Area for December 2006 was -$0.06 and the Statistical Uniform Price was $13.41 for the month. The Statistical Uniform Price is the $0.28 higher than last month, and is $0.49 lower than December 2005.

The Producer Butterfat Price of $1.3481 per pound decreased 3.71 cents from November 2006 and is down 15.55 cents from a year ago. The Protein Price of $ 2.4388 is up 20.05 cents from last month and is up 5.42 cents from December 2005. The Other Solids Price in December was $0.2564 per pound, an increase from last month's price of $0.2276 and an increase of 8.62 cents from last December. The Somatic Cell Adjustment rate for December was $0.00068.

December producer receipts of 1.37 billion pounds were 5.1 percent higher than November 2006, and 4.9 percent lower than December 2005 production of 1.44 billion pounds. Producer milk allocated to Class I accounted for 40.7 percent of the total producer milk in December 2006, less than the 43.8 percent in November 2006 and more than the 39.5 percent in December 2005. A total of 7,932 producers were pooled on the Mideast Order compared to 8,843 producers pooled in December 2005.

The market average content of producer milk was as follows: Butterfat 3.75%; Protein 3.10%; Other Solids 5.68% and Nonfat Solids 8.78%.

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2005. The Class I price had a high of $15.38 in January and February and a low of $12.75 in June. The Class II price averaged $11.76, a decrease of $1.72 from 2005. It was highest in January at $13.25 and was lowest in July at $10.83. The Class III price averaged $11.89, a decrease of $2.16 from 2005. It ranged from a low of $10.83 in May, to a high of $13.47 in December. The Class IV price averaged $11.06 for the year, a decrease of $1.82 from a year ago. It ranged from $10.21 in July to $12.30 in December.

The Statistical Uniform Price averaged $12.53 for 2006 compared to $14.70 in 2005. The Producer Butterfat Price averaged $1.3252 per pound in the year 2006. This was a decrease of 38.53 cents from 2005. The price was highest in January at $1.4684 per pound and was lowest in July at $1.2228 per pound. The Protein Price averaged $2.0912 per pound. This was a decrease of 36.90 cents from the previous year. The lowest price occurred in March at $1.8836 per pound. The highest price was $2.4388 per pound in December. Other Solids Price averaged $0.1746 pound. This was an increase of 5.18 cents from 2005. The Producer Price Differential (PPD) averaged $0.64 cwt. in the year 2006 producing a high in March of $1.25 and a low of -$0.06 in December.

The Dairy Outlook

Milk production in 2006 continued to expand, although the rate of expansion slowed as the year progressed—from 5.1 percent above a year ago in the first quarter to only 1.3 percent in the third quarter.

Cow numbers are expected to decline slightly in 2007. However, gains in output per cow will offset lower cow numbers. Milk production is expected to post a slight increase resulting in a 0.6-percent rise in 2007 production to 183 billion pounds.

Cheese production and stocks were above year-earlier levels in October, but prices rose sharply on seasonal demand and limited supplies of nonfat dry milk and skim milk powders (NDM/SMP). Better returns on NDM and SMP as well as stronger fluid milk use this year compared with last have reduced the availability of milk for cheese production. Although cheese prices have declined from their peak, the fourth quarter price estimate has been raised from last month. The 2006 yearly average cheese price is expected to be $1.240 to $1.250 per pound, up slightly from November. For 2007, continued strong cheese demand will encounter slower rising milk production and push yearly average cheese price to $1.315 to $1.395 per pound.

Butter stocks are currently high but are being drawn down seasonally. Butter promotions continue at the retail level. Butter prices are expected to average $1.205 to $1.235 per pound in 2006. Butter prices could average higher in 2007 as production growth moderates but ample beginning stocks of butter will likely keep 2007 prices below 2005. For 2007, average butter price is forecast between $1.250 and $1.360 per pound.

Dry product inventories are tight and production rates steady. Thus, NDM prices have been firm to slightly higher in the fourth quarter of 2006. Global supplies of dairy products are also tight helping U.S. export prospects. The tight international situation is likely to continue through the first half of 2007. The average 2006 NDM price is expected to be 87.5 to 89.5 cents per pound. This average price reflects the strengthening seen in the current fourth quarter. The 2007 price should range higher, at 90.5 to 96.5 cents per pound. The whey market continues to show strength in light of robust demand both internationally and domestically. The whey price in 2006 is expected to be 32.5 to 33.5 cents per pound and to strengthen in 2007 to 34.5 to 37.5 cents per pound.

The expected modest increase in milk production in 2007 in the face of strong demand should boost milk prices in 2007. The Class IV price is expected to average $10.95 to $11.15 per hundredweight (cwt) in 2006 and rise to $11.40 to $12.30 in 2007. The Class III price is projected at $11.85 to $11.95 in 2006, climbing to $12.75 to $13.55 in 2007. The expected average all milk price is estimated to be $12.85 to $12.95 in 2006 and $13.70 to $14.50 in 2007.

SOURCE: "Livestock, Dairy, and Poultry Outlook", LDP-M-150, December 18, 2006, Economic Research Service, USDA. For more information, contact Roger Hoskin, (202) 694-5148.

Weighted Averages - Butterfat, Protein, Other Solids, Somatic Cell Count by State
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	November 2006						November 2005				
			-----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	2,096	497,011	3.73	3.11	5.69	240	479,845	3.74	3.12	5.70	241
Ohio	2,406	315,414	3.86	3.15	5.65	276	314,856	3.87	3.16	5.67	279
New York	447	169,641	3.69	3.07	5.74	224	139,874	3.76	3.07	5.72	221
Indiana	1,111	138,968	3.84	3.14	5.67	277	140,951	3.86	3.15	5.69	265
Pennsylvania	1,274	109,880	3.88	3.15	5.64	328	111,396	3.90	3.17	5.66	317
Wisconsin	474	56,693	3.83	3.11	5.76	240	189,165	3.78	3.11	5.72	264
Illinois	19	8,816	3.71	3.02	5.86	128	9,223	3.54	2.98	5.70	171
West Virginia	67	5,234	4.05	3.29	5.65	364	5,264	4.01	3.29	5.65	378
Other	85	5,704	3.95	3.18	5.65	343	14,062	3.79	3.14	5.69	329
Total/Average *	7,979	1,307,361	3.79	3.12	5.68	258	1,404,638	3.80	3.13	5.70	260

* 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
DECEMBER 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)*	1,844,005	904,305	49.0	$0.95	$14.42
FO 5	Appalachian - *(Charlotte)*	522,897	339,824	65.0	[2/]	14.62
FO 6	Florida - *(Tampa)*	264,731	225,300	85.1	[2/]	15.88
FO 7	Southeast - *(Atlanta)*	610,264	399,894	65.5	[2/]	14.81
FO 30	Upper Midwest - *(Chicago)*	2,277,334	390,277	17.1	0.00	13.47
FO 32	Central - *(Kansas City)*	903,247	373,751	41.4	(0.15)	13.32
FO 33	**Mideast - *(Cleveland)***	**1,373,610**	**558,887**	**40.7**	**(0.06)**	**13.41**
FO 124	Pacific Northwest - *(Seattle)*	454,157	196,037	43.2	(0.48)	12.99
FO 126	Southwest - *(Dallas)*	1,077,096	350,398	32.5	0.58	14.05
FO 131	Arizona - *(Phoenix)*	302,310	118,253	39.1	[2/]	13.71

[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 JANUARY 2007 .... $12.30 /cwt.

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