

Market Information BULLETIN



Sue L. Mosley, Market Administrator

Southeast Marketing Area
Federal Order 7

www.fmmatlanta.com

February 2004

Volume 5—No. 2

ISSUED FOR THE INFORMATION OF PRODUCERS WHO ARE NOT MEMBERS OF COOPERATIVE ASSOCIATIONS

Public Hearing to be Held in Atlanta

A public hearing will be held in response to industry requests to consider proposals to amend the Appalachian and Southeast Federal milk marketing orders. A proposal by Southern Marketing Agency, Inc. (SMA), would merge the Appalachian and Southeast milk marketing areas into a single milk marketing area. A separate SMA proposal and a proposal by The Kroger Company would expand the proposed merged order to include certain currently unregulated counties and cities in the State of Virginia. Also, a proposal submitted by Prairie Farms and Dean Foods Company would create a "Mississippi Valley" milk marketing area by breaking the Southeast order into two orders. Additional proposals that seek to amend certain other terms and provisions of the orders also will be considered at the hearing. The exact language of the proposals may be viewed at www.fmmatlanta.com under 'What's New'.

The hearing will convene at 1 p.m. on Monday, February 23, 2004. The hearing will be held at the Westin Atlanta Airport Hotel, 4736 Best Road, Atlanta, GA 30337; (404) 762-7676.

For further information, contact Antoinette M. Carter, Marketing Specialist, Order Formulation and Enforcement, USDA/AMS/Dairy Programs, Room 2971-Stop 0231, 1400 Independence Avenue, SW, Washington, DC 20250-0231, (202) 690-3465, e-mail address: Antoinette.Carter@usda.gov. Persons requiring a sign language interpreter or other special accommodations should contact Sue L. Mosley, Market Administrator, at (770) 682-2501; e-mail smosley@fmmatlanta.com before the hearing begins.

Study Reveals Merits of Forward Contracting

USDA has released an update to their continuing evaluation of the Dairy Forward Pricing Pilot Program. In addition to reduced price variability, the study shows that, on average, milk priced under a forward contract has received an additional \$0.72 per hundredweight versus non-contracted milk. Look for more information on page four of this publication.

Despite Decline, Average Start to '04

The uniform blend price in Fulton County, GA, was \$14.02 per hundredweight of milk at 3.5 percent butterfat for the month of January. This is a decrease of \$1.31 from the previous month, but is \$1.34 higher than January 2003. Even though the blend price fell 8.5 percent from December, the new year begins only slightly below the average blend price since Order Reform (\$14.06 versus \$14.02). Comparing this month to the previous four Januarys actually shows an increase of \$0.43 per hundredweight.

National Dairy Situation

Butter prices on the Chicago Mercantile Exchange on December 31 of last year closed at \$1.28 per pound. Just six weeks later, the price has risen to \$1.65 per pound, an increase of nearly thirty percent. Most, but not all, of this increase was incorporated into January's Federal Order prices, so look for February's Class IV and March's Class I price to climb higher.

USDA estimates total U.S. production of milk in December at 14.1 billion pounds, which is an increase of 5.2 percent from November but a decrease of 0.7 percent when compared with December 2002. Total cheese output was 753 million pounds, 0.8 percent above December 2002 and 6.0 percent above November 2003. Butter production was 114 million pounds in December, 10.4 percent below December 2002 but 30.0 percent above November 2003. Nonfat dry milk production was 132 million pounds, down slightly from December 2002, but 29.4 percent over November 2003.

Transportation Credit Balancing Fund Summary

In 2003, \$3,240,320 was assessed on Class I milk for distribution through the Fund. On the 488,653,299 pounds claimed for transportation credits, \$3,259,773 was paid. More funds were distributed than assessed due to accrued interest and 2002 audit adjustments.

F.O. 7 - SOUTHEAST: CALCULATION OF UNIFORM PRICES - JANUARY 2004

Calculation of Uniform Butterfat Price:

	<u>Utilization</u>	<u>Pounds</u>	<u>Price/lb.</u>	<u>Value</u>
Class I Butterfat	35.88%	8,831,174	\$1.3283	\$ 11,730,448.42
Class I Differential at Location				263,721.20
Class II Butterfat	21.68%	5,333,936	\$1.5048	8,026,506.92
Class III Butterfat	20.00%	4,920,033	\$1.4978	7,369,225.41
Class IV Butterfat	22.44%	5,520,315	\$1.4978	8,268,327.78
Total Butterfat	100.00%	24,605,458		\$ 35,658,229.73

Uniform Butterfat Price per lb. (Fulton County, Georgia): **\$1.4492**

Calculation of Uniform Skim Milk Price:

Producer Milk	<u>Utilization</u>	<u>Pounds</u>	<u>Price per unit</u>	<u>Value</u>
Class I Skim Milk	63.95%	403,488,764	\$7.46 /cwt.	\$ 30,100,261.80
Class I Butterfat	35.88%	8,831,174	\$1.3283 /lb.	11,730,448.42
Class I Differential at Location		412,319,938		12,260,038.67
Total Class I Milk	62.89%	412,319,938		\$ 54,090,748.89
Class II Skim Milk	9.41%	59,408,183	\$6.64 /cwt.	\$ 3,944,703.36
Class II Butterfat	21.68%	5,333,936	\$1.5048 /lb.	8,026,506.92
Total Class II Milk	9.87%	64,742,119		\$ 11,971,210.28
Class III Skim Milk	15.68%	99,023,910	\$6.60 /cwt.	\$ 6,535,578.07
Class III Butterfat	20.00%	4,920,033	\$1.4978 /lb.	7,369,225.41
Total Class III Milk	15.85%	103,943,943		\$ 13,904,803.48
Class IV Skim Milk	10.96%	69,172,742	\$5.94 /cwt.	\$ 4,108,860.89
Class IV Butterfat	22.44%	5,520,315	\$1.4978 /lb.	8,268,327.78
Total Class IV Milk	11.39%	74,693,057		\$ 12,377,188.67
Producer Milk	100.00%	655,699,057		\$ 92,343,951.32

Adjustments

Overage and Other Source	\$4,830.40
Inventory Adjustments	\$13,273.46
Producer butterfat at uniform butterfat price	(\$35,658,229.73)
Location Adjustments to Producers	\$1,926,776.02
1/2 Unobligated Balance in P.S.F.	\$156,164.32

Adjusted Pool Value

Reserve for Producer Settlement Fund	\$ 9.31506	\$ 58,786,765.79
	\$ 0.04506	\$284,389.14

Uniform Skim Milk Price per cwt. (Fulton County, Georgia):

\$9.27

Uniform Price per cwt. (Fulton County, Georgia)

\$14.02*

* At 3.5% butterfat test; for information purposes.

OTHER FEDERAL ORDERS: CLASS I AND UNIFORM PRICES (At 3.5% Butterfat)

MARKET NAME (Priced at)	CLASS I		UNIFORM		CLASS I %
	JAN 2004	FEB 2004	DEC 2003	JAN 2004	JAN 2004
Appalachian (Charlotte)	\$ 14.95	\$ 14.69	\$ 15.48	\$ 14.25	69.07%
Arizona-Las Vegas (Phoenix)	\$ 14.20	\$ 13.94	\$ 12.98	\$ 12.39	32.19%
Central (Kansas City)	\$ 13.85	\$ 13.59	\$ 12.91	\$ 12.30	30.35%
Florida (Tampa)	\$ 15.85	\$ 15.59	\$ 17.16	\$ 15.54	86.61%
Mideast (Cleveland)	\$ 13.85	\$ 13.59	\$ 13.26	\$ 12.51	38.60%
Northeast (Boston)	\$ 15.10	\$ 14.84	\$ 14.39	\$ 13.58	47.40%
Pacific Northwest (Seattle)	\$ 13.75	\$ 13.49	\$ 12.47	\$ 12.07	30.15%
Southeast (Atlanta)	\$ 14.95	\$ 14.69	\$ 15.33	\$ 14.02	62.89%
Southwest (Dallas)	\$ 14.85	\$ 14.59	\$ 13.86	\$ 13.29	45.26%
Upper Midwest (Chicago)	\$ 13.65	\$ 13.39	\$ 12.41	\$ 11.98	17.80%
Western (Salt Lake City)	\$ 13.71	\$ 13.45	\$ 12.65	\$ 12.13	20.72%

**SOUTHEAST MILK MARKETING AREA-FEDERAL ORDER 7
STATISTICAL SUMMARY**

Receipts:	January 2004	January 2003
Producer Milk		
Class I	412,319,938	426,901,367
Class II	64,742,119	51,389,133
Class III	103,943,943	134,244,323
Class IV	74,693,057	51,432,860
Total Producer Milk	<u>655,699,057</u>	<u>663,967,683</u>
Average Butterfat Test	3.75%	3.74%
Percent of Producer Milk in Class I	62.89%	64.29%
Daily Average Receipts	21,151,582	21,418,312
Other Source Milk		
Class I	7,674,617	9,073,064
Class II	2,898,824	5,807,353
Class III	2,175,291	3,869,170
Class IV	4,878,751	4,163,617
Total Other Source Milk	<u>17,627,483</u>	<u>22,913,204</u>
Overage		
Class I	0	0
Class II	0	0
Class III	0	0
Class IV	3,225	0
Total Overage	<u>3,225</u>	<u>0</u>
Opening Inventory		
Class I	29,357,883	32,649,309
Class II	196,615	1,545,033
Class III	772,130	2,055,613
Class IV	16,021,270	13,466,370
Total Opening Inventory	<u>43,647,898</u>	<u>49,716,325</u>
Total Receipts	719,677,663	736,597,212
Utilization:		
Class I Utilization		
Inventory of Packaged FMP	31,507,007	36,063,050
Route Disposition Class I	408,578,759	424,798,278
Shrinkage	2,575,928	1,808,123
Transfers and Diversions to Nonpool	6,690,744	5,954,289
Total Class I Utilization	<u>449,352,438</u>	<u>468,623,740</u>
Average Butterfat Test	2.15%	2.14%
Daily Average Utilization	14,495,240	15,116,895
Class II Utilization		
Nonfluid Used To Produce	1,560,100	2,059,354
Shrinkage	0	0
Transfers and Diversions to Nonpool	48,209,620	39,876,761
Used To Produce/Other Uses	18,067,838	16,806,404
Total Class II Utilization	<u>67,837,558</u>	<u>58,741,519</u>
Average Butterfat Test	8.26%	8.57%
Class III Utilization		
Shrinkage	0	7,823,003
Transfers and Diversions to Nonpool	106,891,364	126,429,787
Used To Produce/Other Uses	0	5,916,316
Total Class III Utilization	<u>106,891,364</u>	<u>140,169,106</u>
Average Butterfat Test	4.71%	4.05%
Class IV Utilization		
Inventory	1,554,741	15,282,479
Nonfluid Used To Fortify	1,651,109	1,918,432
Shrinkage	7,178,455	0
Transfers and Diversions to Nonpool	59,695,820	44,858,635
Used To Produce/Other Uses	11,516,178	7,003,301
Total Class IV Utilization	<u>95,596,303</u>	<u>69,062,847</u>
Average Butterfat Test	6.86%	9.34%
Total Utilization	719,677,663	736,597,212

Southeast Market Summary

The minimum order uniform price for payment to producers supplying the Southeast Order marketing area during January 2004 is \$14.02 per hundredweight for milk with a 3.5% butterfat test in Fulton County, Georgia. This is .965 times the uniform skim milk price of \$9.27 per hundredweight plus 3.5 times the uniform butterfat price of \$1.4492 per pound. Payment to producers may be reduced by location differentials, if applicable, and by properly authorized deductions.

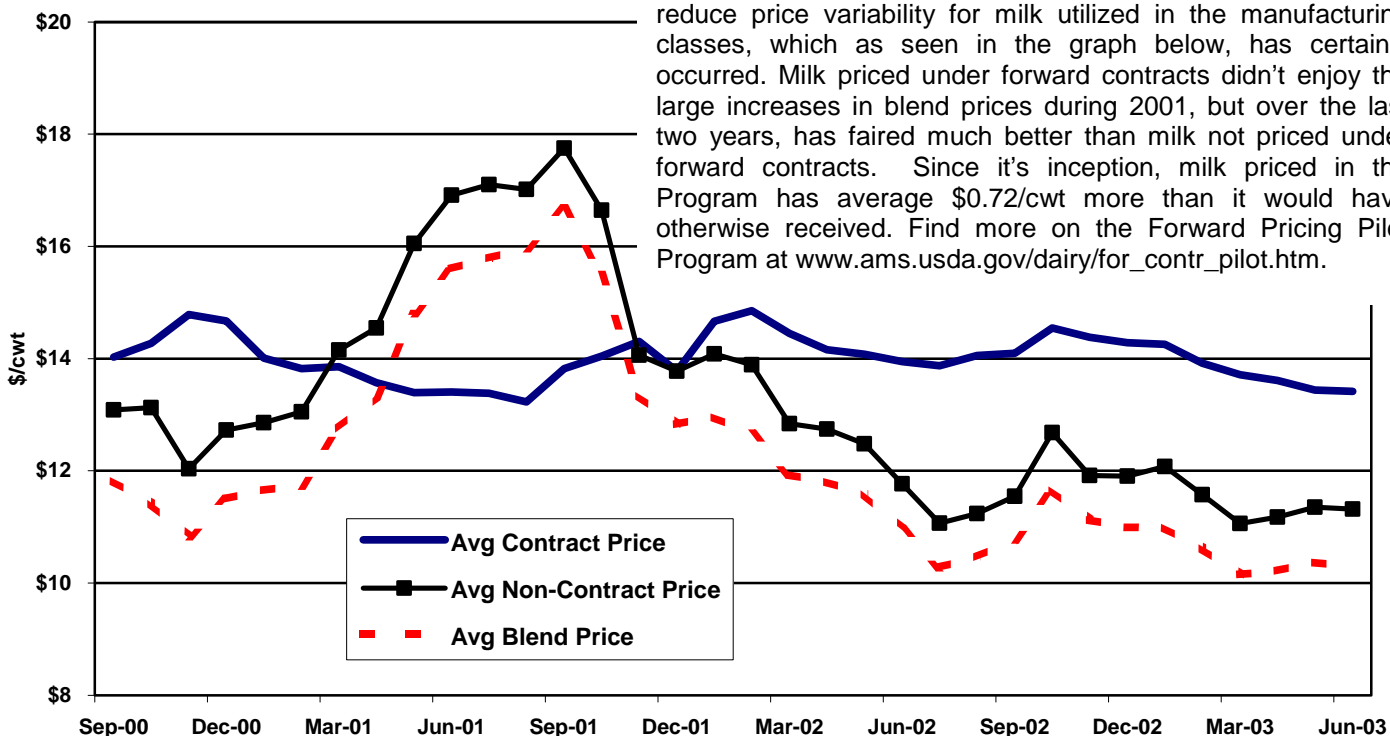
Uniform prices are the result of marketwide pooling; all producer milk was classified and priced according to the milk's use. In January, Class I use, which is primarily bottled or packaged fluid milk, accounted for 63.94% of all producer skim milk (priced to handlers at \$7.46 per hundredweight, plus the Class I differential, see page 2) and 35.88% of producer butterfat (priced to handlers at \$1.3283 per pound plus Class I differential). Class II use, which is milk used in fluid cream products and miscellaneous manufacturing, accounted for 9.41% of all producer skim milk (\$6.64 per hundredweight) and 21.68% of producer butterfat (\$1.5048 per pound). Class III use, mostly milk used to produce cheese, accounted for 15.69% of all producer skim milk (\$6.60 per hundredweight) and 20.00% of producer butterfat (\$1.4978 per pound). Class IV use, generally milk processed into butter and powder, accounted for 10.96% of all producer skim milk (\$5.94 per hundredweight) and 22.44% of producer butterfat (\$1.4978 per pound).

Receipts of producer milk during January 2004 totaled 655.7 million pounds. There were 28 regulated pool distributing plants, 3 pool supply plants and 7 cooperative associations submitting reports of receipts and utilization that were included in the computation of the uniform prices for January 2004. Class I route disposition in the Southeast Market totaled 412.8 million pounds in December 2003.

Packaged Class I Route Sales in Marketing Area

Product Description	Southeast
December 2003	
Whole Milk	164,641,372
Fat Free Milk	46,223,966
Lowfat Milk (incl. 1%)	25,612,506
Reduced Fat Milk (incl. 2%)	123,784,831
Cultured Fluid Milk (incl. Buttermilk)	11,312,836
Flavored Drinks and Milk (incl. Eggnog)	41,211,189
Total Disposition in Marketing Area	412,786,700
Total Disposition by Pool Plants	338,053,859
Total Disposition by Nonpool Plants	74,732,841
Total Disposition in Marketing Area	412,786,700

Price of Forward Contracted Milk; September 2000 to June 2003



USDA's Dairy Forward Pricing Pilot Program allows non-Class I milk to be priced into the future and not be subject to Federal Order pricing regulations. One of the Program's objectives is to reduce price variability for milk utilized in the manufacturing classes, which as seen in the graph below, has certainly occurred. Milk priced under forward contracts didn't enjoy the large increases in blend prices during 2001, but over the last two years, has fared much better than milk not priced under forward contracts. Since its inception, milk priced in the Program has average \$0.72/cwt more than it would have otherwise received. Find more on the Forward Pricing Pilot Program at www.ams.usda.gov/dairy/for_contr_pilot.htm.

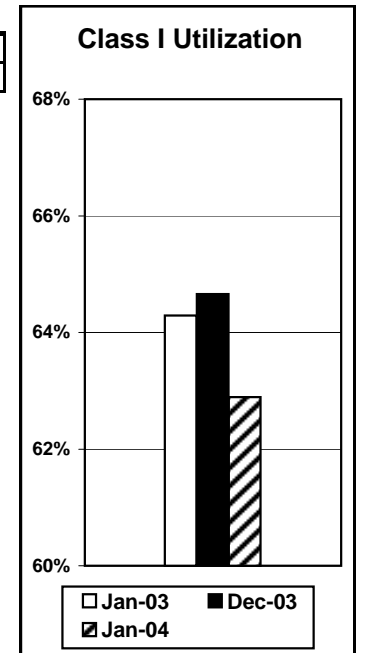
FEDERAL ORDER 7 - SOUTHEAST: CLASS AND UNIFORM PRICES

Pool Period	CLASS I*			CLASS II			CLASS III			CLASS IV			UNIFORM*		
	Skim/cwt	Bfat/lb	@ 3.5	Skim/cwt	Bfat/lb	@ 3.5	Skim/cwt	Bfat/lb	@ 3.5	Skim/cwt	Bfat/lb	@ 3.5	Skim/cwt	Bfat/lb	@ 3.5
2000 Avg	\$10.82	\$1.2040	\$14.65	\$8.42	\$1.2592	\$12.53	\$5.55	\$1.2522	\$9.74	\$ 7.72	\$1.2522	\$11.83	\$ 9.65	\$1.2343	\$13.63
2001 Avg	\$11.03	\$1.9202	\$17.37	\$8.33	\$1.8550	\$14.53	\$6.87	\$1.8480	\$13.10	\$ 7.55	\$1.8480	\$13.76	\$ 9.90	\$1.8783	\$16.13
2002 Avg	\$10.11	\$1.2433	\$14.11	\$7.62	\$1.1998	\$11.55	\$6.47	\$1.1928	\$10.42	\$ 6.88	\$1.1928	\$10.81	\$ 9.10	\$1.2109	\$13.01
Jan 2003	\$9.77	\$1.2094	\$13.66	\$7.37	\$1.1926	\$11.29	\$5.83	\$1.1856	\$9.78	\$ 6.13	\$1.1856	\$10.07	\$ 8.80	\$1.1952	\$12.68
Feb	\$9.30	\$1.2443	\$13.33	\$6.90	\$1.1443	\$10.66	\$5.89	\$1.1373	\$9.66	\$ 6.04	\$1.1373	\$9.81	\$ 8.49	\$1.1782	\$12.32
Mar	\$9.14	\$1.1684	\$12.91	\$6.74	\$1.1529	\$10.54	\$5.28	\$1.1459	\$9.11	\$ 5.99	\$1.1459	\$9.79	\$ 8.15	\$1.1551	\$11.91
Apr	\$9.02	\$1.1537	\$12.74	\$6.62	\$1.1573	\$10.44	\$5.58	\$1.1503	\$9.41	\$ 5.91	\$1.1503	\$9.73	\$ 8.06	\$1.1527	\$11.81
May	\$9.01	\$1.1772	\$12.81	\$6.61	\$1.1582	\$10.43	\$5.89	\$1.1512	\$9.71	\$ 5.92	\$1.1512	\$9.74	\$ 8.21	\$1.1623	\$11.99
Jun	\$9.02	\$1.1810	\$12.84	\$6.62	\$1.1646	\$10.46	\$5.91	\$1.1576	\$9.75	\$ 5.92	\$1.1576	\$9.76	\$ 8.18	\$1.1681	\$11.98
Jul	\$9.02	\$1.1900	\$12.87	\$6.62	\$1.2125	\$10.63	\$7.83	\$1.2055	\$11.78	\$ 5.94	\$1.2055	\$9.95	\$ 8.57	\$1.2004	\$12.47
Aug	\$10.17	\$1.2164	\$14.07	\$6.64	\$1.2584	\$10.81	\$9.76	\$1.2514	\$13.80	\$ 5.97	\$1.2514	\$10.14	\$ 9.55	\$1.2359	\$13.54
Sep	\$12.61	\$1.3254	\$16.81	\$6.69	\$1.2288	\$10.76	\$10.39	\$1.2218	\$14.30	\$ 5.98	\$1.2218	\$10.05	\$ 11.62	\$1.2673	\$15.65
Oct	\$13.53	\$1.2317	\$17.37	\$6.66	\$1.2623	\$10.84	\$10.36	\$1.2553	\$14.39	\$ 5.98	\$1.2553	\$10.16	\$ 12.13	\$1.2470	\$16.07
Nov	\$13.43	\$1.2873	\$17.47	\$6.69	\$1.2947	\$10.99	\$9.29	\$1.2877	\$13.47	\$ 6.00	\$1.2877	\$10.30	\$ 11.62	\$1.2886	\$15.72
Dec	\$12.80	\$1.3116	\$16.94	\$6.72	\$1.3758	\$11.30	\$7.34	\$1.3688	\$11.87	\$ 5.94	\$1.3688	\$10.52	\$ 11.00	\$1.3474	\$15.33
Jan 2004	\$10.56	\$1.3593	\$14.95	\$6.64	\$1.5048	\$11.67	\$6.60	\$1.4978	\$11.61	\$ 5.94	\$1.4978	\$10.97	\$ 9.27	\$1.4492	\$14.02
Feb	\$9.65	\$1.5354	\$14.69	\$6.63											

FEDERAL ORDER 7 - SOUTHEAST: POOLED RECEIPTS AND UTILIZATION OF PRODUCER MILK

Pool Period	Producer Milk 1000 lbs.	Number of Farms	CLASS I		CLASS II		CLASS III		CLASS IV	
			1000 lbs.	%	1000 lbs.	%	1000 lbs.	%	1000 lbs.	%
2000 Avg	623,930	4,974	405,592	65.24%	66,778	10.75%	101,812	16.25%	49,747	7.76%
2001 Avg	647,445	4,826	400,433	62.05%	74,258	11.47%	120,713	18.57%	52,041	7.92%
2002 Avg	660,548	4,603	397,278	60.63%	66,345	10.01%	136,479	20.61%	60,447	8.74%
Jan 2003	663,968	4,387	426,901	64.29%	51,389	7.74%	134,244	20.22%	51,433	7.75%
Feb	572,914	4,366	373,680	65.22%	48,320	8.43%	117,427	20.50%	33,488	5.85%
Mar	626,927	4,233	391,780	62.49%	57,347	9.15%	136,935	21.84%	40,865	6.52%
Apr	636,043	4,223	384,095	60.38%	62,320	9.80%	147,417	23.18%	42,212	6.64%
May	624,501	4,180	389,555	62.38%	58,711	9.40%	142,876	22.88%	33,359	5.34%
Jun	566,519	4,277	348,792	61.57%	70,894	12.51%	122,688	21.66%	24,145	4.26%
Jul	551,309	4,309	365,682	66.33%	71,721	13.01%	85,827	15.57%	28,080	5.09%
Aug	482,491	4,117	382,020	79.17%	57,875	12.00%	6,506	1.35%	36,090	7.48%
Sep	537,648	4,212	387,525	72.08%	55,497	10.32%	69,183	12.87%	25,443	4.73%
Oct	594,522	4,140	400,442	67.35%	51,695	8.70%	95,829	16.12%	46,557	7.83%
Nov	593,837	3,983	377,489	63.57%	64,380	10.84%	95,153	16.02%	56,815	9.57%
Dec	620,265	3,975	401,066	64.66%	55,013	8.87%	103,592	16.70%	60,594	9.77%
Jan 2004	655,699	4,000**	412,320	62.89%	64,742	9.87%	103,944	15.85%	74,693	11.39%

* Class I and uniform prices are at Fulton County (Atlanta), Georgia;** Estimated



Southeast Marketing Area Federal Order 7							
Pool and Payment Dates for the Pooling Periods February through April 2004							
Pool Month	Pool & Uniform Price Release Date	MA Payment Dates		Payments for Producer Milk			
		Due to:	Due From:	Partial Payment Due		Final Payment Due	
		All Funds	P/S & T-Credit	Coop	Nonmember	Coop	Nonmember
February 2004	03/11/04	03/12/04	03/15/04	02/25/04	02/26/04	03/15/04	03/16/04
March 2004	04/11/04	04/12/04	04/13/04	03/25/04	03/26/04	04/13/04	04/14/04
April 2004	05/11/04	05/12/04	05/13/04	04/26/04	04/26/04	05/13/04	05/14/04

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**FEDERAL MILK MARKET ADMINISTRATOR
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*Address Correction Requested***

