

Market Information BULLETIN



Sue L. Mosley, Market Administrator

Southeast Marketing Area
Federal Order 7

www.fmmatlanta.com

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

'03 State Production Totals In; Southeastern Decline Continues

The National Agricultural Statistics Service (NASS) has released state production estimates for 2003 and they reveal a continuation in the expansion of milk production in the western U.S. and the contraction of milk supplies in the southeastern and northeastern U.S. The southeastern states of Alabama, Arkansas, Florida, Georgia, Kentucky, Louisiana, Mississippi, Missouri and Tennessee (bolded in the chart below and combined into SE States) have each lost production, though Florida and Georgia seem to be losing it at a slower rate than the others. Combined, states in the southeastern U.S. produced 6.5% less milk in 2003 than the prior year.

In terms of volume produced, the states with the largest increases were California, Idaho and New Mexico, which combined to produced 1.34 billion pounds more last year than in 2002. States with the largest declines were Pennsylvania, New York and Minnesota, which when combined, produced 903 million fewer pounds.

Production Rank		2003	2002	1995	'02-03 % chg	'95-03 % chg
millions of pounds						
1	CA	35,437	35,065	25,327	1.1%	39.9%
2	WI	22,266	22,074	22,942	0.9%	-2.9%
3	NY	11,952	12,218	11,643	-2.2%	2.7%
4	PA	10,338	10,775	10,600	-4.1%	-2.5%
5	ID	8,774	8,155	4,210	7.6%	108.4%
6	MN	8,258	8,458	9,442	-2.4%	-12.5%
7	NM	6,666	6,316	3,623	5.5%	84.0%
8	MI	6,360	6,120	5,565	3.9%	14.3%
9	TX	5,630	5,300	6,113	6.2%	-7.9%
10	WA	5,581	5,620	5,302	-0.7%	5.3%
18	FL	2,161	2,308	2,381	-6.4%	-9.2%
21	MO	1,886	1,946	2,690	-3.1%	-29.9%
24	KY	1,464	1,614	2,020	-9.3%	-27.5%
25	GA	1,444	1,470	1,555	-1.8%	-7.1%
29	TN	1,205	1,315	1,745	-8.4%	-30.9%
34	LA	519	579	905	-10.4%	-42.7%
36	MS	423	478	710	-11.5%	-40.4%
38	AR	352	393	732	-10.4%	-51.9%
43	AL	252	277	482	-9.0%	-47.7%
	US	170,312	170,063	155,644	0.1%	9.4%
	SE States	9,706	10,380	13,220	-6.5%	-26.6%

Blend Price Up

The uniform blend price in Fulton County, GA, was \$14.23 per hundredweight of milk at 3.5 percent butterfat for the month of February. This is an increase of \$0.21 from the previous month, and is \$1.91 higher than February 2003. Class I utilization was 58.32 percent.

National Dairy Situation

USDA estimates total U.S. production of milk in January at 14.4 billion pounds, which is an increase of 1.5 percent from December but a decrease of 1.3 percent when compared with January 2003. Total cheese output (excluding cottage cheese) was 735 million pounds, 2.4 percent above January 2003 but 2.5 percent below December 2003. Butter production was 132 million pounds in January, 6.8 percent below January 2003 but 15.3 percent above December 2003. Nonfat dry milk production was 120 million pounds in January, a decrease of 9.1 percent from December and down 10.2 percent from January 2003.

Decision Issued on Product Classifications

USDA has announced a tentative final decision to amend all Federal milk orders. If approved by producers, this decision would reclassify evaporated milk and sweetened condensed milk in consumer-type packages from Class III to Class IV. It is expected to have minimal impact on producer prices. For more information, visit www.ams.usda.gov/dairy or contact this office directly.

Western Order to Terminate

Producers in the Western order failed to approve the issuance of their order, as amended, which sought to increase pooling standards. As a result, the order will terminate as of April 1, 2004. Certain administrative functions, such as the auditing of plants, will continue to operate for a few months before the order's provisions can officially cease.

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

Calculation of Uniform Butterfat Price:

	<u>Utilization</u>	<u>Pounds</u>	<u>Price/lb.</u>	<u>Value</u>
Class I Butterfat	33.16%	7,752,942	\$1.5044	\$ 11,663,525.92
Class I Differential at Location				230,990.20
Class II Butterfat	23.25%	5,436,318	\$1.8588	10,105,027.88
Class III Butterfat	20.62%	4,819,775	\$1.8518	8,925,259.37
Class IV Butterfat	22.97%	5,369,245	\$1.8518	9,942,767.90
Total Butterfat	100.00%	23,378,280		\$ 40,867,571.27

Uniform Butterfat Price per lb. (Fulton County, Georgia): **\$1.7481**

Calculation of Uniform Skim Milk Price:

	<u>Utilization</u>	<u>Pounds</u>	<u>Price per unit</u>	<u>Value</u>
Producer Milk				
Class I Skim Milk	59.31%	357,494,626	\$6.55 /cwt.	\$ 23,415,898.00
Class I Butterfat	33.16%	7,752,942	\$1.5044 /lb.	11,663,525.92
Class I Differential at Location		365,247,568		10,851,095.58
Total Class I Milk	58.32%	365,247,568		\$ 45,930,519.50
Class II Skim Milk	10.24%	61,761,235	\$6.63 /cwt.	\$ 4,094,769.88
Class II Butterfat	23.25%	5,436,318	\$1.8588 /lb.	10,105,027.88
Total Class II Milk	10.73%	67,197,553		\$ 14,199,797.76
Class III Skim Milk	17.58%	106,050,124	\$5.61 /cwt.	\$ 5,949,411.96
Class III Butterfat	20.62%	4,819,775	\$1.8518 /lb.	8,925,259.37
Total Class III Milk	17.70%	110,869,899		\$ 14,874,671.33
Class IV Skim Milk	12.87%	77,585,683	\$5.94 /cwt.	\$ 4,608,589.58
Class IV Butterfat	22.97%	5,369,245	\$1.8518 /lb.	9,942,767.90
Total Class IV Milk	13.25%	82,954,928		\$ 14,551,357.48
Producer Milk	100.00%	626,269,948		\$ 89,556,346.07

Adjustments

Overage and Other Source	\$22,517.89
Inventory Adjustments	\$20,678.48
Producer butterfat at uniform butterfat price	(\$40,867,571.27)
Location Adjustments to Producers	\$2,012,377.82
1/2 Unobligated Balance in P.S.F.	\$256,638.52

Adjusted Pool Value

Reserve for Producer Settlement Fund	\$ 8.45939	\$ 51,000,987.51
	\$ 0.04939	\$297,798.22

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

\$8.41

Uniform Price per cwt. (Fulton County, Georgia)

\$14.23*

* 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 %
	FEB 2004	MAR 2004	JAN 2004	FEB 2004	FEB 2004
Appalachian (Charlotte)	\$ 14.69	\$ 15.04	\$ 14.25	\$ 14.49	66.52%
Arizona-Las Vegas (Phoenix)	\$ 13.94	\$ 14.29	\$ 12.39	\$ 12.89	31.41%
Central (Kansas City)	\$ 13.59	\$ 13.94	\$ 12.30	\$ 12.66	29.49%
Florida (Tampa)	\$ 15.59	\$ 15.94	\$ 15.54	\$ 15.48	81.90%
Midwest (Cleveland)	\$ 13.59	\$ 13.94	\$ 12.51	\$ 12.87	36.30%
Northeast (Boston)	\$ 14.84	\$ 15.19	\$ 13.58	\$ 13.95	43.60%
Pacific Northwest (Seattle)	\$ 13.49	\$ 13.84	\$ 12.07	\$ 12.67	28.34%
Southeast (Atlanta)	\$ 14.69	\$ 15.04	\$ 14.02	\$ 14.23	58.32%
Southwest (Dallas)	\$ 14.59	\$ 14.94	\$ 13.29	\$ 13.67	44.39%
Upper Midwest (Chicago)	\$ 13.39	\$ 13.74	\$ 11.98	\$ 12.36	18.30%
Western (Salt Lake City)	\$ 13.45	\$ 13.80	\$ 12.13	\$ 12.53	19.40%

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

Receipts:	February 2004	February 2003
Producer Milk		
Class I	365,247,568	373,680,168
Class II	67,197,553	48,319,750
Class III	110,869,899	117,426,517
Class IV	82,954,928	33,487,871
Total Producer Milk	<u>626,269,948</u>	<u>572,914,306</u>
Average Butterfat Test	3.73%	3.70%
Percent of Producer Milk in Class I	58.32%	65.22%
Daily Average Receipts	21,595,515	20,461,225
Other Source Milk		
Class I	5,791,222	7,727,860
Class II	2,842,053	3,493,692
Class III	2,092,648	2,468,573
Class IV	4,737,783	5,671,988
Total Other Source Milk	<u>15,463,706</u>	<u>19,363,113</u>
Overage		
Class I	0	18,028
Class II	0	0
Class III	12,160	0
Class IV	0	22,229
Total Overage	<u>12,160</u>	<u>40,257</u>
Opening Inventory		
Class I	31,139,946	36,906,580
Class II	625,417	836,606
Class III	487,284	2,218,126
Class IV	14,442,040	11,384,217
Total Opening Inventory	<u>46,694,687</u>	<u>51,345,529</u>
Total Receipts	688,440,501	643,663,205
Utilization:		
Class I Utilization		
Inventory of Packaged FMP	29,949,373	35,514,901
Route Disposition Class I	361,852,253	375,732,519
Shrinkage	2,391,946	964,200
Transfers and Diversions to Nonpool	7,985,164	6,121,016
Total Class I Utilization	<u>402,178,736</u>	<u>418,332,636</u>
Average Butterfat Test	2.12%	2.12%
Daily Average Utilization	13,868,232	14,940,451
Class II Utilization		
Nonfluid Used To Produce	1,433,162	1,221,682
Shrinkage	0	0
Transfers and Diversions to Nonpool	51,089,394	33,763,071
Used To Produce/Other Uses	18,142,467	17,665,295
Total Class II Utilization	<u>70,665,023</u>	<u>52,650,048</u>
Average Butterfat Test	8.20%	8.66%
Class III Utilization		
Shrinkage	7,617,246	6,510,741
Transfers and Diversions to Nonpool	101,322,257	110,695,834
Used To Produce/Other Uses	4,522,488	4,907,641
Total Class III Utilization	<u>113,461,991</u>	<u>122,114,216</u>
Average Butterfat Test	4.36%	4.06%
Class IV Utilization		
Inventory	26,995,674	12,704,027
Nonfluid Used To Fortify	1,548,221	1,711,194
Shrinkage	0	0
Transfers and Diversions to Nonpool	70,766,904	24,206,927
Used To Produce/Other Uses	2,823,952	11,944,157
Total Class IV Utilization	<u>102,134,751</u>	<u>50,566,305</u>
Average Butterfat Test	6.32%	10.39%
Total Utilization	688,440,501	643,663,205

Southeast Market Summary

The minimum order uniform price for payment to producers supplying the Southeast Order marketing area during February 2004 is \$14.23 per hundredweight for milk with a 3.5% butterfat test in Fulton County, Georgia. This is .965 times the uniform skim milk price of \$8.41 per hundredweight plus 3.5 times the uniform butterfat price of \$1.7481 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 February, Class I use, which is primarily bottled or packaged fluid milk, accounted for 59.30% of all producer skim milk (priced to handlers at \$6.55 per hundredweight, plus the Class I differential, see page 2) and 33.16% of producer butterfat (priced to handlers at \$1.5044 per pound plus Class I differential). Class II use, which is milk used in fluid cream products and miscellaneous manufacturing, accounted for 10.24% of all producer skim milk (\$6.63 per hundredweight) and 23.25% of producer butterfat (\$1.8588 per pound). Class III use, mostly milk used to produce cheese, accounted for 17.59% of all producer skim milk (\$5.61 per hundredweight) and 20.62% of producer butterfat (\$1.8518 per pound). Class IV use, generally milk processed into butter and powder, accounted for 12.87% of all producer skim milk (\$5.94 per hundredweight) and 22.97% of producer butterfat (\$1.8518 per pound).

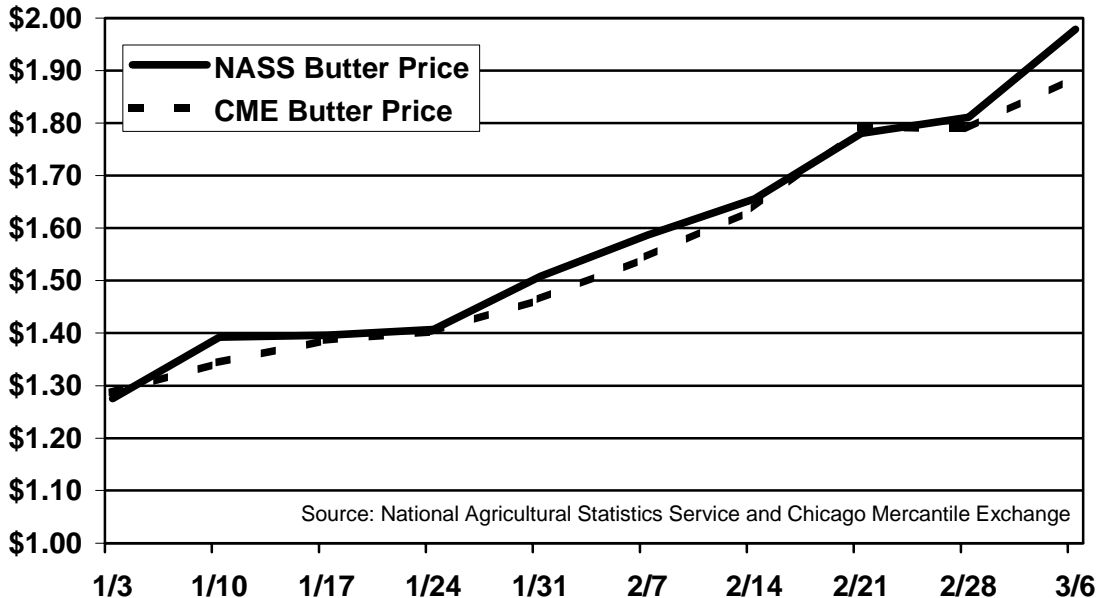
Receipts of producer milk during February 2004 totaled 626.3 million pounds. There were 29 regulated pool distributing plants, 4 pool supply plants and 7 cooperative associations submitting reports of receipts and utilization that were included in the computation of the uniform prices for February 2004. Class I route disposition in the area totaled 423.0 million pounds in January 2004.

Packaged Class I Route Sales in Marketing Area

Product Description	Southeast
January 2004	
Whole Milk	166,488,137
Fat Free Milk	48,509,627
Lowfat Milk (incl. 1%)	27,417,333
Reduced Fat Milk (incl. 2%)	127,639,212
Cultured Fluid Milk (incl. Buttermilk)	10,423,148
Flavored Drinks and Milk (incl. Eggnog)	42,555,916
Total Disposition in Marketing Area	423,033,373
Total Disposition by Pool Plants	347,260,093
Total Disposition by Nonpool Plants	75,773,280
Total Disposition in Marketing Area	423,033,373

Charting the Recent Surge in Butter Prices

Recent declines in U.S. butter production, coupled with increases in commercial disappearance, have fueled speculation regarding tight butter supplies and higher prices throughout the remainder of 2004. Production during the fourth quarter of 2003 was 34.7 million pounds, or 10.4 percent below prior year levels. At the same time, commercial disappearance increased by 18 million pounds, or about 5 percent. As a result, NASS survey prices have increased quickly, from \$1.2867 per pound for the week ending January 3 to \$1.8888 per pound for the week ending March 6 (see graph below), an increase of approximately 47 percent. Weekly average cash butter prices on the Chicago Mercantile Exchange (CME) have increased from \$1.2750 per



pound to \$1.9790 per pound over the same period of time, an increase of nearly 55 percent. The Atlanta Market Administrator's Office estimates that, other factors being equal, this run-up in butter prices served to add approximately 16 cents to the January Southeast Order uniform price and about 72 cents to the February uniform price.

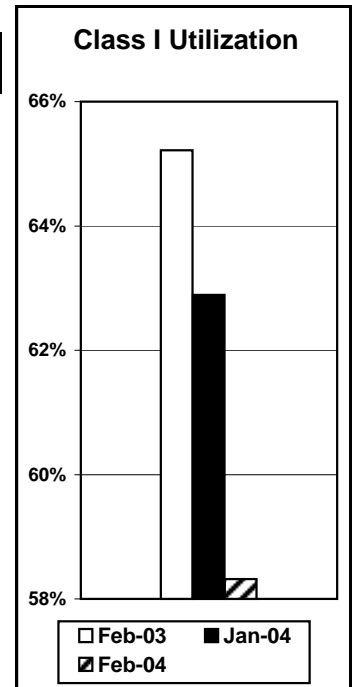
FEDERAL ORDER 7 - SOUTHEAST: CLASS AND UNIFORM PRICES

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	\$1.8588	\$12.90	\$5.61	\$1.8518	\$11.89	\$ 5.94	\$1.8518	\$12.21	\$ 8.41	\$1.7481	\$14.23
Mar	\$9.06	\$1.7985	\$15.04	\$6.66											

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	4,040	412,320	62.89%	64,742	9.87%	103,944	15.85%	74,693	11.39%
Feb	626,270	4,000**	365,248	58.32%	67,198	10.73%	110,870	17.70%	82,955	13.25%

* 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 March through May 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
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
May 2004	06/11/04	06/14/04	06/15/04	05/25/04	05/26/04	06/15/04	06/16/04

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**FEDERAL MILK MARKET ADMINISTRATOR
U.S. DEPARTMENT OF AGRICULTURE
P.O. BOX 491778
LAWRENCEVILLE, GEORGIA 30049**
Address Correction Requested

