

Market Information BULLETIN



Southeast Marketing Area
Federal Order 7

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

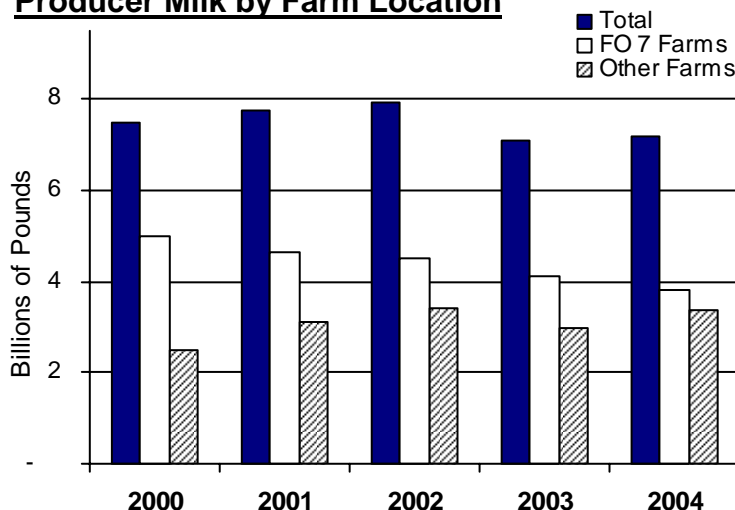
Trends in Producer Milk Composition Continued During 2004

Federal Order 7 is known as a 'deficit' market because the demand for milk by processors regularly exceeds the available supply from farms located inside the marketing area. Deficits are covered with supplemental milk shipped from farms located in other orders. The chart below, and those on page four, show how the volume and composition of producer milk pooled on Federal Order 7 has changed over the past 5 years.

While more milk was pooled in 2004 than in 2003 (7.16 billion vs. 7.07 billion annually), less of it came from farms inside the marketing area. In fact, less milk was pooled from 'local' farms in 2004 than in any previous year. In 2000, farms inside the marketing area pooled 4.98 billion pounds, 67% of the total volume of producer milk. By 2004 those values fell to 3.80 billion pounds and 53% of the total volume, respectively. This represents a decline of 24 percent.

The amount of milk originating from farms in other orders ('Other Farms' in the chart below) has varied, but in general, it's portion of total producer milk has grown since 2000. This point is further illustrated with the two charts found on page four.

Producer Milk by Farm Location



Blend Price Up \$0.13

The uniform blend price in Fulton County, GA, was \$17.16 per hundredweight of milk at 3.5 percent butterfat for January. This represents an increase of \$0.13 from December and is \$3.14 higher than January 2004. Class I utilization was 61.83 percent, 9.07 percent lower than December, and 1.06 percent less than January 2004.

HURRICANE RELIEF UPDATE

Eligible claims for hurricane-related transportation costs currently total \$279,308.29. The temporary hurricane relief fund collected \$162,254.35 in January based on the 4-cent per hundredweight assessment on Class I producer milk. All dollars assessed were credited to eligible handlers, leaving \$117,053.94 in remaining eligible claims.

National Dairy Situation

USDA estimates that the total U.S. production of milk in December was 14.3 billion pounds, an increase of 1.0 percent from December 2003 and an increase of 4.6 percent when compared with November 2004. Total U.S. production for 2004 is estimated at 170.5 billion pounds, an increase of 170 million pounds, or 0.1 percent, from 2003. Total cheese output (excluding cottage cheese) was 772 million pounds, 1.8 percent above December 2003 and 3.2 percent above November 2004. Butter production was 112 million pounds in December, 2.3 percent lower than December 2003 but 14.8 percent above November 2004. Nonfat dry milk production was 108.0 million pounds in December, 18.2 percent below December 2003 and 14.3 percent higher than November 2004.

2004 Transportation Credit Review

Claims on the Federal Order 7 transportation credit balancing fund in 2004 were made for \$6.25 million. Total assessments were \$3.23 million, so for the year eligible claims were paid at the rate of approximately \$0.52 on the dollar.

F.O. 7 - SOUTHEAST: CALCULATION OF UNIFORM PRICES - JANUARY 2005

Calculation of Uniform Butterfat Price:

	<u>Utilization</u>	<u>Pounds</u>	<u>Price/lb.</u>	<u>Value</u>
Class I Butterfat	34.48%	8,411,228	\$2.0818	\$ 17,510,494.46
Class I Differential at Location				251,442.10
Class II Butterfat	19.20%	4,684,837	\$1.7400	8,151,616.38
Class III Butterfat	15.53%	3,790,187	\$1.7330	6,568,394.08
Class IV Butterfat	30.79%	7,511,567	\$1.7330	13,017,545.63
Total Butterfat	100.00%	24,397,819		\$ 45,499,492.65

Uniform Butterfat Price per lb. (Fulton County, Georgia): \$1.8649

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	62.89%	397,224,650	\$9.70 /cwt.	\$ 38,530,791.06
Class I Butterfat	34.48%	8,411,228	\$2.0818 /lb.	17,510,494.46
Class I Differential at Location		405,635,878		12,095,035.07
Total Class I Milk	61.83%	405,635,878		\$ 68,136,320.59
Class II Skim Milk	9.80%	61,910,273	\$7.20 /cwt.	\$ 4,457,539.66
Class II Butterfat	19.20%	4,684,837	\$1.7400 /lb.	8,151,616.38
Total Class II Milk	10.15%	66,595,110		\$ 12,609,156.04
Class III Skim Milk	12.59%	79,500,999	\$8.37 /cwt.	\$ 6,654,233.62
Class III Butterfat	15.53%	3,790,187	\$1.7330 /lb.	6,568,394.08
Total Class III Milk	12.70%	83,291,186		\$ 13,222,627.70
Class IV Skim Milk	14.72%	92,967,640	\$6.69 /cwt.	\$ 6,219,535.12
Class IV Butterfat	30.79%	7,511,567	\$1.7330 /lb.	13,017,545.63
Total Class IV Milk	15.32%	100,479,207		\$ 19,237,080.75
Producer Milk	100.00%	656,001,381		\$ 113,205,185.08

Adjustments

Overage and Other Source	\$21,142.89
Inventory Adjustments	(\$7,163.12)
Producer butterfat at uniform butterfat price	(\$45,499,492.65)
Location Adjustments to Producers	\$1,903,465.44
1/2 Unobligated Balance in P.S.F.	\$238,800.39

Adjusted Pool Value

Reserve for Producer Settlement Fund	\$ 11.06104	\$69,861,938.03
	\$ 0.04104	\$259,225.51

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

\$11.02

Uniform Price per cwt. (Fulton County, Georgia)

\$17.16*

* 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 2005	FEB 2005	DEC 2004	JAN 2005	JAN 2005
Appalachian (Charlotte)	\$ 19.75	\$ 16.89	\$ 16.98	\$ 17.34	66.06%
Arizona-Las Vegas (Phoenix)	\$ 19.00	\$ 16.14	\$ 15.55	\$ 15.09	33.16%
Central (Kansas City)	\$ 18.65	\$ 15.79	\$ 15.26	\$ 14.95	30.07%
Florida (Tampa)	\$ 20.65	\$ 17.79	\$ 18.00	\$ 19.11	84.67%
Mideast (Cleveland)	\$ 18.65	\$ 15.79	\$ 15.52	\$ 15.22	35.40%
Northeast (Boston)	\$ 19.90	\$ 17.04	\$ 16.43	\$ 16.31	45.70%
Pacific Northwest (Seattle)	\$ 18.55	\$ 15.69	\$ 14.83	\$ 14.73	32.43%
Southeast (Atlanta)	\$ 19.75	\$ 16.89	\$ 17.03	\$ 17.16	61.83%
Southwest (Dallas)	\$ 19.65	\$ 16.79	\$ 15.67	\$ 16.04	44.28%
Upper Midwest (Chicago)	\$ 18.45	\$ 15.59	\$ 15.19	\$ 14.53	17.00%

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

Receipts:	January 2005	January 2004
Producer Milk		
Class I	405,635,878	412,319,938
Class II	66,595,110	64,742,119
Class III	83,291,186	103,943,943
Class IV	100,479,207	74,693,057
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Total Producer Milk	656,001,381	655,699,057
Average Butterfat Test	3.72%	3.75%
Percent of Producer Milk in Class I	61.83%	62.89%
Daily Average Receipts	21,161,335	21,151,582
Other Source Milk		
Class I	6,388,274	7,674,617
Class II	5,809,344	2,898,824
Class III	2,463,739	2,175,291
Class IV	7,206,936	4,878,751
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Total Other Source Milk	21,868,293	17,627,483
Overage		
Class I	0	0
Class II	0	0
Class III	1	0
Class IV	91,922	3,225
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Total Overage	91,923	3,225
Opening Inventory		
Class I	35,407,083	29,357,883
Class II	432,323	196,615
Class III	0	772,130
Class IV	10,969,541	16,021,270
	<hr/>	<hr/>
Total Opening Inventory	46,808,947	46,347,898
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Total Receipts	724,770,544	719,677,663
Utilization:		
Class I Utilization		
Inventory of Packaged FMP	29,780,572	31,507,007
Route Disposition Class I	408,011,111	408,578,759
Shrinkage	2,947,343	2,575,928
Transfers & Diversions to Nonpool	6,692,209	6,690,744
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Total Class I Utilization	447,431,235	449,352,438
Average Butterfat Test	2.08%	2.15%
Daily Average Utilization	14,433,266	14,495,240
Class II Utilization		
Nonfluid Used To Produce	1,681,152	1,560,100
Shrinkage	0	0
Transfers & Diversions to Nonpool	43,676,255	48,209,620
Used To Produce/Other Uses	27,479,370	18,067,838
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Total Class II Utilization	72,836,777	67,837,558
Average Butterfat Test		8.28%
Class III Utilization		
Shrinkage	0	0
Transfers & Diversions to Nonpool	85,754,926	106,891,364
Used To Produce/Other Uses	0	0
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Total Class III Utilization	85,754,926	106,891,364
Average Butterfat Test	4.53%	4.71%
Class IV Utilization		
Inventory	22,895,534	15,554,741
Nonfluid Used To Fortify	1,603,980	1,651,109
Shrinkage	7,345,885	7,178,455
Transfers & Diversions to Nonpool	78,080,623	59,695,820
Used To Produce/Other Uses	8,821,584	11,516,178
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Total Class IV Utilization	118,747,606	95,596,303
Average Butterfat Test	7.20%	6.86%
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Total Utilization	724,770,544	719,677,663

Southeast Market Summary

The minimum order uniform price for payment to producers supplying the Southeast Order marketing area during January 2004 is \$17.16 per hundredweight for milk with a 3.5% butterfat test in Fulton County, Georgia. This is .965 times the uniform skim milk price of \$11.02 per hundredweight plus 3.5 times the uniform butterfat price of \$1.8649 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 62.89% of all producer skim milk (priced to handlers at \$9.70 per hundredweight, plus the Class I differential, see page 2) and 34.48% of producer butterfat (priced to handlers at \$2.0818 per pound plus Class I differential). Class II use, which is milk used in fluid cream products and miscellaneous manufacturing, accounted for 9.80% of all producer skim milk (\$7.20 per hundredweight) and 19.20% of producer butterfat (\$1.7400 per pound). Class III use, mostly milk used to produce cheese, accounted for 12.59% of all producer skim milk (\$8.37 per hundredweight) and 15.53% of producer butterfat (\$1.7330 per pound). Class IV use, generally milk processed into butter and powder, accounted for 14.72% of all producer skim milk (\$6.69 per hundredweight) and 30.79% of producer butterfat (\$1.7330 per pound).

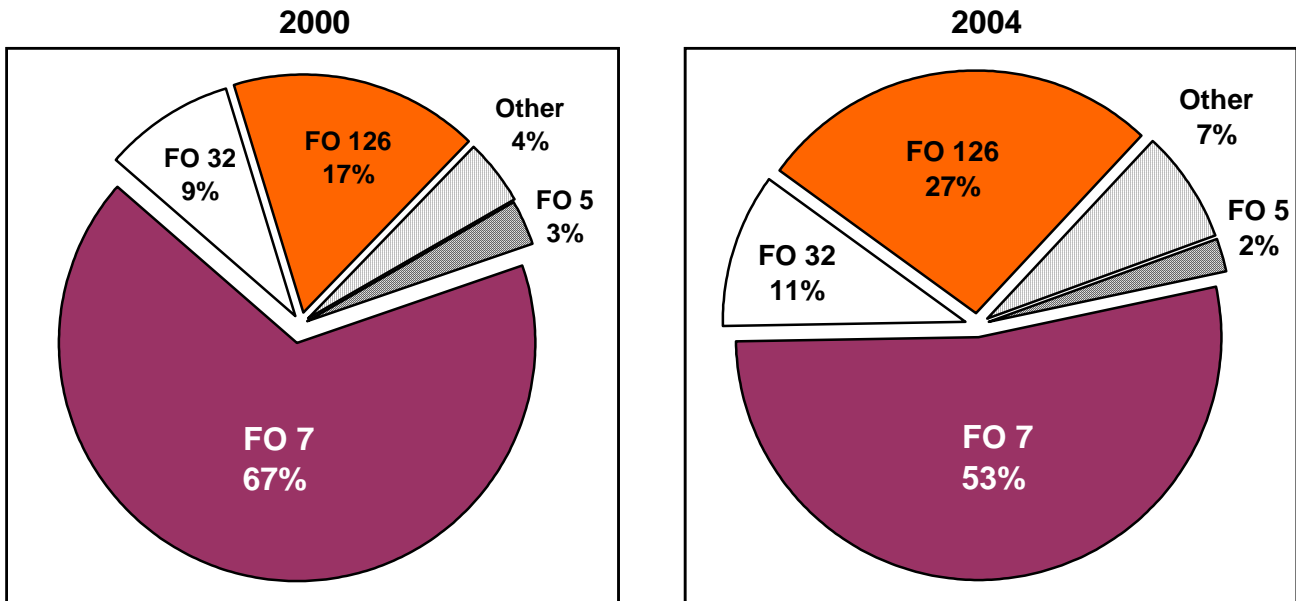
Receipts of producer milk during January 2005 totaled 656.0 million pounds. There were 29 regulated pool distributing plants, 3 pool supply plants and 7 cooperative associations submitting reports of receipts and utilization that were included in the computation of the uniform prices for January 2005. Class I route disposition in the area totaled 413.3 million pounds in December 2004.

Packaged Class I Route Sales in Marketing Area

Product Description	Pounds	Percent
December 2004		
Whole Milk	157,064,509	38.01%
Fat Free Milk	47,462,853	11.48%
Lowfat Milk (incl. 1%)	27,198,923	6.58%
Reduced Fat Milk (incl. 2%)	130,316,030	31.53%
Cultured Fluid Milk (incl. Buttermilk)	10,639,784	2.57%
Flavored Drinks and Milk	40,605,657	9.83%
Total Disposition in Marketing Area	413,287,756	100.0%
Total Disposition by Pool Plants	342,140,608	82.79%
Total Disposition by Nonpool Plants	71,147,148	17.21%
Total Disposition in Marketing Area	413,287,756	100.0%

The Changing Sources of Producer Milk

Federal Order 7 producer milk is composed of milk originating from various parts of the country. While this has been true for many years, recent trends reveal rapidly increasing proportions of milk coming from farms located in Federal Order 126 (mainly Texas and New Mexico). In 2000, milk from Federal Order 126 represented 17 percent of producer milk pooled. That figure jumped to 27 percent in 2004, corresponding to the largest increase in producer milk volume from any area. The 'Other' category shown below (representing Federal Order 1, 6, 30, 33 and unregulated areas) had the fastest growth rate, though a relatively small contribution to total producer milk volumes.



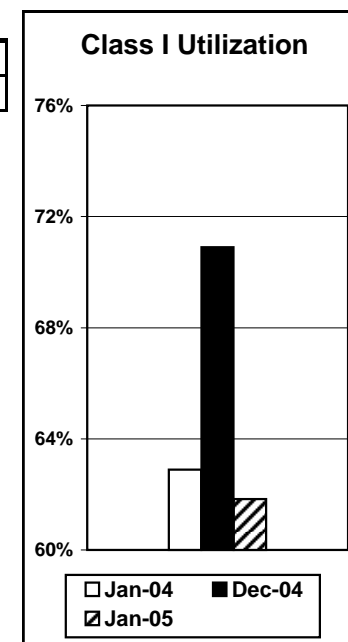
FEDERAL ORDER 7 - SOUTHEAST: CLASS AND UNIFORM PRICES

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
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
2003 Avg	\$10.57	\$1.2247	\$14.48	\$6.74	\$1.2169	\$10.76	\$7.45	\$1.2099	\$11.42	\$ 5.98	\$1.2099	\$10.00	\$ 9.53	\$1.2165	\$13.46
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	\$2.3883	\$14.79	\$6.38	\$2.3813	\$14.49	\$ 5.97	\$2.3813	\$14.10	\$ 8.29	\$2.1737	\$15.61
Apr	\$9.06	\$2.2835	\$16.74	\$6.66	\$2.5083	\$15.21	\$11.30	\$2.5013	\$19.66	\$ 6.03	\$2.5013	\$14.57	\$ 8.58	\$2.4128	\$16.72
May	\$14.60	\$2.4747	\$22.75	\$6.74	\$2.4352	\$15.03	\$12.52	\$2.4282	\$20.58	\$ 6.22	\$2.4282	\$14.50	\$12.13	\$2.4460	\$20.27
Jun	\$16.08	\$2.4890	\$24.23	\$6.91	\$2.1838	\$14.31	\$10.43	\$2.1768	\$17.68	\$ 6.32	\$2.1768	\$13.72	\$12.55	\$2.2841	\$20.11
Jul	\$14.05	\$2.1398	\$21.05	\$7.03	\$2.0613	\$14.00	\$7.94	\$2.0543	\$14.85	\$ 6.34	\$2.0543	\$13.31	\$12.20	\$2.0927	\$19.10
Aug	\$10.65	\$2.1262	\$17.72	\$7.07	\$1.8011	\$13.13	\$8.04	\$1.7941	\$14.04	\$ 6.40	\$1.7941	\$12.46	\$ 9.76	\$1.9285	\$16.17
Sep	\$11.06	\$1.8200	\$17.04	\$7.11	\$1.9424	\$13.66	\$8.23	\$1.9354	\$14.72	\$ 6.45	\$1.9354	\$13.00	\$10.17	\$1.8899	\$16.43
Oct	\$11.63	\$1.9025	\$17.88	\$7.14	\$1.9090	\$13.57	\$7.78	\$1.9020	\$14.16	\$ 6.38	\$1.9020	\$12.81	\$10.48	\$1.9035	\$16.78
Nov	\$10.91	\$1.9598	\$17.39	\$7.14	\$2.0559	\$14.09	\$8.00	\$2.0489	\$14.89	\$ 6.39	\$2.0489	\$13.34	\$10.14	\$2.0125	\$16.83
Dec	\$11.22	\$1.9144	\$17.53	\$7.07	\$2.0436	\$13.98	\$9.34	\$2.0366	\$16.14	\$ 6.52	\$2.0366	\$13.42	\$10.45	\$1.9859	\$17.03
Jan 2005	\$12.80	\$2.1128	\$19.75	\$7.20	\$1.7400	\$13.04	\$8.37	\$1.7330	\$14.14	\$ 6.69	\$1.7330	\$12.52	\$11.02	\$1.8649	\$17.16
Feb	\$11.07	\$1.7748	\$16.89	\$7.38											

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.	%
2002 Avg	660,548	4,603	397,278	60.63%	66,345	10.01%	136,479	20.61%	60,447	8.74%
2003 Avg	589,245	4,200	385,752	65.79%	58,764	10.06%	104,806	17.41%	39,923	6.74%
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	3,918	365,248	58.32%	67,198	10.73%	110,870	17.70%	82,955	13.25%
Mar	656,089	3,848	401,134	61.15%	78,230	11.92%	132,949	20.26%	43,776	6.67%
Apr	562,225	3,444	390,525	69.46%	74,196	13.20%	13,399	2.38%	84,104	14.96%
May	615,936	3,795	354,868	57.62%	85,576	13.89%	71,573	11.62%	103,919	16.87%
Jun	647,473	3,716	346,813	53.56%	90,522	13.98%	90,317	13.95%	119,821	18.51%
Jul	542,312	3,686	372,617	68.71%	61,455	11.33%	75,289	13.88%	32,951	6.08%
Aug	593,593	3,597	401,050	67.56%	75,421	12.71%	65,465	11.03%	51,657	8.70%
Sep	559,693	3,787	393,790	70.36%	63,784	11.40%	58,719	10.49%	43,400	7.75%
Oct	573,163	3,568	395,197	68.94%	66,827	11.66%	65,141	11.37%	45,998	8.03%
Nov	566,673	3,615	405,676	71.59%	58,889	10.39%	69,595	12.28%	32,513	5.74%
Dec	565,307	3,678	400,810	70.90%	56,628	10.02%	62,262	11.01%	45,607	8.07%
Jan 2005	656,001	3,650**	405,636	61.83%	66,595	10.15%	83,291	12.70%	100,479	15.32%

* 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 2005 through April 2005							
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 2005	03/11/05	03/14/05	03/15/05	02/25/05	02/28/05	03/15/05	03/16/05
March 2005	04/11/05	04/12/05	04/13/05	03/25/05	03/28/05	04/13/05	04/14/05
April 2005	05/11/05	05/12/05	05/13/05	04/25/05	04/26/05	05/13/05	05/16/05

** The base rate for making partial payments in Fulton County, GA for February will be \$15.44 per hundredweight. This is 90 percent of the preceding month's uniform price of \$17.16 per hundredweight. According to part 1007.73, partial payments shall be made at a rate not less than 90 percent of the preceding month's uniform price for milk received during the first 15 days of the month, adjusted for plant location and authorized deductions. Plant location adjustments can be found on the back of the price announcements published by the Market Administrator office.

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MILK MARKET ADMINISTRATOR
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