

# 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

## Class III / IV Make Allowance Hearing Announced for All Federal Orders

The U. S. Department of Agriculture has announced a national public hearing will be held to consider, and take evidence on, a proposal seeking to amend the Class III and Class IV milk price formula manufacturing allowances applicable to all Federal milk marketing orders.

The hearing will convene at 8:30 a.m., Tuesday, January 24, 2006 at the Sheraton Suites Old Town Alexandria, 801 North Saint Asaph Street, Alexandria, Virginia 22314. For more information contact : Jack Rower, Marketing Specialist, (202) 720-2357, e-mail-address: jack.rover@usda.gov.

The Department of Agriculture has conducted a preliminary analysis to assist the industry in considering the effects of increasing manufacturing allowances, commonly referred to as 'make allowances'. The following is taken directly from that analysis:

"Increasing the make allowances will generally result in lower Federal order class and blend prices, lower all-milk prices, slightly higher manufactured dairy product prices, and slightly lower fluid milk prices. Federal order cash receipts and U.S. producer revenues decline slightly. Manufacturing plants have higher dairy product prices on the revenue side and lower Federal order class and all-milk prices on the cost side.

The scenarios [of the analysis] also demonstrate that seemingly small changes in the relative values of the various make allowances can result in possibly unexpected changes in the relative values of the manufacturing class prices."

The full text of the preliminary analysis is online at [www.ams.usda.gov/dairy/hearings.htm](http://www.ams.usda.gov/dairy/hearings.htm), under the heading 'National Hearings'.

## Blend Price Slides Lower

The uniform blend price in Fulton County, GA, was \$15.44 per hundredweight of milk at 3.5 percent butterfat for the month of December. This is a decrease of \$0.78 from November and a decrease of \$1.59 from December 2004. Class I utilization was 63.95 percent, 3.47 percent less than last month and 6.95 percent lower than December 2004.

## National Dairy Situation

USDA estimates that the total U.S. production of milk in November was 14.20 billion pounds, an increase of 4.4 percent from November 2004 and a decrease of 2.7 percent when compared with October 2005. Total cheese output (excluding cottage cheese) was 761 million pounds, 0.9 percent above November 2004 and 0.4 percent above October 2005. Butter production was 110 million pounds, 8.6 percent above November 2004 and 2.7 percent above October 2005.

## Year-End Review of Southeast Order Prices

The year 2005 drew to a close leaving Southeast Order uniform blend prices, on average, \$0.80 per hundredweight lower than 2004 (\$16.14 versus \$16.94). While this is a large decline, the 2005 average blend price was still \$1.25 higher than the historic average since Federal Order reform(\$14.89). Even after adjusting for inflation, 2005 blend prices were well above long-term expectations.

The average Class I price fell \$0.58 from 2004, along with declines in the Class II price of \$0.38, the Class III price of \$1.35 and the Class IV price of \$0.33. The chart displayed on page 4 of this publication shows annual average uniform and class prices for Federal Order 7 since the year 2000.

## Transportation Credit Update

Claims on the Federal Order 7 transportation credit balancing fund for December 2005 were made for \$763,073.10. Since the available balance was \$400,822.92, eligible claims were paid at the rate of approximately \$0.53 on the dollar.

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

### Calculation of Uniform Butterfat Price:

	<u>Utilization</u>	<u>Pounds</u>	<u>Price/lb.</u>	<u>Value</u>
Class I Butterfat	37.48%	9,067,929	\$1.6633	\$ 15,082,686.32
Class I Differential at Location				270,140.55
Class II Butterfat	19.59%	4,739,778	\$1.5106	7,159,908.65
Class III Butterfat	16.09%	3,892,017	\$1.5036	5,852,036.77
Class IV Butterfat	26.84%	6,491,813	\$1.5036	9,761,090.02
<b>Total Butterfat</b>	<b>100.00%</b>	<b>24,191,537</b>		<b>\$ 38,125,862.31</b>

Uniform Butterfat Price per lb. (Fulton County, Georgia): **\$1.5760**

### Calculation of Uniform Skim Milk Price

	<u>Utilization</u>	<u>Pounds</u>	<u>Price per unit</u>	<u>Value</u>
<b>Producer Milk</b>				
Class I Skim Milk	65.01%	391,869,535	\$8.03 /cwt.	\$ 31,467,123.64
Class I Butterfat	37.48%	9,067,929	\$1.6633 /lb.	15,082,686.32
Class I Differential at Location		400,937,464		11,930,843.47
<b>Total Class I Milk</b>	<b>63.95%</b>	<b>400,937,464</b>		<b>\$ 58,480,653.43</b>
Class II Skim Milk	8.53%	51,448,143	\$8.22 /cwt.	\$ 4,229,037.35
Class II Butterfat	19.59%	4,739,778	\$1.5106 /lb.	7,159,908.65
<b>Total Class II Milk</b>	<b>8.96%</b>	<b>56,187,921</b>		<b>\$ 11,388,946.00</b>
Class III Skim Milk	14.29%	86,156,795	\$8.40 /cwt.	\$ 7,237,170.78
Class III Butterfat	16.09%	3,892,017	\$1.5036 /lb.	5,852,036.77
<b>Total Class III Milk</b>	<b>14.36%</b>	<b>90,048,812</b>		<b>\$ 13,089,207.55</b>
Class IV Skim Milk	12.17%	73,341,785	\$7.57 /cwt.	\$ 5,551,973.12
Class IV Butterfat	26.84%	6,491,813	\$1.5036 /lb.	9,761,090.02
<b>Total Class IV Milk</b>	<b>12.73%</b>	<b>79,833,598</b>		<b>\$ 15,313,063.14</b>
<b>Producer Milk</b>	<b>100.00%</b>	<b>627,007,795</b>		<b>\$ 98,271,870.12</b>

### Adjustments

Overage and Other Source	\$2,935.47
Inventory Adjustments	\$14,132.30
Producer butterfat at uniform butterfat price	(\$38,125,862.31)
Location Adjustments to Producers	\$1,831,570.15
1/2 Unobligated Balance in P.S.F	\$247,467.38

### Adjusted Pool Value

Reserve for Producer Settlement Func	\$ 10.32522	\$62,242,113.11
	<u>\$ 0.04522</u>	\$269,849.72

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

**\$10.28**

Uniform Price per cwt. (Fulton County, Georgia)

**\$15.44\***

\* 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 %
	DEC 2005	JAN 2005	NOV 2005	DEC 2005	DEC 2005
Appalachian (Charlotte)	\$ 16.67	\$ 16.48	\$ 16.30	\$ 15.51	67.61%
Arizona-Las Vegas (Phoenix)	\$ 15.92	\$ 15.73	\$ 14.50	\$ 14.00	33.94%
Central (Kansas City)	\$ 15.57	\$ 15.38	\$ 14.06	\$ 13.69	29.10%
Florida (Tampa)	\$ 17.57	\$ 17.38	\$ 17.71	\$ 16.89	88.32%
Midwest (Cleveland)	\$ 15.57	\$ 15.38	\$ 14.35	\$ 13.90	39.50%
Northeast (Boston)	\$ 16.82	\$ 16.63	\$ 15.41	\$ 14.83	47.40%
Pacific Northwest (Seattle)	\$ 15.48	\$ 15.29	\$ 13.91	\$ 13.44	29.33%
<b>Southeast (Atlanta)</b>	<b>\$ 16.67</b>	<b>\$ 16.48</b>	<b>\$ 16.22</b>	<b>\$ 15.44</b>	<b>63.95%</b>
Southwest (Dallas)	\$ 16.57	\$ 16.38	\$ 15.15	\$ 14.60	40.75%
Upper Midwest (Chicago)	\$ 15.37	\$ 15.18	\$ 13.79	\$ 13.61	18.00%

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

<b>Receipts:</b>	<b>December 2005</b>	<b>December 2004</b>
<b>Producer Milk</b>		
Class I	400,937,464	400,809,887
Class II	56,187,921	56,627,539
Class III	90,048,812	62,262,105
Class IV	79,833,598	45,607,444
Total Producer Milk	<u>627,007,795</u>	<u>565,306,975</u>
Average Butterfat Test	3.86%	3.77%
Percent of Producer Milk in Class I	63.95%	70.90%
Daily Average Receipts	20,226,058	18,235,709
<b>Other Source Milk</b>		
Class I	9,157,032	7,652,843
Class II	8,480,032	3,649,519
Class III	3,467,667	2,234,846
Class IV	9,713,190	7,097,617
Total Other Source Milk	<u>30,817,921</u>	<u>20,634,825</u>
<b>Overage</b>		
Class I	0	0
Class II	0	200,123
Class III	1	0
Class IV	24	1,165
Total Overage	<u>25</u>	<u>201,288</u>
<b>Opening Inventory</b>		
Class I	31,347,373	37,130,332
Class II	2,997,213	1,058,395
Class III	507,934	150,177
Class IV	19,038,516	13,488,612
Total Opening Inventory	<u>53,891,036</u>	<u>51,827,516</u>
<b>Total Receipts</b>	<b>711,716,777</b>	<b>637,970,604</b>
<b>Utilization:</b>		
<b>Class I Utilization</b>		
Inventory of Packaged FMP	31,446,220	35,407,083
Route Disposition Class I	398,548,003	399,700,226
Shrinkage	4,059,861	2,520,863
Transfers & Diversions to Nonpool	7,387,785	7,964,890
Total Class I Utilization	<u>441,441,869</u>	<u>445,593,062</u>
Average Butterfat Test	2.26%	2.25%
Daily Average Utilization	14,240,060	14,373,970
<b>Class II Utilization</b>		
Nonfluid Used To Produce	1,398,078	1,242,736
Shrinkage	1,039	0
Transfers & Diversions to Nonpool/Commercial Foods Used To Produce/Other Uses	37,120,079	40,208,876
Total Class II Utilization	<u>29,145,970</u>	<u>20,083,964</u>
Average Butterfat Test	<b>67,665,166</b>	<b>61,535,576</b>
Average Butterfat Test		8.12%
<b>Class III Utilization</b>		
Shrinkage	0	0
Transfers & Diversions to Nonpool Used To Produce/Other Uses	94,024,414	64,647,128
Total Class III Utilization	<u>0</u>	<u>0</u>
Average Butterfat Test	<b>94,024,414</b>	<b>64,647,128</b>
Average Butterfat Test	4.30%	
<b>Class IV Utilization</b>		
Inventory	17,946,675	11,230,686
Nonfluid Used To Fortify	3,437,667	3,589,190
Shrinkage	7,356,479	6,625,013
Transfers & Diversions to Nonpool Used To Produce/Other Uses	68,511,353	34,767,091
Total Class IV Utilization	<u>11,333,154</u>	<u>9,982,858</u>
Average Butterfat Test	<b>108,585,328</b>	<b>66,194,838</b>
Average Butterfat Test	7.25%	9.20%
<b>Total Utilization</b>	<b>711,716,777</b>	<b>637,970,604</b>

## Southeast Market Summary

The minimum order uniform price for payment to producers supplying the Southeast Order marketing area during December 2005 is \$15.44 per hundredweight for milk with a 3.5% butterfat test in Fulton County, Georgia. This is .965 times the uniform skim milk price of \$10.28 per hundredweight plus 3.5 times the uniform butterfat price of \$1.5760 per pound. Payment to producers may be reduced by location differentials, if applicable, and by properly authorized deductions.

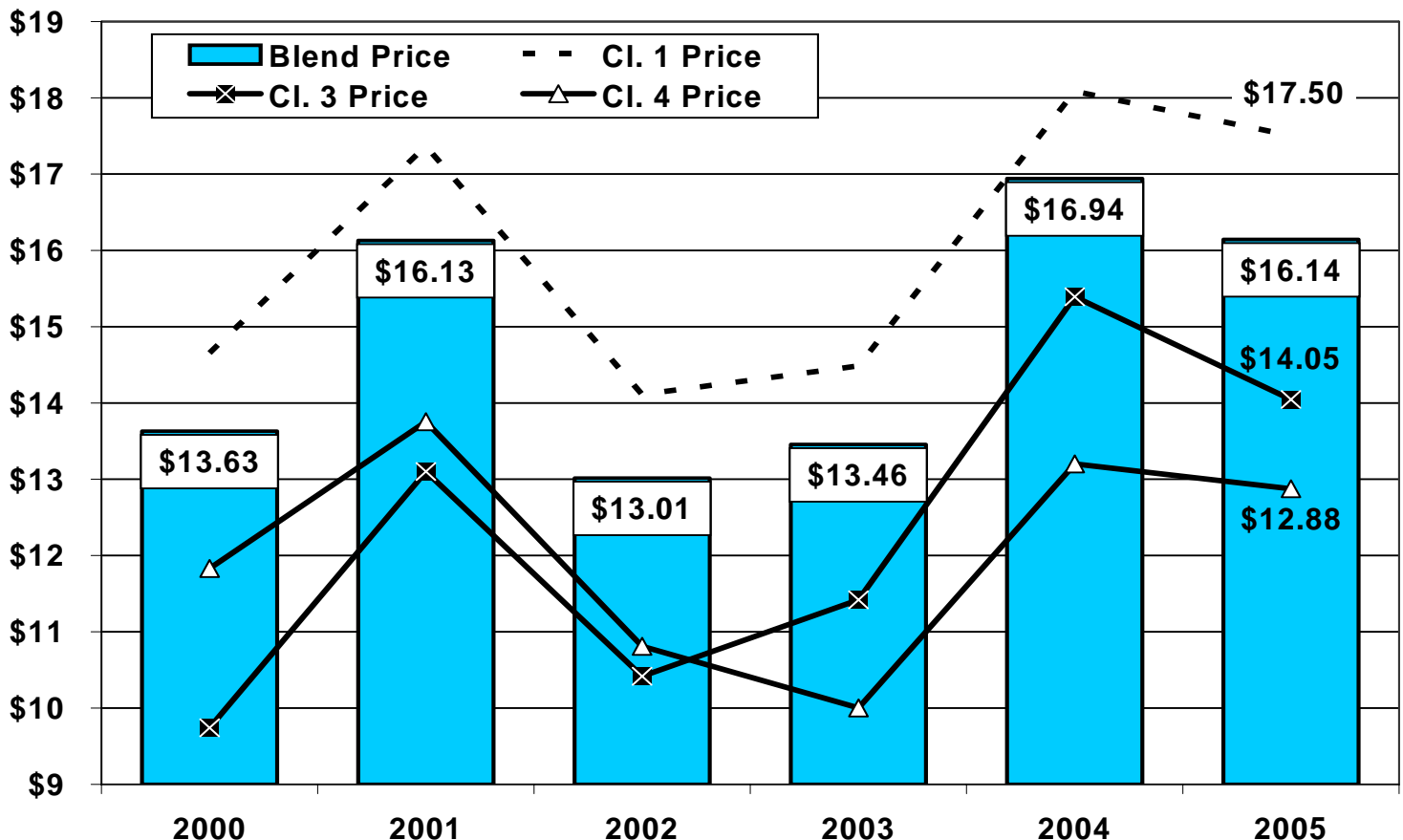
Uniform prices are the result of marketwide pooling; all producer milk was classified and priced according to the milk's use. In December, Class I use, which is primarily bottled or packaged fluid milk, accounted for 65.01% of all producer skim milk (priced to handlers at \$8.03 per hundredweight, plus the Class I differential, see page 2) and 37.48% of producer butterfat (priced to handlers at \$1.6633 per pound plus Class I differential). Class II use, which is milk used in fluid cream products and miscellaneous manufacturing, accounted for 8.53% of all producer skim milk (\$8.22 per hundredweight) and 19.59% of producer butterfat (\$1.5106 per pound). Class III use, mostly milk used to produce cheese, accounted for 14.29% of all producer skim milk (\$8.40 per hundredweight) and 16.09% of producer butterfat (\$1.5036 per pound). Class IV use, generally milk processed into butter and powder, accounted for 12.17% of all producer skim milk (\$7.57 per hundredweight) and 26.84% of producer butterfat (\$1.5036 per pound).

Receipts of producer milk during December 2005 totaled 627.0 million pounds. There were 28 regulated pool distributing plants, 3 pool supply plants and 8 cooperative associations submitting reports of receipts and utilization that were included in the computation of the uniform prices for December 2005. Class I route disposition in the area totaled 419.6 million pounds in November 2005.

### Packaged Class I Route Sales in Marketing Area

Product Description	Pounds	Percent
<b>November 2005</b>		
Whole Milk	149,028,648	35.51%
Fat Free Milk	48,004,686	11.44%
Lowfat Milk (incl. 1%)	29,561,474	7.04%
Reduced Fat Milk (incl. 2%)	135,251,712	32.23%
Cultured Fluid Milk (incl. Buttermilk)	10,976,778	2.62%
Flavored Drinks and Milk	46,817,729	11.16%
<b>Total Disposition in Marketing Area</b>	<b>419,641,027</b>	<b>100.00%</b>
Total Disposition by Pool Plants	335,863,600	80.04%
Total Disposition by Nonpool Plants	83,777,427	19.96%
<b>Total Disposition in Marketing Area</b>	<b>419,641,027</b>	<b>100.00%</b>

### Year-End Review of Southeast Order Prices, (from Page 1)



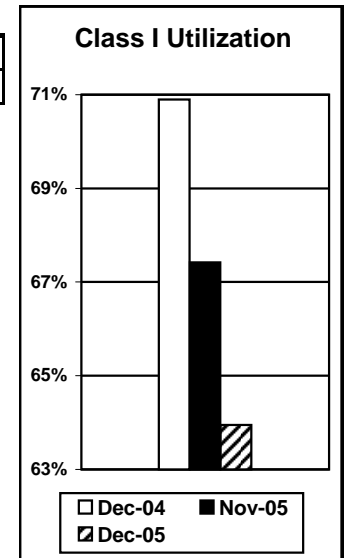
**FEDERAL ORDER 7 - SOUTHEAST: CLASS AND UNIFORM PRICES**

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
Dec 2004	\$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	\$1.7824	\$13.36	\$8.79	\$1.7754	\$14.70	\$ 6.76	\$1.7754	\$12.74	\$ 9.93	\$1.7763	\$15.80
Mar	\$12.69	\$1.7968	\$18.53	\$7.44	\$1.7349	\$13.25	\$8.32	\$1.7279	\$14.08	\$ 6.85	\$1.7279	\$12.66	\$ 10.88	\$1.7528	\$16.63
Apr	\$11.45	\$1.7669	\$17.23	\$7.54	\$1.7034	\$13.24	\$8.99	\$1.6964	\$14.61	\$ 6.91	\$1.6964	\$12.61	\$ 10.18	\$1.7209	\$15.85
May	\$12.24	\$1.7402	\$17.90	\$7.61	\$1.5545	\$12.78	\$8.66	\$1.5475	\$13.77	\$ 7.03	\$1.5475	\$12.20	\$ 10.46	\$1.6091	\$15.73
Jun	\$11.68	\$1.5576	\$16.72	\$7.73	\$1.6002	\$13.06	\$8.65	\$1.5932	\$13.92	\$ 7.00	\$1.5932	\$12.33	\$ 10.29	\$1.5824	\$15.47
Jul	\$11.83	\$1.5920	\$16.99	\$7.73	\$1.8077	\$13.79	\$8.34	\$1.8007	\$14.35	\$ 7.12	\$1.8007	\$13.17	\$ 10.52	\$1.7218	\$16.18
Aug	\$11.39	\$1.8706	\$17.54	\$7.81	\$1.8316	\$13.95	\$7.48	\$1.8246	\$13.60	\$ 7.31	\$1.8246	\$13.44	\$ 10.35	\$1.8443	\$16.44
Sep	\$10.81	\$1.8182	\$16.80	\$8.00	\$1.8942	\$14.35	\$7.97	\$1.8872	\$14.30	\$ 7.40	\$1.8872	\$13.75	\$ 10.16	\$1.8602	\$16.32
Oct	\$11.06	\$1.9128	\$17.37	\$8.12	\$1.8326	\$14.25	\$8.25	\$1.8256	\$14.35	\$ 7.48	\$1.8256	\$13.61	\$ 10.34	\$1.8605	\$16.49
Nov	\$11.58	\$1.8536	\$17.66	\$8.11	\$1.6184	\$13.49	\$7.99	\$1.6114	\$13.35	\$ 7.52	\$1.6114	\$12.90	\$ 10.62	\$1.7072	\$16.22
Dec	\$11.13	\$1.6943	\$16.67	\$8.22	\$1.5106	\$13.22	\$8.40	\$1.5036	\$13.37	\$ 7.57	\$1.5036	\$12.57	\$ 10.28	\$1.5760	\$15.44
Jan 2006	\$11.52	\$1.5326	\$16.48	\$8.38											

**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.	%
Dec 2004	565,307	3,678	400,810	70.90%	56,628	10.02%	62,262	11.01%	45,607	8.07%
Jan 2005	656,001	3,652	405,636	61.83%	66,595	10.15%	83,291	12.70%	100,479	15.32%
Feb	601,850	3,513	367,201	61.00%	76,105	12.65%	60,458	10.05%	98,086	16.30%
Mar	678,515	3,470	402,239	59.28%	86,688	12.78%	91,864	13.54%	97,723	14.40%
Apr	691,728	3,527	391,110	56.55%	86,016	12.43%	102,044	14.75%	112,559	16.27%
May	723,585	3,457	380,247	52.55%	95,120	13.15%	123,726	17.10%	124,492	17.20%
Jun	650,076	3,519	361,048	55.55%	84,267	12.96%	109,175	16.79%	95,587	14.70%
Jul	588,307	3,502	363,020	61.71%	72,114	12.26%	81,910	13.92%	71,263	12.11%
Aug	608,907	3,458	406,022	66.69%	69,260	11.37%	69,487	11.41%	64,138	10.53%
Sep	569,194	3,425	397,643	69.87%	59,670	10.48%	69,182	12.15%	42,701	7.50%
Oct	572,559	3,436	390,959	68.28%	56,933	9.94%	70,188	12.26%	54,479	9.52%
Nov	575,985	3,293	388,326	67.42%	53,896	9.36%	72,633	12.61%	61,131	10.61%
Dec	627,008	3,500**	400,937	63.95%	56,188	8.96%	90,049	14.36%	79,834	12.73%

\* 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 January through March 2006

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
January 2006	02/11/06	02/13/06	02/14/06	01/25/06	01/26/06	02/14/06	02/15/06
February 2006	03/11/06	03/13/06	03/14/06	02/27/06	02/27/06	03/14/06	03/15/06
March 2006	04/11/06	04/12/06	04/13/06	03/27/06	03/27/06	04/13/06	04/14/06

\*\* The base rate for making partial payments in Fulton County, GA for January will be \$13.90 per hundredweight. This is 90 percent of the preceding month's uniform price of \$15.44 per hundredweight.

### Producer Touch Base Requirements & Handler Diversion Limits

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Producer Touch Base Days	4	4	4	4	4	4	10	10	10	10	10	10
Diversion Percentage Limits	50%	50%	50%	50%	50%	50%	33%	33%	33%	33%	33%	33%

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