

Market Information BULLETIN



Southeast Marketing Area
Federal Order 7

Sue L. Mosley, Market Administrator

www.fmmatlanta.com

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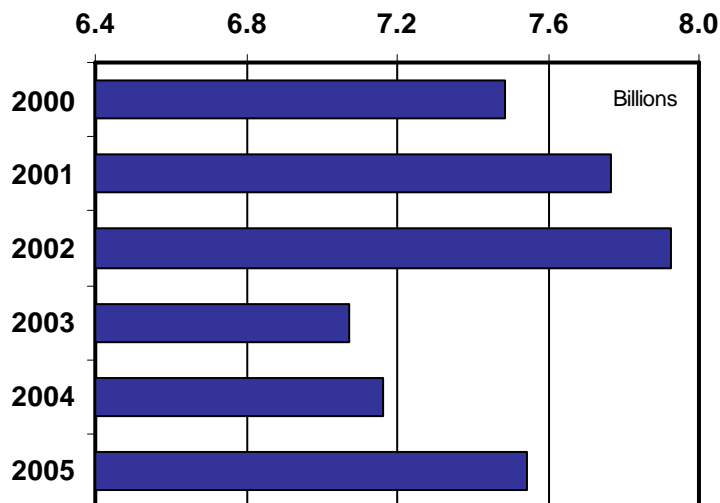
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ISSUED FOR THE INFORMATION OF PRODUCERS WHO ARE NOT MEMBERS OF COOPERATIVE ASSOCIATIONS

2005 Review of Southeast Order Producer Milk

Producer milk, that is to say milk participating in the federal order pool, increased 5.3 percent on an annualized basis between 2004 and 2005 on Federal Order 7. The total volume of producer milk pooled during 2005 was 7.54 billion pounds, 379 million pounds more than last year and the third highest annual total since Order Reform of 2000. The average monthly pooled volume during 2005 was 628.6 million pounds, approximately five million pounds more than the average monthly volumes of the previous five years. The chart below shows producer milk totals from 2000 to 2005.

Federal Order 7 Annual Producer Milk



Decision for Mideast Order Announced

USDA has announced a final partial decision that permanently adopts amendments to the pooling provisions of the Mideast Order. The adopted amendments prohibit the ability to simultaneously pool the same milk on the Mideast Order and on a marketwide pool administered by another government entity, increase supply plant performance standards, and lower diversion limit standards. The decision is available in the January 23 Federal Register, at www.gpoaccess.gov/fr/.

January's Blend Price: \$15.14/cwt

The uniform blend price in Fulton County, GA, was \$15.14 per hundredweight of milk at 3.5 percent butterfat for the month of January. This is a decrease of \$0.30 from the previous month and a decrease of \$2.02 from January 2005. Class I utilization was 54.02 percent, 9.93 percent lower than the previous month and 7.81 percent lower than January 2005.

National Dairy Situation

USDA estimates that the total U.S. production of milk in December was 14.85 billion pounds, an increase of 3.9 percent from December 2004 and a increase of 4.8 percent when compared with November 2005. Total cheese output (excluding cottage cheese) was 791 million pounds, 2.2 percent above December 2004 and 3.9 percent above November 2005. Butter production was 126 million pounds, 5.9 percent above December 2004 and 13.3 percent above November 2005. Nonfat dry milk production was 103 million pounds in December, 10.2 percent more than December 2004 and an increase of 15.5 percent when compared with November 2005.

Annual milk production in the nation is estimated at 176.49 billion pounds for 2005, an increase of 3.3% compared with 2004. Annual total cheese production is estimated to have increased 2.6 percent last year. American and Cheddar cheese varieties grew at less than two percent, but output of Italian varieties increased at an estimated 4.0 percent compared with 2004. Total butter production in 2005 is estimated to have increased 7.0 percent, while the amount of nonfat dry milk produced fell by 15.3 percent.

Yogurt production grew at 6.8 percent and sour cream production increased by 4.5 percent in 2005. Total ice cream production was up 1.8 percent, with increases in regular fat versions outweighing declines in reduced fat ice creams.

F.O. 7 - SOUTHEAST: CALCULATION OF UNIFORM PRICES - JANUARY 2006

Calculation of Uniform Butterfat Price:

	<u>Utilization</u>	<u>Pounds</u>	<u>Price/lb.</u>	<u>Value</u>
Class I Butterfat	29.73%	8,644,540	\$1.5016	\$ 12,980,641.28
Class I Differential at Location				259,883.69
Class II Butterfat	21.29%	6,188,682	\$1.4754	9,130,781.40
Class III Butterfat	21.49%	6,248,879	\$1.4684	9,175,853.92
Class IV Butterfat	27.49%	7,991,947	\$1.4684	11,735,374.97
Total Butterfat	100.00%	29,074,048		\$ 43,282,535.26

Uniform Butterfat Price per lb. (Fulton County, Georgia): **\$1.4887**

Calculation of Uniform Skim Milk Price

<u>Producer Milk</u>	<u>Utilization</u>	<u>Pounds</u>	<u>Price per unit</u>	<u>Value</u>
Class I Skim Milk	54.97%	408,999,230	\$8.42 /cwt.	\$ 34,437,735.17
Class I Butterfat	29.73%	8,644,540	\$1.5016 /lb.	12,980,641.28
Class I Differential at Location		417,643,770		12,428,864.94
Total Class I Milk	54.02%	417,643,770		\$ 59,847,241.39
Class II Skim Milk	10.30%	76,674,009	\$8.38 /cwt.	\$ 6,425,281.95
Class II Butterfat	21.29%	6,188,682	\$1.4754 /lb.	9,130,781.40
Total Class II Milk	10.72%	82,862,691		\$ 15,556,063.35
Class III Skim Milk	21.56%	160,395,826	\$8.55 /cwt.	\$ 13,713,843.11
Class III Butterfat	21.49%	6,248,879	\$1.4684 /lb.	9,175,853.92
Total Class III Milk	21.55%	166,644,705		\$ 22,889,697.03
Class IV Skim Milk	13.17%	98,028,148	\$7.32 /cwt.	\$ 7,175,660.43
Class IV Butterfat	27.49%	7,991,947	\$1.4684 /lb.	11,735,374.97
Total Class IV Milk	13.71%	106,020,095		\$ 18,911,035.40
Producer Milk	100.00%	773,171,261		\$ 117,204,037.17

Adjustments

Overage and Other Source	\$0.00
Inventory Adjustments	\$7,707.65
Producer butterfat at uniform butterfat price	(\$43,282,535.26)
Location Adjustments to Producers	\$2,698,323.63
1/2 Unobligated Balance in P.S.F	\$256,119.73

Adjusted Pool Value

Reserve for Producer Settlement Func	\$ 10.33247	\$76,883,652.92
	\$ 0.04247	\$316,043.68

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

\$10.29

Uniform Price per cwt. (Fulton County, Georgia)

\$15.14*

* 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 2005	JAN 2005	JAN 2005
Appalachian (Charlotte)	\$ 16.48	\$ 16.48	\$ 15.51	\$ 15.52	69.42%
Arizona-Las Vegas (Phoenix)	\$ 15.73	\$ 15.73	\$ 14.00	\$ 13.76	31.79%
Central (Kansas City)	\$ 15.38	\$ 15.38	\$ 13.69	\$ 13.75	31.07%
Florida (Tampa)	\$ 17.38	\$ 17.38	\$ 16.89	\$ 16.71	85.42%
Mideast (Cleveland)	\$ 15.38	\$ 15.38	\$ 13.90	\$ 13.95	37.90%
Northeast (Boston)	\$ 16.63	\$ 16.63	\$ 14.83	\$ 14.78	45.00%
Pacific Northwest (Seattle)	\$ 15.29	\$ 15.29	\$ 13.44	\$ 13.44	29.76%
Southeast (Atlanta)	\$ 16.48	\$ 16.48	\$ 15.44	\$ 15.14	54.02%
Southwest (Dallas)	\$ 16.38	\$ 16.38	\$ 14.60	\$ 14.50	40.73%
Upper Midwest (Chicago)	\$ 15.18	\$ 15.18	\$ 13.61	\$ 13.66	17.20%

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

Receipts:	January 2006	January 2005
Producer Milk		
Class I	417,643,770	405,635,878
Class II	82,862,691	66,595,110
Class III	166,644,705	83,291,186
Class IV	106,020,095	100,479,207
Total Producer Milk	<u>773,171,261</u>	<u>656,001,381</u>
Average Butterfat Test	3.76%	3.72%
Percent of Producer Milk in Class I	54.02%	61.83%
Daily Average Receipts	24,941,008	21,161,335
Other Source Milk		
Class I	7,781,044	6,388,274
Class II	9,277,784	5,809,344
Class III	2,514,825	2,463,739
Class IV	7,193,308	7,206,936
Total Other Source Milk	<u>26,766,961</u>	<u>21,868,293</u>
Overage		
Class I	0	0
Class II	0	0
Class III	0	1
Class IV	0	91,922
Total Overage	<u>0</u>	<u>91,923</u>
Opening Inventory		
Class I	31,432,754	35,407,083
Class II	986,481	432,323
Class III	274,797	0
Class IV	16,685,397	10,969,541
Total Opening Inventory	<u>49,379,429</u>	<u>46,808,947</u>
Total Receipts	849,317,651	724,770,544
Utilization:		
Class I Utilization		
Inventory of Packaged FMP	33,918,662	29,780,572
Route Disposition Class I	411,320,224	408,011,111
Shrinkage	3,050,830	2,947,343
Transfers & Diversions to Nonpool	8,567,852	6,692,209
Total Class I Utilization	<u>456,857,568</u>	<u>447,431,235</u>
Average Butterfat Test	2.07%	2.08%
Daily Average Utilization	14,737,341	14,433,266
Class II Utilization		
Nonfluid Used To Produce	1,572,186	1,681,152
Shrinkage	481	0
Transfers & Diversions to Nonpool/Commercial Foods Used To Produce/Other Uses	60,859,936	43,676,255
Total Class II Utilization	<u>30,694,353</u>	<u>27,479,370</u>
Average Butterfat Test	7.63%	
Class III Utilization		
Shrinkage	0	0
Transfers & Diversions to Nonpool Used To Produce/Other Uses	169,434,327	85,754,926
Total Class III Utilization	<u>0</u>	<u>0</u>
Average Butterfat Test	3.74%	4.53%
Class IV Utilization		
Inventory	18,876,902	22,895,534
Nonfluid Used To Fortify	1,509,162	1,603,980
Shrinkage	7,522,648	7,345,885
Transfers & Diversions to Nonpool Used To Produce/Other Uses	80,505,061	78,080,623
Total Class IV Utilization	<u>21,485,027</u>	<u>8,821,584</u>
Average Butterfat Test	7.20%	7.20%
Total Utilization	849,317,651	724,770,544

Southeast Market Summary

The minimum order uniform price for payment to producers supplying the Southeast Order marketing area during January 2006 is \$15.14 per hundredweight for milk with a 3.5% butterfat test in Fulton County, Georgia. This is .965 times the uniform skim milk price of \$10.29 per hundredweight plus 3.5 times the uniform butterfat price of \$1.4887 per pound. Payment to producers may be reduced by location differentials, if applicable, and by properly authorized deductions.

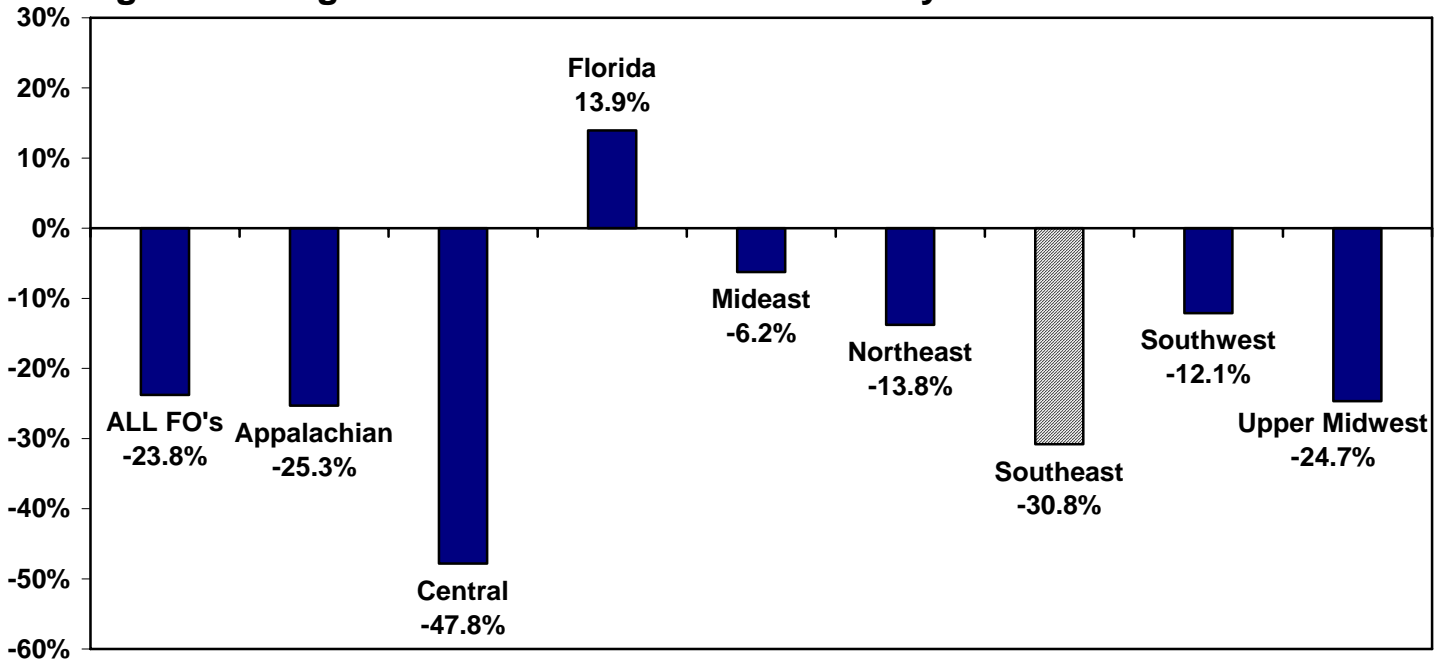
Uniform prices are the result of marketwide pooling; all producer milk was classified and priced according to the milk's use. In January, Class I use, which is primarily bottled or packaged fluid milk, accounted for 54.97% of all producer skim milk (priced to handlers at \$8.42 per hundredweight, plus the Class I differential, see page 2) and 29.73% of producer butterfat (priced to handlers at \$1.5016 per pound plus Class I differential). Class II use, which is milk used in fluid cream products and miscellaneous manufacturing, accounted for 10.30% of all producer skim milk (\$8.38 per hundredweight) and 21.29% of producer butterfat (\$1.4754 per pound). Class III use, mostly milk used to produce cheese, accounted for 21.56% of all producer skim milk (\$8.55 per hundredweight) and 21.49% of producer butterfat (\$1.4684 per pound). Class IV use, generally milk processed into butter and powder, accounted for 13.17% of all producer skim milk (\$7.32 per hundredweight) and 27.49% of producer butterfat (\$1.4684 per pound).

Receipts of producer milk during January 2006 totaled 773.2 million pounds. There were 28 regulated pool distributing plants, 3 pool supply plants and 9 cooperative associations submitting reports of receipts and utilization that were included in the computation of the uniform prices for January 2006. Class I route disposition in the area totaled 422.9 million pounds in December 2005.

Packaged Class I Route Sales in Marketing Area

Product Description	Pounds	Percent
December 2005		
Whole Milk	156,242,993	36.95%
Fat Free Milk	48,223,413	11.40%
Lowfat Milk (incl. 1%)	29,560,313	6.99%
Reduced Fat Milk (incl. 2%)	138,298,268	32.71%
Cultured Fluid Milk (incl. Buttermilk)	10,502,940	2.48%
Flavored Drinks and Milk	40,020,050	9.47%
Total Disposition in Marketing Area	422,847,977	100.00%
Total Disposition by Pool Plants	341,673,695	80.80%
Total Disposition by Nonpool Plants	81,174,282	19.20%
Total Disposition in Marketing Area	422,847,977	100.00%

Change in Average Number of Producers Pooled by Federal Orders: 2000 to 2005



In 2005, the average number of *farms* pooled per month on the Southeast Order fell to 3,467, down 6.9 percent from the previous year. Taking a longer view, there has been a 30.3 percent loss in the average number of *farms* pooled since 2000. The chart above uses a corollary statistic, the average number of *producers* pooled per month, taken from the Federal milk order public database (available at www.ams.usda.gov/USDAMIB). It shows declines from 2000 to 2005 in the Southeast are quite similar to the Appalachian and Upper Midwest Orders, but not as precipitous as the declines in the Central Order. In the entire Federal Order system (ALL FO's), the decline was 23.8 percent over this same time period.

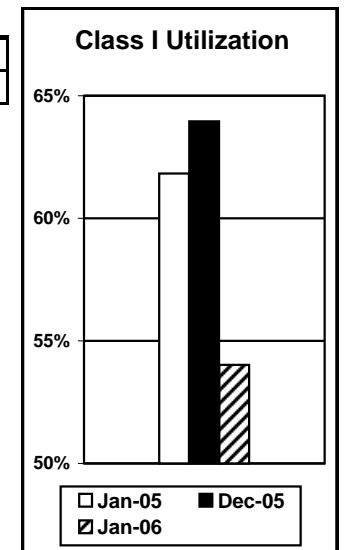
FEDERAL ORDER 7 - SOUTHEAST: CLASS AND UNIFORM PRICES

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
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	\$1.4754	\$13.25	\$8.55	\$1.4684	\$13.39	\$ 7.32	\$1.4684	\$12.20	\$ 10.29	\$1.4887	\$15.14
Feb	\$11.61	\$1.5081	\$16.48	\$8.17											

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.	%
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	3,347	400,937	63.95%	56,188	8.96%	90,049	14.36%	79,834	12.73%
Jan 2006	773,171	3,400**	417,644	54.02%	82,863	10.72%	166,645	21.55%	106,020	13.71%

* 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 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
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
April 2006	05/11/06	05/12/06	05/15/06	04/25/06	04/26/06	05/15/06	05/16/06

** The base rate for making partial payments in Fulton County, GA for February will be \$13.63 per hundredweight. This is 90 percent of the preceding month's uniform price of \$15.14 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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 U.S. Department Of Agriculture
 P.O. Box 491778
 Lawrenceville, Georgia 30049
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