

# 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

## USDA Issues Three 'De-Pooling' Decisions

The U.S. Department of Agriculture (USDA) has issued recommended decisions to adopt amendments to the pooling provisions of three federal orders. Each of these decisions pertains either in part or in whole to preventing handlers from withholding manufacturing milk from a marketwide pool when manufacturing milk prices exceed fluid milk prices, a practice known as 'de-pooling'. Because it is not mandatory to pool manufacturing milk, handlers (for example, a cheese plant) may choose to pool or 'de-pool' whenever it is economically advantageous. Regulated fluid milk handlers do not have this same 'de-pooling' opportunity.

In an effort to curb the practice of 'de-pooling', USDA recommended limiting the volume of milk pooled in any given month to a percentage of milk pooled in the previous month. In the Central Milk Order, for example, the volume of milk a handler could pool in any month would be capped at 125 percent of the total volume of milk pooled the previous month, if producers there approve the recommended decision. Such a provision would provide a disincentive to withhold milk from the marketwide pool because doing so would limit the potential benefits of participating in the marketwide pool in future months.

Similar to the Central Order, the Upper Midwest Milk Order has proposed limits on the volume of milk pooled set at 125 percent and 135 percent of the previous month's pooled volume, dependant on the time of year. The Mideast Milk Order has proposed limits for different times of the year as well, set at 115 percent and 120 percent of the previous month's total pooled volume of milk.

The full text of these three recommend decisions may be viewed at [www.ams.usda.gov/dairy/](http://www.ams.usda.gov/dairy/) by clicking on the 'Hearings' link. Public comments must be filed by April 24, 2006.

## Blend Price Falls to \$14.71

The uniform blend price in Fulton County, GA, was \$14.71 per hundredweight of milk at 3.5 percent butterfat for the month of February. This is a decrease of \$0.43 from the previous month and a decrease of \$1.09 from February 2005. Class I utilization was 55.64 percent, a gain of 1.62 percent compared with the previous month but 5.36 percent lower than February 2005.

## National Dairy Situation

USDA estimates that the total U.S. production of milk in January was 14.85 billion pounds, an increase of 3.3 percent from January 2005 and an increase of 5.0 percent when compared with December 2005. Total cheese output (excluding cottage cheese) was 764 million pounds, 1.3 percent above January 2005 but 3.4 percent below December 2005. Butter production was 145 million pounds, 13.1 percent above January 2005 and 15.3 percent above December 2005. Nonfat dry milk production was 102 million pounds in January, 9.2 percent more than January 2005 and a decrease of 1.0 percent when compared with December 2005.

The milk-feed price ratio, the number of pounds of 16% mixed dairy feed equal in value to one pound of whole milk, was 2.99 in February, down from 3.50 in February 2005 and also lower than January 2006's 3.18 feed price ratio.

## Final Rule Issued in Producer-Handler Case

USDA has issued a final rule that amends pooling and pricing provisions of the Arizona-Las Vegas and Pacific Northwest Milk Orders. Specifically, this final rule permanently adopts a provision that will eliminate the exemption from regulations, by the Orders cited, for producer-handlers with in-area route disposition in excess of 3 million pounds per month. Having the approval of more than two-thirds of producers in these two Orders, this final rule will take effect April 1, 2006.

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

### Calculation of Uniform Butterfat Price:

	<u>Utilization</u>	<u>Pounds</u>	<u>Price/lb.</u>	<u>Value</u>
Class I Butterfat	31.12%	7,827,002	\$1.4771	\$ 11,561,264.63
Class I Differential at Location				233,297.64
Class II Butterfat	25.78%	6,484,578	\$1.3539	8,779,470.15
Class III Butterfat	21.51%	5,409,930	\$1.3469	7,286,634.73
Class IV Butterfat	21.59%	5,428,981	\$1.3469	7,312,294.51
<b>Total Butterfat</b>	<b>100.00%</b>	<b>25,150,491</b>		<b>\$ 35,172,961.66</b>

**Uniform Butterfat Price per lb. (Fulton County, Georgia): \$1.3985**

### 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	56.60%	366,675,305	\$8.51 /cwt.	\$ 31,204,068.45
Class I Butterfat	31.12%	7,827,002	\$1.4771 /lb.	11,561,264.63
Class I Differential at Location		374,502,307		11,142,949.60
<b>Total Class I Milk</b>	<b>55.64%</b>	<b>374,502,307</b>		<b>\$ 53,908,282.68</b>
Class II Skim Milk	10.48%	67,915,662	\$8.17 /cwt.	\$ 5,548,709.59
Class II Butterfat	25.78%	6,484,578	\$1.3539 /lb.	8,779,470.15
<b>Total Class II Milk</b>	<b>11.05%</b>	<b>74,400,240</b>		<b>\$ 14,328,179.74</b>
Class III Skim Milk	22.52%	145,935,627	\$7.76 /cwt.	\$ 11,324,604.66
Class III Butterfat	21.51%	5,409,930	\$1.3469 /lb.	7,286,634.73
<b>Total Class III Milk</b>	<b>22.49%</b>	<b>151,345,557</b>		<b>\$ 18,611,239.39</b>
Class IV Skim Milk	10.40%	67,383,408	\$6.62 /cwt.	\$ 4,460,781.61
Class IV Butterfat	21.59%	5,428,981	\$1.3469 /lb.	7,312,294.51
<b>Total Class IV Milk</b>	<b>10.82%</b>	<b>72,812,389</b>		<b>\$ 11,773,076.12</b>
<b>Producer Milk</b>	<b>100.00%</b>	<b>673,060,493</b>		<b>\$ 98,620,777.93</b>

### Adjustments

Overage and Other Source	\$1,740.56
Inventory Adjustments	\$28,051.81
Producer butterfat at uniform butterfat price	(\$35,172,961.66)
Location Adjustments to Producers	\$2,355,622.64
1/2 Unobligated Balance in P.S.F.	\$334,105.80

### Adjusted Pool Value

Reserve for Producer Settlement Fund	\$ 10,21243	\$66,167,337.08
	<b>\$ 0.04243</b>	\$274,889.88

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

**\$10.17**

**Uniform Price per cwt. (Fulton County, Georgia)**

**\$14.71\***

\* 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 2005	MAR 2005	JAN 2005	FEB 2005	FEB 2005
Appalachian (Charlotte)	\$ 16.48	\$ 15.59	\$ 15.52	\$ 15.01	67.17%
Arizona-Las Vegas (Phoenix)	\$ 15.73	\$ 14.84	\$ 13.76	\$ 13.03	32.34%
Central (Kansas City)	\$ 15.38	\$ 14.49	\$ 13.75	\$ 12.91	28.16%
Florida (Tampa)	\$ 17.38	\$ 16.49	\$ 16.71	\$ 16.34	82.33%
Midwest (Cleveland)	\$ 15.38	\$ 14.49	\$ 13.95	\$ 13.28	37.70%
Northeast (Boston)	\$ 16.63	\$ 15.74	\$ 14.78	\$ 14.25	44.30%
Pacific Northwest (Seattle)	\$ 15.29	\$ 14.40	\$ 13.44	\$ 12.60	26.87%
<b>Southeast (Atlanta)</b>	<b>\$ 16.48</b>	<b>\$ 15.59</b>	<b>\$ 15.14</b>	<b>\$ 14.71</b>	<b>55.64%</b>
Southwest (Dallas)	\$ 16.38	\$ 15.49	\$ 14.50	\$ 13.73	37.58%
Upper Midwest (Chicago)	\$ 15.18	\$ 14.29	\$ 13.66	\$ 12.68	17.10%

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

<b>Receipts:</b>	<b>February 2006</b>	<b>February 2005</b>
<b>Producer Milk</b>		
Class I	374,502,307	367,200,689
Class II	74,400,240	76,104,939
Class III	151,345,557	60,457,961
Class IV	72,812,389	98,085,945
Total Producer Milk	<u>673,060,493</u>	<u>601,849,534</u>
Average Butterfat Test	3.74%	3.68%
Percent of Producer Milk in Class I	55.64%	61.00%
Daily Average Receipts	24,037,875	21,494,626
<b>Other Source Milk</b>		
Class I	7,153,451	5,644,846
Class II	7,846,119	5,621,370
Class III	3,504,363	1,997,974
Class IV	12,930,143	6,176,436
Total Other Source Milk	<u>31,434,076</u>	<u>19,440,626</u>
<b>Overage</b>		
Class I	14,597	0
Class II	0	3,782
Class III	0	0
Class IV	0	2,075
Total Overage	<u>14,597</u>	<u>5,857</u>
<b>Opening Inventory</b>		
Class I	34,268,282	29,901,205
Class II	4,434,359	1,672,412
Class III	868,256	13,209
Class IV	13,526,611	21,092,385
Total Opening Inventory	<u>53,097,508</u>	<u>52,679,211</u>
<b>Total Receipts</b>	<b>757,606,674</b>	<b>673,975,228</b>
<b>Utilization:</b>		
<b>Class I Utilization</b>		
Inventory of Packaged FMP	33,614,664	29,586,895
Route Disposition Class I	372,259,911	362,492,226
Shrinkage	2,695,355	3,672,688
Transfers & Diversions to Nonpool	7,368,707	6,994,931
Total Class I Utilization	<u>415,938,637</u>	<u>402,746,740</u>
Average Butterfat Test	2.08%	2.08%
Daily Average Utilization	14,854,951	14,383,812
<b>Class II Utilization</b>		
Nonfluid Used To Produce	1,227,357	1,241,229
Shrinkage	1,955	0
Transfers & Diversions to Nonpool/Commercial Foods Used To Produce/Other Uses	54,675,882	55,501,254
Total Class II Utilization	<u>30,775,524</u>	<u>26,660,020</u>
Average Butterfat Test	8.59%	6.64%
<b>Class III Utilization</b>		
Shrinkage	0	0
Transfers & Diversions to Nonpool Used To Produce/Other Uses	155,718,176	62,469,144
Total Class III Utilization	<u>0</u>	<u>0</u>
Average Butterfat Test	155,718,176	62,469,144
<b>Class IV Utilization</b>		
Inventory	18,482,675	23,415,071
Nonfluid Used To Fortify	1,421,082	1,576,373
Shrinkage	6,869,239	6,329,838
Transfers & Diversions to Nonpool Used To Produce/Other Uses	49,391,278	85,075,584
Total Class IV Utilization	<u>23,104,869</u>	<u>8,959,975</u>
Average Butterfat Test	99,269,143	125,356,841
<b>Total Utilization</b>	<b>757,606,674</b>	<b>673,975,228</b>

## Southeast Market Summary

The minimum order uniform price for payment to producers supplying the Southeast Order marketing area during February 2006 is \$14.71 per hundredweight for milk with a 3.5% butterfat test in Fulton County, Georgia. This is .965 times the uniform skim milk price of \$10.17 per hundredweight plus 3.5 times the uniform butterfat price of \$1.3985 per pound. Payment to producers may be reduced by location differentials, if applicable, and by properly authorized deductions.

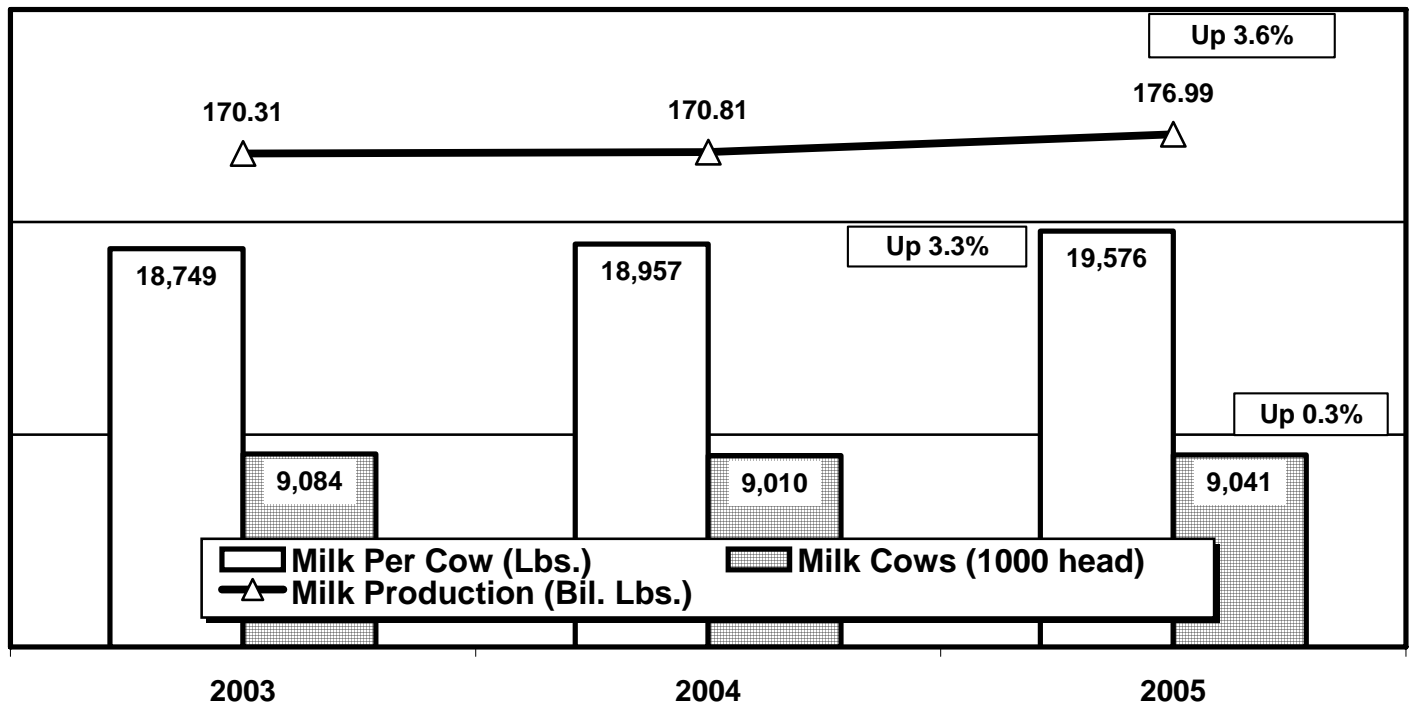
Uniform prices are the result of marketwide pooling; all producer milk was classified and priced according to the milk's use. In February, Class I use, which is primarily bottled or packaged fluid milk, accounted for 56.60% of all producer skim milk (priced to handlers at \$8.51 per hundredweight, plus the Class I differential, see page 2) and 31.12% of producer butterfat (priced to handlers at \$1.4771 per pound plus Class I differential). Class II use, which is milk used in fluid cream products and miscellaneous manufacturing, accounted for 10.48% of all producer skim milk (\$8.17 per hundredweight) and 25.78% of producer butterfat (\$1.3539 per pound). Class III use, mostly milk used to produce cheese, accounted for 22.52% of all producer skim milk (\$7.76 per hundredweight) and 21.51% of producer butterfat (\$1.3469 per pound). Class IV use, generally milk processed into butter and powder, accounted for 10.40% of all producer skim milk (\$6.62 per hundredweight) and 21.59% of producer butterfat (\$1.3469 per pound).

Receipts of producer milk during February 2006 totaled 673.0 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 February 2006. Class I route disposition in the area totaled 438.6 million pounds in January 2006.

### Packaged Class I Route Sales in Marketing Area

Product Description	Pounds	Percent
<b>January 2006</b>		
Whole Milk	156,061,737	35.58%
Fat Free Milk	52,199,348	11.90%
Lowfat Milk (incl. 1%)	31,824,022	7.26%
Reduced Fat Milk (incl. 2%)	144,225,876	32.89%
Cultured Fluid Milk (incl. Buttermilk)	9,450,148	2.15%
Flavored Drinks and Milk	44,809,417	10.22%
<b>Total Disposition in Marketing Area</b>	<b>438,570,548</b>	<b>100.00%</b>
Total Disposition by Pool Plants	352,551,040	80.39%
Total Disposition by Nonpool Plants	86,019,508	19.61%
<b>Total Disposition in Marketing Area</b>	<b>438,570,548</b>	<b>100.00%</b>

## 2005 U.S. Milk Production Increased 3.6%



Total U.S. milk production in 2005 is estimated to be 176.99 billion pounds, an increase of 3.6 percent when compared with 2004. Combining an increase of 0.3 percent in the number of milking cows with a 3.3 percent increase in the average milk per cow yielded one of the largest gains in year-to-year milk output in the past decade. Source: NASS-USDA

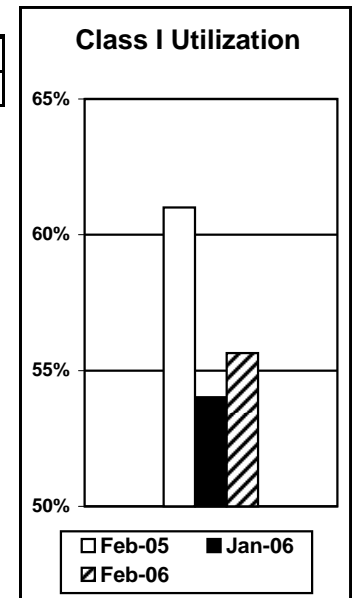
**FEDERAL ORDER 7 - SOUTHEAST: CLASS AND UNIFORM PRICES**

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	\$1.3539	\$12.62	\$7.76	\$1.3469	\$12.20	\$ 6.62	\$1.3469	\$11.10	\$ 10.17	\$1.3985	\$14.71
Mar	\$11.05	\$1.4078	\$15.59	\$7.52											

**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	3,367	417,644	54.02%	82,863	10.72%	166,645	21.55%	106,020	13.71%
Feb	673,060	3,400**	374,502	55.64%	74,400	11.05%	151,346	22.49%	72,812	10.82%

\* 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 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
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
May 2006	06/11/06	06/12/06	06/13/06	05/25/06	05/26/06	06/13/06	06/14/06

\*\* The base rate for making partial payments in Fulton County, GA for March will be \$13.24 per hundredweight. This is 90 percent of the preceding month's uniform price of \$14.71 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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*Address Correction Requested*