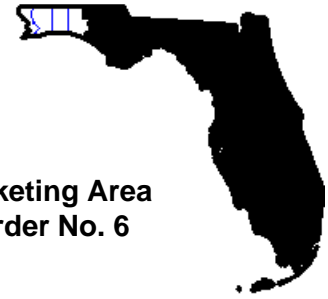


FLORIDA Fluid Milk Report

Sue L. Mosley
Market Administrator

Florida Marketing Area
Federal Order No. 6



www.fmmatlanta.com

August 2007

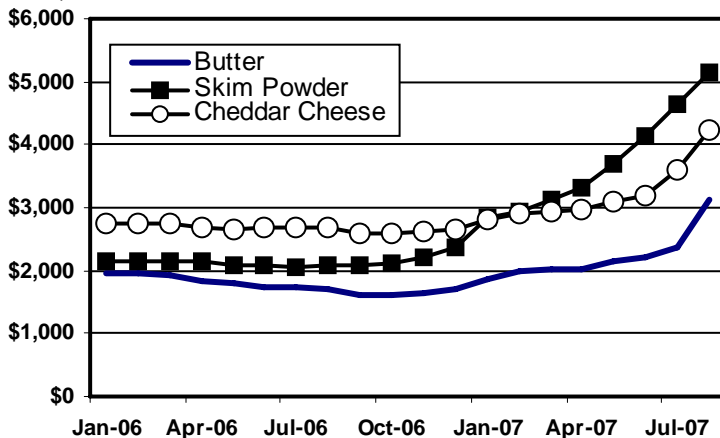
Volume 8—No. 8

Global Dairy Markets Help Push Federal Order Prices to Record Levels

While domestic consumption of dairy products has been strong and domestic milk production growth has been slow, the primary reason milk prices are currently at record levels is the world's demand for US dairy products. Due to several causes, chief among them a drought in Australia, the removal of European dairy exports subsidies, and the growing demand for dairy products from expanding middle class populations in countries such as China, world dairy prices have skyrocketed over the past several months. As seen in the chart below, compared with one year ago, butter prices are up over 110 percent, skim milk powder prices are up nearly 150 percent and Cheddar prices are up over 75 percent on Oceania markets. Similar price increases have been seen throughout the world for dairy products. (Source: Dairy Market News; www.ams.usda.gov/dairy/mncs/INTER.HTM).

Jan. 2006-Aug. 2007 Oceania Export Prices

(US dollars / Metric ton: Oceania=Australia, New Zealand, etc.)



Feed and diesel fuel prices have driven up milk production costs and slowed US milk production growth (up just 1.0 percent in the first half of 2007 compared to an average annual growth rate of 1.8 percent from 1997 to 2006). However, the recent producer price gains are due more to increases in demand rather than constrictions of milk supply.

Blend Price Posts New High

The uniform blend price in Hillsborough County, FL, was \$24.22 per hundredweight for milk at 3.5 percent butterfat for the month of July. This represents an increase of \$2.60 compared with the previous month and is \$9.57 higher than July 2006. The blend price has increased five consecutive months to its highest value ever, \$1.28 higher than the previous record (\$22.93 in June 2004). The twelve month period from July 2006 to July 2007 produced the second largest swing in blend prices, second only to the increase in prices between June 2003 and June 2004.

Class I utilization was 80.05 percent in July, a slight 0.87 percent increase compared with the previous month, but a 4.81 percent decline when compared with July of last year.

National Dairy Situation

The USDA estimates that the total U.S. production of milk in June was 15.5 billion pounds, an increase of 1.0 percent from June 2006 and a decrease of 1.4 percent when compared with May 2007 on a daily average basis. Total cheese output (excluding cottage cheese) was 790 million pounds, 0.8 percent below June 2006 and 3.7 percent below May 2007. Butter production was 110 million pounds, 9.3 percent above June 2006 but 11.2 percent below May 2007.

Nonfat dry milk powder production was 119 million pounds in June, 2.1 percent above June 2006 and 2.6 percent above May 2007. Skim milk powder production was 16.4 million pounds in June, 31.2 percent below June 2006 and 26.2 percent above May 2007.

The milk-feed price ratio, the number of pounds of 16% mixed dairy feed equal in value to one pound of whole milk, was 3.19 in July. This is the first time since January 2006, 16 months ago, that the ratio has exceeded 3.0.

F.O. 6 - FLORIDA: CALCULATION OF UNIFORM PRICES - JULY 2007

Calculation of Uniform Butterfat Price:

	<u>Utilization</u>	<u>Pounds</u>	<u>Price/lb.</u>	<u>Value</u>
Class I Butterfat	48.78%	4,369,704	\$1.6708	\$ 7,300,901.44
Class I Differential at Location				177,775.15
Class II Butterfat	35.55%	3,185,296	\$1.6180	5,153,808.92
Class III Butterfat	5.94%	532,153	\$1.6110	857,298.49
Class IV Butterfat	9.73%	871,692	\$1.6110	1,404,295.81
Total Butterfat	100.00%	8,958,845		\$ 14,894,079.81
Uniform Butterfat Price per lb. (Hillsborough County, Florida):			\$1.6625	

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	81.23%	194,359,133	\$15.61 /cwt.	\$ 30,339,460.69
Class I Butterfat	48.78%	4,369,704	\$1.6708 /lb.	7,300,901.44
Class I Differential at Location		198,728,837		8,105,231.77
Total Class I Milk	80.05%	198,728,837		\$ 45,745,593.90
Class II Skim Milk	7.96%	19,051,566	\$16.31 /cwt.	\$ 3,107,310.41
Class II Butterfat	35.55%	3,185,296	\$1.6180 /lb.	5,153,808.92
Total Class II Milk	8.96%	22,236,862		\$ 8,261,119.33
Class III Skim Milk	4.54%	10,862,890	\$16.31 /cwt.	\$ 1,771,737.38
Class III Butterfat	5.94%	532,153	\$1.6110 /lb.	857,298.49
Total Class III Milk	4.59%	11,395,043		\$ 2,629,035.87
Class IV Skim Milk	6.27%	15,004,922	\$16.58 /cwt.	\$ 2,487,816.06
Class IV Butterfat	9.73%	871,692	\$1.6110 /lb.	1,404,295.81
Total Class IV Milk	6.40%	15,876,614		\$ 3,892,111.87
Producer Milk	100.00%	248,237,356		\$ 60,527,860.97

Adjustments

Overage and Other Source	\$0.00
Inventory Adjustments	\$1,490.54
Producer butterfat at uniform butterfat price	(\$14,894,079.81)
Location Adjustments to Producers	\$30,763.70
1/2 Unobligated Balance in P.S.F.	\$68,606.53

Adjusted Pool Value

Reserve for Producer Settlement Fund	\$ 19.11356	\$45,734,641.93
	\$ 0.04356	\$104,229.89

Uniform Skim Milk Price per cwt. (Hillsborough County, Florida):

\$19.07

Uniform Price per cwt. (Hillsborough County, Florida)

\$24.22*

* 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 %
	JUL 2007	AUG 2007	JUN 2007	JUL 2007	JUL 2007
Appalachian (Charlotte)	\$ 24.01	\$ 24.86	\$ 20.70	\$ 23.28	68.08%
Arizona (Phoenix)	\$ 23.63	\$ 24.48	\$ 20.30	\$ 22.09	34.41%
Central (Kansas City)	\$ 23.28	\$ 24.13	\$ 19.80	\$ 21.90	33.61%
Florida (Tampa)	\$ 24.91	\$ 25.76	\$ 21.62	\$ 24.22	80.05%
Mideast (Cleveland)	\$ 23.28	\$ 24.13	\$ 19.91	\$ 21.97	34.00%
Northeast (Boston)	\$ 24.53	\$ 25.38	\$ 20.80	\$ 22.94	42.00%
Pacific Northwest (Seattle)	\$ 23.19	\$ 24.04	\$ 20.19	\$ 21.98	30.10%
Southeast (Atlanta)	\$ 24.01	\$ 24.86	\$ 20.76	\$ 23.29	65.80%
Southwest (Dallas)	\$ 24.28	\$ 25.13	\$ 20.48	\$ 22.69	29.90%
Upper Midwest (Chicago)	\$ 23.08	\$ 23.93	\$ 20.12	\$ 21.65	14.30%

**FLORIDA MILK MARKETING AREA-FEDERAL ORDER 6
STATISTICAL SUMMARY**

Receipts:	July 2007	July 2006
Producer Milk		
Class I	198,728,837	207,314,824
Class II	22,236,862	20,802,470
Class III	11,395,043	4,470,697
Class IV	15,876,614	11,732,521
Total Producer Milk	<u>248,237,356</u>	<u>244,320,512</u>
Average Butterfat Test	3.61%	3.60%
Percent of Producer Milk in Class I	80.05%	84.86%
Daily Average Receipts	8,007,657	7,881,307
Other Source Milk		
Class I	4,029,789	3,820,732
Class II	8,747,580	10,147,385
Class III	54,164	0
Class IV	634,241	952,369
Total Other Source Milk	<u>13,465,774</u>	<u>14,920,486</u>
Overage		
Class I	0	0
Class II	0	0
Class III	0	0
Class IV	0	169,021
Total Overage	<u>0</u>	<u>169,021</u>
Opening Inventory		
Class I	15,492,817	14,592,673
Class II	56,330	58,956
Class III	230,813	0
Class IV	3,268,690	4,853,754
Total Opening Inventory	<u>19,048,650</u>	<u>19,505,383</u>
Total Receipts	280,751,780	278,915,402
Utilization:		
Class I Utilization		
Inventory of Packaged FMP	12,573,721	12,476,116
Route Disposition Class I	205,310,658	212,198,612
Shrinkage	233,319	1,032,780
Transfers & Diversions to Nonpool	133,745	20,721
Total Class I Utilization	<u>218,251,443</u>	<u>225,728,229</u>
Average Butterfat Test	2.19%	2.20%
Daily Average Utilization	7,040,369	7,281,556
Class II Utilization		
Nonfluid Used To Produce	8,684,178	10,139,333
Shrinkage	0	0
Transfers & Diversions to Nonpool/Commercial Foods Used To Produce/Other Uses	9,479,354	6,342,382
Total Class II Utilization	<u>12,877,240</u>	<u>14,527,096</u>
Average Butterfat Test	31,040,772	31,008,811
Average Butterfat Test	10.48%	10.71%
Class III Utilization		
Shrinkage	3,080,097	0
Transfers & Diversions to Nonpool/Used to Produce	8,599,923	4,470,697
Other Uses	0	0
Total Class III Utilization	<u>11,680,020</u>	<u>4,470,697</u>
Average Butterfat Test	4.57%	4.84%
Class IV Utilization		
Inventory	7,952,216	7,217,230
Nonfluid Used To Fortify	532,598	663,174
Shrinkage	0	3,310,737
Transfers & Diversions to Nonpool Used To Produce/Other Uses	11,294,731	5,055,353
Total Class IV Utilization	<u>19,779,545</u>	<u>17,707,665</u>
Average Butterfat Test	5.87%	5.93%
Total Utilization	280,751,780	278,915,402

Florida Market Summary

The minimum order uniform price for payment to producers supplying the Florida Order marketing area in July 2007 is \$24.22 per hundredweight for milk with a 3.5% butterfat test in Hillsborough County. This is .965 times the uniform skim milk price of \$19.07 per hundredweight plus 3.5 times the uniform butterfat price of \$1.6625 per pound. Payment to producers may be adjusted 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 July, Class I use accounted for 81.23% of all producer skim milk (priced to handlers at \$15.61 per hundredweight, plus the Class I differential and 48.78% of producer butterfat (priced to handlers at \$1.6708 per pound plus Class I differential). Class II use accounted for 7.96% of all producer skim milk (\$16.31 per hundredweight) and 35.55% of producer butterfat (\$1.6180 per pound). Class III use accounted for 4.54% of all producer skim milk (\$16.31 per hundredweight) and 5.94% of producer butterfat (\$1.6110 per pound). Class IV use accounted for 6.27% of all producer skim milk (\$16.58 per hundredweight) and 9.73% of producer butterfat (\$1.6110 per pound).

Receipts of producer milk during July 2007 totaled 248.2 million pounds, 3.9 million pounds more than was pooled in July of last year. Florida producers supplied 170.0 million pounds of milk in June 2007 to pool plants or 65.79% of the total producer milk pooled in Florida. In June 2006 Florida producers supplied 76.51% of the total producer milk pooled on the Florida market.

There were 12 regulated pool distributing plants and 5 cooperative associations submitting reports of receipts and utilization that were included in the computation of the uniform prices for July 2007. In-area Class I route disposition totaled 227.1 million pounds in June 2007, 1.8 million pounds less than June 2006. This is a decrease of 1.04 percent after adjusting for calendar composition.

Packaged Class I Route Sales in Marketing Area

Product Description	Pounds	Percent
<u>June 2007</u>		
Whole Milk	89,378,543	39.35%
Fat Free Milk	31,184,978	13.73%
Lowfat Milk (incl. 1%)	25,763,899	11.34%
Reduced Fat Milk (incl. 2%)	68,308,213	30.07%
Cultured Fluid Milk (incl. Buttermilk)	1,000,724	0.44%
Flavored Drinks and Milk	11,500,722	5.06%
Total Disposition in Marketing Area	227,137,079	100.00%
Total Disposition by Pool Plants	199,162,839	88.33%
Total Disposition by Nonpool Plants	27,974,240	11.67%
Total Disposition in Marketing Area	227,137,079	100.00%

Mailbox Milk Prices, January to May 2007 2/

Reporting Area 1/	Jan	Feb	Mar	Apr	May	Average
New England States 3/	\$15.31	\$15.46	\$16.46	\$17.29	\$18.69	\$16.64
Appalachian States 4/	\$15.41	\$15.49	\$16.27	\$16.94	\$18.24	\$16.47
Southeast States 5/	\$16.18	\$16.13	\$16.51	\$17.14	\$18.22	\$16.84
Southern Missouri 6/	\$14.36	\$14.54	\$15.14	\$15.75	\$16.98	\$15.35
Florida	\$17.51	\$17.27	\$17.59	\$18.11	\$19.09	\$17.91
Indiana	\$14.44	\$14.77	\$15.50	\$16.36	\$17.75	\$15.76
Michigan	\$14.25	\$14.51	\$15.09	\$16.03	\$17.29	\$15.43
Wisconsin	\$14.79	\$15.31	\$16.03	\$16.84	\$18.17	\$16.23
Illinois	\$14.63	\$14.90	\$15.50	\$16.39	\$17.76	\$15.84
Corn Belt States 7/	\$13.96	\$14.19	\$14.69	\$15.54	\$16.66	\$15.01
Western Texas 8/	\$13.96	\$14.01	\$14.55	\$15.57	\$16.99	\$15.02
New Mexico	\$13.30	\$13.19	\$13.83	\$14.85	\$16.28	\$14.29
All Federal Orders 9/	\$14.66	\$14.92	\$15.60	\$16.45	\$17.78	\$15.88
California 10/	\$12.55	\$13.09	\$13.89	\$14.83	\$16.77	\$14.23

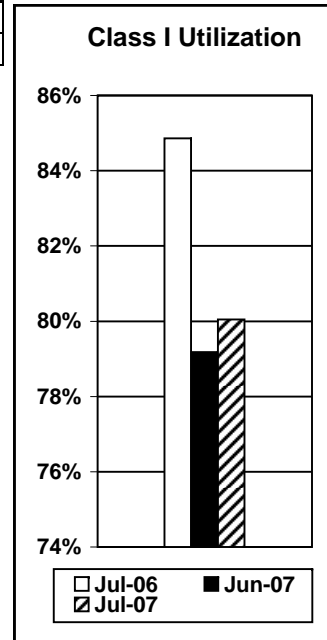
Source: Dairy Market News; 1/ Information is shown for those areas for which prices are reported for at least 75% of the milk marketed under Federal milk orders. 2/ Net pay price received by dairy farmers for milk. Includes all payments received for milk sold and all costs associated with marketing the milk. Price is a weighted average for the reporting area and is reported at the average butterfat test. 3/ Includes Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, and Vermont. 4/ Includes Kentucky, North Carolina, South Carolina, Tennessee, and Virginia. 5/ Includes Alabama, Arkansas, Georgia, Louisiana, and Mississippi. 6/ The counties of Vernon, Cedar, Polk, Dallas, Laclede, Texas, Dent, Crawford, Washington, St. Francois, and Perry and all those to the south of these 7/ Includes Kansas, Nebraska and the Missouri counties to the north of those listed in 6/. 8/ All counties to the west of Fanin, Hunt, Van Zandt, Henderson, Anderson, Houston, Cherokee, Nacogdoches, and Shelby. 9/ Weighted average of the information for all selected reporting areas in Federal milk orders. 10/ Calculated by California Department of Food and Agriculture.

FEDERAL ORDER 6 - FLORIDA: 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 2006	\$12.42	\$1.5416	\$17.38	\$8.38	\$1.4754	\$13.25	\$8.55	\$1.4684	\$13.39	\$ 7.32	\$1.4684	\$12.20	\$ 11.85	\$1.5063	\$16.71
Feb	\$12.51	\$1.5171	\$17.38	\$8.17	\$1.3539	\$12.62	\$7.76	\$1.3469	\$12.20	\$ 6.62	\$1.3469	\$11.10	\$ 11.75	\$1.4279	\$16.34
Mar	\$11.95	\$1.4168	\$16.49	\$7.52	\$1.2666	\$11.69	\$6.94	\$1.2596	\$11.11	\$ 6.50	\$1.2596	\$10.68	\$ 11.13	\$1.3345	\$15.41
Apr	\$11.02	\$1.3115	\$15.22	\$7.28	\$1.2413	\$11.37	\$6.85	\$1.2343	\$10.93	\$ 6.26	\$1.2343	\$10.36	\$ 10.26	\$1.2726	\$14.36
May	\$10.90	\$1.2731	\$14.97	\$6.94	\$1.2652	\$11.13	\$6.66	\$1.2582	\$10.83	\$ 6.14	\$1.2582	\$10.33	\$ 10.20	\$1.2681	\$14.28
Jun	\$10.57	\$1.3010	\$14.75	\$6.86	\$1.2506	\$11.00	\$7.19	\$1.2436	\$11.29	\$ 6.08	\$1.2436	\$10.22	\$ 10.03	\$1.2757	\$14.14
Jul	\$11.24	\$1.2830	\$15.34	\$6.76	\$1.2298	\$10.83	\$6.88	\$1.2228	\$10.92	\$ 6.15	\$1.2228	\$10.21	\$ 10.62	\$1.2571	\$14.65
Aug	\$10.96	\$1.2554	\$14.97	\$6.82	\$1.3078	\$11.16	\$6.74	\$1.3008	\$11.06	\$ 6.31	\$1.3008	\$10.64	\$ 10.54	\$1.2806	\$14.65
Sep	\$10.64	\$1.3103	\$14.85	\$6.99	\$1.4261	\$11.74	\$7.59	\$1.4191	\$12.29	\$ 6.36	\$1.4191	\$11.10	\$ 10.28	\$1.3670	\$14.70
Oct	\$11.72	\$1.4607	\$16.42	\$7.06	\$1.4219	\$11.79	\$7.64	\$1.4149	\$12.32	\$ 6.80	\$1.4149	\$11.51	\$ 11.08	\$1.4396	\$15.73
Nov	\$11.77	\$1.4404	\$16.40	\$7.37	\$1.3922	\$11.98	\$8.28	\$1.3852	\$12.84	\$ 7.52	\$1.3852	\$12.11	\$ 11.32	\$1.4162	\$15.88
Dec	\$11.89	\$1.4170	\$16.43	\$8.09	\$1.3551	\$12.55	\$9.07	\$1.3481	\$13.47	\$ 7.86	\$1.3481	\$12.30	\$ 11.43	\$1.3857	\$15.88
Jan 2007	\$13.17	\$1.3947	\$17.59	\$8.57	\$1.3079	\$12.85	\$9.33	\$1.3009	\$13.56	\$ 8.27	\$1.3009	\$12.53	\$ 12.49	\$1.3471	\$16.77
Feb	\$13.19	\$1.3306	\$17.39	\$8.77	\$1.3182	\$13.08	\$9.94	\$1.3112	\$14.18	\$ 8.42	\$1.3112	\$12.71	\$ 12.52	\$1.3222	\$16.71
Mar	\$14.00	\$1.3535	\$18.25	\$9.07	\$1.3839	\$13.60	\$10.64	\$1.3769	\$15.09	\$ 9.21	\$1.3769	\$13.71	\$ 13.24	\$1.3691	\$17.57
Apr	\$14.50	\$1.4296	\$19.00	\$9.69	\$1.4727	\$14.51	\$11.36	\$1.4657	\$16.09	\$ 11.39	\$1.4657	\$16.12	\$ 13.75	\$1.4529	\$18.35
May	\$15.28	\$1.4789	\$19.92	\$11.50	\$1.5776	\$16.62	\$12.54	\$1.5706	\$17.60	\$ 13.45	\$1.5706	\$18.48	\$ 14.70	\$1.5332	\$19.55
June	\$16.88	\$1.5866	\$21.84	\$13.58	\$1.6527	\$18.89	\$14.93	\$1.6457	\$20.17	\$ 15.54	\$1.6457	\$20.76	\$ 16.53	\$1.6204	\$21.62
July	\$19.61	\$1.7108	\$24.91	\$16.31	\$1.6180	\$21.40	\$16.31	\$1.6110	\$21.38	\$ 16.58	\$1.6110	\$21.64	\$ 19.07	\$1.6625	\$24.22
August	\$20.74	\$1.6410	\$25.76	\$17.44											

FEDERAL ORDER 6 - FLORIDA: 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 2006	278,593	358	238,003	85.42%	19,917	7.15%	2,189	0.79%	18,485	6.64%
Feb	261,947	294	215,649	82.33%	18,257	6.97%	11,947	4.56%	16,094	6.14%
Mar	299,525	296	241,924	80.76%	21,714	7.25%	20,145	6.73%	15,742	5.26%
Apr	278,859	294	220,645	79.12%	20,220	7.25%	17,893	6.42%	20,100	7.21%
May	270,994	305	217,964	80.43%	22,414	8.27%	23,306	8.60%	7,311	2.70%
Jun	251,066	271	207,984	82.84%	21,113	8.41%	12,452	4.96%	9,517	3.79%
Jul	244,321	307	207,315	84.86%	20,802	8.51%	4,471	1.83%	11,733	4.80%
Aug	243,484	329	215,044	88.32%	19,884	8.17%	729	0.30%	7,828	3.21%
Sep	231,761	329	205,157	88.52%	17,989	7.76%	1,040	0.45%	7,575	3.27%
Oct	249,931	339	211,434	84.60%	21,520	8.61%	677	0.27%	16,299	6.52%
Nov	251,187	333	220,684	87.86%	22,976	9.15%	489	0.19%	7,037	2.80%
Dec	264,731	320	225,300	85.10%	17,592	6.65%	5,825	2.20%	16,014	6.05%
Jan 2007	288,327	322	239,083	82.92%	20,833	7.23%	8,745	3.03%	19,667	6.82%
Feb	268,823	298	218,212	81.18%	18,601	6.92%	15,197	5.65%	16,813	6.25%
Mar	309,668	294	242,109	78.19%	27,232	8.79%	28,164	9.09%	12,163	3.93%
Apr	292,665	292	219,928	75.15%	28,003	9.57%	27,846	9.51%	16,887	5.77%
May	287,160	283	214,731	74.78%	28,205	9.82%	31,560	10.99%	12,664	4.41%
June	258,463	352	204,677	79.18%	27,207	10.53%	15,961	6.18%	10,619	4.11%
July	248,237	350**	198,729	80.05%	22,237	8.96%	11,395	4.59%	15,877	6.40%



* Class I and uniform prices are at Hillsborough County (Tampa), Florida; ** Estimated

Florida Marketing Area - Federal Order 6

Pool and Payment Dates For the Pooling Periods August through October 2007									
	Pool & Uniform Price	MA Payment Dates		Payments for Producer Milk					
		Due to:	Due From:	First Partial Payment Due**		Second Partial Payment Due**		Final Pay Due	
Pool Month	Release Date	All Funds	P/S	Coop	Non - member	Coop	Non - member	Coop	Non - member
Aug 2007	09/11/07	09/12/07	09/13/07	08/20/07	08/20/07	09/04/07	09/05/07	09/13/07	09/14/07
Sep 2007	10/11/07	10/12/07	10/15/07	09/19/07	09/20/07	10/04/07	10/05/07	10/15/07	10/16/07
Oct 2007	11/11/07	11/13/07	11/14/07	10/19/07	10/22/07	11/05/07	11/05/07	11/14/07	11/15/07

**The base rate for making partial payments in Hillsborough Co., FL for August will be \$21.80 per hundredweight for cooperatives (90 percent of the preceding month's uniform price) and \$20.59 for nonmembers (85 percent of the preceding month's uniform price).

Producer Touch Base Requirements & Handler Diversion Limits												
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Producer Touch Base Days	10	10	10	10	10	10	10	10	10	10	10	10
Diversion Percentage Limits	15%	15%	20%	20%	20%	20%	10%	10%	10%	10%	10%	15%

WASDE Dairy Report 1/

WASDE - 448 August 10, 2007

Forecast milk production for 2007 is unchanged but raised for 2008. Cow numbers are forecast higher as USDA's Cattle report indicated that producers held 3 percent more heifers for milk cow replacement. High replacement heifer and dairy cow prices indicate strong demand for dairy cows. However, milk production growth is tempered by slower-than-expected gains in milk output per cow. Milk per cow growth is slowed due to continued tight supplies of alfalfa hay and lower rBST use than previously assumed.

Demand for dairy products remains firm with strong world prices continuing to support U.S. prices. Cheese and nonfat dry milk price forecasts are raised for both 2007 and 2008. Butter price forecasts are increased in 2007 but lowered in 2008. Whey price forecasts are reduced both years. Despite higher cheese forecasts, the Class III price forecasts are reduced slightly because of lower whey prices. The Class IV price forecast for 2007 is increased, and unchanged in 2008. The forecasts for all milk are raised from last month. In 2007, the all milk price is forecast to average a record \$19.15 to \$19.35 per cwt, and then decline to \$18.25 to \$19.25 per cwt in 2008.

1/The World Agricultural Supply and Demand Estimates (WASDE) report provides USDA's comprehensive forecasts of supply and demand for major U.S. and global crops and U.S. livestock, including dairy. The most recent WASDE report is available at www.usda.gov/oce/commodity/wasde/index.htm.

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