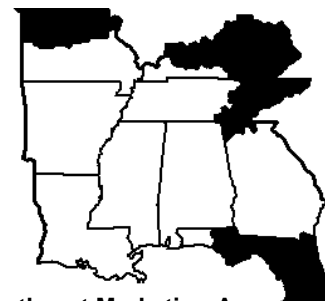


Market Information BULLETIN



Southeast Marketing Area
Federal Order 7

Sue L. Mosley, Market Administrator

www.fmmatlanta.com

December 2008

Volume 9—No. 12

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

Total Fluid Milk Product Sales Steady

Through October, total sales of fluid milk products in the U.S. were steady versus 2007 milk sales (January through October), or down 0.3 percent when adjusted for calendar composition.

U.S. Sales of Fluid Milk Products-2008 YTD 1/

Product Category	Milk Pounds (millions)	Percent Change from 2007
Whole Milk	12,579	-4.8
Flavored Whole Milk	496	-12.4
Organic Whole Milk	318	24.7
Reduced Fat Milk (2%)	15,193	1.7
Low Fat Milk (1%)	5,563	2
Fat-Free Milk (Skim)	6,812	0.7
Flavored Fat-Reduced Milk	3,103	1.2
Organic Fat-Reduced Milk	1,075	22.2
Buttermilk	441	3
Total 2/	45,701	0
Total Adjusted 2/ 3/	45,482	-0.3

This compares favorably to the recent trends in fluid milk sales given the rise in prices milk consumers have faced.

1/Year-to-date data through October; Source: USDA; These figures are representative of the consumption of fluid milk products for approximately 92 percent of total fluid milk sales in the U.S. 2/ Total fluid milk products include the products listed plus miscellaneous products and eggnog. 3/ Adjusted for calendar composition.

Southern Dairy Conference Announcement

The 35th Annual Southern Dairy Conference is scheduled for January 28-29, 2009 in Atlanta, Georgia. For additional conference information, visit www.areg.caes.uga.edu.

Uniform Price Increases

The uniform price in Fulton County, GA, was \$19.21 per hundredweight of milk at 3.5 percent butterfat for the month of November. The uniform price is \$0.26 higher than the previous month and is \$4.25 less than November of last year.

Class I utilization was 67.96 percent in November, a decrease of 5.66 percent compared with the previous month and a decrease of 2.73 percent compared to November of last year.

National Dairy Situation

The USDA estimates that the total U.S. production of milk in October was 15.56 billion pounds, an increase of 1.2 percent from October 2007 and a decrease of 0.3 percent when compared with September 2008 on a daily average basis. Total cheese output was 842 million pounds, 2.0 percent above October 2007 and 5.8 percent above September 2008. Butter production was 130 million pounds, slightly below October 2007 but 7.4 percent above September 2008.

Nonfat dry milk powder production was 121.0 million pounds in October, 21.1% percent higher than October 2007 and 35.7% percent higher than September 2008 on a daily average basis. Dry whey production was 85.2 million pounds in October, a 4.2 percent decrease from October of last year and a 0.9 percent decline from September 2008 on a daily average basis. The milk-feed price ratio was 2.13 in November, up 0.13 points from last month's revised ratio.

Transportation Credit Update

Preliminary claims on the Federal Order 7 transportation credit balancing fund for November 2008 were made for \$2,944,163.85. Since the available balance was \$1,143,791.94, eligible claims were paid at the rate of approximately \$0.39 on the dollar.

F.O. 7 - SOUTHEAST: CALCULATION OF UNIFORM PRICES - NOVEMBER 2008

Calculation of Uniform Butterfat Price:

	<u>Utilization</u>	<u>Pounds</u>	<u>Price/lb.</u>	<u>Value</u>
Class I Butterfat	38.26%	8,106,511	\$1.8388	\$ 14,906,252.43
Class I Differential at Location				269,169.99
Class II Butterfat	23.10%	4,894,232	\$1.7800	8,711,732.96
Class III Butterfat	15.17%	3,213,026	\$1.7730	5,696,695.10
Class IV Butterfat	23.47%	4,972,005	\$1.7730	8,815,364.90
Total Butterfat	100.00%	21,185,774		\$ 38,399,215.38
Uniform Butterfat Price per lb. (Fulton County, Georgia):				\$1.8125

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	69.12%	373,157,475	\$11.29 /cwt.	\$ 42,129,478.93
Class I Butterfat	38.26%	8,106,511	\$1.8388 /lb.	14,906,252.43
Class I Differential at Location		381,263,986		12,701,263.41
Total Class I Milk	67.96%	381,263,986		\$ 69,736,994.77
Class II Skim Milk	10.13%	54,678,782	\$8.52 /cwt.	\$ 4,658,632.24
Class II Butterfat	23.10%	4,894,232	\$1.7800 /lb.	8,711,732.96
Total Class II Milk	10.62%	59,573,014		\$ 13,370,365.20
Class III Skim Milk	11.21%	60,531,305	\$9.64 /cwt.	\$ 5,835,217.82
Class III Butterfat	15.17%	3,213,026	\$1.7730 /lb.	5,696,695.10
Total Class III Milk	11.36%	63,744,331		\$ 11,531,912.92
Class IV Skim Milk	9.54%	51,491,815	\$6.26 /cwt.	\$ 3,223,387.62
Class IV Butterfat	23.47%	4,972,005	\$1.7730 /lb.	8,815,364.90
Total Class IV Milk	10.06%	56,463,820		\$ 12,038,752.52
Producer Milk	100.00%	561,045,151		\$ 106,678,025.41

Adjustments

Overage and Other Source	\$80,955.02
Inventory Adjustments	(\$1,562.19)
Producer butterfat at uniform butterfat price	(\$38,399,215.38)
Location Adjustments to Producers	\$3,600,401.60
1/2 Unobligated Balance in P.S.F	\$236,070.04
Adjusted Pool Value	\$ 13.37287
Reserve for Producer Settlement Func	\$ 0.04287
	\$72,194,674.51
	\$231,419.58

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

\$13.33

Uniform Price per cwt. (Fulton County, Georgia)

\$19.21*

* 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 %
	NOV 2008	DEC 2008	OCT 2008	NOV 2008	NOV 2008
Appalachian (Charlotte)	\$ 20.73	\$ 18.83	\$ 18.49	\$ 18.75	68.25%
Arizona (Phoenix)	\$ 19.68	\$ 17.78	\$ 16.59	\$ 15.83	34.37%
Central (Kansas City)	\$ 19.33	\$ 17.43	\$ 16.30	\$ 15.61	32.31%
Florida (Tampa)	\$ 22.73	\$ 20.83	\$ 20.42	\$ 21.25	83.80%
Mideast (Cleveland)	\$ 19.33	\$ 17.43	\$ 16.80	\$ 16.32	42.40%
Northeast (Boston)	\$ 20.58	\$ 18.68	\$ 17.44	\$ 17.09	45.30%
Pacific Northwest (Seattle)	\$ 19.23	\$ 17.33	\$ 15.49	\$ 15.29	29.41%
Southeast (Atlanta)	\$ 21.33	\$ 19.23	\$ 18.95	\$ 19.21	67.96%
Southwest (Dallas)	\$ 20.33	\$ 18.43	\$ 17.26	\$ 16.89	36.22%
Upper Midwest (Chicago)	\$ 19.13	\$ 17.23	\$ 17.02	\$ 15.85	13.90%

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

Receipts:	November 2008	November 2007
Producer Milk		
Class I	381,263,986	409,617,045
Class II	59,573,014	48,794,589
Class III	63,744,331	105,213,667
Class IV	56,463,820	18,794,177
Total Producer Milk	<u>561,045,151</u>	<u>582,419,478</u>
Average Butterfat Test	3.78%	3.77%
Percent of Producer Milk in Class I	67.96%	70.33%
Daily Average Receipts	18,701,505	19,413,983
Other Source Milk		
Class I	9,014,549	13,944,708
Class II	4,373,806	14,019,716
Class III	2,973,899	5,625,762
Class IV	8,566,006	8,399,258
Total Other Source Milk	<u>24,928,260</u>	<u>41,989,444</u>
Overage		
Class I	0	0
Class II	62,203	198,908
Class III	129,494	0
Class IV	335,225	6,156
Total Overage	<u>526,922</u>	<u>205,064</u>
Opening Inventory		
Class I	38,400,337	34,097,607
Class II	822,229	5,513,226
Class III	0	6,931,732
Class IV	11,903,182	9,976,918
Total Opening Inventory	<u>51,125,748</u>	<u>56,519,483</u>
Total Receipts	637,626,081	681,133,469
Utilization:		
Class I Utilization		
Inventory of Packaged FMP	32,816,577	37,944,059
Route Disposition Class I	383,406,852	408,838,362
Shrinkage	2,909,415	3,099,401
Transfers & Diversions to Nonpool	9,546,028	7,777,538
Total Class I Utilization	<u>428,678,872</u>	<u>457,659,360</u>
Average Butterfat Test	2.11%	2.13%
Daily Average Utilization	14,289,296	15,255,312
Class II Utilization		
Nonfluid Used To Produce	1,350,074	1,720,994
Shrinkage	1,809	0
Transfers & Diversions to Nonpool/Commercial Foods Used To Produce/Other Uses	39,328,657	31,456,845
Total Class II Utilization	<u>24,150,712</u>	<u>35,348,600</u>
Average Butterfat Test	64,831,252	68,526,439
Average Butterfat Test	9.22%	10.15%
Class III Utilization		
Shrinkage	276,896	7,785,280
Transfers & Diversions to Nonpool	66,570,828	105,086,683
Used To Produce/Other Uses	0	4,899,198
Total Class III Utilization	<u>66,847,724</u>	<u>117,771,161</u>
Average Butterfat Test	4.99%	4.42%
Class IV Utilization		
Inventory	30,113,201	12,301,481
Nonfluid Used To Fortify	2,898,666	2,383,719
Shrinkage	7,136,838	0
Transfers & Diversions to Nonpool	32,297,314	22,491,309
Used To Produce/Other Uses	4,822,214	0
Total Class IV Utilization	<u>77,268,233</u>	<u>37,176,509</u>
Average Butterfat Test	7.87%	12.57%
Total Utilization	637,626,081	681,133,469

Southeast Market Summary

The minimum order uniform price for payment to producers supplying the Southeast Order marketing area during November 2008 is \$19.21 per hundredweight for milk with a 3.5% butterfat test in Fulton County, Georgia. This is .965 times the uniform skim milk price of \$13.33 per hundredweight plus 3.5 times the uniform butterfat price of \$1.8125 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 November, Class I use, which is primarily bottled or packaged fluid milk, accounted for 69.12% of all producer skim milk (priced to handlers at \$11.29 per hundredweight, plus the Class I differential, see page 2) and 38.26% of producer butterfat (priced to handlers at \$1.8388 per pound plus Class I differential). Class II use, which is milk used in fluid cream products and miscellaneous manufacturing, accounted for 10.13% of all producer skim milk (\$8.52 per hundredweight) and 23.10% of producer butterfat (\$1.7800 per pound). Class III use, mostly milk used to produce cheese, accounted for 11.21% of all producer skim milk (\$9.64 per hundredweight) and 15.17% of producer butterfat (\$1.7730 per pound). Class IV use, generally milk processed into butter and powder, accounted for 9.54% of all producer skim milk (\$6.26 per hundredweight) and 23.47% of producer butterfat (\$1.7730 per pound).

Receipts of producer milk during November 2008 totaled 561.0 million pounds. There were 26 regulated pool distributing plants, 3 pool supply plant and 13 cooperative associations submitting reports of receipts and utilization that were included in the computation of the uniform prices for November 2008. Class I route disposition in the area totaled 467.9 million pounds in October 2008.

Packaged Class I Route Sales in Marketing Area

Product Description	Pounds	Percent
October 2008		
Whole Milk	146,579,327	31.33%
Fat Free Milk	54,589,639	11.67%
Lowfat Milk (incl. 1%)	38,872,001	8.31%
Reduced Fat Milk (incl. 2%)	165,617,881	35.40%
Cultured Fluid Milk (incl. Buttermilk)	9,137,691	1.95%
Flavored Drinks and Milk	53,066,120	11.34%
Total Disposition in Marketing Area	467,862,659	100.00%
Total Disposition by Pool Plants	355,618,283	76.01%
Total Disposition by Nonpool Plants	112,244,376	23.99%
Total Disposition in Marketing Area	467,862,659	100.00%

Farm Sector Financial Performance Remains Strong

“Although there is considerable uncertainty regarding macroeconomic events, commodity prices, and input costs going into 2009, farm sector financial performance remains strong despite volatile financial and commodity markets.”

-Agricultural Income and Finance Outlook

December 2008

“The story for the farm sector in 2008 has two main themes: a large increase in the value of crop production but rising costs of production as well. The value of crop production, at \$181 billion, is forecast to exceed its previous record (set in 2007) by \$30 billion, a 20-percent increase. Prices of major crops (corn, soybeans, wheat) were trending upward in late 2007 and continued doing so in the first part of 2008 during the marketing of the remainder of the 2007 harvest. These prices have declined in recent months as the 2008 harvests have occurred but are still high by historical standards. Consequently, with large harvests to sell at high prices, 2008 has proven to be another good year for the U.S. farm economy as a whole, driven by strong demand for feed crops, oilseeds, and food grains.

Nonetheless, the farm production sector still faces vulnerabilities as it enters 2009. These include: 1) the relative importance of input price rises in affecting farm operator profit margins, 2) farmland value volatility, 3) the overall debt structure and solvency of farm businesses, 4) access of farm households to credit and 5) off-farm income during a national recession.”

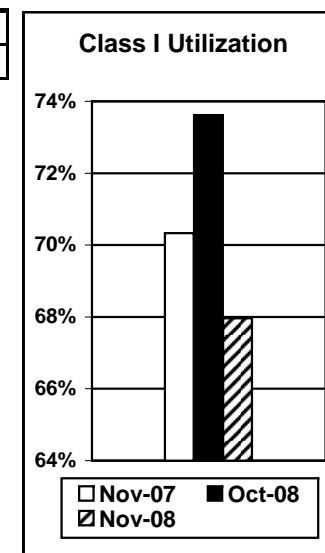
Source: Agricultural Income and Finance Outlook / AIS-86 / December 2008, Economic Research Service/USDA

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
Sep 2007	\$19.86	\$1.6692	\$25.01	\$17.46	\$1.5171	\$22.16	\$15.32	\$1.5101	\$20.07	\$16.92	\$1.5101	\$21.61	\$18.93	\$1.5723	\$23.77
Oct	\$19.96	\$1.5519	\$24.69	\$17.56	\$1.4162	\$21.90	\$14.27	\$1.4092	\$18.70	\$16.97	\$1.4092	\$21.31	\$18.89	\$1.4674	\$23.36
Nov	\$20.14	\$1.4628	\$24.55	\$17.74	\$1.4147	\$22.07	\$14.81	\$1.4077	\$19.22	\$16.03	\$1.4077	\$20.40	\$19.12	\$1.4310	\$23.46
Dec	\$18.75	\$1.4430	\$23.14	\$16.35	\$1.4418	\$20.82	\$16.14	\$1.4348	\$20.60	\$14.67	\$1.4348	\$19.18	\$18.03	\$1.4389	\$22.44
Jan 2008	\$19.63	\$1.4643	\$24.07	\$15.61	\$1.3389	\$19.75	\$15.19	\$1.3319	\$19.32	\$12.05	\$1.3319	\$16.29	\$18.26	\$1.3813	\$22.46
Feb	\$18.54	\$1.3970	\$22.78	\$14.39	\$1.3080	\$18.46	\$12.93	\$1.3010	\$17.03	\$10.48	\$1.3010	\$14.67	\$16.81	\$1.3355	\$20.90
Mar	\$15.64	\$1.3448	\$19.80	\$11.24	\$1.3674	\$15.63	\$13.72	\$1.3604	\$18.00	\$9.75	\$1.3604	\$14.17	\$14.55	\$1.3561	\$18.79
Apr	\$17.49	\$1.3793	\$21.71	\$10.47	\$1.4818	\$15.29	\$12.02	\$1.4748	\$16.76	\$9.74	\$1.4748	\$14.56	\$15.46	\$1.4418	\$19.97
May	\$15.70	\$1.5043	\$20.42	\$10.40	\$1.5632	\$15.51	\$13.20	\$1.5562	\$18.18	\$10.17	\$1.5562	\$15.26	\$14.74	\$1.5368	\$19.60
June	\$16.97	\$1.6005	\$21.98	\$10.89	\$1.6230	\$16.19	\$15.12	\$1.6160	\$20.25	\$10.64	\$1.6160	\$15.92	\$15.72	\$1.6095	\$20.80
July	\$19.50	\$1.6466	\$24.58	\$11.31	\$1.6844	\$16.81	\$12.82	\$1.6774	\$18.24	\$11.12	\$1.6774	\$16.60	\$17.46	\$1.6650	\$22.68
Aug	\$16.85	\$1.7184	\$22.27	\$11.74	\$1.7483	\$17.45	\$11.63	\$1.7413	\$17.32	\$10.93	\$1.7413	\$16.64	\$15.74	\$1.7316	\$21.25
Sep	\$15.78	\$1.7791	\$21.45	\$11.59	\$1.8266	\$17.58	\$10.27	\$1.8196	\$16.28	\$9.41	\$1.8196	\$15.45	\$14.84	\$1.8024	\$20.63
Oct	\$13.56	\$1.7831	\$19.33	\$10.46	\$1.8577	\$16.60	\$10.97	\$1.8507	\$17.06	\$7.40	\$1.8507	\$13.62	\$13.03	\$1.8230	\$18.95
Nov	\$15.09	\$1.8768	\$21.13	\$8.52	\$1.7800	\$14.45	\$9.64	\$1.7730	\$15.51	\$6.26	\$1.7730	\$12.25	\$13.33	\$1.8125	\$19.21
Dec	\$13.29	\$1.8305	\$19.23	\$6.88											

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.	%
Sep 2007	558,271	3,075	378,231	67.75%	53,134	9.52%	93,114	16.68%	33,792	6.05%
Oct	584,122	3,000	412,258	70.58%	58,111	9.95%	99,545	17.04%	14,208	2.43%
Nov	582,419	3,097	409,617	70.33%	48,795	8.38%	105,214	18.06%	18,794	3.23%
Dec	593,590	3,143	392,849	66.17%	59,990	10.11%	97,737	16.47%	43,014	7.25%
Jan 2008	642,148	3,068	427,443	66.56%	54,698	8.52%	109,863	17.11%	50,144	7.81%
Feb	606,111	2,989	389,276	64.22%	69,259	11.43%	94,584	15.61%	52,992	8.74%
Mar	614,369	2,948	398,126	64.80%	83,411	13.58%	82,833	13.48%	49,999	8.14%
Apr	608,631	2,943	388,115	63.76%	81,108	13.33%	100,604	16.53%	38,804	6.38%
May	597,176	2,956	386,639	64.74%	79,323	13.28%	96,547	16.17%	34,668	5.81%
June	493,500	2,666	346,682	70.25%	71,361	14.46%	27,363	5.54%	48,094	9.75%
July	539,885	2,936	365,692	67.73%	64,438	11.94%	68,086	12.61%	41,668	7.72%
Aug	553,377	3,073	398,922	72.09%	57,441	10.38%	51,033	9.22%	45,981	8.31%
Sep	536,598	2,933	400,017	74.55%	52,644	9.81%	61,540	11.47%	22,397	4.17%
Oct	563,528	2,905	414,863	73.62%	58,955	10.46%	64,708	11.48%	25,002	4.44%
Nov	561,045	3,000**	381,264	67.96%	59,573	10.62%	63,744	11.36%	56,464	10.06%



* 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

December 2008 through February 2009

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
DEC 2008	01/11/09	01/12/09	01/13/09	12/26/08	12/26/08	01/13/09	01/14/09
JAN 2009	02/11/09	02/12/09	02/13/09	01/26/09	01/26/09	02/13/09	02/17/09
FEB 2009	03/11/09	03/12/09	03/13/09	02/25/09	02/26/09	03/13/09	03/16/09

** The base rate for making partial payments in Fulton County, GA for December will be \$17.29 per hundredweight. This is 90 percent of the preceding month's uniform price of \$19.21 per hundredweight.

Producer Touch Base Requirements & Handler Diversion Limits

[per Order Amendment issued March 17, 2008]

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Producer Touch Base Days	1	1	1	1	1	1	1	1	1	1	1	1
Diversion Percentage Limits	25%	25%	35%	35%	35%	35%	25%	25%	25%	25%	25%	35%

WASDE Dairy Report 1/

WASDE-465 December 11, 2008

Milk production forecasts for 2008 and 2009 are reduced slightly from last month. The cow number forecasts are unchanged. Forecast milk per cow for both years is reduced reflecting the continued slow rate of growth in output per cow. Commercial export forecasts for 2008 are raised as export data points towards stronger-than-expected sales, especially on a fat basis. However, the forecasts for 2009 are unchanged as weaker international demand is expected to limit exports. Fat basis imports for 2008 are reduced due to weaker demand but skim-solids imports are adjusted to reflect higher-than-expected third-quarter imports. Weakness in demand for fat basis imports is expected to carry into 2009, thus the fat basis import forecast for 2009 is lowered. Sales of nonfat dry milk (NDM) to the CCC are forecast for higher 2008 and 2009.

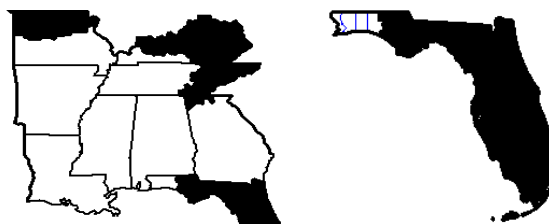
Class III and Class IV prices for 2008 and 2009 are reduced from last month as most product price forecasts are lowered. Demand both domestically and in international markets will likely be affected by economic weakness. Although relative product values may encourage milk to shift to cheese production, butter and NDM prices will be pressured by relatively weak demand for much of the year. Cheese prices are forecast weaker as domestic demand lags in a weak economy. Although the whey price is unchanged from last month, weaker cheese prices will push the Class III price lower while lower butter and NDM prices will result in a reduced Class IV price. The 2008 all milk price forecast is unchanged this month, averaging \$18.30 to \$18.40 per cwt, but the 2009 forecast is lowered to \$14.95 to \$15.75 per cwt.

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.



MILK MARKET ADMINISTRATOR

U.S. Department Of Agriculture
1550 North Brown Road, Suite 120
Lawrenceville, Georgia 30043



www.fmmatlanta.com

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