



# MARKETING SERVICE

B U L L E T I N

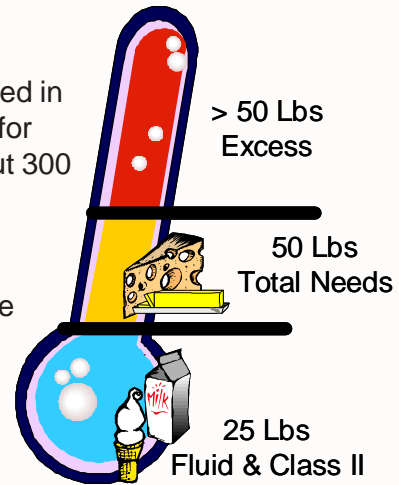
## Cows Versus People . . .



The alignment between the geographic density of milk marketings and population could be referred to as "Cows versus People." This concept may explain how the "locality" of supply and demand provides a different perspective from published "national" milk supply and demand data. Supply and demand localities -- where milk supplies are located and where milk is needed -- are examined in this issue (supply data include all federal milk orders plus California state milk marketings).

Per capita consumption of dairy products is used in this analysis to represent the demand element for milk. This assumes every person requires about 300 pounds of milk annually to meet fluid and Class II needs plus another 300 pounds (600-lb total) to meet total dairy requirements. USDA estimates commercial milk disappearance for 2002 at 172 billion pounds (USDA Agricultural Outlook, 12/02). This 172 billion pound estimate divided by the U.S. Census Bureau 2002 population estimate of 288 million approximates the 600 pound total consumption level. Per capita milk production above the 600 pound level could be considered excess. On a monthly basis, this breaks down to a 25-pound requirement for fluid and Class II and a 50-pound requirement for total dairy product consumption.

**This thermometer graphic reflects these "assumptions."**

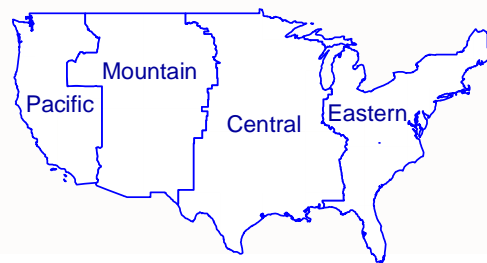


The population of each US county (48 states with 2001 population data) was utilized to compare per capita milk marketings with estimated per capita milk consumption. Counties were separated by time zone to develop a somewhat arbitrary "regional" analysis. Major differences in population among time zones, differences in milk marketings by time zone, and geographic features such as the Rocky Mountains (seen as a barrier to economical west-east movements of milk) combine to provide the results on the following pages.

|                   | 12/97          | 12/02          |
|-------------------|----------------|----------------|
| <b>Marketings</b> |                |                |
| Pacific           | 2,801,838,003  | 3,506,591,291  |
| Mountain          | 1,176,629,530  | 1,637,005,642  |
| Central           | 4,188,217,629  | 4,218,054,561  |
| Eastern           | 3,718,488,501  | 3,984,032,206  |
| Total             | 11,885,173,663 | 13,345,683,700 |

|                   | 12/97       | 12/02       |
|-------------------|-------------|-------------|
| <b>Population</b> |             |             |
| Pacific           | 42,954,198  | 46,317,891  |
| Mountain          | 15,682,530  | 17,410,340  |
| Central           | 77,758,983  | 82,149,433  |
| Eastern           | 129,546,172 | 137,059,933 |
| Total             | 265,941,883 | 282,937,597 |

|                         | 12/97 | 12/02 |
|-------------------------|-------|-------|
| <b>Per Capita Mktgs</b> |       |       |
| Pacific                 | 65.2  | 75.7  |
| Mountain                | 75.0  | 94.0  |
| Central                 | 53.9  | 51.3  |
| Eastern                 | 28.7  | 29.1  |
| Average                 | 44.7  | 47.2  |



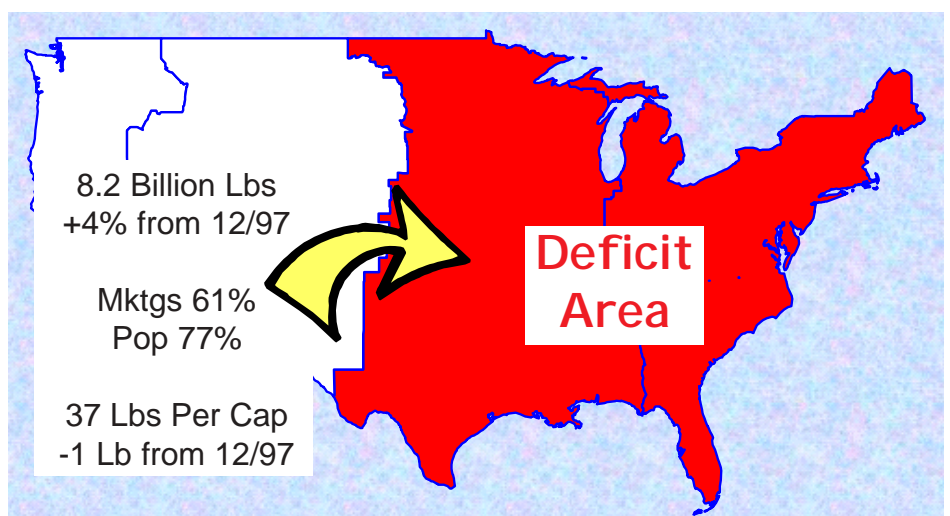
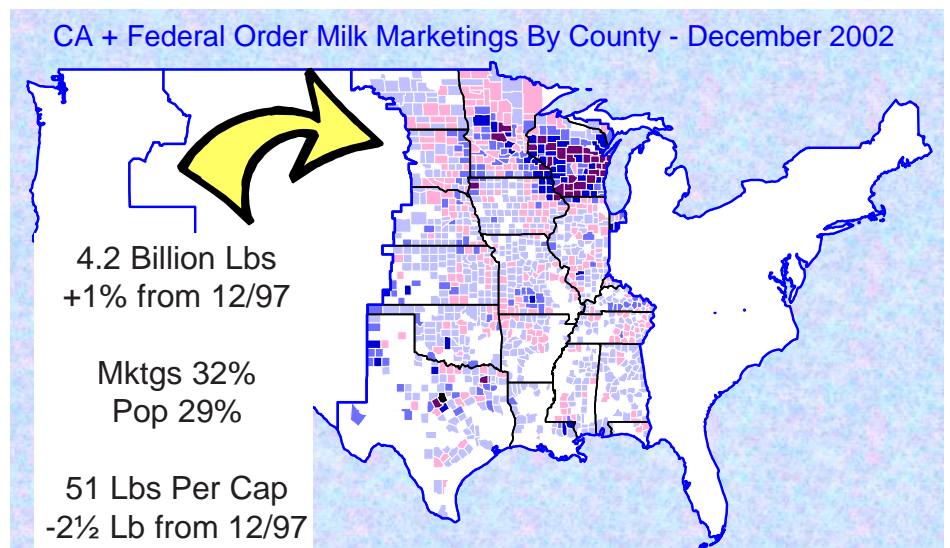
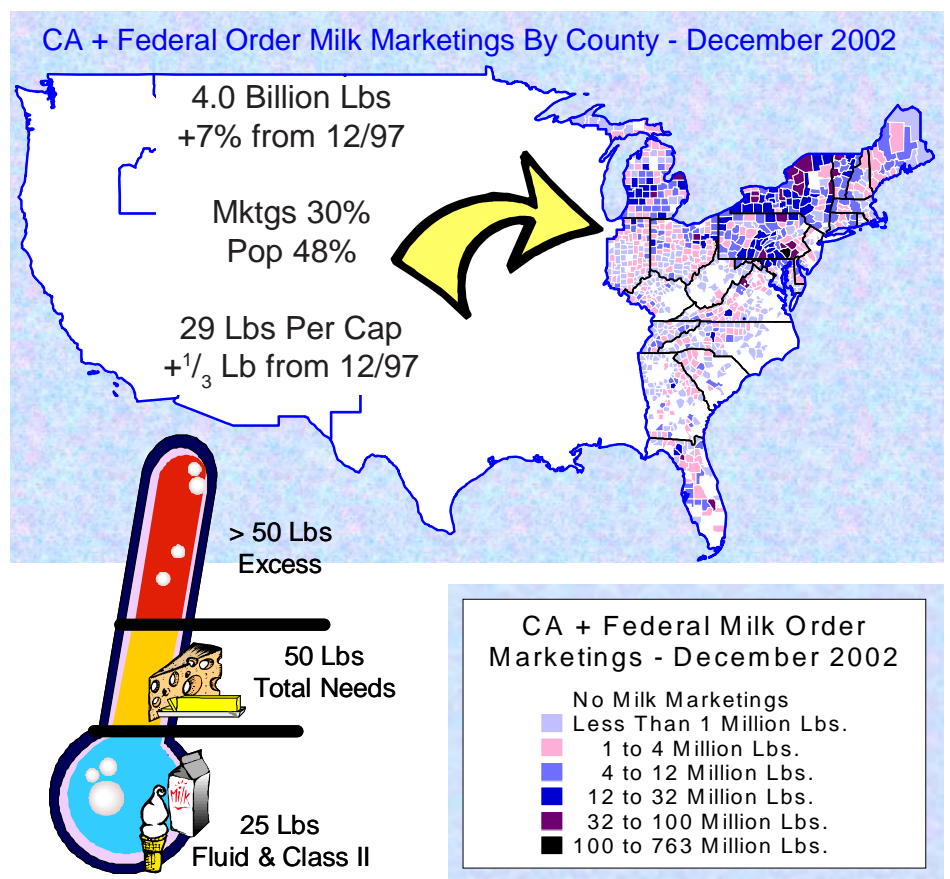
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Milk marketings from counties in the Eastern time zone totaled **3.984** billion pounds during December 2002. These **4.0** billion pounds accounted for **30%** of the total U.S. federal order and California milk marketings. However, **48%** percent of the total continental U.S. population reside within this time zone -- resulting in per capita milk marketings of **29** pounds. As indicated by the thermometer graphic, this meets the fluid and Class II needs but falls short of meeting the total milk "use" needs on a monthly basis by **21** pounds per person. This results in a **2.9** billion pound monthly **deficit**.

Milk marketings within the Central time zone totaled **4.218** billion pounds which accounted for **32%** of the total federal order and California milk marketings during December 2002. **Twenty-nine** percent of the 48-state U.S. population reside within the Central time zone resulting in per capita milk marketings of **51** pounds. This extra pound creates a **111** million pound **excess** during December 2002.

Combining these two time zones into a single marketing/procurement/consumption area east of the Rocky Mountains provides another perspective. Per capita milk marketings total **37** pounds -- **13** pounds **below** the 50 pounds necessary to meet the total per capita needs. This translates into a monthly **deficit** of **2.8** billion pounds of milk for the combined two eastern "half" time zones.

The maps on the following page illustrate how the per capita milk marketings differ when examining the western time zones.



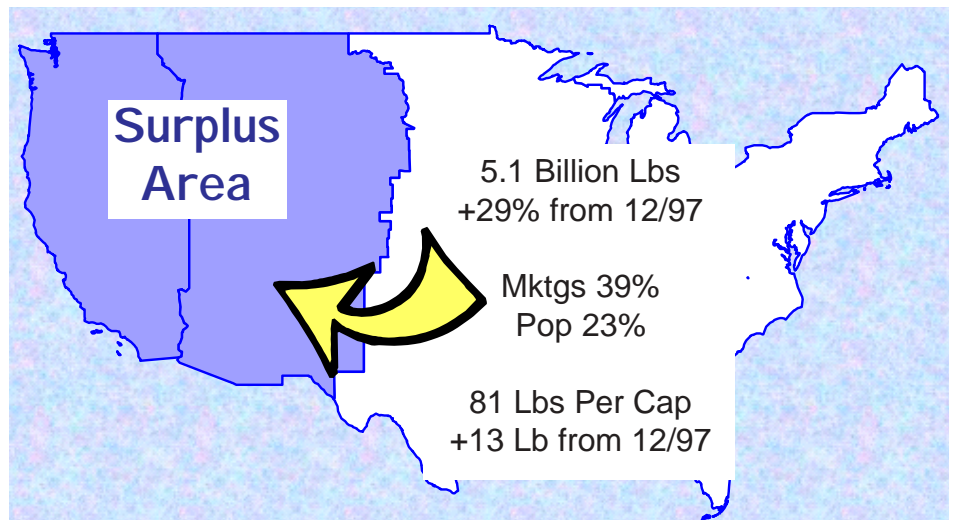
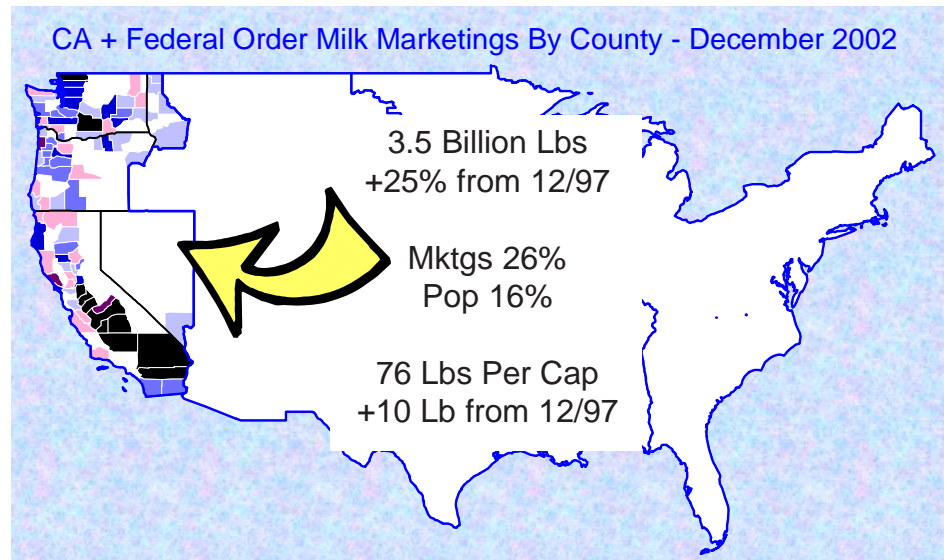
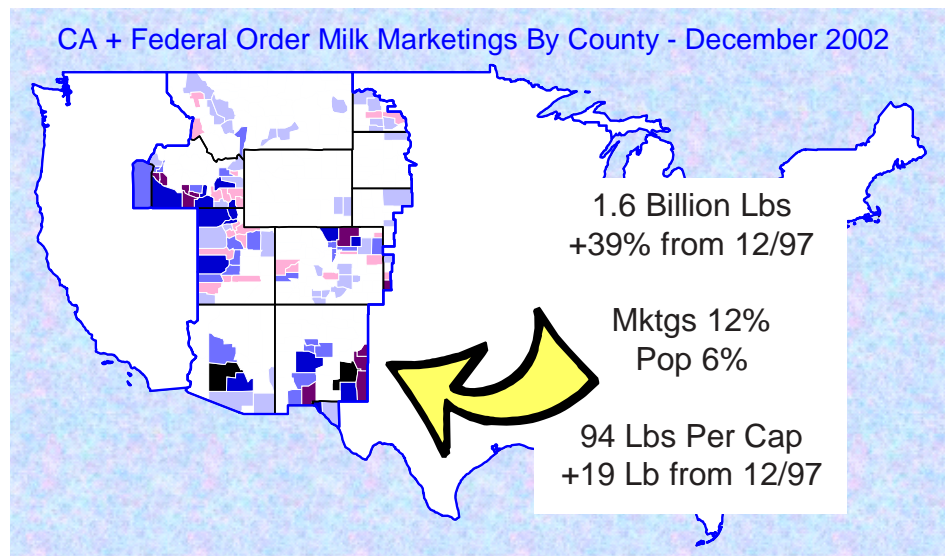


Counties within the Mountain time zone had milk marketings totaling **1.637** billion pounds which accounted for **12%** of the total U.S. federal order and California milk marketed during December 2002. Milk marketings from this time zone increased **39%** or **460** million pounds from December 1997 to December 2002.

The Mountain time zone is the least populated with **6%** of the U.S. population (48 states). Reflecting the increased marketings and smaller population, the per capita milk marketings were up **19** pounds from December 1997 to **94** pounds during December 2002. This time zone's **44**-pound per capita **excess** translates into **766** million pounds of milk.

Milk marketings within the Pacific time zone totaled **3.507** billion pounds which accounted for **26%** of the total federal order and California milk marketings during December 2002. **Sixteen** percent of the continental U.S. population reside within the Pacific time zone. Per capita milk marketings totaled **76** pounds -- a **26** pound per capita **excess** or **1.2** billion pounds during December 2002.

If these two time zones were combined into a single marketing/procurement/consumption area, the per capita milk marketings would total **81** pounds. This is **31** pounds **over** the 50 pounds necessary to meet the total per capita needs. As a result, there is a monthly **excess** of **2.0** billion pounds for the two combined western time zones.



This 2.0 billion pound "excess" from the "west" is not sufficient to satisfy the 2.8 billion pound "deficit" "east" of the Rockies.

|                   | Statistical<br>Uniform Price |               | Producer Price<br>Differential |               | Class I<br>Utilization |               |
|-------------------|------------------------------|---------------|--------------------------------|---------------|------------------------|---------------|
|                   | <u>3/2003</u>                | <u>2/2003</u> | <u>3/2003</u>                  | <u>2/2003</u> | <u>3/2003</u>          | <u>2/2003</u> |
| Pacific Northwest | 10.13                        | 10.44         | 1.02                           | 0.78          | 27.17                  | 28.83         |
| Western           | 9.88                         | 10.29         | 0.77                           | 0.63          | 20.39                  | 18.56         |
| Arizona-Las Vegas | 10.29                        | 10.63         | -----                          | -----         | 29.57                  | 30.80         |
| <b>Central</b>    | <b>10.08</b>                 | <b>10.41</b>  | <b>0.97</b>                    | <b>0.75</b>   | <b>27.48</b>           | <b>24.72</b>  |
| Southwest         | 11.10                        | 11.42         | 1.99                           | 1.76          | 35.95                  | 38.65         |
| Upper Midwest     | 9.65                         | 10.13         | 0.54                           | 0.47          | 17.54                  | 18.54         |
| Southeast         | 11.91                        | 12.32         | -----                          | -----         | 62.49                  | 65.22         |
| Mideast           | 10.36                        | 10.72         | 1.25                           | 1.06          | 37.42                  | 37.60         |
| Appalachian       | 12.07                        | 12.52         | -----                          | -----         | 64.97                  | 71.40         |
| Northeast         | 11.43                        | 11.79         | 2.32                           | 2.13          | 41.32                  | 44.76         |
| Florida           | 13.31                        | 13.65         | -----                          | -----         | 86.40                  | 87.10         |

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