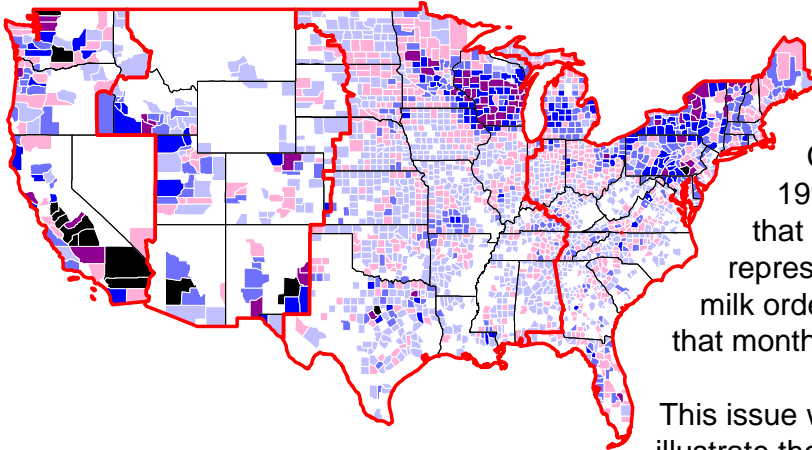


MARKETING SERVICE

B U L L E T I N

How Much Milk Do We Need ? And Where Do We Need It ?



The last issue of this bulletin illustrated "Where The Milk Is... And Where It Isn't...". There were 2,155 counties with Federal milk order or California milk marketings during May 1998. However, the analysis revealed that milk marketings from 269 counties represented 75 percent of all the Federal milk order and California milk marketed during that month.

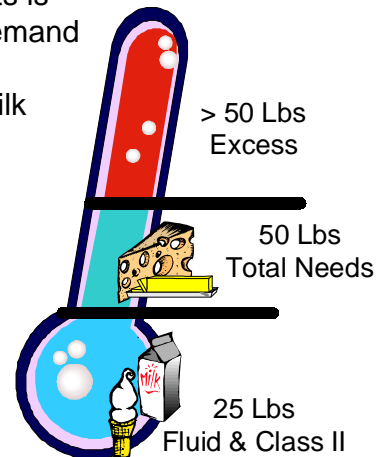
This issue will further examine these data and illustrate the alignment between the geographic density of milk marketings and population - i.e. a look at supply and demand localities.

CA + Federal Order Milk Marketings - May 1998

No Milk Marketings	(956)
Less Than 1 Million Lbs.	(1029)
1 To 4 Million Lbs.	(591)
4 To 12 Million Lbs.	(309)
12 To 32 Million Lbs.	(148)
32 To 100 Million Lbs.	(64)
100 To 535 Million Lbs.	(14)

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 their fluid and Class II needs plus another 300 pounds (600-lb

total) to meet their total dairy requirements. Commercial milk usage is estimated by USDA to be 161 billion pounds during the marketing year ending September 1999. This 161 billion pound estimate divided by the U.S. population of 266 million supports the 600 pound total consumption level. Milk production above the 600 pound per capita consumption 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.



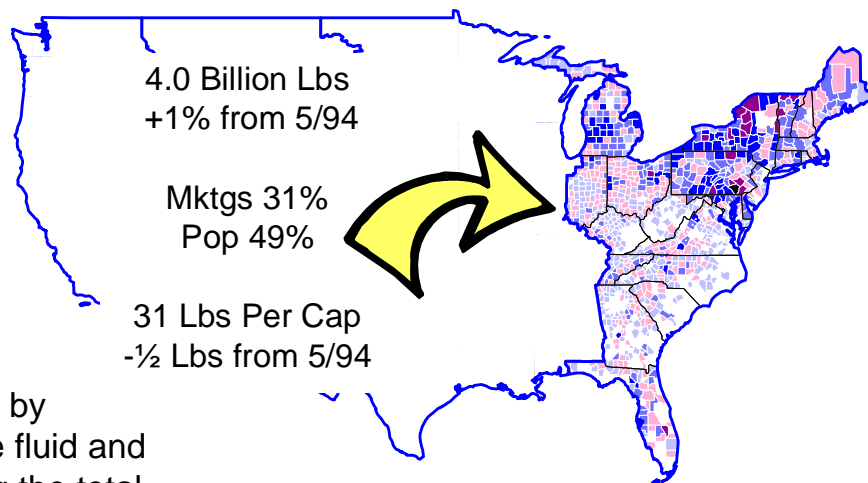
The population of each US county was utilized to compare per capita milk marketings with per capita milk consumption. Counties were separated by time zone to develop a somewhat arbitrary "regional" analysis. Major differences in population between time zones, differences in milk marketings by time zone,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

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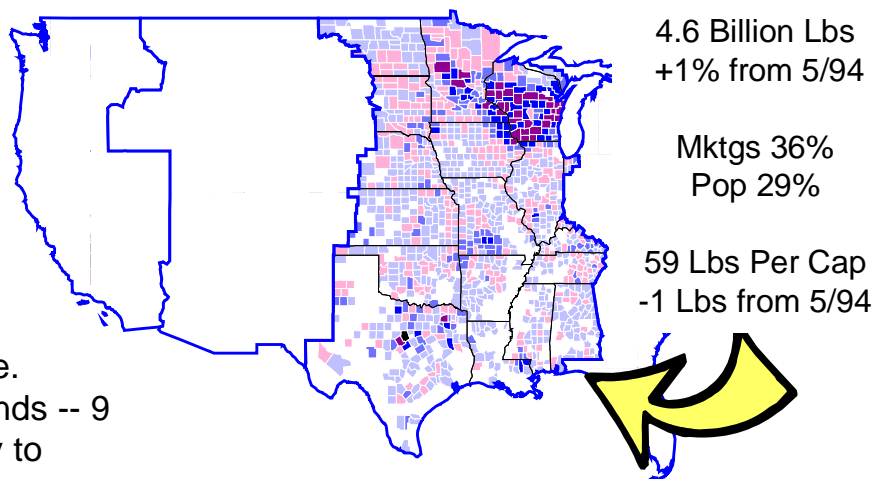
Milk marketings from counties located in the Eastern time zone totaled 4.0 billion pounds during May 1998. These 4.0 billion pounds accounted for 31% of the total U.S. Federal order and California milk produced. However 49 percent of the total U.S. population resides within this time zone resulting in per capita milk marketings of 31 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 19 pounds per person. This results in a 2.5 billion pound monthly deficit.



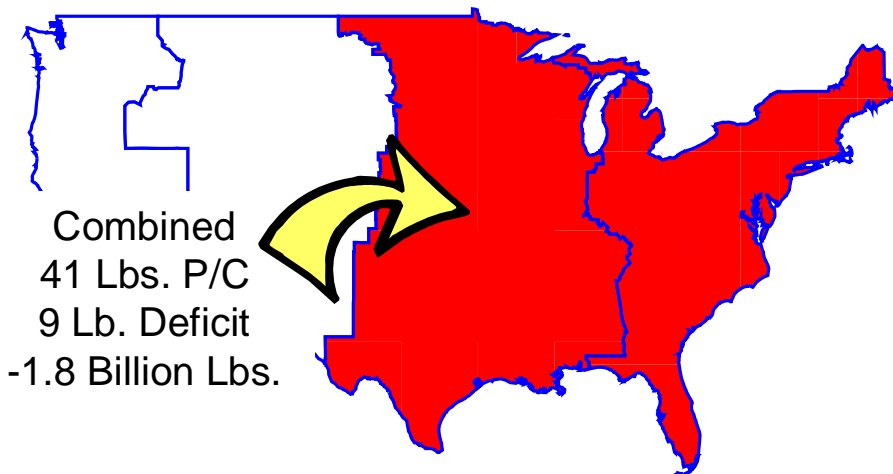
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Milk marketings within the Central time zone totaled 4.6 billion pounds which accounted for 36 percent of the total Federal order and California milk marketings during May 1998. Twenty-nine percent of the U.S. population resides within the Central time zone resulting in per capita milk marketings of 59 pounds. These extra 9 pounds create a 675 million pound excess during May 1998.

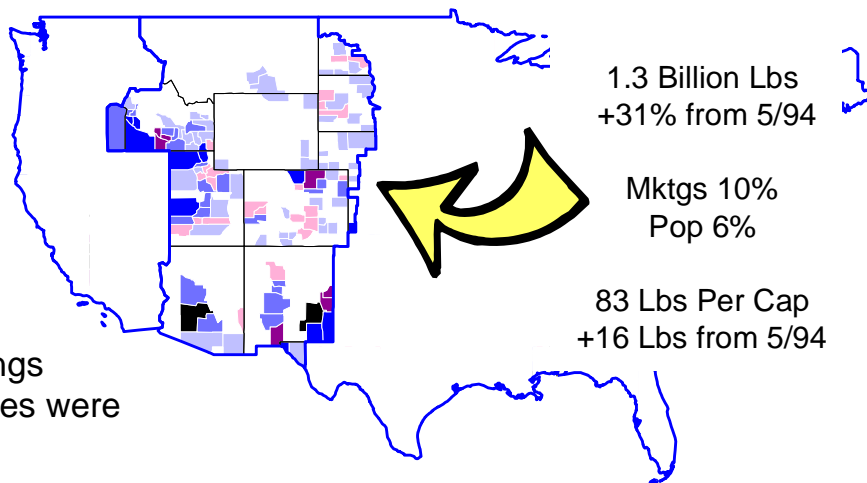


Combining these two time zones into a single marketing/procurement/consumption area east of the Rocky Mountains provides another perspective. Per capita milk marketings total 41 pounds -- 9 pounds under the 50 pounds necessary to meet the total per capita needs. This translates into a monthly deficit of 1.8 billion pounds of milk for the combined two eastern time zones.



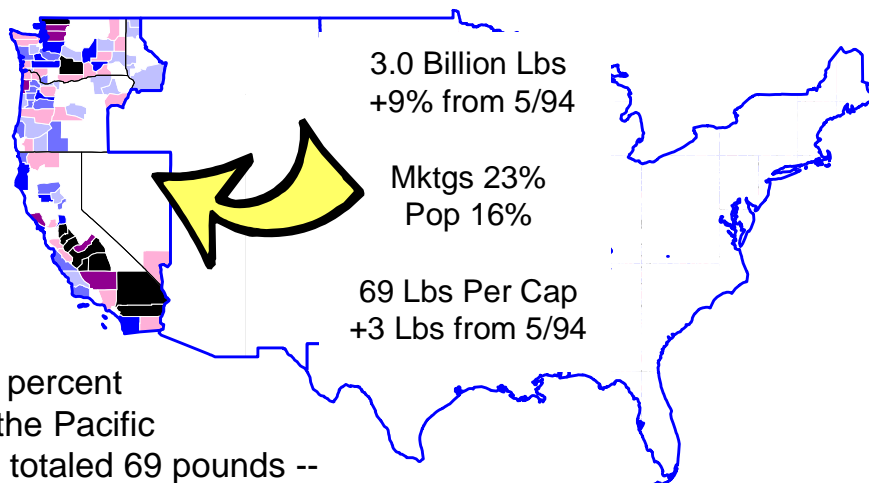
The maps on the following page illustrate how the per capita milk marketings differ when examining the western time zones.

Counties located within the Mountain time zone had milk marketings totaling 1.3 billion pounds which accounted for 10% of the total U.S. Federal order and California milk produced during May 1998. Milk marketings from this time zone increased 31% or 311 million pounds from May 1994 to May 1998. Marketings from the Eastern and Central time zones were each up 1 percent during this period.



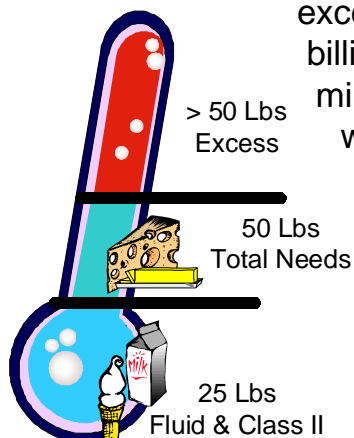
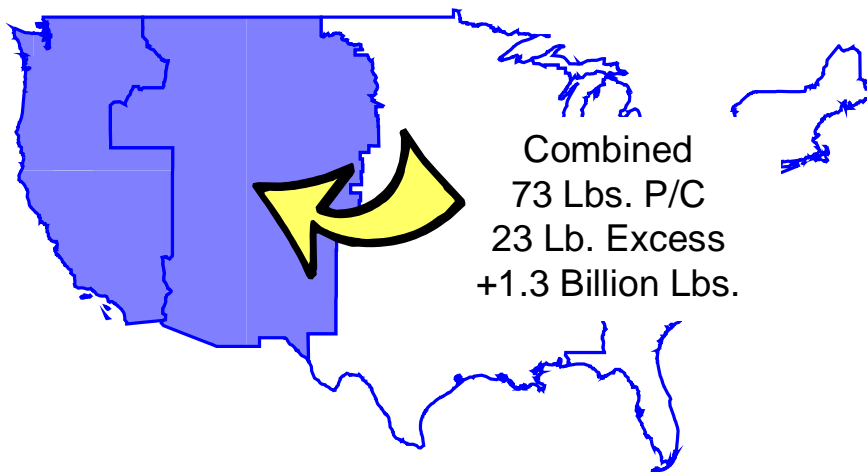
The Mountain time zone is the least populated with 6 percent of the total U.S. population. Reflecting the increased marketings and smaller population, the per capita milk marketings were up 16 pounds from May 1994 to 83 pounds during May 1998. This time zone's 33-pound per capita excess translates into 515 million pounds of milk.

Milk marketings within the Pacific time zone totaled 3.0 billion pounds which accounted for 23 percent of the total Federal order and California milk marketings during May 1998. Sixteen percent of the U.S. populations resides within the Pacific time zone. Per capita milk marketings totaled 69 pounds -- a 19 pound per capita excess or 816 million pounds during May 1998.



If these two time zones were combined into a single marketing/procurement/consumption area the per capita milk marketings would total 73 pounds. This would be 23 pounds over the 50 pounds necessary to meet the total per capita needs. As a result there is a monthly

excess of 1.3 billion pounds of milk for combined western two time zones.

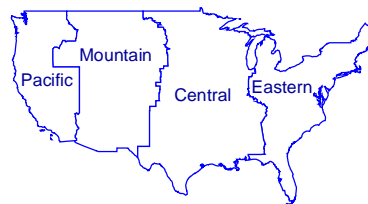


A comparison of Blend Prices for milk of 3.5% butterfat content is provided for selected Federal milk marketing orders:		Oct 1998	Sep 1998	Oct 1997
	Southeast (Zone 7)	\$17.82	\$17.52	\$14.78
	Chicago Regional (Zone I)	15.97	15.50	13.09
	Greater Kansas City	16.86	16.65	13.94
	Indiana	16.53	16.18	13.54
	Iowa (Zone I)	16.31	15.68	13.23
	Southwest Plains (Zone I)	17.04	16.58	13.95
	Central Illinois (Zone I)	16.48	16.17	13.62
	Southern Illinois - Eastern Missouri (Base Zone)	16.47	16.14	13.52

	5/94	5/98
Marketings		
Pacific	2,728,582,300	2,968,215,045
Mountain	988,753,088	1,299,619,843
Central	4,514,729,177	4,557,056,031
Eastern	3,952,883,120	3,991,074,106

	5/94	5/98
Population		
Pacific	41,475,121	43,034,779
Mountain	14,727,311	15,697,723
Central	75,459,081	77,649,446
Eastern	126,857,567	129,458,200

	5/94	5/98
Per Capita Mktgs		
Pacific	65.8	69.0
Mountain	67.1	82.8
Central	59.8	58.7
Eastern	31.2	30.8



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