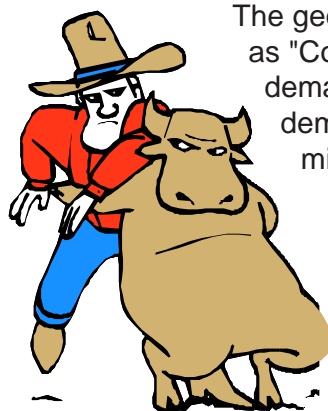


MARKETING SERVICE

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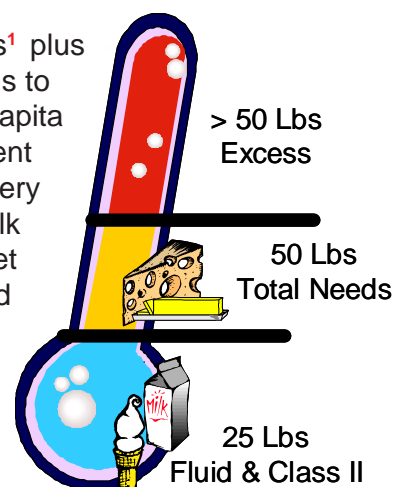
Cows Versus People . . .



The geographic comparison of milk marketings versus population could be referred to as "Cows versus People." The "locality" of milk supply compared to dairy product demand provides a different perspective from published national milk supply and demand data. This issue examines supply and demand localities -- where raw milk is marketed versus where dairy products are consumed -- for the U.S. dairy industry during December 2007.

Combined marketings from all federal milk orders¹ plus the California state order are used in this analysis to represent the supply side of our equation. Per capita consumption of dairy products is used to represent the demand element. This analysis assumes every person requires approximately 300 pounds of milk

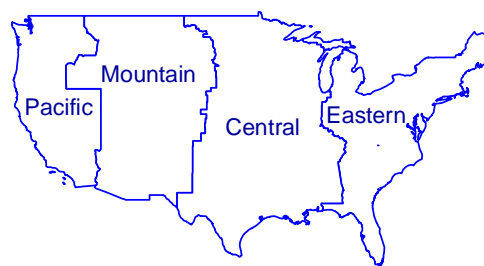
annually to meet fluid and Class II needs, plus another 300 pounds to meet total dairy requirements². Per capita milk production above this 600-pound level is considered excess. On a monthly basis, this breaks down to 25 pounds per person for fluid and Class II, and 50 pounds for total dairy product consumption. *The thermometer graphic reflects these assumptions.*



The Census Bureau's population estimates for each U.S. county in the contiguous 48 states were utilized to compare per capita milk marketings with estimated per capita milk consumption. Counties were separated by time zone to develop a "regional" analysis. The large variation in population among time zones along with the substantial difference in milk marketings by time zone combine to provide the following results.

	Dec '02	Dec '07		Dec '02	Dec '07
<u>Marketings</u>			<u>Population</u>		
Pacific	3,506,591,291	3,940,845,221	Pacific	46,966,934	49,614,174
Mountain ¹	1,637,005,642	1,217,962,439	Mountain	17,755,853	19,680,905
Central	4,218,054,561	4,444,192,087	Central	82,937,683	86,739,076
Eastern	3,984,032,206	4,031,950,794	Eastern	138,356,089	143,620,136
Total	13,345,683,700	13,634,950,541	Total	286,016,559	299,654,291

	Dec '02	Dec '07
<u>Per Capita Mktgs</u>		
Pacific	74.7	79.4
Mountain ¹	92.2	61.9
Central	50.9	51.2
Eastern	28.8	28.1
Weighted Average	46.7	45.5



¹ The Western Federal Milk Order was terminated effective April 1, 2004; therefore, 2007 data for the Mountain Region may not include production from a significant portion of this region.

² USDA estimates the milk equivalent of all dairy products consumed for 2006 was 606 pounds per person. Source: **Livestock, Dairy, and Poultry Outlook**, United States Department of Agriculture, Economic Research Service. (<http://ers.usda.gov/publications/ldp/LDPTables.htm>)



AUGUST 2008

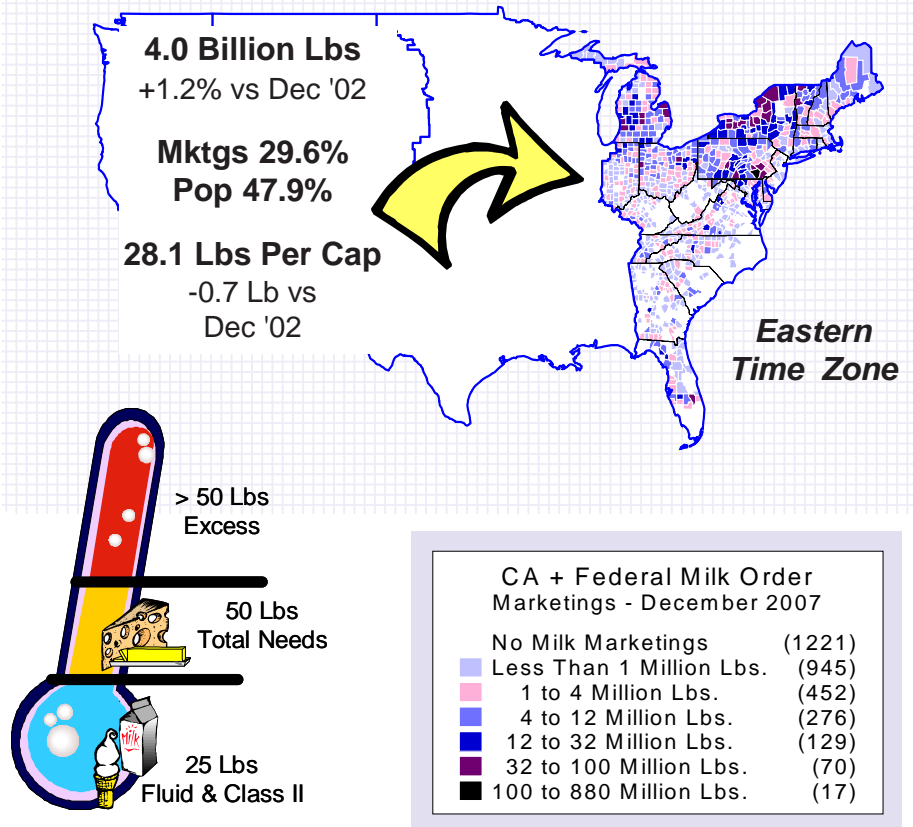
Milk marketings from counties in the Eastern time zone totaled **4.032** billion pounds during December 2007. These pounds accounted for **29.6%** of the total U.S. federal order and California milk marketings. However, **47.9%** percent of the total continental U.S. population reside within this time zone -- resulting in per capita milk marketings of **28.1** pounds. This meets fluid and Class II needs, but falls short of meeting the total monthly consumption requirements by **21.9** pounds per person. This translates into a **3.1 billion** pound monthly **deficit**.

Milk marketings within the Central time zone totaled **4.444** billion pounds, or **32.6%** of total federal order and California milk marketings during December 2007. The Central time zone accounted for **28.9** percent of the 48-state U.S. population, resulting in per capita milk marketings of **51.2** pounds. This results in a **107 million** pound monthly **excess**.

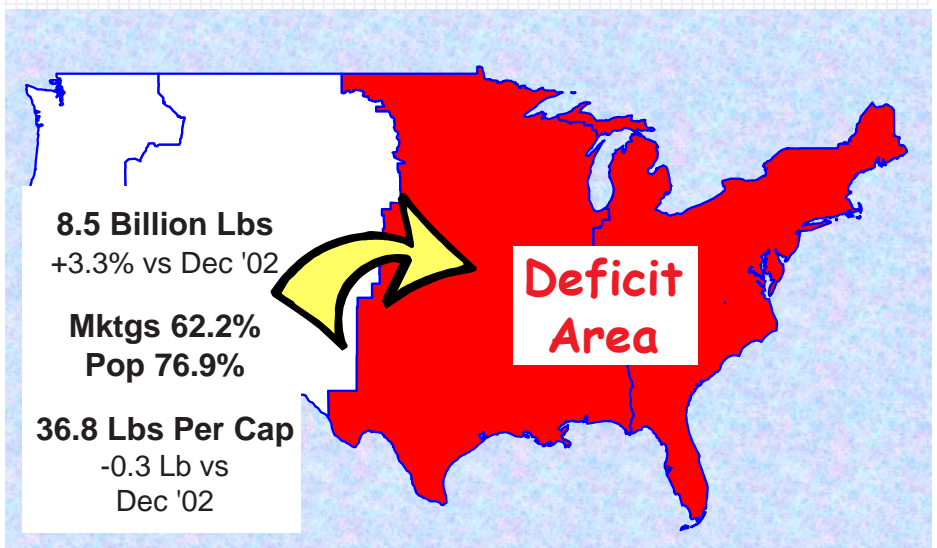
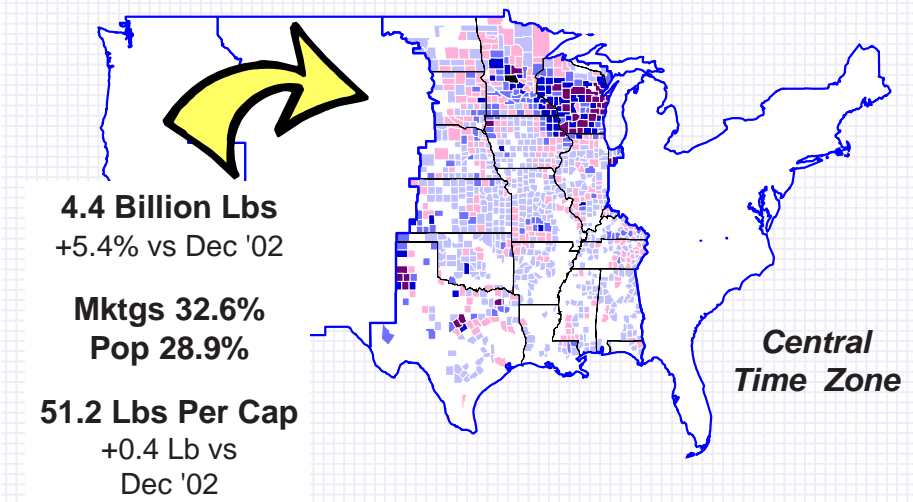
Combining these two time zones into a single marketing/procurement/consumption area provides another perspective. Per capita milk marketings in December 2007 totaled **36.8** pounds -- **13.2** pounds **below** the 50 pounds necessary to meet total per capita needs. This translates into a monthly **deficit** of **3.0** billion pounds of milk for the combined Eastern and Central time zones.

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

CA + Federal Order Milk Marketings By County - December 2007



CA + Federal Order Milk Marketings By County - December 2007



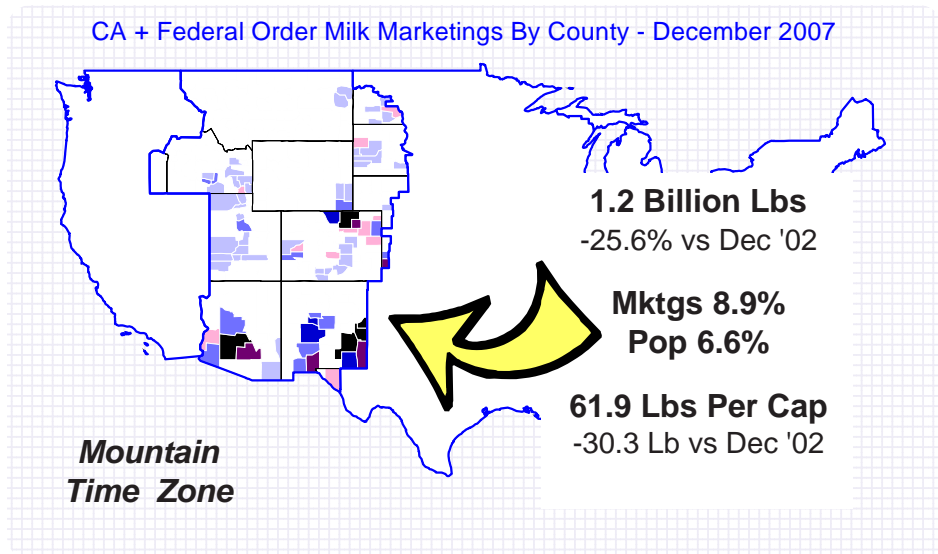
Counties within the Mountain time zone had milk marketings totaling **1.218** billion pounds, which accounted for **8.9%** of the total federal order and California milk marketed during December 2007. Milk marketings from this time zone decreased **25.6%** or **419 million** pounds from December 2002 to December 2007. (December 2007 marketings from this time zone were significantly reduced due to the April 1, 2004 termination of the Western federal milk order.)

The Mountain time zone is the least populated with **6.6%** of the U.S. population (48 states). Reflecting the Western order termination, per capita milk marketings were down **30.3** pounds from December 2002, falling to **61.9** pounds in December 2007. The Mountain time zone's **11.9** pound per capita **excess** translates into **233.9 million** pounds of milk.

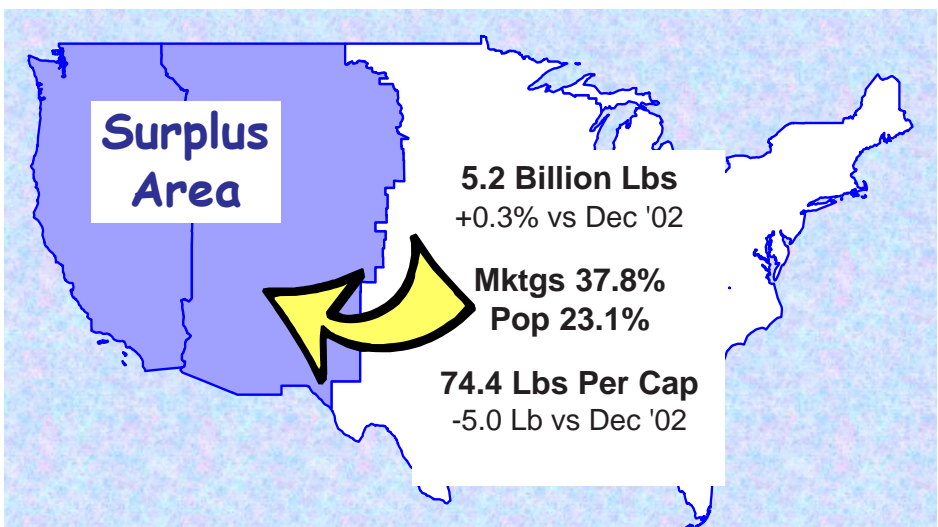
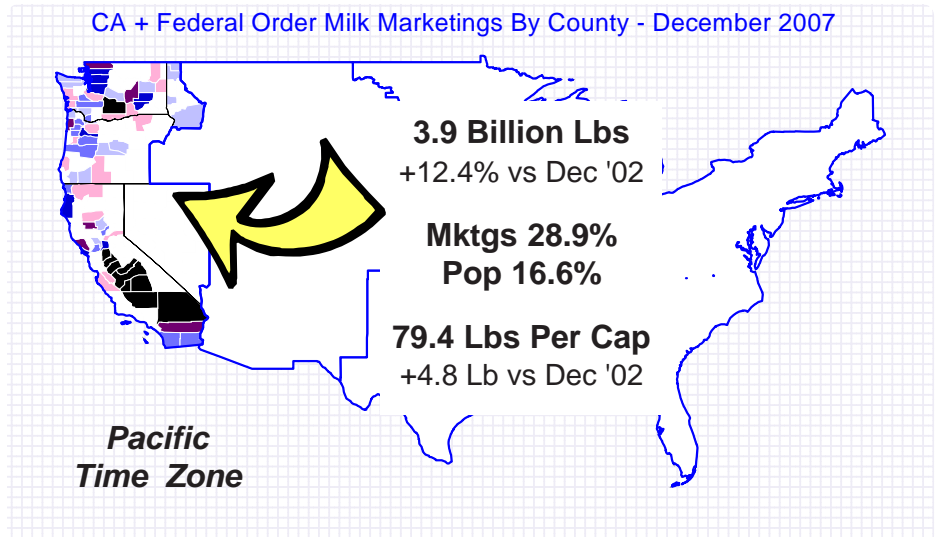
Milk marketings within the Pacific time zone totaled **3.941** billion pounds, which accounted for **28.9%** of the federal order and California milk marketings total during December 2007. The Pacific time zone accounted for **16.6** percent of the 2007 continental U.S. population. Per capita milk marketings totaled **79.4** pounds -- a **29.4** pound per capita **excess**, or **1.5 billion** pounds during December 2007.

Combined these two time zones into a single marketing/procurement/consumption area results in per capita milk marketings of **74.4** pounds. This is **24.4** pounds **over** the 50 pounds necessary to meet the total per capita needs. As a result, there is a monthly **excess** of **1.7** billion pounds for the two combined western time zones.

CA + Federal Order Milk Marketings By County - December 2007



CA + Federal Order Milk Marketings By County - December 2007



The 1.7 billion pound **"excess"** from the **"west"** is not sufficient to satisfy the 3.0 billion pound **"deficit"** **"east"** of the Rockies.

	Statistical Uniform Price		Producer Price Differential		Class I Utilization	
	<u>Jul '08</u>	<u>Jun '08</u>	<u>Jul '08</u>	<u>Jun '08</u>	<u>Jul '08</u>	<u>Jun '08</u>
Northeast	20.61	19.56	2.37	-0.69	40.53	43.76
Appalachian	22.31	20.22	-----	-----	69.43	67.06
Florida	24.89	22.36	-----	-----	83.54	75.56
Southeast	22.68	20.80	-----	-----	67.74	70.25
Upper Midwest	18.90	19.79	0.66	-0.46	14.64	16.77
Central	19.38	18.50	1.14	-1.75	35.17	40.56
Mideast	19.71	18.96	1.47	-1.29	36.39	39.30
Pacific Northwest	18.94	18.03	0.70	-2.22	27.06	34.48
Southwest	20.09	19.02	1.85	-1.23	31.35	47.61
Arizona	19.31	18.65	-----	-----	32.05	29.94

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