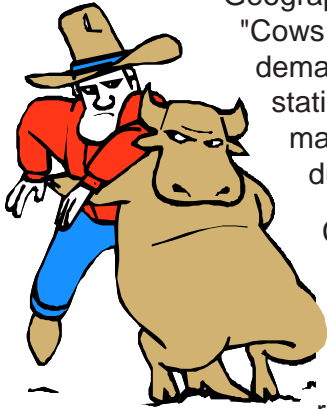


# MARKETING SERVICE

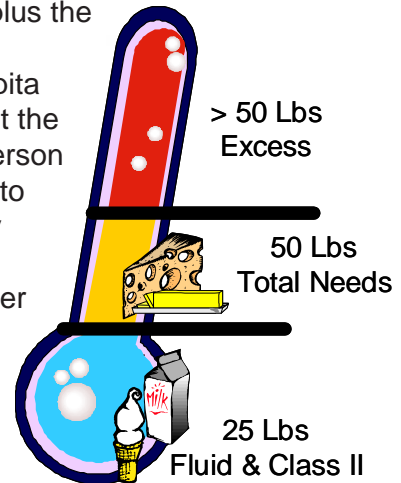
B U L L E T I N

## Cows Versus People . . .



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 supply and demand statistics. 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 2008.

Combined marketings from all federal milk orders<sup>1</sup> 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 requirements<sup>2</sup>. 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 most recent Census Bureau population estimates for each U.S. county in the contiguous 48 states were utilized to compare per capita milk marketings with estimated per capita dairy product consumption. Counties were aggregated by time zone to develop a "regional" analysis. The large variation in population among time zones along with substantial differences in milk marketings combine to provide the following results.

	Dec '03	Dec '08
<b><u>Marketings</u></b>		
Pacific	3,524,234,991	3,946,808,976
Mountain <sup>1</sup>	1,683,308,184	1,386,384,417
Central	4,253,771,520	4,207,428,860
Eastern	3,837,303,990	4,091,352,353
<b>Total</b>	<b>13,298,618,685</b>	<b>13,631,974,606</b>

	Dec '03	Dec '08
<b><u>Population</u></b>		
Pacific	47,459,737	49,979,179
Mountain	18,026,786	20,075,002
Central	83,512,205	87,606,418
Eastern	139,340,600	144,424,634
<b>Total</b>	<b>288,339,328</b>	<b>302,085,233</b>

	Dec '03	Dec '08
<b><u>Per Capita Mktgs</u></b>		
Pacific	74.3	79.0
Mountain <sup>1</sup>	93.4	69.1
Central	50.9	48.0
Eastern	27.5	28.3
<b>Weighted Average</b>	<b>46.1</b>	<b>45.1</b>



<sup>1</sup> The Western Federal Milk Order was terminated effective April 1, 2004; therefore, 2008 data for the Mountain Region may not include production from a significant portion of this region.

<sup>2</sup> USDA estimates the milk equivalent of all dairy products consumed for 2007 was 607 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>)



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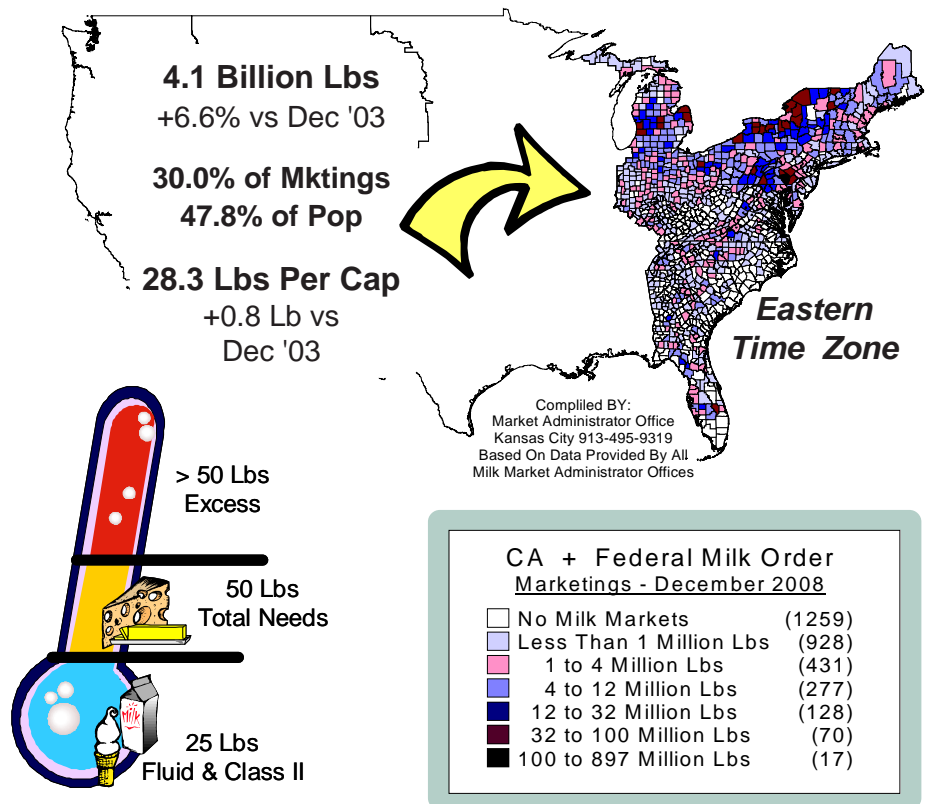
Milk marketings from counties in the Eastern time zone totaled **4.091** billion pounds during December 2008. These pounds accounted for **30.0%** of the combined federal order plus California milk marketing total. However, **47.8%** percent of the total continental U.S. population resides within this time zone -- resulting in per capita milk marketings of **28.3** pounds. This is sufficient to meet fluid and Class II needs, but falls short of meeting the total monthly consumption requirements by approximately **21.7** pounds per person. This translates into a **monthly deficit of over 3.1 billion pounds**.

Milk marketings within the Central time zone totaled **4.207** billion pounds, or **30.9%** of total federal order and California marketings during December 2008. The Central time zone accounted for **29.0** percent of the 48-state U.S. population, resulting in per capita milk marketings of **48.0** pounds. This translates into a **172.9 million pound monthly deficit**.

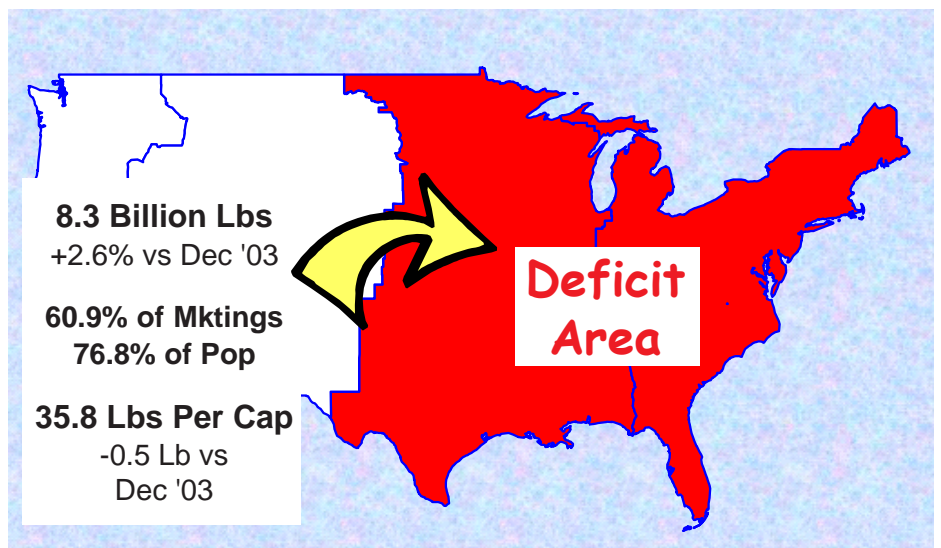
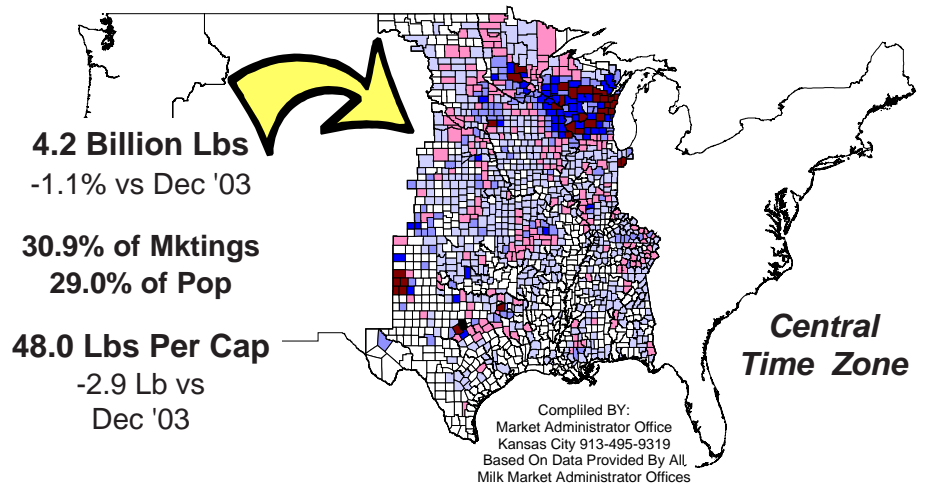
Perspective for a large proportion of the U.S. demographic is obtained by combining these two time zones into a single marketing/procurement/consumption area. December 2008 per capita milk marketings for this combined area totaled **35.8** pounds -- **14.2** pounds **below** the 50 pounds necessary to meet total per capita needs. This results in a **monthly deficit of approximately 3.3 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 2008



#### CA + Federal Order Milk Marketings By County - December 2008



December 2008 Mountain time zone milk marketings totaled **1.386** billion pounds, accounting for **10.2%** of the federal order and California total. Milk marketings from this time zone decreased **17.6%** or **296.9 million** pounds compared with December 2003. (December 2008 marketings from this time zone were significantly reduced due to the April 1, 2004 termination of the Western order.)

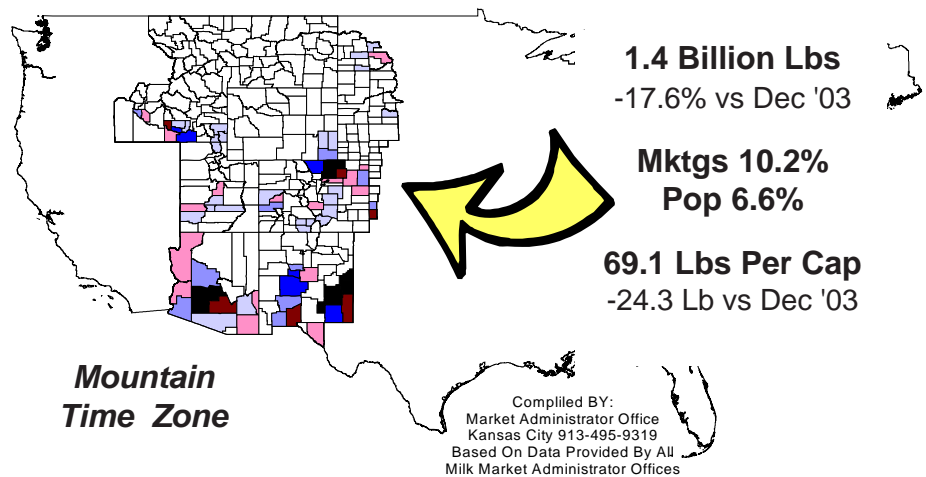
The Mountain time zone is the least populated with **6.6%** of the U.S. population (48 states). Reflecting the Western order termination, per capita milk marketings were down **24.3** pounds from December 2003, falling to **69.1** pounds in December 2008. The Mountain time zone's **19.1 pound per capita excess** translates into **382.6 million pounds of surplus milk**.

Milk marketings within the Pacific time zone totaled **3.947** billion pounds, which accounted for **29.0%** of the federal order and California total during December 2008. The Pacific time zone accounts for approximately **16.5** percent of the continental U.S. population. Per capita milk marketings totaled **79.0** pounds -- a **29.0 pound per capita excess, or 1.4 billion pounds** during December 2008.

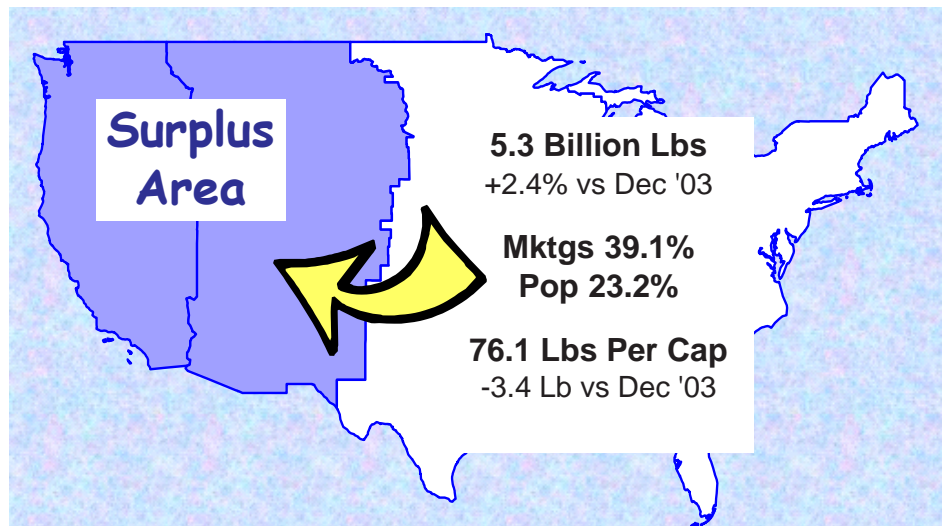
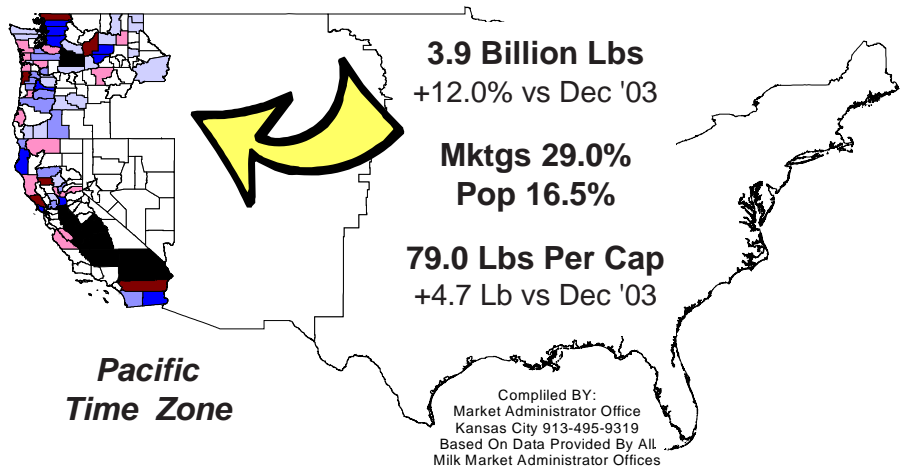
Combined these two time zones results in per capita milk marketings of **76.1** pounds. This is **26.1 pounds over** the 50-pound per capita requirement. Consequently, there is a monthly **excess of approximately 1.8 billion pounds** for the combined Mountain/Pacific time zone.

**\* Editor's Note:** Adding the "residual production" from Idaho, Montana, Nevada, Utah, and Wyoming to the West total results in a 358 million pound U.S. deficit for December 2008. "Residual production" was calculated by taking NASS total production minus federal order marketings. (MT, NV, UT, and WY December 2008 production was estimated based on 4th quarter production.)

#### CA + Federal Order Milk Marketings By County - December 2008



#### CA + Federal Order Milk Marketings By County - December 2008



The 1.8 billion pound "excess" from the "west" is not sufficient to satisfy the 3.3 billion pound "deficit" "east" of the Rockies\*.

	Statistical Uniform Price		Producer Price Differential		Class I Utilization	
	<u>Apr '09</u>	<u>Mar '09</u>	<u>Apr '09</u>	<u>Mar '09</u>	<u>Apr '09</u>	<u>Mar '09</u>
Northeast	12.08	11.56	1.30	1.12	41.74	43.11
Appalachian	12.97	12.29	-----	-----	68.05	69.60
Florida	15.11	14.19	-----	-----	85.79	83.89
Southeast	13.14	12.47	-----	-----	61.02	60.71
Upper Midwest	10.98	10.57	0.20	0.13	13.29	14.07
<b>Central</b>	<b>10.91</b>	<b>10.44</b>	<b>0.13</b>	<b>0.00</b>	<b>31.56</b>	<b>35.10</b>
Mideast	11.28	10.73	0.50	0.29	39.56	40.80
Pacific Northwest	11.01	10.48	0.23	0.04	33.08	31.07
Southwest	11.89	11.45	1.11	1.01	34.94	53.61
Arizona	11.06	10.63	-----	-----	32.28	32.00

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