MARKETING SERVICE BULLETIN

DECEMBER 2004

5.5% Of Central Federal Milk Order Dairy Farms Market 50% Of Eligible Milk (Pooled & Not Pooled)

Central federal order milk marketings show dynamic changes as dairy producers, cooperatives and processors seek opportunities which maximize returns through milk pooling practices. Dramatic shifts in the location of farms that supply the order have occurred since the inception of the "reformed" order in January 2000, and also from pooling provision changes in the Central and adjacent orders. Large quantities of milk from farms located in California became associated with the order and later removed as a result of tightened pooling provisions. More recently, negative Producer Price Differentials (PPDs) resulted in substantial amounts of milk, previously associated with the order, being "Not Pooled" due to Class price alignments.

Two separate issues are addressed in this bulletin. The first, the distribution of farms by size of milk marketings. In past issues, this analysis has been relatively straight forward and has examined only the producer milk marketings "pooled" on the order. The distribution tables in this bulletin include both milk "pooled" and milk which most likely would have been "pooled" had federal order classified prices for manufactured products maintained "normal" differences between fluid and cream products. The table at the bottom of this page and on page two provides distribution data for farms by size of eligible milk marketings.

Central Order Eligible Milk Marketings Ranked From Largest Producer to Smallest September 2004

Quartiles	Number Farms	Range Of Milk Marketings Per Farm
1	64	2,687,000 - 14,531,000 Lbs.
2	260	592,700 - 2,687,000 Lbs.
3	1,192	144,300 - 592,700 Lbs.
4	4,394	< 144,300 Lbs.

The second issue deals with the volume of this "depooled" milk. It was necessary to determine the amount of "not pooled" milk for each producer in the distribution analysis. The distribution of "not pooled" milk by both state and farm sizes is provided. Two tables on page three illustrate the effects of the "depooling" during September 2004. The maps illustrate, by county, the effects of depooling on the milkshed.

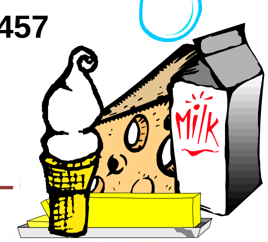
A gradual increase in the number of farms pooled on the Central order took place from January 2000 when 7,479 farms marketed milk on the order to a peak of 11,683 farms during June 2001. The number of farms pooled has since declined to 5,910 farms in September 2004. However, the expected marketings from such a large number of farms may be

-- Narrative continued on the back page --

Distribution Of Farms By Size Of Milk Marketings* - September 2004
Based On Eligible Central Federal Order Marketings (Pooled & Not Pooled)

Range Of Marketings	Farms	% Of Farms	Pounds Of Milk	% Of Lbs.	Avg. Lbs. Per Farm
< 100,000 Lbs.	3,488	59.02	187,058,887	15.79	53,629
100,000 to 250,000 Lbs.	1,689	28.58	254,363,157	21.47	150,600
250,000 to 500,000 Lbs.	354	5.99	120,638,418	10.18	340,786
500,000 to 750,000 Lbs.	120	2.03	72,380,245	6.11	603,169
750,000 to 1 Million Lbs.	77	1.30	65,808,388	5.56	854,654
1 to 1.250 Million Lbs.	33	0.56	36,888,547	3.11	1,117,835
1.250 to 1.500 Million Lbs.	30	0.51	40,988,309	3.46	1,366,277
> 1.500 Million Lbs.	119	2.01	406,572,418	34.32	3,416,575
Federal Order Total	**5,910**	**100.00**	**1,184,698,369**	**100.00**	**200,457**

* There is no requirement that the total monthly production of a farm be pooled on the order. The data contained in this bulletin represent the pounds of milk marketed on the Central federal milk order plus the amount of milk which likely was qualified to be pooled, but may have been not pooled due to the October negative PPD.



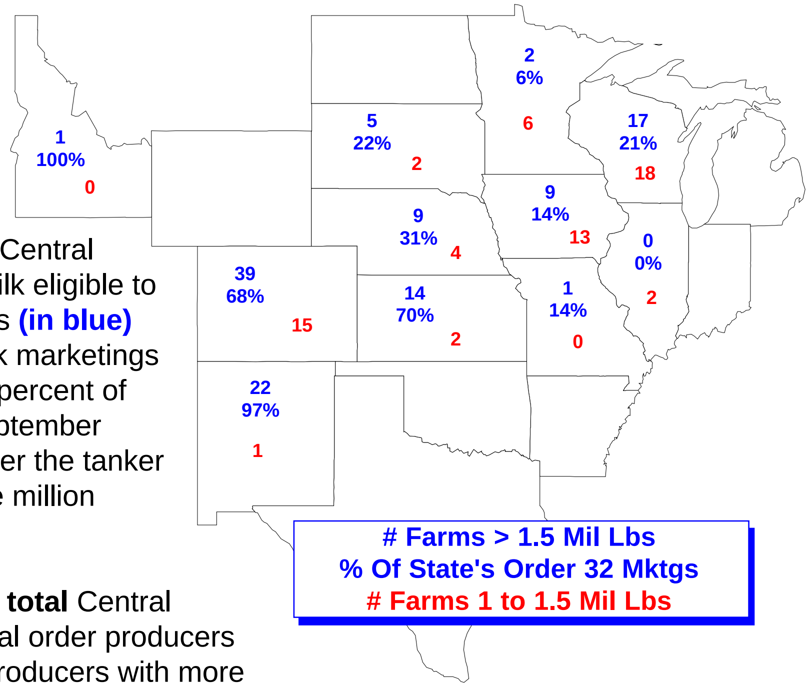
Issued by Donald R. Nicholson, Market Administrator, for the Information of Producers Who Are Not Members of a Cooperative Association.

Number Of Farms Marketing More Than 1.5 Million Pounds

(About A Tanker Load Per Day For Each Farm) AND

Their Portion Of Each State's Central Order Marketings -- September 2004

There were 119 producers who each marketed more than 1.5 million pounds of milk eligible to be pooled on the Central federal order during September 2004. This volume of milk approximates a tanker load per day. Some have referred to this type of producer as a milk plant on wheels. With a tanker load of milk each day, this milk is very mobile and can be readily directed to different locations as needed. These 119 producers accounted for only 2.01% of the total producers on the Central market. However, they accounted for 34.32% of the milk eligible to be pooled on the market. The map at the right provides **(in blue)** the number of producers with eligible Central order milk marketings greater than 1.5 million pounds in each state and their percent of that state's Central order eligible marketings during September 2004. The number **(in red)** of producers which fell under the tanker load per day but had eligible marketings more than one million pounds during September are also provided.



The table below provides additional data by state. The **total** Central order eligible marketings and the total number of Central order producers are listed on the left side of the table. Information on producers with more than **1.5 million** eligible pounds is listed for each state on the right side.

Sep '04 State	Pounds Of Milk Eligible Central Order	Total Farms Pooled	Farms Marketing More Than 1.5 Million Pounds: Number Of Farms	Sep '04 Pounds	% Of State Pounds
AR	227,737	5			
CO	173,960,547	156	39	117,948,325	67.80
ID	2,417,860	1	1	2,417,860	100.00
IL	76,522,938	657			
IN	3,880,120	9			
IA	219,847,214	1,553	9	30,526,138	13.89
KS	123,960,958	339	14	86,728,384	69.96
MI	454,227	4			
MN	77,169,848	504	2	4,563,633	5.91
MO	43,318,516	379	1	6,147,432	14.19
NE	79,697,220	398	9	24,320,532	30.52
NM	78,437,167	24	22	76,298,538	97.27
ND	2,983,499	40			
OK	22,161,482	174			
SD	61,064,965	392	5	13,245,539	21.69
TX	1,117,490	2			
WI	216,289,065	1,269	17	44,376,045	20.52
WY	1,187,516	4			
Total	**1,184,698,369**	**5,910**	**119**	**406,572,418**	**34.32**

These maps illustrate the location and density of milk marketings as eligible to be pooled (pooled + not pooled) and as pooled for September 2004.

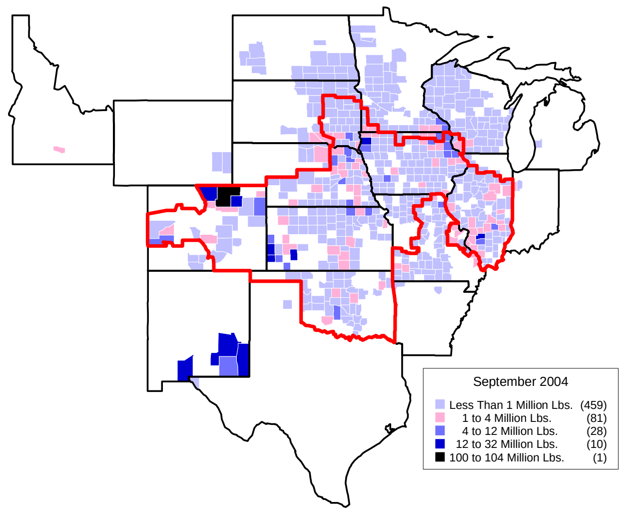
The top map illustrates the "milkshed" or location of dairy producers which were pooled on the order in September.

Total Pooled Marketings = 759,355,181
In Area = 585,769,657
Out of Area = 173,585,524

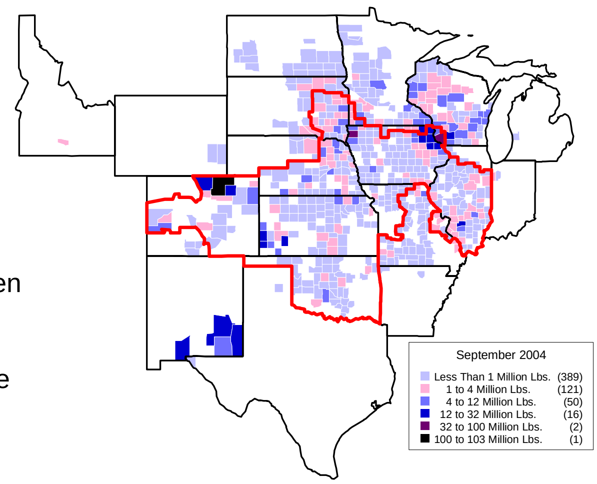
The bottom map illustrates the total volume of milk from these producers which most likely would have been "pooled" had federal order classified prices for manufactured products maintained "normal" differences between fluid and cream products.

Total “Eligible” Marketings = 1,184,698,369
In Area = 777,423,838
Out of Area = 407,274,531

Central Federal Order Milk Marketings Pooled September 2004



Central Federal Order Milk "Eligible" Marketings September 2004



Maps Depict Actual Pounds Pooled (top) & Pounds "Eligible" To Be Pooled (bottom) In Order To Illustrate Effects of Depooling on the Central Milkshed

The graphics below further depict changes in the relationships between states. The tables below provide a breakdown on the volume of "depooled" or milk not pooled on the Central order as a result of the negative PPD during September 2004.

Percent Of Eligible Milk Not Pooled On The Central Order By State September 2004

State	Percent
AR	--
CO	2.72
ID	--
IL	0.52
IN	--
IA	43.38
KS	5.43
MI	--
MN	70.16
MO	2.97
NE	25.78
NM	--
ND	93.22
OK	--
SD	65.53
TX	--
WI	92.16
WY	--

Eligible Milk Not Pooled On The Central Order By Farm Size - September 2004

Size Categories Based On A Producer's Total Eligible Milk (Pooled & Not Pooled)

Range Of Marketings	Pounds Of Milk Not Pooled	% Of Elg Milk Not Pooled	Avg Lbs. Per Farm Not Pooled
< 100,000 Lbs.	91,681,481	49.01	26,285
100,000 to 250,000 Lbs.	110,748,137	43.54	65,570
250,000 to 500,000 Lbs.	53,576,072	44.41	151,345
500,000 to 750,000 Lbs.	29,313,644	40.50	244,280
750,000 to 1 Million Lbs.	26,939,870	40.94	349,868
1 to 1.250 Million Lbs.	18,763,486	50.87	568,590
1.250 to 1.500 Million Lbs.	16,277,108	39.71	542,570
> 1.500 Million Lbs.	78,043,390	19.20	655,827
Federal Order Total	**425,343,188**	**35.90**	**71,970**

	Statistical Uniform Price		Producer Price Differential		Class I Utilization	
	11/2004	10/2004	11/2004	10/2004	11/2004	10/2004
Pacific Northwest	14.75	14.40	-0.14	0.24	41.68	29.95
Arizona-Las Vegas	15.20	15.01	-----	-----	36.95	35.04
Central	**15.10**	**14.70**	**0.21**	**0.54**	**50.40**	**30.69**
Southwest	15.88	15.68	0.99	1.52	47.40	45.32
Upper Midwest	15.02	14.47	0.13	0.31	40.57	18.93
Southeast	16.83	16.78	-----	-----	71.59	68.95
Mideast	15.21	14.89	0.32	0.73	38.08	35.83
Appalachian	16.78	16.69	-----	-----	72.53	67.69
Northeast	16.20	16.07	1.31	1.91	51.96	50.81
Florida	17.99	18.19	-----	-----	89.06	87.51

Cont'd From Page One

deceptive. The two tables on page two illustrate how a few farms with relatively large milk marketings make up a disproportionate share of total marketings. Data from the table in **red** on page one, indicate that 64 of the largest farms accounted for 25% of the Central order marketings. Each of these farms marketed more than 2.687 million pounds during the month. Including the next 260 farms (with marketings between 592,700 & 2.687 million lbs.) accounted for 50% of the milk on the Central market. Thus, only 5.5% of the farms marketed 50% of the milk during September 2004. The table on page one provides a distribution of farms by size of milk marketings for the Central order. Notably, there were 3,488 farms (down from 5,727 farms in October 2002) which marketed less than 100,000 pounds on the order. These farms accounted for 59% of the farms but only 16% of the milk marketed.

USDA United States Department of Agriculture

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