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Southeast Milk Supply Challenge

Year	Milk Production	Milk Needed Fluid Sales	Short
(billion lbs.)			
2000	12.00	13.50	1.50
2005	10.25	13.50	3.25
2010	9.00	13.50	4.50

Blend Price Not Move Milk

	Cleveland	Chicago	Dallas
blend price (2010)	\$15.79	\$14.80	\$16.45
transportation to Atlanta	\$3.24	\$3.26	\$3.54
total cost	\$19.03	\$18.06	\$19.99
Atlanta blend	\$18.01	\$18.01	\$18.01
difference	(\$1.02)	(\$0.05)	(\$1.98)
transportation to Tampa	\$4.96	\$5.33	\$5.25
total cost	\$20.75	\$20.13	\$21.70
Tampa blend	\$20.10	\$20.10	\$20.10
difference	(\$0.65)	(\$0.03)	(\$1.60)

Note: The above example assumes milk can be procured at blend price

Class I Differentials vs. Reserve Milk Supply

	Hereford, Texas	Rensselaer, Indiana
Class I differential	\$2.40	\$1.80
miles to Atlanta	1150	640
Atlanta Class I differential	\$3.80	\$3.80

Dollars to Move Milk

1. Over-order premiums (Class I) including fuel surcharge
2. Transportation credits (Appalachian and Southeast orders)
3. Participating in the Federal Order pool
4. Stand-by fees
5. Producer assessment during winter and spring months

Fuel Surcharge Transportation Credits

<u>Fuel Surcharge</u>	<u>Transportation Credit</u>
\$1.20-1.45 = \$0.08/cwt.	Fuel adjustment above \$1.42/gallon
\$0.08/cwt. increase every \$.25/gallon fuel Increase	In 2010 Southeast Order only paid 69% of amount requested
May 2011 = \$0.88/cwt.	