



The Market Administrator's BULLETIN

NORTHEAST MARKETING AREA

Erik F. Rasmussen, Market Administrator

March 2000

Federal Order No. 1

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March Pool Price Calculation

The March statistical uniform price for the Northeast Marketing Order was announced at \$12.39 per hundredweight at Suffolk County, Massachusetts (Boston), the pricing point for the Northeast Order. This was an increase of 18 cents per hundredweight from February. The March producer price differential (PPD) at Suffolk County was \$2.85 per hundredweight, also an increase of 18 cents from February. The PPD is \$2.75 for shipment to plants in the New York City differential zone and \$2.65 for plants in the Philadelphia differential zone.

New Order Provisions Help Prices

March is the third consecutive month in which the new order pricing provisions have had a beneficial impact on producer prices. The new method for calculating Class I milk prices uses the *higher of* the Class III or Class IV price as the base price from which the Class I price is determined. As the value for protein has declined (as reflected in *decreases* in the monthly average National Agricultural Statistics Service (NASS) cheese survey prices), so has the Class III price. Conversely, the value for butterfat has increased during this period (as reflected in *increases* in NASS butter survey prices), and that has increased the Class IV price. Under the former order provisions the Class III price was the exclusive mover of Class I prices. In March, the Class III was \$1.46 per hundredweight less than the Class IV price. While producers do not receive class prices for payment purposes, the greater the pool value generated by Classes I, II, and IV, the larger the amount of money that will be returned to producers through a higher PPD. With cheese prices remaining low and butter prices rising, it is expected that the Class IV (butter/powder) based price will continue to be higher than the Class III (cheese) based price for the next few months.❖

Hearing on Class III & IV Price Formulas

USDA has announced that the hearing on proposed amendments to Class III and IV price formulas, for all federal milk marketing orders, will begin *May 8* in Alexandria, Virginia. The hearing is required under legislation enacted by Congress last fall in the Consolidated Appropriations Act, 2000. Under the legislation, USDA is required to reconsider the Class III and Class IV price formulas adopted under Federal Order Reform, and now in place in all federal orders.

In February USDA invited interested parties to submit proposals for (continued on Page 3)

Pool Summary

- A total of 17,485 producers were pooled under the order with an average daily delivery per producer of 4,026 pounds.
- Producer milk receipts totaled 2.182 billion pounds.
- Usage as Class I milk for bottling accounted for the largest class volume at 42.0 percent of total receipts, an increase of 0.7 percentage points from February.
- The average butterfat test of producer receipts was 3.76 percent.
- The average true protein test of producer receipts was 3.00 percent.
- The average other solids test of producer receipts was 5.71 percent.❖

Class Utilization

Producer Milk	Percent	Pounds
Class I	42.0	915,877,349
Class II	17.6	385,143,091
Class III	27.9	609,622,807
Class IV	12.5	271,735,770
Total Producer Milk		2,182,379,017

Producer Component Prices

Protein Price	\$1.9166 /lb
Butterfat Price	\$1.0191 /lb
Other Solids Price	\$0.0424 /lb

Class Price Factors

	\$/cwt
Class I	14.09
Class II	11.71
Class III	9.54
Class IV	11.00

Market Services Milk Test Verification

The market services program of verifying component tests is well underway in the Northeast Order. Producers who are *not* members of a cooperative and cooperative members whose cooperative has been determined to be not providing adequate testing, are covered under the verification program. The objective of verifying tests is to guard against incorrect payments to producers for milk components, as well as preventing incorrect pool credits to fluid handlers. The verification program is only one aspect of market services under the Federal Order.

Verification Procedure

Producer milk samples are collected and independently sampled every 3 months, and the results are compared to handlers' reported tests. Three or four samples will be collected during the verification month with the sample

average used for comparison. Producers receive a report of their component test results (see example below) along with somatic cell count levels. The somatic cell information is extra information in that there is not a price adjustment under the Northeast Order provisions for somatic cell count levels. While it is normal to have some difference between the handler and Market Administrator samples, evaluation of testing accuracy is based on a statistical analysis of the test results. Any variance between test results must fall within specified tolerance levels. If a significant variance is found, the handler could be required to use the Market Administrator component test results for producer payment for all producers in the group whose tests have been verified. For the months of January, *(continued on Page 3)*

MARKETING SERVICE PROGRAM FRESH MILK SAMPLE TEST RESULTS

January 2000

Handler and producer identification numbers.

000 00000000-1 000-1

To:
Topnotch Dairy
Dairy Lane
Anywhere, USA 00000

From:
Federal Milk Market Administrator
P.O. Box 1478 (Ft. Point Station)
Boston, MA 02205-1478

SAMPLE DATES AND TESTS

Sample Period/ Sample Date	Butterfat %	Protein %	Other Solids %	Somatic Cell
1-10				
1/7/99	3.8300	3.0100	5.4400	207,000
Period Avg	3.8300	3.0100	5.4400	207,000
11-20				
1/19/99	3.8800	2.9900	5.5000	227,000
Period Avg	3.8800	2.9900	5.5000	227,000
21-EOM				
1/27/99	3.8200	3.0300	5.5200	244,000
Period Avg	3.8200	3.0300	5.5200	244,000
Monthly Avg	3.8433	3.0100	5.4867	226,000

Footnotes: *Because of normal day-to-day variation, some difference with your handler's tests from different days is expected. Overall evaluation of testing accuracy is based on statistical analysis of the entire producer group tested.*

Footnotes are used to explain exceptions and problems that may affect test results, such as: missing samples, tank problems noted at the time of sampling (ice, churning, excessive foaming, poor agitation), or irregular milk pickups.

MARKET SITUATION

Federal Order Pool Summary—March 2000

The following table summarizes March pool information for the 11 consolidated federal orders. Four of the orders do not pay producers on a component basis and, therefore, do not calculate a producer price differential (PPD). For each of the first 3 months of the new orders the Northeast Order PPD, at the Suffolk County pricing point, was the highest value of all federal orders. ❖

Federal Order		Total	Class I		Producer	Statistical	
Number	Name	Producer Milk	Producer Milk	Utilization	Price#	Uniform Price# *	
		pounds		percent	dollars per hundredweight		
1	Northeast	2,182,379,017	915,877,349	42.0	14.09	2.85	12.39
5	Appalachain	593,201,208	379,954,274	64.1	13.94	N/A	13.15
6	Florida	270,661,047	236,388,135	87.3	14.84	N/A	14.47
7	Southeast	681,378,764	425,455,306	62.4	13.94	N/A	12.83
30	Upper Midwest	2,260,589,375	367,942,717	16.3	12.64	0.64	10.18
32	Central	1,318,780,261	419,091,135	31.8	12.84	1.37	10.91
33	Mideast	1,165,677,993	586,081,597	50.3	12.84	2.14	11.68
124	Pacific Northwest	594,152,814	183,764,078	30.9	12.74	1.63	11.17
126	Southwest	820,957,744	345,574,497	42.1	13.84	2.36	11.90
131	Arizona—Las Vegas	286,582,318	86,292,630	30.1	13.19	N/A	11.28
135	Western	367,224,598	92,266,755	25.1	12.74	1.48	11.02
All Market Total/Average		10,541,585,139	4,038,688,473	38.3	13.42	1.78	11.91

Price at designated order location.

*Price at 3.5% butterfat.

N/A = Not applicable.

Class III & IV (continued from page 1)

modifying the current formulas. A total of 32 proposals (and any appropriate modifications thereof) will be heard. The May 8 hearing will gather testimony and industry comments on these proposals that address changes to the factors included in the pricing formulas, such as the yield factors and the make allowances included in the computation of component prices. Parties interested in commenting on the proposals are invited to present evidence or testimony at the hearing concerning the economic impact of any of the proposals on producers, handlers, or the national economy.

A number of other proposals were rejected and will not be considered at the hearing in that they lack authority, were beyond the scope of the hearing, or were otherwise deemed inappropriate. All proposals that were received are available for public inspection at USDA/AMS/Dairy Programs, Room 2968, South Building, 14th and Independence Ave., S.W., Washington, DC 20250. To receive a copy of the hearing notice, which includes summaries of the proposals and some preliminary analysis, or for information on the proposals contact any Market Administrator's office or the Dairy Programs Order Formulation Branch, Room 2968-S, P.O. Box 96456, Washington, D.C. 20090 (202) 720-4392. The hearing

notice is also available on the Northeast Marketing Area web site, at www.fmmone.com. ❖

Market Services (continued from page 2)

February, and March, 2000 such large-scale adjustments have not been required. In a few instances of obvious error, individual producers' tests have been adjusted. In order to reduce the chances for variances, the Market Administrator works with handlers, haulers, and laboratories to assure that proper testing procedures are being followed, and that testing equipment is accurate.

Testing Schedule

At this time not all eligible producers have had check testing performed on their milk. With over 4,500 non-member producers and revised regulations, the transition to the new program has been complex. By this time, you may have had bar-code sample labels placed in your milkhouse, or have been mailed a package of labels and asked to leave them in your milkhouse. These items are crucial to maintaining producer confidentiality throughout the testing process. Collection and analysis of milk will follow in the next couple of months.

If you have questions about this program please contact the Boston office at (617) 542-8966. ❖



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Computation of Producer Price Differential and Statistical Uniform Price

	<u>Product Pounds</u>	<u>Price per cwt/lb</u>	<u>Component Value</u>	<u>Total Value</u>
Class I— Skim	897,058,005	\$10.96	98,317,557.43	
Butterfat	18,819,344	1.0038	18,890,857.53	
Less: Location Adjustment to Handlers			(2,826,382.40)	\$114,382,032.56
Class II— Butterfat	26,894,984	1.0261	27,596,943.14	
Nonfat Solids	32,447,798	0.9344	30,319,222.47	57,916,165.61
Class III— Butterfat	24,910,288	1.0191	25,386,074.48	
Protein	18,204,306	1.9166	34,890,372.92	
Other Solids	34,668,333	0.0424	1,469,937.35	61,746,384.75
Class IV— Butterfat	11,591,156	1.0191	11,812,547.10	
Nonfat Solids	23,595,053	0.8553	20,180,848.84	<u>31,993,395.94</u>
Total Classified Value				\$266,037,978.86
Add: Overage—All Classes				26,984.83
Inventory Reclassification—All Classes				(126,268.81)
Other Source Receipts	1,679,182			80,092.84
Less: Producer Component Valuations				<u>(214,589,847.94)</u>
Subtotal				\$51,428,939.78
Add: Location Adjustment to Producers				10,596,385.02
One-half Unobligated Balance—Producer Settlement Fund				<u>1,195,420.34</u>
Total Pool Milk & Aggregate Value	2,184,058,199			63,220,745.14
Less: Producer Settlement Fund—Reserve				<u>(975,086.47)</u>
Producer Price Differential		\$2.85		62,245,658.67
Statistical Uniform Price		\$12.39		

* Price at 3.5 percent butterfat, 2.99 percent protein, and 5.69 percent other solids.