

The Market Administrator's **BULLETIN**

NORTHEAST MARKETING AREA

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Federal Order No. 1

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October Pool Price Calculation

The October statistical uniform price for the Northeast Area was announced at \$13.30 per hundredweight for milk delivered to plants located in Suffolk County, Massachusetts (Boston), the pricing point for the Northeast Order. The statistical uniform price is calculated at 3.5 percent butterfat, 2.99 percent protein, and 5.69 percent other solids. Prices received by individual dairy farmers will vary as the component composition of a farm's milk differs from the standard component tests. The price also will vary depending on the location of the plant to which the milk is delivered. The October producer price differential (PPD) at Suffolk County was \$3.32 per hundredweight.

The October statistical uniform price was 33 cents per hundredweight below the September price. Conversely, the October PPD increased 43 cents from the previous month. The PPD is the difference between the statistical uniform price and the Class III price. As predicted in last month's *Bulletin*, the Class III price declined as a result of a drop in wholesale market cheese prices. This 74-cent drop in the Class III price was partially offset by declines in both Class II and Class IV prices and changes in class utilizations.

For November, the statistical uniform price should be close to October's. The PPD will probably be much higher as the Class III price declines with lower cheese prices, and the Class II and IV prices increase due to the sudden rise in wholesale butter prices (see related article on page 3).❖

Change in Shipping Percentage

On October 30, pool handlers were notified that the shipping percentage in Section 1001.7 (c) would be increased from 20 to 25 percent for the month of November. This change resulted from an investigation by the Market Administrator's Office followed by a notice and comment period, as required in Section 1001.7 (g).

The investigation was initiated at the written request of pool handlers. As was reported in the September *Bulletin*, the milk supply was tightening during October due to a combination of seasonally lower production and increased demand.

It was determined that a shipping increase of 5 percent would bring forth the additional supply needed, but not be so high as to cause uneconomical movements of milk. ❖

Pool Summary

- A total of 16,895 producers were pooled under the order with an average daily delivery per producer of 3,618 pounds.
- Producer milk receipts totaled 1.895 billion pounds, a decrease of less than 0.1 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 48.5 percent of total milk receipts, a decrease of 0.8 percentage points from September.
- The average butterfat test of producer receipts was 3.73 percent.
- The average true protein test of producer receipts was 3.05 percent.
- The average other solids test of producer receipts was 5.67 percent.

Class Utilization

<u>Producer Milk</u>	<u>Percent</u>	<u>Pounds</u>
Class I	48.5	919,292,257
Class II	19.7	374,030,233
Class III	27.3	517,381,149
Class IV	4.5	84,179,819
Total Producer Milk		1,894,883,458

Producer Component Prices

Protein Price	\$1.8028 /lb
Butterfat Price	\$1.2444 /lb
Other Solids Price	\$0.0471 /lb

Class Price Factors

	<u>\$/cwt</u>
Class I	15.14
Class II	12.54
Class III	10.02
Class IV	11.81

Ag Bill = Dairy Assistance

President Clinton signed the Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act, 2001, on October 28. The bill provides for \$3.5 billion in disaster assistance for America's farmers and ranchers including \$1.3 billion for crop loss assistance, \$667 million for Dairy Market Loss Assistance (DMLA) payments, and \$450 million for livestock assistance.

Section 805 of the bill authorized the Commodity Credit Corporation (CCC) to make supplemental payments to dairy producers who received payments under the previous income assistance program (DMLA-II—when producers received funds in the spring of 2000) and to new dairy producers. The payments are to offset 35 percent of the reduction in 2000 milk prices from the past 5-year average. USDA expects to make at least \$650 million in DMLA-III payments to dairy producers. Payment calculations for all participants will be limited to the first 39,000 hundredweight (cwt) of production to better target small to medium-sized producers.

To expedite delivery of benefits and eliminate the need for a signup for most of the participants, payments will be made at the payment rate of \$0.6468 per cwt to all dairy operations that were paid under DMLA-II. Payments were based on the highest of 1997 or 1998 production, not to exceed 39,000 cwt. For new producers under DMLA-II, the production base period will be 1999 production (not to exceed 39,000 cwt).

All producers whose base production was less than 12 months for DMLA-II have the option to change their production base to their milk production during October 1, 1999 to September 30, 2000. This will also be the production base period for new producers under DMLA-III. New producers and producers electing to change their production base will receive payments (at the same rate) after regulations concerning new operations and operations with less than 12 months' production are published in the Federal Register. A 4-week signup will be held for new dairy operations and for dairy operations that were paid under DMLA-II for production representing less than 12 months.

The maximum payment that any dairy operation can receive will be \$25,225. Average payments per operation are expected to be about \$8,300 for about 80,000 dairy operations in the United States.

For more information, contact your local Farm Service Agency (FSA) office. ❖



USDA Proposes Changes to Standards for Nonfat Dry Milk and Dry Buttermilk

The USDA recently solicited comments on proposals to revise the U.S. Standards for Grades of Nonfat Dry Milk (Spray Process), the U.S. Standards for Instant Nonfat Dry Milk, and the U.S. Standards for Grades of Dry Buttermilk and Dry Buttermilk Product. Recently, USDA proposed changes to the voluntary U.S. Standards for Grades of Dry Whole Milk (see the September *Bulletin*).

The proposed changes would reduce the Standard Plate

Dairy Outlook Conference Held

The 2000 Northeast Regional Dairy Outlook Conference was held November 9 at the Albany office. The annual conference brings together economists and statisticians from the Northeast's market administrator offices, state and federal agricultural statistical services, university extension offices, and cooperatives to review regional production and price statistics for the past year and develop projections for the upcoming year. The Northeast region includes Maine, New England (Connecticut, Massachusetts, New Hampshire, Rhode Island, and Vermont), New York, New Jersey, Pennsylvania, Maryland, and Delaware.

Crop Situation

Nearly all participants reported experiencing extremely wet weather during the spring and summer of 2000. For most of the northeastern states, this resulted in delayed planting and late developing crops due to the lack of sun and over abundance of rain. In many areas, corn is still being harvested and, while total yields may be down only slightly, quality has suffered due to the poor growing conditions. Nationally, the feed situation is more favorable with only localized areas experiencing forage problems. Overall, feed prices should remain relatively stable into 2000 although quality forages may be at a premium in the Northeast.

Production and Price Estimates

Even though milk prices during 2000 have been the lowest in 3 years, national milk production has continued to increase. A favorable feed situation based on quantity, quality, and price has resulted in strong gains in milk production per cow. The number of milk cows has risen nationally every month since October 1999, but due to the high prices of milk replacements in the past year, total cow numbers are expected to decline in 2001. The increase in milk per cow is expected to outweigh the decrease in cow numbers resulting in a slight gain (less than 1 percent) in total U.S. milk production in 2001.

In the Northeast, milk production is projected to increase at about the same rate as nationally during 2001. Cow numbers are expected to decline about 0.8 percent; milk production per cow is projected to increase 1.4 percent.

For 2001, milk prices are expected to be similar to 2000, again with less volatility than has been seen in the past few years. Prices may recover slightly near the end of 2001 as milk production eases. For the Northeast Order, conference participants predicted about a 30-cent increase in the annual average statistical uniform price for 2001. ❖

Count (bacterial estimates) for U.S. Extra Grade nonfat dry milk (spray process) and instant nonfat dry milk to a maximum of 10,000 per gram, for U.S. Extra Grade dry buttermilk and dry buttermilk product to a maximum of 20,000 per gram, and for U.S. Standard Grade dry buttermilk and dry buttermilk product to a maximum of 75,000 per gram.

The proposed changes were published in the September 8 Federal Register. ❖

MARKET SITUATION

Butter Price Rises

Prices for Grade AA Butter on the Chicago Mercantile Exchange (CME) increased \$0.5125 to close the day at \$1.73 per pound on November 8, an increase of 42 percent. The butter price closed at \$1.795 on November 10 and, as of November 17, has held at this level. For the period of January through November 3, the weekly butter price averaged \$1.15 per pound. This included prices below \$1.00 per pound during each of the first 11 weeks of the year. The average weekly butter price increased 32 percent from the week ending November 3 to the week ending November 10 reaching \$1.5809, a level not achieved in about 2 years (see Figure 1).

USDA's *Dairy Market News* is reporting that current butter demand has outpaced production, and manufacturers trying to meet demand are having limited success finding available cream, as cream is being used to make other cream-based holiday products. This seasonally strong demand for butter and competition for cream as an input are putting upward pressure on the butter price.

Higher Class IV milk prices may be seen as the CME butter price increase is reflected in the National Agricultural Statistics Service's (NASS) butter price. The NASS butter survey prices are used in the calculation of the Class IV prices and in the valuation of the butterfat component. ❖

Cheese Prices Fall

Prices for 40-pound block Cheddar on the CME dropped to a low of \$0.98 per pound November 3 and remained there until November 8. The price has risen to \$1.12 per pound as of November 17. The average weekly price for the week ending November 10 was \$1.0080 per pound (see Figure 2), the lowest average weekly price for 40-pound block Cheddar since July 1978's \$1.00 (see Figure 3). January 1978 was the last time the daily 40-pound block Cheddar price was below \$0.98 per pound.

From November 3 through November 8, 2000, the CME 500-pound barrel cheese price was \$1.00; it was \$1.06 as of November 17. ❖

Figure 1

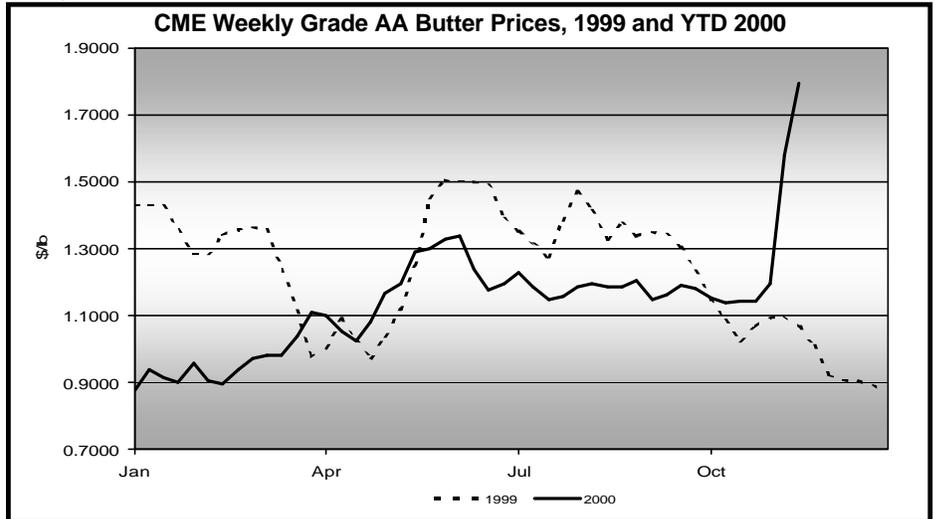


Figure 2

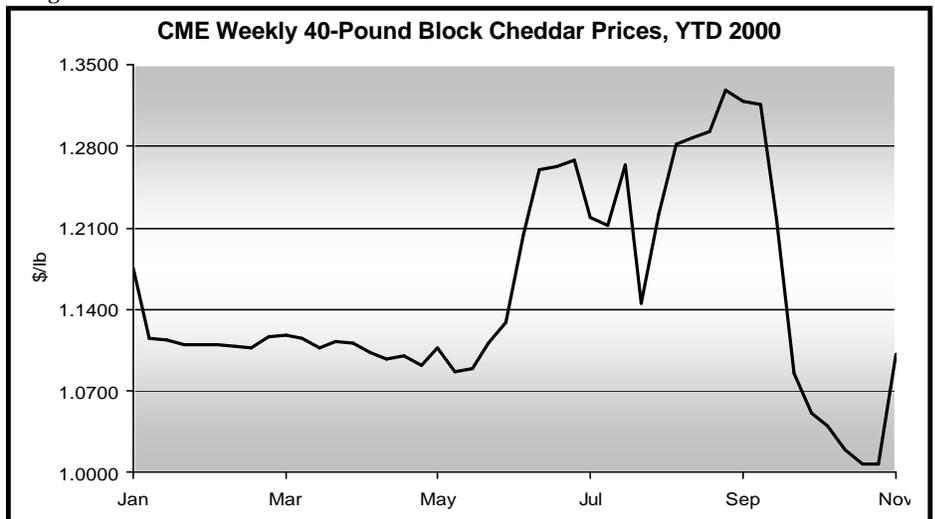
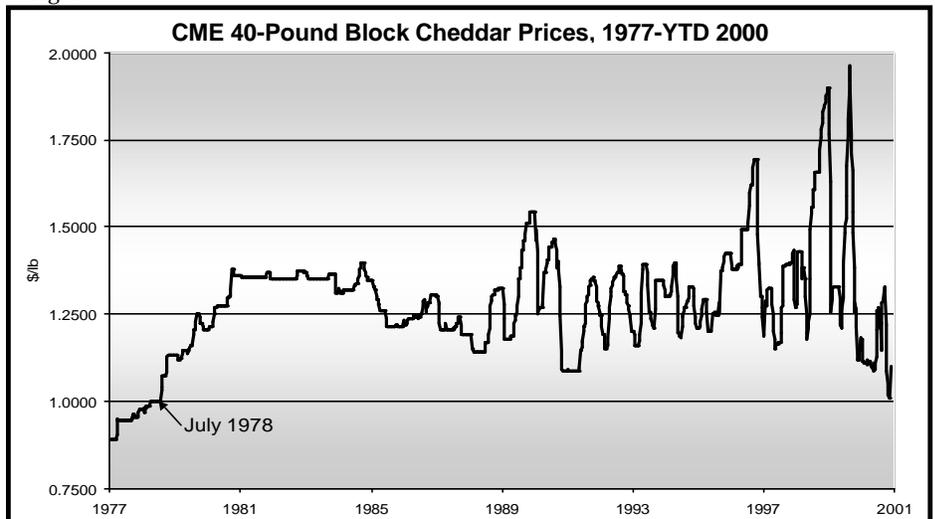


Figure 3





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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	900,057,975	\$11.01	99,096,383.10	
Butterfat	19,234,282	1.2891	24,794,912.96	
Less: Location Adjustment to Handlers			(2,752,694.59)	\$121,138,601.47
Class II— Butterfat	27,352,629	1.2514	34,229,079.96	
Nonfat Solids	31,474,088	0.9400	29,585,642.72	63,814,722.68
Class III— Butterfat	18,620,536	1.2444	23,171,395.02	
Protein	15,811,730	1.8028	28,505,386.93	
Other Solids	29,403,148	0.0471	1,384,888.28	53,061,670.23
Class IV— Butterfat	5,431,369	1.2444	6,758,795.60	
Nonfat Solids	7,152,916	0.8585	6,140,778.41	12,899,574.01
Total Classified Value				\$250,914,568.39
Add: Overage—All Classes				92,450.19
Inventory Reclassification—All Classes				(49,851.95)
Other Source Receipts	73,727			5,014.77
Less: Producer Component Valuations				(197,319,287.26)
Subtotal				\$53,642,894.14
Add: Location Adjustment to Producers				8,690,466.88
One-half Unobligated Balance—Producer Settlement Fund				1,005,139.31
Total Pool Milk & Aggregate Value	1,894,957,185			63,338,500.33
Less: Producer Settlement Fund—Reserve				(804,913.22)
Producer Price Differential @ Suffolk County, MA (Boston)		\$3.30		62,533,587.11
Statistical Uniform Price @ Suffolk County, MA (Boston)		\$13.32		

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