

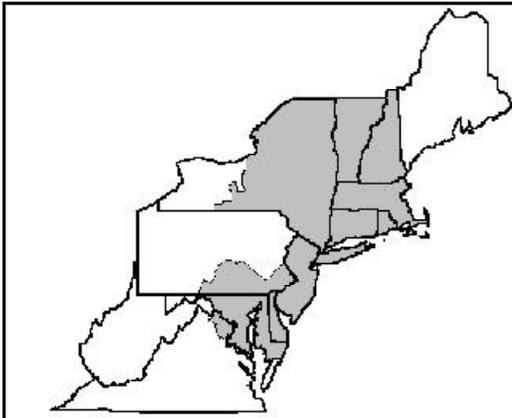
# The Market Administrator's BULLETIN

## NORTHEAST MARKETING AREA

*Erik F. Rasmussen*, Market Administrator

**November 2000**

Federal Order No. 1



To contact the Northeast Marketing Area offices:

*Boston, MA:* phone (617) 542-8966, e-mail address: MABoston@fedmilk1.com; *Albany, NY:* phone (518) 452-4410, e-mail address: MAAlbany@fedmilk1.com; *Alexandria, VA:* phone (703) 549-7000, e-mail address: MAAlexandria@fedmilk1.com; website address: www.fmmone.com

### November Pool Price Calculation

The November statistical uniform price for the Northeast Marketing Area was announced at \$13.36 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 November producer price differential (PPD) at Suffolk County was \$4.79 per hundredweight.

The statistical uniform price was 4 cents per hundredweight above the October price, and for the first time since June, the PPD also increased from the previous month. The November PPD increased \$1.49 from October largely due to the drop in the Class III price, as the PPD is the difference between the statistical uniform price and the Class III price. The Class III price is primarily based on the cheese market. In November, the monthly average cheese price reported by the National Agricultural Statistics Service (NASS) survey was \$1.0245 per pound, compared with \$1.1602 in October. This decline was in contrast to an increase in butter prices. The Class IV price is based off of butter and nonfat dry milk prices. In November, the Grade AA butter prices reported by NASS equaled \$1.4051 per pound, up from \$1.1344 per pound in October. This increase also affected both Class II and Class IV prices, resulting in a slightly higher blend price.

### Class III/IV Price Formulas to Change

On December 1, 2000, the United States Department of Agriculture announced a tentative final decision to amend the current Class III and Class IV pricing formulas under federal milk orders. This decision is based on testimony and data presented at a public hearing held to consider proposals submitted by the industry to change the formulas. The hearing was held May 8-12, 2000, in Alexandria, Virginia.

As with any changes to federal milk orders, implementation may only occur if the amended orders are approved by dairy farmers in a referendum. During the first week of December, each market administrator's office sent out notices of a referendum. Block-vote ballots were sent to cooperatives that elected to vote collectively, and individual ballots were sent to all other eligible producers. Completed  
(continued on Page 2)

### Pool Summary

- A total of 17,080 producers were pooled under the order with an average daily delivery per producer of 3,625 pounds.
- Producer milk receipts totaled 1.859 billion pounds, an increase of 1.4 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 49.2 percent of total milk receipts, an increase of 0.7 percentage points from October.
- The average butterfat test of producer receipts was 3.78 percent.
- The average true protein test of producer receipts was 3.07 percent.
- The average other solids test of producer receipts was 5.66 percent.

#### Class Utilization

<u>Pooled Milk</u>	<u>Percent</u>	<u>Pounds</u>
Class I	49.2	913,858,316
Class II	17.1	318,248,889
Class III	28.5	529,559,747
Class IV	5.2	97,160,154
Total Pooled Milk		1,858,827,106

#### Producer Component Prices

Protein Price	\$0.9149 /lb
Butterfat Price	\$1.5745 /lb
Other Solids Price	\$0.0565 /lb

#### Class Price Factors

	<u>\$/cwt</u>
Class I	15.07
Class II	13.68
Class III	8.57
Class IV	13.00

## Fluid Milk Sales Decline

For the first 9 months of 2000, total sales of fluid milk products in the combined federal milk marketing areas were down nearly a percent from the same period in 1999. The only marketing areas to show increases were Florida with 0.9 percent and Upper Midwest with 1.5 percent.

Surprisingly, sales of fat-free milk (skim) experienced a decline of 7.3 percent. The only other losing category was reduced fat milk (2%) that dropped 1.0 percent. Whole milk grew 1.3 percent; low fat milk (1%) jumped 3.0 percent; and buttermilk increased 0.6 percent. Overall, these increases were not enough to offset the declines in the other categories.

The Central order witnessed the largest decline during the January–September period (2.4 percent). The Appalachian Order was a close second—down 2.1 percent. The Northeast Order had the smallest decline with a 0.2 percent drop; it had the largest volume of sales—7.3 billion pounds. The Mideast Order had the second-highest sales with 4.9 billion pounds. Overall, sales in federal marketing areas totaled 38.4 billion pounds for the 9-month period.

Sales totaled 4.8 billion pounds in California, an increase of 0.3 percent from the same period last year.

## Formulas to Change *(continued from page 1)*

ballots were to be postmarked by December 14. Results of the referendum were not complete at the time of this publication.

The decision provides for separate butterfat prices for milk used in Class III (cheese) and Class IV (butter and dry milk products) based on the value of butterfat in cheese and butter. The manufacturing (make) allowance for cheese is proposed to be reduced from 17.02 cents per pound of cheese to 16.5 cents. For dry whey, also a factor in calculating the Class III value, the make allowance would be increased from 13.7 cents to 14 cents per pound of dry whey.

The make allowances used in calculating the Class IV value are proposed to increase from 11.4 to 11.5 cents per pound of butter and from 13.7 cents to 14 cents per pound of nonfat dry milk.

These changes are expected to have limited impact on returns to dairy farmers. Under the new formula, Class I, II, and IV prices in 2000 would have been about \$0.12 higher than were reported. Recalculating the Class III price under the new formula results in prices ranging from a decrease of \$0.05 to an increase of \$0.18 compared to the 2000 prices reported. The accompanying table shows the

## Regional Information Meetings

### New York

The New York State Department of Agriculture and Markets is holding informational meetings on proposed revisions to the Department's Dairy Farm and Milk Plant Sanitation Regulations.

The proposed rule will require farmers to reimburse purchasers for drug-contaminated milk and require producers to only sell raw milk in containers that provide information regarding the potential health impact of raw milk. Also included are requirements to ensure that milk haulers' tank trucks are properly cleaned and sanitized, and plant operators will not be allowed to sell any milk or milk products containing pathogenic Coliform. Meetings will be held:

January 3, 2001    *The Demonstration Kitchen*  
11 a.m.            *Art and Home Center*  
                         *State Fair Grounds*  
                         *Syracuse, NY*

January 4, 2001    *NYS Department of Ag. & Markets*  
11 a.m.            *1 Winners Circle*  
                         *Albany, NY*

Any questions regarding the above information should be directed to the Division of Milk Control at (518) 457-1772.

### New England

The New England Dairy Conferences sponsored by the Cooperative Extension in New England will be held in five locations throughout New England. This year's main theme will be herd health. The meetings will be held at the following locations during 2001:

March 5    *The Colony Inn – Vernon, CT*  
March 6    *The Elks Lodge – Waterville, ME*  
March 7    *The Cabot Motor Inn – Lancaster, NH*  
March 8    *The Fireside Inn & Suites – W. Lebanon, NH*  
March 9    *The Abbey – Sheldon, VT*

For more information, contact Extension Specialist, John Porter at (603) 225-5505 ext. 22.

reported class prices for November 2000 and the corresponding class prices using the new formulas in the tentative decision. The Class III price in November was affected the most by the change in formulas.

Interested persons have until February 5, 2001, to file comments in response to the tentative decision. A tentative final decision was issued because the congressional deadlines—December 1, 2000, for publication of a final decision and January 1, 2001, for effectuating order amendments—do not allow enough time to issue a recommended decision and receive and consider comments before issuance of a final decision.

**November 2000 Class Price Comparison**

	Class I	Class II	Class III	Class IV
Reported Price (Current Formula)	15.07	13.68	8.57	13.00
New Price Under Tentative Decision	15.19	13.80	8.75	13.11
Difference	0.12	0.12	0.18	0.11

# MARKET SITUATION

## Market Prices Unsteady

As reported in the October Monthly *Bulletin*, prices of Cheddar cheese and butter on the Chicago Mercantile Exchange (CME) have been unpredictable during the last 6 weeks.

On November 8, the price of Grade AA butter on the CME shot up over 51 cents to \$1.73 per pound. Two days later it hit \$1.7950 per pound. For the next few weeks, prices stayed relatively stable, reaching a high of \$1.8525 per pound. On December 6, the CME Grade AA price dropped to \$1.80 per pound. Just 2 days later it plummeted 30 cents and on December 11 another 20 cents, bringing it to \$1.30 per pound. As of December 15, the price was \$1.20 per pound. The accompanying chart shows these dramatic changes.

Normally, butter is in high demand at this time of year, and prices will increase correspondingly. The November 8 increase was the largest ever experienced since trading increased from weekly to three times per week. The decrease that followed also set a record as the largest drop over such a short period. This price situation implies that the tightness in the butter market was only temporary, even though Dairy Market News reports that butter stocks may be the lowest they have been

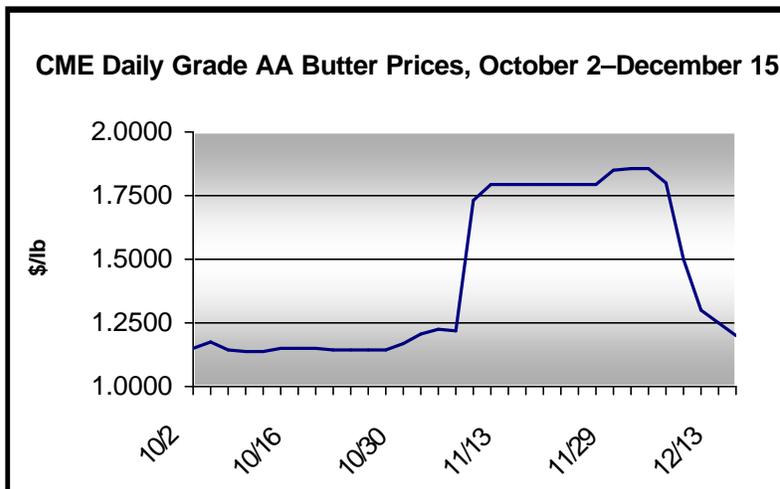
in a few years. Based on the inability for the market to hold at such a high level, it suggests that holiday demand has been or is being met.

Block Cheddar cheese prices on the CME reached \$1.12 per pound on November 17. During the next week, they dropped down to \$1.07 per pound, but rebounded to \$1.12 by November 30. They declined again the next week, hitting \$1.09 per pound on December 7. By December 15, they stood at \$1.1250 per pound.

With cheese prices remaining below the support price (\$1.1220 and \$1.0920 per pound for blocks and barrels, respectively), the Commodity Credit Corporation has been buying either block or barrel cheese, or both, each week since November 17. As of

December 15, purchases totaled 2.8 million pounds of block and 3.4 million pounds of barrel cheese. In addition, the CCC has purchased 2.4 million pounds of process cheese since the marketing year began October 1, 2000.

The increases in butter prices in mid-November were reflected in the November Class II and IV prices and the December Class I price. Likewise, the low cheese prices were reflected in the November Class III price.



Mailbox Prices for Selected Federal Milk Orders and California, January–June 2000								
Federal Milk Order Number	Name	Jan	Feb	Mar	Apr	May	Jun	6 mo Avg
		dollars per hundredweight						
1	Northeast	12.08	11.96	12.13	11.85	12.24	12.56	12.14
5	Appalachian	13.10	12.87	12.93	12.98	13.26	13.59	13.12
6	Florida	14.88	14.91	14.77	14.95	15.25	15.66	15.07
7	Southeast	12.55	12.34	12.27	12.25	12.52	12.80	12.46
30	Upper Midwest	11.42	11.04	11.04	11.12	11.10	11.35	11.18
32	Central	11.50	11.20	11.13	11.06	11.02	11.16	11.18
33	Mideast	12.14	12.03	11.93	12.03	12.24	12.25	12.10
124	Pacific Northwest	11.26	11.20	11.30	11.37	11.68	11.83	11.44
126	Southwest	12.06	11.77	11.66	11.49	11.73	11.59	11.72
135	Western	10.67	10.69	10.35	10.08	10.13	10.13	10.34
	All-Market Average	11.92	11.70	11.72	11.66	11.84	12.01	11.81
	California	10.88	10.72	10.80	11.03	11.20	11.62	11.04



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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	894,008,487	\$10.99	98,251,532.78	
Butterfat	19,849,829	1.2760	25,328,381.78	
Less: Location Adjustment to Handlers			(2,733,655.95)	\$120,846,258.61
Class II— Butterfat	24,510,850	1.5815	38,763,909.31	
Nonfat Solids	26,705,262	0.9378	25,044,194.71	63,808,104.02
Class III— Butterfat	20,511,175	1.5745	32,294,845.12	
Protein	16,236,136	0.9149	14,854,440.88	
Other Solids	29,973,029	0.0565	1,693,476.20	48,842,762.20
Class IV— Butterfat	5,328,566	1.5745	8,389,827.20	
Nonfat Solids	8,372,265	0.8617	7,214,380.76	15,604,207.96
<b>Total Classified Value</b>				<b>\$249,101,332.79</b>
Add: Overage—All Classes				256,919.02
Inventory Reclassification—All Classes				88,633.53
Other Source Receipts	215,916			17,263.80
Less: Producer Component Valuations				(168,727,617.65)
<b>Subtotal</b>				<b>\$80,736,531.49</b>
Add: Location Adjustment to Producers				8,614,594.76
One-half Unobligated Balance—Producer Settlement Fund				494,516.12
<b>Total Pool Milk &amp; Aggregate Value</b>	1,859,043,022			89,845,642.37
Less: Producer Settlement Fund—Reserve				(797,481.62)
<b>Producer Price Differential @ Suffolk County, MA (Boston)</b>		<b>\$4.79</b>		89,048,160.75
<b>Statistical Uniform Price @ Suffolk County, MA (Boston)</b>		<b>\$13.36</b>		

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