



The Market Administrator's BULLETIN

NORTHEAST MARKETING AREA

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Federal Order No. 1

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March Pool Price Calculation

The March 2001 statistical uniform price for the Northeast Marketing Area was announced at \$14.50 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. The March producer price differential (PPD) at Suffolk County was \$3.08 per hundredweight.

The March statistical uniform price was 88 cents above February's price and the highest blend price since the inception of the Northeast Order. March's PPD declined 27 cents from the previous month. All class values increased from the combination of higher protein (cheese market) and butterfat (butter market) prices. Class III witnessed the largest gain, and with the spread between the Class III price and the other class prices tightening, the PPD declined.

March's butterfat value was the highest on record for the Northeast Order. This value contributed to the record-high blend price. ❖

Butter and Cheese Prices Climb

Prices for Grade AA butter on the Chicago Mercantile Exchange (CME) have risen every week since mid-February. For the week ending April 13, the cash price on the CME equaled \$1.7063 per pound, an increase of 57 cents since the beginning of the year. According to the *Dairy Market News*, the butter price has never been this high at this time of year.

Figure 1 (see page 3) shows daily—Monday, Wednesday, and Friday trading days—CME cash prices for Grade AA butter. As shown, the spread between 2000 and 2001 has been widening since February. The year began with a Grade AA price of \$1.1275 per pound. During January, there were a few blips into the \$1.30–\$1.35 range. February began at \$1.3025; by mid-month, the price had jumped to \$1.41 per pound. By the third week of February, the price rose to \$1.5025. It stayed in the \$1.50–\$1.5650 range until the third week of March when it climbed to \$1.63. From there it has been on an almost continuous climb, hitting \$1.7100 on April 11.

The last time prices were in the \$1.70s was in November 2000 when the price jumped from \$1.2175 to \$1.7300 on November 8. As reported in the November 2000 *Bulletin*, prices stayed high until December 8 when they plummeted 50 cents within two trading sessions. Even though butter stocks were at the lowest levels in years, the sharp drop in prices proved that the
(continued on Page 3)

Pool Summary

- A total of 17,379 producers were pooled under the order with an average daily delivery per producer of 3,999 pounds.
- Pooled milk receipts totaled 2.157 billion pounds, an increase of 2.6 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 44.2 percent of total milk receipts, an increase of 0.9 percentage points from February.
- The average butterfat test of producer receipts was 3.74 percent.
- The average true protein test of producer receipts was 3.03 percent.
- The average other solids test of producer receipts was 5.70 percent.

Class Utilization

Pooled Milk	Percent	Pounds
Class I	44.2	953,205,309
Class II	16.6	359,036,938
Class III	31.4	676,673,474
Class IV	7.8	167,784,314
Total Pooled Milk		2,156,700,035

Producer Component Prices

Protein Price	\$1.6498 /lb
Butterfat Price	\$1.6820 /lb
Other Solids Price	\$0.1039 /lb

Class Price Factors

	\$/cwt
Class I	15.90
Class II	14.17
Class III	11.42
Class IV	13.46

Market Services Milk Test Verification

With the arrival of warmer weather, the market administrator's bulk tank verification program resumes operation. The program verifies the proper calibration of new and existing farm bulk tanks for all non-member producers on a once every 5-to-10 year basis. Members of cooperative associations, whose cooperative has been exempted from the deduction for marketing services, receive such calibration services from their cooperative.

Beginning in June, a second calibration truck will be available to perform calibration checks. With over 4,000 non-member producers and lots of tanks that have not been checked in many years, it will take some time before all non-member farms are visited. The following schedule indicates the planned areas where the calibration trucks will be working during the next several months. The office coordinates farm calibration visits with handlers and haulers, concentrating first on tanks that are suspected of being out of calibration or were checked many years ago. If you have a concern about the calibration of your bulk tank, please contact your handler who will work with the market administrator to schedule a calibration check. ❖

Tentative Calibration Truck Schedule, 2001

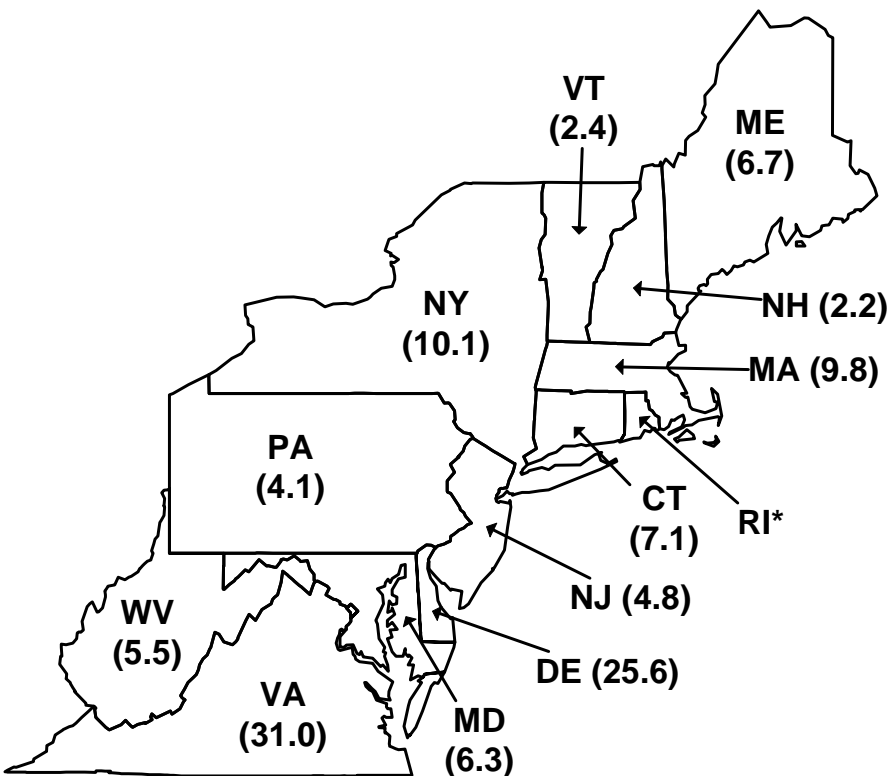
Month	Area
April	Eastern New York
May	Northern Pennsylvania
June	Connecticut Eastern New York
July	Vermont/New Hampshire Southern Tier of New York
August	Maine Southern Pennsylvania
September	Eastern/Central New York Northern Pennsylvania/New Jersey South East New York
October	Central/Northern New York Southern Tier of New York
November	Vermont/New Hampshire Southern Pennsylvania

Changes in Receipts by State

The accompanying map shows year-to-year changes in receipts of producer milk by state for January 2000 and 2001. Overall, producer milk receipts were down 4.5 percent for January 2001 compared to the previous year.

All states normally supplying the Northeast Order showed declines in producer milk receipts. Producer milk received from other states increased 27.6 percent from January of the previous year due in large part to more favorable price relationships under the Northeast Order. This group includes producers pooled from such states as Idaho, Minnesota, Nevada, Utah, Wisconsin, and Wyoming. Even though Rhode Island (which had a 4.4 percent decline) is a consistent supplier to the milkshed, its receipts are included with the other states group due to the limited number of handlers. Movements from other states outside the normal Northeast Order milkshed began in August 2000. For more information on these movements see the February *Bulletin*. ❖

Change in Northeast Order Producer Milk Receipts, January 2000 vs. January 2001



*Other states include Idaho, Minnesota, Nevada, Rhode Island, Utah, Wisconsin, and Wyoming with a combined year-to-year increase of 27.6 percent.

MARKET SITUATION

Butter Prices *(continued from page 1)*

tightness in the butter market was only temporary.

Contrary to last year, the rise occurring this spring appears to be more than a temporary tightness. Poor weather conditions in 2000 contributed to a forage supply that was below average in both quality and quantity. This, combined with lower prices than witnessed in both 1998 and 1999, is resulting in lower milk production and less butterfat, thus tightening up the market for butter.

On the National Agricultural Statistics Service (NASS) survey (used in federal order pricing), the Grade AA butter price equaled \$1.6536 per pound for the week ending April 7, 3 cents less per pound than the CME price. The NASS price tends to lag behind the CME market as shown in Figure 2. Since the beginning of 2001, this discrepancy has averaged about 5 cents per pound.

Cheese Prices Rise

Figure 3 shows daily 40-pound block Cheddar cheese prices

on the CME. At the beginning of the year, prices were at least 10 cents lower than the previous year. By the end of January, things had leveled out, and in mid-February, prices began their ascent. By March, prices were 20 cents higher than last year; as of April 12, the spread was 27.5 cents. Since the beginning of the year, prices averaged more than 11 cents higher than during the same period the previous year.

Figure 4 shows the comparison of weekly 40-pound block prices on the CME with those reported by the NASS survey. As with butter prices, the NASS block cheese prices tend to lag behind the comparable CME prices. At the beginning of 2001, NASS prices were higher than the CME prices, which had been declining. As the CME prices began to rise, the NASS prices continued to decline, eventually bottoming and then rising. For the next 2 months, the two prices have followed similar paths, with the CME remaining about 5 cents higher than NASS. ❖

Figure 1

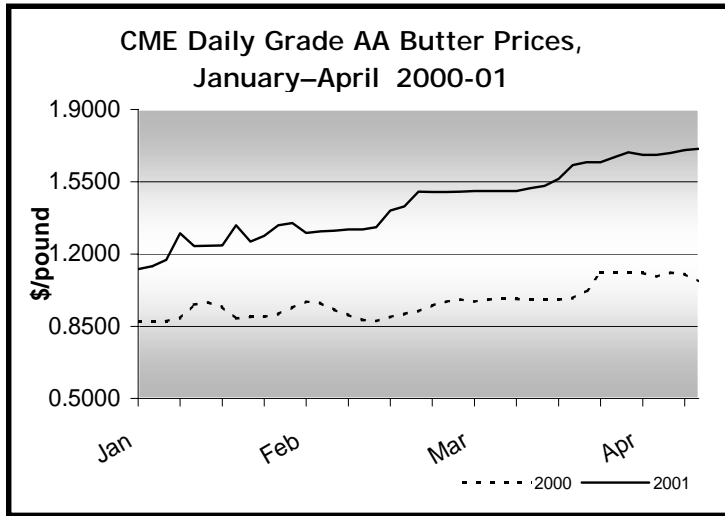


Figure 2

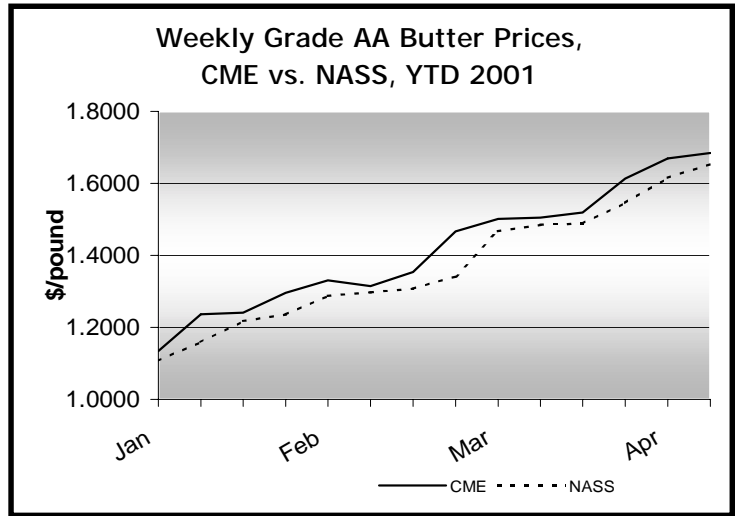


Figure 3

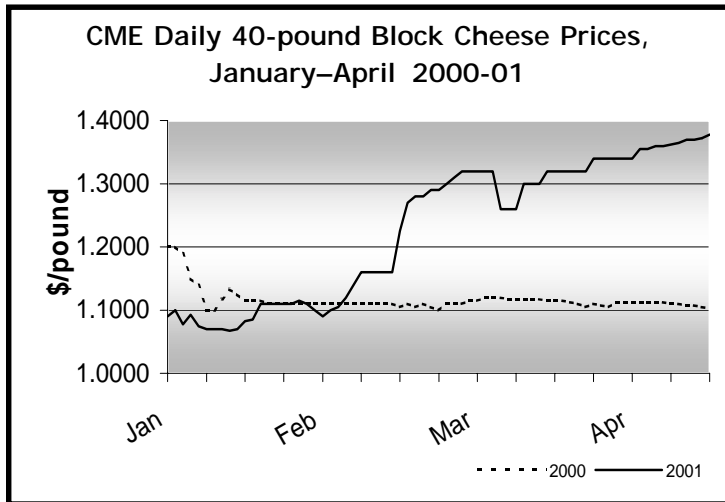
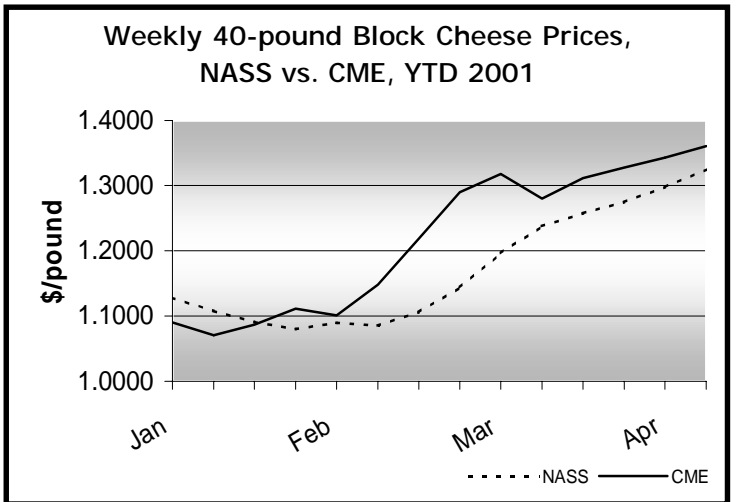


Figure 4





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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	933,684,065	\$11.11	103,732,299.62	
Butterfat	19,521,244	1.4808	28,907,058.12	
Less: Location Adjustment to Handlers			(2,878,810.67)	\$129,760,547.10
Class II— Butterfat	26,500,065	1.6890	44,758,609.81	
Nonfat Solids	30,192,180	0.9511	28,715,782.39	73,474,392.20
Class III— Butterfat	24,417,881	1.6820	41,070,875.82	
Protein	20,554,236	1.6498	33,910,378.57	
Other Solids	38,601,061	0.1039	4,010,650.26	78,991,904.65
Class IV— Butterfat	10,301,996	1.6820	17,327,957.27	
Nonfat Solids	14,327,593	0.8727	12,503,690.40	29,831,647.67
Total Classified Value				\$312,058,491.62
Add: Overage—All Classes				91,707.46
Inventory Reclassification—All Classes				102,311.51
Other Source Receipts	213,138			10,982.44
Less: Producer Component Valuations				(256,441,345.72)
Subtotal				\$55,822,147.31
Add: Location Adjustment to Producers				10,926,051.24
One-half Unobligated Balance—Producer Settlement Fund				762,232.42
Total Pool Milk & Aggregate Value	2,156,913,173			67,510,430.97
Less: Producer Settlement Fund—Reserve				(1,077,505.17)
Producer Price Differential @ Suffolk County, MA (Boston)		\$3.08		66,432,925.80
Statistical Uniform Price @ Suffolk County, MA (Boston)		\$14.50		

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