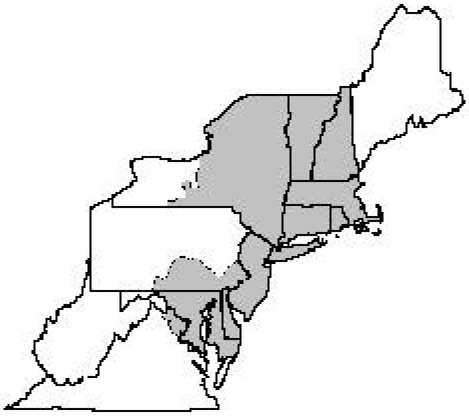

The Market Administrator's

BULLETIN

NORTHEAST MARKETING AREA

Erik F. Rasmussen, Market Administrator

April 2001 Federal Order No. 1

To contact the Northeast Marketing Area offices:
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e-mail address: MAAlbany@fedmilk1.com; *Alexandria, VA*: phone (703) 549-7000, e-mail address: MAAlexandria@fedmilk1.com;
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April Pool Price Calculation

The April 2001 statistical uniform price for the Northeast Marketing Area was announced at $15.24 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 April producer price differential (PPD) at Suffolk County was $3.18 per hundredweight.

The April statistical uniform price was 74 cents above March's price and a new record high (since the inception of the Northeast Order). April's PPD increased 10 cents from the previous month to $3.18 per hundredweight. All class values increased from the previous month largely due to the increase in the butterfat price. Class IV witnessed the largest gain, and with the spread between the Class III price and the other class prices increasing, the PPD increased.

The value for producer butterfat in the April pool increased nearly 9 percent from March's previously high value due to the 15.8 percent increase in the butterfat price, even though April's butterfat test (3.7 percent) was down 0.04 percentage points from March.❖

Nominees Sought for National Dairy Board

The USDA is seeking nominations for the National Dairy Promotion and Research Board (NDB). The secretary of agriculture will appoint 12 individuals to succeed members whose terms expire October 31, 2001 and one individual for the vacancy that expires October 31, 2002. The 12 new members will serve 3-year terms beginning November 1, 2001; the member filling the vacancy will serve a 1-year term beginning November 1, 2001 and ending October 31, 2002.

The NDB was established under the Dairy Production Stabilization Act of 1983 to develop and administer a coordinated program of promotion, research, and nutrition education. The program is financed by a mandatory 15-cent per hundredweight assessment on all milk marketed commercially by dairy producers in the contiguous 48 states.

In the Northeast, appointments will be made for Region 11 (Delaware, Maryland, New Jersey, and Pennsylvania) and Region 12 (New York). Nominations must be submitted by May 31. For information, contact David R. Jamison, Chief, Promotion and Research Branch, Dairy Programs, AMS, USDA, Room 2958-S, Stop 0233, 1400 Independence Ave., SW, Washington, D.C. 20250-0233 or telephone (202) 270-6909.❖

Pool Summary

- A total of 17,292 producers were pooled under the order with an average daily delivery per producer of 3,949 pounds.
- Pooled milk receipts totaled 2.049 billion pounds, a decrease of 1.8 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 41.2 percent of total milk receipts, a decrease of 3.0 percentage points from March.
- The average butterfat test of producer receipts was 3.70 percent.
- The average true protein test of producer receipts was 2.99 percent.
- The average other solids test of producer receipts was 5.69 percent.

Class Utilization

Pooled Milk	Percent	Pounds
Class I	41.2	843,404,584
Class II	15.5	318,075,642
Class III	33.5	686,440,126
Class IV	9.8	200,988,615
Total Pooled Milk		2,048,908,967

Producer Component Prices

Protein Price	1.5443 /lb
Butterfat Price	1.9483 /lb
Other Solids Price	0.1081 /lb

Class Price Factors

	$/cwt
Class I	16.69
Class II	15.10
Class III	12.06
Class IV	14.41

CPI—Adjusted Dairy Prices

The Consumer Price Index (CPI), provided by the Bureau of Labor Statistics (BLS), is a measure of the average change over time in the prices paid by urban consumers (CPI-U) for a market basket of consumer goods and services. It is the most widely used measure of inflation and serves as an economic indicator to policy makers. Seasonally adjusted numbers were used in this analysis with a base period of 1982-84.

Dairy Versus All Food Price Index

In general, from 1991 to 1995, the consumer price index for all dairy products rose at about the same pace as the CPI for all food. The CPI for the individual categories of milk, cheese, ice cream, and other dairy products increased at a faster pace than all food. Butter increased at a greater rate from 1996 through 1998 and then trended down in 1999 and 2000. In 2000, the CPI for each dairy category trailed the all food category.

Nominal vs. Adjusted Average Prices

Item	Nominal Prices dollars 1996	1997	1998	1999	2000
Whole Milk, gallon	2.62	2.61	2.70	2.84	2.78
Lowfat Milk, gallon	2.41	2.40	2.61	2.77	2.69
Butter, pound	2.05	2.17	2.86	2.65	2.52
Cheddar cheese, pound	3.25	3.22	3.55	3.77	3.83
	Adjusted Average Prices 1996 dollars				
	1996	1997	1998	1999	2000
Whole Milk, gallon	2.62	2.58	2.58	2.57	2.50
Lowfat Milk, gallon	2.41	2.37	2.49	2.50	2.42
Butter, pound	2.05	2.03	2.05	1.96	2.00
Cheddar cheese, pound	3.25	3.15	3.37	3.35	3.40

Source: Bureau of Labor Statistics.

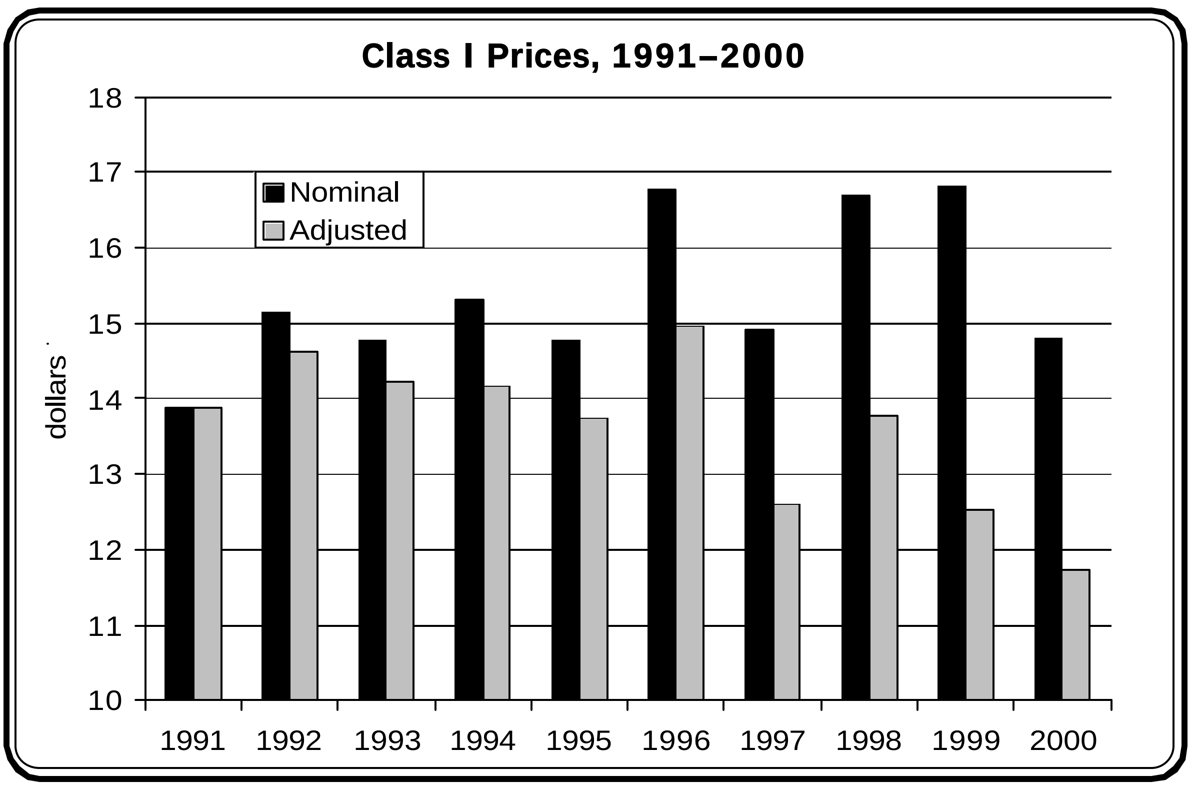
Nominal Versus Adjusted Average Prices

To look at average prices of dairy products since 1996, the CPI was used to adjust prices to what they would have been in 1996. These values are shown in the accompanying table.

In nominal terms (prices as reported by BLS), average annual prices for a gallon of whole milk, a gallon of lowfat milk, a pound of butter, and a pound of Cheddar cheese grew by 6.1 percent, 11.6 percent, 22.9 percent, and 17.8 percent, respectively. Adjusted prices, however, show a 4.6 percent decrease in whole milk and an equivalent increase in Cheddar cheese. Lowfat milk and butter prices experienced little to no change in real dollars.

Adjusting the Class I Price to 1991 Dollars

This analysis looks at Class I prices since 1991 and uses the CPI to adjust prices to what they would have been in 1991. These results are shown in the accompanying chart. Using nominal prices, the price for Class I milk was higher than its 1991 price level every year from 1991 to 2000. Adjusting to 1991 dollars, the real Class I price has been below the 1991 price level from 1997 to 2000. The real Class I price for 1995 also was lower than the 1991 price. Measured in 1991 dollars, the 2000 Class I price was actually 15.4 percent lower than in 1991. The adjusted Class I price peaked in 1996 at \$14.96 and reached its lowest point of \$11.74 in 2000.❖



MARKET SITUATION

Manufactured Dairy Products—2000 Summary

USDA's National Agricultural Statistics recently released their Dairy Products Annual for 2000. This publication summarizes dairy products manufactured in the United States. Nearly 8.3 billion pounds of cheese (excluding cottage) was produced during 2000, an increase of 4.3 percent from 1999. Butter production dropped slightly while nonfat dry milk production rose 6.5 percent. All comparisons have been adjusted for leap year.

Cheese Production Grows

American, largely comprised of Cheddar, continued to be the number one cheese produced in the United States. Over 3.6 billion pounds were made in 2000, or 44 percent of all cheese manufactured. Italian cheese was the next largest product, increasing 5 percent from 1999 to 3.3 billion pounds. The gap between American and Italian has been tightening over the years. Mozzarella production increased 4.1 percent and remained about 80 percent of all Italian cheese produced nationally.

Swiss cheese production grew 3.5 percent, cream and Neufchatel increased 7.2 percent, and all other cheese production jumped 9.9 percent. This category includes Muenster, brick, Limburger, blue, Hispanic, and other varieties. Of these, Hispanic cheese rose 11.2 percent in 2000.

Other Manufactured Products

Butter production was down 0.5 percent from 1999, but remained at about 1.3 billion pounds. Yogurt increased 6.6 percent and totaled 1.8 billion pounds in 2000. Ice cream production dropped 0.5 percent, and unsweetened condensed milk declined 12.4 percent.

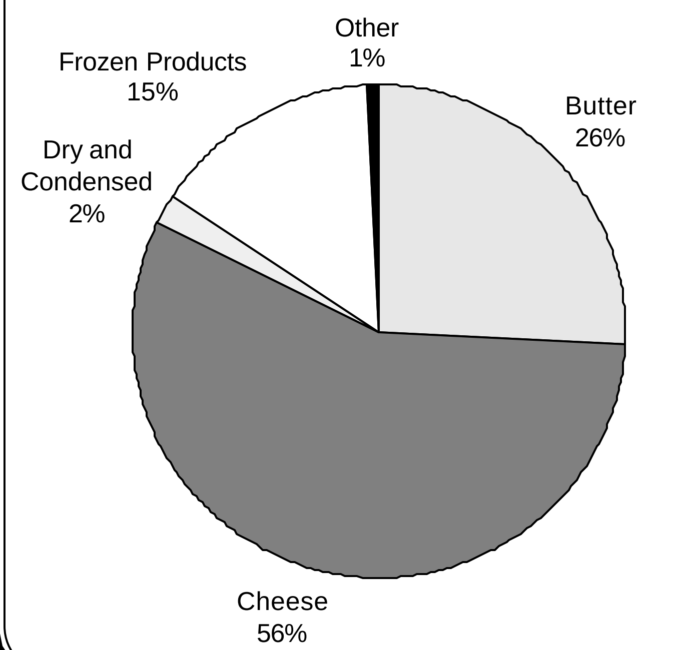
During 2000, the Commodity Credit Corporation (CCC) purchased 558.1 million pounds of NFDM, over 38 percent of the total produced. The CCC also purchased 16.7 million pounds of cheese, but no butter.

Leading Manufacturing States

Once again, Wisconsin lead the nation as the top cheese-producing state with 26.6 percent of all cheese made (excluding cottage). This percentage was down slightly from 27.2 in 1999. California ranked second in cheese production with 18.1 percent of total U.S. cheese, up from 17.6 percent in 1999. New York was the third largest cheese manufacturing state with 8.8 percent; Minnesota ranked fourth with 8.4 percent; and Idaho finished fifth with 7.1 percent.

Wisconsin continued as the leading manufacturer of American cheese, followed by Minnesota and California. It also ranked first in the production of Italian cheese; California came in second; and New York was third. Ohio was reported as the largest Swiss cheese producer, although states with fewer than 3 plants were not listed. Of those shown, Illinois ranked second and Wisconsin third in Swiss production in 2000.

Whole Milk Equivalents Used in Manufactured Products, 2000



The top butter producing states were California (27.8 percent), Wisconsin (22.6 percent), and Pennsylvania (6.7 percent). Washington ranked third in 1999, but did not disclose data for 2000. Of the states reporting, California had the largest yogurt production followed closely by New York. California also ranked first in nonfat dry milk production (for human food) with nearly 48 percent of total production.

Ice cream production is scattered across the United States. California ranked first with 14.4 percent, Indiana came in second with 7.8 percent, and Texas finished third with 6.2 percent.

Overall, Wisconsin reported the largest number of manufacturing plants with 205, a loss of 2 from 1999. New York was second with 113, down from 121 the previous year; California ranked third with 109 compared with 113 in 1999.

Utilization of Milk Marketings

Of the total amount of milk marketed in 2000, 62 percent was used for manufactured dairy products, unchanged from 1999. On a net whole milk equivalent basis, the proportions used in selected dairy products changed slightly in 2000 (see accompanying chart). The total amount used in dairy products increased 1.7 percent. Total product used in cheese increased 1.2 percentage points while the amount used in butter declined 0.7; evaporated, dry, and condensed dropped 0.2; and frozen desserts went down 0.3 percentage points.❖

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Computation of Producer Price Differential and Statistical Uniform Price

		Product Pounds	Price per cwt/lb	Component Value	Total Value
Class I—	Skim	826,048,579	$11.11	91,773,997.13	
	Butterfat	17,356,005	1.7047	29,586,781.72	
Less:	Location Adjustment to Handlers			(2,571,730.15)	$118,789,048.67
Class II—	Butterfat	24,307,160	1.9553	47,527,789.96	
	Nonfat Solids	26,465,817	0.9511	25,171,638.53	72,699,428.49
Class III—	Butterfat	24,344,678	1.9483	47,430,736.14	
	Protein	20,535,554	1.5443	31,713,056.03	
	Other Solids	39,249,978	0.1081	4,242,922.67	83,386,714.84
Class IV—	Butterfat	9,872,424	1.9483	19,234,443.70	
	Nonfat Solids	17,243,915	0.8745	15,079,803.68	34,314,247.38
Total Classified Value					**$309,189,439.38**
Add:	Overage—All Classes				293,000.71
	Inventory Reclassification—All Classes				214,954.81
	Other Source Receipts	172,879			9,438.12
Less:	Producer Component Valuations				(255,109,720.74)
	Subtotal				**$54,597,112.28**
Add:	Location Adjustment to Producers				10,644,033.04
	One-half Unobligated Balance—Producer Settlement Fund				912,845.74
Total Pool Milk & Aggregate Value		2,049,081,846			66,153,991.06
Less:	Producer Settlement Fund—Reserve				(993,188.33)
Producer Price Differential @ *Suffolk County, MA (Boston)*			**$3.18**		65,160,802.73
Statistical Uniform Price @ *Suffolk County, MA (Boston)*			**$15.24**		

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