

# The Market Administrator's BULLETIN

## NORTHEAST MARKETING AREA

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**June 2001**

Federal Order No. 1

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### June Pool Price Calculation

The June 2001 statistical uniform price for the Northeast Marketing Area was announced at \$17.08 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 June producer price differential (PPD) at Suffolk County was \$2.06 per hundredweight.

The June statistical uniform price set another record for the Northeast Order, topping May's price by \$0.76 per hundredweight. June's PPD decreased 43 cents from the previous month. All class values were higher than those of the previous month, mainly due to continued high component prices. Class III again had the largest gain, increasing \$1.19 per hundredweight from May. With the spread between the Class III price and the other class prices decreasing, the PPD decreased.

The value for producer butterfat in the June pool decreased from May due to a lower producer butterfat test and price. The producer protein value for June was the second highest since the Northeast Order's inception, surpassed only by the value in January 2000. ❖

### Producer Payment Dates

The following schedule shows the payment dates for partial and final producer payments for the rest of 2001. Pool plants that pay producers directly must pay for milk received during the first 15 days of the month (partial payment) by the 26<sup>th</sup> day of the same month. The payment for milk shipped during the remaining days of the month (final payment) is specified as the day after the market administrator makes payments to handlers from the producer-settlement fund. Depending on the month, these dates will change. If a required payment date falls on a Saturday, Sunday, or national holiday, payment is due on the next business day. Cooperatives may elect to pay members on their own schedule. ❖

Month Milk Produced	Payment Due			
	Partial		Final	
	Day	Date	Day	Date
July	Thursday	7/26	Friday	8/17
August	Monday	8/27	Tuesday	9/18
September	Wednesday	9/26	Wednesday	10/17
October	Friday	10/26	Monday	11/19
November	Monday	11/26	Tuesday	12/18
December	Wednesday	12/26	Thursday	1/17

### Pool Summary

- A total of 17,115 producers were pooled under the order with an average daily delivery per producer of 4,025 pounds.
- Pooled milk receipts totaled 2.067 billion pounds, a decrease of 2.8 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 40.7 percent of total milk receipts, a decrease of 0.4 percentage points from May.
- The average butterfat test of producer receipts was 3.58 percent.
- The average true protein test of producer receipts was 2.94 percent.
- The average other solids test of producer receipts was 5.70 percent. ❖

#### Class Utilization

Pooled Milk	Percent	Pounds
Class I	40.7	840,895,680
Class II	15.6	322,197,641
Class III	34.0	702,607,284
Class IV	9.7	<u>200,867,827</u>
Total Pooled Milk		2,066,568,432

#### Producer Component Prices

	2001	2000
	\$/lb	
Protein Price	2.1670	1.4278
Butterfat Price	2.2089	1.4128
Other Solids Price	0.1409	0.0438

#### Class Price Factors

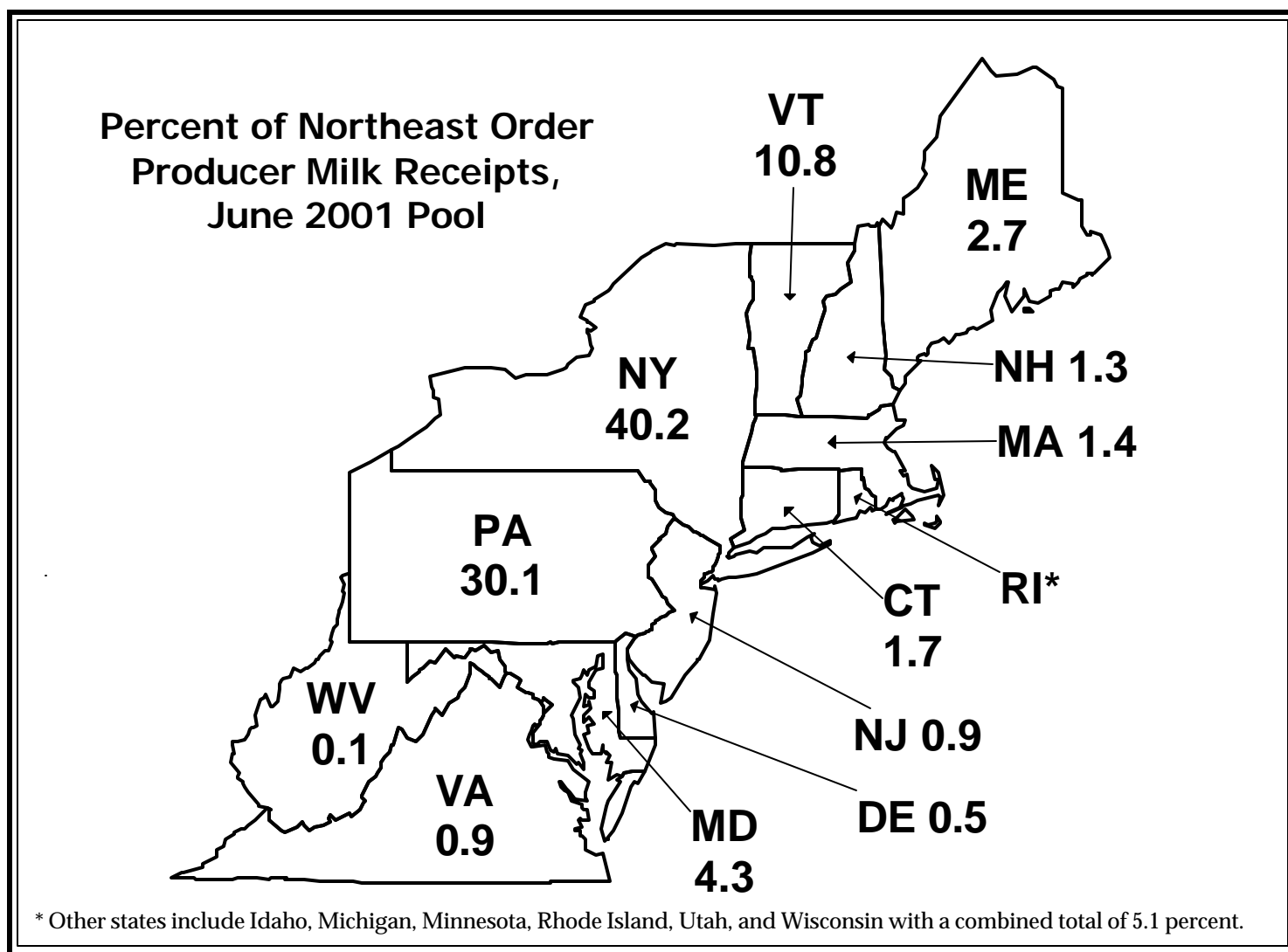
	2001	2000
	\$/cwt	
Class I	18.24	14.95
Class II	16.05	13.08
Class III	15.02	9.46
Class IV	15.33	12.38

## Producers Grouped by Production Ranges

The accompanying table shows the number of producers and their corresponding pounds of milk grouped by their respective production amounts for the month of December 2000. As the table depicts, the largest group of producers, about one quarter of all producers pooled under the Northeast Order, are those who produced between 30,001 and 60,000 pounds during the month. As a percentage of total pounds, this group represents only a little more than 10 percent of the total December pool. Those producers with monthly production greater than 500,000 pounds accounted for nearly 18 percent of the total pooled pounds but for only about 2 percent of the total number of producers in the Order. ❖

Production Range pounds	Producers		Milk	
	number	percentage	Total pounds	percentage
1-30,000	2,365	13.7	43,501,485	2.2
30,001-60,000	4,339	25.1	200,613,954	10.3
60,001-90,000	3,929	22.8	291,567,268	15.0
90,001-120,000	2,187	12.7	228,421,601	11.7
120,001-150,000	1,377	8.0	185,682,000	9.5
150,001-250,000	1,791	10.4	339,998,251	17.5
250,001-500,000	894	5.2	310,732,766	16.0
>=500,001	380	2.2	347,161,119	17.8
<b>Total</b>	<b>17,262</b>	<b>100.0</b>	<b>1,947,678,444</b>	<b>100.0</b>

Note: Totals may vary from previously published data due to post-pool audit adjustments.



# MARKET SITUATION

## Cheddar Cheese and Butter Prices

Dairy commodity prices during the first half of 2001 can be characterized as starting low followed by a dramatic increase to much higher levels. At the end of June, the weekly Chicago Mercantile Exchange (CME) butter price was \$2.0067 per pound, and the weekly 40-pound block Cheddar cheese price was \$1.6675 per pound, 81 cents and 41 cents higher than the same time in 2000, respectively. Prices for butter and cheese are close to 1998 levels (see figures 1 and 2).

For only the second time since early March, 40-pound block Cheddar cheese prices declined on June 29. By the end of June, barrel cheese prices were unsettled particularly during the last seven trading days, with the month ending at \$1.61 per pound (see figure 3). According to the CME, cheese marketers are reporting weaker demand associated with buyers' desire to wait for prices to take a clearer direction.

The second half of 2001 started with a steady 40-pound block Cheddar cheese price of \$1.67 per pound through July 16; barrel Cheddar cheese prices remained close to \$1.63.

Due to a fear of late year butter shortages, buyers built up inventories through the early part of 2001. The National Agricultural Statistics Service *Cold Storage* report shows butter inventories reached 138 million pounds as of May 31, 2001, similar to levels around the same time of year in 1999 and 2000.

Butter prices declined 10 percent from the end of June to July 16, largely reflecting the most recent reports on stocks of butter by the CME and USDA. CME futures now show a higher Class III price than Class IV price from July through October.

The price of Grade A nonfat dry milk (NFD) declined slightly to \$1.00 and Extra Grade nonfat dry milk dropped to \$0.99 by July 16. These downward movements are likely the result of the decreased purchase price for NFD, which became effective May 31, 2001, to \$0.90 per pound under the Commodity Credit Corporation. ❖

Figure 1

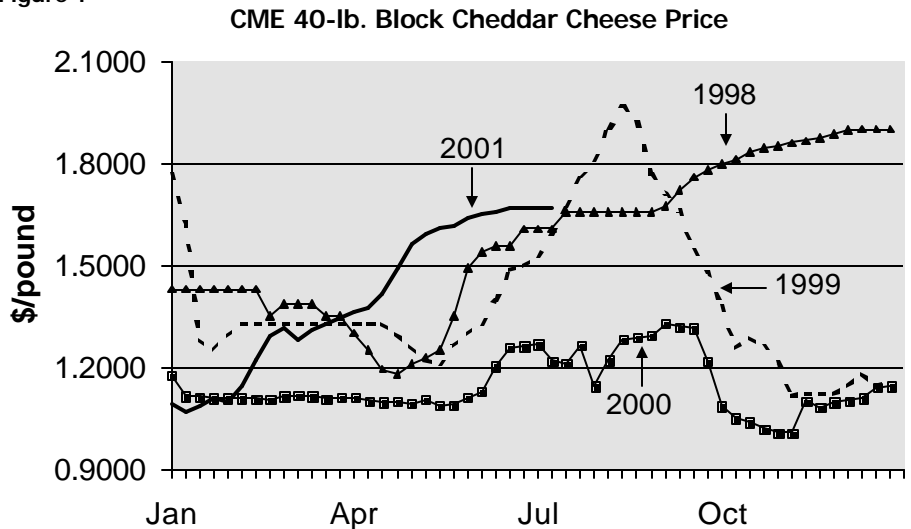


Figure 2

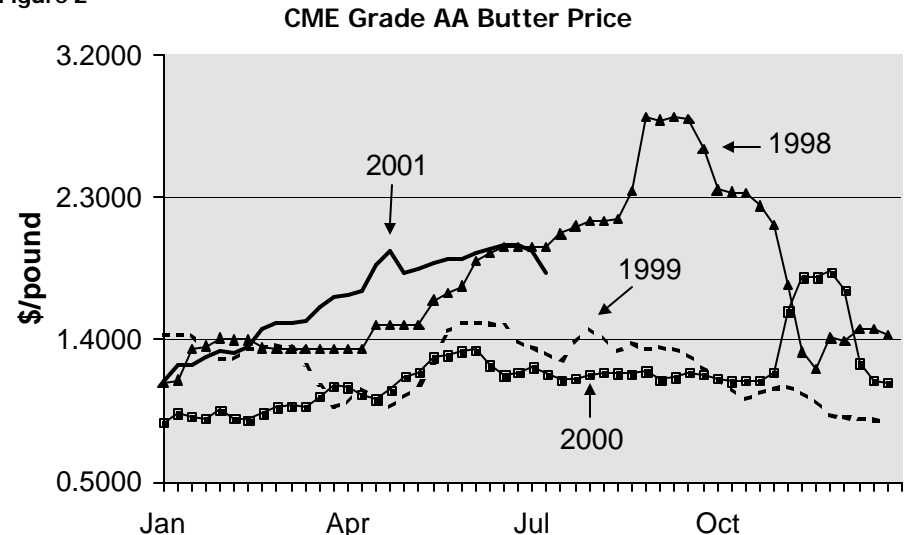
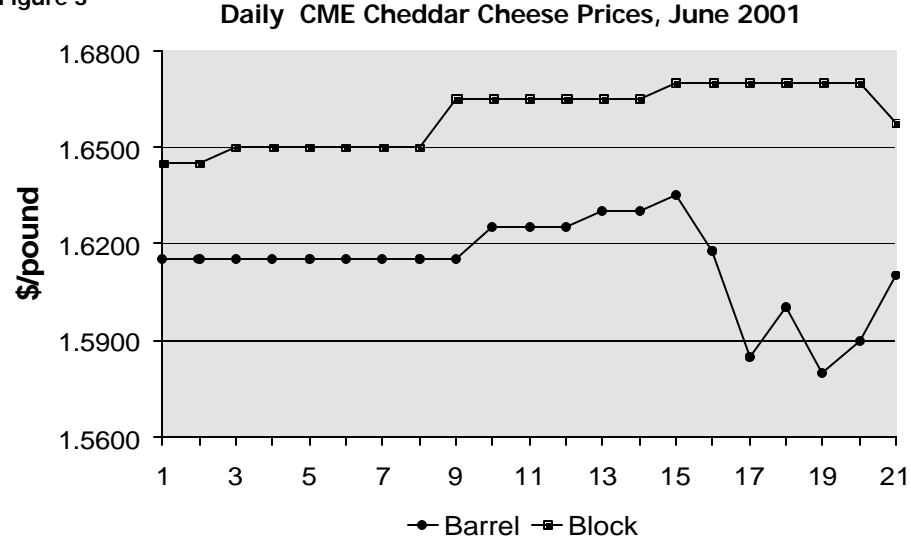


Figure 3





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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	823,597,163	\$11.15	91,831,083.67	
Butterfat	17,298,517	2.1358	36,946,172.61	
Less: Location Adjustment to Handlers			(2,535,884.29)	\$126,241,372.02
Class II— Butterfat	25,269,390	2.2159	55,994,441.29	
Nonfat Solids	26,589,113	0.9556	25,408,556.37	81,402,997.66
Class III— Butterfat	24,028,552	2.2089	53,076,668.50	
Protein	20,634,564	2.1670	44,715,100.23	
Other Solids	40,183,704	0.1409	5,661,883.87	103,453,652.60
Class IV— Butterfat	7,450,963	2.2089	16,458,432.18	
Nonfat Solids	17,355,797	0.8748	15,182,851.24	31,641,283.42
<b>Total Classified Value</b>				<b>\$342,739,305.70</b>
Add: Overage—All Classes				108,129.71
Inventory Reclassification—All Classes				235,030.87
Other Source Receipts	177,806			6,002.01
Less: Producer Component Valuations				(311,720,793.82)
<b>Subtotal</b>				<b>\$31,367,674.47</b>
Add: Location Adjustment to Producers				11,007,601.63
One-half Unobligated Balance—Producer Settlement Fund				1,156,839.16
<b>Total Pool Milk &amp; Aggregate Value</b>	2,066,746,238			43,532,115.26
Less: Producer Settlement Fund—Reserve				(957,142.84)
<b>Producer Price Differential @ Suffolk County, MA (Boston)</b>		<b>\$2.06</b>		42,574,972.42
<b>Statistical Uniform Price @ Suffolk County, MA (Boston)</b>		<b>\$17.08</b>		

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