

The Market Administrator's BULLETIN

NORTHEAST MARKETING AREA

Erik F. Rasmussen, Market Administrator

December 2001

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

December Pool Price Calculation

The December 2001 statistical uniform price for the Northeast Marketing Area was announced at \$13.72 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 December producer price differential (PPD) at Suffolk County was \$1.92 per hundredweight.

The December statistical uniform price was \$1.56 per hundredweight below November's price. The December PPD was \$2.05 lower than the previous month's. The decline in commodity values witnessed in early November was felt in the \$3.78 per hundredweight drop in the Class I price. Due to some rebounding in the markets, Class II and IV prices only declined slightly from November, and the Class III price increased 49 cents. Overall, the tightness in the spread between Class III and the other class prices reduced the PPD considerably. ❖

Contribution to Statistical Uniform Price by Component Values

The contributions made by the various components—butterfat, protein, other solids, plus the producer price differential (PPD)—to the value of the statistical uniform price (SUP) during 2001 are shown in the accompanying chart on page 2. SUPs and PPDs are reported at the Boston location.

Producers are paid based on their respective volumes and the components in their milk. The per pound price that producers receive for their milk components is the same as the Class III per pound value for butterfat, protein, and other solids. Since the pool is made up of four classes of milk, it is the extra value in the pool generated by the Classes I, II, and IV that is returned to producers via the PPD.

In months when there is a large spread between the Class III price and the other class prices, the PPD will return a larger value (i.e. January). As this spread in prices tightens, the PPD value shrinks (i.e. October). The value of the PPD is not necessarily representative of the strength of prices paid to producers during a month. Usually, the opposite is true. During 2001, the highest SUP occurred in September at \$17.76 per hundredweight; the PPD that month was \$1.86 per hundredweight, the third lowest of the year. Conversely, the highest PPD was in November at \$3.97 per hundredweight while the SUP for (continued on Page 2)

Pool Summary

- A total of 16,941 producers were pooled under the Order with an average daily delivery per producer of 3,955 pounds.
- Pooled milk receipts totaled 2.078 billion pounds, an increase of 3.8 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 43.8 percent of total milk receipts, a decline of 4.0 percentage points from November.
- The average butterfat test of producer receipts was 3.76 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

Pooled Milk	Percent	Pounds
Class I	43.8	910,401,921
Class II	15.3	316,741,299
Class III	29.3	609,069,475
Class IV	11.6	241,340,277
Total Pooled Milk		2,077,552,972

Producer Component Prices

	2001	2000
	\$/lb	
Protein Price	1.9782	1.0378
Butterfat Price	1.4322	1.6534
Other Solids Price	0.1517	0.0829

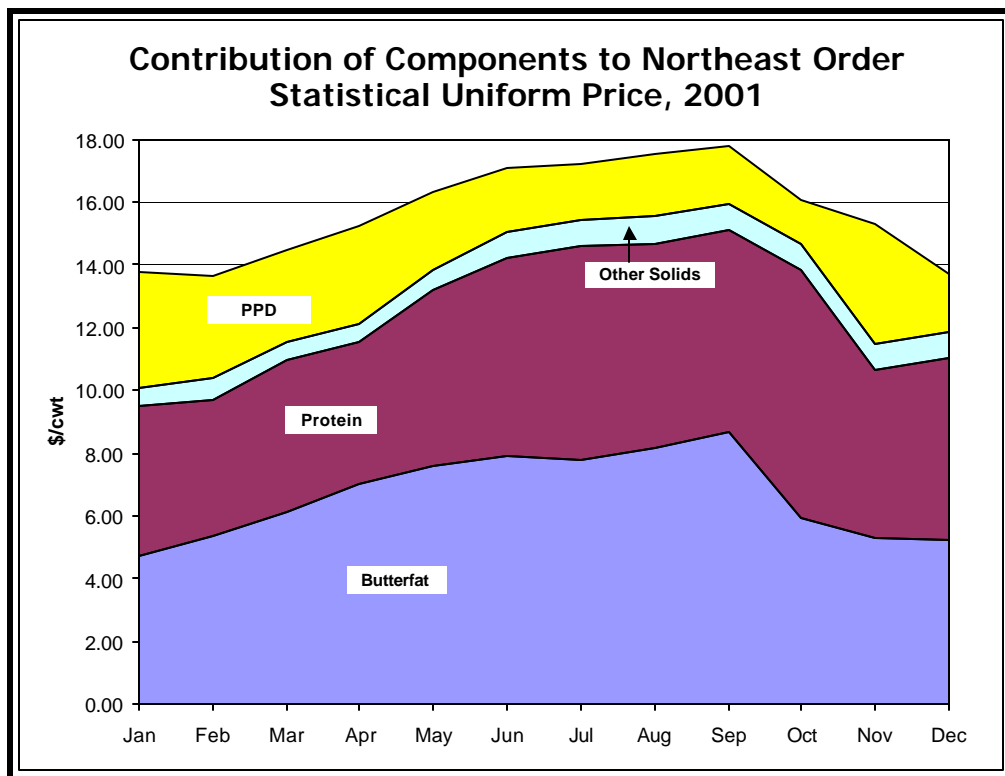
Class Price Factors

	2001	2000
	\$/cwt	
Class I	15.23	15.38
Class II	12.61	13.97
Class III	11.80	9.37
Class IV	11.79	13.27

Contribution to Statistical Uniform Price *(continued from page 1)*

that month averaged only \$15.28 per hundredweight, less than the average SUP for the year.

In addition to the proportion of the PPD varying, the share that butterfat, protein and other solids are of the total producer value changes each month. In months where the butterfat price was high (i.e. August, September), the proportion of the producer's payment that butterfat accounts for is shown as a wider band on the chart. The band narrows when the price is lower (i.e. January, December). Similarly, the value of protein took on greater importance during October with its record-setting value and high test. It is important to note that the proportions are affected by both the price of the component and its respective test value during the month. ❖



CCC Purchases

For the calendar year 2001, the Commodity Credit Corporation (CCC) purchased a total of 356.8 million pounds of nonfat dry milk, 1.3 million pounds of cheese, but no butter. These figures are down considerably from the

same period in 2000 when CCC purchases totaled 558.1 million pounds of nonfat dry milk and 16.7 million pounds of cheese. No butter was purchased during calendar year 2000. ❖

2001 Annual Pool Summary for All Federal Orders

Federal Order Number	Federal Order Name	Total Producer		Class I		Producer Price Differential ^{1/}	Statistical Uniform Price ^{1/2/}
		Milk	Milk	Utilization	Price ^{1/}		
		million pounds		percent	dollars per hundredweight		
		total		average			
1	Northeast	24,557	10,642	43.3	17.52	2.57	15.67
5	Appalachian	6,673	4,353	65.6	17.37	N/A	16.34
6	Florida	2,772	2,492	89.9	18.27	N/A	17.82
7	Southeast	7,769	4,805	62.1	17.37	N/A	16.13
30	Upper Midwest	20,062	3,970	19.8	16.07	0.64	13.74
32	Central	16,313	4,881	27.5	16.27	1.06	14.16
33	Mideast	15,670	6,633	38.8	16.27	1.42	14.52
124	Pacific Northwest	6,467	2,098	29.8	16.17	1.16	14.26
126	Southwest	8,604	4,029	47.0	17.27	2.36	15.47
131	Arizona-Las Vegas	2,712	953	32.4	16.62	N/A	14.49
135	Western	4,215	1,033	22.9	16.17	0.90	14.00
All Market Total/Average		115,814	45,889	43.6	16.85	1.44	15.14

^{1/} Price at designated order location.

^{2/} Price at 3.5% butterfat.

N/A = Not applicable; order prices on skim and butterfat basis.

MARKET SITUATION

2001 Northeast Order Statistics Summarized

During 2001, the volume of milk received from producers shipping to handlers regulated under the Northeast Order totaled 24.6 billion pounds. This was an increase of 2.4 percent from last year. The average number of producers declined less than 1 percent from the previous year, while average daily deliveries per producer (DDP) increased 3.5 percent. The accompanying table compares selected pool statistics for 2000 and 2001.

Class Utilization Changes

Class I utilization averaged 43.3 percent in 2001, down 0.6 percentage points from the previous year. The total volume of milk used in Class I increased 1.2 percent, but because of a larger volume of producer milk receipts, the percentage declined. Class II usage declined 1.1 percent resulting in a utilization decline of 0.6 percentage points. Class III volume increased 10 percent boosting utilization 2.2 percentage points. Milk used in Class IV declined 8.6 percent, a drop of 1 percentage point in utilization.

Prices Higher

Lower milk production in many of the leading dairy states combined with strong demand nationally to keep prices up during 2001. Commodity market prices were strong throughout much of the year, resulting in class prices that were significantly above those in 2000. At Suffolk County, Massachusetts (Boston), the Class I price averaged \$2.72 per hundredweight higher than last year. The Class II price averaged \$2.00 higher; Class III jumped \$3.36; and Class IV was up \$1.93 from 2000. Similar to 2000, the Class IV price was the dominant price mover of Class I prices, exceeding the Class III price in 7 months during 2001.

Component Pricing

The record-setting values for protein and butterfat during 2001 were the key to higher producer prices paid during the year. Combining monthly test values, volumes, and prices for the year resulted in a simple average Statistical Uniform Price (SUP) of \$15.67 per hundredweight (at Boston) for 2001. *This was 20.2 percent higher than the average SUP in 2000.*

Average producer tests changed little from the

Class I Sales Summary

Sales of fluid milk products in the Northeast Order totaled 9.5 billion pounds in 2001, statistically unchanged from 2000.

Whole milk sales declined 2.1 percent from 2000 while sales of reduced fat (2%) and low fat (1%) increased 4.0 and 0.9 percent, respectively. Sales of fat free (skim) dropped 3.2 percent in 2001. Flavored milk and drinks increased 6.9 percent and combined sales of buttermilk and eggnog grew 9.8 percent from last year.

Northeast Order Pool Statistics, 2000-01

Pool Statistics	2000	2001	2000-01 Change
	million pounds		percent
Class I	10,513.1	10,642.1	1.2
Class II	4,146.9	4,101.5	(1.1)
Class III	6,978.9	7,680.2	10.0
Class IV	2,333.5	2,133.4	(8.6)
Total	23,972.4	24,557.2	2.4
	pounds		
DDP	3,787	3,918	3.5
	utilization percentage		change
Class I	43.9	43.3	(0.6)
Class II	17.3	16.7	(0.6)
Class III	29.1	31.3	2.2
Class IV	9.7	8.7	(1.0)
	dollars/cwt		percent
Class I	14.80	17.52	18.4
Class II	12.53	14.53	16.0
Class III	9.74	13.10	34.5
Class IV	11.83	13.76	16.3
SUP	13.04	15.67	20.2

previous year, but combined with greater volume and higher prices, resulted in higher overall payments to producers. The average butterfat price during 2001 was nearly 48 percent higher than last year, while the protein price averaged nearly 16 percent higher than in 2000. The other solids price was more than double the price during 2000.

Producer Changes

The simple average number of producers pooled by handlers regulated under the Order declined only 0.7 percent during 2001, with December finishing down 172 producers (1 percent) from the previous year. The average DDP was down in the beginning of 2001, but gained momentum as the year progressed. ❖

For the August through December period, Class I sales in the Northeast Order increased a slight 0.1 percent. Handlers who distribute primarily in the New York Metropolitan Area witnessed a decline of about 5.4 percent during the same months. Most notably, in September sales for the Order declined 1.8 percent while sales by metro-handlers dropped nearly 9 percent likely due to the economic disruption of the New York Metropolitan Area as a result of the September 11 terrorist attacks. ❖



MARKET ADMINISTRATOR
 One Columbia Circle
 Albany, NY 12203-6379

PRESORTED
 FIRST-CLASS MAIL
 U.S. Postage
PAID
 Alexandria, VA
 Permit 355

RETURN SERVICE REQUESTED

FIRST CLASS MAIL

The U.S. Department of Agriculture (USDA) prohibits discrimination in all its programs and activities on the basis of race, color, national origin, sex, religion, age, disability, political beliefs, sexual orientation, or marital or family status. (Not all prohibited bases apply to all programs.) Persons with disabilities who require alternative means for communication of program information (Braille, large print, audiotape, etc.) should contact USDA's TARGET Center at 202/ 720-2600 (voice and TDD). To file a complaint of discrimination, write USDA, Director, Office of Civil Rights, Room 326-W, Whitten Building, 14th and Independence Avenue, SW, Washington, D.C. 20250-9410 or call 202/ 720-5964 (voice or TDD). USDA is an Equal Opportunity provider and employer.

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	890,827,626	\$10.40	92,646,073.10	
Butterfat	19,574,295	1.4838	29,044,338.92	
Less: Location Adjustment to Handlers			(2,695,798.81)	\$118,994,613.22
Class II— Butterfat	24,031,605	1.4392	34,586,285.94	
Nonfat Solids	26,567,923	0.8722	23,172,542.47	57,758,828.41
Class III— Butterfat	21,798,758	1.4322	31,220,181.23	
Protein	18,578,703	1.9782	36,752,390.29	
Other Solids	34,670,167	0.1517	5,259,464.33	73,232,035.85
Class IV— Butterfat	12,654,433	1.4322	18,123,678.95	
Nonfat Solids	20,774,752	0.7799	16,202,229.08	34,325,908.03
Total Classified Value				\$284,311,385.51
Add: Overage—All Classes				123,215.91
Inventory Reclassification—All Classes				99,956.39
Other Source Receipts	196,137			6,170.30
Less: Producer Component Valuations				(254,848,773.07)
Subtotal				\$29,691,955.04
Add: Location Adjustment to Producers				10,080,898.49
One-half Unobligated Balance—Producer Settlement Fund				1,026,821.42
Total Pool Milk & Aggregate Value	2,077,749,109			40,799,674.95
Less: Producer Settlement Fund—Reserve				(906,891.98)
Producer Price Differential @ Suffolk County, MA (Boston)		\$1.92		39,892,782.97
Statistical Uniform Price @ Suffolk County, MA (Boston)		\$13.72		

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