

# BULLETIN

## NORTHEAST MARKETING AREA

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**August 2002**

Federal Order No. 1



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### August Pool Price Calculation

The August 2002 statistical uniform price for the Northeast Marketing Area was announced at \$12.16 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 August producer price differential (PPD) at Suffolk County was \$2.62 per hundredweight.

The August statistical uniform price was 11 cents per hundredweight above July's price. The August PPD was 10 cents below the previous month. All class prices declined except the Class III price, which increased 21 cents due to an increase in the protein price. These changes caused a decrease in the spread between the Class I, II, and IV prices and the Class III price, which resulted in a lower PPD. ❖

### Milk Movements

During August, bulk milk shipments received by handlers pooled on the Northeast Order coming from handlers pooled on other federal orders totaled 13.8 million pounds. These orders include the Mideast (Order No. 33), the Upper Midwest (Order No. 30), and the Appalachian (Order No. 5). Bulk shipments to other federal order plants from handlers regulated under the Northeast Order totaled 12.3 million pounds. In addition to Order Nos. 5 and 33, other orders receiving milk include Florida (Order No. 6) and Southeast (Order No. 7).

Net bulk milk movements equaled 1.5 million pounds more receipts (receipts less shipments). During August 2001, net movements totaled 13.0 million pounds more shipments. As is typical during this time of year, a majority of the movements are between the Northeast Order and orders located in the southeastern United States. In August 2002, net movements to the southeastern United States equaled less than half a million more receipts than shipments. During the same month in 2001, the net amount was nearly 8.9 million pounds more shipments than receipts. In August 2000, shipments outweighed receipts by almost 16 million pounds.

Last August, milk pooled from distant states outside of the normal Northeast milkshed accounted for 3.2 percent of the total

*(continued on page 3)*

### Pool Summary

- A total of 16,600 producers were pooled under the Order with an average daily delivery per producer of 3,979 pounds.
- Pooled milk receipts totaled 2.048 billion pounds, a decrease of 6.4 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 43.3 percent of total milk receipts, an increase of 3.9 percentage points from July.
- The average butterfat test of producer receipts was 3.54 percent.
- The average true protein test of producer receipts was 2.89 percent.
- The average other solids test of producer receipts was 5.68 percent. ❖

#### Class Utilization

| Pooled Milk       | Percent | Pounds        |
|-------------------|---------|---------------|
| Class I           | 43.3    | 885,874,170   |
| Class II          | 19.7    | 403,613,473   |
| Class III         | 30.9    | 632,225,819   |
| Class IV          | 6.1     | 126,184,648   |
| Total Pooled Milk |         | 2,047,898,110 |

#### Producer Component Prices

|                    | 2002   | 2001   |
|--------------------|--------|--------|
|                    | \$/lb  |        |
| Protein Price      | 1.9021 | 2.2188 |
| Butterfat Price    | 1.0701 | 2.2976 |
| Other Solids Price | 0.0177 | 0.1535 |

#### Class Price Factors

|           | 2002   | 2001  |
|-----------|--------|-------|
|           | \$/cwt |       |
| Class I   | 13.73  | 18.65 |
| Class II  | 11.07  | 15.98 |
| Class III | 9.54   | 15.55 |
| Class IV  | 10.41  | 15.06 |

## Average Component Tests for Selected States/Areas

Component levels remain an important factor to dairy farmers in the Northeast, as the pricing of milk is based on components. The accompanying map compares the weighted average of producer butterfat, protein, and other solids levels for Maryland, Maine, New York, Pennsylvania, Vermont, Other New England States, and Other Mid-Atlantic States for July 2002. Other New England States includes Connecticut, Massachusetts, New Hampshire, and Rhode Island. Other Mid-Atlantic States includes Delaware, New Jersey, Virginia, and West Virginia. The figures are derived from Northeast Order payroll data as submitted by Northeast Order handlers.

Maryland averaged the highest level of butterfat at 3.59 percent. Other Mid-Atlantic States averaged the lowest at 3.50 percent. The average for all selected states represented on the map was 3.53 percent.

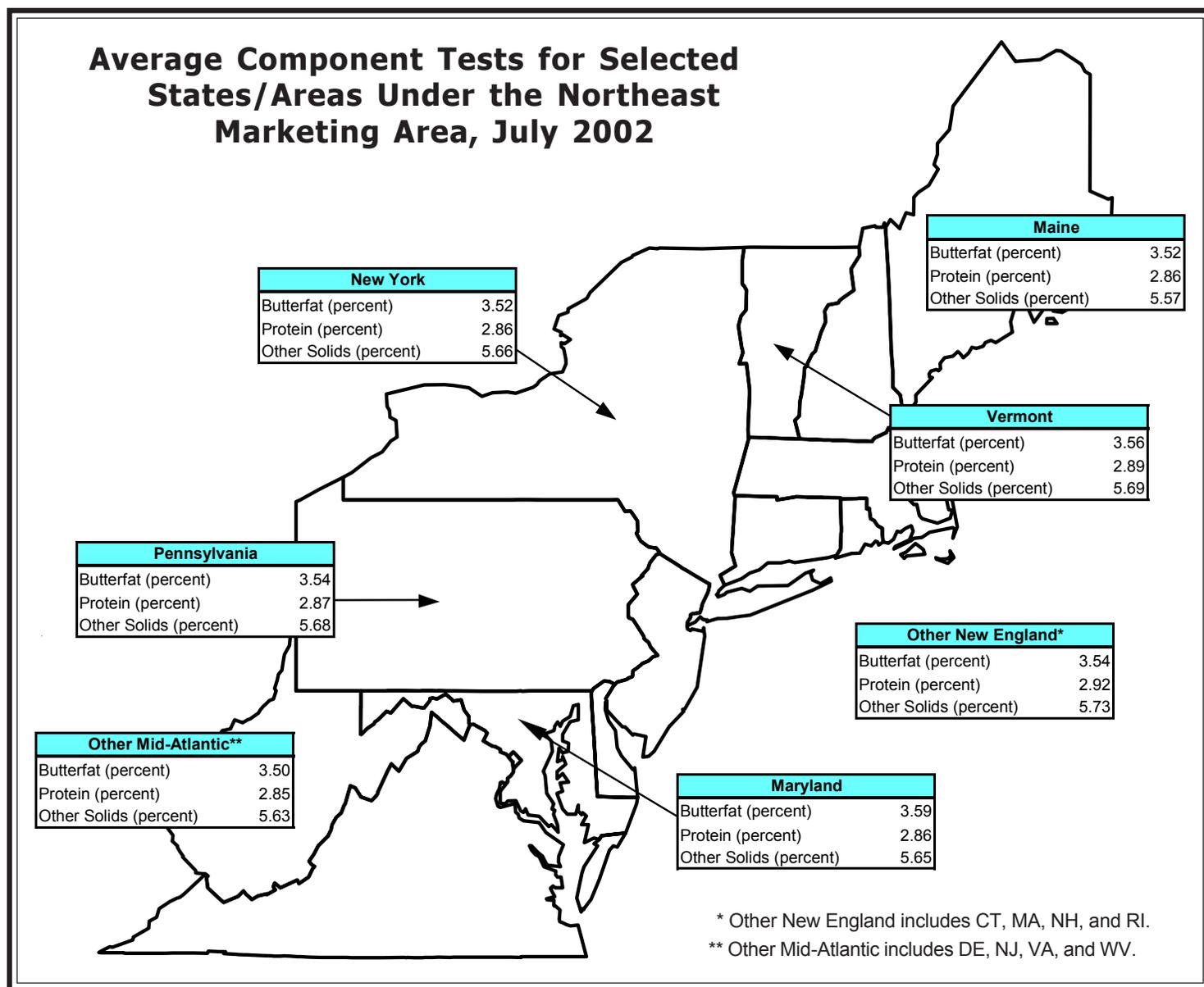
Average protein tests were highest in Other New England States at 2.92 percent and lowest in

Other Mid-Atlantic States at 2.85 percent. The average for all selected states represented on the map was 2.87 percent.

Average other solids tests were highest in Other New England States at 5.73 percent and lowest in Other Mid-Atlantic States at 5.63 percent. The average for all selected states represented on the map was 5.67 percent.

The largest range in test levels, from lowest to highest state average, was for other solids at 0.10 percentage points. The narrowest range was for protein at 0.07 percentage points.

The statistical uniform price is announced for milk containing 3.5 percent butterfat, 2.99 percent protein, and 5.69 percent other solids. The price received by an individual farmer will vary as the component composition of a farm's milk differs from these benchmark levels and by the location of the plant(s) to which the milk is delivered.❖

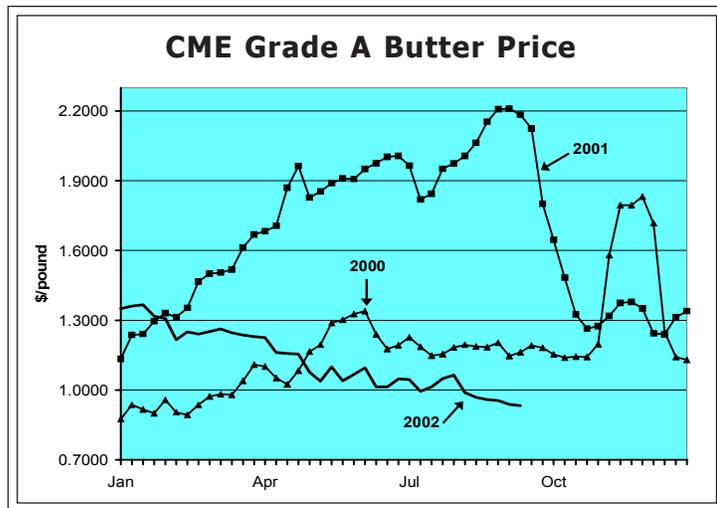


# MARKET SITUATION

## Commodity Prices

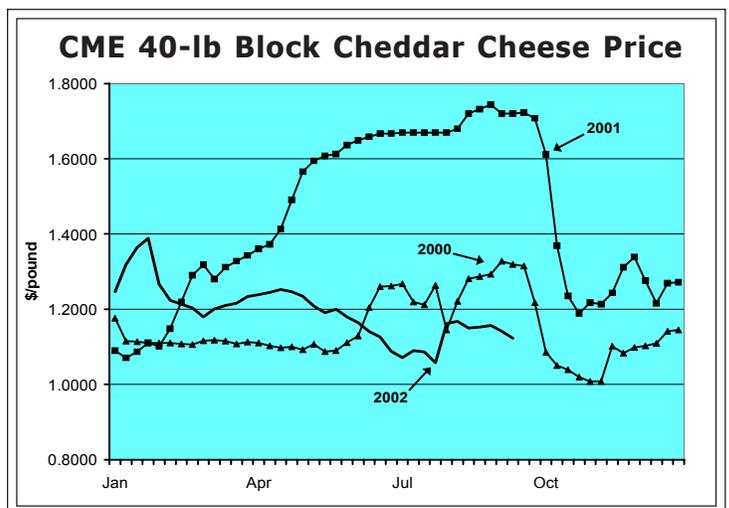
### Butter Prices

The weekly Chicago Mercantile Exchange (CME) Grade AA butter price for all 2000, 2001, and the first 37 weeks of 2002 is shown in the chart below. Since hitting \$1.3667 per pound in the third week of the year, the butter price has trended downward to its low for the year of \$0.9333 for the week ending September 13. The average butter price through week 37 is \$1.1282, only slightly above the \$1.1047 average for the same time period in 2000.



### Cheese Prices

The accompanying chart shows the CME block Cheddar cheese price has trended downward over the first 37 weeks of the year, characterized by short periods of rising prices followed by longer, more gradual declines. Most recently, the price rose \$0.1095 in 2 weeks to \$1.1675 per pound in week 32 but has since slid to \$1.1235. The average block Cheddar cheese price through week 37 is \$1.1931, about 3 cents above the \$1.1651 average for the same time period in 2000. ❖



## Changes to Other Federal Orders

A hearing to consider proposals that would amend certain pooling and related provisions of the Northeast Order was held in Alexandria, VA, from September 10-13. During the past year, other federal orders have held similar hearings to deal with pooling and other related issues. The USDA recently issued decisions on the following:

**Midwest Order**—On July 25, an interim order to amend pooling provisions was issued with an effective date of August 1. The provisions eliminated automatic pool plant status for the 6-month period of March through August, milk shipments to a distributing plant regulated by another federal milk order as pool-qualifying shipments, the “split-plant” feature, and the inclusion of certain diversions. It also established a “net shipments” standard for supply plants.

The interim order changes the producer milk provisions by increasing the number of days that the milk of a producer needs to be delivered to a pool plant; instituting year-round diversion limits, adjusted seasonally, for all pool plants; and excluding from receipts certain diversions.

**Pacific Northwest Order**—On September 5, a tentative final decision was issued that would establish a “cooperative pool manufacturing plant,” system pooling for cooperative nonpool plants, and eliminate a supply plant feature

applicable to cooperative supply plants.

Producer milk provisions include establishing a “touch-base” standard, setting a year-round limit of 80 percent on the amount of milk that can be diverted to nonpool plants, and providing authority to the Market Administrator to adjust the “touch-base” standard.

These amendments must be approved before implementation. Comments responding to the tentative decision are due by November 5, 2002. ❖

## Movements *(continued from page 1)*

volume pooled on the Northeast Order. These states included Idaho, Michigan, Minnesota, Utah, and Wisconsin. During August 2002, pooling from distant states was nearly non-existent. Even last month, milk pooled from the states mentioned (with the addition of Nevada and Kentucky) accounted for only 2.8 percent of total producer milk receipts.

Last year, the national milk supply was much tighter evidenced by the overall higher milk prices. This year’s statistical uniform price for each of the months of June, July, and August has averaged over \$5.00 less than during the same months in 2001. ❖



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**Computation of Producer Price Differential and Statistical Uniform Price**

**COMPUTATION OF PRODUCER PRICE DIFFERENTIAL**

|  | <u>Product Pounds</u> | <u>Price per cwt/lb</u> | <u>Component Value</u> | <u>Total Value</u>      |
|--|-----------------------|-------------------------|------------------------|-------------------------|
| Class I— Skim  | 867,784,884           | \$10.11                 | 87,733,051.77          |                         |
| Butterfat  | 18,089,286            | 1.1347                  | 20,525,912.82          |                         |
| Less: Location Adjustment to Handlers                            |                       |                         | (2,556,695.97)         | \$105,702,268.67        |
| Class II— Butterfat  | 27,422,241            | 1.0771                  | 29,536,495.78          |                         |
| Nonfat Solids  | 33,425,924            | 0.8400                  | 28,077,776.16          | 57,614,271.94           |
| Class III— Butterfat   | 21,160,992            | 1.0701                  | 22,644,377.54          |                         |
| Protein  | 18,263,677            | 1.9021                  | 34,739,340.04          |                         |
| Other Solids   | 35,948,324            | 0.0177                  | 636,285.32             | 58,020,002.90           |
| Class IV— Butterfat  | 5,858,645             | 1.0701                  | 6,269,336.01           |                         |
| Nonfat Solids  | 10,701,977            | 0.7674                  | 8,212,697.16           | 14,482,033.17           |
| <b>Total Classified Value</b>                                    |                       |                         |                        | <b>\$235,818,576.68</b> |
| Add: Overage—All Classes   |                       |                         |                        | 40,616.98               |
| Inventory Reclassification—All Classes                           |                       |                         |                        | (79,656.91)             |
| Other Source Receipts  | 69,935                |                         |                        | 2,769.43                |
| Less: Producer Component Valuations                              |                       |                         |                        | (192,161,094.42)        |
| <b>Subtotal</b>  |                       |                         |                        | <b>\$43,621,211.76</b>  |
| Add: Location Adjustment to Producers                            |                       |                         |                        | 9,862,177.20            |
| One-half Unobligated Balance—Producer Settlement Fund            |                       |                         |                        | 1,080,156.68            |
| <b>Total Pool Milk &amp; Aggregate Value</b>                     | 2,047,968,045         |                         |                        | 54,563,545.64           |
| Less: Producer Settlement Fund—Reserve                           |                       |                         |                        | (906,782.91)            |
| <b>Producer Price Differential @ Suffolk County, MA (Boston)</b> |                       | <b>\$2.62</b>           |                        | 53,656,762.73           |
| <b>Statistical Uniform Price @ Suffolk County, MA (Boston)</b>   |                       | <b>\$12.16</b>          |                        |                         |

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