

# The Market Administrator's **BULLETIN**

## **NORTHEAST MARKETING AREA**

**Erik F. Rasmussen**, Market Administrator

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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

### **February Pool Price Calculation**

The February 2003 statistical uniform price (SUP) for the Northeast Marketing Area was announced at \$11.79 per hundredweight for milk delivered to plants located in Suffolk County, Massachusetts (Boston), the pricing point for the Northeast Order. This was the lowest SUP reported since order reform took effect in January 2000. The statistical uniform price is calculated at 3.5 percent butterfat, 2.99 percent protein, and 5.69 percent other solids. The February producer price differential (PPD) at Suffolk County was \$2.13 per hundredweight.

The February statistical uniform price was 40 cents per hundredweight below January's price and the February PPD was 28 cents below the previous month's. All class prices declined from last month. The producer protein price increased nearly 4 cents per pound while the butterfat price decreased nearly 5 cents per pound. The February protein test (3.04 percent) was the highest recorded for February since the Order's inception. ❖

### **U.S. Milk Production Strong During 2002**

After declining 1.0 percent in 2001, total milk production in the United States grew 2.6 percent during 2002. Production was strong beginning in the first quarter of 2002 with a 2.7 percent gain. The second and third quarters were even stronger with increases of 3.0 percent each. Production growth weakened a little in the last quarter of 2002, but still posted a 1.5 percent gain over 2001. The accompanying map on page 2 shows percentage changes in milk production by state from 2001 to 2002.

Twenty states posted milk production declines in 2002. Of these, the largest drop was in South Dakota (11.1 percent). Of the gainers, five states had double-digit percent increases: Kansas (24.8), Alaska (23.1), Oregon (21.9), New Mexico (13.6), and Arizona (11.6). Colorado was a close runner-up with a 9.6 percent increase in 2002. Even though Alaska posted a significant gain in 2002, its increase is based on the state's total milk production (17.7 million pounds) and won't likely cause any advancement from its position at number fifty.

As reported by the National Agricultural Statistics Service, the top twenty milk-producing states' combined production increased 2.5 percent in 2002. Their total annual production accounted for 86.4 percent of the total amount of milk produced in the United States. (continued on Page 2)

### **Pool Summary**

- A total of 16,306 producers were pooled under the Order with an average daily delivery per producer of 4,164 pounds.
- Pooled milk receipts totaled 1.901 billion pounds, an increase of 2.3 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 44.8 percent of total milk receipts, a decrease of 0.5 percentage points from January.
- The average butterfat test of producer receipts was 3.80 percent.
- The average true protein test of producer receipts was 3.04 percent.
- The average other solids test of producer receipts was 5.70 percent. ❖

#### **Class Utilization**

<u>Pooled Milk</u>	<u>Percent</u>	<u>Pounds</u>
Class I	44.8	851,106,677
Class II	17.3	329,885,297
Class III	28.2	535,707,308
Class IV	9.7	184,634,403
Total Pooled Milk		1,901,333,685

#### **Producer Component Prices**

	<u>2003</u>	<u>2002</u>
	<u>\$/lb</u>	
Protein Price	1.8538	2.0884
Butterfat Price	1.1373	1.3817
Other Solids Price	0.0240	0.0965

#### **Class Price Factors**

	<u>2003</u>	<u>2002</u>
	<u>\$/cwt</u>	
Class I	13.48	15.20
Class II	10.66	12.28
Class III	9.66	11.63
Class IV	9.81	11.54

## U.S. Milk Production (continued from Pg. 1)

Based on data for 2002, the top *twenty* should now include Colorado, Kansas, and Oregon—displacing Kentucky, Missouri, and Virginia.

The top *ten* milk-producing states have not changed since 2001, although there has been some change in rank within the group as New Mexico continues to raise its position (see accompanying table). During 2003, Idaho—which had double-digit increases annually from 1998–2000 and a 7.4 percent increase in 2001—will likely surpass Minnesota—which has had nearly flat or declining production in the past 5 years. This will move Idaho into the number five position. Combined production for the top *ten* states increased 2.6 percent in 2002, same as the national average. These states' total production accounted for 70.5 percent of national milk production in 2001 and 2002.

In the Northeast, the thirteen states that are regular contributors to the Northeast Milk Marketing Order had a combined increase of 1.4 percent during 2002. The three top producing states—New York, Pennsylvania, and Vermont—accounted for nearly 82 percent of the Northeast total and had a combined 1.4 percent increase from 2001 even though Pennsylvania's production was down from the previous year. The only other Northeastern states reporting decreases were Connecticut, Rhode Island, and West Virginia.

Nationally, Arizona had the highest milk production per cow with 23,486 pounds in 2002. In 2001, Washington

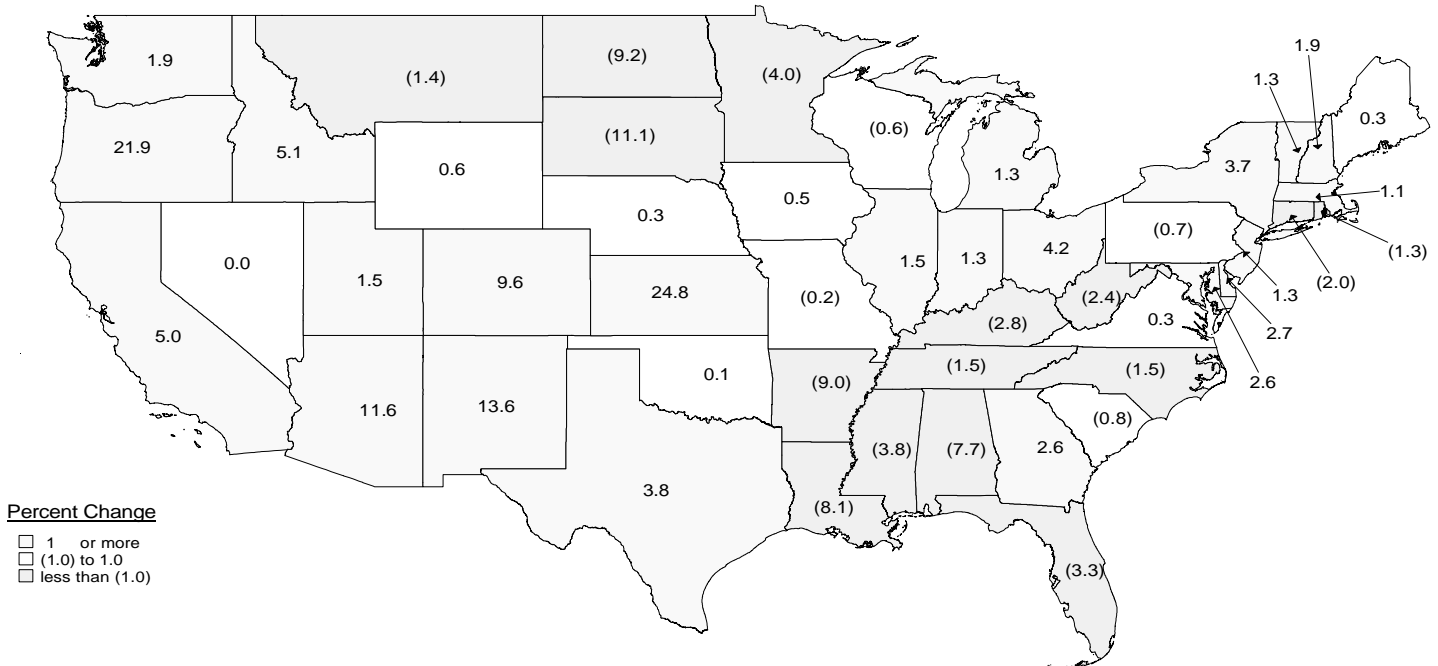
### Top Ten States Ranked by Milk Production, 2002

Rank	State	2001	2002	Percent Change
		million pounds		
1	California	33,217	34,884	5.0
2	Wisconsin	22,199	22,074	-0.6
3	New York	11,780	12,217	3.7
4	Pennsylvania	10,849	10,775	-0.7
5	Minnesota	8,812	8,458	-4.0
6	Idaho	7,757	8,155	5.1
7	New Mexico	5,561	6,316	13.6
8	Michigan	5,870	5,945	1.3
9	Washington	5,514	5,620	1.9
10	Texas	5,106	5,300	3.8
Top Ten Total		116,665	119,744	2.6
US Total		165,497	169,758	2.6

Source: National Agricultural Statistics Service, *Milk Production*

State reported the highest milk per cow with 22,324 pounds. During both years, Louisiana was at the bottom of the list with 11,704 pounds in 2001 and 11,620 pounds in 2002. Closer to home, Pennsylvania reported milk per cow of 18,419 pounds; New York had 18,019 pounds; and Vermont showed 17,552 pounds. The U.S. average was 18,571 pounds during 2002. ❖

### Percent Change in U.S. Milk Production, 2001–2002



Source: National Agricultural Statistics Service, *Milk Production*

Not shown: Alaska 23.1 percent; Hawaii (8.5) percent

# MARKET SITUATION

## Estimated MILC Payments

With the uniform milk price remaining at low levels, MILC payments are helping boost the total paid to producers for their milk. The Milk Income Loss Contract (MILC) Program monthly payment has averaged \$1.52 per hundredweight from October 2002 through March 2003. The Class I price has been below the \$16.94 trigger price for each month. Class I prices are projected for April to September 2003 based on Chicago Mercantile Exchange Class III and Class IV futures prices. Using these prices, the Class I price is projected to remain below \$16.94 at least through September 2003. The accompanying table shows actual and projected Class I milk prices and the resulting MILC payment. Payment rates are 45 percent of the difference between \$16.94 and the Boston Class I price for that month. Payments are issued up to a maximum of 2.4 million pounds of milk produced and marketed by the operation per fiscal year.

A program calculator that estimates the upcoming month's MILC payments is provided at [www.fmmone.com](http://www.fmmone.com). More information on the MILC program is available from local FSA offices or on FSA's Web site at: <http://www.fsa.usda.gov/daftp/psd/MILC.htm>. ❖

## Actual and Estimated MILC Payments

Month	Class I Price	MILC Payment
Oct-02	\$13.40	\$1.59
Nov-02	\$13.85	\$1.39
Dec-02	\$13.77	\$1.43
Jan-03	\$13.81	\$1.41
Feb-03	\$13.48	\$1.56
Mar-03	\$13.06	\$1.75
Apr-03	\$13.31	\$1.63
May-03	\$13.54	\$1.53
Jun-03	\$13.61	\$1.50
Jul-03	\$13.82	\$1.40
Aug-03	\$14.11	\$1.27
Sep-03	\$14.61	\$1.05

Note: Apr.-Sep. figures are estimates based on 3/11/03 CME settlement prices for Class III and Class IV milk.

## Pool Summary for All Federal Orders, 2001–2002

Federal Order		Total Producer Milk			Producer Price Differential#		Statistical Uniform Price#*	
Number	Name	2001	2002	Change	2001	2002	2001	2002
		pounds			percent	dollars per hundredweight		
1	Northeast	24,557,234,820	25,358,427,196	3.3	2.57	2.22	15.67	12.64
5	Appalachian	6,673,304,698	6,706,404,276	0.5	N/A	N/A	16.34	13.24
6	Florida	2,771,832,961	2,692,574,453	-2.9	N/A	N/A	17.82	14.60
7	Southeast	7,769,334,411	7,926,579,840	2.0	N/A	N/A	16.13	13.02
30	Upper Midwest	20,062,276,030	20,306,563,579	1.2	0.64	0.55	13.74	10.96
32	Central	17,835,818,754	18,699,837,676	4.8	1.06	0.84	14.16	11.26
33	Mideast	17,228,645,656	17,739,315,705	3.0	1.42	1.15	14.52	11.57
124	Pacific Northwest	7,087,614,034	7,823,715,763	10.4	1.16	0.83	14.26	11.25
126	Southwest	8,603,585,081	9,713,777,143	12.9	2.36	1.97	15.47	12.38
131	Arizona-Las Vegas	2,956,124,701	3,026,555,777	2.4	N/A	N/A	14.49	11.49
135	Western	4,476,934,536	5,552,476,195	24.0	0.90	0.68	14.00	11.12
All Market Total/Average		120,022,705,682	125,546,227,603	4.6	1.45	1.18	15.14	12.14

# Price at designated order location.

\* Price at 3.5% butterfat.

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



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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	833,784,739	\$9.45	78,792,657.84	
Butterfat	17,321,938	1.2458	21,579,670.36	
Less: Location Adjustment to Handlers			(2,539,929.22)	\$97,832,398.99
Class II— Butterfat	24,271,387	1.1443	27,773,748.13	
Nonfat Solids	27,756,631	0.7667	21,281,009.02	49,054,757.15
Class III— Butterfat	19,822,421	1.1373	22,544,039.41	
Protein	16,242,329	1.8538	30,110,029.49	
Other Solids	30,478,063	0.0240	731,473.52	53,385,542.42
Class IV— Butterfat	10,771,119	1.1373	12,249,993.63	
Nonfat Solids	15,851,084	0.6711	10,637,662.49	22,887,656.12
<b>Total Classified Value</b>				<b>\$223,160,354.68</b>
Add: Overage—All Classes				32,019.72
Inventory Reclassification—All Classes				6,638.28
Other Source Receipts	356,008			10,429.68
Less: Producer Component Valuations				(191,693,446.47)
<b>Subtotal</b>				<b>\$31,515,995.89</b>
Add: Location Adjustment to Producers				8,952,759.89
One-half Unobligated Balance—Producer Settlement Fund				977,334.94
<b>Total Pool Milk &amp; Aggregate Value</b>	1,901,689,693			41,446,090.72
Less: Producer Settlement Fund—Reserve				(940,100.30)
<b>Producer Price Differential @ Suffolk County, MA (Boston)</b>		<b>\$2.13</b>		40,505,990.42
<b>Statistical Uniform Price @ Suffolk County, MA (Boston)</b>		<b>\$11.79</b>		

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