

The Market Administrator's **BULLETIN**

NORTHEAST MARKETING AREA

Erik F. Rasmussen, Market Administrator

April 2003

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

April Pool Price Calculation

The April 2003 statistical uniform price (SUP) for the Northeast Marketing Area was announced at \$11.45 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 \$2.04 per hundredweight.

The April statistical uniform price was 2 cents per hundredweight above March's price and the April PPD was 28 cents below the previous month's. All class prices declined from last month except the Class III price, which increased 30 cents per hundredweight. 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. Overall, the SUP was slightly higher due to higher butterfat and protein prices even though there was a negative other solids price for April (see related article).❖

April Other Solids Price is Negative

The other solids component price for April 2003 was $-\$.0008$ per pound. The negative price was a result of the combination of revised price formulas and low dry whey prices. The revised Class III and IV pricing formulas, including a modified other solids formula, became effective in April. The formula used to calculate the other solids price is: **Other Solids = (NASS Dry Whey Price -0.159) × 1.03**

The values in the formula consist of:

- National Agricultural Statistical Service (NASS) dry whey price that is based on a nationwide survey of plants that manufacture dry whey.
- 0.159 is the "make allowance" and represents the cost of transforming liquid whey into dry whey. It is subtracted from the wholesale commodity price to determine the raw ingredient price.
- 1.03 is the yield factor and represents the number of pounds of dry whey it takes to produce a pound of other solids.

Remember, since federal orders use manufactured product prices to set the base milk price, the NASS product prices are adjusted back to a milk value price.

(continued on page 2)

Pool Summary

- A total of 16,193 producers were pooled under the Order with an average daily delivery per producer of 4,342 pounds.
- Pooled milk receipts totaled 2.109 billion pounds, an increase of 1.4 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 41.3 percent of total milk receipts, no change from March on a percentage point basis.
- The average butterfat test of producer receipts was 3.72 percent.
- The average true protein test of producer receipts was 2.98 percent.
- The average other solids test of producer receipts was 5.72 percent.❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	41.3	870,796,063
Class II	17.5	369,578,731
Class III	28.5	600,535,065
Class IV	12.7	268,383,477
Total Pooled Milk		2,109,293,336

Producer Component Prices

	2003	2002
	\$/lb	
Protein Price	1.8006	2.0109
Butterfat Price	1.1503	1.2890
Other Solids Price	(0.0008)	0.0566

Class Price Factors

	2003	2002
	\$/cwt	
Class I	12.89	14.72
Class II	10.44	11.88
Class III	9.41	10.85
Class IV	9.73	11.09

Other Solids *(continued from page 1)*

The revised formula adopted a higher make allowance (0.159 versus 0.14), which was increased to reflect the higher cost of drying whey than of drying nonfat dry milk. In addition, an allowance for component losses that occur in the farm-to-plant transfer was included, and the formula yield factor was changed to a multiplier instead of a divisor. Since the NASS dry whey survey price for April was \$0.1582 per pound and the make allowance, 0.159, was greater than the value of the dry whey, the formula yielded a negative value. The change in the yield factor from a divisor to a multiplier has no impact on whether the price is positive or negative.

In USDA's impact study of the formula changes, USDA projected the average other solids component price to be

\$0.0197 per pound lower during the 2003-2007 time period. With dry whey prices hovering in the 15 to 17 cents per pound range, it is likely that the other solids price could again be negative.❖

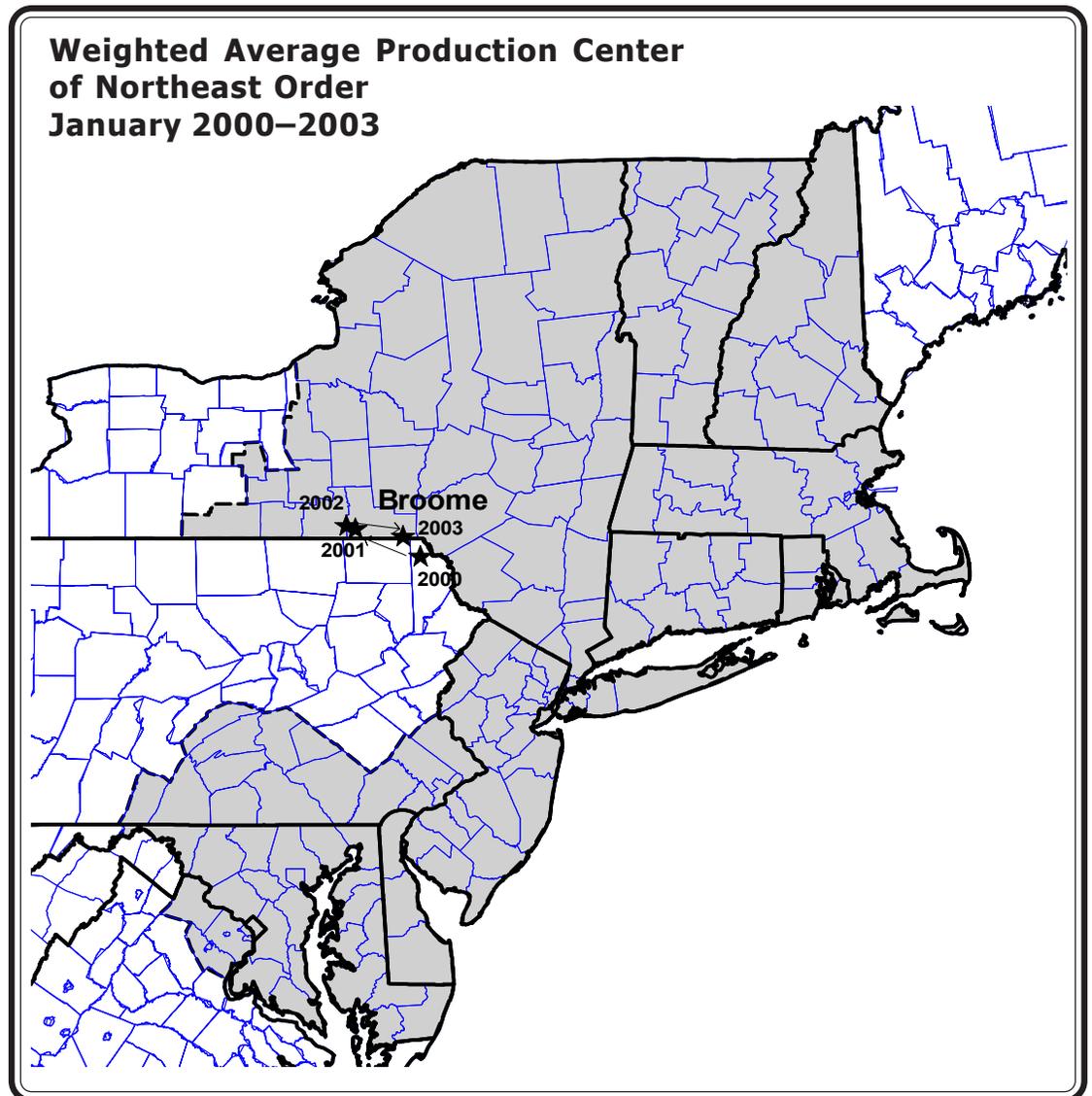
Annual Bulletin Available

The 2002 Annual Statistical Bulletin for the Northeast Milk Marketing Area is now available. The report provides information about the operation of the Northeast Marketing Area. The 56-page report can be found on our website at www.fmmone.com. Copies may be requested free of charge by contacting the Albany office at (518) 452-4410 or E-mail: MAAlbany@fedmilk1.com.❖

Shifts in the Center of Northeast Order Production

Broome County, New York, is the center of the Northeast Order milkshed based on data for January 2003. The milkshed encompasses all counties having producers shipping milk to handlers regulated under the Northeast Order. The conceptual center of the milkshed is calculated by weighting each farm's location by its production. The center of the milkshed does shift over time. When looking at January 2000 through January 2003, the center shifted from Wayne County, Pennsylvania, in 2000, to Broome County, New York, in 2001. It then moved to Tioga County, New York, in 2002, and then back to Broome County, New York, in 2003.

The shift west in the years 2001 and 2002 was largely caused by milk pooled on the Northeast Order from states not traditionally part of the Northeast milkshed beginning approximately December 2000. These states include Idaho, Michigan, Minnesota, Nevada, Utah, Wisconsin, and Wyoming. These "other area" milk receipts totaled 64 and 70 million



pounds in January 2001 and 2002, respectively. The center shifted back east due to the change in pooling provisions that prevented or discouraged such pooling practices. The result was a drop in "other area" pool receipts from 64 million pounds in July 2002 to just 2 million pounds in August 2002. Other area receipts peaked at approximately 108 million pounds during the months of May and June 2001.❖

MARKET SITUATION

Manufactured Dairy Product—2002 Summary

USDA's National Agricultural Statistics recently released their *Dairy Products Annual for 2002*. This publication summarizes dairy products manufactured in the United States.

Cheese Production Grows

Cheese production (excluding cottage) grew 4.1 percent from 2001. American continued to be the number one cheese produced in the United States and grew 4.7 percent in 2002. Over 3.7 billion pounds were made during the year, accounting for 43 percent of all cheese manufactured. Italian cheese was the next largest product, increasing 2.4 percent from 2001 to 3.5 billion pounds.

Swiss cheese production grew 3.5 percent; cream and Neufchatel jumped 10.0 percent; and all other cheese production (Muenster, brick, Limburger, blue, Hispanic, and other varieties) increased 5.0 percent.

Other Manufactured Products

Butter production was up 10.0 percent from 2001 and totaled about 1.4 billion pounds. Yogurt increased 6.6 percent totaling 2.1 billion pounds in 2002. Ice cream production grew 1.9 percent while unsweetened condensed milk jumped 10.3 percent. Nonfat dry milk production increased 11.0 percent from the previous year.

During 2002, the Commodity Credit Corporation (CCC) purchased 681.9 million pounds of NFD, over 43.0 percent of the total produced. The CCC also purchased 12.9 million pounds of cheese, but no butter.

Leading Manufacturing States

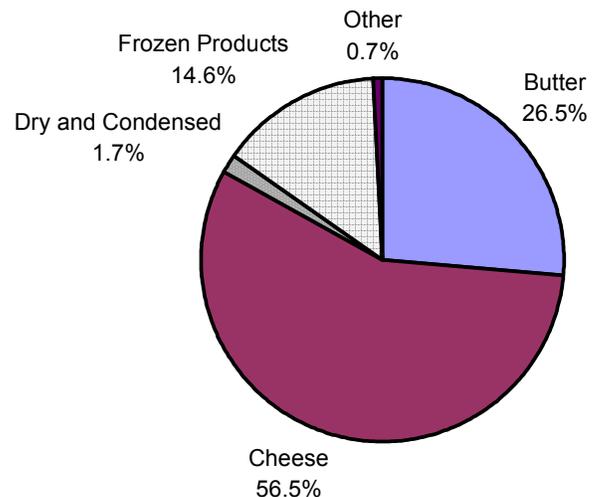
Once again, Wisconsin lead the nation as the top cheese-producing state with 26.0 percent of all cheese made (excluding cottage). This percentage was down slightly, from 25.8 in 2001. California ranked second in cheese production with 20.0 percent of total U.S. cheese. New York was the third largest cheese manufacturing state with 8.3 percent; Idaho moved up to the fourth position with 7.2 percent; and Minnesota dropped to fifth with 6.9 percent.

The top butter producing states were California (28.0 percent), Wisconsin (25.3 percent), and Washington (7.9 percent). Of the states reporting, California had the largest yogurt production followed by New York. California also ranked first in nonfat dry milk production (for human food) with 48.4 percent of total production.

Utilization of Milk Marketings

Of the total amount of milk marketed in 2002, 63.0 percent was used for manufactured dairy products, up from 61.0 percent in 2001. On a net whole milk equivalent basis, the proportions used in selected dairy products (see accompanying chart) changed slightly in 2002. Most notably, butter increased from 25.6 to 26.5 percent and frozen products decreased from 15.7 to 14.6 percent. Proportions for cheese and other products were unchanged while evaporated, dry, and condensed products increased 0.2 percentage points.❖

Whole Milk Equivalents Used in Manufactured Products



CWT Informational Meetings Scheduled

Cooperatives representing producers located in the Northeast will be holding informational meetings on the Cooperatives Working Together (CWT) program. This program was developed through the National Milk Producers Federation with input from dairy producers across the country.

The CWT's objective is to develop and implement a multidimensional, farmer-led and farmer-funded program that will strengthen and stabilize producer milk prices for a minimum of 12 months. The CWT will work to achieve its goal by addressing supply and demand imbalances. It is not a government program.

The three programs CWT is finalizing include:

- a herd purchasing program to reduce the overall number of dairy cows in the national herd;
- an export price assistance program to stimulate the sale of U.S. dairy products overseas; and
- a market reduction program to provide incentives for producers to reduce their milk marketings.

The meetings are open to all dairy producers and agribusiness professionals who are interested in learning more about the details of this national program. Meetings will be held from mid-May through the beginning of June. For more information on dates, times, and locations, call the Northeast CWT Hotline at 1-888-858-7813.❖



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, gender, 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 326W, Whitten Building, 1400 Independence Avenue, SW, Washington, DC 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	852,979,802	\$9.17	78,218,247.84	
Butterfat	17,816,261	1.1552	20,581,344.71	
Less: Location Adjustment to Handlers			(2,613,676.25)	\$96,185,916.35
Class II— Butterfat	27,526,702	1.1573	31,856,652.22	
Nonfat Solids	30,900,727	0.7356	22,730,574.79	54,587,227.01
Class III— Butterfat	22,826,593	1.1503	26,257,429.99	
Protein	17,803,111	1.8006	32,056,281.66	
Other Solids	34,237,995	(0.0008)	(27,390.44)	58,286,321.21
Class IV— Butterfat	10,374,566	1.1503	11,933,863.27	
Nonfat Solids	23,409,702	0.6564	15,366,128.38	27,299,991.65
Total Classified Value				\$236,359,456.22
Add: Overage—All Classes				85,794.32
Inventory Reclassification—All Classes				30,706.26
Other Source Receipts	64,332			2,213.02
Less: Producer Component Valuations				(203,350,743.20)
Subtotal				\$33,127,426.62
Add: Location Adjustment to Producers				10,070,545.55
One-half Unobligated Balance—Producer Settlement Fund				875,712.32
Total Pool Milk & Aggregate Value	2,109,357,668			44,073,684.49
Less: Producer Settlement Fund—Reserve				(1,042,787.96)
Producer Price Differential @ Suffolk County, MA (Boston)		\$2.04		43,030,896.53
Statistical Uniform Price @ Suffolk County, MA (Boston)		\$11.45		

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