

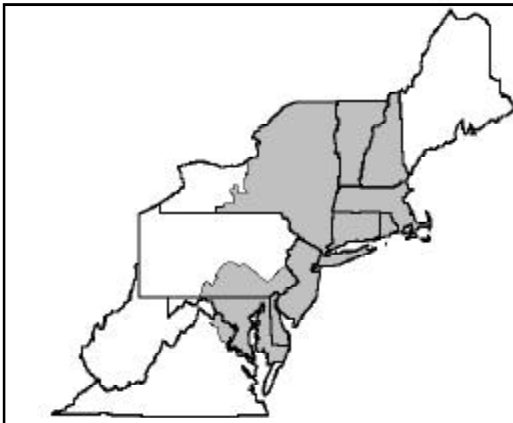
The Market Administrator's BULLETIN

NORTHEAST MARKETING AREA

Erik F. Rasmussen, Market Administrator

May 2003

Federal Order No. 1



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May Pool Price Calculation

The May 2003 statistical uniform price (SUP) for the Northeast Marketing Area was announced at \$11.60 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 May producer price differential (PPD) at Suffolk County was \$1.89 per hundredweight.

The May statistical uniform price was 15 cents per hundredweight above April's price and the May PPD was 15 cents below the previous month's. The greatest change in class prices was in the Class III price, which increased 30 cents per hundredweight from last month.

Other Solids Negative Again

The SUP increased slightly due to higher butterfat and protein prices offsetting the negative other solids price. The negative price was the result of continued low dry whey prices. For an explanation of the price calculation, refer to the April *Bulletin*. ❖

US Milk Production Up, but Not in Northeast

During the first 4 months of 2003, total milk production in the United States increased 1.1 percent compared to the same period in 2002. National milk production is estimated by the National Agricultural Statistics Service (NASS) based on actual survey data from the top twenty milk producing states.

The table on page 3 shows the top ten milk producing states' total production from January through April 2003 and the percent change from the same months during 2002. Overall, these states had a combined increase of 2.1 percent from last year. The combined New England states registered a 3.3 percent decline for the first 3 months of 2003. All other Northeastern states typically included in the Northeast Order milkshed had decreases as well.

The only top twenty states that had increases during this period were located in the west (California, Idaho, and Washington); the southwest (Arizona, New Mexico, and Texas); and in the upper Midwest (Illinois, Iowa, Michigan, and Wisconsin).

Normally, during the months of March, April, and May, the Northeast Order experiences an increase in producer milk receipts referred to as the "spring flush". This spring, milk pooled under the
(continued on page 3)

Pool Summary

- A total of 16,145 producers were pooled under the Order with an average daily delivery per producer of 4,349 pounds.
- Pooled milk receipts totaled 2.177 billion pounds, a decrease of 0.1 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 42.1 percent of total milk receipts, an increase of 0.8 percentage points from April.
- The average butterfat test of producer receipts was 3.66 percent.
- The average true protein test of producer receipts was 2.96 percent.
- The average other solids test of producer receipts was 5.72 percent. ❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	42.1	917,357,346
Class II	17.4	377,570,613
Class III	28.0	609,235,748
Class IV	12.5	272,755,038
Total Pooled Milk		2,176,918,745

Producer Component Prices

	2003	2002
	\$/lb	
Protein Price	1.9275	2.2097
Butterfat Price	1.1512	1.1433
Other Solids Price	(0.0144)	0.0371

Class Price Factors

	2003	2002
	\$/cwt	
Class I	12.96	14.51
Class II	10.43	11.29
Class III	9.71	10.82
Class IV	9.74	10.57

Top Ten Northeast Order Counties—Milk Receipts

In 2002, the top ten counties in terms of milk pooled on the Northeast Order accounted for 29.5 percent of all milk pooled during the year, up from 28.6 percent in 2001. It should be noted that pooled milk receipts do not necessarily account for all milk produced in the county. Milk shipped to other federal orders, state orders, or unregulated areas is not included in these figures.

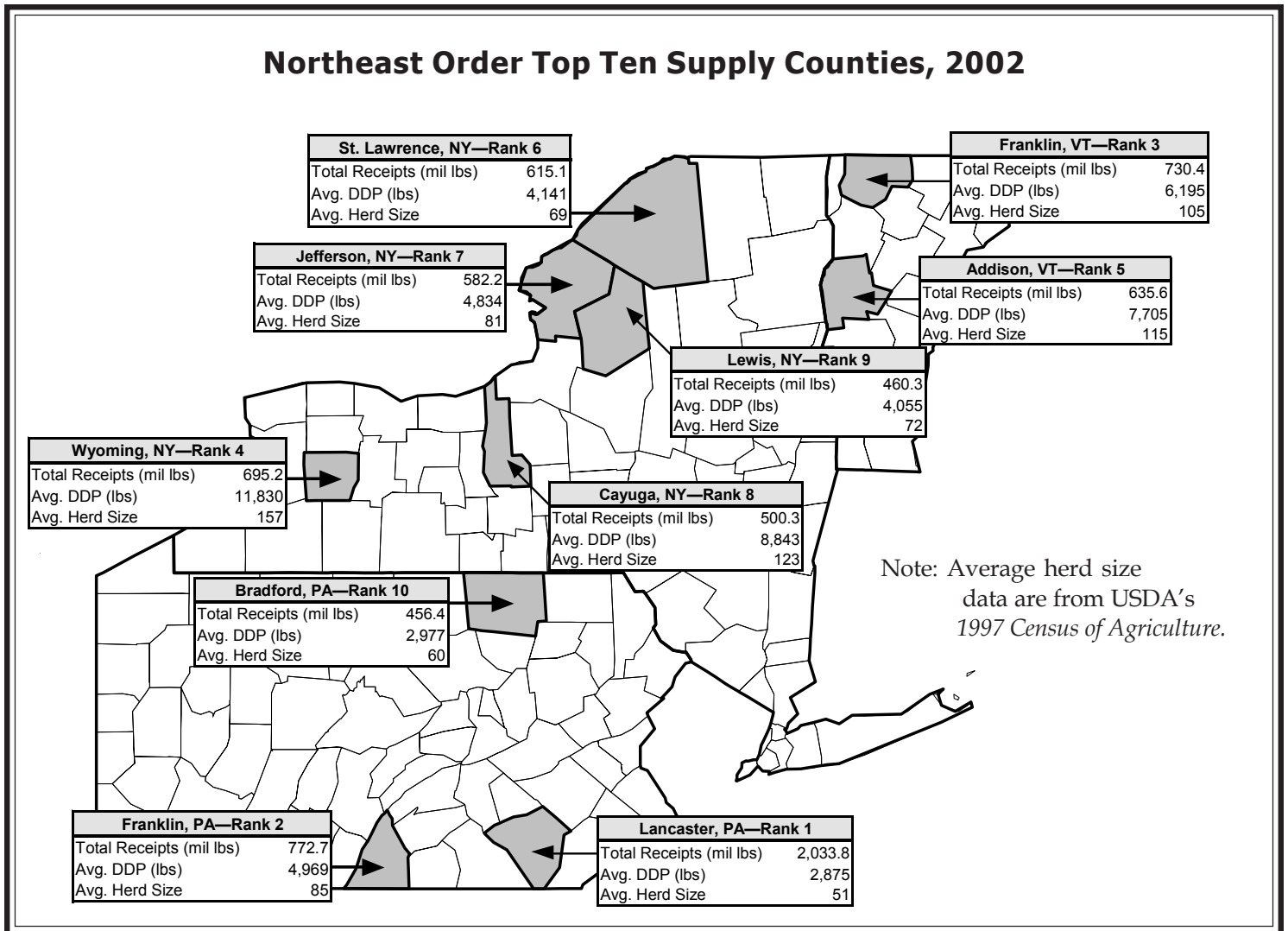
Lancaster County, PA, led all counties for the year with over 2 billion pounds pooled, more than 2.5 times second ranked Franklin County, PA, which pooled about 773 million pounds. Franklin County, VT, was third with 730 million pounds. The counties of Wyoming, St. Lawrence, Jefferson, Cayuga, and Lewis in New York; Addison in Vermont; and Bradford in Pennsylvania, round out the top ten. The accompanying figure ranks the top ten counties by Northeast Order pooled milk receipts and includes statistics on daily deliveries by producer (DDP) and average herd size.

The top three positions remained as they were in 2001. Wyoming County, NY, moved up three positions from seventh to fourth. Addison County, VT; St. Lawrence

County, NY; and Jefferson County, NY, each slipped one position to fifth, sixth, and seventh, respectively. Lewis County, NY, and Bradford County, PA, swapped positions finishing ninth and tenth, respectively. Cayuga County, NY, remained in the eight position.

Lancaster County, PA, also had the largest number of producers of the top ten supply counties, registering an average 1,938 during 2002, up from 1,907. The second-ranked county, Franklin County, PA, also ranked second in producers with an average of 426, down slightly from 438 in 2001. Cayuga County, NY, averaged the smallest number of producers of the top ten counties with 155. In total, the top ten counties accounted for an average of 27.5 percent of all pool producers during 2002, which was up slightly from 27.4 percent in 2001.

All top ten counties experienced increased DDP. Of these counties, Wyoming County, NY, had the highest DDP in 2002 at 11,830 pounds, up from 10,672 pounds the previous year when it led the same group. Top ranked Lancaster County, PA, had the lowest DDP at 2,875 pounds. ❖



MARKET SITUATION

Commodity Prices

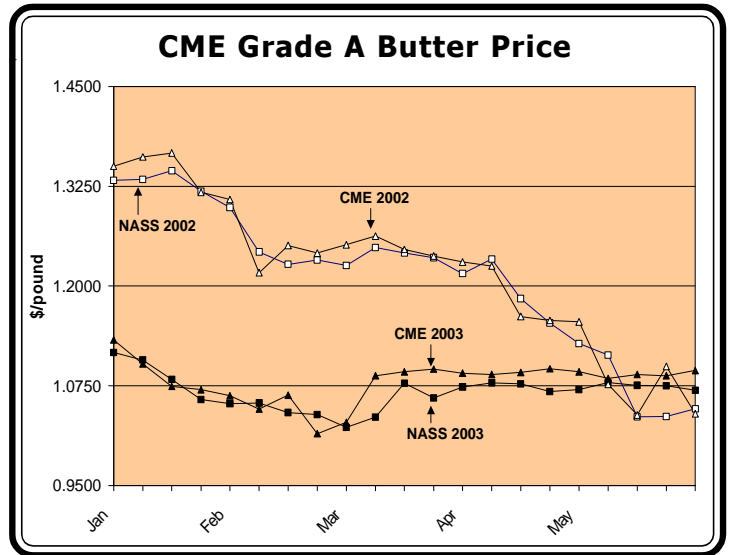
Cheese Prices

For the first 5 months of 2003, prices for 40-pound block Cheddar on the Chicago Mercantile Exchange (CME) averaged \$1.1176 per pound, \$0.0073 per pound higher than block Cheddar prices reported by the National Agricultural Statistics Service (NASS). The NASS cheese price is used in calculating prices under federal orders.

As depicted in the chart, both prices follow the same trend, yet the NASS prices tend to lag behind the CME prices. In addition, the NASS prices appear to be somewhat less volatile; they usually do not peak as high as CME prices, but also, they generally do not reach as severe lows as the CME prices. For example, during the period shown, the CME price peaked at \$1.1713 per pound at the end of January while the NASS price peaked at \$1.1563 per pound in February. On the low side, the CME price hit \$1.0080 per pound in March, while the NASS price bottomed at \$1.0610 per pound, also in March. Over this period, CME prices ranged 16 cents while NASS prices only ranged about 10 cents.

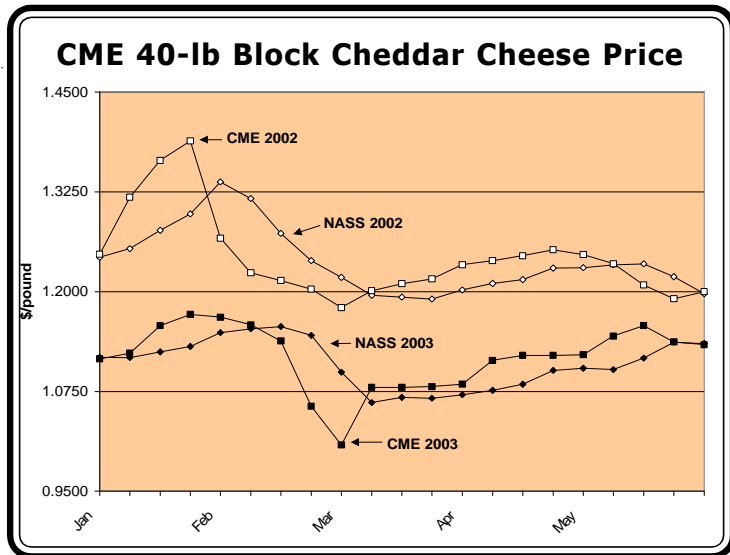
Compared to the previous year, both CME and NASS prices averaged nearly 13 cents per pound less during the five-month period in 2003.

in 2002. Butter prices during the January–May period in 2003 averaged 14 cents per pound lower than in 2002 as reported by both NASS and CME. ❖



US Milk Production (continued from Pg. 1)

order was below last year during each of the spring flush months. Part of this decline was due to handlers deciding to pool milk elsewhere, especially milk coming into the marketing order from distant states. Even with this milk excluded, total pooled milk was 2.7 percent less than last year. This trend coincides with the NASS data. ❖



Butter Prices

Similar behavior is seen with butter prices; they follow the same trend with the NASS prices displaying less volatility. Since the beginning of 2003, the CME butter price ranged from a high of \$1.1325 to a low of \$1.0150 per pound, a difference of nearly 12 cents. The NASS price ranged from \$1.1166 to \$1.0229 per pound, a range of 9 cents.

Overall, the CME price averaged \$0.0130 per pound higher than the NASS price during the first 5 months of 2003. This compares with a difference of \$0.0079 per pound

Top Ten States Ranked by Milk Production, January–April 2003

State	Million Pounds	Percent Change from 2002
California	11,853	4.1
Wisconsin	7,434	0.4
New York	4,052	(0.4)
Pennsylvania	3,603	(1.3)
Minnesota	2,839	(3.4)
Idaho	2,798	7.3
New Mexico	2,192	7.3
Michigan	2,015	3.2
Texas	1,960	4.1
Washington	1,863	1.1
Top Ten Total	40,609	2.1
US Total	57,599	1.1

Source: NASS, Milk Production



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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	898,652,821	\$9.16	82,316,598.40	
Butterfat	18,704,525	1.1787	22,047,023.62	
Less: Location Adjustment to Handlers			(2,763,025.29)	\$101,600,596.71
Class II— Butterfat	29,008,094	1.1582	33,597,174.47	
Nonfat Solids	31,403,670	0.7344	23,062,855.27	56,660,029.74
Class III— Butterfat	22,243,944	1.1512	25,607,228.34	
Protein	17,967,399	1.9275	34,632,161.66	
Other Solids	34,744,301	(0.0144)	(500,317.92)	59,739,072.08
Class IV— Butterfat	9,730,793	1.1512	11,202,088.89	
Nonfat Solids	23,754,810	0.6574	15,616,412.11	26,818,501.00
Total Classified Value				\$244,818,199.53
Add: Overage—All Classes				75,450.11
Inventory Reclassification—All Classes				106,842.84
Other Source Receipts	128,140			3,581.81
Less: Producer Component Valuations				(214,084,088.65)
Subtotal				\$30,919,985.64
Add: Location Adjustment to Producers				10,347,039.59
One-half Unobligated Balance—Producer Settlement Fund				951,867.10
Total Pool Milk & Aggregate Value	2,177,046,885			42,218,892.33
Less: Producer Settlement Fund—Reserve				(1,072,706.11)
Producer Price Differential @ Suffolk County, MA (Boston)		\$1.89		41,146,186.22
Statistical Uniform Price @ Suffolk County, MA (Boston)		\$11.60		

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