

The Market Administrator's **BULLETIN**

NORTHEAST MARKETING AREA

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September Pool Price Calculation

The September 2003 statistical uniform price (SUP) for the Northeast Marketing Area was announced at \$15.01 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 September producer price differential (PPD) at Suffolk County was \$0.71 per hundredweight.

The September statistical uniform price was \$1.29 per hundredweight above August's price and the highest SUP since November 2001. The September PPD was 79 cents above the previous month's. The spread between the Class I and Class III prices increased to \$2.66, compared with 42 cents in August. This increase in the spread between the classes resulted in a higher pool valuation. Even though producer component values grew, the increased class valuation resulted in a higher PPD, bringing it back to a positive level at the Boston differential zone. Producers shipping to plants located in zones having a Class I differential of \$2.50 or less would still see a negative PPD.

Once again, the protein price set a new record high. Even though the protein test was not the highest, the September producer protein value was the largest reported since federal order reform began.❖

Hearing Proposal Update

The USDA extended the time for submitting additional proposals to be considered in connection with a hearing request currently under review that would amend the fluid milk product definition in all federal milk marketing orders. The deadline for submitting proposals is extended from September 19, 2003, to **January 30, 2004**.

For additional proposal information, visit our website at www.fmmone.com or call the Albany Office.❖

National Dairy Board Appointees

The USDA recently named seven new members and reappointed five incumbents to the National Dairy Promotion and Research Board. All will serve 3-year terms from November 1, 2003, through October 31, 2006.

In the Northeast, Lewis Gardner from Galeton, PA, (region 11) and Edgar A. King from Schuylerville, NY, (region 12) were reappointed to serve second terms.❖

Pool Summary

- A total of 16,113 producers were pooled under the Order with an average daily delivery per producer of 3,894 pounds.
- Pooled milk receipts totaled 1.882 billion pounds, an increase of 0.1 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 49.1 percent of total milk receipts, an increase of 4.2 percentage points from August.
- The average butterfat test of producer receipts was 3.64 percent.
- The average true protein test of producer receipts was 3.00 percent.
- The average other solids test of producer receipts was 5.67 percent.❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	49.1	924,518,591
Class II	20.5	386,808,589
Class III	26.4	496,677,380
Class IV	4.0	74,430,302
Total Pooled Milk		1,882,434,862

Producer Component Prices

	2003	2002
	\$/lb	
Protein Price	3.3180	2.0646
Butterfat Price	1.2218	1.0099
Other Solids Price	0.0170	0.0367

Class Price Factors

	2003	2002
	\$/cwt	
Class I	16.96	13.71
Class II	10.76	10.91
Class III	14.30	9.92
Class IV	10.05	10.22

Dairy Programs Forward Contract Study

USDA has recently released an update to the study of the Dairy Forward Pricing Pilot Program and its effect on milk prices paid to producers. The program exempts handlers receiving pooled milk under the Federal Milk Order Program from paying producers and cooperative associations the minimum federal order blend price for that portion of program-eligible milk that is under forward contract.

The study calculated milk prices received by producers under fixed forward contracts versus what they would have received if they had not opted for a fixed-contract price for the period September 2000 through March 2002. In this latest update, data through December 2002 was added. The average monthly price received for contract milk was \$14.06, ranging from a low of \$13.23 to a high of \$14.86. The average monthly price of the same milk, had it not been under contract, was \$13.68, ranging from a low of \$11.07 to a high of \$17.75. The stable price benefit of forward contracting is clear when comparing a price range of \$1.63 for farms that contracted and a price range of \$6.68 for those that did not (see chart).

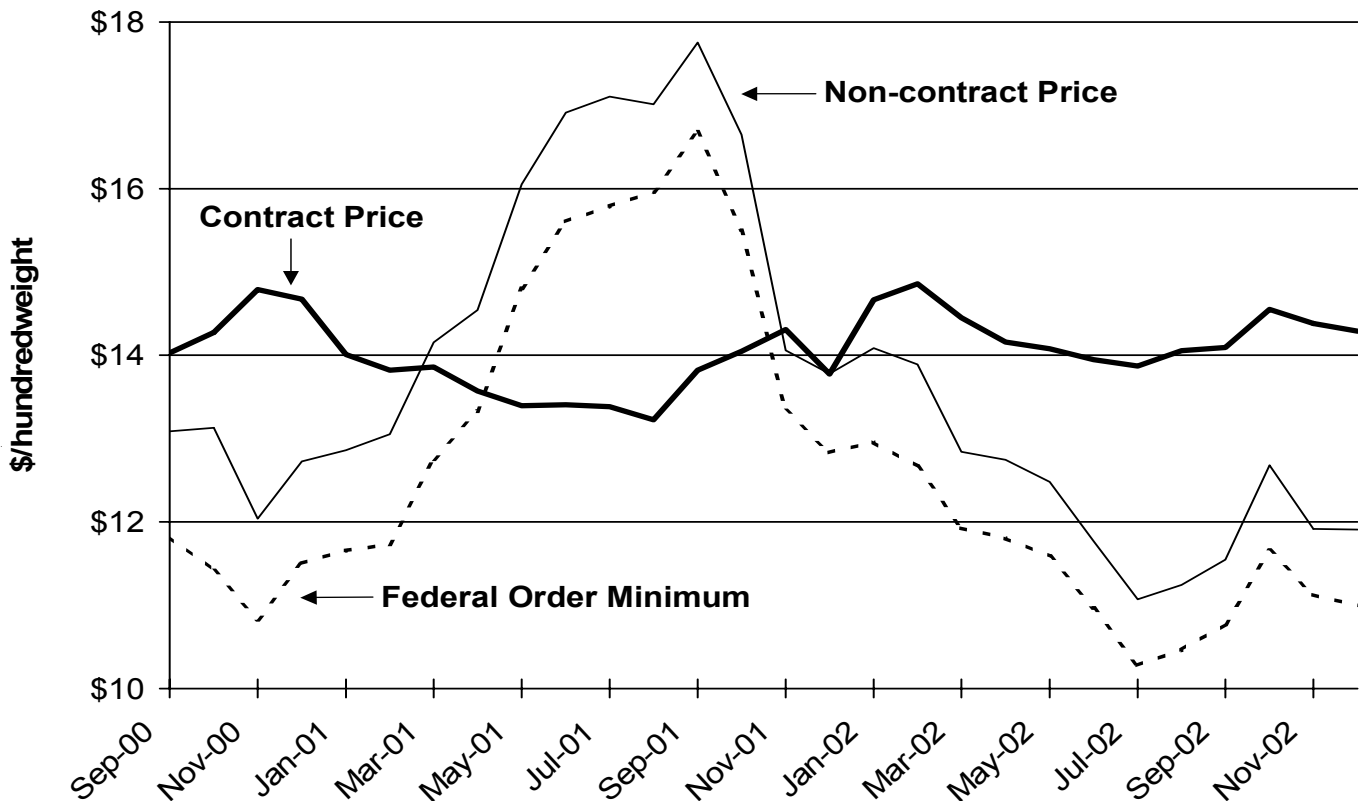
Over the 28 months covered in the study to date, contract prices were below non-contract prices for 9 months.

Based on the prices reported in the study, a hypothetical farm producing 100,000 pounds per month that contracted would have received \$10,687 more during the 28-month study period than an identical farm that did not. In the first 14 months, the contracting farm would have received \$12,778 less than the farm that did not contract; however, in the last 14 months, the contracting farm received \$23,465 more than the non-contract farm.

Participation in the program has been small when considered in terms of number of producers, number of handlers, or milk quantities. Participation by producers has averaged 504 per month, peaking in April 2001 with 1,141 producers, but dropping off sharply in 2002, reaching a low point of 137 producers in February 2002. The program averaged 191 participants since May 2002. On average, 76 percent of participants are farms producing less than 400,000 pounds per month. Almost 12 percent of participants produce one million pounds or more per month.

Information from this ongoing study for January 2003 through June 2003 is expected to be available in January of 2004, and information for the rest of 2003 will be available in July 2004. Further updates are expected in January and July of 2005. ❖

Average Prices at Test: Contract Price, Non-contract Price, and Federal Order Minimum, September 2000–December 2002



Source: USDA-AMS-Dairy Programs.

MARKET SITUATION

CCC Purchases Increase Again

During the marketing year (MY) October 1, 2002, through September 30, 2003, the Commodity Credit Corporation (CCC) purchased over 4.9 billion pounds of dairy products (on a total solids milk equivalent basis) under the dairy price support program. This was an increase of 5.3 percent from last year and the largest volume purchased since MY 1991.

The accompanying table shows purchases since 1991. For the first time in 8 years, the CCC purchased butter under the program. This occurred during the third week of January. Weekly butter purchases were common for the next 5 months, but none have taken place since mid-June. Some cancellations occurred with the most recent near the end of July. During the last 2 months of the MY, there was no butter activity. Nearly 89 percent of all butter purchases were bulk, the rest being packaged.

Cheese purchases increased 455 percent from the last MY. Purchase activity occurred nearly every week of the MY, compared to only the last quarter of the previous MY. Of the total cheese purchases, 77 percent were process cheese. During the last MY, cheese purchases were about equally made up of block, barrel, and process cheese.

Purchases of nonfat dry milk (NFDM) dropped 3.9 percent during MY 2002-03. Less than 1 percent of the

CCC Purchases of Dairy Products Under the Support Program, 1991-2003*

MY# Ending	Butter	Cheese	NFDM	Milk
				Equivalent Total
(million pounds)				
1991	442.8	76.9	269.5	6,539.7
1992	403.5	56.3	9.4	4,156.2
1993	327.6	4.9	18.0	3,055.2
1994	168.6	0.0	50.8	1,841.1
1995	26.4	0.0	24.6	406.2
1996	0.0	0.0	0.0	0.0
1997	0.0	1.9	31.9	244.1
1998	0.0	0.0	121.3	857.6
1999	0.0	0.0	186.1	1,315.9
2000	0.0	6.9	490.0	3,532.1
2001	0.0	1.1	398.9	2,927.7
2002	0.0	7.4	653.2	4,690.0
2003	11.4	41.1	628.0	4,937.3

* Does not include purchases under Dairy Export Incentive Program.

Marketing year: October 1 through September 30.

Sources: Commodity Credit Corporation; Dairy Market News

total NFDM purchased under the program was fortified, the bulk being nonfortified. During MY 2001-02, all NFDM purchased by the CCC was nonfortified. Uncommitted inventories remained at 1.18 billion pounds. About 4 percent of this total was fortified NFDM. There were no uncommitted inventories of butter or cheese at the end of the MY. ❖

Pool Summary for All Federal Orders, January-September, 2002-2003

Federal Order		Total Producer Milk			Producer Price Differential#		Statistical Uniform Price#*	
Number	Name	2002	2003	Change	2002	2003	2002	2003
		pounds			percent	dollars per hundredweight		
1	Northeast	19,322,345,208	18,240,550,624	-5.6	2.22	1.56	12.74	12.37
5	Appalachian	5,112,940,426	4,728,168,440	-7.5	N/A	N/A	13.32	12.81
6	Florida	2,034,564,817	2,148,297,822	5.6	N/A	N/A	14.74	13.91
7	Southeast	6,125,994,893	5,262,320,505	-14.1	N/A	N/A	13.09	12.71
30	Upper Midwest	15,228,859,638	13,192,668,555	-13.4	0.56	-0.03	11.08	10.79
32	Central	13,896,212,378	11,230,271,240	-19.2	0.87	0.32	11.39	11.13
33	Mideast	13,585,145,897	11,776,900,463	-13.3	1.17	0.53	11.69	11.34
124	Pacific Northwest	5,903,184,675	4,915,287,486	-16.7	0.85	0.01	11.37	10.82
126	Southwest	7,388,219,451	7,059,472,808	-4.4	1.99	1.15	12.51	11.96
131	Arizona-Las Vegas	2,293,673,412	2,323,377,278	1.3	N/A	N/A	11.59	11.29
135	Western	4,199,261,561	3,752,672,672	-10.6	0.70	0.08	11.26	10.89
All Market Total/Average		95,090,402,356	84,629,987,893	-11.0	1.19	0.52	12.25	11.82

Price at designated order location; 9-month simple average.

* 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	905,470,039	\$12.76	115,537,976.98	
Butterfat	19,048,552	1.3269	25,275,523.65	
Less: Location Adjustment to Handlers			(2,880,096.33)	\$137,933,404.31
Class II— Butterfat	26,339,222	1.2288	32,365,635.97	
Nonfat Solids	32,417,122	0.7433	24,095,646.80	56,461,282.77
Class III— Butterfat	18,607,095	1.2218	22,734,148.68	
Protein	14,865,230	3.3180	49,322,833.17	
Other Solids	28,028,434	0.0170	476,483.40	72,533,465.25
Class IV— Butterfat	4,478,504	1.2218	5,471,836.15	
Nonfat Solids	6,287,990	0.6644	4,177,740.57	9,649,576.72
Total Classified Value				\$276,577,729.05
Add: Overage—All Classes				40,540.39
Inventory Reclassification—All Classes				88,757.95
Other Source Receipts	52,649			1,159.62
Less: Producer Component Valuations				(272,590,086.54)
Subtotal				\$4,118,100.47
Add: Location Adjustment to Producers				9,002,388.79
One-half Unobligated Balance—Producer Settlement Fund				1,138,031.64
Total Pool Milk & Aggregate Value	1,882,487,511			14,258,520.90
Less: Producer Settlement Fund—Reserve				(892,859.50)
Producer Price Differential @ Suffolk County, MA (Boston)		\$0.71		13,365,661.40
Statistical Uniform Price @ Suffolk County, MA (Boston)		\$15.01		

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