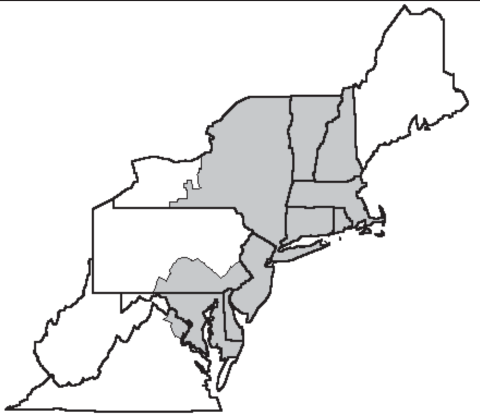


The Market Administrator's

BULLETIN

NORTHEAST MARKETING AREA

Erik F. Rasmussen, Market Administrator

October 2003 Federal Order No. 1

To contact the Northeast Marketing Area offices:
Boston, MA: phone (617) 737-7199, 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

October Pool Price Calculation

The October 2003 statistical uniform price (SUP) for the Northeast Marketing Area was announced at $15.21 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 October producer price differential (PPD) at Suffolk County was $0.82 per hundredweight.

The October statistical uniform price was 20 cents per hundredweight above September's price and the highest SUP since November 2001. The October PPD was 11 cents above the previous month's. The spread between the Class I and Class III prices increased to $3.13. 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. Producers shipping to plants located in zones having a Class I differential of $2.40 or less would still see a negative PPD.

The producer protein test set a new record at 3.10 percent. Even though the protein price was not the highest, the October producer protein value was the largest reported since federal order reform began.❖

Processor Promotion Board Seeks Nominations

The USDA is seeking nominations for the National Fluid Milk Processor Promotion Board. Seven individuals will be appointed to serve 3-year terms beginning July 1, 2004.

Of the board's 20 members, 15 represent geographic regions and five are at-large members. The at-large members must include at least three fluid milk processors and at least one member from the general public. Nominees for all five regional positions and one of the at-large positions must be active owners or employees of a fluid milk processor. Nominees for one at-large position may be active owners or employees of a fluid milk processor or from the general public.

Locally, Region 1 (Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, and Vermont) is one of the regions with an opening.

For nominating forms and procedures, contact Promotion and Research Branch, Dairy Programs, AMS, MRP, USDA, 1400 Independence Ave., SW, Stop 0233, Room 2958-S, Washington, DC 20250-0233 or by telephone at (202) 720-6909. Blank forms are available on the Dairy Promotion and Research Branch's website at www.ams.usda.gov/dairy/dairyrp.htm. Nomination forms should be submitted by December 5, 2003.❖

Pool Summary

- A total of 15,911 producers were pooled under the Order with an average daily delivery per producer of 3,897 pounds.
- Pooled milk receipts totaled 1.923 billion pounds, a decrease of 1.2 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 49.7 percent of total milk receipts, an increase of 0.6 percentage points from September.
- The average butterfat test of producer receipts was 3.75 percent.
- The average true protein test of producer receipts was 3.10 percent.
- The average other solids test of producer receipts was 5.66 percent.

Class Utilization

Pooled Milk	Percent	Pounds
Class I	49.7	955,270,118
Class II	20.1	385,636,315
Class III	25.9	498,339,695
Class IV	4.3	83,562,617
Total Pooled Milk		1,922,808,745

Producer Component Prices

	2003	2002
	$/lb	
Protein Price	3.2815	2.1839
Butterfat Price	1.2553	1.0726
Other Solids Price	0.0311	0.0755

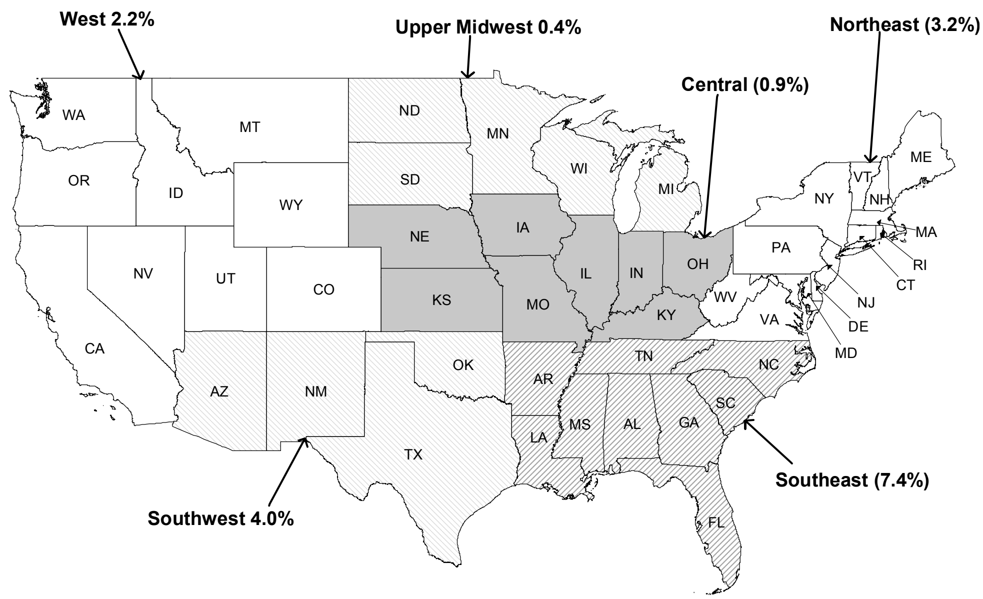
Class Price Factors

	2003	2002
	$/cwt	
Class I	17.52	13.40
Class II	10.84	11.12
Class III	14.39	10.72
Class IV	10.16	10.50

Third Quarter Milk Production Update

National milk production is up a slight 0.1 percent for the first 9 months of 2003 when compared to the same period in 2002. During the first quarter, national production was up 1.3 percent; the second quarter it declined 0.3 percent; and the third quarter it dropped 0.6 percent.

Changes in Milk Production by Region, January–September 2002–03



The top twenty milk producing states as reported by the National Agricultural Statistics Service (NASS) showed a combined increase of 0.5 percent for the 9-month period. NASS includes Missouri, Virginia, and Kentucky (combined decline of 7.0 percent) in their top twenty survey, but these states have been displaced by Colorado, Kansas, and Oregon (combined increase of 3.7 percent) when ranked by actual production by state for 2003.

The top ten milk producing states had a combined increase of 1.1 percent for the comparison period. Idaho had the largest gain with 7.4 percent, New Mexico followed with 5.6 percent, and Texas reported 5.4 percent. California's growth has slowed from last year with only 1.5 percent; New York's production has declined 1.7 percent; and Pennsylvania continues to show a decline with a drop of 3.0 percent.

The accompanying map shows milk production changes broken down by regions. The region with the greatest increase was the Southwest with 4.0 percent. The West followed with a 2.2 percent increase and the Upper Midwest reported an increase of 0.4 percent. The Southeast continued to lose milk production declining 7.4 percent. The Northeast followed with a drop of 3.2 percent and the Central region was down 0.9 percent. In the Northeast, the combined New England states (CT, MA, ME, NH, RI, and VT) posted a decline of 4.2 percent and the Middle Atlantic states (DE, MD, VA, and VW) had a combined drop of 7.0 percent.❖

MILC Payments

As of November 6, 2003, Milk Income Loss Contract (MILC) payments made to U.S. dairy farmers during the October 2002–September 2003 fiscal year (FY 2003) totaled $1.094 billion. The Northeast's share of that total was $276 million, or 25.2 percent. During the previous fiscal year, approximately $711 million were paid out under the program; $179 million were paid to farmers in Northeast states (25.2 percent).

New York led all Northeast states in total payments received with $103 million, followed by Pennsylvania at $99 million, and Vermont with $25 million. The accompanying table shows payments for selected states in the Northeast.

Wisconsin led all the nation with farmers receiving a total of $228 million in payments, roughly 21 percent of the national total. New

(continued on page 3)

Total MILC Payments–FY 2003 (Data as of November 6, 2003)

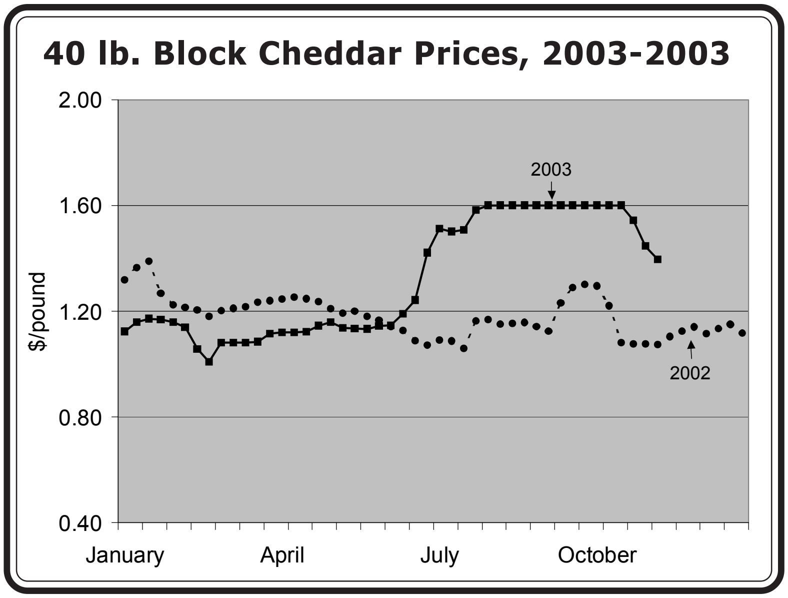
State	Total Payments (in millions)
Maine	$6.2
Maryland	10.9
New York	103.2
Pennsylvania	98.5
Vermont	24.5
Northeast States Total	276.1
National Total	$1,093.8

Source: USDA, Farm Service Agency
Note: Other states in the "Northeast Total" include CT, DE, MA, NH, NJ, RI, and VA

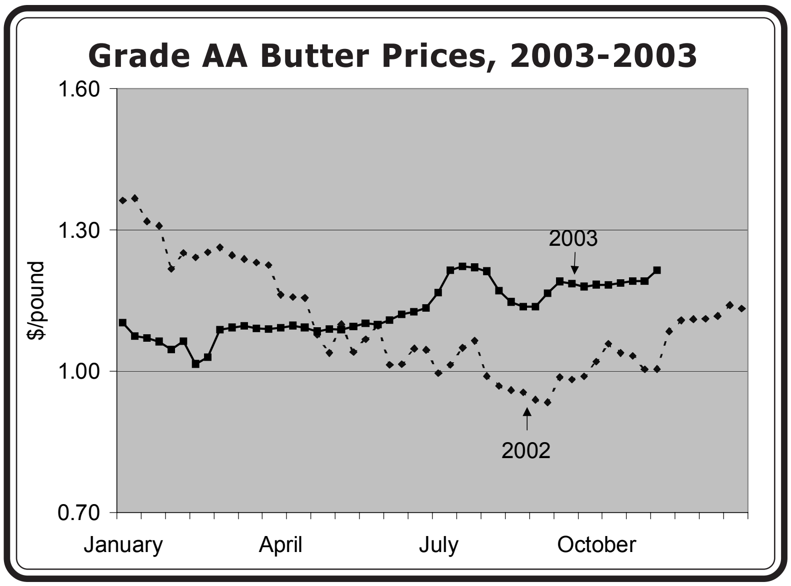
MARKET SITUATION

Commodity Markets

After twelve weeks at $1.6000 per pound, the average weekly price of 40 lb. block Cheddar on the Chicago Mercantile Exchange (CME) has declined three consecutive weeks to $1.3945 per pound for the week of November 3 (and currently averaging $1.3600 per pound as of November 19). According to USDA's *Dairy Market News,* cheese demand is weak to uneven with factors such as strikes at some grocery chains, Thanksgiving needs, and concerns about inventory value loss impacting buyers' decisions. Some buyers that have maintained minimal inventory need to keep purchasing. The arrival of cold weather is boosting fat and protein tests, leading to higher cheese yields as well. The decline in cheese prices has some manufacturers scaling back production until the direction of prices becomes clearer. CME 40 lb. block Cheddar cheese has been selling for a higher price in 2003 than 2002 since the week of June 9, 2003.



The average weekly Grade AA butter price at the CME has remained relatively stable since September 15, hovering between the $1.1800 per pound to $1.19 per pound. Demand for butter is fairly strong, as Thanksgiving orders are being filled. In many cases, fresh butter production is not keeping pace with demand, and butter inventories have been declining. The decline in butter stocks since August 1 totaled 103.2 million pounds compared with 54.9 million pounds during the same period last year. Butter production trails that of last year. September's 72.8 million pounds of production was 21.6 percent lower than a year ago. Retail sales have been somewhat slow, presumably due to buyers waiting for sales promotions. CME grade AA butter has been selling for a higher price in 2003 than 2002 since the week of May 19, 2003.❖



MILC Payments *(continued from page 2)*

York and Pennsylvania ranked second and third, respectively. Minnesota was fourth with $90 million paid.

The average payment for FY 2003 fiscal year was $1.59 per hundredweight during the 11 months that a payment was made. No payment was made during the month of September 2003 as the Boston Class I price exceeded the $16.94 per hundredweight trigger price. The highest payment made was $1.82 per hundredweight, recorded in April 2003. As the program headed into the new fiscal year, no payments were made in October and November as the Boston Class I price was $17.52 and $17.62, respectively. As prices have begun to decline, payments may return in the month of December 2003. Based on current futures prices, payments could be about $0.20 per hundredweight in December 2003 and $0.90 per hundredweight in January 2004.

The program is authorized under the 2002 Farm Bill to cover the period of December 1, 2001, through September 30, 2005, and has no set funding level.❖

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Computation of Producer Price Differential and Statistical Uniform Price*

		Product Pounds	Price per cwt./lb.	Component Value	Total Value
Class I—	Skim	935,429,323	$13.68	127,966,731.39	
	Butterfat	19,840,795	1.2332	24,467,668.39	
Less:	Location Adjustment to Handlers			(2,985,168.01)	$149,449,231.74
Class II—	Butterfat	27,448,437	1.2623	34,648,162.05	
	Nonfat Solids	32,541,367	0.7400	24,080,611.58	58,728,773.63
Class III–	Butterfat	19,696,373	1.2553	24,724,857.02	
	Protein	15,427,820	3.2815	50,626,391.37	
	Other Solids	28,123,283	0.0311	874,634.12	76,225,882.51
Class IV–	Butterfat	5,062,767	1.2553	6,355,291.42	
	Nonfat Solids	7,126,528	0.6642	4,733,439.92	11,088,731.34
Total Classified Value					**$295,492,619.22**
Add:	Overage—All Classes				84,018.00
	Inventory Reclassification—All Classes				225,573.96
	Other Source Receipts	81,239			2,575.28
Less:	Producer Component Valuations				(289,389,021.41)
	Subtotal				**$6,415,765.05**
Add:	Location Adjustment to Producers				9,159,565.95
	One-half Unobligated Balance—Producer Settlement Fund				964,743.41
Total Pool Milk & Aggregate Value		1,922,889,984			16,540,074.41
Less:	Producer Settlement Fund—Reserve				(772,376.45)
Producer Price Differential @ *Suffolk County, MA (Boston)*			**$0.82**		15,767,697.96
Statistical Uniform Price @ *Suffolk County, MA (Boston)*			**$15.21**		

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