



The Market Administrator's

BULLETIN

NORTHEAST MARKETING AREA

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December Pool Price Calculation

The December 2003 statistical uniform price (SUP) for the Northeast Marketing Area was announced at \$14.39 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 December producer price differential (PPD) at Suffolk County was \$2.52 per hundredweight.

December's statistical uniform price was 56 cents per hundredweight below November's price. Class I and III prices declined significantly from last month due to the 17-cent per pound drop in cheese prices from November to December. Both the Class II and Class IV prices increased as a result of higher butter prices. The December PPD was \$1.04 higher than the previous month's due to the increased spread between the pool value and the producer payout value and the highest PPD reported for 2003. ❖

2003 Northeast Order Statistics Summarized

During 2003, the volume of milk received from producers shipping to handlers regulated under the Northeast Order totaled 24.0 billion pounds, a decrease of 5.2 percent from last year. The average number of producers declined 4.5 percent from 2002, while average daily deliveries per producer (DDP) decreased 0.7 percent. The table on page 2 compares selected pool statistics for 2002 and 2003.

Class Utilization Changes

Class I utilization averaged 44.5 percent in 2003, an increase of 2.3 percentage points from the previous year. The total volume of milk used in Class I increased only 0.1 percent, but because of a smaller volume of producer milk receipts, the utilization percentage increased. Class II usage increased 1.3 percent resulting in a utilization increase of 1.2 percentage points. Class III volume declined 12.9 percent, with a corresponding utilization drop of 2.5 percentage points. Milk used in Class IV dropped 15.5 percent on a volume basis, but due to the smaller overall volume of producer milk, utilization declined only 1 percentage point.

Prices Mixed, but Higher Overall

National milk production was on the rise during the first quarter of 2003. During the remaining months, production declined or was nearly unchanged from the previous year for each corresponding month. This tightness in milk was reflected in higher commodity prices for cheese and (continued on page 2)

Pool Summary

- A total of 15,822 producers were pooled under the Order with an average daily delivery per producer of 4,108 pounds.
- Pooled milk receipts totaled 2.015 billion pounds, an increase of 4.8 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 46.6 percent of total milk receipts, a decrease of 0.7 percentage points from November.
- The average butterfat test of producer receipts was 3.76 percent.
- The average true protein test of producer receipts was 3.09 percent.
- The average other solids test of producer receipts was 5.68 percent.

Class Utilization

Pooled Milk	Percent	Pounds
Class I	46.6	938,650,753
Class II	16.3	328,708,417
Class III	28.0	564,142,430
Class IV	9.1	183,327,916
Total Pooled Milk		2,014,829,516

Producer Component Prices

	2003	2002
		\$/lb
Protein Price	2.2997	1.7506
Butterfat Price	1.3688	1.1922
Other Solids Price	0.0362	0.0584

Class Price Factors

	2003	2002
		\$/cwt
Class I	17.09	13.77
Class II	11.30	11.62
Class III	11.87	9.74
Class IV	10.52	10.49

Class I Sales Decline in 2003

Sales of fluid milk products in the Northeast Milk Marketing Area totaled 9.2 billion pounds during 2003, down 1.8 percent from 2002. This follows a decline of nearly 1 percent the previous year. The accompanying table shows sales by type of product for 2002 and 2003.

All products reported less sales in 2003 except reduced fat (2% butterfat) milk, which showed a slight increase. The largest decline, on a percentage basis, was in flavored milk and drinks. This category only accounts for about 6 percent of all sales in the marketing area.

On a per capita basis, all product categories declined except buttermilk and eggnog, which was relatively unchanged. In total, fluid milk sales declined 2.3 percent on a per capita basis. This is a larger decline than reported in 2002 when per capita sales dropped 1.4 percent from 2001.

The Northeast Marketing Area includes the entire states of Connecticut, Delaware, Massachusetts, New

Sales of Fluid Milk Products in the Northeast Milk Marketing Area, 2002 and 2003

Product	Total In-area Sales		2002-03 change percent	Per Capita Sales	
	2002	2003		2002	2003
	million pounds			pounds	
Whole Milk	3,754.9	3,680.7	(2.0)	72.2	70.4
Reduced Fat – 2%	1,992.2	1,994.3	0.1	38.3	38.1
Lowfat – 1%	1,579.5	1,563.6	(1.0)	30.4	29.9
FatFree	1,455.2	1,400.1	(3.8)	28.0	26.8
Flavored Milk and Drink:	539.7	511.5	(5.2)	10.4	9.8
Buttermilk/Eggnog	57.8	57.6	(0.4)	1.1	1.1
Total	9,379.1	9,207.7	(1.8)	180.3	176.1

Hampshire, New Jersey, Rhode Island, and Vermont; the District of Columbia; most of Maryland and New York; and portions of Pennsylvania and Virginia. This area includes many metropolitan centers such as New York City, Boston, Philadelphia, Washington, DC, and Baltimore. The total estimated population for 2003 in the marketing area was about 52.3 million people based on the 2000 Census. ❖

Northeast Order Statistics *(continued from page 1)*

butter during the second half of the year, which are incorporated into the federal order price formulas. In addition, class price formulas were revised effective April 2003.

The Class I price was lower during the first 7 months of 2003 than during the same period the previous year. For the last 5 months, the Class I price was higher. The increase was a reflection of the tightness in milk, yet somewhat delayed due to advance pricing for Class I milk. Class III prices followed a similar pattern with the increase coming a month sooner due to the method of calculation of Class III prices.

Both Class II and IV prices were below the previous year's for nearly the entire year.

Overall, the statistical uniform price (blend) reported at Suffolk County, Massachusetts (Boston), averaged \$12.99 per hundredweight in 2003. This was up 2.8 percent from the previous year. The Class I price increased 2.7 percent from 2002, while the Class III price averaged 9.6 percent higher. The Class II price was 6.8 percent lower than the previous year, and the Class IV annual average price was down 7.5 percent. Unlike previous years, the Class IV price was not the dominant mover of Class I prices. Due to the price formula changes, the Class III price began exceeding the Class IV price in July and continued throughout the rest of 2003.

Component Pricing

The average price paid per pound to producers for butterfat increased 1.4 percent in 2003. The per-pound annual average protein price jumped 20.4 percent from the previous year, while the annual average other solids price dropped 78.3 percent. The changes in protein and other solids prices in 2003 were partially affected by the changes in the Class III and IV formulas implemented in April. As a result, when market prices for dry whey declined, the formula reported a negative other solids

price. This occurred for 4 months during 2003.

The average producer butterfat test was unchanged during 2003, although there were noticeable changes when comparing year-to-year monthly tests. The average producer protein test increased 2 percentage points, while the other solids test averaged 2 percentage points lower.

Producer Changes

The simple average number of producers continued to decline at a greater rate than the previous year. In addition, 2003 finished the year with 743 producers less than at the end of 2002, which was down 376 from the previous year. The annual average DDP declined 0.7 percent from 2002, the first decline since the inception of the Northeast Order. ❖

Northeast Order Pool Statistics, 2002 and 2003

Pool Statistics	2002	2003	2002-03 Change percent
	million pounds		
Class I	10,694.8	10,701.2	0.1
Class II	4,408.1	4,464.6	1.3
Class III	7,790.1	6,788.3	-12.9
Class IV	2,465.4	2,084.1	-15.5
Total	25,358.4	24,038.2	-5.2
	pounds		
DDP	4,117	4,087	-0.7
	utilization percentage		
Class I	42.2	44.5	2.3
Class II	17.4	18.6	1.2
Class III	30.7	28.2	-2.5
Class IV	9.7	8.7	-1.0
	dollars/cwt		
Class I	14.26	14.64	2.7
Class II	11.55	10.76	-6.8
Class III	10.42	11.42	9.6
Class IV	10.81	10.00	-7.5
SUP	12.64	12.99	2.8

Market Services

The Market Administrator (MA) verifies or establishes weights, samples and tests producer milk, and provides market information for producers who are not receiving such services from a cooperative association.

Verification Program

One aspect of the market services provided by the Order is the verification program. The objective of verifying tests is to guard against incorrect payments to producers for milk components, as well as to prevent incorrect pool credits to fluid handlers.

Producer milk samples are collected and independently sampled at least every 3 months, and the results are compared to handlers' reported tests. Producers receive a report of their component test results along with somatic cell count levels. While it is normal to have some difference between the handler and the MA samples, any variance between test results must fall within specified tolerance levels. If the variance is outside the tolerance level, the handler could be required to use the MA component test results for producer payment for all producers in the group whose tests have been verified. In order to reduce the chance for variances, the MA works with handlers, haulers, and laboratories to assure that proper testing procedures are being followed and that testing equipment is accurate.

Calibration Program

Another aspect of the MA's market service program is the bulk tank calibration program. The Northeast Order

operates two calibration trucks. In providing calibration services during 2003, the two trucks combined covered over 26,500 miles. The market service department checked 200 farm bulk tanks throughout the Northeast Marketing Area milkshed during the 2003 season. Briefly, a tank check involves measuring the tank at about four or five different levels as opposed to performing a complete calibration,

which involves checking the tank at each increment on the dipstick. The levels that a tank is checked at vary depending on the tank size and a farm's production range. If the tank proves to be out of tolerance when checked, the tank is then recalibrated. Depending on scheduling, recalibrations may be performed the same day or may be rescheduled for another day.

Of the 200 tanks checked, 37 were out of tolerance and were recalibrated. Of the tanks requiring recalibration, there was an almost even split between tanks that were

over measuring and under measuring the amount of milk. An additional 138 calibrations were performed for other reasons that did not involve an initial check, such as a tank being installed, a tank being moved, or a special request. The 200 checks and the 138 additional calibrations total at least 338 farm visits. A total of 175 calibrations and recalibrations were performed. A breakdown of checks and calibrations/recalibrations by tank size is shown in the accompanying table. A tentative schedule for the calibration trucks will be published in the *Bulletin* near the start of the spring season. ❖

Tanker Calibration Work by Tank Size, 2003

Tank Size (Gallons)	Checks	Calibrations/Recalibrations
0-500	22	13
501-1000	124	103
1001-1500	33	32
1501-2000	10	10
2001-3000	8	11
3001-6000	3	5
6000+	0	1
Total	200	175

Pool Summary for all Federal Orders, 2002-2003

Federal Order Number	Federal Order Name	Total Producer Milk			Producer Price Differential#		Statistical Uniform Price#*	
		2002	2003	Change	2002	2003	2002	2003
		pounds			percent	dollars per hundredweight		
1	Northeast	25,358,427,196	24,038,200,386	-5.2	2.22	1.57	12.64	12.99
5	Appalachian	6,706,404,276	6,314,715,438	-5.8	N/A	N/A	13.24	13.55
6	Florida	2,692,574,453	2,832,854,182	5.2	N/A	N/A	14.60	14.79
7	Southeast	7,926,579,840	7,070,944,238	-10.8	N/A	N/A	13.02	13.46
30	Upper Midwest	20,306,563,579	17,017,744,806	-16.2	0.55	-0.05	10.96	11.37
32	Central	18,699,837,676	14,411,410,608	-22.9	0.84	0.33	11.26	11.75
33	Mideast	17,739,315,705	15,750,290,711	-11.2	1.15	0.54	11.57	11.96
124	Pacific Northwest	7,823,715,763	6,336,455,790	-19.0	0.83	-0.10	11.25	11.32
126	Southwest	9,713,777,143	9,174,097,345	-5.6	1.97	1.16	12.38	12.58
131	Arizona-Las Vegas	3,026,555,777	3,061,198,555	1.1	N/A	N/A	11.49	11.89
135	Western	5,552,476,195	4,573,111,956	-17.6	0.68	0.06	11.12	11.48
All Market Total/Average		125,546,227,603	110,581,024,015	-11.9	1.18	0.50	12.14	12.47

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	918,042,311	\$12.95	118,886,479.27	
Butterfat	20,608,442	1.3131	27,060,945.19	
Less: Location Adjustment to Handlers			(2,923,840.86)	\$143,023,583.60
Class II— Butterfat	25,500,257	1.3758	35,083,253.59	
Nonfat Solids	27,632,118	0.7467	20,632,902.51	55,716,156.10
Class III— Butterfat	21,532,455	1.3688	29,473,624.37	
Protein	17,406,940	2.2997	40,030,739.94	
Other Solids	31,964,337	0.0362	1,157,109.03	70,661,473.34
Class IV— Butterfat	8,194,373	1.3688	11,216,457.79	
Nonfat Solids	15,974,430	0.6603	10,547,916.14	21,764,373.93
Total Classified Value				\$291,165,586.97
Add: Overage—All Classes				71,113.96
Inventory Reclassification—All Classes				302,506.83
Other Source Receipts	55,522			3,031.50
Less: Producer Component Valuations				(251,266,943.08)
Subtotal				\$40,275,296.18
Add: Location Adjustment to Producers				9,912,844.16
One-half Unobligated Balance—Producer Settlement Fund				1,583,476.21
Total Pool Milk & Aggregate Value	2,014,885,038			51,771,616.55
Less: Producer Settlement Fund—Reserve				(996,513.58)
Producer Price Differential @ Suffolk County, MA (Boston)		\$2.52		50,775,102.97
Statistical Uniform Price @ Suffolk County, MA (Boston)		\$14.39		

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