

The Market Administrator's **BULLETIN**

NORTHEAST MARKETING AREA

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January Pool Price Calculation

The January 2004 statistical uniform price (SUP) for the Northeast Marketing Area was announced at \$13.58 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 January producer price differential (PPD) at Suffolk County was \$1.97 per hundredweight.

January's statistical uniform price was 81 cents per hundredweight below the December 2003 price. The Class I price was nearly \$2.00 per hundredweight below last month due to the decline in the cheese price in December. Class II and IV prices increased as a result of higher butter prices. The January PPD was 55 cents lower than the previous month's as the spread between the class prices tightened.

Even though the PPD for January 2004 was 44 cents below January 2003's PPD, the SUP was \$1.39 per hundredweight higher than last year's. Based on current market conditions and tighter milk supplies, prices are projected to continue increasing throughout the year (see article on page 2). It is likely that January may be the lowest SUP for 2004.

The producer butterfat price was the highest since October 2001 and resulted in the highest producer butterfat value since March 2002. The producer protein test was a record high for the month of January. ❖

Proposal Deadline Extended

The USDA has extended the time period for interested parties to submit additional proposals for consideration of a hearing that would amend the fluid milk product definition in all federal milk marketing orders. The deadline for submitting proposals is now **September 30, 2004**. This is extended from the January 30 deadline.

Additional information may be obtained by visiting www.ams.usda.gov/dairy and selecting "Request for Class I Proposals – Northeast et. al." or by calling the Albany Office. ❖

Commodity Markets Update

Cheese Prices

Prices for 40 lb. block Cheddar on the Chicago Mercantile Exchange (CME) averaged \$1.3200 per pound for 2003, nearly 14 cents per pound higher than in 2002 (see chart 1). Prices for barrel cheese averaged \$1.2740 per pound, almost 13 cents per pound higher than the 2002 average.

(continued on page 2)

Pool Summary

- A total of 15,760 producers were pooled under the Order with an average daily delivery per producer of 4,078 pounds.
- Pooled milk receipts totaled 1.993 billion pounds, a decrease of 1.1 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 47.4 percent of total milk receipts, an increase of 0.8 percentage points from December.
- The average butterfat test of producer receipts was 3.76 percent.
- The average true protein test of producer receipts was 3.08 percent.
- The average other solids test of producer receipts was 5.68 percent. ❖

Class Utilization

<u>Pooled Milk</u>	<u>Percent</u>	<u>Pounds</u>
Class I	47.4	944,384,207
Class II	17.7	353,393,903
Class III	26.5	527,982,915
Class IV	8.4	166,897,248
Total Pooled Milk		1,992,658,273

Producer Component Prices

	<u>2004</u>	<u>2003</u>
	<u>\$/lb</u>	
Protein Price	2.0875	1.8164
Butterfat Price	1.4978	1.1856
Other Solids Price	0.0217	0.0339

Class Price Factors

	<u>2004</u>	<u>2003</u>
	<u>\$/cwt</u>	
Class I	15.10	13.81
Class II	11.67	11.29
Class III	11.61	9.78
Class IV	10.97	11.07

Commodity Markets *(continued from page 1)*

Since the beginning of 2004, block prices have been hovering in the low \$1.30s per pound—about 18 cents higher than during the same period last year. As of the week ending February 13, the block price averaged \$1.3545 per pound; the barrel price averaged \$1.3170 per pound. Near the end of November 2003, the spread between block and barrel prices grew to 21 cents; they are now back to the “normal” 4-cent spread.

Butter Prices

Tight cream supplies led to fresh butter shortages and with strong sales, prices held through the holidays. Beginning with the first week of January, butter prices have remained firm or increased amounting to an ascent of over 39 cents as of the week ending February 13 (see chart 2). As mentioned in *Dairy Market News*, this was surprising to those in the industry as butter demand was considered only fair and cream supplies were sufficient, except for the week prior to the Super Bowl where cream was needed to make cream cheese, sour cream, and dips. However, as mentioned in USDA’s “Dairy Products” report, total butter output trailed year-ago levels for the 10th straight month.

As of February 9, the butter price reached the highest level ever for that date. The previous high for that date was in 1982 and 1983 when butter was \$1.48 per pound. In the 2 years that butter topped \$2.00 per pound, 1998 and 2001, the price at the same point in time was \$1.40 and \$1.32, respectively. As of February 13, butter averaged \$1.6608 per pound.

Effect on Milk Prices

Even though the CME prices are not incorporated into the formulas used to calculate federal order milk prices, the direction and impact is usually similar in the commodity prices reported by the National Agricultural Statistics Service (NASS) that are used in the formulas.

CME Class III and IV futures prices have increased considerably since last fall especially with the most recent release of U.S. milk production figures, which showed an estimated decline of about 1 percent nationally for January. Based on current market prices, Northeast producer prices are projected to increase in the upcoming months. The February statistical uniform price will be relatively unchanged from January’s, but should increase about 30 cents a month for the next 3 months making January the lowest price of 2004.

Chart 1

40 lb. Block Cheddar Prices, 2002–04

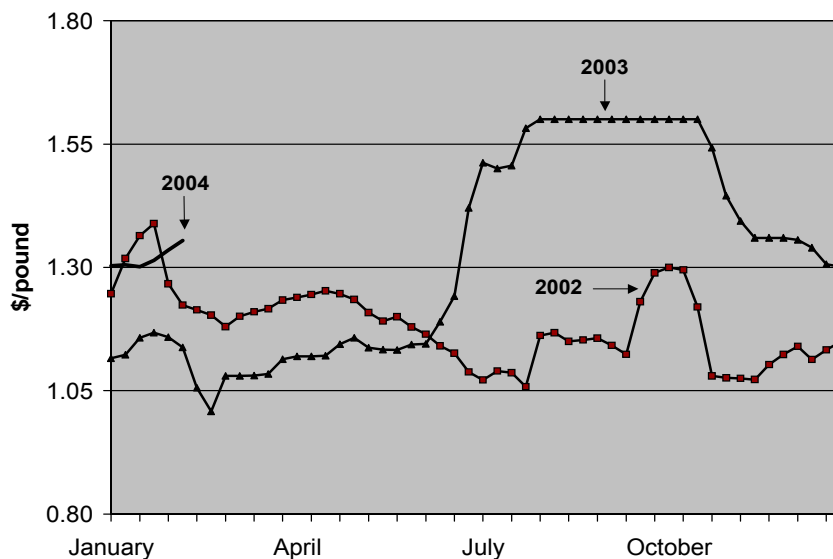
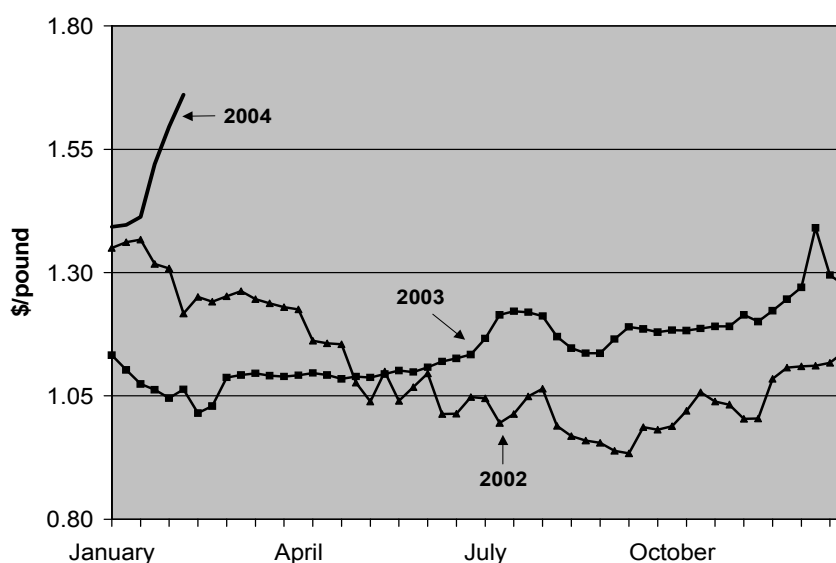


Chart 2

Grade AA Butter Prices, 2002–04



MILC Payments

Again, based on CME futures prices, the Class I price for March, April, and May will be \$15.07, \$15.20, and \$16.76 per hundredweight, respectively. These prices will result in MILC payments for March, April, and May or \$0.84, \$0.33, and \$0.08 per hundredweight, respectively. It is likely there will be no MILC payment for June if these market conditions continue, but the trade-off will be higher prices overall.❖

Average Component Tests Compared

The accompanying table compares average producer butterfat, protein, and other solids levels for Northeast states for 2003. The Other New England states group includes Connecticut, Massachusetts, New Hampshire, and Rhode Island. The Other Mid-Atlantic states group includes Delaware, New Jersey, Virginia, and West Virginia. The figures are derived from Northeast Order payroll data as submitted by Northeast Order handlers.

Maryland averaged the highest level of butterfat at 3.77 percent. New York averaged the lowest at 3.67 percent. The average for all selected states was 3.71 percent.

Average protein tests were highest in Other New England states at 3.05 percent and lowest in Pennsylvania at 2.97 percent. The simple average for all selected states was 3.02 percent.

Average Component Tests for Selected States/Areas, 2003

State/Area	Butterfat		Protein		Other Solids	
	Avg. percent	Rank	Avg. percent	Rank	Avg. percent	Rank
Maryland	3.77	1	2.99	5	5.60	7
Maine	3.70	5	3.02	3	5.63	5
New York	3.67	6	2.98	6	5.66	3
Pennsylvania	3.72	4	2.97	7	5.64	4
Vermont	3.74	2	3.03	2	5.69	1
Other New England*	3.74	2	3.05	1	5.69	1
Other Mid-Atlantic**	3.68	7	3.01	4	5.63	5

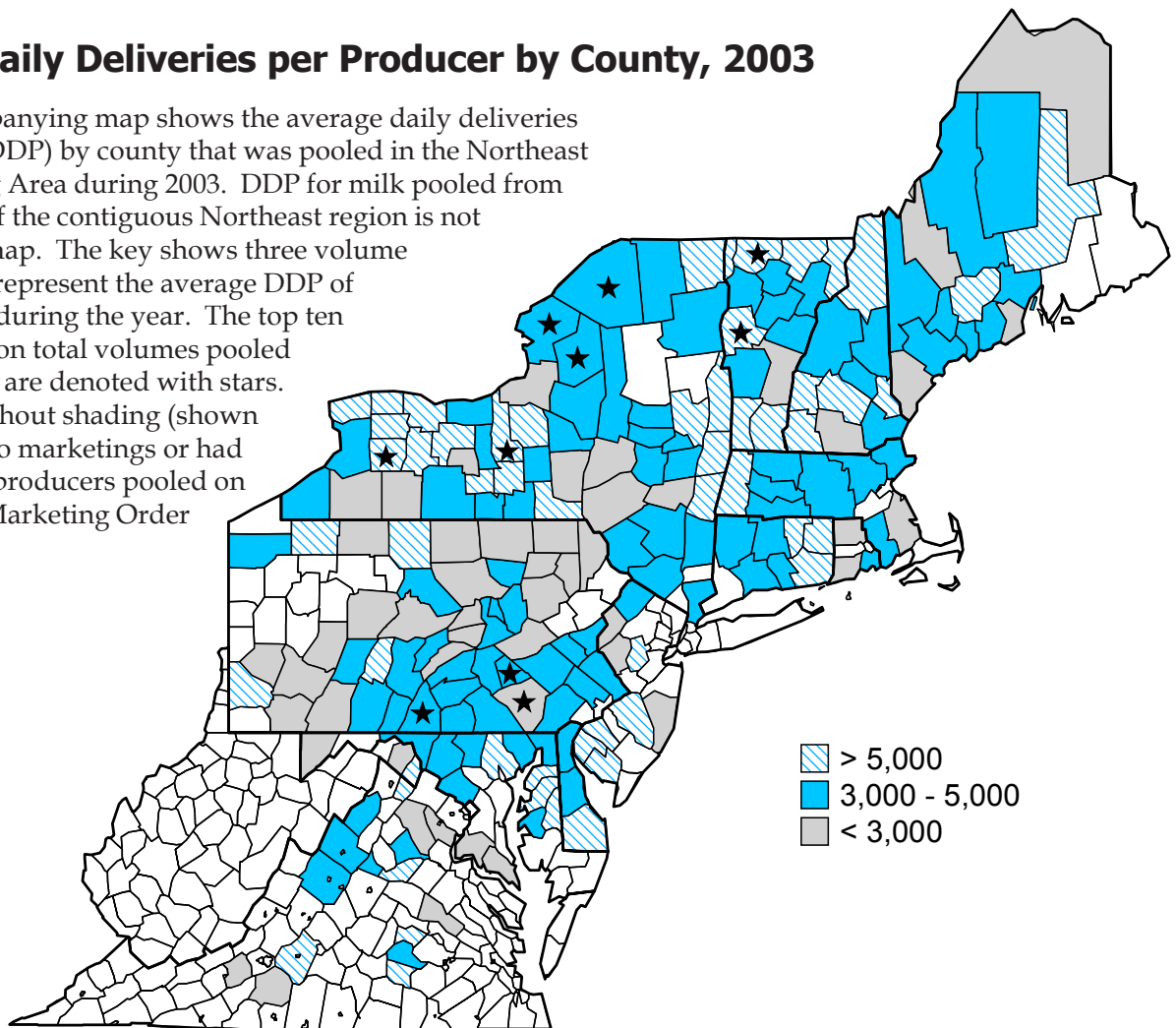
* Other New England includes CT, MA, NH, and RI.

** Other Mid-Atlantic includes DE, NJ, VA, and WV.

Average other solids tests were highest in Vermont and the Other New England states at 5.69 percent and lowest in Maryland at 5.60 percent. The average for all selected states was 5.65 percent. ❖

Average Daily Deliveries per Producer by County, 2003

The accompanying map shows the average daily deliveries per producer (DDP) by county that was pooled in the Northeast Milk Marketing Area during 2003. DDP for milk pooled from states outside of the contiguous Northeast region is not shown on the map. The key shows three volume categories that represent the average DDP of milk marketed during the year. The top ten counties based on total volumes pooled during the year are denoted with stars. Any county without shading (shown as white) had no marketings or had less than three producers pooled on the Northeast Marketing Order in 2003. ❖





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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	924,889,945	\$10.71	99,055,713.11	
Butterfat	19,494,262	1.3608	26,527,791.73	
Less: Location Adjustment to Handlers			(2,934,132.70)	\$122,649,372.18
Class II— Butterfat	26,022,483	1.5048	39,158,632.46	
Nonfat Solids	29,779,118	0.7378	21,971,033.25	61,129,665.71
Class III— Butterfat	20,220,938	1.4978	30,286,920.96	
Protein	16,257,528	2.0875	33,937,589.72	
Other Solids	29,917,197	0.0217	649,203.18	64,873,713.86
Class IV— Butterfat	9,155,254	1.4978	13,712,739.41	
Nonfat Solids	14,367,447	0.6595	9,475,331.31	23,188,070.72
Total Classified Value				\$271,840,822.47
Add: Overage—All Classes				78,229.98
Inventory Reclassification—All Classes				190,194.27
Other Source Receipts	62,368			2,469.77
Less: Producer Component Valuations				(242,835,146.94)
Subtotal				\$29,276,569.55
Add: Location Adjustment to Producers				9,614,462.91
One-half Unobligated Balance—Producer Settlement Fund				1,260,168.40
Total Pool Milk & Aggregate Value	1,992,720,641			40,151,200.86
Less: Producer Settlement Fund—Reserve				(894,604.23)
Producer Price Differential @ Suffolk County, MA (Boston)		\$1.97		39,256,596.63
Statistical Uniform Price @ Suffolk County, MA (Boston)		\$13.58		

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