

# The Market Administrator's **BULLETIN**

## **NORTHEAST MARKETING AREA**

*Erik F. Rasmussen*, Market Administrator

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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: MAAAlbany@fedmilk1.com; *Alexandria, VA:* phone (703) 549-7000, e-mail address: MAAAlexandria@fedmilk1.com; *website address:* www.fmmone.com

### **February Pool Price Calculation**

The February 2004 statistical uniform price (SUP) for the Northeast Marketing Area was announced at \$13.95 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 February producer price differential (PPD) at Suffolk County was \$2.06 per hundredweight.

February's statistical uniform price was 37 cents per hundredweight above the January price; the February PPD was 9 cents above the previous month's. The Class I price was 26 cents per hundredweight below last month due to the decline in the cheese price in mid January and advanced pricing. All other class prices increased as commodity prices for butter and cheese increased during February.

The producer butterfat price was the highest since September 2001 and resulted in the highest producer butterfat value since that same month. The producer protein test was a record high for the month of February. ❖

### **Dairy Farmers Vote on Amended Milk Order**

The U.S. Department of Agriculture announced a tentative final decision that would adopt proposals to amend the classification provisions in all 10 federal milk marketing orders. The decision, upon which the current referendum is being conducted, would change the product classification of milk used to produce evaporated milk or sweetened condensed milk in consumer-type packages from Class III to Class IV. The decision is based on testimony presented at a public hearing held October 21, 2003, in Alexandria, Virginia.

In the Northeast Order, the referendum concludes on March 18 with the outcome to be announced at the direction of the Secretary of Agriculture. ❖

### **Changes in the Northeast Order**

The table on page 2 compares selected statistics for the Northeast Order for the month of January for 2000 and 2004. Total milk pooled for January was down 7.2 percent in 2004 compared to 2000. Changes in volume occur as a result of farm exits, handler pooling changes, and other  
*(continued on page 2)*

### **Pool Summary**

- A total of 15,634 producers were pooled under the Order with an average daily delivery per producer of 4,194 pounds.
- Pooled milk receipts totaled 1.901 billion pounds, an increase of 2.0 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 43.6 percent of total milk receipts, a decrease of 3.8 percentage points from January.
- The average butterfat test of producer receipts was 3.74 percent.
- The average true protein test of producer receipts was 3.07 percent.
- The average other solids test of producer receipts was 5.66 percent. ❖

#### **Class Utilization**

<u>Pooled Milk</u>	<u>Percent</u>	<u>Pounds</u>
Class I	43.6	828,222,597
Class II	18.5	352,575,518
Class III	28.8	548,195,445
Class IV	9.1	172,360,626
Total Pooled Milk		1,901,354,186

#### **Producer Component Prices**

	<u>2004</u>	<u>2003</u>
	<u>\$/lb</u>	
Protein Price	1.7911	1.8538
Butterfat Price	1.8518	1.1373
Other Solids Price	0.0090	0.0240

#### **Class Price Factors**

	<u>2004</u>	<u>2003</u>
	<u>\$/cwt</u>	
Class I	14.84	13.48
Class II	12.90	10.66
Class III	11.89	9.66
Class IV	12.21	9.81

## U.S. Milk Production Up Slightly

Total milk production in the United States grew only 0.1 percent during 2003. This follows an increase of 2.8 percent in 2002. The total number of milk cows declined 0.6 percent in 2003, and milk production per cow (MPC) increased 0.8 percent.

### Factors That Stunted Production

The year began strong with a 1.4 percent increase during the first quarter of 2003 compared to the same period in 2002. The previous year's strong production drove prices down during the latter half of 2002 and into the first half of 2003, discouraging milk production. In addition, hot and humid weather during the summer affected production resulting in declines of 0.3 and 0.2 percent, respectively, for the second and third quarters of 2003.

During the last quarter, milk production declined an addition 0.3 percent. Analysts have noted that the use of rBST was down, compared to previous years, due to the cost of the drug when compared to the lower milk prices received. Cow numbers declined throughout the year as farm exits increased, and expansion was stunted as a result of the low prices. In addition, the Cooperatives Working Together (CWT) program was implemented, a component of which included reduced marketings and herd retirements.

### Top Producing States

The top twenty milk-producing states remained the same as in 2002, although some change in rank occurred. The National Agricultural Statistics Service (NASS) does not include Colorado, Oregon, or Kansas in their monthly top twenty list. NASS includes Missouri, Virginia, and Kentucky, and they have dropped to numbers 21, 22, and 24, respectively, in national rankings. Combined, the top twenty states production increased 1.0 percent and accounted for 87.6 percent of the U.S. total, up from 86.9 percent in 2002.

The top ten ranked states (see table) also were unchanged, except for Idaho that moved up to the number five spot (Minnesota dropped to number six) and Texas that moved from number ten to nine (replacing Washington). The top ten states combined production grew 1.0 percent and accounted for 71.2 percent of national production, compared to 70.6 percent in 2002.

Only fifteen states experienced increases in milk production during 2003, six of them being top-ten ranked states. Indiana (ranked 14 overall in total production) had the largest percentage increase in 2003, followed by Idaho with 7.6 percent and Texas with 6.2 percent. The biggest losers were Louisiana, Arkansas, Mississippi, South Carolina, and Wyoming that all had double-digit declines.

### Northeast Production Declines

In the Northeast, the states that normally contribute to the Northeast Order milkshed had a combined decline of 3.7 percent. These states accounted for 17.7 percent of total U.S. production, down from 18.4 percent in 2002. The New England states (Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, and Vermont) had a combined decline of 4.1 percent in 2003. The top three milk

### Top Ten States Ranked by Milk Production, 2003

Rank	State	2002	2003	Percent Change
million pounds				
1	California	35,065	35,437	1.1
2	Wisconsin	22,074	22,266	0.9
3	New York	12,218	11,952	(2.2)
4	Pennsylvania	10,775	10,338	(4.1)
5	Idaho	8,155	8,774	7.6
6	Minnesota	8,458	8,258	(2.4)
7	New Mexico	6,316	6,666	5.5
8	Michigan	6,120	6,360	3.9
9	Texas	5,300	5,630	6.2
10	Washington	5,620	5,581	(0.7)
Top Ten Total		120,101	121,262	1.0
U.S. Total		170,063	170,312	0.1

Source: National Agricultural Statistics Service, *Milk Production*.

producing states in the Northeast (New York, Pennsylvania, and Vermont) had a combined drop of 3.0 percent from 2002.

Cow numbers declined 2.2 percent in the northeastern states during 2003. Average MPC in these states dropped 0.8 percent from 2002. ❖

### Northeast Changes *(continued from page 1)*

production related factors such as feed quality and weather. Daily deliveries per producer (DDP) increased 6.1 percent and, along with the decline in total producers pooled, signify a trend toward larger-size farms.

The decline in the numbers of cooperatives and pool distributing and supply plants is attributed to consolidation in the Northeast. Producer component tests have shown opposing changes for the years compared. These tests also are affected by such factors as feed quality and weather. ❖

### Changes in the Northeast Order, January 2000 vs. 2004

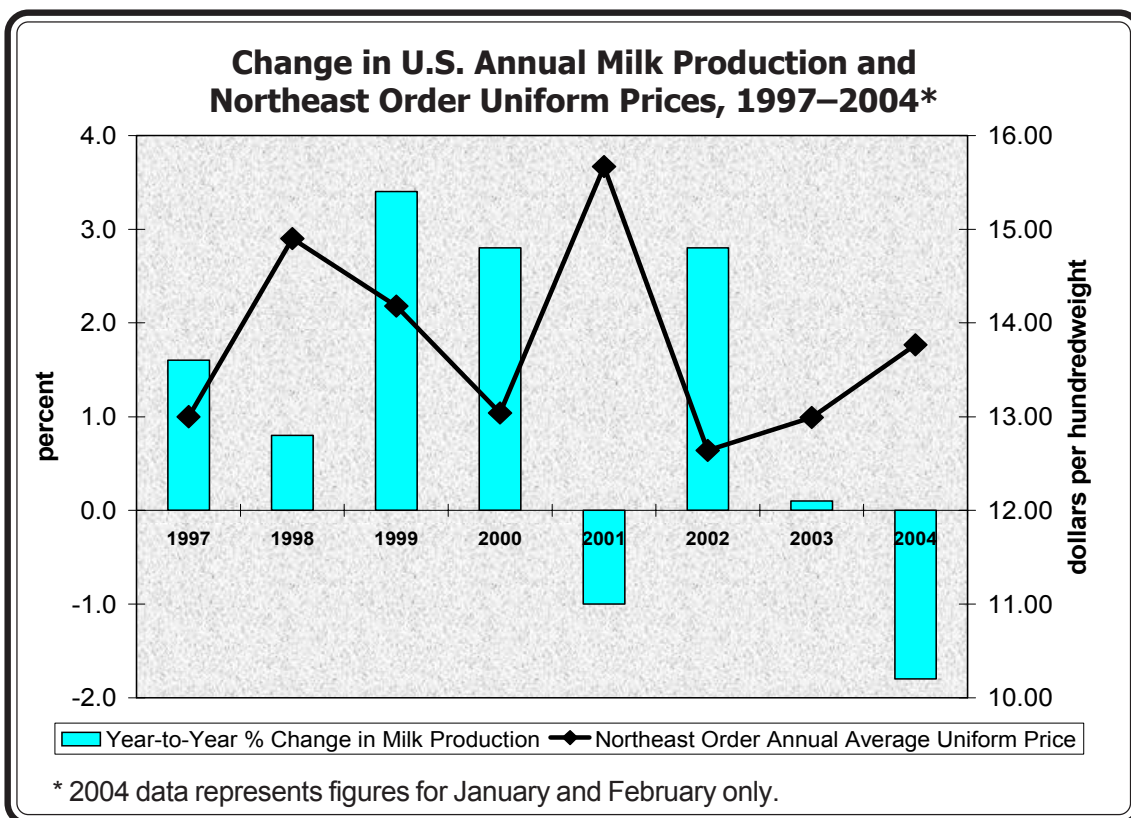
Selected Statistic	2000	2004	Change
pounds			
Total Milk Receipts	2,148,026,281	1,992,658,273	(7.2)
DDP	3,843	4,078	6.1
number			
Producers	18,009	15,760	(2,249)
Cooperatives	81	76	(5)
Producer-Handlers	16	15	(1)
Pool Distributing Plants	64	63	(1)
Pool Supply Plants	17	11	(6)
percentage points			
Producer Tests:	percent		
Butterfat	3.78	3.76	(0.02)
Protein	2.99	3.08	0.09
Other Solids	5.59	5.68	0.09

## Uniform Prices and U.S. Milk Production

The accompanying graph presents the year-to-year percentage change in U.S. milk production, as reported by USDA, and the annual average statistical uniform price for the Northeast Order at the base, or Boston differential. Prior to 2000, the annual uniform price figures represented the average of the uniform prices for the three predecessor federal orders that were merged to form the Northeast Order. The 2004 figures represent data through February.

The relationship between the two sets of data generally shows a cause and effect relationship between U.S. milk production, as represented by the percent change in year-over-year milk production, and the average uniform price. As would be expected, in a year when the growth in U.S. milk production is minimal or negative producer milk prices generally increase. An inverse relationship is also apparent in that when the growth rate of U.S. milk production is strong, producer prices are generally lower. The long-term (30-year, 1973-2003) annual average year-over-year change in U.S. milk

production equals 1.2 percent. When milk production deviates significantly from the long-run average, in either direction, is when substantial price movements typically occur. While other factors such as imports or consumer demand also affect prices, milk supply is the most significant factor behind milk prices and is currently the driver behind forecasts of significantly higher producer prices for the remainder of the year. ❖



## Market Services Tank Calibration Program

The Market Administrator's bulk tank verification program resumes operation with the onset of warmer weather. The program verifies the proper calibration of new and existing farm bulk tanks for all non-member producers on a once every 5-to-10-year basis. The following schedule indicates the planned areas where the calibration trucks will be working during the next several months.

The office coordinates farm calibration visits with handlers, concentrating first on tanks that are suspected of being out of calibration or were checked many years ago. If you have a concern about the calibration of your bulk tank, please contact your handler who will work with the Market Administrator to schedule a calibration check.

The Market Service Department checked 200 farm bulk tanks throughout the Northeast Marketing Area during 2003. In addition, 175 bulk tanks were calibrated/recalibrated. ❖

### Tentative Calibration Truck Schedule, 2004

Month	Area
April	Southern Pennsylvania Eastern New York/Northern New Jersey
May	Northern Pennsylvania Western New York
June	Central Pennsylvania Maine
July	Central/Northern New York Vermont/New Hampshire
August	Northern Pennsylvania Eastern/Central New York
September	Southern Pennsylvania Central New York
October	Southern/Central Pennsylvania Eastern New York
November	Eastern New York Vermont/New Hampshire



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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	811,366,436	\$9.80	79,513,910.73	
Butterfat	16,856,161	1.5369	25,906,233.84	
Less: Location Adjustment to Handlers			(2,641,959.27)	\$102,778,185.35
Class II— Butterfat	24,993,292	1.8588	46,457,531.19	
Nonfat Solids	29,673,111	0.7367	21,860,180.86	68,317,712.05
Class III— Butterfat	20,967,097	1.8518	38,826,870.20	
Protein	16,796,372	1.7911	30,083,981.92	
Other Solids	30,965,027	0.0090	278,685.29	69,189,537.41
Class IV— Butterfat	8,267,215	1.8518	15,309,228.76	
Nonfat Solids	14,881,963	0.6597	9,817,630.96	25,126,859.72
<b>Total Classified Value</b>				<b>\$265,412,294.53</b>
Add: Overage—All Classes				103,475.80
Inventory Reclassification—All Classes				498,441.35
Other Source Receipts	47,286			1,910.36
Less: Producer Component Valuations				(237,235,620.54)
<b>Subtotal</b>				<b>\$28,780,501.50</b>
Add: Location Adjustment to Producers				9,398,797.92
One-half Unobligated Balance—Producer Settlement Fund				1,917,154.63
<b>Total Pool Milk &amp; Aggregate Value</b>	1,901,401,472			40,096,454.05
Less: Producer Settlement Fund—Reserve				(927,583.69)
<b>Producer Price Differential @ Suffolk County, MA (Boston)</b>		<b>\$2.06</b>		39,168,870.36
<b>Statistical Uniform Price @ Suffolk County, MA (Boston)</b>		<b>\$13.95</b>		

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