

The Market Administrator's **BULLETIN**

NORTHEAST MARKETING AREA

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Federal Order No. 1

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September Pool Price Calculation

The September 2004 statistical uniform price (SUP) for the Northeast Marketing Area was announced at \$16.06 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 \$1.34 per hundredweight.

September's statistical uniform price was 49 cents per hundredweight higher than the August price; the September PPD was 19 cents below last month's. All class prices increased from the previous month as a result of higher dairy product prices. The only exception was the Class I price which, due to advance pricing, declined 68 cents per hundredweight.

The producer protein test averaged 3.01 percent and was the highest for the month of September since the Order's inception. Due to higher Class I usage and a lower total volume of producer milk receipts, Class I utilization equaled 51.1 percent. This was the highest Class I utilization percentage since the Northeast Order's inception. ❖

Producer Referendum

The U. S. Department of Agriculture has announced a final decision that would permanently adopt amendments to the classification of milk provisions in all ten Federal milk marketing orders. These provisions were previously implemented on May 1, 2004, on an interim basis. This final decision adopts amendments that reclassify milk used to produce evaporated milk or sweetened condensed milk in consumer-type packages from Class III to Class IV.

Given the urgency of this issue, the USDA issued a tentative final decision on these same amendments that was voted on and approved by producers in March 2004. Although the classification change was implemented effective May 1, 2004, it was done so on a temporary or interim basis, pending an opportunity for producers and interested parties to comment on the change. After receiving and considering comments to the tentative final decision, USDA issued a final decision triggering the current referendum. Before the change to the order can be implemented permanently, USDA needs to again determine from voting that producers favor adopting the amendment on a permanent basis.

(continued on page 2)

Pool Summary

- A total of 15,260 producers were pooled under the Order with an average daily delivery per producer of 3,905 pounds.
- Pooled milk receipts totaled 1.788 billion pounds, a decrease of 2.3 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 51.1 percent of total milk receipts, a new record under the Order. This was an increase of 5.5 percentage points from August.
- The average butterfat test of producer receipts was 3.61 percent.
- The average true protein test of producer receipts was 3.01 percent.
- The average other solids test of producer receipts was 5.65 percent.

Class Utilization

<u>Pooled Milk</u>	<u>Percent</u>	<u>Pounds</u>
Class I	51.1	914,579,508
Class II	20.0	357,069,355
Class III	22.7	406,549,539
Class IV	6.2	110,071,594
Total Pooled Milk		1,788,269,996

Producer Component Prices

	<u>2004</u>	<u>2003</u>
	\$/lb	
Protein Price	2.5431	3.3180
Butterfat Price	1.9354	1.2218
Other Solids Price	0.0589	0.0170

Class Price Factors

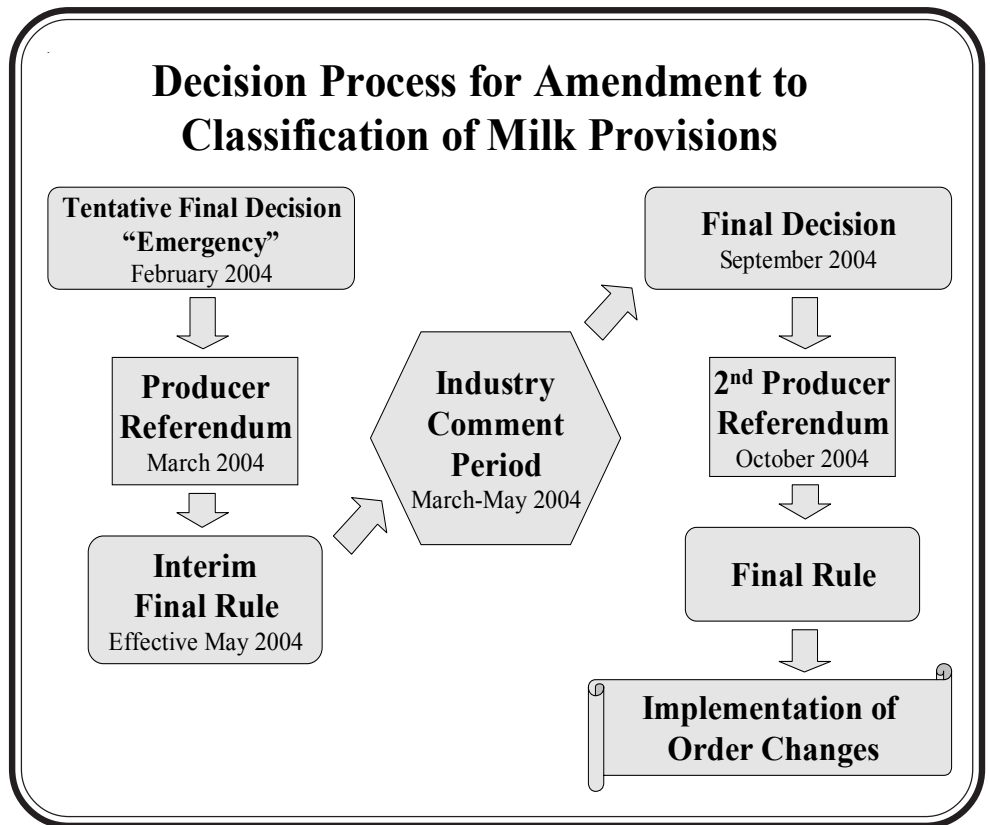
	<u>2004</u>	<u>2003</u>
	\$/cwt	
Class I	17.19	16.96
Class II	13.66	10.76
Class III	14.72	14.30
Class IV	13.00	10.05

Producer Referendum *(continued from page 1)*

In short, voting is conducted twice. The first time is to determine approval on a temporary basis (responding to the emergency nature of the issue) and a second time to determine approval on a permanent basis.

Had this issue not been handled on an emergency basis, USDA would have issued a recommended decision following a review and evaluation of the hearing record. This would have been followed by a comment period for interested parties, after which the USDA would reconsider the decision in light of any comments made. Only following that would a final decision have been issued and put before producers for vote in a referendum, the only referendum required under the non-emergency process.

The referendum ends October 15, 2004, and all ballots are required to be postmarked by that date. Results will be released once all ballots are tabulated and approved by USDA. ❖



Milk Moving South Increases

During September, bulk milk shipments to other Federal orders totaled nearly 31.0 million pounds. Of this total, 30.4 million pounds (98.1 percent) were sent south to the Appalachian, Florida, and Southeast Federal Milk Marketing Orders. This is up from the 20.7 million pounds sent south in August. During September 2003, 29.6 million pounds were shipped to the South.

Milk received by handlers pooled on the Northeast Order that came from handlers pooled on other Federal orders totaled 20.3 million pounds during September. Of this total, only 6.9 million came from the southern Federal orders, the same amount as received in September 2003. In August, 12.2 million pounds came from the South.

Overall, these movements resulted in a net amount of 10.6 million pounds more shipments than receipts. This is normal for this time of year as milk production in the southern United States falls short of fluid demands, especially as schools open. Additional demands were placed on the South, primarily Florida, due to shortages resulting from the numerous hurricanes that have hit that area during the past month. Hurricane damage caused power outages that led to milk dumping.

In addition to the bulk shipments pooled on the Northeast Order, some milk was pooled directly on one or more of the southern orders resulting in lower overall producer milk receipts. When combined with an increased volume of fluid milk sales, Class I utilization equaled 51.1 percent, the highest ever recorded since the Northeast Order's inception. ❖

Deadline for Proposals Extended

The USDA extended the time period for interested parties to submit additional proposals for consideration with a public 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 30, 2004, to **January 31, 2005**.

For more information regarding the proposal, a link to Dairy Programs is provided under the *Hearings and Proposals for Hearings* section on our website at www.fmmone.com or contact Antoinette Carter by phone at (202) 690-3465 or by e-mail at Antoinette.Carter@usda.gov. Proposals should be mailed to: Deputy Administrator, USDA/AMS/Dairy Programs, STOP-0225-Room 2968, 1400 Independence Avenue, SW, Washington, DC 20250-0225. ❖

CCC Purchases Down From Last Year

For the marketing year (MY) October 1, 2003, through September 30, 2004, the Commodity Credit Corporation (CCC) purchased only nonfat dry milk (NFDM) under the dairy price support program. On a total solids milk equivalent basis, purchases equaled about 2.6 billion pounds, only about half of last year's volume. Purchases during MY 2002-03 were the highest since 1991 (see accompanying table).

The CCC did not purchase any cheese or butter during the MY. Near the end of 2003, milk production declined. Production continued to decline during the first half of 2004, further tightening milk supplies and limiting the availability of cheese and butter on the open market. The only activity involving butter during the MY was a cancellation of butter that had been offered during the previous MY. With no other activity during the MY, the actual net amount of CCC butter purchases equaled a negative 42,309 pounds. The last time the CCC purchased butter was in mid-June 2003.

There was no cheese activity during MY 2003-04. The last time the CCC purchased cheese under the program was during the third week of July 2003; the last activity consisted of cancellations (of previous purchases) during September 2003.

Uncommitted inventories of NFDM totaled 606.9 million at MY end. This was down considerably from the previous MY 2003-04 total of 1,180.0 million pounds.

There were no uncommitted inventories of butter or cheese at the end of either MY. ❖

CCC Purchases of Dairy Products Under the Support Program, 1991-2004*

MY** Ending	Butter	Cheese (million pounds)	NFDM	Milk
				Equivalent Total
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	624.6	4,913.5
2004	0.0 #	0.0	362.1	2,560.2

Sources: Commodity Credit Corporation; *Dairy Market News*.

* Does not include purchases under Dairy Export Incentive Program

** Marketing year; October 1 through September 30.

Negative value less than 50,000 pounds (sellbacks were greater than purchases).

Pool Summary for All Federal Orders, January-September 2003-2004

Federal Order		Total Producer Milk			Producer Price Differential#		Statistical Uniform Price#*	
Number	Name	2003	2004**	Change**	2003	2004	2003	2004
		pounds			percent	dollars per hundredweight		
1	Northeast	18,240,550,624	17,175,699,765	-5.8	1.56	1.07	12.37	16.58
5	Appalachian	4,728,168,440	4,684,414,094	-0.9	N/A	N/A	12.81	17.07
6	Florida	2,148,297,822	2,165,721,943	0.8	N/A	N/A	13.91	18.51
7	Southeast	5,262,320,505	5,459,289,222	3.7	N/A	N/A	12.71	16.96
30	Upper Midwest	13,192,668,555	13,706,832,240	3.9	-0.03	-0.41	10.79	15.10
32	Central	11,230,271,240	8,911,401,056	-20.6	0.32	-0.25	11.13	15.25
33	Mideast	11,776,900,463	11,933,019,679	1.3	0.53	0.02	11.34	15.52
124	Pacific Northwest	4,915,287,486	4,992,351,530	1.6	0.01	-0.63	10.82	14.87
126	Southwest	7,059,472,808	6,607,675,833	-6.4	1.15	0.58	11.96	16.08
131	Arizona-Las Vegas	2,323,377,278	2,195,487,409	-5.5	N/A	N/A	11.29	15.61
135	Western@	3,752,672,672	1,096,283,946	N/A	0.08	0.45	10.89	0.00
All Market Total/Average		84,629,987,893	78,928,176,717	-6.7	0.52	0.05	11.82	16.13

Price at designated order location.

* Price at 3.5% butterfat.

** A significant amount of milk was depooled during April, May, and June.

@ The Western Milk Marketing Order was terminated effective April 1, 2004; pounds for 2004 are only Jan-Mar total; Uniform Price is average for Jan-Mar 2004.

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	896,156,756	\$11.21	100,459,172.35	
Butterfat	18,422,752	1.8215	33,557,042.77	
Less: Location Adjustment to Handlers			(2,896,172.92)	\$131,120,042.30
Class II— Butterfat	25,659,847	1.9424	49,841,686.83	
Nonfat Solids	29,799,912	0.7900	23,541,930.48	73,383,617.31
Class III— Butterfat	15,640,781	1.9354	30,271,167.56	
Protein	12,292,720	2.5431	31,261,616.21	
Other Solids	22,913,288	0.0589	1,349,592.68	62,882,376.45
Class IV— Butterfat	4,833,310	1.9354	9,354,388.16	
Nonfat Solids	9,470,310	0.7167	6,787,371.16	16,141,759.32
Total Classified Value				\$283,527,795.38
Add: Overage—All Classes				56,538.61
Inventory Reclassification—All Classes				294,435.13
Other Source Receipts	75,581			2,116.81
Less: Producer Component Valuations				(267,937,342.51)
Subtotal				\$15,943,543.42
Add: Location Adjustment to Producers				8,276,035.66
One-half Unobligated Balance—Producer Settlement Fund				532,030.05
Total Pool Milk & Aggregate Value	1,788,345,577			24,751,609.13
Less: Producer Settlement Fund—Reserve				(787,778.39)
Producer Price Differential @ Suffolk County, MA (Boston)		\$1.34		23,963,830.74
Statistical Uniform Price @ Suffolk County, MA (Boston)		\$16.06		

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