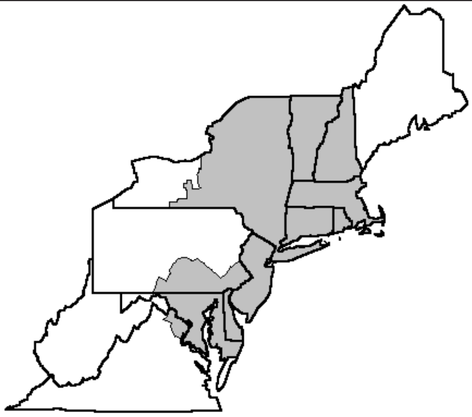


The Market Administrator's

BULLETIN

NORTHEAST MARKETING AREA

Erik F. Rasmussen, Market Administrator

March 2005 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

March Pool Price Calculation

The March 2005 statistical uniform price (SUP) for the Northeast Marketing Area was announced at $16.04 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 March producer price differential (PPD) at Suffolk County was $1.96 per hundredweight.

March's statistical uniform price was 53 cents per hundredweight higher than the February price; the March PPD was $1.15 above last month's. All class prices were lower than last month's except for the Class I price that reflected commodity prices from February. During March, butter and cheese prices decreased resulting in lower butterfat and protein prices. With the rise in the Class I price and the decline in the other class prices, the spread between the class prices increased resulting in a higher PPD.❖

Amendments to Northeast Order Approved

On Monday, April 11, 2005, the U.S. Department of Agriculture announced a final rule implementing amendments to the Northeast Federal Milk Marketing Order. This final rule adopts the order changes voted on and approved by dairy farmers during the referendum conducted February 1–25, 2005. Changes to the Order will become effective June 1, 2005.

The amendments to the Northeast Order will:

- revise certain reporting and payment date provisions;
- establish year-round supply plant performance standards;
- eliminate the split-plant provision;
- establish a one-day touch-base provision;
- establish explicit limits on the amount of milk a pool plant may divert to nonpool plants;
- exclude milk received by supply plants from producers not eligible to be pooled on the Northeast Order from the total volume of milk used to satisfy supply plant performance standards;
- prohibit the ability to simultaneously pool the same milk on the Order and on a marketwide pool administered by another government entity;
- grant authority to the Market Administrator to adjust the touch-base standard and diversion limits as market conditions warrant.❖

Pool Summary

- A total of 15,011 producers were pooled under the Order with an average daily delivery per producer of 4,348 pounds.
- Pooled milk receipts totaled 2.0 billion pounds, an increase of 1.1 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 44.8 percent of total milk receipts, a decrease of 1.6 percentage points from February.
- The average butterfat test of producer receipts was 3.73 percent.
- The average true protein test of producer receipts was 3.04 percent.
- The average other solids test of producer receipts was 5.69 percent.❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	44.8	907,199,364
Class II	20.2	408,518,489
Class III	23.1	467,927,365
Class IV	11.9	239,621,879
Total Pooled Milk		2,023,267,097

Producer Component Prices

	2005	2004
	$/lb	
Protein Price	2.5019	2.0133
Butterfat Price	1.7279	2.3813
Other Solids Price	0.0951	0.0234

Class Price Factors

	2005	2004
	$/cwt	
Class I	18.68	15.19
Class II	13.25	14.79
Class III	14.08	14.49
Class IV	12.66	14.10

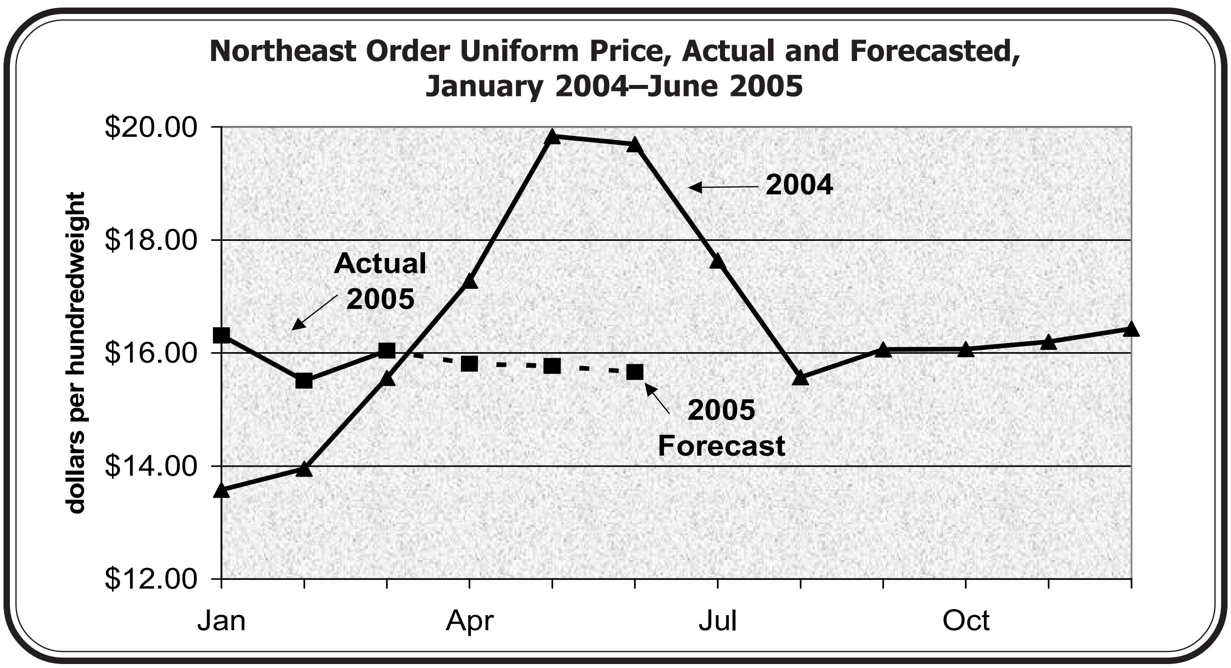
Uniform Price Strong, Steady

With a March statistical uniform price of $16.04 per hundredweight, the Northeast Order has recorded its highest first quarter average uniform price of $15.95 per hundredweight since the Order's inception. The previous high for the first quarter was set last year at $14.36 per hundredweight.

A look at Chicago Mercantile Exchange (CME) futures prices as they closed on April 14 leads us to believe that the uniform price will be only slightly lower during the second quarter, averaging $15.75. Second quarter prices will be paced by Class I and Class III prices that will be second only to last year's record high prices. Based on the futures market, the uniform price for the entire first half of 2005 will be $0.80 below last year's first half average. U.S. commercial cheese, butter, and nonfat dry milk inventories are currently low relative to recent years, and these tight markets have lent strength to the milk price. Milk in the top 20 producing states has been at least one percent higher than last year for each month since August 2004. The magnitude of continued improvement in milk production will be a key factor in where prices go for the remainder of the year. The supply and demand relationship that currently exists is not expected to change much for the next few months and will result in a continued steady price level.

The producer price differential (PPD) is projected to range from $1.22 to $1.47 during the second quarter of 2005, averaging $1.37 per hundredweight. The PPD averaged $1.65 during the first quarter of 2005.

Using actual and forecasted prices from August 2004 through June 2005, the uniform price should be within a $0.86 range averaging around the $16.00 per hundredweight level. The steady uniform price has been in contrast with the more volatile commodity markets. The CME 40-lb. block Cheddar cheese market has been through four rapid per pound price increases of $0.20 or more and one of $0.13 as well as four rapid declines of $0.20 or more. The CME AA Butter market also faced rapid and large increases and decreases towards the end of 2004 as well, but has traded in a more narrow band of about $0.15 per pound since then.❖



Market Services 2005

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 accompanying schedule indicates the planned areas where the Market Administrator's two 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.❖

Tentative Calibration Truck Schedule, 2005

Month	Area
April	Southern Tier New York/Northern Pennsylvania Southeast Pennsylvania
May	Eastern New York Southeast Pennsylvania
June	Central Pennsylvania Maine/Rhode Island/Connecticut
July	Finger Lakes New York Vermont/New Hampshire
August	New Jersey/Eastern New York Central New York
September	Central New York Southeast Pennsylvania
October	Western New York Southeast Pennsylvania
November	Southest Pennsylvania Eastern New York

Top Northeast Couties Based on Milk Receipts

In 2004, the top ten counties in terms of milk pooled on the Northeast Order accounted for 30.5 percent of all milk pooled during the year; this was unchanged from 2003. It should be noted that pooled milk receipts do not necessarily account for all milk produced in any given county. Milk shipped to other federal orders, state orders, or unregulated areas is not included in these figures.

Changes in rank occurred within the top ten contributing states during 2004. The accompanying table shows the top ten ranked counties for 2004 and their respective ranks in 2003. Lancaster County, PA, remained in the number one spot with over 2 billion pounds pooled. The second (Franklin County, PA) and third (Franklin County, VT) ranked counties also were unchanged from 2003.

Cayuga County, NY, moved up to fourth place in 2004; it ranked fifth in 2003. St. Lawrence County, NY, jumped from seventh in 2003 to fifth in 2004. Addison County, VT, dropped to sixth place in 2004 from fourth in 2003. Wyoming County, NY, went from sixth in 2003 to seventh in 2004; Jefferson County, NY, remained in the eighth position; and Lebanon County, PA, moved up to the ninth spot in 2004 from the tenth the previous year. The newcomer was Oneida County, NY, which ranked tenth in 2004, up from number twelve in 2003.

It should be noted that the change in rankings is likely due to a significant amount of depooling that occurred during April, May, and June of 2004. During those months, handlers chose to not pool milk on the Northeast Order due to disadvantageous price relationships. Counties such as Lancaster, Franklin, and Lebanon in Pennsylvania and Cayuga in New York were not affected by the depooling. Most of the others appeared to have some decrease in milk receipts during those months that is most likely the result of depooling.

Overall, the top twenty contributing counties accounted for nearly 46 percent of the total milk pooled during the year, about the same as in 2003. The top thirty counties accounted for nearly 57 percent of all milk receipts in 2004, down slightly from the previous year. The Northeast Order received milk from 274 counties in 19 different states.❖

Top Contributing Counties, Northeast Order, 2004

2004 Rank	County	State	Pounds	2003 Rank
1	Lancaster	PA	2,015.8	1
2	Franklin	PA	752.3	2
3	Franklin	VT	679.7	3
4	Cayuga	NY	599.6	5
5	St. Lawrence	NY	576.0	7
6	Addison	VT	551.4	4
7	Wyoming	NY	521.1	6
8	Jefferson	NY	492.3	8
9	Lebanon	PA	456.0	10
10	Oneida	NY	395.5	12
				% of Total
	Top 10 Total		7,039.5	30.5
	Top 20 Total		10,523.0	45.6
	Top 30 Total		13,114.4	56.9
	Northeast Total		23,056.0	

Pool Summary for All Federal Orders, January–March, 2004–2005

Federal Order		Total Producer Milk			Producer Price Differential#		Statistical Uniform Price#*	
Number	Name	2004	2005	Change**	2004	2005	2004	2005
		pounds		percent	dollars per hundredweight			
1	Northeast	5,980,336,145	5,831,187,822	(1.4)	1.70	1.65	14.36	15.95
5	Appalachian	1,589,831,082	1,659,484,563	5.5	N/A	N/A	14.85	16.66
6	Florida	782,040,984	834,197,367	7.9	N/A	N/A	15.83	18.11
7	Southeast	1,938,058,418	1,936,366,372	1.0	N/A	N/A	14.62	16.53
30	Upper Midwest	4,828,475,637	5,029,387,236	5.3	0.35	0.21	13.01	14.51
32	Central	3,150,701,258	3,306,985,600	6.1	0.53	0.42	13.20	14.73
33	Mideast	4,218,328,231	4,411,920,185	5.8	0.69	0.65	13.35	14.96
124	Pacific Northwest	1,795,727,347	1,541,114,051	(13.2)	0.43	0.15	13.10	14.45
126	Southwest	2,126,856,790	2,144,409,670	1.9	1.40	1.38	14.06	15.69
131	Arizona-Las Vegas	784,963,188	754,887,725	(2.8)	N/A	N/A	13.32	14.89
135	Western^	1,096,283,946	0	N/A	0.45	N/A	13.12	N/A
	All Market Total/Average	28,291,603,026	27,449,940,591	(1.9)	0.79	0.74	13.89	15.65

Price at designated order location. * Price at 3.5% butterfat. ** Adjusted for leap year.

^ 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.

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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	889,152,932	$12.84	114,167,236.47	
	Butterfat	18,046,432	1.7983	32,452,898.67	
Less:	Location Adjustment to Handlers			(2,796,965.11)	$143,823,170.02
Class II—	Butterfat	30,405,112	1.7349	52,749,828.81	
	Nonfat Solids	34,291,172	0.8267	28,348,511.91	81,098,340.72
Class III–	Butterfat	18,149,600	1.7279	31,360,693.81	
	Protein	14,190,343	2.5019	35,502,819.16	
	Other Solids	26,433,542	0.0951	2,513,829.83	69,377,342.80
Class IV–	Butterfat	8,815,346	1.7279	15,232,036.34	
	Nonfat Solids	20,948,262	0.7606	15,933,248.09	31,165,284.43
Total Classified Value					**$325,464,137.97**
Add:	Overage—All Classes				106,272.28
	Inventory Reclassification—All Classes				210,486.01
	Other Source Receipts	262,186			11,701.64
Less:	Producer Component Valuations				(295,341,999.30)
	Subtotal				**$30,450,598.60**
Add:	Location Adjustment to Producers				9,508,535.17
	One-half Unobligated Balance—Producer Settlement Fund				560,202.76
Total Pool Milk & Aggregate Value		2,023,529,283			40,519,336.53
Less:	Producer Settlement Fund—Reserve				(858,102.58)
Producer Price Differential @ *Suffolk County, MA (Boston)*			**$1.96**		39,661,233.95
Statistical Uniform Price @ *Suffolk County, MA (Boston)*			**$16.04**		

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