

The Market Administrator's BULLETIN

NORTHEAST MARKETING AREA

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Federal Order No. 1

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August Pool Price Calculation

The August 2005 statistical uniform price (SUP) for the Northeast Marketing Area was announced at \$15.84 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 August producer price differential (PPD) at Suffolk County was \$2.24 per hundredweight.

August's statistical uniform price was 1 cent per hundredweight below the July price; the August PPD was 74 cents higher than last month's. During August, cheese prices declined while butter and powder prices rose. This resulted in lower protein prices and slightly higher butterfat and other solids prices. All class prices increased except the Class III price which dropped 75 cents. This increase in the spread between the Class I price and the Class III prices resulted in a higher PPD.

Producer butterfat tests remained on the low side averaging 3.52 percent and the lowest test for August since the Order's inception. The producer protein test jumped .05 percentage points averaging 2.96 percent.❖

New AMS Administrator

USDA Secretary Mike Johanns recently named Lloyd C. Day as Administrator of the Agricultural Marketing Service (AMS). One of the many programs overseen by the AMS is the Federal Milk Marketing Order program.

Day's prior experience includes serving as special assistant to the Administrator of the Foreign Agricultural Service and as Deputy Secretary of International Trade and Investment with the California Trade and Commerce Agency.❖

National Dairy Board Appointments

The Secretary of Agriculture recently announced the appointment of ten new members and reappointment of two incumbents to the National Dairy Promotion and Research Board. All will serve 3-year terms beginning November 1, 2005, through October 31, 2008. Locally, Joyce A. Bupp of Seven Valleys, PA, was appointed to represent Region 11 and Ronald R. McCormick of Java Center, NY, will be representing Region 12.

The board administers a coordinated program of promotion, research, and nutrition education.❖

Pool Summary

- A total of 14,906 producers were pooled under the Order with an average daily delivery per producer of 4,410 pounds.
- Pooled milk receipts totaled 2.038 billion pounds, an increase of 2.5 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 43.5 percent of total milk receipts, an increase of 2.6 percentage points from July.
- The average butterfat test of producer receipts was 3.52 percent.
- The average true protein test of producer receipts was 2.96 percent.
- The average other solids test of producer receipts was 5.66 percent.❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	43.5	886,715,118
Class II	21.4	436,585,990
Class III	25.9	526,389,969
Class IV	9.2	188,112,631
Total Pooled Milk		2,037,803,708

Producer Component Prices

	2005	2004
	\$/lb	
Protein Price	2.1619	2.4663
Butterfat Price	1.8246	1.7941
Other Solids Price	0.1317	0.0676

Class Price Factors

	2005	2004
	\$/cwt	
Class I	17.69	17.87
Class II	13.95	13.13
Class III	13.60	14.04
Class IV	13.44	12.46

Milk Movements

During August, bulk milk shipments received by handlers pooled on the Northeast Order that came from handlers pooled on other federal orders totaled 21.7 million pounds. These orders include Appalachian (Order No. 5), Southeast (Order No. 7), Upper Midwest (Order No. 30), Central (Order No. 32), and Mideast (Order No. 33). Bulk shipments to other federal orders for August totaled 20.8 million pounds. Shipments were sent to Appalachian, Florida (Order No. 6), Southeast, Midwest, and Mideast orders.

As is normal during this time of year, large volumes were shipped between the Northeast Order and orders

located in the southeastern United States. In August, the Northeast Order received 8.6 million pounds from Orders No. 5 and 7 and shipped 20.0 million pounds to Orders No. 5, 6, and 7. This equaled a net amount of 11.4 million pounds shipped South and compares to net August shipments of 8.5 million pounds in 2004 and 18.2 million pounds in 2003.

Normally there is an increase in the amount shipped South during September. It is anticipated that the volume this year will be even higher as a result of Hurricane Katrina. ❖

Gross Payment Comparison

With multiple component pricing, the composition of a producer's gross payment can vary each month. In the Northeast Order, producers are paid on the pounds of butterfat, "true" protein, and other solids in their milk. In addition to these three factors, the producer price differential (PPD) has an effect on the final price producers receive. The PPD is the producer's per hundredweight share of the value generated by the market wide pool. It is usually a positive value.

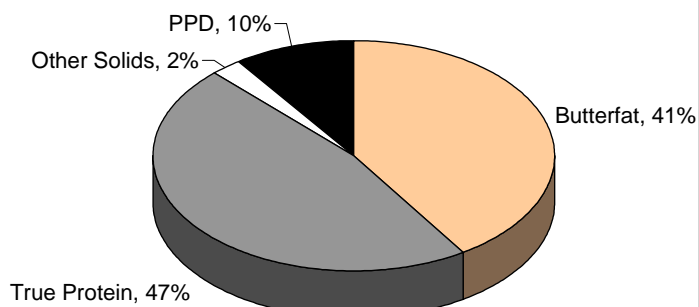
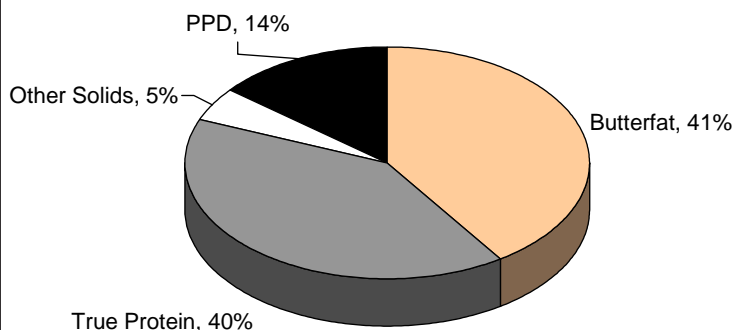
In the example shown, the composition of a hypothetical producer's total gross payment was calculated for August of 2005 and 2004. The component prices are the actual prices for the corresponding month's; the tests are the average tests reported for all producers during that month. The hypothetical farmer's payment was 14 cents higher in

August 2005 when compared to the previous year, yet the composition of the price components varied greatly from year to year (see pie charts). In August 2005, the PPD was \$2.24 per hundredweight and contributed 14 percent of the total gross value; in August 2004, the PPD was only \$1.53 per hundredweight and 10 percent of the total gross value.

Also, in August 2003 the PPD was negative and detracted from the gross payment value. During that month, protein contributed 67 percent of the producer's payment and butterfat contributed 33 percent. In August 2002, the PPD was 2.62 per hundredweight and equaled 22 percent of the total value. Protein contributed 45 percent while butterfat added 32 percent. The gross prices per hundredweight were \$13.55 and \$12.01 for August of 2003 and 2002, respectively. ❖

Composition of Total Gross Payment *

	August 2005				August 2004			
	Test percent	Pounds	Price per pound	Gross dollars	Test percent	Pounds	Price per pound	Gross dollars
Butterfat	3.52	3520	x 1.8246 =	\$6,422.59	3.57	3570	x 1.7941 =	\$6,404.94
True Protein	2.96	2960	x 2.1619 =	\$6,399.22	2.98	2980	x 2.4663 =	\$7,349.57
Other Solids	5.66	5660	x 0.1317 =	\$745.42	5.67	5670	x 0.0676 =	\$383.29
PPD		1,000 cwt	2.24	\$2,240.00		1,000 cwt	1.53	\$1,530.00
Total gross payment				\$15,807.23				\$15,667.80
Gross price per cwt				\$15.81				\$15.67



*For a hypothetical farm producing 100,000 pounds of milk at pool average component tests.

Demand Remains Strong During First Half of 2005

Recently reported commercial disappearance figures show the demand for milk on a milkfat basis continuing to be strong during the first half of 2005 compared to the same period in 2004. Overall, commercial disappearance was up 1.6 percent for the 6-month period. The 2004 year ended with total disappearance of 0.6 percent, not as strong as 2003 when it equaled 2.2 percent, but still positive.

During the January through June period, total milk supply was up 1.2 percent from the previous year (see accompanying table). This was mainly attributable to an increase in milk production. The other components of total supply, beginning commercial stocks and imports, were both down from last year. Ending commercial stocks were down 2.5 percent. Net removals reported were negative signifying that the Commodity Credit Corporation (CCC) sold back product. The remainder, commercial disappearance, represents what is consumed rather than retained as CCC removals or held in commercial stocks.

Of selected products reported, butter sales were down while cheese and nonfat dry milk (NFD) were up. Sales of fluid milk products were relatively

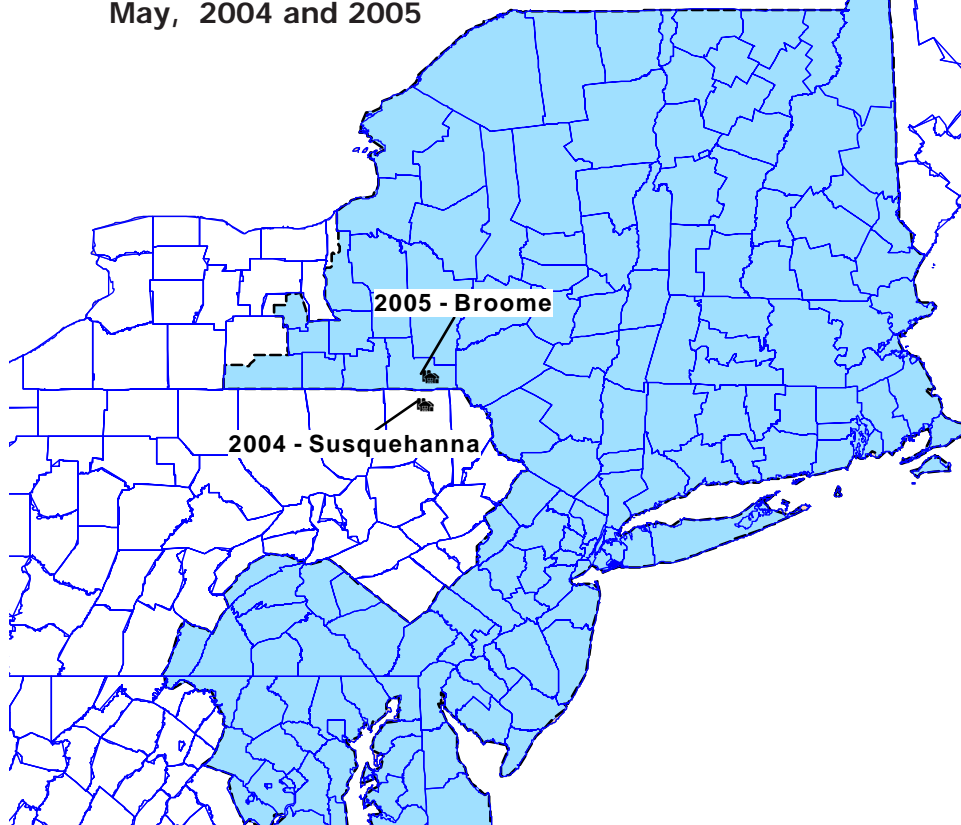
unchanged from the previous year. For the 2004 year as a whole, sales of butter, cheese, and NFD increased while fluid milk declined. ❖

Commercial Disappearance, January–June, 2004 and 2005

Milk	January–June		% chg
	2004	2005	
Production	86,583	88,904	3.2
Marketings	86,026	88,357	3.3
Beg. Commercial Stocks	8,333	7,154	(14.1)
Imports	2,963	2,394	(19.2)
Total Supply	97,322	97,905	1.2
End. Commercial Stocks	11,554	11,201	(3.1)
Net Removals	(83)	(34)	(59.0)
Commercial Disappearance	85,851	86,738	1.6
Selected Products			
Butter	594	587	(0.6)
American Cheese	1,847	1,853	0.8
Other Cheese	2,718	2,811	4.0
Nonfat Dry Milk	681	698	3.1
Fluid Milk Products	27,068	26,924	0.0

Source: Dairy Market News.

Weighted Average Production Center of Northeast Order, May, 2004 and 2005



Center of Northeast Order Milkshed

Broome County, New York, is the center of the Northeast Order milkshed based on data for May 2005. The milkshed encompasses all counties having producers shipping milk to handlers regulated under the Northeast Order. The conceptual center of the milkshed is calculated by weighting each farm's location by its production. The center of the milkshed does shift over time. In May 2004 the center of the milkshed was located in Susquehanna County, Pennsylvania, though not far from the May 2005 center.

Pooling practices can impact where the center of the milkshed is and, thus, does not necessarily reflect the center of the region's production. Milk pooled on the Northeast Order from other areas, Northeast milk pooled elsewhere, or depooling will impact the location of the center of the Order's milkshed. ❖



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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	868,671,254	\$11.54	100,244,662.71	
Butterfat	18,043,864	1.8721	33,779,917.79	
Less: Location Adjustment to Handlers			(2,797,096.69)	\$131,227,483.80
Class II— Butterfat	30,139,670	1.8316	55,203,819.56	
Nonfat Solids	36,267,099	0.8678	31,472,588.54	86,676,408.10
Class III— Butterfat	18,590,708	1.8246	33,920,605.82	
Protein	15,561,645	2.1619	33,642,720.34	
Other Solids	29,756,041	0.1317	3,918,870.61	71,482,196.77
Class IV— Butterfat	4,858,150	1.8246	8,864,180.49	
Nonfat Solids	16,373,455	0.8119	13,293,608.14	22,157,788.63
Total Classified Value				\$311,543,877.30
Add: Overage—All Classes				105,161.22
Inventory Reclassification—All Classes				137,939.21
Other Source Receipts	57,466			2,241.73
Less: Producer Component Valuations				(276,194,433.99)
Subtotal				\$35,594,785.47
Add: Location Adjustment to Producers				10,053,134.79
One-half Unobligated Balance—Producer Settlement Fund				873,266.41
Total Pool Milk & Aggregate Value	2,037,861,174			46,521,186.67
Less: Producer Settlement Fund—Reserve				(873,096.35)
Producer Price Differential @ Suffolk County, MA (Boston)		\$2.24		45,648,090.32
Statistical Uniform Price @ Suffolk County, MA (Boston)		\$15.84		

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