

The Market Administrator's BULLETIN

NORTHEAST MARKETING AREA

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September 2005

Federal Order No. 1

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September Pool Price Calculation

The September 2005 statistical uniform price (SUP) for the Northeast Marketing Area was announced at \$15.92 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 \$1.62 per hundredweight.

September's statistical uniform price was 8 cents per hundredweight above the August price; the September PPD was 62 cents below last month's. During September, all commodity prices (butter, cheese, and powder) increased resulting in higher component prices. All class prices increased except the Class I price, which is announced on an advanced basis and was calculated using lower August commodity prices. The tightening in the spread between the Class I price and the Class III prices resulted in a lower PPD, even though the blend price was higher.

The producer butterfat test jumped 0.10 percentage points from last month while protein increased 0.07 percentage points. The producer protein test averaged 3.03 percent, the highest for the month of September since the Order's inception. ❖

Milk Moving South Increases

During September, bulk milk shipments to other federal orders totaled 29.9 million pounds. Of this total, 29.0 million pounds (97 percent) were sent south to the Appalachian, Florida, and Southeast Federal Milk Marketing Orders. This is up from the 20.0 million pounds sent south in August. During September 2004, 30.4 million pounds were shipped south.

Milk received by handlers pooled on the Northeast Order that came from handlers pooled on other federal orders totaled 26.2 million pounds during September. Of this total, only 6.2 million came from the southern federal orders, less than the amount received in September 2004 (6.9 million). In August 2005, 8.6 million pounds came from the South.

Overall, these movements resulted in a net amount of 3.7 million pounds more shipments than receipts. During September 2004, the net amount was 10.6 million pounds. It is normal to have more milk shipped out of the Northeast Order than received during this time of year as milk production in the southern United States falls short of fluid demands,

(continued on page 2)

Pool Summary

- A total of 14,764 producers were pooled under the Order with an average daily delivery per producer of 4,207 pounds.
- Pooled milk receipts totaled 1.866 billion pounds, a decrease of 5.5 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 49.5 percent of total milk receipts, an increase of 6.0 percentage points from August.
- The average butterfat test of producer receipts was 3.62 percent.
- The average true protein test of producer receipts was 3.03 percent.
- The average other solids test of producer receipts was 5.66 percent. ❖

Class Utilization		
Pooled Milk	Percent	Pounds
Class I	49.5	923,526,354
Class II	20.8	388,745,430
Class III	23.4	435,864,967
Class IV	6.3	117,980,609
Total Pooled Milk		1,866,117,360

Producer Component Prices		
	2005	2004
	\$/lb	
Protein Price	2.3009	2.5431
Butterfat Price	1.8872	1.9354
Other Solids Price	0.1411	0.0589

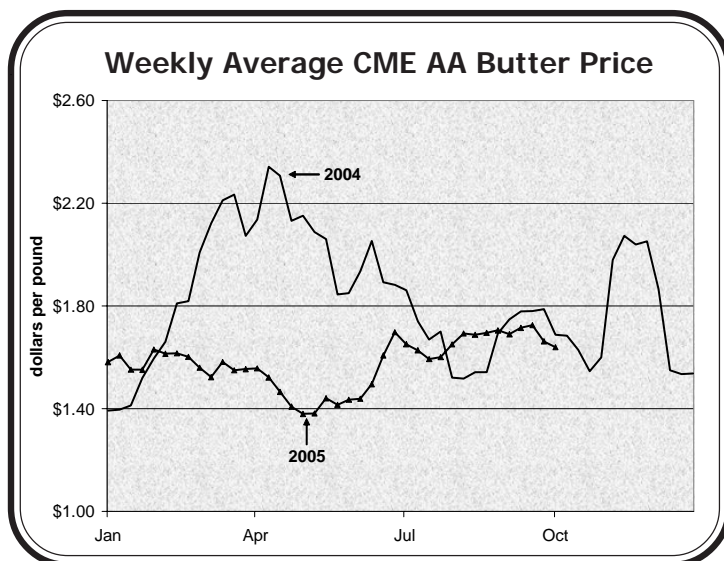
Class Price Factors		
	2005	2004
	\$/cwt	
Class I	16.95	17.19
Class II	14.35	13.66
Class III	14.30	14.72
Class IV	13.75	13.00

Commodity Prices

Both cheese and butter prices on the Chicago Mercantile Exchange (CME) have been less volatile in 2005 than 2004 through the first week in October. However, both commodities' prices have averaged lower than the previous year.

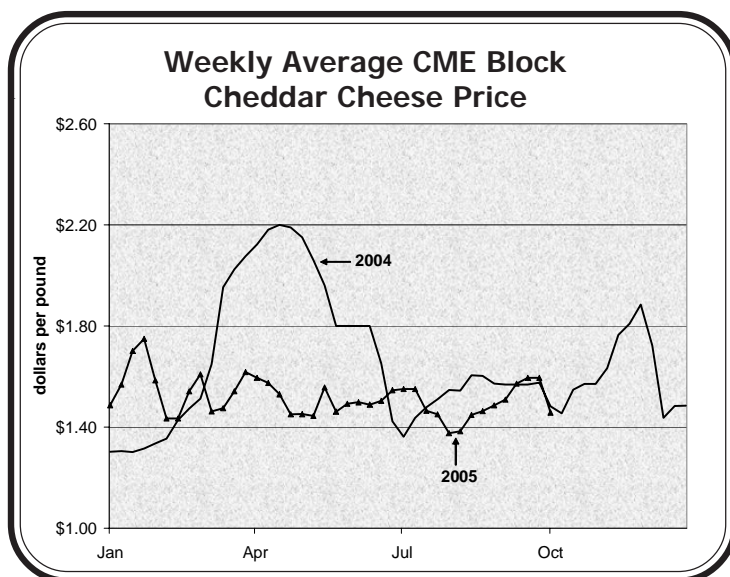
The CME 40-pound block Cheddar cheese price has averaged \$1.51 per pound through the first week in October, compared to \$1.67 per pound in 2004. The commodity has traded within a range of 37 cents during 2005, with a high of \$1.75 per pound and a low of \$1.38 per pound. Cheese traded within a range of 90 cents during the same time period in 2004, reaching a high of \$2.20 per pound and a low of \$1.30 per pound.

The CME AA butter price has averaged \$1.58 per pound through the first week in October, compared to \$1.84 per pound in 2004. Butter traded within a range of 35 cents so far in 2004, much less than the 95-cent range the commodity traded during the same period of 2005. During



2004, butter reached a high of \$2.34 per pound. The high weekly butter price for 2005 is \$1.73 per pound, so far.

For the remainder of the year, cheese is estimated to average about \$1.47 per pound and butter is estimated to average about \$1.58 per pound. Based on CME Futures prices, both commodities are estimated to be below their 2004 averages, \$1.63 per pound and \$1.76 per pound for cheese and butter, respectively, for this time period. ❖



Milk Moving *(continued from page 1)*

especially as schools open. Also during the past years, additional demands were placed on the South due to shortages resulting from the hurricanes that have hit that area during late August and early September. This September, a larger volume of milk was received from other federal orders, primarily the Upper Midwest (Order No. 30), Central (Order No. 32), and Mideast (Order No. 33), than last year. ❖

Pool Summary for All Federal Orders, January–September, 2004–05

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	17,175,699,765	17,871,159,859	4.4	1.07	1.57	16.58	15.73
5	Appalachian	4,684,414,094	4,870,422,193	4.4	N/A	N/A	17.07	16.28
6	Florida	2,165,721,943	2,386,838,889	10.6	N/A	N/A	18.51	17.61
7	Southeast	5,459,289,222	5,768,165,033	6.0	N/A	N/A	16.96	16.18
30	Upper Midwest	13,706,832,240	16,091,635,845	17.8	(0.41)	0.26	15.10	14.42
32	Central	8,911,401,056	10,154,745,049	14.4	(0.25)	0.41	15.25	14.57
33	Mideast	11,933,019,679	13,757,848,282	15.7	0.02	0.64	15.52	14.80
124	Pacific Northwest	4,992,351,530	5,197,091,728	4.5	(0.63)	0.12	14.87	14.28
126	Southwest	6,607,675,833	7,026,541,534	6.7	0.58	1.30	16.08	15.46
131	Arizona-Las Vegas	2,195,487,409	2,220,094,756	1.5	N/A	N/A	15.61	14.72
All Market Total/Average		77,831,892,771	85,344,543,168	10.1	0.05	0.72	16.13	15.41

Price at designated order location.

* Price at 3.5% butterfat.

** Adjusted for leap year.

N/A = Not applicable.

CCC Purchases Lowest Since 1996

For the marketing year (MY) October 1, 2004, through September 30, 2005, the Commodity Credit Corporation (CCC) purchased only nonfat dry milk under the dairy price support program. On a total solids milk equivalent basis, purchases equaled about 225 million pounds, less than one tenth of last year's volume. Purchases during MY 2004-05 were the lowest since 1996 when the CCC did not make any purchases under the support program (see accompanying table).

For the past two marketing years, the CCC has not purchased any cheese or butter. The only activity involving butter during the past two MYs was a cancellation of butter that had been offered during the previous MY. The last time the CCC purchased butter was in mid-June 2003. 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.

There were no uncommitted inventories of any of the products purchased by the CCC at MY end. At the end of the previous MY (2003-04) a total of 609.9 million pounds of NFDm were held in inventory. There were no uncommitted inventories of butter or cheese at the end of MY 2003-04. Milk production rebounded during the first half of 2005, yet demand outpaced the increase in production resulting in an increase in commercial disappearance and a reduction in stocks held by the CCC and, therefore, no need for support price purchases. For more information on commercial disappearance, refer to the August 2005 *Bulletin*. ❖

CCC Purchases of Dairy Products Under the Support Program, 1991-2005*

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	361.9	2,558.7
2005	0.0	0.0	31.8	225.0

* 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).

Sources: Commodity Credit Corporation; Dairy Market News.

MILC Program

The scheduled end of the Milk Income Loss Contract Program (MILC) was September 30, 2005, the end of the federal 2005 fiscal year (FY 2005). The program began on December 1, 2001.

During FY 2005, a total of \$4.7 million was paid to producers nationwide. Of that total, a little over \$1 million was paid to producers in the Northeast. Pennsylvania producers received a total of \$457,923 during FY 2005, the most of any Northeast state. They were followed by New York at \$342,771 and Vermont at \$80,052. Total payments during FY 2005 were not as high as previous years as there was just a single payment made. The payment was in June 2005 for 3 cents per hundredweight.

Since its inception in October 2002, the program has paid \$1.44 billion to producers nationwide. Of that total, Northeast producers received \$345 million. Nationwide, MILC paid producers \$142 million in FY 2002, \$1.1 billion in FY 2003, and \$197 million in FY 2004.

Of the 46 months of the program, payments were made during 25 of the months, but only one payment in the last 17 months and five payments in the last 25 months. The largest payment was \$1.82 per hundredweight, made in April 2003.

At this time it is still unclear whether or not the program will be reauthorized by Congress. ❖

Total MILC Payments As of October 14, 2005

State	2005 Payments	Total Payments FY 2002-FY 2005
Connecticut	\$8,423	\$4,683,760
Delaware	2,917	1,281,004
Maine	19,257	7,796,159
Maryland	22,934	13,420,447
Massachusetts	6,187	5,184,667
New Hampshire	6,684	3,902,329
New Jersey	2,143	2,998,484
New York	342,771	131,197,689
Pennsylvania	457,923	120,661,848
Rhode Island	399	332,562
Vermont	80,052	31,831,069
Virginia	72,285	22,016,818
Northeast States Total	\$1,021,975	\$345,306,837

National Total \$4,708,763 \$1,441,848,681

Source: USDA, Farm Service Agency.

Dairy Board Appointments—Correction

Last month we reported the newly appointed members to the National Dairy Promotion and Research Board. Inadvertently, the name of Debora A. Erb from Landaff, NH, was omitted. She is a newly appointed member and will be serving Region 13. ❖



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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	905,144,544	\$10.96	99,203,842.02	
Butterfat	18,381,810	1.8197	33,449,379.66	
Less: Location Adjustment to Handlers			(2,929,168.52)	\$129,724,053.12
Class II— Butterfat	27,135,605	1.8942	51,400,262.98	
Nonfat Solids	32,597,852	0.8889	28,976,230.64	80,376,493.62
Class III— Butterfat	16,163,331	1.8872	30,503,438.26	
Protein	13,230,038	2.3009	30,440,994.40	
Other Solids	24,613,520	0.1411	3,472,967.68	64,417,400.34
Class IV— Butterfat	5,790,953	1.8872	10,928,686.51	
Nonfat Solids	10,123,344	0.8222	8,323,413.46	19,252,099.97
Total Classified Value				\$293,770,047.05
Add: Overage—All Classes				136,443.68
Inventory Reclassification—All Classes				230,941.63
Other Source Receipts	45,367			1,288.43
Less: Producer Component Valuations				(272,504,570.57)
Subtotal				\$21,634,150.22
Add: Location Adjustment to Producers				8,749,222.44
One-half Unobligated Balance—Producer Settlement Fund				711,569.24
Total Pool Milk & Aggregate Value	1,866,162,727			31,094,941.90
Less: Producer Settlement Fund—Reserve				(863,105.67)
Producer Price Differential @ Suffolk County, MA (Boston)		\$1.62		30,231,836.23
Statistical Uniform Price @ Suffolk County, MA (Boston)		\$15.92		

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