

The Market Administrator's BULLETIN

NORTHEAST MARKETING AREA

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January 2006

Federal Order No. 1

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January Pool Price Calculation

The January 2006 statistical uniform price (SUP) for the Northeast Marketing Area was announced at \$14.78 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 January producer price differential (PPD) at Suffolk County was \$1.39 per hundredweight.

January's statistical uniform price was 5 cents per hundredweight below the December 2005 price; the January PPD was 7 cents below last month's. During January, commodity butter, cheese, and powder prices declined while dry whey prices rose slightly. Butter prices dropped the most; since butterfat is a component in the protein price formula, this change resulted in an increase in the producer protein prices. The Class I and IV prices declined while the Class II and III prices increased slightly. ❖

Marketing Services 2005 Summary

The Market Administrator's marketing services program verifies or establishes bulk tank calibrations, samples and tests producer milk, and provides market information for producers who are not receiving such services from a cooperative association.

Verification Program

One aspect of the marketing services provided by the Order is the verification program. The objective of verifying tests is to guard against incorrect payments to producers for milk components, as well as preventing incorrect pool credits to fluid handlers.

Calibration Program

Another aspect of the Market Administrator's marketing services program is the bulk tank calibration program. The Northeast Order operates two calibration trucks. In providing calibration services, the two trucks combined covered over 27,800 miles during 2005. The Marketing Services department checked 345 farm bulk tanks throughout the Northeast Marketing Area milkshed during the 2005 season. Briefly, a tank check involves measuring the tank at about four or five different levels as opposed to performing a complete calibration, which involves checking the tank at each increment on the dipstick. The levels checked vary depending on the tank size and a farm's production range. If the (continued on page 2)

Pool Summary

- A total of 14,551 producers were pooled under the Order with an average daily delivery per producer of 4,403 pounds.
- Pooled milk receipts totaled 1.986 billion pounds, an increase of 1.7 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 45.0 percent of total milk receipts, a decrease of 2.4 percentage points from December.
- The average butterfat test of producer receipts was 3.79 percent.
- The average true protein test of producer receipts was 3.08 percent.
- The average other solids test of producer receipts was 5.71 percent. ❖

Class Utilization		
Pooled Milk	Percent	Pounds
Class I	45.0	893,898,066
Class II	18.6	369,249,764
Class III	21.7	431,952,237
Class IV	14.7	291,222,427
Total Pooled Milk		1,986,322,494

Producer Component Prices		
	2006	2005
	\$/lb	
Protein Price	2.3994	2.5300
Butterfat Price	1.4684	1.7330
Other Solids Price	0.1881	0.0899

Class Price Factors		
	2006	2005
	\$/cwt	
Class I	16.63	19.90
Class II	13.25	13.04
Class III	13.39	14.14
Class IV	12.20	12.52

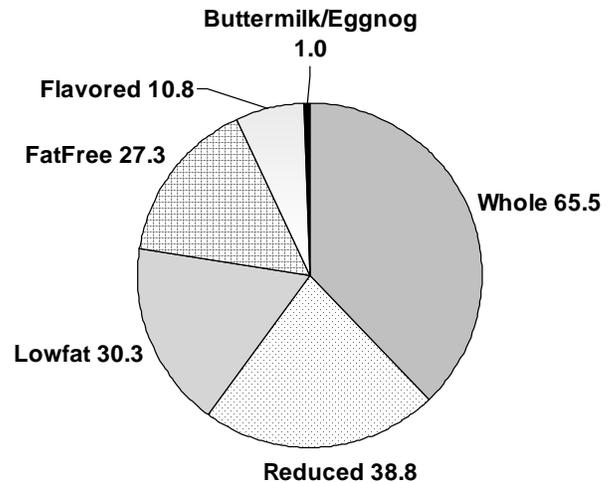
Class I Sales Continue to Decline

Sales of fluid milk products in the Northeast Milk Marketing Area totaled 9.1 billion pounds in 2005, down 0.5 percent from 2004 adjusted for leap year. This follows a decline of 0.8 percent in 2004. The accompanying table shows total in-area sales by type of product for 2004 and 2005. All changes have been adjusted for leap year. The chart shows per capita sales by product for 2005.

Flavored milk (e.g. chocolate milk) and drinks (lowfat flavored milk) had the largest decline during 2005, dropping 5.3 percent. This follows an increase of 7.7 percent in 2004. Other products that also recorded declines during 2005 include whole milk and the combined category of buttermilk and eggnog. Fatfree milk (skim) showed the largest increase from 2004 with growth of 2.5 percent. Lowfat (1 percent) and reduced fat (2 percent) increased 2.2 and 1.8 percent, respectively.

On a per capital basis, total fluid sales declined only 0.7 percent in 2005 (adjusted for leap year). This is less than the 1.2 percent drop in 2004. Whole milk continues

Northeast Area Per Capita Sales (pounds)
by Product, 2005



Sales of Fluid Milk Products in the
Northeast Milk Marketing Area, 2004–2005

Product	Total In-area Sales		2004–05 change*
	2004	2005	
	million pounds		percent
Whole Milk	3,572.6	3,446.8	(3.3)
Reduced Fat – 2%	2,009.0	2,039.0	1.8
Lowfat – 1%	1,562.5	1,592.2	2.2
FatFree	1,402.4	1,434.1	2.5
Flavored Milk and Drinks	604.4	570.6	(5.3)
Buttermilk/Eggnog	57.3	54.4	(4.8)
Total	9,208.0	9,137.1	(0.5)

* Adjusted for leap year.

to be the dominant product with 65.5 pounds, down from 67.9 in 2004. Reduced fat per capita sales grew slightly in 2005, to 38.8 pounds from 38.2 pounds the previous year. Lowfat sales increased 0.6 pounds; fatfree grew 0.7 pounds; and flavored milk and drinks declined 0.7 pounds.

The Northeast Marketing Area includes the entire states of Connecticut, Delaware, Massachusetts, New Hampshire, New Jersey, Rhode Island, and Vermont; the District of Columbia; most of Maryland and New York; and portions of Pennsylvania and Virginia. This area includes many metropolitan centers such as New York City, Boston, Philadelphia, Baltimore, and Washington, D.C.

Marketing Services *(continued from page 1)*

tank proves to be out of tolerance when checked, the tank is then recalibrated. Depending on scheduling, recalibrations may be performed the same day or rescheduled for another day. Of the 345 tanks checked, 45 were out of tolerance and were recalibrated. Of the tanks requiring recalibration, there was an almost even split between tanks that were over measuring and under measuring the amount of milk. An additional 143 calibrations were performed for other reasons that did not involve an initial check, such as a tank being installed, a tank being moved, or a special request. The 345 checks and the 143 additional calibrations total at least 488 farm visits. A total of 179 calibrations and recalibrations were performed. A breakdown of checks and calibrations/recalibrations by tank size are shown in the accompanying table. A tentative schedule for the calibration trucks will be published in the *Bulletin* near the start of the spring season. ❖

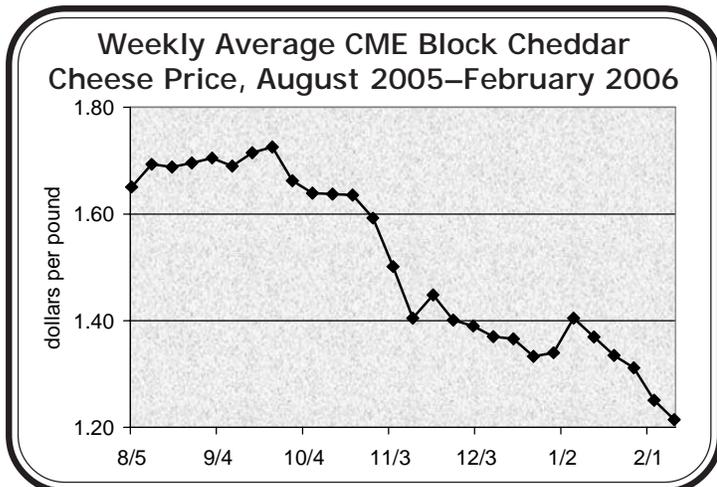
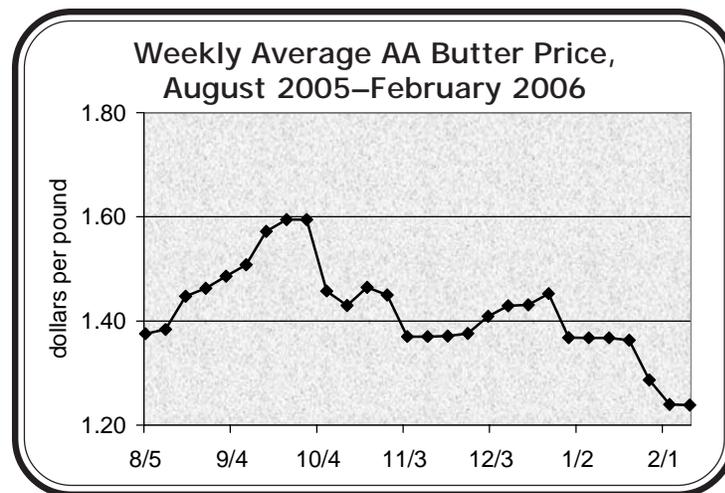
Tank Calibration Work
by Tank Size, 2005

Tank Size (Gallons)	Checks	Calibrations/ Recalibrations
0-500	34	11
501-1000	175	114
1001-1500	63	25
1501-2000	41	15
2001-3000	25	8
3001-6000	4	4
6000+	3	2
Total	345	179

Prices Falling, Will MILC Be There?

The weekly Chicago Mercantile Exchange (CME) AA butter price closed at \$1.2145 per pound for the week ending February 10, 2006. This is the lowest weekly average price since the week ending November 21, 2003. The weekly CME Cheddar cheese fell to \$1.2385 per pound for the week ending February 10. This is the lowest since the week ending June 20, 2003.

Milk production has been at least 4 percent higher than the previous year on a monthly basis since May 2005. The milk-feed price ratio averaged \$3.09 and \$3.24 in 2004 and 2005, respectively. A ratio over \$3.00 is usually indicative of a market environment suitable to expansion. The number of milk cows in 2005 was up 0.3 percent and milk per cow in 2005 increased 3.1 percent over 2004. The market appears to be reflecting the impact of production expansion.





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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	876,359,401	\$11.67	102,271,142.10	
Butterfat	17,538,665	1.5341	26,906,065.98	
Less: Location Adjustment to Handlers			(2,771,154.08)	\$126,406,054.01
Class II— Butterfat	26,924,143	1.4754	39,723,880.57	
Nonfat Solids	31,233,908	0.9311	29,081,891.71	68,805,772.28
Class III— Butterfat	17,556,377	1.4684	25,779,783.96	
Protein	13,264,815	2.3994	31,827,597.12	
Other Solids	24,581,009	0.1881	4,623,687.81	62,231,068.89
Class IV— Butterfat	13,336,492	1.4684	19,583,304.83	
Nonfat Solids	25,383,537	0.8132	20,641,892.28	40,225,197.11
Total Classified Value				\$297,668,092.29
Add: Overage—All Classes				26,217.61
Inventory Reclassification—All Classes				45,738.54
Other Source Receipts	14,807			447.17
Less: Producer Component Valuations				(278,608,904.13)
Subtotal				\$19,131,591.48
Add: Location Adjustment to Producers				9,372,277.34
One-half Unobligated Balance—Producer Settlement Fund				0.00**
Total Pool Milk & Aggregate Value	1,986,337,301			28,503,868.82
Less: Producer Settlement Fund—Reserve				(893,780.28)
Producer Price Differential @ Suffolk County, MA (Boston)		\$1.39		27,610,088.54
Statistical Uniform Price @ Suffolk County, MA (Boston)		\$14.78		

For November, December, and January pool this value is "0"

PPD is 4 to 5 cents lower

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

** Zero due to obligation for settlement of the *H.P. Hood et. al.* 7 U.S.C. Sec.608(15)(A) decision.