The Market Administrator's

BULLETIN

NORTHEAST MARKETING AREA

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August 2006 Federal Order No. 1

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August Pool Price Calculation

The August 2006 statistical uniform price (SUP) for the Northeast Marketing Area was announced at $13.06 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 August producer price differential (PPD) at Suffolk County was $2.00 per hundredweight.

August's statistical uniform price was 27 cents per hundredweight above the July price; the August PPD was 13 cents above last month's. During August, all commodity prices rose slightly. This resulted in higher producer component prices for butterfat and solids, but a slightly lower protein price as the butterfat price is a component in the protein price. All class prices increased except the Class I price, which is announced on an advanced basis and is calculate using prices from the previous month.

The average producer test for protein rose; other solids dropped; and butterfat was unchanged. Due to an overall lower volume of milk receipts, the producer component valuation declined resulting in a higher PPD. ❖

Hearing Reconvened

On September 1, USDA announced that it would reconvene a national public hearing to consider proposals seeking to amend the Class III and IV milk price formulas manufacturing allowances applicable to all federal milk marketing orders. The hearing was held on September 14 in Strongsville, Ohio; the original hearing was held January 24–27 in Alexandria, Virginia.

The purpose of reconvening, according to USDA, was to assure that any changes to manufacturing allowance factors used in federal order Class III and IV product price formulas are appropriate and reflective of manufacturing costs; specifically, to take into evidence data on costs of processing in cheese, whey, butter, and nonfat dry milk plants from a recently completed research project conducted by Cornell University and other pertinent data that would be publicly available.

USDA has solicited and is currently receiving additional proposals regarding all aspects of the Class III and IV price formulas; proposals are due by September 30. Such proposals will be considered for inclusion in a separate hearing notice for a separate public hearing on all issues affecting Class III and Class IV product price formulas.

Information on this and other federal order hearings is available at www.ams.usda.gov/dairy.❖

Pool Summary

- A total of 14,222 producers were pooled under the Order with an average daily delivery per producer of 4,105 pounds.
- Pooled milk receipts totaled 1.81 billion pounds, a decrease of 5.0 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 48.8 percent of total milk receipts, an increase of 6.1 percentage points from July.
- The average butterfat test of producer receipts was 3.58 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.❖

Pooled Milk	Percent	Pounds
Class I	48.8	883,208,313
Class II	23.1	418,281,539
Class III	23.2	420,207,271
Class IV	4.9	88,330,353
Total Pooled Milk		1,810,027,476

Producer Component Prices

	2006	2005
	$/lb	
Protein Price	1.9050	2.1619
Butterfat Price	1.3008	1.8246
Other Solids Price	0.1416	0.1317

Class Price Factors

	2006	2005
	$/cwt	
Class I	14.22	17.69
Class II	11.16	13.95
Class III	11.06	13.60
Class IV	10.64	13.44

Federal Order Pooling and Transportation Credit Decisions

On September 6, USDA announced a number of decisions that impact provisions in several federal milk marketing orders:

Appalachian and Southeast

A tentative partial decision adopts proposals to amend certain features of the transportaion credit provisions and establishes diversion limits on eligible Class I milk receiving transportation credits. A separate decision will be issued addressing proposals concerning producer milk provisions and transportation credits on intra-market order movement. Interested parties have until November 13 to file comments.

Upper Midwest

A final decision would amend pooling provisions by establishing a limit on the volume of milk a handler may pool during the months of April through February to 125 percent of the volume pooled in the prior month and in March a limit of 135 percent of the volume pooled in the prior month. In addition, it would allow the market administrator to increase the maximum administrative assessment up to 8 cents per hundredweight on all pooled milk if necessary to maintain the required fund reserves.

Mideast

A final decision would amend pooling provisions by establishing a limit on the volume of milk a handler may pool during the months of April through February to 115 percent of the volume pooled in the prior month and in March a limit of 120 percent of the prior month's volume.

Central

A final decision to amend pooling provisions would increase supply plant performance standards; amend features of the "touch-base" provision; amend certain features of the "split plant" provision; and decrease the diversion limit standards. It also would limit the volume of milk a handler can pool in a month to 125 percent of the total volume pooled in the previous month.

USDA will conduct a vote on the latter three amended orders to determine producer approval.❖

Trends in Milk Production

According to USDA's Economic Research Service's *Dairy Backgrounder,* the number of milk cows has declined nationally by 16.5 percent since 1980. The number of dairy farms in the United States has declined by 75 percent. The result of these two trends is that the average dairy operation has grown from 32 to 111 cows. U.S. milk per cow in 2005 was 19,536 pounds, a growth of 65 percent since 1980. Milk production from 1980 to 2005 grew by almost 38 percent to 176.5 billion pounds. Milk production increases are a result of technological advances in dairy facilities and equipment; better understanding of animal breeding, health, nutrition; and improved input management. Large operations of 500 or more milk cows represented 3.7 percent of all dairy farms in 2004, but produced over 47 percent of the milk.

Since July, 2000, the number of producers pooling on the Northeast Order has declined from 16,890 to 14,054, a decline of 16.8 percent. The total pounds pooled on the Order have actually declined as well during that time, but only by 4.2 percent. A major reason pooled pounds have not decreased by more is that daily deliveries per producer (DDP) has increased from 3,800 to 4,375 pounds, an increase of 15.2 percent. The accompanying table shows these data by various Northeast states that pool on the Northeast Order. Milk from 16 states was pooled on the Order in 2006. Milk from 14 states was pooled on the Order in 2000. Not all states are listed in the table. Milk per cow in New York and Pennsylvania increased from 1,000 pounds in July 1980 to 1,605 pounds in New York and 1,600 pounds in Pennsylvania by July 2006. In the Northeast during July 2006, farms roughly equating to 500-cow operations represent 1.4 percent of the farms, but produce 17.5 percent of pooled pounds.

Since 2000, the Northeast Order data mirror the long term national trend toward fewer farms with greater milk per cow.❖

Northeast Order Pooled Pounds and Producers, July 2000 and 2006

	2000			2006			% change		
State	Producers	Million Pounds	DDP	Producers	Million Pounds	DDP	Producers	Pounds	DDP
Connecticut	211	37.3	5,705	146	27.9	6,167	(30.8)	(25.2)	8.1
Delaware	68	8.6	4,090	55	8.2	4,800	(19.1)	(5.1)	17.4
Massachusetts	247	29.4	3,845	170	21.5	4,086	(31.2)	(26.8)	6.3
Maryland	685	91.8	4,322	532	68.7	4,167	(22.3)	(25.1)	(3.6)
Maine	395	43.6	3,562	347	48.3	4,492	(12.2)	10.8	26.1
New Hampshire	173	25.9	4,830	133	22.4	5,429	(23.1)	(13.6)	12.4
New Jersey	156	18.7	3,860	111	13.0	3,772	(28.8)	(30.5)	(2.3)
New York	6,539	850.3	4,195	5,246	830.2	5,105	(19.8)	(2.4)	21.7
Pennsylvania	6,753	641.6	3,065	5,979	630.2	3,400	(11.5)	(1.8)	10.9
Virginia	66	8.9	4,361	104	10.8	3,355	57.6	21.2	(23.1)
Vermont	1,533	226.0	4,755	1,119	215.7	6,218	(27.0)	(4.6)	30.8
Other States*	64	7.3	3,704	112	9.3	2,700	75.0	27.6	(27.1)
Northeast	16,890	1,989.5	3,800	14,054	1,906.3	4,375	(16.8)	(4.2)	15.2

*Other States include IN, MI, OH, RI, WI, WV

Regional Mailbox Prices

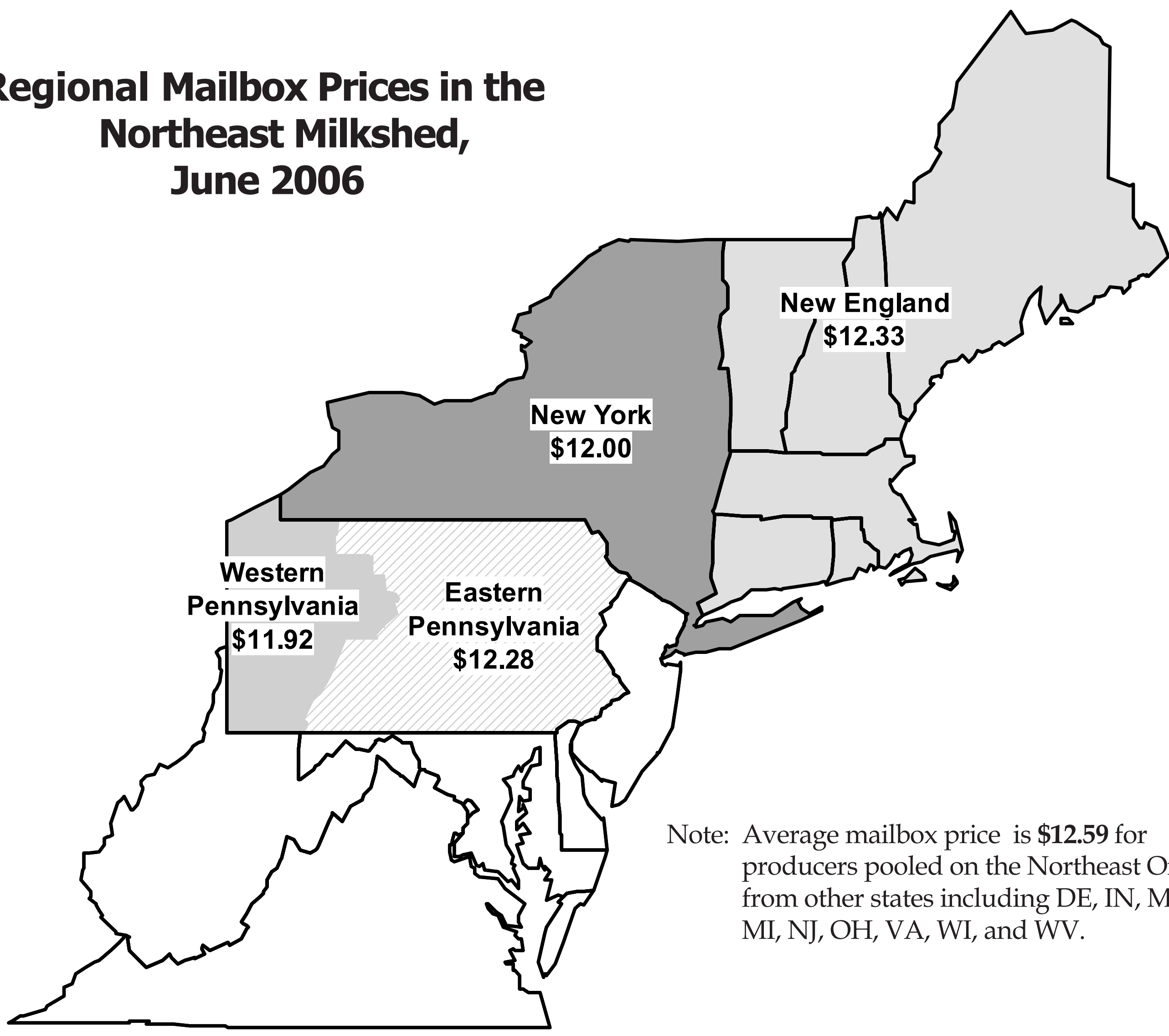
The mailbox price refers to the price that farmers receive for their milk after taking into consideration the gross value of the milk, premiums received, cooperative dues, market service payments, promotions, and hauling charges.

During June 2006, the average mailbox price for producers whose milk was pooled on the Northeast Order was $12.16 per hundredweight. Geographically, the Northeast Milk Marketing Area extends from Maine to Virginia. Population densities, relative to the location of milk production, vary regionally across the marketing area. This can lead to different premium and hauling cost structures faced by producers in different regions. These differences, in turn, can result in somewhat different average mailbox prices received by producers from one region to the next. In addition, the Order's differentials in conjunction with decisions on where milk is moved to play a major impact in mailbox prices received in one region compared to another.

The accompanying map shows regional mailbox prices in New England, New York, Eastern Pennsylvania, and Western Pennsylvania. New York, at $12.00 per hundredweight, is the only region that averages less than the Northeast average. This is in large part due to the relative lower differentials received for milk in much of the milk producing areas of western and northern New York.

In New England and Eastern Pennsylvania, where the average mailbox price was $12.33 and $12.28 per hundredweight, respectively, milk more readily finds a home at a plant in a higher differential zone. Western Pennsylvania averages the lowest at $11.92 per hundredweight. The western Pennsylvania mailbox price represents a weighted average of data from both the Northeast and the Mideast orders.❖

Regional Mailbox Prices in the Northeast Milkshed, June 2006



Note: Average mailbox price is **$12.59** for producers pooled on the Northeast Order from other states including DE, IN, MD, MI, NJ, OH, VA, WI, and WV.

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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	865,620,780	$10.21	88,379,881.64	
	Butterfat	17,587,533	1.2479	21,947,482.43	
Less:	Location Adjustment to Handlers			(2,785,704.10)	$107,541,660.01
Class II—	Butterfat	28,124,924	1.3078	36,781,775.63	
	Nonfat Solids	34,844,630	0.7578	26,405,260.61	63,187,036.24
Class III–	Butterfat	15,521,406	1.3008	20,190,244.90	
	Protein	12,437,076	1.9050	23,692,629.89	
	Other Solids	23,740,608	0.1416	3,361,670.09	47,244,544.88
Class IV–	Butterfat	3,597,745	1.3008	4,679,946.67	
	Nonfat Solids	7,589,133	0.7013	5,322,258.96	10,002,205.63
Total Classified Value					**$227,975,446.76**
Add:	Overage—All Classes				60,653.51
	Inventory Reclassification—All Classes				286,384.57
	Other Source Receipts	109,995			3,473.93
Less:	Producer Component Valuations				(200,800,019.17)
	Subtotal				**$27,525,939.60**
Add:	Location Adjustment to Producers				8,615,159.95
	One-half Unobligated Balance—Producer Settlement Fund				863,904.12
Total Pool Milk & Aggregate Value		1,810,137,471			37,005,003.67
Less:	Producer Settlement Fund—Reserve				(802,254.19)
Producer Price Differential @ Suffolk County, MA (Boston)			**$2.00**		36,202,749.48
Statistical Uniform Price @ Suffolk County, MA (Boston)			**$13.06**		

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