The Market Administrator's

BULLETIN

NORTHEAST MARKETING AREA

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December 2006 Federal Order No. 1

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December Pool Price Calculation

The December 2006 statistical uniform price (SUP) for the Northeast Marketing Area was announced at $14.42 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 December producer price differential (PPD) at Suffolk County was $0.95 per hundredweight.

December's statistical uniform price was 21 cents per hundredweight above the November price; the December PPD was 42 cents below last month's. Similar to November, all commodity prices increased during December except butter. This resulted in higher class prices and the return of a Class II price that was above the Class IV price.

A summary of the Order's data for 2006 is contained in this *Bulletin* on page 3.❖

Court Order Halts Make Allowance Change

USDA announced on January 17, 2007, that implementation of the pricing provisions of the Class III and Class IV make allowance Interim Final Rule approved by producers in a referendum in December 2006 has be placed on hold pending litigation introduced by opposition to the Order's make allowance changes. For more information, see Dairy Programs website: http://www.ams.usda.gov/dairy/proposals/court_order_11807.pdf.

Market Services 2006 Summary

The Market Administrator's market service program provides market information for producers who are not receiving such services from a cooperative association. In addition to verifying tests to guard against incorrect payments to producers for milk components and preventing incorrect pool credits to fluid handlers, the program also performs bulk tank calibrations.

The market service department checked 256 farm bulk tanks throughout the Northeast Marketing Area Milkshed during the 2006 season, covering 26,930 miles with the Order's two calibration trucks. Of the 256 tanks checked, 36 were out of tolerance and were recalibrated. Of the tanks requiring recalibration, there was an almost even split between

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Pool Summary

- A total of 14,093 producers were pooled under the Order with an average daily delivery per producer of 4,221 pounds.
- Pooled milk receipts totaled 1.844 billion pounds, an increase of 2.7 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 49.0 percent of total milk receipts, a decrease of 3.3 percentage points from November.
- The average butterfat test of producer receipts was 3.77 percent.
- The average true protein test of producer receipts was 3.08 percent.
- The average other solids test of producer receipts was 5.70 percent.❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	49.0	904,304,676
Class II	16.8	309,543,145
Class III	22.7	418,566,765
Class IV	11.5	211,590,367
Total Pooled Milk		1,844,004,953

Producer Component Prices

	2006	2005
	$/lb	
Protein Price	2.4388	2.3846
Butterfat Price	1.3481	1.5036
Other Solids Price	0.2564	0.1702

Class Price Factors

	2006	2005
	$/cwt	
Class I	15.68	16.82
Class II	12.55	13.22
Class III	13.47	13.37
Class IV	12.30	12.57

2006 Northeast Order Statistics Summarized

During 2006, the volume of milk received from producers shipping to handlers regulated under the Northeast Order totaled 22.7 billion pounds, a decrease of 3.8 percent from 2005. The average number of producers declined 4.2 percent, while average daily deliveries per producer (DDP) increased only 0.4 percent. The accompanying table compares selected pool statistics for 2005 and 2006.

Class Utilization Changes

Total producer milk receipts were down considerably in 2006. During November, the total amount of milk pooled on the Order set a record for the smallest monthly volume since the Order's inception in 2000, but the highest Class I utilization percentage at 52.3 percent. Overall, the total amount of milk pooled on the Northeast Order finished 885.6 million pounds less than during 2005. This was a combined result of poorer feed, less expansion due to lower prices the previous year, and less use of rBST.

Class I utilization averaged 46.5 percent in 2006, an increase of 1.5 percentage points from the previous year. The total volume of milk used in Class I decreased slightly (0.6 percent), but because of a smaller volume of producer milk receipts, the change in utilization was positive. Class II usage decreased 4.8 percent, resulting in a decrease in utilization of 0.3 percentage points. Class III volume was down 5.6 percent with a drop in utilization of 0.4 percentage points. The amount of milk used in Class IV declined 3.8 percent in 2006; utilization dropped 0.8 percentage points.

Prices Lower

National milk production was strong during the first quarter of 2006, but then lost its momentum in the spring. As the supply tightened, prices began to rise, but not until the fall. For the year, all federal order class prices averaged less than during 2005 with double-digit declines.

The Class I price averaged $15.13 per hundredweight in 2006, $2.52 below the 2005 annual average. The highest Class I price during 2006 was $16.63 in both January and February. The Class II price averaged $1.72 less than the previous year and the Class IV price was down $1.82 from 2005. Once again, the Class III price was hit the hardest, averaging $2.16 per hundredweight less than the 2005 average. Overall, the statistical uniform price (blend) reported at Suffolk County, Massachusetts (Boston) averaged $13.53 per hundredweight, $2.11 (13.5 percent) less than the 2005 price.

Component Pricing

The price paid to producers for butterfat averaged $1.3252 per pound, 22.5 percent less than in 2005. The per-pound annual average protein price declined 15 percent. The other solids price increased 42.2 percent, jumping from $0.1251 to $0.2564 per pound. The nonfat solids dropped 6.7 percent.

The annual average producer butterfat test increased from 3.67 percent in 2005 to 3.71 percent in 2006. From January through October, producer butterfat tests averaged 0.04 to 0.08 points higher when compared to the same month during the previous year and set records for the highest tests in many months since the Order's inception; only November and December butterfat tests were below. Both the producer protein and other solids tests averaged 1 hundredth of a point higher than the previous year.

Northeast Order Pool Statistics, 2005–2006

Pool Statistics	2005	2006	2005–06 Change
	million pounds		percent
Class I	10,612.9	10,544.5	(0.6)
Class II	4,701.5	4,476.5	(4.8)
Class III	5,378.0	5,074.7	(5.6)
Class IV	2,872.8	2,584.0	(10.1)
Total	23,565.3	22,679.7	(3.8)
	pounds		
DDP	4,330	4,349	0.4
	utilization percentage		change
Class I	45.0	46.5	1.5
Class II	20.0	19.7	(0.3)
Class III	22.8	22.4	(0.4)
Class IV	12.2	11.4	(0.8)
	dollars/cwt		percent
Class I	17.65	15.13	(14.3)
Class II	13.48	11.76	(12.8)
Class III	14.05	11.89	(15.4)
Class IV	12.88	11.06	(14.1)
SUP	15.64	13.53	(13.5)

Producer Changes

The year ended with 564 less producers than at the end of 2005. Annual average daily deliveries per producer (DDP) equaled 4349 pounds, up slightly (0.4 percent) from 2005.❖

CCC Calendar Year Purchases

During the 2006 calendar year, the Commodity Credit Corporation (CCC) purchased a small amount of cheese (198,000 pounds) under the price support program. In addition, a total of nearly 64 million pounds of nonfat dry milk were purchased during the calendar year. Purchases occurred between March and June with some cancellations in July and August; there has been no activity since. No butter was purchased during the calendar year.

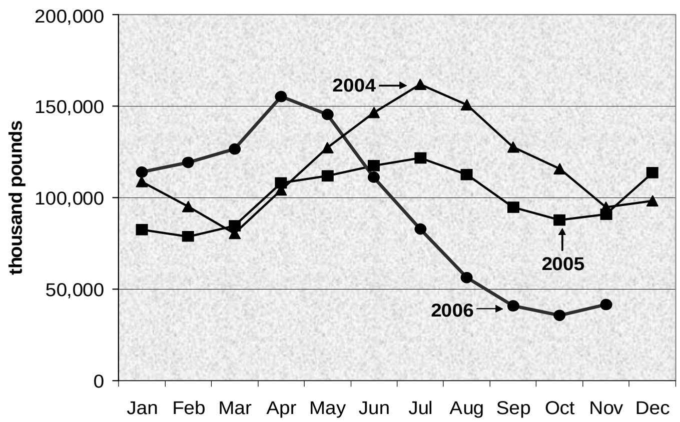
During 2005, no purchases were made under the support program. That was the only year since the dairy price support program began operation in 1949 that no purchases were made during an entire calendar year. The program reports on a fiscal year basis that runs from October 1–September 30 of the following year. There have been no uncommitted inventories of any product since October 2004.❖

Strong NFDM Prices

The Chicago Mercantile Exchange (CME) average weekly price for Extra Grade and Grade A nonfat dry milk (NFDM) was $1.45 per pound and $1.5500 per pound, respectively, for the week ending January 12. For Central and Eastern markets, nonfat dry milk prices ranged from $1.0225 to $1.55 per pound. These prices reflect the strength in the spot market. The NASS nonfat dry milk price was $1.0469 per pound for the week ending January 6.

Strong international demand for dry proteins has pushed prices up. Prices for skim milk powder (SMP) and dry whey have been much higher in Northern Europe than here in the United States. A lack of supply from Europe and Australia and better international prices have led to increased U.S. exports of skim milk powder, dry whey, and whey protein concentrate, leaving the U.S. market short of product (see attached chart showing NFDM inventory). In fact, from January through October, 44 percent of NFDM and SMP production was exported. The result is the high spot prices being reported by CME.❖

Monthly Nonfat Dry Milk Inventory, January–December, 2004– 2006



Source: *USDA's Dairy Products Monthly.*

Pool Summary for All Federal Orders, January–December, 2005–2006

Federal Order Number	Federal Order Name	Total Producer Milk 2005 (pounds)	Total Producer Milk 2006 (pounds)	Change** (percent)	Producer Price Differential# 2005 (dollars per hundredweight)	Producer Price Differential# 2006	Statistical Uniform Price#* 2005	Statistical Uniform Price#* 2006
1	Northeast	23,565,272,087	22,679,707,001	(3.8)	1.60	1.64	15.64	13.53
5	Appalachian	6,399,812,315	6,242,970,524	(2.5)	N/A	N/A	16.23	13.99
6	Florida	3,125,345,158	3,126,397,566	0.0	N/A	N/A	17.57	15.23
7	Southeast	7,543,717,206	8,055,165,403	6.8	N/A	N/A	16.14	13.90
30	Upper Midwest	22,449,887,923	26,854,748,528	19.6	0.27	0.29	14.32	12.18
32	Central	13,965,746,351	13,916,728,007	(0.4)	0.42	0.42	14.47	12.31
33	Mideast	18,060,092,544	17,189,205,040	(4.8)	0.66	0.64	14.70	12.53
124	Pacific Northwest	7,045,825,851	7,570,456,808	7.4	0.15	0.19	14.20	12.07
126	Southwest	9,578,701,979	11,599,517,446	21.1	1.33	1.27	15.37	13.16
131	Arizona~	2,947,498,446	3,383,448,766	14.8	N/A	N/A	14.66	12.60
	All Market Total/Average	114,681,899,860	120,618,345,089	5.2	0.74	0.74	15.33	13.15

\# Price at designated order location. * Price at 3.5% butterfat. N/A = Not applicable.
** A significant amount of milk was depooled during 2005 in some orders.
~ Formerly Arizona-Las Vegas Order; name changed effective May 1, 2006.

Market Services *(continued from page 1)*

tanks that were over measuring and under measuring the amount of milk. An additional 159 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 256 checks and the 159 additional calibrations total at least 415 farm visits. A total of 193 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, 2006

Tank Size (Gallons)	Checks	Calibrations/ Recalibrations
0–500	39	8
501–1,000	135	108
1,001–1,500	44	53
1,501–2,000	25	12
2,001–3,000	9	6
3,001–6,000	4	4
6,000+	0	1
Total	**256**	**192**

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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	885,634,979	$11.14	98,659,736.66	
	Butterfat	18,669,697	1.4095	26,314,937.92	
Less:	Location Adjustment to Handlers			(2,875,498.35)	$122,099,176.26
Class II—	Butterfat	24,449,842	1.3551	33,131,980.86	
	Nonfat Solids	25,989,479	0.8989	23,361,942.68	56,493,923.54
Class III—	Butterfat	15,948,024	1.3481	21,499,531.15	
	Protein	12,884,110	2.4388	31,421,767.47	
	Other Solids	23,844,990	0.2564	6,113,855.42	59,035,154.04
Class IV—	Butterfat	10,499,330	1.3481	14,154,146.80	
	Nonfat Solids	18,367,848	0.8737	16,047,988.84	30,202,135.64
Total Classified Value					**$267,830,389.48**
Add:	Overage—All Classes				85,884.43
	Inventory Reclassification—All Classes				244,867.90
	Other Source Receipts	529,991	Pounds		10,792.11
Total Pool Value					**$268,171,933.92**
Less:	Producer Component Valuations @ Class III Component Prices				(259,353,454.23)
Total PPD Value Before Adjustments					**$8,818,479.69**
Add:	Location Adjustment to Producers				8,668,488.01
	One-half Unobligated Balance—Producer Settlement Fund				873,351.20
Less:	Producer Settlement Fund—Reserve				(837,236.99)
Total Pool Milk & PPD Value		1,844,534,944	Producer pounds		**$17,523,081.91**
	Producer Price Differential		**$0.95**		
	Statistical Uniform Price		**$14.42**		

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