



The Market Administrator's

BULLETIN

NORTHEAST MARKETING AREA

Erik F. Rasmussen, Market Administrator

January 2007

Federal Order No. 1

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January Pool Price Calculation

The January 2007 statistical uniform price (SUP) for the Northeast Marketing Area was announced at \$15.09 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 \$1.53 per hundredweight.

January's statistical uniform price was 67 cents per hundredweight above the December price; the January PPD was 58 cents above last month's. Commodity butter and cheese prices declined while nonfat dry milk and dry whey prices increased. As a result, butterfat and protein prices dropped while nonfat and other solids prices rose. All class prices rose with the Class I price, announced on an advanced basis, jumping \$1.16 per hundredweight. The spread between the prices increased resulting in a higher PPD.

The producer other solids test averaged 3.72 percent, and when combined with the record-high other solids price, resulted in the largest other solids value since the Order's inception. (See related article on contribution to producer payment on page 3.)❖

Hearing on Proposed Order Amendments

The U.S. Department of Agriculture will hold a national public hearing to consider and take evidence on proposals seeking to amend the Class III and Class IV product price formulas applicable to all Federal Milk Marketing Orders. The hearing will commence February 26, 2007, at the Holiday Inn Select-Strongsville, 15471 Royalton Road, Strongsville, OH. Phone (440)238-8800.

This hearing follows USDA's request in September 2006 for industry proposals that would examine all features of the existing Class III and Class IV product price formulas. Both producer organizations and milk product manufacturers submitted proposals. In December 2006, USDA held a public information session on the submitted proposals enabling proponents to better prepare testimony and questions for this now announced hearing.

Additional information is available via internet at: http://www.ams.usda.gov/dairy/class_III_IV_pr_formulas/class_III_IV_hearing.htm or by contacting any Market Administrator's office. Anyone interested in participating in the Strongsville hearing should notify a USDA official upon arrival. ❖

Pool Summary

- A total of 13,901 producers were pooled under the Order with an average daily delivery per producer of 4,361 pounds.
- Pooled milk receipts totaled 1.879 billion pounds, an increase of 1.9 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 48.6 percent of total milk receipts, a decrease of 0.4 percentage points from December.
- The average butterfat test of producer receipts was 3.76 percent.
- The average true protein test of producer receipts was 3.07 percent.
- The average other solids test of producer receipts was 5.72 percent.❖

Class Utilization

| Pooled Milk | Percent | Pounds |
|-------------------|---------|---------------|
| Class I | 48.6 | 913,633,477 |
| Class II | 19.7 | 370,135,496 |
| Class III | 23.0 | 432,832,414 |
| Class IV | 8.7 | 162,696,233 |
| Total Pooled Milk | | 1,879,297,620 |

Producer Component Prices

| | 2007 | 2006 |
|--------------------|--------|--------|
| | \$/lb | |
| Protein Price | 2.4053 | 2.3994 |
| Butterfat Price | 1.3009 | 1.4684 |
| Other Solids Price | 0.3183 | 0.1881 |

Class Price Factors

| | 2007 | 2006 |
|-----------|--------|-------|
| | \$/cwt | |
| Class I | 16.84 | 16.63 |
| Class II | 12.85 | 13.25 |
| Class III | 13.56 | 13.39 |
| Class IV | 12.53 | 12.20 |

U.S. Milk Production Up in 2006

Milk production in the United States registered an increase of 2.8 percent in 2006. This follows an increase of 3.8 percent in 2005. The top ten milk-producing states showed an increase of 3.5 percent, while the top 23 states as reported by the National Agricultural Statistics Service (NASS) grew 3.1 percent.

Top Producing States

Nationally, milk production was strong during the first quarter of 2006 compared to the same quarter in 2005, averaging 5.1 percent higher. Of course, this was before production began to rebound in May 2005. During the spring and summer, production tapered off, increasing slightly during the last 4 months of 2006.

The accompanying table shows the top ten milk-producing states during 2006. There were some changes in rankings: Idaho surpassed Pennsylvania in the number 4 spot and Texas bumped Michigan to number 9. Texas and Idaho had the largest percentage increases with 10.9 and 7.2 percent, respectively. Only New York and Washington registered declines in annual production among the group of top ten states.

Each month, NASS reports milk production from the top producing 23 states. NASS includes Kentucky in this group, but for the past 3 years, Utah has had higher milk production. Kentucky's production declined 4.8 percent in 2006.

Nationally, more than half of the states showed production declines during 2006. Besides Texas, the only other state to experience a double-digit increase was 47th ranked Wyoming with 61.9 percent; Wyoming's production accounted for less than

0.1 percent of the nation's total. Other states with significant increases include New Mexico (9.9 percent) and Colorado (8.5 percent).

Northeast Production Below National Average

Milk production in the Northeast milkshed (the area from

which milk is traditionally pooled by handlers selling into the Northeast Milk Marketing Area) was nearly flat in 2006 (0.1 percent). This region covers New England and the contiguous states down the east coast including Virginia and as far west as Pennsylvania and West Virginia (see map on front cover). The top three contributing states (New York, Pennsylvania, and Vermont) showed a combined increase of only 0.1 percent, thanks to Pennsylvania—the only one of the three to have an increase. The combined New England states (Connecticut, Massachusetts, Maine, New Hampshire, Rhode

Island, and Vermont) reported a decline of 2.5 percent. The rest of the milkshed states (Delaware, Maryland, New Jersey, Virginia, and West Virginia) had a combined drop of 2.1 percent in 2006. Besides Pennsylvania, Rhode Island and West Virginia were the only other milkshed states to post increases.

Cow Numbers and Production per Cow

Nationally, the number of milk cows increased 0.8 percent in 2006. In the Northeast, milk cow numbers declined 2.1 percent. Average milk production per cow grew 2.0 percent nationally. For the Northeast, the increase was 2.2 percent during 2006. ❖

| Rank | State | 2005 | 2006 | Percent Change |
|----------------|--------------|---------|---------|----------------|
| million pounds | | | | |
| 1 | California | 37,564 | 38,830 | 3.4 |
| 2 | Wisconsin | 22,866 | 23,398 | 2.3 |
| 3 | New York | 12,078 | 12,045 | (0.3) |
| 4 | Idaho | 10,161 | 10,895 | 7.2 |
| 5 | Pennsylvania | 10,503 | 10,742 | 2.3 |
| 6 | Minnesota | 8,195 | 8,364 | 2.1 |
| 7 | New Mexico | 6,951 | 7,638 | 9.9 |
| 8 | Texas | 6,442 | 7,145 | 10.9 |
| 9 | Michigan | 6,750 | 7,100 | 5.2 |
| 10 | Washington | 5,608 | 5,464 | (2.6) |
| Top Ten Total | | 127,118 | 131,621 | 3.5 |
| U.S. Total | | 176,929 | 181,798 | 2.8 |

Source: NASS Milk Production.

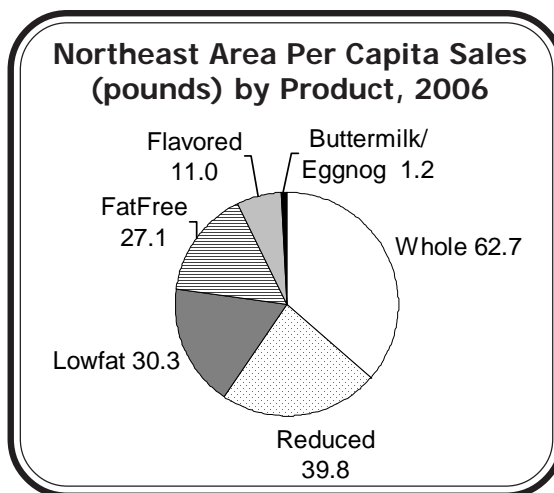
Class I Sales Decline Slightly

Sales of fluid milk products in the Northeast Milk Marketing Area totaled 9.1 billion pounds in 2006, down 0.6 percent from 2005. This follows a decline of 0.6 percent in 2005. The chart shows per capita sales by product for 2006. The accompanying table on page 3 shows total in-area sales by type of product for 2005 and 2006.

Whole milk had the largest decline during 2006, dropping 4.0 percent, despite an increase in organic sales. This follows an increase of 3.3 percent in 2005. The only other category that recorded a decline during 2006 was fatfree milk (skim); during 2005, fatfree sales showed the largest growth with an increase of 2.5 percent. During 2006,

the combined buttermilk and eggnog category had the largest percentage increase with 17.9 percent, but as a proportion of total sales, this category only accounts for 0.7 percent of all fluid milk product sales. Reduced fat sales grew 2.9 percent during 2006, partially due to an increase in organic sales.

On a per capital basis, total fluid sales declined 0.9 percent in 2006, up slightly from the 0.7 percent drop in 2005. Whole milk was still the dominant product with 62.7 pounds, down from 65.5 in 2005. Reduced fat per capita sales grew slightly in 2006, to 39.8 pounds from 38.8 pounds the previous year. Lowfat sales were (continued on page 3)



Other Solids as Portion of Gross Payment

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.

In the example shown, the composition of a hypothetical producer's gross payment was calculated for January 2007. A similar calculation was made for January 2006. The component prices are the actual prices for the corresponding months; the tests are the average tests reported for all producers for the corresponding months.

The hypothetical farmer's payment was 21 cents higher in January 2007 when compared to the previous year. The contribution to the gross payment by each component has changed. Between these two periods, other solids contributed 11.7 percent of the total payment versus just 7.0

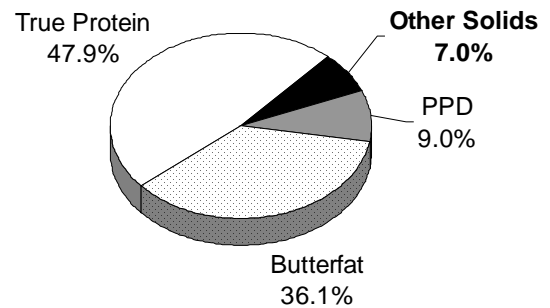
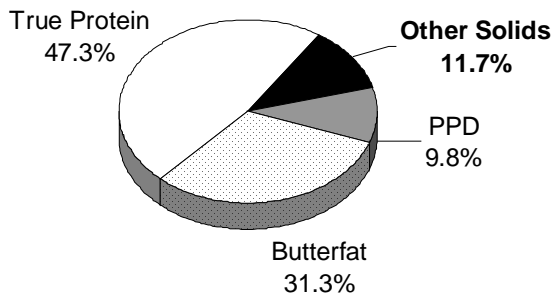
percent in 2006. Not shown in the figure, but noteworthy, the same exercise for 2005 and 2004 shows the other solids contribution at 3.0 and 0.9 percent, respectively.

As mentioned in last month's *Bulletin*, strong nonfat dry milk prices are being reflected in recent other solids prices and have resulted in record high other solids prices during the last four months. From April through July of 2003, the other solids price was actually negative. Since 2003, the annual average other solids price has risen above the previous year. The annual average other solids price per pound for 2003, 2004, 2005, and 2006 was \$0.0129, \$0.0751, \$0.1228, \$0.1746, respectively.

Historically, butterfat and protein contribute the most value to a producer, usually over 75 percent combined. However, the data show an increasing importance of the other solids component in the farmer's milk check over the last four years. Current price projections would indicate that trend to continue at least through 2007. ❖

Composition of Total Gross Payment*

| | January 2007 | | | | January 2006 | | | |
|----------------------------|--------------|-----------|-----------------|--------------------|--------------|-----------|-----------------|--------------------|
| | Test percent | Pounds | Price per pound | Gross dollars | Test percent | Pounds | Price per pound | Gross dollars |
| Butterfat | 3.76 | 3760 x | 1.3009 = | \$4,891.38 | 3.79 | 3,790 x | 1.4684 x | \$5,565.24 |
| True protein | 3.07 | 3070 x | 2.4053 = | \$7,384.27 | 3.08 | 3,080 x | 2.3994 x | 7,390.15 |
| Other solids | 5.72 | 5720 x | 0.3183 = | \$1,820.68 | 5.71 | 5,710 x | 0.1881 x | 1,074.05 |
| PPD | | 1,000 cwt | 1.53 | \$1,530.00 | | 1,000 cwt | 1.39 | 1,390.00 |
| Total gross payment | | | | \$15,626.33 | | | | \$15,419.44 |
| Gross price per cwt | | | | \$15.63 | | | | \$15.42 |



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

Class I Sales (continued from page 2)

unchanged at 30.3 pounds while fatfree declined 0.2 pounds. Both flavored milk/drinks and buttermilk/eggnog increased 0.2 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, DC. The total estimated population for 2006 in the marketing area was 52.8 million people, as reported by the Bureau of Census. ❖

Sales of Fluid Milk Products in the Northeast Milk Marketing Area, 2005–2006

| Product | Total In-area Sales | | 2005–06 change percent |
|--------------------------|---------------------|----------------|------------------------|
| | 2005 | 2006 | |
| | million pounds | | |
| Whole Milk | 3,446.8 | 3,310.5 | (4.0) |
| Reduced Fat – 2% | 2,039.0 | 2,098.1 | 2.9 |
| Lowfat – 1% | 1,592.2 | 1,599.8 | 0.5 |
| FatFree | 1,434.1 | 1,429.3 | (0.3) |
| Flavored Milk and Drinks | 570.6 | 579.3 | 1.5 |
| Buttermilk/Eggnog | 54.4 | 64.1 | 17.9 |
| Total | 9,137.1 | 9,081.2 | (0.6) |



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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 | 896,057,181 | \$12.42 | 111,290,301.88 | |
| Butterfat | 17,576,296 | 1.3872 | 24,381,837.81 | |
| Less: Location Adjustment to Handlers | | | (2,908,592.19) | \$132,763,547.52 |
| Class II— Butterfat | 28,230,936 | 1.3079 | 36,923,241.22 | |
| Nonfat Solids | 31,179,941 | 0.9522 | 29,689,539.82 | 66,612,781.04 |
| Class III— Butterfat | 16,454,595 | 1.3009 | 21,405,782.65 | |
| Protein | 13,274,656 | 2.4053 | 31,929,530.08 | |
| Other Solids | 24,699,471 | 0.3183 | 7,861,841.61 | 61,197,154.34 |
| Class IV— Butterfat | 8,325,688 | 1.3009 | 10,830,887.48 | |
| Nonfat Solids | 14,124,143 | 0.9184 | 12,971,612.93 | 23,802,500.41 |
| Total Classified Value | | | | \$284,375,983.31 |
| Add: Overage—All Classes | | | | 99,677.34 |
| Inventory Reclassification—All Classes | | | | 186,179.82 |
| Other Source Receipts | 364,916 Pounds | | | 11,191.73 |
| Total Pool Value | | | | \$284,673,032.20 |
| Less: Producer Component Valuations @ Class III Component Prices | | | | (264,667,267.94) |
| Total PPD Value Before Adjustments | | | | \$20,005,764.26 |
| Add: Location Adjustment to Producers | | | | 8,814,366.12 |
| One-half Unobligated Balance—Producer Settlement Fund | | | | 798,761.15 |
| Less: Producer Settlement Fund—Reserve | | | | (860,054.82) |
| Total Pool Milk & PPD Value | 1,879,662,536 Producer pounds | | | \$28,758,836.71 |
| Producer Price Differential | | \$1.53 | | |
| Statistical Uniform Price | | \$15.09 | | |

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



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February Pool Price Calculation

The February 2007 statistical uniform price (SUP) for the Northeast Marketing Area was announced at \$15.21 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. If reported at the average tests of producer pooled milk, the SUP would be \$15.87 per hundredweight. February's statistical uniform price was 12 cents per hundredweight above the January price.

The February producer price differential (PPD) at Suffolk County was \$1.03 per hundredweight, 50 cents below last month's. All commodity prices increased resulting in higher component prices. As a result, all class prices rose except the Class I price, which is announced on an advanced basis and uses prior month commodity prices in its formula. The Class III price rose 62 cents per hundredweight and, combined with the decline in the Class I price, tightened the spread between the prices resulting in a lower PPD.

The producer protein test averaged 3.10 percent, the highest protein test for the month of February since the Order's inception. Pooled producer milk receipts totaled 1.693 billion pounds, the smallest pool on record for the Northeast Order. ❖

New Formulas Take Effect

Changes to the Class III and Class IV price formulas that incorporated new make allowances became effective with the prices announced on March 2, 2007. This affected the February Class II butterfat price and final Class II price, and the final Class III and Class IV prices and their factors which include the producer component prices. The Class I price for February, along with the Class II skim and nonfat solids prices were calculated using the make allowances under the "old" formulas.

The decision to amend the make allowances was released in November 2006 and approved by producers in a referendum held in December. The decision was based on an emergency hearing held in January 2006 and a subsequent continuation session held in September 2006. Once approved, the changes were initially expected to take effect with the Advanced
(continued on page 3)

Pool Summary

- A total of 13,853 producers were pooled under the Order with an average daily delivery per producer of 4,363 pounds.
- Pooled milk receipts totaled 1.693 billion pounds, a decrease of 0.3 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 48.6 percent of total milk receipts, unchanged from January.
- The average butterfat test of producer receipts was 3.79 percent.
- The average true protein test of producer receipts was 3.10 percent.
- The average other solids test of producer receipts was 5.71 percent. ❖

Class Utilization

| Pooled Milk | Percent | Pounds |
|-------------------|---------|---------------|
| Class I | 48.6 | 822,054,435 |
| Class II | 20.0 | 338,314,939 |
| Class III | 22.9 | 388,576,585 |
| Class IV | 8.5 | 143,676,822 |
| Total Pooled Milk | | 1,692,622,781 |

Producer Component Prices

| | 2007 | 2006 |
|--------------------|--------|--------|
| | \$/lb | |
| Protein Price | 2.4125 | 2.1220 |
| Butterfat Price | 1.3112 | 1.3469 |
| Other Solids Price | 0.4170 | 0.1999 |

Class Price Factors

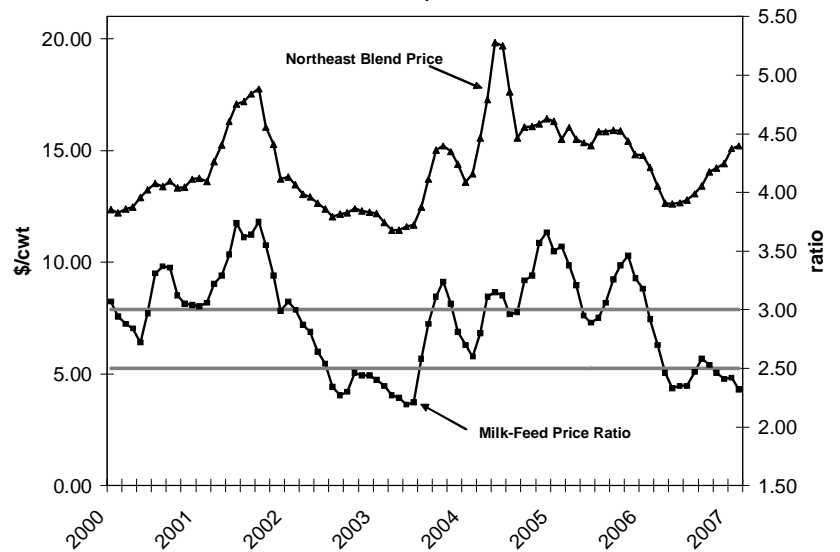
| | 2007 | 2006 |
|-----------|--------|-------|
| | \$/cwt | |
| Class I | 16.64 | 16.63 |
| Class II | 13.08 | 12.62 |
| Class III | 14.18 | 12.20 |
| Class IV | 12.71 | 11.10 |

Milk-Feed Price Ratio Trends Lower

The milk-feed price ratio is calculated by dividing the price of a pound of milk by the price of a pound of 16% protein ration composed of corn, soybean meal, and alfalfa hay. The milk-feed price ratio is often used as an indicator for dairy industry expansion and contraction. A ratio between 2.5 to 3.0 is interpreted as a range in which there would be no expected change to milk production. A ratio higher than 3.0 indicates an economic environment that would result in production expansion. A ratio below 2.5 would typically result in a period of production contraction. Since 1985, the milk-feed price ratio has been as low as 2.06 in May 1996 and as high as 4.34 in December 1998. The ratio was 2.32 in February 2006, the lowest it's been since June 2003, when the blend price was \$3.55 per hundredweight less.

Chart 1 shows the milk-feed price ratio, Northeast Order blend price, and highlights the 2.50 and 3.00 thresholds. In general, the ratio and the blend price trend with each other, reflecting the impact of the milk price portion of the ratio. Corn prices in 2000, 2001, and 2005 averaged below \$2.00 per bushel, years in which the milk-feed price ratio topped 3.00. The milk price has risen slowly but steadily since April 2006; however since September 2006, the milk-feed price ratio has been falling. This would indicate that higher feed costs are dominating the ratio; indeed, the cost of corn has risen from \$2.09 per bushel in August 2006 to \$3.23 per bushel in January 2007. In addition, Alfalfa hay finished 2006 with the highest average cost per U.S. ton at \$108.82, in at least the past 7 years. In Chart 2, the increase in all three feed

Chart 1 Northeast Order Blend Price vs. Milk-Feed Price Ratio, 2000–2007



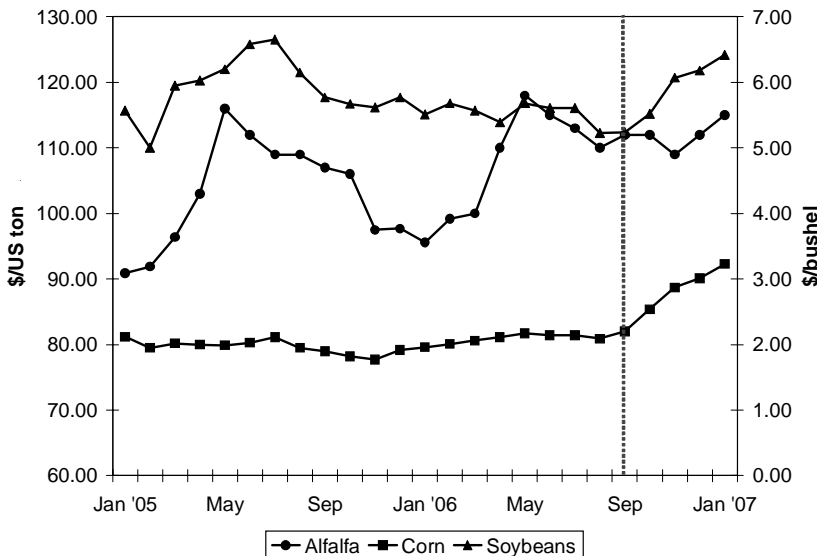
Source: USDA, National Agricultural Statistics Service.

crops since about September of 2006 is evident. The milk-feed price ratio during the past 13 months resembles the period from March 2002 to August 2003, which was followed by record high milk prices.

During the 2006 Northeast Regional Outlook Conference, and reported in the November 2006 *Bulletin*, a shortage of feed in the late winter and early spring was expected for many Northeast producers who faced poor crops due to weather last season. For producers in the Northeast who find themselves short of feed supply, current high feed prices are more severely effecting profitability.

Looking forward, the cost of feed is likely to remain relatively high, as Chicago Board of Trade corn futures are between \$3.99 and \$4.10 per bushel for the rest of 2007. Soybean meal futures are in a \$6.00 to \$6.40 per bushel range, which would result in a higher annual average price than the past 2 years. If holding the feed cost portion of the milk-feed price calculation constant, the all milk price would have to reach at least \$15.84 per hundredweight for the ratio to reach at least 2.50, or a "neutral" level, and \$19.01 per hundredweight to reach a ratio of 3.00. On the milk price side, Chicago Mercantile Exchange futures prices from March 29 peak in September for Class III milk at \$16.27 per hundredweight and Class IV milk at \$15.90 per hundredweight, translating to an estimated blend price over \$18.00. Based on futures prices, it appears that both feed costs and the milk price are trending higher. However, it looks like a milk-feed price ratio over 3.00 will be hard to achieve even in a year where record high milk prices are possible. ❖

Chart 2 Feed Prices, 2005–2007



Source: USDA, National Agricultural Statistics Service.

Top Northeast Counties Based on Milk Receipts

In 2006, the top ten counties in terms of milk pooled on the Northeast Order accounted for 32.1 percent of all milk pooled during the year; this was up from 31.9 percent in 2005. It should be noted that pooled milk receipts do not necessarily account for all milk produced in a given county. Milk shipped to other federal orders, state orders, or unregulated areas is not included in these figures.

Changes in rank occurred within the top ten contributing counties during 2006. The accompanying table shows the top ten ranked counties for 2006 and their respective ranks in 2005. Lancaster County, PA, continued to hold the number one spot with over 2 billion pounds pooled. Franklin County, VT, surpassed Franklin County, PA, to become ranked second. Jefferson County, NY, jumped up from seventh place in 2005 to the number five spot in 2006. Lebanon County, PA, and Wyoming County, NY, switched places with Lebanon rising to the eighth position and displacing Wyoming to the tenth. These changes were largely due to milk pooled on other orders such as the Mideast Federal Order and Western New York State Order during 2006 that had been pooled on Order No. 1 during 2005.

During 2006, the Northeast received milk from producers located in 306 different counties in 20 different states. ❖

Top Pooled Milk Contributing Counties, Northeast Order, 2006

| 2006 Rank | County | State | Pounds (millions) | 2005 Rank |
|------------------------|--------------|-------|-------------------|-----------|
| 1 | Lancaster | PA | 2,118.6 | 1 |
| 2 | Franklin | VT | 709.1 | 3 |
| 3 | Franklin | PA | 705.4 | 2 |
| 4 | Addison | VT | 665.4 | 4 |
| 5 | Jefferson | NY | 598.2 | 7 |
| 6 | St. Lawrence | NY | 552.5 | 5 |
| 7 | Cayuga | NY | 550.8 | 6 |
| 8 | Lebanon | PA | 486.9 | 10 |
| 9 | Lewis | NY | 478.4 | 9 |
| 10 | Wyoming | NY | 415.0 | 8 |
| Top 10 Total | | | 7,280.3 | |
| Northeast Total | | | 22,679.7 | |
| Percent of Order No. 1 | | | 32.1 | |

Tentative Calibration Truck Schedule, 2007

| Month | Area |
|-----------|---|
| April | Eastern/Central New York |
| May | Eastern New York Central Pennsylvania |
| June | Western New York Southern Pennsylvania |
| July | Western New York Northern Pennsylvania |
| August | Vermont/New Hampshire Central Pennsylvania |
| September | Maine/Southern New England Northern Pennsylvania |
| October | Southern Pennsylvania Western New York |
| November | Eastern New York Southern Pennsylvania |

New Formulas *(continued from page 1)*

Pricing Factors (Class I Price) for February 2007, which was announced on January 19, 2007. On January 17, 2007, a court order halted the changes and set a date for a preliminary injunction hearing to be held February 15, 2007. That resulted in a denial of the injunction on February 22 allowing the changes to take effect with the prices announced on February 23, 2007 (Class I for March 2007).

The revised make allowances contained in the Interim Final Rule published in the Federal Register on December 29, 2006, will be used from February 23 and forward. The February Class I price announced in January used the "old" formulas; it will not be revised. The rest of the class prices for February used the new formulas, and all of the March prices and months forward will use the new formulas.

Since this decision was published as a tentative final decision, the USDA allowed comments to be submitted until January 22, 2007. These comments are to be taken into consideration before the issuance of a final decision, which would require another referendum be held. For additional information regarding this decision, go to USDA's Dairy Programs website at: http://www.ams.usda.gov/dairy/proposals/classIII_IV_make_all.htm. ❖



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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 | 806,189,739 | \$12.44 | 100,290,003.53 | |
| Butterfat | 15,864,696 | 1.3231 | 20,990,579.28 | |
| Less: Location Adjustment to Handlers | | | (2,621,103.63) | \$118,659,479.18 |
| Class II— Butterfat | 24,345,966 | 1.3182 | 32,092,852.39 | |
| Nonfat Solids | 28,733,351 | 0.9744 | 27,997,777.21 | 60,090,629.60 |
| Class III— Butterfat | 15,179,530 | 1.3112 | 19,903,399.74 | |
| Protein | 12,029,342 | 2.4125 | 29,020,787.62 | |
| Other Solids | 22,161,052 | 0.4170 | 9,241,158.70 | 58,165,346.06 |
| Class IV— Butterfat | 8,751,365 | 1.3112 | 11,474,789.78 | |
| Nonfat Solids | 12,402,216 | 0.9356 | 11,603,513.27 | 23,078,303.05 |
| Total Classified Value | | | | \$259,993,757.89 |
| Add: Overage—All Classes | | | | 64,124.84 |
| Inventory Reclassification—All Classes | | | | 350,326.68 |
| Other Source Receipts | 444,183 Pounds | | | 10,660.39 |
| Total Pool Value | | | | \$260,418,869.80 |
| Less: Producer Component Valuations @ Class III Component Prices | | | | (251,140,576.33) |
| Total PPD Value Before Adjustments | | | | \$9,278,293.47 |
| Add: Location Adjustment to Producers | | | | 8,000,771.12 |
| One-half Unobligated Balance—Producer Settlement Fund | | | | 914,913.72 |
| Less: Producer Settlement Fund—Reserve | | | | (755,388.58) |
| Total Pool Milk & PPD Value | 1,693,066,964 Producer pounds | | | \$17,438,589.73 |
| Producer Price Differential | | \$1.03 | | |
| Statistical Uniform Price | | \$15.21 | | |

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



The Market Administrator's

BULLETIN

NORTHEAST MARKETING AREA

Erik F. Rasmussen, Market Administrator

March 2007

Federal Order No. 1

To contact the Northeast Marketing Area offices:

Boston, MA: phone (617) 737-7199, e-mail address: MABoston@fedmilk1.com; *Albany, NY:* phone (518) 452-4410, e-mail address: MAAlbany@fedmilk1.com; *Alexandria, VA:* phone (703) 549-7000, e-mail address: MAAlexandria@fedmilk1.com; *website address:* www.fmmone.com

March Pool Price Calculation

The March 2007 statistical uniform price (SUP) for the Northeast Marketing Area was announced at \$16.08 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. If reported at the average tests of producer pooled milk, the SUP would be \$16.65 per hundredweight. March's statistical uniform price was 87 cents per hundredweight above the February price.

The March producer price differential (PPD) at Suffolk County was 99 cents per hundredweight, 4 cents below last month's. All commodity prices increased resulting in higher component prices. As a result, all class prices rose considerably. The Class III price rose 91 cents per hundredweight and, with the Class I price increasing only 86 cents, the spread between the prices resulted in a lower PPD.

Both the producer other solids and nonfat solids prices for March were the highest on record for the Northeast Order. ❖

Revised Class Prices

On April 6, a revision to the previously announced Class and Component Prices for March was issued. The federal order program, which is administered by USDA's Dairy Programs, releases these prices monthly based on survey data provided by the National Agricultural Statistics Service (NASS). According to Dairy Programs, in setting the price release dates for 2007, they failed to note that NASS was releasing their *Dairy Products Prices* report on Thursday, April 5th. Since federal order language requires the Class and Component Prices be based on weekly prices announced by NASS on or before the 5th day of the month, it was necessary to include the survey week ending March 31st in the re-calculation. The inclusion of the additional week of price data when market prices were higher raised the Class II, III, and IV prices and resulted in a 5-cent increase in the March blend price for the Northeast Order. ❖

Producer Receipts and Deliveries

During 2006, producers pooled by handlers regulated under the Northeast Order shipped a total of 22.7 billion pounds. The accompanying map (see page 3) shows the Northeast Order grouped into three consolidated differential zones with the percentage of milk delivered to
(continued on page 3)

Pool Summary

- A total of 13,991 producers were pooled under the Order with an average daily delivery per producer of 4,494 pounds.
- Pooled milk receipts totaled 1.949 billion pounds, an increase of 4.0 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 47.4 percent of total milk receipts, a decrease of 1.2 percentage points from February.
- The average butterfat test of producer receipts was 3.76 percent.
- The average true protein test of producer receipts was 3.07 percent.
- The average other solids test of producer receipts was 5.72 percent. ❖

Class Utilization

| Pooled Milk | Percent | Pounds |
|-------------------|---------|---------------|
| Class I | 47.4 | 923,266,265 |
| Class II | 20.8 | 406,670,341 |
| Class III | 23.4 | 455,919,812 |
| Class IV | 8.4 | 163,238,465 |
| Total Pooled Milk | | 1,949,094,883 |

Producer Component Prices

| | 2007 | 2006 |
|--------------------|--------|--------|
| | \$/lb | |
| Protein Price | 2.4329 | 1.8836 |
| Butterfat Price | 1.3769 | 1.2596 |
| Other Solids Price | 0.5257 | 0.1874 |

Class Price Factors

| | 2007 | 2006 |
|-----------|--------|-------|
| | \$/cwt | |
| Class I | 17.50 | 15.74 |
| Class II | 13.60 | 11.69 |
| Class III | 15.09 | 11.11 |
| Class IV | 13.71 | 10.68 |

Component Prices and Tests

This year begins the eighth year of component pricing under the Northeast Order. Under component pricing, producers are paid on the level of butterfat, protein, and other solids in their milk. The price received for these components and the percentage of these components in the milk largely determine how much a producer will receive for their milk. Although producers cannot directly affect the prices paid for components, their dairying practices may affect the level of components in the milk their herd produces. Factors which affect milk composition include genetics, stage of lactation, level of milk production, age of cow, environment, disease, and nutrition. According to the University of Nebraska, 55 percent of the variation in milk composition is due to heredity and 45 percent is due to environmental factors such as feed management. Effective use of feed management may be used to positively affect the levels of components, and thus, the producer's bottom line.

The accompanying charts compare the monthly component price and the average component test to determine to what degree average tests in the Northeast Order have been responsive to component prices. The average test is a 12-month moving average in order to minimize seasonality.

Other solids

A look at the chart for other solids and protein would seem to indicate there is some component level response to prices. The other solids chart shows a declining 12-month average test when the other solids price was below 10 cents per pound, but increasing when prices strengthened from mid-2004 on. During the middle of 2006, average tests reached a plateau, which coincided with a dip in prices around that time. Average other solids tests began to decline in 2007.

Protein

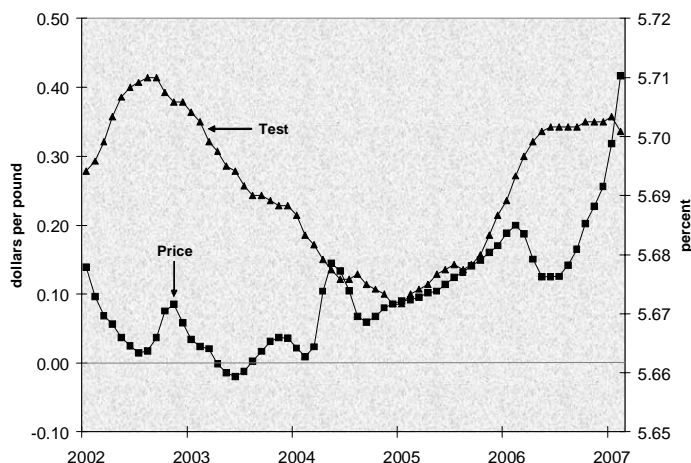
Protein shows a similar price-test relationship as other solids. Average protein tests in 2002 fell with the protein price but then rose in response to two large spikes in the price in 2003 and 2004. The only divergence in this trend is in 2006 when the protein prices sagged but average tests continued to climb. The chart indicates that producers have responded strongly to multiple component pricing by working to increase protein content. Protein has been the highest value component since at least 2002 averaging \$2.3046 per pound, whereas butterfat averaged \$1.4916 per pound. Average protein tests declined in late 2006 and early 2007, possibly reflecting the high feed costs.

Butterfat

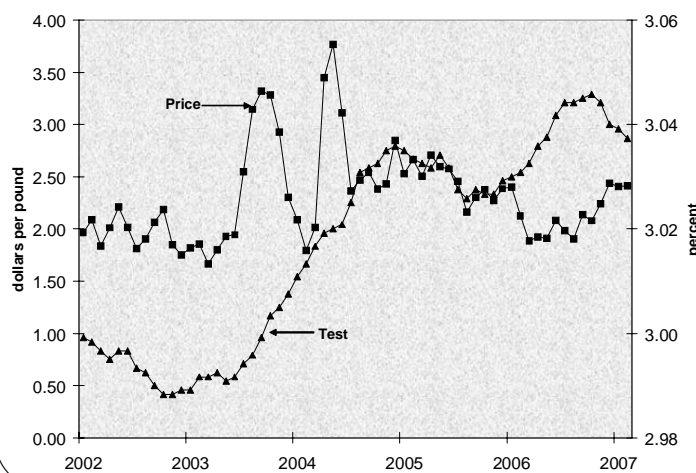
Average butterfat tests show a negative relationship with butterfat price. As average tests for butterfat are higher, the price is lower, and vice versa. This would seem to reflect a situation where demand is relatively constant over time, and prices are reflecting changes in supply, rather than the other way around.

The data would seem to indicate that producers have been reactive to the market price of components in their management of component levels of protein and other solids and may not be as reactive to the butterfat price. ❖

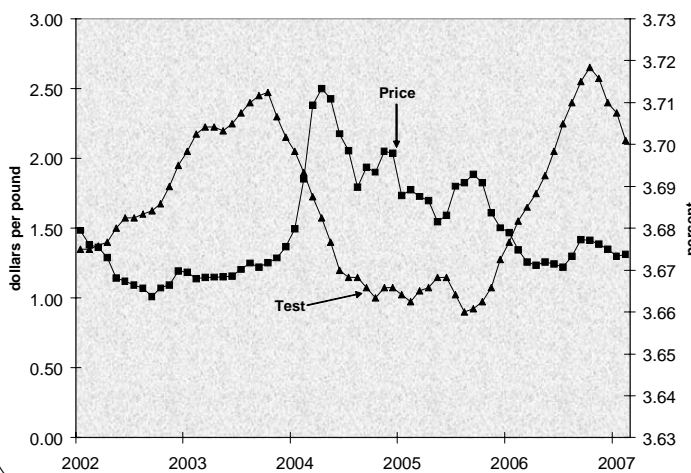
Other Solids, Price vs. 12-Month Moving Average Test, 2002–2007



Protein, Price vs. 12-Month Moving Average Test, 2002–2007



Butterfat, Price vs. 12-Month Moving Average Test, 2002–2007

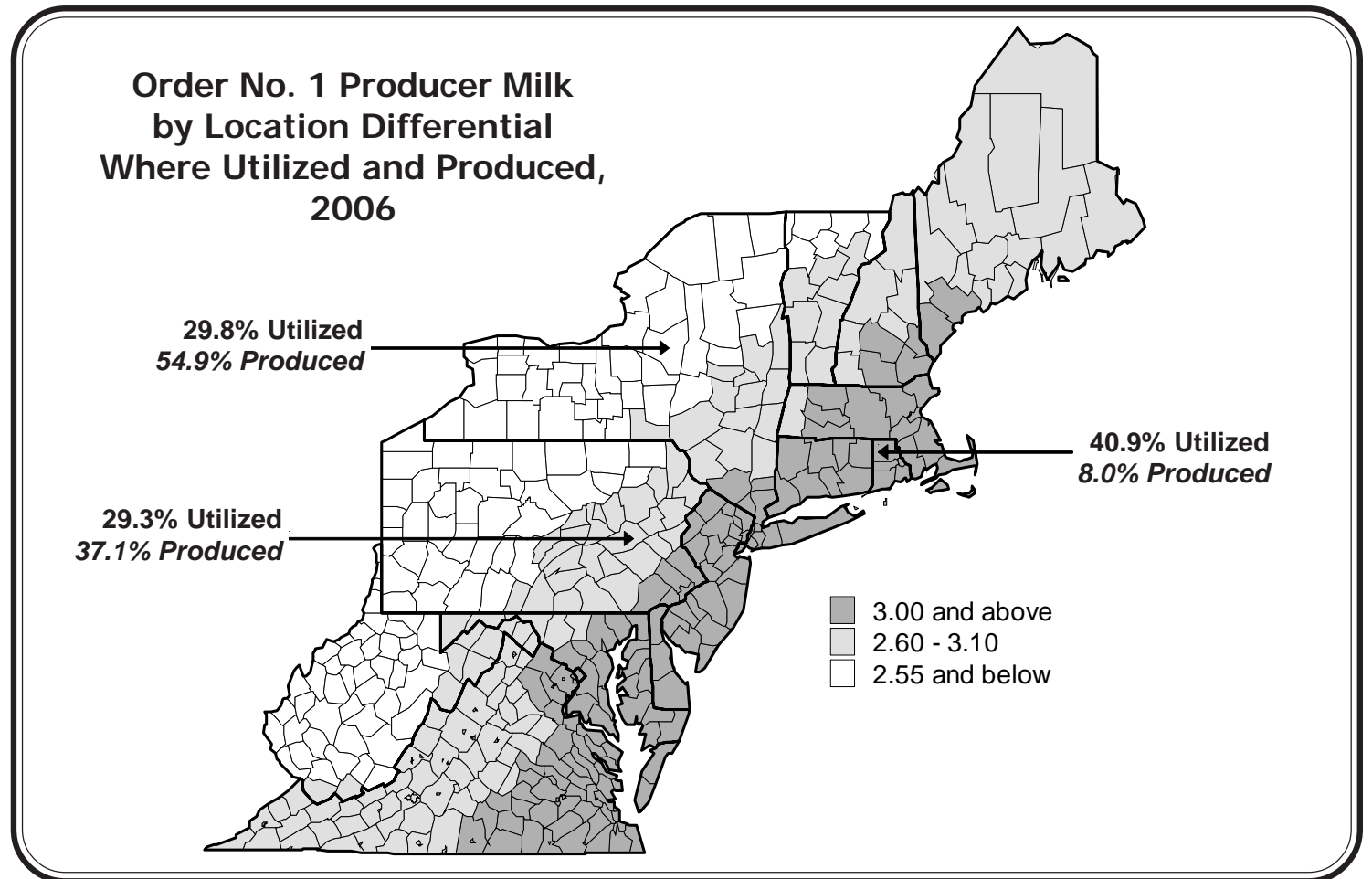


Producer Receipts *(continued from page 1)*

plants located in those zones. In addition, the percent of all pool milk that is produced within those zones is shown italicized.

Of the total milk produced, 40.9 percent was delivered to plants located in the highest zone differentials (\$3.00 and above). That area is mainly comprised of the largest metropolitan centers (Boston; Washington, D.C.; and New York City). Only 8.0 percent of the total milk regulated under the Order originated from farms located within this differential range.

The largest proportion of producer milk, 54.9 percent, comes from farms located in the "lowest" range (\$2.55 and below). The total volume received at plants in this differential range equaled 29.8 percent of the total pooled during 2006. ❖



Pool Summary for All Federal Orders, January–March 2007

| Federal Order Number | Federal Order Name | Total Producer Milk | | | Producer Price Differential# | | Statistical Uniform Price#* | |
|--------------------------|-----------------------|---------------------|----------------|--------|---------------------------------|--------|--------------------------------|-------|
| | | 2006 | 2007 | Change | 2006 | 2007 | 2006 | 2007 |
| | | pounds | | | percent | | dollars per hundredweight | |
| 1 | Northeast | 5,883,820,078 | 5,521,015,284 | (6.2) | 1.92 | 1.18 | 14.15 | 15.46 |
| 5 | Appalachian | 1,586,377,854 | 1,572,171,870 | (0.9) | N/A | N/A | 14.89 | 15.88 |
| 6 | Florida | 840,064,754 | 866,816,846 | 3.2 | N/A | N/A | 16.15 | 17.02 |
| 7 | Southeast | 2,208,871,403 | 2,097,946,743 | (5.0) | N/A | N/A | 14.54 | 15.90 |
| 30 | Upper Midwest | 6,545,241,549 | 6,624,859,131 | 1.2 | 0.44 | 0.10 | 12.67 | 14.37 |
| 32 | Central | 3,852,982,416 | 2,817,320,299 | (26.9) | 0.42 | 0.03 | 12.89 | 14.31 |
| 33 | Mideast | 4,445,784,060 | 4,421,023,629 | (0.6) | 0.66 | 0.18 | 13.20 | 15.37 |
| 124 | Pacific Northwest | 1,910,883,311 | 1,822,845,205 | (4.6) | 0.15 | (0.18) | 12.63 | 14.09 |
| 126 | Southwest | 2,792,077,878 | 2,873,327,859 | 2.9 | 1.33 | 0.93 | 13.73 | 15.21 |
| 131 | Arizona~ | 810,462,931 | 966,261,121 | 19.2 | N/A | N/A | 13.00 | 14.49 |
| All Market Total/Average | | 30,876,566,234 | 29,583,587,987 | (4.2) | 0.74 | 0.76 | 13.78 | 15.21 |

Price at designated order location.

* Price at 3.5% butterfat.

N/A = Not applicable.

~ Formerly Arizona-Las Vegas Order; name changed effective May 1, 2006.



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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 | 905,521,818 | \$13.25 | 119,981,640.89 | |
| Butterfat | 17,744,447 | 1.3460 | 23,884,025.66 | |
| Less: Location Adjustment to Handlers | | | (2,924,297.86) | \$140,941,368.71 |
| Class II— Butterfat | 29,368,723 | 1.3839 | 40,643,375.76 | |
| Nonfat Solids | 34,437,221 | 1.0078 | 34,705,831.30 | 75,349,207.06 |
| Class III— Butterfat | 17,005,021 | 1.3769 | 23,414,213.43 | |
| Protein | 13,985,597 | 2.4329 | 34,025,558.94 | |
| Other Solids | 26,071,638 | 0.5257 | 13,705,860.11 | 71,145,632.48 |
| Class IV— Butterfat | 9,262,474 | 1.3769 | 12,753,500.44 | |
| Nonfat Solids | 14,078,185 | 1.0229 | 14,400,575.47 | 27,154,075.91 |
| Total Classified Value | | | | \$314,590,284.16 |
| Add: Overage—All Classes | | | | 130,113.93 |
| Inventory Reclassification—All Classes | | | | 429,087.02 |
| Other Source Receipts | 328,310 Pounds | | | 16,956.22 |
| Total Pool Value | | | | \$315,166,441.33 |
| Less: Producer Component Valuations @ Class III Component Prices | | | | (305,134,832.28) |
| Total PPD Value Before Adjustments | | | | \$10,031,609.05 |
| Add: Location Adjustment to Producers | | | | 9,249,440.38 |
| One-half Unobligated Balance—Producer Settlement Fund | | | | 817,444.74 |
| Less: Producer Settlement Fund—Reserv | 1,949,423,193 Producer pounds | | | (799,204.64) |
| Total Pool Milk & PPD Value | | | | \$19,299,289.53 |
| Producer Price Differential | | \$0.99 | | |
| Statistical Uniform Price | | \$16.08 | | |

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

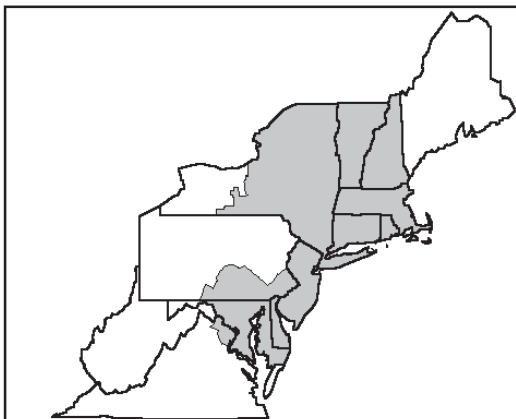
The Market Administrator's BULLETIN

NORTHEAST MARKETING AREA

Erik F. Rasmussen, Market Administrator

April 2007

Federal Order No. 1



To contact the Northeast Marketing Area offices:
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 e-mail address: MAAlbany@fedmilk1.com; Alexandria, VA: phone (703) 549-7000, e-mail address: MAAlexandria@fedmilk1.com;
 website address: www.fmmone.com

April Pool Price Calculation

The April 2007 statistical uniform price (SUP) for the Northeast Marketing Area was announced at \$17.02 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. If reported at the average tests of producer pooled milk, the SUP would be \$17.49 per hundredweight. April's statistical uniform price was 94 cents per hundredweight above the March price.

The April producer price differential (PPD) at Suffolk County was 93 cents per hundredweight, 6 cents below last month's. All commodity prices increased resulting in higher component prices. Similar to last month, all class prices rose considerably. The Class I price rose 75 cents; Class II increased 91 cents; Class III rose \$1.00 per hundredweight, and the Class IV price jumped \$2.41 per hundredweight. For the second month in a row, Class II was the lowest priced class. ❖

Hearing Reconvened

On May 9, the USDA announced it will reconvene a national public hearing to consider proposals seeking to amend the Class III and Class IV product price formulas applicable to all federal milk marketing orders. This hearing is a continuation of the hearing that began on February 26 in Strongsville, Ohio, and was previously reconvened on April 9 in Indianapolis, Indiana. The purpose of reconvening is to receive additional testimony on proposed amendments 1 through 20, as published in the *Federal Register* in the original notice of hearing on February 9, and the supplemental notice on February 20.

The hearing will begin at 1:00 p.m. on July 9 at the Sheraton Station Square Hotel in Pittsburgh, Pennsylvania, phone (412) 261-2000. Additional information regarding this hearing may be obtained at: http://www.ams.usda.gov/dairy/class_III_IV_pr_formulas/class_III_IV_hearing.htm or by calling the Market Administrator's office. ❖

Annual Bulletin Available

The 2006 Annual Statistical *Bulletin* for the Northeast Milk Marketing Area is now available. The report summarizes pool and price data through a series of tables and charts. It can be found on our website at www.fmmone.com. Copies may be requested free of charge by contacting the Albany office at (518) 452-4410 or E-mail: MAAlbany@fedmilk1.com. ❖

Pool Summary

- A total of 13,996 producers were pooled under the Order with an average daily delivery per producer of 4,529 pounds.
- Pooled milk receipts totaled 1.901 billion pounds, an increase of 0.8 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 44.3 percent of total milk receipts, a decrease of 3.1 percentage points from March.
- The average butterfat test of producer receipts was 3.72 percent.
- The average true protein test of producer receipts was 3.04 percent.
- The average other solids test of producer receipts was 5.73 percent. ❖

Class Utilization

| Pooled Milk | Percent | Pounds |
|-------------------|---------|---------------|
| Class I | 44.3 | 842,839,540 |
| Class II | 21.6 | 409,793,631 |
| Class III | 23.4 | 444,536,688 |
| Class IV | 10.7 | 204,267,037 |
| Total Pooled Milk | | 1,901,436,896 |

Producer Component Prices

| | 2007 | 2006 |
|--------------------|--------|--------|
| | \$/lb | |
| Protein Price | 2.5212 | 1.9238 |
| Butterfat Price | 1.4657 | 1.2343 |
| Other Solids Price | 0.6008 | 0.1508 |

Class Price Factors

| | 2007 | 2006 |
|-----------|--------|-------|
| | \$/cwt | |
| Class I | 18.25 | 14.47 |
| Class II | 14.51 | 11.37 |
| Class III | 16.09 | 10.93 |
| Class IV | 16.12 | 10.36 |

Manufactured Dairy Products—2006 Summary

USDA's National Agricultural Statistics Service recently released their *Dairy Products 2006 Summary*. This publication summarizes dairy products manufactured in the United States. The accompanying table shows total production and annual change for selected products.

Selected U.S. Manufactured Dairy Products, 2005—2006

| | 2005 | 2006 | Yr-to-Yr Change |
|---------------------------|----------------|--------------|--------------------|
| | million pounds | | percent |
| Cheese | | | |
| American [^] | 3,808 | 3,913 | 2.7 |
| Italian | 3,803 | 3,989 | 4.9 |
| Other* | 1,538 | 1,633 | 6.2 |
| Total Cheese# | 9,149 | 9,534 | 4.2 |
| Butter | 1,347 | 1,448 | 7.5 |
| NFDM~ | 1,210 | 1,224 | 1.1 |
| Condensed Skim** | 1,058 | 1,218 | 15.1 |
| Dry Whey~ | 959 | 1,049 | 9.4 |
| Whey Protein Concentrate~ | 343 | 379 | 10.2 |
| Yogurt | 3,058 | 3,295 | 7.7 |
| Ice Cream | 960 | 966 | 0.6 |

[^] Includes Cheddar, Colby, Monterey, and Jack.

* Includes Swiss, Muenster, brick, limburger, blue, Hispanic, cream/Neufchatel, and other varieties.

Excludes cottage cheese.

** Unsweetened.

~ For human use.

Cheese Production

Total cheese production (excluding cottage cheese) grew 4.2 percent in 2006. American cheese production increased 2.7 percent while Italian rose 4.9 percent from 2005. The production of Swiss cheese grew 4.8 percent, cream and Neufchatel increased 5.2 percent, and other types (Muenster, brick, limburger, blue, Hispanic, among others) rose 8.3 percent.

American production accounted for 41.0 percent of all cheese, down from 41.6 percent in 2005. Italian accounted for 41.8 percent of all cheese, up from 41.6 the previous year. This was the first time Italian cheese surpassed American as the dominant type. Cheddar production increased 2.6 percent and accounted for 79.9 percent of the American total. Mozzarella rose 4.2 percent and accounted for 78.8 percent of the Italian total. Hispanic cheese production rose 8.5 percent; this follows a jump of 17.8 percent in 2005. As a percentage of total cheese made, Hispanic cheese increased to 1.9 percent, up from 1.8 percent in 2005.

Other Products

Butter production rose 7.5 percent in 2006. Yogurt (plain and fruit flavored) grew 7.7 percent. Frozen yogurt production increased 2.0 percent and ice cream grew a slight 0.6 percent. Nonfat dry milk (NFDM) increased 1.1 percent; during 2005, it declined 15.8 percent. The

production of canned evaporated and condensed whole milk declined 6.0 percent while unsweetened skim condensed jumped 15.1 percent in 2006. Production (for human use) of dry whey rose 9.4 percent and whey protein concentrate increased 10.2 percent.

Leading States

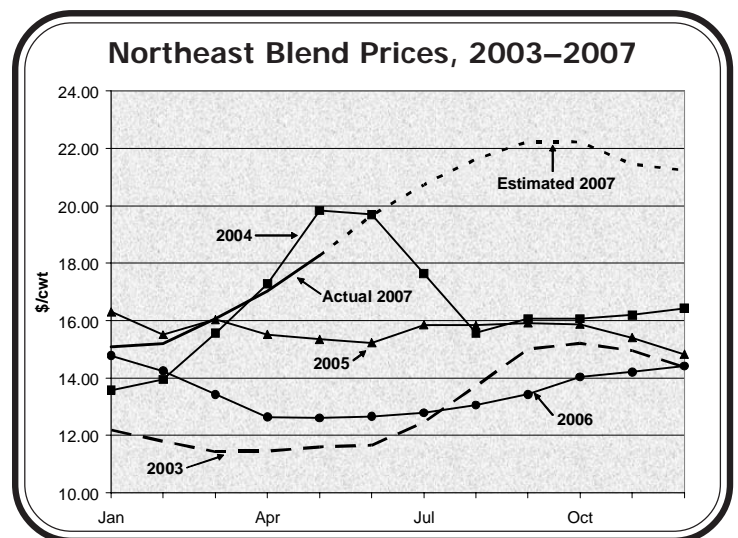
There was no change in the top cheese producing states during 2006: Wisconsin led, followed by California, Idaho, New York, and Minnesota. Wisconsin remained the leader in the production of American cheese but California came in a close second with only a difference of 1.8 million pounds (in 2005 the difference was 14.5 million pounds). California remained the leading producer of Italian cheese production (it took the lead in 2005), followed by Wisconsin, New York, and Pennsylvania.

New York remained the leader in cottage cheese and sour cream, second in yogurt and dry whey, and fourth in butter and mozzarella production. Pennsylvania ranked third in butter and mozzarella production. Massachusetts was the fourth largest ice cream producing state.

Wisconsin still recorded the largest number of dairy manufacturing plants (202), followed by California (112), and New York (106). Overall, the number of plants declined 0.7 percent in 2006; the decline was 1.1 percent in 2005. ❖

Blend Prices to Rise

The accompanying chart shows Northeast Order statistical uniform prices (blend prices at Boston) from January 2003 through the end of 2007. From May through December 2007, the prices are estimated using Chicago Mercantile Exchange settlement prices for Class III and IV futures as of May 14. As shown in the chart, it is expected that 2007 prices will remain well above the previous years' and average about \$19.00 per hundredweight for the year. Since the Order's inception, the highest annual average blend price was \$16.49 per hundredweight in 2004 when the blend price almost hit \$20.00 per hundredweight during May and June. Based on these prices, blend prices are projected to be above \$20.00 per hundredweight during the last six months of 2007. ❖

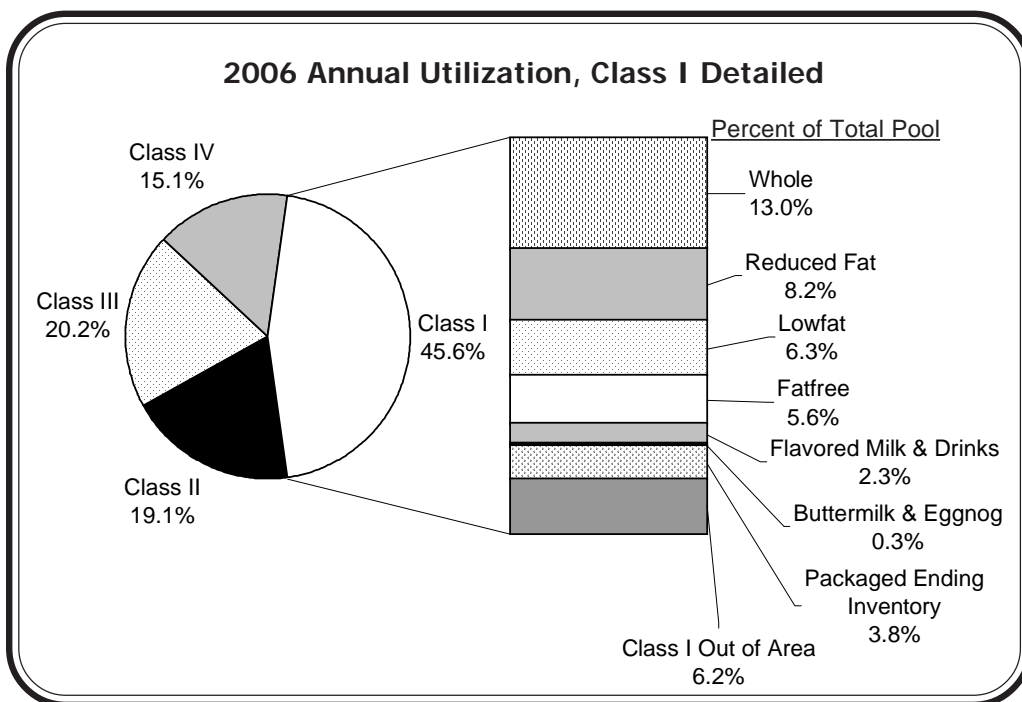


Northeast Utilization, Class I Detailed

The Northeast Order pooled 45.6 percent of its milk as Class I in 2006. From 2000 through 2003, Class I utilization in the Northeast Order averaged 43.9, 43.3, 42.3, and 44.5 percent for the year. Since then, the Order has averaged at or above 45 percent. To start this year, the Order set record-high Class I utilizations for the first three months. The higher utilization reflects less milk pooled on the Order and not increased Class I sales. Less milk pooled does not necessarily have a negative impact as more milk ends up priced in the higher-valued class (Class I).

The accompanying charts compare annual utilization for the Northeast Order in 2006 to 2002, and details the make-up of Class I utilization by product. Although the 2006 volume for the year totaled 2.4 billion less pounds than in 2002, the annual volume of Class I in 2006 was just 42 million pounds less than in 2002. The detailed data reflect the movement from consumption of whole milk to

2006 Annual Utilization, Class I Detailed



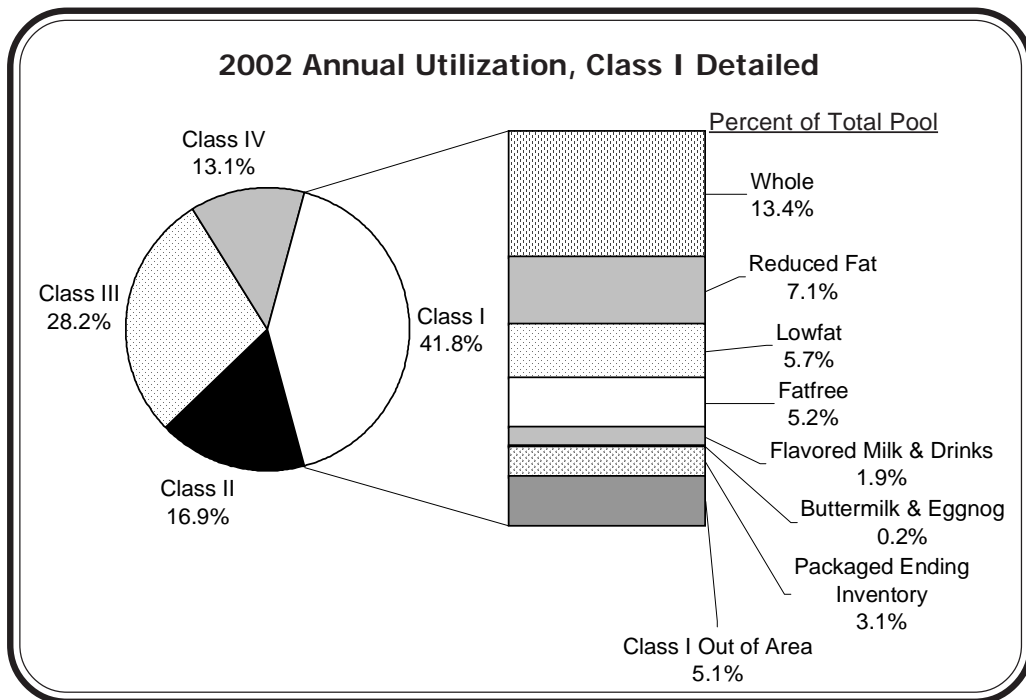
reduced fat, lowfat and fatfree milk. Whole milk declined from 13.4 percent of the total pool in 2002 (32.2 percent of Class I) to 13.0 percent of the total pool in 2006 (28.5 percent of Class I). Reduced fat, lowfat, and fatfree all accounted

for larger portions of the total pool volume, although fatfree's proportion of the Class I volume declined by 0.2 percentage points. Flavored milk and drinks increased from 1.9 percent of the total pool in 2002 to 2.3 percent in 2006 and accounted for 5 percent of the Class I volume in 2006.

A larger portion (6.2 percent) of Class I in 2006 was attributed to out of area sales (sales outside of the defined Northeast Marketing Area). Out of area sales accounted for 13.7 percent of the Class I utilization in 2006, up from 12.2 percent in 2002.

Packaged ending inventory is milk that was packaged as Class I at the end of a month but was not identified by type of product. ❖

2002 Annual Utilization, Class I Detailed



Dairy Promotion Seeks Nominations

The USDA is seeking nominations for the National Dairy Promotion and Research Board. Twelve individuals will be appointed to serve 3-year terms beginning November 1, 2007. Locally, Region 11 (Delaware, Maryland, New Jersey, and Pennsylvania) and Region 12 (New York) have one opening each.

For nominating forms and procedures, contact Whitney A. Rick, Chief, Promotion and Research Branch, Dairy Programs, AMS, USDA, Room 2958-S, Stop 0233, 1400 Independence Ave., SW, Washington, D.C., 20250-0233; telephone (202) 720-6909; or E-mail at whitney.rick@usda.gov. Nominations must be submitted by May 31, 2007. ❖



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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 | 826,564,296 | \$13.75 | 113,652,590.70 | |
| Butterfat | 16,275,244 | 1.4221 | 23,145,024.49 | |
| Less: Location Adjustment to Handlers | | | (2,676,700.66) | \$134,120,914.73 |
| Class II— Butterfat | 29,181,258 | 1.4727 | 42,975,238.73 | |
| Nonfat Solids | 34,661,061 | 1.0767 | 37,319,564.36 | 80,294,803.09 |
| Class III— Butterfat | 16,367,970 | 1.4657 | 23,990,533.66 | |
| Protein | 13,539,911 | 2.5212 | 34,136,823.62 | |
| Other Solids | 25,447,754 | 0.6008 | 15,289,010.60 | 73,416,367.88 |
| Class IV— Butterfat | 8,837,992 | 1.4657 | 12,953,844.88 | |
| Nonfat Solids | 17,806,696 | 1.2656 | 22,536,154.45 | 35,489,999.33 |
| Total Classified Value | | | | \$323,322,085.03 |
| Add: Overage—All Classes | | | | 69,468.95 |
| Inventory Reclassification—All Classes | | | | 274,044.72 |
| Other Source Receipts | 13,535 Pounds | | | 309.95 |
| Total Pool Value | | | | \$323,665,908.65 |
| Less: Producer Component Valuations @ Class III Component Prices | | | | (314,951,713.96) |
| Total PPD Value Before Adjustments | | | | \$8,714,194.69 |
| Add: Location Adjustment to Producers | | | | 9,141,134.08 |
| One-half Unobligated Balance—Producer Settlement Fund | | | | 754,822.20 |
| Less: Producer Settlement Fund—Reserve | | | | (926,661.98) |
| Total Pool Milk & PPD Value | 1,901,450,431 Producer pounds | | | \$17,683,488.99 |
| Producer Price Differential | | \$0.93 | | |
| Statistical Uniform Price | | \$17.02 | | |

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



The Market Administrator's BULLETIN

NORTHEAST MARKETING AREA

Erik F. Rasmussen, Market Administrator

May 2007

Federal Order No. 1

To contact the Northeast Marketing Area offices:

Boston, MA: phone (617) 737-7199, e-mail address: MABoston@fedmilk1.com; *Albany, NY:* phone (518) 452-4410, e-mail address: MAAlbany@fedmilk1.com; *Alexandria, VA:* phone (703) 549-7000, e-mail address: MAAlexandria@fedmilk1.com; *website address:* www.fmmone.com

May Pool Price Calculation

The May 2007 statistical uniform price (SUP) for the Northeast Marketing Area was announced at \$18.60 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. If reported at the average tests of producer pooled milk, the SUP would be \$18.87 per hundredweight. May's statistical uniform price was \$1.58 per hundredweight above the April price.

The May producer price differential (PPD) at Suffolk County was \$1.00 per hundredweight, 7 cents above last month's. All commodity prices increased except dry whey, which declined slightly. Similar to last month, all class prices rose considerably. The Class I price rose 92 cents; Class II increased \$2.11; Class III rose \$1.51, and the Class IV price jumped \$2.36 per hundredweight. For the third month in a row, Class II was the lowest priced class even though May's price (\$16.62) was the highest Class II price since the Order's inception. The Class IV price for May (\$18.48) was the highest on record, beating last month's record-setting \$16.12 per hundredweight. See related article on Class II. ❖

Contribution to Producer Price by Components

Under component pricing, the proportion each component contributes to the overall producer blend price varies each month based on the respective tests and prices of each component. The table on page 2 shows the contribution by component for the month of May from 2004 through 2007 using a hypothetical farmer producing 100,000 pounds of milk at the pool average component tests during that month. The examples do not take into account premiums, hauling, or any other producer payments or deductions.

During **May 2004**, the protein price contributed 56 percent of the value of the average producer's blend price. The protein price was a record-high \$3.7639 per pound; butterfat was \$2.4282 per pound; and other solids were only \$0.1444 per pound. That month the producer price differential (PPD) was negative. Butterfat contributed 43.6 percent of the price and value added by other solids was 4.1 percent.

In the example for **May 2005**, the contribution from butterfat was only 36.0 percent even though the average producer butterfat test was higher. During that month, both protein and other solids accounted for (continued on page 2)

Pool Summary

- A total of 13,931 producers were pooled under the Order with an average daily delivery per producer of 4,604 pounds.
- Pooled milk receipts totaled 1.989 billion pounds, an increase of 1.2 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 44.6 percent of total milk receipts, an increase of 0.3 percentage points from April.
- The average butterfat test of producer receipts was 3.63 percent.
- The average true protein test of producer receipts was 3.01 percent.
- The average other solids test of producer receipts was 5.71 percent. ❖

Class Utilization

| Pooled Milk | Percent | Pounds |
|-------------------|---------|---------------|
| Class I | 44.6 | 887,595,430 |
| Class II | 21.8 | 434,025,163 |
| Class III | 22.8 | 453,715,557 |
| Class IV | 10.8 | 213,424,005 |
| Total Pooled Milk | | 1,988,760,155 |

Producer Component Prices

| | 2007 | 2006 |
|--------------------|--------|--------|
| | \$/lb | |
| Protein Price | 2.9424 | 1.9115 |
| Butterfat Price | 1.5706 | 1.2582 |
| Other Solids Price | 0.5791 | 0.1251 |

Class Price Factors

| | 2007 | 2006 |
|-----------|--------|-------|
| | \$/cwt | |
| Class I | 19.17 | 14.22 |
| Class II | 16.62 | 11.13 |
| Class III | 17.60 | 10.83 |
| Class IV | 18.48 | 10.33 |

Contribution *(continued from page 1)*

less of the producer's total payment than in the previous year, but the PPD's share jumped up to 10.1 percent of the payment value. In **May 2006**, the PPD was credited with an even greater share of the total, 13.8 percent, while both butterfat and protein percentages declined, even though producer tests increased. Other solids took on greater importance as both the test value and price increased resulting in a 5.6 percent share of the total value.

The most current example, **May 2007**, shows even greater significance for other solids. With the increase in the dry

whey price, which has more than doubled since last May, the other solids portion of the producer value has grown to 17.5 percent of the total payment. Protein, which is still valued fairly high due to the tightness in the cheese market, accounted for the largest share of the producer's pay price; butterfat's share has continually declined. Since class prices for May 2007 are in a fairly tight range, the PPD value is a smaller component than in the other examples. For June, it is expected that the PPD will decrease further, possibly equaling a negative value at some zones. ❖

Contribution to Total Gross Payment*

| | May 2007 | | | | May 2006 | | | |
|----------------------------|--------------|-----------------|----------------|----------------------|--------------|-----------------|----------------|----------------------|
| | Test percent | Price per pound | Gross dollars | Contribution percent | Test percent | Price per pound | Gross dollars | Contribution percent |
| Butterfat | 3.63 | 1.5706 | \$5,701.28 | 30.2 | 3.67 | 1.2582 | \$4,617.59 | 35.8 |
| True Protein | 3.01 | 2.9424 | \$8,856.62 | 46.9 | 3.02 | 1.9115 | \$5,772.73 | 44.8 |
| Other Solids | 5.71 | 0.5791 | \$3,306.66 | 17.5 | 5.74 | 0.1251 | \$718.07 | 5.6 |
| PPD | | 1.00 | \$1,000.00 | 5.3 | | 1.78 | \$1,780.00 | 13.8 |
| Total gross payment | | | \$18,864.56 | | | | \$12,888.40 | |
| Gross price per cwt | | | \$18.86 | | | | \$12.89 | |

| | May 2005 | | | | May 2004 | | | |
|----------------------------|--------------|-----------------|----------------|----------------------|--------------|-----------------|----------------|----------------------|
| | Test percent | Price per pound | Gross dollars | Contribution percent | Test percent | Price per pound | Gross dollars | Contribution percent |
| Butterfat | 3.62 | 1.5475 | \$5,601.95 | 36.0 | 3.59 | 2.4282 | \$8,717.24 | 43.6 |
| True Protein | 3.00 | 2.5965 | \$7,789.50 | 50.0 | 2.97 | 3.7639 | \$11,178.78 | 56.0 |
| Other Solids | 5.72 | 0.1043 | \$596.60 | 3.8 | 5.70 | 0.1444 | \$823.08 | 4.1 |
| PPD | | 1.58 | \$1,580.00 | 10.1 | | -0.74 | -\$740.00 | (3.7) |
| Total gross payment | | | \$15,568.05 | | | | \$19,979.10 | |
| Gross price per cwt | | | \$15.57 | | | | \$19.98 | |

*For a hypothetical farm producing 100,000 pounds of milk at pool average component tests. Totals may not add due to rounding.

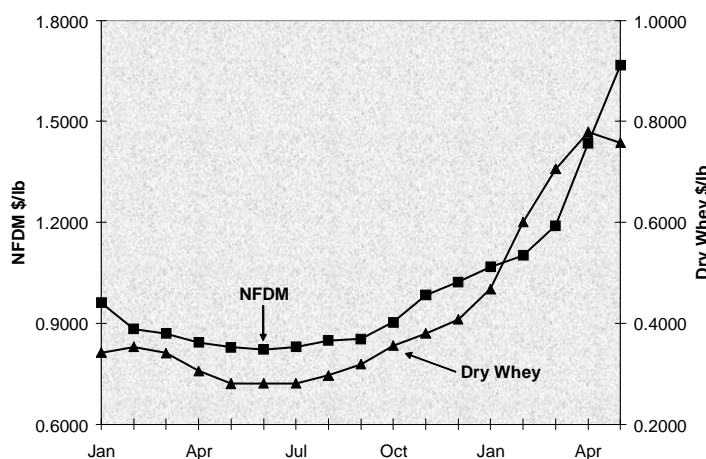
Class II—Lowest Class Price

For the past 3 months under the Northeast Order, the Class II price has been the lowest class price of the four classes. Class prices are calculated by entering average product prices as announced by the National Agricultural Statistics Service (NASS) for the given month into the corresponding formulas which account for yield factors and make allowances for the end products that the particular class represents. For example, the Class III price is mainly derived from the NASS average cheese and dry whey prices, which are translated into the protein and other solids values. The NASS survey prices reflect the market value for these commodities based on current supply and demand conditions.

Class Formulas

The Class II price uses a combination of butter and nonfat dry milk prices as the Class II category is made up of such products as cottage and ricotta cheese, sour cream, yogurt, and ice cream (i.e. the "soft" products). The products in this category use both butterfat and nonfat solids prices, which are derived from the butter and nonfat dry milk prices (NFDM). The Class IV price also uses butter and nonfat dry milk prices as this category prices milk used to make these products and some

NFDM and Dry Whey Prices, 2006–2007



As reported by the National Agricultural Statistics Service.

condensed and other dried milk products. Although both Class II and IV use the NASS butter and NFDM prices, the Class II price uses different weeks of data in its calculation *(continued on page 3)*

Class II *(continued from page 2)*

as its skim milk and nonfat solids prices are announced in advance. For the past few months, those prices have been lower than the final prices used in setting the NFDM prices used in calculating the Class IV nonfat solids value.

Class IV Higher

For all of 2000 and most of 2001, the Class III price was the lowest of the class prices. Since that time, the lowest price has bounced back and forth between Class III and Class IV, with Class IV predominantly being the lower priced class. This began in 2004 and continued until November 2006 when, for the first time, the Class II price was the lowest. With the value for the products used in calculating these formulas—particularly dry whey and nonfat dry milk—rising considerably in the past 2 months (see chart on page 2), the prices derived from these

products have increased dramatically and are reflected in the Class IV price, putting it above the Class II price again in April and May. For the second half of 2007, the situation should return to a more ‘normal’ pattern with the Class II price higher.

Partial Payment

According to section 1001.73 of the Order, the partial payment to producers (the amount paid by handlers for the first 15 days of the month) must be not less than the lowest announced class price for the preceding month. This would mean that a producer may receive \$16.62 per cwt (the May Class II price) for milk produced during the first 15 days of June. Once the month (June) is finished, the final payment paid to producers should be high enough to equate to the blend price for the month. ❖

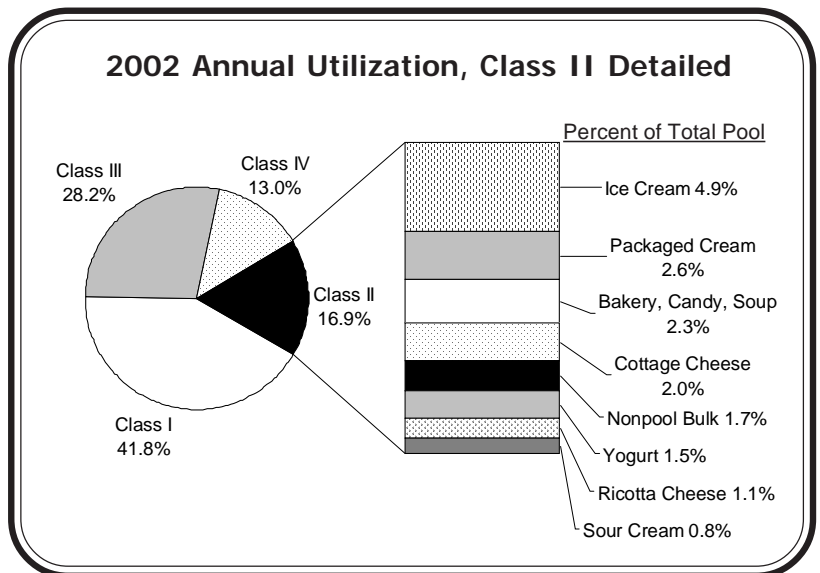
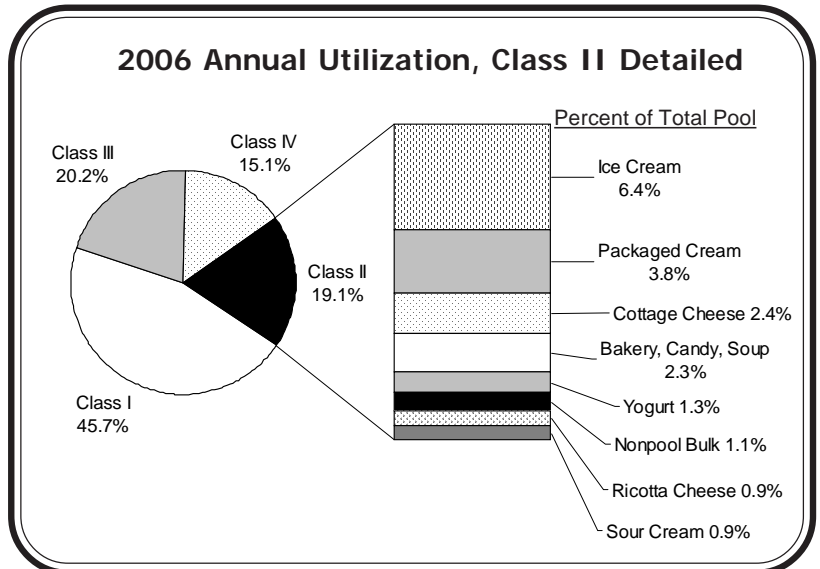
Northeast Utilization, Class II Detailed

The Northeast Order pooled 19.1 percent of its milk as Class II in 2006. From 2000 through 2003, Class I utilization in the Northeast Order averaged 17.3, 16.7, 17.4, and 18.5 percent for the year. Since then, the Order has averaged at or above 19.6 percent. To start this year, the Order set record-high Class II utilizations for the first four months. The higher utilization reflects less milk pooled on the Order. Total pounds pooled as Class II have been fairly similar since 2002 at about 4.4 billion pounds a year. As the only exception, about 4.7 billion pounds were pooled as Class II in 2005. In 2000 and 2001, 4.1 billion pounds were pooled as Class II.

The accompanying charts show annual utilization for the Northeast Order in 2002 and 2006, and detail the make-up of Class II utilization by product. Though the 2006 total volume of producer milk for the year was 2.4 billion less pounds than in 2002, the annual volume of Class II in 2006 was 148 million pounds more than in 2002. The effect was a Class II utilization that was 2.2 percentage points higher for the year than in 2002 when the annual utilization was 16.9 percent.

Of the products comprising Class II, ice cream’s portion grew the most, increasing from 4.9 percent of the pool in 2002 to 6.4 percent in 2006. Ice cream represented 33.4 percent of Class II pounds in 2006, up from 28.9 of Class II pounds in 2002. Packaged cream was the second biggest growth product as a percentage of the pool, increasing from 2.6 percent to 3.8 percent of the pool. Packaged cream accounted for 20 percent of the Class II pounds in 2006 compared to 15.4 percent in 2002.

Nonpool Bulk is a function of the allocation of milk during pool as dictated by the Northeast Order language. Nonpool bulk is milk from other markets, or nonOrder milk, that is allocated to manufacturing classes to the extent available in that particular class—first Class IV, then Class III, and then Class II. ❖





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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 | 870,867,825 | \$14.53 | 126,537,094.97 | |
| Butterfat | 16,727,605 | 1.4714 | 24,612,998.00 | |
| Less: Location Adjustment to Handlers | | | (2,817,216.01) | \$148,332,876.98 |
| Class II— Butterfat | 30,146,486 | 1.5776 | 47,559,096.30 | |
| Nonfat Solids | 36,572,086 | 1.2778 | 46,731,811.50 | 94,290,907.80 |
| Class III— Butterfat | 16,703,611 | 1.5706 | 26,234,691.41 | |
| Protein | 13,670,430 | 2.9424 | 40,223,873.26 | |
| Other Solids | 25,908,234 | 0.5791 | 15,003,458.32 | 81,462,022.99 |
| Class IV— Butterfat | 8,631,016 | 1.5706 | 13,555,873.73 | |
| Nonfat Solids | 18,521,133 | 1.4949 | 27,687,241.74 | 41,243,115.47 |
| Total Classified Value | | | | \$365,328,923.24 |
| Add: Overage—All Classes | | | | 76,010.82 |
| Inventory Reclassification—All Classes | | | | 394,615.55 |
| Other Source Receipts | 11,407 Pounds | | | 195.72 |
| Total Pool Value | | | | \$365,799,745.33 |
| Less: Producer Component Valuations @ Class III Component Prices | | | | (355,443,391.21) |
| Total PPD Value Before Adjustments | | | | \$10,356,354.12 |
| Add: Location Adjustment to Producers | | | | 9,582,811.39 |
| One-half Unobligated Balance—Producer Settlement Fund | | | | 851,508.56 |
| Less: Producer Settlement Fund—Reserve | | | | (902,958.37) |
| Total Pool Milk & PPD Value | 1,988,771,562 Producer pounds | | | \$19,887,715.70 |
| Producer Price Differential | | \$1.00 | | |
| Statistical Uniform Price | | \$18.60 | | |

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



The Market Administrator's BULLETIN

NORTHEAST MARKETING AREA

Erik F. Rasmussen, Market Administrator

June 2007

Federal Order No. 1

To contact the Northeast Marketing Area offices:

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June Pool Price Calculation

The June 2007 statistical uniform price (SUP) for the Northeast Marketing Area was announced at \$20.80 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. If reported at the average tests of producer pooled milk, the SUP would be \$20.94 per hundredweight. June's statistical uniform price was \$2.20 per hundredweight above the May price.

The June producer price differential (PPD) at Suffolk County was \$0.63 per hundredweight, 37 cents below last month's. The narrow spread in the class prices plus the second highest producer payout combined to lower the PPD even though the blend price was the highest ever. Some handlers elected to depool milk during June because the blend price in the outer zones was below the Class III price. However, the volume depooled and the spread between the Class III price and the SUP was not enough to impact the pool price calculation.

All commodity prices increased, driving up all class prices considerably. The Class I price rose \$1.92 cents; Class II increased \$2.27; Class III jumped \$2.57, and the Class IV price rose \$2.28 per hundredweight. For the fourth month in a row, Class II was the lowest priced class even though June's price (\$18.89) was the highest Class II price since the Order's inception. The Class IV price for June (\$20.76) was the highest on record, surpassing last month's record-setting \$18.48 per hundredweight. See related article on record-setting prices. ❖

Record-Setting Prices

The June statistical uniform price of \$20.80 per hundredweight (at Suffolk County, MA) is the highest since the Order's inception in January 2000. This surpasses the previous record of \$19.84 per hundredweight set in May 2004.

During June 2007, three of the classes had prices over \$20.00 per hundredweight: Class I at \$21.09, Class III at \$20.17, and Class IV at \$20.76. The June Class IV price is a new record topping last month's \$18.48 per hundredweight. The June Class II price of \$18.89 per hundredweight also set a new record, exceeding last month's \$16.62 per hundredweight. Even though the Class I and III prices are relatively high (over \$20.00), neither are record-setting; the highest Class I price (continued on page 3)

Pool Summary

- A total of 13,679 producers were pooled under the Order with an average daily delivery per producer of 4,524 pounds.
- Pooled milk receipts totaled 1.857 billion pounds, a decrease of 3.5 percent from last month on an average daily basis. Approximately 41 million pounds were depooled during June.
- Class I usage (bottling) accounted for 44.8 percent of total milk receipts, an increase of 0.2 percentage points from May.
- The average butterfat test of producer receipts was 3.58 percent.
- The average true protein test of producer receipts was 2.99 percent.
- The average other solids test of producer receipts was 5.71 percent. ❖

Class Utilization

| Pooled Milk | Percent | Pounds |
|-------------------|---------|---------------|
| Class I | 44.8 | 832,225,239 |
| Class II | 21.8 | 405,972,527 |
| Class III | 22.0 | 407,910,913 |
| Class IV | 11.4 | 210,990,568 |
| Total Pooled Milk | | 1,857,099,247 |

Producer Component Prices

| | 2007 | 2006 |
|--------------------|--------|--------|
| | \$/lb | |
| Protein Price | 3.7059 | 2.0790 |
| Butterfat Price | 1.6457 | 1.2436 |
| Other Solids Price | 0.5831 | 0.1255 |

Class Price Factors

| | 2007 | 2006 |
|-----------|--------|-------|
| | \$/cwt | |
| Class I | 21.09 | 14.00 |
| Class II | 18.89 | 11.00 |
| Class III | 20.17 | 11.29 |
| Class IV | 20.76 | 10.22 |

Northeast Utilization, Class III Detailed

The Northeast Order pooled 20.2 percent of its milk as Class III in 2006. From 2000 through 2003, Class III utilization in the Northeast Order averaged 29.1, 31.3, 30.7, and 28.4 percent for the year. Since then, the Order has averaged less than 24 percent each year. To start this year, Class III utilization has averaged 22.9 percent for the first six months. The lower utilization reflects less regional Class III plant capacity.

In addition, Class III receipts were lower in 2004 due to depooling that occurred in the spring of that year. Total pounds pooled as Class III ranged from 6.8 billion to 7.8 billion pounds a year from 2000 through 2003. Since then total Class III pounds pooled have ranged from 5.1 billion to 5.3 billion pounds.

The accompanying charts show annual utilization for the Northeast Order in 2002 and 2006, and detail the make-up of Class III utilization by product. The 2006 volume of pooled receipts totaled 2.4 billion less pounds than in 2002; total Class III volume dropped by 2.7 billion pounds.

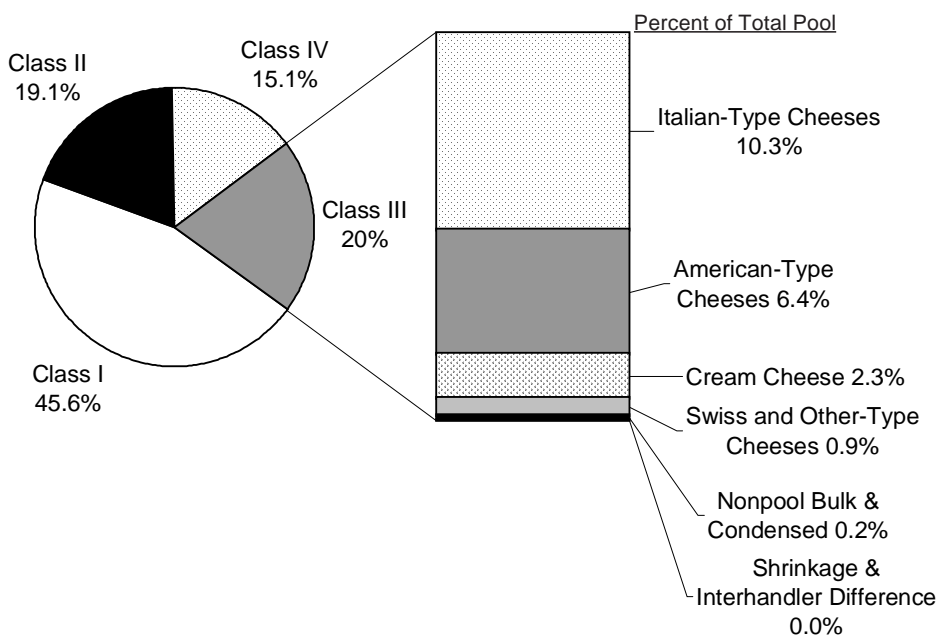
Italian-type cheeses comprised 51 percent of the total Class III volume pooled in both 2006 and 2002, but dropped from 14.4 percent of the total pool in 2002 to 10.3 percent of the total pool in 2006. American-type cheeses dropped from 8.3 percent of the total pool in 2002 to 6.4 percent in 2006. Although milk used for cream cheese declined slightly from 594 million pounds in 2002 to 592 million pounds in 2006, utilization for cream cheese increased 0.2 percentage points. Swiss and other-type cheeses increased as a portion of the total pool from 0.8 percent in 2002 to 0.9 percent in 2006.

Class III shrinkage was considerably higher in 2002 as the Class III price was the lowest class price during nine of the 12 months. During 2006, the Class IV price was the lowest priced class each month except in November when the Class III price was the lowest.

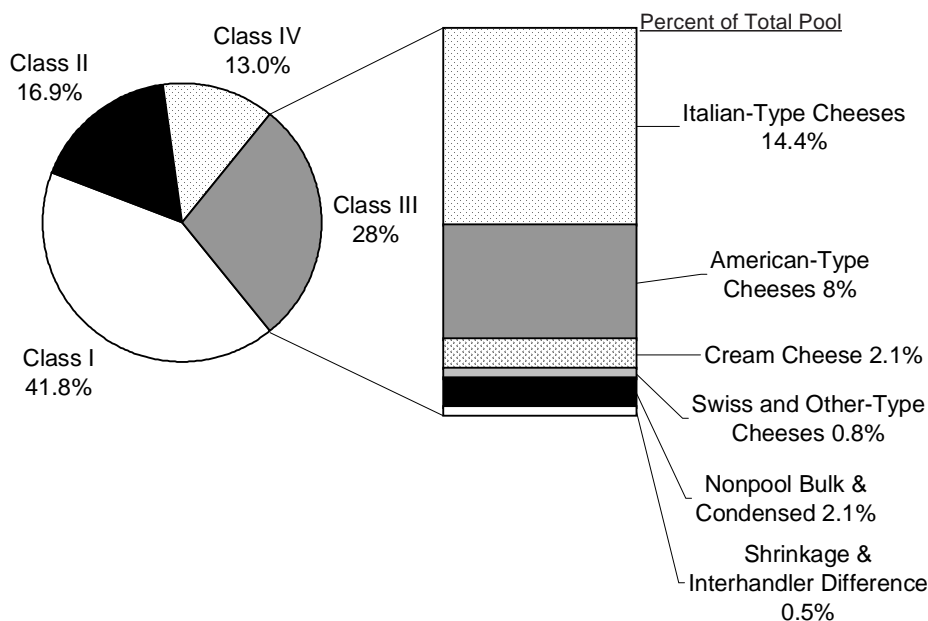
As a result, Class III shrinkage was a relatively small volume throughout 2006.

Nonpool Bulk is a function of the allocation of milk during pool as dictated by the Northeast Order language. Nonpool bulk is milk from other markets, or non-order milk, that is allocated to manufacturing classes to the extent available in that particular class – first Class IV, then Class III, and then Class II. ❖

2006 Annual Utilization, Class III Detailed



2002 Annual Utilization, Class III Detailed



Mandatory Reporting Program

On June 28, the USDA issued an interim final rule establishing a Dairy Product Mandatory Reporting Program. As stated in a USDA press release announcing the mandatory reporting program, it will provide timely, accurate, and reliable market information to facilitate more informed marketing decisions and promote competition in the dairy product manufacturing industry.

The program will: 1) Require persons engaged in manufacturing dairy products to report certain information including the price, quantity, and moisture content where applicable, of dairy products sold by the manufacturer; and 2) Require persons storing dairy products to report information on the quantity of dairy products stored. Under the interim final rule, USDA's National Agricultural Statistics Service (NASS) will collect the information.

USDA's Agricultural Marketing Service (AMS) will implement a plan to verify the price information submitted

to NASS. AMS will visit butter, nonfat dry milk, cheese and dry whey manufacturers that file reports. AMS will verify that eligible sales transactions agree with information reported to NASS and will check for eligible sales transactions that were not reported.

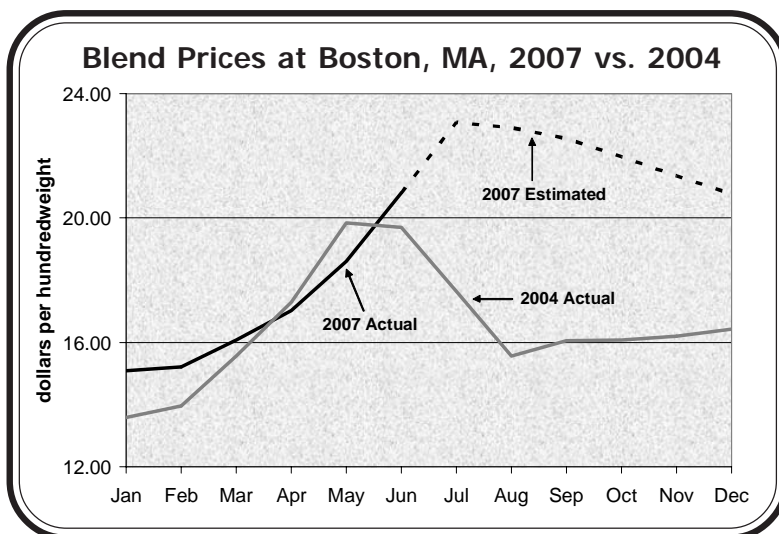
The need for the program arose from the discovery of an error in industry reporting of nonfat dry milk data. The impact of this error is summarized in AMS' special report titled *Impacts of NASS Nonfat Dry Milk Price and Sales Volume Revisions on Federal Order Prices*, which can be found at the following link: http://www.ams.usda.gov/dyfmos/mib/NASS_Price_Issue_Publication_revised_2007-7-2.pdf

The interim final rule was published in the Federal Register on July 3; public comments are due on or before September 4, 2007. Comments may be filed by visiting: www.regulations.gov For additional information about the decision, contact John Mengel, Chief Economist, AMS, phone: (202) 720-7091, email: John.Mengel@usda.gov. ❖

Prices *(continued from page 1)*

to date was in June 2004 at \$24.38 per hundredweight and the highest Class III price was \$20.58 in May 2004.

For July, the Class I price will be \$24.16 per hundredweight. Based on commodity prices for the first 2 weeks of July, the other three class prices likely will be over \$21.00 and set new records along with a record-breaking blend price. The Class II price should return to its more 'normal' position as the second-highest class price by August. Based on futures prices from July 16, Class III and IV prices are projected to decline somewhat beginning in August and continue downward through the end of 2007. However, blend prices could remain above \$20.00 per hundredweight for the rest of the year. See accompanying chart. ❖



Pool Summary for All Federal Orders, January–June 2007

| Federal Order | | Total Producer Milk | | | Producer Price Differential# | | Statistical Uniform Price#* | |
|--------------------------|-------------------|---------------------|----------------|--------|------------------------------|--------|-----------------------------|-------|
| Number | Name | 2006 | 2007 | Change | 2006 | 2007 | 2006 | 2007 |
| | | pounds | | | percent | | dollars per hundredweight | |
| 1 | Northeast | 11,858,971,661 | 11,268,311,582 | (5.0) | 1.77 | 1.02 | 13.40 | 17.13 |
| 5 | Appalachian | 3,291,318,414 | 2,998,262,688 | (8.9) | N/A | N/A | 13.93 | 17.43 |
| 6 | Florida | 1,640,983,227 | 1,705,104,733 | 3.9 | N/A | N/A | 15.21 | 18.43 |
| 7 | Southeast | 4,359,051,470 | 4,059,309,257 | (6.9) | N/A | N/A | 13.73 | 17.43 |
| 30 | Upper Midwest | 13,160,672,001 | 12,420,308,118 | (5.6) | 0.38 | 0.06 | 12.01 | 16.17 |
| 32 | Central | 7,605,767,063 | 5,430,219,142 | (28.6) | 0.57 | (0.08) | 12.20 | 16.03 |
| 33 | Mideast | 9,037,873,321 | 8,574,347,919 | (5.1) | 0.83 | 0.05 | 12.46 | 16.62 |
| 124 | Pacific Northwest | 3,978,308,529 | 3,567,691,553 | (10.3) | 0.35 | (0.02) | 11.98 | 16.10 |
| 126 | Southwest | 5,810,140,481 | 4,792,201,919 | (17.5) | 1.41 | 0.82 | 13.04 | 16.93 |
| 131 | Arizona~ | 1,743,883,205 | 1,977,205,798 | 13.4 | N/A | N/A | 12.33 | 16.38 |
| All Market Total/Average | | 62,486,969,372 | 56,792,962,709 | (9.1) | 0.89 | 0.31 | 13.02 | 16.86 |

Price at designated order location.

* Price at 3.5% butterfat.

N/A = Not applicable.

~ Formerly Arizona-Las Vegas Order; name changed effective May 1, 2006.



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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 | 815,999,547 | \$16.13 | 131,620,726.93 | |
| Butterfat | 16,225,692 | 1.5791 | 25,621,990.24 | |
| Less: Location Adjustment to Handlers | | | (2,663,606.91) | \$154,579,110.27 |
| Class II— Butterfat | 28,118,198 | 1.6527 | 46,470,945.83 | |
| Nonfat Solids | 34,080,157 | 1.5089 | 51,423,548.90 | 97,894,494.73 |
| Class III— Butterfat | 15,184,308 | 1.6457 | 24,988,815.67 | |
| Protein | 12,203,678 | 3.7059 | 45,225,610.30 | |
| Other Solids | 23,268,523 | 0.5831 | 13,567,875.75 | 83,782,301.72 |
| Class IV— Butterfat | 6,949,433 | 1.6457 | 11,436,681.90 | |
| Nonfat Solids | 18,435,372 | 1.7268 | 31,834,200.36 | 43,270,882.26 |
| Total Classified Value | | | | \$379,526,788.98 |
| Add: Overage—All Classes | | | | 97,535.45 |
| Inventory Reclassification—All Classes | | | | 247,774.10 |
| Other Source Receipts | 344,169 Pounds | | | 3,678.17 |
| Total Pool Value | | | | \$379,875,776.70 |
| Less: Producer Component Valuations @ Class III Component Prices | | | | (377,143,040.05) |
| Total PPD Value Before Adjustments | | | | \$2,732,736.65 |
| Add: Location Adjustment to Producers | | | | 8,847,491.83 |
| One-half Unobligated Balance—Producer Settlement Fund | | | | 919,293.91 |
| Less: Producer Settlement Fund—Reserve | | | | (797,628.92) |
| Total Pool Milk & PPD Value | 1,857,443,416 Producer pounds | | | \$11,701,893.47 |
| Producer Price Differential | | \$0.63 | | |
| Statistical Uniform Price | | \$20.80 | | |

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



The Market Administrator's BULLETIN

NORTHEAST MARKETING AREA

Erik F. Rasmussen, Market Administrator

July 2007

Federal Order No. 1

To contact the Northeast Marketing Area offices:

Boston, MA: phone (617) 737-7199, e-mail address: MABoston@fedmilk1.com; *Albany, NY:* phone (518) 452-4410, e-mail address: MAAlbany@fedmilk1.com; *Alexandria, VA:* phone (703) 549-7000, e-mail address: MAAlexandria@fedmilk1.com; *website address:* www.fmmone.com

July Pool Price Calculation

The July 2007 statistical uniform price (SUP) for the Northeast Marketing Area was announced at \$22.94 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. If reported at the average tests of producer pooled milk, the SUP would be \$23.01 per hundredweight. July's statistical uniform price was \$2.14 per hundredweight above the June price and the highest ever under the Order.

The July producer price differential (PPD) at Suffolk County was \$1.56 per hundredweight, 93 cents above last month's. Classes II, III, and IV all had prices greater than \$21.00 and were record-setting. The July Class I price was the highest used in a blend price calculation so far, but August, which has already been released, will set a new record at \$25.01 per hundredweight. The July NASS cheese price increased resulting in a record-setting protein price. ❖

Milk Price Outpaces Feed Price

The milk-feed price ratio is the price of a pound of milk divided by the price of a pound of feed. USDA calculates a feed price index using corn, soybean, and hay prices. Though this may not reflect exactly an actual farm's feed price, corn, soybean, and hay are common energy, protein, and forage components of dairy rations and their prices are representative of other substitutes. The milk price portion of the ratio uses the U.S. all-milk price, which is an estimate of the average market price at the farm level. It does not include over-order premiums, check-offs, and hauling costs. The milk-feed price ratio is thus derived by dividing the U.S. all-milk price by the feed index. Prices used in the ratio are national and may not be indicative of milk and feed prices that exist in a particular region. The accompanying chart shows the milk-feed price ratio relative to the Northeast blend price (not the U.S. all-milk price).

The ratio is an indicator of the profitability of producing milk that focuses on the cost of feed, typically the largest input cost on a farm. A ratio below 2.5 generally signals a cutback in production. When the ratio rises above 3.0, there are signals to expand milk production.

Based on the futures prices of corn and soybeans and the outlook for alfalfa as of February 2007, we predicted that the all-milk price would have to rise above \$19.01 per hundredweight to achieve a milk-feed (continued on page 3)

Pool Summary

- A total of 13,892 producers were pooled under the Order with an average daily delivery per producer of 4,507 pounds.
- Pooled milk receipts totaled 1.941 billion pounds, an increase of 1.1 percent from last month on an average daily basis (not adjusted for the depooled milk in June).
- Class I usage (milk for bottling) accounted for 42.0 percent of total milk receipts, a decrease of 2.8 percentage points from June.
- The average butterfat test of producer receipts was 3.57 percent.
- The average true protein test was 2.98 percent, record-setting for July.
- The average other solids test was 5.71 percent, also record-setting for July. ❖

Class Utilization

| Pooled Milk | Percent | Pounds |
|-------------------|---------|---------------|
| Class I | 42.0 | 815,648,288 |
| Class II | 21.4 | 415,825,694 |
| Class III | 24.2 | 469,179,586 |
| Class IV | 12.4 | 240,327,188 |
| Total Pooled Milk | | 1,940,980,756 |

Producer Component Prices

| | 2007 | 2006 |
|--------------------|--------|--------|
| | \$/lb | |
| Protein Price | 4.2068 | 1.9807 |
| Butterfat Price | 1.6110 | 1.2228 |
| Other Solids Price | 0.5534 | 0.1257 |

Class Price Factors

| | 2007 | 2006 |
|-----------|--------|-------|
| | \$/cwt | |
| Class I | 24.16 | 14.59 |
| Class II | 21.40 | 10.83 |
| Class III | 21.38 | 10.92 |
| Class IV | 21.64 | 10.21 |

Northeast Utilization, Class IV Detailed

The Northeast Order pooled 15.1 percent of its milk as Class IV in 2006. From 2000 through 2004, Class IV volume average 2.247 billion pounds per year. In 2005 and 2006, 2.871 billion pounds and 2.581 billion pounds were pooled, respectively. Through the first half of 2007, 1.1 billion pounds were pooled as Class IV milk, the smallest Class IV volume for the first half of a year going back to 2000. Prior to 2007, the Northeast Order had pooled an average of 1.5 billion pounds as Class IV each year during the first 6 months. At the same time, the average Class IV price (\$15.72 per cwt) for the first half of this year has been the highest of any other year going back to 2000. The previous high average Class IV price for the first six months was \$13.85 per cwt during 2001.

The accompanying charts show annual utilization for the Northeast Order in 2002 and 2006, and detail the make-up of Class IV utilization by product. The 2006 volume of pooled receipts for the year totaled 2.4 billion less pounds than in 2002. Total Class IV volume was 205 million pounds higher (6 percent) than in 2002.

Dried Products

Dried milk products totaled 2.1 billion pounds, or 41.7 percent of milk used as Class IV. Total volume of milk used for dried milk products was actually higher in 2002 (2.3 billion pounds) but only comprised 28.9 percent of the Class IV total. Dried milk products made up about the same portion of the total pool in 2002 and 2006, totaling 8.2 percent and 8.4 percent, respectively.

Ending Inventory

In both years, ending inventory was the second highest category of Class IV use and in both years totaled almost 900 million pounds for the year. Ending inventory was 17.4 percent of the Class IV volume in 2006, but only 11.4 percent of Class IV in 2002. Ending inventory is milk that was packaged as Class IV at the end of a month but was not identified by type of product.

Condensed Products

Condensed products totaled 258 million pounds in 2006, equaling 1 percent of the total pool, and 5 percent of the Class IV volume - the third highest volume in Class IV. Condensed products totaled just 4.8 million pounds in 2002, representing

not even a half percent of the total pool or Class IV volume. This difference is due to a change in the Order whereby condensed products, formerly classified as Class III, became Class IV effective May 2004.

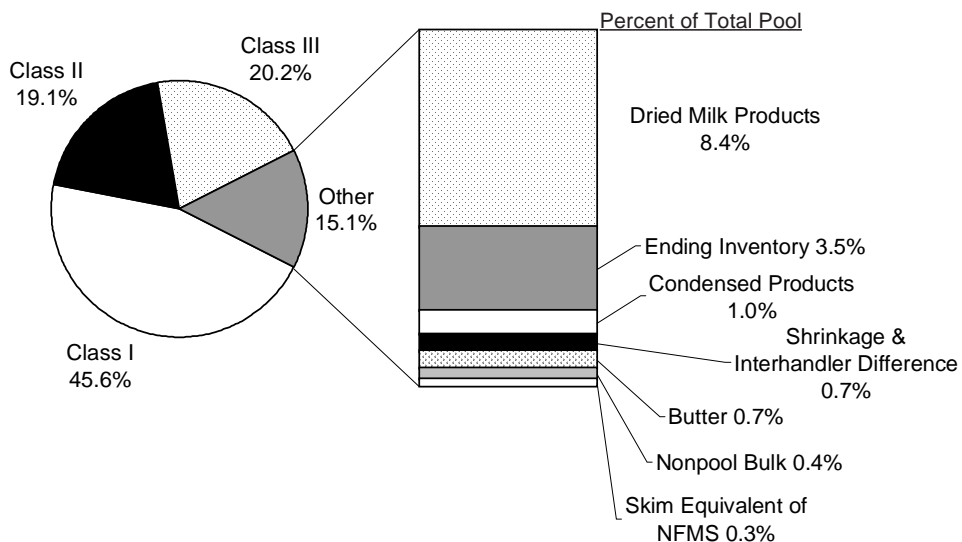
Butter

Butter, which ranked third highest volume in 2002, with 271 million pounds, fell to fifth highest volume category in Class IV in 2006 with 181 million pounds.

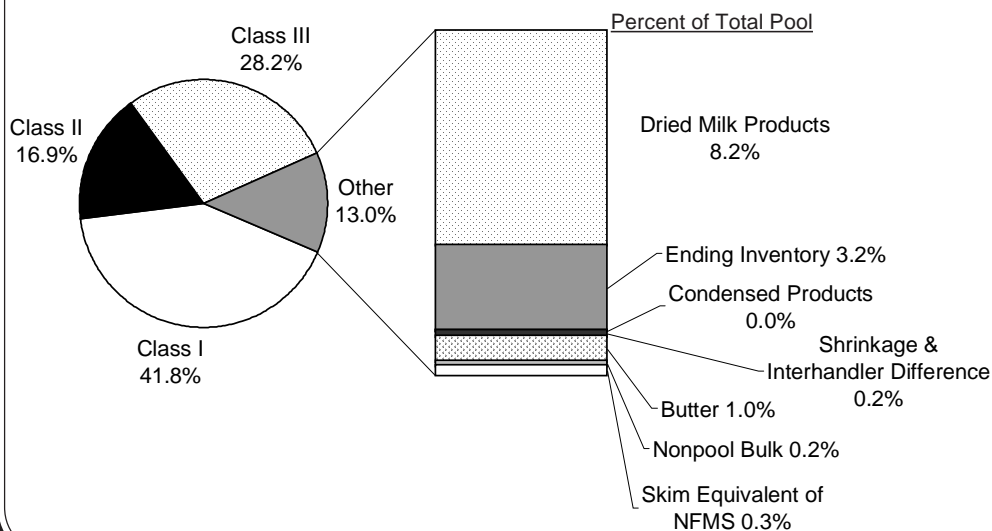
Shrinkage

Class IV shrinkage was more than 3 times higher in 2006 than in 2002. During 2006, the Class IV price was the lowest-priced class each month except in November when the Class III price was the lowest. As a result, Class IV shrinkage was a larger volume than in 2002 when the Class III price was higher in 3 months of the year. ❖

2006 Annual Utilization, Class IV Detailed



2002 Annual Utilization, Class IV Detailed



Milk Production Rises, But Less Than Last Year

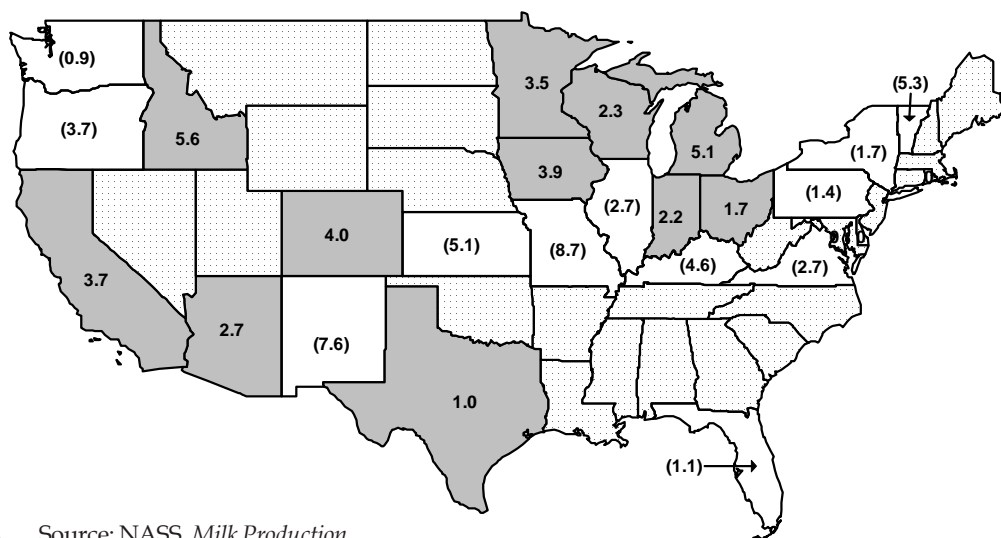
For the first 6 months of 2007, total milk production in the United States was up only 1.0 percent compared to the same period in 2006. During January-June last year, US milk production rose 3.7 percent compared to the same 6-month period in 2005.

During 2006, such states as New Mexico and Texas were experiencing double-digit increases. Also during that time, the only top-ten milk producing state to lose production was Washington. For the 2007 January-June period, New Mexico has seen a 7.6 percent decline in production while Texas reported conservative growth of 1.0 percent. Washington again is showing a decline, but so are such top-ten states as Pennsylvania and New York. The accompanying map shows year-to-year changes for selected states.

Top-Ten States

Overall, the top-ten milk producing states are up a combined 1.7 percent for the first six months of 2007. This compares with a year-to-year increase of 4.7 during the same period in 2006. Nationally, cow numbers are down slightly, but not significant on a percentage basis. Individually, states reporting a decline in cow numbers from last include New York, Pennsylvania, Washington,

January–June 2007 Milk Production in the Top 23 Milk Producing States (Year-to-Year Percent Change)



Source: NASS, Milk Production.

and New Mexico that has experienced a drop of 4.2 percent for the first half of 2007.

Northeast Changes

In the Northeast, the states making up New England (Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, and Vermont) had a combined drop of 4.5 percent for the January-June period in 2007. When the other states supplying the Northeast market (New York, New Jersey, Pennsylvania, Delaware, Maryland, Virginia, and West Virginia) are added, the combined decline was 2.3 percent for the period. ❖

Milk Price *(continued from page 1)*

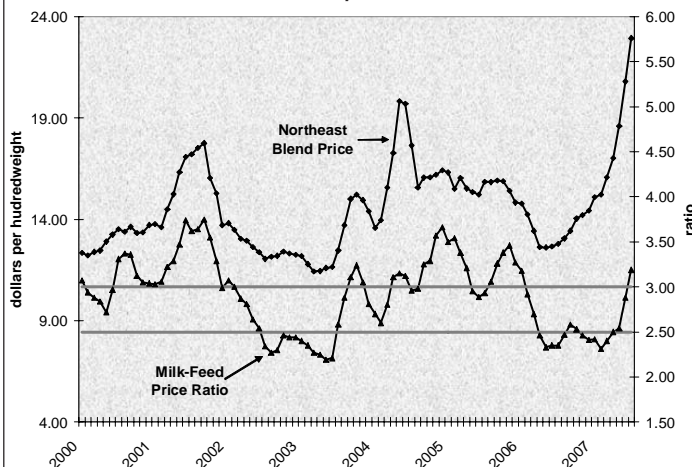
price ratio of 3.00. It was difficult to determine how profitable the year 2007 might be for producers, since feed costs also were predicted to be very high.

The preliminary all-milk price for July was \$21.70 per hundredweight, well over the required price to reach a 3.00 milk-feed price ratio. The high July feed cost portion of the ratio needed an all-milk price of no less than \$20.40 just to surpass a 3.00 ratio. July's milk-feed price ratio was 3.19. Through 7 months of the year, overall feed costs, as listed by the Chicago Board of Trade, have been higher than originally predicted back in February, particularly for soybeans. In fact, it wasn't until the milk price soared towards record levels that the price was strong enough to pull the ratio above 3.00.

Using the formula to calculate the milk-feed price ratio with current projected prices of corn, soybeans, and alfalfa for December, the all-milk price would have to remain at July's level of \$21.70 for a ratio of 3.05. The milk price is projected to remain high through the end of the year, but softened to some degree. That would result in a ratio that falls back below the "expansion signal" of 3.00

by December, if not sooner. A strong harvest could soften feed crop prices and change the equation. ❖

Northeast Order Blend Price vs Milk-Feed Price Ratio, 2000–2007



Source: NASS, Agricultural Prices and Northeast Order.



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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 | 799,529,688 | \$18.86 | 150,791,299.16 | |
| Butterfat | 16,118,600 | 1.7033 | 27,454,811.38 | |
| Less: Location Adjustment to Handlers | | | (2,648,605.07) | \$175,597,505.48 |
| Class II— Butterfat | 28,729,851 | 1.6180 | 46,484,898.88 | |
| Nonfat Solids | 34,861,279 | 1.8122 | 63,175,609.84 | 109,660,508.72 |
| Class III— Butterfat | 16,881,367 | 1.6110 | 27,195,882.29 | |
| Protein | 14,000,156 | 4.2068 | 58,895,856.24 | |
| Other Solids | 26,796,735 | 0.5534 | 14,829,313.13 | 100,921,051.66 |
| Class IV— Butterfat | 7,640,797 | 1.6110 | 12,309,323.99 | |
| Nonfat Solids | 20,984,873 | 1.8424 | 38,662,530.03 | 50,971,854.02 |
| Total Classified Value | | | | \$437,150,919.88 |
| Add: Overage—All Classes | | | | 93,593.37 |
| Inventory Reclassification—All Classes | | | | 55,670.21 |
| Other Source Receipts | 29,204 Pounds | | | 659.85 |
| Total Pool Value | | | | \$437,300,843.31 |
| Less: Producer Component Valuations @ Class III Component Prices | | | | (416,437,127.50) |
| Total PPD Value Before Adjustments | | | | \$20,863,715.81 |
| Add: Location Adjustment to Producers | | | | 9,465,407.15 |
| One-half Unobligated Balance—Producer Settlement Fund | | | | 839,019.31 |
| Less: Producer Settlement Fund—Reserve | | | | (888,386.87) |
| Total Pool Milk & PPD Value | 1,941,009,960 Producer pounds | | | \$30,279,755.40 |
| Producer Price Differential | | \$1.56 | | |
| Statistical Uniform Price | | \$22.94 | | |

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



The Market Administrator's BULLETIN

NORTHEAST MARKETING AREA

Erik F. Rasmussen, Market Administrator

August 2007

Federal Order No. 1

To contact the Northeast Marketing Area offices:

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August Pool Price Calculation

The August 2007 statistical uniform price (SUP) for the Northeast Marketing Area was announced at \$23.14 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. If reported at the average tests of producer pooled milk, the SUP would be \$23.25 per hundredweight. August's statistical uniform price was 20 cents per hundredweight above the July price and the highest ever under the Order.

The August producer price differential (PPD) at Suffolk County was \$3.31 per hundredweight, \$1.75 above last month's. Classes II and IV prices increased from July and were record-setting.

During August, commodity prices for butter, cheese, and dry whey all declined, but since the Class I price and the Class II skim and nonfat solids prices are set in advance, both the Class I and Class II prices rose from July. The only commodity to increase was nonfat dry milk, which offset the butter decrease and resulted in a higher Class IV price. The Class III price dropped \$1.55 per hundredweight due to the decline in the cheese price. The Class I, II, and IV prices (see prices in table at the bottom of this page) were all record-setting, but the Class I price for September, which has already been released, will set a new record at \$25.16 per hundredweight. ❖

Milk to Other Orders Down from Last Year

During August, bulk shipments to other federal orders totaled 19.6 million pounds. Of this total, 17.1 million pounds (87.6 percent) were sent south to the Appalachian, Florida, and Southeast federal milk marketing orders. This is down considerably compared to the volumes sent the past 3 years (see table on page 3).

Milk received by handlers pooled on the Northeast Order that came from handlers pooled on other federal orders totaled 17.9 million pounds during August. Of this total, 9.9 million pounds came from the southern federal orders, down almost 50 percent compared to the same month last year. Most of this milk came from the neighboring Appalachian Order.

Overall, these movements resulted in a net amount of 1.7 million pounds more shipments than receipts to the other federal orders combined. In contrast, receipts have exceeded shipments during the past 3 years.

(continued on page 3)

Pool Summary

- A total of 13,935 producers were pooled under the Order with an average daily delivery per producer of 4,626 pounds.
- Pooled milk receipts totaled 1.999 billion pounds, an increase of 3.0 percent from last month on an average daily basis due to additional milk previously pooled on another order.
- Class I usage (milk for bottling) accounted for 43.9 percent of total milk receipts, an increase of 1.9 percentage points from July.
- The average butterfat test of producer receipts was 3.58 percent.
- The average true protein test was 2.99 percent, a new record for August.
- The average other solids test was 5.68 percent. ❖

Class Utilization

| Pooled Milk | Percent | Pounds |
|-------------------|---------|---------------|
| Class I | 43.9 | 876,169,291 |
| Class II | 21.3 | 425,774,163 |
| Class III | 27.6 | 552,313,110 |
| Class IV | 7.2 | 144,578,373 |
| Total Pooled Milk | | 1,998,834,937 |

Producer Component Prices

| | 2007 | 2006 |
|--------------------|--------|--------|
| | \$/lb | |
| Protein Price | 3.9412 | 1.9050 |
| Butterfat Price | 1.5872 | 1.3008 |
| Other Solids Price | 0.4368 | 0.1416 |

Class Price Factors

| | 2007 | 2006 |
|-----------|--------|-------|
| | \$/cwt | |
| Class I | 25.01 | 14.22 |
| Class II | 22.41 | 11.16 |
| Class III | 19.83 | 11.06 |
| Class IV | 21.87 | 10.64 |

Component Prices and Tests

Under component pricing, producers are paid on the level of butterfat, protein, and other solids in their milk. The price received for these components and the percentage of these components in the milk largely determine how much a producer will receive for their milk. Although producers cannot directly affect the prices paid for components, their dairying practices may affect the level of components in the milk their herd produces.

The accompanying charts compare the monthly component price and the average component test since January 2002 to highlight the relationship between the two. Since the charts depict the actual monthly component tests, the seasonality of each component can be seen. A linear trendline is included on each chart for both component test and price that represents the long term trend.

Protein

A look at the protein chart shows the trendlines for test and price rising over time at an almost equal pace. It could be argued that in the long run, producers have responded to the increasing importance of protein as a portion of their milk check, but not so much as to stabilize the price of the component. As of August 2007, protein accounted for more than twice the portion of the milk check than butterfat almost 5 times the contribution of other solids. See related article on page 3.

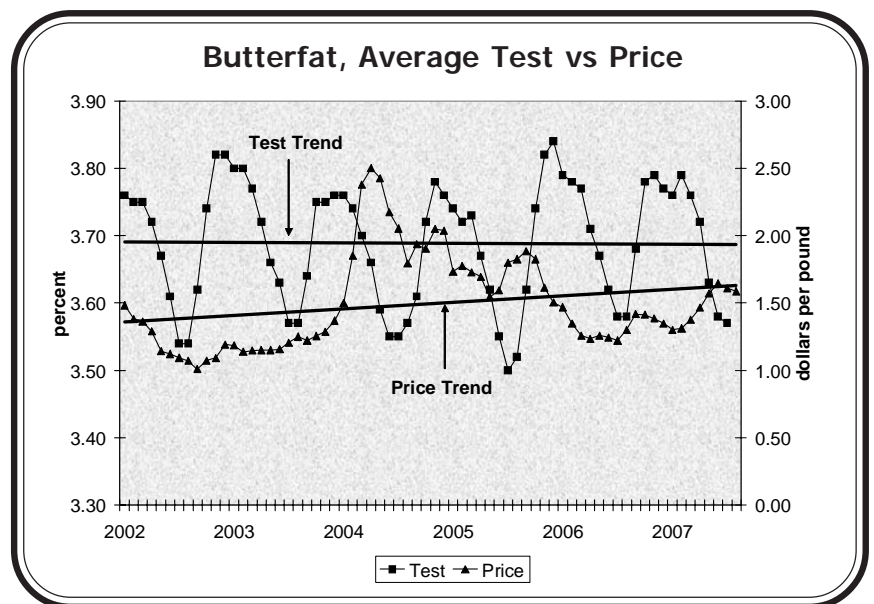
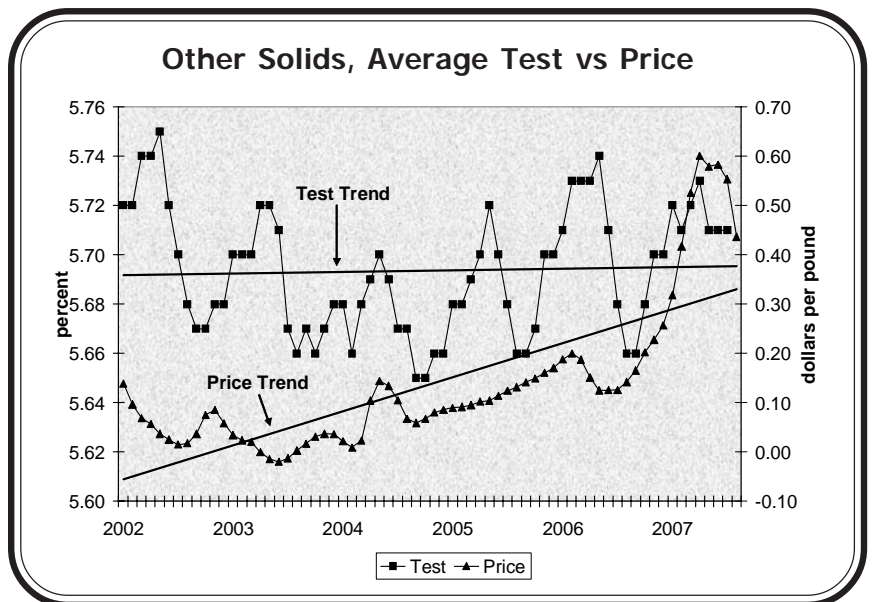
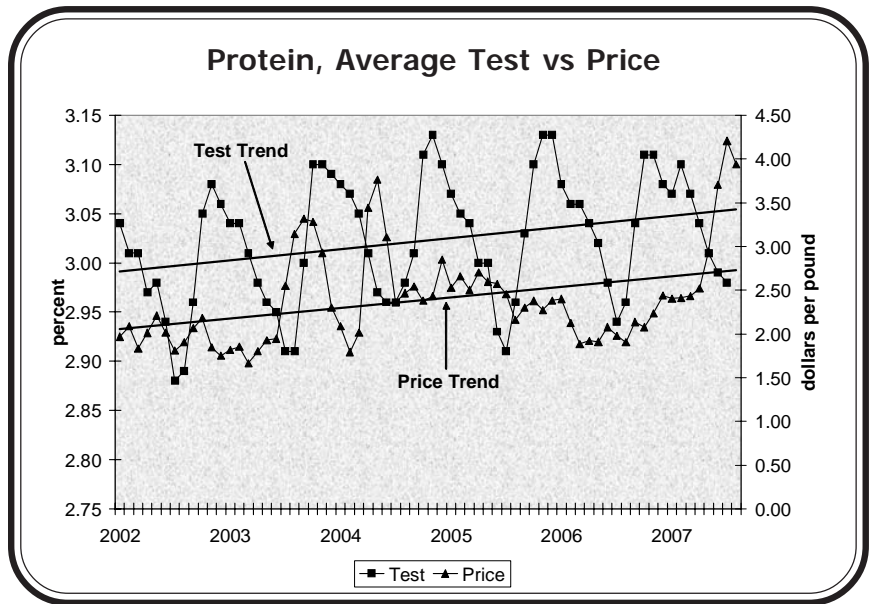
Other Solids

The other solids price has shown a strong and consistent increase since 2002 that coincides with its growth as a portion of a producer's milk check. The trendline for the other solids tests, however, is flat. The increase in price over time is responding to increasing demand for this component while the availability of other solids has not responded.

Butterfat

The trendline for butterfat tests since 2002 is flat to slightly declining while the price has trended only slightly higher over that period. The chart would indicate that demand for butterfat has been generally stable.

Though average component tests can be higher or lower, it does not necessarily indicate the total volume of the component available to the market as these charts do not show total production during this period. A period with lower component tests may be compensated by higher total production. The three charts together tell a story of increased value from protein and other solids relative to the value derived from butterfat. ❖



Contribution to Producer Price by Components

Under component pricing, the proportion each component contributes to the overall producer blend price varies each month based on the respective tests and prices of each component. The accompanying table shows the contribution by component for the month of August from 2004 through 2007 using a hypothetical farmer producing 100,000 pounds of milk at the pool average component tests during that month. The examples do not take into account premiums, hauling, or any other producer payments or deductions.

During **August 2004** the protein price contributed 47 percent of the value of the average producer's blend price. The protein price was relatively strong, as was the producer protein test. Other solids were negligible due to the low price and the producer price differential (PPD) contributed less than 10 percent due to its lower value during that time. In the **August 2005** example, both the

other solids and PPD took on added importance as their respective prices increased while protein decreased. A decline in the butterfat test countered an increase in the butterfat price, causing no change in the contributory level. In **August 2006**, as the price for other solids grew, so did its contribution percent. The same was true for the PPD percentage. As expected, both butterfat and protein contributions declined as their respective prices dropped.

The most current example, **August 2007**, shows even greater significance for other solids. With the increase in the dry whey price, the other solids price has tripled since last August, increasing its significance in the blend price. Due to high commodity cheese prices protein had the largest contribution with nearly 51 percent, while butterfat had its lowest percentage of the years compared. The PPD during August was the highest of the years shown and contributed the same level as in 2005. ❖

Contribution to Total Gross Payment*

| | August 2007 | | | | August 2006 | | | |
|----------------------------|--------------|-----------------|----------------|----------------------|--------------|-----------------|----------------|----------------------|
| | Test percent | Price per pound | Gross dollars | Contribution percent | Test percent | Price per pound | Gross dollars | Contribution percent |
| Butterfat | 3.58 | 1.5872 | \$5,682.18 | 24.4 | 3.58 | 1.3008 | \$4,656.86 | 35.6 |
| True Protein | 2.99 | 3.9412 | \$11,784.19 | 50.7 | 2.96 | 1.9050 | \$5,638.80 | 43.1 |
| Other Solids | 5.68 | 0.4368 | \$2,481.02 | 10.7 | 5.66 | 0.1416 | \$801.46 | 6.1 |
| PPD | | 3.31 | \$3,310.00 | 14.2 | | 2.00 | \$2,000.00 | 15.3 |
| Total gross payment | | | \$23,257.39 | | | | \$13,097.12 | |
| Gross price per cwt | | | \$23.26 | | | | \$13.10 | |

| | August 2005 | | | | August 2004 | | | |
|----------------------------|--------------|-----------------|----------------|----------------------|--------------|-----------------|----------------|----------------------|
| | Test percent | Price per pound | Gross dollars | Contribution percent | Test percent | Price per pound | Gross dollars | Contribution percent |
| Butterfat | 3.52 | 1.8246 | \$6,422.59 | 40.6 | 3.57 | 1.7941 | \$6,404.94 | 40.9 |
| True Protein | 2.96 | 2.1619 | \$6,399.22 | 40.5 | 2.98 | 2.4663 | \$7,349.57 | 46.9 |
| Other Solids | 5.66 | 0.1317 | \$745.42 | 4.7 | 5.67 | 0.0676 | \$383.29 | 2.4 |
| PPD | | 2.24 | \$2,240.00 | 14.2 | | 1.53 | \$1,530.00 | 9.8 |
| Total gross payment | | | \$15,807.24 | | | | \$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.

Milk Moving (continued from page 1)

When you compare just the movements to and from the southern states, the net amount going south was 7.2 million more in shipments than receipts, which is typically the case during the late summer and early fall months. The southern states' milk production falls short of meeting the fluid demands, especially as schools reopen. This year, though, the volumes transported between the Northeast Order and the southern orders were approximately half of those last year.

The total volume of milk pooled on the Northeast Order was up nearly 190 million pounds compared to the same month last year as handlers chose to keep more milk on the Order instead of pooling it on neighboring orders due to pricing and marketing dynamics. In addition, demands in the South for rbst-free milk changed shipping patterns as these demands were met by shipments from other federal

orders instead of the Northeast. Some remaining southern milk was shipped to the Northeast and utilized in Class IV. ❖

Milk Movements: Northeast To/From Other Federal Orders

| | | August | | | |
|---------|------------|----------------|---------------|----------------|-------------|
| | | 2004 | 2005 | 2006 | 2007 |
| | | million pounds | | | |
| Total* | Shipped | 21.33 | 20.82 | 32.54 | 19.60 |
| | Received | 24.78 | 21.69 | 43.89 | 17.90 |
| | Net | (3.45) | (0.87) | (11.35) | 1.70 |
| South** | Shipped | 20.68 | 20.02 | 31.45 | 17.10 |
| | Received | 12.16 | 8.62 | 18.89 | 9.90 |
| | Net | 8.52 | 11.40 | 12.56 | 7.20 |

* Includes Order Nos. 5, 6, 7, 30, 32, and 33.

** Includes Order Nos. 5, 6, and 7.



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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 | 858,859,543 | \$19.99 | 171,686,022.65 | |
| Butterfat | 17,309,748 | 1.6335 | 28,275,473.36 | |
| Less: Location Adjustment to Handlers | | | (2,824,635.96) | \$197,136,860.09 |
| Class II— Butterfat | 29,649,770 | 1.5942 | 47,267,663.36 | |
| Nonfat Solids | 35,615,862 | 1.9378 | 69,016,417.43 | 116,284,080.79 |
| Class III— Butterfat | 19,554,863 | 1.5872 | 31,037,478.60 | |
| Protein | 16,528,209 | 3.9412 | 65,140,977.32 | |
| Other Solids | 31,436,340 | 0.4368 | 13,731,393.29 | 109,909,849.21 |
| Class IV— Butterfat | 4,973,642 | 1.5872 | 7,894,164.58 | |
| Nonfat Solids | 12,569,786 | 1.8785 | 23,612,343.01 | 31,506,507.59 |
| Total Classified Value | | | | \$454,837,297.68 |
| Add: Overage—All Classes | | | | 82,505.90 |
| Inventory Reclassification—All Classes | | | | (198,281.49) |
| Other Source Receipts | 258,762 Pounds | | | 13,045.22 |
| Total Pool Value | | | | \$454,734,567.31 |
| Less: Producer Component Valuations @ Class III Component Prices | | | | (398,644,447.01) |
| Total PPD Value Before Adjustments | | | | \$56,090,120.30 |
| Add: Location Adjustment to Producers | | | | 10,159,110.79 |
| One-half Unobligated Balance—Producer Settlement Fund | | | | 803,088.19 |
| Less: Producer Settlement Fund—Reserve | | | | (882,317.80) |
| Total Pool Milk & PPD Value | 1,999,093,699 Producer pounds | | | \$66,170,001.48 |
| Producer Price Differential | | \$3.31 | | |
| Statistical Uniform Price | | \$23.14 | | |

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



The Market Administrator's **BULLETIN**

NORTHEAST MARKETING AREA

Erik F. Rasmussen, Market Administrator

September 2007

Federal Order No. 1

To contact the Northeast Marketing Area offices:

Boston, MA: phone (617) 737-7199, e-mail address: MABoston@fedmilk1.com; *Albany, NY:* phone (518) 452-4410, e-mail address: MAAlbany@fedmilk1.com; *Alexandria, VA:* phone (703) 549-7000, e-mail address: MAAlexandria@fedmilk1.com; *website address:* www.fmmone.com

September Pool Price Calculation

The September 2007 statistical uniform price (SUP) for the Northeast Marketing Area was announced at \$22.99 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. If reported at the average tests of producer pooled milk, the SUP would be \$23.42 per hundredweight. September's statistical uniform price was 15 cents per hundredweight below the record-setting August price. The September producer price differential (PPD) at Suffolk County was \$2.92 per hundredweight, 39 cents below last month's.

During September, commodity prices for butter and dry whey declined, while cheese and nonfat dry milk rose. Since the Class I price is set in advance based on August data, it increased to a new record high (see related article about Class I sales). The increase in cheese resulted in a new record high price for protein. This, combined with the highest August producer protein price on record, resulted in the highest protein payout for that component.

The average other solids test was 5.68 percent, unchanged from August and the highest test for the month of September since the Order's inception. ❖

Pacific Northwest Order Expansion Proposed

Northwest Dairy Association (NDA) and Dairy Farmers of America, Inc. (DFA) requested that the Secretary of Agriculture convene a public hearing upon their proposal to expand the Pacific Northwest Federal Milk Marketing Order 124 marketing area to include all of the counties in the states of Washington, Oregon, Idaho and Utah and Lincoln and Uinta Counties in Wyoming (the "Expanded Order"). The expanded area includes areas formerly regulated under the former Western Federal Milk Marketing Order that was terminated effective April 1, 2004. This proposal incorporates most provisions of the existing Order 124, addresses the necessary performance standards to effectuate the Expanded Order for producers, cooperatives and handlers, adds order provisions intended to deter opportunistic depooling of milk supplies (an issue not addressed in existing Order 124), and proposes some modification of certain reporting and payment dates under Order 124.

(continued on page 2)

Pool Summary

- A total of 13,859 producers were pooled under the Order with an average daily delivery per producer of 4,586 pounds.
- Pooled milk receipts totaled 1.907 billion pounds, a decrease of 1.4 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 44.5 percent of total milk receipts, an increase of 0.6 percentage points from August.
- The average butterfat test of producer receipts was 3.63 percent.
- The average true protein test was 3.05 percent.
- The average other solids test was 5.68 percent. ❖

Class Utilization

| <u>Pooled Milk</u> | <u>Percent</u> | <u>Pounds</u> |
|--------------------|----------------|---------------|
| Class I | 44.5 | 848,908,230 |
| Class II | 20.9 | 399,038,834 |
| Class III | 27.0 | 514,528,274 |
| Class IV | 7.6 | 144,689,637 |
| Total Pooled Milk | | 1,907,164,975 |

Producer Component Prices

| | <u>2007</u> | <u>2006</u> |
|--------------------|-------------|-------------|
| | \$/lb | |
| Protein Price | 4.3929 | 2.1346 |
| Butterfat Price | 1.5101 | 1.4191 |
| Other Solids Price | 0.2890 | 0.1649 |

Class Price Factors

| | <u>2007</u> | <u>2006</u> |
|-----------|-------------|-------------|
| | \$/cwt | |
| Class I | 25.16 | 14.10 |
| Class II | 22.16 | 11.74 |
| Class III | 20.07 | 12.29 |
| Class IV | 21.61 | 11.10 |

No CCC Purchases During MY

For the marketing year (MY) October 1, 2006, through September 30, 2007, the Commodity Credit Corporation (CCC) did not purchase any products under the dairy price support program. This is the first time since 1996 that there were no transactions in any of the categories (butter, cheese, and nonfat dry milk). During the past 3 MYs, only nonfat dry milk was purchased under the program. The last purchases by the CCC were: butter in June 2003; cheese in July 2003; and nonfat dry milk in July 2006.

There were no uncommitted inventories of any of the products purchased by the CCC at MY end. The last time uncommitted inventories were held was at the end of MY 2003-04 with a total of 609.9 million pounds of NFDM (no butter or cheese).❖

Milk Moving South Decreases

During September, bulk shipments to other federal orders were less than the total received from other orders. Bulk shipments totaled 13.2 million pounds while total receipts from other orders equaled 16.4 million pounds, resulting in a net receipt of 3.2 million pounds. This is down considerably from September 2006 when net receipts were 19.8 million pounds.

Of the totals mentioned above, milk moving south totaled 12.1 million pounds while 8.9 million pounds were received from orders in the south, resulting in a net shipment total of 3.2 million pounds. This is down from September 2006 when net shipments equaled 9.1 million pounds and nearly nonexistent compared to September 2004 and 2005 when net shipments equaled 23.5 and 22.9 million pounds, respectively.

See the August 2007 *Bulletin* for more detail on milk moving to other orders.❖

Pool Summary for All Federal Order, January–September, 2006–2007

| Federal Order | | Total Producer Milk | | | Producer Price Differential# | | Statistical Uniform Price#* | |
|--------------------------|-------------------|---------------------|----------------|--------|------------------------------|---------------------------|-----------------------------|-------|
| Number | Name | 2006 | 2007 | Change | 2006 | 2007 | 2006 | 2007 |
| | | pounds | | | percent | dollars per hundredweight | | |
| 1 | Northeast | 17,321,647,034 | 17,115,292,240 | (1.2) | 1.74 | 1.54 | 13.29 | 19.10 |
| 5 | Appalachian | 4,717,161,994 | 4,415,186,284 | (6.4) | N/A | N/A | 13.78 | 19.56 |
| 6 | Florida | 2,360,548,680 | 2,435,658,053 | 3.2 | N/A | N/A | 15.03 | 20.57 |
| 7 | Southeast | 6,203,436,168 | 5,760,496,194 | (7.1) | N/A | N/A | 13.63 | 19.50 |
| 30 | Upper Midwest | 19,814,592,255 | 19,415,003,795 | (2.0) | 0.35 | 0.23 | 11.90 | 17.78 |
| 32 | Central | 10,910,707,804 | 8,290,338,947 | (24.0) | 0.52 | 0.41 | 12.08 | 17.97 |
| 33 | Mideast | 13,159,454,672 | 12,594,173,276 | (4.3) | 0.76 | 0.57 | 12.32 | 18.43 |
| 124 | Pacific Northwest | 5,898,984,292 | 5,321,753,167 | (9.8) | 0.28 | 0.45 | 11.83 | 18.01 |
| 126 | Southwest | 8,678,700,064 | 7,590,738,558 | (12.5) | 1.37 | 1.28 | 12.93 | 18.83 |
| 131 | Arizona~ | 2,530,493,537 | 2,860,112,930 | 13.0 | N/A | N/A | 12.30 | 18.30 |
| All Market Total/Average | | 91,595,726,500 | 85,798,753,444 | (6.3) | 0.84 | 0.75 | 12.91 | 18.80 |

Price at designated order location.

* Price at 3.5% butterfat.

N/A = Not applicable.

~ Formerly Arizona-Las Vegas Order; name changed effective May 1, 2006.

Pacific Northwest *(continued from page 1)*

Based upon 2006 NASS milk production data for the four states, and adjusting that data for the conditions which prevailed in the first quarter of 2004 when the former Western Order was in existence, the Expanded Order 124 would pool approximately 1.2 billion pounds of milk monthly. Proponents of the

expansion represent nearly 900 million pounds of that milk or 72 percent of the milk expected to be affected by the regulation.

The deadline to submit alternative proposals for Pacific Northwest Order proposed expansion has been extended to Monday, November 5, 2007.❖

Class I Volume Drops as Prices Set New High

The amount of milk utilized as Class I during September 2007, 848.9 million pounds, was the lowest volume ever for that month since the Order's inception. This was 32 million pounds less than the Class I volume during September 2001, the previous lowest volume. That year, the events of September 11 caused disruptions in markets that were attributable to the decline. Chart 1 shows Class I pounds in 2007 and 2001, as well as the average Class I volume from 2000 to 2006.

Normally, the September Class I volume increases from the previous month. With the start of most school years at the end of August and beginning of September, the trend has been a higher Class I volume in September except, of course, in 2001 as mentioned above. This September, Class I pounds were down 27 million pounds from August.

The Class I price for September was a record-setting high of \$25.16 per hundredweight (at Boston); see Chart 2. This appears to have had a noticeable effect on sales during the month of September. The Class I price spiked during 2004 for about 3 months (May-July) and returned to more average levels by fall, but this year's increase has been running for 5 months, at a higher level, with no sign of significant declines in the near future. While higher class prices are generating record level uniform prices, there does appear to be some impact on sales volume. ❖

Chart 1

Class I Pounds Pooled Under the Northeast Order, 2000-2007

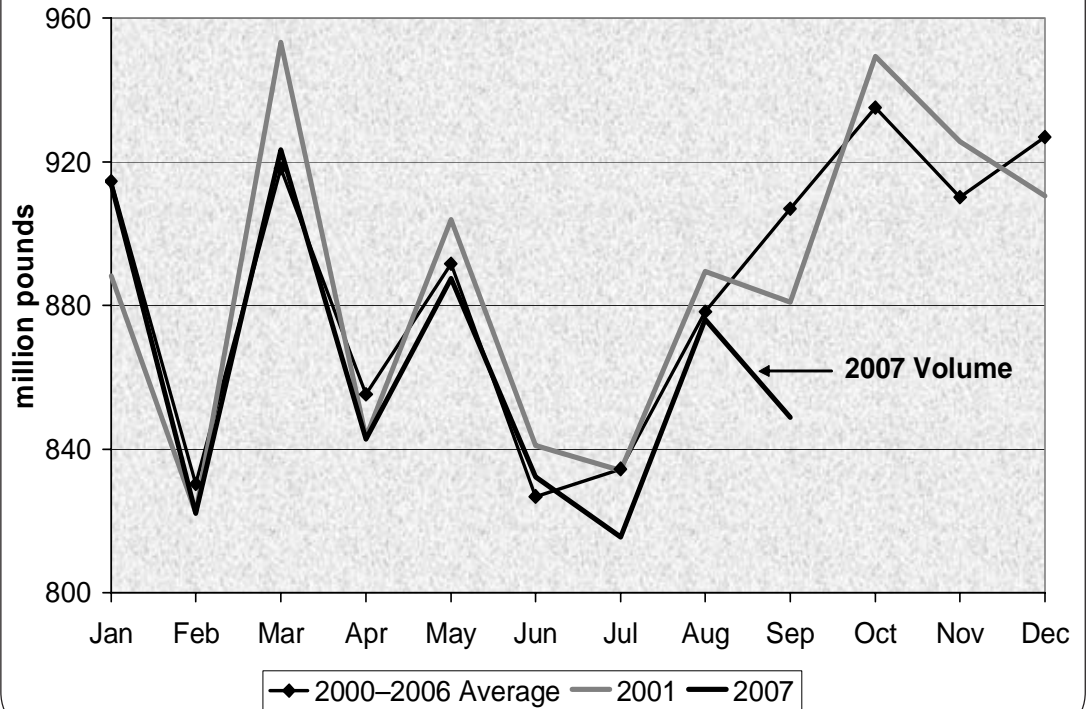
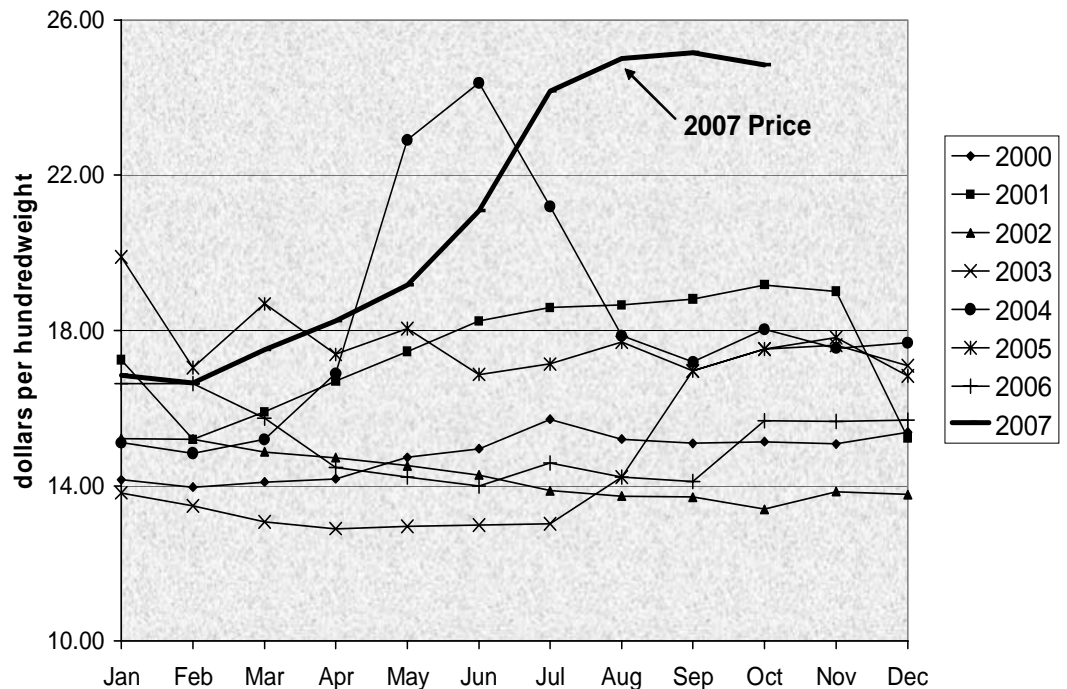


Chart 2

Class I Price at Boston, 2000-2007





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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 | 832,669,531 | \$20.01 | 166,617,173.15 | |
| Butterfat | 16,238,699 | 1.6707 | 27,129,994.42 | |
| Less: Location Adjustment to Handlers | | | (2,748,161.97) | \$190,999,005.62 |
| Class II— Butterfat | 28,145,683 | 1.5171 | 42,699,815.66 | |
| Nonfat Solids | 33,554,817 | 1.9400 | 65,096,344.98 | 107,796,160.64 |
| Class III— Butterfat | 18,527,950 | 1.5101 | 27,979,057.31 | |
| Protein | 15,667,132 | 4.3929 | 68,824,144.15 | |
| Other Solids | 29,247,041 | 0.2890 | 8,452,394.88 | 105,255,596.34 |
| Class IV— Butterfat | 6,297,537 | 1.5101 | 9,509,910.63 | |
| Nonfat Solids | 12,532,093 | 1.8797 | 23,556,575.21 | 33,066,485.84 |
| Total Classified Value | | | | \$437,117,248.44 |
| Add: Overage—All Classes | | | | 222,327.64 |
| Inventory Reclassification—All Classes | | | | (166,173.68) |
| Other Source Receipts | 332,978 Pounds | | | 15,192.39 |
| Total Pool Value | | | | \$437,188,594.79 |
| Less: Producer Component Valuations @ Class III Component Prices | | | | (390,923,454.67) |
| Total PPD Value Before Adjustments | | | | \$46,265,140.12 |
| Add: Location Adjustment to Producers | | | | 9,482,848.55 |
| One-half Unobligated Balance—Producer Settlement Fund | | | | 850,625.96 |
| Less: Producer Settlement Fund—Reserve | | | | (899,674.46) |
| Total Pool Milk & PPD Value | 1,907,497,953 Producer pounds | | | \$55,698,940.17 |
| Producer Price Differential | | \$2.92 | | |
| Statistical Uniform Price | | \$22.99 | | |

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



The Market Administrator's **BULLETIN**

NORTHEAST MARKETING AREA

Erik F. Rasmussen, Market Administrator

October 2007

Federal Order No. 1

To contact the Northeast Marketing Area offices:

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October Pool Price Calculation

The October 2007 statistical uniform price (SUP) for the Northeast Marketing Area was announced at \$22.38 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. If reported at the average tests of producer pooled milk, the SUP would be \$23.06 per hundredweight. October's statistical uniform price was 61 cents per hundredweight below September's price. The October producer price differential (PPD) at Suffolk County was \$3.68 per hundredweight, 76 cents above last month's.

During October, all commodity prices declined except nonfat dry milk. As a result, product prices for butterfat, protein, and other solids dropped, while the price for nonfat solids set a new record. Lower product prices equated to lower class prices, especially Class III. The difference between class prices was reflected in the higher PPD.

Total milk receipts of 1.996 billion pounds were the largest volume ever pooled for the month of October since the Order's inception. For the first half of 2007, producer milk receipts were trailing behind 2006; since July, receipts have been above last year when compared to the same month. This is the result of a combination of milk previously pooled on another order being repooled by handlers on Order No. 1 and farmers increasing production in response to higher prices. ❖

Comment Period Extended

On November 2, USDA reopened the comment period for an additional 30 days for the interim final rule for the Dairy Product Mandatory Reporting program that was published in the Federal Register on July 3, 2007. The reopening will provide interested parties with an additional opportunity to submit comments on all aspects of the program, including but not limited to the product specifications and whether there should be a minimum price transaction volume for reported transactions.

Comments must be submitted on or before December 3, 2007, to John R. Mengel, Chief Economist, USDA/AMS/Dairy Programs, Office of the Chief Economist, STOP 0229-Room 2753, 1400 Independence Ave., SW., Washington, DC 20250-0229. They can also be faxed to (202) 690-0552 or submitted at <http://www.regulations.gov>. ❖

Pool Summary

- A total of 13,827 producers were pooled under the Order with an average daily delivery per producer of 4,657 pounds.
- Pooled milk receipts totaled 1.996 billion pounds, an increase of 1.3 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 46.4 percent of total milk receipts, an increase of 1.9 percentage points from September.
- The average butterfat test of producer receipts was 3.70 percent.
- The average true protein test was 3.08 percent.
- The average other solids test was 5.70 percent. ❖

Class Utilization

| <u>Pooled Milk</u> | <u>Percent</u> | <u>Pounds</u> |
|--------------------|----------------|---------------|
| Class I | 46.4 | 925,550,254 |
| Class II | 20.3 | 406,050,808 |
| Class III | 26.9 | 536,399,788 |
| Class IV | 6.4 | 128,316,822 |
| Total Pooled Milk | | 1,996,317,672 |

Producer Component Prices

| | <u>2007</u> | <u>2006</u> |
|--------------------|--------------|-------------|
| | <u>\$/lb</u> | |
| Protein Price | 4.1695 | 2.0775 |
| Butterfat Price | 1.4092 | 1.4149 |
| Other Solids Price | 0.2286 | 0.2026 |

Class Price Factors

| | <u>2007</u> | <u>2006</u> |
|-----------|---------------|-------------|
| | <u>\$/cwt</u> | |
| Class I | 24.84 | 15.67 |
| Class II | 21.90 | 11.79 |
| Class III | 18.70 | 12.32 |
| Class IV | 21.31 | 11.51 |

Regional Dairy Outlook Conference Held

The 2007 Northeast Regional Dairy Outlook Conference was held November 8 at the Northeast Marketing Area's Albany office. The annual conference brings together economists and statisticians from the Northeast's market administrator office, state and federal agricultural statistical services, university extension offices, and cooperatives to review regional production and price statistics for the past year and develop projections for the upcoming year. The Northeast region includes Delaware, Maryland, New England, (Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, and Vermont), New Jersey, New York, and Pennsylvania.

Crop Situation

The Northeast is known to have mixed weather conditions and this year was typical. The New England states experienced favorable conditions throughout most of the spring and summer, allowing for timely planting and harvesting. Overall, both quantity and quality were good, especially compared with last year when New England faced severe flooding during the fall. In other parts of the Northeast, such as Pennsylvania, crop yields were less consistent. Lancaster County, the largest milk producing state in the Northeast milkshed, luckily was one of the areas least affected by roving drought conditions. Hay quality was good, but quantity was lacking; corn silage yields were adequate but there were quality issues. In New York, results were mixed; grain corn was up, silage about the same as 2006, and soybeans were down. Hay yields were down due to less planted and rainy conditions that prohibited harvesting.

Production Estimates

Nationally, milk cow numbers are projected to finish up 0.4 percent in 2007, compared to 2006. For 2008, the total number of cows is estimated to increase another 0.7 percent. Regionally, cow numbers are projected to finish down about 1.5 percent in 2007 and 0.5 percent in 2008. New York estimates a slight increase, while Pennsylvania, the combined New England states, and New Jersey predict declines. No change is expected in Delaware and Maryland.

Conference participants reported that even though 2007 has been a banner year for farmers, breaking records as far as prices go, many farmers cannot afford to expand. Replacement heifers are still fairly expensive, and farmers are using the extra income to pay down past debt and keep up with rising fuel and feed costs.

Milk production per cow is projected to finish 1.6 percent higher in 2007 and another 1.8 in 2008. The Northeast predicts less growth: 0.5 percent in 2007 and 0.3 in 2008 with only New York and New Jersey forecasting slight increases; the other Northeast states expect milk per cow to remain constant. Less acceptance of rBst milk

Northeast Milk Marketing Area, Statistical Uniform Prices, 2006–2008*

| Month | 2006 Actual | 2007 Actual and Estimated | 2008 Estimated |
|-----------|----------------|------------------------------|-------------------|
| January | 14.78 | 15.09 | 20.64 |
| February | 14.25 | 15.21 | 20.18 |
| March | 13.43 | 16.08 | 19.79 |
| April | 12.64 | 17.02 | 19.42 |
| May | 12.61 | 18.60 | 19.08 |
| June | 12.66 | 20.80 | 19.02 |
| July | 12.79 | 22.94 | 18.82 |
| August | 13.06 | 23.14 | 18.93 |
| September | 13.43 | 22.99 | 19.01 |
| October | 14.04 | 22.43 | 18.98 |
| November | 14.21 | 22.34 | 18.86 |
| December | 14.42 | 21.34 | 18.63 |
| Average | 13.53 | 19.83 | 19.28 |

* Estimated prices for November and December 2007 and all of 2008. All estimates are subject to change. Prices are reported at Suffolk County, MA. The actual price for October is \$22.38 per cwt, announced in this issue.

and higher feed and fuel costs will keep milk per cow increase to a minimum.

As a result, milk production in the Northeast states is expected to finish down 1.0 percent in 2007 and about 0.5 percent in 2008. These numbers have been adjusted for leap year in 2008. Declines are forecasted for New England, Pennsylvania, Delaware, and Maryland in both 2007 and 2008. New York expects 2007 to finish up slightly higher than 2006, but no change is projected for 2008. New Jersey forecasts no change for 2007, but a decline in 2008. U.S. milk production is projected to finish 2.0 percent higher in 2007 and grow another 2.2 percent in 2008.

Price Estimates

The group's consensus for the Northeast Order statistical uniform price is an annual average of \$19.83 per hundredweight for 2007. This is \$6.30 higher than the 2006 annual average blend price. At last year's conference, attendees predicted that prices would rise, but not nearly to the magnitude we have witnessed this past year. For the upcoming year, the group forecasts prices to decline somewhat averaging \$19.28 per hundredweight for 2008 (see accompanying table). Even though milk production is predicted to grow, demand is expected to remain strong particularly from developing countries. Due to higher nonfat dry milk and butter prices, the Class IV price is predicted to be the mover throughout the upcoming year. No negative producer price differentials (PPDs) are expected; based on the commodity and futures prices forecasted, PPDs are expected to say in the high \$2.00 to high \$3.00 range. ❖

Dairy Exports Grow

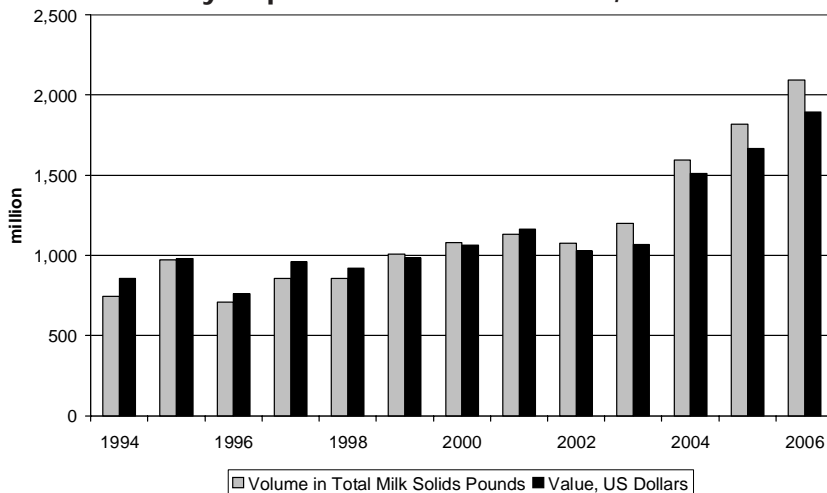
As 2007 comes to a close, the big story of the year is no doubt record high milk prices. The average uniform price in the Northeast looks to finish the year having averaged \$19.83 a hundredweight. Increased exports have played a big role in maintaining such high prices. According to the U.S. Dairy Export Council (USDEC), in the first half of 2007, exports increased 32 percent over the same period in 2006 and have accounted for 11 percent of the U.S. milk production on a total solids basis. During the first 6 months of the year, lactose exports were roughly 92 percent higher than the same period in 2006. Exports of whey grew by 21 percent, and cheese grew by 37 percent. The accompanying charts show exports of selected products by volume and value for the first half of 2006 and 2007. In 2006 the United States exported 47 percent of U.S. produced whey proteins and 43 percent of U.S. produced milk powder.

The value of U.S. exports in 1995 was \$982 million. That value grew to \$1.89 billion in 2006 and at the current pace will reach \$2.5 billion in 2007. During the first 6 months of 2007 the value of whey exported grew \$124.2 million dollars, or by about 84 percent. The value of lactose exported grew by \$67.5 million, or by 85 percent. The value of cheese and curd exported grew by \$56.5 million. Although the volume of nonfat dry milk exported was down about 37 million pounds, the value of those exports were up \$10 million.

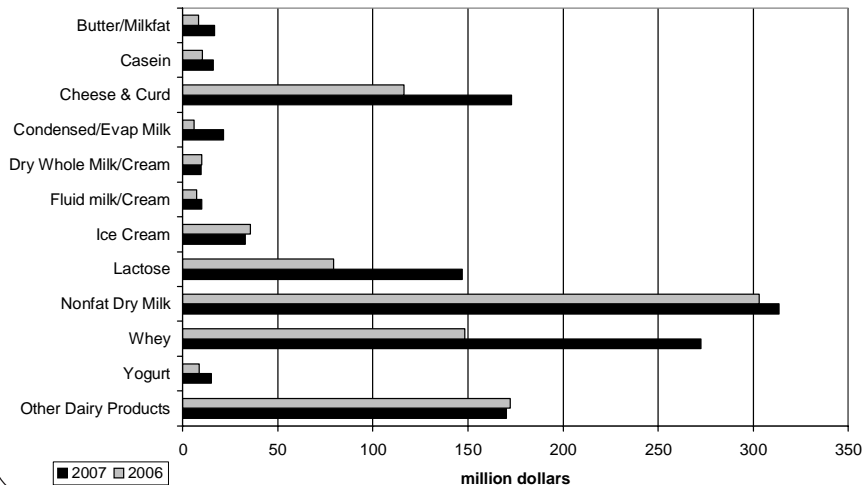
Traditional exporters of dairy products have faced constraints in meeting the world's increasing demand, demand growth that is expected to continue. Some industry analysts are projecting global dairy consumption to grow at a rate of 2.5 to 3 percent per year through the year 2010. This growth will come largely from China, India, Pakistan, Latin America and the Middle East.

Though domestic demand has remained solid during this period of record high prices, issues such as U.S. consumer debt, housing market troubles, and rising prices could slow down dairy consumption in the coming year in the United States – which still consumes the bulk of the U.S. milk production. ❖

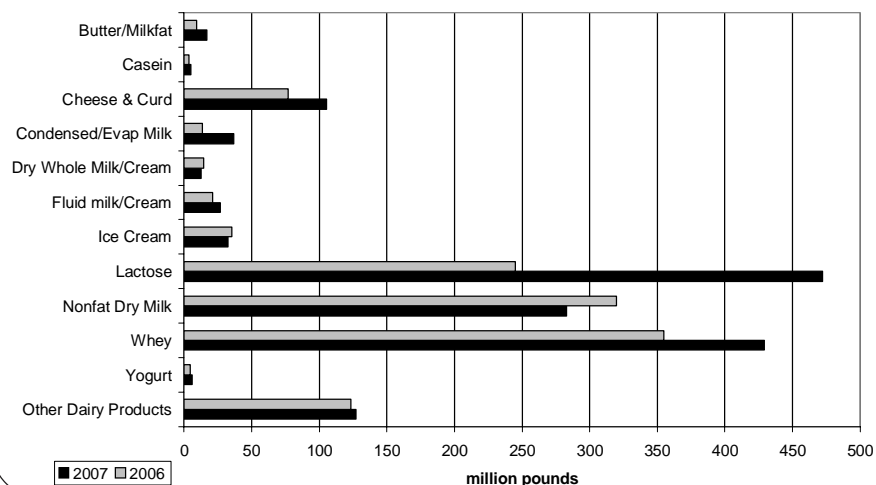
U.S. Dairy Export Volume and Value, 1994–2006



U.S. Dairy Export Value, Selected Products January–June, 2006–2007



U.S. Dairy Export Volume, Selected Products January–June, 2006–2007





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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 | 907,416,144 | \$20.11 | 182,481,386.56 | |
| Butterfat | 18,134,110 | 1.5534 | 28,169,526.47 | |
| Less: Location Adjustment to Handlers | | | (2,999,313.92) | \$207,651,599.14 |
| Class II— Butterfat | 29,509,216 | 1.4162 | 41,790,951.71 | |
| Nonfat Solids | 34,318,080 | 1.9511 | 66,958,005.88 | 108,748,957.59 |
| Class III— Butterfat | 20,146,660 | 1.4092 | 28,390,673.23 | |
| Protein | 16,538,131 | 4.1695 | 68,955,737.25 | |
| Other Solids | 30,570,083 | 0.2286 | 6,988,321.04 | 104,334,731.52 |
| Class IV— Butterfat | 6,112,804 | 1.4092 | 8,614,163.38 | |
| Nonfat Solids | 11,154,233 | 1.8855 | 21,031,306.29 | 29,645,469.67 |
| Total Classified Value | | | | \$450,380,757.92 |
| Add: Overage—All Classes | | | | 161,437.96 |
| Inventory Reclassification—All Classes | | | | (423,526.96) |
| Other Source Receipts | 290,970 Pounds | | | 16,614.61 |
| Total Pool Value | | | | \$450,135,283.53 |
| Less: Producer Component Valuations @ Class III Component Prices | | | | (386,790,904.26) |
| Total PPD Value Before Adjustments | | | | \$63,344,379.27 |
| Add: Location Adjustment to Producers | | | | 9,993,965.90 |
| One-half Unobligated Balance—Producer Settlement Fund | | | | 959,265.37 |
| Less: Producer Settlement Fund—Reserve | | | | (822,412.48) |
| Total Pool Milk & PPD Value | 1,996,608,642 Producer pounds | | | \$73,475,198.06 |
| Producer Price Differential | | \$3.68 | | |
| Statistical Uniform Price | | \$22.38 | | |

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



The Market Administrator's BULLETIN

NORTHEAST MARKETING AREA

Erik F. Rasmussen, Market Administrator

November 2007

Federal Order No. 1

To contact the Northeast Marketing Area offices:

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November Pool Price Calculation

The November 2007 statistical uniform price (SUP) for the Northeast Marketing Area was announced at \$22.31 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. If reported at the average tests of producer pooled milk, the SUP would be \$23.41 per hundredweight. November's statistical uniform price was 7 cents per hundredweight below October's price. The November producer price differential (PPD) at Suffolk County was \$3.09 per hundredweight, 59 cents below last month's.

During November, commodity prices for butter and nonfat dry milk declined while those for cheese and dry whey increased. As a result, prices for butterfat and nonfat solids dropped, while the prices for protein and other solids rose. These changes translated into increases in the Class II, III, and IV prices. The November Class I price, which was announced in October and based on lower prices at that time, was slightly lower than last month's. The spread between the class prices tightened and was reflected in the lower PPD.

The November average producer protein test at 3.15 percent was the highest ever reported since the Order's inception. Combined with the high protein price (second only to September 2007), the producer protein payout value set a new record high. The average producer other solids test at 5.72 percent set a new record for the month of November. ❖

Class I Sales Increase

During October and November 2007, sales of fluid milk products in the Northeast Milk Marketing Area have risen slightly when compared to the same months during 2006. We had discussed in the September 2007 *Bulletin*, that the amount of milk utilized as Class I during September 2007 was the lowest volume ever for that month since the Order's inception. This was likely heavily influenced by September's record-high Class I price (\$25.16 per hundredweight at Boston) combined with the calendar composition of that month.

Beginning in October, the Class I price started to decline moderately. Even though the price was \$24.84 per hundredweight (the third highest monthly Class I price ever), Class I utilization increased nearly 5.5 percent in October (from September) on an average daily basis. Sales of
(continued on page 3)

Pool Summary

- A total of 13,856 producers were pooled under the Order with an average daily delivery per producer of 4,649 pounds.
- Pooled milk receipts totaled 1.933 billion pounds, no change from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 46.7 percent of total milk receipts, an increase of 0.3 percentage points from October.
- The average butterfat test of producer receipts was 3.80 percent.
- The average true protein test was 3.15 percent.
- The average other solids test was 5.72 percent. ❖

Class Utilization

| Pooled Milk | Percent | Pounds |
|-------------------|---------|---------------|
| Class I | 46.7 | 902,270,885 |
| Class II | 19.0 | 367,277,052 |
| Class III | 26.1 | 505,261,152 |
| Class IV | 8.2 | 157,870,662 |
| Total Pooled Milk | | 1,932,679,751 |

Producer Component Prices

| | 2007 | 2006 |
|--------------------|--------|--------|
| | \$/lb | |
| Protein Price | 4.3081 | 2.2383 |
| Butterfat Price | 1.4077 | 1.3852 |
| Other Solids Price | 0.2461 | 0.2276 |

Class Price Factors

| | 2007 | 2006 |
|-----------|--------|-------|
| | \$/cwt | |
| Class I | 24.70 | 15.65 |
| Class II | 22.07 | 11.98 |
| Class III | 19.22 | 12.84 |
| Class IV | 20.40 | 12.11 |

Mailbox Prices

Mailbox prices for all federal order areas for September 2007 averaged \$8.90 per hundredweight higher than in September 2006. The mailbox price of milk represents the net value a producer receives for a hundredweight of milk, taking into account the gross value of the milk and premiums for that milk and subtracting cooperative dues, hauling, the market administrator fee, Cooperatives Working Together (CWT) assessment, and national and local promotion assessments.

Regional Mailbox Prices, September, 2006–2007

| | September | |
|-----------------------------|---------------------------|--------------|
| | 2006 | 2007 |
| | dollars per hundredweight | |
| Florida | 16.39 | 26.33 |
| Southeast States | 14.47 | 24.43 |
| Appalachian States | 13.20 | 23.29 |
| New England States | 13.21 | 23.25 |
| Eastern Pennsylvania | 13.21 | 22.74 |
| Indiana | 12.80 | 22.38 |
| New York | 12.85 | 22.27 |
| Southern Missouri | 12.40 | 22.25 |
| Western Pennsylvania | 12.83 | 22.22 |
| Ohio | 12.89 | 22.13 |
| Illinois | 12.87 | 21.77 |
| Northwest States | 12.17 | 21.48 |
| Michigan | 12.52 | 21.29 |
| Minnesota | 13.18 | 21.25 |
| Iowa | 12.93 | 21.19 |
| Corn Belt States | 12.36 | 21.15 |
| Wisconsin | 13.30 | 21.14 |
| Western Texas | 12.22 | 21.01 |
| New Mexico | 11.41 | 20.21 |
| California | 11.44 | 20.19 |
| All Federal Order Areas | 12.88 | 21.78 |

Source: USDA, AMS, *Dairy Market News*.

Regional Comparisons

The table above shows mailbox prices for September 2006 and 2007 by 20 regions defined by Dairy Market News and an average for all federal orders. During 2007, 10 regions were above the all federal order average of \$21.78 and 10 were below. During 2006, 9 were above the \$12.88 average and 11 were below. The largest contributors to the mailbox price are the value of components (the same across all federal orders) plus the value to the pool generated by the Class I differential. Thus, it is not surprising to see regions from parts of the country in which the federal order Class I differentials are highest, such as Florida, the Southeast states, the New England states, New York, and Eastern Pennsylvania with mailbox prices above the average. Notably, Wisconsin, Minnesota, and Iowa were above the average in 2006, but are below

it in 2007. New York, Western Pennsylvania, Indiana, and Southern Missouri were below the average in 2006 and are above it in 2007.

Florida had the highest mailbox price in 2006 and 2007 at \$16.39 per hundredweight and \$26.33 per hundredweight, respectively. The Southeast ranked second in both years. The one region not covered by the federal order system, California, had a mailbox price that ranked the lowest in 2007 and second lowest in 2006.

The Appalachian and New England regions had the largest year-to-year increases with average mailbox price increases of \$10.09 and \$10.04 per hundredweight, respectively. Wisconsin had the smallest year-to-year increase with an increase of \$7.84 per hundredweight. Minnesota's mailbox price, with the second lowest year-to-year gain, increased \$8.07 per hundredweight.

Since Class I differentials remained the same and component prices are the same for all regions except California, relative differences in the mailbox price can change due to differences in average component tests in the herds from one region to another, premium levels paid, hauling charged, and the portion of producers paying into the CWT program. ❖

Payment Dates to Producers

The calendar below shows the dates for partial payments to producers that are not members of cooperatives. As required by the Order, payment must be made so that a producer receives it no later than the date shown. The table dates vary due to weekends and national holidays.

The final payment date that non-member producers must be paid is dependent on the date that the statistical uniform price is announced. Each month, this date (that final payments to producers must be received by) is printed on the back of the Producer Price Announcement. ❖

Required Producer Payments Under the Northeast Order

| Month Milk Produced | Partial Payment Due | |
|------------------------|---------------------|----------|
| | Day | Date |
| January | Friday | 1/25/08 |
| February | Monday | 2/25/08 |
| March | Tuesday | 3/25/08 |
| April | Friday | 4/25/08 |
| May | Tuesday | 5/27/08 |
| June | Wednesday | 6/25/08 |
| July | Friday | 7/25/08 |
| August | Monday | 8/25/08 |
| September | Thursday | 9/25/08 |
| October | Monday | 10/27/08 |
| November | Tuesday | 11/25/08 |
| December | Friday | 12/26/08 |

Organic Producer Comparison

The Northeast Order began recording data on organic producers about one year ago based on information provided by handlers. While federal orders apply the same minimum pricing regulations for organic and conventional (non-organic) milk producers, handlers typically pay organic producers on a different basis and identify such producers separately. The Market Administrator reviews payments to organic producers that are pooled on the order to assure that they are receiving at least federal order minimum prices. During times such as now, when conventional milk prices are at record highs, prices received for organic milk are not that different from prices received by farmers for non-organic milk pooled on the order.

The accompanying table shows selected statistics for those producers identified to the Market Administrator as organic and conventional pool producers from October 2007 payroll data.❖

Organic Producer Summary, October 2007

| | Total Pool | Conventional | Organic |
|-----------------------------------|---------------|---------------|------------|
| Volume: | | | |
| Producer Count | 14,171 | 13,564 | 607 |
| Pounds | 1,996,290,978 | 1,962,634,785 | 33,656,193 |
| Avg Production/Producer (lbs) | 140,872 | 144,694 | 55,447 |
| Daily Delivery per Producer (lbs) | 4,544 | 4,668 | 1,789 |
| Producer Tests (percent): | | | |
| Butterfat | 3.70 | 3.70 | 3.88 |
| Protein | 3.08 | 3.08 | 3.15 |
| Other Solids | 5.70 | 5.70 | 5.63 |
| Price (\$/cwt): | | | |
| Average Uniform Price | 22.38 | 22.39 | 25.24 * |
| If paid at Pool Average Test | 23.04 | 23.04 | 23.57 |

* Includes premiums and deductions as reported.

Source: October 2007 producer payroll data.

Class I *(continued from page 1)*

fluid milk products, which differ slightly from pool utilization due to shrinkage, overages, interhandler differences, and inventories, grew 1.7 percent during October 2007 compared to the same month in 2006 (see accompanying table). In November, a similar situation occurred. The Class I price once again declined slightly and sales of fluid milk products in the marketing area rose slightly.

Calendar Affects Monthly Sales

A big factor contributing to the sales variation is the composition of sales days within a month. During September 2006, there were 4 Sundays; during September 2007, there were 5 Sundays. In the Northeast Order, milk sales are significantly lower on Sundays than for other days of the week. Conversely, during October 2006, there were 5 Sundays; during October 2007, there were only 4 Sundays and thus, an increase of 1.7 percent in sales volume occurred. The number of Sundays during November in both 2006 and 2007 was 4; the increase in sales was only 0.2 percent in 2007. The slight increase may have had to do with the calendar composition difference

between the 2 years; November 2007 began on a Thursday and ended on a Friday, while November 2006 began on a Wednesday and ended on a Thursday. In the Northeast, Wednesdays are the second lowest sales day (after Sunday); Fridays are the highest volume sales day.

Sales Changes by Product

Sales of whole milk and flavored milk and drinks have continued to decline throughout this year. For the first 8 months of 2007, sales of reduced fat, lowfat, and fatfree milk have all grown compared to the same period in 2006. As the table shows, there are some inconsistencies in these products during the past 3 months. Total sales of buttermilk and eggnog have increased for the first 10 months, but have declined during November.❖

Class I Milk In-Area Sales Under the Northeast Order, September–November 2007

| | In-Area Sales, 2007 | | | Change from Previous Year | | |
|--------------------------|---------------------|--------------|--------------|---------------------------|------------|------------|
| | Sep | Oct | Nov | Sep | Oct | Nov |
| Class I Milk: | million pounds | | | percent change | | |
| Whole Milk | 249.7 | 265.8 | 262.3 | (9.4) | (3.9) | (4.4) |
| Reduced Fat – 2% | 179.0 | 190.9 | 186.0 | 1.1 | 8.6 | 7.4 |
| Lowfat – 1% | 133.7 | 141.7 | 137.2 | (2.6) | 3.0 | 1.7 |
| FatFree | 120.2 | 128.3 | 120.2 | (0.9) | 5.4 | 3.3 |
| Flavored Milk and Drinks | 50.1 | 58.3 | 48.8 | (9.4) | (4.1) | (7.9) |
| Buttermilk & Eggnog | 2.7 | 6.5 | 16.1 | 5.4 | 13.6 | (8.3) |
| Total | 735.5 | 791.6 | 770.7 | (4.4) | 1.7 | 0.2 |



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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 | 884,218,954 | \$20.29 | 179,408,025.77 | |
| Butterfat | 18,051,931 | 1.4643 | 26,433,442.56 | |
| Less: Location Adjustment to Handlers | | | (2,905,490.75) | \$202,935,977.59 |
| Class II— Butterfat | 28,887,577 | 1.4147 | 40,867,255.15 | |
| Nonfat Solids | 31,180,712 | 1.9711 | 61,460,301.43 | 102,327,556.58 |
| Class III— Butterfat | 19,004,929 | 1.4077 | 26,753,238.56 | |
| Protein | 15,906,597 | 4.3081 | 68,527,210.50 | |
| Other Solids | 28,921,598 | 0.2461 | 7,117,605.27 | 102,398,054.33 |
| Class IV— Butterfat | 7,512,833 | 1.4077 | 10,575,815.00 | |
| Nonfat Solids | 13,876,631 | 1.7812 | 24,717,055.13 | 35,292,870.13 |
| Total Classified Value | | | | \$442,954,458.63 |
| Add: Overage—All Classes | | | | 114,436.47 |
| Inventory Reclassification—All Classes | | | | (224,462.25) |
| Other Source Receipts | 205,681 Pounds | | | 10,899.33 |
| Total Pool Value | | | | \$442,855,332.18 |
| Less: Producer Component Valuations @ Class III Component Prices | | | | (392,805,022.06) |
| Total PPD Value Before Adjustments | | | | \$50,050,310.12 |
| Add: Location Adjustment to Producers | | | | 9,533,065.00 |
| One-half Unobligated Balance—Producer Settlement Fund | | | | 1,044,063.63 |
| Less: Producer Settlement Fund—Reserve | | | | (901,278.96) |
| Total Pool Milk & PPD Value | 1,932,885,432 Producer pounds | | | \$59,726,159.79 |
| Producer Price Differential | | \$3.09 | | |
| Statistical Uniform Price | | \$22.31 | | |

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



The Market Administrator's BULLETIN

NORTHEAST MARKETING AREA

Erik F. Rasmussen, Market Administrator

December 2007

Federal Order No. 1

To contact the Northeast Marketing Area offices:

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December Pool Price Calculation

The December 2007 statistical uniform price (SUP) for the Northeast Marketing Area was announced at \$21.59 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. If reported at the average tests of producer pooled milk, the SUP would be \$22.76 per hundredweight. December's statistical uniform price was 72 cents per hundredweight below November's price. The December producer price differential (PPD) at Suffolk County was \$0.99 per hundredweight, \$2.10 below last month's.

During December, all commodity prices rose, except nonfat dry milk. As a result, prices for all components rose, except nonfat solids. Prices for Class I, II, and IV declined due to the advance release of Class I and the Class II nonfat solids price and the decline in the nonfat dry milk price. This created a tightening of the spread between the classes and a much lower PPD than seen in recent months.

The December average producer protein test at 3.14 percent was only .01 percentage points below last month's highest test ever and set a record for the month of December. The December butterfat test tied with December 2005 as the highest ever. The other solids test at 5.72 percent was the highest for December. Since producers are paid based on butterfat, protein, and other solids, the increase in component prices, along with record-setting tests for the month, combined for the highest producer component payout since the Order's inception. ❖

2007 Northeast Order Statistics Summarized

During 2007, the volume of milk received from producers shipping to handlers regulated under the Northeast Order totaled 23.0 billion pounds, an increase of 1.6 percent from 2006, but the third smallest volume since the Order's inception. The average number of producers declined 2.9 percent, while average daily deliveries per producer (DDP) increased 4.5 percent. The table on page 3 compares selected pool statistics for 2006 and 2007.

Class Utilization Changes

Total producer milk receipts began to rebound in July in response to record-setting prices following the prior 2 years contracted milk production. Overall, the total amount of milk pooled on the Northeast Order finished 360.2 million pounds higher than during 2006.

(continued on page 3)

Pool Summary

- A total of 13,799 producers were pooled under the Order with an average daily delivery per producer of 4,665 pounds.
- Pooled milk receipts totaled 1.996 billion pounds, a decrease of 0.1 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 45.4 percent of total milk receipts, a decrease of 1.3 percentage points from November.
- The average butterfat test of producer receipts was 3.84 percent.
- The average true protein test of producer receipts was 3.14 percent.
- The average other solids test of producer receipts was 5.72 percent. ❖

Class Utilization

| Pooled Milk | Percent | Pounds |
|-------------------|---------|---------------|
| Class I | 45.4 | 905,649,100 |
| Class II | 17.4 | 346,154,761 |
| Class III | 23.9 | 477,700,364 |
| Class IV | 13.3 | 266,070,051 |
| Total Pooled Milk | | 1,995,574,276 |

Producer Component Prices

| | 2007 | 2006 |
|--------------------|--------|--------|
| | \$/lb | |
| Protein Price | 4.7061 | 2.4388 |
| Butterfat Price | 1.4348 | 1.3481 |
| Other Solids Price | 0.2637 | 0.2564 |

Class Price Factors

| | 2007 | 2006 |
|-----------|--------|-------|
| | \$/cwt | |
| Class I | 23.29 | 15.68 |
| Class II | 20.82 | 12.55 |
| Class III | 20.60 | 13.47 |
| Class IV | 19.18 | 12.30 |

Contribution to Blend Price by Components

The accompanying chart shows the contribution to the 2007 Northeast Order statistical uniform price (SUP), or blend, by the various components—butterfat, protein, other solids, plus the producer price differential (PPD). Blend prices and PPDs are reported on a per hundredweight (cwt) basis at Boston standardized to 3.5 percent butterfat, 2.99 percent protein, and 5.69 percent other solids.

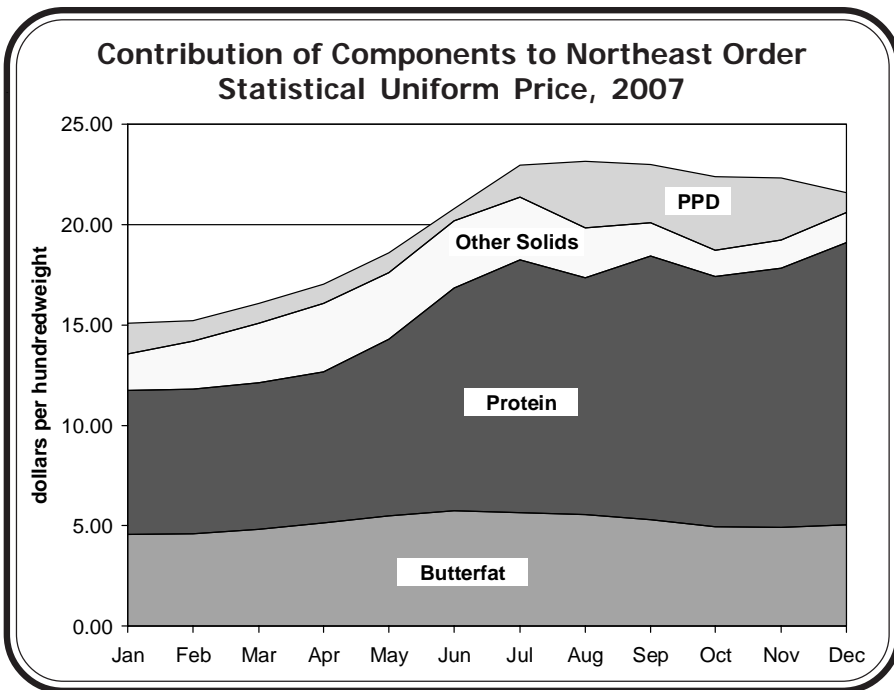
How Producers Are Paid

Producers are paid based on their respective volumes of components (butterfat, protein, and other solids) in their milk plus the PPD. They receive the same per pound price for these components as the Class III per pound value for butterfat, protein, and other solids. Since the pool is made up of four classes of milk, it is the extra value in the pool generated by Classes I, II, and IV that is returned to producers via the PPD.

In months when there is a large spread between the Class III price and the other class prices, the PPD will return a larger value (i.e. October). As this spread in prices tightens, the PPD value shrinks (i.e. June).

Proportion Varies Throughout the Year

In addition to the proportion of the PPD varying, the share that each component contributes to the total producer price varies during the year. As the chart depicts, protein's value was the lowest during January and as such, the proportion it contributed to the overall producer price was lower (47.7 percent) than shown in later months, especially December when it hit \$4.7061 per pound (65.2 percent of the total price). For the year, it averaged 53.0 percent of the total price, up from 46.2 percent in 2006. Butterfat's contribution remained relatively stable throughout 2007, accounting for about 25.9 percent of the total producer price, although down from 34.3 percent the



previous year. Its share peaked in June when the butterfat price hit \$1.6457 per pound.

The other solids component, which is based entirely on the dry whey price and in past years had a relatively minor contribution to the overall price, accounted for 16.7 percent of the total price during the first half of 2007, peaking in April, when its price was \$0.6008 per pound. As the whey price declined in the beginning of summer, the other solids price began dropping, and its proportion declined, ending the year with an average 12.0 percent share of the total producer price. This is up from 7.3 percent of the price in 2006. The PPD share averaged 9.2 percent in 2007, down from 12.2 percent the previous year.

It is important to note that the proportions are affected by both the price of the component and its respective test value during the month. ❖

Cooperative Membership Status

There were 53 milk cooperatives that pooled milk on the Northeast Order during September 2007. This is down from 79 cooperatives that pooled on the order during September 2002. The difference is due entirely to dissolutions of cooperatives that existed in 2002, as opposed to cooperatives that may have pooled on the Northeast Order in 2002, but pooled their milk elsewhere in 2007.

The Northeast Order pooled 13,738 producers in September 2007, down 2,559 producers from 2002, or a decline of 15.7 percent. With the decline in pooled producers, 17.6 million less pounds of milk were pooled in 2007 than in 2002.

Member Proportion Declines Slightly

Based on verified payroll data, during September 2007, cooperative members accounted for 74.4 percent of

the producers and 77.2 percent of the milk pooled on the Northeast Order. During September 2002, member producers accounted for 74.7 percent of the producers and 75.6 percent of the milk pooled.

Of the total decline in producers, 1,959 were members of a cooperative, a decline of 16.1 percent in cooperative membership, a slightly larger rate of decline than the decline in total producers pooled. Nonmembers declined by 600 producers, a 14.6 percent decline, slightly lower than the decline in total producers pooled. The data imply that as producers exit the market or pool elsewhere, they do so at about the same rate for the Northeast as a whole, whether or not they belong to a cooperative, though slightly more so for cooperative members. (continued on page 3)

2007 Statistics Summarized *(continued from page 1)*

Class I utilization averaged 45.5 percent in 2007, a decrease of 1.0 percentage point from the previous year. The total volume of milk used in Class I decreased slightly (0.5 percent). Class II usage increased 5.6 percent largely due to an increase in yogurt, resulting in an increase in utilization of 0.8 percentage points. Class III volume was up 11.1 percent, due to growth in Swiss, Italian, and cream cheese; this resulted in an increase in utilization of 2.1 percentage points. The amount of milk used in Class IV declined 15.6 percent in 2007; utilization dropped 1.9 percentage points. The decline was due mainly to less dried milk products, but also less condensed products and butter.

Prices Lower

National milk production was weak during the first half of 2007, but then began to rebound in July. States in the Northeast trailed behind the nation, but gained momentum in the fall. As the supply grew, prices still held throughout the second half of the year. All class prices averaged significantly higher than during 2005 with double-digit increases in the 41 to 66 percent range (see table).

The Class I price averaged \$21.39 per hundredweight in 2007, \$6.26 above the 2006 annual average. The highest Class I price during 2007 was a record-setting \$25.16 in September. The Class II price averaged \$6.60 greater than the previous year and the Class III price rose \$6.15 from 2006. The Class IV had the largest annual average increase with a jump of \$7.30 per hundredweight. Overall, the statistical uniform price (blend) reported at Suffolk County, Massachusetts (Boston) averaged \$19.85 per hundredweight, \$6.32 (46.7 percent) higher than the 2006 price.

Component Prices

The price paid to producers for butterfat averaged \$1.4693 per pound, 10.9 percent greater than in 2006. The per-pound annual average protein price rose 67.9 percent. The other solids price jumped 140.6 percent from an average of \$0.1746 to \$0.4201 per pound. The average nonfat solids price increased 105.6 percent from \$0.7400 to \$1.5218 per pound. Even though producers are not paid directly on nonfat solids in their milk, the value it contributes to the overall pool value is returned in the PPD.

Component Tests

The annual average producer butterfat test declined slightly from 3.71 percent in 2006 to 3.70 percent in 2007.

Cooperative *(continued from page 2)*

counts may reflect some movement by nonmember producers joining cooperatives or vice-versa.

Milk pooled by nonmember producers was 33.9 million pounds less in September 2007 than in September 2002, a decline of 7.2 percent. Milk pooled by cooperative members increased by 16.3 million pounds, or 1.1 percent.

Trends by State

The percent decline in nonmember producers was larger than the percent decline in cooperative member

Northeast Order Pool Statistics, Annual Totals and Averages, 2006–2007

| Pool Statistics | 2006 | 2007 | 2006–07 |
|-----------------|---------------------------|----------|---------|
| | million pounds | | percent |
| Class I | 10,544.5 | 10,495.8 | (0.5) |
| Class II | 4,476.5 | 4,725.0 | 5.6 |
| Class III | 5,074.7 | 5,638.9 | 11.1 |
| Class IV | 2,584.0 | 2,180.2 | (15.6) |
| Total | 22,679.7 | 23,039.9 | 1.6 |
| | pounds | | |
| DDP | 4,349 | 4,547 | 4.6 |
| | utilization percentage | | change |
| Class I | 46.5 | 45.5 | (1.0) |
| Class II | 19.7 | 20.5 | 0.8 |
| Class III | 22.4 | 24.5 | 2.1 |
| Class IV | 11.4 | 9.5 | (1.9) |
| | dollars per hundredweight | | percent |
| Class I | 15.13 | 21.39 | 41.4 |
| Class II | 11.76 | 18.36 | 56.1 |
| Class III | 11.89 | 18.04 | 51.7 |
| Class IV | 11.06 | 18.36 | 66.0 |
| SUP | 13.53 | 19.85 | 46.7 |

For seven of the months in 2007, the test was below the previous year, but in April and December it tied the record high for the respective month. The protein test averaged .02 percentage points higher than in 2006. It set new monthly records during eight months of the year and a new record high in November with 3.15 percent. Other solids tests were above the previous year during seven of the months and averaged .01 percentage points higher for the year. Monthly records were set during four of the months, while three tied the monthly record.

Producer Changes

The year ended with 294 less producers than at the end of 2006, less of a decline than last year (564). Annual average daily deliveries per producer (DDP) equaled 4,547 pounds, up 4.6 percent from 2006. ❖

producers in Maryland, New Jersey, New York, and Pennsylvania.

In New York, milk production from cooperative members was 7.8 percent higher during September 2007 than in 2002, but was down 2.5 percent for nonmembers. Milk production by cooperative members in Vermont was down 1.3 percent in September 2007 compared to 2002, while nonmember production was down 34.2 percent. ❖



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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 | 887,413,751 | \$18.90 | 167,721,198.94 | |
| Butterfat | 18,235,349 | 1.4445 | 26,340,961.63 | |
| Less: Location Adjustment to Handlers | | | (2,929,177.05) | \$191,132,983.53 |
| Class II— Butterfat | 27,244,226 | 1.4418 | 39,280,724.99 | |
| Nonfat Solids | 29,341,484 | 1.8167 | 53,304,674.03 | 92,585,399.02 |
| Class III— Butterfat | 18,512,778 | 1.4348 | 26,562,133.87 | |
| Protein | 14,984,336 | 4.7061 | 70,517,783.65 | |
| Other Solids | 27,277,055 | 0.2637 | 7,192,959.37 | 104,272,876.89 |
| Class IV— Butterfat | 12,562,089 | 1.4348 | 18,024,085.30 | |
| Nonfat Solids | 23,389,815 | 1.6296 | 38,116,042.54 | 56,140,127.84 |
| Total Classified Value | | | | \$444,131,387.28 |
| Add: Overage—All Classes | | | | 150,978.17 |
| Inventory Reclassification—All Classes | | | | 42,190.32 |
| Other Source Receipts | 274,895 Pounds | | | 7,124.70 |
| Total Pool Value | | | | \$444,331,680.47 |
| Less: Producer Component Valuations @ Class III Component Prices | | | | (434,442,776.35) |
| Total PPD Value Before Adjustments | | | | \$9,888,904.12 |
| Add: Location Adjustment to Producers | | | | 9,751,471.57 |
| One-half Unobligated Balance—Producer Settlement Fund | | | | 1,037,748.61 |
| Less: Producer Settlement Fund—Reserve | | | | (919,217.48) |
| Total Pool Milk & PPD Value | 1,995,849,171 Producer pounds | | | \$19,758,906.82 |
| Producer Price Differential | | \$0.99 | | |
| Statistical Uniform Price | | \$21.59 | | |

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