



The Market Administrator's

BULLETIN

NORTHEAST MARKETING AREA

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Federal Order No. 1

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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

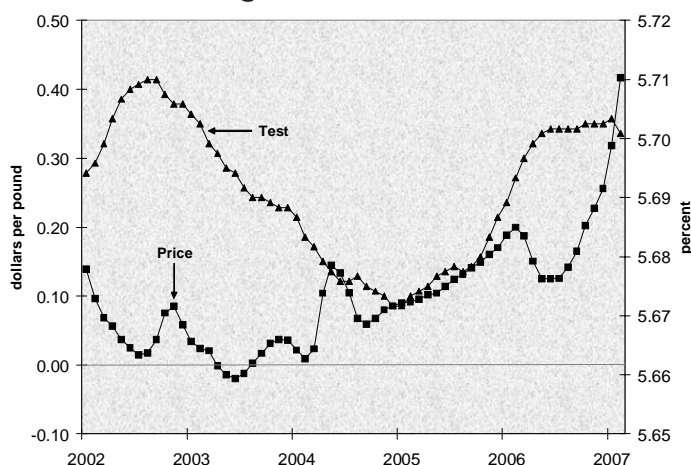
Protein shows a similar price-test relationship as other solids. Average protein tests in 2002 fell with the protein price but then rose in response to two large spikes in the price in 2003 and 2004. The only divergence in this trend is in 2006 when the protein prices sagged but average tests continued 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

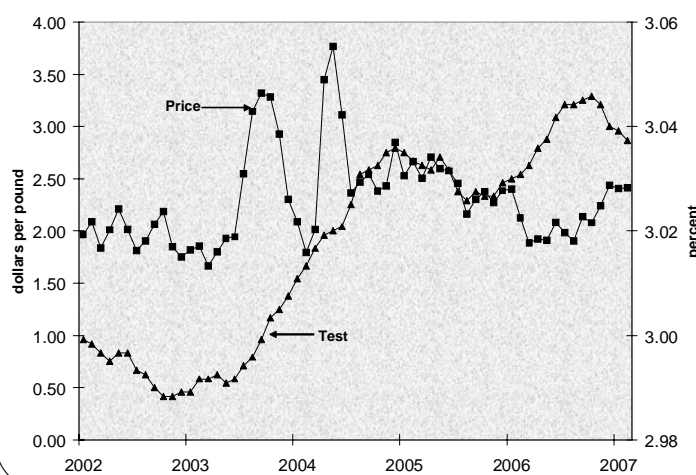
Average butterfat tests show a negative relationship with butterfat price. As average tests for butterfat are higher, the price is lower, and vice versa. This would seem to reflect a situation where demand is relatively constant over time, and prices are reflecting changes in supply, rather than the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

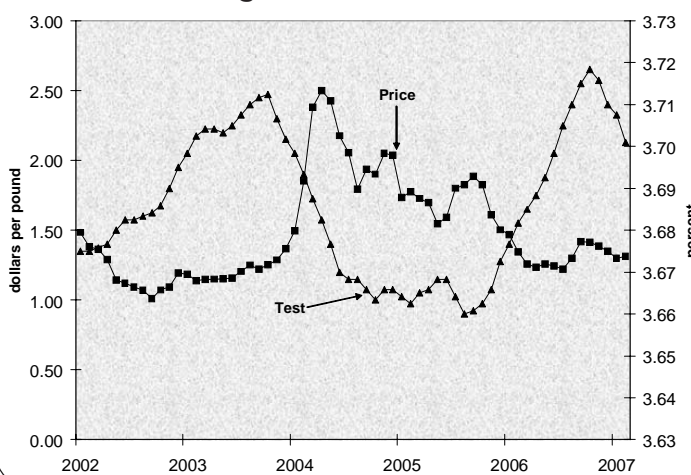
Other Solids, Price vs. 12-Month Moving Average Test, 2002–2007



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



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

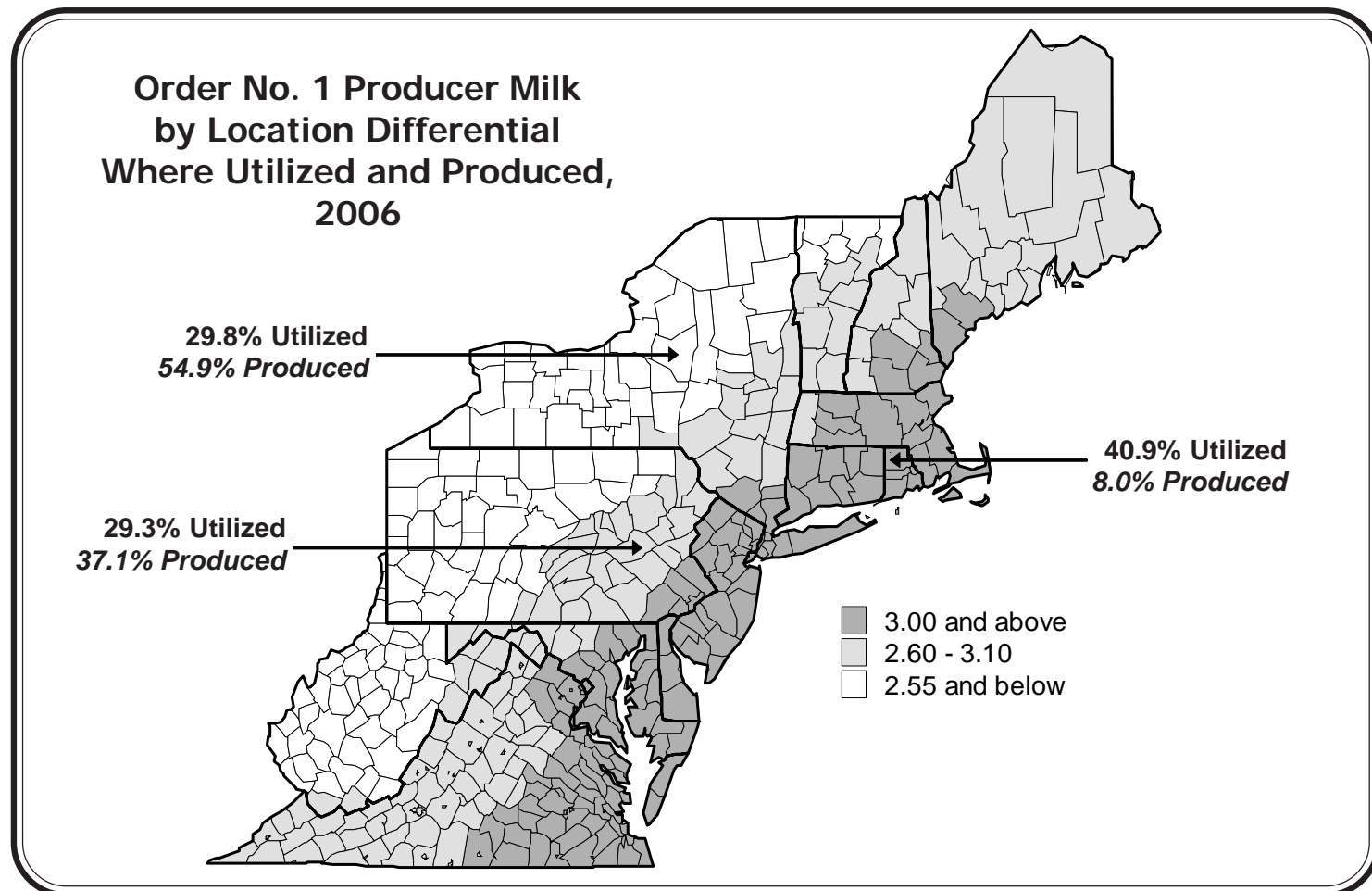


Producer Receipts *(continued from page 1)*

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.