



# 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:

*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

### 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
<b>New England States</b>	<b>13.21</b>	<b>23.25</b>
<b>Eastern Pennsylvania</b>	<b>13.21</b>	<b>22.74</b>
Indiana	12.80	22.38
<b>New York</b>	<b>12.85</b>	<b>22.27</b>
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.❖

	Total Pool	Conventional	Organic
<b>Volume:</b>			
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
<b>Producer Tests (percent):</b>			
Butterfat	3.70	3.70	3.88
Protein	3.08	3.08	3.15
Other Solids	5.70	5.70	5.63
<b>Price (\$/cwt):</b>			
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
<b>Class I Milk:</b>	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)
<b>Total</b>	<b>735.5</b>	<b>791.6</b>	<b>770.7</b>	<b>(4.4)</b>	<b>1.7</b>	<b>0.2</b>



**MARKET ADMINISTRATOR**  
 302A Washington Avenue Ext.  
 Albany, NY 12203-7303

PRESORTED  
 FIRST-CLASS MAIL  
 U.S. Postage  
**PAID**  
 Alexandria, VA  
 Permit 355

RETURN SERVICE REQUESTED

**FIRST CLASS MAIL**

The U.S. Department of Agriculture (USDA) prohibits discrimination in all its programs and activities on the basis of race, color, national origin, age, disability, and where applicable, sex, marital status, familial status, parental status, religion, sexual orientation, genetic information, political beliefs, reprisal, or because all or part of an individual's income is derived from any public assistance program (not all prohibited bases apply to all programs). Persons with disabilities who require alternative means for communication of program information (Braille, large print, audiotape, etc.) should contact USDA's TARGET Center at (202) 720-2600 (voice and TDD). To file a complaint of discrimination, write to USDA, Director, Office of Civil Rights, 1400 Independence Avenue, SW, Washington, DC 20250-9410 or call (800) 795-3272 (voice) or (202) 720-6382 (TDD). USDA is an equal opportunity provider and employer.

**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
<b>Total Classified Value</b>				<b>\$442,954,458.63</b>
Add: Overage—All Classes				114,436.47
Inventory Reclassification—All Classes				(224,462.25)
Other Source Receipts	205,681 Pounds			10,899.33
<b>Total Pool Value</b>				<b>\$442,855,332.18</b>
Less: Producer Component Valuations @ Class III Component Prices				(392,805,022.06)
<b>Total PPD Value Before Adjustments</b>				<b>\$50,050,310.12</b>
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)
<b>Total Pool Milk &amp; PPD Value</b>	1,932,885,432 Producer pounds			<b>\$59,726,159.79</b>
Producer Price Differential		<b>\$3.09</b>		
Statistical Uniform Price		<b>\$22.31</b>		

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