

# The Market Administrator's BULLETIN

## NORTHEAST MARKETING AREA

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Federal Order No. 1

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### February Pool Price Calculation

The February 2009 statistical uniform price (SUP) for the Northeast Marketing Area was announced at \$11.75 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 \$12.24 per hundredweight. February's statistical uniform price was \$2.39 per hundredweight below January's price. The February producer price differential (PPD) at Suffolk County was \$2.44 per hundredweight, a decrease of \$0.92 per hundredweight from last month.

During February, all commodity prices dropped from the previous month and, correspondingly, all component prices declined. All class prices decreased, especially the Class I price, which dropped over \$5.00 per hundredweight. The Class III price was the third lowest since the Order's inception and the first time since June 2003 that the Class III price was less than \$10.00 per hundredweight. Both the Class II and Class IV prices were the lowest ever since order reform. Even though prices were so low, the spread between the Class I price and the other classes was significant enough to generate a relatively high PPD. ❖

### Producer-Handler Proposal Update

Last month we reported that USDA released an invitation to submit proposals for consideration at a public hearing to discuss elimination of the producer-handler provision and revision of the exempt plant provision in all federal orders. Proposals originally were due March 9, 2009. On March 6, USDA issued a notice extending the deadline to March 16, 2009. Additional proposals were received and on March 13, USDA announced that a pre-hearing public information session would be held on March 20, 2009, in Washington, DC, to ensure that all proposals received were fully understood and to clarify the intent and effect of the proposed amendments.

The steps being taken are part of the 2008 Farm Bill's revisions regarding the federal marketing order amendment procedures. We will report in our next *Bulletin* should USDA decide if and when a hearing will be held. Additional information about this proposal can be accessed from USDA's website at <http://www.ams.usda.gov/dairy>. ❖

### Pool Summary

- A total of 13,520 producers were pooled under the Order with an average daily delivery per producer of 4,868 pounds.
- Pooled milk receipts totaled 1.843 billion pounds, an increase of 1.1 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 43.0 percent of total milk receipts, a decrease of 1.2 percentage points from January.
- The average butterfat test of producer receipts was 3.80 percent.
- The average true protein test of producer receipts was 3.08 percent.
- The average other solids test of producer receipts was 5.70 percent. ❖

#### Class Utilization

Pooled Milk	Percent	Pounds
Class I	43.0	792,268,193
Class II	19.2	353,403,268
Class III	24.4	449,164,041
Class IV	13.4	248,175,150
Total Pooled Milk		1,843,010,652

#### Producer Component Prices

	2009	2008
	\$/lb	
Protein Price	1.9139	4.0180
Butterfat Price	1.0941	1.3010
Other Solids Price	(0.0437)	0.0803

#### Class Price Factors

	2009	2008
	\$/cwt	
Class I	13.97	22.93
Class II	10.25	18.46
Class III	9.31	17.03
Class IV	9.45	14.67

## U.S. Milk Production Up in 2008

Total milk production in the United States grew 2.1 percent in 2008, the same percentage as in 2007. The top ten milk-producing states showed an increase of 2.6 percent, while the top 23 states as reported by the National Agricultural Statistics Service (NASS) grew 2.4 percent. All comparisons have been adjusted for leap year.

### Top Producing States

The top ten list contained the same states as in 2007, but some of their rankings changed (see accompanying table). Texas and New Mexico, which had the largest increases of the top ten states (13.7 and 7.6 percent, respectively), both moved up one place in the rankings. Michigan dropped to ninth place as a result. Idaho, which moved into fourth place in 2006 and is closing in on New York, reported an increase of 6.3 percent. The only top ten state to show a decline for 2008 was Pennsylvania.

Of the top 23 states as reported by NASS, 7 showed declines in production during 2008. NASS includes Kentucky and Missouri in their top 23, but South Dakota and Utah both have higher production. Utah has been higher than Kentucky for the past 6 years; South Dakota has been higher the past 4 years; and Missouri was just surpassed by both Utah and South Dakota in 2008. Other top 23 changes include Arizona bumping Iowa to number 13 and Kansas bumping Oregon to number 18.

### Northeast Below National Average

Milk production in the Northeast milkshed (the area from which milk is traditionally pooled by handlers

Rank	State	2007	2008	Percent Change
million pounds				
1	California	40,683	41,203	1.0
2	Wisconsin	24,080	24,472	1.4
3	New York	12,103	12,432	2.4
4	Idaho	11,549	12,315	6.3
5	Pennsylvania	10,682	10,575	(1.3)
6	Minnesota	8,656	8,782	1.2
7	Texas	7,384	8,416	13.7
8	New Mexico	7,290	7,865	7.6
9	Michigan	7,625	7,763	1.5
10	Washington	5,531	5,696	2.7
Top Ten Total		135,583	139,519	2.6
U.S. Total		185,654	189,992	2.1

Source: NASS, Milk Production.

selling into the marketing area) increased 0.5 percent, well below the national average of 2.1 percent. The Northeast top 3 producing states (New York, Pennsylvania, and Vermont) had a combined increase of 0.8 percent.

### Cow Numbers and Production per Cow

Nationally, the number of milk cows increased 1.4 percent in 2008. In the Northeast, milk cow numbers declined 0.4 percent. Average milk production per cow grew 1.0 percent nationally; for the Northeast, the increase was 1.2 percent. ❖

## Market Services 2008 Summary

The Market Administrator (MA) verifies or establishes weights, samples and tests producer milk, and provides market information for producers who are not receiving such services from a cooperative association.

### Calibration Program

One aspect of the Market Administrator's market service program is the bulk tank calibration program. The Northeast Order operates two calibration trucks. In providing calibration services, the two trucks combined covered over 34,413 miles. The market service department checked 481 farm bulk tanks throughout the Northeast Marketing Area Milkshed during the 2008 season. Briefly, a tank check involves measuring the tank at about four or five different levels as opposed to performing a complete calibration, which involves checking the tank at each increment on the dipstick. The levels that a tank is checked at vary depending on the tank size and a farm's production range. If the tank proves to be out of tolerance

when checked, the tank is then recalibrated. Depending on scheduling, recalibrations may be performed the same day or may be rescheduled for another day.

### Checks/Calibration Results

Of the 481 tanks checked, 53 were out of tolerance and were recalibrated. Of those, 72 percent were 1,500 gallon tanks or smaller. Of the tanks requiring recalibration, there was an almost even split between tanks that were over measuring and under measuring the amount of milk. An additional 62 calibrations were performed for other reasons that did not involve an initial check, such as a tank being installed, a tank being moved, or a special request. The 481 checks and the 62 additional calibrations total at least 543 farm visits. A total of 115 calibrations and recalibrations were performed. A breakdown of checks and calibrations/recalibrations by tank size are shown in the accompanying table. A tentative schedule for the calibration trucks will be published in the *Bulletin* near the start of the spring season. ❖

Tank Size (Gallons)	Checks	Calibrations/Recalibrations
0-500	27	11
501-1000	237	52
1001-1500	96	19
1501-2000	58	16
2001-3000	47	10
3001-6000	12	3
6000+	4	4
<b>Total</b>	<b>481</b>	<b>115</b>

## DDP Shows Substantial Growth

Average daily deliveries per producer (DDP) have increased substantially from 2000 to 2008. The Northeast Order was formed by the merging of the former Middle Atlantic, New England, and New York-New Jersey Federal Milk Marketing Orders in 2000. During the first year of operation, DDP averaged 3,788 pounds. The accompanying chart shows monthly averages for New York, Pennsylvania, Vermont (the Order's 3 largest milk producing states), and the entire order for 2000 versus 2008. Together the three states shown accounted for nearly 88 percent of the milk pooled on the Order during 2008, up from 85.4 percent in 2000.

As the chart depicts, DDP in New York averaged 5,723 pounds in 2008, a 39.8 percent annual average jump from 2000. Vermont had the highest DDP of the 3 states shown (6,416 pounds) and reported a sizable increase of 37.2 percent during the period. Although Pennsylvania showed less of an increase, it was significant at 22.6 percent with an average 3,824 pounds for 2008. Overall, the Order averaged 4,807 pounds in 2008, an increase of 26.9 percent (1,020 pounds) from 2000.

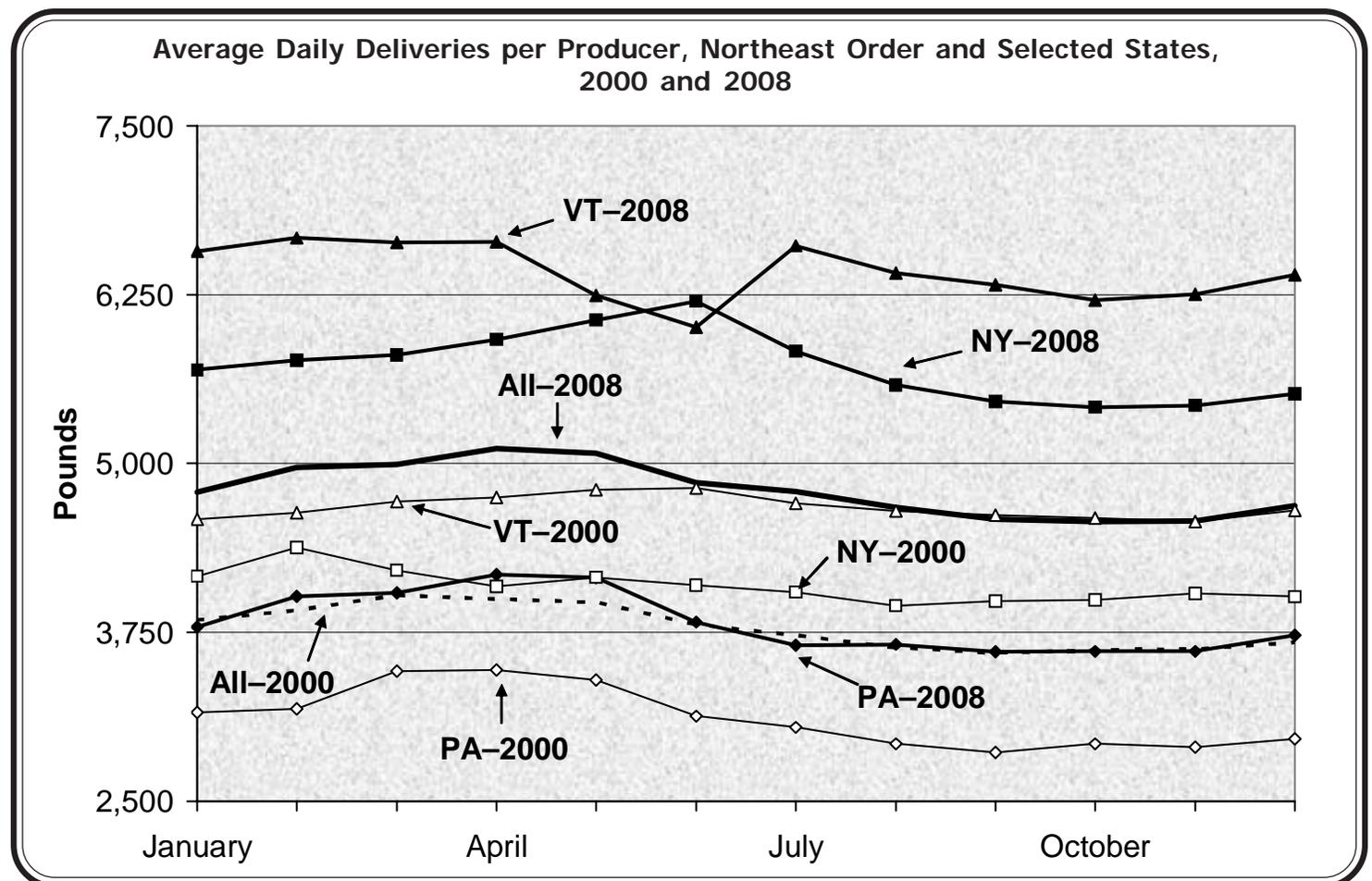
Trend lines for Pennsylvania and the Order as a whole seem to follow the same seasonal pattern in both years with an obvious shift upward from 2000 to 2008. Both New York and Vermont show upward shifts when comparing 2008 to 2000, signifying a trend toward larger

operations. During May and June 2008, New York had some variation and Vermont had some sharp declines. Both New York and Vermont had a substantial number of producers depooled during those months, which has impacted the DDP averages. DDP is mainly a reflection of operation size but can be affected by such factors as weather, feed quality, use of rBST and other management practices.

The Order average includes data from all states that have producers pooled on the Order at any time during the 2 years shown: Arkansas, Connecticut, Delaware, Illinois, Indiana, Iowa, Kansas, Kentucky, Maine, Maryland, Massachusetts, Michigan, Minnesota, Missouri, Nevada, New Hampshire, New Jersey, Ohio, Oklahoma, Rhode Island, Utah, Virginia, West Virginia, and Wisconsin. ❖

## MILC Payment Expected for February

Based on the announced Class I price for February of \$13.97 per hundredweight at Boston, MA, it is expected that there will be a Milk Income Loss Contract (MILC) payment of approximately \$1.62 per hundredweight. The exact figure will not be calculated until the NASS Agricultural Prices is released on March 30. For more information, contact your local Farm Service Agency (FSA) office. ❖





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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	777,379,434	\$10.32	80,225,557.59	
Butterfat	14,888,759	1.1465	17,069,962.19	
Less: Location Adjustment to Handlers			(2,509,576.71)	\$94,785,943.04
Class II— Butterfat	25,665,157	1.1011	28,259,904.34	
Nonfat Solids	29,917,936	0.7367	22,040,543.46	50,300,447.80
Class III— Butterfat	18,411,871	1.0941	20,144,428.09	
Protein	13,828,963	1.9139	26,467,252.28	
Other Solids	25,555,457	(0.0437)	(1,116,773.44)	45,494,906.93
Class IV— Butterfat	11,039,825	1.0941	12,078,672.56	
Nonfat Solids	21,647,259	0.6472	14,010,105.98	26,088,778.54
<b>Total Classified Value</b>				<b>\$216,670,076.31</b>
Add: Overage—All Classes				50,731.52
Inventory Reclassification—All Classes				11,911.93
Other Source Receipts	239,276 Pounds			10,609.53
<b>Total Pool Value</b>				<b>\$216,743,329.29</b>
Less: Producer Component Valuations @ Class III Component Prices				(180,696,590.40)
<b>Total PPD Value Before Adjustments</b>				<b>\$36,046,738.89</b>
Add: Location Adjustment to Producers				8,942,876.86
One-half Unobligated Balance—Producer Settlement Fund				824,932.73
Less: Producer Settlement Fund—Reserve				(839,250.31)
<b>Total Pool Milk &amp; PPD Value</b>	1,843,249,928 Producer pounds			<b>\$44,975,298.17</b>
Producer Price Differential		<b>\$2.44</b>		
Statistical Uniform Price		<b>\$11.75</b>		

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