

The Market Administrator's BULLETIN

NORTHEAST MARKETING AREA

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March 2009

Federal Order No. 1

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March Pool Price Calculation

The March 2009 statistical uniform price (SUP) for the Northeast Marketing Area was announced at \$11.56 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 \$12.01 per hundredweight. March's statistical uniform price was 19 cents per hundredweight below February's price. The March producer price differential (PPD) at Suffolk County was \$1.12 per hundredweight, a decrease of \$1.32 per hundredweight from last month.

During March, all commodity prices increased slightly from the previous month except nonfat dry milk. The corresponding component prices increased while the nonfat solids price declined slightly; the other solids price remained negative, but to a lesser degree. All class prices increased except the Class I price, announced in advance, which dropped \$1.29 per hundredweight. The Class III price was back above \$10.00 per hundredweight. With the lower Class I price, the spread between the classes was tightened generating a lower PPD.❖

Producer-Handler Hearing Announced

USDA announced that a public hearing will be held to consider and take evidence on proposals seeking to amend or remove the producer-handler provisions and revise the exempt plant provisions applicable to all federal milk marketing orders. Additionally, a proposal seeking to amend the orders to include provisions related to individual handler pools will be considered as an alternative to the producer-handler provisions.

The hearing will begin at 1:00 p.m. on May 4, 2009. It will be held at The Westin-Cincinnati, 21 East Fifth Street, Cincinnati, OH. The hearing is open to the public. To participate and testify at the hearing, a person must be physically present and be available for cross-examination by other parties. Interested parties who wish to introduce exhibits should provide the Administrative Law Judge at the hearing with four copies of such exhibits for the official record. Additional copies should be made available for use by other hearing participants. Proponents that submitted a proposal included in the Notice of Hearing are required to (continued on page 3)

Pool Summary

- A total of 13,490 producers were pooled under the Order with an average daily delivery per producer of 4,931 pounds.
- Pooled milk receipts totaled 2.062 billion pounds, an increase of 1.1 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 43.1 percent of total milk receipts, an increase of 0.1 percentage points from February.
- The average butterfat test of producer receipts was 3.76 percent.
- The average true protein test of producer receipts was 3.06 percent.
- The average other solids test of producer receipts was 5.71 percent.❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	43.1	888,944,187
Class II	19.7	406,770,833
Class III	22.6	466,420,417
Class IV	14.6	300,041,054
Total Pooled Milk		2,062,176,491

Producer Component Prices

	2009	2008
	\$/lb	
Protein Price	2.1973	4.3331
Butterfat Price	1.1594	1.3640
Other Solids Price	(0.0339)	0.0493

Class Price Factors

	2009	2008
	\$/cwt	
Class I	12.68	19.95
Class II	10.36	15.63
Class III	10.44	18.00
Class IV	9.64	14.17

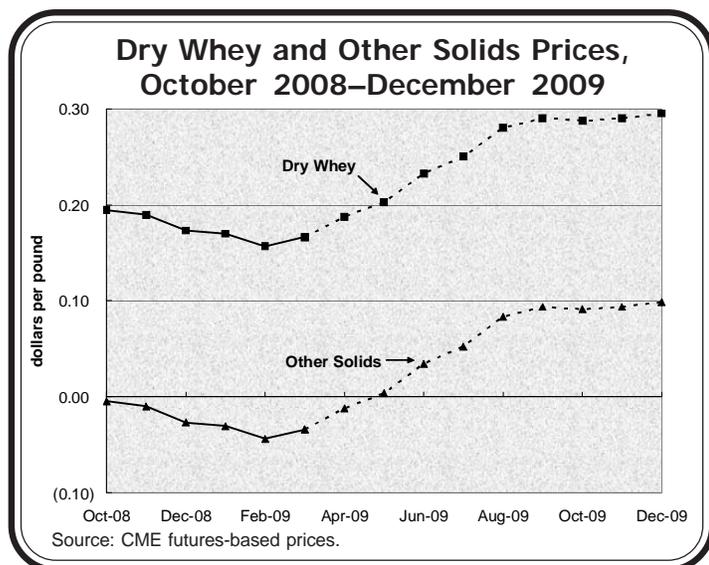
Other Solids Positive Soon

The other solids component price is projected to return to a positive value as of May, based on April 14 Chicago Mercantile futures prices for dry whey. The negative price occurs because the market price for dry whey is less than the make allowance in the other solids

based on recent price increases. The cheese market has recently pulled back to just above support level. It remains to be seen if signs of life in the dry whey market will be sustained. ❖

Market Service Tank Calibrations

The Market Service department's bulk tank calibration trucks have begun to perform calibration checks of non-member producers' tanks. See the following schedule:



Tentative Calibration Truck Schedule, 2009

Month	Area
April	Western NY/Eastern NY/Central NY
May	Western NY/Northern NJ/MA/CT
June	Central NY/Central PA
July	Northern PA/Central PA
August	Southern PA/Western NY
September	Southern PA/Maine
October	Eastern NY/Central NY
November	Eastern NY/Southern PA

price formula. The dry whey price in May is predicted to be \$.2025 per pound. That price is above the \$.01991 per pound make allowance that is built in to the other solids price formula. A dry whey price of \$.25 per pound would result in an other solids price of about \$.05 per pound and, with other current prices and utilization, would add an additional \$284 in the milk check of a farmer producing 100,000 pounds a month.

At its peak, the other solids price reached \$.6008 per pound in April 2007. The dry whey price is predicted to average \$.2821 per pound for the second half of 2009. According to USDA's *Dairy Market News*, demand is fair to good with buyers often not finding the entire product volumes they desire. Some of the demand is speculative

Producer-Handler *(continued from page 1)*

make their testimony and any other exhibits available to USDA officials prior to the start of the hearing on the day of their appearance. Individual dairy farmers are not subject to this requirement.

Requests to USDA, including Market Administrator personnel, for data to be used or presented at the hearing must be received by April 24, 2009. Additional information about this notice is available from USDA/AMS/Dairy Programs, STOP 0231-Rm. 2971, 1400 Independence Avenue, SW, Washington, D.C. 20250-0231 or from USDA's website at <http://www.ams.usda.gov/dairy>. ❖

Pool Summary for All Federal Orders, January–March 2009

Federal Order Number	Federal Order Name	Total Producer Milk			Producer Price Differential#		Statistical Uniform Price#*	
		2008	2009	Change~	2008	2009	2008	2009
		pounds			percent	dollars per hundredweight		
1	Northeast	6,161,580,579	5,923,365,314	(2.8)	1.40	2.31	19.51	12.48
5	Appalachian	1,483,657,020	1,509,630,175	2.9	N/A	N/A	20.85	13.89
6	Florida	831,866,266	832,269,218	1.2	N/A	N/A	22.11	16.04
7	Southeast	1,862,628,150	1,830,594,101	(0.6)	N/A	N/A	20.72	14.10
30	Upper Midwest	7,051,626,053	7,913,426,885	13.5	0.24	0.49	18.36	10.66
32	Central	3,033,233,632	3,180,630,453	6.0	0.60	0.93	18.22	11.10
33	Midwest	4,133,194,371	4,077,016,703	(0.3)	0.79	1.42	18.70	11.59
124	Pacific Northwest	1,698,038,413	1,934,280,880	15.2	0.63	0.79	17.60	10.97
126	Southwest	2,264,512,520	2,767,321,798	23.6	1.43	1.91	19.10	12.09
131	Arizona	1,058,976,953	1,099,324,457	5.0	N/A	N/A	18.19	11.27
All Market Total/Average		29,579,313,957	31,067,859,984	6.2	0.47	1.31	19.34	12.42

Price at designated order location.

* Price at 3.5% butterfat.

~ Adjusted for leap year.

N/A = Not applicable.

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. 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. The trendline of protein prices increases faster than the trend for tests because the dramatic rise in prices beginning in 2007 coincided with an increase in protein tests, but not to a proportionate level. Average protein tests have risen consistently since at least 2002. The trendlines would indicate a pretty consistent increase in demand for protein during the period. The protein price has averaged \$1.19 per pound higher than the butterfat price since January 2002. 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.

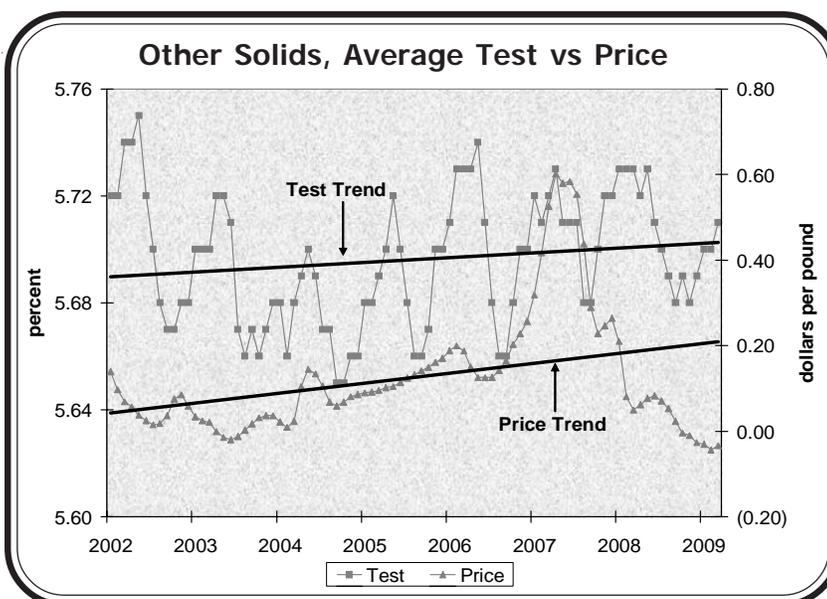
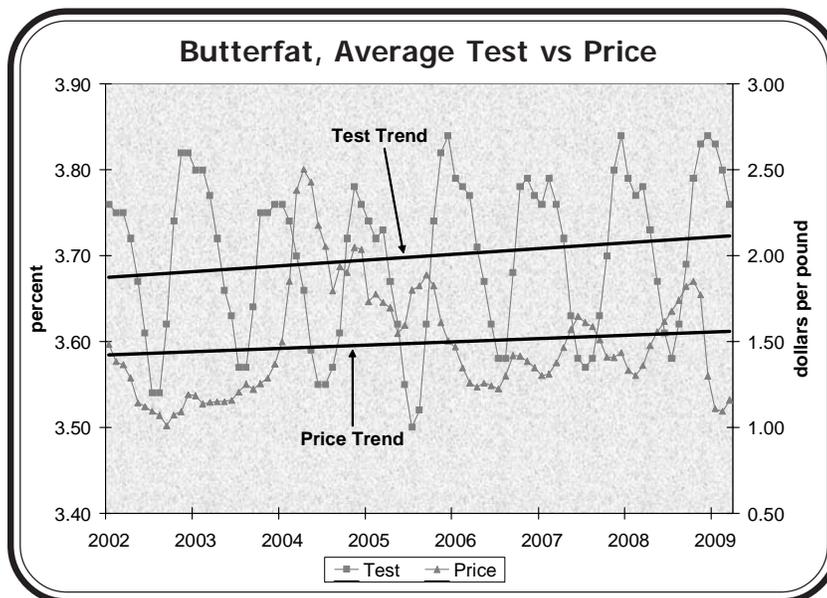
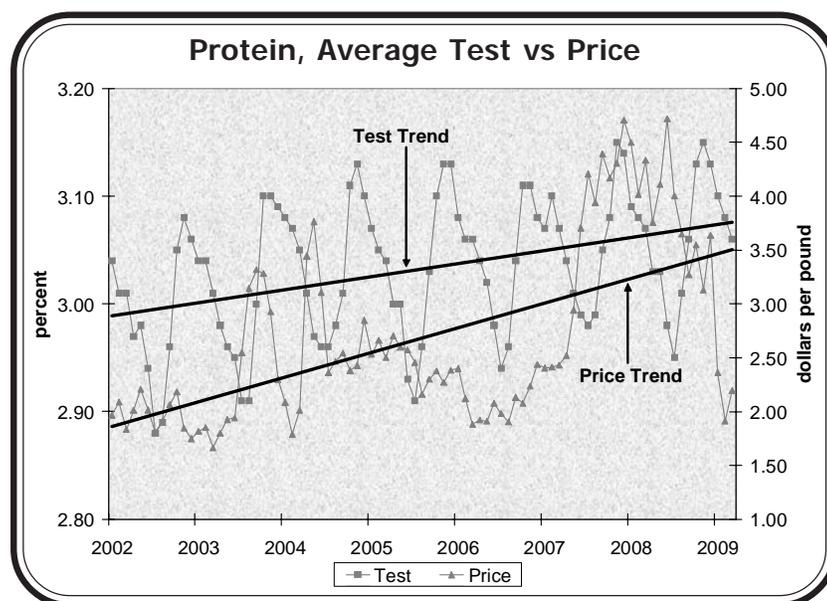
Butterfat

The trendline for butterfat tests since 2002 is fairly flat, but positive, while the price trendline has been about flat over that period. The chart would indicate that demand for butterfat generally has been stable. Higher butterfat prices in 2004 and 2005 may be a response to the lower butterfat tests during those years.

Other Solids

The other solids price showed a strong and consistent increase from 2003 to 2007, then a drop back to negative levels in 2009. The resulting trendline for the other solids price is still somewhat positive. The trendline for other solids tests is less positive; it likely reflects the relatively smaller value other solids represents in producers' milk checks and, possibly, less direct management of other solids levels.

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. The three charts together tell a story of increasing value from protein relative to the value derived from butterfat and other solids. ❖





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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	872,447,196	\$9.06	79,043,715.96	
Butterfat	16,496,991	1.1243	18,547,566.98	
Less: Location Adjustment to Handlers			(2,799,577.26)	\$94,791,705.73
Class II— Butterfat	29,983,423	1.1664	34,972,664.58	
Nonfat Solids	34,324,260	0.7233	24,826,737.30	59,799,401.88
Class III— Butterfat	19,038,833	1.1594	22,073,622.97	
Protein	14,277,400	2.1973	31,371,730.98	
Other Solids	26,537,841	(0.0339)	(899,632.76)	52,545,721.19
Class IV— Butterfat	12,045,738	1.1594	13,965,828.64	
Nonfat Solids	26,209,271	0.6423	16,834,214.80	30,800,043.44
Total Classified Value				\$237,936,872.24
Add: Overage—All Classes				77,208.40
Inventory Reclassification—All Classes				131,448.94
Other Source Receipts	203,488 Pounds			4,442.51
Total Pool Value				\$238,149,972.09
Less: Producer Component Valuations @ Class III Component Prices				(224,627,785.64)
Total PPD Value Before Adjustments				\$13,522,186.45
Add: Location Adjustment to Producers				9,836,247.85
One-half Unobligated Balance—Producer Settlement Fund				572,963.69
Less: Producer Settlement Fund—Reserve				(832,742.22)
Total Pool Milk & PPD Value	2,062,379,979 Producer pounds			\$23,098,655.77
Producer Price Differential		\$1.12		
Statistical Uniform Price		\$11.56		

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