

The Market Administrator's BULLETIN

NORTHEAST MARKETING AREA

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July Pool Price Calculation

The July 2009 statistical uniform price (SUP) for the Northeast Marketing Area was announced at \$11.99 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 \$12.11 per hundredweight. July's statistical uniform price was 6 cents per hundredweight above June's price. The July producer price differential (PPD) at Suffolk County was \$2.02 per hundredweight, also an increase of 6 cents per hundredweight from last month.

During July, all commodity prices dropped slightly except dry whey. This resulted in lower prices for butterfat, protein, and nonfat solids while the other solids price increased. The Class I price, announced in advance, increased 18 cents from June; the Class II and IV prices changed slightly, and the Class III price was unchanged from June. The spread between the classes was very similar to last month resulting in little change in the PPD and uniform price.

The producer butterfat test averaged 3.61 percent, setting a new record for the month of June. The producer protein test averaged 2.98 percent, tying the June 2007. ❖

Support Prices Increased

On July 31, 2009, Agriculture Secretary Vilsack announced an increase in the amount paid for dairy products through the Dairy Product Price Support Program. The increase will be in effect from August through October 2009. According to USDA estimates, these changes will increase dairy farmers' revenue by \$243 million.

The temporary increase raised the price for nonfat dry milk (NFDM) from \$0.80 to \$0.92 per pound, the price for cheddar blocks from \$1.13 to \$1.31 per pound, and the price of cheddar barrels from \$1.10 to \$1.28 per pound. The support price for butter was not changed, remaining at \$1.05 per pound, which is currently below prices traded on the Chicago Mercantile Exchange (CME) and the National Agricultural Statistics Service (NASS) Dairy Products Price Survey.

(continued on page 3)

Pool Summary

- A total of 13,422 producers were pooled under the Order with an average daily delivery per producer of 4,903 pounds.
- Pooled milk receipts totaled 2.040 billion pounds, a decrease of 1.4 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 40.8 percent of total milk receipts, an increase of 0.3 percentage points from June.
- The average butterfat test of producer receipts was 3.61 percent.
- The average true protein test of producer receipts was 2.98 percent.
- The average other solids test of producer receipts was 5.69 percent. ❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	40.8	831,666,173
Class II	21.5	438,867,055
Class III	24.5	500,330,380
Class IV	13.2	269,274,772
Total Pooled Milk		2,040,138,380

Producer Component Prices

	2009	2008
	\$/lb	
Protein Price	1.6970	4.0025
Butterfat Price	1.2438	1.6774
Other Solids Price	0.0949	0.0707

Class Price Factors

	2009	2008
	\$/cwt	
Class I	13.51	24.03
Class II	10.87	16.81
Class III	9.97	18.24
Class IV	10.15	16.60

“Tanker Load Per Day” Farms by State

During May 2009 (verified payroll data), there were 149 farm operations (defined as a single farm location) that marketed at least 1.5 million pounds of milk per month on the Northeast Order. This amount of milk roughly equates to a single tractor-trailer size load per day. In total, these farms marketed 358 million pounds on the Order. The number of farms producing at least 1.5 million pounds a month increased by 38 since May 2006. These “large” farms represented 16.8 percent of the total milk pooled on the Northeast Order in May 2009, compared to 12.3 percent in 2006—a difference of almost 103 million pounds of milk. They represented 9.1 percent of the total milk pooled in May 2003.

These 149 farms represent just 1.1 percent of the 13,303 farms pooled on the Northeast Order. The greatest number of “large” farms pooled on the Order operate farms in New York, and these 92 farms pooled a total of 237 million pounds of milk during May. New York has experienced most

Roughly 36 percent of farms pooling on the Northeast marketed between 50,000 and 99,999 pounds of milk during May. This size category lost 1,275 farms since May 2003, or 49 percent of the total loss in farms during that time. Overall, 84 percent of the farms pooling on the Northeast Order pooled less than 200,000 pounds during May 2009, slightly less than the 86 percent that did in 2006.

Number of Smallest Farms Steady

On the other end of the spectrum, the number of farms in the smallest size category, under 50,000 pounds a month, has remained steady since 2006, declining just 0.8 percent, or by 24 farms. Due to the overall decline in the number of farms, these smallest farms accounted for 22.3 percent of all farms in May 2009, up from 20.3 percent of all farms in 2006. This group declined by almost 15 percent between 2003 and 2006. It’s possible that high milk

prices during 2007 and 2008 have altered profitability of these smallest operations in a way that slowed their exit from the market during these high milk price years.

The number of farms in a size category may change due to changes in production and/or changes in pooling location. Increases or decreases do not necessarily imply a new farm or a farm going out of business. During any

Milk by State and Farm Size Under the Northeast Order, May 2003, 2006, and 2009

State/Area	Total Pooled		Farms Marketing 1.5 Million Pounds or More					
	2009		2009		2006		2003	
	Number of Farms	Million Pounds	Number of Farms	Million Pounds	Number of Farms	Million Pounds	Number of Farms	Million Pounds
NY	4,919	913	92	237	70	170	60	140
PA	5,768	736	27	55	15	29	8	18
VT	1,017	215	20	41	18	37	13	25
Other New England ^{1/}	752	127	6	13	4	9	3	6
Other Inside Area ^{2/}	721	113	3	7	4	9	4	9
Other Outside Area ^{3/}	126	17	1	5	0	0	0	0
Total	13,303	2,121	149	358	111	254	88	198

1/ Other New England includes CT, MA, ME, NH, and RI.

2/ Other Inside Area includes DE, MD, NJ, and VA.

3/ Other Outside Area includes ID, IN, MI, MN, ND, NV, OH, UT, WI, and WV.

of the growth in these large-size farms in the Northeast. Of the net increase of 38 “large” farms since 2006, those in New York accounted for 22 of them. “Large” farms accounted for 26.0 percent of the milk pooled from New York in May 2009, up from 19.6 percent in 2006. They accounted for 19.1 percent of the milk pooled from Vermont, up from 16.0 percent in 2006. There was one “large” farm pooling on the Northeast Order from outside the traditional marketing area in May 2009. Farms pooling between 750,000 and 1.5 million pounds a month increased by 34 farms during this period.

given year, the total number of farms producing greater than 1.5 million pounds a month may change due to the number of days in a month or the seasonality of milk production. ❖

Farm by Size Under the Northeast Order, May 2006 and 2009

Farm Size by Pounds	May 2009		May 2006		Change in	
	Number of Farms	Percent of Farms	Number of Farms	Percent of Farms	Number of Farms	Percent Change
0 – 49,999	2,973	22.3	2,997	21.3	(24)	(0.8)
50,000 – 99,999	4,805	36.1	5,239	37.2	(434)	(8.3)
100,000 – 199,999	3,431	25.8	3,765	26.8	(334)	(8.9)
200,000 – 499,999	1,425	10.7	1,481	10.5	(56)	(3.8)
500,000 – 749,999	256	1.9	245	1.7	11	4.5
750,000 – 1,499,999	264	2.0	230	1.6	34	14.8
1,500,000 and up	149	1.1	111	0.8	38	34.2
Total	13,303		14,068		(765)	(5.4)

Milk Production Up Slightly

For the first six months of 2009, milk production in the United States was up 0.3 percent from the same period in 2008 when adjusted for leap year. The actual volume was down 195 million pounds. The accompanying map shows year-to-year changes from 2008 to 2009 for the January–June period.

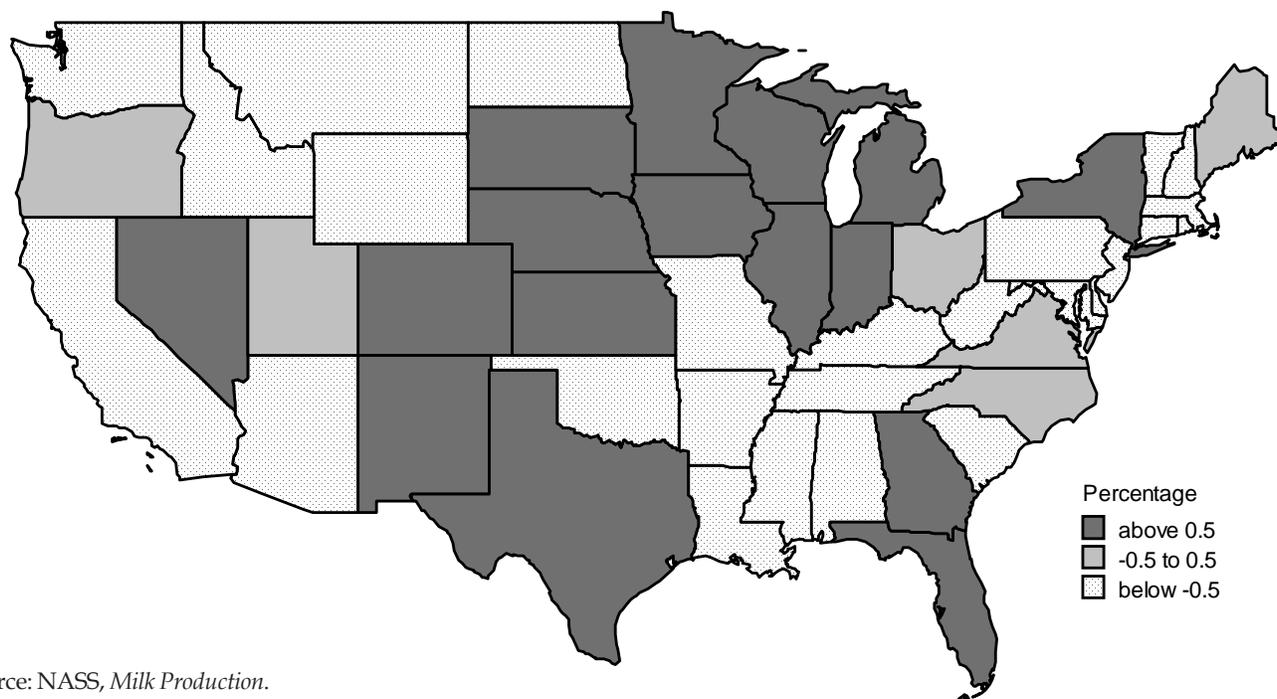
The top ten milk producing states showed an increase of 0.4 percent when adjusted for leap year. Only four of these states had declines: California, Idaho, Pennsylvania, and Washington. Of the remaining 40 states, 27 had decreases for the first six months. Within the top ten, Texas had the largest gain (8.3 percent) and surpassed Minnesota for the number six spot.

In the Northeast, all of the New England states have shown declines in milk production. Other states

contributing to the Northeast Order milkshed such as Delaware, Maryland, New Jersey, Pennsylvania, and West Virginia also showed decreases. Only New York and Virginia reported increases of 0.7 and 0.3 percent, respectively.

Milk prices have been on the decline for almost a year now, which historically has signaled to producers to curb production. The nature of dairying tends to result in a slow response to price signals as an industry and, as such, the extra output can have a depressing effect on prices. The economic recession has reduced the demand for dairy products in both retail and wholesale outlets, such as restaurants. This, combined with the substitution of less expensive dairy products, has resulted in a surplus of milk reflected in the lower prices, only to be further depressed by the additional milk production. ❖

U.S. Milk Production, Year to Year Percent Change, January–June, 2008–2009



Source: NASS, *Milk Production*.

Support Prices *(continued from page 1)*

Prices on the CME responded to the announced change almost immediately, jumping from \$1.19 per pound on July 30 to \$1.26 on July 31 and then to \$1.29 by August 7. Blocks rose from \$1.2250 per pound on July 30 to \$1.2850 on July 31 and to \$1.3100 by August 7. Grade A nonfat dry milk averaged \$0.8940 per pound for the week ending July 31; it rose to \$0.9520 for the week ending August 7. During that week, Commodity Credit Corporation (CCC) purchases at the new support price of \$0.92 per pound totaled 892,394 pounds, but due to cancellations of previously offered NFD (at the lower price) a net negative volume resulted.

Prices on the NASS survey, which are used in setting federal milk marketing order prices and lag behind the CME prices because of the different days used in calculating sales, reported blocks at \$1.1200 and barrels at \$1.1254 per pound for the week ending July 25. For the week ending August 1, blocks had risen slightly to \$1.1318 and barrels to \$1.1602 per pound, but these sales were prior to the increase announcement. For the week ending August 8, blocks jumped to \$1.1810 and barrels to \$1.2067 per pound. NASS nonfat dry milk prices averaged \$0.8499 on July 25, declined slightly to \$0.8420 by August 1, and then rose to \$0.8715 for the week ending August 8. ❖



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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	815,939,061	\$9.28	75,719,144.86	
Butterfat	15,727,112	1.3007	20,456,254.58	
Less: Location Adjustment to Handlers			(2,680,703.23)	\$93,494,696.18
Class II— Butterfat	31,311,107	1.2508	39,163,932.61	
Nonfat Solids	36,654,381	0.7478	27,410,146.15	66,574,078.76
Class III— Butterfat	17,940,699	1.2438	22,314,641.45	
Protein	14,986,036	1.6970	25,431,303.12	
Other Solids	28,479,665	0.0949	2,702,720.20	50,448,664.77
Class IV— Butterfat	8,654,988	1.2438	10,765,074.08	
Nonfat Solids	23,439,595	0.6677	15,650,617.57	26,415,691.65
Total Classified Value				\$236,933,131.36
Add: Overage—All Classes				29,601.83
Inventory Reclassification—All Classes				47,486.86
Other Source Receipts	150,194 Pounds			4,824.21
Total Pool Value				\$237,015,044.26
Less: Producer Component Valuations @ Class III Component Prices				(205,829,831.15)
Total PPD Value Before Adjustments				\$31,185,213.11
Add: Location Adjustment to Producers				10,069,565.25
One-half Unobligated Balance—Producer Settlement Fund				946,763.61
Less: Producer Settlement Fund—Reserve				(987,712.68)
Total Pool Milk & PPD Value	2,040,288,574 Producer pounds			\$41,213,829.29
Producer Price Differential		\$2.02		
Statistical Uniform Price		\$11.99		

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