

# The Market Administrator's BULLETIN

## NORTHEAST MARKETING AREA

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**September 2009**

Federal Order No. 1

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### September Pool Price Calculation

The September 2009 statistical uniform price (SUP) for the Northeast Marketing Area was announced at \$12.93 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 \$13.32 per hundredweight. The September statistical uniform price was 58 cents per hundredweight above the August price. The September producer price differential (PPD) at Suffolk County was 82 cents per hundredweight, a decrease of 33 cents per hundredweight from last month.

During September, all commodity prices rose except butter. NASS cheese and nonfat dry milk prices responded to the temporary increases in the purchase prices under the Dairy Price Support Program that took effect August 1. Dry whey prices increased slightly. As a result of the increases in cheese and nonfat dry milk, the prices for Classes III and IV both rose. The Class II price was the lowest class price for the month.

The producer protein test averaged 3.07 percent, a new record for the month of September. ❖

### Producer-Handler Recommended Decision

On October 21, 2009, the U.S. Department of Agriculture issued a recommended decision to adopt amendments to the producer-handler definition in all Federal milk marketing orders. This decision is based on testimony and evidence given at a public hearing held May 4-19 in Cincinnati, Ohio.

The decision recommends that the producer-handler definitions of all Federal milk marketing orders be amended to limit exemption from pooling and pricing provisions of the orders to those producer-handlers with total route disposition of fluid milk products of 3 million pounds or less per month. The exempt plant definition would continue to limit disposition of Class I milk products to 150,000 pounds or less per month.

Interested persons have until December 21, 2009, to file comments in response to the recommended decision. You may send your comments by using the Federal eRulemaking portal at <http://www.regulations.gov>.

For additional information about the decision contact the Northeast Order office or go to [www.fmmone.com](http://www.fmmone.com) for a link to USDA's National Producer-Handler Proceeding website. ❖

### Pool Summary

- A total of 13,264 producers were pooled under the Order with an average daily delivery per producer of 4,626 pounds.
- Pooled milk receipts totaled 1.841 billion pounds, a decrease of 1.8 percent 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 4.1 percentage points from August.
- The average butterfat test of producer receipts was 3.68 percent.
- The average true protein test of producer receipts was 3.07 percent.
- The average other solids test of producer receipts was 5.66 percent. ❖

#### Class Utilization

Pooled Milk	Percent	Pounds
Class I	46.7	858,904,456
Class II	22.5	414,387,731
Class III	23.2	427,722,892
Class IV	7.6	140,330,142
Total Pooled Milk		1,841,345,221

#### Producer Component Prices

	2009	2008
	\$/lb	
Protein Price	2.4243	3.2689
Butterfat Price	1.2226	1.8196
Other Solids Price	0.1018	0.0234

#### Class Price Factors

	2009	2008
	\$/cwt	
Class I	14.18	20.90
Class II	11.01	17.58
Class III	12.11	16.28
Class IV	11.15	15.45

## Large Stocks Could Hinder Price Recovery

Total stocks of dairy products on a total milk equivalent, milkfat basis reached 14.5 billion pounds in July 2009, the highest level since August 1993, and over 1 billion pounds more than a year earlier. The accompanying tables show total stocks on a milk equivalent, milkfat basis, total natural cheese stocks, and total nonfat dry milk stocks since January 2007. Total stocks include both commercial and government held stocks.

Total natural cheese stocks hit 988 million pounds in July 2009, the highest level since November 1984, and roughly 85 million pounds more than a year earlier. Total nonfat dry milk stocks were 424 million pounds in June 2009, the highest level January 2005, and roughly 300 million pounds higher than a year earlier. Total butter stocks are strong at over 260 million pounds in August 2009. Manufacturers stocks of dry whey for human use are strong at just over 50 million pounds, but are not as high as the previous two years.

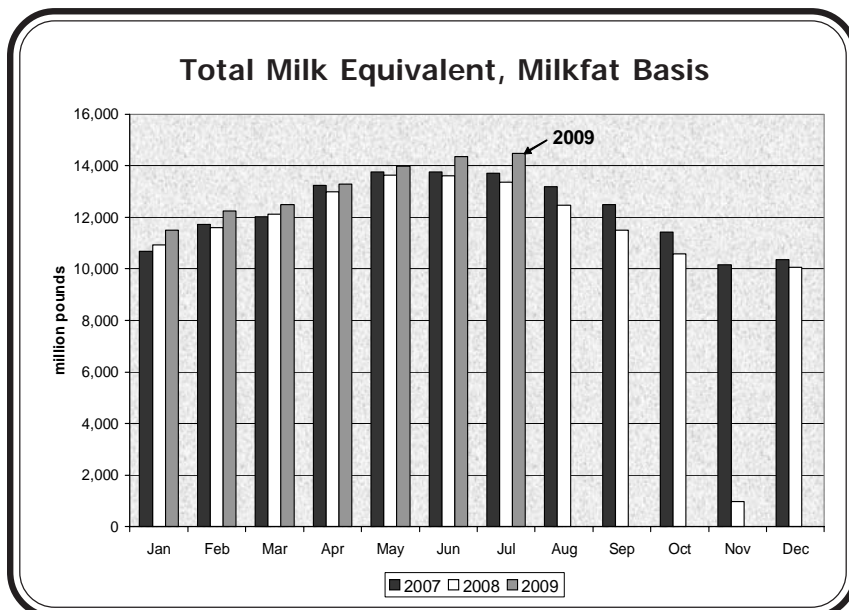
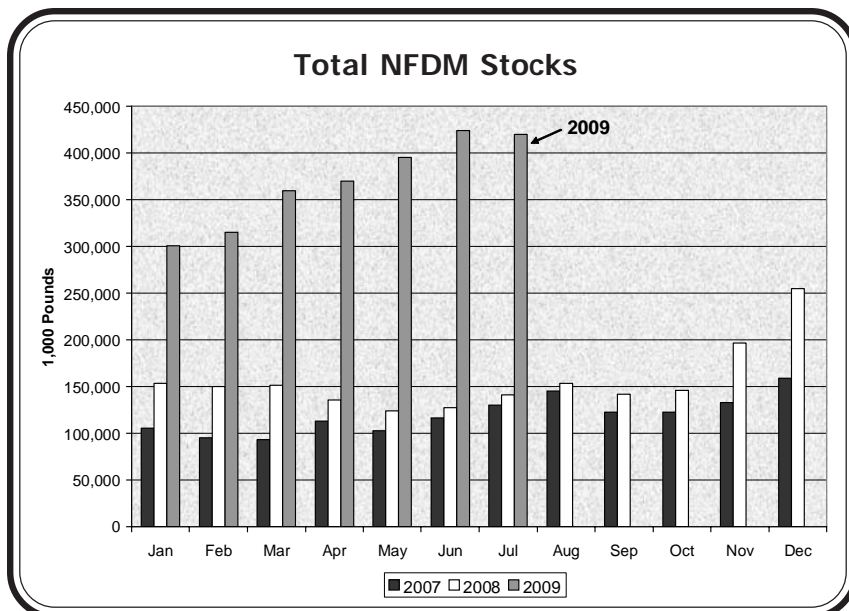
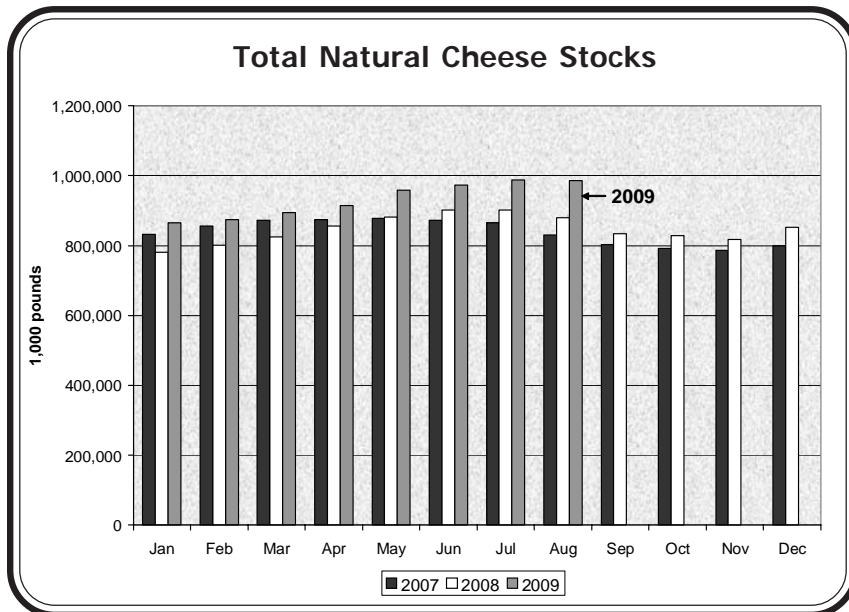
### Impact on Price

As prices for milk and dairy products are expected to rise heading into 2010, the recent build-up of large stocks of dairy products could tend to dampen or delay more substantial increases in the milk price. Improved demand and a contraction in milk production will help reduce stocks, but the price response from a more favorable supply and demand balance may be delayed as stocks are used down. ❖

### CCC Purchases Highest in 5 Years

During Marketing Year October 01, 2008, through September 30, 2009 (MY'09) the Commodity Credit Corporation (CCC) purchased 276,156,841 pounds of nonfortified nonfat dry milk and 4,639,010 pounds of butter. These were the first purchases since MY'06 and the largest total on a milk equivalent basis since MY '04. Table 1 shows CCC purchases from 1989 to 2009 in actual pounds purchased and on a milk equivalent basis (see calculation in Table 2). Even though purchases are higher than in many years, the 2009 total is considerably lower than totals during the early 1990's and 2000's.

The CCC began buying nonfat dry milk during the first week of October 2008 and purchases occurred nearly every week during the MY'09; prior to that, the last purchases were in July 2006. Butter purchases occurred during the second week of January 2009 through the last week of February; previously, the last butter purchased  
(continued on page 3)



## CCC Purchases *(continued from page 2)*

was in June 2003. There have been no purchases of cheese since MY'03 with the last cheese purchased in July 2003. The MY ended with no uncommitted inventories. Uncommitted inventories are stocks owned by the CCC that have not been sold, donated, or, in any way, committed for use. The last inventories were reported at the end of

**Chart 1**

### CCC Purchases of Dairy Products Under the Support Program, 1989–2009\*

MY** Ending	Butter	Cheese (million pounds)	NFDM	Milk Equivalent Total
1989	423.0	24.0	0.0	3950.2
1990	387.0	22.0	128.0	4519.6
1991	442.8	122.0	271.0	6986.5
1992	403.5	56.3	9.4	4156.2
1993	327.6	4.9	18.0	3,055.2
1994	168.6	0.0	50.8	1,841.1
1995	26.4	0.0	24.6	406.2
1996	0.0	0.0	0.0	0.0
1997	0.0	1.9	31.9	244.1
1998	0.0	0.0	121.3	857.6
1999	0.0	0.0	186.1	1,315.9
2000	0.0	6.9	490.0	3,532.1
2001	0.0	1.1	398.9	2,927.7
2002	0.0	7.4	653.2	4,690.0
2003	11.4	41.1	624.6	4,913.5
2004	0.0 #	0.0	361.9	2,558.7
2005	0.0	0.0	31.8	225.0
2006	0.0	0.0	64.0	452.6
2007	0.0	0.0	0.0	0.0
2008	0.0	0.0	0.0	0.0
2009	4.6	0.0	276.2	1,993.8

\* Does not include purchases under Dairy Export Incentive Program.

\*\* Marketing year; October 1 through September 30.

# Negative value less than 50,000 pounds (sellbacks were greater than purchases).

Sources: Commodity Credit Corporation; *Dairy Market News*.

**Chart 2**

### Milk Equivalent Calculation

Milk Equivalent Calculation

$$\text{Milk Equivalent (ME)} = .40 \times \text{Fat Value (FV)} + .60 \times \text{Skim Value (SV)}$$

$$\text{FV} = (\text{Butter lbs.} \times 21.8) + (\text{Cheese lbs.} \times 9.23) + (\text{NFDM lbs.} \times .22)$$

$$\text{SV} = (\text{Butter lbs.} \times .12) + (\text{Cheese lbs.} \times 9.9) + (\text{NFDM lbs.} \times 11.64)$$

$$\text{ME} = (.40 \times \text{FV}) + (.60 \times \text{SV})$$

2009 Example:

$$\text{Butter} = 4.639 \text{ mil lbs.} \quad \text{NFDM} = 276.157 \text{ mil lbs.}$$

$$\text{FV} = (4.639 \times 21.8) + (0 \times 9.23) + (276.157 \times .22) = 161.885$$

$$\text{SV} = (4.639 \times .12) + (0 \times 9.9) + (276.157 \times 11.64) = 3215.02$$

$$\text{ME} = (.40 \times 161.885) + (.60 \times 3215.02) = 1,993.766$$

MY 2004 when 609 million pounds of nonfat dry milk were held.

As previously reported (see the *Bulletin* of July and August 2009), the CCC purchase prices for cheese and nonfat dry milk were increased temporarily from August 1 through October 30, 2009. Since this action, and as of October 16, 2009, there were purchases of nonfat during only 2 weeks with cancellations of previously purchased sales occurring in 4 weeks, resulting in a net decrease overall. (Sometimes sales to the CCC are cancelled by sellers when prices on the commercial market increase.) No butter or cheese was purchased during this time. ❖

## Pool Summary for All Federal Orders, January–September, 2008–2009

Federal Order Number	Federal Order Name	Total Producer Milk			Producer Price Differential#		Statistical Uniform Price#*	
		2008	2009	Change~ percent	2008	2009	2008	2009
		pounds			dollars per hundredweight			
<b>1</b>	<b>Northeast</b>	<b>18,115,940,425</b>	<b>17,891,927,798</b>	<b>(0.9)</b>	<b>1.38</b>	<b>1.83</b>	<b>19.32</b>	<b>12.32</b>
5	Appalachian	4,374,224,696	4,468,272,092	2.5	N/A	N/A	20.59	13.34
6	Florida	2,360,941,969	2,274,335,206	(3.3)	N/A	N/A	22.43	15.49
7	Southeast	5,191,794,824	5,427,178,385	4.9	N/A	N/A	20.79	13.55
30	Upper Midwest	20,922,092,230	24,312,436,688	16.6	0.25	0.32	18.18	10.81
32	Central	8,634,131,331	9,825,156,156	14.2	0.17	0.58	18.10	11.07
33	Mideast	11,994,732,510	12,560,919,834	5.1	0.61	0.95	18.54	11.44
124	Pacific Northwest	5,332,283,990	5,565,031,812	4.7	(0.30)	0.55	17.63	11.04
126	Southwest	7,571,118,510	8,539,652,244	13.2	0.99	1.60	18.92	12.08
131	Arizona	3,130,079,422	3,070,279,418	(1.6)	N/A	N/A	18.13	11.33
All Market Total/Average		87,627,339,907	93,935,189,633	7.6	0.52	0.97	19.26	12.25

# Price at designated order location.

\* Price at 3.5% butterfat.

~ Adjusted for leap year.

N/A = Not applicable.



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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	842,794,942	\$9.99	84,195,214.71	
Butterfat	16,109,514	1.2971	20,895,650.61	
Less: Location Adjustment to Handlers			(2,805,252.95)	\$102,285,612.37
Class II— Butterfat	27,964,366	1.2296	34,384,984.42	
Nonfat Solids	35,016,414	0.7722	27,039,674.91	61,424,659.33
Class III— Butterfat	16,353,224	1.2226	19,993,451.66	
Protein	13,146,459	2.4243	31,870,960.55	
Other Solids	24,186,938	0.1018	2,462,230.30	54,326,642.51
Class IV— Butterfat	7,251,244	1.2226	8,865,370.93	
Nonfat Solids	12,057,662	0.7906	9,532,787.58	18,398,158.51
<b>Total Classified Value</b>				<b>\$236,435,072.72</b>
Add: Overage—All Classes				72,171.81
Inventory Reclassification—All Classes				102,161.15
Other Source Receipts	103,487 Pounds			1,731.59
<b>Total Pool Value</b>				<b>\$236,611,137.27</b>
Less: Producer Component Valuations @ Class III Component Prices				(230,235,773.14)
<b>Total PPD Value Before Adjustments</b>				<b>\$6,375,364.13</b>
Add: Location Adjustment to Producers				8,951,605.85
One-half Unobligated Balance—Producer Settlement Fund				635,945.40
Less: Producer Settlement Fund—Reserve				(863,036.00)
<b>Total Pool Milk &amp; PPD Value</b>	1,841,448,708 Producer pounds			<b>\$15,099,879.38</b>
Producer Price Differential		<b>\$0.82</b>		
Statistical Uniform Price		<b>\$12.93</b>		

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