



# The Market Administrator's BULLETIN

## NORTHEAST MARKETING AREA

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### November Pool Price Calculation

The November 2009 statistical uniform price (SUP) for the Northeast Marketing Area was announced at \$15.02 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 \$15.81 per hundredweight. The November statistical uniform price was \$0.96 per hundredweight above the October price. The November producer price differential (PPD) at Suffolk County was \$0.94 per hundredweight, a decrease of 30 cents per hundredweight from last month.

During November, all commodity prices rose again resulting in higher component and class prices. The Class I price (announced in advance) increased 51 cents per hundredweight, the Class II price rose \$1.31 cents, the Class III increased \$1.26, and the Class IV price grew \$1.39 per hundredweight. The Class II price was the lowest class price for the month. The increase in class prices resulted in a higher SUP, but the tightening of prices between the classes resulted in a lower PPD. ❖

### Regional Dairy Outlook Conference Held

The 2009 Northeast Regional Dairy Outlook Conference was held November 20 at the Northeast Marketing Area's Albany office. The annual conference brings together economists and statisticians from the Northeast Market Administrator's office, state and federal agricultural statistical services, university extension offices, cooperatives and agribusinesses to review regional production and price statistics for the past year and develop projections for the upcoming year. The region representatives include the states of Delaware, Maryland, New England, (Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, and Vermont), New Jersey, New York, and Pennsylvania.

#### Crop Situation

Most of the participants reported that crop yields were up from last year, although not all acreage has been harvested. Wet weather has delayed harvesting and also contributed to slightly poorer quality. New Jersey and Pennsylvania both reported higher yields for corn, soybean, and hay. New York reported slightly less yields of corn and hay while the New England states forecast lower corn yields, but higher hay yields.

#### Production Estimates

Milk production in the Northeast is expected to finish nearly  
(continued on page 3)

### Pool Summary

- A total of 13,269 producers were pooled under the Order with an average daily delivery per producer of 4,567 pounds.
- Pooled milk receipts totaled 1.818 billion pounds, an increase of 0.2 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 46.3 percent of total milk receipts, a decrease of 2.6 percentage points from October.
- The average butterfat test of producer receipts was 3.79 percent.
- The average true protein test of producer receipts was 3.13 percent.
- The average other solids test of producer receipts was 5.68 percent. ❖

#### Class Utilization

Pooled Milk	Percent	Pounds
Class I	46.3	841,647,014
Class II	21.6	392,037,961
Class III	22.9	416,916,729
Class IV	9.2	167,425,696
Total Pooled Milk		1,818,027,400

#### Producer Component Prices

	2009	2008
	\$/lb	
Protein Price	2.6991	3.1301
Butterfat Price	1.4656	1.7730
Other Solids Price	0.1524	(0.0099)

#### Class Price Factors

	2009	2008
	\$/cwt	
Class I	16.11	20.58
Class II	13.24	14.45
Class III	14.08	15.51
Class IV	13.25	12.25

## Trends in Utilization

For the first 9 months of 2009, total producer receipts (milk pooled from producers shipping to handlers regulated under the Order) declined by 0.9 percent (adjusted for leap year). Milk prices and production in the United States notably have been up and down in the past few years, and the economy has changed dramatically. This article looks briefly at trends in Northeast Order utilization over the past four years during the first 9 months given this environment and underlying consumer trends.

### Class I

In the United States, total sales of fluid milk over the past four decades have generally risen at a slow but steady pace, while per capita sales have declined. Northeast Order data for the first three quarters of 2006 through 2009 show utilization of Class I, though having increased by volume and percent in 2007 (to 44.8 percent), declined by both volume and percent (to 42.3 and 42.4 percent, respectively) the following two years. It's possible that very high fluid milk prices in 2008 resulted in some demand response that has yet to recover. Within the class, whole milk and reduced fat (2%) milk continued to decline as a portion of Class I utilization as lowfat (1 %) and fat-free milk have increased or held their share of the category (see accompanying chart). Sales of flavored milk and drinks have declined since 2006.

### Class II

U.S. sales of yogurt have tripled over the past 10 years reaching \$4.1 billion in 2009. More than 1,200 new yogurt products were launched since 2005. Some sources project sales to reach \$5.1 billion by 2014. In the Northeast Order, Class II utilization has remained steady between 19.0 and 20.1 percent since 2006. Within the category, Yogurt increased by 28.7 percent in 2009 and represents 8.6 percent of Class II sales in the Northeast for the first 9 months. Increased production capacity of specialty yogurts in the Northeast likely has contributed to the increase in sales.

The cottage cheese share of the category, on the other hand, has continued to decline, and is now just 9.7 percent of Class II sales in the Northeast. As far back as 1993, there have been industry wide efforts to reinvigorate cottage cheese sales by promoting the product as versatile and lowfat, but those efforts have yet to spur increased production volumes in the Northeast Order.

### Class III

The biggest percent gain in Class III volume is in Swiss cheese, jumping about 36 percent in volume from 2008 to 2009, though still much smaller in volume than Italian and

American type cheeses. Swiss cheese accounted for 6.3 percent of Class III sales in the first 9 months 2009, but previously had been steady at about 4.5 percent during the previous three years. According to industry analysts, Swiss and American cheese promotions on McDonald's successful line of Angus burgers, may have contributed to the increased utilization within the category. American cheese volume in 2009 also was higher than the previous three years and was 30.5 percent of Class III Volume.

In contrast, the volume of Italian-type cheeses, the dominant product in the category, declined by 5.5 percent from 2008 to 2009 and represented 48.6 percent of Class III sales. Italian cheeses had accounted for almost 53 percent of Class III volume in 2008.

### Class IV

Overall Class IV utilization has showed the most variability over the past 6 years, accounting for between 12.9 percent of milk pooled on the Northeast Order in 2007 and 17.7 percent in 2008. As the category is dominated by dried products in the Northeast, Class IV volume is influenced by industry balancing efforts. Condensed products, which made up about 7 percent of the category in 2006 and 2007, have shrunk to 3.8 percent in 2009. ❖

**Northeast Order Utilization for Selected Products, January–September, 2006–2009**

	Product	2009				
		Volume* Utilized million lbs	Percent of Class			
		2006	2007	2008	2009	
<b>Class I</b>	Whole	2,126.8	28.7	27.5	25.9	25.2
	Reduced Fat – 2%	1,483.5	18.2	18.6	18.1	17.6
	Lowfat – 1%	1,238.5	13.8	14.0	14.5	14.7
	FatFree	1,077.1	12.4	12.5	12.8	12.8
	Flavored	370.3	4.8	4.7	4.7	4.4
	<b>Total Class I</b>	<b>8,436.1</b>				
<b>Class II</b>	Packaged Cream	759.7	19.4	19.1	19.5	19.5
	Cottage	377.8	12.9	11.5	11.1	9.7
	Ricotta	146.7	4.2	3.7	3.6	3.8
	Sour Cream	151.7	4.5	4.0	4.0	3.9
	Yogurt and Eggnog	333.2	6.6	7.4	6.8	8.6
	Ice Cream, Desserts	1,367.3	34.5	34.1	36.5	35.1
	<b>Total Class II</b>	<b>3,891.4</b>				
<b>Class III</b>	American	1,313.2	31.8	30.8	29.4	30.5
	Italian	2,092.1	51.6	51.2	52.9	48.6
	Swiss	270.9	4.4	4.5	4.8	6.3
	<b>Total Class III</b>	<b>4,307.2</b>				
<b>Class IV</b>	Condensed	123.9	6.6	7.0	5.6	3.8
	Butter	137.1	4.6	5.3	3.6	4.3
	Dried Milk Products	1,987.4	59.1	49.4	52.9	61.7
	<b>Total Class IV</b>	<b>3,219.3</b>				

\* Class totals include other categories not shown such as bulk shipments to nonorder plants, inventory, and shrinkage.

## 2010 Payment Dates to Producers

The calendar below shows the dates for partial payments to producers that are not members of cooperatives. Partial payments are paid to producers for the milk received by pool handlers during the first 15 days of the month and are paid at not less than the lowest announced class price for the preceding month, less proper deductions authorized in writing by the producer. 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, the date that final payments to producers must be received by is printed on the back of the Pool Price Announcement. The final payment is for the remaining milk received and is priced such that the producer should receive an average price for the entire month's milk at roughly the uniform price with adjustments for zone differential, component values, and other deductions relevant to that producer.

Producers that are members of cooperatives usually receive payments at the same time, although it is not required by the Order. ❖

### Required Producer Payments Under the Northeast Order

Month Milk Produced	Partial Payment Due	
	Day	Date
January	Monday	1/26/10
February	Thursday	2/26/10
March	Thursday	3/26/10
April	Monday	4/26/10
May	Tuesday	5/26/10
June	Friday	6/28/10
July	Monday	7/26/10
August	Wednesday	8/26/10
September	Monday	9/27/10
October	Monday	10/26/10
November	Friday	11/26/10
December	Monday	12/27/10

## Regional Dairy *(continued from page 2)*

1 percent below for 2009; nationally the drop is about 0.1 percent from 2008. For 2010, total milk production in the Northeast is estimated to decline another 0.5 with all states predicting a decrease except Pennsylvania, which is projecting essentially flat growth from 2009. Nationally, milk production is estimated to drop nearly 1 percent in 2010. Most of the decline in production is the result of less milk cows forecasted. All Northeastern states have seen a decline (combined 1.2 percent) in 2009 due to a combination of dairy farm exits and herd buyouts sponsored by Cooperatives Working Together (CWT). For the U.S. as a whole, cow numbers are down 1.3 percent. The Northeastern states predict another decline, although not as severe (0.8 percent) for 2010. Nationally, cow numbers are projected to drop 2.6 percent. Milk production per cow for 2009 is expected to be unchanged from 2008 and increase 0.6 percent in the Northeast for 2010. US milk per cow should finish 2009 up about 1 percent and grow an additional 1.7 in 2010.

Industry representatives commented that the mid-size farms were the ones most likely to go out of business during a low price period. They tend to expand when prices are high and get caught in the downturn, unable to pay their debt. Smaller, and larger, farms maintain their size and can weather the price changes better.

### Price Estimates

Representatives felt that there will be demand growth next year in Asian markets. Domestic use will be flat, but the export market should increase and help prices improve. The group's consensus for the Northeast Order statistical uniform price is an annual average of \$12.98 per hundredweight for 2009. For the upcoming year, the group forecasts prices to rise, averaging \$17.12 per hundredweight for 2010 (see accompanying table), an increase of over \$4.00 per hundredweight.

Milk production during 2008 was up 2.1 percent and for the past 4 years, has averaged a year-over-year increase of 2.7 percent. Production did not start to decline until mid-summer of 2009 and as it tightened, prices began to rebound slowly. If U.S. milk production finishes 2009 below last year, it would be the first decline since 2001. With 2010 expected to finish even lower, milk prices should increase as projected.

Representatives had mixed feelings regarding cheese and nonfat dry milk prices. Some felt cheese prices will rise giving way to the Class III prices as the mover throughout 2010. Others felt powder prices may rise higher at either the beginning or the end of the year and result in a Class IV mover. Negative producer price differentials (PPDs) are not projected at this time at the base zone, but could result in the in the outer zones during 2010. Based on the commodity and futures prices forecasted, PPDs are expected to be range from \$1.07 to \$1.71 per hundredweight. ❖

### Northeast Milk Marketing Area Statistical Uniform Prices, 2008–2010\*

Month	2008	2009	2010
	Actual	Actual and Estimated	Estimated
January	21.11	14.14	16.35
February	19.54	11.75	16.67
March	17.89	11.56	16.67
April	18.55	12.08	16.69
May	18.18	12.18	16.74
June	19.56	11.93	16.95
July	20.61	11.99	17.20
August	19.50	12.35	17.48
September	18.90	12.93	17.72
October	17.44	14.06	17.72
November	17.09	15.01	17.69
December	15.06	15.82	17.59
Average	18.62	12.98	17.12

\* Estimated prices for November and December 2009, and all of 2010. All estimates are subject to change. Prices are reported at Suffolk County, MA. The actual price for November is \$15.02 per cwt, announced in this issue.



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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	825,075,267	\$11.95	98,596,494.41	
Butterfat	16,571,747	1.3077	21,670,873.55	
Less: Location Adjustment to Handlers			(2,742,653.21)	\$117,524,714.80
Class II— Butterfat	28,103,424	1.4726	41,385,102.19	
Nonfat Solids	33,342,563	0.9311	31,045,260.39	72,430,362.58
Class III— Butterfat	16,399,597	1.4656	24,035,249.37	
Protein	13,108,419	2.6991	35,380,933.71	
Other Solids	23,643,171	0.1524	3,603,219.23	63,019,402.31
Class IV— Butterfat	7,786,168	1.4656	11,411,407.81	
Nonfat Solids	14,648,212	0.9348	13,693,148.54	25,104,556.35
<b>Total Classified Value</b>				<b>\$278,079,036.04</b>
Add: Overage—All Classes				73,978.49
Inventory Reclassification—All Classes				418,563.27
Other Source Receipts	310,324 Pounds			6,895.01
<b>Total Pool Value</b>				<b>\$278,578,472.81</b>
Less: Producer Component Valuations @ Class III Component Prices				(270,405,426.64)
<b>Total PPD Value Before Adjustments</b>				<b>\$8,173,046.17</b>
Add: Location Adjustment to Producers				8,805,264.83
One-half Unobligated Balance—Producer Settlement Fund				891,992.37
Less: Producer Settlement Fund—Reserve				(777,928.70)
<b>Total Pool Milk &amp; PPD Value</b>	1,818,337,724 Producer pounds			<b>\$17,092,374.67</b>
Producer Price Differential		<b>\$0.94</b>		
Statistical Uniform Price		<b>\$15.02</b>		

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