

# The Market Administrator's

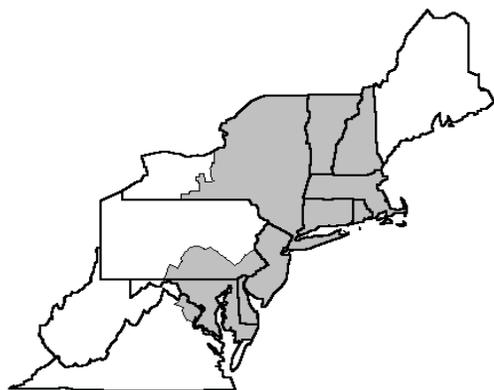
# BULLETIN

## NORTHEAST MARKETING AREA

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Federal Order No. 1



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## January Pool Price Calculation

The January 2010 statistical uniform price (SUP) for the Northeast Marketing Area was announced at \$16.26 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 \$16.98 per hundredweight. The January statistical uniform price was 15 cents per hundredweight above the December price. The January producer price differential (PPD) at Suffolk County was \$1.76 per hundredweight, an increase of 63 cents per hundredweight from last month.

During January, all commodity prices declined except dry whey. The NASS average cheese price decreased 3.7 percent from last month, lowering the Class III price 48 cents. Butter and nonfat dry milk prices dropped 5.9 and 7.2 percent, respectively, resulting in a \$1.16 per hundredweight decline in the Class IV price, making it the lowest class price for the month. The Class I and II prices both increased as their formulas contain factors announced in advance and are based on the prior month's commodity prices.

The Class II volume of 401.5 million pounds was the highest on record for the month of January since the Order's inception. ❖

## Northeast Order Changes—the Past Ten Years

The Northeast Milk Marketing Order was formed in 2000 when the federal order system was reformed. The current milk marketing area is the consolidation of the former New England, New York-New Jersey, and Middle Atlantic areas. It encompasses an area that draws milk from producers located from Maine to Virginia and includes such metropolitan centers as Boston, New York City, Philadelphia, Baltimore, and Washington, DC. The accompanying summary and table on page 3 provide a snapshot of how the order has changed during the last 10 years.

### Volume and Producer Changes

When the Order began, there were 18,009 producers pooled by handlers regulated under the Order; that number has declined to 13,187 as of December 2009, a drop of 26.8 percent. The total volume of producer milk receipts in 2000 was 23,956.9 million pounds; in 2009 it equaled 23,494.7 million pounds, a decrease of 1.9 percent. Average daily deliveries per producer equaled 3,788 pounds in 2000; the (continued on page 3)

## Pool Summary

- A total of 13,351 producers were pooled under the Order with an average daily delivery per producer of 4,735 pounds.
- Pooled milk receipts totaled 1.960 billion pounds, an increase of 2.5 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 43.6 percent of total milk receipts, a decrease of 3.7 percentage points from December.
- The average butterfat test of producer receipts was 3.78 percent.
- The average true protein test of producer receipts was 3.10 percent.
- The average other solids test of producer receipts was 5.71 percent. ❖

### Class Utilization

Pooled Milk	Percent	Pounds
Class I	43.6	855,324,161
Class II	20.5	401,466,233
Class III	22.4	439,360,662
Class IV	13.5	263,538,326
Total Pooled Milk		1,959,689,382

### Producer Component Prices

	2010	2009
	\$/lb	
Protein Price	2.7916	2.3638
Butterfat Price	1.4405	1.1084
Other Solids Price	0.1946	(0.0304)

### Class Price Factors

	2010	2009
	\$/cwt	
Class I	18.28	18.99
Class II	15.22	10.41
Class III	14.50	10.78
Class IV	13.85	9.59

## Class I Sales Continue Decline in 2009

Sales of fluid milk products in the Northeast Milk Marketing Area as reported by pool handlers regulated under the Order totaled 8.8 billion pounds in 2009, down 1.4 percent from 2008, the largest decline since the Order's inception. This figure does not include sales from producer-handlers, exempt plants, or plants fully or partially regulated by other federal orders with packaged milk sales within the Northeast Marketing Area.

The accompanying table shows Northeast sales by product for 2009, on a percentage basis, change from previous year, and sales on a per capita basis. Totals have been adjusted for leap year in 2008.

**Sales of Fluid Milk Products in the Northeast Milk Marketing Area, 2009, with Comparisons**

Product	Sales mill. lbs.	2008-09	Proportion of	Per capita
		Change	Total Sales	Sales
			percent	pounds
Whole Milk	2,920.7	(2.8)	33.2	54.6
Reduced Fat Milk	1,992.8	(0.5)	22.6	37.3
Low Fat Milk	1,889.3	1.0	21.4	35.3
Fat-Free Milk	1,441.8	(0.7)	16.4	27.0
Flavored Milk and Drinks	503.7	(7.4)	5.7	9.4
Buttermilk, eggnog, other	60.7	(2.9)	0.7	1.1
<b>Total</b>	<b>8,809.1</b>	<b>(1.4)</b>	<b>100.0</b>	<b>164.8</b>

### Northeast Sales by Product

All categories showed a drop in sales except low fat milk (1 percent butterfat), which grew 1.0 percent from 2008. Once again, flavored milk and drinks (includes flavored whole milk and reduced and low fat flavored products) had the largest decline in the Northeast, dropping 7.4 percent. Whole milk sales dropped of 2.8 percent; the combined category of buttermilk, eggnog, and other products such as yogurt drinks fell 2.9 percent. Reduced fat (2 percent milk) and fat-free (skim) declined 0.5 and 0.7 percent, respectively from 2008.

### Per Capita Sales

The Northeast Marketing Area includes the entire states of Connecticut, Delaware, Massachusetts, New Hampshire, New Jersey, Rhode Island, and Vermont; the District of Columbia; most of Maryland and New York; and portions of Pennsylvania and Virginia. This area includes many metropolitan centers such as New York City, Boston, Philadelphia, Baltimore, and Washington, DC. The total

estimated population for 2009 in the marketing area was 53.5 million people, as reported by the Bureau of Census; this is up slightly from the revised population figure of 53.2 million people for 2008.

On a per capita basis in the Northeast Marketing Area, the average person consumed 164.8 fluid pounds (about 19 gallons) in 2009, down from 167.9 pounds in 2008. Despite a decline in sales, whole milk remains the most popular product in the Northeast with 54.6 pounds; the lower fat products: reduced fat, low fat, and fat-free had 37.3, 35.3, 27 pounds each, respectively. Flavored products accounted for 9.4 pounds per capita and the combined buttermilk/eggnog category accounted for 1.1 pounds in the Northeast in 2009.

### Price Effect on Sales?

During 2009, Class I prices averaged 30 percent less than the previous year, but the lower prices did not appear to translate into higher sales as reported by regulated handlers in the Northeast Marketing Area. ❖

## Market Services 2009 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 30,645 miles. The market service department checked 426 farm bulk tanks throughout the Northeast Marketing Area Milkshed during the 2009 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 426 tanks checked, 36 were out of tolerance and were recalibrated. 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 100 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. Of the tanks that were recalibrated or calibrated, 72 percent were 1,500 gallon tanks or smaller. The 426 checks and the 100 additional calibrations total at least 526 farm visits. A total of 136 calibrations and recalibrations were performed. A breakdown of checks and calibrations/recalibrations by tank size

**2009 Tank Calibration Work by Tank Size**

Tank Size (gallons)	Checks	Calibrations/ Recalibrations
0-500	28	10
501-1000	198	59
1001-1500	89	29
1501-2000	61	19
2001-3000	28	10
3001-6000	20	9
6000+	2	0
<b>Total</b>	<b>426</b>	<b>136</b>

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. ❖

## Northeast Order Changes *(continued from page 1)*

amount per producer was 4,809 in 2009, an increase of 27.0 percent.

During 2000, 42.4 percent of all milk pooled under the Order came from producers located in New York; 32 percent was from Pennsylvania producers. In 2009, 43.6 percent was from New York while 34.3 came from Pennsylvania producers. In 2000, New York producers made up 39.2 percent of all producers shipping to handlers regulated under the Order; Pennsylvania accounted for 38.9 percent. In 2009, more producers were from Pennsylvania (43.3 percent), while New York accounted for 36.9 percent.

In December 2000, there were 268 plants receiving milk from pool producers; in December 2009, this number had dropped to 204. These plants include those processing milk for fluid consumption as well as those non-pool plants that manufacture dairy products such as cheese, butter, ice cream, and other dairy products.

### Receipts by Class

In 2000, pooled milk used for Class I purposes (bottled milk) equaled 10,513.1 million pounds; in 2009, Class I use equaled 10,267.8 million pounds, a decrease of 2.3 percent. Since 2004, Class I sales have declined, on average, about 1.0 percent annually (see related article on page 2). Over the years Class II usage has grown, although inconsistently. In 2000, total Class II usage equaled 4,146.9 million pounds; it rose to 4,747.4 million pounds in 2009 (an increase of 14.5 percent).

In contrast, Class III usage has declined. In 2000, Class III pounds totaled 6,963.4 million pounds; in 2009, Class III usage had an annual total of 5,530.7 million pounds (a decrease of 20.6 percent). Some of this decline is due to the loss of plants in the region, mentioned above, that manufactured Class III products, particularly cheese. Class IV pounds have been inconsistent over the time period; variations occur due to market conditions based on overall milk supply and the demand for butter and nonfat dry milk. Annual totals have ranged from 2,068.3 million pounds in 2003 to 3,530.9 million in 2008.

### Producer Component Tests

The producer butterfat test averaged 3.71 percent in 2000 and 3.72 percent in 2009. Over the past 10 years, the annual average has ranged from 3.67 percent to 3.73 percent (a difference of 0.06 percentage points). Monthly average butterfat tests have ranged from 3.50 to 3.84 percent. The average producer protein test has shown fairly consistent increases. It averaged 2.99 percent in 2000 and rose to 3.06 percent,

### Northeast Order, Selected Statistics, 2000 vs. 2009\*

Statistic	2000	2009	Change
	million pounds		percent
Pounds:			
Class I	10,513.1	10,267.8	(2.3)
Class II	4,146.9	4,747.4	14.5
Class III	6,963.4	5,530.7	(20.6)
Class IV	2,333.5	2,948.8	26.4
Total	23,956.9	23,494.7	(1.9)
	pounds		
Daily Deliveries per Producer	3,788	4,809	27.0
Producers:	count		
(Jan vs. Dec)	18,009	13,187	(26.8)
Handler#:			percentage
(Dec vs. Dec)	268	204	(23.9)
Tests:	percent		percentage
Butterfat	3.71	3.72	0.01
Protein	2.99	3.06	0.07
Other solids	5.67	5.69	0.02

\* Annual totals/averages unless otherwise noted.

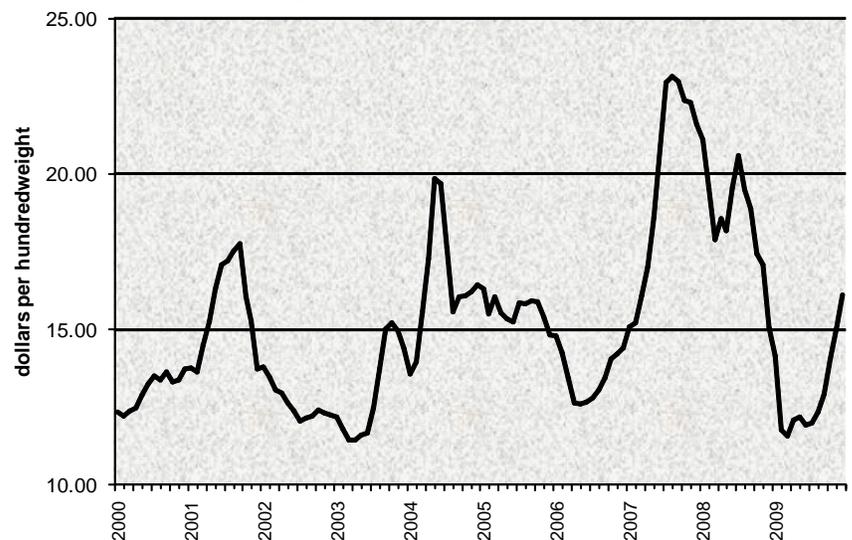
# Handler count includes pool and nonpool plants receiving pool milk for fluid processing and manufacturing purposes.

an increase of 0.07 percentage points. Monthly average protein tests have ranged from 2.88 to 3.15 percent. Other solids tests have shown less variation, ranging from an average of 5.67 percent to 5.71 percent over the past ten years (a variation of only 0.04 percentage points).

### Price Changes

Over the ten year period, the annual average statistical uniform price ranged from \$12.64 in 2002 to \$19.85 per hundredweight in 2007 (see accompanying chart). During this period, prices ranged from a low of \$11.43 in March 2003 to a high of \$23.14 in August 2007. ❖

### Northeast Order Statistical Uniform Price, January 2000—December 2009





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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	839,683,079	\$13.07	109,746,578.43	
Butterfat	15,641,082	1.6199	25,336,988.73	
Less: Location Adjustment to Handlers			(2,789,693.06)	\$132,293,874.18
Class II— Butterfat	28,340,872	1.4475	41,023,412.30	
Nonfat Solids	34,161,125	1.1689	39,930,939.02	80,954,351.32
Class III— Butterfat	17,028,436	1.4405	24,529,462.11	
Protein	13,660,451	2.7916	38,134,515.04	
Other Solids	25,060,678	0.1946	4,876,807.96	67,540,785.11
Class IV— Butterfat	13,032,353	1.4405	18,773,104.50	
Nonfat Solids	23,001,745	1.0148	23,342,170.80	42,115,275.30
<b>Total Classified Value</b>				<b>\$322,904,285.91</b>
Add: Overage—All Classes				205,383.81
Inventory Reclassification—All Classes				(48,590.11)
Other Source Receipts	464,349 Pounds			14,421.52
<b>Total Pool Value</b>				<b>\$323,075,501.13</b>
Less: Producer Component Valuations @ Class III Component Prices				(298,229,355.28)
<b>Total PPD Value Before Adjustments</b>				<b>\$24,846,145.85</b>
Add: Location Adjustment to Producers				9,608,226.07
One-half Unobligated Balance—Producer Settlement Fund				839,369.82
Less: Producer Settlement Fund—Reserve				(795,036.00)
<b>Total Pool Milk &amp; PPD Value</b>	1,960,153,731 Producer pounds			<b>\$34,498,705.74</b>
Producer Price Differential		<b>\$1.76</b>		
Statistical Uniform Price		<b>\$16.26</b>		

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