

The Market Administrator's

# BULLETIN

## NORTHEAST MARKETING AREA

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Federal Order No. 1

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### April Pool Price Calculation

The April 2010 statistical uniform price (SUP) for the Northeast Marketing Area was announced at \$15.11 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 milk, the SUP would be \$15.45 per hundredweight. The April statistical uniform price was 43 cents per hundredweight below the March price. The April producer price differential (PPD) at Suffolk County was \$2.19 per hundredweight, a decrease of 57 cents per hundredweight from last month.

During April, all commodity prices increased except dry whey, which declined slightly. The NASS average cheese price increased about 2 cents; butter rose about 4 cents and nonfat dry milk jumped about 8 cents. Both the Class III and IV prices rose, but the Class I and Class II prices, which use market prices from the prior month, declined. With Class I and II prices declining and Class III and IV prices rising, the tighter spread between the classes resulted in a lower PPD and overall lower blend price.

A change in pooling status of a large Class I plant (normally pooled in the Mideast Federal Order) contributed to the largest Class I volume for the month of April since 2004. The average daily change in total milk receipts between March and April was the highest since the Order's inception. This was the result of the pooling change and strong milk production. ❖

### Producer-Handler Rule Issued

On April 23, 2010, USDA issued a final rule amending the producer-handler definition in all federal milk marketing orders. Producers approved the amendments in referenda held in March 2010.

This rule amends the producer-handler definition to limit exemption from pooling and pricing provisions of the orders to those producer-handlers with total route disposition and sales of packaged fluid milk products to other plants of 3 million pounds or less per month.

These amendments were considered in a recommended decision published October 21, 2009, and adopted by a final decision published March 4, 2010. The amendments will be effective June 1, 2010. For more information, go to [www.ams.usda.gov/AMSV1.0/dairy](http://www.ams.usda.gov/AMSV1.0/dairy) and click on the link titled Producer-Handler Final Rule Issued. ❖

### Pool Summary

- A total of 13,336 producers were pooled under the Order with an average daily delivery per producer of 5,210 pounds.
- Pooled milk receipts totaled 2.085 billion pounds, an increase of 3.5 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 41.8 percent of total milk receipts, a decrease of 0.8 percentage points from March.
- The average butterfat test of producer receipts was 3.67 percent.
- The average true protein test of producer receipts was 3.02 percent.
- The average other solids test of producer receipts was 5.74 percent. ❖

#### Class Utilization

Pooled Milk	Percent	Pounds
Class I	41.8	870,462,988
Class II	20.0	417,441,892
Class III	23.7	493,480,512
Class IV	14.5	303,307,250
Total Pooled Milk		2,084,692,642

#### Producer Component Prices

	2010	2009
	\$/lb	
Protein Price	2.1449	2.2009
Butterfat Price	1.5813	1.2049
Other Solids Price	0.1702	(0.0043)

#### Class Price Factors

	2010	2009
	\$/cwt	
Class I	16.47	13.61
Class II	13.78	10.49
Class III	12.92	10.78
Class IV	13.73	9.82

## Market Situation

The April statistical uniform price dropped for the second month in a row. Prices, though \$3.00 to \$4.00 per hundredweight (cwt) higher than a year ago, have not reached levels predicted at the end of last year. Stronger than expected milk production, high cheese stocks, and the sluggish economy appear to be hampering more significant price recovery.

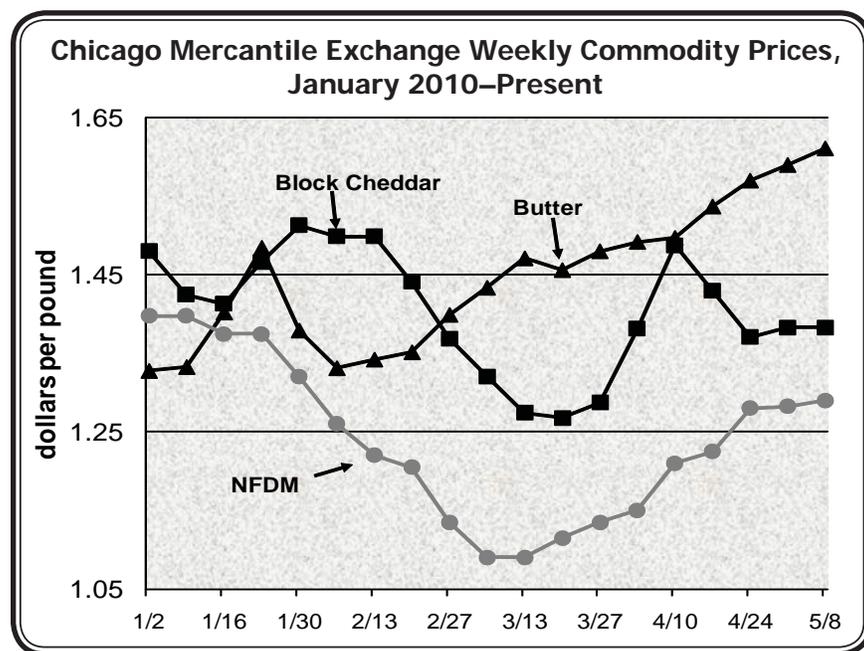
### Prices Higher, But Why Not Even Higher?

Milk production has increased over last year for two months in a row, up 0.9 percent in April for the top-23 milk producing states. Without strong demand, increasing supply will put downward pressure on prices. Though nonfat dry milk and butter stocks have declined to levels near or below 2008 levels, American cheese stocks are the highest since 1986. Demand has not been strong enough relative to supply to reduce cheese stocks to a level that would allow for a larger upward price response. The national economy continues to struggle, but with some indication of turning for the better. The Consumer Confidence Index rose to 57.9 in April, up from 52.3 in March, but still well below 100. The Restaurant Performance Index topped 100 for the first time since November 2007, hitting 100.5 in March. A figure

over 100 signals expansion in the industry – a positive sign for domestic dairy demand as considerable volumes of dairy products are consumed in the food service sector.

### Class IV, The New Mover

Current price forecasts continue to predict an average annual blend price at Boston for 2010 of about \$16.70 per cwt, almost \$4.00 more than in 2009. The Class IV price projects to be the Class I mover for the remainder of the year, supported by relative strength in the butter market and, to a lesser degree, the nonfat dry milk market. Butter is currently trading over \$1.60 per pound on the Chicago Mercantile Exchange, while nonfat dry milk is above \$1.30 per pound. Improved prices in butter and nonfat dry milk have coincided with reduced butter and nonfat dry milk stocks. The accompanying chart shows weekly commodity prices since the beginning of the year. ❖



## Manufactured Dairy Products—2009 Summary

USDA's National Agricultural Statistics Service recently released their *Dairy Products 2009 Summary*. This publication summarizes dairy products manufactured in the United States. All comparisons have been adjusted for leap year in 2008.

### Cheese Production

Total cheese production (excluding cottage cheese) grew 2.3 percent in 2009. American cheese production increased 2.6 percent, Italian grew 1.7 percent, and Hispanic cheese rose 6.6 percent.

In the Northeast Order, milk used in cheese production increased 1.6 percent in 2009. Milk used in making American types grew 4.9 percent, while Italian dropped 2.4 percent.

### Other Products

Butter production dropped 4.0 percent in 2009; last year it rose 7.0 percent. Yogurt (plain and fruit flavored) jumped 7.6 percent. Nonfat dry milk (NFDM) decreased 0.4 percent; last year it rose 16.7 percent.

In the Northeast Order, milk used in butter production rose 11.8 percent. Milk used in making yogurt jumped 32.6 percent. Milk used the production of dry milk products

(both nonfat and whole) increased 1.3 percent from 2008.

Nationally, the production of canned evaporated and condensed whole milk declined 1.6 percent, while unsweetened skim condensed dropped 1.8 percent. The production of both dry whey (for human use) and whey protein concentrate decreased 6.9 percent. During 2008, dry whey declined 4.8 percent and whey protein concentrate rose 12.8 percent.

### Leading States

There was no change in the top cheese producing states during 2009: Wisconsin led, followed by California, Idaho, New York, and Minnesota. New York remained the largest producer of lowfat and creamed cottage cheese and sour cream; it was third in yogurt and second in dry whey. These rankings are based on the states shown in the published report; some states may have been excluded due to having fewer than 3 handlers reporting.

Wisconsin still recorded the largest number of dairy manufacturing plants (211), followed by New York (112), and California (107). Overall, the number of plants increased 5.0 percent in 2009; of the increase, 32 were in Texas, 10 in Maine, and 8 in Vermont. ❖

## Component Value by County, January 2010

The January 2010 statistical uniform price was \$16.26 per hundredweight for milk containing 3.5 percent butterfat, 2.99 percent protein, and 5.69 percent other solids. The producer price differential (PPD) was \$1.76 per hundredweight. The price announcement also reports the uniform price at average pool component tests. For January 2010, average tests at pool were 3.78 percent butterfat, 3.10 percent protein, and 5.71 percent other solids, resulting in a uniform price at average pool component tests of \$16.98 per hundredweight. This means that the average producer on the order received \$15.22 per hundredweight for their total component value plus a \$1.76 PPD for a total of \$16.98 per cwt (if priced at Boston, MA). The actual price received by an individual dairy farmer will vary as the composition of a farm's milk differs from the component benchmarks and the destination of their milk which determines the PPD.

### Component Value Portion of Uniform Price

The remainder of this article will discuss just the component value portion of the uniform price, not including the PPD portion. With almost 90 percent of the uniform price coming from the value of a producer's components in January, it's obvious that average tests and corresponding pounds of components make an important contribution to the level of a producer's total pay price. The accompanying map depicts ranges of average total component values by county in the traditional milkshed of the Northeast Market Area. Counties that pooled less than 4 producers during any

month within the past year are not represented in the data.

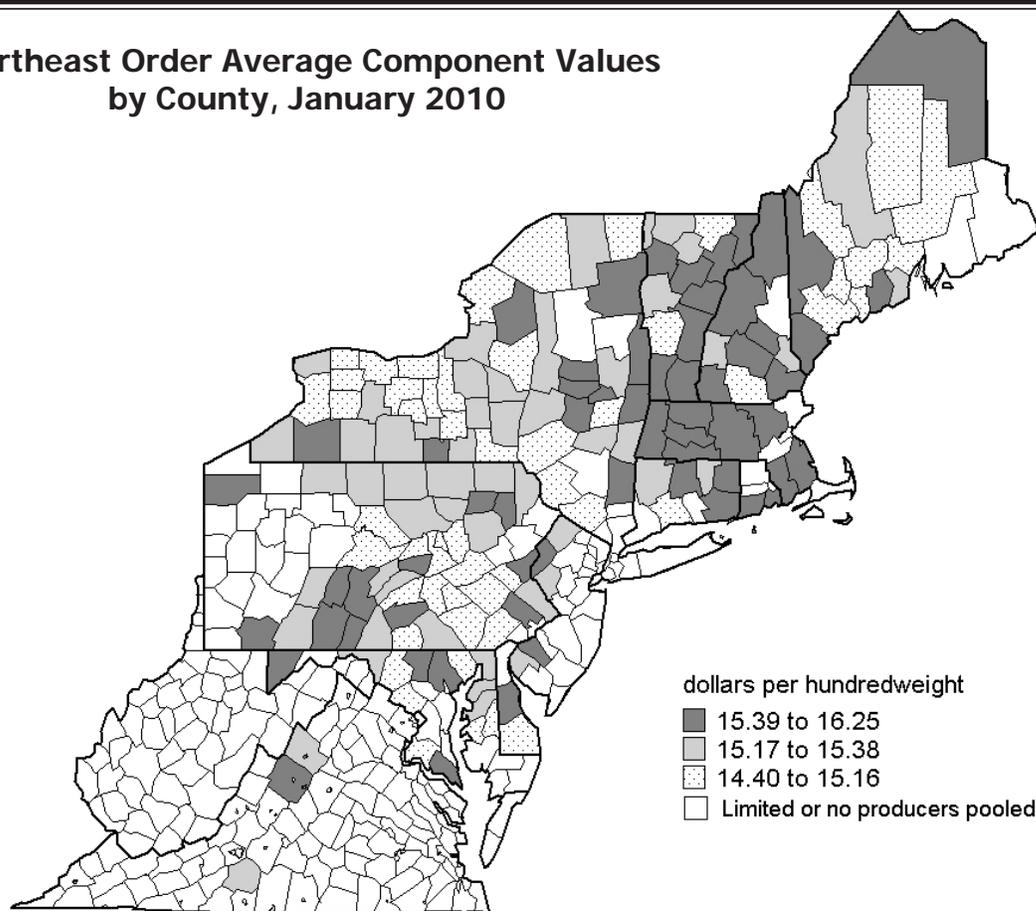
Of the 170 counties that are represented in the data, 102 of them averaged \$15.22 per cwt component value (the order average that month) or more. Based on the data, Bennington County, Vermont, producers averaged the highest component value, \$16.24 per cwt. Of the 25 counties with the highest average component value, 16 were from the New England region.

### Large Production Counties

Seven of the top 10 production counties on the Northeast Order average \$15.22 per cwt or less for components. The two largest production counties, Lancaster in Pennsylvania and Cayuga in New York, ranked in the bottom 10 percent of the counties represented for the month of January. The average total component value in Lancaster County, PA, and Cayuga County, NY, was \$14.87 and \$14.83, respectively. Lewis County, New York, the highest ranked of the top 10 production counties, averaged \$15.42 per cwt for components that month.

Within the northeast, differences in climate, breeds of cattle, management practices, and other characteristics of dairy operations can result in varying component levels from region to region. The January 2010 data suggest that high milk production counties seem more likely to be characterized by relatively lower component value than other counties, given the presence of most of the largest 10 production counties below the average component value for the month. ❖

**Northeast Order Average Component Values  
by County, January 2010**





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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	854,604,216	\$11.44	97,766,722.31	
Butterfat	15,858,772	1.5504	24,587,440.11	
Less: Location Adjustment to Handlers			(3,128,674.94)	\$119,225,487.50
Class II— Butterfat	30,261,596	1.5883	48,064,492.89	
Nonfat Solids	35,209,210	0.9467	33,332,559.16	81,397,052.05
Class III— Butterfat	19,070,982	1.5813	30,156,943.88	
Protein	14,950,499	2.1449	32,067,325.30	
Other Solids	28,247,776	0.1702	4,807,771.48	67,032,040.66
Class IV— Butterfat	11,369,478	1.5813	17,978,555.61	
Nonfat Solids	26,586,908	0.9435	25,084,747.71	43,063,303.32
<b>Total Classified Value</b>				<b>\$310,717,883.53</b>
Add: Overage—All Classes				42,958.70
Inventory Reclassification—All Classes				186,651.66
Other Source Receipts	282,638 Pounds			9,399.26
<b>Total Pool Value</b>				<b>\$310,956,893.15</b>
Less: Producer Component Valuations @ Class III Component Prices				(276,530,934.46)
<b>Total PPD Value Before Adjustments</b>				<b>\$34,425,958.69</b>
Add: Location Adjustment to Producers				10,618,600.35
One-half Unobligated Balance—Producer Settlement Fund				1,477,065.83
Less: Producer Settlement Fund—Reserve				(860,666.33)
<b>Total Pool Milk &amp; PPD Value</b>	2,084,975,280 Producer pounds			<b>\$45,660,958.54</b>
Producer Price Differential		<b>\$2.19</b>		
Statistical Uniform Price		<b>\$15.11</b>		

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