

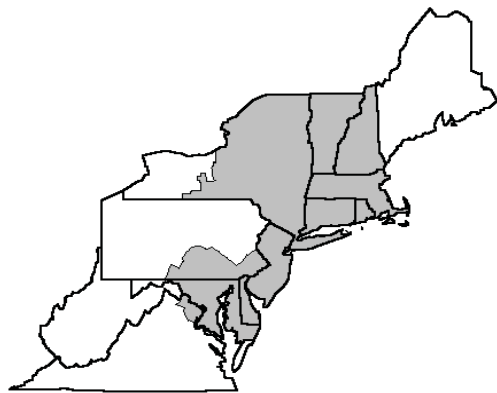
BULLETIN

NORTHEAST MARKETING AREA

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Federal Order No. 1



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June Pool Price Calculation

The June 2010 statistical uniform price (SUP) for the Northeast Marketing Area was announced at \$16.73 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 \$16.75 per hundredweight. The June statistical uniform price was 82 cents per hundredweight above the May price. The June producer price differential (PPD) at Suffolk County was \$3.11 per hundredweight, an increase of 58 cents per hundredweight from last month.

During June, all commodity prices increased resulting in higher component and class prices. Announced in advance and using data from May, the Class I and II prices had the largest increases rising \$1.48 and \$1.11 per hundredweight, respectively. With NASS butter and nonfat dry milk prices relatively strong compared to cheese prices, the Class III price continued to be the lowest of the class prices. The spread between the other classes and the Class II price again widened resulting in a higher PPD.

For the first time since the Order's inception, producer milk receipts on a per day basis rose from May to June (0.1 percent); normally, June's per day volume decreases by at least 3 percent from May. The Class II volume has set a record as the largest for that particular month during each month of 2010. The average daily deliveries per producer have set record-highs for the past 4 months of 2010, including June.

The average producer butterfat test for June was the second lowest recorded for June since the Order's inception; the average producer other solids test was the second highest recorded for June. See the related article below comparing tests and volumes. ❖

Milk Receipts Increasing as Component Tests Decline

Milk receipts pooled on the Northeast Order have steadily increased since November 2009, as evidenced by 8 straight months of positive year over year growth in per day receipts. This includes a four month period from January through April of 2010 where per day receipts grew by over 2.5 percent each month. While per day receipts have shown strength, average producer component tests at pool have sagged. To a certain

(continued on page 3)

Pool Summary

- A total of 13,357 producers were pooled under the Order with an average daily delivery per producer of 5,266 pounds.
- Pooled milk receipts totaled 2.11 billion pounds, an increase of 0.1 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 38.6 percent of total milk receipts, a decrease of 1.1 percentage points from May.
- The average butterfat test of producer receipts was 3.56 percent.
- The average true protein test of producer receipts was 2.95 percent.
- The average other solids test of producer receipts was 5.73 percent. ❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	38.6	814,699,028
Class II	21.7	457,594,084
Class III	27.0	568,737,843
Class IV	12.7	268,972,976
Total Pooled Milk		2,110,003,931

Producer Component Prices

	2010	2009
	\$/lb	
Protein Price	2.2040	1.7283
Butterfat Price	1.7234	1.2544
Other Solids Price	0.1748	0.0723

Class Price Factors

	2010	2009
	\$/cwt	
Class I	18.53	13.33
Class II	16.01	10.79
Class III	13.62	9.97
Class IV	15.45	10.22

Dairy Exports

In recent *Bulletins*, the role demand would play in price recovery was discussed. Dairy exports are an important contributor to overall dairy demand. According to the U.S. Dairy Export Council, U.S. dairy export value more than doubled to \$357.4 million in May 2010 compared to May 2009, the highest total since May 2008.

By volume, all major categories gained. Nonfat dry milk (NFD) and skim milk powder (SMP) exports grew 98 percent to over 40 thousand tons, the highest since June 2008. Exports of NFD and SMP have increased every month this year, and are up 37 percent year to date. Southeast Asia accounted for much of the strength in these sales, particularly to Indonesia, the Philippines, and Malaysia.

Whey protein exports set a new record in May, increasing 54 percent to over 44 thousand tons. China and Southeast Asia accounted for more than half of all May shipments. For the year, U.S. whey protein shipments grew 36 percent.

Cheese exports set an all-time high, growing 105 percent over May 2009 to over 16 thousand tons. Leading destinations for cheese were Mexico, South Korea, and Japan, which grew by 85, 142, and 90 percent, respectively.

Lactose exports increased by 30 percent from May 2009. Shipments to Southeast Asia and Japan accounted for 41 percent of all U.S. lactose exports. Butterfat exports grew 266 percent to over 6 thousand tons.

During the first five months of 2010, U.S. exports were equivalent to 11.4 percent of the total milk solids produced in the United States. By product, exports were equivalent to 34 percent of the NFD/SMP produced, 66 percent of the whey proteins, 62 percent of the lactose, 3.3 percent of the cheese, and 6.1 percent of the butter.

U.S. export strength can be attributed to U.S. products being competitively priced on world markets and Oceania production falling short of early season forecasts. ❖

Utilization Changes From Last Year and Five Years Ago

For the first 6 months of 2010, utilization of milk products and cream by pool plants increased 2.0 percent from the same period in 2009 and 1.8 percent from the same period in 2005. The accompanying table shows changes for selected products by class.

Class I usage increased a slight 0.4 percent during the first six months compared to last year, but declined 2.8 percent from 5 years ago. Declines occurred in whole milk, flavored milk and drinks, and reduced fat from both periods. Lowfat increased slightly from 2009 and 5.1 percent from 2005; fatfree was nearly flat. Organic milk showed an increase of 5.9 percent from 2009; organic data was not collected separately in 2005.

Class II utilization jumped 9.1 percent from 2009 and 7.8 percent from 2005. As mentioned on page 1, Class II usage has set records not only during each month this year, but in eleven out of the past twelve months; December was the only exception. Prepared products, which include bakery, candy, soups, and puddings, jumped 15.6 percent from 2009, compared to 1.2 percent from 2005. Double-digit increases occurred in ice cream from both periods. Yogurt declined 5.7 percent from 2005, but jumped 14.7 percent from 2009 thanks to the addition of some Greek-style yogurt operations in the Northeast. Cottage cheese dropped 22.2 percent from 2005, but increased 4.5 percent from 2009. Ricotta cheese declined during both periods, while packaged cream rose.

Class III usage rose 3.1 percent from 2009 and 8.7 percent from 2005 with increases in American cheese and Swiss and other-type cheeses in both periods. The Swiss and other category includes Hispanic, Feta, and other

Northeast Order Utilization for Selected Products, January–June, 2010 vs. 2009 and 2005

Class	Product	Volume in* million pounds	Percent Change from	
			2009	2005
Class I	Whole	1,353.0	(4.7)	(21.1)
	Fatfree	719.3	(0.1)	0.7
	Flavored	269.1	(2.7)	(13.7)
	Total Class I**	5,664.6	(0.7)	(2.8)
Class II	Prepared Foods	315.2	15.6	1.2
	Yogurt	244.1	14.7	(5.7)
	Ice Cream	993.3	12.3	36.5
	Total Class II	2,730.6	9.1	7.8
Class III	American	950.9	5.9	20.0
	Italian	1,382.8	(0.1)	(7.5)
	Swiss & Other	210.6	21.8	49.1
	Total Class III	2,962.8	3.1	8.7
Class IV	Condensed	74.4	(22.6)	(46.1)
	Butter	116.4	18.6	5.6
	Dried Products	1,465.8	(0.3)	1.8
	Total Class IV	2,316.2	(2.9)	(0.9)
Total Utilization		13,720.3	2.0	1.8

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

** Only includes sales by Fully Regulated Pool Handlers.

ethnic cheeses, but not Italian. Cream cheese declined slightly from 2009, but rose 17.1 percent from 2005. Italian cheese was nearly flat from 2009, but down 7.5 percent from 2005.

Class IV utilization declined 2.9 percent from 2009 and 0.9 percent from 2005. Butter was up 18.6 percent and 5.6 percent from 2009 and 2005, respectively. Condensed products were down 22.6 percent from 2009 and 46.1 percent from 2005. Dried products were nearly flat from 2009 and up 1.8 percent from 2005. ❖

Pool Summary for All Federal Orders, January–June, 2009–2010

Federal Order Number	Federal Order Name	Total Producer Milk			Producer Price Differential#		Statistical Uniform Price#*	
		2009	2010	Change percent	2009	2010	2009	2010
		pounds			dollars per hundredweight			
1	Northeast	12,073,098,375	12,227,694,702	1.3	2.09	2.40	12.27	15.98
5	Appalachian	3,025,288,161	3,061,408,416	1.2	N/A	N/A	13.43	16.93
6	Florida	1,560,321,822	1,468,564,347	(5.9)	N/A	N/A	15.64	19.16
7	Southeast	3,744,243,856	3,612,843,313	(3.5)	N/A	N/A	13.58	17.04
30	Upper Midwest	16,351,094,218	17,249,957,949	5.5	0.41	0.40	10.59	13.98
32	Central	6,755,867,916	6,486,324,856	(4.0)	0.77	0.94	10.96	14.52
33	Midwest	8,416,253,148	8,335,703,465	(1.0)	1.20	1.35	11.39	14.93
124	Pacific Northwest	3,858,975,635	4,022,740,346	4.2	0.72	0.91	10.91	14.49
126	Southwest	5,880,545,884	5,653,287,792	(3.9)	1.75	2.01	11.94	15.59
131	Arizona	2,177,023,956	2,190,290,934	0.6	N/A	N/A	11.16	14.87
All Market Total/Average		63,842,712,971	64,308,816,120	0.7	1.16	1.33	12.19	15.75

Price at designated order location.

* Price at 3.5% butterfat.

N/A = Not applicable.

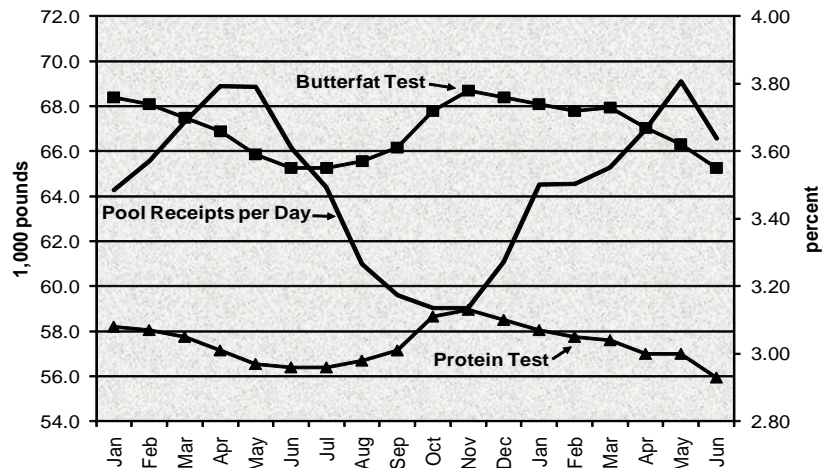
Milk Receipt Increasing *(continued from page 1)*

degree, a seasonal decline in butterfat and protein tests is expected this time of year. However, butterfat and protein tests are averaging lower than they have been for some time, and in the case of butterfat, have been close to record lows.

A Negative Correlation?

It is generally accepted that there is a negative correlation between butterfat and protein percentages and milk production. One explanation for this result is that increased volume of milk tends to dilute the quantity of butterfat and protein produced by the cow to some degree. The accompanying charts show Northeast Order pool receipts per day compared to average protein and butterfat tests at pool for two similar periods characterized by declining and then increasing milk receipts per day. The images appear to depict the negative correlation discussed here. It should be noted that this negative correlation also

Butterfat Test vs Pool Receipts per Day, 2004–2005

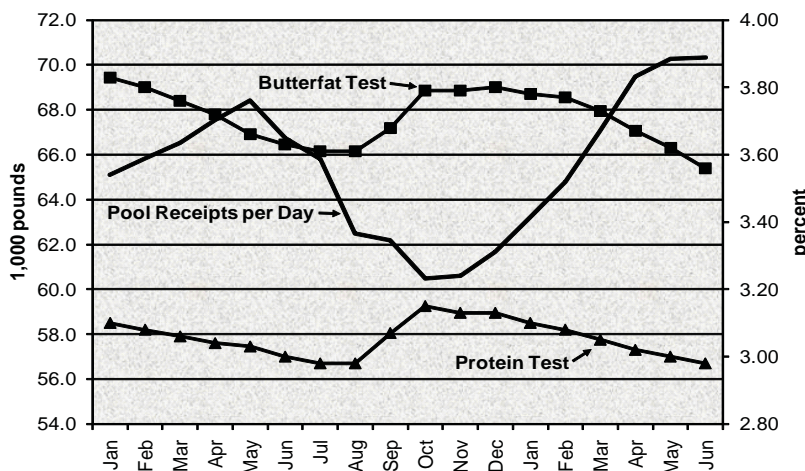


can be attributable to, or be affected in either direction by, many factors including feeding practices and non-nutritional factors such as, but not limited to:

genetics, days in milk, infections, temperature and humidity.

According to a July 2010 North Dakota State University study, 55 percent of the variation in milk composition is due to genetics, while 45 percent is due to environmental factors such as feeding management. The milk-feed price ratio (a measure of relative profitability of producing milk in which numbers below 2.5 would indicate contraction in milk supply) has been below 2.5 since January 2008. The ratio has been between 2.18 and 2.35 this year to date. It is not surprising then to see low average component tests since the cost of supplementing feed is relatively high. It is a bit surprising to see surging milk production in such an environment. ❖

Butterfat Test vs Pool Receipts per Day, 2009–2010





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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	799,554,944	\$12.86	102,822,765.80	
Butterfat	15,144,084	1.7480	26,471,858.83	
Less: Location Adjustment to Handlers			(2,971,779.98)	\$126,322,844.68
Class II— Butterfat	31,014,052	1.7304	53,666,715.60	
Nonfat Solids	38,394,728	1.1456	43,985,000.41	97,651,716.01
Class III— Butterfat	20,334,503	1.7234	35,044,482.48	
Protein	16,893,290	2.2040	37,232,811.14	
Other Solids	32,570,492	0.1748	5,693,321.98	77,970,615.60
Class IV— Butterfat	8,557,545	1.7234	14,748,073.03	
Nonfat Solids	23,464,581	1.0843	25,442,645.20	40,190,718.23
Total Classified Value				\$342,135,894.52
Add: Overage—All Classes				25,747.56
Inventory Reclassification—All Classes				(94,891.98)
Other Source Receipts	186,682 Pounds			8,242.92
Total Pool Value				\$342,074,993.02
Less: Producer Component Valuations @ Class III Component Prices				(287,876,740.77)
Total PPD Value Before Adjustments				\$54,198,252.25
Add: Location Adjustment to Producers				11,213,862.14
One-half Unobligated Balance—Producer Settlement Fund				1,159,656.55
Less: Producer Settlement Fund—Reserve				(944,842.91)
Total Pool Milk & PPD Value	2,110,190,613 Producer pounds			\$65,626,928.03
Producer Price Differential		\$3.11		
Statistical Uniform Price		\$16.73		

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