

The Market Administrator's

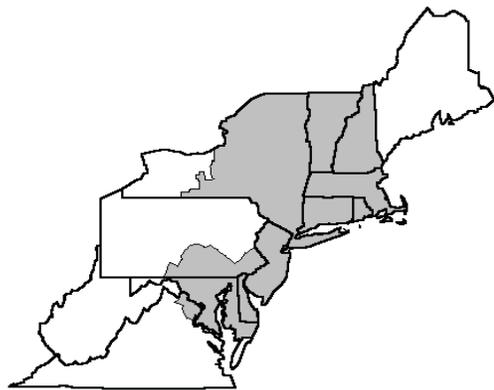
BULLETIN

NORTHEAST MARKETING AREA

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Federal Order No. 1



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September Pool Price Calculation

The September 2010 statistical uniform price (SUP) for the Northeast Marketing Area was announced at \$18.33 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 \$18.84 per hundredweight. The September statistical uniform price was 59 cents per hundredweight above the August price. The September producer price differential (PPD) at Suffolk County was \$2.07 per hundredweight, a decrease of 49 cents per hundredweight from last month.

During September, all commodity prices rose except nonfat dry milk. Butter jumped over 30 cents per pound resulting in a corresponding increase in the butterfat price of over 37 cents per pound and the highest butterfat component price since May 2004. All class prices rose except the Class I price, which is announced in advance and uses prior month's data. The Class II price increase 62 cents, the Class III price rose \$1.08, and the Class IV price jumped \$1.15 per hundredweight. With over half of the pooled milk used in these classes and their higher prices, the blend price rose. The spread between the class prices tightened, lowering the PPD.

Although the Class II volume for September was not all-time record-setting, it was the highest for the month of September since the Order's inception. In addition, the average producer other solids test for September was the highest for that month since the Northeast Order began. ❖

Processor Promotion Board Seeks Nominees

The USDA is asking fluid milk processors and other interested parties to nominate candidates for the National Fluid Milk Processor Promotion Board. The Secretary of Agriculture will appoint six individuals to succeed members whose terms expire June 30, 2011. Appointed members will serve 3-year terms from July 1, 2011, through June 30, 2014. Locally, Region 2 (New Jersey and New York) has an opening.

Blank forms and information are available on the Dairy Promotion and Research Branch's website at www.ams.usda.gov/Dairy. Nominations must be submitted by October 31, 2010. ❖

Pool Summary

- A total of 13,559 producers were pooled under the Order with an average daily delivery per producer of 4,781 pounds.
- Pooled milk receipts totaled 1.945 billion pounds, a decrease of 2.2 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 45.3 percent of total milk receipts, an increase of 4.6 percentage points from August.
- The average butterfat test of producer receipts was 3.65 percent.
- The average true protein test of producer receipts was 3.05 percent.
- The average other solids test of producer receipts was 5.70 percent. ❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	45.3	881,180,055
Class II	22.5	437,381,393
Class III	23.9	464,619,752
Class IV	8.3	161,691,271
Total Pooled Milk		1,944,872,471

Producer Component Prices

	2010	2009
	\$/lb	
Protein Price	2.3057	2.4243
Butterfat Price	2.4044	1.2226
Other Solids Price	0.1673	0.1018

Class Price Factors

	2010	2009
	\$/cwt	
Class I	18.75	14.18
Class II	17.60	11.01
Class III	16.26	12.11
Class IV	16.76	11.15

Growth by Farm Size

In effort to examine changes in producer milk production over the last ten years, verified payroll data for producers whose milk was pooled on the Northeast Order for every month from January 2000 to December 2009 were analyzed. Only producers with milk pooled were used in order to eliminate changes in reported production that were only a reflection of pooling changes, and not production changes. In this way, results can be better interpreted as a reflection of actual production. There were 4,009 producers who met this criteria during the period.

These 4,009 producers were grouped into three production categories based on the producer's average production over the entire 10-year period. Small producers were defined as having averaged less than 100 thousand pounds per month. Medium producers were over 100 thousand pounds but less than 500 thousand pounds per month. Large producers were defined as producing 500 thousand pounds or more per month. This resulted in 2,373 small producers, 1,539 medium producers, and 97 large producers.

Ten-Year Trend

The first chart depicts the daily production growth in the three categories from January 2000 through December 2009. However, we will highlight January 2009 to eliminate seasonal differences. Over the ten-year period in question, the average pounds produced and pooled by the small producer declined by a very small amount. For comparison purposes, the small producer averaged 2,143 pounds per day in January 2000 and 2,007 pounds pooled per day in January 2009, or roughly a decline of

37 pounds per month. The change in average pounds pooled by the medium-sized producer was positive, but relatively flat. The medium size producer averaged 5,690 pounds per day in January 2000 and 6,174 pounds pooled per day in January 2009, or roughly an increase of 125 pounds per month. The average pounds pooled by the large producer increased during this time period. In fact, the data indicate that average monthly output from the large producer grew by almost 2,800 pounds a month. The large size producer averaged 22,023 pounds per day in January 2000 and was averaging 32,633 pounds pooled per day in January 2009.

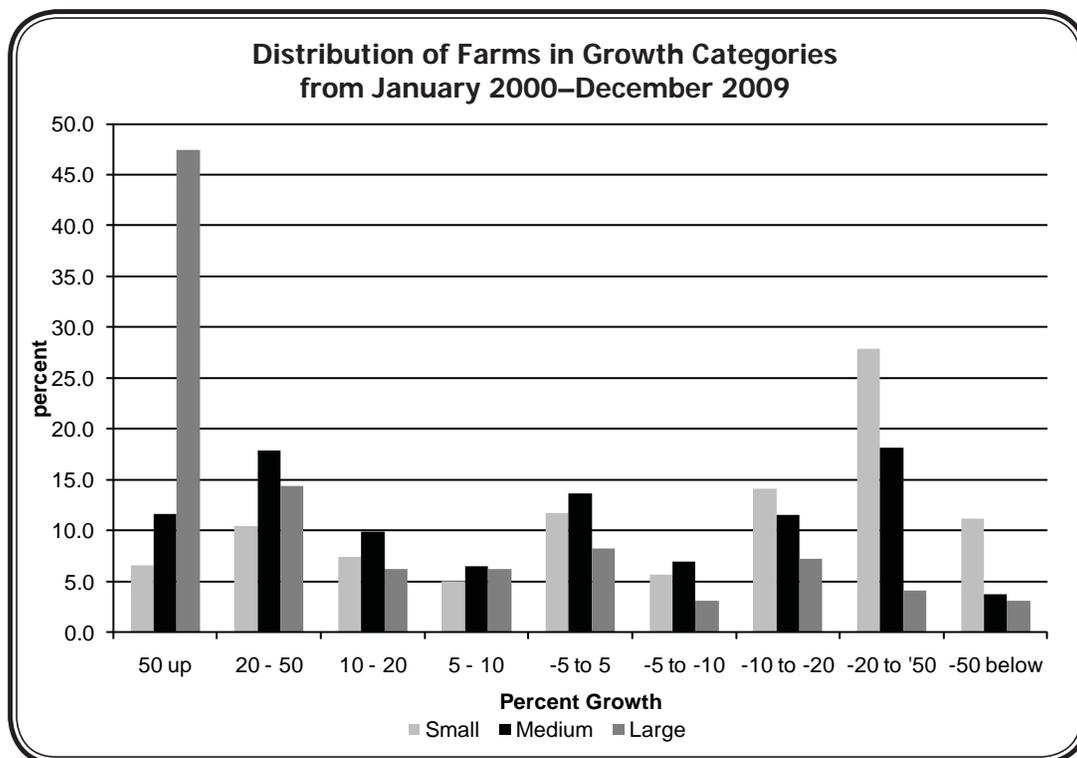
Year-over-Year Growth Changes

The second chart (on page 3) shows year-over-year changes in average daily pooled milk volume for the three size categories. In general, all three categories average growth moved up and down in similar fashion. However, one important difference is that the line depicting the large farm average year-over-year growth does not drop below zero. In other words, large farms may have seen a slow down in their growth, but they never experienced a contraction during this period. On the other hand, medium and small farms growth was negative four different times during the 10-year period. Each of the four times coincided with periods of lower blend prices that occurred during the ten-year period.

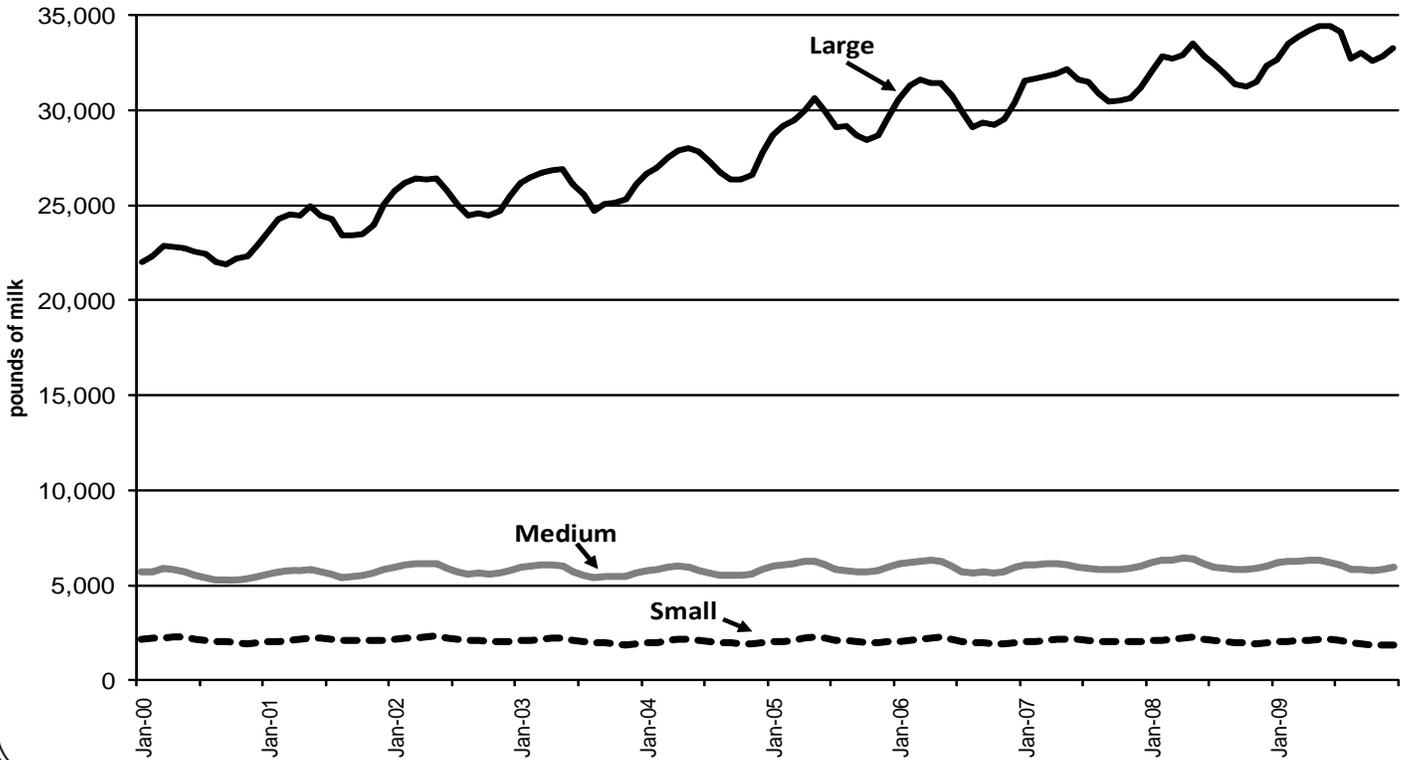
Distribution of Growth

Not all farms within each category displayed identical growth to each other. The third chart (on page 3) depicts a distribution of farms by growth in daily deliveries for each farm size category. When

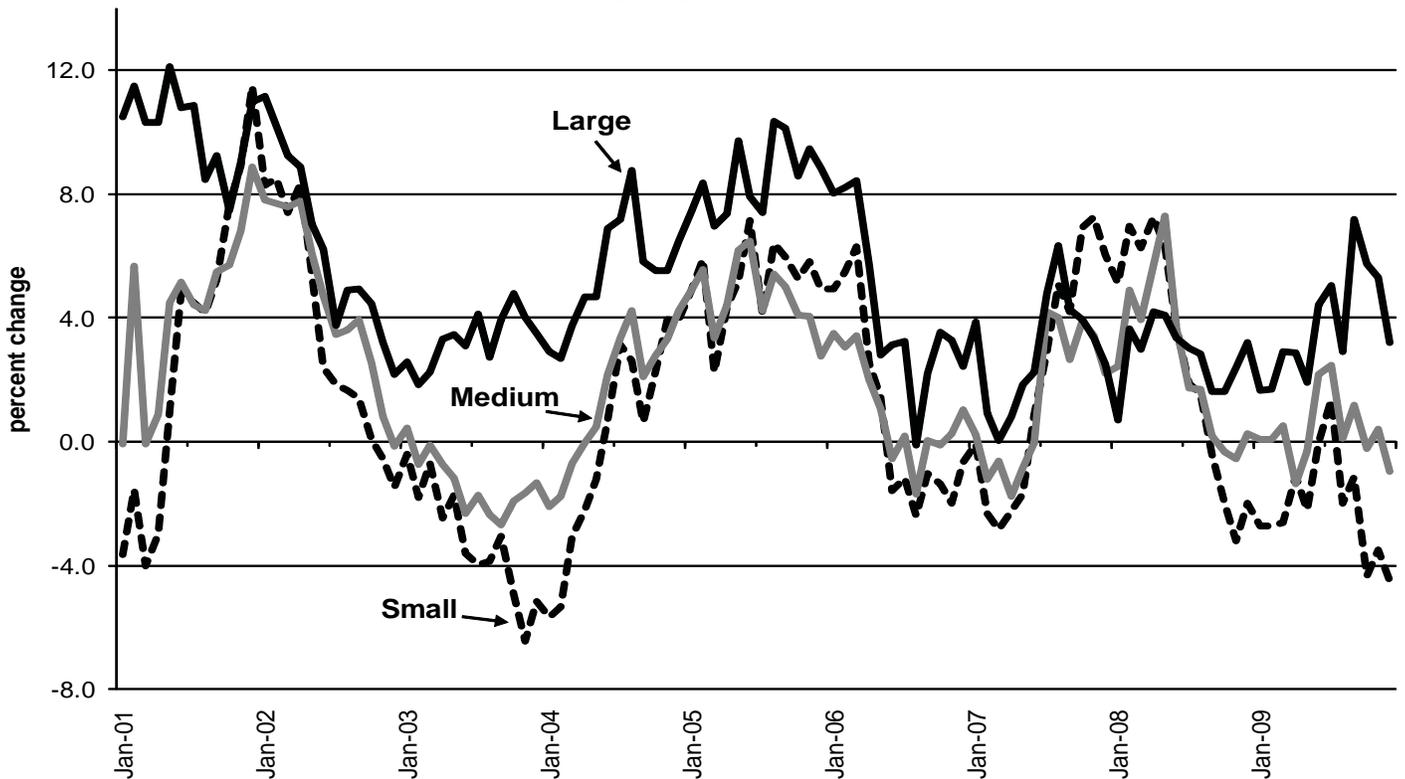
looked at in this manner, the most striking result is that over 47 percent of large farms grew by more than 50 percent. Just 6.6 percent of small farms grew by this much. Additionally, the small farm category had the largest percentage of farms with negative growth in the three lowest growth categories as depicted on the chart. After an initial look at these results, it appears that production from small and medium size farms has stagnated over the past ten years, while production from large farms have grown, though other factors besides size of operation may be involved.❖



Changes in Average Daily Volume Over 10 Years, by Size Category



Year-Over-Year Change in Volume of Pooled Milk, by Farm Size Category, January, 2001–2009





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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	864,965,311	\$12.04	104,141,823.44	
Butterfat	16,214,744	2.0372	33,032,676.48	
Less: Location Adjustment to Handlers			(3,214,898.06)	\$133,959,601.88
Class II— Butterfat	29,140,989	2.4114	70,270,580.84	
Nonfat Solids	37,086,755	1.0544	39,104,274.45	109,374,855.29
Class III— Butterfat	17,970,959	2.4044	43,209,373.82	
Protein	14,191,186	2.3057	32,720,617.56	
Other Solids	26,435,508	0.1673	4,422,660.49	80,352,651.87
Class IV— Butterfat	7,683,294	2.4044	18,473,712.12	
Nonfat Solids	14,011,827	0.9608	13,462,563.39	31,936,275.51
Total Classified Value				\$355,623,384.55
Add: Overage—All Classes				60,871.99
Inventory Reclassification—All Classes				773,224.91
Other Source Receipts	358,433 Pounds			10,803.91
Total Pool Value				\$356,468,285.36
Less: Producer Component Valuations @ Class III Component Prices				(326,164,896.40)
Total PPD Value Before Adjustments				\$30,303,388.96
Add: Location Adjustment to Producers				10,020,689.46
One-half Unobligated Balance—Producer Settlement Fund				764,518.53
Less: Producer Settlement Fund—Reserve				(822,317.19)
Total Pool Milk & PPD Value	1,945,230,904 Producer pounds			\$40,266,279.76
Producer Price Differential		\$2.07		
Statistical Uniform Price		\$18.33		

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