

The Market Administrator's

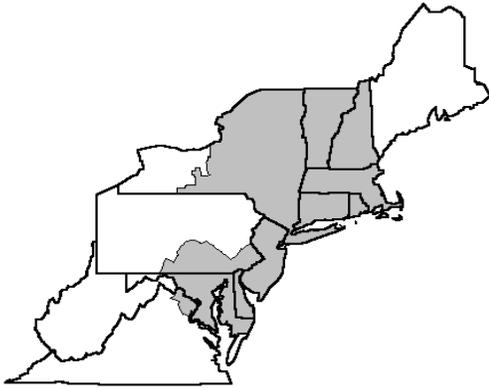
BULLETIN

NORTHEAST MARKETING AREA

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November 2010

Federal Order No. 1



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November Pool Price Calculation

The November 2010 statistical uniform price (SUP) for the Northeast Marketing Area was announced at \$18.17 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 \$19.31 per hundredweight. The November statistical uniform price was 44 cents per hundredweight below the October price. The November producer price differential (PPD) at Suffolk County was \$2.73 per hundredweight, an increase of \$1.06 per hundredweight from last month.

During November, butter and cheese commodity prices declined while nonfat dry milk and dry whey prices rose. As a result, butterfat and protein prices dropped while nonfat and other solids prices increased. All class prices decreased except the Class I price, which is announced in advance and uses prior month's data (before the butter and cheese price declines). The Class III price dropped \$1.50 per hundredweight. The lower prices caused a decline in the blend price, but the spread between the class prices resulted in a higher PPD.

The total volume of pooled milk receipts, 1.969 billion pounds, was the second highest on record for the month of November (2002 had 1.971 billion) since the Order's inception. The Class I volume in November was the highest reported this year. Although the Class II volume declined sharply from October, it was the largest for the month of November since the Order began. The average producer component tests for butterfat, protein, and other solids were all record-setting for the month of November. ❖

Fluid Milk Product Definition Final Rule

The amended order approved in a referendum held in June will be effective January 1, 2011. This rule maintains the current 6.5 percent nonfat milk solid standard and incorporates an alternative 2.25 percent true milk protein criterion to determine whether a product meets the compositional standard for fluid milk products. It also amends the fluid milk product definition to provide exemptions for drinkable yogurt products containing at least 20 percent yogurt (by weight), kefir, and products intended to be meal replacements. ❖

Pool Summary

- A total of 13,415 producers were pooled under the Order with an average daily delivery per producer of 4,892 pounds.
- Pooled milk receipts totaled 1.969 billion pounds, an increase of 2.8 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 45.7 percent of total milk receipts, an increase of 0.6 percentage points from October.
- The average butterfat test of producer receipts was 3.84 percent.
- The average true protein test of producer receipts was 3.16 percent.
- The average other solids test of producer receipts was 5.73 percent. ❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	45.7	899,632,212
Class II	20.7	408,025,972
Class III	25.3	497,900,401
Class IV	8.3	163,441,524
Total Pooled Milk		1,969,000,109

Producer Component Prices

	2010	2009
	\$/lb	
Protein Price	2.1981	2.6991
Butterfat Price	2.2422	1.4656
Other Solids Price	0.1797	0.1524

Class Price Factors

	2010	2009
	\$/cwt	
Class I	20.49	16.11
Class II	17.21	13.24
Class III	15.44	14.08
Class IV	16.68	13.25

Regional Dairy Outlook Conference Held

The 2010 Northeast Regional Dairy Outlook Conference was held November 18 at the Northeast Marketing Area's Albany office. The annual conference brings together economists and statisticians from the Northeast's market administrator 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 Northeast region includes Delaware, Maryland, New England, (Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, and Vermont), New Jersey, New York, and Pennsylvania.

Crop Situation

Participants reported mixed results regarding crop yields in both quantity and quality. Pennsylvania and the New England states reported lower yields of alfalfa but good quality. Corn yields were down in both of these areas and Pennsylvania reported less grain corn and more silage due to quality issues resulting from lack of rain. New York reported record yields for corn, while alfalfa quantity and overall hay quality was up.

Production Estimates

For 2010, milk production in the Northeast is expected to finish 0.7 percent above 2009; nationally, growth is predicted to be at 1.8 percent. For 2011, total milk production in the Northeast is estimated to increase a slight 0.3 percent with most states expecting little or no change, except New Jersey, which is projecting a large decline. Nationally, milk production is estimated to increase another 1.7 percent in 2011. The increases in milk production during 2010 and forecast for 2011 are the result of considerable gains in milk per cow as declines in cow numbers occurred throughout the Northeast and nationally. The Northeast averaged a drop of nearly 1.0 percent in cow numbers with Delaware, Maryland, New Jersey, and New York all reporting larger declines. For 2011, the Northeast estimates a decrease of 0.5 percent in cow numbers. The predicted national average decline for 2010 is nearly 1.0 percent; for 2011, an increase of 0.4 percent is forecast. Milk per cow in the Northeast is expected to finish 1.4 percent higher in 2010, compared to last year, and up another 1.1 percent in 2011. Nationally, milk per cow is estimated to increase 2.7 percent for 2010 and another 1.3 percent in 2011.

Industry representatives commented that there did not appear to be a large exodus of farms in 2010 with actual exits fewer than in recent years. There have not been many expansions, either, as increased costs of inputs have curtailed gains from higher prices this past year.

Northeast Milk Marketing Area Statistical Uniform Prices, 2009–2011*

Month	2009	2010	2011
	Actual	Actual and Estimated	Estimated
January	14.14	16.26	16.75
February	11.75	16.30	16.23
March	11.56	15.54	15.98
April	12.08	15.11	15.83
May	12.18	15.91	15.75
June	11.93	16.73	15.77
July	11.99	17.43	15.95
August	12.35	17.74	16.31
September	12.93	18.33	16.67
October	14.06	18.61	16.95
November	15.02	18.54	17.08
December	16.11	17.55	17.02
Average	13.01	17.00	16.36

* Estimated prices for November and December 2010 and all of 2011. All estimates are subject to change. Prices are reported at Suffolk County, MA. The actual price for November is \$18.17 per cwt, announced in this issue.

Overall, the larger size farms seem to continue to grow in size and proportion of total farms.

Price Estimates

Participants felt that the U.S. economy is still struggling as reflected in sluggish demand. The weakness of the U.S. dollar versus other countries is good for exports, which are reported to be stronger again with considerable volumes of cheese and nonfat dry milk going to Mexico. Asian countries appear to have pulled out of the recession quicker than the U.S. and should be another good export market.

Overall, the 2010 corn crop was the largest in history, but the availability of corn may be tight. Contributing to the tightness are such factors as increased usage of corn for ethanol, drought in Russia, and restrictions on Russian wheat exports that will put upward pressure on price and contribute to the climbing ratio value. In addition, fuel will continue to account for a large proportion of input costs.

The group consensus for the Northeast Order statistical uniform price is an annual average of \$17.00 per hundredweight (at Boston) for 2010. For the upcoming year, the group is forecasting a decline to \$16.36 per hundredweight for 2011 (see accompanying table), a drop of about 4 percent. The decline in prices is largely the result of growth in milk production combined with sluggish demand for dairy products in the U.S.

At this time, Milk Income Loss Payments (MILC) are expected to be paid in most, if not all, months of 2011, possibly averaging about 30 to 60 cents per hundredweight. This is not due to the Class I price falling below the trigger price, but rather the result of the feed cost adjustor kicking
(continued on page 3)

CCC Purchases Negligible for MY 2010

During Marketing Year (MY) 2010 (October 1, 2009 through September 30, 2010) the Commodity Credit Corporation (CCC) purchased only 132,276 pounds

CCC Purchases of Dairy Products Under the Support Program, 1990–2010*

MY** Ending	Butter	Cheese (million pounds)	NFDM	Milk Equivalent Total
1990	387.0	22.0	128.0	4519.6
1991	442.8	122.0	271.0	6986.5
1992	403.5	56.3	9.4	4156.2
1993	327.6	4.9	18.0	3,055.2
1994	168.6	0.0	50.8	1,841.1
1995	26.4	0.0	24.6	406.2
1996	0.0	0.0	0.0	0.0
1997	0.0	1.9	31.9	244.1
1998	0.0	0.0	121.3	857.6
1999	0.0	0.0	186.1	1,315.9
2000	0.0	6.9	490.0	3,532.1
2001	0.0	1.1	398.9	2,927.7
2002	0.0	7.4	653.2	4,690.0
2003	11.4	41.1	624.6	4,913.5
2004	0.0 #	0.0	361.9	2,558.7
2005	0.0	0.0	31.8	225.0
2006	0.0	0.0	64.0	452.6
2007	0.0	0.0	0.0	0.0
2008	0.0	0.0	0.0	0.0
2009	4.6	0.0	276.2	1,993.8
2010	0.0	0.0	0.1	0.9

Sources: Commodity Credit Corporation; *Dairy Market News*.

* Does not include purchases under Dairy Export Incentive Program.

** Marketing year; October 1 through September 30.

Negative value less than 50,000 pounds (sellbacks were greater than purchases).

of nonfat dry milk (NFDM). No butter or cheese purchases were made during the MY. This was a drastic decline from MY 2009 when over 276 million pounds of NFDM were purchased. A relatively small amount of butter (4.6 million pounds) also was purchased that MY. These were the first butter purchases since MY 2003, which also was the last year that there were cheese purchases. The accompanying table shows CCC purchases from 1990 to 2010 in actual pounds purchased and on a milk equivalent basis (converts the skim and fat to a fluid milk equivalent) As of mid-December, there still had not been any purchases through the CCC program.

The MY ended with no uncommitted inventories of cheese, butter, or NFDM. Uncommitted inventories are stocks owned by the CCC that have not been sold, donated, or, in any way, committed for use. The last inventories were reported at the end of MY 2004 when 609 million pounds of NFDM were held.❖

2011 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 Payment Under the Northeast Order

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

Regional Dairy *(continued from page 2)*

in due to continued high prices for feed inputs.

Most participants felt that Class IV will continue to be the mover through the first half of 2011, based on strong nonfat dry milk prices. Cheese prices are expected to rebound later in the year as production tightens, giving way to a Class III mover for the remainder of the year. The producer price differential (PPD) is predicted to average \$2.57 per hundredweight (at Boston) for 2010 and \$2.02 for 2011.❖



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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	881,822,846	\$12.23	107,846,934.07	
Butterfat	17,809,366	2.4820	44,202,846.41	
Less: Location Adjustment to Handlers			(3,323,654.93)	\$148,726,125.59
Class II— Butterfat	29,776,650	2.2492	66,973,641.19	
Nonfat Solids	34,951,295	1.0756	37,593,612.90	104,567,254.09
Class III— Butterfat	20,558,938	2.2422	46,097,250.81	
Protein	15,679,440	2.1981	34,464,977.08	
Other Solids	28,426,219	0.1797	5,108,191.58	85,670,419.47
Class IV— Butterfat	7,442,610	2.2422	16,687,820.16	
Nonfat Solids	14,425,468	1.0172	14,673,586.03	31,361,406.19
Total Classified Value				\$370,325,205.34
Add: Overage—All Classes				108,990.21
Inventory Reclassification—All Classes				(431,919.05)
Other Source Receipts	372,483 Pounds			15,084.70
Total Pool Value				\$370,017,361.20
Less: Producer Component Valuations @ Class III Component Prices				(326,450,798.67)
Total PPD Value Before Adjustments				\$43,566,562.53
Add: Location Adjustment to Producers				10,262,765.42
One-half Unobligated Balance—Producer Settlement Fund				778,455.34
Less: Producer Settlement Fund—Reserve				(843,911.60)
Total Pool Milk & PPD Value	1,969,372,592 Producer pounds			\$53,763,871.69
Producer Price Differential		\$2.73		
Statistical Uniform Price		\$18.17		

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