

# The Market Administrator's

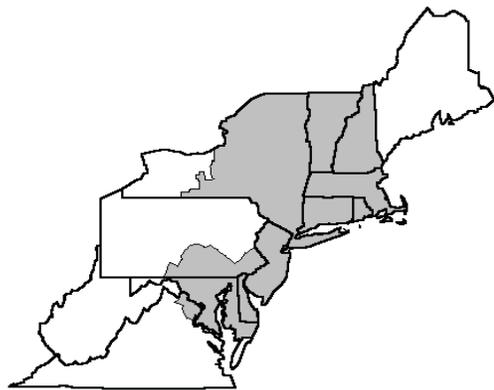
# BULLETIN

## NORTHEAST MARKETING AREA

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December 2010

Federal Order No. 1



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## December Pool Price Calculation

The December 2010 statistical uniform price (SUP) for the Northeast Marketing Area was announced at \$16.91 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 \$17.92 per hundredweight. The December statistical uniform price was \$1.26 per hundredweight below the November price. The December producer price differential (PPD) at Suffolk County was \$3.08 per hundredweight, an increase of 35 cents per hundredweight from last month.

During December, all commodity prices declined except dry whey, which increased slightly. As a result, component prices for butterfat, protein, and nonfat solids all dropped; other solids rose slightly. All class prices decreased: Class I was down 28 cents; Class II declined \$1.44; Class III dropped \$1.61; and Class IV fell \$1.65. The lower prices caused a decline in the blend price, but the spread between the class prices resulted in a higher PPD.

The average producer butterfat test for December set a new record as the highest ever reported for the Order. December's producer protein test was the highest for the month, while the other solids test for December tied with 2007 as the highest for that month. The Class II volume was the highest for the month of December since the Order's inception. ❖

## 2010 Northeast Order Statistics Summarized

During 2010, the volume of milk received from producers shipping to handlers regulated under the Northeast Order totaled 24.3 billion pounds, an increase of 3.6 percent from 2009. The increase was due to a combination of factors such as milk production growth in the region, higher prices, and pooling changes. The accompanying table compares selected pool statistics for 2009 and 2010.

Nationally, total milk production from January through November grew 1.7 percent. In the Northeast, the major contributing states (New York, Pennsylvania, and Vermont) had a combined increase of 1.9 percent. In April 2010, a large volume Class I distributing plant became pooled on the Northeast Order, as a result of changes in the (continued on page 2)

## Pool Summary

- A total of 13,402 producers were pooled under the Order with an average daily delivery per producer of 4,963 pounds.
- Pooled milk receipts totaled 2.062 billion pounds, an increase of 1.4 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 45.3 percent of total milk receipts, a decrease of 0.4 percentage points from November.
- The average butterfat test of producer receipts was 3.86 percent.
- The average true protein test of producer receipts was 3.15 percent.
- The average other solids test of producer receipts was 5.72 percent. ❖

### Class Utilization

Pooled Milk	Percent	Pounds
Class I	45.3	935,208,538
Class II	17.2	353,760,080
Class III	25.4	524,174,638
Class IV	12.1	249,176,700
Total Pooled Milk		2,062,319,956

### Producer Component Prices

	2010	2009
	\$/lb	
Protein Price	2.1706	2.8751
Butterfat Price	1.7952	1.5433
Other Solids Price	0.1852	0.1727

### Class Price Factors

	2010	2009
	\$/cwt	
Class I	20.21	17.24
Class II	15.77	14.25
Class III	13.83	14.98
Class IV	15.03	15.01

## 2010 Northeast Order Statistics *(continued from page 1)*

plant's route disposition, bringing with it a large amount of milk and producers from other states. This plant formerly had been pooled on a neighboring federal order.

### **Class Utilization Changes**

Class I utilization averaged 42.7 percent in 2010, a decrease of 1.0 percentage points from the previous year. The total volume of milk used in Class I actually rose 1.2 percent but due to the corresponding increase in total milk receipts, the utilization percent decreased. Class II usage jumped 9.1 percent, resulting in an increase in utilization of 1.1 percentage points. Class II utilization averaged 21.3 percent. The growth in Greek-style yogurt largely was the driving force behind the substantial increase in the Class II volume.

Class III volume was up 7.6 percent with an increase in utilization of 1.0 percentage point and averaged 24.5 percent for 2010. The amount of milk used in Class IV dropped 4.6 percent and the corresponding utilization declined 1.0 percentage point. Class IV utilization accounted for an annual average of 11.6 percent.

### **Prices Higher**

Commodity prices began rising during the last quarter of 2009 and continued through most of 2010. Both butter and dry whey had the second highest annual averages since the Order's inception. Correspondingly, component and class prices rose.

The Class I price averaged \$18.60 per hundredweight in 2010, \$3.87 (26.3 percent) above the 2009 annual average. The Class II price averaged \$16.02 per hundredweight, \$4.76 per hundredweight and 42.2 percent higher than the previous year. The Class III price averaged \$14.41, up \$3.05 and 26.8 percent over 2009. The Class IV price rose \$4.20, an increase of 38.6 percent, and averaged \$15.09 per hundredweight.

Overall, the statistical uniform price (blend) reported at Suffolk County, Massachusetts (Boston) averaged \$16.92 per hundredweight, \$3.91 (30.1 percent) higher than the 2009 price, and the third highest blend price on record for the Order. Compared to previous years, 2010 class prices were: Class I and II, third highest; Class III, fourth highest; and Class IV, second highest, since the Order's inception. The producer price differential (PPD) averaged \$2.51 per hundredweight in 2010, 86 cents higher than the average in 2009.

### **Component Pricing**

The price paid to producers for butterfat averaged \$1.8535 per pound, 47.4 percent higher than in 2009 and the second highest butterfat price since the Order's inception. The per-pound annual average protein price was \$2.3091 per pound, up 4.5 percent from 2009. The other solids price increased 190.4 percent and averaged \$0.1777 per pound, the second highest other solids price ever. No negative other solids values were reported

during 2010, compared to 4 months of 2009. The nonfat solids price rose 32.7 percent and averaged \$0.9909 per pound, the third highest reported.

### **Producer Tests**

The annual average producer butterfat test equaled 3.70 percent in 2010, a drop of 2 percentage points from last year. The only record-setting month was December, which not only set a record for that month, but was the highest butterfat test ever for the Order. The annual average producer protein test was 3.05 percent, down 1 percentage point from 2009. Record highs were set during the months of November and December, and tied with the January high. The annual average producer other solids test increased 3 percentage points to 5.72 percent, setting a new record high annual average. Record highs also were set in the months of August through November 2010.

The year ended with 215 less producers than at the end of 2009. Annual average daily deliveries per producer (DDP) equaled 4,965 pounds, an increase of 3.2 percent from 2009. ❖

### **Northeast Order Pool Statistics, 2009–2010**

Pool Statistics	2009	2010	2009-10 Change percent
	million pounds		
Class I	10,267.8	10,386.4	1.2
Class II	4,748.5	5,181.5	9.1
Class III	5,531.2	5,951.7	7.6
Class IV	2,949.9	2,815.1	(4.6)
Total	23,497.4	24,334.7	3.6
	pounds		
DDP	4,810	4,965	3.2
	utilization percentage		
Class I	43.7	42.7	(1.0)
Class II	20.2	21.3	1.1
Class III	23.5	24.5	1.0
Class IV	12.6	11.6	(1.0)
	dollars/cwt		
Class I	14.73	18.60	26.3
Class II	11.26	16.02	42.2
Class III	11.36	14.41	26.8
Class IV	10.89	15.09	38.6
SUP	13.01	16.92	30.1
Producer Component:			
Tests:	percent		
Butterfat	3.72	3.70	(0.02)
Protein	3.06	3.05	(0.01)
Other Solids	5.69	5.72	0.03
Prices:	dollars/lb		
Butterfat	1.2571	1.8535	47.4
Protein	2.2087	2.3091	4.5
Other Solids	0.0612	0.1777	190.4
Nonfat Solids	0.7469	0.9909	32.7

## Strong Milk Prices Projected, But Feed Prices Also High

Using CME futures prices of Class III and Class IV milk from January 14, the Northeast Order uniform price projects to average \$18.82 per hundredweight for 2011, at Boston, Massachusetts. The Class I price projects to average \$20.59 per hundredweight for the year. That would rank 2011 as the second highest for the Northeast Order in terms of the uniform milk price. Since National Agricultural Statistics Service (NASS) prices tend to track closely with, but follow Chicago Mercantile Exchange (CME) prices, a look at CME prices can give an idea of where future NASS prices (which are used in calculating federal order prices) may be headed.

### Current Commodity Price Levels

Strength in commodity prices, particularly butter, has led to bullish futures prices, especially for Class IV milk. The Butter price on the CME topped \$2.00 per pound on January 7, marking the first time the butter price has been above the \$2.00 per pound level during the month of January. The butter price increased by \$0.43 per pound the week ending January 7, the strongest increase in the butter price since November 2000. The butter price closed at \$2.10 per pound on January 14. According to the *Dairy Market News*, there is some concern that a price over \$2.00 could decrease domestic consumer buying patterns and hamper export demand. Currently however, total butter stocks, as reported in the NASS Cold Storage Report, were roughly 70 million pounds in November 2010, below the 5-year average of about 117 million pounds.

The CME Nonfat Dry Milk price topped \$1.40 per pound on January 14. The weekly NFDMM price last topped \$1.40 per pound during September 2008. Higher international pricing and weather conditions in Oceania are having an impact on U.S. prices. CME Block Cheddar cheese price closed just above \$1.52 per pound on January 14.

### Current Demand Outlook

Interestingly, very strong milk prices are predicted at a time when milk production has been strong, averaging 3.1 percent increases each month since June 2010. Increasing milk supplies normally put downward pressure on milk prices. This would imply that overall demand is expected to keep pace with increasing milk supplies. There are some indications of strong demand both internationally and domestically.

Through November 2010, total export volume of milk powders, whey, lactose, cheese, and butterfat was up 39 percent from 2009 and up 13 percent over 2008's record export volume. If 2010 exports reach 29.3 billion pounds, on a milk equivalent skim solids basis, as projected by USDA, they would represent 15.3 percent of farm marketings.

At the same time, the Restaurant Performance Index topped 100 in October and was 99.9 in November. Though not at levels indicating strong growth in the restaurant sector, the index, with recent months over 100, is well above levels seen since late 2007 that included record lows near 96.5. The Expectations Index, which measures restaurant operators' six-month outlook, was 101.2 in November. 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.

### Feed Prices High As Well

On Friday, January 14, the CME corn futures price hit \$6.62 per bushel for July 2011 and soybean futures for the same month hit \$14.34 per bushel (both new highs). Feed price futures have increased following the latest World Agricultural Supply and Demand Estimates (WASDE) report cut projected corn yields, production, and ending stocks, and increased ethanol use. The year end stocks-to-use ratio is predicted to be 5.5 percent, down from 13.1 percent a year ago, and the lowest in 15 years. ❖

## Pool Summary for All Federal Orders, January–December, 2009–2010

Federal Order Number	Name	Total Producer Milk			Producer Price Differential#		Statistical Uniform Price#*	
		2009	2010	Change	2009	2010	2009	2010
		pounds			percent	dollars per hundredweight		
<b>1</b>	<b>Northeast</b>	<b>23,497,425,683</b>	<b>24,334,721,891</b>	<b>3.6</b>	<b>1.65</b>	<b>2.51</b>	<b>13.01</b>	<b>16.92</b>
5	Appalachian	5,950,397,772	6,041,773,553	1.5	N/A	N/A	14.00	17.94
6	Florida	3,027,183,629	2,901,728,440	(4.1)	N/A	N/A	16.12	20.12
7	Southeast	7,169,318,086	7,001,123,700	(2.3)	N/A	N/A	14.25	18.07
30	Upper Midwest	32,183,931,975	33,805,660,004	5.0	0.26	0.43	11.62	14.84
32	Central	12,685,174,559	13,351,663,213	5.3	0.41	1.05	11.77	15.46
33	Mideast	16,595,746,586	16,021,616,543	(3.5)	0.75	1.43	12.11	15.84
124	Pacific Northwest	7,470,190,925	8,010,815,734	7.2	0.41	1.02	11.76	15.42
126	Southwest	10,808,789,521	11,210,369,525	3.7	1.46	2.08	12.82	16.48
131	Arizona	4,042,238,490	4,231,877,559	4.7	N/A	N/A	12.10	15.86
<b>All Market Total/Average</b>		<b>123,430,397,226</b>	<b>126,911,350,162</b>	<b>2.8</b>	<b>0.83</b>	<b>1.42</b>	<b>12.96</b>	<b>16.69</b>

# Price at designated order location.

\* Price at 3.5% butterfat.

N/A = Not applicable.



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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	916,931,689	\$12.36	113,332,756.76	
Butterfat	18,276,849	2.3673	43,266,784.64	
Less: Location Adjustment to Handlers			(3,442,651.54)	\$153,156,889.83
Class II— Butterfat	26,728,733	1.8022	48,170,522.62	
Nonfat Solids	30,183,036	1.0900	32,899,509.24	81,070,031.86
Class III— Butterfat	21,747,067	1.7952	39,040,334.69	
Protein	16,480,121	2.1706	35,771,750.63	
Other Solids	29,859,219	0.1852	5,529,927.36	80,342,012.68
Class IV— Butterfat	12,907,367	1.7952	23,171,305.22	
Nonfat Solids	21,848,180	1.0068	21,996,747.62	45,168,052.84
<b>Total Classified Value</b>				<b>\$359,736,987.21</b>
Add: Overage—All Classes				95,204.81
Inventory Reclassification—All Classes				(846,083.32)
Other Source Receipts	341,912 Pounds			14,424.05
<b>Total Pool Value</b>				<b>\$359,000,532.75</b>
Less: Producer Component Valuations @ Class III Component Prices				(306,043,888.11)
<b>Total PPD Value Before Adjustments</b>				<b>\$52,956,644.64</b>
Add: Location Adjustment to Producers				10,784,584.01
One-half Unobligated Balance—Producer Settlement Fund				750,126.18
Less: Producer Settlement Fund—Reserve				(961,369.36)
<b>Total Pool Milk &amp; PPD Value</b>	2,062,661,868 Producer pounds			<b>\$63,529,985.47</b>
Producer Price Differential		<b>\$3.08</b>		
Statistical Uniform Price		<b>\$16.91</b>		

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