

# The Market Administrator's

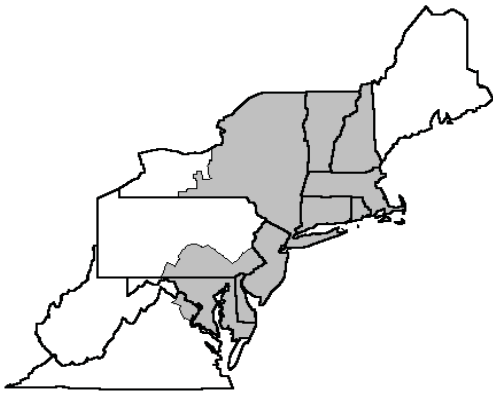
# BULLETIN

## NORTHEAST MARKETING AREA

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Federal Order No. 1



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### April Pool Price Calculation

The April 2011 statistical uniform price (SUP) for the Northeast Marketing Area was announced at \$20.38 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 \$21.10 per hundredweight. The April statistical uniform price was 10 cents per hundredweight above the March price. The April producer price differential (PPD) at Suffolk County was \$3.51 per hundredweight, an increase of \$2.63 per hundredweight from last month.

During April, butter and cheese commodity prices declined while nonfat dry milk and dry whey rose. This resulted in lower component prices for butterfat and protein, and higher prices for nonfat and other solids. The NASS cheese price dropped nearly 30 cents per pound, which was reflected in a more than \$2.50 decline in the Class III price. Due to the advanced nature of the Class I price, it rose \$1.20 from last month, and the Class II price benefited from its nonfat component and increased 83 cents. The Class IV price rose 37 cents, but was the second-highest class price for the month. With the drop in the Class III price, the spread between the classes grew, resulting in a much higher PPD.

All producer component (butterfat, protein, and other solids) tests set records for the month of April. The Class II volume set a new record for the month of April. ❖

### A Closer Look at Cheese Stocks

A key component of discussing the current dairy market situation or projecting milk prices is an examination of the supply and demand for dairy products. Part of the supply side of the equation is stocks of dairy products. The National Agricultural Statistics Service (NASS) *Cold Storage* report publishes current levels of stocks, including cheese stocks. If the current level of stocks of various dairy products is viewed as in short supply or as excessive, one might attribute upward or downward pressure on the milk price, since stocks are part of the supply equation.

(continued on page 3)

### Pool Summary

- A total of 12,988 producers were pooled under the Order with an average daily delivery per producer of 5,519 pounds.
- Pooled milk receipts totaled 2.151 billion pounds, an increase of 4.4 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 38.3 percent of total milk receipts, a decrease of 3.1 percentage points from March.
- The average butterfat test of producer receipts was 3.75 percent.
- The average true protein test of producer receipts was 3.05 percent.
- The average other solids test of producer receipts was 5.76 percent. ❖

#### Class Utilization

Pooled Milk	Percent	Pounds
Class I	38.3	824,576,752
Class II	22.6	486,047,249
Class III	26.4	566,528,299
Class IV	12.7	273,470,771
Total Pooled Milk		2,150,623,071

#### Producer Component Prices

	2011	2010
	\$/lb	
Protein Price	2.4984	2.1449
Butterfat Price	2.2113	1.5813
Other Solids Price	0.2902	0.1702

#### Class Price Factors

	2011	2010
	\$/cwt	
Class I	22.68	16.47
Class II	19.66	13.78
Class III	16.87	12.92
Class IV	19.78	13.73

## Manufactured Dairy Products—2010 Summary

USDA's National Agricultural Statistics Service recently released their *Dairy Products 2010 Summary*. This publication summarizes dairy products manufactured in the United States. The accompanying table highlights selected products.

### Cheese Production

Total cheese production (excluding cottage cheese) grew 3.6 percent in 2010; up from 1.9 percent in 2009. American cheese production increased 1.7 percent, Italian grew 5.8 percent, and Hispanic cheese rose 4.1 percent.

In the Northeast Order, milk used in cheese production increased 6.2 percent in 2010. Milk used in making American types rose 15.2 percent, Italian increased 1.3 percent, and the Swiss and other cheese category (includes Hispanic) jumped 18.8 percent.

### Other Products

Butter production dropped a slight 0.5 percent in 2010; this follows a decline of 4.1 percent in 2009. Yogurt (plain and fruit flavored) grew 8.9 percent; in 2009 it rose 7.8 percent. Nonfat dry milk (NFD) increased 3.4 percent in 2010; the previous year it dropped slightly (0.2 percent).

In the Northeast Order, milk used in butter production rose 19.6 percent. Milk used in making yogurt jumped 40.9 percent in 2010; the previous year the increase was 32.6 percent. The production of Greek-style yogurt has been the major force behind that growth. Milk used in the production of dry milk products (both nonfat and whole) increased 1.5 percent from 2009.

Nationally, the production of canned evaporated and condensed whole milk declined 4.5 percent, while unsweetened skim condensed rose 5.4 percent. The production of dry whey (for human use) increase 1.1 percent and whey protein concentrate decreased 4.8 percent; these products both declined 6.9 percent in 2009.

### Leading States

There was no change in the top four cheese producing states during 2010: Wisconsin led, followed by California, Idaho, and New York. New Mexico moved up to fifth place, bumping Minnesota to sixth. Wisconsin remained the number one producer of American cheese, but lost its first place in Italian to California. New York remained the largest producer of lowfat and creamed cottage cheese and sour cream. State rankings for most of the other products were not given due to having fewer than 3 handlers reporting.

Wisconsin still recorded the largest number of dairy manufacturing plants (210), followed by New York (108), and California (106).

### Percent of Total Milk Production

About 84 percent of butterfat and 58 percent of solids

### Selected U.S. Manufactured Dairy Products, 2009–2010

	2009	2010	Yr-to-Yr Change
	million pounds		percent
Cheese			
American <sup>^</sup>	4,203	4,275	1.7
Italian	4,181	4,424	5.8
Other*	1,691	1,737	2.7
Total Cheese(excludes cottage)	10,074	10,436	3.6
Butter	1,572	1,564	(0.5)
NFDM~	1,512	1,563	3.4
Condensed Skim**	1,478	1,558	5.4
Dry Whey~	951	961	1.1
Whey Protein Concentrate~	375	393	4.8
Yogurt	3,839	4,181	8.9
Ice Cream	918	912	(0.6)

<sup>^</sup> Includes Cheddar, Colby, Monterey, and Jack.

\* Includes Swiss, Muenster, brick, Hispanic, cream/Neufchatel, and other varieties.

\*\* Unsweetened.

~ For human use.

Source: NASS, *Dairy Products Annual Summary*.

nonfat produced nationally was used in manufactured dairy products (and cream) in 2010. These percentages are up slightly from 2009. Of the remainder, about 14 percent of the butterfat and 29 percent of solids nonfat was utilized for fluid milk products. A small amount (about 0.5 percent of each) was consumed on farms or used for other purposes. ❖

## Market Service Tank Calibrations

The Market Service department's bulk tank calibration trucks have been performing calibration checks of non-member producers' tanks. See the schedule for the remainder of 2011:

### Tentative Calibration Truck Schedule, 2011

Month	Area
April	VT/NH/Eastern NY
May	Central NY/Eastern NY
June	Fingerlakes NY/Central PA
July	Fingerlakes NY/Central NY Central PA/Southern PA
August	Eastern NY/Southern PA
September	ME/Western NY
October	Southern PA/Central NY/Northern PA
November	Southern PA/Eastern NY

## A Closer Look *(continued from page 1)*

Of note, total cheese stocks, as reported by the *Cold Storage* report exceeded one billion pounds in March 2010 and have remained above that mark through March 2011. The only other time cheese stocks were above 1 billion pounds was during a two-year period in 1983-84. At a glance, it would seem then that a very high volume of cheese stocks hang over the market putting downward pressure on the cheese price, and thus the milk price in general. However, despite so much cheese in storage, the NASS block Cheddar cheese price still spent 5 weeks over \$1.88 per pound from late February through March and has remained over \$1.60 per pound through April.

### **Everything Is Relative, Even Cheese Stocks**

Though current total cheese stocks over a billion pounds sounds like a very big number historically, it has to be viewed in context with current historically strong cheese production and commercial disappearance numbers. Looking at total cheese stocks, production, and their relationship to each other for the month of January, from 1980 through 2011, shows the nature of this relationship over the past three decades. When cheese stocks were last above a billion pounds in 1983-84, the support price was over \$13 per hundredweight. Government stocks of American cheese accounted for roughly 60 percent of total cheese stocks.

There was indeed a glut of cheese in stock, relative to the size of the cheese market at that time. Stocks were 314 percent higher than total production. Cheese stocks diminished each year from 1984 to 1990. From 1988 on, total stocks have averaged 96 percent of total cheese production, ranging mostly between 80 and 116 percent (see accompanying chart). Stocks have averaged 104 percent since 2000. These data

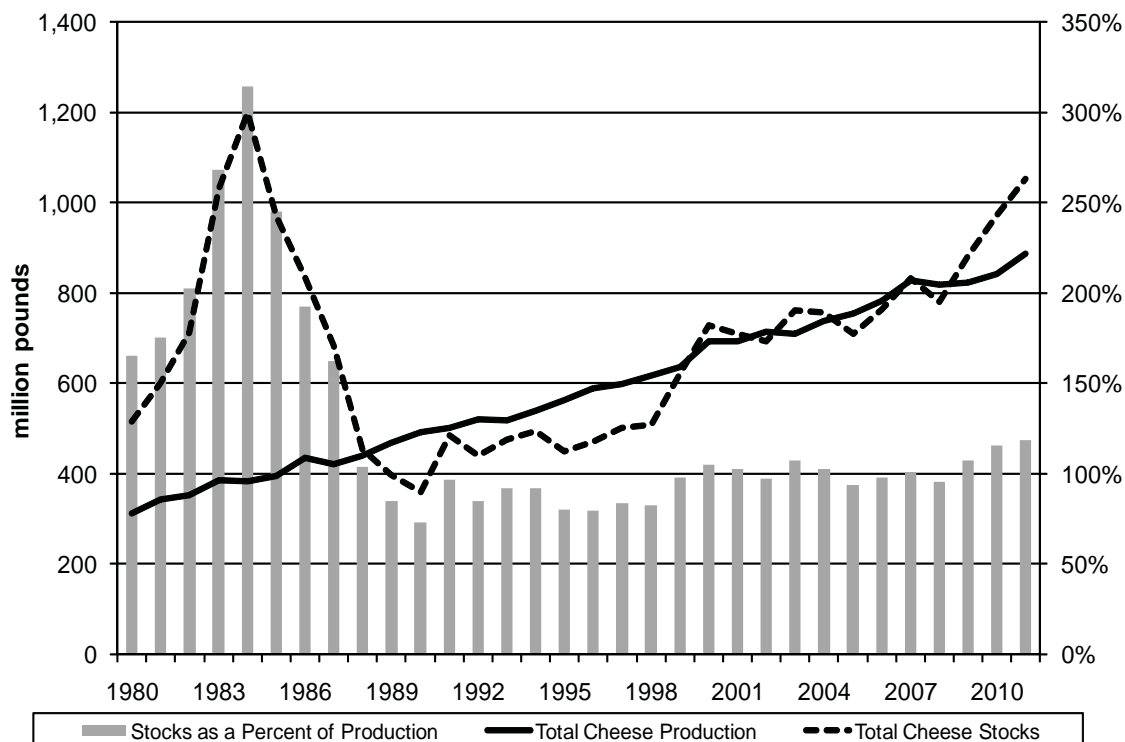
imply that stocks have grown mostly in proportion with production. In relative terms, 1984's billion pounds of cheese in cold storage is not the same as today's billion pounds in a market that is three times bigger. For the past two decades, the industry has held the equivalent of a month's production in stock. Stocks must be evaluated in relation to market size.

### **How Do Current Stocks Relate?**

That being said, the percent of stocks over production in January 2011 (118.7%) is as big as it has been since 1987 and may be putting some downward pressure on current cheese prices—just not to the degree it may have had when the cheese market was smaller. Better characterizing those stocks as to how much total volume is committed or already sold may further help interpret the situation. Currently the *Cold Storage* report does not collect data regarding whether stocks are committed.

Additionally, U.S. cheese exports have grown to about 5 percent of total production in 2011, up from about 1.5 percent five years ago, and just half a percent in the late 1980's. As the export market has become a more consistent and significant demand point for U.S. cheese, inventory requirements to supply such a market may impact, to some degree, the level of stocks the industry may hold.❖

**Total Cheese Production and Stocks, 1980–2011**



Source: NASS.



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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	809,219,457	\$15.19	122,920,435.52	
Butterfat	15,357,295	2.2908	35,180,491.39	
Less: Location Adjustment to Handlers			(2,775,488.60)	\$155,325,438.33
Class II— Butterfat	30,455,369	2.2183	67,559,145.10	
Nonfat Solids	41,708,880	1.3700	57,141,165.60	124,700,310.70
Class III— Butterfat	22,035,028	2.2113	48,726,057.42	
Protein	17,329,736	2.4984	43,296,612.43	
Other Solids	32,548,998	0.2902	9,445,719.27	101,468,389.12
Class IV— Butterfat	12,760,332	2.2113	28,216,922.16	
Nonfat Solids	23,900,475	1.3862	33,130,838.45	61,347,760.61
<b>Total Classified Value</b>				<b>\$442,841,898.76</b>
Add: Overage—All Classes				6,722.69
Inventory Reclassification—All Classes				(366,733.35)
Other Source Receipts	2,333,787 Pounds			101,686.39
<b>Total Pool Value</b>				<b>\$442,583,574.49</b>
Less: Producer Component Valuations @ Class III Component Prices				(378,272,322.56)
<b>Total PPD Value Before Adjustments</b>				<b>\$64,311,251.93</b>
Add: Location Adjustment to Producers				11,292,865.18
One-half Unobligated Balance—Producer Settlement Fund				900,923.58
Less: Producer Settlement Fund—Reserve				(936,255.06)
<b>Total Pool Milk &amp; PPD Value</b>	2,152,956,858 Producer pounds			<b>\$75,568,785.63</b>
Producer Price Differential		<b>\$3.51</b>		
Statistical Uniform Price		<b>\$20.38</b>		

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