

The Market Administrator's

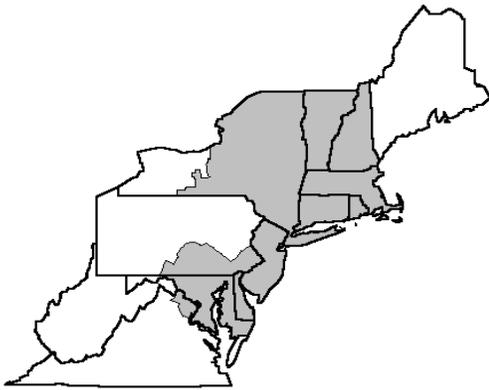
BULLETIN

NORTHEAST MARKETING AREA

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Federal Order No. 1



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October Pool Price Calculation

The October 2011 statistical uniform price (SUP) for the Northeast Marketing Area was announced at \$20.42 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 \$21.31 per hundredweight. The October statistical uniform price was \$1.81 per hundredweight below the record-setting September price. The October producer price differential (PPD) at Suffolk County was \$2.39 per hundredweight, a decrease of 77 cents per hundredweight from last month.

As occurred in September, all commodity prices declined during October except dry whey. All class prices decreased; Classes II, III, and IV each declined over \$1.00 per hundredweight, while the Class I price dropped over \$2.00. With the lower prices and tightening in the spread between the class prices, both the statistical uniform price and the producer price differential were lower.

The Class II volume for October set a new record for the month and was the third highest Class II volume on record for the Order. ❖

Regional Dairy Outlook Conference Held

The 2011 Northeast Regional Dairy Outlook Conference was held November 18 at the National Agricultural Statistics Service (NASS) New York field 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

Most participants reported concerns regarding crops in both quantity and quality due to the severe weather experienced this past summer and early fall. A wet spring delayed planting and stunted corn growth. Rain beginning in August, followed by Tropical Storms (continued on page 3)

Pool Summary

- A total of 12,845 producers were pooled under the Order with an average daily delivery per producer of 4,907 pounds.
 - Pooled milk receipts totaled 1.955 billion pounds, a decrease of 3.8 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 43.5 percent of total milk receipts, an increase of 0.2 percentage points from September.
- The average butterfat test of producer receipts was 3.76 percent.
- The average true protein test of producer receipts was 3.12 percent.
- The average other solids test of producer receipts was 5.71 percent. ❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	43.5	851,134,356
Class II	25.3	494,068,563
Class III	24.4	476,911,716
Class IV	6.8	133,188,191
Total Pooled Milk		1,955,302,826

Producer Component Prices

	2011	2010
	\$/lb	
Protein Price	2.9211	2.4739
Butterfat Price	1.9592	2.4436
Other Solids Price	0.4286	0.1736

Class Price Factors

	2011	2010
	\$/cwt	
Class I	22.81	19.83
Class II	19.41	17.57
Class III	18.03	16.94
Class IV	18.41	17.15

Milk Production vs. Pooled Milk

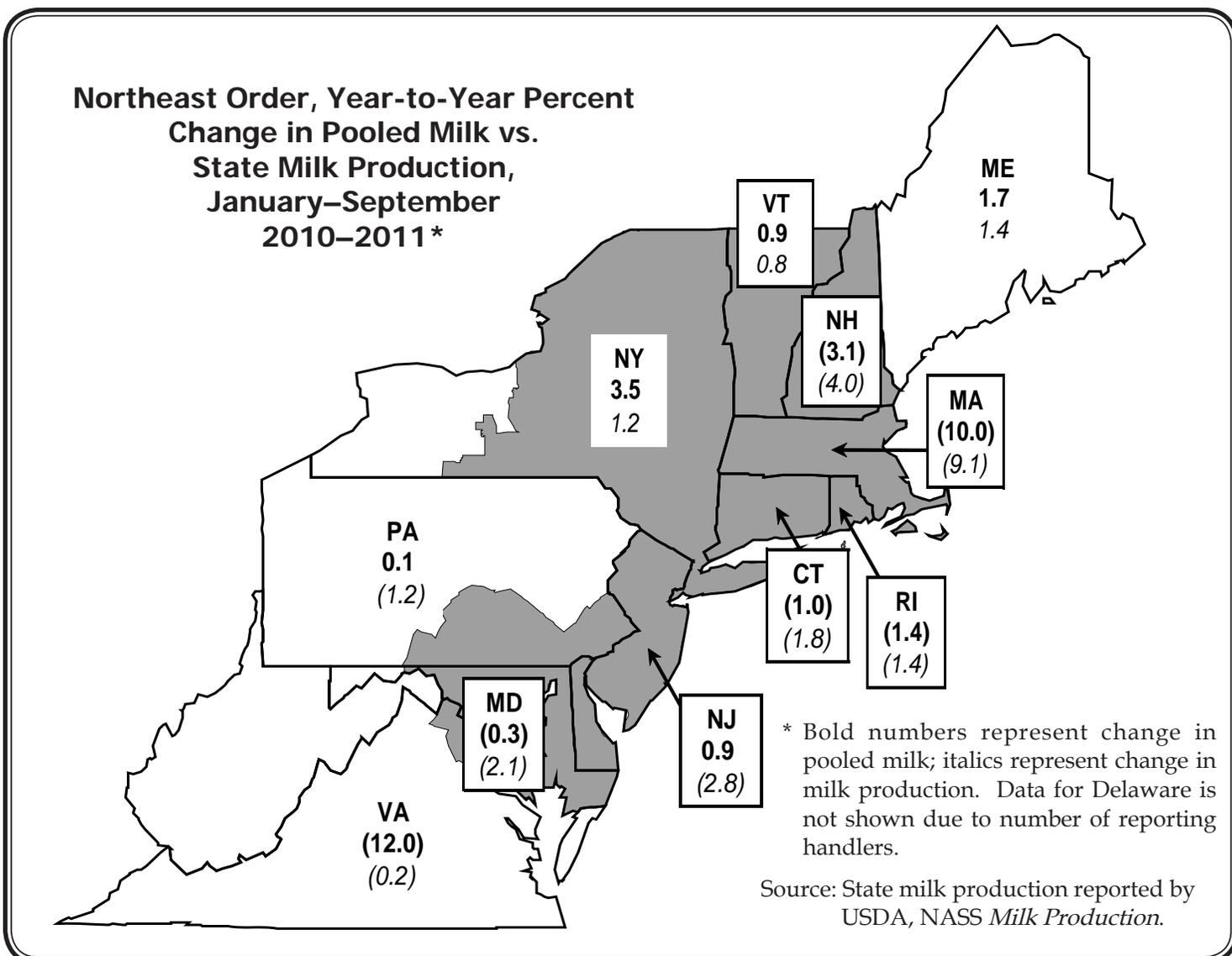
For the January through September 2011 period, the total volume of pooled milk receipts on the Northeast Order rose 0.8 percent from the same period in 2010. Pooled milk receipts represent the volume of milk that was reported by handlers regulated under the Northeast Order. This milk met the pooling requirements under the Order and was used in the calculation of the uniform price calculated for the Order. It does not include all milk produced in the marketing area or states usually associated with the Northeast Order.

The volume of milk received from Northeast states pooling producers' milk on the Order rose 1.6 percent during the first three quarters of 2011, compared to the previous year. During this same time period, milk production in these states declined a slight 0.1 percent. The accompanying map shows January-September year-to-year changes in pooled milk volume and milk production for those states. As the data show, some of the changes are nearly identical while some move in opposite directions. These variations are due to factors such as milk moving to

other nearby federal orders or to non-order areas. Other explanations are simply changes in the proportion of the state's milk pooled. For example, Pennsylvania's total milk production was down for the nine-month period while its pooled milk volume in the Order was up slightly. A higher proportion of milk produced in that state last year was pooled elsewhere.

Some of the reasons for increased pool volume include strong demand for Class II use due to increased production of Greek-style yogurt. In addition, Class I demand has declined somewhat, but due to the numerous and largely populated metropolitan centers in the Northeast Marketing Area, Class I utilization has remained fairly strong and constant even when prices have been record-high.

Overall, U.S. total milk production increased 1.6 percent for the January-September period. Growth has been steady in California, Idaho, New Mexico, and especially Texas. Of the other top ten milk producing states, Michigan and Washington reported increases in 2011 while Minnesota and Wisconsin showed decreases. ❖



Regional Dairy Outlook *(continued from page 1)*

Irene and Lee, limited the ability to harvest what was salvageable as crops in some areas were destroyed completely. Farmers will be challenged to find feed and will pay higher prices for it. Some concern was noted that there could be carry-over problems in the next year in areas where fields were contaminated by sewage and industrial chemicals or by volunteer seeding from washed-away crops.

Production Estimates

Due to the circumstances mentioned above and predicted decreases in milk prices, the Northeast as a whole is estimating only a slight increase (0.4 percent) in milk production for 2012. This follows a slight decline (0.3 percent) estimated for 2011. Specifically, Delaware, Maryland, and New Jersey are projecting decreases; New England expects production to be flat; and New York and Pennsylvania foresee slight increases (less than 1 percent). Nationally, the Economic Research Service (ERS) predicts milk production to finish up 1.6 percent in 2011 and increase another 1.3 percent in 2012.

The forecasted growth in milk production is due to increased milk per cow, as cow numbers are projected to decline 0.2 percent in both the Northeast and nationally for 2012. For 2011, Northeast cow numbers are expected to finish 0.5 percent below 2010, while U.S. totals are estimated up 0.9 percent. Milk per cow is projected to increase 0.8 percent in the Northeast and 1.4 percent nationally for 2012. For 2011, Northeast milk per cow is flat, while the U.S. number is estimated 0.7 percent above 2010.

Industry representatives are hoping to see more expansions in the region during the next few years, especially to meet the demand generated by new plants and the growth of Greek-style yogurt. With milk prices predicted to decline, there is a fear that farmers will be conservative and pay down current debt rather than expand. The expected high feed prices will reduce farmers' margins and limit expansion possibilities for some.

Price Estimates

Participants felt that the U.S. recovery from recession is weak at best and are not clear if it is heading in a positive direction or toward a second dip. The Consumer Confidence Index is low, although the Expectations Index reports greater confidence for the future. Weakness of the U.S. dollar versus other countries has been good for dairy exports, which have grown to about 14 percent of the

Northeast Marketing Area Statistical Uniform Prices, 2010–2012*

Month	2010	2011	2012
	Actual	Actual and Estimated	Estimated
dollars per hundredweight			
January	16.26	17.01	20.01
February	16.30	18.75	19.21
March	15.54	20.28	18.87
April	15.11	20.38	18.73
May	15.91	20.79	18.68
June	16.73	22.09	18.79
July	17.43	22.76	18.99
August	17.74	23.22	19.17
September	18.33	22.23	19.31
October	18.61	20.42	19.33
November	18.17	20.28	19.26
December	16.91	20.26	19.09
Average	16.92	20.71	19.12

* Estimated prices for November and December 2011 and all of 2012. All estimates are subject to change. Prices are reported at Suffolk County, MA (Boston).

total milk supply. In light of this, recent strengthening of the U.S. dollar bears watching. Emerging countries continue to buy large quantities of milk powders, whey, and lactose, but there is uncertainty regarding many European countries' economies. Stocks for commodities such as butter and cheese are growing in the U.S. and, combined with a sluggish economy, will put downward pressure on prices.

The group consensus for the Northeast Order statistical uniform price is an annual average of \$20.71 per hundredweight (cwt) for 2011 (at Boston). For the upcoming year, the group is forecasting a decline to \$19.12 per cwt for 2012 (see accompanying table), a drop of about 8 percent.

At this time, Milk Income Loss Payments (MILC) may be paid in some months of 2012, possibly averaging about 15 to 40 cents per cwt. This is not due to the Class I price falling below the \$16.94 per cwt trigger price, but rather falling below the feed cost adjusted trigger price that is currently projected to exceed \$20 per cwt for most months due to continued high prices for inputs.

Participants were split on whether the Class III (cheese) or Class IV (butter/powder) price will be the mover in 2012. Cheese and butter prices are expected to decline, but not drastically, while nonfat dry milk prices may drop slightly more and whey prices hold. The producer price differential (PPD) is predicted to average \$2.51 per cwt (at Boston) for 2011 and \$1.92 for 2012. ❖



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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	835,111,065	\$15.53	129,692,748.39	
Butterfat	16,023,291	2.2339	35,794,429.76	
Less: Location Adjustment to Handlers			(2,878,141.32)	\$162,609,036.86
Class II— Butterfat	29,568,555	1.9662	58,137,692.87	
Nonfat Solids	42,632,757	1.4422	61,484,962.17	119,622,655.04
Class III— Butterfat	20,129,806	1.9592	39,438,315.97	
Protein	14,810,724	2.9211	43,263,605.87	
Other Solids	27,131,152	0.4286	11,628,411.74	94,330,333.58
Class IV— Butterfat	7,795,962	1.9592	15,273,848.73	
Nonfat Solids	11,531,747	1.3297	15,333,763.97	30,607,612.70
Total Classified Value				\$407,169,638.18
Add: Overage—All Classes				90,757.10
Inventory Reclassification—All Classes				(343,745.50)
Other Source Receipts	2,626,897 Pounds			78,574.28
Total Pool Value				\$406,995,224.06
Less: Producer Component Valuations @ Class III Component Prices				(370,038,823.55)
Total PPD Value Before Adjustments				\$36,956,400.51
Add: Location Adjustment to Producers				9,965,559.19
One-half Unobligated Balance—Producer Settlement Fund				842,202.93
Less: Producer Settlement Fund—Reserve				(969,642.18)
Total Pool Milk & PPD Value	1,957,929,723 Producer pounds			\$46,794,520.45
Producer Price Differential		\$2.39		
Statistical Uniform Price		\$20.42		

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