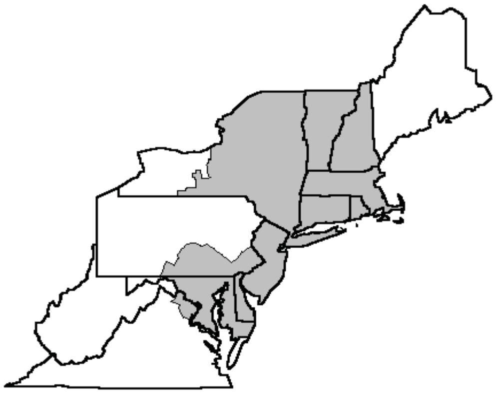

The Market Administrator's

BULLETIN

NORTHEAST MARKETING AREA

Erik F. Rasmussen, Market Administrator

March 2012

Federal Order No. 1

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March Pool Price Calculation

The March 2012 statistical uniform price (SUP) for the Northeast Marketing Area was announced at $17.64 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 $18.19 per hundredweight. The March statistical uniform price was 45 cents per hundredweight below the February price. The March producer price differential (PPD) at Suffolk County was $1.92 per hundredweight, a decrease of 11 cents per hundredweight from last month.

During March, all dairy product prices decreased slightly resulting in lower component and class prices. The March Class I price of $19.55 marked the first time since February 2011 that the Class I price was below $20.00 per hundredweight. The Class I price was 73 cents below the February price. The other class prices decreased 35, 34, and 57 cents, respectively, for Classes II, III, and IV. Of the commodity prices, the cheese price had the least decline, resulting in little change to the protein price, which has been the largest contributor to producers' overall pay price since June 2011.

The volume of producer milk receipts utilized in Class I was the smallest for the month of March, while the Class II volume was the largest for this month since the Order's inception. The average producer other solids test set a record high for the month of March.❖

USDA Announces Equivalent Price Series

On April 12 the USDA announced that the dairy product price series published in the *National Dairy Products Sales Report* released by the Agricultural Marketing Service (AMS) is equivalent to the price series previously released by the National Agricultural Statistics Service (NASS) in the *Dairy Products Prices* report. These prices are used in the price discovery mechanism for raw milk component values, which are then used in determining federal milk market order minimum classified milk prices.

(continued on page 3)

Pool Summary

- A total of 12,702 producers were pooled under the Order with an average daily delivery per producer of 5,488 pounds.
- Pooled milk receipts totaled 2.161 billion pounds, an increase of 2.1 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 39.8 percent of total milk receipts, a decrease of 0.1 percentage points from February.
- The average butterfat test of producer receipts was 3.74 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	39.8	860,882,955
Class II	25.1	542,660,861
Class III	22.7	490,377,377
Class IV	12.4	267,006,890
Total Pooled Milk		2,160,928,083

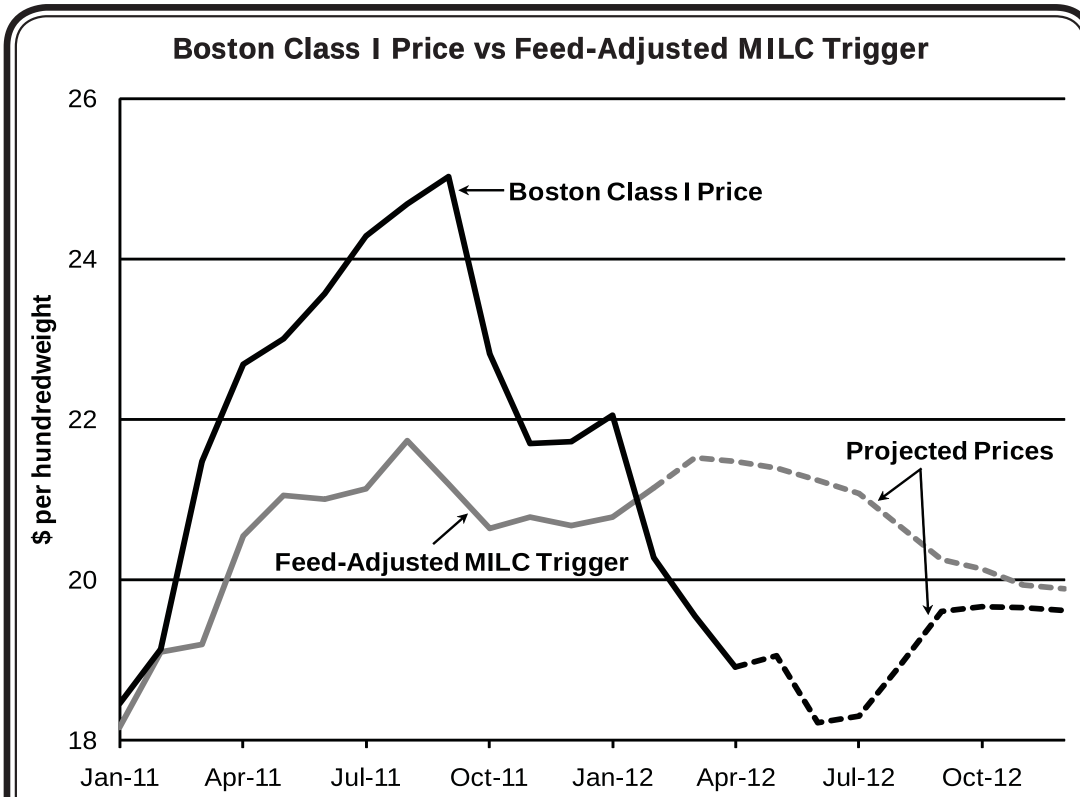
Producer Component Prices

	2012	2011
	$/lb	
Protein Price	2.6571	3.3024
Butterfat Price	1.5297	2.2859
Other Solids Price	0.4239	0.2665

Class Price Factors

	2012	2011
	$/cwt	
Class I	19.55	21.48
Class II	16.59	18.83
Class III	15.72	19.40
Class IV	15.35	19.41

MILC Payment in February, More Payments Expected



Actual Prices: USDA.
Projected Prices: CME futures-based..

With milk prices trending down, and the price of feed remaining at high levels, a Milk Income Loss Contract (MILC) payment was triggered for the month of February 2012. It is the first such payment since April 2010 and the second since a string of 10 payments were made in 2009.

Steadily High Feed Prices

That a MILC payment has been triggered during a first quarter in which the average price for the quarter ranks the third highest when compared to all first quarters since 2000, is indicative of the high level of feed prices producers are facing, since the MILC program contains an adjustment for feed costs. Strong export demand for corn and soybeans coupled with tight U.S. supply are supporting current levels of feed prices. The feed-adjusted trigger for MILC payments has been relatively stable from April 2011 through February 2012, ranging $1.18 per hundredweight (cwt). Comparatively, the Class I price has ranged $4.75 during the same time period. The accompanying chart shows the feed-adjusted MILC trigger price and the Northeast Order Class I price at Boston, MA, since January 2011.

Using April 13 Chicago Mercantile Exchange (CME) futures prices for milk and feed, MILC payments are projected to be made in every month from March through September, at an average payment of $0.96 per cwt. Currently the highest payment projected is for June at $1.36 per cwt. The MILC program is currently only authorized through September 2012, as per the 2008 Farm Bill. The payment rate for September changes to 36 percent of the difference between the feed-adjusted trigger price and the Class I price. All other months are calculated at 45 percent of that difference, again, as maintained by law.

Uniform Price Plus MILC

Currently, CME futures-based estimates project the uniform price at Boston, MA, to average $17.71 per cwt for the year, which would be about $3.00 per cwt lower than the 2011 average uniform price. Adding projected MILC payments would result in an average price to producers of about $18.30 per cwt for the year, close to price levels in 2008, which rank as third highest since 2000.

Limitations

Each farm operation's per year pound limit for payment eligibility is 2.985 million pounds for October 1, 2011, through September 30, 2012. An operation must pick a start month for each fiscal year, and once selected, any marketings in that month and subsequent months of the fiscal year that generate a payment will count against the operation's fiscal year limit. Due to the pounds limit and the start month concept, monitoring the start of and level of MILC payments is important. Contact your local Farm Service Agency office for rules covering payment start dates.❖

Annual Bulletin Available

The 2011 Annual Statistical *Bulletin* for the Northeast Milk Marketing Area is now available. The report summarizes pool and price data through a series of tables and charts. It can be found on our website at www.fmmone.com. Copies may be requestes free of charge by contacting the Albany office at (518)452-4410 or E-mail: MAAlbany@fedmilk1.com.❖

Biennial Container Survey Summary

The 2011 container sales survey was recently completed for the Northeast Milk Marketing Area. This survey is conducted biennially and records packaged sales data for the month of November. For more detail regarding the data collected, see the November 2011 *Bulletin*. In addition to regulated pool handlers, this survey also collects data from partially regulated handlers, exempt distributors, and producer-handlers. For the most part, data are collected in units; for this article, changes are based on the converted pounds of the sales volumes.

Product Type

Packaged sales totaled 880.1 million pounds in November 2011, up a slight 0.8 percent from 2009. Similar to the breakdown reported in the January *Bulletin*, whole milk accounted for the largest proportion of sales (29.1 percent), followed by reduced fat (23.1 percent), lowfat (18.3 percent), and fatfree (15.9 percent). These are relatively unchanged from the 2009 survey. The category showing the greatest increase was organic milk products (all fat levels and flavored) that grew to 4.5 from 3.8 percent.

Container Type

The proportion of products sold in plastic containers grew a slight 0.3 percentage points to 78.2 percent while paper containers decline to 21.5 percent and glass remained at 0.3 percent of all sales in November 2011. Sales of milk in single serve plastic containers declined from 3.4 percent of all plastic in 2009 to 2.9 percent in 2011. These containers mainly consist of half-pints, followed by pints and 14, 12, and 10 ounce sizes.

Container Size

Gallon-size containers continued to dominate in the Northeast Area although there was a slight decline to 54.8 percent from 55.3 percent in 2009. Half-gallons (both plastic and paper) had the second-largest share with 26.5 percent, up slightly from 26.3 percent in 2009. Paper half-pints accounted for 6.9 percent, followed by quarts (plastic and paper) with 5.3 percent. In the largest container sizes, 6-gallon declined slightly from 0.3 to 0.2 percent in 2011 while 5-gallon rose from 0.9 to 1.2 percent in 2011.

Method of Distribution

Wholesale distribution continued to account for nearly all sales in the marketing area with 99.7 percent; the remainder was home delivery, unchanged from past surveys. Of all sales, supermarkets accounted for 41.0 percent, dairy and convenience stores 10.4 percent, institutional (military and schools) 5.3 percent, and other wholesale (superstores, hyper markets, wholesales clubs) had 43 percent 2011.❖

USDA Announces *(continued from page 1)*

AMS previously used the NASS prices in the determining the values; however, the responsibility for the collection of dairy product sales data was transferred from NASS to AMS effective April 1, 2012, at which time NASS discontinued the publication of its *Dairy Products Prices* report. The *National Dairy Products Sales Report* incorporates the previously published sales data from the *Dairy Products Prices* and will denote any revisions from previous weeks that appear in the current issue.

For more information regarding the change in reporting, see the January 2012 *Bulletin* article that discusses the Dairy Product Mandatory Reporting Program.❖

Pool Summary for All Federal Orders, January–March, 2011–2012

Federal Order		Total Producer Milk			Producer Price Differential#		Statistical Uniform Price#*	
Number	Name	2011	2012	Change	2011	2012	2011	2012
		pounds		percent	dollars per hundredweight			
1	**Northeast**	**6,181,938,798**	**6,209,130,908**	**(0.7)**	**2.05**	**2.09**	**18.68**	**18.37**
5	Appalachian	1,468,758,088	1,558,946,126	5.0	N/A	N/A	19.65	19.49
6	Florida	771,083,647	752,711,227	(3.5)	N/A	N/A	21.53	21.76
7	Southeast	1,854,293,083	1,835,331,149	(2.1)	N/A	N/A	19.63	19.69
30	Upper Midwest	8,032,117,915	8,522,431,961	4.9	0.30	0.31	16.93	16.59
32	Central	3,195,833,415	4,219,466,548	30.6	0.71	0.65	17.34	16.93
33	Mideast	3,883,591,235	4,549,657,023	15.9	0.99	0.98	17.62	17.26
124	Pacific Northwest	1,971,645,151	2,085,829,643	4.6	0.97	0.57	17.59	16.85
126	Southwest	2,552,197,961	3,279,799,132	27.1	1.70	1.60	18.33	17.88
131	Arizona	1,161,920,835	1,245,109,867	6.0	N/A	N/A	18.04	17.15
All Market Total/Average		31,073,380,128	34,258,413,584	9.0	1.12	1.03	18.53	18.20

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*

		Product Pounds	Price per cwt./lb.	Component Value	Total Value
Class I—	Skim	845,249,126	$14.21	120,109,900.80	
	Butterfat	15,633,829	1.6680	26,077,226.77	
Less:	Location Adjustment to Handlers			(2,853,045.77)	$143,334,081.79
Class II—	Butterfat	31,554,041	1.5367	48,489,094.80	
	Nonfat Solids	46,787,594	1.2911	60,407,462.62	108,896,557.42
Class III–	Butterfat	22,369,854	1.5297	34,219,165.68	
	Protein	14,892,723	2.6571	39,571,454.28	
	Other Solids	27,998,579	0.4239	11,868,597.68	85,659,217.64
Class IV–	Butterfat	11,342,444	1.5297	17,350,536.62	
	Nonfat Solids	23,426,754	1.1516	26,978,249.89	44,328,786.51
Total Classified Value					**$382,218,643.36**
Add:	Overage—All Classes				29,995.83
	Inventory Reclassification—All Classes				52,746.54
	Other Source Receipts	3,287,915	Pounds		74,145.09
Total Pool Value					**$382,375,530.82**
Less:	Producer Component Valuations @ Class III Component Prices				(351,664,548.80)
Total PPD Value Before Adjustments					**$30,710,982.02**
Add:	Location Adjustment to Producers				10,978,129.40
	One-half Unobligated Balance—Producer Settlement Fund				811,696.62
Less:	Producer Settlement Fund—Reserve				(947,860.81)
Total Pool Milk & PPD Value		2,164,215,998	Producer pounds		**$41,552,947.23**
	Producer Price Differential		**$1.92**		
	Statistical Uniform Price		**$17.64**		

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