

The Market Administrator's

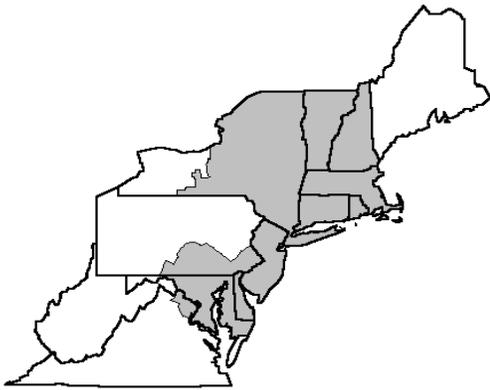
BULLETIN

NORTHEAST MARKETING AREA

Erik F. Rasmussen, Market Administrator

May 2012

Federal Order No. 1



To contact the Northeast Marketing Area offices:

Boston, MA: phone (617) 737-7199, e-mail address: MABoston@fedmilk1.com; Albany, NY: phone (518) 452-4410, e-mail address: MAAlbany@fedmilk1.com; Alexandria, VA: phone (703) 549-7000, e-mail address: MAAlexandria@fedmilk1.com; website address: www.fmmone.com

May Pool Price Calculation

The May 2012 statistical uniform price (SUP) for the Northeast Marketing Area was announced at \$16.79 per hundredweight (cwt) 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 \$17.13 per cwt. The May statistical uniform price was 41 cents per cwt below the April price. The May producer price differential (PPD) at Suffolk County was \$1.56 per cwt, an increase of 8 cents per cwt from last month.

During May, product prices for all commodities surveyed declined. This resulted in lower prices for all components except protein. For the first time since October 2010, the nonfat solids price was below \$1.00 per pound. All class prices declined except Class I, announced in advance. On a per hundredweight basis, the Class II price dropped \$1.01; the Class III price declined 49 cents; and the Class IV price went down \$1.25.

The Class II volume was record-setting as the largest for this month and ever for the Order. The average producer other solids test tied with last month for highest ever. ❖

Earlier Spring Flush

An earlier than typical spring flush has been part of the dairy discussion in 2012. With the May pool now complete, Northeast Order receipts appear to support that. The chart on page 3 shows January through May receipts on the Northeast Order for 2008 through 2012 (standardized for a 31-day month). An early spring flush is attributed to a mild winter with much warmer temperatures earlier in the season. As an example, mean temperatures for the month at Harrisburg, PA, were running 3.3, 4.3, and 8.7 degrees above normal for January, February, and March, respectively. April was about normal, followed by a warmer than normal May by 5.2 degrees. Temperature data were obtained from Weather.com.

To minimize the impact of production growth due to such factors as price response and feed quality, monthly pool receipts (continued on page 3)

Pool Summary

- A total of 12,705 producers were pooled under the Order with an average daily delivery per producer of 5,440 pounds.
- Pooled milk receipts totaled 2.143 billion pounds, a decrease of 1.4 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 38.5 percent of total milk receipts, an increase of 1.5 percentage points from April.
- The average butterfat test of producer receipts was 3.66 percent.
- The average true protein test of producer receipts was 3.02 percent.
- The average other solids test of producer receipts was 5.77 percent. ❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	38.5	825,203,211
Class II	26.1	558,198,451
Class III	23.4	501,534,840
Class IV	12.0	257,692,268
Total Pooled Milk		2,142,628,770

Producer Component Prices

	2012	2011
	\$/lb	
Protein Price	2.7344	2.3133
Butterfat Price	1.4462	2.2497
Other Solids Price	0.3500	0.3026

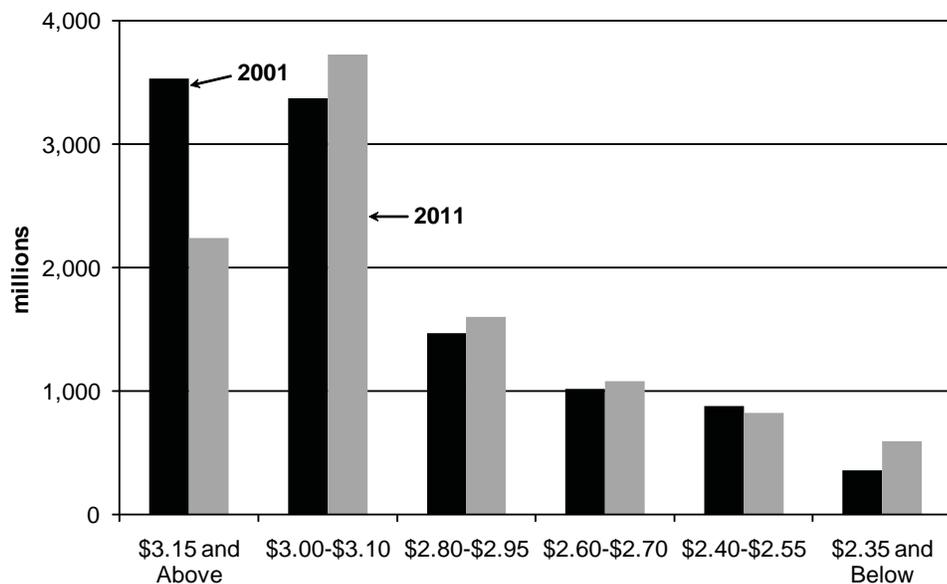
Class Price Factors

	2012	2011
	\$/cwt	
Class I	19.10	23.00
Class II	15.19	20.63
Class III	15.23	16.52
Class IV	13.55	20.29

Class I Receipts in Highest Differential Zones Diminish

The proportion of annual Class I receipts that are processed in the Northeast order's \$3.15 and higher differential zone has declined from 33.2 percent in 2001 to 22.3 percent in 2011. That represents a decline of 1.29 billion pounds. Total Class I receipts (in all zones) between 2001 and 2011 declined by 567 million pounds. This implies that the other lower zones in total received an additional 723 million pounds. The \$3.00-\$3.10 differential zone received roughly 348 million pounds. The \$2.35 and below zone received 235 million pounds. Some of the increase in this zone was due to the pooling of milk by a pool distributing plant not historically associated with the Northeast Order. The \$2.40-\$2.55 zone declined by about 53 million pounds. The accompanying chart shows the change in receipts in six differential zones

Class I Receipts by Destination Differential Zone, 2001 and 2011



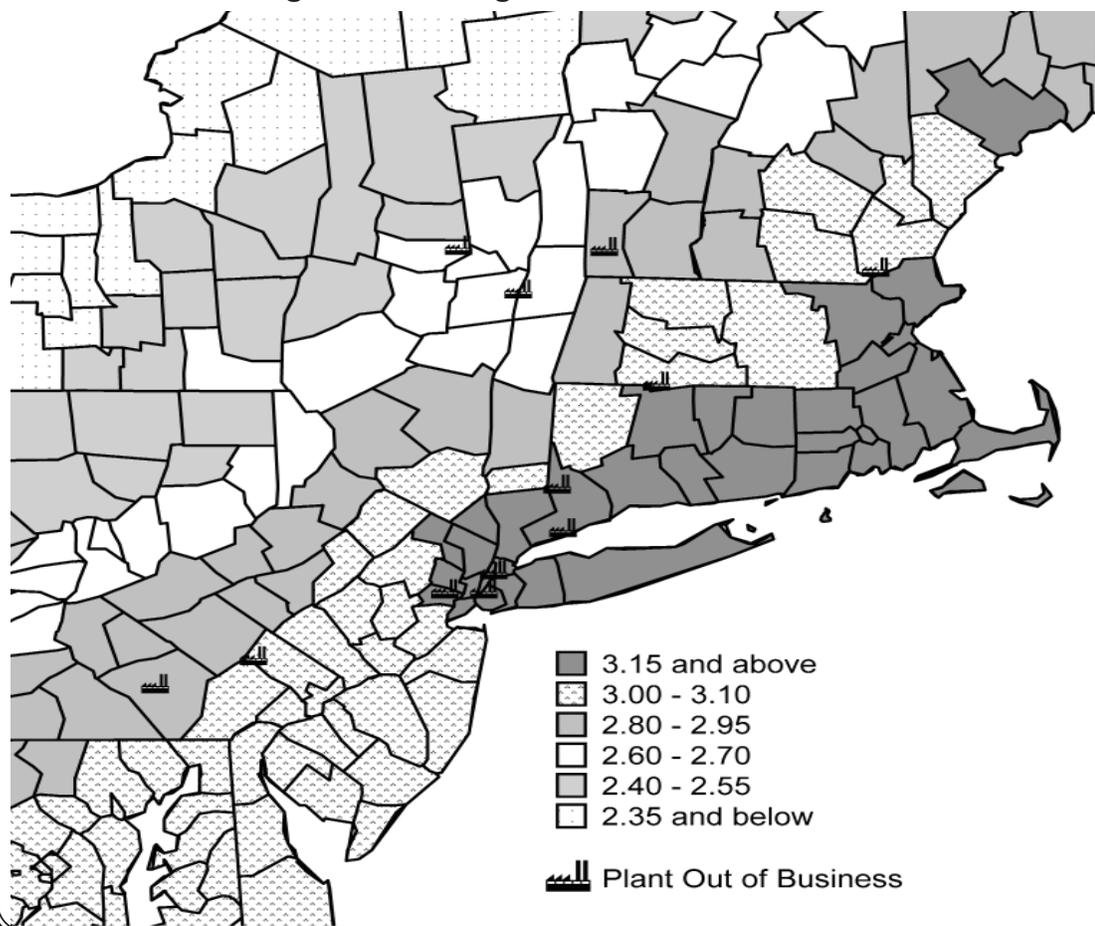
in 2001 and 2011.

During the past decade, a number of plants in the \$3.15 and higher zone in the northeast have shut down (see map). There were additional Class I

plants in other lower zones that went out of business as well, but in most cases, the difference in receipts in those zones were more than compensated for, as evidenced by the additional volume in most of those zones.

A decreasing proportion of milk ending up in the higher zone negatively impacts the uniform price. While that may be true, it does not necessarily imply a lower mailbox price to producers. Assuming the milk did not travel as far to the plant, overall hauling costs associated with that milk may be less by an amount that counterbalances the loss in producer price differential. ❖

Pool Distributing Plant Closings in the Northeast Order, 2000-2011



Manufactured Dairy Products—2011 Summary

USDA's National Agricultural Statistics Service recently released their *Dairy Products 2011 Summary*. The accompanying table highlights selected products' changes from 2010 and 2006, and a comparison of Northeast Order milk used in manufactured products.

Cheese Production

Total U.S. cheese production (excluding cottage) grew less in 2011 than it did the previous year, but was up considerably from 5 years ago. American cheese production in 2011 decreased from the previous year, following an increase of 2.1 percent in 2010. Italian cheese grew in 2011, less than the 5.6 percent increase last year. Hispanic cheese rose 4.3 percent in 2011, following an increase of 4.1 percent in 2010, but compared to 2006, it was up 23.6 percent.

In the Northeast Order, milk used in 2011 cheese production (excluding cottage) increased but less than the 2010 growth of 6.2 percent. Milk used in making American rose but less than the 15.2 percent in 2010. Italian declined in 2011; it rose 1.3 percent in 2010.

Other Products: Yogurt Jumps in the Northeast

Nationally, butter production experienced double-digit growth in 2011; the previous year, it dropped 0.5 percent. Yogurt (plain and fruit flavored) only rose 2.2 percent; in 2010 it grew 8.9 percent. Nonfat dry milk (NFD) dropped in 2011; the previous year it increased 3.4 percent.

In the Northeast Order, milk used in butter production rose considerably less than nationally; in 2010 it grew 9.6 percent. Milk used in making yogurt jumped 174.7 percent in 2011; the previous year increase was 40.9 percent. Compared to 2006, the growth is a whopping 430.3 percent with the production of Greek-style yogurt being the major force. Milk used in the production of dry milk products (mostly

Selected U.S. Manufactured Dairy Products, 2011

	U.S. Production of Manufactured Products		Northeast Order Milk Used to Manufacture#	
	2011 Percent Change from:			
	2006	2010	2006	2010
Cheese				
American [^]	9.1	(0.5)	28.4	6.4
Italian	14.8	3.3	2.7	(0.8)
Other*	8.0	1.8	38.9	2.4
Total Cheese (excludes cottage)	11.3	1.5	16.2	2.2
Butter	24.9	15.7	10.3	2.0
NFDM~	21.8	(3.1)	(1.6)	(14.9)
Yogurt	29.4	2.2	430.3	174.7

Based on total milk used in manufacture of products.

[^] Includes Cheddar, Colby, Monterey, and Jack.

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

~ For human use; Northeast data includes some whole milk powder.

nonfat) dropped significantly; last year it rose slightly.

Leading States

Wisconsin led in 2011 cheese production, followed by California, Idaho, and New Mexico, which displaced New York. In 2010, New Mexico rose to fifth place, bumping Minnesota to sixth.

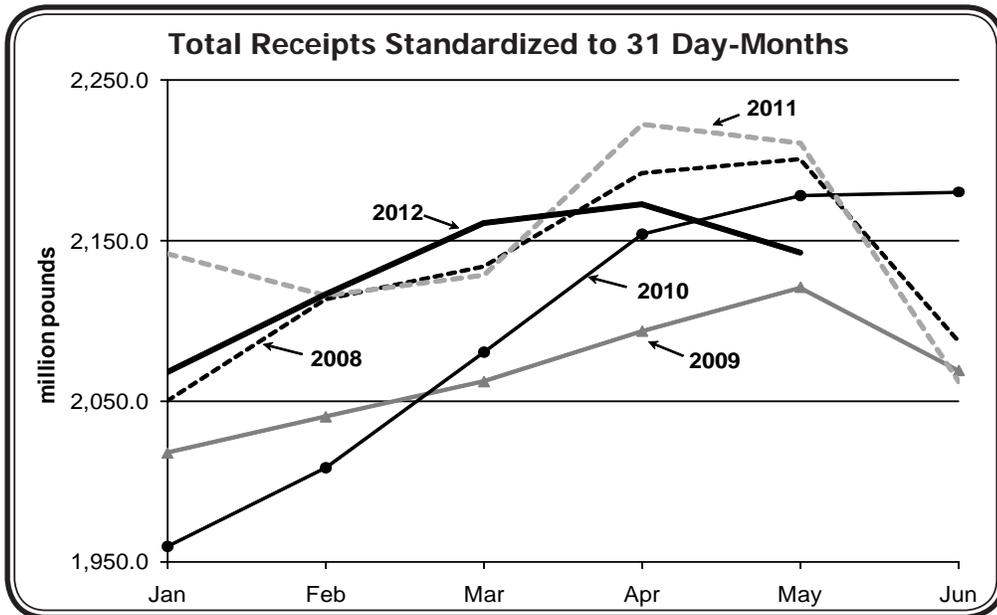
Percent of Total Milk Production

About 72.0 percent of U.S. total milk production was used in manufactured products (28.0 percent sold for fluid use). This is up slightly from 71.4 percent in 2010 and 69.7 percent in 2006.

In the Northeast, the total amount of milk utilized in manufactured products equaled 58.8 percent in 2011; this compares to percents of 57.7 and 54.5 in 2010 and 2006, respectively. ❖

Earlier (continued from page 1)

were compared to the level of receipts in January of the same year. Typically, based on the results, the two months with the highest level of receipts over January are April and May. In 2012, the months with the highest levels are March and April. Even in 2011, where receipts declined in May, the two largest months were still April and May. In 2010, May and June had the highest levels, although there were sizeable increases in March and April as well. ❖





MARKET ADMINISTRATOR
302A Washington Avenue Ext.
Albany, NY 12203-7303

PRESORTED
 FIRST-CLASS MAIL
 U.S. Postage
PAID
 Alexandria, VA
 Permit 355

RETURN SERVICE REQUESTED

FIRST CLASS MAIL

The U.S. Department of Agriculture (USDA) prohibits discrimination in all its programs and activities on the basis of race, color, national origin, age, disability, and where applicable, sex, marital status, familial status, parental status, religion, sexual orientation, political beliefs, genetic information, reprisal, or because all or part of an individual's income is derived from any public assistance program. (Not all prohibited bases apply to all programs.) Persons with disabilities who require alternative means for communication of program information (Braille, large print, audiotape, etc.) should contact USDA's TARGET Center at (202) 720-2600 (voice and TDD). To file a complaint of discrimination, write to USDA, Assistant Secretary for Civil Rights, Office of the Assistant Secretary for Civil Rights, 1400 Independence Avenue, S.W., Stop 9410, Washington, DC 20250-9410 or call toll-free at (866) 632-9992 (English) or (800) 877-8339 (TDD) or (866) 377-8642 (English Federal-relay) or (800) 845-6136 (Spanish Federal-relay). USDA is an equal opportunity provider and employer.

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	810,171,971	\$14.01	113,505,093.14	
Butterfat	15,031,240	1.5958	23,986,852.79	
Less: Location Adjustment to Handlers			(2,749,893.48)	\$134,742,052.46
Class II— Butterfat	31,163,833	1.4532	45,287,282.10	
Nonfat Solids	48,104,764	1.1633	55,960,271.99	101,247,554.09
Class III— Butterfat	21,121,126	1.4462	30,545,372.44	
Protein	15,104,122	2.7344	41,300,711.22	
Other Solids	28,771,783	0.3500	10,070,124.05	81,916,207.71
Class IV— Butterfat	11,192,655	1.4462	16,186,817.65	
Nonfat Solids	22,526,114	0.9774	22,017,023.80	38,203,841.45
Total Classified Value				\$356,109,655.71
Add: Overage—All Classes				31,451.76
Inventory Reclassification—All Classes				(50,326.26)
Other Source Receipts	3,548,396 Pounds			80,532.24
Total Pool Value				\$356,171,313.45
Less: Producer Component Valuations @ Class III Component Prices				(333,675,744.16)
Total PPD Value Before Adjustments				\$22,495,569.29
Add: Location Adjustment to Producers				10,986,245.71
One-half Unobligated Balance—Producer Settlement Fund				895,704.62
Less: Producer Settlement Fund—Reserve				(897,155.92)
Total Pool Milk & PPD Value	2,146,177,166 Producer pounds			\$33,480,363.70
Producer Price Differential		\$1.56		
Statistical Uniform Price		\$16.79		

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