

The Market Administrator's

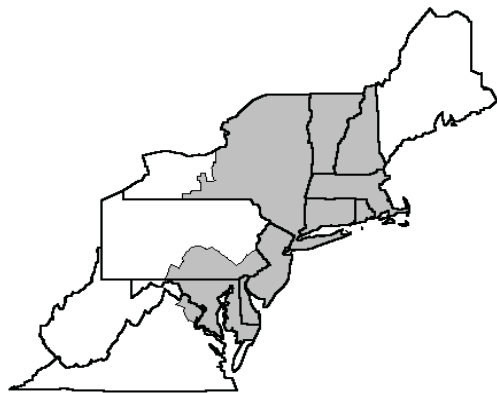
BULLETIN

NORTHEAST MARKETING AREA

Erik F. Rasmussen, Market Administrator

December 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

December Pool Price Calculation

The December 2012 statistical uniform price (SUP) for the Northeast Marketing Area was announced at \$20.65 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 \$21.79 per hundredweight. The December statistical uniform price was 70 cents per hundredweight below the November price. The December producer price differential (PPD) at Suffolk County was \$1.99 per hundredweight, an increase of \$1.47 per hundredweight from last month.

Similar to November, December product prices for butter dropped 24 cents per pound and cheese prices declined 21 cents for blocks and 23 cents for barrels; nonfat dry milk and whey rose. As a result, component prices for butterfat and protein dropped while nonfat and other solids increased. All class prices declined except Class I, announced in advance and based off of the higher prices in effect during November. The Class IV price was the lowest of the class prices. The Class III price dropped \$2.17 per hundredweight increasing the spread between the Class I and III prices and the value of the PPD. A higher PPD was predicted and discussed in the November *Bulletin*.

For the third month in a row, pooled milk receipts set a volume record for the month. The increase in producer milk receipts in December was the largest daily average month-to-month increase since January 2005. The volume of milk used in Class I was the smallest for the month of December on record and the largest daily average month-to-month decline since June 2008. Class II usage set a record for the largest volume for the month of December.

The average producer protein test for December tied with 2010 as the highest for the month. The average producer other solids test set a record for the month. ❖

2012 Northeast Order Statistics Summarized

During 2012, the volume of milk received from producers shipping to handlers regulated under the Northeast Order increased 1.1 percent from the previous year. Prices were down from the record-setting levels in 2011. (continued on page 2)

Pool Summary

- A total of 12,477 producers were pooled under the Order with an average daily delivery per producer of 5,577 pounds.
- Pooled milk receipts totaled 2.157 billion pounds, an increase of 4.5 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 38.7 percent of total milk receipts, a decrease of 4.2 percentage points from November.
- The average butterfat test of producer receipts was 3.84 percent.
- The average true protein test of producer receipts was 3.15 percent.
- The average other solids test of producer receipts was 5.74 percent. ❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	38.7	834,248,358
Class II	23.2	501,495,417
Class III	24.9	536,761,537
Class IV	13.2	284,542,916
Total Pooled Milk		2,157,048,228

Producer Component Prices

	2012	2011
	\$/lb	
Protein Price	3.3113	3.3404
Butterfat Price	1.7276	1.7443
Other Solids Price	0.4758	0.4683

Class Price Factors

	2012	2011
	\$/cwt	
Class I	24.64	21.72
Class II	18.30	18.08
Class III	18.66	18.77
Class IV	17.83	16.87

2012 Northeast Order Statistics *(continued from page 1)*

The accompanying table compares selected pool statistics for 2011 and 2012.

The year ended with 373 less producers than at the end of 2011. Annual average daily deliveries per producer (DDP) equaled 5,341 pounds, an increase of 3.8 percent from 2011.

Class Utilization Changes

The total volume of milk pooled increased 1.1 percent from 2011, up from last year when pooled milk rose a slight 0.1 percent. Comparisons have been adjusted for leap year in 2012, when applicable.

Class I utilization averaged 39.7 percent in 2012, a decrease of 1.7 percentage points from the previous year; the total volume of milk used in Class I declined 3.0 percent. Class II usage jumped 11.7 percent, resulting in overall utilization of 25.9 percent, an increase of 2.4 percentage points. The continued growth in Greek-style yogurt largely was the driving force behind the substantial increase in the Class II volume during the past three years. Class III volume declined 4.3 percent with utilization averaging 23.7 percent, down 1.4 percentage points. The amount of milk used in Class IV grew 6.7 percent and accounted for an annual average of 10.7 percent utilization, up 0.5 percentage points.

Prices Modestly Less Than 2011

Even though commodity prices were generally lower than during 2011, they were still higher than in most years, ranking in the top third over the past thirteen years. Correspondingly, component and class prices followed a similar pattern resulting in the third highest statistical uniform (blend) price since the Order's inception.

Class Prices

The Class I price averaged \$20.71 per hundredweight (cwt) in 2012, \$1.67 (7.5 percent) below the 2011 annual average. The Class II price averaged \$16.64 per cwt, \$2.98 and 15.2 percent lower than the previous year. The Class III price averaged \$17.44 per cwt, down \$0.93 and 5.0 percent from 2011. The Class IV price dropped \$3.03, a decline of 15.9 percent, and averaged \$16.01 per cwt. The Class II, III, and IV prices were the third highest for their respective categories; the Class I price was the fourth highest average on record.

Overall, the blend price reported at Suffolk County, Massachusetts (Boston) averaged \$18.63 per cwt, the third highest on record. Only 2011 and 2007 averages were higher; 2008 averaged \$18.62 per cwt. During 2012, the blend averaged over \$20.00 per cwt 3 months, compared to 9 months in 2011 and 7 months in 2007.

Component Pricing

With commodity prices declining for butter, cheese, and nonfat dry milk, component prices for butterfat and nonfat solids declined. With the dry whey price increasing and the formula for protein that incorporates the butterfat

price, both the producer other solids and protein prices averaged higher in 2012.

The price paid to producers for butterfat averaged \$1.7230 per pound, 20.0 percent lower than in 2011. The per-pound annual average protein price was \$3.0426 per pound (third highest on record), up 2.6 percent from 2011. The other solids price increased 18.3 percent and averaged \$0.4063 per pound, the second highest other solids price ever. The nonfat solids price declined 13.3 percent and averaged \$1.1485 per pound, the third highest reported.

Producer Tests

The annual average producer butterfat test equaled 3.73 percent in 2012, unchanged from last year and tied with both 2011 and 2008 for the highest annual average. Records were set during October and November of 2012. The annual average producer protein test was 3.06 percent, down 1 percentage point from 2011's record for the Order. The only record-setting month was November. The annual average producer other solids test increased 2 percentage points to 5.75 percent, setting a new record high annual average. Record highs were set or tied with previous records in ten months of 2012. ❖

Northeast Order Pool Statistics, 2011–2012

Pool Statistics	2011	2012	2011-12 Change
	million pounds		percent
Class I	10,074.9	9,801.9	(3.0)
Class II	5,723.2	6,410.3	11.7
Class III	6,097.1	5,848.3	(4.3)
Class IV	2,463.0	2,634.8	6.7
Total	24,358.2	24,695.3	1.1
	pounds		
DDP	5,147	5,341	3.8
	utilization percentage		change
Class I	41.4	39.7	(1.7)
Class II	23.5	25.9	2.4
Class III	25.0	23.7	(1.4)
Class IV	10.1	10.7	0.5
	dollars/cwt		percent
Class I	22.38	20.71	(7.5)
Class II	19.62	16.64	(15.2)
Class III	18.37	17.44	(5.0)
Class IV	19.04	16.01	(15.9)
SUP	20.64	18.63	(9.8)
Producer Component:			
Tests:	percent		change
Butterfat	3.73	3.73	0.00
Protein	3.07	3.06	(0.01)
Other Solids	5.73	5.75	0.02
Prices:	dollars/lb		percent
Butterfat	2.1535	1.7230	(20.0)
Protein	2.9663	3.0426	2.6
Other Solids	0.3434	0.4063	18.3
Nonfat Solids	1.3246	1.1485	(13.3)

Market Services 2012 Summary

The Market Administrator (MA) verifies or establishes weights, samples and tests producer milk, and provides market information for producers who are not receiving such services from a cooperative association.

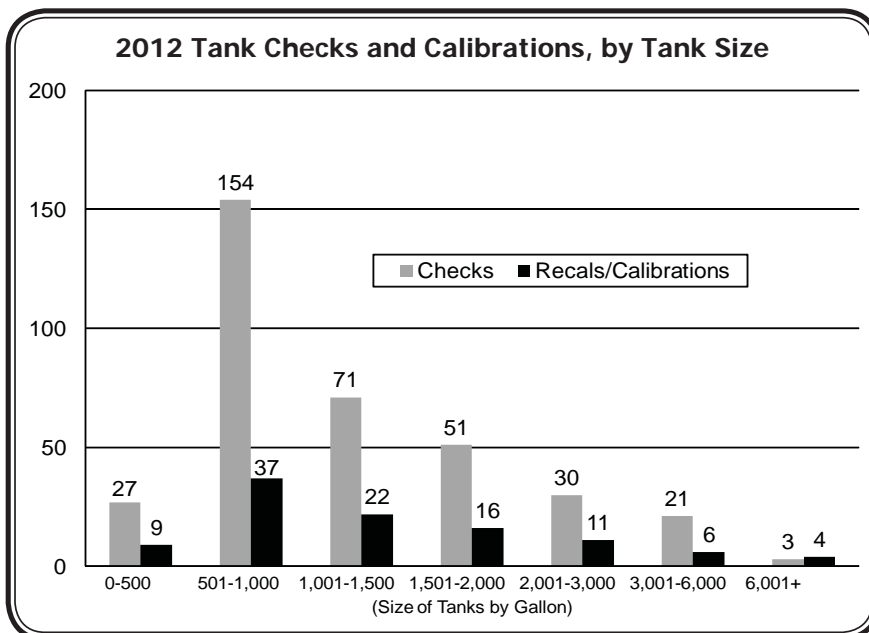
Calibration Program

One aspect of the Market Administrator's market service program is the bulk tank calibration program. The Northeast Order operates two calibration trucks. In providing calibration services, the two trucks combined covered 27,733 miles in 2012. The market service department checked 357 farm bulk tanks throughout the Northeast Marketing Area Milkshed during the 2012 season. Briefly, a tank check involves measuring the tank at about four or five different levels as opposed to performing a complete calibration, which involves checking the tank at each increment on the dipstick. The levels that a tank is checked at vary depending on the tank size and a farm's production range.

If the tank proves to be out of tolerance when checked, the tank is then recalibrated. Depending on scheduling, recalibrations may be performed the same day or may be rescheduled for another day.

Checks/Calibration Results

Of the 357 tanks checked, 25 (7 percent) were out of tolerance and were recalibrated. Of the tanks requiring recalibration, there was an almost even split between tanks that were over measuring and under measuring the amount of milk. An additional 80 calibrations were performed for other reasons that did not involve an initial check, such as a tank being installed, a tank being moved, or a special request. Of the tanks that were recalibrated or calibrated, 65 percent were 1,500 gallon tanks or smaller. The 357 checks and the 105 additional calibrations total at least 462 farm visits. A breakdown of checks and calibrations/recalibrations by tank size are shown in the accompanying table. A tentative schedule for the calibration trucks during the upcoming season will be presented in the *Bulletin* as spring approaches. ❖



Pool Summary for All Federal Orders, January–December, 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	24,358,273,875	24,695,275,631	1.1	2.28	1.19	20.64	18.63
5	Appalachian	6,128,146,669	5,862,598,329	(4.6)	N/A	N/A	21.68	19.70
6	Florida	2,919,070,100	2,889,841,736	(1.3)	N/A	N/A	23.77	21.92
7	Southeast	7,057,077,942	6,793,556,547	(4.0)	N/A	N/A	21.79	20.10
30	Upper Midwest	32,767,000,141	30,683,904,926	(6.6)	0.35	0.08	18.72	17.52
32	Central	13,937,840,934	13,388,598,382	(4.2)	0.77	(0.03)	19.14	17.42
33	Mideast	15,938,483,727	16,805,805,704	5.2	1.18	0.18	19.54	17.62
124	Pacific Northwest	8,022,762,894	6,718,738,404	(16.5)	0.83	(0.25)	19.20	17.20
126	Southwest	11,233,315,480	9,994,236,506	(11.3)	1.85	0.95	20.22	18.40
131	Arizona	4,517,903,674	4,555,889,957	0.6	N/A	N/A	19.70	17.62
All Market Total/Average		126,879,875,436	122,388,446,122	(3.8)	1.21	0.35	20.44	18.61

Price at designated order location.

* Price at 3.5% butterfat.

N/A = Not applicable.

^ Adjusted for leap year.



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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	817,955,679	\$17.88	146,250,475.41	
Butterfat	16,292,679	2.1088	34,358,001.48	
Less: Location Adjustment to Handlers			(2,849,703.14)	\$177,758,773.76
Class II— Butterfat	28,188,006	1.7346	48,894,915.23	
Nonfat Solids	43,777,567	1.4078	61,630,058.80	110,524,974.03
Class III— Butterfat	24,010,237	1.7276	41,480,085.43	
Protein	16,838,389	3.3113	55,756,957.49	
Other Solids	30,618,422	0.4758	14,568,245.24	111,805,288.16
Class IV— Butterfat	14,409,804	1.7276	24,894,377.39	
Nonfat Solids	24,952,188	1.3569	33,857,623.90	58,752,001.29
Total Classified Value				\$458,841,037.24
Add: Overage—All Classes				43,206.83
Inventory Reclassification—All Classes				(284,844.62)
Other Source Receipts	647,139 Pounds			28,211.02
Total Pool Value				\$458,627,610.47
Less: Producer Component Valuations @ Class III Component Prices				(427,025,945.88)
Total PPD Value Before Adjustments				\$31,601,664.59
Add: Location Adjustment to Producers				11,539,564.52
One-half Unobligated Balance—Producer Settlement Fund				844,762.27
Less: Producer Settlement Fund—Reserve				(1,047,853.68)
Total Pool Milk & PPD Value	2,157,695,367 Producer pounds			\$42,938,137.70
Producer Price Differential		\$1.99		
Statistical Uniform Price		\$20.65		

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