



The Market Administrator's

BULLETIN

NORTHEAST MARKETING AREA

Erik F. Rasmussen, Market Administrator

January 2013

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

January Pool Price Calculation

The January 2013 statistical uniform price (SUP) for the Northeast Marketing Area was announced at \$19.73 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 \$20.74 per hundredweight. The January statistical uniform price was 92 cents per hundredweight below the December price. The January producer price differential (PPD) at Suffolk County was \$1.59 per hundredweight, a decrease of 40 cents per hundredweight from last month.

Product prices in January dropped for all commodities except nonfat dry milk. As a result, component prices for butterfat, protein, and other solids declined while nonfat solids increased. All class prices declined; the Class IV price remained the lowest of the class prices. The Class I price dropped \$2.42 per hundredweight but tightened the spread between the Class I and III prices and reduced the value of the PPD.

Total pooled milk receipts were the second largest for the month of January; surpassed only by 2002. The volume of milk used in Class I was the smallest for the month of January on record. Class II usage set a record for the largest volume for the month of January.

The average producer protein and butterfat tests for January tied with 2011 as the highest for the month. ❖

Producer Referendum Underway

The U.S. Department of Agriculture has issued a final decision proposing permanent amendments to all federal milk marketing orders. A producer referendum is underway, concluding on February 27 in the Northeast Order, with referendum results to be announced by the Secretary of Agriculture at a later date. Producers under the Northeast Order during the month of May 2012 are entitled to vote in this referendum on the Northeast Order as amended.

The final decision proposes to permanently adopt changes to the manufacturing cost allowances and the butterfat yield factor used in Class III and Class IV product-price formulas applicable to all federal milk marketing orders. This referendum is required since the price (continued on page 3)

Pool Summary

- A total of 12,427 producers were pooled under the Order with an average daily delivery per producer of 5,581 pounds.
- Pooled milk receipts totaled 2.15 billion pounds, a decrease of 0.3 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 38.8 percent of total milk receipts, an increase of 0.1 percentage points from December.
- The average butterfat test of producer receipts was 3.84 percent.
- The average true protein test of producer receipts was 3.13 percent.
- The average other solids test of producer receipts was 5.74 percent. ❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	38.8	834,999,339
Class II	25.7	551,658,949
Class III	23.6	507,993,899
Class IV	11.9	255,298,913
Total Pooled Milk		2,149,951,100

Producer Component Prices

	2013	2012
	\$/lb	
Protein Price	3.2862	2.7326
Butterfat Price	1.6168	1.7178
Other Solids Price	0.4647	0.5032

Class Price Factors

	2013	2012
	\$/cwt	
Class I	22.22	22.05
Class II	18.19	17.67
Class III	18.14	17.05
Class IV	17.63	16.56

2012 Class I Sales Decline Greater Than National Average

Sales of fluid milk products in the Northeast Milk Marketing Area (NMA) as reported by pool handlers regulated under the Order totaled 8.3 billion pounds in 2012, down 2.6 percent from 2011, the largest year-over-year decline since the Order's inception. This follows a decrease of 2.3 percent during 2011. All comparisons have been adjusted for leap year in 2012. The total does not include sales from producer-handlers, exempt plants, or plants fully or partially regulated by other federal orders with packaged milk sales within the Northeast Marketing Area. These handlers represent less than 7 percent of all sales in the NMA.

The Northeast Marketing Area includes the entire states of Connecticut, Delaware, Massachusetts, New Hampshire, New Jersey, Rhode Island, and Vermont; the District of Columbia; most of Maryland and New York; and portions of Pennsylvania and Virginia. This area includes many metropolitan centers such as New York City, Boston, Philadelphia, Baltimore, and Washington, DC.

The accompanying table shows Northeast sales by product for 2012, change from previous year, proportion of total estimated U.S. sales, and per capita sales.

Sales by Product

In the Northeast, all categories of fluid milk products showed decreases in 2012. Even organic products (whole and reduced fat combined), which had consistent gains over the past 5 years, showed a decline of 4.1 percent from 2011.

Nationally, estimated sales of Class I products (all federal order marketing areas and California, the total of which accounts for approximately 92 percent of total U.S. sales) decreased 1.7 percent in 2012. Declines occurred in most of the same categories, except lowfat milk, eggnog, and organic products. Nationally, organic whole sales rose

10.0 percent and organic fat-reduced grew 2.7 percent for a combined category increase of 4.4 percent from 2011.

Proportion of US Sales

As a proportion of total U.S. sales, NMA sales accounted for 15.7 percent of the total; slightly down from 2011. The Northeast continues to be a large consumer of whole milk, accounting for 19.3 percent of the U.S. total, unchanged from 2011. In addition, the Northeast had 22.7 percent of all low fat and 18.2 percent of all fat-free sales. NMA sales also accounted for 18.4 percent of total organic whole and 15.3 percent of organic fat-reduced, which equaled a combined total of 16.1 percent of total U.S. organic milk sales, down from 17.4 in 2011.

Per Capita Sales

The estimated total population for 2012 in the NMA was 54.2 million people, as reported by the Bureau of Census; this is up from 54.0 million in 2011. On a per capita basis in the NMA, the average person consumed 153.4 fluid pounds (about 18 gallons) in 2012, down from 157.7 in 2011. Even though sales declined, whole milk remains the most popular product in the NMA with 47.9 pounds; reduced fat was next with 35.1 pounds, and low fat and fat-free followed at 30.1 and 24.4 pounds, respectively. Flavored milk and drinks equaled 8.5 pounds in 2012, down from 8.7 pounds the previous year. Combined organic sales totaled 6.5 pounds, down from 6.7 pounds in 2011.

Nationally, estimated per capita sales equaled 168.7 pounds (about 19.5 gallons), down from 172.5 pounds in 2011 but 10 percent higher than in the NMA. Reduced fat milk was the most popular product nationally, followed by whole milk, fat-free, and lowfat. Flavored milk and drinks totaled 13.7 pounds nationally, considerably higher than in the NMA. Nationally, combined organic sales equaled 6.9 pounds in 2012, also higher than in the Northeast. ❖

**Sales of Fluid Milk Products in the Northeast Marketing Area, 2012,
With Comparisons to U.S. Totals#**

Product	Total Sales		Change from 2011*		Proportion of Total Sales	Per Capita Sales	
	Northeast	U.S.	Northeast	U.S.		Northeast	U.S.
	million pounds		percent			pounds	
Whole Milk	2,596	13,461	(2.3)	(1.9)	19.3	47.9	42.9
Organic Whole Milk	101	550	(0.2)	10.0	18.4	1.9	1.7
Reduced Fat Milk	1,903	17,940	(1.4)	(1.6)	10.6	35.1	57.1
Low Fat Milk	1,634	7,195	(1.6)	1.1	22.7	30.1	22.9
Fat-Free Milk	1,324	7,275	(5.4)	(6.0)	18.2	24.4	23.2
Flavored Milk and Drinks	461	4,288	(1.8)	(1.4)	10.8	8.5	13.7
Organic Fat-Reduced Milk	249	1,622	(5.6)	2.7	15.3	4.6	5.2
Buttermilk, eggnog, other	54	641	(8.1)	1.1	8.4	1.0	2.0
Total	8,322	52,971	(2.6)	(1.7)	15.7	153.4	168.7

* Adjusted for leap year.

Totals may not add due to rounding.

MILC Payments Extended

On January 30, 2013, the U.S. Department of Agriculture (USDA) Farm Service Agency (FSA) announced that beginning February 5, USDA will issue payments to dairy farmers enrolled in the Milk Income Loss Contract (MILC) program for the September 2012 marketings. The American Taxpayer Relief Act of 2012 extended the authorization of the Food, Conservation, and Energy Act of 2008 (the 2008 Farm Bill) through 2013 for many programs administered by FSA, including MILC. The 2008 Farm Bill extension provides for a continuation of the MILC program through September 30, 2013.

MILC payments are triggered when the Boston Class I milk price falls below \$16.94 per hundredweight, after adjustment for the cost of dairy feed rations. MILC payments are calculated each month using the latest milk price and feed costs.

All dairy producers' MILC contracts automatically are extended to September 30, 2013. Therefore, eligible producers do not need to re-enroll in MILC. Operations with approved MILC contracts will continue to receive monthly payments, if available.

The payment rate for September 2012 was approximately \$0.59 per hundredweight. The payment rate for October 2012 marketings was approximately \$0.02 per hundredweight. The payment rate for November and December 2012 marketings was zero. Based on Chicago Mercantile Exchange futures prices for milk and feed prices, MILC payments are projected for January through July of 2013.

A relief period through February 28 allows producers to change their start-month selections. During this period, the production start month may be any month in fiscal year 2013. Beginning March 1, all production start-month changes must be made according to normal start-month selection provisions.

For more information on MILC, contact the local FSA county office or visit the FSA website at www.fsa.usda.gov. ❖

Forward Pricing Program Extended

The U.S. Department of Agriculture has issued a notice extending the Dairy Forward Pricing Program to allow producers and cooperative associations to enter into forward price contracts under the program through September 30, 2013. The Dairy Forward Pricing Program allows producers and producer cooperative associations to voluntarily enter into forward price contracts with handlers. Producer milk that has been forward contracted under the terms of the Program is not subject to Federal order minimum pricing provisions. The passage of the American Taxpayer Relief Act of 2012, signed into law on January 2, 2013, revised the program to allow new contracts to be entered into until September 30, 2013. Any forward contracts entered into until the deadline on September 30, 2013, are still subject to the September 30, 2015, cutoff date. ❖

Market Service Tank Calibrations

Last month we reported on the Market Services' bulk tank calibration program. A tentative schedule for the calibration trucks during the upcoming season is shown below. ❖

Tentative Calibration Truck Schedule, 2013

Month	Area
April	Eastern New York/New Jersey Central New York
May	Vermont and New Hampshire Northern Pennsylvania
June	Western New York Central Pennsylvania
July	Eastern New York Southeast Pennsylvania
August	Central New York Finger Lakes New York
September	Southeast Pennsylvania Maine
October	Central Pennsylvania Western New York
November	Southeast Pennsylvania Eastern New York

Producer Referendum *(continued from page 1)*

formulas currently in use were approved by a tentative final decision. Federal rulemaking procedures require that a final decision be approved to make the proposals permanent. Approval of this final decision makes no changes to the price formulas or order language that producers and handlers have been operating under since October 1, 2008.

The federal milk order system currently uses product price formulas to compute prices handlers must account for in the marketwide pooling of milk used in Class III and Class IV products. Class III and Class IV prices form the base from which Class I and Class II prices are determined. The price formulas used to compute Class III and Class IV prices contain a factor called a manufacturing (make) allowance. The make allowance factor represents the cost manufacturers incur in making raw milk into one pound of product.

Specifically, this decision permanently adopts the following manufacturing allowances: cheese – \$0.2003 per pound, butter – \$0.1715 per pound, NFD – 0.1678 per pound, and dry whey – \$0.1991 per pound. This decision also proposes to permanently increase the butterfat yield factor in the butterfat price formula from 1.20 to 1.211. These make allowances and butterfat yield factor have been used since October 1, 2008, following producer approval of the tentative final decision. ❖



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	819,484,232	\$16.58	135,870,485.67	
Butterfat	15,515,107	1.7777	27,581,205.71	
Less: Location Adjustment to Handlers			(2,817,791.80)	\$160,633,899.56
Class II— Butterfat	29,218,678	1.6238	47,445,289.37	
Nonfat Solids	48,182,220	1.4400	69,382,396.80	116,827,686.17
Class III— Butterfat	22,816,919	1.6168	36,890,394.63	
Protein	15,835,062	3.2862	52,037,180.77	
Other Solids	28,936,533	0.4647	13,446,806.88	102,374,382.28
Class IV— Butterfat	14,995,513	1.6168	24,244,745.45	
Nonfat Solids	22,156,201	1.3784	30,540,107.45	54,784,852.90
Total Classified Value				\$434,620,820.91
Add: Overage—All Classes				26,012.58
Inventory Reclassification—All Classes				(32,108.08)
Other Source Receipts	546,953 Pounds			17,173.19
Total Pool Value				\$434,631,898.60
Less: Producer Component Valuations @ Class III Component Prices				(411,664,394.46)
Total PPD Value Before Adjustments				\$22,967,504.14
Add: Location Adjustment to Producers				11,303,420.53
One-half Unobligated Balance—Producer Settlement Fund				883,042.05
Less: Producer Settlement Fund—Reserve				(961,047.69)
Total Pool Milk & PPD Value	2,150,498,053 Producer pounds			\$34,192,919.03
Producer Price Differential		\$1.59		
Statistical Uniform Price		\$19.73		

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