



# The Market Administrator's **BULLETIN**

## **NORTHEAST MARKETING AREA**

*Erik F. Rasmussen*, Market Administrator

**September 2001**

Federal Order No. 1

To contact the Northeast Marketing Area offices:

*Boston, MA:* phone (617) 542-8966, 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

### **September Pool Price Calculation**

The September 2001 statistical uniform price for the Northeast Marketing Area was announced at \$17.76 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. The September producer price differential (PPD) at Suffolk County was \$1.86 per hundredweight.

The September statistical uniform price set another record for the Northeast Order, topping August's price by \$0.23 per hundredweight. The September PPD decreased \$0.12 from the previous month. All class prices were record-highs for post-federal order reform.

The September butterfat price was the highest since order reform and, combined with a strong producer butterfat test, resulted in the highest producer butterfat value. ❖

### **Changes in Shipping Percentages for October and November**

For the months of October and November 2001, the shipping percentage specified in Section 1001.7(c)(2) of the Order shall be increased from 20 to 25 percent for supply plants and cooperative Section 1000.9(c) handlers. This increase is a result of an investigation by this office followed by a notice and comment period, as specified in Section 1001.7(g).

The investigation was initiated at the written request of a number of handlers (see the August *Bulletin* for additional details.) After reviewing the submitted data and comments and investigating current market conditions, it was determined that a 5 percentage point increase in the October and November shipping percentages would help bring forth the additional supply needed, but not be so high as to cause uneconomical movements of milk.

This action completes the standing request to investigate shipping percentages for September, October, and November. If the milk supply situation significantly changes in either direction during the next month, this office is prepared to reopen the investigation for the month of November if so requested. ❖

### **Pool Summary**

- A total of 16,996 producers were pooled under the order with an average daily delivery per producer of 3,874 pounds.
- Pooled milk receipts totaled 1.976 billion pounds, an increase of 0.2 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 44.6 percent of total milk receipts, an increase of 0.9 percentage points from August.
- The average butterfat test of producer receipts was 3.61 percent.
- The average true protein test of producer receipts was 2.99 percent.
- The average other solids test of producer receipts was 5.67 percent.

#### **Class Utilization**

<u>Pooled Milk</u>	<u>Percent</u>	<u>Pounds</u>
Class I	44.6	881,019,788
Class II	18.0	356,764,428
Class III	30.2	595,878,134
Class IV	7.2	141,974,336
Total Pooled Milk		1,975,636,686

#### **Producer Component Prices**

	<u>2001</u>	<u>2000</u>
	<u>\$/lb</u>	
Protein Price	2.1647	2.0137
Butterfat Price	2.4449	1.2707
Other Solids Price	0.1520	0.0502

#### **Class Price Factors**

	<u>2001</u>	<u>2000</u>
	<u>\$/cwt</u>	
Class I	18.81	15.09
Class II	16.24	12.58
Class III	15.90	10.76
Class IV	15.59	11.94

# News From National Dairy Boards

## Appointments

On October 3, the USDA announced nine new appointments and four reappointments to the **National Dairy Promotion and Research Board**. All, except one, will serve 3-year terms from November 1, 2001, through October 31, 2004. Locally, Deborah A. Benner, Mt. Joy, Pennsylvania (region 11); David E. Hardie, Lansing, New York; and Audrey G. Donahoe, Frankfort, New York (both region 12) were appointed. Ms. Donahoe will fill a vacancy for a 1-year term ending October 31, 2002.

## Nominations

The USDA is seeking nominations for the **National Fluid Milk Processor Promotion Board**. Six individuals will be appointed to serve 3-year terms beginning July 2002.

Nominations will be accepted for board representation in five geographic regions (locally, region 2—New Jersey and New York) and for one at-large position. Nominees for all six positions must be active owners or employees of a fluid milk processor, but no processor shall be represented on the board by more than three members. Fluid milk processors and others

may submit nominations for regions in which they are located or market fluid milk and for at-large members.

Nominations must be received by December 1, 2001. For nomination forms and procedures, contact David R. Jamison at telephone (202) 720-6909; fax (202) 720-0285; or E-mail at david.jamison2@usda.gov. ❖

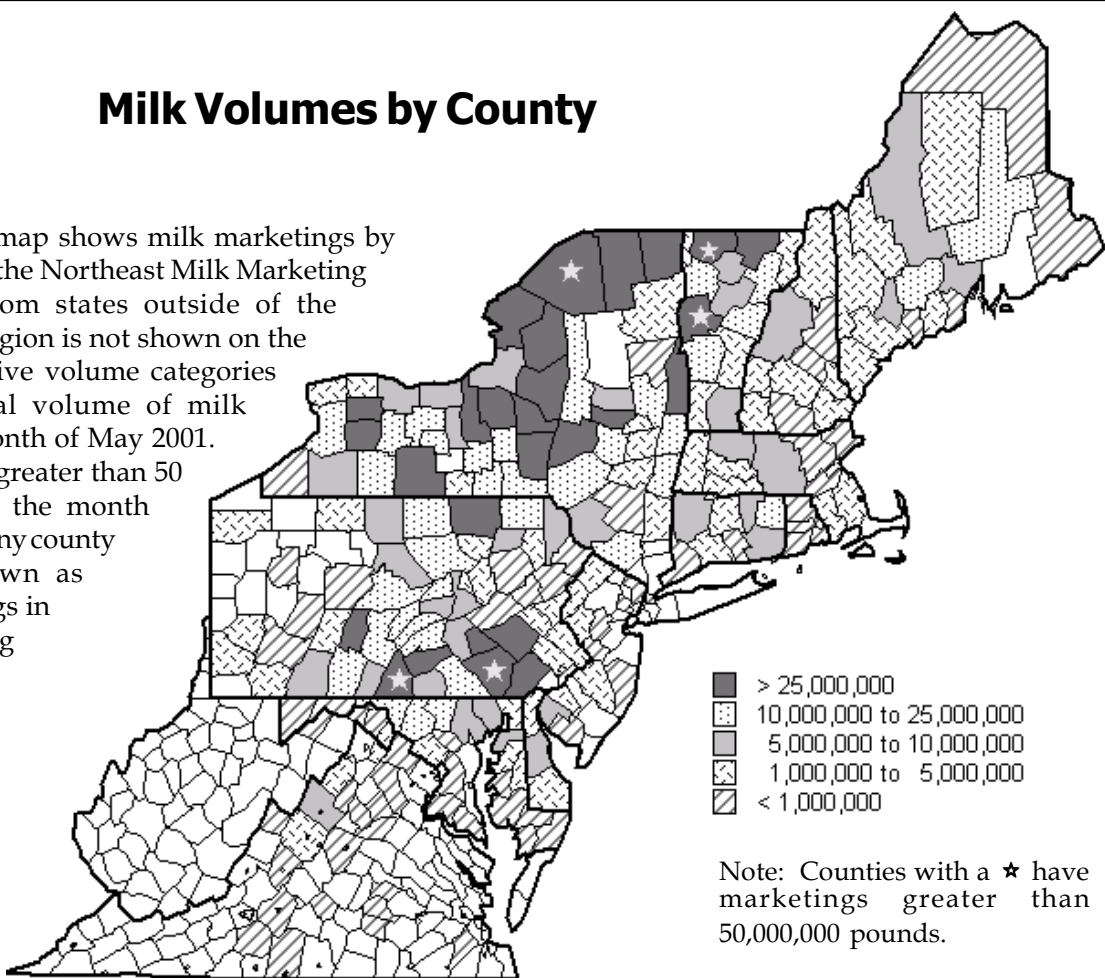
## Annual Report Available

The first Annual Statistical Report for the Northeast Milk Marketing Area is now available. The report provides information about the operation of the Northeast Marketing Area (Order No. 1) during 2000. Price and pool data is summarized in tables and charts, and a listing of handlers, plants, and cooperatives operating under the Order is provided. Highlights from the monthly *Bulletin*, summarizing important events that impacted the dairy industry during 2000, are also included.

The 32-page report can be found on our website at [www.fmmone.com](http://www.fmmone.com). Copies may be requested free of charge by contacting the Albany office at (518) 452-4410 or E-mail: MAAlbany@fedmilk1.com. ❖

## Milk Volumes by County

The accompanying map shows milk marketings by county that is pooled in the Northeast Milk Marketing Area. Milk pooled from states outside of the contiguous Northeast region is not shown on the map. The key shows five volume categories that represent the total volume of milk marketed during the month of May 2001. Counties with volumes greater than 50 million pounds during the month are denoted with stars. Any county without shading (shown as white) had no marketings in the Northeast Marketing Area during May 2001.



# MARKET SITUATION

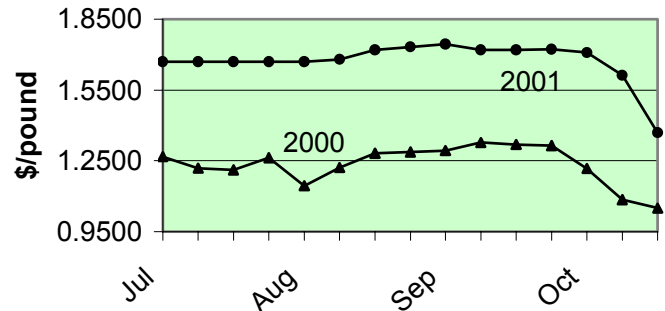
## Cheese and Butter Prices Plunge

The week ending October 12, 2001, 40-lb. block Cheddar cheese traded on the Chicago Mercantile Exchange (CME) experienced a drop in price of \$0.2300 from \$1.4800 per pound on Monday to \$1.2700 per pound on Friday. The weekly average price of \$1.3690 was nearly 22 percent lower than the peak price of \$1.7440 6 weeks ago (see chart). According to the CME, the cheese price decline is primarily demand driven. Sales were already slowing during the second quarter and became flat during the third quarter. September's terrorist attack and its economic impact further slowed orders. Food service demand from airlines and higher-end restaurants has been hardest hit. Demand from fast food and retail businesses has been less affected by the attacks.

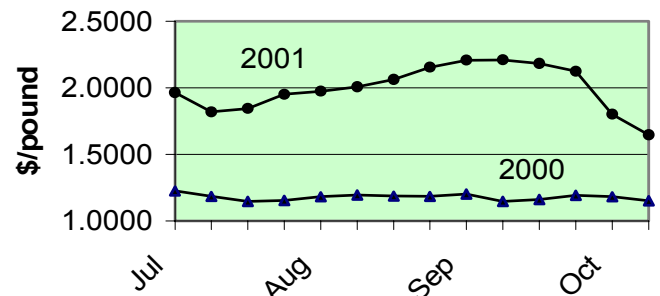
Grade AA butter on the CME finished the same week at \$1.4500 per pound resulting in an average weekly price of \$1.4833 per pound, which is nearly 33 percent lower than its peak of \$2.2100 per pound 5 weeks ago (see chart). USDA's Dairy Market News reported that more fall orders are taking place, which may result in stronger retail demand, though buyers are waiting for a stable price.

Federal order class and component prices for October are based on National Agricultural Statistical Service (NASS) survey prices. The NASS prices generally follow the direction of CME price movements, although NASS price changes are lagged as a result of how the data is reported. The lag of a week or two in NASS prices means that large price drops on the CME will probably not be felt in their entirety in the October federal order prices. ❖

**CME 40-lb. Block Cheddar Cheese Prices, July–October, 2000–2001**



**CME Grade AA Butter Prices, July–October, 2000–2001**



## Milk by Location Differential

The accompanying table shows the amount of milk received from producers by each class at the plants where the milk is priced. For example, producer milk pooled at a plant located in New York City, NY, would be priced in the \$3.15 and above category; milk pooled at a plant located in Lancaster, PA, would be priced in the \$2.80–\$2.95 category.

This data will be reported each month in the Monthly Statistical Report. ❖

**Receipts of Producer Milk by Plant Location Differential at Which Priced, September 2001**

Location Differentials*	Class I	Class II	Class III	Class IV	Total Receipts	Percent of Total Receipts
dollars/cwt	pounds					
3.15 and above	284,878,498	50,016,223	17,445,388	14,260,291	366,600,400	18.6
3.00 – 3.10	282,821,062	72,727,887	42,497,583	34,659,983	432,706,515	21.9
2.80 – 2.95	120,047,284	83,370,163	61,530,537	65,566,667	330,514,651	16.7
2.60 – 2.70	82,277,841	30,709,503	62,255,223	4,017,764	179,260,331	9.1
2.40 – 2.55	82,194,438	52,458,842	117,811,093	4,738,877	257,203,250	13.0
2.35 and below	28,800,665	67,481,810	294,338,310	18,530,899	409,151,684	20.7
Market Total	881,019,788	356,764,428	595,878,134	141,774,481	1,975,436,831	100.0



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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	863,014,205	\$11.24	97,002,796.64	
Butterfat	18,005,583	2.2757	40,975,305.23	
Less: Location Adjustment to Handlers			(2,720,035.36)	\$135,258,066.55
Class II— Butterfat	24,415,304	2.4519	59,863,883.89	
Nonfat Solids	29,877,458	0.8822	26,357,893.46	86,221,777.35
Class III— Butterfat	21,193,533	2.4449	51,816,068.82	
Protein	17,854,345	2.1647	38,649,300.63	
Other Solids	33,679,473	0.1520	5,119,279.89	95,584,649.34
Class IV— Butterfat	7,790,649	2.4449	19,047,357.75	
Nonfat Solids	12,060,625	0.8097	9,765,488.06	28,812,845.81
<b>Total Classified Value</b>				<b>\$345,877,339.05</b>
Add: Overage—All Classes				163,455.18
Inventory Reclassification—All Classes				141,954.97
Other Source Receipts	154,732			5,275.87
Less: Producer Component Valuations				(319,631,035.36)
<b>Subtotal</b>				<b>\$26,556,989.71</b>
Add: Location Adjustment to Producers				9,826,097.37
One-half Unobligated Balance—Producer Settlement Fund				1,164,547.27
<b>Total Pool Milk &amp; Aggregate Value</b>	1,975,791,418			37,547,634.35
Less: Producer Settlement Fund—Reserve				(797,913.88)
<b>Producer Price Differential @ Suffolk County, MA (Boston)</b>		<b>\$1.86</b>		36,749,720.47
<b>Statistical Uniform Price @ Suffolk County, MA (Boston)</b>		<b>\$17.76</b>		

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