

# BULLETIN

## NORTHEAST MARKETING AREA

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**July 2002**

Federal Order No. 1



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### July Pool Price Calculation

The July 2002 statistical uniform price for the Northeast Marketing Area was announced at \$12.05 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 July producer price differential (PPD) at Suffolk County was \$2.72 per hundredweight.

The July statistical uniform price was 33 cents per hundredweight below June's price. The July PPD was 43 cents above the previous month's. Similar to last month, all class prices declined with the Class III price dropping the most due to another decline in the protein price. These changes caused an increase in the spread between the Class I, II, and IV prices and the Class III price, which resulted in a higher PPD. Producer component prices declined from the previous month and were reflected in the lower blend price. The July producer protein test averaged 2.88 percent, the lowest since the Northeast Order's inception. ❖

### Hearing on Proposed Order Amendments

A public hearing to consider proposals that would amend certain pooling and related provisions of the Northeast Order will convene on September 10 in Alexandria, Virginia.

The proposal includes establishing marketwide service payments to offset the costs of balancing the market's Class I needs. To qualify for these payments, a handler must pool a quantity of milk equal to 3 percent of the total volume of milk pooled on the Order for the month or pools one million pounds of milk a day and either operates a plant which manufactures Class III or Class IV products which is located in the states of the marketing area or operates a pool distributing plant. Other requirements apply. Payments would equal 6 cents per hundredweight of qualified milk pooled during the month.

The proposal also includes modifying the pooling standards of the Order. Pooling proposals include establishing year-round shipping standards for supply plant pool qualification; adding a "touch-base" provision that would establish a standard that at

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### Pool Summary

- A total of 17,099 producers were pooled under the Order with an average daily delivery per producer of 4,128 pounds.
- Pooled milk receipts totaled 2.188 billion pounds, a decrease of 0.8 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 39.4 percent of total milk receipts, an increase of 1.3 percentage points from June.
- The average butterfat test of producer receipts was 3.54 percent.
- The average true protein test of producer receipts was 2.88 percent.
- The average other solids test of producer receipts was 5.70 percent.

#### Class Utilization

Pooled Milk	Percent	Pounds
Class I	39.4	861,810,618
Class II	19.0	415,887,989
Class III	32.4	708,509,953
Class IV	9.2	201,829,186
Total Pooled Milk		2,188,037,746

#### Producer Component Prices

	2002	2001
	\$/lb	
Protein Price	1.8095	2.3175
Butterfat Price	1.0929	2.1883
Other Solids Price	0.0150	0.1510

#### Class Price Factors

	2002	2001
	\$/cwt	
Class I	13.87	18.59
Class II	11.14	15.96
Class III	9.33	15.46
Class IV	10.45	14.81



# MARKET SITUATION

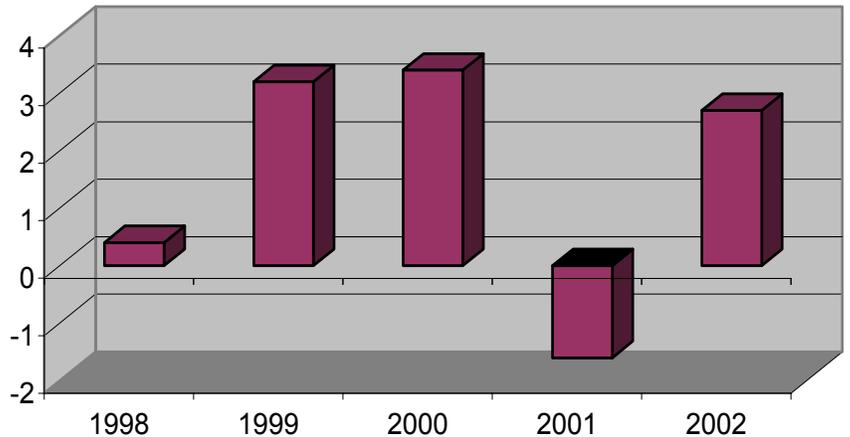
## U.S. Milk Production Strong During First 6 Months

Total U.S. milk production increased 2.7 percent during the first 6 months of 2002 compared to the same period in 2001. Milk production per cow has been up during each month of 2002. Since April, total milk cows nationally are above last year. The accompanying chart shows national milk production changes during the January through June period for the past 5 years. Data has been adjusted for leap year in 2000.

The top ten milk producing states showed an equivalent percentage increase, while the top 20 states had a 2.6 percent gain during the 6-month period. The accompanying table shows the top ten states ranked by milk production and their corresponding percentage changes for 2002. It is interesting to note that even though three of the top ten (Minnesota, Pennsylvania, and Wisconsin) showed decreases during the first 6 months, the overall change was an increase of 2.7 percent. This was the result of strong increases in such states as New Mexico, Idaho, New York, and California. New Mexico's 15.7 percent increase helped it bump up to number seven, displacing Michigan. Minnesota's continued decline, combined with Idaho's strong growth, is closing the gap for the number five spot although the switch in positions is unlikely to occur this year.

The national increase in milk production has caused milk prices to decline consistently since February. In addition, the abundance of milk has caused an increase in inventories of product. During the week ending July 26, the Commodity Credit Corporation (CCC) began purchasing cheese under the price support program. These purchases were the first since February 2001. CCC purchases of nonfat dry milk are well above the same period last year, and inventories of NFDM are nearly double those reported last year. ❖

**Percent Change in U.S. Milk Production, January-June, 1998-2002**



\* \* \* \* \*

**Top Ten States Ranked by Milk Production, January-June, 2002**

Rank	State	million pounds		Percent Change
		2001	2002	
1	California	16,559	17,398	5.1
2	Wisconsin	11,358	11,201	(1.4)
3	New York	5,865	6,199	5.7
4	Pennsylvania	5,518	5,500	(0.3)
5	Minnesota	4,608	4,415	(4.2)
6	Idaho	3,766	3,999	6.2
7	New Mexico	2,720	3,147	15.7
8	Michigan	2,948	2,972	0.8
9	Washington	2,742	2,812	2.6
10	Texas	2,768	2,802	1.2
Top Ten Total		58,852	60,445	2.7
US Total		83,948	86,206	2.7

Source: National Agricultural Statistics Service, *Milk Production*.



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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	844,022,818	\$10.10	85,246,304.62	
Butterfat	17,787,800	1.1768	20,932,683.04	
Less: Location Adjustment to Handlers			(2,503,058.64)	\$103,675,928.95
Class II— Butterfat	28,598,543	1.0999	31,455,537.43	
Nonfat Solids	34,467,039	0.8389	28,914,399.01	60,369,936.44
Class III— Butterfat	23,574,938	1.0929	25,765,049.75	
Protein	20,451,233	1.8095	37,006,506.14	
Other Solids	40,424,320	0.0150	606,364.93	63,377,920.82
Class IV— Butterfat	7,568,429	1.0929	8,271,536.06	
Nonfat Solids	17,267,275	0.7633	13,180,111.01	21,451,647.07
<b>Total Classified Value</b>				<b>\$248,875,433.28</b>
Add: Overage—All Classes				45,352.78
Inventory Reclassification—All Classes				(50,260.09)
Other Source Receipts	65,543			2,785.57
Less: Producer Component Valuations				(200,795,336.79)
<b>Subtotal</b>				<b>\$48,077,974.75</b>
Add: Location Adjustment to Producers				11,256,923.30
One-half Unobligated Balance—Producer Settlement Fund				1,182,782.48
<b>Total Pool Milk &amp; Aggregate Value</b>	2,188,103,289			60,517,680.53
Less: Producer Settlement Fund—Reserve				(1,001,271.03)
<b>Producer Price Differential @ Suffolk County, MA (Boston)</b>		<b>\$2.72</b>		59,516,409.50
<b>Statistical Uniform Price @ Suffolk County, MA (Boston)</b>		<b>\$12.05</b>		

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