



The Market Administrator's BULLETIN

NORTHEAST MARKETING AREA

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November Pool Price Calculation

The November 2003 statistical uniform price (SUP) for the Northeast Marketing Area was announced at \$14.95 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 November producer price differential (PPD) at Suffolk County was \$1.48 per hundredweight.

November's statistical uniform price was 26 cents per hundredweight below October's price. Even though the Class I price was the highest for this year, average daily Class I sales were below average. A higher volume of milk was utilized in Class IV than in the past 3 months. This allocation resulted in a decreased pool value as more milk was priced at the lower class values. The November PPD was 66 cents above last month's and should be a positive value to all producers normally shipping within the Northeast milkshed. ❖

Payment Dates to Producers

The calendar below shows the dates for partial and final payments to producers that are not members of cooperatives. As required by the Order, payment must be made so that it is received by a producer no later than the date shown. The table dates vary due to weekends and national holidays. Note payment dates could change pending the outcome of the Northeast Order hearing held September 2002. ❖

Pool Summary

- A total of 15,829 producers were pooled under the Order with an average daily delivery per producer of 3,916 pounds.
- Pooled milk receipts totaled 1.86 billion pounds, a decrease of less than one half of one percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 47.3 percent of total milk receipts, a decrease of 2.4 percentage points from October.
- The average butterfat test of producer receipts was 3.75 percent.
- The average true protein test of producer receipts was 3.10 percent.
- The average other solids test of producer receipts was 5.67 percent. ❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	47.3	878,809,270
Class II	18.1	336,862,149
Class III	27.2	505,939,426
Class IV	7.4	138,400,656
Total Pooled Milk		1,860,011,501

Producer Component Prices

	2003	2002
	\$/lb	
Protein Price	2.9267	1.8469
Butterfat Price	1.2877	1.0923
Other Solids Price	0.0368	0.0850

Class Price Factors

	2003	2002
	\$/cwt	
Class I	17.62	13.85
Class II	10.99	11.26
Class III	13.47	9.84
Class IV	10.30	10.58

Northeast Order Required Producer Payments

2004 Month Milk Produced	Payment Due			
	Partial		Final	
	Day	Date	Day	Date
January	Monday	1/26/04	Wednesday	2/18/04
February	Thursday	2/26/04	Wednesday	3/17/04
March	Friday	3/26/04	Monday	4/19/04
April	Monday	4/26/04	Tuesday	5/18/04
May	Wednesday	5/26/04	Thursday	6/17/04
June	Monday	6/28/04	Monday	7/19/04
July	Monday	7/26/04	Tuesday	8/17/04
August	Thursday	8/26/04	Friday	9/17/04
September	Monday	9/27/04	Tuesday	10/19/04
October	Tuesday	10/26/04	Wednesday	11/17/04
November	Friday	11/26/04	Friday	12/17/04
December	Monday	12/27/04	Wednesday	1/19/05

Producers Exceed MILC Cap

The Milk Income Loss Contract Program (MILC) caps payments to farmers at the first 2.4 million pounds produced during the October 1, 2002–September 30, 2003, Federal budget fiscal year. Producers have the option of starting payments during a month of their choosing. Once payments start, the producer receives payment in any subsequent month that the Class I price in Boston is below \$16.94 per hundredweight until they reach the 2.4 million pound cap. An estimate of how many producers under the Order were impacted by this cap was made assuming all producers opted in to the program during the first month of the fiscal year (October 2002). The figures are derived from Northeast Order payroll data as submitted by Northeast Order handlers.

During FY 2003, 1,830 producers exceeded the cap at some point during the year. The accompanying table shows how many producers reached the cap during each quarter and the average MILC payment during that period. For producers that may exceed the cap, choosing the month to begin payments is important. For a producer who would exceed the cap during a 3-month period, beginning payments in April 2003 compared to beginning payments in October 2002, would have meant an additional \$7,920 based on the

“Tanker Load Per Day” Farms by State

During May 2003 (verified payroll data), there were 83 farm operations (defined as a single farm location) that marketed at least 1.5 million pounds of milk per month on the Northeast Order. This amount of milk roughly equates to a single tractor-trailer size load per day. In total, these farms marketed 186 million pounds on the Order in May 2003. This number of farms producing at least 1.5 million pounds a month increased from 53 in 2001 and 63 in 2002. This represents an almost 32 percent increase in farms this size pooled on the Northeast Order since 2001. These “large” farms represented 8.5 percent of the total milk pooled on the Northeast Order in May 2003, up from 6 percent in 2002 and 5 percent in 2001.

These 83 farms represented just 0.5 percent of the 16,145 farms pooled on the Northeast Order. Roughly 82 percent of farms pooled on the Order marketed between 30,000 and 249,999 pounds of milk during May.

Most of the “large” farms pooled on the Order were located in New York. They totaled 57 farms and pooled 132 million pounds. Most of the growth in these “large” size farms in the Northeast has occurred in New York. Of the 30 additional “large” farms since 2001, 25 of them were located in New York. The number of these “large”

Number of Producers Exceeding MILC Cap During Fiscal Year 2002–03

Period	No. of Producers				Avg. MILC Payment
	Order	NY	PA	VT	
Oct.–Dec. 2002	217	144	18	33	\$1.47
Jan.–Mar. 2003	412	209	95	50	\$1.57
Apr.–Jun. 2003	568	222	161	72	\$1.80
Jul.–Sep. 2003	633	245	206	63	\$1.49
Total/Avg. FY '02–'03	1,830	820	480	218	\$1.59

average MILC payment for that quarter. Looking to FY 2004, estimated average quarterly MILC payments will be \$1.03 in the first quarter, \$1.12 during the second quarter, \$0.66 during the third quarter, and \$0.51 during the final quarter. These estimates are based on Chicago Mercantile Exchange futures prices.

Of the 1,820 producers who exceeded the cap in FY 2003, 820 were from New York, 480 from Pennsylvania, and 218 from Vermont. Producers in these three states represented 83 percent of producers affected by the cap in the Northeast. ❖

farms almost doubled in Vermont, from 6 in 2002 to 11 in 2003.

Farms marketing over 1.5 million pounds a month on the Northeast Order from outside the traditional marketing area declined from 6 in 2001, to 4 in 2002, and to zero in 2003.

The number of farms in a size category may change due to changes in production or changes in pooling order. Increases or decreases do not necessarily imply a new farm or a farm going out of business. ❖

Milk by State and Farm Size Under the Northeast Order, Month of May 2001–03

State/Area	Total Pooled		Farms Marketing 1.5 Mill. Lbs. or More					
	2003		2003		2002		2001	
	No. of Farms	Mil. lbs.	No. of Farms	Mil. lbs.	No. of Farms	Mil. lbs.	No. of Farms	Mil. lbs.
ME	406	54	1	3	0	0	0	0
VT	1,361	231	11	20	6	10	6	10
Other New England ^{1/}	586	91	2	4	2	3	2	3
NJ	134	19	0	0	0	0	0	0
NY	6,106	909	57	132	40	85	32	65
PA	6,568	725	8	18	9	21	5	11
Other Inside Area ^{2/}	891	136	4	9	2	5	2	5
Other Outside Area ^{3/}	93	12	0	0	4	12	6	17
Total	16,145	2,177	83	186	63	136	53	110

^{1/} Other New England includes CT, NH, RI, and MA.

^{2/} Other Inside Area includes DE, MD, and VA.

^{3/} Other Outside Area includes ID, MI, MN, ND, NV, UT, WI, and WV.

MARKET SITUATION

Regional Dairy Outlook Conference Held

The 2003 Northeast Regional Dairy Outlook Conference was held November 18 at the Northeast Marketing Area's Albany office. The annual conference brings together economists and statisticians from the Northeast's market administrator offices, state and federal agricultural statistical services, university extension offices, and cooperatives to review regional production and price statistics for the past year and develop projections for the upcoming year. The Northeast region includes Delaware, Maryland, New England (Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, and Vermont), New Jersey, New York, and Pennsylvania.

Crop Situation

Most of the Northeast was faced with a rainy spring resulting in delayed planting of crops. Wet, cool conditions also made hay cutting difficult, but did help pasture remain in good condition throughout the summer. Overall harvest yields of corn and hay were up from last year. Feed quantity should be sufficient and overall quality is good, although more silage and haylage were harvested than normal (instead of grain corn and hay) due to the wet conditions. Nationally, the feed situation is mixed, which could result in somewhat higher prices than this past year.

Production Estimates

Both in the Northeast and nationally, cow numbers are expected to continue declining. According to conference participants the past year's low prices have stunted expansion and increased exits. Milk production per cow has been mixed in the Northeast during 2003 and is projected to be down from last year while the United States on a whole should average slightly higher than during 2002. Milk per cow failed to meet last year's projection because of poor quality feed and decreased use of rBST due to its cost when compared to lower milk prices received. Increases in milk per cow are predicted for both the Northeast and the nation.

The decline in cow numbers combined with the decrease in milk per cow will result in an overall decline of 3.2 percent in milk production for the Northeast for 2003. Nationally, the increase in milk per cow should offset the decline in cow numbers enough to raise total milk production just slightly over 2002. For 2004, milk production per cow should offset most of the decline in cow numbers resulting in a decline of less than 1 percent in the Northeast.

Northeast Milk Marketing Area Statistical Uniform Prices, 2002–2004*

Month	2002	2003	2004
	Actual	Actual and Estimated	Estimated
dollars per hundredweight			
January	13.81	12.19	13.17
February	13.48	11.79	13.00
March	13.05	11.43	12.93
April	12.94	11.45	12.76
May	12.63	11.60	12.78
June	12.38	11.66	13.00
July	12.05	12.46	13.36
August	12.16	13.72	13.65
September	12.20	15.01	13.87
October	12.40	15.21	14.09
November	12.31	14.95	13.81
December	12.24	14.04	13.56
Average	12.64	12.96	13.33

* Estimated prices for December 2003 and all of 2004.

All estimates are subject to change. Prices are reported at Suffolk County, MA.

Nationally, milk production is projected to increase nearly 1 percent for 2004. These predictions have been adjusted for leap year.

Price Estimates

It appears that milk prices peaked in October and will continue to decline through mid to late spring of 2004 (see accompanying table). Cheese prices dropped dramatically in November, impacting protein prices and witnessed in the Class III price for November. Butter has continued to increase as is typical for this time of year and its higher prices are reflected in the Class II and Class IV price increases from October. Some conference participants felt that with weak demand for cheese, especially in the restaurant industry, prices will continue to drop for many months. They added that once the holiday season is over, butter prices will likely decline sharply, contributing to lower producer milk prices.

Prices are expected to rebound somewhat next summer or early fall, although they may not reach a level as high as during 2003. Overall, milk prices should average about 2.8 percent higher during 2004. The Class III price is expected to be the mover for Class I prices during all of 2004. In 2003, the Class IV price was the mover for the first 6 months. New price formulas took effect in April 2003. ❖



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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	859,778,186	\$13.58	116,757,877.66	
Butterfat	19,031,084	1.2888	24,527,261.06	
Less: Location Adjustment to Handlers			(2,744,924.86)	\$138,540,213.87
Class II— Butterfat	25,160,280	1.2947	32,575,014.51	
Nonfat Solids	28,413,062	0.7433	21,119,428.98	53,694,443.49
Class III— Butterfat	19,535,191	1.2877	25,155,465.46	
Protein	15,666,635	2.9267	45,851,540.67	
Other Solids	28,619,607	0.0368	1,053,201.56	72,060,207.69
Class IV— Butterfat	6,018,776	1.2877	7,750,377.89	
Nonfat Solids	12,080,615	0.6663	8,049,313.78	15,799,691.67
Total Classified Value				\$280,094,556.72
Add: Overage—All Classes				110,483.62
Inventory Reclassification—All Classes				125,789.63
Other Source Receipts	48,440			2,005.42
Less: Producer Component Valuations				(262,374,890.52)
Subtotal				\$17,957,944.87
Add: Location Adjustment to Producers				8,872,422.90
One-half Unobligated Balance—Producer Settlement Fund				1,483,194.37
Total Pool Milk & Aggregate Value	1,860,059,941			28,313,562.14
Less: Producer Settlement Fund—Reserve				(784,675.03)
Producer Price Differential @ Suffolk County, MA (Boston)		\$1.48		27,528,887.11
Statistical Uniform Price @ Suffolk County, MA (Boston)		\$14.95		

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