

The Market Administrator's **BULLETIN**

NORTHEAST MARKETING AREA

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December 2004

Federal Order No. 1

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December Pool Price Calculation

The December 2004 statistical uniform price (SUP) for the Northeast Marketing Area was announced at \$16.43 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 December producer price differential (PPD) at Suffolk County was \$0.29 per hundredweight.

December's statistical uniform price was 23 cents per hundredweight higher than the November price; the December PPD was \$1.02 below last month's. The considerably lower PPD was the result of a tightening in the spread between the class prices. The Class I price for December was based on dairy product price data from November when prices had declined from the previous month. Near the end of November, prices began to increase and held through most of December. The other class prices were calculated using data from December when prices were still relatively high. A surprising factor is that the National Agricultural Statistics Service survey prices, which are used in the federal order formulas, did not decline at the same rate as those announced on the Chicago Mercantile Exchange. This resulted in higher Class III and IV prices, and since producers are paid based on their components at the Class III value, the PPD was much lower at Boston and will be negative for producers shipping to plants with a \$2.90 or less differential. ❖

2004 Northeast Order Statistics Summarized

During 2004, the volume of milk received from producers shipping to handlers regulated under the Northeast Order totaled 22.7 billion pounds, a decrease of 5.7 percent from last year. The average number of producers declined 6.7 percent from 2003, while average daily deliveries per producer (DDP) increased 0.8 percent. The accompanying table compares selected pool statistics for 2003 and 2004.

Class Utilization Changes

Class I utilization averaged 47.2 percent in 2004, an increase of 2.6 percentage points from the previous year. The total volume of milk used in Class I actually decreased a slight 0.1 percent but because of a smaller volume of producer milk receipts, the utilization percentage increased. Class II usage decreased 0.5 percent, but again, due to a smaller overall volume of pooled milk, resulted in a utilization increase of 1 percentage point. Class III volume declined 22.0 percent, with a corresponding utilization drop of 4.9 percentage (continued on page 3)

Pool Summary

- A total of 15,087 producers were pooled under the Order with an average daily delivery per producer of 4,049 pounds.
- Pooled milk receipts totaled 1.894 billion pounds, an increase of 3.5 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 49.5 percent of total milk receipts, a decrease of 2.5 percentage points from November.
- The average butterfat test of producer receipts was 3.76 percent.
- The average true protein test of producer receipts was 3.10 percent.
- The average other solids test of producer receipts was 5.66 percent.

Class Utilization

<u>Pooled Milk</u>	<u>Percent</u>	<u>Pounds</u>
Class I	49.5	937,916,690
Class II	17.3	327,455,567
Class III	22.2	420,586,339
Class IV	11.0	207,712,050
Total Pooled Milk		1,893,670,646

Producer Component Prices

	<u>2004</u>	<u>2003</u>
	\$/lb	
Protein Price	2.8486	2.2997
Butterfat Price	2.0366	1.3688
Other Solids Price	0.0858	0.0362

Class Price Factors

	<u>2004</u>	<u>2003</u>
	\$/cwt	
Class I	17.68	17.09
Class II	13.98	11.30
Class III	16.14	11.87
Class IV	13.42	10.52

Average Protein Tests by County

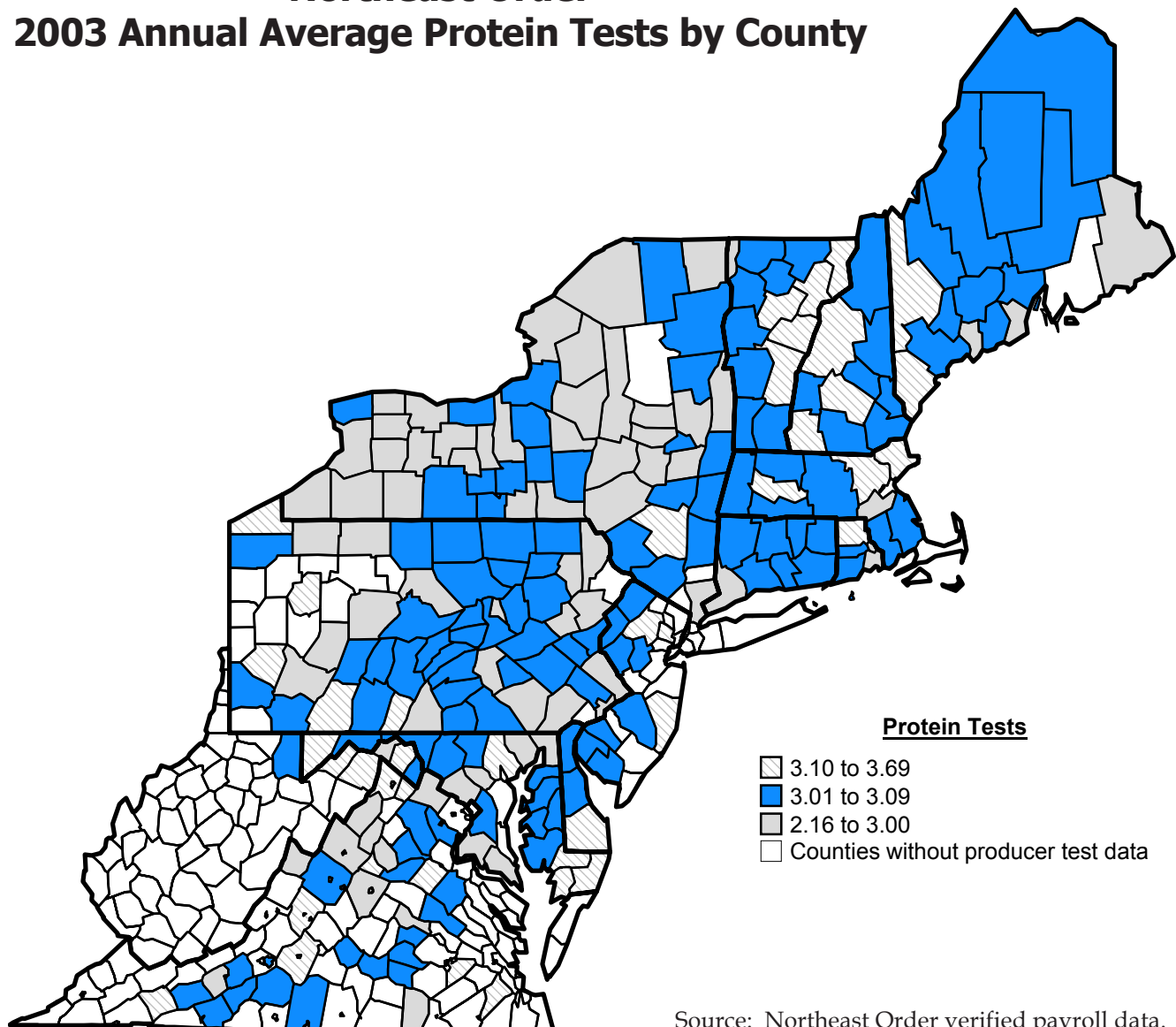
A per-hundredweight statistical uniform price to producers is announced each month at the Boston, MA, location based on 3.5 percent butterfat, 2.99 percent protein, and 5.69 percent other solids in the milk. An individual producer's milk may contain component percentages that look much different than the basis for the price announcement. Genetics, stage of lactation, level of milk production, age of cow, environment, disease, and nutrition all affect the level of components in milk. The result is a uniform price to each producer that may be different from the one announced.

The accompanying map shows annual average protein tests by county for 2003 and gives an idea of regional differences in levels of protein. Only counties in the contiguous Northeast milkshed are shown here. Of note,

7 of the top 10 counties in milk production in 2003 fall in the low range; the other 3 fall in the middle. These counties are ranked based on their volume of milk that is pooled on the Northeast Order; it does not necessarily represent all milk produced in a particular county. Only one county in New York averaged in the high range. Many of the counties in western and northern New York fell in the low range as well. New England tended to have average protein tests in the mid to high range. Maryland and Virginia counties were mixed.

Annual average tests for other solids by county will be highlighted in the next *Bulletin*. Annual average butterfat tests by county were highlighted in the November 2004 *Bulletin*.❖

Northeast Order 2003 Annual Average Protein Tests by County



Source: Northeast Order verified payroll data.

2004 Northeast Order Statistics *(continued from page 1)*

points. This decrease was largely the result of depooling that occurred during April, May, and June when the Class III price exceeded the uniform price. Milk used in Class IV grew 7.5 percent on a volume basis and 1.2 percentage points in utilization.

Prices Higher

National milk production lagged behind the previous year during the first half of 2004. This tightness in milk was reflected in higher commodity prices for cheese and butter, which resulted in higher federal order prices. All class prices averaged considerably higher than in 2003.

The Class I price averaged \$18.23 per hundredweight for 2004, the highest average price since the Order's inception. In addition, the Class I price set a record high in June at \$24.38 per hundredweight. The Class I price in May and July was also above \$20.00 per hundredweight. Class III prices followed a similar pattern with the increase coming a month sooner due to the method of calculation that incorporates more current commodity prices. The Class III price averaged \$15.39 per hundredweight for 2004; the highest price since the Order began. In addition, it reached a record-setting \$20.58 per hundredweight in May. Overall, the statistical uniform price (blend) reported at Suffolk County, Massachusetts (Boston) averaged \$16.49 per hundredweight in 2004. This was up 27.0 percent from the previous year.

Component Pricing

The average price paid per pound to producers for butterfat increased 69.5 percent in 2004. The per-pound annual average protein price rose 9.5 percent from the previous year, while the annual average other solids price jumped 482.2 percent.

The annual average producer butterfat test declined 4 hundredths of a point during 2004 with tests running considerably

Northeast Order Pool Statistics, 2003-04

Pool Statistics	2003	2004	2003-04
	million pounds		Change
			percent
Class I	10,701.2	10,691.8	-0.1
Class II	4,464.6	4,441.2	-0.5
Class III	6,788.3	5,297.3	-22.0
Class IV	2,084.1	2,239.7	7.5
Total	24,038.2	22,670.0	-5.7
	pounds		
DDP	4,087	4,121	0.8
	utilization percentage		change
Class I	44.5	47.1	2.6
Class II	18.6	19.6	1.0
Class III	28.2	23.4	-4.8
Class IV	8.7	9.9	1.2
	dollars/cwt		percent
Class I	14.64	18.23	24.5
Class II	10.76	13.86	28.8
Class III	11.42	15.39	34.8
Class IV	10.00	13.20	32.0
SUP	12.99	16.49	26.9

lower during the first half of the year when compared to the same months in 2003. The average producer protein test increased 3 hundredths of a point, while the other solids test averaged 2 hundredths of a point lower.

Producer Changes

The simple average number of producers continued to decline. This number was somewhat skewed by the depooling that occurred during April, May, and June. The year ended with 735 producers less than at the end of 2003. ❖

Pool Summary for All Federal Orders, 2003-2004

Federal Order		Total Producer Milk			Producer Price Differential#		Statistical Uniform Price#*	
Number	Name	2003	2004**	Change**	2003	2004	2003	2004
		pounds		percent	dollars per hundredweight			
1	Northeast	24,038,200,386	22,669,950,549	(5.69)	1.57	1.10	12.99	16.49
5	Appalachian	6,314,715,438	6,202,493,443	(1.78)	N/A	N/A	13.55	17.01
6	Florida	2,832,854,182	2,873,014,359	1.42	N/A	N/A	14.79	18.40
7	Southeast	7,070,944,238	7,164,432,271	1.32	N/A	N/A	13.46	16.94
30	Upper Midwest	17,017,744,806	17,302,476,567	1.67	(0.05)	(0.35)	11.37	15.05
32	Central	14,411,410,608	11,589,392,846	(19.58)	0.33	(0.20)	11.75	15.20
33	Mideast	15,750,290,711	15,939,908,456	1.20	0.54	0.05	11.96	15.44
124	Pacific Northwest	6,336,455,790	6,517,689,890	2.86	(0.10)	(0.58)	11.32	14.82
126	Southwest	9,174,097,345	8,790,403,560	(4.18)	1.16	0.61	12.58	16.00
131	Arizona-Las Vegas	3,061,198,555	2,901,186,995	(5.23)	N/A	N/A	11.89	15.52
135	Western@	4,573,111,956	1,096,283,946	N/A	0.06	0.45	11.48	13.12
All Market Total/Average		110,581,024,015	103,047,232,882	(6.81)	0.50	0.09	12.47	15.82

Price at designated order location.

* Price at 3.5% butterfat.

** A significant amount of milk was depooled during April, May, and June.

@ The Western Milk Marketing Order was terminated effective April 1, 2004; pounds for 2004 are only Jan-Mar total; Uniform Price is average for Jan-Mar 2004.

N/A = Not applicable.



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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	918,162,590	\$11.37	104,395,086.48	
Butterfat	19,754,100	1.9159	37,846,880.19	
Less: Location Adjustment to Handlers			(2,935,486.86)	\$139,306,479.84
Class II— Butterfat	25,709,452	2.0436	52,539,836.14	
Nonfat Solids	27,449,968	0.7856	21,564,694.83	74,104,530.97
Class III— Butterfat	16,447,688	2.0366	33,497,361.38	
Protein	13,019,300	2.8486	37,086,777.98	
Other Solids	23,765,238	0.0858	2,039,057.42	72,623,196.78
Class IV— Butterfat	9,233,824	2.0366	18,805,605.99	
Nonfat Solids	18,074,375	0.7240	13,085,847.53	31,891,453.52
Total Classified Value				\$317,925,661.11
Add: Overage—All Classes				95,399.65
Inventory Reclassification—All Classes				214,151.58
Other Source Receipts	32,624			469.88
Less: Producer Component Valuations				(321,128,328.97)
Subtotal				(\$2,892,646.75)
Add: Location Adjustment to Producers				8,799,945.84
One-half Unobligated Balance—Producer Settlement Fund				457,032.49
Total Pool Milk & Aggregate Value	1,893,703,270			6,364,331.58
Less: Producer Settlement Fund—Reserve				(872,592.14)
Producer Price Differential @ Suffolk County, MA (Boston)		\$0.29		5,491,739.44
Statistical Uniform Price @ Suffolk County, MA (Boston)		\$16.43		

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