



# The Market Administrator's

# BULLETIN

## NORTHEAST MARKETING AREA

*Erik F. Rasmussen*, Market Administrator

**June 2006**

Federal Order No. 1

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### June Pool Price Calculation

The June 2006 statistical uniform price (SUP) for the Northeast Marketing Area was announced at \$12.66 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 June producer price differential (PPD) at Suffolk County was \$1.37 per hundredweight.

June's statistical uniform price was 5 cents per hundredweight above the May price; the June PPD was 41 cents below last month's. During June, commodity prices for cheese and dry whey rose slightly while butter and nonfat dry milk prices declined. This resulted in lower producer component prices for butterfat and nonfat solids; protein and other solids prices rose slightly. All class prices declined except the Class III price, which tightened the spread and lowered the PPD.

The June producer protein test equaled 2.98 percent, the highest protein test reported for the month of June since the Order's inception. ❖

### USDA to Reconvene Hearing on Class III and IV Formulas

The U.S. Department of Agriculture announced its intent to reconvene a national public hearing to amend the Class III and Class IV price formulas. USDA will reconvene the national hearing, originally held January 24-27, 2006, in Alexandria, Va., to assure that any changes to manufacturing allowance factors used in Federal order Class III and Class IV product price formulas are appropriate and reflective of manufacturing costs. USDA also welcomes additional proposals addressing the Federal order Class III and Class IV price formulas for further consideration in the reconvened hearing. The additional proposals are due on or before September 30, 2006. For further information, contact Gino Tosi at USDA, (202) 720-7183, e-mail: gino.tosi@usda.gov. ❖

### Utilization Changes; Price Impacted Slightly

Many factors affect the uniform price paid to farmers that ship their milk to handlers regulated under the Northeast Milk Marketing Order. In addition to such variables as component tests and prices, the utilization of milk in the pool impacts the overall uniform price that farmers receive.

(continued on page 2)

### Pool Summary

- A total of 14,319 producers were pooled under the Order with an average daily delivery per producer of 4,425 pounds.
- Pooled milk receipts totaled 1.901 billion pounds, a decrease of 5.1 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 44.3 percent of total milk receipts, an increase of 1.1 percentage points from May.
- The average butterfat test of producer receipts was 3.62 percent.
- The average true protein test of producer receipts was 2.98 percent.
- The average other solids test of producer receipts was 5.71 percent.

#### Class Utilization

Pooled Milk	Percent	Pounds
Class I	44.3	841,635,149
Class II	20.1	381,577,799
Class III	22.5	428,983,363
Class IV	13.1	249,121,589
Total Pooled Milk		1,901,317,900

#### Producer Component Prices

	2006	2005
	\$/lb	
Protein Price	2.0790	2.5741
Butterfat Price	1.2436	1.5932
Other Solids Price	0.1255	0.1139

#### Class Price Factors

	2006	2005
	\$/cwt	
Class I	14.00	16.87
Class II	11.00	13.06
Class III	11.29	13.92
Class IV	10.22	12.33

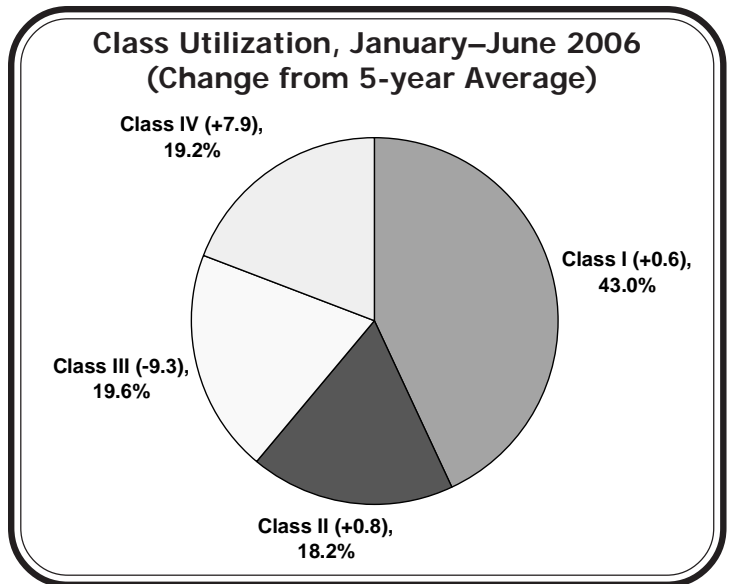
## Utilization Changes *(continued from page 1)*

### Changes in Utilization

During 2005, several plants in the Northeast milkshed closed their operations. Combined, these plants received about 120 million pounds per month, which has had to be reallocated across the remaining plants in the market. Most of the milk sent to the now closed fluid bottling plants has been redistributed to other bottling plants in the Northeast to satisfy continual Class I demand. The rest of the milk that formerly went to the now closed manufacturing plants was in many cases sent to other manufacturing operations, but the milk was not necessarily utilized in the same dairy product or milk class. For instance, the volume of milk used in Class IV has increased considerably during the past 2 years when compared to the first 5 years of the Northeast Order. This has been affected by an overall increase in Northeast milk production during the past year, but is also a function of closed Class III manufacturing capacity with no other place for the milk to go other than into Class IV dried milk powder. In addition, the manufacturing plants that closed made yogurt, condensed milk, and Italian and other cheeses.

For the first 6 months of 2006, the volume of milk used in making Italian cheese, yogurt, Swiss and other cheeses all declined while the volume used in condensed products rose even though there were fewer facilities than last year. Both the volume of butter and dried milk products rose significantly from the same period in 2005.

When comparing utilizations for the January–June period to the average for the same period during the first 5 years of the Northeast Order’s existence (2000 to 2004), an even more significant difference is seen. The accompanying chart shows the current class utilization percentages and their respective changes from the 5-year average.



### Effect on Price

In the June 2005 *Bulletin*, it was discussed how this change in utilization would affect the blend price. Since the Class IV price is typically lower than the prices for the other classes, as are the component values in Class IV, more milk utilized in making Class IV products tends to reduce the uniform price.

The blend price for the first 6 months of 2006 averaged \$13.40 per hundredweight. Granted, all class prices are down compared to previous years for the same months. If utilizations in the various classes had remained the same for the January–June period during 2006 when compared to the 5-year average, the blend price would have averaged about 4 cents per hundredweight higher. ❖

### Pool Summary for All Federal Orders, January–June, 2005–2006

Federal Order		Total Producer Milk			Producer Price		Statistical	
					Differential#		Uniform Price#*	
Number	Name	2005	2006	Change**	2005	2006	2005	2006
		pounds			percent	dollars per hundredweight		
1	Northeast	11,979,170,127	11,858,971,661	-1.0	1.46	1.77	15.66	13.40
5	Appalachian	3,409,354,373	3,291,318,414	-3.5	N/A	N/A	16.21	13.93
6	Florida	1,661,432,550	1,640,983,227	-1.2	N/A	N/A	17.62	15.21
7	Southeast	4,001,756,054	4,359,051,470	8.9	N/A	N/A	16.11	13.73
30	Upper Midwest	9,831,050,400	13,160,672,001	33.9	0.19	0.38	14.39	12.01
32	Central	6,308,884,144	7,605,767,063	20.6	0.32	0.57	14.53	12.20
33	Mideast	9,254,007,277	9,037,873,321	-2.3	0.53	0.83	14.73	12.46
124	Pacific Northwest	3,232,343,931	3,978,308,529	23.1	0.01	0.35	14.21	11.98
126	Southwest	4,545,991,198	5,810,140,481	27.8	1.18	1.41	15.39	13.04
131	Arizona~	1,539,825,468	1,743,883,205	13.3	N/A	N/A	14.61	12.33
All Market Total/Average		55,763,815,522	62,486,969,372	12.1	0.62	0.89	15.35	13.02

# Price at designated order location.

\* Price at 3.5% butterfat.

N/A = Not applicable.

\*\* A significant amount of milk was depooled during 2005 in some orders.

~ Formerly Arizona-Las Vegas Order; name changed effective May 1, 2006.

## State Highlight—Vermont

This month the *Bulletin* highlights statistics that characterize Vermont, the third largest production state in the Northeast marketing area. The following statistics highlight Vermont for May 2006.

### Northeast Pool:

Vermont Pounds:	228 million (11.0% of Northeast Order)
Vermont Producers:	1,164 (8.1% of Northeast Order)

### Total Production (million pounds):

Vermont	231 (national rank, 15 <sup>th</sup> )
New York	1,076 (national rank, 3 <sup>rd</sup> )
Pennsylvania	945 (national rank, 4 <sup>th</sup> )

### Top 5 Vermont Production Counties

(78.0 percent of all Vermont milk pooled):

Franklin:	62.7 million pounds
Addison	59.6 million pounds
Orleans	29.3 million pounds
Orange	14.5 million pounds
Caledonia	12.6 million pounds

### Average Component Tests:

Vermont	Butterfat 3.71	Protein 3.04	Other Solids 5.70
Northeast Order:	Butterfat 3.67	Protein 3.02	Other Solids 5.74

### Average Daily Delivery per Producer:

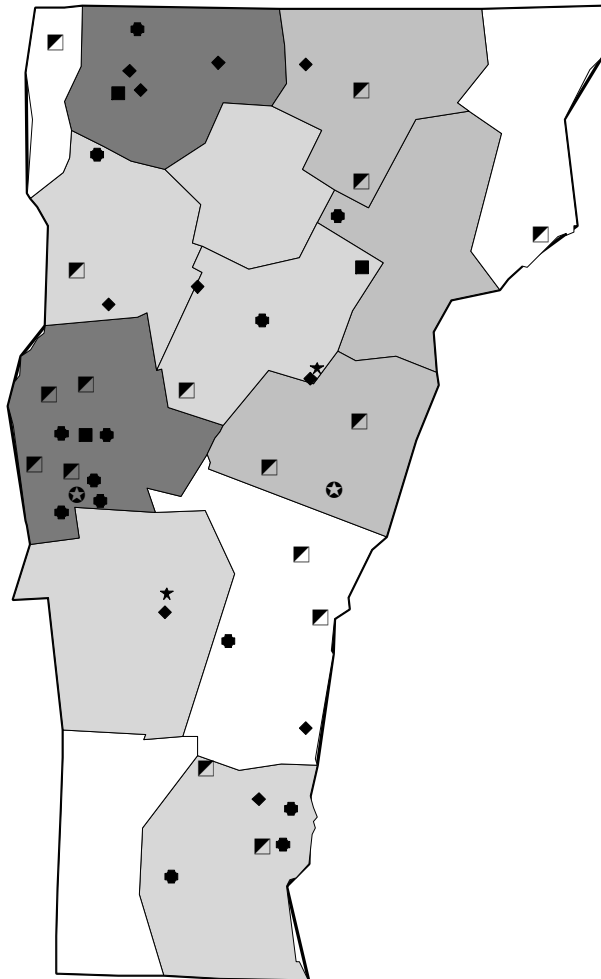
Vermont:	6,331
Northeast Order:	4,662

### Average Herd Size—Number of Cows (2002 Census of Agriculture):

Vermont	100
New York	91
Pennsylvania	61
United States:	99

### Vermont Plants:

Fluid:	5
Manufacturing:	37
Total Plants in VT State:	42
Total Northeast Order regulated plants receiving pool milk (excludes Producer-Handlers and Exempt Distributors):	14



**Location of  
Vermont Dairy Plants,  
May 2006**

### Type of Plant

- ★ Pool Distributing Plant
- Pool Supply Plant
- ☆ Non-Order Producer-Handler
- ◆ Non-Pool Manufacturing Plant
- ◐ Non-Order Producer-Handler
- Non-Order Manufacturing Plant

### Pounds

- Over 30,000,000
- 10,000,000 to 30,000,000
- 5,000,000 to 9,999,999
- Under 5,000,000



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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	825,186,712	\$9.82	81,033,335.12	
Butterfat	16,448,437	1.2935	21,276,053.26	
Less: Location Adjustment to Handlers			(2,612,363.78)	\$99,697,024.63
Class II— Butterfat	28,997,824	1.2506	36,264,678.71	
Nonfat Solids	31,746,864	0.7622	24,197,459.77	60,462,138.48
Class III— Butterfat	16,133,357	1.2436	20,063,442.78	
Protein	12,703,155	2.0790	26,409,859.24	
Other Solids	24,440,769	0.1255	3,067,316.49	49,540,618.51
Class IV— Butterfat	7,322,096	1.2436	9,105,758.57	
Nonfat Solids	21,841,210	0.6753	14,749,369.11	23,855,127.68
<b>Total Classified Value</b>				<b>\$233,554,909.30</b>
Add: Overage—All Classes				90,529.65
Inventory Reclassification—All Classes				290,152.85
Other Source Receipts	271,391			4,852.88
Less: Producer Component Valuations				(217,181,801.61)
<b>Subtotal</b>				<b>\$16,758,643.07</b>
Add: Location Adjustment to Producers				9,076,955.14
One-half Unobligated Balance—Producer Settlement Fund				1,071,658.58
<b>Total Pool Milk &amp; Aggregate Value</b>	1,901,589,291			26,907,256.79
Less: Producer Settlement Fund—Reserve				(855,431.09)
<b>Producer Price Differential @ Suffolk County, MA (Boston)</b>		<b>\$1.37</b>		26,051,825.70
<b>Statistical Uniform Price @ Suffolk County, MA (Boston)</b>		<b>\$12.66</b>		

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