

The Market Administrator's BULLETIN

NORTHEAST MARKETING AREA

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Federal Order No. 1

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October Pool Price Calculation

The October 2006 statistical uniform price (SUP) for the Northeast Marketing Area was announced at \$14.04 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 October producer price differential (PPD) at Suffolk County was \$1.72 per hundredweight.

October's statistical uniform price was 61 cents per hundredweight above the September price; the October PPD was 58 cents above last month's. During October cheese and butter prices declined slightly while nonfat dry milk and dry whey prices rose. All class prices increased, especially the Class I price that is announced on an advanced basis and is calculated using prices from the previous month. The higher Class I value, combined with higher component values, equaled a larger pool value. Even though the producer component value was higher than in September, the result was a greater PPD than last month.

The average producer test for butterfat jumped 0.10 percentage points averaging 3.78 percent; it was the highest butterfat test for the month of October since the Order's inception. The average producer test for other solids also set a record for the month of October. The average producer protein test increased 0.07 percentage points and tied 2005 for the highest October protein test. ❖

USDA Announced Federal Order Pre-hearing Information Session

USDA will hold a public information session December 5, 2006, to address proposals received to amend the federal order Class III and Class IV product price formulas. The session will begin at 8:30 a.m. in the USDA Whitten Building, 1400 Independence Ave., SW., Room 107-A, Washington, DC.

The purpose of the session is for interested parties to learn about the intent of proposals that have been submitted to amend Class III and Class IV product price formulas. The session will enable proponents to better prepare testimony and evidence in support of, or in opposition to, proposals that may be included in a future Class III and Class IV hearing notice. The session will not become part of an official hearing record and
(continued on page 2)

Pool Summary

- A total of 14,059 producers were pooled under the Order with an average daily delivery per producer of 4,077 pounds.
- Pooled milk receipts totaled 1.777 billion pounds, a decrease of 1.5 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 51.6 percent of total milk receipts, a decrease of 0.5 percentage points from September.
- The average butterfat test of producer receipts was 3.78 percent.
- The average true protein test of producer receipts was 3.11 percent.
- The average other solids test of producer receipts was 5.68 percent. ❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	51.6	916,671,270
Class II	21.5	381,630,186
Class III	22.7	404,227,732
Class IV	4.2	74,652,925
Total Pooled Milk		1,777,182,113

Producer Component Prices

	2006	2005
	\$/lb	
Protein Price	2.0775	2.3780
Butterfat Price	1.4149	1.8256
Other Solids Price	0.2026	0.1491

Class Price Factors

	2006	2005
	\$/cwt	
Class I	15.67	17.52
Class II	11.79	14.25
Class III	12.32	14.35
Class IV	11.51	13.61

"Tanker Load Per Day" Farms by State

During May 2006 (verified payroll data), there were 111 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 254 million pounds on the Order. The number of farms producing at least 1.5 million pounds a month increased by 31 since May 2002. These "large" farms represented 12.3 percent of the total milk pooled on the Northeast Order in May 2006, compared to 7.6 percent in 2002 – a difference of almost 80 million pounds of milk.

Farms by Size Under the Northeast Order, May 2002 and 2006

Farm Size by Pounds	2002		2006		Change in	
	No. of Farms	Percent of Farms	No. of Farms	Percent of Farms	No. of Farms	Percent Change
0-49,999	3,368	20.3	2,997	21.3	(371)	(11.0)
50,000-99,999	6,405	38.5	5,239	37.2	(1,166)	(18.2)
100,000-199,999	4,563	27.4	3,765	26.8	(798)	(17.5)
200,000-499,999	1,720	10.3	1,481	10.5	(239)	(13.9)
500,000-749,999	262	1.6	245	1.7	(17)	(6.5)
750,000-1,499,999	234	1.4	230	1.6	(4)	(1.7)
1,500,000 an up	80	0.5	111	0.8	31	38.8
Total	16,632		14,068		(2,564)	(15.4)

of milk. New York has experienced most of the growth in these large-size farms in the Northeast. Of the net increase of 31 "large" farms since 2002, those in New York accounted for 19 of them. "Large" farms accounted for 19.6 percent of the milk pooled from New York and 16 percent of the milk pooled from Vermont. There were no "large" farms pooling on the Northeast Order from outside the traditional marketing area in May 2006. Farms pooling between 750,000 and 1.5 million pounds a month decreased by 4 farms during this period, possibly due to farms formerly in that size category growing bigger.

Roughly 37 percent of farms pooling on the Northeast marketed between 50,000 and 99,999 pounds of milk during May. This size category lost 1,166 farms since May 2002, or 45 percent of the total loss in farms during that time. Overall, 85 percent of the farms pooling on the Northeast Order pool less than 200,000 pounds a month.

The number of farms in a size category may change due to changes in production and/or changes in pooling location. Increases or decreases do not necessarily imply a new farm or a farm going out of business. During any given year, the total number of farms producing greater than 1.5 million pounds a month may change due to the number of days in a month or the seasonality of milk production. ❖

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USDA Announced *(continued from page 1)*

will be conducted outside of ex-parte rules. This will allow government officials to freely discuss proposed amendments.

USDA strongly encourages all parties who have submitted proposals to participate in the information session. Additional information regarding the session is available at http://www.ams.usda.gov/dairy/info_session/info_session.htm. ❖

Milk by State and Farm Size Under the Northeast Order, May 2002 and 2006

State/Area	Total Pooled		Farms Marketing 1.5 Million Lbs. or More			
	2006		2006		2002	
	Number of Farms	Million Pounds	Number of Farms	Million Pounds	Number of Farms	Million Pounds
VT	1,125	229	18	37	10	19
Other New England ^{1/}	818	130	4	9	4	8
NY	5,297	869	70	170	51	111
PA	5,938	708	15	29	9	21
Other Inside Area ^{2/}	793	125	4	9	2	5
Other Outside Area ^{3/}	97	9	0	0	4	12
Total	14,068	2,070	111	254	80	176

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

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

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

These 111 farms represent just 0.8 percent of the 14,068 farms pooled on the Northeast Order. The greatest number of "large" farms pooled on the Order operate farms in New York, and these 70 farms pool a total of 170 million pounds

Other Federal Order Decisions

On October 30, the USDA announced a number of final rules that permanently adopt amendments to the Central, Mideast, and Upper Midwest federal milk marketing orders. Details of the amendments were discussed in the August 2006 *Bulletin*. The amended orders are approved by producers in the respective orders and become effective December 1, 2006.

Also on October 30, the USDA issued an interim final rule for the Appalachian Federal Milk Marketing Order. Details of these amendments also are included in the August 2006 *Bulletin*. These interim amendments will become effective on December 1, 2006. Public comments on the tentative partial decision published on September 13 are due on November 13. ❖

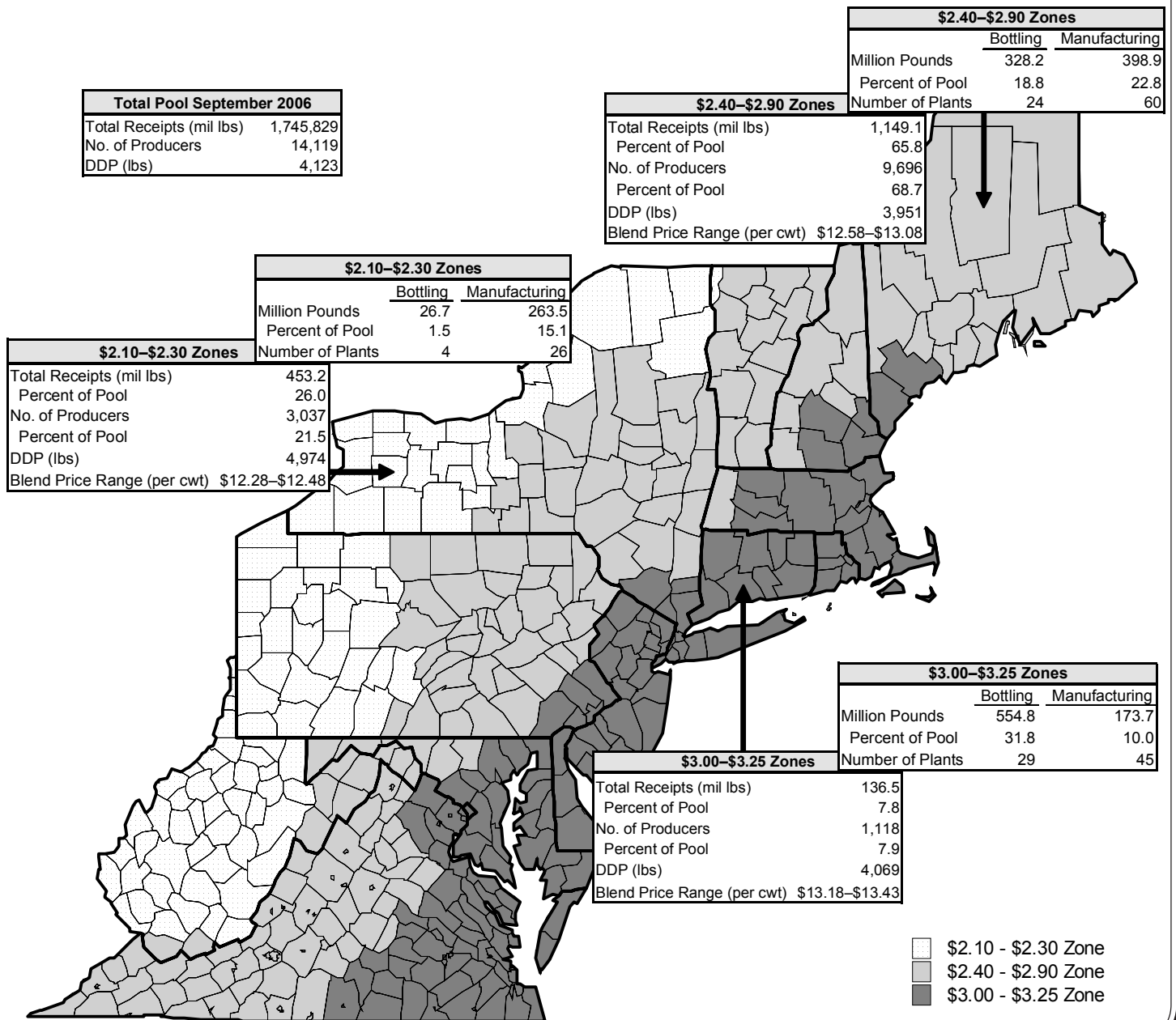
Comparison of Receipts and Utilization by Zones

The accompanying map shows selected milk production and processing statistics by consolidated differential ranges for the Northeast Order. Suffolk County, Massachusetts (Boston), is the base point for the Northeast Milk Marketing Area. Producer milk delivered to plants located there receive the highest price reported under the Order. As you move further away from the base point, milk is priced lower. For simplicity, only three ranges are shown on the map: \$2.10 to \$2.30; \$2.40 to \$2.90; and \$3.00 to \$3.25. Selected statistics show milk produced in those areas, producer and plant counts, and percentages of the

total pool. Milk pooled on the Order from producers located in ranges not shown on the map was not included in the producer milk statistics shown; that milk represents only 0.4 percent of the total pool.

As the map shows, nearly two thirds of all the milk pooled on the Order is produced in the middle zone range. About an equal proportion of milk pooled is utilized in the middle and highest zone ranges, although the highest range utilizes a much larger proportion of milk for bottling since this range encompasses the larger metropolitan areas. ❖

Northeast Order Selected Statistics by Zone Differential Range, September 2006





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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	898,288,969	\$10.97	98,542,299.90	
Butterfat	18,382,301	1.4532	26,713,159.81	
Less: Location Adjustment to Handlers			(2,906,778.89)	\$122,348,680.85
Class II— Butterfat	28,377,153	1.4219	40,349,473.84	
Nonfat Solids	32,262,711	0.7844	25,306,870.50	65,656,344.34
Class III— Butterfat	15,630,532	1.4149	22,115,639.71	
Protein	12,571,137	2.0775	26,116,537.15	
Other Solids	22,949,179	0.2026	4,649,503.65	52,881,680.51
Class IV— Butterfat	4,771,411	1.4149	6,751,069.43	
Nonfat Solids	6,392,035	0.7551	4,826,625.61	11,577,695.04
Total Classified Value				\$252,464,400.74
Add: Overage—All Classes				134,884.93
Inventory Reclassification—All Classes				187,028.00
Other Source Receipts	45,648 Pounds			1,447.37
Total Pool Value				\$252,787,761.04
Less: Producer Component Valuations @ Class III Component Prices				(230,422,389.54)
Total PPD Value Before Adjustments				\$22,365,371.50
Add: Location Adjustment to Producers				8,258,132.52
One-half Unobligated Balance—Producer Settlement Fund				701,833.66
Less: Producer Settlement Fund—Reserve				(757,020.12)
Total Pool Milk & PPD Value	1,777,227,761 Producer pounds			\$30,568,317.56
Producer Price Differential		\$1.72		
Statistical Uniform Price		\$14.04		

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