The Market Administrator's

BULLETIN

NORTHEAST MARKETING AREA

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September 2007 Federal Order No. 1

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September Pool Price Calculation

The September 2007 statistical uniform price (SUP) for the Northeast Marketing Area was announced at $22.99 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. If reported at the average tests of producer pooled milk, the SUP would be $23.42 per hundredweight. September's statistical uniform price was 15 cents per hundredweight below the record-setting August price. The September producer price differential (PPD) at Suffolk County was $2.92 per hundredweight, 39 cents below last month's.

During September, commodity prices for butter and dry whey declined, while cheese and nonfat dry milk rose. Since the Class I price is set in advance based on August data, it increased to a new record high (see related article about Class I sales). The increase in cheese resulted in a new record high price for protein. This, combined with the highest August producer protein price on record, resulted in the highest protein payout for that component.

The average other solids test was 5.68 percent, unchanged from August and the highest test for the month of September since the Order's inception.❖

Pacific Northwest Order Expansion Proposed

Northwest Dairy Association (NDA) and Dairy Farmers of America, Inc. (DFA) requested that the Secretary of Agriculture convene a public hearing upon their proposal to expand the Pacific Northwest Federal Milk Marketing Order 124 marketing area to include all of the counties in the states of Washington, Oregon, Idaho and Utah and Lincoln and Uinta Counties in Wyoming (the "Expanded Order"). The expanded area includes areas formerly regulated under the former Western Federal Milk Marketing Order that was terminated effective April 1, 2004. This proposal incorporates most provisions of the existing Order 124, addresses the necessary performance standards to effectuate the Expanded Order for producers, cooperatives and handlers, adds order provisions intended to deter opportunistic depooling of milk supplies (an issue not addressed in existing Order 124), and proposes some modification of certain reporting and payment dates under Order 124.

(continued on page 2)

Pool Summary

- A total of 13,859 producers were pooled under the Order with an average daily delivery per producer of 4,586 pounds.
- Pooled milk receipts totaled 1.907 billion pounds, a decrease of 1.4 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 44.5 percent of total milk receipts, an increase of 0.6 percentage points from August.
- The average butterfat test of producer receipts was 3.63 percent.
- The average true protein test was 3.05 percent.
- The average other solids test was 5.68 percent.❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	44.5	848,908,230
Class II	20.9	399,038,834
Class III	27.0	514,528,274
Class IV	7.6	144,689,637
Total Pooled Milk		1,907,164,975

Producer Component Prices

	2007	2006
	$/lb	
Protein Price	4.3929	2.1346
Butterfat Price	1.5101	1.4191
Other Solids Price	0.2890	0.1649

Class Price Factors

	2007	2006
	$/cwt	
Class I	25.16	14.10
Class II	22.16	11.74
Class III	20.07	12.29
Class IV	21.61	11.10

No CCC Purchases During MY

For the marketing year (MY) October 1, 2006, through September 30, 2007, the Commodity Credit Corporation (CCC) did not purchase any products under the dairy price support program. This is the first time since 1996 that there were no transactions in any of the categories (butter, cheese, and nonfat dry milk). During the past 3 MYs, only nonfat dry milk was purchased under the program. The last purchases by the CCC were: butter in June 2003; cheese in July 2003; and nonfat dry milk in July 2006.

There were no uncommitted inventories of any of the products purchased by the CCC at MY end. The last time uncommitted inventories were held was at the end of MY 2003–04 with a total of 609.9 million pounds of NFDM (no butter or cheese).❖

Milk Moving South Decreases

During September, bulk shipments to other federal orders were less than the total received from other orders. Bulk shipments totaled 13.2 million pounds while total receipts from other orders equaled 16.4 million pounds, resulting in a net receipt of 3.2 million pounds. This is down considerably from September 2006 when net receipts were 19.8 million pounds.

Of the totals mentioned above, milk moving south totaled 12.1 million pounds while 8.9 million pounds were received from orders in the south, resulting in a net shipment total of 3.2 million pounds. This is down from September 2006 when net shipments equaled 9.1 million pounds and nearly nonexistent compared to September 2004 and 2005 when net shipments equaled 23.5 and 22.9 million pounds, respectively.

See the August 2007 *Bulletin* for more detail on milk moving to other orders.❖

Pool Summary for All Federal Order, January–September, 2006–2007

Federal Order		Total Producer Milk			Producer Price Differential#		Statistical Uniform Price#*	
Number	Name	2006	2007	Change	2006	2007	2006	2007
		pounds		percent	dollars per hundredweight			
1	Northeast	17,321,647,034	17,115,292,240	(1.2)	1.74	1.54	13.29	19.10
5	Appalachian	4,717,161,994	4,415,186,284	(6.4)	N/A	N/A	13.78	19.56
6	Florida	2,360,548,680	2,435,658,053	3.2	N/A	N/A	15.03	20.57
7	Southeast	6,203,436,168	5,760,496,194	(7.1)	N/A	N/A	13.63	19.50
30	Upper Midwest	19,814,592,255	19,415,003,795	(2.0)	0.35	0.23	11.90	17.78
32	Central	10,910,707,804	8,290,338,947	(24.0)	0.52	0.41	12.08	17.97
33	Mideast	13,159,454,672	12,594,173,276	(4.3)	0.76	0.57	12.32	18.43
124	Pacific Northwest	5,898,984,292	5,321,753,167	(9.8)	0.28	0.45	11.83	18.01
126	Southwest	8,678,700,064	7,590,738,558	(12.5)	1.37	1.28	12.93	18.83
131	Arizona~	2,530,493,537	2,860,112,930	13.0	N/A	N/A	12.30	18.30
All Market Total/Average		91,595,726,500	85,798,753,444	(6.3)	0.84	0.75	12.91	18.80

\# Price at designated order location. * Price at 3.5% butterfat. N/A = Not applicable.

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

Pacific Northwest *(continued from page 1)*

Based upon 2006 NASS milk production data for the four states, and adjusting that data for the conditions which prevailed in the first quarter of 2004 when the former Western Order was in existence, the Expanded Order 124 would pool approximately 1.2 billion pounds of milk monthly. Proponents of the expansion represent nearly 900 million pounds of that milk or 72 percent of the milk expected to be affected by the regulation.

The deadline to submit alternative proposals for Pacific Northwest Order proposed expansion has been extended to Monday, November 5, 2007.❖

Class I Volume Drops as Prices Set New High

The amount of milk utilized as Class I during September 2007, 848.9 million pounds, was the lowest volume ever for that month since the Order's inception. This was 32 million pounds less than the Class I volume during September 2001, the previous lowest volume. That year, the events of September 11 caused disruptions in markets that were attributable to the decline. Chart 1 shows Class I pounds in 2007 and 2001, as well as the average Class I volume from 2000 to 2006.

Normally, the September Class I volume increases from the previous month. With the start of most school years at the end of August and beginning of September, the trend has been a higher Class I volume in September except, of course, in 2001 as mentioned above. This September, Class I pounds were down 27 million pounds from August.

The Class I price for September was a record-setting high of $25.16 per hundredweight (at Boston); see Chart 2. This appears to have had a noticeable effect on sales during the month of September. The Class I price spiked during 2004 for about 3 months (May–July) and returned to more average levels by fall, but this year's increase has been running for 5 months, at a higher level, with no sign of significant declines in the near future. While higher class prices are generating record level uniform prices, there does appear to be some impact on sales volume.❖

Chart 1

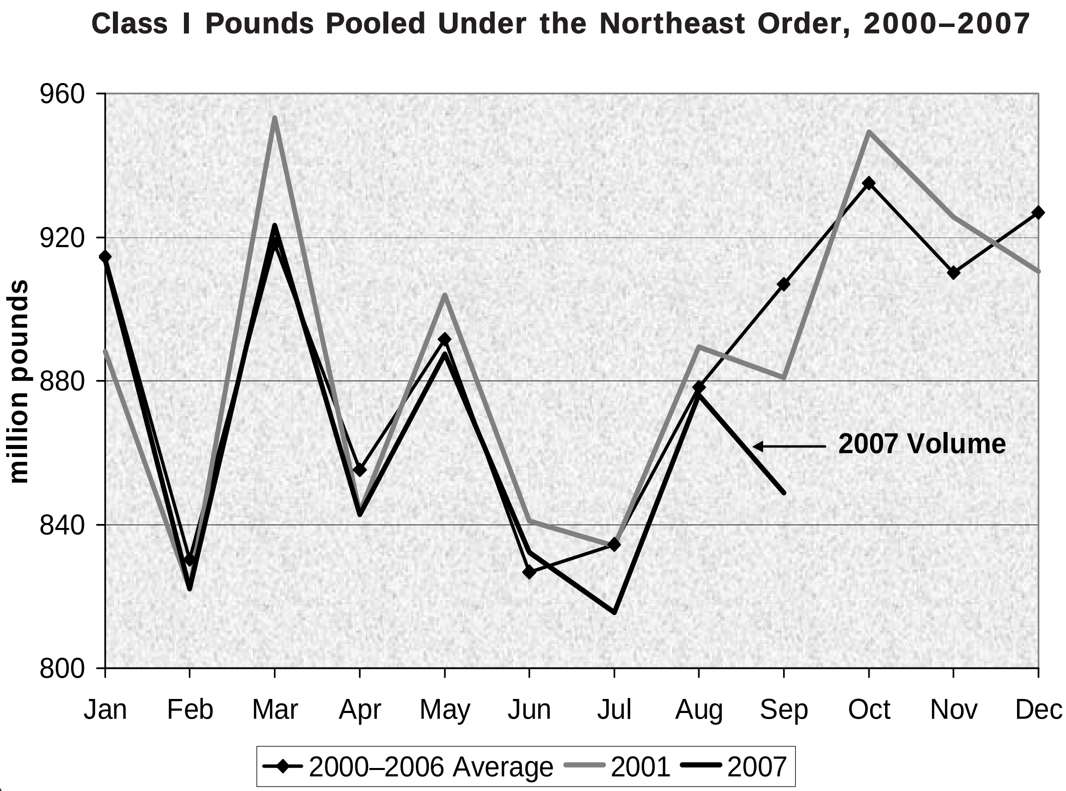
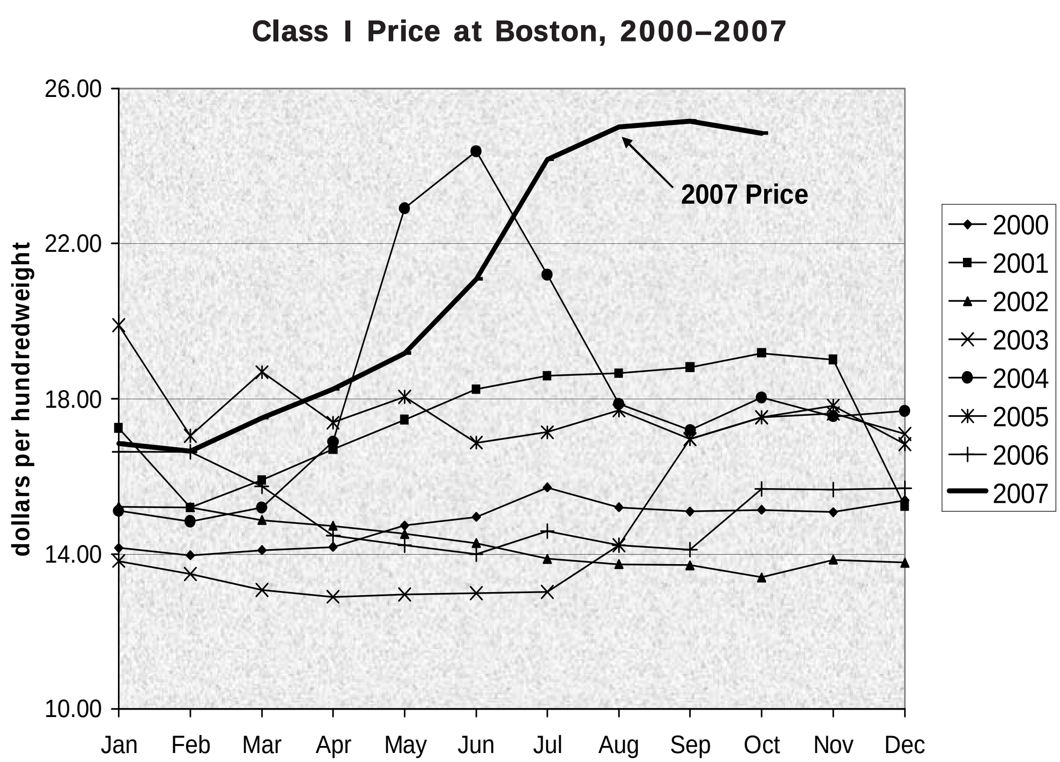


Chart 2



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Computation of Producer Price Differential and Statistical Uniform Price*

		Product Pounds	Price per cwt./lb.	Component Value	Total Value
Class I—	Skim	832,669,531	$20.01	166,617,173.15	
	Butterfat	16,238,699	1.6707	27,129,994.42	
Less:	Location Adjustment to Handlers			(2,748,161.97)	$190,999,005.62
Class II—	Butterfat	28,145,683	1.5171	42,699,815.66	
	Nonfat Solids	33,554,817	1.9400	65,096,344.98	107,796,160.64
Class III–	Butterfat	18,527,950	1.5101	27,979,057.31	
	Protein	15,667,132	4.3929	68,824,144.15	
	Other Solids	29,247,041	0.2890	8,452,394.88	105,255,596.34
Class IV–	Butterfat	6,297,537	1.5101	9,509,910.63	
	Nonfat Solids	12,532,093	1.8797	23,556,575.21	33,066,485.84
Total Classified Value					**$437,117,248.44**
Add:	Overage—All Classes				222,327.64
	Inventory Reclassification—All Classes				(166,173.68)
	Other Source Receipts	332,978	Pounds		15,192.39
Total Pool Value					**$437,188,594.79**
Less:	Producer Component Valuations @ Class III Component Prices				(390,923,454.67)
Total PPD Value Before Adjustments					**$46,265,140.12**
Add:	Location Adjustment to Producers				9,482,848.55
	One-half Unobligated Balance—Producer Settlement Fund				850,625.96
Less:	Producer Settlement Fund—Reserve				(899,674.46)
Total Pool Milk & PPD Value		1,907,497,953	Producer pounds		**$55,698,940.17**
	Producer Price Differential		**$2.92**		
	Statistical Uniform Price		**$22.99**		

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