

The Market Administrator's **BULLETIN**

NORTHEAST MARKETING AREA

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November Pool Price Calculation

The November 2008 statistical uniform price (SUP) for the Northeast Marketing Area was announced at \$17.09 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 \$18.17 per hundredweight. November's statistical uniform price was 35 cents per hundredweight below October's price. The November producer price differential (PPD) at Suffolk County was \$1.58 per hundredweight, an increase of \$1.20 per hundredweight from last month.

During November, all commodity prices dropped resulting in lower component prices. All class prices declined except Class I, which is announced on an advanced basis and was calculated using the higher prices for butter and cheese. From the first 2 weeks of October to the last week of November, National Agricultural Statistics Service (NASS) cheese prices dropped from \$1.92 per pound to around \$1.69 per pound; butter fell from \$1.70 per pound to \$1.54 per pound; nonfat dry milk prices dropped from over \$1.00 per pound to 87 cents per pound. With whey prices falling further, the other solids price grew more negative.

Class I and II usage for November were the smallest volumes for that month since the Order's inception; the Class IV usage for the month was a record-setting high. The average producer component test for butterfat was the highest on record for November and the protein test tied with last year's. ❖

Declining Demand and Exports Impact Milk Price

2008 will soon go in the books with the second highest annual average uniform price ever in the Northeast. Milk prices rise and fall in response to supply and demand, and increasingly, United States milk prices are impacted by global supply and demand forces. In recent years, exports have become an increasing portion of the demand equation.

From 2003 through 2007, milk production in the European Union-27 (EU-27), New Zealand and Australia, which account for more than 60 percent of worldwide dairy trade, declined by more than one percent, reducing available exportable supply. Dairy exports from the two (continued on page 3)

Pool Summary

- A total of 13,625 producers were pooled under the Order with an average daily delivery per producer of 4,574 pounds.
- Pooled milk receipts totaled 1.869 billion pounds, no change from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 45.3 percent of total milk receipts, a decrease of 2.1 percentage points from October.
- The average butterfat test of producer receipts was 3.83 percent.
- The average true protein test of producer receipts was 3.15 percent.
- The average other solids test of producer receipts was 5.68 percent. ❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	45.3	846,844,007
Class II	18.0	336,012,115
Class III	21.9	408,965,634
Class IV	14.8	277,959,987
Total Pooled Milk		1,869,781,743

Producer Component Prices

	2008	2007
	\$/lb	
Protein Price	3.1301	4.3081
Butterfat Price	1.7730	1.4077
Other Solids Price	(0.0099)	0.2461

Class Price Factors

	2008	2007
	\$/cwt	
Class I	20.58	24.70
Class II	14.45	22.07
Class III	15.51	19.22
Class IV	12.25	20.40

Regional Dairy Outlook Conference Held

The 2008 Northeast Regional Dairy Outlook Conference was held November 20 at the Northeast Marketing Area's Albany office. The annual conference brings together economists and statisticians from the Northeast's market administrator office, state and federal agricultural statistical services, university extension offices, cooperatives and agribusinesses 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

With the Northeast covering such a large territory, varied weather conditions are expected. In the New England states rainfall was up from 2007 and delayed some planting early in the season and harvesting during the summer. Final estimates have not been completed, but overall, forage quality and quantity appear to be sufficient. In New York, both the quantity and quality of hay and corn were up compared to 2007.

Production Estimates

With milk prices dropping significantly during 2008 and inputs such as fuel and feed rising, farmers concentrated on paying bills and put off expansions. Nationally, milk cow numbers are projected to finish up 1.2 percent in 2008, compared to 2007. For 2009, the total number of cows is estimated to drop a slight 0.2 percent. Regionally, cow numbers are expected to finish down about 0.2 percent in 2008 and decline an additional 0.4 percent in 2009. The combined New England states estimate a slight increase in 2008, while the other Northeast states predict declines.

US milk production per cow is estimated to finish 1.0 percent higher in 2008 and another 1.1 in 2009. The Northeast predicts an increase of 1.1 percent in 2008, but a decline of 0.1 in 2009. Pennsylvania and the combined New England states project no change in milk per cow for 2009.

As a result, milk production in the Northeast states is expected to finish 0.9 percent above 2007, but drop 0.4 percent in 2009. These numbers have been adjusted for leap year in 2008. Declines are forecasted for Pennsylvania, Delaware, and Maryland for 2008 and for New England, New York, Delaware, and Maryland in 2009. New York expects 2008 to finish up 2.4 percent higher than 2007, but drop 0.8 percent in 2009. U.S. milk production is projected to finish 2.0 percent higher in 2008 and grow another 1.2 percent in 2009.

Price Estimates

The group's consensus for the Northeast Order statistical uniform price is an annual average of \$18.75 per hundredweight for 2008. This is \$1.10 below the 2007 annual average blend price, but still the second highest

ever. At last year's conference, attendees predicted that prices would drop, but only slightly. Milk production had been expected to decline and demand remain strong. Instead milk production rose in the Northeast and demand declined. For the upcoming year, the group forecasts prices to drop further, averaging \$16.10 per hundredweight for 2009 (see accompanying table). Milk production is projected to grow, but at a lesser rate than in 2009. Domestically, the dairy demand is expected to remain sluggish due to its maturity and the weakness of the economy. Demand is expected to grow internationally over the long run as developing countries' diets improve, but is not expected to this year due to the poor global economy. With the drought situation ending in Australia and New Zealand, production should be increasing, making more dairy products available at cheaper prices.

Even though cheese prices in 2009 are projected to be below 2008 prices, the Class III price is predicted to be the mover throughout the upcoming year. Negative producer price differentials (PPDs) are a possibility and likely in the outer zones during 2009. Based on the commodity and futures prices forecasted, PPDs are expected to be below range from \$0.25 to \$2.50 per hundredweight.

Some participants predict that Milk Income Loss Payments (MILC) may be paid some time during 2009. With the change in the calculation that now uses a feed adjustor, payments are somewhat more likely to occur, but since prices for the feed inputs (corn, soybeans, and alfalfa) have been declining, there have been no payments since the revised program became effective October 1, 2008. ❖

Northeast Milk Marketing Area Statistical Uniform Prices, 2007–2009*

Month	2007	2008	2009
	Actual	Actual and Estimated	Estimated
	dollars per hundredweight		
January	15.09	21.11	15.60
February	15.21	19.54	15.34
March	16.08	17.89	15.22
April	17.02	18.55	15.28
May	18.60	18.18	15.36
June	20.80	19.56	15.67
July	22.94	20.61	16.02
August	23.14	19.50	16.47
September	22.99	18.90	16.85
October	22.38	17.44	17.08
November	22.31	17.57	17.19
December	21.59	16.16	17.14
Average	19.85	18.75	16.10

* Estimated prices for November and December 2008 and all of 2009. All estimates are subject to change. Prices are reported at Suffolk County, MA. The actual price for November is \$17.09 per cwt, announced in this issue.

Declining Demand and Exports *(continued from page 1)*

regions, on a milk equivalent basis, dropped 5.3 percent during that time. Meanwhile, global demand was increasing, particularly in Asia and oil-producing nations. Countries such as Indonesia, Singapore, Saudi Arabia, Vietnam, and China were increasing imports of milk protein via milk powder and whey by 31 to 70 percent from 2002 through 2006.

Increased U.S. Role in Global Trade

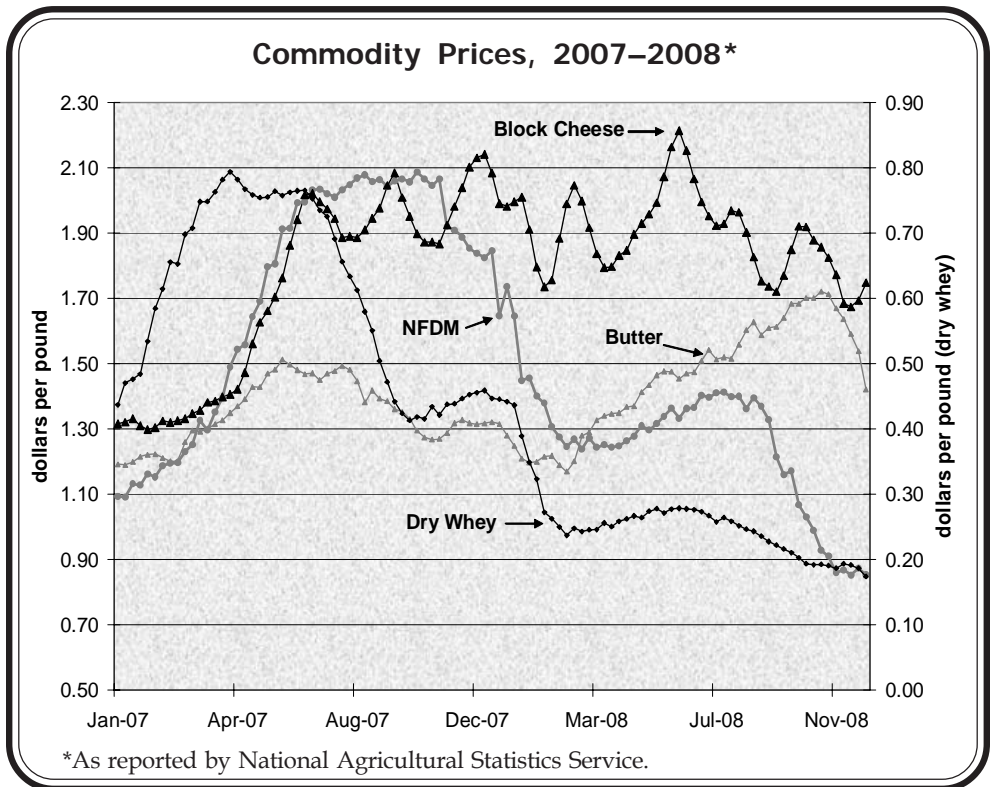
In the U.S., milk production increased 2.2 percent annually from 2003 through 2007. At a time when traditional exporters were experiencing tightening milk supplies, the U.S. was alone in posting significant production growth. U.S. exports increased 83 percent on a total solids basis during the 2003-2007 period. According to the United States Dairy Export Council, U.S. share of global dairy exports increased from 7.5 percent to 13.1 percent during that time.

The increased significance of the U.S. in the global dairy market played a large role in Northeast Order blend prices hitting a record high annual average in 2007, and reaching what will be a second highest average for the order in 2008. Not coincidentally, there had been no Commodity Credit Corporation (CCC) purchases of nonfat dry milk in over 2 years, no purchases of butter since June 2003, and no purchases of cheese since July 2003.

Recent Dynamics Changing

With a global economic recession, financial crisis, and recent increased production from the EU-27, Australia, and New Zealand, the U.S. may find itself no longer in the same position to export similar volumes of dairy products as it has recently – at least in the short run. The result of these dynamics is that more U.S. dairy product will have to find a home in a domestic market that also is in recession, which will put downward pressure on commodity and product prices. In the accompanying chart, declines in all four commodity prices can be seen in the most recent months. Some of this product already has found a home with the CCC in the form of over 93 million pounds of nonfat dry milk purchased since early October.

If U.S. milk production grows modestly in 2009 as predicted, softer international and domestic demand during 2009 may play a key role in further milk price declines to producers over the next year. However, the prospects for U.S. dairy exports over the medium to long term are still bright as income and population growth will lead to increased worldwide dairy consumption. ❖



2009 Payment Dates to Producers

The calendar below shows the dates for partial payments to producers that are not members of cooperatives. As required by the Order, payment must be made so that a producer receives it no later than the date shown. The table dates vary due to weekends and national holidays.

The final payment date that non-member producers must be paid is dependent on the date that the statistical uniform price is announced. Each month, this date (that final payments to producers must be received by) is printed on the back of the Producer Price Announcement. ❖

Required Producer Payments Under the Northeast Order

Month Milk Produced	Partial Payment Due	
	Day	Date
January	Monday	1/26/09
February	Wednesday	2/25/09
March	Wednesday	3/25/09
April	Monday	4/27/09
May	Tuesday	5/26/09
June	Thursday	6/25/09
July	Monday	7/27/09
August	Tuesday	8/25/09
September	Friday	9/25/09
October	Monday	10/26/09
November	Wednesday	11/25/09
December	Monday	12/28/09



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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	829,862,269	\$14.54	120,661,973.91	
Butterfat	16,981,738	1.8713	31,777,926.32	
Less: Location Adjustment to Handlers			(2,746,560.10)	\$149,693,340.12
Class II— Butterfat	27,890,152	1.7800	49,644,470.56	
Nonfat Solids	28,297,963	0.9467	26,789,681.59	76,434,152.15
Class III— Butterfat	16,855,402	1.7730	29,884,627.74	
Protein	12,851,363	3.1301	40,226,051.32	
Other Solids	23,138,575	(0.0099)	(229,071.87)	69,881,607.19
Class IV— Butterfat	9,865,449	1.7730	17,491,441.11	
Nonfat Solids	24,630,334	0.6953	17,125,471.23	34,616,912.34
Total Classified Value				\$330,626,011.80
Add: Overage—All Classes				89,129.85
Inventory Reclassification—All Classes				(27,166.65)
Other Source Receipts	154,621 Pounds			7,214.57
Total Pool Value				\$330,695,189.57
Less: Producer Component Valuations @ Class III Component Prices				(310,242,756.44)
Total PPD Value Before Adjustments				\$20,452,433.13
Add: Location Adjustment to Producers				9,025,665.28
One-half Unobligated Balance—Producer Settlement Fund				856,093.19
Less: Producer Settlement Fund—Reserve				(789,197.11)
Total Pool Milk & PPD Value	1,869,936,364 Producer pounds			\$29,544,994.49
Producer Price Differential		\$1.58		
Statistical Uniform Price		\$17.09		

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