The Market Administrator's

BULLETIN

NORTHEAST MARKETING AREA

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January Pool Price Calculation

The January 2009 statistical uniform price (SUP) for the Northeast Marketing Area was announced at $14.14 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 $14.77 per hundredweight. January's statistical uniform price was $0.92 per hundredweight below December's price. The January producer price differential (PPD) at Suffolk County was $3.36 per hundredweight, an increase of $3.56 per hundredweight from last month.

During January, all commodity prices dropped, especially cheese, which declined 26 percent from the previous month. As a result, all component prices declined considerably. All class prices declined except Class I because of the advanced announcement of that price, which is calculated using sales data from the previous month before the large declines occurred. The Class III price dropped $4.50, and although it was still higher than the Class II price, all class prices were more typically aligned resulting in a large positive PPD ($3.36).

The average producer component tests for butterfat and protein were the highest for the month of January since the Order's inception.❖

Proposed Amendments to Producer-Handler & Exempt Plant Provisions

The United States Department of Agriculture (USDA) has released an invitation to submit proposals for consideration at a public hearing to discuss elimination of the producer-handler provision and revision of the exempt plant provision in all federal orders. Under current order provisions a producer-handler is a person who operates a dairy farm and a fluid milk processing plant from which there is monthly route disposition in the marketing area. An exempt plant is a small fluid milk processing plant with route sales of less than 150,000 pounds per month. Both such operations do not share the revenue from their Class I sales with the marketwide pool as do fully regulated pool distributing (Class I processing) plants. As of December 2008, there were 14 producer-handlers and 40 exempt plants reporting sales under the Northeast Order.

(continued on page 3)

Pool Summary

- A total of 13,595 producers were pooled under the Order with an average daily delivery per producer of 4,781 pounds.
- Pooled milk receipts totaled 2.018 billion pounds, an increase of 2.1 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 44.2 percent of total milk receipts, a decrease of 2.1 percentage points from December.
- The average butterfat test of producer receipts was 3.83 percent.
- The average true protein test of producer receipts was 3.10 percent.
- The average other solids test of producer receipts was 5.70 percent.❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	44.2	890,941,263
Class II	18.0	362,601,317
Class III	22.2	448,918,296
Class IV	15.6	315,717,295
Total Pooled Milk		2,018,178,171

Producer Component Prices

	2009	2008
	$/lb	
Protein Price	2.3638	4.4994
Butterfat Price	1.1084	1.3319
Other Solids Price	(0.0304)	0.2097

Class Price Factors

	2009	2008
	$/cwt	
Class I	18.99	24.22
Class II	10.41	19.75
Class III	10.78	19.32
Class IV	9.59	16.29

Uniform Price and MILC Estimate

Current Chicago Mercantile Exchange futures markets data indicate that February through April uniform price at 3.5 percent butterfat could be the lowest in 5 and a half years, but are expected to rise above $15.00 per hundredweight (cwt) by September. Producers are expected to receive Milk Income Loss Contract (MILC) payments in the $1.55 to $1.87 per cwt range during this period. Current milk price and feed price projections suggest that a MILC payment can be expected through November. The highest MILC payment to date was $1.8225 in April 2003.

Although the Uniform Price at 3.5 percent butterfat is expected to fall below $12.00 per cwt in February and March, the Uniform Price based on predicted average component tests is estimated to be about $12.30 per cwt. When the expected MILC payment is added, the result is a pay price of roughly $14.00 for these months.

The MILC program is administered by the United States Department of Agriculture's Farm Service Agency. Though the MILC program uses the Federal Order Class I price at Boston, Massachusetts, in determining a month's MILC trigger price, the Federal Order does not administer or fund this program, nor is it funded by processors. MILC is a taxpayer funded program authorized by Congress in the 2008 Farm Bill. Detailed questions regarding the MILC program, including payments, timing of payments, and signup, should be directed to the local or state USDA, Farm Service Agency office.❖

Estimated Prices and MILC Payments, 2009

CBOT Futures-based Estimate (*February 11 data*)	**February**	**March**	**April**
Corn (per bushel)	$3.81	$3.68	$3.73
Soybean (per bushel)	$9.99	$9.78	$9.80
Alfalfa hay (per ton)	$146	$144	$145
Feed-adjusted MILC Trigger Price ($/cwt)	$17.41	$17.20	$17.27
CME Futures-based Estimates (*February 11 data*)			
Class I ($/cwt)	**$13.97**	$13.05	$13.60
Uniform Price @ *3.5% Butterfat* ($/cwt)	$11.80	$11.82	$12.27
Uniform Price @ *Predicted Average Pool Component Tests* ($/cwt)	$12.30	$12.33	$12.65
PPD ($/cwt)	$2.48	$1.47	$1.65
Total MILC Payment ($/cwt)	$1.55	$1.87	$1.65
Estimated Uniform Price @ *Average Pool Tests + MILC* ($/cwt)	$13.85	$14.20	$14.30

Note: Corn & soybean prices based on CBOT prices as settled on day indicated. Months in between contract months are extrapolated from surrounding months assuming directional trend. Class I price is estimated using a higher of CME Class III and Class IV futures prices as settled on the day indicated. All prices are per hundredweight except where indicated otherwise.

Pool Summary for All Federal Orders, January–December, 2007–2008

Federal Order		Total Producer Milk			Producer Price Differential#		Statistical Uniform Price#*	
Number	Name	2007	2008**	Change~	2007	2008	2007	2008
		pounds		percent	dollars per hundredweight			
1	**Northeast**	**23,039,863,949**	**23,895,032,867**	**3.4**	**1.81**	**1.18**	**19.85**	**18.62**
5	Appalachian	5,865,023,397	5,882,231,758	0.0	N/A	N/A	20.49	19.90
6	Florida	3,206,499,471	3,130,160,081	(2.6)	N/A	N/A	21.52	21.87
7	Southeast	7,520,626,938	6,922,833,240	(8.2)	N/A	N/A	20.40	20.17
30	Upper Midwest	26,489,881,523	28,040,611,738	5.6	0.30	0.19	18.34	17.63
32	Central	11,192,644,576	11,564,480,710	3.0	0.60	(0.07)	18.64	17.37
33	Mideast	16,267,739,204	15,707,154,391	(3.7)	0.79	0.43	19.06	17.86
124	Pacific Northwest	7,036,007,813	6,881,681,377	(2.5)	0.63	(0.57)	18.67	16.87
126	Southwest	9,990,320,756	9,687,446,649	(3.3)	1.43	0.83	19.47	18.26
131	Arizona	3,798,868,820	4,155,785,979	9.1	N/A	N/A	19.05	17.46
	All Market Total/Average	114,407,476,447	115,867,418,790	1.0	0.93	0.33	19.55	18.60

\# Price at designated order location. * Price at 3.5% butterfat. ~ Adjusted for leap year. N/A = Not applicable.

**A significant amount of milk was depooled during March, May, June, October, and December 2008.

Class I Sales Decline in 2008

Sales of fluid milk products in the Northeast milk Marketing Area totaled nearly 9.2 billion pounds in 2008, down 1.3 percent from 2007 and the largest drop since 2003 when sales dropped the same percentage.

Price Effect on Sales

Prices for Class I milk products were their highest during 2007 and 2008. During 2007, sales in the Northeast declined only 0.3 percent, even though the average price for the year was the highest on record since the Order's inception. That year, prices jumped about mid-year. During 2008 prices remained relatively high throughout the entire year and received considerable media attention. These high prices, along with the general economic decline during 2008, appear to have affected total sales for the year. When U.S. sales data are available, we will show a comparison to see if there was a similar trend nationally in response to the higher prices.

Sales of Fluid Milk Products in the Northeast Milk Marketing Area, 2008, with Comparisons

Product	Sales mil. lbs.	2007–08 % change	Percent of: Ord 1 sales	Per capita Sales pounds
Whole Milk	3,006.1	(5.6)	32.7	57.0
Flavored Whole Milk	30.7	(21.4)	0.3	0.6
Organic Whole Milk	76.8	23.0	0.8	1.5
Reduced Fat Milk (2%)	2,060.2	0.0	22.4	39.0
Low Fat Milk (1%)	1,696.7	1.7	18.5	32.2
Fat-Free Milk (Skim)	1,490.4	(0.3)	16.2	28.2
Flavored Fat-Reduced Milk	534.7	(1.6)	5.8	10.1
Organic Fat-Reduced Milk	210.1	18.1	2.3	4.0
Buttermilk	39.3	(1.3)	0.4	0.7
Miscellaneous (inc. Eggnog)	41.3	8.1	0.4	0.8
Total	9,186.2	(1.3)	100.0	174.1

Northeast Sales by Product

The accompanying table shows Northeast sales by product for 2008, on a percentage basis, change from previous year, and sales on a per capital basis. Totals have been adjusted for leap year.

Sales of organic products had the largest growth of all products in the Northeast with organic whole jumping 23.0 percent and organic fat-reduced growing 18.1 percent. As a proportion of total sales in the Northeast, organic products accounted for 3.1 percent of all sales, up from 2.6 percent in 2007.

Flavored whole milk had the largest decline in the Northeast, dropping 21.4 percent, while flavored fat-reduced (flavored milk with low butterfat content) decreased 1.6 percent. Plain whole milk dropped 5.6 percent in the Northeast and fat-free (skim) declined 0.3 percent. Low fat (1%) sales grew 1.7 percent and reduced fat (2%) milk had no change.

Per Capita Sales

The Northeast Marketing Area includes the entire states of Connecticut, Delaware, Massachusetts, New Hampshire, New Jersey, Rhode Island, and Vermont; the District of Columbia; most of Maryland and New York; and portions of Pennsylvania and Virginia. This area includes many metropolitan centers such as New York City, Boston, Philadelphia, Baltimore, and Washington, DC. The total estimated population for 2008 in the marketing area was 52.8 million people, as reported by the Bureau of Census; this is down slightly from the revised population figure of 53.0 million people for 2007.

On a per capita basis in the Northeast Marketing Area, the average person consumed 174.1 fluid pounds (about 20 gallons) in 2008, slightly down from 175 pounds in 2007. Despite a decline in sales, whole milk remains the most popular product in the Northeast with 57 pounds; the lower fat products: reduced fat, low fat, and fat-free had 39, 32.2, 28.2 pounds each, respectively. Organic products accounted for 5.5 pounds per capita in the Northeast in 2008, up from 4.5 pounds in 2007.❖

Proposed Admendments *(continued from page 1)*

The proposals submitted on January 30, 2009, by National Milk Producers Federation and International Dairy Foods Association would eliminate the provision exempting producer-handlers from pricing and pooling provisions of an order; and would revise the current limit on monthly route disposition of packaged fluid milk required for exemption from pricing and pooling provisions as an exempt plant. Copies of these proposals may be obtained from the dairy Programs website at www.ams.usda.gov/dairy.

The proposals have not yet been approved for inclusion in a Notice of hearing. Before deciding whether a hearing will be held, USDA is providing the opportunity for interested parties to submit additional proposals regarding the elimination of the producer-handler provision and the revision of the exempt plant provision in all federal milk market orders.

Proposals must be received by March 9, 2009. Each proposal should be accompanied by a comprehensive statement on the need for the proposal.

USDA is considering initiation of a formal rulemaking proceeding that will include a public hearing some time in April 2009 to collect evidence regarding the proposed changes. A Notice of Hearing detailing the date, time, and location of the hearing and the proposals under consideration, will be published in the *Federal Register*. The Notice of hearing will also detail the deadline for all data requests of Dairy Programs.❖

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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	874,387,562	$14.49	126,698,757.73	
	Butterfat	16,553,701	1.4308	23,685,035.39	
Less:	Location Adjustment to Handlers			(2,819,931.46)	$147,563,861.70
Class II—	Butterfat	27,168,011	1.1154	30,303,199.47	
	Nonfat Solids	30,697,292	0.7489	22,989,202.00	53,292,401.47
Class III–	Butterfat	17,413,824	1.1084	19,301,482.53	
	Protein	13,953,274	2.3638	32,982,749.10	
	Other Solids	25,553,340	(0.0304)	(776,821.52)	51,507,410.11
Class IV–	Butterfat	16,063,209	1.1084	17,804,460.89	
	Nonfat Solids	27,448,343	0.6574	18,044,540.71	35,849,001.60
Total Classified Value					**$288,212,674.88**
Add:	Overage—All Classes				28,067.37
	Inventory Reclassification—All Classes				6,275.15
	Other Source Receipts	265,323	Pounds		19,145.74
Total Pool Value					**$288,266,163.14**
Less:	Producer Component Valuations @ Class III Component Prices				(230,186,238.83)
Total PPD Value Before Adjustments					**$58,079,924.31**
Add:	Location Adjustment to Producers				9,700,919.87
	One-half Unobligated Balance—Producer Settlement Fund				851,904.31
Less:	Producer Settlement Fund—Reserve				(813,047.00)
Total Pool Milk & PPD Value		2,018,443,494	Producer pounds		**$67,819,701.49**
	Producer Price Differential		**$3.36**		
	Statistical Uniform Price		**$14.14**		

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