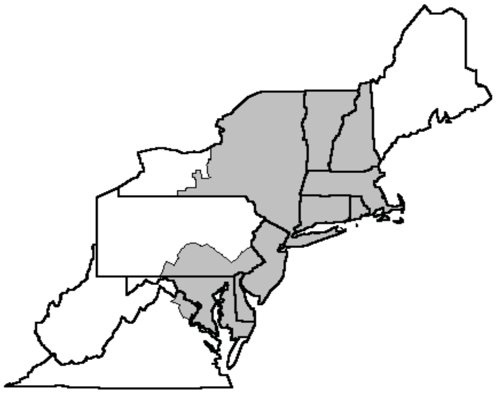

The Market Administrator's BULLETIN

NORTHEAST MARKETING AREA

Erik F. Rasmussen, Market Administrator

February 2012 Federal Order No. 1

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February Pool Price Calculation

The February 2012 statistical uniform price (SUP) for the Northeast Marketing Area was announced at $18.09 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 $18.82 per hundredweight. The February statistical uniform price was $1.28 per hundredweight below the January price. The February producer price differential (PPD) at Suffolk County was $2.03 per hundredweight, a decrease of 29 cents per hundredweight from last month.

During February, all dairy product prices decreased resulting in lower component and class prices. Due to the price declines that occurred in the first two weeks of January, primarily the 20-cent drop in the cheese price, the Class I price for February decreased almost $2.00 per hundredweight. The Class II priced dropped 73 cents, Class III nearly a dollar, and Class IV was down 64 cents. The tightening in the price spread between classes resulted in a lower PPD.

The volume of producer milk receipts utilized in Class I was the smallest for the month of February, while the Class II volume was the largest for this month since the Order's inception. The average producer other solids test set a record high for the month of February.❖

Market Situation and MILC Payments

Milk Price

The milk price has softened due to stronger milk production in recent months. In January 2012, milk production in the "Top 23 States" grew 3.7 percent over a year ago, the largest increase since September 2010. According to USDA, continued strong growth may put downward pressure on milk prices early in 2012. USDA is predicting the number of milk cows to decline later in the year, and high feed prices may negatively impact milk per cow.

On the demand side, the United States exported 13.3 percent of the total milk solids produced in this country during 2011, but exports are forecasted to be about 5 percent lower in 2012. The Restaurant Performance Index stood at 101.3 in January, the third straight month

(continued on page 3)

Pool Summary

- A total of 12,704 producers were pooled under the Order with an average daily delivery per producer of 5,375 pounds.
- Pooled milk receipts totaled 1.980 billion pounds, an increase of 2.4 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 39.9 percent of total milk receipts, a decrease of 1.3 percentage points from January.
- The average butterfat test of producer receipts was 3.79 percent.
- The average true protein test of producer receipts was 3.08 percent.
- The average other solids test of producer receipts was 5.75 percent.❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	39.9	790,479,040
Class II	24.8	491,687,414
Class III	23.5	465,371,766
Class IV	11.8	232,665,212
Total Pooled Milk		1,980,203,432

Producer Component Prices

	2012	2011
	$/lb	
Protein Price	2.6627	2.5586
Butterfat Price	1.5739	2.2967
Other Solids Price	0.4541	0.2310

Class Price Factors

	2012	2011
	$/cwt	
Class I	20.28	19.14
Class II	16.94	17.97
Class III	16.06	17.00
Class IV	15.92	18.40

U.S. Milk Production Increases During 2011

Total milk production in the United States grew 1.8 percent in 2011. This follows an increase of 1.9 percent in 2010. The top ten milk-producing states rose 2.0 percent, but not as strong as the 2.5 percent increase in 2010. The top 23 states as reported by the National Agricultural Statistics Service (NASS) increased 2.7 percent. The accompanying table shows the top ten states ranked by their total 2011 production.

Top Producing States-Texas Rises in Rank

The top ten list contained the same states as in 2010, but Texas displaced Minnesota in the number six spot. Texas production jumped 8.5 percent in 2011. All top ten states reported increases except Minnesota and Pennsylvania, which showed declines of 2.3 and 1.2 percent, respectively.

Other changes within NASS' list of the top 23 included the switch-back of Kansas into the number 16 position (last year it was displaced by Vermont, which dropped back into number 17 in 2011) and the displacement of Iowa by Arizona, moving up from number 13 to number 12. Missouri, which NASS includes in their top 23, dropped to the number 25 spot, surpassed by Georgia, now 24, and South Dakota, again at 21. NASS does not change the make-up of their top 23 list each year.

Top Ten States, Ranked by Milk Production, 2011

Rank	State	2010	2011	Percent Change
1	California	40,385	41,462	2.7
2	Wisconsin	26,035	26,117	0.3
3	Idaho	12,779	13,256	3.7
4	New York	12,713	12,826	0.9
5	Pennsylvania	10,737	10,604	(1.2)
6	Texas	8,828	9,582	8.5
7	Minnesota	9,102	8,890	(2.3)
8	Michigan	8,333	8,478	1.7
9	New Mexico	7,881	8,177	3.8
10	Washington	5,901	6,169	4.5
	Top Ten Total	142,694	145,561	2.0
	U.S. Total	192,848	196,245	1.8

Source: NASS, *Milk Production.*

Northeast Below National Average

Milk production in the Northeast milkshed (the area from which milk is traditionally pooled by handlers selling into the marketing area) decreased a slight 0.2 percent in 2011. Production in the 3 top producing states in the milkshed (New York, Pennsylvania, and Vermont) was flat. The only states in the milkshed with increases in production were Delaware (1.7 percent), Maine (1.9 percent), Rhode Island (1.0 percent), New York (0.9 percent) and Vermont (0.7 percent). The remaining 7 states showed declines or no change from the previous year. For more detail on milk in the Northeast, see the related article in this *Bulletin* that discusses milk pooled by county.

Cow Numbers and Production per Cow

Nationally, the number of milk cows increased 0.8 percent in 2011, after declining the past 2 years. Overall, more states decreased (40 percent) their cow numbers than increased (34 percent). Of those increasing cow numbers, seven were in the top ten states. Thirteen states (26 percent) had no change. In the Northeast milkshed states, milk cow numbers declined 0.4 percent. The combined total for New York, Pennsylvania, and Vermont was down a slight 0.2 percent; Vermont decreased of 1.5 percent, New York 0.2 percent, and Pennsylvania had no change.

Average milk production per cow grew 0.9 percent nationally; this follows an increase of 2.8 percent in 2010. For the Northeast, the increase was 0.2 percent. The U.S. average milk per cow was 21,345 pounds in 2011; the average was 19,885 pounds in the Northeast states. Milk per cow for the Northeast states has risen, but still trails behind the national average. States in the western part of the country continue to have higher milk production per cow than the U.S. average.❖

Top Producing Counties-Northeast Milkshed

In 2011, the top ten counties in terms of milk pooled on the Northeast Order accounted for 33.6 percent of all milk pooled during the year. This is the highest proportion since the Order's inception in 2000. Pooled milk receipts do not necessarily account for all milk produced in the county. Milk shipped to other federal orders, state orders, or unregulated areas is not included in these figures. The table on page 3 shows the top ten ranked counties for 2011 based on their volume pooled on the Order.

Change in Rankings Over the Years

Since the Northeast Order's inception, Lancaster County, PA, has led all counties, accounting for 9.1 percent of total milk pooled on the Order in 2011. This percentage is down slightly from 9.2 percent in 2010 and a high of 9.5 percent from 2007 through 2009. Lancaster's pooled production is more than 2.5 times the level of the second-ranked county and has been consistently since 2000. Cayuga County, NY, was ranked number 9 in 2000, rose throughout the years to the number 2 spot in 2009, and remained there in 2011. The Franklin Counties in both PA and VT have been in the top ten since the Order began, for many years in the number 2 and 3 spots, respectively, and for the past 3 years, in the third and fourth positions.

Addison County, VT, and the NY counties of St.

(continued on page 3)

Top Producing Counties *(continued from page 2)*

Lawrence, Wyoming, and Jefferson, have all appeared in the top ten rankings since the Order's inception. Lewis County, NY, and Lebanon County, PA, have been in the top ten most years, but due to pooling changes, other counties such as Bradford in PA and Oneida in NY, also have appeared at times.

Proportion of Farms and DDP

Overall, the top ten counties accounted for 28.8 percent of all farms shipping to handlers regulated on the Northeast Order in 2011. Lancaster County, alone, accounted for 13.7 percent of all farms on the Order. Of the top ten producing counties, Cayuga, had the least number of farms, only 116 (0.9 percent of all farms), but had the second largest volume of milk.

The top ten counties combined average daily deliveries per producer (DDP) equaled 5,950 pounds in 2011, up from 5,764 in 2010 and 3,918 in 2000. Cayuga reported the highest average DDP in 2011 with 20,334 pounds, up from 19,425 in 2010 and 7,772 in 2000. Both Addison and Wyoming counties reported DDP over 12,000 pounds while Lancaster had the lowest of the top ten with 3,393 pounds. The average for all producers shipping on the Order during 2011 was 5,108 pounds.❖

Top Ten Counties Pooling on the Northeast Order, 2011

Rank	County	State	Volume Pooled on Order	Number of Farms	DDP
			million lbs		
1	Lancaster	PA	2,211.9	1,786	3,393
2	Cayuga	NY	861.0	116	20,334
3	Franklin	PA	734.2	331	6,077
4	Franklin	VT	714.7	207	9,459
5	St. Lawrence	NY	703.3	341	5,651
6	Addison	VT	669.4	151	12,146
7	Wyoming	NY	630.7	141	12,255
8	Jefferson	NY	630.0	210	8,220
9	Lebanon	PA	520.2	267	5,338
10	Lewis	NY	507.7	218	6,381
	Top Ten Total		8,183.3	3,768	5,950
	Total Pooled on Order		24,376.2	13,074	5,108
	Top Ten Proportion (%)		33.6	28.8	

Source: Northeast Order audited producer payroll reports.

Market Situation *(continued from page 1)*

over 100, a mark that indicates expansion in factors such as sales, traffic, labor, and capital expenditures. The Consumer Confidence Index increased in February to 70.8, from 61.5 in January, indicating less pessimism among U.S. consumers about current business and labor market conditions. These two leading indicators of domestic demand are an encouraging sign that the domestic market continues to slowly improve and may absorb some of the production gains that may not find an export market.

Feed Prices

Chicago Mercantile Exchange (CME) futures prices for corn range from a high of $6.69 per bushel in March to a low of $5.64 per bushel in December. Soybean futures range from a high of $13.56 in March to a low of $13.11 per bushel in November. Forecasts by Rabo AgriFinance predict a seasonal uptick in the corn price for the second quarter of the year with some easing thereafter. Additional acres of corn planted should lead to the easing of prices later in the year, but the 2011–12 ending stocks-to-use ratio, forecast to be the lowest on record, may keep upward pressure on prices in the near term.

MILC Payments

If current trends in milk and feed prices play out as projected, Milk Income Loss Contract (MILC) payments can be expected. MILC payments are adjusted by feed prices reported in the National Agricultural Statistics Service (NASS) *Agricultural Prices,* which are not announced until the end of the next month. Based on preliminary estimated feed prices and CME futures prices, MILC payments are expected for February and projected to be paid much of the year. The February payment may be about $0.35 per hundredweight (cwt). Estimated payments from March through September may range from $0.22 to $1.19 per cwt, based on the March 14 CME prices and estimates for alfalfa hay prices relative to corn and soybeans.

The feed-adjusted MILC trigger price currently projects to average $20.89 per cwt for the year. The Class I price currently projects to average $19.69 per cwt for the year. The uniform price at Boston, Massachusetts, projects to average $17.96 per cwt for the year. Adding in projected MILC payments results in a total payment of $18.52 per cwt on average for the year.

MILC Limitations

The 2008 Farm Bill authorized continuation of the MILC program through September 30, 2012. Each operation's per year pound limit for payment eligibility is 2.985 million pounds for October 1, 2011, through September 30, 2012. An operation must pick a start month for each fiscal year, and once picked, any marketings in that month and subsequent months of the fiscal year that generate a payment will count against the operation's fiscal year limit. Due to the pounds limit and the start month concept, monitoring the start of and level of MILC payments is important. Contact your local Farm Service Agency office for rules covering payment start dates.❖

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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	776,122,056	$14.67	113,857,105.62	
	Butterfat	14,356,984	1.7495	25,117,543.51	
Less:	Location Adjustment to Handlers			(2,663,566.13)	$136,311,083.09
Class II—	Butterfat	28,008,629	1.5809	44,278,841.58	
	Nonfat Solids	42,595,358	1.3133	55,940,483.71	100,219,325.29
Class III–	Butterfat	20,506,700	1.5739	32,275,495.15	
	Protein	14,276,229	2.6627	38,013,314.97	
	Other Solids	26,583,399	0.4541	12,071,521.51	82,360,331.63
Class IV–	Butterfat	12,222,907	1.5739	19,237,633.33	
	Nonfat Solids	20,272,272	1.1993	24,312,535.84	43,550,169.17
Total Classified Value					**$362,440,909.18**
Add:	Overage—All Classes				23,484.25
	Inventory Reclassification—All Classes				(63,654.04)
	Other Source Receipts	2,775,913	Pounds		72,062.00
Total Pool Value					**$362,472,801.39**
Less:	Producer Component Valuations @ Class III Component Prices				(332,387,443.91)
Total PPD Value Before Adjustments					**$30,085,357.48**
Add:	Location Adjustment to Producers				10,100,674.39
	One-half Unobligated Balance—Producer Settlement Fund				953,020.40
Less:	Producer Settlement Fund—Reserve				(884,571.59)
Total Pool Milk & PPD Value		1,982,979,345	Producer pounds		**$40,254,480.68**
	Producer Price Differential		**$2.03**		
	Statistical Uniform Price		**$18.09**		

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