

The Market Administrator's

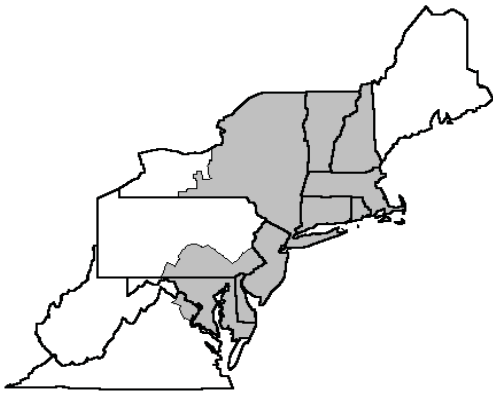
BULLETIN

NORTHEAST MARKETING AREA

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June 2013

Federal Order No. 1



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June Pool Price Calculation

The June 2013 statistical uniform price (SUP) for the Northeast Marketing Area was announced at \$20.20 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 \$20.46 per hundredweight. The June statistical uniform price was 42 cents per hundredweight above the May price. The June producer price differential (PPD) at Suffolk County was \$2.18 per hundredweight, an increase of 92 cents per hundredweight from last month.

Product Prices Effect

During June, product prices for butter, cheese, and dry whey declined while nonfat dry milk rose. As reported on the National Dairy Product Sales Report, butter dropped over ten cents per pound, cheese declined almost five cents per pound, and nonfat dry milk increased over five cents per pound. As a result, all component prices dropped except nonfat solids. The Class III price dropped 50 cents per hundredweight due to the lower cheese price. The Class IV price only had a slight 1-cent decline even though both the nonfat dry milk and butter prices were down. Class I and II prices increased since they both are based on prices from the previous month (May) that preceded the drop in June. The spread between the higher class prices (I and II) versus the lower (III and IV) resulted in a higher PPD value and an overall higher uniform price.

More Records Set

Total pooled milk receipts were the highest ever for the month of June. Daily deliveries per producer were the highest for the month of June and the third highest ever under the Order. Class I volume was the lowest ever for the Order since its inception. The volume of milk used in Classes II and IV each set new records as the highest for the month June. The average producer butterfat test for June set a new record high. The uniform price was the highest so far for 2013 and the first time since December 2012 that it has been over \$20.00 per hundredweight. ❖

Pool Summary

- A total of 12,319 producers were pooled under the Order with an average daily delivery per producer of 5,808 pounds.
- Pooled milk receipts totaled 2.147 billion pounds, a decrease of 2.9 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 33.7 percent of total milk receipts, a decrease of 1.9 percentage points from May.
- The average butterfat test of producer receipts was 3.65 percent.
- The average true protein test of producer receipts was 2.99 percent.
- The average other solids test of producer receipts was 5.74 percent. ❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	33.7	722,876,577
Class II	26.3	564,046,784
Class III	25.5	548,456,621
Class IV	14.5	311,199,637
Total Pooled Milk		2,146,579,619

Producer Component Prices

	2013	2012
	\$/lb	
Protein Price	3.3455	2.8952
Butterfat Price	1.6599	1.4866
Other Solids Price	0.3859	0.3113

Class Price Factors

	2013	2012
	\$/cwt	
Class I	22.18	18.49
Class II	19.14	14.32
Class III	18.02	15.63
Class IV	18.88	13.24

Mailbox Price — What's the Difference?

The market administrator calculates an average mailbox price for the Northeast Order every month using verified producer payroll data. As the name suggests, it is intended to reflect the value per hundredweight a producer receives for their milk once the check is in their mailbox. To get a mailbox price, we add the value of components, producer price differential (PPD) and any type of premiums received and then subtract cooperative dues, hauling, the market administrator market service fee, Cooperatives Working Together (CWT) assessment, and national and local promotions.

Table 1

**Northeast Order Regions
Mailbox Price, January–March 2013**

Month	New England	New York	Pennsylvania	Northeast
	\$/cwt			
January	21.45	20.29	20.40	20.53
February	21.00	19.92	20.10	20.17
March	20.65	19.73	19.91	19.96
Average	21.03	19.98	20.14	20.22

Table 2

**Percent of Milk Produced that was
Received by Differential Zone, January 2013**

Differential Zone Range	New England	New York	Pennsylvania	3-Region Total
	percent			
>\$2.95	70.8	10.6	30.1	27.4
\$2.55 - \$2.95	19.9	16.3	62.7	32.9
<\$2.55	9.3	73.1	7.2	39.7
	pounds			
>\$2.95	241,267,253	105,519,094	212,062,035	558,848,382
\$2.55 - \$2.95	67,748,943	162,920,503	441,488,736	672,158,182
<\$2.55	31,755,880	728,751,001	51,059,577	811,566,458
All Zones	340,772,076	997,190,598	704,610,348	2,042,573,022

Regional Differences

For the purpose of reporting mailbox prices in the Northeast Order, the regions of New England, New York, and Pennsylvania are broken out. The mailbox prices for the first three months of 2013, shown in Table 1, reflect only milk pooled on the Northeast Order (some milk from these areas may be pooled elsewhere or not pooled at all). The three regions have different characteristics with respect to how and where milk is marketed and the costs involved. In addition, a producer's component tests may be different than the weighted average that contributed to

a month's average mailbox price. These differences can lead to an individual producer's mailbox price being different from a region's average mailbox price. Of the three major regions within the Northeast Marketing Area, the average mailbox price for New England tends to be the highest, followed by Pennsylvania, and then New York.

Gross Value

The gross value makes up the largest portion of the mailbox price, and differences in gross value account for a majority of the difference that exist between regions. The gross value includes the value of producer milk components and the PPD. It does not include premiums. Since the PPD is part of the gross value, differences in

Table 3

**Northeast Order Regions Average
Premiums, January–March 2013**

Month	New England	New York	Pennsylvania	Northeast
	\$/cwt			
January	1.09	1.09	1.04	1.07
February	1.05	1.08	1.06	1.06
March	1.00	1.06	1.09	1.06
Average	1.05	1.08	1.06	1.06

where a region's producers' milk is shipped impacts the gross value, and in turn, the mailbox price. PPDs are higher along the metropolitan areas closer to the coast, and are lower further inland. For the month of January 2013, New England producers received the highest average PPD (\$1.44 per hundredweight), followed by Pennsylvania (\$1.30 per hundredweight), then New York (\$0.74 per hundredweight). The announced PPD at Boston, MA, that month was \$1.59 per hundredweight.

(continued on page 3)

Table 4

**Northeast Order Regions Average
Hauling Cost, January–March 2013**

Month	New England	New York	Pennsylvania	Northeast
	\$/cwt			
January	0.64	0.67	0.83	0.73
February	0.64	0.67	0.83	0.73
March	0.63	0.66	0.84	0.73
Average	0.64	0.67	0.83	0.73

Mailbox Price *(continued from page 2)*

Marketings by Differential Zone

Table 2 shows what percent and total volume of producers' milk from a region went to selected differential zone ranges. Daily delivery data, which indicate the pickup and final destination of farm milk, collected by the market administrator were used to show into which differential zone a region's milk ends up. The data show that almost three fourths of the milk produced in New York is marketed to plants in the central, western, and northern parts of the state where a lower PPD is received. In Pennsylvania, almost 93 percent of the milk produced is marketed to plants in zones \$2.55 and higher, in the southeastern part of the state, and to plants in New Jersey and New York City, where PPDs are among the highest. In New England, a large percentage of the milk produced is marketed to plants in metropolitan areas that return some of the highest PPDs in the Order.

Premiums and Hauling Costs

Average premiums and hauling cost per hundredweight are depicted in Tables 3 and 4. Average premiums for the three regions over the first three months of 2013 are similar to the Northeast average, with New York premiums averaging a couple pennies higher, and those in New England a few pennies lower. The value for hauling includes the hauling cost and stop charges. New England and New York show fairly similar hauling costs per hundredweight at averages of 64 and 67 cents per hundredweight for the first quarter of 2013, respectively. Pennsylvania averaged 19 to 16 cents higher than New England and New York, respectively. ❖

Dairy Month Highlights

The accompanying table highlights selected statistics for June ("dairy month") from 2000 and 2013. Even though these figures only represent a snapshot of the Order, there have been some significant changes over the years, especially in daily deliveries per producer and milk used in yogurt. For more detail regarding monthly Order statistics, refer to the Monthly Statistical Report that can be accessed on our webpage www.fmmone.com. ❖

Northeast Order, Selected Statistics, June, 2000 vs 2013

Statistic	2000	2013	Change
Pounds:	million pounds		percent
Class I	819.9	722.9	(11.8)
Class II	347.8	564.0	62.2
Class III	587.6	548.5	(6.7)
Class IV	193.7	311.2	60.7
Total	1,949.0	2,146.6	10.1
Daily Deliveries per Producer	pounds		
	3,808	5,808	52.5
Producers:	count		
	17,054	12,319	(27.8)
Usage in Selected Products:	million pounds		
Whole milk	312.1	207.6 #	(33.5)
Cottage cheese	66.7	35.6	(46.6)
Yogurt	29.0 *	206.4	612.2
Italian-Type cheeses^	308.0	243.5	(20.9)
Butter	25.3	19.8	(21.9)
Dried Milk Products	187.9	299.3	59.3

Includes organic milk.

* Includes eggnog.

^ Does not include ricotta.

Pool Summary for All Federal Orders, January–June, 2012–2013

Federal Order Number	Federal Order Name	Total Producer Milk			Producer Price Differential#		Statistical Uniform Price#*	
		2012	2013	Change^	2012	2013	2012	2013
		pounds			dollars per hundredweight			
1	Northeast	12,479,291,644	12,993,203,063	4.7	1.71	1.92	17.61	19.66
5	Appalachian	3,043,460,999	2,981,901,846	(1.5)	N/A	N/A	18.62	20.66
6	Florida	1,467,498,026	1,439,141,066	(1.4)	N/A	N/A	20.88	22.84
7	Southeast	3,631,879,780	3,249,886,587	(10.0)	N/A	N/A	18.87	21.04
30	Upper Midwest	17,040,277,110	17,326,457,542	2.2	0.24	0.25	16.14	17.99
32	Central	8,037,090,729	7,660,978,390	(4.2)	0.38	0.62	16.28	18.36
33	Mideast	9,101,211,938	8,733,158,782	(3.5)	0.64	0.91	16.55	18.65
124	Pacific Northwest	3,912,053,266	4,264,978,182	9.6	0.23	0.60	16.13	18.34
126	Southwest	6,079,515,574	6,848,370,319	13.3	1.38	1.45	17.29	19.19
131	Arizona	2,486,611,454	2,432,833,458	(1.6)	N/A	N/A	16.32	18.77
All Market Total/Average		67,278,890,520	67,930,909,235	1.5	0.76	0.96	17.47	19.55

Price at designated order location.

* Price at 3.5% butterfat.

N/A = Not applicable.

^ Adjusted for leap year.



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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	709,288,056	\$16.34	115,897,668.35	
Butterfat	13,588,521	1.8325	24,900,964.73	
Less: Location Adjustment to Handlers			(2,412,736.31)	\$138,385,896.75
Class II— Butterfat	31,026,582	1.6669	51,718,209.51	
Nonfat Solids	48,328,231	1.5322	74,048,515.56	125,766,725.07
Class III— Butterfat	22,253,056	1.6599	36,937,847.64	
Protein	16,424,612	3.3455	54,948,539.44	
Other Solids	31,346,260	0.3859	12,096,521.73	103,982,908.81
Class IV— Butterfat	11,395,901	1.6599	18,916,056.04	
Nonfat Solids	27,148,813	1.5048	40,853,533.80	59,769,589.84
Total Classified Value				\$427,905,120.47
Add: Overage—All Classes				11,894.33
Inventory Reclassification—All Classes				(200,254.39)
Other Source Receipts	270,190 Pounds			9,124.31
Total Pool Value				\$427,725,884.72
Less: Producer Component Valuations @ Class III Component Prices				(392,397,835.22)
Total PPD Value Before Adjustments				\$35,328,049.50
Add: Location Adjustment to Producers				11,259,583.41
One-half Unobligated Balance—Producer Settlement Fund				1,112,074.92
Less: Producer Settlement Fund—Reserve				(898,381.93)
Total Pool Milk & PPD Value	2,146,849,809 Producer pounds			\$46,801,325.90
Producer Price Differential		\$2.18		
Statistical Uniform Price		\$20.20		

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