

# Bulletin

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Federal Order No. 2

New York–  
New Jersey  
Milk Marketing  
Area

Volume 58

January

1998

## Appeals Court Extends Stay of Class I Differential Action

On February 12, 1998, the United States Court of Appeals for the Eighth Circuit (Appeals Court) granted an extension of the 3-month stay previously granted by the U.S. District Court, District of Minnesota, Fourth Division (District Court). The stay is on the November 3 ruling from the District Court that would have prevented USDA from enforcing existing Class I price differentials in certain federal milk marketing orders (FMMO). Order No. 2 would have been one of the affected orders.

The District Court's temporary delay would have expired effective February 15, 1998. The Appeals Court order indicates that the stay will remain in place until the Appeals Court issues a final ruling on the appeal, or issues some further order.

As legal representative for USDA, the U.S. Department of Justice had filed a motion with the Appeals Court appealing the initial November 3 District Court decision and seeking an extension of the lower court's temporary stay. This determination means that Order No. 2, along with the other affected FMMOs, will be able to run monthly pools and calculate uniform prices in the usual manner, until directed to do otherwise. ♦

## BFP Floor Hearing Held

On January 23, 1998, Agriculture Secretary Dan Glickman announced that a public hearing would be held in response to industry requests to consider flooring the level of the basic formula price (BFP) for the purpose of determining Class I and Class II prices through December 1998. The hearing began on February 17 in Washington, DC.

The hearing was proposed by Mid-America Dairymen, Inc. (now part of Dairy Farmers of America, Inc.) who requested that this issue be handled on an emergency basis. Their proposed floor level is \$13.50 per hundredweight, but testimony will address whether that amount or some alternative level will be more appropriate.

A preliminary cost-benefit analysis conducted by USDA indicated that flooring Class I and Class II prices with a \$13.50 minimum BFP would increase the all-milk price in the New York–New Jersey Milk Marketing Area by \$0.74 per hundredweight, if in effect for calendar year 1998. ♦

## January 1998 Pool Highlights

- The January 1998 uniform price equaled **\$13.95**, unchanged from last month and \$1.30 higher than last year.
- Class III-A pricing lowered the January uniform price by \$0.04.
- Producer receipts totaled 1,012.0 million pounds, an increase of 5.4 percent from last year.
- Class I receipts totaled 417.3 million pounds, an increase of 3.8 percent from last year.
- Daily deliveries per producer (DDP) equaled 3,169 pounds, a year-to-year increase of 5.4 percent. ♦

## Order No. 2 Prices and Utilization for January

	1997	1998	Percent change
<b>Prices*</b>			
	dollars per cwt		
Uniform	12.65	13.95	10.3
Class I	14.03	15.38	9.6
Class II	11.91	13.26	11.3
Class III	11.97	13.28	10.9
Class III-A	11.53	12.07	4.7
<b>Utilization</b>			
	million pounds		
Class I	402.2	417.3	3.8
Class II	148.0	147.4	(0.4)
Class III	381.7	411.5	7.8
Class III-A	28.4	35.8	26.0
Producer Receipts	960.2 #	1,012.0	5.4

\* For bulk milk testing 3.5 percent butterfat in the 201-210 mile zone.

# Total does not add due to rounding.

## U.P. Forecasted to Increase

The uniform price **forecast** for **February 1998** is **\$14.13** per hundredweight of bulk milk testing 3.5 percent butterfat in the 201-210 mile zone. This is an estimate. ♦

## New York State Dairy Task Force

The New York State Dairy Task Force (Task Force) created by Governor Pataki in October 1997 has completed its deliberations. The Task Force has released a report containing recommendations aimed at ensuring the survival of dairy farms in New York State. The Task Force members included dairy farmers, milk processors, retail and consumer groups, as well as representatives from state government and Cornell University.

### Recommendations

Perhaps the most dramatic recommendation was the Task Force's suggestion that the Governor consider New York State's entry into the Northeast Dairy Compact, together with New Jersey and Pennsylvania. In support of this recommendation, Governor Pataki has announced that he would sign legislation, if passed by the State Legislature where it is currently pending, authorizing New York State to join the Northeast Dairy Compact. If approved in New York State, congressional approval would still be necessary before New York could become part of the Northeast Dairy Compact.

The Task Force report contains numerous other recommendations and discusses programs to strengthen the economic viability of New York State dairy farmers. Some specific suggestions include: exploring a tri-state compact with Pennsylvania and New Jersey to provide price protection for dairy farmers, further reductions in electricity costs for agriculture, expand and/or hasten the reduction in taxes paid by dairy farmers, and expansion of the economic development potential of agriculture in New York State.

For more information contact the New York State Department of Agriculture and Markets, One Winners Circle, Albany, NY 12235. ♦

## Organic Meetings Announced

USDA announced on January 29, 1998, that a series of four public meetings would be held to provide an opportunity for organic food producers, processors, marketers, the scientific community, and consumers to discuss the department's proposed rule for a National Organic Program. See article in the December 1997 issue of the *Bulletin*.

Meetings already held include Austin, Texas, on February 12 and Ames, Iowa, on February 18. Additional meetings are scheduled for Seattle, Washington, on February 26 and New Brunswick, New Jersey, on March 5. For more information write to Michael Hankin, National Organic Program, Room 2945 South Building, USDA, AMS, Transportation and Marketing, PO Box 96456, Washington, DC 20090-6456, or call (202) 720-3252, or FAX (202) 690-3924.

In addition, Secretary Glickman extended the public comment period for another 45 days; this brings the closing date to April 30, 1998. ♦

## Small Farms Commission Report Released

The National Commission on Small Farms recently released their 120-page report titled "A Time to Act." The report lays out a strategy to aid the survival of America's small farms. This study is part of the Clinton Administration's on-going efforts to address the needs of family farmers and preserve our nation's small farm heritage.

The commission was formed by Secretary Glickman in July 1997 in response to recommendations made by the USDA Civil Rights Action Team. A series of hearings and meetings were held around the country, one of which was in Albany, NY (see August issue of the *Bulletin*).

The commission sought ways for small farmers to be more competitive through government and private initiatives. Some of their recommendations include:

- λ Promoting and fostering new regional markets benefiting small farmers and the rural and urban poor through a federal interagency partnership.
- λ Providing training and technical assistance to small farm operators and beginning farmers through an entrepreneurial development initiative.
- λ Developing a research initiative that teaches small farmers to use less capital-intensive investments by fully utilizing their ingenuity, hard work, and the unique resources of their farms.

Dairy-specific recommendations include:

- λ The Economic Research Service and USDA should investigate the processing and retailing segments of the dairy industry to determine if excessive profits are being made at the expense of farmers and consumers. The study also should examine the profitability of retail dairy pricing in relation to other retail product pricing to determine if the dairy case is more profitable per square foot relative to other products.
- λ The Secretary of Agriculture should ask the Department of Justice to investigate anti-competitive behavior of the dairy industry within the processing and retail segments.

An action team led by Deputy Secretary Rominger will begin examining methods for implementing the recommendations of the commission. ♦

## Plant List Available

The compilation of *Plants, Handler, and Bulk Tank Units Under the New York-New Jersey Marketing Orders* is now available from this office. The list includes designated and temporary pool plants, including producer-handlers, regulated under Order No. 2 during December 1997. It does not include plants regulated under another federal or state order or those not regulated under any marketing order.

Anyone wishing to receive a copy of this list may do so by contacting this office. ♦

**Market Administrator  
New York–New Jersey Milk Marketing Area  
Administration Fund**

**INCOME AND EXPENSE  
STATEMENT**

For the Year Ended December 31, 1997

**Income:**

Assessments	\$ 4,122,868
Late-Payment Charges	478
Interest Earned	162,437
Other Income	<u>64</u>

**TOTAL FUNDS PROVIDED** **\$ 4,285,847**

**Expenses:**

Salaries and Services	\$ 2,627,786
Travel	211,147
Communications	108,203
Employer Payroll	
Contributions	549,541
Conferences and Meetings	3,801
Insurance	10,011
Rent–Building	252,694
Rent–Equipment	26,665
Repairs and Maintenance	136,933
Research Projects	5,600
Supplies, Stationery, and Printing	67,031
Testing & Weighing	29,562
Training	6,816
Depreciation of Fixed Assets	49,617
Amortization of Leasehold Improvements	8,455
Miscellaneous	<u>3,023</u>

**TOTAL EXPENSES** **\$ 4,096,885**

**EXCESS OF INCOME  
OVER EXPENSES** **\$ 188,962**

**BALANCE SHEET**

As of December 31, 1997

**ASSETS**

**Current Assets:**

Cash and Bank Deposits	\$ 175,486
Investments	3,000,897
Accounts Receivable:	
Handlers	\$ 360,997
Allowance for Uncollectible Accounts	(27,112)
Other	<u>48,654</u>
Deposits	3,224
Prepaid Expenses	21,058
Accrued Interest Receivable	79,427

**Fixed Assets:**

Furniture and Equipment	\$ 1,302,970
Leasehold Improvements	84,549
Accum. Depreciation	<u>(1,201,309)</u>
	<u>186,210</u>

**TOTAL ASSETS** **\$ 3,848,841**

**LIABILITIES & OPERATING BALANCE**

**Liabilities:**

Accounts Payable:	
Trade Creditors	\$ 8,050

**Accrued Liabilities:**

Salaries	\$ 78,268
Employee Annual Leave	212,069
Employee Payroll Deductions	145
Employer Contributions	<u>16,490</u>
	306,972

**Operating Balance** **3,533,819**

**TOTAL LIABILITIES  
& OPERATING BALANCE** **\$ 3,848,841**

## NY Farm Cash Receipts Increase

In a recently released NYS Department of Agriculture and Markets, Division of Statistics report, total cash receipts from farm marketings were up 6.4 percent in 1996, compared to the previous year. The report shows total receipts by NYS county for all products composed of all livestock and all crops. All livestock is subdivided into 1) dairy and 2) other livestock and poultry. All crops is broken into: 1) vegetables, 2) fruit, 3) greenhouse and nursery, and 4) field and other crops.

Total farm receipts equaled over 3.0 billion dollars in 1996. All livestock receipts account for over two-thirds of

this total. Dairy receipts made up nearly 56 percent of total farm receipts in 1996, up 13.8 percent from 1995. Of the nearly 1.7 billion in dairy receipts reported in 1996, Wyoming County accounted for nearly 7.3 percent, followed by St. Lawrence County with 5.1 percent, and Jefferson County with 4.4 percent. ♦

## Plant Freight Zone Determined

The freight zone for the following plant location has been determined:

Fredonia (Fairview Township), Pennsylvania in the 381–390 mile zone. ♦

## Determination of Uniform Price of \$13.95

Per hundredweight of milk testing 3.5 percent butterfat received in bulk from farms in the 201-210 mile zone

### January 1998

TOTAL VALUE OF POOLED MILK							
Class	Milk pounds	Per-cent	Minimum price	Value at minimum price	Trans- portation differential	Total value	Contribution per cwt of receipts
dollars							
I-A	403,085,161	39.8	15.38	61,994,497.83	148,143.08	62,142,640.91	6.141
I-B	14,216,096	1.4	15.38	2,186,435.58	(1,049.49)	2,185,386.09	0.216
II	147,427,479	14.6	13.26	19,548,883.71	18,884.41	19,567,768.12	1.934
III	411,467,953	40.7	13.28	54,642,944.16	44,656.60	54,687,600.76	5.403
III-A	35,772,562	3.5	12.07	4,317,748.23	8,404.61	4,326,152.84	0.428
Reported receipts	1,011,969,251	100.0		142,690,509.51	219,039.21	142,909,548.72	14.122
Adjustments:	Product pounds		Dollars*				
Sec. .60(d)(1) III	157		193.57				
Total Sec. .60(d)(1)	157	157	193.57			193.57	0.000 #
Sec. .60(d)(6) I	2,257,148		46,234.48				
Sec. .60(d)(6) II	5,055,251		(4,549.72)				
Total Sec. .60(d)(2) thru (6)	7,312,399		41,684.76			41,684.76	0.004
Total adjustments	7,312,556		41,878.33				
Total pool milk classified	1,011,969,408						
Handlers must pay			41,878.33	142,690,509.51	219,039.21	142,951,427.05	** 14.126
COMPUTATION OF UNIFORM PRICE							
	Milk pounds		Dollars			Dollars per cwt of receipts	
Total value of pooled milk				142,951,427.05			14.126
Less: Cooperative payments	656,657,250		262,662.90			0.026	
Freight adjustment to 201-210 mile zone			11,636.43			0.001	
Reserve			818,482.35			0.081	
Transportation credit	1,011,969,251		1,517,953.93	(2,610,735.61)		0.150	(0.258)
Value of pooled milk less subtractions				140,340,691.44			13.868
Add: Unreserved cash in producer settlement fund			829,019.07	829,019.07		0.082	0.082
Uniform Price	1,011,969,251			141,169,710.51			13.950

\* Includes transportation and other applicable differentials.

# Results from rounding.

\*\* In addition handlers must pay \$2,551,950.22 for butterfat in excess of 3.5 percent.

Note: The average butterfat test of milk delivered was 3.721208 percent. The butterfat differential was \$.114 for each one-tenth of one percent of butterfat.

## Comparative Price and Other Descriptive Statistics

	JANUARY 1997	DECEMBER 1997	JANUARY 1998
Order No. 2			
Handlers (with producer milk)	39	36	36
Bulk Tank Units	106	97	95
Producers	10,297	10,369	10,301
Daily Deliveries Per Producer (pounds)	3,008	3,106	3,169
Price Factors, Monthly Averages (dollars)			
Basic Formula Price, 3.5% butterfat, per cwt	11.94	13.29	13.25
Cheddar Cheese, 40-lb blocks, per lb #	1.2705	1.4163	1.4165
Butter, Grade A, 92-Score, Chicago Mercantile Exchange, per lb	.8174	1.1697	1.1061
Nonfat dry milk, Central States, per lb	1.1394	1.0740	1.0593
Uniform Prices (dollars per cwt, 3.5% butterfat)			
Order No. 1, Zone 1 (Boston)	13.68	14.78	14.74
Order No. 2, 1-10 mile Zone* (New York City)	13.52	14.82	14.82
Order No. 4, Philadelphia†	13.28	14.47	14.33
Class I Utilization Percentage			
Order No. 1	50.9	48.9	47.7
Order No. 2	41.9	42.5	41.2
Order No. 4	47.7	46.4	43.5

# National Cheese Exchange through April 1997; National Agricultural Statistics Service beginning May 1997.

\* Includes 15-cent transportation credit.

† Includes 6-cent direct-delivery differential.

## Secretary Issues Proposed Rule

On January 23, 1998, USDA Secretary Dan Glickman issued a proposed rule announcing changes to the Federal Milk Marketing Order (FMMO) program. The proposed changes would affect all marketing orders including the New York–New Jersey Milk Marketing Area.

The 1996 Farm Bill instructed USDA to reform the FMMO program. Although it required that there be fewer orders, it also authorized the Secretary to make other reforms to the program. The Farm Bill mandated that reforms be implemented by April 4, 1999.

U.S. agriculture is evolving toward a more market-oriented structure, free from traditional government involvement typified by price and income support programs. The FMMO program is being restructured to be consistent with this trend toward a more market-oriented dairy sector. However, the FMMO program retains its basic purpose—to provide for orderly market conditions in which milk is marketed, so that producers have an assurance of stable markets and adequate supplies of milk are available for consumers.

### Fewer Orders

The Secretary's proposal would reduce the current 31 orders to 11. The proposed consolidated regions are: Northeast, Appalachian, Florida, Southeast, Mideast, Upper Midwest, Central, Southwest, Arizona–Las Vegas, Western, and Pacific Northwest.

The proposed Northeast order consists of the three existing federal orders: New England (Order No. 1), New York–New Jersey (Order No. 2), and Middle Atlantic (Order No. 4). In addition, the new Northeast order includes the contiguous unregulated areas of New Hampshire, northern New York and Vermont, as well as the non-federally regulated portions of Massachusetts and the Western New York State order area. Maine and non-federally regulated areas of Pennsylvania are excluded.

Based on October 1995 information, the estimated Class I utilization for the proposed Northeast order was 47.7 percent, 5.3 percentage points higher than the Order No. 2 utilization percentage. This would have a slightly positive impact for Order No. 2 producers. The new Northeast marketing area would pool about 2 billion pounds of milk per month and have a population of over 51 million people.

### Changes in Product Classification

Under the proposed rule four classes of milk would

### Proposed Rule Highlights

- ✓ *There will be fewer orders.*
- ✓ *Minor revisions are made to products included in each class of milk.*
- ✓ *The basic formula price will be replaced to better reflect the value of milk components.*
- ✓ *Minimum fluid milk (Class I) prices will be more market-oriented.*
- ✓ *Common provisions will streamline the orders.*

### Order No. 2 Specific Changes

- ✓ *Producers will be paid based on plant-point pricing.*
- ✓ *Payments will be based on multiple component pricing.*

be established. A new Class IV, which would replace Class III-A, would include milk used to make butter and any dried milk. Cream cheese would be moved from Class III to Class II and all eggnog would be included in Class I.

### BFP Replaced

The proposed rule suggests replacing the BFP with a Class III price based on multiple component pricing. Multiple component pricing involves determining a value for milk based on the values of protein, butterfat, and other nonfat solids used in manufacturing products.

Component prices would be based on USDA's National Agricultural Statistics Service (NASS) surveys. NASS currently surveys and reports block Cheddar cheese prices. They would add surveys and reports of transaction prices for butter, dry whey, and nonfat dry milk. Manufacturing or "make" allowances—estimated costs of producing dairy products—would be deducted from the commodity prices surveyed by NASS.

The method for establishing minimum Class I prices would be similar to the current method in which a Class I differential is added to a base price (currently it is the second preceding month's BFP). The new base price would be a 6-month declining average of the Class III or Class IV (the current Class III-A) price, whichever is higher.

### Class I Prices Changed

FMMOs would continue to establish minimum prices that regulated handlers must pay to producers for milk

based on its end use. The FMMO program also would continue to recognize the higher costs of supplying milk for fluid use, including the costs of transporting milk and the costs associated with balancing supplies and use within each market.

The Class I price is the minimum price that regulated handlers must pay for milk used in fluid products—called Class I milk. Producers do not receive this price directly; rather, they receive a weighted average, called the blend or uniform price, that represents the volume and price of all milk in the marketing order area used in all classes.

Since the BFP is the same for every milk order, most discussions of Class I prices focus on the Class I differential, which varies across milk orders. These differentials vary for two reasons. First, there needs to be a price incentive to move Grade A milk from points of production to fluid processing plants, which are typically located closer to population centers than to production areas. However, federal orders also recognize that local milk prices should not exceed the cost of available “distant” milk plus transportation costs to the “local” market. Second, the price incentive also persuades manufacturing plants to “give up” milk and make it available for the fluid market.

Two pricing options are presented for consideration in the proposed rule:

#### Option 1A

Option 1A is a set of Class I prices that vary by location (called a “price surface”) and closely reflects current federal order prices, but makes adjustments for recent changes in economic conditions.

#### Option 1B

Option 1B is USDA’s preferred alternative and represents a more market-oriented option. This option still provides minimum prices for higher-valued fluid use, while relying more on the market to generate higher prices when needed to attract a sufficient supply of milk to markets.

#### **Common Provisions**

Over time, each milk order has been amended to contain provisions that may be unique, but may also be similar to other orders. The identical provisions section of the proposed rule recommends streamlining provisions, terms, and definitions applicable to all orders.

#### **Specific Changes Affecting Order No. 2 Producers**

##### Plant-Point Pricing

The proposed rule recommends that the consolidated Northeast marketing area adopt plant-point pricing. Currently producers pooled under Order No. 2 are paid based on the township location of their milkhouse (farm-point pricing).

Under plant-point pricing, producers would be paid based on the location of the plant where their milk is received. Negotiating hauling charges between producers and handlers could become an important factor affecting producer prices under plant-point pricing.

##### Multiple Component Pricing

Payment to producers based on a multiple component pricing plan is proposed for the consolidated Northeast order. Pay prices would be based on pounds of butterfat, protein, and other solids in producer milk. An adjustment would be made based on the average somatic cell count.

#### **Additional Information**

USDA news releases and media advisories are available on the Internet by accessing the USDA’s Home Page on the World Wide Web at <http://www.usda.gov>. The proposed rule can be accessed at <http://www.ams.usda.gov/dairy/reform> or purchased from the Government Printing Office by calling (202) 512-1800.

The public has until **March 31, 1998**, to comment on the contents of the proposed rule. All comments should be identified with docket number: DA-97-12. To facilitate the process, please state the particular topic(s) addressed, from the following list, at the beginning of the comment: consolidation, basic formula price, Class I price structure, other class prices, classification, provisions applicable to all orders, regional issues (please specify: Northeast, Southeast, etc.), and miscellaneous and administrative. If comments pertain to a specific order, please identify such order.

Comments (two copies) should be mailed to Richard M. McKee, Deputy Administrator, Dairy Programs, USDA/AMS, Room 2968, South Building, P.O. Box 96456, Washington, DC 20090-6456; or faxed to (202) 690-3410; or e-mailed to [Milk\\_Order\\_Reform@usda.gov](mailto:Milk_Order_Reform@usda.gov).

Following the comment period, a final rule will be published, taking into consideration all submitted materials from interested parties. Then, a referendum will be held to determine approval for the new marketing order.

### **Proposed Consolidated Northeast Milk Marketing Area, January 1998**

# Bulletin

Ronald C. Pearce

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Federal Order No. 2

New York-  
New Jersey  
Milk Marketing  
Area

Volume 58

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## Federal Order Reform Update

### Comment Period Extended

Agriculture Secretary Dan Glickman extended the comment period for USDA's proposed rule on federal milk order reform until **April 30, 1998**. The proposed rule was published in the January 30, 1998 Federal Register and was summarized in last month's *Bulletin* supplement.

Comments (two copies) should be mailed to Richard M. McKee, Deputy Administrator, Dairy Programs, USDA/AMS, Room 2968, South Building, P.O. Box 96456, Washington, DC 20090-6456.

### Listening Sessions Announced

Secretary Glickman also announced that USDA will hold four public listening sessions that will allow dairy producers, processors, and other interested parties to provide further input on the proposed rule. Regional listening sessions will be held in Green Bay, Wisconsin; Atlanta, Georgia; Dallas, Texas; and Liverpool, New York.

Those wishing to present oral comments at the **March 30, 1998**, Liverpool, New York, meeting should contact Jane Hart (518) 452-4410. The meeting will be held at the Four Points Hotel Syracuse, 441 Electronics Parkway, Liverpool, NY, 13088 from 9:00 a.m. to 5:00 p.m.

All information presented at the listening sessions will be recorded and included in the public record of the comments on the proposed rule. Depending on the number of individuals wishing to participate, oral comments may be limited. ♦

## Underpayment Notices Issued

For the fourth quarter of 1997, a total of \$87.86 in underpayments to producers resulted from incorrect transportation differentials. Three handlers and three producers were affected during those months. Also, there was a total of \$46.36 in additional underpayments from the third quarter, affecting one producer and one handler. There were no underpayments resulting from hauling overcharges during the fourth quarter. Handlers have been notified of their obligations. ♦

## February 1998 Pool Highlights

- The February 1998 uniform price equaled **\$14.19**, an increase of \$0.24 from last month and \$1.49 higher than last year.
- All class prices were above last year's. Class III-A pricing lowered the February uniform price by \$0.01.
- Producer receipts totaled 934.1 million pounds, an increase of 5.9 percent from last year.
- Class I receipts totaled 377.0 million pounds, an increase of 7.3 percent from last year.
- Daily deliveries per producer (DDP) equaled 3,267 pounds, a year-to-year increase of 6.0 percent. ♦

## Order No. 2 Prices and Utilization for February

	1997	1998	Per cent change
<b>Prices*</b>			
	doll ars per cwt		
Uniform	12.70	14.19	11.7
Class I	13.76	15.71	14.2
Class II	11.64	13.59	16.8
Class III	12.48	13.34	6.9
Class III-A	12.38	12.91	4.3
<b>Utilization</b>			
	million p ounds		
Class I	351.5	377.0	7.3
Class II	139.9	138.1	(1.3)
Class III	369.3	383.4	3.8
Class III-A	21.7	35.6	64.2
Producer Receipts	882.3 #	934.1	5.9

\* For bulk milk testing 3.5 per cent butterfat in the 201-210 mile zone.

# Total does not add due to rounding.

## U.P. Forecasted to Decrease

The uniform price **forecast** for **March 1998** is **\$13.92** per hundredweight of bulk milk testing 3.5 percent butterfat in the 201-210 mile zone. This is an estimate. ♦

## Educational Seminar Schedule

### Dairy Farmers of America, Inc. sponsored meetings

Day and Date	Time	Location
Tues.-April 21	1:00 p.m.	Ramada Inn 6300 Arsenal Street <b>Watertown, NY</b>
Tues.-April 21	7:30 p.m.	Cooperative Extension Ag. Center Eaton Street <b>Morrisville, NY</b>
Thurs.-April 23	1:00 p.m.	Sunset West Restaurant PA Route 26 <b>Pleasant Gap, PA</b>
Thurs.-April 23	7:30 p.m.	Guthrie Inn 255 Spring Street <b>Sayre, PA</b>

### Dairylea Cooperative Inc. sponsored meetings

Day and Date	Time	Location
Wed.-March 25	7:30 p.m.	Holiday Inn 75 North Street <b>Auburn, NY</b>
Thurs.-March 26	1:30 p.m.	Webb's Restaurant 115 West Lake Road <b>Mayville, NY</b>
Thurs.-March 26	7:30 p.m.	Holiday Inn 8250 Park Road <b>Batavia, NY</b>
Mon.-March 30	1:00 p.m.	VFW Post 7823 68 Exchange Street <b>Middlebury, VT</b>
Mon.-March 30	7:00 p.m.	Elks Club 130 Bulson Road <b>Greenwich, NY</b>
Tues.-March 31	1:00 p.m.	Ramada Inn 141 New Hartford Street <b>New Hartford, NY</b>
Wed.-April 1	7:30 p.m.	Holiday Inn South Side, Route 23 <b>Oneonta, NY</b>
Thurs.-April 2	7:30 p.m.	Crossroads Motel & Restaurant Route 11 Box 239 <b>Moira, NY</b>
Fri.-April 3	1:00 p.m.	Ramada Inn 6300 Arsenal Street <b>Watertown, NY</b>
Mon.-April 6	1:00 p.m.	Days Inn 330 West Morris Street <b>Bath, NY</b>
Mon.-April 6	7:30 p.m.	Guthrie Inn 255 Spring Street <b>Sayre, PA</b>
Tues.-April 14	1:00 p.m.	Best Western Country Cupboard Route 15 North <b>Lewisburg, PA</b>
Tues.-April 14	7:30 p.m.	Ramada Inn Route 6 & 11 <b>Clarks Summit, PA</b>
Wed.-April 15	7:30 p.m.	Holiday Inn 122 Crystal Run <b>Middletown, NY</b>

## Educational Meetings Scheduled

Both Dairy Farmers of America, Inc. (DFA) and Dairylea Cooperative Inc. (Dairylea) have announced their schedules of educational outreach meetings for Order No. 2 producers. As recipients of Order No. 2 cooperative payments, DFA and Dairylea are responsible for conducting an annual educational outreach program open to *all* producers pooled under the order.

### Meeting Format

DFA and Dairylea will each hold their own educational meetings. The planned topics to be discussed at these meetings include the current milk marketing environment, milk prices, the federal milk order reform proposal as well as other marketing related issues of concern to Northeast dairy farmers. Dairylea's meetings will be held in conjunction with their regional spring membership meetings, and will feature Dairylea President Clyde Rutherford and cooperative CEO Rick Smith. DFA's meetings will feature DFA's Eastern Manager John Siglow accompanied by Dr. Mark Stephenson from Cornell University, at their New York meetings, and Dr. Robert Yonkers from Penn State University, at their Pennsylvania meetings. Dates and locations of the meetings are shown in the accompanying table.

### Opportunity to Ask Questions

The meetings conducted by Dairylea and DFA provide an excellent opportunity for dairy farmers to learn about current issues affecting the dairy industry as well as to ask questions. From issues such as dairy compacts to the federal order milk reform proposed rule, the dairy industry may be facing some significant changes to long-standing federal dairy programs. Keeping abreast of market conditions and proposed changes in dairy programs should help dairy farmers when making business decisions. The educational meetings conducted by Dairylea and DFA are *open to all Order No. 2 producers*, both cooperative members and non-cooperative producers alike. ♦

## U.S. Cattle Inventory Down

The total number of cattle and calves in the United States equaled 99.5 million head on January 1, 1998, according to USDA's National Agricultural Statistics Service recently released inventory report. This was a decline of 2 percent from the 1996 inventory and 4 percent below the 1995 total.

All cows and heifers that have calved totaled 42.9 million head. Of this total, milk cows accounted for 21.4 percent, equaling 9.2 million head, a decline of 1 percent from last year. Heifers (500 pounds and over) declined 3 percent to 19.7 million head. Of this group, milk replacements totaled 4.0 million, down 2 percent from the previous year. Calves (under 500 pounds) dropped 3 percent to 17.4 million head. Steers and bulls equaled 19.5 million head, a decline of 1 percent from 1996.

(continued on page 3)

## 1997 U.S. Milk Production Above 1996

Total U.S. milk production during 1997 equaled 156.6 billion pounds, an increase of 1.4 percent from last year. The accompanying table shows the top ten states milk production changes for 1996-97. All comparisons are adjusted for leap year.

### Top Ten States

There were no changes in rank in any of the top ten milk producing states between 1996 and 1997. In total, their 1997 production accounted for 68.7 percent of the U.S. total, unchanged from 1996. California has ranked number one in milk production since capturing this position in 1993. Its 1997 production increased 7.1 percent over last year. Number two-ranked Wisconsin had a decline in production of 2.2 percent while third place New York had a slight increase of 0.6 percent. Overall, the top ten states' production increased 1.5 percent in 1997.

### Biggest Gainers and Losers

Of the 20 major milk-producing states, Idaho had the largest percentage increase in 1997 with 10 percent. Nationally, the only state with a greater percentage increase was Alaska, the smallest producing state, with 11.4 percent. Strong production increases continued in the southwestern states of Arizona (8.0 percent), New Mexico (7.2 percent), and California (7.1 percent). Combined, their production grew 6.9 percent from the previous year. In the Northeast, the collective production of New York, Pennsylvania, and Vermont increased by less than 1 percent. Individual state increases for Pennsylvania and New York are shown in the table;

Vermont's production increased 1.5 percent.

Texas witnessed the largest production decline of the 20 top producing states with a drop of 5.5 percent. Nationally, the only states with greater losses on a percentage basis were North Dakota (12.4 percent), Arkansas (6.4 percent), and South Dakota (5.8 percent).

### Production Per Cow

Based on milk production per cow, Arizona led with 20,976 pounds in 1997. California and Washington followed with 20,851 and 20,095 pounds, respectively. Other states reported: New York 16,519 pounds, Pennsylvania 16,811 pounds, Wisconsin 16,057 pounds, Minnesota 15,798 pounds, and Texas 14,982 pounds. States with the largest percentage increases in production per cow were West Virginia, which jumped from 12,600 to 14,778 pounds, and New Jersey, which had an increase from 13,500 to 15,000 pounds. The U.S. average is 16,916 pounds per cow.

### Order No. 2 Proportion

As a reference point, total producer receipts pooled under Order No. 2 during 1997 equaled 11.8 billion pounds, approximately 7.5 percent of total U.S. milk production. On a state comparison, about 72 percent of New York's total production was pooled under Order No. 2. Nearly 56 percent of New Jersey's and 30 percent of Pennsylvania's total milk production were pooled under the Order. ♦

## U.S. Cattle (continued from page 2)

Texas had the largest number of cattle and calves with 14.4 percent of the total. Of the milk cow inventory, Wisconsin led with 15.0 percent, followed by California with 14.7 percent and New York with 7.6 percent. New York's total cattle inventory dropped 1 percent from last year.

Based on size, the number of operations with less than 100 milk cows declined from 1996. Categorically, those with less than 30 head dropped 16.0 percent; the 30 to 49 group decreased 7.4 percent; and the 50 to 99 category declined 5.7 percent. Operations with 100 to 199 head increased 1.1 percent while operations with 200 head or more grew 4.5 percent. Overall, the total number of U.S. milk cow operations declined 8.0 percent.

In New York, the number of operations with milk cows dropped 6.5 percent to 8,600. Those with less than 30 head dropped 5.6 percent; the 50 to 99 group declined 10.8 percent; and the 100 to 199 category decreased 7.7 percent. Operations with 30 to 49 head and those with 200 head or more had no change. Proportionally, operations with less than 30 head accounted for 19.8 percent; those with 30 to 49 head equaled 23.3 percent; the 50 to 99 group had 38.4 percent; the 100 to 199 group accounted for 14.0 percent; and the 200 or more category held 4.7 percent of the total. ♦

**Top Ten States Ranked by Milk Production, 1997**

Rank	State	1996 (million pounds)	1997 (million pounds)	1996-97 change* (percent)
1	California	25,861	27,628	7.1
2	Wisconsin	22,942	22,368	(2.2)
3	New York	11,510	11,547	0.6
4	Pennsylvania	10,640	10,742	1.2
5	Minnesota	9,440	9,210	(2.2)
6	Texas	6,120	5,768	(5.5)
7	Michigan	5,430	5,410	(0.1)
8	Washington	5,279	5,305	0.8
9	Idaho	4,735	5,193	10.0
10	Ohio	4,360	4,415	1.5
Top Ten Total		106,317	107,586	1.5
U.S. Total		154,825	156,603	1.4

\* Adjusted for leap year.

Source: *Milk Production*, National Agricultural Statistics Service, USDA.

## Determination of Uniform Price of \$14.19

Per hundredweight of milk testing 3.5 percent butterfat received in bulk from farms in the 201-210 mile zone

### February 1998

TOTAL VALUE OF POOLED MILK				Value at	Trans-	Total	Contribution
Class	Milk pounds	Per-cent	Minimum price	minimum price	portation differential	value	per cwt of receipts
dollars							
I-A	364,988,324	39.1	15.71	57,339,665.68	135,680.31	57,475,345.99	6.153
I-B	12,034,135	1.3	15.71	1,890,562.63	1,476.47	1,892,039.10	0.203
II	138,061,381	14.8	13.59	18,762,541.66	16,134.79	18,778,676.45	2.011
III	383,395,789	41.0	13.34	51,144,998.24	41,821.87	51,186,820.11	5.479
III-A	<u>35,583,424</u>	<u>3.8</u>	12.91	<u>4,593,820.04</u>	<u>8,437.10</u>	<u>4,602,257.14</u>	<u>0.493</u>
Reported receipts	934,063,053	100.0		133,731,588.25	203,550.54	133,935,138.79	14.339
Adjustments:	<u>Product pounds</u>		<u>Dollars*</u>				
Sec. .60(d)(6) I	1,806,580		43,935.15				
Sec. .60(d)(6) II	5,784,182		17,928.29				
Total Sec. .60(d)(2) thru (6)	7,590,762		61,863.44			61,863.44	0.007
Total adjustments	7,590,762		61,863.44				
Total pool milk classified	934,063,053						
Handlers must pay			61,863.44	133,731,588.25	203,550.54	133,997,002.23	** 14.346
COMPUTATION OF UNIFORM PRICE				Dollars per cwt of receipts			
	<u>Milk pounds</u>		<u>Dollars</u>			<u>Dollars per cwt of receipts</u>	
Total value of pooled milk				133,997,002.23			14.346
Less: Cooperative payments	608,862,327		243,544.93			0.026	
Reserve			759,187.76			0.081	
Transportation credit	934,063,053		1,401,094.56	<u>(2,403,827.25)</u>		<u>0.150</u>	<u>(0.257)</u>
Value of pooled milk less subtractions				131,593,174.98			14.089
Add: Freight adjustment to 201-210 mile zone			2,592.16			0.000 #	
Unreserved cash in producer settlement fund			<u>947,780.08</u>	<u>950,372.24</u>		<u>0.101</u>	<u>0.101</u>
Uniform Price	934,063,053			132,543,547.22			14.190

\* Includes transportation and other applicable differentials.

# Results from rounding.

\*\* In addition handlers must pay \$2,819,788.56 for butterfat in excess of 3.5 percent.

Note: The average butterfat test of milk delivered was 3.715632 percent. The butterfat differential was \$.140 for each one-tenth of one percent of butterfat.

## Comparative Price and Other Descriptive Statistics

	FEBRUARY 1997	JANUARY 1998	FEBRUARY 1998
Order No. 2			
Handlers (with producer milk)	39	36	36
Bulk Tank Units	105	95	95
Producers	10,220	10,301	10,212
Daily Deliveries Per Producer (pounds)	3,083	3,169	3,267
Price Factors, Monthly Averages (dollars)			
Basic Formula Price, 3.5% butterfat, per cwt	12.46	13.25	13.32
Cheddar Cheese, 40-lb blocks, per lb #	1.3124	1.4165	1.4163
Butter, Grade A, 92-Score, Chicago Mercantile Exchange, per lb	.9846	1.1061	1.2963
Nonfat dry milk, Central States, per lb	1.1491	1.0593	1.0521
Uniform Prices (dollars per cwt, 3.5% butterfat)			
Order No. 1, Zone 1 (Boston)	13.57	14.74	15.02
Order No. 2, 1-10 mile Zone* (New York City)	13.57	14.82	15.06
Order No. 4, Philadelphia†	13.28	14.33	14.70
Class I Utilization Percentage			
Order No. 1	48.6	47.7	44.9
Order No. 2	39.8	41.2	40.4
Order No. 4	44.3	43.5	42.0

# National Cheese Exchange through April 1997; National Agricultural Statistics Service beginning May 1997.

\* Includes 15-cent transportation credit.

† Includes 6-cent direct-delivery differential.

# Bulletin

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Federal Order No. 2

New York-  
New Jersey  
Milk Marketing  
Area

Volume 58

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## Federal Order Reform Update

### Listening Session Held

Over 100 people attended the regional USDA listening session held in Liverpool (Syracuse), NY, on March 30, 1998. Comments on USDA's Proposed Rule for federal milk market order reform were received from 51 people.

Richard M. McKee, Deputy Administrator, Dairy Programs, represented USDA at the Liverpool listening session. Input gathered at the regional listening sessions will be reviewed by USDA. A Final Rule containing detailed provisions for each suggested federal milk marketing order will be issued. Producers will vote on each federal order and if approved, orders will become effective no later than April 4, 1999.

### Food and Nutrition Impact Analysis Issued

USDA's Food and Nutrition Service (FNS) has issued a *Report on the Impacts of the Federal Milk Marketing Order Reform Proposals on Food and Nutrition Service Programs, Participants, and Administering Institutions*. The report analyzes potential impacts on the Food Stamp Program; the Women, Infants, and Children Program (WIC); and the National School Lunch and Breakfast Programs.

A copy of the report can be obtained from Dairy Programs, USDA/AMS, Room 2968, South Building, P.O. Box 96456, Washington, DC 20090-6456, or from any Market Administrator office. ♦

## 1st Quarter Deliveries and Prices Increase

Total producer deliveries for the first 3 months of 1998 were 5.6 percent higher than during the same period in 1997. Prices also were up for the January through March period with the blend price averaging 9.5 percent higher than during the first quarter last year. The table on page 3 shows a comparison, by class, for the first 3 months of 1997 and 1998.

### Receipts Rise

The increase in producer deliveries was the result of a combination of factors. The total number of producers pooled under Order No. 2 during the first quarter averaged (continued on page 3)

## March 1998 Pool Highlights

- The March 1998 uniform price equaled **\$13.89**, a decrease of \$0.30 from last month and an increase of \$0.87 from last year.
- All class prices were above last year's except the Class III-A price. Class III-A pricing lowered the March uniform price by \$0.01.
- Producer receipts totaled 1,052.8 million pounds, an increase of 5.5 percent from last year.
- Class I receipts totaled 423.3 million pounds, an increase of 8.0 percent from last year. This was the highest Class I total for the month of March since 1973.
- Daily deliveries per producer (DDP) equaled 3,326 pounds, a year-to-year increase of 5.3 percent. ♦

### Order No. 2 Prices and Utilization for March

	1997	1998	Per cent change
<b>Prices*</b>			
	doll ars per cwt		
Unif or m	13.02	13.89	6.7
Cl ass I	14.36	15.67	9.1
Cl ass II	12.24	13.55	10.7
Cl ass III	12.44	12.76	2.6
Cl ass III-A	12.73	12.62	(0.9)
<b>Ut il iz at ion</b>			
	million pounds		
Cl ass I	392.0	423.3	8.0
Cl ass II	160.7	166.9	3.9
Cl ass III	415.9	426.8	2.6
Cl ass III-A	29.7	35.8	20.4
Pr odu cer Re ce ip ts	998.3	1,052.8	5.5

\* For bulk milk testing 3.5 per cent butterfat in the 201-210 mile zone.

## U.P. Forecasted to Decrease

The uniform price forecast for **April 1998** is **\$13.63** per hundredweight of bulk milk testing 3.5 percent butterfat in the 201-210 mile zone. This is an estimate. ♦

## Cheese and Butter Prices Higher During the First Quarter

Wholesale prices for 40-pound blocks of Cheddar cheese sold on the Chicago Mercantile Exchange (CME) averaged over 10 cents per pound higher during the first quarter of 1998 than comparable prices on the National Cheese Exchange (NCE) during the first quarter of 1997. The National Agricultural Statistics Service (NASS) survey price of 40-pound blocks of Cheddar, used in the calculation of the basic formula price (BFP), averaged slightly less than 10 cents per pound higher than NCE prices during the same period. The NCE closed in late April 1997 when wholesale Cheddar cheese trading moved to the CME. The USDA began using the NASS cheese price survey in the calculation of the BFP at that time.

The accompanying chart presents weekly CME and NASS cheese prices for the first quarter of 1998, and weekly NCE prices for the comparable January through March period in 1997.

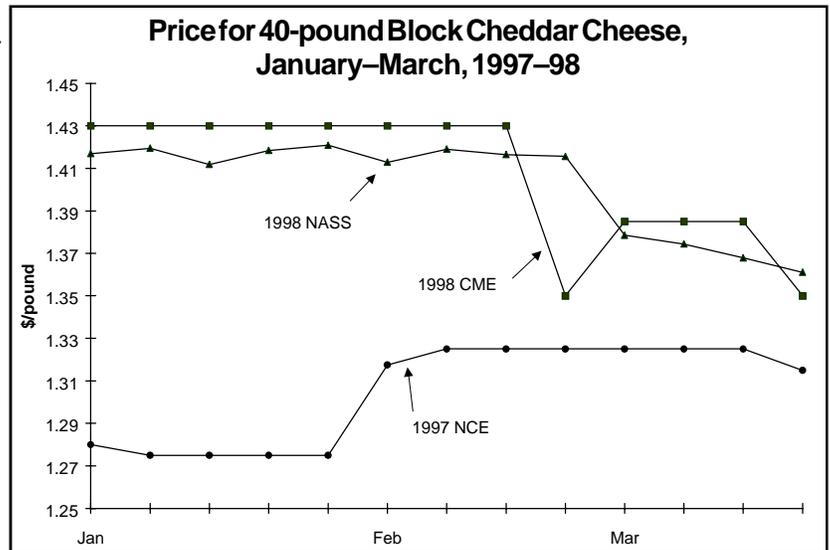
### Cheese Prices Decline

As of April 17, both the CME and NASS cheese prices have weakened, with the CME 40-pound block price dropping by 5 cents per pound on both April 9 and April 16. The NASS survey price also declined with block prices reported at \$1.3331 per pound on April 16, a drop of 2.8 cents since the beginning of April.

### Butter Prices Averaged Higher

Wholesales prices of Grade AA and A butter on the CME were considerably higher during the first quarter of 1998 than the first quarter of 1997. Both grades averaged nearly 26 cents per pound higher than their respective prices for the same period of 1997.

Unlike Cheddar prices, butter prices on the CME have held in recent weeks with Grade AA holding at \$1.3450 per pound and Grade A increasing slightly to \$1.2525 per pound on April 17. Both the AA and A butter prices have remained within 1 cent of their respective prices since February 27. ♦



## In-Area Sales Decline Despite Growth in Skim and Flavored Products

Total packaged fluid milk sales in the New York–New Jersey milk marketing area declined 1.4 percent in 1997. This follows a 0.5 percent drop the previous year (see accompanying table). Sales of skim products and flavored milk and drinks experienced increases from 1996, but at a lower rate than last year. All comparisons have been adjusted for the 1996 leap year.

Sales of whole and 2% lowfat milk dropped at a greater rate than in 1996. Sales of 1% lowfat milk also declined, but at a lower rate than the previous year. Sales of the higher fat products have been declining steadily for the past few years.

More evidence of this trend was shown by the increase in skim and flavored sales. Even though the flavored category includes higher fat products such as chocolate whole milk, the butterfat test for total flavored milk and drinks averaged 1.8 percent for the year, emphasizing a higher proportion of lower fat products. Flavored milk and drinks had a 1.89 percent butterfat test in 1996. The rate of increase in skim sales was not as large as in 1996, but for the first time, total skim sales surpassed sales of 1% lowfat milk.

On a per capita basis, sales of packaged fluid

milk products in the marketing area declined 1.6 percent in 1997, following a drop of 0.7 percent the previous year. Per capita sales totaled 204.3 pounds in 1997, down from 208.2 pounds in 1996 and 209.0 pounds in 1995. Whole milk and 2% lowfat milk had per capita decreases of 2.8 and 2.9 percent, respectively, in 1997; 1% lowfat dropped 0.8 percent on a per capita basis. Per capita skim sales grew 3.3 percent, and flavored milk and drinks increased 0.9 percent in 1997. The U.S. Bureau of the Census provided population estimates. ♦

### Sales of Packaged Fluid Milk Products in the NY–NJ Marketing Area, 1995–97

	1995	1996	1997	Year-to-year change*	
				1995–96	1996–97
	million pounds			percent*	
Milk	2,231.9	2,207.6	2,143.2	(1.4)	(2.6)
Low test 2% milk	800.1	783.5	760.2	(2.3)	(2.7)
Low test 1% milk	596.2	586.6	581.5	(1.9)	(0.6)
Skim milk	547.9	581.8	600.5	5.9	3.5
Flavored milk & drinks	162.9	167.9	169.2	2.8	1.1
Buttermilk	15.0	14.5	14.5	(3.7)	0.1
<b>Total</b>	<b>4,354.0</b>	<b>4,341.9</b>	<b>4,269.2</b>	<b>(0.5)</b>	<b>(1.4)</b>

\* Adjusted for leap year.

## NY Milk Promotion Report Released

The New York Milk Promotion Advisory Board (MPAB) has released their annual report *To New York State Dairy Farmers on Programs and Activities under the New York Dairy Promotion Order*. The report summarizes milk promotion efforts and expenditures during the 1996–97 marketing year that ended April 30, 1997. Funding for the New York Milk Promotion Order is mainly from an assessment on a farm's milk production. Of the total \$0.15 cents per cwt collected, \$0.10 cents per cwt is used in local promotion programs, the remainder is used by the National Dairy Promotion and Research Program.

Income from producer assessments totaled nearly \$11.5 million for the marketing year, down about 2.5 percent from the previous marketing year due to lower milk production. Of this total, nearly \$2.7 million was used for milk promotion programs in the Western New York Marketing Order and in neighboring states where milk produced by NY farmers is sold. A breakdown of the remaining funds and expenditures is given in the following table.

The MPAB continued its contract with American Dairy Association and Dairy Council, Inc. (ADADC) for media advertising, sales promotion, nutrition education, and public relations activities designed to increase the sales of milk and dairy products. Of total media advertising expenditures, over 99 percent were used to promote fluid milk products with advertising spending most heavily concentrated in the New York Metropolitan area, the largest market in the state.

Promotion Order funds support numerous nutrition education programs designed to increase the consumption of dairy products while emphasizing the nutritional benefits of milk and milk products. In addition, the MPAB supports dairy related research initiatives at Cornell University and the Northeast Dairy Foods Research Center. This research includes studies on the effectiveness of milk promotion activities as well as research related to milk quality and milk composition. The promotion report describes the results of many of these research initiatives.

### NY Dairy Promotion Income and Expense for the 1996–97 Marketing Year

	thousands
Total Income Available*	\$9,683
Expenses:	
Advertising & Sales Promotion	\$5,748
Publicity, Information & Supporting Services	1,301
Nutrition Education	1,065
Cornell University Research	606
National Program Support & Promotion	284
Administration	203
Total Expenses	\$9,207
Carryover	\$476

\* Includes interest income and carryover from 1995–96 marketing year.

Copies of the report may be obtained by contacting: Edward J. Johnston, Jr., New York State Department of Agriculture and Markets, Division of Dairy Industry Services and Producer Security, 1 Winners Circle, Albany, NY 12235. ♦

### 1st Quarter Deliveries (continued from page 1)

slightly above last year. This is mainly due to pooling changes rather than an indication of new start-ups in producers. Daily deliveries per producer (DDP) have been strong, averaging 5.6 percent above the same period in 1997. Favorable weather and good quality feed have contributed to this increase.

### Usage by Class

All classes of usage have shown increases from last year. Milk used for Class I purposes increased 6.3 percent during the January–March period; Class I utilization grew 0.3 percentage points. Class II and III usage increased, but their corresponding utilizations decreased. Milk used in Class III-A increased 34.3 percent, but accounted for only 3.6 percent of total utilization under the order.

### Higher Prices

The 1997 year-end prices finished fairly strong, giving 1998 a healthy start. All class prices averaged higher during the first quarter of 1998 than during the previous year. Both Class I and II prices were up \$1.54 on average; the Class III price averaged \$0.83 higher; and the Class III-A price increased \$0.32 from the same period in 1997. The average blend price for the first 3 months was \$1.22 (9.5 percent) higher than last year's. ♦

### Order No. 2 Pool Statistics, January–March, 1997–98

Pool statistic	1997	1998	1997–98
	million pounds		Change
			percent
Class I	1,145.6	1,217.7	6.3
Class II	448.5	452.4	0.9
Class III	1,166.8	1,221.6	4.7
Class III-A	79.8	107.1	34.3
Total Deliveries*	2,840.8	2,998.8	5.6
	pounds		
DDP	3,080	3,254	5.6
	utilization percentage		change
Class I	40.3	40.6	0.3
Class II	15.8	15.1	(0.7)
Class III	41.1	40.7	(0.4)
Class III-A	2.8	3.6	0.8
	dollars/cwt		percent
Class I	14.05	15.59	10.9
Class II	11.93	13.47	12.9
Class III	12.30	13.13	6.7
Class III-A	12.21	12.53	2.6
Uniform	12.79	14.01	9.5

\* May not add due to rounding.

## Determination of Uniform Price of \$13.89

Per hundredweight of milk testing 3.5 percent butterfat received in bulk from farms in the 201-210 mile zone

### March 1998

TOTAL VALUE OF POOLED MILK				Value at	Trans-	Total	Contribution
Class	Milk pounds	Per-cent	Minimum price	minimum price	portation differential	value	per cwt of receipts
dollars							
I-A	406,143,387	38.6	15.67	63,642,668.72	131,624.06	63,774,292.78	6.058
I-B	17,194,970	1.6	15.67	2,694,451.82	2,896.91	2,697,348.73	0.256
II	166,919,334	15.9	13.55	22,617,569.80	20,199.21	22,637,769.01	2.151
III	426,783,724	40.5	12.76	54,457,603.21	46,970.50	54,504,573.71	5.176
III-A	<u>35,763,830</u>	<u>3.4</u>	12.62	<u>4,513,395.34</u>	<u>8,047.94</u>	<u>4,521,443.28</u>	<u>0.430</u>
Reported receipts	1,052,805,245	100.0		147,925,688.89	209,738.62	148,135,427.51	14.071
Adjustments:	<u>Product pounds</u>		<u>Dollars*</u>				
Sec. .60(d)(6) I	1,321,233		30,784.73				
Sec. .60(d)(6) II	4,686,433		9,841.52				
Total Sec. .60(d)(2) thru (6)	6,007,666		40,626.25			40,626.25	0.003
Total adjustments	6,007,666		40,626.25				
Total pool milk classified	1,052,805,245						
Handlers must pay			40,626.25	147,925,688.89	209,738.62	148,176,053.76	** 14.074
COMPUTATION OF UNIFORM PRICE				Dollars per cwt			
	<u>Milk pounds</u>		<u>Dollars</u>			<u>of receipts</u>	
Total value of pooled milk				148,176,053.76			14.074
Less: Cooperative payments	687,602,944		275,041.17			0.026	
Reserve			856,601.60			0.081	
Transportation credit	1,052,805,245		1,579,207.88	<u>(2,710,850.65)</u>		<u>0.150</u>	<u>(0.257)</u>
Value of pooled milk less subtractions				145,465,203.11			13.817
Add: Freight adjustment to 201-210 mile zone				17,819.38		0.002	
Unreserved cash in producer settlement fund			<u>751,626.04</u>	<u>769,445.42</u>		<u>0.071</u>	<u>0.073</u>
Uniform Price	1,052,805,245			146,234,648.53			13.890

\* Includes transportation and other applicable differentials.

\*\* In addition handlers must pay \$3,246,081.85 for butterfat in excess of 3.5 percent.

Note: The average butterfat test of milk delivered was 3.728391 percent. The butterfat differential was \$.135 for each one-tenth of one percent of butterfat.

## Comparative Price and Other Descriptive Statistics

	MARCH 1997	FEBRUARY 1998	MARCH 1998
Order No. 2			
Handlers (with producer milk)	39	36	32
Bulk Tank Units	107	95	94
Producers	10,188	10,212	10,211
Daily Deliveries Per Producer (pounds)	3,150	3,267	3,326
Price Factors, Monthly Averages (dollars)			
Basic Formula Price, 3.5% butterfat, per cwt	12.49	13.32	12.81
Cheddar Cheese, 40-lb blocks, per lb #	1.3234	1.4163	1.3793
Butter, Grade A, 92-Score, Chicago Mercantile Exchange, per lb	1.0581	1.2963	1.2505
Nonfat dry milk, Central States, per lb	1.1578	1.0521	1.0467
Uniform Prices (dollars per cwt, 3.5% butterfat)			
Order No. 1, Zone 1 (Boston)	13.98	15.02	14.82
Order No. 2, 1-10 mile Zone* (New York City)	13.89	15.06	14.76
Order No. 4, Philadelphia†	13.67	14.70	14.44
Class I Utilization Percentage			
Order No. 1	47.9	44.9	45.2
Order No. 2	39.2	40.4	40.2
Order No. 4	41.7	42.0	40.7

# National Cheese Exchange through April 1997; National Agricultural Statistics Service beginning May 1997.

\* Includes 15-cent transportation credit.

† Includes 6-cent direct-delivery differential.

# Bulletin

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Federal Order No. 2

New York-  
New Jersey  
Milk Marketing  
Area

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1998

## Butter and Cheese Prices Change

In recent weeks, wholesale dairy commodity price changes at the Chicago Mercantile Exchange (CME) have fluctuated. On April 16 the price for 40-pound blocks of Cheddar cheese settled at \$1.2500 per pound. The block cheese price dropped to \$1.1950 and \$1.1800 during the next two weeks, but rebounded to \$1.2100 on May 7 and \$1.2300 on May 14. Block prices on the National Agricultural Statistics Service survey equaled \$1.1810 for the week ending May 8.

On April 25, 1997, the National Cheese Exchange closed with 40-pound block cheese prices ending at \$1.1800 per pound. On May 1, 1997, trading began at the CME with block cheese settling at \$1.1500 per pound.

Grade AA butter prices at the CME rose to \$1.49 per pound on April 24, an increase of \$0.1450 from the previous week. As of May 15, the Grade AA price remained at that level. ♦

## Mailbox Prices Compared

Order No. 2 mailbox prices averaged \$12.75 per hundredweight during 1997, a decrease of 10.1 percent from the 1996 average. Uniform prices for Order No. 2 averaged an equivalent \$12.76, down 11.3 percent from the previous year. Table 1 shows the monthly Order No. 2 mailbox and uniform prices for 1996 and 1997 (see page 3 for tables).

On average, 1997 mailbox prices were much closer to monthly uniform prices than the previous year. In 1997, the annual averages were nearly equal; in 1996, the spread was \$0.19 per hundredweight. Mailbox prices closely follow the direction of uniform prices, but they are also affected by butterfat tests and differentials, premiums, hauling charges, and other deductions. Table 2 shows a comparison of these factors. Uniform prices are adjusted to 3.5 percent butterfat and reported at the 201-210 mile zone, whereas mailbox prices are reported at average butterfat test.

During 1997, premiums increased 46.7 percent, hauling charges dropped 3.0 percent, and other deductions declined 14.5 percent mainly due to the elimination of the Commodity Credit Corporation (CCC) assessment in May of 1996. Butterfat payments increased 11.5 percent mainly due to (continued on page 3)

## April 1998 Pool Highlights

- The April 1998 uniform price equaled **\$13.50**, a decrease of \$0.39 from last month and an increase of \$0.68 from last year.
- All class prices were above last year's. Class III-A pricing added \$0.04 to the March uniform.
- Producer receipts totaled 1,033.9 million pounds, an increase of 5.5 percent from last year.
- Class I receipts totaled 388.2 million pounds, an increase of 3.8 percent from last year.
- Daily deliveries per producer (DDP) equaled 3,415 pounds, a year-to-year increase of 6.1 percent. This is the highest DDP on record and the first time DDP surpassed 3,400 pounds in Order No. 2. ♦

## Order No. 2 Prices and Utilization for April

	1997	1998	Percent change
<b>Prices*</b>			
	dollars per cwt		
Uniform	12.82	13.50	5.3
Class I	14.88	15.74	5.8
Class II	12.76	13.62	6.7
Class III	11.35	11.92	5.0
Class III-A	12.01	12.79	6.5
<b>Utilization</b>			
	million pounds		
Class I	374.1	388.2	3.8
Class II	157.0	151.0	(3.8)
Class III	404.5	452.6	11.9
Class III-A	44.1	42.2	(4.4)
Producer Receipts#	979.8	1,033.9	5.5

\* For bulk milk testing 3.5 percent butterfat in the 201-210 mile zone.

# Totals due not add due to rounding.

## U.P. Forecasted to Decrease

The uniform price forecast for **May 1998** is **\$12.87** per hundredweight of bulk milk testing 3.5 percent butterfat in the 201-210 mile zone. This is an estimate. ♦

## Container Survey Completed

The November 1997 container sales survey for the New York–New Jersey Milk Marketing Area was recently completed. The survey is conducted biennially and records sales data for the month of November. Information is collected from handlers operating plants regulated under Order No. 2 and other federal orders, handlers operating non-pool plants, and producer-handlers that have sales in the marketing area.

Total in-area packaged sales equaled 355.1 million pounds, a decrease of 2.7 percent from the last survey in November 1995. Packaged sales include whole, lowfat (2% and 1%), skim, flavored milk and drinks, and buttermilk. All comparisons in this article are based on sales volume in pounds unless otherwise noted.

### Container Size

Gallon size containers have continued their popularity, increasing to 47.8 percent of total sales, up from 46.6 percent in 1995. The accompanying table compares the current data to surveys from 1977, 1987, and 1995. Half-gallon containers have held since the last survey, but have lost market share over the past twenty years. Quarts and half-pints have continued to drop. Pint usage experienced an increase over the years, but appears to be on the decline.

For both whole and lowfat milk, sales are concentrated in gallon containers. Half-gallons are the predominant container size for skim, pints for flavored milk, and half-pints for flavored drinks. Buttermilk is sold largely in quarts.

### Container Type

With the 1993 survey, the preference in container type switched from paper to plastic. The table shows the change that has occurred over the years. It is expected that plastic usage will continue to dominate, especially with the introduction of plastic single-serve containers in recent years. Unfortunately, individual data for these containers was not available during the most recent survey.

The majority of whole and lowfat milk is sold in plastic containers. The other products are largely sold in paper containers. Glass usage continues to decline.

### Method of Distribution

In the Order No. 2 area, wholesale deliveries accounted for 99.8 percent of total sales in the 1997 survey; home deliveries declined to 0.2 percent. Of the wholesale total, 61.8 percent were to supermarkets, 12.2 percent to dairy and convenience stores, school accounts represented 5.7 percent, military accounts had 0.1 percent, and 20.1 percent were to various other wholesale accounts. Since the last survey in 1995, both supermarkets and dairy/convenience stores experienced growth; school and military accounts have held constant.

Detailed results of the November 1997 survey and historical data will be available in the 1998 Quarterly A issue of the *Bulletin*. ♦

### Packaged Sales in the NY–NJ Marketing Area, by Container Size and Type, November

Container size	1977	1987	1995	1997
	percent of sales volume			
Gallon	28.1	39.1	46.6	47.8
Half-gallon	39.1	34.6	30.7	30.7
Quart	18.9	13.2	10.6	10.4
Pint	0.7	1.9	1.8	1.3
Half-pint	9.5	8.7	8.1	7.5
Other	3.7	2.5	2.3	2.3
Total	100.0	100.0	100.0	100.0
<b>Container type</b>				
Plastic	26.6	42.7	56.1	57.9
Paper	69.7	56.5	43.2	41.6
Glass	3.7	0.8	0.7	0.5
Total	100.0	100.0	100.0	100.0

Note: Totals may not add due to rounding.

## Top Supply Counties for Order No. 2 Milk

Lancaster County, PA, was the top supply county for milk pooled in Order No. 2 during 1997, accounting for 6.8 percent of all milk pooled under the order. Total receipts from Lancaster County were 33.8 percent greater than the second ranked county—Wyoming, NY. This marked the ninth consecutive year that Lancaster County has held the number one position.

The accompanying table shows the top-ten supply counties based on milk delivered to handlers regulated under Order No. 2. The volumes reported do not necessarily represent all the milk produced in these counties. For instance, the

### Producer Receipts by Top-Ten Counties Under Order No. 2, 1996–97

County*	Producer receipts		Percent change
	1996	1997	
thousand pounds			
Lancaster (PA)	762,109	795,600	4.4
Wyoming	581,106	594,534	2.3
St. Lawrence	551,566	543,968	(1.4)
Jefferson	480,064	498,547	3.9
Bradford (PA)	453,602	445,318	(1.8)
Lewis	440,573	440,714	0.0
Cayuga	425,646	424,521	(0.3)
Madison	376,433	361,951	(3.8)
Oneida	358,811	344,838	(3.9)
Steuben	337,349	340,267	0.9
Top Ten Total	4,767,259	4,790,258	0.5
Order No. 2 Total	11,712,880	11,758,965	0.4

\* New York counties unless noted.

(continued on page 3)

### Top Supply *(continued from page 2)*

milk pooled in Order No. 2 from Lancaster County only represents about 42 percent of the total volume of milk produced in the county. Milk receipts from Lancaster increased 4.4 percent in 1997, the largest gain among the top ten counties. This increase, however, is largely due to the switching of producers and their associated milk production from being pooled under Federal Order No. 4 (Middle Atlantic Marketing Area) to Order No. 2. Handlers often switch producers from one order to another, depending on their route sales in a respective order.

#### Rankings Remain Unchanged

Bulk farm milk was picked up by handlers regulated under Order No. 2 from 113 counties in the states of

New York, New Jersey, Pennsylvania, Connecticut, Maryland, Massachusetts, and Vermont during 1997. The ranking of the top ten counties, who collectively accounted for 40.7 percent of total Order No. 2 receipts, the same level as 1996, did not change. After Lancaster, Jefferson and Wyoming counties experienced the largest increases in producer receipts despite a decrease in the number of farms pooled in Order No. 2 from these counties. Producer receipts from the top ten counties increased by 0.5 percent, slightly more than the 0.4 percent increase in total receipts under Order No. 2. This reversed the drop in producer receipts pooled under Order No. 2 that occurred in 1996. ♦

### Mailbox *(continued from page 1)*

higher butter prices that resulted in a higher average butterfat differential.

Table 3 contains average mailbox prices, premiums, hauling, and other deductions for the major producing states in Order No. 2. New Jersey farmers continued to receive the highest mailbox prices under Order No. 2. Even though they received lower premiums than the other states shown, they received a higher average price due to location adjustments. Pennsylvania producers continued to receive the highest premiums, but they had the highest hauling and other charges.

Premiums and deductions may vary among handlers located within the different states. In addition, amounts may vary even among producers shipping to the same handler due to such variables as incentive-type premiums and large-production hauling discounts.

For January and February 1998, mailbox prices equaled \$14.05 and \$14.32, respectively, per hundredweight. ♦

**Table 2. Annual Estimated Average Prices and Selected Factors Under Order No. 2, 1996–97**

Price/Factor	1996	1997	1996–97	
	dollars per hundredweight		Change	
				percent#
Mailbox Price	14.19	12.75	(1.44)	(10.1)
Uniform Price	14.38	12.76	(1.62)	(11.3)
BF Value*	0.16	0.18	0.02	11.5
Premium	0.24	0.36	0.11	46.7
Hauling	0.34	0.33	(0.01)	(3.0)
Other**	0.25	0.21	(0.04)	(14.5)
BF Differential	0.10	0.11	0.01	13.0
BF Test (%)	3.69	3.66	(0.04)	(1.0)

# Calculated using more detailed data.

\* Butterfat (BF) value equals amount added to uniform price based on butterfat above 3.5 percent average test times the BF differential.

\*\* Other deductions include cooperative dues and equity, milk promotion, and CCC assessment until May 1996.

**Table 1. Mailbox and Uniform Prices Under Order No. 2, 1996–97**

Month	Mailbox		Uniform	
	1996	1997	1996	1997
January	13.44	12.59	13.69	12.65
February	13.29	12.67	13.59	12.70
March	13.18	13.03	13.48	13.02
April	13.16	12.78	13.48	12.82
May	13.70	12.38	13.90	12.45
June	14.08	11.72	14.31	11.87
July	14.82	11.46	15.06	11.67
August	15.08	12.04	15.30	12.22
September	15.68	12.51	15.81	12.59
October	15.69	13.56	15.62	13.37
November	14.85	14.21	14.87	13.86
December	13.75	14.15	13.79	13.95
Weighted Avg.	14.19	12.75	14.38	12.76

**Table 3. Estimated Average Mailbox Prices, Premiums, and Selected Deductions Under Order No. 2, by State, 1996–97**

	Mailbox	Premium	Hauling	Other*
	dollars per hundredweight			
<b>1996</b>				
NY	14.17	0.23	0.30	0.24
NJ	14.66	0.18	0.43	0.24
PA	14.22	0.27	0.42	0.27
All States	14.19	0.24	0.34	0.25
<b>1997</b>				
NY	12.67	0.33	0.29	0.21
NJ	13.20	0.29	0.40	0.20
PA	12.80	0.41	0.42	0.23
All States	12.75	0.36	0.33	0.21

\* Other deductions include cooperative dues and equity, milk promotion, and CCC assessment until May 1996.

## Determination of Uniform Price of \$13.50

Per hundredweight of milk testing 3.5 percent butterfat received in bulk from farms in the 201-210 mile zone

### April 1998

TOTAL VALUE OF POOLED MILK				Value at	Trans-	Total	Contribution
Class	Milk pounds	Per-cent	Minimum price	minimum price	portation differential	value	per cwt of receipts
dollars							
I-A	374,688,423	36.2	15.74	58,975,957.82	132,822.95	59,108,780.77	5.717
I-B	13,518,984	1.3	15.74	2,127,888.09	(489.11)	2,127,398.98	0.206
II	151,016,272	14.6	13.62	20,568,416.25	17,761.11	20,586,177.36	1.991
III	452,574,866	43.8	11.92	53,946,923.98	46,418.36	53,993,342.34	5.222
III-A	<u>42,150,182</u>	<u>4.1</u>	12.79	<u>5,391,008.29</u>	<u>10,320.83</u>	<u>5,401,329.12</u>	<u>0.522</u>
Reported receipts	1,033,948,727	100.0		141,010,194.43	206,834.14	141,217,028.57	13.658
Adjustments:	<u>Product pounds</u>		<u>Dollars*</u>				
Sec. .60(d)(6) I	1,693,199		50,861.76				
Sec. .60(d)(6) II	6,287,658		54,068.60				
Total Sec. .60(d)(2) thru (6)	7,980,857		104,930.36			104,930.36	0.010
Total adjustments	7,980,857		104,930.36				
Total pool milk classified	1,033,948,727						
Handlers must pay			104,930.36	141,010,194.43	206,834.14	141,321,958.93 **	13.668
COMPUTATION OF UNIFORM PRICE				Dollars per cwt			
	<u>Milk pounds</u>		<u>Dollars</u>			<u>of receipts</u>	
Total value of pooled milk				141,321,958.93			13.668
Less: Cooperative payments	668,197,015		267,278.81			0.026	
Reserve			850,926.95			0.082	
Transportation credit	1,033,948,727		1,550,923.10	<u>(2,669,128.86)</u>		<u>0.150</u>	<u>(0.258)</u>
Value of pooled milk less subtractions				138,652,830.07			13.410
Add: Freight adjustment to 201-210 mile zone			40,279.42			0.004	
Unreserved cash in producer settlement fund			<u>889,968.66</u>	<u>930,248.08</u>		<u>0.086</u>	<u>0.090</u>
Uniform Price	1,033,948,727			139,583,078.15			13.500

\* Includes transportation and other applicable differentials.

\*\* In addition handlers must pay \$2,404,832.53 for butterfat in excess of 3.5 percent.

Note: The average butterfat test of milk delivered was 3.663794 percent. The butterfat differential was \$.142 for each one-tenth of one percent of butterfat.

## Comparative Price and Other Descriptive Statistics

	APRIL 1997	MARCH 1998	APRIL 1998
Order No. 2			
Handlers (with producer milk)	39	32	32
Bulk Tank Units	106	94	93
Producers	10,150	10,211	10,093
Daily Deliveries Per Producer (pounds)	3,218	3,326	3,415
Price Factors, Monthly Averages (dollars)			
Basic Formula Price, 3.5% butterfat, per cwt	11.44	12.81	12.01
Cheddar Cheese, 40-lb blocks, per lb #	1.2378	1.3793	1.3072
Butter, Grade A, 92-Score, Chicago Mercantile	.9190	1.2505	1.2856
Exchange, per lb			
Nonfat dry milk, Central States, per lb	1.1440	1.0467	1.0426
Uniform Prices (dollars per cwt, 3.5% butterfat)			
Order No. 1, Zone 1 (Boston)	13.96	14.82	14.68
Order No. 2, 1-10 mile Zone* (New York City)	13.69	14.76	14.37
Order No. 4, Philadelphia†	13.62	14.44	14.33
Class I Utilization Percentage			
Order No. 1	46.8	45.2	44.2
Order No. 2	38.2	40.2	37.5
Order No. 4	42.2	40.7	38.6

# National Cheese Exchange through April 1997; National Agricultural Statistics Service beginning May 1997.

\* Includes 15-cent transportation credit.

† Includes 6-cent direct-delivery differential.

# Bulletin

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Federal Order No. 2

New York–  
New Jersey  
Milk Marketing  
Area

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1998

## BFP Price Floor Petition Denied

On June 10, 1998, Agriculture Secretary Dan Glickman announced that the petition to floor the level of the basic formula price (BFP) has been denied. This decision follows a hearing, held by USDA on February 17–20 in Washington, D.C., to establish a floor price for the BFP of \$13.50 per hundredweight for Class I and Class II milk (see January *Bulletin*). Such an action, if adopted, would have prevented the BFP (used for Class I and Class II prices) from dropping below a specified level, regardless of market conditions.

### Evidence Doesn't Support Action

In denying the petition Secretary Glickman stated that, while dairy farmers continue to undergo significant stress, neither the requirements of federal law nor the evidence obtained at the February hearing justified establishing a price floor. The law allows USDA to take such action only when necessary to ensure an adequate supply of fluid milk. Neither the hearing record or USDA's analysis supported the conclusion that there was an inadequate supply of fluid milk available to consumers. In addition, the price floor would have unequal effects in different regions of the country, even for farms of similar size, because of different Class I milk utilization rates across the country. As a result, those that would benefit the most from a price floor would not necessarily be the farms that have the greatest financial need for such assistance.

Copies of the decision may be obtained from this office or from USDA Dairy Programs, P.O. Box 96456, Rm. 2641-S, Washington, D.C. 20090-6456. The decision is also available on the Agricultural Marketing Service home page at <http://www.ams.usda.gov/dairy>. ♦

## DFA to Receive Cooperative Payments

Dairy Farmers of America, Inc. (DFA) has been qualified to receive cooperative payments for the performance of marketwide services in Order No. 2. As the successor cooperative to Milk Marketing Inc., DFA has been approved to receive cooperative payments on the Order No. 2 production of DFA members and on the production of cooperatives formerly affiliated with MMI who transferred their affiliation to DFA. ♦

## May 1998 Pool Highlights

- The May 1998 uniform price equaled **\$12.73**, a decrease of \$0.77 from last month and an increase of \$0.28 from last year.
- All class prices were above last year's. Class III-A pricing added \$0.07 to the May uniform price even though Class III-A pounds were only 2.7 percent of the pool.
- Producer receipts totaled 1,065.8 million pounds, an increase of 2.9 percent from last year.
- Class I receipts totaled 399.1 million pounds, an increase of 4.0 percent from last year.
- Daily deliveries per producer (DDP) equaled 3,486 pounds, a year-to-year increase of 5.4 percent and a new record for Order No. 2. ♦

### Order No. 2 Prices and Utilization for May

	1997	1998	Percent change
<b>Prices*</b>	dollars per cwt		
Uniform	12.45	12.73	2.2
Class I	14.91	15.23	2.1
Class II	12.79	13.11	2.5
Class III	10.58	10.76	1.7
Class III-A	11.44	13.84	21.0
<b>Utilization</b>	million pounds		
Class I	383.6	399.1	4.0
Class II	167.1	154.1	(7.8)
Class III	447.4	484.2	8.2
Class III-A	37.1	28.5	(23.2)
Producer Receipts#	1,035.3	1,065.8	2.9

\* For bulk milk testing 3.5 percent butterfat in the 201-210 mile zone.

# Totals do not add due to rounding.

## U.P. Forecasted to Increase

The uniform price forecast for **June 1998** is **\$13.30** per hundredweight of bulk milk testing 3.5 percent butterfat in the 201-210 mile zone. This is an estimate. ♦

## U.S. Milk Production Trends

This article discusses recent milk production trends in three areas of the country: California; the combined states of Minnesota and Wisconsin (Upper Midwest); and the combined states of New York, Pennsylvania, and Vermont (Northeast). All data is from USDA National Agricultural Statistics Service's *Milk Production* reports

California leads the nation in milk production as a state. Combined milk production in Minnesota and Wisconsin during 1997, however, was about 14 percent greater than California. Combined regional production in New York, Pennsylvania, and Vermont during 1997 represented about 90 percent of California's production.

The accompanying chart shows regional trends in milk production on a 12-month moving average basis. For example, the value shown for December 1997 represents the average monthly milk production levels during the 12 months of January 1997 through December 1997.

Average production levels during 1995 and 1996 were

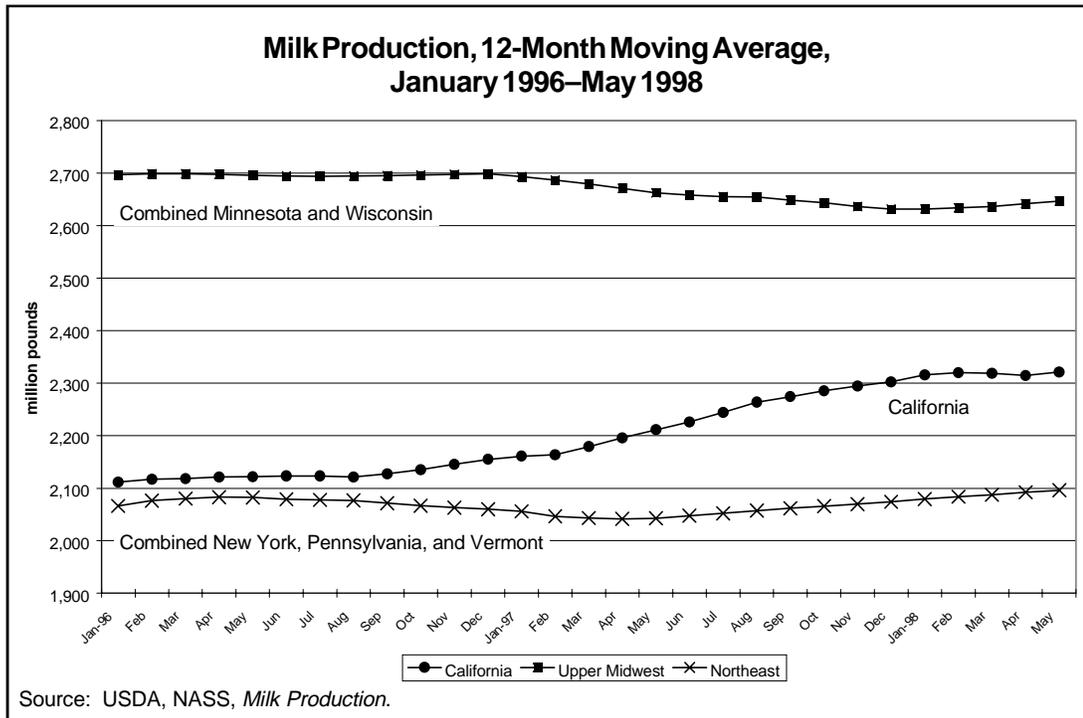
relatively stable for each of the regions. As 1997 and 1998 data are added, the moving average calculation patterns emerge. Production in California can be seen rising rapidly while the Upper Midwest area declines and the Northeast region exhibits a recovery in production.

Despite the strong year-over-year increases in California during 1997, production during March and April 1998 decreased. Comparing August 1996 to August 1997, California increased production 240 million pounds. This increase was larger than the 224 million pounds produced during August 1997 in the state of Vermont.

While production in the Upper Midwest was below the previous year's level for every month during 1997, production has been higher for each month in 1998. In the Northeast region, production during the first 5 months of 1998 has been greater than production during the corresponding months of 1997. During January through April of 1997, however, milk production in the Northeast

was down compared to 1996.

In the first 5 months of 1998, compared to 1997, cumulative milk production in Pennsylvania has increased 210 million pounds while New York is up 10 million pounds. Revised April 1998 data indicate that milk production in Pennsylvania was only 13 million pounds less than in New York. During 1997, monthly milk production in New York averaged about 67 million pounds greater than production in Pennsylvania. ♦



## Underpayment Notices Issued

For the first quarter of 1998, \$197.11 in underpayments to producers resulted from incorrect transportation differentials involving four handlers and five producers. In addition, there was \$60.67 in underpayments from the fourth quarter of 1997 affecting one producer and one handler. Also reported was \$102,086.70 resulting from hauling overcharges. These charges covered the period from the fourth quarter of 1996 through June 1997 and affected one handler and 39 producers. No hauling underpayments were reported for the first quarter of 1998. Handlers have been notified of their obligations. ♦

## NYS Disaster Relief Available

The New York State Department of Agriculture and Markets has announced a herd indemnity program for dairy cows lost as a result of the January 1998 ice storm in northern New York. The disaster relief program authorizes grants up to \$5,000 for farm damage and up to \$1,400 per cow for cows lost during the storm. Applications for this program were mailed to dairy farmers in the six ice storm disaster counties of Clinton, Essex, Franklin, Jefferson, Lewis, and St. Lawrence. Farmers can call 888/767-4737 for additional information. The application deadline is September 1, 1998. ♦

## Manufactured Dairy Products—1997 Summary

USDA recently released its 1997 Dairy Products Summary. The production of cheese, ice cream, and nonfat dry milk increased during 1997 while butter and yogurt production declined. The accompanying table shows the annual production of selected dairy products for 1995–1997 along with the year-to-year percent changes.

### Cheese Production Increases

Total cheese manufactured (excluding cottage cheese) equaled 7.3 billion pounds in 1997, an increase of 1.5 percent from 1996. Of the total cheese manufactured, American types accounted for 44.8 percent. Of the total American produced, Cheddar accounted for 80.3 percent. Italian cheese accounted for 39.3 percent of total cheese. Of this, mozzarella accounted for 77.9 percent.

Wisconsin remained the largest cheese-producing state with 28.9 percent of the total. California followed with 16.0 percent and Minnesota ranked third with 8.8 percent. New York was the fourth largest cheese-producing state with 8.4 percent. For the first time, New Mexico qualified for the top ten, finishing eighth in total cheese production. This move bumped Vermont out of the top ten; its cheese production declined 24.0 percent from 1996.

The largest American cheese manufacturers were Wisconsin, Minnesota, and California, respectively. New York ranked sixth. Wisconsin also ranked first in Italian cheese, followed by California and New York. Pennsylvania finished fourth. New York ranked fourth in mozzarella, second in other Italian cheese (i.e. ricotta, provolone, Romano, and Parmesan), and first in cream and Neufchatel,

and creamed and lowfat cottage cheeses. Pennsylvania finished third in mozzarella and second in cream and Neufchatel production.

### Other manufactured products

Total U.S. butter production declined 2.0 percent in 1997. California was the largest producing state, followed by Wisconsin and Washington. Pennsylvania finished fourth and New York ranked seventh.

Nonfat dry milk (for human food) production increased 14.7 percent from 1996 following a decline of 13.9 percent the previous year. The leading manufacturers in 1997 were California with 45.1 percent and Washington with 14.1 percent of the total.

Ice cream production was up 3.1 percent in 1997. California, Indiana, and Texas led the nation; New York ranked seventh. Yogurt production declined 0.9 percent. New York was the leading manufacturer, followed by California and Illinois. ♦

**U.S. Production of Selected Dairy Products, 1995–97**

Product	1995	1996	1997	1995–96	1996–97
	million pounds			percent change	
Total cheese*	6,916.9	7,217.5	7,329.0	4.3	1.5
Yogurt	1,645.9	1,588.1	1,574.1	(3.5)	(0.9)
Butter	1,264.5	1,174.5	1,151.3	(7.1)	(2.0)
NFDM	1,233.0	1,061.8	1,217.6	(13.9)	14.7
Cottage cheese **	710.8	690.3	706.2	(2.9)	2.3
	million gallons				
Ice Cream	862.2	878.6	905.6	1.9	3.1

\* Excludes cottage cheese.  
 \*\* Includes creamed and lowfat cottage cheese.  
 Source: USDA, NASS, *Dairy Products*.

## Seven States Selected for Dairy Options Pilot Program

On June 8, 1998, Agriculture Secretary Dan Glickman announced an \$11 million program to give dairy farmers in selected counties a financial incentive to use options to manage their price risk. The new Dairy Options Pilot Program (DOPP) will help producers create their own financial safety net by purchasing exchange-traded options on the price of their milk. When milk prices fall, producers would be able to offset losses based on projected future earnings through using options, in effect, putting a floor under their milk prices.

### Three Northeast States to Participate

Six counties from each of the states of California, Minnesota, New York, Pennsylvania, Texas, Vermont, and Wisconsin have been selected to participate. In New York the designated counties are: Chautauqua, Jefferson, Lewis, Oneida, St. Lawrence, and Steuben. The designated counties in Pennsylvania are: Berks, Bradford, Chester, Crawford, Franklin, and Lancaster. The designated counties in Vermont are: Addison,

Caledonia, Franklin, Orange, Orleans, and Rutland.

To be eligible to participate, producers must operate a dairy farm in one of the designated counties and have had total milk production of at least 100,000 pounds over any consecutive 6-month period during the last 12 months. The pilot program will run for 6 months for each group of participants. Producers will be required to attend a training program before they can participate. USDA will pay up to 80 percent of the options premium costs for transactions executed under program guidelines. By covering such a significant portion of the costs associated with using options, USDA seeks to encourage dairy farmers to experiment and become familiar with options as a tool to manage price fluctuations.

Producers in the selected counties will receive program information including details regarding training and starting dates from USDA later this summer. For more information contact Joe Conner in USDA's Office of Risk Management at 202/ 720-4232. ♦

## Determination of Uniform Price of \$12.73 for May 1998

Per hundredweight of milk testing 3.5 percent butterfat received in bulk from farms in the 201-210 mile zone

TOTAL VALUE OF POOLED MILK							
Class	Milk pounds	Per-cent	Minimum price	Value at minimum price	Trans- portation differential dollars	Total value	Contribution per cwt of receipts
I-A	382,444,477	35.9	15.23	58,246,293.88	131,208.87	58,377,502.75	5.477
I-B	16,626,783	1.6	15.23	2,532,259.04	2,584.25	2,534,843.29	0.238
II	154,072,537	14.4	13.11	20,198,909.58	17,611.34	20,216,520.92	1.897
III	484,168,622	45.4	10.76	52,096,543.72	48,265.95	52,144,809.67	4.892
III-A	<u>28,494,838</u>	<u>2.7</u>	13.84	<u>3,943,685.59</u>	<u>6,179.15</u>	<u>3,949,864.74</u>	<u>0.371</u>
Reported receipts	1,065,807,257	100.0		137,017,691.81	205,849.56	137,223,541.37	12.875
Adjustments:	<u>Product pounds</u>			<u>Dollars*</u>			
Sec. .60(d)(6) I	5,499,334			182,466.65			
Sec. .60(d)(6) II	4,966,123			59,096.87			
Total Sec. .60(d)(2) thru (6)	10,465,457			241,563.52		241,563.52	0.023
Total adjustments	10,465,457			241,563.52			
Total pool milk classified	1,065,807,257						
Handlers must pay			241,563.52	137,017,691.81	205,849.56	137,465,104.89 **	12.898
<b>COMPUTATION OF UNIFORM PRICE</b>							
	<u>Milk pounds</u>			<u>Dollars</u>		<u>Dollars per cwt of receipts</u>	
Total value of pooled milk				137,465,104.89		12.898	
Less: Cooperative payments	681,365,839			272,546.34		0.026	
Reserve				932,767.74		0.087	
Transportation credit	1,065,807,257			1,598,710.90	<u>(2,804,024.98)</u>	<u>0.150</u>	<u>(0.263)</u>
Value of pooled milk less subtractions				134,661,079.91		12.635	
Add: Freight adjustment to 201-210 mile zone				91,274.18		0.008	
Unreserved cash in producer settlement fund				<u>924,909.73</u>	<u>1,016,183.91</u>	<u>0.087</u>	<u>0.095</u>
Uniform Price	1,065,807,257			135,677,263.82		12.730	

\* Includes transportation and other applicable differentials.

\*\* In addition handlers must pay \$1,978,252.89 for butterfat in excess of 3.5 percent.

Note: The average butterfat test of milk delivered was 3.606063 percent. The butterfat differential was \$.175 for each one-tenth of one percent of butterfat.

## Comparative Price and Other Descriptive Statistics

	MAY 1997	APRIL 1998	MAY 1998
Order No. 2			
Handlers (with producer milk)	39	32	31
Bulk Tank Units	100	93	94
Producers	10,097	10,093	9,863
Daily Deliveries Per Producer (pounds)	3,308	3,415	3,486
Price Factors, Monthly Averages (dollars)			
Basic Formula Price, 3.5% butterfat, per cwt	10.70	12.01	10.88
Cheddar Cheese, 40-lb blocks, per lb	1.1664	1.3072	1.2034
Butter, Grade A, 92-Score, Chicago Mercantile Exchange, per lb	.8740	1.2856	1.4945
Nonfat dry milk, Central States, per lb	1.0983	1.0426	1.0348
Uniform Prices (dollars per cwt, 3.5% butterfat)			
Order No. 1, Zone 1 (Boston)	13.77	14.68	14.10
Order No. 2, 1-10 mile Zone* (New York City)	13.32	14.37	13.60
Order No. 4, Philadelphia¶	13.31	14.33	13.97
Class I Utilization Percentage			
Order No. 1	47.1	44.2	42.7
Order No. 2	37.1	37.5	37.5
Order No. 4	41.7	38.6	37.8

\* Includes 15-cent transportation credit.

¶ Includes 6-cent direct-delivery differential.

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# Bulletin

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Federal Order No. 2

New York-  
New Jersey  
Milk Marketing  
Area

Volume 58

June

1998

## Cheese Prices Increase; Butter Hits Record High

Over the last 2 months, prices for 40-pound block Cheddar cheese have increased consistently, reaching near-record high levels. In addition, all grades of butter have skyrocketed to hit their highest prices on record.

### Cheese Prices

Cheese prices bottomed out during the first week of May with both the Chicago Mercantile Exchange (CME) and National Agricultural Statistics Service (NASS) reporting around \$1.18 per pound. About mid-month prices started their ascent (see table on page 3). By the end of May, CME block prices had reached \$1.25 per pound; the next week they jumped 10 cents. During the following weeks, the CME price increased bringing the price to \$1.5575. On July 2, the CME price jumped another 5 cents hitting \$1.6075 per pound, where it has held.

NASS prices have followed a similar increasing trend as the CME prices, only they have not risen as high. By the end of May, NASS block prices lagged CME by 2.35 cents per pound. The following weeks' increases brought the NASS price to \$1.5532 for the week ending July 10, more than 5 cents per pound less than the equivalent CME price.

### Butter Prices

All butter prices (Grades AA, A, and B) have hit record-high levels. We last reported that Grade AA butter had risen to \$1.49 on April 24, an increase of 14.5 cents from the previous week. It remained at that level for the next 3 weeks and then jumped 16 cents to \$1.65 per pound. At the same time Grades A and B both increased 23 cents to also reach \$1.65 per pound. For the next 4 weeks all three grades experienced increases of 5 cents, 4 cents, 16 cents, and 5 cents, bringing them all to \$1.95 per pound on June 19, the last trading date for Grades A and B on the CME (see related article on New Butter Price Series). The following week Grade AA increased another 3.5 cents bringing its price to \$1.9850, where it has held. At this time last year the Grade AA price was \$1.0850 per pound.

For additional information on how butter prices affect milk pricing, see related article on Butterfat Tests. ♦

## June 1998 Pool Highlights

- The June 1998 uniform price equaled **\$13.41** an increase of \$0.68 from last month and \$1.54 higher than last year.
- All class prices were above last year's. The Class III-A price was \$3.16 higher than last year's and added \$0.07 to the June uniform price.
- Producer receipts totaled 1,010.3 million pounds, an increase of 1.1 percent from last year.
- Class I receipts totaled 380.9 million pounds, an increase of 8.9 percent from last year.
- Daily deliveries per producer (DDP) equaled 3,449 pounds, a year-to-year increase of 3.8 percent. ♦

### Order No. 2 Prices and Utilization for June

Prices*	1997	1998	Per cent change
	dollars per cwt		
Uniform	11.87	13.41	13.0
Class I	13.86	14.43	4.1
Class II	11.74	12.31	4.9
Class III	10.63	12.99	22.2
Class III-A	12.11	15.27	26.1
Utilization	million pounds		
Class I	349.7	380.9	8.9
Class II	170.3	152.3	(10.5)
Class III	445.9	449.0	0.7
Class III-A	33.1	28.1	(15.2)
Producer Receipts	999.0	1,010.3	1.1

\* For bulk milk testing 3.5 percent butterfat in the 201-210 mile zone.

## U.P. Forecasted to Decrease Slightly

The uniform price forecast for July 1998 is **\$13.36** per hundredweight of bulk milk testing 3.5 percent butterfat in the 201-210 mile zone. This is an estimate. ♦

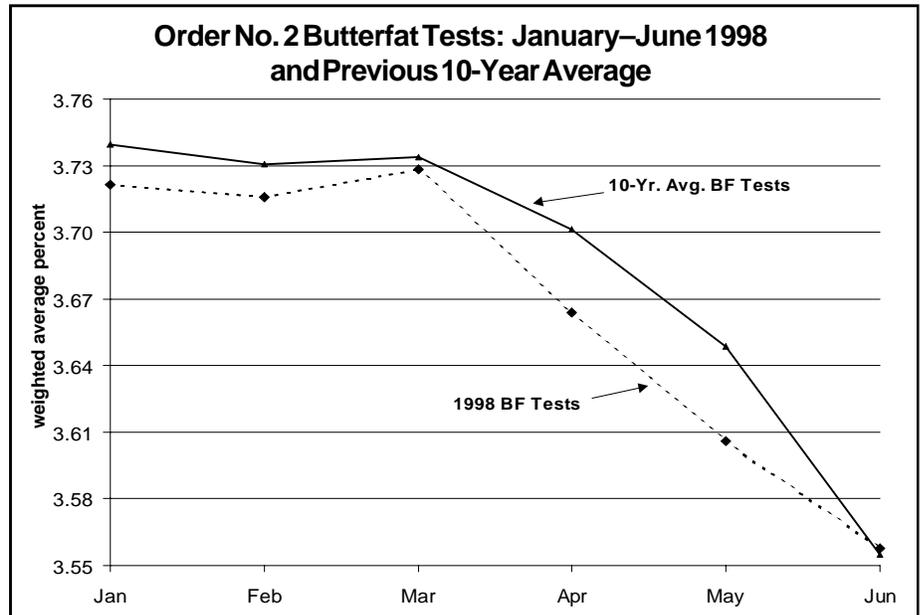
## 1998 Butterfat Tests Below Previous Years' Average

Average butterfat tests under Order No. 2 were consistently lower during the first 5 months of 1998 than average monthly butterfat tests for the previous 10 years. June 1998 butterfat tests, however, reversed this pattern recording a slightly higher average test than the simple average of the previous 10 years.

The accompanying chart presents Order No. 2 weighted average butterfat tests from January through June 1998 and a simple average of monthly butterfat tests during the corresponding period for the previous 10 years. The January–June 1998 tests averaged 0.019 percentage points below the 10-year simple average, with a percentage point range of 0.003 above to 0.043 lower.

The April and May 1998 tests were the lowest tests for those respective months during the 11-year period.

The butterfat differential, which is used in adjusting producer pay prices for butterfat content above or below the 3.5 percent pricing standard, has been at record levels in recent months. The May 1998 butterfat differential was a new high for that month, and the June differential of \$0.217 per tenth (0.1) of a point butterfat is the highest differential on record.



The reason for the record level differentials is the record-high wholesale market butter prices. The formula used to calculate the butterfat differential incorporates the monthly average Grade A butter price (now equivalent price) as traded on the Chicago Mercantile Exchange (see related butter pricing articles). For producers with butterfat tests above 3.5 percent, the June differential could contribute a significant premium to their pay price. ♦

## Mid-Year Update: Receipts and Prices Higher

For the first 6 months of 1998, total producer receipts under Order No. 2 were 4.3 percent higher than during the same period in 1997. All class prices for the January–June period have averaged considerably higher than last year resulting in an 8.2 percent increase in the average uniform price. The accompanying table compares receipts and prices for the first 6 months of 1997 and 1998.

Even though producer numbers were up slightly at the end of the first quarter, changes in pooling among handlers during the second quarter resulted in an average decrease of 88 producers by mid-year. Daily deliveries per producer (DDP) have maintained consistent year-to-year increases during the first half of 1998, averaging 5.3 percent higher than last year.

Class I usage has been higher for each of the first 6 months of 1998 and has risen at a higher rate than total receipts, resulting in a 0.6 percentage point increase in utilization. Class II usage has declined compared to 1997; Class III has increased. Class III–A utilization dropped during the second quarter, but due to strong usage in the first quarter, resulted in a 6.1 percent increase for the 6-month period.

Class prices declined during the second quarter, compared to the first quarter of 1998. Strong demand for milk and

butterfat during the second quarter has held class prices above last year's. As a result, the first 6 months' uniform prices averaged \$1.02 per hundredweight higher than in 1997. ♦

<u>Pool statistic</u>	<u>1997</u>	<u>1998</u>	<u>1997–98 Change</u>
	<u>million pounds</u>		<u>percent</u>
Class I	2,253.0	2,385.8	5.9
Class II	943.0	909.8	(3.5)
Class III	2,464.7	2,607.4	5.8
Class III-A	194.1	205.9	6.1
Total receipts	5,854.8	6,108.9	4.3
	<u>pounds</u>		
DDP	3,182	3,352	5.3
	<u>utilization percentage</u>		<u>change</u>
Class I	38.5	39.1	0.6
Class II	16.1	14.9	(1.2)
Class III	42.1	42.7	0.6
Class III-A	3.3	3.4	0.1
	<u>dollars/cwt</u>		<u>percent</u>
Class I	14.30	15.36	7.4
Class II	12.18	13.24	8.7
Class III	11.58	12.51	8.1
Class III-A	12.03	13.25	10.1
Uniform	12.59	13.61	8.2

## New Butter Price Series Announced

On June 19, the Chicago Mercantile Exchange (CME) discontinued trading Grade A and B butter on the spot market due to the lack of activity in these two markets. The Grade A price is a factor in the calculation of the basic formula price (BFP) and the butterfat differential under the Federal Milk Marketing Order system. As a result, USDA had to determine what would be used as an equivalent for the Grade A price.

On June 26, USDA issued a determination stating that the CME Grade AA Butter Spot Call less 9 cents will be used to calculate the BFP and the butterfat differential under all federal milk marketing orders. The accompanying table gives a comparison of reported Grade A prices and the new price series for 1995 through June of 1998. For information on butter prices and their effect on milk prices, see related articles in this *Bulletin*. ♦

Comparison of Grade A Butter Prices, Annual Averages 1995–97, January–June 1998			
	Grade A butter price		
	Reported by USDA	Estimated using new method	Difference
dollars per pound			
1995 Ann. Avg.	0.7513	0.7241	0.0272
1996 Ann. Avg.	0.9982	0.9877	0.0105
1997 Ann. Avg.	1.0663	1.0694	(0.0031)
1998 Jan	1.1061	1.1032	0.0029
Feb	1.2963	1.3018	(0.0055)
Mar	1.2505	1.2552	(0.0047)
Apr	1.2856	1.2888	(0.0032)
May	1.4945	1.4565	0.0380
Jun	1.8468 *	1.7718	0.0750

\* New formula used for last 5 days of month.

## NDB Nominees Sought

USDA is asking dairy producer and farm organizations to nominate candidates to serve on the National Dairy Promotion and Research Board (NDB). The Secretary of Agriculture will appoint 12 individuals from those nominated to succeed members whose terms expire October 31. New members will serve 3-year terms beginning November 1, 1998, and ending October 31, 2001. Locally, appointments will be made from Region 11 (Delaware, Maryland, New Jersey, and Pennsylvania) and Region 12 (New York).

For nominating forms and procedures, contact USDA, AMS, Dairy Programs, Promotion and Research Branch, 1400 Independence Ave., S.W., Rm. 2734-S, Stop 0223, Washington, DC 20250-0233 or phone 202/ 720-6909. Nominations must be submitted by **July 24**. More information on the NDB is available on the Agricultural Marketing Service's website at <http://www.ams.usda.gov/dairy>. ♦

## USDA Dairy Disaster Assistance Program

The USDA has announced an \$6.8 million dollar Dairy Production Disaster Assistance Program for dairy producers who have suffered financial losses as a result of recent natural disasters. The nationwide program will provide partial reimbursement to eligible producers for milk losses. Disaster assistance will be available to producers in areas where a Presidential Disaster Declaration or Secretarial Disaster Designation was declared, resulting from a natural disaster between *November 27, 1997 and May 1, 1998*. In the Order No. 2 milkshed, the northern New York State counties of Lewis, Jefferson, St. Lawrence, Franklin, Clinton, and Essex are designated counties as a result of the January 1998 ice storm.

### Eligibility

Eligible producers are those who suffered a loss of milk production that is the direct or related result of the event for which the Presidential Declaration or Secretarial Designation was made. Contact the local Farm Service Agency (FSA) county office serving your area for eligibility information.

### Payments

Disaster payments will be made at a rate of \$4 per hundredweight for milk produced but not marketed, or for diminished milk production resulting from the natural disaster. Affected producers must provide documentation to support loss claims. If the total calculated payment for all approved applications nationwide exceeds \$6.8 million, a uniform reduction will be applied to each producer's payment so the total outlays will not exceed \$6.8 million. Sign-up for the program runs from **July 6, 1998**, through **September 1, 1998**, at the FSA office serving your area. ♦

## Cheese Prices (Table referred to on Page 1)

Prices of 40-Pound Block Cheddar Cheese, May 8–July 10, 1998		
Week ending	40-Lb. block Cheddar cheese prices	
	NASS	CME
dollars per pound		
May 8	1.1812	1.1800
15	1.1912	1.2100
22	1.2033	1.2300
29	1.2265	1.2500
June 5	1.2929	1.3500
12	1.3762	1.4925
19	1.4636	1.5375
26	1.5125	1.5575
July 3	1.5332	1.5575
10	1.5532	1.6075

Source: USDA National Agricultural Statistics Service (NASS) and Chicago Mercantile Exchange (CME).  
Note: NASS data includes revisions.

## Determination of Uniform Price of \$13.41 for June 1998

Per hundredweight of milk testing 3.5 percent butterfat received in bulk from farms in the 201-210 mile zone

TOTAL VALUE OF POOLED MILK								
Class	Milk pounds	Per-cent	Minimum price	Value at minimum price	Trans- portation differential dollars	Total value	Contribution per cwt of receipts	
I-A	367,748,803	36.4	14.43	53,066,152.26	120,844.95	53,186,997.21	5.265	
I-B	13,137,333	1.3	14.43	1,895,717.12	2,040.99	1,897,758.11	0.188	
II	152,311,122	15.1	12.31	18,749,499.16	15,686.36	18,765,185.52	1.857	
III	448,989,439	44.4	12.99	58,323,728.11	43,823.33	58,367,551.44	5.777	
III-A	<u>28,099,508</u>	<u>2.8</u>	15.27	<u>4,290,794.87</u>	<u>4,787.95</u>	<u>4,295,582.82</u>	<u>0.425</u>	
Reported receipts	1,010,286,205	100.0		136,325,891.52	187,183.58	136,513,075.10	13.512	
Adjustments:	<u>Product pounds</u>			<u>Dollars*</u>				
Sec. .60(d)(6) I	7,001,373			257,886.73				
Sec. .60(d)(6) II	9,092,018			140,894.15				
Total Sec. .60(d)(2) thru (6)	16,093,391			398,780.88		398,780.88	0.040	
Total adjustments	16,093,391			398,780.88				
Total pool milk classified	1,010,286,205							
Handlers must pay			398,780.88	136,325,891.52	187,183.58	136,911,855.98	**	13.552
COMPUTATION OF UNIFORM PRICE								
	<u>Milk pounds</u>			<u>Dollars</u>			<u>Dollars per cwt of receipts</u>	
Total value of pooled milk						136,911,855.98	13.552	
Less: Cooperative payments	646,230,555			258,492.21			0.026	
Reserve				868,603.30			0.086	
Transportation credit	1,010,286,205			1,515,429.32	<u>(2,642,524.83)</u>		<u>0.150</u> <u>(0.262)</u>	
Value of pooled milk less subtractions						134,269,331.15	13.290	
Add: Freight adjustment to 201-210 mile zone				135,826.87			0.014	
Unreserved cash in producer settlement fund				<u>1,074,222.07</u>	<u>1,210,048.94</u>		<u>0.106</u> <u>0.120</u>	
Uniform Price	1,010,286,205					135,479,380.09	13.410	

\* Includes transportation and other applicable differentials.

\*\* In addition handlers must pay \$1,261,928.84 for butterfat in excess of 3.5 percent.

Note: The average butterfat test of milk delivered was 3.557562 percent. The butterfat differential was \$.217 for each one-tenth of one percent of butterfat.

## Comparative Price and Other Descriptive Statistics

	JUNE 1997	MAY 1998	JUNE 1998
Order No. 2			
Handlers (with producer milk)	39	31	32
Bulk Tank Units	99	94	94
Producers	10,017	9,863	9,764
Daily Deliveries Per Producer (pounds)	3,324	3,486	3,449
Price Factors, Monthly Averages (dollars)			
Basic Formula Price, 3.5% butterfat, per cwt	10.74	10.88	13.10
Cheddar Cheese, 40-lb blocks, per lb, NASS	1.1583	1.2034	1.4038
Butter, Grade A, per lb#	1.0500	1.4945	1.8468
Nonfat dry milk, Central States, per lb	1.0788	1.0348	1.0289
Uniform Prices (dollars per cwt, 3.5% butterfat)			
Order No. 1, Zone 1 (Boston)	13.04	14.10	14.40
Order No. 2, 1-10 mile Zone* (New York City)	12.74	13.60	14.28
Order No. 4, Philadelphia¶	12.91	13.97	14.18
Class I Utilization Percentage			
Order No. 1	42.5	42.7	42.9
Order No. 2	35.0	37.5	37.7
Order No. 4	40.9	37.8	39.6

# CME through May 1998; Grade A equivalent price effective June 26, 1998.

\* Includes 15-cent transportation credit.

¶ Includes 6-cent direct-delivery differential.

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# Bulletin

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Federal Order No. 2

New York–  
New Jersey  
Milk Marketing  
Area

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## Court Rules Class I Differentials Legal

The United States Court of Appeals for the Eighth Circuit (Appeals Court) issued a ruling on August 13, 1998. The decision in *Minnesota Milk Producers et al. v. Dan Glickman* reversed a lower court ruling that the Class I differential system used under the federal milk marketing order program is unlawful. The Appeals Court stated that the Secretary of Agriculture's decision to maintain the current system for pricing Class I milk was within his discretion and he may continue to enforce the existing Class I pricing system.

The complete ruling can be found on the internet at: <http://ls.wustl.edu/8th.cir/opinions.html>. ♦

## Federal Order Reform Continues

USDA is currently reviewing nearly 4,500 comments received regarding the January 1998 proposed rule. After analyzing the comments and additional information, USDA will issue a final rule detailing proposed changes for the federal milk order program. Information on the final rule will be provided to producers to determine approval. Each approved milk marketing order will become effective no later than April 4, 1999. ♦

## Order No. 2 Web Site Now On-line

A World Wide Web site for Order No. 2 is now on-line, providing electronic access to federal order information released by this office. Price announcements, including uniform and class prices, the *Bulletin* and most other reports and publications currently released by this office will be available on the site. A "quick facts" summary section, reporting comparable price information for the three Northeast Federal Milk Marketing Orders (New York–New Jersey, New England, and Middle Atlantic) together with the Western New York State Milk Marketing Order, has been created. Price information posted on the site will be updated on the same day that the applicable price announcement or report is required to be released. Links to USDA Dairy Programs web sites and web sites of other Federal Milk Marketing Orders also are included. The address for Order No. 2 is <http://www.fmmone.com>. E-mail comments or messages can be sent to this office at [MA\\_Albany@fmmone.com](mailto:MA_Albany@fmmone.com). ♦

## July 1998 Pool Highlights

- The July 1998 uniform price equaled **\$13.53**, an increase of \$0.12 from last month and \$1.86 higher than last year.
- All class prices were above last year's. The Class III-A price was \$3.53 higher than last year's, but only added \$0.01 to the uniform price because of low utilization.
- Producer receipts totaled 1,014.5 million pounds, a decrease of 1.4 percent from last year.
- Class I receipts totaled 390.9 million pounds, a decrease of 0.9 percent from last year.
- Daily deliveries per producer (DDP) equaled 3,368 pounds, a year-to-year increase of 206 pounds (6.5 percent). This was the largest DDP increase this year.
- For the second month, the Emkay Trading Corp. plant located in Arcade, NY, was a temporary pool plant under Order No. 2. ♦

### Order No. 2 Prices and Utilization for July

	1997	1998	Percent change
<b>Prices*</b>			
	dollars per cwt		
Uniform	11.67	13.53	15.9
Class I	13.12	13.30	1.4
Class II	11.00	11.18	1.6
Class III	10.89	14.80	35.9
Class III-A	12.09	15.62	29.2
<b>Utilization</b>			
	million pounds		
Class I	394.3	390.9	(0.9)
Class II	162.9	156.2	(4.1)
Class III	438.0	448.8	2.5
Class III-A	33.2	18.7	(43.6)
Producer Receipts#	1,028.5	1,014.5	(1.4)

\* For bulk milk testing 3.5 percent butterfat in the 201-210 mile zone.

# Totals do not add due to rounding.

## U.P. Forecasted to Increase

The uniform price **forecast** for **August 1998** is **\$14.99** per hundredweight of bulk milk testing 3.5 percent butterfat in the 201-210 mile zone. This is an estimate. ♦

## Forecasting the Uniform Price

Around mid-month the New York–New Jersey Market Administrator's Office estimates the uniform (blend) price for that month. This dollar amount is shown in the lower right-hand corner on the front page of the monthly *Bulletin*.

The July estimate raised many questions by producers and handlers. In this article, we will explain how we calculate our estimate.

The uniform price is a weighted average of the prices for each class of milk based on their prospective usage. The first thing we estimate is how much milk will be pooled under Order No. 2. We do this by predicting the number of producers and the average daily delivery per producer (DDP) for the month. Current and historical information is combined to estimate these factors. Multiplying the number of producers times DDP times the days in the month equals total pooled receipts.

The next step is to estimate utilization in each class. Again, historical data and current information are analyzed. A main element in estimating class usage is the seasonality effect, such as school closings in summer decrease Class I usage. Estimating the amount of milk to be used in each class gives us the weights for our weighted average.

Class I and II prices are determined 2 months in advance. For example, the July Class I and II prices were based on the May basic formula price (BFP):

<u>BFP</u> (2nd preceding month)	<u>Class Differential</u> (202-210 mile zone)	<u>Monthly Price</u> (July)
\$10.88 (May)	plus \$2.42 (Class I)	= \$13.30
	\$0.30 (Class II)	= \$11.18

The Class III and III-A prices are estimated using many factors. The Class III price is the BFP for the current month adjusted slightly each month by a seasonal adjuster. For the year, the annual average Class III price equals the annual average BFP.

The BFP is comprised of two parts: the base month price and the change in product prices from the previous month. The base month price is reported by USDA's National Agricultural Statistics Service. It is the survey portion of the BFP calculated from prices reported by cheese, butter, and powder plants paying for Grade B milk in Minnesota and Wisconsin.

The change in product prices is more straightforward. By watching the weekly markets for the component products, this part of the formula can be estimated fairly accurately. The component prices are Grade AA butter on the Chicago Mercantile Exchange, nonfat dry milk and dry buttermilk in the Western States, 40-pound block Cheddar reported on the National Agricultural Statistics Service survey, and the Grade A butter equivalent price (CME Grade AA less 9 cents). The Central States nonfat dry milk price is needed

to calculate the Class III-A price. Each month when our office calculates that month's estimated blend, we have about half of the weekly prices needed to calculate monthly product price averages.

Using our methodology, we estimated a base month price for June of \$12.97 at 3.5 percent butterfat. Estimating product prices for July gave us a monthly change of \$1.54. Adding this change to the base month equals the current month's BFP estimate (see below). The actual BFP for July was \$14.77 per hundredweight at 3.5 percent butterfat.

	<u>Estimate</u>	<u>Actual</u>
	<u>(\$ per cwt)</u>	
Base Month Price	12.97	13.17
Change in Product Prices	+ 1.54	+ 1.60
BFP	14.51	14.77

Using our BFP estimate plus the July Order No. 2 seasonal adjuster of \$0.03 equaled a July Class III price of \$14.54. Our estimated Class III-A price was \$15.56 per hundredweight.

To get the estimated blend price, we take the anticipated class utilizations discussed earlier and multiply each class utilization percentage times each class price. To this number we make adjustments for cooperative payments, transportation, and inventory reclassifications. Monthly, this adjustment is usually a deduction of \$0.16 per hundredweight. See example:

	<u>Utilization</u>	<u>Price</u>	<u>Dollar Value</u>
Class I	39.2	x 13.30	= 5.21
Class II	16.6	x 11.18	= 1.86
Class III	41.7	x 14.54	= 6.06
Class III-A	2.5	x 15.56	= <u>0.39</u>
		Subtotal:	13.52
		Less adjustment:	<u>(0.16)</u>
		Estimated Price for July:	13.36

When the actual BFP was announced at \$14.77 for July, our uniform price estimate was revised upward. In addition, the Class III-A price was higher, again positively affecting the blend.

Keep in mind the 2-month lag in the Class I and II prices; the July prices were based off of the May BFP of \$10.88. Note that the August Class I and II prices are considerably higher than July's due to the record \$2.22 increase in the June BFP.

Also, a phenomenon occurred during July. The Class III price was higher than the uniform price; this is the first time this has ever happened under Order No. 2. Because of the lag in prices combined with the record-setting increase in the BFP, the Class I and II prices actually lowered the blend price for July. ♦

## In-Area Sales Continue to Decline

For the first 6 months of 1998, total sales of packaged fluid milk products in the New York–New Jersey (Order No. 2) milk marketing area declined 1.5 percent compared to the same period in 1997. The accompanying table shows in-area sales for the January–June period of 1996–1998. Comparisons for 1996 have been adjusted for leap year. Data for 1998 is preliminary.

In November 1997, the Food and Drug Administration eliminated the standards of identity on lowfat dairy products to allow labeling in accordance with the National Labeling and Education Act of 1990. As a result, new descriptions have been given for certain products: 2% milk is now referred to as reduced fat; 1% milk is now called lowfat; and skim milk is fat free.

Of the aforementioned categories, only fat free milk experienced an in-area increase in sales. Sales grew 3.7 percent during the first half of 1998, increasing fat free's market share to 14.6 percent of total sales. Flavored milk and drinks increased slightly. The influence of lower fat products continues in this category shown by the decrease in average butterfat test for the years shown in the table. Buttermilk sales increased 4.9 percent in 1998 but only

**Sales of Packaged Fluid Milk Products Inside the NY–NJ Marketing Area, January–June, 1996–98**

Product	1996	1997	1998	Year-to-year change	
				1996-97*	1997-98
	million pounds			percent	
Whole	1,104.6	1,067.4	1,039.1	(3.1)	(2.6)
Reduced Fat	391.4	377.9	363.7	(3.2)	(3.8)
Lowfat	296.4	290.5	288.7	(1.7)	(0.6)
Fat Free	289.5	296.0	306.9	2.5	3.7
Flavored	88.4	90.7	91.6	2.9	1.0
Buttermilk	7.5	7.0	7.3	(6.4)	4.9
<b>Total</b>	<b>2,177.8</b>	<b>2,129.5</b>	<b>2,097.3</b>	<b>(1.9)</b>	<b>(1.5)</b>

\* Adjusted for leap year.

accounted for 0.3 percent of total sales, unchanged from the past two years.

Whole milk sales declined 2.6 percent during the first half of 1998, lowering its share of total sales to 49.5 percent. This is the first time whole milk sales have been below 50 percent of the total. Even though lowfat sales (1% milk) dropped slightly, their share of the Order No. 2 market increased 0.2 percentage points.

On a monthly basis, sales during the first 6 months of 1998 have been below the previous year for every month except June. ♦

## Dairy Commodity Markets Remain Bullish

Through the second week in August, wholesale market prices for cheese and butter have remained at record levels after bottoming out in early May. In turn, the basic formula price (BFP) for June and July was significantly above the May BFP, and the possibility exists for a near record BFP being attained in August. The BFP, which is used to determine Class I, II and III prices under federal orders, is a calculated price. It combines an estimate of the value manufacturing plants buying Grade B milk in Minnesota and Wisconsin pay dairy farmers (base month price) together with a monthly average of wholesale market prices for Cheddar cheese, butter, and dry milk powder (change in product prices). See "Forecasting the Uniform Price" article for related information.

### Prices Have Risen

The wholesale price of Grade AA butter on the Chicago Mercantile Exchange (CME) has risen 16.75 cents per pound to \$2.1525 (as of August 14) since we last reported on record butter prices on July 17. Prices for 40-pound block Cheddar cheese on both the CME and the National Agricultural Statistics Service (NASS) survey also have risen since last month, although to a lesser degree. The CME price has remained at \$1.6575 per pound for three consecutive trading sessions after jumping 5 cents on July 24. Of possible future concern, the CME price for barrel cheese, which is not used in the BFP formula, has

been falling and currently is \$1.4875. Typically, the spread between block and barrel prices is within 5 cents with barrel prices below block's. The current spread has barrels 17 cents lower than blocks.

The NASS survey cheese prices (used in the BFP formula) also have increased. For the week ending August 7 the NASS price was \$1.6200; 3.75 cents below the equivalent CME price.

### BFP Futures Prices

Both the CME and the Coffee, Sugar and Cocoa Exchange (CSCE) trade BFP futures contracts. BFP futures contracts for a given month can be purchased on either exchange up until the day before the BFP for the particular month is announced by USDA. Although futures prices fluctuate considerably in the period before the actual BFP is announced, perhaps they do serve as an indicator of what industry buyers and sellers think the announced BFP will be. As of August 14, August BFP futures contracts settled on the CME at \$15.30 per hundredweight; the CSCE settling price was \$15.29. Looking ahead a few months to December, when uncertainty about weather, milk production, crops, and other factors that can affect the future availability of milk are much greater, CME and CSCE BFP futures are \$12.50 and \$12.55 per hundredweight respectively. As comparison, the actual BFP for May 1998 was \$10.88 per hundredweight. ♦

## Determination of Uniform Price of \$13.53 for July 1998

Per hundredweight of milk testing 3.5 percent butterfat received in bulk from farms in the 201-210 mile zone

TOTAL VALUE OF POOLED MILK							
Class	Milk pounds	Per-cent	Minimum price	Value at minimum price	Transportation differential dollars	Total value	Contribution per cwt of receipts
I-A	375,958,942	37.1	13.30	50,002,539.26	112,710.34	50,115,249.60	4.940
I-B	14,918,838	1.5	13.30	1,984,205.44	2,181.30	1,986,386.74	0.196
II	156,150,625	15.4	11.18	17,457,639.90	18,552.03	17,476,191.93	1.723
III	448,802,349	44.2	14.80	66,422,747.69	42,172.37	66,464,920.06	6.550
III-A	<u>18,716,667</u>	<u>1.8</u>	15.62	<u>2,923,543.38</u>	<u>2,760.44</u>	<u>2,926,303.82</u>	<u>0.289</u>
Reported receipts	1,014,547,421	100.0		138,790,675.67	178,376.48	138,969,052.15	13.698
Adjustments:	<u>Product pounds</u>		<u>Dollars*</u>				
Sec. .60(d)(6) I	2,606,047		8,411.17				
Sec. .60(d)(6) II	4,571,849		(82,750.46)				
Total Sec. .60(d)(2) thru (6)	7,177,896		(74,339.29)			74,339.29	(0.008)
Total adjustments	7,177,896		(74,339.29)				
Total pool milk classified	1,014,547,421						
Handlers must pay			(74,339.29)	138,790,675.67	178,376.48	138,894,712.86 **	13.690
<b>COMPUTATION OF UNIFORM PRICE</b>							
	<u>Milk pounds</u>			<u>Dollars</u>		<u>Dollars per cwt of receipts</u>	
Total value of pooled milk				138,894,712.86		13.690	
Less: Cooperative payments	651,710,637		260,684.25			0.026	
Reserve			898,671.75			0.088	
Transportation credit	1,014,547,421		1,521,821.14	<u>(2,681,177.14)</u>		<u>0.150</u>	<u>(0.264)</u>
Value of pooled milk less subtractions				136,213,535.72		13.426	
Add: Freight adjustment to 201-210 mile zone			154,681.51			0.015	
Unreserved cash in producer settlement fund			<u>900,048.83</u>	<u>1,054,730.34</u>		<u>0.089</u>	<u>0.104</u>
Uniform Price	1,014,547,421			137,268,266.06		13.530	

\* Includes transportation and other applicable differentials.

\*\* In addition handlers must pay \$98,042.49 for butterfat in excess of 3.5 percent.

Note: The average butterfat test of milk delivered was 3.504334 percent. The butterfat differential was \$.223 for each one-tenth of one percent of butterfat.

## Comparative Price and Other Descriptive Statistics

	JULY 1997	JUNE 1998	JULY 1998
Order No. 2			
Handlers (with producer milk)	37	32	32
Bulk Tank Units	100	94	97
Producers	10,493	9,764	9,718
Daily Deliveries Per Producer (pounds)	3,162	3,449	3,368
Price Factors, Monthly Averages (dollars)			
Basic Formula Price, 3.5% butterfat, per cwt	10.86	13.10	14.77
Cheddar Cheese, 40-lb blocks, per lb, NASS	1.1767	1.4038	1.5656
Butter, Grade A, per lb#	1.0184	1.8468	1.9185
Nonfat dry milk, Central States, per lb	1.0765	1.0289	1.0297
Uniform Prices (dollars per cwt, 3.5% butterfat)			
Order No. 1, Zone 1 (Boston)	12.69	14.40	13.86
Order No. 2, 1-10 mile Zone* (New York City)	12.54	14.28	14.40
Order No. 4, Philadelphia¶	12.48	14.18	13.56
Class I Utilization Percentage			
Order No. 1	44.2	42.9	53.2
Order No. 2	38.4	37.7	38.6
Order No. 4	42.5	39.6	43.4

# CME through May 1998; Grade A equivalent price effective June 26, 1998.

\* Includes 15-cent transportation credit.

¶ Includes 6-cent direct-delivery differential.

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# The Market Administrator's Bulletin

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Federal Order No. 2

New York-  
New Jersey  
Milk Marketing  
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## Order No. 2 Milk Moves South

During the month of August, nearly 5.5 million pounds of milk pooled under Order No. 2 were shipped to plants in the southeastern United States. This amounts to approximately 109 tanker loads of bulk milk. This compares to 4.1 million pounds (86 tankers) in August 1997 and 9.9 million pounds (nearly 200 tankers) in August 1996. Nearly 70 percent of the milk moving to the South this August was classified as Class I. For the past 4 years, considerable volumes of milk have been sent to southern states to compensate for the seasonal shortage. In addition, Order No. 2 handlers ship milk to plants, regulated under other federal orders, that may eventually end up in southern states, but is not accounted for as Order No. 2 milk. ♦

## Order Reform Info Available on CD

Federal milk marketing order reform information can be obtained on a two-volume compact disk (CD) set. The CD contains copies of public comments submitted to USDA and also includes the Proposed Rule, Correction Docket, Preliminary Regulatory Impact Analysis, Food & Nutrition Programs Impact Report, and Impact of Establishing Price Floor Analysis. The CD set costs \$95 plus shipping; this includes technical support if needed. Contact David Krump at Input Solutions, 1-800-935-SCAN (7226). ♦

## Compact Commission to Reimburse USDA

The 1996 Farm Bill requires the Northeast Dairy Compact Commission (Commission) to reimburse USDA for product purchases that result from projected milk production increase that exceeds the projected national rate of increase.

USDA has determined that the Commission was responsible for \$1.762 million in nonfat dry milk purchases under the milk price support program. The Commission established a reserve fund in March 1998 in order to pay USDA for increased production impacts. After USDA obligations are met, any balance remaining in the reserve fund will be returned to those farmers in the Compact region who can document that they did not increase their milk production during fiscal year 1998. ♦

## August 1998 Pool Highlights

- The August 1998 uniform price equaled **\$14.88**, an increase of \$1.35 from last month and \$2.66 higher than last year.
- Class I and II prices were \$2.36 above last year's; Class III was \$2.92 higher. The Class III-A price was \$4.64 higher than last year's and added \$0.04 to the August uniform price.
- Producer receipts totaled 989.7 million pounds, a decrease of 1.5 percent from last year.
- Class I receipts totaled 387.3 million pounds, a decrease of 2.3 percent from last year.
- Daily deliveries per producer (DDP) equaled 3,294 pounds, a year-to-year increase of 5.7 percent.
- The Order No. 2 average butterfat test was 3.526264. With the record-high butterfat differential of \$0.245, butterfat payments totaled \$636,870.58, an increase of 122.5 percent from last year. ♦

## Order No. 2 Prices and Utilization for August

	1997	1998	Percent change
<b>Prices*</b>	dollars per cwt		
Uniform	12.22	14.88	21.8
Class I	13.16	15.52	17.9
Class II	11.04	13.40	21.4
Class III	12.17	15.09	24.0
Class III-A	11.98	16.62	38.7
<b>Utilization</b>	million pounds		
Class I	396.3	387.3	(2.3)
Class II	173.1	154.4	(10.8)
Class III	406.0	431.5	6.3
Class III-A	29.8	16.5	(44.5)
Producer Receipts#	1,005.1	989.7	(1.5)

\* For bulk milk testing 3.5 percent butterfat in the 201-210 mile zone.

# Totals may not add due to rounding.

## U.P. Forecasted to Increase

The uniform price **forecast** for **September 1998** is **\$16.02** per hundredweight of bulk milk testing 3.5 percent butterfat in the 201-210 mile zone. This is an estimate. ♦

## Cheese and Nonfat Dry Milk Begin Daily Trading

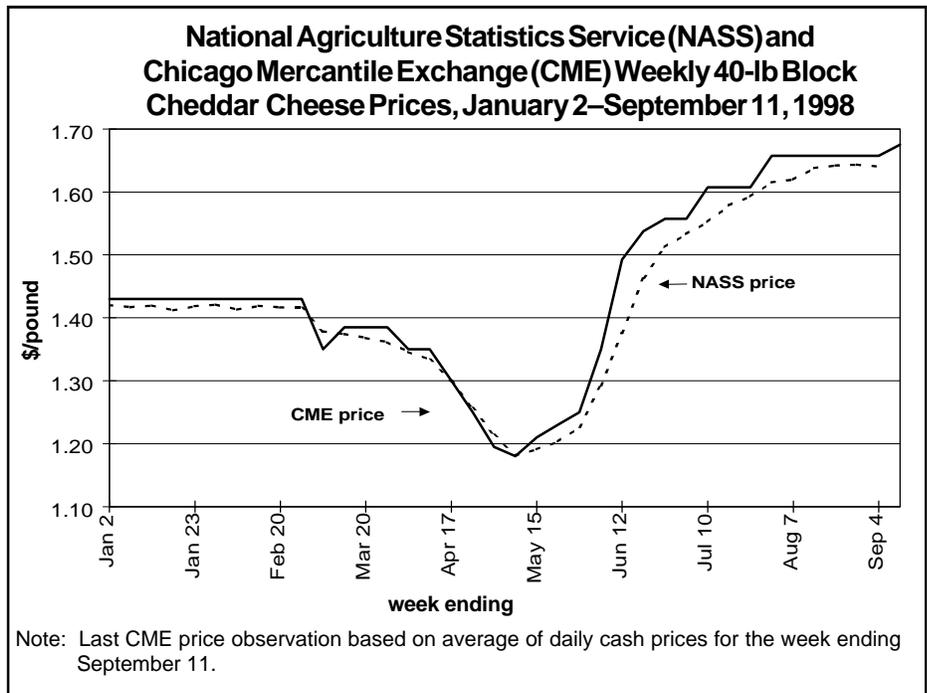
The Chicago Mercantile Exchange (CME) began daily cash trading of cheese and nonfat dry milk on September 1. Since May 1997, when the Green Bay Cheese Exchange closed and cash (or spot market) cheese trading moved to the CME, cheese trading on the CME took place weekly on Thursday afternoons. Cash market trading of nonfat dry milk is new to the CME.

### Price Relationship

Although CME cheese prices are not used in calculating federal order prices, there has been an observable relationship between the direction and magnitude of CME cash market price changes and the weekly National Agricultural Statistics Service (NASS) cheese plant survey price. See accompanying chart. The NASS survey cheese price is used in the calculation of the basic formula price (BFP) from which federal order prices are set. Before the switch to daily trading, the reporting of NASS prices lagged 2 weeks behind CME cash market prices. As a result, CME cheese prices tended to look like leading indicators of expected price changes in the upcoming NASS price. Daily trading is expected to shorten the lead time between CME cash market prices and the NASS survey based price to 1 week. In addition, there could be a different cash market price every trading day.

### Timely Information

Daily cash trading of cheese should help to provide more timely indicators of the industry's perception about short-term changes in the supply and demand for milk and cheese. Some analysts think that daily trading could reduce the dramatic swings in cheese prices sometimes experienced during the previous 1-day-per-week trading sessions. Buyers and sellers will now be able to make daily adjustments to their inventories as new market information is obtained, rather than having to wait for a single day to make inventory adjustments. ♦



## Mailbox Prices Reviewed

For the first 6 months of 1998, Order No. 2 mailbox prices averaged 9.3 percent higher than during the same period in 1997. Comparatively, Order No. 2 uniform prices averaged 8.2 percent higher. The accompanying table shows mailbox prices for January–June 1997 and 1998 along with average premiums and hauling and corresponding changes.

Mailbox prices represent what producers actually receive in their milk check. The mailbox price is calculated by adjusting the uniform price for butterfat and location differentials, adding premiums reported, and deducting marketing charges. Although mailbox prices closely follow the direction of uniform prices, they are affected by butterfat tests and differentials and changes in premiums, hauling, and other deductions.

During the first half of 1998, premiums averaged 19.1 percent higher than in 1997. Hauling charges and other deductions remained relatively unchanged. Butterfat tests averaged slightly less than in 1997, but the butterfat differential has averaged 57.5 percent higher in 1998.

These factors—increased fat value, higher premiums, and stronger uniform prices—have resulted in significantly higher mailbox prices for the first half of 1998. ♦

Month	1997	1998	1997–98 Change	
	dollars per hundredweight		percent	
January	12.59	14.05	1.46	11.6
February	12.67	14.32	1.65	13.0
March	13.03	14.04	1.01	7.8
April	12.78	13.59	0.81	6.3
May	12.38	12.79	0.41	3.3
June	11.72	13.34	1.62	13.8
Average	12.53	13.69	1.16	9.3
Premium	0.33	0.39	0.06	19.1
Hauling	0.32	0.32	0.00	0.3

## Milk Production Gains Slight Through August of 1998

Milk production figures reported by the National Agricultural Statistics Service (NASS) indicate that milk production in the 20 major dairy states, through the first 8 months of 1998, was only 0.6 percent (586 million pounds) greater than milk production from the same states and time period in 1997. As a point of reference, the volume of milk pooled under Order No. 2 during August was about 990 million pounds.

With the exception of 1996 when U.S. milk production for the first 8 months fell below the previous year's level—helping to bring on record high milk prices for the year—the 1998 increase is the smallest year-to-year increase during the past 5 years. In July 1998, milk production in the 20 major dairy states fell 0.8 percent below the July 1997 level. In August, milk production in the top 20 states was 0.4 percent below the previous year. July was the first month in 1998 that the current year's total monthly production was below the previous year's level for these states. The higher than expected blend prices being recorded this year are, in large part, a response to the tighter than anticipated U.S. milk supply and demand situation thus far in 1998.

### Regional Production

Reported production increases in Pennsylvania and Vermont have bucked the national trend through August of this year. From January through August, Pennsylvania's average monthly production was 3.4 percent above the production for the same period in 1997. Vermont's average increase was 2.9 percent, but New York's average increase was only 0.8 percent. The cumulative milk production through the first 8 months for California, the top milk producing state, was essentially flat. Idaho and New Mexico have experienced the largest production increases, recording average increases of 11.5 and 7.6 percent, respectively. During June, New Mexico reported an 11.5 percent increase in production above the 1997 level. This growth propelled New Mexico to the 10<sup>th</sup> largest producing state position, overtaking Ohio in June and August. New Mexico's growth has been fueled by an additional 14,000 milk cows in August 1998 (total of 217,000 milk cows) above August 1997 and a 50-pound per cow milk production increase to an average of 1,700 pounds. By comparison, New York had an increase of 3,000 cows (total of 701,000 milk cows) and an average per cow production increase of 30 pounds to 1,440 pounds during August 1998. ♦

### Plant Freight Zone Determined

The freight zone for the following plant location has been determined:

Londonderry, New Hampshire, in the 221–225 mile zone. ♦

## Fluid Promotion Order Amended

USDA announced that it amended the Fluid Milk Promotion Order effective September 3. The amendments modify membership status and term-of-office of National Fluid Milk Processor Promotion Board members. The changes include: allowing a fluid milk processor to have two members on the board, instead of one; allowing board members whose fluid milk processor company affiliation has changed to serve 60 days or until a successor is appointed, whichever is sooner; and allowing board members who fill vacancies with 18 months or less in the term to serve two additional 3-year terms.

Additional amendments permit the board to establish committees of persons other than board members and modify the intellectual property provision of the order (patents, copyrights, inventions, and publications) to allow joint ownership when joint funds are used to develop intellectual property.

The program is financed by a mandatory 20-cent per hundredweight assessment on all fluid milk processed and marketed in consumer-type packages by fluid milk processors in the 48 contiguous states and the District of Columbia.

Details of the amendments were published as a final rule in the September 2 *Federal Register*. Copies and additional information may be obtained from David R. Jamison, Promotion and Research Branch, Dairy Programs, AMS, USDA, 1400 Independence Ave., S.W., Stop 0233, Room 2734-S, Washington, DC 20250-0233, telephone (202) 720-6909. ♦

## Regional Industry Consolidations

Recently, there have been a number of company consolidations involving milk processing plants located in the Northeast. In August, Suiza Foods announced its purchase of Cumberland Farms, Inc.'s fluid milk business including the East Greenbush, NY, and Florence, NJ, processing plants. In addition, Suiza purchased Garelick Farms, Inc. of Franklin, MA; Fairdale Farms, Inc. of Bennington, VT; and Grants Dairy of Bangor, ME, in July 1997; and West Lynn Creamery, Inc. of Lynn, MA, in July 1998.

In February, Parmalat USA Corporation purchased Sunnydale Farms, Inc. of Brooklyn, NY. They also acquired Welsh Farms, Inc. of Long Valley, NJ, and Clinton Milk Company of Newark, NJ, in August.

Other changes include Dean Foods, Inc.'s purchase of Sani-Dairy, Inc. of Johnstown, PA, in January and Wengert's Dairy of Lebanon, PA, in February. Also, Upstate Milk Producers Cooperative, Inc. purchased Homestead Dairies, Inc. of Massena, NY, in May. Upstate closed the Homestead processing plant May 30, 1998. ♦

## Determination of Uniform Price of \$14.88 for August 1998

Per hundredweight of milk testing 3.5 percent butterfat received in bulk from farms in the 201-210 mile zone

TOTAL VALUE OF POOLED MILK							
Class	Milk pounds	Per cent	Minimum price	Value at minimum price	Transportation differential	Total value	Contribution per cwt of receipts
I-A	371,206,769	37.5	15.52	57,611,290.58	109,975.52	57,721,266.10	5.832
I-B	16,084,773	1.6	15.52	2,496,356.78	3,154.56	2,499,511.34	0.253
II	154,423,065	15.6	13.40	20,692,690.73	16,922.26	20,709,612.99	2.093
III	431,491,888	43.6	15.09	65,112,125.91	42,385.21	65,154,511.12	6.582
III-A	<u>16,527,232</u>	<u>1.7</u>	16.62	<u>2,746,825.97</u>	<u>2,410.88</u>	<u>2,749,236.85</u>	<u>0.278</u>
Reported receipts	989,733,727	100.0		148,659,289.97	174,848.43	148,834,138.40	15.038
Adjustments:	<u>Product pounds</u>		<u>Dollars*</u>				
Sec. .60(d)(1) III	987		2,482.75				
Total Sec. .60(d)(1)	987	987	2,482.75			2,482.75	0.000 #
Sec. .60(d)(6) I	1,724,134		12,536.67				
Sec. .60(d)(6) II	5,580,168		(78,122.35)				
Total Sec. .60(d)(2) thru (6)	7,304,302		(65,585.68)			65,585.68	(0.007)
Total adjustments	7,305,289		(63,102.93)				
Total pool milk classified	989,734,714						
Handlers must pay			(63,102.93)	148,659,289.97	174,848.43	148,771,035.47 **	15.031
<b>COMPUTATION OF UNIFORM PRICE</b>							
	<u>Milk pounds</u>			<u>Dollars</u>			<u>Dollars per cwt of receipts</u>
Total value of pooled milk				148,771,035.47			15.031
Less: Cooperative payments	635,954,216		254,381.68			0.026	
Reserve			793,156.06			0.080	
Transportation credit	989,733,727		1,484,600.59	(2,532,138.33)		0.150	(0.256)
Value of pooled milk less subtractions				146,238,897.14			14.775
Add: Freight adjustment to 201-210 mile zone			155,252.42			0.016	
Unreserved cash in producer settlement fund			878,229.02	1,033,481.44		0.089	0.105
Uniform Price	989,733,727			147,272,378.58			14.880

\* Includes transportation and other applicable differentials.

# Results from rounding.

\*\* In addition handlers must pay \$636,870.58 for butterfat in excess of 3.5 percent.

Note: The average butterfat test of milk delivered was 3.526264 percent. The butterfat differential was \$.245 for each one-tenth of one percent of butterfat.

## Comparative Price and Other Descriptive Statistics

	AUGUST 1997	JULY 1998	AUGUST 1998
Order No. 2			
Handlers (with producer milk)	38	32	32
Bulk Tank Units	101	97	94
Producers	10,409	9,718	9,691
Daily Deliveries Per Producer (pounds)	3,115	3,368	3,294
Price Factors, Monthly Averages (dollars)			
Basic Formula Price, 3.5% butterfat, per cwt	12.07	14.77	14.99
Cheddar Cheese, 40-lb blocks, per lb, NASS	1.3024	1.5656	1.6320
Butter, Grade A, per lb#	1.0132	1.9185	2.0830
Nonfat dry milk, Central States, per lb	1.0718	1.0297	1.0463
Uniform Prices (dollars per cwt, 3.5% butterfat)			
Order No. 1, Zone 1 (Boston)	12.98	13.86	15.72
Order No. 2, 1-10 mile Zone* (New York City)	13.09	14.40	15.75
Order No. 4, Philadelphia¶	12.76	13.56	15.39
Class I Utilization Percentage			
Order No. 1	45.6	53.2	46.3
Order No. 2	39.4	38.6	39.1
Order No. 4	48.1	43.4	45.6

# CME through May 1998; Grade A equivalent price effective June 26, 1998.

\* Includes 15-cent transportation credit.

¶ Includes 6-cent direct-delivery differential.

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# Bulletin

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Federal Order No. 2

New York-  
New Jersey  
Milk Marketing  
Area

Volume 58

September

1998

## More Milk Moves South

During the month of September, approximately 7 million pounds of milk pooled under Order No. 2 were shipped to processing plants in the southeastern United States. This equaled about 140 tanker loads of bulk milk. In August, nearly 6 million pounds were shipped to southern states.

Last September, 4.3 million pounds (about 86 tankers) were sent to southern states. During August and September 1996, 9.9 million and 7.2 million pounds, respectively, were shipped when the Southeast was experiencing an extreme shortfall. ♦

## September Butterfat Differential Sets Another Record

The butterfat differential for September was 32.5 cents per tenth of a point (0.1) of butterfat. This was the fourth consecutive month where a new "all-time high" differential was reached. The reason for the high differential is the record high Chicago Mercantile Exchange (CME) wholesale market butter price, which is used in the calculation of the butterfat differential. Before the run-up in butter prices this summer, the previous record-high butterfat differential was a considerably lower 18.2 cents per tenth of a point, set in the fall of 1984.

For an Order No. 2 producer with a September 1998 butterfat test similar to the marketwide average butterfat test of 3.571588 percent, the butterfat differential would have contributed 23.3 cents per hundredweight to the pay price. During September 1997, the Order No. 2 average test was a bit higher at 3.607331 percent, but the butterfat differential was much lower at 10.6 cents per tenth of a point. As a result, a producer with a herd butterfat test close to the market average test in September 1997 would have received 11.4 cents per hundredweight for butterfat, less than half of the September 1998 value.

### Prices Have Softened

Since reaching a peak of \$2.81 per pound on September 18, Grade AA wholesale butter prices on the Chicago Mercantile Exchange (CME) have declined 47.5 cents to \$2.3350 per pound as of October 16. While wholesale butter prices remain historically high, the October butterfat differential will likely fall below the September differential as a result of lower market prices. ♦

## September 1998 Pool Highlights

- The September 1998 uniform price equaled **\$15.98**, an increase of \$1.10 from last month and \$3.39 higher than last year. This was the highest uniform price ever under the Order.
- Class I and II prices were \$3.91 above last year's; Class III was \$2.31 higher. The Class III-A price was \$7.94 higher than last year's and added \$0.05 to the September uniform price.
- Producer receipts totaled 936.5 million pounds, a decrease of 3.1 percent from last year.
- Class I receipts totaled 418.8 million pounds, an increase of 0.7 percent from last year.
- Daily deliveries per producer (DDP) equaled 3,228 pounds, a year-to-year increase of 152 pounds (4.9 percent).
- The Order No. 2 average butterfat test was 3.571588 percent. Butterfat payments totaled \$2,178,923.72, an increase of 98.1 percent from last year. ♦

## Order No. 2 Prices and Utilization for September

	1997	1998	Percent change
<b>Prices*</b>			
	dollars per cwt		
Uniform	12.59	15.98	26.9
Class I	13.28	17.19	29.4
Class II	11.16	15.07	35.0
Class III	12.85	15.16	18.0
Class III-A	11.93	19.87	66.6
<b>Utilization</b>			
	million pounds		
Class I	415.8	418.8	0.7
Class II	152.2	147.2	(3.3)
Class III	376.3	359.4	(4.5)
Class III-A	22.5	11.1	(50.5)
Producer Receipts	966.8	936.5	(3.1)

\* For bulk milk testing 3.5 percent butterfat in the 201-210 mile zone.

## U.P. Forecasted to Increase

The uniform price **forecast** for **October 1998** is **\$16.30** per hundredweight of bulk milk testing 3.5 percent butterfat in the 201-210 mile zone. This is an estimate. ♦

## Consumer Price Index Comparison: Food and Dairy

The consumer price index (CPI) represents changes in prices of all goods and services purchased for consumption. It is the most widely used measure of inflation and serves as an economic indicator to policy makers.

### CPI Specifications

CPI data is provided by the Bureau of Labor Statistics. The CPI-U was used in this analysis. It represents the CPI for all urban consumers, which is considered the "Official CPI." The data used was not seasonally adjusted because annual averages were compared and are not affected by seasonality. The base period used is 1982–84; in other words, an average price for each category was calculated

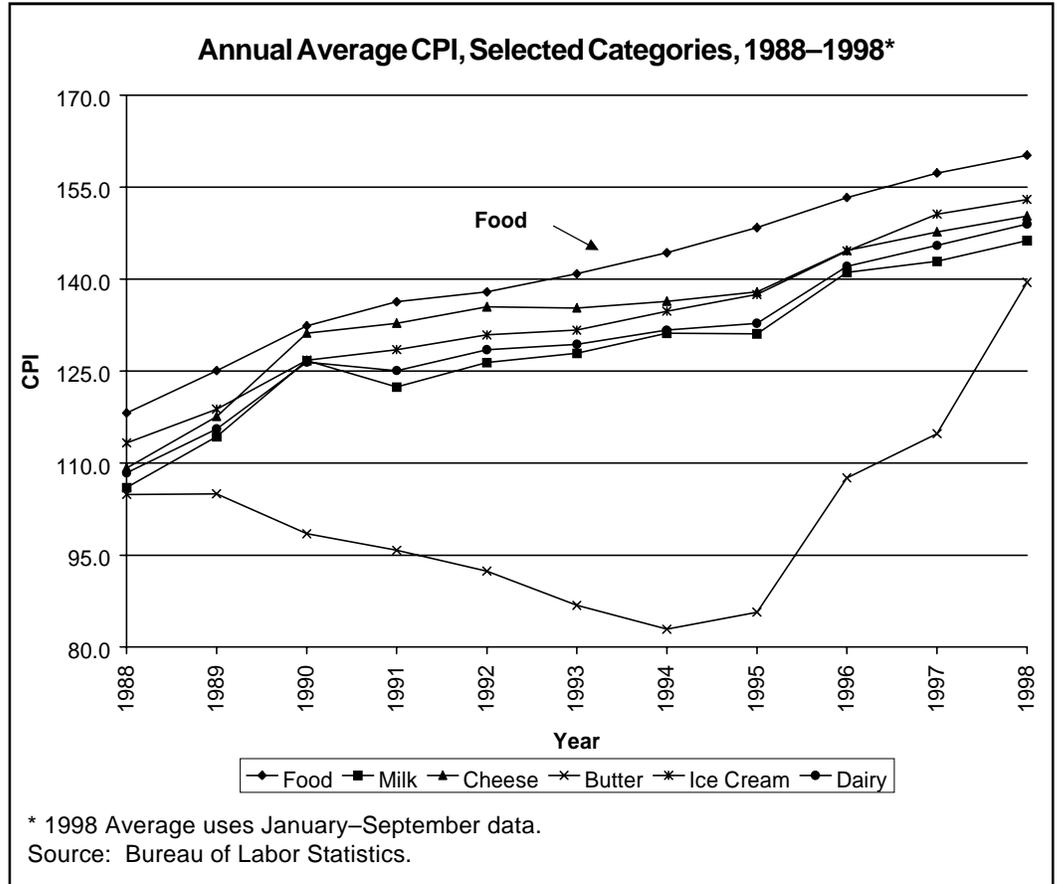
using all prices for the 36 months from 1982, 1983, and 1984. Then this average is set equal to 100. Changes in prices thereafter are compared to this base as greater or less than 100 (i.e., an index of 95 equals a 5 percent decrease from the base time-period).

### Dairy Prices Rise In-Step With Food Prices

Between 1988 and 1997, the consumer price index (CPI) for all dairy products rose at about the same rate compared to the CPI for all food. For the first 5 years of that period, much of the increase was fueled by the increase in cheese prices. During the second half of the 10-year period, cheese prices grew at a slower rate, while butter prices rose sharply beginning in 1996. The accompanying chart shows the annual average percentage CPI change for selected categories from 1988 to 1998. The table shows the percentage change in CPI for these same categories for certain years. For 1998 a 9-month average is used; all other years use 12-month averages.

### Most Dramatic Change: Butter

The average annual CPI for butter decreased each year from 1990 until 1994. Beginning in 1995, the demand for butter began increasing as did its price. From its low in 1994 to its current 1998 average, the butter CPI has increased 68.3 percent. The



CPI for ice cream has risen consistently over the past 10 years. Cheese prices rose dramatically in the late 1980s and then leveled around 1993; price increases were slower for the next 5 years, with the exception of 1996 when all dairy product prices increased. Fresh whole milk has had a couple of declines in average annual prices over the past 10 years. Overall, milk price increases have equaled cheese and have been slightly above both butter and ice cream.

Even though the CPIs for individual dairy products have changed at different rates, the combined dairy CPI has risen at about the same rate compared to all food. ♦

Years compared	Food	Milk	Cheese	Butter	Ice cream	Dairy
1988-1993	3.6	3.9	4.5	(3.7)	3.1	3.7
1988-1997	3.2	3.5	3.5	1.4	3.2	3.4
1988-1998	3.1	3.4	3.3	3.4	3.1	3.3
1993-1997	2.7	2.5	1.8	5.0	2.9	2.5
1993-1998	2.5	2.5	1.8	7.8	2.6	2.5

\* 1998 Average uses January–September data.  
Source: Bureau of Labor Statistics.

### Third Quarter Update: Receipts Down, Prices Up

For the July through September 1998 period, total producer milk receipts under Order No. 2 decreased 2.0 percent from the same period last year. Overall, producer milk receipts have increased 2.2 percent for the first 9 months of 1998. At mid-year, Order No. 2 milk receipts were 4.3 percent above 1997's. The accompanying table shows a comparison to 1997 for the January through September period.

Milk used for Class I was up 3.6 percent for the 9-month period. Class II usage was down, while Class III milk receipts were up. At mid-year, Class III-A usage was above the previous year's. Due to high prices in the third quarter, usage declined 45.7 percent from the same period in 1997, resulting in an overall decline of 9.7 percent for the first 9 months. Corresponding class utilization percentages have responded in a similar manner.

Class and uniform prices have been above last year's during each of the 9 months of 1998 except for March's Class III-A price which was \$0.11 less than in 1997. For the third quarter, Class I prices averaged 16.3 percent above last year's. Class II and III were 19.4 and 25.5 percent higher, respectively. Record-setting Class III-A prices averaged 44.8 percent over 1997's, and uniform prices averaged 21.7 percent greater than last year's. The 9-month average changes are shown in the table.

Daily milk deliveries per producer (DDP) posted an impressive 5.5 percent average gain for the January–September period. Producer numbers have declined 3.1 percent for the same period. ♦

<b>Order No. 2 Pool Statistics, January–September, 1997–98</b>			
<u>Pool statistic</u>	<u>1997</u>	<u>1998</u>	<u>1997–98 Change</u>
	<u>million pounds</u>		<u>percent</u>
Class I	3,457.3	3,582.8	3.6
Class II	1,433.3	1,367.6	(4.6)
Class III	3,685.0	3,847.0	4.4
Class III-A	279.5	252.2	(9.7)
Total Receipts*	8,855.1	9,049.7	2.2
	<u>pounds</u>		
DDP	3,160	3,334	5.5
	<u>utilization percentage</u>		<u>change</u>
Class I	39.0	39.6	0.6
Class II	16.2	15.1	(1.1)
Class III	41.6	42.5	0.9
Class III-A	3.2	2.8	(0.4)
	<u>dollars/cwt</u>		<u>percent</u>
Class I	13.93	15.35	10.2
Class II	11.81	13.23	12.0
Class III	11.71	13.34	13.9
Class III-A	12.02	14.62	21.6
Uniform	12.44	14.01	12.6

\* May not add due to rounding.

### Dairylea Holds Annual Meeting

Dairylea Cooperative Inc. held its 1998 annual meeting October 13–14, 1998. The cooperative announced the following officers and directors for the 1998–99 fiscal year:

President—Clyde E. Rutherford of Otego, NY

First Vice Pres.—Warren Beardsley of Fairport, NY

Second Vice Pres. and Secretary—Raymond J. Diebold of Altoona, PA

Treasurer—James L. Madigan of Towanda, PA

Asst. Treas.—Calvin Wood of DeRuyter, NY

Other directors include: William M. Beeman of Kingsley, PA; David Chamberlain of Wyoming, NY; Perry Dewey, Jr. of Clymer, NY; Glen Gasstrom of Ilion, NY; Raymond Johnson of Schaghticoke, NY; Edgar A. King of Schuylerville, NY; Arleigh Rice of Lowville, NY; and G. Douglas Young of Union Springs, NY. Serving as directors at large are Rich Baldwin of Waterville, NY; Arnold Dueppengiesser of Perry, NY; and James W. Hill of Otto, NY. ♦

### Changes Proposed to Promotion Order

On September 21 a proposal to amend the producer-funded Dairy Promotion and Research Order (Order) was published in the Federal Register. This proposal would modify the composition of the National Dairy Promotion and Research Board in order to best reflect the geographic distribution of milk production in the United States. The Order requires that regional representation be reviewed periodically and changed when necessary to reflect changes in milk production among the regions.

Specifically, it would add one seat to both Region 2 (California) and Region 3 (Arizona, Colorado, Idaho, Montana, Nevada, Utah, and Wyoming), and would remove one seat from both Region 6 (Wisconsin) and Region 7 (Illinois, Iowa, Missouri, and Nebraska).

The program is financed by a mandatory 15-cent per hundredweight assessment on all milk produced and marketed for commercial use. Comments were due October 5. ♦

### Glickman Creates Small Farms Office

As part of his continuing efforts to support small farms, Secretary Dan Glickman announced in early October his plans to create a Council on Small Farms and a new office at USDA that will deal specifically with small farm issues.

The new office will coordinate USDA agencies' responses to the recommendations of the Small Farms Commission and help to institutionalize the progress and interest in these issues. It will identify additional opportunities for USDA involvement in small farm issues and develop a strategic plan and an organizational structure to integrate a small farm emphasis into USDA policies and programs. ♦

## Determination of Uniform Price of \$15.98 for September 1998

Per hundredweight of milk testing 3.5 percent butterfat received in bulk from farms in the 201-210 mile zone

TOTAL VALUE OF POOLED MILK							
Class	Milk pounds	Per-cent	Minimum price	Value at minimum price	Transportation differential	Total value	Contribution per cwt of receipts
dollars							
I-A	397,474,442	42.4	17.19	68,325,856.61	102,711.22	68,428,567.83	7.306
I-B	21,341,494	2.3	17.19	3,668,602.81	2,624.40	3,671,227.21	0.392
II	147,230,673	15.7	15.07	22,187,662.43	14,332.29	22,201,994.72	2.371
III	359,363,857	38.4	15.16	54,479,560.72	33,429.46	54,512,990.18	5.820
III-A	<u>11,119,926</u>	<u>1.2</u>	<u>19.87</u>	<u>2,209,529.30</u>	<u>2,270.45</u>	<u>2,211,799.75</u>	<u>0.237</u>
Reported receipts	936,530,392	100.0		150,871,211.87	155,367.82	151,026,579.69	16.126
Adjustments:	<u>Product pounds</u>		<u>Dollars*</u>				
Sec. .60(d)(6) I	3,891,155		82,458.42				
Sec. .60(d)(6) II	3,517,599		(704.05)				
Total Sec. .60(d)(2) thru (6)	7,408,754		81,754.37			81,754.37	0.009
Total adjustments	7,408,754		81,754.37				
Total pool milk classified	936,530,392						
Handlers must pay			81,754.37	150,871,211.87	155,367.82	151,108,334.06	** 16.135
COMPUTATION OF UNIFORM PRICE							
	<u>Milk pounds</u>		<u>Dollars</u>		<u>Dollars per cwt of receipts</u>		
Total value of pooled milk				151,108,334.06			16.135
Less: Cooperative payments	607,481,127		242,992.45			0.026	
Reserve			781,553.49			0.083	
Transportation credit	936,530,392		1,404,795.58	<u>(2,429,341.52)</u>		<u>0.150</u>	<u>(0.259)</u>
Value of pooled milk less subtractions				148,678,992.54			15.876
Add: Freight adjustment to 201-210 mile zone			157,364.01			0.017	
Unreserved cash in producer settlement fund			<u>821,200.09</u>	<u>978,564.10</u>		<u>0.087</u>	<u>0.104</u>
Uniform Price	936,530,392			149,657,556.64			15.980

\* Includes transportation and other applicable differentials.

\*\* In addition handlers must pay \$2,178,923.72 for butterfat in excess of 3.5 percent.

Note: The average butterfat test of milk delivered was 3.571588 percent. The butterfat differential was \$.325 for each one-tenth of one percent of butterfat.

## Comparative Price and Other Descriptive Statistics

	SEPTEMBER 1997	AUGUST 1998	SEPTEMBER 1998
Order No. 2			
Handlers (with producer milk)	35	32	31
Bulk Tank Units	97	94	93
Producers	10,478	9,691	9,672
Daily Deliveries Per Producer (pounds)	3,076	3,294	3,228
Price Factors, Monthly Averages (dollars)			
Basic Formula Price, 3.5% butterfat, per cwt	12.79	14.99	15.10
Cheddar Cheese, 40-lb blocks, per lb, NASS	1.3782	1.6320	1.6556
Butter, Grade A, per lb#	1.0337	2.0830	2.6666
Nonfat dry milk, Central States, per lb	1.0711	1.0463	1.1007
Uniform Prices (dollars per cwt, 3.5% butterfat)			
Order No. 1, Zone 1 (Boston)	13.26	15.72	17.19
Order No. 2, 1-10 mile Zone* (New York City)	13.46	15.75	16.85
Order No. 4, Philadelphia¶	13.05	15.39	16.83
Class I Utilization Percentage			
Order No. 1	49.9	46.3	50.1
Order No. 2	43.0	39.1	44.7
Order No. 4	52.0	45.6	50.2

# CME through May 1998; Grade A equivalent price effective June 26, 1998.

\* Includes 15-cent transportation credit.

¶ Includes 6-cent direct-delivery differential.

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# Bulletin

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Federal Order No. 2

New York–  
New Jersey  
Milk Marketing  
Area

Volume 58

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## Federal Legislation Update

### Order Reform Deadline Extended

The fiscal year 1999 federal budget agreement (Omnibus Consolidated Emergency Supplemental Appropriations Bill) signed by the President on October 21, 1998, extended the deadline for completing federal milk marketing order reform. The Federal Agriculture Improvement and Reform Act (1996 Farm Bill) set April 4, 1999, as the date for completing order reform. The new implementation date is **October 1, 1999**, with a “final rule” to be submitted to Congress between February 1 and April 4, 1999. The Regulatory Flexibility Act requires 60 days for Congress to review major rules. The final rule will contain provisions for each suggested marketing order. Information about the final rule will be provided to producers to determine approval by a referendum vote.

Since the authorizing legislation for the Northeast Interstate Dairy Compact (Compact) is tied to the federal order reform implementation date, the Compact has also been extended until October 1, 1999.

### New Requirements

The budget agreement makes clear that under the federal milk order reform process, the state of California has from the date of the issuance of the final rule to Congress through September 30, 1999, to become a separate federal milk marketing order.

Another new requirement states that when the Secretary of Agriculture announces the basic formula price (BFP) used under federal milk marketing orders, the announcement must include an estimate of the costs incurred by milk producers to produce milk on a hundredweight basis. Total cash expenses and total economic costs will be reported for the United States and six subregions.”

### Underpayment Notices Issued

For the second quarter of 1998, \$27.89 in underpayments to producers resulted from incorrect transportation differentials involving one handler and one producer. No hauling underpayments were reported for this period. Handlers have been notified of their obligations.”

## October 1998 Pool Highlights

- The October 1998 uniform price equaled **\$16.47**, a new record-high under the order. This was an increase of \$0.49 from last month and \$3.10 higher than last year.
- Class III-A pricing added \$0.02 to the October uniform price.
- Producer milk receipts totaled 958.7 million pounds, a decrease of 2.5 percent from last year.
- Class I usage totaled 434.6 million pounds, an increase of 1.7 percent from last year and the largest volume of Class I since October 1973. Class I utilization was 45.4 percent, the highest since and equal to the November 1994 level.
- Daily deliveries per producer (DDP) equaled 3,215 pounds, a year-to-year increase of 6.0 percent.
- The Order No. 2 average butterfat test was 3.70905. Butterfat payments totaled a record-high \$5,471,629.70.”

### Order No. 2 Prices and Utilization for October

	1997	1998	Percent change
<b>Prices*</b>			
	dollars per cwt		
Uniform	13.37	16.47	23.2
Class I	14.49	17.41	20.2
Class II	12.37	15.29	23.6
Class III	12.89	16.10	24.9
Class III-A	13.56	18.19	34.1
<b>Utilization</b>			
	million pounds		
Class I	427.2	434.6	1.7
Class II	150.5	139.3	(7.4)
Class III	391.2	376.0	(3.9)
Class III-A	14.7	8.8	(40.2)
Producer Receipts	983.6	958.7	(2.5)

\* For bulk milk testing 3.5 percent butterfat in the 201-210 mile zone.

### U.P. Forecasted to Increase

The uniform price **forecast** for **November 1998** is **\$16.65** per hundredweight of bulk milk testing 3.5 percent butterfat in the 201-210 mile zone. This is an estimate.”

## In-Area Sales Continue to Decline; Only Skim and Flavored Show Increase

Total packaged fluid milk sales in the New York–New Jersey milk marketing area for the July–September 1998 period declined 2.0 percent from the same period in 1997 (see accompanying table). For the first 9 months of 1998, in-area sales are down 1.7 percent from last year.

Whole, reduced fat (2%), and lowfat (1%) milk sales decreased during the third quarter of 1998. Year-to-date sales for these products are down 2.8, 4.0, and 0.8 percent, respectively. Buttermilk sales were down for the July–September period, but were up 1.6 percent for the first 9 months of 1998.

The only products to experience increases during the third quarter of 1998 were skim milk and flavored milk/drinks. For the January–September period, sales in these categories have increased 3.6 and 1.7 percent, respectively. The flavored milk/drinks category is becoming predominantly lower fat. Its butterfat test has been decreasing steadily, averaging 1.76 percent for the January–September 1998 period, compared to 1.85 percent for the same period in 1997. As a percentage of the flavored category, lower fat products (reduced, lowfat, skim milk drinks) have grown to 85.4 percent, up from 82.5 percent for the comparable period in 1997.

On a market share basis, whole milk sales lost 0.6

percentage points and declined to 49.6 percent of all sales for the first 9 months of 1998. Reduced fat sales dropped 0.4 of a percentage point, while lowfat sales gained 0.1 of a percentage point. Their respective market shares were 17.4 and 13.8 percent. Skim's market share grew 0.8 percentage points to 14.8 percent of total sales. Flavored milk/drinks and buttermilk market shares were unchanged holding at 4.0 and 0.4 percent of the January–September in-area sales, respectively."

### Sales of Packaged Fluid Milk Products Inside the New York–New Jersey Marketing Area, July–September, 1997–98

Product	1997	1998*	Change
	million pounds		percent
Milk	526.8	510.1	(3.2)
Reduced	187.9	179.3	(4.6)
Lowfat	143.6	141.8	(1.2)
Skim	150.7	156.0	3.5
Flavored	32.6	33.8	3.8
Buttermilk	3.9	3.7	(4.1)
<b>Total</b>	<b>1,045.5</b>	<b>1,024.8</b>	<b>(2.0)</b>

\* Preliminary.

## USDA Schedules Training Sessions for Dairy Options Pilot Program (DOPP)

USDA's Risk Management Agency (RMA) has announced training sessions for dairy farmers, residing in the previously designated counties, who are interested in participating in the DOPP. Six counties in each of the Northeast states of New York, Pennsylvania, and Vermont were previously designated to participate in the program.

The DOPP, first announced last June by Agriculture Secretary Dan Glickman, is designed to help dairy farmers learn to manage price risks and lock in a minimum milk price using options on the basic formula price (BFP). As an incentive to encourage program participation, USDA will cover a portion of participants trading related transaction costs while in the program and also provide training on using BFP options. See May 1998 *Bulletin* for additional information.

### Training Required

Within the next week, dairy farmers in the designated counties will receive a packet of information from RMA with program details and a DOPP application. Eligible producers will be required to attend a training session in order to participate in the program. DOPP participation will be limited to 100 producers per county during this program round. RMA is requiring applications to be returned from interested producers

by December 11, 1998. The accompanying table includes dates for training sessions in New York and Pennsylvania.

Additional details on the time and location of the training sessions will be sent directly to participants. For further information, or if you are a producer in a designated county who has not received a DOPP information packet, contact your county Extension Service office."

### January 1999 DOPP Training Sessions

Day	Date	Pennsylvania Counties
Monday	4	Franklin
Tuesday	5	Lancaster
Wednesday	6	Berks
Thursday	7	Chester
Friday	8	Bradford
Saturday	9	Crawford
<b>New York Counties</b>		
Monday	11	Steuben
Tuesday	12	Chatauqua
Wednesday	13	Lewis
Thursday	14	Oneida
Friday	15	Jefferson
Saturday	16	St. Lawrence

## Northeast Outlook Conference Held

The 1998 Northeast Regional Dairy Outlook Conference was held November 10, 1998, at this office. The annual conference brings together economists and statisticians from Northeast market administrators' offices, state and federal agricultural statistical services, and university extension offices to review production and price statistics for the past year and develop projections for the upcoming year. The northeastern region includes New England (Connecticut, Massachusetts, New Hampshire, Rhode Island, and Vermont), New York, New Jersey, Pennsylvania, Maryland, and Delaware.

### Crop Situation

Most of the northeastern states experienced favorable weather this past spring and summer resulting in an improved crop situation compared to last year. Hay and corn yields were up and of good quality. Across the country there is some poor quality forage, especially hay and alfalfa, but feed costs remain exceptionally low.

### Production Estimates

The combination of 1998's high milk prices and low feed costs are expected to generate an increase in milk production in 1999. Expansion has reportedly been slow in 1998, as farmers have been cautious about spending after witnessing high prices in 1996 that plummeted the following year. Many have used this year's returns to pay down debt. Milk production per cow (MPC) has been somewhat disappointing; this could be partially due to farmers keeping on cows that would normally be culled if milk prices were lower. Replacement cow prices are quite high indicating that farmers are buying with the intent of increasing production.

Nationally, 1998 milk production is expected to finish 0.5 percent above last year with a decline of 0.7 percent in cow numbers and an increase of 1.2 percent in MPC. For 1999, U.S. production is projected to increase 1.8 percent with the same decline in cows, but with a 2.4 percent MPC increase. For the northeast region, 1998 milk production is estimated to be up 1.7 percent with a slight increase in cows and a 1.6 percent increase in MPC. In 1999, regional production is expected to increase only 0.6 percent with a decline in cow numbers of 0.6 percent and an increase in MPC of 1.3 percent.

Total producer milk receipts for the four federal milk marketing orders (New England, New York–New Jersey, Middle Atlantic, and Eastern Ohio–Western Pennsylvania) and the Western New York State order are expected to finish 0.9 percent higher in 1998 than last year. Projections for 1999 are up 1.2 percent. Total Class I usage for these areas is expected to finish 0.2 percent down in 1998 and another 0.4 percent down next year. Class II usage for 1998 is estimated to finish 4.3 percent higher than last year; 1999 usage is projected down 1.6 percent. Overall, Class III usage is expected to increase in 1998 and 1999.

Total Class III-A usage was down in the northeast orders in 1998, but is projected to increase next year.

### Price Forecasts

As a result of high milk prices and low feed costs, an increase in milk production appears inevitable. This increase in production is expected to drive prices downward in 1999. Annual average basic formula price (BFP) projections from conference participants range from \$0.25 to \$1.70 per hundredweight less than the 1998 estimated annual average. The simple average of participants' 1999 BFP projections yielded \$12.79 per hundredweight. Correspondingly, uniform prices are estimated to decrease 4.3 percent in 1999 with a simple average for the Northeast region of 14.19 per hundredweight. The Order No. 2 blend price forecast for 1999 is \$14.25 per hundredweight."

## USDA Holds Referendum on Fluid Milk Promotion Program

The U.S. Department of Agriculture conducted a referendum November 9–16, 1998, to determine whether fluid milk processors favor the continuation of the Fluid Milk Promotion Order. Under the Fluid Milk Promotion Act, handlers processing and marketing more than 500,000 pounds of fluid milk products during July 1998 were eligible to vote in the referendum. The National Fluid Milk Promotion Board, which administers the order, requested that a continuation referendum be conducted. The program is funded by a mandatory 20-cent per hundredweight assessment on processors whose monthly marketing exceeds 500,000 pounds of fluid milk products in consumer packages. The Fluid Milk Promotion Order funds the "milk mustache" advertising campaign."

## Orders in the News

### Nebraska–Western Iowa

USDA has issued a proposed suspension of rule regarding the Nebraska–Western Iowa Federal Milk Marketing Order (No. 65). The proposal would suspend 11 counties from the marketing area for the period beginning November 1, 1998, through December 31, 1999. The request was made by one dairy that contends the suspension is necessary for it to maintain its milk supply and remain competitive in selling fluid milk products in the marketing area. Comments were due by November 9, 1998.

### Upper Midwest

The Upper Midwest Federal Milk Marketing Order revised its shipping percentages and diversion limits for the month of November 1998. The shipping percentage was changed from 16.3 to 15.5 percent. Conversely, the diversion limit was changed from 83.7 to 84.5 percent. The revisions were needed to prevent unnecessary handling and/or uneconomic shipments of milk."

## Determination of Uniform Price of \$16.47 for October 1998

Per hundredweight of milk testing 3.5 percent butterfat received in bulk from farms in the 201-210 mile zone

TOTAL VALUE OF POOLED MILK							
Class	Milk pounds	Per-cent	Minimum price	Value at minimum price	Transportation differential	Total value	Contribution per cwt of receipts
dollars							
I-A	412,941,487	43.1	17.41	71,893,112.83	121,425.95	72,014,538.78	7.511
I-B	21,660,983	2.3	17.41	3,771,177.14	559.86	3,771,737.00	0.394
II	139,305,043	14.5	15.29	21,299,741.10	14,206.34	21,313,947.44	2.223
III	376,037,950	39.2	16.10	60,542,109.99	34,203.80	60,576,313.79	6.318
III-A	<u>8,801,046</u>	<u>0.9</u>	18.19	<u>1,600,910.27</u>	<u>1,706.46</u>	<u>1,602,616.73</u>	<u>0.167</u>
Reported receipts	958,746,509	100.0		159,107,051.33	172,102.41	159,279,153.74	16.613
Adjustments:	<u>Product pounds</u>		<u>Dollars*</u>				
Sec. .60(d)(6) I	5,348,283		120,709.08				
Sec. .60(d)(6) II	3,898,778		5,068.53				
Total Sec. .60(d)(2) thru (6)	9,247,061		125,777.61			125,777.61	0.013
Total adjustments	9,247,061		125,777.61				
Total pool milk classified	958,746,509						
Handlers must pay			125,777.61	159,107,051.33	172,102.41	159,404,931.35 **	16.626
COMPUTATION OF UNIFORM PRICE							
	<u>Milk pounds</u>		<u>Dollars</u>			<u>Dollars per cwt of receipts</u>	
Total value of pooled milk				159,404,931.35			16.626
Less: Cooperative payments	621,789,567		248,715.83			0.026	
Reserve			787,791.54			0.082	
Transportation credit	958,746,509		1,438,119.77	<u>(2,474,627.14)</u>		<u>0.150</u>	<u>(0.258)</u>
Value of pooled milk less subtractions				156,930,304.21			16.368
Add: Freight adjustment to 201-210 mile zone			149,115.10			0.016	
Unreserved cash in producer settlement fund			<u>826,130.72</u>	<u>975,245.82</u>		<u>0.086</u>	<u>0.102</u>
Uniform Price	958,746,509			157,905,550.03			16.470

\* Includes transportation and other applicable differentials.

\*\* In addition handlers must pay \$5,471,629.70 for butterfat in excess of 3.5 percent.

Note: The average butterfat test of milk delivered was 3.709050 percent. The butterfat differential was \$.273 for each one-tenth of one percent of butterfat.

## Comparative Price and Other Descriptive Statistics

	OCTOBER 1997	SEPTEMBER 1998	OCTOBER 1998
Order No. 2			
Handlers (with producer milk)	35	31	32
Bulk Tank Units	96	93	93
Producers	10,466	9,672	9,620
Daily Deliveries Per Producer (pounds)	3,032	3,228	3,215
Price Factors, Monthly Averages (dollars)			
Basic Formula Price, 3.5% butterfat, per cwt	12.83	15.10	16.04
Cheddar Cheese, 40-lb blocks, per lb, NASS	1.3835	1.6556	1.7534
Butter, Grade A, per lb#	1.3735	2.6666	2.3189
Nonfat dry milk, Central States, per lb	1.0691	1.1007	1.1180
Uniform Prices (dollars per cwt, 3.5% butterfat)			
Order No. 1, Zone 1 (Boston)	14.32	17.19	17.48
Order No. 2, 1-10 mile Zone* (New York City)	14.24	16.85	17.34
Order No. 4, Philadelphia¶	14.16	16.83	17.10
Class I Utilization Percentage			
Order No. 1	51.0	50.1	50.4
Order No. 2	43.4	44.7	45.4
Order No. 4	53.4	50.2	50.4

# CME through May 1998; Grade A equivalent price effective June 26, 1998.

\* Includes 15-cent transportation credit.

¶ Includes 6-cent direct-delivery differential.

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# Bulletin

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Federal Order No. 2

New York-  
New Jersey  
Milk Marketing  
Area

Volume 58

November

1998

## Northeast Compact Update

### New Rules Adopted

Eligible Northeast Interstate Dairy Compact producers recently approved changes to the Compact's over-order pricing regulations. On January 1, 1999, new regulations will place limits on the amount of milk that can be diverted or transferred from the region and remain eligible for Compact payments.

New rules will limit Compact payments to milk needed to serve the New England market. Monthly limits ranging from 8 percent to 13 percent of total producer milk receipts will allow New England plants to balance market needs throughout the year, but prevent additional milk from receiving Compact payments.

### Judicial Action

On November 2, 1998, the United States District Court for the District of Massachusetts issued a ruling in favor of the Compact Commission. Among the issues involved was the regulation of milk produced, processed, and packaged outside of New England, but sold in the Compact marketing area. The Court ruled that the Commission's pricing and pooling regulations were properly constructed and recognized by congressional consent.

### Hearings Held on Proposed Rule

The Northeast Dairy Compact Commission held three hearings in December 1998, to receive comment and testimony from interested parties. The issues involved relate to income distribution from the producer-settlement fund, supply management policies, organic milk, and the administrative assessment. One specific proposal would set a cap on the amount of milk, per producer, that would be eligible for receiving Compact payments."

### Under Payment Notices Issued

For the third quarter of 1998, \$63.66 in underpayments to producers resulted from incorrect transportation differentials involving two handlers and two producers. No hauling underpayments were reported for this period. Handlers have been notified of their obligations."

## November 1998 Pool Highlights

- The November 1998 uniform price equaled **\$16.78**, another record-high. This was an increase of \$0.31 from last month and \$2.92 higher than last year.
- Class I and II prices were \$2.31 above last year's; Class III was \$3.88 higher. The Class III-A price was higher than last year's, but considerably below previous months and the lowest class price in November. It reduced the blend price by \$0.02.
- Producer milk receipts totaled 916.8 million pounds, a decrease of 2.0 percent from last year.
- Class I usage totaled 406.6 million pounds, an increase of 0.6 percent from last year.
- Daily deliveries per producer (DDP) equaled 3,205 pounds, a year-to-year increase of 212 pounds (7.1 percent). This was the largest DDP increase this year."

### Order No. 2 Prices and Utilization for November

	1997	1998	Percent change
<b>Prices*</b>			
	dollars per cwt		
Uniform	13.86	16.78	21.1
Class I	15.21	17.52	15.2
Class II	13.09	15.40	17.6
Class III	13.02	16.90	29.8
Class III-A	14.07	14.93	6.1
<b>Utilization</b>			
	million pounds		
Class I	404.1	406.6	0.6
Class II	146.6	140.8	(4.0)
Class III	368.1	359.6	(2.3)
Class III-A	16.2	9.6	(40.5)
Producer Receipts#	935.1	916.8	(2.0)

\* For bulk milk testing 3.5 percent butterfat in the 201-210 mile zone.

# Totals do not add due to rounding.

### U.P. Forecasted to Increase

The uniform price **forecast** for **December 1998** is **\$17.43** per hundredweight of bulk milk testing 3.5 percent butterfat in the 201-210 mile zone. This is an estimate."

## CCC Purchases Summarized

During the 1998 marketing year (MY), October 1, 1997, to September 30, 1998, the Commodity Credit Corporation (CCC) purchased a total of 121.3 million pounds of nonfat dry milk (NFDM) under the dairy price support program. This amounts to 857.6 million pounds on a total solids milk equivalent basis. No butter or cheese was purchased during the year.

Under the support program, the CCC offers to buy cheese, butter, and NFDM at fixed prices. In addition, the CCC purchased dairy products for a variety of federal programs, but these purchases were at prevailing market prices.

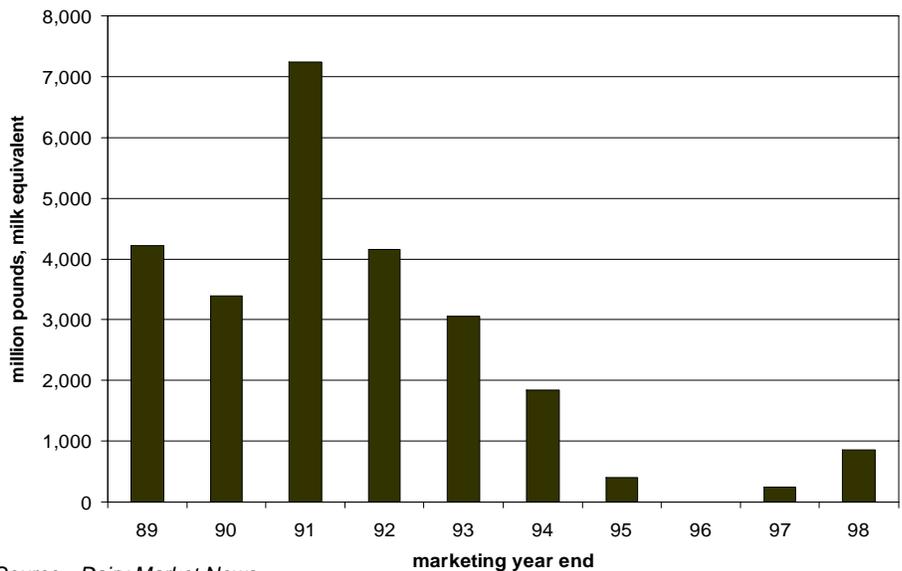
Last year, during the 1997 MY, the CCC purchased 1.9 million pounds of cheese and 31.9 million pounds of NFDM for a total of 244.1 million pounds on a total solids milk equivalent basis. Butter has not been purchased since March 1995. The accompanying chart shows CCC purchases on a total solids basis for the past 10 marketing years.

Under the Federal Agriculture Improvement and Reform Act of 1996 (FAIR Act), the milk price support program is authorized through December 31, 1999; however, the support price is gradually reduced in the interim years. Starting January 1, 1999, the support price will be \$9.90 per hundredweight for milk containing

3.67 percent butterfat.

Upon termination of the price support program, a recourse loan program for commercial processors of dairy products becomes effective January 1, 2000. The program will assist processors in managing inventories of eligible dairy products. The Secretary of Agriculture shall establish the amount of a loan, which shall reflect a milk equivalent value of \$9.90 per hundredweight of milk at a 3.67 percent butterfat test. The rate of interest charged under this section shall not be less than the rate of interest charged the CCC by the United States Treasury."

**CCC Purchases, Total Solids Basis, Marketing Years Ending 1989–1998**



Source: Dairy Market News.

## Dairy Promotion News

### Farmer Funded Promotion Order Amended

A final rule amending the Dairy Promotion and Research Order was issued October 26, 1998. The amendment modifies the number of members from geographic regions in order to best reflect the distribution of milk production volume in the United States. For more information on the changes, see the September *Bulletin*. The amended order was effective October 30, 1998.

### Processor Funded Promotion Continued

The USDA announced on December 4 that fluid milk processors voted to continue a national program for fluid milk promotion. A continuation referendum was conducted November 9–16, 1998.

USDA's Agricultural Marketing Service reported that 53.8 percent of processors voting favored continuation of the order. These processors represented 85.4 percent of fluid milk products processed and marketed by processors voting in the referendum.

Federal law requires that the program be continued if at least 50 percent of the processors voting approve it. In addition, those voting for approval must have collectively

processed and marketed commercially 60 percent or more of the fluid milk products marketed in the U.S. by referendum participants.

For more information, see the October issue of the *Bulletin*."

## Appeals Court Refuses to Hear Minnesota Case

On November 17, 1998, the United States Court of Appeals for the Eighth Circuit issued an Order denying a request for a rehearing of the case brought by the Minnesota Milk Producers Association contesting the Secretary's pricing of Class I milk. A three-judge panel of the Court issued a decision on August 13, 1998, upholding the Secretary (see the July *Bulletin*). The Minnesota group then petitioned the Court for a rehearing of the case with a suggestion for a rehearing before the full Court. The Court now has denied the suggestion for a rehearing. The only possibility of further action in this case would be an appeal to the United States Supreme Court."

## Mailbox Prices Compared

For the first 9 months of 1998, the Order No. 2 mailbox prices averaged \$14.02 per hundredweight, 13.5 percent higher than the 1997 average. Comparatively, Order No. 2 uniform prices averaged 8.2 percent higher during the same period. The accompanying table compares Order No. 2 mailbox and uniform prices for the January through September period.

As shown in the table, mailbox and uniform prices follow a similar pattern. Mailbox prices averaged \$0.41 per hundredweight (3.0 percent) higher than blend prices for the first 9 months of 1998. For the same period in 1997, mailbox prices averaged \$0.24 lower than blend prices. The reason for the difference is that butterfat tests and differentials and changes in premiums, hauling, and other deductions affect mailbox prices.

For the first 9 months of 1998, premiums averaged \$0.37 per hundredweight, compared to \$0.33 during the same period in 1997. Hauling remained at \$0.32 per hundredweight; other deductions increased by \$0.005 per hundredweight. Butterfat values probably had the greatest impact on mailbox prices. For the months compared, average butterfat tests varied by only .006 of a point, but the butterfat differential averaged 89.1 percent higher in 1998.

**Order No. 2 Uniform and Mailbox Prices,  
January–September, 1997–98**

Month	Uniform	Mailbox	Difference	Percent
	\$/cwt			
January	13.95	14.05	0.10	0.7
February	14.19	14.32	0.13	0.9
March	13.89	14.04	0.15	1.1
April	13.50	13.59	0.09	0.7
May	12.73	12.79	0.06	0.5
June	13.41	13.34	(0.07)	(0.5)
July	13.53	13.30	(0.23)	(1.7)
August	14.88	14.73	(0.15)	(1.0)
September	15.98	16.03	0.05	0.3
1998 9-month avg	13.61	14.02	0.41	3.0
1997 9-month avg	12.59	12.35	(0.24)	(1.9)

For the January–September 1998 period, mailbox prices averaged \$14.27 in New England (Order No. 1), \$14.26 in Middle Atlantic (Order No. 4), \$14.47 in Chicago Regional (Order No. 30), and \$14.31 in Upper Midwest (Order No. 68)."

## Dairy Product Price Changes

Wholesale dairy product prices continue to show volatility. In recent weeks, Grade AA butter prices at the Chicago Mercantile Exchange (CME) dipped sharply, rebounded, dropped, and then rose again. Cash prices for 40-pound block Cheddar cheese trading at the CME have reached all-time record highs.

Weekly Grade AA butter trading on the spot cash market at the CME peaked at an all-time record high of \$2.8100 per pound on September 18, 1998. Since then, the price dropped to \$1.2175 per pound on November 25, 1998; then increased the following week to \$1.4125 per pound; dipped the following week to \$1.3950 per pound; and rose to \$1.4700 per pound on December 18, 1998.

Daily spot market cash trading of Cheddar cheese began September 1, 1998, at the Chicago Mercantile Exchange. On September 11, 1998, the daily CME 40-lb block Cheddar price passed the previous record level of \$1.6950 per pound set in weekly trading at the National Cheese Exchange during September 6 through October 11, 1996. It continued rising and since December 9, 1998, 40-lb block Cheddar cheese trading at the CME has held at \$1.9000 per pound.

### Future Prices Insight

Wholesale dairy product prices can serve as a "leading indicator" for future class price changes and, subsequently, uniform price levels. Wholesale dairy product prices measured by National Agricultural Statistics Service (NASS) sales surveys are factors in the Basic Formula Price (BFP) calculation used to determine class prices

under federal milk marketing orders. Although CME cheese prices are not used in calculating federal order prices, there is a strong relationship between CME prices and NASS cheese price survey information. (See the March and August 1998 issues of the *Bulletin*.)

Since CME prices are reported daily, dairy industry analysts watch CME cheese prices closely to predict future changes in class prices and uniform prices under federal milk marketing orders. Record high CME cheese prices have driven class and uniform prices to record high levels. Futures market price observations at the CME settled on December 17, 1998, with December delivery BFP contracts at \$17.22 per hundredweight and December delivery Cheddar cheese at \$1.8325 per pound. Since a significant portion of cheese values are derived from the butterfat value in cheese, the recent drop in wholesale butter prices is another indicator that lower wholesale cheese prices may be coming."

## USDA Issues Disaster Relief Funds

USDA has disbursed nearly \$10 million in payments to eligible dairy producers under the Dairy Production Disaster Assistance Program. These payments were made to producers who dumped milk or suffered diminished milk production because of natural disasters occurring from November 27, 1997, through May 1, 1998, in counties with an approved Presidential or Secretarial disaster designation. Several counties in New York State were included."

## Determination of Uniform Price of \$16.78 for November 1998

Per hundredweight of milk testing 3.5 percent butterfat received in bulk from farms in the 201-210 mile zone

TOTAL VALUE OF POOLED MILK							
Class	Milk pounds	Per-cent	Minimum price	Value at minimum price	Transportation differential	Total value	Contribution per cwt of receipts
					dollars		
I-A	388,148,291	42.3	17.52	68,003,580.54	104,528.75	68,108,109.29	7.429
I-B	18,474,086	2.0	17.52	3,236,659.88	6,678.35	3,243,338.23	0.354
II	140,840,769	15.4	15.40	21,689,478.38	14,138.90	21,703,617.28	2.368
III	359,648,794	39.2	16.90	60,780,646.21	34,544.36	60,815,190.57	6.633
III-A	<u>9,646,312</u>	<u>1.1</u>	14.93	<u>1,440,194.38</u>	<u>2,474.84</u>	<u>1,442,669.22</u>	<u>0.158</u>
Reported receipts	916,758,252	100.0		155,150,559.39	162,365.20	155,312,924.59	16.942
Adjustments:	<u>Product pounds</u>			<u>Dollars*</u>			
Sec. .60(d)(6) I	3,459,539			49,377.88			
Sec. .60(d)(6) II	3,524,273			(24,669.92)			
Total Sec. .60(d)(2) thru (6)	6,983,812			24,707.96		24,707.96	0.002
Total adjustments	6,983,812			24,707.96			
Total pool milk classified	916,758,252						
Handlers must pay			24,707.96	155,150,559.39	162,365.20	155,337,632.55 **	16.944
<b>COMPUTATION OF UNIFORM PRICE</b>							
	<u>Milk pounds</u>			<u>Dollars</u>		<u>Dollars per cwt of receipts</u>	
Total value of pooled milk				155,337,632.55		16.944	
Less: Cooperative payments	593,375,828			237,350.34		0.026	
Reserve				778,028.58		0.085	
Transportation credit	916,758,252			1,375,137.39	<u>(2,390,516.31)</u>	<u>0.150</u>	<u>(0.261)</u>
Value of pooled milk less subtractions				152,947,116.24		16.683	
Add: Freight adjustment to 201-210 mile zone				117,968.40		0.013	
Unreserved cash in producer settlement fund				<u>766,950.05</u>	<u>884,918.45</u>	<u>0.084</u>	<u>0.097</u>
Uniform Price	916,758,252			153,832,034.69		16.780	

\* Includes transportation and other applicable differentials.

\*\* In addition handlers must pay \$4,627,876.73 for butterfat in excess of 3.5 percent.

Note: The average butterfat test of milk delivered was 3.783601 percent. The butterfat differential was \$.178 for each one-tenth of one percent of butterfat.

## Comparative Price and Other Descriptive Statistics

	NOVEMBER 1997	OCTOBER 1998	NOVEMBER 1998
Order No. 2			
Handlers (with producer milk)	36	32	31
Bulk Tank Units	98	93	92
Producers	10,414	9,620	9,536
Daily Deliveries Per Producer (pounds)	2,993	3,215	3,205
Price Factors, Monthly Averages (dollars)			
Basic Formula Price, 3.5% butterfat, per cwt	12.96	16.04	16.84
Cheddar Cheese, 40-lb blocks, per lb, NASS	1.3852	1.7534	1.8317
Butter, Grade A, per lb#	1.4842	2.3189	1.6547
Nonfat dry milk, Central States, per lb	1.0713	1.1180	1.1250
Uniform Prices (dollars per cwt, 3.5% butterfat)			
Order No. 1, Zone 1 (Boston)	14.82	17.48	17.39
Order No. 2, 1-10 mile Zone* (New York City)	14.73	17.34	17.65
Order No. 4, Philadelphia¶	14.68	17.10	17.17
Class I Utilization Percentage			
Order No. 1	49.0	50.4	47.7
Order No. 2	43.2	45.4	44.3
Order No. 4	49.1	50.4	45.8

# CME through May 1998; Grade A equivalent price effective June 26, 1998.

\* Includes 15-cent transportation credit.

¶ Includes 6-cent direct-delivery differential.

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# The Market Administrator's Bulletin

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Federal Order No. 2

New York–  
New Jersey  
Milk Marketing  
Area

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## Cheese Prices Update

Wholesale cheese prices at the Chicago Mercantile Exchange (CME) dropped sharply during the first part of January 1999. Cash prices for 40-pound block Cheddar cheese trading at the CME began the new year at an all-time record high of \$1.90 per pound. By January 20, 1999, trading prices had dropped to \$1.25 per pound.

Cash cheese market trading sessions were previously held once per week at the National Cheese Exchange (NCE) and beginning May 1, 1997, at the CME. Since September 1, 1998, cash cheese markets operate daily at the CME. The 40-pound block Cheddar cash cheese price dive of \$0.65 per pound over a 3-week period in January 1999 has never occurred before in cash market trading. The previous 3-week record decrease was in October 1996 when prices fell from \$1.6950 to \$1.3975 at the NCE. Prices subsequently ended 1996 at \$1.1875, a cumulative drop of \$0.5075 over an 11-week period."

## National Dairy Board Appointments

Secretary of Agriculture Dan Glickman has announced the appointment of eight incumbents and four new members to the National Dairy Promotion and Research Board. The board administers a coordinated program of promotion, research, and nutrition education funded by the mandatory 15-cent per hundredweight processor assessment.

All appointees will serve 3-year terms beginning January 26. Jane M. Gillette of Turin, NY, has been reappointed to serve region 12. Paul R. Kirsch of Varysburg, NY, also represents region 12. His term expires in December 2000. The board is composed of 36 dairy farmers representing 13 regions of the contiguous United States."

## Administrative Assessment Decreases

Effective January 1, 1999, the rate of assessment for the expense of administration of the order shall be 3.0 cents per hundredweight of pool milk.

Each handler pays the administrative assessment as its pro rata share of the expense of administration of the New York–New Jersey milk marketing order. The assessment is levied on the total quantity of pool milk and other source milk pursuant to Section 1002.85 of the order.

This change is a 0.25 cent decrease from the 3.25 cent assessment effective during 1998."

## December 1998 Pool Highlights

- The December 1998 uniform price equaled **\$17.45**, the fourth consecutive record high. This was an increase of \$0.67 from last month and \$3.50 higher than last year.
- Class I and II prices were \$3.21 above last year's; Class III was \$4.05 higher. Even though the Class III-A price was higher than last year's, the combination of the highest volume and lowest price since April reduced the blend price by \$0.14.
- Producer milk receipts totaled 979.6 million pounds, a decrease of 1.9 percent from last year.
- Class I usage totaled 420.7 million pounds, a decrease of 1.2 percent from last year.
- Daily deliveries per producer (DDP) equaled 3,341 pounds, a year-to-year increase of 235 pounds (7.6 percent). This was the largest DDP increase this year."

## Order No. 2 Prices and Utilization for December

	1997	1998	Percent change
<b>Prices*</b>			
	dollars per cwt		
Uniform	13.95	17.45	25.1
Class I	15.25	18.46	21.0
Class II	13.13	16.34	24.4
Class III	13.35	17.40	30.3
Class III-A	12.52	13.54	8.1
<b>Utilization</b>			
	million pounds		
Class I	425.8	420.7	(1.2)
Class II	147.1	134.1	(8.9)
Class III	391.9	389.8	(0.5)
Class III-A	33.6	35.0	4.3
Producer Receipts	998.4	979.6	(1.9)

\* For bulk milk testing 3.5 percent butterfat in the 201-210 mile zone.

## U.P. Forecasted to Decrease

The uniform price **forecast** for **January 1999** is **\$16.96** per hundredweight of bulk milk testing 3.5 percent butterfat in the 201-210 mile zone. This is an estimate."

## 1998 Order No. 2 Statistics Summarized

Record-high prices marked the last 4 months of 1998 that finished with an annual average uniform price of \$14.73 per hundredweight. This was \$0.32 higher than the last record-setting price, the 1996 average. Total producer milk receipts finished 1.1 percent above 1997, not as strong as originally forecasted. Lower production throughout the nation resulted in less cheese production and butter shortages that helped bolster prices through the second half of 1998. The accompanying table shows a comparison of receipts, utilization, and prices for Order No. 2 for the 1997–98 period.

### DDP Growth Remains Strong

Annual average daily deliveries per producer (DDP) increased 183 pounds (5.8 percent) from 1997. Most of the gain is attributable to the change in farm structure within the order. The average number of producers declined by 455 (4.4 percent) from last year. With an increase in milk receipts of 1.1 percent and an overall decline in producers, those producers remaining have increased their production by adding cows and improving milk production per cow.

### Changes in Class Utilization

Milk used for Class I purposes (fluid drinking milk) grew 2.8 percent in 1998 increasing utilization by 0.7 percentage points. Class II usage declined 5.1 percent; utilization dropped 0.9 percentage points. Milk used in Class III increased 2.9 percent, up 0.7 percentage points. Class III-A usage dropped 11.5 percent, down 0.3 percentage points.

### Prices Set Records

The Order No. 2 uniform price averaged \$14.73 per hundredweight, up \$1.97 (15.4 percent) from last year. The last 4 months finished with consecutive record-setting highs. Both Class III and III-A annual average prices were

## CCC Support Price Announced

The USDA announced that the support price for milk with an annual average milkfat content of 3.67 percent will be \$9.90 per hundredweight during 1999. This is a reduction of \$0.15 per hundredweight from the previous support level and is required by the 1996 Farm Bill.

In order to carry out the new support level, USDA will decrease the price it pays for nonfat dry milk by 1.8 cents per pound to \$1.0100 and decrease the price for block Cheddar and barrel cheese by 1.5 cents per pound to \$1.1000 and \$1.0700 per pound, respectively. The purchase price for butter will remain at \$0.6500 per pound.

The accompanying table shows the previous and current year support prices. For comparison purposes, the recent (January 15, 1999) wholesale market prices for these commodities are provided."

### Order No. 2 Pool Statistics, Annual 1997–98

Pool statistic	1997	1998	1997–98
	million pounds		Change
			percent
Class I	4,714.5	4,844.7	2.8
Class II	1,877.6	1,781.8	(5.1)
Class III	4,834.6	4,972.6	2.9
Class III-A	345.6	305.7	(11.5)
Total Receipts	11,772.3	11,904.8	1.1
	pounds		
DDP	3,131	3,314	5.8
	utilization percentage		change
Class I	40.0	40.7	0.7
Class II	15.9	15.0	(0.9)
Class III	41.1	41.8	0.7
Class III-A	2.9	2.6	(0.3)
	dollars/cwt		percent
Class I	14.19	15.96	12.5
Class II	12.07	13.84	14.7
Class III	12.05	14.21	17.9
Class III-A	12.36	14.86	20.2
Uniform	12.76	14.73	15.4

the highest on record. Disappointing milk production in many of the major milk-producing states, coupled with low cheese inventories, drove milk prices up mid-year and kept them suspended throughout the end of 1998.

Low milk production resulted in decreased supplies of butterfat. This, combined with lower inventories of butter in recent years, resulted in record-high butter prices. The butterfat differential reflected the high butter prices and set its own record (see related article in this issue of the *Bulletin*.)"

### Dairy Product Prices—CCC Purchase and Market

Product	CCC purchase price		
	Previous	Current*	Market**
	dollars per pound		
NFDM	1.0280	1.0100	1.0590
spray extra grade nonfortified, 25-kg bags			
Cheese			
Block Cheddar	1.1150	1.1000	1.6275
Grade A, 40-lb			
Barrel	1.0850	1.0700	1.5160
Extra grade, 500-lb			
Butter	0.6500	0.6500	1.4300
Grade A, 25-kg blocks			

\* Effective January 1, 1999.

\*\* NFDM: western states low/medium heat, midpoint, 1/14/99.

Cheese: Chicago Merc. Exch., weekly averages, 1/15/99.

Butter: Chicago Merc. Exch., weekly average, 1/15/99.

## 1998 Butterfat Tests Lower than Average; Differential Higher

Marketwide average butterfat tests for producers pooled under Order No. 2 during 1998 were generally lower than an average of Order No. 2 butterfat tests for the previous 10 years. The accompanying chart presents monthly Order No. 2 marketwide average butterfat tests for 1998 together with an average of marketwide butterfat tests for the prior 10 years (solid lines on chart). In addition, butterfat differentials for 1998 along with an average of monthly butterfat differentials for the past 10 years are presented (dashed lines on chart).

### Butterfat Test Average Lower

Marketwide average butterfat tests for Order No. 2 during 1998 were lower than the previous 10-year average for every month except June and November. Tests during 1998 averaged 0.018840 percentage points below the 10-year average, with a range of 0.009555 above in November to 0.048989 below in September. The April, May, and September 1998 tests were the lowest tests for those respective months for the years 1988 through 1998.

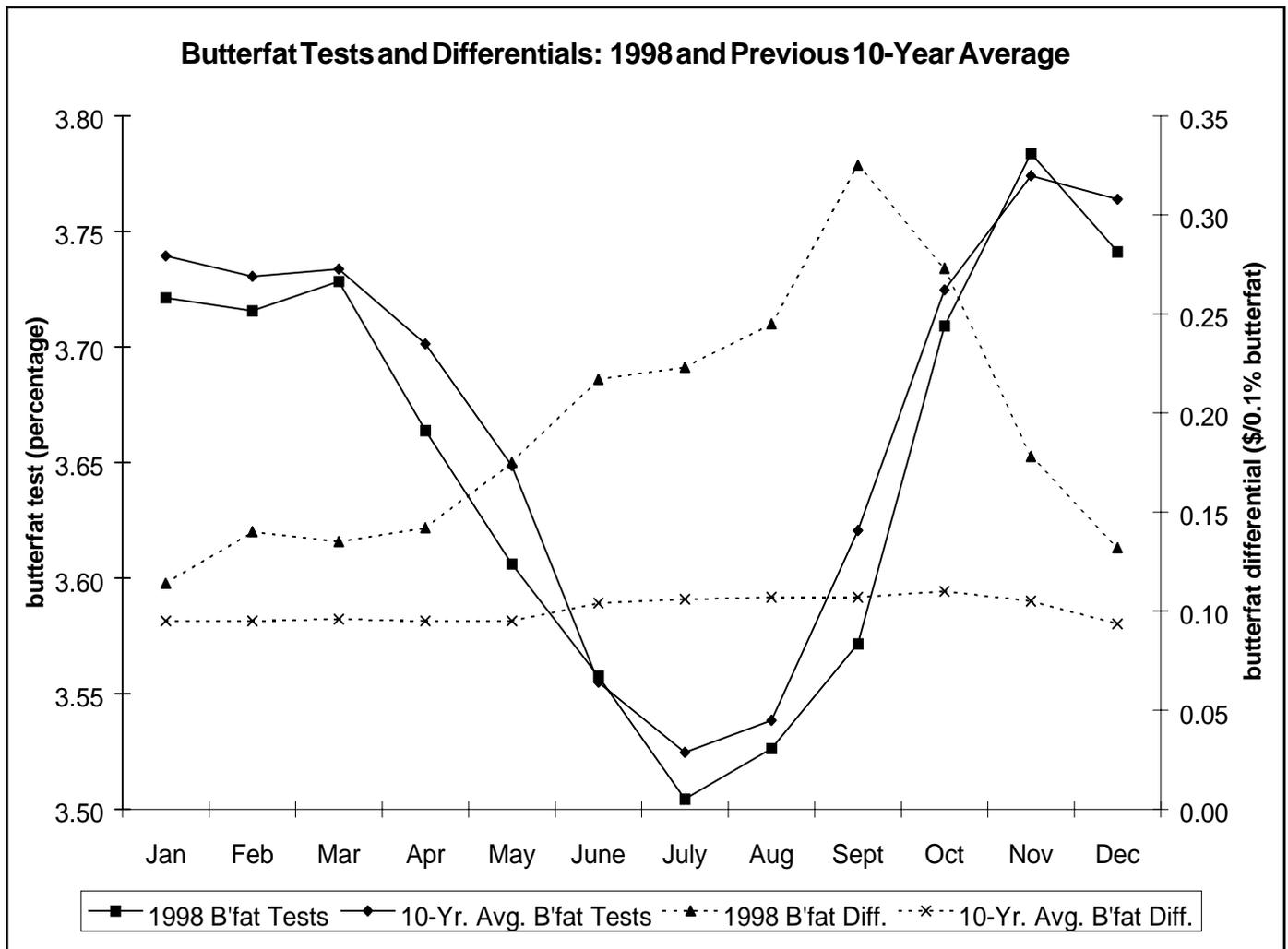
### Butterfat Differential Averages Higher

The butterfat differential, which is used to adjust producer pay prices for butterfat content above or below the 3.5

percent pricing standard, reached record levels in 1998 as wholesale market butter prices reached record highs. The monthly butterfat differentials for June, July, August, and September set consecutive all-time record highs. The October differential, slightly below the September differential, was the second highest differential ever. Because of the record-high differentials during the summer and fall, average butterfat differentials in 1998 were nearly twice the level of average differentials during the previous 10 years.

### Near-Record Butterfat Payments

Even though many producers had lower butterfat tests, those with tests above 3.5 percent received some substantial premiums due to the record-high differentials in 1998 that averaged \$0.192 per hundredweight. Total butterfat payments paid to producers pooled under Order No. 2 in 1998 totaled nearly \$30.4 million, up 43.8 percent from last year. This was the second largest annual payment for butterfat under the Order. During 1989, \$31.4 million was paid to producers for butterfat values exceeding 3.5 percent. The average differential in 1989 was only \$0.147 per hundredweight, but higher tests and more pooled milk contributed to the record butterfat payment.



## Determination of Uniform Price of \$17.45 for December 1998

Per hundredweight of milk testing 3.5 percent butterfat received in bulk from farms in the 201-210 mile zone

TOTAL VALUE OF POOLED MILK							
Class	Milk pounds	Per cent	Minimum price	Value at minimum price	Transportation differential	Total value	Contribution per cwt of receipts
dollars							
I-A	405,522,334	41.4	18.46	74,859,422.89	139,315.31	74,998,738.20	7.657
I-B	15,133,077	1.5	18.46	2,793,566.00	(1,837.03)	2,791,728.97	0.285
II	134,077,029	13.7	16.34	21,908,186.59	14,454.68	21,922,641.27	2.238
III	389,825,240	39.8	17.40	67,829,591.75	34,539.36	67,864,131.11	6.927
III-A	<u>35,012,351</u>	<u>3.6</u>	13.54	<u>4,740,672.32</u>	<u>5,224.65</u>	<u>4,745,896.97</u>	<u>0.485</u>
Reported receipts	979,570,031	100.0		172,131,439.55	191,696.97	172,323,136.52	17.592
Adjustments:	<u>Product pounds</u>		<u>Dollars*</u>				
Sec. .60(d)(1)III	236,511		30,226.11				
Total Sec. .60(d)(1)	236,511	236,511	30,226.11			30,226.11	0.003
Sec. .60(d)(6) I	4,590,152		117,575.59				
Sec. .60(d)(6) II	7,385,388		(41,358.19)				
Total Sec. .60(d)(2) thru (6)	11,975,540		76,217.40			76,217.40	0.008
Total adjustments	12,212,051		106,443.51				
Total pool milk classified	979,806,542						
Handlers must pay			106,443.51	172,131,439.55	191,696.97	172,429,580.03	** 17.603
COMPUTATION OF UNIFORM PRICE							
	<u>Milk pounds</u>		<u>Dollars</u>			<u>Dollars per cwt of receipts</u>	
Total value of pooled milk				172,429,580.03			17.603
Less: Cooperative payments	632,606,136		253,042.45			0.026	
Reserve			795,008.85			0.081	
Transportation credit	979,570,031		1,469,355.05	<u>(2,517,406.35)</u>		<u>0.150</u>	<u>(0.257)</u>
Value of pooled milk less subtractions				169,912,173.68			17.346
Add: Freight adjustment to 201-210 mile zone			136,508.62			0.014	
Unreserved cash in producer settlement fund			<u>886,288.11</u>	<u>1,022,796.73</u>		<u>0.090</u>	<u>0.104</u>
Uniform Price	979,570,031			170,934,970.41			17.450

\* Includes transportation and other applicable differentials.

\*\* In addition handlers must pay \$3,117,134.88 for butterfat in excess of 3.5 percent.

Note: The average butterfat test of milk delivered was 3.741072 percent. The butterfat differential was \$.132 for each one-tenth of one percent of butterfat.

## Comparative Price and Other Descriptive Statistics

	DECEMBER 1997	NOVEMBER 1998	DECEMBER 1998
Order No. 2			
Handlers (with producer milk)	36	31	31
Bulk Tank Units	97	92	93
Producers	10,369	9,536	9,458
Daily Deliveries Per Producer (pounds)	3,106	3,205	3,341
Price Factors, Monthly Averages (dollars)			
Basic Formula Price, 3.5% butterfat, per cwt	13.29	16.84	17.34
Cheddar Cheese, 40-lb blocks, per lb, NASS	1.4163	1.8317	1.8707
Butter, Grade A, per lb#	1.1697	1.6547	1.3231
Nonfat dry milk, Central States, per lb	1.0740	1.1250	1.1490
Uniform Prices (dollars per cwt, 3.5% butterfat)			
Order No. 1, Zone 1 (Boston)	14.78	17.39	17.90
Order No. 2, 1-10 mile Zone* (New York City)	14.82	17.65	18.32
Order No. 4, Philadelphia¶	14.47	17.17	17.41
Class I Utilization Percentage			
Order No. 1	48.7	47.7	46.4
Order No. 2	42.5	44.3	42.9
Order No. 4	46.4	45.8	43.6

# CME through May 1998; Grade A equivalent price effective June 26, 1998.

\* Includes 15-cent transportation credit.

¶ Includes 6-cent direct-delivery differential.

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# The Market Administrator's Bulletin

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Federal Order No. 2

New York–  
New Jersey  
Milk Marketing  
Area

Volume 59

January

1999

## January Cheese Price Drop Will Appear In Coming Months' Blend Prices

The record decline in wholesale cheese prices during January will be partially reflected in the February and March uniform prices, but the full impact will not be felt until the April uniform price announced in May. As reported in last month's *Bulletin*, cash prices for 40-pound block Cheddar traded on the Chicago Mercantile Exchange (CME) started 1999 at a record high of \$1.90 per pound. By January 20 the CME price had dropped to \$1.25 per pound. Since then prices on the CME have rebounded 8 cents, closing at \$1.33 on February 12. Although it is cheese prices from the weekly National Agricultural Statistics Service (NASS) plant survey, and not CME cheese prices, that are used in calculating federal order prices, the two price series track each other with CME prices generally leading NASS prices.

### Advance Pricing in Federal Orders

Under federal orders, prices for Class I and II milk are announced 2 months in advance when the Basic Formula Price (BFP) for the previous month is announced. For instance, on February 5, the BFP for January was announced along with Class I and II prices for March. The Class I and II prices for February were announced on January 5, when the December BFP was announced. The blend (or uniform price), the relevant price for producers, is a weighted average price of the total pounds of milk pooled in each class multiplied by the appropriate Class price along with some additional adjustments. The back page of this *Bulletin* details the determination of the January uniform price.

The BFP plus a seasonal adjustment equals the Class III price. The formula used to calculate the BFP incorporates current market dynamics. Changes in wholesale cheese prices and other dairy products that are included in the BFP calculation, therefore, quickly become reflected in the Class III price. The February BFP, to be announced March 5, will reflect the change in wholesale product prices from January to February.

### Class I and II Prices Delay Impact

On average, about 55 percent of the total milk pooled monthly in Order 2 is utilized in Class I and II. The Class I and II prices for February (\$19.76 and \$17.64 (continued on page 2)

## January 1999 Pool Highlights

- The January 1999 uniform price equaled **\$17.40**, the first month-to-month decrease since May 1998. This price was \$0.05 lower than last month's and \$3.45 higher than January 1998's.
- Class I and II prices were \$3.88 above last year's; Class III was \$3.02 higher. The Class III-A price was \$1.08 higher than last year's.
- Producer milk receipts totaled 987.7 million pounds, a decrease of 2.4 percent from last year.
- Class I usage totaled 410.7 million pounds, a decrease of 1.6 percent from last year.
- Daily deliveries per producer (DDP) equaled 3,384 pounds, a year-to-year increase of 215 pounds (6.8 percent)."

## Order No. 2 Prices and Utilization for January

Prices*	1998	1999	Percent change
	dollars per cwt		
Uniform	13.95	17.40	24.7
Class I	15.38	19.26	25.2
Class II	13.26	17.14	29.3
Class III	13.28	16.30	22.7
Class III-A	12.07	13.15	8.9
Utilization	million pounds		
Class I	417.3	410.7	(1.6)
Class II	147.4	132.9	(9.9)
Class III	411.5	412.6	0.3
Class III-A	35.8	31.5	(12.0)
Producer Receipts	1,012.0	987.7	(2.4)

\* For bulk milk testing 3.5 percent butterfat in the 201-210 mile zone.

## U.P. Forecasted to Decrease

The uniform price forecast for February 1999 is **\$15.58** per hundredweight of bulk milk testing 3.5 percent butterfat in the 201-210 mile zone. This is an estimate."

## In-Area Sales Continue to Decline in 1998

Total packaged fluid milk sales in the New York–New Jersey milk marketing area declined 1.4 percent in 1998, the same percentage as last year. The only categories that witnessed increases in sales were fat free (skim) and flavored milk products. The accompanying table shows sales by product category for 1996–98. All comparisons have been adjusted for the 1996 leap year.

Reduced fat milk sales (2% butterfat milk) experienced the largest percentage drop of all the categories. Whole milk sales declined at a slightly lower rate than in 1997. Lowfat milk sales (1% butterfat milk) declined, but at a lesser rate than last year.

Fat free milk sales increased again, but at a slightly lower rate than in 1997. Sales of flavored milk and drinks had the largest increase. Buttermilk sales have remained stable.

The trend toward lower fat products also is shown in the average butterfat test of fluid milk products. Overall, the average butterfat test dropped slightly from 2.22 percent in 1997 to 2.19 percent in 1998. The average test for flavored milk and drinks, the only category with various fat levels, declined from 1.80 percent in 1997 to 1.72 percent.

On a market share basis, whole milk sales declined another 0.6 percentage points in 1998, falling for the first

**Sales of Packaged Fluid Milk Products Inside the NY–NJ Marketing Area, 1996–98**

Product	1996	1997	1998*	Year-to-year change	
				1996–97**	1997–98*
	million pounds			percent	
Whole milk	2,207.6	2,143.2	2,089.3	(2.7)	(2.5)
Reduced fat milk	783.5	760.2	731.2	(2.7)	(3.8)
Lowfat milk	586.6	581.5	578.9	(0.6)	(0.4)
Fat free milk	581.8	600.5	620.3	3.5	3.3
Flavored milk & drinks	167.9	169.3	176.8	1.1	4.4
Buttermilk	14.5	14.5	14.5	0.3	0.0
<b>Total</b>	<b>4,341.9</b>	<b>4,269.2</b>	<b>4,211.0</b>	<b>(1.4)</b>	<b>(1.4)</b>

\* Preliminary.

\*\* Adjusted for leap year.

time to less than 50 percent of total sales. Reduced fat sales lost 0.4 percentage points while lowfat gained slightly. The largest market share gain was in fat free sales, which had another 0.7 percentage point increase. Fat free sales passed lowfat sales in total volume in 1997 and widened the margin in 1998. Flavored sales gained another 0.2 percentage points last year, but remain a small proportion of total sales.

Per capita sales also continue to decline in the marketing area. Total per capita sales equaled 200.8 pounds in 1998, down from 204.2 in 1997 and 208.2 in 1996. This was a decline of 1.7 percent, slightly higher than in 1997. The U.S. Bureau of the Census provided population estimates."

## Additional Information Available on Web Site

Several sections of the Order No. 2 statistical handbook are now available on the Order No. 2 web site. The handbook is a compilation of historical statistics for Order 2 dating from August 1957 through December 1998 and is updated annually. The data are posted in Excel spreadsheet format that can be downloaded and analyzed by users. The *Bulletin*, price announcements, and most other publications released by this office also are available at <http://www.fmmone.com>. Questions or comments can be E-mailed to: [MAGeneric\\_Albany@usda.gov](mailto:MAGeneric_Albany@usda.gov)."

## Plant List Available

The compilation of *Plants, Handlers, and Bulk Tank Units Under the New York–New Jersey Marketing Order* is now available from this office. The list includes designated and temporary pool plants, including producer-handlers, regulated under Order No. 2 during December 1998. It does not include plants regulated under another federal or state order or those not regulated under any marketing order. Anyone wishing to receive a copy of this list may do so by contacting this office or by accessing our web site."

## January Cheese Price Drop Will Appear

(continued from page 1)

respectively, 201–210 mile zone) are based off of the record high December BFP and also are record highs. With over half of the milk in the Order No. 2 pool calculation for February to be priced at record prices, the impact of the anticipated greatly lower February BFP will be mitigated because it will only impact approximately 40 to 45 percent of the milk pooled. A similar scenario will occur with the March uniform price since the Class I and II prices will still be at high levels. Class III-A utilization averages less than 3 percent of the Order No. 2 pool and generally has a minor impact on the blend price.

## Price Decline Noticed in March Advance Check

Order 2 regulations specify that in addition to a mid-month check, producers must be paid on or before the last day of the month for milk received during the first 15 days of the month. Payment for this "advance check" is at not less than the lowest class price for the preceding month. Producer's March advance check, paid on or before March 31, must be at least equal to the February Class III price. This price likely will reflect the January decline in cheese market prices."

**Market Administrator  
New York–New Jersey Milk Marketing Area  
Administration Fund**

**INCOME AND EXPENSE  
STATEMENT**

For the Year Ended December 31, 1998

**Income:**

Assessments	\$ 3,873,472
Late-Payment Charges	815
Interest Earned	170,004
Other Income	<u>391</u>

**TOTAL FUNDS PROVIDED** **\$ 4,044,682**

**Expenses:**

Salaries and Services	\$ 2,441,230
Travel	128,537
Communications	105,951
Employer Payroll	
Contributions	536,514
Conferences and Meetings	6,810
Insurance	9,883
Rent–Building	263,361
Rent–Equipment	14,172
Repairs and Maintenance	52,195
Supplies, Stationery, and Printing	115,593
Testing & Weighing	35,096
Training	3,779
Depreciation of Fixed Assets	50,131
Amortization of Leasehold	
Improvements	8,455
Miscellaneous	<u>3,725</u>

**TOTAL EXPENSES** **\$ 3,775,432**

**EXCESS OF INCOME  
OVER EXPENSES**

**\$ 269,250**

**BALANCE SHEET**

As of December 31, 1998

**ASSETS**

**Current Assets:**

Cash and Bank Deposits	\$ 1,174,766
Investments	2,361,996
Accounts Receivable:	
Handlers	\$ 329,853
Allowance for Uncollectible Accounts	(27,112)
Other	<u>86,555</u>
Deposits	389,296
Prepaid Expenses	3,558
Accrued Interest Receivable	21,697
	66,534

**Fixed Assets:**

Furniture and Equipment	\$ 1,131,986
Leasehold Improvements	84,549
Accum. Depreciation	<u>(1,118,886)</u>
	<u>97,649</u>

**TOTAL ASSETS** **\$ 4,115,496**

**LIABILITIES & OPERATING BALANCE**

**Liabilities:**

Accounts Payable:	
Trade Creditors	\$ 3

**Accrued Liabilities:**

Salaries	\$ 85,766
Employee Annual Leave	208,496
Employee Payroll Deductions	153
Employer Contributions	<u>18,009</u>
	312,424

**Operating Balance**

3,803,069

**TOTAL LIABILITIES  
& OPERATING BALANCE**

**\$ 4,115,496**

**Disclosure:**

The implementation of improvements in property accountability at the beginning of 1998 included several accounting adjustments that are reflected in these financial statements.

An increase in the threshold for capitalization of fixed assets to \$2,000 resulted in significant reduction in the amounts of fixed assets carried on the balance sheet.

The total book value of fixed assets that was removed from the balance sheet in the January 1998 adjustment was \$189,175.57. The total of their accumulated depreciation was \$122,920.36 and their net depreciated book value was \$66,255.21, while \$48,166.06 of their net value was charged to supplies as part of the adjustment.

A charge was made to depreciation expense resulting from a change in method of valuation that reduced or eliminated the salvage value of many fixed assets by \$18,089.15.

## Determination of Uniform Price of \$17.40 for January 1999

Per hundredweight of milk testing 3.5 percent butterfat received in bulk from farms in the 201-210 mile zone

TOTAL VALUE OF POOLED MILK							
Class	Milk pounds	Per cent	Minimum price	Value at minimum price	Transportation differential dollars	Total value	Contribution per cwt of receipts
I-A	393,776,989	39.9	19.26	75,841,448.15	127,364.07	75,968,812.22	7.692
I-B	16,930,613	1.7	19.26	3,260,836.06	4,175.23	3,265,011.29	0.331
II	132,866,897	13.4	17.14	22,773,386.21	12,807.33	22,786,193.54	2.307
III	412,642,548	41.8	16.30	67,260,735.31	40,014.12	67,300,749.43	6.814
III-A	<u>31,474,434</u>	<u>3.2</u>	13.15	<u>4,138,888.08</u>	<u>5,550.56</u>	<u>4,144,438.64</u>	<u>0.419</u>
Reported receipts	987,691,481	100.0		173,275,293.81	189,911.31	173,465,205.12	17.563
Adjustments:	<u>Product pounds</u>		<u>Dollars*</u>				
Sec. .60(d)(1)III	96,252		23,804.01				
Total Sec. .60(d)(1)	96,252	96,252	23,804.01			23,804.01	0.002
Sec. .60(d)(6) I	1,446,346		27,263.05				
Sec. .60(d)(6) II	4,329,108		(11,255.67)				
Total Sec. .60(d)(2) thru (6)	5,775,454		16,007.38			16,007.38	0.002
Total adjustments	5,871,706		39,811.39				
Total pool milk classified	987,787,733						
Handlers must pay			39,811.39	173,275,293.81	189,911.31	173,505,016.51	** 17.567
<b>COMPUTATION OF UNIFORM PRICE</b>							
	<u>Milk pounds</u>			<u>Dollars</u>		<u>Dollars per cwt of receipts</u>	
Total value of pooled milk				173,505,016.51		17.567	
Less: Cooperative payments	638,908,678		255,563.48			0.026	
Reserve			821,150.25			0.083	
Transportation credit	987,691,481		1,481,537.23	<u>(2,558,250.96)</u>		<u>0.150</u>	<u>(0.259)</u>
Value of pooled milk less subtractions				170,946,765.55		17.308	
Add: Freight adjustment to 201-210 mile zone			111,941.73			0.011	
Unreserved cash in producer settlement fund			<u>799,610.41</u>	<u>911,552.14</u>		<u>0.081</u>	<u>0.092</u>
Uniform Price	987,691,481			171,858,317.69		17.400	

\* Includes transportation and other applicable differentials.

\*\* In addition handlers must pay \$3,515,912.55 for butterfat in excess of 3.5 percent.

Note: The average butterfat test of milk delivered was 3.759834 percent. The butterfat differential was \$.137 for each one-tenth of one percent of butterfat.

## Comparative Price and Other Descriptive Statistics

	JANUARY 1998	DECEMBER 1998	JANUARY 1999
Order No. 2			
Handlers (with producer milk)	36	31	30
Bulk Tank Units	95	93	91
Producers	10,301	9,458	9,414
Daily Deliveries Per Producer (pounds)	3,169	3,341	3,384
Price Factors, Monthly Averages (dollars)			
Basic Formula Price, 3.5% butterfat, per cwt	13.25	17.34	16.27
Cheddar Cheese, 40-lb blocks, per lb, NASS	1.4165	1.8707	1.7595
Butter, Grade A, per lb#	1.1061	1.3231	1.3322
Nonfat dry milk, Central States, per lb	1.0593	1.1490	1.0893
Uniform Prices (dollars per cwt, 3.5% butterfat)			
Order No. 1, Zone 1 (Boston)	14.74	17.90	18.01
Order No. 2, 1-10 mile Zone* (New York City)	14.82	18.32	18.27
Order No. 4, Philadelphia¶	14.33	17.41	17.29
Class I Utilization Percentage			
Order No. 1	47.7	46.4	45.9
Order No. 2	41.2	42.9	41.6
Order No. 4	43.5	43.6	39.8

# CME through May 1998; Grade A equivalent price effective June 26, 1998.

\* Includes 15-cent transportation credit.

¶ Includes 6-cent direct-delivery differential.

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New York-  
New Jersey  
Milk Marketing  
Area

# The Market Administrator's Bulletin

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Federal Order No. 2

Volume 59

February

1999

## Milk Price Relief Program

Agriculture Secretary Dan Glickman announced a \$200 million *Dairy Income Loss Assistance* program to assist dairy farmers facing greatly reduced milk prices. Eligible dairy farmers will get a per hundredweight payment based on the volume of milk produced in 1998 or 1997, whichever is higher.

All dairy farmers that produced milk during the last quarter of calendar year 1998 are eligible. In order to receive payments, farmers must apply at their local USDA Farm Service Agency office from April 12 until May 21, 1999. The final payment rate per hundredweight will be calculated after sign-up ends. USDA estimates that it will be between 18 and 20 cents per hundredweight. The maximum level of payment under the program will be \$5,000 per dairy operation. ♦

## Educational Meetings Scheduled for Order No. 2 Producers

Both Dairy Farmers of America, Inc. (DFA) and Dairyleya Cooperative Inc. (Dairyleya) have announced their schedules of educational outreach meetings for Order No. 2 producers. As recipients of Order No. 2 cooperative payments, DFA and Dairyleya are responsible for conducting an annual educational outreach program open to *all* producers pooled under the order.

### Meeting Format

DFA and Dairyleya will each hold their own educational meetings as noted in the accompanying schedule. The *(continued on page 3)*

## NY Promotion Board Seeks Nominations

The New York Dairy Promotion Advisory Board (Board) is seeking nominations to fill positions for a 3-year period beginning May 1, 1999. The Board consists of ten NY milk producers appointed by the Commissioner of Agriculture. For more information regarding the Board, see related article on the Board's annual report in this *Bulletin* on page 3.

Certain requirements apply to the nomination procedure. For additional information, contact Edward J. Johnston, Jr. at (518) 457-4142.

## February 1999 Pool Highlights

- The February 1999 uniform price equaled **\$15.08** per hundredweight, a decrease of \$2.32 from last month, but \$0.89 higher than February 1998.
- Class I and II prices were \$4.05 above last year's. The Class III price was \$3.05 below while the Class III-A price was \$0.11 lower than 1998's.
- Producer milk receipts totaled 914.1 million pounds, a decrease of 2.1 percent from last year.
- Class I usage totaled 369.1 million pounds, down 2.1 percent from the previous year.
- Daily deliveries per producer (DDP) equaled 3,472 pounds, a year-to-year increase of 205 pounds (6.3 percent). ♦

## Order No. 2 Prices and Utilization for February

	1998	1999	Percent change
<b>Prices*</b>			
	dollars per cwt		
Uniform	14.19	15.08	6.3
Class I	15.71	19.76	25.8
Class II	13.59	17.64	29.8
Class III	13.34	10.29	(22.9)
Class III-A	12.91	12.80	(0.9)
<b>Utilization</b>			
	million pounds		
Class I	377.0	369.1	(2.1)
Class II	138.1	124.7	(9.7)
Class III	383.4	392.7	2.4
Class III-A	35.6	27.7	(22.2)
Producer Receipts	934.1	914.1 #	(2.1)

\* For bulk milk testing 3.5 percent butterfat in the 201-210 mile zone.

# Total does not add due to rounding.

## U.P. Forecasted to Decrease

The uniform price **forecast** for **March 1999** is **\$14.89** per hundredweight of bulk milk testing 3.5 percent butterfat in the 201-210 mile zone. This is an estimate. ♦

## Annual Mailbox Prices Compared

Order No. 2 mailbox prices averaged \$14.76 per hundredweight during 1998, an increase of \$2.02 (15.8 percent) from the 1997 average. Uniform prices for Order No. 2 averaged \$14.68 per hundredweight, up 15.1 percent from 1997. Table 1 shows the monthly comparison for Order No. 2 mailbox and uniform prices for 1997 and 1998.

Mailbox prices varied from uniform prices more during 1998 than in the previous year. The spread between annual averages was \$0.08 while in 1997 the difference was only \$0.01. Monthly, the difference in prices ranged from -\$0.21 to \$0.35 in 1997 and from -\$0.23 to \$0.43 in 1998.

Mailbox prices closely follow the direction of uniform prices, but they are also affected by butterfat tests and differentials, premiums, hauling charges, and other deductions. Table 2 shows a comparison of these factors. Uniform prices are adjusted to 3.5 percent butterfat and reported at the 201-210 mile zone, whereas mailbox prices are reported at average butterfat test and zone.

During 1998, butterfat tests averaged slightly below the previous year's. Record-high butter prices caused the butterfat differential to average nearly 70 percent higher than in 1997. This resulted in a 65.2 percent higher butterfat value in the mailbox price in 1998. The other factors affecting mailbox prices (premiums, hauling, and other deductions) varied slightly from 1997.

**Table 1. Mailbox and Uniform Prices Under Order No. 2, 1997-98**

Month	Mailbox*		Uniform**	
	1997	1998	1997	1998
	dollars per hundredweight			
January	12.59	14.05	12.65	13.95
February	12.67	14.32	12.70	14.19
March	13.03	14.04	13.02	13.89
April	12.78	13.59	12.82	13.50
May	12.38	12.79	12.45	12.73
June	11.72	13.34	11.87	13.41
July	11.46	13.30	11.67	13.53
August	12.04	14.73	12.22	14.88
September	12.51	16.03	12.59	15.98
October	13.56	16.90	13.37	16.47
November	14.21	17.13	13.86	16.78
December	14.15	17.58	13.95	17.45
<b>Weighted Avg.</b>	<b>12.75</b>	<b>14.76</b>	<b>12.76</b>	<b>14.68</b>

\* Reported at average butterfat test and average zone.

\*\* Reported at 3.5 percent butterfat test and 201-210 mile zone.

Table 3 contains average mailbox prices, premiums, hauling, and other deductions for the major producing states in Order No. 2. New Jersey farmers continued to receive the highest mailbox price under Order No. 2, largely because of location adjustments. In addition, New Jersey premiums were considerably higher in 1998 due to a state operated over-order premium that existed from January through June.

Premiums and deductions may vary among handlers located within the different states. In addition, amounts may vary even among producers shipping to the same handler because of such variables as incentive-type premiums and large-production hauling discounts.

Mailbox price information has been collected and reported for all federal milk orders since January 1995. ♦

**Table 2. Annual Average Estimated Prices and Selected Factors Under Order No. 2, 1997-98**

Price/factor	1997	1998	1997-98	
			Change#	
	dollars per hundredweight		percent	
Mailbox Price	12.75	14.76	2.02	15.8
Uniform Price	12.76	14.68	1.92	15.1
BF Value*	0.18	0.29	0.12	65.2
Premium	0.36	0.37	0.02	5.4
Hauling	0.33	0.32	(0.01)	(3.0)
Other**	0.21	0.22	0.01	2.8
BF Differential	0.11	0.19	0.08	69.9
BF Test	3.66 %	3.65 %	(0.00)	(0.1)

# Calculated using more detailed data than shown in table.

\* Butterfat (BF) value equals amount added to uniform price based on butterfat above 3.5 percent average test times the BF differential.

\*\* Other deductions include cooperative dues and equity, and milk promotion.

**Table 3. Estimated Average Mailbox Prices, Premiums, and Selected Deductions Under Order No. 2, by State, 1997-98**

	Mailbox	Premium	Hauling	Other*
	dollars per hundredweight			
	<b>1997</b>			
NY	12.67	0.33	0.29	0.21
NJ	13.20	0.29	0.40	0.20
PA	12.80	0.41	0.42	0.23
All States	12.75	0.36	0.33	0.21
	<b>1998</b>			
NY	14.76	0.35	0.27	0.21
NJ	15.13	0.42	0.39	0.21
PA	14.76	0.44	0.43	0.23
All States	14.76	0.37	0.32	0.22

\* Other deductions include cooperative dues and equity, and milk promotion.

## NY Dairy Promotion Report Released

The New York Dairy Promotion Advisory Board (DPAB) has released its annual *A Report to New York State Dairy Farmers on Programs and Activities Under the New York State Dairy Promotion Order*. The report summarizes milk promotion efforts and expenditures during the 1997-98 marketing year that ended April 30, 1998. An income and expense statement is shown in the table below. Funding for the New York Dairy Promotion Order is mainly from an assessment on NYS farmers' milk production. Of the total \$0.15 per hundredweight collected, \$0.10 per hundredweight is used in local promotion programs and the remainder is used by the National Dairy Promotion and Research Program.

The promotion report describes the various promotional activities, results of the research projects, and lists the board members. Copies of the report may be obtained by writing to: Edward J. Johnston, Jr., NYS Department of Agriculture and Markets, I Winners Circle, Albany, NY 12235.◆

NY Dairy Promotion Income and Expense for the 1997-98 Marketing Year	
	thousands
Total Income Available*	\$9,275
Expenses:	
Advertising & Sales Promotion	\$5,614
Publicity, Information, & Supporting Services	1,549
Nutrition Marketing	831
Cornell University Research	526
National Program Support & Promotion	30
Administration	188
Total Expenses	\$8,738
Carryover	\$537
* Includes interest income and carryover from 1996-97 marketing year.	

**Educational Meetings** (continued from page 1) topics planned to be discussed at these meetings include the current milk marketing environment, milk prices, government and regulatory developments, and other issues of general interest to Northeast dairy farmers. The meetings provide an excellent opportunity for dairy farmers to learn about current issues affecting the dairy industry as well as to ask questions. With the Federal Order Reform Final Rule scheduled to be released by April 4, 1999, the dairy industry may be facing significant changes to long-standing federal dairy programs. Keeping abreast of market conditions and proposed changes in dairy programs should help dairy farmers when making business decisions. The educational meetings conducted by DairyIlea and DFA are *open to all Order No. 2 producers*, both cooperative members and non-cooperative producers alike.◆

## Educational Seminar Schedule

### Conducted by Dairy Farmers of America, Inc.

Day and Date	Time	Location
Tues.-April 20	1:00 p.m.	Ramada Inn Arsenal Street <b>Watertown, NY</b>
Tues.-April 20	7:30 p.m.	Cooperative Extension Ag. Center Eaton Street <b>Morrisville, NY</b>
Thurs.-April 22	1:00 p.m.	Sunset West Restaurant PA Route 26 <b>Pleasant Gap, PA</b>
Thurs.-April 22	7:30 p.m.	Guthrie Inn Spring Street <b>Sayre, PA</b>

### Conducted by DairyIlea Cooperative Inc.

Day and Date	Time	Location
Sat.-March 20	1:00 p.m.	Howard Johnson Hotel North Broad Street <b>Norwich, NY</b>
Wed.-March 24	1:00 p.m.	Bynwood Inn South 6th Street <b>Lewisburg, PA</b>
Wed.-March 24	7:00 p.m.	Martinsburg Central High School Central High Road <b>Martinsburg, PA</b>
Thurs.-March 25	1:00 p.m.	Best Western Spring Street <b>Sayre, PA</b>
Thurs.-March 25	7:30 p.m.	Ramada Inn Routes 6 & 11 <b>Clarks Summit, PA</b>
Fri.-March 26	1:00 p.m.	Fort Edward Fire Department Broadway <b>Fort Edward, NY</b>
Sat.-March 27	1:00 p.m.	Holiday Inn Crystal Run <b>Middletown, NY</b>
Mon.-April 5	1:00 p.m.	Best Western Albany Street <b>Little Falls, NY</b>
Tues.-April 6	1:00 p.m.	Crossroads Restaurant Route 22 <b>Moira, NY</b>
Tues.-April 6	7:00 p.m.	Ramada Inn Arsenal Street <b>Watertown, NY</b>
Wed.-April 7	1:00 p.m.	Inn through the Woods Route 12 <b>Lowville, NY</b>
Wed.-April 7	7:00 p.m.	Comfort Suite/Vernon Downs Route 31 <b>Vernon, NY</b>
Thurs.-April 15	7:00 p.m.	Warner's Restaurant Route 302 <b>Wells River, VT</b>

## Determination of Uniform Price of \$15.08 for February 1999

Per hundredweight of milk testing 3.5 percent butterfat received in bulk from farms in the 201-210 mile zone

TOTAL VALUE OF POOLED MILK							
Class	Milk pounds	Per-cent	Minimum price	Value at minimum price	Transportation differential	Total value	Contribution per cwt of receipts
					dollars		
I-A	354,356,710	38.8	19.76	70,020,885.89	120,896.42	70,141,782.31	7.673
I-B	14,744,243	1.6	19.76	2,913,462.43	1,409.47	2,914,871.90	0.319
II	124,665,490	13.6	17.64	21,990,992.43	13,363.28	22,004,355.71	2.407
III	392,690,262	43.0	10.29	40,407,828.05	37,410.93	40,445,238.98	4.425
IIIA	<u>27,677,995</u>	<u>3.0</u>	<u>12.80</u>	<u>3,542,783.36</u>	<u>5,125.43</u>	<u>3,547,908.79</u>	<u>0.388</u>
Reported receipts	914,134,700	100.0		138,875,952.16	178,205.53	139,054,157.69	15.212
Adjustments:	<u>Product pounds</u>		<u>Dollars*</u>				
Sec. .60(d)(1)III	30,039		43,387.35				
Total Sec. .60(d)(1)	30,039	30,039	43,387.35			43,387.35	0.005
Sec. .60(d)(6) I	5,054,941		154,277.75				
Sec. .60(d)(6) II	3,178,012		42,585.38				
Total Sec. .60(d)(2) thru (6)	8,232,953		196,863.13			196,863.13	0.021
Total adjustments	8,262,992		240,250.48				
Total pool milk classified	914,164,739						
Handlers must pay			240,250.48	138,875,952.16	178,205.53	139,294,408.17	** 15.238
<b>COMPUTATION OF UNIFORM PRICE</b>							
	<u>Milk pounds</u>		<u>Dollars</u>			<u>Dollars per cwt of receipts</u>	
Total value of pooled milk				139,294,408.17		15.238	
Less: Cooperative payments	592,092,935		236,837.18			0.026	
Reserve			786,785.50			0.086	
Transportation credit	914,134,700		1,371,202.08	<u>(2,394,824.76)</u>		<u>0.150</u>	<u>(0.262)</u>
Value of pooled milk less subtractions				136,899,583.41		14.976	
Add: Freight adjustment to 201-210 mile zone			100,029.10			0.011	
Unreserved cash in producer settlement fund			<u>851,900.25</u>	<u>951,929.35</u>		<u>0.093</u>	<u>0.104</u>
Uniform Price	914,134,700			137,851,512.76		15.080	

\* Includes transportation and other applicable differentials.

\*\* In addition handlers must pay \$2,859,118.55 for butterfat in excess of 3.5 percent.

Note: The average butterfat test of milk delivered was 3.725013 percent. The butterfat differential was \$.139 for each one-tenth of one percent of butterfat.

## Comparative Price and Other Descriptive Statistics

	FEBRUARY 1998	JANUARY 1999	FEBRUARY 1999
Order No. 2			
Handlers (with producer milk)	36	30	31
Bulk Tank Units	95	91	93
Producers	10,212	9,414	9,402
Daily Deliveries Per Producer (pounds)	3,267	3,384	3,472
Price Factors, Monthly Averages (dollars)			
Basic Formula Price, 3.5% butterfat, per cwt	13.32	16.27	10.27
Cheddar Cheese, 40-lb blocks, per lb, NASS	1.4163	1.7595	1.3010
Butter, Grade A, per lb#	1.2963	1.3322	1.2253
Nonfat dry milk, Central States, per lb	1.0521	1.0893	1.0437
Uniform Prices (dollars per cwt, 3.5% butterfat)			
Order No. 1, Zone 1 (Boston)	15.02	18.01	16.54
Order No. 2, 1-10 mile Zone* (New York City)	15.06	18.27	15.95
Order No. 4, Philadelphia†	14.70	17.29	16.10
Class I Utilization Percentage			
Order No. 1	44.9	45.9	45.0
Order No. 2	40.4	41.6	40.4
Order No. 4	42.0	39.8	41.2

# CME through May 1998; Grade A equivalent price effective June 26, 1998.

\* Includes 15-cent transportation credit.

† Includes 6-cent direct-delivery differential.

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New York-  
New Jersey  
Milk Marketing  
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# The Market Administrator's Bulletin

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Federal Order No. 2

Volume 59

March

1999

## Federal Order Reform Final Decision Released

On March 31, 1999, USDA Secretary Dan Glickman released the final decision on Federal Milk Marketing Order (FMMO) Reform. This marks the beginning of the last stage of the Federal Order Reform process, the "implementation" stage. The changes presented in the final decision will impact dairy farmers in the New York-New Jersey Milk Marketing Area (Order No. 2) and around the country. After Congress reviews the decision, USDA will conduct referendums later this year among producers in each of the newly consolidated marketing orders. The order changes, if approved, are then scheduled to take effect October 1, 1999.

U.S. agriculture is transitioning to a more market-oriented sector, free from traditional government involvement typified by price and income support programs. Following the directives of the 1996 farm bill, the FMMO program is being restructured to be consistent with this trend toward a market-oriented dairy sector in which dairy farmers respond to market signals.

### Consolidation of Orders

The final decision consolidates the present 31 milk marketing order areas into 11 regional marketing areas. Order No. 2 would become part of a Northeast order, together with the present New England and Middle Atlantic marketing areas (Orders No. 1 and 4), and currently unregulated areas in northern New York, Vermont, New Hampshire, and Massachusetts. The Western New York State Order and the currently unregulated portion of Pennsylvania would *not* be included in the Northeast order. The consolidated order would include about 19,000 producers with about 76 percent belonging to cooperatives. Based on analysis using October 1997 data, the combined Class I utilization for Orders No. 1, 2, and 4 was 47.7 percent, 4.3 percentage points greater than the October 1997 Class I utilization percentage for Order No. 2. Becoming part of a market with a higher Class I utilization should have a slightly positive impact for Order No. 2 producers.

(continued on page 3)

## Final Decision Informational Meetings to be Held

Below is a listing of meetings to be held regarding federal milk marketing order reform and the recently announced final decision. Market Administrator representatives will be available to answer questions. These meetings are open to all producers located in the affected Northeast region.

Day and Date	Time	Location
Tues.-May 4	7:30 p.m.	Tranquility Methodist Church Hall Tranquility, NJ
Thurs.-May 6	8:00 p.m.	Mountain View Sr. High School Cafeteria Kingsley, PA
Mon.-May 10	8:00 p.m.	Best Western Inn Little Falls, NY
Wed.-May 12	7:30 p.m.	Quality Inn Albany, NY
Tues.-May 18	8:00 p.m.	Best Western Inn Canton, NY
Wed.-May 19	7:30 p.m.	NYS Fairgrounds—Martha Eddy Hall, Art & Home Ctr. Syracuse, NY

Other dates and locations are to be announced. For additional information or if special accommodations are needed, please contact this office at (518) 452-4410. ♦

## March 1999 Pool Highlights

- The March 1999 uniform price equaled **\$15.21** per hundredweight, an increase of \$0.13 from last month and \$1.32 higher than March 1998.
- Producer milk receipts totaled 1,013.0 million pounds, a decrease of 3.8 percent from last year.
- Class I usage totaled 419.5 million pounds, down 0.9 percent from the previous year. ♦

## U.P. Forecasted to Decrease

The uniform price forecast for **April 1999** is **\$11.63** per hundredweight of bulk milk testing 3.5 percent butterfat in the 201-210 mile zone. This is an estimate. ♦

## 1998 U.S. Milk Production Slightly Above 1997

Total U.S. milk production in 1998 equaled 157.4 billion pounds, an increase of 0.9 percent (1.4 billion pounds) above the 1997 level. Comparatively, U.S. milk production in 1997 was 1.4 percent above the 1996 level. Over the past 10 years, the year-to-year annual change in U.S. milk production has averaged an increase of 0.8 percent. It has ranged from an increase of 2.7 percent in 1990 to a decrease of 0.8 percent in both 1989 and 1996. The U.S. population has been growing annually at a rate of about 1 percent; U.S. milk production has been growing slightly slower.

After a few years of no change in the rank of the top ten milk-producing states, 1998 saw Idaho jump from ninth place to sixth on the strength of an 11.0 percent increase in milk production (see accompanying table). While still less than half of New York's annual production, Idaho's milk production has more than doubled (up 119.4 percent since 1988) in 10 years' time. New York's 1998 production was only 2.6 percent greater than it was in 1988.

Of the top 20 milk-producing states, New Mexico had the second largest increase in production during 1998, growing 8.6 percent from the previous year. New Mexico remained in eleventh place in 1998; however, in 1988 the state ranked a distant 31 in total milk production. New Mexico's milk production has increased by nearly 300 percent in 10 years. During the first quarter of 1999, New Mexico moved into tenth place, overtaking Ohio.

## 1st Quarter: Deliveries Down, Prices Up

For the first quarter of 1999, total producer milk deliveries were down 2.8 percent from the same period last year. All classes experienced declines in usage, most notably Class III-A.

Producer numbers declined 8.7 percent for the first 3 months of 1999 compared to the previous year. Daily deliveries per producer (DDP) increased 6.4 percent due to mild weather, good quality feed, and producer expansion.

The record-high prices seen near the end of 1998 have dropped somewhat, but were still very strong throughout the first quarter of 1999. Class I and II prices were 23.4 and 27.1 percent higher than the previous year's, respectively, due to the high November and December basic formula prices (BFP). In February 1999, the BFP declined \$6.00 from the previous month. This drop affected the Class III average for the first quarter, resulting in a decrease of 3.1 percent from the same period in 1998. It will be felt further in the April Class I and II prices.

Overall, relatively strong prices and utilization during the January-March period have combined for the highest

### Top Ten States Ranked by Milk Production, 1998

Rank	State	1997	1998	1997-98
		(million pounds)		(percent)
1	California	27,582	27,607	0.1
2	Wisconsin	22,368	22,842	2.1
3	New York	11,530	11,740	1.8
4	Pennsylvania	10,662	10,847	1.7
5	Minnesota	9,210	9,275	0.7
6	Idaho	5,193	5,765	11.0
7	Texas	5,768	5,605	(2.8)
8	Michigan	5,410	5,391	(0.4)
9	Washington	5,305	5,326	0.4
10	Ohio	4,415	4,390	(0.6)
Top Ten Total		107,443	108,788	1.3
U.S. Total		156,091	157,441	0.9

Source: *Milk Production*, National Agricultural Statistics Service, USDA.

Combining the production of the leading Northeast dairy states, New York, Pennsylvania, and Vermont show a collective 1998 production 2.0 percent above 1997's. The five states experiencing the greatest decreases in production during 1998 were the southeastern states of Alabama, Kentucky, Mississippi, South Carolina, and Tennessee with an average decline of 6.9 percent from 1997. ♦

first quarter average uniform price ever experienced under the Order. ♦

### Order No. 2 Prices and Utilization for March

	1998	1999	Percent change
<b>Prices*</b>			
	dollars per cwt		
Uniform	13.89	15.21	9.5
Class I	15.67	18.69	19.3
Class II	13.55	16.57	22.3
Class III	12.76	11.57	(9.3)
Class III-A	12.62	12.31	(2.5)
<b>Utilization</b>			
	million pounds		
Class I	423.3	419.5	(0.9)
Class II	166.9	158.0	(5.3)
Class III	426.8	414.4	(2.9)
Class III-A	35.8	21.1	(40.9)
Producer Receipts	1,052.8	1,013.0	(3.8)

\* For bulk milk testing 3.5 percent butterfat in the 201-210 mile zone.

## Federal Order Reform *(continued from page 1)*

### Basic Formula Price (BFP) Replaced

The final decision eliminates the BFP as the base price mover from which Class I, II, and III prices currently are determined. The new pricing system will use the higher of the new Class III or new Class IV price as the mover of the Class I price. The prices for Class III and IV will be determined on a multiple component basis with component values calculated from surveyed prices of manufactured dairy products (e.g., cheese, butter, nonfat dry milk powder, and dry whey). Multiple component pricing involves determining a value for milk based on the values of protein, butterfat, nonfat solids, and other solids used in manufactured dairy products. Component values will be based on USDA's National Agricultural Statistics Service (NASS) surveys of manufactured dairy product prices. Since the Class I price will be based off of the Class III or IV price, there will continue to be a link between the price of milk used in fluid products and the price of milk used in manufactured products.

### Classified Pricing

The final decision provides changes to the level and manner in which milk is priced according to its use. For milk in the highest valued category, fluid use (Class I), two pricing options were presented in the proposed rule—Options 1A and 1B. The final decision adopts a Class I pricing surface that uses the generally higher differential levels as proposed in Option 1A while retaining the pricing surface of the preferred Option 1B. As a point of comparison, the *current* Order No. 2 Class I differential (the fixed amount added to the base price to generate a Class I price) in New York City is \$3.14, and the 201–210 mile zone differential is \$2.42. Under the *final decision* the Class I differential in New York City (the amount added to the Class III or IV price to generate a Class I price) would decline to \$2.50, and the differential in the equivalent 201–210 mile zone would range from \$1.85 to \$2.05. The Class II price (for soft manufactured products including ice cream, yogurt, and fluid cream products) will be set at 70 cents over the Class IV price in all federal orders. In a change from current regulations, Class III-A will be renamed Class IV and will include butter and any milk product in dried form. The formulas used to calculate Class III and IV prices under the final rule have been revised from formulas presented in the proposed rule.

### Specific Changes Affecting Order 2 Producers

**Plant-Point Pricing**—The final decision adopts plant-point pricing as the pricing method for the consolidated Northeast order. Currently, producers pooled under Order No. 2 are paid under farm-point pricing where the township location of their milkhouse is the pricing point. Order No. 2 is the *only* order now using farm-

point pricing. Under plant-point pricing, the location and zone price of the plant where producers' milk is shipped affects the price received for their milk. Negotiating hauling charges between producers and handlers will become an important factor affecting producers' net pay prices. Under plant-point pricing, the 15 cents per hundredweight transportation credit, which currently is deducted from all Order No. 2 producers to partially offset hauling costs, will be eliminated.

**Multiple Component Pricing**—Producers will be paid on a multiple component basis under the consolidated order. Producers' pay prices will be based on the total pounds of butterfat, protein, and other solids (lactose and minerals) in the milk plus the producer price differential (PPD). The PPD represents a farm's share of the market's classified pricing utilization value. The PPD portion for a farm is calculated by multiplying the hundredweight of milk produced at a farm by the PPD. Additionally, an adjustment will be made for each producer depending on where the milk was shipped.

**Cooperative Payments Eliminated**—The cooperative payments program, presently in place in Order No. 2, will not be continued under the final rule. The current program pays qualified cooperatives 4 cents per hundredweight for the performance of marketwide services and balancing functions. The program has a net effect of reducing the uniform price by about 2.4 cents per hundredweight. The final decision allows for a deduction for *marketing services* by the market administrator to verify or establish weights, samples, and tests of producer milk and provide market information for producers who are not receiving such services from a qualified cooperative association.

### Referendum Process

All qualified producers marketing milk in the area of the consolidated Northeast order will be eligible to vote in a referendum on the new order. Producers will be voting on whether to adopt the consolidated order and its accompanying provisions, or not to adopt the new order. Voting to retain the present order system is not an option. The new order must be approved by either at least two-thirds of the eligible producers voting or producers who supplied more than two-thirds of the milk represented in the referendum. Following normal referendum procedures, bloc voting by cooperatives will be allowed.

### Additional Information

Copies of the Final Decision, the Final Regulatory Impact Analysis and the Civil Rights Impact Analysis, along with additional background information can be accessed on the World Wide Web at [www.ams.usda.gov/dairy/reform](http://www.ams.usda.gov/dairy/reform), by contacting AMS Dairy Programs at (202) 720-4392, or by contacting this office at (518) 452-4410. ♦

## Determination of Uniform Price of \$15.21 for March 1999

Per hundredweight of milk testing 3.5 percent butterfat received in bulk from farms in the 201-210 mile zone

TOTAL VALUE OF POOLED MILK							
Class	Milk pounds	Per-cent	Minimum price	Value at minimum price	Trans- portation differential dollars	Total value	Contribution per cwt of receipts
I-A	402,656,493	39.7	18.69	75,256,498.57	127,174.06	75,383,672.63	7.441
I-B	16,836,578	1.7	18.69	3,146,756.41	93.99	3,146,850.40	0.311
II	158,031,838	15.6	16.57	26,185,875.50	16,425.44	26,202,300.94	2.587
III	414,387,911	40.9	11.57	47,944,681.28	37,744.21	47,982,425.49	4.736
IIIA	<u>21,119,853</u>	<u>2.1</u>	<u>12.31</u>	<u>2,599,853.90</u>	<u>3,321.45</u>	<u>2,603,175.35</u>	<u>0.257</u>
Reported receipts	1,013,032,673	100.0		155,133,665.66	184,759.15	155,318,424.81	15.332
Adjustments:	<u>Product pounds</u>		<u>Dollars*</u>				
Sec. .60(d)(6) I	968,754		81,982.37				
Sec. .60(d)(6) II	6,113,616		383,934.20				
Total Sec. .60(d)(2) thru (6)	7,082,370		465,916.57			465,916.57	0.046
Total adjustments	7,082,370		465,916.57				
Total pool milk classified	1,013,032,673						
Handlers must pay			465,916.57	155,133,665.66	184,759.15	155,784,341.38 **	15.378
COMPUTATION OF UNIFORM PRICE							
	<u>Milk pounds</u>		<u>Dollars</u>			<u>Dollars per cwt of receipts</u>	
Total value of pooled milk				155,784,341.38			15.378
Less: Cooperative payments	651,673,604		260,669.44			0.026	
Reserve			887,684.94			0.087	
Transportation credit	1,013,032,673		1,519,549.03	<u>(2,667,903.41)</u>		<u>0.150</u>	<u>(0.263)</u>
Value of pooled milk less subtractions				153,116,437.97			15.115
Add: Freight adjustment to 201-210 mile zone			153,580.69			0.015	
Unreserved cash in producer settlement fund			<u>812,250.90</u>	<u>965,831.59</u>		<u>0.080</u>	<u>0.095</u>
Uniform Price	1,013,032,673			154,082,269.56			15.210

\* Includes transportation and other applicable differentials.

\*\* In addition handlers must pay \$3,102,440.34 for butterfat in excess of 3.5 percent.

Note: The average butterfat test of milk delivered was 3.732010 percent. The butterfat differential was \$.132 for each one-tenth of one percent of butterfat.

## Comparative Price and Other Descriptive Statistics

	MARCH 1998	FEBRUARY 1999	MARCH 1999
Order No. 2			
Handlers (with producer milk)	32	31	30
Bulk Tank Units	94	93	91
Producers	10,211	9,402	9,250
Daily Deliveries Per Producer (pounds)	3,326	3,472	3,533
Price Factors, Monthly Averages (dollars)			
Basic Formula Price, 3.5% butterfat, per cwt	12.81	10.27	11.62
Cheddar Cheese, 40-lb blocks, per lb, NASS	1.3793	1.3010	1.3092
Butter, Grade A, per lb#	1.2505	1.2253	1.2027
Nonfat dry milk, Central States, per lb	1.0467	1.0437	1.0239
Uniform Prices (dollars per cwt, 3.5% butterfat)			
Order No. 1, Zone 1 (Boston)	14.82	16.54	16.41
Order No. 2, 1-10 mile Zone* (New York City)	14.76	15.95	16.08
Order No. 4, Philadelphia†	14.44	16.10	15.67
Class I Utilization Percentage			
Order No. 1	45.2	45.0	45.9
Order No. 2	40.2	40.4	41.4
Order No. 4	40.7	41.2	40.4

# CME through May 1998; Grade A equivalent price effective June 26, 1998.

\* Includes 15-cent transportation credit.

† Includes 6-cent direct-delivery differential.

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New York-  
New Jersey  
Milk Marketing  
Area

# The Market Administrator's Bulletin

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Federal Order No. 2

Volume 59

April

1999

## Final Decision Informational Meetings to be Held

Below is a listing of informational meetings to be held regarding federal milk marketing. Market Administrator representatives will be available to answer questions. These meetings are open to all producers located in the affected Northeast region.

Day and Date	Time	Location
Thurs.-June 3	7:00 p.m.	Farm & Home Center 1383 Arcadia Road Lancaster, PA
Tues.-June 8	7:30 p.m.	Holiday Inn Route 23 Oneonta, NY
Wed.-June 9	7:00 p.m.	Rescue Hose Company Special Events Center 407 South Washington Street Greencastle, PA
Thurs.-June 10	7:00 p.m.	Berks County Agricultural Center 1238 County Welfare Road Leesport, PA
Thurs.-June 10	7:30 p.m.	Alfred State College Allegany Rm.-Central Dining Hall Alfred, NY

For additional information or directions, please contact this office at (518) 452-4410. ♦

## Cheese Prices Fall; Butter Prices Rise

After holding steady at \$1.33 per pound for 10 weeks, wholesale prices for 40-pound block Cheddar cheese traded on the Chicago Mercantile Exchange (CME) have fallen 13.75 cents to \$1.1925 per pound as of May 17. CME cheese prices first dropped by 3 cents per pound on April 26 with additional drops occurring during the first 2 weeks of May. Although it is the weekly National Agricultural Statistics Service (NASS) cheese plant survey price and not CME prices that are used in calculating federal order class prices, the two price series maintain a close alignment. Looking back  
(continued on page 3)

## April 1999 Pool Highlights

- The April 1999 uniform price equaled **\$11.78** per hundredweight, a decrease of \$3.43 from last month and down \$1.72 from April 1998.
- Class I and II prices were \$3.05 below last year's. The Class III price was \$0.20 below while the Class III-A price was \$1.82 lower than 1998's.
- Producer milk receipts totaled 998.3 million pounds, a decrease of 3.4 percent from last year.
- Class I usage totaled 396.3 million pounds, up 2.1 percent from the previous year. Due to lower total milk receipts, Class I utilization increased 2.2 percentage points.
- Daily deliveries per producer (DDP) equaled 3,605 pounds, a new record under Order No. 2. This was a year-to-year increase of 190 pounds (5.6 percent). ♦

## Order No. 2 Prices and Utilization for April

Prices*	1998	1999	Percent change
	dollars per cwt		
Uniform	13.50	11.78	(12.7)
Class I	15.74	12.69	(19.4)
Class II	13.62	10.57	(22.4)
Class III	11.92	11.72	(1.7)
Class III-A	12.79	10.97	(14.2)
Utilization	million pounds		
Class I	388.2	396.3	2.1
Class II	155.5	151.1	(2.8)
Class III	448.1	422.4	(5.7)
Class III-A	42.2	28.5	(32.4)
Producer Receipts	1,033.9 #	998.3	(3.4)

\* For bulk milk testing 3.5 percent butterfat in the 201-210 mile zone.

# Total does not add due to rounding.

## U.P. Forecasted to Increase

The uniform price forecast for **May 1999** is **\$12.22** per hundredweight of bulk milk testing 3.5 percent butterfat in the 201-210 mile zone. This is an estimate. ♦

## Top Supply Counties for Order No. 2

For the tenth consecutive year, Lancaster County, PA, remained the top supply county for milk pooled in Order No. 2. This county accounted for 7.6 percent of all milk pooled under the order during 1998, up from 6.8 percent in 1997. Its total milk receipts were 57.4 percent greater than the second ranked county—Wyoming, NY, which accounted for 4.8 percent in 1998. The only change in rank was Steuben County's rise from tenth place to ninth, displacing Oneida County.

The accompanying table shows the top ten supply counties based on milk delivered to handlers regulated under Order No. 2. The volumes reported do not necessarily represent all the milk produced in these counties. Milk shipped to other federal orders, state orders, or unregulated areas is not included. For example, Lancaster County shows a 13.1 percent increase in Order No. 2 milk receipts in 1998. This does not represent an increase in milk production in the county, but rather pooling changes between federal orders. The amount of Lancaster County milk pooled under Order No. 4 declined 10.0 percent in 1998.

Bulk farm milk pooled under Order No. 2 came from 110 counties in the states of New York, New Jersey, Pennsylvania, Connecticut, Maryland, Massachusetts,

## In-Area Sales Decline During 1st Quarter

Total packaged fluid milk sales in the New York–New Jersey milk marketing area declined 1.5 percent during January–March 1999. In-area sales have declined 1.4 percent annually for the past 2 years. The accompanying table shows sales for the first quarters of 1998 and 1999.

All product categories experienced declines except flavored milk and drinks. Even skim milk, which grew 3.5 percent and 3.3 percent annually in 1997 and 1998, respectively, dropped slightly. Whole milk decreased 1.6 percent for the January–March period, a lesser amount than the past 2 years' annual declines. Lowfat (1%) milk dropped 1.7 percent for the first quarter; its annual decreases have been 0.6 percent and 0.4 percent, respectively, for the past 2 years.◆

### Sales of Packaged Fluid Milk Products in the NY–NJ Marketing Area, January–March 1998–99

Product	1998	1999*	Change
	million pounds		percent
Milk	527.8	519.4	(1.6)
Reduced fat milk	186.5	180.8	(3.1)
Lowfat milk	145.6	143.2	(1.7)
Fat free milk	153.0	152.2	(0.6)
Flavored milk & drinks	47.8	49.0	2.6
Buttermilk	3.9	3.7	(4.1)
Total	1,064.5	1,048.2	(1.5)

\* Preliminary.

### Producer Milk Receipts by Top Ten Counties Under Order No. 2, 1997–98

County*	Producer milk receipts		Change
	1997	1998	
	thousand pounds		percent
Lancaster (PA)	795,600	899,927	13.1
Wyoming	594,534	571,634	(3.9)
St. Lawrence	543,968	571,184	5.0
Jefferson	498,547	507,189	1.7
Bradford (PA)	445,318	449,349	0.9
Lewis	440,714	439,936	(0.2)
Cayuga	424,521	436,565	2.8
Madison	361,951	366,480	1.3
Steuben	340,267	338,954	(0.4)
Oneida	344,838	337,393	(2.2)
Top Ten Total	4,790,258	4,918,611	2.7
Order No. 2 Total	11,758,965	11,888,941	1.1

\* New York counties unless noted.

and Vermont during 1998. The top ten ranked counties accounted for 41.4 percent of the total, up from 40.7 percent in 1997. The total number of producers from these top ranked counties accounted for 40.8 percent of all producers shipping to Order No. 2 in 1998.◆

## Underpayment Notices Issued

For the fourth quarter of 1998, a total of \$32.76 in underpayments to producers resulted from incorrect transportation differentials. One handler and one producer were affected during those months. These underpayments totaled \$321.42 for 1998; no hauling underpayments were reported during 1998. Handlers have been notified of their obligations.◆

## Dairy Board Seeks Nominees

USDA is asking dairy producer and farm organizations to nominate candidates to serve on the National Dairy Promotion and Research Board. The Secretary of Agriculture will appoint 12 individuals from those nominated to succeed members whose terms expire October 31. New members will serve 3-year terms beginning November 1, 1999, and ending October 31, 2002. Locally, appointments will be made from Region 11 (Delaware, Maryland, New Jersey, and Pennsylvania) and Region 12 (New York).

For nominating forms and procedures, contact USDA, AMS, Dairy Programs, Promotion and Research Branch, Rm. 2734-S, Stop 0223, 1400 Independence Ave., S.W., Washington, D.C. 20250-0233 or phone (202) 720-6909. Nominations must be submitted by **May 28**.◆

## U.S. Cattle Inventory Continues Decline

The total number of cattle and calves in the United States equaled 98.5 million head on January 1, 1999, according to USDA's National Agricultural Statistics Service (NASS) inventory report. This was a decline of 1.2 percent from the 1997 inventory and 3.2 percent less than the 1996 total.

Milk cows totaled 9.1 million head, 9.3 percent of the total inventory. The total number of milk cows was down, but accounted for a slightly higher percentage of total inventory. Milk cow replacement heifers totaled 4.1 million head, up 1.9 percent from 1998. They accounted for 4.1 percent of the total 1998 inventory. The NASS report includes detailed data for beef cows, steers, heifers, and calves.

California led the nation with the greatest number of milk cows, accounting for 15.7 percent of the total. Wisconsin followed with 15.0 percent; New York was third with 7.7 percent and slightly up from 1998.

Wisconsin had the greatest number of operations with milk cows, totaling 23,000. Pennsylvania was second with 10,900; Minnesota ranked third with 9,700. New York came in fourth with 8,700, down 3.3 percent from 1998. Overall, the total number of U.S. operations with milk cows declined 5.9 percent.

The number of smaller operations continues to decline. Categorically, the smallest operations experienced the largest decreases in 1999. Operations with less than 30 head dropped 8.7 percent, those with 30 to 49 head

decreased 7.8 percent, and the 50 to 99 head group declined 4.4 percent. Even the 100 to 199 head category dropped 2.1 percent after increasing 1.1 percent in 1998. The 200 to 499 group increased 0.5 percent and the 500 or greater category grew 3.4 percent in 1999, but only accounted for 2.1 percent of total milk cow operations.

In New York, the largest size group only accounted for 1.3 percent of total milk cow operations in the 1999 inventory. The largest proportion, 40.2 percent, was in the 50 to 99 head group. ♦

## Cheese Prices *(continued from page 1)*

to last year at this time, CME block prices were slightly higher at \$1.23 per pound on May 15, 1998. Unlike this time last year, however, when CME cheese prices were trending upward, cheese prices now appear to be in a slightly downward trend.

## Butter Increases

Wholesale Grade AA butter prices on the CME have been on the rise the past 2 weeks closing at \$1.1925 per pound on May 14. The increases have occurred after butter dropped to a year-to-date low of \$0.96 per pound on April 28. Unlike cheese, CME butter prices have fluctuated through the first few months of this year, but have not regained the early January high of \$1.43 per pound. At this time last year (May 15) CME Grade AA butter prices were \$1.49 per pound. Wholesale market butter prices affect the level of the butterfat differential. ♦

### Selected Statistics for the Combined Northeast Orders\*, Annual 1997-98 and 1st Quarter 1999

Pool statistic	January-December		January-March		Change	
	1997	1998	1998	1999	Annual 1997-98	1st Quarter 1998-99
Producer milk receipts:	million pounds				percent	
Class I	10,265.4	10,265.4	2,558.9	2,525.8	0.0	(1.3)
Class II	4,117.6	4,265.0	987.4	863.7	3.6	(12.5)
Class III	7,138.0	7,562.3	1,835.0	1,994.4	5.9	8.7
Class III-A	2,189.8	1,892.6	673.2	624.0	(13.6)	(7.3)
Total**	23,710.8	23,985.3	6,054.6	6,008.0	1.2	(0.8)
Utilization:	percent				percentage point	
Class I	43.3	42.8	42.3	42.0	(0.5)	(0.3)
Class II	17.4	17.8	16.3	14.4	0.4	(1.9)
Class III	30.1	31.5	30.3	33.2	1.4	2.9
Class III-A	9.2	7.9	11.1	10.4	(1.3)	(0.7)
Producers#	number				percent	
	19,198	18,332	18,654	18,017	(4.5)	(3.4)
DDP#	pounds				percent	
	3,384	3,585	3,606	3,705	5.9	2.7

\* Northeast Orders include Federal Milk Marketing Orders No. 1, 2, and 4.

\*\* Totals may not add due to rounding.

# Simple average for year. DDP = daily deliveries per producer

## Determination of Uniform Price of \$11.78 for April 1999

Per hundredweight of milk testing 3.5 percent butterfat received in bulk from farms in the 201-210 mile zone

TOTAL VALUE OF POOLED MILK							
Class	Milk pounds	Per-cent	Minimum price	Value at minimum price	Transportation differential	Total value	Contribution per cwt of receipts
					dollars		
I-A	381,460,916	38.2	12.69	48,407,390.29	129,012.61	48,536,402.90	4.862
I-B	14,857,902	1.5	12.69	1,885,467.77	1,158.88	1,886,626.65	0.189
II	151,076,781	15.1	10.57	15,968,815.82	16,705.82	15,985,521.64	1.601
III	422,436,002	42.3	11.72	49,509,499.42	36,006.57	49,545,505.99	4.963
IIIA	<u>28,508,849</u>	<u>2.9</u>	<u>10.97</u>	<u>3,127,420.74</u>	<u>4,376.76</u>	<u>3,131,797.50</u>	<u>0.313</u>
Reported receipts	998,340,450	100.0		118,898,594.04	187,260.64	119,085,854.68	11.928
Adjustments:	<u>Product pounds</u>		<u>Dollars*</u>				
Sec. .60(d)(1) III	983		1,016.67				
Total Sec. .60(d)(1)	983	983	1,016.67			0.00	0.000
Sec. .60(d)(6) I	5,076,412		60,229.00				
Sec. .60(d)(6) II	7,914,899		(79,155.62)				
Total Sec. .60(d)(2) thru (6)	12,991,311		(18,926.62)			(18,926.62)	(0.001)
Total adjustments	12,992,294		(17,909.95)				
Total pool milk classified	998,341,433						
Handlers must pay			(17,909.95)	118,898,594.04	187,260.64	119,067,944.73	** 11.927
<b>COMPUTATION OF UNIFORM PRICE</b>							
	<u>Milk pounds</u>		<u>Dollars</u>			<u>Dollars per cwt of receipts</u>	
Total value of pooled milk				119,067,944.73			11.927
Less: Cooperative payments	644,516,705		257,806.68			0.026	
Reserve			808,187.78			0.081	
Transportation credit	998,340,450		1,497,510.68	<u>(2,563,505.14)</u>		<u>0.150</u>	<u>(0.257)</u>
Value of pooled milk less subtractions				116,504,439.59			11.670
Add: Freight adjustment to 201-210 mile zone			158,248.29			0.016	
Unreserved cash in producer settlement fund			<u>941,817.13</u>	<u>1,100,065.42</u>		<u>0.094</u>	<u>0.110</u>
Uniform Price	998,340,450			117,604,505.01			11.780

\* Includes transportation and other applicable differentials.

\*\* In addition handlers must pay \$1,695,719.38 for butterfat in excess of 3.5 percent.

Note: The average butterfat test of milk delivered was 3.678794 percent. The butterfat differential was \$.095 for each one-tenth of one percent of butterfat.

## Comparative Price and Other Descriptive Statistics

	APRIL 1998	MARCH 1999	APRIL 1999
Order No. 2			
Handlers (with producer milk)	32	30	31
Bulk Tank Units	93	91	92
Producers	10,093	9,250	9,232
Daily Deliveries Per Producer (pounds)	3,415	3,533	3,605
Price Factors, Monthly Averages (dollars)			
Basic Formula Price, 3.5% butterfat, per cwt	12.01	11.62	11.81
Cheddar Cheese, 40-lb blocks, per lb, NASS	1.3072	1.3092	1.3131
Butter, Grade A, per lb#	1.2856	1.2027	.9398
Nonfat dry milk, Central States, per lb	1.0426	1.0239	1.0228
Uniform Prices (dollars per cwt, 3.5% butterfat)			
Order No. 1, Zone 1 (Boston)	14.68	16.41	12.48
Order No. 2, 1-10 mile Zone* (New York City)	14.37	16.08	12.65
Order No. 4, Philadelphia†	14.33	15.67	12.10
Class I Utilization Percentage			
Order No. 1	44.2	45.9	45.2
Order No. 2	37.5	41.4	39.7
Order No. 4	38.6	40.4	36.8

# CME through May 1998; Grade A equivalent price effective June 26, 1998.

\* Includes 15-cent transportation credit.

† Includes 6-cent direct-delivery differential.

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1999

## Multiple Component Pricing Under the Proposed Northeast Order

Under the new regulations presented in the final decision on Federal Milk Marketing Order Reform, producers in the consolidated Northeast order will be paid on a multiple component pricing (MCP) basis. This means that producers' pay prices will be largely determined by the pounds of butterfat, "true" protein, and other solids in their milk. Under MCP a fourth factor called the producer price differential (PPD) also contributes to the total pay price. The PPD represents a farm's per hundredweight (cwt) share of the value generated by the marketwide pool. A producer's PPD will vary monthly depending on changes in class prices and milk utilization under the order. Each producer's PPD value also is affected by the zone location of the plant(s) to which the milk was shipped during the month.

### Basis of Payments

**Butterfat**—The pounds of butterfat produced by a farm for a month will be calculated by multiplying the average butterfat test for the month by the volume of milk produced. For example, a 3.67% monthly average butterfat test and 100,000 lbs. production yields 3,670 pounds of butterfat. There no longer will be a butterfat differential or an adjustment for tests above or below 3.5 percent butterfat. With payment based on *pounds* of butterfat there is a tradeoff between test levels and milk volume. To a degree, a larger volume of milk will offset a lower average butterfat test and a higher average test will offset lower production. For example, a 3.57% monthly average test and milk production of 102,800 lbs. (2,800 lbs. more) also would yield about 3,670 pounds of butterfat.

**True Protein**—Payment for protein will be on the pounds of "true" protein in the milk. True protein is "crude" protein or "total" protein minus the non-protein nitrogen (NPN) present in milk. The NPN is composed of urea and other low molecular nitrogen containing compounds; has little nutritional value; and has little or no effect on dairy product yields. Many breed registry or testing services presently report total  
(continued on page 3)

## May 1999 Pool Highlights

- The May 1999 uniform price equaled **\$12.24** per hundredweight, an increase of \$0.46 from last month and down \$0.49 from May 1998.
- Class I and II prices were \$1.19 below last year's. The Class III price was \$0.38 above while the Class III-A price was \$2.34 lower than 1998's.
- Producer milk receipts totaled 1,059.0 million pounds, a decrease of 0.6 percent from last year.
- Class I usage totaled 405.5 million pounds, up 1.6 percent from the previous year. Due to lower total milk receipts, Class I utilization increased 2.1 percentage points.
- Daily deliveries per producer (DDP) equaled 3,727 pounds, a new record under Order No. 2. This was a year-to-year increase of 241 pounds (6.9 percent).◆

### Order No. 2 Prices and Utilization for May

	1998	1999	Percent change
<b>Prices*</b>			
	dollars per cwt		
Uniform	12.73	12.24	(3.8)
Class I	15.23	14.04	(7.8)
Class II	13.11	11.92	(9.1)
Class III	10.76	11.14	3.5
Class III-A	13.84	11.50	(16.9)
<b>Utilization</b>			
	million pounds		
Class I	399.1	405.5	1.6
Class II	154.1	162.9	5.8
Class III	484.2	459.2	(5.2)
Class III-A	28.5	31.3	10.0
Producer Receipts#	1,065.8	1,059.0	(0.6)

\* For bulk milk testing 3.5 percent butterfat in the 201-210 mile zone.

# Totals due not add due to rounding.

## U.P. Forecasted to Increase

The uniform price forecast for **June 1999** is **\$12.53** per hundredweight of bulk milk testing 3.5 percent butterfat in the 201-210 mile zone. This is an estimate.◆

## Manufactured Dairy Products—1998 Summary

During 1998, United States production of cheese, yogurt, and ice cream increased while butter and nonfat dry milk production both declined. The accompanying table shows the annual production of selected dairy products for 1996–98.

### Cheese Production Increases

The amount of cheese manufactured (excluding cottage cheese) totaled 7.5 billion pounds in 1998, an increase of 2.3 percent. In 1997, the increase in total cheese equaled 1.6 percent. In this category, the production of American type cheese accounted for 44.3 percent, down slightly from 1997. Of the total American produced, Cheddar accounted for 79.5 percent, also slightly lower than in 1997. Italian cheese represented 40.0 percent of total cheese; mozzarella accounted for 78.8 percent of total Italian.

Wisconsin remained the largest cheese-producing state with 28.2 percent of the total in 1998, down slightly from the previous year. California followed with 16.6 percent, up 0.6 percent from 1997. New York displaced Minnesota as the third-ranked state with 8.4 percent of the total, the same percent as in 1997. Minnesota's share dropped to 8.2 percent from 8.8 percent in 1997. In 1997, New Mexico ranked eighth in total cheese production. In 1998, however, the reporting of its production was restricted either from having too few plants reporting or to prevent an individual plant's operations from being disclosed.

The leading American cheese manufacturers were Wisconsin, Minnesota, and California, respectively. Idaho ranked fourth; New York's production was restricted. The largest Italian cheese producers include Wisconsin, California, and New York, respectively. New York ranked third in mozzarella and second in other Italian cheese (i.e., ricotta, provolone, Romano, and Parmesan). Pennsylvania's mozzarella production (ranked third in 1997) was not disclosed.

New York remained first in the manufacture of creamed and lowfat cottage cheese. Its production of cream and Neufchatel cheese was not disclosed in 1998; New York has ranked number one for several years. Only data for Pennsylvania was shown for this category.

For the first time, Hispanic cheese was reported separately. California accounted for 66.2 percent of the total in 1998, followed by Wisconsin with 21.3 percent. These were the only states showing individual production.

### United States Production of Selected Dairy Products, 1996–98

Product	1996	1997#	1998	1996–97	1997–98
	million pounds			percent change	
Total cheese*	7,217.5	7,330.4	7,501.9	1.6	2.3
Yogurt	1,588.1	1,574.1	1,616.0	(0.9)	2.7
Butter	1,174.5	1,151.3	1,081.9	(2.0)	(6.0)
NFDM	1,061.8	1,217.6	1,135.4	14.7	(6.8)
Cottage cheese**	690.3	706.2	728.6	2.3	3.2
	million gallons				
Ice cream	878.6	913.8	937.5	4.0	2.6

# Revised.

\* Excludes cottage cheese.

\*\* Includes creamed and lowfat cottage cheese.

Source: USDA, NASS, *Dairy Products*.

### Other Manufactured Products

Total U.S. butter production declined 6.0 percent in 1998. Wisconsin ranked first with 28.0 percent of total production. California, with 20.9 percent, dropped to second place with a 27.9 percent decline in butter production. Pennsylvania moved up from fourth to third place with 8.2 percent.

Nonfat dry milk (for human food) production decreased 6.8 percent in 1998. This follows an increase of 14.7 percent in 1997. Leading states included California with 44.7 percent and Washington with 12.3 percent of the total.

Ice cream production was up 2.6 percent in 1998. California dominated with 12.4 percent of all production. Indiana and Texas came in second and third, respectively. Yogurt production rose 2.7 percent in 1998, led by New York with 14.4 percent of the total. California followed with 12.4 percent.

### Number of Plants

Wisconsin had the largest number of dairy plants (manufacturing one or more dairy products) in 1998 with 217, down from 222 in 1996 and 1997. California ranked second with 147 plants, down from 175 in 1996 and 170 in 1997. New York had 141 plants in 1998, up from 134 in 1996 and 1997.◆

### Underpayment Notices Issued

For the first quarter of 1999, a total of \$15.73 in underpayments to producers resulted from incorrect transportation differentials. One handler and one producer were affected during those months. No hauling underpayments were reported during the first quarter. Handlers have been notified of their obligations.◆

## First Quarter Mailbox Prices Reviewed

For the first quarter of 1999, Order No. 2 mailbox prices averaged \$1.95 per cwt (13.8 percent) greater than the same period in 1998. This is also an increase of \$3.33 per cwt (26.1 percent) from the first quarter of 1997. The accompanying table shows mailbox price data for the first quarters of 1997-99.

Even though mailbox prices follow uniform prices, they are affected by butterfat tests and differentials, premiums, hauling, and other deductions such as cooperative dues and equity. As shown in the table, butterfat tests averaged higher during the first quarter of 1999, compared to the same period in the previous 2 years. In addition, the butterfat differential also averaged higher. Premiums for the January-March 1999 period averaged the same as in 1998, but were considerably above 1997. Hauling has averaged 3 cents per

hundredweight less during the first quarter than during the same period in both 1997 and 1998. The numbers reported represent over 95 percent of the Order No. 2 pool. ♦

**Order No. 2 Mailbox Prices, January-March 1997-99**

Mailbox Price	1997	1998	1999	1997-99	1998-99
	dollars/cwt			percent	
January	12.59	14.05	17.58	39.6	25.1
February	12.67	14.32	15.30	20.8	6.8
March	13.03	14.04	15.38	18.0	9.5
Average	12.76	14.14	16.09	26.1	13.8
Premiums	0.32	0.39	0.39	21.9	0.0
Hauling	0.33	0.33	0.30	(9.1)	(9.1)
B'fat differential	0.096	0.130	0.136	41.7	4.6
B'fat test (%)	3.717	3.722	3.739	0.6	0.5

## Multiple Pricing *(continued from page 1)*

protein figures. As a rule-of-thumb, subtract 0.19 percentage points from a total protein test to obtain an approximate true protein test. If you are receiving protein test information, be sure to ask whether the reported levels represent true or total protein. To counteract a lower reported true protein test, the price formulas for determining payment to producers on protein were adjusted so that there should be minimal impact on producer revenues. As with butterfat, there is a tradeoff between protein test levels and milk volume in terms of the total pounds of protein produced.

**Other Solids**—The other solids portion of milk represents the solids remaining in the milk after accounting for butterfat and protein. Other solids consist primarily of lactose and ash. Typically, a test for *total* milk solids is performed along with tests for butterfat and protein. Protein and butterfat tests are deducted from total solids leaving a residual figure for other solids.

### Component Testing

Testing of milk for MCP will be performed by the handler or cooperative buying a producer's milk, as is currently the procedure for butterfat testing. Testing frequency and procedures will be governed by the applicable regulations of the state in which the farm is located. For producers who do not belong to a cooperative, the Market Administrator will be responsible for spot verification of non-member component tests under a marketwide service program.

### Price of Components

The value for each component will be determined using weekly wholesale dairy product price surveys collected by USDA's National Agricultural Statistics Service (NASS). The survey prices will record actual sales

transaction prices across the United States and should, therefore, be reflective of national supply and demand conditions. The survey prices are used in formulas to generate the actual component prices for butterfat, protein, and other solids that will be paid to producers.

### Example of Price Calculation under MCP

The following example presents how a producer's gross pay price would be calculated under MCP. The example is a hypothetical farm with 100,000 pounds (1,000 cwt) production, average component tests, and uses actual component prices for the month of May. The calculation does not include any adjustments for hauling, premiums, or any other negotiable price adjustments that will affect the net price received by producers.

Since the composition of one farm's milk may be significantly different from another farm as well as the respective locations of where their milk will be shipped, milk checks for neighboring farms will no longer be as readily comparable. ♦

**Calculation of Producer Payment Under Consolidated Order**

	Test	Pounds	Price	Gross
	percent		per pound	dollars
Butterfat	3.62	3,620	x 1.1757	= \$4,256.03
True protein	3.02	3,020	x 2.1984	= 6,639.17
Other solids	5.47	5,470	x 0.0381	= 208.41
Total component value				\$11,103.61
Producer Price Differential 1,000 cwt*			1.10/cwt	= 1,100.00
Total gross payment				<b>\$12,203.61</b>
Gross price per cwt				<b>\$12.2036</b>

\* The calculated PPD is an estimate and is based on the difference between the May uniform price and the Class III price.

## Determination of Uniform Price of \$12.24 for May 1999

Per hundredweight of milk testing 3.5 percent butterfat received in bulk from farms in the 201-210 mile zone

TOTAL VALUE OF POOLED MILK							
Class	Milk pounds	Per-cent	Minimum price	Value at minimum price	Trans- portation differential dollars	Total value	Contribution per cwt of receipts
I-A	387,983,950	36.6	14.04	54,472,946.57	120,537.11	54,593,483.68	5.156
I-B	17,496,526	1.7	14.04	2,456,512.27	2,135.85	2,458,648.12	0.232
II	162,944,480	15.4	11.92	19,422,982.02	17,838.00	19,440,820.02	1.836
III	459,226,888	43.4	11.14	51,157,875.31	39,987.13	51,197,862.44	4.834
IIIA	<u>31,335,107</u>	<u>2.9</u>	11.50	<u>3,603,537.31</u>	<u>4,738.00</u>	<u>3,608,275.31</u>	<u>0.341</u>
Reported receipts	1,058,986,951	100.0		131,113,853.48	185,236.09	131,299,089.57	12.399
Adjustments:	<u>Product pounds</u>			<u>Dollars*</u>			
Sec. .60(d)(6) I	2,272,400			52,719.67			
Sec. .60(d)(6) II	5,275,576			10,551.15			
Total Sec. .60(d)(2) thru (6)	7,547,976			63,270.82		63,270.82	0.006
Total adjustments	7,547,976			63,270.82			
Total pool milk classified	1,058,986,951						
Handlers must pay			63,270.82	131,113,853.48	185,236.09	131,362,360.39 **	12.405
COMPUTATION OF UNIFORM PRICE							
	<u>Milk pounds</u>			<u>Dollars</u>		<u>Dollars per cwt of receipts</u>	
Total value of pooled milk				131,362,360.39		12.405	
Less: Cooperative payments	686,298,070			274,519.23		0.026	
Reserve				901,640.38		0.085	
Transportation credit	1,058,986,951			1,588,480.44	<u>(2,764,640.05)</u>	<u>0.150</u>	<u>(0.261)</u>
Value of pooled milk less subtractions				128,597,720.34		12.144	
Add: Freight adjustment to 201-210 mile zone				181,613.81		0.017	
Unreserved cash in producer settlement fund				<u>840,668.65</u>	<u>1,022,282.46</u>	<u>0.079</u>	<u>0.096</u>
Uniform Price	1,058,986,951			129,620,002.80		12.240	

\* Includes transportation and other applicable differentials.

\*\* In addition handlers must pay \$1,354,021.11 for butterfat in excess of 3.5 percent.

Note: The average butterfat test of milk delivered was 3.615189 percent. The butterfat differential was \$.111 for each one-tenth of one percent of butterfat.

## Comparative Price and Other Descriptive Statistics

	MAY 1998	APRIL 1999	MAY 1999
Order No. 2			
Handlers (with producer milk)	31	31	29
Bulk Tank Units	94	92	91
Producers	9,863	9,232	9,167
Daily Deliveries Per Producer (pounds)	3,486	3,605	3,727
Price Factors, Monthly Averages (dollars)			
Basic Formula Price, 3.5% butterfat, per cwt	10.88	11.81	11.26
Cheddar Cheese, 40-lb blocks, per lb, NASS	1.2034	1.3131	1.2661
Butter, Grade A, per lb#	1.4945	.9398	1.0389
Nonfat dry milk, Central States, per lb	1.0348	1.0228	1.0228
Uniform Prices (dollars per cwt, 3.5% butterfat)			
Order No. 1, Zone 1 (Boston)	14.10	12.48	13.14
Order No. 2, 1-10 mile Zone* (New York City)	13.60	12.65	13.11
Order No. 4, Philadelphia¶	13.97	12.10	12.70
Class I Utilization Percentage			
Order No. 1	42.7	45.2	41.9
Order No. 2	37.5	39.7	38.3
Order No. 4	37.8	36.8	34.5

# CME through May 1998; Grade A equivalent price effective June 26, 1998.

\* Includes 15-cent transportation credit.

¶ Includes 6-cent direct-delivery differential.

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**New York-  
New Jersey  
Milk Marketing  
Area**

# The Market Administrator's Bulletin

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Federal Order No. 2

Volume 59

June

1999

## Federal Order Reform Update

### Dairy Farmer Referendum Underway

USDA issued a referendum order on the final decision for Federal Milk Marketing Order Reform on July 14, 1999. Normally, this action occurs at the same time that the final decision is issued. The final decision was published in the *Federal Register* on April 2, 1999.

A referendum is being conducted to determine approval of the proposed Northeast marketing order. Dairy farmers who shipped milk to handlers that would have been regulated under the proposed order during March 1999 are eligible to vote. **Completed ballots must be postmarked no later than August 6, 1999, to be counted.** Approval of the proposed order requires a yes vote from at least two-thirds of producers casting ballots.

Voter ballots will be mailed to all eligible non-member dairy farmers and to all members of dairy cooperatives who have indicated their desire to vote by individual ballot. Qualified cooperative associations will be permitted to cast bloc votes on behalf of all their members. A summary of the provisions of the proposed order is being mailed with the ballot.

Dairy farmers who have not received a ballot in the mail by July 26 and think that they are eligible to vote should call the USDA Referendum Agent at (617) 542-8966.

### Final Decision Corrected

On July 8, 1999, USDA issued corrections to the final decision on Federal Milk Marketing Order Reform. The corrections do not change the conclusions contained in the final decision and do not substantively alter the regulatory provisions. Details were published in the July 14, 1999, *Federal Register*. ♦

## Approval for Cooperative Payments

Scenic Mountain Milk Producers Cooperative Inc. (Scenic) is qualified as an affiliated cooperative of Dairylea Cooperative Inc. (Dairylea), effective June 1, 1999. Dairylea's designation to receive cooperative payments pursuant to Section 1002.77 of the Order has been modified to include the production of the members of Scenic. ♦

## June 1999 Pool Highlights

- The June 1999 uniform price equaled **\$12.41** per hundredweight, an increase of \$0.17 from last month and down \$1.00 from June 1998.
- Class I and II prices were \$0.20 below last year's. The Class III price was \$1.68 below and the Class III-A price was \$2.09 lower than 1998's.
- Producer milk receipts totaled 994.8 million pounds, a decrease of 1.5 percent from last year.
- Class I usage totaled 361.8 million pounds, down 5.0 percent from the previous year.
- Daily deliveries per producer (DDP) equaled 3,668 pounds. This was a year-to-year increase of 219 pounds (6.3 percent). ♦

### Order No. 2 Prices and Utilization for June

	1998	1999	Percent change
	dollars per cwt		
<b>Prices*</b>			
Uniform	13.41	12.41	(7.5)
Class I	14.43	14.23	(1.4)
Class II	12.31	12.11	(1.6)
Class III	12.99	11.31	(12.9)
Class III-A	15.27	13.18	(13.7)
<b>Utilization</b>	million pounds		
Class I	380.9	361.8	(5.0)
Class II	152.3	170.7	12.0
Class III	452.4	443.9	(1.9)
Class III-A	24.7	18.4	(25.3)
Producer Receipts	1,010.3	994.8	(1.5)

\* For bulk milk testing 3.5 percent butterfat in the 201-210 mile zone.

## U.P. Forecasted to Increase

The uniform price **forecast** for **July 1999** is **\$13.03** per hundredweight of bulk milk testing 3.5 percent butterfat in the 201-210 mile zone. This is an estimate. ♦

## Plant-Point Pricing in the Proposed Northeast Order

Under the new regulations presented in the final decision on Federal Milk Marketing Order Reform, producers in the consolidated Northeast order will be paid on a *plant-point* pricing basis. For producers associated with Order No. 2, plant-point pricing will be a change from the present pricing method. Currently, producers pooled under Order No. 2 are paid on a *farm-point* pricing basis where the location of a farm's milkhouse is the pricing point. The township in which a farm's milkhouse is located determines the zone of the farm and the amount of adjustment (positive or negative) to the announced marketwide uniform price to arrive at an adjusted uniform price for a respective farm. Under plant-point pricing, the location of the plant where a producer's milk is shipped becomes the pricing point. This means that milk is priced FOB the plant of first receipt, and the charge for transporting milk from farm to plant may become a significant negotiating issue between a producer and a milk buyer. Order No. 2 is the only federal order that now operates under a farm-point pricing system.

### Pricing Differences

Farm-point pricing regulations utilize the marketwide pool to cover some of the costs of hauling for producers. Currently, a deduction of 15 cents per hundredweight is made from the pool prior to calculating the Order No. 2 uniform price. This deduction, known as the "transportation credit," is credited to the buyers (handlers) of milk and has the effect of reducing all producers' blend prices by 15 cents per hundredweight. The credit does, however, offset 15 cents of hauling costs that might otherwise be directly charged to producers. Under the consolidated Northeast order and plant-point pricing, the transportation credit will be eliminated.

### Zone Adjustments

While there will no longer be a zone adjustment for producers based on the location of a farm's

milkhouse, producers will receive an adjustment in their net pay price based on the zone of the plant(s) receiving their milk. Suffolk County, Massachusetts (Boston area), will be the base county or highest zone for the consolidated Northeast order. Plant zone values will radiate out by county and decrease as you move away from Suffolk County, MA. This means, for example, that a producer located in Onondaga County, NY (Syracuse area), shipping milk to Suffolk County, MA (Boston area), would receive a higher plant zone adjustment than another producer also located in Onondaga County, NY, but shipping milk to an Albany County, NY (Albany area), plant. In this case, the plant zone adjustment for a producer shipping to the Suffolk County destination would be 60 cents per hundredweight greater than the plant zone adjustment for a producer shipping to Albany County. A counterweight to the higher zone price is that a producer's hauling charges would likely be higher transporting milk to a Boston area destination than to the closer Albany location. In general, under plant-point pricing shipping milk to plants located relatively closer to Suffolk County, MA, will result in a higher plant zone adjustment, but depending on the location of the farm, higher hauling charges may be incurred moving milk a greater distance. Producers shipping milk to a nearby plant(s) that may be a considerable distance from Suffolk County, MA, will receive a lower plant zone adjusted price, but also should incur lower hauling charges.

Order No. 2 provisions allow proprietary handlers to charge producers for their actual costs of hauling milk minus the 15-cent transportation credit and minus the change in the zone value moving milk from a country zone to a zone closer to metropolitan New York. This office audits the hauling records of proprietary handlers to verify that handlers are not overcharging hauling amounts. ♦

## U.S. Milk Production, Disposition, and Income Summarized

Cash receipts from U.S. marketings of milk during 1998 totaled \$24.3 billion, an increase of 16 percent from 1997. Producer returns averaged \$15.57 per hundredweight, 15 percent higher than the previous year. Milk marketings totaled 156 billion pounds, 1 percent above 1997. These figures are all from USDA's recently released *Milk Production, Disposition, and Income 1998 Summary*.

Of total U.S. milk production, 59.1 percent was used in manufactured products; 35.7 percent in fluid products; 0.9 percent by producers on their own farms; and the remainder was assigned to balancing inaccuracies

in utilization estimates such as milk equivalent conversions.

On a milk value basis, California accounted for 17.6 percent of the total milk marketings in 1998. Wisconsin was second with 14.4 percent followed by New York with 7.4 percent. These equate to an average per hundredweight price of \$15.01 in California, \$15.50 in Wisconsin, and \$15.40 in New York for milk sold to plants and dealers in 1998. Compared to 1997, California's average value was \$2.39 higher per hundredweight; Wisconsin was up \$2.17 and New York was \$2.00 higher. ♦

## Mid-Year Update: Milk Receipts Decline, Prices Rise

For the first 6 months of 1999, total producer milk receipts under Order No. 2 were 2.3 percent lower than during the same period in 1998. Coming off of a high year-end, Class I and II prices have averaged higher than those in the first 6 months of 1998, while Class III and III-A prices have been below. The blend price averaged 3.0 percent higher than last year for the 6-month period. The accompanying table compares receipts and prices for the first 6 months of 1998 and 1999.

Due in part to pooling changes, producer numbers have declined 8.2 percent on average compared to 1998. At mid-year, the total number of producers was 724 less than last year. Year-to-year increases in daily deliveries per producer (DDP) have been greater than 6.0 percent for each month in 1999 (except April which was 5.6 percent) averaging 6.4 percent for the 6-month period. Even though DDP gains have been substantial, the decline in producers has resulted in lower overall milk receipts.

Class I usage averaged 1.0 percent less during the first half of 1999, but due to the larger decline in total milk receipts, Class I utilization increased 0.5 percentage points. Class II and III utilization remained constant while Class III-A usage dropped 0.6 percentage points.

Class I and II prices were strong during the first quarter of 1999. In February, the basic formula price dropped a record \$6.00 per hundredweight. This impacted April Class I and II prices. Blend prices were 13.5 percent higher during the first quarter compared

### Order No. 2 Pool Statistics, January–June 1998–99

Pool Statistic	1998	1999	1998–99
	million pounds		Change *
			percent
Class I	2,385.8	2,362.9	(1.0)
Class II	914.3	900.2	(1.5)
Class III	2,606.4	2,545.2	(2.3)
Class III-A	202.4	158.5	(21.7)
Total Receipts	6,108.9	5,966.9	(2.3)
	pounds		
DDP	3,352	3,565	6.4
	utilization percentage		change
Class I	39.1	39.6	0.5
Class II	15.0	15.1	0.1
Class III	42.7	42.6	(0.1)
Class III-A	3.3	2.7	(0.6)
	dollars/cwt		percent
Class I	15.36	16.45	7.1
Class II	13.24	14.33	8.2
Class III	12.51	12.06	(3.6)
Class III-A	13.25	12.32	(7.0)
Uniform	13.61	14.02	3.0

\* Calculated using more detailed data than shown in table.

to 1998, but during the second quarter, they were 8.1 percent lower. Overall, due to the strong first quarter, blend prices still averaged higher than during the same period in 1998. ♦

## Loss Payments Issued

Payments from the \$200 million Dairy Market Loss Assistance Program began June 16 and were to be completed by June 30. Under this program, the Commodity Credit Corporation made payments to dairy farmers, who are suffering from record low milk prices, based on their 1997 or 1998 milk production, whichever was higher. Payments were limited to the first 26,000 hundredweight of production in the selected year so as to not dilute the assistance available to smaller dairy farmers, who may be in the most need of assistance, and to spread the payments more equitably among all dairy operations. The payment rate was 22.47897 cents per hundredweight.

Nationally, a total of 76,771 farms received payments. Of those, 9,976 had production exceeding the 26,000 hundredweight. Total pounds paid on equaled 889,720,116 hundredweight for an average of 11,589 hundredweight per farm. Total pounds reported equaled 1,595,842,787 hundredweight.

In New York, 6,976 farms received an average payment of \$2,641.66. Pennsylvania reported that 6,245 farms received average payments of \$2,442.20;

New Jersey had 182 farms with average payments of \$2,730.31. Nationally, the average payment per farm equaled \$2,605.15.

For additional information, see the February issue of the *Bulletin*. ♦

## USDA Appointments Announced

On June 25, 1999, Agriculture Secretary Dan Glickman announced two new appointments. He promoted Enrique Esquivel Figueroa to Deputy Under Secretary of Agriculture for Marketing and Regulatory Programs. Figueroa's experience will aid in seeking new ways to expand marketing opportunities, both at home and abroad, for agricultural producers.

Kathleen Ann Merrigan, replacing Figueroa, was named as Administrator of the Agricultural Marketing Service with responsibility for facilitating the strategic marketing of agricultural products in domestic and international markets. Merrigan had been a senior analyst with the Henry A. Wallace Institute for Alternative Agriculture since 1994. ♦

## Determination of Uniform Price of \$12.41 for June 1999

Per hundredweight of milk testing 3.5 percent butterfat received in bulk from farms in the 201-210 mile zone

TOTAL VALUE OF POOLED MILK							
Class	Milk pounds	Per cent	Minimum price	Value at minimum price	Transportation differential	Total value	Contribution per cwt of receipts
					dollars		
I-A	347,625,347	35.0	14.23	49,467,086.87	123,222.11	49,590,308.98	4.985
I-B	14,222,610	1.4	14.23	2,023,877.39	2,677.68	2,026,555.07	0.204
II	170,664,347	17.2	12.11	20,667,452.43	20,020.71	20,687,473.14	2.080
III	443,884,829	44.6	11.31	50,203,374.17	39,627.15	50,243,001.32	5.049
III-A	<u>18,403,148</u>	<u>1.8</u>	13.18	<u>2,425,534.91</u>	<u>2,288.91</u>	<u>2,427,823.82</u>	<u>0.245</u>
Reported receipts	994,800,281	100.0		124,787,325.77	187,836.56	124,975,162.33	12.563
Adjustments:	<u>Product pounds</u>			<u>Dollars*</u>			
Sec. .60(d)(1) III	4,086			231.88			
Total Sec. .60(d)(1)	4,086	4,086		231.88		231.88	0.000#
Sec. .60(d)(6) I	2,543,118			78,606.01			
Sec. .60(d)(6) II	6,002,977			58,228.88			
Total Sec. .60(d)(2) thru (6)	8,546,095			136,834.89		136,834.89	0.014
Total adjustments	8,550,181			137,066.77			
Total pool milk classified	994,804,367						
Handlers must pay				137,066.77	124,787,325.77	187,836.56	125,112,229.10 ** 12.577

COMPUTATION OF UNIFORM PRICE			
	<u>Milk pounds</u>	<u>Dollars</u>	<u>Dollars per cwt of receipts</u>
Total value of pooled milk		125,112,229.10	12.577
Less: Cooperative payments	645,913,094	258,365.24	0.026
Reserve		876,326.48	0.088
Transportation credit	994,800,281	1,492,200.40	<u>(2,626,892.12)</u>
Value of pooled milk less subtractions		122,485,336.98	12.313
Add: Freight adjustment to 201-210 mile zone		191,834.83	0.019
Unreserved cash in producer settlement fund		<u>777,543.06</u>	<u>0.078</u>
Uniform Price	994,800,281	123,454,714.87	12.410

\* Includes transportation and other applicable differentials.

# Results from rounding.

\*\* In addition handlers must pay \$547,593.79 for butterfat in excess of 3.5 percent.

Note: The average butterfat test of milk delivered was 3.534190 percent. The butterfat differential was \$.161 for each one-tenth of one percent of butterfat.

## Comparative Price and Other Descriptive Statistics

	JUNE 1998	MAY 1999	JUNE 1999
Order No. 2			
Handlers (with producer milk)	32	29	29
Bulk Tank Units	94	91	91
Producers	9,764	9,167	9,040
Daily Deliveries Per Producer (pounds)	3,449	3,727	3,668
Price Factors, Monthly Averages (dollars)			
Basic Formula Price, 3.5% butterfat, per cwt	13.10	11.26	11.42
Cheddar Cheese, 40-lb blocks, per lb, NASS	1.4038	1.2661	1.2747
Butter, Grade A, per lb	1.8468	1.0389	1.4031
Nonfat dry milk, Central States, per lb	1.0289	1.0228	1.0139
Uniform Prices (dollars per cwt, 3.5% butterfat)			
Order No. 1, Zone 1 (Boston)	14.40	13.14	13.51
Order No. 2, 1-10 mile Zone* (New York City)	14.28	13.11	13.28
Order No. 4, Philadelphia¶	14.18	12.70	13.29
Class I Utilization Percentage			
Order No. 1	42.9	41.9	41.9
Order No. 2	37.7	38.3	36.4
Order No. 4	39.6	34.5	36.6

\* Includes 15-cent transportation credit.

¶ Includes 6-cent direct-delivery differential.

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**New York-  
New Jersey  
Milk Marketing  
Area**

# The Market Administrator's Bulletin

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Federal Order No. 2

Volume 59

July

1999

## Second Round for Dairy Options Pilot Program Announced

Agriculture Secretary Dan Glickman has announced that a second round of the Dairy Options Pilot Program (DOPP) will be conducted later this year. The DOPP provides hands-on training for dairy producers to learn how to protect their market price by buying options contracts. By purchasing futures options, dairy farmers have the ability to "lock-in" a base price for their milk in a future month. Options contracts give producers the right, but not the obligation, to sell a futures contract. This hedging alternative can protect a producer's income if the market price falls below the put option price. If market prices exceed the price of the put option, the option can be allowed to expire unused.

### Three Northeast States Among Participants

The second DOPP round will extend training to 61 counties in 25 states. In the Northeast, Wyoming and Madison counties in New York, Lebanon and Tioga counties in Pennsylvania, and Washington County in Vermont were selected. To participate, producers must operate a dairy farm in a designated county and have had total milk production of at least 100,000 pounds over any consecutive 6-month period during the last 12 months—less than 17,000 pounds per month. Producers in these counties will receive program information and application materials directly from USDA's Risk Management Agency. Interested producers will be required to attend a training session in order to participate.

### USDA Shares Participants Costs

Under DOPP, USDA covers 80 percent of an option's premium price and reimburses \$30 of participants' per trade brokerage fee. Producers will be able to buy up to 425,000 pounds of milk options in a 4-month period following their training. Counseling and advice will be available to participants for the program's 12-month duration.

During the first DOPP round in early 1999, 425 producers in 37 counties in seven states purchased almost 1,700 put options. Seventeen counties in New York, Pennsylvania, and Vermont were included in the first DOPP round. For more information, contact Lon Burke in USDA's Risk Management Agency at 202/720-5265. ♦

## July 1999 Pool Highlights

- The July 1999 uniform price equaled **\$13.21** per hundredweight, an increase of \$0.80 from last month and down \$0.32 from July 1998.
- Class I and II prices were \$0.38 above last year's. The Class III price was \$1.18 below and the Class III-A price was \$3.22 lower than 1998's.
- Producer milk receipts totaled 966.8 million pounds, a decrease of 4.7 percent from last year.
- Class I usage totaled 377.0 million pounds, down 3.5 percent from the previous year.
- Daily deliveries per producer (DDP) equaled 3,482 pounds. This was a year-to-year increase of 114 pounds (3.4 percent). ♦

### Order No. 2 Prices and Utilization for July

	1998	1999	Percent change
	dollars per cwt		
<b>Prices*</b>			
Uniform	13.53	13.21	(2.4)
Class I	13.30	13.68	2.9
Class II	11.18	11.56	3.4
Class III	14.80	13.62	(8.0)
Class III-A	15.62	12.40	(20.6)
<b>Utilization</b>	million pounds		
Class I	390.9	377.0	(3.5)
Class II	156.2	143.9	(7.9)
Class III	448.8	428.4	(4.5)
Class III-A	18.7	17.5	(6.4)
Producer Receipts	1,014.5 #	966.8	(4.7)

\* For bulk milk testing 3.5 percent butterfat in the 201-210 mile zone.

# Total does not add due to rounding.

## U.P. Forecasted to Increase

The uniform price **forecast** for **August 1999** is **\$14.36** per hundredweight of bulk milk testing 3.5 percent butterfat in the 201-210 mile zone. This is an estimate. ♦

## Cheese Prices Rise; Butter Prices Fall

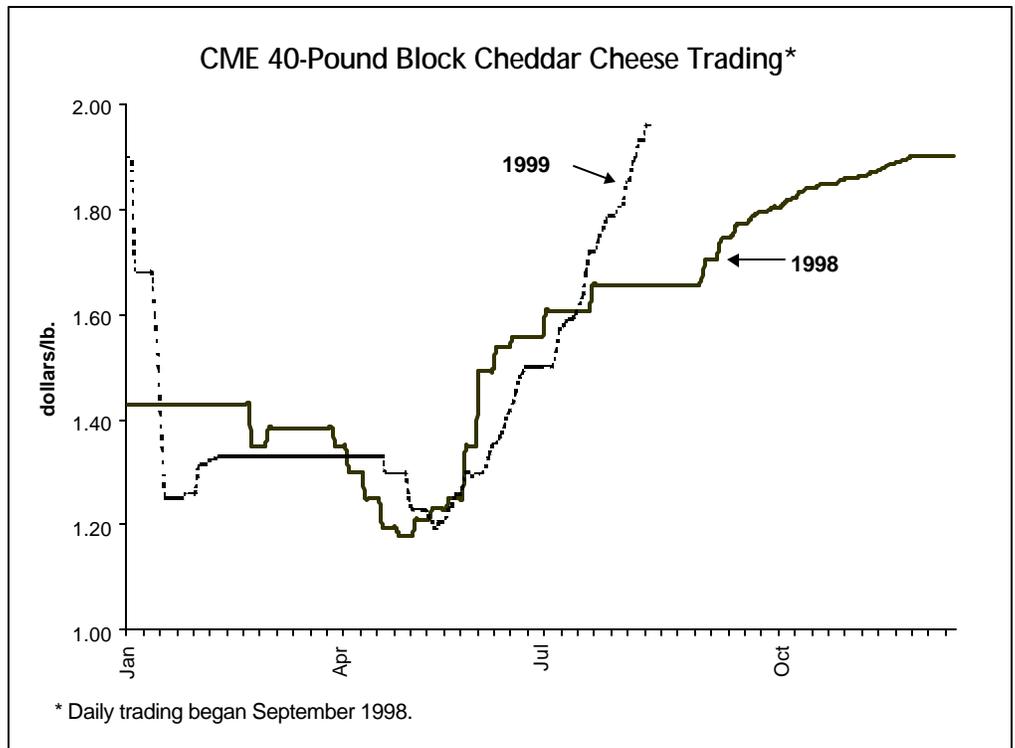
### Record High Cheese Prices

Cheese prices at the Chicago Mercantile Exchange (CME) continue to reach new record high levels. Wholesale prices for 40-pound block Cheddar cheese trading on the CME increased to \$1.9625 per pound as of August 18, 1999. Block cheese prices at the CME peaked last year at \$1.9000 as 1998 drew to a close. On May 17, 1999, block cheese prices dipped to their lowest level so far this year at \$1.1925 per pound. Since that date, prices have risen \$0.7675 over a 3-month period (see accompanying chart). This market information, combined with other factors,

has driven recent CME Basic Formula Price (BFP) futures contracts for September and October 1999 delivery to a range of \$17.30 to \$17.50 per hundredweight. Last year, the BFP peaked in December at \$17.34 per hundredweight.

### Butter Trends Down

Unlike cheese prices that have climbed to record highs, recent butter prices have been well below the record levels seen in 1998. As of August 18, 1999, cash wholesale Grade AA butter prices at the CME were



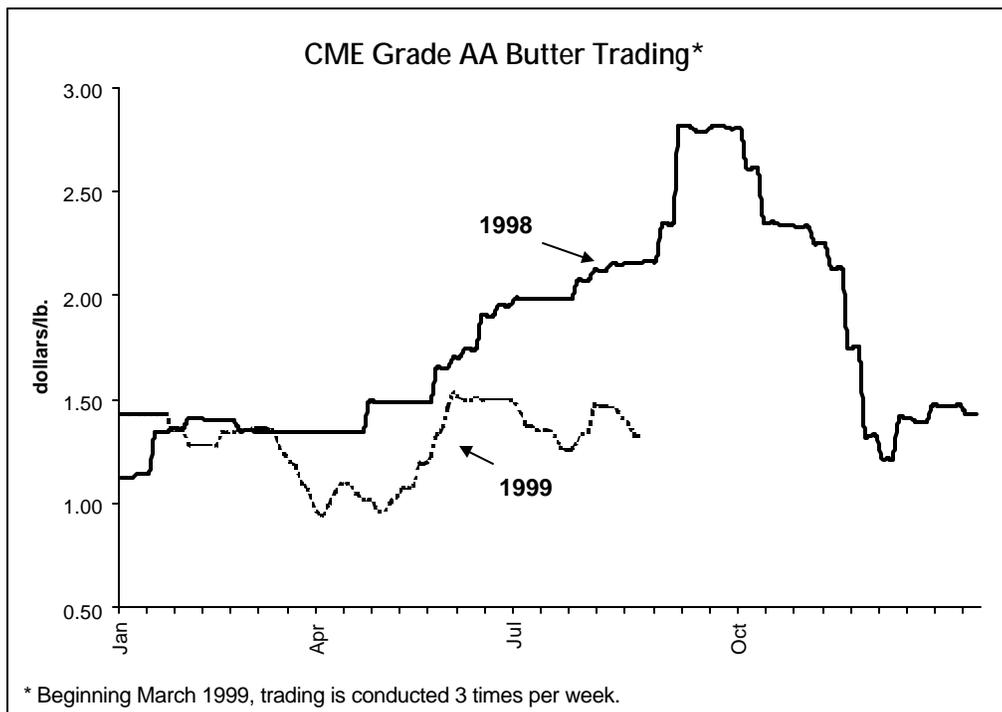
\$1.3250 per pound. Last year, at this time, butter prices were over \$2.00 per pound and headed toward the record high peak of \$2.81 per pound (see accompanying chart).

### Despite Heat, Milk Production Increases

USDA's *Milk Production*, released on August 16, 1999, indicated that the hot weather and drought affecting parts of the United States have had mixed results on state level milk production. In the Northeast, New York and Vermont milk production increased

1.7 and 2.2 percent, respectively, in July 1999, compared to last year. Pennsylvania's July milk production level was down 0.8 percent from 1998's level. Revised data for June 1999 show year-to-year increases for all three states. New York was up 2.3 percent; Pennsylvania increased 2.7 percent; and Vermont rose 2.2 percent from June 1998 levels.

Estimated total U.S. milk production increased 2.2 percent in July 1999 compared to last year. Cumulative U.S. milk production through the first 7 months of 1999 is 3.0 percent above last year's level. ♦



## In-Area Sales Decline at Lower Rate

For the first 6 months of 1999, total sales of packaged fluid milk products in the New York–New Jersey (Order No. 2) milk marketing area declined 0.7 percent compared to the same period in 1998. The decline for the first 6 months of 1998, compared to 1997, was 1.5 percent. The accompanying table shows in-area sales for the January–June period of 1997–99. Data for 1999 are preliminary.

Unlike previous years when declines were mainly seen in the higher-fat product categories, all product categories experienced declines except flavored milk and drinks during the January–June 1999 period. Even fat free (skim) milk, sales of which have been on the rise, dropped slightly during the 6-month period. Buttermilk sales had the largest percentage drop, but overall only accounted for 0.3 percent of total sales, which is unchanged from the last few years.

Sales of whole milk and lowfat (1%) milk dropped

Sales of Packaged Fluid Milk Products Inside the NY–NJ Marketing Area, January–June, 1997–99

				Year-to-year change	
	1997	1998	1999*	1997–98	1998–99*
	million pounds			percent	
Whole	1,067.4	1,039.1	1,029.7	(2.6)	(0.9)
Reduced	377.9	363.7	358.7	(3.8)	(1.4)
Lowfat	290.5	288.7	286.0	(0.6)	(0.9)
Fat free	296.0	306.9	305.1	3.7	(0.6)
Flavored	90.7	91.6	96.0	1.0	4.8
Buttermilk	7.0	7.3	7.1	5.0	(2.5)
<b>Total</b>	<b>2,129.5</b>	<b>2,097.3</b>	<b>2,082.7</b>	<b>(1.5)</b>	<b>(0.7)</b>

\* Preliminary

less than a percent each while sales of reduced fat (2%) declined 1.4 percent. Each of these three categories lost 0.1 percentage point of total sales. Even though fat free sales decreased, the category gained 0.1 percentage point of all sales. Flavored milk and drinks gained 0.2 percentage points. ♦

## Farms Increase Computer Usage

According to a recently released National Agricultural Statistics Service (NASS) survey, on-farm computer usage and ownership have increased dramatically in just the past 2 years. In 1999, a total of 47 percent of U.S. farms have access to a computer, compared to 38 percent in 1997; 40 percent of all farms own or lease a computer, up from 31 percent in 1997; and 29 percent of farms now have Internet access, compared to 13 percent in 1997.

Each year NASS conducts its June Agricultural Survey to provide estimates of crop acres planted, grain in storage, livestock inventories, and land values. In 1997, and again this year, questions were added to the survey form that asked the operator about access and use of computers.

Based on size of operation, 77 percent of U.S. farms with sales of \$250,000 and more have access to a computer; 72 percent own or lease a computer; 65 percent use a computer for their farm business; and 52 percent have Internet access. For farms with sales less than \$250,000; 45 percent have access to a computer; 37 percent own or lease a computer; 21 percent use one for their farm business; and 27 percent have Internet access.

On a regional basis, farms located in the western United States have the highest percentages of computer usage and ownership. Sixty-four percent have computer access and 41 percent have Internet access. In the Northeast, 50 percent have access to computers and 33 percent have Internet access. Farms located in

the South had the lowest percentage for access, ownership, usage for their farm businesses, and Internet access. ♦

## Administrative Assessment Waived

For the months of August and September 1999, the administrative assessment pursuant to Section 1002.85 of the order regulating the handling of milk in the New York–New Jersey Marketing Area will be waived. Payment of the assessment will not be required of handlers on milk received during those months. ♦

## Fluid Milk Board Members Named

Agriculture Secretary Dan Glickman announced the appointment of 9 incumbents and 4 new members to the National Fluid Milk Processor Promotion Board. Locally, in region 2, Jeffrey W. Stephen of Chelsea, Massachusetts, was newly appointed. The appointments for region 2 expire on May 31, 2002.

The Board was established by the Fluid Milk Promotion Act of 1990 to develop and administer a coordinated program of advertising and promotion to increase the consumption of fluid milk products. It is composed of 15 fluid milk processors from 15 geographic regions, and five at-large members. The program is financed by a mandatory 20-cent per hundredweight assessment on all fluid milk processed and marketed commercially in consumer-type packages. ♦

## Determination of Uniform Price of \$13.21 for July 1999

Per hundredweight of milk testing 3.5 percent butterfat received in bulk from farms in the 201-210 mile zone

TOTAL VALUE OF POOLED MILK							
Class	Milk pounds	Per cent	Minimum price	Value at minimum price	Transportation differential	Total value	Contribution per cwt of receipts
					dollars		
I-A	363,410,189	37.6	13.68	49,714,513.86	110,023.84	49,824,537.70	5.153
I-B	13,602,410	1.4	13.68	1,860,809.69	2,106.16	1,862,915.85	0.193
II	143,867,730	14.9	11.56	16,631,109.56	17,546.04	16,648,655.60	1.722
III	428,430,788	44.3	13.62	58,352,273.36	36,829.70	58,389,103.06	6.038
III-A	<u>17,524,669</u>	<u>1.8</u>	<u>12.40</u>	<u>2,173,058.94</u>	<u>2,943.51</u>	<u>2,176,002.45</u>	<u>0.226</u>
Reported receipts	966,835,786	100.0		128,731,765.41	169,449.25	128,901,214.66	13.332
Adjustments:	<u>Product pounds</u>		<u>Dollars*</u>				
Sec. .60(d)(6) I	5,299,543		126,637.52				
Sec. .60(d)(6) II	6,231,376		15,578.45				
Total Sec. .60(d)(2) thru (6)	11,530,919		142,215.97			142,215.97	0.015
Total adjustments	11,530,919		142,215.97				
Total pool milk classified	966,835,786						
Handlers must pay			142,215.97	128,731,765.41	169,449.25	129,043,430.63	** 13.347

### COMPUTATION OF UNIFORM PRICE

	Milk pounds	Dollars	Dollars per cwt of receipts
Total value of pooled milk		129,043,430.63	13.347
Less: Cooperative payments	627,441,080	250,976.43	0.026
Reserve		789,710.07	0.082
Transportation credit	966,835,786	1,450,253.67	<u>0.150</u>
Value of pooled milk less subtractions		126,552,490.46	13.089
Add: Freight adjustment to 201-210 mile zone		203,011.87	0.021
Unreserved cash in producer settlement fund		<u>963,505.00</u>	<u>0.100</u>
Uniform Price	966,835,786	127,719,007.33	13.210

\* Includes transportation and other applicable differentials.

\*\* Calculations are on the basis of 3.5 percent butterfat. The amount handlers must pay is reduced by \$880,151.15 since the average butterfat test was below 3.5 percent.

Note: The average butterfat test of milk delivered was 3.432064 percent. The butterfat differential was \$.134 for each one-tenth of one percent of butterfat.

## Comparative Price and Other Descriptive Statistics

	JULY 1998	JUNE 1999	JULY 1999
Order No. 2			
Handlers (with producer milk)	32	29	30
Bulk Tank Units	97	91	93
Producers	9,718	9,040	8,958
Daily Deliveries Per Producer (pounds)	3,368	3,668	3,482
Price Factors, Monthly Averages (dollars)			
Basic Formula Price, 3.5% butterfat, per cwt	14.77	11.42	13.59
Cheddar Cheese, 40-lb blocks, per lb, NASS	1.5656	1.2747	1.4702
Butter, Grade A, per lb	1.9185	1.4031	1.2544
Nonfat dry milk, Central States, per lb	1.0297	1.0139	1.0172
Uniform Prices (dollars per cwt, 3.5% butterfat)			
Order No. 1, Zone 1 (Boston)	13.86	13.51	13.69
Order No. 2, 1-10 mile Zone* (New York City)	14.40	13.28	14.08
Order No. 4, Philadelphia¶	13.56	13.29	13.47
Class I Utilization Percentage			
Order No. 1	53.2	41.9	45.4
Order No. 2	38.6	36.4	39.0
Order No. 4	43.4	36.6	41.7

\* Includes 15-cent transportation credit.

¶ Includes 6-cent direct-delivery differential.

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**New York-  
New Jersey  
Milk Marketing  
Area**

# The Market Administrator's Bulletin

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Federal Order No. 2

Volume 59

August

1999

## Federal Order Reform Update

### Dairy Farmers Approve Milk Marketing Order Reform

In producer referendums ending August 6, eligible dairy farmers across the country voted in favor of consolidating the current 31 federal milk marketing orders into 11 regional orders while also approving the reforms presented in the final decision. For the consolidated Northeast Marketing Area—consisting of the present New York–New Jersey, New England, and Middle Atlantic marketing areas and some currently unregulated areas in northern New York, Vermont, New Hampshire, and Massachusetts—75 percent of a total of 18,570 eligible producers voted by individual ballot or through “bloc votes” of their cooperative association. Of the ballots cast, 90.5 percent were in favor of the proposed Northeast Marketing Area. Producer referendums in each of the other consolidated orders were approved with affirmative votes all in excess of 90 percent.

### Northeast Order Begins October 1, 1999

The consolidated Northeast Marketing Area regulates milk marketed on and after October 1, 1999. Payment to producers will be made sooner under the new order. Currently, the advance payment for milk delivered during the first 15 days of the month is paid at the Class III rate by the end of the month. The new date is by the 26<sup>th</sup> of the month at the lowest class price during the previous month. Final payment to producers is moved from the 20<sup>th</sup> of the following month to the 17<sup>th</sup> of the following month. The final check to producers is where adjustments will be made so that payment reflects the volume of components in each producer’s milk. Component prices for producers’ milk will be announced on the Friday before the 5<sup>th</sup> of the month unless the 5<sup>th</sup> is a Friday. The final factor that will determine producer prices, the producer price differential (PPD), will be announced by the 13<sup>th</sup> of the month.

### New Terms and Provisions

Some new terms and provisions are used under the Northeast Order. The basic formula price (BFP) is replaced with a multiple component pricing (MCP)

*(continued on page 3)*

## August 1999 Pool Highlights

- The August 1999 uniform price equaled **\$14.16** per hundredweight, an increase of \$0.95 from last month and down \$0.72 from August 1998.
- Class I and II prices were \$1.68 below last year’s. The Class III price was \$0.80 higher and the Class III-A price was \$3.90 lower than 1998’s.
- Producer milk receipts totaled 976.3 million pounds, a decrease of 1.4 percent from last year.
- Class I usage totaled 375.0 million pounds, down 3.2 percent from the previous year.
- Daily deliveries per producer (DDP) equaled 3,511 pounds. This was a year-to-year increase of 217 pounds (6.6 percent). ♦

### Order No. 2 Prices and Utilization for August

	1998	1999	Percent change
	dollars per cwt		
Prices*			
Uniform	14.88	14.16	(4.8)
Class I	15.52	13.84	(10.8)
Class II	13.40	11.72	(12.5)
Class III	15.09	15.89	5.3
Class III-A	16.62	12.72	(23.5)
Utilization			
	million pounds		
Class I	387.3	375.0	(3.2)
Class II	156.2	170.2	8.9
Class III	429.7	411.1	(4.3)
Class III-A	16.5	20.0	20.8
Producer Receipts	989.7	976.3	(1.4)

\* For bulk milk testing 3.5 percent butterfat in the 201-210 mile zone.

## U.P. Forecasted to Increase

The uniform price **forecast** for **September 1999** is **\$15.43** per hundredweight of bulk milk testing 3.5 percent butterfat in the 201-210 mile zone. This is an estimate. ♦

## Order No. 2 Milk Moves South

During the month of August, about 10.6 million pounds of bulk milk pooled under Order No. 2 were shipped to plants in the southeastern United States. This amounts to approximately 212 tanker loads of milk, or about 1.1 percent of the total volume of milk pooled under Order No. 2 during August. This volume was nearly 77 percent greater than the amount shipped during August of 1998, when about 6.0 million pounds (120 tankers) were shipped from Order No. 2 to southern plants. The quantity shipped south during August is the largest monthly volume ever shipped south by Order No. 2 handlers, surpassing the previous high of 9.9 million pounds

(nearly 200 tankers) in August 1996. Plants in the states of Alabama, Georgia, Kentucky, North and South Carolina, Tennessee, and Virginia were recipients of this milk. Nearly 79 percent of this milk was classified as Class I.

During the late summer and fall months, Order No. 2 handlers sometimes take advantage of higher spot market prices in distant markets. Extra supplies of milk associated with Order No. 2 are temporarily moved to markets where milk is in short supply, such as the Southeast. In addition, a handful of producers formerly associated with this order have been shipping milk directly to the Southeast for the entire year. ♦

## Dairy Market Price Update

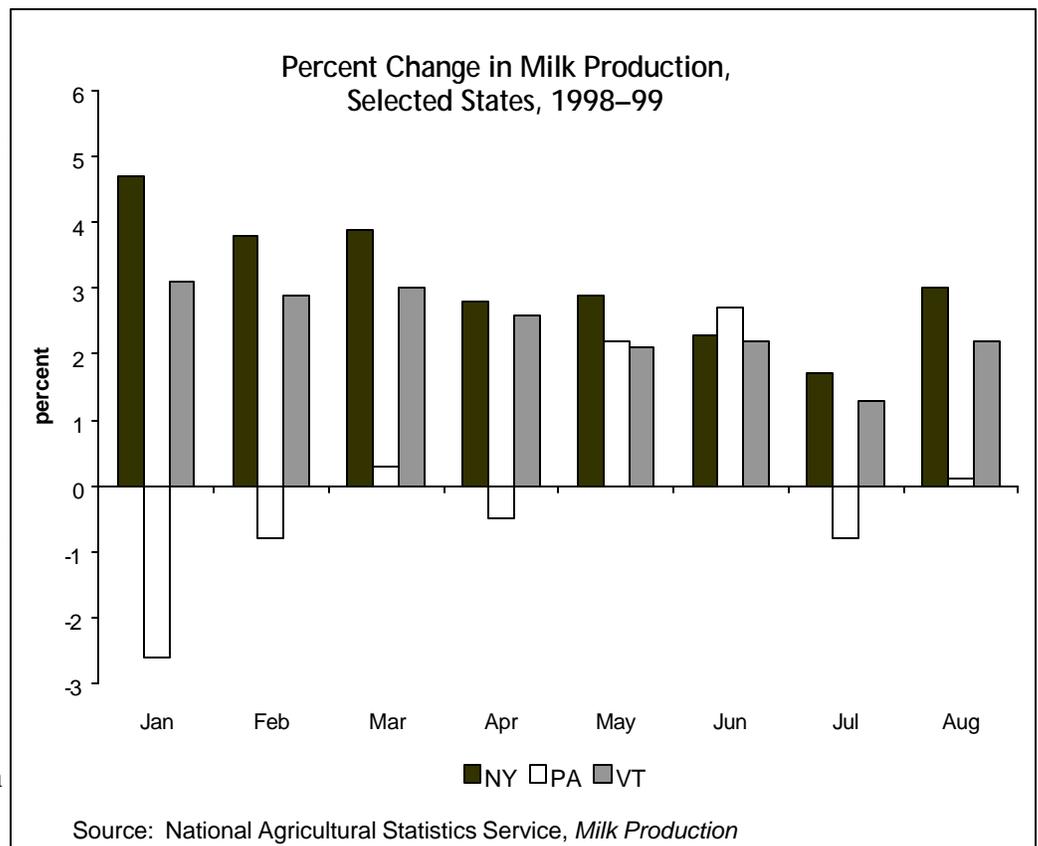
### Cheese Prices Fall

On August 19, 1999, wholesale prices for 40-pound block Cheddar cheese trading on the Chicago Mercantile Exchange (CME) set a record high of \$1.9725 per pound. The price held at that level through four trading sessions and then began to fall. By September 16, 1999, the price had dropped \$0.33, closing at \$1.6425 per pound. On September 8, block prices increased 4 cents from the previous day; however, the following day brought prices back down 3.5 cents. The spread between block and barrel prices is normally around 3 to 5 cents. During the first 16 days of September the block-barrel spread averaged about 17 cents.

### Market Prices Respond to Market Information

The recent cheese price decline has been partially triggered by new dairy market information. Revisions to USDA's cold storage survey data have indicated that more cheese stocks are in inventory than previously announced. This has led to changes in calculating commercial cheese disappearance (a partial measure for cheese demand). Increases in cheese inventories generally signal decreases in demand for cheese. Despite the revisions and record high cheese prices, commercial disappearance for all milk and dairy products during January through June is 1.3 percent higher on a daily average basis in 1999 compared to 1998.

Another factor that has contributed to the cheese price decline has been information provided by USDA's milk production report. Although much of the country is being adversely affected by drought and heat, the major milk producing states have continued to show strong gains in milk output. While production has been hindered in some areas, total U.S. milk production for the first 8 months of 1999 is 3.1 percent above last year's level. The combination of these factors apparently led buyers and sellers to conclude that there were more than adequate supplies of cheese and milk available. As a consequence, cheese prices dropped from their record high levels. ♦



## January–June Mailbox Prices Reviewed

For the first 6 months of 1999, Order No. 2 mailbox prices averaged 3.3 percent higher than during the same period in 1998. They were 12.8 percent higher than during the 1997 period. Comparatively, Order No. 2 uniform prices were 3.0 percent and 11.4 percent higher than the corresponding periods in 1998 and 1997, respectively. The accompanying table shows mailbox prices for the first 6 months of 1997, 1998, and 1999. In addition, uniform price, premium, hauling, and butterfat information for the period is compared.

During the first quarter of 1999, mailbox prices were considerably higher than during the same period in 1998. The second quarter experienced significant declines. The record-setting \$6.00 drop of the basic formula price (BFP) in February affected the April Class I and II prices. The BFP bounced back to \$11.62 in March, hit \$11.81 in April, and dropped to \$11.26 in May. In June, it increased slightly to \$11.42. In 1998, the BFP bottomed at \$10.88 in May, but otherwise remained in the \$12.00-\$13.00 range for the first 6 months.

The BFP is the basis for class prices under the Order (until October 1, 1999, when order reform takes effect).

### Order Reform *(continued from page 1)*

system. The butterfat differential will no longer be announced; producers will be paid based on the pounds of protein, butterfat, and other solids produced each month. Weekly wholesale dairy market product prices will be used to establish MCP levels and, in turn, will influence minimum order payments to producers. The current uniform price is replaced by an announced statistical uniform price that is equal to the new Class III price plus the PPD. The PPD represents a producer's share of the benefits from classified pricing and marketwide pooling. The PPD is paid to producers based on the total hundredweight of milk produced each month and is adjusted depending on the location of the plant that receives the milk. More details about the new order provisions were described in the March, May, and June 1999 issues of the *Bulletin*.

### Northeast Market Administrator Designated

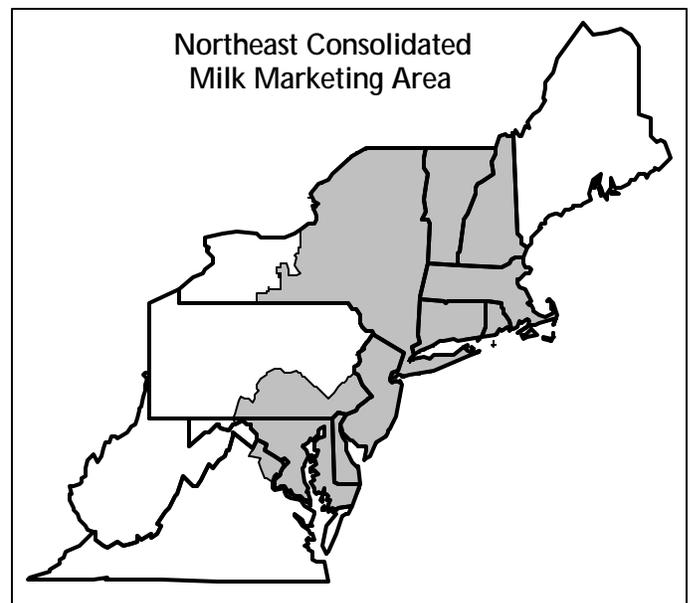
Erik F. Rasmussen has been designated as Market Administrator of the consolidated Northeast Marketing Area, effective October 1, 1999. Mr. Rasmussen

Order No. 2 Mailbox Prices and Comparative Data,  
January–June, 1997–99

Mailbox Price	1997	1998	1999	Change	
				1997–99	1998–99
	dollars/cwt			percent	
January	12.59	14.05	17.58	39.6	25.1
February	12.67	14.32	15.30	20.8	6.8
March	13.03	14.04	15.38	18.0	9.5
April	12.78	13.59	11.86	(7.2)	(12.7)
May	12.38	12.79	12.30	(0.6)	(3.8)
June	11.72	13.34	12.41	5.9	(7.0)
Average	12.53	13.69	14.14	12.8	3.3
Uniform Price	12.59	13.61	14.02	11.4	3.0
Premiums	0.33	0.39	0.41	24.2	5.1
Hauling	0.32	0.32	0.29	(9.4)	(9.4)
B'fat differential	0.098	0.154	0.129	31.6	(16.2)
B'fat test (%)	3.670	3.665	3.674	0.1	0.2

The Order No. 2 uniform price followed a similar pattern to the mailbox prices for the 6-month period. The difference between the two prices is due to butterfat tests and differentials and changes in premiums, hauling, and other deductions. For the January–June 1999 period, premiums were 5.1 percent above 1998 and 24.2 percent above 1997. Hauling costs averaged 9.4 percent less than in both 1997 and 1998. The butterfat differential averaged lower in 1999 than in 1998, but butterfat tests averaged higher. ♦

presently serves as the Market Administrator of the New England Milk Marketing Area. ♦



## Determination of Uniform Price of \$14.16 for August 1999

Per hundredweight of milk testing 3.5 percent butterfat received in bulk from farms in the 201-210 mile zone

TOTAL VALUE OF POOLED MILK							
Class	Milk pounds	Per cent	Minimum price	Value at minimum price	Transportation differential	Total value	Contribution per cwt of receipts
dollars							
I-A	362,030,468	37.1	13.84	50,105,016.83	98,878.91	50,203,895.74	5.142
I-B	12,992,818	1.3	13.84	1,798,206.02	2,553.72	1,800,759.74	0.185
II	170,165,489	17.4	11.72	19,943,395.34	17,447.64	19,960,842.98	2.045
III	411,140,303	42.1	15.89	65,330,194.14	36,690.40	65,366,884.54	6.694
III-A	<u>19,959,802</u>	<u>2.1</u>	12.72	<u>2,538,886.80</u>	<u>2,579.61</u>	<u>2,541,466.41</u>	<u>0.261</u>
Reported receipts	976,288,880	100.0		139,715,699.13	158,150.28	139,873,849.41	14.327
Adjustments:	<u>Product pounds</u>		<u>Dollars*</u>				
Sec. .60(d)(1) III	15,951		1,775.35				
Total Sec. .60(d)(1)	15,951	15,951	1,775.35			1,775.35	0.000 #
Sec. .60(d)(6) I	2,959,188		8,166.43				
Sec. .60(d)(6) II	4,883,139		(92,782.70)				
Total Sec. .60(d)(2) thru (6)	7,842,327		(84,616.27)			(84,616.27)	(0.008)
Total adjustments	7,858,278		(82,840.92)				
Total pool milk classified	976,304,831						
Handlers must pay			(82,840.92)	139,715,699.13	158,150.28	139,791,008.49	** 14.319

COMPUTATION OF UNIFORM PRICE			
	<u>Milk pounds</u>	<u>Dollars</u>	<u>Dollars per cwt of receipts</u>
Total value of pooled milk		139,791,008.49	14.319
Less: Cooperative payments	631,197,941	252,479.18	0.026
Reserve		817,506.54	0.084
Transportation credit	976,288,880	1,464,433.30	<u>(2,534,419.02)</u>
Value of pooled milk less subtractions		137,256,589.47	14.059
Add: Freight adjustment to 201-210 mile zone		211,524.45	0.022
Unreserved cash in producer settlement fund		<u>774,391.49</u>	<u>0.079</u>
Uniform Price	976,288,880	138,242,505.41	14.160

\* Includes transportation and other applicable differentials.

# Results from rounding.

\*\* In addition handlers must pay \$308,923.38 for butterfat in excess of 3.5 percent.

Note: The average butterfat test of milk delivered was 3.523267 percent. The butterfat differential was \$.136 for each one-tenth of one percent of butterfat.

## Comparative Price and Other Descriptive Statistics

	AUGUST 1998	JULY 1999	AUGUST 1999
Order No. 2			
Handlers (with producer milk)	32	30	29
Bulk Tank Units	94	93	89
Producers	9,691	8,958	8,970
Daily Deliveries Per Producer (pounds)	3,294	3,482	3,511
Price Factors, Monthly Averages (dollars)			
Basic Formula Price, 3.5% butterfat, per cwt	14.99	13.59	15.79
Cheddar Cheese, 40-lb blocks, per lb, NASS	1.6320	1.4702	1.7213
Butter, Grade A, per lb	2.0830	1.2544	1.3063
Nonfat dry milk, Central States, per lb	1.0463	1.0172	1.0384
Uniform Prices (dollars per cwt, 3.5% butterfat)			
Order No. 1, Zone 1 (Boston)	15.72	13.69	14.36
Order No. 2, 1-10 mile Zone* (New York City)	15.75	14.08	15.03
Order No. 4, Philadelphia¶	15.39	13.47	13.74
Class I Utilization Percentage			
Order No. 1	46.3	45.4	47.0
Order No. 2	39.1	39.0	38.4
Order No. 4	45.6	41.7	50.0

\* Includes 15-cent transportation credit.

¶ Includes 6-cent direct-delivery differential.

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**New York-  
New Jersey  
Milk Marketing  
Area**

# The Market Administrator's Bulletin

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Federal Order No. 2

Volume 59

September

1999

## Federal Order Reform Update

### Implementation Delayed

The anticipated reform of the federal milk marketing order system has been delayed by court action. On September 28, 1999, the United States District Court for the District of Vermont issued a Temporary Restraining Order (TRO) that stopped the Secretary of Agriculture from implementing changes that were scheduled to be effective October 1, 1999. USDA has indicated that the current 31 milk marketing orders will continue to operate as they have in the past, until the current lawsuit is resolved.

The three Northeast federal orders were scheduled to be consolidated on October 1, 1999. Because of the legal action, Order No. 1 (New England), Order No. 2 (New York-New Jersey), and Order No. 4 (Middle Atlantic) will continue to operate as three separate orders with their current regulations in effect. The changes to component pricing and other changes are delayed.

### Market Administrator Retires

Ronald C. Pearce, Market Administrator of the New York-New Jersey Milk Marketing Area, retired on September 30, 1999. Mr. Pearce was appointed Acting Market Administrator effective October 9, 1990. On October 1, 1991, he was appointed Market Administrator. Effective October 1, 1999, Erik F. Rasmussen was designated the Acting Market Administrator of the New York-New Jersey Milk Marketing Area. ♦

## Order No. 2 Year-to-Date Summary

For the January through September 1999 period, total producer milk receipts under Order No. 2 decreased 2.3 percent from the same period last year. This decline is unchanged from mid-year. For the same 9-month period, uniform prices under the order averaged 0.7 percent higher than 1998 record-high prices. At mid-year, uniform prices were 3.0 percent higher than the previous year. The table on page 3 shows a comparison to 1998 for the first three quarters of 1999.

*(continued on page 3)*

## September 1999 Pool Highlights

- The September 1999 uniform price equaled **\$15.52** per hundredweight, an increase of \$1.36 from last month and down \$0.46 from September 1998.
- Class I and II prices were \$1.18 below last year's. The Class III price was \$1.16 higher and the Class III-A price was \$7.44 lower than 1998's.
- Producer milk receipts totaled 934.6 million pounds, a decrease of 0.2 percent from last year.
- Class I usage totaled 386.3 million pounds, down 7.8 percent from the previous year.
- Daily deliveries per producer (DDP) equaled 3,460 pounds. This was a year-to-year increase of 232 pounds (7.2 percent). ♦

### Order No. 2 Prices and Utilization for September

	1998	1999	Percent change
<b>Prices*</b>			
	dollars per cwt		
Uniform	15.98	15.52	(2.9)
Class I	17.19	16.01	(6.9)
Class II	15.07	13.89	(7.8)
Class III	15.16	16.32	7.7
Class III-A	19.87	12.43	(37.4)
<b>Utilization</b>			
	million pounds		
Class I	418.8	386.3	(7.8)
Class II	147.2	155.7	5.7
Class III	359.4	363.6	1.2
Class III-A	11.1	29.0	160.5
Producer Receipts	936.5	934.6	(0.2)

\* For bulk milk testing 3.5 percent butterfat in the 201-210 mile zone.

## U.P. Forecasted to Decrease

The uniform price **forecast** for **October 1999** is **\$15.08** per hundredweight of bulk milk testing 3.5 percent butterfat in the 201-210 mile zone. This is an estimate. ♦

## Cheese is Driving Force Behind Per Capita Consumption Increase

For the past 25 years, U.S. per capita consumption of dairy products has followed an inconsistent path (see accompanying table). In the early 70s, it averaged about 560 pounds on a milk equivalent, milkfat basis. Over the next few years it dropped quite drastically, then rose again slightly. In the 80s, per capita consumption rose fairly steadily reaching 601 pounds in 1987, but then declined nearly 20 pounds each of the following 2 years. Once again, the 90s saw renewed strength in consumption, hitting 586 pounds in 1994. The next 3 years saw some weakness with per capita consumption settling at about 580 pounds in 1997, an overall increase of 20 pounds since 1972.

The only product within the total dairy products category to experience sustained growth throughout this period has been cheese. The cheese category includes whole and part-skim milk cheese, such as American and Italian (largely mozzarella). Over the past 25 years, per capita consumption of cheese grew 115 percent. American cheese used to account for a majority of the category, but around 1988, it dropped to less than half of all cheese consumed. At this point mozzarella sales became a significant part of the category, due to the increased demand for pizza that has held and grown over the past decade. Over the 25-year period, mozzarella consumption increased 430 percent.

Other Italian cheeses witnessed healthy increases over the years. Parmesan consumption grew 170 percent, Provolone 213 percent, and ricotta 187 percent. Muenster cheese consumption increased 68 percent over the same period. In addition, consumption of cream and Neufchatel cheese grew 265 percent

during the past 25 years.

Per capita consumption of fluid milk and cream declined 19 percent over the past 25 years. This drop has been fairly consistent except for a slight increase in the mid-80s. Consumption of whole milk experienced the largest decline, a whopping 65 percent. Consumption of reduced fat (2%) and light (0.5% to 1%) increased 93 percent and 389 percent, respectively. Skim (fat free) consumption grew 177 percent over the period.

Butter consumption dropped 16 percent while the consumption of frozen desserts rose slightly due, in part, to the introduction of frozen yogurt in the late 80s. Declines also occurred in condensed and evaporated milk and dry milk products. Sour cream consumption increased 131 percent and other cream (half-and-half, light, and heavy) grew 68 percent. Yogurt consumption grew 292 percent over the 25-year period. ♦

U.S. Per Capita Consumption of Selected Dairy Products, by 5-Year Intervals, 1972-97

Year	Fluid Milk & Cream	Butter	Cheese*	Frozen Desserts	Dairy Products**
	pounds				
1972	273.5	5.0	13.0	28.0	559.6
1977	257.5	4.3	16.0	27.5	540.2
1982	235.6	4.3	19.9	26.4	554.6
1987	238.4	4.7	24.1	28.2	601.2
1992	230.5	4.4	26.0	28.9	565.9
1997	221.1	4.2	28.0	28.7	579.8

\* Does not include full-skim American and cottage, pot, and baker's cheese.

\*\* Milk equivalent, milkfat basis. Includes additional products not shown such as cottage cheese, yogurt, condensed and evaporated milk, and dry milk products.

Source: USDA/Economic Research Service.

## More Order No. 2 Milk Heads South

During the month of September, over 12 million pounds of bulk milk pooled under Order No. 2 were shipped to plants located in the southeastern United States. This equals approximately 248 tanker loads of milk, or about 1.3 percent of the total volume of milk pooled under Order No. 2 during September.

This volume was the largest quantity shipped south by Order No. 2 handlers, surpassing this August's record-high 10.6 million pounds. Nearly 70 percent of this milk was classified as Class I. Recipients included plants in Georgia, North and South Carolina, Tennessee, and Virginia.

Shipments of this type usually only occur during the late summer and early fall months. Extra supplies of

milk are moved to markets where milk is in short supply, such as the Southeast. In addition, a few producers formerly associated with Order No. 2 have been shipping milk directly to the Southeast for the entire year. ♦

## Approval for Cooperative Payments

Lanco Dairy Farms Co-Op (Lanco) has become qualified as an affiliated cooperative of Dairylea Cooperative Inc. (Dairylea). Dairylea's designation to receive cooperative payments pursuant to Section 1002.77 of the Order has been modified to include the production of the members of Lanco. ♦

**Year-to-Date Summary** *(continued from Page 1)*

Milk used for Class I declined 2.3 percent from 1998 for the 9-month period; at mid-year the decline was only 1.0 percent. Overall, Class I utilization averaged 39.6 percent. Even though milk receipts have declined, the class proportions have remained fairly similar to the previous year.

Class I prices averaged 2.9 percent higher than during the comparable period in 1998 due to substantially higher prices in the beginning of 1999. During the first quarter of 1999, Class I, II, and III-A prices were all above the same period in 1998. In the second quarter, all class prices were below previous year levels. During the third quarter, only Class III prices averaged higher than in 1998 signaling an increase in Class I and II prices in the last quarter of 1999.

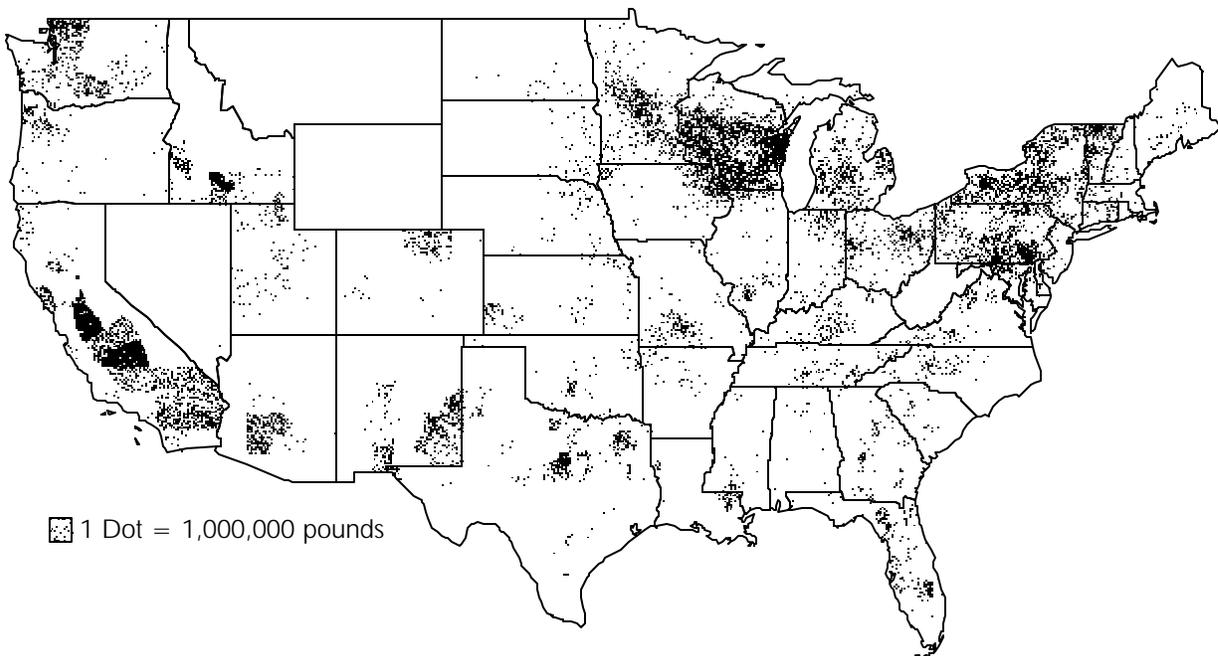
Daily milk deliveries per producer (DDP) for the January through September period averaged 6.1 percent above the comparable period in 1998. At mid-year, DDP averaged 6.3 percent above the previous year. Although the third quarter increase was not as great as previous quarters, the overall increase in DDP has been impressive during 1999.

Producer numbers have declined 7.9 percent for the first 9 months of 1999 compared to the previous year. This change is down slightly from a decline of 8.2 percent at mid-year. ♦

**Order No. 2 Pool Statistics,  
January–September, 1998–99**

Pool Statistic	1998	1999	1998–99
	million pounds		percent
Class I	3,582.8	3,501.3	(2.3)
Class II	1,373.8	1,369.9	(0.3)
Class III	3,844.3	3,748.4	(2.5)
Class III-A	248.8	225.0	(9.6)
Total Receipts	9,049.7	8,844.6	(2.3)
	pounds		
DDP	3,334	3,538	6.1
	utilization percentage		change
Class I	39.6	39.6	(0.0)
Class II	15.2	15.5	0.3
Class III	42.5	42.4	(0.1)
Class III-A	2.7	2.5	(0.2)
	dollars/cwt		percent
Class I	15.35	15.80	2.9
Class II	13.23	13.68	3.4
Class III	13.34	13.13	(1.6)
Class III-A	14.62	12.38	(15.3)
Uniform	14.01	14.11	0.7

**Federal Order and California State Milk Marketings\*,  
May 1999**



Source: Tulsa, Oklahoma, Market Administrator's Office.

\* Does not include other state order or non-pool receipts. Includes milk not pooled due to adverse price relationships.

## Determination of Uniform Price of \$15.52 for September 1999

Per hundredweight of milk testing 3.5 percent butterfat received in bulk from farms in the 201-210 mile zone

TOTAL VALUE OF POOLED MILK							
Class	Milk pounds	Per-cent	Minimum price	Value at minimum price	Trans- portation differential dollars	Total value	Contribution per cwt of receipts
I-A	370,990,910	39.7	16.01	59,395,644.69	74,864.83	59,470,509.52	6.364
I-B	15,281,180	1.6	16.01	2,446,516.91	3,124.32	2,449,641.23	0.262
II	155,665,779	16.7	13.89	21,621,976.71	17,402.13	21,639,378.84	2.316
III	363,649,061	38.9	16.32	59,347,526.66	34,306.66	59,381,833.32	6.353
III-A	<u>28,964,113</u>	<u>3.1</u>	12.43	<u>3,600,239.25</u>	<u>3,324.47</u>	<u>3,603,563.72</u>	<u>0.386</u>
Reported receipts	934,551,043	100.0		146,411,904.22	133,022.41	146,544,926.63	15.681
Adjustments:	<u>Product pounds</u>		<u>Dollars*</u>				
Sec. .60(d)(1) III	161,592		23,159.16				
Total Sec. .60(d)(1)	161,592	161,592	23,159.16			23,159.16	0.002
Sec. .60(d)(6) I	2,580,545		3,318.35				
Sec. .60(d)(6) II	4,435,817		(88,716.34)				
Total Sec. .60(d)(2) thru (6)	7,016,362		(85,397.99)			85,397.99	(0.009)
Total adjustments	7,177,954		(62,238.83)				
Total pool milk classified	934,712,635						
Handlers must pay			(62,238.83)	146,411,904.22	133,022.41	146,482,687.80	** 15.674

COMPUTATION OF UNIFORM PRICE			
	<u>Milk pounds</u>	<u>Dollars</u>	<u>Dollars per cwt of receipts</u>
Total value of pooled milk		146,482,687.80	15.674
Less: Cooperative payments	599,147,235	239,658.89	0.026
Reserve		831,646.68	0.089
Transportation credit	934,551,043	1,401,826.56	<u>(2,473,132.13)</u>
Value of pooled milk less subtractions		144,009,555.67	15.409
Add: Freight adjustment to 201-210 mile zone		195,577.15	0.021
Unreserved cash in producer settlement fund		<u>837,189.05</u>	<u>0.090</u>
Uniform Price	934,551,043	145,042,321.87	15.520

\* Includes transportation and other applicable differentials.

\*\* In addition handlers must pay \$1,273,534.40 for butterfat in excess of 3.5 percent.

Note: The average butterfat test of milk delivered was 3.608153 percent. The butterfat differential was \$.126 for each one-tenth of one percent of butterfat.

## Comparative Price and Other Descriptive Statistics

	SEPTEMBER 1998	AUGUST 1999	SEPTEMBER 1999
Order No. 2			
Handlers (with producer milk)	31	29	29
Bulk Tank Units	93	89	90
Producers	9,672	8,970	9,004
Daily Deliveries Per Producer (pounds)	3,228	3,511	3,460
Price Factors, Monthly Averages (dollars)			
Basic Formula Price, 3.5% butterfat, per cwt	15.10	15.79	16.26
Cheddar Cheese, 40-lb blocks, per lb, NASS	1.6556	1.7213	1.8023
Butter, Grade A, per lb	2.6666	1.3063	1.2493
Nonfat dry milk, Central States, per lb	1.1007	1.0384	1.0486
Uniform Prices (dollars per cwt, 3.5% butterfat)			
Order No. 1, Zone 1 (Boston)	17.19	14.36	16.06
Order No. 2, 1-10 mile Zone* (New York City)	16.85	15.03	16.39
Order No. 4, Philadelphia¶	16.83	13.74	15.50
Class I Utilization Percentage			
Order No. 1	50.1	47.0	50.9
Order No. 2	44.7	38.4	41.3
Order No. 4	50.2	50.0	54.4

\* Includes 15-cent transportation credit.

¶ Includes 6-cent direct-delivery differential.

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**New York-  
New Jersey  
Milk Marketing  
Area**

# The Market Administrator's Bulletin

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Federal Order No. 2

Volume 59

October

1999

## Federal Order Reform Update

Implementation of federal milk marketing order reform continues to be delayed due to legal action. The Temporary Restraining Order (TRO) issued September 28 by the United States District Court for the District of Vermont remains in place. USDA's Agricultural Marketing Service Administrator, Kathleen Merrigan, has stated that even if all the court decisions were in USDA's favor reform would not take effect until next year. The current federal orders will continue to operate as they have in the past until the lawsuit is resolved or congressional intervention resolves the dispute. ♦

## Cheese Prices Drop to Support Price

Wholesale prices for 40-pound block Cheddar cheese sold on the Chicago Mercantile Exchange (CME) dropped to \$1.10 per pound on November 10. The price stayed at \$1.10 for 2 days before rising 2.5 cents. As of November 16, the CME block price closed at \$1.1225 per pound. A cash market price of \$1.10 is perhaps of some significance to dairy commodity markets because it is the support purchase price at which USDA has an open offer to purchase 40-pound blocks of cheese. The last time exchange traded cheese prices dropped to the support price was during the week of May 10, 1991, when 40-pound block prices on the National Cheese Exchange (cash exchange predecessor to cheese trading on the CME) closed at \$1.0975 per pound. From May to July 1997, however, CME 40-pound block prices hovered just 2 to 3.75 cents above the support price for a period of 9 weeks.

### Prices Declined Through the Fall

On August 19, CME block prices had reached an all-time high of \$1.9725 per pound, and within a span of less than 3 months dropped a record 87.25 cents. Although it is the weekly National Agricultural Statistics Service (NASS) cheese price survey and not CME prices that are used in calculating federal order prices, the two price series generally respond similarly. The price decline corresponds with USDA's monthly milk production numbers, which have reported strong growth  
(continued on page 3)

## October 1999 Pool Highlights

- The October 1999 uniform price equaled **\$14.86** per hundredweight, a decrease of \$0.66 from last month and down \$1.61 from October 1998.
- Class I and II prices were \$0.80 above last year's. The Class III price was \$4.55 lower and the Class III-A price was \$6.35 lower than 1998's.
- Producer milk receipts totaled 944.4 million pounds, a decrease of 1.5 percent from last year.
- Class I usage totaled 387.9 million pounds, down 10.7 percent from the previous year.
- Daily deliveries per producer (DDP) equaled 3,395 pounds. This was a year-to-year increase of 180 pounds (5.6 percent). ♦

### Order No. 2 Prices and Utilization for October

Prices*	1998	1999	Percent change
	dollars per cwt		
Uniform	16.47	14.86	(9.8)
Class I	17.41	18.21	4.6
Class II	15.29	16.09	5.2
Class III	16.10	11.55	(28.3)
Class III-A	18.19	11.84	(34.9)
Utilization	million pounds		
Class I	434.6	387.9	(10.7)
Class II	139.3	146.6	5.2
Class III	376.0	395.2	5.1
Class III-A	8.8	14.7	66.6
Producer Receipts	958.7	944.4	(1.5)

\* For bulk milk testing 3.5 percent butterfat in the 201-210 mile zone.

## U.P. Forecasted to Decrease

The uniform price **forecast** for **November 1999** is **\$14.73** per hundredweight of bulk milk testing 3.5 percent butterfat in the 201-210 mile zone. This is an estimate. ♦

## In-Area Sales Nearly Even at Third Quarter

Total packaged fluid milk sales in the New York–New Jersey milk marketing area for January through September 1999 were nearly even with sales during the comparable period in 1998 (see accompanying table). For the 9-month period, 1999 sales were less than a quarter of a million pounds above those in 1998.

At midyear, 1999 sales were nearly 15 million pounds less than the previous year even though current year sales were above previous year sales during 3 out of 6 of those months. Due to the differences in the down months being greater, midyear sales totaled nearly 1 percent less than in 1998. All 3 months during the third quarter experienced higher sales than the comparable months of the previous year. July sales were up 1.8 percent, August 1.5 percent, and September 1.1 percent. These increases brought the 9-month total slightly over the previous year's corresponding 9-month total.

All categories of product experienced decreases except flavored milk and drinks that grew 5.3 percent for the period. This is unchanged from midyear. Changes in the other categories, though negative, were less than or equal to half a percent except buttermilk that decreased 3.1 percent.

Market shares for reduced (2%), lowfat (1%), and fatfree (skim) were unchanged from 1998. Whole milk

Sales of Packaged Fluid Milk Products Inside the NY–NJ Marketing Area, January–September 1998–99

Product	1998	1999*	Change
	million pounds		percent
Milk	1,549.4	1,547.1	(0.1)
Reduced	543.0	542.2	(0.1)
Lowfat	430.6	429.9	(0.2)
Fatfree	462.9	460.6	(0.5)
Flavored	125.4	132.1	5.3
Buttermilk	11.0	10.7	(3.1)
Total	3,122.3	3,122.6	0.0

\* Preliminary.

and buttermilk each lost 0.1 percentage point while flavored milk and drinks gained 0.2 percentage points. At the end of the third quarter, lower fat milk products (reduced, lowfat, and fatfree) equaled 46 percent of total sales. Flavored products had a 4.2 percent share and were concentrated mainly in lower fat flavored products. For the 9-month period, the average test for flavored products was 1.72 percent. This is down slightly from 1.76 percent in 1998. Whole milk accounted for 49.5 percent while buttermilk slipped to 0.3 percent of total sales during the first 9 months of 1999. ♦

## Northeast Outlook Conference Held

The 1999 Northeast Regional Dairy Outlook Conference was held November 8, 1999, at this office. The annual conference brings together economists and statisticians from Northeast market administrators' offices, state and federal agricultural statistical services, and university extension offices to review production and price statistics for the past year and develop projections for the upcoming year. The northeastern region includes New England (Connecticut, Massachusetts, New Hampshire, Rhode Island, and Vermont), New York, New Jersey, Pennsylvania, Maryland, and Delaware.

### Crop Situation

Hay and corn yields were inconsistent in the Northeast due to drought conditions during the past summer. In New England, total hay production (including alfalfa) was down about 18 percent from the 1998 crop. Due to the drought, corn matured early and was harvested ahead of schedule resulting in an expected yield decline of 3 percent compared to last year. In New York and Pennsylvania, crops have been spotty, again, due to drought conditions. In the northern and western United States, alfalfa production and quality is up, and coupled with decreased exports resulting from the Asian economic crisis, that will mean ample and affordable hay is available for dairy expansion occurring in these areas.

### Production Estimates

With prices expected to drop at the end of 1999 and remain low into the first half of 2000, combined milk production in the Northeast is estimated to finish only 0.6 percent higher this year than in 1998. For 2000, Northeast milk production is projected to increase less than 1 percent. Nationally, milk production is expected to finish 3 percent higher this year and grow another 1.9 percent in 2000, largely due to continued strong growth in California and the West. Cow numbers in the Northeast are projected to finish 0.8 percent less than in 1998 and drop an additional 0.5 percent in 2000. Nationally, 1999 cow numbers are expected to finish unchanged and drop slightly (0.1 percent) in 2000. The increase in production will be the result of increases in milk production per cow. The combined Northeast is projecting growth of 1.4 percent in both 1999 and 2000, while the U.S. milk production per cow is expected to finish 3 percent higher in 1999 and jump an additional 2 percent next year.

### Price Forecasts

Demand for dairy products has been strong for the last 2 years. In 1998, this demand combined with sluggish growth in milk production to drive milk prices to record-setting levels. As expected these prices, *(continued on page 3)*

## Import Share of Food Consumption

The import share of consumption is the portion consumed domestically that is imported from foreign countries. The remaining portion consumed is produced in the United States. Over the past two decades, U.S. consumers have been increasing their dependence on imported foods. Import levels were relatively low in the late 70s, but have increased in the 80s and 90s. Information for this article was provided by the USDA's Economic Research Service August 1999 *U.S. Agricultural Trade Update*.

### Effects on Import Share

The proportion of imports in food consumption reflects supply factors as well as consumer demand, with the exception of food not normally produced here. Import demand is determined by such factors as relative prices, tastes, and income growth. Changes in import shares are influenced by exchange rate movements, trade policy, food safety concerns, weather effects, and other temporary developments. Other factors, such as improved transportation and storage technology and consumers' interest in improving their diets, may have longer-term effects on import demand.

Import share is simply total quantity imported divided by the quantity consumed. Therefore, import share can rise if consumption falls relative to imports. In most cases though, import share changes are due to a combination of changes in imports and changes in consumption. For example, the import share of red meat consumption rose from 6.4 percent in 1996 to 7.1 percent in 1997. This was due to a combination of increased imports from the European Union, Canada, and Mexico and decreased per capita consumption.

### Dairy Products' Share

For dairy products, import share of consumption is lower than most other foods. Since 1990, the import share has remained at only 1.9 percent for the category as a whole. This is up from 1.4 percent in 1975 and 1.7 percent in 1980, but down slightly from 2 percent in 1985. Since 1975, the import share of cheese has declined. In 1975, cheese's import share equaled 5.8 percent. This dropped to 5.6 percent in 1985 and to 4.8 percent in 1990. Since 1995, its import share has decreased from 4.7 percent to 4.5 and 4.1 percent, respectively, in 1996 and 1997. This is the result of continued strong demand for cheese combined with decreased imports.

### Other Foods' Share

For comparison, fresh fruits had an import share of 34 percent in 1997, up from 30.6 percent in 1990 and 24.2 percent in 1980. Fresh vegetables' import share equaled 10.3 percent in 1997. This was an increase from 7.5 percent in 1990 and 5.4 percent in 1980. Fish and shellfish had an import share of 62.1 percent in 1997, 56.3 percent in 1990, and 45.3 percent in 1980.

Within the red meat category, beef's import share equaled 9.2 percent in 1997; pork had a 3.8 percent share; and lamb had a 24.9 percent import share. Poultry only had a 0.1 percent share in 1997, unchanged from 1985. ♦

## National Dairy Board Appointments

Agriculture Secretary Dan Glickman announced the appointment of five incumbents and seven new members to the National Dairy Promotion and Research Board. All will serve 3-year terms through October 31, 2002. Locally, Ruth I. Larabee, Lowville, NY (region 12), was re-appointed. Rita Kennedy, Valencia, PA (region 11), and Claude J. Bourbeau, Swanton, VT (region 13), were newly appointed.

The Board is composed of 36 dairy farmers representing 13 regions of the contiguous United States. It administers a coordinated program of promotion, research, and nutrition education, and is financed by a mandatory 15-cent per hundredweight processor assessment. ♦

## Cheese Prices Drop *(continued from page 1)*

in U.S. milk production through this fall. Total estimated U.S. milk production during the first 10 months of 1999 is 3.3 percent above last year's production for the same period. For all of 1998, U.S. milk production grew less than 1 percent (0.9 percent) above the 1997 level. If monthly production gains continue through the last 2 months of this year, 1999 could end up with the greatest year-over-year production gain of the 1990s.

### Price Drop to Appear in Coming Blend Prices

Due to advance pricing of Class I and II milk under federal orders, the full impact of the cheese market decline has not yet appeared in Order No. 2 uniform prices. The November uniform price (milk produced in November, final payment received in December) will be the last month with Class I and II prices based off of a high basic formula price (and cheese prices) of August. Beginning in December (final payment received in January), all class prices will reflect the significantly lower commodity market prices, and the uniform price will decline. ♦

## Northeast Outlook *(continued from page 2)*

along with relatively low feed costs, have generated an expansion in milk production in 1999. As a result, prices have declined from the previous year's level and are anticipated to remain at a lower level throughout the first half of 2000.

Conference participants' basic formula price (BFP) annual averages, including estimates for the last 2 months of 1999, were 11 percent below 1998. For 2000, the BFP is projected to average 6.4 percent less than in 1999. ♦

## Determination of Uniform Price of \$14.86 for October 1999

Per hundredweight of milk testing 3.5 percent butterfat received in bulk from farms in the 201-210 mile zone

TOTAL VALUE OF POOLED MILK							
Class	Milk pounds	Per-cent	Minimum price	Value at minimum price	Transportation differential	Total value	Contribution per cwt of receipts
					dollars		
I-A	369,944,384	39.2	18.21	67,366,872.34	86,435.83	67,453,308.17	7.143
I-B	17,992,292	1.9	18.21	3,276,396.35	(8,364.38)	3,268,031.97	0.346
II	146,592,718	15.5	16.09	23,586,768.30	17,441.85	23,604,210.15	2.500
III	395,181,639	41.8	11.55	45,643,479.35	38,168.17	45,681,647.52	4.836
III-A	<u>14,664,464</u>	<u>1.6</u>	11.84	<u>1,736,272.55</u>	<u>1,092.55</u>	<u>1,737,365.10</u>	<u>0.184</u>
Reported receipts	944,375,497	100.0		141,609,788.89	134,774.02	141,744,562.91	15.009
Adjustments:	<u>Product pounds</u>		<u>Dollars*</u>				
Sec. .60(d)(1) III	2,186		2,573.58				
Total Sec. .60(d)(1)	2,186	2,186	2,573.58			2,573.58	0.000
Sec. .60(d)(6) I	2,839,960		53,984.35				
Sec. .60(d)(6) II	3,827,855		(8,804.05)				
Total Sec. .60(d)(2) thru (6)	6,667,815		45,180.30			45,180.30	0.005
Total adjustments	6,670,001		47,753.88				
Total pool milk classified	944,377,683						
Handlers must pay			47,753.88	141,609,788.89	134,774.02	141,792,316.79	** 15.014

COMPUTATION OF UNIFORM PRICE			
	<u>Milk pounds</u>	<u>Dollars</u>	<u>Dollars per cwt of receipts</u>
Total value of pooled milk		141,792,316.79	15.014
Less: Cooperative payments	601,234,291	240,493.72	0.025
Reserve		843,773.37	0.090
Transportation credit	944,375,497	1,416,563.25	<u>0.150</u>
Value of pooled milk less subtractions		139,291,486.45	14.749
Add: Freight adjustment to 201-210 mile zone		187,383.47	0.020
Unreserved cash in producer settlement fund		<u>855,328.93</u>	<u>0.091</u>
Uniform Price	944,375,497	140,334,198.85	14.860

\* Includes transportation and other applicable differentials.

\*\* In addition handlers must pay \$2,236,220.66 for butterfat in excess of 3.5 percent.

Note: The average butterfat test of milk delivered was 3.715267 percent. The butterfat differential was \$.110 for each one-tenth of one percent of butterfat.

## Comparative Price and Other Descriptive Statistics

HANDLERS, PLANTS, BULK TANK UNITS, PRODUCERS, AND RECEIPTS

	OCTOBER 1998	SEPTEMBER 1999	OCTOBER 1999
Order No. 2			
Handlers (with producer milk)	32	29	27
Bulk Tank Units	93	90	75
Producers	9,620	9,004	8,972
Daily Deliveries Per Producer (pounds)	3,215	3,460	3,395
Price Factors, Monthly Averages (dollars)			
Basic Formula Price, 3.5% butterfat, per cwt	16.04	16.26	11.49
Cheddar Cheese, 40-lb blocks, per lb, NASS	1.7534	1.8023	1.4388
Butter, Grade A, per lb	2.3189	1.2493	1.0348
Nonfat dry milk, Central States, per lb	1.1180	1.0486	1.0451
Uniform Prices (dollars per cwt, 3.5% butterfat)			
Order No. 1, Zone 1 (Boston)	17.48	16.06	16.19
Order No. 2, 1-10 mile Zone* (New York City)	17.34	16.39	15.73
Order No. 4, Philadelphia†	17.10	15.50	16.03
Class I Utilization Percentage			
Order No. 1	50.4	50.9	49.8
Order No. 2	45.4	41.3	41.1
Order No. 4	50.4	54.4	46.6

\* Includes 15-cent transportation credit.

† Includes 6-cent direct-delivery differential.

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**New York-  
New Jersey  
Milk Marketing  
Area**

# The Market Administrator's Bulletin

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Federal Order No. 2

Volume 59

November

1999

## Federal Order Reform Update

On November 29, 1999, President Clinton signed the Consolidated Appropriations Act, 2000, legislating implementation of the federal order consolidation and reform final rule effective January 1, 2000. Implementation of the final rule had been delayed because of a temporary restraining order issued by the U.S. District Court for the District of Vermont.

The act requires that the federal order reform final rule be implemented as published in the *Federal Register* on September 1, 1999, with changes made to the Class I price structure. It mandates that Class I milk be priced utilizing the Option 1A-Location Specific Class I Differentials contained in the proposed rule published on January 30, 1998, as corrected and modified through April 2, 1999.

The legislation further requires USDA to conduct a hearing to reconsider the Class III and Class IV milk prices, with the resulting pricing formulas being implemented by January 1, 2001. It also requires that USDA establish a dairy forward pricing pilot program within 90 days of enactment of the legislation.

In addition, the act extends the Northeast Interstate Dairy Compact through September 30, 2001. It does not provide for expansion of the compact into additional states such as New York.

More information is available on USDA's website at [www.ams.usda.gov](http://www.ams.usda.gov). The Class I differentials applicable to the new Northeast order, along with a map of their locations, are shown on page 3. ♦

## Administrative Assessment for Northeast Order

Effective January 1, 2000, the assessment for order administration of the consolidated Northeast order shall be 3.0 cents per hundredweight of pool milk. In addition, the deduction for **marketing services**—to verify or establish weights, samples, and tests of producer milk and provide market information for producers who are not receiving such services from a cooperative association—will be 3.0 cents per hundredweight. Sections 1000.85 and 1000.86 of the order provide authorization for these deductions. ♦

## November 1999 Pool Highlights

- The November 1999 uniform price equaled **\$14.52** per hundredweight, a decrease of \$0.34 from last month and down \$2.26 from November 1998.
- Class I and II prices were \$1.16 above last year's. The Class III price was \$7.05 lower and the Class III-A price was \$3.30 lower than 1998's.
- Producer milk receipts totaled 910.0 million pounds, a decrease of 0.7 percent from last year.
- Class I usage totaled 380.0 million pounds, down 6.6 percent from the previous year.
- Daily deliveries per producer (DDP) equaled 3,398 pounds. This was a year-to-year increase of 193 pounds (6.0 percent). ♦

### Order No. 2 Prices and Utilization for November

Prices*	1998	1999	Percent change
	dollars per cwt		
Uniform	16.78	14.52	(13.5)
Class I	17.52	18.68	6.6
Class II	15.40	16.56	7.5
Class III	16.90	9.85	(41.7)
Class III-A	14.93	11.63	(22.1)
Utilization	million pounds		
Class I	406.6	380.0	(6.6)
Class II	140.8	138.8	(1.4)
Class III	359.6	382.3	6.3
Class III-A	9.6	8.9	(7.5)
Producer Receipts	916.8 #	910.0	(0.7)

\* For bulk milk testing 3.5 percent butterfat in the 201-210 mile zone.

# Total does not add due to rounding.

## U.P. Forecasted to Decrease

The uniform price **forecast** for **December 1999** is **\$11.46** per hundredweight of bulk milk testing 3.5 percent butterfat in the 201-210 mile zone. This is an estimate. ♦

## Marketing Services Under the Northeast Order

The regulations of the consolidated Northeast Marketing Order include a provision authorizing a program of marketing services. This will be new for Order No. 2 producers in that current regulations do not include a marketing services provision, although *all* other federal orders currently have this program. Section 1000.86 of the Northeast Federal Milk Marketing Order authorizes a deduction for marketing services to be made from producers who are not cooperative members (nonmembers). These funds will pay for the following categories of marketing services conducted by the market administrator (MA) on behalf of nonmember producers.

### Market Information

Market information will be disseminated to producers primarily through a monthly newsletter such as the *Bulletin*. The focus of the newsletter will be to provide nonmember producers with information on prices, developments in the marketplace, and other issues related to the federal milk marketing order program and dairy policy. The MA staff will be available to answer questions regarding pricing procedures, clarification of order language; provide historical information; or answer other federal order related questions. In addition, nonmember producers will receive individual mailings to inform them of any public hearings that involve the federal order.

### Sample and Test Verification

An important part of the marketing services program involves verification of producer component samples. On a periodic basis, MA staff will independently collect and test a set of samples from nonmembers and compare the test results with their handlers' test results. If a significant difference is found between the sample-test result and handler-test result, the handler's testing process will be reviewed. Additionally, handlers could be required to amend their payments to producers.

Another function performed by the MA is the preparation of calibration and control samples for the industry to use at their testing laboratories. Every

week, control samples are prepared by MA staff and are shipped to milk laboratories where they are used to set instruments. In this way, all handlers work from the same test base. MA field technicians also routinely observe milk haulers' procedures for taking and caring for samples, making recommendations for improvement when necessary. MA staff periodically conduct unscheduled inspections of independent testing laboratories, reviewing procedures and records, and checking for instrument accuracy. The MA laboratory also checks the results of monthly tests performed on "blind" samples, which are sent to all testing laboratories, and the staff monitors the testing laboratories' accuracy. The objective of all testing and monitoring is to assure accurate producer payment tests.

### Weight Verification

Since producers also will be paid, in part, on the volume of milk produced, accurate payment depends on accurate weight measurement. One of the primary ways to assure that producers are credited with accurate milk weights is to verify that their farm tank calibrations are accurate. This ensures that the tank gauge measures to an accepted standard. As part of the marketing services program, the MA will recheck the tank calibration of nonmembers on a once every 5-to-10 years basis. The MA will also perform calibrations for newly installed tanks or on a producer's tank with a suspected calibration problem.

### Cooperatives and Marketing Services

All qualified cooperatives with producers pooled under the Northeast order are expected to provide these same services to their members, to avoid having the MA charge the assessment and provide the services. Cooperatives are being asked to provide information on the marketing services that they are providing to determine if they qualify for an exemption from the marketing services deduction. Annual reviews will be conducted by the MA on all cooperative associations to determine if they continue to qualify for the exemption. ♦

## Basic Formula Price Plummetts

The November basic formula price (BFP) for milk at 3.5 percent butterfat hit a stunning \$9.79 per hundredweight. This was the lowest level in over two decades. The last time the BFP was this low was in August 1978 when it equaled \$9.68 per hundredweight. Two months later, the BFP hit double-digits for the first time (\$10.18) and never dipped below until this November.

In addition, the drop of \$6.47 between September and November was the second largest 2-month decline on record. The last was from December 1998 to February 1999 when the BFP declined \$7.07 from \$17.34 to \$10.27.

Strong milk production in the top 20 milk-producing states contributed to the drop in prices. Overall, the top 20 states had a combined increase in milk production on 4.3 percent for October 1999.

This abundance of milk caused sharp declines in most wholesale dairy product prices. As we reported last month (see October *Bulletin*), cheese prices dropped to support level in mid-November. This was a decline of almost 45 percent from their August record. In addition, butter prices have fallen about 25 percent from their August peak. Powder markets are weak and prices remain near the support level. ♦

### Mailbox Prices Reviewed

For the first 9 months of 1999, Order No. 2 mailbox prices averaged 1.1 percent higher than those during the same period last year and 14.7 percent higher than 2 years ago. For the same period, the Order No. 2 uniform price averaged 0.8 percent and 13.4 percent higher than in 1998 and 1997, respectively. The accompanying table shows these comparisons.

During the first quarter, mailbox prices were 13.8 percent and 26.1 percent above the comparable 1998 and 1997 prices. For the past 6 months, mailbox prices have been below the previous year's due to lower overall milk prices. In February, the basic formula price dropped a record \$6.00 from the previous month. Its repercussions on Class I and II prices were felt in April, the beginning of the decline in mailbox prices. Prices were slow to recover and never did reach previous-year levels, largely due to strong milk production in the spring and summer.

Premiums during the first 9 months averaged higher than both 1997 and 1998. Hauling charges averaged considerably lower this year. Both of these factors should have a positive effect on mailbox prices. Conversely, the butterfat differential was nearly 32

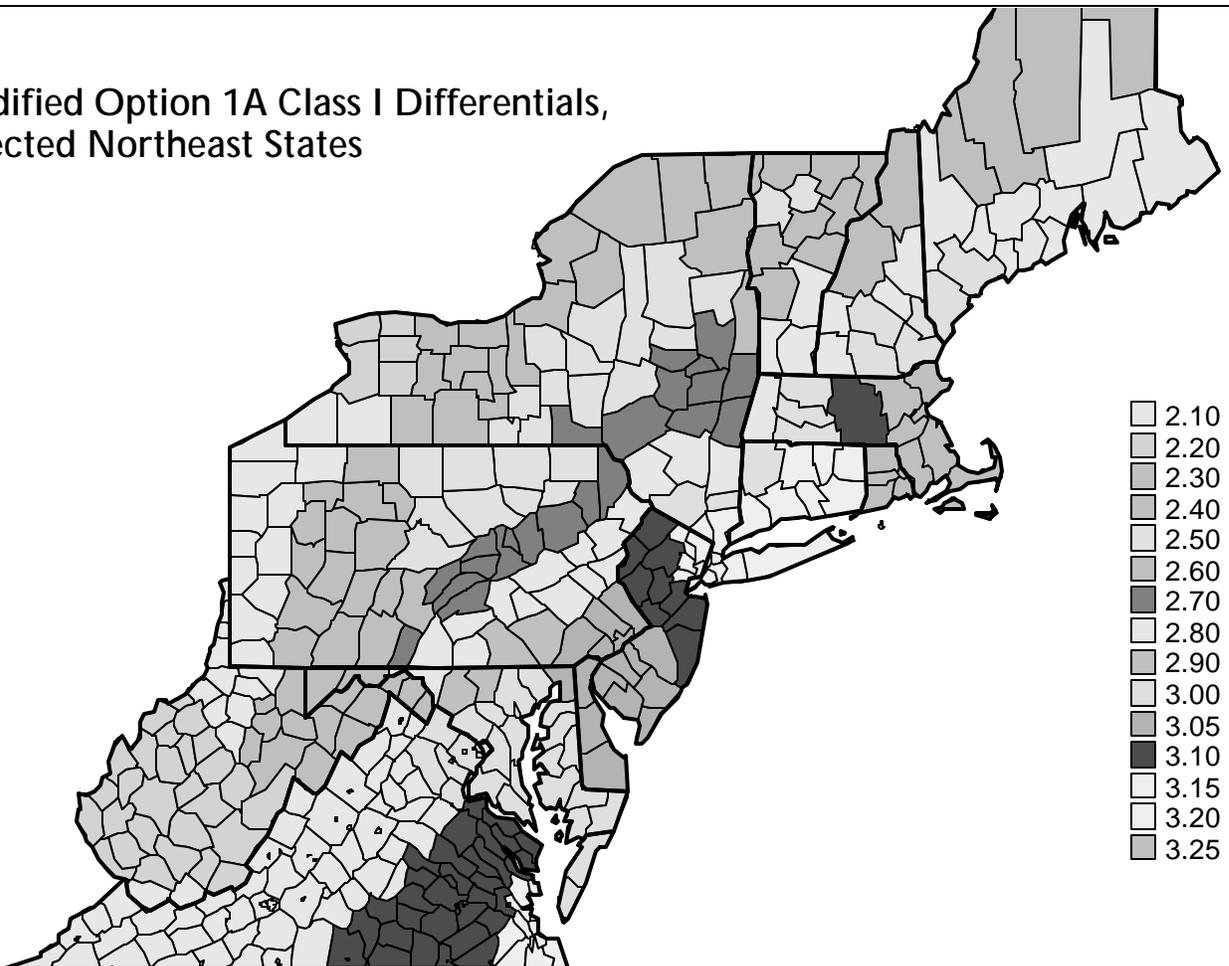
Order No. 2 Mailbox Prices and Comparative Data, January–September, 1997–99

Mailbox Price:	1997	1998	1999	Change*	
				1997-99	1998-99
	dollars/cwt			percent	
January	12.59	14.05	17.58	39.6	25.1
February	12.67	14.32	15.30	20.8	6.8
March	13.03	14.04	15.38	18.0	9.5
April	12.78	13.59	11.86	(7.2)	(12.7)
May	12.38	12.79	12.30	(0.6)	(3.8)
June	11.72	13.34	12.41	5.9	(7.0)
July	11.46	13.30	13.09	14.2	(1.6)
August	12.04	14.73	14.07	16.9	(4.5)
September	12.51	16.03	15.55	24.3	(3.0)
Average	12.35	14.02	14.17	14.7	1.1
Uniform Price	12.44	14.01	14.11	13.4	0.8
Premiums	0.33	0.37	0.40	21.9	7.8
Hauling	0.32	0.32	0.28	(12.7)	(11.1)
B'fat differential	0.101	0.191	0.130	29.0	(31.8)
B'fat test (%)	3.628	3.622	3.630	0.1	0.2

\* Calculated using more detailed information.

percent lower in 1999 than 1998, although it was well above 1997. This butterfat effect, combined with lower milk prices, has dwarfed the increase in the overall mailbox price. ♦

Modified Option 1A Class I Differentials, Selected Northeast States



## Determination of Uniform Price of \$14.52 for November 1999

Per hundredweight of milk testing 3.5 percent butterfat received in bulk from farms in the 201-210 mile zone

TOTAL VALUE OF POOLED MILK							
Class	Milk pounds	Per-cent	Minimum price	Value at minimum price	Trans- portation differential	Total value	Contribution per cwt of receipts
					dollars		
I-A	361,796,309	39.7	18.68	67,583,550.48	88,385.22	67,671,935.70	7.437
I-B	18,156,524	2.0	18.68	3,391,638.67	1,376.20	3,393,014.87	0.373
II	138,834,382	15.3	16.56	22,990,973.68	16,421.78	23,007,395.46	2.528
III	382,256,265	42.0	9.85	37,652,242.11	36,086.00	37,688,328.11	4.142
III-A	<u>8,920,175</u>	<u>1.0</u>	11.63	<u>1,037,416.34</u>	<u>1,902.32</u>	<u>1,039,318.66</u>	<u>0.114</u>
Reported receipts	909,963,655	100.0		132,655,821.28	144,171.52	132,799,992.80	14.594
Adjustments:	<u>Product pounds</u>		<u>Dollars*</u>				
Sec. .60(d)(6) I	3,680,958		263,056.20				
Sec. .60(d)(6) II	8,716,355		436,689.38				
Total Sec. .60(d)(2) thru (6)	12,397,313		699,745.58			699,745.58	0.077
Total adjustments	12,397,313		699,745.58				
Total pool milk classified	909,963,655						
Handlers must pay			699,745.58	132,655,821.28	144,171.52	133,499,738.38	** 14.671
COMPUTATION OF UNIFORM PRICE							
			<u>Milk pounds</u>	<u>Dollars</u>	<u>Dollars per cwt of receipts</u>		
Total value of pooled milk				133,499,738.38			14.671
Less: Cooperative payments	576,462,463		230,584.98			0.025	
Reserve			767,275.39			0.085	
Transportation credit	909,963,655		1,364,945.48	<u>(2,362,805.85)</u>		<u>0.150</u>	<u>(0.260)</u>
Value of pooled milk less subtractions				131,136,932.53			14.411
Add: Freight adjustment to 201-210 mile zone			158,540.77			0.018	
Unreserved cash in producer settlement fund			<u>831,249.41</u>	<u>989,790.18</u>		<u>0.091</u>	<u>0.109</u>
Uniform Price	909,963,655			132,126,722.71			14.520

\* Includes transportation and other applicable differentials.

\*\* In addition handlers must pay \$2,598,386.03 for butterfat in excess of 3.5 percent.

Note: The average butterfat test of milk delivered was 3.766868 percent. The butterfat differential was \$.107 for each one-tenth of one percent of butterfat.

## Comparative Price and Other Descriptive Statistics

	NOVEMBER 1998	OCTOBER 1999	NOVEMBER 1999
Order No. 2			
Handlers (with producer milk)	31	27	27
Bulk Tank Units	92	75	75
Producers	9,536	8,972	8,927
Daily Deliveries Per Producer (pounds)	3,205	3,395	3,398
Price Factors, Monthly Averages (dollars)			
Basic Formula Price, 3.5% butterfat, per cwt	16.84	11.49	9.79
Cheddar Cheese, 40-lb blocks, per lb, NASS	1.8317	1.4388	1.2143
Butter, Grade A, per lb	1.6547	1.0348	.9825
Nonfat dry milk, Central States, per lb	1.1250	1.0451	1.0343
Uniform Prices (dollars per cwt, 3.5% butterfat)			
Order No. 1, Zone 1 (Boston)	17.39	16.19	16.13
Order No. 2, 1-10 mile Zone* (New York City)	17.65	15.73	15.39
Order No. 4, Philadelphia¶	17.17	16.03	15.78
Class I Utilization Percentage			
Order No. 1	47.7	49.8	49.4
Order No. 2	44.3	41.1	41.7
Order No. 4	45.8	46.6	48.7

\* Includes 15-cent transportation credit.

¶ Includes 6-cent direct-delivery differential.

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**New York-  
New Jersey  
Milk Marketing  
Area**

# The Market Administrator's Bulletin

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Federal Order No. 2

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1999

## Price Information Under the Northeast Order

The implementation of federal order reform regulations for the new Northeast Marketing Area, which commenced January 1, 2000, brings about several changes in the dates price information will be released, as well as the dates by which producers will receive payments. In most cases prices will be announced sooner and payments will be made earlier. In addition, the formulas that will be used to derive class and component prices will incorporate timelier market price information based on nationally surveyed prices for cheese, butter, nonfat dry milk, and dried whey. Price *decreases* and *increases*, therefore, should be reflective of current supply and demand conditions and will be transmitted to producers more immediately.

### Price Announcements

Class and component prices will now be released on two separate announcement dates. The announcement of *advance prices and pricing factors*—information primarily applicable to handlers—will be released on the Friday before the 23<sup>rd</sup> of the month and applies to the upcoming month. If the 23<sup>rd</sup> is a Friday, the announcement is released that day. The second announcement releases the remaining *class and component prices* for the month. This announcement is released on the Friday before the 5<sup>th</sup>, unless the 5<sup>th</sup> falls on a Friday, and applies to the preceding month.

### Payments to Producers

The dates by which producers must receive payment under the consolidated Northeast Order are advanced from current payment dates. The partial payment, for milk shipped by producers during the first 15 days of the month, moves to the 26<sup>th</sup> unless this day is a weekend or holiday when payment is made on the next business day. The advance payment to producers is made on a hundredweight basis and cannot be less than the lowest class price for the preceding month. The final payment, for the remainder of the month's production, is advanced to the 17<sup>th</sup> of the month. In some months this date can be delayed as late as the 19<sup>th</sup> depending on the calendar composition of the month. The final payment is where  
(continued on page 3)

## December 1999 Pool Highlights

- The December 1999 uniform price equaled **\$11.66** per hundredweight, a decrease of \$2.86 from last month and down \$5.79 from December 1998. This was the largest year-to-year blend price decline on record under Order No. 2.
- Class I and II prices were \$4.55 below last year's. The Class III price was \$7.71 lower and the Class III-A price was \$2.79 lower than 1998's.
- In December, producer milk receipts totaled 961.8 million pounds, a decrease of 1.8 percent from last year.
- Class I usage totaled 399.8 million pounds, down 5.0 percent from the previous year.
- Daily deliveries per producer (DDP) equaled 3,490 pounds. This was a year-to-year increase of 149 pounds (4.5 percent). ♦

### Order No. 2 Prices and Utilization for December

	1998	1999	Percent change
	dollars per cwt		
<b>Prices*</b>			
Uniform	17.45	11.66	(33.2)
Class I	18.46	13.91	(24.6)
Class II	16.34	11.79	(27.8)
Class III	17.40	9.69	(44.3)
Class III-A	13.54	10.75	(20.6)
<b>Utilization</b>	million pounds		
Class I	420.7	399.8	(5.0)
Class II	134.1	137.1	2.3
Class III	389.8	401.6	3.0
Class III-A	35.0	23.2	(33.7)
Producer Receipts	979.6	961.8 #	(1.8)

\* For bulk milk testing 3.5 percent butterfat in the 201-210 mile zone.

# Total does not add due to rounding.

## No Price Estimate

Due to changes in federal order milk pricing, we are not providing a uniform price estimate. The new pricing formulas include multiple component pricing, a producer price differential, and a statistical uniform price. These changes will appear in next month's bulletin. ♦

## 1999 Order No. 2 Statistics Summarized

Even though 1998's record-high prices could not be sustained, 1999 finished with the third highest average uniform price under Order No. 2. During 1999, the Basic Formula Price (BFP) witnessed not one, but two record declines in the same year, which were reflected in the class and uniform prices. The Order No. 2 uniform price averaged \$14.00 for 1999, a decline of \$0.73 (5.0 percent) from 1998. For the first time since 1996, total milk receipts pooled under the order dropped below the previous year. The accompanying table summarizes milk receipts, utilization, and prices for Order No. 2 for the 1998-99 period.

### Receipts Lower, But DDP Remains Strong

Producer milk receipts totaled 11,660.7 million pounds in 1999, a decline of 2.1 percent from last year. Some of this decrease can be attributed to pooling changes that occurred during the year. Producer numbers continued to drop, a combination of pooling changes and farm exits. The 1999 year finished with 8,891 producers compared to 9,458 at the end of 1998. The trend toward larger operations continued, reflected in the 5.9 percent increase in daily deliveries per producer (DDP).

### Class Utilization Changes

Milk used for Class I (fluid drinking) declined 3.6 percent in 1999, decreasing Class I utilization by 0.7 percentage points. Class II usage increased 0.2 percent resulting in a 0.4 percentage point increase in utilization. Milk used for Class III purposes dropped 0.9 percent, but compared to the decline in total milk receipts, resulted in a 0.6 percentage point utilization increase. Class III-A usage dropped 10.1 percent and lowered utilization 0.2 percentage points.

### Prices Mixed, But Decline Overall

The BFP finished strong at the end of 1998, resulting in strong Class I and II prices for January and February 1999. The record declines in the BFP mentioned above occurred in February and October, but the lowest BFP witnessed in over 20 years occurred in November. Due to advanced class pricing, the November BFP did not affect Class I and II prices in 1999. As a result, Class I and II prices averaged \$0.12 per hundredweight higher in 1999. Class III prices (equivalent to the BFP) averaged \$1.77 per hundredweight (12.5 percent) lower than in 1998. Class III-A prices were down \$2.72 per hundredweight (18.3 percent) below last year's.

Strong milk production, particularly in the western United States, and sufficient cheese stocks helped suppress milk prices during 1999. These factors are expected to continue into 2000, keeping commodity prices weak. For additional information on milk price projections, see article titled USDA Updates Projections. ♦

### Order No. 2 Pool Statistics, 1998-99

Pool statistic	1998	1999	1998-99
	million pounds		Change
			percent
Class I	4,844.7	4,668.9	(3.6)
Class II	1,788.1	1,792.5	0.2
Class III	4,969.8	4,927.5	(0.9)
Class III-A	302.2	271.8	(10.1)
Total Receipts	11,904.8	11,660.7	(2.1)
	pounds		
DDP	3,314	3,510	5.9
	utilization percentage		change
Class I	40.7	40.0	(0.7)
Class II	15.0	15.4	0.4
Class III	41.7	42.3	0.6
Class III-A	2.5	2.3	(0.2)
	dollars/cwt		percent
Class I	15.96	16.08	0.8
Class II	13.84	13.96	0.9
Class III	14.21	12.44	(12.5)
Class III-A	14.86	12.14	(18.3)
Uniform	14.73	14.00	(5.0)

## USDA Updates Projections

In USDA's recently released publication, *World Agricultural Supply and Demand Estimates*, total milk production has been forecasted slightly downward. As of December 10, 1999, U.S. total milk production for the 1999-2000 marketing year (October 1-September 30) is projected at 164.4 billion pounds, an increase of 2 percent from the previous year. This is a decrease of 400 million pounds from last month's projection.

The forecast for total commercial use was lowered to 167.1 billion pounds for the 1999-2000 year, down from the previous month's estimate of 167.4 billion pounds. Although lower than the previous estimate, commercial use is still projected to be higher than the 162.8 billion pounds during the 1998-1999 year.

In addition, USDA lowered price projections due to weaknesses in product prices. The Basic Formula Price (BFP) has been replaced by a Class III price estimate beginning January 1, 2000. For the 1999-2000 year, the BFP/Class III annual average is projected in the \$10.40 to \$11.00 per hundredweight range. This is down from a range of \$10.75 to \$11.45 per hundredweight forecasted last month. The all-milk price estimate for 1999-2000 was lowered to a range of \$12.25 to \$12.85 per hundredweight from \$12.40 to \$13.10 per hundredweight last month. The BFP and all-milk prices averaged \$14.04 and \$15.37 per hundredweight, respectively, for the 1998-1999 year. ♦

## Order No. 2 Merges into New Northeast Order

Order No. 2 was established in September 1938 as the New York Metropolitan Milk Marketing Area. At that time it encompassed New York City and the New York counties of Nassau, Suffolk, and Westchester. The Order was suspended in February 1939 and became effective again in July of that year. The marketing area expanded in August 1957 to include additional counties in upstate New York and northern New Jersey. Throughout the years, many changes have occurred in the Order's definition pertaining to milk classifications and pricing.

The new Northeast Order, which is numbered Order No. 1, is the result of federal milk marketing order reform. It merges the New York-New Jersey Milk Marketing Area (Order No. 2) with the New England (Order No. 1) and Middle Atlantic (Order No. 4) Milk Marketing Areas in addition to some formerly unregulated areas of New York, Vermont, New Hampshire, and Massachusetts. This expanding and consolidating of orders has been a continuous process over the years. In 1961, there were 81 federal orders in effect. As of January 1, 2000, there are 11 orders.

## CCC Support Prices Unchanged

The USDA Commodity Credit Corporation (CCC) announced on December 15, 1999, that purchase prices for cheese, butter, and nonfat dry milk bought under the program would remain at their current level.

The CCC support program was to expire on December 31, 1999. It was extended through the calendar year 2000 by the Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act, 2000.

The support price will remain at \$9.90 per hundredweight for milk with an average butterfat content of 3.67 percent. CCC purchase prices remain as follows: Grade A butter, \$0.65 per pound; block Cheddar cheese, \$1.10 per pound; barrel cheese, \$1.07 per pound; and nonfat dry milk, \$1.01 per pound.

The Secretary of Agriculture is permitted by the Agricultural Market Transition Act to change the purchase prices twice during the calendar year. He will review the purchase prices for butter and nonfat dry milk periodically throughout the year and adjust them if necessary.

For comparison, as of January 14, 2000, prices on the Chicago Mercantile Exchange were as follows: Grade AA butter, \$0.9650 per pound; 40 pound block Cheddar, \$1.1250 per pound; and nonfat dry milk (extra grade) \$1.03 per pound. The National Agricultural Statistics Service subtracts \$0.09 from Grade AA butter to get a comparable Grade A price. ♦

New York–New Jersey Milk Marketing Area  
Selected Statistics

Year	Total milk	DDP**	No. of	Uniform
	receipts*			producers**
	<u>pounds</u>			<u>dollars/cwt</u>
1959	10,082.3	552	50,031	4.48
1969	10,332.1	991	28,554	5.66
1979	10,157.0	1,581	17,596	11.74
1989	11,096.8	2,240	13,570	13.10
1999	11,660.7	3,510	9,102	14.00

\* In millions.

\*\* Annual average.

The accompanying table shows selected statistics for Order No. 2. As depicted in the table, the number of producers pooled under the order has decreased dramatically (81.8 percent) since 1959. In contrast, total producer milk receipts have increased significantly (15.7 percent) over the years. Correspondingly, daily deliveries per producer (DDP) have risen 535.9 percent over the same time period. The annual average uniform price has increased 212.5 since 1959. ♦

## Members Named to Small Farm Advisory Committee

Agriculture Secretary Dan Glickman recently named 19 members to serve on the USDA's Advisory Committee on Small Farms. The committee is authorized for 2 years. It will review USDA programs and strategies to implement small farm policy and advise the Secretary on approaches to improve the department programs.

In the Northeast region, Marion Long Bowlan of Manheim, PA, and Jon W. Anderson of Montpelier, VT, were named. ♦

## Price Information *(continued from page 1)*

adjustment is made for the component composition of the producer's milk at the corresponding component values for the month.

### Statistical Uniform Price

The monthly pool calculation, which generates the statistical uniform price and the producer price differential (PPD), will be announced by the 13<sup>th</sup> of the month. Since producers will be paid on the unique pounds of components they produce (butterfat, true protein, and other solids), together with the PPD adjusted to the zone of the plant(s) where their milk is delivered, net pay prices from producer to producer will no longer be as readily comparable. ♦

## Determination of Uniform Price of \$11.66 for December 1999

Per hundredweight of milk testing 3.5 percent butterfat received in bulk from farms in the 201-210 mile zone

TOTAL VALUE OF POOLED MILK							
Class	Milk pounds	Per cent	Minimum price	Value at minimum price	Trans- portation differential dollars	Total value	Contribution per cwt of receipts
I-A	383,659,501	39.9	13.91	53,367,036.60	108,148.48	53,475,185.08	5.560
I-B	16,138,770	1.7	13.91	2,244,902.91	3,947.98	2,248,850.89	0.234
II	137,118,771	14.2	11.79	16,166,303.12	15,030.82	16,181,333.94	1.683
III	401,639,622	41.8	9.69	38,918,879.31	37,951.26	38,956,830.57	4.050
III-A	<u>23,230,154</u>	<u>2.4</u>	10.75	<u>2,497,241.55</u>	<u>3,111.99</u>	<u>2,500,353.54</u>	<u>0.260</u>
Reported receipts	961,786,818	100.0		113,194,363.49	168,190.53	113,362,554.02	11.787
Adjustments:	<u>Product pounds</u>		<u>Dollars*</u>				
Sec. .60(d)(6) I	8,536,539		347,207.31				
Sec. .60(d)(6) II	10,867,717		210,833.70				
Total Sec. .60(d)(2) thru (6)	19,404,256		558,041.01			558,041.01	0.058
Total adjustments	19,404,256		558,041.01				
Total pool milk classified	961,786,818						
Handlers must pay			558,041.01	113,194,363.49	168,190.53	113,920,595.03	** 11.845
COMPUTATION OF UNIFORM PRICE							
	<u>Milk pounds</u>		<u>Dollars</u>			<u>Dollars per cwt of receipts</u>	
Total value of pooled milk				113,920,595.03			11.845
Less: Cooperative payments	607,547,021		243,018.80			0.025	
Reserve			847,103.37			0.088	
Transportation credit	961,786,818		1,442,680.24	<u>(2,532,802.41)</u>		<u>0.150</u>	<u>(0.263)</u>
Value of pooled milk less subtractions				111,387,792.62			11.582
Add: Freight adjustment to 201-210 mile zone			165,383.97			0.017	
Unreserved cash in producer settlement fund			591,166.39	<u>756,550.36</u>		<u>0.061</u>	<u>0.078</u>
Uniform Price	961,786,818			112,144,342.98			11.660

\* Includes transportation and other applicable differentials.

\*\* In addition handlers must pay \$2,271,324.63 for butterfat in excess of 3.5 percent.

Note: The average butterfat test of milk delivered was 3.774601 percent. The butterfat differential was \$.086 for each one-tenth of one percent of butterfat.

## Comparative Price and Other Descriptive Statistics

	DECEMBER 1998	NOVEMBER 1999	DECEMBER 1999
Order No. 2			
Handlers (with producer milk)	31	27	28
Bulk Tank Units	93	75	77
Producers	9,458	8,927	8,891
Daily Deliveries Per Producer (pounds)	3,341	3,398	3,490
Price Factors, Monthly Averages (dollars)			
Basic Formula Price, 3.5% butterfat, per cwt	17.34	9.79	9.63
Cheddar Cheese, 40-lb blocks, per lb, NASS	1.8707	1.2143	1.1319
Butter, Grade A, per lb	1.3231	.9825	.8263
Nonfat dry milk, Central States, per lb	1.1490	1.0343	1.0168
Uniform Prices (dollars per cwt, 3.5% butterfat)			
Order No. 1, Zone 1 (Boston)	17.90	16.13	12.87
Order No. 2, 1-10 mile Zone* (New York City)	18.32	15.39	12.53
Order No. 4, Philadelphia¶	17.41	15.78	12.53
Class I Utilization Percentage			
Order No. 1	46.4	49.4	49.7
Order No. 2	42.9	41.7	41.6
Order No. 4	43.6	48.7	43.1

\* Includes 15-cent transportation credit.

¶ Includes 6-cent direct-delivery differential.

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