

# The Market Administrator's **BULLETIN**

## **NORTHEAST MARKETING AREA**

*Erik F. Rasmussen*, Market Administrator

**January 2005**

Federal Order No. 1

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### **January Pool Price Calculation**

The January 2005 statistical uniform price (SUP) for the Northeast Marketing Area was announced at \$16.31 per hundredweight for milk delivered to plants located in Suffolk County, Massachusetts (Boston), the pricing point for the Northeast Order. The statistical uniform price is calculated at 3.5 percent butterfat, 2.99 percent protein, and 5.69 percent other solids. The January producer price differential (PPD) at Suffolk County was \$2.17 per hundredweight.

January's statistical uniform price was 12 cents per hundredweight below the December price; the January PPD was \$1.88 above last month's. The only price that was higher than the previous month was the Class I price that reflected early December commodity prices. During the last 2 weeks of December, butter and cheese prices declined significantly and remained lower in January. This resulted in a 30-cent drop in producer butterfat and protein prices for January. These components are incorporated into the Class II, III, and IV prices, which were all down from January. The spread between the class prices resulted in a much higher PPD. ❖

### **Producer Referendum Underway**

The United States Department of Agriculture announced a final decision that adopts certain amendments to current provisions of the Northeast Federal Milk Marketing Order. The decision is based on testimony and evidence given at a public hearing held on September 10-13, 2002, in Arlington, Virginia. A referendum to determine producer approval of the Order as amended is presently underway.

This decision adopts changes to various reporting and payment deadlines, as well as changes to the pooling and producer milk provisions of the Northeast Order. The adopted amendments include:

- Establishing year-round supply plant performance standards.
- Eliminating the "split-plant" provision.
- Creating a "touch-base" standard for the number of days of production a dairy farmer must deliver to a pool plant to qualify the rest of the dairy farmer's milk for diversion.
- Establishing explicit limits on the amount of milk a pool plant may divert to nonpool plants.
- Excluding milk received by supply plants from producers not eligible to be pooled on the order from the total volume of milk used to satisfy supply plant performance standards.

*(continued on page 3)*

### **Pool Summary**

- A total of 15,156 producers were pooled under the Order with an average daily delivery per producer of 4,258 pounds.
- Pooled milk receipts totaled 2.0 billion pounds, an increase of 5.6 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 45.7 percent of total milk receipts, a decrease of 3.8 percentage points from December.
- The average butterfat test of producer receipts was 3.74 percent.
- The average true protein test of producer receipts was 3.07 percent.
- The average other solids test of producer receipts was 5.68 percent. ❖

#### **Class Utilization**

Pooled Milk	Percent	Pounds
Class I	45.7	913,347,258
Class II	18.9	378,665,647
Class III	23.1	462,609,153
Class IV	12.3	245,877,262
Total Pooled Milk		2,000,499,320

#### **Producer Component Prices**

	2005	2004
	\$/lb	
Protein Price	2.5300	2.0875
Butterfat Price	1.7330	1.4978
Other Solids Price	0.0899	0.0217

#### **Class Price Factors**

	2005	2004
	\$/cwt	
Class I	19.90	15.10
Class II	13.04	11.67
Class III	14.14	11.61
Class IV	12.52	10.97

## Five-Year Comparison

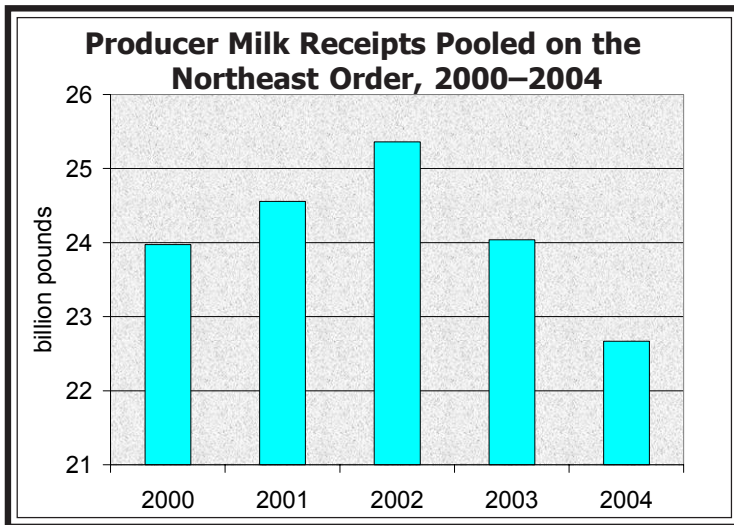
The annual average 2004 statistical uniform price (SUP) of \$16.49 per hundredweight (cwt) was the highest since the Order's inception in 2000 and 5.2 percent higher than the next highest average of \$15.67 per cwt in 2001. Conversely, the 2004 average producer price differential (PPD) was the lowest during the 5-year period. The highest annual average PPD was \$3.30 per cwt in 2000. The accompanying table shows annual average prices from 2000 to 2004.

All component prices used in paying producers under the Order set record-high annual averages. During the year, the protein price hit \$3.7639 per pound in May, the highest price

### Annual Average Producer Pay Prices Under the Northeast Order, 2000–2004

	2000	2001	2002	2003	2004	2003–04 Change percent
	dollars					
Butterfat per lb	1.2522	1.8480	1.1928	1.2099	2.0507	69.5
Protein per lb	1.6938	1.9613	1.9735	2.3770	2.6035	9.5
Other Solids per lb	0.0509	0.1343	0.0593	0.0129	0.0751	482.2
PPD per cwt*	3.30	2.57	2.22	1.57	1.10	(29.9)
SUP per cwt*	13.04	15.67	12.64	12.99	16.49	26.9

\* At Suffolk County, MA (Boston).



reported since federal order reform instituted new formulas for calculating producer prices. The butterfat price set a record in April at \$2.5013 per pound; the May other solids price of \$0.1444 per pound was also a record high.

Total producer milk pooled on the Northeast Order during 2004 was 5.7 percent less than last year and the lowest volume since the Order's inception (see chart). Compared to all other federal orders, the Northeast Order still recorded the highest total volume of producer milk, followed by the Upper Midwest and Mideast Orders, respectively. For the first time under the Northeast Order, depooling occurred in April, May, and June of 2004 due to the price inversion. Nearly 700 million pounds of milk normally pooled on the Northeast Order were not included during the 3-month period. Even if depooling had not occurred, the total volume of producer milk in 2004 would have been the lowest in the 5-year period. ❖

## Marketing Service 2004 Summary

The Market Administrator verifies or establishes weights, samples and tests producer milk, and provides market information for producers who are not receiving such services from a cooperative association.

### Verification Program

One aspect of the marketing services provided by the Order is the verification program. The objective of verifying tests is to guard against incorrect payments to producers for milk components, as well as preventing incorrect pool credits to fluid handlers.

### Calibration Program

Another aspect of the Market Administrator's marketing service program is the bulk tank calibration program. The Northeast Order operates two calibration trucks. In providing

### Tank Calibration Work by Tank Size

Tank Size (Gallons)	Checks	Calibrations/ Recalibrations
0-500	15	19
501-1000	169	144
1001-1500	40	29
1501-2000	14	17
2001-3000	6	8
3001-6000	5	4
6000+	0	0
<b>Total</b>	<b>249</b>	<b>221</b>

calibration services, the two trucks combined cover over 29,900 miles. The marketing service staff checked 249 farm bulk tanks throughout the Northeast Marketing Area Milkshed during the 2004 season. A tank check involves measuring the tank at about four or five different levels as opposed to performing a complete calibration, which involves checking the tank at each increment on the dipstick. If the tank proves to be out of tolerance when checked, the tank is then recalibrated. Of the 249 tanks checked, 27 were out of tolerance and were recalibrated. Of the tanks requiring recalibration, there was an almost even split between tanks that were over measuring and under measuring the amount of milk. An additional 194 calibrations were performed for other reasons that did not involve an initial check, such as a tank being installed, a tank being moved, or a special request. The 249 checks and the 194 additional calibrations total at least 443 farm visits. A total of 221 calibrations and recalibrations were performed. A breakdown of checks and calibrations/recalibrations by tank size are shown in the accompanying table. A tentative schedule for the calibration trucks will be published in the *Bulletin* near the start of the spring season. ❖

## New Secretary of Agriculture

Mike Johanns was sworn in as the 28<sup>th</sup> Secretary of the U.S. Department of Agriculture on January 21, 2005. Born and raised in Iowa, he was the son of a dairy farmer. Secretary Johanns practiced law in O'Neill and Lincoln, Nebraska, and was elected to two terms as mayor of Lincoln. In 1998, he was elected governor of Nebraska where he has served for the past 6 years.❖

## Average Other Solids Tests by County

The accompanying map shows annual average other solids tests by county for 2003 and gives an idea of regional differences in levels of other solids. Only counties in the contiguous Northeast milkshed are shown here. Of note, 5 of the top 10 counties in milk production in 2003 fall in the low range. These counties are ranked based on their volume of milk that is pooled on the Northeast Order; it does not necessarily represent all milk produced in a particular county. Most of the counties falling in the highest range were in Pennsylvania or Virginia. Much of New England fell into the top 2 categories while most of New York fell into either the middle or low category.❖

## Referendum *(continued from page 1)*

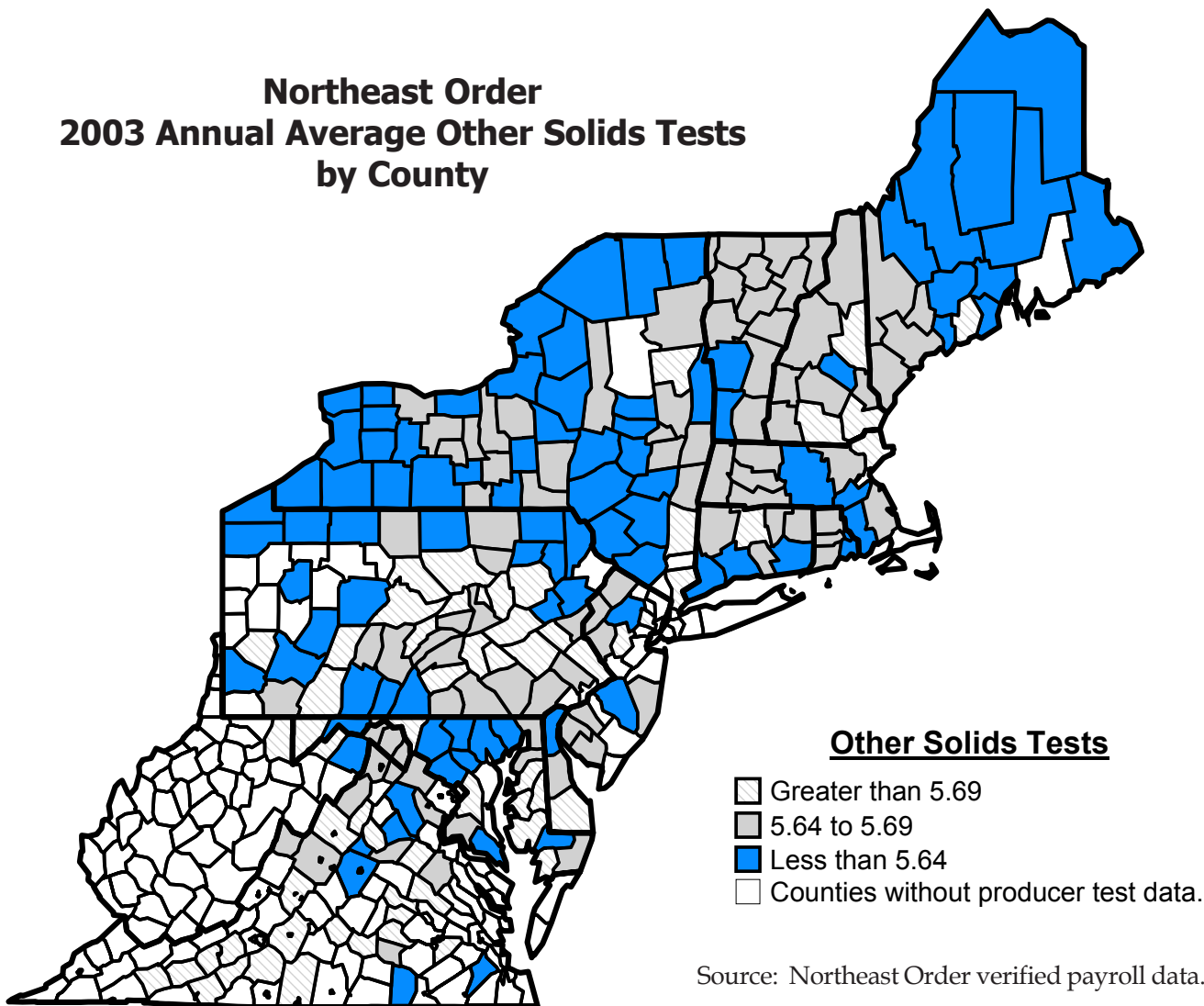
- Prohibiting the ability to pool the same milk on the order and on a marketwide pool administered by another government entity.
- Granting authority to the Market Administrator to adjust the "touch-base" and diversion limit standards as market conditions warrant.
- Revising certain pool reporting and payment date provisions while maintaining the current date for producers receiving partial payments for milk deliveries during the first half of the month.

The referendum ends February 25, 2005, and all ballots are required to be postmarked by that date. If approved, a final rule will follow to implement these changes.❖

## Promotion Appointment

The Secretary of Agriculture recently announced the appointment of a new member to the National Fluid Milk Processor Promotion Board to fill an existing term. Newly appointed for Region 2 is Joseph Cervantes of Binghamton, NY; his term will expire June 30, 2005.❖

**Northeast Order  
2003 Annual Average Other Solids Tests  
by County**





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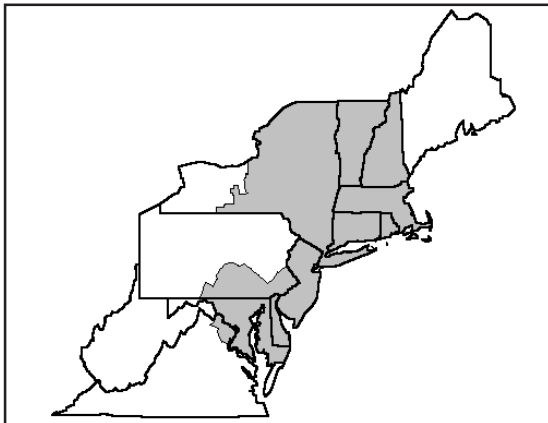
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**Computation of Producer Price Differential and Statistical Uniform Price\***

	<u>Product Pounds</u>	<u>Price per cwt./lb.</u>	<u>Component Value</u>	<u>Total Value</u>
Class I— Skim	895,138,474	\$12.95	115,920,432.38	
Butterfat	18,208,784	2.1143	38,498,832.01	
Less: Location Adjustment to Handlers			(2,850,477.74)	\$151,568,786.69
Class II— Butterfat	26,664,083	1.7400	46,395,504.42	
Nonfat Solids	31,894,798	0.8000	25,515,838.40	71,911,342.82
Class III— Butterfat	17,827,759	1.7330	30,895,506.35	
Protein	14,162,075	2.5300	35,830,049.75	
Other Solids	26,175,322	0.0899	2,353,161.45	69,078,717.55
Class IV— Butterfat	12,138,755	1.7330	21,036,462.45	
Nonfat Solids	21,237,462	0.7431	15,781,558.02	36,818,020.47
<b>Total Classified Value</b>				<b>\$329,376,867.53</b>
Add: Overage—All Classes				106,122.61
Inventory Reclassification—All Classes				(143,811.13)
Other Source Receipts	34,443			1,525.82
Less: Producer Component Valuations				(295,117,314.39)
<b>Subtotal</b>				<b>\$34,223,390.44</b>
Add: Location Adjustment to Producers				9,532,088.31
One-half Unobligated Balance—Producer Settlement Fund				587,566.28
<b>Total Pool Milk &amp; Aggregate Value</b>	2,000,533,763			44,343,045.03
Less: Producer Settlement Fund—Reserve				(931,462.32)
<b>Producer Price Differential @ Suffolk County, MA (Boston)</b>		<b>\$2.17</b>		43,411,582.71
<b>Statistical Uniform Price @ Suffolk County, MA (Boston)</b>		<b>\$16.31</b>		

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





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### **February Pool Price Calculation**

The February 2005 statistical uniform price (SUP) for the Northeast Marketing Area was announced at \$15.51 per hundredweight for milk delivered to plants located in Suffolk County, Massachusetts (Boston), the pricing point for the Northeast Order. The statistical uniform price is calculated at 3.5 percent butterfat, 2.99 percent protein, and 5.69 percent other solids. The February producer price differential (PPD) at Suffolk County was \$0.81 per hundredweight.

February's statistical uniform price was 80 cents per hundredweight below the January price; the February PPD was \$1.36 below last month's. All class prices were higher than last month's except for the Class I price that reflected commodity prices from January. During February, butter and cheese prices increased resulting in higher producer butterfat and protein prices. This resulted in a 30-cent drop in producer butterfat and protein prices for January. These components are incorporated into the Class II, III, and IV prices, which were up from January. The rapid increase in prices was reflected in a tightening of the spread between the class prices and resulted in a much lower PPD. For producers shipping to plants with a \$2.40 or less differential, the PPD will be negative. ❖

### **U.S. Milk Production Flat in 2004**

Total milk production in the United States was relatively unchanged during 2004 when compared to 2003. The National Agricultural Statistics Service (NASS) reported an increase of 0.2 percent for 2004, but when this figure is adjusted for leap year, there was no change from the previous year. This follows a slight increase of 0.2 percent in 2003 and 2.9 percent in 2002. The total number of cows declined 0.8 percent in 2004, and milk production per cow increased 1.1 percent. For the remainder of this article, all milk production comparisons for 2004 have been adjusted for leap year.

#### **Factors Affecting Milk Production**

The total number of cows was down during 2004 and replacement heifers were in short supply, further stunted by BSE (mad cow) scares that stopped shipments from Canada. The average number of cows during the first quarter of 2004 was down 1.6 percent from the previous year. This, combined with the decline in milk per cow during the same quarter, resulted in a drop of 1.9 percent in total milk production. The cow number situation improved throughout the year with 2004 actually finishing above the previous year during the last 2 months. Feed quality and (continued on page 2)

### **Pool Summary**

- A total of 15,021 producers were pooled under the Order with an average daily delivery per producer of 4,297 pounds.
- Pooled milk receipts totaled 1.8 billion pounds, relatively unchanged from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 46.4 percent of total milk receipts, an increase of 0.7 percentage points from January.
- The average butterfat test of producer receipts was 3.72 percent.
- The average true protein test of producer receipts was 3.05 percent.
- The average other solids test of producer receipts was 5.68 percent. ❖

#### **Class Utilization**

Pooled Milk	Percent	Pounds
Class I	46.4	839,181,394
Class II	19.3	348,789,732
Class III	22.0	396,838,247
Class IV	12.3	222,612,032
Total Pooled Milk		1,807,421,405

#### **Producer Component Prices**

	2005	2004
	\$/lb	
Protein Price	2.6613	1.7911
Butterfat Price	1.7754	1.8518
Other Solids Price	0.0915	0.0090

#### **Class Price Factors**

	2005	2004
	\$/cwt	
Class I	17.04	14.84
Class II	13.36	12.90
Class III	14.70	11.89
Class IV	12.74	12.21

## MILC Payments

As of December 28, 2004, Milk Income Loss Contract (MILC) payments made to U.S. dairy farmers during the October 2003–September 2004 fiscal year (FY 2004) totaled \$198 million dollars. The Northeast's share of that total was \$43 million dollars, or 21.6 percent. Since the start of the MILC program, \$2.018 billion dollars were paid to qualifying producers, \$503 million paid to farmers in Northeast states, or 24.9 percent.

In 2004, New York led all Northeast states with payments received totaling \$16.4 million, followed by Pennsylvania at \$14.5 million and Vermont with \$4.2 million. The accompanying table shows payments for states in the Northeast.

In 2004, Wisconsin led all states nationwide with farmers receiving a total of \$37 million in payments, almost 19 percent of the national total. California ranked second with \$24 million. New York and Pennsylvania ranked third and

### MILC Payments Received by Northeast States, FY 2004 and Overall

State	2004	Program to Date
	dollar amount	
Connecticut	677,744	6,842,592
Delaware	162,113	1,952,723
Maine	1,035,823	11,235,506
Maryland	1,598,981	19,930,796
Massachusetts	601,855	7,502,501
New Hampshire	502,637	5,615,256
New Jersey	369,902	4,386,388
New York	16,383,024	186,699,972
Pennsylvania	14,511,957	180,213,514
Rhode Island	36,430	488,331
Vermont	4,207,243	45,223,308
Virginia	2,732,040	32,877,262
<b>Northeast Total</b>	<b>42,819,750</b>	<b>502,968,147</b>
<b>U.S. Total</b>	<b>197,993,535</b>	<b>2,017,814,476</b>

fifth respectively. Minnesota was fourth with \$14.7 million paid. Since the start of the program, Wisconsin producers have received \$414 million, the most of any state and over 20 percent of all payments made. New York and Pennsylvania rank second and third with \$187 million and \$180 million, respectively.

Producers received MILC payments just 4 months during FY 2004, averaging \$0.65 per hundredweight. The highest payment made during FY 2004 was \$0.95 per hundredweight, recorded in February 2004. To date, there have been no MILC payments made during the October 2004–September 2005

fiscal year. Based on current Chicago Mercantile Exchange futures prices, the Class I price at Boston is projected to stay at or above the \$16.94 per hundredweight threshold price resulting in no payments through the remainder of 2005. ❖

## U.S. Milk Production *(continued from page 1)*

decreased availability of BST both stunted milk production per cow, especially during the first half of 2004. Milk per cow improved throughout the year, and combined with the increase in cow numbers helped balance the declines that occurred during the first half of 2004. Overall, this resulted in an increase of only 411 million pounds, which equates to a relatively insignificant percentage change for the year.

### Top Producing States

There was no change in rank of any of the top ten milk-producing states. Within the top twenty, Kansas displaced Colorado for the number 18 spot; last year it was nineteenth.

Of the top ten ranked states (see table), only four finished the year with increases in production. Idaho was the only state to experience year-to-year increases each month during 2004. Texas had the highest overall percentage increase, but had a slight (0.6 percent) drop in December 2004. Even California, which has had steady growth in the past years, saw declines during the first quarter of 2004.

Nationally, only 17 states reported positive changes in milk production. Eight states faced double-digit percentage decreases in 2004.

The National Agricultural Statistics Service (NASS) has reported milk production for the top twenty milk-producing states for a number of years. Beginning with January 2005, they added Colorado, Kansas, and Oregon to the list of states, increasing the number to 23 and capturing about 91 percent of U.S. milk production. During 2004, the top 20 states reported by NASS accounted for 87.1 percent.

### Northeast Production Declines Again

In the Northeast, the states that normally contribute to the Northeast Order milkshed had a combined decline of 3.0 percent in 2004. These states accounted for 19.6 percent of total U.S. production, down from 20.2 percent in 2003. The New England states (Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, and Vermont) had a combined decline of 3.2 percent. The top three milk producing states in the Northeast (New York, Pennsylvania, and Vermont) had a combined drop of 2.8 percent.

Cow numbers declined 3.1 percent in the northeastern states during 2004. Average milk per cow in these states increased 1.5 percent from 2003. ❖

### Top Ten States Ranked by Milk Production, 2004

Rank	State	2003	2004	Percent Change
		million pounds		
1	California	35,437	36,465	2.6
2	Wisconsin	22,266	22,085	(1.1)
3	New York	11,952	11,650	(2.8)
4	Pennsylvania	10,338	10,062	(2.9)
5	Idaho	8,774	9,093	3.4
6	Minnesota	8,258	8,102	(2.2)
7	New Mexico	6,666	6,710	0.4
8	Michigan	6,375	6,315	(1.2)
9	Texas	5,630	6,009	6.4
10	Washington	5,581	5,416	(3.2)
	Top Ten Total	121,277	121,907	0.2
	U.S. Total	170,395	170,805	(0.0)

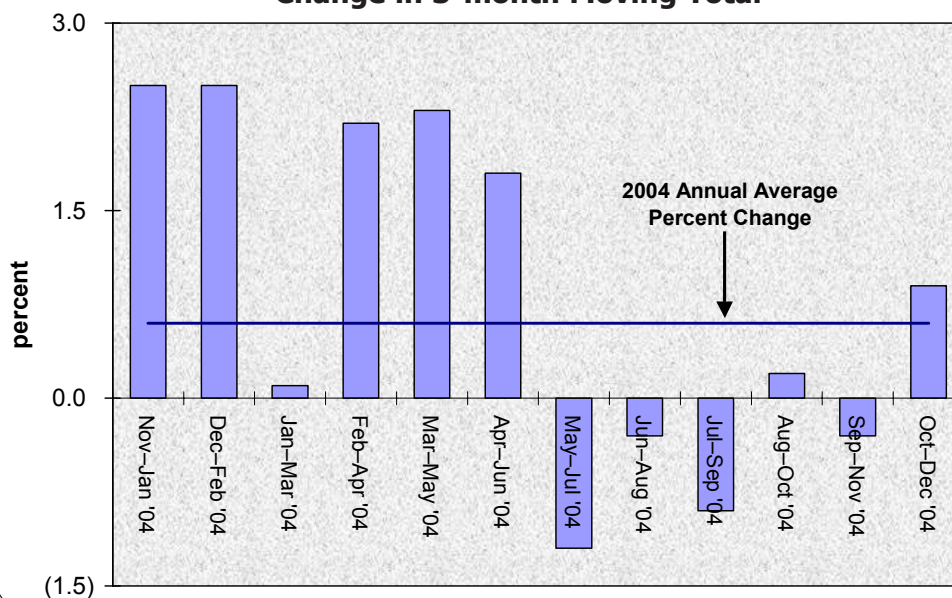
Source: National Agricultural Statistics Service, *Milk Production*.

## 2004 Dairy Demand

Commercial disappearance (USDA's measurement of total milk usage) finished 2004 up 0.3 percent (adjusted for leap year) over 2003. Demand was stronger in the first half of the year, and when coupled with a decreasing or flat milk supply during that period, resulted in high commodity and producer prices. During the second half of the year, demand was below or about even with previous year's levels 5 out of 6 months. The accompanying chart shows the change in demand over the previous year for each month relative to the annual percent change in demand. The softening of demand is likely a response to the very high prices that resulted from the early year environment of increasing demand and tight supply. It may also reflect some delayed holiday purchasing as buyers waited for further price declines. Demand returned in December 2004 and was accompanied by a short duration of increases in prices.

Cheese sales rose about 2.4 percent from 2003 to 2004 (see table). Year-to-year commercial disappearance of American cheese grew 2.0 percent. Commercial disappearance for other cheeses increased 2.6 percent.

**Commercial Disappearance, 2004 Year to Year Percent Change in 3-month Moving Total**



Demand for butter increased 0.5 percent in 2004, less than half of the increase of the previous year.

Demand for nonfat dry milk increased 41.6 percent in 2004. The weakened U.S. dollar has led to increased exports of nonfat dry milk, and the environment of relatively high international prices is expected to remain throughout 2005. Normally, the decline in fluid milk sales during the holidays

leads to more milk moving through balancing plants that manufacture nonfat dry milk, and a portion of that milk is sold to the government. This year, exports of nonfat dry milk absorbed this surplus, and the government reported some sales of old powder.

Fluid milk sales were down 1.4 percent compared to 2003. The decrease also reflected the response to high retail prices for milk seen in 2004. The decrease is the fourth time since 2000 that annual fluid milk sales have slipped.

Ending commercial stocks declined for the second year in a row to 7.1 billion pounds in 2004. Ending commercial stocks were 9.9 billion pounds and 8.3 billion pounds in 2002 and 2003, respectively.

USDA forecasts predict a 1.5 percent increase in demand during the first half of 2005 compared to 2004 and a 1.4 percent increase in demand for the year overall. ❖

**Commercial Disappearance: Total Milk and Selected Dairy Products, 2003–2004**

Item	Jan–Dec 2003	Jan–Dec 2004	Percent change <sup>1/</sup>
	mil. lbs	mil. lbs	
<b>Milk</b>			
Production	170,394	170,338	(0.3)
Marketings	169,280	169,291	(0.3)
Beginning Commercial Stocks <sup>2/</sup>	9,891	8,308	(16.2)
Imports <sup>2/</sup>	5,040	5,227	3.4
Total Supply	184,211	182,826	(1.0)
Ending Commercial Stocks <sup>2/</sup>	8,331	7,130	(14.6)
Net Removals <sup>2/</sup>	1,162	(64)	(105.5)
Commercial Disappearance	174,718	175,759	0.3
<b>Selected products <sup>3/</sup></b>			
Butter	1,309	1,319	0.5
American Cheese	3,708	3,792	2.0
Other Cheese	5,341	5,496	2.6
Nonfat Dry Milk	922	1,309	41.6
Fluid Milk Products <sup>4/</sup>	54,981	54,375	(1.4)

1/ Adjusted for leap year.

2/ Milk-equivalent, milkfat basis.

3/ Commercial disappearance in product pounds.

4/ Sales. Estimate based on actual sales in federal milk order marketing areas and California.

Source: *Dairy Market News*, USDA.



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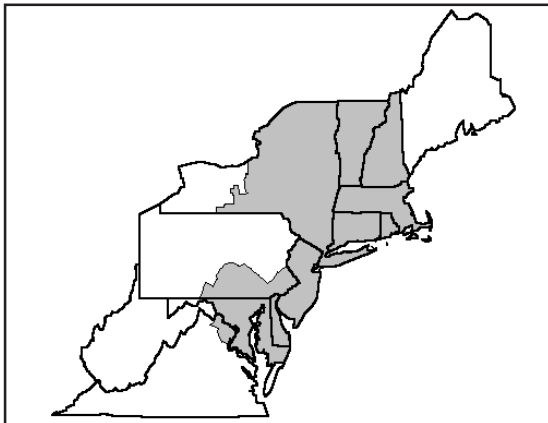
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**Computation of Producer Price Differential and Statistical Uniform Price\***

	<u>Product Pounds</u>	<u>Price per cwt./lb.</u>	<u>Component Value</u>	<u>Total Value</u>
Class I— Skim	822,378,603	\$11.22	92,270,879.26	
Butterfat	16,802,791	1.7763	29,846,797.65	
Less: Location Adjustment to Handlers			(2,627,560.51)	\$119,490,116.43
Class II— Butterfat	25,498,965	1.7824	45,449,355.22	
Nonfat Solids	29,297,208	0.8200	24,023,710.56	69,473,065.78
Class III— Butterfat	15,781,046	1.7754	28,017,669.09	
Protein	12,097,806	2.6613	32,195,891.09	
Other Solids	22,441,405	0.0915	2,053,388.56	62,266,948.74
Class IV— Butterfat	9,216,629	1.7754	16,363,203.12	
Nonfat Solids	19,363,607	0.7514	14,549,814.27	30,913,017.39
<b>Total Classified Value</b>				<b>\$282,143,148.34</b>
Add: Overage—All Classes				29,359.89
Inventory Reclassification—All Classes				167,518.57
Other Source Receipts	38,776			884.10
Less: Producer Component Valuations				(275,774,372.83)
<b>Subtotal</b>				<b>\$6,566,538.07</b>
Add: Location Adjustment to Producers				8,521,127.53
One-half Unobligated Balance—Producer Settlement Fund				401,619.04
<b>Total Pool Milk &amp; Aggregate Value</b>	1,807,460,181			15,489,284.64
Less: Producer Settlement Fund—Reserve				(848,857.23)
<b>Producer Price Differential @ Suffolk County, MA (Boston)</b>		<b>\$0.81</b>		14,640,427.41
<b>Statistical Uniform Price @ Suffolk County, MA (Boston)</b>		<b>\$15.51</b>		

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





# The Market Administrator's **BULLETIN**

## **NORTHEAST MARKETING AREA**

*Erik F. Rasmussen*, Market Administrator

**March 2005**

Federal Order No. 1

To contact the Northeast Marketing Area offices:

*Boston, MA:* phone (617) 737-7199, e-mail address: MABoston@fedmilk1.com; *Albany, NY:* phone (518) 452-4410, e-mail address: MAAAlbany@fedmilk1.com; *Alexandria, VA:* phone (703) 549-7000, e-mail address: MAAAlexandria@fedmilk1.com; *website address:* www.fmmone.com

### **March Pool Price Calculation**

The March 2005 statistical uniform price (SUP) for the Northeast Marketing Area was announced at \$16.04 per hundredweight for milk delivered to plants located in Suffolk County, Massachusetts (Boston), the pricing point for the Northeast Order. The statistical uniform price is calculated at 3.5 percent butterfat, 2.99 percent protein, and 5.69 percent other solids. The March producer price differential (PPD) at Suffolk County was \$1.96 per hundredweight.

March's statistical uniform price was 53 cents per hundredweight higher than the February price; the March PPD was \$1.15 above last month's. All class prices were lower than last month's except for the Class I price that reflected commodity prices from February. During March, butter and cheese prices decreased resulting in lower butterfat and protein prices. With the rise in the Class I price and the decline in the other class prices, the spread between the class prices increased resulting in a higher PPD. ❖

### **Amendments to Northeast Order Approved**

On Monday, April 11, 2005, the U.S. Department of Agriculture announced a final rule implementing amendments to the Northeast Federal Milk Marketing Order. This final rule adopts the order changes voted on and approved by dairy farmers during the referendum conducted February 1-25, 2005. Changes to the Order will become effective June 1, 2005.

The amendments to the Northeast Order will:

- revise certain reporting and payment date provisions;
- establish year-round supply plant performance standards;
- eliminate the split-plant provision;
- establish a one-day touch-base provision;
- establish explicit limits on the amount of milk a pool plant may divert to nonpool plants;
- exclude milk received by supply plants from producers not eligible to be pooled on the Northeast Order from the total volume of milk used to satisfy supply plant performance standards;
- prohibit the ability to simultaneously pool the same milk on the Order and on a marketwide pool administered by another government entity;
- grant authority to the Market Administrator to adjust the touch-base standard and diversion limits as market conditions warrant. ❖

### **Pool Summary**

- A total of 15,011 producers were pooled under the Order with an average daily delivery per producer of 4,348 pounds.
- Pooled milk receipts totaled 2.0 billion pounds, an increase of 1.1 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 44.8 percent of total milk receipts, a decrease of 1.6 percentage points from February.
- The average butterfat test of producer receipts was 3.73 percent.
- The average true protein test of producer receipts was 3.04 percent.
- The average other solids test of producer receipts was 5.69 percent. ❖

#### **Class Utilization**

Pooled Milk	Percent	Pounds
Class I	44.8	907,199,364
Class II	20.2	408,518,489
Class III	23.1	467,927,365
Class IV	11.9	239,621,879
Total Pooled Milk		2,023,267,097

#### **Producer Component Prices**

	2005	2004
	\$/lb	
Protein Price	2.5019	2.0133
Butterfat Price	1.7279	2.3813
Other Solids Price	0.0951	0.0234

#### **Class Price Factors**

	2005	2004
	\$/cwt	
Class I	18.68	15.19
Class II	13.25	14.79
Class III	14.08	14.49
Class IV	12.66	14.10

## Uniform Price Strong, Steady

With a March statistical uniform price of \$16.04 per hundredweight, the Northeast Order has recorded its highest first quarter average uniform price of \$15.95 per hundredweight since the Order's inception. The previous high for the first quarter was set last year at \$14.36 per hundredweight.

A look at Chicago Mercantile Exchange (CME) futures prices as they closed on April 14 leads us to believe that the uniform price will be only slightly lower during the second quarter, averaging \$15.75. Second quarter prices will be paced by Class I and Class III prices that will be second only to last year's record high prices. Based on the futures market, the uniform price for the entire first half of 2005 will be \$0.80 below last year's first half average. U.S. commercial cheese, butter, and nonfat dry milk inventories are currently low relative to recent years, and these tight markets have lent strength to the milk price. Milk in the top 20 producing states has been at least one percent higher than last year for each month since August 2004. The magnitude of continued improvement in milk production will be a key factor in where prices go for the remainder of the year. The supply and demand relationship that currently exists is not expected to change much for the next few months and will result in a continued steady price level.

The producer price differential (PPD) is projected to range from \$1.22 to \$1.47 during the second quarter of 2005, averaging \$1.37 per hundredweight. The PPD averaged \$1.65 during the first quarter of 2005.

Using actual and forecasted prices from August 2004 through June 2005, the uniform price should be within a \$0.86 range averaging around the \$16.00 per hundredweight level. The steady uniform price has been in contrast with the more volatile commodity markets. The CME 40-lb. block

Cheddar cheese market has been through four rapid per pound price increases of \$0.20 or more and one of \$0.13 as well as four rapid declines of \$0.20 or more. The CME AA Butter market also faced rapid and large increases and decreases towards the end of 2004 as well, but has traded in a more narrow band of about \$0.15 per pound since then. ❖

## Market Services 2005

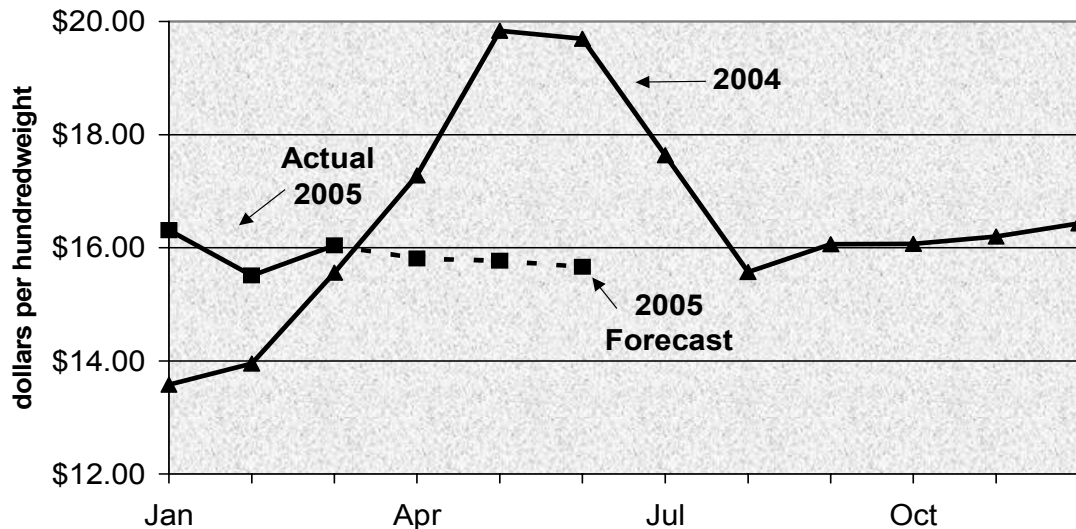
The Market Administrator's bulk tank verification program resumes operation with the onset of warmer weather. The program verifies the proper calibration of new and existing farm bulk tanks for all non-member producers on a once every 5-to-10-year basis. The accompanying schedule indicates the planned areas where the Market Administrator's two calibration trucks will be working during the next several months.

The office coordinates farm calibration visits with handlers, concentrating first on tanks that are suspected of being out of calibration or were checked many years ago. If you have a concern about the calibration of your bulk tank, please contact your handler who will work with the Market Administrator to schedule a calibration check. ❖

### Tentative Calibration Truck Schedule, 2005

Month	Area
April	Southern Tier New York/Northern Pennsylvania Southeast Pennsylvania
May	Eastern New York Southeast Pennsylvania
June	Central Pennsylvania Maine/Rhode Island/Connecticut
July	Finger Lakes New York Vermont/New Hampshire
August	New Jersey/Eastern New York Central New York
September	Central New York Southeast Pennsylvania
October	Western New York Southeast Pennsylvania
November	Southeast Pennsylvania Eastern New York

**Northeast Order Uniform Price, Actual and Forecasted, January 2004–June 2005**



## Top Northeast Counties Based on Milk Receipts

In 2004, the top ten counties in terms of milk pooled on the Northeast Order accounted for 30.5 percent of all milk pooled during the year; this was unchanged from 2003. It should be noted that pooled milk receipts do not necessarily account for all milk produced in any given county. Milk shipped to other federal orders, state orders, or unregulated areas is not included in these figures.

Changes in rank occurred within the top ten contributing states during 2004. The accompanying table shows the top ten ranked counties for 2004 and their respective ranks in 2003. Lancaster County, PA, remained in the number one spot with over 2 billion pounds pooled. The second (Franklin County, PA) and third (Franklin County, VT) ranked counties also were unchanged from 2003.

Cayuga County, NY, moved up to fourth place in 2004; it ranked fifth in 2003. St. Lawrence County, NY, jumped from seventh in 2003 to fifth in 2004. Addison County, VT, dropped to sixth place in 2004 from fourth in 2003. Wyoming County, NY, went from sixth in 2003 to seventh in 2004; Jefferson County, NY, remained in the eighth position; and Lebanon County, PA, moved up to the ninth spot in 2004 from the tenth the previous year. The newcomer was Oneida County, NY, which ranked tenth in 2004, up from number twelve in 2003.

It should be noted that the change in rankings is likely due to a significant amount of depooling that occurred during April, May, and June of 2004. During those months, handlers chose to not pool milk on the Northeast Order due to disadvantageous price relationships. Counties such as Lancaster, Franklin, and Lebanon in Pennsylvania and Cayuga in New York were not affected by the depooling. Most

### Top Contributing Counties, Northeast Order, 2004

2004 Rank	County	State	Pounds	2003 Rank
1	Lancaster	PA	2,015.8	1
2	Franklin	PA	752.3	2
3	Franklin	VT	679.7	3
4	Cayuga	NY	599.6	5
5	St. Lawrence	NY	576.0	7
6	Addison	VT	551.4	4
7	Wyoming	NY	521.1	6
8	Jefferson	NY	492.3	8
9	Lebanon	PA	456.0	10
10	Oneida	NY	395.5	12
				<b>% of Total</b>
Top 10 Total			7,039.5	30.5
Top 20 Total			10,523.0	45.6
Top 30 Total			13,114.4	56.9
Northeast Total			23,056.0	

of the others appeared to have some decrease in milk receipts during those months that is most likely the result of depooling.

Overall, the top twenty contributing counties accounted for nearly 46 percent of the total milk pooled during the year, about the same as in 2003. The top thirty counties accounted for nearly 57 percent of all milk receipts in 2004, down slightly from the previous year. The Northeast Order received milk from 274 counties in 19 different states. ❖

## Pool Summary for All Federal Orders, January–March, 2004–2005

Federal Order		Total Producer Milk			Producer Price Differential#		Statistical Uniform Price#*	
Number	Name	2004	2005	Change**	2004	2005	2004	2005
		pounds			percent	dollars per hundredweight		
1	Northeast	5,980,336,145	5,831,187,822	(1.4)	1.70	1.65	14.36	15.95
5	Appalachian	1,589,831,082	1,659,484,563	5.5	N/A	N/A	14.85	16.66
6	Florida	782,040,984	834,197,367	7.9	N/A	N/A	15.83	18.11
7	Southeast	1,938,058,418	1,936,366,372	1.0	N/A	N/A	14.62	16.53
30	Upper Midwest	4,828,475,637	5,029,387,236	5.3	0.35	0.21	13.01	14.51
32	Central	3,150,701,258	3,306,985,600	6.1	0.53	0.42	13.20	14.73
33	Mideast	4,218,328,231	4,411,920,185	5.8	0.69	0.65	13.35	14.96
124	Pacific Northwest	1,795,727,347	1,541,114,051	(13.2)	0.43	0.15	13.10	14.45
126	Southwest	2,126,856,790	2,144,409,670	1.9	1.40	1.38	14.06	15.69
131	Arizona-Las Vegas	784,963,188	754,887,725	(2.8)	N/A	N/A	13.32	14.89
135	Western^	1,096,283,946	0	N/A	0.45	N/A	13.12	N/A
All Market Total/Average		28,291,603,026	27,449,940,591	(1.9)	0.79	0.74	13.89	15.65

# Price at designated order location.

\* Price at 3.5% butterfat.

\*\* Adjusted for leap year.

^ The Western Milk Marketing Order was terminated effective April 1, 2004; pounds for 2004 are only Jan-Mar total; Uniform Price is average for Jan-Mar 2004.

N/A = Not applicable.



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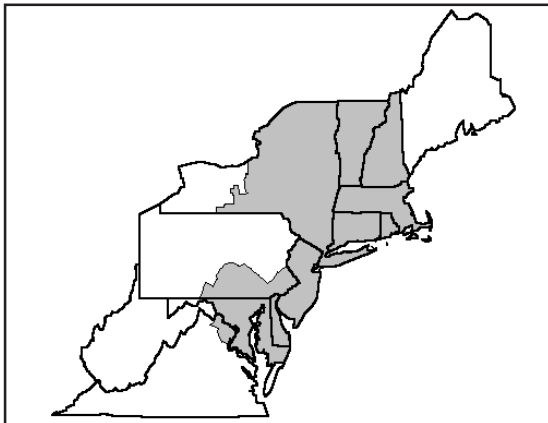
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**Computation of Producer Price Differential and Statistical Uniform Price\***

	<u>Product Pounds</u>	<u>Price per cwt./lb.</u>	<u>Component Value</u>	<u>Total Value</u>
Class I— Skim	889,152,932	\$12.84	114,167,236.47	
Butterfat	18,046,432	1.7983	32,452,898.67	
Less: Location Adjustment to Handlers			(2,796,965.11)	\$143,823,170.02
Class II— Butterfat	30,405,112	1.7349	52,749,828.81	
Nonfat Solids	34,291,172	0.8267	28,348,511.91	81,098,340.72
Class III— Butterfat	18,149,600	1.7279	31,360,693.81	
Protein	14,190,343	2.5019	35,502,819.16	
Other Solids	26,433,542	0.0951	2,513,829.83	69,377,342.80
Class IV— Butterfat	8,815,346	1.7279	15,232,036.34	
Nonfat Solids	20,948,262	0.7606	15,933,248.09	31,165,284.43
<b>Total Classified Value</b>				<b>\$325,464,137.97</b>
Add: Overage—All Classes				106,272.28
Inventory Reclassification—All Classes				210,486.01
Other Source Receipts	262,186			11,701.64
Less: Producer Component Valuations				(295,341,999.30)
<b>Subtotal</b>				<b>\$30,450,598.60</b>
Add: Location Adjustment to Producers				9,508,535.17
One-half Unobligated Balance—Producer Settlement Fund				560,202.76
<b>Total Pool Milk &amp; Aggregate Value</b>	2,023,529,283			40,519,336.53
Less: Producer Settlement Fund—Reserve				(858,102.58)
<b>Producer Price Differential @ Suffolk County, MA (Boston)</b>		<b>\$1.96</b>		39,661,233.95
<b>Statistical Uniform Price @ Suffolk County, MA (Boston)</b>		<b>\$16.04</b>		

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





# The Market Administrator's **BULLETIN**

## **NORTHEAST MARKETING AREA**

*Erik F. Rasmussen*, Market Administrator

**April 2005**

Federal Order No. 1

To contact the Northeast Marketing Area offices:

*Boston, MA:* phone (617) 737-7199, e-mail address: MABoston@fedmilk1.com; *Albany, NY:* phone (518) 452-4410, e-mail address: MAAAlbany@fedmilk1.com; *Alexandria, VA:* phone (703) 549-7000, e-mail address: MAAalexandria@fedmilk1.com; *website address:* www.fmmone.com

### **April Pool Price Calculation**

The April 2005 statistical uniform price (SUP) for the Northeast Marketing Area was announced at \$15.52 per hundredweight for milk delivered to plants located in Suffolk County, Massachusetts (Boston), the pricing point for the Northeast Order. The statistical uniform price is calculated at 3.5 percent butterfat, 2.99 percent protein, and 5.69 percent other solids. The April producer price differential (PPD) at Suffolk County was \$0.91 per hundredweight.

April's statistical uniform price was 52 cents per hundredweight less than the March price; the April PPD was \$1.05 below last month's. During April, butter prices decreased resulting in a lower producer butterfat price. Cheese prices increased resulting in a higher producer protein price reflected in a higher Class III price. Class II and IV prices declined slightly, but the Class I price, based on market prices in March, dropped \$1.30 per hundredweight. This tightening in the spread between the class prices resulted in a lower PPD. ❖

### **Hearing on Class I Fluid Milk Product Definition**

The U. S. Department of Agriculture will hold a national public hearing on June 20, 2005, to consider proposals seeking to amend the Class I fluid milk product definition in all Federal milk marketing orders.

The hearing was requested by Dairy Farmers of America Inc. (DFA) who asked USDA to reconsider which dairy products should be classified as Class I products. DFA contends that many fluid consumable milk products are currently classified as Class II products because of the current formulation standard. ❖

### **Limit on Producer-Handler Exemption**

On April 12, 2005, the U.S. Department of Agriculture announced a recommended decision that would amend the current provisions of the Pacific Northwest and Arizona-Las Vegas Federal milk marketing orders. The decision recommends establishing a three-million pound per month route disposition limit, which if exceeded would make a producer-handler subject to the pooling and pricing provisions of the order.

While there are specific differences in how each order defines and describes producer-handlers, all Federal milk marketing orders exempt producer-handlers from the pooling and pricing provisions of the orders. The exemption essentially means that the minimum class prices established under the order that handlers must pay for milk are not applicable to  
*(continued on page 2)*

### **Pool Summary**

- A total of 15,009 producers were pooled under the Order with an average daily delivery per producer of 4,461 pounds.
- Pooled milk receipts totaled 2.009 billion pounds, an increase of 2.6 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 42.9 percent of total milk receipts, a decrease of 1.9 percentage points from March.
- The average butterfat test of producer receipts was 3.67 percent.
- The average true protein test of producer receipts was 3.00 percent.
- The average other solids test of producer receipts was 5.70 percent.

#### **Class Utilization**

<u>Pooled Milk</u>	<u>Percent</u>	<u>Pounds</u>
Class I	42.9	860,732,954
Class II	19.6	394,273,001
Class III	21.9	439,803,357
Class IV	15.6	314,149,905
Total Pooled Milk		2,008,959,217

#### **Producer Component Prices**

	<u>2005</u>	<u>2004</u>
	\$/lb	
Protein Price	2.7055	3.4465
Butterfat Price	1.6964	2.5013
Other Solids Price	0.1020	0.1042

#### **Class Price Factors**

	<u>2005</u>	<u>2004</u>
	\$/cwt	
Class I	17.38	16.89
Class II	13.24	15.21
Class III	14.61	19.66
Class IV	12.61	14.57

## Manufactured Dairy Products—2004 Summary

USDA's National Agricultural Statistics Service recently released their *Dairy Products 2004 Summary*. This publication summarizes dairy products manufactured in the United States. The accompanying table shows total production and annual change for selected products.

### Cheese Production

Total cheese production (excluding cottage cheese) grew 3.4 percent from 2003. American cheese production increased 3.0 percent and Italian rose 3.6 percent. Swiss production increased 5.9 percent, cream and Neufchatel rose 3.0 percent, and other types (Muenster, brick, limburger, blue, Hispanic, among others) grew 5.4 percent. All percentages have been adjusted for leap year.

American production accounted for 42.1 percent of all cheese, down from 42.3 percent in 2003. Cheddar cheese grew 2.0 percent from 2003 and accounted for 73.9 percent of all American production. This was down from 74.6 percent of all American in 2003. Other American, which includes colby, Monterey, and Jack cheeses, increased 5.7 percent in 2004. Italian cheese accounted for 41.2 percent of total cheese, unchanged from 2003. Mozzarella increased 3.6 percent and accounted for 79.7 percent of all Italian cheese made. Hispanic cheeses increased 6.2 percent, following an increase of 7.4 percent in 2003, and accounted for 1.6 percent of all cheese manufactured in 2004.

### Other Products

Butter production rose a slight 0.3 percent in 2004, following a decrease of 8.3 percent in 2003. Yogurt (plain and fruit flavored) jumped 7.8 percent. Frozen yogurt production declined 4.1 percent while ice cream dropped 5.2 percent. Nonfat dry milk (NFD) production decreased 11.7 percent in 2004. The production of canned evaporated and condensed whole milk dropped 8.5 percent and bulk unsweetened skim condensed decreased 1.9 percent.

### Leading States

Wisconsin maintained its lead as the number one cheese producing state, followed by California, Idaho, and New York. It is the leader in both American and Italian cheese

### Selected U.S. Manufactured Dairy Products, 2003–2004

	2003	2004	Yr-to-Yr Change
	million pounds		percent
<b>Cheese</b>			
American <sup>^</sup>	3,622	3,739	3.0
Italian	3,524	3,660	3.6
Cream & Neufchatel	677	699	3.0
Other*	735	778	5.6
<b>Total Cheese#</b>	<b>8,557</b>	<b>8,876</b>	<b>3.4</b>
Butter	1,242	1,250	0.3
NFDM	1,589	1,406	(11.7)
Condensed Skim**	919	904	(1.9)
Yogurt	2,507	2,709	7.8
Ice Cream	993	944	(5.2)

<sup>^</sup> Includes Cheddar, Colby, Monterey, and Jack.

\* Includes Swiss, Muenster, brick, limburger, blue, Hispanic, and other varieties.

# Excludes cottage cheese.

\*\* Unsweetened.

production; California ranked second in both of these products and first in mozzarella, butter, yogurt, ice cream, and NFD. New York ranked second in yogurt production, third in Italian cheese, fourth in butter, and number one in both lowfat and creamed cottage cheese. Pennsylvania ranked third in butter and fourth in Italian.

Wisconsin still had the largest number of manufacturing plants (199), followed by New York (118), and California (114). Overall, the number of plants declined 2.1 percent during 2004. ❖

## Producer-Handler Exemption *(continued from page 1)*

producer-handlers and producer-handlers receive no minimum price protection for surplus milk disposed of within an order's marketing area. Producer-handlers enjoy keeping the entire value of their milk production disposed of as fluid milk products in the marketing area to themselves and do not share this value with other dairy farmers whose milk is pooled on the order. However, producer-handlers are subject to strict definitions and limitations in their business practices. The order limits the ability of producer-handlers to buy or acquire milk that may be needed from dairy farmers or other handlers. Additionally, producer-handlers bear the entire burden of producing, processing, and balancing their own milk production. Milk production in excess of what is needed to satisfy their Class I route

disposition needs will receive whatever price they are able to obtain.

It is the exemption from the pooling and pricing provisions of the Pacific Northwest and Arizona-Las Vegas orders that is the central issue of this proceeding. While producer-handlers are exempt from the pooling and pricing provisions, they are "regulated" to the extent that producer-handlers submit reports to the Market Administrator who monitors producer-handler operations to ensure that such entities are in compliance with the conditions for such regulatory status.

While the Northeast Order has over 40 producer-handlers or exempt plants, none are of the size or scale as some of the producer-handler operations in the other orders. ❖

## Annual Bulletin Available

The 2004 *Annual Statistical Bulletin* for the Northeast Milk Marketing Area is now available. The report, numbering 54 pages, can be found on our website at [www.fmmone.com](http://www.fmmone.com). Copies may be requested free of charge by contacting the Albany office at (518) 452-4410 or E-mail: [MAAlbany@fedmilk1.com](mailto:MAAlbany@fedmilk1.com). ❖

## Dairy Promotion Seeks Nominations

The USDA is seeking nominations for the National Dairy Promotion and Research Board. Twelve individuals will be appointed to serve 3-year terms beginning November 1, 2005. Locally, Region 11 (Delaware, Maryland, New Jersey, and Pennsylvania); Region 12 (New York); and Region 13 (Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, and Vermont) all have openings.

For nominating forms and procedures, contact the Promotion and Research Branch, Dairy Programs, AMS, USDA, Room 2958-S, Stop 0233, 1400 Independence Ave., SW, Washington, DC 20250-0233; telephone (202) 720-6909; or E-mail at [michael.johnson2@usda.gov](mailto:michael.johnson2@usda.gov). Nominations must be submitted by May 31, 2005. ❖

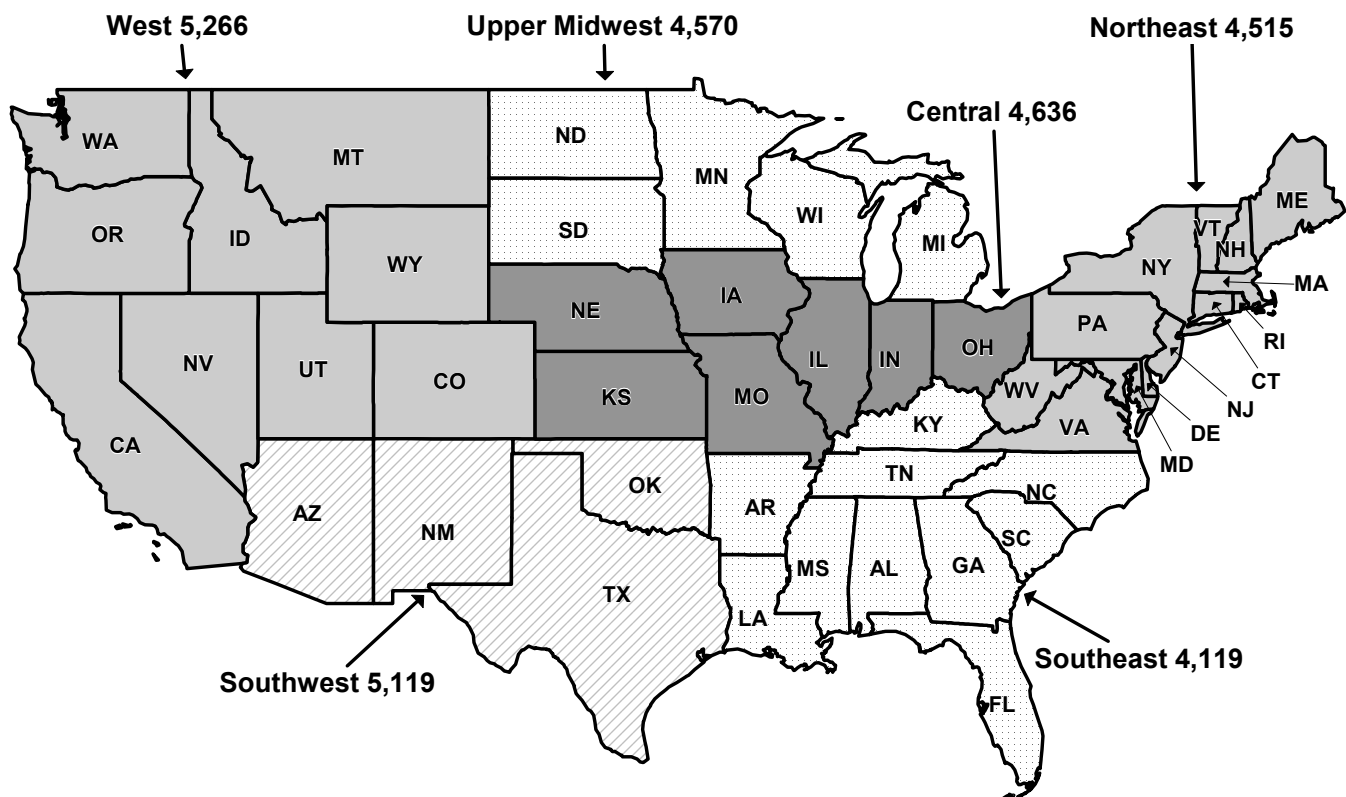
## Milk Per Cow Comparison

For the first 3 months of 2005, milk production per cow (MPC) averaged 4,807 pounds nationwide. Around the country, production per cow varies widely. The accompanying map shows average MPC by region for the first quarter of 2005.

The West, which includes such states as California, Idaho, Oregon, and Washington, had the highest average MPC at 5,266 pounds, followed by the Southwestern states (Arizona, New Mexico, and Texas). The Southeast, which is largely a milk deficit region, had the lowest average MPC during the period with 4,119 pounds. The Northeast, which includes New York, Pennsylvania, New England, and the North Atlantic states, had the second lowest MPC during the quarter.

Individually, New York's MPC was 4,548 pounds; Pennsylvania had 4,563 pounds; and Vermont averaged 4,580 pounds. Arizona had the highest MPC for the quarter with 5,884 pounds, followed by Washington with 5,814 pounds and Colorado with 5,510 pounds. The top 23 milk-producing states averaged 4,864 pounds for the 3-month period. ❖

**Average Milk Production Per Cow, by Selected Regions, January–March 2005**



Source: National Agricultural Statistics Service's *Milk Production*.



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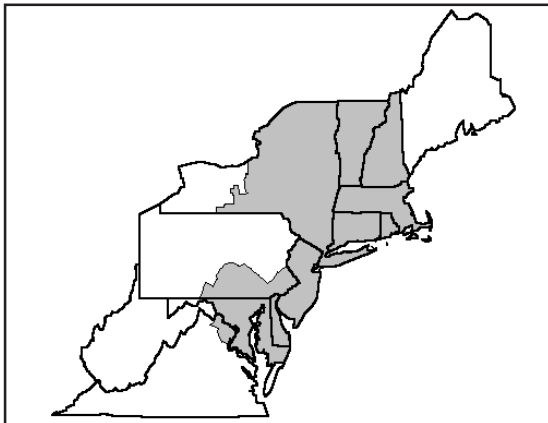
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**Computation of Producer Price Differential and Statistical Uniform Price\***

	<u>Product Pounds</u>	<u>Price per cwt./lb.</u>	<u>Component Value</u>	<u>Total Value</u>
Class I— Skim	843,747,598	\$11.60	97,874,721.37	
Butterfat	16,985,356	1.7684	30,036,903.55	
Less: Location Adjustment to Handlers			(2,642,825.71)	\$125,268,799.19
Class II— Butterfat	28,077,040	1.7034	47,826,429.94	
Nonfat Solids	32,986,735	0.8378	27,636,286.61	75,462,716.55
Class III— Butterfat	17,434,049	1.6964	29,575,120.71	
Protein	13,164,183	2.7055	35,615,697.10	
Other Solids	24,937,175	0.1020	2,543,591.86	67,734,409.67
Class IV— Butterfat	11,326,392	1.6964	19,214,091.38	
Nonfat Solids	27,310,760	0.7678	20,969,201.50	40,183,292.88
<b>Total Classified Value</b>				<b>\$308,649,218.29</b>
Add: Overage—All Classes				60,161.86
Inventory Reclassification—All Classes				122,909.24
Other Source Receipts	97,129			2,144.55
Less: Producer Component Valuations				(299,994,790.48)
<b>Subtotal</b>				<b>\$8,839,643.46</b>
Add: Location Adjustment to Producers				9,473,810.02
One-half Unobligated Balance—Producer Settlement Fund				853,364.06
<b>Total Pool Milk &amp; Aggregate Value</b>	2,009,056,346			19,166,817.54
Less: Producer Settlement Fund—Reserve				(884,404.89)
<b>Producer Price Differential @ Suffolk County, MA (Boston)</b>		<b>\$0.91</b>		18,282,412.65
<b>Statistical Uniform Price @ Suffolk County, MA (Boston)</b>		<b>\$15.52</b>		

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





# The Market Administrator's **BULLETIN**

## **NORTHEAST MARKETING AREA**

*Erik F. Rasmussen*, Market Administrator

**May 2005**

Federal Order No. 1

To contact the Northeast Marketing Area offices:

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### **May Pool Price Calculation**

The May 2005 statistical uniform price (SUP) for the Northeast Marketing Area was announced at \$15.35 per hundredweight for milk delivered to plants located in Suffolk County, Massachusetts (Boston), the pricing point for the Northeast Order. The statistical uniform price is calculated at 3.5 percent butterfat, 2.99 percent protein, and 5.69 percent other solids. The May producer price differential (PPD) at Suffolk County was \$1.58 per hundredweight.

May's statistical uniform price was 17 cents per hundredweight less than the April price; the May PPD was 67 cents above last month's. During May, butter and cheese prices decreased resulting in lower producer butterfat and protein prices. All class prices declined except for Class I, which is announced on an advanced basis using the higher market prices in place during April. The spread in prices between Class I and the other classes, most notably Class III, widened resulting in a higher PPD.

The producer protein test averaged 3.00 percent, the highest for May since the Order's inception. ❖

### **Amendments to Order Take Effect in June**

The amendments to the Northeast Marketing Order, approved by dairy farmers in a producer referendum conducted in February 2005, become effective with milk produced and pooled on the Northeast Order during June. Two of the more noticeable changes to the Order are as follows: For handlers, the implementation of year-round performance standards. This means that supply plants and cooperatives operating as handlers will now be required to ship a minimum percentage of their receipts to pool distributing (bottling) plants in all months. The prior order language required minimum shipments only during the shorter milk production period of July through December once they were qualified.

Another change that will take place is the revision of certain pool reporting and payment date provisions. The date that handlers must submit their monthly pool reports will be moved from the 9<sup>th</sup> of the month to the 10<sup>th</sup> of the month to allow more time for handlers to complete and submit their report of milk receipts and utilization. For some months this change could result in a slight delay in the calculation and completion of the monthly statistical uniform price. In addition, the date that non-cooperative producers must receive their final payment will no longer be a fixed date, but will be dependent upon the date that the statistical  
*(continued on page 3)*

### **Pool Summary**

- A total of 15,073 producers were pooled under the Order with an average daily delivery per producer of 4,584 pounds.
- Pooled milk receipts totaled 2.142 billion pounds, an increase of 3.2 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 42.1 percent of total milk receipts, a decrease of 0.8 percentage points from April.
- The average butterfat test of producer receipts was 3.62 percent.
- The average true protein test of producer receipts was 3.00 percent.
- The average other solids test of producer receipts was 5.72 percent. ❖

#### **Class Utilization**

<u>Pooled Milk</u>	<u>Percent</u>	<u>Pounds</u>
Class I	42.1	900,998,027
Class II	19.0	406,723,799
Class III	22.4	480,512,542
Class IV	16.5	353,690,410
Total Pooled Milk		2,141,924,778

#### **Producer Component Prices**

	<u>2005</u>	<u>2004</u>
	<u>\$/lb</u>	
Protein Price	2.5965	3.7639
Butterfat Price	1.5475	2.4282
Other Solids Price	0.1043	0.1444

#### **Class Price Factors**

	<u>2005</u>	<u>2004</u>
	<u>\$/cwt</u>	
Class I	18.05	22.90
Class II	12.78	15.03
Class III	13.77	20.58
Class IV	12.20	14.50

## Return of MILC Payments

June 2005 will see the first Milk Income Loss Contract (MILC) payment since April 2004. June's MILC payment will be \$0.03 per hundredweight. The Class I price in Boston, MA, has averaged \$19.06 from May 2004 through May 2005. Prior to that time, from the inception of the MILC program in December 2001 through April 2004, the Class I price averaged \$14.62.

Based on Chicago Mercantile Exchange futures prices as of June 10, the reappearance of MILC payments will be a one-month occurrence and are not predicted to return again until December 2005 (see attached table), assuming the program is extended. The MILC program is scheduled to expire September 2005; however, the President's budget extends the program through fiscal year 2007 with a 5 percent reduction in payments. According to these same futures prices, December's MILC payment is forecast to be \$0.06 per hundredweight.

The latest *Milk Production* report from the National Agricultural Statistics Service shows about a 3 percent increase in production in the top 23 producing states for March and April over last year. If this trend continues, it could put downward pressure on prices. However, milk production may have peaked seasonally, and commercial disappearance of dairy products is running strong with disappearance during the first quarter of 2005 above last year.

## Class I Sales Decline Slightly in 2004

Sales of fluid milk products in the Northeast Milk Marketing Area totaled 9.2 billion pounds in 2004, down 47.6 million pounds from 2003. When adjusted for leap year, the decline is 0.8 percent. This follows a decline of 1.3 percent in 2003. The accompanying table shows total in-area sales by type of product for 2003 and 2004. The chart shows per capita sales by product for 2004.

Whole milk had the largest drop with 3.2 percent. The other categories facing declines included lowfat (1 percent), fatfree (skim), and the combined category of buttermilk and

Product	Total In-area Sales		2003–04 change* percent
	2003 million pounds	2004 million pounds	
Whole Milk	3,680.7	3,572.6	(3.2)
Reduced Fat – 2%	1,994.3	2,009.0	0.5
Lowfat – 1%	1,563.6	1,562.5	(0.3)
FatFree	1,400.1	1,402.4	(0.1)
Flavored Milk and Drinks	559.4	604.4	7.7
Buttermilk/Eggnog	57.6	57.3	(0.8)
<b>Total</b>	<b>9,255.6</b>	<b>9,208.0</b>	<b>(0.8)</b>

\* Adjusted for leap year.

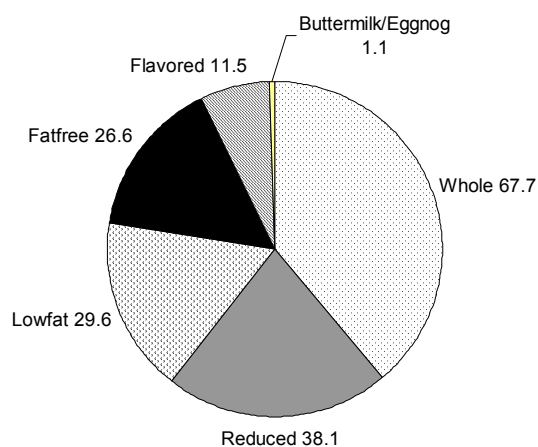
## Actual and Predicted Class Prices and MILC Payments, 2005

	Class I	Class II	Class III	Class IV	MILC
January	19.90	13.04	14.14	12.52	\$0.00
February	17.04	13.36	14.70	12.74	\$0.00
March	18.68	13.25	14.08	12.66	\$0.00
April	17.38	13.24	14.61	12.61	\$0.00
May	18.05	12.78	13.77	12.20	\$0.00
June	16.87	13.38	13.87	12.69	\$0.03
July	17.22	13.45	13.85	12.74	\$0.00
August	17.06	13.79	14.35	13.05	\$0.00
September	17.47	13.96	14.48	13.10	\$0.00
October	17.73	13.97	13.88	13.10	\$0.00
November	17.13	14.00	13.50	13.05	\$0.00
December	16.80	13.72	13.28	13.00	\$0.06

Note: Figures in italics based on June 10, 2005, Chicago Mercantile Exchange futures market prices.

Even though the current price outlook results in just 2 months with MILC payments during the final 7 months of the year, the average Class I price is predicted to be \$17.24 for the last 6 months, just \$0.30 above the \$16.94 threshold price for the program. It would only take small changes in the supply and demand situation to change the outlook for the number of MILC payments that may be made through the remainder of the year. ❖

## Northeast Area Per Capita Sales (pounds) by Product, 2004



eggnog. Flavored milk jumped 7.7 percent in 2004, and reduced fat (2 percent) increased a slight 0.5 percent.

On a per capital basis, total fluid sales declined 1.2 percent in 2004. This is less than the 2.6 percent drop in 2003. Whole continues to be the dominant product with 67.7 pounds, down from 70.2 pounds in 2003. Reduced fat was up 0.1 pound, lowfat decline 0.2 pounds, and fatfree dropped (continued on page 3)

## Changes in Utilization

For the first 4 months of 2005, cumulative producer milk receipts totaled 7.84 billion pounds, a leap-year-adjusted increase of 1.1 percent from the same period in 2004. The breakdown of milk by class has changed considerably from the previous year. The accompanying table shows total volume and percent utilization by class for the January–April period and the 2004 annual averages.

The volume of milk utilized in Class I declined 1.3 percent for the January through April period. Class II usage increased 3.6 percent while the Class III volume declined 11.9 percent due in part to the closure of cheese manufacturing facilities. Effective in May 2004, the Northeast Order was amended whereby milk used to produce evaporated milk or sweetened condensed milk was changed from Class III to Class IV. As such, the volume of milk classified as Class IV has increased significantly—44.5 percent—for the period.

However, the increase was not due entirely to the change in condensed classification. In addition, the amount of milk used to produce other Class IV products such as butter and dried milk products in the Order has increased significantly as the market prices for these products were favorable, and milk volumes have been more plentiful.

As shown in the table, even with large volume changes the utilization percentages do not change drastically. The Northeast Order has steadily maintained a fairly well balanced class utilization since its inception in January 2000. This is due to a combination of factors. The Northeast

Milk Marketing Area covers a large geographical area and encompasses numerous metropolitan centers (see related article on Class I Sales). This results in a fairly large and consistent volume of milk needed for fluid consumption.

Also, the area includes many manufacturing operations that produce a wide variety of products, which allows for balancing of milk throughout the year as supply and demand vary.

Some of the other Federal Milk Marketing Orders are not as diversified. The Florida and Southeast Orders, for example, are largely based on Class I usage, and the Upper Midwest Order has a high concentration of Class III usage. In these orders, large commodity price swings tend to have a very pronounced effect on producer prices. For example, when the cheese price rose significantly last spring resulting in a Class III price that was higher than the Class I price, some handlers

chose to depool manufacturing milk. In the Northeast Order, the amount depooled was approximately 226 million pounds during April 2004. This had a negative impact on the price, but due to the size of the Northeast Order pool, the effect was mitigated. In the Upper Midwest Order, about 1.6 billion pounds of milk was depooled during April. This had a much greater impact due to the fact that the Upper Midwest Order pool is normally about 2 billion pounds. As a result, Class I utilization in that order went from 17.8 percent in January to 62.8 percent in April. In the Northeast Order, Class I utilization was 47.4 percent in January and 48.5 percent in April. ❖

**Northeast Order Producer Milk Receipts, by Volume and Class, January–April 2004–05, and Annual Average Class Utilization**

	January–April		2004–05
	2004	2005	change*
	million pounds		percent
Class I	3,595.6	3,520.5	(1.3)
Class II	1,490.0	1,530.2	3.6
Class III	2,022.0	1,767.2	(11.9)
Class IV	713.5	1,022.3	44.5
Total	7,821.1	7,840.1	1.1
	2004	2005	5 Year Avg
	percent utilization		
Class I	46.0	44.9	44.2
Class II	19.1	19.5	17.9
Class III	25.9	22.5	28.5
Class IV	9.1	13.0	9.3

\* Adjusted for leap year.

## Class I Sales *(continued from page 2)*

0.1 pound. Flavored milk increased 0.8 pounds, and combined buttermilk and eggnog were unchanged.

The Northeast Marketing Area includes the entire states of Connecticut, Delaware, Massachusetts, New Hampshire, New Jersey, Rhode Island, and Vermont; the District of Columbia; most of Maryland and New York; and portions of Pennsylvania and Virginia. This area includes many metropolitan centers such as New York City, Boston, Philadelphia, Baltimore, and Washington, DC. The total estimated population for 2004 in the marketing area was 52.6 million people based on the 2000 Census. ❖

## Amendments to Order *(continued from page 1)*

uniform price is announced. To alert producers of the applicable final payment date, the back page of the statistical uniform price announcement (mailed to all non-member producers and also accessible at [www.fmmone.com](http://www.fmmone.com)) will report the final payment date to producers for the particular month. There is no change in the required partial payment date for milk produced during the first 15 days of the month.

For additional information regarding the Order changes, refer to the March 2005 *Bulletin* or visit the Northeast Order Final Decision link at the following web address: [http://www.ams.usda.gov/dairy/ne\\_hear.htm](http://www.ams.usda.gov/dairy/ne_hear.htm) ❖



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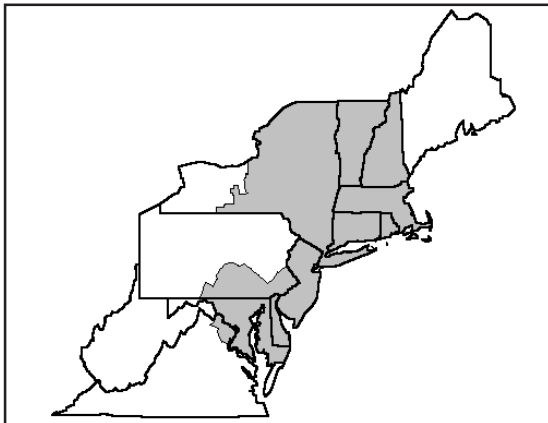
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**Computation of Producer Price Differential and Statistical Uniform Price\***

	<u>Product Pounds</u>	<u>Price per cwt./lb.</u>	<u>Component Value</u>	<u>Total Value</u>
Class I— Skim	883,290,401	\$12.39	109,439,680.68	
Butterfat	17,707,626	1.7417	30,841,372.20	
Less: Location Adjustment to Handlers			(2,821,955.15)	\$137,459,097.72
Class II— Butterfat	30,665,792	1.5545	47,669,973.70	
Nonfat Solids	33,997,056	0.8456	28,747,910.60	76,417,884.30
Class III— Butterfat	18,184,924	1.5475	28,141,169.94	
Protein	14,403,413	2.5965	37,398,461.87	
Other Solids	27,390,723	0.1043	2,856,852.46	68,396,484.27
Class IV— Butterfat	10,896,202	1.5475	16,861,872.68	
Nonfat Solids	31,013,749	0.7810	24,221,737.97	41,083,610.65
<b>Total Classified Value</b>				<b>\$323,357,076.94</b>
Add: Overage—All Classes				33,792.66
Inventory Reclassification—All Classes				(70,649.85)
Other Source Receipts	44,884			1,611.24
Less: Producer Component Valuations				(299,473,823.86)
<b>Subtotal</b>				<b>\$23,848,007.13</b>
Add: Location Adjustment to Producers				10,099,358.62
One-half Unobligated Balance—Producer Settlement Fund				843,862.33
<b>Total Pool Milk &amp; Aggregate Value</b>	2,141,969,662			34,791,228.08
Less: Producer Settlement Fund—Reserve				(948,107.31)
<b>Producer Price Differential @ Suffolk County, MA (Boston)</b>		<b>\$1.58</b>		33,843,120.77
<b>Statistical Uniform Price @ Suffolk County, MA (Boston)</b>		<b>\$15.35</b>		

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





# The Market Administrator's **BULLETIN**

## **NORTHEAST MARKETING AREA**

*Erik F. Rasmussen*, Market Administrator

**June 2005**

Federal Order No. 1

To contact the Northeast Marketing Area offices:

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### **June Pool Price Calculation**

The June 2005 statistical uniform price (SUP) for the Northeast Marketing Area was announced at \$15.23 per hundredweight for milk delivered to plants located in Suffolk County, Massachusetts (Boston), the pricing point for the Northeast Order. The statistical uniform price is calculated at 3.5 percent butterfat, 2.99 percent protein, and 5.69 percent other solids. The June producer price differential (PPD) at Suffolk County was \$1.31 per hundredweight.

June's statistical uniform price was 12 cents per hundredweight less than the May price; the June PPD was 27 cents less than last month's. During June, butter prices rose at a greater rate than did cheese prices. This resulted in a higher butterfat price, but lower protein prices because the butterfat price is a component in the protein price. Overall, all class prices increased except for Class I, which is announced on an advanced basis. The Class I price is based on lower May commodity prices that dipped during the first and second week, especially for butter. The tightening in the spread in prices between Class I and the other classes resulted in a lower PPD.

The producer butterfat test averaged 3.55 percent, the lowest since June 2004; the producer protein test averaged 2.93 percent, the lowest test since August 2003. ❖

### **Low Volatility; High Prices?**

When discussing milk prices, many in the industry use such terms as volatile or unstable. Since the Northeast Order's inception, blend prices have ranged from \$11.43 per hundredweight in March 2003 to \$19.84 per hundredweight in May 2004, a difference of \$8.41 per hundredweight (see chart on page 3). During 2000, blend prices were in a relatively tight range (\$1.51), but on the low side, between \$12.21 and \$13.72 per hundredweight. In 2001, blend prices ranged from \$13.62 to \$17.76 per hundredweight (over \$4.00) and averaged \$15.67 per hundredweight for the year. During the next 2 years prices were not as volatile, but also they were not as high. In 2004, blend prices ranged over \$6.00 per hundredweight and averaged a record high.

For the past 16 months, blend prices have been consistently above \$15.00 per hundredweight averaging \$16.52 per hundredweight with a range of \$4.61. From April 2002 through July 2003, blend prices were consistently below \$13.00 per hundredweight. During that 16-month period, prices averaged \$12.12 per hundredweight but ranged only \$1.51. (continued on page 3)

### **Pool Summary**

- A total of 14,923 producers were pooled under the Order with an average daily delivery per producer of 4,461 pounds.
- Pooled milk receipts totaled 1.997 billion pounds, a decrease of 3.7 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 41.4 percent of total milk receipts, a decrease of 0.7 percentage points from May.
- The average butterfat test of producer receipts was 3.55 percent.
- The average true protein test of producer receipts was 2.93 percent.
- The average other solids test of producer receipts was 5.70 percent. ❖

#### **Class Utilization**

<u>Pooled Milk</u>	<u>Percent</u>	<u>Pounds</u>
Class I	41.4	827,425,660
Class II	21.1	420,391,250
Class III	22.7	454,018,115
Class IV	14.8	<u>295,263,285</u>
Total Pooled Milk		1,997,098,310

#### **Producer Component Prices**

	<u>2005</u>	<u>2004</u>
	\$/lb	
Protein Price	2.5741	3.1086
Butterfat Price	1.5932	2.1768
Other Solids Price	0.1139	0.1339

#### **Class Price Factors**

	<u>2005</u>	<u>2004</u>
	\$/cwt	
Class I	16.87	24.38
Class II	13.06	14.31
Class III	13.92	17.68
Class IV	12.33	13.72

## Utilization Changes Impact on Price

In the Northeast marketing area, the uniform price is impacted by the overall utilization of all milk pooled on Order No. 1. Reaction to class prices can impact the volume of milk used in each class. However, a region's ability to produce products in various classes of milk can be influenced by the total manufacturing capacity that region has for producing products in those classes. This leads to the question of how recent plant closings, or plans for future plant closing or new plants, may affect the Order's utilization and, thus, the uniform price paid to the producer.

### Comparing Utilizations

During the first 6 months of 2005, Class I milk accounted for roughly 43.8 percent of pooled milk. Class III accounted for the second highest portion at 22.5 percent with Class II slightly lower at 19.7 percent. Class IV accounted for 14 percent. Six-month utilizations are represented by the accompanying pie charts. Though the portions have varied from year-to-year, the ranking of highest use class to lowest use class for the same period has not changed since the Northeast Order's inception in 2000. June 2005's market prices and the utilization for the first 6 months of 2005 generates a uniform price of \$15.33 per hundredweight.

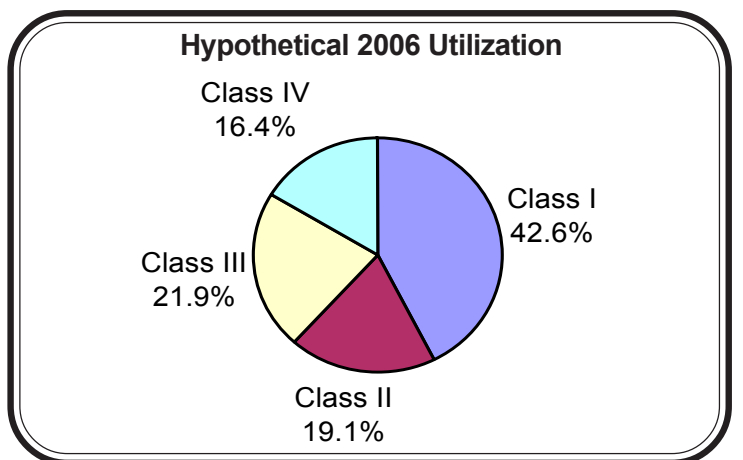
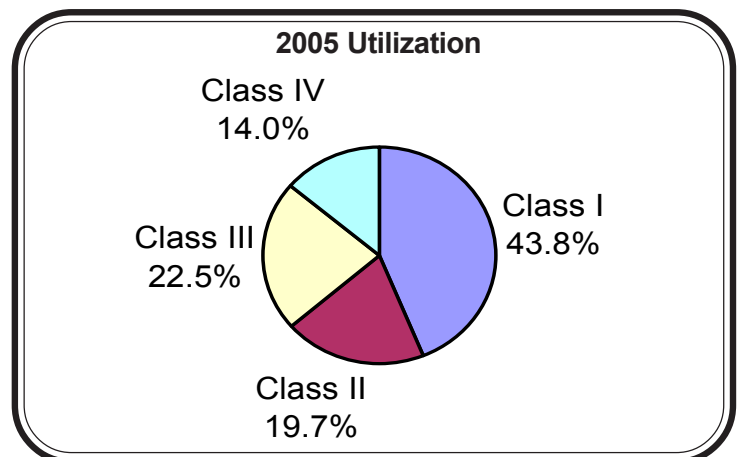
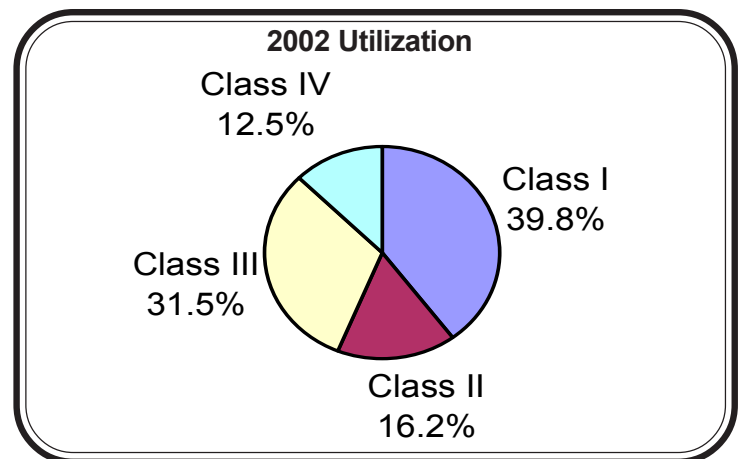
For comparison, using June 2005's market prices, but with the utilization for the first 6 months of 2002 instead, would yield a uniform price of \$15.27 per hundredweight. Holding the market price structure constant highlights the impact a change in utilization has on the uniform price, in this case, a \$0.06 difference. In 2002, milk pooled for the first 6 months topped 13 billion pounds. When the Class I market could not consume more, the extra milk went to manufacturing. In fact, 31.5 percent went to Class III, 16.2 percent went to Class II, and 12.5 percent went to Class IV. During the same period in 2005, just 12.0 billion pounds were pooled.

### Plant Closings' Impact

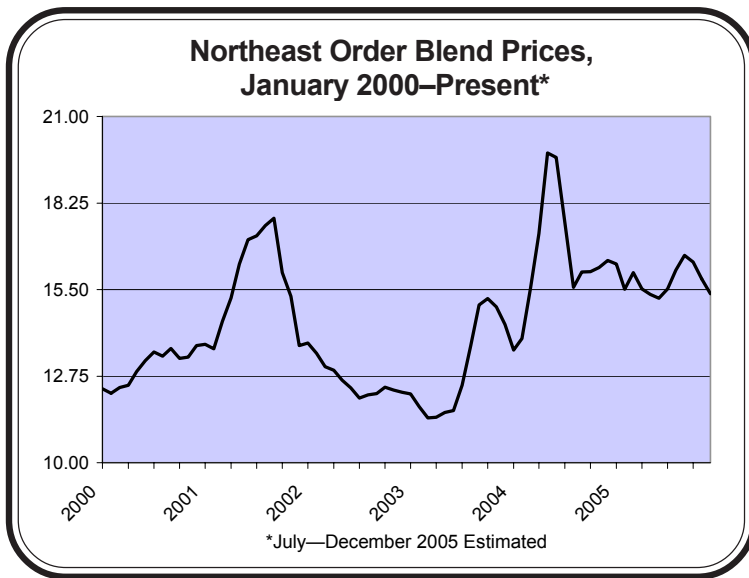
Recently, the region has experienced plant closings that in total used to receive approximately 500 million pounds of milk during the first half of the year. In light of reduced regional manufacturing capacity, what would the resulting uniform price be if the pool in 2006 were closer to the average volume pooled since 2000? By taking the average volume during the first half of the year, a hypothetical 2006 pool for the first 6 months would have totaled 12.3 billion pounds. If this volume is spread across classes exactly as it was in 2005, with the exception that all the additional milk end up in Class IV, the resulting utilization would have been 42.6 percent Class I, 19.1 percent Class II, 21.9 percent Class III, and 16.4 percent Class IV. The resulting uniform price would be \$15.26 per hundredweight. This would mean a \$0.07 per hundredweight lower uniform price as a result of the lack of ability to put extra milk production in classes other than Class IV (assuming identical market prices).

This analysis indicates that the current uniform price has not been severely affected by recent plant closings and

utilization changes given current pooling volumes. The impact could be lower or higher if the spread between class prices were different. The impact becomes more significant if pool volumes were to return to 2002 levels. However, with other opportunities to market the milk outside of the Northeast, it is unclear if and when the Northeast Order pool could reach that level again. There are possible plans to build new plants that would produce Class II and Class III products that could help compensate for the recent lost regional capacity. ❖



## Low Volatility; High Prices? *(continued from page 1)*



During this time, volatility was greater while prices were higher. Understandably, stable prices help in managing any operation, whether at the farm or retail level. Blend prices are not as high as last year, but when compared to blend prices during the 1990's for the combined predecessor orders (New York-New Jersey, Middle Atlantic, and New England), volatility has been the consistent factor. Even after changes in pricing formulas and product classifications, monthly changes have not significantly been muted and, as the table shows, ranges vary greatly each year.

Using milk futures prices reported on the Chicago Mercantile Exchange (CME), blend prices are projected to

remain in the \$15.37 to \$16.59 range for the remainder of 2005. This would result in an average blend price of \$15.82 per hundredweight for 2005, the second highest average blend price for the Northeast Order. With prices only ranging \$1.36 during the year, this would represent the least volatile period in many years, which is surprising since it coincides with higher prices. ❖

**Northeast Order Blend Prices\***

	Annual			
	Avg	Lowest	Highest	Range
	dollars per hundredweight			
1990	14.31	12.00	16.07	4.07
91	12.56	11.62	14.11	2.49
92	13.59	12.73	14.30	1.57
93	13.32	12.54	14.14	1.60
94	13.65	12.74	14.23	1.49
95	13.23	12.67	14.28	1.61
96	15.15	14.03	16.58	2.55
97	13.53	12.47	14.65	2.18
98	15.43	13.73	17.90	4.17
99	14.71	12.38	17.87	5.49
2000	13.04	12.21	13.72	1.51
01	15.67	13.62	17.76	4.14
02	12.64	12.05	13.81	1.76
03	12.99	11.43	15.21	3.78
04	16.49	13.58	19.84	6.26
05	15.82	15.23	16.59	1.36

\* Average for combined Order Nos. 1, 2, & 4 from 1990-99; actual Northeast Order price at Boston from January 2000-June 2005; Jul-Dec 2005 are estimated

### Pool Summary for All Federal Orders, January– June, 2004–2005

Federal Order Number	Federal Order Name	Total Producer Milk			Producer Price Differential#		Statistical Uniform Price#*	
		2004	2005	Change**	2004	2005	2004	2005
		pounds			percent		dollars per hundredweight	
1	Northeast	11,500,888,948	11,979,170,127	4.7	0.67	1.46	16.65	15.66
5	Appalachian	3,136,428,881	3,409,354,373	9.3	N/A	N/A	17.00	16.21
6	Florida	1,523,588,413	1,661,432,550	9.6	N/A	N/A	18.40	17.62
7	Southeast	3,763,691,525	4,001,756,054	6.9	N/A	N/A	16.83	16.11
30	Upper Midwest	8,212,841,160	9,831,050,400	20.4	(0.79)	0.19	15.20	14.39
32	Central	5,649,631,774	6,308,884,144	12.3	(0.68)	0.32	15.31	14.53
33	Mideast	7,563,007,988	9,254,007,277	23.0	(0.40)	0.53	15.58	14.73
124	Pacific Northwest	3,243,321,171	3,232,343,931	0.2	(1.07)	0.01	14.91	14.21
126	Southwest	4,210,861,415	4,545,991,198	8.6	0.09	1.18	16.07	15.39
131	Arizona-Las Vegas	1,527,371,082	1,539,825,468	1.4	N/A	N/A	15.77	14.61
135	Western <sup>^</sup>	1,096,283,946	0	N/A	0.45	N/A	13.12	N/A
<b>All Market Total/Average</b>		<b>51,427,916,303</b>	<b>55,763,815,522</b>	<b>9.0</b>	<b>(0.25)</b>	<b>0.62</b>	<b>16.13</b>	<b>15.35</b>

# Price at designated order location.

\* Price at 3.5% butterfat.

\*\* Adjusted for leap year.

<sup>^</sup> The Western Milk Marketing Order was terminated effective April 1, 2004; pounds for 2004 are only Jan-Mar total; Uniform Price is average for Jan-Mar 2004.

N/A = Not applicable.



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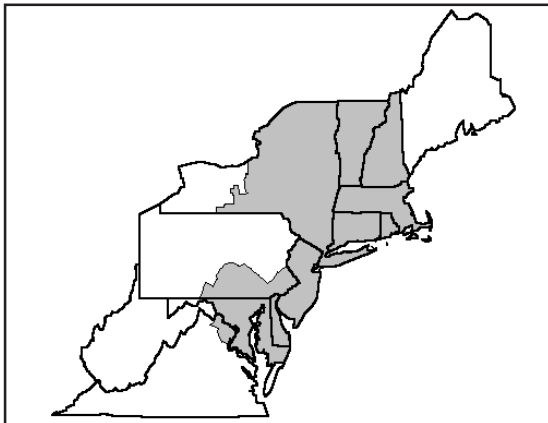
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**Computation of Producer Price Differential and Statistical Uniform Price\***

	<u>Product Pounds</u>	<u>Price per cwt./lb.</u>	<u>Component Value</u>	<u>Total Value</u>
Class I— Skim	810,966,074	\$11.83	95,937,286.55	
Butterfat	16,459,586	1.5591	25,662,140.53	
Less: Location Adjustment to Handlers			(2,543,957.39)	\$119,055,469.69
Class II— Butterfat	30,299,908	1.6002	48,485,912.81	
Nonfat Solids	34,907,004	0.8589	29,981,625.72	78,467,538.53
Class III— Butterfat	16,821,759	1.5932	26,800,426.44	
Protein	13,308,180	2.5741	34,256,586.12	
Other Solids	25,806,817	0.1139	2,939,396.49	63,996,409.05
Class IV— Butterfat	7,232,116	1.5932	11,522,207.25	
Nonfat Solids	25,827,464	0.7780	20,093,766.97	31,615,974.22
<b>Total Classified Value</b>				<b>\$293,135,391.49</b>
Add: Overage—All Classes				107,416.48
Inventory Reclassification—All Classes				213,417.96
Other Source Receipts	55,672			1,695.64
Less: Producer Component Valuations				(276,667,403.68)
<b>Subtotal</b>				<b>\$16,790,517.89</b>
Add: Location Adjustment to Producers				9,462,320.56
One-half Unobligated Balance—Producer Settlement Fund				880,056.39
<b>Total Pool Milk &amp; Aggregate Value</b>	1,997,153,982			27,132,894.84
Less: Producer Settlement Fund—Reserve				(970,177.66)
<b>Producer Price Differential @ Suffolk County, MA (Boston)</b>		<b>\$1.31</b>		26,162,717.18
<b>Statistical Uniform Price @ Suffolk County, MA (Boston)</b>		<b>\$15.23</b>		

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





# The Market Administrator's **BULLETIN**

## **NORTHEAST MARKETING AREA**

**Erik F. Rasmussen**, Market Administrator

**July 2005**

Federal Order No. 1

To contact the Northeast Marketing Area offices:

*Boston, MA:* phone (617) 737-7199, e-mail address: MABoston@fedmilk1.com; *Albany, NY:* phone (518) 452-4410, e-mail address: MAAlbany@fedmilk1.com; *Alexandria, VA:* phone (703) 549-7000, e-mail address: MAAlexandria@fedmilk1.com; *website address:* www.fmmone.com

### **July Pool Price Calculation**

The July 2005 statistical uniform price (SUP) for the Northeast Marketing Area was announced at \$15.85 per hundredweight for milk delivered to plants located in Suffolk County, Massachusetts (Boston), the pricing point for the Northeast Order. The statistical uniform price is calculated at 3.5 percent butterfat, 2.99 percent protein, and 5.69 percent other solids. The July producer price differential (PPD) at Suffolk County was \$1.50 per hundredweight.

July's statistical uniform price was 62 cents per hundredweight above the June price; the July PPD was 19 cents higher than last month's. During July, both butter and cheese prices rose resulting in a higher butterfat price, but lower protein prices because the butterfat price is a component in the protein price. Overall, all class prices increased with the Class II and IV prices rising the most from June. The producer butterfat test averaged 3.50 percent, the lowest since the Order's inception. The producer protein test averaged 2.91 percent, the lowest test since August 2003. ❖

### **Milk Production Recovers**

For the first 7 months of 2005, milk production in the United States totaled 103.9 billion pounds, an increase of 3.3 percent from the same period in 2004. During the first quarter of 2005, production grew 2.3 percent; during the second quarter it jumped 4.2 percent. In the Northeast, the three largest contributing states to the Northeast Order (New York, Pennsylvania, and Vermont) had a combined increase of 3.8 percent for the January-July period. For the first quarter, these states increased a combined 2.5 percent; their production grew 4.8 percent during the second quarter. All comparisons have been adjusted for leap year.

Many of the top ten milk producing states faced production declines during 2004. Overall, the nation recorded relatively no change compared to 2003. Beginning early in 2005, the Northeast and other top producing states such as Minnesota, Wisconsin, and Texas began seeing increases in milk production. Even New Mexico's production had declined near the end of 2004, but started to bounce back early in 2005.

Milk production is not necessarily representative of milk pooled on the Order. For example, the amount of milk received on the Order from the three top contributing states increased 5.2 percent for the first 7 months of 2005 when compared to the same period in 2004. This is much higher than the combined increase in total production for these three states. The reason for the discrepancy is mainly due to the amount of milk that was *(continued on page 3)*

### **Pool Summary**

- A total of 14,933 producers were pooled under the Order with an average daily delivery per producer of 4,295 pounds.
- Pooled milk receipts totaled 1.988 billion pounds, a decrease of 3.7 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 40.9 percent of total milk receipts, a decrease of 0.5 percentage points from June.
- The average butterfat test of producer receipts was 3.50 percent.
- The average true protein test of producer receipts was 2.91 percent.
- The average other solids test of producer receipts was 5.68 percent. ❖

#### **Class Utilization**

Pooled Milk	Percent	Pounds
Class I	40.9	814,181,743
Class II	20.5	407,200,960
Class III	23.5	467,215,160
Class IV	15.1	299,470,801
Total Pooled Milk		1,988,068,664

#### **Producer Component Prices**

	2005	2004
	\$/lb	
Protein Price	2.4558	2.3625
Butterfat Price	1.8007	2.0543
Other Solids Price	0.1240	0.1048

#### **Class Price Factors**

	2005	2004
	\$/cwt	
Class I	17.14	21.20
Class II	13.79	14.00
Class III	14.35	14.85
Class IV	13.17	13.31

## "Tanker Load Per Day" Farms by State

During June 2005 (verified payroll data), there were 78 farm operations (defined as a single farm location) that marketed at least 1.5 million pounds of milk per month on the Northeast Order. This amount of milk roughly equates to a single tractor-trailer size load per day. In total these farms marketed 174 million pounds on the order in June 2005. The number of farms producing at least 1.5 million pounds a month increased by 9 since June 2004. These "large" farms represented 8.7 percent of the total milk pooled on the Northeast Order in June 2005, compared to 8.5 percent in June 2004 and 7.4 percent in June 2003.

These 78 farms represent just 0.5 percent of the 14,919 farms pooled on the Northeast Order. Roughly 81 percent of farms pooling on the Northeast marketed between 30,000 and 249,999 pounds of milk during June.

The greatest numbers of "large" farms pooled on the Order operate farms in New York. They total 56 farms totaling 127 million pounds. New York has experienced most of the growth in these size farms in the Northeast. Of the increase of 14 "large" farms since 2002, those in New York accounted for 9 of them. The number of these "large" farms pooling on the Northeast Order from outside the traditional marketing area have been zero since 2002.

The number of farms in a size category may change due to changes in production and/or changes in pooling location. Increases or decreases do not necessarily imply a new farm or a farm going out of business. During any given year, the total number of farms producing greater than 1.5 million pounds a month may change due to the number of days in a month or the seasonality of milk production. ❖

**Milk by State and Farm Size**

State/Area	Total Pooled		Farms Marketing 1.5 Million Lbs. or More On Northeast Order							
	2005		2005		2004		2003		2002	
	Number of Farms	Million Pounds	Number of Farms	Million Pounds	Number of Farms	Million Pounds	Number of Farms	Million Pounds	Number of Farms	Million Pounds
VT	1,198	223	11	22	9	17	8	15	8	14
Other New England	870	130	3	6	4	8	3	6	3	6
NY	5,626	830	56	127	50	115	55	126	47	100
PA	6,229	681	7	16	5	11	12	14	<=3	4
Other Inside Area	885	127	<=3	3	<=3	2	<=3	2	0	0
Other Outside Area	111	8	0	0	0	0	0	0	4	11
<b>Total</b>	<b>14,919</b>	<b>1,999</b>	<b>78</b>	<b>174</b>	<b>69</b>	<b>153</b>	<b>79</b>	<b>163</b>	<b>64</b>	<b>135</b>

1/ Other New England includes CT, MA, ME, NH, and RI.

2/ Other Inside Area includes DE, MD, NJ, and VA.

3/ Other Outside Area includes ID, MI, MN, ND, NV, OH, UT, WI, and WV.

## Trade at a Glance

Increasing milk production leads one to wonder where will all the milk go. U.S. exports of dairy products have been absorbing larger portions of U.S. milk production. Dairy products that are exported include cheese, whey, lactose, ice cream, infant formula, fluid milk and cream, and milk powders. Exports account for about five percent of total U.S. milk production, on a milk-equivalent basis.

U.S. exports of nonfat dry milk during the first 6 months reached 150,000 tons, compared to 61,000 tons during the same period of 2004. Mexico was the biggest destination taking 46,000 tons, almost 31 percent of that total. They were followed by the Philippines and Indonesia, with 15,000 tons each. Total U.S. dairy exports for the first half of 2005 total 437,000 tons, up from 319,000 tons during the same period the previous year.

In the last five years, exports have increased by 560 million pounds of milk solids, while U.S. milk

production has expanded by only 1.087 billion pounds of milk solids. That means more than half of the incremental supply growth in the U.S. dairy industry over the last five years has been sold into overseas markets.

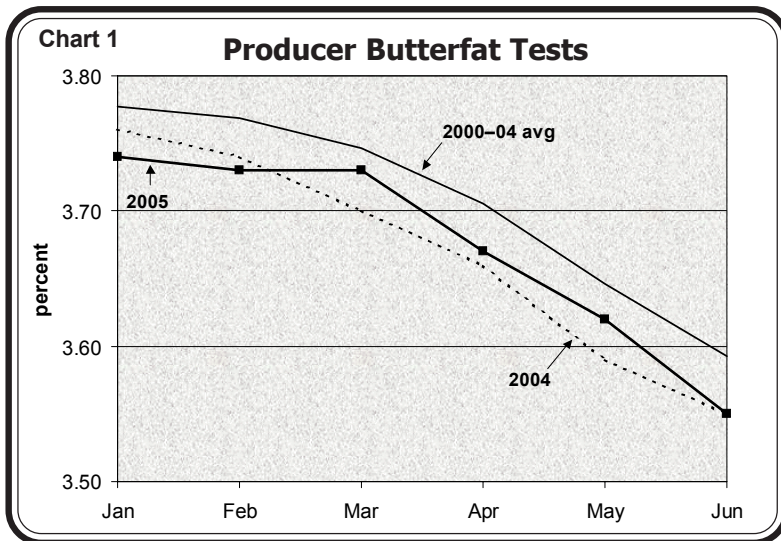
### CAFTA

The signing of the Central American and Dominican Republic Free Trade Agreement (CAFTA-DR) will benefit U.S. dairy exports. According to the U.S. Dairy Export Council, the Caribbean tourism industry, with its restaurants, hotels, and cruise ships, has created upward demand for U.S. dairy products, particularly ice cream and cheese in the region. U.S. cheese exports to the Bahamas, Trinidad & Tobago, and Jamaica have increased 37 percent, 42 percent, and 8 percent, respectively. Ice cream exports to the Bahamas, Trinidad & Tobago, and the Dominican Republic increased 45 percent, 180 percent, and 152 percent, respectively. ❖

## Component Tests Compared

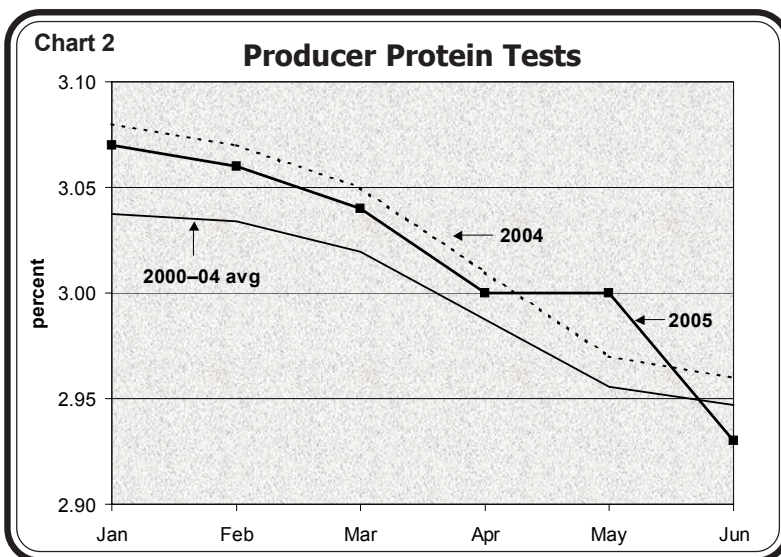
During the first 6 months of 2005, producer butterfat tests averaged 3.67 percent, relatively unchanged from the same period in 2004. When

The highest monthly test for the first 6 months was 3.08 percent, which occurred in January 2004. The lowest test for the period was 2.91 percent in May 2000.



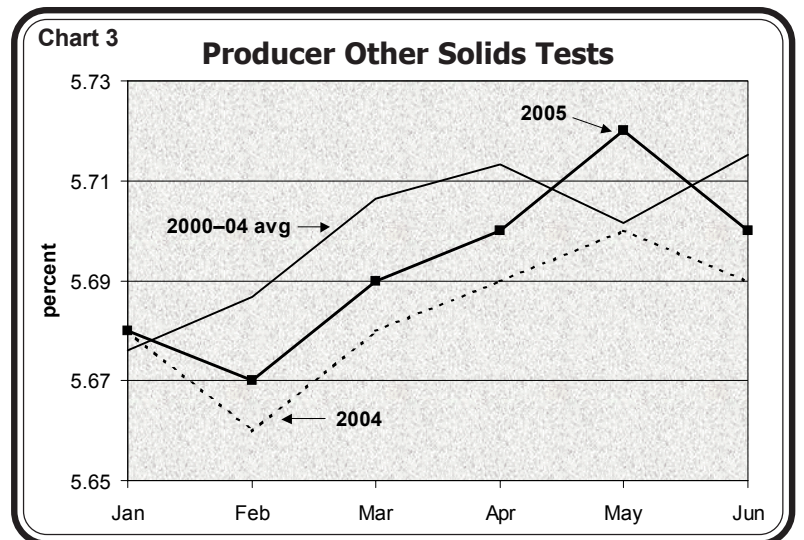
compared to the average for the previous 5 years, butterfat tests are down .03 percentage points (see chart 1). The highest January-June average butterfat test since the Order's inception was 3.73 percent, which occurred in both 2000 and 2003. For the January through June period, the highest monthly test recorded for the Northeast Order was 3.80 percent (February 2000; January and February 2003). The lowest test was 3.55 percent (June 2004 and 2005).

Producer protein tests averaged 3.02 percent for the first 6 months of 2005, unchanged from last year. This is .02 percentage points above the 2000-04 average (see chart 2). Protein tests have increased since the Order's inception averaging 2.98 percent during January-June 2000, 2.99 percent in 2001 and 2002, and 3.00 percent in 2003.



For the first 6 months of 2005, other solids averaged 5.69 percent, up .01 percentage points from 2004 (see chart 3). Compared to the previous 5-year average, this is down .01 percentage point. The highest 6-month average was 5.73 percent in 2002; the lowest was 5.68 percent in 2000 and 2004. For the 6-month period, the highest monthly test recorded was 5.78 percent in June 2000; the lowest was 5.59 percent in January 2000.

Component tests vary seasonally with the highest tests usually occurring in the late fall and winter months. Protein tests tend to move in the same direction as butterfat tests but do not usually range as widely. Other solids tests vary the least among the component tests. Various factors affect milk components such as feed quality, temperature, cow health, and management practices. ❖



## Milk Production *(continued from page 1)*

depoiled during the second quarter of 2004. Nearly 670 million pounds were not pooled on the Northeast Order during April, May, and June of 2004. That milk was included this year resulting in a dramatic increase in pooled receipts. If that milk had been pooled last year, the actual difference in pooled receipts for the first 7 months of 2005 would be a decrease of 0.6 percent.

In conclusion, the volume of milk reported for the Northeast Order is not a reflection of actual milk production. Not all milk produced within the typical Northeast Order states is pooled on the Order; some milk may be pooled by another federal order, a state order, or not regulated by any order. ❖



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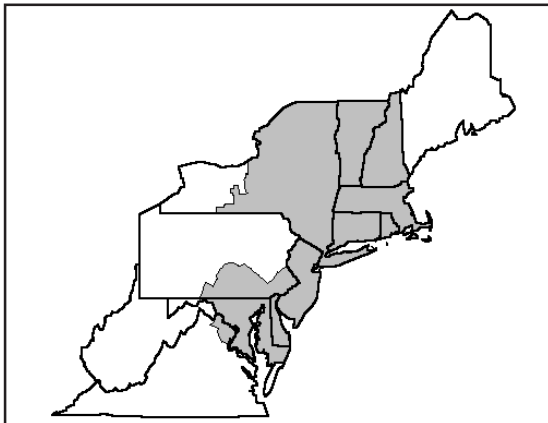
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**Computation of Producer Price Differential and Statistical Uniform Price\***

	<u>Product Pounds</u>	<u>Price per cwt./lb.</u>	<u>Component Value</u>	<u>Total Value</u>
Class I— Skim	797,731,723	\$11.98	95,568,260.42	
Butterfat	16,450,020	1.5935	26,213,106.87	
Less: Location Adjustment to Handlers			(2,516,769.21)	\$119,264,598.11
Class II— Butterfat	28,937,683	1.8077	52,310,649.55	
Nonfat Solids	33,615,081	0.8589	28,871,993.06	81,182,642.61
Class III— Butterfat	16,923,206	1.8007	30,473,617.06	
Protein	13,592,645	2.4558	33,380,817.61	
Other Solids	26,415,918	0.1240	3,275,573.80	67,130,008.47
Class IV— Butterfat	7,358,172	1.8007	13,249,860.30	
Nonfat Solids	26,026,076	0.7909	20,584,023.55	33,833,883.85
<b>Total Classified Value</b>				<b>\$301,411,133.04</b>
Add: Overage—All Classes				80,810.09
Inventory Reclassification—All Classes				288,794.55
Other Source Receipts	72,604			2,571.77
Less: Producer Component Valuations				(281,438,077.88)
<b>Subtotal</b>				<b>\$20,345,231.57</b>
Add: Location Adjustment to Producers				9,458,562.70
One-half Unobligated Balance—Producer Settlement Fund				853,225.71
<b>Total Pool Milk &amp; Aggregate Value</b>	1,988,141,268			30,657,019.98
Less: Producer Settlement Fund—Reserve				(834,901.04)
<b>Producer Price Differential @ Suffolk County, MA (Boston)</b>		<b>\$1.50</b>		29,822,118.94
<b>Statistical Uniform Price @ Suffolk County, MA (Boston)</b>		<b>\$15.85</b>		

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





# The Market Administrator's BULLETIN

## NORTHEAST MARKETING AREA

*Erik F. Rasmussen*, Market Administrator

**August 2005**

Federal Order No. 1

To contact the Northeast Marketing Area offices:  
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### August Pool Price Calculation

The August 2005 statistical uniform price (SUP) for the Northeast Marketing Area was announced at \$15.84 per hundredweight for milk delivered to plants located in Suffolk County, Massachusetts (Boston), the pricing point for the Northeast Order. The statistical uniform price is calculated at 3.5 percent butterfat, 2.99 percent protein, and 5.69 percent other solids. The August producer price differential (PPD) at Suffolk County was \$2.24 per hundredweight.

August's statistical uniform price was 1 cent per hundredweight below the July price; the August PPD was 74 cents higher than last month's. During August, cheese prices declined while butter and powder prices rose. This resulted in lower protein prices and slightly higher butterfat and other solids prices. All class prices increased except the Class III price which dropped 75 cents. This increase in the spread between the Class I price and the Class III prices resulted in a higher PPD.

Producer butterfat tests remained on the low side averaging 3.52 percent and the lowest test for August since the Order's inception. The producer protein test jumped .05 percentage points averaging 2.96 percent.❖

### New AMS Administrator

USDA Secretary Mike Johanns recently named Lloyd C. Day as Administrator of the Agricultural Marketing Service (AMS). One of the many programs overseen by the AMS is the Federal Milk Marketing Order program.

Day's prior experience includes serving as special assistant to the Administrator of the Foreign Agricultural Service and as Deputy Secretary of International Trade and Investment with the California Trade and Commerce Agency.❖

### National Dairy Board Appointments

The Secretary of Agriculture recently announced the appointment of ten new members and reappointment of two incumbents to the National Dairy Promotion and Research Board. All will serve 3-year terms beginning November 1, 2005, through October 31, 2008. Locally, Joyce A. Bupp of Seven Valleys, PA, was appointed to represent Region 11 and Ronald R. McCormick of Java Center, NY, will be representing Region 12.

The board administers a coordinated program of promotion, research, and nutrition education.❖

### Pool Summary

- A total of 14,906 producers were pooled under the Order with an average daily delivery per producer of 4,410 pounds.
- Pooled milk receipts totaled 2.038 billion pounds, an increase of 2.5 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 43.5 percent of total milk receipts, an increase of 2.6 percentage points from July.
- The average butterfat test of producer receipts was 3.52 percent.
- The average true protein test of producer receipts was 2.96 percent.
- The average other solids test of producer receipts was 5.66 percent.❖

Class Utilization		
Pooled Milk	Percent	Pounds
Class I	43.5	886,715,118
Class II	21.4	436,585,990
Class III	25.9	526,389,969
Class IV	9.2	188,112,631
Total Pooled Milk		2,037,803,708

Producer Component Prices		
	2005	2004
	\$/lb	
Protein Price	2.1619	2.4663
Butterfat Price	1.8246	1.7941
Other Solids Price	0.1317	0.0676

Class Price Factors		
	2005	2004
	\$/cwt	
Class I	17.69	17.87
Class II	13.95	13.13
Class III	13.60	14.04
Class IV	13.44	12.46

## Milk Movements

During August, bulk milk shipments received by handlers pooled on the Northeast Order that came from handlers pooled on other federal orders totaled 21.7 million pounds. These orders include Appalachian (Order No. 5), Southeast (Order No. 7), Upper Midwest (Order No. 30), Central (Order No. 32), and Mideast (Order No. 33). Bulk shipments to other federal orders for August totaled 20.8 million pounds. Shipments were sent to Appalachian, Florida (Order No. 6), Southeast, Midwest, and Mideast orders.

As is normal during this time of year, large volumes were shipped between the Northeast Order and orders

located in the southeastern United States. In August, the Northeast Order received 8.6 million pounds from Orders No. 5 and 7 and shipped 20.0 million pounds to Orders No. 5, 6, and 7. This equaled a net amount of 11.4 million pounds shipped South and compares to net August shipments of 8.5 million pounds in 2004 and 18.2 million pounds in 2003.

Normally there is an increase in the amount shipped South during September. It is anticipated that the volume this year will be even higher as a result of Hurricane Katrina. ❖

## Gross Payment Comparison

With multiple component pricing, the composition of a producer's gross payment can vary each month. In the Northeast Order, producers are paid on the pounds of butterfat, "true" protein, and other solids in their milk. In addition to these three factors, the producer price differential (PPD) has an effect on the final price producers receive. The PPD is the producer's per hundredweight share of the value generated by the market wide pool. It is usually a positive value.

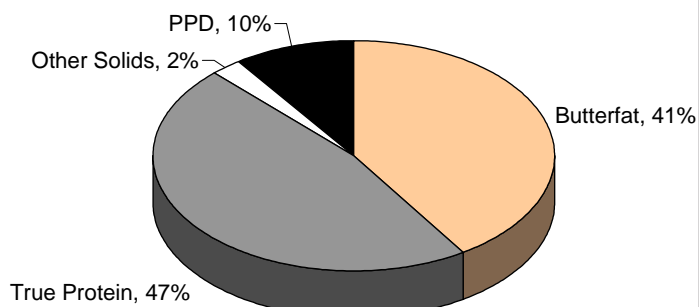
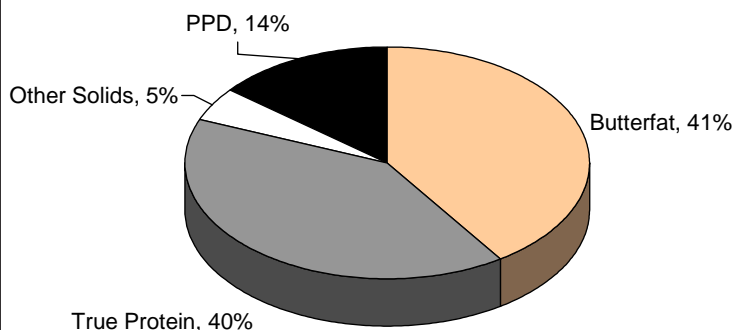
In the example shown, the composition of a hypothetical producer's total gross payment was calculated for August of 2005 and 2004. The component prices are the actual prices for the corresponding month's; the tests are the average tests reported for all producers during that month. The hypothetical farmer's payment was 14 cents higher in

August 2005 when compared to the previous year, yet the composition of the price components varied greatly from year to year (see pie charts). In August 2005, the PPD was \$2.24 per hundredweight and contributed 14 percent of the total gross value; in August 2004, the PPD was only \$1.53 per hundredweight and 10 percent of the total gross value.

Also, in August 2003 the PPD was negative and detracted from the gross payment value. During that month, protein contributed 67 percent of the producer's payment and butterfat contributed 33 percent. In August 2002, the PPD was 2.62 per hundredweight and equaled 22 percent of the total value. Protein contributed 45 percent while butterfat added 32 percent. The gross prices per hundredweight were \$13.55 and \$12.01 for August of 2003 and 2002, respectively. ❖

### Composition of Total Gross Payment \*

	August 2005				August 2004			
	Test percent	Pounds	Price per pound	Gross dollars	Test percent	Pounds	Price per pound	Gross dollars
Butterfat	3.52	3520	x 1.8246 =	\$6,422.59	3.57	3570	x 1.7941 =	\$6,404.94
True Protein	2.96	2960	x 2.1619 =	\$6,399.22	2.98	2980	x 2.4663 =	\$7,349.57
Other Solids	5.66	5660	x 0.1317 =	\$745.42	5.67	5670	x 0.0676 =	\$383.29
PPD		1,000 cwt	2.24	\$2,240.00		1,000 cwt	1.53	\$1,530.00
<b>Total gross payment</b>				<b>\$15,807.23</b>				<b>\$15,667.80</b>
<b>Gross price per cwt</b>				<b>\$15.81</b>				<b>\$15.67</b>



\*For a hypothetical farm producing 100,000 pounds of milk at pool average component tests.

## Demand Remains Strong During First Half of 2005

Recently reported commercial disappearance figures show the demand for milk on a milkfat basis continuing to be strong during the first half of 2005 compared to the same period in 2004. Overall, commercial disappearance was up 1.6 percent for the 6-month period. The 2004 year ended with total disappearance of 0.6 percent, not as strong as 2003 when it equaled 2.2 percent, but still positive.

During the January through June period, total milk supply was up 1.2 percent from the previous year (see accompanying table). This was mainly attributable to an increase in milk production. The other components of total supply, beginning commercial stocks and imports, were both down from last year. Ending commercial stocks were down 2.5 percent. Net removals reported were negative signifying that the Commodity Credit Corporation (CCC) sold back product. The remainder, commercial disappearance, represents what is consumed rather than retained as CCC removals or held in commercial stocks.

Of selected products reported, butter sales were down while cheese and nonfat dry milk (NFD) were up. Sales of fluid milk products were relatively

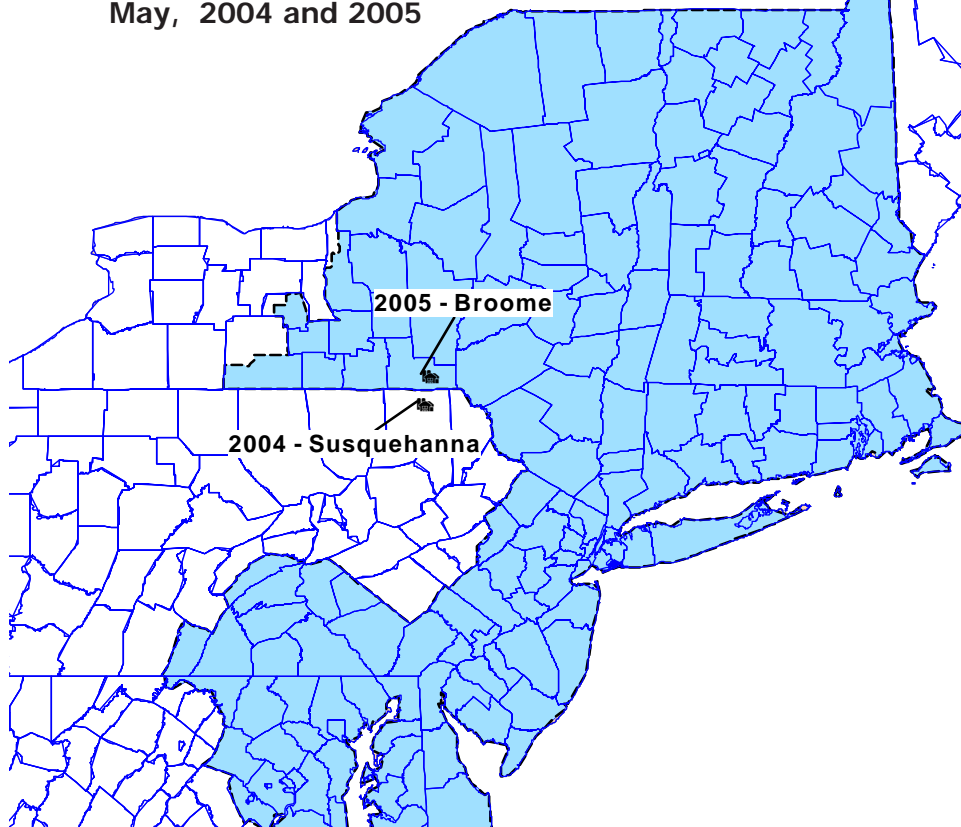
unchanged from the previous year. For the 2004 year as a whole, sales of butter, cheese, and NFD increased while fluid milk declined. ❖

### Commercial Disappearance, January–June, 2004 and 2005

Milk	January–June		% chg
	2004	2005	
Production	86,583	88,904	3.2
Marketings	86,026	88,357	3.3
Beg. Commercial Stocks	8,333	7,154	(14.1)
Imports	2,963	2,394	(19.2)
Total Supply	97,322	97,905	1.2
End. Commercial Stocks	11,554	11,201	(3.1)
Net Removals	(83)	(34)	(59.0)
Commercial Disappearance	85,851	86,738	1.6
<b>Selected Products</b>			
Butter	594	587	(0.6)
American Cheese	1,847	1,853	0.8
Other Cheese	2,718	2,811	4.0
Nonfat Dry Milk	681	698	3.1
Fluid Milk Products	27,068	26,924	0.0

Source: Dairy Market News.

### Weighted Average Production Center of Northeast Order, May, 2004 and 2005



## Center of Northeast Order Milkshed

Broome County, New York, is the center of the Northeast Order milkshed based on data for May 2005. The milkshed encompasses all counties having producers shipping milk to handlers regulated under the Northeast Order. The conceptual center of the milkshed is calculated by weighting each farm's location by its production. The center of the milkshed does shift over time. In May 2004 the center of the milkshed was located in Susquehanna County, Pennsylvania, though not far from the May 2005 center.

Pooling practices can impact where the center of the milkshed is and, thus, does not necessarily reflect the center of the region's production. Milk pooled on the Northeast Order from other areas, Northeast milk pooled elsewhere, or depooling will impact the location of the center of the Order's milkshed. ❖



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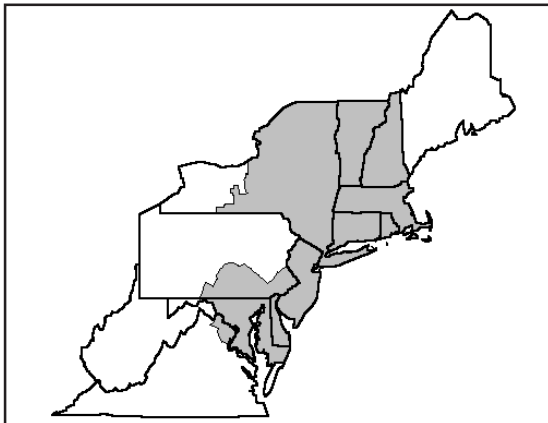
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**Computation of Producer Price Differential and Statistical Uniform Price\***

	<u>Product Pounds</u>	<u>Price per cwt./lb.</u>	<u>Component Value</u>	<u>Total Value</u>
Class I— Skim	868,671,254	\$11.54	100,244,662.71	
Butterfat	18,043,864	1.8721	33,779,917.79	
Less: Location Adjustment to Handlers			(2,797,096.69)	\$131,227,483.80
Class II— Butterfat	30,139,670	1.8316	55,203,819.56	
Nonfat Solids	36,267,099	0.8678	31,472,588.54	86,676,408.10
Class III— Butterfat	18,590,708	1.8246	33,920,605.82	
Protein	15,561,645	2.1619	33,642,720.34	
Other Solids	29,756,041	0.1317	3,918,870.61	71,482,196.77
Class IV— Butterfat	4,858,150	1.8246	8,864,180.49	
Nonfat Solids	16,373,455	0.8119	13,293,608.14	22,157,788.63
<b>Total Classified Value</b>				<b>\$311,543,877.30</b>
Add: Overage—All Classes				105,161.22
Inventory Reclassification—All Classes				137,939.21
Other Source Receipts	57,466			2,241.73
Less: Producer Component Valuations				(276,194,433.99)
<b>Subtotal</b>				<b>\$35,594,785.47</b>
Add: Location Adjustment to Producers				10,053,134.79
One-half Unobligated Balance—Producer Settlement Fund				873,266.41
<b>Total Pool Milk &amp; Aggregate Value</b>	2,037,861,174			46,521,186.67
Less: Producer Settlement Fund—Reserve				(873,096.35)
<b>Producer Price Differential @ Suffolk County, MA (Boston)</b>		<b>\$2.24</b>		45,648,090.32
<b>Statistical Uniform Price @ Suffolk County, MA (Boston)</b>		<b>\$15.84</b>		

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





# The Market Administrator's BULLETIN

## NORTHEAST MARKETING AREA

*Erik F. Rasmussen*, Market Administrator

**September 2005**

Federal Order No. 1

To contact the Northeast Marketing Area offices:  
 Boston, MA: phone (617) 737-7199, e-mail address: MABoston@fedmilk1.com; Albany, NY: phone (518) 452-4410, e-mail address: MAAlbany@fedmilk1.com; Alexandria, VA: phone (703) 549-7000, e-mail address: MAAlexandria@fedmilk1.com; website address: www.fmmone.com

### September Pool Price Calculation

The September 2005 statistical uniform price (SUP) for the Northeast Marketing Area was announced at \$15.92 per hundredweight for milk delivered to plants located in Suffolk County, Massachusetts (Boston), the pricing point for the Northeast Order. The statistical uniform price is calculated at 3.5 percent butterfat, 2.99 percent protein, and 5.69 percent other solids. The September producer price differential (PPD) at Suffolk County was \$1.62 per hundredweight.

September's statistical uniform price was 8 cents per hundredweight above the August price; the September PPD was 62 cents below last month's. During September, all commodity prices (butter, cheese, and powder) increased resulting in higher component prices. All class prices increased except the Class I price, which is announced on an advanced basis and was calculated using lower August commodity prices. The tightening in the spread between the Class I price and the Class III prices resulted in a lower PPD, even though the blend price was higher.

The producer butterfat test jumped 0.10 percentage points from last month while protein increased 0.07 percentage points. The producer protein test averaged 3.03 percent, the highest for the month of September since the Order's inception. ❖

### Milk Moving South Increases

During September, bulk milk shipments to other federal orders totaled 29.9 million pounds. Of this total, 29.0 million pounds (97 percent) were sent south to the Appalachian, Florida, and Southeast Federal Milk Marketing Orders. This is up from the 20.0 million pounds sent south in August. During September 2004, 30.4 million pounds were shipped south.

Milk received by handlers pooled on the Northeast Order that came from handlers pooled on other federal orders totaled 26.2 million pounds during September. Of this total, only 6.2 million came from the southern federal orders, less than the amount received in September 2004 (6.9 million). In August 2005, 8.6 million pounds came from the South.

Overall, these movements resulted in a net amount of 3.7 million pounds more shipments than receipts. During September 2004, the net amount was 10.6 million pounds. It is normal to have more milk shipped out of the Northeast Order than received during this time of year as milk production in the southern United States falls short of fluid demands,

*(continued on page 2)*

### Pool Summary

- A total of 14,764 producers were pooled under the Order with an average daily delivery per producer of 4,207 pounds.
- Pooled milk receipts totaled 1.866 billion pounds, a decrease of 5.5 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 49.5 percent of total milk receipts, an increase of 6.0 percentage points from August.
- The average butterfat test of producer receipts was 3.62 percent.
- The average true protein test of producer receipts was 3.03 percent.
- The average other solids test of producer receipts was 5.66 percent. ❖

#### Class Utilization

Pooled Milk	Percent	Pounds
Class I	49.5	923,526,354
Class II	20.8	388,745,430
Class III	23.4	435,864,967
Class IV	6.3	117,980,609
Total Pooled Milk		1,866,117,360

#### Producer Component Prices

	2005	2004
	\$/lb	
Protein Price	2.3009	2.5431
Butterfat Price	1.8872	1.9354
Other Solids Price	0.1411	0.0589

#### Class Price Factors

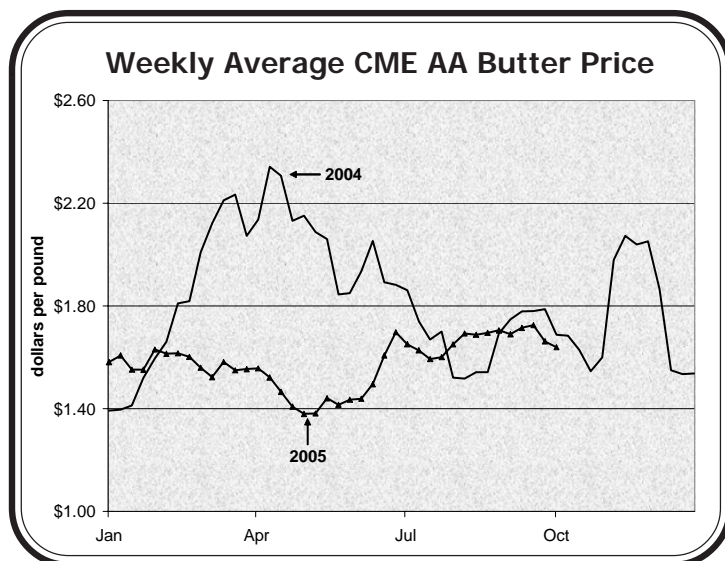
	2005	2004
	\$/cwt	
Class I	16.95	17.19
Class II	14.35	13.66
Class III	14.30	14.72
Class IV	13.75	13.00

## Commodity Prices

Both cheese and butter prices on the Chicago Mercantile Exchange (CME) have been less volatile in 2005 than 2004 through the first week in October. However, both commodities' prices have averaged lower than the previous year.

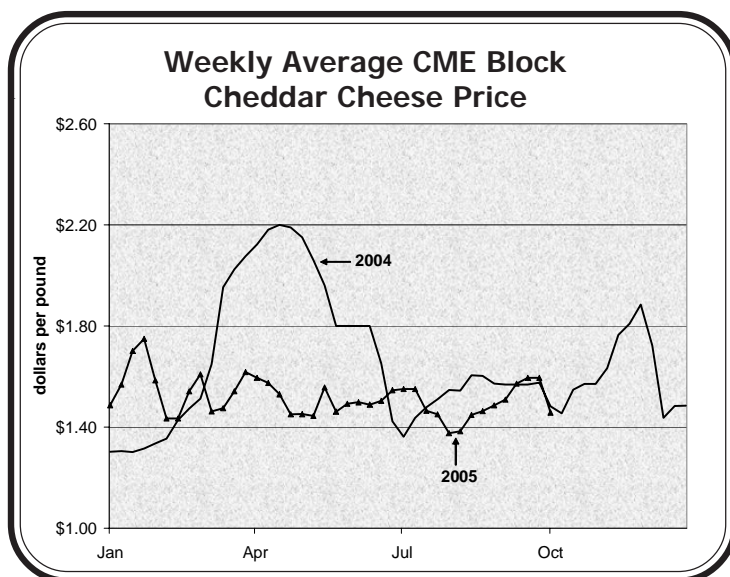
The CME 40-pound block Cheddar cheese price has averaged \$1.51 per pound through the first week in October, compared to \$1.67 per pound in 2004. The commodity has traded within a range of 37 cents during 2005, with a high of \$1.75 per pound and a low of \$1.38 per pound. Cheese traded within a range of 90 cents during the same time period in 2004, reaching a high of \$2.20 per pound and a low of \$1.30 per pound.

The CME AA butter price has averaged \$1.58 per pound through the first week in October, compared to \$1.84 per pound in 2004. Butter traded within a range of 35 cents so far in 2004, much less than the 95-cent range the commodity traded during the same period of 2005. During



2004, butter reached a high of \$2.34 per pound. The high weekly butter price for 2005 is \$1.73 per pound, so far.

For the remainder of the year, cheese is estimated to average about \$1.47 per pound and butter is estimated to average about \$1.58 per pound. Based on CME Futures prices, both commodities are estimated to be below their 2004 averages, \$1.63 per pound and \$1.76 per pound for cheese and butter, respectively, for this time period. ❖



## Milk Moving *(continued from page 1)*

especially as schools open. Also during the past years, additional demands were placed on the South due to shortages resulting from the hurricanes that have hit that area during late August and early September. This September, a larger volume of milk was received from other federal orders, primarily the Upper Midwest (Order No. 30), Central (Order No. 32), and Mideast (Order No. 33), than last year. ❖

## Pool Summary for All Federal Orders, January–September, 2004–05

Federal Order		Total Producer Milk			Producer Price Differential#		Statistical Uniform Price#*	
Number	Name	2004	2005	Change**	2004	2005	2004	2005
		pounds			percent	dollars per hundredweight		
1	Northeast	17,175,699,765	17,871,159,859	4.4	1.07	1.57	16.58	15.73
5	Appalachian	4,684,414,094	4,870,422,193	4.4	N/A	N/A	17.07	16.28
6	Florida	2,165,721,943	2,386,838,889	10.6	N/A	N/A	18.51	17.61
7	Southeast	5,459,289,222	5,768,165,033	6.0	N/A	N/A	16.96	16.18
30	Upper Midwest	13,706,832,240	16,091,635,845	17.8	(0.41)	0.26	15.10	14.42
32	Central	8,911,401,056	10,154,745,049	14.4	(0.25)	0.41	15.25	14.57
33	Mideast	11,933,019,679	13,757,848,282	15.7	0.02	0.64	15.52	14.80
124	Pacific Northwest	4,992,351,530	5,197,091,728	4.5	(0.63)	0.12	14.87	14.28
126	Southwest	6,607,675,833	7,026,541,534	6.7	0.58	1.30	16.08	15.46
131	Arizona-Las Vegas	2,195,487,409	2,220,094,756	1.5	N/A	N/A	15.61	14.72
All Market Total/Average		77,831,892,771	85,344,543,168	10.1	0.05	0.72	16.13	15.41

# Price at designated order location.

\* Price at 3.5% butterfat.

\*\* Adjusted for leap year.

N/A = Not applicable.

## CCC Purchases Lowest Since 1996

For the marketing year (MY) October 1, 2004, through September 30, 2005, the Commodity Credit Corporation (CCC) purchased only nonfat dry milk under the dairy price support program. On a total solids milk equivalent basis, purchases equaled about 225 million pounds, less than one tenth of last year's volume. Purchases during MY 2004-05 were the lowest since 1996 when the CCC did not make any purchases under the support program (see accompanying table).

For the past two marketing years, the CCC has not purchased any cheese or butter. The only activity involving butter during the past two MYs was a cancellation of butter that had been offered during the previous MY. The last time the CCC purchased butter was in mid-June 2003. The last time the CCC purchased cheese under the program was during the third week of July 2003; the last activity consisted of cancellations (of previous purchases) during September 2003.

There were no uncommitted inventories of any of the products purchased by the CCC at MY end. At the end of the previous MY (2003-04) a total of 609.9 million pounds of NFDm were held in inventory. There were no uncommitted inventories of butter or cheese at the end of MY 2003-04. Milk production rebounded during the first half of 2005, yet demand outpaced the increase in production resulting in an increase in commercial disappearance and a reduction in stocks held by the CCC and, therefore, no need for support price purchases. For more information on commercial disappearance, refer to the August 2005 *Bulletin*. ❖

### CCC Purchases of Dairy Products Under the Support Program, 1991-2005\*

MY** Ending	Butter	Cheese (million pounds)	NFDm	Milk Equivalent Total
1991	442.8	76.9	269.5	6,539.7
1992	403.5	56.3	9.4	4,156.2
1993	327.6	4.9	18.0	3,055.2
1994	168.6	0.0	50.8	1,841.1
1995	26.4	0.0	24.6	406.2
1996	0.0	0.0	0.0	0.0
1997	0.0	1.9	31.9	244.1
1998	0.0	0.0	121.3	857.6
1999	0.0	0.0	186.1	1,315.9
2000	0.0	6.9	490.0	3,532.1
2001	0.0	1.1	398.9	2,927.7
2002	0.0	7.4	653.2	4,690.0
2003	11.4	41.1	624.6	4,913.5
2004	0.0 #	0.0	361.9	2,558.7
2005	0.0	0.0	31.8	225.0

\* Does not include purchases under Dairy Export Incentive Program.

\*\* Marketing year; October 1 through September 30.

# Negative value less than 50,000 pounds (sellbacks were greater than purchases).

Sources: Commodity Credit Corporation; Dairy Market News.

## MILC Program

The scheduled end of the Milk Income Loss Contract Program (MILC) was September 30, 2005, the end of the federal 2005 fiscal year (FY 2005). The program began on December 1, 2001.

During FY 2005, a total of \$4.7 million was paid to producers nationwide. Of that total, a little over \$1 million was paid to producers in the Northeast. Pennsylvania producers received a total of \$457,923 during FY 2005, the most of any Northeast state. They were followed by New York at \$342,771 and Vermont at \$80,052. Total payments during FY 2005 were not as high as previous years as there was just a single payment made. The payment was in June 2005 for 3 cents per hundredweight.

Since its inception in October 2002, the program has paid \$1.44 billion to producers nationwide. Of that total, Northeast producers received \$345 million. Nationwide, MILC paid producers \$142 million in FY 2002, \$1.1 billion in FY 2003, and \$197 million in FY 2004.

Of the 46 months of the program, payments were made during 25 of the months, but only one payment in the last 17 months and five payments in the last 25 months. The largest payment was \$1.82 per hundredweight, made in April 2003.

At this time it is still unclear whether or not the program will be reauthorized by Congress. ❖

### Total MILC Payments As of October 14, 2005

State	2005 Payments	Total Payments FY 2002-FY 2005
Connecticut	\$8,423	\$4,683,760
Delaware	2,917	1,281,004
Maine	19,257	7,796,159
Maryland	22,934	13,420,447
Massachusetts	6,187	5,184,667
New Hampshire	6,684	3,902,329
New Jersey	2,143	2,998,484
New York	342,771	131,197,689
Pennsylvania	457,923	120,661,848
Rhode Island	399	332,562
Vermont	80,052	31,831,069
Virginia	72,285	22,016,818
<b>Northeast States Total</b>	<b>\$1,021,975</b>	<b>\$345,306,837</b>

**National Total** \$4,708,763 \$1,441,848,681

Source: USDA, Farm Service Agency.

## Dairy Board Appointments—Correction

Last month we reported the newly appointed members to the National Dairy Promotion and Research Board. Inadvertently, the name of Debora A. Erb from Landaff, NH, was omitted. She is a newly appointed member and will be serving Region 13. ❖



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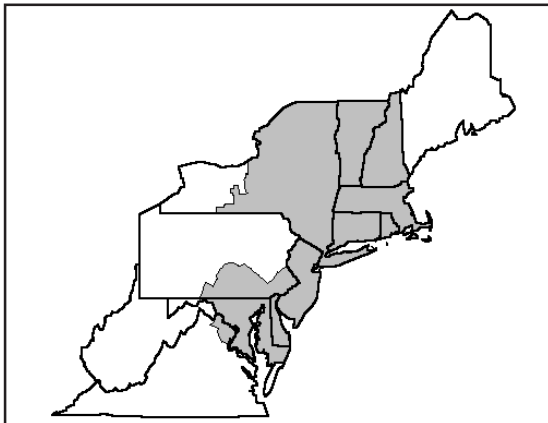
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**Computation of Producer Price Differential and Statistical Uniform Price\***

	<u>Product Pounds</u>	<u>Price per cwt./lb.</u>	<u>Component Value</u>	<u>Total Value</u>
Class I— Skim	905,144,544	\$10.96	99,203,842.02	
Butterfat	18,381,810	1.8197	33,449,379.66	
Less: Location Adjustment to Handlers			(2,929,168.52)	\$129,724,053.12
Class II— Butterfat	27,135,605	1.8942	51,400,262.98	
Nonfat Solids	32,597,852	0.8889	28,976,230.64	80,376,493.62
Class III— Butterfat	16,163,331	1.8872	30,503,438.26	
Protein	13,230,038	2.3009	30,440,994.40	
Other Solids	24,613,520	0.1411	3,472,967.68	64,417,400.34
Class IV— Butterfat	5,790,953	1.8872	10,928,686.51	
Nonfat Solids	10,123,344	0.8222	8,323,413.46	19,252,099.97
<b>Total Classified Value</b>				<b>\$293,770,047.05</b>
Add: Overage—All Classes				136,443.68
Inventory Reclassification—All Classes				230,941.63
Other Source Receipts	45,367			1,288.43
Less: Producer Component Valuations				(272,504,570.57)
<b>Subtotal</b>				<b>\$21,634,150.22</b>
Add: Location Adjustment to Producers				8,749,222.44
One-half Unobligated Balance—Producer Settlement Fund				711,569.24
<b>Total Pool Milk &amp; Aggregate Value</b>	1,866,162,727			31,094,941.90
Less: Producer Settlement Fund—Reserve				(863,105.67)
<b>Producer Price Differential @ Suffolk County, MA (Boston)</b>		<b>\$1.62</b>		30,231,836.23
<b>Statistical Uniform Price @ Suffolk County, MA (Boston)</b>		<b>\$15.92</b>		

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





# The Market Administrator's BULLETIN

## NORTHEAST MARKETING AREA

*Erik F. Rasmussen*, Market Administrator

**October 2005**

Federal Order No. 1

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### October Pool Price Calculation

The October 2005 statistical uniform price (SUP) for the Northeast Marketing Area was announced at \$15.88 per hundredweight for milk delivered to plants located in Suffolk County, Massachusetts (Boston), the pricing point for the Northeast Order. The statistical uniform price is calculated at 3.5 percent butterfat, 2.99 percent protein, and 5.69 percent other solids. The October producer price differential (PPD) at Suffolk County was \$1.53 per hundredweight.

October's statistical uniform price was 4 cents per hundredweight below the September price; the October PPD was 9 cents below last month's. During October, commodity butter prices declined while cheese and powder prices rose. As a result, the Class III price increased and the Class II and IV prices declined. The Class I price, which is announced on an advanced basis and based on September data, increased. Overall, the changes were not too extreme and only affected the blend and PPD by a few cents.

The producer butterfat test jumped 0.12 percentage points from last month while protein increased another 0.07 percentage points, which is typical for this time of year.❖

### Judicial Ruling Would Reclassify Carb Countdown

An October 26 ruling by a USDA Administrative Law Judge holds that the USDA's Agricultural Marketing Service (AMS) determination that Carb Countdown, a dairy beverage marketed by HP Hood LLC, is not a Class I fluid milk product as has been defined by AMS, but is rather a Class II milk product. The ruling results from a petition challenging the interpretation and application of Federal Milk Marketing Orders filed by HP Hood LLC and other parties and a subsequent December 14-15, 2004, hearing conducted on the matter. The judge's ruling held that each of the four varieties of Carb Countdown contain by weight less than 6.5% milk solids. Federal Order classification regulations specify that any product that contains by weight less than 6.5 percent nonfat milk solids is not a "fluid milk product" and therefore not Class I. Following the ruling each party has a period to consider appealing the ruling before the decision and order becomes effective.

The ruling holds that the petitioners are entitled to a refund of the differential between Class I and Class II products that they have paid as a result of the agency's initial determination of the product as Class I. (continued on page 2)

### Pool Summary

- A total of 14,762 producers were pooled under the Order with an average daily delivery per producer of 4,161 pounds.
- Pooled milk receipts totaled 1.904 billion pounds, a decrease of 1.2 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 48.2 percent of total milk receipts, a decrease of 1.3 percentage points from September.
- The average butterfat test of producer receipts was 3.74 percent.
- The average true protein test of producer receipts was 3.10 percent.
- The average other solids test of producer receipts was 5.67 percent.

Class Utilization		
Pooled Milk	Percent	Pounds
Class I	48.2	918,308,138
Class II	21.2	403,618,404
Class III	21.5	409,710,210
Class IV	9.1	172,688,242
Total Pooled Milk		1,904,324,994

Producer Component Prices		
	2005	2004
	\$/lb	
Protein Price	2.3780	2.3814
Butterfat Price	1.8256	1.9020
Other Solids Price	0.1491	0.0677

Class Price Factors		
	2005	2004
	\$/cwt	
Class I	17.52	18.03
Class II	14.25	13.57
Class III	14.35	14.16
Class IV	13.61	12.81

## Regional Mailbox Prices

The mailbox price reflects the actual price producers receive for their milk. It is the net price received by producers after all payments for milk sold and deductions for milk marketing costs have been accounted for.

The list of payments received by producers that are part of the calculation are the gross value of the milk, state mandated premiums, competitive premiums, component premiums, quality premiums, volume premiums, and miscellaneous premiums. Deductions included in the calculation are hauling and stop charges, cooperative dues, equity deductions, promotion deductions, and federal assessments.

The mailbox price can vary region by region due to any differences by region in the payments or deductions listed above. The nature of regional markets can result in higher or lower premiums, hauling costs, or the gross

value. In addition, higher Class I differentials in parts of the marketing area are reflected in the gross value of the milk. This results in a higher base value before deductions and payments are taken into account.

For the first 7 months of 2005, the mailbox price for the Northeast Order averaged \$15.36 per hundredweight. Regionally, mailbox prices received by producers in New England, Pennsylvania, and other states were higher, averaging \$15.62, \$15.44, and \$15.77 per hundredweight, respectively. New York producers received a mailbox price of \$15.15 per hundredweight, 21 cents lower than the Northeast as a whole.

For comparison, the Northeast Uniform Price at Boston, Massachusetts, for the same period averaged \$15.36 per hundredweight. ❖

**Northeast Order Regional Mailbox Prices, January–July 2005**

Region	2005						
	January	February	March	April	May	June	July
New England	16.65	15.75	16.22	15.52	15.19	14.78	15.21
New York	16.17	15.28	15.81	15.08	14.75	14.27	14.70
Pennsylvania	16.40	15.60	16.10	15.26	15.02	14.60	15.09
Other States	16.85	15.88	16.37	15.57	15.28	14.96	15.51
<b>Northeast</b>	<b>16.36</b>	<b>15.50</b>	<b>16.01</b>	<b>15.26</b>	<b>14.95</b>	<b>14.50</b>	<b>14.96</b>
Northeast Uniform Price	16.31	15.51	16.04	15.52	15.35	15.23	15.85

Note: New England includes CT, MA, ME, NH, RI, and VT. Other States includes DE, KY, MD, MI, MN, NJ, NV, OH, UT, VA, WI, and WV.

## Changes to Appalachian Order

The Appalachian Order was recently amended expanding its marketing area, eliminating the ability to simultaneously pool milk on that Order and on a state-operated order that has marketwide pooling, and amending the transportation credit provisions. The changes were effective November 1, 2005.

The expansion of the marketing area will include 25 unregulated counties and 15 unregulated cities in the State of Virginia that currently are not in any federal milk marketing area. Some of these counties have been traditionally in the Northeast milkshed. This means that there are producers located in these counties that ship to handlers regulated by the Northeast Order. During 2004, about 16.4 million pounds were pooled in the Northeast Order from the counties that, under this change, would be regulated by the Appalachian Order. On a percentage basis, this only equates to 0.01 percent of the entire volume pooled on the Northeast Order during 2004.

In addition, the amended Order will change the status of the Dean Foods' Morningstar plant located in Mount

Crawford, Virginia. This plant has been regulated as a pool distributing plant under the Northeast Order consistently since April 2003. Prior to that, its status would change monthly based on its sales in the marketing area. The amended Order will "lock-in" the plant as a regulated distributing plant under the Appalachian Order because the plant is physically located in that Order's marketing area. Based on average historical data, the loss of this plant is expected to negatively affect the Northeast Order blend price by about 1 cent. ❖



## Carb Countdown *(continued from page 1)*

Refund monies would be paid out of future month's Northeast Order pools, having the temporary effect of reducing the Order's statistical uniform price until the obligation is paid. If this occurs, we will make an adjustment and notification to that effect on the monthly statistical uniform price announcement. ❖

## Regional Dairy Outlook Conference Held

The 2005 Northeast Regional Dairy Outlook Conference was held November 15 at the Northeast Marketing Area's Albany office. The annual conference brings together economists and statisticians from the Northeast's market administrator offices, state and federal agricultural statistical services, university extension offices, and cooperatives to review regional production and price statistics for the past year and develop projections for the upcoming year. The Northeast region includes Delaware, Maryland, New England (Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, and Vermont), New Jersey, New York, and Pennsylvania.

### Crop Situation

Mixed weather conditions throughout the Northeast resulted in variable crop yields. Lack of and an over abundance of rain affected crops and individual hay cuttings. Overall, yields of both hay and corn were down from 2004, but overall quality appears to be good. Purchasing supplemental feed, especially grain, will likely be necessary. Fortunately, concentrate prices are predicted to be good, although fuel costs may have an effect on moving feed to different locations resulting in higher prices. Nationally, the feed situation is similar with high quality and favorable prices expected.

### Production Estimates

Nationally milk cow numbers are projected to finish slightly higher in 2005 than in 2004. All comparisons have been adjusted for leap year in 2004. For 2006, the total number of cows is estimated to increase nearly 1 percent. Regionally, expectations are mixed. For the region as a whole, cow numbers are projected to finish down about 1 percent in 2005, but increase a slight 0.1 percent in 2006. New York and Maryland both estimate increases, while Pennsylvania and the combined New England states (Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, and Vermont) expect declines. New Jersey and Delaware predict no change.

Replacement heifer prices are expected to remain high and may limit expansion. The number of farm exits seems to have slowed in the region, and those remaining are growing in size.

Milk production per cow jumped in most of the Northeast states during 2005 resulting in an overall 3.9 percent increase. Nationally, milk per cow rose 3.2 percent. For 2006, milk per cow is estimated to increase 0.7 percent in the Northeast; U.S. milk per cow is estimated to grow 1.9 percent. Overall U.S. milk per cow is projected to be up from last year, experiencing another healthy gain

in 2005 mainly due to better quality feed and increased BST usage.

The projected increases in both cow numbers and milk per cow are expected to generate an overall increase in milk production of 2.6 percent nationally in 2006. This follows a 3.8 percent increase in 2005. For the region, milk production is projected to finish 3.5 percent higher in 2005, compared to 2004, and it is estimated to increase 0.8 percent in 2006.

### Price Estimates

The group's consensus for the Northeast Order statistical uniform price is an annual average of \$15.68 per hundredweight for 2005. This is 82 cents less than the 2004 annual average blend price. Although considerably lower than last year, prices during 2005 have been remarkably stable. Many producers have improved their financial situation by paying down debt. The forecast for 2006 is not as optimistic. The blend price is estimated to average \$14.76 per hundredweight, lower than the past 2 years, but still higher than during 2002 and 2003.

Milk prices are expected to decline as production increases and demand levels off. It is anticipated that they will continue to drop throughout the winter and into early spring 2006, but then increase again during the second half of the year (see accompanying table). Once again, the Class III price is expected to be the dominant mover for Class I prices next year, except during the early spring months. At this time, no negative producer price differentials (PPD) are predicted for 2006. ❖

**Northeast Milk Marketing Area  
Statistical Uniform Prices, 2004–2006**

Month	2004	2005	2006
	Actual	Actual and Estimated	Estimated
January	13.58	16.31	14.70
February	13.95	15.51	14.55
March	15.56	16.04	14.40
April	17.28	15.52	14.34
May	19.84	15.35	14.26
June	19.70	15.23	14.37
July	17.64	15.85	14.70
August	15.57	15.84	15.05
September	16.06	15.92	15.29
October	16.07	15.88	15.35
November	16.20	15.68	15.18
December	16.43	14.99	14.92
Average	16.49	15.68	14.76

\* Estimated prices for November and December 2005 and all of 2006.

All estimates are subject to change. Prices are reported at Suffolk County, MA.



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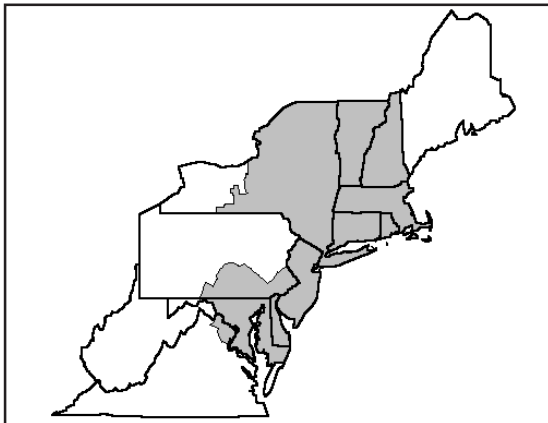
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**Computation of Producer Price Differential and Statistical Uniform Price\***

	<u>Product Pounds</u>	<u>Price per cwt./lb.</u>	<u>Component Value</u>	<u>Total Value</u>
Class I— Skim	899,719,199	\$11.21	100,858,522.21	
Butterfat	18,588,939	1.9143	35,584,805.93	
Less: Location Adjustment to Handlers			(2,908,291.97)	\$133,535,036.20
Class II— Butterfat	28,868,601	1.8326	52,904,598.18	
Nonfat Solids	34,169,229	0.9022	30,827,478.46	83,732,076.64
Class III— Butterfat	16,318,417	1.8256	29,790,902.07	
Protein	12,704,905	2.3780	30,212,264.10	
Other Solids	23,163,201	0.1491	3,453,633.27	63,456,799.44
Class IV— Butterfat	7,393,264	1.8256	13,497,142.77	
Nonfat Solids	15,089,283	0.8310	12,539,194.20	26,036,336.97
<b>Total Classified Value</b>				<b>\$306,760,249.25</b>
Add: Overage—All Classes				60,335.67
Inventory Reclassification—All Classes				(13,730.72)
Less: Producer Component Valuations				(286,541,640.65)
<b>Subtotal</b>				<b>\$20,265,213.55</b>
Add: Location Adjustment to Producers				8,841,748.11
One-half Unobligated Balance—Producer Settlement Fund				875,222.89
<b>Total Pool Milk &amp; Aggregate Value</b>	1,904,324,994			29,982,184.55
Less: Producer Settlement Fund—Reserve				(846,012.18)
<b>Producer Price Differential @ Suffolk County, MA (Boston)</b>		<b>\$1.53</b>		29,136,172.37
<b>Statistical Uniform Price @ Suffolk County, MA (Boston)</b>		<b>\$15.88</b>		

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





# The Market Administrator's BULLETIN

## NORTHEAST MARKETING AREA

*Erik F. Rasmussen*, Market Administrator

**November 2005**

Federal Order No. 1

To contact the Northeast Marketing Area offices:  
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### November Pool Price Calculation

The November 2005 statistical uniform price (SUP) for the Northeast Marketing Area was announced at \$15.41 per hundredweight for milk delivered to plants located in Suffolk County, Massachusetts (Boston), the pricing point for the Northeast Order. The statistical uniform price is calculated at 3.5 percent butterfat, 2.99 percent protein, and 5.69 percent other solids. The November producer price differential (PPD) at Suffolk County was \$2.06 per hundredweight.

November's statistical uniform price was 47 cents per hundredweight below the October price; the November PPD was 53 cents above last month's. During November, commodity butter and cheese prices declined while powder prices rose. As a result, all class prices declined except the Class I price, which is announced on an advanced basis and was based on October data.

The producer butterfat test jumped 0.08 percentage points to 3.82 percent, the highest butterfat test since December 2002. Protein increased another 0.03 percentage points to 3.13 percent, equivalent to November 2004 and the highest test on record under the Order. ❖

### Product Reclassification Impacts PPD

As reported in the October 2005 *Bulletin*, a USDA Administrative Law Judge ruled in October on a challenge initiated by HP Hood LLC over the classification of Hood's Carb Countdown dairy beverage. The ruling held that Carb Countdown is not a Class I fluid milk product, as had been defined by the Agricultural Marketing Service (AMS) of USDA, but rather is a Class II product. The decision also stated that Hood was entitled to a refund of the difference between the class values of the product for the period in which the product was regulated as Class I under the Northeast Order.

The cost of reclassifying Hood's Carb Countdown from Class I to Class II exceeds \$3 million. Since Hood had previously been charged the higher Class I price for Carb Countdown, reimbursement money will be deducted from the Northeast Order pool during calculation of the monthly statistical uniform price (SUP) for the months of November, December, and January. This will have the effect of reducing the SUP by between 4 and 5 cents per hundredweight for each of these months. Refer to the "Computation of Producer Price Differential and Statistical Uniform Price" on page 4 of this *Bulletin* for an explanation of how this adjustment occurs in the pool calculation. ❖

### Pool Summary

- A total of 14,636 producers were pooled under the Order with an average daily delivery per producer of 4,184 pounds.
- Pooled milk receipts totaled 1.837 billion pounds, a decrease of 0.3 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 48.7 percent of total milk receipts, an increase of 0.5 percentage points from October.
- The average butterfat test of producer receipts was 3.82 percent.
- The average true protein test of producer receipts was 3.13 percent.
- The average other solids test of producer receipts was 5.70 percent. ❖

#### Class Utilization

Pooled Milk	Percent	Pounds
Class I	48.7	895,118,330
Class II	20.0	367,889,400
Class III	21.9	401,395,461
Class IV	9.4	172,445,717
Total Pooled Milk		1,836,848,908

#### Producer Component Prices

	2005	2004
	\$/lb	
Protein Price	2.2724	2.4297
Butterfat Price	1.6114	2.0489
Other Solids Price	0.1606	0.0800

#### Class Price Factors

	2005	2004
	\$/cwt	
Class I	17.81	17.54
Class II	13.49	14.09
Class III	13.35	14.89
Class IV	12.90	13.34

## More Milk Moves South

During the months of October and November, net bulk milk shipments to the Appalachian, Florida, and Southeast federal milk marketing orders increased by 47.6 percent compared to the same period in 2004. The net total is calculated by taking total bulk shipments from plants regulated by the Northeast Order to plants regulated by the orders mentioned above and subtracting out receipts from plants regulated by those same orders to plants regulated by the Northeast Order. This amounted to 7.7 million pounds more than last year. It is normal during this time of the year for shipments to increase to the southern states, but additional demands were placed on the South due to shortages resulting from the hurricanes that hit late this summer.

Overall, more milk was received from other federal orders around the country than shipped from the Northeast Order during October and November, resulting in a net amount of 5.4 million pounds more receipts than shipments. This actually was down 61 percent from the same period in

2004. Other orders shipping in and out of the Northeast Order include the Upper Midwest, Central, and Mideast. ❖

## Limitation on Producer-Handlers

On December 9, 2005, the USDA announced a final decision that adopts amendments to the current provisions of the Pacific Northwest and Arizona-Las Vegas milk marketing orders. The amendments reflect a decision that establishes a 3 million pound per month route disposition limit, which if exceeded, would subject a producer-handler to the pooling and pricing provisions of the Pacific Northwest and the Arizona-Las Vegas milk marketing orders. The final decision was published in the Dec. 14 Federal Register. USDA will conduct a referendum to determine producer approval. If producers approve the order as amended by the final decision, a final rule will follow to implement the changes. ❖

## Blend Prices and Milk Production

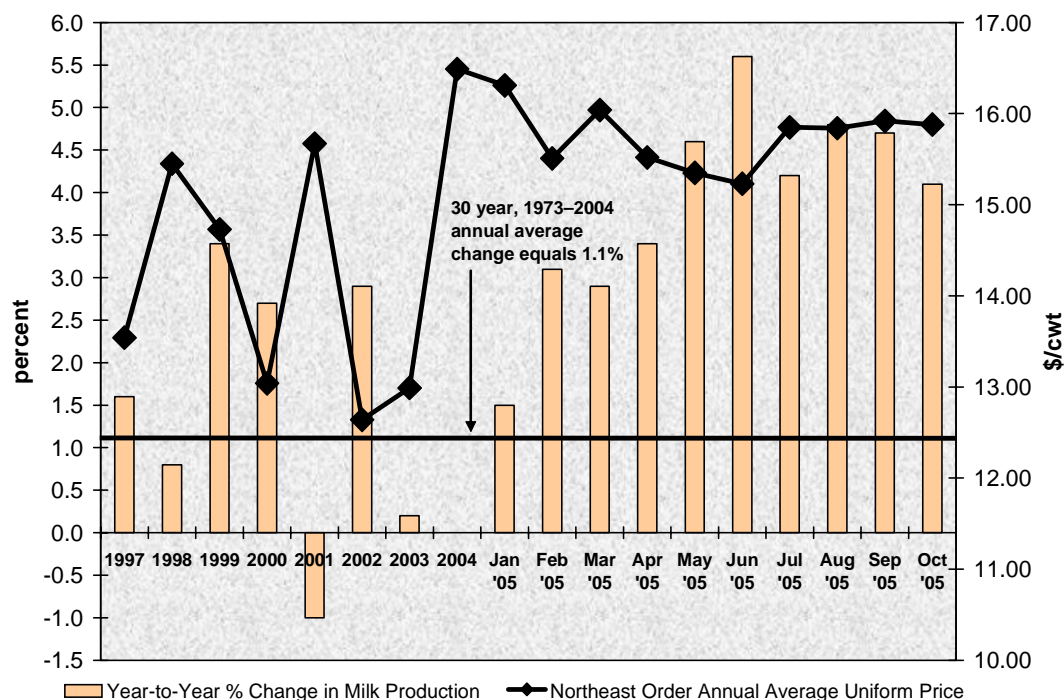
The accompanying graph shows year-to-year changes in U.S. milk production from 1997 to 2004 and monthly changes for 2005, as reported by USDA. Contrasting this data is the annual average statistical uniform price for the Northeast Order (monthly for 2005). From 2000 to present, this price is reported at the base (Boston differential); prior to 2000, the price represents the average statistical uniform price for the three predecessor orders.

Generally, there is a cause and effect relationship between the two sets of data. It is the basic supply and demand relationship—increases in milk production tend to result in decreases in milk prices and vice versa. As depicted in the graph, when milk production dropped, as in 1998, the blend price jumped. Similar scenarios occurred in 2001, 2003, and most notably, 2004. Price declines occurred in 1999, 2000, and 2002 when milk production saw substantial gains.

In contrast, since the beginning of 2005 milk production has increased significantly above the prior year levels. At the same time blend prices have remained relatively stable and at levels that may result in the second highest annual average blend price since the Order became effective.

Over the long-term (1973-2004), U.S. milk production has averaged an annual change of 1.1 percent. Since January 2005, milk production has averaged a monthly increase of 3.9 percent. During that same period, blend prices have averaged 74 cents less than during 2004. With milk production forecasted to continue upward, it is expected that blend prices will decline further in 2006. ❖

**Change in U.S. Milk Production and Uniform Price, 1997–October 2005**



Source: National Agricultural Statistics Service's *Agricultural Prices*.

## Payment Dates to Producers

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

The Order was amended effective with milk produced and pooled in June 2005. As a result, the final payment date that non-member producers must be paid became dependent on the date that the statistical uniform price is announced. Each month, this date (that final payments to producers must be received by) is printed on the back of the Pool Price Announcement. ❖

## Northeast Plant Closings Since 2004

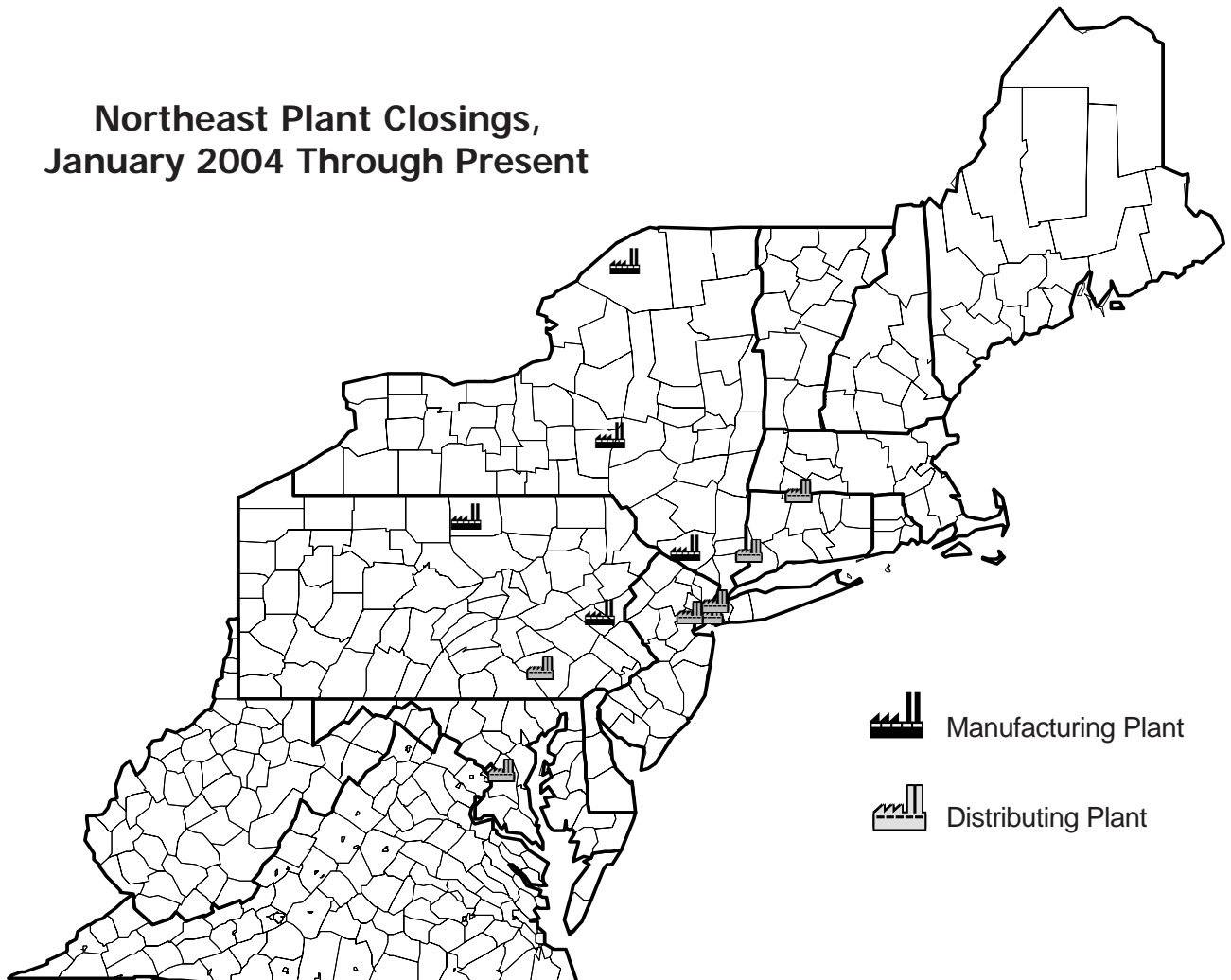
Since January 2004, there have been 12 plant closings or contractions that have had an impact on the Northeast Order pool. Of these, 7 were pool distributing plants whose combined utilization averaged 106 million pounds per month. The other 5 plants were manufacturing plants whose combined utilization averaged 47 million pounds per month. The locations of these plants are depicted on the accompanying map.

### Required Producer Payments Under the Northeast Order

2006 Month Milk Produced	Partial Payment Due	
	Day	Date
January	Thursday	1/26/06
February	Monday	2/27/06
March	Monday	3/27/06
April	Wednesday	4/26/06
May	Friday	5/26/06
June	Monday	6/26/06
July	Wednesday	7/26/06
August	Monday	8/28/06
September	Tuesday	9/26/06
October	Thursday	10/26/06
November	Monday	11/27/06
December	Tuesday	12/26/06

The majority of the milk that was processed at these plants remains pooled on the Northeast Order. Some of the milk may be processed in a different class, impacting the Order's utilization and, thus, uniform price. ❖

### Northeast Plant Closings, January 2004 Through Present





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**Computation of Producer Price Differential and Statistical Uniform Price\***

	<u>Product Pounds</u>	<u>Price per cwt./lb.</u>	<u>Component Value</u>	<u>Total Value</u>
Class I— Skim	876,256,337	\$11.73	102,784,868.33	
Butterfat	18,861,993	1.8551	34,990,883.21	
Less: Location Adjustment to Handlers			(2,849,561.38)	\$134,926,190.17
Class II— Butterfat	28,744,468	1.6184	46,520,047.00	
Nonfat Solids	31,085,361	0.9011	28,011,018.83	74,531,065.83
Class III— Butterfat	15,477,105	1.6114	24,939,806.97	
Protein	12,564,087	2.2724	28,550,631.29	
Other Solids	22,842,149	0.1606	3,668,449.16	57,158,887.42
Class IV— Butterfat	7,135,044	1.6114	11,497,409.87	
Nonfat Solids	15,198,425	0.8351	12,692,204.77	24,189,614.64
<b>Total Classified Value</b>				<b>\$290,805,758.06</b>
Add: Overage—All Classes				119,451.78
Inventory Reclassification—All Classes				(241,558.39)
Less: Producer Component Valuations				(260,643,995.59)
<b>Subtotal</b>				<b>\$30,039,655.86</b>
Add: Location Adjustment to Producers				8,587,717.22
One-half Unobligated Balance—Producer Settlement Fund				0.00 **
<b>Total Pool Milk &amp; Aggregate Value</b>	1,836,848,908			38,627,373.08
Less: Producer Settlement Fund—Reserve				(788,285.55)
<b>Producer Price Differential @ Suffolk County, MA (Boston)</b>		<b>\$2.06</b>		37,839,087.53
<b>Statistical Uniform Price @ Suffolk County, MA (Boston)</b>		<b>\$15.41</b>		

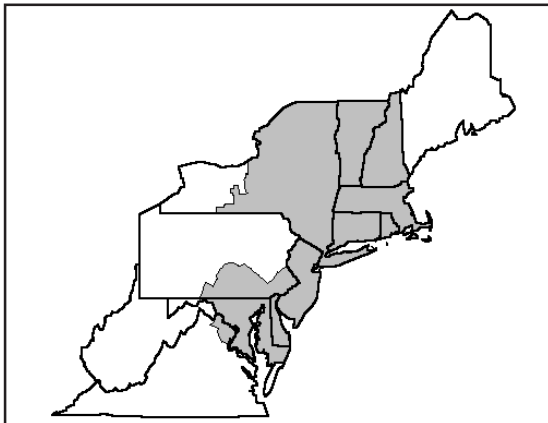
For November, December, and January pool this value will be "0"

PPD will be 4 to 5 cents lower

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

\*\* Zero due to obligation for settlement of the *H.P. Hood et. al.* 7 U.S.C. Sec.608(15)(A) decision.





# The Market Administrator's **BULLETIN**

## **NORTHEAST MARKETING AREA**

*Erik F. Rasmussen*, Market Administrator

**December 2005**

Federal Order No. 1

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### **December Pool Price Calculation**

The December 2005 statistical uniform price (SUP) for the Northeast Marketing Area was announced at \$14.83 per hundredweight for milk delivered to plants located in Suffolk County, Massachusetts (Boston), the pricing point for the Northeast Order. The statistical uniform price is calculated at 3.5 percent butterfat, 2.99 percent protein, and 5.69 percent other solids. The December producer price differential (PPD) at Suffolk County was \$1.46 per hundredweight.

December's statistical uniform price was 58 cents per hundredweight below the November price; the December PPD was 60 cents below last month's. During December, commodity butter and cheese prices declined while powder prices rose slightly. As a result, all class prices declined except the Class III price, which rose 2 cents from November. The spread between class prices tightened, reducing the PPD.

The producer butterfat test was 3.84 percent, the highest butterfat since the Order's inception. Producer protein remained at 3.13 percent and the highest test on record under the Order. ❖

### **Hearing on Class III and IV Make Allowances**

On January 5, the U. S. Department of Agriculture announced that it would hold a national public hearing to consider a proposal seeking to amend the Class III and Class IV milk price formula manufacturing allowances for all federal milk marketing orders. The hearing will begin at 8:30 a.m. on January 24, 2006, at the Sheraton Suites Old Town Alexandria, 801 North Saint Asaph Street, Alexandria, Va. 22314.

The hearing was requested by Agri-Mark, Inc. dairy cooperative to reconsider the manufacturing cost allowances provided for in the pricing formulas for cheese, whey powder, butter, and nonfat dry milk powder. The proponent stated that the current fixed allowances were calculated using 1998-2000 California and Department of Agriculture Cooperative Service surveys. While the product price formulas have been amended since 2000, the proponent claims that manufacturing costs have continued to increase, leaving them unable to recoup these additional costs from the marketplace.

Manufacturing or make allowances are part of the Class III and IV price formulas from which all federal order class prices are determined. These formulas convert the survey of wholesale prices of cheese, butter, nonfat dry milk, and dry whey back to an equivalent price for raw milk. In this manner, federal order class prices are a reflection of market supply and demand factors. ❖

### **Pool Summary**

- A total of 14,657 producers were pooled under the Order with an average daily delivery per producer of 4,298 pounds.
- Pooled milk receipts totaled 1.953 billion pounds, an increase of 2.9 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 47.4 percent of total milk receipts, a decrease of 1.3 percentage points from November.
- The average butterfat test of producer receipts was 3.84 percent.
- The average true protein test of producer receipts was 3.13 percent.
- The average other solids test of producer receipts was 5.70 percent.

#### **Class Utilization**

Pooled Milk	Percent	Pounds
Class I	47.4	926,153,395
Class II	17.4	340,139,174
Class III	22.3	435,735,775
Class IV	12.9	250,909,982
Total Pooled Milk		1,952,938,326

#### **Producer Component Prices**

	2005	2004
	\$/lb	
Protein Price	2.3846	2.8486
Butterfat Price	1.5036	2.0366
Other Solids Price	0.1702	0.0858

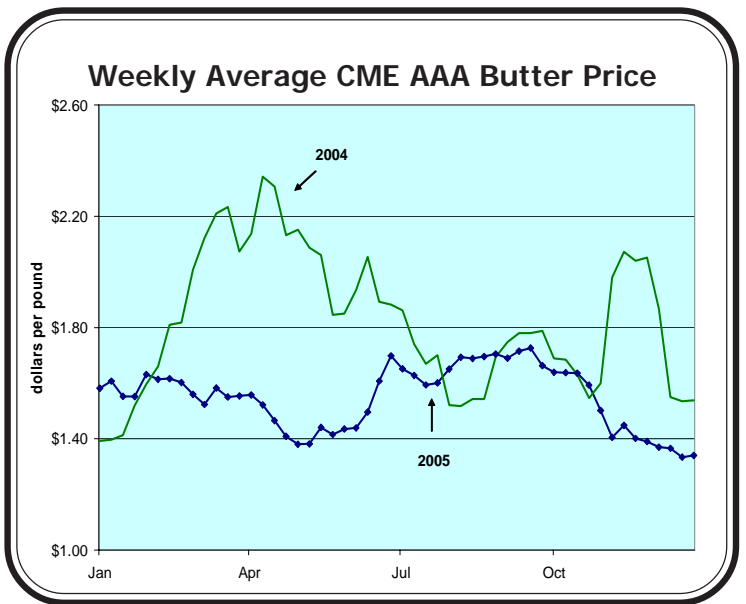
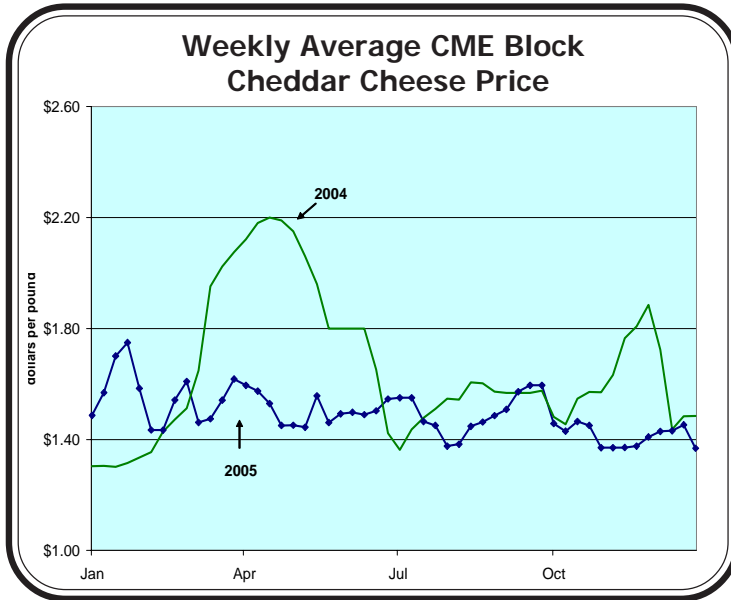
#### **Class Price Factors**

	2005	2004
	\$/cwt	
Class I	16.82	17.68
Class II	13.22	13.98
Class III	13.37	16.14
Class IV	12.57	13.42

## Commodity Prices

Both cheese and butter prices on the Chicago Mercantile Exchange (CME) were less volatile in 2005 than 2004. However, both commodities' prices have averaged lower than the previous year.

The CME 40-pound block Cheddar cheese price averaged \$1.49 per pound in 2005, compared to \$1.65 per pound in 2004. The commodity has traded within a range of 38 cents during 2005, with a high of \$1.75 per pound and a low of \$1.37 per pound. Cheese traded within a range of 90 cents during the same time period in 2004, reaching a high of \$2.20 per pound and a low of \$1.30 per pound.



The CME AA butter price averaged \$1.55 per pound in 2005, compared to \$1.82 per pound in 2004. Butter traded within a range of 39 cents in 2004, much less than the 95-cent range the commodity traded within during 2004. During 2004, butter reached a high of \$2.34 per pound. The high weekly butter price for 2005 is \$1.73 per pound for the week ending September 23.

During the fourth quarter of 2005, cheese averaged \$1.41 per pound, 20 cents lower than the fourth quarter of 2004. Butter averaged \$1.45 per pound during the fourth quarter of 2005, almost 30 cents less than the same period in 2004.

## Pool Summary for All Federal Orders, January–December, 2004–2005

Federal Order		Total Producer Milk			Producer Price Differential#		Statistical Uniform Price#*	
Number	Name	2004	2005	Change**	2004	2005	2004	2005
		pounds			percent	dollars per hundredweight		
1	Northeast	22,669,950,549	23,565,272,087	4.2	1.10	1.60	16.49	15.64
5	Appalachian	6,202,493,443	6,399,812,315	3.5	N/A	N/A	17.01	16.23
6	Florida	2,873,014,359	3,125,345,158	9.1	N/A	N/A	18.40	17.57
7	Southeast	7,164,432,271	7,543,717,206	5.6	N/A	N/A	16.94	16.14
30	Upper Midwest	17,302,476,567	22,449,887,923	30.1	(0.35)	0.27	15.05	14.32
32	Central	11,589,392,846	13,965,746,351	20.8	(0.20)	0.42	15.20	14.47
33	Mideast	15,939,908,456	18,060,092,544	13.6	0.05	0.66	15.44	14.70
124	Pacific Northwest	6,517,689,890	7,045,825,851	8.4	(0.58)	0.15	14.82	14.20
126	Southwest	8,790,403,560	9,578,701,979	9.3	0.61	1.33	16.00	15.37
131	Arizona-Las Vegas	2,901,186,995	2,947,498,446	1.9	N/A	N/A	15.52	14.66
135	Western	1,096,283,946 ^	0	N/A	0.45	N/A	13.12	N/A
All Market Total/Average		103,047,232,882	114,681,899,860	11.6	0.16	0.74	15.82	15.33

# Price at designated order location.  
N/A = Not applicable.

\* Price at 3.5% butterfat.  
^ Order was terminated April 1, 2004.

\*\* Adjusted for leap year.

## 2005 Northeast Order Statistics Summarized

During 2005, the volume of milk received from producers shipping to handlers regulated under the Northeast Order totaled 23.6 billion pounds, an increase of 4.2 percent from 2004. The average number of producers declined only 0.9 percent, while average daily deliveries per producer (DDP) increased 5.1 percent. The accompanying table compares selected pool statistics for 2004 and 2005. Comparisons have been adjusted for leap year in 2004.

### Class Utilization Changes

Class I utilization averaged 45.0 percent in 2005, a decrease of 2.2 percentage points from the previous year. The total volume of milk used in Class I decreased slightly (0.5 percent), but because of a larger volume of producer milk receipts, the change was accentuated. Class II usage increased 6.2 percent, but because of the overall volume increase only resulted in a utilization increase of 0.4 percentage points. Class III volume grew 1.8 percent, but when compared to the increase in total producer milk receipts, the utilization dropped 0.6 percentage points. In actuality, the 2005 Class III volume was less than the previous year. Over 650 million pounds were depooled during April, May, and June of 2004. If that milk had been included on the Order, the 2005 Class III volume would have shown a decline of over 9.0 percent. Less milk was used in Class III partially due to the closure of cheese manufacturing facilities. The amount of milk used in Class IV jumped 28.6 percent in 2005; utilization increased 2.3 percentage points. This was mainly due to the change in the Order in May 2004 that reclassified milk used to produce evaporated milk or sweetened condensed as Class IV instead of Class III.

### Prices Lower

National milk production started to gain momentum in the early spring of 2005. With the tightness in milk easing, prices began to decline. All federal order class prices averaged less than 2004's record-setting prices.

The Class I price averaged \$17.65 per hundredweight in 2005, 58 cents below the 2004 annual average. The highest Class I price during 2005 was \$19.90 in January, \$4.48 less than the record high in June of 2004. The Class II price averaged 38 cents less than the previous year and the Class IV price was down 32 cents from 2004. The Class III price was hit the hardest, averaging \$1.34 per hundredweight less than the 2004 average. Overall, the statistical uniform price (blend) reported at Suffolk County, Massachusetts (Boston) averaged \$15.64 per hundredweight, 85 cents (5.1 percent) less than the 2004 price.

### Component Pricing

The price paid to producers for butterfat averaged \$1.7105 per pound, 16.6 percent less than in 2004. The per-pound annual average protein price declined 5.5 percent. The other solids price increased 63.5 percent, jumping

from \$0.0751 to \$0.1228 per pound. The nonfat solids rose 14.3 percent.

The annual average producer butterfat test was unchanged from 2004 although tests varied significantly throughout the year. The average protein test was 1 hundredth of a point less than the previous year while the other solids test averaged 2 hundredths of a point higher than 2004.

### Producer Changes

The simple average number of producers equaled 135 less than 2004. This decline is less than last year, but is also skewed by the depooling that occurred in 2004, which resulted in a lower annual average than would have occurred had there not been any depooling. The year ended with 430 fewer producers than at the end of 2004. ❖

Order Pool Statistics, 2004–2005

Pool Statistics	2004	2005	2004-05
	million pounds		Change
			percent
Class I	10,691.8	10,612.9	-0.5
Class II	4,441.2	4,701.5	6.2
Class III	5,297.3	5,378.0	1.8
Class IV	2,239.7	2,872.8	28.6
Total	22,670.0	23,565.3	4.2
	pounds		
DDP	4,121	4,330	5.1
	utilization percentage		change
Class I	47.1	45.0	-2.1
Class II	19.6	20.0	0.4
Class III	23.4	22.8	-0.6
Class IV	9.9	12.2	2.3
	dollars/cwt		percent
Class I	18.23	17.65	-3.2
Class II	13.86	13.48	-2.7
Class III	15.39	14.05	-8.8
Class IV	13.20	12.88	-2.5
SUP	16.49	15.64	-5.1

## No CCC Purchases in 2005

During the 2005 calendar year, the Commodity Credit Corporation (CCC) did not purchase any products under the price support program. This is the first year ever since the dairy price support program began operation in 1949 that no purchases were made during an entire calendar year. The program reports on a fiscal year basis that runs from October 1–September 30 of the following year.

The last CCC purchase was in November 2004 for nonfat dry milk. The last time butter was purchased was in June 2003; the last cheese purchase was in July 2003. There have been no uncommitted inventories of any product since October 2004. ❖



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**Computation of Producer Price Differential and Statistical Uniform Price\***

	<u>Product Pounds</u>	<u>Price per cwt./lb.</u>	<u>Component Value</u>	<u>Total Value</u>
Class I— Skim	906,375,492	\$11.28	102,239,155.50	
Butterfat	19,777,903	1.6958	33,539,367.91	
Less: Location Adjustment to Handlers			(2,917,853.98)	\$132,860,669.41
Class II— Butterfat	27,028,210	1.5106	40,828,814.05	
Nonfat Solids	28,717,995	0.9133	26,228,144.83	67,056,958.88
Class III— Butterfat	17,512,328	1.5036	26,331,536.37	
Protein	13,599,956	2.3846	32,430,455.07	
Other Solids	24,758,521	0.1702	4,213,900.32	62,975,891.76
Class IV— Butterfat	10,758,653	1.5036	16,176,710.68	
Nonfat Solids	22,026,763	0.8414	18,533,318.39	34,710,029.07
<b>Total Classified Value</b>				<b>\$297,603,549.12</b>
Add: Overage—All Classes				107,713.32
Inventory Reclassification—All Classes				9,452.14
Other Source Receipts	10,146			282.06
Less: Producer Component Valuations				(277,549,941.40)
<b>Subtotal</b>				<b>\$20,171,055.24</b>
Add: Location Adjustment to Producers				9,194,970.04
One-half Unobligated Balance—Producer Settlement Fund				0.00 **
<b>Total Pool Milk &amp; Aggregate Value</b>	1,952,948,472			29,366,025.28
Less: Producer Settlement Fund—Reserve				(852,977.59)
<b>Producer Price Differential @ Suffolk County, MA (Boston)</b>		<b>\$1.46</b>		28,513,047.69
<b>Statistical Uniform Price @ Suffolk County, MA (Boston)</b>		<b>\$14.83</b>		

For November, December, and January pool this value is "0"

PPD is 4 to 5 cents lower

\* Price at 3.5 percent butterfat, 2.99 percent protein, and 5.69 percent other solids.  
 \*\* Zero due to obligation for settlement of the *H.P. Hood et. al.* 7 U.S.C. Sec.608(15)(A) decision.