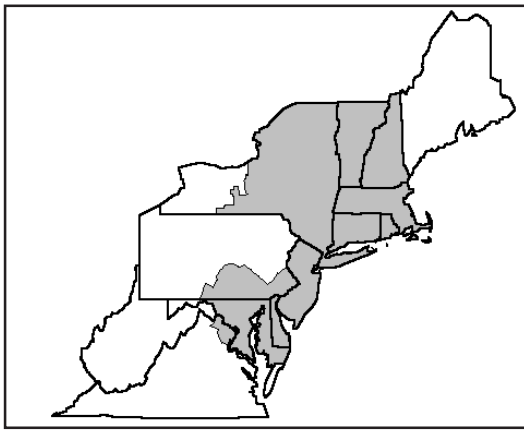


The Market Administrator's

BULLETIN

NORTHEAST MARKETING AREA

Erik F. Rasmussen, Market Administrator

January 2006 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

January Pool Price Calculation

The January 2006 statistical uniform price (SUP) for the Northeast Marketing Area was announced at $14.78 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 $1.39 per hundredweight.

January's statistical uniform price was 5 cents per hundredweight below the December 2005 price; the January PPD was 7 cents below last month's. During January, commodity butter, cheese, and powder prices declined while dry whey prices rose slightly. Butter prices dropped the most; since butterfat is a component in the protein price formula, this change resulted in an increase in the producer protein prices. The Class I and IV prices declined while the Class II and III prices increased slightly.❖

Marketing Services 2005 Summary

The Market Administrator's marketing services program verifies or establishes bulk tank calibrations, 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 services program is the bulk tank calibration program. The Northeast Order operates two calibration trucks. In providing calibration services, the two trucks combined covered over 27,800 miles during 2005. The Marketing Services department checked 345 farm bulk tanks throughout the Northeast Marketing Area milkshed during the 2005 season. Briefly, 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. The levels checked vary depending on the tank size and a farm's production range. If the

(continued on page 2)

Pool Summary

- A total of 14,551 producers were pooled under the Order with an average daily delivery per producer of 4,403 pounds.
- Pooled milk receipts totaled 1.986 billion pounds, an increase of 1.7 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 45.0 percent of total milk receipts, a decrease of 2.4 percentage points from December.
- The average butterfat test of producer receipts was 3.79 percent.
- The average true protein test of producer receipts was 3.08 percent.
- The average other solids test of producer receipts was 5.71 percent.❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	45.0	893,898,066
Class II	18.6	369,249,764
Class III	21.7	431,952,237
Class IV	14.7	291,222,427
Total Pooled Milk		1,986,322,494

Producer Component Prices

	2006	2005
	$/lb	
Protein Price	2.3994	2.5300
Butterfat Price	1.4684	1.7330
Other Solids Price	0.1881	0.0899

Class Price Factors

	2006	2005
	$/cwt	
Class I	16.63	19.90
Class II	13.25	13.04
Class III	13.39	14.14
Class IV	12.20	12.52

Class I Sales Continue to Decline

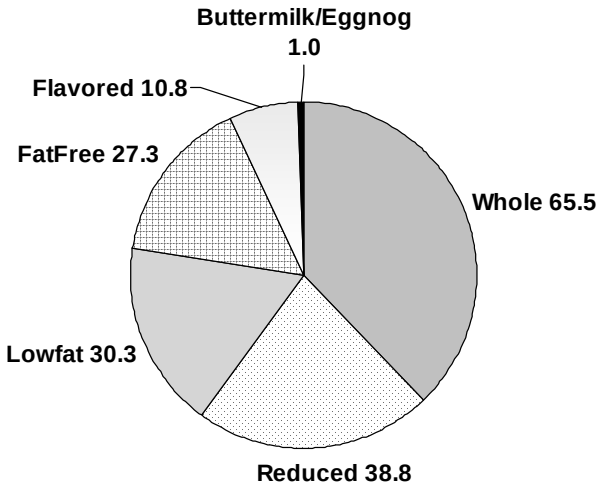
Sales of fluid milk products in the Northeast Milk Marketing Area totaled 9.1 billion pounds in 2005, down 0.5 percent from 2004 adjusted for leap year. This follows a decline of 0.8 percent in 2004. The accompanying table shows total in-area sales by type of product for 2004 and 2005. All changes have been adjusted for leap year. The chart shows per capita sales by product for 2005.

Flavored milk (e.g. chocolate milk) and drinks (lowfat flavored milk) had the largest decline during 2005, dropping 5.3 percent. This follows an increase of 7.7 percent in 2004. Other products that also recorded declines during 2005 include whole milk and the combined category of buttermilk and eggnog. Fatfree milk (skim) showed the largest increase from 2004 with growth of 2.5 percent. Lowfat (1 percent) and reduced fat (2 percent) increased 2.2 and 1.8 percent, respectively.

On a per capital basis, total fluid sales declined only 0.7 percent in 2005 (adjusted for leap year). This is less than the 1.2 percent drop in 2004. Whole milk continues to be the dominant product with 65.5 pounds, down from 67.9 in 2004. Reduced fat per capita sales grew slightly in 2005, to 38.8 pounds from 38.2 pounds the previous year. Lowfat sales increased 0.6 pounds; fatfree grew 0.7 pounds; and flavored milk and drinks declined 0.7 pounds.

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, D.C.

Northeast Area Per Capita Sales (pounds) by Product, 2005



Sales of Fluid Milk Products in the Northeast Milk Marketing Area, 2004–2005

Product	Total In-area Sales 2004	2005	2004–05 change*
	million pounds		percent
Whole Milk	3,572.6	3,446.8	(3.3)
Reduced Fat – 2%	2,009.0	2,039.0	1.8
Lowfat – 1%	1,562.5	1,592.2	2.2
FatFree	1,402.4	1,434.1	2.5
Flavored Milk and Drinks	604.4	570.6	(5.3)
Buttermilk/Eggnog	57.3	54.4	(4.8)
Total	9,208.0	9,137.1	(0.5)

* Adjusted for leap year.

Marketing Services *(continued from page 1)*

tank proves to be out of tolerance when checked, the tank is then recalibrated. Depending on scheduling, recalibrations may be performed the same day or rescheduled for another day. Of the 345 tanks checked, 45 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 143 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 345 checks and the 143 additional calibrations total at least 488 farm visits. A total of 179 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.❖

Tank Calibration Work by Tank Size, 2005

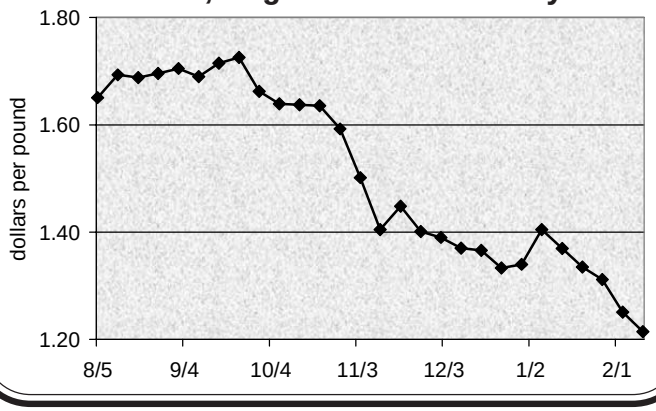
Tank Size (Gallons)	Checks	Calibrations/ Recalibrations
0-500	34	11
501-1000	175	114
1001-1500	63	25
1501-2000	41	15
2001-3000	25	8
3001-6000	4	4
6000+	3	2
Total	**345**	**179**

Prices Falling, Will MILC Be There?

The weekly Chicago Mercantile Exchange (CME) AA butter price closed at $1.2145 per pound for the week ending February 10, 2006. This is the lowest weekly average price since the week ending November 21, 2003. The weekly CME Cheddar cheese fell to $1.2385 per pound for the week ending February 10. This is the lowest since the week ending June 20, 2003.

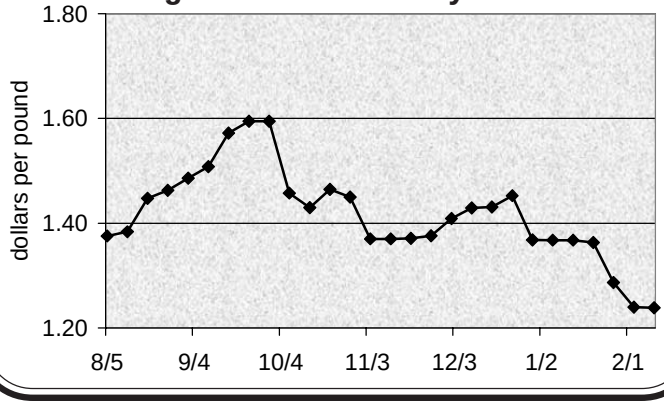
Milk production has been at least 4 percent higher than the previous year on a monthly basis since May 2005. The milk-feed price ratio averaged $3.09 and $3.24 in 2004 and 2005, respectively. A ratio over $3.00 is usually indicative of a market environment suitable to expansion. The number of milk cows in 2005 was up 0.3 percent and milk per cow in 2005 increased 3.1 percent over 2004. The market appears to be reflecting the impact of production expansion.

Weekly Average CME Block Cheddar Cheese Price, August 2005–February 2006



Demand, measured by commercial disappearance of milk in all products on a milkfat basis, increased 1.1, 2.0, and 4.0 percent in the first, second, and third quarters of 2005, respectively. With October and November data in, the fourth quarter of 2005 shows an increase of 1.3 percent

Weekly Average AA Butter Price, August 2005–February 2006

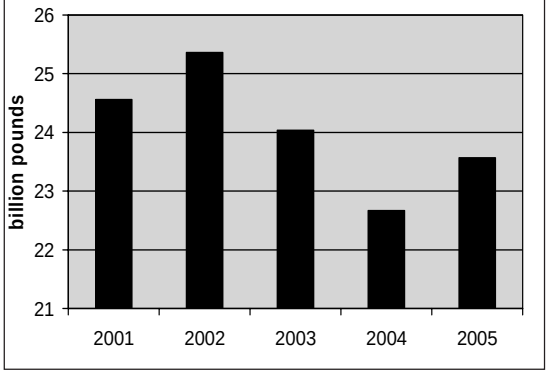


over the previous year. These numbers suggest that the current downward pressure on prices is not due to soft demand. The demand, though healthy, cannot keep pace with increasing milk production.

Lower commodity prices will likely translate into lower prices to producers. Will the Milk Income Loss Contract (MILC) program be there for farmers as the prices continue to soften? After 18 of 19 months in which the Class I price was above $16.94, it has now been below that trigger price for 3 months in a row. Included in the Deficit Reduction Act of 2005, still awaiting the President's signature, is a section amending the expired program and authorizing it through September 2007. There is only one major change to the program—the payment will be based on 34 percent of the difference between the target price of $16.94 per hundredweight and the announced Boston Class I price instead of 45 percent of the difference that was used in the expired program's calculation. For a 100,000 pound a month farm in January 2005, at which time the Class I price was $16.63, the difference to the producer would have been $27.90 less. If passed, payments would be retroactive.❖

Northeast Order Selected Statistics, 2001–2005

Producer Milk Receipts Pooled on the Northeast Order, 2001–2005



Annual Average Producer Pay Prices Under the Northeast Order, 2001–2005

	2001	2002	2003	2004	2005	2004-05 Change
			dollars			percent
Butterfat per lb	1.8480	1.1928	1.2099	2.0507	1.7105	(16.6)
Protein per lb	1.9613	1.9735	2.3770	2.6035	2.4602	(5.5)
Other Solids per lb	0.1343	0.0593	0.0129	0.0751	0.1228	63.5
PPD per cwt*	2.57	2.22	1.57	1.10	1.60	45.5
SUP per cwt*	15.67	12.64	12.99	16.49	15.65	(5.1)

* At Suffolk County, MA (Boston).

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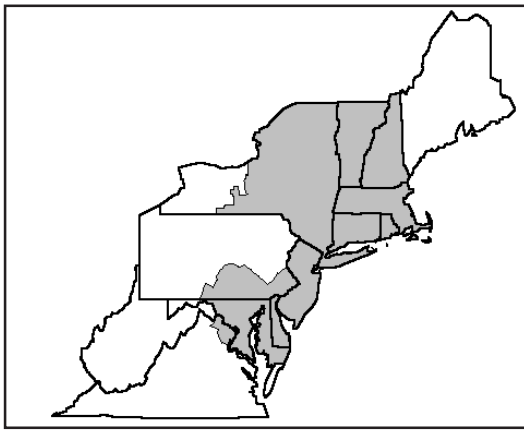
Computation of Producer Price Differential and Statistical Uniform Price*

	Product Pounds	Price per cwt./lb.	Component Value	Total Value
Class I— Skim	876,359,401	$11.67	102,271,142.10	
Butterfat	17,538,665	1.5341	26,906,065.98	
Less: Location Adjustment to Handlers			(2,771,154.08)	$126,406,054.01
Class II— Butterfat	26,924,143	1.4754	39,723,880.57	
Nonfat Solids	31,233,908	0.9311	29,081,891.71	68,805,772.28
Class III— Butterfat	17,556,377	1.4684	25,779,783.96	
Protein	13,264,815	2.3994	31,827,597.12	
Other Solids	24,581,009	0.1881	4,623,687.81	62,231,068.89
Class IV— Butterfat	13,336,492	1.4684	19,583,304.83	
Nonfat Solids	25,383,537	0.8132	20,641,892.28	40,225,197.11
Total Classified Value				**$297,668,092.29**
Add: Overage—All Classes				26,217.61
Inventory Reclassification—All Classes				45,738.54
Other Source Receipts	14,807			447.17
Less: Producer Component Valuations				(278,608,904.13)
Subtotal				**$19,131,591.48**
Add: Location Adjustment to Producers				9,372,277.34
One-half Unobligated Balance—Producer Settlement Fund				0.00 **
Total Pool Milk & Aggregate Value	1,986,337,301			28,503,868.82
Less: Producer Settlement Fund—Reserve				(893,780.28)
Producer Price Differential @ Suffolk County, MA (Boston)		**$1.39**		27,610,088.54
Statistical Uniform Price @ Suffolk County, MA (Boston)		**$14.78**		

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.



The Market Administrator's

BULLETIN

NORTHEAST MARKETING AREA

Erik F. Rasmussen, Market Administrator

February 2006 Federal Order No. 1

To contact the Northeast Marketing Area offices:
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e-mail address: MAAlbany@fedmilk1.com; *Alexandria, VA*: phone (703) 549-7000, e-mail address: MAAlexandria@fedmilk1.com;
website address: www.fmmone.com

February Pool Price Calculation

The February 2006 statistical uniform price (SUP) for the Northeast Marketing Area was announced at $14.25 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 $2.05 per hundredweight.

February's statistical uniform price was 53 cents per hundredweight below the January price; the February PPD was 66 cents above last month's. During February commodity butter, cheese, and powder prices declined while dry whey prices rose slightly, similar to January. Since the Class I price was calculated using data from January, it did not decline. All other class prices dropped considerably, and the spread between Class I and Class III prices was reflected in an increase in the PPD.❖

Recent Federal Order Decisions

The USDA announced three recommended decisions on February 21, 2006. The orders affected include:

- ***Mideast (Order No. 33)—*** In order to deter depooling, during April through February the amount handlers can pool would be limited to 115 percent of the volume pooled in the prior month; in March, the amount would be 120 percent of the volume pooled in the prior month.
- ***Central (Order No. 32)—*** The amendments would increase supply plant performance standards, amend features of the "touch-base" provision, amend certain features of the "split plant" provision, and decrease the diversion limit standards of the Order. To deter depooling, it proposes a limit to the volume a handler can pool in a month to 125 percent of the total volume pooled in the previous month.
- ***Upper Midwest (Order No. 30)—*** To deter depooling, the decision recommends establishing a limit on the volume of milk a handler pools during the months of April through February to 125 percent of the volume pooled in the prior month; in March, the amount would be 135 percent of the prior month's volume. In addition, the amended Order allows the market administrator to increase the maximum administrative assessment rate up to 8 cents per hundredweight on all pooled milk if necessary to maintain the required fund reserves.

(continued on page 3)

Pool Summary

- A total of 14,441 producers were pooled under the Order with an average daily delivery per producer of 4,535 pounds.
- Pooled milk receipts totaled 1.834 billion pounds, an increase of 2.2 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 44.3 percent of total milk receipts, a decrease of 0.7 percentage points from January.
- The average butterfat test of producer receipts was 3.78 percent.
- The average true protein test of producer receipts was 3.06 percent.
- The average other solids test of producer receipts was 5.73 percent.❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	44.3	811,395,334
Class II	18.6	341,709,484
Class III	22.2	406,741,496
Class IV	14.9	273,756,508
Total Pooled Milk		1,833,602,822

Producer Component Prices

	2006	2005
	$/lb	
Protein Price	2.1220	2.6613
Butterfat Price	1.3469	1.7754
Other Solids Price	0.1999	0.0915

Class Price Factors

	2006	2005
	$/cwt	
Class I	16.63	17.04
Class II	12.62	13.36
Class III	12.20	14.70
Class IV	11.10	12.74

U.S. Milk Production Rebounded in 2005

After nearly 2 years without much change, milk production in the United States registered an increase of 3.8 percent in 2005. The top ten milk producing states showed an increase of 4.5 percent, while the top 23 states as reported by the National Agricultural Statistics Service (NASS) grew 4.2 percent. All figures have been adjusted for leap year in 2004.

Top Ten States Ranked by Milk Production, 2005

Rank	State	2004	2005	Percent Change
		million pounds		
1	California	36,465	37,564	3.3
2	Wisconsin	22,085	22,866	3.8
3	New York	11,650	12,078	4.0
4	Pennsylvania	10,062	10,503	4.7
5	Idaho	9,093	10,161	12.1
6	Minnesota	8,102	8,195	1.4
7	New Mexico	6,737	6,951	3.5
8	Michigan	6,330	6,735	6.7
9	Texas	6,009	6,442	7.5
10	Washington	5,416	5,608	3.8
	Top Ten Total	121,949	127,103	4.5
	U.S.Total	170,934	176,989	3.8

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

Top Producing States

Nationally, milk production began bouncing back in May 2005. During the last 8 months of the year, production increased an average 4.6 percent each month. The accompanying table shows the top ten milk-producing states during 2005. Their ranks were unchanged from 2004. Minnesota showed the smallest increase with only 1.4 percent while Idaho had the most dramatic with 12.1 percent.

Each month NASS reports milk production from the 23 top producing states. NASS includes Kentucky in this group, but for the past 2 years, Utah has had higher milk production. Kentucky's production declined 3.3 percent in 2005. The only other state in the top-23 group that had declining production during 2005 was Illinois, down 0.7 percent.

Nationally, only 16 states showed production declines during 2005. Besides Idaho, the only other state to experience a double-digit increase was 47th ranked Wyoming with 17.5 percent. Other states with significant increases include Colorado (7.8 percent), Montana (7.2 percent), South Dakota (7.0 percent), and Nevada (6.8 percent).

Northeast Production Below National Average

In the Northeast milkshed (the area from which milk is traditionally procured by handlers selling into the Northeast Milk Marketing Area), milk production increased 3.5 percent. This region covers New England and the contiguous states down the east coast including Virginia and as far west as Pennsylvania and West Virginia (see map on front page). The top three contributing states (New York, Pennsylvania, and Vermont) showed a combined increase of 4.1 percent. The individual increases for New York and Pennsylvania are shown in the table. Vermont's production grew 2.1 percent and it was the only New England state to show an increase in production. For the combined New England states (Connecticut, Massachusetts, Maine, New Hampshire, Rhode Island, and Vermont), production rose only 0.6 percent. The rest of the milkshed states (Delaware, Maryland, New Jersey, Virginia, and West Virginia) had a combined increase of 1.7 percent in 2005. Besides most of New England, New Jersey was the only other northeastern state to post a decline with 3.7 percent.❖

MILC Program Sign-Up Begins

On March 15, the Farm Service Agency announced that dairy producers have until April 14, 2006, to sign up for the extended Milk Income Loss Contract (MILC) program. From October 1, 2005, through August 31, 2007, a dairy operation's monthly payment will equal the milk quantity sold in that month multiplied by 34 percent of the difference between $16.94 per hundredweight and that month's domestic Class I milk price. Producers may retroactively select any month beginning December 2005 through April 2006 for sign-up before April 14, 2006. Sign-up will continue after that date; however, after April 14, 2006, producers will not have the option to select a retroactive month for payment for which the payment rate has already been announced. FSA will make payments up to a maximum of 2.4 million pounds of milk produced and marketed by the dairy operation per fiscal year.

For more information or to apply, producers can contact their local FSA office or online at: www.fsa.usda.gov/dafp/psd/.❖

Tentative Calibration Truck Schedule, 2006

Month	Area
April	Eastern/Central New York Southeast Pennsylvania
May	Eastern New York/New Jersey Southeast Pennsylvania
June	Northern Pennsylvania/Central New York Western New York
July	Northern Pennsylvania/Central New York Western New York
August	Eastern New York Vermont/New Hampshire
September	Central New York/Fingerlakes Region Maine/Southern New England
October	Central Pennsylvania Southeast Pennsylvania
November	Southeast Pennsylvania

Average Daily Deliveries Per Producer by Federal Order

The accompanying map shows the annual average daily deliveries per producer (DDP) by Federal Milk Marketing Area for 2005. The number is calculated by dividing the total pooled milk receipts by the average number of producers for that time period.

The most significant factor that results in differing DDP across the various marketing areas is average herd size. Farm practices, such as milking frequency, feed quality, genetics, and use of bovine somatotropin (BST), can also impact a herd's productivity. Weather, particularly at the extremes, can impact a herd's productivity as well.

When it comes to DDP, it is clear on the map that there are two distinct groupings: those areas with a DDP below 7,000 pounds and those areas above 25,000 pounds. The Upper Midwest ranks last in DDP at 4,217 pounds a day per producer. The Northeast, next to last, had a DDP of 4,330 pounds a day. The Arizona-Las Vegas area ranked first with 92,466 pounds a day per producer. That is approximately 22 times greater than the DDP in the Midwest and Northeast. An average of just 87 producers were pooled on the Arizona-Las Vegas Order, compared with over 14,000 in each of the Northeast and Upper Midwest orders. Of the four regions with DDP over 25,000 pounds, three are in the western portion of the United States, the other is Florida.

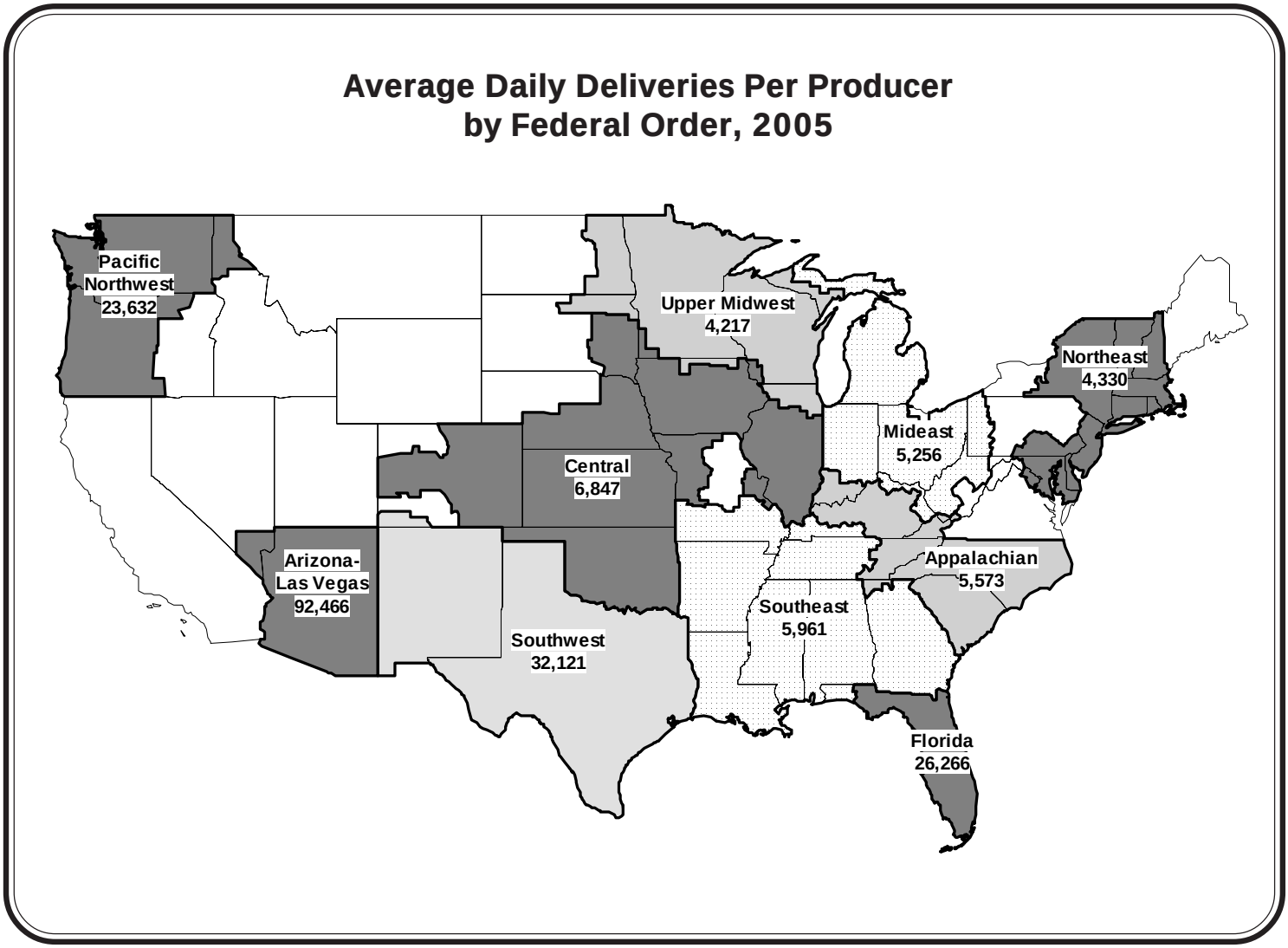
The Northeast Order pooled the largest volume of milk in 2005, totaling over 23 billion pounds. Arizona-Las Vegas pooled the smallest amount, at about 3 billion pounds. It would take just 698 producers with average daily deliveries equal to that in the Arizona-Las Vegas Order to supply what 14,904 Northeast producers in 2005 generated.❖

Recent Decisions *(continued from page 1)*

Public comments pertaining to the above decisions are due April 24, 2006.

On February 23, the USDA announced a final rule affecting the following orders:

- ***Pacific Northwest (Order No. 124) and Arizona-Las Vegas (Order No. 131)*—**The rule establishes a three million pound per month route disposition limit, which if exceeded, would subject a producer-handler to the pooling and pricing provisions of the Orders. The final rule becomes effective April 1, 2006.❖



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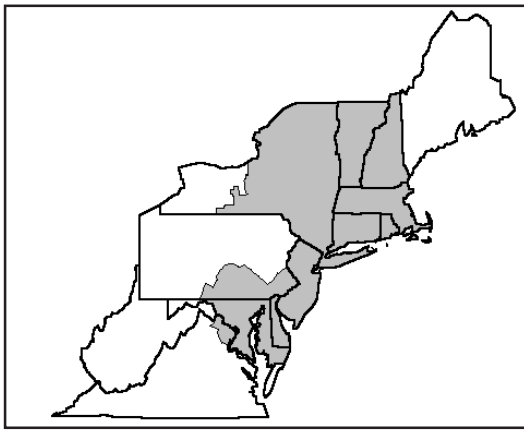
Computation of Producer Price Differential and Statistical Uniform Price*

	Product Pounds	Price per cwt./lb.	Component Value	Total Value
Class I— Skim	795,460,029	$11.76	93,546,099.41	
Butterfat	15,935,305	1.5096	24,055,936.43	
Less: Location Adjustment to Handlers			(2,557,732.83)	$115,044,303.01
Class II— Butterfat	25,707,714	1.3539	34,805,673.99	
Nonfat Solids	28,839,154	0.9078	26,180,184.02	60,985,858.01
Class III— Butterfat	16,772,960	1.3469	22,591,499.78	
Protein	12,397,968	2.1220	26,308,488.07	
Other Solids	23,197,609	0.1999	4,637,202.05	53,537,189.90
Class IV— Butterfat	10,852,341	1.3469	14,617,018.12	
Nonfat Solids	24,021,956	0.7359	17,677,757.45	32,294,775.57
Total Classified Value				**$261,862,126.49**
Add: Overage—All Classes				85,681.32
Inventory Reclassification—All Classes				3,851.31
Other Source Receipts	20,438			797.39
Less: Producer Component Valuations				(233,348,152.08)
Subtotal				**$28,604,304.43**
Add: Location Adjustment to Producers				8,707,571.61
One-half Unobligated Balance—Producer Settlement Fund				1,096,986.59
Total Pool Milk & Aggregate Value	1,833,623,260			38,408,862.63
Less: Producer Settlement Fund—Reserve				(819,585.77)
Producer Price Differential @ Suffolk County, MA (Boston)		**$2.05**		37,589,276.86
Statistical Uniform Price @ Suffolk County, MA (Boston)		**$14.25**		

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



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Erik F. Rasmussen, Market Administrator

March 2006 Federal Order No. 1

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website address: www.fmmone.com

March Pool Price Calculation

The March 2006 statistical uniform price (SUP) for the Northeast Marketing Area was announced at $13.43 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 $2.32 per hundredweight.

March's statistical uniform price was 82 cents per hundredweight below the February price; the March PPD was 27 cents above last month's. During March, all commodity prices declined resulting in lower producer component prices and lower class prices. The spread between the Class I price and the other class prices grew slightly and was reflected in a higher PPD.

The March producer protein test equaled 3.06 percent, unchanged from February and the highest protein test reported for the month of March since the Order's inception.❖

Dairy Price Support Programs Regional Payouts

Two major federal Government programs, which directly or indirectly impact what a milk producer received for their milk, are the Milk Price Support Program (MPSP) and the Milk Income Loss Contract (MILC) program.

Through the Milk Price Support Program, the Commodity Credit Corporation (CCC) purchases cheese, butter, and nonfat dry milk at a predetermined price. The effect of the program is to set a price floor for the price of milk. These commodity prices are set based on the current support price of milk and the cost of converting raw milk into those commodities. At present, The Farm Security and Rural Investment Act of 2002 set the price at $9.90 per hundredweight.

The MILC Program supports producers' income directly by paying the farmer an additional amount for the milk they produce if the Class I price in Boston drops below $16.94 per hundredweight. Producers may only receive MILC payments on up to 2.4 million pounds of production in a fiscal year.

The two programs combined have cost the federal government close to $3.5 billion during the 2002 through 2005 fiscal years; however, the

(continued on page 3)

Pool Summary

- A total of 14,457 producers were pooled under the Order with an average daily delivery per producer of 4,605 pounds.
- Pooled milk receipts totaled 2.064 billion pounds, an increase of 1.7 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 45.3 percent of total milk receipts, an increase of 1.0 percentage points from February.
- The average butterfat test of producer receipts was 3.77 percent.
- The average true protein test of producer receipts was 3.06 percent.
- The average other solids test of producer receipts was 5.73 percent.❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	45.3	935,322,653
Class II	18.5	381,590,325
Class III	21.4	441,630,742
Class IV	14.8	305,351,042
Total Pooled Milk		2,063,894,762

Producer Component Prices

	2006	2005
	$/lb	
Protein Price	1.8836	2.5019
Butterfat Price	1.2596	1.7279
Other Solids Price	0.1874	0.0951

Class Price Factors

	2006	2005
	$/cwt	
Class I	15.74	18.68
Class II	11.69	13.25
Class III	11.11	14.08
Class IV	10.68	12.66

Biennial Container Survey

The results from the November 2005 container sales survey for the Northeast Milk Marketing Area were recently released. The survey is conducted biennially and records packaged sales data for the month of November. Information is collected from handlers operating plants regulated under Federal Order No. 1 that sell fluid packaged milk products on routes.

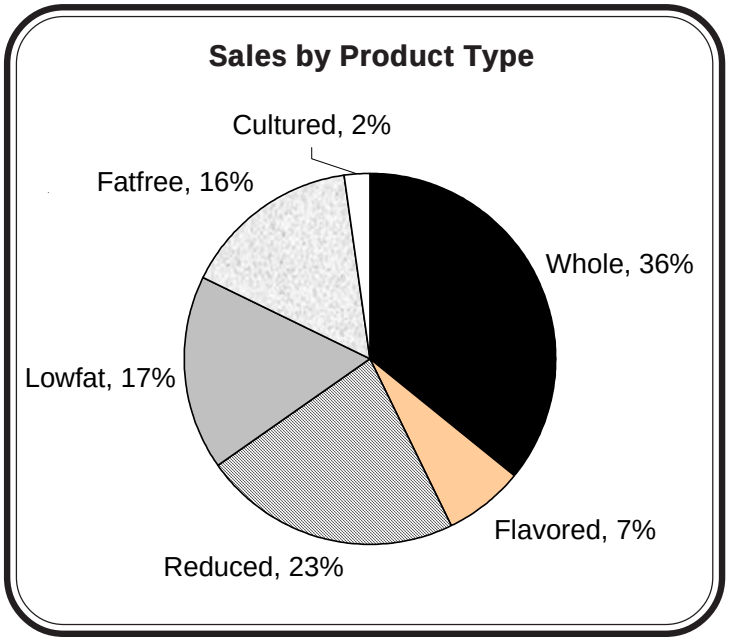
Packaged sales totaled 873.4 million pounds in November 2005; sales include whole, reduced fat (2%), low fat (1%), fat free (skim), flavored whole and low fat milk products, buttermilk, and eggnog. Data are collected for three container types (glass, paper, and plastic) and eleven different container sizes. Besides the standard plastic container sizes: gallon, half gallon, quart, 6-gallon, and 5-gallon, data is collected for the plastic single serve sizes: pint, half-pint, 14 ounce, 13.5 ounce, 12 ounce, and 10 ounce. Data for other sizes are collected, but grouped together in total volume.

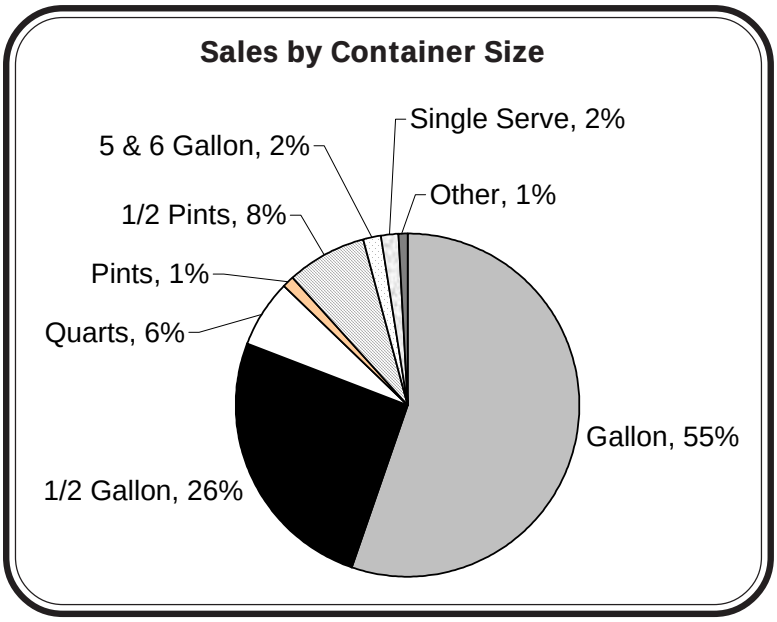
The survey also records the method of distribution by handler. All data are based on sales volume in pounds unless otherwise noted.

Container Type

Plastic containers have dominated for many years and accounted for 78.5 percent of all route sales in November 2005. Paper containers had 21.3 percent and glass only 0.2 percent sales. The small volume of glass containers are mainly used by a small number of handlers who have some delivery routes.

Of the handlers reporting, over 55 percent reported having sales in plastic single-serving size containers with a total volume of 16.1 million pounds (2.3 percent of the total volume sold in all plastic containers). The majority (30.8 percent of the volume) were sold in half pints, followed closely by pints with 28.4 percent. Handlers reported the 14 ounce containers at 13.9 percent and the 10 ounce size at 11.5 percent.





Container Size

Sales in gallon containers accounted for 55.2 percent of all sales, up 1.7 percent from the last survey in November 2003 (see chart). Half-gallons equaled 25.7 percent (down from 25.7 percent in 2003). Quarts had 6.3 percent; pints 1.6 percent; half-pints 8.1 percent; and 5- and 6-gallon containers together had 1.5 percent. The remainder was sold in the single serve and other sizes not identified.

All 5, 6, and 1 gallon containers were made of plastic. Of the glass containers, the only sizes reported were half-gallon and quart.

Product Type

Whole milk sales accounted for 35.7 percent of the total sales in November 2005 (see chart); down from 36.9 percent in 2003. Reduced fat was reported at 22.6 percent; low fat equaled 16.8 percent; and fat free had 15.8 percent (all up from 2003). Flavored whole and low fat milk products combined for a total of 7.0 percent; buttermilk had 0.4 percent; and eggnog was reported at 1.7 percent.

Method of Distribution

In the Order No. 1 marketing area, wholesale deliveries accounted for 99.8 percent of total sales in the 2005 survey; home deliveries made up the remaining 0.2 percent. Of the wholesale total, 50.8 percent were to supermarkets; 17.8 percent to dairy and convenience stores; 7.3 percent to institutions such as schools and military; and 23.9 percent to other wholesales establishments such as superstores/ hypermarkets, and wholesale clubs.❖

Promotion Board Appointments

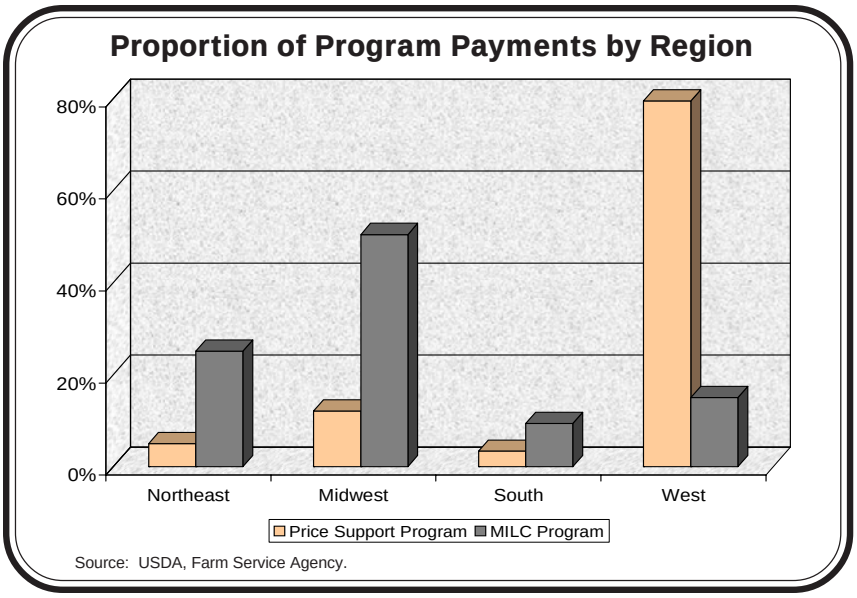
Four incumbents and five new members were recently named to the National Fluid Milk Processor Promotion Board. Locally appointed was Teresa E. Webb of Wallington, New Jersey, as an At-Large Processor. She is filling a vacant position whose term will expire June 30, 2007.❖

Dairy Price Support Programs *(continued from page 1)*

payouts under each program tend to be regionalized. The value of purchases under MPSP during this period totaled $1.6 billion. Of that amount, $1.3 billion dollars, or almost 80 percent, was purchased from the West region. During 2002–2005, 19 states produced products purchased by the MPSP; 7 Western states (Arizona, California, Colorado, Idaho, New Mexico, Oregon, and Washington), 7 Midwest states (Iowa, Indiana, Minnesota, Missouri, Nebraska, South Dakota, and Wisconsin), 3 Northeast states (Massachusetts, Pennsylvania, and Vermont), and 2 Southern states (Louisiana and Texas).

The MILC Program paid out over $2 billion during the same period. Every state and Puerto Rico and the Virgin Islands received MILC payments. Of the total, the Midwest region received just over $1 billion dollars, about half. The Northeast received the second largest portion of MILC payments, totaling $508 million, or about 25 percent. The West region received just 15 percent of MILC payments.

It should be noted that the MPSP does not pay producers directly. Its purchases of manufactured commodities supports the price farmers in all regions receive for their milk price.



The current federal government budget environment has resulted in pressure to reduce funding to all support programs. In fact, the percentage used in the extended MILC Program formula was reduced from 45 percent to 34 percent in an effort by lawmakers to keep the program cost to below $1 billion total for 2006 and 2007.❖

MILC Calculator on Website

With the extension of the Milk Income Loss Contract (MILC) Program through September 2007, the Northeast Market Administrator has placed a MILC payment calculator on its website at http://www.fmmone.com/Northeast_Order_Prices/MILC%20calculator/DMLP.htm. Or, go to the homepage at www.fmmone.com and find "Monthly Milk Income Loss Contract Program (MILC) Calculation."

The calculator includes retroactive payments under the extended program to October 2005, as well as all payments under the originally authorized program dating back to December 2001. The calculator is updated on the same day as the release of the advanced Class I price (the Friday before the 23rd of the month, unless this date is Friday.)

Under the extended MILC Program, a dairy operation's monthly payment will equal the milk quantity sold in that month multiplied by 34 percent of the difference between $16.94 per hundredweight and that month's domestic Class I milk price. The Farm Service Agency will make payments up to a maximum of 2.4 million pounds of milk produced and marketed by the dairy operation per fiscal year.❖

Pool Summary for All Federal Orders, January–March, 2005–2006

Federal Order		Total Producer Milk			Producer Price Differential#		Statistical Uniform Price#*	
Number	Name	2005	2006	Change	2005	2006	2005	2006
		pounds		percent	dollars per hundredweight			
1	Northeast	5,831,187,822	5,883,820,078	0.9	1.65	1.92	15.95	14.15
5	Appalachian	1,659,484,563	1,586,377,854	(4.4)	N/A	N/A	16.66	14.89
6	Florida	834,197,367	840,064,754	0.7	N/A	N/A	18.11	16.15
7	Southeast	1,936,366,372	2,208,871,403	14.1	N/A	N/A	16.53	14.54
30	Upper Midwest	5,029,387,236	6,545,241,549	30.1	0.21	0.44	14.51	12.67
32	Central	3,306,985,600	3,852,982,416	16.5	0.42	0.65	14.73	12.89
33	Mideast	4,411,920,185	4,445,784,060	0.8	0.65	0.96	14.96	13.20
124	Pacific Northwest	1,541,114,051	1,910,883,311	24.0	0.15	0.40	14.45	12.63
126	Southwest	2,144,409,670	2,792,077,878	30.2	1.38	1.49	15.69	13.73
131	Arizona-Las Vegas	754,887,725	810,462,931	7.4	N/A	N/A	14.89	13.00
	All Market Total/Average	27,449,940,591	30,876,566,234	12.5	0.74	0.98	15.65	13.78

Price at designated order location. * Price at 3.5% butterfat. N/A = Not applicable.

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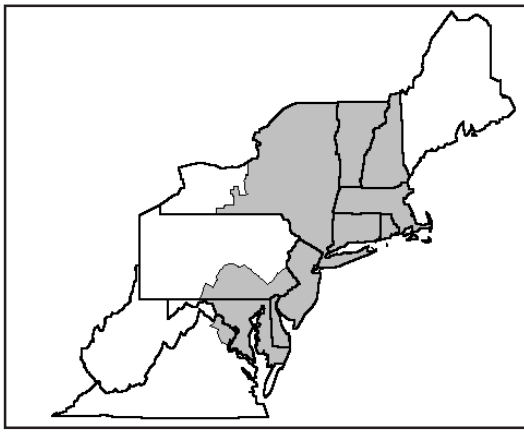
Computation of Producer Price Differential and Statistical Uniform Price*

	Product Pounds	Price per cwt./lb.	Component Value	Total Value
Class I— Skim	916,910,105	$11.20	102,693,931.76	
Butterfat	18,412,548	1.4093	25,948,803.90	
Less: Location Adjustment to Handlers			(2,923,239.90)	$125,719,495.73
Class II— Butterfat	29,504,103	1.2666	37,369,896.90	
Nonfat Solids	32,171,064	0.8356	26,882,141.10	64,252,038.00
Class III— Butterfat	18,579,473	1.2596	23,402,704.20	
Protein	13,490,892	1.8836	25,411,444.18	
Other Solids	25,170,307	0.1874	4,716,915.55	53,531,063.93
Class IV— Butterfat	11,259,511	1.2596	14,182,480.07	
Nonfat Solids	26,873,563	0.7224	19,413,461.92	33,595,941.99
Total Classified Value				**$277,098,539.65**
Add: Overage—All Classes				28,093.57
Inventory Reclassification—All Classes				63,737.08
Other Source Receipts	754,258			24,324.01
Less: Producer Component Valuations				(239,218,531.65)
Subtotal				**$37,996,162.66**
Add: Location Adjustment to Producers				9,731,445.28
One-half Unobligated Balance—Producer Settlement Fund				1,032,485.57
Total Pool Milk & Aggregate Value	2,064,649,020			48,760,093.51
Less: Producer Settlement Fund—Reserve				(860,236.22)
Producer Price Differential @ Suffolk County, MA (Boston)		**$2.32**		47,899,857.29
Statistical Uniform Price @ Suffolk County, MA (Boston)		**$13.43**		

* 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 2006 Federal Order No. 1

To contact the Northeast Marketing Area offices:
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e-mail address: MAAlbany@fedmilk1.com; *Alexandria, VA*: phone (703) 549-7000, e-mail address: MAAlexandria@fedmilk1.com;
website address: www.fmmone.com

April Pool Price Calculation

The April 2006 statistical uniform price (SUP) for the Northeast Marketing Area was announced at $12.64 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 $1.71 per hundredweight.

April's statistical uniform price was 79 cents per hundredweight below the March price; the April PPD was 61 cents below last month's. During April, all commodity prices declined except cheese, which increased slightly. This resulted in lower producer component prices for butterfat, nonfat and other solids; the protein price rose slightly. All class prices declined. The spread between the Class I price and the other class prices tightened and was reflected in a lower PPD.

Class IV utilization totaled 363.9 million pounds, the highest volume since the Order's inception.❖

Amendment to All Federal Milk Orders

On April 27, the USDA announced publication of a final rule to amend all federal milk marketing orders. The final rule implements provisions of the Milk Regulatory Equity Act that amends the Agricultural Marketing Agreement Act—the authorizing statute for federal milk orders. In passing the amendments, Congress is seeking to ensure regulatory equity between and among all dairy farmers and handlers for sales of packaged fluid milk in federally regulated milk marketing areas and into certain non-federally regulated milk marketing areas from federally regulated areas. The amendments deal primarily with regulatory issues in the Western United States and are not anticipated to materially impact Northeast producers or handlers.

There are three main parts of the Milk Regulatory Equity Act. The first part deals with how plants become subject to federal order regulation. Generally, a distributing plant is regulated based upon where its finished products are sold. Previously, if a plant was located in a federal milk marketing area, but was not regulated by a federal milk marketing order based on its sales, it could avoid both federal and any applicable state minimum pricing regulations. Under the new rules such a plant would

(continued on page 2)

Pool Summary

- A total of 14,412 producers were pooled under the Order with an average daily delivery per producer of 4,633 pounds.
- Pooled milk receipts totaled 2.003 billion pounds, an increase of only 0.3 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 41.5 percent of total milk receipts, a decrease of 3.8 percentage points from March.
- The average butterfat test of producer receipts was 3.71 percent.
- The average true protein test of producer receipts was 3.04 percent.
- The average other solids test of producer receipts was 5.73 percent.❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	41.5	830,512,180
Class II	18.7	375,624,068
Class III	21.6	433,186,999
Class IV	18.2	363,894,468
Total Pooled Milk		2,003,217,715

Producer Component Prices

	2006	2005
	$/lb	
Protein Price	1.9238	2.7055
Butterfat Price	1.2343	1.6964
Other Solids Price	0.1508	0.1020

Class Price Factors

	2006	2005
	$/cwt	
Class I	14.47	17.38
Class II	11.37	13.24
Class III	10.93	14.61
Class IV	10.36	12.61

Manufactured Dairy Products—2005 Summary

USDA's National Agricultural Statistics Service recently released their *Dairy Products 2005 Summary*. This publication summarizes dairy products manufactured in the United States. The accompanying table shows total production and annual change for selected products. All percentages have been adjusted for leap year in 2004.

Selected U.S. Manufactured Dairy Products, 2004–2005

	2004	2005	Yr-to-Yr Change
	million pounds		percent
Cheese			
American^	3,739	3,813	2.3
Italian	3,662	3,805	4.2
Other*	1,473	1,509	2.8
Total Cheese#	8,873	9,127	3.1
Butter	1,247	1,347	8.4
NFDM	1,412	1,186	(15.8)
Condensed Skim**	904	1,032	14.5
Yogurt	2,707	2,990	10.7
Ice Cream	920	953	3.9

^ Includes Cheddar, Colby, Monterey, and Jack.
* Includes Swiss, Muenster, brick, Limburger, blue, Hispanic, cream/Neufchatel, and other varieties.
# Excludes cottage cheese.
** Unsweetened.

Cheese Production

Total cheese production (excluding cottage cheese) grew 3.1 percent in 2005. American cheese production increased 2.3 percent while Italian rose 4.2 percent from 2004. The production of Swiss cheese grew 4.8 percent, cream and Neufchatel declined 0.7 percent, and other types (Muenster, brick, Limburger, blue, Hispanic, among others) rose 6.5 percent.

American production accounted for 41.8 percent of all cheese, down from 42.1 percent in 2004. Italian accounted for 41.7 percent of all cheese, up from 41.3 the previous year. Within the American category, Cheddar production increased 1.9 percent and accounted for 80.1 percent of the total, down from 80.4 percent in 2004. Of the Italian total, mozzarella rose 3.9 percent and accounted for 79.4 percent of the total, down from 79.7 percent last year. Hispanic cheese production jumped 17.8 percent in 2005; this follows increases of 6.2 and 7.4 percent in 2004 and 2003, respectively. As a percentage of total cheese made, Hispanic cheese increased to 1.8 percent, up from 1.6 percent in 2004.

Other Products

Butter production rose 8.4 percent in 2005; its increase was only 0.3 percent last year. Yogurt (plain and fruit flavored) jumped 10.7 percent. Frozen yogurt production increased 1.1 percent and ice cream grew 3.9 percent. Nonfat dry milk (NFDM) dropped 15.8 percent; last year it declined 11.7 percent. The production of canned evaporated and condensed whole milk declined a slight 0.3 percent while unsweetened skim condensed jumped 14.5 percent in 2005.

Leading States

There was no change in the top cheese producing states during 2005: Wisconsin lead, followed by California, Idaho, New York, and Minnesota. California continues to close in on Wisconsin as the leading state increasing its share of total cheese production to 23.4 percent (up from 22.5 in 2004) while Wisconsin's share fell to 26.4 percent (from 26.6 percent in 2004). Wisconsin remained the leader in the production of American cheese, but California came in a close second with only a difference of 14.5 million pounds; in 2004 the difference was 31 million pounds. California did take over the lead in Italian cheese production with 28.6 percent of the total versus Wisconsin's 28.2 percent. In 2004, California accounted for 27.2 percent while Wisconsin lead with 28.8 percent.

California also ranked first in the manufacture of mozzarella, Hispanic, butter, yogurt, unsweetened condensed skim, NFDM, ice cream, and other American cheese varieties in 2005. Wisconsin led in Cheddar, other Italian cheese, and dry whey. New York remained the largest producer of lowfat and creamed cottage cheese and sour cream, and second in yogurt.

Wisconsin still recorded the largest number of dairy manufacturing plants (197), followed by New York (115), and California (113). Overall, the number of plants declined 1.1 percent in 2005; this follows a decline of 2.3 percent in 2004.❖

Annual Bulletin Available

The 2005 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. Copies may be requested free of charge by contacting the Albany office at (518) 452-4410 or E-mail: MAAlbany@fedmilk1.com.❖

Amendments *(continued from page 1)*

be subject to federal order pooling and pricing regulations based on the physical location of the plant, thus helping to establish equitable pricing for producers and handlers alike.

The second provision would regulate producer-handlers under the Arizona Marketing Order if the producer-handler's total milk sales exceeded 3 million pounds per month and distributed fluid milk products in the Arizona Marketing Order Area.

The last provision removes the state of Nevada from the marketing area definition of any federal order.

Since the amendment resulted from legislation passed by congress and signed into law by the President, a referendum of Northeast Order producers was not required. Additional information on the Milk Regulatory Equity Act can be found at the following web address. http://www.ams.usda.gov/dairy/milk_reg_eq_act_2005.htm❖

State Highlight—New York

Beginning this month and for subsequent months, the Bulletin will focus on a major state or region of the Northeast Order and offer statistical highlights that characterize the state/region. This month will highlight New York, the largest production state of the Northeast marketing area. The following statistics are based on pool statistics for March 2006.

Northeast Pool:

New York Pounds:	854 million (41.4% of Northeast Order)
New York Producers:	5,462 (37.8% of Northeast Order)

Total Production:

New York:	1,058 million pounds (national rank, 3rd)
California:	3,427 million pounds (national rank, 1st)
Wisconsin:	2,010 million pounds (national rank, 2nd)

Top 5 New York Production Counties (28.1 percent of all New York milk pooled):

Cayuga:	56.4 million pounds
St. Lawrence:	53.6 million pounds
Jefferson:	51.9 million pounds
Lewis:	40.8 million pounds
Wyoming:	37.2 million pounds

Average Daily Delivery per Producer:

New York:	5,090
Northeast:	4,605

Average Herd Size (2002 Census of Agriculture):

New York:	91
California:	589
Wisconsin:	74
United States:	99

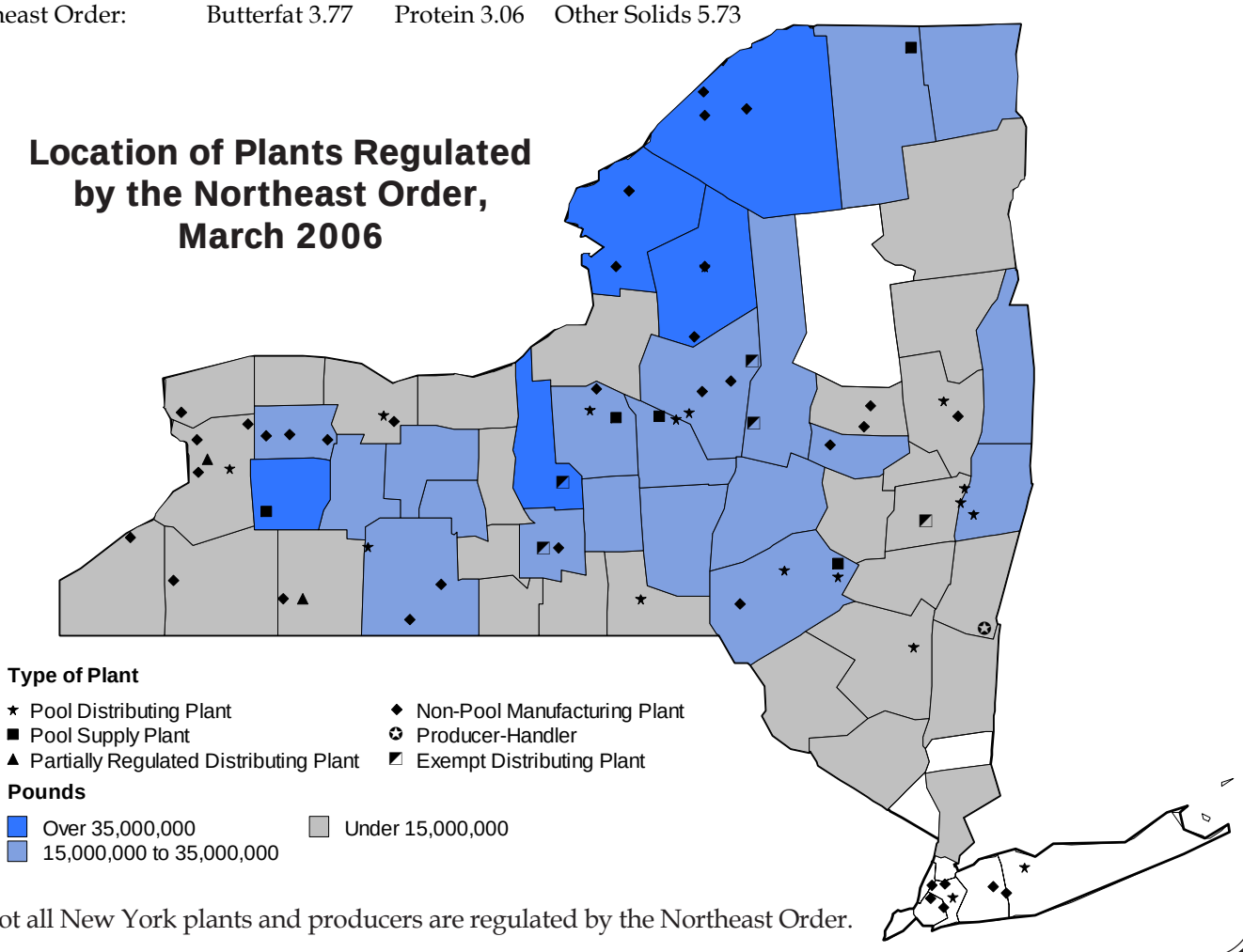
New York Plants:

Fluid:	29
Manufacturing:	68
Total Plants in NY State:	97
Total receiving Northeast Pool milk:	64

Average Component Tests:

New York:	Butterfat 3.76	Protein 3.04	Other Solids 5.71
Northeast Order:	Butterfat 3.77	Protein 3.06	Other Solids 5.73

Location of Plants Regulated by the Northeast Order, March 2006



Note: Not all New York plants and producers are regulated by the Northeast Order.

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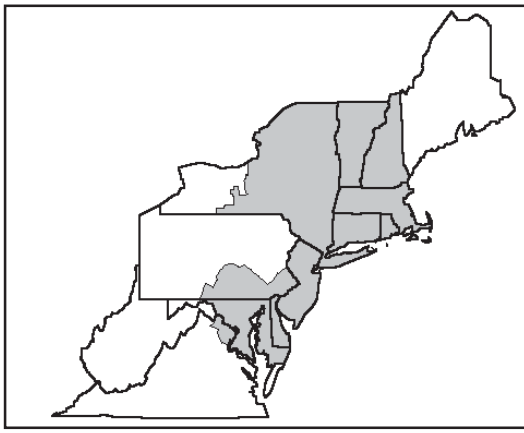
Computation of Producer Price Differential and Statistical Uniform Price*

	Product Pounds	Price per cwt./lb.	Component Value	Total Value
Class I— Skim	814,240,502	$10.27	83,622,499.56	
Butterfat	16,271,678	1.3040	21,218,268.11	
Less: Location Adjustment to Handlers			(2,610,755.66)	$102,230,011.98
Class II— Butterfat	28,602,016	1.2413	35,503,682.42	
Nonfat Solids	31,455,919	0.8089	25,444,692.90	60,948,375.32
Class III— Butterfat	17,153,491	1.2343	21,172,553.98	
Protein	12,999,033	1.9238	25,007,539.68	
Other Solids	24,473,803	0.1508	3,690,649.49	49,870,743.15
Class IV— Butterfat	12,382,274	1.2343	15,283,440.85	
Nonfat Solids	32,018,204	0.6959	22,281,468.19	37,564,909.04
Total Classified Value				**$250,614,039.49**
Add: Overage—All Classes				23,320.99
Inventory Reclassification—All Classes				40,701.51
Other Source Receipts	107,398			2,629.56
Less: Producer Component Valuations				(226,200,073.44)
Subtotal				**$24,480,618.11**
Add: Location Adjustment to Producers				9,538,769.32
One-half Unobligated Balance—Producer Settlement Fund				1,102,961.83
Total Pool Milk & Aggregate Value	2,003,325,113			35,122,349.26
Less: Producer Settlement Fund—Reserve				(865,489.74)
Producer Price Differential @ Suffolk County, MA (Boston)		**$1.71**		34,256,859.52
Statistical Uniform Price @ Suffolk County, MA (Boston)		**$12.64**		

* 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 2006 Federal Order No. 1

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website address: www.fmmone.com

May Pool Price Calculation

The May 2006 statistical uniform price (SUP) for the Northeast Marketing Area was announced at $12.61 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 $1.78 per hundredweight.

May's statistical uniform price was only 3 cents per hundredweight below the April price; the May PPD was only 7 cents above last month's. During May, commodity prices for cheese rose slightly, butter increased about 2 cents per pound, and nonfat dry milk and dry whey prices declined. This resulted in lower producer component prices for protein, nonfat and other solids while the butterfat price rose slightly. All class prices declined somewhat resulting in a relatively small change in both the blend price and PPD.

The May producer protein test equaled 3.02 percent, the highest protein test reported for the month of May since the Order's inception.❖

Fluid Milk Product Definition

On May 16, the USDA issued a recommended decision to amend the Class I fluid milk product definition for all federal milk marketing orders. The decision was based on the record of a public hearing held June 20-23, 2005 in Pittsburgh, PA.

The decision recommends maintaining the current 6.5 percent nonfat milk solids criteria and incorporating an equivalent 2.25 percent true protein criteria to determine if a product meets the fluid milk product definition for classification as a Class I product. The decision states that these criteria are not intended to be absolute determinates of whether a product meets the fluid milk product definition. The form and intended use of the product will be the primary criteria used by USDA in determining whether a product is a fluid milk product, as required by the Agriculture Marketing Agreement Act. The decision also proposes to clarify how milk and milk-derived ingredients should be priced under federal orders.

The recommended decision proposes that, regardless of packaging, "drinkable" yogurts containing at least 20 percent yogurt, Keifir (a cultured drinkable yogurt type product) and products designed to be meal replacements should be exempted from the fluid milk product definition.

(continued on page 2)

Pool Summary

- A total of 14,326 producers were pooled under the Order with an average daily delivery per producer of 4,662 pounds.
- Pooled milk receipts totaled 2.071 billion pounds, relatively unchanged from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 43.2 percent of total milk receipts, an increase of 1.7 percentage points from April.
- The average butterfat test of producer receipts was 3.67 percent.
- The average true protein test of producer receipts was 3.02 percent.
- The average other solids test of producer receipts was 5.74 percent.❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	43.2	895,221,852
Class II	19.5	403,233,049
Class III	21.6	448,140,403
Class IV	15.7	324,020,664
Total Pooled Milk		2,070,615,968

Producer Component Prices

	2006	2005
	$/lb	
Protein Price	1.9115	2.5965
Butterfat Price	1.2582	1.5475
Other Solids Price	0.1251	0.1043

Class Price Factors

	2006	2005
	$/cwt	
Class I	14.22	18.05
Class II	11.13	12.78
Class III	10.83	13.77
Class IV	10.33	12.20

"Tanker Load Per Day" Farms by State

During January 2006 (verified payroll data), there were 91 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 203 million pounds on the Order. The number of farms producing at least 1.5 million pounds a month increased by 20 since January 2002. These "large" farms represented 10.2 percent of the total milk pooled on the Northeast Order in January 2006, compared to 7.1 percent in 2002.

Farms by Size Under the Northeast Order, January 2002 and 2006

Farm Size by Pounds	No. of Farms Jan-02	Percent of Farms	No. of Farms Jan-06	Percent of Farms	Change in No. of Farms	Percent Change
0-49,999	4,336	25.4	3,804	26.3	(532)	(12.3)
50,000-99,999	6,233	36.6	5,090	35.1	(1,143)	(18.3)
100,000-199,999	4,255	25.0	3,544	24.5	(711)	(16.7)
200,000-499,999	1,667	9.8	1,475	10.2	(192)	(11.5)
500,000-749,999	279	1.6	256	1.8	(23)	(8.2)
750,000-1,499,999	208	1.2	220	1.5	12	5.8
1,500,000 an up	71	0.4	91	0.6	20	28.2
Total	17,049		14,480		(2,569)	(15.1)

These 91 farms represent just 0.6 percent of the 14,480 farms pooled on the Northeast Order. The greatest numbers of "large" farms pooled on the Order operate farms in New York, and these 66 farms pool a total of 154 million pounds of milk. New York has experienced most of the growth in these size farms in the Northeast. Of the increase of 20 "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 has been zero since 2002. Farms pooling between 750,000 and 1.5 million pounds a month increased by 12 farms during this period.

Roughly 77 percent of farms pooling on the Northeast marketed between 30,000 and 249,999 pounds of milk during January. Farms producing 70,000 to 99,999 pounds a month represent the largest number of farms by size at over 19 percent of all farms. This category of farms also experienced the largest drop, with an almost 19 percent decline in farm numbers since 2002. The under 20,000 pound per month farm size was the only other size category that showed growth during the time period in question. The net growth of 15 farms was led by a growth of 63 farms of that size in New York, followed by 17 and 11 additional farms from Maine and Ohio, respectively.

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 Under the Northeast Order, 2002 and 2006

State/Area	Total Pooled 2006 Number of Farms	Total Pooled 2006 Million Pounds	Farms Marketing 1.5 Million Lbs. or More 2006 Number of Farms	Farms Marketing 1.5 Million Lbs. or More 2006 Million Pounds	Farms Marketing 1.5 Million Lbs. or More 2002 Number of Farms	Farms Marketing 1.5 Million Lbs. or More 2002 Million Pounds
VT	1,175	225	15	30	9	16
Other New England[1/]	840	128	4	8	3	6
NY	5,461	837	66	154	57	126
PA	6,098	671	6	11	0	0
Other Inside Area[2/]	832	119	0	0	0	0
Other Outside Area[3/]	74	6	0	0	2	8
Total	14,480	1,986	91	203	71	156

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, IN, MI, MN, ND, NV, OH, UT, WI, and WV.

Fluid Milk *(continued from page 1)*

Public comments on this recommended decision are due **July 17, 2006** and should be sent to Hearing Clerk, Stop 9200, Room 1031, U.S. Department of Agriculture, 1400 Independence Ave., S.W., Washington, D.C. 20250-9200, or throught e-mail to amsdairycomments@usda.gov.

For additional information or to obtain a copy of the decision contact Peter Fredericks at (518)452-4410. Information related to this hearing and decision can also be found at the following web address: http://www.ams.usda.gov/dairy/class_I_defintion.htm.❖

State Highlight—Pennsylvania

This month the Bulletin highlights statistics that characterize Pennsylvania, the second largest production state of the Northeast marketing area. The following statistics highlight Pennsylvania for April 2006.

Northeast Pool:

Pennsylvania Pounds:	692 million (34.5% of Northeast Order)
Pennsylvania Producers:	6,112 (42.4% of Northeast Order)

Average Daily Delivery per Producer:

Pennsylvania:	3,773
Northeast Order:	4,633

Total Production (million pounds):

Pennsylvania:	919 (national rank, 4th)
Idaho:	884 (national rank, 5th)
Minnesota:	709 (national rank, 6th)

Average Herd Size—Number of Cows (2002 Census of Agriculture):

Pennsylvania:	61
Idaho:	398
Minnesota:	74
United States:	99

Top 5 Pennsylvania Production Counties (52.2 percent of all Pennsylvania milk pooled):

Lancaster:	192.1 million pounds
Franklin:	63.5 million pounds
Chester:	37.0 million pounds
Bradford:	34.7 million pounds
Berks:	34.5 million pounds

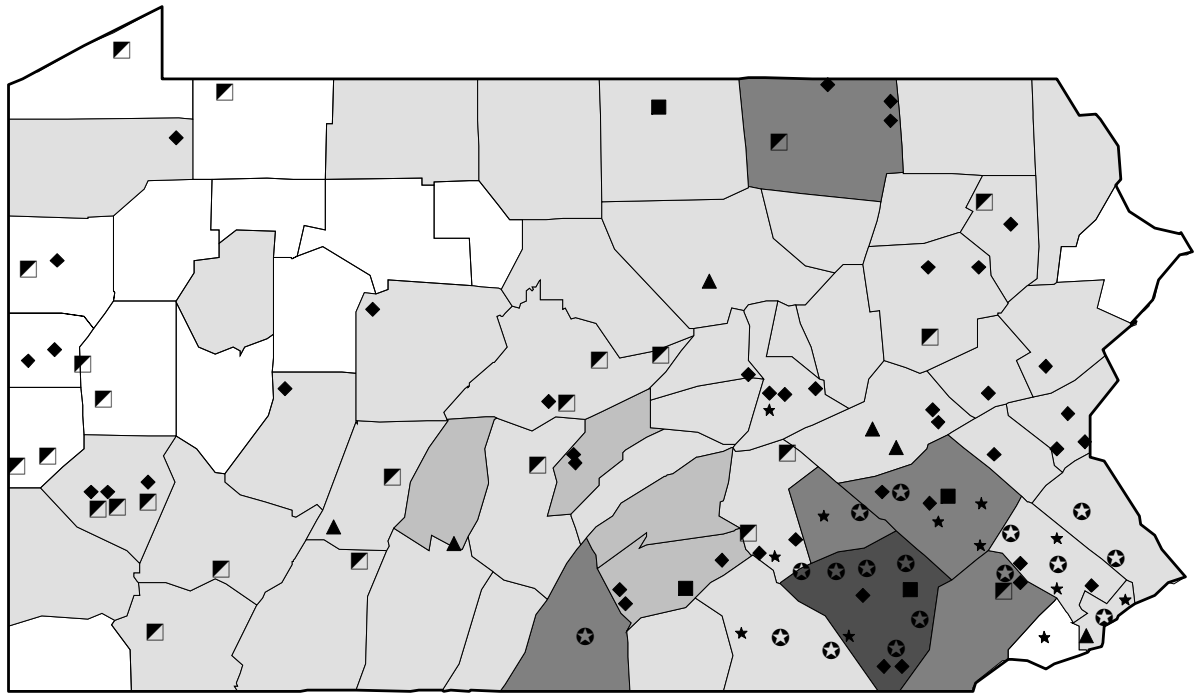
***Pennsylvania Plants*:**

Fluid:	42
Manufacturing:	64
Total Plants in PA State:	106
Total Northeast Order regulated plants receiving pool milk (excludes Producer-Handlers and Exempt Distributors):	45

Average Component Tests:

Pennsylvania:	Butterfat 3.68	Protein 2.99	Other Solids 5.68
Northeast Order:	Butterfat 3.71	Protein 3.04	Other Solids 5.73

Location of Pennsylvania Dairy Plants, April 2006



Type of Plant

★ Pool Distributing Plant
▲ Partially Regulated Distributing Plant
✪ Producer-Handler/Exempt Distributing Plant
■ Pool Supply Plant
◆ Non-Pool Manufacturing Plant
◩ Non-Order 1 Pool Fluid Plant

Pounds

Under 15, 000,000
15,000,000 to 34,000,000
34,000,00 to 100,000,000
Over 100,000,000

Note: Not all Pennsylvania plants and producers are regulated by the Northeast Order.

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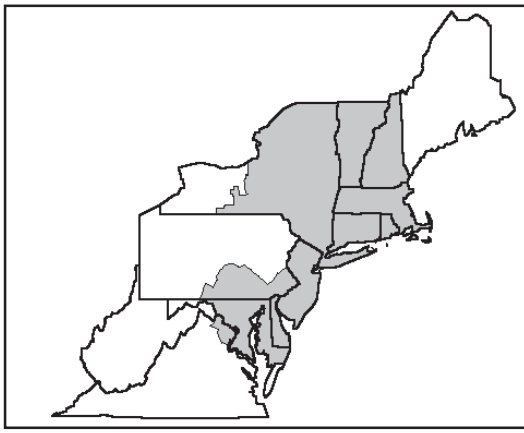
Computation of Producer Price Differential and Statistical Uniform Price*

	Product Pounds	Price per cwt./lb.	Component Value	Total Value
Class I— Skim	877,857,751	$10.15	89,102,561.73	
Butterfat	17,364,101	1.2656	21,976,006.23	
Less: Location Adjustment to Handlers			(2,776,974.05)	$108,301,593.93
Class II— Butterfat	30,649,637	1.2652	38,777,920.75	
Nonfat Solids	33,856,721	0.7711	26,106,917.55	64,884,838.30
Class III— Butterfat	17,814,430	1.2582	22,414,115.82	
Protein	13,485,241	1.9115	25,777,038.18	
Other Solids	25,598,437	0.1251	3,202,364.45	51,393,518.45
Class IV— Butterfat	10,070,398	1.2582	12,670,574.75	
Nonfat Solids	28,580,029	0.6819	19,488,721.77	32,159,296.52
Total Classified Value				**$256,739,247.20**
Add: Overage—All Classes				97,304.25
Inventory Reclassification—All Classes				163,247.89
Other Source Receipts	44,762			1,477.30
Less: Producer Component Valuations				(230,075,981.66)
Subtotal				**$26,925,294.98**
Add: Location Adjustment to Producers				9,805,108.37
One-half Unobligated Balance—Producer Settlement Fund				1,013,473.42
Total Pool Milk & Aggregate Value	2,070,660,730			37,743,876.77
Less: Producer Settlement Fund—Reserve				(886,115.86)
Producer Price Differential @ Suffolk County, MA (Boston)		**$1.78**		36,857,760.91
Statistical Uniform Price @ Suffolk County, MA (Boston)		**$12.61**		

* 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 2006 Federal Order No. 1

To contact the Northeast Marketing Area offices:
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e-mail address: MAAlbany@fedmilk1.com; *Alexandria, VA*: phone (703) 549-7000, e-mail address: MAAlexandria@fedmilk1.com;
website address: www.fmmone.com

June Pool Price Calculation

The June 2006 statistical uniform price (SUP) for the Northeast Marketing Area was announced at $12.66 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 $1.37 per hundredweight.

June's statistical uniform price was 5 cents per hundredweight above the May price; the June PPD was 41 cents below last month's. During June, commodity prices for cheese and dry whey rose slightly while butter and nonfat dry milk prices declined. This resulted in lower producer component prices for butterfat and nonfat solids; protein and other solids prices rose slightly. All class prices declined except the Class III price, which tightened the spread and lowered the PPD.

The June producer protein test equaled 2.98 percent, the highest protein test reported for the month of June since the Order's inception. ❖

USDA to Reconvene Hearing on Class III and IV Formulas

The U.S. Department of Agriculture announced its intent to reconvene a national public hearing to amend the Class III and Class IV price formulas. USDA will reconvene the national hearing, originally held January 24–27, 2006, in Alexandria, Va., to assure that any changes to manufacturing allowance factors used in Federal order Class III and Class IV product price formulas are appropriate and reflective of manufacturing costs. USDA also welcomes additional proposals addressing the Federal order Class III and Class IV price formulas for further consideration in the reconvened hearing. The additional proposals are due on or before September 30, 2006. For further information, contact Gino Tosi at USDA, (202) 720-7183, e-mail: gino.tosi@usda.gov. ❖

Utilization Changes; Price Impacted Slightly

Many factors affect the uniform price paid to farmers that ship their milk to handlers regulated under the Northeast Milk Marketing Order. In addition to such variables as component tests and prices, the utilization of milk in the pool impacts the overall uniform price that farmers receive.

(continued on page 2)

Pool Summary

- A total of 14,319 producers were pooled under the Order with an average daily delivery per producer of 4,425 pounds.
- Pooled milk receipts totaled 1.901 billion pounds, a decrease of 5.1 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 44.3 percent of total milk receipts, an increase of 1.1 percentage points from May.
- The average butterfat test of producer receipts was 3.62 percent.
- The average true protein test of producer receipts was 2.98 percent.
- The average other solids test of producer receipts was 5.71 percent.

Class Utilization

Pooled Milk	Percent	Pounds
Class I	44.3	841,635,149
Class II	20.1	381,577,799
Class III	22.5	428,983,363
Class IV	13.1	249,121,589
Total Pooled Milk		1,901,317,900

Producer Component Prices

	2006	2005
	$/lb	
Protein Price	2.0790	2.5741
Butterfat Price	1.2436	1.5932
Other Solids Price	0.1255	0.1139

Class Price Factors

	2006	2005
	$/cwt	
Class I	14.00	16.87
Class II	11.00	13.06
Class III	11.29	13.92
Class IV	10.22	12.33

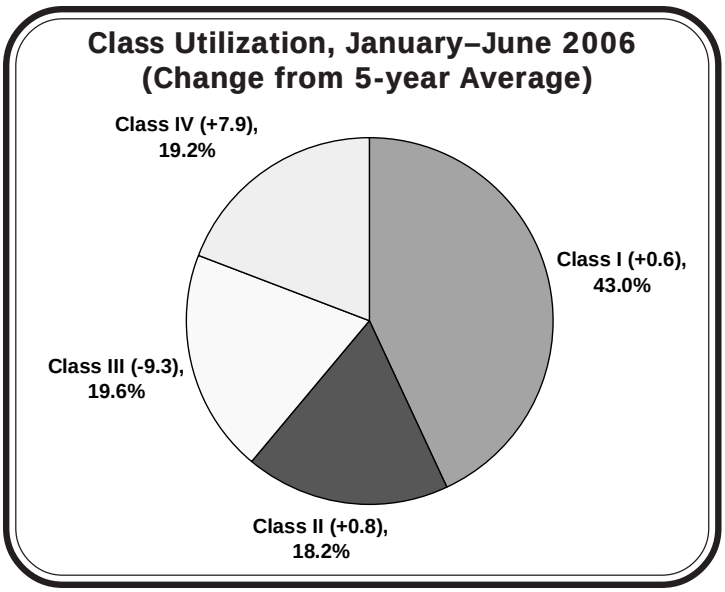
Utilization Changes *(continued from page 1)*

Changes in Utilization

During 2005, several plants in the Northeast milkshed closed their operations. Combined, these plants received about 120 million pounds per month, which has had to be reallocated across the remaining plants in the market. Most of the milk sent to the now closed fluid bottling plants has been redistributed to other bottling plants in the Northeast to satisfy continual Class I demand. The rest of the milk that formerly went to the now closed manufacturing plants was in many cases sent to other manufacturing operations, but the milk was not necessarily utilized in the same dairy product or milk class. For instance, the volume of milk used in Class IV has increased considerably during the past 2 years when compared to the first 5 years of the Northeast Order. This has been affected by an overall increase in Northeast milk production during the past year, but is also a function of closed Class III manufacturing capacity with no other place for the milk to go other than into Class IV dried milk powder. In addition, the manufacturing plants that closed made yogurt, condensed milk, and Italian and other cheeses.

For the first 6 months of 2006, the volume of milk used in making Italian cheese, yogurt, Swiss and other cheeses all declined while the volume used in condensed products rose even though there were fewer facilities than last year. Both the volume of butter and dried milk products rose significantly from the same period in 2005.

When comparing utilizations for the January–June period to the average for the same period during the first 5 years of the Northeast Order's existence (2000 to 2004), an even more significant difference is seen. The accompanying chart shows the current class utilization percentages and their respective changes from the 5-year average.



Effect on Price

In the June 2005 *Bulletin*, it was discussed how this change in utilization would affect the blend price. Since the Class IV price is typically lower than the prices for the other classes, as are the component values in Class IV, more milk utilized in making Class IV products tends to reduce the uniform price.

The blend price for the first 6 months of 2006 averaged $13.40 per hundredweight. Granted, all class prices are down compared to previous years for the same months. If utilizations in the various classes had remained the same for the January–June period during 2006 when compared to the 5-year average, the blend price would have averaged about 4 cents per hundredweight higher.❖

Pool Summary for All Federal Orders, January–June, 2005–2006

Federal Order		Total Producer Milk			Producer Price Differential#		Statistical Uniform Price#*	
Number	Name	2005	2006	Change**	2005	2006	2005	2006
		pounds		percent	dollars per hundredweight			
1	Northeast	11,979,170,127	11,858,971,661	-1.0	1.46	1.77	15.66	13.40
5	Appalachian	3,409,354,373	3,291,318,414	-3.5	N/A	N/A	16.21	13.93
6	Florida	1,661,432,550	1,640,983,227	-1.2	N/A	N/A	17.62	15.21
7	Southeast	4,001,756,054	4,359,051,470	8.9	N/A	N/A	16.11	13.73
30	Upper Midwest	9,831,050,400	13,160,672,001	33.9	0.19	0.38	14.39	12.01
32	Central	6,308,884,144	7,605,767,063	20.6	0.32	0.57	14.53	12.20
33	Mideast	9,254,007,277	9,037,873,321	-2.3	0.53	0.83	14.73	12.46
124	Pacific Northwest	3,232,343,931	3,978,308,529	23.1	0.01	0.35	14.21	11.98
126	Southwest	4,545,991,198	5,810,140,481	27.8	1.18	1.41	15.39	13.04
131	Arizona~	1,539,825,468	1,743,883,205	13.3	N/A	N/A	14.61	12.33
	All Market Total/Average	55,763,815,522	62,486,969,372	12.1	0.62	0.89	15.35	13.02

Price at designated order location. * Price at 3.5% butterfat. N/A = Not applicable.
** A significant amount of milk was depooled during 2005 in some orders.
~ Formerly Arizona-Las Vegas Order; name changed effective May 1, 2006.

State Highlight—Vermont

This month the *Bulletin* highlights statistics that characterize Vermont, the third largest production state in the Northeast marketing area. The following statistics highlight Vermont for May 2006.

Northeast Pool:

Vermont Pounds:	228 million (11.0% of Northeast Order)
Vermont Producers:	1,164 (8.1% of Northeast Order)

Average Daily Delivery per Producer:

Vermont:	6,331
Northeast Order:	4,662

Total Production (million pounds):

Vermont	231 (national rank, 15th)
New York	1,076 (national rank, 3rd)
Pennsylvania	945 (national rank, 4th)

Average Herd Size—Number of Cows (2002 Census of Agriculture):

Vermont	100
New York	91
Pennsylvania	61
United States:	99

Top 5 Vermont Production Counties (78.0 percent of all Vermont milk pooled):

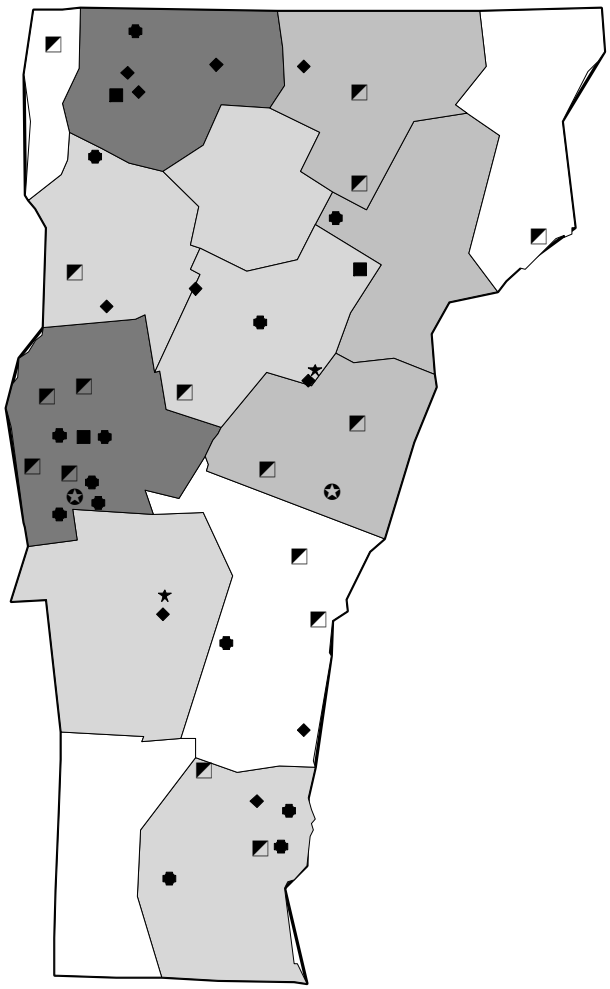
Franklin:	62.7 million pounds
Addison	59.6 million pounds
Orleans	29.3 million pounds
Orange	14.5 million pounds
Caledonia	12.6 million pounds

***Vermont Plants*:**

Fluid:	5
Manufacturing:	37
Total Plants in VT State:	42
Total Northeast Order regulated plants receiving pool milk (excludes Producer-Handlers and Exempt Distributors):	14

Average Component Tests:

Vermont	Butterfat 3.71	Protein 3.04	Other Solids 5.70
Northeast Order:	Butterfat 3.67	Protein 3.02	Other Solids 5.74



Location of Vermont Dairy Plants, May 2006

Type of Plant

- ★ Pool Distributing Plant
- ■ Pool Supply Plant
- ✪ Producer-Handler/Exempt Distributing Plant
- ◆ Non-Pool Manufacturing Plant
- ◩ Non-Order Producer-Handler
- ● Non-Order Manufacturing Plant

Pounds

- Over 30,000,000
- 10,000,000 to 30,000,000
- 5,000,000 to 9,999,999
- Under 5,000,000

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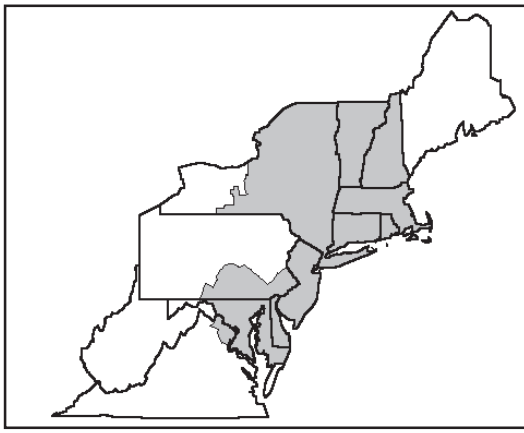
Computation of Producer Price Differential and Statistical Uniform Price*

	Product Pounds	Price per cwt./lb.	Component Value	Total Value
Class I— Skim	825,186,712	$9.82	81,033,335.12	
Butterfat	16,448,437	1.2935	21,276,053.26	
Less: Location Adjustment to Handlers			(2,612,363.78)	$99,697,024.63
Class II— Butterfat	28,997,824	1.2506	36,264,678.71	
Nonfat Solids	31,746,864	0.7622	24,197,459.77	60,462,138.48
Class III– Butterfat	16,133,357	1.2436	20,063,442.78	
Protein	12,703,155	2.0790	26,409,859.24	
Other Solids	24,440,769	0.1255	3,067,316.49	49,540,618.51
Class IV– Butterfat	7,322,096	1.2436	9,105,758.57	
Nonfat Solids	21,841,210	0.6753	14,749,369.11	23,855,127.68
Total Classified Value				**$233,554,909.30**
Add: Overage—All Classes				90,529.65
Inventory Reclassification—All Classes				290,152.85
Other Source Receipts	271,391			4,852.88
Less: Producer Component Valuations				(217,181,801.61)
Subtotal				**$16,758,643.07**
Add: Location Adjustment to Producers				9,076,955.14
One-half Unobligated Balance—Producer Settlement Fund				1,071,658.58
Total Pool Milk & Aggregate Value	1,901,589,291			26,907,256.79
Less: Producer Settlement Fund—Reserve				(855,431.09)
Producer Price Differential @ Suffolk County, MA (Boston)		**$1.37**		26,051,825.70
Statistical Uniform Price @ Suffolk County, MA (Boston)		**$12.66**		

* 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 2006 Federal Order No. 1

To contact the Northeast Marketing Area offices:
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website address: www.fmmone.com

July Pool Price Calculation

The July 2006 statistical uniform price (SUP) for the Northeast Marketing Area was announced at $12.79 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 $1.87 per hundredweight.

July's statistical uniform price was 13 cents per hundredweight above the June price; the July PPD was 50 cents above last month's. During July, commodity prices for butter and cheese declined while dry whey and nonfat dry milk prices rose slightly. This resulted in lower producer component prices for butterfat and protein; nonfat and other solids prices rose slightly. All class prices declined except the Class I price, which is based on prices from the previous month.

The average producer tests for all components declined. This combined with lower component prices for butterfat and protein resulted in a lower overall producer component valuation and a higher PPD.❖

Milk Production Tapering Off

For the first 7 months of 2006, total milk production in the United States was up 3.4 percent when compared to the same period in 2005. During the first quarter of 2006, milk production grew 5.1 percent. By the second quarter, production slowed somewhat with increases of 3.2, 2.4, and 1.5 percent, respectively for April, May, and June, averaging 2.3 percent for the quarter.

According to USDA reports, the initial increases during the first quarter were the combined result of increased cow numbers and higher milk production per cow. Replacement heifers became more easily available as prices for them declined. As the spring and summer months arrived, both the heat and a weaker ratio have affected milk per cow and slowed overall production to more expected levels. Milk production is projected to average about 2 to 2.4 percent for the remaining months of 2006.

Milk production in the top 23 milk producing states as reported by the National Agricultural Statistics Service (NASS) increased 3.8 percent for the same period of 2006. These states account for over 91 percent of total US milk production. The top ten milk producing states had a

(continued on page 2)

Pool Summary

- A total of 14,356 producers were pooled under the Order with an average daily delivery per producer of 4,284 pounds.
- Pooled milk receipts totaled 1.906 billion pounds, a decrease of 3.0 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 42.7 percent of total milk receipts, a decrease of 1.6 percentage points from June.
- The average butterfat test of producer receipts was 3.58 percent.
- The average true protein test of producer receipts was 2.94 percent.
- The average other solids test of producer receipts was 5.68 percent.❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	42.7	814,916,142
Class II	20.2	384,051,330
Class III	24.2	460,889,394
Class IV	12.9	246,429,786
Total Pooled Milk		1,906,286,652

Producer Component Prices

	2006	2005
	$/lb	
Protein Price	1.9807	2.4558
Butterfat Price	1.2228	1.8007
Other Solids Price	0.1257	0.1240

Class Price Factors

	2006	2005
	$/cwt	
Class I	14.59	17.14
Class II	10.83	13.79
Class III	10.92	14.35
Class IV	10.21	13.17

Milk Production *(continued from page 1)*

combined increase of 4.3 percent for the first 7 months. Changes in production for the first 2 quarters of 2006 and the January–June period are shown in the accompanying table. Most of the states showed large production increases during the first quarter, but then slowed considerably during the second. Both Texas and New Mexico continued to see double-digit growth during the second quarter, and Idaho even had higher growth than during the first quarter. Washington was the only top-ten state to have declines during the period. In the Northeast, New York reported an increase of 2.0 percent; Pennsylvania had 2.9 percent; and Vermont decreased 1.0 percent from the previous year.

The surprising volumes seen earlier this year contributed to the lower milk prices paid to producers (see related article Price Forecast). As milk production tapers off, prices should rebound somewhat, although they are not expected to rise to levels witnessed during the past 2 years.❖

Change in Milk Production, Top-Ten States, by Rank
January–July 2005 and 2006

	2005-06 Percent Change		
	1st Qtr	2nd Qtr	Jan-Jul
California	6.1	2.5	3.6
Wisconsin	4.7	1.8	2.8
New York	4.3	0.4	2.0
Pennsylvania	6.4	0.7	2.9
Idaho	8.0	8.7	8.1
Minnesota	2.9	0.3	1.7
New Mexico	16.0	14.4	14.8
Texas	14.7	11.0	12.1
Michigan	6.9	2.6	4.6
Washington	(1.4)	(2.3)	(2.2)
Top 10 States	6.3	3.2	4.3
Top 23 States	5.7	2.8	3.8
United States	5.1	2.3	3.4

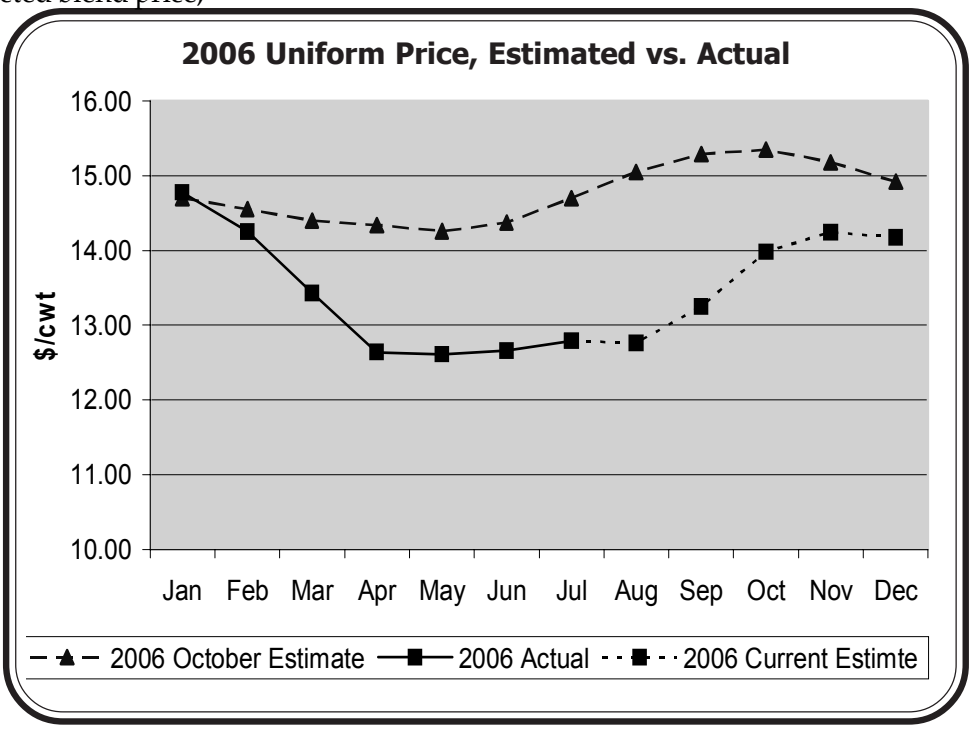
Source: National Agricultural Statistics Service, *Milk Production*.

Price Forecast

In the fall of 2005, the Northeast Regional Dairy Outlook Conference consensus estimate correctly predicted lower prices in 2006, but underestimated how low. Through 7 months of this year, the actual price has averaged $1.17 per hundredweight lower than the 2006 price level projected at that time. The actual July blend price was $1.91 per hundredweight below the originally projected blend price, the largest margin during the year.

Projections made in October 2005 were based on the Chicago Mercantile Exchange futures prices as well as other indicators of dairy supply and demand at that time. In fact, demand in 2006 has been relatively strong. Commercial disappearance of milk on a milkfat basis was up 3.5 percent in the first quarter of the year and up 4.2 percent and 1.0 percent in April and May, respectively. Fluid milk sales were up 1.4 percent in the first half of 2006, a pace that, if continues, could result in the third time in 20 years fluid milk sales increased by over 1 percent from the year prior.

Gains in milk production through the first half of the year have averaged 4.2 percent over the same month in 2005 (see related article Milk Production). Each month in the first quarter of 2006 had over 5 percent increases in milk production. In October 2005, when projections for 2006 were made, 2006 milk production was estimated to be up just 0.8 percent over the previous year in the Northeast, and up 2.6 percent nationally. The larger than expected increase in milk *(continued on page 3)*



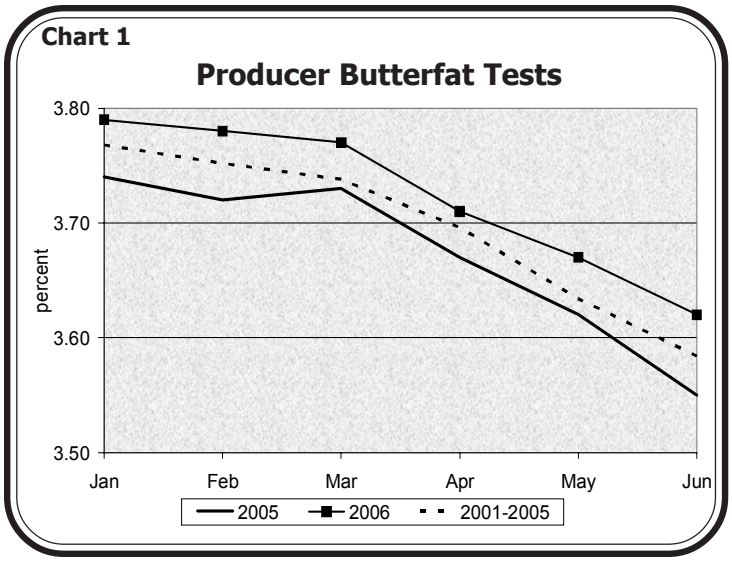
Forecast *(continued from page 2)*

production overwhelmed any effect from better than expected demand, resulting in the lower than projected milk price.

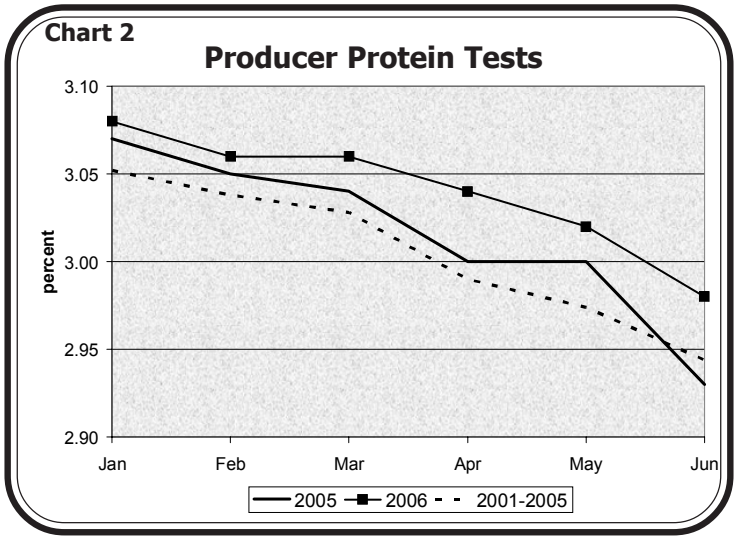
Milk production increases have tailed off from over 4 percent increases, reaching just 1.9 percent and 1.5 percent in June and July, respectively. Milk production growth in July was also affected by nationwide record heat that month. According to the National Oceanic and Atmospheric Administration's National Climactic Data Center, it was the second hottest July recorded in the United States, the hottest since Roosevelt was president in 1936. It's conceivable that milk production could rebound a bit when temperatures moderate. Additionally, commercial disappearance increases also tailed off in May 2006 at just 1 percent over the previous year; this may indicate a worsening demand situation for the second half of 2006. Based on estimates of slower but still increasing milk production, softer demand for the remainder of the year, and CME futures prices as of August 18, the Northeast statistical uniform price is predicted to average $13.68 per hundredweight over the last 5 months of 2006, reaching $14.25 per hundredweight in November.❖

Component Tests Compared

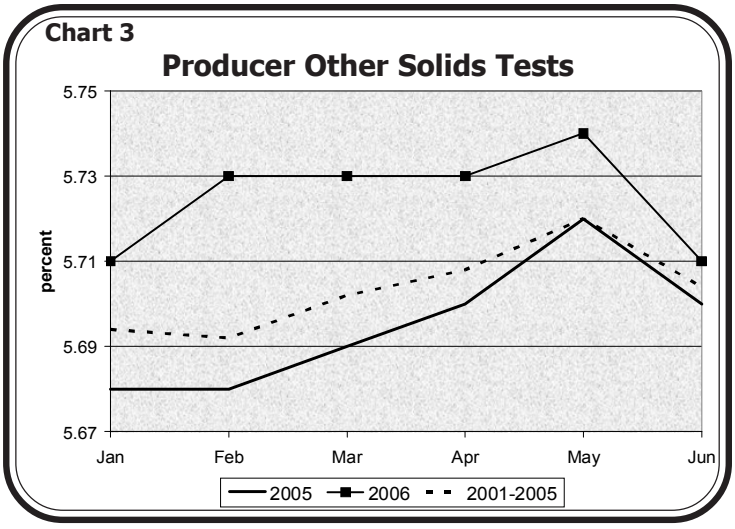
During the first 6 months of 2006, producer butterfat tests averaged 3.72 percent, 0.05 percentage points above the same period in 2005 and 0.01 percentage points above the average for the previous 5 years (see Chart 1). The highest January–June average butterfat test since the Order's inception was 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 3.04 percent for the first 6 months of 2006, 0.02 percentage points above last year and 0.04 percentage points above the 2001–05 average (see Chart 2). Protein tests have increased consistently since the Order's inception averaging 2.98 percent during January–June 2000, 2.99 percent in 2001 and 2002, 3.00 percent in 2003, and 3.02 percent in 2004 and 2005. The highest monthly test for the first 6 months was 3.08 percent, which occurred in January 2004 and January 2006. The lowest test for the period was 2.91 percent in May 2000.



For the first 6 months of 2006, other solids averaged 5.73 percent, up 0.03 percentage points from 2005 and the previous 5-year average (see Chart 3). This tied the previous highest 6-month average in 2002; the lowest 6-month average 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.❖



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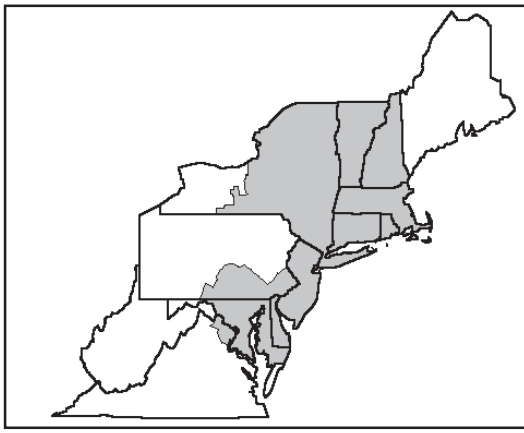
Computation of Producer Price Differential and Statistical Uniform Price*

	Product Pounds	Price per cwt./lb.	Component Value	Total Value
Class I— Skim	798,742,660	$10.49	83,788,105.03	
Butterfat	16,173,482	1.2755	20,629,276.29	
Less: Location Adjustment to Handlers			(2,539,317.78)	$101,878,063.56
Class II— Butterfat	28,020,935	1.2298	34,460,145.90	
Nonfat Solids	31,810,621	0.7511	23,892,957.46	58,353,103.36
Class III— Butterfat	17,143,320	1.2228	20,962,851.69	
Protein	13,527,674	1.9807	26,794,263.88	
Other Solids	26,122,355	0.1257	3,283,580.02	51,040,695.59
Class IV— Butterfat	6,964,705	1.2228	8,516,441.25	
Nonfat Solids	21,441,194	0.6831	14,646,479.61	23,162,920.86
Total Classified Value				**$234,434,783.37**
Add: Overage—All Classes				28,894.77
Inventory Reclassification—All Classes				17,817.28
Other Source Receipts	11,995			417.59
Less: Producer Component Valuations				(208,174,305.76)
Subtotal				**$26,307,607.25**
Add: Location Adjustment to Producers				9,168,868.04
One-half Unobligated Balance—Producer Settlement Fund				981,029.87
Total Pool Milk & Aggregate Value	1,906,298,647			36,457,505.16
Less: Producer Settlement Fund—Reserve				(809,720.37)
Producer Price Differential @ Suffolk County, MA (Boston)		**$1.87**		35,647,784.79
Statistical Uniform Price @ Suffolk County, MA (Boston)		**$12.79**		

* 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 2006 Federal Order No. 1

To contact the Northeast Marketing Area offices:
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e-mail address: MAAlbany@fedmilk1.com; *Alexandria, VA*: phone (703) 549-7000, e-mail address: MAAlexandria@fedmilk1.com;
website address: www.fmmone.com

August Pool Price Calculation

The August 2006 statistical uniform price (SUP) for the Northeast Marketing Area was announced at $13.06 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 $2.00 per hundredweight.

August's statistical uniform price was 27 cents per hundredweight above the July price; the August PPD was 13 cents above last month's. During August, all commodity prices rose slightly. This resulted in higher producer component prices for butterfat and solids, but a slightly lower protein price as the butterfat price is a component in the protein price. All class prices increased except the Class I price, which is announced on an advanced basis and is calculate using prices from the previous month.

The average producer test for protein rose; other solids dropped; and butterfat was unchanged. Due to an overall lower volume of milk receipts, the producer component valuation declined resulting in a higher PPD. ❖

Hearing Reconvened

On September 1, USDA announced that it would reconvene a national public hearing to consider proposals seeking to amend the Class III and IV milk price formulas manufacturing allowances applicable to all federal milk marketing orders. The hearing was held on September 14 in Strongsville, Ohio; the original hearing was held January 24–27 in Alexandria, Virginia.

The purpose of reconvening, according to USDA, was to assure that any changes to manufacturing allowance factors used in federal order Class III and IV product price formulas are appropriate and reflective of manufacturing costs; specifically, to take into evidence data on costs of processing in cheese, whey, butter, and nonfat dry milk plants from a recently completed research project conducted by Cornell University and other pertinent data that would be publicly available.

USDA has solicited and is currently receiving additional proposals regarding all aspects of the Class III and IV price formulas; proposals are due by September 30. Such proposals will be considered for inclusion in a separate hearing notice for a separate public hearing on all issues affecting Class III and Class IV product price formulas.

Information on this and other federal order hearings is available at www.ams.usda.gov/dairy.❖

Pool Summary

- A total of 14,222 producers were pooled under the Order with an average daily delivery per producer of 4,105 pounds.
- Pooled milk receipts totaled 1.81 billion pounds, a decrease of 5.0 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 48.8 percent of total milk receipts, an increase of 6.1 percentage points from July.
- The average butterfat test of producer receipts was 3.58 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.❖

Pooled Milk	Percent	Pounds
Class I	48.8	883,208,313
Class II	23.1	418,281,539
Class III	23.2	420,207,271
Class IV	4.9	88,330,353
Total Pooled Milk		1,810,027,476

Producer Component Prices

	2006	2005
	$/lb	
Protein Price	1.9050	2.1619
Butterfat Price	1.3008	1.8246
Other Solids Price	0.1416	0.1317

Class Price Factors

	2006	2005
	$/cwt	
Class I	14.22	17.69
Class II	11.16	13.95
Class III	11.06	13.60
Class IV	10.64	13.44

Federal Order Pooling and Transportation Credit Decisions

On September 6, USDA announced a number of decisions that impact provisions in several federal milk marketing orders:

Appalachian and Southeast

A tentative partial decision adopts proposals to amend certain features of the transportaion credit provisions and establishes diversion limits on eligible Class I milk receiving transportation credits. A separate decision will be issued addressing proposals concerning producer milk provisions and transportation credits on intra-market order movement. Interested parties have until November 13 to file comments.

Upper Midwest

A final decision would amend pooling provisions by establishing a limit on the volume of milk a handler may pool during the months of April through February to 125 percent of the volume pooled in the prior month and in March a limit of 135 percent of the volume pooled in the prior month. In addition, it would allow the market administrator to increase the maximum administrative assessment up to 8 cents per hundredweight on all pooled milk if necessary to maintain the required fund reserves.

Mideast

A final decision would amend pooling provisions by establishing a limit on the volume of milk a handler may pool during the months of April through February to 115 percent of the volume pooled in the prior month and in March a limit of 120 percent of the prior month's volume.

Central

A final decision to amend pooling provisions would increase supply plant performance standards; amend features of the "touch-base" provision; amend certain features of the "split plant" provision; and decrease the diversion limit standards. It also would limit the volume of milk a handler can pool in a month to 125 percent of the total volume pooled in the previous month.

USDA will conduct a vote on the latter three amended orders to determine producer approval.❖

Trends in Milk Production

According to USDA's Economic Research Service's *Dairy Backgrounder,* the number of milk cows has declined nationally by 16.5 percent since 1980. The number of dairy farms in the United States has declined by 75 percent. The result of these two trends is that the average dairy operation has grown from 32 to 111 cows. U.S. milk per cow in 2005 was 19,536 pounds, a growth of 65 percent since 1980. Milk production from 1980 to 2005 grew by almost 38 percent to 176.5 billion pounds. Milk production increases are a result of technological advances in dairy facilities and equipment; better understanding of animal breeding, health, nutrition; and improved input management. Large operations of 500 or more milk cows represented 3.7 percent of all dairy farms in 2004, but produced over 47 percent of the milk.

Since July, 2000, the number of producers pooling on the Northeast Order has declined from 16,890 to 14,054, a decline of 16.8 percent. The total pounds pooled on the Order have actually declined as well during that time, but only by 4.2 percent. A major reason pooled pounds have not decreased by more is that daily deliveries per producer (DDP) has increased from 3,800 to 4,375 pounds, an increase of 15.2 percent. The accompanying table shows these data by various Northeast states that pool on the Northeast Order. Milk from 16 states was pooled on the Order in 2006. Milk from 14 states was pooled on the Order in 2000. Not all states are listed in the table. Milk per cow in New York and Pennsylvania increased from 1,000 pounds in July 1980 to 1,605 pounds in New York and 1,600 pounds in Pennsylvania by July 2006. In the Northeast during July 2006, farms roughly equating to 500-cow operations represent 1.4 percent of the farms, but produce 17.5 percent of pooled pounds.

Since 2000, the Northeast Order data mirror the long term national trend toward fewer farms with greater milk per cow.❖

Northeast Order Pooled Pounds and Producers, July 2000 and 2006

	2000			2006			% change		
State	Producers	Million Pounds	DDP	Producers	Million Pounds	DDP	Producers	Pounds	DDP
Connecticut	211	37.3	5,705	146	27.9	6,167	(30.8)	(25.2)	8.1
Delaware	68	8.6	4,090	55	8.2	4,800	(19.1)	(5.1)	17.4
Massachusetts	247	29.4	3,845	170	21.5	4,086	(31.2)	(26.8)	6.3
Maryland	685	91.8	4,322	532	68.7	4,167	(22.3)	(25.1)	(3.6)
Maine	395	43.6	3,562	347	48.3	4,492	(12.2)	10.8	26.1
New Hampshire	173	25.9	4,830	133	22.4	5,429	(23.1)	(13.6)	12.4
New Jersey	156	18.7	3,860	111	13.0	3,772	(28.8)	(30.5)	(2.3)
New York	6,539	850.3	4,195	5,246	830.2	5,105	(19.8)	(2.4)	21.7
Pennsylvania	6,753	641.6	3,065	5,979	630.2	3,400	(11.5)	(1.8)	10.9
Virginia	66	8.9	4,361	104	10.8	3,355	57.6	21.2	(23.1)
Vermont	1,533	226.0	4,755	1,119	215.7	6,218	(27.0)	(4.6)	30.8
Other States*	64	7.3	3,704	112	9.3	2,700	75.0	27.6	(27.1)
Northeast	16,890	1,989.5	3,800	14,054	1,906.3	4,375	(16.8)	(4.2)	15.2

*Other States include IN, MI, OH, RI, WI, WV

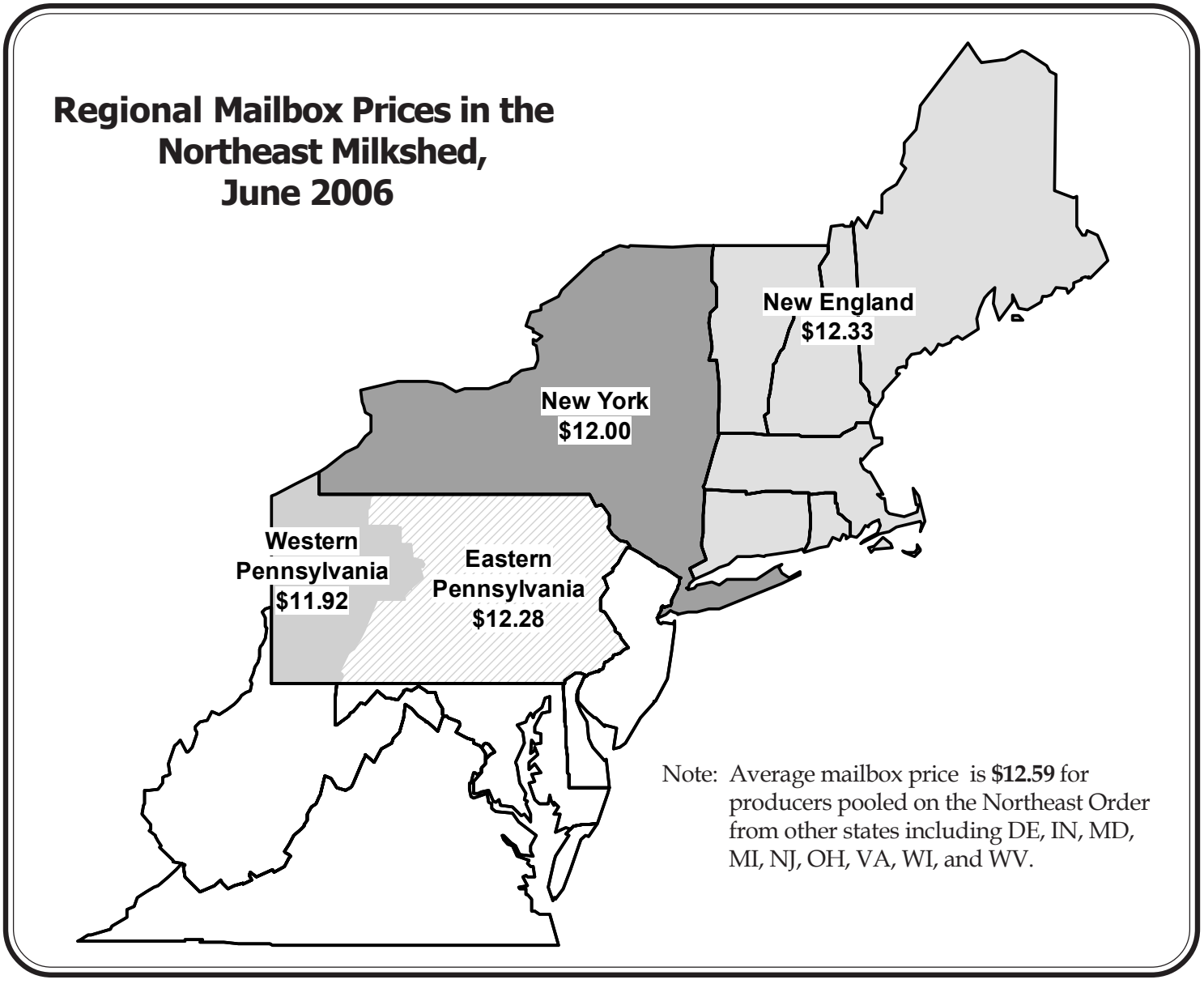
Regional Mailbox Prices

The mailbox price refers to the price that farmers receive for their milk after taking into consideration the gross value of the milk, premiums received, cooperative dues, market service payments, promotions, and hauling charges.

During June 2006, the average mailbox price for producers whose milk was pooled on the Northeast Order was $12.16 per hundredweight. Geographically, the Northeast Milk Marketing Area extends from Maine to Virginia. Population densities, relative to the location of milk production, vary regionally across the marketing area. This can lead to different premium and hauling cost structures faced by producers in different regions. These differences, in turn, can result in somewhat different average mailbox prices received by producers from one region to the next. In addition, the Order's differentials in conjunction with decisions on where milk is moved to play a major impact in mailbox prices received in one region compared to another.

The accompanying map shows regional mailbox prices in New England, New York, Eastern Pennsylvania, and Western Pennsylvania. New York, at $12.00 per hundredweight, is the only region that averages less than the Northeast average. This is in large part due to the relative lower differentials received for milk in much of the milk producing areas of western and northern New York.

In New England and Eastern Pennsylvania, where the average mailbox price was $12.33 and $12.28 per hundredweight, respectively, milk more readily finds a home at a plant in a higher differential zone. Western Pennsylvania averages the lowest at $11.92 per hundredweight. The western Pennsylvania mailbox price represents a weighted average of data from both the Northeast and the Mideast orders.❖



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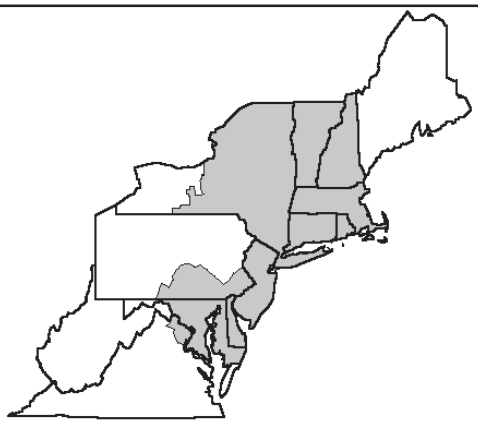
Computation of Producer Price Differential and Statistical Uniform Price*

	Product Pounds	Price per cwt./lb.	Component Value	Total Value
Class I— Skim	865,620,780	$10.21	88,379,881.64	
Butterfat	17,587,533	1.2479	21,947,482.43	
Less: Location Adjustment to Handlers			(2,785,704.10)	$107,541,660.01
Class II— Butterfat	28,124,924	1.3078	36,781,775.63	
Nonfat Solids	34,844,630	0.7578	26,405,260.61	63,187,036.24
Class III— Butterfat	15,521,406	1.3008	20,190,244.90	
Protein	12,437,076	1.9050	23,692,629.89	
Other Solids	23,740,608	0.1416	3,361,670.09	47,244,544.88
Class IV— Butterfat	3,597,745	1.3008	4,679,946.67	
Nonfat Solids	7,589,133	0.7013	5,322,258.96	10,002,205.63
Total Classified Value				**$227,975,446.76**
Add: Overage—All Classes				60,653.51
Inventory Reclassification—All Classes				286,384.57
Other Source Receipts	109,995			3,473.93
Less: Producer Component Valuations				(200,800,019.17)
Subtotal				**$27,525,939.60**
Add: Location Adjustment to Producers				8,615,159.95
One-half Unobligated Balance—Producer Settlement Fund				863,904.12
Total Pool Milk & Aggregate Value	1,810,137,471			37,005,003.67
Less: Producer Settlement Fund—Reserve				(802,254.19)
Producer Price Differential @ Suffolk County, MA (Boston)		**$2.00**		36,202,749.48
Statistical Uniform Price @ Suffolk County, MA (Boston)		**$13.06**		

* 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 2006 Federal Order No. 1

To contact the Northeast Marketing Area offices:
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September Pool Price Calculation

The September 2006 statistical uniform price (SUP) for the Northeast Marketing Area was announced at $13.43 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. Based upon the pool average producer component tests, the SUP would be $13.80 per hundredweight. The September producer price differential (PPD) at Suffolk County was $1.14 per hundredweight.

September's statistical uniform price was 37 cents per hundredweight above the August price; the September PPD was 86 cents below last month's. During September all commodity prices rose slightly. All class prices increased except the Class I price, which is announced on an advanced basis and is calculated using prices from the previous month. The higher commodity prices, combined with higher component tests, resulted in a higher producer component value and a lower PPD than last month.

The average producer tests (see Pool Summary) for protein and butterfat were the highest on record for the month of September since the Order's inception.❖

Milk Moving South Decreases

During September, bulk milk shipments to other federal orders totaled 29.1 million pounds. Of this total, 28.3 million pounds (97 percent) were sent south to the Appalachian, Florida, and Southeast federal milk marketing orders. This is down from the 31.5 million pounds sent south in August and the 29 million pounds sent during September 2005 (see accompanying table on page 3).

Milk received by handlers pooled on the Northeast Order that came from handlers pooled on other federal orders totaled 48.9 million pounds during September. Of this total, 19.2 million came from the southern federal orders, up from the 18.9 million pounds received in August and the 6.1 million pounds in September 2005. Most of this milk came from the neighboring Appalachian Order.

Overall, these movements resulted in a net amount of 9.1 million pounds more shipments than receipts to the southern orders during September 2006. During August, the amount was 12.6 million more shipments going south than received from the south. In September 2005,
(continued on page 3)

Pool Summary

- A total of 14,119 producers were pooled under the Order with an average daily delivery per producer of 4,122 pounds.
- Pooled milk receipts totaled 1.746 billion pounds, a decrease of 0.3 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 52.1 percent of total milk receipts, an increase of 3.3 percentage points from August.
- The average butterfat test of producer receipts was 3.68 percent.
- The average true protein test of producer receipts was 3.04 percent.
- The average other solids test of producer receipts was 5.66 percent.❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	52.1	909,702,956
Class II	21.1	369,455,352
Class III	22.3	388,901,090
Class IV	4.5	78,301,847
Total Pooled Milk		1,746,361,245

Producer Component Prices

	2006	2005
	$/lb	
Protein Price	2.1346	2.3009
Butterfat Price	1.4191	1.8872
Other Solids Price	0.1649	0.1411

Class Price Factors

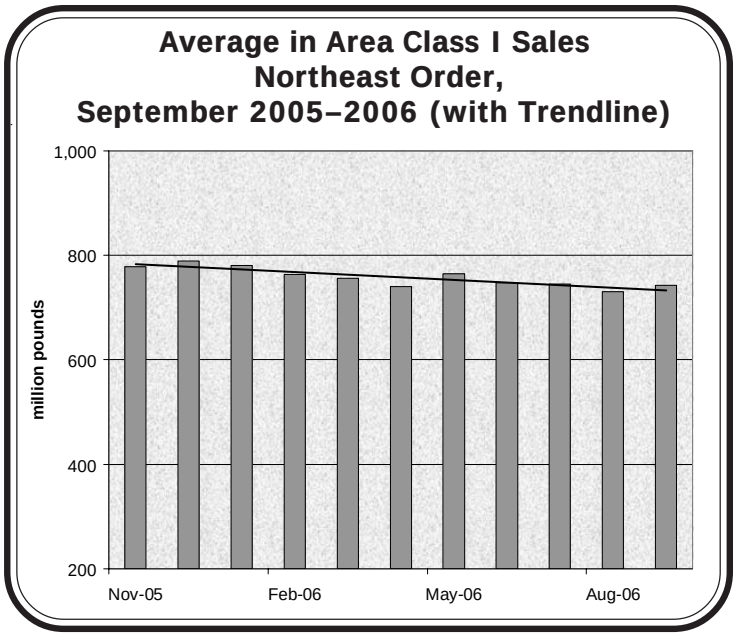
	2006	2005
	$/cwt	
Class I	14.10	16.95
Class II	11.74	14.35
Class III	12.29	14.30
Class IV	11.10	13.75

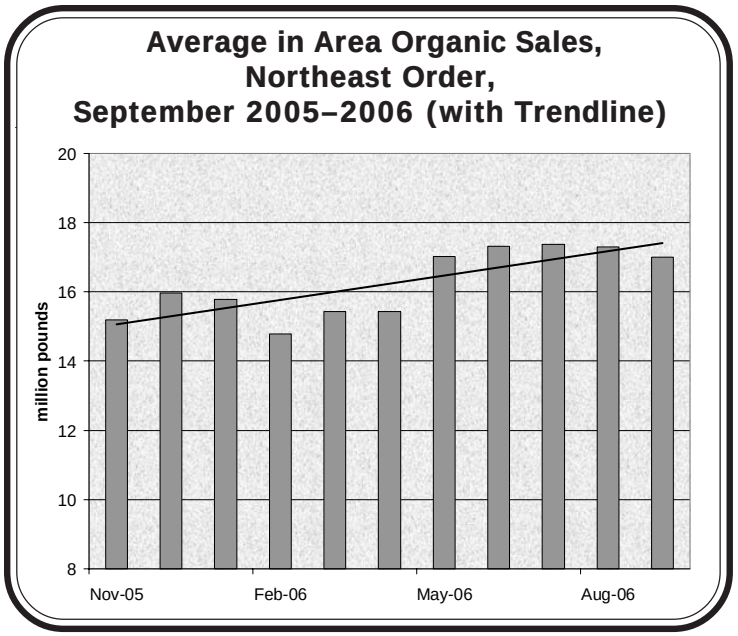
Northeast Class I Sales Decline Slightly; Organic Sales Trend Upward

According to USDA's Agricultural Marketing Service data, estimated total United States sales of fluid milk products through the first 8 months of 2006 are up 1.13 percent. The months of September through December would have to average below 4.6 billion pounds in sales a month to finish the year below 2005 total sales, a value 61 million pounds below the 2006 monthly average to date. In the Northeast Marketing Area, in-area Class I sales have declined 0.52 percent in the first 8 months of 2006, compared to the same period in 2005.

Sales of organic milk products also have been strong nationally and in the Northeast. According to the Organic Trade Association, organic dairy product sales grew 23.6 percent in 2005. Dairy products accounted for 15 percent of all organic food sales that year. The USDA Economic Research Service claimed that dairy has been one of the fastest growing segments of the organic foods industry, and organic milk cows accounted for 1 and 2 percent of total certified dairy cows in California and Wisconsin, respectively.

USDA and the Northeast Federal Order began collecting data on organic sales in September 2005. Handlers are asked to breakout sales of organic products and variations could occur do to this new requirement. The accompanying charts show 3-month moving averages of total Class I sales and total organic sales in the Northeast Marketing Area since that time. The charts show sales of organic fluid milk sales rising even while overall Class I sales decline. Average Northeast Marketing Area Class I utilization is up from 44.2 percent during the first 3 quarters in 2005 to 45.2 percent during the same time period in 2006. This increase is a result of a decline of about 548 million pounds of milk receipts on the Order during this time.❖





Pool Summary for All Federal Orders, January–September, 2005–2006

Federal Order		Total Producer Milk			Producer Price Differential#		Statistical Uniform Price#*	
Number	Name	2005	2006	Change**	2005	2006	2005	2006
		pounds		percent	dollars per hundredweight			
1	Northeast	17,871,159,859	17,321,647,034	(3.1)	1.57	1.74	15.73	13.29
5	Appalachian	4,870,422,193	4,717,161,994	(3.1)	N/A	N/A	16.28	13.78
6	Florida	2,386,838,889	2,360,548,680	(1.1)	N/A	N/A	17.61	15.03
7	Southeast	5,768,165,033	6,203,436,168	7.5	N/A	N/A	16.18	13.63
30	Upper Midwest	16,091,635,845	19,814,592,255	23.1	0.26	0.35	14.42	11.90
32	Central	10,154,745,049	10,910,707,804	7.4	0.41	0.52	14.57	12.08
33	Mideast	13,757,848,282	13,159,454,672	(4.3)	0.64	0.76	14.80	12.32
124	Pacific Northwest	5,197,091,728	5,898,984,292	13.5	0.12	0.28	14.28	11.83
126	Southwest	7,026,541,534	8,678,700,064	23.5	1.30	1.37	15.46	12.93
131	Arizona~	2,220,094,756	2,530,493,537	14.0	N/A	N/A	14.72	12.30
All Market Total/Average		85,344,543,168	91,595,726,500	7.3	0.72	0.84	15.41	12.91

Price at designated order location. * Price at 3.5% butterfat. N/A = Not applicable.

** A significant amount of milk was depooled during 2005 in some orders.

~ Formerly Arizona-Las Vegas Order; name changed effective May 1, 2006.

CCC Only Purchased NFDM During MY

For the marketing year (MY) October 1, 2005, through September 30, 2006, 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 452.6 million pounds. This was twice as much as last year's volume, but still relatively low when comparing purchases over the past fifteen years (see accompanying table). Milk production during MY 2005-06 was 3.2 percent higher than during the previous MY. The increase in production was not offset by demand resulting in an increase in purchases of NFDM.

For the past three marketing years, the CCC has not purchased any cheese or butter. The only activity involving butter during the past three 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. The last time uncommitted inventories were held was at the end of MY 2003–04 with a total of 609.9 million pounds of NFDM (no butter or cheese).❖

CCC Purchases of Dairy Products Under the Support Program, 1991–2006*

MY** Ending	Butter	Cheese	NFDM	Milk Equivalent Total
	(million pounds)			
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
2006	0.0	0.0	64.0	452.6

Sources: Commodity Credit Corporation; *Dairy Market News.*

* 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).

USDA Seeks Nominations for Promotion Board

The USDA is seeking nominations for the National Fluid Milk Processor Promotion Board. Seven individuals will be appointed to serve 3-year terms from July 1, 2007, through June 30, 2010. They will represent five geographic regions and two at-large positions. One of the open positions will represent Region 1 (Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, and Vermont).

Nominations should be submitted by November 3, 2006, to: Promotion and Research Branch, Dairy Programs, USDA, AMS, MRP, 1400 Independence Ave., S.W., Stop 0233, Room 2958-S, Washington, D.C. 20250-0233. For forms or information, call (202) 720-6909 or visit the Dairy Promotion and Research Board's website at http://www.ams.usda.gov/dairy.❖

Milk Moving *(continued from page 1)*

the net amount was 22.9 million pounds shipped to southern orders. 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, especially as schools open. Also, during the past years, additional demands have been placed on the South due to shortages resulting from the hurricanes that have hit that area during late August and early September.

The remainder of the milk shipped out of the Northeast went to the Mideast (Order No. 33). Of the milk received from other federal orders, a majority came from the Mideast, with small amounts from the Upper Midwest (Order No. 30) and Central (Order No. 32) .❖

Milk Movements: Northeast to/from Other Federal Orders

		August			September		
		2004	2005	2006	2004	2005	2006
		million pounds					
Total*	Received	24.8	21.7	43.9	20.3	26.2	48.9
	Shipped	21.3	20.8	32.5	31.0	29.9	29.1
	Net	**3.5**	**0.9**	**11.4**	**(10.6)**	**(3.7)**	**19.8**
South**	Received	12.2	8.6	18.9	6.9	6.1	19.2
	Shipped	20.7	20.0	31.5	30.4	29.0	28.3
	Net	**(8.5)**	**(11.4)**	**(12.6)**	**(23.5)**	**(22.9)**	**(9.1)**

* Includes Order Nos. 5, 6, 7, 30, 32, and 33.

** Includes Order Nos. 5, 6, and 7.

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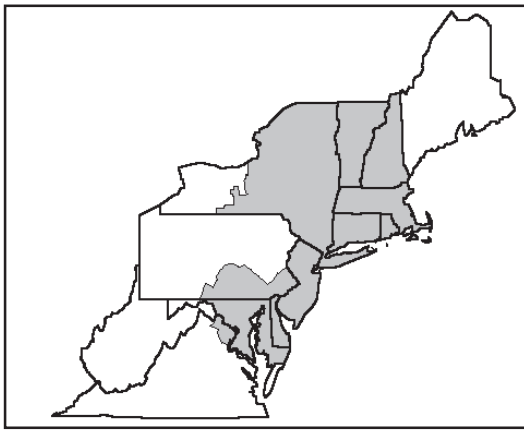
Computation of Producer Price Differential and Statistical Uniform Price*

	Product Pounds	Price per cwt./lb.	Component Value	Total Value
Class I— Skim	892,084,656	$9.89	88,227,172.48	
Butterfat	17,618,300	1.3028	22,953,121.24	
Less: Location Adjustment to Handlers			(2,894,531.08)	$108,285,762.68
Class II— Butterfat	27,364,233	1.4261	39,024,132.70	
Nonfat Solids	30,849,702	0.7767	23,960,963.55	62,985,096.25
Class III— Butterfat	15,185,886	1.4191	21,550,290.81	
Protein	11,825,265	2.1346	25,242,210.67	
Other Solids	21,972,152	0.1649	3,623,207.88	50,415,709.36
Class IV— Butterfat	4,176,903	1.4191	5,927,443.09	
Nonfat Solids	6,707,800	0.7066	4,739,731.49	10,667,174.58
Total Classified Value				**$232,353,742.87**
Add: Overage—All Classes				122,355.50
Inventory Reclassification—All Classes				388,551.52
Other Source Receipts	15,351 Pounds			337.73
Total Pool Value				**$232,864,987.62**
Less: Producer Component Valuations @ Class III Component Prices				(221,034,593.78)
Total PPD Value Before Adjustments				**$11,830,393.84**
Add: Location Adjustment to Producers				8,161,517.74
One-half Unobligated Balance—Producer Settlement Fund				751,566.38
Less: Producer Settlement Fund—Reserve				(834,784.78)
Total Pool Milk & PPD Value	1,746,376,596 Producer pounds			**19,908,693.18**
Producer Price Differential		**$1.14**		
Statistical Uniform Price		**$13.43**		

* 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 2006 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

October Pool Price Calculation

The October 2006 statistical uniform price (SUP) for the Northeast Marketing Area was announced at $14.04 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 October producer price differential (PPD) at Suffolk County was $1.72 per hundredweight.

October's statistical uniform price was 61 cents per hundredweight above the September price; the October PPD was 58 cents above last month's. During October cheese and butter prices declined slightly while nonfat dry milk and dry whey prices rose. All class prices increased, especially the Class I price that is announced on an advanced basis and is calculated using prices from the previous month. The higher Class I value, combined with higher component values, equaled a larger pool value. Even though the producer component value was higher than in September, the result was a greater PPD than last month.

The average producer test for butterfat jumped 0.10 percentage points averaging 3.78 percent; it was the highest butterfat test for the month of October since the Order's inception. The average producer test for other solids also set a record for the month of October. The average producer protein test increased 0.07 percentage points and tied 2005 for the highest October protein test.❖

USDA Announced Federal Order Pre-hearing Information Session

USDA will hold a public information session December 5, 2006, to address proposals received to amend the federal order Class III and Class IV product price formulas. The session will be begin at 8:30 a.m. in the USDA Whitten Building, 1400 Independence Ave., SW., Room 107-A, Washington, DC.

The purpose of the session is for interested parties to learn about the intent of proposals that have been submitted to amend Class III and Class IV product price formulas. The session will enable proponents to better prepare testimony and evidence in support of, or in opposition to, proposals that may be included in a future Class III and Class IV hearing notice. The session will not become part of an official hearing record and

(continued on page 2)

Pool Summary

- A total of 14,059 producers were pooled under the Order with an average daily delivery per producer of 4,077 pounds.
- Pooled milk receipts totaled 1.777 billion pounds, a decrease of 1.5 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 51.6 percent of total milk receipts, a decrease of 0.5 percentage points from September.
- The average butterfat test of producer receipts was 3.78 percent.
- The average true protein test of producer receipts was 3.11 percent.
- The average other solids test of producer receipts was 5.68 percent.❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	51.6	916,671,270
Class II	21.5	381,630,186
Class III	22.7	404,227,732
Class IV	4.2	74,652,925
Total Pooled Milk		1,777,182,113

Producer Component Prices

	2006	2005
	$/lb	
Protein Price	2.0775	2.3780
Butterfat Price	1.4149	1.8256
Other Solids Price	0.2026	0.1491

Class Price Factors

	2006	2005
	$/cwt	
Class I	15.67	17.52
Class II	11.79	14.25
Class III	12.32	14.35
Class IV	11.51	13.61

"Tanker Load Per Day" Farms by State

During May 2006 (verified payroll data), there were 111 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 254 million pounds on the Order. The number of farms producing at least 1.5 million pounds a month increased by 31 since May 2002. These "large" farms represented 12.3 percent of the total milk pooled on the Northeast Order in May 2006, compared to 7.6 percent in 2002—a difference of almost 80 million pounds of milk.

Farms by Size Under the Northeast Order, May 2002 and 2006

Farm Size by Pounds	No. of Farms May-02	Percent of Farms	No. of Farms May-06	Percent of Farms	Change in No. of Farms	Percent Change
0-49,999	3,368	20.3	2,997	21.3	(371)	(11.0)
50,000-99,999	6,405	38.5	5,239	37.2	(1,166)	(18.2)
100,000-199,999	4,563	27.4	3,765	26.8	(798)	(17.5)
200,000-499,999	1,720	10.3	1,481	10.5	(239)	(13.9)
500,000-749,999	262	1.6	245	1.7	(17)	(6.5)
750,000-1,499,999	234	1.4	230	1.6	(4)	(1.7)
1,500,000 an up	80	0.5	111	0.8	31	38.8
Total	16,632		14,068		(2,564)	(15.4)

Milk by State and Farm Size Under the Northeast Order, May 2002 and 2006

State/Area	Total Pooled 2006 Number of Farms	Total Pooled 2006 Million Pounds	Farms Marketing 1.5 Million Lbs. or More 2006 Number of Farms	Farms Marketing 1.5 Million Lbs. or More 2006 Million Pounds	Farms Marketing 1.5 Million Lbs. or More 2002 Number of Farms	Farms Marketing 1.5 Million Lbs. or More 2002 Million Pounds
VT	1,125	229	18	37	10	19
Other New England[1/]	818	130	4	9	4	8
NY	5,297	869	70	170	51	111
PA	5,938	708	15	29	9	21
Other Inside Area[2/]	793	125	4	9	2	5
Other Outside Area[3/]	97	9	0	0	4	12
Total	14,068	2,070	111	254	80	176

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, IN, MI, MN, ND, NV, OH, UT, WI, and WV.

These 111 farms represent just 0.8 percent of the 14,068 farms pooled on the Northeast Order. The greatest number of "large" farms pooled on the Order operate farms in New York, and these 70 farms pool a total of 170 million pounds of milk. New York has experienced most of the growth in these large-size farms in the Northeast. Of the net increase of 31 "large" farms since 2002, those in New York accounted for 19 of them. "Large" farms accounted for 19.6 percent of the milk pooled from New York and 16 percent of the milk pooled from Vermont. There were no "large" farms pooling on the Northeast Order from outside the traditional marketing area in May 2006. Farms pooling between 750,000 and 1.5 million pounds a month decreased by 4 farms during this period, possibly due to farms formerly in that size category growing bigger.

Roughly 37 percent of farms pooling on the Northeast marketed between 50,000 and 99,999 pounds of milk during May. This size category lost 1,166 farms since May 2002, or 45 percent of the total loss in farms during that time. Overall, 85 percent of the farms pooling on the Northeast Order pool less than 200,000 pounds a month.

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.❖

Other Federal Order Decisions

On October 30, the USDA announced a number of final rules that permanently adopt amendments to the Central, Mideast, and Upper Midwest federal milk marketing orders. Details of the amendments were discussed in the August 2006 *Bulletin*. The amended orders are approved by producers in the respective orders and become effective December 1, 2006.

Also on October 30, the USDA issued an interim final rule for the Appalachian Federal Milk Marketing Order. Details of these amendments also are included in the August 2006 *Bulletin*. These interim amendments will become effective on December 1, 2006. Public comments on the tentative partial decision published on September 13 are due on November 13.❖

USDA Announced *(continued from page 1)*

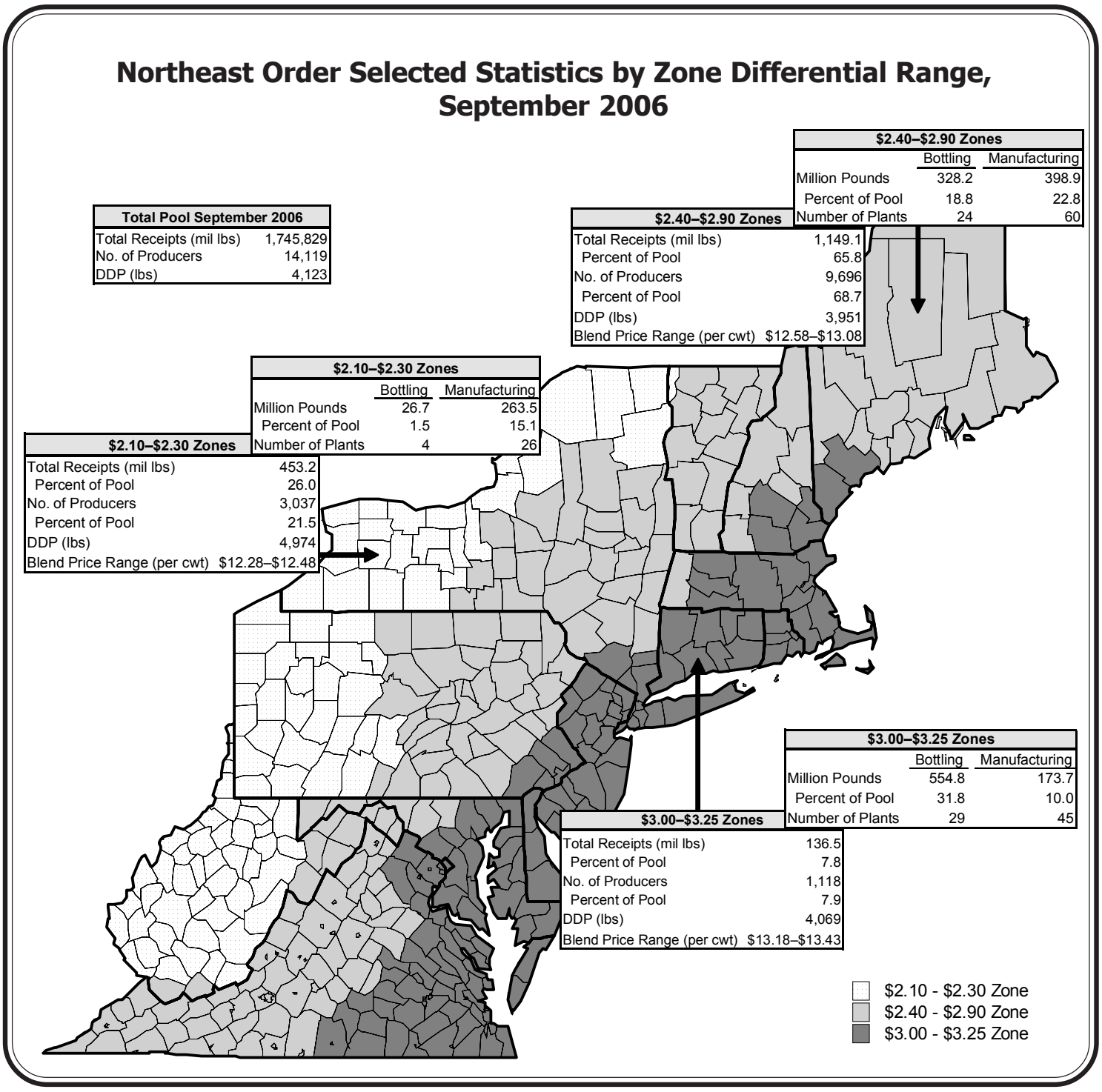
will be conducted outside of ex-parte rules. This will allow government officials to freely discuss proposed amendments.

USDA strongly encourages all parties who have submitted proposals to participate in the information session. Additional information regarding the session is available at http://www.ams.usda.gov/dairy/info_session/info_session.htm.❖

Comparison of Receipts and Utilization by Zones

The accompanying map shows selected milk production and processing statistics by consolidated differential ranges for the Northeast Order. Suffolk County, Massachusetts (Boston), is the base point for the Northeast Milk Marketing Area. Producer milk delivered to plants located there receive the highest price reported under the Order. As you move further away from the base point, milk is priced lower. For simplicity, only three ranges are shown on the map: $2.10 to $2.30; $2.40 to $2.90; and $3.00 to $3.25. Selected statistics show milk produced in those areas, producer and plant counts, and percentages of the total pool. Milk pooled on the Order from producers located in ranges not shown on the map was not included in the producer milk statistics shown; that milk represents only 0.4 percent of the total pool.

As the map shows, nearly two thirds of all the milk pooled on the Order is produced in the middle zone range. About an equal proportion of milk pooled is utilized in the middle and highest zone ranges, although the highest range utilizes a much larger proportion of milk for bottling since this range encompasses the larger metropolitan areas.❖



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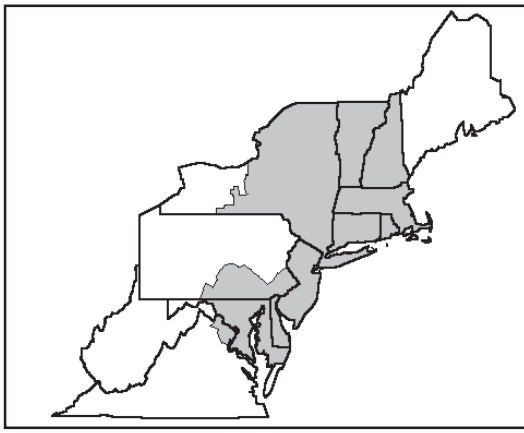
Computation of Producer Price Differential and Statistical Uniform Price*

	Product Pounds	Price per cwt./lb.	Component Value	Total Value
Class I— Skim	898,288,969	$10.97	98,542,299.90	
Butterfat	18,382,301	1.4532	26,713,159.81	
Less: Location Adjustment to Handlers			(2,906,778.89)	$122,348,680.85
Class II— Butterfat	28,377,153	1.4219	40,349,473.84	
Nonfat Solids	32,262,711	0.7844	25,306,870.50	65,656,344.34
Class III— Butterfat	15,630,532	1.4149	22,115,639.71	
Protein	12,571,137	2.0775	26,116,537.15	
Other Solids	22,949,179	0.2026	4,649,503.65	52,881,680.51
Class IV— Butterfat	4,771,411	1.4149	6,751,069.43	
Nonfat Solids	6,392,035	0.7551	4,826,625.61	11,577,695.04
Total Classified Value				**$252,464,400.74**
Add: Overage—All Classes				134,884.93
Inventory Reclassification—All Classes				187,028.00
Other Source Receipts	45,648 Pounds			1,447.37
Total Pool Value				**$252,787,761.04**
Less: Producer Component Valuations @ Class III Component Prices				(230,422,389.54)
Total PPD Value Before Adjustments				**$22,365,371.50**
Add: Location Adjustment to Producers				8,258,132.52
One-half Unobligated Balance—Producer Settlement Fund				701,833.66
Less: Producer Settlement Fund—Reserve				(757,020.12)
Total Pool Milk & PPD Value	1,777,227,761 Producer pounds			**$30,568,317.56**
Producer Price Differential		**$1.72**		
Statistical Uniform Price		**$14.04**		

* 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 2006 Federal Order No. 1

To contact the Northeast Marketing Area offices:
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e-mail address: MAAlbany@fedmilk1.com; *Alexandria, VA*: phone (703) 549-7000, e-mail address: MAAlexandria@fedmilk1.com;
website address: www.fmmone.com

November Pool Price Calculation

The November 2006 statistical uniform price (SUP) for the Northeast Marketing Area was announced at $14.21 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 $1.37 per hundredweight.

November's statistical uniform price was 17 cents per hundredweight above the October price; the November PPD was 35 cents below last month's. During November, all commodity prices increased except butter. The nonfat dry milk price jumped considerably and mitigated the butter decline. This resulted in an increase in the Class IV price. For the first time since the Order's inception, the Class II price was below the Class IV (see article on page 3 for more explanation).

Total producer receipts were down 100 million pounds from November 2005 and was the smallest volume on record for the Northeast Order. Class I usage was up 12 million pounds and, combined with the decrease in total receipts, resulted in the highest Class I utilization on record (52.3 percent).

Federal Order Decisions and Hearing

Make Allowances—In late November the U.S. Department of Agriculture issued a tentative final decision to amend the manufacturing (make) allowances contained in the Class III and IV price formulas applicable for all federal orders. A producer referendum is underway, concluding on December 22, with referendum results to be announced by the Secretary of Agriculture at a later date. This decision was based on an emergency public hearing held in Alexandria, Virginia, in January 2006 and a subsequent continuation session of this hearing held in Strongsville, Ohio, in September 2006.

The Federal milk order system currently uses product price formulas to compute prices handlers must account for in the marketwide pooling of milk used in Class III and IV products. Class III and IV prices also form the base from which Class I and Class II prices are determined. As a simplified explanation, producers receive the average of the class prices weighted by the volume of milk in each class for the respective order(s) under which they are pooled.

(continued on page 3)

Pool Summary

- A total of 14,057 producers were pooled under the Order with an average daily delivery per producer of 4,118 pounds.
- Pooled milk receipts totaled 1.737 billion pounds, an increase of 1.0 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 52.3 percent of total milk receipts, an increase of 0.7 percentage points from October (see article on price calculation).
- The average butterfat test of producer receipts was 3.79 percent.
- The average true protein test of producer receipts was 3.11 percent.
- The average other solids test of producer receipts was 5.70 percent.

Class Utilization

Pooled Milk	Percent	Pounds
Class I	52.3	907,700,961
Class II	20.8	360,550,981
Class III	22.5	391,315,232
Class IV	4.4	77,305,727
Total Pooled Milk		1,736,872,901

Producer Component Prices

	2006	2005
	$/lb	
Protein Price	2.2383	2.2724
Butterfat Price	1.3852	1.6114
Other Solids Price	0.2276	0.1606

Class Price Factors

	2006	2005
	$/cwt	
Class I	15.65	17.81
Class II	11.98	13.49
Class III	12.84	13.35
Class IV	12.11	12.90

Regional Dairy Outlook Conference Held

The 2006 Northeast Regional Dairy Outlook Conference was held November 21 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.

Northeast Milk Marketing Area
Statistical Uniform Prices, 2005–2007*

Month	2005 Actual	2006 Actual and **Estimated**	**2007 Estimated**
January	16.31	14.78	**15.24**
February	15.51	14.25	**15.21**
March	16.04	13.43	**15.23**
April	15.52	12.64	**15.20**
May	15.35	12.61	**15.28**
June	15.23	12.66	**15.43**
July	15.85	12.79	**15.69**
August	15.84	13.06	**16.04**
September	15.92	13.43	**16.28**
October	15.88	14.04	**16.09**
November	15.41	**14.32**	**15.83**
December	14.83	**14.53**	**15.78**
Average	15.64	**13.55**	**15.61**

* Estimated prices for November and December 2006 and all of 2007. All estimates are subject to change. Prices are reported at Suffolk County, MA. The actual price for November is $14.16 per cwt, announced in this issue.

Crop Situation

As is typical in the Northeast, mixed weather conditions throughout the region resulted in varied crop yields. Participants noted that the late spring rain delayed planting, resulting in a short growing season and crops left standing in the field, primarily in New England and parts of New York. Overall, hay production was up and corn was down; a shortage of feed in the late winter and early spring is likely. In Pennsylvania, the situation looks somewhat more optimistic with a good hay crop in both quality and quantity. Corn should be sufficient going into winter.

Production Estimates

Nationally, milk cow numbers are projected to finish up nearly 1 percent in 2006, compared to 2005. For 2007, the total number of cows is estimated to decline about half of 1 percent. Regionally, cow numbers are projected to finish down about 1 percent in 2006 and another 0.3 percent in 2007. New York estimates a slight increase, while Pennsylvania and the combined New England states (Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, and Vermont) expect declines. New Jersey, Delaware, and Maryland predict no change.

Replacement heifers are less scarce than during the past couple of years. Due to lower prices this past year, an increase in farm exits is anticipated. Even though milk prices are expected to increase during 2007, it is not anticipated that prices will be as high as in 2004. With relatively high input costs (i.e., fuel, feed) expansions will be limited.

Nationally, milk production per cow is projected to finish 2 percent higher in 2006 and another 1.6 percent in 2007 due to improved management and sufficient feed. The Northeast situation is similar: 1.7 percent higher in 2006 and 1.6 percent in 2007.

Even though milk cow numbers are expected to drop, the increases in milk production per cow are expected to generate an overall increase in milk production of nearly 1 percent in 2006 and 1.2 percent in 2007 in the Northeast. Nationally, 2006 should finish with an increase of 2.9 percent and 2007 is estimated at 1 percent higher.

Price Estimates

The group's consensus for the Northeast Order statistical uniform price is an annual average of $13.55 per hundredweight for 2006. This is $2.09 less than the 2005 annual average blend price. The forecast for 2007 is considerably higher: an annual average of $15.61 per hundredweight, similar to prices paid during 2005. This forecast did not take into account the currently proposed amended order (see Referendum article). Should the amendments become effective, prices are anticipated to decline slightly. There are other changes currently proposed that would affect pricing also.

The increase in milk prices is due to less milk production during 2006 and fairly strong demand. The 5 percent increases that occurred at the beginning of 2006 shrunk as production leveled off during the spring and summer months. This helped prices rebound somewhat during the fall. Production increases are not expected to bounce back to previous levels with limited feed and less use of rBST. Current Chicago Mercantile Exchange futures prices predict blend prices in the $15–15.20 per hundredweight for the spring of 2007 and increases into the $16.00 range during the summer and early fall (see accompanying table). Once again, the Class III price is expected to be the dominant mover for Class I prices next year, although Order changes may alter that resulting in a butter/nonfat dry milk mover instead of a cheese mover. At this time, no negative producer price differentials (PPD) are predicted for 2007.❖

Payment Dates to Producers

The calendar below shows the dates for partial payments to producers who 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 final payment date that non-member producers must be paid is 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 Producer Pool Price Announcement.❖

Required Producer Payments Under the Northeast Order, 2007

Month Milk Produced	Partial Payment Due	
	Day	Date
January	Friday	1/26/07
February	Monday	2/26/07
March	Monday	3/26/07
April	Thursday	4/26/07
May	Tuesday	5/29/07
June	Tuesday	6/26/07
July	Thursday	7/26/07
August	Monday	8/27/07
September	Wednesday	9/26/07
October	Friday	10/26/07
November	Monday	11/26/07
December	Wednesday	12/26/07

Class II Price Below III and IV

The November Class II price was the lowest class price for the first time since the Order's inception. The Class II price has averaged $0.73 more than the Class IV price since January 2000. This price scenario is a result of the current Class II formula:

(.965 x Advance Class II Skim) + (3.5 x Class II Butterfat)

The Advance Class II skim portion of the price is derived from the weighted average of nonfat dry milk prices as reported by National Agricultural Statistics Service (NASS) on October 7 and 14. The Class II butterfat portion of the price is derived from the weighted average of butter prices reported by NASS on November 4, 11, 18, and 25. The butterfat portion of the class II formula for November reflects November market prices, whereas the advanced skim portion of the formula reflects market prices that existed during the first half of October. The weighted average price of nonfat dry milk for October 7 and 14, which helps set the November Class II price, was $0.8891 per pound. The price for nonfat dry milk for the month of November averaged $0.9837 per pound. Due to the pricing formula, the November Class II price did not reflect these higher November commodity prices.

Until this month, Class III or Class IV has been the lowest class price for the month. The Class III and Class IV prices are set using the current month's butterfat, other solids, and nonfat NASS prices. Prices for these components for the November Class III and Class IV prices were set using NASS prices on November 4, 11, 18, and 25.

Section 1001.73(a)(1) of the Order states that partial payments to producers for milk shipped during the first 15 days of the month shall be paid "at not less than the lowest announced class price for the preceding month." For the first time, that partial payment could be based on the Class II price.❖

Decisions and Hearing *(continued from page 1)*

The price formulas used to compute Class III and Class IV prices contain a factor called a manufacturing allowance. The make allowance factor represents the cost manufacturers incur in making raw milk into one pound of product and as used in the class price formula is a subtracted value. The decision amends the manufacturing allowances for cheese, butter, nonfat dry milk (NFDM), and dry whey. Specifically, the decision would adopt the following increased manufacturing allowances: cheese $0.1682 per pound; butter $0.1202 per pound; NFDM $0.1570 per pound; and dry whey $0.1956 per pound.

Since this decision was published as a tentative final decision in the November 22 *Federal Register*, interested parties have 60 days, or until January 22, 2007, to submit comments on this action that will be taken into consideration before the eventual issuance of a final decision on this hearing issue. Comments (four copies) should be filed with the Hearing Clerk, Stop 9200-Room 1031, United States Department of Agriculture, 1400 Independence Avenue, SW., Washington, DC 20250-9200. Comments may also be submitted at the Federal Rulemaking portal at : http://www.regulations.gov or by submitting comments via e-mail to: *amsdairycomments@usda.gov*. Reference should be made to the action "Manufacturing Allowance" and docket number "AO-14-A74."

Class I and Class II Formulas— During the week of December 11–15, the U.S. Department of Agriculture held a national public hearing to consider proposals seeking to amend the Class I and Class II price formulas applicable to all Federal milk marketing orders. This hearing was requested on an emergency basis by National Milk Producers Federation to reconsider formulas for Class I and II milk. Also, testimony was taken at the hearing to determine whether emergency marketing conditions existed that would warrant omission of a recommended decision. Additional information on the hearing is available on the AMS website http://www.ams.usda.gov/dairy/class_I_II/classI_II_pr_for.htm❖

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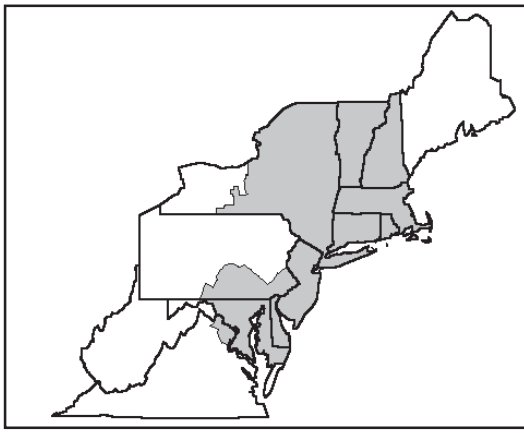
Computation of Producer Price Differential and Statistical Uniform Price*

	Product Pounds	Price per cwt./lb.	Component Value	Total Value
Class I— Skim	888,918,461	$11.02	97,958,814.40	
Butterfat	18,782,500	1.4329	26,913,444.25	
Less: Location Adjustment to Handlers			(2,879,773.16)	$121,992,485.48
Class II— Butterfat	26,845,608	1.3922	37,374,455.42	
Nonfat Solids	30,532,042	0.8189	25,002,689.21	62,377,144.63
Class III— Butterfat	15,337,489	1.3852	21,245,489.77	
Protein	12,142,605	2.2383	27,178,792.74	
Other Solids	22,287,790	0.2276	5,072,701.02	53,496,983.53
Class IV— Butterfat	4,910,467	1.3852	6,801,978.89	
Nonfat Solids	6,645,789	0.8353	5,551,227.54	12,353,206.43
Total Classified Value				**$250,219,820.07**
Add: Overage—All Classes				101,324.32
Inventory Reclassification—All Classes				195,668.72
Other Source Receipts	613,008 Pounds			16,183.41
Total Pool Value				**$250,532,996.52**
Less: Producer Component Valuations @ Class III Component Prices				(234,656,406.47)
Total PPD Value Before Adjustments				**$15,876,590.05**
Add: Location Adjustment to Producers				8,048,253.47
One-half Unobligated Balance—Producer Settlement Fund				740,291.43
Less: Producer Settlement Fund—Reserve				(861,577.91)
Total Pool Milk & PPD Value	1,737,485,909 Producer pounds			**$23,803,557.04**
Producer Price Differential		**$1.37**		
Statistical Uniform Price		**$14.21**		

* 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

December 2006 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

December Pool Price Calculation

The December 2006 statistical uniform price (SUP) for the Northeast Marketing Area was announced at $14.42 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 $0.95 per hundredweight.

December's statistical uniform price was 21 cents per hundredweight above the November price; the December PPD was 42 cents below last month's. Similar to November, all commodity prices increased during December except butter. This resulted in higher class prices and the return of a Class II price that was above the Class IV price.

A summary of the Order's data for 2006 is contained in this *Bulletin* on page 3.❖

Court Order Halts Make Allowance Change

USDA announced on January 17, 2007, that implementation of the pricing provisions of the Class III and Class IV make allowance Interim Final Rule approved by producers in a referendum in December 2006 has be placed on hold pending litigation introduced by opposition to the Order's make allowance changes. For more information, see Dairy Programs website: http://www.ams.usda.gov/dairy/proposals/court_order_11807.pdf.

Market Services 2006 Summary

The Market Administrator's market service program provides market information for producers who are not receiving such services from a cooperative association. In addition to verifying tests to guard against incorrect payments to producers for milk components and preventing incorrect pool credits to fluid handlers, the program also performs bulk tank calibrations.

The market service department checked 256 farm bulk tanks throughout the Northeast Marketing Area Milkshed during the 2006 season, covering 26,930 miles with the Order's two calibration trucks. Of the 256 tanks checked, 36 were out of tolerance and were recalibrated. Of the tanks requiring recalibration, there was an almost even split between

(continued on page 3)

Pool Summary

- A total of 14,093 producers were pooled under the Order with an average daily delivery per producer of 4,221 pounds.
- Pooled milk receipts totaled 1.844 billion pounds, an increase of 2.7 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 49.0 percent of total milk receipts, a decrease of 3.3 percentage points from November.
- The average butterfat test of producer receipts was 3.77 percent.
- The average true protein test of producer receipts was 3.08 percent.
- The average other solids test of producer receipts was 5.70 percent.❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	49.0	904,304,676
Class II	16.8	309,543,145
Class III	22.7	418,566,765
Class IV	11.5	211,590,367
Total Pooled Milk		1,844,004,953

Producer Component Prices

	2006	2005
	$/lb	
Protein Price	2.4388	2.3846
Butterfat Price	1.3481	1.5036
Other Solids Price	0.2564	0.1702

Class Price Factors

	2006	2005
	$/cwt	
Class I	15.68	16.82
Class II	12.55	13.22
Class III	13.47	13.37
Class IV	12.30	12.57

2006 Northeast Order Statistics Summarized

During 2006, the volume of milk received from producers shipping to handlers regulated under the Northeast Order totaled 22.7 billion pounds, a decrease of 3.8 percent from 2005. The average number of producers declined 4.2 percent, while average daily deliveries per producer (DDP) increased only 0.4 percent. The accompanying table compares selected pool statistics for 2005 and 2006.

Northeast Order Pool Statistics, 2005–2006

Pool Statistics	2005	2006	2005–06 Change
	million pounds		percent
Class I	10,612.9	10,544.5	(0.6)
Class II	4,701.5	4,476.5	(4.8)
Class III	5,378.0	5,074.7	(5.6)
Class IV	2,872.8	2,584.0	(10.1)
Total	23,565.3	22,679.7	(3.8)
	pounds		
DDP	4,330	4,349	0.4
	utilization percentage		change
Class I	45.0	46.5	1.5
Class II	20.0	19.7	(0.3)
Class III	22.8	22.4	(0.4)
Class IV	12.2	11.4	(0.8)
	dollars/cwt		percent
Class I	17.65	15.13	(14.3)
Class II	13.48	11.76	(12.8)
Class III	14.05	11.89	(15.4)
Class IV	12.88	11.06	(14.1)
SUP	15.64	13.53	(13.5)

Class Utilization Changes

Total producer milk receipts were down considerably in 2006. During November, the total amount of milk pooled on the Order set a record for the smallest monthly volume since the Order's inception in 2000, but the highest Class I utilization percentage at 52.3 percent. Overall, the total amount of milk pooled on the Northeast Order finished 885.6 million pounds less than during 2005. This was a combined result of poorer feed, less expansion due to lower prices the previous year, and less use of rBST.

Class I utilization averaged 46.5 percent in 2006, an increase of 1.5 percentage points from the previous year. The total volume of milk used in Class I decreased slightly (0.6 percent), but because of a smaller volume of producer milk receipts, the change in utilization was positive. Class II usage decreased 4.8 percent, resulting in a decrease in utilization of 0.3 percentage points. Class III volume was down 5.6 percent with a drop in utilization of 0.4 percentage points. The amount of milk used in Class IV declined 3.8 percent in 2006; utilization dropped 0.8 percentage points.

Prices Lower

National milk production was strong during the first quarter of 2006, but then lost its momentum in the spring. As the supply tightened, prices began to rise, but not until the fall. For the year, all federal order class prices averaged less than during 2005 with double-digit declines.

The Class I price averaged $15.13 per hundredweight in 2006, $2.52 below the 2005 annual average. The highest Class I price during 2006 was $16.63 in both January and February. The Class II price averaged $1.72 less than the previous year and the Class IV price was down $1.82 from 2005. Once again, the Class III price was hit the hardest, averaging $2.16 per hundredweight less than the 2005 average. Overall, the statistical uniform price (blend) reported at Suffolk County, Massachusetts (Boston) averaged $13.53 per hundredweight, $2.11 (13.5 percent) less than the 2005 price.

Component Pricing

The price paid to producers for butterfat averaged $1.3252 per pound, 22.5 percent less than in 2005. The per-pound annual average protein price declined 15 percent. The other solids price increased 42.2 percent, jumping from $0.1251 to $0.2564 per pound. The nonfat solids dropped 6.7 percent.

The annual average producer butterfat test increased from 3.67 percent in 2005 to 3.71 percent in 2006. From January through October, producer butterfat tests averaged 0.04 to 0.08 points higher when compared to the same month during the previous year and set records for the highest tests in many months since the Order's inception; only November and December butterfat tests were below. Both the producer protein and other solids tests averaged 1 hundredth of a point higher than the previous year.

Producer Changes

The year ended with 564 less producers than at the end of 2005. Annual average daily deliveries per producer (DDP) equaled 4349 pounds, up slightly (0.4 percent) from 2005.❖

CCC Calendar Year Purchases

During the 2006 calendar year, the Commodity Credit Corporation (CCC) purchased a small amount of cheese (198,000 pounds) under the price support program. In addition, a total of nearly 64 million pounds of nonfat dry milk were purchased during the calendar year. Purchases occurred between March and June with some cancellations in July and August; there has been no activity since. No butter was purchased during the calendar year.

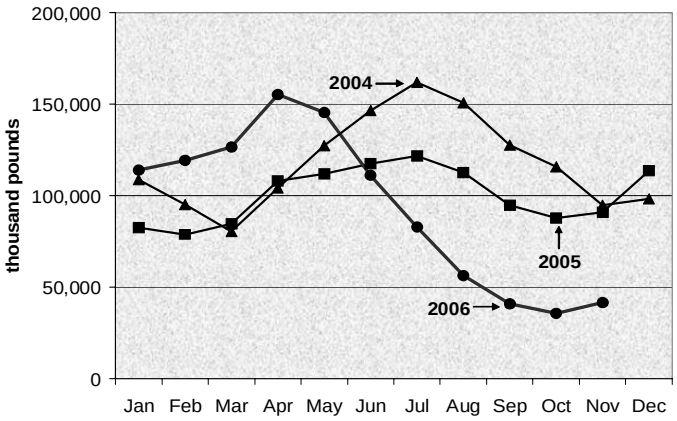
During 2005, no purchases were made under the support program. That was the only year since the dairy price support program began operation in 1949 that no purchases were made during an entire calendar year. The program reports on a fiscal year basis that runs from October 1–September 30 of the following year. There have been no uncommitted inventories of any product since October 2004.❖

Strong NFDM Prices

The Chicago Mercantile Exchange (CME) average weekly price for Extra Grade and Grade A nonfat dry milk (NFDM) was $1.45 per pound and $1.5500 per pound, respectively, for the week ending January 12. For Central and Eastern markets, nonfat dry milk prices ranged from $1.0225 to $1.55 per pound. These prices reflect the strength in the spot market. The NASS nonfat dry milk price was $1.0469 per pound for the week ending January 6.

Strong international demand for dry proteins has pushed prices up. Prices for skim milk powder (SMP) and dry whey have been much higher in Northern Europe than here in the United States. A lack of supply from Europe and Australia and better international prices have led to increased U.S. exports of skim milk powder, dry whey, and whey protein concentrate, leaving the U.S. market short of product (see attached chart showing NFDM inventory). In fact, from January through October, 44 percent of NFDM and SMP production was exported. The result is the high spot prices being reported by CME.❖

Monthly Nonfat Dry Milk Inventory, January–December, 2004– 2006



Source: *USDA's Dairy Products Monthly.*

Pool Summary for All Federal Orders, January–December, 2005–2006

Federal Order		Total Producer Milk			Producer Price Differential#		Statistical Uniform Price#*	
Number	Name	2005	2006	Change**	2005	2006	2005	2006
		pounds		percent	dollars per hundredweight			
1	Northeast	23,565,272,087	22,679,707,001	(3.8)	1.60	1.64	15.64	13.53
5	Appalachian	6,399,812,315	6,242,970,524	(2.5)	N/A	N/A	16.23	13.99
6	Florida	3,125,345,158	3,126,397,566	0.0	N/A	N/A	17.57	15.23
7	Southeast	7,543,717,206	8,055,165,403	6.8	N/A	N/A	16.14	13.90
30	Upper Midwest	22,449,887,923	26,854,748,528	19.6	0.27	0.29	14.32	12.18
32	Central	13,965,746,351	13,916,728,007	(0.4)	0.42	0.42	14.47	12.31
33	Mideast	18,060,092,544	17,189,205,040	(4.8)	0.66	0.64	14.70	12.53
124	Pacific Northwest	7,045,825,851	7,570,456,808	7.4	0.15	0.19	14.20	12.07
126	Southwest	9,578,701,979	11,599,517,446	21.1	1.33	1.27	15.37	13.16
131	Arizona~	2,947,498,446	3,383,448,766	14.8	N/A	N/A	14.66	12.60
	All Market Total/Average	114,681,899,860	120,618,345,089	5.2	0.74	0.74	15.33	13.15

Price at designated order location. * Price at 3.5% butterfat. N/A = Not applicable.
** A significant amount of milk was depooled during 2005 in some orders.
~ Formerly Arizona-Las Vegas Order; name changed effective May 1, 2006.

Market Services *(continued from page 1)*

tanks that were over measuring and under measuring the amount of milk. An additional 159 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 256 checks and the 159 additional calibrations total at least 415 farm visits. A total of 193 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.❖

Tank Calibration Work by Tank Size, 2006

Tank Size (Gallons)	Checks	Calibrations/ Recalibrations
0–500	39	8
501–1,000	135	108
1,001–1,500	44	53
1,501–2,000	25	12
2,001–3,000	9	6
3,001–6,000	4	4
6,000+	0	1
Total	**256**	**192**

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Computation of Producer Price Differential and Statistical Uniform Price*

	Product Pounds	Price per cwt./lb.	Component Value	Total Value
Class I— Skim	885,634,979	$11.14	98,659,736.66	
Butterfat	18,669,697	1.4095	26,314,937.92	
Less: Location Adjustment to Handlers			(2,875,498.35)	$122,099,176.26
Class II— Butterfat	24,449,842	1.3551	33,131,980.86	
Nonfat Solids	25,989,479	0.8989	23,361,942.68	56,493,923.54
Class III— Butterfat	15,948,024	1.3481	21,499,531.15	
Protein	12,884,110	2.4388	31,421,767.47	
Other Solids	23,844,990	0.2564	6,113,855.42	59,035,154.04
Class IV— Butterfat	10,499,330	1.3481	14,154,146.80	
Nonfat Solids	18,367,848	0.8737	16,047,988.84	30,202,135.64
Total Classified Value				**$267,830,389.48**
Add: Overage—All Classes				85,884.43
Inventory Reclassification—All Classes				244,867.90
Other Source Receipts	529,991 Pounds			10,792.11
Total Pool Value				**$268,171,933.92**
Less: Producer Component Valuations @ Class III Component Prices				(259,353,454.23)
Total PPD Value Before Adjustments				**$8,818,479.69**
Add: Location Adjustment to Producers				8,668,488.01
One-half Unobligated Balance—Producer Settlement Fund				873,351.20
Less: Producer Settlement Fund—Reserve				(837,236.99)
Total Pool Milk & PPD Value	1,844,534,944 Producer pounds			**$17,523,081.91**
Producer Price Differential		**$0.95**		
Statistical Uniform Price		**$14.42**		

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