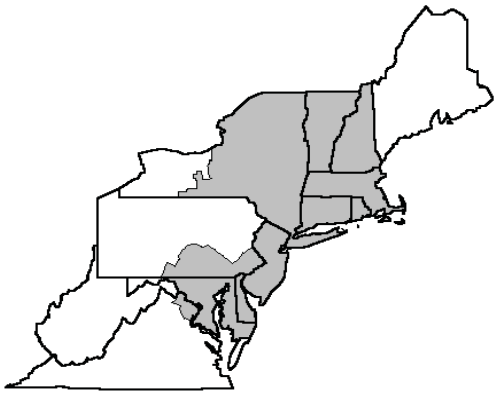

The Market Administrator's

BULLETIN

NORTHEAST MARKETING AREA

Erik F. Rasmussen, Market Administrator

January 2011 Federal Order No. 1

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

The January 2011 statistical uniform price (SUP) for the Northeast Marketing Area was announced at $17.01 per hundredweight for milk delivered to plants located in Suffolk County, Massachusetts (Boston), the pricing point for the Northeast Order. The statistical uniform price is calculated at 3.5 percent butterfat, 2.99 percent protein, and 5.69 percent other solids. If reported at the average tests of producer pooled milk, the SUP would be $17.95 per hundredweight. The January statistical uniform price was 10 cents per hundredweight above the December price. The January producer price differential (PPD) at Suffolk County was $3.53 per hundredweight, an increase of 45 cents per hundredweight from last month.

During January, all commodity prices increased except cheese. As a result, component prices for butterfat, other solids, and nonfat solids all rose while protein dropped. The Class I price, set in advanced, declined $1.76 per hundredweight due to lower prices during December. Class II and IV prices rose over $1.00 per hundredweight each and the Class III price fell 35 cents. Overall, these changes resulted in a higher uniform price and PPD.

All producer component (butterfat, protein, and other solids) tests set new records for the month of January. The total volume of producer pooled milk receipts was the highest since May 2010 and the second highest since May 2003. The increase in pooled volume between December and January was the largest percentage increase for those 2 months on record. The Class II volume also was record-setting as the highest for the month of January since the Order's inception.❖

Class I Sales Decline in 2010, But Less Than The National Average

Sales of fluid milk products in the Northeast Milk Marketing Area (NMA) as reported by pool handlers regulated under the Order totaled 8.7 billion pounds in 2010, down 1.1 percent from 2009. This follows a decrease of 1.4 percent (the largest decline since the Order's inception) during 2009. The total does not include sales from producer-handlers, exempt plants, or plants fully or partially regulated by other federal orders with packaged milk sales within the NMA.

(continued on page 3)

Pool Summary

- A total of 13,295 producers were pooled under the Order with an average daily delivery per producer of 5,197 pounds.
- Pooled milk receipts totaled 2.142 billion pounds, an increase of 3.9 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 42.5 percent of total milk receipts, a decrease of 2.8 percentage points from December.
- The average butterfat test of producer receipts was 3.84 percent.
- The average true protein test of producer receipts was 3.13 percent.
- The average other solids test of producer receipts was 5.74 percent.❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	42.5	910,663,896
Class II	21.2	454,474,230
Class III	26.4	566,093,535
Class IV	9.9	210,931,172
Total Pooled Milk		2,142,162,833

Producer Component Prices

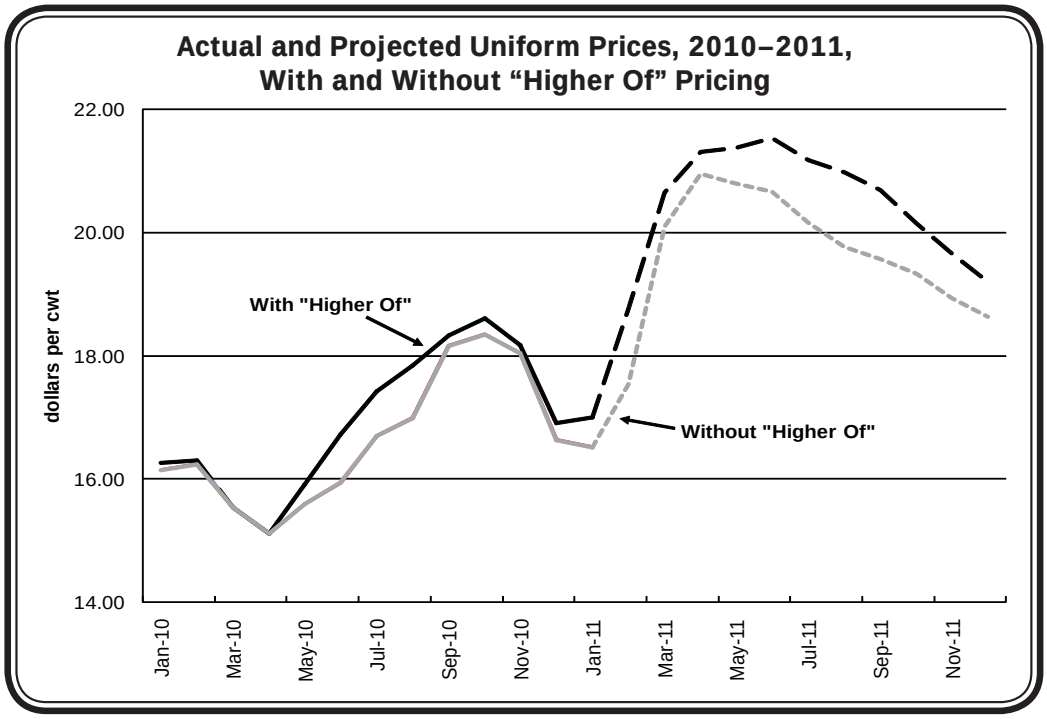
	2011	2010
	$/lb	
Protein Price	1.7590	2.7916
Butterfat Price	2.0239	1.4405
Other Solids Price	0.2002	0.1946

Class Price Factors

	2011	2010
	$/cwt	
Class I	18.45	18.28
Class II	16.79	15.22
Class III	13.48	14.50
Class IV	16.42	13.85

Benefits from "Higher Of" Pricing

With the adoption of federal order reform provisions in January 2000, the Class I price has been set by the higher of the Class III or Class IV advanced skim milk pricing factor. The Class III price is largely determined by cheese prices, and the Class IV price by nonfat dry milk and butter. Since January 2000, Class IV has been the mover 56 months out of a possible 132 months through December 2010 (42 percent of the time). Current projections point to Class IV being the mover for all of 2011, which would bring the total to 68 times out of a possible 144 months (47 percent, or almost half of the time). Class IV was the mover for 19 months between January 2000 and July 2001, for 12 months between April 2002 and July 2003, for 7 months in 2007, and for 13 months since June 2009.



Using Chicago Mercantile Exchange(CME) futures prices as a proxy (federal order prices are based on National Agricultural Statistics Service prices, which closely follow the CME) and projected pool volumes for 2011, a uniform price was calculated using the current "higher of" Class I pricing and another uniform price was calculated using just Class III as the Class I mover, as was done under the Basic Formula Price prior to order reform. Both cases were priced at the Boston, Massachusetts, location, the pricing base for the Order. The "higher of" Class I pricing could result in almost $280 million more total pool value from January 2010 through December 2011 (about $77 million in 2010 and $203 million in 2011). In the accompanying chart, the gap between the two lines represents this added value to producers during this time period. Assuming the 2010 average number of producers pooled of 13,429 producers, the total value over the 2-year time period translates to about $20,850, on average, per producer.

Price Levels

The Class IV price has been relatively strong during the last 9 months due to a strong butter and nonfat dry milk price and outlook. The CME butter price was $2.0775 per pound on February 14 and futures remain above $1.90 per pound through November 2011. The CME nonfat dry milk price was over $1.75 per pound on February 14 and futures prices remain above $1.60 per pound through August of this year.

All this being said, the gap between Class III and Class IV prices could close if trends in the cheese market continue. The CME block Cheddar cheese price reached $1.9350 per pound on February 14, following reports that cheese exports were a record high 19,989 tons in December, up 63 percent over last year. If the cheese market continues to strengthen, the predicted gap between Class III and Class IV prices could close, or even reverse, even without a major decline in Class IV prices.

Though the gap between the Class III and Class IV mover could narrow, the actual and currently projected values still reflect the actual and potential benefits "higher of" Class I pricing has for producers.❖

Market Services 2010 Summary

The Northeast Order's market services department operates a program that verifies farm bulk tank calibrations and a milk sample program that checks the accuracy of producer component tests. These checks are conducted for nonmember producers who do not belong to a qualified cooperative that provides such verification measures for the producer-members. This article will summarize the farm calibration work performed by the market services department with a future month's *Bulletin* providing a summary of other verification work conducted during 2010.

Calibration Program

The Northeast Order normally operates two calibration trucks; during 2010 there were three operating during August while a new truck was being prepared to replace one taken out of service. Together, these trucks covered over 33,000 miles and checked 356 tanks throughout the Northeast Marketing Area milkshed. In addition, market service technicians calibrated/recalibrated 97 bulk tanks.
(continued on page 3)

Class I Sales Decline *(continued from page 1)*

The accompanying table shows Northeast sales by product for 2010, change from previous year, and proportion of total estimated U.S. sales.

Sales of Fluid Milk Products in the Northeast Marketing Area, 2010, With Comparisons to U.S. Totals

Product	Total Sales		Change from 2009		Proportion of Total Sales
	Northeast	U.S.	Northeast	U.S.	
	million lbs		percent		
Whole Milk	2,741	14,093	(3.7)	(5.8)	19.4
Organic Whole Milk	91	429	20.1	15.7	21.3
Reduced Fat Milk	1,972	18,578	(1.1)	(0.5)	10.6
Low Fat Milk	1,679	7,069	0.5	2.5	23.7
Fat-Free Milk	1,447	8,016	0.4	(1.4)	18.0
Flavored Milk and Drinks	491	4,467	(2.6)	0.7	11.0
Organic Fat-Reduced Milk	238	1,369	8.5	11.2	17.4
Buttermilk, eggnog, other	57	652	(5.6)	(18.5)	8.8
Total	8,715	54,674	(1.1)	(1.5)	15.9

Northeast Sales by Product

Whole, reduced fat (2%), flavored fat-reduced, and buttermilk (includes eggnog, yogurt drink, and other miscellaneous products) all showed declines in sales in 2010. Low fat (1%) and fat-free (skim) showed slight increases; flavored whole milk increased 12.8 percent, but overall, this category only accounts for 0.2 percent of total sales in the NMA.

The Northeast Marketing Area includes the entire states of Connecticut, Delaware, Massachusetts, New Hampshire, New Jersey, Rhode Island, and Vermont; the District of Columbia; most of Maryland and New York; and portions of Pennsylvania and Virginia. This area includes many metropolitan centers such as New York City, Boston, Philadelphia, Baltimore, and Washington, DC.

Growth in Organic Sales

Organic whole milk jumped 20.1 percent from 2009, while organic fat-reduced milk (includes reduced fat, low fat, fat-free, and lower-fat flavored products) grew 8.5 percent. Nationally, organic sales grew considerably with a 15.7 percent increase in organic whole and 11.2 percent growth in organic fat-reduced products.

Comparison to US Sales

On a national basis, estimated sales of Class I products (all federal order marketing areas and California, the total of which accounts for approximately 92 percent of total U.S. sales) declined 1.5 percent in 2010. By product type, the whole milk, reduced fat, and buttermilk categories exhibited declines. In addition, fat-free and flavored whole milk sales dropped nationally. U.S. totals showed increases in low fat and flavored fat-reduced products.

As a proportion of total U.S. sales, NMA sales accounted for 15.9 percent of the total. The Northeast continues to be a large consumer of whole milk, accounting for 19.4 percent of the U.S. total. In addition, the Northeast accounts for 23.7 percent of all low fat and 18.0 percent of all fat-free sales. NMA sales also accounted for 21.3 percent of total organic whole and 17.4 percent of organic fat-reduced, which equaled a combined total of 18.3 percent of total U.S. organic milk sales.

Retail Prices

Prices for milk in the Northeastern states tend to be higher than the national average. The larger metropolitan centers average about 15 to 50 cents higher than the national average; organic prices tend to be closer to the national average. For more information see the Retail Prices section on the AMS Dairy Programs website under Milk Marketing Order Statistics, Prices.❖

Market Services *(continued from page 2)*

2010 Tank Calibrations, Work by Tank Size

Tank Size (gallons)	Checks	Calibrations/ Recalibrations
0-500	30	3
501-1000	160	32
1001-1500	60	31
1501-2000	35	12
2001-3000	43	6
3001-6000	24	12
6001+	4	1
Total	**356**	**97**

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 that a tank is checked at vary depending on the tank size and a farm's production range. If the 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 be rescheduled for another day.

Checks/Calibration Results

Of the 356 tanks checked, 21 were out of tolerance and recalibrated. An additional 76 tank calibrations were performed for other reasons such as a tank being moved, a new tank installed, or due to a special request. Of the tanks calibrated/recalibrated, 68 percent were 1,500 gallon tanks or smaller. A breakdown of checks and calibrations/recalibrations 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.❖

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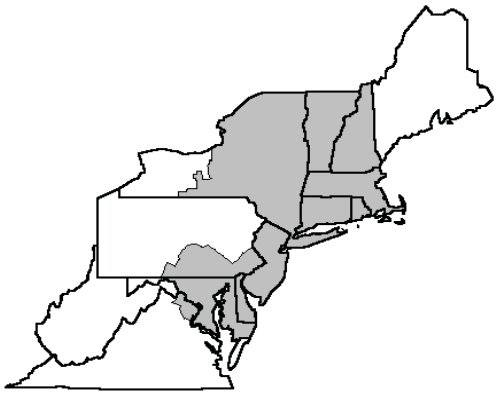
Computation of Producer Price Differential and Statistical Uniform Price*

	Product Pounds	Price per cwt./lb.	Component Value	Total Value
Class I— Skim	893,725,639	$12.58	112,430,685.39	
Butterfat	16,938,257	1.8021	30,524,432.94	
Less: Location Adjustment to Handlers			(3,386,639.99)	$139,568,478.33
Class II— Butterfat	29,509,222	2.0309	59,930,278.96	
Nonfat Solids	39,156,620	1.1144	43,636,137.32	103,566,416.28
Class III— Butterfat	22,505,348	2.0239	45,548,573.81	
Protein	17,678,232	1.7590	31,096,010.15	
Other Solids	32,398,456	0.2002	6,486,170.92	83,130,754.88
Class IV— Butterfat	13,294,662	2.0239	26,907,066.42	
Nonfat Solids	18,247,429	1.0743	19,603,212.99	46,510,279.41
Total Classified Value				**$372,775,928.90**
Add: Overage—All Classes				366,000.37
Inventory Reclassification—All Classes				185,667.68
Other Source Receipts	388,453 Pounds			21,591.49
Total Pool Value				**$373,349,188.44**
Less: Producer Component Valuations @ Class III Component Prices				(308,817,202.39)
Total PPD Value Before Adjustments				**$64,531,986.05**
Add: Location Adjustment to Producers				11,379,005.22
One-half Unobligated Balance—Producer Settlement Fund				784,728.61
Less: Producer Settlement Fund—Reserve				(1,063,659.52)
Total Pool Milk & PPD Value	2,142,551,286 Producer pounds			**$75,632,060.36**
Producer Price Differential		**$3.53**		
Statistical Uniform Price		**$17.01**		

* 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

February 2011 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 2011 statistical uniform price (SUP) for the Northeast Marketing Area was announced at $18.75 per hundredweight for milk delivered to plants located in Suffolk County, Massachusetts (Boston), the pricing point for the Northeast Order. The statistical uniform price is calculated at 3.5 percent butterfat, 2.99 percent protein, and 5.69 percent other solids. If reported at the average tests of producer pooled milk, the SUP would be $19.82 per hundredweight. The February statistical uniform price was $1.74 per hundredweight above the January price. The February producer price differential (PPD) at Suffolk County was $1.75 per hundredweight, a decrease of $1.78 per hundredweight from last month.

During February, all commodity prices rose resulting in higher component and class prices. The NASS cheese price increased 33 cents per pound, which was reflected in an 80-cent per pound protein price and $3.52 per hundredweight jump in the Class III price. Overall, the higher class prices contributed to an increase in the blend price and the tightening of prices between the classes resulted in a lower PPD.

All producer component (butterfat, protein, and other solids) tests set or tied records for the month of February. The Class II volume set a new record as the highest for the month of February since the Order's inception, topping last year's record by nearly 67 million pounds.❖

NFDM Continues to Move Prices

Based on Chicago Mercantile Exchange (CME) commodity futures prices, the Class IV price is predicted to be above the Class III price for the remainder of 2011. In 2010, the Class IV price was higher than the Class III price 10 months of the year.

Usage of Class III/IV Price Components

Each month, the class prices and their respective components are derived from the values of commodities sold by plants that manufacture specific products that meet certain standards and are surveyed by the National Agriculture Statistics Service (NASS). For this comparison, CME futures prices are used as estimates for the NASS commodity prices since the two price series move similarly.

The Class III and IV prices calculated for a month reflect the prices for certain products sold during the month. The Class III price mainly

(continued on page 3)

Pool Summary

- A total of 13,232 producers were pooled under the Order with an average daily delivery per producer of 5,158 pounds.
- Pooled milk receipts totaled 1.911 billion pounds, a decrease of 1.2 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 42.5 percent of total milk receipts, no change from January on a percentage point basis.
- The average butterfat test of producer receipts was 3.82 percent.
- The average true protein test of producer receipts was 3.11 percent.
- The average other solids test of producer receipts was 5.73 percent.❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	42.5	813,086,606
Class II	22.4	427,576,450
Class III	24.6	470,182,637
Class IV	10.5	200,238,674
Total Pooled Milk		1,911,084,367

Producer Component Prices

	2011	2010
	$/lb	
Protein Price	2.5586	2.7066
Butterfat Price	2.2967	1.4404
Other Solids Price	0.2310	0.1992

Class Price Factors

	2011	2010
	$/cwt	
Class I	19.14	18.09
Class II	17.97	15.65
Class III	17.00	14.28
Class IV	18.40	12.90

Record High Component Tests

The calculated average producer component tests have been reaching record highs in recent months. Both butterfat and protein tests averaged a record high every month from November 2010 through February 2011. Average other solids tests set a record high every month from August 2010 through February 2011. Growth in component test levels has been driven by increases occurring across all size ranges of volume of milk pooled per producer. However, the degree of improvement in each component varies depending on the size category.

Table 1

Weighted Average Component Tests by Size Category, December, 2001 and 2010

	Weighted Average Butterfat			Weighted Average Protein			Weighted Average Other Solids		
Volume Pooled	2001	2010	Change	2001	2010	Change	2001	2010	Change
	percent								
0-49,999	3.92	4.10	0.18	3.11	3.21	0.10	5.60	5.62	0.02
50,000-99,999	3.77	3.94	0.17	3.04	3.16	0.12	5.65	5.69	0.04
100,000-249,999	3.76	3.90	0.14	3.05	3.16	0.11	5.69	5.72	0.03
250,000-599,999	3.76	3.90	0.14	3.05	3.17	0.13	5.70	5.74	0.03
600,000 up	3.66	3.77	0.10	3.00	3.14	0.14	5.71	5.74	0.03
All Producers	3.75	3.86	0.11	3.04	3.15	0.11	5.68	5.72	0.03

Component Tests By Farm Size

Using data from December 2001 and December 2010, average component tests were calculated for five monthly volume pooled size categories (as seen in the accompanying tables). Table 1 shows that weighted average butterfat and protein tests tend to be higher for the smaller size categories and lower for the larger size categories for both December 2001 and 2010.

Improvements in Component Test Levels

When the change in weighted average component tests by size category between the two time periods are compared, the first thing that stands out is that weighted average tests for all three components, in all size categories, increased from December 2001 to December 2010. This would imply that a general improvement in component tests by all size producers have contributed to recent record-setting average pool tests. Interestingly, the improvement in butterfat tests is greater for smaller operations, with somewhat less improvement as size categories increased. The opposite is true of protein, but to a lesser degree. The improvement in other solids tests is about even across all categories. Large producers have improved their protein tests at a greater rate than smaller producers. Given that the annual average protein price has been higher than the butterfat price every year since 2000, it is plausible that large farms have been more responsive to this fact. To state something more concrete regarding trends in improvements by size would require looking at data from entire years.

It does seem clear that there have been improvements in component levels by all size categories. These improvements have measureable benefits to producers' total value they receive for their milk. Table 2 uses Decembers 2010's component prices, the average production in each size category, and that category's change in average tests over the 10-year period to calculate the extra value (in total and by hundredweight) received by typical producers in each category due to higher tests in December 2010 versus 2001.

Changes in Farm Size

If component levels improve at different rates based on farm size, trends in the number of farms and volume of milk by farm size over time may impact future trends in average component levels at pool. From 2001 to 2010, the volume of milk from farms pooling more than 600,000 pounds per month on the Northeast Order has grown from 18 percent to 37 percent in 2010. At the same time, the volume from all other size categories defined above has declined. This trend, if continued, could result in larger overall gains in protein tests, relative to gains in butterfat tests over time.❖

Table 2

Additional Value to Northeast Order Producers from Higher Component Tests in December 2010 vs Lower Tests in 2001

	Added Value From Improved:					
Size Category (average)	Butterfat Test		Protein Test		Other Solids Test	
	total $	per cwt	total $	per cwt	total $	per cwt
0-49,999 (27,521)	91	0.33	62	0.22	1	0.00
50,000-99,999 (73,310)	224	0.31	189	0.26	6	0.01
100,000-249,999 (149,821)	370	0.25	349	0.23	8	0.01
250,000-599,999 (362,869)	916	0.25	985	0.27	22	0.01
600,000 up (1,486,422)	2,777	0.19	4,481	0.30	74	0.00
All Producers	314	0.20	388	0.24	10	0.01

U.S. Milk Production Grows During 2010

Total milk production in the United States increased 1.8 percent in 2010. This follows a decline of 0.9 percent in 2009, the first year-over-year decline in total U.S. production since 2001. The top ten milk-producing states grew 2.5 percent, compared to no change during 2009. The top 23 states as reported by the National Agricultural Statistics Service (NASS) increased 2.2 percent. The table shows the top ten states ranked by their total 2010 production.

Top Producing States-Idaho Rises in Rank

The top ten list contained the same states as in 2009, but Idaho, which had experienced annual average growth of 6.6 percent during the past 10 years, displaced New York as number three. New York held the number three spot since 1972 when it was surpassed by California. All top ten states reported increases except Texas and New Mexico, which showed slight declines. Washington and Idaho reported the largest increases; these two states were the only top ten states last year to show decreases.

The only other change within NASS' list of the top 23, was the displacement of Kansas by Vermont (switched the number 16 and 17 positions). NASS includes Missouri in their top 23, although that state has ranked 24 since 2008. South Dakota, which is not included in the top 23, actually ranks 21. NASS does not change the make-up of their top 23 list each year.

Top Ten States Ranked by Milk Production, 2010

Rank	State	2009	2010	Percent Change
		thousand lbs		
1	California	39,512	40,385	2.2
2	Wisconsin	25,239	26,035	3.2
3	Idaho	12,150	12,779	5.2
4	New York	12,424	12,713	2.3
5	Pennsylvania	10,551	10,734	1.7
6	Minnesota	9,019	9,102	0.9
7	Texas	8,840	8,828	(0.1)
8	Michigan	7,968	8,327	4.5
9	New Mexico	7,904	7,881	(0.3)
10	Washington	5,561	5,901	6.1
	Top Ten Total	139,168	142,685	2.5
	U.S. Total	189,334	192,818	1.8

Source: NASS, *Milk Production.*

Northeast Below National Average

Milk production in the Northeast milkshed (the area from which milk is traditionally pooled by handlers selling into the marketing area) increased 1.6 percent in 2010, slightly below the national average. The 3 top producing states in the milkshed (New York, Pennsylvania, and Vermont) had a combined increase of 2.1 percent. The only other states in the milkshed with increases in production were Connecticut (3.7 percent) and New Hampshire (1.7 percent). The remaining 8 states had declines ranging from 0.3 percent to 13.0 percent, but those states only account for 12.9 percent of the total milkshed states' production.

Cow Numbers and Production per Cow

Nationally, the number of milk cows decreased 0.9 percent in 2010. Only 13 states increased their cow numbers; of these, five were in the top ten states. Eight states had no change and 29 states reduced cow numbers. In the Northeast milkshed states, milk cow numbers declined 1.1 percent. The combined total for New York, Pennsylvania, and Vermont was slightly below the national average (down 0.8 percent) due to Vermont's increase of 0.7 percent.

Average milk production per cow grew 2.8 percent nationally; this follows an increase of 1.2 percent in 2009. For the Northeast, the increase was 2.7 percent. The U.S. average milk per cow was 21,149 pounds in 2010; the average was 19,846 pounds in the Northeast states. Milk per cow for the Northeast states has risen, but tends to trail behind the national average with this gap widening in the past 10 years. States in the western part of the country, such as Arizona, California, Idaho, Washington, and the leader-New Mexico, tend to have higher milk per cow than the U.S. average.❖

NFDM Continues *(continued from page 1)*

reflects the price of cheese and, to a lesser extent, butter and dry whey. The Class IV price reflects the prices of nonfat dry milk (NFDM) and butter.

The values of the commodities during the previous month also are used to generate the Class I price and some of the Class II components (skim and nonfat solids). This is reflected in the Class I price mover, which is a combination of the advanced butterfat pricing factor and the higher of the Class III or IV advanced skim milk pricing factor.

Projections Emphasize NFDM

CME futures indicate that both butter and NFDM prices are estimated to remain strong through the end of the year. Butter is expected to average over $2.00 per pound for most of the year, while NFDM is projected to be above $1.50 per pound for about half of 2011. If this occurs, the blend price could average about $20.00 per hundredweight for 2011, a new record price for the Order. Record-highs were set in 2007 when NFDM prices were over $2.00 per pound. At that time, butter prices were lower and higher cheese prices occurred later in the year.

Estimated strong NFDM prices largely are the driving force behind the continuity of the Class IV price as a mover of the Class I price. If NFDM prices declined to 2010 levels, even with projected butter prices, the Class III price would be higher than the Class IV price during 8 months of 2011. Conversely, if butter prices dropped to 2010 levels and NFDM prices remain at projected levels, the Class III price would set the price in only 2 months.❖

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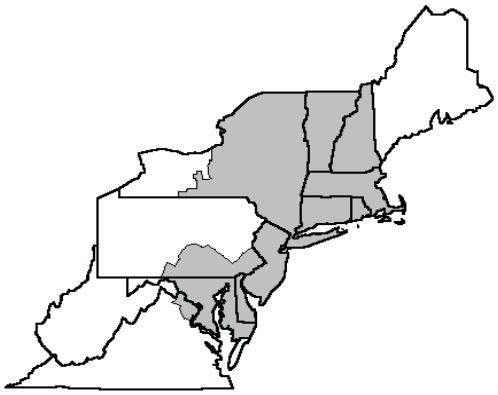
Computation of Producer Price Differential and Statistical Uniform Price*

	Product Pounds	Price per cwt./lb.	Component Value	Total Value
Class I— Skim	798,086,268	$12.82	102,314,659.56	
Butterfat	15,000,338	1.9328	28,992,653.29	
Less: Location Adjustment to Handlers			(3,041,583.37)	$128,265,729.51
Class II— Butterfat	27,952,015	2.3037	64,393,056.95	
Nonfat Solids	36,746,544	1.1411	41,931,481.36	106,324,538.31
Class III– Butterfat	19,220,972	2.2967	44,144,806.40	
Protein	14,641,209	2.5586	37,460,997.36	
Other Solids	26,864,540	0.2310	6,205,708.77	87,811,512.53
Class IV– Butterfat	10,919,889	2.2967	25,079,709.09	
Nonfat Solids	17,433,863	1.1930	20,798,598.62	45,878,307.71
Total Classified Value				**$368,280,088.06**
Add: Overage—All Classes				316,122.38
Inventory Reclassification—All Classes				345,327.28
Other Source Receipts	175,068 Pounds			4,835.17
Total Pool Value				**$368,946,372.89**
Less: Producer Component Valuations @ Class III Component Prices				(345,284,913.68)
Total PPD Value Before Adjustments				**$23,661,459.21**
Add: Location Adjustment to Producers				10,006,586.56
One-half Unobligated Balance—Producer Settlement Fund				680,865.38
Less: Producer Settlement Fund—Reserve				(901,870.96)
Total Pool Milk & PPD Value	1,911,259,435 Producer pounds			**$33,447,040.19**
Producer Price Differential		**$1.75**		
Statistical Uniform Price		**$18.75**		

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



The Market Administrator's

BULLETIN

NORTHEAST MARKETING AREA

Erik F. Rasmussen, Market Administrator

March 2011 Federal Order No. 1

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

March Pool Price Calculation

The March 2011 statistical uniform price (SUP) for the Northeast Marketing Area was announced at $20.28 per hundredweight for milk delivered to plants located in Suffolk County, Massachusetts (Boston), the pricing point for the Northeast Order. The statistical uniform price is calculated at 3.5 percent butterfat, 2.99 percent protein, and 5.69 percent other solids. If reported at the average tests of producer pooled milk, the SUP would be $21.27 per hundredweight. The March statistical uniform price was $1.53 per hundredweight above the February price. The March producer price differential (PPD) at Suffolk County was $0.88 per hundredweight, a decrease of $0.87 per hundredweight from last month.

During March, all commodity prices rose except butter, which resulting in higher component prices except butterfat. The NASS cheese price increased 12 cents per pound, which was reflected in a 74-cent per pound protein price and $2.40 per hundredweight jump in the Class III price. The Class III and IV prices were 1 cent apart and nearly 60 cents greater than the Class II price—this month's lowest of the classes. All class prices were higher than in February and contributed to the increase in the blend price.

All producer component (butterfat, protein, and other solids) tests set records for the month of March. The Class II volume set a new record as not only the highest for the month of March, but as the largest volume ever for Class II since the Order's inception.❖

Trends in Milk Production

Over the past ten years, the annual average number of producers pooled on the Northeast Order has declined 2.5 percent. The drop has not been consistent, ranging from 0.7 to 6.7 percent, and there has even been an increase (0.3 percent in 2010); overall, the trend is toward fewer farmers producing more milk.

Various factors affect the number of producers pooled on an order. As pooling requirements and plant supply needs change, handlers may choose to move producers and their associated milk production to be pooled on another federal order, a state order, or delivered as non-pool milk. Depending on the volumes needed and logistics, handlers may move fewer large-volume producers or a greater number

(continued on page 3)

Pool Summary

- A total of 13,069 producers were pooled under the Order with an average daily delivery per producer of 5,254 pounds.
- Pooled milk receipts totaled 2.129 billion pounds, an increase of 0.6 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 41.4 percent of total milk receipts, a decrease of 1.1 percentage points from February.
- The average butterfat test of producer receipts was 3.79 percent.
- The average true protein test of producer receipts was 3.09 percent.
- The average other solids test of producer receipts was 5.75 percent.❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	41.4	880,662,248
Class II	24.2	516,239,465
Class III	24.1	513,349,073
Class IV	10.3	218,440,812
Total Pooled Milk		2,128,691,598

Producer Component Prices

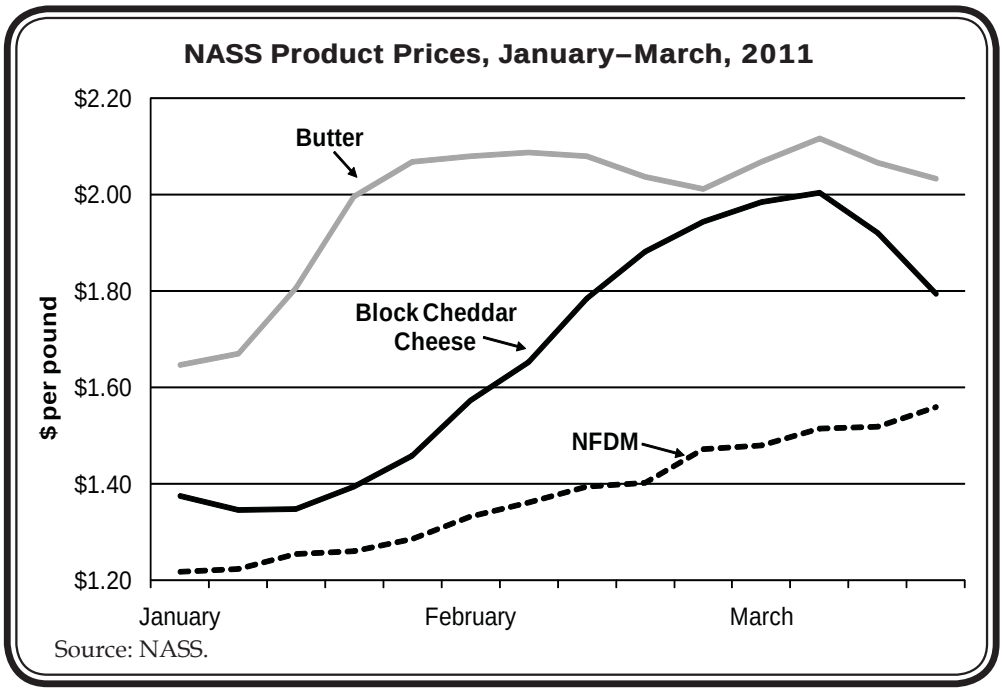
	2011	2010
	$/lb	
Protein Price	3.3024	2.1311
Butterfat Price	2.2859	1.5347
Other Solids Price	0.2665	0.1823

Class Price Factors

	2011	2010
	$/cwt	
Class I	21.48	17.59
Class II	18.83	14.46
Class III	19.40	12.78
Class IV	19.41	12.92

Market Situation

The March 2011 Northeast uniform price topped $20 per hundredweight. The last time the uniform price topped $20 per cwt was July 2008. Using current Chicago Mercantile Exchange (CME) futures prices to predict the direction and level of National Agricultural Statistics Service (NASS) survey prices (upon which federal order prices are based) would suggest a 2011 average uniform price for the Northeast Order of $20.18 per cwt and no Milk Income Loss Contract (MILC) payments for the year. The accompanying chart shows NASS prices since the beginning of the year. Notable is a dramatic increase and subsequent tapering off of the cheese price and a butter price that continues to hover near or above the $2.00 per pound level.



Source: NASS.

Demand Outlook

The demand outlook for dairy products is one of mixed signals domestically, but looks strong internationally. Domestically speaking, the most recent Restaurant Performance Index increased to 99.0, its highest level since November 2007. The National Restaurant Association, which publishes the index, claims the strong February gain was a result of "broad-based improvements in forward-looking indicators." Since restaurant purchases comprise a large portion of domestic demand for dairy products, such an outlook would have positive implications for dairy demand. However, the Consumer Confidence Index tells a different story, as it declined in March to 63.4 from 72.0 in February. This index measures consumer optimism toward current conditions and future expectations. A sharp decline in the expecations portion of the index is largely to blame for the overall decline. Though this may impact spending decisions, the opinion of current conditions actually improved, a sign that the economy is expanding.

Internationally, February export volumes of U.S. milk powder, whey, lactose, cheese, and butterfat were up 41 percent, combined. Exports of cheese hit record levels for the first two months of 2011. Cheese exports were equivalent to an all-time high 5.0 percent of U.S. cheese production in January-February. Major U.S. customers during those months were Mexico, Korea, the Middle East, and Japan. Those two months also saw an increase in the NASS Cheddar cheese block price from $1.37 per pound on January 1, to $2.00 per pound by March 19. In the wake of the Japanese earthquake and tsunami, many commodity prices, including cheese, weakened. As of the week ending April 9, the NASS Cheddar block price was $1.69 per pound and using CME prices as an indicator, can be expected to decline further in the immediate future. Although the impact of the events in Japan on U.S. dairy are difficult to predict, some argue that Japanese imports from trade partners such as the U.S. will likely increase. Estimates by Rabobank indicate Japan could lose between 1 to 7 percent of its milk production,and the U.S. accounts for about 20 percent of its imported dairy products.

The events in Japan as well as favorable exchange rates and other weather-related events indicate continued strong international demand for U.S. dairy products.

Supply

Milk production continues to increase each month over 2 percent compared to the same month previous year. Total cheese stocks in February, over 1 billion pounds, remain higher than they have been since 1984, and second highest ever for the month. These two facts would tend to have a softening effect on milk prices. Conversely, butter stocks in February were as low as they have been since 2005 and manufacturers' stocks of nonfat dry milk are down 34 percent over last year.

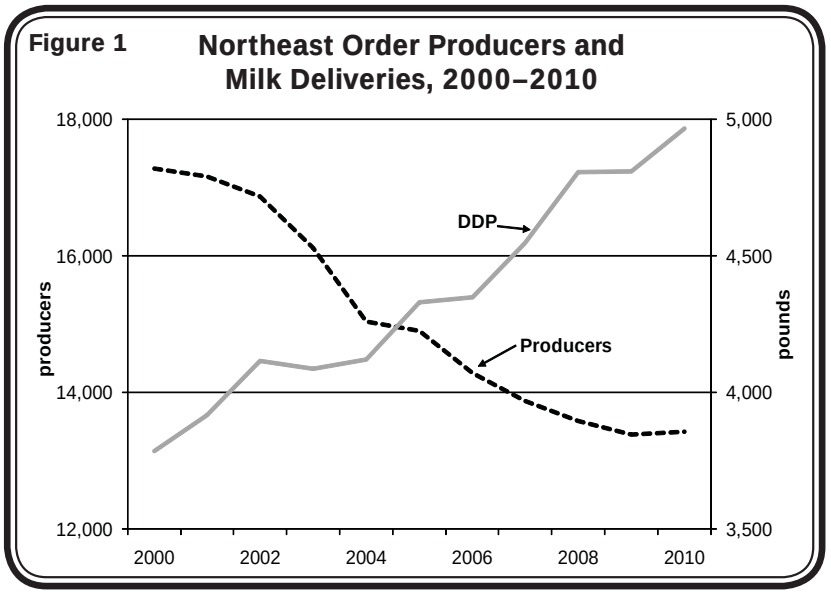
Overall, current indicators appear to suggest continuing strong milk prices in 2011. Some softening in the nonfat dry milk price may occur with a spring flush, as continued strong exports of U.S. dairy products will help support strong milk prices in general.❖

Trends *(continued from page 1)*

of lower-volume producers, which cause variations in the counts of producers associated with an order

When the Northeast Order began in 2000, there were 18,009 producers pooled. As of December 2010, the number dropped to 13,402; the most current month, March 2011, reported 13,069. Average daily deliveries per producer (DDP) have risen from 3,843 pounds in January 2000 to 4,963 in December 2010, and 5,254 pounds in March 2011. Figure 1 shows the comparison of producers and DDP from 2000 to 2010 using annual averages. During this time, the total volume of milk pooled on the Northeast Order has ranged from 22.7 billion pounds to 25.4 billion pounds. As the producer count as decreased, the milk volume has stayed relatively stable, due largely to the increase in daily deliveries per producer signifying the trend to fewer but larger farms.

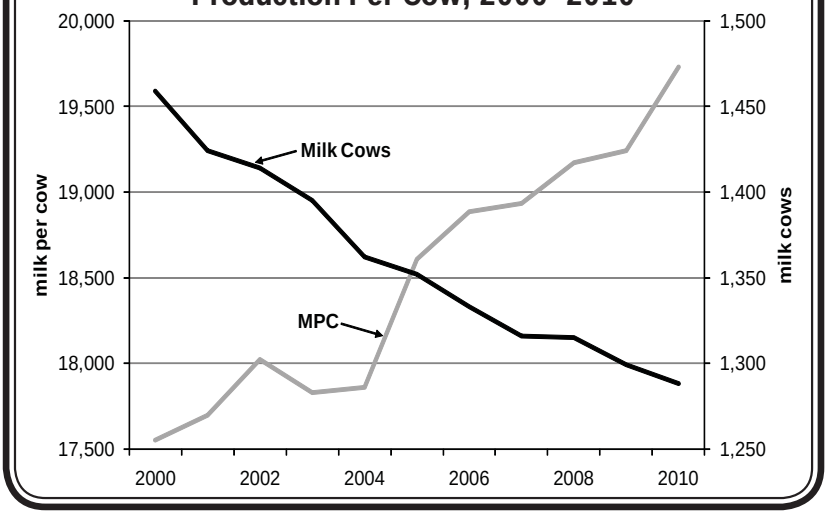
Figure 1



Milk Production Per Cow

Another factor contributing to the relative stability of milk volume while producer numbers have declined is the increase in milk production per cow. Figure 2 shows the annual average number of cows for the combined 3 largest milk contributing states of the Northeast Order (New York, Pennsylvania, and Vermont). Together these states account for about 88 percent of all milk pooled under the Order. The number of milk cows in these states has declined 1.2 percent from 2000 to 2010. Conversely, the milk production per cow has risen 1.2 percent over the same period.

Figure 2



Nationally, milk cow numbers have declined only 0.1 percent from 2000 to 2010, while milk per cow has grown 1.5 percent. The rest of the Northeastern states that normally have producers pooled on the Order reported a combined drop in cows of 3.3 percent and a combined average increase in milk per cow of 1.0 percent. For comparison, Wisconsin showed a decline in milk cows of 0.6 percent and growth in milk per cow of 1.8 percent.❖

Pool Summary for All Federal Orders, January–March, 2010–2011

Federal Order		Total Producer Milk			Producer Price Differential#		Statistical Uniform Price#*	
Number	Name	2010	2011	Change	2010	2011	2010	2011
		pounds		percent	dollars per hundredweight			
1	**Northeast**	**5,854,783,239**	**6,181,938,798**	**5.6**	**2.18**	**2.05**	**16.03**	**18.68**
5	Appalachian	1,517,331,785	1,468,758,088	(3.2)	N/A	N/A	17.14	19.65
6	Florida	761,625,393	771,083,647	1.2	N/A	N/A	19.40	21.53
7	Southeast	1,783,455,621	1,854,293,083	4.0	N/A	N/A	17.33	19.63
30	Upper Midwest	8,468,058,036	8,032,117,915	(5.1)	0.38	0.30	14.23	16.93
32	Central	3,301,065,099	3,195,833,415	(3.2)	0.71	0.71	14.57	17.34
33	Mideast	4,149,849,076	3,883,591,235	(6.4)	1.21	0.99	15.07	17.62
124	Pacific Northwest	2,025,032,685	1,971,645,151	(2.6)	0.60	0.97	14.46	17.59
126	Southwest	2,659,435,245	2,552,197,961	(4.0)	1.86	1.70	15.72	18.33
131	Arizona	1,073,731,074	1,161,920,835	8.2	N/A	N/A	14.79	18.04
	All Market Total/Average	31,594,367,253	31,073,380,128	(1.6)	1.16	1.12	15.87	18.53

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

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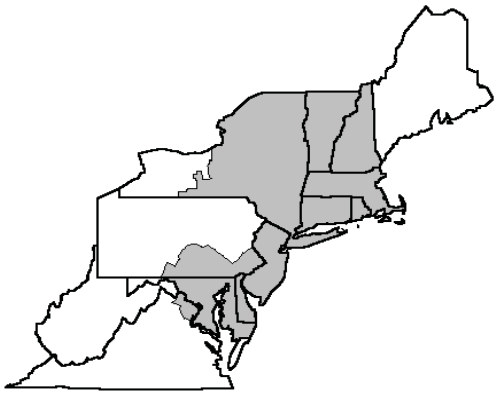
Computation of Producer Price Differential and Statistical Uniform Price*

	Product Pounds	Price per cwt./lb.	Component Value	Total Value
Class I— Skim	864,632,989	$13.75	118,887,035.99	
Butterfat	16,029,259	2.3461	37,606,244.54	
Less: Location Adjustment to Handlers			(2,970,075.41)	$153,523,205.28
Class II— Butterfat	32,309,639	2.2929	74,082,771.24	
Nonfat Solids	44,422,869	1.2444	55,279,818.20	129,362,589.44
Class III– Butterfat	20,905,674	2.2859	47,788,280.19	
Protein	15,868,470	3.3024	52,404,035.29	
Other Solids	29,386,158	0.2665	7,831,411.15	108,023,726.63
Class IV– Butterfat	11,442,513	2.2859	26,156,440.47	
Nonfat Solids	19,014,989	1.3134	24,974,286.56	51,130,727.03
Total Classified Value				**$442,040,248.38**
Add: Overage—All Classes				119,823.70
Inventory Reclassification—All Classes				103,708.25
Other Source Receipts	2,432,237 Pounds			14,705.89
Total Pool Value				**$442,278,486.22**
Less: Producer Component Valuations @ Class III Component Prices				(433,964,627.71)
Total PPD Value Before Adjustments				**$8,313,858.51**
Add: Location Adjustment to Producers				10,780,553.35
One-half Unobligated Balance—Producer Settlement Fund				657,657.64
Less: Producer Settlement Fund—Reserve				(998,179.83)
Total Pool Milk & PPD Value	2,131,123,835 Producer pounds			**$18,753,889.67**
Producer Price Differential		**$0.88**		
Statistical Uniform Price		**$20.28**		

* 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 2011 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 2011 statistical uniform price (SUP) for the Northeast Marketing Area was announced at $20.38 per hundredweight for milk delivered to plants located in Suffolk County, Massachusetts (Boston), the pricing point for the Northeast Order. The statistical uniform price is calculated at 3.5 percent butterfat, 2.99 percent protein, and 5.69 percent other solids. If reported at the average tests of producer pooled milk, the SUP would be $21.10 per hundredweight. The April statistical uniform price was 10 cents per hundredweight above the March price. The April producer price differential (PPD) at Suffolk County was $3.51 per hundredweight, an increase of $2.63 per hundredweight from last month.

During April, butter and cheese commodity prices declined while nonfat dry milk and dry whey rose. This resulted in lower component prices for butterfat and protein, and higher prices for nonfat and other solids. The NASS cheese price dropped nearly 30 cents per pound, which was reflected in a more than $2.50 decline in the Class III price. Due to the advanced nature of the Class I price, it rose $1.20 from last month, and the Class II price benefited from its nonfat component and increased 83 cents. The Class IV price rose 37 cents, but was the second-highest class price for the month. With the drop in the Class III price, the spread between the classes grew, resulting in a much higher PPD.

All producer component (butterfat, protein, and other solids) tests set records for the month of April. The Class II volume set a new record for the month of April.❖

A Closer Look at Cheese Stocks

A key component of discussing the current dairy market situation or projecting milk prices is an examination of the supply and demand for dairy products. Part of the supply side of the equation is stocks of dairy products. The National Agricultural Statistics Service (NASS) *Cold Storage* report publishes current levels of stocks, including cheese stocks. If the current level of stocks of various dairy products is viewed as in short supply or as excessive, one might attribute upward or downward pressure on the milk price, since stocks are part of the supply equation.

(continued on page 3)

Pool Summary

- A total of 12,988 producers were pooled under the Order with an average daily delivery per producer of 5,519 pounds.
- Pooled milk receipts totaled 2.151 billion pounds, an increase of 4.4 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 38.3 percent of total milk receipts, a decrease of 3.1 percentage points from March.
- The average butterfat test of producer receipts was 3.75 percent.
- The average true protein test of producer receipts was 3.05 percent.
- The average other solids test of producer receipts was 5.76 percent.❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	38.3	824,576,752
Class II	22.6	486,047,249
Class III	26.4	566,528,299
Class IV	12.7	273,470,771
Total Pooled Milk		2,150,623,071

Producer Component Prices

	2011	2010
	$/lb	
Protein Price	2.4984	2.1449
Butterfat Price	2.2113	1.5813
Other Solids Price	0.2902	0.1702

Class Price Factors

	2011	2010
	$/cwt	
Class I	22.68	16.47
Class II	19.66	13.78
Class III	16.87	12.92
Class IV	19.78	13.73

Manufactured Dairy Products—2010 Summary

USDA's National Agricultural Statistics Service recently released their *Dairy Products 2010 Summary*. This publication summarizes dairy products manufactured in the United States. The accompanying table highlights selected products.

Cheese Production

Total cheese production (excluding cottage cheese) grew 3.6 percent in 2010; up from 1.9 percent in 2009. American cheese production increased 1.7 percent, Italian grew 5.8 percent, and Hispanic cheese rose 4.1 percent.

In the Northeast Order, milk used in cheese production increased 6.2 percent in 2010. Milk used in making American types rose 15.2 percent, Italian increased 1.3 percent, and the Swiss and other cheese category (includes Hispanic) jumped 18.8 percent.

Other Products

Butter production dropped a slight 0.5 percent in 2010; this follows a decline of 4.1 percent in 2009. Yogurt (plain and fruit flavored) grew 8.9 percent; in 2009 it rose 7.8 percent. Nonfat dry milk (NFDM) increased 3.4 percent in 2010; the previous year it dropped slightly (0.2 percent).

In the Northeast Order, milk used in butter production rose 19.6 percent. Milk used in making yogurt jumped 40.9 percent in 2010; the previous year the increase was 32.6 percent. The production of Greek-style yogurt has been the major force behind that growth. Milk used in the production of dry milk products (both nonfat and whole) increased 1.5 percent from 2009.

Nationally, the production of canned evaporated and condensed whole milk declined 4.5 percent, while unsweetened skim condensed rose 5.4 percent. The production of dry whey (for human use) increase 1.1 percent and whey protein concentrate decreased 4.8 percent; these products both declined 6.9 percent in 2009.

Leading States

There was no change in the top four cheese producing states during 2010: Wisconsin led, followed by California, Idaho, and New York. New Mexico moved up to fifth place, bumping Minnesota to sixth. Wisconsin remained the number one producer of American cheese, but lost its first place in Italian to California. New York remained the largest producer of lowfat and creamed cottage cheese and sour cream. State rankings for most of the other products were not given due to having fewer than 3 handlers reporting.

Wisconsin still recorded the largest number of dairy manufacturing plants (210), followed by New York (108), and California (106).

Percent of Total Milk Production

About 84 percent of butterfat and 58 percent of solids nonfat produced nationally was used in manufactured dairy products (and cream) in 2010. These percentages are up slightly from 2009. Of the remainder, about 14 percent of the butterfat and 29 percent of solids nonfat was utilized for fluid milk products. A small amount (about0.5 percent of each) was consumed on farms or used for other purposes.❖

Selected U.S. Manufactured Dairy Products, 2009–2010

	2009	**2010**	Yr-to-Yr Change
	million pounds		percent
Cheese			
American^	4,203	**4,275**	1.7
Italian	4,181	**4,424**	5.8
Other*	1,691	**1,737**	2.7
Total Cheese(excludes cottage)	10,074	**10,436**	3.6
Butter	1,572	**1,564**	(0.5)
NFDM~	1,512	**1,563**	3.4
Condensed Skim**	1,478	**1,558**	5.4
Dry Whey~	951	**961**	1.1
Whey Protein Concentrate~	375	**393**	4.8
Yogurt	3,839	**4,181**	8.9
Ice Cream	918	**912**	(0.6)

^ Includes Cheddar, Colby, Monterey, and Jack.
* Includes Swiss, Muenster, brick, Hispanic, cream/Neufchatel, and other varieties.
** Unsweetened.
~ For human use.
Source: NASS, *Dairy Products Annual Summary*.

Market Service Tank Calibrations

The Market Service department's bulk tank calibration trucks have been performing calibration checks of non-member producers' tanks. See the schedule for the remainder of 2011:

Tentative Calibration Truck Schedule, 2011

Month	Area
April	VT/NH/Eastern NY
May	Central NY/Eastern NY
June	Fingerlakes NY/Central PA
July	Fingerlakes NY/Central NY Central PA/Southern PA
August	Eastern NY/Southern PA
September	ME/Western NY
October	Southern PA/Central NY/Northern PA
November	Southern PA/Eastern NY

A Closer Look *(continued from page 1)*

Of note, total cheese stocks, as reported by the *Cold Storage* report exceeded one billion pounds in March 2010 and have remained above that mark through March 2011. The only other time cheese stocks were above 1 billion pounds was during a two-year period in 1983-84. At a glance, it would seem then that a very high volume of cheese stocks hang over the market putting downward pressure on the cheese price, and thus the milk price in general. However, despite so much cheese in storage, the NASS block Cheddar cheese price still spent 5 weeks over $1.88 per pound from late February through March and has remained over $1.60 per pound through April.

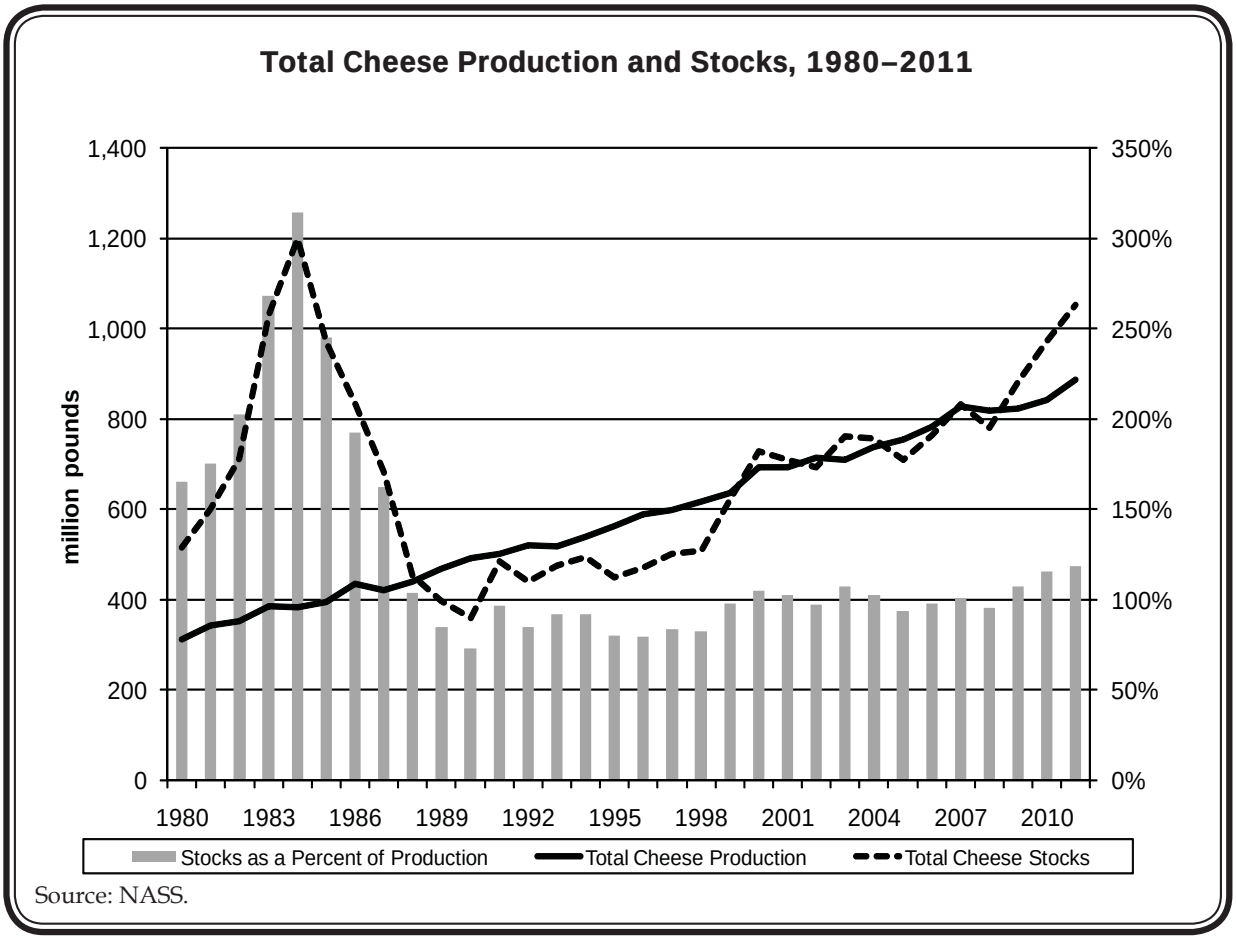
Everything Is Relative, Even Cheese Stocks

Though current total cheese stocks over a billion pounds sounds like a very big number historically, it has to be viewed in context with current historically strong cheese production and commercial disappearance numbers. Looking at total cheese stocks, production, and their relationship to each other for the month of January, from 1980 through 2011, shows the nature of this relationship over the past three decades. When cheese stocks were last above a billion pounds in 1983-84, the support price was over $13 per hundredweight. Government stocks of American cheese accounted for roughly 60 percent of total cheese stocks. There was indeed a glut of cheese in stock, relative to the size of the cheese market at that time. Stocks were 314 percent higher than total production. Cheese stocks diminished each year from 1984 to 1990. From 1988 on, total stocks have averaged 96 percent of total cheese production, ranging mostly between 80 and 116 percent (see accompanying chart). Stocks have averaged 104 percent since 2000. These data imply that stocks have grown mostly in proportion with production. In relative terms, 1984's billion pounds of cheese in cold storage is not the same as today's billion pounds in a market that is three times bigger. For the past two decades, the industry has held the equivalent of a month's production in stock. Stocks must be evaluated in relation to market size.

How Do Current Stocks Relate?

That being said, the percent of stocks over production in January 2011 (118.7%) is as big as it has been since 1987 and may be putting some downward pressure on current cheese prices—just not to the degree it may have had when the cheese market was smaller. Better characterizing those stocks as to how much total volume is committed or already sold may further help interpret the situation. Currently the *Cold Storage* report does not collect data regarding whether stocks are committed.

Additionally, U.S. cheese exports have grown to about 5 percent of total production in 2011, up from about 1.5 percent five years ago, and just half a percent in the late 1980's. As the export market has become a more consistent and significant demand point for U.S. cheese, inventory requirements to supply such a market may impact, to some degree, the level of stocks the industry may hold.❖



Source: NASS.

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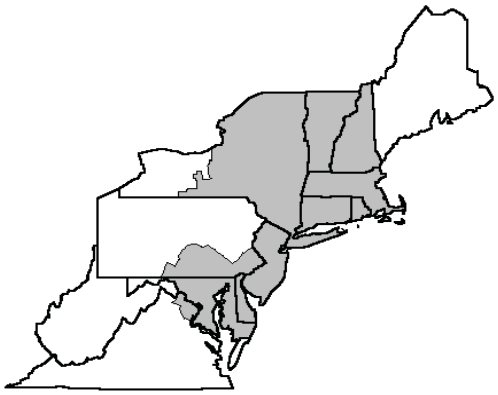
Computation of Producer Price Differential and Statistical Uniform Price*

	Product Pounds	Price per cwt./lb.	Component Value	Total Value
Class I— Skim	809,219,457	$15.19	122,920,435.52	
Butterfat	15,357,295	2.2908	35,180,491.39	
Less: Location Adjustment to Handlers			(2,775,488.60)	$155,325,438.33
Class II— Butterfat	30,455,369	2.2183	67,559,145.10	
Nonfat Solids	41,708,880	1.3700	57,141,165.60	124,700,310.70
Class III– Butterfat	22,035,028	2.2113	48,726,057.42	
Protein	17,329,736	2.4984	43,296,612.43	
Other Solids	32,548,998	0.2902	9,445,719.27	101,468,389.12
Class IV– Butterfat	12,760,332	2.2113	28,216,922.16	
Nonfat Solids	23,900,475	1.3862	33,130,838.45	61,347,760.61
Total Classified Value				**$442,841,898.76**
Add: Overage—All Classes				6,722.69
Inventory Reclassification—All Classes				(366,733.35)
Other Source Receipts	2,333,787 Pounds			101,686.39
Total Pool Value				**$442,583,574.49**
Less: Producer Component Valuations @ Class III Component Prices				(378,272,322.56)
Total PPD Value Before Adjustments				**$64,311,251.93**
Add: Location Adjustment to Producers				11,292,865.18
One-half Unobligated Balance—Producer Settlement Fund				900,923.58
Less: Producer Settlement Fund—Reserve				(936,255.06)
Total Pool Milk & PPD Value	2,152,956,858 Producer pounds			**$75,568,785.63**
Producer Price Differential		**$3.51**		
Statistical Uniform Price		**$20.38**		

* 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 2011 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;
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May Pool Price Calculation

The May 2011 statistical uniform price (SUP) for the Northeast Marketing Area was announced at $20.79 per hundredweight (cwt) for milk delivered to plants located in Suffolk County, Massachusetts (Boston), the pricing point for the Northeast Order. The statistical uniform price is calculated at 3.5 percent butterfat, 2.99 percent protein, and 5.69 percent other solids. If reported at the average tests of producer pooled milk, the SUP would be $21.26 per cwt. The May statistical uniform price was 41 cents per cwt above the April price. The May producer price differential (PPD) at Suffolk County was $4.27 per cwt, an increase of 76 cents from last month.

During May, all commodity prices rose except cheese. This resulted in higher component prices that were reflected in higher Class II and IV prices and, along with the higher Class I price, caused an even larger spread than last month between these prices and the Class III price. As a result, the PPD rose and for only the third time since the Order's inception, hit over $4.00 per cwt.

The average producer component test for other solids set a record for the month of May. The Class II volume set a new record high for the month of May while the Class I volume set a record low for the month.❖

Record Low Class I Utilization Percentage

The May Class I utilization, 37.8 percent, was the lowest since the order's inception. The utilization percentage is a reflection of the total volume of milk used for Class I purposes in relation to the total pounds pooled on the order. Trends in both the Class I pounds and total pounds pooled play a part in the record low utilization. Long term trends in consumption also may be a factor.

Total Volume

There were 2.211 billion pounds pooled on the Order in May 2011, the second highest ever for the month of May and fourth highest for any month since the Order's inception. Seasonally speaking, it isn't surprising to see somewhat lower Class I utilization during May. April through July are the four months that have averaged the lowest Class I utilization since 2000, having averaged 41.6, 41.6, 42.0, and 41.1, respectively. May Class I utilization has been below 40 percent since 2009. Before that, you have to go back to March through July 2002 to find Class I utilization

(continued on page 3)

Pool Summary

- A total of 12,840 producers were pooled under the Order with an average daily delivery per producer of 5,554 pounds.
- Pooled milk receipts totaled 2.211 billion pounds, a decrease of 0.5 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 37.8 percent of total milk receipts, a decrease of 0.5 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 5.76 percent.❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	37.8	835,764,012
Class II	22.3	493,462,359
Class III	26.8	592,170,018
Class IV	13.1	289,518,258
Total Pooled Milk		2,210,914,647

Producer Component Prices

	2011	2010
	$/lb	
Protein Price	2.3133	2.1523
Butterfat Price	2.2497	1.7058
Other Solids Price	0.3026	0.1704

Class Price Factors

	2011	2010
	$/cwt	
Class I	23.00	17.05
Class II	20.63	14.90
Class III	16.52	13.38
Class IV	20.29	15.29

Contribution to Producer Price by Components

The uniform price varies each month based on the respective average component tests and prices of each component. Looking at some examples will give a better understanding of how these factors impact a producer's milk check. The table shows the contribution by component using a hypothetical farmer producing 100,000 pounds of milk at the pool average component tests for that month using the base Producer Price Differential (PPD). Examples do not take into account premiums, hauling charges, or any other producer payments or deductions.

May 2003 was chosen since it had the "average" PPD for the month of May; May 2008 because it had no PPD for May, but one of the highest butterfat prices; and November 2000 because it had the highest PPD since the Order's inception.

Component Proportions

Protein typically has been the largest contributor to a producer's milk check, having been the highest over 80 percent of the time, but it really depends on the combination of component price and test. In May 2011, butterfat was the largest contributor to a producer's price due to a fairly strong butterfat price combined with a strong butterfat test. Even though the PPD was the third highest ever for the Order, it only contributed to 20 percent of the price because of the strong butterfat and protein component values.

In November 2000, butterfat held the highest proportion; its component price was not as high, but much higher than the protein price that month. The record-setting PPD contributed the second-highest percentage to the overall producer price. May 2008 had no PPD; the Class III price and the uniform price for that month were the same. That was not the lowest PPD ever; there have been months where the PPD has been negative. Protein had the highest percentage due to a strong test and even stronger price.

May 2003 had below-average butterfat and protein prices and tests. It also had a negative other solids price, which reduced a producer's overall price based on their level of other solids.

Blend Prices

Overall, uniform prices received by producers are affected by the factors mentioned above in addition to the location where the producer's milk is received. PPD's vary due to location and decrease the farther away the milk is received from the basing point (Suffolk County, MA).❖

Mandatory Reporting Program

On June 10, the USDA issued a proposed rule to amend the Dairy Product Mandatory Reporting Program that would, among other things, provide for the establishment of an electronic reporting system for manufacturers to report sales information for specific dairy products. Price data reported are used by USDA to determine minimum class prices for raw milk under the Federal Milk Marketing Order Program.

The rule requires the Secretary to publish a report on Wednesday of each week of the information obtained for the previous week and transfers the data collection responsibilities from the National Agricultural Statistics Service (NASS) to the Agricultural Marketing Service (AMS).

Public comments must be received by August 9, 2011, and may be filed by visiting www.regulations.gov. For additional information, contact Joe Gaynor at Joseph.Gaynor@ams.usda.gov.❖

Contribution to Total Gross Payment*

	May 2011				*May 2003*			
	Test percent	*Price per pound*	*Gross dollars*	*Contribution percent*	*Test percent*	*Price per pound*	*Gross dollars*	*Contribution percent*
Butterfat	3.67	2.2497	$8,256.40	**38.8**	3.66	1.1512	$4,213.39	**35.9**
True Protein	3.02	2.3133	$6,986.17	**32.9**	2.96	1.9275	$5,705.40	**48.7**
Other Solids	5.76	0.3026	$1,742.98	**8.2**	5.72	(0.0144)	($82.37)	**(0.7)**
PPD		4.27	$4,270.00	**20.1**		1.89	$1,890.00	**16.1**
Total gross payment			$21,255.54				$11,726.42	
Gross price per cwt			**$21.26**				**$11.73**	

	May 2008				*November 2000*			
	Test percent	*Price per pound*	*Gross dollars*	*Contribution percent*	*Test percent*	*Price per pound*	*Gross dollars*	*Contribution percent*
Butterfat	3.67	1.5562	$5,711.25	**30.7**	3.78	1.5745	$5,951.61	**42.9**
True Protein	3.03	4.1108	$12,455.72	**66.9**	3.07	0.9149	$2,808.74	**20.3**
Other Solids	5.73	0.0766	$438.92	**2.4**	5.66	0.0565	$319.79	**2.3**
PPD		0.00	$0.00	**0.0**		4.79	$4,790.00	**34.5**
Total gross payment			$18,605.90				$13,870.14	
Gross price per cwt			**$18.61**				**$13.87**	

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

Record Low Class I *(continued from page 1)*

below 40 percent. Those months included the other top three months for total pounds pooled.

Class I Volume

Total pool volumes are not the only factor in lower Class I percentages, however. Total Class I volume for May was 835.8 million pounds, a record low for the month of May. In fact, record low Class I volumes also were set in the previous two months. Total Class I pounds pooled through the first five months of the year are the second lowest, behind 2009.

Are High Prices a Factor in Lower Class I Pounds?

The May Class I price was $23.00 per hundredweight, the seventh highest out of the 137 months a Class I price was announced under the Order. To date, there have been three distinct periods of time since the order originated in which the Class I price surpassed the $20 mark; May–June 2004, June 2007–November 2008, and November 2010–May 2011 and looks to continue.

The Consumer Price Index (CPI) is a measure of the average change over time in the prices paid by consumers for a market basket of consumer goods. During the first period, the CPI for milk (Dec. 1997=100) ranged between 133.5 and 137.4. See Chart 1. These numbers were well above index levels between 108.0 and 117.5 that occurred between January 2001 and April 2004. The $20 prices were not around long but were a stark contrast with recent prices at that time. In fact, the Class I price jumped about $6.00 per cwt from April to May 2004.

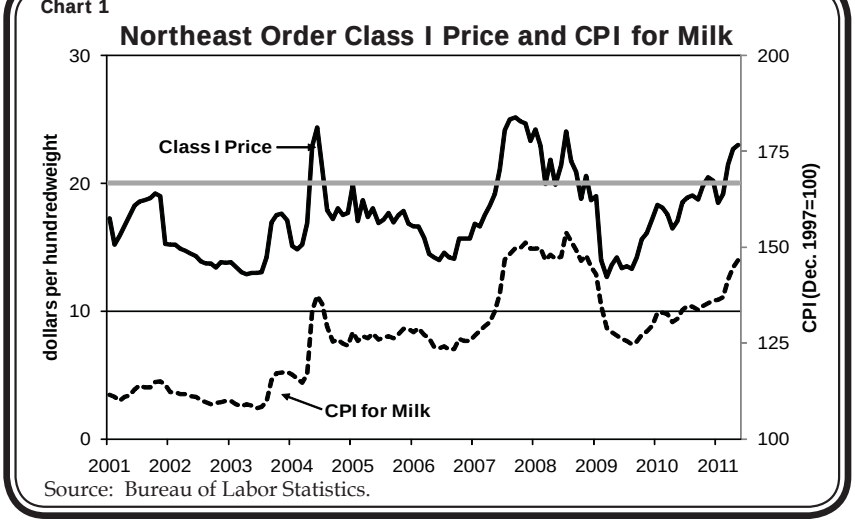
During the second period in 2007–08, the CPI for milk ranged from 137 to 154 in months with over $20 Class I prices. CPI numbers during 2005 and 2006 were in the mid 120s. The 2007–08 period was characterized by both a dramatic increase in the index and a prolonged nature of the higher price level.

The CPI for milk during the current period of over $20 Class I prices starting November 2010 ranges from 135 to 145, only topping the 140 level in March 2011. This period comes on the heels of CPI values for milk that more gently climbed from the mid-to-high 120s in 2009, to the low-to-mid 130s in 2010, and to the high 130s to low 140s so far in 2011.

Given the longer, slower rise in prices to current levels on the recent heels of a long period of high prices, consumers may be slower to react with respect to their fluid milk purchasing habits, or the effect may be less detectable. The price increase has not been as attention grabbing as the $6.00 one-month increase that occurred in 2004. That price movement coincided with a 44.1 million pound decline in Class I pounds pooled, during a month when Class I pounds pooled usually increases. Not all high-priced periods seem to coincide exactly with declines in Class I utilization. There appears to be a noticeable drop in Class I pounds in 2009, but that was a relatively lower price year following the very high price period.

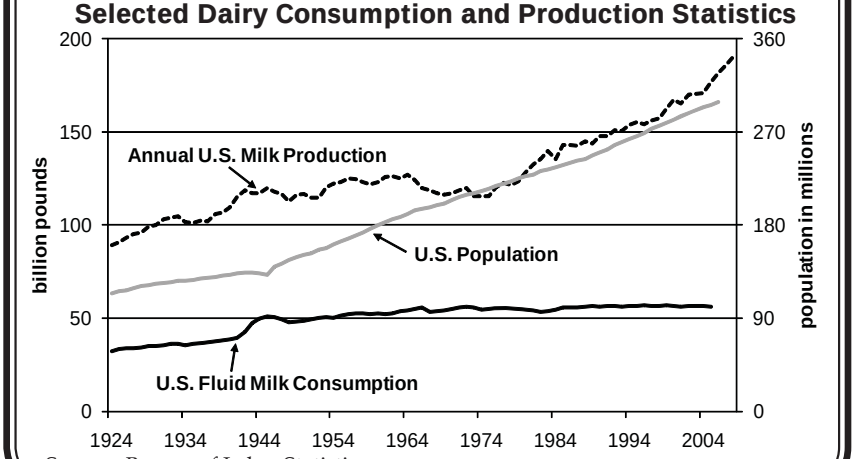
According to USDA, consumption of fluid milk has declined by 1.8 gallons per capita during the period from 2000 to 2009. Between 1970 and 2001, fluid milk consumption dropped to 23 gallons from 31. Chart 2 shows long run increases in both U.S. population and milk production, while fluid milk consumption has been relatively flat the last half century. Increases in population are compensating for declining per capita consumption to result in a flat total consumption. These trends generate the underlying long run trend in declining Class I utilization and utilization percentage. Price responses may be evident as short run deviations from the long run trend, up or down, but also may be one factor contributing to the downward trend, at least during the last several years. Competing choices of beverage continue to pose a challenge to milk's portion of a fairly stable per capita total beverage consumption.❖

Chart 1



Source: Bureau of Labor Statistics.

Chart 2



Source: Bureau of Labor Statistics.

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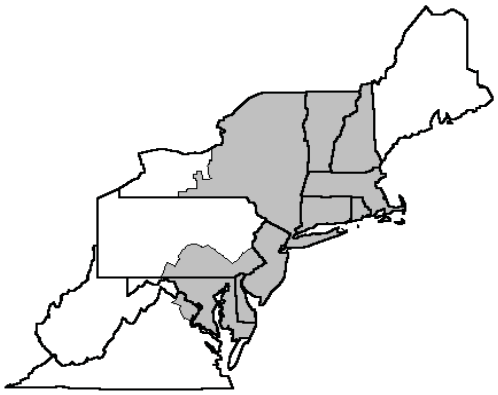
Computation of Producer Price Differential and Statistical Uniform Price*

	Product Pounds	Price per cwt./lb.	Component Value	Total Value
Class I— Skim	820,668,385	$15.74	129,173,203.80	
Butterfat	15,095,627	2.2309	33,676,834.27	
Less: Location Adjustment to Handlers			(2,835,383.94)	$160,014,654.13
Class II— Butterfat	30,773,551	2.2567	69,446,672.55	
Nonfat Solids	42,148,135	1.4656	61,772,306.65	131,218,979.20
Class III– Butterfat	22,770,436	2.2497	51,226,649.87	
Protein	17,907,389	2.3133	41,425,162.98	
Other Solids	33,997,100	0.3026	10,287,522.44	102,939,335.29
Class IV– Butterfat	12,552,173	2.2497	28,238,623.63	
Nonfat Solids	25,254,038	1.4298	36,108,223.53	64,346,847.16
Total Classified Value				**$458,519,815.78**
Add: Overage—All Classes				100,961.83
Inventory Reclassification—All Classes				(136,106.00)
Other Source Receipts	2,518,868 Pounds			132,086.90
Total Pool Value				**$458,616,758.51**
Less: Producer Component Valuations @ Class III Component Prices				(375,700,048.63)
Total PPD Value Before Adjustments				**$82,916,709.88**
Add: Location Adjustment to Producers				11,623,915.02
One-half Unobligated Balance—Producer Settlement Fund				973,642.91
Less: Producer Settlement Fund—Reserve				(1,000,656.77)
Total Pool Milk & PPD Value	2,213,433,515 Producer pounds			**$94,513,611.04**
Producer Price Differential		**$4.27**		
Statistical Uniform Price		**$20.79**		

* 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

June 2011 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;
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May Pool Price Calculation

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During June, all commodity prices rose and were reflected in higher component prices. The NASS cheese price jumped nearly 25 cents per pound resulting in a $2.59 per hundredweight increase in the Class III price. Both the Class II and Class IV prices rose about 75 cents per hundredweight compared to May. The spread in prices between the classes tightened somewhat lowering the PPD.

The Class I volume for June was the smallest ever since the Order's inception and the first time that it totaled less than 800 million pounds. The Class II volume set a record high for the month of June. The average per day decline in total producer milk receipts between May and June was the largest ever except for 2008 when depooling occurred.❖

Proposed Amendments to Mideast Order

USDA announced an Action Plan on Proposed Amendments to the Mideast Milk Marketing Order on July 15, 2011. USDA received a proposal on June 17, 2011, to amend the pooling standards of a distributing plant as part of the definition of a pool plant in the Mideast Milk Marketing Order (Federal Order No. 33). The proponents assert that the current pool distributing plant pooling standards enables distributing plants to change their regulatory status and this has led to a disruption of orderly marketing conditions and should, therefore, be revised.

Based on the information submitted by proponents, USDA is considering initiation of a rulemaking proceeding that will include a public hearing to collect evidence.

(continued on page 3)

Pool Summary

- A total of 12,944 producers were pooled under the Order with an average daily delivery per producer of 5,140 pounds.
- Pooled milk receipts totaled 1.996 billion pounds, a decrease of 6.7 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 39.0 percent of total milk receipts, an increase of 1.2 percentage points from May.
- The average butterfat test of producer receipts was 3.60 percent.
- The average true protein test of producer receipts was 2.99 percent.
- The average other solids test of producer receipts was 5.73 percent.❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	39.0	777,886,615
Class II	24.5	489,432,349
Class III	25.7	512,235,871
Class IV	10.8	216,458,270
Total Pooled Milk		1,996,013,105

Producer Component Prices

	2011	2010
	$/lb	
Protein Price	2.9807	2.2040
Butterfat Price	2.3702	1.7234
Other Solids Price	0.3339	0.1748

Class Price Factors

	2011	2010
	$/cwt	
Class I	23.57	18.53
Class II	21.37	16.01
Class III	19.11	13.62
Class IV	21.05	15.45

Total Utilization Increases; Classes II and III Show Growth

For the first 6 months of 2011, utilization of milk products and cream by pool plants increased 2.0 percent from the same period in 2010. When compared to the same period in 2006, milk receipts grew 5.0 percent. The accompanying table shows changes for selected products by class.

Class I usage decreased a slight 0.6 percent during the first six months compared to last year, but declined 1.8 percent from 5 years ago. Declines occurred in every category except organic milk products and buttermilk/eggnog.

Class II utilization jumped 11.4 percent from 2010 and 25.5 percent from 2006. Class II usage has set records each month, for the respective month, since January 2010. The main contributor to this increase is the growth in Greek-style yogurt, reflected in an enormous 216.5 percent increase in the yogurt (and eggnog) category when compared to 2010; the increase is 350 percent over 2006. Prepared products, which include bakery, candy, soups, and puddings, has shown healthy growth of 7.7 and 12.2 percent, respectively, from 2010 and 2006. Sour cream and aerated cream grew 9.4 percent since last year and 1.4 since 2006. The category that includes ice cream and frozen desserts dropped 28.2 and 11.1 percent from 2010 and 2006, respectively. Cottage cheese declined a slight 0.5 percent from 2010 and 19.9 percent from 2006. Ricotta cheese increase 3.4 percent over 2010, but declined 2.3 percent from 5 years ago.

Class III usage rose 10.1 percent from 2010 and 24.8 percent from 2006 with double-digit percent increases in American cheese. Swiss and other-type cheeses rose 8.2 percent from 2010 and 110.1 percent from 2006. The Swiss and other category includes Hispanic, Feta, and other ethnic cheeses, but not Italian. Cream cheese declined slightly from 2010, but rose 13.9 percent from 2006. Italian cheese grew 8.2 percent from 2010 and 10.2 percent from 2006.

Class IV utilization declined 12.8 percent from 2010 and 19.7 from 2006. Butter was up 2.8 percent from last year, but down 3.5 percent from 2006. Condensed products declined 9.3 percent from 2010 and 55.9 percent from 2006. Dried products dropped 13.4 and 20.2 percent from 2010 and 2006, respectively.❖

Northeast Utilization for Selected Products for January–June 2011 vs. 2010 and 2006

	Product	Volume Utilized* in million pounds	Percent Change from 2010	Percent Change from 2006
Class I	Whole	1,318.0	(2.6)	(18.9)
	Flavored	250.4	(7.0)	(16.1)
	Organic	186.6	23.1	90.0
	*Total Class I***	5,632.9	(0.6)	(1.8)
Class II	Prepared Foods	339.5	7.7	12.2
	Yogurt	772.5	216.5	350.0
	Ice Cream	713.6	(28.2)	(11.1)
	Total Class II	3,042.5	11.4	25.5
Class III	American	1,079.8	13.6	28.4
	Italian	1,495.7	8.2	10.2
	Swiss & Other	228.3	8.4	110.1
	Total Class III	3,261.6	10.1	24.8
Class IV	Condensed	67.5	(9.3)	(55.9)
	Butter	119.7	2.8	(3.5)
	Dried Products	1,269.6	(13.4)	(20.2)
	Total Class IV	2,019.6	(12.8)	(19.7)
Total Utilization		13,996.8	2.0	5.0

* Class totals include other categories not shown such as bulk shipments to nonorder plants, inventory, and shrinkage.
** Only includes sales by Fully Regulated Pool Handlers.

Pool Summary for All Federal Orders, January–June, 2010–2011

Federal Order Number	Federal Order Name	Total Producer Milk 2010	Total Producer Milk 2011	Change	Producer Price Differential# 2010	Producer Price Differential# 2011	Statistical Uniform Price#* 2010	Statistical Uniform Price#* 2011
		pounds		percent	dollars per hundredweight			
1	**Northeast**	**12,227,694,702**	**12,539,489,621**	**2.5**	**2.40**	**2.82**	**15.98**	**19.88**
5	Appalachian	3,061,408,416	3,024,939,440	(1.2)	N/A	N/A	16.93	20.95
6	Florida	1,468,564,347	1,500,465,568	2.2	N/A	N/A	19.16	22.95
7	Southeast	3,612,843,313	3,693,812,966	2.2	N/A	N/A	17.04	20.80
30	Upper Midwest	17,249,957,949	16,469,916,168	(4.5)	0.40	0.46	13.98	17.52
32	Central	6,486,324,856	6,836,658,903	5.4	0.94	1.23	14.52	18.29
33	Mideast	8,335,703,465	7,697,872,957	(7.7)	1.35	1.64	14.93	18.70
124	Pacific Northwest	4,022,740,346	3,990,857,576	(0.8)	0.91	1.50	14.49	18.56
126	Southwest	5,653,287,792	5,663,948,548	0.2	2.01	2.32	15.59	19.39
131	Arizona	2,190,290,934	2,358,332,793	7.7	N/A	N/A	14.87	19.10
	All Market Total/Average	64,308,816,120	63,776,294,540	(0.8)	1.33	1.66	15.75	19.61

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

Strong Prices Characterize Market Situation

With the June Uniform price of $22.09 per hundredweight (cwt), the average uniform price for the first half of 2011 topped all other years for the same period, averaging $19.88 per cwt. The uniform price averaged $19.14 during the first half of 2008, the second highest.

National Agricultural Statistics Service (NASS) dairy product prices remained strong through the second quarter of 2011, while the block Cheddar cheese price climbed to almost $2.00 a pound by mid-June and over $2.00 per pound since. Chicago Mercantile Exchange (CME) block Cheddar prices reached their third longest stretch ever above $2.00 as of July 14. Given that NASS prices tend to follow CME prices relatively closely, this would indicate that NASS cheese prices will continue to climb in the near future. Though not shown on the accompanying chart, the monthly average NASS dry whey price was over $0.52 per pound in June, the highest since August 2007.

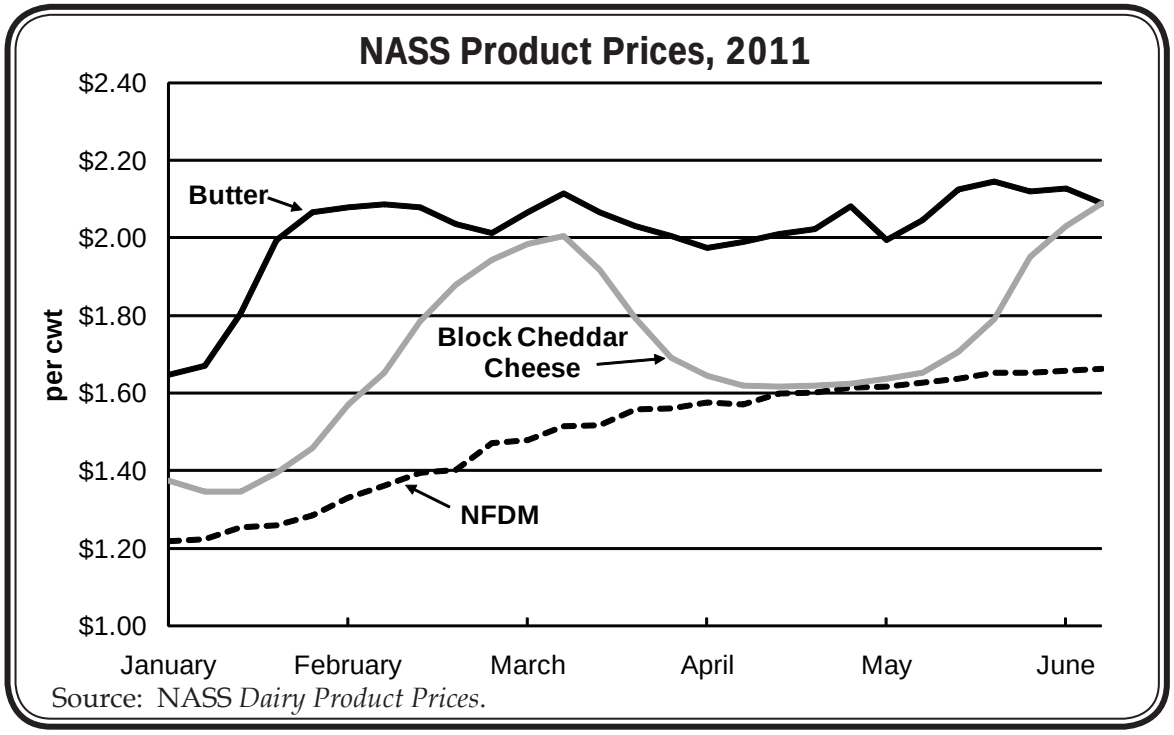
Exports Key Role

Factoring into strong prices across the board are dairy exports. For the period of January through April 2011, compared to the same period the year before, exports were up 79 percent for nonfat dry milk/skim milk powder, 68 percent for cheese, 104 percent for butterfat, and 32 percent for lactose with no change for total whey proteins. Dairy exports accounted for 13 percent of U.S. milk production on a total solids basis. By product, exports accounted for 50 percent of nonfat dry milk/skim milk powder, 5 percent of cheese, and 50 percent of dry whey.

The role of exports in the dairy demand equation has been more important in light of the U.S. domestic economy's more pessimistic outlook. The Consumer Confidence Index (CPI) declined again in June to 58.5, and hasn't been above 72 since March 2008. The CPI measures the degree of optimism on the state of the economy that consumers are expressing through savings and spending activities.

Milk Production Strong, But Threatened by Heat

Milk production during the first and second quarter of 2011 was up 2.2 percent and 1.3 percent, respectively, over the previous year. Strong production may have played a role in the softer cheese prices during April and May. Currently, persistent extreme heat across the U.S. is expected to impact total milk production as well as average milk components tests. The heat's impact may already be evident in the larger than normal volume of Northeast milk pooled during June on orders in the south.❖



Source: NASS *Dairy Product Prices*.

Mideast Order *(continued from page 1)*

The timeframe of the rulemaking to ensure that the proceeding concludes within 120 days from publication of the Action Plan includes that additional proposals be received by August 12, 2011; that there will be no pre-hearing workshop; data requests must be received no later than 10 days before the start of the hearing; and that a tentative hearing date is October 2011.

If issued, a Notice of Hearing detailing the date, time, and location of the hearing and the proposals under consideration will be published in the *Federal Register*. The Notice of hearing also will detail the deadline for all data requests of Dairy Programs so that the requested data will be available at the start of the hearing. A copy of the submitted proposal can be found on the Dairy Programs website: www.ams.usda.gov/dairy.❖

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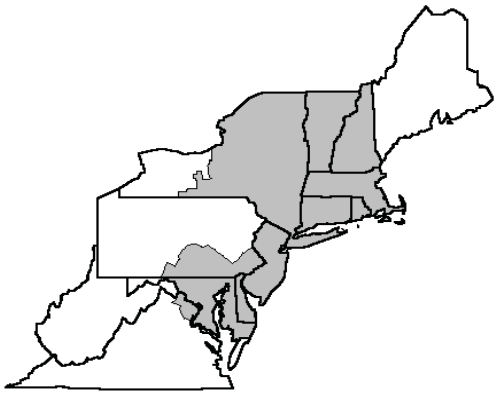
Computation of Producer Price Differential and Statistical Uniform Price*

	Product Pounds	Price per cwt./lb.	Component Value	Total Value
Class I— Skim	763,230,595	$16.07	122,651,156.62	
Butterfat	14,656,020	2.3025	33,745,486.05	
Less: Location Adjustment to Handlers			(2,627,443.10)	$153,769,199.58
Class II— Butterfat	30,030,945	2.3772	71,389,562.45	
Nonfat Solids	41,531,306	1.5022	62,388,327.87	133,777,890.32
Class III– Butterfat	19,468,861	2.3702	46,145,094.38	
Protein	15,327,155	2.9807	45,685,650.89	
Other Solids	29,255,933	0.3339	9,768,556.02	101,599,301.29
Class IV– Butterfat	7,773,006	2.3702	18,423,578.87	
Nonfat Solids	18,874,885	1.4694	27,734,756.03	46,158,334.90
Total Classified Value				**$435,304,726.09**
Add: Overage—All Classes				21,622.83
Inventory Reclassification—All Classes				207,926.70
Other Source Receipts	2,092,087 Pounds			68,133.65
Total Pool Value				**$435,602,409.27**
Less: Producer Component Valuations @ Class III Component Prices				(386,382,472.94)
Total PPD Value Before Adjustments				**$49,219,936.33**
Add: Location Adjustment to Producers				10,330,245.52
One-half Unobligated Balance—Producer Settlement Fund				944,975.05
Less: Producer Settlement Fund—Reserve				(951,622.17)
Total Pool Milk & PPD Value	1,998,105,192 Producer pounds			**$59,543,534.73**
Producer Price Differential		**$2.98**		
Statistical Uniform Price		**$22.09**		

* 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 2011 Federal Order No. 1

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

July Pool Price Calculation

The July 2011 statistical uniform price (SUP) for the Northeast Marketing Area was announced at $22.76 per hundredweight for milk delivered to plants located in Suffolk County, Massachusetts (Boston), the pricing point for the Northeast Order. The statistical uniform price is calculated at 3.5 percent butterfat, 2.99 percent protein, and 5.69 percent other solids. If reported at the average tests of producer pooled milk, the SUP would be $22.83 per hundredweight. The July statistical uniform price was 67 cents per hundredweight above the June price. The July producer price differential (PPD) at Suffolk County was $1.37 per hundredweight, a decrease of $1.61 per hundredweight from last month.

During July, commodity prices for cheese and dry whey rose while butter and nonfat dry milk declined. The NASS cheese price jumped 22 cents per pound resulting in a nearly 85–cent increase in the protein price and a corresponding $2.28 per hundredweight increase in the Class III price. The Class I price, set in advance, was up 71 cents, while the Class II price decreased 8 cents and the Class IV price dropped 72 cents. This further tightening of the price spread between the classes lowered the PPD, while the overall blend price rose.❖

Utilization Changes by Type of Plant

Last month we highlighted changes in utilization by class and selected products within each class. This article compares the changes in total utilization at regulated pool plants, unregulated manufacturing plants, and partially regulated plants for the first 6 months of 2011, 2010, and 2006.

Regulated Pool Plants

Pool plants include distributing (bottling) and supply (manufacturing) plants regulated by the Northeast Order. Supply plants only account for 20 percent of the total volume utilized. These plants mostly are operated by cooperative associations and meet the shipping provisions required by the Order.

The accompanying table shows the total volume allocated by class and the percentage change compared to the same period in previous years. Overall, the volume utilized at pool plants rose 1.8 percent during the January-June period in 2011 compared to the same period

(continued on page 2)

Pool Summary

- A total of 12,924 producers were pooled under the Order with an average daily delivery per producer of 4,981 pounds.
- Pooled milk receipts totaled 1.996 billion pounds, a decrease of 3.2 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 38.7 percent of total milk receipts, a decrease of 0.3 percentage points from June.
- The average butterfat test of producer receipts was 3.58 percent.
- The average true protein test of producer receipts was 2.96 percent.
- The average other solids test of producer receipts was 5.71 percent.❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	38.7	772,800,687
Class II	24.6	490,824,308
Class III	25.3	504,120,590
Class IV	11.4	228,052,720
Total Pooled Milk		1,995,798,305

Producer Component Prices

	2011	2010
	$/lb	
Protein Price	3.8292	2.0515
Butterfat Price	2.2511	1.8964
Other Solids Price	0.3608	0.1700

Class Price Factors

	2011	2010
	$/cwt	
Class I	24.28	18.91
Class II	21.29	17.10
Class III	21.39	13.74
Class IV	20.33	15.75

Utilization Changes *(continued from page 1)*

in 2010; it rose 4.0 percent from the same time in 2006. Expectedly, Class I utilization declined from both years. Class II, which has risen significantly in the past 2 years jumped 22.5 percent since 2006; Class III showed a similar pattern. Class IV, basically a balancing function, declined from both years. The average number of regulated pool plants has declined slightly over the years: 72 in 2006, 69 in 2010, and 66 in 2011.

Unregulated Manufacturing Plants

The change in manufacturing plants is more dramatic. These plants receive milk from pool handlers but are not regulated under any federal Order because they do not meet the provisions of any federal Order. Their primary function is the manufacture of Class II, III, and/or Class IV products.

The majority of milk used at these plants was for Class III products; a minimal portion was allocated as Class I. As the table shows, the Class II volume has risen from both years shown, while the Class IV volume has dropped. The bigger news is the jump in Class II volume from both time periods. Class II plants in this category include the large yogurt manufacturers accounting for a considerable portion of the total increase. Due to the increase in Greek-style yogurt manufacturers, a product definition change in the Order, and some small specialty cheese manufacturers, the average number of unregulated manufacturing plants has risen from 37 in 2006 and 2010 to 50 in 2011.

Partially Regulated Plants

These plants include distributing plants that are not fully regulated under any federal order as they do not meet the route disposition requirements of the Order. The changes depicted in the table in Class I volume largely are the result of pooling changes that altered the regulation of plants between the time periods. For example, a large distributing plant regulated under the Order in 2006 became partially regulated for 2010 and part of 2011. The number of partially regulated plants averaged 19 in 2006 and only 15 in 2010 and 2011, but the total volume rose due to volumes of individual plants in the mix.❖

Volume Utilized by Type of Plant

	Regulated Pool Plants			Unregulated Manufacturing Plants			Partially Regulated Plants		
		Change from			Change from			Change from	
	2011	2010	2006	2011	2010	2006	2011	2010	2006
	(million lbs)	(percent)		(million lbs)	(percent)		(million lbs)	(percent)	
Class I	6,070.6	(0.4)	(2.9)	1.3	(26.7)	(65.1)	123.5	6.0	2,128.4
Class II	3,207.1	9.2	22.5	1,572.1	54.7	84.7	262.1	(5.7)	142.8
Class III	3,299.4	9.8	25.2	2,691.4	29.2	11.0	13.8	2.9	(10.0)
Class IV	2,095.5	(11.5)	(19.7)	374.1	(25.1)	(37.1)	4.9	(37.9)	(57.4)
Total	14,672.5	1.8	4.0	4,638.9	28.8	19.8	404.3	(2.8)	188.3

Milk Production, Pooled Milk Above Same Period Last Year

During the first 6 months of 2011, milk production in the United States totaled 98.9 billion pounds, an increase of 1.7 percent from the same period in 2010. The accompanying map shows year-to-year changes in milk production for the top 23 states, as reported by the National Agricultural Statistics Service (NASS), for the first 6 months of 2010 and 2011.

National Production

Nationally, the number of milk cows rose a slight 0.9 percent compared to the same period in 2010. During the first six months last year, milk cows had dropped 1.1 percent compared to the same six month of 2009. Milk production per cow rose 1.6 percent during the January–June 2011 period, compared to 2.8 percent increase during the same period in 2010.

California and Wisconsin remain ranked one and two in production, respectively, with New York and Idaho tied in third place for the six-month period. With Idaho's production growing at a higher rate than New York's (4.4 percent versus 1.9 percent, respectively), it is likely that Idaho will move into the number three spot, displacing New York, which has held that position since 1972. Of the top-ten states, Texas had the largest growth in milk production with an increase of 8.3 percent (368 million pounds) for the six-month period. California reported an increase of 2.6 percent, 567 million pounds—the largest volume increase of any state. Wisconsin and Minnesota, both of which showed growth during the same period in 2010, reported declines in production. The only other top ten state with a decline was Pennsylvania.

In the Northeast, milk production increased by only 0.5 percent for the period. The states making up New England (Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, and Vermont) had a combined increase of 0.1 percent. The top 3 contributing states for the Northeast Marketing Area (New York, Pennsylvania, and Vermont) had a combined increase of 0.8 percent.

Pooled Receipts

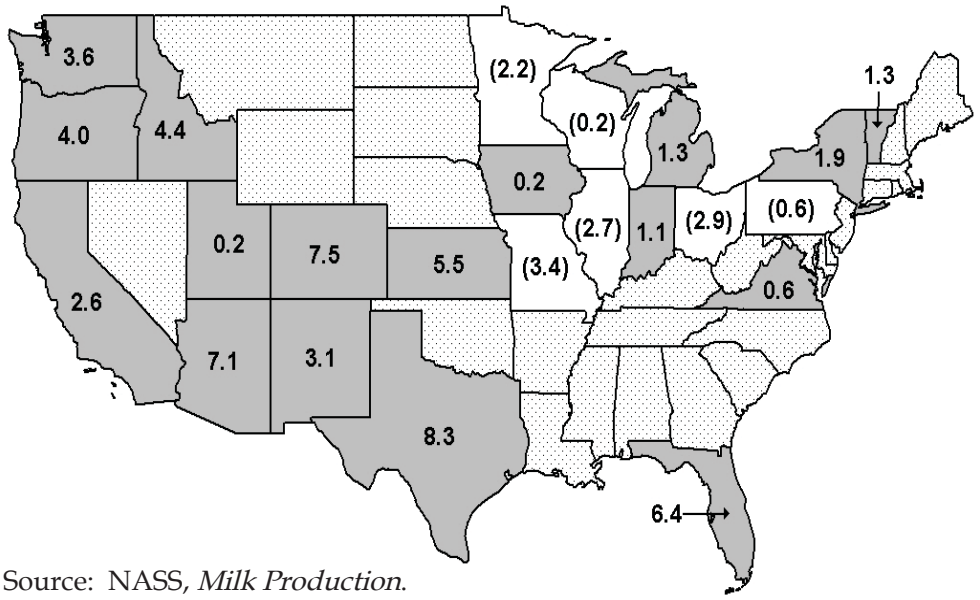
Pooled milk receipts on the Northeast Order grew 2.5 percent for the six-month period-an increase greater than *(continued on page 3)*

Milk Production *(continued from page 2)*

the combined average for the entire United States, the top ten states, and the Northeast states combined. The growth was due to a combination of increased milk production, mainly in New York, and pooling changes that have resulted in more milk regulated by the Northeast Order.

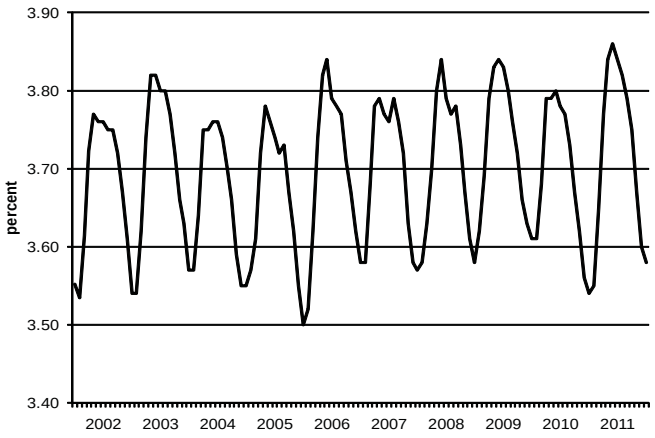
This trend occurred through May of 2011. In June, pooled milk receipts declined sharply due to decreased milk production and milk pooled to other areas, primarily the South. This trend appears to be continuing with July pooled milk receipts the smallest volume since 2007.❖

January–June 2011 Milk Production in the Top 23 Milk Producing States (Year-to-Year Percent Change)

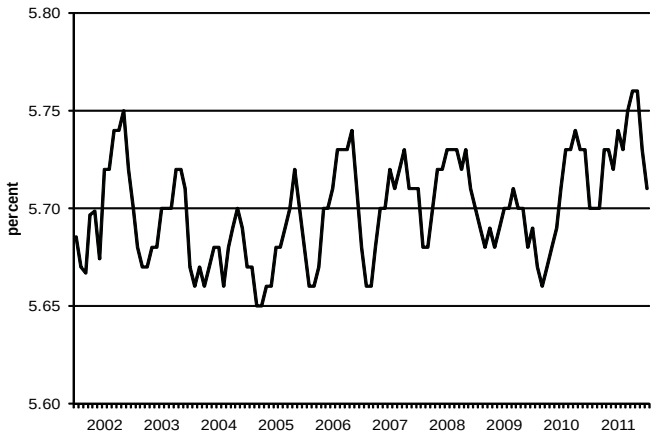


Source: NASS, *Milk Production*.

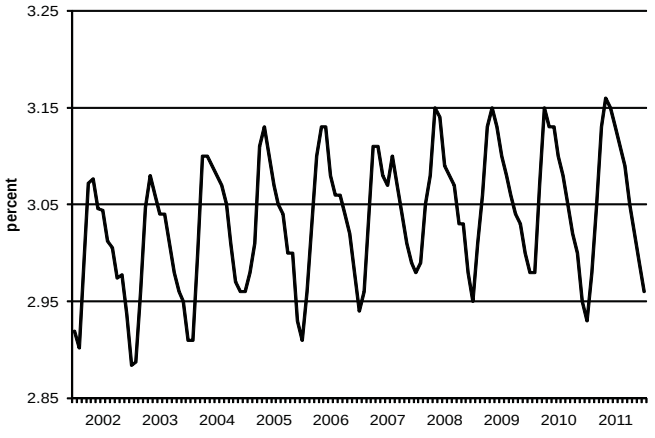
Average Producer Butterfat Tests, July 2001–July 2011



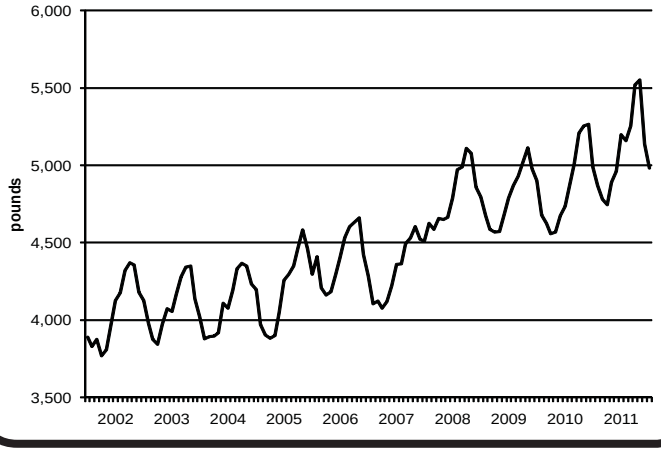
Average Producer Other Solids Tests, July 2001–July 2011



Average Producer Protein Tests, July 2001–July 2011



Daily Deliveries per Producer, July 2001–July 2011



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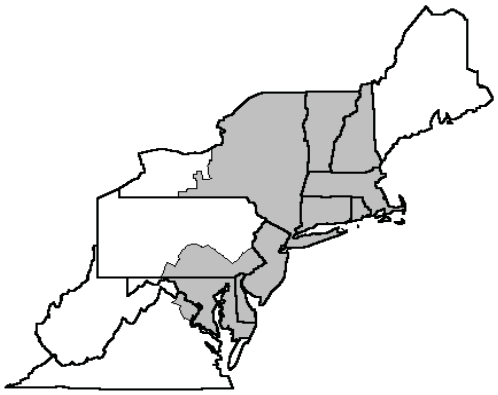
Computation of Producer Price Differential and Statistical Uniform Price*

	Product Pounds	Price per cwt./lb.	Component Value	Total Value
Class I— Skim	758,102,632	$16.42	124,480,452.17	
Butterfat	14,698,055	2.4095	35,414,963.52	
Less: Location Adjustment to Handlers			(2,614,714.12)	$157,280,701.64
Class II— Butterfat	29,149,498	2.2581	65,822,481.41	
Nonfat Solids	41,538,471	1.5411	64,014,937.69	129,837,419.10
Class III– Butterfat	18,919,522	2.2511	42,589,735.98	
Protein	14,951,626	3.8292	57,252,766.29	
Other Solids	28,745,866	0.3608	10,371,508.44	110,214,010.71
Class IV– Butterfat	8,721,426	2.2511	19,632,802.07	
Nonfat Solids	19,769,447	1.4336	28,341,479.19	47,974,281.26
Total Classified Value				**$445,306,412.71**
Add: Overage—All Classes				17,301.18
Inventory Reclassification—All Classes				(62,644.04)
Other Source Receipts	2,011,587 Pounds			25,760.16
Total Pool Value				**$445,286,830.01**
Less: Producer Component Valuations @ Class III Component Prices				(428,319,795.05)
Total PPD Value Before Adjustments				**$16,967,034.96**
Add: Location Adjustment to Producers				10,342,514.26
One-half Unobligated Balance—Producer Settlement Fund				983,954.79
Less: Producer Settlement Fund—Reserve				(923,508.40)
Total Pool Milk & PPD Value	1,997,809,892 Producer pounds			**$27,369,995.61**
Producer Price Differential		**$1.37**		
Statistical Uniform Price		**$22.76**		

* 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 2011 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

August Pool Price Calculation

The August 2011 statistical uniform price (SUP) for the Northeast Marketing Area was announced at $23.22 per hundredweight for milk delivered to plants located in Suffolk County, Massachusetts (Boston), the pricing point for the Northeast Order. The statistical uniform price is calculated at 3.5 percent butterfat, 2.99 percent protein, and 5.69 percent other solids. If reported at the average tests of producer pooled milk, the SUP would be $23.45 per hundredweight. The August statistical uniform price was 46 cents per hundredweight above the July price and the highest ever under the Order, surpassing the previous high set in August 2007. During 2007, cheese prices were strong, but nonfat dry milk largely was the primary factor in the record-setting blend prices. In contrast, prices during these same months in 2011 have been driven by cheese and butter prices at near record monthly highs. The August producer price differential (PPD) at Suffolk County was $1.55 per hundredweight, an increase of 18 cents per hundredweight from last month.

During August, all commodity prices rose slightly except nonfatdry milk. As a result, all class prices rose except Class IV, which declined 19 cents from July, but all class prices remained over $20.00 per hundredweight. The total volume of producer milk receipts utilized in Class I rose while the amount used in Class IV declined. More milk in the higher priced classes, and less in the lowest price class, helped push the statistical uniform price over $23.00 per hundredweight.

The Class II volume for August set a new record for the largest ever since the Order's inception. The producer other solids test tied with 2010 for the highest value for the month of August.❖

Request to Change Shipping Percentages

In August, the Market Administrator received a request from a pool handler, representing a significant volume of milk pooled on the Northeast Order, to increase the percentage of milk that pool supply plants and cooperative Section 1000.9(c) handlers must deliver to Class I pool distributing plants during the months of September, October, and November. This provision of the Order is commonly referred to as the "shipping percentage", which stipulates that during the months of

(continued on page 3)

Pool Summary

- A total of 12,874 producers were pooled under the Order with an average daily delivery per producer of 4,955 pounds.
- Pooled milk receipts totaled 1.978 billion pounds, a decrease of 0.9 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 42.0 percent of total milk receipts, an increase of 3.3 percentage points from June.
- The average butterfat test of producer receipts was 3.59 percent.
- The average true protein test of producer receipts was 3.00 percent.
- The average other solids test of producer receipts was 5.70 percent.❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	42.0	830,634,438
Class II	26.5	523,575,717
Class III	24.2	478,491,682
Class IV	7.3	144,930,567
Total Pooled Milk		1,977,632,404

Producer Component Prices

	2011	2010
	$/lb	
Protein Price	3.8305	2.3788
Butterfat Price	2.2985	2.0336
Other Solids Price	0.3811	0.1647

Class Price Factors

	2011	2010
	$/cwt	
Class I	24.68	19.02
Class II	21.55	16.98
Class III	21.67	15.18
Class IV	20.14	15.61

Class I Utilization Low

There was a relatively large increase in Class I utilization in August, compared to July, to about 831 million pounds. Still, this was the second lowest Class I utilization for the month of August but close to what has been typical the past few years. Class I utilization has averaged 832 million pounds in August from 2008 through 2010. In fact, 2008 total milk pooled and Class I pounds were almost identical to those of 2011.

July 2011's 773 million pounds of Class I was a record low for the Order, beating the low mark just set the previous month. It isn't notable that Class I utilization would be at its lowest during the summer; average daily Class I utilization by month is normally lowest for the month of July, followed by June and then August. What is notable is the level to which Class I utilization has declined to in the Northeast during the first two months of the summer.

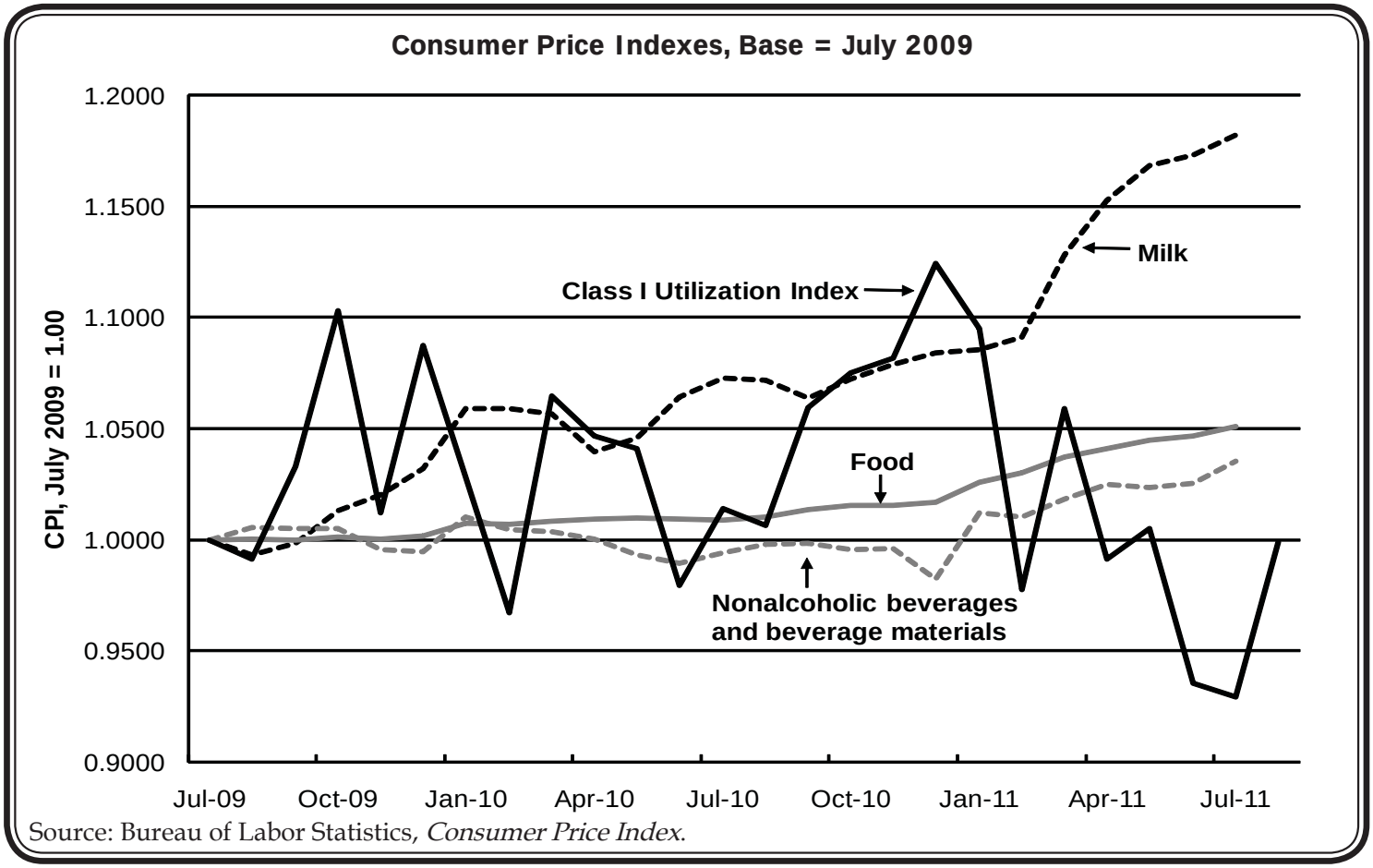
Multiple Factors at Work

What factors are resulting in lower Class I utilization? Certainly, such things as how milk is marketed, the changing nature of at-home eating habits, and even perceived health issues such as lactose intolerance factor into a longer term decline in per capita fluid milk consumption, but the recent decline has been dramatic. While Class I utilization has sagged recently, increases in Class II utilization have been pronounced, led by strong increases in yogurt sales. This trend is leading some to believe that there may be some substitution of yogurt for fluid milk by consumers meeting the dairy portion of their diet. In addition, strong exports of manufactured products have been accounting for almost 15 percent of U.S. milk production on a solids basis and has benefited the overall demand picture. Strong demand for milk and milk components in the form of manufactured products has resulted in lifting the component prices that drive the Class III and Class IV prices, which in turn drive Class I prices. The resulting high Class I prices may be one of multiple factors leading to softer sales.

Price as a Factor?

A look at average daily total Class I utilization since July 2009 shows the seasonal nature of Class I usage. However, total Class I utilization appears to have declined to a larger degree in 2011. Chart 1 shows the CPI for milk, for all nonalcoholic beverages and beverage materials, and for food. Each series has been benchmarked with July 2009 equal to 1.00. Total average daily Class I utilization also is shown on the chart as indexed to July 2009. The picture shows the CPI for milk rising 17.3 percent since July 2009; over 47 percent of that increase has occurred since February 2011. At the same time, the CPI for nonalcoholic beverages and beverage products has increased just 2.6 percent. The nonalcoholic beverage category does not

(continued on page 3)



Source: Bureau of Labor Statistics, *Consumer Price Index*.

Class I *(continued from page 2)*

include milk. This does not necessarily mean milk is more expensive than other nonalcoholic beverages, but it does mean that milk has become more expensive relative to its competition for total beverage consumption.

The decline in the average daily total Class I utilization index during 2011 is in some part normal seasonality, but also corresponds with the more dramatic increase in the milk CPI from February 2011.

Prices are expected to soften some based on Chicago Mercantile Exchange (CME) futures Class III and Class IV prices, which may help milk sales. Based on September 15 CME futures prices, the Northeast Order Class I price in Boston, MA, is projected to drop by $3.18 per hundredweight from September to November. Still, those same futures prices project the Class I price to remain above $20 per hundredweight in Boston, MA, throughout 2012. September 2011 utilization would have to increase by 6.0 percent more than August 2011 to reach September 2010 levels. The three-year average August to September increase has been 4.8 percent. It appears likely that September 2011's utilization will be similar to, or below, recent Septembers.❖

Request to Change *(continued from page 1)*

September through November, shipments and transfers by pool supply plants and cooperative handlers must equal not less than 20 percent of the total quantity of producer milk pooled by such handlers. The rational behind this provision of the Order is that it helps assure that an adequate supply of milk will be available for Class I distributing plants at a time of the year when milk production typically is slowing, and Class I demand is on the increase as schools reopen.

Following the receipt of the request, the Market Administrator's office conducted an analysis of milk volumes pooled on the Northeast Order and milk utilization patterns. In addition, pool handlers were invited to submit comments and data advocating their respective position on the proposed shipping percentage change. After reviewing the data and comments submitted by pool handlers, it was determined that administrative action by the Market Administrator, in the form of temporarily raising the shipping percentages, was not necessary. Milk volumes utilized in Class I, in the Northeast Order, had been declining in recent months. The Class I volume for July 2011 was the lowest for any month in the Northeast Order since the Order's inception in 2000—a period of 139 months. June 2011 was the second lowest ever. August's Class I utilization did increase, but still fell below the average for the month. Although there also have been some declines in milk pooled on the Order in recent months, the declines in Class I utilization were greater.

Request *(continued)*

When considering such a request to administratively modify the required shipping percentages, it is important that the Market Administrator's decision does not result in uneconomic or unnecessary movements of milk and only helps to solve a problem. Submitted remarks from other pool handlers indicated that the dairy industry could resolve any temporary supply-utilization imbalances rather than resorting to administrative action. Copies of the decision prepared by the Market Administrator can be found on the Northeast Order's website www.fmmone.com.❖

Pooling Storm Dumped Milk

At the end of August, Hurricane Irene barreled up the East Coast leaving in its path a trail of destruction including washed out roads and bridges, with particularly hard hit areas in southern Vermont and Eastern New York. As a result dairy farmers, in some cases, were forced to dump milk on their farms when milk trucks were unable, due to washed out and closed roads, to reach farms on a timely basis.

The Market Administrator allowed such handlers or cooperatives, with storm related producer milk dumps, to pool this milk on the Order for the month of August. Such action allowed pool handlers to receive a draw from the Northeast Order producer settlement fund which together with the handler's payment obligation, ensured that effected producers were paid for milk that they had to dump. Due in part to resourcefulness of milk haulers and handlers, milk dumps were limited to 48 farms who collectively dumped milk valued at about $50,000. The cost to the Northeast Order pool was less than $7,000; however, it provided a boost to farms most effected by the storm. Damage to field crops and farm fields likely will have a more lasting impact on the financial situation of dairy farms in the most effected regions.❖

Mideast Order Hearing Announced

The USDA announced a public hearing will be held to consider proposals to amend the pooling standards for pool distributing plants in the Mideast Milk Marketing Area. The hearing will begin at 8:00 a.m. on October 4, 2011, in Cincinnati, Ohio.

The hearing notice is published in the September 8, 2011, *Federal Register*. It is also available at: www.regulations.gov. Anyone interested in participating should notify a USDA official upon arrival to the hotel. For a copy of the notice and additional information, contact Paul A. Huber, Market Administrator; USDA/AMS/Dairy Programs; P.O. Box 5102; Brunswick, OH, 44212; telephone (330) 225-4758; email: phuber@fmmaclev.com.

For additional information regarding this issue, see the June 2011 *Bulletin*.❖

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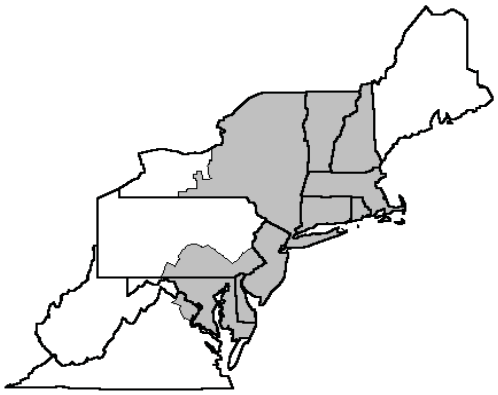
Computation of Producer Price Differential and Statistical Uniform Price*

	Product Pounds	Price per cwt./lb.	Component Value	Total Value
Class I— Skim	814,746,256	$17.30	140,951,102.29	
Butterfat	15,888,182	2.2821	36,258,420.14	
Less: Location Adjustment to Handlers			(2,826,358.19)	$174,383,164.22
Class II— Butterfat	29,806,022	2.3055	68,717,783.75	
Nonfat Solids	44,550,184	1.5522	69,150,795.59	137,868,579.34
Class III– Butterfat	18,178,944	2.2985	41,784,302.79	
Protein	14,344,829	3.8305	54,947,867.51	
Other Solids	27,217,597	0.3811	10,372,626.21	107,104,796.51
Class IV– Butterfat	7,102,008	2.2985	16,323,965.40	
Nonfat Solids	12,452,829	1.3920	17,334,337.99	33,658,303.39
Total Classified Value				**$453,014,843.46**
Add: Overage—All Classes				120,513.80
Inventory Reclassification—All Classes				266,012.17
Other Source Receipts	2,255,975 Pounds			40,794.77
Total Pool Value				**$453,442,164.20**
Less: Producer Component Valuations @ Class III Component Prices				(433,011,042.75)
Total PPD Value Before Adjustments				**$20,431,121.45**
Add: Location Adjustment to Producers				10,140,823.87
One-half Unobligated Balance—Producer Settlement Fund				1,066,056.77
Less: Producer Settlement Fund—Reserve				(949,732.26)
Total Pool Milk & PPD Value	1,979,888,379 Producer pounds			**$30,688,269.83**
Producer Price Differential		**$1.55**		
Statistical Uniform Price		**$23.22**		

* 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 2011 Federal Order No. 1

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

The September 2011 statistical uniform price (SUP) for the Northeast Marketing Area was announced at $22.23 per hundredweight for milk delivered to plants located in Suffolk County, Massachusetts (Boston), the pricing point for the Northeast Order. The statistical uniform price is calculated at 3.5 percent butterfat, 2.99 percent protein, and 5.69 percent other solids. If reported at the average tests of producer pooled milk, the SUP would be $22.81 per hundredweight. The September statistical uniform price was 99 cents per hundredweight below the August price, which was the highest ever under the Order. The September producer price differential (PPD) at Suffolk County was $3.16 per hundredweight, an increase of $1.61 per hundredweight from last month.

During September, all commodity prices declined except dry whey. All class prices dropped except Class I, announced in advance and based off of prior month's commodity prices. Even though the dry whey price increased, the Class IV price declined because of the butterfat component in that price's formula. The strong Class I price ($25.03; second highest on record) combined with the highest Class I utilization percent so far this year to keep the uniform price above $22.00 per hundredweight.

The Class II volume for September was not an all-time high, but did set a new record for the month of September. The producer other solids test was the highest ever for the month of September.❖

Strong Sales of Organic Fluid Products

For the first 6 months of 2011, sales of organic fluid milk products in the Northeast Milk Marketing Area (NMA) jumped 21.4 percent from the same period in 2010. This increase is three times the growth that occurred during the January through June period last year. According to *Dairy Market News*, estimated sales on a national basis had a similar jump: 20.0 percent during the first 6 months of 2011, compared to 10.4 percent for the same period in 2010. The accompanying table shows a comparison of organic and total sales in the NMA and US.

Total non-organic fluid sales in the NMA declined 2.4 percent for the January-June period. Nationally, the decline was 2.2 percent.
(continued on page 3)

Pool Summary

- A total of 12,878 producers were pooled under the Order with an average daily delivery per producer of 5,091 pounds.
- Pooled milk receipts totaled 1.967 billion pounds, an increase of 2.8 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 43.3 percent of total milk receipts, an increase of 1.3 percentage points from August.
- The average butterfat test of producer receipts was 3.68 percent.
- The average true protein test of producer receipts was 3.05 percent.
- The average other solids test of producer receipts was 5.72 percent.❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	43.3	851,599,606
Class II	24.0	473,003,874
Class III	25.7	504,744,514
Class IV	7.0	137,403,591
Total Pooled Milk		1,966,751,585

Producer Component Prices

	2011	2010
	$/lb	
Protein Price	3.0282	2.3057
Butterfat Price	2.2005	2.4044
Other Solids Price	0.4053	0.1673

Class Price Factors

	2011	2010
	$/cwt	
Class I	25.03	18.75
Class II	20.55	17.60
Class III	19.07	16.26
Class IV	19.53	16.76

No CCC Purchases in MY 2011

During Marketing Year 2011 (October 1, 2010, through September 30, 2011) the Commodity Credit Corporation (CCC) did not purchase products under the support program. This is the third time in the past five MYs that there have been no purchases; prior to 2007, the last time this occurred was in 1996. Between 1996 and 2007, purchases peaked in MY 2003 with a total of 4.9 billion pounds (milk equivalent basis). Since 1996, butter purchases only occurred in MYs 2003, 2004, and 2009. Cheese has been purchased only 5 years since 1993—in MY 1997 and from 2000 to 2003. Purchases of nonfat dry milk have taken place in all years since 1996 except 2007, 2008, and 2011.

The MY ended with no uncommitted inventories of cheese, butter, or NFDM. Uncommitted inventories are stocks owned by the CCC that have not been sold, donated, or, in any way, committed for use. The last inventories were reported at the end of MY 2004 when 609 million pounds of NFDM were held.❖

Price & MILC Projections

Based on October 14, Chicago Mercantile Exchange (CME) futures prices as an estimate of where National Agricultural Statistics Services milk prices are headed, as well as feed prices, there is a possibility of Milk Income Loss Contract (MILC) payments being triggered by January 2012 and lasting much of the year. The size of the payments, based on the October 14 settlement prices and historical based estimates for alfalfa hay prices relative to corn and soybeans, appear to be between 23 and 52 cents per hundredweight. Projections of milk and feed prices are hovering at levels at which during any given week, movements up or down result in the prediction of some level of MILC payments or none at all.

Current CME-based projections result in corn prices from $6.40 to $6.69 per bushel and soybean prices between $12.70 and $13.10 per bushel for the final 4 months of the year. Such an outcome would result in an annual average corn price per bushel of $6.21 and an annual average soybean price per bushel of $12.88. High feed prices during 2011 mean that the MILC trigger price (the price at which the Class I price in Boston must fall below) likely will average over $20.00 per cwt. The Class I price in Boston, MA, is expected to remain above $21.00 per hundredweight for the remainder of the year.

Looking forward to 2012, CME futures imply an almost identical level of price for corn and soybeans, averaging $6.39 and $12.77 per bushel, respectively. The 2012 MILC trigger price is projected to average about 20 cents less than in 2011, while the Class I price in Boston is projected to average about $2.00 per cwt less than in 2011.

MILC Limitations

The 2008 Farm Bill authorized continuation of the MILC program through Sept. 30, 2012. Each operation's per year pound limit for payment eligibility is 2.985 million pounds for October 1, 2011, through September 30, 2012. For purposes of applying the yearly pay limits on pounds per operation, the program uses a start month concept for each year. An operation must pick a start month for each fiscal year. Once the start month is picked, any marketings in that month and subsequent months of the fiscal year that generate a payment will count against the operation's fiscal year limit. Due to the combination of the pounds limit and the start month concept, monitoring the start of and level of MILC payments is important.

Payments are computed on a monthly basis. They

(continued on page 3)

Northeast Order Price and Milk Income Loss Contract Payment Projections

	2011					2012						
	Sep	Oct	Nov	Dec	Annual Average	Jan	Feb	Mar	Apr	May	Jun	Annual Average
CME-based Futures Prices on October 14, 2011												
Corn (per bushel)	$6.69	$6.59	$6.50	$6.40	**$6.21**	$6.44	$6.47	$6.51	$6.55	$6.58	$6.61	**$6.39**
Soybean (per bushel)	$13.10	$12.90	$12.70	$12.74	**$12.88**	$12.78	$12.82	$12.85	$12.87	$12.89	$12.92	**$12.77**
Alfalfa hay (per ton)	$196	$190	$190	$190	**$169**	$190	$190	$190	$190	$190	$190	**$188**
Feed-adjusted MILC Trigger Price ($/cwt)	$21.61	$21.37	$21.25	$21.16	**$20.61**	$21.20	$21.24	$21.28	$21.32	$21.35	$21.38	**$20.80**
Class I ($/cwt)	**25.03**	**22.81**	21.50	21.29	**$22.33**	20.66	20.25	20.30	20.30	20.30	20.30	**$20.31**
Total MILC Payment ($/cwt) (45 percent of the difference between the trigger price and Class I price)	$0.00	$0.00	$0.00	$0.00	**$0.00**	$0.24	$0.45	$0.44	$0.46	$0.47	$0.49	**$0.41**
Uniform Price ($/cwt)	**22.23**	20.65	19.76	19.37	**$20.61**	18.80	18.61	18.61	18.50	18.45	18.56	**$18.72**
PPD ($/cwt)	**3.16**	2.73	2.74	2.62	**$2.59**	2.40	2.39	2.39	2.21	2.27	2.13	**$2.15**

Pool Summary for All Federal Orders, January–September, 2010–2011

Federal Order Number	Name	Total Producer Milk 2010	Total Producer Milk 2011	Change	Producer Price Differential# 2010	Producer Price Differential# 2011	Statistical Uniform Price#* 2010	Statistical Uniform Price#* 2011
		pounds		percent	dollars per hundredweight			
1	**Northeast**	**18,323,411,532**	**18,479,671,915**	**0.9**	**2.52**	**2.56**	**16.59**	**20.83**
5	Appalachian	4,525,178,057	4,558,781,176	0.7	N/A	N/A	17.55	21.88
6	Florida	2,155,920,809	2,188,779,744	1.5	N/A	N/A	19.74	23.94
7	Southeast	5,242,062,421	5,343,683,266	1.9	N/A	N/A	17.67	21.90
30	Upper Midwest	25,654,997,221	24,849,303,828	(3.1)	0.43	0.43	14.50	18.71
32	Central	9,894,230,261	10,535,421,272	6.5	1.06	1.03	15.13	19.31
33	Mideast	12,129,104,875	11,817,467,956	(2.6)	1.45	1.45	15.53	19.73
124	Pacific Northwest	6,048,478,625	6,080,625,854	0.5	1.01	1.14	15.08	19.42
126	Southwest	8,386,220,126	8,489,385,697	1.2	2.08	2.12	16.15	20.40
131	Arizona	3,171,253,906	3,405,377,815	7.4	N/A	N/A	15.48	19.91
	All Market Total/Average	95,530,857,833	95,748,498,523	0.2	1.42	1.45	16.34	20.60

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

Strong Sales *(continued from page 1)*

In the NMA, January-June 2011 sales of organic milk products accounted for 5.2 percent of all fluid sales in the area, up from 4.2 percent in 2010. Nationally, organic accounted for 3.8 percent for 2011, compared to 3.1 percent the previous year.

Sales of whole organic milk made up 27.7 percent of all organic sales in the NMA during the first 6 months. This is up from 26.1 percent in 2010 and 25.7 percent in 2009. Conversely, the reduced fat category, which includes reduced fat (2%), low fat (1%), fat free (skim), and flavored milk, has declined slightly over the same years.

Sales of Organic vs. All Fluid Milk Products, Northeast Order and Estimated U.S., January–June, 2010 and 2011

	Northeast Order In-Area Sales 2010	Northeast Order In-Area Sales 2011	Yr-to-Yr Change	Estimated Total US Sales* 2010	Estimated Total US Sales* 2011	Yr-to-Yr Change	Northeast Share of US Total
Organic	million lbs		percent	million lbs		percent	
Whole	50.8	65.3	28.5	198.9	246.0	23.7	26.5
Reduced	143.4	170.4	18.8	648.9	771.0	18.8	22.1
Total	194.2	235.7	21.4	847.8	1,017.0	20.0	23.2
Non-Organic	4,430.4	4,325.0	(2.4)	26,342.2	25,750.0	(2.2)	16.8
All Fluid Milk Sales	4,624.6	4,560.7	(1.4)	27,190.0	26,767.0	(1.6)	17.0
	percent		% points	percent		% points	
Organic share of Total	4.2	5.2	1.0	3.1	3.8	0.7	

* As reported in *Dairy Market News*.

Handlers pooled on the Northeast Order accounted for 79.2 percent of all organic sales in the NMA. The remaining 20.8 percent of sales were from exempt distributors, handlers regulated by another federal order, and handlers that are partially regulated by one or more federal orders that have fluid sales in the NMA.

As a proportion of estimated total US organic sales, the Northeast whole organic volume accounted for 26.5 percent in 2011, while reduced fat organic products made up 22.1 percent. Overall, sales of organic fluid products in the NMA accounted for 21.4 percent of the US total during the first 6 months of 2011, compared to 16.8 percent of non-organic fluid milk products. This was relatively unchanged from the previous year.

The USDA began collecting organic retail prices in 2008. Current survey data show prices in the Northeast states down about 10 cents per half gallon for the first 6 months of 2011 compared to the same period last year.❖

Prices & MILC *(continued from page 2)*

are made only when the official federal Class I milk marketing order price per cwt. for Boston, MA, is less than $16.94 (or a feed adjusted level). When the Boston price is under the target, the payment for eligible production is 45 percent of the difference. However, for September 2012 marketings the percentage will be 34 percent.

Price projections are based on the current market outlook, which may change over the next 15 months. It is important to contact your local Farm Service Agency office for program details, particularly pertaining to rules covering payment start dates.❖

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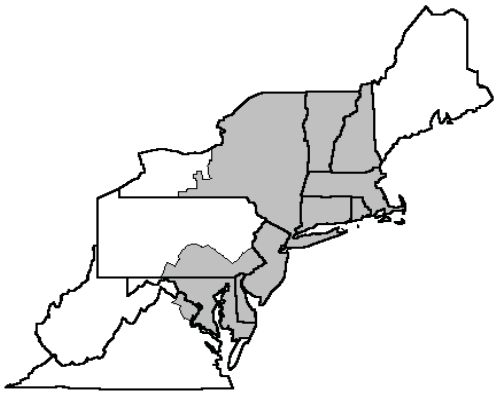
Computation of Producer Price Differential and Statistical Uniform Price*

	Product Pounds	Price per cwt./lb.	Component Value	Total Value
Class I— Skim	835,663,039	$17.41	145,488,935.09	
Butterfat	15,936,567	2.3500	37,450,932.45	
Less: Location Adjustment to Handlers			(2,850,669.98)	$180,089,197.67
Class II— Butterfat	27,331,927	2.2075	60,335,228.92	
Nonfat Solids	40,581,173	1.4767	59,926,218.13	120,261,447.05
Class III– Butterfat	20,305,821	2.2005	44,682,959.10	
Protein	15,364,764	3.0282	46,527,578.33	
Other Solids	28,768,522	0.4053	11,659,881.99	102,870,419.42
Class IV– Butterfat	8,750,954	2.2005	19,256,474.28	
Nonfat Solids	11,723,527	1.3623	15,970,960.84	35,227,435.12
Total Classified Value				**$438,448,499.26**
Add: Overage—All Classes				83,866.69
Inventory Reclassification—All Classes				(115,481.87)
Other Source Receipts	2,358,503 Pounds			104,253.78
Total Pool Value				**$438,521,137.86**
Less: Producer Component Valuations @ Class III Component Prices				(386,437,211.63)
Total PPD Value Before Adjustments				**$52,083,926.23**
Add: Location Adjustment to Producers				10,270,344.13
One-half Unobligated Balance—Producer Settlement Fund				801,438.05
Less: Producer Settlement Fund—Reserve				(931,829.56)
Total Pool Milk & PPD Value	1,969,110,088 Producer pounds			**$62,223,878.85**
Producer Price Differential		**$3.16**		
Statistical Uniform Price		**$22.23**		

* 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 2011 Federal Order No. 1

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

October Pool Price Calculation

The October 2011 statistical uniform price (SUP) for the Northeast Marketing Area was announced at $20.42 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. If reported at the average tests of producer pooled milk, the SUP would be $21.31 per hundredweight. The October statistical uniform price was $1.81 per hundredweight below the record-setting September price. The October producer price differential (PPD) at Suffolk County was $2.39 per hundredweight, a decrease of 77 cents per hundredweight from last month.

As occurred in September, all commodity prices declined during October except dry whey. All class prices decreased; Classes II, III, and IV each declined over $1.00 per hundredweight, while the Class I price dropped over $2.00. With the lower prices and tightening in the spread between the class prices, both the statistical uniform price and the producer price differential were lower.

The Class II volume for October set a new record for the month and was the third highest Class II volume on record for the Order.❖

Regional Dairy Outlook Conference Held

The 2011 Northeast Regional Dairy Outlook Conference was held November 18 at the National Agricultural Statistics Service (NASS) New York field office. The annual conference brings together economists and statisticians from the Northeast's market administrator office, state and federal agricultural statistical services, university extension offices, cooperatives and agribusinesses to review regional production and price statistics for the past year and develop projections for the upcoming year. The Northeast region includes Delaware, Maryland, New England, (Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, and Vermont), New Jersey, New York, and Pennsylvania.

Crop Situation

Most participants reported concerns regarding crops in both quantity and quality due to the severe weather experienced this past summer and early fall. A wet spring delayed planting and stunted corn growth. Rain beginning in August, followed by Tropical Storms

(continued on page 3)

Pool Summary

- A total of 12,845 producers were pooled under the Order with an average daily delivery per producer of 4,907 pounds.
- Pooled milk receipts totaled 1.955 billion pounds, a decrease of 3.8 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 43.5 percent of total milk receipts, an increase of 0.2 percentage points from September.
- The average butterfat test of producer receipts was 3.76 percent.
- The average true protein test of producer receipts was 3.12 percent.
- The average other solids test of producer receipts was 5.71 percent.❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	43.5	851,134,356
Class II	25.3	494,068,563
Class III	24.4	476,911,716
Class IV	6.8	133,188,191
Total Pooled Milk		1,955,302,826

Producer Component Prices

	2011	2010
	$/lb	
Protein Price	2.9211	2.4739
Butterfat Price	1.9592	2.4436
Other Solids Price	0.4286	0.1736

Class Price Factors

	2011	2010
	$/cwt	
Class I	22.81	19.83
Class II	19.41	17.57
Class III	18.03	16.94
Class IV	18.41	17.15

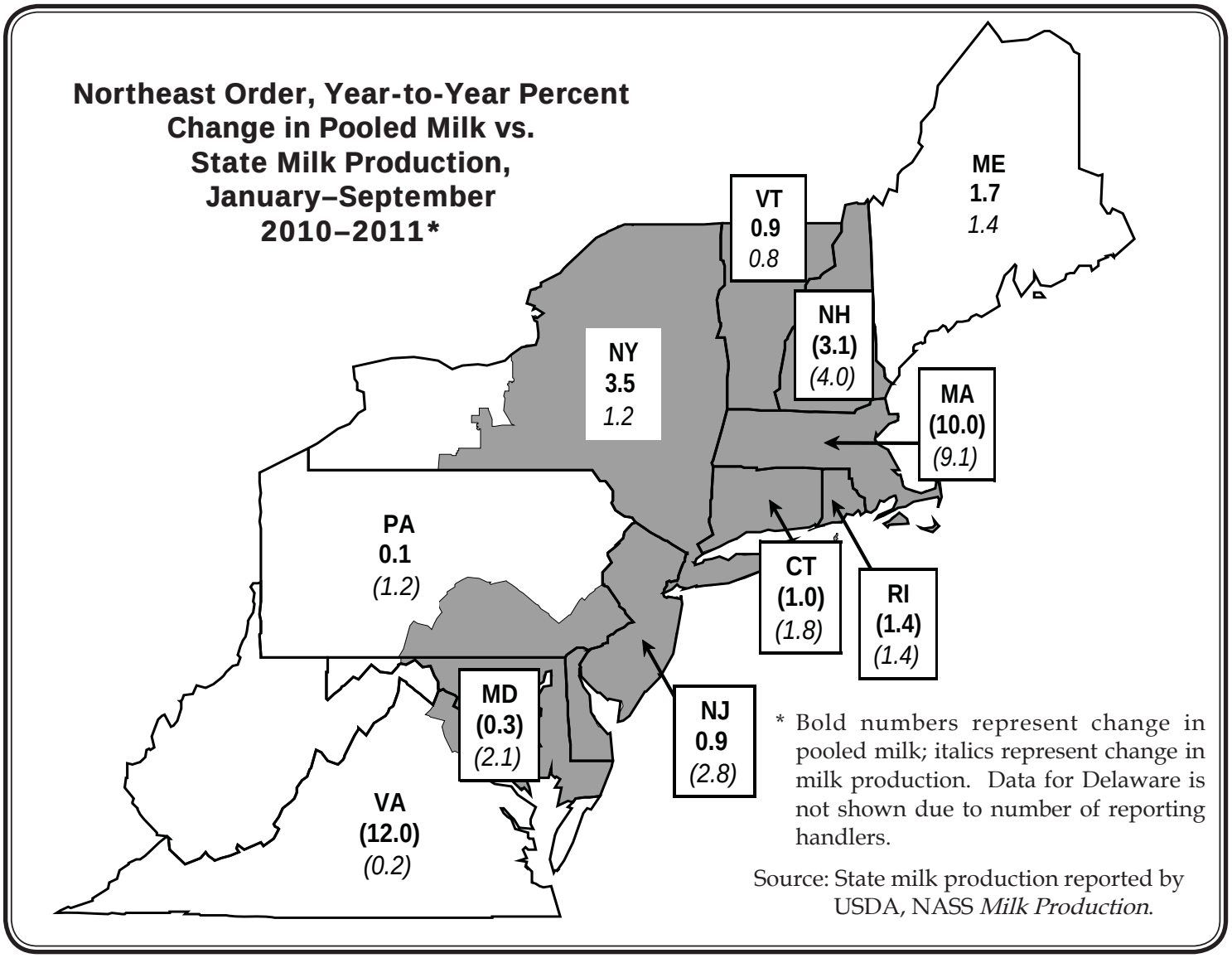
Milk Production vs. Pooled Milk

For the January through September 2011 period, the total volume of pooled milk receipts on the Northeast Order rose 0.8 percent from the same period in 2010. Pooled milk receipts represent the volume of milk that was reported by handlers regulated under the Northeast Order. This milk met the pooling requirements under the Order and was used in the calculation of the uniform price calculated for the Order. It does not include all milk produced in the marketing area or states usually associated with the Northeast Order.

The volume of milk received from Northeast states pooling producers' milk on the Order rose 1.6 percent during the first three quarters of 2011, compared to the previous year. During this same time period, milk production in these states declined a slight 0.1 percent. The accompanying map shows January-September year-to-year changes in pooled milk volume and milk production for those states. As the data show, some of the changes are nearly identical while some move in opposite directions. These variations are due to factors such as milk moving to other nearby federal orders or to non-order areas. Other explanations are simply changes in the proportion of the state's milk pooled. For example, Pennsylvania's total milk production was down for the nine-month period while its pooled milk volume in the Order was up slightly. A higher proportion of milk produced in that state last year was pooled elsewhere.

Some of the reasons for increased pool volume include strong demand for Class II use due to increased production of Greek-style yogurt. In addition, Class I demand has declined somewhat, but due to the numerous and largely populated metropolitan centers in the Northeast Marketing Area, Class I utilization has remained fairly strong and constant even when prices have been record-high.

Overall, U.S. total milk production increased 1.6 percent for the January-September period. Growth has been steady in California, Idaho, New Mexico, and especially Texas. Of the other top ten milk producing states, Michigan and Washington reported increases in 2011 while Minnesota and Wisconsin showed decreases. ❖



Regional Dairy Outlook *(continued from page 1)*

Irene and Lee, limited the ability to harvest what was salvageable as crops in some areas were destroyed completely. Farmers will be challenged to find feed and will pay higher prices for it. Some concern was noted that there could be carry-over problems in the next year in areas where fields were contaminated by sewage and industrial chemicals or by volunteer seeding from washed-away crops.

Northeast Marketing Area Statistical Uniform Prices, 2010–2012*

Month	2010 Actual	**2011** Actual and **Estimated**	**2012 Estimated**
		dollars per hundredweight	
January	16.26	17.01	**20.01**
February	16.30	18.75	**19.21**
March	15.54	20.28	**18.87**
April	15.11	20.38	**18.73**
May	15.91	20.79	**18.68**
June	16.73	22.09	**18.79**
July	17.43	22.76	**18.99**
August	17.74	23.22	**19.17**
September	18.33	22.23	**19.31**
October	18.61	20.42	**19.33**
November	18.17	**20.28**	**19.26**
December	16.91	**20.26**	**19.09**
Average	16.92	**20.71**	**19.12**

* Estimated prices for November and December 2011 and all of 2012. All estimates are subject to change. Prices are reported at Suffolk County, MA (Boston).

Production Estimates

Due to the circumstances mentioned above and predicted decreases in milk prices, the Northeast as a whole is estimating only a slight increase (0.4 percent) in milk production for 2012. This follows a slight decline (0.3 percent) estimated for 2011. Specifically, Delaware, Maryland, and New Jersey are projecting decreases; New England expects production to be flat; and New York and Pennsylvania foresee slight increases (less than 1 percent). Nationally, the Economic Research Service (ERS) predicts milk production to finish up 1.6 percent in 2011 and increase another 1.3 percent in 2012.

The forecasted growth in milk production is due to increased milk per cow, as cow numbers are projected to decline 0.2 percent in both the Northeast and nationally for 2012. For 2011, Northeast cow numbers are expected to finish 0.5 percent below 2010, while U.S. totals are estimated up 0.9 percent. Milk per cow is projected to increase 0.8 percent in the Northeast and 1.4 percent nationally for 2012. For 2011, Northeast milk per cow is flat, while the U.S. number is estimated 0.7 percent above 2010.

Industry representatives are hoping to see more expansions in the region during the next few years, especially to meet the demand generated by new plants and the growth of Greek-style yogurt. With milk prices predicted to decline, there is a fear that farmers will be conservative and pay down current debt rather than expand. The expected high feed prices will reduce farmers' margins and limit expansion possibilities for some.

Price Estimates

Participants felt that the U.S. recovery from recession is weak at best and are not clear if it is heading in a positive direction or toward a second dip. The Consumer Confidence Index is low, although the Expectations Index reports greater confidence for the future. Weakness of the U.S. dollar versus other countries has been good for dairy exports, which have grown to about 14 percent of the total milk supply. In light of this, recent strengthening of the U.S. dollar bears watching. Emerging countries continue to buy large quantities of milk powders, whey, and lactose, but there is uncertainty regarding many European countries' economies. Stocks for commodities such as butter and cheese are growing in the U.S. and, combined with a sluggish economy, will put downward pressure on prices.

The group consensus for the Northeast Order statistical uniform price is an annual average of $20.71 per hundredweight (cwt) for 2011 (at Boston). For the upcoming year, the group is forecasting a decline to $19.12 per cwt for 2012 (see accompanying table), a drop of about 8 percent.

At this time, Milk Income Loss Payments (MILC) may be paid in some months of 2012, possibly averaging about 15 to 40 cents per cwt. This is not due to the Class I price falling below the $16.94 per cwt trigger price, but rather falling below the feed cost adjusted trigger price that is currently projected to exceed $20 per cwt for most months due to continued high prices for inputs.

Participants were split on whether the Class III (cheese) or Class IV (butter/powder) price will be the mover in 2012. Cheese and butter prices are expected to decline, but not drastically, while nonfat dry milk prices may drop slightly more and whey prices hold. The producer price differential (PPD) is predicted to average $2.51 per cwt (at Boston) for 2011 and $1.92 for 2012.❖

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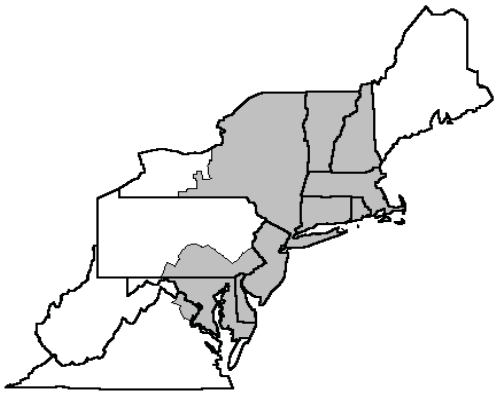
Computation of Producer Price Differential and Statistical Uniform Price*

	Product Pounds	Price per cwt./lb.	Component Value	Total Value
Class I— Skim	835,111,065	$15.53	129,692,748.39	
Butterfat	16,023,291	2.2339	35,794,429.76	
Less: Location Adjustment to Handlers			(2,878,141.32)	$162,609,036.86
Class II— Butterfat	29,568,555	1.9662	58,137,692.87	
Nonfat Solids	42,632,757	1.4422	61,484,962.17	119,622,655.04
Class III– Butterfat	20,129,806	1.9592	39,438,315.97	
Protein	14,810,724	2.9211	43,263,605.87	
Other Solids	27,131,152	0.4286	11,628,411.74	94,330,333.58
Class IV– Butterfat	7,795,962	1.9592	15,273,848.73	
Nonfat Solids	11,531,747	1.3297	15,333,763.97	30,607,612.70
Total Classified Value				**$407,169,638.18**
Add: Overage—All Classes				90,757.10
Inventory Reclassification—All Classes				(343,745.50)
Other Source Receipts	2,626,897 Pounds			78,574.28
Total Pool Value				**$406,995,224.06**
Less: Producer Component Valuations @ Class III Component Prices				(370,038,823.55)
Total PPD Value Before Adjustments				**$36,956,400.51**
Add: Location Adjustment to Producers				9,965,559.19
One-half Unobligated Balance—Producer Settlement Fund				842,202.93
Less: Producer Settlement Fund—Reserve				(969,642.18)
Total Pool Milk & PPD Value	1,957,929,723 Producer pounds			**$46,794,520.45**
Producer Price Differential		**$2.39**		
Statistical Uniform Price		**$20.42**		

* 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 2011 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;
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November Pool Price Calculation

The November 2011 statistical uniform price (SUP) for the Northeast Marketing Area was announced at $20.23 per hundredweight for milk delivered to plants located in Suffolk County, Massachusetts (Boston), the pricing point for the Northeast Order. The statistical uniform price is calculated at 3.5 percent butterfat, 2.99 percent protein, and 5.69 percent other solids. If reported at the average tests of producer pooled milk, the SUP would be $21.39 per hundredweight. The November statistical uniform price was 19 cents per hundredweight below the October price. The November producer price differential (PPD) at Suffolk County was $1.16 per hundredweight, a decrease of $1.23 per hundredweight from last month.

During November, nonfat dry milk commodity prices dropped; butter declined slightly. Cheese prices jumped about 10 cents per pound during November; dry whey prices rose. All class prices decreased, except Class III due to the rise in the cheese price. Even with the lower prices, the statistical uniform price remained over $20.00 per hundredweight for the ninth month in a row.

The Class II volume for November set a new record for the month. The producer other solids test tied with 2010 for the highest value for the month of November.❖

Biennial Container Survey Underway

The Northeast Order is currently conducting the November container sales survey. The survey is conducted biennially and records packaged sales data for the month of November. USDA began the survey in the early 1960's and collects data for all federal milk marketing areas.

Information is collected from handlers operating plants regulated under Federal Order No. 1 that sell fluid packaged milk products on routes within the defined Northeast Marketing Area. Data are collected on a unit basis for three container types (glass, plastic, and paper) and eleven container sizes. Product types include whole milk, reduced fat (2%), lowfat (1%), fatfree (skim), flavored milk and drinks, buttermilk, and eggnog. The survey asks for conventional and organic products and the method of distribution by handlers. Over the years, there have been changes to the survey such as breaking

(continued on page 3)

Pool Summary

- A total of 12,838 producers were pooled under the Order with an average daily delivery per producer of 4,946 pounds.
- Pooled milk receipts totaled 1.905 billion pounds, an increase of 0.7 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 0.8 percentage points from October.
- The average butterfat test of producer receipts was 3.83 percent.
- The average true protein test of producer receipts was 3.15 percent.
- The average other solids test of producer receipts was 5.73 percent.❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	44.3	844,356,817
Class II	23.7	451,265,433
Class III	23.6	449,275,864
Class IV	8.4	160,248,446
Total Pooled Milk		1,905,146,560

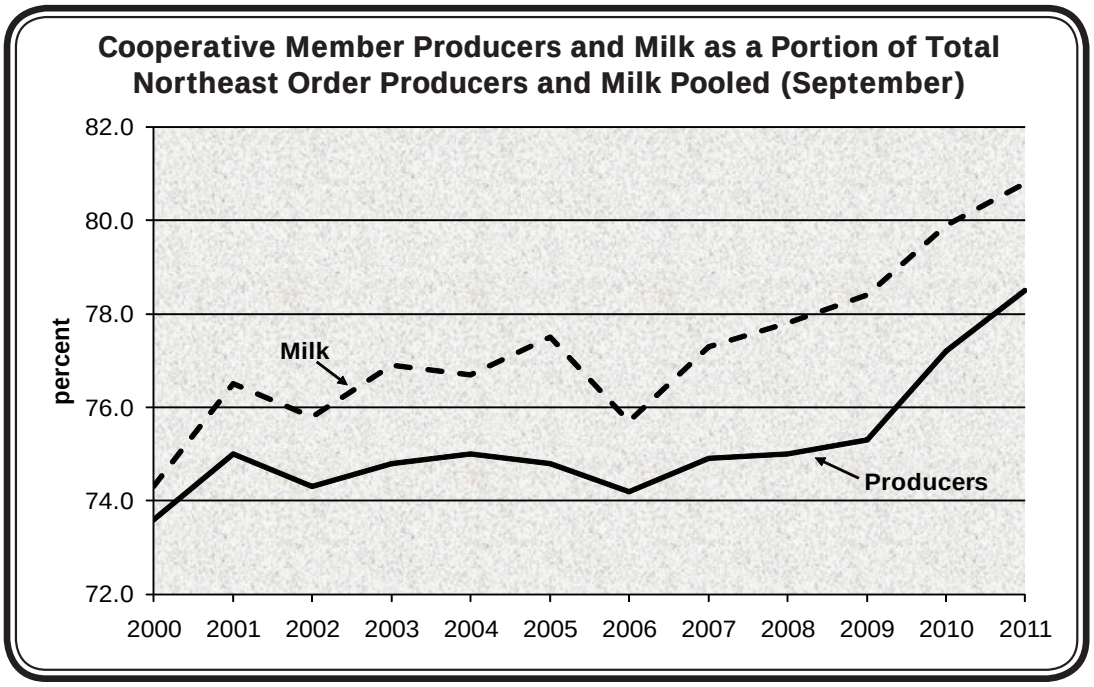
Producer Component Prices

	2011	2010
	$/lb	
Protein Price	3.2341	2.1981
Butterfat Price	1.9508	2.2422
Other Solids Price	0.4521	0.1797

Class Price Factors

	2011	2010
	$/cwt	
Class I	21.70	20.49
Class II	19.26	17.21
Class III	19.07	15.44
Class IV	17.87	16.68

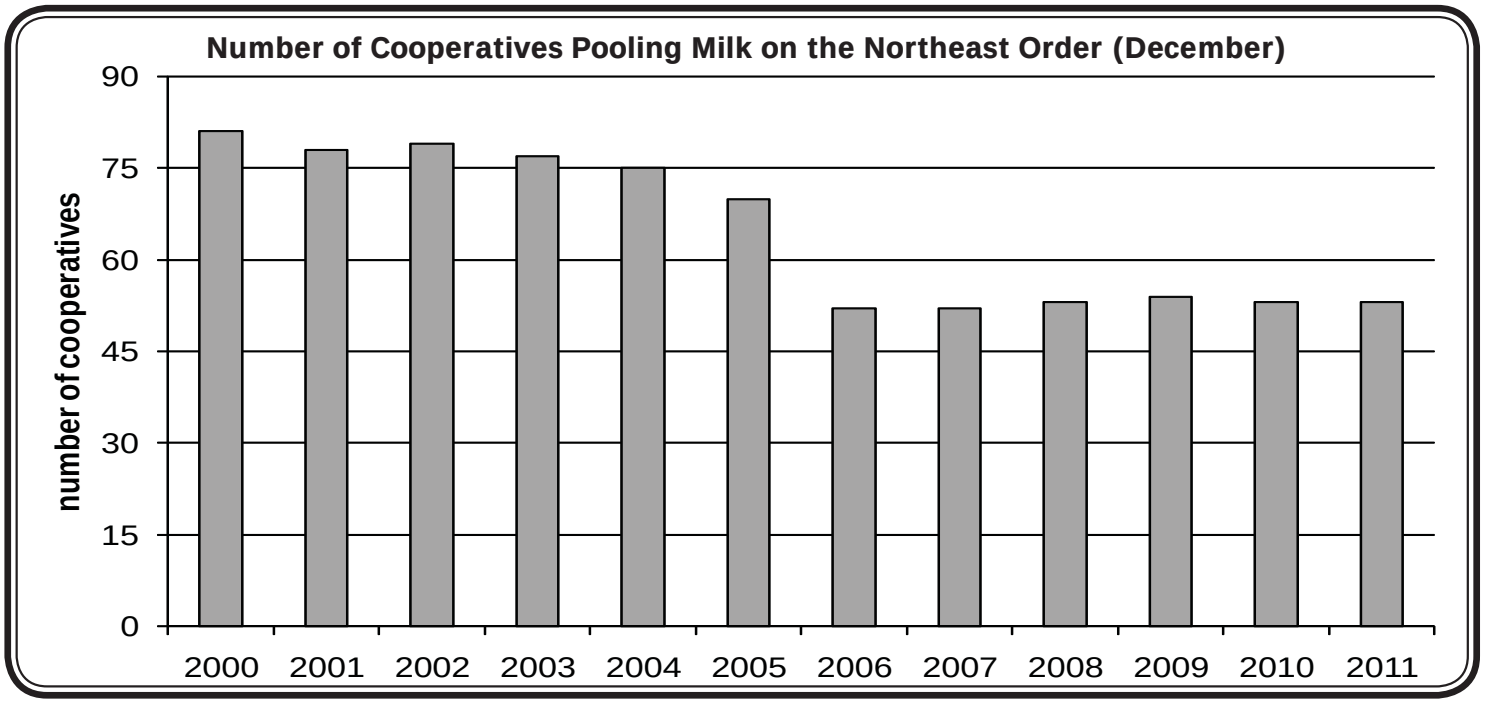
Trends in Producers and Milk Pooled by Cooperative Status



For the month of September, from 2000 to 2011, the portion of producers pooling milk on the Northeast Order who are a member of a cooperative has grown to 78.3 percent, while the portion of milk pooled on the Order from cooperative member farms has grown as well, to 81.6 percent. Much of the increase has occurred since 2006 when 73.9 percent of producers pooling on the Order and 75.5 percent of the milk pooled were from cooperative associations. The portion of cooperative producers and milk on the order was relatively stable from 2000 to 2006 when, on average, the proportions were 74.8 and 76.2 percent for producers and milk pooled, respectively.

While the proportion of cooperative producers and milk on the order has increased, the number of cooperatives pooling on the Northeast Order has declined, from 81 during December 2000 to 53 as of September 2011. The biggest single-year drop, from 70 to 52, occurred from 2004 to 2005, largely due to the merger of many of the Allied Federated Cooperative, Inc. cooperatives with Agri-Mark, Inc. There have been some small fluctuations in the number of coops since, primarily due to cooperatives not traditionally associated with the Northeast Marketing Area pooling on the Order at times.

The number of nonmember producers pooling on the Order has declined from 4,300 in September 2000 to 2,792 in September 2011, roughly a 35 percent decline. The number of cooperative members pooling on this order also has declined over that time period, from 12,677 to 10,086—about a 20 percent decline. Overall, the decline of nonmember producers pooling on the order has occurred at almost twice the rate of the decline in cooperative member producers pooling milk here.❖



Milk Movements Compared

During the late summer and early fall, milk production is usually lower at a time when demand increases due to schools getting back in session and manufacturing plants beginning to increase production runs for upcoming holiday sales. In past years, handlers pooling milk on the Northeast Order would often ship significant volumes of bulk milk to states in the southeastern part of the country to supplement local milk supplies. In more recent years, these shipments declined as other regions have been supplying this milk-deficit area, and in the past 3 years, the volume of bulk milk received from southern states at plants in the Northeast Order actually has been larger than the volume shipped (see accompanying table).

Milk Movements: Northeast to/from Other Federal Orders

		August				
		2007	2008	2009	2010	2011
		million pounds				
Total*	Shipped	19.6	4.9	4.4	15.4	14.7
	Received	17.9	17.5	26.3	23.6	24.6
	Net	**1.7**	**(12.6)**	**(21.9)**	**(8.2)**	**(9.8)**
South**	Shipped	17.1	3.8	3.0	13.2	3.2
	Received	9.9	6.5	13.0	16.0	14.0
	Net	**7.2**	**(2.7)**	**(10.0)**	**(2.8)**	**(10.8)**

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

This year was no exception; bulk milk received from handlers pooled on other federal orders was greater than milk shipped to plants regulated in other federal markets. These 'net' receipts reflect the growing demand for milk at plants located in the northeastern region, largely due to the increase in Class II Greek-yogurt production. As such, handlers regulated under the Northeast Order have increased shipments to these plants, many of which are non-pool manufacturing plants, displacing milk that historically moved to other order regions, primarily the south. In addition, the increase in receipts from plants regulated by other federal orders reflects the additional need in the Northeast region.❖

2012 Payment Dates to Producers

The calendar below shows the dates for partial payments to producers that are not members of cooperatives. Partial payments are paid to producers for the milk received by pool handlers during the first 15 days of the month and are paid at not less than the lowest announced class price for the preceding month, less proper deductions authorized in writing by the producer. 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.

Required Producer Payment Under the Northeast Order

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

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, the date that final payments to producers must be received by is printed on the back of the Pool Price Announcement. The final payment is for the remaining milk received and is priced such that the producer should receive an average price for the entire month's milk at roughly the uniform price with adjustments for zone differential, component values, and other deductions relevant to that producer.

Producers that are members of cooperatives usually receive payments at the same time, although it is not required by the Order.❖

Biennial Survey *(continued from page 1)*

out organic products and adding single-serve plastic containers and hyper markets and wholesale club stores.

The results of the survey will be completed by April 1, 2012, and reported in an upcoming *Bulletin*.❖

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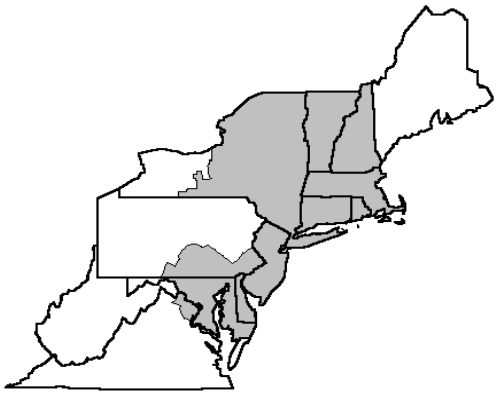
Computation of Producer Price Differential and Statistical Uniform Price*

	Product Pounds	Price per cwt./lb.	Component Value	Total Value
Class I— Skim	827,850,502	$15.41	127,571,762.36	
Butterfat	16,506,315	1.9504	32,193,916.78	
Less: Location Adjustment to Handlers			(2,852,012.09)	$156,913,667.06
Class II— Butterfat	28,727,293	1.9578	56,242,294.27	
Nonfat Solids	38,977,463	1.4289	55,694,896.89	111,937,191.16
Class III– Butterfat	19,537,573	1.9508	38,113,897.40	
Protein	14,057,656	3.2341	45,463,865.32	
Other Solids	25,573,719	0.4521	11,561,878.38	95,139,641.10
Class IV– Butterfat	8,132,287	1.9508	15,864,465.48	
Nonfat Solids	14,071,557	1.2716	17,893,391.91	33,757,857.39
Total Classified Value				**$397,748,356.71**
Add: Overage—All Classes				37,090.85
Inventory Reclassification—All Classes				113,723.14
Other Source Receipts	3,994,214 Pounds			66,229.60
Total Pool Value				**$397,965,400.30**
Less: Producer Component Valuations @ Class III Component Prices				(385,475,045.26)
Total PPD Value Before Adjustments				**$12,490,355.04**
Add: Location Adjustment to Producers				9,605,283.15
One-half Unobligated Balance—Producer Settlement Fund				880,264.68
Less: Producer Settlement Fund—Reserve				(829,869.89)
Total Pool Milk & PPD Value	1,909,140,774 Producer pounds			**$22,146,032.98**
Producer Price Differential		**$1.16**		
Statistical Uniform Price		**$20.23**		

* 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 2011 Federal Order No. 1

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website address: www.fmmone.com

December Pool Price Calculation

The December 2011 statistical uniform price (SUP) for the Northeast Marketing Area was announced at $19.57 per hundredweight for milk delivered to plants located in Suffolk County, Massachusetts (Boston), the pricing point for the Northeast Order. The statistical uniform price is calculated at 3.5 percent butterfat, 2.99 percent protein, and 5.69 percent other solids. If reported at the average tests of producer pooled milk, the SUP would be $20.59 per hundredweight. The December statistical uniform price was 66 cents per hundredweight below the November price. The December producer price differential (PPD) at Suffolk County was $0.80 per hundredweight, a decrease of 36 cents per hundredweight from last month.

During December, all commodity prices declined except dry whey. Butter dropped 17 cents per pound; as a result, the butterfat component price declined, but the protein price rose. All class prices dropped except the Class I price that is announced in advance and based off of prices from the previous month. With a larger proportion of milk used in the lower-valued classes, especially Class IV, the blend price fell below $20.00 for the first time since February. The PPD dropped as the component value of the pool (what is owed to all producers for their milk components) was nearly equal to the classified value (value that handlers owe for the milk used to make respective products) and left little to be disbursed after paying producer components. (See article below regarding Negative PPDs).❖

Negative PPDs at Outer Zones

The Producer Price Differential (PPD) for December 2011 equaled $0.80 per hundredweight at Suffolk County, Massachusetts (Boston), the basing point for the Northeast Order. Producers are paid for their milk based on the location where their milk is delivered during the month. Producers' milk delivered to plants in Suffolk County, or any other county that has a $3.25 differential, would receive the 80-cent PPD. Plants located in differential zones less than $3.25 have a lower PPD obligation to producers delivering to those plants. Differential values determine the relative PPD value and are meant to help cover the higher cost of hauling milk to urban locations that do not have a local milk supply. For the month of December, milk delivered to plants located in the outer zones ($2.40 or less) would receive a negative PPD.❖

Pool Summary

- A total of 12,850 producers were pooled under the Order with an average daily delivery per producer of 5,066 pounds.
- Pooled milk receipts totaled 2.018 billion pounds, an increase of 5.9 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 43.7 percent of total milk receipts, a decrease of 0.6 percentage points from November.
- The average butterfat test of producer receipts was 3.82 percent.
- The average true protein test of producer receipts was 3.12 percent.
- The average other solids test of producer receipts was 5.73 percent.❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	43.7	881,778,475
Class II	21.0	423,227,481
Class III	22.9	463,029,562
Class IV	12.4	250,117,056
Total Pooled Milk		2,018,152,574

Producer Component Prices

	2011	2010
	$/lb	
Protein Price	3.3404	2.1706
Butterfat Price	1.7443	1.7952
Other Solids Price	0.4683	0.1852

Class Price Factors

	2011	2010
	$/cwt	
Class I	21.72	20.21
Class II	18.08	15.77
Class III	18.77	13.83
Class IV	16.87	15.03

2011 Northeast Order Statistics Summarized

During 2011, the volume of milk received from producers shipping to handlers regulated under the Northeast Order was basically unchanged from the previous year. Prices, on the other hand, set record levels in all classes and for the overall average blend. The accompanying table compares selected pool statistics for 2010 and 2011.

Class Utilization Changes

The total volume of milk pooled rose a slight 0.1 percent from 2010. Even though total receipts were nearly flat at 24.4 billion pounds, there were changes in utilization within the classes.

Class I utilization averaged 41.4 percent in 2011, a decrease of 1.3 percentage points from the previous year; the total volume of milk used in Class I declined 3.0 percent. Class II usage jumped 10.5 percent, resulting in overall utilization of 23.5 percent, an increase of 2.2 percentage points. The growth in Greek-style yogurt largely was the driving force behind the substantial increase in the Class II volume during the past two years.

Class III volume grew 2.4 percent and averaged 25.1 percent, up 0.6 percentage points. The amount of milk used in Class IV dropped 12.5 percent and accounted for an annual average of 10.1 percent utilization, down 3.5 percentage points.

Record Setting Prices

Commodity prices were fairly strong throughout most of 2011, with record-setting levels in many months. Correspondingly, component prices rose setting record-high prices in all classes.

The Class I price averaged $22.38 per hundredweight in 2011, $3.78 (20.3 percent) above the 2010 annual average and nearly a dollar higher than the 2007 average. The Class II price averaged $19.62 per hundredweight, $3.60 and 22.4 percent higher than the previous year. The Class III price averaged $18.37, up $3.96 and 27.5 percent over 2010. The Class IV price rose $3.95, an increase of 26.2 percent, and averaged $19.04 per hundredweight.

Overall, the statistical uniform price (blend) reported at Suffolk County, Massachusetts (Boston) averaged $20.64 per hundredweight, the first time since the Order's inception that the blend averaged over $20.00. Throughout the year, it was higher than $20.00 during 9 months, compared to 7 months in 2007. The annual average was $3.72 (22.0 percent) higher than the 2010 price and nearly a dollar over the previous record set in 2007. The producer price differential (PPD) averaged $2.28 per hundredweight in 2011, 23 cents less than the average in 2010, but was the fourth highest annual average on record.

Component Pricing

The price paid to producers for butterfat averaged $2.1535 per pound, 16.2 percent higher than in 2010, and set a record high since the Order's inception. The per-pound annual average protein price was $2.9663 per pound (third highest on record), up 28.5 percent from 2010. The other solids price increased 93.2 percent and averaged $0.3434 per pound, the second highest other solids price ever. The nonfat solids price rose 33.7 percent and averaged $1.3246 per pound, the second highest reported.

Producer Tests

The annual average producer butterfat test equaled 3.73 percent in 2011, an increase of 3 percentage points from last year and tied with 2008 for the highest annual average. Records were set during the first four months of 2011. The annual average producer protein test was 3.07 percent, up 2 percentage points from 2010 and a new record for the Order. Records also were set during the first four months of the year. The annual average producer other solids test increased 1 percentage point to 5.73 percent, setting a new record high annual average. Record highs were set or tied with previous records in ten months of 2011.

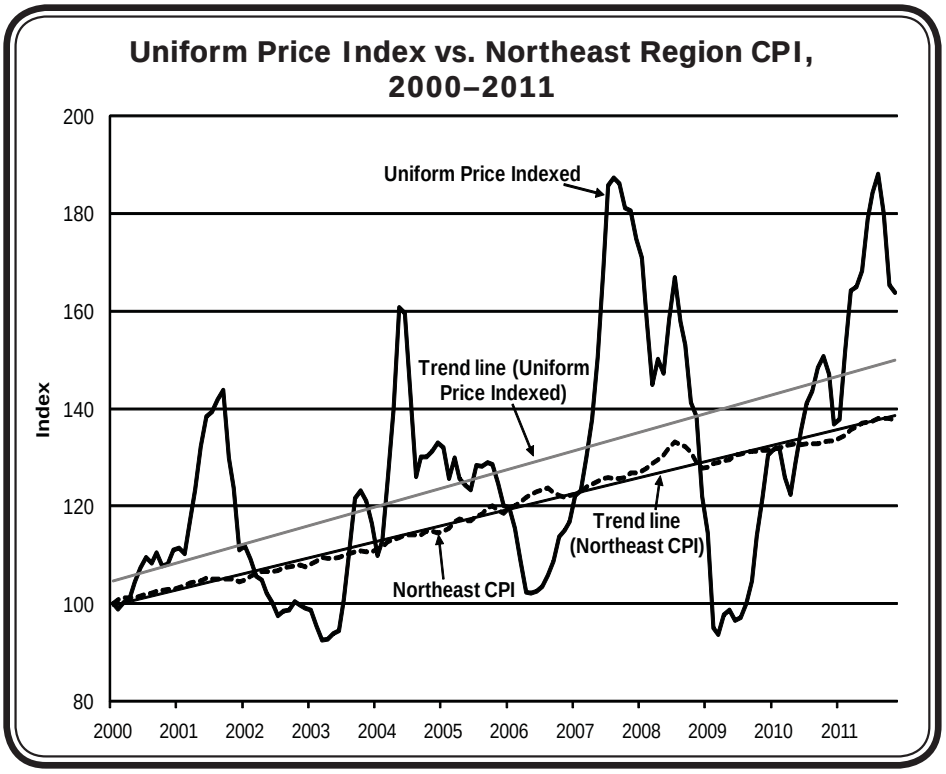
The year ended with 552 less producers than at the end of 2010. Annual average daily deliveries per producer (DDP) equaled 5,147 pounds, an increase of 3.7 percent from 2010.❖

Northeast Order Pool Statistics, 2010–2011

Pool Statistics	2010	2011	2010–11 Change
	million pounds		percent
Class I	10,386.4	10,074.9	(3.0)
Class II	5,181.5	5,723.2	10.5
Class III	5,951.7	6,097.1	2.4
Class IV	2,815.1	2,463.0	(12.5)
Total	24,334.7	24,358.2	0.1
	pounds		
DDP	4,965	5,147	3.7
	utilization percentage		change
Class I	42.7	41.4	(1.3)
Class II	21.3	23.5	2.2
Class III	24.4	25.0	0.6
Class IV	11.6	10.1	(1.5)
	dollars/cwt		percent
Class I	18.60	22.38	20.3
Class II	16.02	19.62	22.4
Class III	14.41	18.37	27.5
Class IV	15.09	19.04	26.2
SUP	16.92	20.64	22.0
Producer Component:			
Tests:	percent		change
Butterfat	3.70	3.73	0.03
Protein	3.05	3.07	0.02
Other Solids	5.72	5.73	0.01
Prices:	dollars/lb		percent
Butterfat	1.8535	2.1535	16.2
Protein	2.3091	2.9663	28.5
Other Solids	0.1777	0.3434	93.2
Nonfat Solids	0.9909	1.3246	33.7

Uniform Price vs. CPI

Much of the period following the inception of the Northeast Order in 2000 has been characterized by large variability in the uniform price for milk. The variability makes it difficult to determine what the long run trend in the uniform price actually is. The accompanying chart shows the Northeast Order uniform price as announced in Boston and the Consumer Price Index (CPI) for the Northeast region also indexed to January 2000. Trend lines for the two series also are shown. The CPI is a measure of the average change over time in the prices paid by consumers for a market basket of consumer goods and services.



The first thing that stands out is the previously mentioned variability in the uniform price compared to the much less variable CPI. The CPI fluctuates minimally around its trend line, while the uniform price index fluctuates to a much greater degree around the trend. However, what may be less obvious in the picture is that the uniform price has increased at a greater rate than the CPI. The uniform price has increased, on average, 6.8 percent annually since 2000. The CPI has increased on average 2.7 percent annually. The price received by farmers for their milk has risen at a faster rate than the prices consumers pay for a representative market basket of goods.

The chart also shows how the uniform price index has dipped below, or very near, 100 three times since 2000. This implies that the price farmers receive for milk has shown a propensity to return to, or drop below, the price they received in 2000. However, it has just as many times risen to levels well above, and in some cases almost 90 percent above, prices in 2000. By contrast, the CPI more consistently rises, not often returning to price levels from previous time periods, and certainly not to the level of prices in 2000. The periods of low uniform prices can obscure the underlying fact that the uniform price, on average, has been rising faster than general consumer prices.

These data highlight the importance of managing risk in a way that allows producers to benefit to the greatest extent from the long run trend of increasing prices while avoiding the negative effects of large price swings. They also imply that although sometimes out of cycle with current supplies, the demand for milk and dairy products has been strong enough to support long term increases in milk prices to farmers.❖

Pool Summary for All Federal Orders, January–December, 2010–2011

Federal Order Number	Name	Total Producer Milk 2010	Total Producer Milk 2011	Change	Producer Price Differential# 2010	Producer Price Differential# 2011	Statistical Uniform Price#* 2010	Statistical Uniform Price#* 2011
		pounds		percent	dollars per hundredweight			
1	**Northeast**	**24,334,721,891**	**24,358,273,875**	**0.1**	**2.51**	**2.28**	**16.92**	**20.64**
5	Appalachian	6,041,773,553	6,128,146,669	1.4	N/A	N/A	17.94	21.68
6	Florida	2,901,728,440	2,919,070,100	0.6	N/A	N/A	20.12	23.77
7	Southeast	7,001,123,700	7,057,077,942	0.8	N/A	N/A	18.07	21.79
30	Upper Midwest	33,805,660,004	32,767,000,141	(3.1)	0.43	0.35	14.84	18.72
32	Central	13,351,663,213	13,937,840,934	4.4	1.05	0.77	15.46	19.14
33	Mideast	16,021,616,543	15,938,483,727	(0.5)	1.43	1.18	15.84	19.54
124	Pacific Northwest	8,010,815,734	8,022,762,894	0.1	1.02	0.83	15.42	19.20
126	Southwest	11,210,369,525	11,233,315,480	0.2	2.08	1.85	16.48	20.22
131	Arizona	4,231,877,559	4,517,903,674	6.8	N/A	N/A	15.86	19.70
	All Market Total/Average	126,911,350,162	126,879,875,436	(0.0)	1.42	1.21	16.69	20.44

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	864,476,072	$15.07	130,276,544.05	
Butterfat	17,302,403	2.0516	35,497,609.99	
Less: Location Adjustment to Handlers			(2,971,406.06)	$162,802,747.95
Class II— Butterfat	27,591,289	1.7513	48,320,624.40	
Nonfat Solids	36,417,257	1.3756	50,095,578.74	98,416,203.14
Class III– Butterfat	20,749,483	1.7443	36,193,323.18	
Protein	14,384,337	3.3404	48,049,439.30	
Other Solids	26,331,737	0.4683	12,331,152.45	96,573,914.93
Class IV– Butterfat	11,467,041	1.7443	20,001,959.64	
Nonfat Solids	22,001,629	1.2398	27,277,619.64	47,279,579.28
Total Classified Value				**$405,072,445.30**
Add: Overage—All Classes				62,171.81
Inventory Reclassification—All Classes				(43,111.69)
Other Source Receipts	3,307,737 Pounds			34,643.08
Total Pool Value				**$405,126,148.50**
Less: Producer Component Valuations @ Class III Component Prices				(399,318,449.80)
Total PPD Value Before Adjustments				**$5,807,698.70**
Add: Location Adjustment to Producers				10,278,582.29
One-half Unobligated Balance—Producer Settlement Fund				915,732.70
Less: Producer Settlement Fund—Reserve				(830,331.20)
Total Pool Milk & PPD Value	2,021,460,311 Producer pounds			**$16,171,682.49**
Producer Price Differential		**$0.80**		
Statistical Uniform Price		**$19.57**		

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