

The Market Administrator's

BULLETIN

NORTHEAST MARKETING AREA

Erik F. Rasmussen, Market Administrator

January 2013

Federal Order No. 1

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January Pool Price Calculation

The January 2013 statistical uniform price (SUP) for the Northeast Marketing Area was announced at \$19.73 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 \$20.74 per hundredweight. The January statistical uniform price was 92 cents per hundredweight below the December price. The January producer price differential (PPD) at Suffolk County was \$1.59 per hundredweight, a decrease of 40 cents per hundredweight from last month.

Product prices in January dropped for all commodities except nonfat dry milk. As a result, component prices for butterfat, protein, and other solids declined while nonfat solids increased. All class prices declined; the Class IV price remained the lowest of the class prices. The Class I price dropped \$2.42 per hundredweight but tightened the spread between the Class I and III prices and reduced the value of the PPD.

Total pooled milk receipts were the second largest for the month of January; surpassed only by 2002. The volume of milk used in Class I was the smallest for the month of January on record. Class II usage set a record for the largest volume for the month of January.

The average producer protein and butterfat tests for January tied with 2011 as the highest for the month. ❖

Producer Referendum Underway

The U.S. Department of Agriculture has issued a final decision proposing permanent amendments to all federal milk marketing orders. A producer referendum is underway, concluding on February 27 in the Northeast Order, with referendum results to be announced by the Secretary of Agriculture at a later date. Producers under the Northeast Order during the month of May 2012 are entitled to vote in this referendum on the Northeast Order as amended.

The final decision proposes to permanently adopt changes to the manufacturing cost allowances and the butterfat yield factor used in Class III and Class IV product-price formulas applicable to all federal milk marketing orders. This referendum is required since the price (continued on page 3)

Pool Summary

- A total of 12,427 producers were pooled under the Order with an average daily delivery per producer of 5,581 pounds.
- Pooled milk receipts totaled 2.15 billion pounds, a decrease of 0.3 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 38.8 percent of total milk receipts, an increase of 0.1 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	38.8	834,999,339
Class II	25.7	551,658,949
Class III	23.6	507,993,899
Class IV	11.9	255,298,913
Total Pooled Milk		2,149,951,100

Producer Component Prices

	2013	2012
	\$/lb	
Protein Price	3.2862	2.7326
Butterfat Price	1.6168	1.7178
Other Solids Price	0.4647	0.5032

Class Price Factors

	2013	2012
	\$/cwt	
Class I	22.22	22.05
Class II	18.19	17.67
Class III	18.14	17.05
Class IV	17.63	16.56

2012 Class I Sales Decline Greater Than National Average

Sales of fluid milk products in the Northeast Milk Marketing Area (NMA) as reported by pool handlers regulated under the Order totaled 8.3 billion pounds in 2012, down 2.6 percent from 2011, the largest year-over-year decline since the Order's inception. This follows a decrease of 2.3 percent during 2011. All comparisons have been adjusted for leap year in 2012. 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 Northeast Marketing Area. These handlers represent less than 7 percent of all 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.

The accompanying table shows Northeast sales by product for 2012, change from previous year, proportion of total estimated U.S. sales, and per capita sales.

Sales by Product

In the Northeast, all categories of fluid milk products showed decreases in 2012. Even organic products (whole and reduced fat combined), which had consistent gains over the past 5 years, showed a decline of 4.1 percent from 2011.

Nationally, 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) decreased 1.7 percent in 2012. Declines occurred in most of the same categories, except lowfat milk, eggnog, and organic products. Nationally, organic whole sales rose

10.0 percent and organic fat-reduced grew 2.7 percent for a combined category increase of 4.4 percent from 2011.

Proportion of US Sales

As a proportion of total U.S. sales, NMA sales accounted for 15.7 percent of the total; slightly down from 2011. The Northeast continues to be a large consumer of whole milk, accounting for 19.3 percent of the U.S. total, unchanged from 2011. In addition, the Northeast had 22.7 percent of all low fat and 18.2 percent of all fat-free sales. NMA sales also accounted for 18.4 percent of total organic whole and 15.3 percent of organic fat-reduced, which equaled a combined total of 16.1 percent of total U.S. organic milk sales, down from 17.4 in 2011.

Per Capita Sales

The estimated total population for 2012 in the NMA was 54.2 million people, as reported by the Bureau of Census; this is up from 54.0 million in 2011. On a per capita basis in the NMA, the average person consumed 153.4 fluid pounds (about 18 gallons) in 2012, down from 157.7 in 2011. Even though sales declined, whole milk remains the most popular product in the NMA with 47.9 pounds; reduced fat was next with 35.1 pounds, and low fat and fat-free followed at 30.1 and 24.4 pounds, respectively. Flavored milk and drinks equaled 8.5 pounds in 2012, down from 8.7 pounds the previous year. Combined organic sales totaled 6.5 pounds, down from 6.7 pounds in 2011.

Nationally, estimated per capita sales equaled 168.7 pounds (about 19.5 gallons), down from 172.5 pounds in 2011 but 10 percent higher than in the NMA. Reduced fat milk was the most popular product nationally, followed by whole milk, fat-free, and lowfat. Flavored milk and drinks totaled 13.7 pounds nationally, considerably higher than in the NMA. Nationally, combined organic sales equaled 6.9 pounds in 2012, also higher than in the Northeast. ❖

**Sales of Fluid Milk Products in the Northeast Marketing Area, 2012,
With Comparisons to U.S. Totals#**

Product	Total Sales		Change from 2011*		Proportion of Total Sales	Per Capita Sales	
	Northeast	U.S.	Northeast	U.S.		Northeast	U.S.
	million pounds		percent			pounds	
Whole Milk	2,596	13,461	(2.3)	(1.9)	19.3	47.9	42.9
Organic Whole Milk	101	550	(0.2)	10.0	18.4	1.9	1.7
Reduced Fat Milk	1,903	17,940	(1.4)	(1.6)	10.6	35.1	57.1
Low Fat Milk	1,634	7,195	(1.6)	1.1	22.7	30.1	22.9
Fat-Free Milk	1,324	7,275	(5.4)	(6.0)	18.2	24.4	23.2
Flavored Milk and Drinks	461	4,288	(1.8)	(1.4)	10.8	8.5	13.7
Organic Fat-Reduced Milk	249	1,622	(5.6)	2.7	15.3	4.6	5.2
Buttermilk, eggnog, other	54	641	(8.1)	1.1	8.4	1.0	2.0
Total	8,322	52,971	(2.6)	(1.7)	15.7	153.4	168.7

* Adjusted for leap year.

Totals may not add due to rounding.

MILC Payments Extended

On January 30, 2013, the U.S. Department of Agriculture (USDA) Farm Service Agency (FSA) announced that beginning February 5, USDA will issue payments to dairy farmers enrolled in the Milk Income Loss Contract (MILC) program for the September 2012 marketings. The American Taxpayer Relief Act of 2012 extended the authorization of the Food, Conservation, and Energy Act of 2008 (the 2008 Farm Bill) through 2013 for many programs administered by FSA, including MILC. The 2008 Farm Bill extension provides for a continuation of the MILC program through September 30, 2013.

MILC payments are triggered when the Boston Class I milk price falls below \$16.94 per hundredweight, after adjustment for the cost of dairy feed rations. MILC payments are calculated each month using the latest milk price and feed costs.

All dairy producers' MILC contracts automatically are extended to September 30, 2013. Therefore, eligible producers do not need to re-enroll in MILC. Operations with approved MILC contracts will continue to receive monthly payments, if available.

The payment rate for September 2012 was approximately \$0.59 per hundredweight. The payment rate for October 2012 marketings was approximately \$0.02 per hundredweight. The payment rate for November and December 2012 marketings was zero. Based on Chicago Mercantile Exchange futures prices for milk and feed prices, MILC payments are projected for January through July of 2013.

A relief period through February 28 allows producers to change their start-month selections. During this period, the production start month may be any month in fiscal year 2013. Beginning March 1, all production start-month changes must be made according to normal start-month selection provisions.

For more information on MILC, contact the local FSA county office or visit the FSA website at www.fsa.usda.gov. ❖

Forward Pricing Program Extended

The U.S. Department of Agriculture has issued a notice extending the Dairy Forward Pricing Program to allow producers and cooperative associations to enter into forward price contracts under the program through September 30, 2013. The Dairy Forward Pricing Program allows producers and producer cooperative associations to voluntarily enter into forward price contracts with handlers. Producer milk that has been forward contracted under the terms of the Program is not subject to Federal order minimum pricing provisions. The passage of the American Taxpayer Relief Act of 2012, signed into law on January 2, 2013, revised the program to allow new contracts to be entered into until September 30, 2013. Any forward contracts entered into until the deadline on September 30, 2013, are still subject to the September 30, 2015, cutoff date. ❖

Market Service Tank Calibrations

Last month we reported on the Market Services' bulk tank calibration program. A tentative schedule for the calibration trucks during the upcoming season is shown below. ❖

Tentative Calibration Truck Schedule, 2013

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

Producer Referendum *(continued from page 1)*

formulas currently in use were approved by a tentative final decision. Federal rulemaking procedures require that a final decision be approved to make the proposals permanent. Approval of this final decision makes no changes to the price formulas or order language that producers and handlers have been operating under since October 1, 2008.

The federal milk order system currently uses product price formulas to compute prices handlers must account for in the marketwide pooling of milk used in Class III and Class IV products. Class III and Class IV prices form the base from which Class I and Class II prices are determined. The price formulas used to compute Class III and Class IV prices contain a factor called a manufacturing (make) allowance. The make allowance factor represents the cost manufacturers incur in making raw milk into one pound of product.

Specifically, this decision permanently adopts the following manufacturing allowances: cheese – \$0.2003 per pound, butter – \$0.1715 per pound, NFD – 0.1678 per pound, and dry whey – \$0.1991 per pound. This decision also proposes to permanently increase the butterfat yield factor in the butterfat price formula from 1.20 to 1.211. These make allowances and butterfat yield factor have been used since October 1, 2008, following producer approval of the tentative final decision. ❖



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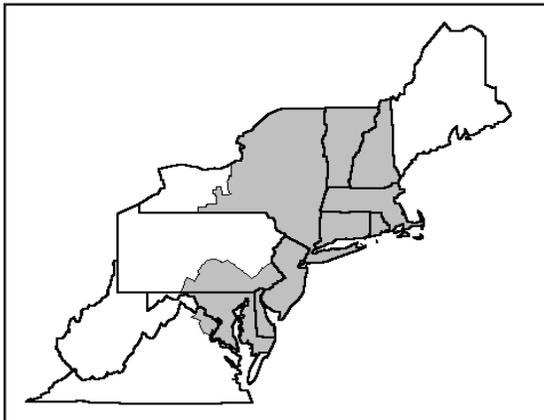
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Computation of Producer Price Differential and Statistical Uniform Price*

	<u>Product Pounds</u>	<u>Price per cwt./lb.</u>	<u>Component Value</u>	<u>Total Value</u>
Class I— Skim	819,484,232	\$16.58	135,870,485.67	
Butterfat	15,515,107	1.7777	27,581,205.71	
Less: Location Adjustment to Handlers			(2,817,791.80)	\$160,633,899.56
Class II— Butterfat	29,218,678	1.6238	47,445,289.37	
Nonfat Solids	48,182,220	1.4400	69,382,396.80	116,827,686.17
Class III— Butterfat	22,816,919	1.6168	36,890,394.63	
Protein	15,835,062	3.2862	52,037,180.77	
Other Solids	28,936,533	0.4647	13,446,806.88	102,374,382.28
Class IV— Butterfat	14,995,513	1.6168	24,244,745.45	
Nonfat Solids	22,156,201	1.3784	30,540,107.45	54,784,852.90
Total Classified Value				\$434,620,820.91
Add: Overage—All Classes				26,012.58
Inventory Reclassification—All Classes				(32,108.08)
Other Source Receipts	546,953 Pounds			17,173.19
Total Pool Value				\$434,631,898.60
Less: Producer Component Valuations @ Class III Component Prices				(411,664,394.46)
Total PPD Value Before Adjustments				\$22,967,504.14
Add: Location Adjustment to Producers				11,303,420.53
One-half Unobligated Balance—Producer Settlement Fund				883,042.05
Less: Producer Settlement Fund—Reserve				(961,047.69)
Total Pool Milk & PPD Value	2,150,498,053 Producer pounds			\$34,192,919.03
Producer Price Differential		\$1.59		
Statistical Uniform Price		\$19.73		

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



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February Pool Price Calculation

The February 2013 statistical uniform price (SUP) for the Northeast Marketing Area was announced at \$19.43 per hundredweight for milk delivered to plants located in Suffolk County, Massachusetts (Boston), the pricing point for the Northeast Order. The statistical uniform price is calculated at 3.5 percent butterfat, 2.99 percent protein, and 5.69 percent other solids. If reported at the average tests of producer pooled milk, the SUP would be \$20.37 per hundredweight. The February statistical uniform price was 30 cents per hundredweight below the January price. The February producer price differential (PPD) at Suffolk County was \$2.18 per hundredweight, an increase of 29 cents per hundredweight from last month.

Product prices in February dropped for all commodities except butter. As a result, component prices for protein, other solids, and nonfat solids declined while butterfat increased. Class I and III prices declined; Class II and IV prices rose slightly. Class III was the lowest of the class prices. Even though the Class I price dropped, the spread between the Class I and III prices increased resulting in a higher PPD value.

Total pooled milk receipts were the second largest for the month of February on a per day basis; surpassed only by 2000. Class I usage set a record for the largest volume for the month of February in both total pounds and on a per day basis. Class I volume continues to set record lows each month. The average producer protein and other solids tests for February tied with prior year records as the highest for the month. The producer butterfat test set a new record for the month of February. ❖

Change in Milk Receipts by Farm Size

Based on verified payroll data, when comparing the number of farms pooled on the Northeast Order in December 2002 (17,121 farms) to December 2012 (12,034 farms), a span of 10 years, the figure has dropped by 29.7 percent. For the same period however, the total milk pooled on the Order by all farms was just 5.6 percent less. This is not necessarily representative of all months; many times receipts have been higher than in the same month of a previous year. (continued on page 2)

Pool Summary

- A total of 12,440 producers were pooled under the Order with an average daily delivery per producer of 5,692 pounds.
- Pooled milk receipts totaled 1.983 billion pounds, an increase of 2.1 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 38.1 percent of total milk receipts, a decrease of 0.7 percentage points from January.
- The average butterfat test of producer receipts was 3.83 percent.
- The average true protein test of producer receipts was 3.11 percent.
- The average other solids test of producer receipts was 5.75 percent. ❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	38.1	755,993,725
Class II	24.9	493,067,358
Class III	25.0	495,283,383
Class IV	12.0	238,230,135
Total Pooled Milk		1,982,574,601

Producer Component Prices

	2013	2012
	\$/lb	
Protein Price	2.9609	2.6627
Butterfat Price	1.6619	1.5739
Other Solids Price	0.4534	0.4541

Class Price Factors

	2013	2012
	\$/cwt	
Class I	21.46	20.28
Class II	18.49	16.94
Class III	17.25	16.06
Class IV	17.75	15.92

Change in Milk Receipts *(continued from page 1)*

The accompanying table shows the numbers of farms and the volume of milk, respectively, as grouped together in five size categories. Most notable is that in 2012, 12.4 percent of the farms (farms producing over 250,000 pounds per month)

produced 59.8 percent of the total milk pooled on the Order. Farms producing 250,000 pounds or more per month accounted for 9.4 percent of the farms and 39.2 percent of the total milk pooled in 2002. Milk pooled by farms in the largest category (over 600,000 pounds per month) more than doubled from 2002 to 2012 (an increase of 112 percent). All other size categories showed percent declines in both farms and milk pooled.

Where Are the Larger Farms Concentrated?

Of the farms pooling 600,000 pounds or more per month, 57 percent are in New York, followed by 19 percent in Pennsylvania, and 14 percent in Vermont. Wyoming County in New York had the most farms in this category of any county with milk pooled on the Northeast Order, with 30. They were followed in order by Addison County, Vermont (27); Franklin County, Vermont (25); Lancaster County, Pennsylvania (24); and Jefferson County, New York (21); and Cayuga, St. Lawrence, and Genessee counties in New York, with 20 each.

Farms by Pounds Pooled, December, 2002 and 2012

Farm Size Pounds Per Month	2002		2007		2012	
	Number of Farms		Number of Farms		Number of Farms	
	percent of total*					
0-49,999	3,680	21.5	3,113	22.7	3,474	28.9
50,000-99,999	6,572	38.4	5,145	37.4	3,814	31.7
100,000-249,999	5,266	30.8	4,084	29.7	3,256	27.1
250,000-599,999	1,195	7.0	943	6.9	909	7.6
>=600,000	408	2.4	455	3.3	581	4.8
Total	17,121	100.0	13,740	100.0	12,034	100.0

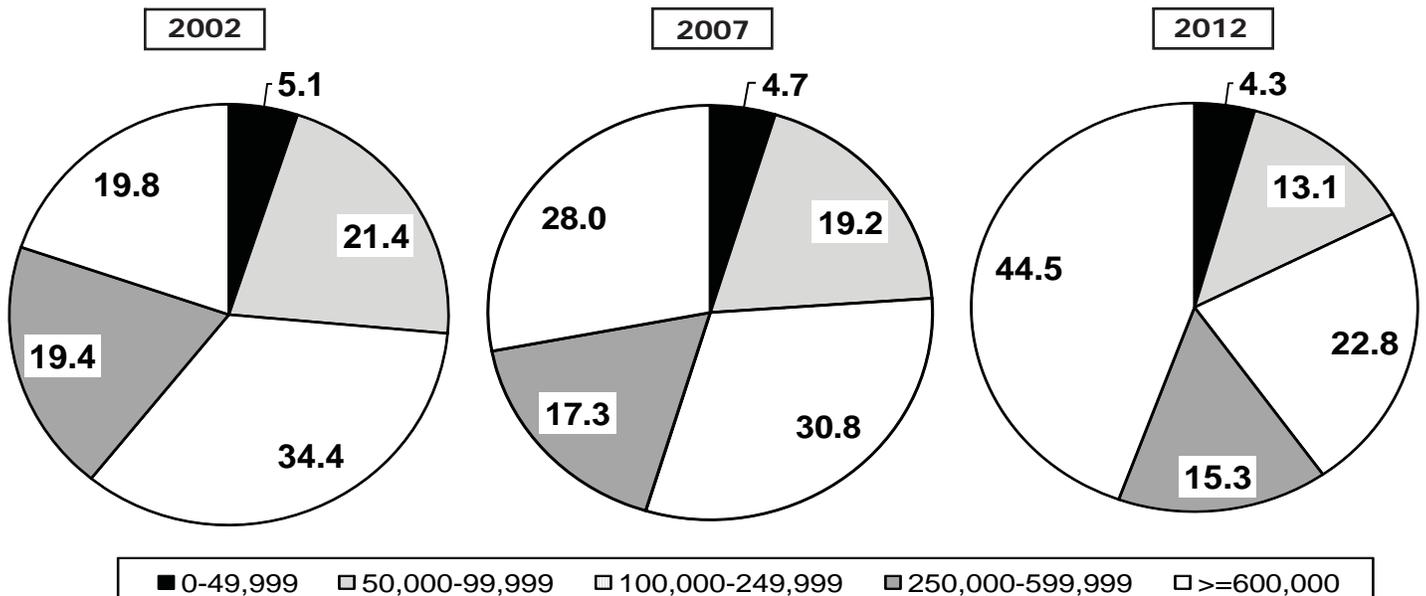
*Note: Totals may not add due to rounding.

Smallest Farms Hold Ground

The number of farms pooling less than 50,000 pounds per month, the smallest size category, declined 5.6 percent since 2002, but actually has grown by 361 farms since 2007. Pooled receipts from this category are down 18.8 percent since 2002, but have remained level since 2007. This may be due, in part, to farms in the smallest size category pooling on the Northeast Order from states such as Indiana, Kentucky, Michigan, Ohio, and Wisconsin, most of which are organic, who were not typically pooled on the Northeast Order from 2002 to 2007. Still, the smallest farm category, which made up 28.9 percent of the farms in 2012, is pooling just 4.3 percent of the total milk on the order.

Some of the decline in farm numbers in the middle categories could be the result of expansions, as those farms moved to the larger categories. The biggest loss in farms and pooled milk was in the 50,000 to 99,999 pounds, per month, category. ❖

Pounds Pooled by Farm Size Category, December



U.S. Milk Production Increases During 2012

Total milk production in the United States grew 1.8 percent in 2012. Production growth has been steady for the past 3 years, increasing the same percent in 2011 and 1.9 percent in 2010. The top ten milk-producing states rose 1.6 percent, but not as strong as the increases of 2.0 percent in 2011 and 2.5 percent in 2010. The top 23 states as reported by the National Agricultural Statistics Service (NASS) increased 1.9 percent. The accompanying table shows the top ten states ranked by their total 2012 production; it also shows number of milk cows and milk production per cow. Percent changes have been adjusted for leap year in 2012.

Top Producing States-No Changes in Rank

The top ten list contained the same states as in 2011 and in the same order. Even though Texas' total production volume was up from 2011, on a per day basis the state actually showed a slight decline. It still maintained its number six spot, not yet passing Pennsylvania but remaining ahead of Minnesota, the state it displaced in 2011. The only other top-ten states to show slight declines were Pennsylvania and New Mexico.

There were no changes within NASS' list of the top 23 during 2012. NASS does not include South Dakota, which was ranked number 20 in 2012 based on total production; this is up from number 21 in 2011. NASS continues to report Missouri in the top 23 although its position has dropped to number 25. They do not change the make-up of their top 23 list each year.

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 a 0.9 percent in 2012, about half of the U.S. average. Production in the 3 top producing states in the milkshed (New York, Pennsylvania, and Vermont) rose 1.0 percent; New York had the most growth, but was countered by Pennsylvania's decline. About half of the states in the milkshed reported decreases; this group accounted for 37.3 percent of Northeast milk production and had a combined decrease of 0.9 percent. The remaining states had a combined increase of 2.0 percent with New York, Maine, and Delaware all reporting

growth greater than the combined average.

Cow Numbers and Production per Cow

Nationally, the number of milk cows increased 0.4 percent in 2012; in 2011, the increase was 0.8 percent. Eighteen states showed declining cow numbers, 20 states reporting increases, and the remainder had no change. Of those increasing cow numbers, seven were in the top ten states. In the Northeast milkshed states, milk cow numbers declined 0.6 percent. The combined total for New York, Pennsylvania, and Vermont was down a 0.5 percent; Pennsylvania dropped 0.9 percent; Vermont decreased 0.7 percent; and New York had no change.

Average milk production per cow (MPC) grew 1.4 percent nationally (leap year adjusted); this follows an increase of 0.9 percent in 2011. For the Northeast, the increase was 1.5 percent. The U.S. average milk per cow was 21,697 pounds in 2012; the average was 20,204 pounds in the Northeast states. Milk per cow for the Northeast states has continue to rise, but continues to lag behind the national average. Only ten states had MPC greater than the national average; six of them are in the top ten and most are in the western part of the country.

Publication Discontinued

As of the printing of this bulletin, the NASS recently announced it would no longer be publishing the *Milk Production* report as a result of federal budget cuts. Reporting is suspended through September 30, the end of the fiscal year. Other NASS releases also were suspended including the twice-yearly *Cattle* inventory report and the *Milk Production, Disposition, and Income* annual summary. ❖

Top Ten States, Ranked by Milk Production, 2012

Rank	State	2011 (million pounds)	2012	Percent Change	2012	
					Cows (1,000 head)	MPC* (pounds)
1	California	41,462	41,801	0.5	1,782	23,457
2	Wisconsin	26,058	27,224	4.2	1,270	21,436
3	Idaho	13,256	13,558	2.0	580	23,376
4	New York	12,838	13,196	2.5	610	21,633
5	Pennsylvania	10,547	10,493	(0.8)	536	19,576
6	Texas	9,582	9,596	(0.1)	436	22,009
7	Minnesota	8,890	9,071	1.8	465	19,508
8	Michigan	8,478	8,889	4.6	375	23,704
9	New Mexico	8,177	8,149	(0.6)	330	24,694
10	Washington	6,169	6,234	0.8	262	23,794
Top Ten Total		145,457	148,211	1.6	6,646	22,301
U.S. Total		196,165	200,323	1.8	9,233	21,697

Source: NASS, *Milk Production*.

* Milk production per cow.



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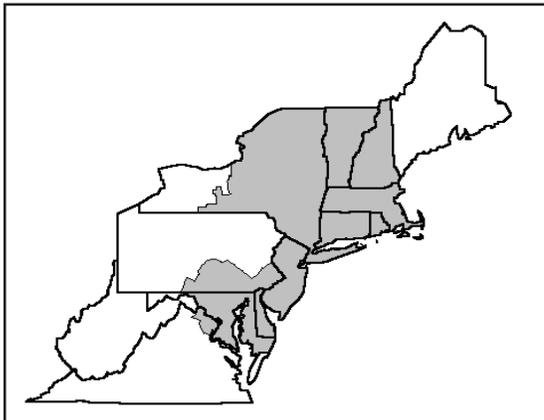
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Computation of Producer Price Differential and Statistical Uniform Price*

	<u>Product Pounds</u>	<u>Price per cwt./lb.</u>	<u>Component Value</u>	<u>Total Value</u>
Class I— Skim	741,990,121	\$16.16	119,905,603.55	
Butterfat	14,003,604	1.6752	23,458,837.42	
Less: Location Adjustment to Handlers			(2,532,432.27)	\$140,832,008.70
Class II— Butterfat	26,745,320	1.6689	44,635,264.55	
Nonfat Solids	43,005,188	1.4567	62,645,657.39	107,280,921.94
Class III— Butterfat	21,702,560	1.6619	36,067,484.47	
Protein	15,379,325	2.9609	45,536,643.40	
Other Solids	28,299,260	0.4534	12,830,884.50	94,435,012.37
Class IV— Butterfat	13,510,837	1.6619	22,453,660.02	
Nonfat Solids	20,724,382	1.3742	28,479,445.73	50,933,105.75
Total Classified Value				\$393,481,048.76
Add: Overage—All Classes				81,484.48
Inventory Reclassification—All Classes				64,001.60
Other Source Receipts	378,588 Pounds			14,974.35
Total Pool Value				\$393,641,509.19
Less: Producer Component Valuations @ Class III Component Prices				(360,607,620.91)
Total PPD Value Before Adjustments				\$33,033,888.28
Add: Location Adjustment to Producers				10,321,515.95
One-half Unobligated Balance—Producer Settlement Fund				776,652.73
Less: Producer Settlement Fund—Reserve				(903,677.38)
Total Pool Milk & PPD Value	1,982,953,189 Producer pounds			\$43,228,379.58
Producer Price Differential		\$2.18		
Statistical Uniform Price		\$19.43		

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



The Market Administrator's

BULLETIN

NORTHEAST MARKETING AREA

Erik F. Rasmussen, Market Administrator

March 2013

Federal Order No. 1

To contact the Northeast Marketing Area offices:

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March Pool Price Calculation

The March 2013 statistical uniform price (SUP) for the Northeast Marketing Area was announced at \$19.32 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 \$20.18 per hundredweight. The March 19.43 statistical uniform price was 11 cents per hundredweight below the February price. The March producer price differential (PPD) at Suffolk County was \$2.39 per hundredweight, an increase of 21 cents per hundredweight from last month.

Similar to what occurred in February, product prices in March declined for all commodities except butter. As a result, component prices for protein, other solids, and nonfat solids declined while butterfat increased. Class I and III prices declined, the Class II price rose slightly and the Class IV price was unchanged from last month. Once again, the Class III was the lowest of the class prices. Overall, the price situation was very similar to last month, with little change in either the uniform price or the PPD.

Total pooled milk receipts were the highest total for any month since May 2002 and the third highest on record for the Order. Class II usage set a record for the largest volume for the month of March and as the second highest Class II volume on record for any month, only surpassed by August 2012. Class I volume continues to set record lows each month.

The average producer protein and butterfat tests for March set new record highs for the month.❖

Top Producing Counties—Northeast Milkshed

In 2012, the top ten counties in terms of milk pooled on the Northeast Order accounted for 33.5 percent of all milk pooled during the year. This is down slightly from 2011's record-setting 33.6 percent of the total. Pooled milk receipts do not necessarily account for all milk produced in the county. Milk shipped to other federal orders, state orders, or unregulated areas is not included in these figures. The accompanying (continued on page 3)

Pool Summary

- A total of 12,460 producers were pooled under the Order with an average daily delivery per producer of 5,807 pounds.
- Pooled milk receipts totaled 2.243 billion pounds, an increase of 2.2 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 36.1 percent of total milk receipts, a decrease of 2.0 percentage points from February.
- The average butterfat test of producer receipts was 3.81 percent.
- The average true protein test of producer receipts was 3.10 percent.
- The average other solids test of producer receipts was 5.75 percent.❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	36.1	809,469,395
Class II	26.1	586,157,096
Class III	25.1	562,243,050
Class IV	12.7	285,112,098
Total Pooled Milk		2,242,981,639

Producer Component Prices

	2013	2012
	\$/lb	
Protein Price	2.8204	2.6571
Butterfat Price	1.7476	1.5297
Other Solids Price	0.4179	0.4239

Class Price Factors

	2013	2012
	\$/cwt	
Class I	21.05	19.55
Class II	18.82	16.59
Class III	16.93	15.72
Class IV	17.75	15.35

Milk Income Loss Contract Payments Fiscal Year 2012

During fiscal year 2012, a total of \$470.6 million in Milk Income Loss Contract (MILC) payments were made to producers in 50 states and Puerto Rico. The program issued 302,139 total individual payments for an average payment of \$1,558. Payments were made during 8 months of fiscal year 2012 (from February to September 2012). The level of payment peaked at \$1.64 per hundredweight during July 2012. Five payment rates were over \$1.20 per hundredweight. There were no MILC payments during fiscal year 2011.

Payments by State

Wisconsin farmers received the highest total amount, \$106.1 million, and also had the greatest number of payments received with 85,916. These values represent 22.5 percent of the total value of MILC payments and 28.4 percent of the total number of payments. New York ranked second in total received with \$43.6 million, while Pennsylvania was third with \$41.1 million. New York and Pennsylvania received 9.3 and 8.7 percent of the total value paid out in fiscal year 2012, respectively. The 20 states receiving the highest value of MILC payments in fiscal year 2012 are shown in Chart 1. The top five states in terms of total value received – Wisconsin, New York, Pennsylvania, Minnesota, and California – accounted for 57.1 percent of all MILC value paid (see Chart 2).

Northeast Order States

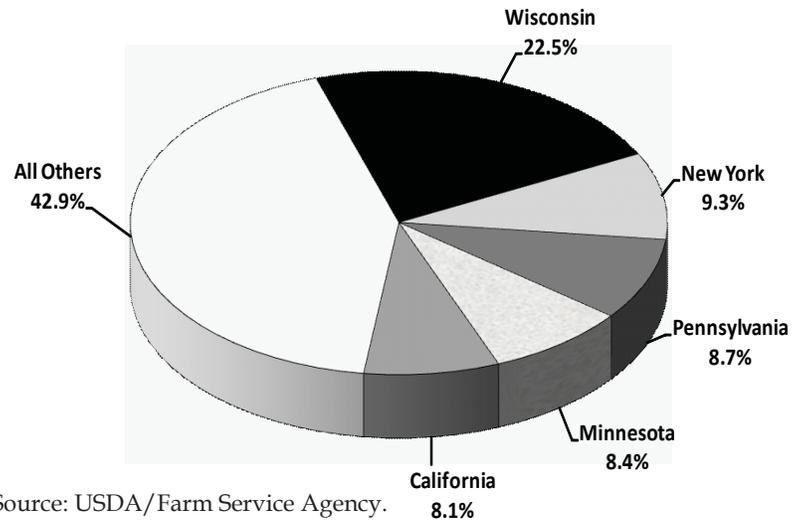
As a group, the states that are geographically most associated with the Northeast Order, from Virginia and West Virginia in the south to Maine, received just under 25 percent of all MILC value paid out and 26.7 percent of the payments made. Vermont, Virginia, and Maryland ranked 9th, 15th, and 20th in value received. The average payments in New York, Pennsylvania, and Vermont were \$1,434; \$1,336; and \$1,542, respectively. For comparison, the average payment in California was \$7,246. The difference is due to the larger average farm size in California.

MILC Payments in 2013

During fiscal year 2013, MILC Payments were made in October 2012, and January 2013, and additional payments

Chart 1

Portion of Total MILC Value Paid Out, Fiscal Year 2012

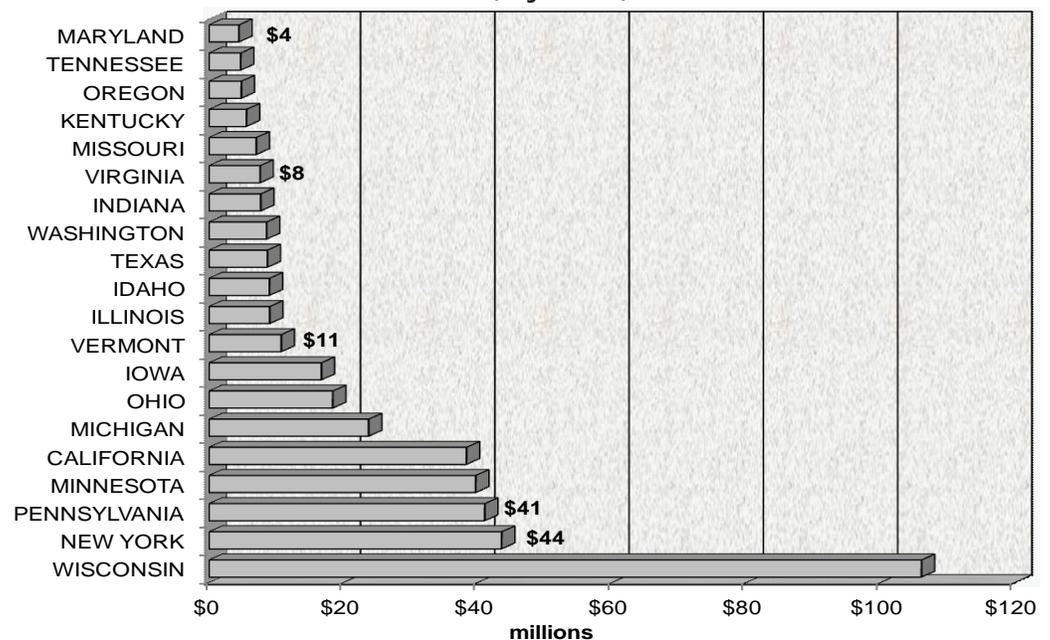


Source: USDA/Farm Service Agency.

are expected to be made during the months of February through May 2013. The largest payment rate projected, based on Chicago Mercantile Exchange (CME) Class III and IV futures prices on April 11, is \$0.77 per hundredweight (cwt) in March 2013. Using the same CME futures data, the Class I price at Boston, MA, is projected to be between \$21.55 and \$23.55 per cwt for the remainder of the year. The announced April Class I price at Boston, MA, of \$20.91 per cwt would be the low point. Current projections of the feed trigger price in the MILC payment calculations for 2013 range between a high of \$22.76 per cwt in March declining to a low of \$20.20 per cwt by December. ❖

Chart 2

MILC Values Received, by State, Fiscal Year 2012



Source: USDA/Farm Service Agency.

Top Producing Counties *(continued from page 1)*

table shows the top ten ranked counties for 2012 based on their volume pooled on the Order.

Change in Rankings Over the Years

Since the Northeast Order's inception, Lancaster County, PA, has led all counties, accounting for 8.9 percent of total milk pooled on the Order in 2012 (down slightly from 9.1 percent in 2011). Since the Order's inception, Lancaster's pooled production consistently has been 2.4 to 3.0 times the level of the second-ranked county. In 2012, Cayuga County, NY, ranked second; it was number 9 in 2000, but had remained in the number 2 spot since 2009.

Changes that occurred in 2012 include Wyoming County, NY, dropping to number 8; its position has varied due to milk from that county pooled on other orders. Jefferson County, NY, moved up to number 7 and Lewis County, NY, moved from the tenth position in 2011 to number 9. For the first time since the Order's inception, Onondaga County, NY, moved into the top ten, displacing Lebanon County, PA, which fell from number 9 in 2011 to number 11 (Onondaga's position in 2011).

Proportion of Farms and DDP

Overall, the top ten counties accounted for 26.9 percent of all farms shipping to handlers regulated on the Northeast Order in 2012. Lancaster County, alone, accounted for 13.6 percent of all farms on the Order. Of the top ten producing counties, Onondaga had the least number of farms, only 83 (0.6 percent of all farms).

The top ten counties combined average daily deliveries per producer (DDP) equaled 6,510 pounds in 2012, up

Top Ten Counties Pooling on the Northeast Order, 2012

Rank	County	State	Volume	Number of Farms	DDP
			Pooled on Order (million lbs)		
1	Lancaster	PA	2,205.2	1,761	3,421
2	Cayuga	NY	908.5	110	22,566
3	Franklin	PA	747.9	318	6,426
4	Franklin	VT	733.8	194	10,335
5	St. Lawrence	NY	711.6	330	5,892
6	Addison	VT	670.6	140	13,088
7	Jefferson	NY	653.8	199	8,977
8	Wyoming	NY	598.3	125	13,077
9	Lewis	PA	530.0	215	6,735
10	Onondaga	NY	520.4	83	17,132
Top Ten Total			8,280.2	3,475	6,510
Total Pooled on Order			24,686.6	12,919	5,221
Top Ten Proportion (%)			33.5	26.9	

Source: Northeast Order audited producer payroll reports.

from 5,950 in 2011 and 3,907 in 2000. Cayuga reported the highest average DDP in 2012 with 22,566 pounds, up from 20,334 in 2011 and 7,751 in 2000. Both Addison and Wyoming counties reported DDP over 13,000 pounds while Lancaster had the lowest of the top ten with 3,421 pounds. New comer Onondaga had the fifth highest DDP of counties in the Order 1 milkshed. The average for all producers shipping on the Order during 2012 was 5,221 pounds. ❖

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

Federal Order		Total Producer Milk			Producer Price Differential#		Statistical Uniform Price#*	
Number	Name	2012	2013	Change^	2012	2013	2012	2013
		pounds			percent			
					dollars per hundredweight			
1	Northeast	6,209,130,908	6,375,507,340	3.8	2.09	2.05	18.37	19.49
5	Appalachian	1,558,946,126	1,495,961,808	(3.0)	N/A	N/A	19.49	20.68
6	Florida	752,711,227	735,621,120	(1.2)	N/A	N/A	21.76	22.94
7	Southeast	1,835,331,149	1,648,260,449	(9.2)	N/A	N/A	19.69	21.08
30	Upper Midwest	8,522,431,961	8,738,500,475	3.7	0.31	0.28	16.59	17.72
32	Central	4,219,466,548	3,714,562,505	(11.0)	0.65	0.74	16.93	18.18
33	Mideast	4,549,657,023	4,334,778,430	(3.7)	0.98	1.00	17.26	18.44
124	Pacific Northwest	2,085,829,643	2,070,815,601	0.4	0.57	0.64	16.85	18.08
126	Southwest	3,279,799,132	3,607,371,562	11.2	1.60	1.52	17.88	18.96
131	Arizona	1,245,109,867	1,211,496,004	(1.6)	N/A	N/A	17.15	18.54
All Market Total/Average		34,258,413,584	33,932,875,294	0.2	1.03	1.04	18.20	19.41

Price at designated order location.

* Price at 3.5% butterfat.

N/A = Not applicable.

^ Adjusted for leap year.



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Computation of Producer Price Differential and Statistical Uniform Price*

	<u>Product Pounds</u>	<u>Price per cwt./lb.</u>	<u>Component Value</u>	<u>Total Value</u>
Class I— Skim	794,417,923	\$15.69	124,644,172.12	
Butterfat	15,051,472	1.6889	25,420,431.06	
Less: Location Adjustment to Handlers			(2,717,250.71)	\$147,347,352.45
Class II— Butterfat	31,158,054	1.7546	54,669,921.58	
Nonfat Solids	51,112,790	1.4600	74,624,673.40	129,294,594.98
Class III— Butterfat	24,979,774	1.7476	43,654,653.04	
Protein	17,367,114	2.8204	48,982,208.28	
Other Solids	32,112,404	0.4179	13,419,773.64	106,056,634.96
Class IV— Butterfat	14,193,911	1.7476	24,805,278.84	
Nonfat Solids	24,926,098	1.3395	33,388,508.27	58,193,787.11
Total Classified Value				\$440,892,369.50
Add: Overage—All Classes				17,898.72
Inventory Reclassification—All Classes				88,542.52
Other Source Receipts	548,893 Pounds			20,859.03
Total Pool Value				\$441,019,669.77
Less: Producer Component Valuations @ Class III Component Prices				(399,138,074.51)
Total PPD Value Before Adjustments				\$41,881,595.26
Add: Location Adjustment to Producers				11,837,932.07
One-half Unobligated Balance—Producer Settlement Fund				886,626.82
Less: Producer Settlement Fund—Reserve				(985,774.34)
Total Pool Milk & PPD Value	2,243,530,532 Producer pounds			\$53,620,379.81
Producer Price Differential		\$2.39		
Statistical Uniform Price		\$19.32		

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

The Market Administrator's

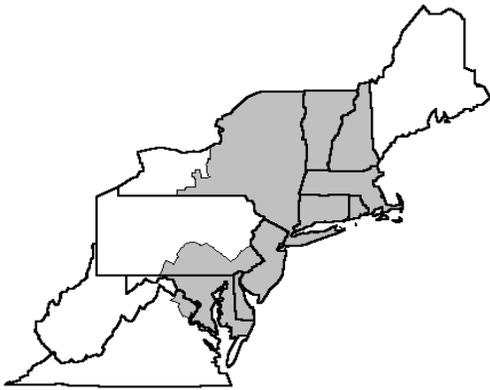
BULLETIN

NORTHEAST MARKETING AREA

Erik F. Rasmussen, Market Administrator

April 2013

Federal Order No. 1



To contact the Northeast Marketing Area offices:

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April Pool Price Calculation

The April 2013 statistical uniform price (SUP) for the Northeast Marketing Area was announced at \$19.50 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 \$20.27 per hundredweight. The April statistical uniform price was 18 cents per hundredweight above the March price. The April producer price differential (PPD) at Suffolk County was \$1.91 per hundredweight, a decrease of 48 cents per hundredweight from last month.

Overall, the price situation resulted in a higher uniform price and with the tightening of prices between the classes, a lower PPD. During April product prices for butter, cheese, and nonfat dry milk increased while dry whey declined. As a result, all component prices rose except other solids. The Class III price remained the lowest of the class prices even though it rose 66 cents. Its increase largely was due to the higher cheese price. Increases in butter and nonfat dry milk prices combined for a higher Class IV price in April.

Total pooled milk receipts were the second highest total for the month of April since the Order's inception, only surpassed by 2002. Class II usage set a record for the largest volume for the month of April. The average producer protein and butterfat tests for April set new record highs for the month. ❖

Final Rule Issued

On April 25, 2013, a final rule was published in the Federal Register that permanently adopts changes to the manufacturing cost allowances (make allowances) and the butterfat yield factor used in Class III and IV product-price formulas applicable to all federal milk marketing orders. A referendum was conducted in February with more than the required number of producers approving the issuance of the orders as amended.

The amendments were adopted by an interim final rule issued on July 25, 2008, that became effective October 1, 2008. This final rule is effective July 1, 2013; there is no change to the price formulas in existence since October 2008. For more information regarding this issue, refer to the January 2013 *Bulletin* or our webpage: www.fmmone.com for links to the Federal Register document. ❖

Pool Summary

- A total of 12,380 producers were pooled under the Order with an average daily delivery per producer of 5,891 pounds.
- Pooled milk receipts totaled 2.188 billion pounds, an increase of 0.8 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 36.5 percent of total milk receipts, an increase of 0.4 percentage points from March.
- The average butterfat test of producer receipts was 3.77 percent.
- The average true protein test of producer receipts was 3.07 percent.
- The average other solids test of producer receipts was 5.76 percent. ❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	36.5	798,837,542
Class II	25.5	557,183,499
Class III	24.4	534,758,324
Class IV	13.6	297,094,703
Total Pooled Milk		2,187,874,068

Producer Component Prices

	2013	2012
	\$/lb	
Protein Price	3.0130	2.6568
Butterfat Price	1.8227	1.5645
Other Solids Price	0.3863	0.4048

Class Price Factors

	2013	2012
	\$/cwt	
Class I	20.91	18.91
Class II	18.73	16.20
Class III	17.59	15.72
Class IV	18.10	14.80

Manufactured Dairy Products—2012 Summary

USDA's National Agricultural Statistics Service recently released their *Dairy Products 2012 Summary*. This publication summarizes dairy products manufactured in the United States. The accompanying table highlights selected products' changes from 2011 and 2007, and a comparison of Northeast Order milk used in the manufacture of these products. All comparisons have been adjusted for leap year in 2012.

Cheese Production

Total cheese production (excluding cottage cheese) grew 2.5 percent in 2012, up from 1.5 in 2011. Compared to 5 years ago, cheese production has risen 11.1 percent. American cheese production in 2012 increased 2.8 percent from the previous year, following a slight decline in 2011. Italian cheese grew less in 2012 (0.8 percent) than in 2011 (3.3 percent). Both American and Italian cheese production show double-digit growth from 2007. Hispanic cheese dropped slightly in 2012 after rising over 4.0 percent the past 2 years, but compared to 2007, it has risen 17.4 percent.

In the Northeast Order, milk used in 2012 cheese production (excluding cottage) decreased 5.0 percent, following an increase of 2.5 percent in 2011. Compared to 5 years ago, milk used in total cheese was up 4.2 percent. In 2012, declines occurred in American, Italian (mozzarella, provolone, and other hard Italian types), and ricotta. Cream cheese, Swiss, and other types grew. The other category contains Hispanic cheese, growing considerably in the past few years.

Other Products: Yogurt Continues Growth

Nationally, butter production rose 2.5 percent in 2012, following the strong increase of 15.7 percent in 2011. Yogurt (plain and fruit flavored) increased 3.1 percent, up from the 2.2 percent rise in 2011. Nonfat dry milk (NFDM) jumped 17.3 percent in 2012; the previous year it dropped 3.1 percent. Compared to 2007, butter has risen 21.0 percent, yogurt 26.7 percent, and NFDM 35.5 percent.

In the Northeast Order, milk used in butter production grew 5.7 percent; in 2011 in grew 2.0 percent. Milk used in making yogurt rose a considerable 40.4 percent; not as dramatic as the jump of 174.7 percent in 2011, but similar to the rise in 2010. The volume used in yogurt in 2012 is more than six times that of 2007—a leap of 528.4 percent. Greek-style yogurt's popularity has been the significant factor. Milk used in the production of dry milk products (mostly nonfat) grew 8.1 percent; in 2011, it dropped 14.9 percent.

Change in Selected Manufactured Dairy Products, 2012

Product	Total U.S. Production of Manufactured Products		Total Northeast Order Milk Used to Manufacture#	
	2012 Percent Change from:			
	2007	2011	2007	2011
Cheese				
American [^]	12.1	2.8	16.6	(4.3)
Italian	10.1	0.8	(10.6)	(9.1)
Other [*]	25.0	3.8	28.5	4.0
Total Cheese (excludes cottage)	11.1	2.5	4.2	(5.0)
Butter	21.0	2.5	30.2	5.7
NFDM~	35.5	17.3	43.3	8.1
Yogurt	26.7	3.1	528.4	40.4

Based on total milk used in manufacture of products.

[^] Includes Cheddar, Colby, Monterey, and Jack.

^{*} Includes Swiss, Muenster, brick, Hispanic, cream, and other varieties.

~ For human use; Northeast data includes some whole milk powder.

Leading States

The top three cheese producing states were unchanged during 2012 and included, in order of rank, Wisconsin, California, and Idaho. New York regained the number four spot after being displaced in 2011 by New Mexico that dropped back to number five. Wisconsin remained number one in American cheese; California led in Italian. New York remained the leader of lowfat and creamed cottage cheese and sour cream. Rankings for most of the other products were not given due to having fewer than 3 handlers reporting. One such product is yogurt; according to the NYS Governor's office, New York surpassed California in 2012 as the top producing yogurt state.

Percent of Total Milk Production

About 68.0 percent of U.S. total milk production was used in manufactured products (32.0 percent sold for fluid or other use); in 2011 manufacturing accounted for 67.0 percent and in 2007, it equaled 65.0 percent. In the Northeast, total milk used in manufactured products equaled 60.1 percent in 2012, compared to percents of 58.8 in 2011 and 54.9 in 2007. ❖

Benefits from "Higher Of" Pricing

The Class I price is set by the higher of the Class III or Class IV advanced price mover factor. The Class III price largely is determined by cheese prices, and the Class IV price by nonfat dry milk and butter. Since January 2000, Class IV has been the mover 68 times out of a possible 161 months through May 2013 (42 percent of the time). Current projections point to Class IV being the mover for the remainder of 2013, bringing the total to 75 times out (continued on page 3)

Benefits from "Higher Of" (continued from page 2)

of a possible 168 months (45 percent, or almost half of the time).

Recent Trend

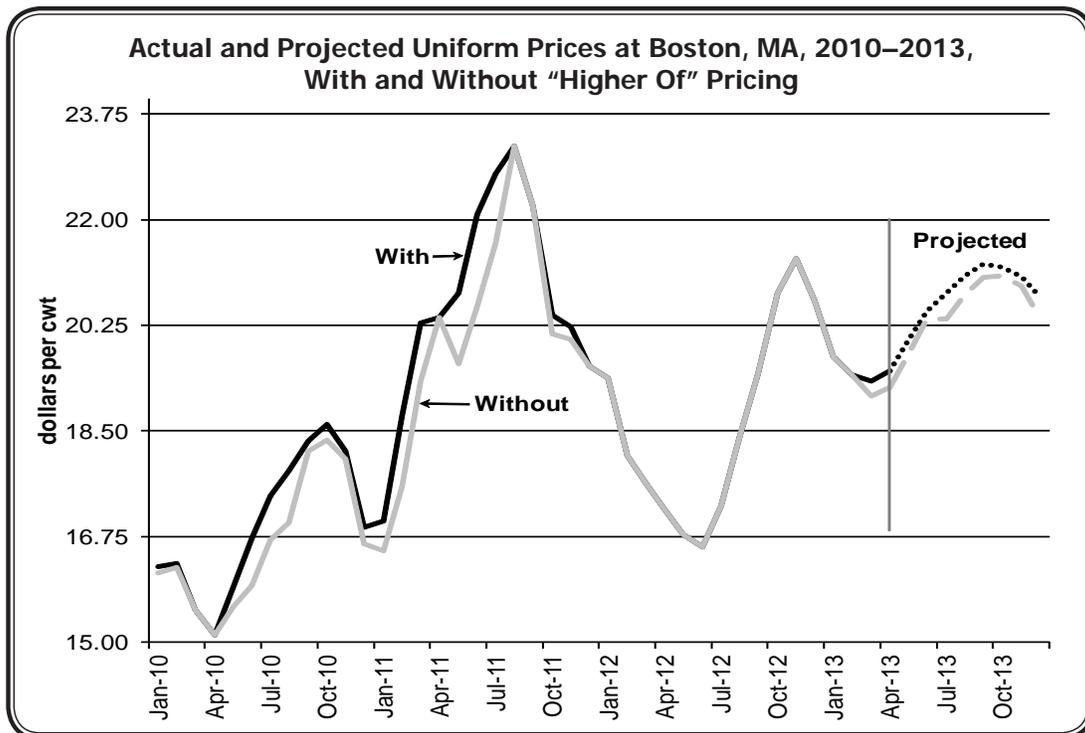
Class III had been the mover from December 2011 through February 2013, but Class IV has been the mover the most recent three months. The weighted average cheese price, which drives Class III prices, has softened from over \$2.00 per pound in October 2012, to the \$1.64 to \$1.68 per pound range during February to April. The butter and nonfat dry milk prices, drivers of Class IV prices, have risen or held steady in recent months, which has supported the Class IV price level at a time when Class III softened. The current spread between the Class III and Class IV mover has been running less than 80 cents the most recent four months. Only relatively small market activity would be required to change the current Class III/Class IV price relationship.

Value to Producers

Using Chicago Mercantile Exchange (CME) futures prices as a proxy (federal order prices are based on the National Dairy Product Sales Report, which closely follow the CME) as of May 15, 2013, and projected pool volumes for 2013, a uniform price was calculated using the current "higher of" Class I pricing. Another uniform price was calculated using just Class III as the Class I mover. Both cases were priced at the Boston, Massachusetts, location - the pricing base for the Order. The "higher of" Class I pricing has resulted in almost \$231 million more total Northeast Order pool value from January 2010 through April 2013. 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 12,965 producers, the total value benefit since January 2010 translates to about \$17,836, on average, per producer.

With Class IV predicted as the mover for the rest of 2013, an additional value benefit of about \$41 million is projected in Northeast Order pool value (for an estimated 2013 total of \$53 million).

Though the gap between the Class III and

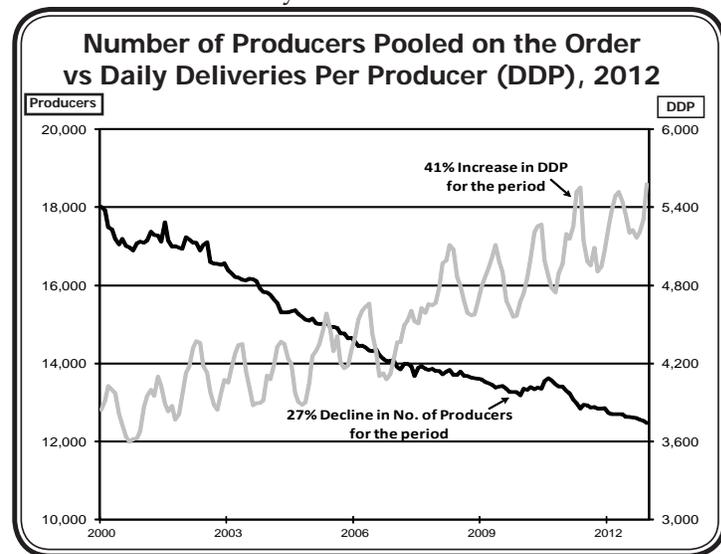


Class IV mover could narrow or Class IV drop below Class III, the actual and currently projected values still reflect the actual and potential benefits "higher of" Class I pricing has for producers. ❖

Annual Bulletin Available

The 2012 Annual Statistical *Bulletin* for the Northeast Milk Marketing Area is now available. The report summarizes pool and price data through a series of tables and charts such as the one shown below and featured on the cover highlighting the Number of Producers Pooled on the Order vs Daily Deliveries Per Producer.

The *Bulletin* can be found on our website at www.fmmone.com. Copies may be requested free of charge by contacting the Albany office at (518)452-4410 or E-mail: MAAlbany@fedmilk1.com. ❖





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Computation of Producer Price Differential and Statistical Uniform Price*

	<u>Product Pounds</u>	<u>Price per cwt./lb.</u>	<u>Component Value</u>	<u>Total Value</u>
Class I— Skim	784,047,673	\$15.32	120,116,103.50	
Butterfat	14,789,869	1.7514	25,902,976.57	
Less: Location Adjustment to Handlers			(2,688,148.60)	\$143,330,931.44
Class II— Butterfat	30,260,110	1.8297	55,366,923.28	
Nonfat Solids	48,403,103	1.4189	68,679,162.85	124,046,086.13
Class III— Butterfat	24,126,759	1.8227	43,975,843.59	
Protein	16,394,962	3.0130	49,398,020.57	
Other Solids	30,523,983	0.3863	11,791,414.67	105,165,278.83
Class IV— Butterfat	13,275,861	1.8227	24,197,911.83	
Nonfat Solids	26,033,841	1.3498	35,140,478.59	59,338,390.42
Total Classified Value				\$431,880,686.82
Add: Overage—All Classes				18,207.89
Inventory Reclassification—All Classes				146,601.98
Other Source Receipts	808,083 Pounds			23,735.16
Total Pool Value				\$432,069,231.85
Less: Producer Component Valuations @ Class III Component Prices				(401,591,556.81)
Total PPD Value Before Adjustments				\$30,477,675.04
Add: Location Adjustment to Producers				11,474,013.35
One-half Unobligated Balance—Producer Settlement Fund				921,106.34
Less: Producer Settlement Fund—Reserve				(1,068,965.71)
Total Pool Milk & PPD Value	2,188,682,151 Producer pounds			\$41,803,829.02
Producer Price Differential		\$1.91		
Statistical Uniform Price		\$19.50		

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

The Market Administrator's

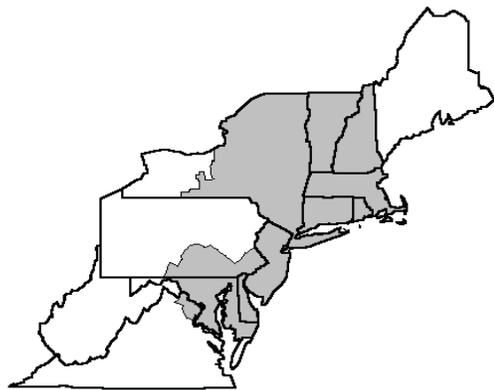
BULLETIN

NORTHEAST MARKETING AREA

Erik F. Rasmussen, Market Administrator

May 2013

Federal Order No. 1



To contact the Northeast Marketing Area offices:

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May Pool Price Calculation

The May 2013 statistical uniform price (SUP) for the Northeast Marketing Area was announced at \$19.78 per hundredweight for milk delivered to plants located in Suffolk County, Massachusetts (Boston), the pricing point for the Northeast Order. The statistical uniform price is calculated at 3.5 percent butterfat, 2.99 percent protein, and 5.69 percent other solids. If reported at the average tests of producer pooled milk, the SUP would be \$20.29 per hundredweight. The May statistical uniform price was 28 cents per hundredweight above the April price. The May producer price differential (PPD) at Suffolk County was \$1.26 per hundredweight, a decrease of 65 cents per hundredweight from last month.

Product Prices Effect

Similar to last month, the overall price situation resulted in a higher uniform price, tightening of prices between the classes, and a lower PPD. During May product prices for cheese and nonfat dry milk increased about ten cents per pound while dry whey rose slightly and butter declined. As a result, all component prices rose except butterfat. All class prices increased except the Class II price (affected by the butter price), which became the lowest of the class prices for the first time since October 2012. The Class III price grew 93 cents from April largely due to the higher cheese price. The Class IV price rose 79 cents, mainly due to the increase in the nonfat dry milk price and in spite of the decline in the butter price.

Records Set

Total pooled milk receipts were the highest ever for the month of May and the second highest total on record for the Order, only surpassed by March 2002. Class I volume was the lowest ever for the month of May while Class II usage set a record for May as the highest volume and the first time May Class II usage hit over 600 million pounds. For the first time ever under the Order, average daily deliveries per producer (DDP) were over 6,000 pounds. The average producer butterfat test for May set a new record high while both protein and other solids tests tied with prior record-highs for the month. ❖

Pool Summary

- A total of 12,243 producers were pooled under the Order with an average daily delivery per producer of 6,016 pounds.
- Pooled milk receipts totaled 2.283 billion pounds, an increase of 1.0 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 35.6 percent of total milk receipts, a decrease of 0.9 percentage points from April.
- The average butterfat test of producer receipts was 3.69 percent.
- The average true protein test of producer receipts was 3.03 percent.
- The average other solids test of producer receipts was 5.77 percent. ❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	35.6	813,380,937
Class II	26.4	603,074,884
Class III	23.5	535,190,453
Class IV	14.5	331,595,762
Total Pooled Milk		2,283,242,036

Producer Component Prices

	2013	2012
	\$/lb	
Protein Price	3.3597	2.7344
Butterfat Price	1.7884	1.4462
Other Solids Price	0.3887	0.3500

Class Price Factors

	2013	2012
	\$/cwt	
Class I	21.01	19.10
Class II	18.43	15.19
Class III	18.52	15.23
Class IV	18.89	13.55

Market Situation and Outlook

Through the first five months of 2013, the Northeast Order uniform price at the Boston, MA, location averaged \$19.55 per hundredweight (cwt), \$1.73 above the first five months of the previous year. Chart 1 shows weekly National Dairy Product Sales Report (NDPSR) prices through June 8 for weighted cheese, butter, and nonfat dry milk and the resulting level of uniform prices. The dry whey price, not shown on the chart, ranged from a high of about 65 cents per pound early in the year to just above 56 cents per pound more recently.

Estimates of product prices and resulting uniform prices for the remainder of 2013 also are shown on the chart and are based on Chicago Mercantile Exchange (CME) futures prices for cheese, butter, nonfat dry milk, and whey as of June 12. CME prices track fairly close to NDPSR prices, so the use of CME futures prices can be a reasonable estimate of where those prices are expected to head in light of current market factors. Given the CME futures-based estimate, the uniform price projects to average \$20.86 per cwt for the remainder of 2013, and \$20.32

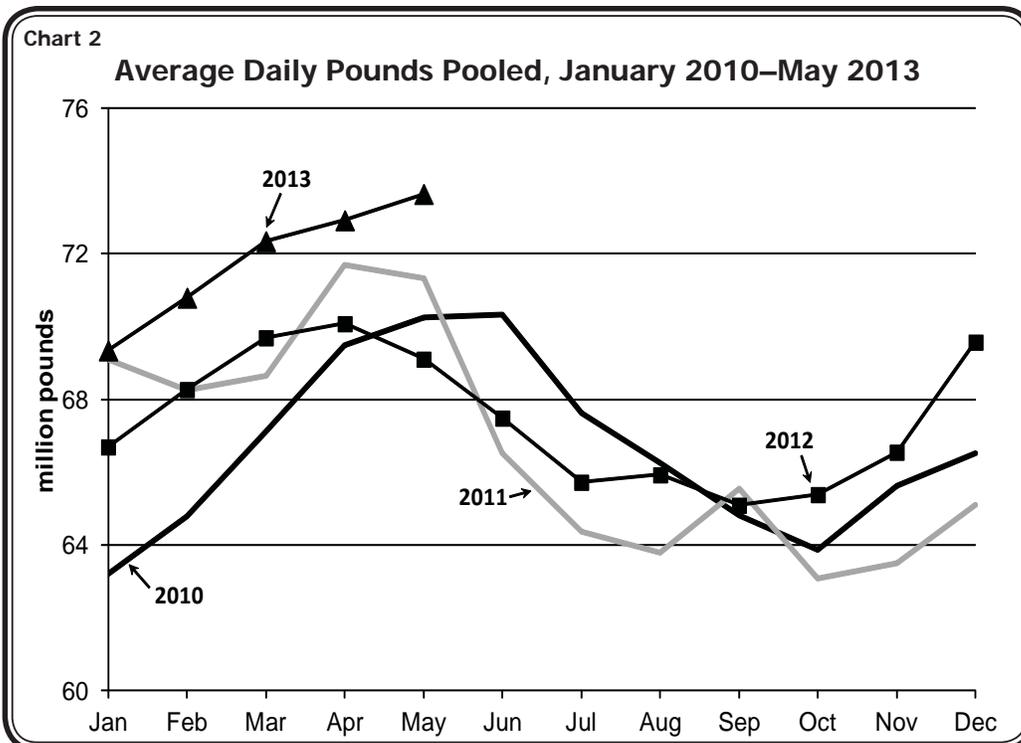
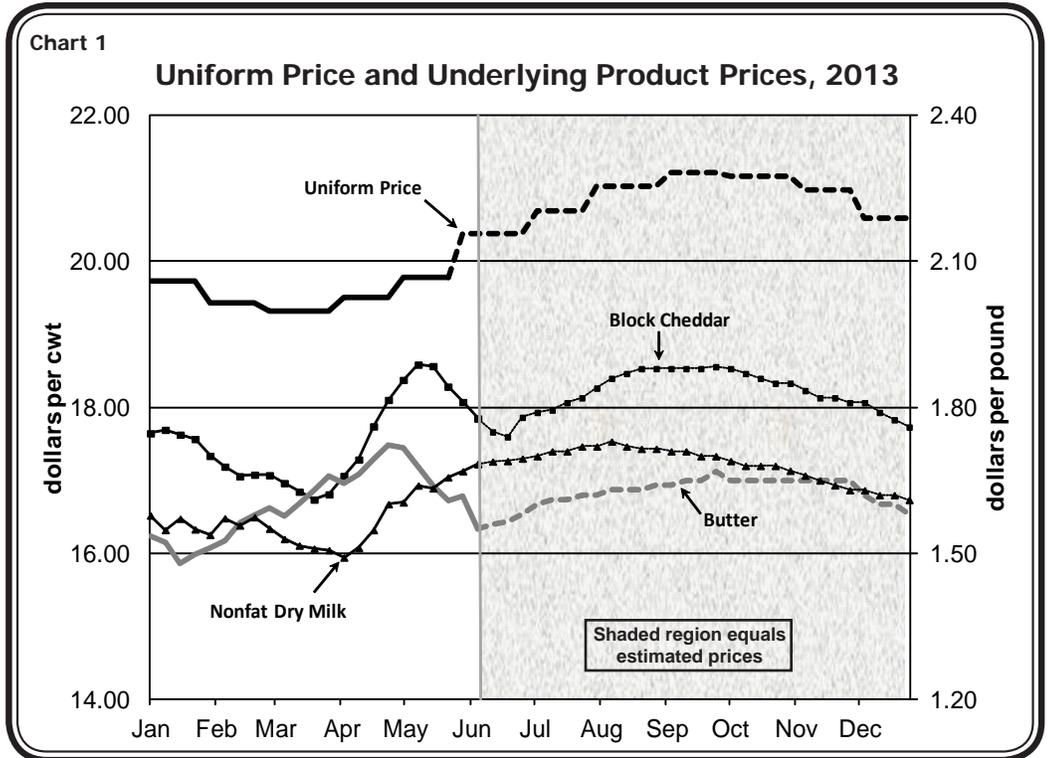
per cwt for the entire year. This would be \$1.69 per cwt above the 2012 average.

Strong Northeast Pool, Weaker Production Nationally

Chart 2 shows average daily pounds pooled on the Northeast Order from 2010 through 2013. Pooled pounds may be different than total milk production,

as milk can be pooled on and off a federal order. Depicted in the chart are large volumes of milk pooled from October 2012 on. Record volumes pooled were set during five of those months, and near records during the other three. Added plant capacity in the Northeast and demand for milk utilized by those plants are the driving factor behind large pool volume. Additional Class II plants now and in the near future are expected to demand still more milk.

Interestingly, a Milk Income Loss Contract (MILC) payment was triggered in all but two months since October 2012, signalling a period with difficult *(continued on page 3)*



Market Situation *(continued from page 2)*

margins for producers due to elevated feed costs. However, this fact does not seem to be curtailing overall production growth in the Northeast. Margins from producer to producer can vary based on individual farm business models and likely explain this.

Northeast vs. National Milk Production

Nationally, milk production began the year weaker than in the Northeast. Milk production in the top 23 states had year-over-year changes between -0.1 to 0.6 percent between January and April. New York production grew between 1.5 to 3.1 percent, Pennsylvania by zero to 1.6 percent, and Vermont by 1.9 to 2.6 percent, during the same time period (as is evident in the Northeast Order pool volumes). Some analysts predict stronger national milk production during the second half of the year due to higher milk prices and lower feed prices.

Stocks

Butter stocks in 2013 are strong and were higher to start the year than any year since 2003. American cheese stocks and total cheese stocks also are strong and above last year levels. April nonfat dry milk stocks were about 14 percent lower than April 2012.

Steady Demand

To gauge demand, both domestic and international trends have to be taken into account. Domestically, the United States economy continues to grow modestly in 2013. During the first quarter, the economy grew at a pace of 2.4 percent. Consumer spending rose at an annual rate of 3.4 percent in the first quarter.

The Conference Board Consumer Confidence Index, rose to 76.2 in May, its highest level since February 2008. The Confidence Index measures the level of optimism on the state of the economy that consumers are expressing through their activities of savings and spending. The Restaurant Performance Index hit a 10-month high in April at 101. This is the third time in the last four months the index topped 100, which signifies expansion in the industry. Restaurant demand is an important component of domestic demand for dairy products.

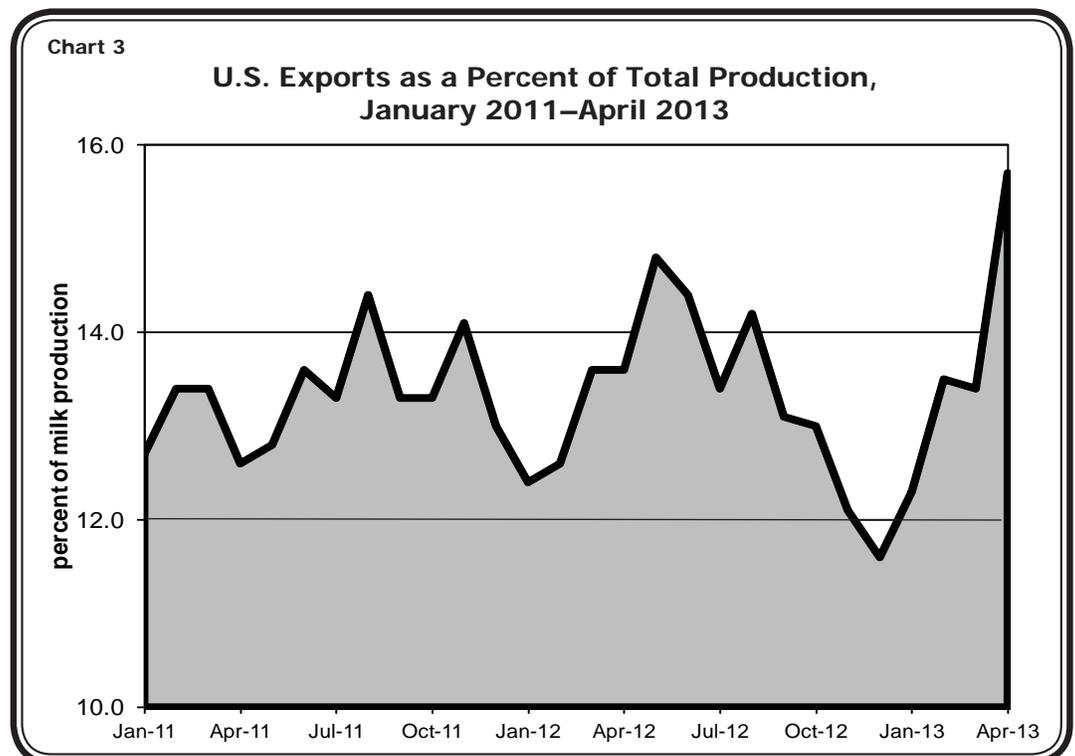
Overall, the domestic demand picture seems optimistic, but according to some analysts, could be tempered as the full impact of this year's tax increases and austerity budgets may not be felt until later this year and into 2014.

Record Exports

United States' exports reached record levels in April, supported by steady global demand for dairy products, supply challenges faced by other exporting regions, and favorable pricing relationships. The U.S. exported 15.7 percent (see Chart 3) of its dairy production on a total-solids basis. Exports were led by milk powder, as the U.S. exported 61 percent of all nonfat dry milk and skim milk powder production. Cheese exports also are steady at near-record levels. According to the U.S. Dairy Export Council, current and forecast conditions are favorable to U.S. suppliers as prices have returned to a favorable relationship with Oceania and European prices. A lack of alternative supplies in the months ahead should allow the U.S. to increase share versus global competitors.

In Summary

Steady moderate growth in the domestic economy and potentially very strong exports in the months ahead should soak up the expected stronger milk production and support a uniform price above \$20 per cwt for the remainder of 2013. Optimism should be guarded by always unpredictable weather-related shocks and the possible economic drag that may be posed by increased taxes and austerity budgets. ❖





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Computation of Producer Price Differential and Statistical Uniform Price*

	<u>Product Pounds</u>	<u>Price per cwt./lb.</u>	<u>Component Value</u>	<u>Total Value</u>
Class I— Skim	798,417,769	\$15.14	120,880,450.23	
Butterfat	14,963,168	1.8280	27,352,671.10	
Less: Location Adjustment to Handlers			(2,715,651.60)	\$145,517,469.70
Class II— Butterfat	31,907,118	1.7954	57,286,039.68	
Nonfat Solids	52,230,301	1.3989	73,064,968.09	130,351,007.77
Class III— Butterfat	23,100,808	1.7884	41,313,485.04	
Protein	16,180,045	3.3597	54,360,097.20	
Other Solids	30,668,143	0.3887	11,920,707.20	107,594,289.44
Class IV— Butterfat	14,218,385	1.7884	25,428,159.73	
Nonfat Solids	28,969,370	1.4549	42,147,536.39	67,575,696.12
Total Classified Value				\$451,038,463.03
Add: Overage—All Classes				217,335.51
Inventory Reclassification—All Classes				50,585.63
Other Source Receipts	569,160 Pounds			10,464.42
Total Pool Value				\$451,316,848.59
Less: Producer Component Valuations @ Class III Component Prices				(434,423,114.79)
Total PPD Value Before Adjustments				\$16,893,733.80
Add: Location Adjustment to Producers				11,891,071.30
One-half Unobligated Balance—Producer Settlement Fund				1,061,020.76
Less: Producer Settlement Fund—Reserve				(1,069,804.77)
Total Pool Milk & PPD Value	2,283,811,196 Producer pounds			\$28,776,021.09
Producer Price Differential		\$1.26		
Statistical Uniform Price		\$19.78		

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

The Market Administrator's

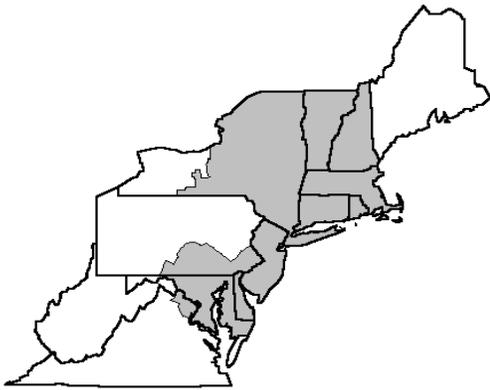
BULLETIN

NORTHEAST MARKETING AREA

Erik F. Rasmussen, Market Administrator

June 2013

Federal Order No. 1



To contact the Northeast Marketing Area offices:

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June Pool Price Calculation

The June 2013 statistical uniform price (SUP) for the Northeast Marketing Area was announced at \$20.20 per hundredweight for milk delivered to plants located in Suffolk County, Massachusetts (Boston), the pricing point for the Northeast Order. The statistical uniform price is calculated at 3.5 percent butterfat, 2.99 percent protein, and 5.69 percent other solids. If reported at the average tests of producer pooled milk, the SUP would be \$20.46 per hundredweight. The June statistical uniform price was 42 cents per hundredweight above the May price. The June producer price differential (PPD) at Suffolk County was \$2.18 per hundredweight, an increase of 92 cents per hundredweight from last month.

Product Prices Effect

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

More Records Set

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

Pool Summary

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

Class Utilization

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

Producer Component Prices

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

Class Price Factors

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

Mailbox Price — What's the Difference?

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

Table 1

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

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

Table 2

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

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

Regional Differences

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

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

Gross Value

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

Table 3

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

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

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

(continued on page 3)

Table 4

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

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

Mailbox Price *(continued from page 2)*

Marketings by Differential Zone

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

Premiums and Hauling Costs

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

Dairy Month Highlights

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

Northeast Order, Selected Statistics, June, 2000 vs 2013

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

Includes organic milk.

* Includes eggnog.

^ Does not include ricotta.

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

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

Price at designated order location.

* Price at 3.5% butterfat.

N/A = Not applicable.

^ Adjusted for leap year.



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Computation of Producer Price Differential and Statistical Uniform Price*

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

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

The Market Administrator's

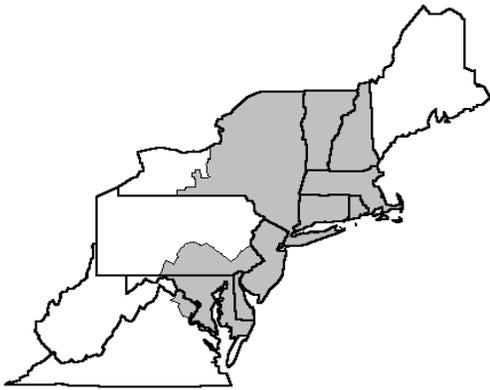
BULLETIN

NORTHEAST MARKETING AREA

Erik F. Rasmussen, Market Administrator

July 2013

Federal Order No. 1



To contact the Northeast Marketing Area offices:

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July Pool Price Calculation

The July 2013 statistical uniform price (SUP) for the Northeast Marketing Area was announced at \$20.18 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 \$20.21 per hundredweight. There was little difference in the price at 3.5 percent versus the price at average pool tests due to the much lower component tests reported this month, which is typical in the summer. The July statistical uniform price was only 2 cents per hundredweight below the June price. The July producer price differential (PPD) at Suffolk County was \$2.80 per hundredweight, an increase of 62 cents per hundredweight from last month.

Product Prices Effect

During July, product prices for butter and cheese declined, while nonfat dry milk and dry whey rose. As reported on the National Dairy Product Sales Report, both butter and cheese dropped about 7 cents per pound. This resulted in the butterfat component price decreasing about 9 cents and the protein component price dropping nearly 12 cents per pound. The Class III price dropped 64 cents per hundredweight largely due to the lower cheese price and became the lowest of the class prices for the month. The Class I price was 2 cents lower than June; the Class II price increased 8 cents; and the Class IV price rose a slight 2 cents per hundredweight. With the prices for three out of the four classes nearly mirroring last month, the statistical uniform price was relatively unchanged. The spread between the higher class prices (I and II) versus the lower (mainly III) resulted in a higher PPD value.

Volume Changes

After two record-setting months, total pooled milk receipts declined, but were the third largest ever for the month of July. Contacts indicated extreme heat in the middle of the month caused production to plummet. Class I volume was higher than in June, but the lowest for July ever and the second lowest ever for the Order since its inception. The volume of milk used in Class II was slightly higher than last year, but set a new record as the highest for the month July. ❖

Pool Summary

- A total of 12,401 producers were pooled under the Order with an average daily delivery per producer of 5,503 pounds.
- Pooled milk receipts totaled 2.115 billion pounds, a decrease of 4.6 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 35.5 percent of total milk receipts, an increase of 1.8 percentage points from June.
- The average butterfat test of producer receipts was 3.60 percent.
- The average true protein test of producer receipts was 2.95 percent.
- The average other solids test of producer receipts was 5.72 percent. ❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	35.5	751,278,030
Class II	27.4	579,811,187
Class III	26.8	565,759,062
Class IV	10.3	218,590,463
Total Pooled Milk		2,115,438,742

Producer Component Prices

	2013	2012
	\$/lb	
Protein Price	3.2257	3.0430
Butterfat Price	1.5693	1.6556
Other Solids Price	0.3927	0.3123

Class Price Factors

	2013	2012
	\$/cwt	
Class I	22.16	18.76
Class II	19.22	14.51
Class III	17.38	16.68
Class IV	18.90	14.45

Pooled Milk vs. Milk Production

During the first 6 months of 2013, total pooled milk receipts on the Northeast Order rose 4.7 percent from the same period in 2012. Comparatively, milk production in the Northeast states has risen only 1.7 percent. All data has been adjusted for leap year in 2012.

National Production

The accompanying map shows year-to-year changes in milk production for the first 6 months of 2013 compared to the same months in 2012 for selected states. Overall, U.S. milk production is up only 0.5 percent for the period. The top 23 states (as reported by the National Agricultural Statistics Service) in total report an increase of 0.6 percent, while the top 10 states only report total growth of 0.3 percent. Of the top producing states, only Wisconsin, New York, and Michigan have had growth above 2.0 percent. Some of the largest producing states have had declines in production such as California, New Mexico, and Texas. Idaho, which has experienced considerable growth nearly every year since 2000, reported only a slight increase.

Pooled Receipts

Pooled milk on the Order has shown an increase over the same month from the prior year every month since October 2012. Pooling does not necessarily reflect production as movements on and off the Order occur. Total combined production in the Northeast region's

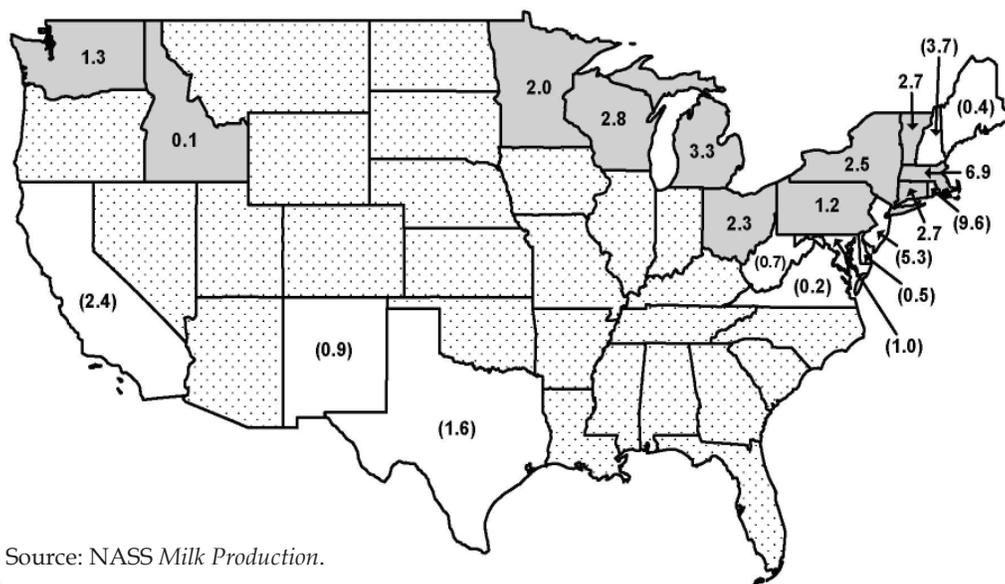
Shipping Percentages Changed for Fall Months

In June, the Market Administrator received a request from a pool handler to lower 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. It was requested that the shipping percentages specified in Section 1001.7 (c) (2) be lowered from 20 to 15 percent for the months listed.

Cited in the request were declining Class I sales, a decline in the number of Class I customers seeking to purchase milk for Class I usage, and the higher percentage causing uneconomical movements of milk that were not needed at Class I plants.

Following receipt of the request, the Market

January–June 2013 Milk Production in Selected States
(Year-to-Year Percent Change)



Market Situation

The July northeast uniform price remained almost identical to the June price, remaining above \$20.00 per hundredweight (cwt). Based on August 13, 2012, Chicago Mercantile Exchange (CME) futures prices for Class III and Class IV milk, the Northeast uniform price projects to average \$20.51 for the remainder of 2013 at the Boston, MA, zone, and \$0.38 per cwt higher than the same period last year. Actual and projected uniform prices compute to an annual average of \$20.06 per cwt for 2013. Actual and projected prices for April through December 2013 are shown in the accompanying table.

Commodity Prices

CME prices on August 13 for Cheddar blocks closed at \$1.7700 per pound; butter closed at \$1.3975 per pound. Nonfat Dry Milk Grade A and Extra Grade closed at \$1.7950 and \$1.7500 per pound, respectively. CME futures prices tail off roughly 10 cents from current levels to the end of the year for cheese and nonfat dry milk. Butter futures gain about 10 cents over the same period. Historically, dairy product prices used in federal order formulas track fairly closely to CME prices, though lagged. These levels of CME prices would imply fairly stable class and uniform prices just above July through the remainder of the year.

Feed Prices & MILC

The uniform price is projected to average the year as the second highest ever for the Northeast Order. With Class I prices well above the \$16.94 per cwt threshold for Milk Income Loss Contract Program (MILC) payments, it

is the feed adjustment in the calculation that has resulted in MILC payments for every month since January 2013. In fact, the feed-adjusted trigger price has been above \$20.00 per cwt since April 2011. During that run, the corn price averaged \$6.60 per bushel, the soybean price averaged \$13.65 per bushel, and alfalfa hay averaged \$203 per ton.

Looking ahead, feed prices are projecting to ease at least through the end of the year. CME Corn futures on August 13, 2013, average \$4.52 per bushel from September through December, with December prices 36 percent below June. Soybean futures average \$12.39 for the same period, finishing the year 18.5 percent below June.

Milk and feed prices would indicate that a final MILC payment can be expected for July of an estimated \$0.08 per cwt. At this time, the status of the MILC program after September 2013 is unknown as farm bill negotiations continue. Including actual and projected uniform prices and MILC payments, producers may average \$20.32 per cwt for their milk for the year.

Some Uncertainty in the Mix

USDA's August *Crop Production and World Agricultural Supply and Demand Estimate* reports included corn and soybean production estimates lower than expected. Though the estimated corn crop of 13.763 billion bushels would still set a record high, some analysts believe the corn price could trend to around \$5.00 per bushel.

If milk prices hold and feed prices decline, producers can expect improved margins. With improved margins may come increased milk production. ❖

Estimated Prices, 2013 (Actual in Bold)

	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual Average
CBOT Futures-based Estimate (August 13 data)										
Corn (per bushel)	\$6.97	\$6.97	\$6.97	\$6.83	\$5.69	\$4.55	\$4.53	\$4.50	\$4.47	\$6.05
Soybean (per bushel)	\$14.40	\$14.90	\$15.10	\$15.40	\$13.59	\$12.57	\$12.42	\$12.27	\$12.30	\$13.87
Alfalfa hay (per ton)	\$215	\$221	\$220	\$209	\$205	\$202	\$200	\$200	\$200	\$211
Feed-adjusted MILC Trigger Price (\$/cwt)	\$22.46	\$22.66	\$22.67	\$22.34	\$20.93	\$19.65	\$19.56	\$19.52	\$19.50	\$21.43
CME Futures-based Estimates (August 13 data)										
Class I (\$/cwt) (Boston zone)	20.91	21.01	22.18	22.16	22.13	22.40	22.65	22.75	22.25	\$21.93
Uniform Price (\$/cwt) (Boston zone)	19.50	19.78	20.20	20.18	20.50	20.68	20.87	20.60	19.90	\$20.06
PPD (\$/cwt) (Boston zone)	1.91	1.26	2.18	2.80	2.39	2.73	2.99	3.21	2.96	\$2.38
Value Added from Feed Adjustor* (\$/cwt)	\$0.70	\$0.74	\$0.22	\$0.08	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.26
Total MILC Payment (\$/cwt)	\$0.70	\$0.74	\$0.22	\$0.08	\$0.00	\$0.00	N/A	N/A	N/A	\$0.26
Uniform Price + MILC (\$/cwt) Boston zone)	\$20.20	\$20.52	\$20.42	\$20.26	\$20.50	\$20.68	\$20.87	\$20.60	\$19.90	\$20.32
Class II (\$/cwt)	18.73	18.43	19.14	19.22	19.85	20.10	20.20	19.70	19.00	\$19.16
Class III (\$/cwt)	17.59	18.52	18.02	17.38	18.11	17.95	17.88	17.39	16.94	\$17.68
Class IV (\$/cwt)	18.10	18.89	18.88	18.90	19.15	19.40	19.50	19.00	18.30	\$18.60

Note: Corn & soybean prices based on CBOT prices as settled on day indicated. Months in between contract months are extrapolated from surrounding months assuming directional trend. CBOT Contract months shown in orange. Class I price is estimated using a higher of CME Class III and Class IV futures prices as settled on the day indicated. Uniform price estimates based on utilizations predicted as of November 2012. All prices are per hundredweight except where indicated otherwise.

* Difference in value from the MILC program with vs. without the feed cost adjustor. ((Feed-adjusted MILC Trigger Price minus \$16.94)* 45 percent) when the Class I prices is under \$16.94.

N/A = not applicable—continuation of program uncertain.



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Computation of Producer Price Differential and Statistical Uniform Price*

	<u>Product Pounds</u>	<u>Price per cwt./lb.</u>	<u>Component Value</u>	<u>Total Value</u>
Class I— Skim	736,536,572	\$16.75	123,369,875.81	
Butterfat	14,741,458	1.7128	25,249,169.26	
Less: Location Adjustment to Handlers			(2,502,520.25)	\$146,116,525.01
Class II— Butterfat	30,343,286	1.5763	47,830,121.68	
Nonfat Solids	49,445,366	1.5778	78,014,898.47	125,845,020.15
Class III— Butterfat	21,966,350	1.5693	34,471,793.05	
Protein	16,722,550	3.2257	53,941,929.53	
Other Solids	32,268,688	0.3927	12,671,913.81	101,085,636.39
Class IV— Butterfat	9,062,853	1.5693	14,222,335.21	
Nonfat Solids	18,832,154	1.5438	29,073,079.37	43,295,414.58
Total Classified Value				\$416,342,596.13
Add: Overage—All Classes				64,208.07
Inventory Reclassification—All Classes				(207,630.06)
Other Source Receipts	492,321 Pounds			19,388.41
Total Pool Value				\$416,218,562.55
Less: Producer Component Valuations @ Class III Component Prices				(368,339,702.57)
Total PPD Value Before Adjustments				\$47,878,859.98
Add: Location Adjustment to Producers				11,233,619.98
One-half Unobligated Balance—Producer Settlement Fund				1,050,784.70
Less: Producer Settlement Fund—Reserve				(917,194.97)
Total Pool Milk & PPD Value	2,115,931,063 Producer pounds			\$59,246,069.69
Producer Price Differential		\$2.80		
Statistical Uniform Price		\$20.18		

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

The Market Administrator's

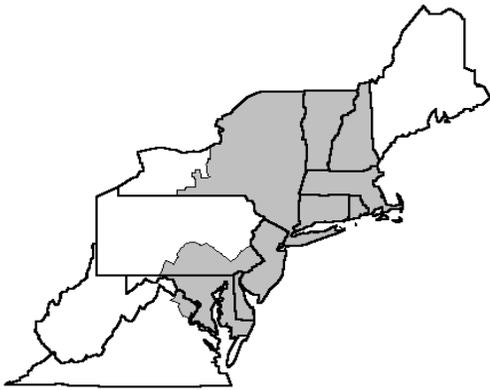
BULLETIN

NORTHEAST MARKETING AREA

Erik F. Rasmussen, Market Administrator

August 2013

Federal Order No. 1



To contact the Northeast Marketing Area offices:

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August Pool Price Calculation

The August 2013 statistical uniform price (SUP) for the Northeast Marketing Area was announced at \$20.28 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 \$20.60 per cwt. The August statistical uniform price was 10 cents per cwt above the July price. The August producer price differential (PPD) at Suffolk County was \$2.37 per cwt, a decrease of 43 cents per cwt from last month.

Product Prices Effect

During August, product prices for butter and dry whey declined, while nonfat dry milk and cheese rose. As reported on the National Dairy Product Sales Report, butter dropped about 5 cents per pound, while nonfat dry milk increased about 4 cents and cheese rose nearly 6 cents per pound. This resulted in the butterfat component price decreasing about 6 cents, but the protein component price jumping over 25 cents per pound. Both Class I and II prices were nearly unchanged from July; the Class IV price increased 17 cents per cwt. The Class III price rose the most, 53 cents per cwt, but was still the lowest of the class prices. Similar to last month, with little change in the prices for three out of the four classes, the statistical uniform price grew slightly. The spread between the higher class prices (I and II) versus the lower (mainly III) tightened, resulting in a lower PPD value. For the third month in a row, the uniform price was over \$20.00 per cwt.

Volume and Test Records Set

Total pooled milk receipts set a record as the highest ever for the month of August, as were daily deliveries per producer. Class I volume was the lowest ever for the month of August. For the first time since June 2009, the volume of milk used in Class II was less than the same month of the previous year, but it was still the second highest volume ever for the month of August. The Class IV volume also was the second highest for the month August.

The producer butterfat test set a record high for the month of August; the protein test tied with 2008's record for August. ❖

Pool Summary

- A total of 12,367 producers were pooled under the Order with an average daily delivery per producer of 5,558 pounds.
- Pooled milk receipts totaled 2.131 billion pounds, an increase of 0.7 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 36.9 percent of total milk receipts, an increase of 1.4 percentage points from July.
- The average butterfat test of producer receipts was 3.65 percent.
- The average true protein test of producer receipts was 3.01 percent.
- The average other solids test of producer receipts was 5.72 percent. ❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	36.9	786,016,780
Class II	27.7	589,945,869
Class III	25.9	551,689,909
Class IV	9.5	203,130,168
Total Pooled Milk		2,130,782,726

Producer Component Prices

	2013	2012
	\$/lb	
Protein Price	3.4775	3.1211
Butterfat Price	1.5104	1.8339
Other Solids Price	0.3901	0.3462

Class Price Factors

	2013	2012
	\$/cwt	
Class I	22.13	19.80
Class II	19.27	15.64
Class III	17.91	17.73
Class IV	19.07	15.76

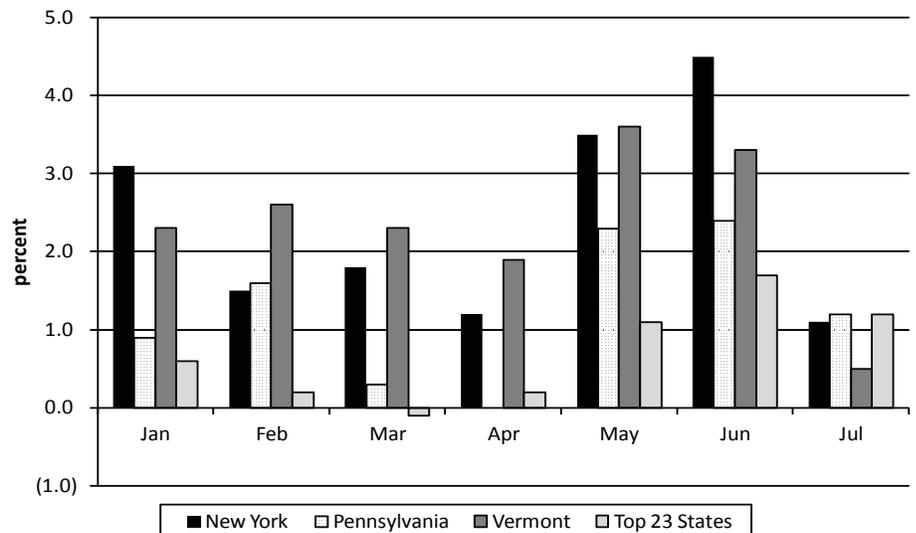
Northeast Production and Utilization

Milk production has been strong in the Northeast and relative to other parts of the country during 2013. The accompanying chart shows year-over-year milk production in New York, Pennsylvania, Vermont, and the top-23 milk producing states (as reported by the National Agricultural Statistics Service) for months in 2013 through July. In all but the month of July, New York and Vermont growth outpaced the top-23 state average. In July, New York growth was a percentage point lower than the top-23 state average. Year-over-year growth in the Northeast was impacted somewhat by hot, humid weather that occurred during July, and may partly explain why the region's milk production gains are more closely in line with the top-23 state average.

Northeast Order Volume

The Northeast Order pooled the largest volume of milk (2.131 billion pounds) ever for the month of August. Total Northeast pooled volumes also had set all time highs in May and June 2013. The same heat and humidity referred to earlier also may have been a factor in July total Order volume falling to a third place ranking for that month. With total receipts returning to setting a new high for the month in August, it would not be surprising to see year-over-year milk production increases for August above July levels when those data are released. However, pooled milk does not necessarily reflect production as movement of milk on and off the Order can occur due to economic reasons.

Milk Production 2013
Year-Over-Year Percent Change



Source: NASS Milk Production.

The Milk is Flowing; Where's it Going?

Both milk production and Northeast Order volume data indicate that there is a lot of milk in the Northeast. Increased plant capacity in the region, most notably related to the growing Greek-style yogurt industry, and more favorable margins are likely factors in the supply response.

Class I

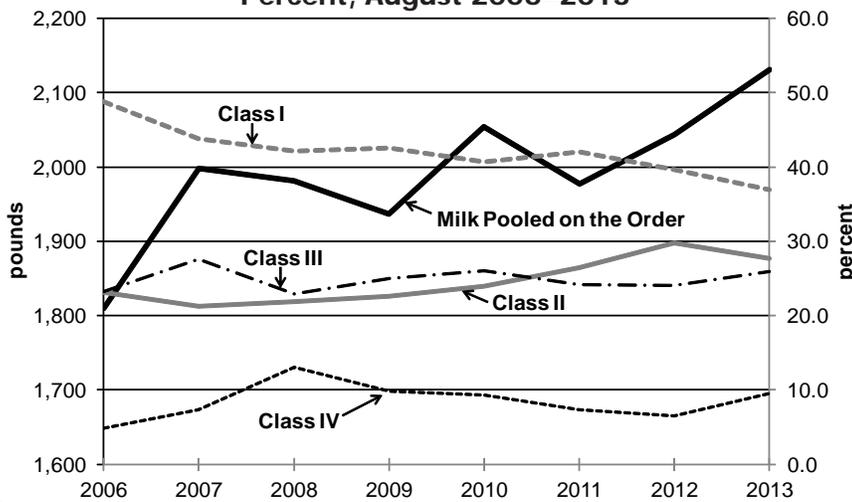
Class I utilization set a new low for the month of August (786 million pounds), by about 24 million pounds. This follows an all time record-low (751.3 million pounds) set the previous month. September Class I utilization has averaged 23 million pounds higher than August. This would indicate that September Class I utilization may top last September's current low of 795 million pounds, but still remain second lowest for September.

Class II, III, and IV

Class II utilization, the associated class of milk used in yogurt, indeed has been strong and setting records. However, for only the second time in 50 months, Class II utilization in August did not establish a new record-high for the particular month. At 27.7 percent, it did reach the highest utilization percentage so far this year.

At 551.7 million pounds, Class III usage fell short of the highest volume since 2002 for August by just 0.2 million pounds. For (continued on page 3)

Total Northeast Order Volume and Class Utilization
Percent, August 2006–2013



Northeast Production *(continued from page 2)*

the second August ever, Class IV pounds exceeded the 200 million pounds mark, hitting 203.1 million pounds for the month.

At a glance, Northeast Order pooled milk set an August record-high, which is resulting in the second highest Class II and Class IV volumes and very strong Class III volume, while Class I usage continues to establish new lows.

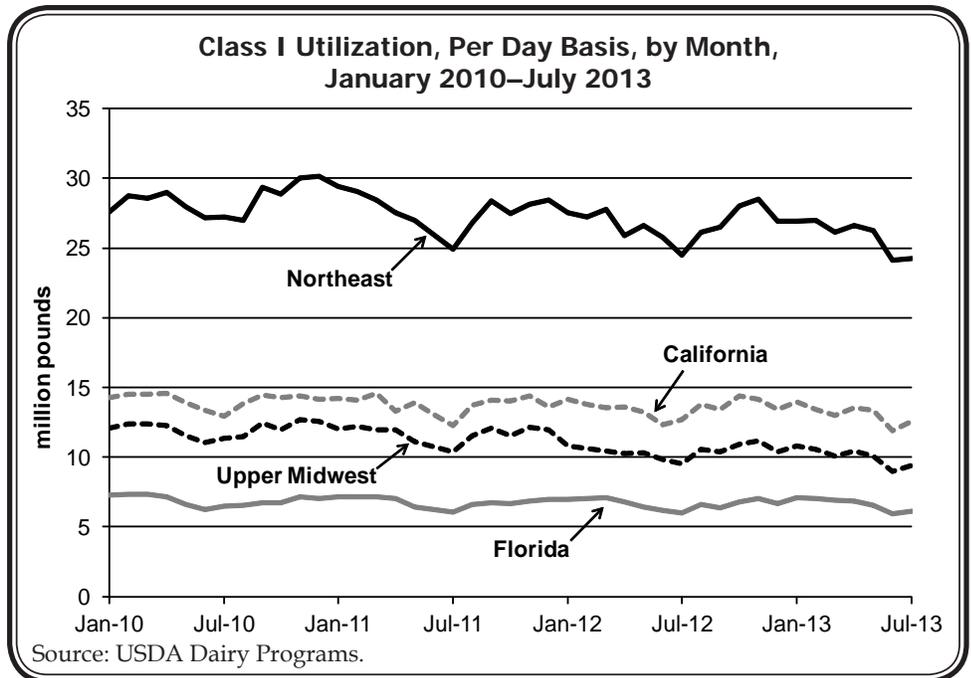
Looking Ahead, High Volumes to Continue?

According to the World Agricultural Supply and Demand Estimates report, USDA anticipates record-high levels of U.S. milk production for both 2013 and 2014. Such an outlook would imply that at this time, conditions with respect to margins and feed are not expected to change to any sustained degree that would indicate a curtailing of strong production, at least nationally. ❖

Class I Utilization and Sales Continue Downward Trend

It has been mentioned frequently that Class I utilization continues to decline, and not just in the Northeast, but in all federal orders combined. The accompanying chart shows Class I Utilization, on a per day basis from January 2010-July 2013 for the Northeast, Florida, and Upper Midwest Federal Orders, and the California State Order. The Upper Midwest and Florida Orders are shown as representative of orders with low and high Class I utilization percentages, respectively. The California Order is shown as evidence that declining Class I utilization is not isolated to federal orders.

Class I utilization varies throughout the year, with the summer months typically being the lowest when schools are not in session. Even though the chart shows peaks and troughs for all orders, the overall trend shows a decline, which appears to be more dramatic since 2011, especially in the Northeast Order. Comparing Class I from January through July since 2011, the average decline in all federal orders combined averaged 1.5 percent; in the Northeast, the decline was 2.6 percent. As also has



been stated frequently, Class II utilization has increased significantly in the Northeast, showing an average increase of 9.4 percent during the same time period.

Packaged Sales

Related to, but not necessarily equal to Class I utilization, sales of packaged fluid milk products in the Northeast Marketing Area as reported by pool handlers regulated under the Order also have continued to decline. Most recent data through August 2013 show a decline of 2.8 percent from the same period in 2012 (adjusted for leap year); when compared to 2011, the drop is 5.5 percent (see table). The only category to show an increase is organic whole milk, which only accounts for 1.3 percent of all sales in the marketing area.

Nationally, estimated sales through June (most recent data available) report a decline of 2.2 percent from the same period in 2012. US sales show increases in organic whole and reduced fat products, and flavored milk products; similar to the Northeast, all other categories report declines. ❖

Sales of Fluid Milk Products in the Northeast Milk Marketing Area, January–August 2013

Product	Total Sales	Change from:	
	Northeast million pounds	2012* percent	2011 percent
Whole Milk	1,686	(1.3)	(4.3)
Organic Whole Milk	69	5.7	2.1
Reduced Fat Milk	1,237	(1.2)	(3.1)
Low Fat Milk	1,041	(3.8)	(5.0)
Fat-Free Milk	816	(7.4)	(12.5)
Flavored Milk and Drinks	287	(2.6)	(2.0)
Organic Whole and Fat-Reduced	157	(2.7)	(10.1)
Buttermilk, eggnog, other	17	(4.2)	(12.5)
Total	5,310	(2.8)	(5.5)

*Adjusted for leap year.



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Computation of Producer Price Differential and Statistical Uniform Price*

	<u>Product Pounds</u>	<u>Price per cwt./lb.</u>	<u>Component Value</u>	<u>Total Value</u>
Class I— Skim	770,738,925	\$17.02	131,179,765.04	
Butterfat	15,277,855	1.6294	24,893,736.94	
Less: Location Adjustment to Handlers			(2,651,910.86)	\$153,421,591.10
Class II— Butterfat	31,101,251	1.5174	47,193,038.25	
Nonfat Solids	50,704,868	1.6078	81,523,286.75	128,716,325.00
Class III— Butterfat	23,201,956	1.5104	35,044,234.29	
Protein	16,598,580	3.4775	57,721,562.01	
Other Solids	31,416,672	0.3901	12,255,643.74	105,021,440.04
Class IV— Butterfat	8,261,228	1.5104	12,477,758.77	
Nonfat Solids	17,643,540	1.5868	27,996,769.28	40,474,528.05
Total Classified Value				\$427,633,884.19
Add: Overage—All Classes				31,480.38
Inventory Reclassification—All Classes				(138,997.31)
Other Source Receipts	312,801 Pounds			11,511.22
Total Pool Value				\$427,537,878.48
Less: Producer Component Valuations @ Class III Component Prices				(388,542,305.65)
Total PPD Value Before Adjustments				\$38,995,572.83
Add: Location Adjustment to Producers				11,408,653.74
One-half Unobligated Balance—Producer Settlement Fund				1,030,066.60
Less: Producer Settlement Fund—Reserve				(927,329.17)
Total Pool Milk & PPD Value	2,131,095,527 Producer pounds			\$50,506,964.00
Producer Price Differential		\$2.37		
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

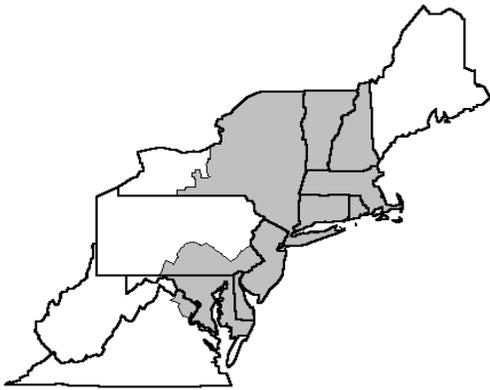
BULLETIN

NORTHEAST MARKETING AREA

Erik F. Rasmussen, Market Administrator

September 2013

Federal Order No. 1



To contact the Northeast Marketing Area offices:

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September Pool Price Calculation

The September 2013 statistical uniform price (SUP) for the Northeast Marketing Area was announced at \$20.58 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 \$21.22 per hundredweight. The September statistical uniform price was 30 cents per hundredweight above the August price. The September producer price differential (PPD) at Suffolk County was \$2.44 per hundredweight, an increase of 7 cents per hundredweight from last month.

Product Prices Effect

During September, all prices for products used in calculating component prices rose. As a result, all component and class prices increased. Of the component prices, protein had the largest per pound increase (6 cents) but combined with the increase in butterfat, translated to a 23-cent per hundredweight increase in the Class III price, the smallest of the class price increases. The Class III price remained the lowest of the class prices. Class I grew 28 cents per hundredweight from August while the Class IV price rose 36 cents. The largest increase was in the Class II price; it jumped 51 cents per hundredweight from August.

The higher class prices contributed to the increase in the statistical uniform price and with the relationship between classes remaining similar to last month, the PPD value rose slightly. This is the fourth month in a row that the uniform price was over \$20.00 per hundredweight.

Volume and Test Records Set

Similar to last month, September total pooled milk receipts and daily deliveries per producer set a record as the highest ever for the month. Class I volume was the lowest ever for the month of September. The volume of milk used in Class II was less than the same month of the previous year, but it was still the second highest volume ever for the month of September.

The producer butterfat test set a record high for the month of September, averaging .04 points higher than the previous record; the protein test tied with 2009's record for September. ❖

Pool Summary

- A total of 12,366 producers were pooled under the Order with an average daily delivery per producer of 5,385 pounds.
- Pooled milk receipts totaled 1.998 billion pounds, a decrease of 3.1 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 38.9 percent of total milk receipts, an increase of 2.0 percentage points from August.
- The average butterfat test of producer receipts was 3.73 percent.
- The average true protein test of producer receipts was 3.07 percent.
- The average other solids test of producer receipts was 5.71 percent. ❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	38.9	776,354,050
Class II	28.2	563,383,108
Class III	26.8	535,131,206
Class IV	6.1	122,845,345
Total Pooled Milk		1,997,713,709

Producer Component Prices

	2013	2012
	\$/lb	
Protein Price	3.5419	3.2521
Butterfat Price	1.5196	2.0047
Other Solids Price	0.3914	0.3971

Class Price Factors

	2013	2012
	\$/cwt	
Class I	22.41	20.84
Class II	19.78	17.04
Class III	18.14	19.00
Class IV	19.43	17.41

Higher Component Tests Enhance Value of Strong Component Prices

During September, the average producer butterfat test (3.73 percent) exceeded the previous record high by .04 percentage points. The average producer true protein test (3.07 percent) tied a record high for September. The average producer other solids test (5.71 percent) did not reach record levels, but was fourth highest since the Northeast Order was established in 2000. These results are typical of a continued trend that has seen average component tests increasing over time, often setting new record highs along the way. Charting these tests for the month of September, from 2000 through 2013, shows that these records are not the result of a random spike, but a steady increase over time (see Chart 1).

By contrast, component prices look much more variable, though each price series also trends upward since 2000 (see Chart 2). The protein price in September was the second highest for the month since 2000, and the other solids price was the third highest for the month. The butterfat prices rank about in the middle.

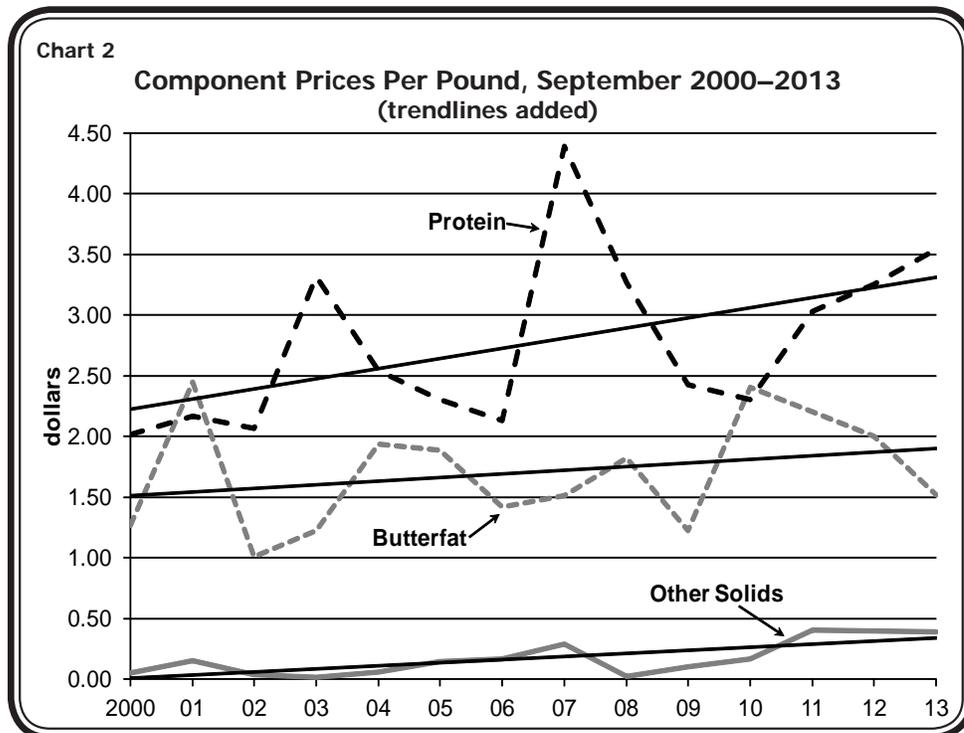
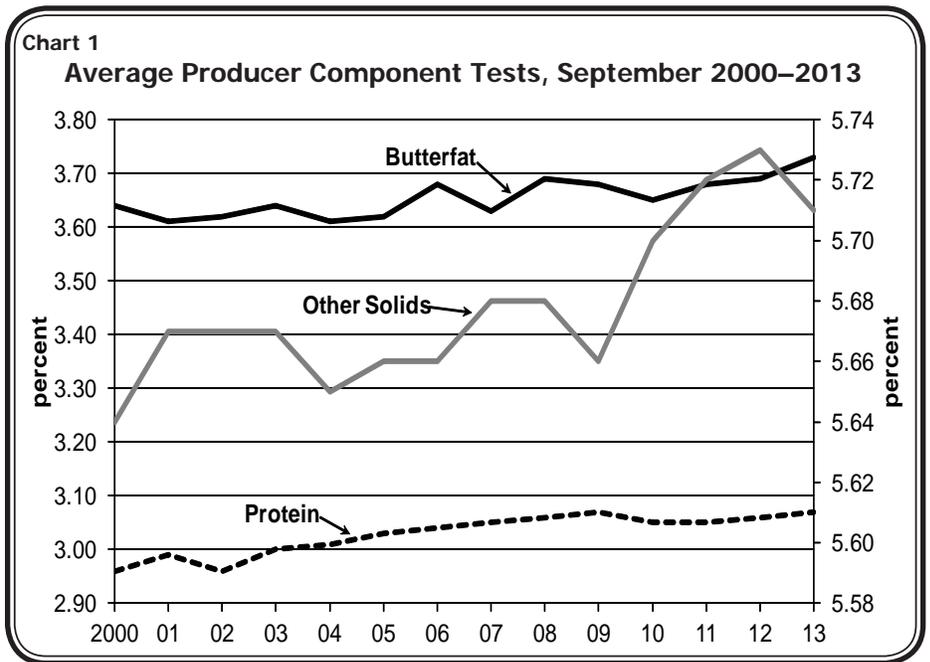
How are Higher Tests Benefiting Bottom Line?

Strong component prices enhance producer revenue, referred to here as gross value, and so it follows that producing higher components must magnify the price effect. Gross value refers to the total dollars a farm

generates from the component pounds multiplied by the corresponding component price plus the producer price differential (PPD) multiplied by the total pounds. We want to measure how much of the increase in gross value is attributable to just the increased component tests. This can be done using a method called standardization, which allows us to see how much of the increase in total gross value from an earlier date, September 2000, to the current period, September 2013, is attributable to higher test levels. Simply stated, standardization is holding some factors (prices) constant while letting another

factor(s) (components) change, letting you see the impact one factor is having on a changing variable (gross value). The accompanying table shows components, component prices, and PPD for September 2013 and 2000 and calculates gross value for a hypothetical 100,000 pound a month producer. The same table then calculates a gross value with all prices and PPD held constant at the 2013 level, while the component test averages used are from September 2000. The difference between the resulting values show the extra value producers receive as a result of producing higher levels of components (measured at current price levels). For the purpose of this analysis, the PPD was held constant for simplicity, and any impact on component prices that

(continued on page 3)



Higher Component Tests Enhance *(continued from page 2)*

lower production of components may have had are ignored.

The results indicate that at current price levels, a 100,000 pounds a month producer would receive \$554 more gross value for the month (or \$0.55 per hundredweight) than if component levels had not increased from their 2000 levels. Of this, 70 percent (or \$390) is attributable to the higher protein test, \$137 from a higher butterfat test, and about \$27 more for other solids. It should be noted that these data only reflect minimum price impacts and that the market may pay premiums for higher components as well.

Contribution by Component

Also shown in the table is the contribution percent by component to the total value received by producers. For September 2013, producers received, on average, over 51 percent of their value from the protein they produced, almost double the value from butterfat and five times the value from either other solids or PPD. In September 2000, protein and butterfat contributed 45 percent and 35 percent, respectively, to the total gross value received.

The relative levels of prices for components do change over time. Business practices on the farm that can be responsive to these changing price relationships and levels can impact profitability. ❖

September 2013 Component Tests and Prices

	Test	Price	Gross	Contribution
	percent	per pound	dollars	percent
Butterfat	3.73	1.5196	5,668.11	26.7%
True Protein	3.07	3.5419	10,873.63	51.3%
Other Solids	5.71	0.3914	2,234.89	10.5%
PPD		2.44	2,440.00	11.5%
Gross Payment*			21,216.64	
Gross Price per cwt			21.22	

September 2013 Prices with September 2000 Tests

	Test	Price	Gross	Contribution
	percent	per pound	dollars	percent
Butterfat	3.64	1.5196	5,531.34	26.8%
True Protein	2.96	3.5419	10,484.02	50.7%
Other Solids	5.64	0.3914	2,207.50	10.7%
PPD		2.44	2,440.00	11.8%
Gross Payment*			20,662.86	
Gross Price per cwt			20.66	

Differences

	Gross dollars
Benefit from Higher BF test	136.76
Benefit from Higher Protein test	389.61
Benefit from Higher Other Solids test	27.398
Difference in Gross Total Gross Value*	\$553.77
Difference per cwt	\$0.55

* Totals may not add due to rounding.

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

Federal Order Number	Federal Order Name	Total Producer Milk			Producer Price Differential#		Statistical Uniform Price#*	
		2012	2013	Change^	2012	2013	2012	2013
		pounds			dollars per hundredweight			
1	Northeast	18,514,220,269	19,237,138,240	4.3	1.3	2.1	17.86	19.89
5	Appalachian	4,437,344,529	4,346,497,769	(1.7)	N/A	N/A	18.82	20.92
6	Florida	2,151,617,668	2,112,926,573	(1.4)	N/A	N/A	21.04	23.10
7	Southeast	5,181,374,897	4,700,821,221	(8.9)	N/A	N/A	19.19	21.30
30	Upper Midwest	23,609,437,191	25,877,733,689	10.0	0.1	0.3	16.67	18.05
32	Central	10,659,283,909	11,397,576,782	7.3	0.1	0.8	16.64	18.54
33	Mideast	12,837,753,038	12,800,288,312	0.1	0.3	1.1	16.85	18.88
124	Pacific Northwest	5,191,346,970	6,245,455,255	20.7	(0.1)	0.8	16.45	18.53
126	Southwest	7,735,928,218	9,827,855,115	27.5	1.1	1.6	17.65	19.36
131	Arizona	3,479,284,383	3,488,424,233	0.6	N/A	N/A	16.76	19.00
All Market Total/Average		93,797,591,072	100,034,717,189	7.0	0.5	1.1	17.79	19.76

Price at designated order location.

* Price at 3.5% butterfat.

N/A = Not applicable.

^ Adjusted for leap year.



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Computation of Producer Price Differential and Statistical Uniform Price*

	<u>Product Pounds</u>	<u>Price per cwt./lb.</u>	<u>Component Value</u>	<u>Total Value</u>
Class I— Skim	761,522,297	\$17.51	133,342,554.20	
Butterfat	14,831,753	1.5745	23,352,595.10	
Less: Location Adjustment to Handlers			(2,598,973.49)	\$154,096,175.78
Class II— Butterfat	29,079,758	1.5266	44,393,158.61	
Nonfat Solids	48,842,681	1.6622	81,186,304.36	125,579,462.97
Class III— Butterfat	22,617,225	1.5196	34,369,135.09	
Protein	16,448,554	3.5419	58,259,133.43	
Other Solids	30,473,061	0.3914	11,927,156.06	104,555,424.58
Class IV— Butterfat	7,950,225	1.5196	12,081,161.90	
Nonfat Solids	10,475,524	1.6243	17,015,393.62	29,096,555.52
Total Classified Value				\$413,327,618.85
Add: Overage—All Classes				40,884.84
Inventory Reclassification—All Classes				(13,350.56)
Other Source Receipts	999,696 Pounds			38,390.61
Total Pool Value				\$413,393,543.74
Less: Producer Component Valuations @ Class III Component Prices				(375,231,003.70)
Total PPD Value Before Adjustments				\$38,162,540.04
Add: Location Adjustment to Producers				10,523,828.86
One-half Unobligated Balance—Producer Settlement Fund				935,454.41
Less: Producer Settlement Fund—Reserve				(853,216.17)
Total Pool Milk & PPD Value	1,998,713,405 Producer pounds			\$48,768,607.14
Producer Price Differential		\$2.44		
Statistical Uniform Price		\$20.58		

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

The Market Administrator's

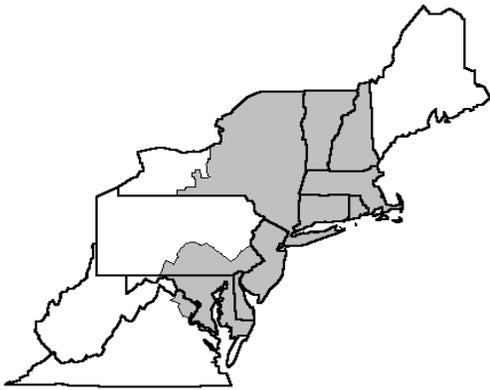
BULLETIN

NORTHEAST MARKETING AREA

Erik F. Rasmussen, Market Administrator

October 2013

Federal Order No. 1



To contact the Northeast Marketing Area offices:

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October Pool Price Calculation

The October 2013 statistical uniform price (SUP) for the Northeast Marketing Area was announced at \$20.88 per hundredweight for milk delivered to plants located in Suffolk County, Massachusetts (Boston), the pricing point for the Northeast Order. The statistical uniform price is calculated at 3.5 percent butterfat, 2.99 percent protein, and 5.69 percent other solids. If reported at the average tests of producer pooled milk, the SUP would be \$21.92 per hundredweight. The October statistical uniform price was 30 cents per hundredweight above the September price. The October producer price differential (PPD) at Suffolk County was \$2.66 per hundredweight, an increase of 22 cents per hundredweight from last month.

Product Prices Effect

During October, all prices for products used in calculating component prices rose except dry whey, which declined slightly. The component prices for butterfat and nonfat solids rose, while prices for protein and other solids decreased.

All class prices increased from the previous month: Classes I and III increased slightly, while Classes II and IV jumped 74 and 78 cents per hundredweight, respectively. The Class III price remained the lowest of the class prices; the other class prices were all over \$20.00 per hundredweight. The increases in the Classes II and IV prices, combined with the small change in the Class III price, resulted in the increase in the PPD. For the fifth month in a row, the uniform price averaged greater than \$20.00 per hundredweight. In addition, it was the second highest uniform price ever reported for the month of October.

Records Set

Total pooled milk receipts were the highest ever for the month of October while the number of producers was the smallest reported since the Order's inception. Daily deliveries per producer set a record as the highest ever for the month. Class I volume was the lowest ever for the month of October. The volume of milk used in Class II was less than the same month of the previous year, but it was the second highest volume ever for the month of October. The producer butterfat test set a record high for the month of October. ❖

Pool Summary

- A total of 12,217 producers were pooled under the Order with an average daily delivery per producer of 5,418 pounds.
- Pooled milk receipts totaled 2.052 billion pounds, a decrease of 0.6 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 40.2 percent of total milk receipts, an increase of 1.3 percentage points from September.
- The average butterfat test of producer receipts was 3.81 percent.
- The average true protein test of producer receipts was 3.14 percent.
- The average other solids test of producer receipts was 5.69 percent. ❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	40.2	825,554,841
Class II	26.0	534,333,532
Class III	26.5	542,872,904
Class IV	7.3	149,278,324
Total Pooled Milk		2,052,039,601

Producer Component Prices

	2013	2012
	\$/lb	
Protein Price	3.4107	3.7278
Butterfat Price	1.6638	2.1136
Other Solids Price	0.3852	0.4340

Class Price Factors

	2013	2012
	\$/cwt	
Class I	22.45	22.13
Class II	20.56	18.44
Class III	18.22	21.02
Class IV	20.17	18.54

Trends in Processing Locations by Differential Zone

The accompanying map highlights how the location of where milk is processed in the Northeast Order has changed over time (10 years). The shading represents the Order's Class I differential zones, with the highest differentials in counties closest to Boston, New York City, and Philadelphia; differential zones decline the farther you are from these locations. The differentials impact the price that Class I plants have to pay for milk as well as the price producers receive in the producer price differential (PPD) value.

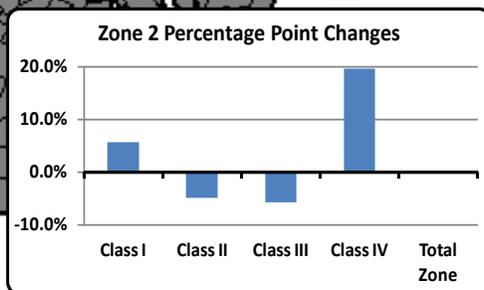
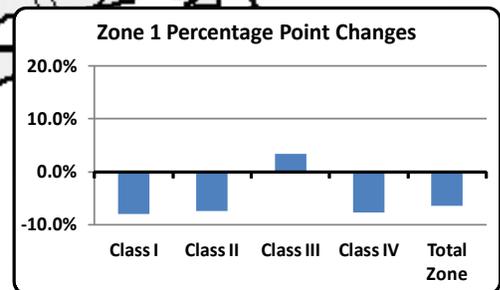
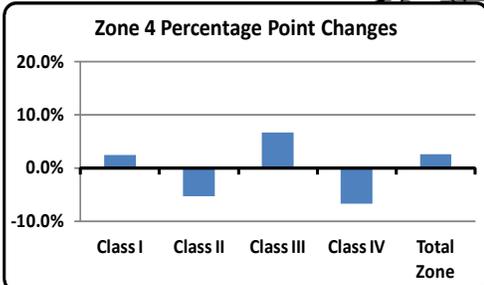
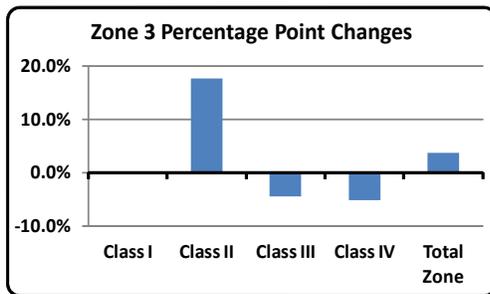
Changes Revealed

Changes represented in the charts are percentage point changes in the proportion of the class pooled in that zone. It gives an indication of whether a zone is now pooling a greater or lesser portion of a class than 10 years ago. The total column represents the change in the portion of Northeast Order milk pooled in that zone.

For the two months under review, September 2003

(continued on page 3)

Changes in Each Zone's Portion of Total Northeast Milk Pooled, By Class, September, 2003 & 2013



Zone	Price Range
1	\$3.15 and above
2	\$2.80 - \$3.10
3	\$2.40 - \$2.70
4	\$2.35 and below

Less Milk Moving Out of the Order

In past years, we often reported how more pooled milk typically moved out of the Northeast Order during the months of August and September than was shipped into the Order during those months. For many years, bulk milk was shipped out of the Order, mainly to southern areas (Appalachian, Florida, and Southeast Federal Orders) as these areas tended to have milk shortfalls at the end of summer and early fall just as schools would open and prices offered for milk in those regions would entice Northeast milk to be delivered to those markets.

Changes in Milk Movements

For the years 2001 through 2005, combined shipments for the months of August and September totaled nearly 300 million pounds (see accompanying table). Of this total, 64.7 percent went to the South where it was utilized as Class I. During that same period, almost 200 million pounds were received at Northeast Order pool plants from other federal orders.

During the last 5 years (2009-2013), a significant change has occurred in movements in and out of the Northeast Order during the fall. The volume shipped for the 2-month period has declined to less than 100 million pounds while the volume received has stayed about the same (200 million). Of the milk shipped out of the area, a majority still moved to the southern orders, but the volume used to fill Class I needs has declined significantly.

Contributing Factors

There are many factors contributing to this change in milk movements. Overall, Class I sales have declined

Trends in Processing *(continued from page 2)*

and September 2013, the results show that for all milk pooled, a greater portion of milk is being pooled in the lowest two zones. The portion pooled there increased by 3.8 and 2.6 percentage points, respectively. Meanwhile, the portion of milk pooled in the highest zone, \$3.15 and above, fell by 6.4 percentage points. We learn a little more by looking at these proportions by class.

The proportion of Class I pooled on the Order from the highest zone, \$3.15 and above, decreased by 8.0 percentage points. The highest zone's portion of milk pooled as Class II and Class IV also fell, by 7.4 and 7.7 percentage points, respectively. This zone is pooling 3.4 percentage points more of the portion of the total Class III volume.

The \$2.80 to \$3.10 zone's portion of Class I increased by 5.7 percentage points, largely compensating for the declining proportion for Class I in the highest zone. The \$2.80 to \$3.10 zone is accounting for a larger portion of the Class IV volume, a 19.6 percentage point gain. The \$2.40 to \$2.70 zone accounted for a 17.7 percentage point

Milk Movements: Northeast to/from Other Federal Orders

		Combined Total for August and September for:	
		2001–2005	2009–2013
		million pounds	
Total*	Shipped	291.5	92.0
	Received	197.2	194.0
	Net	94.3	(102.0)
		percent	
South**	Shipped	88.1	60.1
	Class I	64.7	27.0

* Includes Order Nos. 5, 6, 7, 30, 32, 33, 126, and 135.

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

in federal order areas in total between the two five-year periods. In contrast, Class I sales have increased in the Appalachian and Southeast Orders; Florida has declined slightly. To meet these needs, these areas receive milk from other areas that may be closer in proximity and have surplus milk, such as Texas that has largely displaced the Northeast as a supplier.

In addition, the Northeast area has experienced a significant increase in Class II usage during the past 5 years largely due to the growth in Greek-style yogurt. This regional demand growth has maintained the consistency of movements from other orders into the Northeast along with keeping Northeast pooled receipts in the area rather than shipping to other areas as regional milk supplies have become better aligned with regional demand. ❖

increase in its portion of total Class II volume pooled. Lastly, the lowest zone's portion of Class I and III has increased while its portion of Class II and IV have declined. The notable increase in the portion of Class IV pooled in Zone 2 is due to relative market situations and not capacity changes between the periods.

Sources and Impacts of Change

Not surprisingly, the changes portrayed on the map reflect a changing industry in the Northeast. Consolidation and closing of several Class I plants occurred during this period, as processing capacity has become more aligned with declining Class I demand. Historically, Class I plants have been located in the high differential zones, close to population centers, but where milk production has been in long-term decline. At the same time, significant growth in manufacturing plant capacity has occurred in the outer differential zones of the milkshed, in regions where milk supply has been stable or growing. ❖



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Computation of Producer Price Differential and Statistical Uniform Price*

	<u>Product Pounds</u>	<u>Price per cwt./lb.</u>	<u>Component Value</u>	<u>Total Value</u>
Class I— Skim	809,431,605	\$17.80	144,078,825.69	
Butterfat	16,123,236	1.5052	24,268,694.83	
Less: Location Adjustment to Handlers			(2,779,902.56)	\$165,567,617.99
Class II— Butterfat	30,863,154	1.6708	51,566,157.72	
Nonfat Solids	46,258,156	1.6944	78,379,819.56	129,945,977.28
Class III— Butterfat	23,180,186	1.6638	38,567,193.45	
Protein	17,029,683	3.4107	58,083,139.80	
Other Solids	30,781,347	0.3852	11,856,974.91	108,507,308.16
Class IV— Butterfat	8,046,814	1.6638	13,388,289.12	
Nonfat Solids	12,956,741	1.6521	21,405,831.80	34,794,120.92
Total Classified Value				\$438,815,024.35
Add: Overage—All Classes				146,684.71
Inventory Reclassification—All Classes				87,046.63
Other Source Receipts	677,122 Pounds			31,487.64
Total Pool Value				\$439,080,243.33
Less: Producer Component Valuations @ Class III Component Prices				(395,177,568.14)
Total PPD Value Before Adjustments				\$43,902,675.19
Add: Location Adjustment to Producers				10,790,020.92
One-half Unobligated Balance—Producer Settlement Fund				906,261.20
Less: Producer Settlement Fund—Reserve				(996,692.50)
Total Pool Milk & PPD Value	2,052,716,723 Producer pounds			\$54,602,264.81
Producer Price Differential		\$2.66		
Statistical Uniform Price		\$20.88		

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

The Market Administrator's

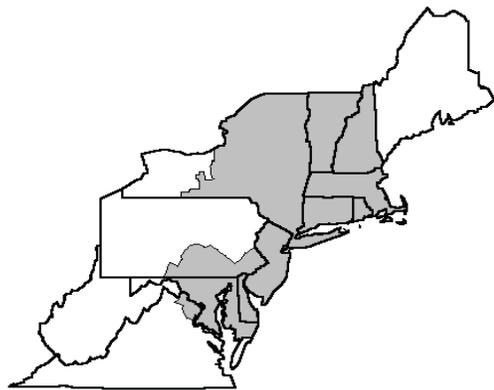
BULLETIN

NORTHEAST MARKETING AREA

Erik F. Rasmussen, Market Administrator

November 2013

Federal Order No. 1



To contact the Northeast Marketing Area offices:

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November Pool Price Calculation

The November 2013 statistical uniform price (SUP) for the Northeast Marketing Area was announced at \$21.28 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 \$22.66 per hundredweight. The November statistical uniform price was 40 cents per hundredweight above the October price. The November producer price differential (PPD) at Suffolk County was \$2.45 per hundredweight, a decrease of 21 cents per hundredweight from last month.

Product Prices Effect

During November, all prices for products used in calculating component prices rose except butter, which declined slightly. As a result increases occurred in all component prices except butterfat. All class prices increased from the previous month: Classes I rose \$1.00 per hundredweight; Classes II and IV had modest increases of 20 cents and 35 cents, respectively, and Class III increased 61 cents, but remained the lowest price of the classes. The higher prices, combined with an overall increase in utilization in the higher priced classes (I, II, and IV), resulted in an increase in the SUP. For the first time since last November, the uniform price averaged greater than \$21.00 per hundredweight. In addition, it was the third highest uniform price ever reported for the month of November.

Records Set

Total pooled milk receipts were the second highest ever for the month of November and only 363,122 pounds less than the record set last November. Daily deliveries per producer set a record as the highest ever for the month. Class I volume was the lowest ever for the month of November. The volume of milk used in Class II was less than the same month of the previous year, but it was the second highest volume ever for the month of November. The Class IV volume also was the second highest ever for the month.

Both the producer butterfat and protein tests were not only the highest ever for the month of November, but the highest ever reported for the Order since its inception. ❖

Pool Summary

- A total of 12,324 producers were pooled under the Order with an average daily delivery per producer of 5,400 pounds.
- Pooled milk receipts totaled 1.996 billion pounds, an increase of 0.5 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 41.0 percent of total milk receipts, an increase of 0.8 percentage points from October.
- The average butterfat test of producer receipts was 3.90 percent.
- The average true protein test of producer receipts was 3.19 percent.
- The average other solids test of producer receipts was 5.70 percent. ❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	41.0	818,706,552
Class II	24.2	482,197,032
Class III	24.4	487,465,960
Class IV	10.4	208,013,144
Total Pooled Milk		1,996,382,688

Producer Component Prices

	2013	2012
	\$/lb	
Protein Price	3.6316	3.7172
Butterfat Price	1.6336	2.0218
Other Solids Price	0.3955	0.4624

Class Price Factors

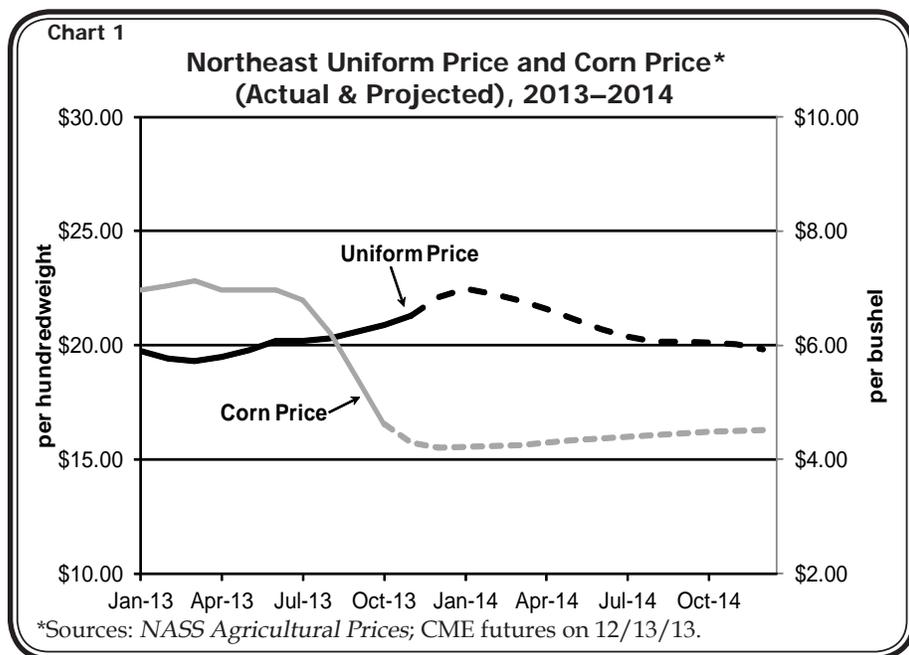
	2013	2012
	\$/cwt	
Class I	23.45	23.95
Class II	20.76	18.81
Class III	18.83	20.83
Class IV	20.52	18.66

Dairy Outlook

With just a couple weeks remaining in 2013, we'll take a look at demand and supply factors to give some context before forecasting 2014 price levels.

Supply Factors

The USDA forecasts an all-time high level of U.S. milk production in 2014 (205.3 billion pounds). The combination of stronger milk prices and lower feed costs are expected to drive a more rapid increase in cow numbers and milk per cow. The 2013 projected total of 201.6 billion pounds will set the current record high. Feed prices have declined, evidenced by a corn price that has dropped from a 2012 high of \$7.04 per bushel in February to a projected \$4.29 in November. Based on CME futures prices, the 2014 average corn price will be almost 30 percent lower than in 2013. The corn price is shown in Chart 1.



In the Northeast, the corn crop yield was above trend levels in New York and Pennsylvania (based on a state-by-state corn yield study by the University of Illinois). Northern New England experienced yield losses due to a number of factors including late plantings. Corn in New York was rated good and excellent condition, while Pennsylvania corn was rated even better. Corn and hay in New England were rated in fair to good condition.

Demand Factors

Exports are continuing to be an increasingly important factor in U.S. milk prices. According to the United States Dairy Export Council, the U.S. exported 15.6 percent of total milk solids produced from January through October 2013. On a total solids basis, exports were equivalent to 16.3 percent of U.S. milk production

in October. The ability of the export market to soak up record-high milk production has allowed milk prices to avoid a more typical decline associated with such high volume periods, at least thus far. Exports of various products are shown in the table.

Though exports have consumed record levels of milk production, the domestic market is still home for about 85 percent of production, and must remain solid as well to support milk prices. The

	Jan–Oct 2013	Year Ago
	percent	
NDM/SMP	58.0	47.0
Total Cheese	6.1	5.4
Butterfat	10.1	5.7
Dry sweet whey	56.0	49.0
Lactose	74.0	66.0
Total milk solids	15.6	13.5

Source: U.S. Dairy Export Council.

Restaurant Performance Index (that tracks the health and outlook of the U.S. restaurant industry) hit a four-month high in October driven by stronger same-store sales and traffic and a more optimistic outlook among operators. The October index was 100.9, the eighth consecutive month above 100, the threshold that signifies expansion in the industry. Restaurant sales are an important outlet for dairy products and so the index is used as an indicator of domestic dairy sales. Less optimistically, consumer confidence, as measured by the Conference Board Consumer Confidence Index, decreased in November to 70.4 after having dropped sharply the previous month. The consumer confidence index is used as an indicator of consumer demand; values under 100 generally signify soft demand. According to the Conference Board, consumers felt somewhat better about job prospects, but were worried about economic conditions. Still, the economy has been slowly improving. Unemployment levels are declining and Gross Domestic Product (GDP) grew by 2.8 percent during the third quarter of 2013. GDP is an indicator of economic activity. Most indicators support a forecast that the domestic market should be strong enough to consume additional milk production at a pace to support prices near current levels.

Prices Forecasts

The USDA forecasts the U.S. all milk price for 2014 to range between \$19.70 and \$20.50 per cwt. Using Chicago Mercantile Exchange (CME) futures prices from December 13 for Class III and Class IV milk, (continued on page 3)

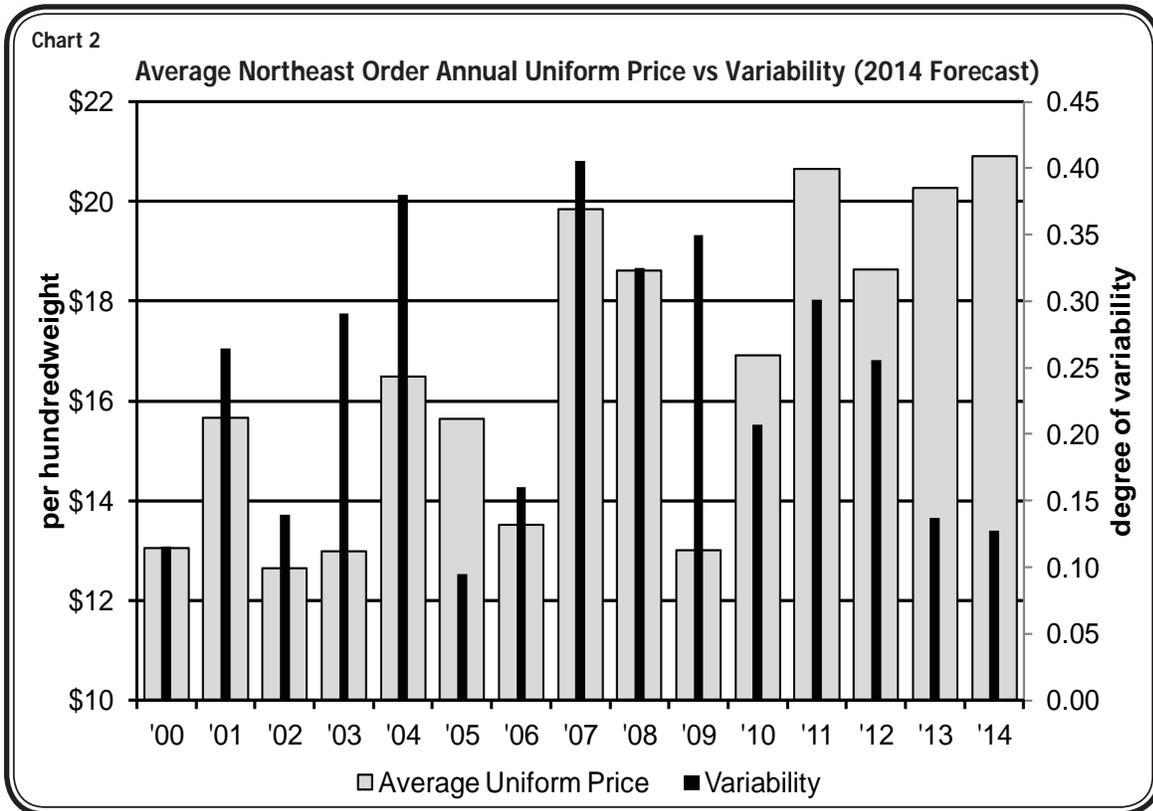
Dairy Outlook *(continued from page 2)*

the Northeast Order Uniform Price projects to finish 2013 averaging \$20.27 per hundredweight for the year (Chart 1). This would make 2013 the second highest average annual uniform price ever, surpassed only by 2011. Using the same day's CME futures prices, the 2014 Northeast Order uniform price is forecast to average \$20.90 per cwt for the year (which would set a record high).

Prices and Variability

The combination of historically very high milk prices with low price variability is notable. We divide the range for the year by the average price for the year to calculate a measure of variability. The high to low range in monthly prices for 2013 projects to \$2.77. Dividing that by the projected average price of \$20.27 results in a value of 0.14 (or 14 percent). This is the third lowest variability measure since 2000 (a year with the second highest price). Doing the same for 2014 forecasted prices results in the second lowest variability with the highest price. Price levels and associated variability are depicted on Chart 2. The thick

bar in the chart represents the uniform price level for that year while the thinner, darker bar reflects the degree of variability in the price that year. Years 2001 and 2004 do not appear to be high price years by today's standards, but both were record highs at the time and coincided with a high degree of variability. The traditional mindset has been that low variability comes with low prices (in some years due to milk prices being near support levels). The export market has been a key factor in reducing price variability that has been a more regular occurrence for much of the past 13 years. ❖



2014 Payment Dates to Producers

The accompanying schedule 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.

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

Required Producer Payments Under the Northeast Order		
Month Milk Produced	Partial Payment Due	
	Day	Date
January	Monday	1/27/14
February	Wednesday	2/26/14
March	Wednesday	3/26/14
April	Monday	4/28/14
May	Tuesday	5/27/14
June	Thursday	6/26/14
July	Monday	7/28/14
August	Tuesday	8/26/14
September	Friday	9/26/14
October	Monday	10/27/14
November	Wednesday	11/26/14
December	Friday	12/26/14



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Computation of Producer Price Differential and Statistical Uniform Price*

	<u>Product Pounds</u>	<u>Price per cwt./lb.</u>	<u>Component Value</u>	<u>Total Value</u>
Class I— Skim	802,309,294	\$18.11	145,298,213.14	
Butterfat	16,397,258	1.7080	28,006,516.66	
Less: Location Adjustment to Handlers			(2,743,384.42)	\$170,561,345.40
Class II— Butterfat	30,337,048	1.6406	49,770,960.95	
Nonfat Solids	41,800,534	1.7289	72,268,943.21	122,039,904.16
Class III— Butterfat	22,080,535	1.6336	36,070,761.98	
Protein	15,485,868	3.6316	56,238,478.27	
Other Solids	27,597,390	0.3955	10,914,767.76	103,224,008.01
Class IV— Butterfat	8,949,876	1.6336	14,620,517.46	
Nonfat Solids	18,408,037	1.7042	31,370,976.63	45,991,494.09
Total Classified Value				\$441,816,751.66
Add: Overage—All Classes				176,326.02
Inventory Reclassification—All Classes				(84,771.04)
Other Source Receipts	938,584 Pounds			39,217.31
Total Pool Value				\$441,947,523.95
Less: Producer Component Valuations @ Class III Component Prices				(403,436,589.38)
Total PPD Value Before Adjustments				\$38,510,934.57
Add: Location Adjustment to Producers				10,349,580.92
One-half Unobligated Balance—Producer Settlement Fund				990,390.12
Less: Producer Settlement Fund—Reserve				(916,534.38)
Total Pool Milk & PPD Value	1,997,321,272 Producer pounds			\$48,934,371.23
Producer Price Differential		\$2.45		
Statistical Uniform Price		\$21.28		

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

The Market Administrator's

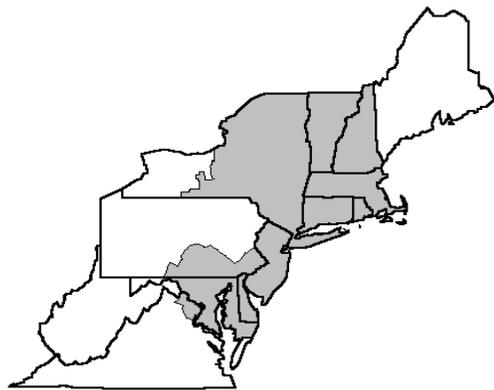
BULLETIN

NORTHEAST MARKETING AREA

Erik F. Rasmussen, Market Administrator

December 2013

Federal Order No. 1



To contact the Northeast Marketing Area offices:

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December Pool Price Calculation

The December 2013 statistical uniform price (SUP) for the Northeast Marketing Area was announced at \$21.79 per hundredweight for milk delivered to plants located in Suffolk County, Massachusetts (Boston), the pricing point for the Northeast Order. The statistical uniform price is calculated at 3.5 percent butterfat, 2.99 percent protein, and 5.69 percent other solids. If reported at the average tests of producer pooled milk, the SUP would be \$23.15 per hundredweight. The December statistical uniform price was 51 cents per hundredweight above the November price. The December producer price differential (PPD) at Suffolk County was \$2.84 per hundredweight, an increase of 39 cents per hundredweight from last month.

Product Prices Effect

During December, all prices for products used in calculating component prices rose except dry whey, which declined slightly. All class prices increased from the previous month: Classes I and III, only slightly, but the Class II price rose 90 cents per hundredweight and the Class IV price jumped \$1.03 per hundredweight. Even though utilization declined in both Classes I and II, the increase in Class IV utilization and the overall higher prices in all classes resulted in an increase in the SUP. This was the highest uniform price ever for the month of December and the highest for 2013.

Records Set

Total pooled milk receipts were the second highest ever for the month of December. Daily deliveries per producer set a record as the highest ever for the month. Class I volume was the lowest ever for the month of December. The volume of milk used in Class II was less than the same month of the previous year, but it was the second highest volume ever for the month of December. Class III volume in December was the third highest ever for the month; only 2001 and 2002 volumes (both over 600 million pounds) were greater.

The producer butterfat test was the highest ever for the month of December and tied last month as the highest ever for the Order since its inception. The producer protein test also was the highest ever for the month and the second highest ever for the Order. ❖

Pool Summary

- A total of 12,295 producers were pooled under the Order with an average daily delivery per producer of 5,600 pounds.
- Pooled milk receipts totaled 2.134 billion pounds, an increase of 3.5 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 38.2 percent of total milk receipts, a decrease of 2.8 percentage points from November.
- The average butterfat test of producer receipts was 3.90 percent.
- The average true protein test of producer receipts was 3.18 percent.
- The average other solids test of producer receipts was 5.71 percent. ❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	38.2	814,457,060
Class II	22.2	473,843,172
Class III	27.3	582,676,205
Class IV	12.3	263,371,566
Total Pooled Milk		2,134,348,003

Producer Component Prices

	2013	2012
	\$/lb	
Protein Price	3.5390	3.3113
Butterfat Price	1.7672	1.7276
Other Solids Price	0.3826	0.4758

Class Price Factors

	2013	2012
	\$/cwt	
Class I	23.62	24.64
Class II	21.66	18.30
Class III	18.95	18.66
Class IV	21.54	17.83

2013 Northeast Order Statistics Summarized

During 2013, the volume of milk received from producers shipping to handlers regulated under the Northeast Order was the largest since the Order's inception in 2000. The uniform price finished the second highest on record. The year ended with 182 less producers than at the end of 2012. Annual average daily deliveries per producer (DDP) equaled 5,638 pounds, an increase of 5.6 percent from 2012. The accompanying table compares selected pool statistics for 2012 and 2013.

Class Utilization Changes

The total volume of milk pooled rose 3.2 percent from 2012. Comparisons have been adjusted for leap year.

Class I utilization averaged 37.4 percent in 2013, a decrease of 2.3 percentage points from the previous year; the total volume of milk used in Class I declined 2.7 percent and was the smallest ever for the Order. Class II volume increased 2.9 percent, resulting in overall utilization of 25.9 percent, unchanged from 2012. The growth in Greek-style yogurt that largely has been the driving force behind the substantial increases in the Class II volume during the past three years seems to have slowed somewhat (see article on Class II Utilization).

Class III pounds rose 10.6 percent with utilization averaging 25.4 percent, up 1.7 percentage points. The amount of milk used in Class IV grew 9.8 percent and accounted for an annual average of 11.3 percent utilization, up 0.6 percentage points.

Class and Component Prices

Commodity prices for cheese and nonfat dry milk rose while butter and dry whey declined during 2013. Even so, commodity prices were still higher than in most years and resulted in higher than average component prices and higher class prices.

The Class I price averaged \$22.09 per hundredweight in 2013, \$1.38 (6.7 percent) above the 2012 annual average and the second highest ever for the Order. The Class II price averaged \$19.42 per hundredweight, \$2.78 and 16.7 percent higher than the previous year; it also was the second highest ever. The Class III price averaged \$17.99, up \$0.55 and 3.2 percent from 2012; it was the third highest on record. The Class IV price jumped \$3.04, an increase of 19.0 percent, and averaged \$19.05 per hundredweight, setting a new record high.

Overall, the statistical uniform price (blend) reported at Suffolk County, Massachusetts (Boston), averaged \$20.25 per hundredweight, the second highest since the Order's inception. During 2013, the blend averaged over \$20.00 per hundredweight 7 months, compared to only 3 months in 2012.

The price paid to producers for butterfat averaged \$1.6634 per pound, 3.5 percent lower than in 2012. The per-pound annual average protein price was \$3.3010 per pound (third highest on record), up 8.5 percent from 2012. The other solids price declined 0.8 percent and averaged \$0.4029 per pound, also third highest ever. The nonfat solids price jumped 32.6 percent, averaged \$1.5234 per pound, and set a record high.

Producer Tests

The annual average producer butterfat test equaled 3.77 percent in 2013, up 4 percentage points from last year, and set a new record. Records were set during each month except January and July of 2013. The annual average producer protein test was 3.08 percent, up 2 percentage points from 2012, and also set a record high. Records were set in 4 months and tied in 5 months during the year. The producer other solids test decreased 2 percentage points to 5.73 percent, tied for second highest annual average. ❖

Northeast Order Pool Statistics, 2012–2013

Pool Statistics	2012	2013	2012-13 Change
	million pounds		percent
Class I	9,801.9	9,507.9	(2.7)
Class II	6,410.3	6,578.7	2.9
Class III	5,848.3	6,449.5	10.6
Class IV	2,634.8	2,883.8	9.8
Total	24,695.3	25,419.9	3.2
	pounds		
DDP	5,341	5,638	5.6
	utilization percentage		change
Class I	39.7	37.4	(2.3)
Class II	25.9	25.9	0.0
Class III	23.7	25.4	1.7
Class IV	10.7	11.3	0.6
	dollars/cwt		percent
Class I	20.71	22.09	6.7
Class II	16.64	19.42	16.7
Class III	17.44	17.99	3.2
Class IV	16.01	19.05	19.0
SUP	18.63	20.25	8.7
Producer Component:			
Tests:	percent		change
Butterfat	3.73	3.77	0.04
Protein	3.06	3.08	0.02
Other Solids	5.75	5.73	(0.02)
Prices:	dollars/lb		percent
Butterfat	1.7230	1.6634	(3.5)
Protein	3.0426	3.301	8.5
Other Solids	0.4063	0.4029	(0.8)
Nonfat Solids	1.1485	1.5234	32.6

Class II Utilization Growth Stabilizes

In 2010, a notable increase (nearly 9 percent) in milk used for Class II purposes occurred in the Northeast Order. The driving force behind this largely was the growth in Greek-style yogurt. Significant increases in the yogurt category (includes both regular and Greek-style) continued for the next 2 years resulting in growth in Class II utilization of 10.2 and 10.1 percent in 2011 and 2012, respectively. During 2013, Class II usage finished only 2.4 percent higher than last year as the growth in yogurt has continued, but at a lower rate of 5.5 percent, compared to double and triple-digit increases in the 3 prior years. Based on the National Agricultural Statistics Service *Dairy Products* publication, U.S. yogurt production through November 2013 projects to finish out with an increase of 5.6 percent over 2012.

Chart 1 shows Class II utilization for 2009-2013. The increase in overall volume is clearly depicted as is the seasonal usage pattern associated with the products that make up Class II as a whole.

Growth in Yogurt

Northeast Order milk used in making yogurt (regular and Greek-style) has grown at a higher rate than any other product categorized in Class II. For the years 2010, 2011, and 2012, yogurt grew annually 51.5, 161.9, and 41.4 percent, respectively; it rose 5.5 percent for 2013, similar to the national average. It appears the Northeast was the place where innovators in the Greek-style yogurt industry first set up operations. Many plants manufacturing this type of yogurt have

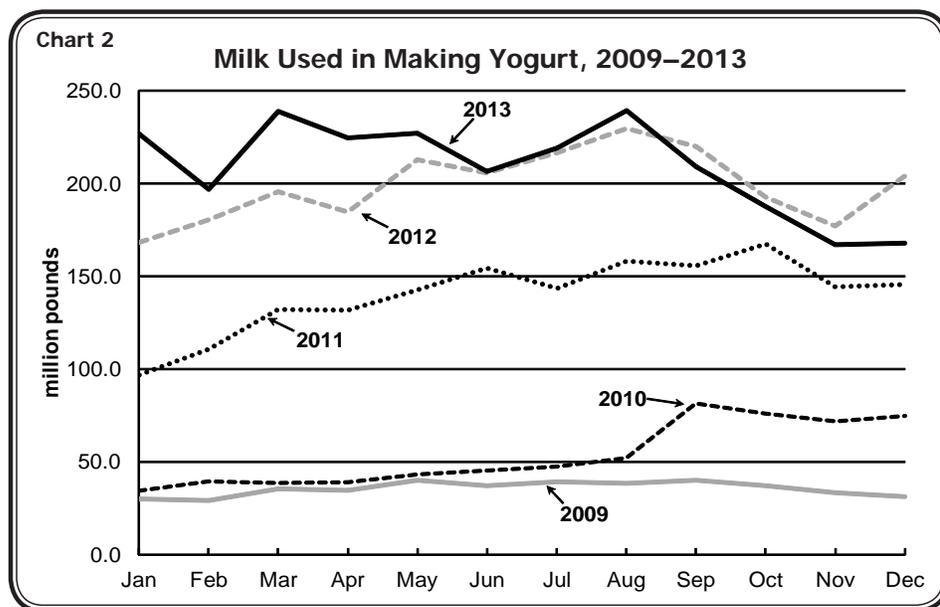
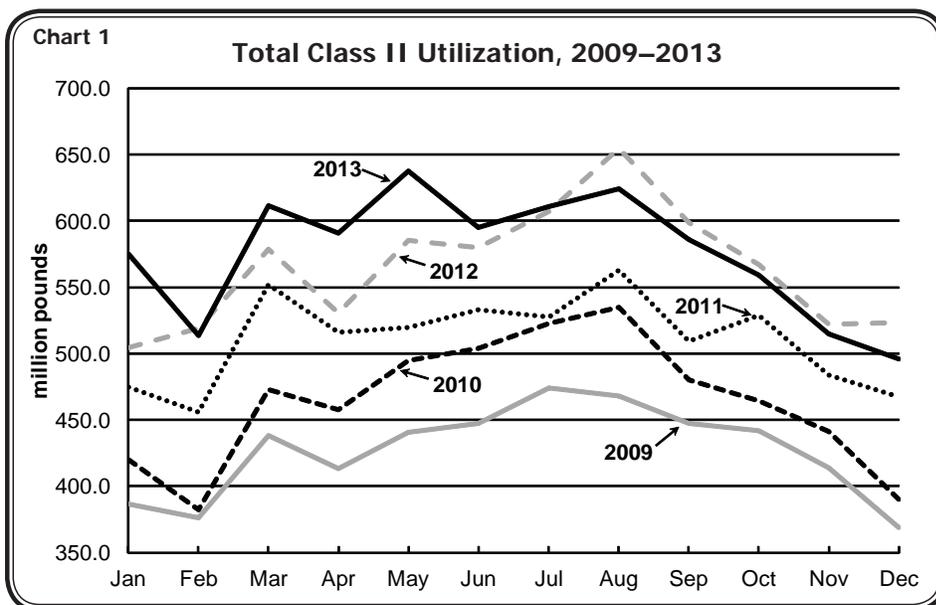
begun operating in other areas of the country as the Northeast as leveled off. National yogurt production has risen 8.9, 2.3, and 3.4 percent, respectively for 2010, 2011, and 2012, and as mentioned above, should average about 5.6 percent higher for 2013.

Chart 2 shows milk used in yogurt for the years 2009-2013. In addition to the obvious large increases in total usage, seasonality appears to be more prevalent in the past 2 years. Industry representatives have confirmed that Greek-yogurt demand does drop off during the fall but picks up again in the spring.

Other Class II Products

Other Class II products tend to have consistent seasonal patterns. For example, ice cream and frozen desserts usage peak in summer months and drop off significantly in the late fall and winter months. Overall, milk used in this category has varied but has been on the decline in recent years. Sour cream usage is fairly constant throughout the year, peaking in the late fall as holidays approach, and then dropping off after. Overall, this category also has been on the decline for the past couple of years.

Packaged cream products (heavy, whipping, etc.) tend to have noticeable increases in October and November, again in preparation for holidays. Cottage cheese milk usage remains level throughout the year with slight increases in late summer and declines in late fall. Ricotta tends to spike in the spring (just prior to Easter) and then again in November (prior to Christmas). ❖





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Computation of Producer Price Differential and Statistical Uniform Price*

	<u>Product Pounds</u>	<u>Price per cwt./lb.</u>	<u>Component Value</u>	<u>Total Value</u>
Class I— Skim	797,796,602	\$18.56	148,071,049.33	
Butterfat	16,660,458	1.6311	27,174,873.04	
Less: Location Adjustment to Handlers			(2,726,126.69)	\$172,519,795.68
Class II— Butterfat	27,765,005	1.7742	49,260,671.84	
Nonfat Solids	41,234,668	1.7789	73,352,350.90	122,613,022.74
Class III— Butterfat	25,756,017	1.7672	45,516,033.23	
Protein	18,452,459	3.5390	65,303,252.43	
Other Solids	33,062,035	0.3826	12,649,534.59	123,468,820.25
Class IV— Butterfat	13,046,338	1.7672	23,055,488.51	
Nonfat Solids	23,131,576	1.7680	40,896,626.36	63,952,114.87
Total Classified Value				\$482,553,753.54
Add: Overage—All Classes				197,711.21
Inventory Reclassification—All Classes				88,165.05
Other Source Receipts	1,901,842 Pounds			93,186.64
Total Pool Value				\$482,932,816.44
Less: Producer Component Valuations @ Class III Component Prices				(433,567,189.76)
Total PPD Value Before Adjustments				\$49,365,626.68
Add: Location Adjustment to Producers				11,317,733.44
One-half Unobligated Balance—Producer Settlement Fund				964,485.20
Less: Producer Settlement Fund—Reserve				(978,349.66)
Total Pool Milk & PPD Value	2,136,249,845 Producer pounds			\$60,669,495.66
Producer Price Differential		\$2.84		
Statistical Uniform Price		\$21.79		

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