The Market Administrator's

BULLETIN

NORTHEAST MARKETING AREA

Erik F. Rasmussen, Market Administrator

January 2001 Federal Order No. 1

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

The January 2001 statistical uniform price for the Northeast Marketing Area was announced at $13.76 per hundredweight for milk delivered to plants located in Suffolk County, Massachusetts (Boston), the pricing point for the Northeast Order. The January producer price differential (PPD) at Suffolk County was $3.77 per hundredweight.

Increase in Blend, Decrease in PPD

The January statistical uniform price was 4 cents above December's, the highest price during all of 2000. January's PPD declined 58 cents due to an increase in the Class III price, which decreased the spread between the Class III and IV prices. Strong Class I values (based on higher product price averages than the previous month's) plus greater Class III use (combined with increased protein value) contributed to this month's higher blend price.❖

Court Orders Changes in Price Formulas

In a January 31 ruling, a U.S. District Court Judge halted the implementation of portions of the interim final amendments to federal milk orders that became effective January 1, 2001. The Judge's order impacts the calculation of the Class III price formula and producer butterfat and protein prices. The ruling results from a Motion for Temporary Restraining Order and / or Preliminary Injunction filed by several producer groups stating that the implementation of a separate Class III butterfat price would cause harm to milk producers.

The Judge's order restores the butterfat and protein price formulas that were implemented under Federal Order Reform and in place during all of 2000. The formulas will, however, incorporate the changes to the *make allowances* in both the protein and butterfat price formulas that were voted upon by producers in the December 2000 referendum and adopted in the January 1, 2001, interim final amendments. In addition, the 38% moisture adjustment for 500-pound barrel cheese, as adopted in the interim final amendments, remains in effect. The producer butterfat price will revert back to the same Class III and IV butterfat price instead of being a pooled butterfat price, as would have been calculated under the interim final decision.

Interested parties had until February 5 to submit comments to USDA on the interim final amendments. USDA will re-evaluate the hearing record, any comments received, and the judicial decision in determining what further steps will be taken to conclude these Class III and IV price formulas rulemaking proceedings.❖

Pool Summary

- A total of 17,098 producers were pooled under the order with an average daily delivery per producer of 3,866 pounds.
- Pooled milk receipts totaled 2.051 billion pounds, an increase of 4.9 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 43.3 percent of total milk receipts, a decrease of 4.6 percentage points from December.
- The average butterfat test of producer receipts was 3.78 percent.
- The average true protein test of producer receipts was 3.03 percent.
- The average other solids test of producer receipts was 5.69 percent.

Class Utilization

Pooled Milk	Percent	Pounds
Class I	43.3	888,288,093
Class II	16.5	338,159,814
Class III	30.6	627,153,305
Class IV	9.6	197,093,138
Total Pooled Milk		2,050,694,350

Producer Component Prices

Protein Price	$1.6181 /lb
Butterfat Price	$1.2896 /lb
Other Solids Price	$0.1120 /lb

Class Price Factors

	$/cwt
Class I	17.24
Class II	12.82
Class III	9.99
Class IV	12.13

Farm Real Estate Values

From 1999 to 2000, the average farm real estate value per acre rose in Maryland, Massachusetts, New Jersey, New York, Pennsylvania, and Vermont. The national average, excluding Alaska and Hawaii, also rose. Farmland values have generally trended upward since 1996 for the states mentioned, as well as for the nation as a whole. According to the Farm Credit Administration (FCA), this trend reflects steady improvements in general agricultural productivity and growth of land values in line with the U.S. inflation rate. Consolidation into larger more efficient farm units and growth in non-farm interests in agricultural real estate also contributed to continuing increases in farm value per acre.

From 1996 to 2000, farm real estate values per acre in the selected Northeast states were higher than the national average. The percent increase in value per acre in the Northeast was lower than the percent increase experienced by the nation as a whole from 1996 to 1998. In 1999 and 2000, Maryland, Massachusetts, New York, Pennsylvania, and Vermont saw increases near or exceeding the national figure. Although New Jersey saw little increase, their average value ranks highest among the 48 contiguous states.

Low commodity prices put downward pressure on agricultural real estate values; however, this effect is less severe in areas with greater non-farm influences. The federal government's recent distribution of financial assistance to farmers will help maintain stable real estate values. The number of farm sales nationwide decreased in 1999. Declining farm sales are viewed as a leading indicator of decreasing land values. According to the FCA, risks for future land value declines are on the horizon, but current conditions do not warrant undue alarm. ❖

Farm Real Estate Average Value Per Acre and Percent Change from Previous Year, Selected States and United States, January 1, 1996–2000

	1996	1997		1998		1999		2000	
State	Average $ Value	Average $ Value	Percent Change	Average $ Value	Percent Change	Average $ Value	Percent Change	Average $ Value	Percent Change
Maryland	3,110	3,150	1.3	3,180	1.0	3,300	3.8	3,500	6.1
Massachusetts	5,100	5,150	1.0	5,210	1.2	5,500	5.6	5,900	7.3
New Jersey	7,100	7,100	0.0	7,000	(1.4)	7,000	0.0	7,100	1.4
New York	1,260	1,250	(0.8)	1,280	2.4	1,340	4.7	1,410	5.2
Pennsylvania	2,270	2,300	1.3	2,390	3.9	2,500	4.6	2,620	4.8
Vermont	1,490	1,500	0.7	1,520	1.3	1,570	3.3	1,640	4.5
48 contiguous states	887	926	4.4	974	5.2	1,020	4.7	1,050	2.9

Source: USDA National Agricultural Statistics Service, *Agricultural Land Values Report.*

CCC Purchase Prices Adjusted

As mentioned in last month's *Bulletin*, the support price program was extended through calendar year 2001 by the Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act, 2001. Effective January 16, 2001, the purchase prices for butter, cheese, and nonfat dry milk (NFDM) bought under the support program were adjusted. The support price remains at $9.90 per hundredweight for milk with an annual average butterfat content of 3.67 percent.

The purchase prices were adjusted in order to reflect the new pricing formulas under the reformed Federal Milk Marketing Orders. As such, the CCC increased the price it pays for block Cheddar and barrel cheese by 0.94 cents (see accompanying table). The purchase price for butter decreased 1.31 cents, and the NFDM price dropped 0.68 cents. The prices of butter and NFDM were adjusted in proportion to their contribution to the milk price resulting in no change in the butter / NFDM relationship. ❖

Dairy Product Prices—CCC Purchase and Market

Product	CCC Purchase Price Previous	Current*	Market**
	dollars per pound		
NFDM	1.0100	1.0032	1.0300
Spray extra grade			
Nonfortified, 25-kg bags			
Cheese			
Block Cheddar	1.1220	1.1314	1.1600
Grade A, 40-lb			
Barrel	1.0920	1.1014	1.2000
Extra grade, 500-lb			
Butter	0.6680	0.6549	1.3200
Grade A, 25-kg blocks			

* Effective January 16, 2001.

** Chicago Mercantile Exchange, prices as of 2/9/01; NFDM, no activity since 9/29/99.

MARKET SITUATION

Dairy Market Loss III

The USDA's Farm Service Agency began distributing Dairy Market Loss Assistance III (DMLA III) payments during December 2000. Payments were made to 76,145 producers nationwide for a total of $532,478,844 as of January 9, 2001.

A breakdown of payments by state shows that farmers in Wisconsin received the largest portion, $130,518,274, or 25 percent of the total. Wisconsin farmers represented 32 percent of the total number of producers who received payment. Minnesota, New York, and Pennsylvania round out the top four states in terms of both amount received and the number of producers for the state as a whole. The accompanying table shows payment summary data for selected states in the Northeast.

Nationwide, the average DMLA III payment per producer was $6,993. Producers in western states such as California, Arizona, Nevada, Washington, New Mexico, and Colorado received average payments ranging from $17,852 to $24,320. Minnesota and Wisconsin averaged $5,420 and $5,348 per farmer, respectively.

Lancaster and Bradford counties in Pennsylvania, Franklin and Addison counties in Vermont, and Wyoming and St. Lawrence counties in New York ranked in the top 30 counties nationwide with respect to amount received. In Stearns County, Minnesota, 1,206 farmers received payments, the largest number from any county in the United States. Tulare County, California, received $7,201,093—the largest payment to an individual county. Only 271 producers received payments in Tulare County.❖

DMLA III Payments, Selected Northeast States*

State	No. of Farmers Receiving Payment	Total Payments	Average Payment per Farmer
		dollars	
Maryland	532	5,350,790	10,058
New York	5,787	47,183,523	8,153
Pennsylvania	5,415	37,308,813	6,890
Vermont	1,891	13,492,864	7,135
Virginia	732	8,507,262	11,622
United States	76,145	532,478,844	6,993

*Note: Data are as of January 9, 2001.

Pool Summary for All Federal Orders, 2000

Federal Order Number	Federal Order Name	Total Producer Milk	Class I Producer Milk	Class I Utilization	Class I Price#	Producer Price Differential#	Statistical Uniform Price#*
		pounds		percent	dollars per hundredweight		
1	**Northeast**	**23,972,404,822**	**10,513,080,398**	**43.9**	**14.80**	**3.30**	**13.04**
5	Appalachian	6,317,807,748	4,343,320,546	68.7	14.65	N/A	13.97
6	Florida	2,867,164,419	2,525,780,827	88.1	15.55	N/A	15.25
7	Southeast	7,487,159,307	4,867,106,537	65.0	14.65	N/A	13.63
30	Upper Midwest	23,414,521,759	4,091,593,339	17.5	13.35	0.83	10.57
32	Central	16,036,614,061	4,875,230,081	30.4	13.55	1.53	11.27
33	Mideast	14,180,769,880	6,716,244,190	47.4	13.55	2.34	12.08
124	Pacific Northwest	6,775,559,324	2,099,763,852	31.0	13.45	1.96	11.70
126	Southwest	8,712,978,920	3,970,646,980	45.6	14.55	2.86	12.60
131	Arizona-Las Vegas	3,109,653,776	978,312,396	31.5	13.90	N/A	11.84
135	Western	4,048,483,425	1,014,180,965	25.1	13.45	1.45	11.19
	All Market Total/Average	116,923,117,441	45,995,260,111	39.3	14.14	N/A	12.47

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

MARKET ADMINISTRATOR
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RETURN SERVICE REQUESTED

FIRST CLASS MAIL

Computation of Producer Price Differential and Statistical Uniform Price

		Product Pounds	Price per cwt/lb	Component Value	Total Value
Class I—	Skim	869,955,570	$11.13	96,826,054.94	
	Butterfat	18,332,523	1.8569	34,041,661.96	
Less:	Location Adjustment to Handlers			(2,684,282.68)	$128,183,434.21
Class II—	Butterfat	24,493,869	1.2966	31,758,750.54	
	Nonfat Solids	28,430,507	0.9533	27,102,802.36	58,861,552.90
Class III—	Butterfat	22,386,433	1.2896	28,869,543.97	
	Protein	18,980,910	1.6181	30,713,010.46	
	Other Solids	35,750,170	0.1120	4,004,019.04	63,586,573.47
Class IV—	Butterfat	12,404,364	1.2896	15,996,667.86	
	Nonfat Solids	16,799,418	0.8765	14,724,689.87	30,721,357.73
Total Classified Value					**$281,352,918.31**
Add:	Overage—All Classes				117,032.52
	Inventory Reclassification—All Classes				(331,512.19)
	Other Source Receipts	164,921			8,615.90
Less:	Producer Component Valuations				(213,734,167.12)
	Subtotal				**$67,412,887.42**
Add:	Location Adjustment to Producers				10,130,815.32
	One-half Unobligated Balance—Producer Settlement Fund				674,417.56
Total Pool Milk & Aggregate Value		2,050,859,271			78,218,120.30
Less:	Producer Settlement Fund—Reserve				(900,725.70)
Producer Price Differential @ *Suffolk County, MA (Boston)*			**$3.77**		77,317,394.60
Statistical Uniform Price @ *Suffolk County, MA (Boston)*			**$13.76**		

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

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website address: www.fmmone.com

February Pool Price Calculation

The February 2001 statistical uniform price for the Northeast Marketing Area was announced at $13.62 per hundredweight for milk delivered to plants located in Suffolk County, Massachusetts (Boston), the pricing point for the Northeast Order. The statistical uniform price is calculated at 3.5 percent butterfat, 2.99 percent protein, and 5.69 percent other solids. The February producer price differential (PPD) at Suffolk County was $3.35 per hundredweight.

The February statistical uniform price was 14 cents below January's price. February's PPD declined 42 cents from the previous month. A reduced value for Class I resulted from the combination of lower prices with less Class I utilization than during the previous month. Butterfat prices were higher than in January, but were not enough to offset the decline in the protein price.❖

Composite Statistical Uniform Price for 2000

For the year 2000, the simple average statistical uniform price (SUP) paid to producers shipping milk to handlers regulated under the Northeast Order equaled $13.04 per hundredweight. On a weighted average basis, which takes into account the differing volumes of milk pooled each month, the annual average equaled $13.02 per hundredweight.

The table on page 2 shows the breakdown of components that make up the pool value. The top section (Total Classified Value) represents the contribution by class of the milk components priced in the respective classes. Class I skim was the greatest contributor to the total value of milk in the order during 2000, accounting for nearly 37 percent. The negative Class I location adjustment is made because only a portion of the Class I milk that is pooled is done so at plants located in the Suffolk County, Massachusetts, differential zone. For all classes, the volume of milk in each class together with the price of the components in the class determines the contribution to the overall classified value.

From the classified values generated by the minimum prices that handlers incur in buying milk, producers are paid on the volumes of butterfat, true protein, and other solids at the respective component prices. For 2000, protein accounted for nearly 51 percent of the total value of components to producers, butterfat represented 46 percent, and other solids about 3 percent. In addition, the location adjustment during 2000 averaged 48 cents per month. This adjustment represents the average added value that

(continued on Page 2)

Pool Summary

- A total of 17,154 producers were pooled under the order with an average daily delivery per producer of 3,951 pounds.
- Producer milk receipts totaled 1.898 billion pounds, an increase of 2.5 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 43.3 percent of total milk receipts, unchanged from January on a percentage basis.
- The average butterfat test of producer receipts was 3.75 percent.
- The average true protein test of producer receipts was 3.02 percent.
- The average other solids test of producer receipts was 5.70 percent.

Class Utilization

Pooled Milk	Percent	Pounds
Class I	43.3	822,261,209
Class II	16.1	304,994,717
Class III	31.3	594,507,344
Class IV	9.3	176,624,277
Total Pooled Milk		1,898,387,547

Producer Component Prices

Protein Price	$1.4951 /lb
Butterfat Price	$1.4626 /lb
Other Solids Price	$0.1199 /lb

Class Price Factors

	$/cwt
Class I	15.19
Class II	13.43
Class III	10.27
Class IV	12.70

Composite *(continued from page 1)*

producers across the Northeast Order received as a result of the Class I price differential structure.

Subtracting the producer value from the classified value, then adding the location adjustment, equals the producer price differential (PPD). For 2000, the PPD averaged $3.28 per hundredweight at the Suffolk County, Massachusetts, differential. The average PPD would be lower for producers delivering milk to plants outside of this differential . Remember, the higher PPD in the Suffolk County differential zone is designed to help producers cover the added cost of hauling milk a farther distance to plants in this differential zone. By adding the PPD to the annual average Class III price of $9.74 per hundredweight, the annual average statistical uniform price of $13.02 per hundredweight is derived.

February 2001 Comparison

The table also shows the breakdown for February 2001. The proportions in the Total Classified Value section are fairly similar except for some decline in skim and protein values due to lower prices. The simple average protein price for 2000 was $1.6938 per pound compared to $1.4951 per pound in February 2001. Conversely, February's butterfat has contributed more value—up from an average of $1.2522 per pound in 2000 to $1.4626 per pound in February. This change is much more pronounced in the Total Producer Value section. Due to a much higher butterfat price and lower protein price, the proportions have reversed. In addition, other solids have taken on greater importance (simple average equaled $0.0509 per pound in 2000; February's value was $0.1199 per pound).❖

Breakdown of Northeast Order Statistical Uniform Price, 2000

		Annual 2000		February 2001	
		($/cwt)	Percent of Classified Value	($/cwt)	Percent of Classified Value
Total Classified Value					
Class I	Skim	**4.71**	**36.8**	4.73	35.0
	Butterfat	**1.11**	**8.7**	1.13	8.4
	Location	**(0.13)**	**(1.02)**	(0.13)	(0.96)
Class II	Butterfat	**1.57**	**12.3**	1.76	13.0
	Nonfat Solids	**1.37**	**10.7**	1.29	9.5
Class III	Butterfat	**1.36**	**10.6**	1.61	11.9
	Protein	**1.46**	**11.4**	1.41	10.4
	Other Solids	**0.08**	**0.6**	0.21	1.6
Class IV	Butterfat	**0.55**	**4.3**	0.83	6.1
	Nonfat Solids	**0.71**	**5.6**	0.69	5.1
Total		**12.79**	**100.0**	13.53	100.0
Total Producer Value			**Percent of Component Value**		Percent of Component Value
Less:	Butterfat	**4.62**	**46.2**	5.49	51.4
	Protein	**5.08**	**50.9**	4.51	42.2
	Other Solids	**0.29**	**2.9**	0.68	6.4
	Subtotal	**9.99**	**100.0**	10.68	100.0
Add:	Loc. Adjust.	**0.48**		0.50	
Total		**9.51**		10.18	
PPD		**3.28**		**3.35**	
Class III		**9.74**		10.27	
Statistical Uniform Price		**13.02**		**13.62**	

Milk Movements from Outside Northeast

The Northeast Milk Marketing Area covers the territory of the northeastern United States that includes New England, about two-thirds of New York State, and south into the tip of Virginia. Included in the marketing area are the entire states of Connecticut, Delaware, Massachusetts, New Hampshire, New Jersey, Rhode Island, and Vermont; the District of Columbia; most counties in Maryland; and numerous counties in New York, Pennsylvania, and Virginia.

The area that makes up the Northeast Order's milkshed is even more encompassing. The milkshed is the area from which milk is drawn to supply the marketing area. The milkshed usually includes producers physically located in the marketing area and in counties and states adjacent to the marketing area. During 2000, milk was pooled on a regular basis from neighboring states such as Maine and West Virginia. Recently, the milkshed has expanded with some handlers pooling milk from more distant states.

Beginning in August, milk was pooled on the Northeast Order from Idaho, Michigan, and Utah. In October, milk was pooled from Kentucky and Nevada. Milk came into the order from Wisconsin in November and from Minnesota in December. The accompanying table shows these additional states and the corresponding months when pooling occurred. Individual state volumes are not shown as the data are restricted due to the number of handlers reporting. During January and February 2001, volumes totaling 64 million and 63.3 million pounds, respectively, were pooled from states outside of the Northeast including Idaho, Michigan, Minnesota, Nevada, Utah, Wisconsin, and Wyoming.❖

Distant States Providing Milk to the Northeast Order, 2000

State	Aug	Sep	Oct	Nov	Dec
Idaho	X	X			X
Kentucky			X	X	
Michigan	X	X	X	X	X
Minnesota					X
Nevada			X	X	X
Utah	X	X	X	X	X
Wisconsin				X	X
Total Volume	15.5	2.7	2.5	15.6	59.4

(million lbs.)

MARKET SITUATION

U.S. Milk Production Up 3 Percent in 2000

Total milk production in the United States equaled 167.7 billion pounds in the year 2000, an increase of 2.8 percent from 1999. The top ten milk producing states (see accompanying table) had a combined increase of 3.0 percent from the previous year. These states accounted for 70 percent of milk produced nationally in 2000. All percentages are adjusted for leap years.

Idaho had the largest percentage increase of all states during 2000 with growth of 11.6 percent. Since 1994, Idaho has experienced double-digit growth annually. This growth put Idaho into the top ten in 1995 and propelled it to number six in 1999 where it continues to close the gap on the number five ranked state, Minnesota. Colorado, one of the top twenty milk- producing states, had the second highest percentage increase in 2000 with 11.0 percent. This growth pushed Colorado to number nineteen, bumping Virginia to twenty. New Mexico's milk production grew 10.5 percent in 2000, the third highest gainer. During the early 1990s, New Mexico experienced consistent double-digit growth and rose from number 23 in 1990 to number 10 by 1999.

Nationally, 21 states showed decreases in production in 2000. The biggest losers were Delaware (13.0 percent), Rhode Island (9.3 percent), and Connecticut (8.3 percent). Of the top ten states, only New York and Minnesota showed declines when adjusted for leap year.

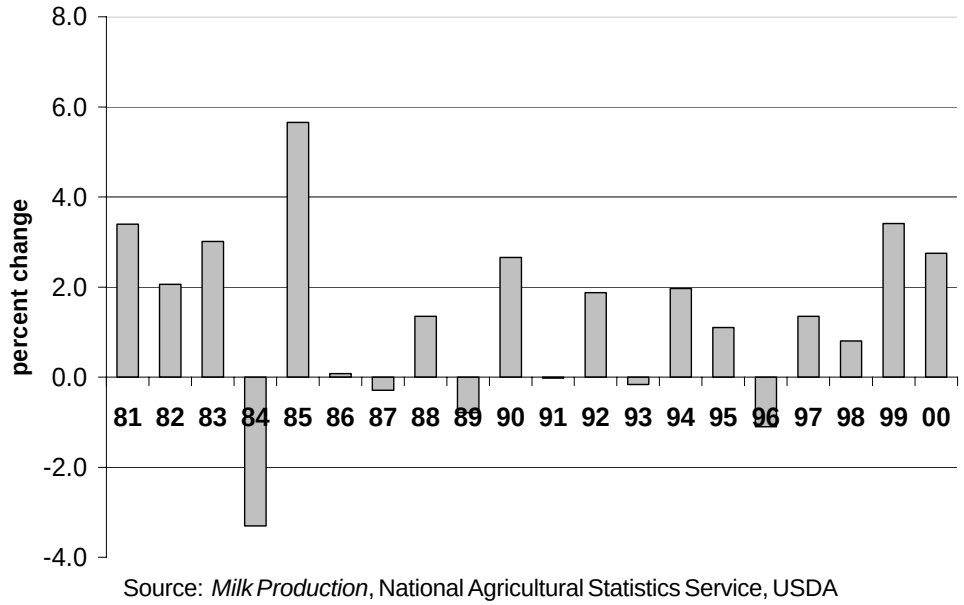
In the past 20 years, U.S. milk production has grown 30.6 percent, from 128 billion pounds to nearly 168 billion pounds. Since 1990, production jumped 13.2 percent. The accompanying chart shows year-to-year percent changes in milk production over the past 20 years. Only 5 years experienced declines in production, 3 of those were less than 1.0 percent. Two years had virtually no change, 1986 and 1991. Over the 20-year period, milk production averaged an annual increase of 1.3 percent. So far in 2001, January showed a decline of 1.5 percent from January 2000 in U.S. milk production. During January 2001, the top ten states, such as Minnesota, New York, Pennsylvania, Texas, Washington, and Wisconsin, all experienced drops in production. The remaining states showed increases, but not at the magnitude witnessed in recent years. It appears that milk production is finally slowing as a result of the past 2 years' lower prices from the high of 1998.❖

Top Ten States Ranked by Milk Production, 2000

Rank	State	1999	2000	1999-2000 change*
		million pounds		percent
1	California	30,459	32,240	5.6
2	Wisconsin	23,071	23,259	0.5
3	New York	12,082	11,920	(1.6)
4	Pennsylvania	10,931	11,156	1.8
5	Minnesota	9,478	9,493	(0.1)
6	Idaho	6,453	7,223	11.6
7	Texas	5,618	5,735	1.8
8	Michigan	5,455	5,705	4.3
9	Washington	5,535	5,593	0.8
10	New Mexico	4,724	5,236	10.5
	Top Ten Total	113,806	117,560	3.0
	US Total	162,716	167,658	2.8

* Adjusted for leap year.
Source: *Milk Production* , National Agricultural Statistics Service, USDA

U.S. Annual Milk Production Growth, 1981–2000



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

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RETURN SERVICE REQUESTED

FIRST CLASS MAIL

Computation of Producer Price Differential and Statistical Uniform Price

		Product Pounds	Price per cwt/lb	Component Value	Total Value
Class I—	Skim	805,401,745	$11.14	89,721,754.39	
	Butterfat	16,859,464	1.2677	21,372,742.51	
Less:	Location Adjustment to Handlers			(2,486,951.46)	$108,607,545.42
Class II—	Butterfat	22,672,542	1.4696	33,319,567.68	
	Nonfat Solids	25,572,018	0.9544	24,405,933.98	57,725,501.66
Class III—	Butterfat	20,960,207	1.4626	30,656,398.76	
	Protein	17,961,308	1.4951	26,853,951.61	
	Other Solids	33,943,883	0.1199	4,069,871.56	61,580,221.93
Class IV—	Butterfat	10,776,889	1.4626	15,762,277.82	
	Nonfat Solids	15,043,212	0.8737	13,143,254.34	28,905,532.16
Total Classified Value					**$256,818,801.17**
Add:	Overage—All Classes				38,815.23
	Inventory Reclassification—All Classes				48,262.06
	Other Source Receipts	187,742			10,430.98
Less:	Producer Component Valuations				(202,858,672.32)
	Subtotal				**$54,057,637.12**
Add:	Location Adjustment to Producers				9,530,746.67
	One-half Unobligated Balance—Producer Settlement Fund				805,855.49
Total Pool Milk & Aggregate Value		1,898,575,289			64,394,239.28
Less:	Producer Settlement Fund—Reserve				(791,967.14)
Producer Price Differential @ *Suffolk County, MA (Boston)*			**$3.35**		63,602,272.14
Statistical Uniform Price @ *Suffolk County, MA (Boston)*			**$13.62**		

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

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Erik F. Rasmussen, Market Administrator

March 2001 Federal Order No. 1

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March Pool Price Calculation

The March 2001 statistical uniform price for the Northeast Marketing Area was announced at $14.50 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. The March producer price differential (PPD) at Suffolk County was $3.08 per hundredweight.

The March statistical uniform price was 88 cents above February's price and the highest blend price since the inception of the Northeast Order. March's PPD declined 27 cents from the previous month. All class values increased from the combination of higher protein (cheese market) and butterfat (butter market) prices. Class III witnessed the largest gain, and with the spread between the Class III price and the other class prices tightening, the PPD declined.

March's butterfat value was the highest on record for the Northeast Order. This value contributed to the record-high blend price.❖

Butter and Cheese Prices Climb

Prices for Grade AA butter on the Chicago Mercantile Exchange (CME) have risen every week since mid-February. For the week ending April 13, the cash price on the CME equaled $1.7063 per pound, an increase of 57 cents since the beginning of the year. According to the *Dairy Market News*, the butter price has never been this high at this time of year.

Figure 1 (see page 3) shows daily—Monday, Wednesday, and Friday trading days—CME cash prices for Grade AA butter. As shown, the spread between 2000 and 2001 has been widening since February. The year began with a Grade AA price of $1.1275 per pound. During January, there were a few blips into the $1.30–$1.35 range. February began at $1.3025; by mid-month, the price had jumped to $1.41 per pound. By the third week of February, the price rose to $1.5025. It stayed in the $1.50–$1.5650 range until the third week of March when it climbed to $1.63. From there it has been on an almost continuous climb, hitting $1.7100 on April 11.

The last time prices were in the $1.70s was in November 2000 when the price jumped from $1.2175 to $1.7300 on November 8. As reported in the November 2000 *Bulletin*, prices stayed high until December 8 when they plummeted 50 cents within two trading sessions. Even though butter stocks were at the lowest levels in years, the sharp drop in prices proved that the

(continued on Page 3)

Pool Summary

- A total of 17,379 producers were pooled under the order with an average daily delivery per producer of 3,999 pounds.
- Pooled milk receipts totaled 2.157 billion pounds, an increase of 2.6 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 44.2 percent of total milk receipts, an increase of 0.9 percentage points from February.
- The average butterfat test of producer receipts was 3.74 percent.
- The average true protein test of producer receipts was 3.03 percent.
- The average other solids test of producer receipts was 5.70 percent.

Class Utilization

Pooled Milk	Percent	Pounds
Class I	44.2	953,205,309
Class II	16.6	359,036,938
Class III	31.4	676,673,474
Class IV	7.8	167,784,314
Total Pooled Milk		2,156,700,035

Producer Component Prices

Protein Price	$1.6498 /lb
Butterfat Price	$1.6820 /lb
Other Solids Price	$0.1039 /lb

Class Price Factors

	$/cwt
Class I	15.90
Class II	14.17
Class III	11.42
Class IV	13.46

Market Services Milk Test Verification

With the arrival of warmer weather, the market administrator's bulk tank verification program resumes operation. The program verifies the proper calibration of new and existing farm bulk tanks for all non-member producers on a once every 5-to-10 year basis. Members of cooperative associations, whose cooperative has been exempted from the deduction for marketing services, receive such calibration services from their cooperative.

Beginning in June, a second calibration truck will be available to perform calibration checks. With over 4,000 non-member producers and lots of tanks that have not been checked in many years, it will take some time before all non-member farms are visited. The following schedule indicates the planned areas where the calibration trucks will be working during the next several months. The office coordinates farm calibration visits with handlers and haulers, concentrating first on tanks that are suspected of being out of calibration or were checked many years ago. If you have a concern about the calibration of your bulk tank, please contact your handler who will work with the market administrator to schedule a calibration check.❖

Tentative Calibration Truck Schedule, 2001

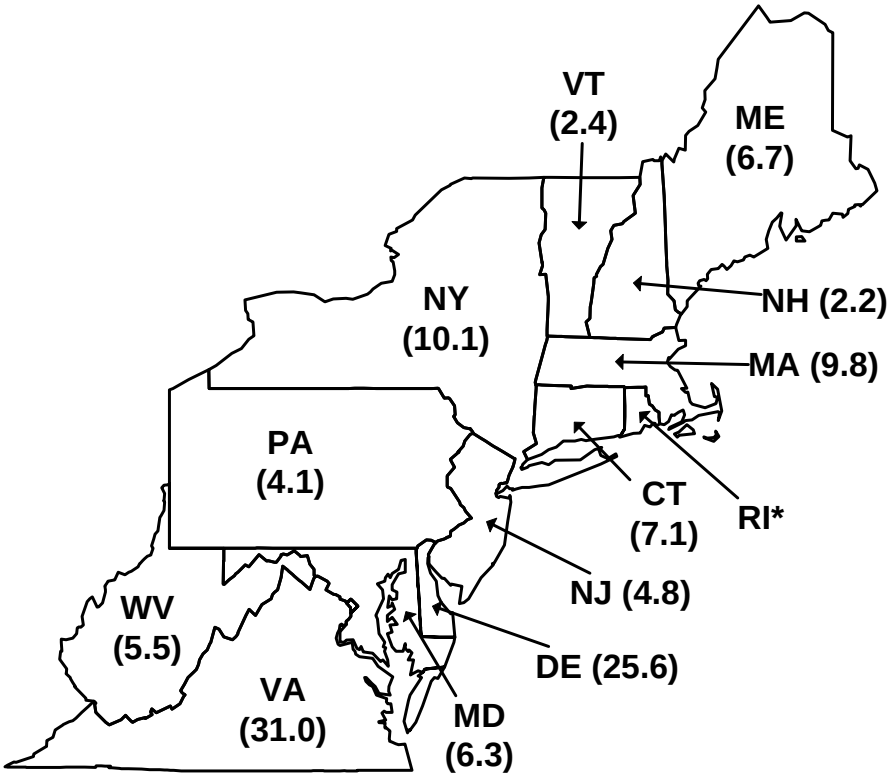
Month	Area
April	Eastern New York
May	Northern Pennsylvania
June	Connecticut Eastern New York
July	Vermont/New Hampshire Southern Tier of New York
August	Maine Southern Pennsylvania
September	Eastern/Central New York Northern Pennsylvania/New Jersey South East New York
October	Central/Northern New York Southern Tier of New York
November	Vermont/New Hampshire Southern Pennsylvania

Changes in Receipts by State

The accompanying map shows year-to-year changes in receipts of producer milk by state for January 2000 and 2001. Overall, producer milk receipts were down 4.5 percent for January 2001 compared to the previous year.

All states normally supplying the Northeast Order showed declines in producer milk receipts. Producer milk received from other states increased 27.6 percent from January of the previous year due in large part to more favorable price relationships under the Northeast Order. This group includes producers pooled from such states as Idaho, Minnesota, Nevada, Utah, Wisconsin, and Wyoming. Even though Rhode Island (which had a 4.4 percent decline) is a consistent supplier to the milkshed, its receipts are included with the other states group due to the limited number of handlers. Movements from other states outside the normal Northeast Order milkshed began in August 2000. For more information on these movements see the February *Bulletin*.❖

Change in Northeast Order Producer Milk Receipts, January 2000 vs. January 2001



*Other states include Idaho, Minnesota, Nevada, Rhode Island, Utah, Wisconsin, and Wyoming with a combined year-to-year increase of 27.6 percent.

MARKET SITUATION

Butter Prices *(continued from page 1)*

tightness in the butter market was only temporary.

Contrary to last year, the rise occurring this spring appears to be more than a temporary tightness. Poor weather conditions in 2000 contributed to a forage supply that was below average in both quality and quantity. This, combined with lower prices than witnessed in both 1998 and 1999, is resulting in lower milk production and less butterfat, thus tightening up the market for butter.

On the National Agricultural Statistics Service (NASS) survey (used in federal order pricing), the Grade AA butter price equaled $1.6536 per pound for the week ending April 7, 3 cents less per pound than the CME price. The NASS price tends to lag behind the CME market as shown in Figure 2. Since the beginning of 2001, this discrepancy has averaged about 5 cents per pound.

Cheese Prices Rise

Figure 3 shows daily 40-pound block Cheddar cheese prices on the CME. At the beginning of the year, prices were at least 10 cents lower than the previous year. By the end of January, things had leveled out, and in mid-February, prices began their ascent. By March, prices were 20 cents higher than last year; as of April 12, the spread was 27.5 cents. Since the beginning of the year, prices averaged more than 11 cents higher than during the same period the previous year.

Figure 4 shows the comparison of weekly 40-pound block prices on the CME with those reported by the NASS survey. As with butter prices, the NASS block cheese prices tend to lag behind the comparable CME prices. At the beginning of 2001, NASS prices were higher than the CME prices, which had been declining. As the CME prices began to rise, the NASS prices continued to decline, eventually bottoming and then rising. For the next 2 months, the two prices have followed similar paths, with the CME remaining about 5 cents higher than NASS.❖

Figure 1

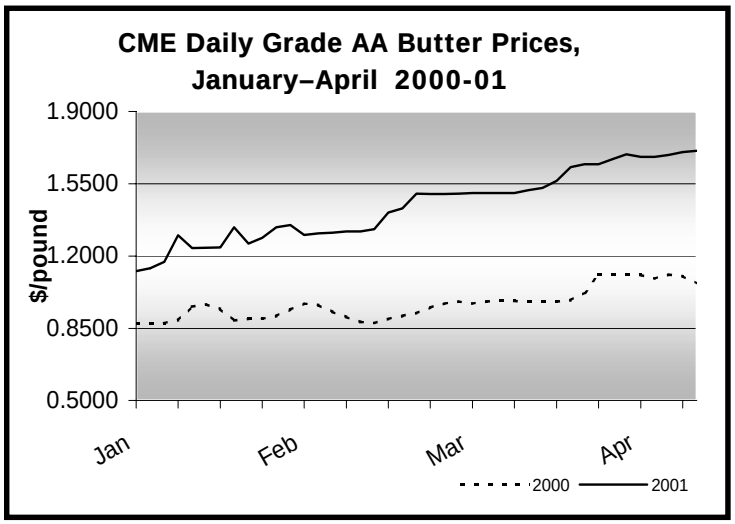


Figure 2

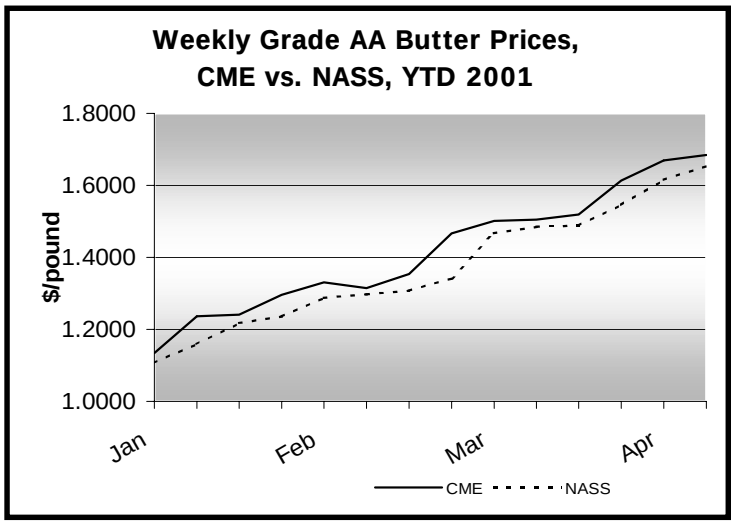


Figure 3

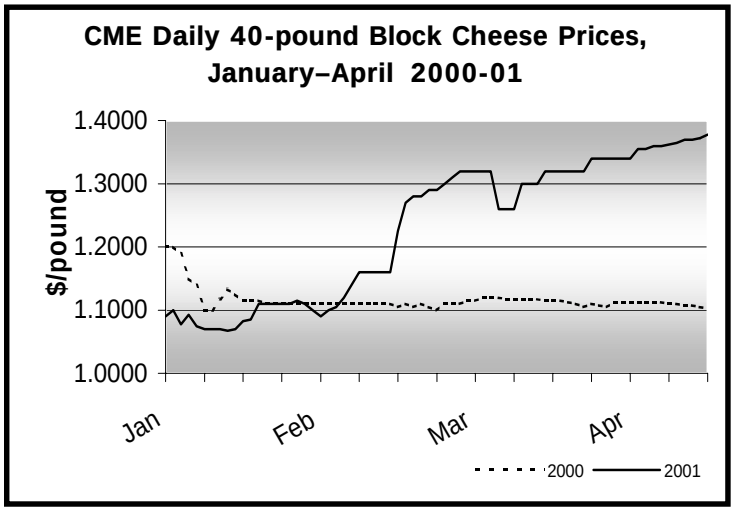
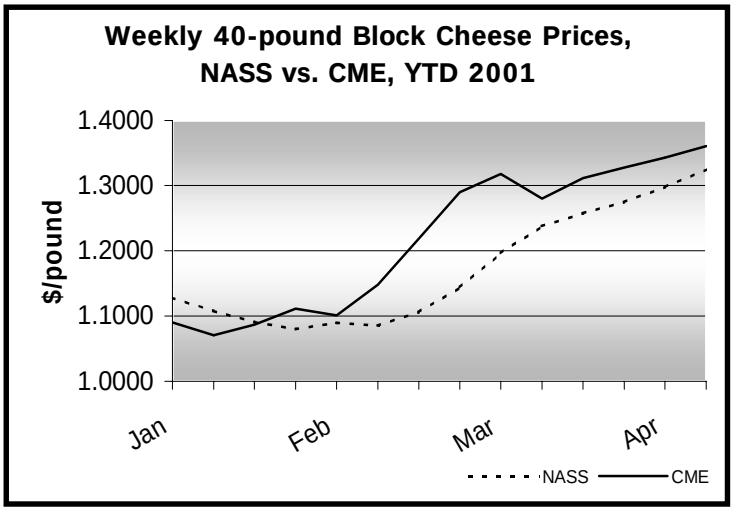


Figure 4



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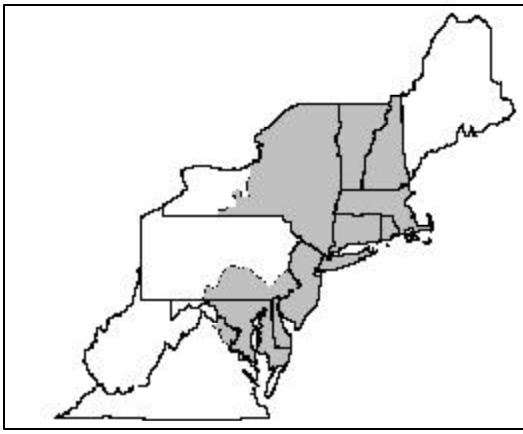
Computation of Producer Price Differential and Statistical Uniform Price

		Product Pounds	Price per cwt/lb	Component Value	Total Value
Class I—	Skim	933,684,065	$11.11	103,732,299.62	
	Butterfat	19,521,244	1.4808	28,907,058.12	
Less:	Location Adjustment to Handlers			(2,878,810.67)	$129,760,547.10
Class II—	Butterfat	26,500,065	1.6890	44,758,609.81	
	Nonfat Solids	30,192,180	0.9511	28,715,782.39	73,474,392.20
Class III—	Butterfat	24,417,881	1.6820	41,070,875.82	
	Protein	20,554,236	1.6498	33,910,378.57	
	Other Solids	38,601,061	0.1039	4,010,650.26	78,991,904.65
Class IV—	Butterfat	10,301,996	1.6820	17,327,957.27	
	Nonfat Solids	14,327,593	0.8727	12,503,690.40	29,831,647.67
Total Classified Value					**$312,058,491.62**
Add:	Overage—All Classes				91,707.46
	Inventory Reclassification—All Classes				102,311.51
	Other Source Receipts	213,138			10,982.44
Less:	Producer Component Valuations				(256,441,345.72)
	Subtotal				**$55,822,147.31**
Add:	Location Adjustment to Producers				10,926,051.24
	One-half Unobligated Balance—Producer Settlement Fund				762,232.42
Total Pool Milk & Aggregate Value		2,156,913,173			67,510,430.97
Less:	Producer Settlement Fund—Reserve				(1,077,505.17)
Producer Price Differential @ *Suffolk County, MA (Boston)*			**$3.08**		66,432,925.80
Statistical Uniform Price @ *Suffolk County, MA (Boston)*			**$14.50**		

* 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

April 2001 Federal Order No. 1

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

April Pool Price Calculation

The April 2001 statistical uniform price for the Northeast Marketing Area was announced at $15.24 per hundredweight for milk delivered to plants located in Suffolk County, Massachusetts (Boston), the pricing point for the Northeast Order. The statistical uniform price is calculated at 3.5 percent butterfat, 2.99 percent protein, and 5.69 percent other solids. The April producer price differential (PPD) at Suffolk County was $3.18 per hundredweight.

The April statistical uniform price was 74 cents above March's price and a new record high (since the inception of the Northeast Order). April's PPD increased 10 cents from the previous month to $3.18 per hundredweight. All class values increased from the previous month largely due to the increase in the butterfat price. Class IV witnessed the largest gain, and with the spread between the Class III price and the other class prices increasing, the PPD increased.

The value for producer butterfat in the April pool increased nearly 9 percent from March's previously high value due to the 15.8 percent increase in the butterfat price, even though April's butterfat test (3.7 percent) was down 0.04 percentage points from March.❖

Nominees Sought for National Dairy Board

The USDA is seeking nominations for the National Dairy Promotion and Research Board (NDB). The secretary of agriculture will appoint 12 individuals to succeed members whose terms expire October 31, 2001 and one individual for the vacancy that expires October 31, 2002. The 12 new members will serve 3-year terms beginning November 1, 2001; the member filling the vacancy will serve a 1-year term beginning November 1, 2001 and ending October 31, 2002.

The NDB was established under the Dairy Production Stabilization Act of 1983 to develop and administer a coordinated program of promotion, research, and nutrition education. The program is financed by a mandatory 15-cent per hundredweight assessment on all milk marketed commercially by dairy producers in the contiguous 48 states.

In the Northeast, appointments will be made for Region 11 (Delaware, Maryland, New Jersey, and Pennsylvania) and Region 12 (New York). Nominations must be submitted by May 31. For information, contact David R. Jamison, Chief, Promotion and Research Branch, Dairy Programs, AMS, USDA, Room 2958-S, Stop 0233, 1400 Independence Ave., SW, Washington, D.C. 20250-0233 or telephone (202) 270-6909.❖

Pool Summary

- A total of 17,292 producers were pooled under the order with an average daily delivery per producer of 3,949 pounds.
- Pooled milk receipts totaled 2.049 billion pounds, a decrease of 1.8 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 41.2 percent of total milk receipts, a decrease of 3.0 percentage points from March.
- The average butterfat test of producer receipts was 3.70 percent.
- The average true protein test of producer receipts was 2.99 percent.
- The average other solids test of producer receipts was 5.69 percent.

Class Utilization

Pooled Milk	Percent	Pounds
Class I	41.2	843,404,584
Class II	15.5	318,075,642
Class III	33.5	686,440,126
Class IV	9.8	200,988,615
Total Pooled Milk		2,048,908,967

Producer Component Prices

Protein Price	1.5443 /lb
Butterfat Price	1.9483 /lb
Other Solids Price	0.1081 /lb

Class Price Factors

	$/cwt
Class I	16.69
Class II	15.10
Class III	12.06
Class IV	14.41

CPI—Adjusted Dairy Prices

The Consumer Price Index (CPI), provided by the Bureau of Labor Statistics (BLS), is a measure of the average change over time in the prices paid by urban consumers (CPI-U) for a market basket of consumer goods and services. It is the most widely used measure of inflation and serves as an economic indicator to policy makers. Seasonally adjusted numbers were used in this analysis with a base period of 1982-84.

Nominal vs. Adjusted Average Prices

	Nominal Prices, dollars				
Item	1996	1997	1998	1999	2000
Whole Milk, gallon	2.62	2.61	2.70	2.84	2.78
Lowfat Milk, gallon	2.41	2.40	2.61	2.77	2.69
Butter, pound	2.05	2.17	2.86	2.65	2.52
Cheddar cheese, pound	3.25	3.22	3.55	3.77	3.83

	Adjusted Average Prices, 1996 dollars				
	1996	1997	1998	1999	2000
Whole Milk, gallon	2.62	2.58	2.58	2.57	2.50
Lowfat Milk, gallon	2.41	2.37	2.49	2.50	2.42
Butter, pound	2.05	2.03	2.05	1.96	2.00
Cheddar cheese, pound	3.25	3.15	3.37	3.35	3.40

Source: Bureau of Labor Statistics.

Dairy Versus All Food Price Index

In general, from 1991 to 1995, the consumer price index for all dairy products rose at about the same pace as the CPI for all food. The CPI for the individual categories of milk, cheese, ice cream, and other dairy products increased at a faster pace than all food. Butter increased at a greater rate from 1996 through 1998 and then trended down in 1999 and 2000. In 2000, the CPI for each dairy category trailed the all food category.

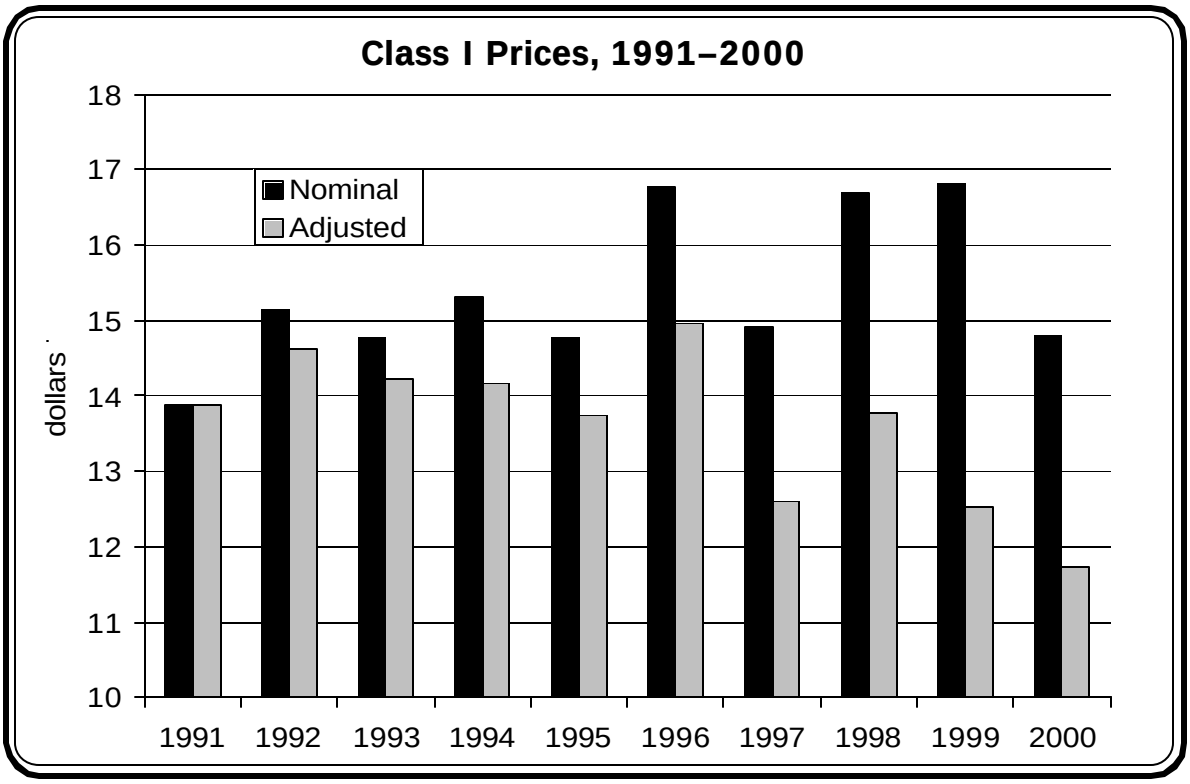
Nominal Versus Adjusted Average Prices

To look at average prices of dairy products since 1996, the CPI was used to adjust prices to what they would have been in 1996. These values are shown in the accompanying table.

In nominal terms (prices as reported by BLS), average annual prices for a gallon of whole milk, a gallon of lowfat milk, a pound of butter, and a pound of Cheddar cheese grew by 6.1 percent, 11.6 percent, 22.9 percent, and 17.8 percent, respectively. Adjusted prices, however, show a 4.6 percent decrease in whole milk and an equivalent increase in Cheddar cheese. Lowfat milk and butter prices experienced little to no change in real dollars.

Adjusting the Class I Price to 1991 Dollars

This analysis looks at Class I prices since 1991 and uses the CPI to adjust prices to what they would have been in 1991. These results are shown in the accompanying chart. Using nominal prices, the price for Class I milk was higher than its 1991 price level every year from 1991 to 2000. Adjusting to 1991 dollars, the real Class I price has been below the 1991 price level from 1997 to 2000. The real Class I price for 1995 also was lower than the 1991 price. Measured in 1991 dollars, the 2000 Class I price was actually 15.4 percent lower than in 1991. The adjusted Class I price peaked in 1996 at $14.96 and reached its lowest point of $11.74 in 2000.❖



MARKET SITUATION

Manufactured Dairy Products—2000 Summary

USDA's National Agricultural Statistics recently released their Dairy Products Annual for 2000. This publication summarizes dairy products manufactured in the United States. Nearly 8.3 billion pounds of cheese (excluding cottage) was produced during 2000, an increase of 4.3 percent from 1999. Butter production dropped slightly while nonfat dry milk production rose 6.5 percent. All comparisons have been adjusted for leap year.

Cheese Production Grows

American, largely comprised of Cheddar, continued to be the number one cheese produced in the United States. Over 3.6 billion pounds were made in 2000, or 44 percent of all cheese manufactured. Italian cheese was the next largest product, increasing 5 percent from 1999 to 3.3 billion pounds. The gap between American and Italian has been tightening over the years. Mozzarella production increased 4.1 percent and remained about 80 percent of all Italian cheese produced nationally.

Swiss cheese production grew 3.5 percent, cream and Neufchatel increased 7.2 percent, and all other cheese production jumped 9.9 percent. This category includes Muenster, brick, Limburger, blue, Hispanic, and other varieties. Of these, Hispanic cheese rose 11.2 percent in 2000.

Other Manufactured Products

Butter production was down 0.5 percent from 1999, but remained at about 1.3 billion pounds. Yogurt increased 6.6 percent and totaled 1.8 billion pounds in 2000. Ice cream production dropped 0.5 percent, and unsweetened condensed milk declined 12.4 percent.

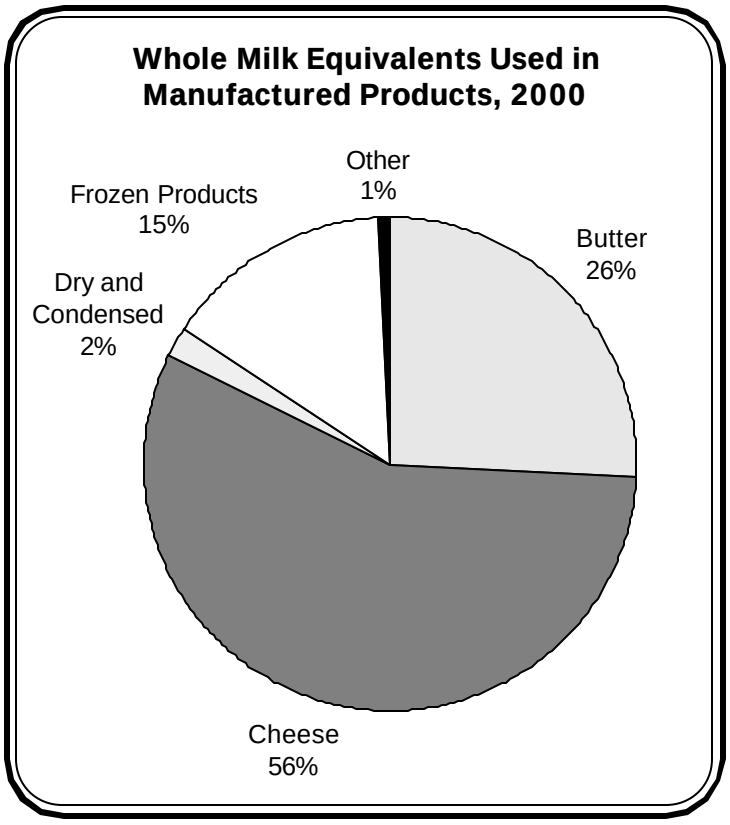
During 2000, the Commodity Credit Corporation (CCC) purchased 558.1 million pounds of NFDM, over 38 percent of the total produced. The CCC also purchased 16.7 million pounds of cheese, but no butter.

Leading Manufacturing States

Once again, Wisconsin lead the nation as the top cheese-producing state with 26.6 percent of all cheese made (excluding cottage). This percentage was down slightly from 27.2 in 1999. California ranked second in cheese production with 18.1 percent of total U.S. cheese, up from 17.6 percent in 1999. New York was the third largest cheese manufacturing state with 8.8 percent; Minnesota ranked fourth with 8.4 percent; and Idaho finished fifth with 7.1 percent.

Wisconsin continued as the leading manufacturer of American cheese, followed by Minnesota and California. It also ranked first in the production of Italian cheese; California came in second; and New York was third. Ohio was reported as the largest Swiss cheese producer, although states with fewer than 3 plants were not listed. Of those shown, Illinois ranked second and Wisconsin third in Swiss production in 2000.

The top butter producing states were California (27.8 percent), Wisconsin (22.6 percent), and Pennsylvania (6.7 percent). Washington ranked third in 1999, but did not disclose data for 2000. Of the states reporting, California had the largest yogurt production followed closely by New York. California also ranked first in nonfat dry milk production (for human food) with nearly 48 percent of total production.



Ice cream production is scattered across the United States. California ranked first with 14.4 percent, Indiana came in second with 7.8 percent, and Texas finished third with 6.2 percent.

Overall, Wisconsin reported the largest number of manufacturing plants with 205, a loss of 2 from 1999. New York was second with 113, down from 121 the previous year; California ranked third with 109 compared with 113 in 1999.

Utilization of Milk Marketings

Of the total amount of milk marketed in 2000, 62 percent was used for manufactured dairy products, unchanged from 1999. On a net whole milk equivalent basis, the proportions used in selected dairy products changed slightly in 2000 (see accompanying chart). The total amount used in dairy products increased 1.7 percent. Total product used in cheese increased 1.2 percentage points while the amount used in butter declined 0.7; evaporated, dry, and condensed dropped 0.2; and frozen desserts went down 0.3 percentage points.❖

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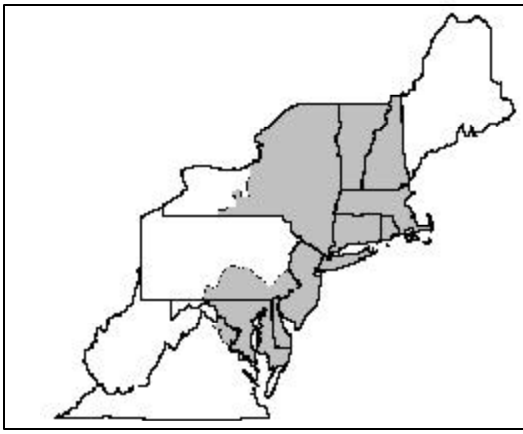
Computation of Producer Price Differential and Statistical Uniform Price

		Product Pounds	Price per cwt/lb	Component Value	Total Value
Class I—	Skim	826,048,579	$11.11	91,773,997.13	
	Butterfat	17,356,005	1.7047	29,586,781.72	
Less:	Location Adjustment to Handlers			(2,571,730.15)	$118,789,048.67
Class II—	Butterfat	24,307,160	1.9553	47,527,789.96	
	Nonfat Solids	26,465,817	0.9511	25,171,638.53	72,699,428.49
Class III—	Butterfat	24,344,678	1.9483	47,430,736.14	
	Protein	20,535,554	1.5443	31,713,056.03	
	Other Solids	39,249,978	0.1081	4,242,922.67	83,386,714.84
Class IV—	Butterfat	9,872,424	1.9483	19,234,443.70	
	Nonfat Solids	17,243,915	0.8745	15,079,803.68	34,314,247.38
Total Classified Value					**$309,189,439.38**
Add:	Overage—All Classes				293,000.71
	Inventory Reclassification—All Classes				214,954.81
	Other Source Receipts	172,879			9,438.12
Less:	Producer Component Valuations				(255,109,720.74)
	Subtotal				**$54,597,112.28**
Add:	Location Adjustment to Producers				10,644,033.04
	One-half Unobligated Balance—Producer Settlement Fund				912,845.74
Total Pool Milk & Aggregate Value		2,049,081,846			66,153,991.06
Less:	Producer Settlement Fund—Reserve				(993,188.33)
Producer Price Differential @ *Suffolk County, MA (Boston)*			**$3.18**		65,160,802.73
Statistical Uniform Price @ *Suffolk County, MA (Boston)*			**$15.24**		

* 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 2001 Federal Order No. 1

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

May Pool Price Calculation

The May 2001 statistical uniform price for the Northeast Marketing Area was announced at $16.32 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. The May producer price differential (PPD) at Suffolk County was $2.49 per hundredweight.

The May statistical uniform price was $1.08 per hundredweight above April's price and a new record high (since the inception of the Northeast Order). May's PPD decreased 69 cents from the previous month. All class values increased from the previous month largely due to the increase in component prices. Class III experienced the largest gain, a jump of $1.77 per hundredweight from April. With the spread between the Class III price and the other class prices decreasing, the PPD decreased. If component prices remain high, higher class prices will hold resulting in lower PPDs but strong statistical uniform prices (see milk futures article on page 3).

The value for producer butterfat in the May pool increased more than 14 percent from April's total resulting in a new record-high value. This occurred because the May butterfat price increased nearly 9 percent from April, even though the monthly average producer butterfat test declined 0.07 percentage points.

May's producer milk receipts totaled the largest pool since the Northeast Order's inception. Average daily deliveries per producer at 4,099 pounds were also record-setting for the Order.❖

Processor Board Appointments

Agriculture Secretary Ann M. Veneman appointed five new members and reappointed two incumbents to the National Fluid Milk Processor Promotion Board. All will serve 3-year terms that will expire May 31, 2004. Locally, Peter Ross, Franklin, Massachusetts (Region 1), was among the newly appointed.

The board is composed of 15 fluid milk processors from 15 geographic regions, and 5 at-large members. Of the at-large members, at least three must be fluid milk processors and at least one must be from the general public. The board was established by the Fluid Milk Promotion Act of 1990 to develop and administer a coordinated program of advertising and promotion to increase the demand for fluid milk products.❖

Pool Summary

- A total of 17,279 producers were pooled under the order with an average daily delivery per producer of 4,099 pounds.
- Pooled milk receipts totaled 2.196 billion pounds, an increase of 3.7 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 41.2 percent of total milk receipts, no change from April.
- The average butterfat test of producer receipts was 3.63 percent.
- The average true protein test of producer receipts was 2.96 percent.
- The average other solids test of producer receipts was 5.71 percent.

Class Utilization

Pooled Milk	Percent	Pounds
Class I	41.1	903,958,014
Class II	14.9	326,685,497
Class III	33.5	735,318,054
Class IV	10.5	229,948,061
Total Pooled Milk		2,195,909,626

Producer Component Prices

	2001	2000
	$/lb	
Protein Price	1.9108	1.5514
Butterfat Price	2.1191	1.2854
Other Solids Price	0.1229	0.0403

Class Price Factors

	2001	2000
	$/cwt	
Class I	17.46	14.73
Class II	15.72	12.63
Class III	13.83	9.37
Class IV	15.04	11.91

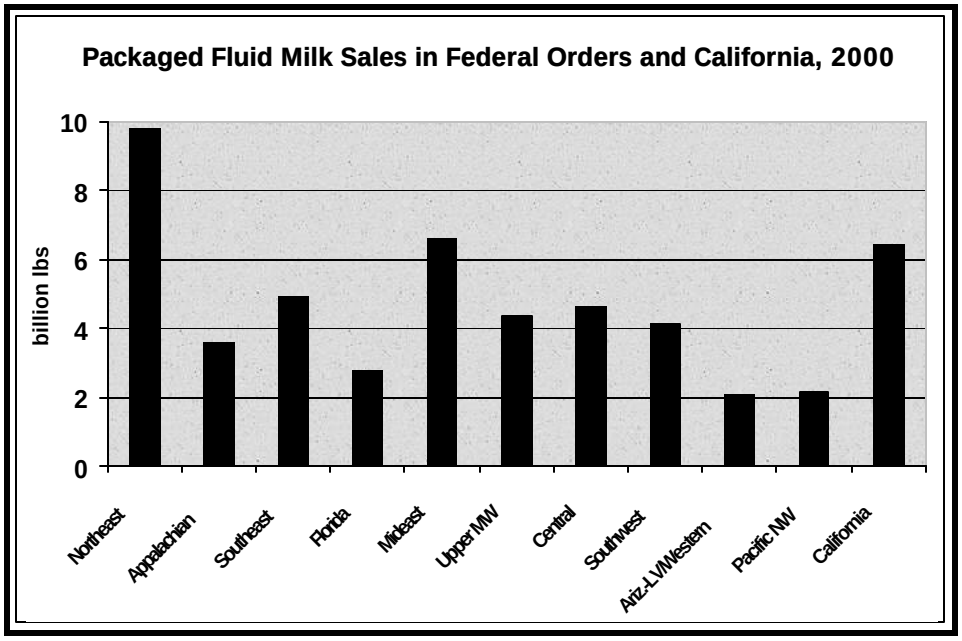
Fluid Sales Decline Slightly

During 2000, sales of packaged fluid milk products in federal milk marketing areas and California equaled nearly 52 billion pounds, a decline of 0.4 percent from 1999 (adjusted for leap year). The accompanying chart shows packaged fluid sales for the 11 federal orders (Arizona-Las Vegas and Western are combined) and California. These figures represent approximately 93 percent of total fluid milk sales in the United States.

Sales by Area

The Northeast Milk Marketing Area had the largest volume of sales in 2000 and accounted for 19 percent of the total volume of sales in federal order areas and California. The Mideast Order ranked second with 12.8 percent and California finished third with 12.5 percent.

The Florida Order experienced the largest increase in sales from 1999 with 1.7 percent. Sales in the Upper Midwest grew 1.2 percent; California's sales increased 0.4 percent; and the Northeast and Southwest Orders gained 0.1 percent. The remaining orders' sales declined: Appalachian— 2.6 percent; Central—2.0 percent; Pacific Northwest—1.5 percent; Mideast—1.3 percent; the combined Arizona-Las Vegas / Western orders—0.9 percent; and the Southeast Order—0.4 percent.



Sales by Product

Based on type of product, only whole milk and lowfat (1%) milk had increased sales in 2000. Whole milk sales grew 1.6 percent while lowfat increased slightly with 0.1 percent. Skim milk sales had the greatest drop with 4.9 percent; buttermilk declined 1.4 percent; and reduced fat (2%) milk decreased 0.7 percent.

Overall, whole milk was still the most popular product with 35.9 percent of total sales. Reduced fat accounted for 31.6 percent; lowfat had 16.0 percent; skim milk totaled 15.4 percent; and buttermilk equaled 1.1 percent.❖

Top Ten Supply Counties

During the month of December 2000, the top ten counties supplying milk to the Northeast Order accounted for 28.7 percent of all milk and 28.0 percent of the producers pooled. The accompanying table shows these counties along with the number of producers and their respective volumes of milk pooled during December 2000. There were 271 counties supplying milk that month.

It should be noted that the volumes shown for each county 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 here. As a result, volumes and producer numbers change from month to month, and county rankings could change correspondingly.

Lancaster County, PA, supplied the largest volume of milk to the Northeast Order during December 2000. This was the number one ranked county for both of the former New York–New Jersey and Middle Atlantic orders. Alone, Lancaster County accounted for nearly 8 percent of all milk pooled in December 2000 under the Northeast Order. It had nearly 2.5 times the volume of the second largest supply county, Franklin County, PA, and 4 times its number of producers.

The third and fourth largest supply counties, Franklin County, VT, and Addison County, VT, were the first and second largest suppliers, respectively, under the former New England Order. All of the top supply counties are located in the three largest supply states (New York, Pennsylvania, and Vermont). The highest-ranking New York county was St. Lawrence, which came in fifth in December 2000.❖

Northeast Order Producer Milk Receipts by Top Ten Counties, December 2000*

County	State	Number of Producers	Pounds of Milk
Lancaster	PA	1,938	154,631,654
Franklin	PA	468	62,680,759
Franklin	VT	340	57,354,206
Addison	VT	233	49,603,407
St. Lawrence	NY	418	46,226,539
Wyoming	NY	133	43,473,478
Jefferson	NY	337	43,229,213
Bradford	PA	419	34,075,011
Lewis	NY	319	33,984,777
Cayuga	NY	152	33,926,109
Top Ten Total		4,757	559,185,153
Pool Total		17,009	1,948,723,309

* Figures based on payroll data.

MARKET SITUATION

Support Purchase Prices Adjusted

USDA has adjusted the purchase prices for butter and nonfat dry milk (NFDM) under the Commodity Credit Corporation (CCC) support program effective May 31, 2001. The CCC purchase price for butter will be increased by 19.99 cents to $0.8548 per pound and the purchase price for NFDM will decrease by 10.32 cents to $0.9000 per pound. The purchase prices for block Cheddar and barrel cheese remain unchanged at $1.1314 and $1.1014 per pound, respectively.

The 2001 Appropriations Bill extended the price support program through 2001 at a per hundredweight price of $9.90 (for milk with 3.67 percent butterfat), the same per hundredweight level since 1999. The support program works through the CCC's standing offer to purchase butter, NFDM, and Cheddar cheese at specified prices. The individual product prices are computed in relation to the $9.90 per hundredweight support price.

Effect on Producer Prices

Market values for butter, cheese, and NFDM, collected monthly via the National Agricultural Statistics Service (NASS) commodity price surveys, are used in the calculation of federal order class and component prices. The May average market price for NFDM was $1.0180 per pound or 11.8 cents above the new CCC support price. The May average market price for butter was $1.8527 per pound, nearly $1.00 above the CCC support price. The May market price for cheese was about 40 cents per pound above the CCC support prices.

Since order reform was implemented in January 2000, the monthly market value for NFDM has effectively been at or very near the level of the former (prior to May 31, 2001) support price ($1.0132 per pound, fortified 25-kg bags). With the decline in the NFDM support price, it is expected that market prices for NFDM also will decline. This will have the effect of lowering the Class IV price. A lower Class IV price will affect the Class II price and the Class I price, which has been set off of the "higher-of" Class IV skim price for every month to date. At this time it is difficult to calculate an exact price impact based on this change, not knowing how market prices will respond over time. As perhaps a leading indicator, Class IV futures prices on the Chicago Mercantile Exchange reacted immediately to the news, dropping 40-50 cents per hundredweight for the months June–September 2001; however, much of this initial drop has been regained.

Adjustment Rationale

Cited as factors behind USDA's decision to change the butter and nonfat dry milk purchase prices were an accumulation by USDA of nonfat dry milk stocks in quantities well above their ability to use the product; the level of expenditures the purchases were requiring; and significant market distortions. During 2000, USDA purchases under the support program accounted for approximately 38 percent of the domestic production of NFDM for the year. The Agricultural Market Transition Act permits the USDA to adjust the balance between the individual product purchase prices twice each year, if deemed necessary.❖

Futures and Commodity Markets Point to Strong Prices

Five months into the year, 2001 looks to be headed towards a strong annual average uniform price for the Northeast Order. For the first 5 months of 2001, the average uniform price was $14.69 compared to $14.52 for the same period of 1998, the year of record-high prices. Lower production nationwide in 1998 led to decreased cheese production and butter shortages, strengthening prices in the latter part of that year. A similar situation is occurring in 2001.

Chicago Mercantile Exchange (CME) Grade AA butter prices in both 2001 and 1998 began the year at about $1.13 per pound. Since the end of February, butter prices averaged 27 cents higher this year than in 1998. Starting the year below 1998 levels, 2001 CME 40-pound block Cheddar cheese prices have been higher than 1998 prices since early April. From that point, 2001 has trended 1998 closely, but about 26 cents higher.

On June 13, 2001, average futures for June–December 2001 settled at $13.90 and $14.63 for Class III and Class IV, respectively (see table). The actual average prices for June–December 2000 were $9.85 and $12.31 for Class III and Class IV, respectively. If futures hold true, the result would be average annual prices of $12.91 for Class III, $14.18 for Class IV, and a resulting higher annual average blend price. In addition, the spread between Classes III and IV is tightening.❖

Actual 2000 Class Prices vs. 2001 Futures Prices, June–December, as of June 13, 2001

	Class III		Class IV	
	Actual 2000	CME Futures 2001	Actual 2000	CME Futures 2001
Jun	$ 9.46	$14.88	$12.38	$15.10
Jul	10.66	14.70	11.87	15.10
Aug	10.13	14.70	11.87	15.00
Sep	10.76	14.65	11.94	14.70
Oct	10.02	13.64	11.81	14.45
Nov	8.57	12.78	13.00	14.20
Dec	9.37	11.95	13.27	13.86
Average	$ 9.85	$13.90	$12.31	$14.63

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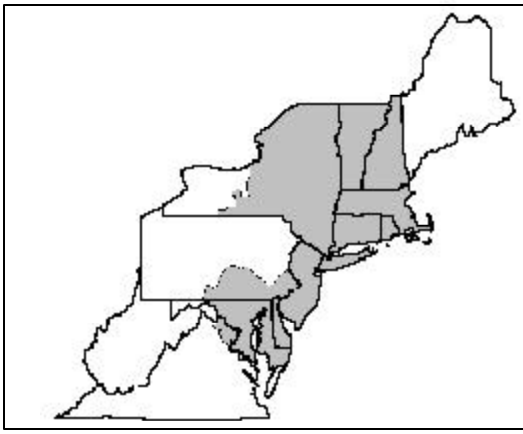
Computation of Producer Price Differential and Statistical Uniform Price

		Product Pounds	Price per cwt/lb	Component Value	Total Value
Class I—	Skim	885,693,942	$11.13	98,577,735.74	
	Butterfat	18,264,072	1.9212	35,088,935.13	
Less:	Location Adjustment to Handlers			(2,787,621.58)	$130,879,049.31
Class II—	Butterfat	25,381,677	2.1261	53,963,983.48	
	Nonfat Solids	27,099,109	0.9533	25,833,580.61	79,797,564.09
Class III—	Butterfat	25,640,788	2.1191	54,335,393.85	
	Protein	21,749,107	1.9108	41,558,193.69	
	Other Solids	42,071,472	0.1229	5,170,583.92	101,064,171.46
Class IV—	Butterfat	10,353,976	2.1191	21,941,110.51	
	Nonfat Solids	19,818,992	0.8780	17,401,074.98	39,342,185.49
Total Classified Value					**$351,082,970.35**
Add:	Overage—All Classes				205,812.02
	Inventory Reclassification—All Classes				247,592.22
	Other Source Receipts	235,779			10,025.55
Less:	Producer Component Valuations				(308,242,640.52)
	Subtotal				**$43,303,759.62**
Add:	Location Adjustment to Producers				11,587,190.01
	One-half Unobligated Balance—Producer Settlement Fund				843,849.74
Total Pool Milk & Aggregate Value		2,196,145,405			55,734,799.37
Less:	Producer Settlement Fund—Reserve				(1,050,778.51)
Producer Price Differential @ *Suffolk County, MA (Boston)*			**$2.49**		54,684,020.86
Statistical Uniform Price @ *Suffolk County, MA (Boston)*			**$16.32**		

* 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

June 2001 Federal Order No. 1

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

The June 2001 statistical uniform price for the Northeast Marketing Area was announced at $17.08 per hundredweight for milk delivered to plants located in Suffolk County, Massachusetts (Boston), the pricing point for the Northeast Order. The statistical uniform price is calculated at 3.5 percent butterfat, 2.99 percent protein, and 5.69 percent other solids. The June producer price differential (PPD) at Suffolk County was $2.06 per hundredweight.

The June statistical uniform price set another record for the Northeast Order, topping May's price by $0.76 per hundredweight. June's PPD decreased 43 cents from the previous month. All class values were higher than those of the previous month, mainly due to continued high component prices. Class III again had the largest gain, increasing $1.19 per hundredweight from May. With the spread between the Class III price and the other class prices decreasing, the PPD decreased.

The value for producer butterfat in the June pool decreased from May due to a lower producer butterfat test and price. The producer protein value for June was the second highest since the Northeast Order's inception, surpassed only by the value in January 2000.❖

Producer Payment Dates

The following schedule shows the payment dates for partial and final producer payments for the rest of 2001. Pool plants that pay producers directly must pay for milk received during the first 15 days of the month (partial payment) by the 26th day of the same month. The payment for milk shipped during the remaining days of the month (final payment) is specified as the day after the market administrator makes payments to handlers from the producer-settlement fund. Depending on the month, these dates will change. If a required payment date falls on a Saturday, Sunday, or national holiday, payment is due on the next business day. Cooperatives may elect to pay members on their own schedule.❖

Month Milk	Payment Due			
	Partial		Final	
Produced	Day	Date	Day	Date
July	Thursday	7/26	Friday	8/17
August	Monday	8/27	Tuesday	9/18
September	Wednesday	9/26	Wednesday	10/17
October	Friday	10/26	Monday	11/19
November	Monday	11/26	Tuesday	12/18
December	Wednesday	12/26	Thursday	1/17

Pool Summary

- A total of 17,115 producers were pooled under the order with an average daily delivery per producer of 4,025 pounds.
- Pooled milk receipts totaled 2.067 billion pounds, a decrease of 2.8 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 40.7 percent of total milk receipts, a decrease of 0.4 percentage points from May.
- The average butterfat test of producer receipts was 3.58 percent.
- The average true protein test of producer receipts was 2.94 percent.
- The average other solids test of producer receipts was 5.70 percent.❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	40.7	840,895,680
Class II	15.6	322,197,641
Class III	34.0	702,607,284
Class IV	9.7	200,867,827
Total Pooled Milk		2,066,568,432

Producer Component Prices

	2001	2000
	$/lb	
Protein Price	2.1670	1.4278
Butterfat Price	2.2089	1.4128
Other Solids Price	0.1409	0.0438

Class Price Factors

	2001	2000
	$/cwt	
Class I	18.24	14.95
Class II	16.05	13.08
Class III	15.02	9.46
Class IV	15.33	12.38

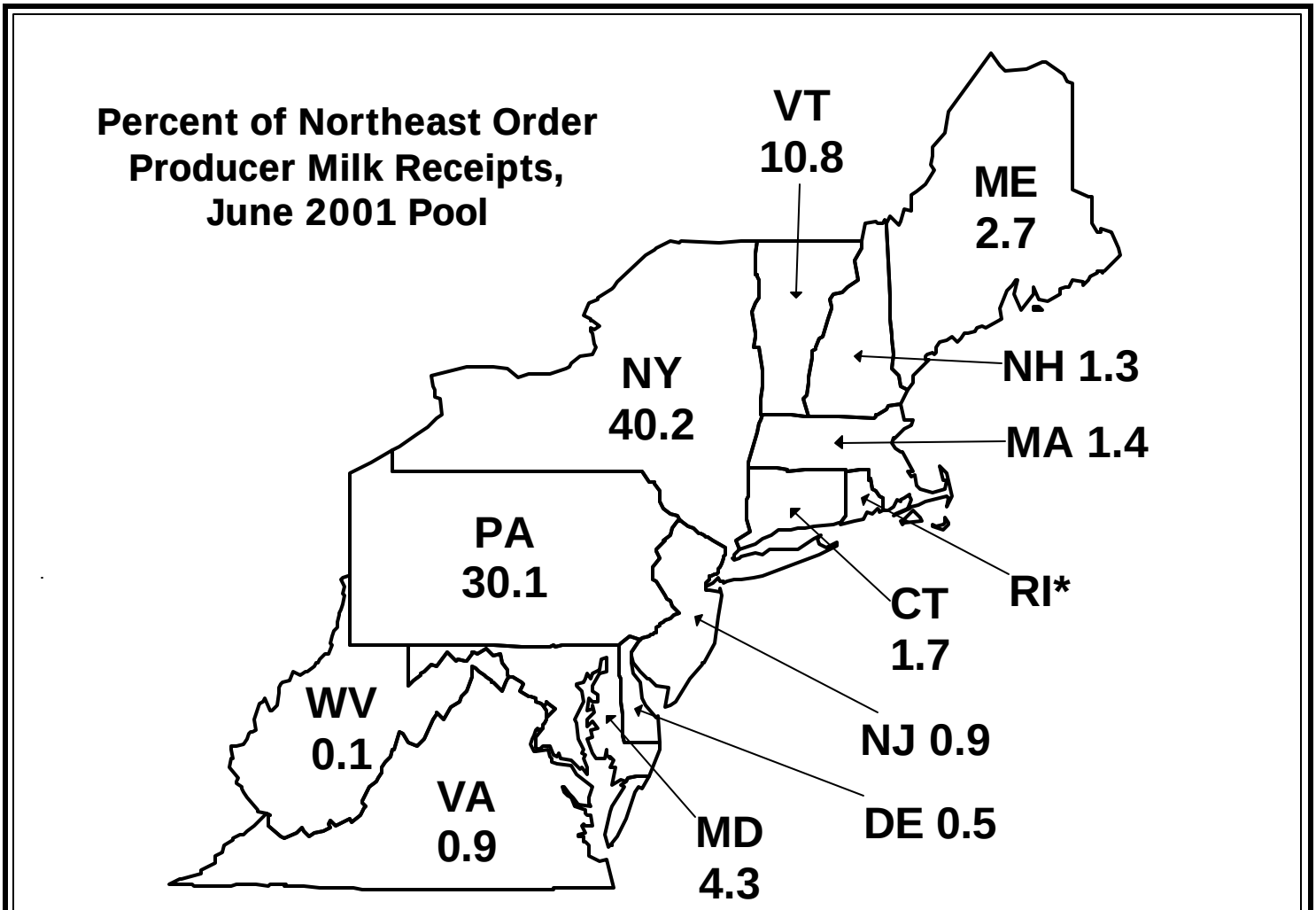
Producers Grouped by Production Ranges

The accompanying table shows the number of producers and their corresponding pounds of milk grouped by their respective production amounts for the month of December 2000. As the table depicts, the largest group of producers, about one quarter of all producers pooled under the Northeast Order, are those who produced between 30,001 and 60,000 pounds during the month. As a percentage of total pounds, this group represents only a little more than 10 percent of the total December pool. Those producers with monthly production greater than 500,000 pounds accounted for nearly 18 percent of the total pooled pounds but for only about 2 percent of the total number of producers in the Order.❖

Number of Producers and Pounds, by Size Category, December 2000

Production Range	Producers		Milk	
pounds	number	percentage	Total pounds	percentage
1-30,000	2,365	13.7	43,501,485	2.2
30,001-60,000	4,339	25.1	200,613,954	10.3
60,001-90,000	3,929	22.8	291,567,268	15.0
90,001-120,000	2,187	12.7	228,421,601	11.7
120,001-150,000	1,377	8.0	185,682,000	9.5
150,001-250,000	1,791	10.4	339,998,251	17.5
250,001-500,000	894	5.2	310,732,766	16.0
>=500,001	380	2.2	347,161,119	17.8
Total	17,262	100.0	1,947,678,444	100.0

Note: Totals may vary from previously published data due to post-pool audit adjustments.



* Other states include Idaho, Michigan, Minnesota, Rhode Island, Utah, and Wisconsin with a combined total of 5.1 percent.

MARKET SITUATION

Cheddar Cheese and Butter Prices

Dairy commodity prices during the first half of 2001 can be characterized as starting low followed by a dramatic increase to much higher levels. At the end of June, the weekly Chicago Mercantile Exchange (CME) butter price was $2.0067 per pound, and the weekly 40-pound block Cheddar cheese price was $1.6675 per pound, 81 cents and 41 cents higher than the same time in 2000, respectively. Prices for butter and cheese are close to 1998 levels (see figures 1 and 2).

For only the second time since early March, 40-pound block Cheddar cheese prices declined on June 29. By the end of June, barrel cheese prices were unsettled particularly during the last seven trading days, with the month ending at $1.61 per pound (see figure 3). According to the CME, cheese marketers are reporting weaker demand associated with buyers' desire to wait for prices to take a clearer direction.

The second half of 2001 started with a steady 40-pound block Cheddar cheese price of $1.67 per pound through July 16; barrel Cheddar cheese prices remained close to $1.63.

Due to a fear of late year butter shortages, buyers built up inventories through the early part of 2001. The National Agricultural Statistics Service *Cold Storage* report shows butter inventories reached 138 million pounds as of May 31, 2001, similar to levels around the same time of year in 1999 and 2000.

Butter prices declined 10 percent from the end of June to July 16, largely reflecting the most recent reports on stocks of butter by the CME and USDA. CME futures now show a higher Class III price than Class IV price from July through October.

The price of Grade A nonfat dry milk (NFDM) declined slightly to $1.00 and Extra Grade nonfat dry milk dropped to $0.99 by July 16. These downward movements are likely the result of the decreased purchase price for NFDM, which became effective May 31, 2001, to $0.90 per pound under the Commodity Credit Corporation. ❖

Figure 1

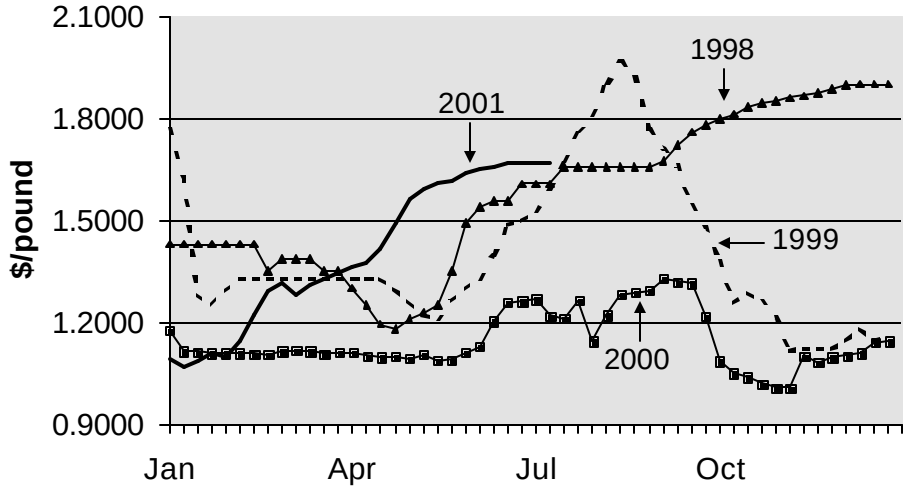


Figure 2

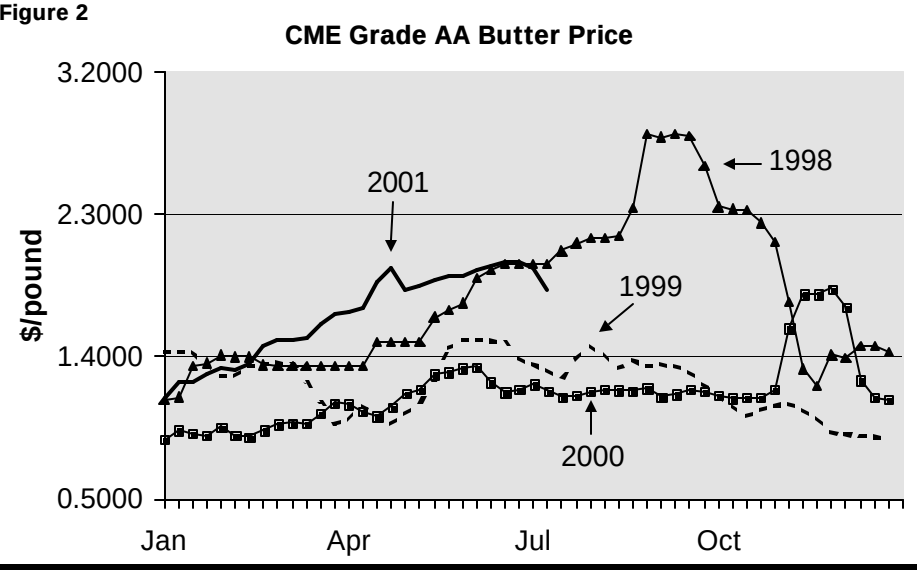
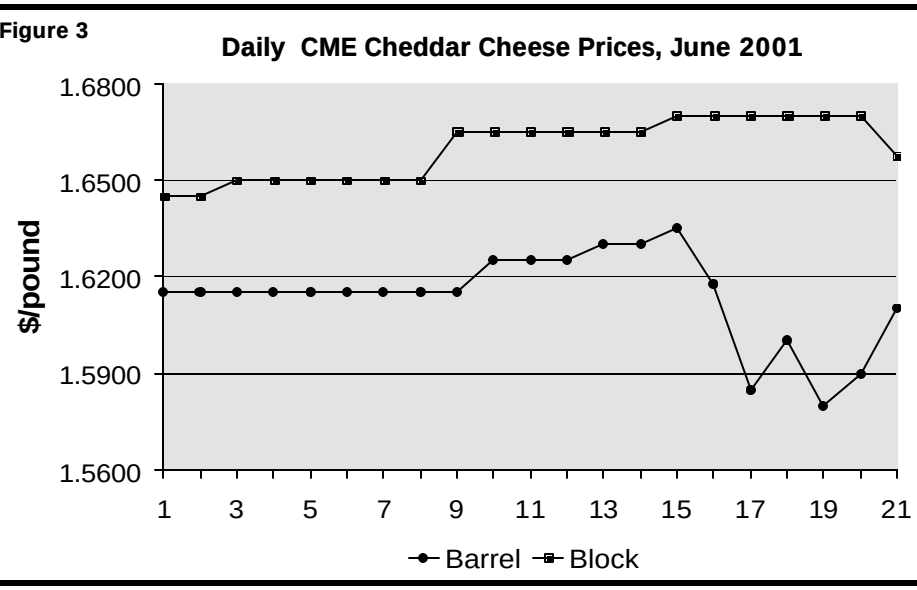


Figure 3



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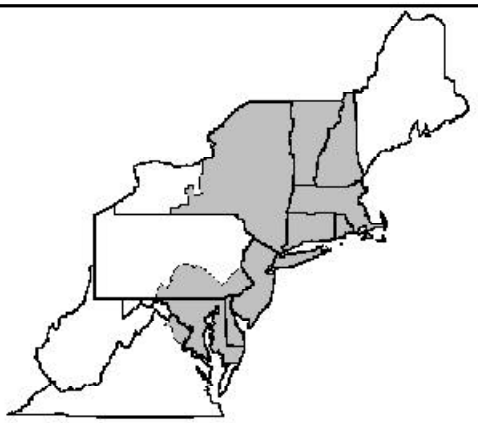
Computation of Producer Price Differential and Statistical Uniform Price

	Product Pounds	Price per cwt/lb	Component Value	Total Value
Class I— Skim	823,597,163	$11.15	91,831,083.67	
Butterfat	17,298,517	2.1358	36,946,172.61	
Less: Location Adjustment to Handlers			(2,535,884.29)	$126,241,372.02
Class II— Butterfat	25,269,390	2.2159	55,994,441.29	
Nonfat Solids	26,589,113	0.9556	25,408,556.37	81,402,997.66
Class III– Butterfat	24,028,552	2.2089	53,076,668.50	
Protein	20,634,564	2.1670	44,715,100.23	
Other Solids	40,183,704	0.1409	5,661,883.87	103,453,652.60
Class IV– Butterfat	7,450,963	2.2089	16,458,432.18	
Nonfat Solids	17,355,797	0.8748	15,182,851.24	31,641,283.42
Total Classified Value				**$342,739,305.70**
Add: Overage—All Classes				108,129.71
Inventory Reclassification—All Classes				235,030.87
Other Source Receipts	177,806			6,002.01
Less: Producer Component Valuations				(311,720,793.82)
Subtotal				**$31,367,674.47**
Add: Location Adjustment to Producers				11,007,601.63
One-half Unobligated Balance—Producer Settlement Fund				1,156,839.16
Total Pool Milk & Aggregate Value	2,066,746,238			43,532,115.26
Less: Producer Settlement Fund—Reserve				(957,142.84)
Producer Price Differential @ *Suffolk County, MA (Boston)*		**$2.06**		42,574,972.42
Statistical Uniform Price @ *Suffolk County, MA (Boston)*		**$17.08**		

* 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 2001 Federal Order No. 1

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July Pool Price Calculation

The July 2001 statistical uniform price for the Northeast Marketing Area was announced at $17.21 per hundredweight for milk delivered to plants located in Suffolk County, Massachusetts (Boston), the pricing point for the Northeast Order. The statistical uniform price is calculated at 3.5 percent butterfat, 2.99 percent protein, and 5.69 percent other solids. The July producer price differential (PPD) at Suffolk County was $1.75 per hundredweight.

The July statistical uniform price set another record for the Northeast Order, topping June's price by $0.13 per hundredweight. July's PPD decreased 31 cents from the previous month. The Class I price increased $0.35 and the Class III price increased $0.44 cents, while both the Class II and IV prices declined. For the first time since Federal Order Reform, the Class III price was higher than the Class IV price. With the spread between the Class III price and the other class prices decreasing, the PPD decreased.

The value for producer butterfat in the July pool increased from June, even though the butterfat price and average producer test declined, due to a higher total volume of producer milk. The producer protein value for July was the highest since the Order's inception.❖

Shipping Requirements Investigation

The Market Administrator has received requests from pool handlers and cooperative associations to investigate the need to increase the shipping requirements under Section 1001.7(c)(1) and (2) of Order 1. Section 1001.7(g) allows the Market Administrator to adjust the shipping percentage—the percentage of their milk receipts that cooperative handlers and pool supply plants must deliver to Class I bottling plants during the period August through December. The Market Administrator is commencing an investigation into the expected Class I needs and available milk supplies for the months of September, October, and November of 2001. If the investigation shows that an adjustment of the shipping percentages might be appropriate, the Market Administrator shall issue a notice stating that an adjustment is being considered and invite data, views, and arguments. Any decision to revise an applicable shipping percentage will be issued in writing at least one day before the effective date.

Tightness in the milk supply is historically experienced in the fall, coinciding with the start of the school year and seasonal declines in milk production. Most schools in major metropolitan areas of the Northeast are opening in early September this year.❖

Pool Summary

- A total of 17,620 producers were pooled under the order with an average daily delivery per producer of 3,891 pounds.
- Pooled milk receipts totaled 2.125 billion pounds, a decrease of 0.5 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 39.3 percent of total milk receipts, a decrease of 1.4 percentage points from June.
- The average butterfat test of producer receipts was 3.55 percent.
- The average true protein test of producer receipts was 2.92 percent.
- The average other solids test of producer receipts was 5.69 percent.

Class Utilization

Pooled Milk	Percent	Pounds
Class I	39.3	834,144,194
Class II	17.3	368,545,342
Class III	33.1	704,094,563
Class IV	10.3	218,425,691
Total Pooled Milk		2,125,209,790

Producer Component Prices

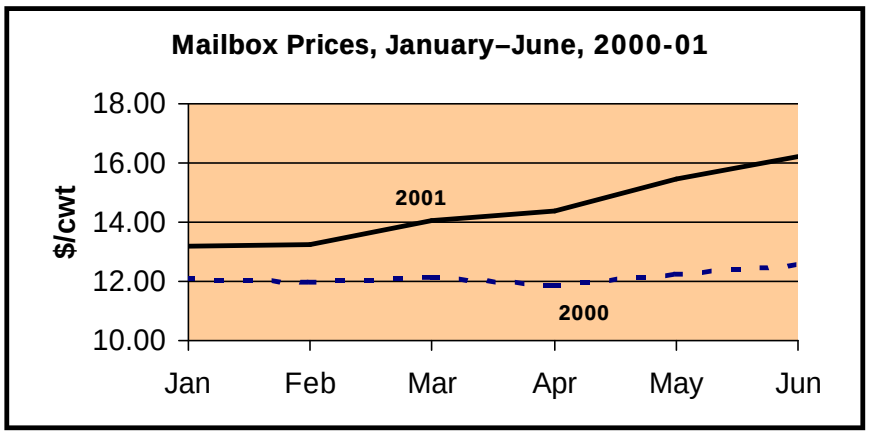
	2001	2000
	$/lb	
Protein Price	2.3175	1.9726
Butterfat Price	2.1883	1.2691
Other Solids Price	0.1510	0.0557

Class Price Factors

	2001	2000
	$/cwt	
Class I	18.59	15.71
Class II	15.96	12.58
Class III	15.46	10.66
Class IV	14.81	11.87

Mailbox Prices Compared

For the first 6 months of 2001, the estimated mailbox price for the Northeast Order averaged $14.41 per hundredweight, an increase of nearly 19 percent from the same period in 2000. The mailbox price is an estimate of what farmers receive in their milk check. It changes in the same direction as the statistical uniform price because it is affected by the same market factors. The accompanying chart shows mailbox prices for January–June of 2000 and 2001.❖



Consumer Expenditures for Dairy Products

The Bureau of Labor Statistics (BLS) collects consumer expenditure data. The data show the amount, on average, spent annually by a household on a very detailed list of items. A household is loosely defined as a unit that makes the majority of its spending decisions together. This definition includes various types of families as well as singles. Average expenditure figures include households in the survey that may have spent nothing on an item and households that regularly purchase that item, so the average may be lower.

A clearer picture may be obtained by looking at expenditures as a portion of total spending or as a portion of spending on a particular category of items. A change in purchase frequency, price inflation, or a change in spending on other items might have an impact on the spending share of the item of interest. The survey collects household characteristic information to allow the comparison of spending by different population groups. The most recent annual expenditure data available are for 1999.

Average Annual Dairy and Other Food Expenditures by Northeast Households, 1984 and 1999, as a Percent of "Food at Home" Expenditures

Item	1984		1999	
	dollars	percent	dollars	percent
Food at home	2,089	100.0	3,084	100.0
Cereal and bakery products	285	13.6	487	15.8
Meats, poultry, fish, & eggs	654	31.3	830	26.9
Fruits & vegetables	360	17.2	564	18.3
Dairy products	277	13.3	361	11.7
Fresh milk and cream	131	6.3	135	4.4
Butter	16	0.8	25	0.8
Cheese	79	3.8	101	3.3
Ice cream and related products	37	1.8	63	2.0
Miscellaneous dairy products	14	0.7	37	1.2
Other food at home	483	23.1	843	27.3

Source: Bureau of Labor Statistics, Consumer Expenditure Survey
Note: Totals may not add due to rounding.

Spending in the Northeast

The table shown may be used to get a picture of household spending patterns for "food at home" in the Northeast. In 1984, spending on dairy products made up 13.3 percent of the food at home budget. By 1999, dairy's portion of household's food at home budget dropped to 11.7 percent. In 1984, cereal and bakery products accounted for 13.6 percent of the food at home budget, an amount similar to dairy. In contrast to dairy, cereal and bakery products' share rose to 15.8 percent by 1999. Spending on meats represented the largest share of the food at home budget in 1984 with the "other food at home" category commanding the top place in 1999. Other food at home, which includes items such as frozen prepared foods, snacks, and condiments, had the largest increase between 1984 and 1999. The portion spent on fruits and vegetables went up 1.1 percentage points.

In 1984, fresh milk and cream made up the largest portion of a Northeast household's dairy expenditures–47 percent. In 1999, fresh milk and cream accounted for just 37 percent of those expenditures; cheese accounted for the second largest portion–29 percent; and ice cream accounted for the third largest portion–17 percent.

Regional Differences

Of the four U.S. regions reported by BLS (Northeast, Midwest, South, and West), dairy's portion of the food at home budget was larger in the Northeast than in other regions in 1999. Dairy accounted for 10.6 percent in the South, the smallest portion of the four regions. In 1984, the West had the largest portion at 14 percent; the South had the smallest at 12.5 percent.

In 1984, the Northeast and West spent the largest portion of food at home on cheese—3.8 percent. The Midwest and South spent 3.4 percent and 2.9 percent in 1984, respectively. By 1999, the Midwest's portion remained at 3.4 percent, but this was the largest of the regions. The Northeast and West regions' portions dropped to about 3.3 percent. The South remained about the same.❖

MARKET SITUATION

Milk Production Still on Decline

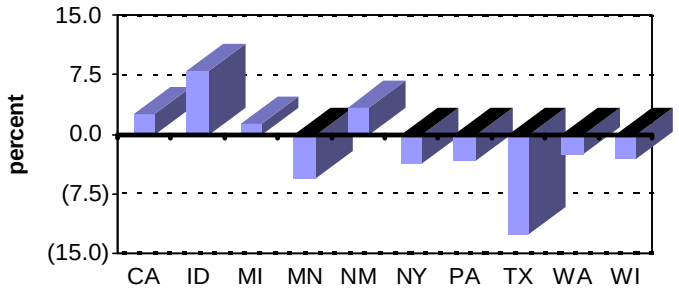
For the first half of 2001, total U.S. milk production was down 1.7 percent when compared with the same period in 2000. The accompanying chart shows the top ten milk producing states' percent changes in production for the first 6 months of 2001. Overall, these states posted a 1.2 percent decline for the period. All percentages have been adjusted for the extra day during the comparison period in 2000 (leap year).

The total number of milk cows is down from last year, and milk production per cow has been below the previous year during each month of 2001 except for June, which was up a slight 0.4 percent.

Nationally, only thirteen states increased milk production during the first 6 months of 2001. Of the top 20 milk producing states reported by the National Agricultural Statistics Service (NASS), California, Idaho, Indiana, Michigan, and New Mexico showed increases. Indiana's production jumped 11.7 percent during the period, the highest of any state largely due to an increase in cow numbers. During June, its production increased 17.1 percent.

Of the twenty NASS-reported states, the biggest loser was Texas with a 12.6 percent decline for the 6-month period. All states in the Northeast marketing area (except New Hampshire) declined; New York and Pennsylvania had a combined decrease of 3.5 percent. The New England states (Conn., Mass., N.H., R.I., and Vt.) combined for a drop of 5.3 percent. Delaware's production declined 11.5 percent; Maine was down 5.3 percent; Maryland dropped 7.4 percent; and Virginia decreased 2.5 percent. ❖

Top Ten States Percent Change in Milk Production, January–June, 2000-01



Milk Feed Price Ratio Remains Favorable

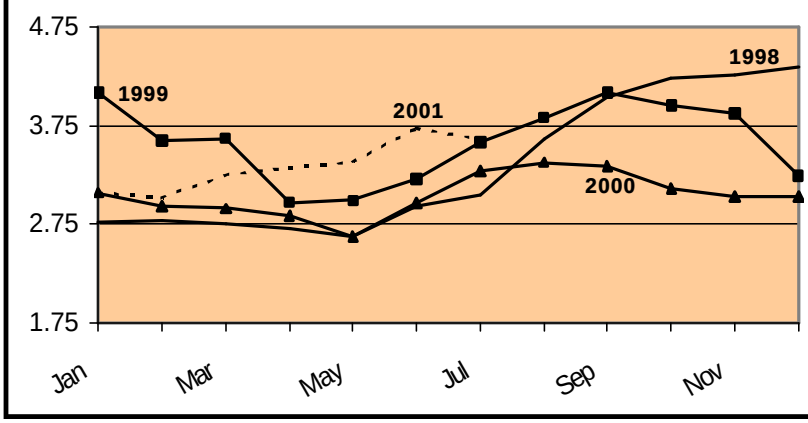
For the past 12 months, the milk feed price ratio averaged 3.27. The milk feed price ratio (MFPR) is a measure of the value of 16% protein ration to one pound of whole milk. It is calculated by dividing the "all milk" price by the value of 16% protein mixed dairy feed (a combination of corn, soybeans, and alfalfa hay). It does not include supplements. The ration is based on U.S. average prices collected by the National Agricultural Statistics Service (NASS).

The current calculation reported by NASS began in 1995. From that point until mid-1998, the monthly MFPR was below 3.0 (see chart). It hit 4.04 in September 1998, peaked at 4.34 in December, and averaged 3.34 for the year. It remained favorable throughout 1999, dipping below 3.0 only twice and averaging 3.59 for the year. As prices decreased in 2000, the ratio corresponded similarly, and averaged 3.04. During the first 7 months of 2001, the MFPR has been solidly above 3.0, reaching 3.73 in June.

The MFPR is an indicator of the profitability of milk production. Usually the higher the number, the more profitable it is producing milk, since feed is often the largest cost of producing milk. A high MFPR indicates that producers have more money to spend on other things than feed. For example, producers could use the difference to pay down debt or expand their operation. Favorable MFPRs usually encourage increases in milk production. The high prices in 1998 gave way to growth in both cow numbers and milk production per cow. Milk production increased 3.4 percent; in 1999, and grew another 3.0 percent in 2000. Although demand was fairly strong during 1999 and 2000, the increase in supply resulted in weaker prices, which led to a decline in farm expansions, increased farm exits, and overall lower production.

The decrease in production, accompanied by strong demand, has resulted in increased prices for the first half of 2001, reflected in the strong MFPR. When milk production recovers, prices will respond, and the MFPR will likely decrease.❖

Milk Feed Price Ratio, January 1998–July 2001



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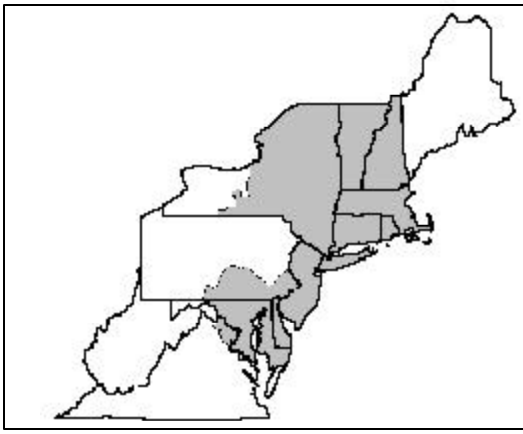
Computation of Producer Price Differential and Statistical Uniform Price

	Product Pounds	Price per cwt/lb	Component Value	Total Value
Class I— Skim	816,700,183	$11.13	90,898,730.37	
Butterfat	17,444,011	2.2429	39,125,172.27	
Less: Location Adjustment to Handlers			(2,573,471.82)	$127,450,430.84
Class II— Butterfat	26,326,008	2.1953	57,793,485.38	
Nonfat Solids	30,538,781	0.9533	29,112,619.93	86,906,105.31
Class III– Butterfat	24,732,133	2.1883	54,121,326.63	
Protein	20,479,884	2.3175	47,462,131.24	
Other Solids	40,087,749	0.1510	6,053,250.10	107,636,707.97
Class IV– Butterfat	6,986,928	2.1883	15,289,494.58	
Nonfat Solids	18,894,804	0.8234	15,557,981.65	30,847,476.23
Total Classified Value				**$352,840,717.35**
Add: Overage—All Classes				40,328.80
Inventory Reclassification—All Classes				67,479.10
Other Source Receipts	197,937			5,589.65
Less: Producer Component Valuations				(327,209,223.27)
Subtotal				**$25,744,891.63**
Add: Location Adjustment to Producers				11,267,979.94
One-half Unobligated Balance—Producer Settlement Fund				1,108,240.58
Total Pool Milk & Aggregate Value	2,125,407,727			38,121,112.15
Less: Producer Settlement Fund—Reserve				(926,476.92)
Producer Price Differential @ *Suffolk County, MA (Boston)*		**$1.75**		37,194,635.23
Statistical Uniform Price @ *Suffolk County, MA (Boston)*		**$17.21**		

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



The Market Administrator's

BULLETIN

NORTHEAST MARKETING AREA

Erik F. Rasmussen, Market Administrator

August 2001 Federal Order No. 1

To contact the Northeast Marketing Area offices:
Boston, MA: phone (617) 542-8966, e-mail address: MABoston@fedmilk1.com; *Albany, NY*: phone (518) 452-4410,
e-mail address: MAAlbany@fedmilk1.com; *Alexandria, VA*: phone (703) 549-7000, e-mail address: MAAlexandria@fedmilk1.com;
website address: www.fmmone.com

August Pool Price Calculation

The August 2001 statistical uniform price for the Northeast Marketing Area was announced at $17.53 per hundredweight for milk delivered to plants located in Suffolk County, Massachusetts (Boston), the pricing point for the Northeast Order. The statistical uniform price is calculated at 3.5 percent butterfat, 2.99 percent protein, and 5.69 percent other solids. The August producer price differential (PPD) at Suffolk County was $1.98 per hundredweight.

The August statistical uniform price set another record for the Northeast Order, topping July's price by $0.32 per hundredweight. The August PPD increased $0.23 from the previous month. All class prices were higher than July's with the Class I and III prices setting record-highs for post-federal order reform prices. Prices for Classes II and IV were second only to June 2001.❖

Change in Shipping Percentage for September 2001

For the month of September 2001, the shipping percentage, specified in Section 1001.7(c)(2) of the Order for supply plants and cooperative Section 1000.9(c) handlers, was increased from 20 to 25 percent. This increase is a result of an investigation by this office followed by a notice and comment period, as specified in Section 1001.7(g).

The investigation was initiated at the written request of Dairy Marketing Services, Dairylea Cooperative Inc., Dairy Farmers of America–Northeast Council, Garelick Farms, and Lehigh Valley Dairies. The petitioners cited diminished milk production throughout the Northeast, demand at or above last year's levels, and concern that Class I handlers would be unable to obtain their necessary milk supplies as reasons for requesting an investigation.

After reviewing the submitted data and comments and investigating current market conditions, it was determined that a 5 percentage point increase in the September shipping percentage would help bring forth the additional supply needed, but not be so high as to cause uneconomical movements of milk.

A similar investigation to determine if there is a need to adjust the shipping percentage for October and November has been requested, and results of those investigations will be forthcoming.❖

Pool Summary

- A total of 17,143 producers were pooled under the Order with an average daily delivery per producer of 3,832 pounds.
- Pooled milk receipts totaled 2.037 billion pounds, a decrease of 4.2 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 43.7 percent of total milk receipts, an increase of 4.4 percentage points from July.
- The average butterfat test of producer receipts was 3.53 percent.
- The average true protein test of producer receipts was 2.90 percent.
- The average other solids test of producer receipts was 5.67 percent.

Class Utilization

Pooled Milk	Percent	Pounds
Class I	43.7	889,524,951
Class II	19.7	401,896,942
Class III	31.6	644,273,410
Class IV	5.0	100,970,885
Total Pooled Milk		2,036,666,188

Producer Component Prices

	2001	2000
	$/lb	
Protein Price	2.2188	1.7952
Butterfat Price	2.2976	1.2659
Other Solids Price	0.1535	0.0577

Class Price Factors

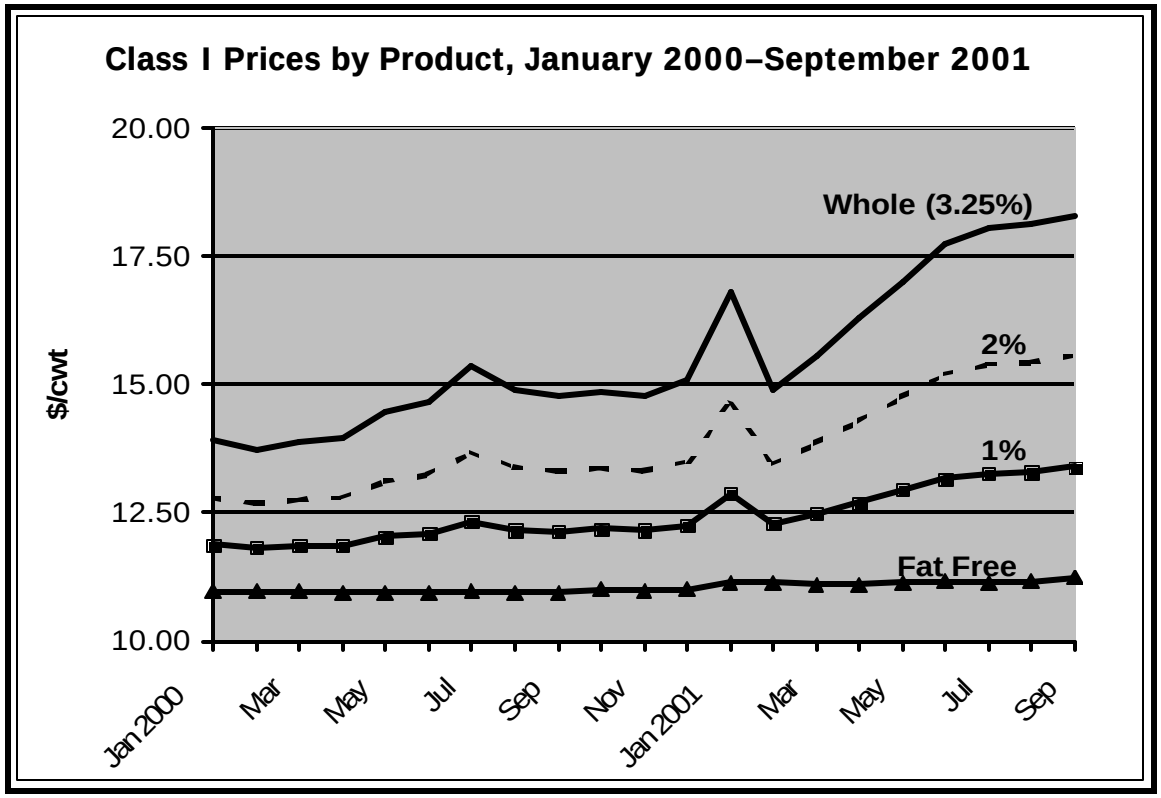
	2001	2000
	$/cwt	
Class I	18.65	15.20
Class II	15.98	12.56
Class III	15.55	10.13
Class IV	15.06	11.87

Class I Prices Vary by Product

The accompanying chart shows the Class I prices for whole, reduced fat (2%), lowfat (1%), and fat-free milk under the Northeast Order from January 2000 through September 2001. The Class I price is the minimum price milk handlers must pay producers for milk used for fluid purposes. As depicted, prices for packaged fluid milk products have risen during this period, largely due to the value of butterfat. The chart shows that as the butterfat content of a product increases, so does its price. In addition, the spread between the various products widened over time as the price for butterfat increased.

About 94 percent of all packaged fluid milk products sold in the Northeast Marketing Area are either whole, reduced, lowfat, or fat-free milk. Other products sold include buttermilk, flavored milk and drinks, and eggnog. The Northeast Order's Class I price is announced at a butterfat test of 3.5 percent. Packaged whole milk contains 3.25 percent butterfat. As such, its price is adjusted for this butterfat content. Because butterfat has had a much higher value than skim, especially during the past 6 months, the price spread between the higher-fat and the lower-fat products has increased. As shown in the chart, the price for fat-free milk has been nearly flat due to little variation in the price of skim.

Under the Northeast Order, the amount of pooled milk used for Class I purposes (fluid drinking milk) averages about 43 percent each month. The rest is used for Class II (soft products—about 17 percent); Class III (hard cheeses—about 30 percent); and Class IV (butter and nonfat dry milk—about 10 percent). The butterfat values vary by usage. The Class I butterfat value is based on the butter price for the previous month's first 2 weeks. The Class II, III, and IV butterfat prices are based on the current month's butter price for the most recent 4- or 5-week period. The butterfat value paid to producers is the same as the butterfat price for Classes III and IV. Producers receive the butterfat values for Classes I, II and IV via the producer price differential.❖



Milk Movements

During August, milk pooled on the Northeast Order coming from other states accounted for 3.2 percent of the total pooled volume. Other states having milk pooled under the Order during 2001 include Idaho, Michigan, Minnesota, Nevada, Utah, Wisconsin, and Wyoming. This is the second lowest percentage this year; January's total was 3.0 percent. Receipts from other states has increased each month this year, peaking at 5.0 percent in June.

The decline coincides with the decrease in the monthly producer price differential (PPD), which makes pooling out-of-area milk on this Order less profitable than in other months. In addition, higher shipping percentages during the fall period make it more costly for out-of-area milk to be pooled on the Order.

As expected at this time of year, some milk —22 million pounds—from this Order was sent to plants located in the southeastern United States to meet seasonal demand. In addition, 13 million pounds was received in Order No. 1 from southeastern federal orders. Much of the milk received in this Order ends up in plants located in the southern portion of the Northeast Marketing Area. The net shipment of 9 million pounds of Order No. 1 milk to plants in the southeastern United States is less than the net shipment of almost 16 million pounds in August 2001.❖

MARKET SITUATION

CME Cheese and Butter Prices

For the first 37 weeks of 2001, the Chicago Mercantile Exchange (CME) Grade AA butter price averaged $1.7597 per pound. The butter price crested the $2.00 per pound mark for the first time in the year at the week ending June 22, 2001. It increased slightly, then dipped below $2.00 for 5 weeks, but has remained above that level since. Butter prices averaged $1.1047 per pound throughout the first 37 weeks of 2000 and $1.1782 per pound for the entire year.

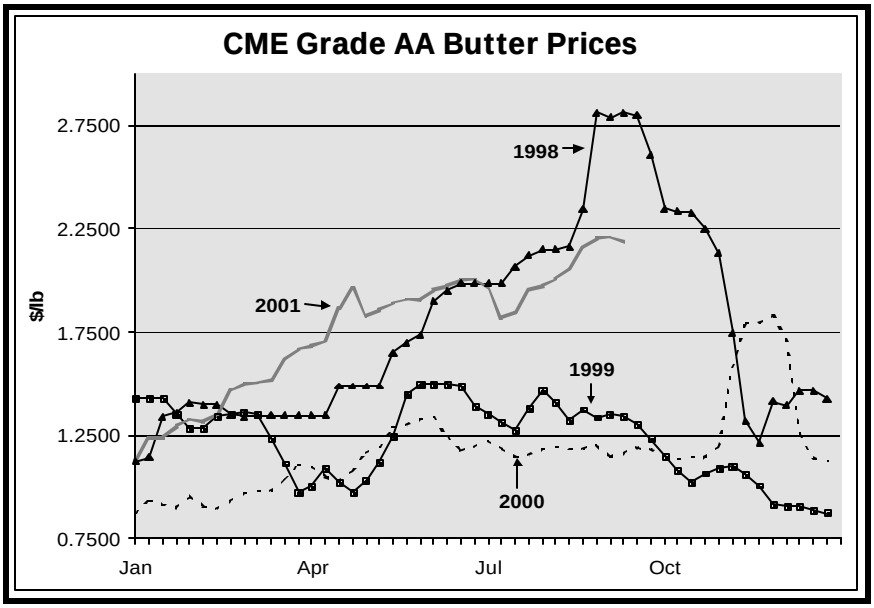
In 1998, the butter price averaged $1.7349 per pound during the same 37-week period and $1.7782 per pound for the year. At about this time of year in 1998, butter spiked to about $2.80 and remained there for 4 weeks, but then declined consistently, ending the year at $1.4500 per pound.

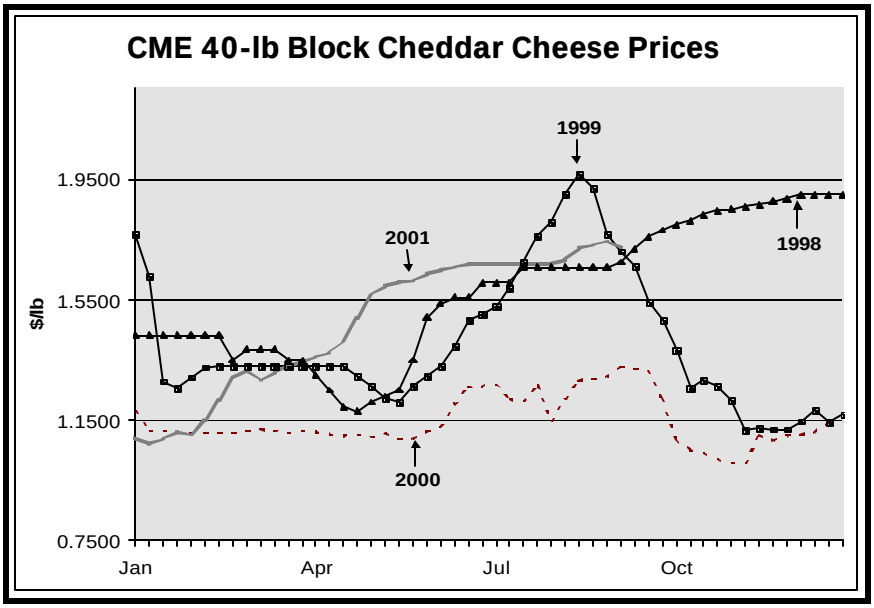
The average CME 40-lb. block Cheddar cheese price was $1.4772 per pound throughout the first 37 weeks of 2001. The average weekly price of Cheddar cheese peaked at $1.7440 per pound for the week ending August 31, 2001. The Cheddar cheese price throughout the first 37 weeks of 2000 averaged $1.1651 per pound; it averaged $1.1468 per pound over the entire year. About this time of year in 1999, the Cheddar cheese price reached $1.9655 per pound and then declined for much of the remainder of that year. The average price of Cheddar cheese in 1998 was $1.4634 per pound throughout the same 37-week time period and $1.5752 per pound for the year.

Weekly average Cheddar cheese prices are currently at a level only exceeded by the final months of 1998 and by 6 weeks during the late summer of 1999. The CME is reporting a slight increase in the demand for natural cheese following the Labor Day weekend. They also report an increase in demand for mozzarella, a trend that is typically seen as schools reopen.

Although milk production has started to rebound in the western United States, most of the key producing states are still below last year as seen in the accompanying table. Overall, milk production nationally is down 1.5 percent from the same period in 2000 (adjusted for leap year) resulting in strong commodity prices.

Trading on the CME did not take place on September 11 and September 12 due to the terrorist attacks in New York City and Washington, DC, on September 11. Trading resumed on September 13. Any impact on the dairy industry was unknown at the time of this report.❖





Milk Production of Top Five States, January–August 2001

State	2000	2001	Percent change
	thousand pounds		
CA	21,675	22,147	2.6
WI	15,751	15,086	(3.8)
NY	8,130	7,884	(2.6)
PA	7,590	7,309	(3.3)
MN	6,483	6,087	(5.7)
Top 20 States	98,024	96,242	(1.4)
US*	113,734	111,519	(1.5)

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

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Computation of Producer Price Differential and Statistical Uniform Price

	Product Pounds	Price per cwt/lb	Component Value	Total Value
Class I— Skim	870,965,508	$11.15	97,112,654.14	
Butterfat	18,559,443	2.2537	41,827,416.69	
Less: Location Adjustment to Handlers			(2,696,767.65)	$136,243,303.22
Class II— Butterfat	26,920,308	2.3046	62,040,541.80	
Nonfat Solids	33,302,213	0.9111	30,341,646.31	92,382,188.11
Class III– Butterfat	22,518,607	2.2976	51,738,751.47	
Protein	18,651,634	2.2188	41,384,245.52	
Other Solids	36,563,856	0.1535	5,612,551.94	98,735,548.93
Class IV– Butterfat	3,986,205	2.2976	9,158,704.63	
Nonfat Solids	8,626,133	0.8073	6,963,877.18	16,122,581.81
Total Classified Value				**$343,483,622.07**
Add: Overage—All Classes				250,642.56
Inventory Reclassification—All Classes				231,217.12
Other Source Receipts	199,471			6,278.51
Less: Producer Component Valuations				(314,237,697.76)
Subtotal				**$29,734,062.50**
Add: Location Adjustment to Producers				10,456,312.37
One-half Unobligated Balance—Producer Settlement Fund				1,087,419.38
Total Pool Milk & Aggregate Value	2,036,865,659			41,277,794.25
Less: Producer Settlement Fund—Reserve				(947,854.21)
Producer Price Differential @ *Suffolk County, MA (Boston)*		**$1.98**		40,329,940.04
Statistical Uniform Price @ *Suffolk County, MA (Boston)*		**$17.53**		

* 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 2001 Federal Order No. 1

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

September Pool Price Calculation

The September 2001 statistical uniform price for the Northeast Marketing Area was announced at $17.76 per hundredweight for milk delivered to plants located in Suffolk County, Massachusetts (Boston), the pricing point for the Northeast Order. The statistical uniform price is calculated at 3.5 percent butterfat, 2.99 percent protein, and 5.69 percent other solids. The September producer price differential (PPD) at Suffolk County was $1.86 per hundredweight.

The September statistical uniform price set another record for the Northeast Order, topping August's price by $0.23 per hundredweight. The September PPD decreased $0.12 from the previous month. All class prices were record-highs for post-federal order reform.

The September butterfat price was the highest since order reform and, combined with a strong producer butterfat test, resulted in the highest producer butterfat value.❖

Changes in Shipping Percentages for October and November

For the months of October and November 2001, the shipping percentage specified in Section 1001.7(c)(2) of the Order shall be increased from 20 to 25 percent for supply plants and cooperative Section 1000.9(c) handlers. This increase is a result of an investigation by this office followed by a notice and comment period, as specified in Section 1001.7(g).

The investigation was initiated at the written request of a number of handlers (see the August *Bulletin* for additional details.) After reviewing the submitted data and comments and investigating current market conditions, it was determined that a 5 percentage point increase in the October and November shipping percentages would help bring forth the additional supply needed, but not be so high as to cause uneconomical movements of milk.

This action completes the standing request to investigate shipping percentages for September, October, and November. If the milk supply situation significantly changes in either direction during the next month, this office is prepared to reopen the investigation for the month of November if so requested.❖

Pool Summary

- A total of 16,996 producers were pooled under the order with an average daily delivery per producer of 3,874 pounds.
- Pooled milk receipts totaled 1.976 billion pounds, an increase of 0.2 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 44.6 percent of total milk receipts, an increase of 0.9 percentage points from August.
- The average butterfat test of producer receipts was 3.61 percent.
- The average true protein test of producer receipts was 2.99 percent.
- The average other solids test of producer receipts was 5.67 percent.

Class Utilization

Pooled Milk	Percent	Pounds
Class I	44.6	881,019,788
Class II	18.0	356,764,428
Class III	30.2	595,878,134
Class IV	7.2	141,974,336
Total Pooled Milk		1,975,636,686

Producer Component Prices

	2001	2000
	$/lb	
Protein Price	2.1647	2.0137
Butterfat Price	2.4449	1.2707
Other Solids Price	0.1520	0.0502

Class Price Factors

	2001	2000
	$/cwt	
Class I	18.81	15.09
Class II	16.24	12.58
Class III	15.90	10.76
Class IV	15.59	11.94

News From National Dairy Boards

Appointments

On October 3, the USDA announced nine new appointments and four reappointments to the **National Dairy Promotion and Research Board**. All, except one, will serve 3-year terms from November 1, 2001, through October 31, 2004. Locally, Deborah A. Benner, Mt. Joy, Pennsylvania (region 11); David E. Hardie, Lansing, New York; and Audrey G. Donahoe, Frankfort, New York (both region 12) were appointed. Ms. Donahoe will fill a vacancy for a 1-year term ending October 31, 2002.

Nominations

The USDA is seeking nominations for the **National Fluid Milk Processor Promotion Board**. Six individuals will be appointed to serve 3-year terms beginning July 2002.

Nominations will be accepted for board representation in five geographic regions (locally, region 2—New Jersey and New York) and for one at-large position. Nominees for all six positions must be active owners or employees of a fluid milk processor, but no processor shall be represented on the board by more than three members. Fluid milk processors and others may submit nominations for regions in which they are located or market fluid milk and for at-large members.

Nominations must be received by December 1, 2001. For nomination forms and procedures, contact David R. Jamison at telephone (202) 720-6909; fax (202) 720-0285; or E-mail at david.jamison2@usda.gov.❖

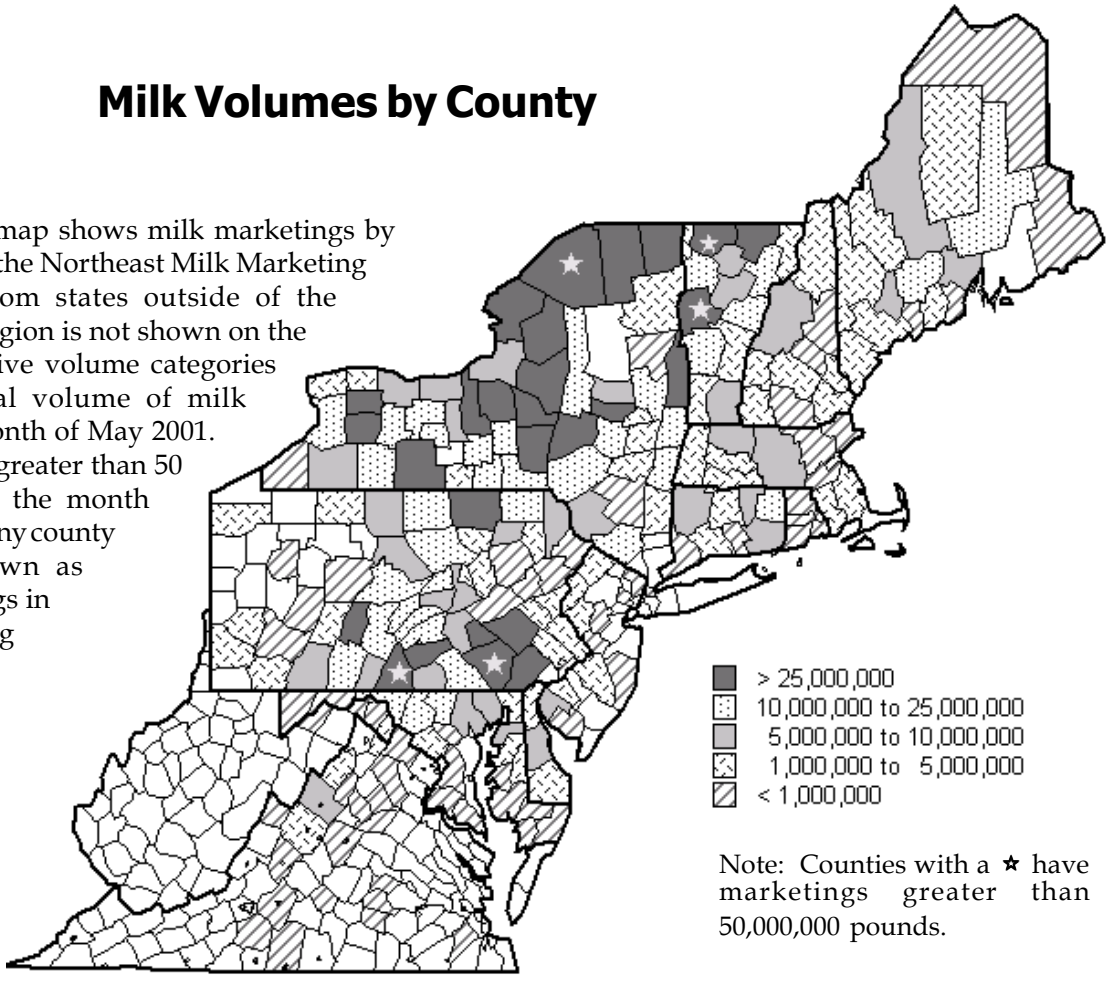
Annual Report Available

The first Annual Statistical Report for the Northeast Milk Marketing Area is now available. The report provides information about the operation of the Northeast Marketing Area (Order No. 1) during 2000. Price and pool data is summarized in tables and charts, and a listing of handlers, plants, and cooperatives operating under the Order is provided. Highlights from the monthly *Bulletin,* summarizing important events that impacted the dairy industry during 2000, are also included.

The 32-page report 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.❖

Milk Volumes by County

The accompanying map shows milk marketings by county that is pooled in the Northeast Milk Marketing Area. Milk pooled from states outside of the contiguous Northeast region is not shown on the map. The key shows five volume categories that represent the total volume of milk marketed during the month of May 2001. Counties with volumes greater than 50 million pounds during the month are denoted with stars. Any county without shading (shown as white) had no marketings in the Northeast Marketing Area during May 2001.

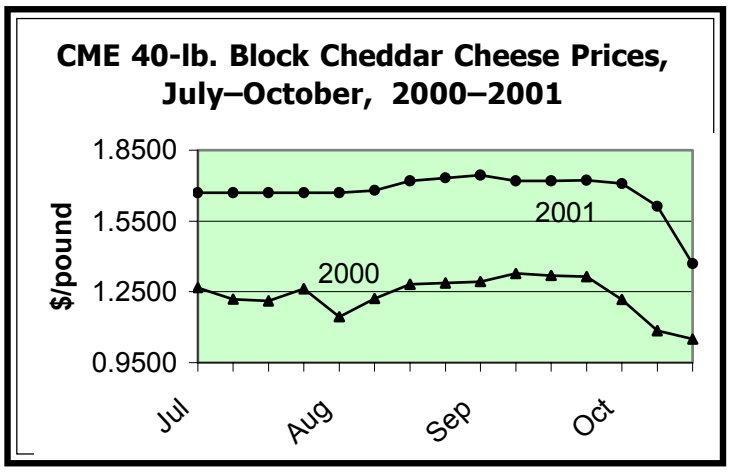


Note: Counties with a ✯ have marketings greater than 50,000,000 pounds.

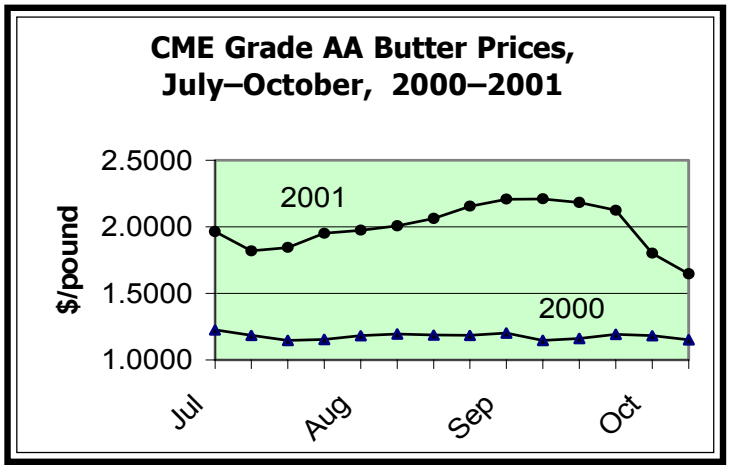
MARKET SITUATION

Cheese and Butter Prices Plunge

The week ending October 12, 2001, 40-lb. block Cheddar cheese traded on the Chicago Mercantile Exchange (CME) experienced a drop in price of $0.2300 from $1.4800 per pound on Monday to $1.2700 per pound on Friday. The weekly average price of $1.3690 was nearly 22 percent lower than the peak price of $1.7440 6 weeks ago (see chart). According to the CME, the cheese price decline is primarily demand driven. Sales were already slowing during the second quarter and became flat during the third quarter. September's terrorist attack and its economic impact further slowed orders. Food service demand from airlines and higher-end restaurants has been hardest hit. Demand from fast food and retail businesses has been less affected by the attacks.



Grade AA butter on the CME finished the same week at $1.4500 per pound resulting in an average weekly price of $1.4833 per pound, which is nearly 33 percent lower than its peak of $2.2100 per pound 5 weeks ago (see chart). USDA's Dairy Market News reported that more fall orders are taking place, which may result in stronger retail demand, though buyers are waiting for a stable price.



Federal order class and component prices for October are based on National Agricultural Statistical Service (NASS) survey prices. The NASS prices generally follow the direction of CME price movements, although NASS price changes are lagged as a result of how the data is reported. The lag of a week or two in NASS prices means that large price drops on the CME will probably not be felt in their entirety in the October federal order prices.❖

Milk by Location Differential

The accompanying table shows the amount of milk received from producers by each class at the plants where the milk is priced. For example, producer milk pooled at a plant located in New York City, NY, would be priced in the $3.15 and above category; milk pooled at a plant located in Lancaster, PA, would be priced in the $2.80–$2.95 category.

This data will be reported each month in the Monthly Statistical Report.❖

Receipts of Producer Milk by Plant Location Differential at Which Priced, September 2001

Location Differentials*	Class I	Class II	Class III	Class IV	Total Receipts	Percent of Total Receipts
dollars/cwt			pounds			
3.15 and above	284,878,498	50,016,223	17,445,388	14,260,291	366,600,400	18.6
3.00 – 3.10	282,821,062	72,727,887	42,497,583	34,659,983	432,706,515	21.9
2.80 – 2.95	120,047,284	83,370,163	61,530,537	65,566,667	330,514,651	16.7
2.60 – 2.70	82,277,841	30,709,503	62,255,223	4,017,764	179,260,331	9.1
2.40 – 2.55	82,194,438	52,458,842	117,811,093	4,738,877	257,203,250	13.0
2.35 and below	28,800,665	67,481,810	294,338,310	18,530,899	409,151,684	20.7
Market Total	881,019,788	356,764,428	595,878,134	141,774,481	1,975,436,831	100.0

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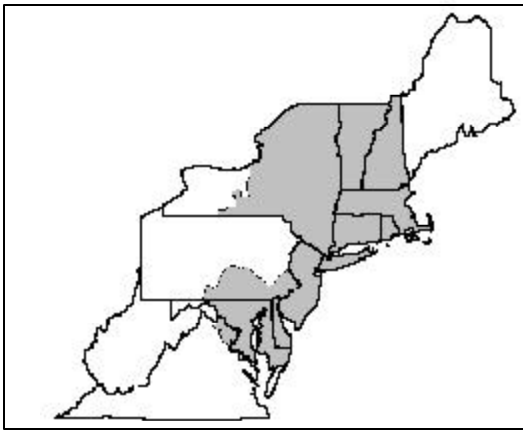
Computation of Producer Price Differential and Statistical Uniform Price

	Product Pounds	Price per cwt/lb	Component Value	Total Value
Class I— Skim	863,014,205	$11.24	97,002,796.64	
Butterfat	18,005,583	2.2757	40,975,305.23	
Less: Location Adjustment to Handlers			(2,720,035.36)	$135,258,066.55
Class II— Butterfat	24,415,304	2.4519	59,863,883.89	
Nonfat Solids	29,877,458	0.8822	26,357,893.46	86,221,777.35
Class III— Butterfat	21,193,533	2.4449	51,816,068.82	
Protein	17,854,345	2.1647	38,649,300.63	
Other Solids	33,679,473	0.1520	5,119,279.89	95,584,649.34
Class IV— Butterfat	7,790,649	2.4449	19,047,357.75	
Nonfat Solids	12,060,625	0.8097	9,765,488.06	28,812,845.81
Total Classified Value				**$345,877,339.05**
Add: Overage—All Classes				163,455.18
Inventory Reclassification—All Classes				141,954.97
Other Source Receipts	154,732			5,275.87
Less: Producer Component Valuations				(319,631,035.36)
Subtotal				**$26,556,989.71**
Add: Location Adjustment to Producers				9,826,097.37
One-half Unobligated Balance—Producer Settlement Fund				1,164,547.27
Total Pool Milk & Aggregate Value	1,975,791,418			37,547,634.35
Less: Producer Settlement Fund—Reserve				(797,913.88)
Producer Price Differential @ *Suffolk County, MA (Boston)*		**$1.86**		36,749,720.47
Statistical Uniform Price @ *Suffolk County, MA (Boston)*		**$17.76**		

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



The Market Administrator's

BULLETIN

NORTHEAST MARKETING AREA

Erik F. Rasmussen, Market Administrator

October 2001 Federal Order No. 1

To contact the Northeast Marketing Area offices:
Boston, MA: phone (617) 542-8966, e-mail address: MABoston@fedmilk1.com; *Albany, NY*: phone (518) 452-4410,
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website address: www.fmmone.com

October Pool Price Calculation

The October 2001 statistical uniform price for the Northeast Marketing Area was announced at $16.04 per hundredweight for milk delivered to plants located in Suffolk County, Massachusetts (Boston), the pricing point for the Northeast Order. The statistical uniform price is calculated at 3.5 percent butterfat, 2.99 percent protein, and 5.69 percent other solids. The October producer price differential (PPD) at Suffolk County was $1.44 per hundredweight.

After increasing each month since March 2001, the October statistical uniform price experienced a decline from the previous month. This decline of $1.72 per hundredweight was largely due to the drop in butterfat prices used in the calculation of Class II, III, and IV prices. The Class I price remained high as it was set off of September's peaking butter prices. October's National Agricultural Statistics Service butter price declined nearly 65 cents per pound from September and resulted in a 79-cent lower producer butterfat price for the month.

The October PPD was the lowest since order reform. Even though the Class I price was the highest on record since order reform, the other classes declined dramatically from September. The protein test for October tied with the prior record high reached in November and December 2000 and contributed to the largest producer protein value since the Northeast Order's inception.

Although the total valuation of producer milk components (amount paid for protein, butterfat, and other solids) was not record setting, it was considerable compared to the total value of the pool, which takes into account not only how milk is priced, but also how it is used by class. The producer component value accounted for nearly 94 percent of the total pool value leaving little residual value to be returned to producers in the PPD. As a comparison, November 2000 had the highest PPD since order reform, but the producer component value only accounted for 68 percent of the total pool value of milk.❖

Decision on Class III/IV Pricing Released

On October 23, the USDA issued a recommended decision to amend the current Class III and Class IV pricing formulas under federal milk marketing orders. This decision follows a tentative final decision and interim amendment, released December 2000, responding to a Congressional mandate to reconsider the pricing formulas adopted in the final rule for the

(continued on Page 2)

Pool Summary

- A total of 17,008 producers were pooled under the Order with an average daily delivery per producer of 3,768 pounds.
- Pooled milk receipts totaled 1.988 billion pounds, an increase of 2.6 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 47.8 percent of total milk receipts, an increase of 3.2 percentage points from September.
- The average butterfat test of producer receipts was 3.72 percent.
- The average true protein test of producer receipts was 3.07 percent.
- The average other solids test of producer receipts was 5.70 percent.❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	47.8	949,350,601
Class II	17.7	351,420,856
Class III	27.7	550,679,739
Class IV	6.8	136,168,186
Total Pooled Milk		1,987,619,382

Producer Component Prices

	2001	2000
	$/lb	
Protein Price	2.6664	1.8028
Butterfat Price	1.6526	1.2444
Other Solids Price	0.1482	0.0471

Class Price Factors

	2001	2000
	$/cwt	
Class I	19.18	15.14
Class II	13.53	12.54
Class III	14.60	10.02
Class IV	12.77	11.81

Dairy Outlook Conference Held

The 2001 Northeast Regional Dairy Outlook Conference was held November 8 at the Albany office. The annual conference brings together economists and statisticians from the Northeast's market administrator offices, state and federal agricultural statistical services, university extension offices, and cooperatives to review regional production and price statistics for the past year and develop projections for the upcoming year. The Northeast region includes Maine, New England (Connecticut, Massachusetts, New Hampshire, Rhode Island, and Vermont), New York, New Jersey, Pennsylvania, Maryland, and Delaware.

Crop Situation

Overall, participants reported that crop production was fairly good throughout the Northeast during the 2001 growing season. While there were some localized exceptions, growing conditions were generally good resulting in better than expected yields. Supplies of forages and corn silage should be plentiful, although the quality may be lacking. Nationally, the situation is similar. Due to these conditions, feed prices are predicted to remain favorable into 2002.

Production Estimates

In the Northeast, 2002 milk production is expected to decline slightly (0.5 percent). This compares with the expected 2.6 percent drop during 2001. These declines are largely the result in lower overall cow numbers in the region, as milk production per cow is projected to finish the year nearly unchanged from 2000 and increase slightly in 2002 (up 0.9 percent). Nationally, milk production is expected to finish 2001 with an overall decline of 1.3 percent, but rebound in 2002 with an increase of 2.6 percent based on a 3.3 percent increase in milk production per cow. Cow numbers are estimated to decline across the country, and the high price of milk replacements and their overall unavailability will contribute to this trend.

Price Forecasts

Milk prices in the Northeast are projected to decline somewhat from 2001 (see table), which has seen the highest prices since 1998. The group consensus predicts a $14.44 per hundredweight average statistical uniform price at Suffolk County, Massachusetts (Boston) for 2002, down $1.18 per hundredweight from this year's expected average, but $1.42 per hundredweight higher than the 2000 annual average. Most participants project the Class IV price to be the mover for Class I prices throughout most of 2002, based on current federal order pricing formulas.

Much of the price decrease will be demand driven, with national demand growing slower than it has in recent years, but not necessarily declining. Overall, there appears to be a general tone of optimism in the Northeast dairy industry, although some concerns remain including the increasing age of farm operators, availability of herd replacements and farm laborers, lower prices looming on the horizon, and an uncertain U.S. economic situation. ❖

Statistical Uniform Prices, 2000–2002

Month	2000 Actual	2001 Actual & **Estimated***	**2002 Estimated**
January	12.35	13.76	**13.89**
February	12.21	13.62	**13.89**
March	12.39	14.50	**13.97**
April	12.46	15.24	**14.09**
May	12.90	16.32	**14.12**
June	13.25	17.08	**14.33**
July	13.52	17.21	**14.56**
August	13.39	17.53	**14.86**
September	13.63	17.76	**15.09**
October	13.32	16.04	**15.10**
November	13.36	**14.47**	**14.86**
December	13.72	**13.84**	**14.50**
Average	13.04	**15.61**	**14.44**

* Estimated statistical uniform price for November and December 2001. All estimates are subject to change.

Decision Released *(continued from page 1)*

consolidation and reform of federal milk orders. Portions of the interim amendments were enjoined by a U.S. District Court on January 31, 2001, with a requirement that changes be made to the tentative final decision.

The recommended decision would leave in place the revised manufacturing allowances for butter, cheese, and nonfat dry milk, but reverse the previous determination (as per the district court injunction) that there should be separate butterfat prices for milk used in Class III (cheese) and Class IV (butter and dry milk products). Technical modifications are made to the protein price formula, and the make allowance for dry whey would be increased from the $0.140 per pound to $0.159 per pound.

In USDA's economic analysis of the proposed changes, it's reported that the changes incorporated in the recommended decision will increase the annual average Class III price (at 3.5 percent butterfat) by about 38 cents per hundredweight during 2002-2006. The change in the Class III price results primarily from a combination of changes in the protein formula that reduces the impact of the butterfat price on the protein price. The estimated impact of the formula changes on the Northeast Order's minimum blend price (at market average component tests) is a positive 16 cents per hundredweight for the 2002-2006 period. The recommended formulas would somewhat reduce financial incentives to shift milk out of the Upper Midwest, Western, and Central orders and onto orders with higher blend prices.

The recommended decision was published in the October 25 Federal Register. It can be viewed at www.ams.usda.gov/dairy/ClassIIIIV.pdf. Interested persons have until November 26 to file comments in response to the recommended decision and the amendments that have been in place under the injunction. To receive a printed copy of the recommended decision, contact the **Albany office.** ❖

MARKET SITUATION

Component Pricing

December 2001 will complete the second year of multiple component pricing under the Northeast Order. Under this pricing system, the pounds of butterfat, true protein, and other solids in a producer's milk largely determine that producer's pay price. The producer price differential (PPD), or the producer's per hundredweight share of the value generated by the market wide pool, makes up the balance of the total gross payment to a farmer. The PPD varies due to changes in class prices and milk utilization from month to month. PPD values are also affected by the zone location of the plant(s) to which the milk is shipped during the month.

Explanation of Calculation

To get a better idea of how the PPD and component pricing result in the total gross payment to the farmer, we will look at an example of a hypothetical farm that produces 100,000 pounds of milk per month and has average component tests. The example will compare this hypothetical farm in October 2000 to October 2001. The example will ignore any other price adjustments such as hauling, premiums, or other negotiable arrangements. It also ignores any possible change in zone location of the plant(s) this farm ships to between the 2 months.

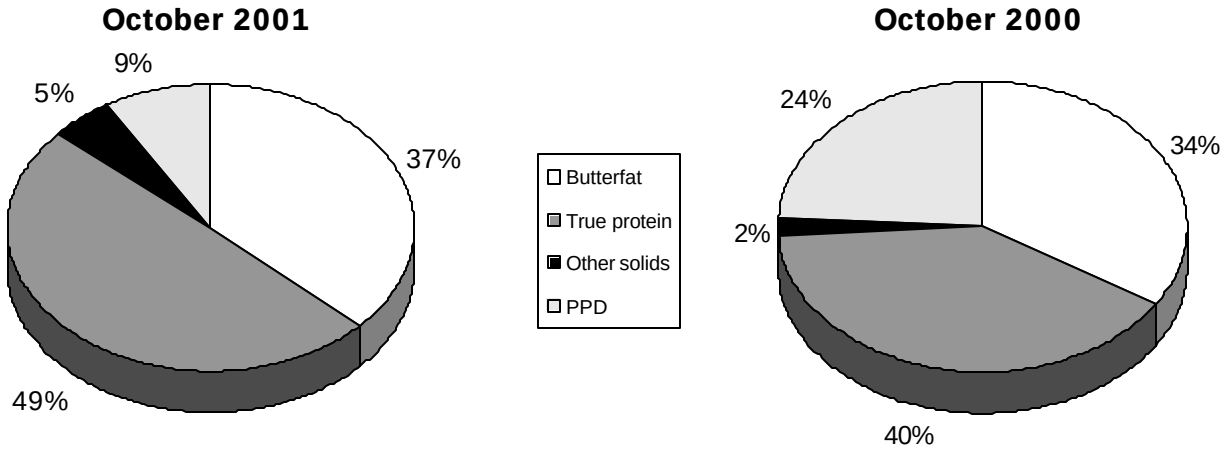
To derive this farmer's gross payment, first multiply the test percent of a component by the total pounds of milk produced (see example below). Then multiply the result by that component's price per pound. Doing this for each component—butterfat, true protein, and other solids—will result in the total component value. Multiply the PPD by the total pounds produced and divide by 100. The sum of the total component value and the PPD value is the total gross payment to the farmer.

Gross Payment

This farmer's gross payment in October 2001 was $2,911.05 larger than in October 2000. The PPD was $1.86 less. Butterfat tested 0.01 percentage points lower in 2001 than in 2000, but true protein and other solids tested higher by 0.02 and 0.03 percentage points, respectively. October 2001 also witnessed higher component prices. The butterfat price in 2001 was $0.41 above its value from a year earlier, true protein was about $0.86 higher, and the price of other solids was almost double. The result was 91 percent of the total gross payment being derived from component values in 2001 and the balance from the PPD (see chart). The total gross payment in October 2000 was comprised of 76 percent from components and 24 percent from the PPD.❖

Composition of Total Gross Payment

	October 2001					October 2000				
	Test percent	Pounds		Price per pound	Gross dollars	Test percent	Pounds		Price per pound	Gross dollars
Butterfat	3.72	3,720	x	1.6526	$6,147.67	3.73	3,730	x	1.2444	$4,641.61
True protein	3.07	3,070	x	2.6664	8,185.85	3.05	3,050	x	1.8028	5,498.54
Other solids	5.70	5,700	x	0.1482	844.74	5.67	5,670	x	0.0471	267.06
PPD		1,000 cwt		1.44	1,440.00		1,000 cwt		3.30	3,300.00
Total gross payment					$16,618.26					$13,707.21
Gross price per cwt					$16.62					$13.71



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Computation of Producer Price Differential and Statistical Uniform Price

	Product Pounds	Price per cwt/lb	Component Value	Total Value
Class I— Skim	929,672,673	$10.63	98,824,205.14	
Butterfat	19,677,928	2.5485	50,149,199.51	
Less: Location Adjustment to Handlers			(2,916,848.30)	$146,056,556.36
Class II— Butterfat	25,812,893	1.6596	42,839,077.22	
Nonfat Solids	29,656,220	0.8889	26,361,413.95	69,200,491.17
Class III– Butterfat	19,805,861	1.6526	32,731,165.90	
Protein	16,939,101	2.6664	45,166,418.91	
Other Solids	31,451,289	0.1482	4,661,081.05	82,558,665.86
Class IV– Butterfat	8,689,695	1.6526	14,360,589.96	
Nonfat Solids	11,583,952	0.8041	9,314,655.82	23,675,245.78
Total Classified Value				**$321,490,959.17**
Add: Overage—All Classes				237,723.87
Inventory Reclassification—All Classes				(760,716.02)
Other Source Receipts	214,940			2,722.57
Less: Producer Component Valuations				(301,855,352.15)
Subtotal				**$19,115,337.44**
Add: Location Adjustment to Producers				9,503,673.18
One-half Unobligated Balance—Producer Settlement Fund				921,668.12
Total Pool Milk & Aggregate Value	1,987,834,322			29,540,678.74
Less: Producer Settlement Fund—Reserve				(915,864.45)
Producer Price Differential @ *Suffolk County, MA (Boston)*		**$1.44**		28,624,814.29
Statistical Uniform Price @ *Suffolk County, MA (Boston)*		**$16.04**		

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

The Market Administrator's

BULLETIN

NORTHEAST MARKETING AREA

Erik F. Rasmussen, Market Administrator

November 2001 Federal Order No. 1

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

The November 2001 statistical uniform price for the Northeast Marketing Area was announced at $15.28 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. The October producer price differential (PPD) at Suffolk County was $3.97 per hundredweight.

The November statistical uniform price was 76 cents below October's price. Conversely, the November PPD was $2.53 higher than the previous month's and was the highest PPD since December 2000. All class prices declined from October, but most notably, the Class III price dropped $3.29 per hundredweight. Due to the advanced pricing for Class I, declines in commodity values will not be fully reflected until the December Class I price.

Price declines in the commodities used in calculating federal order prices were significant in November. With cheese prices dropping, the protein value declined 86 cents per pound in November; butterfat dropped about 20 cents. Even though producer tests increased from October, the value of components in the entire pool declined. As a result, the PPD increased, a reflection of the particularly high Class I value in the pool.

The November producer butterfat test was the highest since January 2001. The protein test for November was the highest since the Order's inception.❖

Class III/IV Comment Period Extended

On November 26, the USDA extended the time for filing comments on the recommended decision issued October 21 concerning proposed amendments to the minimum Class III and Class IV price formulas for federal milk orders. Additional time to file comments was requested by a number of proprietary and cooperative handlers. They stated that more time is needed to fully analyze the impacts of the technical changes in the pricing formulas.

Comments are now due on or before January 25, 2002. For information on where or how to send comments, visit our website at www.fmmone.com or call Cliff Carman, Chief of Order Formulation, USDA-AMS-Dairy Programs, at 202-720-7183.❖

Pool Summary

- A total of 16,960 producers were pooled under the Order with an average daily delivery per producer of 3,808 pounds.
- Pooled milk receipts totaled 1.937 billion pounds, an increase of 0.7 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 47.8 percent of total milk receipts, no change from October.
- The average butterfat test of producer receipts was 3.77 percent.
- The average true protein test of producer receipts was 3.08 percent.
- The average other solids test of producer receipts was 5.70 percent.❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	47.8	925,633,513
Class II	17.4	337,011,537
Class III	28.6	553,527,463
Class IV	6.2	121,208,332
Total Pooled Milk		1,937,380,845

Producer Component Prices

	2001	2000
	$/lb	
Protein Price	1.8045	0.9149
Butterfat Price	1.4500	1.5745
Other Solids Price	0.1470	0.0565

Class Price Factors

	2001	2000
	$/cwt	
Class I	19.01	15.07
Class II	12.78	13.68
Class III	11.31	8.57
Class IV	11.97	13.00

"Tanker Load Per Day" Farms by State

During May 2001 (verified payroll data), there were 51 farm operations (defined as a single farm location) that marketed at least 1.5 million pounds of milk per month on the Northeast Order. This amount of milk roughly equates to a single tractor-trailer size load per day. In total, these farms marketed 105.8 million pounds on the Order in May 2001.

These 51 farms represented 0.3 percent of the 17,310 farms and 4.9 percent of the total pounds pooled on the Northeast Order during the month (see table). As a point of comparison, 82 percent of farms pooled on the Northeast Order market between 30,000 to 249,999 pounds of milk during May. The 51 large farms produced a greater percent of the milk pooled on the Order than all 2,285 farms that marketed 30,000 to 49,999 pounds of milk in May.

The greatest number of "large" farms pooled on the Order operate farms in New York State. They total 32 farms, marketing a combined 64.8 million pounds. Wyoming County, New York, is home to six of these farms, more than any other county in the Order.

Six of the 51 large farms reside in states outside the traditional milkshed of the Northeast Order area. These six farms represented 17.3 percent of the milk pooled on the Order from outside the area during May 2001.

Of all the farm-size ranges, the largest group pooled on the Northeast Order totaled 3,743 farms and shipped between 70,000 and 99,999 pounds during the month. This total represented 21.6 percent of all farms pooled on the Order. Those farms pooling between 150,000 and 249,999 pounds in the month represented the largest amount of milk pooled by size range. These farms pooled 390.6 million pounds, or 17.9 percent of the total May 2001 Northeast pool.❖

Milk by State and Farm Size, May 2001

State/Area	Pooled		Farms Marketing 1.5 Million Lbs. or More On Northeast Order		
	Number of Farms	Pounds	Number of Farms	Pounds	Percent of State/Area
ME	464	56,008,697	0	0	0.0
VT	1,508	226,068,343	6	10,242,835	4.5
Other New England 1/	655	97,606,119	2	3,223,821	3.3
NJ	147	19,344,978	0	0	0.0
NY	6,381	858,813,486	32	64,776,358	7.5
PA	6,532	691,505,856	5	10,655,214	1.5
Other Inside Area 2/	872	131,015,250	0	0	0.0
ID, MN, WI	698	91,024,623	6	16,897,107	18.6
Other Outside Area 3/	53	6,491,841	0	0	0.0
Total	**17,310**	**2,177,879,193**	**51**	**105,795,335**	**4.9**

1/ Other New England includes CT, NH, RI, and MA.
2/ Other Inside Area includes DE, MD, and VA.
3/ Other Outside Area includes MI, ND, SD, UT, and WV.

Mailbox Prices Reported

The accompanying table shows the average mailbox prices during the first 6 months of 2000 and 2001 for selected areas. The mailbox price is defined as the net price received by dairy farmers. It includes all payments received for milk sold and deductions associated with marketing the milk. They are reported at test, unlike statistical uniform prices that are adjusted to 3.5 percent butterfat, 2.99 percent protein and 5.69 percent other solids.

Not surprisingly, of the areas shown, farmers in Florida received the highest mailbox price during both years. Minnesota and Wisconsin, known to receive some of the lowest prices, showed the highest percentage increases and actually higher average prices than other areas such as New Mexico and the Northwest States. It should be noted that these changes are estimated, as the reporting from year-to-year has not been consistent for particular areas.

The Northeast continues to remain in the upper half of the spectrum, receiving less than the Appalachian and Southeast States, but more than the rest of the country. California continues to lag behind most of the country, but according to the National Agricultural Statistics Service, receives more than some of the western and southwestern states.❖

Simple Average Mailbox Prices in Selected Areas, January-June 2001

	2000	2001	Percent Change*
	($/hundredweight)		
Northeast	12.14	14.41	18.7
Appalachian States	13.12	15.16	15.5
Southeast States	12.46	15.38	23.5
Florida	15.07	17.03	13.0
Wisconsin 1/	11.18	14.00	25.2
Minnesota 1/	11.18	13.94	24.7
Northwest States 2/	11.44	13.74	20.1
California	11.04	13.45	21.8
New Mexico 3/	11.72	13.27	13.2

* Estimated.
1/ Reported as Upper Midwest in 2000.
2/ Reported as Pacific Northwest in 2000.
3/ Reported as Southwest in 2000.

MARKET SITUATION

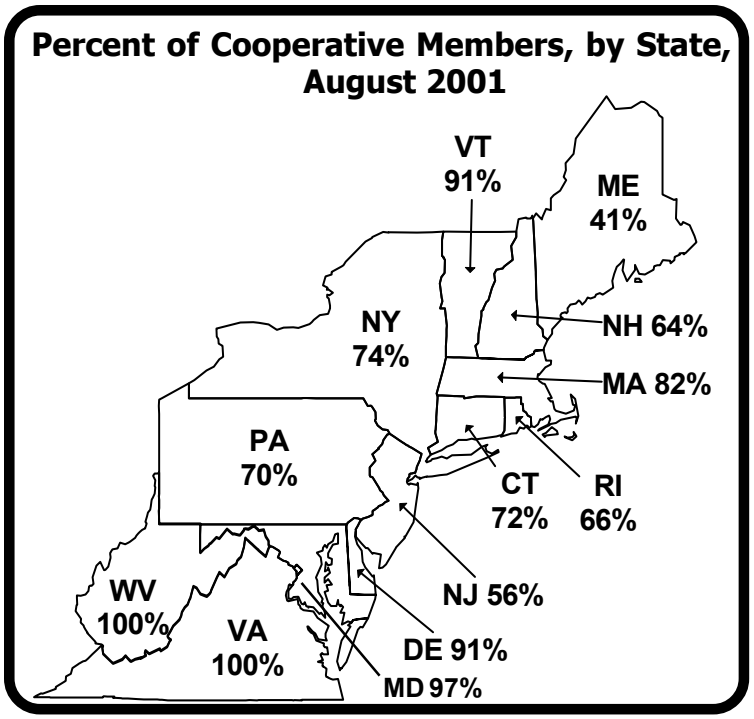
Cooperative Share of Order No. 1

There are currently 82 cooperatives pooling milk on the Northeast Order. Four of these cooperatives have over 1,000 members. Thirty-five cooperatives have 20 or fewer members. Many of the smaller cooperatives have affiliations with larger cooperatives or are members of a federated cooperative system. As of August 2001, 74 percent of the producers pooled on the Northeast Order belonged to a cooperative. In 1999, before order reform, that percent in Federal Orders 1, 2, and 4 was 81.2, 66.8, and 85.4, respectively.

In August 2001, 91 percent of the Vermont producers were members of a cooperative. In New York and Pennsylvania, 71 and 72 percent were cooperative members, respectively. In Maryland and Virginia 97 to 100 percent of farmers were cooperative members. Only 41 percent of Maine dairy farmers and 49 percent of New Jersey dairy farmers were coop members. In all cases, the percentages only refer to producers in the respective states that were pooled on the Northeast Order.

Milk from cooperative member producers accounted for 75 percent of the milk (1.5 billion pounds) marketed on the Northeast Order in August 2001. In 1999, the percent in Orders 1, 2, and 4 was 82.2, 68.1, and 86.8, respectively.

In August 2001, 91 percent of Vermont milk receipts were from cooperatives. In New York and Pennsylvania, 74 and 70 percent of the milk marketed was cooperative milk, respectively. In Maryland and Virginia, 92 to 100 percent of the milk was cooperative milk. Cooperative milk accounted for 41 percent of milk marketed on the Order from Maine and 56 percent of milk from New Jersey. Only 541,000 pounds marketed from the Midwest and West was not cooperative milk. Even though the above-mentioned data only applies to August 2001, the percentages do not vary much month to month.❖



Intermarket Movements Compared

In September, October, and November 2000, a net volume of 41.3 million pounds in bulk milk was shipped out of the Northeast Order. During the same period in 2001, the situation reversed; a net volume of 55.2 million pounds was received in Order No. 1. (see table).

Shipments out of the Order primarily go to the Appalachian (F.O. 5), Florida (F.O. 6), Southeast (F.O. 7), Upper Midwest (F.O. 30), and Mideast (F.O. 33) federal milk marketing orders. Milk received in the Northeast from other federal orders mainly comes from Orders 5, 30, and 33.

In the fall months of 2000, receipts from other federal orders ranged from 20.8 to 26 million pounds. Shipments to other orders ranged from a high of 44.8 million pounds in September to a low of 29.3 million pounds in November. During these months in 2001, receipts ranged from 19.3 million in September to 45.2 million in November. Shipments during the same period ranged from 20.9 million in September to 8 million in November, a considerable decrease from the previous year.

For the months compared, F.O. 5 accounted for the largest volume of milk sent to the Northeast Order with 61 percent in 2000 and 69 percent in 2001. The next largest supplier was F.O. 33. During both comparison periods, the largest volume sent from the Northeast Order went to F.O. 6 with 44 and 62 percent of total bulk shipments, respectively, for 2000 and 2001. The second largest receiver was F.O. 30 in 2000 and F.O. 7 in 2001.❖

Intermarket Movements of Milk, September–November 2000–01

	2000		2001	
	Receipts	Shipments	Receipts	Shipments
	million pounds			
Sep	20.8	44.8	19.3	20.9
Oct	26.0	37.3	36.6	17.0
Nov	23.3	29.3	45.2	8.0
Total	70.1	111.4	101.1	45.9
Net		41.3		(55.2)

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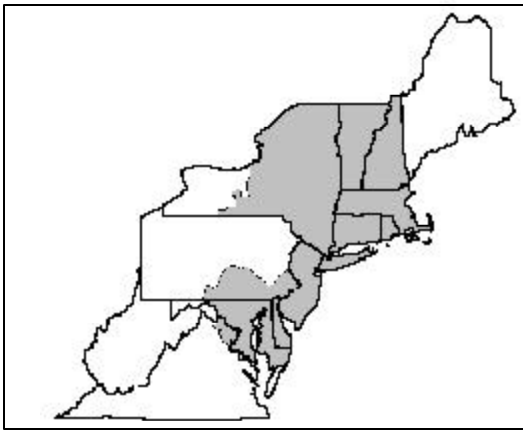
Computation of Producer Price Differential and Statistical Uniform Price

	Product Pounds	Price per cwt/lb	Component Value	Total Value
Class I— Skim	905,817,540	$12.85	116,397,553.89	
Butterfat	19,815,973	1.8881	37,414,538.62	
Less: Location Adjustment to Handlers			(2,815,888.50)	$150,996,204.05
Class II— Butterfat	26,020,077	1.4570	37,911,252.20	
Nonfat Solids	28,371,325	0.8844	25,091,599.86	63,002,852.06
Class III— Butterfat	20,475,027	1.4500	29,688,789.15	
Protein	16,993,493	1.8045	30,664,758.09	
Other Solids	31,525,038	0.1470	4,634,180.61	64,987,727.85
Class IV— Butterfat	6,724,846	1.4500	9,751,026.70	
Nonfat Solids	10,441,517	0.7949	8,299,961.87	18,050,988.57
Total Classified Value				**$297,037,772.53**
Add: Overage—All Classes				107,362.88
Inventory Reclassification—All Classes				(36,674.20)
Other Source Receipts	205,706			12,686.29
Less: Producer Component Valuations				(229,686,893.95)
Subtotal				**$67,434,253.55**
Add: Location Adjustment to Producers				9,243,917.10
One-half Unobligated Balance—Producer Settlement Fund				1,149,443.13
Total Pool Milk & Aggregate Value	1,937,586,551			77,827,613.78
Less: Producer Settlement Fund—Reserve				(905,427.80)
Producer Price Differential @ *Suffolk County, MA (Boston)*		**$3.97**		76,922,185.98
Statistical Uniform Price @ *Suffolk County, MA (Boston)*		**$15.28**		

* 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 2001 Federal Order No. 1

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

The December 2001 statistical uniform price for the Northeast Marketing Area was announced at $13.72 per hundredweight for milk delivered to plants located in Suffolk County, Massachusetts (Boston), the pricing point for the Northeast Order. The statistical uniform price is calculated at 3.5 percent butterfat, 2.99 percent protein, and 5.69 percent other solids. The December producer price differential (PPD) at Suffolk County was $1.92 per hundredweight.

The December statistical uniform price was $1.56 per hundredweight below November's price. The December PPD was $2.05 lower than the previous month's. The decline in commodity values witnessed in early November was felt in the $3.78 per hundredweight drop in the Class I price. Due to some rebounding in the markets, Class II and IV prices only declined slightly from November, and the Class III price increased 49 cents. Overall, the tightness in the spread between Class III and the other class prices reduced the PPD considerably.❖

Contribution to Statistical Uniform Price by Component Values

The contributions made by the various components—butterfat, protein, other solids, plus the producer price differential (PPD)—to the value of the statistical uniform price (SUP) during 2001 are shown in the accompanying chart on page 2. SUPs and PPDs are reported at the Boston location.

Producers are paid based on their respective volumes and the components in their milk. The per pound price that producers receive for their milk components is the same as the Class III per pound value for butterfat, protein, and other solids. Since the pool is made up of four classes of milk, it is the extra value in the pool generated by the Classes I, II, and IV that is returned to producers via the PPD.

In months when there is a large spread between the Class III price and the other class prices, the PPD will return a larger value (i.e. January). As this spread in prices tightens, the PPD value shrinks (i.e. October). The value of the PPD is not necessarily representative of the strength of prices paid to producers during a month. Usually, the opposite is true. During 2001, the highest SUP occurred in September at $17.76 per hundredweight; the PPD that month was $1.86 per hundredweight, the third lowest of the year. Conversely, the highest PPD was in November at $3.97 per hundredweight while the SUP for

(continued on Page 2)

Pool Summary

- A total of 16,941 producers were pooled under the Order with an average daily delivery per producer of 3,955 pounds.
- Pooled milk receipts totaled 2.078 billion pounds, an increase of 3.8 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 43.8 percent of total milk receipts, a decline of 4.0 percentage points from November.
- The average butterfat test of producer receipts was 3.76 percent.
- The average true protein test of producer receipts was 3.05 percent.
- The average other solids test of producer receipts was 5.67 percent.❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	43.8	910,401,921
Class II	15.3	316,741,299
Class III	29.3	609,069,475
Class IV	11.6	241,340,277
Total Pooled Milk		2,077,552,972

Producer Component Prices

	2001	2000
	$/lb	
Protein Price	1.9782	1.0378
Butterfat Price	1.4322	1.6534
Other Solids Price	0.1517	0.0829

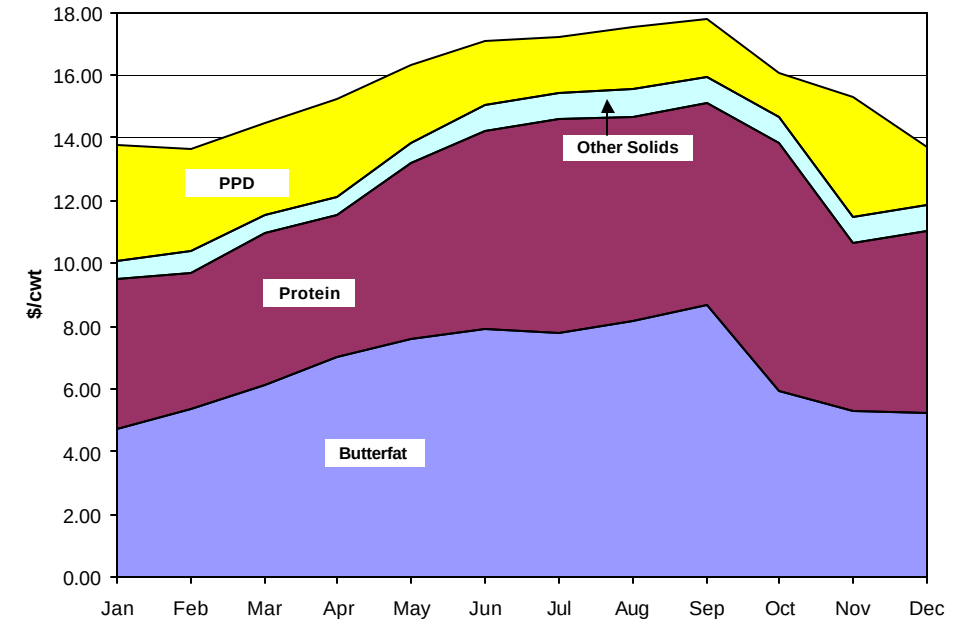
Class Price Factors

	2001	2000
	$/cwt	
Class I	15.23	15.38
Class II	12.61	13.97
Class III	11.80	9.37
Class IV	11.79	13.27

Contribution to Statistical Uniform Price *(continued from page 1)*

that month averaged only $15.28 per hundredweight, less than the average SUP for the year.

In addition to the proportion of the PPD varying, the share that butterfat, protein and other solids are of the total producer value changes each month. In months where the butterfat price was high (i.e. August, September), the proportion of the producer's payment that butterfat accounts for is shown as a wider band on the chart. The band narrows when the price is lower (i.e. January, December). Similarly, the value of protein took on greater importance during October with its record-setting value and high test. It is important to note that the proportions are affected by both the price of the component and its respective test value during the month.❖



CCC Purchases

For the calendar year 2001, the Commodity Credit Corporation (CCC) purchased a total of 356.8 million pounds of nonfat dry milk, 1.3 million pounds of cheese, but no butter. These figures are down considerably from the same period in 2000 when CCC purchases totaled 558.1 million pounds of nonfat dry milk and 16.7 million pounds of cheese. No butter was purchased during calendar year 2000.❖

2001 Annual Pool Summary for All Federal Orders

Federal Order Number	Federal Order Name	Total Producer Milk	Class I Producer Milk	Class I Utilization	Class I Price[1/]	Producer Price Differential[1/]	Statistical Uniform Price[1/2/]
		million pounds total		percent	dollars per hundredweight average		
1	Northeast	24,557	10,642	43.3	17.52	2.57	15.67
5	Appalachian	6,673	4,353	65.6	17.37	N/A	16.34
6	Florida	2,772	2,492	89.9	18.27	N/A	17.82
7	Southeast	7,769	4,805	62.1	17.37	N/A	16.13
30	Upper Midwest	20,062	3,970	19.8	16.07	0.64	13.74
32	Central	16,313	4,881	27.5	16.27	1.06	14.16
33	Mideast	15,670	6,633	38.8	16.27	1.42	14.52
124	Pacific Northwest	6,467	2,098	29.8	16.17	1.16	14.26
126	Southwest	8,604	4,029	47.0	17.27	2.36	15.47
131	Arizona-Las Vegas	2,712	953	32.4	16.62	N/A	14.49
135	Western	4,215	1,033	22.9	16.17	0.90	14.00
All Market Total/Average		115,814	45,889	43.6	16.85	1.44	15.14

[1/] Price at designated order location. [2/] Price at 3.5% butterfat.

N/A = Not applicable; order prices on skim and butterfat basis.

MARKET SITUATION

2001 Northeast Order Statistics Summarized

During 2001, the volume of milk received from producers shipping to handlers regulated under the Northeast Order totaled 24.6 billion pounds. This was an increase of 2.4 percent from last year. The average number of producers declined less than 1 percent from the previous year, while average daily deliveries per producer (DDP) increased 3.5 percent. The accompanying table compares selected pool statistics for 2000 and 2001.

Class Utilization Changes

Class I utilization averaged 43.3 percent in 2001, down 0.6 percentage points from the previous year. The total volume of milk used in Class I increased 1.2 percent, but because of a larger volume of producer milk receipts, the percentage declined. Class II usage declined 1.1 percent resulting in a utilization decline of 0.6 percentage points. Class III volume increased 10 percent boosting utilization 2.2 percentage points. Milk used in Class IV declined 8.6 percent, a drop of 1 percentage point in utilization.

Prices Higher

Lower milk production in many of the leading dairy states combined with strong demand nationally to keep prices up during 2001. Commodity market prices were strong throughout much of the year, resulting in class prices that were significantly above those in 2000. At Suffolk County, Massachusetts (Boston), the Class I price averaged $2.72 per hundredweight higher than last year. The Class II price averaged $2.00 higher; Class III jumped $3.36; and Class IV was up $1.93 from 2000. Similar to 2000, the Class IV price was the dominant price mover of Class I prices, exceeding the Class III price in 7 months during 2001.

Component Pricing

The record-setting values for protein and butterfat during 2001 were the key to higher producer prices paid during the year. Combining monthly test values, volumes, and prices for the year resulted in a simple average Statistical Uniform Price (SUP) of $15.67 per hundredweight (at Boston) for 2001. *This was 20.2 percent higher than the average SUP in 2000.*

Average producer tests changed little from the previous year, but combined with greater volume and higher prices, resulted in higher overall payments to producers. The average butterfat price during 2001 was nearly 48 percent higher than last year, while the protein price averaged nearly 16 percent higher than in 2000. The other solids price was more than double the price during 2000.

Northeast Order Pool Statistics, 2000-01

Pool Statistics	2000	2001	2000-01 Change
	million pounds		percent
Class I	10,513.1	10,642.1	1.2
Class II	4,146.9	4,101.5	(1.1)
Class III	6,978.9	7,680.2	10.0
Class IV	2,333.5	2,133.4	(8.6)
Total	23,972.4	24,557.2	2.4
	pounds		
DDP	3,787	3,918	3.5
	utilization percentage		change
Class I	43.9	43.3	(0.6)
Class II	17.3	16.7	(0.6)
Class III	29.1	31.3	2.2
Class IV	9.7	8.7	(1.0)
	dollars/cwt		percent
Class I	14.80	17.52	18.4
Class II	12.53	14.53	16.0
Class III	9.74	13.10	34.5
Class IV	11.83	13.76	16.3
SUP	13.04	15.67	20.2

Producer Changes

The simple average number of producers pooled by handlers regulated under the Order declined only 0.7 percent during 2001, with December finishing down 172 producers (1 percent) from the previous year. The average DDP was down in the beginning of 2001, but gained momentum as the year progressed.❖

Class I Sales Summary

Sales of fluid milk products in the Northeast Order totaled 9.5 billion pounds in 2001, statistically unchanged from 2000.

Whole milk sales declined 2.1 percent from 2000 while sales of reduced fat (2%) and low fat (1%) increased 4.0 and 0.9 percent, respectively. Sales of fat free (skim) dropped 3.2 percent in 2001. Flavored milk and drinks increased 6.9 percent and combined sales of buttermilk and eggnog grew 9.8 percent from last year.

For the August through December period, Class I sales in the Northeast Order increased a slight 0.1 percent. Handlers who distribute primarily in the New York Metropolitan Area witnessed a decline of about 5.4 percent during the same months. Most notably, in September sales for the Order declined 1.8 percent while sales by metro-handlers dropped nearly 9 percent likely due to the economic disruption of the New York Metropolitan Area as a result of the September 11 terrorist attacks.❖

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Computation of Producer Price Differential and Statistical Uniform Price

	Product Pounds	Price per cwt/lb	Component Value	Total Value
Class I— Skim	890,827,626	$10.40	92,646,073.10	
Butterfat	19,574,295	1.4838	29,044,338.92	
Less: Location Adjustment to Handlers			(2,695,798.81)	$118,994,613.22
Class II— Butterfat	24,031,605	1.4392	34,586,285.94	
Nonfat Solids	26,567,923	0.8722	23,172,542.47	57,758,828.41
Class III– Butterfat	21,798,758	1.4322	31,220,181.23	
Protein	18,578,703	1.9782	36,752,390.29	
Other Solids	34,670,167	0.1517	5,259,464.33	73,232,035.85
Class IV– Butterfat	12,654,433	1.4322	18,123,678.95	
Nonfat Solids	20,774,752	0.7799	16,202,229.08	34,325,908.03
Total Classified Value				**$284,311,385.51**
Add: Overage—All Classes				123,215.91
Inventory Reclassification—All Classes				99,956.39
Other Source Receipts	196,137			6,170.30
Less: Producer Component Valuations				(254,848,773.07)
Subtotal				**$29,691,955.04**
Add: Location Adjustment to Producers				10,080,898.49
One-half Unobligated Balance—Producer Settlement Fund				1,026,821.42
Total Pool Milk & Aggregate Value	2,077,749,109			40,799,674.95
Less: Producer Settlement Fund—Reserve				(906,891.98)
Producer Price Differential @ *Suffolk County, MA (Boston)*		**$1.92**		39,892,782.97
Statistical Uniform Price @ *Suffolk County, MA (Boston)*		**$13.72**		

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