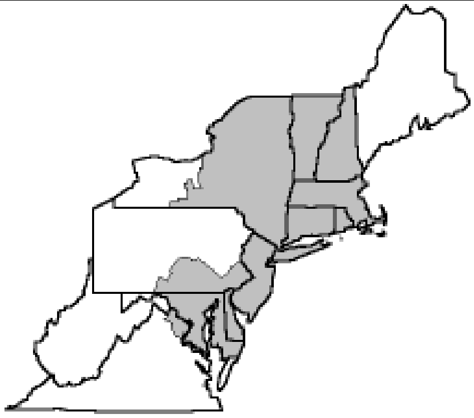

The Market Administrator's

BULLETIN

NORTHEAST MARKETING AREA

Erik F. Rasmussen, Market Administrator

January 2002 Federal Order No. 1

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

The January 2002 statistical uniform price for the Northeast Marketing Area was announced at $13.81 per hundredweight for milk delivered to plants located in Suffolk County, Massachusetts (Boston), the pricing point for the Northeast Order. The statistical uniform price is calculated at 3.5 percent butterfat, 2.99 percent protein, and 5.69 percent other solids. The January producer price differential (PPD) at Suffolk County was $1.94 per hundredweight.

The January statistical uniform price was 9 cents per hundredweight above December's price. The January PPD was 2 cents higher than the previous month's. Fairly steady commodity market prices were reflected in the minimal changes to component and class prices. Classes I, II, and III had price changes of less than 10 cents each, while the Class IV price increased 14 cents.❖

Hired Farm Workers

The National Agricultural Statistics Service (NASS) publishes figures for hired farm workers for two Northeast regions: Northeast I, which includes New York and New England, and Northeast II, which includes Delaware, Maryland, New Jersey, and Pennsylvania. The table on page 3 lists these figures for July 2000 and 2001. Many dairy farms utilize both field and livestock workers (which include those employed for milking and tending to the herd.)

Hired farm workers in the United States numbered 1,039,000 in July 2001, down about 4 percent from July 2000. The number of hired farm workers in Northeast I during the same period dropped about 10 percent while Northeast II experienced a decrease of roughly 7 percent. Approximately 69 percent of hired workers nationwide in 2001 worked for 150 or more days. A slightly higher percent of hired workers in Northeast I, 71 percent, worked for 150 or more days. In Northeast II, 70 percent worked for 150 days or more.

Hired farm workers nationwide and in the Northeast worked an average of 39.9 hours per week in 2001. Northeast II hired farm workers averaged 40.5 hours per week.

The average hired worker in Northeast I in 2001 earned $8.26 an hour (slightly less than the $8.29 national average), 35 cents an hour less than they made in 2000. Hired workers in Northeast II averaged $8.23 per hour in July 2001, 19 cents more than July 2000. Nationwide,

(continued on Page 3)

Pool Summary

- A total of 17,239 producers were pooled under the Order with an average daily delivery per producer of 4,127 pounds.
- Pooled milk receipts totaled 2.205 billion pounds, the largest volume reported under the Northeast Order and an increase of 6.1 percent from last month.
- Class I usage accounted for 41.9 percent of total milk receipts, a decline of 1.9 percentage points from December.
- The average butterfat test of producer receipts was 3.76 percent.
- The average true protein test of producer receipts was 3.04 percent.
- The average other solids test of producer receipts was 5.72 percent.

Pooled Milk	Percent	Pounds
Class I	41.9	924,922,839
Class II	16.4	360,738,053
Class III	31.6	697,712,276
Class IV	10.1	221,853,308
Total Pooled Milk		2,205,226,476

Producer Component Prices

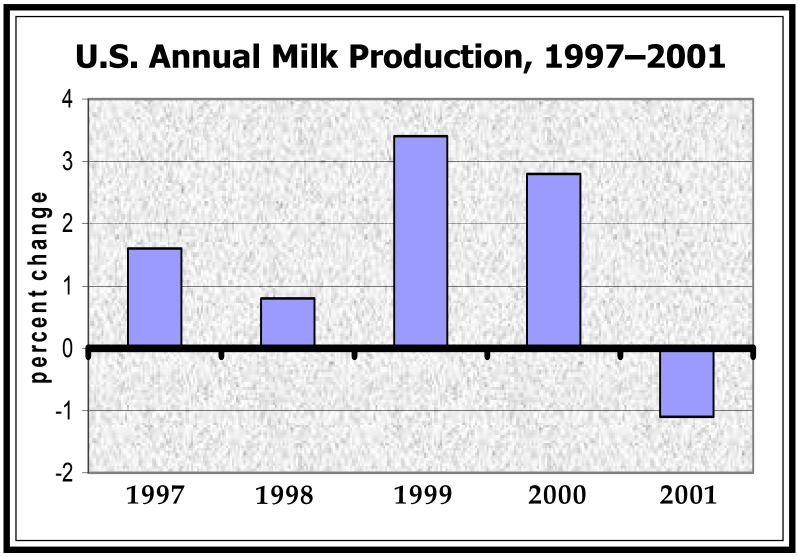
	2002	2001
	$/lb	
Protein Price	1.9660	1.6181
Butterfat Price	1.4846	1.2896
Other Solids Price	0.1392	0.1120

Class Price Factors

	2002	2001
	$/cwt	
Class I	15.21	17.24
Class II	12.69	12.82
Class III	11.87	9.99
Class IV	11.93	12.13

U.S. Milk Production Down During 2001

Total milk production in the United States equaled 165.4 billion pounds in 2001, a decrease of 1.1 percent from 2000. This was the first decline in 5 years (see chart). The top ten milk-producing states (see table) had a combined decrease of 0.6 percent from the previous year. These states accounted for 70 percent of milk produced nationally in 2001. (All percentages are adjusted for leap years.)



U.S. Summary

After record-high prices in 1998, the lower milk prices received in 1999 and 2000 contributed to a decline in milk production. The higher prices in 1998 had encouraged expansions, which contributed to a 3 percent increase in milk production in 2000. The growth in production, combined with a lagging demand, resulted in excess milk and depressed prices. These prices, which also were coupled with high replacement heifer prices, contracted expansions and encouraged farm exits.

During the first quarter of 2001, U.S. milk production declined 2 percent. At midyear, production began to rebound resulting in a 1.2 percent drop during the second quarter. There was little change during the third quarter, down 1.3 percent. In the final quarter, production turned around with a 0.2 percent increase from the same period in 2000.

Top Ten States Ranked by Milk Production, 2001

Rank	State	2000	2001	Percent Change
		million pounds		
1	California	32,240	33,170	3.2
2	Wisconsin	23,259	22,225	(4.2)
3	New York	11,920	11,743	(1.2)
4	Pennsylvania	11,156	10,849	(2.5)
5	Minnesota	9,493	8,895	(6.0)
6	Idaho	7,223	7,747	7.5
7	Michigan	5,705	5,721	0.6
8	New Mexico	5,236	5,561	6.5
9	Washington	5,593	5,511	(1.2)
10	Texas	5,735	5,099	(10.8)
	Top Ten Total	117,560	116,521	(0.6)
	US Total	167,658	165,358	(1.1)

Source: National Agricultural Statistics Service, *Milk Production*

Top Ten States

As a whole, the top ten milk-producing states recorded a 0.6 percent decline from 2000. Only four of the top producing states had growth in production, and it was not at the same rate as seen in prior years. Milk production in California, the top producing state, grew 3.2 percent compared to 5.6 percent in 2000. Idaho and New Mexico, states that have experienced double-digit growth in recent years, had increases of 7.5 and 6.5 percent, respectively. Their continued growth, though, narrowed the gap between Idaho and Minnesota and propelled New Mexico into the number eight position (compared to number ten in 2000). New Mexico only entered the top ten in 1999. The large decline in production in Texas during 2001 lowered its place to number ten.

Nationally, only 15 states showed production gains during 2001. The only states reporting double-digit percentage increases were Alaska (10.3) and Montana (10.1); together, they account for only 0.2 percent of the total U.S. production. Seven states reported double-digit decreases with Wyoming showing the biggest drop (16.9 percent). These states accounted for 5.2 percent of the total in 2001.

Northeast States

In the Northeast, the only state reporting an increase in milk production was New Hampshire with a jump of 4.2 percent. The New England states (Connecticut, Massachusetts, New Hampshire, Rhode Island, Vermont, and Maine) had a combined decline of 3.1 percent in 2001. Together, production in New York, New Jersey, and Pennsylvania dropped 1.9 percent from 2000. The Middle-Atlantic states of Delaware, Maryland, Virginia, and West Virginia had a combined decrease of 2.8 percent in 2001.❖

MARKET SITUATION

Hired Farm Workers *(continued from Page 1)*

the average hired worker's hourly wage increased 40 cents from 2000 to 2001.

Hourly wages for Northeast I field workers, livestock workers, and field and livestock workers combined declined by 2, 6, and 4 percent, respectively, from their 2000 levels. Field workers in Northeast I earned more than the national average, but Northeast I livestock workers earned less than the national average. Hourly wages for Northeast II field workers and field and livestock workers declined 3 and 1 percent, respectively. Hourly wages for livestock workers in Northeast II increased by approximately 9 percent. Both field workers and livestock workers in Northeast II earned less than the national average.❖

Hired Workers: Number, Hours Worked, and Wage Rates, July 2000 and 2001

	Number of Workers	Expected to be Employed: 150 Days or More	Expected to be Employed: 149 Days or Less	Number of Hours Worked	Wage Rates, Type of Worker: Field	Wage Rates, Type of Worker: Livestock	Wage Rates, Type of Worker: Field & Livestock Combined*	Wage Rates: All Hired Workers
	thousands			*per week*	*$ per hour*			
2000								
Northeast I	58	37	21	38.9	8.26	7.66	8.09	8.61
Northeast II	54	34	20	38.7	7.67	7.22	7.58	8.04
U.S.	1,079	722	357	40.2	7.32	7.65	7.39	7.89
2001								
Northeast I	52	37	15	39.9	8.12	7.19	7.79	8.26
Northeast II	50	35	15	40.5	7.41	7.85	7.50	8.23
U.S.	1,039	722	317	39.9	7.70	7.89	7.75	8.29

Northeast I includes NY and New England.
Northeast II includes DE, MD, NJ, and PA.
*Weighted average based on hours worked by occupation.
Source: National Agricultural Statistics Service, *Farm Labor*

Producer Milk by State

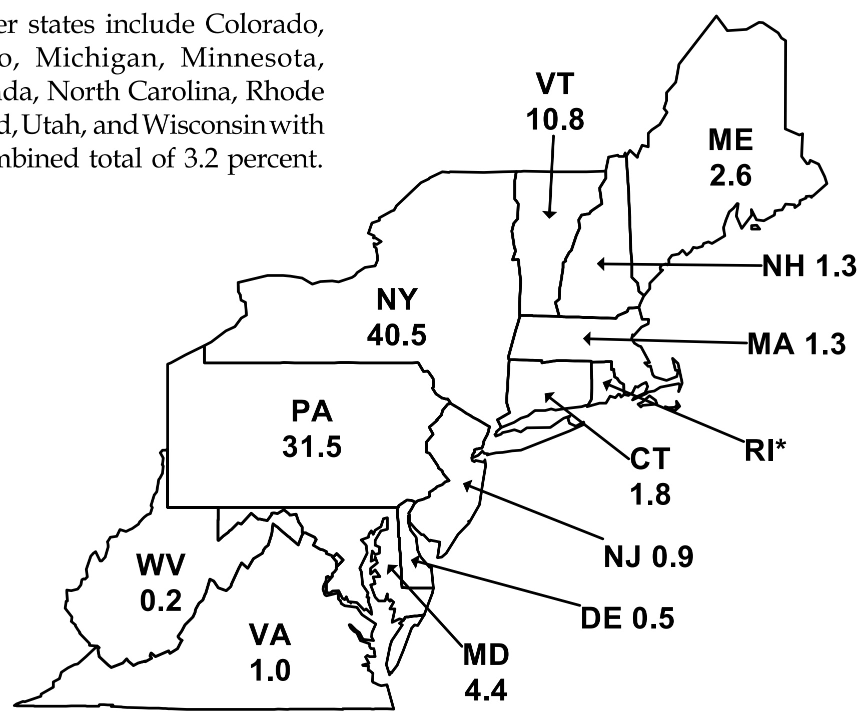
The accompanying map shows total producer milk receipts under the Northeast Order for 2001 by state on a percentage basis.

Milk receipts totaled 24.5 billion pounds in 2001, up 2.5 percent from the previous year. The total volume from New York producers declined, resulting in a decrease of 1.9 percentage points. Milk from Pennsylvania farmers increased in total volume, but due to a larger total overall, declined 0.5 percentage points. Other states losing shares on a percentage basis include Connecticut, Maryland, Massachusetts, and Vermont.

Maine and New Hampshire both had slight increases, while the combined other states increased their share to 3.2 percent from 0.5 percent in 2000. The shares held by Delaware, New Jersey, Virginia, and West Virginia saw no change from 2000.❖

Percent of Northeast Order Producer Milk Receipts, 2001

*Other states include Colorado, Idaho, Michigan, Minnesota, Nevada, North Carolina, Rhode Island, Utah, and Wisconsin with a combined total of 3.2 percent.



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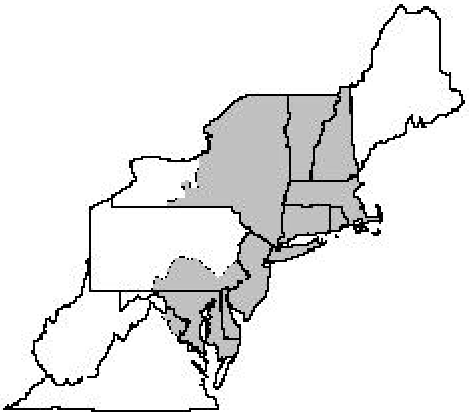
Computation of Producer Price Differential and Statistical Uniform Price

		Product Pounds	Price per cwt/lb	Component Value	Total Value
Class I—	Skim	906,219,367	$10.59	95,968,630.97	
	Butterfat	18,703,472	1.4264	26,678,632.46	
Less:	Location Adjustment to Handlers			(2,728,036.46)	$119,919,226.96
Class II—	Butterfat	27,500,108	1.4916	41,019,161.10	
	Nonfat Solids	30,487,527	0.8600	26,219,273.22	67,238,434.32
Class III–	Butterfat	23,469,681	1.4846	34,843,088.45	
	Protein	21,321,981	1.9660	41,919,014.61	
	Other Solids	40,095,385	0.1392	5,581,277.57	82,343,380.63
Class IV–	Butterfat	13,287,656	1.4846	19,726,854.12	
	Nonfat Solids	18,967,895	0.7761	14,720,983.33	34,447,837.45
Total Classified Value					**$303,948,879.36**
Add:	Overage—All Classes				98,470.79
	Inventory Reclassification—All Classes				78,929.30
	Other Source Receipts	1,001,758			29,591.58
Less:	Producer Component Valuations				(272,689,856.15)
	Subtotal				**$31,466,014.88**
Add:	Location Adjustment to Producers				11,313,444.15
	One-half Unobligated Balance—Producer Settlement Fund				1,011,697.88
Total Pool Milk & Aggregate Value		2,206,228,234			43,791,156.91
Less:	Producer Settlement Fund—Reserve				(990,329.08)
Producer Price Differential @ *Suffolk County, MA (Boston)*			**$1.94**		42,800,827.83
Statistical Uniform Price @ *Suffolk County, MA (Boston)*			**$13.81**		

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



The Market Administrator's

BULLETIN

NORTHEAST MARKETING AREA

Erik F. Rasmussen, Market Administrator

February 2002 Federal Order No. 1

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

February Pool Price Calculation

The February 2002 statistical uniform price for the Northeast Marketing Area was announced at $13.48 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 $1.85 per hundredweight.

The February statistical uniform price was 33 cents per hundredweight below January's price; the PPD was 9 cents lower. This was the lowest blend price since November 2000.❖

Payment Dates to Producers

The calendar below shows the dates for partial and final payments to producers who are not members of cooperatives. As specified in sections 1001.73(a)(1) and (2) of the Order, payment must be made so that it is *received* by a producer no later than the date shown. The payment dates vary due to weekends and national holidays. Note that the Order's provisions do not require cooperative handlers to follow this schedule.

For a complete explanation, refer to the sited sections in the Northeast Order that are available on our website: www.fmmone.com.❖

Required Producer Payments Under the Northeast Order

Month Milk Produced	Payment Due: Partial Day	Partial Date	Final Day	Final Date
March	Tuesday	3/26/02	Wednesday	4/17/02
April	Friday	4/26/02	Friday	5/17/02
May	Tuesday	5/28/02	Tuesday	6/18/02
June	Wednesday	6/26/02	Wednesday	7/17/02
July	Friday	7/26/02	Monday	8/19/02
August	Monday	8/26/02	Tuesday	9/17/02
September	Thursday	9/26/02	Thursday	10/17/02
October	Monday	10/28/02	Tuesday	11/19/02
November	Tuesday	11/26/02	Tuesday	12/17/02
December	Thursday	12/26/02	Friday	1/17/03

Pool Summary

- A total of 17,172 producers were pooled under the Order with an average daily delivery per producer of 4,177 pounds.
- Pooled milk receipts totaled 2.008 billion pounds, an increase of 0.8 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 40.8 percent of total milk receipts, a decline of 1.1 percentage points from January.
- The average butterfat test of producer receipts was 3.75 percent.
- The average true protein test of producer receipts was 3.01 percent.
- The average other solids test of producer receipts was 5.72 percent.❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	40.8	819,585,526
Class II	16.4	330,063,808
Class III	29.8	598,573,789
Class IV	13.0	260,193,646
Total Pooled Milk		2,008,416,769

Producer Component Prices

	2002	2001
	$/lb	
Protein Price	2.0884	1.4951
Butterfat Price	1.3817	1.4626
Other Solids Price	0.0965	0.1199

Class Price Factors

	2002	2001
	$/cwt	
Class I	15.20	15.19
Class II	12.28	13.43
Class III	11.63	10.27
Class IV	11.54	12.70

Milk by Location Differential

The accompanying table shows the amount of milk received from producers by each class at the plants where the milk was priced during 2001. For example, producer milk pooled at a plant located in New York City, New York, was priced in the $3.15 and above category; milk pooled at a plant located in Lancaster, Pennsylvania, was priced in the $2.80–$2.95 category.

As depicted in the table, 17.9 percent of milk receipts was priced in the $3.15 and above location differential zones. The largest proportion of milk receipts was priced in the $3.00–3.10 range; the smallest proportion was priced in the $2.60–2.70 range.

On a class basis, 33.2 percent of Class I milk receipts was priced in the highest differential zones; only 3.4 percent of Class I was priced in the lowest zone. Class II milk was priced more proportionately with the largest volume priced in the $3.00–3.10 range (21.6 percent) and the smallest proportion in the $2.60–2.70 range (9.8 percent). Of the Class III total, 49.1 percent was priced in the lowest range and only 2.5 percent in the highest range. Milk used for Class IV purposes mainly was priced in the $2.80–2.95 zone (53.6 percent).❖

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

Location Differential*	Class I	Class II	Class III	Class IV	Total Receipts	Percent of Total Receipts
dollars/cwt			pounds			
3.15 and above	3,532,721,787	628,250,586	187,474,959	45,808,614	4,394,255,946	17.9
3.00 – 3.10	3,377,365,790	884,022,169	650,953,083	625,475,975	5,537,817,017	22.6
2.80 – 2.95	1,468,448,780	833,978,367	843,767,411	1,142,676,821	4,288,871,379	17.5
2.60 – 2.70	1,021,790,990	402,585,258	717,884,515	28,008,540	2,170,269,303	8.9
2.40 – 2.55	879,576,796	615,426,654	1,468,947,167	68,148,425	3,032,099,042	12.4
2.35 and below	362,183,714	737,267,619	3,735,534,238	221,134,768	5,056,120,339	20.7
Market Total	10,642,087,857	4,101,530,653	7,604,561,373	2,131,253,143	24,479,433,026	100.0

* Differentials have been combined in ranges to assure confidentiality of data.

Testing Expanded in the Northeast

As of January 1, 2002, the Northeast Order has expanded its program of packaged milk testing to cover the entire Northeast Marketing Area. The testing is conducted at the Market Administrator laboratory in Alexandria, Virginia. The testing is designed to screen packaged milk products, which may be reconstituted but are not properly identified, and/or to verify the amount of fortification in the milk product. Finished milk products are picked up by Market Administrator employees either at a retail store or directly at a plant. For bottled milk products that are fortified, it is sometimes necessary to obtain a sample of the skim milk powder that is used in processing, along with a sample of the raw milk used at the plant. The following tests are performed to obtain a complete profile of each finished product:

Butterfat—determines the fat content in the product;

Freezing Point—indicates fortification and water content of the product;

Protein Reducing Substances (PRS Test)—indicates the presence of heat-treated solids;

Solids—determines total solids, solids nonfat, and solids nonfat in skim portion;

Titratable Acidity—determines the acidity level of the product.

The combination of these tests gives an accurate profile of the composition of the finished fluid milk product, and serves as an additional tool for audit verification purposes.❖

Data Available on Website

Documents and publications released by the Northeast Milk Marketing Area such as the monthly *Bulletin*, price announcements, handler forms, and various other Order related information are available, on the day of release, for viewing or reprinting from our website: www.fmmone.com.❖

MARKET SITUATION

Butter and Cheese Prices on Decline

During the last quarter of 2001, prices for 40-pound block Cheddar cheese and Grade AA butter on the Chicago Mercantile Exchange (CME) leveled out after plummeting in late September and early October. After declining during February, both seem to be rebounding during the past week or two.

Butter Prices

Figure 1 shows weekly CME butter prices for all of 2000 and 2001 and for the first 10 weeks of 2002. After peaking in September at $2.2100 per pound, the butter price began falling and plummeted 32 cents for the trading week ending September 28. The weekly average dropped about 16 cents each week for the next 3 weeks, hitting $1.2642 on October 26. From that point until the end of 2001, butter prices averaged $1.3151, ranging between $1.2392 and $1.3788 per pound. During the first 5 weeks of 2002, the butter price averaged in the mid $1.30's per pound. For the week ending February 8, the Grade AA butter price dropped to $1.2167 per pound. It jumped up to $1.2508 the following week where it has averaged for the past 3 weeks.

The butter price reported on the National Agricultural Statistics Service (NASS) survey followed the CME price closely throughout 2001, averaging a difference of only 2 cents per pound. For the first 9 weeks of 2002, the difference was closer to 1 cent.

Figure 1

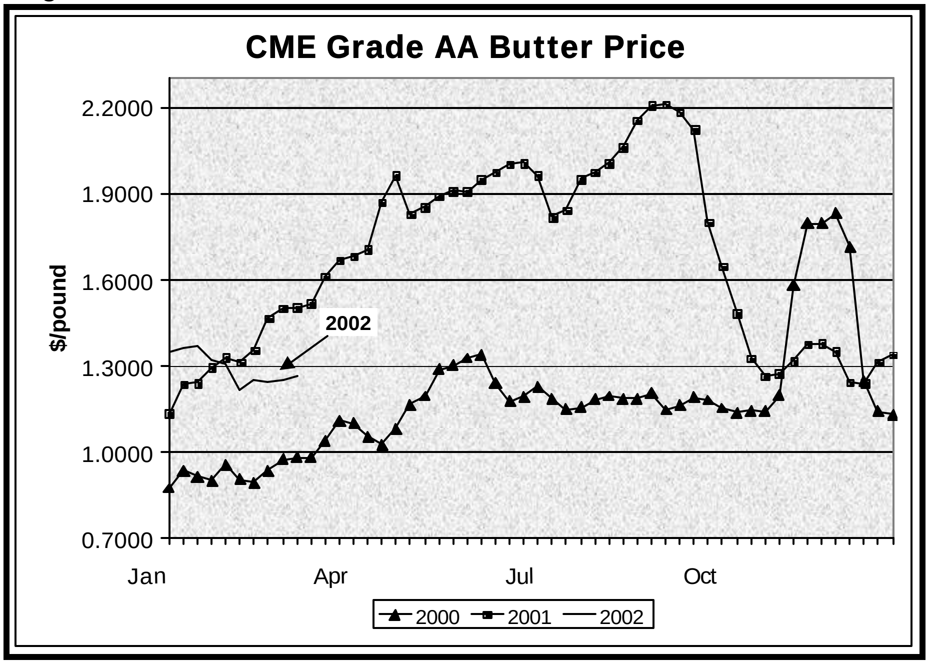
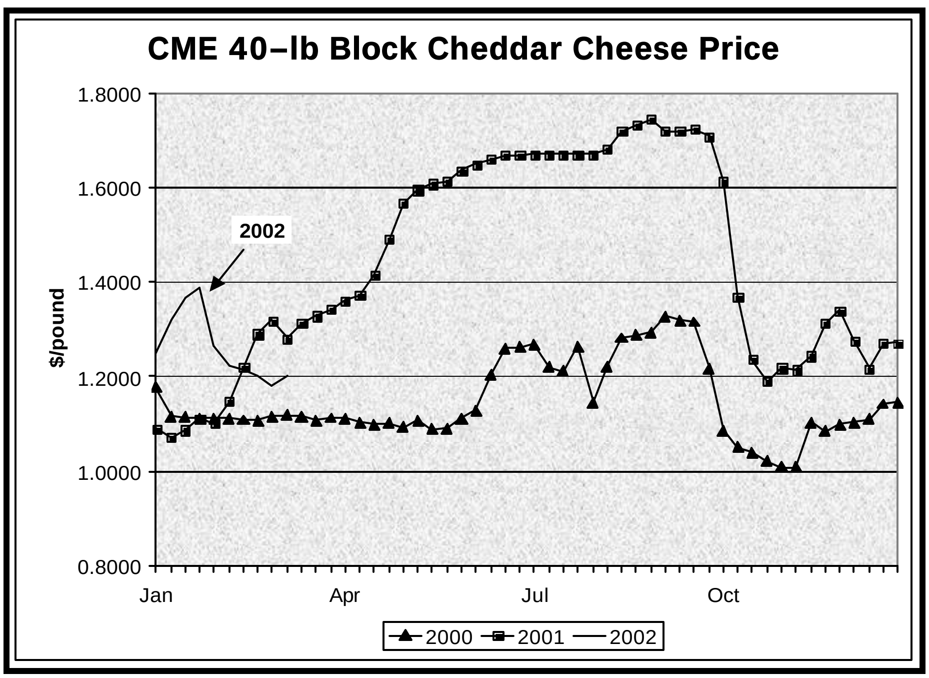


Figure 2



Cheese Prices

Figure 2 displays the price for 40-pound block Cheddar cheese on the CME during 2000, 2001, and the first 10 weeks of 2002. When we last reported on cheese prices (September 2001*Bulletin*), the CME block cheese price had plunged 24 cents for the week ending October 12. Declines of 13 cents and 5 cents per pound followed for the next 2 weeks. After that, the price rebounded slightly and remained in the $1.22 to $1.34 per pound range throughout the end of the year. By the fourth week of 2002 the average butter price reached $1.3888 per pound, but then declined to $1.1800 per pound by the week ending March 1. Even so, the 10-week average is higher than the averages for the same period during both 2000 and 2001.

The NASS block Cheddar price was fairly close to the CME price throughout 2001, although changes in the market are somewhat delayed. Overall, the difference in the two prices averaged only 2 cents for 2001. Since the beginning of 2002, the spread averaged less than 1 cent.❖

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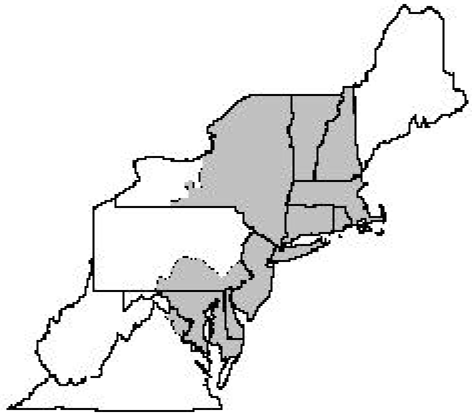
Computation of Producer Price Differential and Statistical Uniform Price

	Product Pounds	Price per cwt/lb	Component Value	Total Value
Class I— Skim	802,972,625	$10.24	82,224,396.80	
Butterfat	16,612,901	1.5185	25,226,690.17	
Less: Location Adjustment to Handlers			(2,413,276.30)	$105,037,810.71
Class II— Butterfat	23,605,510	1.3887	32,780,971.76	
Nonfat Solids	27,815,202	0.8544	23,765,308.55	56,546,280.31
Class III– Butterfat	21,349,226	1.3817	29,498,225.57	
Protein	18,028,824	2.0884	37,651,396.02	
Other Solids	34,263,187	0.0965	3,306,397.51	70,456,019.10
Class IV– Butterfat	13,708,793	1.3817	18,941,439.28	
Nonfat Solids	22,411,004	0.7721	17,303,536.21	36,244,975.49
Total Classified Value				**$268,285,085.61**
Add: Overage—All Classes				30,504.01
Inventory Reclassification—All Classes				8,604.56
Other Source Receipts	658,552			16,949.63
Less: Producer Component Valuations				(241,453,669.96)
Subtotal				**$26,887,473.85**
Add: Location Adjustment to Producers				10,254,586.59
One-half Unobligated Balance—Producer Settlement Fund				977,126.12
Total Pool Milk & Aggregate Value	2,009,075,321			38,119,186.56
Less: Producer Settlement Fund—Reserve				(951,293.15)
Producer Price Differential @ *Suffolk County, MA (Boston)*		**$1.85**		37,167,893.41
Statistical Uniform Price @ *Suffolk County, MA (Boston)*		**$13.48**		

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



The Market Administrator's

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NORTHEAST MARKETING AREA

Erik F. Rasmussen, Market Administrator

March 2002 Federal Order No. 1

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website address: www.fmmone.com

March Pool Price Calculation

The March 2002 statistical uniform price for the Northeast Marketing Area was announced at $13.05 per hundredweight for milk delivered to plants located in Suffolk County, Massachusetts (Boston), the pricing point for the Northeast Order. The statistical uniform price is calculated at 3.5 percent butterfat, 2.99 percent protein, and 5.69 percent other solids. The March producer price differential (PPD) at Suffolk County was $2.40 per hundredweight.

The March statistical uniform price was 43 cents per hundredweight below February's price and the lowest statistical uniform price since May 2000. All class prices declined, but due to the increased spread between the Class I, II, and IV prices and the Class III price, the PPD increased 55 cents from last month.

Total producer milk receipts for March set a new record for the Northeast Order; the average daily delivery per producer (DDP) was also record setting (see pool summary).

Producer milk receipts used for Class I purposes were down 5.8 percent from last March. The Class I utilization percentage was the lowest since April 2000.❖

Proposal to Amend Northeast Order

The Association of Dairy Cooperatives in the Northeast (ADCNE), a group representing a significant number of dairy farmers pooled on the Northeast Order, have submitted a request for a hearing to consider proposals to amend the Order. The proposals would change some features of the pooling and payment provisions of the Northeast Milk Marketing Order and establish a marketwide service payments program to those entities that serve to balance the Class I needs of the market. Interested parties may obtain a copy of the ADCNE proposal from our website at: www.fmmone.com or by contacting Marvin Beshore, Esq., 717 / 236-0781.

This proposal has not yet been approved for inclusion in a notice of hearing. Before deciding whether a hearing should be held to consider amending the Northeast Order, USDA is providing interested parties an opportunity to submit additional

(continued on Page 3)

Pool Summary

- A total of 17,093 producers were pooled under the Order with an average daily delivery per producer of 4,320 pounds.
- Pooled milk receipts totaled 2.289 billion pounds, an increase of 2.9 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 39.2 percent of total milk receipts, a decline of 1.6 percentage points from February.
- The average butterfat test of producer receipts was 3.75 percent.
- The average true protein test of producer receipts was 3.01 percent.
- The average other solids test of producer receipts was 5.74 percent.❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	39.2	897,204,825
Class II	17.0	388,595,067
Class III	32.2	736,332,047
Class IV	11.6	266,654,272
Total Pooled Milk		2,288,786,211

Producer Component Prices

	2002	2001
	$/lb	
Protein Price	1.8342	1.6498
Butterfat Price	1.3638	1.6820
Other Solids Price	0.0688	0.1039

Class Price Factors

	2002	2001
	$/cwt	
Class I	14.87	15.90
Class II	12.19	14.17
Class III	10.65	11.42
Class IV	11.42	13.46

Market Services Tank Calibration Program

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

This year will be the first full year that the Market Administrator's program will have the services of two calibration trucks. The new truck was first used in June 2001. With about 4,000 non-member producers and many 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, 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, 2002

Month	Area
April	Eastern/Central New York
May	Northeastern Pennsylvania Central/Northern New York
June	Southern Tier of New York Vermont/New Hampshire
July	Southeastern Pennsylvania Maine
August	Eastern/Central New York Central Pennsylvania
September	Southeastern Pennsylvania Northeastern Pennsylvania
October	Connecticut/Southern New England/Vermont/ New Hampshire Southern Tier and Western New York
November	Vermont/New Hampshire Eastern/Central New York

Pool Summary for All Federal Orders, January–March, 2001–2002

Federal Order		Total Producer Milk			Producer Price Differential#		Statistical Uniform Price#*	
Number	Name	2001	2002	Change	2001	2002	2001	2002
		pounds		percent	dollars per hundredweight			
1	**Northeast**	6,105,781,932	6,502,429,456	6.5	3.40	2.06	13.96	13.45
5	Appalachian	1,691,089,512	1,749,146,222	3.4	N/A	N/A	14.88	14.02
6	Florida	755,462,243	714,710,259	-5.4	N/A	N/A	16.45	15.47
7	Southeast	1,983,143,491	2,174,050,000	9.6	N/A	N/A	14.60	13.74
30	Upper Midwest	5,033,200,903	5,389,566,353	7.1	0.90	0.48	11.46	11.86
32	Central	4,247,121,766	4,463,909,638	5.1	1.58	0.81	12.14	12.20
33	Mideast	3,918,446,853	4,474,998,951	14.2	2.13	1.04	12.69	12.42
124	Pacific Northwest	1,640,844,002	1,884,334,094	14.8	2.12	0.75	12.68	12.13
126	Southwest	2,059,491,091	2,420,176,987	17.5	3.12	1.85	13.68	13.24
131	Arizona-Las Vegas	778,325,950	794,065,455	2.0	N/A	N/A	12.72	12.28
135	Western	921,457,915	1,276,570,804	38.5	1.57	0.65	12.13	12.15
All Market Total/Average		29,134,365,658	31,843,958,219	9.3	2.11	1.09	13.40	13.00

Price at designated order location.
* Price at 3.5% butterfat.
N/A = Not applicable; order prices on skim and butterfat basis.

MARKET SITUATION

Per Capita Fluid Sales on Decline

Sales of fluid milk products in the Northeast Marketing Area (NMA) declined slightly between 2000 and 2001. Fluid milk products include whole milk, reduced fat (2%), lowfat (1%), fatfree (skim), flavored milk and drinks, buttermilk, and eggnog. For the same period, sales on a per capita basis dropped 0.5 percent. The accompanying table shows sales by product type.

The Northeast Marketing Area includes the entire states of Connecticut, Delaware, Massachusetts, New Hampshire, New Jersey, Rhode Island, and Vermont; the District of Columbia; most of Maryland and New York; and portions of Pennsylvania and Virginia. This area includes many metropolitan centers, such as New York City, Boston, Philadelphia, Washington, DC, and Baltimore. The total population for the marketing area was about 51.3 million people in 2000 with a projected growth of approximately 0.5 percent in 2001.

Sales of Fluid Milk Products in the Northeast Milk Marketing Area, 2001 and 2000

	Total In-area Sales	Butterfat Test	Per Capita Sales
2001	million pounds	percent	pounds
Whole Milk	3,819.1	3.26	74.0
Reduced Fat – 2%	2,014.6	1.98	39.1
Lowfat – 1%	1,559.8	1.00	30.2
FatFree	1,478.9	0.10	28.7
Flavored Milk and Drinks	530.5	1.67	10.3
Buttermilk and Eggnog	55.4	3.98	1.1
Total/Average	9,458.4	2.04	183.4
2000			
Whole Milk	3,901.9	3.25	76.0
Reduced Fat – 2%	1,937.3	1.97	37.7
Lowfat – 1%	1,546.0	0.99	30.1
FatFree	1,527.8	0.14	29.8
Flavored Milk and Drinks	496.4	1.73	9.7
Buttermilk and Eggnog	50.5	3.38	1.0
Total/Average	9,459.8	2.04	184.3

As shown in the table, whole milk sales continue to dominate in this area, though their market share has declined from 41.2 percent in 2000 to 40.4 percent in 2001. In contrast, per capita sales of reduced fat, lowfat, and fatfree products increased their combined market share to 53.4 percent in 2001, up from 52.9 percent in 2000. Per capita sales of flavored milk and drinks increased in 2001, as did the combined total of buttermilk and eggnog.

Compared to the United States, per capita sales of fluid milk products in the NMA lag well behind. For 2000, total fluid sales equaled 194.9 pounds per person nationally, nearly 6 percent higher than in the NMA. The national average per capita sales of whole milk was 66.6 pounds per person, compared to 76 pounds in the NMA. The U.S. average per capita sales of reduced fat, lowfat, and fatfree totaled 114.1 pounds compared to 97.6 pounds in the NMA. Per capita sales of flavored milk and drinks totaled 11.9 pounds nationally in 2000.❖

Proposal to Amend Northeast Order *(continued from Page 1)*

proposals. Proposals should be faxed to 202-690-0552 or mailed by **May 17, 2002** to: Deputy Administrator, USDA/AMS/Dairy Programs, Room 2968-S, Stop 0231, 1400 Independence Ave., SW, Washington, D.C. 20250-0231.

Each proposal should be accompanied by a brief but comprehensive statement on the need to amend the Northeast Order. The statement will be used in deciding which proposals should be considered if a hearing to amend the Order is to be held.

If a hearing is called to consider amending the provisions of the Northeast Order, only those proposals included in the hearing notice will be heard. However, appropriate modifications of the proposals included in the hearing notice may be considered at the hearing.

If you have any questions concerning the filing of proposals or desire a copy of the present Order, please contact any of the Northeast Order offices.❖

MARKET ADMINISTRATOR
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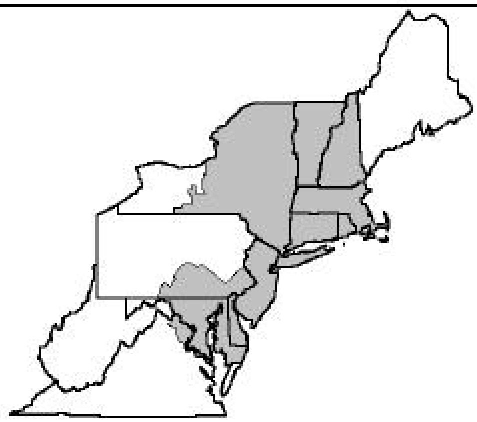
Computation of Producer Price Differential and Statistical Uniform Price

		Product Pounds	Price per cwt/lb	Component Value	Total Value
Class I—	Skim	878,891,449	$10.35	90,965,264.97	
	Butterfat	18,313,376	1.3942	25,532,508.82	
Less:	Location Adjustment to Handlers			(2,616,381.91)	$113,881,391.96
Class II—	Butterfat	28,489,403	1.3708	39,053,273.63	
	Nonfat Solids	32,699,912	0.8511	27,830,895.10	66,884,168.73
Class III–	Butterfat	26,384,861	1.3638	35,983,673.49	
	Protein	22,110,919	1.8342	40,555,847.63	
	Other Solids	42,262,645	0.0688	2,907,669.96	79,447,191.08
Class IV–	Butterfat	12,581,136	1.3638	17,158,153.30	
	Nonfat Solids	23,088,751	0.7660	17,685,983.28	34,844,136.58
Total Classified Value					**$295,056,888.35**
Add:	Overage—All Classes				40,036.39
	Inventory Reclassification—All Classes				9,405.03
	Other Source Receipts	316,080			12,712.66
Less:	Producer Component Valuations				(252,173,557.45)
	Subtotal				**$42,945,484.98**
Add:	Location Adjustment to Producers				11,879,725.62
	One-half Unobligated Balance—Producer Settlement Fund				1,087,379.89
Total Pool Milk & Aggregate Value		2,289,102,291			55,912,590.49
Less:	Producer Settlement Fund—Reserve				(974,135.49)
Producer Price Differential @ *Suffolk County, MA (Boston)*			**$2.40**		54,938,455.00
Statistical Uniform Price @ *Suffolk County, MA (Boston)*			**$13.05**		

* 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 2002 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

April Pool Price Calculation

The April 2002 statistical uniform price for the Northeast Marketing Area was announced at $12.94 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 $2.09 per hundredweight.

The April statistical uniform price was 11 cents per hundredweight below March's price. The April PPD was 31 cents below the previous month. Class I, II, and IV prices declined while the Class III price increased slightly due to an increase in the producer protein price. This tightening of the spread between the Class I, II, and IV prices and the Class III price resulted in a reduced PPD. With commodity prices declining, it is expected that the PPD will continue to decline in upcoming months (see "Butter and Cheese" on page 3).

Even though total producer milk receipts for April were below March, on an average daily basis production increased by 1.2 percent resulting in a new record high (see "Pool Summary").❖

2002 Farm Bill Signed

President Bush signed the 2002 Farm Bill on May 13, 2002. The bill includes the National Dairy Market Loss Payments Program.

Under this program, producers will be paid 45 percent of the difference between $16.94 per hundredweight and the Class I milk price per hundredweight at the Boston location differential under the Northeast Order. This formula closely resembles the payment formula established under the Northeast Interstate Dairy Compact. The 45 percent figure used in the 2002 Farm Bill reflects the approximate average Class I utilization rate in the Northeast. Producers can estimate their payment by tracking each month's Class I price and their farm's production for that month. The Class I price is announced in advance by the 23rd of the month and applies to the *upcoming month*. The monthly Class I price can be obtained from our website www.fmmone.com under the Advanced Pricing Factors heading or contact the Albany Office for mailing information.

The Farm Bill legislation requires USDA to begin signing up farmers to participate in the program no later than 60 days after the bill was

(continued on Page 3)

Pool Summary

- A total of 17,092 producers were pooled under the Order with an average daily delivery per producer of 4,370 pounds.
- Pooled milk receipts totaled 2.241 billion pounds, an increase of 1.2 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 38.9 percent of total milk receipts, a decline of 0.3 percentage points from March.
- The average butterfat test of producer receipts was 3.72 percent.
- The average true protein test of producer receipts was 2.97 percent.
- The average other solids test of producer receipts was 5.74 percent.❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	38.9	872,294,635
Class II	15.4	345,758,759
Class III	31.7	709,405,826
Class IV	14.0	313,621,715
Total Pooled Milk		2,241,080,935

Producer Component Prices

	2002	2001
	$/lb	
Protein Price	2.0109	1.5443
Butterfat Price	1.2890	1.9483
Other Solids Price	0.0566	0.1081

Class Price Factors

	2002	2001
	$/cwt	
Class I	14.72	16.69
Class II	11.88	15.10
Class III	10.85	12.06
Class IV	11.09	14.41

Manufactured Dairy Products—2001 Summary

USDA's National Agricultural Statistics recently released their *Dairy Products Annual for 2001*. This publication summarizes dairy products manufactured in the United States. The production of cheese (excluding cottage), butter, and nonfat dry milk declined. Cheese and butter production each fell 1.3 percent while nonfat dry milk production dropped 2.3 percent. All comparisons have been adjusted for leap year.

Cheese Production Declines

American continued to be the top cheese type produced in the United States, although production declined 3.1 percent in 2001. Over 3.5 billion pounds were made during the year, accounting for 43 percent of all cheese manufactured. Italian cheese was the next largest product, increasing 1.5 percent from 2000 to 3.3 billion pounds. The gap between American and Italian has been tightening over the years and, with American's decline in 2001, has closed to less than 200 million pounds (from over 350 million pounds in 2000). Mozzarella production increased 1.4 percent and remained about 80 percent of all Italian cheese produced nationally.

Swiss cheese production grew 7.3 percent, cream and Neufchatel decreased 6.0 percent, and all other cheese production dropped 4.4 percent. The "other cheese" category includes Muenster, brick, Limburger, blue, Hispanic, and other varieties. Of these, Hispanic cheese rose 6.9 percent in 2001.

Other Manufactured Products

Butter production was down 1.3 percent from 2000 and totaled about 1.2 billion pounds. Yogurt increased 9.1 percent and totaled 2.0 billion pounds in 2001. Ice cream production increased 0.4 percent while unsweetened condensed milk declined 8.6 percent.

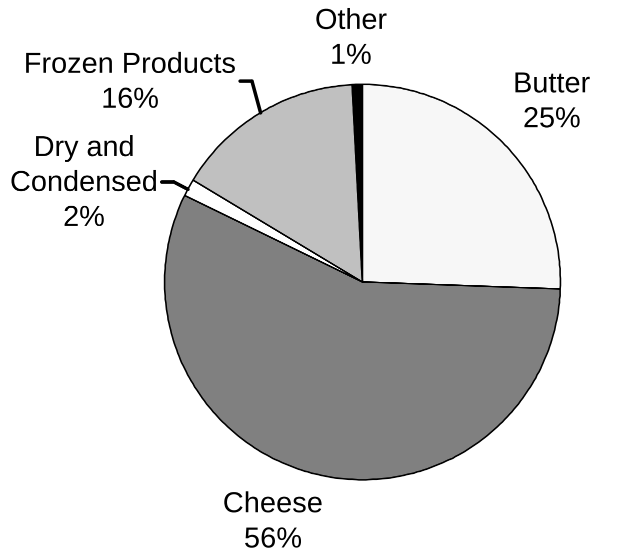
Leading Manufacturing States

Once again, Wisconsin led the nation as the top cheese-producing state with 26.2 percent of all cheese made (excluding cottage). This percentage was down slightly from 26.5 in 2000. California ranked second in cheese production with 19.9 percent of total U.S. cheese, up from 18.1 percent in 2000. New York was the third largest cheese manufacturing state with 8.6 percent; Minnesota ranked fourth with 7.3 percent; and Idaho finished fifth with 7.0 percent.

Wisconsin continued as the leading manufacturer of American cheese followed by California and Minnesota. Wisconsin also ranked first in the production of Italian cheese; California came in second; and New York was third.

The top butter producing states were California (27.5 percent), Wisconsin (26.3 percent), and Washington (8.3 percent). 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 49.1 percent of total production.

Whole Milk Equivalents Used in Manufactured Products



Utilization of Milk Marketings

Of the total amount of milk marketed in 2001, 61 percent was used for manufactured dairy products, down from 62 percent in 2000. On a net whole milk equivalent basis, the proportions used in selected dairy products changed slightly in 2001 (see accompanying chart). The total amount used in dairy products increased 1.5 percent on a daily average basis. Total product used in cheese decreased 0.2 percentage points while the amount used in butter remained unchanged. Proportions for evaporated, dry, and condensed dropped 0.4; frozen desserts went up 0.5; and other products increased 0.1 percentage points.❖

Forward Contract Study

Congress authorized The Dairy Forward Pricing Pilot Program in 2000. The program is voluntary and allows dairy farmers and milk handlers to enter into forward contracts for that portion of milk that handlers use for non-fluid milk products. The program exempts handlers receiving pooled milk under the Federal Milk Order Program from paying producers and cooperative associations the minimum federal order blend price for that portion of milk that is under forward contract.

The law requires that a study of this program be conducted to determine its impact on prices received by dairy farmers. The results of the study are to be provided to Congress in October 2002. To gather information for the study, questionnaires were mailed April 4, 2002 to milk producers, handlers, and cooperatives concerning the program. Respondents were asked to submit the questionnaires by April 30, 2002, although late questionnaires will be accepted.❖

MARKET SITUATION

Butter and Cheese Prices Fall Below Last Year

Butter Prices

Figure 1 shows the weekly Chicago Mercantile Exchange (CME) Grade AA butter price for all of 2000, 2001, and the first 18 weeks of 2002. Butter prices began the year at $1.3500 per pound, rose slightly, and then trended downward until the ninth week. They increased slightly, hitting $1.2625 per pound on week ten. They began to decline the following week, reaching $1.0383 on week 19. For the 18-week period, the average was $1.2453 per pound compared to $1.5128 per pound in 2001.

The National Agricultural Statistics Service (NASS) reported butter price averaged $1.2391 per pound for the 18-week period, less than a one-cent difference from the CME price. During 2001, these prices differed by 2 cents per pound.

Cheese Prices

The CME block Cheddar cheese price was strong at the beginning of the year, but began trending downward by February (see figure 2). In March, prices began to climb only to fall again in mid-April. During the first 10 weeks of 2002, prices averaged considerably higher than the previous year. By week 18 the average was $1.2491 per pound, compared to $1.2722 per pound during the same period in 2001.

The NASS cheese price averaged $1.2419 per pound during the first 18 weeks of 2002, a difference of less than one cent from the CME prices.

Effect on Producer Prices

With both butter and cheese prices declining, component prices paid to producers have declined and will likely continue to decline. The strong milk production in recent months has created an abundant supply of milk for manufacturing. Production is surpassing demand, building stocks. Seasonally, milk supplies should decline in upcoming months, but until demand catches up, prices will likely remain depressed.❖

Figure 1

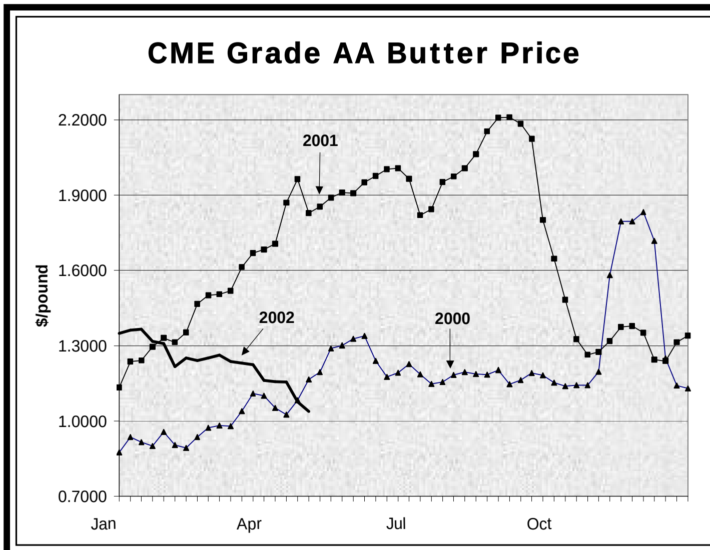
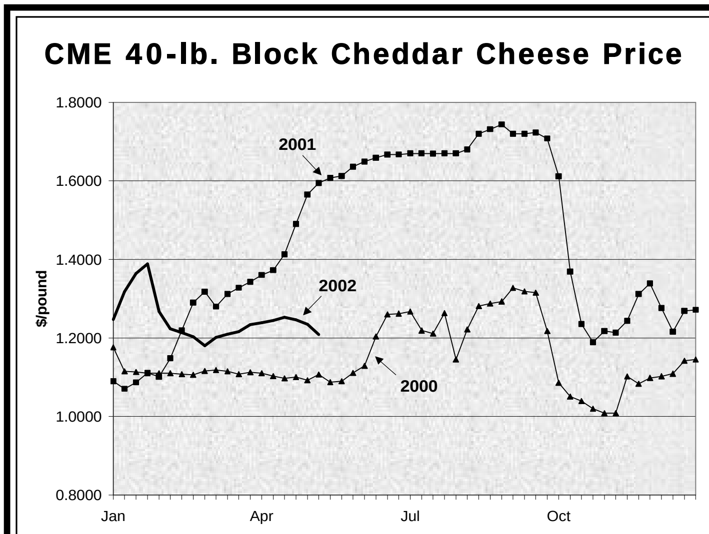


Figure 2



2002 Farm Bill *(continued from page 1)*

signed. USDA, who is responsible for interpreting the legislation and preparing regulations to implement the program, has not released any details at this time.

The legislation caps annual payments under the program at 2.4 million pounds. Milk production marketed in months when no payment is made to farmers is not to be counted toward the cap.

For purposes of determining whether producers are producers on separate dairy operations or a single dairy operation, USDA will apply standards used for previous emergency payments. All producers will receive payments on a monthly basis, no later than 60 days after the end of each month for which a payment is made. It is expected that the Farm Service Agency will handle the sign-up and payment for this program.

The program is retroactive to December 1, 2001. Producers will receive these retroactive payments at the same time they receive their first payments, perhaps early this fall. The average retroactive payment to farmers pooled on the Northeast Order for the December 2001 to May 2002 period will be about $4,986. The estimate is conservative as the figure is based on December 2001 production used as a proxy during the period January 2002 through May 2002.

The National Dairy Market Loss Payments Program is authorized through September 30, 2005.

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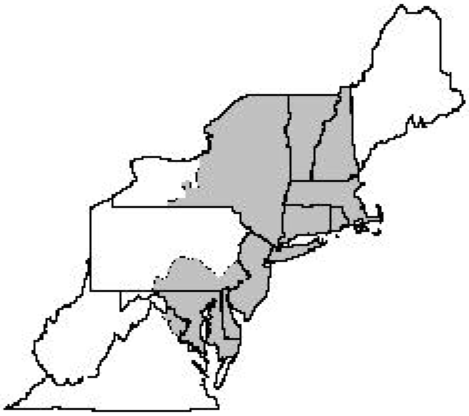
Computation of Producer Price Differential and Statistical Uniform Price

	Product Pounds	Price per cwt/lb	Component Value	Total Value
Class I— Skim	854,680,944	$10.16	86,835,583.91	
Butterfat	17,613,691	1.4058	24,761,326.81	
Less: Location Adjustment to Handlers			(2,576,464.86)	$109,020,445.83
Class II— Butterfat	26,491,728	1.2960	34,333,279.51	
Nonfat Solids	28,929,046	0.8456	24,462,401.28	58,795,680.79
Class III– Butterfat	24,726,479	1.2890	31,872,431.46	
Protein	21,085,349	2.0109	42,400,528.29	
Other Solids	40,791,623	0.0566	2,308,805.86	76,581,765.61
Class IV– Butterfat	14,535,199	1.2890	18,735,871.51	
Nonfat Solids	27,102,991	0.7575	20,530,515.71	39,266,387.22
Total Classified Value				**$283,664,279.45**
Add: Overage—All Classes				25,810.95
Inventory Reclassification—All Classes				1,603.69
Other Source Receipts	52,502			1,806.07
Less: Producer Component Valuations				(248,768,970.45)
Subtotal				**$34,924,529.71**
Add: Location Adjustment to Producers				11,565,616.62
One-half Unobligated Balance—Producer Settlement Fund				1,276,435.15
Total Pool Milk & Aggregate Value	2,241,133,437			47,766,581.48
Less: Producer Settlement Fund—Reserve				(926,892.67)
Producer Price Differential @ *Suffolk County, MA (Boston)*		**$2.09**		46,839,688.81
Statistical Uniform Price @ *Suffolk County, MA (Boston)*		**$12.94**		

* 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 2002 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

May Pool Price Calculation

The May 2002 statistical uniform price for the Northeast Marketing Area was announced at $12.63 per hundredweight for milk delivered to plants located in Suffolk County, Massachusetts (Boston), the pricing point for the Northeast Order. The statistical uniform price is calculated at 3.5 percent butterfat, 2.99 percent protein, and 5.69 percent other solids. The May producer price differential (PPD) at Suffolk County was $1.81 per hundredweight.

The May statistical uniform price was 31 cents per hundredweight below April's price. The May PPD was 28 cents below the previous month's. All class prices declined, with the Class III price facing the smallest decline due to an increase in the protein price. These changes caused a tightening in the spread between the Class I, II, and IV prices and the Class III price, which resulted in a reduced PPD. This was expected as commodity prices have been declining. It appears prices likely will remain depressed in the near future.❖

Strong Spring Flush

Producer milk receipts during the "spring flush" months (March, April, May) totaled over 6.8 billion pounds. This was an increase of 6.4 percent from the same period in 2001 and up 6.6 percent from the total recorded in 2000.

Pooled milk from producers, located in the states typically considered the Northeast milkshed, increased 7.8 percent during the 3-month period in 2002. All northeastern states showed increases in pooled receipts during these months except Connecticut and West Virginia. States registering the largest gains were Virginia, Delaware, New York, and Pennsylvania. Milk pooled from producers located outside of this area declined 21.8 percent for the same period. Changes in pool price relationships affect the economic viability of pooling from a distance.

It should be noted that pooled receipts are not necessarily representative of milk production in a particular state. Changes in pooled receipts are reflective of handlers' movements of milk between different marketing areas.❖

Pool Summary

- A total of 16,894 producers were pooled under the Order with an average daily delivery per producer of 4,357 pounds.
- Pooled milk receipts totaled 2.282 billion pounds, a decrease of 1.5 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 39.8 percent of total milk receipts, an increase of 0.9 percentage points from April.
- The average butterfat test of producer receipts was 3.67 percent.
- The average true protein test of producer receipts was 2.98 percent.
- The average other solids test of producer receipts was 5.75 percent.

Class Utilization

Pooled Milk	Percent	Pounds
Class I	39.8	907,667,279
Class II	15.0	341,429,183
Class III	31.3	715,669,197
Class IV	13.9	317,395,104
Total Pooled Milk		2,282,160,763

Producer Component Prices

	2002	2001
	$/lb	
Protein Price	2.2097	1.9108
Butterfat Price	1.1433	2.1191
Other Solids Price	0.0371	0.1229

Class Price Factors

	2002	2001
	$/cwt	
Class I	14.51	17.46
Class II	11.29	15.72
Class III	10.82	13.83
Class IV	10.57	15.04

Top Ten Northeast Order Counties—Milk Receipts

In 2001, the top ten counties in terms of milk pooled on the Northeast Order accounted for 28.6 percent of all milk pooled during the year, down slightly from 29.3 percent in 2000. It should be noted that pooled milk receipts do not necessarily account for all milk produced in the county. Milk shipped to other federal orders, state orders, or unregulated areas is not included here.

Lancaster County, PA, led all counties for the year with over 1.9 billion pounds pooled, more than 2.5 times second ranked Franklin County, PA, which pooled almost 750 million pounds. Franklin County, VT, was third with just under 720 million pounds. The counties of St. Lawrence, Jefferson, Wyoming, Cayuga, and Lewis in New York; Addison in Vermont; and Bradford in Pennsylvania, round out the top ten. The accompanying figure ranks the top 10 counties by Northeast Order pooled milk receipts and includes statistics on daily deliveries by producer (DDP) and average herd size.

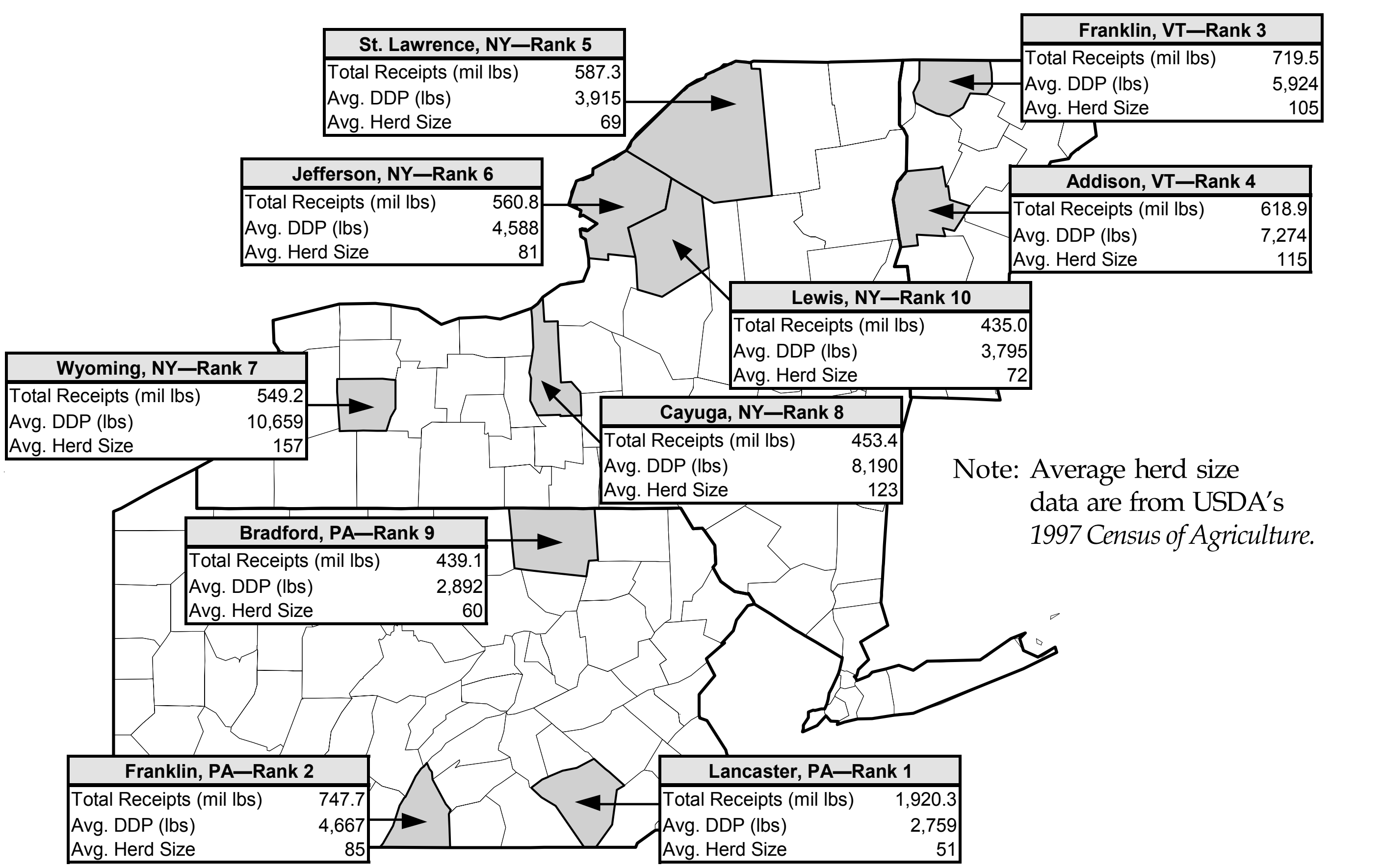
The top four positions remained as they were in 2000. Wyoming County, NY, slipped two positions from fifth to seventh, and Lewis County, NY, slipped from eighth to tenth. St. Lawrence County, NY; Jefferson County, NY; Cayuga County, NY; and Bradford County, PA, all moved up one position.

Lancaster County, PA, also had the largest number of producers of the top supply counties, registering an average 1,907 during 2001. The second-ranked county, Franklin, PA, also ranked second in producers with an average of 438. Wyoming County, NY, averaged the smallest number of the top ten counties with 141. In total, the top-ten counties accounted for an average of 27.4 percent of all pool producers during 2001, down slightly from 28.0 percent in 2000.

Of these counties, seventh ranked Wyoming County, NY, had the highest DDP in 2001 at 10,659 pounds, up from 10,186 pounds the previous year when it led the same group. Top ranked Lancaster County, PA, had the lowest DDP at 2,759 pounds, although this was an increase of 2.8 percent over 2000.

Wyoming County, NY; Cayuga County, NY; and Addison County, VT, had the largest average herd size per farm at 157, 123, and 115, respectively. Lancaster County, PA, averaged the smallest herd size per farm with 51 cows. Average herd size data are from USDA's *1997 Census of Agriculture.*❖

Northeast Order Top Ten Supply Counties and Selected Statistics, 2001



MARKET SITUATION

Container Survey Completed

The November 2001 container sales survey for the Northeast Milk Marketing Area was recently completed. The survey is conducted biennially and records packaged sales data for the month of November. Information is collected from handlers operating plants regulated under Federal Order No. 1 that sell fluid packaged milk products on routes.

Packaged sales totaled 912.5 million pounds in November 2001. Approximately 90 percent of sales were in the marketing area, the remainder were in other federal marketing areas and non-regulated areas. Packaged sales include whole, reduced fat (2%), low fat (1%), fat free (skim), flavored milk and drinks (low fat and skim), buttermilk, and eggnog. Data are collected for three container types (glass, paper, and plastic) and for seven container sizes (gallon, half-gallon, quart, pint, half-pint, 6-gallon, and 5-gallon). In addition, data are collected for self-serve round containers, such as chugs.

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

Container Type

Nearly three-quarters (73.8 percent) of all route sales were sold in plastic containers. Paper containers accounted for 26 percent, while glass held only 0.2 percent. This trend has accelerated over the years with plastic replacing paper, and glass becoming nearly nonexistent.

Container Size

Sales in gallon containers accounted for 54.4 percent of total sales (see chart). Half-gallon containers made up 25.2 percent, quarts were 7.0 percent, pints 2.3 percent, and half-pints 8.1 percent. Sales in 6-gallon and 5-gallon containers reported 0.5 percent and 1.0 percent, respectively. The remaining 1.5 percent was sold in other unidentified sizes.

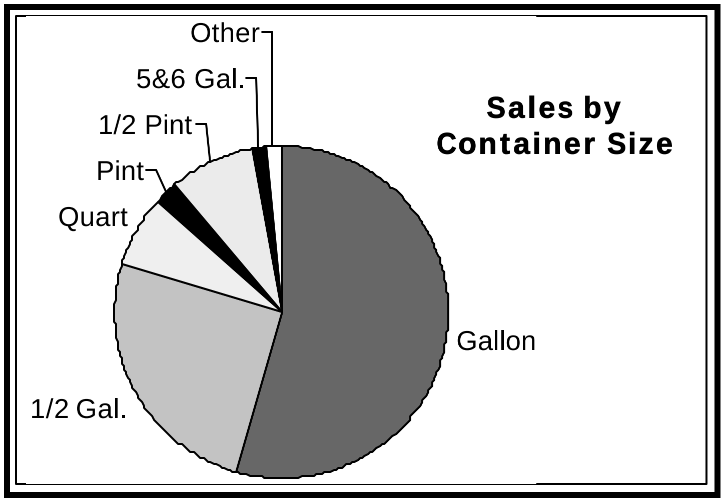
All gallon containers were made of plastic, as were the 6- and 5-gallon sizes. No other glass containers besides half-gallons and quarts were reported. In the other container sizes, plastic dominated half-gallons and pints, while paper accounted for most quarts and half-pints.

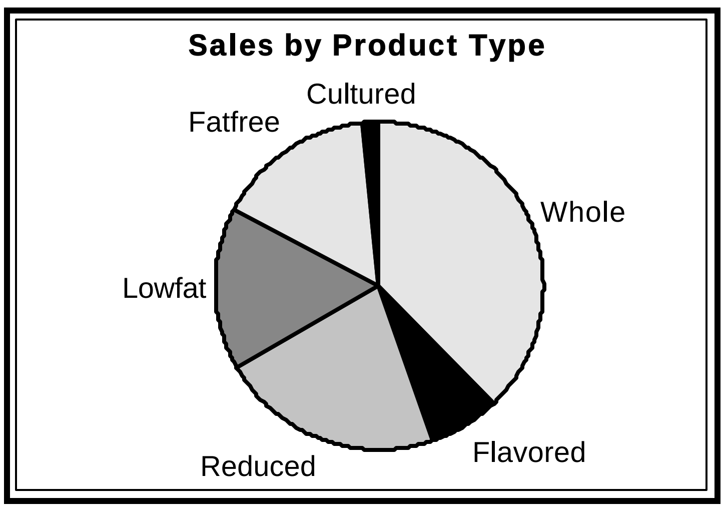
Product Type

Whole milk sales accounted for 37.9 percent of the total sales in November 2001 (see chart). Reduced fat held 22.0 percent, low fat had 15.9 percent, and fat free followed closely with 15.5 percent. Flavored milk and drinks accounted for a combined 6.8 percent, buttermilk held 0.3 percent, and eggnog had 1.5 percent of total sales that month.

Method of Distribution

In the Order No. 1 area, wholesale deliveries accounted for 99.6 percent of total sales in the 2001 survey; home deliveries made up the remaining 0.4 percent. Of the wholesale total, 50.5 percent were to supermarkets; 17.5 percent to dairy and convenience stores; 8.0 to institutions such as schools and military; and 24.0 percent to other wholesale including superstores / hypermarkets and wholesale clubs.❖





Annual Bulletin Available

The 2001 Annual Statistical Bulletin for the Northeast Milk Marketing Area is now available. The report provides information about the operation of Order No. 1. Price and pool data are 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 2001, are also included.

The 48-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.❖

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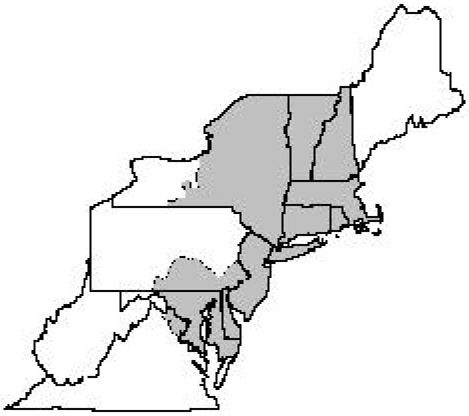
Computation of Producer Price Differential and Statistical Uniform Price

		Product Pounds	Price per cwt./lb.	Component Value	Total Value
Class I—	Skim	889,406,809	$10.08	89,652,206.35	
	Butterfat	18,260,470	1.3664	24,951,106.21	
Less:	Location Adjustment to Handlers			(2,648,888.41)	$111,954,424.23
Class II—	Butterfat	26,826,292	1.1503	30,858,283.69	
	Nonfat Solids	28,496,835	0.8367	23,843,301.84	54,701,585.53
Class III–	Butterfat	24,770,196	1.1433	28,319,765.08	
	Protein	21,342,111	2.2097	47,159,662.70	
	Other Solids	41,298,623	0.0371	1,532,178.94	77,011,606.72
Class IV–	Butterfat	13,869,232	1.1433	15,856,692.93	
	Nonfat Solids	27,451,943	0.7572	20,786,611.22	36,643,304.15
Total Classified Value					**$280,310,920.63**
Add:	Overage—All Classes				38,759.17
	Inventory Reclassification—All Classes				(1,071.57)
	Other Source Receipts	50,566			1,446.19
Less:	Producer Component Valuations				(250,748,976.11)
	Subtotal				**$29,601,078.31**
Add:	Location Adjustment to Producers				11,681,709.94
	One-half Unobligated Balance—Producer Settlement Fund				1,137,819.86
Total Pool Milk & Aggregate Value		2,282,211,329			42,420,608.11
Less:	Producer Settlement Fund—Reserve				(1,112,583.04)
Producer Price Differential @ *Suffolk County, MA (Boston)*			**$1.81**		41,308,025.07
Statistical Uniform Price @ *Suffolk County, MA (Boston)*			**$12.63**		

* 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 2002 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

June Pool Price Calculation

The June 2002 statistical uniform price for the Northeast Marketing Area was announced at $12.38 per hundredweight for milk delivered to plants located in Suffolk County, Massachusetts (Boston), the pricing point for the Northeast Order. The statistical uniform price is calculated at 3.5 percent butterfat, 2.99 percent protein, and 5.69 percent other solids. The June producer price differential (PPD) at Suffolk County was $2.29 per hundredweight.

The June statistical uniform price was 25 cents per hundredweight below May's price. The June PPD was 48 cents above the previous month's. All class prices declined, with the Class III price dropping the most due to a decline in the protein price. These changes caused an increase in the spread between the Class I, II, and IV prices and the Class III price, which resulted in a higher PPD. Overall, the decline in the statistical uniform price signifies the current weakness in the commodity markets.❖

National Dairy Market Loss Program

The Farm Service Agency (FSA) will administer the 2002 Farm Bill's National Dairy Market Loss Program. As of July 18, 2002, FSA has not released sign-up regulations for the program or the specific details concerning the allocation of the 2.4 million pound cap and how the legislation defines a dairy operation. These program regulations are expected soon. As posted on their website, FSA's responses to some frequently asked questions are listed below.

Must dairy producers visit their local FSA office each month for the next 3 years in order to apply for dairy benefits?

FSA is still in the process of determining the most effective method of reducing the reporting burden on the producers.

Are there provisions for manure cleanup and storage in dairy operations?

The 2002 Farm Bill does not have provisions for manure cleanup and storage in dairy operations.

Does the dairy direct payment count towards a producer's $40,000 limit if the producer is receiving payment for grain farming?

(continued on Page 2)

Pool Summary

- A total of 17,028 producers were pooled under the Order with an average daily delivery per producer of 4,179 pounds.
- Pooled milk receipts totaled 2.135 billion pounds, a decrease of 3.5 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 38.1 percent of total milk receipts, a decrease of 1.7 percentage points from May.
- The average butterfat test of producer receipts was 3.60 percent.
- The average true protein test of producer receipts was 2.94 percent.
- The average other solids test of producer receipts was 5.72 percent.❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	38.1	813,217,927
Class II	17.3	369,831,455
Class III	32.3	689,444,922
Class IV	12.3	262,150,178
Total Pooled Milk		2,134,644,482

Producer Component Prices

	2002	2001
	$/lb	
Protein Price	2.0148	2.1670
Butterfat Price	1.1211	2.2089
Other Solids Price	0.0247	0.1409

Class Price Factors

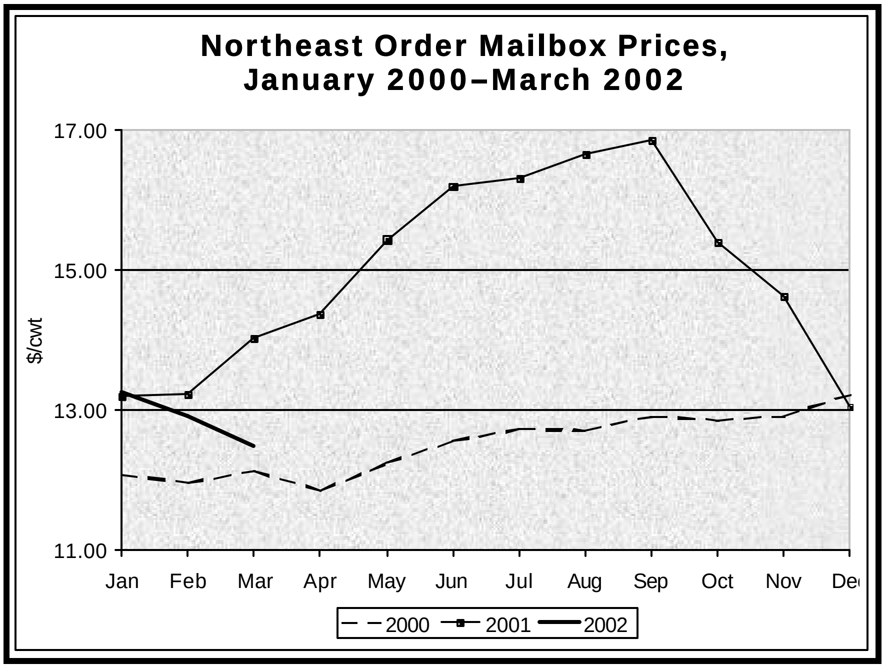
	2002	2001
	$/cwt	
Class I	14.28	18.24
Class II	11.19	16.05
Class III	10.09	15.02
Class IV	10.52	15.33

Mailbox Prices Reported

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. Mailbox prices 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.

The accompanying chart shows the average mailbox prices for the Northeast Order from January 2000 through March 2002. If statistical uniform prices were charted, the pattern would be very similar to the one shown in the chart as both prices are affected by the same factors.

The accompanying table shows the average mailbox prices during the first 3 months of 2001 and 2002 for selected areas. As has been the trend, farmers in the southeastern part of the country, primarily Florida, continue to receive the highest mailbox price. Farmers in the Northeast, Northwest, California, New Mexico, Appalachian States, and Southeast all received less on a mailbox basis during the first quarter of 2002 compared to the same period last year. Interestingly, farmers in Idaho and the central part of the country, primarily Upper Midwest and the Corn Belt States, received a higher average mailbox price during the period. Wisconsin, which usually lags behind the Northeast in pay prices, reported a higher average price for the 3-month period in 2002.❖



Simple Average Mailbox Prices in Selected Areas, January–March 2001–2002

	2001	2002	Percent Change*
	($/cwt)		
Northeast	13.48	12.88	(4.5)
Appalachian States	14.44	13.37	(7.4)
Southeast States	14.67	13.62	(7.1)
Florida	16.37	15.43	(5.7)
Wisconsin	12.82	13.05	1.8
Minnesota	12.78	12.82	0.3
Northwest States	12.76	12.44	(2.5)
California*	12.40	12.11	(2.4)
New Mexico	12.39	12.08	(2.6)
Corn Belt States	12.53	12.63	0.8
Idaho	11.69	11.87	1.5

* Prices reported under the California State Milk Marketing Order; March 2002 data not available.

National Dairy *(continued from page 1)*

No. Dairy is limited only by 2.4 million pounds per operation.

Does the 2.4 million pound annual cap on dairy payments apply to 2002 losses?

No. The payment will be based on the quantity of eligible production marketed by the producer during the month.

How will the marketing year be defined?

Payments will be based on each fiscal year, which is from October 1 through September 30.

Will dairy farmers receive payments under the dairy market loss payment program for low prices of 2002?

The 2002 Farm Bill requires payments to dairy farmers if the Class I milk price (i.e., the price of milk for beverage use) is below $16.94 per hundredweight in Boston under the applicable federal milk marketing order. The price of Class I milk has been below $16.94 per hundredweight since the benefit period began on December 1, 2001; therefore, dairy farmers will receive payments for milk marketings from that date until the price moves above $16.94 per hundredweight.

For new developments or for additional questions, the FSA website is http://www.fsa.usda.gov/pas/default.asp or http://www.fsa.usda.gov/pas/farmbill/ or contact your local or state FSA office.

Our office has added a calculator to our webpage that will compute the monthly dairy market loss payment. Go to http://www.fmmone.com, *National Dairy Market Loss Program Calculator*.❖

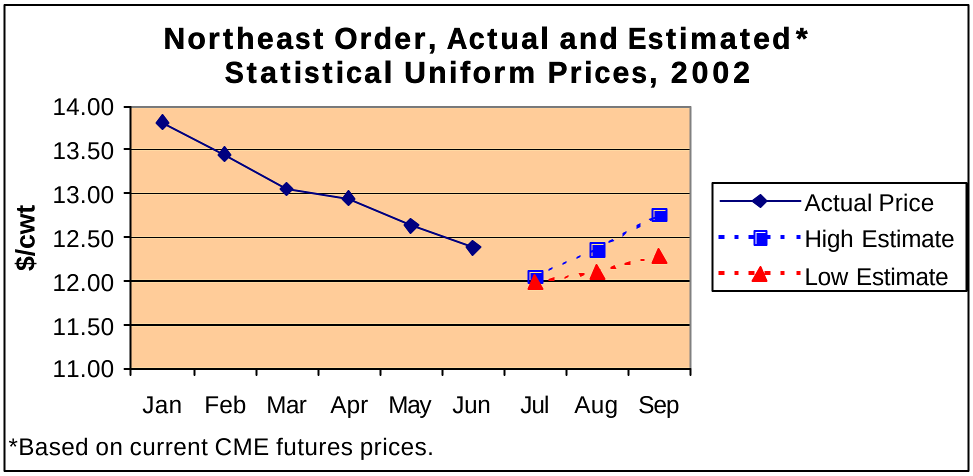
MARKET SITUATION

Third Quarter Price Estimates

During the first 6 months of 2002, the statistical uniform price declined steadily and ranged from a high of $13.81 per hundredweight in January to a low of $12.38 per hundredweight in June. The decreases in the statistical uniform price reflected similar declines in the Class III and Class IV prices during the same 6-month period. The Class III price dropped $1.78 from January's $11.87 per hundredweight to a June price of $10.09. The Class IV price declined $1.41 from $11.93 per hundredweight in January to $10.52 in June.

Many looking for an indication of where dairy prices might be headed look to the Chicago Mercantile Exchange's (CME) Class III and Class IV futures market. In both Class III and Class IV markets, futures prices have tended to underestimate prices on a rising price trend and overstate prices on a downward price trend when looking 3 months out. CME Class III futures prices reported on July 15 were $9.35, $10.38, and $11.90 per hundredweight for July, August, and September, respectively. CME Class IV futures prices reported on July 15 were $10.50, $10.50, and $10.70 per hundredweight for July, August, and September, respectively.

Based on the CME futures prices and trends described here, third quarter statistical uniform prices look like they will increase from about $12.00 per hundredweight in July, but remain in the $12.00 to $13.00 per hundredweight range. The accompanying chart shows actual statistical uniform prices for 2002 with high and low estimates for the third quarter.❖



*Based on current CME futures prices.

Pool Summary for All Federal Orders, January–June, 2001–2002

Federal Order Number	Federal Order Name	Total Producer Milk 2001	Total Producer Milk 2002	Change	Producer Price Differential# 2001	Producer Price Differential# 2002	Statistical Uniform Price#* 2001	Statistical Uniform Price#* 2002
		pounds		percent	dollars per hundredweight			
1	Northeast	12,417,168,957	13,160,315,636	6.0	2.99	2.06	15.09	13.05
5	Appalachian	3,518,752,073	3,546,790,570	0.8	N/A	N/A	15.76	13.57
6	Florida	1,453,786,118	1,408,385,783	(3.1)	N/A	N/A	17.30	15.06
7	Southeast	4,020,399,399	4,300,241,112	7.0	N/A	N/A	15.53	13.34
30	Upper Midwest	9,834,220,201	10,335,834,450	5.1	0.78	0.51	12.88	11.49
32	Central	8,914,580,132	9,222,831,621	3.5	1.31	0.81	13.40	11.79
33	Mideast	8,283,478,326	9,396,763,888	13.4	1.75	1.03	13.85	12.01
124	Pacific Northwest	3,418,780,492	3,901,081,135	14.1	1.73	0.75	13.83	11.73
126	Southwest	4,299,635,350	5,033,438,366	17.1	2.71	1.84	14.81	12.83
131	Arizona-Las Vegas	1,564,334,712	1,613,182,234	3.1	N/A	N/A	13.87	11.89
135	Western	2,114,380,781	2,767,925,058	30.9	1.27	0.65	13.37	11.69
	All Market Total/Average	59,839,516,541	64,686,789,853	8.1	1.79	1.09	14.52	12.59

Price at designated order location. * Price at 3.5% butterfat.
N/A = Not applicable; order prices on skim and butterfat basis.

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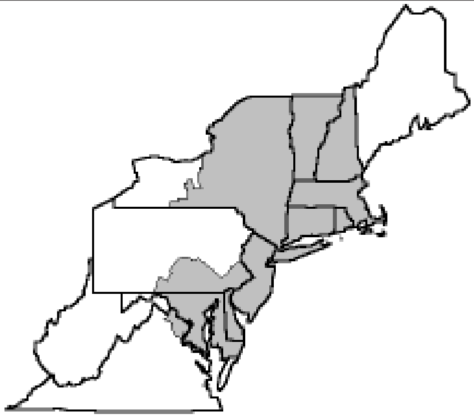
Computation of Producer Price Differential and Statistical Uniform Price

	Product Pounds	Price per cwt./lb.	Component Value	Total Value
Class I— Skim	796,683,066	$10.48	83,492,385.32	
Butterfat	16,534,861	1.1902	19,679,791.56	
Less: Location Adjustment to Handlers			(2,377,854.81)	$100,794,322.07
Class II— Butterfat	26,434,713	1.1281	29,820,999.74	
Nonfat Solids	30,868,925	0.8333	25,723,075.20	55,544,074.94
Class III— Butterfat	24,717,086	1.1211	27,710,325.14	
Protein	20,226,040	2.0148	40,751,425.41	
Other Solids	39,384,663	0.0247	972,801.14	69,434,551.69
Class IV– Butterfat	9,279,745	1.1211	10,403,522.12	
Nonfat Solids	22,606,676	0.7605	17,192,377.10	27,595,899.22
Total Classified Value				**$253,368,847.92**
Add: Overage—All Classes				33,558.20
Inventory Reclassification—All Classes				13,275.64
Other Source Receipts	43,447			1,711.81
Less: Producer Component Valuations				(215,600,018.14)
Subtotal				**$37,817,375.43**
Add: Location Adjustment to Producers				10,956,733.58
One-half Unobligated Balance—Producer Settlement Fund				1,126,993.41
Total Pool Milk & Aggregate Value	2,134,687,929			49,901,102.42
Less: Producer Settlement Fund—Reserve				(1,016,748.87)
Producer Price Differential @ *Suffolk County, MA (Boston)*		**$2.29**		48,884,353.55
Statistical Uniform Price @ *Suffolk County, MA (Boston)*		**$12.38**		

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



The Market Administrator's

BULLETIN

NORTHEAST MARKETING AREA

Erik F. Rasmussen, Market Administrator

July 2002

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

July Pool Price Calculation

The July 2002 statistical uniform price for the Northeast Marketing Area was announced at $12.05 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 $2.72 per hundredweight.

The July statistical uniform price was 33 cents per hundredweight below June's price. The July PPD was 43 cents above the previous month's. Similar to last month, all class prices declined with the Class III price dropping the most due to another decline in the protein price. These changes caused an increase in the spread between the Class I, II, and IV prices and the Class III price, which resulted in a higher PPD. Producer component prices declined from the previous month and were reflected in the lower blend price. The July producer protein test averaged 2.88 percent, the lowest since the Northeast Order's inception.❖

Hearing on Proposed Order Amendments

A public hearing to consider proposals that would amend certain pooling and related provisions of the Northeast Order will convene on September 10 in Alexandria, Virginia.

The proposal includes establishing marketwide service payments to offset the costs of balancing the market's Class I needs. To qualify for these payments, a handler must pool a quantity of milk equal to 3 percent of the total volume of milk pooled on the Order for the month or pools one million pounds of milk a day and either operates a plant which manufactures Class III or Class IV products which is located in the states of the marketing area or operates a pool distributing plant. Other requirements apply. Payments would equal 6 cents per hundredweight of qualified milk pooled during the month.

The proposal also includes modifying the pooling standards of the Order. Pooling proposals include establishing year-round shipping standards for supply plant pool qualification; adding a "touch-base" provision that would establish a standard that at

(continued on page 2)

Pool Summary

- A total of 17,099 producers were pooled under the Order with an average daily delivery per producer of 4,128 pounds.
- Pooled milk receipts totaled 2.188 billion pounds, a decrease of 0.8 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 39.4 percent of total milk receipts, an increase of 1.3 percentage points from June.
- The average butterfat test of producer receipts was 3.54 percent.
- The average true protein test of producer receipts was 2.88 percent.
- The average other solids test of producer receipts was 5.70 percent.

Class Utilization

Pooled Milk	Percent	Pounds
Class I	39.4	861,810,618
Class II	19.0	415,887,989
Class III	32.4	708,509,953
Class IV	9.2	201,829,186
Total Pooled Milk		2,188,037,746

Producer Component Prices

	2002	2001
	$/lb	
Protein Price	1.8095	2.3175
Butterfat Price	1.0929	2.1883
Other Solids Price	0.0150	0.1510

Class Price Factors

	2002	2001
	$/cwt	
Class I	13.87	18.59
Class II	11.14	15.96
Class III	9.33	15.46
Class IV	10.45	14.81

Dairy Program Signup Begins August 13

Agriculture Secretary Ann M. Veneman announced that signup for the Milk Income Loss Contract (MILC) program will begin on August 13, 2002.

Eligible dairy producers are those who produced milk in any state and marketed the milk commercially beginning December 2001. To be approved for the program, producers must be in compliance with highly erodible and wetland conservation provisions and must enter into a contract with USDA's Commodity Credit Corporation (CCC) to provide monthly marketing data.

MILC payments will occur in months when the price of Class I milk in Boston, under the Northeast Milk Marketing Order, falls below $16.94 per hundredweight. Payment rates will be 45 percent of the difference between $16.94 and the Boston Class I price for that month. Dairy operations will not receive a payment for months during which the Class I price in Boston is $16.94 or higher. A similar payment calculation will be applied from December 2001 through the month preceding the month the producer enters into a contract with CCC.

Program payments, scheduled to begin in October 2002, will be retroactive from December 2001 for eligible production. Payments will be made on an operation-by-operation basis, up to a maximum of 2.4 million pounds of milk produced and marketed by the dairy operation per fiscal year. Producers can select the month they want to start receiving payments for eligible production. Once payments begin, they will continue each month the Boston Class I price is below $16.94 until the production limit is reached. A farmer cannot decide to defer payments in later months in order to cash in on potentially higher payment rates even later.

As required by the 2002 Farm Bill, USDA will apply the same definition for a dairy operation as used in previous dairy market loss assistance programs. A dairy operation is any person or group of persons who as a single unit, as determined by CCC, commercially produces and markets cow milk and has production facilities located in the United States. Producers on dairy operations are not permitted to reconstitute a dairy operation for the sole purpose of receiving additional payments.

For more information and requirements, or to sign up for the program, dairy producers should visit their local USDA Farm Service Agency offices.❖

Dairy Plants Specifications Amended

The USDA recently amended its "General Specifications for Dairy Plants Approved for USDA Inspection and Grading Service" document. For all producer herd milk, including both cow's and goat's milk, changes included: lowering the maximum allowable bacterial estimate for producer herd milk from 1,000,000 per milliliter to 500,000 per milliliter; modifying the follow-up procedure when producer herd milk exceeds the maximum allowable bacterial estimate; and lowering the maximum permitted bacterial estimate in commingled milk from 3,000,000 per milliliter to 1,000,000 per milliliter.

For producer herd milk for cow's milk only, USDA lowered the maximum allowable somatic cell count in cow's milk from 1,000,000 per milliliter to 750,000 per milliliter. In addition, USDA updated the animal drug residue monitoring provision and changed the keeping quality test temperature for whipped butter from 70°F to 72°F to align it with the keeping quality test temperature of butter.

USDA inspection and grading services assure the quality of dairy products and are offered to the dairy industry on a voluntary basis.

The revisions appeared in the July 29 *Federal Register*. Copies are available from Susan Sausville, Chief, Dairy Standardization Branch, Dairy Programs, Agricultural Marketing Service, USDA, Room 2746 South Building, Stop 0230, 1400 Independence Avenue, SW, Washington, DC 20250-0230 or at www.ams.usda.gov/dairy/stand.htm.❖

Fluid Milk Promotion Order Amended

Effective August 1, 2002, the volume exemption level under the Fluid Milk Promotion Order was changed from *500 thousand pounds to 3 million pounds.* The Order language now reads:

"The Order requires that all persons who process and market commercially more than 3,000,000 pounds of fluid milk products in consumer-type packages in the 48 contiguous states and District of Columbia on a monthly basis, excluding those fluid milk products delivered to a residence of a consumer, be assessed 20 cents per hundredweight on all marketings of such packaged fluid milk products during the month."❖

Hearing *(continued from page 1)*

least 2 days' milk production of a dairy farmer be physically received at a pool plant in order to be eligible for diversion; establishing limits on the amount of milk that a pool plant may divert; eliminating the "split plant" provision; and revising certain reporting and payment date provisions. Testimony will be taken to determine if any of the proposals should be handled on an emergency basis.

The hearing will take place at the Embassy Suites Hotel Alexandria, 1900 Diagonal Road, Alexandria, VA, 22314; it will convene at 8:30 a.m. The hearing notice is available on our website at www.fmmone.com.❖

MARKET SITUATION

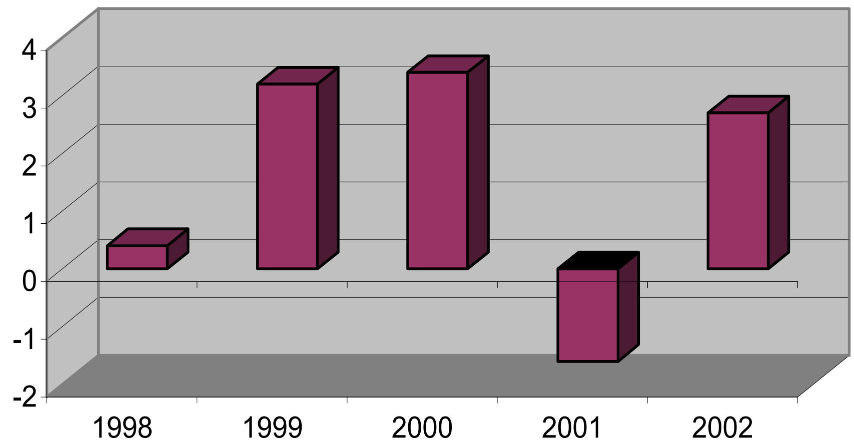
U.S. Milk Production Strong During First 6 Months

Total U.S. milk production increased 2.7 percent during the first 6 months of 2002 compared to the same period in 2001. Milk production per cow has been up during each month of 2002. Since April, total milk cows nationally are above last year. The accompanying chart shows national milk production changes during the January through June period for the past 5 years. Data has been adjusted for leap year in 2000.

The top ten milk producing states showed an equivalent percentage increase, while the top 20 states had a 2.6 percent gain during the 6-month period. The accompanying table shows the top ten states ranked by milk production and their corresponding percentage changes for 2002. It is interesting to note that even though three of the top ten (Minnesota, Pennsylvania, and Wisconsin) showed decreases during the first 6 months, the overall change was an increase of 2.7 percent. This was the result of strong increases in such states as New Mexico, Idaho, New York, and California. New Mexico's 15.7 percent increase helped it bump up to number seven, displacing Michigan. Minnesota's continued decline, combined with Idaho's strong growth, is closing the gap for the number five spot although the switch in positions is unlikely to occur this year.

The national increase in milk production has caused milk prices to decline consistently since February. In addition, the abundance of milk has caused an increase in inventories of product. During the week ending July 26, the Commodity Credit Corporation (CCC) began purchasing cheese under the price support program. These purchases were the first since February 2001. CCC purchases of nonfat dry milk are well above the same period last year, and inventories of NFDM are nearly double those reported last year.❖

Percent Change in U.S. Milk Production, January–June, 1998–2002



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Top Ten States Ranked by Milk Production, January–June, 2002

Rank	State	2001 (million pounds)	2002 (million pounds)	Percent Change
1	California	16,559	17,398	5.1
2	Wisconsin	11,358	11,201	(1.4)
3	New York	5,865	6,199	5.7
4	Pennsylvania	5,518	5,500	(0.3)
5	Minnesota	4,608	4,415	(4.2)
6	Idaho	3,766	3,999	6.2
7	New Mexico	2,720	3,147	15.7
8	Michigan	2,948	2,972	0.8
9	Washington	2,742	2,812	2.6
10	Texas	2,768	2,802	1.2
	Top Ten Total	58,852	60,445	2.7
	US Total	83,948	86,206	2.7

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

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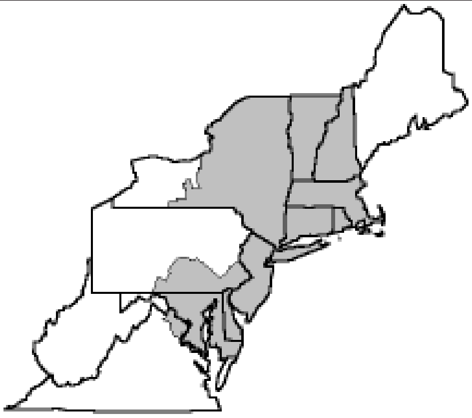
Computation of Producer Price Differential and Statistical Uniform Price

		Product Pounds	Price per cwt/lb	Component Value	Total Value
Class I—	Skim	844,022,818	$10.10	85,246,304.62	
	Butterfat	17,787,800	1.1768	20,932,683.04	
Less:	Location Adjustment to Handlers			(2,503,058.64)	$103,675,928.95
Class II—	Butterfat	28,598,543	1.0999	31,455,537.43	
	Nonfat Solids	34,467,039	0.8389	28,914,399.01	60,369,936.44
Class III–	Butterfat	23,574,938	1.0929	25,765,049.75	
	Protein	20,451,233	1.8095	37,006,506.14	
	Other Solids	40,424,320	0.0150	606,364.93	63,377,920.82
Class IV–	Butterfat	7,568,429	1.0929	8,271,536.06	
	Nonfat Solids	17,267,275	0.7633	13,180,111.01	21,451,647.07
Total Classified Value					**$248,875,433.28**
Add:	Overage—All Classes				45,352.78
	Inventory Reclassification—All Classes				(50,260.09)
	Other Source Receipts	65,543			2,785.57
Less:	Producer Component Valuations				(200,795,336.79)
	Subtotal				**$48,077,974.75**
Add:	Location Adjustment to Producers				11,256,923.30
	One-half Unobligated Balance—Producer Settlement Fund				1,182,782.48
Total Pool Milk & Aggregate Value		2,188,103,289			60,517,680.53
Less:	Producer Settlement Fund—Reserve				(1,001,271.03)
Producer Price Differential @ *Suffolk County, MA (Boston)*			**$2.72**		59,516,409.50
Statistical Uniform Price @ *Suffolk County, MA (Boston)*			**$12.05**		

* 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 2002 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 2002 statistical uniform price for the Northeast Marketing Area was announced at $12.16 per hundredweight for milk delivered to plants located in Suffolk County, Massachusetts (Boston), the pricing point for the Northeast Order. The statistical uniform price is calculated at 3.5 percent butterfat, 2.99 percent protein, and 5.69 percent other solids. The August producer price differential (PPD) at Suffolk County was $2.62 per hundredweight.

The August statistical uniform price was 11 cents per hundredweight above July's price. The August PPD was 10 cents below the previous month. All class prices declined except the Class III price, which increased 21 cents due to an increase in the protein price. These changes caused a decrease in the spread between the Class I, II, and IV prices and the Class III price, which resulted in a lower PPD.❖

Milk Movements

During August, bulk milk shipments received by handlers pooled on the Northeast Order coming from handlers pooled on other federal orders totaled 13.8 million pounds. These orders include the Mideast (Order No. 33), the Upper Midwest (Order No. 30), and the Appalachian (Order No. 5). Bulk shipments to other federal order plants from handlers regulated under the Northeast Order totaled 12.3 million pounds. In addition to Order Nos. 5 and 33, other orders receiving milk include Florida (Order No. 6) and Southeast (Order No. 7).

Net bulk milk movements equaled 1.5 million pounds more receipts (receipts less shipments). During August 2001, net movements totaled 13.0 million pounds more shipments. As is typical during this time of year, a majority of the movements are between the Northeast Order and orders located in the southeastern United States. In August 2002, net movements to the southeastern United States equaled less than half a million more receipts than shipments. During the same month in 2001, the net amount was nearly 8.9 million pounds more shipments than receipts. In August 2000, shipments outweighed receipts by almost 16 million pounds.

Last August, milk pooled from distant states outside of the normal Northeast milkshed accounted for 3.2 percent of the total

(continued on page 3)

Pool Summary

- A total of 16,600 producers were pooled under the Order with an average daily delivery per producer of 3,979 pounds.
- Pooled milk receipts totaled 2.048 billion pounds, a decrease of 6.4 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 43.3 percent of total milk receipts, an increase of 3.9 percentage points from July.
- The average butterfat test of producer receipts was 3.54 percent.
- The average true protein test of producer receipts was 2.89 percent.
- The average other solids test of producer receipts was 5.68 percent.❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	43.3	885,874,170
Class II	19.7	403,613,473
Class III	30.9	632,225,819
Class IV	6.1	126,184,648
Total Pooled Milk		2,047,898,110

Producer Component Prices

	2002	2001
	$/lb	
Protein Price	1.9021	2.2188
Butterfat Price	1.0701	2.2976
Other Solids Price	0.0177	0.1535

Class Price Factors

	2002	2001
	$/cwt	
Class I	13.73	18.65
Class II	11.07	15.98
Class III	9.54	15.55
Class IV	10.41	15.06

Average Component Tests for Selected States/Areas

Component levels remain an important factor to dairy farmers in the Northeast, as the pricing of milk is based on components. The accompanying map compares the weighted average of producer butterfat, protein, and other solids levels for Maryland, Maine, New York, Pennsylvania, Vermont, Other New England States, and Other Mid-Atlantic States for July 2002. Other New England States includes Connecticut, Massachusetts, New Hampshire, and Rhode Island. Other Mid-Atlantic States includes Delaware, New Jersey, Virginia, and West Virginia. The figures are derived from Northeast Order payroll data as submitted by Northeast Order handlers.

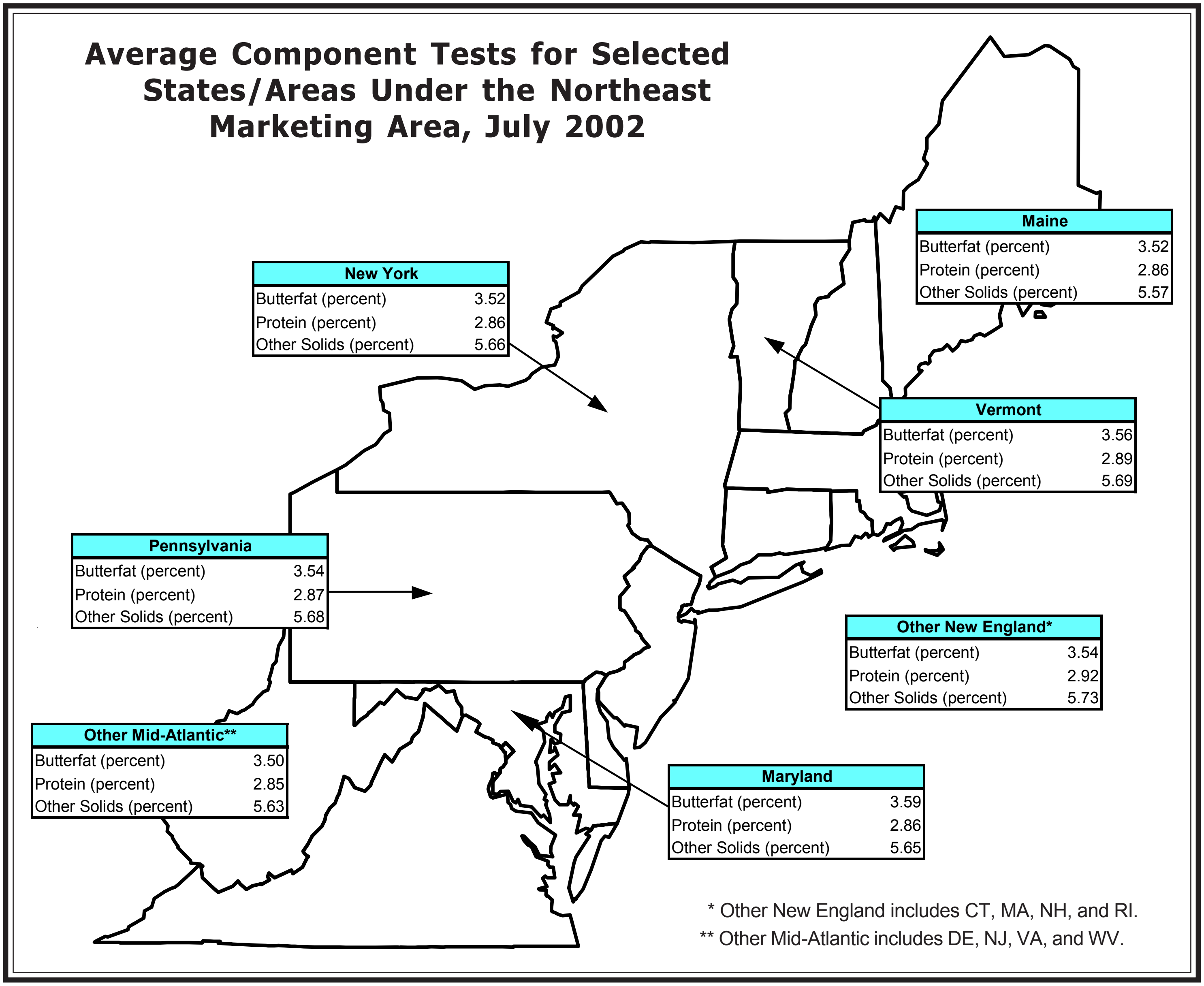
Maryland averaged the highest level of butterfat at 3.59 percent. Other Mid-Atlantic States averaged the lowest at 3.50 percent. The average for all selected states represented on the map was 3.53 percent.

Average protein tests were highest in Other New England States at 2.92 percent and lowest in Other Mid-Atlantic States at 2.85 percent. The average for all selected states represented on the map was 2.87 percent.

Average other solids tests were highest in Other New England States at 5.73 percent and lowest in Other Mid-Atlantic States at 5.63 percent. The average for all selected states represented on the map was 5.67 percent.

The largest range in test levels, from lowest to highest state average, was for other solids at 0.10 percentage points. The narrowest range was for protein at 0.07 percentage points.

The statistical uniform price is announced for milk containing 3.5 percent butterfat, 2.99 percent protein, and 5.69 percent other solids. The price received by an individual farmer will vary as the component composition of a farm's milk differs from these benchmark levels and by the location of the plant(s) to which the milk is delivered.❖



MARKET SITUATION

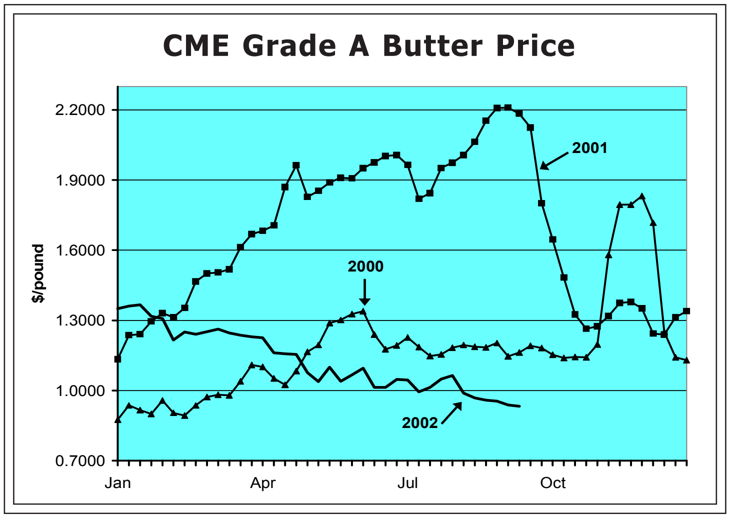
Commodity Prices

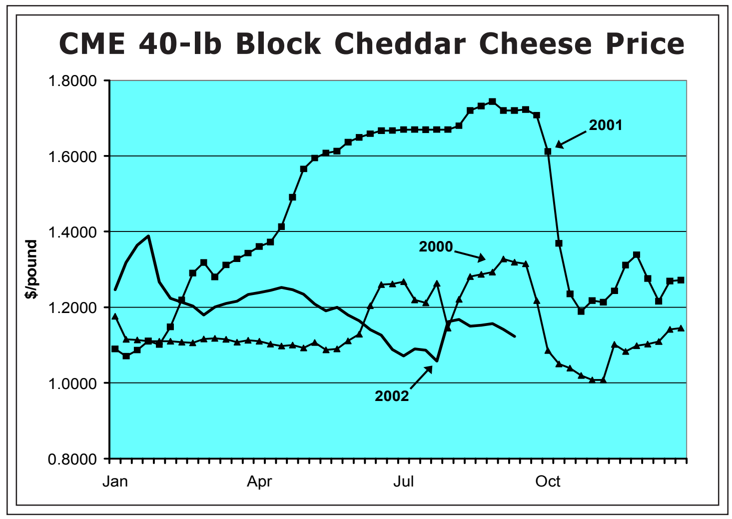
Butter Prices

The weekly Chicago Mercantile Exchange (CME) Grade AA butter price for all 2000, 2001, and the first 37 weeks of 2002 is shown in the chart below. Since hitting $1.3667 per pound in the third week of the year, the butter price has trended downward to its low for the year of $0.9333 for the week ending September 13. The average butter price through week 37 is $1.1282, only slightly above the $1.1047 average for the same time period in 2000.

Cheese Prices

The accompanying chart shows the CME block Cheddar cheese price has trended downward over the first 37 weeks of the year, characterized by short periods of rising prices followed by longer, more gradual declines. Most recently, the price rose $0.1095 in 2 weeks to $1.1675 per pound in week 32 but has since slid to $1.1235. The average block Cheddar cheese price through week 37 is $1.1931, about 3 cents above the $1.1651 average for the same time period in 2000.❖





Changes to Other Federal Orders

A hearing to consider proposals that would amend certain pooling and related provisions of the Northeast Order was held in Alexandria, VA, from September 10–13. During the past year, other federal orders have held similar hearings to deal with pooling and other related issues. The USDA recently issued decisions on the following:

Mideast Order—On July 25, an interim order to amend pooling provisions was issued with an effective date of August 1. The provisions eliminated automatic pool plant status for the 6-month period of March through August, milk shipments to a distributing plant regulated by another federal milk order as pool-qualifying shipments, the "split-plant" feature, and the inclusion of certain diversions. It also established a "net shipments" standard for supply plants.

The interim order changes the producer milk provisions by increasing the number of days that the milk of a producer needs to be delivered to a pool plant; instituting year-round diversion limits, adjusted seasonally, for all pool plants; and excluding from receipts certain diversions.

Pacific Northwest Order—On September 5, a tentative final decision was issued that would establish a "cooperative pool manufacturing plant," system pooling for cooperative nonpool plants, and eliminate a supply plant feature applicable to cooperative supply plants.

Producer milk provisions include establishing a "touch-base" standard, setting a year-round limit of 80 percent on the amount of milk that can be diverted to nonpool plants, and providing authority to the Market Administrator to adjust the "touch-base" standard.

These amendments must be approved before implementation. Comments responding to the tentative decision are due by November 5, 2002.❖

Movements *(continued from page 1)*

volume pooled on the Northeast Order. These states included Idaho, Michigan, Minnesota, Utah, and Wisconsin. During August 2002, pooling from distant states was nearly non-existent. Even last month, milk pooled from the states mentioned (with the addition of Nevada and Kentucky) accounted for only 2.8 percent of total producer milk receipts.

Last year, the national milk supply was much tighter evidenced by the overall higher milk prices. This year's statistical uniform price for each of the months of June, July, and August has averaged over $5.00 less than during the same months in 2001.❖

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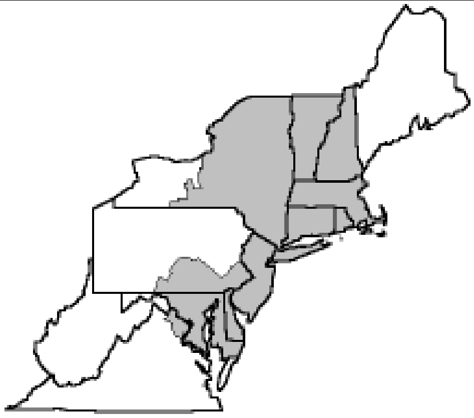
Computation of Producer Price Differential and Statistical Uniform Price

COMPUTATION OF PRODUCER PRICE DIFFERENTIAL

		Product Pounds	Price per cwt/lb	Component Value	Total Value
Class I—	Skim	867,784,884	$10.11	87,733,051.77	
	Butterfat	18,089,286	1.1347	20,525,912.82	
Less:	Location Adjustment to Handlers			(2,556,695.97)	$105,702,268.67
Class II—	Butterfat	27,422,241	1.0771	29,536,495.78	
	Nonfat Solids	33,425,924	0.8400	28,077,776.16	57,614,271.94
Class III–	Butterfat	21,160,992	1.0701	22,644,377.54	
	Protein	18,263,677	1.9021	34,739,340.04	
	Other Solids	35,948,324	0.0177	636,285.32	58,020,002.90
Class IV–	Butterfat	5,858,645	1.0701	6,269,336.01	
	Nonfat Solids	10,701,977	0.7674	8,212,697.16	14,482,033.17
Total Classified Value					**$235,818,576.68**
Add:	Overage—All Classes				40,616.98
	Inventory Reclassification—All Classes				(79,656.91)
	Other Source Receipts	69,935			2,769.43
Less:	Producer Component Valuations				(192,161,094.42)
	Subtotal				**$43,621,211.76**
Add:	Location Adjustment to Producers				9,862,177.20
	One-half Unobligated Balance—Producer Settlement Fund				1,080,156.68
Total Pool Milk & Aggregate Value		2,047,968,045			54,563,545.64
Less:	Producer Settlement Fund—Reserve				(906,782.91)
Producer Price Differential @ *Suffolk County, MA (Boston)*			**$2.62**		53,656,762.73
Statistical Uniform Price @ *Suffolk County, MA (Boston)*			**$12.16**		

* 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 2002 Federal Order No. 1

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

September Pool Price Calculation

The September 2002 statistical uniform price for the Northeast Marketing Area was announced at $12.20 per hundredweight for milk delivered to plants located in Suffolk County, Massachusetts (Boston), the pricing point for the Northeast Order. The statistical uniform price is calculated at 3.5 percent butterfat, 2.99 percent protein, and 5.69 percent other solids. The September producer price differential (PPD) at Suffolk County was $2.28 per hundredweight.

The September statistical uniform price was 4 cents per hundredweight below August's price. The September PPD was 34 cents below the previous month's. All class prices declined except the Class III price, which increased 38 cents due to an increase in the protein price. These changes caused a decrease in the spread between the Class I, II, and IV prices and the Class III price, which resulted in a lower PPD.❖

Gross Payment Comparison

In the Northeast Order, producers are paid on a multiple component pricing (MCP) basis. This means that producers are paid on the pounds of butterfat, "true" protein, and other solids in their milk. A fourth factor called the producer price differential (PPD) also contributes to the total pay price. The PPD is the producer's per hundredweight share of the value generated by the market wide pool. It varies due to changes in class prices and milk utilization from month to month. PPD values also are affected by the zone location of the plant(s) to which the milk is shipped during the month.

In the "Composition" example shown on page 2, the component tests are the average tests for that month's pool. The component prices are the producer component prices for the corresponding months. This hypothetical farmer's gross payment in September 2002 was $5,558.78 less than in September 2001. The reported gross price does not include any deductions for hauling, cooperative dues, or any premiums or quality payments. In 2002, 82 percent of the total gross payment for the example was derived from components (see charts). In 2001, 90 percent of the total gross payment for the example was derived from components. Butterfat's proportion of the total gross payment decreased from 49 percent in 2001 to 29 percent in 2002. The protein portion of the total gross payment increased from 36 percent to 51 percent.❖

(see example on page 2)

Pool Summary

- A total of 16,558 producers were pooled under the Order with an average daily delivery per producer of 3,877 pounds.
- Pooled milk receipts totaled 1.926 billion pounds, a decrease of 2.8 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 46.3 percent of total milk receipts, an increase of 3.0 percentage points from August.
- The average butterfat test of producer receipts was 3.62 percent.
- The average true protein test of producer receipts was 3.06 percent.
- The average other solids test of producer receipts was 5.67 percent.❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	46.3	891,773,036
Class II	19.9	383,197,214
Class III	28.4	547,220,636
Class IV	5.4	103,902,830
Total Pooled Milk		1,926,093,716

Producer Component Prices

	2002	2001
	$/lb	
Protein Price	2.0646	2.1647
Butterfat Price	1.0099	2.4449
Other Solids Price	0.0367	0.1520

Class Price Factors

	2002	2001
	$/cwt	
Class I	13.71	18.81
Class II	10.91	16.24
Class III	9.92	15.90
Class IV	10.22	15.59

CCC Purchases, Highest Since 1991

For the marketing year (MY) October 1, 2001, through September 30, 2002, the Commodity Credit Corporation (CCC) purchased nearly 4.7 billion pounds of dairy products (on a total solids milk equivalent basis) under the dairy price support program. This was the largest volume purchased in over 10 years and an increase of 60 percent from the previous MY.

The accompanying table shows purchases since 1991. After peaking at nearly 19 billion pounds during MY 1982–83, CCC purchases declined as changes were made to the program and CCC purchase prices. The decline continued through MY 1995–96 when the CCC did not purchase any product under the support program. Since then, the CCC has purchased nonfat dry milk (NFDM) each year and cheese in some years. No butter has been bought under the program since MY 1994–95.

Stronger prices in the late 90s spurred growth in dairy operations and increased overall supply. The support price program was initially terminated in the 1996 Farm Bill and was set to expire on December 30, 2000. It was extended through calendar year 2001 by Congress and again in the 2002 Farm Bill through 2007.

CCC purchases declined slightly in MY 2000–01 from the previous year as the milk supply tightened. Milk production began to rebound late in 2001 and has continued to increase throughout the first 9 months of 2002. With milk production growth of about 3 percent nationally and demand slightly declining (based on January–July commercial disappearance), a surplus has been generated resulting in increased CCC purchases particularly for NFDM.

Commercial disappearance data reported for the first 6 months of 2002 showed essentially no change in fluid milk products or cheese. Commercial disappearance of butter was up 1.7 percent; NFDM was down 30.7 percent.

Commercial disappearance is calculated by adding milk production, beginning commercial stocks, and imports. To that total, ending commercial stocks and net removals are subtracted. The residual (commercial disappearance) represents civilian and military purchases for domestic and foreign use. It excludes farm household use and USDA donations. Most of the data used to calculate commercial disappearance is estimated and can be affected by inaccuracies in estimation, but it is still used as a gauge of the national demand situation.❖

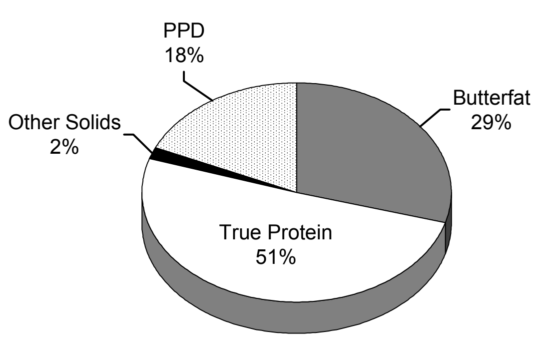
CCC Purchases of Dairy Products Under the Support Program, 1991–2002*

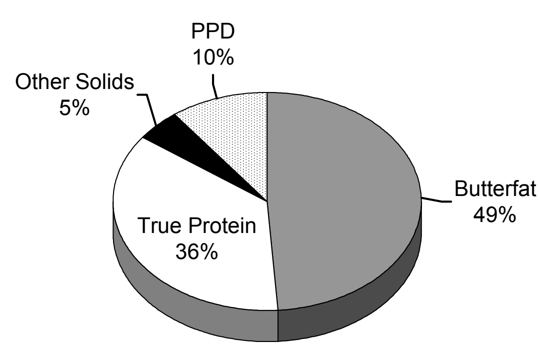
MY# Ending	Butter	Cheese	NFDM	Milk Equivalent
	(million pounds)			
1991	442.8	76.9	269.5	6,539.7
1992	403.5	56.3	9.4	4,156.2
1993	327.6	4.9	18.0	3,055.2
1994	168.6	0.0	50.8	1,841.1
1995	26.4	0.0	24.6	406.2
1996	0.0	0.0	0.0	0.0
1997	0.0	1.9	31.9	244.1
1998	0.0	0.0	121.3	857.6
1999	0.0	0.0	186.1	1,315.9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

* Does not include purchases under Dairy Export Incentive Program.
# Marketing year = October 1 through September 30.
Sources: Commodity Credit Corporation; Dairy Market News.

Composition of Total Gross Payment*

	September 2002				September 2001			
	Test percent	Pounds	Price per pound	Gross dollars	Test percent	Pounds	Price per pound	Gross dollars
Butterfat	3.62	3,620 x	1.0099 =	$3,655.84	3.61	3,610 x	2.4449 =	$8,826.09
True protein	3.06	3,060 x	2.0646 =	6,317.68	2.99	2,990 x	2.1647 =	6,472.45
Other solids	5.67	5,670 x	0.0367 =	208.09	5.67	5,670 x	0.1520 =	861.84
PPD		1,000 cwt	2.28	2,280.00		1,000 cwt	1.86	1,860.00
Total gross payment				$12,461.61				$18,020.38
Gross price per cwt				$12.46				$18.02





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

MARKET SITUATION

Comparison of Average Component Tests

Average component tests for the Northeast Order are announced each month with the statistical uniform price announcement on or before the 13th of the month. The average is calculated by dividing the total pounds of components in the pool (butterfat, protein, other solids) by the total volume of milk pooled.

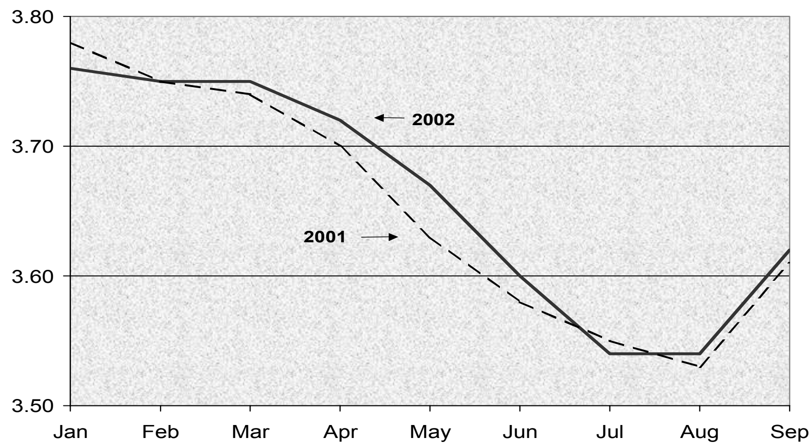
The accompanying graphs compare average component tests for the first 3 quarters of 2001 and 2002. The three graphs show that each component generally follows a typical seasonal pattern for the particular component each year.

Butterfat averaged 3.66 percent for the three-quarter period in 2002, compared with 3.65 percent in 2001. Butterfat tests tend to vary more than the other components, ranging as much as 0.25 percentage points from high to low, as seen in 2001. As depicted in the graph, butterfat tests are higher during the cooler months and decline in the warmer months. Overall, milk production tends to decline in hotter months, but the proportion of butterfat in the milk declines even more as evidenced by the lower average test.

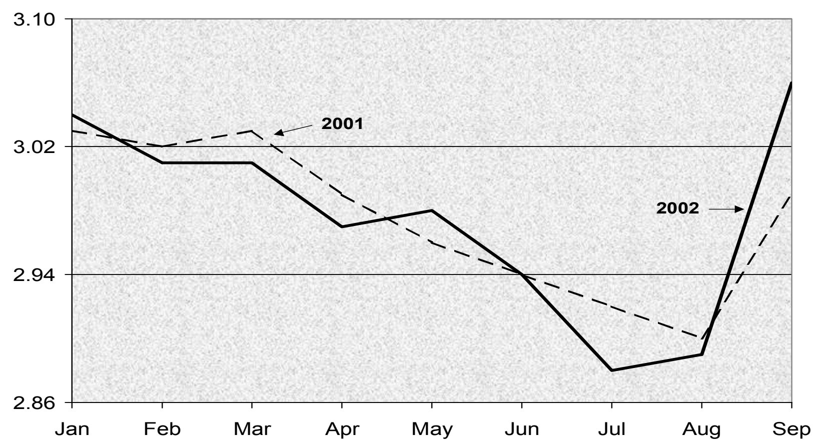
Protein averaged 2.98 percent for the first 3 quarters during both 2001 and 2002. Protein tests varied more this year, ranging 0.18 percentage points from a high of 3.06 percent in September to a low of 2.88 percent in July. The range from highest average monthly test to lowest has tended to increase during the past 2 years. Protein tests follow a similar pattern as butterfat, higher in the cooler months and lower in warmer weather.

The average other solids test for the three-quarter period has increased during the past 2 years: 5.69 percent in 2001 and 5.72 percent in 2002. The spread from lowest to highest other solids test has tightened in the past 2 years and shows that there is much less seasonal variation in the proportion of other solids in milk.❖

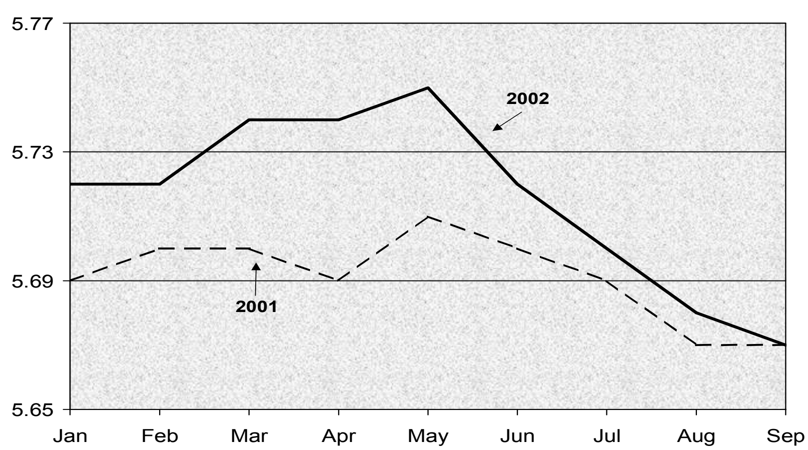
Average Butterfat Test of Producer Receipts, January–September, 2001–2002



Average Protein Test of Producer Receipts, January–September, 2001–2002



Average Other Solids Test of Producer Receipts, January–September, 2001–2002



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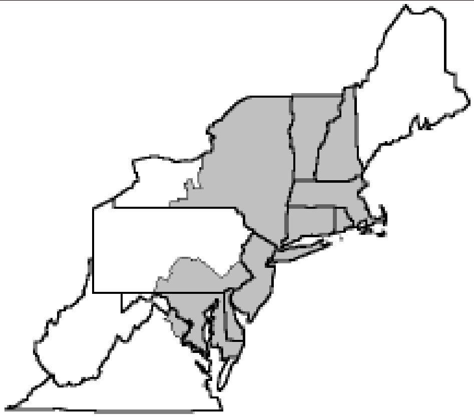
Computation of Producer Price Differential and Statistical Uniform Price

		Product Pounds	Price per cwt/lb	Component Value	Total Value
Class I—	Skim	873,705,798	$10.17	88,855,879.66	
	Butterfat	18,067,238	1.1130	20,108,835.89	
Less:	Location Adjustment to Handlers			(2,636,568.66)	$106,328,146.94
Class II—	Butterfat	25,865,758	1.0169	26,302,889.28	
	Nonfat Solids	32,043,715	0.8467	27,131,413.52	53,434,302.80
Class III–	Butterfat	19,366,857	1.0099	19,558,588.86	
	Protein	17,936,118	2.0646	37,030,909.21	
	Other Solids	31,060,315	0.0367	1,139,913.55	57,729,411.62
Class IV–	Butterfat	6,414,423	1.0099	6,477,925.77	
	Nonfat Solids	8,738,714	0.7696	6,725,314.29	13,203,240.06
Total Classified Value					**$230,695,101.42**
Add:	Overage—All Classes				102,972.20
	Inventory Reclassification—All Classes				(73,538.70)
	Other Source Receipts	80,364			2,732.37
Less:	Producer Component Valuations				(195,980,042.64)
	Subtotal				**$34,747,224.65**
Add:	Location Adjustment to Producers				8,930,059.64
	One-half Unobligated Balance—Producer Settlement Fund				1,170,485.69
Total Pool Milk & Aggregate Value		1,926,174,080			44,847,769.98
Less:	Producer Settlement Fund—Reserve				(931,001.02)
Producer Price Differential @ *Suffolk County, MA (Boston)*			**$2.28**		43,916,768.96
Statistical Uniform Price @ *Suffolk County, MA (Boston)*			**$12.20**		

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



The Market Administrator's BULLETIN

NORTHEAST MARKETING AREA

Erik F. Rasmussen, Market Administrator

October 2002 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

October Pool Price Calculation

The October 2002 statistical uniform price for the Northeast Marketing Area was announced at $12.40 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 $1.68 per hundredweight.

The October statistical uniform price was 20 cents per hundredweight above September's price. The October PPD was 60 cents below the previous month's. All class prices increased except the Class I price, which declined 31 cents. These changes caused a decrease in the spread between the Class I, II, and IV prices and the Class III price, which resulted in a lower PPD.❖

Referendum on Revised Class III and IV Price Formulas

A referendum is currently in progress that allows dairy farmers who ship milk to handlers regulated under the Northeast Marketing Area an opportunity to express their approval or disapproval of an amended Northeast Marketing Order. The amended Order incorporates specific revisions in the Class III and Class IV price formulas. As in all federal order referendums, this referendum is on the entire provisions of the Northeast Marketing Order. The referendum concludes on November 25, 2002.

Background

The USDA issued a final decision November 7, 2002, concluding a federal order proceeding initiated by a mandate from congress to review the pricing formulas following implementation of Federal Order Reform in January 2000. A public hearing was held in May 2000 to consider proposals to change the formulas. Effective January 1, 2001, USDA issued revised formulas that were enjoined by a U.S. District Court at the end of January. In October 2001, following the court injunction, USDA issued a recommended decision again altering the pricing formulas. This final decision makes several minor changes to the previously recommended decision.

Impact

Estimated impacts of the changes to the Class III and IV formulas are based on an economic model for the period 2003 through 2007. This

(continued on page 2)

Pool Summary

- A total of 16,554 producers were pooled under the Order with an average daily delivery per producer of 3,845 pounds.
- Pooled milk receipts totaled 1.974 billion pounds, a decrease of 0.8 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 48.5 percent of total milk receipts, an increase of 2.2 percentage points from September.
- The average butterfat test of producer receipts was 3.74 percent.
- The average true protein test of producer receipts was 3.05 percent.
- The average other solids test of producer receipts was 5.67 percent.❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	48.5	957,171,128
Class II	20.0	393,925,644
Class III	26.9	531,787,162
Class IV	4.6	90,690,880
Total Pooled Milk		1,973,574,814

Producer Component Prices

	2002	2001
	$/lb	
Protein Price	2.1839	2.6664
Butterfat Price	1.0726	1.6526
Other Solids Price	0.0755	0.1482

Class Price Factors

	2002	2001
	$/cwt	
Class I	13.40	19.18
Class II	11.12	13.53
Class III	10.72	14.60
Class IV	10.50	12.77

Promotion News

National Dairy Board

The USDA recently named six new members and reappointed six incumbents to the National Dairy Promotion and Research Board. All will serve 3-year terms from November 1, 2002, through October 31, 2005.

In the Northeast, Rita P. Kennedy from Valencia, PA, (region 11); Audrey G. Donahoe from Frankfort, NY, (region 12); and Claude J. Bourbeau from St. Albans, VT, (region 13) were reappointed.

Processor Promotion Board

The USDA is seeking nominations for the National Fluid Milk Processor Promotion Board. Seven individuals will be appointed to serve 3-year terms beginning July 2003.

Of the Board's 20 members, 15 represent geographic regions and five are at-large members. The at-large members must include at least three fluid milk processors and at least one member from the general public. Nominees for all five regional positions and one of the at-large positions must be active owners or employees of a fluid milk processor. Nominees for one at-large position may be active owners or employees of a fluid milk processor or from the general public.

Locally, region 3 (Delaware, Maryland, Pennsylvania, Virginia, and District of Columbia) is one of the regions with an opening.

For nominating forms and procedures, contact David R. Jamison, Chief, Promotion and Research Branch, Dairy Programs, AMS, USDA, Stop 0233, Room 2958-S, 1400 Independence Ave., SW, Washington, DC 20250-0233; telephone (202) 720-6909; fax (202) 720-0285; or email at david.jamison2@usda.gov.❖

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 with dairy products produced on or after November 15, 2002. The CCC purchase price for butter will increase 19.52 cents to $1.05 per pound; the price for NFDM will decrease 10 cents to $0.80 per pound. There are no changes to the purchase prices for block or barrel cheese.

The Farm Security and Rural Investment Act of 2002 (2002 Farm Bill) extended the Milk Price Support Program to December 31, 2007, at the support price of $9.90 per hundredweight for milk with a 3.67 percent butterfat content. The CCC supports the price of milk by purchasing cheese, butter, and NFDM at its announced prices. To help the CCC manage accumulated inventories and control costs from these purchases, the USDA is permitted to adjust the balance between purchase prices up to two times per calendar year.

During the past 2 years, no butter has been purchased, but the CCC has accumulated large supplies of NFDM, well above USDA's ability to use the product, resulting in large taxpayer expenditures, growing storage costs, and widening market distortions. The price adjustment is intended to bring into balance the CCC prices for butter and NFDM with their respective market prices. In addition to the price adjustment, USDA has recently taken several initiatives to reduce the NFDM inventory.❖

Referendum Formulas *(continued from page 1)*

model employs long-run projections for the agricultural sector and includes a national, annual projection of the supply-demand-price situation for milk. The estimated impacts indicate that the formula changes would increase prices for protein and reduce prices for butterfat and nonfat solids. This results in higher Class III prices and lower Class I, II, and IV prices.

Changes in the national supply-demand situation for milk during the 2003–2007 forecast period could result in variations in the estimated impacts of the proposed formula changes in either a positive or negative direction.

<u>Producers</u>–Average farm milk (blend) prices for the United States are projected to be nearly unchanged. Farm cash receipts in federal order areas are projected to increase by an annual average of $47.2 million during the 2003 through 2007 period. Minimum blend prices are projected to increase by 1 percent (13 cents per hundredweight) or less in eight of the eleven federal orders, while declines of 5-cents per hundredweight are projected for the three orders in the southeastern United States. The estimated impact for producers pooled on the Northeast Marketing Order is a 3-cents per hundredweight increase in the minimum blend price for the 2003–2007 period.

<u>Milk Manufacturers and Processors</u>–Combined annual average effects projected for 2003–2007 are Class II and IV prices about 1 percent lower, Class I prices virtually unchanged, and Class III prices up about 2 percent.

<u>Consumers</u>–A projected 1-cent per hundredweight decrease in the minimum Class I price for the 2003-2007 period results in an average $0.001 decrease in the price per gallon of fluid milk for consumers. The price for manufactured dairy products is estimated to increase by an average of $0.004 per pound of butter and $0.001 per pound for cheese.

Additional Information

For additional information, see USDA's website: http://www.ams.usda.gov/dairy/hearing-III_IV.htm. Copies of the Federal Register version of the final decision are available at USDA's website or can be mailed at no cost to producers by calling the Market Administrator's Albany, NY, office at (518) 452-4410.❖

MARKET SITUATION

MILC Payments

Farmers have been receiving Milk Income Loss Contract Program (MILC) payments since October 15. Nationwide, payments for the period of December 2001 to September 2002 have totaled almost $612 million as of November 12, 2002. Of that total, $157 million, or roughly 25 percent, has been paid to Farmers in Northeast states.

New York led Northeast states with payments received totaling $63 million, followed by Pennsylvania at $50 million and Vermont with $15 million. The accompanying table shows payments for states in the Northeast.

Wisconsin is leading all states nationwide with farmers receiving a total $131 million in payments, roughly 21 percent of the national total. New York's $63 million total ranked second. Minnesota and Pennsylvania ranked third and fourth, respectively, with approximately $50 million in payments received so far.

MILC Payments Through November 12, 2002

State	Total Payments
Connecticut	$2,112,574
Delaware	64,970
Maine	3,883,583
Maryland	6,617,016
Massachusetts	2,468,418
New Hampshire	1,789,456
New Jersey	1,385,263
New York	63,095,637
Pennsylvania	49,603,046
Rhode Island	106,506
Vermont	15,316,092
Virginia	10,613,792
Northeast States Total	$157,056,353
National Total	611,526,294

Source: USDA, Farm Service Agency

MILC payments occur in months when the price of Class I milk in Boston, under the Northeast Milk Marketing Order, falls below $16.94 per hundredweight. Payment rates will be 45 percent of the difference between $16.94 and the Boston Class I price for that month. Dairy operations will not receive a payment for months during which the Class I price in Boston is $16.94 or higher. A MILC program calculator that estimates the upcoming months payment is provided at www.fmmone.com.

For more information and requirements, or to sign up for the program, dairy producers should visit their local USDA Farm Service Agency offices. The MILC program runs through September 30, 2005.❖

Pool Summary for All Federal Orders, January–September, 2001-2002

Federal Order		Total Producer Milk			Producer Price Differential#		Statistical Uniform Price#*	
Number	Name	2001	2002	Change	2001	2002	2001	2002
		pounds		percent	dollars per hundredweight			
1	Northeast	18,554,681,621	19,322,345,208	4.1	2.61	2.22	15.89	12.74
5	Appalachian	5,066,783,928	5,112,940,426	0.9	N/A	N/A	16.49	13.32
6	Florida	2,098,038,790	2,034,564,817	-3.0	N/A	N/A	17.92	14.74
7	Southeast	5,800,639,481	6,125,994,893	5.6	N/A	N/A	16.30	13.09
30	Upper Midwest	14,679,502,763	15,228,859,638	3.7	0.67	0.56	13.95	11.08
32	Central	13,436,078,788	13,896,212,378	3.4	1.10	0.87	14.38	11.39
33	Mideast	12,797,248,083	13,585,145,897	6.2	1.47	1.17	14.75	11.69
124	Pacific Northwest	5,301,239,339	5,903,184,675	11.4	1.29	0.85	14.57	11.37
126	Southwest	6,391,088,812	7,388,219,451	15.6	2.39	1.99	15.67	12.51
131	Arizona-Las Vegas	2,240,593,579	2,293,673,412	2.4	N/A	N/A	14.71	11.59
135	Western	3,465,737,893	4,199,261,561	21.2	1.00	0.70	14.27	11.26
All Market Total/Average		89,831,633,077	95,090,402,356	5.9	1.50	1.19	15.35	12.25

Price at designated order location. * Price at 3.5% butterfat.

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

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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	937,515,446	$10.16	95,251,569.31	
Butterfat	19,655,682	1.0260	20,166,729.73	
Less: Location Adjustment to Handlers			(2,882,938.95)	$112,535,360.12
Class II— Butterfat	27,824,437	1.0796	30,039,262.15	
Nonfat Solids	33,179,695	0.8456	28,056,750.02	58,096,012.17
Class III– Butterfat	19,408,084	1.0726	20,817,110.95	
Protein	16,200,374	2.1839	35,379,996.78	
Other Solids	30,136,752	0.0755	2,275,324.75	58,472,432.48
Class IV– Butterfat	7,037,228	1.0726	7,548,130.79	
Nonfat Solids	7,587,693	0.7765	5,891,843.65	13,439,974.44
Total Classified Value				**$242,543,779.21**
Add: Overage—All Classes				125,015.07
Inventory Reclassification—All Classes				118,623.15
Other Source Receipts	403,570			9,312.47
Less: Producer Component Valuations				(219,069,270.28)
Subtotal				**$23,727,459.62**
Add: Location Adjustment to Producers				9,175,516.72
One-half Unobligated Balance—Producer Settlement Fund				1,164,663.04
Total Pool Milk & Aggregate Value	1,973,978,384			34,067,639.38
Less: Producer Settlement Fund—Reserve				(904,802.60)
Producer Price Differential @ *Suffolk County, MA (Boston)*		**$1.68**		33,162,836.78
Statistical Uniform Price @ *Suffolk County, MA (Boston)*		**$12.40**		

* 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 2002 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

November Pool Price Calculation

The November 2002 statistical uniform price (SUP) for the Northeast Marketing Area was announced at $12.31 per hundredweight for milk delivered to plants located in Suffolk County, Massachusetts (Boston), the pricing point for the Northeast Order. The statistical uniform price is calculated at 3.5 percent butterfat, 2.99 percent protein, and 5.69 percent other solids. The November producer price differential (PPD) at Suffolk County was $2.47 per hundredweight.

The November statistical uniform price was 9 cents per hundredweight below October's price while the November PPD was 79 cents above the previous month's. The lower SUP, despite a higher PPD, was caused by the 88-cent decline in the Class III price for November. All other class prices were higher.❖

Payment Dates to Producers

The calendar below shows the dates for partial and final payments to producers that are not members of cooperatives. According to sections 1001.73(a)(1) and (2) of the Order, payment must be made so that it is received by a producer no later than the date shown. The table dates vary due to weekends and national holidays. Note that cooperatives are not required to follow this schedule.❖

Required Producer Payments Under the Northeast Order

Month Milk Produced	Payment Due: Partial Day	Partial Date	Final Day	Final Date
January	Monday	1/27/03	Wednesday	2/19/03
February	Wednesday	2/26/03	Tuesday	3/18/03
March	Wednesday	3/26/03	Thursday	4/17/03
April	Monday	4/28/03	Monday	5/19/03
May	Tuesday	5/27/03	Tuesday	6/17/03
June	Thursday	6/26/03	Thursday	7/17/03
July	Monday	7/28/03	Tuesday	8/19/03
August	Tuesday	8/26/03	Wednesday	9/17/03
September	Friday	9/26/03	Friday	10/17/03
October	Monday	10/27/03	Tuesday	11/18/03
November	Wednesday	11/26/03	Wednesday	12/17/03
December	Friday	12/26/03	Tuesday	1/20/04

Pool Summary

- A total of 16,531 producers were pooled under the Order with an average daily delivery per producer of 3,974 pounds.
- Pooled milk receipts totaled 1.971 billion pounds, an increase of 3.2 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 47.2 percent of total milk receipts, a decrease of 1.3 percentage points from October.
- The average butterfat test of producer receipts was 3.82 percent.
- The average true protein test of producer receipts was 3.08 percent.
- The average other solids test of producer receipts was 5.68 percent.❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	47.2	930,134,165
Class II	17.4	341,847,676
Class III	29.6	583,512,163
Class IV	5.8	115,349,123
Total Pooled Milk		1,970,843,127

Producer Component Prices

	2002	2001
	$/lb	
Protein Price	1.8469	1.8045
Butterfat Price	1.0923	1.4500
Other Solids Price	0.0850	0.1470

Class Price Factors

	2002	2001
	$/cwt	
Class I	13.85	19.01
Class II	11.26	12.78
Class III	9.84	11.31
Class IV	10.58	11.97

Regional Dairy Outlook Conference Held

The 2002 Northeast Regional Dairy Outlook Conference was held November 19 at the Northeast Marketing Area's Albany office. The annual conference brings together economists and statisticians from the Northeast's market administrator offices, state and federal agricultural statistical services, university extension offices, and cooperatives to review regional production and price statistics for the past year and develop projections for the upcoming year. The Northeast region includes Delaware, Maryland, New England (Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, and Vermont), New Jersey, New York, and Pennsylvania.

Crop Situation

The consensus of the group was that erratic weather conditions during the 2002 growing season had a negative impact on the crop situation in the Northeast. Abnormally hot temperatures in April followed by a cold May delayed planting. Some early harvests were good, but both quality and quantity varied throughout the region.

Nationally, the situation is similar with lower crop yields and poorer quality than last year. It is expected that feed concentrate prices will be higher through 2003.

Production Estimates

Due to the poorer feed situation and depressed milk prices during 2002, milk production in 2003 is projected to grow at a slower rate than during 2002. Nationally, milk production is expected to finish the 2002-year with a 2.7 percent gain while the Northeast is estimating a 1.9 percent increase. For 2003, U.S. milk production is projected to increase 1.1 percent; the Northeast is expected to grow 0.4 percent. These increases are largely due to increases in milk production per cow, as the number of milk cows is expected to decline both nationally and in the Northeast.

Price Forecasts

As milk production tightens, it is expected that milk prices will begin to recover, but probably not until the second half of 2003 (see table). The statistical uniform price is predicted to average about $12.65 per hundredweight for 2002. This is down dramatically from the 2001 average of $15.67 per hundredweight. Based on a tighter milk supply, the conference participants estimated that prices will increase about 4.5 percent during 2003 to an annual average of $13.25 per hundredweight. Prices are reported at Suffolk County, MA (Boston); delivery to other locations would cause a variation in the price.

Northeast Milk Marketing Area Statistical Uniform Prices, 2001—2003*

Month	2001 Actual	2002 Actual and **Estimated**	**2003 Estimated**
	dollars per hundredweight		
January	13.76	13.81	**12.39**
February	13.62	13.48	**12.45**
March	14.50	13.05	**12.59**
April	15.24	12.94	**12.70**
May	16.32	12.63	**12.85**
June	17.08	12.38	**13.01**
July	17.21	12.05	**13.43**
August	17.53	12.16	**13.70**
September	17.76	12.20	**13.92**
October	16.04	12.40	**14.11**
November	15.28	12.31	**14.03**
December	13.72	**12.35**	**13.79**
Average	15.67	**12.65**	**13.25**

* Estimated prices for December 2002 and all of 2003. All estimates are subject to change. Prices are reported at Suffolk County, Massachusetts (Boston).

Most participants projected that the Class III price will be the mover for Class I prices for a majority of the year. This projection is based on the adoption of the amended Class III and IV prices taking effect sometime during the early part of 2003 and the recently implemented adjustments to the CCC support program purchase prices.

Dairy prices seem to be in a lingering recession. During much of the 1998-2001 period, demand was extremely strong. The events of September 11, 2001, hit restaurants hard, affecting the demand for high-fat products such as butter and cream. Even the demand for pizza, which has grown consistently for many years, has slowed. These factors combined with above average milk production have resulted in the current low prices.❖

2002 Census of Agriculture

USDA's National Agricultural Statistics Service (NASS) will be conducting the 2002 Census of Agriculture. Farmers and ranchers will begin to receive census forms in late December to collect data for the 2002 calendar year. Everyone who receives a census form is required by law to return it, even those who did not operate a farm or ranch in 2002. Completed forms are to be returned by February 3, 2003. Results from the 2002 Census of Agriculture will be released on February 3, 2004.

The census asks basic questions about land use and ownership, crop acreage and quantities harvested, livestock and poultry inventories, value of crops and livestock sold, and farm operator characteristics. Among other things, new questions will ask about multiple operators per farm, certified organic acreage, production contracts, computer and Internet use, grain storage capacity, and farm labor.

For census purposes, a farm is any place from which $1,000 more of agricultural products were produced and sold, or normally would have been sold, during the census year. NASS has provided a toll-free number (1-888-4AG-STAT) for producers who need help completing their forms. Farmers and ranchers who do not receive a census report form by the end of January 2003 can call the toll-free number to ensure they are counted.❖

MARKET SITUATION

"Tanker Load Per Day" Farms by State

During May 2002 (verified payroll data), there were 63 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 136 million pounds (6.0 percent of the total pool) on the Order in May 2002. In May 2001, 53 farms marketed at least 1.5 million pounds of milk per month on the Northeast Order totaling 110 million pounds (5.0 percent of the total pool). See table.

Milk by State and Farm Size, May 2001 and 2002

	Pooled				Farms Marketing 1.5 Million Lbs. Or More On Northeast Order			
	2002		2001		2002		2001	
State/Area	No. of Farms	Million Pounds	No. of Farms	Million Pounds	No. of Farms	Million Pounds	No. of Farms	Million Pounds
ME	438	57	464	56	0	0	0	0
VT	1,473	241	1,508	232	6	10	6	10
Other New England[1/]	641	98	650	98	2	3	2	3
NJ	143	20	146	19	0	0	0	0
NY	6,459	923	6,386	860	40	85	32	65
PA	6,563	733	6,451	684	9	21	5	10
Other Inside Area[2/]	872	139	880	138	2	5	2	5
ID,MN,WI	475	64	826	99	4	12	6	17
Other Outside Area[3/]	57	7	62	8	0	0	0	0
Total	17,121	2,282	17,373	2,194	63	136	53	110

1/ Includes CT, NH, RI, and MA.
2/ Includes DE, MD, VA.
3/ Includes MI, ND, NV, SD, UT, and WV.

These 63 farms in May 2002 represented 0.4 percent of the 17,121 farms pooled on the Northeast Order. As a comparison, 82 percent of farms pooled on the Northeast Order marketed between 30,000 and 249,999 pounds of milk during both May 2001 and 2002.

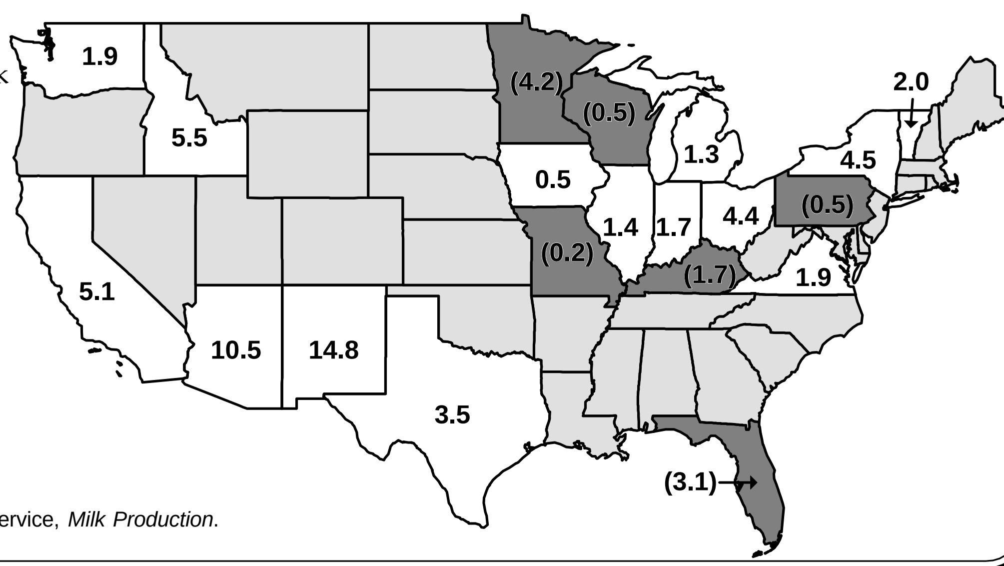
The greatest number of "large" farms pooled on the Order operate farms in New York. They total 40 farms, marketing a combined 84.9 million pounds. This is an increase from 32 farms in May 2001. Wyoming County, New York, is home to seven of these farms, more than any other county in the Order and up from six in May 2001.

Of all the farm-size ranges, the largest number of farms (3,774) pooled on the Northeast Order fall into the 70,000 and 99,999 pounds category. This total represents 22.0 percent of all farms pooled on the Order. Those farms pooling between 100,000 and 149,999 pounds in the month represented the largest volume of milk pooled by size range. These farms pooled 382 million pounds, or 16.7 percent of the total May 2002 Northeast pool.

Farms marketing less than 100,000 pounds of milk per month declined by 493 farms from May 2001 to May 2002, while the number of farms marketing 100,000 pounds of milk or more increased by 241 farms during the same period.❖

January–October 2002 Milk Production in the Top 20 Milk Producing States
(% Change from 2001)

- In total, the top 20 states' milk production is up 2.7 percent from 2001.
- Estimated total U.S. milk production is up 2.8 percent from last year.
- The Northeast Region's milk production is up about 2.1 percent.



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

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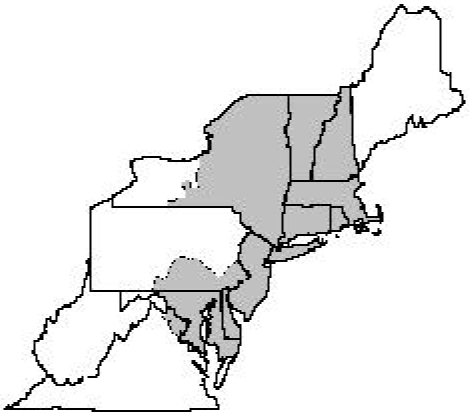
Computation of Producer Price Differential and Statistical Uniform Price

		Product Pounds	Price per cwt/lb	Component Value	Total Value
Class I—	Skim	910,041,792	$10.45	95,099,367.26	
	Butterfat	20,092,373	1.0748	21,595,282.50	
Less:	Location Adjustment to Handlers			(2,776,896.43)	$113,917,753.34
Class II—	Butterfat	26,312,017	1.0993	28,924,800.28	
	Nonfat Solids	28,746,437	0.8533	24,529,334.68	53,454,134.96
Class III–	Butterfat	21,254,680	1.0923	23,216,486.96	
	Protein	17,931,417	1.8469	33,117,534.04	
	Other Solids	33,165,225	0.0850	2,819,044.29	59,153,065.29
Class IV–	Butterfat	7,675,246	1.0923	8,383,673.39	
	Nonfat Solids	9,822,610	0.7777	7,639,043.80	16,022,717.19
Total Classified Value					**$242,547,670.78**
Add:	Overage—All Classes				115,668.16
	Inventory Reclassification—All Classes				(4,776.88)
	Other Source Receipts	205,509			7,579.34
Less:	Producer Component Valuations				(203,794,843.41)
	Subtotal				**$38,871,297.99**
Add:	Location Adjustment to Producers				9,323,483.66
	One-half Unobligated Balance—Producer Settlement Fund				1,360,877.92
Total Pool Milk & Aggregate Value		1,971,048,636			49,555,659.57
Less:	Producer Settlement Fund—Reserve				(870,758.24)
Producer Price Differential @ *Suffolk County, MA (Boston)*			**$2.47**		48,684,901.33
Statistical Uniform Price @ *Suffolk County, MA (Boston)*			**$12.31**		

* 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 2002 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

December Pool Price Calculation

The December 2002 statistical uniform price (SUP) for the Northeast Marketing Area was announced at $12.24 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 December producer price differential (PPD) at Suffolk County was $2.50 per hundredweight.

The December statistical uniform price was 7 cents per hundredweight below November's price while the December PPD was 3 cents above the previous month's. Even though all class prices (except the Class II price) declined from the previous month, the increase in the butterfat price combined with a strong butterfat test helped offset the overall price decline.❖

Producer Structure in Federal Milk Orders

The Market Information Branch of USDA Dairy Programs released a report summarizing the structure of producers (dairy farmers) delivering milk to federal orders using federal order data from 2001. During 2001, on average, handlers regulated under federal milk orders received milk from slightly more than 66,400 dairy farmers. The volume of milk receipts from these producers totaled about 120 billion pounds, or about 73 percent of all milk marketed in the United States. Producers associated with the Northeast Order during 2001 would have accounted for about 25 percent of all producers nationwide that were associated with a federal milk order.

In May 2001, the average volume of milk receipts for all federal order producers was 161,316 pounds, roughly equivalent to the milk production of 101 cows. This average production volume was 71 percent larger than the average volume marketed by dairy farmers 11 years ago and more than 2.4 times greater than the average for dairy farmers 21 years ago. On a state basis in May 2001, the average volume of milk receipts per producer ranged from 84,785 pounds in Kentucky to 2,768,222 pounds in New Mexico. The state with the largest average number of milk cows per farm was New Mexico, which had 1,480 cows; the state with the lowest average was Rhode Island, with 64 cows.

This report can be accessed at the Dairy Programs website at www.ams.usda.gov/dyfmos/mib/prod_struc_2001.pdf or by contacting the Market Information branch at (202) 720-7461.❖

Pool Summary

- A total of 16,565 producers were pooled under the Order with an average daily delivery per producer of 4,073 pounds.
- Pooled milk receipts totaled 2.092 billion pounds, an increase of 2.7 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 44.6 percent of total milk receipts, a decrease of 2.6 percentage points from November.
- The average butterfat test of producer receipts was 3.82 percent.
- The average true protein test of producer receipts was 3.06 percent.
- The average other solids test of producer receipts was 5.68 percent.❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	44.6	933,101,052
Class II	15.9	333,211,461
Class III	30.6	639,719,481
Class IV	8.9	185,632,053
Total Pooled Milk		2,091,664,047

Producer Component Prices

	2002	2001
	$/lb	
Protein Price	1.7506	1.9782
Butterfat Price	1.1922	1.4322
Other Solids Price	0.0584	0.1517

Class Price Factors

	2002	2001
	$/cwt	
Class I	13.77	15.23
Class II	11.62	12.61
Class III	9.74	11.80
Class IV	10.49	11.79

Intermarket Movements Compared

During September, October, and November 2002, a net volume of 20.3 million pounds in bulk milk was shipped out of the Northeast Order. In 2001, a net 55.2 million pounds was shipped into Order No. 1, while a net 41.3 million pounds was shipped out of the Order during the same period in 2000 (see accompanying 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 shipped into the Northeast from other federal orders mainly comes from Orders No. 5, 30, and 33.

Intermarket Movements of Milk, September–November, 2000–02

	2000		2001		2002	
	Receipts	Shipments	Receipts	Shipments	Receipts	Shipments
	million pounds					
Sep.	20.8	44.8	19.3	20.9	17.7	23.2
Oct.	26.0	37.3	36.6	17.0	17.4	26.6
Nov.	23.3	29.3	45.2	8.0	20.1	25.7
Total	70.1	111.4	101.1	45.9	55.2	75.5
Net		41.3		(55.2)		20.3

In the fall months of 2002, monthly shipments *from* other federal orders ranged from 17.4 to 20.1 million pounds. Monthly shipments *to* other orders ranged from 23.2 to 26.6 million pounds. During the same months in 2001, monthly shipments were more erratic. Milk received in Order No. 1 ranged from 19.3 to 45.2 million pounds, while shipments to other federal orders during the same months in 2002 ranged from 8 to 20.9 million pounds. During 2000, shipments into the Order were similar to 2002, only ranging about 5 million pounds; however, shipments out of the Order ranged nearly 26 million pounds during the 3-month period.

For the months compared, F.O. 5 accounted for the largest volume of milk sent to the Northeast Order, followed by F.O. 33. During all comparison periods, the largest volume sent from the Northeast Order went to F.O. 6. From September–November 2002, F.O. 33 received the next largest volume; during 2001, the second largest receiver was F.O. 7; and F.O. 30 received the second largest volume during 2000.

The availability of milk in the Northeast Order and the availability / demand for milk in the other regions affects the volume of milk moved to and from the Northeast Order.❖

Class I Sales Decline in 2002

Sales of fluid milk products in the Northeast Milk Marketing Area totaled 9.4 billion pounds during 2002, down nearly 1 percent from 2001. From 2000 to 2001, sales were statistically unchanged. On a per capita basis, sales in the marketing area declined 1.5 percent in 2002. The accompanying table shows sales by type of product for 2001 and 2002.

Whole milk sales declined 1.7 percent, the largest drop for the products reported. Fat free (skim milk) sales showed the next largest decline. Sales of low fat (1% milk) products increased at a greater rate than in 2001. Sales of flavored milk and drinks and the combined sales of buttermilk and eggnog grew, but at much lesser rates than during 2001.

On a per capita basis, the only product categories to show increases were lowfat and flavored milk and drinks. Sales of whole, reduced, and fat free milk all declined on a per capita basis. Combined sales of buttermilk and eggnog were unchanged.

The Northeast Marketing Area includes the entire states of Connecticut, Delaware, Massachusetts, New Hampshire, New Jersey, Rhode Island, and Vermont; the District of Columbia; most of Maryland and New York; and portions of Pennsylvania and Virginia. This area includes many metropolitan centers such as New York City, Boston, Philadelphia, Washington, DC, and Baltimore. The total estimated population for the marketing area was about 51.3 million people based on the 2000 Census. Projected growth was 0.7 percent annually for 2001 and 2002.❖

Sales of Fluid Milk Products in the Northeast Milk Marketing Area, 2001 and 2002

	Total In-area Sales		2001-02	Per Capita Sales	
	2001	2002	change	2001	2002
Product	million pounds		percent	pounds	
Whole Milk	3,819.1	3,754.9	(1.7)	73.8	72.1
Reduced Fat – 2%	2,014.6	1,992.2	(1.1)	38.9	38.3
Lowfat – 1%	1,559.8	1,579.5	1.3	30.2	30.3
FatFree	1,478.9	1,455.2	(1.6)	28.6	27.9
Flavored Milk and Drinks	530.5	539.7	1.7	10.3	10.4
Buttermilk/Eggnog	55.4	57.8	4.2	1.1	1.1
Total	9,458.4	9,379.1	(0.8)	182.9	180.1

MARKET SITUATION

2002 Northeast Order Statistics Summarized

During 2002, the volume of milk received from producers shipping to handlers regulated under the Northeast Order totaled 25.4 billion pounds, an increase of 3.3 percent from last year. The average number of producers declined 1.7 percent from 2001, while average daily deliveries per producer (DDP) increased 5.1 percent. The accompanying table compares selected pool statistics for 2001 and 2002.

Class Utilization Changes

Class I utilization averaged 42.2 percent in 2002, down 1.1 percentage points from the previous year. As in 2001, the total volume of milk used in Class I increased, but because of a larger volume of producer milk receipts, the percentage declined. Class II usage increased 7.5 percent resulting in a utilization increase of 0.7 percentage points. Class III volume increased slightly (1.4 percent), but based on the larger total volume resulted in a 0.6 percentage-point decline. Milk used in Class IV jumped 15.6 percent on a volume basis, but only 1.0 percentage points in overall utilization.

Lower Prices

Strong milk production in many of the leading dairy states during most of 2002, combined with a decline in demand, resulted in considerably lower prices throughout most of the year. Prices began to tumble during the fall of 2001, most likely impacted by the fallout of the September 11 attacks that affected nearly every industry. As consumers stayed closer to home, restaurants—a big dairy product user—suffered. Dairy product surpluses began to build, especially as milk production recovered, and prices plummeted.

Overall, the statistical uniform price (blend) reported at Suffolk County, Massachusetts (Boston), averaged $12.64 per hundredweight in 2002. This was down 19.3 percent from the previous year. The Class I price, which is based on advance product price data for the prior month, dropped 18.6 percent from 2001. Class II, III, and IV annual average prices were all down about 21 percent from the previous year. Once again, the Class IV price was the primary mover of Class I prices, exceeding the Class III price in 9 months during 2002.

Component Pricing

The average price paid per pound to producers for butterfat declined 35.5 percent in 2002. The per-pound annual average protein price actually increased 1 cent from the previous year, while the annual average other solids price dropped. The protein price increase was not due to an increase in the commodity cheese prices (reported by the National Agricultural Statistics Service) as they declined 17 percent from 2001. Rather, the change is due to how the butterfat value is incorporated in the protein price formula. Average producer component tests were relatively unchanged. As a result, the drop in component prices equated to a 17.8 percent decline in the total producer component value for 2002.

Northeast Order Pool Statistics, 2001 and 2002

Pool Statistics	2001	2002	2001-02 Change
	million pounds		percent
Class I	10,642.1	10,694.8	0.5
Class II	4,101.5	4,408.0	7.5
Class III	7,680.2	7,790.1	1.4
Class IV	2,133.4	2,465.5	15.6
Total	24,557.2	25,358.4	3.3
	pounds		
DDP	3,918	4,117	5.1
	utilization percentage		change
Class I	43.3	42.2	(1.1)
Class II	16.7	17.4	0.7
Class III	31.3	30.7	(0.6)
Class IV	8.7	9.7	1.0
	dollars/cwt		percent
Class I	17.52	14.26	(18.6)
Class II	14.53	11.55	(20.5)
Class III	13.10	10.42	(20.5)
Class IV	13.76	10.81	(21.4)
SUP	15.67	12.64	(19.3)

Producer Changes

The decline in the simple average number of producers was greater this year than last. In addition, 2002 finished the year with 376 producers less than at the end of 2001, which was down 172 from the previous year. The average DDP grew 5.1 percent from 2001, signaling a continued trend toward a smaller number of larger farms.❖

Filing Dates: Northeast Hearing

The transcript and exhibits relative to the Hearing to Consider Proposals to Make Various Changes to the Northeast Order, held September 10-13, 2002, have been posted on the USDA/Dairy Programs website at www.ams.usda.gov/dairy/ne_hear.htm.

Briefs, Proposed Findings of Fact, Conclusions and Order should be filed by January 31, 2003.❖

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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	912,880,198	$10.24	93,478,932.28	
	Butterfat	20,220,854	1.1107	21,802,124.78	
Less:	Location Adjustment to Handlers			(2,786,475.00)	$113,151,759.88
Class II—	Butterfat	25,456,399	1.1992	30,527,313.65	
	Nonfat Solids	27,996,692	0.8544	23,920,373.66	54,447,687.31
Class III–	Butterfat	23,303,157	1.1922	27,782,023.79	
	Protein	19,521,544	1.7506	34,174,414.90	
	Other Solids	36,338,271	0.0584	2,122,155.05	64,078,593.74
Class IV–	Butterfat	10,824,116	1.1922	12,904,511.09	
	Nonfat Solids	15,955,941	0.7282	11,619,116.26	24,523,627.35
Total Classified Value					**$256,201,668.28**
Add:	Overage—All Classes				47,184.77
	Inventory Reclassification—All Classes				97,191.95
	Other Source Receipts	68,964			2,979.24
Less:	Producer Component Valuations				(214,121,841.42)
	Subtotal				**$42,227,182.82**
Add:	Location Adjustment to Producers				10,059,322.74
	One-half Unobligated Balance—Producer Settlement Fund				1,045,545.66
Total Pool Milk & Aggregate Value		2,091,733,011			53,332,051.22
Less:	Producer Settlement Fund—Reserve				(1,038,725.96)
Producer Price Differential @ *Suffolk County, MA (Boston)*			**$2.50**		52,293,325.26
Statistical Uniform Price @ *Suffolk County, MA (Boston)*			**$12.24**		

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